

Audit Committee Special Meeting Minutes
November 6, 2014

Present: Laura Schulkind, Rick Walker, Deirdre Burns, Tom Burnell, Christine Natoli, Tim Thomas (from Toski & Sons, auditors)

The purpose of this meeting was to review the draft audit of the District's 2013-14 financial statements.

The meeting began with a brief discussion of the delay in getting the draft audit to the District. Laura expressed the committee's displeasure with receiving the draft audit several weeks after the timeline that was included in the company's proposal to the District. Mr. Thomas acknowledged that the document is late and said there were several reasons for the delay.

Mr. Thomas began the review by noting that year to year District budgeting appropriately follows "modified accrual basis," essentially cash basis accounting. That is, accounting follows expenditures and revenues. Auditors, he noted, also need to examine items such as fixed assets and accrued liabilities, such as is accounted for on the "Combined Balance Sheet" on page 18 of the audit document. He reviewed with the committee the State requirement that unassigned fund balance not exceed 4% of the budget (which in our case would be approximately \$1.3 million dollars). The District meets that requirement. Mr. Thomas also encouraged the District to regularly review and plan for use of all restricted fund accounts. It was noted that the Finance Committee regularly examines the reserve funds. Mr. Thomas reviewed with the committee the item on the Combined Balance Sheet for "other post-employment benefits payable." This is the best actuarial estimate of the District responsibility to all retirees now and in the future for payment of health insurance benefits. This is paid out over many years. Understanding what amount is due each year is significant for annual budgeting. It was noted that the State does not permit funding of a trust for covering these costs over time, although creating an Employee Benefit reserve fund is permissible. Mr. Thomas also noted that additional unfunded liabilities will be added to our combined financial statements next year, the NYS Employee Retirement System (ERS) is currently funded at 92% (TRS is 100% funded). The ERS will inform RCSD of our portion of the 8% unfunded liability so that it can be added to our statements. This unfunded portion is expected to be eliminated by higher than required contribution rates and the financial health of Wall Street.

Continuing to review other aspects of the audit, Mr. Thomas noted the following:

The District uses appropriate internal controls and acceptable accounting principles. The auditor has no concerns in these areas.

The increase in debt service interest noted on page 10 is due to refinancing of bonds before it was callable. The debt is counted twice this year. There is no cash impact due to this one year blip and it does not impact the District's financial position.

Auditors are responsible for auditing federal grants as a single audit which is in the draft document. It is expected that the federal government will be making modifications to this audit requirement obligation and it will only be required of school districts that receive more than \$750,000 in Federal Aid grants. Currently, we do not meet that threshold so this single audit may not be required in the future.

Mr. Thomas noted that there are a couple of different required letters in the audit document.

The Report to the Board is a brief discussion on accounting principles as part of evaluating the District's assumptions and estimates. The audit finds that our assumptions are reasonable and consistent year to year. No concerns were raised.

Mr. Thomas noted that the auditors had no difficulties getting any information or documents from the District business office.

Mr. Thomas reviewed the management letter. The letter notes three issues:

1. Accounting for capital assets. Estimating depreciation of assets was done for many years by our previous auditor. To keep clearer lines of responsibility, this is no longer accepted practice. Tom is getting familiar with depreciation formulas and this is now under the purview of the District business office.
2. There is \$4,400 in receivables in the School Lunch Program. It is not in the purview of auditors to recommend a policy here, but Mr. Thomas encourages the District to have a discussion about the best way to approach this.
3. CLS activity fund (yearbook). Extraclassroom funds are to be student managed. It was noted this is not a reasonable expectation for elementary aged children.

Mr. Thomas recommended periodic review of Extraclassroom Activity Funds that do not show activity to determine if clubs are active.

Mr. Thomas expressed no concerns about the District's financial position. He thanked the District for engaging with his firm and assured us that the report will be delivered in a timely manner next year. Mr. Thomas was thanked for providing a clear explanation of the audit.

Mr. Thomas will confirm with Tom the date for presentation of the audit to the full Board. Tom and Christine will be reviewing the draft for accuracy of the numbers. When that work is complete, the final audit can go to the State. There is no requirement for Board action before the final audit is delivered to the State.

Next meeting: Tuesday, November 18 at 1:30.

Agenda: Discussion of process for adding a community member to the committee.

Submitted by Deirdre Burns