

Rochester Joint Schools Construction Board

Report to the Board

June 30, 2011



Freed Maxick & Battaglia, PC

Certified Public Accountants

November 14, 2011

To the Chairman and Members of the Board
Rochester Joint Schools Construction Board
Rochester, New York

Members of the Board:

We are pleased to present this report related to our audit of the basic financial statements of Rochester Joint Schools Construction Board (RJSCB) for the year ended June 30, 2011. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for RJSCB's financial reporting process.

This report is intended solely for the information and use of the members of the Board and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to be of service to RJSCB.

Very truly yours,

Freed Maxick & Battaglia, CPAs, PC

Freed Maxick & Battaglia, CPAs, PC

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Required Communications

Statement on Auditing Standards No. 114 requires the auditor to communicate certain matters to keep those charged with governance adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. The following summarizes these communications.

Area	Comments
Auditor's Responsibility Under Professional Standards	<p>Our responsibility under auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i> issued by the Comptroller General of the United States; has been described to you in our arrangement letter dated August 1, 2011.</p>
Accounting Practices	<p>Adoption of, or Change in, Accounting Policies</p> <p>Management has the ultimate responsibility for the appropriateness of the accounting policies used by RJSCB. In the current year RJSCB implemented Governmental Accounting Standards Board (GASB) Statement No. 54, <i>Fund Balance Reporting and Governmental Fund Type Definitions</i>, that changes fund balance classifications and updates the definitions of governmental fund balance types.</p> <p>Significant or Unusual Transactions</p> <p>We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p>Alternative Treatments Discussed with Management</p> <p>We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit period.</p>

Management's Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us they used all the relevant facts available to them at the time to make the best judgments about accounting estimates and we considered this information in the scope of our audit. Management has determined that there are no significant estimates and judgments at this time.

Audit Adjustments

There was one audit adjustment noted during our audit as shown on the attached Summary of Recorded Audit Adjustments.

Uncorrected Misstatements

There were no uncorrected misstatements noted during our audit.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed with Management

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management during the audit.

Letter Communicating a Significant Deficiency and an Other Matter

We have separately communicated a significant deficiency and an other matter identified during our audit of the financial statements, and this communication is included as Exhibit A.

Certain Written Communications Between Management and Our Firm

A copy of certain written communications between our firm and the management of RJSCB are attached as Exhibit B.

Rochester Joint Schools Construction Board

Year End: June 30, 2011

Summary of Recorded Audit Adjustments

Date: 07/01/2010 To 06/30/2011

Account No	Name	Debit	Credit
2100 02000 0600 0000 GF01	ACCOUNTS PAYABLE-SYSTEM		172,581
5201 06000 5201 0000 GF01	Superintendent of Construction - gilbane	64,041	
5245 06000 5245 0000 GF01	Architect fees - gilbane	33,920	
5245 06000 5245 0000 GF01	Architect fees - gilbane	51,626	
5296 06000 5296 0000 GF01	Electrical	22,994	
To adjust accounts payable to actual as of June 30, 2011.			
		172,581	172,581

**EXHIBIT A – LETTER COMMUNICATING A SIGNIFICANT
DEFICIENCY AND AN OTHER MATTER**

Communication of a Significant Deficiency and an Other Matter

In planning and performing our audit of the financial statements of RJSCB as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered RJSCB's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RJSCB's internal control. Accordingly, we do not express an opinion on the effectiveness of RJSCB's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the first finding noted to be a significant deficiency in the RJSCB's internal controls over financial reporting.

We have also noted a compliance related matter that we do not believe constitutes a material weakness or significant deficiency.

RJSCB's written response to the significant deficiency and other matter identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

SIGNIFICANT DEFICIENCY

Financial Accounting and Reporting

Observation

During our audit, we noted the RJSCB did not have an accounting system in place throughout the year to record and reconcile accounting transactions. During the year the RJSCB recorded its financial transactions using an Excel spreadsheet based on information provided by the Program Manager. The lack of an accounting system stemmed from the fact that the RJSCB was just becoming financially active with a nominal number of financial transactions occurring during the current fiscal year.

This weakness subjects RJSCB to the risk that a material misstatement in the accounting records and financial statements could go undetected. In addition, due to the structure and process flow of information and financial documents, there is a reasonable possibility that an error could occur and go undetected by the individuals responsible for financial reporting. During our testing, we also noted that timely bank reconciliations were not prepared.

Recommendation

We recommend that the RJSCB implement a formal accounting system and effectively communicate financial transactions to Rochester City School District who is responsible for maintaining the accounting records on behalf of the RJSCB. We further recommend that the RJSCB implement procedures to ensure accounting information is accurately communicated to the School District.

Management Response

Although this was not a significant issue during the current fiscal year, we recognize this could be a significant problem in future years if not addressed. Accordingly, we will implement the above recommendation.

OTHER MATTER

Investment Policy and Budget Policy

Observation

During our audit we noted that the RJSCB does not have a formal investment policy, budget policy or financial recording policy in place. While these policies are not required under General Municipal Law for quasi governmental organizations such as the RJSCB, we believe these policies are sound fiscal policies that should be considered for voluntary adoption.

Recommendation

We recommend that RJSCB implement formal policies, which should include the policies noted above. This will ensure that RJSCB has established proper oversight.

Management Response

We agree that voluntarily adopting a budget policy would ensure that the RJSCB has implemented the best practices for financial control. We intend to implement a budget policy in due course.

EXHIBIT B - CERTAIN WRITTEN COMMUNICATIONS
BETWEEN MANAGEMENT AND OUR FIRM

**Rochester Joint Schools Construction Board
City of Rochester, New York**

November 14, 2011

Freed Maxick & Battaglia, PC
One Evans Street
Batavia, New York 14020

In connection with your audit of the basic financial statements of Rochester Joint Schools Construction Board, (RJSCB) as of and for the year ended June 30, 2011, we confirm, that we are responsible for the fair presentation in the financial statements of financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

We confirm to the best of our knowledge and belief, as of November 14, 2011 the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.
2. We are a component unit of Rochester City School District, Rochester New York as this term is defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards.
3. We have identified for you all of our funds and governmental functions.
4. We have properly classified all funds and activities.
5. We have properly determined and reported the major governmental funds based on the required quantitative criteria.
6. We are responsible for compliance with laws and regulations applicable to RJSCB.
7. We have identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts including legal and contractual provisions for reporting specific activities in separate funds.
8. We have made available to you:
 - a. All financial records and related data of all funds and activities, including those of all special funds, programs, departments, projects, activities, etc., in existence at any time during the period covered by your audit.

- b. All minutes of the meetings of the governing board and committees of board members or summaries of actions of recent meetings for which minutes have not yet been prepared.
9. We have no knowledge of fraud or suspected fraud affecting the entity involving:
- a. Management.
 - b. Employees who have significant roles in the internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
10. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.
11. We have no knowledge of any allegations of fraud or suspected fraud affecting RJSCB received in communications from employees, former employees or others.
12. We have informed you of significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the entity's ability to record, process, summarize, and report financial data.
13. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
14. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
15. The following have been properly reflected and/or disclosed in the financial statements:
- a. Related party transactions, including those with other organizations for which the nature and significance of their relationship with Rochester City School District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, as defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards.
 - b. Deposits or investment securities category of custodial credit risk.
 - c. Contractual obligations for construction or purchase of real property or equipment not included in the liabilities or encumbrances recorded on the books.
16. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take.

17. There are no:

- a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.
- b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Federal Environmental Protection Agency or any equivalent state agencies in connection with any environmental contamination.
- c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by the Contingencies Topic of the FASB Accounting Standards Codification.
- d. Guarantees, whether written or oral, under which the Board is contingently liable.
- e. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
- f. Line of credit or other similar arrangements.
- g. Agreements to repurchase assets previously sold.
- h. Security agreements in effect under the Uniform Commercial Code.
- i. Liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
- j. Liabilities which are subordinated in any way to any other actual or possible liabilities.
- k. Debt issue repurchase options or agreements, or sinking fund debt repurchase ordinance requirements.
- l. Special or extraordinary items.
- m. Impairments of capital assets.
- n. Authorized but unissued bonds and/or notes.
- o. Debt issue provisions.
- p. Leases or material amounts of rental obligations under long-term leases.

- q. All significant estimates known to management which are required to be disclosed in accordance with the the Risks and Uncertainties Topic of the FASB Accounting Standards Codification. Significant estimates are estimates at the balances sheet date which could change materially within the next year.
 - r. Risk financing activity.
18. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with the Contingencies Topic of the FASB Accounting Standards Codification and/or GASB Statement No. 10, that is not disclosed in the financial statements.
 19. We have no direct or indirect, legal or moral, obligation for any debt of any organization, public or private, or to special assessment bond holders that is not disclosed in the financial statements.
 20. We have satisfactory title to all owned assets.
 21. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
 22. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
 23. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
 24. Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
 25. We are responsible for and have reviewed and approved the proposed adjustment to the trial balance identified during the audit, and will post the adjustment accordingly. This adjustment is included in the Report to the Board. We have reviewed, approved, and are responsible for overseeing the preparation and completion of the basic financial statements and related notes.

In connection with your audit, conducted in accordance with *Government Auditing Standards*, we confirm:

1. We are responsible for:
 - a. Compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to RJSCB.
 - b. Establishing and maintaining effective internal control over financial reporting.

2. We have identified and disclosed to you:
 - a. All laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determinations of financial statement amounts or other financial data significant to audit objectives.
 - b. There are no violations (and possible violations) of laws, regulations, and provisions of contracts and grant agreements whose effects should be considered for disclosure in the auditor's report on noncompliance.
3. We have a process to track the status of audit findings and recommendations.
4. We have provided you with our views on your reported findings, conclusions, and recommendations, as well as our planned corrective actions for the report.
5. We have reviewed, approved, and take full responsibility for the financial statements and related notes and acknowledge the auditor's role in the preparation of this information.
6. We have reviewed, approved, and take full responsibility for all accrual adjustments and an acknowledgement of the auditor's role in the preparation of the adjustments.

No events or transactions, other than those disclosed in the financial statements, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.

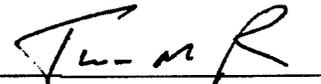
During the course of your audit, you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.



Kenneth Bell
Board Chair



Brian Roulin
Treasurer



Tom Renauto
Executive Director