

MINUTES
CLARK COUNTY SCHOOL DISTRICT
SPECIAL MEETING OF THE BOARD OF SCHOOL TRUSTEES
EDWARD A. GREER EDUCATION CENTER, BOARD ROOM
2832 E. FLAMINGO ROAD, LAS VEGAS, NV 89121

JOINT MEETING WITH THE AUDIT ADVISORY COMMITTEE

Friday, November 14, 2014

1:00 p.m.

Roll Call: Members Present

Linda E. Young, Vice President
Patrice Tew, Clerk
Carolyn Edwards, Member
Chris Garvey, Member
Deanna L. Wright, Member

Members Absent

Erin E. Cranor, President
Stavan Corbett, Member

Pat Skorkowsky, Superintendent of Schools

Also present were: Paul Johnson, Board Counsel, District Attorney's Office; Jim McIntosh, Chief Financial Officer, Business and Finance Division; Nikki Thorn, Deputy Chief Financial Officer, Business and Finance Division; Cindy Krohn, Executive Assistant, Board Office; Elizabeth Carrero, Executive Manager, Office of the Superintendent; Norma Herrera, Administrative Secretary II, Board Office; Anna Danchik, CPA, Project Manager, Kafoury, Armstrong & Co.; and Tammy Miramontes, Audit Manager, CPA, Kafoury, Armstrong, & Co.

FLAG SALUTE

Trustee Tew led the Pledge of Allegiance.

ADOPT AGENDA

Adopt agenda, except noting additional reference material for Item 3.01 and reference material provided for Item 4.06.

Motion: Edwards Second: Wright Vote: Unanimous

The Audit Advisory Committee called their meeting to order at 1:08 p.m. and noted members Patrick Patin, Colleen Boyle, and B. Keith Rogers were present, and members Anthony Mook and Patricia Morris were absent. The Committee adopted their agenda, noting additional reference material for Item 3.01, as 3.01 1C, as follows:

Motion: Rogers Second: Boyle Vote: Unanimous

PUBLIC COMMENT PERIOD

None.

APPROVE ITEMS 3.01 AND 3.02

Approval of Items 3.01 and 3.02, respectively, as follows:

PRESENTATION OF THE ANNUAL INDEPENDENT AUDITOR'S REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Presentation and discussion of the annual Independent Auditor's Report for the Fiscal Year Ended June 30, 2014, by representatives from Kafoury, Armstrong & Co.

APPROVE INDEPENDENT AUDITOR'S NARRATIVE REPORT OF RECOMMENDATIONS AND DISTRICT RESPONSES TO RECOMMENDATIONS FOR THE FISCAL YEAR ENDED JUNE 30, 2014, AND INDEPENDENT AUDITOR'S STATEMENTS ON NEVADA REVISED STATUTE COMPLIANCE

Approval to accept the District's responses to the independent auditor's recommendations for the fiscal year ended June 30, 2014, with the written narrative and responses being incorporated by reference into the minutes of this meeting, and with the entire report being transmitted and filed as required in NRS 354.624; and approval to accept the independent auditor's statements on NRS compliance for the fiscal year ended June 30, 2014, including the necessary corrective actions, with the statements being transmitted and filed as required in NRS 354.6245, as recommended in Reference 3.02.

Ms. Danchik presented and offered a summary of the following reports as shown in Item 3.01 1A: Independent Auditor's Report for the fiscal year ended June 30, 2014; Schedule of Expenditures of Federal Awards (SEFA); Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards; OMB Circular A-133; and Auditor's Comments.

Mr. McIntosh explained that with reference to Note 11 in the Comprehensive Annual Financial Report (CAFR), the District is required by state statute to report when there are expenditures over budgeted appropriations, which means that the District spent more than was budgeted, not that the District did not have the appropriate funds available. He said the two incidents of that happening this year were in the class-size reduction fund and the special education fund.

Mr. McIntosh presented the CAFR to the Board as Item 3.01 1B and briefly went over some items of general interest in the document; specifically, the Letter of Transmittal; Management's Discussion and Analysis (MD&A); General Fund Comparative Balance Sheets for June 30, 2014, and 2013; General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance; the financial statements of the Special Education Fund, Debt Service Fund, Bond Fund, Federal Projects Fund; and the Statistical Section.

APPROVE ITEMS 3.01 AND 3.02 (continued)

Mr. McIntosh addressed Additional Reference Item 3.01 1C, which he explained was a question asked by the Audit Advisory Committee upon reviewing the CAFR and staff's response to that question.

Trustee Edwards referred to Page 8 of the CAFR, paragraph 4, and asked what the impact would be if the increase in the Local School Support Tax (LSST) was not extended again.

Mr. McIntosh said the impact would be significant to the District, and there would be a large amount of cuts. He said staff is currently working on a document related to the potential impact to take into the legislative session.

Trustee Edwards asked if the Board would receive that report before the legislative session.

Mr. McIntosh said the report would be provided to the Board.

Trustee Edwards said it should be noted that the guarantee for the Nevada Plan does not work in practice when the state does not have money.

Mr. McIntosh agreed that is a concern and said that can be noted in the District's MD&A document. He offered to also note that in the past the District has been required to take approximately \$85 million over several years out of the capital fund to subsidize the Distributive School Account (DSA).

Trustee Garvey referred to the information in the Taxable Assessed Value and Estimated Actual Value of Property Last 10 Fiscal Years on page 158 of the CAFR and said the District should be discussing this information with the public and amongst themselves as the legislative session approaches.

Trustee Edwards suggested that the date of the ending fund balance waiver approved by the Board should be included in the 8th paragraph on page 14 of the CAFR.

Mr. McIntosh agreed with Trustee Edwards' suggestion.

Trustee Edwards inquired about the "Management Letter" that was presented with the CAFR in the past.

Ms. Miramontes explained that the Government Auditing Standards has changed its requirements, and issues that rise to the level of reporting to the Board are the significant deficiencies and material weaknesses now have to be reported in the CAFR. She said items that appeared in the Management Letter are issues that did not rise to that level of reporting and are relayed to management either verbally or in a letter.

APPROVE ITEMS 3.01 AND 3.02 (continued)

Trustee Edwards asked if the District is still receiving the Management Letter and if the Board is allowed to view the letters.

Mr. McIntosh said staff has received one letter from Kafoury, Armstrong & Co. regarding an accounting issue related to federal programs, and management is in the process of correcting that issue for next year.

Trustee Young referred to Fund Balance for Instructional Supplies as outlined on page 74 of Reference 3.01 1B and asked about schools being allowed to carry their fund balance over instead of the funds reverting back to the general fund.

Mr. McIntosh directed Trustee Young to the "School carryover" line item on page 74.

Motion to recommend that the Board of Trustees accept the District's responses to the independent auditor's recommendations for the fiscal year ended June 30, 2014, with the written narrative and responses being incorporated by reference into the minutes of this meeting, and with the entire report being transmitted and filed as required in NRS 354.624; and recommend approval to accept the independent auditor's statements on NRS compliance for the fiscal year ended June 30, 2014, including the necessary corrective actions, with the statements being transmitted and filed as required in NRS 354.6245.

Motion: Rogers Second: Boyle

Mr. Patin thanked Mr. McIntosh and his staff, Kafoury, Armstrong & Co., and members of the Audit Advisory Committee for their work. He thanked the Board for the level of attention they gave to the items in the report.

Vote on Mr. Rogers' motion was unanimous.

The Board recognized and thanked the Audit Advisory Committee for their work.

PUBLIC COMMENT PERIOD

None.

The Audit Advisory Committee adjourned their meeting at 2:22 p.m. as follows:

Motion: Rogers Second: Boyle Vote: Unanimous

APPROVE ITEMS 3.01 AND 3.02 (continued)

Motion to accept the District's responses to the independent auditor's recommendations for the fiscal year ended June 30, 2014, with the written narrative and responses being incorporated by reference into the minutes of this meeting, and with the entire report being transmitted and filed as required in NRS 354.624; and approval to accept the independent auditor's statements on NRS compliance for the fiscal year ended June 30, 2014, including the necessary corrective actions, with the statements being transmitted and filed as required in NRS 354.6245.

Motion: Edwards Second: Tew Vote: Unanimous

POLICY GOVERNANCE REVIEW

Presentation and discussion of the annual independent auditor's report on assessment of compliance with Board governance policies EL-5: Financial Planning/Budgeting; EL-6: Financial Condition and Activities; EL-8: Asset Protection; and EL-9: Compensation and Benefits, by representatives from Kafoury, Armstrong & Co.

Ms. Miramontes presented the external auditor's report of Board policies and said the District was found to be in compliance with Governance Policies EL-5: Financial Planning/Budgeting, EL-6: Financial Condition and Activities, EL-8: Asset Protection, and EL-9: Compensation and Benefits.

APPROVE MONITORING REPORT – EL-5: FINANCIAL PLANNING/BUDGETING – 2013-2014

Approval regarding the monitoring report for Governance Policy EL-5: Financial Planning/Budgeting – 2013-2014.

Superintendent Skorkowsky presented the monitoring report for Governance Policy EL-5: Financial Planning/Budgeting – 2013-2014.

Motion to approve in compliance.

Motion: Garvey Second: Tew Vote: Unanimous

APPROVE MONITORING REPORT – EL-6: FINANCIAL CONDITION AND ACTIVITIES – 2013-2014

Approval regarding the monitoring report for Governance Policy EL-6: Financial Condition and Activities – 2013-2014.

Superintendent Skorkowsky presented the monitoring report for Governance Policy EL-6: Financial Condition and Activities – 2013-2014.

Trustee Edwards suggested that when the Superintendent responds to the 2 percent ending fund balance in his monitoring report, he ought to indicate that the Board granted him a waiver of that requirement with the date of the waiver included, which would prevent the Superintendent from being noncompliant. She asked that the document be corrected with the addition of that information. She asked if the document could be approved with that recommendation.

Mr. Johnson suggested that the Board could approve the report with the understanding that the Board provided the waiver.

Trustee Young supported Trustee Edwards' suggestion of having the language included in the monitoring report.

APPROVE MONITORING REPORT – EL-6: FINANCIAL CONDITION AND ACTIVITIES – 2013-2014 (continued)

Trustee Edwards said she believes because the Board provide the Superintendent with a waiver for that requirement, he is not noncompliant. She said she would prefer that this document not be moved forward with the "Noncompliant" under Number 4. She asked if the document could be approved with the recommended change or if it needed to come back.

Mr. Johnson said the District is noncompliant with the Board's standard of 2 percent for the fund balance, so he does not believe it is in error to say it is noncompliant.

Trustee Young said she feels the current language in the monitoring report is appropriate.

Trustee Edwards said this monitoring report is for last fiscal year so the language should read, "...1.25 with a plan to increase it to 1.5 in fiscal year 2015."

Trustee Wright said she agrees with Trustee Edwards that the District is in compliance with Number 4 because the Board provided the waiver, and the document should be amended.

Jim McIntosh explained that while the document is related to last year, this item refers to projections for the general fund budget for 2015 as it reads, "...1.5 percent of the total projected general fund revenue is in reserve."

Trustee Edwards said the "noncompliant" remains an issue for her, but she is fine with the language regarding the 1.5 percent. She suggested for clarity, it should include language that says, "it is currently, for last fiscal year, at 1.25, it is projected for 1.5, and we have a plan to raise it to 2 percent by a specific date," so it shows in the document that this fund is being restored, and the District will be in compliance by a specific date.

Trustee Garvey stated that she wants the true feeling of the Board to be reflected, that they do not find the Superintendent to be out of compliance on anything the Board has established for this particular policy. She said given the parameters of the waiver, the Superintendent has met the expectations of the Board. She spoke in support of bringing this item back if necessary to have it include clear language to that effect.

Trustee Young agreed with changing the language for purposes of clarity.

Superintendent Skorkowsky asked that the Board take no action on this item at this time and said he would bring it back to the December 3 work session with corrections for the Board's approval.

Trustee Tew asked Mr. McIntosh and Mr. Johnson for their input.

APPROVE MONITORING REPORT – EL-6: FINANCIAL CONDITION AND ACTIVITIES – 2013-2014 (continued)

Mr. Johnson offered that in his opinion if the policy says the District must have a 2 percent ending fund balance, the Superintendent is not in compliance and needs to explain why, which is because of the economic condition and because the Board granted a waiver.

Trustee Tew said she believes the language shows the Board's support of the Superintendent but does not give a clear message. She suggested that disclosing that, "according to a waiver that the Board has granted the Superintendent..." should be the first statement.

Superintendent Skorkowsky said he would bring this back with very clear language at the December 3 work session.

APPROVE MONITORING REPORT – EL-8: ASSET PROTECTION – 2013-2014

Approval regarding the monitoring report for Governance Policy EL-8: Asset Protection – 2013-2014.

Superintendent Skorkowsky presented the monitoring report for Governance Policy EL-8: Asset Protection – 2013-2014.

Trustee Wright said she appreciated the Superintendent's interpretations in this document.

Motion to accept in compliance.

Motion: Wright Second: Edwards Vote: Unanimous

APPROVE MONITORING REPORT – EL-9: COMPENSATION AND BENEFITS – 2013-2014

Approval regarding the monitoring report for Governance Policy EL-9: Compensation and Benefits – 2013-2014.

Superintendent Skorkowsky presented the monitoring report for Governance Policy EL-9: Compensation and Benefits – 2013-2014.

Motion to accept in compliance.

Motion: Edwards Second: Wright Vote: Unanimous

AUTHORIZE 2013-2014 RECAP OF BUDGET APPROPRIATION TRANSFERS

Authorization to include the Recap of Budget Appropriation Transfers Between Governmental Functions for the period beginning July 1, 2013, and ending June 30, 2014, in the official Board minutes, as recommended in Reference 4.05.

Mr. McIntosh presented the budget appropriation transfers that have occurred since the amended final budget was approved in December 2013, as shown in Reference 4.05.

AUTHORIZE 2013-2014 RECAP OF BUDGET APPROPRIATION TRANSFERS (continued)

Motion to approve.

Motion: Garvey Second: Edwards Vote: Unanimous

BOARD MEMBER LEAVES

Trustee Garvey left the Board meeting at 3:01 p.m.

APPROVE BUDGET REVIEW

Approval of assumptions and conditions for the development of the 2014-2015 Amended Final Budget, as recommended in Reference 4.06.

Ms. Thorn presented changes that have occurred since approval of the Final Budget and the assumptions and conditions for the development of the Amended Final Budget as shown in Reference 4.06.

Motion to accept.

Motion: Wright Second: Tew Vote: Unanimous

Trustee Garvey was not present for the vote.

EMPLOYEE LABOR RELATIONS AND CLOSED SESSION

None.

AGENDA PLANNING: ITEMS FOR FUTURE AGENDAS

None.

DISCUSSION AND REQUEST FOR SPECIAL MEETINGS

None.

PUBLIC COMMENT PERIOD

None.

ADJOURN: 3:11 p.m.

Motion: Edwards Second: Tew Vote: Unanimous

Trustee Garvey was not present for the vote.