

Audit and Risk Management Advisory Committee

Jefferson County Public Schools

October 30, 2023

Stewart Auditorium

ARMAC Members Present: Chairperson James Rose, Co-Chairperson Rhonda Mitchell, Pedro Bryant and Dr. Eric Russ

JCPS Staff Present: Dr. Katy DeFerrari, Eddie Muns, Hannah Lehman, Cecil Comstock, Jon Sewsanker, May Porter, John LeMaster, Chalynn Comage, Sonya Miller and Shari Mattingly

Board Members Present: none

Public Present: Jim Tenzca, Simon Keemer, and Megan Crane, Dean Dorton

Chair Rose called the meeting of the Audit and Risk Management Advisory Committee (ARMAC) to order at 11:00 a.m.

Annual Comprehensive Financial Report Presentation – Eddie Muns Chief Financial Officer, Hannah Lehman, Executive Administrator, Accounting Services, James Tencza, Megan Crane and Simon Keemer, Dean Dorton

Ms. Lehman presented a draft of the Annual Comprehensive Financial Report for the year ended June 30, 2023. Chair Rose asked about the net position at end of year on page 8 of the presentation, what the major drivers were. This is explained as inflated revenue in the prior two years consisting of pandemic grants, along with negated property and other taxes. Regarding the pie chart on page 10, Chair Rose inquired about school-based support - if school staff is included. It is, and consists of principals, counselors, coaches, instruction assistants, office staff. Chair Rose also inquired about the pension liabilities. Mr. Muns explained that pensions are divided into two types. Teachers and certified staff are covered by KTRS, and classified staff which are covered by CERS. Co-chair Mitchell asked when the ESSR grants would expire? Mr. Muns stated the date is September 2025, however most of ESSR has already been spent.

Mr. Tencza began the Dean Dorton portion of the presentation by expressing his gratitude to the JCPS financial team. Their cooperation and assistance in providing all requested documentation was greatly appreciated. He then presented an overview of audit engagements. Chair Rose asked about concurring partners, which Mr. Tencza explained consists of himself, Ms. Crane and Mr. Keemer. He also explained that the audit is 90% complete and will be presented to the Board at the next meeting on November 14th. Should anything come up between now and then, Dean Dorton will let JCPS know. ARMAC and Dean Dorton are invited to attend the upcoming board meeting, however it is not required. Mr. Tencza did state that either he or Mr. Keemer will be attending. Once Board approval is received, Dean Dorton will release the final audit November 15th with all audit findings submitted to KDE immediately. Dr. DeFerrari advised the committee of a November 10th board retreat with the CGCS to discuss goal setting. A. J. and Leslie will have a discussion with the board regarding the new board meeting structure, which will include full video presentations.

Mr. Keemer presented the Auditor Communications. Chair Rose asked what their questions would be, if asked to look at internal controls. They would look at what financial controls are being looked at by the Executive Administrator and this would be at a much more detailed level (on the same scale as the financial statement). Typically, it is at a high level, with no opinion given.

Chair Rose asked what the District's position will look like next year; in five years. Also, are there non-gap overviews? Ms. Lehman stated that Financial Services currently has a 16-page booklet available with this information. Policies and Practices has significant disclosures affecting the financial statements. Pensions and benefits were also discussed. CERS and KTRS boards do not create their own assumptions. These are set by actuaries, and each has their own separate team of auditors. Kentucky has for a number of years failed to charge the required retirement percentage, but the District has always paid what the state required. This has led to underfunding of the system.

Ms. Crane reviewed the summary of the single audit, with Mr. Keemer reviewing the upcoming GASB standards. Mr. Tencza concluded by thanking the Financial Services team and stated that there are no concerns with the District's levels of control.

New Business

On the agenda for the upcoming ARMAC meeting will be a discussion of the book Great on Their Behalf: Why School Boards Fail, And How Yours Can Become Effective. Ms. Porter would also like to discuss the ARMAC calendar for 2024.

Adjournment

The next ARMAC Committee meeting is scheduled for November 8th. Chair Rose made a motion to adjourn the meeting; Co-chair Mitchell seconded the motion. The meeting adjourned at 12:45 p.m.