Rochester Board of Education
Audit Committee Meeting
December 3, 2013

Minutes

Attendance: Commissioner Adams, Vice President White, Board President Malik Evans, Commissioner Powell. Ms. Annie Sealy, Financial Expert. Board Staff: Ms. Henry-Wheeler, Auditor General.

Commissioner Elliott was absent.

Commissioner Adams convened the meeting at 5:31 PM.

I. **Review and Approval of Minutes from the Last Audit Committee Meeting:** Minutes from the October 16, 2013 meeting were approved.

II. **Current Business Review of the 2012-2013 CAFR with Freed Maxick:** A presentation was provided by Kathryn Barrett, Engagement Director and Christopher Piedici, Engagement Manager, the external auditors, to discuss audit findings for the fiscal year ended June 30, 2013. The presentation included the audit plan, areas of focus, audit process, financial highlights, other significant issues, required communications (SAS 114) and communication of control deficiencies and other matters (SAS 112).

Freed Maxick discussed the General Fund budget and the implementation of GASB Statement No. 63 and GASB Statement No. 65. The budget increased from the initial budget by $11.9 million primarily due to contract transportation, charter school tuition, debt service, claims and judgments and budget contingency items. The total revenues increased $17.1 million from the prior year, mainly in State aid. Budgeted expenditures exceeded actual expenditures by $18.9 million, primarily in teaching, transportation, employee benefits, and debt service.

Other financial highlights discussed were, an increase in fund equity of $3.1 million in the current year (modified budget anticipated $17.1 million deficit), the total fund balance represents 13.5% of the 2013-2014 budget, which is relatively unchanged from the prior year. The restricted fund balance increased to $4.7 million due to bond premiums that must be restricted in accordance with Local Finance Law and the Board committed fund balance in the prior year for insurance claims, workers' compensation claims and OPEB. Assigned fund balance was relatively unchanged in total at $21.4 million.

Government wide financial highlights were also provided. Total revenues increased $19.9 million from the prior year. Total expenditures increased $34.2 million across most categories. A decrease in net assets of $22.8 million and total net assets decreased to $60.5 million. Unrestricted net assets had a deficit of $170.8 million, the deficit increased by $20.8 million. The OPEB liability increased by $13.9 million.

Approved at the January 16 2014 AC Mtg.

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Design and construction began on the Facilities Modernization Project in the prior year. Current year capital related expenditures amounted to approximately $80.5 million. The City of Rochester issued debt on behalf of the District for the Facilities Modernization Project in the amount of $103.1 million.

Two control deficiencies were identified in the audit. Employee time certifications (PARs) for the Contract of Excellence were identified as a control deficiency and non-compliant. Student Activity Funds had a lack of internal controls over cash receipts, absence of documentation supporting transactions, students not maintaining independent accounting ledgers or transactions were not recorded in the ledgers, and lack of reconciliation of student ledgers to Central Treasurer's.

The Committee engaged in discussion with Freed Maxick. All questions asked were answered to their satisfaction.

A motion to forward the CAFR to the Board of Education for approval was made by Commissioner White and approved by all members present.

III. **Office of Auditor General Status Update:** The Auditor General requested that an agreement be initiated with Hungerford Vinton for supplemental audit support. The Committee agreed to have the Auditor General enter into an agreement with Hungerford Vinton for supplemental audit services.

IV. **Meeting called into Executive Session by Commissioner Adams at 5:49 PM to conduct a confidential discussion with the External Auditors.**

V. **Adjournment:** The meeting was adjourned at 5:55 PM.

Approved at the January 16, 2014 AC Mtg.