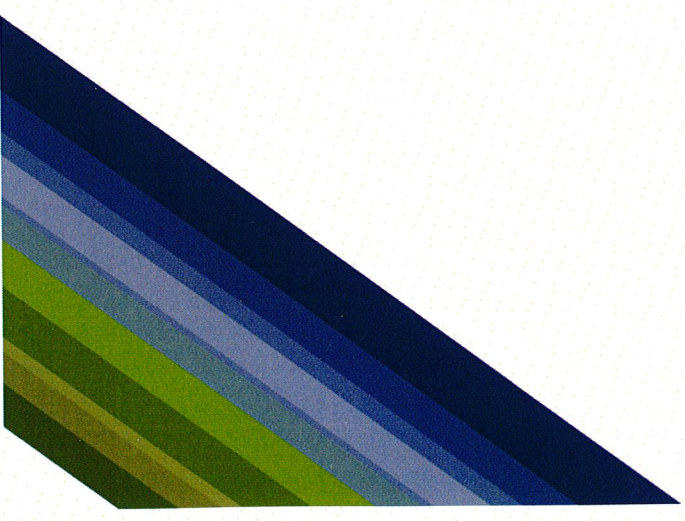


Frontier Central School District

# Audit Plan

JUNE 30, 2017





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June 15, 2017

Audit Committee Members  
Frontier Central School District  
Hamburg, New York

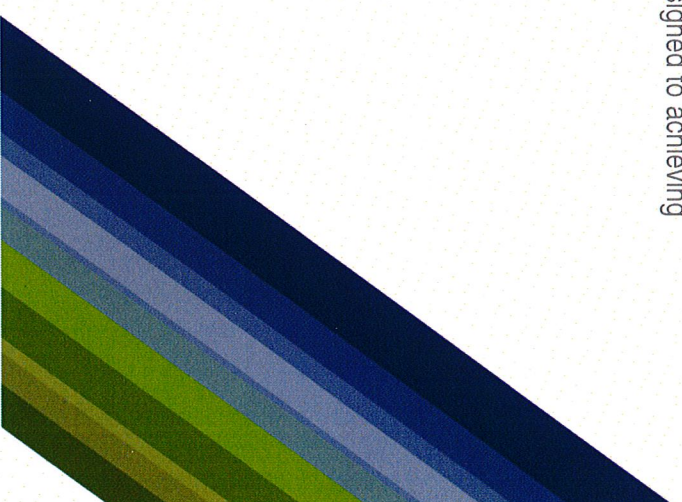
Dear Audit Committee Members:

We are pleased to present you with our audit plan for the fiscal year ending June 30, 2017, for the Frontier Central School District (the District). Our plan includes a summary of our mutual understanding and expectations between you and others within the District and Freed Maxick CPAs, P.C., an analysis of key audit risks, our audit strategy and responses to identified audit risks, the reporting and audit timetable and other matters of relevance to the Audit Committee Members. Discussion of our plan with you ensures our Freed Maxick engagement team members fully understand your concerns and that we agree on mutual needs and expectations to provide the highest level of service quality. We believe our approach is designed to achieving those outcomes.

If you have any questions regarding this plan please contact Kathryn Barrett at (585) 344-1967.

*Freed Maxick CPAs, P.C.*

Freed Maxick CPAs, P.C.

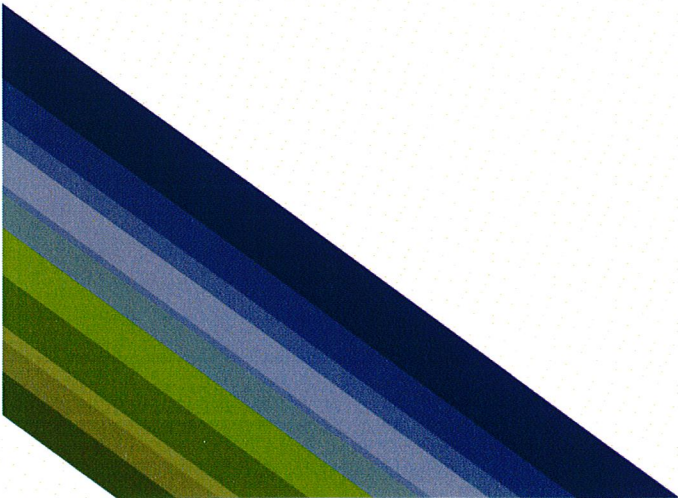




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## Engagement Management Team

The following individuals have been assigned to lead and manage the District's audit engagement for 2017. All are available to management and the Audit Committee Members at any time.

Name	Role	Email	Telephone
Kathryn Barrett, CPA <i>Engagement Director</i>	Engagement relationship coordination and oversight of audit services	kathryn.barrett@freedmaxick.com	(585) 344-1967
Laura Landers, MPA, CPA <i>Technical Director</i>	Technical Director	laura.landars@freedmaxick.com	(585) 344-1967
Nicole Ryan, CPA <i>Single Audit Manager</i>	Day-to-day supervision of the compliance audit of federally funded programs	nicole.ryan@freedmaxick.com	(585) 344-1967
Kristen Rutkowski <i>Engagement Supervisor</i>	Day-to-day supervision of the audit fieldwork	kristen.rutkowski@freedmaxick.com	(716) 847-2651



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## Understanding Your Needs and Expectations

To provide an effective and efficient audit, we wish to discuss and agree with the District on our mutual needs and expectations. A summary of our understanding of what has been agreed to is set out below:

Needs and Expectations		Freed Maxick Response	
<i>Maintain consistency of directors, managers and supervisors on the District's service team and meet reporting deadlines</i>		We strive to maintain top management consistency. Any significant changes would be discussed with the District. As a result, management will have multiple points of consistent Freed Maxick contact with whom they can communicate. Further, we will continue to use formal and regular face-to-face communications with management and the audit team to ensure all reporting deadlines are met.	
<i>Avoid surprises. Communicate accounting and auditing issues on a timely basis and work with management to ensure appropriate resolution</i>		We will continue to notify management as audit issues are identified and will continue to hold update meetings throughout fieldwork. Upon completion of our procedures, we will conduct a formal exit conference with management to discuss our findings and results.	
<i>Upfront planning and coordination; early concurrence on key estimates and judgments; tests of internal controls and compliance tests in accordance with the Single Audit Act performed at interim to reduce burden on year-end fieldwork</i>		We have proposed a detailed audit timetable that has been discussed with and agreed to by management. This timetable lays out timing during which these key activities will occur.	
<i>Timely resolution to issues and responses to questions; empowered, responsive engagement team who are readily accessible</i>		Our core engagement management team has been structured to allow for proactive, timely responsiveness and service. We work closely with all local resources and decision makers to ensure timely resolution to issues that arise.	



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## Reporting Timetable

### Reporting/deliverables:

Your Freed Maxick team works on the engagement throughout the year to provide the District with timely, responsive service. Below are the dates that have been scheduled for the audit fieldwork and dates you can expect our audit reports and related deliverables.

Audit Stage	Completed by:
Detailed audit plan and list of schedules to be prepared by the District	April 2017
Fieldwork – Interim (including tests of internal controls) – Year-end (to be completed no later than)	June 1-2, 2017 August 21-25, 2017
Issuance of draft reports (to be completed no later than)	September 22, 2017
Issuance of final financial statements including required communications to the Audit Committee and the Board of Education (to be completed no later than)	October 15, 2017 JLN
Presentation to the Board of Education	To Be Determined

9/25  
10/25



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## Audit Objectives

Our audit of the District is directed toward delivering assurance to three key stakeholders:

**For the Board of Ed.**

Independent audit opinions and other reports that add credibility to financial information released by the District.

**For Audit Committee**

Assistance to District's Audit Committee Members discharging their governance and compliance responsibilities.

**For Management**

Observations and advice on financial reporting and business issues from senior professionals who have in-depth understanding of your organization and industry. We also share experience on industry best practice issues.



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## Developments Affecting Your Business & Financial Reporting

Based upon discussions with management, and our understanding of the District, we have identified the following recent developments affecting your operations and our audit approach. Our audit strategy has been developed to give consideration to the impact of these factors on your financial accounting and reporting environment.

### ORGANIZATIONAL DEVELOPMENTS

- Refinanced 2009 bonds and issued new debt.
- New Capital project approved May 2017.
- Settled all contracts in the current year.
- Balance of and use of reserve funds, including funding of newly authorized capital reserve.
- Consideration should be given to penetration and vulnerability testing of information systems. ←
- Risk management activities / internal control efforts.
- Decrease in Teacher Retirement System (TRS) discount rate for fiscal year ending June 30, 2017.

### FINANCIAL REPORTING AND AUDITING DEVELOPMENTS

- Chapter 514 of the Laws of New York - 2016 – effective July 1, 2017. School districts must:
  - Include in the property tax report card a schedule of reserve funds setting forth the name of each reserve fund, a description of its purpose, the balance at the close of the third quarter of the current school year and a brief statement explaining the plans for the use of each reserve fund for the ensuing fiscal year.
  - Post on its website:
    1. The external audit report and any corrective action plan prepared in response to any audit findings contained in the external audit report or management letter or any final audit report issued by the State Comptroller.
    2. A final annual budget and any multi-year financial plan adopted by the Board of Education.



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## Developments Affecting Your Business & Financial Reporting (continued)

- GASB Statement No. 77, *Tax Abatement Disclosures* (effective for June 30, 2017)
- GASB Statement No. 82, *Pension Issues* an Amendment of GASB Statements No. 67, No. 68 and No. 73 (effective for June 30, 2017)
- GASB Statement No. 75, *Accounting and Financial Reporting for Post Employment Benefits other than Pensions* (effective for June 30, 2018) *Not yet FASB do-fall*
- GASB Statement No. 85, *Omnibus* (effective June 30, 2018, early application is encouraged)
- GASB Statement No. 84, *Fiduciary Activities* (effective June 30, 2020, early application is encouraged)

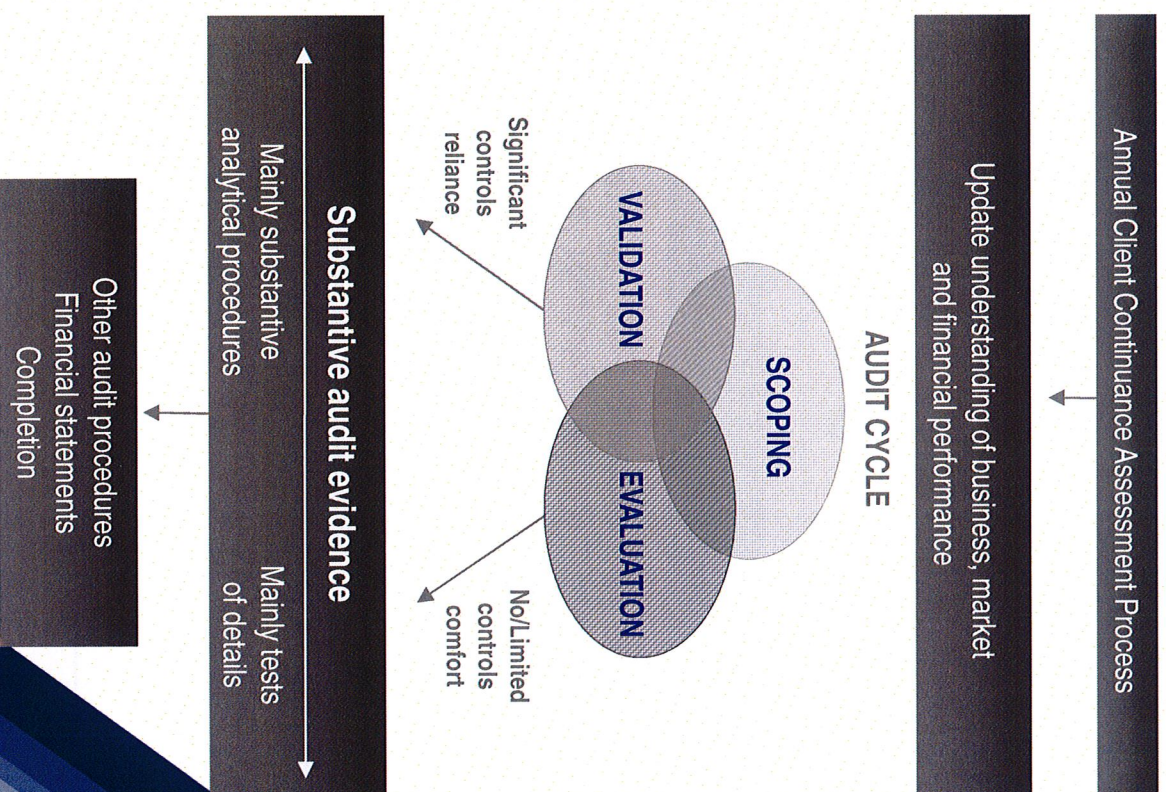


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## Audit Strategy Overview

The Freed Maxick audit process is based on the following principles and practices:

- A thorough and detailed understanding of your organization and its risks;
- Gathering much of our audit evidence through a process of inquiry, observation and testing which evaluates how your internal controls address the risks identified and whether assertions about control effectiveness can be supported by verifiable evidence (i.e. documentation, re-performance, etc.);
- Periodically evaluating our progress to date and assessing the extent to which we need to further support the audit work done with additional substantive audit procedures and evidence;
- Communicate regularly with management to avoid surprises, resolve identified issues and share best practices.





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## Audit Risk Assessment & Approach

Based on the Freed Maxick engagement team's prior experience with the District, review of the prior years financial statements and audit work papers, and experience with other districts, we have identified the following risk areas that will require particular attention during the course of our audit of the District:

Audit Risk Areas		Audit Approach	
<i>Financial statement presentation and disclosures</i>		Review accounting and disclosures for appropriateness, transparency and consistency with the District's policies and industry guidance.	
<i>Cash and investments</i>		Confirm balances. Test reconciliations. Review collateral. Review contracts and agreements for accounting and disclosure implications.	
<i>Accounts receivable, sales tax receivable and Federal and State aid receivable</i>		Obtain understanding of management's estimation process. Perform substantive testing of significant accounts receivable. Perform analytical procedures.	
<i>Land, construction work-in-progress, buildings, improvements and vehicles and equipment</i>		Verify significant additions, significant deletions and construction work-in-process. Review for reasonableness of depreciation expense and other related costs. Review for potential impairments.	



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## Audit Risk Assessment & Approach (continued)

Audit Risk Areas		Audit Approach
<i>Due to retirement systems</i>		Obtain understanding of management's estimation process. Perform substantive tests of the accrued liability and related expense. Perform census data testing, as deemed necessary, and analytical procedures. We will obtain GASB 68 information from the retirement systems specific to the District and ensure pension liabilities, deferred outflows of resources and deferred inflow of resources are properly stated.
<i>Debt structure and covenants including accrued interest payable, bond anticipation notes payable, capital leases and serial bonds payable</i>		Obtain understanding of debt structure. Review transactions recorded for advance refunding of 2009 bond and issuance of new bonds in the current year. Obtain debt amortization schedules. Trace and agree amounts from amortization schedules to current year's expenditures. Recalculate interest expenditure for reasonableness.
<i>OPEB liability</i>		We will obtain the most recent actuary report, review actuarial assumptions for reasonableness and perform census data testing as deemed necessary. We will ensure that long-term <u>OPEB liabilities are properly stated.</u>
<i>Fund balances</i>		Determine opening balances are properly stated. Examine documentation for any direct adjustments to equity accounts. Review all resolutions related to establishment of restricted, committed, and assigned fund balances and current year contributions. Examine transfers to and expenditures from restricted, committed, or assigned fund balances for appropriateness. Review District's spending policy for restricted, committed, and assigned fund balances.



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## Audit Risk Assessment & Approach (continued)

Audit Risk Areas		Audit Approach
Revenues		Confirm major revenue sources. Review budgeted and actual results for significant fluctuations. Perform analytical procedures.
Expenditures		Document and test controls over a sample of disbursements in order to verify that the District is complying with their procurement policy. Test for bidding or competitive quotations, and verify purchases and payments are properly authorized. Review budgeted and actual results for significant fluctuations. Perform analytical procedures.
Salaries / benefits accruals including compensated absences and other post-employment benefits		Document and test controls over a sample of payroll transactions including compliance with the District's hiring policies, verify payroll transactions are supported by contracts or approved timecards and verify payroll registers are reviewed and approved by supervisory personnel. Perform analytical procedures.



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## Audit Risk Assessment & Approach (continued)

Audit Risk Areas		Audit Approach
<i>Interfund transfers in and out</i>		Determine accounts are in balance and no unusual entries were recorded. Evaluate substance of transactions, as well as, appropriateness of classification and disclosure in the financial statements.
<i>Litigation and compliance matters</i>		Confirm understanding of legal and compliance matters through inquiry and legal confirmation letters from legal council and review of Board minutes. Review compliance programs and results.
<i>Fraud</i>		Identify balances, transactions and other elements susceptible to fraud. Assess risk and gauge management's awareness and responses to identified risks. Test, as appropriate, journal entries, source documentation and other transactions for indicators of fraud. Include in audit planning an element of "surprise" in our audit substantive testing plan (i.e. testing of random transactions, small balances, etc.).