



INDEPENDENT SCHOOL DISTRICT NO. 152

Executive Summary - June 30, 2019



CPAs & BUSINESS ADVISORS



AUDIT RESULTS

AUDIT OPINION

- The District received a “clean” audit opinion
 - Unmodified opinion – financial statements are prepared using accounting principles generally accepted in the U.S. (GAAP)
 - Financial statements do not contain material misstatements and are fairly presented
- Opinion is merely the auditor’s professional opinion, based on audit work, on whether the financial statements were prepared in accordance with GAAP, free from material misstatement, and fairly presented



AUDIT OF FEDERAL FUNDS

- All entities with federal award expenditures of \$750,000+ in a year are required to obtain an annual audit
- Single audit – considers compliance with rules and regulation of applicable federal awards
- The District received an unmodified opinion on compliance for the major federal awards programs report



During 2019, the District expended approximately \$5,680,000 in Federal awards.



AUDIT FINDINGS

FINDINGS

Financial Statements:

1. Preparation of Financial Statements
2. Significant Journal Entries
3. Segregation of Duties
4. Failure to Maintain I-9's

Student Activities:

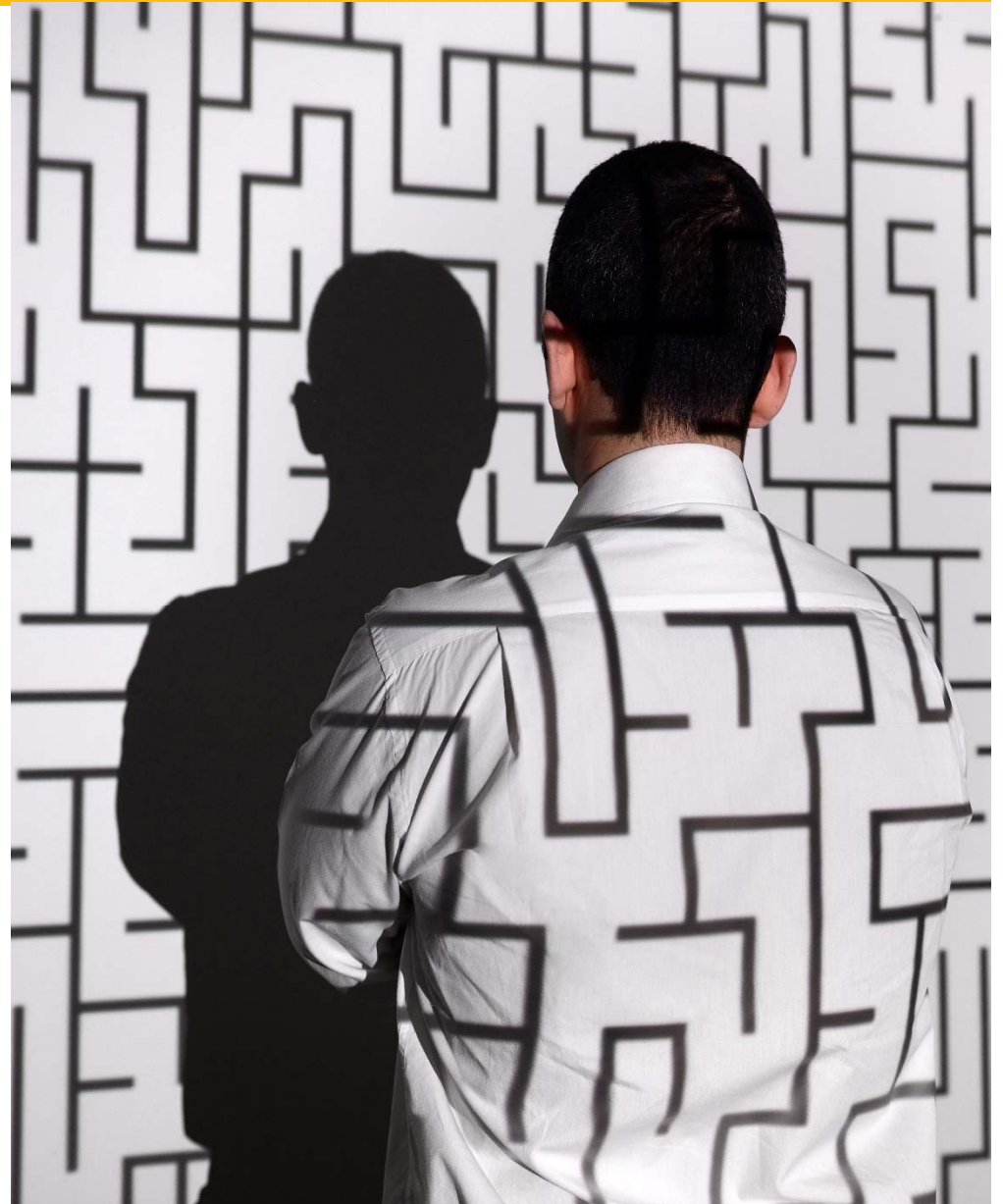
1. Improper Use of Student Activity Funds
2. Failure to Have Proper Signature on Requisition Form for Student Activity Check Requests
3. Inactive Student Activity Account

Federal Awards:

1. None

Minnesota Legal Compliance:

1. None



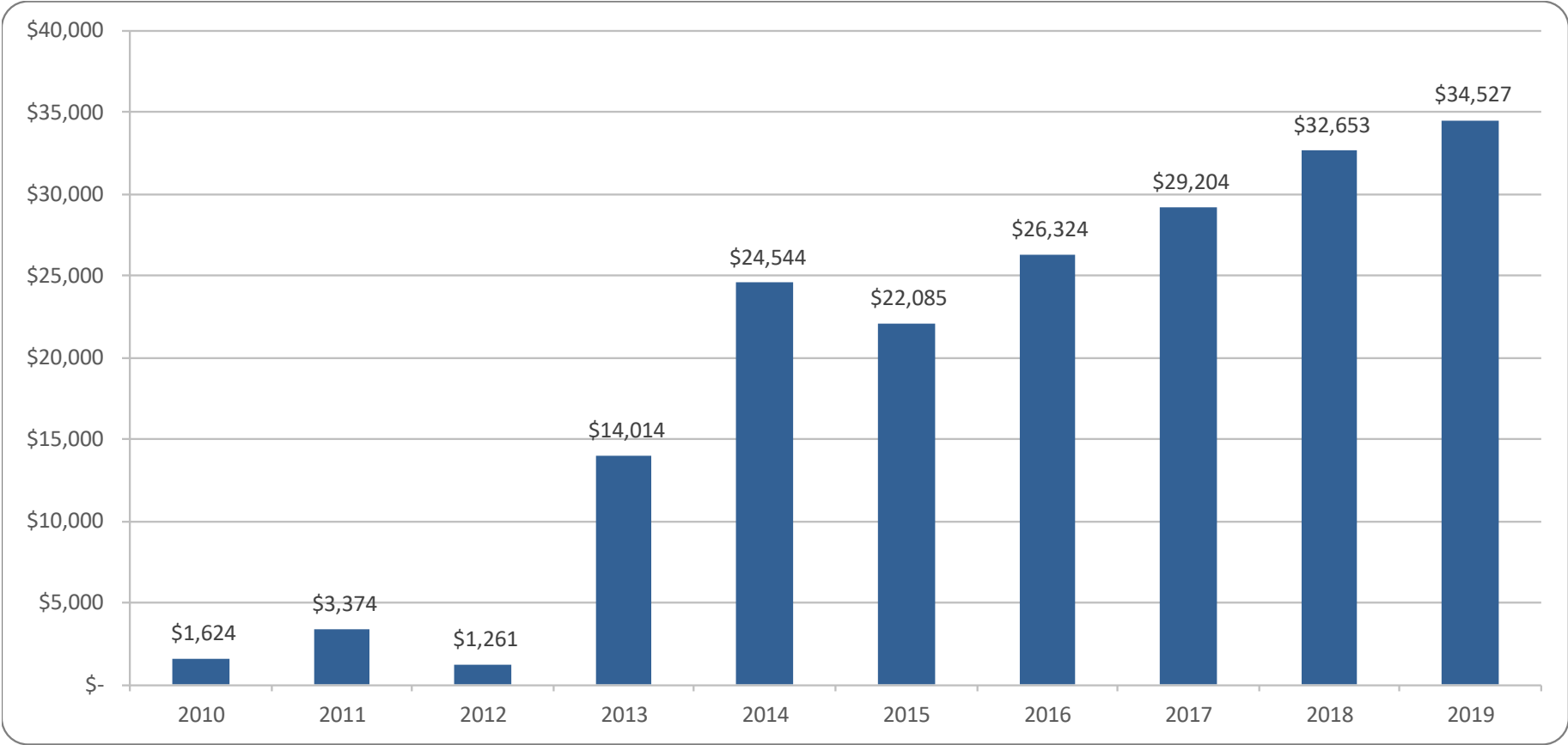


CASH AND INVESTMENTS

CASH/INVESTMENTS

Most significantly affected by the state aid payments structure.

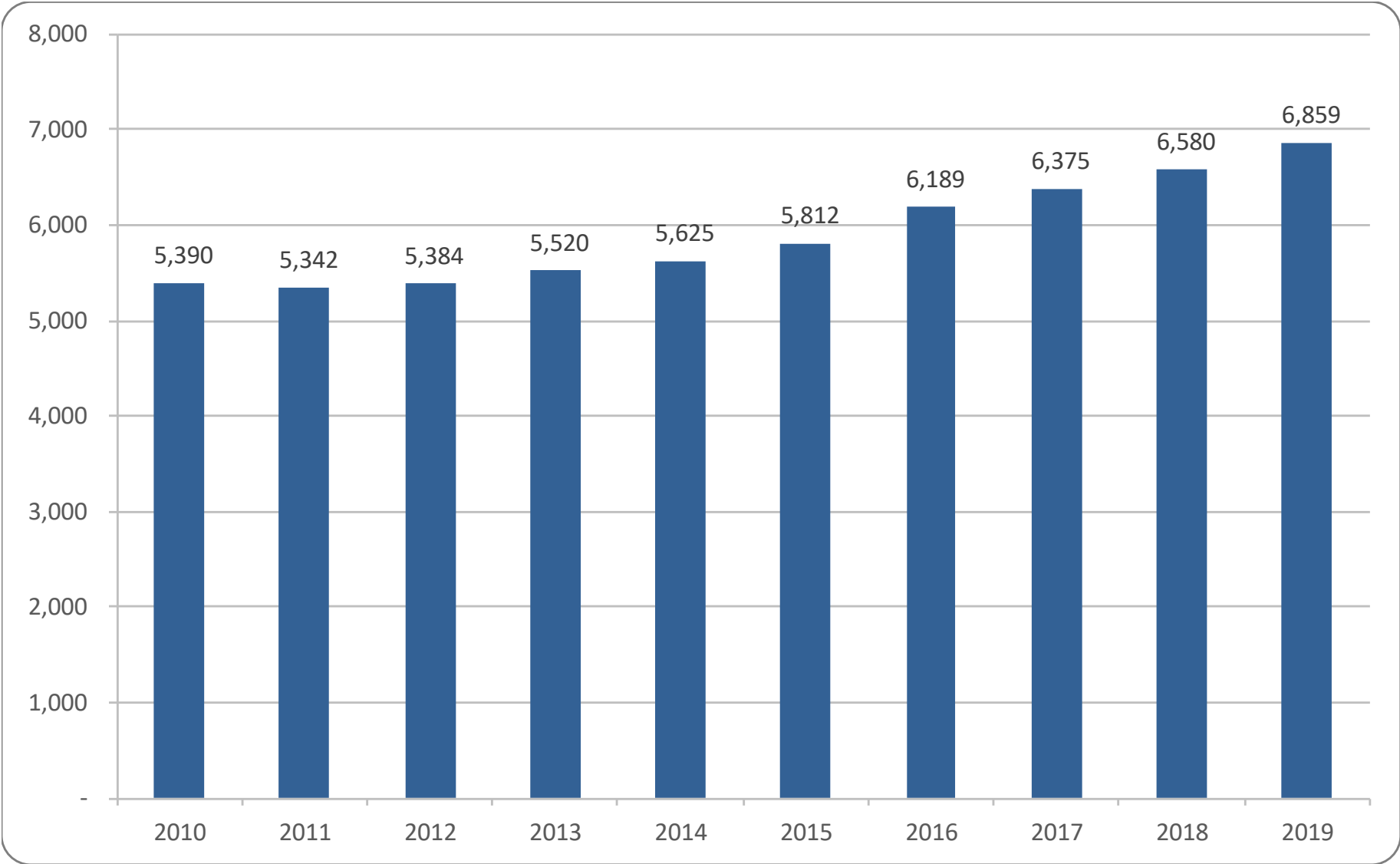
Balances (in thousands) of the District for the past ten years:





GENERAL FUND

ADM SERVED

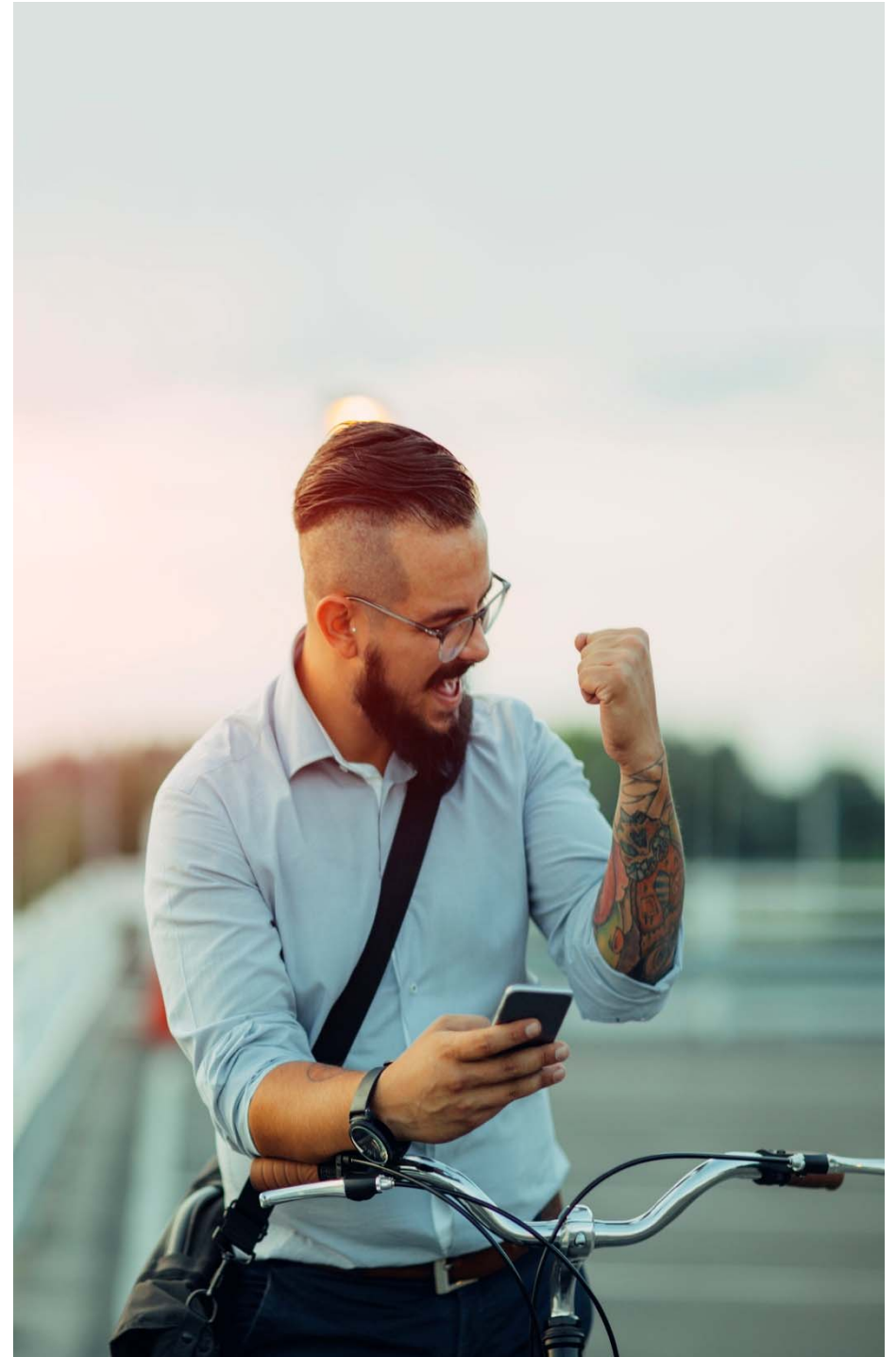


BUDGET TO ACTUAL

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
State sources	\$ 69,894,549	\$ 69,109,315	\$ 73,581,030	\$ 4,471,715
Local levies	9,207,721	8,994,338	9,541,340	547,002
Federal sources	2,929,535	3,100,402	3,410,644	310,242
Other	2,065,345	2,385,968	2,707,995	322,027
	<u>84,097,150</u>	<u>83,590,023</u>	<u>89,241,009</u>	<u>5,650,986</u>
				6.8%
				Positive
Expenditures				
Regular instruction	37,376,661	37,224,316	38,384,440	(1,160,124)
Administration and district support services	5,484,880	5,603,100	5,436,034	167,066
Special education instruction	18,935,970	20,942,850	20,182,734	760,116
Instructional and pupil support services	11,240,000	12,026,857	11,743,088	283,769
Sites and buildings	11,747,197	10,165,977	10,767,960	(601,983)
Other	832,325	665,782	897,912	(232,130)
	<u>85,617,033</u>	<u>86,628,882</u>	<u>87,412,168</u>	<u>(783,286)</u>
				-0.9%
				Negative
Net Change in Fund Balance	<u>\$ (1,519,883)</u>	<u>\$ (3,038,859)</u>	1,911,489	<u>\$ 4,950,348</u>
Fund Balance, Beginning of Year			<u>20,471,121</u>	
Fund Balance, End of Year			<u>\$ 22,382,610</u>	

A POSITIVE FUND BALANCE:

- 1** Contributes to a favorable bond rating
- 2** Produces investment income and provides a source of working capital to meet cash flow needs
- 3** Offers a cushion for unexpected expenditures or revenue shortfalls



CHANGES IN FUND BALANCES

Fund Balance: cumulative difference between fund assets and fund liabilities

	Fund Balance Beginning of Year	Net Change in Fund Balance	Fund Balance End of Year
Nonspendable	97,686	\$ 603,874	701,560
Restricted for safe schools	183,599	(2,591)	181,008
Restricted for staff development	76,603	82,545	159,148
Restricted for long-term facilities maintenance	647,381	1,621,635	2,269,016
Committed for severance obligation	1,200,000	-	1,200,000
Assigned for health insurance and affordable care act	500,000	-	500,000
Assigned for capital projects	3,000,000	(500,000)	2,500,000
Unassigned	14,765,852	106,026	14,871,878
	<u>\$ 20,471,121</u>	<u>\$ 1,911,489</u>	<u>\$ 22,382,610</u>

FUND BALANCE CATEGORIES

Nonspendable

Represents amounts that cannot be spent

Not in spendable form

Inventory, prepaid expenses

Restricted

Legally restricted by outside parties

Cannot be appropriated for other spending

Committed

Intended for a specific activity

Imposed by formal action of the school board but is not legally restricted

Assigned

Intended for a specific activity by school board or designated individuals

Not legally restricted

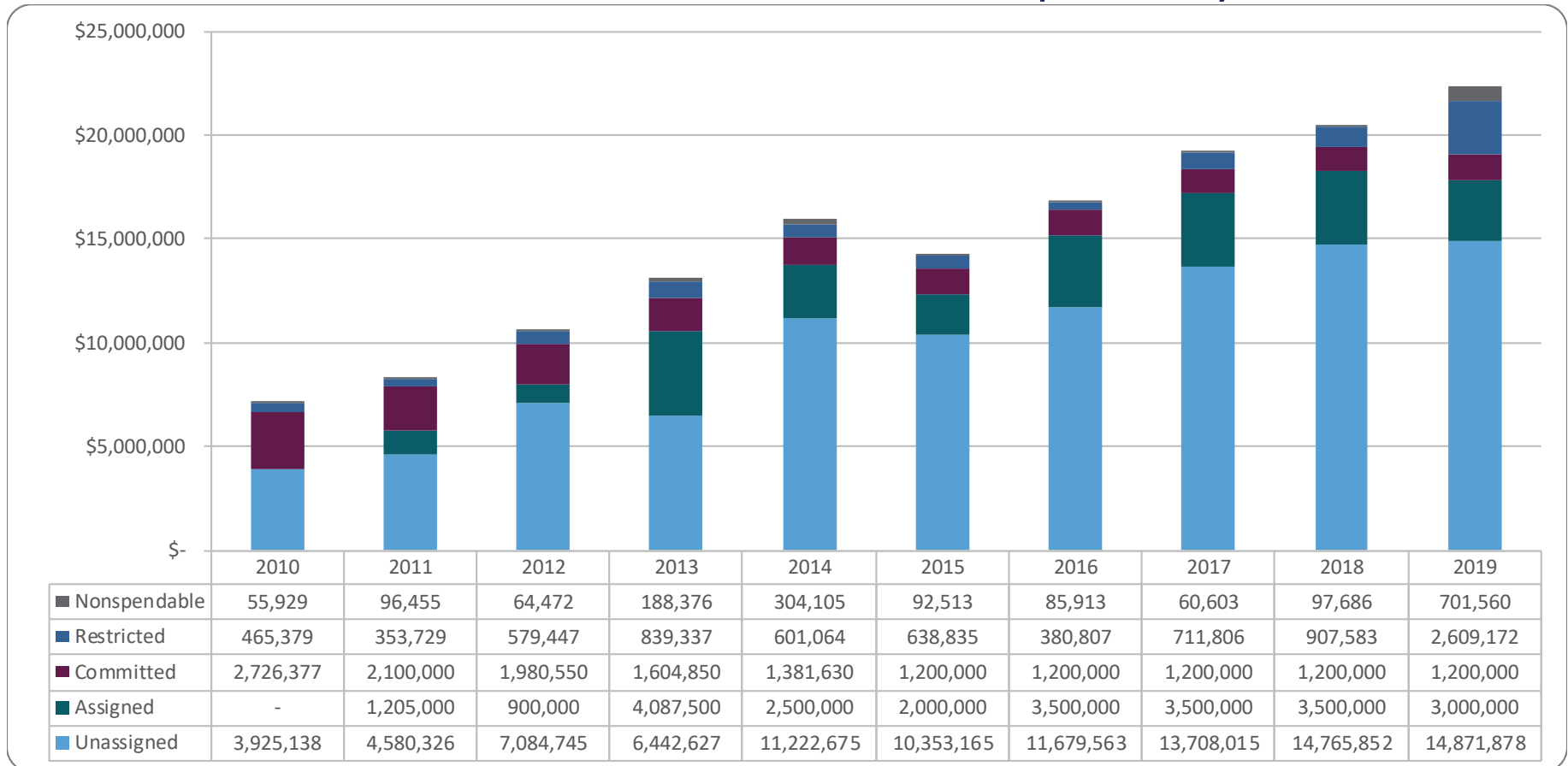
Unassigned

Reserves

“Rainy day” fund

TOTAL FUND BALANCES

Total fund balances of the General Fund for the past 10 years:



Due to the implementation of GASB 54 during 2011, fund balances for 2010 may not be fully comparable to other years.

RECOMMENDATIONS REGARDING FUND BALANCES

State of Minnesota Office of the State Auditor (OSA): at year-end, local governments maintain an unrestricted fund balance in their general fund

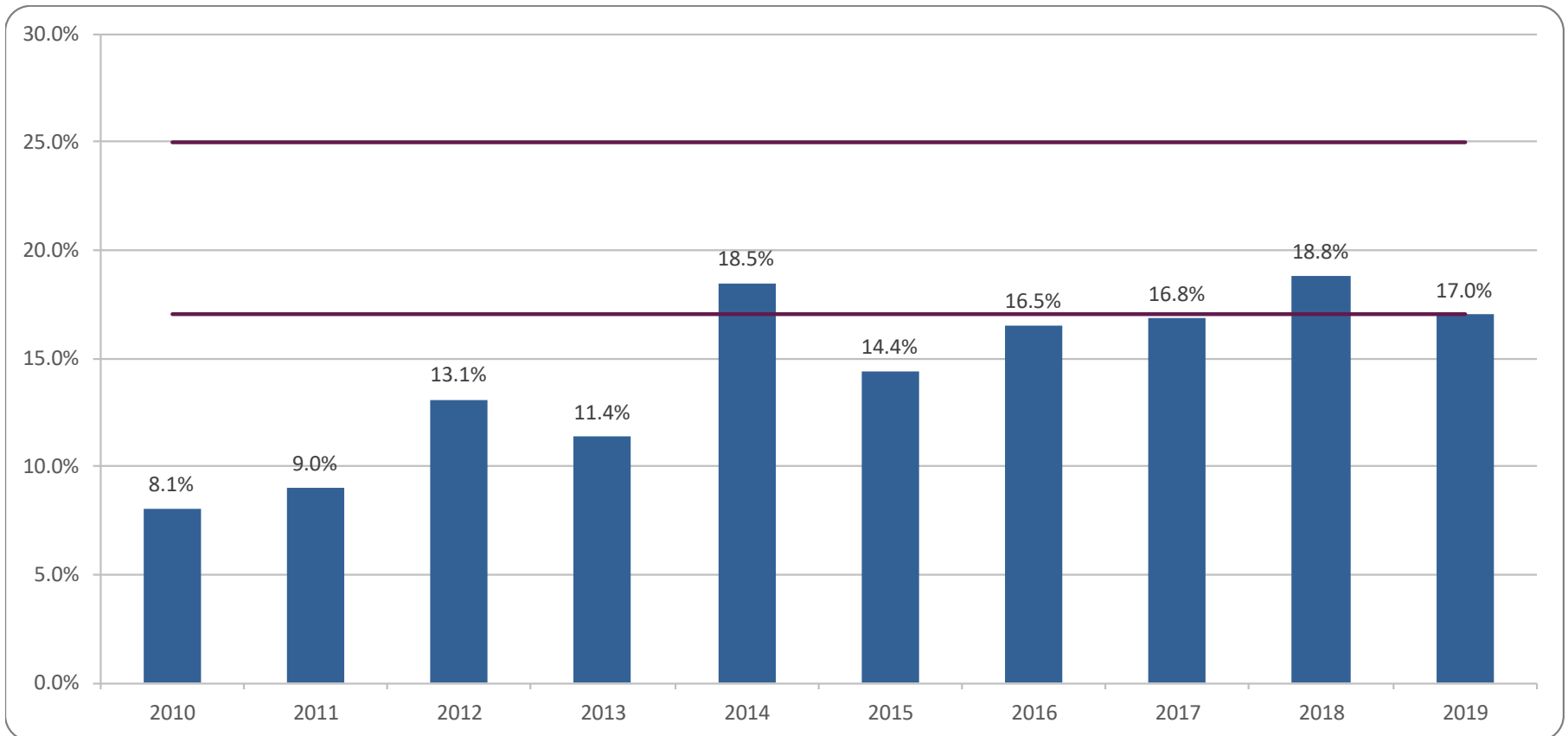
- Special Revenue Funds: approximately 35-50% of fund operating funds
- No less than 5 months of operating expenditures

Because MN school districts experience a more reliable flow of cash to fund operations, a recommended unrestricted fund balance for school districts may be less than the amounts recommended for other local governments.

The District's Policy: strive to maintain a minimum unassigned fund balance in an amount that shall be no less than 17% and no more than 25% of the annual budget. For the current year that target range is \$14,726,910 - \$21,657,221.

UNASSIGNED FUND BALANCE

The District's unassigned fund balance as a percentage of expenditures in the General Fund for the last 10 years



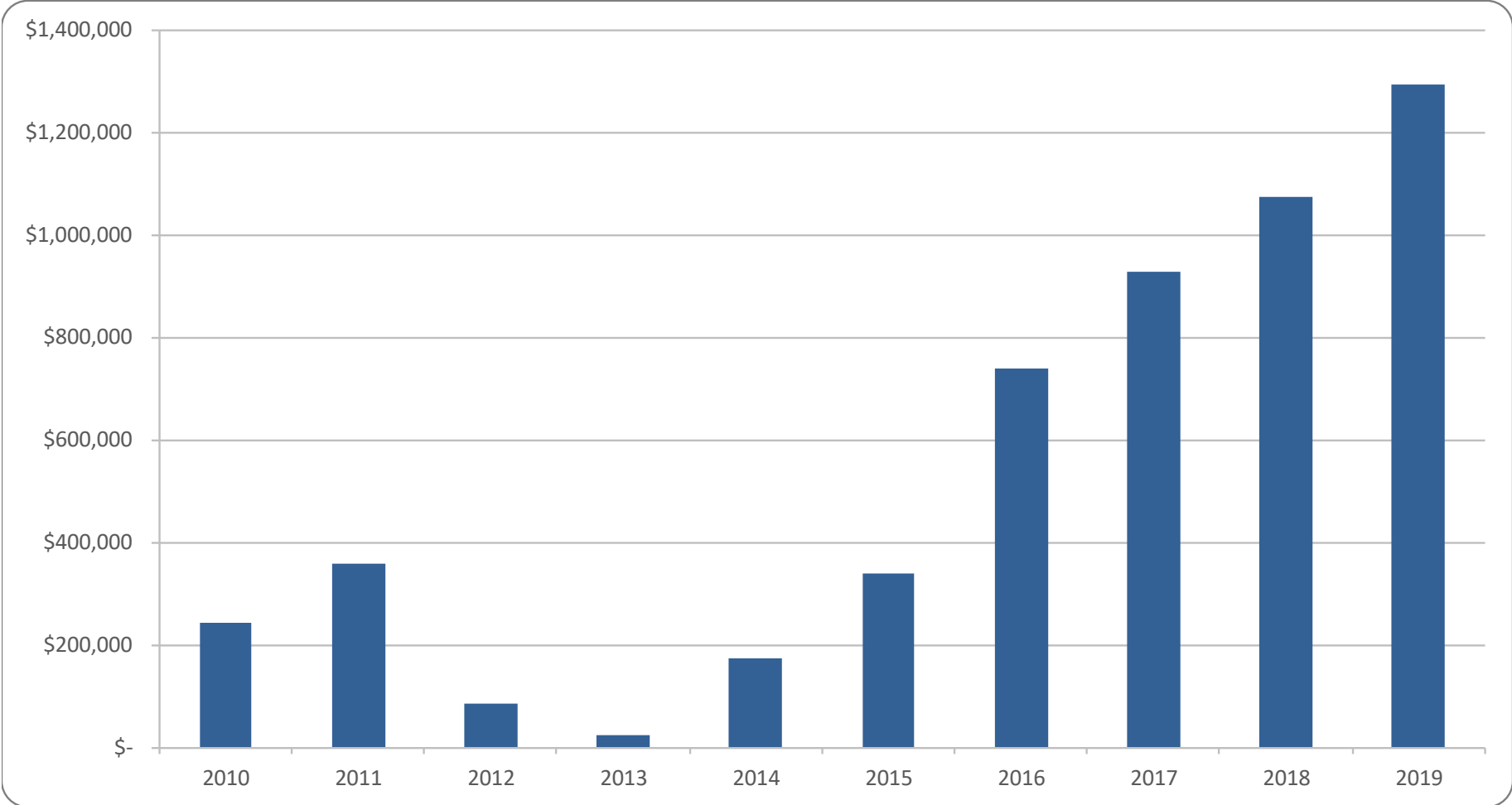
The maroon lines indicate the District's fund balance policy of maintaining an unassigned fund balance of 17-25% of expenditures



OTHER FUNDS

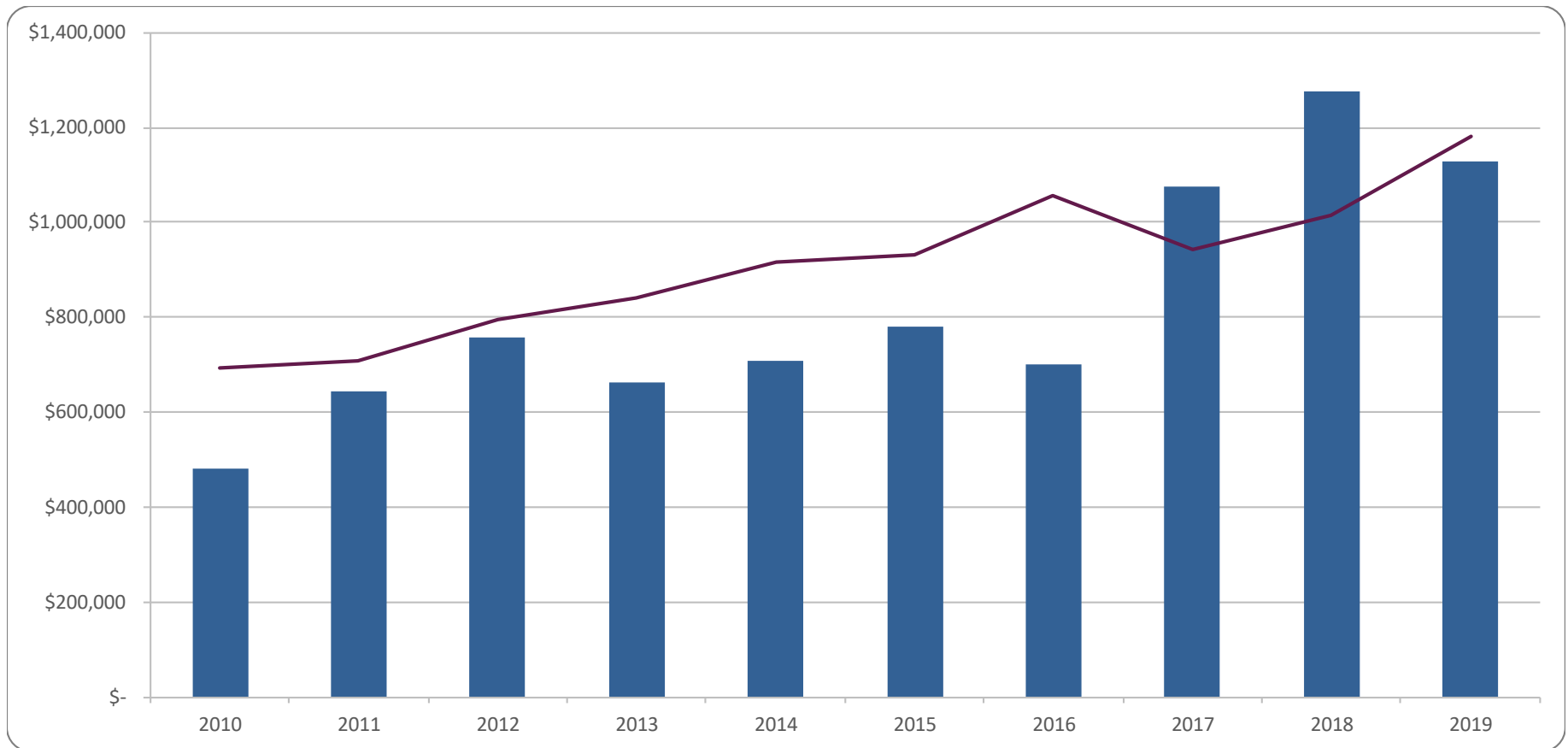
YEAR-END FUND BALANCE – COMMUNITY SERVICE FUND

Positive fund balance indicates that revenues of the community service programs are sufficient to cover the expenditures of the programs.



YEAR END FUND BALANCE – FOOD SERVICE FUND

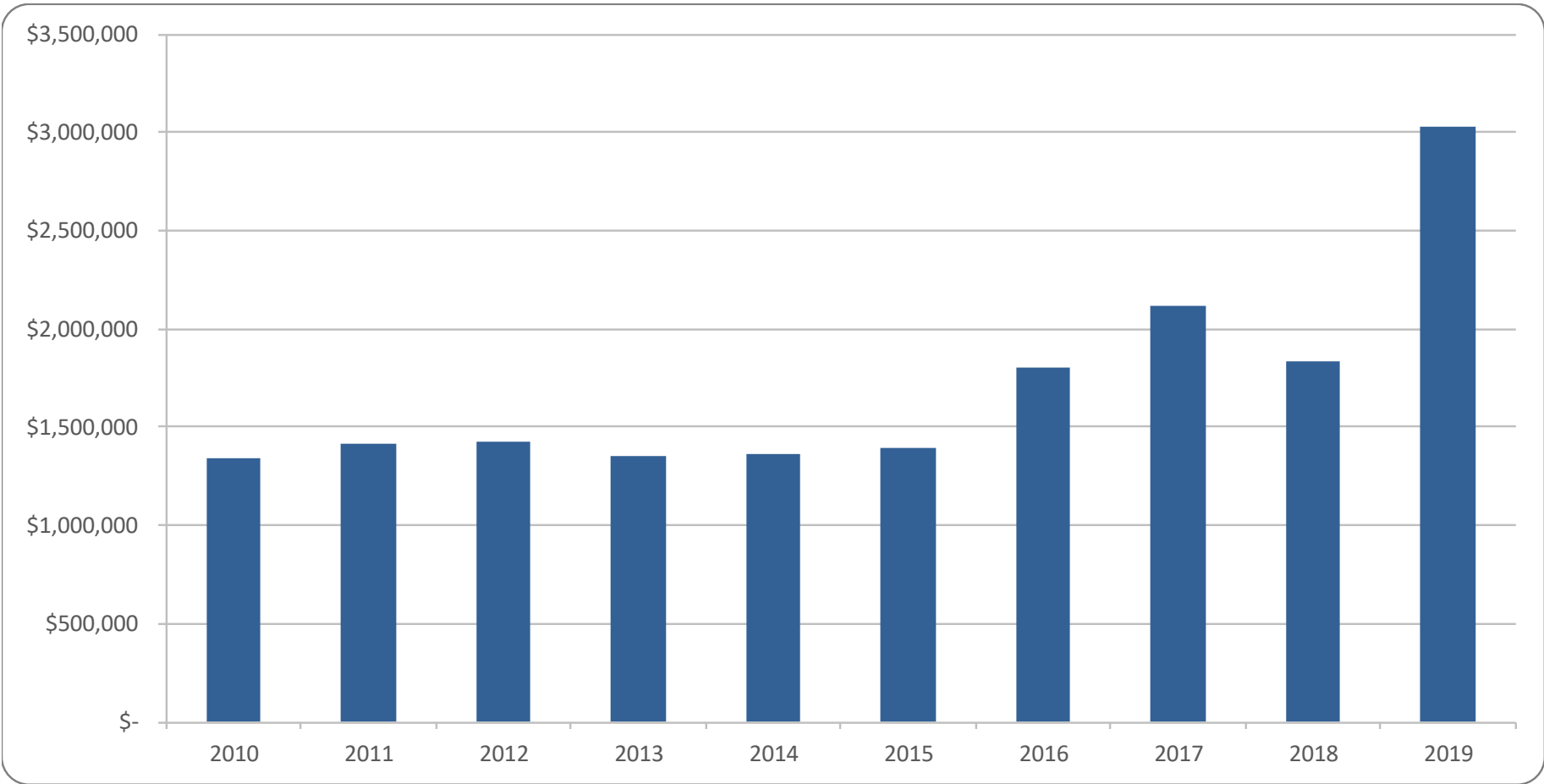
Positive fund balance indicates that revenues of the food service program are sufficient to cover the expenditures of the program.



The maroon line indicates the maximum allowable fund balance of three months expenditures.

YEAR END FUND BALANCE – DEBT SERVICE FUND

Positive fund balance indicates that revenues from property tax levies, state sources, and federal sources have been sufficient to meet the required debt service payments.





QUESTIONS?

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