



Ephrata Area School District

June 30, 2020 Audit

- Introduction
- Review of Auditor's Report for the year ended June 30, 2020
- 2020 Financial Highlights
- Federal Awards (Single Audit)
- Required Communications

This presentation is intended solely for the information and use of management and the board of directors of Ephrata Area School District and is not intended to be and should not be used by anyone other than these specified parties.

- Our audit is conducted under the following standards:
 - Generally Accepted Auditing Standards
 - Government Auditing Standards
 - Uniform Grant Guidance
- Our responsibility is to:
 - Opine on whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles.
 - Opine on the District's compliance with direct and material compliance requirements related to the major federal programs selected for testing.

- Generally Accepted Auditing Standards - Unmodified Opinion
- Uniform Grant Guidance - Unmodified Opinion
- An *unmodified opinion* is a clean audit opinion from an independent auditor
- No significant deficiencies or material weaknesses in internal controls over compliance reported

General Fund Budget to Actual

	BUDGET		ACTUAL	VARIANCE
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Local sources	\$ 48,657,504	\$ 48,657,504	\$ 48,205,343	\$ (452,161)
State sources	20,836,050	20,836,050	21,600,991	764,941
Federal sources	1,118,379	1,118,379	1,215,655	97,276
TOTAL REVENUES	70,611,933	70,611,933	71,021,989	410,056
EXPENDITURES				
Instructional services	40,126,339	40,119,101	40,293,798	(174,697)
Support services	22,144,197	22,143,997	21,517,863	626,134
Operation of noninstructional services	1,585,260	1,592,698	1,538,082	54,616
Debt service	6,765,646	6,765,646	6,765,645	1
Refund of prior year revenue	-	-	6	(6)
TOTAL EXPENDITURES	70,621,442	70,621,442	70,115,394	506,048
EXCESS OF REVENUES OVER EXPENDITURES	(9,509)	(9,509)	906,595	916,104
OTHER FINANCING SOURCES (USES)				
Insurance Recoveries	-	-	26,995	26,995
TOTAL OTHER FINANCING SOURCES (USES)	-	-	26,995	26,995
NET CHANGE IN FUND BALANCE	\$ (9,509)	\$ (9,509)	933,590	\$ 943,099
FUND BALANCE - BEGINNING OF YEAR			17,179,214	
FUND BALANCE - END OF YEAR			\$ 18,112,804	

The District budgeted \$9,509 use of fund balance for the 2019/20 year.

The actual surplus in the general fund was \$933,590, driven by both revenues exceeding budget and budget savings in expenditures.

General Fund - Revenue

REVENUES	BUDGET		ACTUAL (GAAP Basis)	VARIANCE Final to Actual
	Original	Final		
Local sources	\$ 48,657,504	\$ 48,657,504	\$ 48,205,343	\$ (452,161)
State sources	20,836,050	20,836,050	21,600,991	764,941
Federal sources	1,118,379	1,118,379	1,215,655	97,276
TOTAL REVENUES	\$ 70,611,933	\$ 70,611,933	\$ 71,021,989	\$ 410,056

Total revenue was 0.6% over budget, mostly due to variances in the following categories:

- Budget shortfalls in:
 - Interest on investments
 - Basic Education subsidy (State)
- Revenues over budget in the following State revenues:
 - Non-Public Transportation subsidy
 - Ready to Learn grant
 - Retirement subsidy
- Revenues over budget in the following Federal revenues:
 - CARES Act - Health & Safety grant (PCCD)
 - Medical Access

General Fund - Expenditures

	Final Budget	ACTUAL (GAAP Basis)	VARIANCE Final to Actual
INSTRUCTIONAL SERVICES:			
Regular programs - elementary/secondary	\$ 28,719,957	\$ 28,027,000	\$ 692,957
Special programs - elementary/secondary	10,118,477	10,834,058	(715,581)
Vocational education programs	958,000	1,127,162	(169,162)
Other instructional programs - elementary/secondary	236,338	230,152	6,186
Nonpublic school programs	33,056	31,074	1,982
Pre-Kindergarten	53,273	44,352	8,921
TOTAL INSTRUCTIONAL SERVICES	40,119,101	40,293,798	(174,697)
SUPPORT SERVICES:			
Students	3,464,798	3,400,110	64,688
Instructional staff	2,475,071	2,306,737	168,334
Administration	3,725,354	3,453,071	272,283
Pupil health	570,000	601,272	(31,272)
Business	949,591	928,432	21,159
Operation and maintenance of plant	5,880,239	5,673,342	206,897
Student transportation	2,632,966	2,428,005	204,961
Central	2,413,978	2,696,458	(282,480)
Other	32,000	30,436	1,564
TOTAL SUPPORT SERVICES	22,143,997	21,517,863	626,134
OPERATION OF NONINSTRUCTIONAL SERVICES:			
Student activities	1,567,660	1,517,050	50,610
Community services	25,038	21,032	4,006
TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES	1,592,698	1,538,082	54,616
DEBT SERVICE PAYMENTS	6,765,646	6,765,645	1
REFUND OF PRIOR YEAR REVENUES	-	6	(6)
TOTAL EXPENDITURES	\$ 70,621,442	\$ 70,115,394	\$ 506,048

Total expenditures were 0.7% under budget, consisting of:

- Overspending in instructional services, mainly related to special education tuition and IU services and higher LCCTC costs due to timing of invoices, offset by savings in support services, mainly related to contracted transportation costs, benefits, professional services, and supplies.

General Fund - Balance Sheet

ASSETS	
Cash and investments	\$ 23,399,019
Taxes receivable	892,097
Intergovernmental receivables	2,685,385
Other receivables	47,843
Prepaid expenditures	40,243
TOTAL ASSETS	27,064,587
LIABILITIES	
Interfund payable	234,330
Accounts payable	1,155,066
Current portion of compensated absences	528,523
Accrued salaries and benefits	2,973,572
Payroll deductions and withholdings	3,374,775
Unearned revenues	19,219
TOTAL LIABILITIES	8,285,485
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property and per capita taxes	666,298
TOTAL DEFERRED INFLOWS OF RESOURCES	666,298
FUND BALANCES	
Nonspendable	40,243
Committed	11,450,000
Assigned	1,636,211
Unassigned	4,986,350
TOTAL FUND BALANCES	\$ 18,112,804

The assigned fund balance at year-end consists of the budgeted deficit for the 20/21 year.

The committed fund balance is for retirement rate increases, healthcare costs, and other postemployment benefit costs.

The unassigned fund balance at June 30, 2020 is just under 6.9% of budgeted expenditures for the 20/21 year. This is within the threshold outlined in the District's fund balance policy.

Capital Projects Fund

REVENUES		
Local sources		\$ 203,056
	TOTAL REVENUES	203,056
EXPENDITURES		
Support services		19,816
Capital Outlay		1,652,710
	TOTAL EXPENDITURES	1,672,526
	NET CHANGE IN FUND BALANCES	(1,469,470)
FUND BALANCE - BEGINNING OF YEAR		17,517,953
	FUND BALANCE - END OF YEAR	\$ 16,048,483

Revenue is mostly interest income.

Current year significant capital projects expenditures include the MS media center, HS music suite & HVAC renovation project, sidewalk replacement, chiller replacement, and roof at Akron Elementary.

The ending fund balance is restricted and consists of all transfers from general fund surplus.

Food Service Fund

	2020	2019
OPERATING REVENUES		
Food service revenue	\$ 579,636	\$ 808,737
TOTAL OPERATING REVENUES	579,636	808,737
OPERATING EXPENSES		
Salaries	827,768	781,426
Employee benefits	494,518	439,264
Pension and OPEB valuation adjustments	37,655	13,638
Other purchased services	13,680	13,949
Supplies	782,716	831,070
Depreciation	51,538	58,947
Other expenses	25,489	15,587
TOTAL OPERATING EXPENSES	2,233,364	2,153,881
OPERATING LOSS	(1,653,728)	(1,345,144)
NONOPERATING REVENUES		
Earnings on investments	12,317	13,767
State sources	227,047	223,765
Federal sources	1,284,720	1,187,455
TOTAL NONOPERATING REVENUES	1,524,084	1,424,987
CHANGE IN NET POSITION	(129,644)	79,843
Add back pension and OPEB adjustment	37,655	13,638
Add back depreciation	51,538	58,947
CHANGE IN NET POSITION BEFORE PENSION AND OPEB ADJUSTMENT AND DEPRECIATION	\$ (40,451)	\$ 152,428

The food service fund had a deficit for the year ended June 30, 2020, both before and after the GASB pension and OPEB adjustments.

The decrease in food service revenue (and shift to nonoperating revenues-federal sources) is due to the COVID-19 pandemic.

There will be an even greater shift from food service revenue to federal sources in fiscal year 2020/21 with the continuation of the Seamless Summer Option (SSO) program.

Food Service Fund

CURRENT ASSETS	
Cash and investments	\$ 560,690
Interfund receivables	234,412
Other receivables	329
Inventories	128,247
TOTAL CURRENT ASSETS	923,678
NONCURRENT ASSETS	
Furniture and equipment, net	266,970
TOTAL ASSETS	1,190,648
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources for pension	372,926
Deferred outflows of resources for other postemployment benefits	14,470
TOTAL DEFERRED OUTFLOWS OF RESOURCES	387,396
CURRENT LIABILITIES	
Current portion of compensated absences	9,177
Accrued salaries and benefits	10,920
Unearned revenues	69,402
TOTAL CURRENT LIABILITIES	89,499
NONCURRENT LIABILITIES	
Long-term portion of compensated absences	12,825
Net pension liability	2,524,845
Net other postemployment benefit liabilities	113,933
TOTAL NONCURRENT LIABILITIES	2,651,603
TOTAL LIABILITIES	2,741,102
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources for pension	70,652
Deferred inflows of resources for other postemployment benefits	4,301
TOTAL DEFERRED INFLOWS OF RESOURCES	74,953
NET POSITION	
Investment in capital assets	266,970
Unrestricted (deficit)	(1,504,981)
TOTAL NET POSITION (DEFICIT)	\$ (1,238,011)

The deficit is driven by the net pension and OPEB liabilities allocated to the fund. Without these liabilities, the District has a positive net position of \$1,400,767, which is about 7 months of operating expenses.

Fiduciary Funds

	Private Purpose Trust Fund (Scholarships)	Agency Fund (Student Activities)
ASSETS		
CURRENT ASSETS		
Cash and investments	\$ 33,451	\$ 142,190
Other accounts receivable	-	3,526
TOTAL ASSETS	33,451	\$ 145,716
LIABILITIES		
CURRENT LIABILITIES		
Interfund payables	-	\$ 82
Other current liabilities	-	145,634
TOTAL LIABILITIES	-	\$ 145,716
NET POSITION HELD IN TRUST	\$ 33,451	

	Private Purpose Trust Funds (Scholarships)
ADDITIONS	
Contributions	\$ 6,069
DEDUCTIONS	
Scholarships	5,184
CHANGE IN NET POSITION	885
NET POSITION - BEGINNING OF YEAR	32,566
NET POSITION - END OF YEAR	\$ 33,451

Key Footnotes

- Note 1 - Summary of Significant Accounting Policies
- Note 7 - Capital Assets
- Note 8 - Long-Term Liabilities
- Note 9 - Employee Retirement Plans
- Note 10 - Other Postemployment Benefit Plans
- Note 16 - Lincoln Benefit Trust

Grant Name	June 30, 2020
Title I	\$ 793,707
Supporting Effective Instruction State Grant	143,111
Student Support & Academic Enrichment	61,502
English Language Acquisition State Grants	8,460
Special Education Cluster (IDEA)	889,613
CARES - Health & Safety Grant	53,444
Medicaid Cluster	7,255
Child Nutrition Cluster	1,284,720
Total Federal Awards	\$ 3,241,812

Special Education Cluster (IDEA) was tested in the current year.
There were no deviations noted in our testing.

Schedule of Findings and Questioned Costs

EPHRATA AREA SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued: Unmodified

Internal Control Over Financial Reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified not considered to be material weaknesses? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal Control Over Major Programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified not considered to be material weaknesses? yes X none reported

Type of Auditor's Report Issued on Compliance for Major Programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the 2 CFR, Section 200.516(a)? yes X no

Identification of Major Program(s):

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027	<u>Special Education Cluster</u>
84.173	Special Education - Grants to States Special Education - Preschool Grants

Dollar Threshold used to distinguish between Type A and Type B Programs: \$750,000

Auditee qualified as low-risk auditee? X yes no

The District received unmodified opinions on the financial statements and the major federal program tested - Special Education Cluster (IDEA).

There were no deficiencies in controls noted within our testing over financial reporting and major federal program.

- No difficulties in performing the audit
- Minimal journal entries to assist with GASB Statements No. 68 & 75
- Most sensitive estimates
 - Pension Liability (performed by third party)
 - OPEB Liabilities (performed by third parties)
- No other reportable matters

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