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October 13, 2026

CONFIDENTIAL

The Board of Education
Newburgh Enlarged City School District

Dear Board Members:

We have completed our audit of the financial statements of the Newburgh Enlarged City School District (the District) for the year ended June 30, 2026. Considering the test character of our audit, you will appreciate that reliance must be placed on adequate methods of internal controls as your principal safeguard against irregularities which a test examination might not disclose. We now present for your consideration our comments and recommendations based upon observations made during the audit.

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

Excess Net Cash Resources - School Lunch Fund

During our audit, we noted that the District's net cash resources, defined as fund balance by the New York State Education Department (NYSED), in the School Lunch Fund were greater than three months of average operating expenditures as of June 30, 2026. Federal regulations require District's to limit their net cash resources to an amount that does not exceed three months of average operating expenditures. NYSED monitors compliance with this requirement through annual reviews of the District's financial information. As a result of the excess net cash resources, the District is required to create and implement a spending plan to ensure that the excess net cash resources are spent by June 30, 2027. The plan is required to be maintained by the District and made readily available upon request. We recommend that the District create and implement a spending plan which takes into account the excess net cash resources as of June 30, 2026, as well as any additional excess revenue over expenditures that may occur in the coming year, to ensure compliance as of and for the year ending June 30, 2027.

Status of Prior Year Recommendations

We reviewed the disposition of the recommendations included in our letter dated October 15, 2025. The following is a summary of the actions taken by the District with regard to our recommendations.

Fund Balances - Previously, we noted that the General Fund fund balance did not roll forward by $5 million in the 2025 fiscal year due to $1 million related to a legal settlement being booked directly to the liability reserve, and a $6 million transfer to the Capital Projects Fund being booked directly to capital reserve instead of being recorded in the Transfers to Capital Projects Fund account. This issue is considered unresolved as General Fund fund balance did not roll forward by $1 million in the 2026 fiscal year. Additionally, Library Fund fund balance did not roll forward by $301,000 and Miscellaneous Special Revenue fund balance did not roll forward by $538,000. We recommend that management post all audit adjusting entries and reconcile fund balances to the closing fund balances reported in the financial statements each year.

Extraclassroom Activity Funds - Previously, we noted that several disbursements in the extraclassroom activity funds were not signed and approved by the student treasurers. We recommend that the District consistently follow the procedures they have in place to ensure that the student treasurers sign and approve the disbursements of the extraclassroom activity funds. We also noted one instance where a disbursement was posted to the wrong account. We recommended that the District consistently follow the procedures they have in place to ensure disbursements are booked to the proper account. This comment is considered resolved.

Special Aid Fund Balance - Previously, when we were first provided the revenue and expenditure reports for the Special Aid Fund, it was noted that the revenue and expenditures did not agree by approximately $18 million. We recommended that management review the Special Aid Fund on a regular basis to ensure that they are in balance, and all necessary adjustments were made. This comment is considered resolved.

Interfund Activity - Previously, we noted that interfund receivables and payables, as well as interfund transfers in and out, did not agree at year-end. Throughout the year these accounts should be reconciled to ensure that they net to zero. When an interfund transfer in is recorded in one fund, a corresponding interfund transfer out should be recorded for the same amount in the corresponding fund. We recommended that a monthly reconciliation be performed in order to ensure these accounts match and properly net to zero. This comment is considered resolved.

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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 during the audit. If you have any questions regarding the foregoing comments or wish any assistance in their implementation, please contact us at your convenience.

Very truly yours,

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