
Elwood Union Free School District

Annual Audit Report
Fund Balance Update
October 18, 2018



Agenda

- Review External Audit year end 2018
- Annual Reserve Report
- Fund Balance Status as of 9/30/2018



External Audit Highlights

- The general fund's unassigned fund balance at year end was \$2,463,563 or 4% of the 2018-2019 approved budget.
- The general fund's total fund balance, as reflected in the fund financial statements, increased by \$757,730. This was due to an excess of revenues over expenditures and other financing sources and uses based on the modified accrual basis of accounting.



External Audit Highlights

Opening Unassigned fund balance	\$2,412,752
Revenues over budget	\$1,431,587*
Expenditures and encumbrances under budget	\$832,092**
Funding to retirement contribution reserve	(\$450,000)
Funding to capital reserve	(\$500,000)
Interest allocated to reserves	(\$12,868)
Assigned, appropriated for June 30, 2019	(\$1,250,000)
Closing unassigned fund balance	\$2,463,563

*Back aid received \$1.0m plus additional excess cost aid for 2017/18 SY

**1.37% of 2017/18 budget spent



Management Findings – Current Year

- Extraclassroom Accounts had discrepancies in both Middle School and High School.
 - Insufficient back-up for disbursements and cash receipts
 - No sales tax payment on some invoices paid
- Corrective Action Plan:
 - Training will be provided by the internal auditors to all advisors involved with collecting and disbursing money through the Extraclassroom accounts



Management Findings Prior Year

- All findings from prior year have been corrected with the exception of extra-classroom previously noted on the prior slide



Annual Reserve Status

- BOE Policy 6020 – Fund Balance and Reserve Funds requires an annual report on all reserve funds
- Throughout the course of the school year the business office continues to monitor fund balance and reserves
- Updates will be provided during the budget process



Current Reserves

Employee Benefit Accrued Liability – Established June 30, 2003; According to General Municipal Law this must be used for the payment of accrued employee benefit due an employee upon termination of the employee's services. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve should be funded at 100% of the accrued liability for unused accumulated leave time. This reserve is accounted for in the general fund under restricted fund balance and monitored by the Assistant Superintendent for Business.



Current Reserves

Retirement Contribution – Established June 30, 2012; According to General Municipal Law this must be used for financing retirement contributions. The reserve is used to pay expenses related to the Employee's Retirement System, and to smooth tax levy fluctuations that result from rate changes and cost increases associated with these expenses. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the board. The funding level for this reserve should be at least three (3) years' worth of retirement system billings. This reserve is accounted for in the general fund under restricted fund balance and monitored by the Assistant Superintendent for Business.



Current Reserves

Debt Service – Established June 30, 2015; The unexpected balances of proceeds of borrowings for capital projects, interest and earnings from investing proceeds of borrowing premiums can be recorded as amounts restricted for debt service. These restricted funds are accounted for in the debt service fund.



Current Reserves

Unemployment Insurance – According to General Municipal Law this must be used to pay the cost of reimbursement to the state Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to another reserve fund. This reserve is accounted for in the general fund under restricted fund balance.



Current Reserves

- Capital Reserve – Established May 15, 2018 by voters. Funds may only be expended with voter approval. Purpose of the reserve is to do additional work from the building condition survey the capital bond did not pick up. Funding limit is \$5m over 10 years no more than \$500k allocated each year. Funding is to come from any additional surplus beyond the 4% undesignated fund balance.



Fund Balance Year End 2018

Reserve	2018	2017	Increase/ (Decrease)	% change
Restricted for EBALR	\$1,243,742	\$1,238,529	\$5,213	0.42%
Restricted for Retirement	\$2,247,563	\$1,790,029	\$457,534	25.56%
Restricted for Capital	\$500,000	0	\$500,000	n/a
Restricted for Debt service	\$15,793	\$15,726	\$67	0.43%
Restricted for Unemployment	\$13,609	\$13,554	\$55	0.41%
Assigned Appropriated FB	\$1,250,000	\$1,475,970	\$(225,970)	-15.31%
Unassigned	\$2,463,563	\$2,412,752	\$50,811	2.11%
Total FB	\$7,788,006	\$7,030,276	\$757,730	10.78%

Fund Balance Projection Year End 2019

Reserve	2019	2018	Increase/ (Decrease)	% change
Restricted for EBALR	\$1,248,977*	\$1,243,742	\$5,235	0.42%
Restricted for Retirement	\$1,608,533*	\$2,247,563	(\$639,030)	-28.43%
Restricted for Capital	\$500,000*	\$500,000	\$0	n/a
Restricted for Debt service	\$15,858*	\$15,793	\$66	0.43%
Restricted for Unemployment	\$13,667*	\$13,609	\$57	0.41%
Assigned Appropriated FB	\$1,025,000*	\$1,250,000	\$(225,970)	-18.0%
Unassigned	\$2,503,234*	\$2,463,563	\$39,671	1.61%
Total FB	\$6,969,005*	\$7,788,006	(\$819,001)	-10.49%

*These numbers are estimated as of September 30, 2018. Projections will become more accurate through the budget cycle.

Factors to watch

- Transportation CPI created a breakeven in budget rather than a savings (this is received in June after budget is approved)
- Special education students are fluctuating
- Health Insurance rates are unknown for 2019 (preliminary information is decreased rates)
- Staffing stabilized within budget



Fiscal Goals

- Monitor the overall fund balance for positive Moody's rating
- Maximize revenue using the full allocated tax cap in future years (estimates through 2021 are an average levy increase of 2.17%)
- Continue to reduce reliance on fund balance
- Fund ERS reserve first then capital reserve with any surplus at the end of each year



