

**Audit Committee Meeting  
Monday, September 16, 2024  
Roy C. Ketcham HS - Library**

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PRESENT: John S. Morgan, Chair; Virgil Capollari; Keith Odums (arrived 5:42 p.m.);  
Michael McFarland (ex-officio); Christine Silva (community member)

Invited Guests: Alan Walther, The Bonadio Group  
Ms. Dainty, Assistant Superintendent of Finance and Business Development  
Ms. Pedro, District Clerk

There was no one from the community present.

1.) Welcome

WELCOME

The meeting was called to order by Chair Morgan at 5:32 p.m.

2.) Appointment of public members to the Audit Committee

APPOINTMENT OF  
PUBLIC MEMBERS

The Committee received a letter of interest from Christine Silva. Ms. Silva has participated as a community member on the Audit Committee for the last four years.

Mr. McFarland nominated Christine Silva to serve as a public member on the Audit Committee, seconded by Virgil Capollari. Vote Taken.

Yes: John Morgan, Virgil Capollari, Michael McFarland.

Not Present: Keith Odums

Motion passed.

3.) Oath of Office

OATH OF OFFICE

District Clerk Pedro administered the Oath of Office to Christine Silva on this date, 9/16/24. Ms. Silva signed the oath book.

Chair Morgan introduced Mr. McFarland in his role as ex-officio member of the committee, and Mr. Capollari as a newly elected board member. Mr. Walther from the Bonadio Group was introduced and provided a brief explanation of the difference between the role of the external auditors (audit of financial

statements and federal dollars) and internal auditor (internal controls and processes).

4.) Mr. McFarland moved to approve the minutes dated June 5, 2024, seconded by Virgil Capollari. Vote Taken.

Yes: John Morgan, Virgil Capollari, Michael McFarland, Christine Silva.

Not Present: Keith Odums

Motion passed.

MINUTES

5.) Review the Draft of the 2023-2024 External Financial Statements

EXTERNAL  
FINANCIAL  
STATEMENTS

The Bonadio Group provided the following on the outcome of the 2023-2024 external audit:

*External Financial Statements*

An unmodified opinion is expected to be issued. This is the highest level of assurance that can be given. There were no material weaknesses in internal controls on the district's financial reporting..

A final version of the External Financial Statements will be provided to the Board at the 9/30/2024 Board of Education meeting. There will be a final Required Communications Letter.

The unreserved fund balance is in excess of the 4% NYS allowable limit (9.95% currently). There is a planned usage of fund balance. The Board recently created a reserve fund for TRS/ERS retirement funds. A Corrective Action Plan will be written and shared with the Audit Committee before going to the Board for approval in October.

Mr. Odums arrives at 5:42 p.m.

There were no new accounting practices in 2024. The audit determined that the estimates were reasonable. There are two sets of financial statements: government wide and fund level. Government wide is all funds of the school district. It is long term assets minus long term liabilities. Fund level is a one year look.

In the Statement of Net Position there is a net deficit of \$753.3 million (page 14). It is important to understand that this is the same situation as in years past when the district was made to recognize Other Post Employment Benefits (OPEB) in the calculation through

GASB 75. This deficit is an actuarial estimate driven by collective bargaining contracts. The State does not allow school districts to set aside funds for ERS/TRS pension benefits. Other Post-Employment Benefits is an actuary estimate of how much, in total, it costs for post employment benefits for retirees and current employees. These estimates of future OPEB are made using life expectancy data, and then those expenses are discounted back utilizing an assumed interest rate. The pension piece for ERS and TRS also picks up a share of the total liability.

The Statement of Activities is a look at the current assets and liabilities minus depreciation and debt payment and capital purchases. The Statement of Activities net position decreased \$16.8 million for 2024 (pg 15), primarily due to recalculation of OPEB by the actuary.

The District's unassigned fund balance this year (2023-2024) was \$32.7M, which is over the 4% limit set by the State. \$47.4M in the General Fund Fund Balance and a deficit in the Capital Projects fund balance of \$17.4M.

Mrs. Dainty shared that when the \$30M Capital Project long-term borrowing was done in August 2023, it became revenue and exposed the deficit. Capital projects done as short-term borrowings do not come in as revenue; therefore as capital expenditures are paid the fund balance is negative. The District is looking into the history of capital projects. Apparently, there was litigation in 2007 related to Capital Projects in 2001. The Capital Project fund balance began to go negative in 2007, 2008, and 2009. The District needs to review options to pay back the work that was put on referendum and not completed due to cost overruns.

The committee discussed the meaning and threshold of "material weaknesses." It was explained that material weakness would be if the controls of the school district were so weak that there was no confidence in the numbers or information being provided by the District. They calculate materiality and sampling from that as a guide. Cash expenditures are always a high risk.

There will be a new reporting requirement called GASB 101 for June 30, 2025, which is compensated absences. It is expected that the criteria has changed and may actually be softened.

The District had an excellent outcome, receiving the highest opinion available to schools – unmodified report. At the 9/30/2024 Board meeting, the Bonadio Group (Alan) will present the draft Financial Statements to the Board of Education. The financial statements are due to NYS by 10/15/2024. A Corrective Action Plan will be prepared by the District and provided to the Board for approval on the 10/15/2024 agenda. This will then be submitted to NYS well within the 120 day requirement.

Alan Walther, The Bonadio Group, left at 6:02 p.m.

Motion that the Financial Statements be recommended to the Board of Education made by Virgil Capollari, seconded by Michael McFarland. Vote taken.

Yes: John Morgan, Virgil Capollari, Keith Odums, Michael McFarland, Christine Silva.

Motion passed.

## CHARTER

6.) The Audit Committee Charter is Policy 6690-E. With the Board's recent creation of a TRS/ERS Reserve Fund, sample Reserve Fund policies from other school districts were reviewed. Chair Morgan discussed recommending that the Policy Committee review a new Reserve Fund policy, along with additional language in the Audit Committee Charter that would permit the Audit Committee to review two a year the status of reserve fund accounts.

Motion to request the Policy Committee add language to Policy 6690-E to add oversight and reporting of reserve funds to the Audit Committee Charter made by Keith Odums, seconded by Michael McFarland. Vote taken.

Yes: John Morgan, Virgil Capollari, Keith Odums, Michael McFarland, Christine Silva.

Motion passed.

## 7.) Review of RFP Professional Services Calendar

## RFP CALENDAR

The Committee reviewed the RFP Professional Services Calendar. It is provided for information purposes to ensure that the district is on track when issuing RFPs for professional services.

#### 8.) Review of Tracking Spreadsheet

#### TRACKING SPREADSHEET

The Committee reviewed 2023-2024 and 2024-2025 tracking spreadsheets. Ms. Dainty indicated that the Board will receive the June Financials at the second Board meeting in October. It is not until the school year is closed out and the audit has been completed that the financial reports are provided to the Board. The remaining outstanding reports to the Board will be caught up by the end of November 2024 (July-October) as has been the practice in past years.

#### 9.) Review Audit Committee Meeting Dates

#### MEETING DATES

The Committee reviewed the proposed meeting dates. The location of the meetings will be determined based on the board meetings, since the Audit Committee meets before scheduled board meeting dates.

The Audit Committee scheduled the following meeting dates:

- November 18, 2024 at 5:30 p.m.
- January 13, 2025 at 5:30 p.m. (snow date 1/27/25)
- June 2, 2025 at 5:30 p.m.

Mrs. Dainty indicated that the new external auditor will be EFPR. They came in with the lowest bid and good references.

#### 10.) Adjournment

#### ADJOURNMENT

Motion to adjourn made by John Morgan, seconded by Virgil Capollari. Vote taken.

Yes: John Morgan, Virgil Capollari, Keith Odums, Michael McFarland, Christine Silva.

Motion passed.

The meeting adjourned at 6:24 p.m.

Respectfully Submitted,

Alberta Pedro  
District Clerk