

MEMORANDUM

TO: Robert Parry
Interim Superintendent of Schools

FROM: Bruce H. Singer
Associate Superintendent

DATE: October 5, 2009

RE: **AUDIT ADVISORY COMMITTEE MEETING MINUTES
SEPTEMBER 29, 2009**

The Audit Advisory Committee meeting began at 7:00 PM. on Tuesday, September 29, 2009. Present at the meeting were: David Egloff, Jeff Surrusco, Pat Corrigan, Maureen Cahill, Dorothy Roberts, Marianne VanDuyne, Patricia Giunta, Joseph Klimek and myself.

Marianne VanDuyne, auditor from R.S. Abrams, discussed the June 30, 2009 Financial Statements. We reviewed the management discussion analysis and financial highlights of the 2008/09 school year. It was noted that the District was able to appropriate \$8.5 million to reduce the 2009/10 taxes. An additional \$3.5 million increased the 2009/10 budget for partial emergency roof repair and related work at Sachem East High School. The District was able to do this by under spending the budget and over collecting the revenue. Therefore, the total was \$12 million.

We discussed the EXCEL Bond projects which were completed during the summer of 2009, and as of June 30, 2009, Phase 1 is under budget by approximately \$3.5 million. Marianne noted that the Board of Education continued to receive updated monthly reports on District finances by being provided monthly analysis of expenditures and encumbrances.

Due to the AA+1 credit rating, Sachem was able to borrow to meet cash flow needs at favorable rates for a savings of approximately \$1.7 million.

Also discussed was the General Fund unreserved undesignated fund balance, which is a component of the total fund balance. The audit committee reviewed the opening unreserved undesignated fund balance, the revenues over budget, expenditures and encumbrances under budget and the amounts appropriated for June 2010 budget and the closing unreserved undesignated fund balance. It is limited to 4% of the 2009/10 budget and it was noted that Sachem School District complied with this regulation.

We discussed the Extraclassroom Activity Fund account and the newly implemented procedures which will significantly improve the overall control of these funds.

Also reviewed were the various reserves that are listed on the balance sheet. We discussed Workers' Compensation Reserve, compensated absences, Long Term Disability, New York State Employees Retirement System and unemployment.

We discussed Post-Employment (Health Insurance) Benefits. The District provides post employment health insurance coverage to retired employees in accordance with the provisions of various employment contracts. The District implemented GASB Statement #45, Accounting and Financial Reporting by employers for Post-employment Benefits Other than Pension, in the school year ended June 30, 2008. This required the District to calculate and record a net other post-employment benefit obligation at year-end. The net other post-employment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

The District recognized the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended June 30, 2009, the District recognized \$9,425,652 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of March 31, 2007 which indicated that the total liability for other post-employment benefits is \$322,000,000. The net OPEB obligation at June 30, 2009 is \$41,242,285, which is reflected in the Statement of Net Assets. The District is planning to issue a Request for Proposal (RFP) for an actuarial study during the 2009/10 school year for updated figures.

Funding Policy was next discussed. The contribution requirements of plan members and the Sachem Central School District are established and may be amended by the District. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the District. For fiscal year 2009, the Sachem Central School District contributed \$9,425,652 to the plan, including \$9,425,652 for current premiums. Plan members receiving benefits contributed \$685,083, or approximately 7 percent of the total premiums.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future.

The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Capital assets were the next area we discussed. Capital assets are reported at actual cost for property purchased over the last 20 years. For assets acquired prior to 20 years ago, estimated historical costs based on appraisals conducted by

independent third-party professionals are used. Donated assets are reported at estimated fair market value at the time received.

The District is planning to issue a RFP for a full Capital asset inventory that will be accomplished during the 2009/10 school year.

We next reviewed the Federal Grant Compliance Audit and the few issues concerning the Federal grants were reviewed by the committee and it was noted corrective action was taken by the District.

R.S. Abrams complimented the Business Office on the excellent conditions of the financial reports. Marianne VanDuyne and Patricia Giunta will report to the Board of Education at the October 7, 2009 meeting.

The meeting concluded at 11:00 P.M.

In the event you have any questions or concerns, please do not hesitate to contact me.

BHS:cmc