Chambersburg Area School District
June 30, 2020 Audit Presentation

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

www.sek.com
2019-2020
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
• 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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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Local Revenues</strong></td>
<td>$ 90,379,657</td>
<td>$ 96,677,541</td>
<td>$ 93,332,395</td>
<td>$ 3,345,146</td>
</tr>
<tr>
<td><strong>State Revenues</strong></td>
<td>46,491,313</td>
<td>48,936,134</td>
<td>46,870,796</td>
<td>2,065,338</td>
</tr>
<tr>
<td><strong>Federal Revenues</strong></td>
<td>4,124,573</td>
<td>4,370,608</td>
<td>3,398,144</td>
<td>972,464</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$140,995,543</td>
<td>$149,984,283</td>
<td>$143,601,335</td>
<td>$6,382,948</td>
</tr>
<tr>
<td><strong>Instruction</strong></td>
<td>87,267,339</td>
<td>88,151,518</td>
<td>88,884,809</td>
<td>733,291</td>
</tr>
<tr>
<td><strong>Support Services</strong></td>
<td>40,894,569</td>
<td>40,556,086</td>
<td>43,138,508</td>
<td>2,582,422</td>
</tr>
<tr>
<td><strong>Operation of Noninstructional Services</strong></td>
<td>2,243,635</td>
<td>2,112,966</td>
<td>2,168,367</td>
<td>55,401</td>
</tr>
<tr>
<td><strong>Debt Service</strong></td>
<td>10,295,930</td>
<td>10,184,004</td>
<td>10,256,743</td>
<td>72,739</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>$140,701,473</td>
<td>$141,004,574</td>
<td>$144,448,427</td>
<td>$3,443,853</td>
</tr>
<tr>
<td><strong>Budgetary reserve</strong></td>
<td>0</td>
<td>0</td>
<td>(3,958,527)</td>
<td>3,958,527</td>
</tr>
<tr>
<td><strong>Proceeds from sale of capital assets</strong></td>
<td>310,607</td>
<td>5,336</td>
<td>0</td>
<td>5,336</td>
</tr>
<tr>
<td><strong>Interfund transfers</strong></td>
<td>903,286</td>
<td>0</td>
<td>(194,381)</td>
<td>194,381</td>
</tr>
<tr>
<td><strong>Issuance of long term financing</strong></td>
<td>22,930,105</td>
<td>36,165,000</td>
<td>0</td>
<td>36,165,000</td>
</tr>
<tr>
<td><strong>Refinance of existing long term financing</strong></td>
<td>(22,210,218)</td>
<td>(35,262,539)</td>
<td>0</td>
<td>(35,262,539)</td>
</tr>
<tr>
<td><strong>Total Other Financing Sources (Uses)</strong></td>
<td>$1,933,780</td>
<td>$907,797</td>
<td>$(4,152,908)</td>
<td>$5,060,705</td>
</tr>
<tr>
<td><strong>Change in Fund Balance</strong></td>
<td>$ 2,227,850</td>
<td>$ 9,887,506</td>
<td>$(5,000,000)</td>
<td>$14,887,506</td>
</tr>
</tbody>
</table>

*SEK*
General Fund Analysis

- Revenues were more than last year due to:
  - Increase millage rate resulted in an increase in taxes
  - Increased reimbursement from the State (retirement rate increase and New Franklin PlanCon reimbursement)

- Expenditures increased approximately $303,100 compared to last year due to:
  - Increase in salaries approximately $1.1 million (2%)
  - Increase in retirement expenditures $819,000 (4%)
  - These increases were offset by a decrease in certain expenditures due to COVID-19 shutdowns and a decrease in equipment purchases

- Refinancing activity was not budgeted for
General Fund Revenue Breakdown

- **Taxes**
- **Other Local**
- **State Sources**
- **Federal Sources**

Yearly Revenue Breakdown:
- 2016
- 2017
- 2018
- 2019
- 2020
Graphical Analysis

General Fund Expenditure Object Comparison (excluding refinancing)
Graphical Analysis


- 61% Taxes
- 3% Other Local
- 32% State Sources
- 3% Federal Sources
- 2% Other

Revenue Breakdown - LIU Schools (2018 - 2019)

- 58% Taxes
- 3% Other Local
- 36% State Sources
- 1% Federal Sources
- 2% Other

Revenue Breakdown - Schools with Over $100 Million of Revenue 2018 - 2019

- 63% Taxes
- 3% Other Local
- 30% State Sources
- 2% Federal Sources
- 3% Other
Graphical Analysis


- Salaries: 39%
- Benefits: 27%
- Purchased Professional and Technical Services: 11%
- Purchased Property Services: 5%
- Other Purchased Services: 4%
- Supplies: 9%
- Property: 1%
- Debt Interest, Other: 1%
- Debt Principal, Transfers: 3%

Expenditure Breakdown - LIU Schools (2018 - 2019)

- Salaries: 39%
- Benefits: 25%
- Purchased Professional and Technical Services: 7%
- Purchased Property Services: 3%
- Other Purchased Services: 2%
- Supplies: 12%
- Property: 3%
- Debt Interest, Other: 3%
- Debt Principal, Transfers: 8%

Expense Breakdown - Schools with Over $100 Million of Expense (2018 - 2019)

- Salaries: 36%
- Benefits: 23%
- Purchased Professional and Technical Services: 17%
- Purchased Property Services: 17%
- Other Purchased Services: 1%
- Supplies: 7%
- Property: 7%
- Debt Interest, Other: 1%
- Debt Principal, Transfers: 4%
# 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>
<th>Capital Reserve Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonspendable (Inventories and Prepaids)</td>
<td>$252,223</td>
<td>0.18%</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Restricted (External)</td>
<td>582,288</td>
<td>0.41%</td>
<td>5,444,964</td>
<td>955,461</td>
</tr>
<tr>
<td>Committed (Board Action Taken)</td>
<td>1,044,857</td>
<td>0.74%</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Assigned</td>
<td>17,599,911</td>
<td>12.48%</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>Total</td>
<td>$19,479,279</td>
<td>13.81%</td>
<td>$5,444,964</td>
<td>$955,461</td>
</tr>
</tbody>
</table>
General Fund - Fund Balance

- Restricted Fund Balance consists of:
  - Tax appeals - $164,235
  - Special education settlements - $130,487
  - Unspent donations - $287,566

- Committed Fund Balance consists of:
  - Future property tax relief - $1,044,857

- Assigned Fund Balance consists of:
  - 2020-2021 budgeted use of fund balance - $6,571,314
  - Property tax assessment appeals - $1,939,296
  - Special education contingency funds - $795,000
  - Capital reserve transfer - $1,500,000
  - Charter schools - $4,228,235
  - C & I and technology - $1,000,000
  - Other - $1,566,066
Unassigned Fund Balance as a Percentage of Expenditures (2018 - 2019)

- Chambersburg Area School District *: 4.66%
- LIU Schools: 7.20%
- All PA School districts: 6.74%

* Unassigned fund balance plus budget deficit for the following year.
## Food Service Fund

(Summary excerpt from financial statements)

<table>
<thead>
<tr>
<th></th>
<th>2019-2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenues</td>
<td>$ 1,124,703</td>
</tr>
<tr>
<td>Non-Operating Revenues/Subsidies</td>
<td>3,949,588</td>
</tr>
<tr>
<td>Transfers In (Out)</td>
<td>0</td>
</tr>
<tr>
<td><strong>Revenues &amp; Transfers</strong></td>
<td>5,074,291</td>
</tr>
<tr>
<td>Salaries and Benefits</td>
<td>3,010,818</td>
</tr>
<tr>
<td>Food and Milk Purchases</td>
<td>1,979,530</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>294,696</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>5,285,044</td>
</tr>
<tr>
<td><strong>Change in Net Position</strong></td>
<td>($ 210,753)</td>
</tr>
</tbody>
</table>
Food Service Fund

- Operating revenues and expenses decreased during the year due to closures related to the COVID-19 pandemic.
- Subsidies (federal and state) also decreased due to school closures for COVID-19.
Expenditures per Average Daily Membership (2018 - 2019)

Chambersburg Area School District: $14,517
LIU Schools: $16,771
All PA School districts: $18,281
Schedule of Expenditures of Federal Awards

• Notes to Schedule of Expenditures of Federal Awards
  – Total Federal Expenditures $ 9,005,611
  – Programs tested under Single Audit:
    • Child Nutrition Cluster
    • Title I
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 School 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?