

North Shore Schools
Audit Committee Meeting
April 22, 2025
Middle School Cafeteria
7:28 p.m.

Present: Trustees Andrea Macari, Lisa Colacioppo, Jessica Dillon, Maria Mosca, James Svendsen and Mr. Roger Friedman and Mr. Andrew Spieler.

Absent: Trustee David Ludmar

Also present: Superintendent Dr. Chris Zublionis, Assistant Superintendents Dr. Carol Smyth and Mr. James Pappas and Mr. Alan Yu of Cullen and Danowski.

Mr. Yu explained his purpose tonight is to review the audit plan for the external audit of the financial statements for fiscal year ending June 30, 2025. In addition, he will review the Federal Single Audit recently issued for June 30, 2024, for Federal Grant Awards. He explained that districts who receive and expend more than \$750,000 a year from the federal government are subject to a federal single audit. Mr. Yu further explained that the government allows up to 9 months to complete the federal single audit; this was completed timely on March 21, 2025 and the financial statement is always completed first. The district received and expended \$1.3M and \$525,000 for the cafeteria program and therefore was subject to the federal single audit. Mr. Yu reported that the District continues to be a low risk auditee. Mr. Yu explained that each year his firm looks at the grant awards to determine which program to select for the single audit. For 2024-25 the Child Nutrition Cluster under the Department of Agriculture was identified. He reported that there were no findings, no significant deficiencies or material weaknesses in internal controls, it was a clean report.

Trustee Mosca clarified that the auditor's language in the findings, which is required, means the report is the best opinion the District can receive. She asked for an explanation of surplus food commodities. Mr. Yu explained that the government provides food to the District, the value of the food commodity is reported on the statements as federal revenue. Mr. Pappas added that the school lunch manager keeps an inventory of what is used. Trustee Mosca asked if the monies listed under Homeland Security is COVID expenses. Mr. Pappas explained that it is the last of those funds, they will not be recurring next year.

Next Mr. Yu explained that they are required by NYS law to report to the Audit Committee two times a year. This is the first meeting and he will outline the engagement objectives for the external audit of financial statements for year ending June 30, 2025. This includes expressing an opinion about whether the financial statements prepared by the District are fairly presented in all material respects in conformity with accounting principles generally accepted in the U.S.. To report on internal control over financial reporting and compliance with law, regulations, and provisions of contract or grant agreements in accordance with U.S. Government Accountability Office (GAO) *Government Auditing Standards*. They will provide a federal single audit; the threshold will increase to \$1,000,000 starting with the 2025-26 school year. Mr. Yu explained that the audit is not a forensic audit, they do sample testing and evaluate internal controls and risk assessment procedures to identify high risk areas. His firm reports directly to the Board of Education on all matters.

Mr. Yu reviewed their Audit Methodology & Approach (Audit Planning & Risk Assessment and Internal Controls Evaluation & Testing; Substantive Testing; Completion & Reporting). Mr. Yu explained that the firm will not opine about district controls but will bring to the management's attention where they find deficiencies. They will assist the district in drafting the financial statements. He explained that

Mr. Pappas is more than qualified to oversee the drafting of financial statements. In the fall, the audit report will be reviewed, and any findings will also be reviewed at that time.

Mr. Yu reviewed the New Accounting Standards: GASB Statement No. 101 - Compensated Absences, is effective for fiscal year ending June 30, 2025. This establishes standards for the accounting and financial reporting of compensated absences and associated salary-related payments (employer share of Social Security and Medicare). This will most likely result in an increase in the liability for compensated absences (unused paid time off, not just at retirement or termination), but will not impact the general fund. GASB Statement 103 – Financial Reporting Model Improvements, effective for fiscal year ending June 30 2026. To enhance financial reporting by providing essential information for decision making and assessing government’s accountability. This would require more detail in budget changes.

Mr. Friedman clarified that GASB 101 did not change what the accrued liability is, just how it is reported. Mr. Yu agreed with Mr. Friedman’s understanding and added that North Shore is one of the few school districts that do not have an enormous amount of liability or a significant amount of payout at retirement because of how the bargaining unit contracts were negotiated.

Mr. Spieler thanked Mr. Yu for putting together a detailed plan and analysis. He asked how the current volatility in the markets might affect pension and health insurance rates, what the percentage of transaction sampling is, and whether Mr. Yu or the Board has considered increasing the sampling. Mr. Yu explained that the sample size is not determined by the auditee (the Board), those guidelines are set by the American Institute of Certified Public Accountants (AICPA). Sample size is based on statistical sampling and depends on if exceptions are found during testing. In addition to testing, they also perform analytics and comparative testing from prior to current year for contract employees. All are audit techniques they follow based on guidance from AICPA. Mr. Yu explained that next year there may be a rise in ERS contribution rate, typically there is a lag in TRS contribution rate. Health insurance has remained flat this year, but the NYSHIP premium may go up.

At 8:00 p.m. the meeting was adjourned.

By: Elizabeth Ciampi
District Clerk