#### AUDIT COMMITTEE MINUTES

June 25, 2013 10:00 AM

Executive Conference Room 1372 East Main Street, Rochester NY

**Attendees**: Frank Vitagliano, Commissioner Jim Redmond, Chairman

Michael Jankowski, Commissioner Bill Carpenter, CEO

Scott Adair, CFO Christopher Dobson, VP of Finance Miguel Velazquez, CIO Mark Nasky, Director of Accounting

Kristen Clark, Bonadio Jon Miller, Bonadio

Michelle Pyzik, Bonadio

Sharon Muir-Eddy, Senior Budget Analyst

The meeting was called to Order by Commissioner Jankowski.

Scott Adair reviewed the agenda with the committee:

- Financial Statement Presentation
- The Bonadio Group
  - o Required Communications
  - o Communication of Matters Related to Internal Control Over Financial Reporting & Other Matters
  - o OMB A-133 Audit
  - o Agreed Upon Procedures- Incentive Compensation Program
  - o Investment Compliance Report
- Office of the State Comptroller
  - o Real Estate Portfolio
- Other Matters

The Financial Statements were reviewed were presented by Scott Adair, CFO to the Audit Committee.

- In response to a question from Commissioner Jankowski, Scott Adair, CFO
  responded that the decrease in unrestricted fund balance was a shift from
  unrestricted net assets being invested into the capital assets side of the business.
- In response to a question from Chairman Redmond, Chris Dobson, VP of Finance responded that each year we have seen an increase in the AUNA because it's kind of a budgetary position. So each year we've had net income from operations, and therefore the AUNA has increased because of those each year.
- In response to a question from Chairman Redmond, Scott Adair, CFO responded that we currently have almost nine million in the OPEB reserve investment account.

The Bonadio Groups Kristen Clark reviewed the Auditor's Report and other documents listed in the agenda.

- A discussion of the Communication of Matters Related to Internal Control Over Financial Reporting and Other Matters led by the Auditors with Management and the Committee took place. The items noted were responded to by Management and their formal responses will be incorporated into the final document. It was noted that similar concerns over security were noted in prior audits.
- In response to a question from Commissioner Jankowski, Michelle Pyzik of Bonadio responded that we have the single audit it's actually related to federal funds and certain dollar thresholds. And with 37 million dollars, you're well above the threshold that requires a federal single audit.
- In response to a question from Commissioner Jankowski, Scott Adair, CFO responded that it would be an important discussion as we move down the line and start to analyze the regional operations to have an Audit Committee meeting to discuss Regional operations.

On motion of Commissioner Vitagliano, and a second from Chairman Redmond the meeting moved into executive session to meet with the Bonadio Group.

On motion of Chairman Redmond, and a second from Commissioner Vitagliano, the Financial Statements along with the Auditor's Opinion, the Investment Compliance Report, the OMB A-133 Audit, the Agreed-Upon Procedures Report on Incentive Compensation Program as presented is unanimously approved.

On motion of Chairman Redmond, and a second from Commissioner Vitagliano the meeting was adjourned.

## Audit Committee

6/25/2013





- The Bonadio Group
  - Required Communications
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### Condensed Schedule of Net Position

(in millions)

	2013	2012	% age $\Delta$
Assets:			
Current and Other	\$ 69.6	\$ 65.8	5.8
Capital, net of accumulated depreciation	112.1	87.3	28.4
Total assets	181.7	153.1	18.7
Liabilities:			
Current	21.8	17.8	22.5
Long Term	30.0	25.2	19.0
Total liabilities	51.8	43.0	20.5
Deferred inflows	0.2	-	
Net position:			
Net investment in capital assets	112.0	87.3	28.3
Unrestricted	17.7	22.8	-22.4
Total net position	129.7	110.1	17.8

### Reconciliation of Net Position

(ooo's omitted)

	2013	2012
Net position, unrestricted	\$ 17, 720	\$22,780
Add:		
OPEB Liability	29,326	24,779
GTCS Unrestricted net position	1,382	389
Less:		
Government Securities	(15,278)	(9,916)
Self Insurance Investments	(1,503)	(3,658)
Capital Reserve Investments	(2,638)	(4,316)
OPEB Reserve Investments	-	(82)
Para Transit Investments	(93)	(3,126)
Prepaid expense	(238)	(240)
Inventory	(412)	(451)
Available Unrestricted Net Assets	28,266	26,158

# Condensed schedule of revenue, expense and change in net position (in millions)

	2013	2012	% age Δ
Total operating revenue	\$29.5	\$29.6	-
Operating expenses:			
Salaries and benefits	62.7	59.4	5.6
Non-personnel	21.2	21.1	-
Total operating expenses	83.9	80.5	4.2
Loss from operations	(54.4)	(50.9)	
Non-operating income	8.0	8.4	4.8
External Operating Assistance	44.7	42.8	4.4
Capital Contribution	32.4	21.2	52.8
Change in net position	19.6	9.8	
Net position, beginning	110.1	100.3	
Net position, end	129.7	110.1	

### Reconciliation of Change in Net Position

(000's omitted)

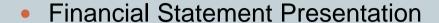
	2013	2012
Change in net position	\$ 19,640	\$9,728
Add:		
Depreciation grant funded	9,964	10,571
Loss on impairment of capital assets	423	24
OPEB expense	4,548	2,426
Change in net position of GTCS	990	499
Less – Capital Contributions	(32,381)	(21,243)
Net income from Operations and Subsidies	3,184	2,005

## Condensed schedule of cash flow (in millions)

	2013	2012
Net cash flow from operations	\$(52.2)	\$(46.8)
Net cash flow from noncapital and financing	55.6	49.4
Net cash flow from capital and related financing	(4.4)	(1.8)
Net cash flow from investing	(0.6)	(10.3)
Change in cash and short-term investments	(1.6)	(9.5)
Cash and short-term investments, beginning	20.2	29.7
Cash and short-term investments, end	18.7	20.2

### **Notes to the Financial Statements**

- Changes to Prior Year Notes
  - Additions
    - ▼ Note #2 Comparative Information and Reclassifications
  - Deletions
    - Note #15 Inventory Reserve Management



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