

Fairfield Area School District Audit Presentation June 30, 2014

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2013-2014
Fairfield Area School District
Audit Presentation

- Please refer to reports for complete details:
 - Fairfield Area School District Annual Financial Report
 - Including Independent Auditor's Report
 - Management Letter
 - Communications with Those Charged with Governance



2013-2014
Fairfield Area School District
Audit Presentation

- Summary
 - Unmodified audit opinion
 - No findings
 - General Fund had an increase in fund balance of \$ 1.1 million
 - Food Service Fund had significantly improved results of operations.



Auditor's Opinion

- Independent Auditor's Report:
 - Unmodified Opinion
 - What does this mean?
 - The financial statements are fairly presented in all material respects.
 - What it isn't
 - This is not an opinion on internal controls.
 - This is not an opinion on or results of a fraud investigation.
- Management's Discussion and Analysis
 - Unaudited information prepared by the District
 - Key Information: 2012-13 versus 2013-2014 comparisons



Governmental Activities – Full Accrual

(Summary excerpt from financial statements)

	June 30, 2013	June 30, 2014	% Change
Current Assets	\$ 3,494,287	\$ 5,012,483	
Noncurrent Assets	13,919,979	12,972,316	
Total Assets	17,414,266	17,987,799	3.28%
Deferred Outflows of Resources	103,276	420,376	
Total Deferred Outflows of Resources	103,276	420,376	307.04%
Current Liabilities	2,112,553	2,663,443	
Noncurrent Liabilities	19,327,344	18,981,012	
Total Liabilities	21,439,897	21,644,469	0.95%
Total Net Position	(\$ 3,922,355)	(\$ 3,239,294)	17.41%

Governmental Activities – Full Accrual

- Capital Assets decreased due to minimal purchases and projects in the current year
 - Depreciation expense exceeded capital asset additions by \$ 1,043,343
- Noncurrent liabilities decreased due to regular debt payments made during the year



General Fund Analysis

(Summary excerpt from financial statements)

	2013-2014 Final Budget	2013-2014 Actual	Variance with Final Budget
Local Revenues	\$ 9,728,725	\$ 10,849,190	\$ 1,120,465
State Revenues	5,846,094	5,852,435	6,341
Federal Revenues	193,810	157,376	(36,434)
Total Revenues	15,768,629	16,859,001	1,090,372
Instruction	8,882,377	8,932,865	(50,488)
Support Services	4,666,771	4,724,044	(57,273)
Operation of Noninstructional Services	485,194	485,194	0
Debt Service	1,593,660	1,593,660	0
Total Expenditures	15,628,002	15,735,763	(107,761)
Proceeds from Capital Lease	0	109,175	109,175
Interfund Transfers	(140,627)	(134,481)	6,146
Change in Fund Balance	\$ 0	\$1,097,932	\$ 1,097,932



General Fund Analysis

- Revenues were more than budget due to:
 - Taxes (earned income taxes) – one time receipt
 - Total revenues \$ 950,000 more than 2013
- Expenditures were comparable to budget
 - Increased compared to 2013 due primarily to increase in PSERS rate (approximately \$ 340,000)
- Other Financing Sources and Uses
 - Capital lease proceeds were not budgeted (normal process is to only budget the payments)



Capital Reserve Fund

(Summary excerpt from financial statements)

	2012-2013	2013-2014
Fund Additions	\$ 69,999	\$ 110
Expenditures	1,490,396	211,020
Transfers In (Out)	0	134,481
Ending Fund Balance	\$ 165,536	\$ 89,107

2013-2014 Expenditures include a portion of the roofing project, started prior to June 30, 2014.



Food Service Fund

(Summary excerpt from financial statements)

	2012-2013	2013-2014
Operating Revenues	\$ 293,594	\$ 274,950
Federal/State Subsidies	131,838	149,573
Transfers In (Out)	16,570	0
Revenues & Transfers	\$ 442,002	\$ 424,523
Salaries and Benefits	254,816	213,587
Food and Milk Purchases	204,256	180,574
Supplies	22,344	18,275
Other Expenses	14,690	22,522
Total Expenses	496,106	434,958
Change in Net Position	(\$ 54,104)	(\$10,435)



Cafeteria Fund

(Summary excerpt from financial statements)

- Operating revenues declined in comparison to the previous year due to less meals sold (more free and reduced).
- Subsidies (federal and state) increased due to a larger number of free and reduced meals served.
- Expenses in total decreased in comparison to the previous year due to better management of costs.
- No transfers from the General Fund in the current year.



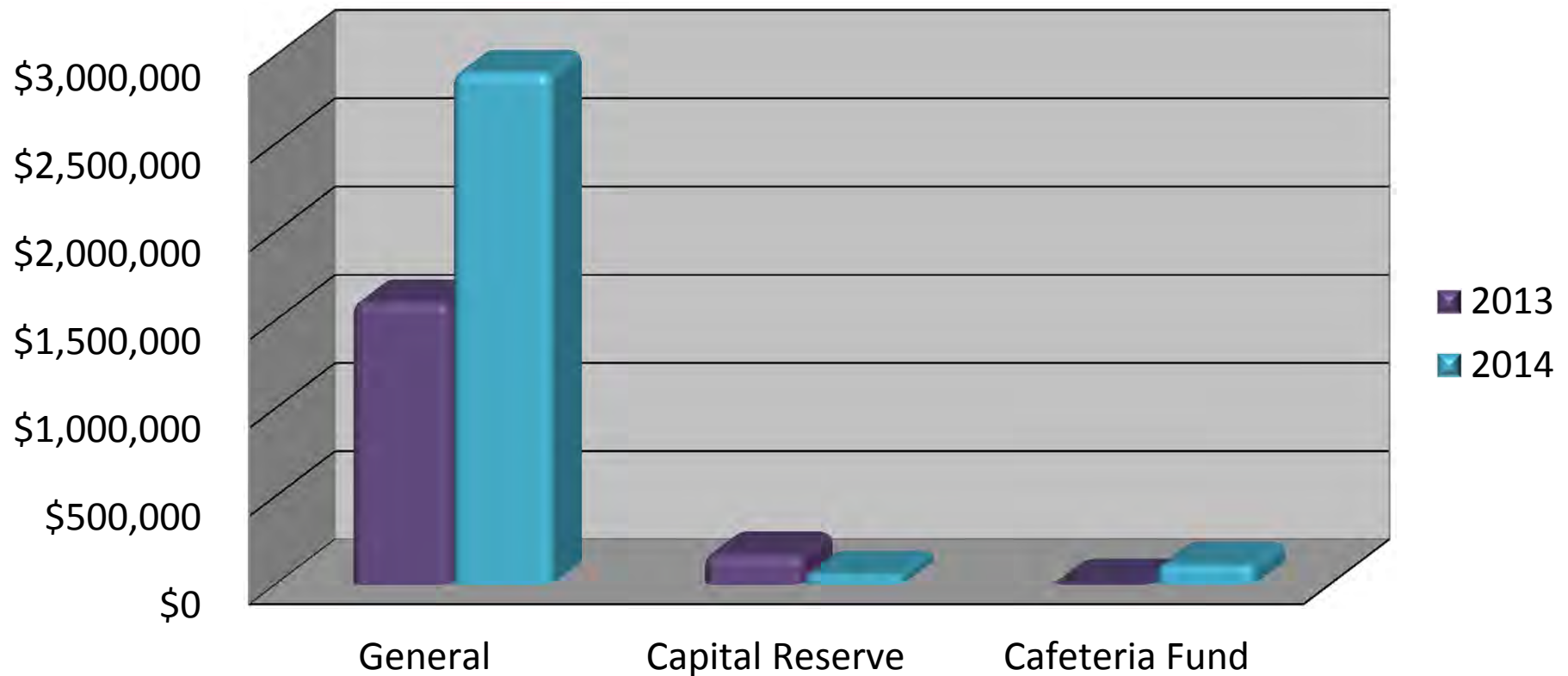
GASB # 54 – Fund Balance Reporting

	General Fund	Percentage of Annual Expenditures	Capital Reserve Fund
Nonspendable (Receivable from Food Service)	\$ 288,029	1.83%	
Restricted (External)			89,107
Committed (Board Action Taken)	539,000	3.43%	
Unassigned (Residual Fund Balance)	1,849,112	11.75%	
Total	\$ 2,676,141	17.01%	\$ 89,107

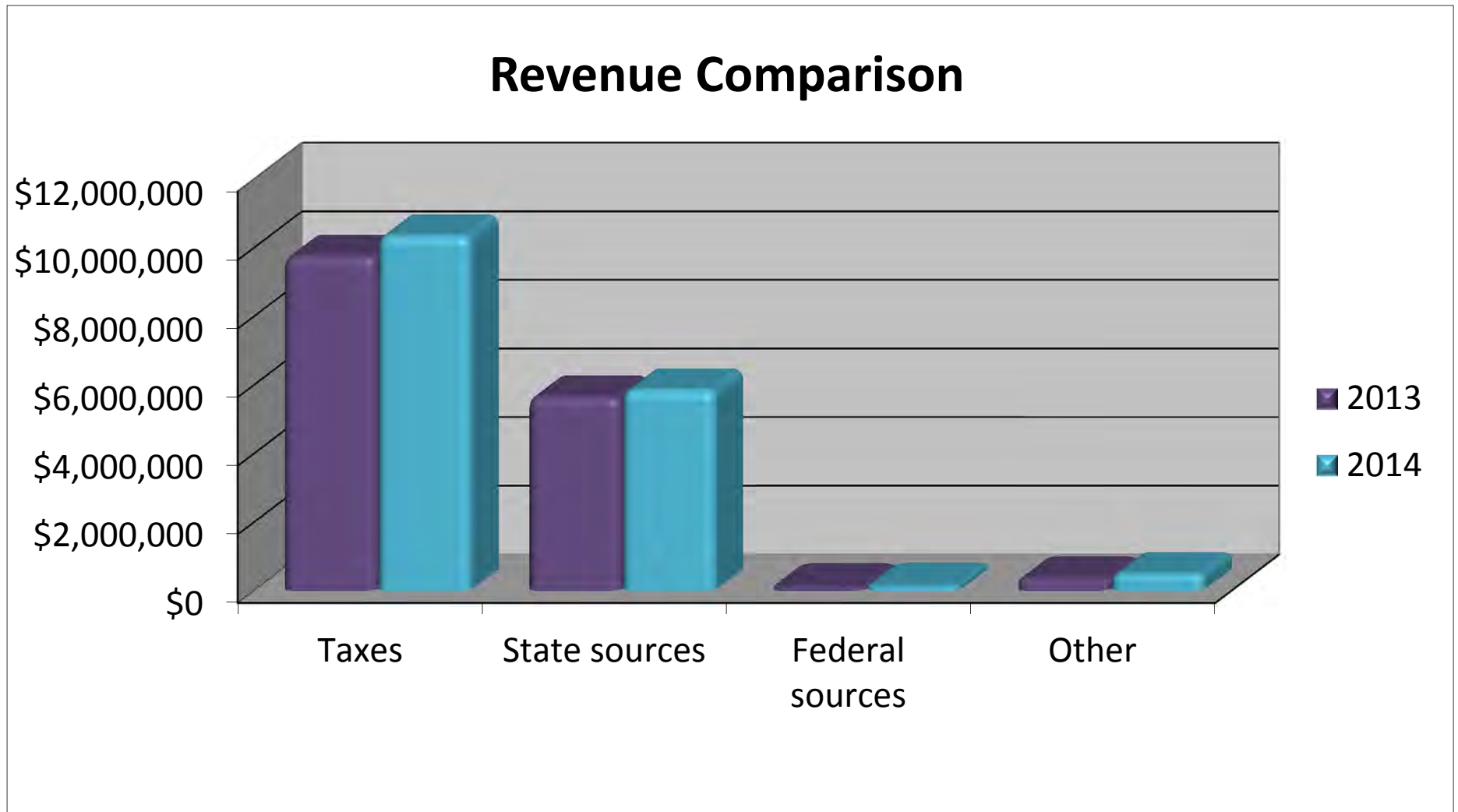


Graphical Analysis

Cash and Investment Comparison

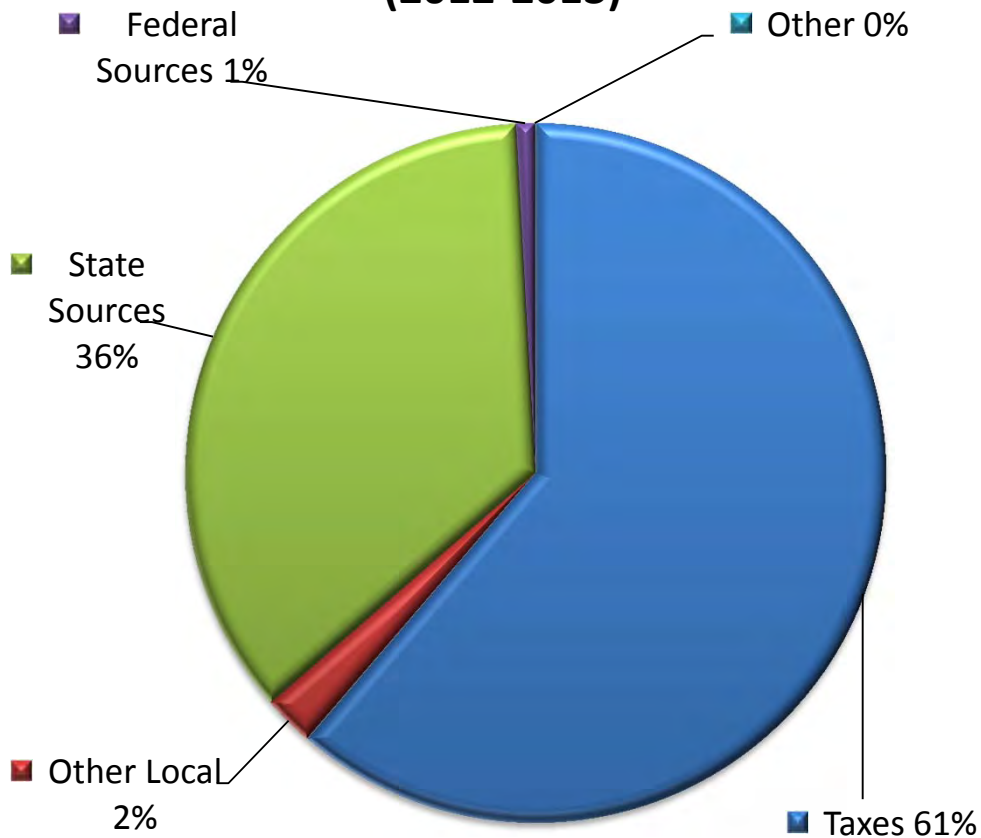


Graphical Analysis

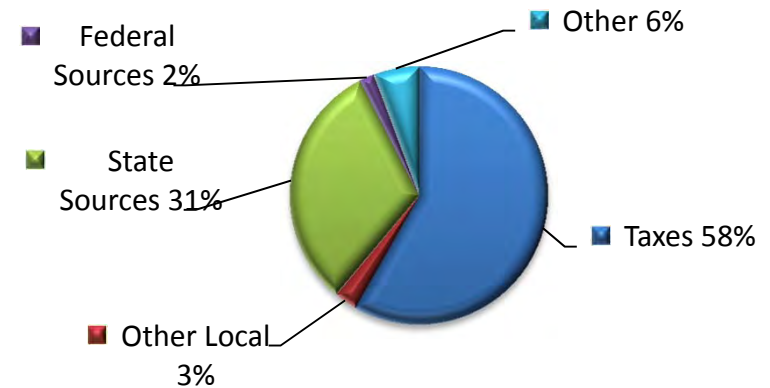


Graphical Analysis

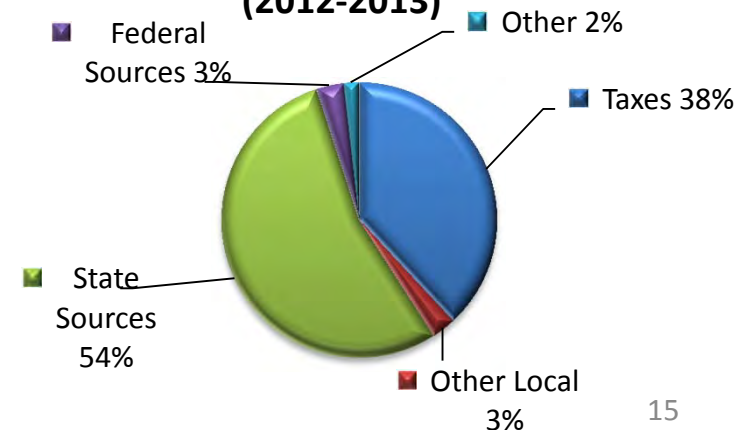
Revenue Breakdown - Fairfield Area School District (2012-2013)



Revenue Breakdown - LIU Schools (2012-2013)

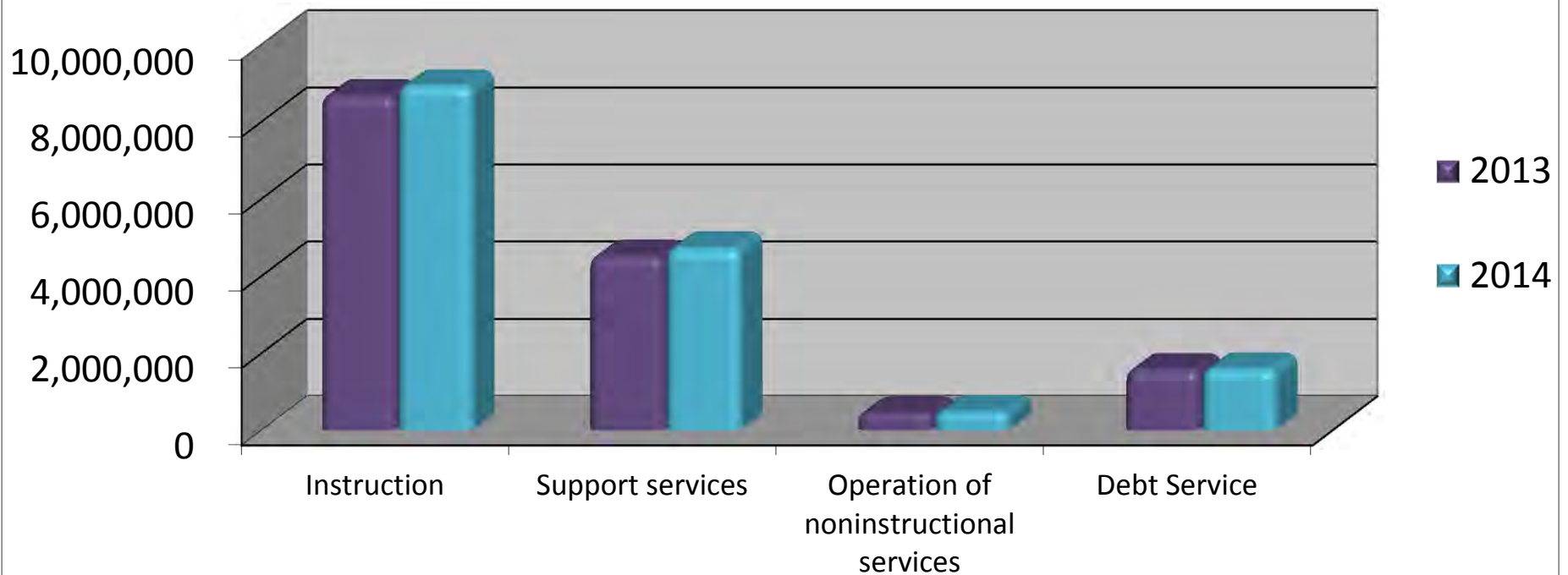


Revenue Breakdown - Schools with \$25 Million or Less of Revenue (2012-2013)



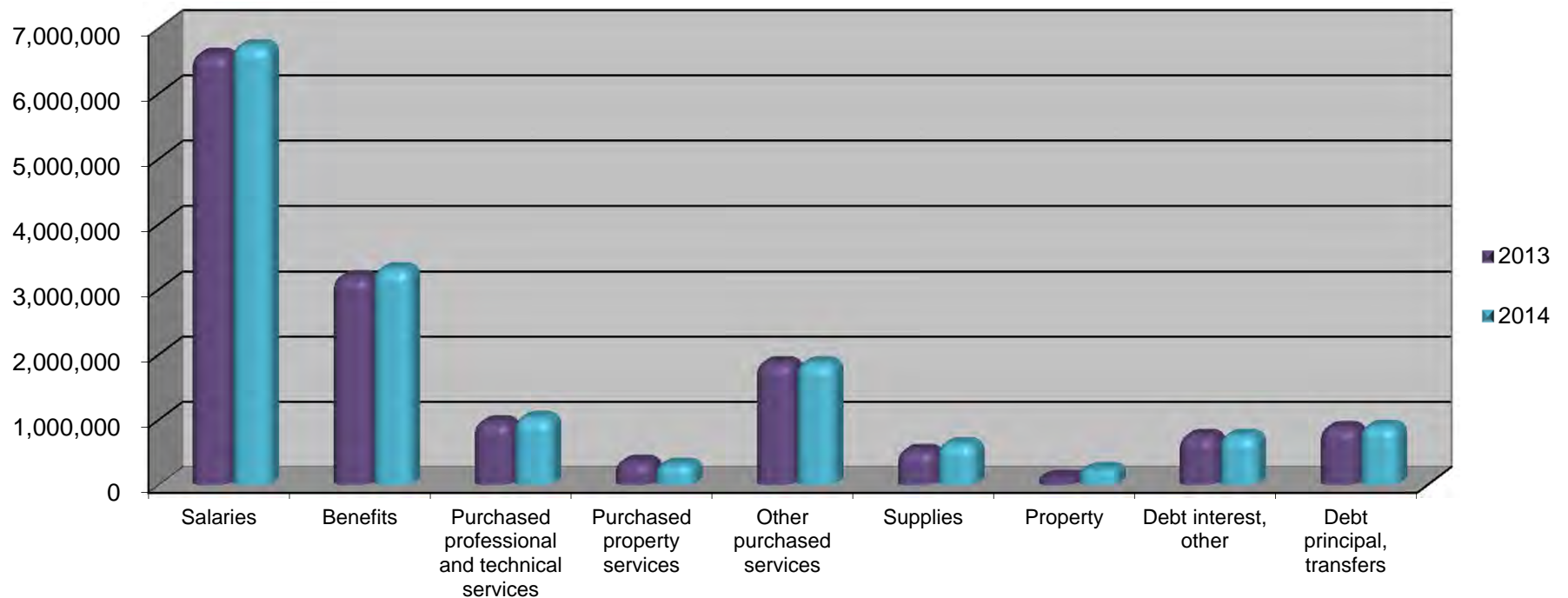
Graphical Analysis

Expenditure Function Comparison



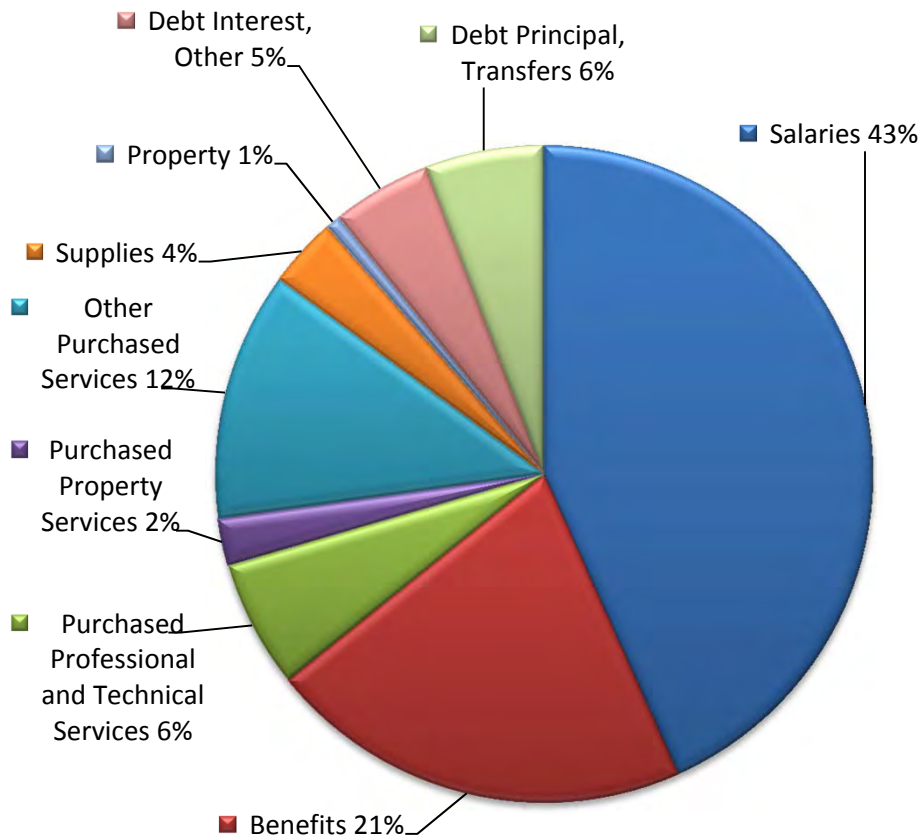
Graphical Analysis

Expenditure Object Comparison

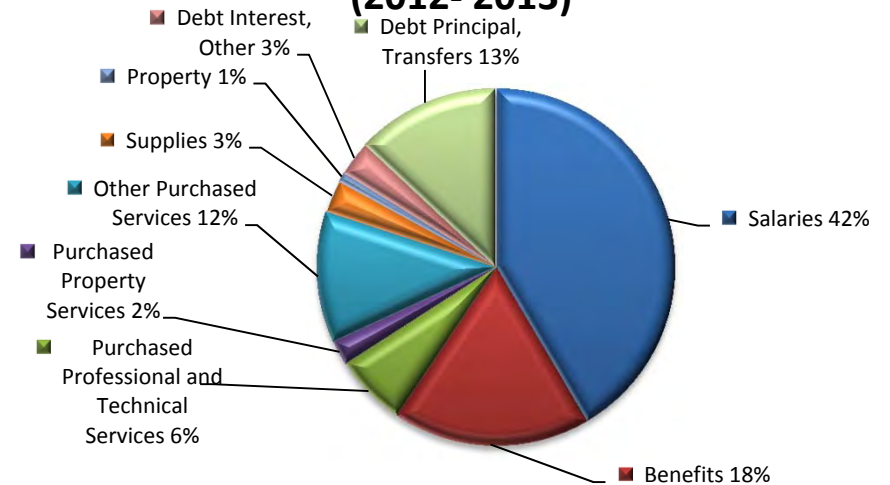


Graphical Analysis

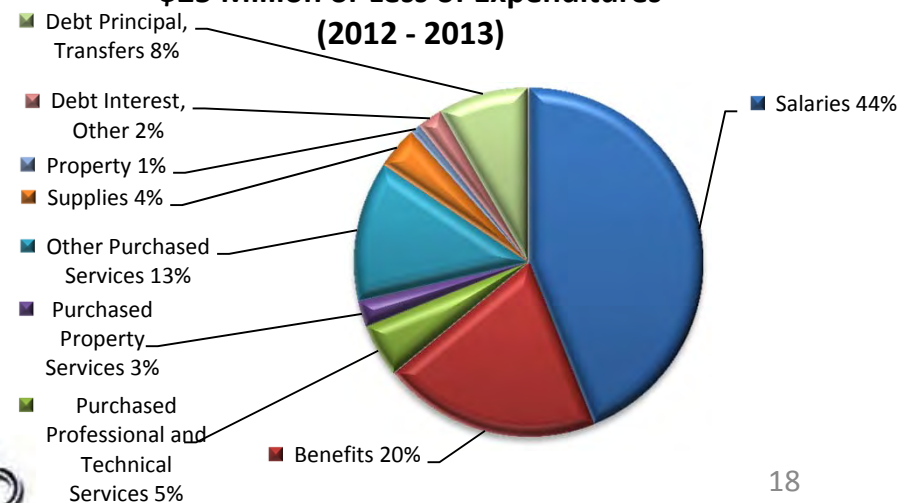
**Expenditure Breakdown - Fairfield Area School District
(2012- 2013)**



**Expenditure Breakdown - LIU Schools
(2012- 2013)**

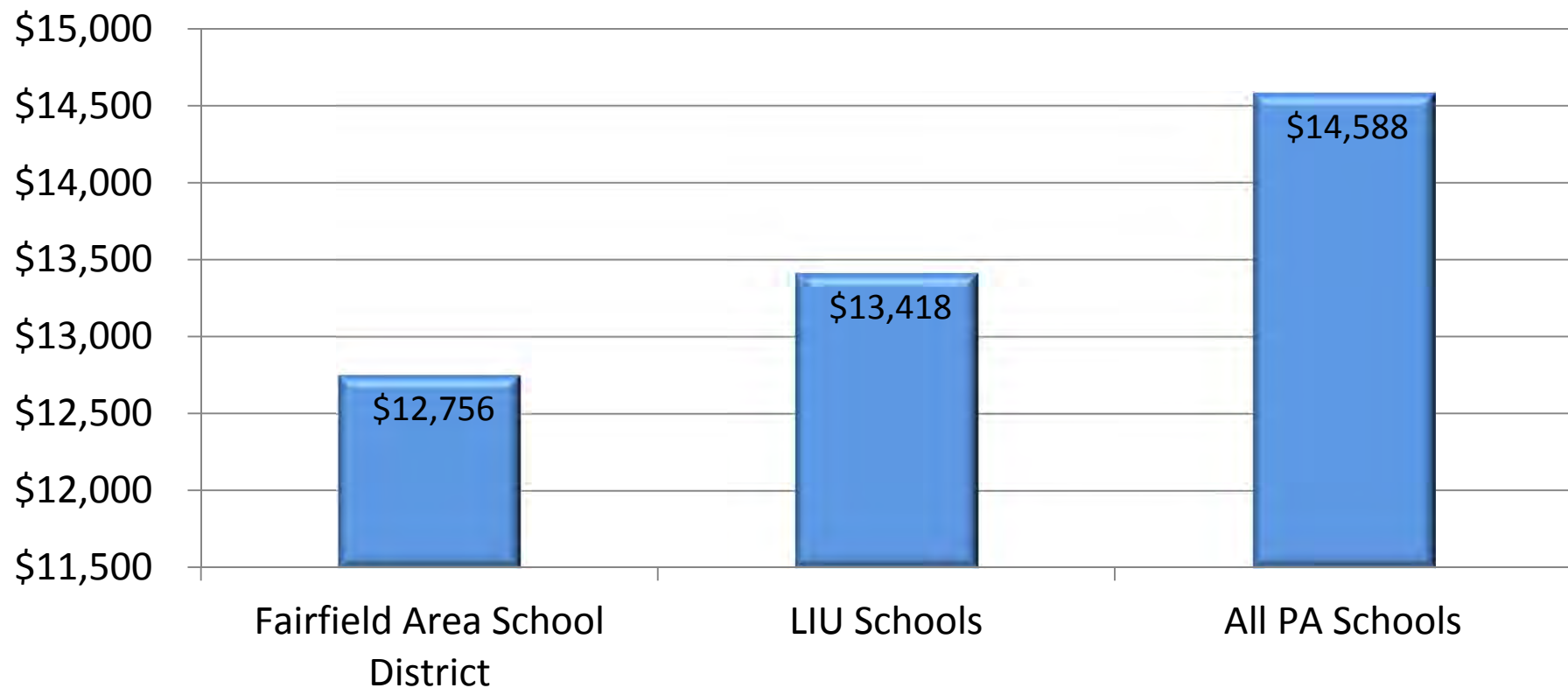


**Expenditure Breakdown by Object - Schools with \$25 Million or Less of Expenditures
(2012 - 2013)**



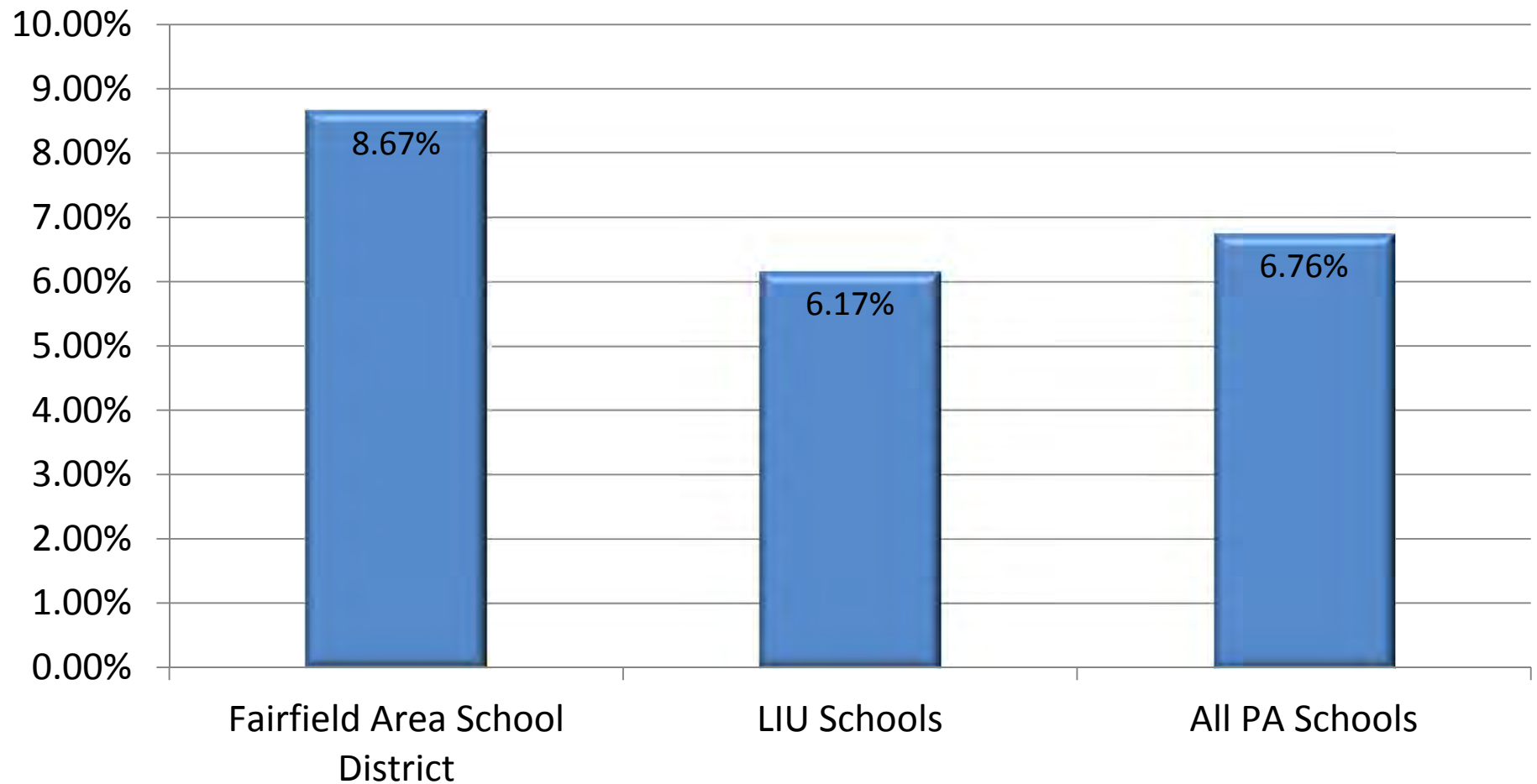
Graphical Analysis

Expenditures per Average Daily Membership (2012-2013)



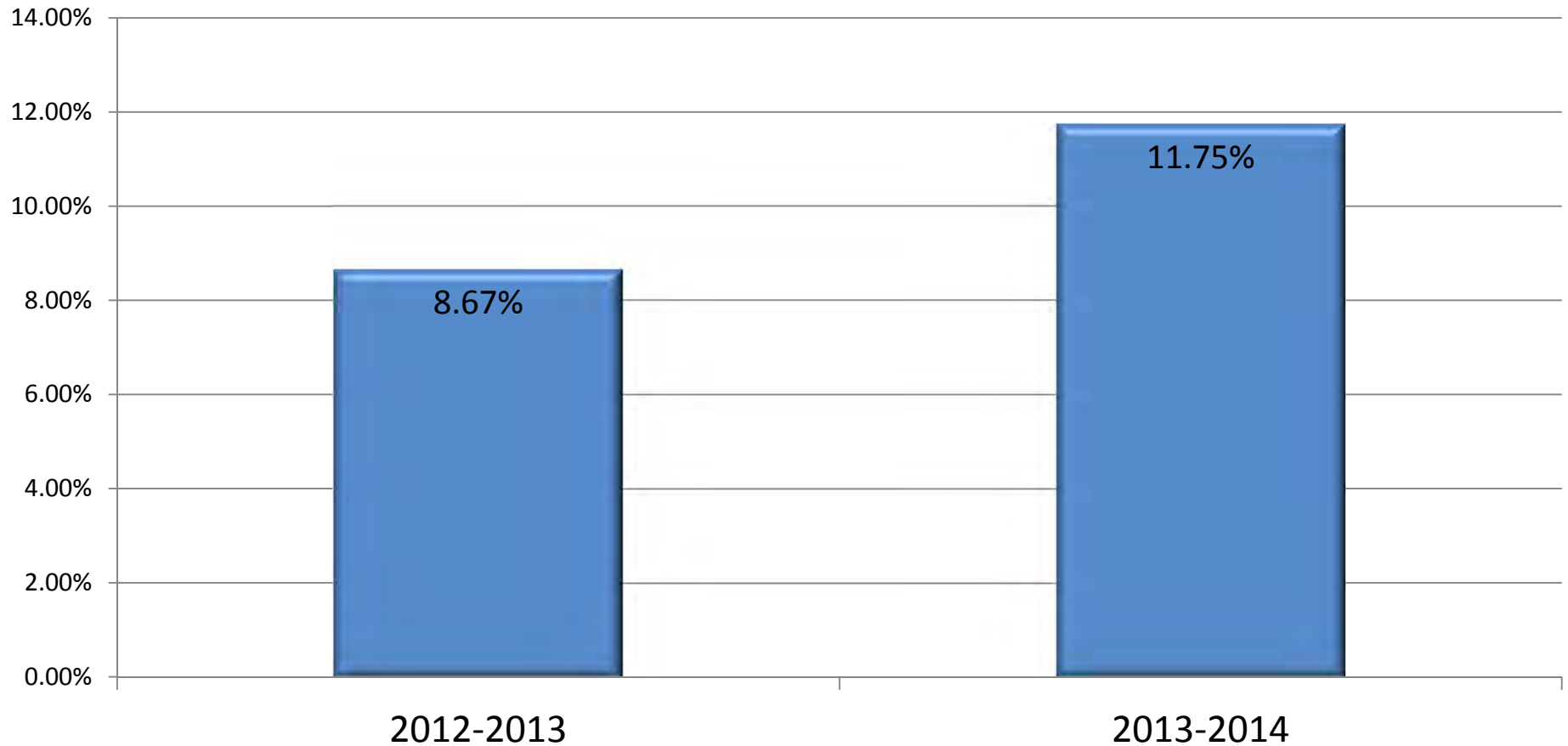
Graphical Analysis

Unassigned Fund Balance as a Percentage of Expenditures (2012-2013)



Graphical Analysis

**Fairfield Area School District
Unassigned Fund Balance as a Percentage of Expenditures**



Other Financial Statement Components

- Notes to Financial Statements
 - Note 1 – Summary of Significant Accounting Policies – details include Deferred Outflows of Resources and Deferred Inflows of Resources
 - Note 7 – Capital Assets –
 - Current year purchases - \$ 134,496, which included new leases for technology and copiers.
 - Overall decrease in capital assets - \$ 1,043,343



Other Financial Statement Components

- Notes to Financial Statements
 - Note 9 – Long-Term Liabilities –
 - Total outstanding at year end \$ 19,455,000
 - This is a reduction of \$ 815,000 compared to last year
Regular principal and interest payments made on bonds payable during the year
 - Also has details of future debt service requirements
 - Total Principal Outstanding \$ 19,455,000
 - Total Interest to be Paid \$ 6,889,000



Management Letter

- Purpose of Letter
 - Report material weaknesses in internal control - NONE
 - Recommendations for your consideration
 - Summary of new standards that will affect the District
 - Graphical Analysis



Management Letter

- Recommendations for your consideration
 - Food Service Cash Receipts – unlocked box
- Summary of new standards
 - Uniform Guidance for Federal Awards
 - Uniform Grant Guidance – Changes to Single Audits
 - Government Accounting Standards Board (“GASB”) Technical Plan
 - Internal Controls to Prevent and Detect Fraud and New COSO Framework



Management Letter

- GASB 68 Accounting and Financial Reporting for Pensions – Effective for 6/30/15 Year End
 - Governmental entities will record a net pension liability equal to the difference between the total pension liability and the value of the assets set aside in a pension plan to pay benefits to current employees, retirees and their beneficiaries.
 - The liability will NOT be reported in the General Fund; only the Government-Wide Statements and in the Food Service Fund.



Management Letter

- GASB 68 Accounting and Financial Reporting for Pensions – Effective for 6/30/15 Year End(continued)
 - The information required for this standard will come from PSERS and the District will record a liability based on its proportionate share of the PSERS liability. We will work with management to ensure proper implementation of the standard as it relates to the School District's financial statements.
 - Preliminary estimates indicate that liability may be three times the School District's covered payroll (approximately \$ 19,000,000).



Communication with Those Charged with Governance

- Required communications related to the audit
 - Includes the qualitative aspects of accounting practices, a description of any difficulties encountered during the audit, and a description of any disagreements with management.
 - Attached to the letter are the adjustments made for the audit, most prepared by management.
 - Also, addresses management representations, management consultations with other independent auditors, and other audit findings or issues.



Summary

- Unmodified Audit Opinion
- General Fund had an increase in fund balance
- Food Service Fund has improved performance
- No internal control or compliance findings
- Questions?

