

**OTSELIC VALLEY
CENTRAL SCHOOL DISTRICT**

South Otselic, New York

EXECUTIVE SUMMARY

June 30, 2018



OTSELIC VALLEY CENTRAL SCHOOL DISTRICT

EXECUTIVE SUMMARY OF 2018 AUDIT REPORT AND FINDINGS

Basic Financial Statements

Independent Auditor's Report on Basic Financial Statements.

Description of Report and Findings

Unmodified opinion on Otselic Valley Central School District's (the School District) basic financial statements for the year ended June 30, 2018.

Independent Auditor's Report on Supplementary Financial Information.

Unmodified opinion on supplementary financial information in relation to primary audit report.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

Report on the School District's compliance with laws and regulations that may have a direct and material effect on the basic financial statements, and on the School District's internal control structure, policies and procedures based on the auditor's understanding of the internal control structure and assessment of control risk obtained as part of the audit of the basic financial statements. This report identified **no material instances of noncompliance and no material weaknesses in internal control** at the financial statement level. However, a separate letter dated September 25, 2018, which has been issued, discusses certain accounting issues and enhancements regarding financial reporting.

Communication with Those Charged with Governance at the Conclusion of the Audit.

A letter specifically addressing certain required communications to the Board of Education in accordance with professional standards - there were **no comments of concern** to be reported regarding the following:

- Qualitative Aspects of Accounting Practices
- Difficulties Encountered in Performing the Audit
- Corrected and Uncorrected Misstatements
- Disagreements with Management
- Management Representations
- Management Consultations with Other Independent Accountants
- Other Audit Findings and Issues
- Other Matters

Independent Auditor's Report on Extraclassroom Activity Funds.

Unmodified opinion on the School District's Extraclassroom Activity Funds Cash Basis financial statements for the year ended June 30, 2018.

Management Comment Letter

Letter of comments dated September 25, 2018 discusses several issues.

OTSELIC VALLEY CENTRAL SCHOOL DISTRICT

5 YEAR FINANCIAL STATEMENT ANALYSIS

	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>	<u>JUNE 30, 2016</u>	<u>JUNE 30, 2015</u>	<u>JUNE 30, 2014</u>
ASSETS					
Cash	\$ 3,786,979	\$ 4,117,155	\$ 3,622,010	\$ 3,431,957	\$ 3,027,470
Receivables	<u>821,169</u>	<u>603,609</u>	<u>627,938</u>	<u>799,533</u>	<u>853,331</u>
Total Assets	<u>\$ 4,608,148</u>	<u>\$ 4,720,764</u>	<u>\$ 4,249,948</u>	<u>\$ 4,231,490</u>	<u>\$ 3,880,801</u>
LIABILITIES					
Accounts payable and accruals	\$ 325,438	\$ 329,744	\$ 334,588	\$ 679,871	\$ 615,546
Due to retirement systems and others	<u>345,363</u>	<u>362,993</u>	<u>405,502</u>	<u>526,607</u>	<u>484,128</u>
Total Liabilities	<u>670,801</u>	<u>692,737</u>	<u>740,090</u>	<u>1,206,478</u>	<u>1,099,674</u>
FUND BALANCE					
Restricted (Reserved)	3,111,635	2,684,671	2,183,780	1,683,449	1,690,664
Assigned (Appropriated and Encumbrances)	383,714	380,000	380,400	381,681	605,645
Unassigned (Unreserved)	<u>441,998</u>	<u>963,356</u>	<u>945,678</u>	<u>959,882</u>	<u>484,818</u>
Total Fund Balances	<u>3,937,347</u>	<u>4,028,027</u>	<u>3,509,858</u>	<u>3,025,012</u>	<u>2,781,127</u>
Total Liabilities and Fund Balances	<u>\$ 4,608,148</u>	<u>\$ 4,720,764</u>	<u>\$ 4,249,948</u>	<u>\$ 4,231,490</u>	<u>\$ 3,880,801</u>
REVENUES					
Real property taxes (including STAR)	\$ 3,219,317	\$ 3,157,354	\$ 3,053,829	\$ 3,124,399	\$ 3,079,666
State aid	6,980,642	6,247,800	6,384,658	6,485,627	5,692,939
Other	<u>245,397</u>	<u>853,655</u>	<u>889,705</u>	<u>363,496</u>	<u>504,304</u>
Total Revenues	<u>\$ 10,445,356</u>	<u>\$ 10,258,809</u>	<u>\$ 10,328,192</u>	<u>\$ 9,973,522</u>	<u>\$ 9,276,909</u>
EXPENDITURES					
General support	1,869,194	1,802,100	1,904,442	1,856,337	1,702,133
Instruction	4,138,845	3,930,269	3,648,737	3,663,240	3,615,326
Transportation	556,892	592,304	637,192	465,610	521,287
Culture and recreation	2,984	2,973	2,848	1,869	2,000
Employee benefits	2,335,714	2,008,542	1,957,234	2,334,908	2,168,641
Debt service	1,205,212	1,154,246	1,032,359	1,232,673	938,565
Interfund transfers and other	<u>427,195</u>	<u>250,206</u>	<u>660,534</u>	<u>175,000</u>	<u>185,482</u>
Total Expenditures	<u>\$ 10,536,036</u>	<u>\$ 9,740,640</u>	<u>\$ 9,843,346</u>	<u>\$ 9,729,637</u>	<u>\$ 9,133,434</u>
(Deficit) Excess of Revenues	<u>(90,680)</u>	<u>518,169</u>	<u>484,846</u>	<u>243,885</u>	<u>143,475</u>
Capital Outlay	<u>\$ 309,477</u>	<u>\$ 475,850</u>	<u>\$ 637,901</u>	<u>\$ 1,136,796</u>	<u>\$ 10,529,237</u>
Special Aid Revenues/Expenditures	<u>\$ 519,901</u>	<u>\$ 607,165</u>	<u>\$ 471,970</u>	<u>\$ 513,725</u>	<u>\$ 297,457</u>
School Lunch: Revenues and transfers	<u>\$ 309,254</u>	<u>\$ 271,644</u>	<u>\$ 283,768</u>	<u>\$ 277,461</u>	<u>\$ 273,790</u>
School Lunch: Expenditures	<u>\$ 316,522</u>	<u>\$ 272,273</u>	<u>\$ 273,832</u>	<u>\$ 273,846</u>	<u>\$ 274,299</u>

Note: Abstracted from audited financials - See audit reports for complete information

OTSELIC VALLEY CENTRAL SCHOOL DISTRICT

5 YEAR GENERAL FUND BALANCE ANALYSIS

	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>	<u>JUNE 30, 2016</u>	<u>JUNE 30, 2015</u>	<u>JUNE 30, 2014</u>
Fund Balance					
Restricted					
Retirement contribution reserve	\$ 686,496	\$ 685,788	\$ 685,267	\$ 685,097	\$ 684,704
Tax certiorari reserve	56,440	56,382	56,339	56,326	56,294
Unemployment insurance reserve	121,073	121,071	121,071	121,047	121,018
Liability reserve	253,634	253,372	253,180	253,118	252,973
Employee benefit accrued liability reserve	177,440	177,257	177,122	177,078	184,908
Insurance reseruve	390,801	390,801	390,801	390,783	390,767
Capital reserve	1,425,751	1,000,000	500,000		
Total	<u>3,111,635</u>	<u>2,684,671</u>	<u>2,183,780</u>	<u>1,683,449</u>	<u>1,690,664</u>
Assigned					
Appropriated for next year's budget	380,000	380,000	380,000	380,000	380,000
Encumbrances	3,714		400	1,681	225,645
Total	<u>383,714</u>	<u>380,000</u>	<u>380,400</u>	<u>381,681</u>	<u>605,645</u>
Unassigned	<u>441,998</u>	<u>963,356</u>	<u>945,678</u>	<u>959,882</u>	<u>484,818</u>
Total Fund Balance	<u>\$ 3,937,347</u>	<u>\$ 4,028,027</u>	<u>\$ 3,509,858</u>	<u>\$ 3,025,012</u>	<u>\$ 2,781,127</u>
Unassigned as a percentage of total fund balance	11.23%	23.92%	26.94%	31.73%	17.43%
Total Expenditures	<u>\$ 10,536,036</u>	<u>\$ 9,740,640</u>	<u>\$ 9,843,346</u>	<u>\$ 9,729,637</u>	<u>\$ 9,133,434</u>
Unassigned as a percentage of total expenditures	4.20%	9.89%	9.61%	9.87%	5.31%
Next year's budget is a voter approved budget	11,166,271	10,908,695	10,542,827	10,199,694	10,446,672
Maxumum allowed (4% of budget)	446,651	436,348	421,713	407,988	417,867
General Fund Fund Balance Subject to §1318 of Real Property Law	441,998	963,356	945,678	959,882	484,818
Actual percentage	3.96%	8.83%	8.97%	9.41%	4.64%

Note: Abstracted from audited financials - See audit reports for complete information

OTSELIC VALLEY CENTRAL SCHOOL DISTRICT

5 YEAR GENERAL FUND BUDGET ANALYSIS

	2018			
	Original Budget	Revised Budget	Actual w/ Encumbrances	Variance Fav. (Unfav.)
REVENUES				
Real property taxes	\$ 2,782,792	\$ 2,782,792	\$ 2,790,120	\$ 7,328
Other tax items	427,131	427,131	429,197	2,066
State sources	6,897,772	6,897,772	6,980,642	82,870
Other, including financing sources	421,000	421,000	245,397	(175,603)
Total Revenues and Other Financing Sources	10,528,695	10,528,695	\$ 10,445,356	\$ (83,339)
Appropriated Fund Balances and Encumbrances	380,000	673,983		
Total	\$ 10,908,695	\$ 11,202,678		
EXPENDITURES				
General support	1,959,781	2,078,335	1,869,834	208,501
Instruction	4,131,793	4,243,342	4,140,625	102,717
Pupil transportation	630,573	655,321	558,186	97,135
Culture and recreation	6,200	6,200	2,984	3,216
Employee benefits	2,812,200	2,501,386	2,335,714	165,672
Debt service	1,208,148	1,206,110	1,205,212	898
Other financing uses	160,000	511,984	427,195	84,789
Total Expenditures and Other Financing Uses	\$ 10,908,695	\$ 11,202,678	\$ 10,539,750	\$ 662,928
2017				
REVENUES				
Real property taxes	\$ 2,711,128	\$ 2,711,128	\$ 2,723,142	\$ 12,014
Other tax items	439,500	439,500	434,212	(5,288)
State sources	6,412,253	6,412,253	6,247,800	(164,453)
Federal sources	150,000	150,000	164,835	14,835
Other, including financing sources	449,946	449,946	688,820	238,874
Total Revenues and Other Financing Sources	10,162,827	10,162,827	\$ 10,258,809	\$ 95,982
Appropriated Fund Balances and Encumbrances	380,400	380,400		
Total	\$ 10,543,227	\$ 10,543,227		
EXPENDITURES				
General support	\$ 2,069,100	\$ 2,069,917	\$ 1,802,100	\$ 267,817
Instruction	3,867,844	4,207,382	3,930,269	277,113
Pupil transportation	500,100	690,267	592,304	97,963
Culture and recreation	5,200	5,200	2,973	2,227
Employee benefits	2,640,200	2,113,936	2,008,542	105,394
Debt service	1,209,630	1,205,372	1,154,246	51,126
Other financing uses	251,153	251,153	250,206	947
Total Expenditures and Other Financing Uses	\$ 10,543,227	\$ 10,543,227	\$ 9,740,640	\$ 802,587

Note: Abstracted from audited financials - See audit reports for complete information

OTSELIC VALLEY CENTRAL SCHOOL DISTRICT

5 YEAR GENERAL FUND BUDGET ANALYSIS

	2016			
	Original Budget	Revised Budget	Actual w/ Encumbrances	Variance Fav. (Unfav.)
REVENUES				
Real property taxes	\$ 3,147,128	\$ 3,147,128	\$ 2,607,802	\$ (539,326)
Other tax items	7,000	7,000	446,027	439,027
State sources	6,390,083	6,390,083	6,384,658	(5,425)
Federal sources	149,037	149,037	166,898	17,861
Other, including financing sources	126,446	126,446	722,807	596,361
Total Revenues and Other Financing Sources	9,819,694	9,819,694	\$ 10,328,192	\$ 508,498
Appropriated Fund Balances and Encumbrances	381,681	381,681		
Total	\$ 10,201,375	\$ 10,201,375		
EXPENDITURES				
General support	\$ 1,786,050	\$ 2,019,224	\$ 1,904,842	\$ 114,382
Instruction	4,105,930	3,849,182	3,648,737	200,445
Pupil transportation	490,825	654,425	637,192	17,233
Culture and recreation	2,000	4,048	2,848	1,200
Community services	950	950		950
Employee benefits	2,491,750	1,980,653	1,957,234	23,419
Debt service	1,248,870	1,032,359	1,032,359	
Other financing uses	75,000	660,534	660,534	
Total Expenditures and Other Financing Uses	\$ 10,201,375	\$ 10,201,375	\$ 9,843,746	\$ 357,629
2015				
REVENUES				
Real property taxes	\$ 3,114,734	\$ 3,114,734	\$ 2,672,647	\$ (442,087)
Other tax items	7,000	7,000	451,752	444,752
State sources	6,620,816	6,620,816	6,485,627	(135,189)
Federal sources	155,849	155,849	171,741	15,892
Other, including financing sources	168,273	168,273	191,755	23,482
Total Revenues and Other Financing Sources	10,066,672	10,066,672	\$ 9,973,522	\$ (93,150)
Appropriated Fund Balances and Encumbrances	605,645	605,645		
Total	\$ 10,672,317	\$ 10,672,317		
EXPENDITURES				
General support	1,934,017	1,969,148	1,856,487	112,661
Instruction	4,129,902	4,038,002	3,664,446	373,556
Pupil transportation	630,093	616,014	465,935	150,079
Culture and recreation	2,000	2,000	1,869	131
Community services	1,370	1,370		1,370
Employee benefits	2,621,790	2,592,638	2,334,908	257,730
Debt service	1,278,145	1,278,145	1,232,673	45,472
Other financing uses	75,000	175,000	175,000	
Total Expenditures and Other Financing Uses	\$ 10,672,317	\$ 10,672,317	\$ 9,731,318	\$ 940,999

Note: Abstracted from audited financials - See audit reports for complete information

OTSELIC VALLEY CENTRAL SCHOOL DISTRICT

5 YEAR GENERAL FUND BUDGET ANALYSIS

	2014			
	Original Budget	Revised Budget	Actual w/ Encumbrances	Variance Fav. (Unfav.)
REVENUES				
Real property taxes	\$ 3,068,703	\$ 3,068,703	\$ 2,616,715	\$ (451,988)
Other tax items	7,000	7,000	462,951	455,951
State sources	5,622,532	5,622,532	5,692,939	70,407
Federal sources			211,195	211,195
Other, including financing sources	260,765	260,765	293,109	32,344
Total Revenues and Other Financing Sources	8,959,000	8,959,000	\$ 9,276,909	\$ 317,909
Appropriated Fund Balances and Encumbrances	573,980	573,980		
Total	\$ 9,532,980	\$ 9,532,980		
EXPENDITURES				
General support	\$ 1,689,971	\$ 1,763,528	\$ 1,744,320	\$ 19,208
Instruction	4,056,057	3,784,518	3,666,560	117,958
Pupil transportation	656,362	672,318	653,511	18,807
Culture and recreation	2,000	3,000	2,000	1,000
Community services	1,325	1,325		1,325
Employee benefits	2,744,370	2,184,240	2,168,641	15,599
Debt service	307,895	938,569	938,565	4
Other financing uses	75,000	185,482	185,482	
Total Expenditures and Other Financing Uses	\$ 9,532,980	\$ 9,532,980	\$ 9,359,079	\$ 173,901

Note: Abstracted from audited financials - See audit reports for complete information

OTSELIC VALLEY CENTRAL SCHOOL DISTRICT

EXECUTIVE SUMMARY OF 2018 AUDIT

AUDIT FOCUS - REPORTING OBJECTIVES

1) Basic Financial Statements

- *Management's Discussion and Analysis
- *District-wide Financial Statements
 - *Statement of Net Position
 - *Statement of Activities
- *Governmental Fund Financial Statements
- *Notes to Financial Statements
- *Supplemental Financial Information

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

2) Extraclassroom Activity Funds of the School District Independent Auditor's Report

AUDIT APPROACH

- *Preliminary Planning
- *Consideration of Internal Control Over Financial Reporting
- *Tests of Controls
- *Tests of Compliance with Laws and Regulations
- *Substantive Testing of Financial Information (Includes Analytical Review)
- *Consideration of Internal Control Over Compliance Requirements

UNDERSTANDING THE SCHOOL DISTRICT'S OPERATIONS

- *Services Provided
- *Assessment of Accounting and Reporting System
- *Nature of Activities
- *Special Reporting Requirements
- *Nature of Compliance Requirements
- *Assessment of Management

FACTORS AFFECTING THE SCOPE OF THE AUDIT

- *Effectiveness of Overall Financial Controls
- *Qualifications of Key Personnel
- *Appropriate Segregation of Duties
- *Ability to Demonstrate Compliance with Laws and Regulations
- *Effectiveness of Budget Process Administration
- *Accuracy and Comprehensiveness of Internal Reporting
- *Existence of Adequate Policies and Procedures
- *Ability to Issue Timely and Accurate Financial Reports