Chambersburg Area School District
June 30, 2018 Audit Presentation

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

www.sek.com
2017-2018
Chambersburg Area School District
Audit Presentation

• Please refer to reports for complete details:
  • Chambersburg Area School District Annual Financial Statements
    • Including Independent Auditor’s Report
  • Management Letter
  • Communications with Those Charged with Governance
2017-2018
Chambersburg Area School District
Audit Presentation

• Summary
  • Unmodified Opinion
  • General Fund had a reduction in fund balance
  • No findings in the current year
  • Implemented GASB 75 (OPEB) during the current year
• 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 results of a fraud investigation.
# General Fund Analysis

(Summary excerpt from financial statements)

<table>
<thead>
<tr>
<th></th>
<th>2016-2017</th>
<th>2017-2018</th>
<th>2017-2018 Final Budget</th>
<th>Variance with Final Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Revenues</td>
<td>$81,536,872</td>
<td>$85,655,794</td>
<td>$87,263,201</td>
<td>$(1,607,407)</td>
</tr>
<tr>
<td>State Revenues</td>
<td>43,113,183</td>
<td>44,884,683</td>
<td>42,876,623</td>
<td>$2,008,060</td>
</tr>
<tr>
<td>Federal Revenues</td>
<td>3,969,565</td>
<td>3,651,272</td>
<td>2,923,562</td>
<td>$727,710</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td><strong>128,619,620</strong></td>
<td><strong>134,191,749</strong></td>
<td><strong>133,063,386</strong></td>
<td><strong>1,128,363</strong></td>
</tr>
<tr>
<td>Instruction</td>
<td>78,180,601</td>
<td>83,350,762</td>
<td>82,456,901</td>
<td>$(893,861)</td>
</tr>
<tr>
<td>Support Services</td>
<td>37,755,866</td>
<td>39,519,437</td>
<td>40,071,769</td>
<td>$552,332</td>
</tr>
<tr>
<td>Operation of Noninstructional Services</td>
<td>2,094,362</td>
<td>2,140,589</td>
<td>2,032,672</td>
<td>$(107,917)</td>
</tr>
<tr>
<td>Debt Service</td>
<td>9,373,773</td>
<td>10,162,075</td>
<td>10,205,000</td>
<td>42,925</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td><strong>127,404,602</strong></td>
<td><strong>135,172,863</strong></td>
<td><strong>134,766,342</strong></td>
<td><strong>(406,521)</strong></td>
</tr>
<tr>
<td>Budgetary reserve</td>
<td>0</td>
<td>0</td>
<td>(1,297,044)</td>
<td>1,297,044</td>
</tr>
<tr>
<td>Proceeds from sale of capital assets</td>
<td>0</td>
<td>1,700</td>
<td>0</td>
<td>$1,700</td>
</tr>
<tr>
<td>Interfund transfers</td>
<td>0</td>
<td>5,699</td>
<td>0</td>
<td>5,699</td>
</tr>
<tr>
<td>Issuance of long term financing</td>
<td>9,750,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Refinance of existing long term financing</td>
<td>(9,507,535)</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Other Financing Sources (Uses)</strong></td>
<td><strong>242,465</strong></td>
<td><strong>7,399</strong></td>
<td><strong>(1,297,044)</strong></td>
<td><strong>1,304,443</strong></td>
</tr>
<tr>
<td>Change in Fund Balance</td>
<td>$1,457,483</td>
<td>$(973,715)</td>
<td>$(3,000,000)</td>
<td>$2,026,285</td>
</tr>
</tbody>
</table>
General Fund Analysis

• Revenues were more than last year due to:
  – Increase millage rate and additional EIT, but in total were less than budgeted
  – Increased reimbursement from the State (retirement)

• Expenditures increased compared to last year due to:
  – Increase in salaries approximately $1.2 million (2%)
  – Increase in retirement expenditures $1.6 million (10%)
  – Increase in health care expenditures $1.5 million (12%)
  – Increase in debt service expenditures $800,000 due to debt service requirements
Graphical Analysis


- Taxes: 61%
- Other Local: 3%
- State Sources: 34%
- Federal Sources: 0%
- Other: 2%

Revenue Breakdown - LIU Schools (2016-2017)

- Taxes: 58%
- Other Local: 2%
- State Sources: 36%
- Federal Sources: 2%
- Other: 2%

Revenue Breakdown - Schools with Over $100 Million of Revenue (2016 - 2017)

- Taxes: 62%
- Other Local: 3%
- State Sources: 31%
- Federal Sources: 2%
- Other: 2%

- Salaries: 42%
- Benefits: 5%
- Purchased Professional and Technical Services: 3%
- Purchased Property Services: 10%
- Other Purchased Services: 9%
- Supplies: 27%
- Property: 3%
- Debt Interest, Other: 1%
- Debt Principal, Transfers: 1%


- Salaries: 40%
- Benefits: 1%
- Purchased Professional and Technical Services: 3%
- Purchased Property Services: 11%
- Other Purchased Services: 2%
- Supplies: 24%
- Property: 7%
- Debt Interest, Other: 9%
- Debt Principal, Transfers: 0%

Expense Breakdown - Schools with Over $100 Million of Expense (2016 - 2017)

- Salaries: 41%
- Benefits: 3%
- Purchased Professional and Technical Services: 11%
- Purchased Property Services: 6%
- Other Purchased Services: 2%
- Supplies: 25%
- Property: 3%
- Debt Interest, Other: 9%
- Debt Principal, Transfers: 0%
### Governmental Fund Balance
(Summary excerpt from financial statements)

<table>
<thead>
<tr>
<th>Description</th>
<th>General Fund</th>
<th>Percentage of Annual Expenditures</th>
<th>Capital Projects Fund</th>
<th>Capital Reserve Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonspendable (Inventories and Prepaids)</td>
<td>$ 305,294</td>
<td>0.23%</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
<tr>
<td>Restricted (External)</td>
<td>375,095</td>
<td>0.28%</td>
<td>2,877,989</td>
<td>2,126,293</td>
</tr>
<tr>
<td>Committed (Board Action Taken)</td>
<td>80,232</td>
<td>0.06%</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Assigned</td>
<td>6,603,302</td>
<td>4.89%</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Unassigned (Residual Fund Balance)</td>
<td>0</td>
<td>0.00%</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 7,363,923</strong></td>
<td><strong>5.45%</strong></td>
<td><strong>$ 2,877,989</strong></td>
<td><strong>$ 2,126,293</strong></td>
</tr>
</tbody>
</table>
• Restricted Fund Balance consists of:
  – Tax appeals - $ 332,106
  – Unspent donations - $ 42,989

• Committed Fund Balance consists of:
  – Future property tax relief - $ 80,232

• Assigned Fund Balance consists of:
  – 2018-2019 budgeted use of fund balance $ 5,000,000
  – Property tax assessment appeals $ 595,002
  – Special education contingency funds $ 1,000,000
  – Act 93 iPads $ 8,300
## Food Service Fund
(Summary excerpt from financial statements)

<table>
<thead>
<tr>
<th></th>
<th>2017-2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenues</td>
<td>$1,650,712</td>
</tr>
<tr>
<td>Non-Operating Revenues/Subsidies</td>
<td>4,293,997</td>
</tr>
<tr>
<td>Transfers In (Out)</td>
<td>10,176</td>
</tr>
<tr>
<td><strong>Revenues &amp; Transfers</strong></td>
<td>5,954,885</td>
</tr>
<tr>
<td>Salaries and Benefits</td>
<td>3,259,820</td>
</tr>
<tr>
<td>Food and Milk Purchases</td>
<td>2,373,911</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>359,583</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>5,993,314</td>
</tr>
<tr>
<td><strong>Change in Net Position</strong></td>
<td>$(38,429)</td>
</tr>
</tbody>
</table>
Food Service Fund

• Operating Revenues were consistent with previous year.

• Subsidies (federal and state) increased due to more free and reduced meals served.

• Expenses decreased due to the expense recorded with GASB 68 (net pension liability decreased during 2017-2018).
## Medical Insurance Fund
(Summary excerpt from financial statements)

<table>
<thead>
<tr>
<th></th>
<th>2017-2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charges for Insurance Premiums</td>
<td>$14,633,761</td>
</tr>
<tr>
<td>Interest Income</td>
<td>45,211</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>14,678,972</td>
</tr>
<tr>
<td>Insurance Claims</td>
<td>12,446,099</td>
</tr>
<tr>
<td>Fees and stop loss premium</td>
<td>933,838</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>13,379,937</td>
</tr>
<tr>
<td>Interfund Transfers</td>
<td>(600,000)</td>
</tr>
<tr>
<td><strong>Change in Net Position</strong></td>
<td>699,035</td>
</tr>
<tr>
<td><strong>Ending Net Position</strong></td>
<td>$4,912,757</td>
</tr>
</tbody>
</table>
Expenditures per Average Daily Membership (2016-2017)

- Chambersburg Area School District: $13,167
- LIU Schools: $15,377
- All PA School districts: $17,255
Schedule of Expenditures of Federal Awards

• Notes to Schedule of Expenditures of Federal Awards
  – Total Federal Expenditures $8,651,894
  – Programs tested under Single Audit:
    • Child Nutrition Cluster
Schedule of Findings and Questioned Costs

• Findings – Financial Statement Audit
  – None

• Findings and Questioned Costs – Major Federal Award Programs Audit
  – None
Management Letter

• Purpose of Letter
  – Recommendations
  – Summary of new standards that will affect the District
  – Graphical Analysis

• The letter was reviewed in detail with management
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, a description of any disagreements with management.
  – Attached to the letter are the adjustments made for the audit, some prepared by management, others for the conversion to full accrual.
  – Also, addresses management representations, management consultations with other independent auditors, and other auditing findings or issues.
Summary

• Unmodified Audit Opinion
• General Fund had a reduction in fund balance
• No findings

• Questions?