


THE BONADIO GROUP

CPAs, Consultants & More



Spackenkill Union Free School District

**Board and Audit Committee Meeting
October 16, 2017**

Part A

Audit of the Financial Statements as of and for the year ended June 30, 2017

Board of Education Summary

- We issued an unmodified opinion that the financial statements are presented fairly in accordance with GAAP on the June 30, 2017 financial statements of the District. This is the highest level of assurance we can give.
- We did not identify any material weaknesses in internal controls over the District's financial reporting.
- The books and records were maintained in a clear and orderly fashion that allowed us to complete our audit in an expeditious manner.

Required Communications

- New Accounting Policies
 - GASB Statement No. 77 Tax Abatement Disclosures. This Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments, see slide 10.
- There were no transactions entered into by the District during the year for which there was a lack of authoritative guidance or consensus and all significant transactions have been recognized in the financial statements in the proper period.
- The particularly sensitive accounting estimates contained in the financial statements were:
 - Accrued compensated absences
 - Depreciation expense
 - Other postemployment benefits obligation
 - Net pension asset and liability and related deferred outflows and inflows of resources.
- The financial statement disclosures are neutral, consistent, and clear.

Required Communications (Continued)

- There were no significant difficulties encountered in performing the audit or dealing with management.
- During our audit of the financial statements the following adjustments were made:
 - **Fund Financial Statements:**
 - **Client minor final closing adjustments** \$ 5,092
 - **B&Co. adjustment to correct Smart School Accounting** \$ (80,502)
- There were no disagreements with management.
- We are not aware that management consulted with other accountants.
- Our discussions with management were in the normal course of our professional relationship and our responses were not a condition of our retention.

Communication of Matters Related to Internal Control Over Financial Reporting and Other Matters

- We identified the following matters that we consider to be deficiencies in internal control procedures as part of the current year financial statement audit:
 - Grant Management
 - Electronic Storage of Accounting and Related Data
- New accounting pronouncements to be considered by the District:
 - GASB Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Effective June 30, 2018.”

Key Financial Highlights

- District-wide Financial Statements - Statement of Net Position (page 13)
 - Net position at June 30, 2017 of \$4.1M compared to a net position at June 30, 2016 of \$9.1M due primarily to the increase in OPEB obligation of \$6.2M to \$23.7M.
 - Capital assets net of depreciation were \$18.0M at June 30, 2017 a slight decrease from the prior year of \$18.9M. Note, that a significant Capital Project is on the horizon.
 - Long-Term Liabilities totaled \$37.7M, including:

– Other Postemployment Benefits	\$23.7M
– Non-current Bonds Payable	\$11.5M
– Net pension liability(ERS+TRS)	\$ 2.3M

Key Financial Highlights (Continued)

- District-wide Financial Statements - Statement of Activities and Change in Net Position (page 14):
 - The change in net position was a decrease of \$4.9M for 2017 compared to an increase of \$1.5M in prior year. The change related to the following:

– Increase in OPEB Obligation	(\$6.2M)
– Increase in Total Revenue	\$1.1M
– Increase in Non-OPEB expenditures	(\$1.3M)
 - The significant increase in OPEB obligation is primarily related to lowering the discount rate from 5 to 4% in the current year actuarial valuation, increases in starting claims cost as well as using updated mortality table assumptions.

Key Financial Highlights (Continued)

Fund Financial Statements – For the year ending June 30, 2017 actual operating results of the General Fund showed the following compared to budget, in thousands (000s):

	Original Budget	Final Budget	Actual	Encumbrances	Variance (Actual/Budget)
Revenue:					
Local sources	\$ 33,497	\$ 33,506	\$ 33,962	\$ -	\$ 455
State sources	8,814	8,829	8,710	-	(119)
Medicaid reimbursements	<u>22</u>	<u>22</u>	<u>19</u>	-	(3)
Total	<u>42,333</u>	<u>42,357</u>	<u>42,690</u>	-	<u>334</u>
Expenses:					
General support	4,187	4,662	4,336	220	106
Instruction	25,162	25,020	23,631	231	1,158
Pupil Transportation	1,630	1,761	1,613	30	118
Employee benefits	11,823	11,664	10,451	-	1,213
Debt service	1,768	1,768	1,894	-	(126)
Transfers (in) and out, net	<u>150</u>	<u>150</u>	<u>157</u>	-	(7)
Total	<u>44,720</u>	<u>45,024</u>	<u>42,082</u>	<u>481</u>	<u>2,461</u>
Revenue over (under) expense	<u>\$ (2,387)</u>	<u>\$ (2,667)</u>	<u>\$ 608</u>	<u>\$ (481)</u>	<u>\$ 2,795</u>

Key Financial Highlights (Continued)

- Fund Financial Statements – Balance Sheet (page 15):
 - General Fund – Overall, the Fund Balance increased by \$600K, while Unassigned Fund Balance remained consistent at \$1.8M in 2017. The Restricted fund balance increased from \$7.5M to \$7.7M in 2017 mostly due to increases to the Unemployment and Workers' compensation reserves of approximately \$100K and \$150K, respectively.
 - General Fund - Due to TRS liability - decreased by \$240K to \$2.1M in 2017 mostly due to a reduction in the mandated employer contribution rate from 13.2% to 11.7%.
 - Total government funds - Accounts payable - increased from \$78K in 2016 to \$569K in 2017 due to timing of receipt and payment of routine invoices as well as amounts owed for Smart School technology upgrades received before year-end.

Key Financial Highlights (Continued)

- Fund Financial Statements – Revenue, Expenditures and Changes in Fund Balance (page 17):
 - General fund revenue increased by \$1.1M as State Sources of revenue increased 8.3% to \$8.7M. General fund expenditures increased by \$1.1M, with the largest increase in expenditures being in instruction of \$600K and pupil transportation of \$300K. The Instructional increases were mainly due to contractual salary raises of approximately 4%. The transportation increases were the result of an increase in BOCES student participation as well as a full year of contracted transportation services in the current year compared to receiving a partial year of services in 2015-2016.
 - School lunch fund operating results improved from the year, with a surplus of \$31K mostly related to a 13% decrease in cost of goods sold. This was the result of a decrease in enrollment and more reliance on government commodities.
 - Debt Service Fund reported a surplus of \$585K and the Capital Projects fund reported a deficit of \$505K, which was the result of a transfer between the funds relating to unspent bond proceeds from the \$10M HS project which was completed in prior years. These proceeds will be utilized to help pay for the next Capital Project.

GASB Statement No. 77 - Tax Abatement

- This Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments.

<u>Agreement with</u>	<u>Purpose</u>	<u>Total Assessment</u>	<u>Tax Rate</u>	<u>Tax Value</u>	<u>PILOT Received</u>	<u>Amount of Tax Abated</u>
Dutchess County IDA	Industrial Development	\$ 2,480,000	6%	\$ 141,222	\$ 28,244	\$ 112,978
Dutchess County IDA	Industrial Development	\$ 525,000	6%	\$ 29,896	\$ 2,990	\$ 26,906
		\$ 750,000	6%	\$ 42,708	\$ 42,708	\$ -
Dutchess County IDA	Industrial Development	\$ 1,105,000	10%	\$ 110,500	\$ 6,296	\$ 104,204
Dutchess County IDA	Industrial Development	\$ 109,779,000	6%	<u>\$6,586,740</u>	<u>\$4,356,900</u>	<u>\$2,229,840</u>
		Total		<u>\$6,911,066</u>	<u>\$4,437,138</u>	<u>\$2,473,928</u>

Part B

Audit of the District's Extraclassroom Activities for the year ended June 30, 2017

Audit Results ECA

- ECA Funds
 - Issuing a Qualified Opinion, with a typical modification regarding cash receipts.
 - This does not mean the District internal controls procedures have not changed