

MINUTES
CLARK COUNTY SCHOOL DISTRICT
SPECIAL MEETING OF THE BOARD OF SCHOOL TRUSTEES
AUDIT ADVISORY COMMITTEE
ADMINISTRATIVE CENTER, ROOM 466
5100 WEST SAHARA AVENUE, LAS VEGAS, NV 89146

Wednesday, September 30, 2015

9:40 a.m.

Roll Call:	<u>Members Present</u>	<u>Members Absent</u>
	Patrick Patin, Chairman	Colleen Boyle
	Anthony Mook	Patricia Morris
	B. Keith Rogers	
	Kevin L. Child, Board Liaison	

Pat Skorkowsky, Superintendent of Schools

Also present were: Jim McIntosh, Chief Financial Officer, Business and Finance Division; Nikki Thorn, Deputy Chief Financial Officer, Business and Finance Division; Janette Scott, Director, Internal Audit Department, Office of the Chief of Staff; Shelly Hughes, Coordinator IV, General Accounting, Business and Finance Division; Rosa Reynolds, Budget Assistant, Business and Finance Division; David Roddy, Public Information Specialist, Communications Office, Office of the Chief of Staff; and Lisa Chrapcynski, Administrative Secretary II, Board Office.

ADOPT AGENDA

Adopt agenda.

Motion: Mook Second: Rogers Vote: Unanimous

PUBLIC COMMENT PERIOD

None.

APPROVE ELECTION OF CHAIRPERSON

Discussion and possible action on the election of a Chairperson for the Clark County School District Board of Trustees Audit Advisory Committee for the 2015-2016 fiscal year.

Mr. Mook nominated Mr. Patin to serve as chairman of the Audit Advisory Committee.

Mr. Rogers seconded the nomination.

Motion to close nominations.

Motion: Rogers Second: Mook Vote: Unanimous

APPROVE ELECTION OF CHAIRPERSON (continued)

Vote for Mr. Patin to serve as chairman of the Audit Advisory Committee for the fiscal year 2015-2016 was unanimous.

APPROVE MINUTES

Approval of minutes from the meeting of June 24, 2015.

Motion: Mook Second: Rogers Vote: Unanimous

APPROVE ADOPTION OF A MOTION DIRECTING THE CHAIR TO MEET WITH THE INDEPENDENT EXTERNAL AUDITOR INDEPENDENTLY FROM ADMINISTRATION AND INTERNAL AUDITORS FOR THE 2015-2016 FISCAL YEAR

Approval regarding a motion directing the Chair to meet with the independent external auditor independently from administration and internal auditors on behalf of the Audit Advisory Committee, as recommended.

Motion to direct the Chair to meet with the independent external auditor independently from administration and internal auditors on behalf of the Audit Advisory Committee.

Motion: Rogers Second: Mook Vote: Unanimous

APPROVE ADOPTION OF A MOTION DIRECTING THE CHAIR TO MEET WITH THE CLARK COUNTY SCHOOL DISTRICT DIRECTOR OF INTERNAL AUDIT INDEPENDENTLY FROM ADMINISTRATION AND EXTERNAL AUDITORS FOR THE 2015-2016 FISCAL YEAR

Approval regarding a motion directing the Chair to meet with the Clark County School District Director of Internal Audit independently from administration and external auditors on behalf of the Audit Advisory Committee, as recommended.

Motion to direct the Chair to meet with the Clark County School District Director of Internal Audit independently from administration and external auditors on behalf of the Audit Advisory Committee.

Motion: Rogers Second: Mook Vote: Unanimous

APPROVE UPDATE ON THE EXTERNAL FINANCIAL STATEMENT AUDIT FOR THE CLARK COUNTY SCHOOL DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Approval regarding timing, status, issues, and results of the external audit of the Clark County School District for the fiscal year ended June 30, 2015.

Mr. McIntosh noted that no representative from Eide Bailly was present at the meeting.

Mr. Patin said he would contact the external auditors and request a written update, and he would forward that to Cindy Krohn, Executive Assistant, Board Office, to forward to the Committee members.

Ms. Thorn reported that the audit has not been completed, that the auditors are still in the field through the end of the week, but staff is not aware of any issues at this time. She said the external auditors anticipate completing a report on approximately October 12, 2015.

APPROVE UPDATE ON THE EXTERNAL FINANCIAL STATEMENT AUDIT FOR THE CLARK COUNTY SCHOOL DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2015 (continued)

Mr. Patin asked for an update on Governmental Accounting Statements Board (GASB) Statement No. 68.

Ms. Thorn said the District has implemented GASB 68 for the June 30, 2015, financial statements. She said the pension liability is \$2.5 billion, and the negative net position is approximately \$652 million. She said it should be noted that this only impacts the government-wide financial statements.

APPROVE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) REVIEW

Approval regarding the upcoming review of the Clark County School District's CAFR for the fiscal year ending June 30, 2015, by the members of the Audit Advisory Committee, as recommended.

Ms. Thorn stated that the Audit Advisory Committee's joint meeting with the Board of Trustees was scheduled to be held on Friday, November 13, 2015, at 8:00 a.m. She said prior to the meeting staff would be issuing copies of the Comprehensive Annual Financial Report (CAFR) to the Committee and to the Board. She said the Board of Trustees would receive their CAFRs through the Board Office, and the Committee members will receive their CAFRs at their homes. She said the meeting that took place last year with the Committee Chair, the Board President, CFO and the Superintendent would not take place this year. She said once the Committee members receive the CAFR, they may submit questions and comments to her office up to 48 hours before the joint meeting, and they will be included as additional reference material for the meeting.

Mr. Mook pointed out that November 11 is a holiday.

Ms. Thorn asked that questions be submitted to her office by November 10.

APPROVE CLARK COUNTY SCHOOL DISTRICT AUDIT ADVISORY COMMITTEE SELF-EVALUATION

Approval regarding an evaluation by the Committee of its performance and efficiency, including input from management, internal audit, external audit, and the public.

Mr. Patin said he reviewed the Committee's Bylaws and did not see anything that needed to be addressed and recommended for revision to the Board.

The Committee members agreed with Mr. Patin that they hold an appropriate number of meetings, and that the number of committee members is appropriate.

Mr. Patin briefly went over the Committee's Responsibilities Calendar, noting that the Committee is performing the items outlined in the Calendar. Regarding Number 5 on the calendar, Mr. Patin asked if the Board has been reviewing EL-5: Financial Planning and Budgeting, EL-6: Financial Condition and Activities, EL-8: Asset Protection, and EL-9: Compensation and Benefits.

APPROVE CLARK COUNTY SCHOOL DISTRICT AUDIT ADVISORY COMMITTEE SELF-EVALUATION (continued)

Trustee Child and Mr. McIntosh confirmed that the Board has reviewed its policies.

Mr. Patin noted that the Board is potentially moving away Policy Governance®.

Trustee Child said the Board is still working on this, and they are in the process of reviewing the Balanced Governance™ model.

Mr. Patin said the Committee is available to assist the Board with reviewing any policies or internal control, financial-based items if necessary. He said he believes the Committee is meeting its mandate as defined by the Bylaws and Calendar.

Mr. Rogers commented that the responsibilities as laid out are comprehensive and sufficient for the Committee's role.

Mr. Mook agreed that the Committee's role and responsibilities are clearly defined.

Trustee Child said he is impressed by the Committee's work and does not feel they need to change anything at this time.

Mr. McIntosh agreed with Trustee Child's comments and said staff appreciates the feedback it has received from the Committee.

Ms. Scott said she appreciates the work of the Committee also, and she appreciates the Committee's support of the Internal Audit Department.

APPROVE REVIEW OF AND RECOMMENDATION OF AMENDMENTS TO THE CLARK COUNTY SCHOOL DISTRICT AUDIT ADVISORY COMMITTEE BYLAWS AND CALENDAR

Approval regarding the review of and recommendation of amendments to the Bylaws and Calendar of the Clark County School District Audit Advisory Committee, as recommended in Reference 3.08. Any changes recommended to the Bylaws and Calendar at this meeting will be brought forward to the Board of Trustees and will not be implemented unless adopted at a regular meeting of the Board of Trustees.

Mr. Patin said based on the Committee's discussion on Item 3.07, there are no recommended amendments to the Audit Advisory Committee's Bylaws and Calendar.

APPROVE UPDATE ON THE CLARK COUNTY SCHOOL DISTRICT INTERNAL AUDIT DEPARTMENT

Approval on work performed by, and the status of the Clark County School District Internal Audit Department for the current fiscal year.

Ms. Scott presented the Internal Audit Department Audit Plan Update for Fiscal Year 2016 as of September 25, 2015, as outlined in Reference 3.09.

APPROVE UPDATE FROM THE CLARK COUNTY SCHOOL DISTRICT'S FINANCIAL MANAGEMENT DEPARTMENT

Approval regarding an update from the Clark County School District's financial management department on the current and future expected financial conditions, recently issued Governmental Accounting Standards Board pronouncements, school construction, the budget, and the District's budget visualization tool known as "Open Book."

Mr. McIntosh shared that during the recent legislative session, the District received a decrease in the amount of per pupil funding of approximately \$15.00 per pupil, and the District has had to make some budget cuts. He said the District was granted the authority to bond against the property tax rollover rate and has begun planning to build new facilities. He said all of the employee contracts are expired, and the District and employee groups are currently in negotiations, and if the District is required through arbitration to provide additional compensations, salaries, or benefits, there may be further budget cuts in the future.

Ms. Thorn said Open Book has been updated with the Amended Final Budget which was approved by the Board in June. She said a change in the upcoming budget cycle is that the District would now be reporting average daily enrollment on a quarterly basis in addition to the count day in September. She said enrollment projections are less than originally calculated, which impacts staffing, and the Human Resources Division is in the process of making those the adjustments.

Mr. McIntosh added that there are more students enrolled this year than last year but not as many as projected.

Mr. Patin asked if there were any new pronouncements from GASB to be presented to the Committee.

Ms. Thorn very briefly discussed GASB 72, Fair Value Measurement and Application, effective June 30, 2016; GASB 77, Tax Abatement Disclosures, effective Fiscal Year 2017; GASB 75, Accounting and Reporting for Postemployment Benefits Other than Pensions (OPEB), effective Fiscal Year 2018; and possibly reexamining GASB 34, Basic Financial Statements – And Management's Discussion and Analysis – For State and Local Governments, Fiscal Year 2021 and possibly beyond.

APPROVE UPDATE FROM THE CLARK COUNTY SCHOOL DISTRICT'S FINANCIAL MANAGEMENT DEPARTMENT (continued)

Mr. Patin requested a brief presentation at the Committee's January meeting related to the GASB Statements that will affect the District in the near future.

Ms. Thorn discussed Senate Bills 119 and 207, which extend the authority of the District to issue bonds for construction and renovation of schools through 2025. She said the District has held public input meetings to assist with the planning of 12 new schools and two replacement schools. She said the Guiding Principles were approved by the Board, and the Board made the decision that 49 percent of the funding would apply to capacity issues, and 51 percent would apply to modernization of facilities. With regard to the bond approval timeline, she said the Debt Management Commission authorized up to \$200 million in July 2015, the Oversight Committee for School Facilities authorized up to \$300 million in general obligation school construction bonds on September 29, 2015, and the Debt Management Commission will be asked to authorize that issuance on October 1, 2015. She said the ratings presentations for those upcoming bond issues are scheduled for October 8, 2015, with potential bond sell on November 3, 2015.

Mr. Patin asked Ms. Scott to discuss the timeline for hiring auditors and developing an audit plan related to the bonds.

Ms. Scott said she has not yet been directed to begin the hiring process for new auditors, but there are currently two auditors in her department who are bond funded and would be able to perform any necessary duties in the meantime.

FUTURE MEETING PLANNING

Mr. Patin reminded Committee members that their joint meeting with the Board of Trustees is scheduled for November 13, 2015, at 8:00 a.m. at the CCSD Education Center in the Board Room.

Motion to hold the next Audit Advisory Committee meeting on January 27, 2016, at 9:30 a.m. at the CCSD Administrative Center in room 466.

Motion: Rogers Second: Mook Vote: Unanimous

AGENDA PLANNING: ITEMS FOR FUTURE AGENDAS

Mr. Patin said at the Committee's January meeting, there would be a brief presentation related to GASB, a brief presentation related to the control environment, and the Committee would be reviewing any required remediation of deficiencies identified in the external audit.

PUBLIC COMMENT PERIOD

None.

ADJOURN: 10:33 a.m.

Motion: Rogers Second: Mook Vote: Unanimous