

RHINEBECK CENTRAL SCHOOL DISTRICT/AUDIT COMMITTEE

Minutes of Meeting of October 5, 2016

Present: Deirdre Burns, Stephen Jenkins, Lisa Rosenthal, Paul Slayton, Tom Burnell, Christine Natoli (District Treasurer) and Joseph Klimek (EFPR Group, CPAs, on phone).

Agenda: (1) Reviewing external audit; (2) draft technology audit; and (3) Audit Committee agenda for 2016-17.

1. Reviewing External Audit: Joe Klimek, the partner from EFPR Group (formerly known as Toski) who supervised the district's 2015-16 audit, joined the meeting on the phone, and Christine Natoli joined in. Joe went through the most significant elements of the independent audit report with the Committee. Overall, EFPR found that the district had a "clean" audit. There were no significant changes from the previous year. Joe complimented Christine and Tom for their cooperation, and for the good condition of the materials provided to the audit team. EFPR had no disagreements with management. The auditors found no material weaknesses or compliance issues. The district's financial statements were deemed appropriate for the community.

The one finding that Joe highlighted several times – and which was a topic addressed in last year's audit – is that the district's fund balance has declined significantly over the past several years. The current unassigned fund balance is only 0.7% of the 2016-17 budget, well below the maximum of 4% that school districts may maintain. This is a function of the district's use of approximately \$120,000 in fund balance this year and last year to bridge the gap between the tax levy cap amount and the final budget amount. Although Joe said that use of fund balance for this purposes is permissible and not uncommon for school districts in the tax cap era, it represents a potential problem if the district is faced with a large unexpected expenditure. Joe suggested that the district try to build into its budgeting process for next year a plan to increase the fund balance. Tom concurred with Joe's recommendation and noted that he intended to begin to "wean" the district off the use of fund balance for budgeting purposes. The Committee expects this to be a topic of review for the Finance Committee (of which Steve is a member) and the full Board in the coming months.

The audit report is nearly complete. Tom reported that there were a handful of minor revisions that EFPR still had to make to the report the Committee reviewed, but that those would be completed before the next Board meeting. The final report also will include a report on the audit of the extra-classroom fund. Joe said that the result of that audit found no problems or issues. The Committee approved of Tom's recommendation that the audit be reported out by Joe to the full Board at the October 11, 2016 meeting and that adoption of the audit report be placed on the agenda as an action item. Joe left the meeting at this point.

2. Draft Technology Audit: Tom and Christine reported that the internal audit authorized by the Committee last year had been completed. The audit had covered the technology controls and procedures in the business office (not for the entire district). The report was not yet ready for the Committee's review. Tom stated that Groff Associates, the auditor, had done a good job, but some changes were needed to the report before the Committee should review it. However, Tom also reported that some of the draft report's recommendations are already being acted upon; for example, the new server for the business office that the district is purchasing had been recommended in audit report. Among the other items called out in the report were the district's reliance on technology weaknesses and hosted apps. (meaning software run on the internet on sites the district uses, such as M&T's banking site and the e-Triton site for the district's cafeteria program). Tom expects the draft report to be ready for the Committee to review and discuss at its next meeting, and will ask Steve Jensen to attend and present the report. At the Committee's request, Tom will also reach out to Groff Associates to find out whether it can send a representative to that meeting or have one on the phone as part of the services the firm agreed to provide in the audit.

3. 2016-17 Audit Committee Agenda: The Committee briefly discussed the items that the Committee expects to have before it this year. Among them were the following: (a) issuing an RFP for auditor services for external audits beginning with the 2017-18 school year; (b) topics for a potential internal audit for 2016-17; and (c) the possibility of a NY State Comptroller audit (based on the last time such an audit was performed).

Next Meeting: November 9, 2016 at 12:30 p.m., District Office Conference Room.

Dated: October 7, 2016

Respectfully submitted,

Lisa Rosenthal