

October 2, 2017

CONFIDENTIALThe Board of Education
Rockville Centre Union Free School District

Dear Board Members:

We have audited the financial statements of Rockville Centre Union Free School District (the District) for the year ended June 30, 2017, and have issued our report thereon dated October 2, 2017. Considering the test character of our audit, you will appreciate that reliance must be placed on adequate methods of internal control as your principal safeguard against irregularities which a test examination may not disclose. We now present for your consideration our comment and recommendation based upon observations made during our audit.

This report is intended solely for the information and use of the Board, management and others within the District.

GASB Statement No. 75 - "Accounting and Financial
Reporting for Postemployment Benefits Other Than Pensions"

This Statement establishes new accounting and financial reporting requirements for governments whose employees are provided with Postemployment Benefits Other Than Pensions (OPEB). This Statement is effective for the District's fiscal year ending June 30, 2018.

This Statement, if effective for the year ended June 30, 2017, would have resulted in the District having a OPEB significant impact on the government-wide Statement of Net Position. This change has no effect on the fund financial statements.

This change requires a new OPEB actuary study and report to be issued prior to June 30, 2018. An update to that report is allowed the following year however, a new study and report is required every two years.

Investments

For several years the District has invested in only three companies' stocks. This has made the District face significant credit risk due to a lack of diversity in stocks. Currently 99% of the investments are invested in two stocks, IBM Corp. and Exxon Mobil Corp.

In order to be in compliance with state statutes, the District cannot disburse more funds than earned through interest and dividends. We recommend that the District diversify into other investments that can maintain the current cash flow while diversifying and reducing credit and market risk.

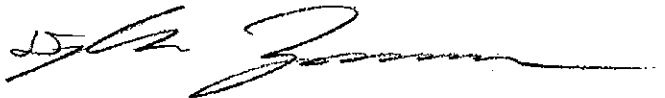
Additionally, because the original source of the investment principal is from a bequest, the investment is governed under state statute EPTL §11-2.2 "Power to Invest." We recommend that the District work with their attorneys to research and assure that the District is in compliance with state investment laws.

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We wish to take this opportunity to express our appreciation for the courtesy and cooperation extended to us by the District's personnel during our audit. If you have any questions regarding the foregoing comment or wish any assistance in its implementation, please contact us at your convenience.

Very truly yours,

EFPR GROUP, CPAs, PLLC



Douglas E. Zimmerman, CPA
Partner
Chief Operating Officer

Rockville Centre Union Free School District

CORRECTIVE ACTION PLAN

To: William H. Johnson, Ed.D., Superintendent of Schools
Board of Education Rockville Centre UFSD

From: Robert Bartels

Subject: Corrective Action Plan for Management Letter Comments related to
Financial Statements for the year ended June 30, 2017

Date: January 15, 2018

The Management Letter submitted by EFPR GROUP, CPAs contained comments and recommendations based upon observations made during their audit. These recommendations have been thoroughly reviewed and responses and corrective actions identified as necessary. Each of those responses and corrective actions is listed in detail below following the audit findings as they were presented in the report. Numbers have been assigned to each of the recommendations to assist in future discussions and reports on the status of these findings and corrective actions. It should be noted that the auditors did not identify any material weaknesses. It should also be noted that while all of the audit recommendations would add additional controls, there will always be additional controls to be recommended. Each recommendation has been reviewed and responded to as deemed appropriate by the business office.

GASB Statement No 75 – “Accounting and Financial Reporting for Postemployment Benefits Other than Pensions”

1. Recommendation

GASB Statement No. 75 is effective for the district’s fiscal year ending June 30, 2018 and requires a new OPEB actuary study and report to be issued prior to June 30, 2018.

Response

Agreed. The Assistant to the Assistant Superintendent has been in contact with the District’s actuary and will request a new OPEB actuary study and report to be issued prior to June 30, 2018.

Person Responsible for Implementation:

Assistant to the Assistant Superintendent for Business.

Investments

2. Recommendation

The Board of Education oversees a scholarship, the Alfred E. Ives, Jr. Scholarship, which disburses annual interest and dividends to a graduating student over a four-year period. Since 99% of the investments are invested in two stocks, we recommend that the District diversify into other investments that can maintain the current cash flow while diversifying and reducing credit and market risk.

Response

Administration has and will continue to consult with legal counsel regarding the stock holdings in the above referenced scholarship fund. The District has been unable to determine a workable solution to the above recommendation since the revenue generated by the stock holdings has provided a substantial scholarship to a deserving student each year. The Assistant to the Assistant Superintendent will continue to monitor the scholarship activity.