

North Shore Schools
Audit Committee Meeting
October 26, 2023
7:30 P.M.
Middle School Cafeteria

Present: Trustees Andrea Macari, Lisa Cashman, Lisa Colacioppo, Richard Galati, David Ludmar, Maria Mosca, Marianne M. Russo. Committee Members Mr. Roger Friedman and Mr. Andrew Spieler. Superintendent Dr. Christopher Zublionis and Assistant Superintendents Dr. Carol Smyth and Mr. James Pappas. External (Independent Auditor) Mr. Alan Yu of Cullen Danowski.
There were approximately 40 people in the audience.

President Macari explained that the Audit Committee was established in 2005 as mandated by the New York State Education Department and is made up of the seven Trustees and two community members, Mr. Roger Friedman and Mr. Andrew Spieler.

Mr. Alan Yu, one of the partners of Cullen Danowski, explained that he was at the meeting to review the audit of the financial statements for year ending June 30, 2023. He further explained that North Shore's audit committee consists of the seven Board members as well as two community members. He noted that most districts have closed audit committee meetings which are comprised of only Board members. North Shore has made the decision to include community members to take advantage of their expertise and to provide an additional level of transparency. Mr. Yu explained that a draft audit report has been provided to the Board prior to this meeting.

Mr. Yu reported that the report is free of material misstatements, is in compliance with the law as required by Government Standards, there are no modifications, it is a clean opinion with no material weaknesses. He stated that this is the best opinion a district can receive.

Mr. Yu reported that the 2022-2023 fiscal year ended with an operating surplus of \$1.2M and this included the \$2M settlement received from LIPA. He noted the total \$3.5M from LIPA to be paid over 3 fiscal years is more of an extraordinary item and not revenue that the District can count on every year. Once it is gone, there will be an operating loss. Mr. Yu further reported that the total funds expended for the year of \$116M was almost 99% of the budget. He remarked that is a benchmark of whether or not a school district's budget is reasonable. He works with 18 school districts, and he noted that very few are able to come close to expending 99% of their budget. Mr. Yu also noted that it can also be said that leaves a budget very tight if contingency expenses come up.

Mr. Yu reviewed revenue and noted that, as stated, the LIPA settlement funds and the \$1M bullet grant from Senator Gaughran are funds that will not be recurring. He also noted that although interest revenue came in higher, the District did pay more in interest for TANS borrowing. The unassigned fund balance is at \$4.8M; this brings the district to 3.99% of next year's budget which is under the statutory 4% and in compliance. He explained that a number of the reserves have been utilized and the TRS reserve is not fully funded.

Mr. Spieler remarked that there are 100 pages of financial statements, and he has no major questions. He asked Mr. Yu whether, in the environment of rising interest rates, if he anticipates any material changes that may catch us by surprise in the coming year. Mr. Yu explained that health insurance premiums are always a question mark. In addition, bond anticipation notes will turn into a long term

bond debt. However, that should not be of significant impact with the timing of old bond maturing and the new bond coming on. Contractual expenses are always the largest expenses to a school district. He went on to explain that North Shore is one of only two school districts of the 18 he audits that does not have a significant compensated absences liability; they do not have a provision in their contracts that pays out sick time to retiring employees. He explained that some districts have tens of millions of dollars in that liability and North Shore has made a conscience effort to toe the line on that. Finally, he noted that contribution rates to pension plans, which are affected by how the markets perform, can be another unanticipated expense.

Mr. Friedman noted he gave the audit a clean opinion, he asked what that means and whether North Shore has received this in the past. Mr. Yu explained the term is a modified opinion, which is considered a clean opinion and they have issued this opinion every year. He further explained that they always follow up on the recommendations and comments from the previous year. They did not see any significant deficiencies to internal controls, but if they had, it would be included in a formal letter. From year-to-year, they rotate an area to concentrate on. One area that may have findings is in student clubs, due to the nature of those transactions, however each year they choose a couple of clubs to make sure they are performing the proper procedures, and they have found no significant issues.

President Macari asked how many hours of work the team put into the audit and what was found as a result. Mr. Yu said it took approximately 600 hours of work to complete the audit. The findings in the management letter issued were to follow up on the deficit in the school lunch fund from a year ago, which were addressed by the district last year, and to continue monitoring the fund, or possibly subsidize through the general fund.

Trustee Russo confirmed that the role of the External Auditor is to report the facts on the financial condition of the district; that it is a reporting function, not to look for savings, efficiencies or alternative sources of revenue. Mr. Yu agreed that they perform audit testing and recommend adjustments if needed, and report to the Board.

Trustee Ludmar asked Mr. Yu to speak about the \$3.3M which was used from fund balance to return funds to taxpayers by offsetting the tax levy. Mr. Yu explained that the Board has the option of using available fund balance to fund reserves or offset the tax levy, returning funds to the taxpayer. If the District did not have enough unrestricted funds, they would not be able to provide those funds for next year's budget, it would have to come from the taxpayer. Trustee Ludmar noted that the District could have gone to the tax cap which was higher than the Board decided to go last year, in essence asking the taxpayer to fund more of the budget. However, the Board is well aware of the burden on the taxpayer, with their share of taxes going from a little over 50% to a little over 80% over the last 20 years. He went on to say, there is no fat in the budget, which is evident by the fact that 99% of the budget was expended last year. Finally, Trustee Ludmar asked about the Moody's rating; North Shore's rating is Aa1, the second highest rating. Nassau County has an Aa3 and the Town of Oyster Bay has an A1; both lower than North Shore's rating. Mr. Yu explained that the District's Moody rating of Aa1 is the best rating you can get. It is an indication of the financial condition of the District. The rating is based on the total fund balance and your operating results of the last several years.

The meeting was adjourned at 8:05 p.m.

By: Elizabeth Ciampi
District Clerk