

Audit Committee Meeting
Tuesday, September 11, 2018
District Offices - Multipurpose Room

PRESENT: Mr. Galletta, Mr. Odums, Mrs. Kelland (ex-officio) - arrived 5:35 p.m.
NOT PRESENT: Linda Rappaport
Invited Guests: Alan Walther, Bonadio Group (left at 6:15 p.m.)
Ms. Crandall, Assistant Superintendent of Finance and Business Development
Ms. Pedro, District Clerk

There was no one from the public present.

The meeting was called to order by the District Clerk at 5:30 p.m. CALL TO ORDER

- 1.) Nomination and Appointment of Chair of Audit Committee NOMINATION AND APPOINTMENT OF CHAIR

The District Clerk conducted the nominations for Chair of the Audit Committee. Keith Odums nominated Paul Galletta to serve as Chair of the Audit Committee, seconded by Paul Galletta. There were no other nominations. The committee voted to appoint Paul Galletta as Chairperson of the Audit Committee for the 2018-2019 school year.

- 2.) Appointment of public members to the Audit Committee APPOINTMENT OF PUBLIC MEMBERS

The Committee seeks community member(s). The District continues to post the opening on the district website. The Committee requested that the District Clerk email former board members Anne LaValle, Babu Munusamy, and Mehrdad Sanai to see if they are interested in volunteering on the Audit Committee. If there is still no interest then the Committee requested the District Clerk contact former board candidates Mr. Mann and Norma Drummond to see if they are interested.

- 3.) Review the Draft of the 2017-2018 External Financial Statements EXTERNAL FINANCIAL STATEMENTS

The Bonadio Group provided the following on the outcome of the 2017-2018 external audit:

Required Communications Letter

Required Communications Letter indicates that all school districts have to adopt GASB Statement 75 as to how the district reports other post employment benefits (OPEB) on the government wide financial statements. GASB 75 does not impact the fund level financial statements (annual budgeting). The District must engage an actuary to get a new calculation, which is reflected in the government wide financial statements as a \$660 million OPEB (OPEB) liability. Nothing has changed this year other than the accounting standard. The new standards require all districts to utilize new mortality rates and report the full liability for the related benefits.

External Financial Statements

Pg. 65 summarizes the audit for the year - An unmodified opinion will be issued. There was one instance of non-compliance, wherein the District's unrestricted fund balance exceeds the 4% allowable limit in accordance with §1318 of the New York State Real Property Tax law. The District's unassigned fund balance is at 7.34%. Recommendation: The District should consider taking action to reduce the unrestricted fund balance to the allowable limit. More information to follow on the Corrective Action Plan (CAP). There are a number of options that may be approved, such as perform additional capital project work, increase the reserve funds (subject to SED or General Municipal Law) or return to the taxpayers.

Additional items to note include:

1. Pg 1-2: Independent Auditor's Report - Unmodified opinion indicates financial statements present fairly.
2. Pg 13: Government-wide financial statements: District has a negative statement of Net Position due to OPEB (i.e. health insurance for current employees and retirees) which is estimated at \$661,785,203. This is a long term estimated liability. Annual expenses for such expenses are budgeted for in the General Fund. The negative net position as reported will not impact future borrowing.
3. Pg 15: General Fund assets of \$39.9 million; liabilities of \$13.9 million with total fund balance of \$25.4 million. \$3.6

million is non-spendable (prepaid health insurance bill for July).

4. Pg 17: School Lunch Fund broke even with revenues equaling expenses. Special Aid Fund is for grant funds and therefore has no fund balance.
5. Pg 20-49: These are the notes to financial statements. Two new notes required with addition of GASB 75 - one for the addition of GASB 75 and one to reflect the prior period adjustment that will bring the liability to its full value.
6. Pg 50: Budget v. Actual for all Funds. Highlights include General Fund total rev budget is \$222 million and actual of \$225 million (related to state aid increase).
7. Pg 62: Federal Awards report on compliance - School Lunch Program was tested. Highlight that the District receives approximately \$5.5 million in federal dollars.

The District had an excellent outcome, receiving the highest opinion available to schools – unmodified report. The financial statements are due to the State on October 16, 2018. A draft of the External Financial Statements will be provided to the Board at the 9/17/18 Board of Education meeting.

The Board of Education will receive a corrective action plan (CAP) by November. However, the CAP does not require board approval. The CAP will address the single finding - Fund Balance in excess of 4%. Ms. Crandall will provide the Board with a list of proposed projects along with their cost and expected completion date. These will assist in the balancing of fund balance for the 2018-2019 school year. As shared earlier, Reserve Funds, such as the Capital and Repair Reserves, are strictly governed by Law and possibly tie up District funds that could be used on an as needed basis. Mrs. Kelland reminded the Committee that NYS's restrictive limit of 4% fund balance is the lowest and that some states do not even have a fund balance restriction.

Extraclassroom Financial Statements

Extraclassroom funds are student organizations with teacher advisors and governed by NYS Pamphlet 2. To audit the auditors test a sample of transactions to make sure that the money is going to get posted to the correct club and the accounting is done to the right activities. Since it is a cash basis and the higher risk that is involved as a result, the auditors can only test the cash that makes

it into the accounts. As such, as has been the case in prior years, the District received a qualified opinion on these statements.

4.) Review of tracking spreadsheet - Dr. Merrins will be training the Internal Claims Auditor on September 17 and provide her with guidance on the monthly financials. Once the June financials are approved by the Board, the tracking sheet will be updated.

5.) Other Items of Discussion:

OTHER DISCUSSION
ITEMS

Peggy Kelland discussed the facility usage invoices and the billing of organizations by the District Clerk. She wondered if the invoices and review of facility requests could be performed by a different department. Ms. Crandall indicated she would look into this matter as it was outside of the purview of this particular committee.

The Committee discussed asking the Internal Claims Auditor to attend an Audit Committee meeting but it was determined that at this time she is currently working on her new job responsibilities and attending training with Dr. Merrins.

6.) Review Audit Committee Meeting Dates

MEETING DATES

The Audit Committee scheduled the following meeting dates:

- November 19, 2018 at 5:30 pm WJHS room 105
- February 5, 2019 at 5:30 pm at District Offices (snow date March 5, 2019)
- June 3, 2019 at 5:30 pm at District Offices.

Adjournment

ADJOURNMENT

The meeting adjourned at 6:36 p.m.

Respectfully Submitted,

Alberta Pedro
District Clerk