

# Freeport Public Schools

235 North Ocean Avenue • Freeport, New York 11520 • 516-867-5200



**Idowu Ogundipe**  
Assistant Superintendent  
for Business

e-mail address:  
iogundipe@freeportschools.org

Phone (516) 867-5212  
Fax (516) 623-1286

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New York State Education Department  
Office of Audit Services  
89 Washington Avenue  
Room 524 EB  
Albany, NY 12234

To Whom it May Concern:

Below, please find the Freeport Public Schools' response to the findings and recommendations of the 2022-2023 External Audit. The audit was conducted by Cullen & Danowski, LLP.

The Freeport Public Schools hereby submits a Corrective Action Plan for the 2022-2023 Management Letter. Management's response required under Section 170.12 of the Regulations of the Commissioner of Education for these recommendations is as follows:

## Recommendation #1

### Unassigned Fund Balance - General Fund

New York State Real Property Tax Law (RPTL) §1318 limits a school district's general fund unassigned fund balance to an amount not greater than 4% of the ensuing year's budget.

We noted that the District's unassigned fund balance as of June 30, 2022 is in excess of the 4% limit established by New York State Real Property Tax Law (RPTL) §1318.

We recommend that the District continue to monitor its plan for utilizing and reducing the General Fund's unassigned fund balance.

## Response

*Although the District has been able to reduce the unassigned fund balance for four of the past seven years, including during the 2022-2023 fiscal year; we believe the 4% limit should be reevaluated and increased by the State. We are a high needs school district largely dependent on State Aid. The impact of on-going increase in our unaccompanied minors, ENL and Special Needs students could cost the District millions. We need to maintain fiscal and educational solvency for multiple years despite the uncertainties described and the unpredictability of State Aid from year to year, the limit of the 4%*

*seems unrealistic and not practical. We have and will always continue to monitor the District's unassigned fund balance to ensure we are able to continue to provide a quality education for our students not only now but also in future years. The District has been gradually working toward lowering the unassigned fund balance and has implemented the above recommendation, June 30, 2023 financial statement reflects reduction.*

## **Recommendation #2**

### **School Food Service Fund**

The District's school food service program serves lunches to students and District employees. Except for free and reduced-price lunches that are served to eligible students, meals are sold at a set price under normal circumstances. Due to the COVID-19 pandemic, the Federal and state governments have allowed school districts to provide free meals to all students regardless of their income eligibility for the 2020-2021 and 2021-2022 school years. The District receives reimbursements from the Federal and state governments based on the number of student meals served. Federal Regulation, 7CFR Part 210.14b, limits the net cash resources within the school food service fund to an amount that does not exceed three months average expenditures. We noted that the District's school food service fund ended the 2022-2023 fiscal year with a surplus from operations; as a result, its fund balance continues to be in excess of the three-months-average-expenditures threshold.

We recommend that the District develop a plan to utilize the school food service fund's fund balance in order to lower it to a level that will comply with Federal Regulation, 7CFR Part 210.14b.

## **Response**

*As recommended, the District developed a plan in accordance with Federal Regulation, 7CFR Part 210.1.14. This plan was submitted to the NYS Education Department – Office of Child Nutrition on December 1, 2021. The District has been executing the submitted plan, we have updated several kitchen appliances, in addition to updating line servers in three schools. Many of these updates occurred in the summer after the fiscal period ended; therefore, the decrease in fund balance will be seen in 2023-24 fiscal year. Additionally, dining tables and chairs replacement is the process of being ordered for three schools. The remaining aspects of the excess fund balance spending plan will be reflected in the 2023-24 fiscal period.*



### **Recommendation #3**

#### **Extra classroom Activities Fund – Financial Inactivity**

The extra-classroom activity funds are the depository of student money. The New York State Education Department publishes the Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds. These guidelines recommend procedures for organizing these activities, controlling receipts and disbursements, as well as recording and reporting transactions.

During our audit, we noted several High School and Middle School student clubs/activities have had no financial transactions during the 2020-2021 and 2021-2022 school years.

We recommend that the District review the status of these student clubs/activities with the building principals to determine whether or not these clubs are still active. Inactive clubs should be closed and any remaining cash balances transferred or disbursed to another student activity or activities.

### **Response**

*The District currently has a procedure in place for verifying clubs and student activities at the start of every school year. The clubs with inactive activities are closed and any remaining cash balance transferred or disbursed to another student activity or activities. The district reviewed as recommended, clubs/activities were re-evaluated, and the inactive ones closed; except for those club/activities with written submission to be restarted. This was completed on October 12, 2023.*

### **Recommendation #4**

#### **Unexpended Capital Project Balance**

The District provides funding for resources needed for the acquisition and construction of capital facilities throughout the District by means of annual budgetary appropriations or through financing methods approved by the taxpayers, such as long-term debt or capital reserves; these projects are accounted for in the Capital Projects Fund. Upon completion of the capital projects, any unexpended balances should be returned to the General Fund if the projects were originally funded by budgetary appropriations or capital reserves, or transferred to the Debt Service Fund if the projects were financed by debt, to be used towards future debt service payments. We noted that the District's capital projects fund has a number of capital projects which appear to be completed; those capital projects, some of which were financed by bond borrowings, have had no expenditures for several years and have unexpended balances. Some projects also appeared to have negative balances. We recommend that the District review its capital projects currently reflected in the supplementary Schedule of Project Expenditures and Financing Resources – Capital Projects Fund of the annual financial statements, to identify the completed projects and transfer the unexpended balances to the General Fund, the capital reserves, or the Debt Service Fund accordingly.



## **Response**

*As recommended, the Assistant Superintendent for Business is already in the process of confirming the balances in the unexpended capital project balance, bond authorizations, transfer to capital authorization, and capital reserve use authorizations. The balances would be used for applicable authorized project(s), where applicable transferred to debt service fund, and budgetary appropriation; after obtaining the Board of Education and/or voters' approval where necessary. This would be done by the Assistant Superintendent for Business in conjunction with Director of Facilities, this will reflect in 2023-24 fiscal period.*

## **Recommendation #5**

### **Intangible Assets Capitalization and Recognition Thresholds**

The District has implemented the new accounting pronouncement issued by the Governmental Accounting Standards Board (GASB), Statement No. 87, Leases (GASB 87) during the 2021-2022 fiscal year, and Statement No. 96, Subscription-Based Information Technology Arrangements (GASB 96) during the 2022-2023 fiscal year as required. GASB 87 established new accounting and financial reporting standards for long-term leases of nonfinancial assets and the intangible right to use lease assets. These lease assets are considered part of the District's capital assets inventory and whose principal values are amortized over the term of the lease agreements or until the leased assets are returned to the lessors. Similarly, GASB 96 requires governmental entities with applicable long-term IT arrangements to report an intangible right-to-use subscription asset, and include the intangible asset in the District's capital assets inventory. Draft - Management Comments Letter Freeport Union Free School District For the Year Ended June 30, 2023 - 4 - The District has a Board-approved policy, Policy No. 5620, for the accounting and tracking of fixed assets inventories with an established capitalization threshold for capitalizing and depreciating its capital assets; however, the policy does not address intangible assets. We recommend that the District update its current capital assets policy to include intangible assets, including the right-to-use lease assets and subscription assets. The District may consider adopting a higher but reasonable threshold for the recognition and disclosure of intangible assets resulting from leases and subscription arrangements, in order to provide some operational efficiency and relief.

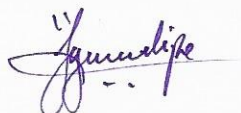
## **Response**

*The district, through the Assistant Superintendent for Business, has established records and procedures for recognizing and recording intangible assets. The records were used in the implementation of the new accounting pronouncement issued by the Governmental Accounting Standards Board (GASB), Statement No. 87, Leases (GASB 87) during the 2021-2022 fiscal year, and Statement No. 96, Subscription-Based Information Technology Arrangements (GASB 96) during the 2022-2023 fiscal year as*

*required. The district is in the process of reviewing her capital assets policy No. 5620 to determine the inclusion of intangible assets, including the right-to-use lease assets and subscription assets. The Administration and Board of Education will complete this during the next annual policy review.*

Very truly yours,

Idowu Ogundipe, CPA  
Assistant Superintendent for Business



cc: Kishore Kuncham, Ed.D.  
Superintendent of Schools