

North Shore Schools
Audit Committee Meeting
March 24, 2022
6:45 P.M.
North Shore High School Library

Present: Trustees David Ludmar, Sara Jones, Lisa Colacioppo, Richard Galati, Andrea Macari, Maria Mosca, Marianne Russo, Mr. Andrew Spieler. Angela Levas was absent.

Also present: Interim Superintendent Thomas Dolan, Assistant Superintendents Olivia Buatsi and Christopher Zublionis and Darin Iacobelli & Dimitris Bantileskas of Nawrocki Smith, Internal Auditors

Internal Auditors, Darin Iacobelli and Dimitris Bantileskas of Nawrocki Smith reviewed their draft report on the analysis of fund balance and reserves.

Mr. Iacobelli and Mr. Bantileskas explained that each year they provide a risk assessment and a cycle review chosen by the Board. The risk assessment is currently in process and will be completed by the end of the year. They are in the process of collecting documents, scheduling interviews with the business office and key departments, looking at the prior year external audit report and status of recommendations from that report. They will schedule onsite field work and will review that report with the Board in May when a cycle review for next year will be chosen.

Mr. Bantileskas reviewed the analysis on fund balance. He explained that the objective was to determine if there were adequate internal controls and that there was compliance with Board policies with a scope of fiscal year ending June 30, 2021. Mr. Bantileskas explained the procedures they followed for the audit which included an extensive document request, several meetings with the Assistant Superintendent for Business, Ms. Buatsi, onsite review of records from the financial system (WINCAP). They analyzed documents, both internal, and state reports to be sure they were accurate. Their report describes fund balance trends for the last three fiscal years and benchmarks analysis of reserves and fund balance with comparable districts. They did an extensive analysis. Their observations are that the district has adequate controls in the various fund balances, the office is following the District's corrective action plan regarding fund balance, the District has a plan for using reserves and the District has adequate controls in following the reserve plan. The risk rating in this area is low which is the best rating the District can have in this area. Overall, the rating is satisfactory. Mr. Bantileskas and Mr. Iacobelli clarified their rating system by explaining that "adequate" and "satisfactory" are high opinions in accounting terms. For example, ratings are in two categories, "satisfactory" or "unsatisfactory".

Trustee Jones asked if they have any specific recommendations based on their report. Mr. Bantileskas responded that based on the internal controls surrounding fund balance there are no recommendations. He further stated that there are procedures in place for monitoring budget and fund balance, this is ongoing. In addition, he noted that communications with the superintendent and building leaders is ongoing as well as presentations to the Board with projections of revenue and fund balance. He also remarked on the detail in budget narratives, what the trends are over the years, and what would affect the projections. He also noted there is monitoring processes in place with reserves, there is a plan in place for reserves, and this is communicated to the Board and to the community.

Both Mr. Bantileskas and Mr. Iacobelli expressed how very impressed they are by the budget binder and detail that Ms. Buatsi maintains and remarked that they would like to see all of their clients adopt something similar.

Mr. Spieler remarked that the trend seems to show revenues are growing at a lower rate than expenditures. He expressed concern that there is a widening gap in fund balance. He asked if they see this trend continuing or reversing.

Mr. Bantileskas explained the scope of their report is through fiscal year June 30, 2021. The fund balance over the period they reviewed did decrease, however, that is by design to decrease the tax impact to the community. He further stated the District has made an effort to reduce fund balance, specifically from the grant money they received to minimize the tax impact from LIPA. He further explained this is part of the corrective action plan by the external auditor.

Trustee Jones asked that our fund balance be put into perspective with surrounding districts and the county average. Mr. Bantileskas explained that based on percentage of reserves to budgets, North Shore is in the middle of districts with similar budgets. He further noted that this is where a district should be. President Ludmar commented that the District has faced pressure from a community member about its reserves, so it is important to highlight this. Trustee Russo remarked that one of the reasons fund balance is decreasing is because the Board is using the funds from the Marcellino/Lavine grant. That is being paid down according to the corrective action plan. She further noted that the District is now at the 4% level. Trustee Mosca remarked that the funds that were above 4% was not raised by taxpayers. She went on to say that although the District is taking this corrective action, the funds were received through a grant and there was no other way to manage it. Trustee Russo clarified that although the grant money was not local taxpayer money it is money raised from taxes. She went on to say the revenue from LIPA has decreased dramatically and the grant money has been used to offset the loss of that revenue. If the District did not have it, it would have come from reserves. Trustee Jones added that fund balance will now be at 4%, restricted reserves have come down significantly over the last several years and are well below the county average; this reflects the various pressures the Board is under. President Ludmar remarked that the numbers in the reserves have gone down. There has been a lot of pressure to keep reserves low and that is at odds with long-term financial planning. Mr. Spieler cautioned against the continued use of reserves.

Mr. Iacobelli remarked that the community should be very happy and proud that this Board has such a detailed discussion. He said North Shore has very strong operations and internal controls. He noted that outside of New York there is not this level of oversight.

At 7:37 p.m. the Audit Committee Meeting was adjourned

Elizabeth Ciampi
District Clerk