

Mount Vernon City School District Auditors' Report to the Board



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Scott Oling, Partner
Marc Callinan, Manager

December 7, 2021





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Types of Audits School District Undergoes

- **Internal Audit** – Performed to assist board in ensuring that the School District's risk is identified and appropriate internal controls are in place and are working
- **Claims Audit** – Required by Education Law Sections 1724 and 1950. Allows School Boards to adopt a resolution to appoint a claims auditor to review each claim prior to payment. Claims auditor can be district employee or an outside contractor, but cannot be the internal auditor or external auditor.
- **External Auditor** – The audit performed by PKF O'Connor Davies, LLP. Performed in accordance with New York State Education Department requirements, auditing standards generally accepted in the United States of America promulgated by the American Institute of Certified Public Accountants (AICPA) and in accordance with Government Auditing Standards issued by Comptroller General of the United States.



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Our Responsibility Under Generally Accepted Auditing Standards

- Perform the audit in accordance with generally accepted auditing standards and ensure that the audit was designed to achieve reasonable rather than absolute assurance that the financial statements are free from material misstatements
- Communicate in writing deficiencies in internal control that we consider to be (1) significant deficiencies, (2) material weaknesses and (3) control deficiencies—*our audit identified several control deficiencies (discussed on slide 10)*
- Advise management of appropriateness of accounting policies and their application—*appear appropriate for the district*
- Communicate any fraud or illegal acts that were noted during the course of our audit, however, our audit cannot be relied upon to identify all instances of fraud or illegal acts—*no instances/suspicion or allegations of fraud were noted*



Communications of Other Matters

- Unmodified Opinion on Financial Statements
- Internal Accounting Controls - *reviewed within the context of our audit*
- Management's Judgments and Accounting Estimates—*appear appropriate*
- Audit Adjustments—*no uncorrected adjustments.*
- Other Information in Documents Containing Audited Financial Statements—Management's Discussion and Analysis (MD&A)
- Difficulties encountered during audit—*no unresolved matters*
- No Disagreements with Management
- No Consultation by Management with Other Accountants with the exception of the Internal Auditors as required
- Independence not impaired



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Financial Statement Highlights – General Fund Revenue and Expenditures Summary

Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance with Final Budget</u>
REVENUES					
Total Revenues	\$ 247,915,965	\$ 247,915,965	\$ 242,086,970	\$ -	\$ (5,828,995) *
EXPENDITURES					
Total Expenditures	255,809,460	258,251,753	237,198,139	996,268	20,057,346
Excess (Deficiency) of Revenues Over Expenditures	(7,893,495)	(10,335,788)	4,888,831	(996,268)	14,228,351
OTHER FINANCING SOURCES (USES)					
Insurance recoveries	135,000	135,000	153,275	-	18,275
Transfers out	(3,921,000)	(3,921,000)	(3,921,000)	-	-
Total Other Financing Uses	(3,786,000)	(3,786,000)	(3,767,725)	-	18,275
Net Change in Fund Balance	(11,679,495)	(14,121,788)	1,121,106	<u>\$ (996,268)</u>	<u>\$ 14,246,626</u>
FUND BALANCE					
Beginning of Year	11,679,495	14,121,788	19,720,947		
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,842,053</u>		

See independent auditors' report.

***Shortfall':**

Property Taxes- \$2,190,779

State Aid - \$2,575,796

Source: School district's June 30, 2021 financial statements page 56.



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Fund Balance Comparison – General Fund

	June 30, 2021	June 30, 2020
	General Fund	General Fund
Restricted:		
Tax certiorari	\$ 1,447,318	\$ 3,344,702
Employee benefit accrued liability	289,888	289,656
Employee benefit accrued liability - subsequent year (1)	-	160,000
Retirement system contributions	492,900	492,506
Retirement system contributions - subsequent year (1)	-	390,000
Unemployment benefits	11,177	11,168
Unemployment benefits - subsequent year (1)	-	15,000
Debt service	3,481,898	5,195,348
Debt service - subsequent year (1)	1,717,606	4,879,416
Workers' compensation benefits	36,934	36,904
Workers' compensation benefits - subsequent year (1)	-	36,000
Total Restricted	7,477,721	14,850,700
Assigned:		
Purchases on order:		
General government support	631,090	54,615
Instruction	363,569	74,011
Transportation	1,609	-
	996,268	128,626
Subsequent year's expenditures (1)	3,057,620	6,070,453
Deficit	-	(1,328,832)
Total Assigned	4,053,888	4,870,247
Unassigned	9,310,444	-
Total Fund Balances	\$ 20,842,053	\$ 19,720,947

Total (1) 2021 - \$4,775,226

Total (1) 2020 - \$11,550,869

Source: School district's June 30, 2021 financial statements page 48.



Other Post Employment Benefit Liability

The number of participants as of June 30, 2021 was as follows:

Inactive employees currently receiving benefit payments	750
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>1,446</u>

2,196

Total OPEB Liability - Beginning of Year	\$ 434,790,102
Service cost	22,026,833
Interest	10,013,850
Changes of benefit terms	-
Differences between expected and actual experience	(16,310,759)
Changes in assumptions or other inputs	4,364,895 *
Benefit payments	<u>(7,443,746)</u>
Total OPEB Liability - End of Year	<u>\$ 447,441,175</u>

*Increase in liability is due to a drop in the discount rate from 2.21% to 2.16%.

Source: School district's June 30, 2021 financial statements pages 44-46.



Proportionate Share of State Retirement Systems Liabilities

- Recorded in accordance with Governmental Accounting Standards Board Statement No. 68 “Accounting and Financial Reporting for Pensions”.
- School District required to record in its entity-wide statements its proportionate share of the net pension assets/liabilities of the New York State ERS and TRS systems.
- NYS ERS has a net pension **liability** of \$99.6 **million** at March 31, 2021, down from \$26.5 **billion** at March 31, 2020. School District reflected its proportionate share of this liability of \$51,638 in its entity-wide statements, down from \$14.4 million in the prior year. **ERS uses a discount rate assumption of 5.9%, down from 6.8% in prior year.**
- NYS TRS has a net pension **liability** of \$2.8 billion at June 30, 2021 down from a \$2.6 billion net pension **asset** at June 30, 2020. School District reflected its proportionate share of this **liability** of \$16.7 million in its entity-wide statements, compared to a \$16.2 million **asset** in the prior year. **TRS uses a discount rate assumption of 7.10%.**

Source: School district’s June 30, 2021 financial statements pages 38-43.



Communications of Internal Control Related Matters – Definition of Terms

- ***Material weakness*** — A deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.
- ***Significant deficiency*** — A deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
- ***Control deficiency*** — A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.



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Findings Identified During our Audit of Mount Vernon School District

No Material Weaknesses identified

No Significant Deficiencies Identified

Minor Control Deficiencies Identified:

- The School Lunch Fund reflected an unassigned deficit of \$1,061,743 at June 30, 2021. The School District has indicated that it will monitor operations closely in 2021/22 to ensure the reduction or elimination of this deficit, along with applying certain federal stimulus funds.
- Old receivables from NYS of \$1,415,905 and Unearned Revenues of \$450,000 in the Special Aid Fund
- Extra Classroom Activity Funds – Missing supporting documentation, non-timely preparation of bank reconciliations, failure to prepare monthly and annual summaries of activities, twenty-two inactive clubs
- Special Purpose – inactive accounts aggregating \$50,000
- Payroll Tax Filings documentation missing for one quarter of the year.



Filing Requirement

- Section 3601 of the Education Law requires the audit report to be filed with the State Education Department by October 15th. (Web based portal created by NYSED audit services division requiring upload of various documents including audit report and management letter).
- 30 day grace period allowed if not filed by October 15th. Filed by School District finance department personnel during this grace period.
- If not filed by November 15th, state aid apportionment due the district in December is withheld pending receipt of audit report (occurred in this district several years ago when fixed asset listing was not available for audit in a timely manner).
- Board of Education must adopt resolution accepting audit report, management letter and extraclassroom report and submit that to NYS through the NYSED portal as soon as possible, along with any corrective action plan.

Questions/Discussion





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Contact Information

www.pkfod.com

Scott Oling, Partner

soling@pkfod.com

Marc Callinan, Manager

mcallinan@pkfod.com

245 Park Avenue
New York, NY 10167
T: 212.267.8000

20 Commerce Drive
Suite 301
Cranford, NJ 07016
T: 908.272.6200

293 Eisenhower Pkwy
Suite 170
Livingston, NJ 07039
T: 973.535.2880

32 Fostertown Rd
Newburgh, NY 12550
T: 845.565.5400

11 Balmville Road
Newburgh, NY 12550
T: 845.565.5400

2 Bethesda Metro Center
Suite 420
Bethesda, MD 20814
T: 301.652.3464

25 Suffolk Court
Hauppauge, NY 11788
T: 631.434.9500

**500 Mamaroneck Avenue
Harrison, NY 10528
T: 914.381.8900**

300 Tice Boulevard
Suite 315
Woodcliff Lake, NJ 07677
T: 201.712.9800

3001 Summer Street
5th Floor East
Stamford, CT 06905
T: 203.323.2400

100 Great Meadow Road
Wethersfield, CT 06109
T: 860.257.1870

40 Westminster Street
Suite 600
Providence, RI 02903
T: 401.621.6200

Four Corporate Drive
Suite 488
Shelton, CT 06484
T: 203.929.3535

3801 PGA Blvd., Ste. 600
Palm Beach Gardens, FL 33410
T: 561.337.5324

