

# Fairfield Area School District Audit Presentation June 30, 2015

- Presentation by Smith Elliott Kearns & Company, LLC
  - Kevin B. Stouffer, CPA

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# 2014-2015 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



# 2014-2015 Fairfield Area School District Audit Presentation

- Summary

- Unmodified audit opinions
- No findings related to internal controls
- General Fund had an increase in fund balance
- Implementation of Pension Reporting Standards
  - Significant negative impact on the Government-Wide and Food Service Fund net position



# 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: Comparative that includes two years of data



# Governmental Activities – Full Accrual

(Summary excerpt from financial statements)

	June 30, 2014	June 30, 2015
Current Assets	\$ 5,012,483	\$ 5,765,664
Noncurrent Assets	12,972,316	12,225,371
Deferred Outflows of Resources	420,376	2,304,087
<b>Total Assets and Deferred Outflows of Resources</b>	<b>18,405,175</b>	<b>20,295,122</b>
Current Liabilities	2,663,443	2,796,455
Noncurrent Liabilities	18,981,026	38,518,328
Deferred Inflows of Resources	0	1,447,382
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>21,644,469</b>	<b>42,762,165</b>
<b>Total Net Position</b>	<b>(\$ 3,239,294)</b>	<b>(\$ 22,467,043)</b>

# Governmental Activities – Full Accrual

- Capital Assets decreased due to minimal purchases and projects in the current year
  - Depreciation expense exceeded capital asset additions by \$ 690,788.
- Noncurrent liabilities increased due to recording of the net pension liability required by GASB 68.
  - Bonds and Notes Payable decreased by \$ 556,049 due to refinancing and principal payments that were made during the year.
- Deferred inflows of resources is new due to implementation of GASB 68.



# General Fund Analysis

(Summary excerpt from financial statements)

	2014-2015 Original Budget	2014-2015 Actual	Variance with Original Budget
Local Revenues	\$ 9,894,538	\$ 10,510,251	\$ 615,713
State Revenues	6,133,293	6,090,587	(42,706)
Federal Revenues	135,605	148,265	12,660
<b>Total Revenues</b>	<b>16,163,436</b>	<b>16,749,103</b>	<b>585,667</b>
Instruction	9,217,010	8,977,117	239,893
Support Services	4,778,335	4,876,001	(97,666)
Operation of Noninstructional Services	472,613	462,789	9,824
Debt Service	1,569,075	1,752,162	(183,087)
<b>Total Expenditures</b>	<b>16,037,033</b>	<b>16,068,069</b>	<b>(31,036)</b>
Proceeds from Long-Term Financing and Payment to Refund Long-Term Debt	0	329,589	329,589
Interfund Transfers and Budgetary Reserve	(751,024)	(650,856)	100,168
<b>Change in Fund Balance</b>	<b>(\$ 624,621)</b>	<b>\$ 359,767</b>	<b>\$ 984,388</b>

# General Fund Analysis

- Revenues were more than budget due to:
  - Taxes were more than budgeted but were less than last year due to the one time receipt of earned income taxes in the previous year
  - Total revenues \$ 110,000 less than 2014
- Expenditures were comparable to budget
  - Increased compared to 2014 due primarily to increase in PSERS rate (approximately \$ 292,000)
  - Bond issue costs are included in Debt Service (see below)
- Other Financing Sources and Uses
  - Bond refinancing activities were not budgeted (normal process is to only budget the payments)
  - Transfers were made to the Capital Reserve Fund (\$ 497,813) and to the Food Service Fund (\$ 153,043)



# Capital Reserve Fund

(Summary excerpt from financial statements)

	2012-2013	2013-2014	2014-2015
Fund Additions	\$ 69,999	\$ 110	\$ 182
Expenditures	1,490,396	211,020	356,790
Transfers In	0	134,481	497,813
Ending Fund Balance	\$ 165,536	\$ 89,107	\$ 230,312

**2014-2015 Expenditures include a portion of the roofing project, which was started during 2013-2014, but completed in the current year.**



# Food Service Fund

(Summary excerpt from financial statements)

	2013-2014	2014-2015
Operating Revenues	\$ 274,950	\$ 271,981
Federal/State Subsidies	149,573	169,521
Transfers In (Out)	0	153,043
<b>Revenues &amp; Transfers</b>	<b>\$ 424,523</b>	<b>\$ 594,545</b>
Salaries and Benefits	213,587	218,412
Food and Milk Purchases	180,574	192,222
Supplies	18,275	15,690
Other Expenses	22,522	14,280
<b>Total Expenses</b>	<b>434,958</b>	<b>440,604</b>
<b>Change in Net Position</b>	<b>( \$ 10,435)</b>	<b>\$ 153,941</b>



# Cafeteria Fund

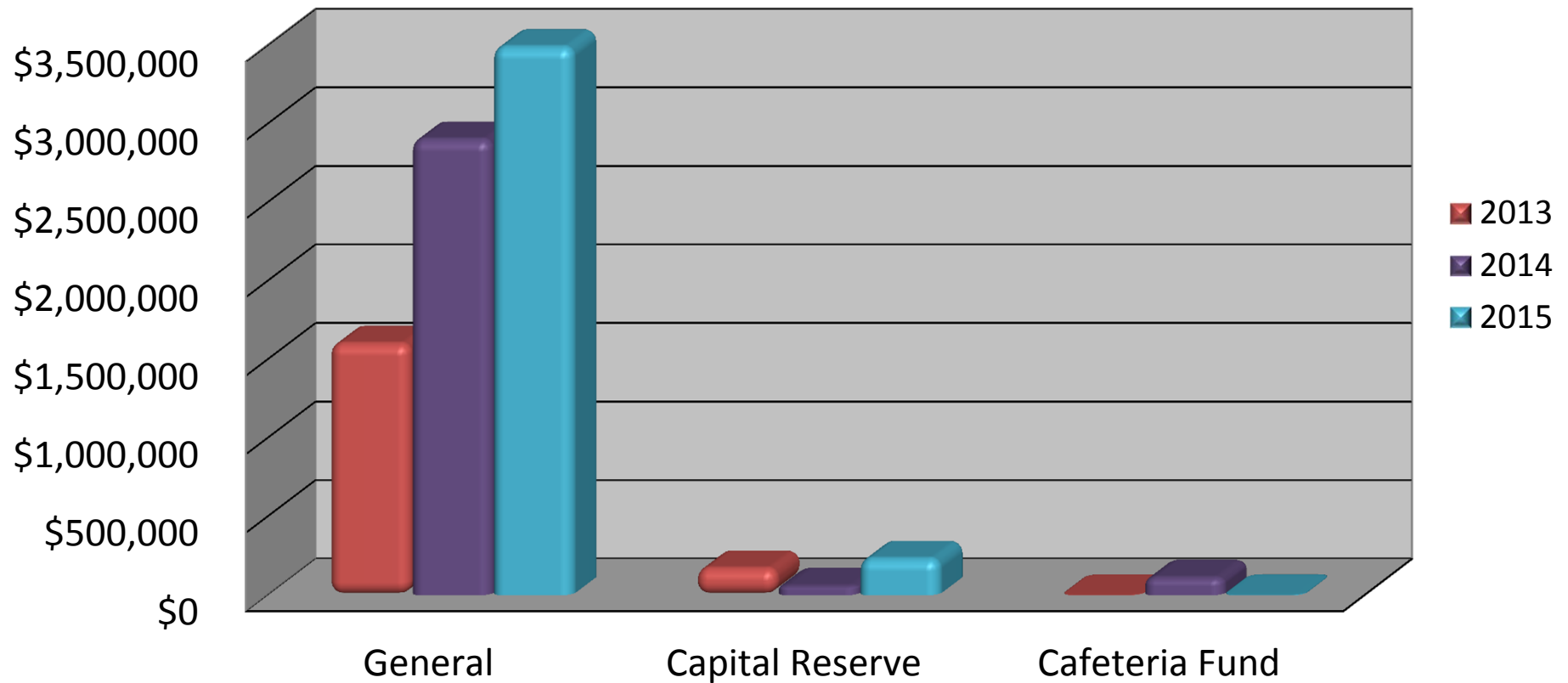
(Summary excerpt from financial statements)

- Operating revenues declined slightly 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 increased in comparison to the previous year mostly due to the increased PSERS rate and recording of additional retirement under GASB 68 (total retirement expense increased \$ 16,572).
- Transfer from the General Fund in the current year in the amount of \$ 153,043.



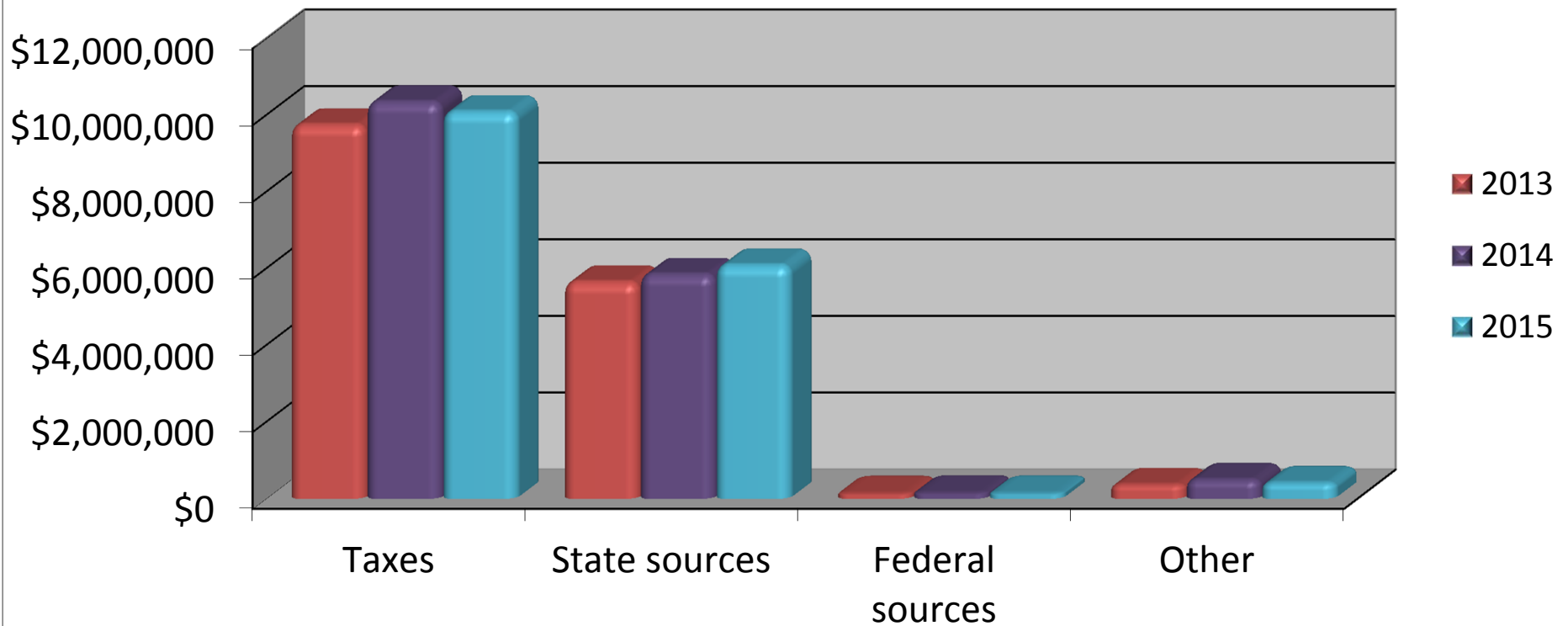
# Graphical Analysis

## Cash and Investment Comparison



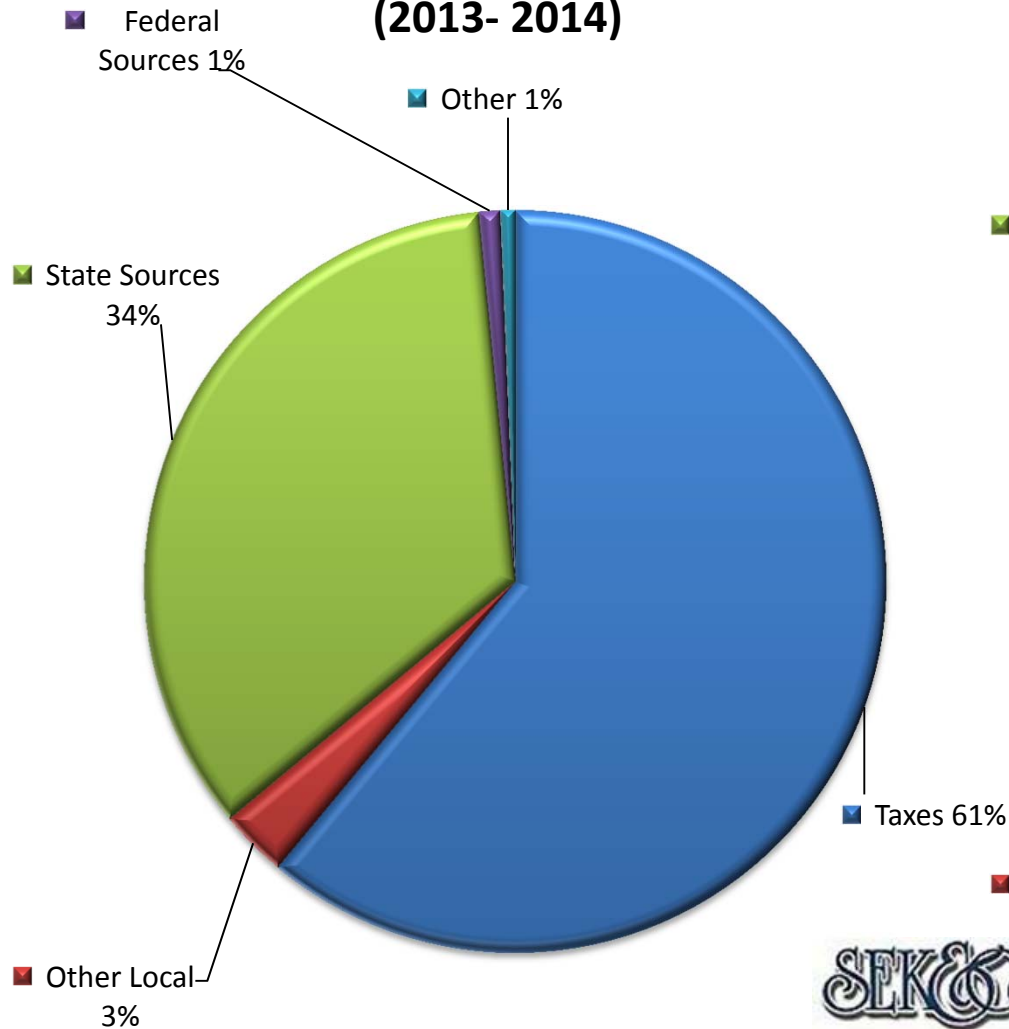
# Graphical Analysis

## Revenue Comparison

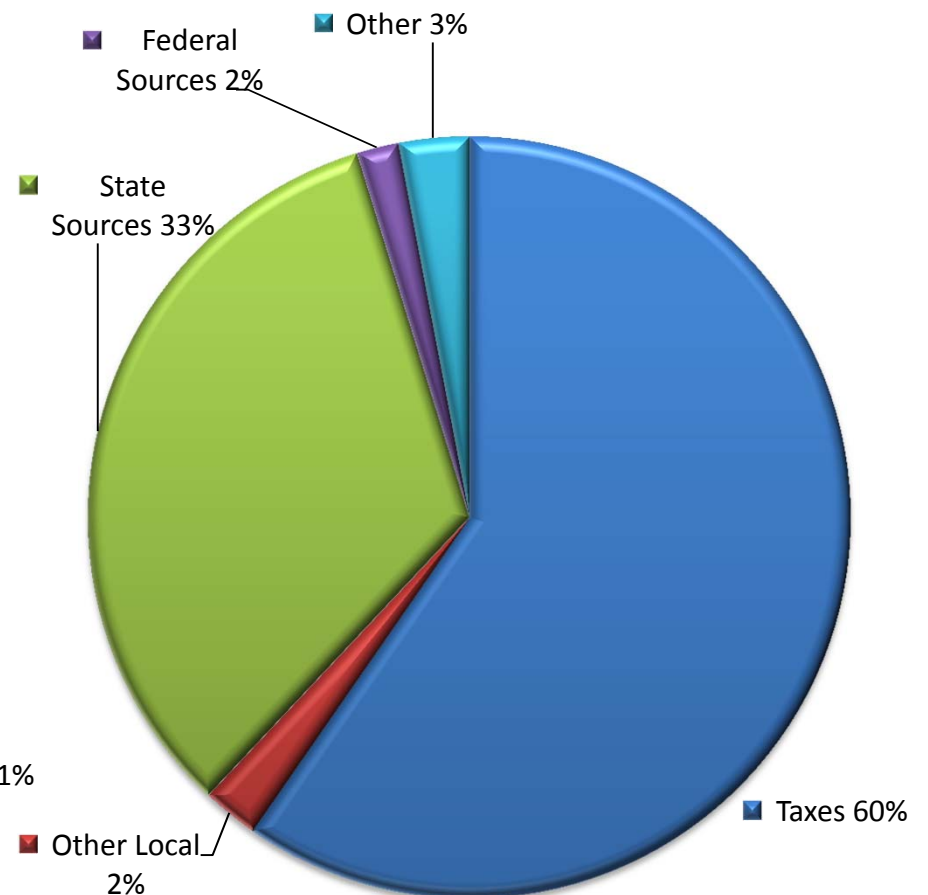


# Graphical Analysis

**Revenue Breakdown - Fairfield School District  
(2013- 2014)**

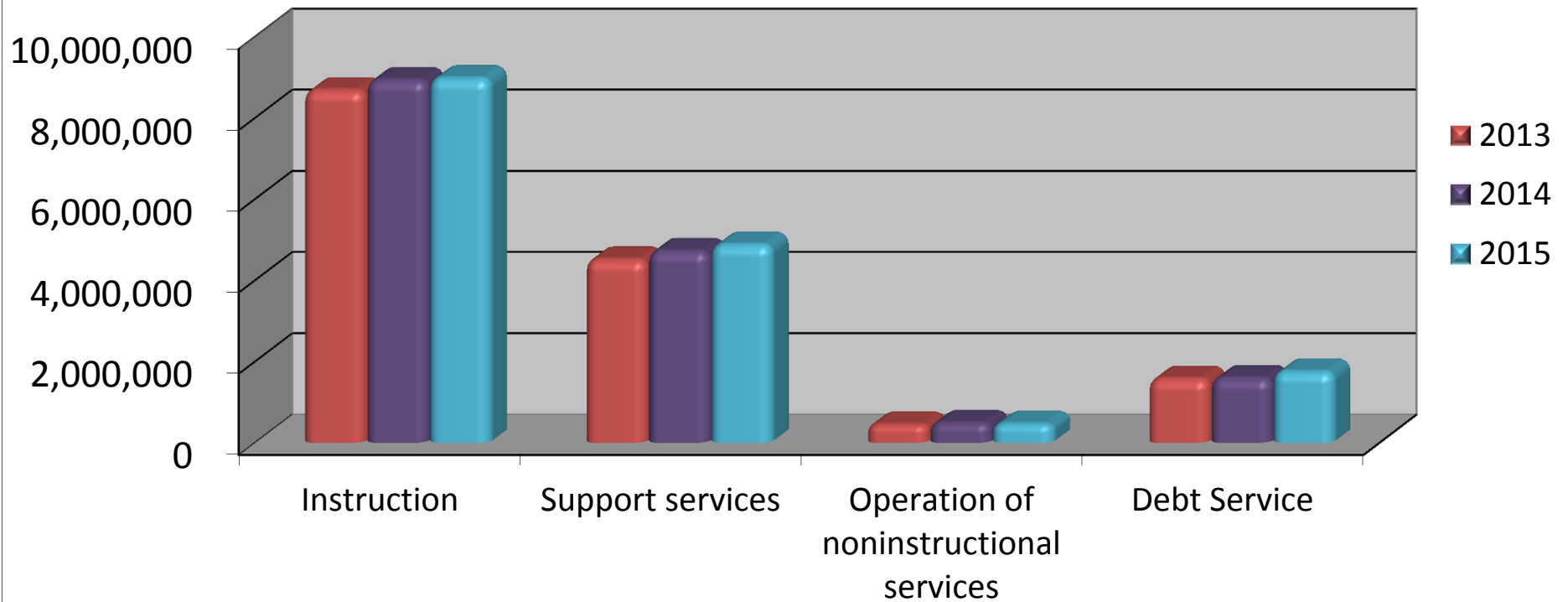


**Revenue Breakdown - LIU Schools  
(2013- 2014)**



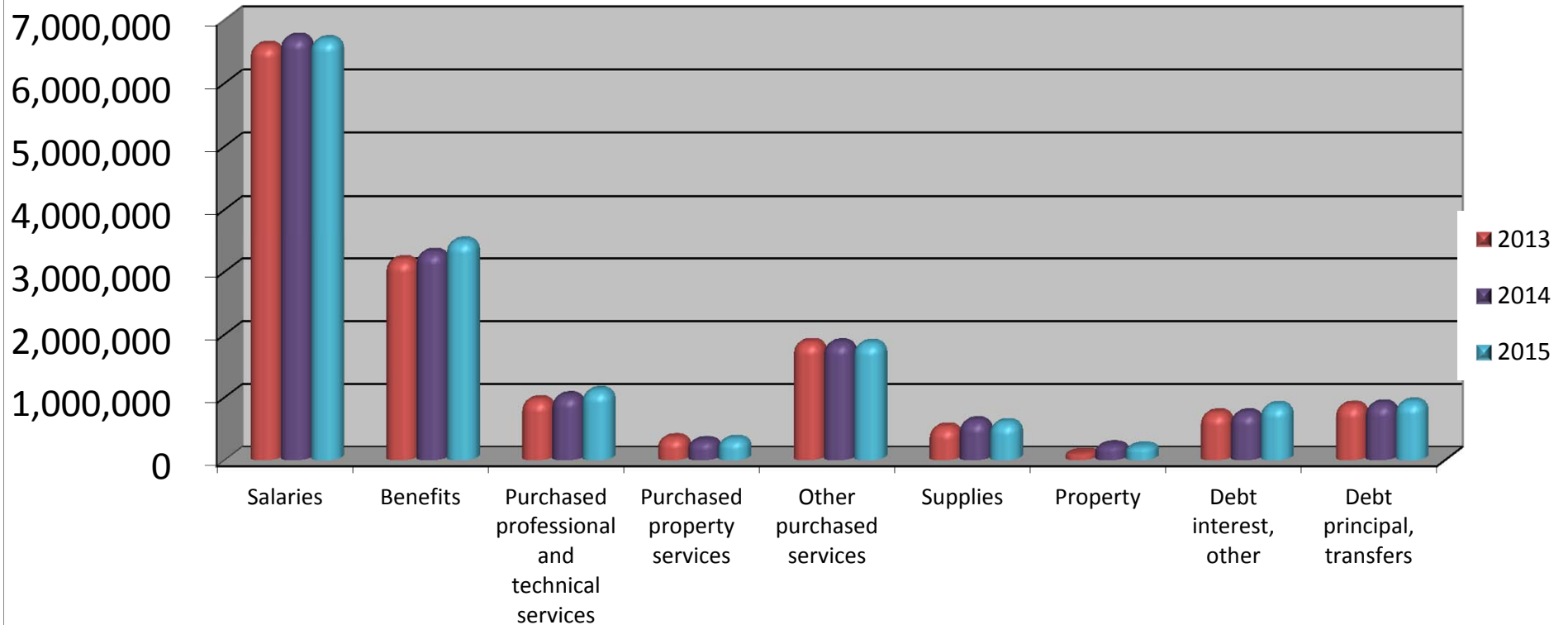
# Graphical Analysis

## Expenditure Function Comparison



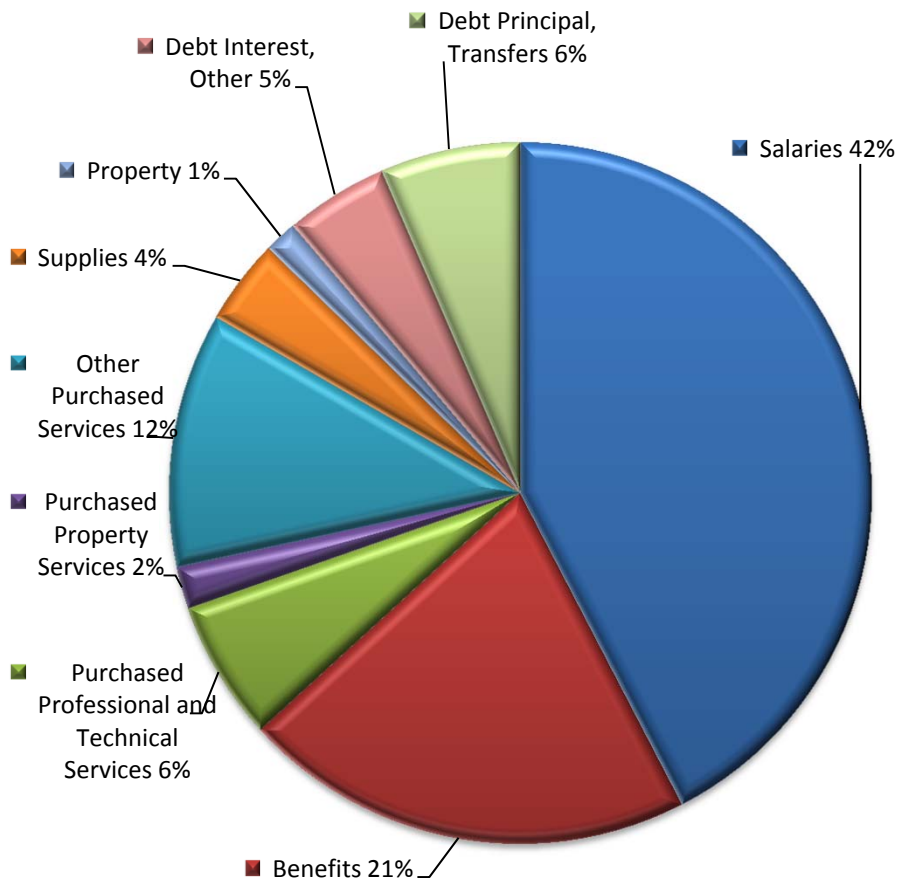
# Graphical Analysis

## Expenditure Object Comparison

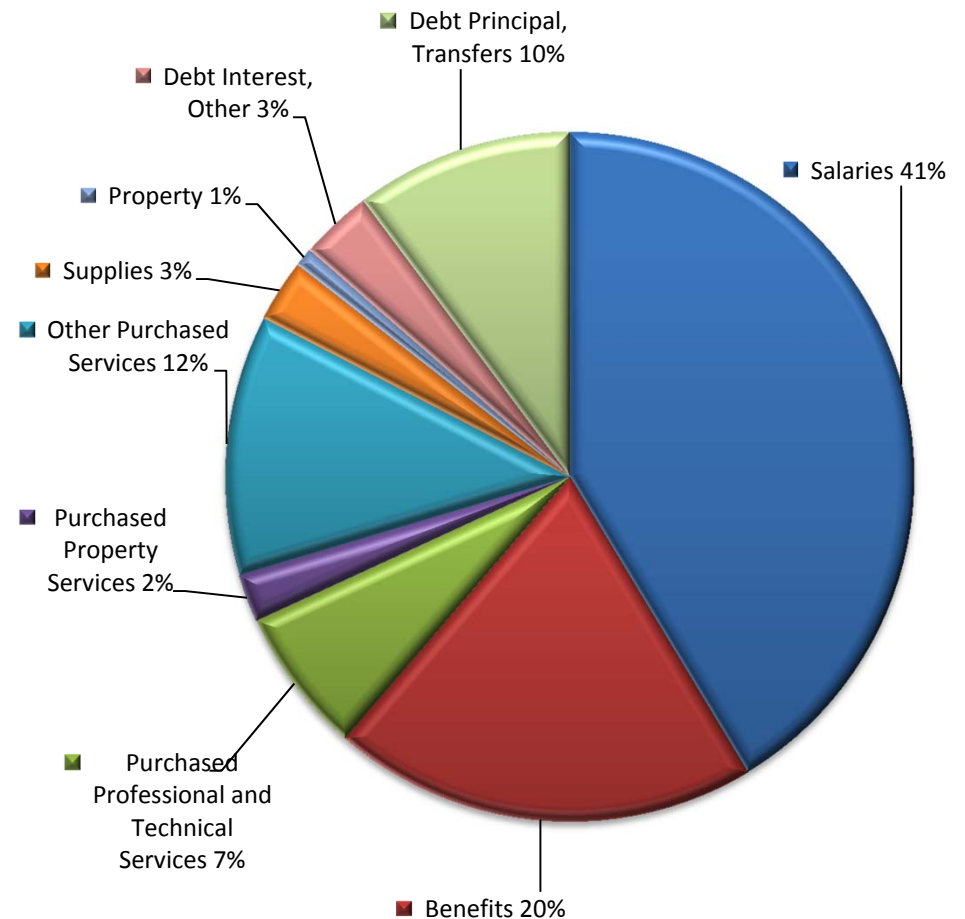


# Graphical Analysis

**Expenditure Breakdown - Fairfield School District  
(2013- 2014)**

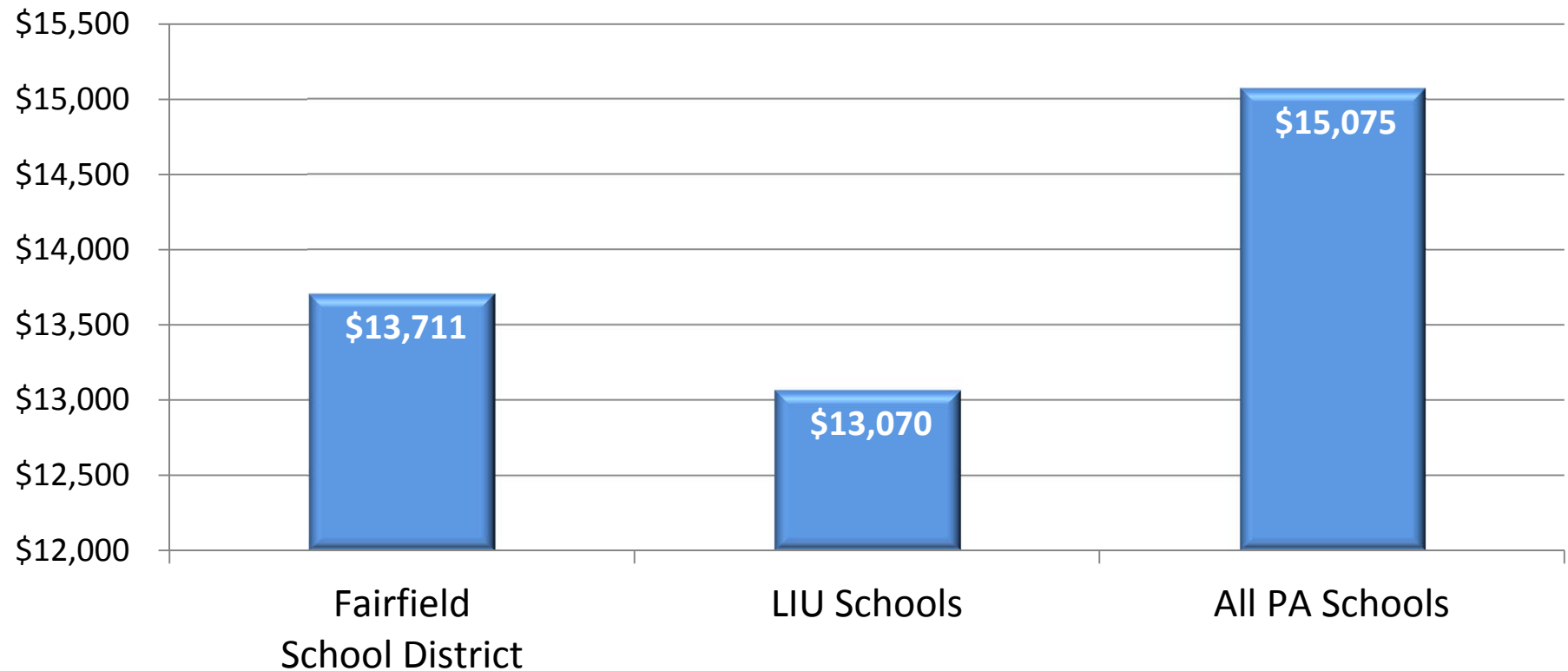


**Expenditure Breakdown - LIU Schools  
(2013- 2014)**



# Graphical Analysis

## Expenditures per Average Daily Membership (2013-2014)



# Other Financial Statement Components

- Notes to Financial Statements
  - Note 9 – Long-Term Liabilities
    - Total outstanding at year end \$ 18,870,000
    - This is a reduction of \$ 585,000 compared to last year
    - Issued Series of 2015 to refinance Series of 2010A
    - Regular principal and interest payments made on bonds payable during the year
    - Also has details of future debt service requirements
      - Total Principal Outstanding \$ 18,870,000
      - Total Interest to be Paid \$ 5,363,102



# Other Financial Statement Components

- Notes to Financial Statements
  - Note 10 – Pension Plan
    - Extended to approximately 5 pages of the footnotes
      - Added information about the plan, benefits, contributions and actuarial assumptions
    - Implementation affected the following:
      - Reduced beginning net position by 19,672,430
      - Added deferred outflows of \$ 1,894,685
      - Added deferred inflows of \$ 1,477,036
      - Added net pension liability of \$ 20,661,135



# Other Financial Statement Components

- Notes to Financial Statements
  - Note 10 – Pension Plan (continued)
    - This liability is an estimate based on actuarial calculations and future employment and investment trends. This does not equal the exact amount that the District will pay in pension contributions for current employees.
    - Included in the disclosure is a sensitivity analysis of the NPL, which shows the NPL with a discount rate 1% lower and 1% higher than the 7.5% discount rate that was used:

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
District's proportionate share of the net pension liability	<u>\$ 25,772,000</u>	<u>\$ 20,661,135</u>	<u>\$ 16,298,000</u>



# 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 (reviewed on previous slides)



# Management Letter

- Recommendations for your consideration
  - Update Support Staff Agreement to include personal leave payout amount
  - IT Recommendations:
    - Passwords
    - Removal of Training ID
- Summary of new standards
  - Uniform Guidance for Federal Awards
  - Uniform Grant Guidance – Changes to Single Audits
  - Recently released GASB's (72, 74, 75, and 77)
  - GASB Preliminary Views – Lease Accounting



# 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
- No internal control findings
- Pension standard (GASB 68) implemented during the year that impacted the Government-Wide Statement and Food Service Fund significantly.
- Questions?

