

Rochester Board of Education
Audit Committee Meeting
December 4, 2012
Minutes

Attendance: Commissioners Adams, Elliott, and President Evans. Board Staff: Ms. Henry-Wheeler, Auditor General, Ms. Annie Sealy, Financial Expert, and Mr. Ronald Hall, Parent Representative.

Commissioner White in attendance via telephone.

Commissioner Adams convened the meeting at 6:04 PM.

- I. Review and Approval of the Minutes from Last Audit Committee Meeting:** The Minutes from the October 9, 2012 Audit Committee Meeting were approved.

- II. Presentation by Freed Maxick CPAs, PC (FM) to discuss audit finding for fiscal year ended June 30, 2012 for Rochester City School District.** Kathryn Barrett, CPA, Engagement Director and Christopher Piedici, CPA, Engagement Manager presented. The presentation included the audit plan, areas of focus, audit process, financial highlights, other significant issues, required communications (SAS 114) and communication of control deficiency and other matters (SAS 112).

FM discussed the General Fund budget which was relatively unchanged from the initial budget. Revenues decreased \$10.9 million from the prior year, mainly in State and Federal Aid. Revenues exceeded the modified budget by \$1.8 million, primarily in miscellaneous sources. Expenditures decreased \$3.4 million from the prior year, mainly in the areas of teaching. Budgeted expenditures exceeded actual expenditures by \$9.9 million, primarily in central services, program for handicapped children and employee benefits. There was an increase in fund equity of \$8.7 million. Assigned fund balance increased by \$14.7 million and unassigned fund balance decreased by \$7.4 million to \$19.2 million.

Government wide financial highlights were also provided. Total revenues increased by \$6.8 million, while total expenditures decreased \$41.5 million across most categories. There was a decrease in net assets of \$8.5 million, which decreased total net assets to \$83.2 million. Unrestricted net assets had a deficit of \$142.8 million, which increased the deficit by \$9.7 million. The OPEB liability increased by \$12.9 million.

Design and construction began on the Facilities Modernization Project. Current year capital related expenditures amounted to approximately \$13.6 million. The City of Rochester issued debt on behalf of the District for the Facilities Modernization Project in the amount of \$124.1 million and paid off the \$28.8 million bond anticipation note that had been issued.

Two control deficiencies were identified in the audit. A reconciliation between the Schedule of Expenditures of Federal Awards and Internal records identified that an accrual was erroneously omitted due to a lack of coordination between Accounting and Grants. There was also a lack of Employee time certification (PARs) for federal awards.

Student Activity Funds received a qualified opinion due to a lack of internal controls over cash receipts, missing documentation and reconciliations.

Commissioner Elliott expressed concerns about Student Activity Funds remaining a problem each year. She communicated to the Chief Financial Officer and Accounting Director her desire to see significant improvements in this area.

Action: OAG will follow-up on controls and protocols put in place to address the two control deficiencies noted by Freed Maxick.

- III. CAFR Questions for Management:** There were no additional questions for management.
- IV. Executive Session with Freed Maxick:** The meeting went into Executive Session by Commissioner Adams at 6:55 PM. The Executive session ended at 7:18.
- V. Adjournment:** The meeting adjourned at 7:20 PM.