

MEMORANDUM

TO: James J. Nolan
Superintendent of Schools

FROM: Bruce H. Singer
Associate Superintendent

DATE: July 11, 2012

RE: **AUDIT ADVISORY COMMITTEE MEETING MINUTES
JULY 10, 2012**

The Audit Advisory Committee meeting began at 7:30 p.m. on Tuesday, July 10, 2012. Present at the meeting were committee members Maureen Cahill, Dorothy Roberts, Jeff Surrusco, prospective member Michael Lynch and myself.

The committee reviewed the Sachem Food Service year-end projections. We discussed the net loss projected for fiscal year end June 2012. The primary reason for the net loss was the purchase of the fire suppression system. The \$300,000 fire suppression system will be charged to existing year end school Food Service fund balance. The June 2011 Food Service fund balance was \$1.8 million. The June 2012 projected fund balance is \$1.5 million.

The next topic of discussion was the refunding of the existing 2004 serial bonds. Due to low interest rates, it was recommended that the Board of Education approve \$13.1 million refunding of existing serial bonds. The District saved \$387,000. It was discussed that any future opportunities to save on refunding existing serial bonds will be brought to the Board of Education's attention.

Next topic was Moody's Opinion on school district finances. In June, Moody's issued a U.S. Public Finance bulletin. Moody's discusses the recently enacted New York State 2% property tax cap legislation. In Moody's summary, the future will be very difficult for school districts to manage their finances while maintaining their current outstanding programs. Developing budgets while keeping the tax rate under 2% will certainly be a challenge for all New York State school districts.

The next topic discussed was the General Fund Encumbrance Report. We discussed that based upon trending of expenditures for the fiscal year ending June 2012, it is doubtful we will meet the budgeted \$13.4 million which is to be applied to the 2012/13 revenue budget to lower taxes. If in the event the remaining funds from the 2011/12 school year do not meet or exceed the \$13.4 million applied fund balance, it will be recommended to lower the 2012/13 expenditure budget. We will need sufficient sources of revenue to fund the 2012/13 level of expenditures.

We next reviewed the fund balance cash management over the past several years. It was shown there has been a concerted effort to withdraw and use existing fund balance to lower taxes. In 2008 Sachem was fortunate to receive \$20 million of federal ARRA funds. \$10 million a year was received for two years. This ARRA money was able to fund educational programs and in ensuing years we used reserves to maintain these existing programs. We are now at a level of approximately several hundred thousand dollars year end fund balance. This will result in a projected \$8-\$10 million revenue deficit for the 2013/14 budget. This will have a dramatic impact on program reduction and staff reduction both education and support staff. As we downsize to meet our level of revenue, I would foresee that we can maintain relatively low cost of living increases. This will be dependent on maintaining low employee increases in the future and continue to achieve operational efficiencies.

It was agreed to meet with Nawrocki Smith, internal claims auditors, in August, Toski & Co., external auditors, in September and Cullen & Danowski, internal auditors, in October.

The meeting concluded at 10:40 p.m.

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

BHS:cmc
Attachments

Cc: Audit Advisory Committee