

PRESENTATION TO THE AUDIT COMMITTEE

2022 FISCAL YEAR AUDIT OF

ELWOOD UNION FREE SCHOOL DISTRICT

OCTOBER 3, 2022

MICHAEL E. NAWROCKI, CPA, PARTNER

CRAIG HAUSER, CPA, MANAGER

Scope of Services Rendered

- Audit of the financial statements for the year ended June 30, 2022 in accordance with U.S. generally accepted auditing standards and Government Auditing Standards
- “Single audit” of the District’s major federal award programs for the year ended June 30, 2022 in accordance with the Uniform Guidance
- Audit of the District’s Extraclassroom Activity Funds for the year ended June 30, 2022, in accordance with U.S. generally accepted auditing standards, prepared on the cash basis of accounting
- Issuance of a management letter, presenting our findings and recommendations on improving accounting procedures and internal controls
- Presentation of the results of the fiscal 2022 financial statement audit to the Audit Committee

Audit “Readiness” and Responsiveness

- Satisfactory closing of books and records
 - Fieldwork commenced August 8th in a hybrid approach where we were on-site as well as remote with documents provided through our secure portal
- Excellent audit cooperation throughout fieldwork
- All planned audit procedures successfully implemented
- No material weaknesses or significant deficiencies in internal control were identified
- All risk areas identified in preliminary Audit Committee meeting were fully addressed, resulting in no matters requiring additional procedures or further investigation

GASB 87 – Leases

- Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*, to improve the relevance and consistency of financial reporting for government leasing activities
- For implementation of this new standard, the District performed the following:
 - Analyzed all leases to determine applicability
 - Noted current leases of the District should be recorded as installment purchase debt transactions
 - Recognition of these transactions required a prior period adjustment to the District-wide financial statements assets and liabilities

Financial Statement Highlights

- An unmodified opinion on the financial statements and an unmodified opinion on an audit performed in accordance with Government Auditing Standards (pages 1-3)
 - No material weaknesses or significant deficiencies in internal control
- Management's Discussion and Analysis (pages 4-14)
 - Provides an overview and analysis of financial statements
 - Comparative financial data
 - Analysis of key variances
- District-wide financial statements ("full accrual") (pages 15-16)
 - Comparative ratios

	6/30/2022	6/30/2021	\$ Change	% Change
Current Assets	\$ 9,952,524	\$ 9,297,562	\$ 654,962	7.04%
Current Liabilities	9,498,542	7,820,591	1,677,951	21.46%
Working Capital	453,982	1,476,971	(1,022,989)	-69.26%
Current Ratio	1.05	1.19		

- Current ratio decrease is primarily due to an increase in accounts payable and bonds payable due within one year

Financial Statement Highlights (continued)

- Capital assets, net of depreciation totals \$46.1 million with a net increase of \$7.8 million in the current year
- Bonds payable total \$21.5 million with a current year reduction of \$2.5 million
- Energy performance contract totals \$7.5 million with a current year reduction of \$487K
- Installment debt payable totals \$430K with a current year increase of \$162K
- Total OPEB liability of \$102 million with a net decrease of \$17.5 million in the current year
 - Actuary changed discount rate from 2.16% to 3.54%
- Total proportionate share of the net pension assets (TRS & ERS) of \$27.1 million when compared to total proportionate share of the net pension liabilities of \$4.2 million in 2021
 - Actuary changed discount rate for TRS from 7.10% to 6.95%
 - Increase in rate of return on investments

Financial Statement Highlights (continued)

- Governmental fund financial statements (“current focus”) (pages 17-20)
 - General Fund
 - Total assets of \$17.2 million as compared to \$15.2 million in 2021
 - Total liabilities of \$4.6 million as compared to \$4.0 million in 2021
 - Fund balance of \$12.6 million, [of which \$2.8 million is unassigned (within the NYS “4%” statutory limit), \$1.7 million is assigned funds (consisting of appropriated for subsequent year and encumbrances), and \$8.2 million is restricted funds]
 - General Fund restricted fund balance included:

	6/30/2022	6/30/2021	\$ Change	% Change
Retirement Contributions	\$ 4,113,761	\$ 3,548,919	\$ 564,842	15.92%
Insurance	250,000	-	250,000	100.00%
Debt Service	16,414	16,386	28	0.17%
Unemployment Insurance	315,808	315,267	541	0.17%
Capital	1,520,529	1,018,788	501,741	49.25%
Employee Benefit Accrued Liability	1,939,038	1,935,729	3,309	0.17%
Total	8,155,550	6,835,089	1,320,461	19.32%

Financial Statement Highlights (continued)

- Comparison of current year activity to prior:

	6/30/2022	6/30/2021	\$ Change	% Change
Total Revenues	\$ 64,741,166	\$ 62,221,814	\$ 2,519,352	4.05%
Total Expenses	63,375,010	60,488,972	2,886,038	4.77%
Other Financing Sources (Uses)	137,944	(103,349)	241,293	233.47%
Change in Fund Balance	1,504,100	1,629,493	(125,393)	-7.70%

- ☐ Revenues were under budget by \$68K
- ☐ Expenditures were under budget by \$3.4 million

○ Capital Projects Fund

	6/30/2022	6/30/2021	\$ Change	% Change
Total Assets	\$ 5,969,908	\$ 14,720,843	\$ (8,750,935)	-59.45%
Total Liabilities	747,370	788,073	(40,703)	-5.16%
Fund Balance	5,222,538	13,932,770	(8,710,232)	-62.52%

	6/30/2022	6/30/2021	\$ Change	% Change
Total Revenues	\$ -	\$ -	\$ -	0.00%
Capital Outlay	8,710,232	10,212,767	(1,502,535)	-14.71%
Other Financing Sources	-	9,194,760	(9,194,760)	-100.00%
Change in Fund Balance	(8,710,232)	(1,018,007)	(7,692,225)	-755.62%

- Decreased in fund balance due to continued capital outlay with no additional financing sources in the current year

Financial Statement Highlights (continued)

○ Special Aid Fund

	6/30/2022	6/30/2021	\$ Change	% Change
Total Assets	\$ 383,001	\$ 536,785	\$ (153,784)	-28.65%
Total Liabilities	383,001	542,785	(159,784)	-29.44%
Fund Balance	-	(6,000)	6,000	100.00%

	6/30/2022	6/30/2021	\$ Change	% Change
Total Revenues	\$ 1,267,180	\$ 824,157	\$ 443,023	53.75%
Total Expenses	1,458,752	1,015,325	443,427	43.67%
Other Financing Sources	197,572	185,168	12,404	6.70%
Change in Fund Balance	6,000	(6,000)	12,000	200.00%

- Increase in federal funding due to American Rescue Plan grants
- Change in fund balance due to deferred CARES Act funding in the prior year

○ School Lunch Fund

	6/30/2022	6/30/2021	\$ Change	% Change
Total Assets	\$ 689,519	\$ 199,930	\$ 489,589	244.88%
Total Liabilities	38,378	79,670	(41,292)	-51.83%
Fund Balance	651,141	120,260	530,881	441.44%

	6/30/2022	6/30/2021	\$ Change	% Change
Total Revenues	\$ 1,347,155	\$ 693,133	\$ 654,022	94.36%
Total Expenses	816,274	659,437	156,837	23.78%
Change in Fund Balance	530,881	33,696	497,185	1475.50%

- Increase in federal funding in the current year due to increased rates and free lunch and breakfast for the entire District

Financial Statement Highlights (continued)

○ Debt Service Fund

	6/30/2022	6/30/2021	\$ Change	% Change
Total Assets	\$ 773,108	\$ 760,568	\$ 12,540	1.65%
Total Liabilities	-	-	-	
Fund Balance	773,108	760,568	12,540	1.65%

	6/30/2022	6/30/2021	\$ Change	% Change
Total Revenues	\$ 12,540	\$ 23,916	\$ (11,376)	-47.57%
Total Expenses	-	-	-	
Other Financing Sources	-	6,967	(6,967)	-100.00%
Change in Fund Balance	12,540	30,883	(18,343)	-59.40%

○ Other Miscellaneous Special Revenue Fund

	6/30/2022	6/30/2021	\$ Change	% Change
Total Assets	\$ 131,618	\$ 133,087	\$ (1,469)	-1.10%
Total Liabilities	330	9,387	(9,057)	-96.48%
Fund Balance	131,288	123,700	7,588	6.13%

	6/30/2022	6/30/2021	\$ Change	% Change
Total Revenues	\$ 130,232	\$ 85,019	\$ 45,213	53.18%
Total Expenses	122,644	132,605	(9,961)	-7.51%
Other Financing Sources	-	-	-	
Change in Fund Balance	7,588	(47,586)	55,174	115.95%

- Increase in the extra classroom activities in the current year due to more participation

Financial Statement Highlights (continued)

- Notes to financial statements (pages 23-50)
 - In accordance with NYS Education Department guidelines
 - Presentation consistent with prior years, with exception to:
 - Effects of implementing the prior period adjustment relating to installment purchase debt agreements
 - Note 8 – Long-term debt obligations on pages 38-39
 - Note 17 – Prior period adjustment on page 50
- Supplementary schedules (pages 51-57)
 - Presentation consistent with prior years
 - Schedules required by Governmental Accounting Standards Board and the NYS Education Department including:
 - Budget and Actual Schedule - General Fund
 - Other Post-Employment Benefits
 - Proportionate Share of Net Pension Liability and Contributions - NYSERS and NYSTRS
 - Changes from Adopted Budget to Final Budget
 - Schedule of Project Expenditures and Financing Sources - Capital Projects Fund
 - Net Investment of Capital Assets

Financial Statement Highlights (continued)

- Federal Single audit (pages 58-66)
 - An unmodified opinion on the auditor's reports
 - No instances of noncompliance or questioned costs
 - 1 program tested as a major program:
 - Summer Food Service Program
 - Current year compliance finding
 - None
 - Status of prior year compliance findings
 - None
 - Status of findings and questioned costs relating to major federal programs
 - None
- Extraclassroom Activity Funds Financial Statements
 - An unmodified opinion on the auditor's report
 - Presented on the cash basis of accounting

Findings and Recommendations/ Required Auditor Communications

- No material weaknesses or significant deficiencies in internal control were identified
- Current year recommendations
 - None
- Prior year recommendations
 - None
- Required Auditor Communications
 - Our responsibility under generally accepted auditing standards
 - All significant accounting policies disclosed
 - Management judgments and accounting estimates adequately disclosed
 - There were no:
 - Disagreements with management
 - Difficulties encountered in performing the audit
 - All accounting and auditing developments fully considered
 - No contrary judgments about the quality of the District's accounting principles
 - Two proposed audit adjustments recorded
 - No audit adjustments passed
 - Independence

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