

Fairfield Area School District Audit Presentation June 30, 2017



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

www.sek.com



2016-2017 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



2016-2017 Fairfield Area School District Audit Presentation

- Summary
 - Unmodified audit opinion
 - No findings related to internal controls
 - General Fund had an increase in fund balance



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, 2016	June 30, 2017
Current Assets	\$ 7,473,229	\$ 8,796,627
Noncurrent Assets	11,183,424	10,320,745
Deferred Outflows of Resources	2,566,504	4,928,421
Total Assets and Deferred Outflows of Resources	21,223,157	24,045,793
Current Liabilities	2,946,671	3,234,195
Noncurrent Liabilities	39,203,378	41,295,117
Deferred Inflows of Resources	482,677	538,025
Net Position	(21,409,569)	(21,021,544)
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 21,223,157	\$ 24,045,793



Governmental Activities – Full Accrual

- Capital Assets decreased due to minimal purchases and projects in the current year
 - Depreciation expense exceeded capital asset additions by \$ 846,914.
- Noncurrent liabilities increased compared to the previous year:
 - Bonds and Notes Payable decreased by \$ 955,000 due to principal payments that were made during the year.
 - Net Pension Obligation increased by \$ 3,028,225



General Fund Analysis

(Summary excerpt from financial statements)

	2016-2017 Original Budget	2016-2017 Actual	Variance with Original Budget
Local Revenues	\$ 10,285,795	\$ 10,925,207	\$ 639,412
State Revenues	6,404,617	6,747,414	342,797
Federal Revenues	136,413	165,127	28,714
Total Revenues	16,826,825	17,837,748	1,010,923
Instruction	9,852,920	9,381,480	471,440
Support Services	4,905,213	4,872,122	33,091
Operation of Noninstructional Services	495,317	508,319	(13,002)
Debt Service	1,468,542	1,470,693	(2,151)
Total Expenditures	16,721,992	16,232,614	489,378
Proceeds from capital lease	0	32,430	32,430
Interfund Transfers	(139,471)	(846,296)	(706,825)
Change in Fund Balance	(\$ 34,638)	\$ 791,268	\$ 825,906



General Fund Analysis

- Revenues were more than budget due to:
 - Taxes were more than budgeted due to increased collections.
 - State revenues were higher due to additional funding received after the budget was approved.
- Expenditures were comparable to budget except for Instruction:
 - Decreased due to savings in salaries and benefits.
- Other Financing Sources and Uses
 - Transfers were made to the Capital Reserve Fund (\$ 846,296)



Capital Reserve Fund

(Summary excerpt from financial statements)

	2014-2015	2015-2016	2016-2017
Fund Additions	\$ 182	\$ 244	\$ 213
Expenditures	356,790	218,750	455,174
Transfers In	497,813	184,918	846,296
Ending Fund Balance	\$ 230,312	\$ 196,724	\$ 588,059

2016-2017 Expenditures primarily consisted of track improvements, roof repairs, and a chiller.



Food Service Fund

(Summary excerpt from financial statements)

	2015-2016	2016-2017
Operating Revenues	\$ 250,051	\$ 258,580
Federal/State Subsidies	175,694	166,085
Transfers In (Out)	0	0
Revenues & Transfers	\$ 425,745	\$ 424,665
Salaries and Benefits	224,075	240,402
Food and Milk Purchases	172,457	172,906
Supplies	11,075	15,924
Other Expenses	11,719	17,115
Total Expenses	419,326	446,347
Change in Net Position	\$ 6,419	\$ (21,682)



Food Service Fund

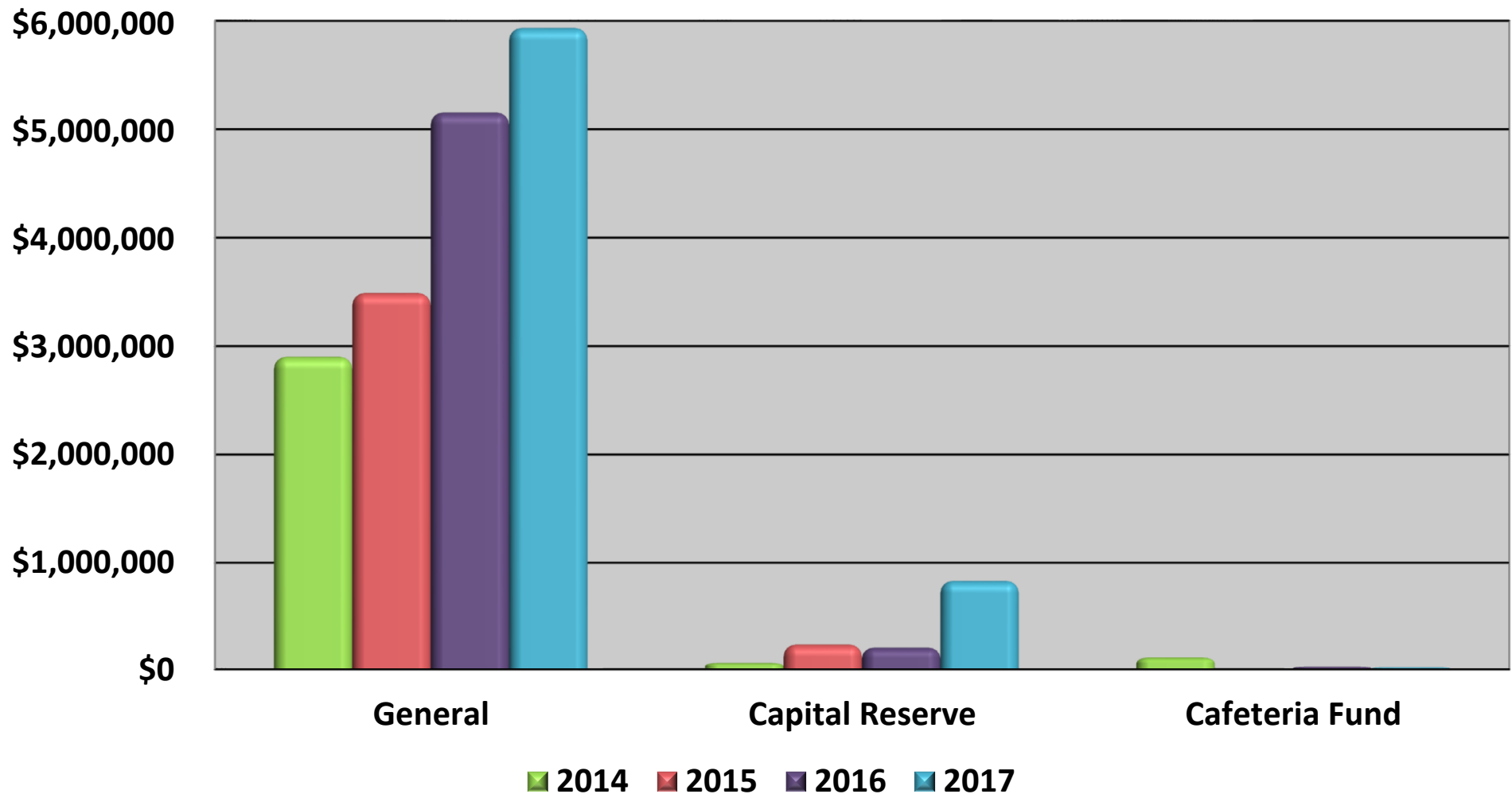
(Summary excerpt from financial statements)

- Total revenues were consistent with the previous year with a slight fluctuation between meals sold and state/federal subsidies for free and reduced meals.
- Expenses in total increased in comparison to the previous year mostly due to the expense recorded for the net pension liability.
- No transfers from the General Fund.
- The Food Service Fund is self-sustaining.



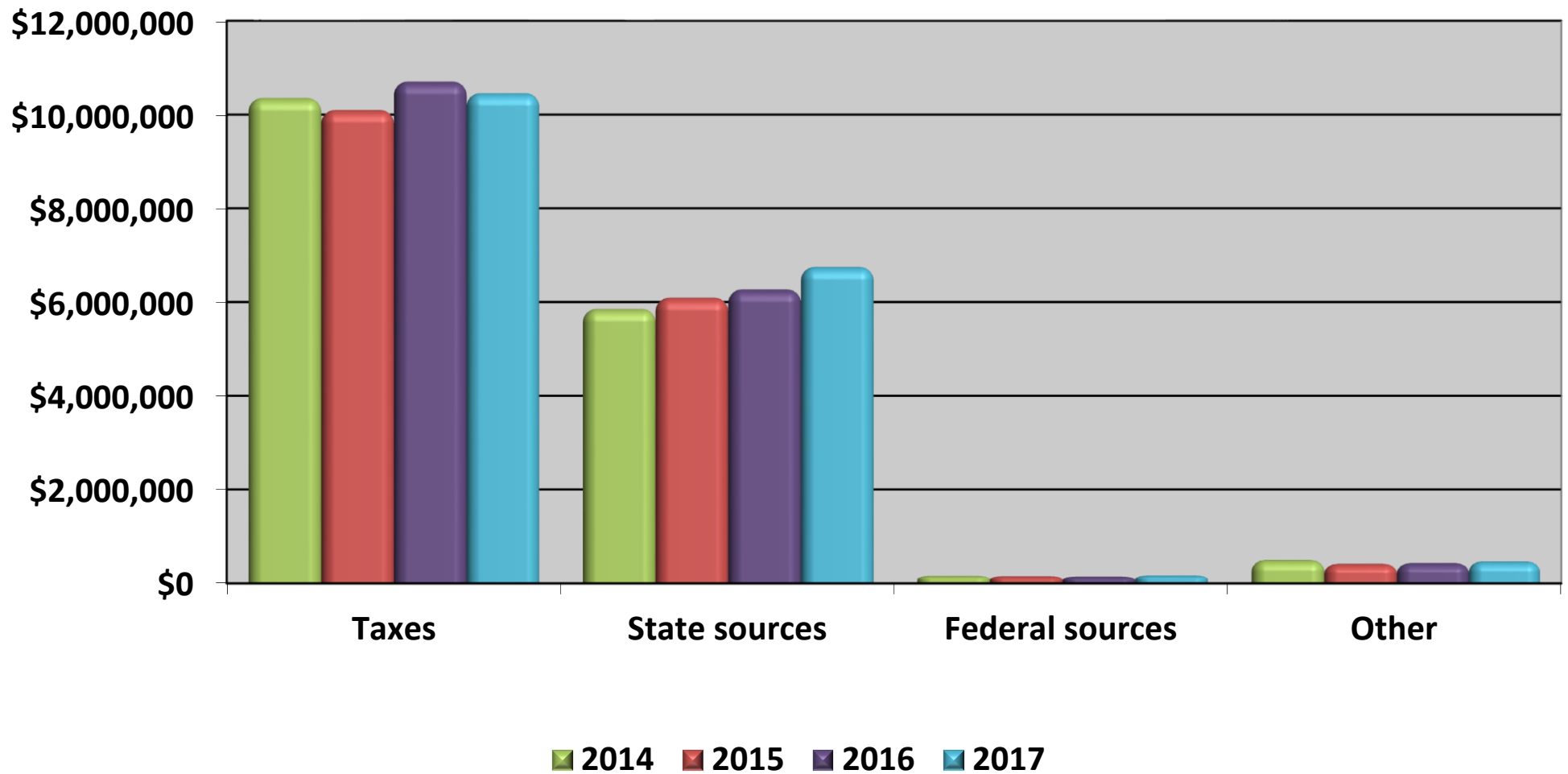
Graphical Analysis

Cash and Investment Comparison



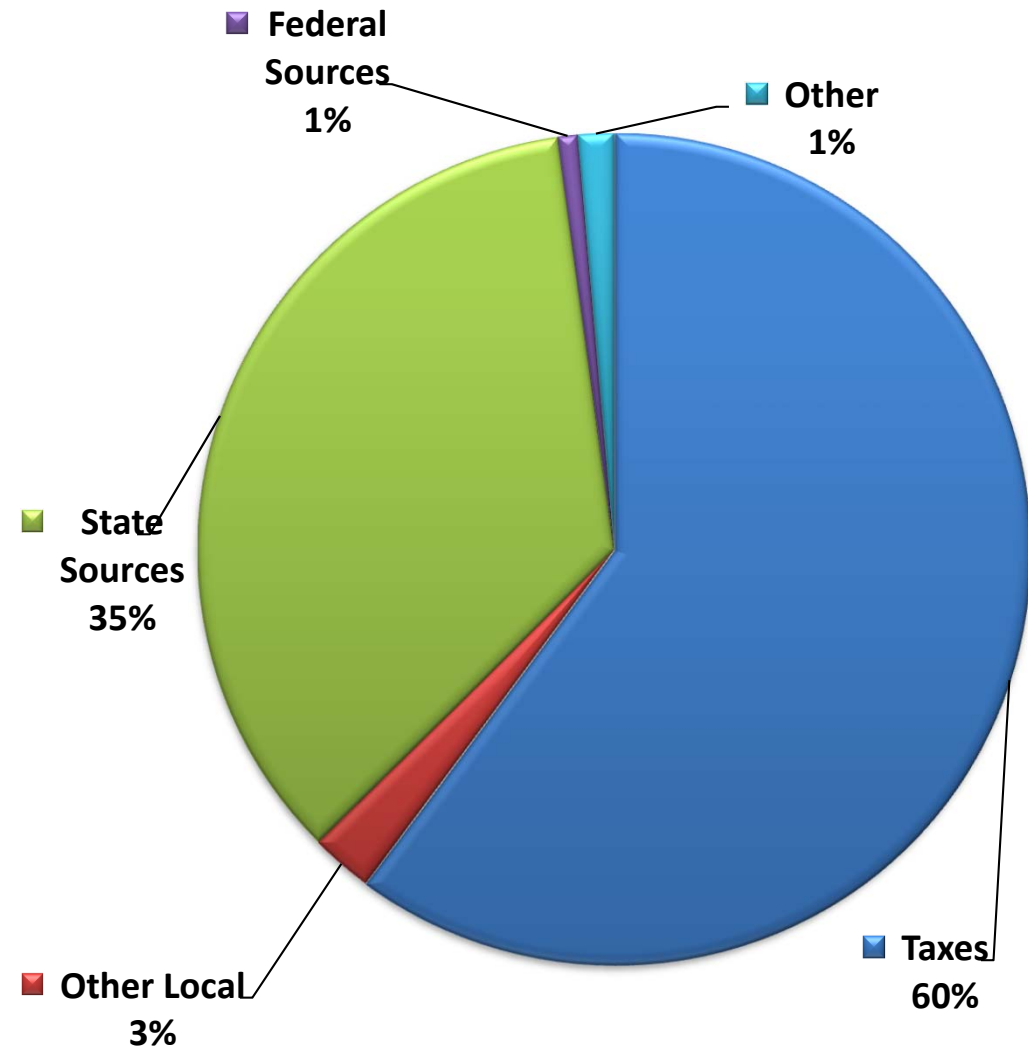
Graphical Analysis

Revenue Comparison - General Fund

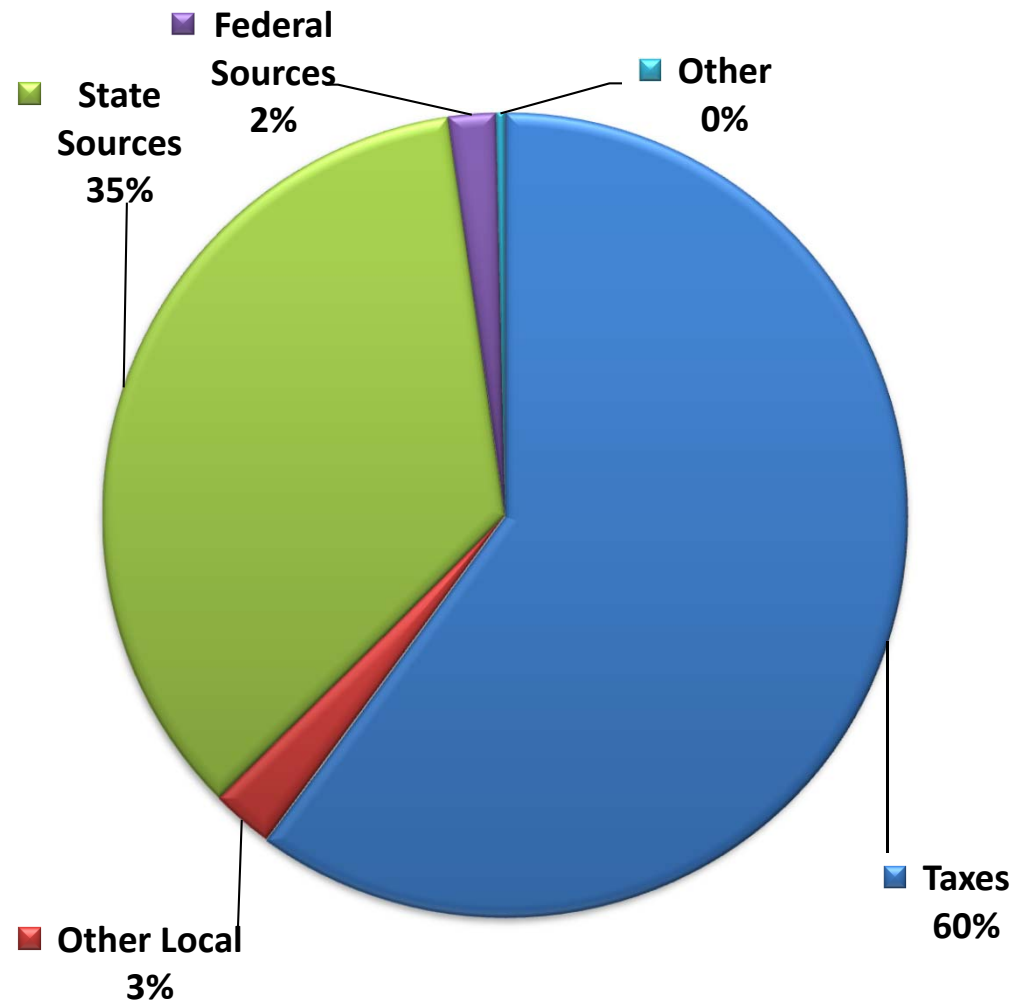


Graphical Analysis

**Revenue Breakdown - FASD
(2015- 2016)**

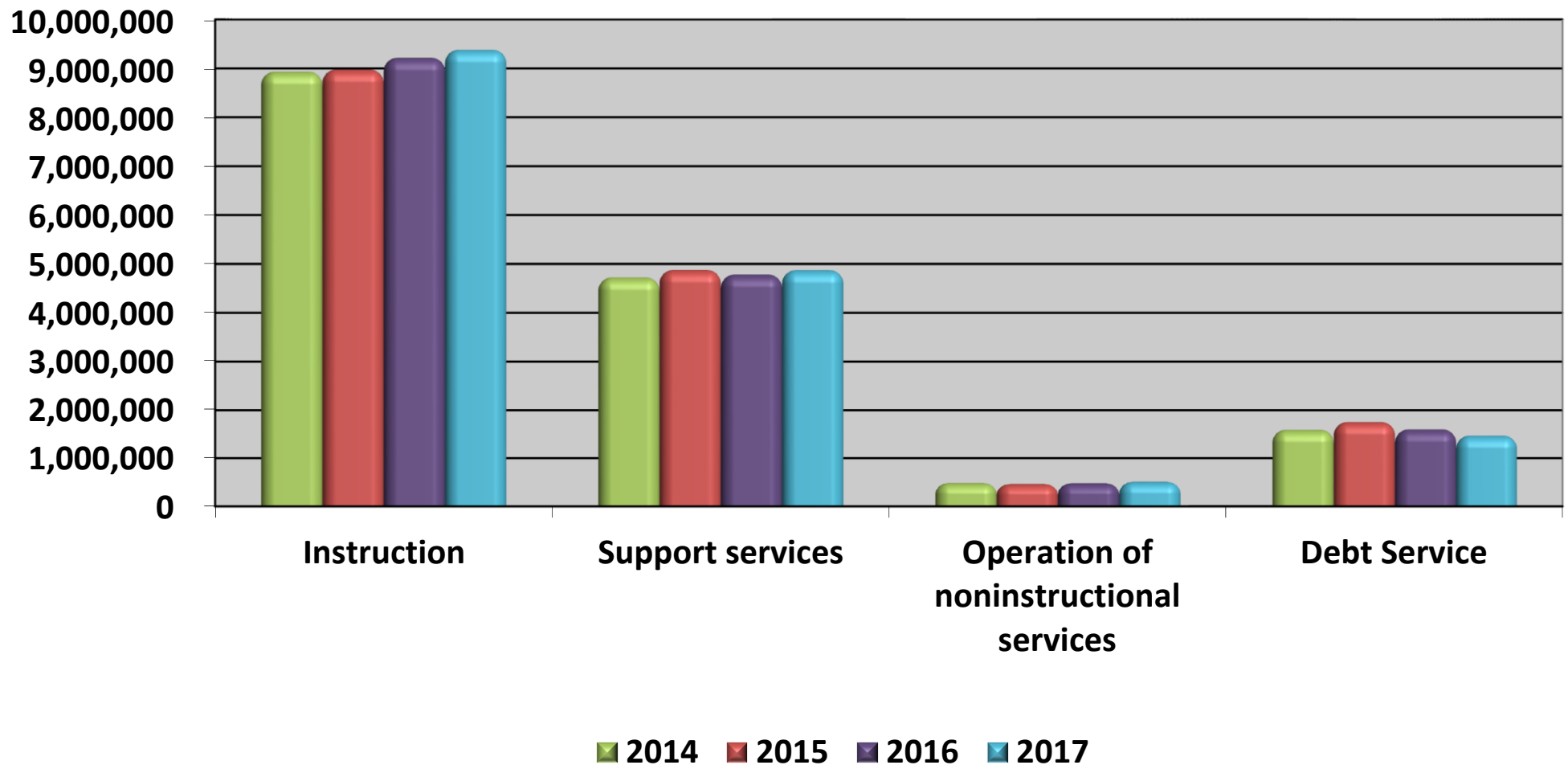


**Revenue Breakdown - LIU Schools
(2015- 2016)**



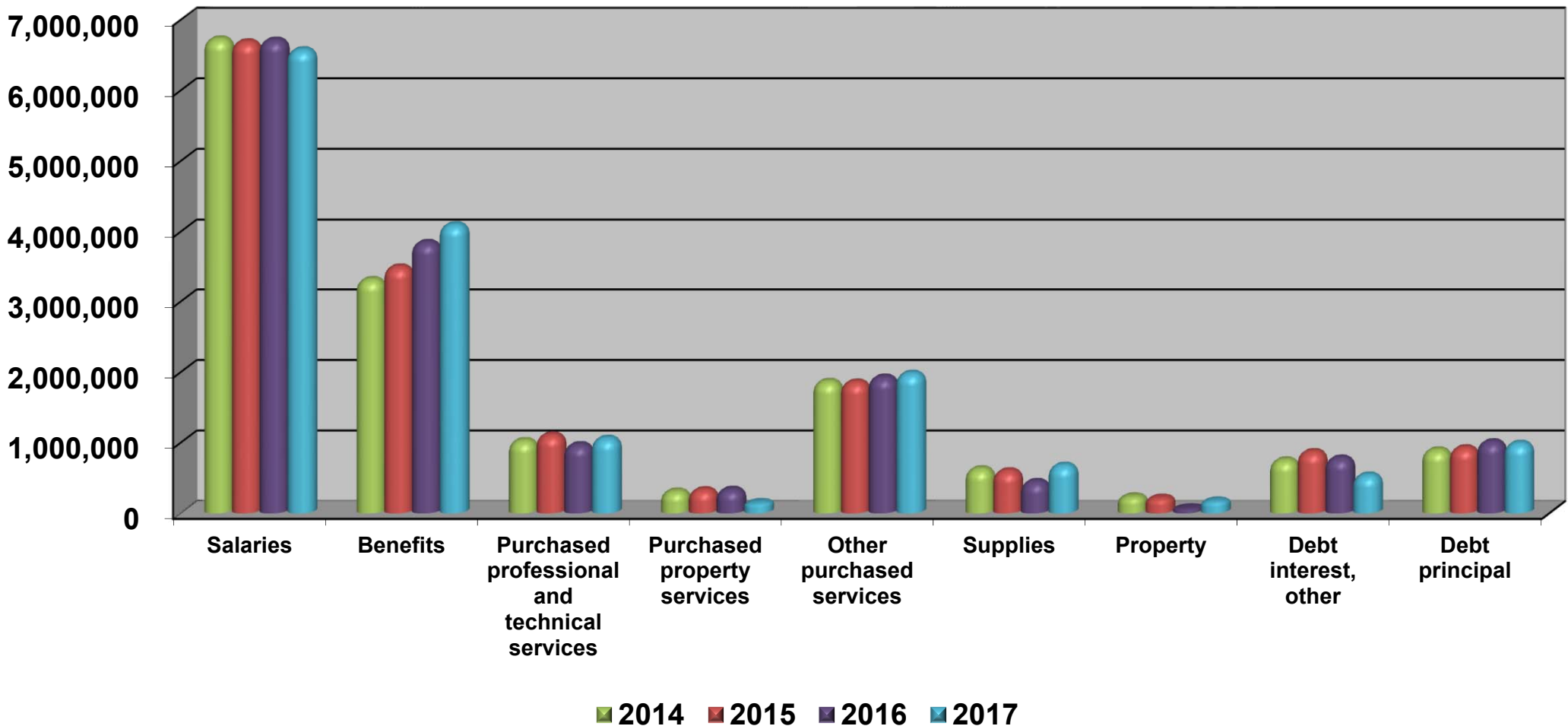
Graphical Analysis

Expenditure Function Comparison - General Fund



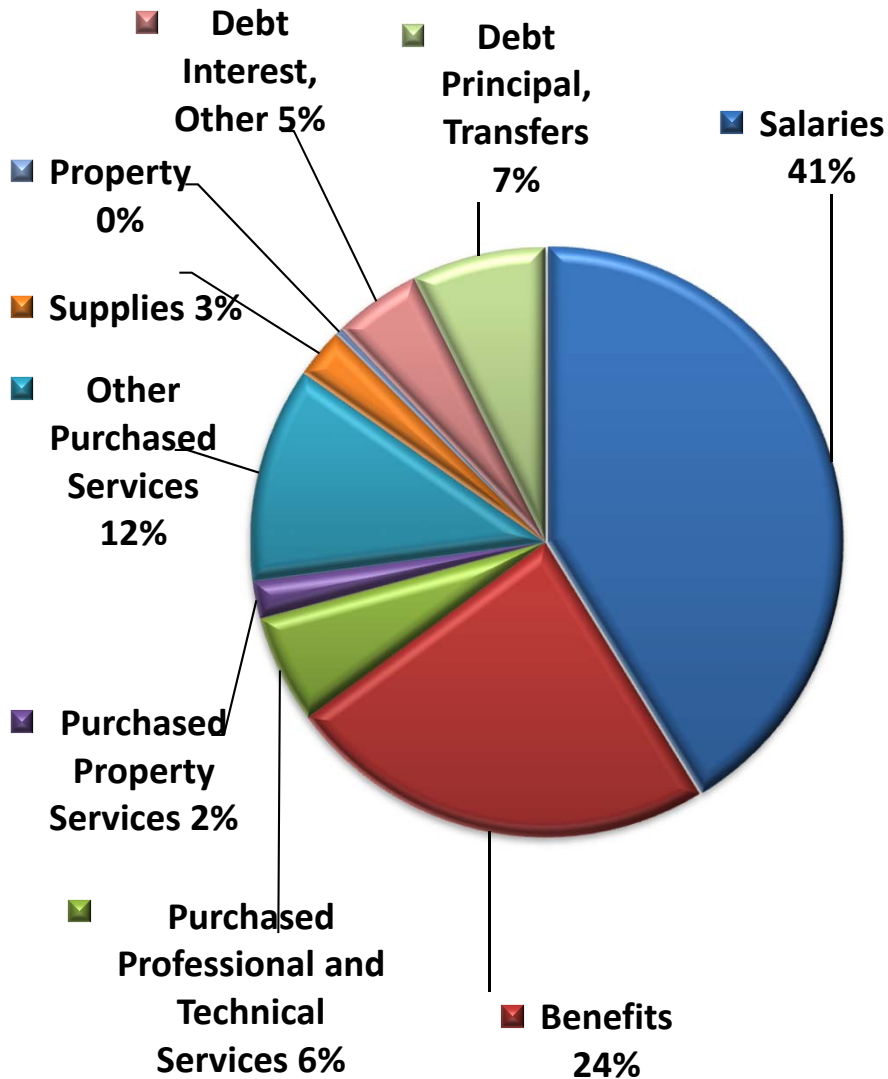
Graphical Analysis

Expenditure Object Comparison

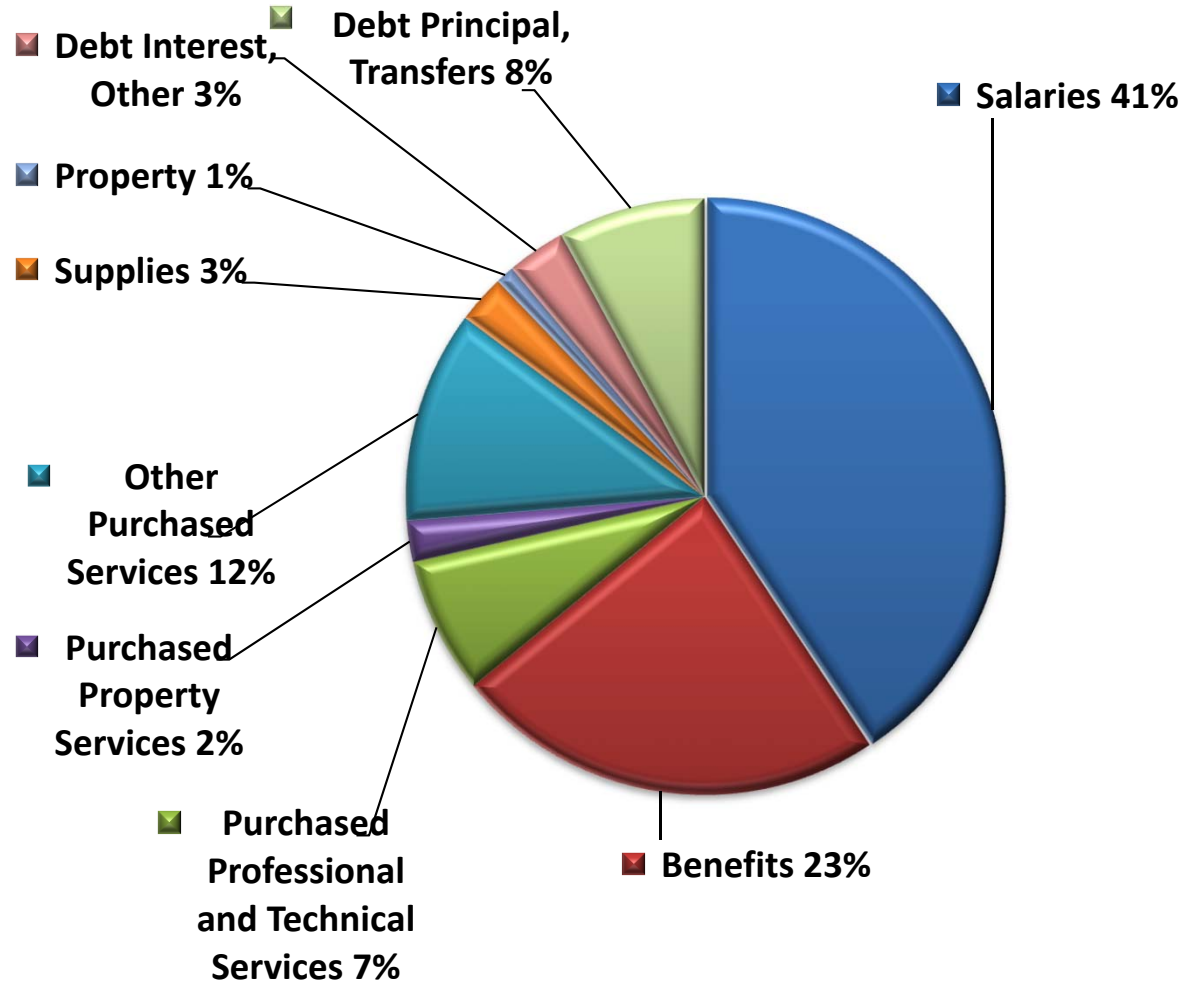


Graphical Analysis

**Expenditure Breakdown - FASD
(2015- 2016)**



**Expenditure Breakdown - LIU Schools
(2015- 2016)**



Other Financial Statement Components

- Notes to Financial Statements
 - Note 9 – Long-Term Liabilities
 - Total outstanding at year end \$ 17,025,000
 - This is a reduction of \$ 955,000 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 \$ 17,025,000
 - Total Interest to be Paid \$ 4,113,247



Management Letter

- Purpose of Letter
 - Report material weaknesses or significant deficiencies in internal control - NONE
 - Summary of new standards that will affect the District
 - Graphical Analysis (reviewed on previous slides)



Management Letter

- Summary of new standards
 - Uniform Guidance - Procurement
 - Recently released GASB's (74, 75, 81, 84, and 87)
 - SAS 133 – Auditor Involvement with Exempt Offerings

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 or for the conversion to the full accrual basis of accounting for financial statement reporting purposes.
 - 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
- Questions?