Chambersburg Area School District
June 30, 2019 Audit Presentation

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

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2018-2019
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
Summary

- Unmodified Opinion
- General Fund had an increase in fund balance
- No findings in the current year
2018-2019
Chambersburg Area School District
Audit Presentation

• 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>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Local Revenues</strong></td>
<td>$85,655,794</td>
<td>$90,379,657</td>
<td>$89,412,341</td>
<td>$967,316</td>
</tr>
<tr>
<td><strong>State Revenues</strong></td>
<td>44,884,683</td>
<td>46,491,313</td>
<td>45,242,705</td>
<td>1,248,608</td>
</tr>
<tr>
<td><strong>Federal Revenues</strong></td>
<td>3,651,272</td>
<td>4,124,573</td>
<td>3,284,249</td>
<td>840,324</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td><strong>134,191,749</strong></td>
<td><strong>140,995,543</strong></td>
<td><strong>137,939,295</strong></td>
<td><strong>3,056,248</strong></td>
</tr>
<tr>
<td><strong>Instruction</strong></td>
<td>83,350,762</td>
<td>87,267,339</td>
<td>84,118,019</td>
<td>(3,149,320)</td>
</tr>
<tr>
<td><strong>Support Services</strong></td>
<td>39,519,437</td>
<td>40,894,569</td>
<td>41,495,973</td>
<td>601,404</td>
</tr>
<tr>
<td><strong>Operation of Noninstructional Services</strong></td>
<td>2,140,589</td>
<td>2,243,635</td>
<td>2,166,245</td>
<td>(77,390)</td>
</tr>
<tr>
<td><strong>Debt Service</strong></td>
<td>10,162,075</td>
<td>10,295,930</td>
<td>10,449,634</td>
<td>153,704</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td><strong>135,172,863</strong></td>
<td><strong>140,701,473</strong></td>
<td><strong>138,229,871</strong></td>
<td><strong>(2,471,602)</strong></td>
</tr>
<tr>
<td><strong>Budgetary reserve</strong></td>
<td>0</td>
<td>0</td>
<td>(4,709,424)</td>
<td>4,709,424</td>
</tr>
<tr>
<td><strong>Proceeds from sale of capital assets</strong></td>
<td>1,700</td>
<td>310,607</td>
<td>0</td>
<td>310,607</td>
</tr>
<tr>
<td><strong>Interfund transfers</strong></td>
<td>5,699</td>
<td>903,286</td>
<td>0</td>
<td>903,286</td>
</tr>
<tr>
<td><strong>Issuance of long term financing</strong></td>
<td>0</td>
<td>22,930,105</td>
<td>0</td>
<td>22,930,105</td>
</tr>
<tr>
<td><strong>Refinance of existing long term financing</strong></td>
<td>0</td>
<td>(22,210,218)</td>
<td>0</td>
<td>(22,210,218)</td>
</tr>
<tr>
<td><strong>Total Other Financing Sources (Uses)</strong></td>
<td><strong>7,399</strong></td>
<td><strong>1,933,780</strong></td>
<td><strong>(4,709,424)</strong></td>
<td><strong>6,643,204</strong></td>
</tr>
<tr>
<td><strong>Change in Fund Balance</strong></td>
<td><strong>$ (973,715)</strong></td>
<td><strong>$ 2,227,850</strong></td>
<td><strong>$ (5,000,000)</strong></td>
<td><strong>$ 7,227,850</strong></td>
</tr>
</tbody>
</table>
General Fund Analysis

• Revenues were more than last year due to:
  – Increase millage rate and additional EIT
  – Increased reimbursement from the State (retirement and transportation)

• Expenditures increased compared to last year due to:
  – Increase in salaries approximately $2.1 million (4%)
  – Increase in retirement expenditures $1.2 million (7%)

• Refinancing activity was not budgeted for
Graphical Analysis

General Fund Revenue Breakdown

Taxes | Other Local | State Sources | Federal Sources
---|---|---|---
2015 | 70,000,000 | 40,000,000 | 10,000,000
2016 | 70,000,000 | 40,000,000 | 10,000,000
2017 | 70,000,000 | 40,000,000 | 10,000,000
2018 | 70,000,000 | 40,000,000 | 10,000,000
2019 | 70,000,000 | 40,000,000 | 10,000,000
Graphical Analysis

General Fund Expenditure Breakdown (excluding refinancing)

- Instruction
- Support services
- Operation of noninstructional services
- Facilities acquisition, construction and improvements
- Debt service

(excluding refinancing)

2015
2016
2017
2018
2019
General Fund Expenditure Object Comparison (excluding refinancing)
Graphical Analysis

Revenue Breakdown - CASD (2017 - 2018)

Revenue Breakdown - LIU Schools (2017 - 2018)

Revenue Breakdown - Schools with Over $100 Million of Revenue 2017 - 2018
Expenditure Breakdown - CASD (2017 - 2018)

Expenditure Breakdown - LIU Schools (2017 - 2018)

Expenditure Breakdown - Schools with Over $100 Million of Expense (2017 - 2018)
## Governmental Fund Balance
*(Summary excerpt from financial statements)*

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>General Fund</th>
<th>Percentage of Annual Expenditures</th>
<th>Capital Reserve Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonspendable (Inventories and Prepaids)</td>
<td>$221,454</td>
<td>0.15%</td>
<td>$0</td>
</tr>
<tr>
<td>Restricted (External)</td>
<td>1,318,674</td>
<td>0.94%</td>
<td>1,301,387</td>
</tr>
<tr>
<td>Committed (Board Action Taken)</td>
<td>206,750</td>
<td>0.15%</td>
<td>0</td>
</tr>
<tr>
<td>Assigned</td>
<td>7,844,895</td>
<td>5.58%</td>
<td>0</td>
</tr>
<tr>
<td>Unassigned (Residual Fund Balance)</td>
<td>0</td>
<td>0.00%</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$9,591,773</strong></td>
<td><strong>6.82%</strong></td>
<td><strong>$1,301,387</strong></td>
</tr>
</tbody>
</table>
General Fund - Fund Balance

- Restricted Fund Balance consists of:
  - Tax appeals - $1,164,242
  - Unspent donations - $154,432

- Committed Fund Balance consists of:
  - Future property tax relief - $206,750

- Assigned Fund Balance consists of:
  - 2019-2020 budgeted use of fund balance $5,000,000
  - Property tax assessment appeals $439,296
  - Special education contingency funds $795,000
  - Capital reserve transfer $1,000,000
  - Charter schools $610,599
Unassigned Fund Balance as a Percentage of Expenditures (2017 - 2018)

Chambersburg Area School District*  3.68%
LIU Schools  7.33%
All PA School Districts  6.81%

* Unassigned fund balance plus budget deficit for the following year.
## Food Service Fund
(Summary excerpt from financial statements)

<table>
<thead>
<tr>
<th></th>
<th>2018-2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenues</td>
<td>$ 1,647,226</td>
</tr>
<tr>
<td>Non-Operating Revenues/Subsidies</td>
<td>4,572,609</td>
</tr>
<tr>
<td>Transfers In (Out)</td>
<td>0</td>
</tr>
<tr>
<td><strong>Revenues &amp; Transfers</strong></td>
<td>6,219,835</td>
</tr>
<tr>
<td>Salaries and Benefits</td>
<td>3,023,212</td>
</tr>
<tr>
<td>Food and Milk Purchases</td>
<td>2,378,596</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>359,583</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>5,815,586</td>
</tr>
<tr>
<td><strong>Change in Net Position</strong></td>
<td>$ 404,249</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 2018-2019).
Expenditures per Average Daily Membership (2017 - 2018)

- Chambersburg Area School District: $14,054
- LIU Schools: $15,787
- All PA School Districts: $17,645
Schedule of Expenditures of Federal Awards

• Notes to Schedule of Expenditures of Federal Awards
  – Total Federal Expenditures $ 9,253,169
  – Programs tested under Single Audit:
    • Special Education Cluster (IDEA)
    • Title II
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
  – 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 an increase in fund balance
- No findings

- Questions?