

**AUDIT COMMITTEE**

**November 11, 2024 – 10 AM via Zoom**

**In Attendance:**

Ms. Kati Penney, Committee Chair

Ms. Marion Mullauer – Board Chair

Mr. Craig Ballew

Mr. Raymond Brown

Mr. John Huyhn

**MSB Staff in Attendance:**

Mr. Rob Hair, MSB Superintendent

Ms. Kibian Vazquez, MSB CFO

Ms. Valerie Johnson, MSB Executive Assistant

**Proxy:** Mr.Jim Knell

**Absent:** Mr.Christopher Trapani

**Guests:**

Mr. Josh Slater, T. Rowe Price

Ms. Ashley Zumbrun (Roccio) and Mr. Arnold Farmer, Stout Causey Horning (SCH)

**Call to Order:** Ms. Kati Penney called the meeting to order at 10 am and noted a quorum was present.

**T. Rowe Price Investment Update:** Mr. Josh Slater presented the endowment investment report, which included an overview of the investment policy, portfolio value, performance benchmarks, and asset classification. The report also featured a market overview and detailed information on the portfolio's holdings.

As of September 30, 2024, he reported the portfolio's market value at $71,633,891, with a gross return of 4.76% and a net return of 4.68%. Additionally, the money market account balance stood at $13.2 million.

**SCH FY2024 Financial Audit Report, June 30, 2024:** Ms. Zumbrun and Mr. Farmer reported that the school maintains a strong liquidity position, with sufficient financial assets available to cover general expenditures for the coming year. They confirmed there were no changes to accounting policies, audit adjustments, or control deficiencies identified. The audit resulted in an unqualified opinion, with no material weaknesses or significant deficiencies reported.

Ms. Penney asked about the single audit threshold, which was confirmed to be $1M for fiscal year 2024. It was further clarified that this threshold will take effect after October 1, 2026.

Ms. Zumbrun noted that the next steps involve sending a representation letter for signature and starting work on the 990 form.

Ms. Penney moved to accept the unqualified opinion and report from Stout Casey Horning, CPAs, for the fiscal year ending June 30, 2024. The motion, seconded by Mr. Ray Brown, was approved unanimously and will be presented for approval at the Board of Directors meeting on December 6, 2024.

**Financial Statement – September 30, 2024:** Ms. Kibian Vazquez reported that the school is currently behind budget for both sources and uses of funds. The main grant and federal grants are under budget by $140,000 due to timing differences, though they are anticipated to align with the budget as the year progresses. Program expenses remain consistent at 87%, with a $2M increase in liquidity noted.

Lease activity during the year included the recognition of right-of-use assets and lease liabilities, with some changes resulting from lease terminations and renewals. The extended school year (ESY) program exceeded its budget due to proactive efforts in early fund collection.

Revenue highlights included a $624,000 deficit in salaries, offset partially by savings in benefits driven by high turnover. The balance sheet reflects a decrease in cash and an increase in receivables, largely attributed to the main grant. Property and equipment saw an increase of $13.4M due to the Cottages on the Hill project.

The three-month cash projection estimates spending between $3.5M and $3.7M, consistent with current practices.

**403(b) Update:** Ms. April Tucker provided an update on the 403(b) plan, including the posting of investment changes on the Empower portal. Discussions are underway with Empower regarding the auto-enrollment process for full-time staff working more than 20 hours per week. Efforts are also being made to address the challenge of monitoring employees who work less than 20 hours per week to track when they reach 500 hours within a three-year period.

Education and retirement plan updates include quarterly meetings with Empower and Prudential, as well as targeted mailings aimed at encouraging employee contributions to the plan.

**Recruiting/Staffing Update:** Ms. Tucker provided an update on recruitment efforts, which include participation in university career events and the establishment of internship pipelines. The focus remains on retention to reduce turnover, with the current headcount at 392 and 19 positions still open. Of these, two teaching positions out of 52 and four paraeducator positions out of 105 remain unfilled. Additionally, a revised tuition assistance policy is being developed to encourage current staff to pursue further education.

**Athletic Facilities Project Cash Flow:** Ms. Vazquez presented estimates for the project costs, noting that the state has allocated $62.4M for allowable expenses, with MSB required to contribute $3M.

She reported that the school’s endowment stands at $71.6M, of which $26.6M is restricted. The remaining $45M in unrestricted funds was discussed as a potential source for funding the construction project.

Four funding scenarios were outlined, ranging from full state funding to significant forward funding using MSB’s endowment. The Committee deliberated on the financial implications of each scenario, focusing on the potential impact on the endowment’s long-term growth, investment returns, and the school’s overall financial health.

The discussion emphasized the need to carefully weigh the advantages and risks of utilizing the endowment for the athletic facilities project. It was agreed to present the cash flow scenarios to the full Board in December, along with further research and analysis on financing options. Efforts will continue to monitor the state’s financial outlook and explore alternative financing solutions.

**Adjournment:** Ms. Penney departed the meeting at 11:35 a.m. Ms. Mullauer expressed her appreciation to all attendees and adjourned the meeting at 11:45 a.m.