



INDEPENDENT SCHOOL DISTRICT NO. 548

Executive Summary - June 30, 2020



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
- New Accounting Standard, GASB 84 Adoption
 - The new accounting standard resulted in student activity accounts and scholarship funds now being reported within the General Fund.





AUDIT FINDINGS

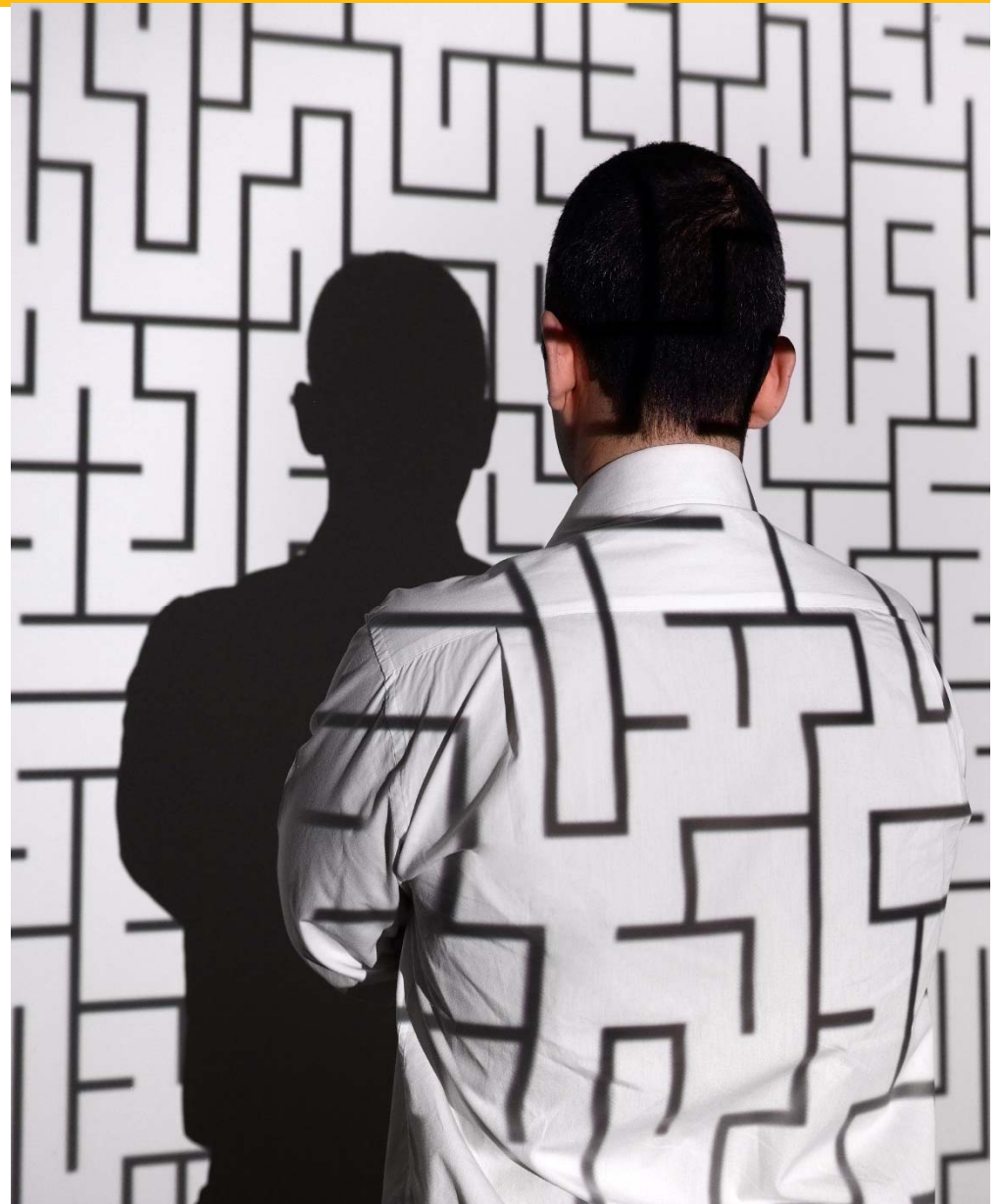
FINDINGS

Financial Statements:

1. Segregation of Duties
2. Preparation of Financial Statements
3. Material Journal Entries

Minnesota Legal Compliance:

1. Inactive Student Activity Fund
2. Failure to Have Proper Signature on Student Activity Check Request
3. Improper Student Activity Fund



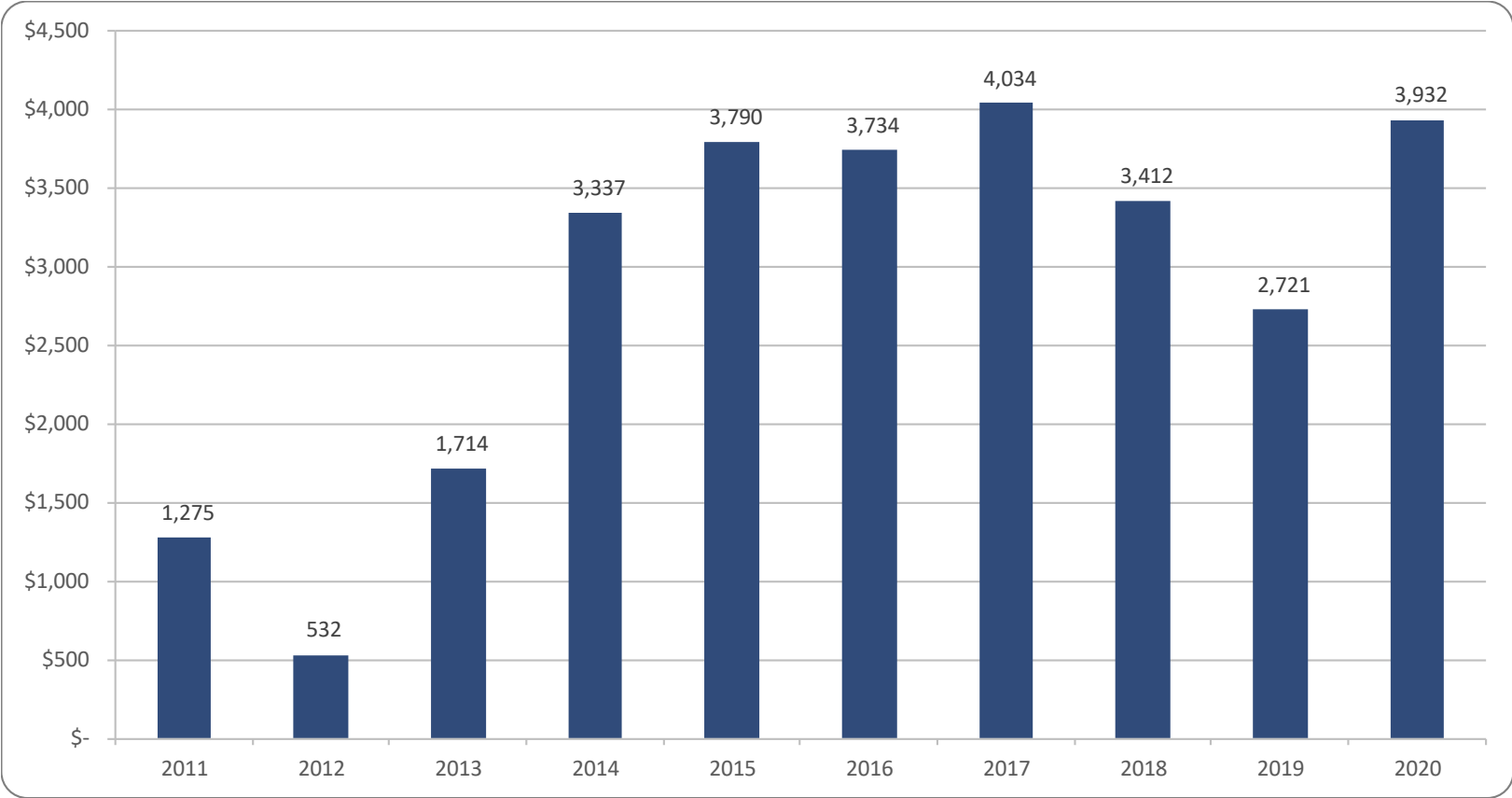


CASH AND INVESTMENTS

CASH/INVESTMENTS

Most significantly affected by the state aid payments structure.

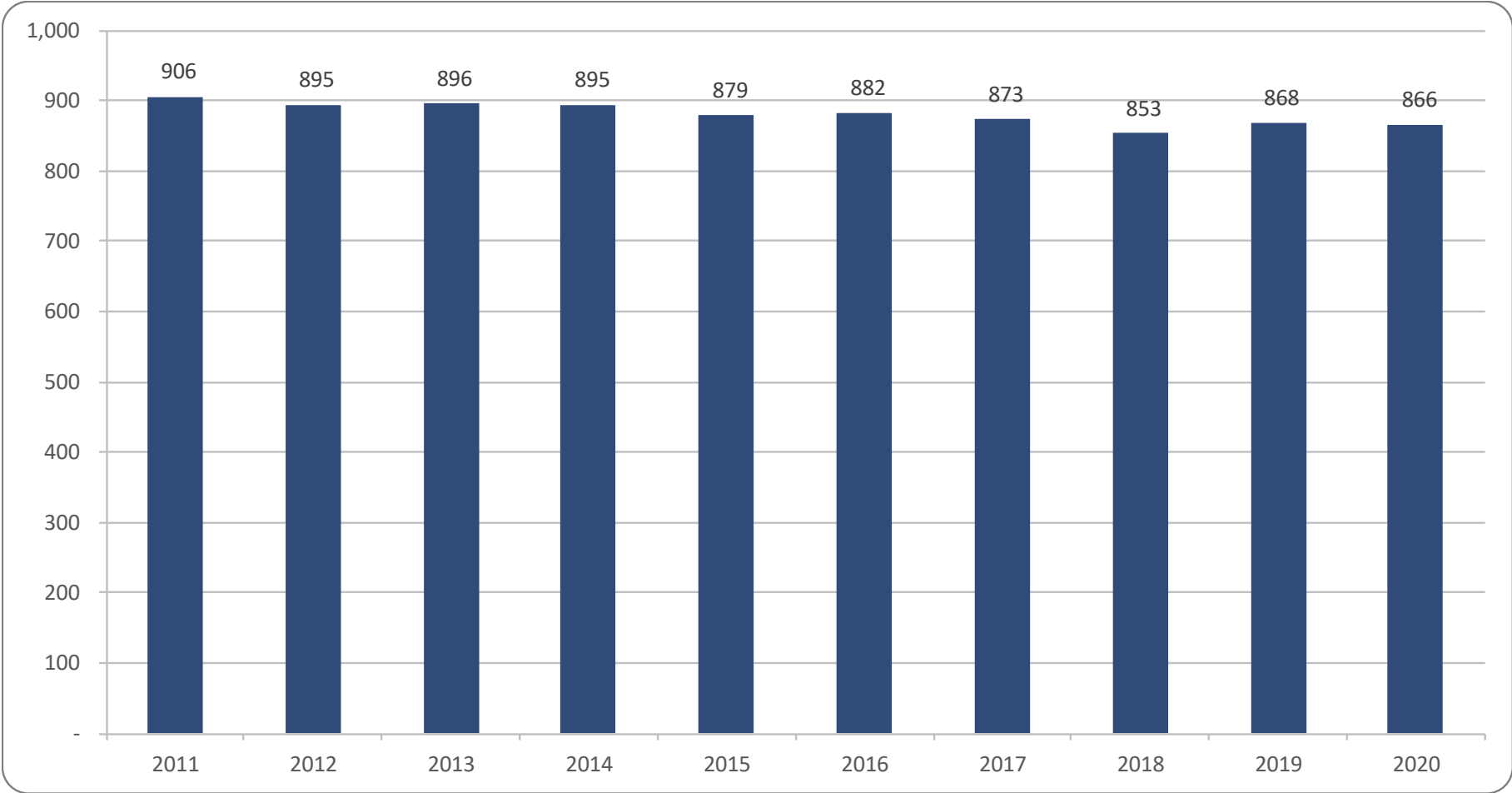
Balances (in thousands) of the District for the past ten years:





GENERAL FUND

ADM SERVED

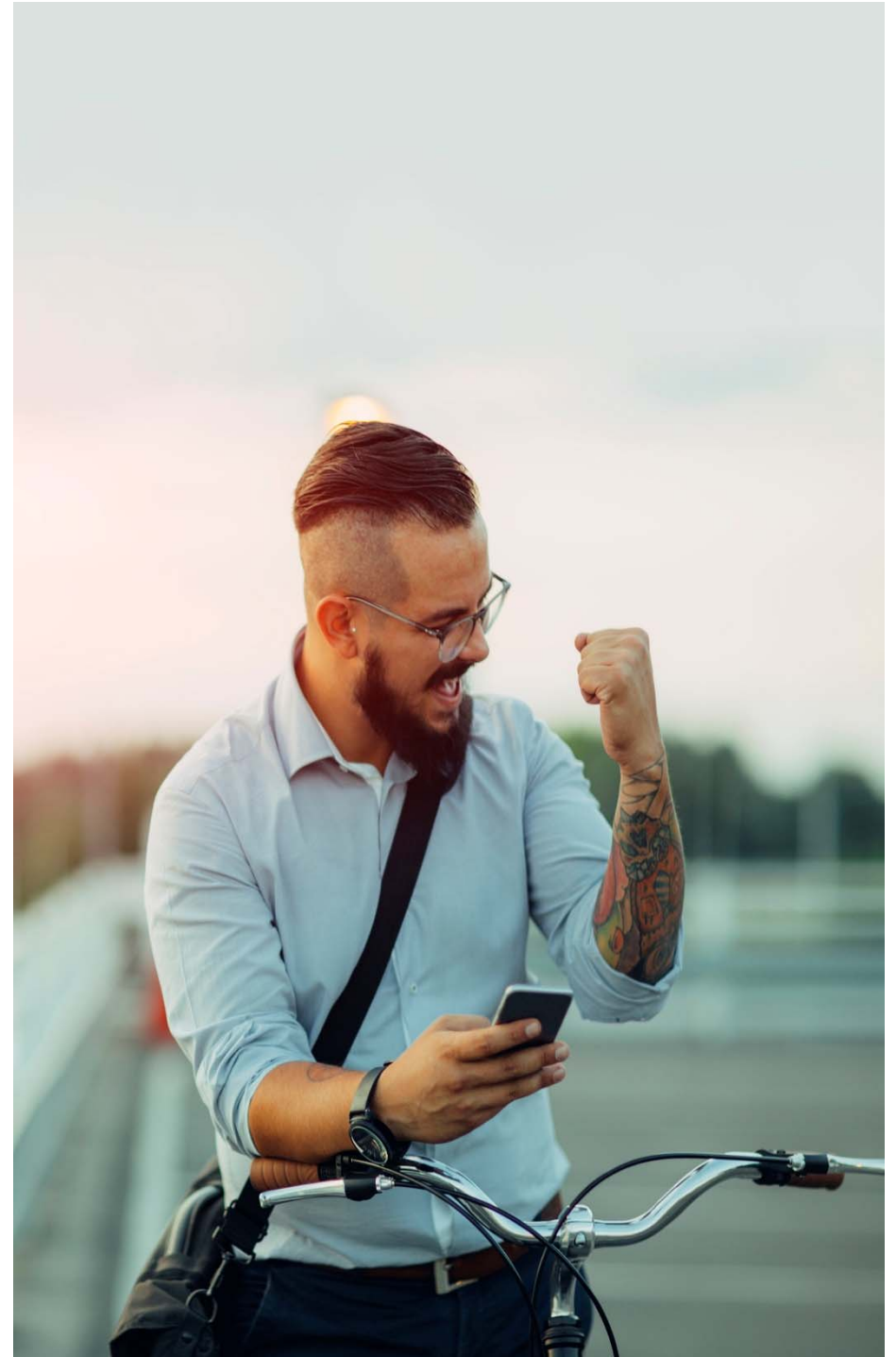


BUDGET TO ACTUAL

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
State sources	\$ 8,205,900	\$ 8,215,522	\$ 8,437,026	\$ 221,504
Local levies	1,211,700	1,211,700	1,216,432	4,732
Federal sources	307,500	318,126	334,820	16,694
Other	263,900	263,900	901,012	637,112
Total revenues	<u>9,989,000</u>	<u>10,009,248</u>	<u>10,889,290</u>	<u>880,042</u>
				8.8%
				Positive
Expenditures				
Regular instruction	5,278,927	5,272,153	5,217,169	54,984
Special education instruction	1,444,200	1,444,200	1,211,632	232,568
Sites and buildings	1,262,738	1,262,738	1,186,989	75,749
Instructional and pupil support services	919,650	929,272	867,429	61,843
District administration and support services	925,625	925,625	863,080	62,545
Other	492,625	502,625	423,774	78,851
Total expenditures	<u>10,323,765</u>	<u>10,336,613</u>	<u>9,770,073</u>	<u>566,540</u>
				5.5%
				Positive
Revenues over (Under) Expenditures	(334,765)	(327,365)	1,119,217	1,446,582
Other Financing Sources	<u>2,000</u>	<u>2,000</u>	<u>1,111</u>	<u>(889)</u>
Net Change in Fund Balance	<u>\$ (332,765)</u>	<u>\$ (325,365)</u>	1,120,328	<u>\$ 1,445,693</u>
Fund Balance, Beginning of Year			<u>510,384</u>	
Fund Balance, End of Year			<u>\$ 1,630,712</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



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

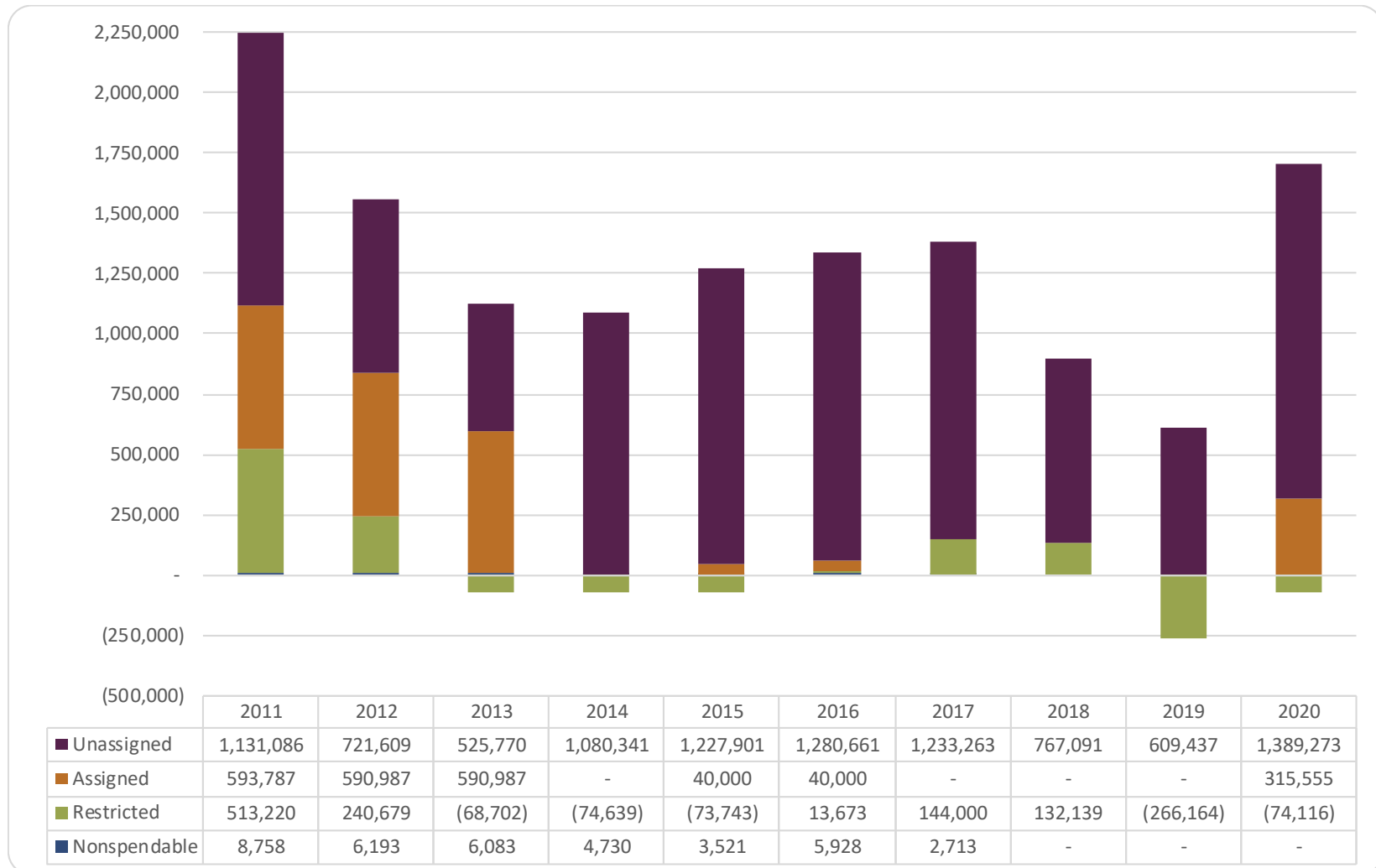
CHANGES IN FUND BALANCES

Fund Balance: cumulative difference between fund assets and fund liabilities

	Fund Balance (Deficit) Beginning of Year, as Adjusted	Net Change in Fund Balance	Fund Balance (Deficit) End of Year
	<u> </u>	<u> </u>	<u> </u>
Restricted for student activities	\$ 117,419	\$ (44,505)	\$ 72,914
Restricted for scholarships	49,692	(981)	48,711
Restricted for operating capital	(211,775)	46,143	(165,632)
Restricted for safe school - crime levy	(54,026)	23,917	(30,109)
Restricted for long-term facilities maintenance	(363)	363	-
Assigned for deferred maintenance of flooring	-	315,555	315,555
Unassigned	609,437	779,836	1,389,273
	<u>\$ 510,384</u>	<u>\$ 1,120,328</u>	<u>\$ 1,630,712</u>

TOTAL FUND BALANCES

Total fund balances of the General Fund for the past 10 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

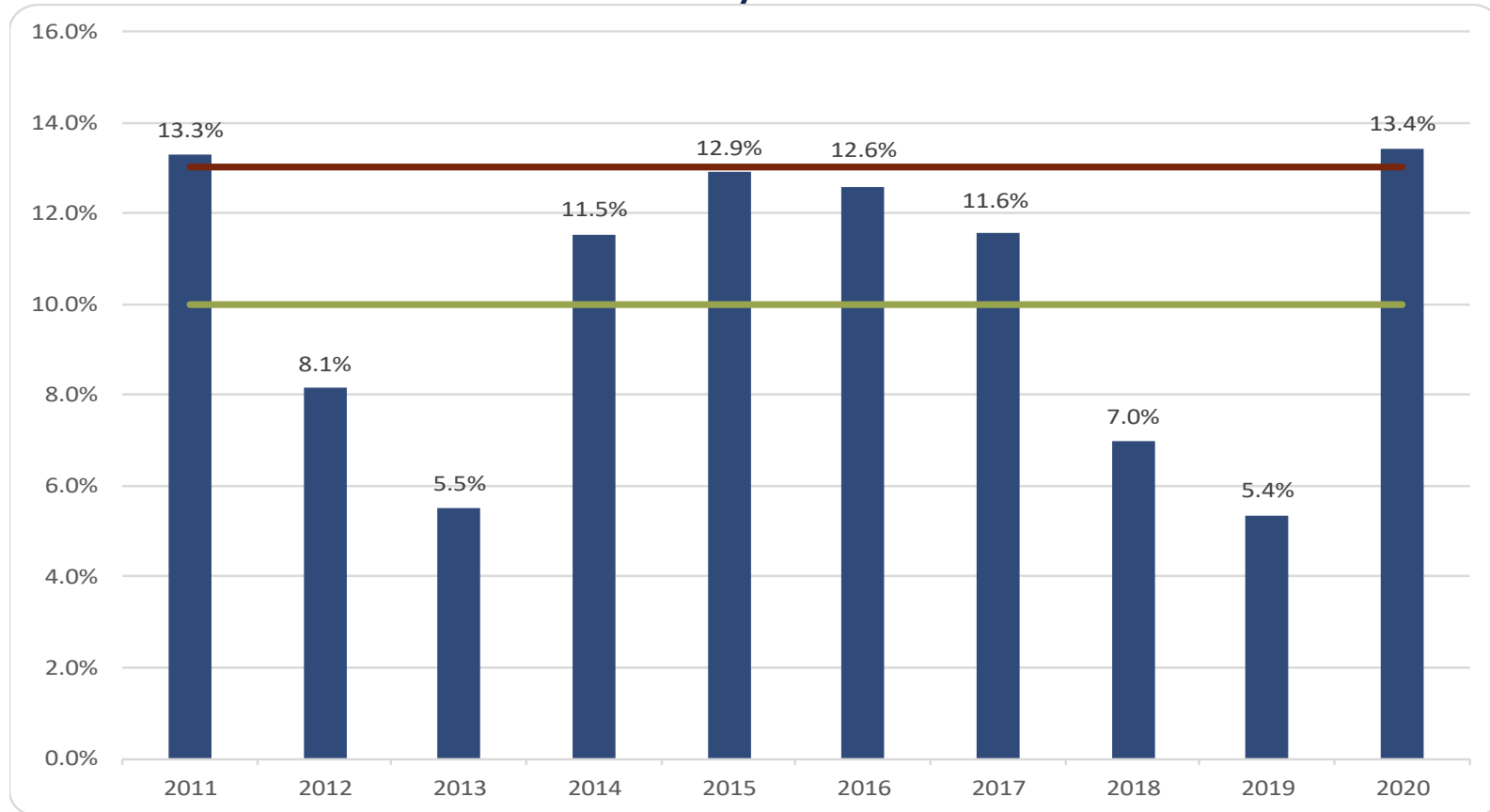
- Special Revenue Funds: approximately 35-50% of fund operating funds
- No less than 5 months of operating expenditures

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 of 10%-13% of the annual budget, with the long-range plan to strive to maintain three months of operating expenditures. For the current year a target of 10% is \$977,000.

UNASSIGNED FUND BALANCE

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



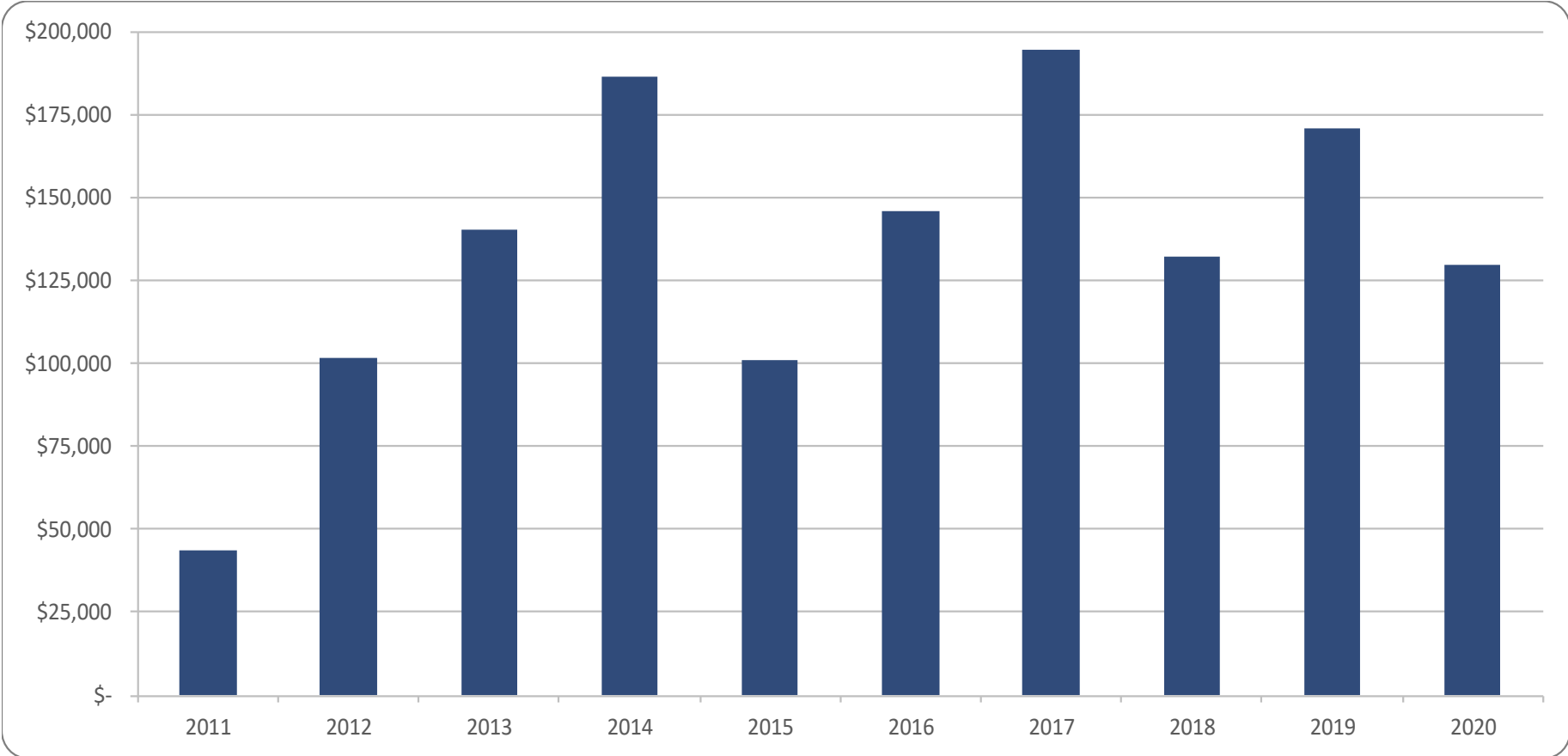
The green and maroon lines indicate the District's fund balance policy of maintaining an unassigned fund balance of 10%-13% of expenditures



OTHER FUNDS

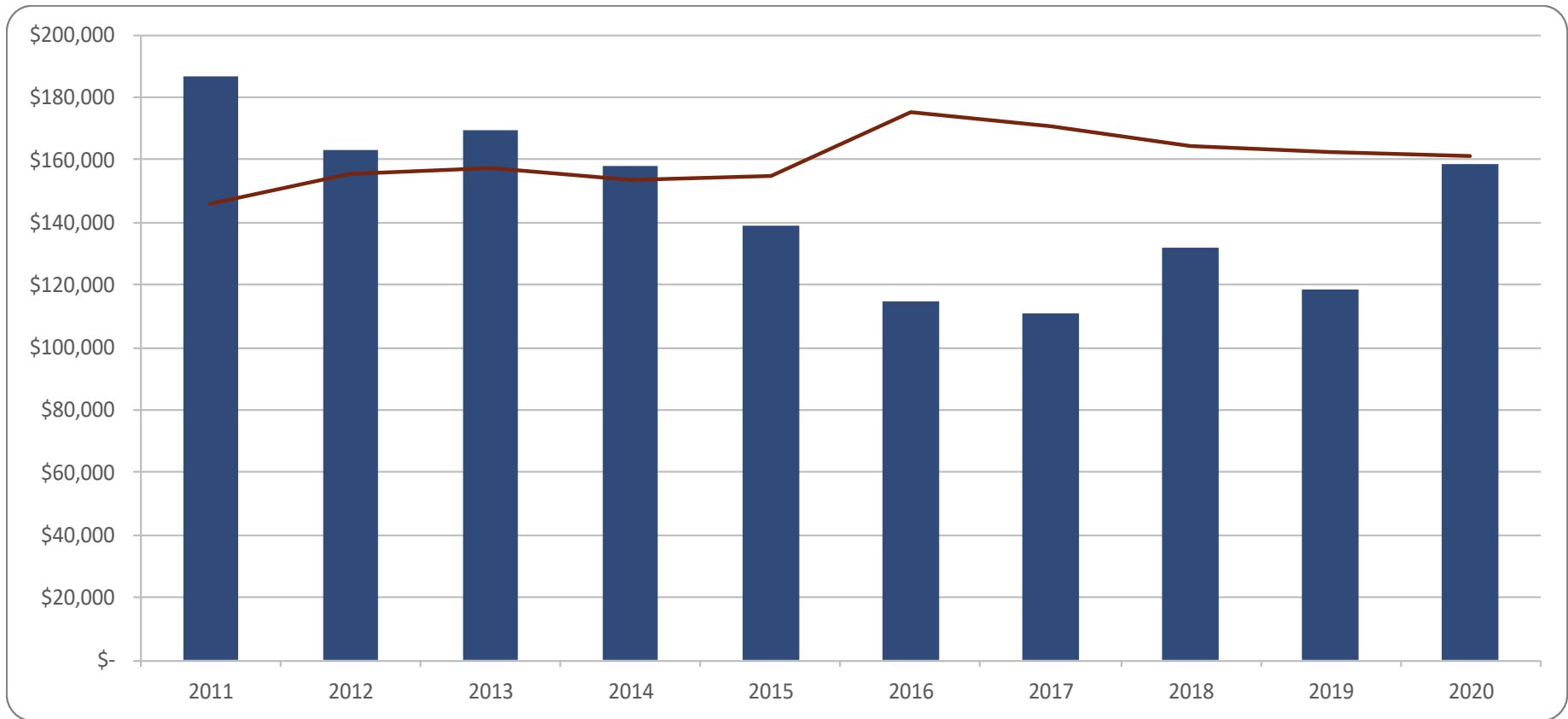
YEAR-END FUND BALANCE – COMMUNITY SERVICE FUND

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

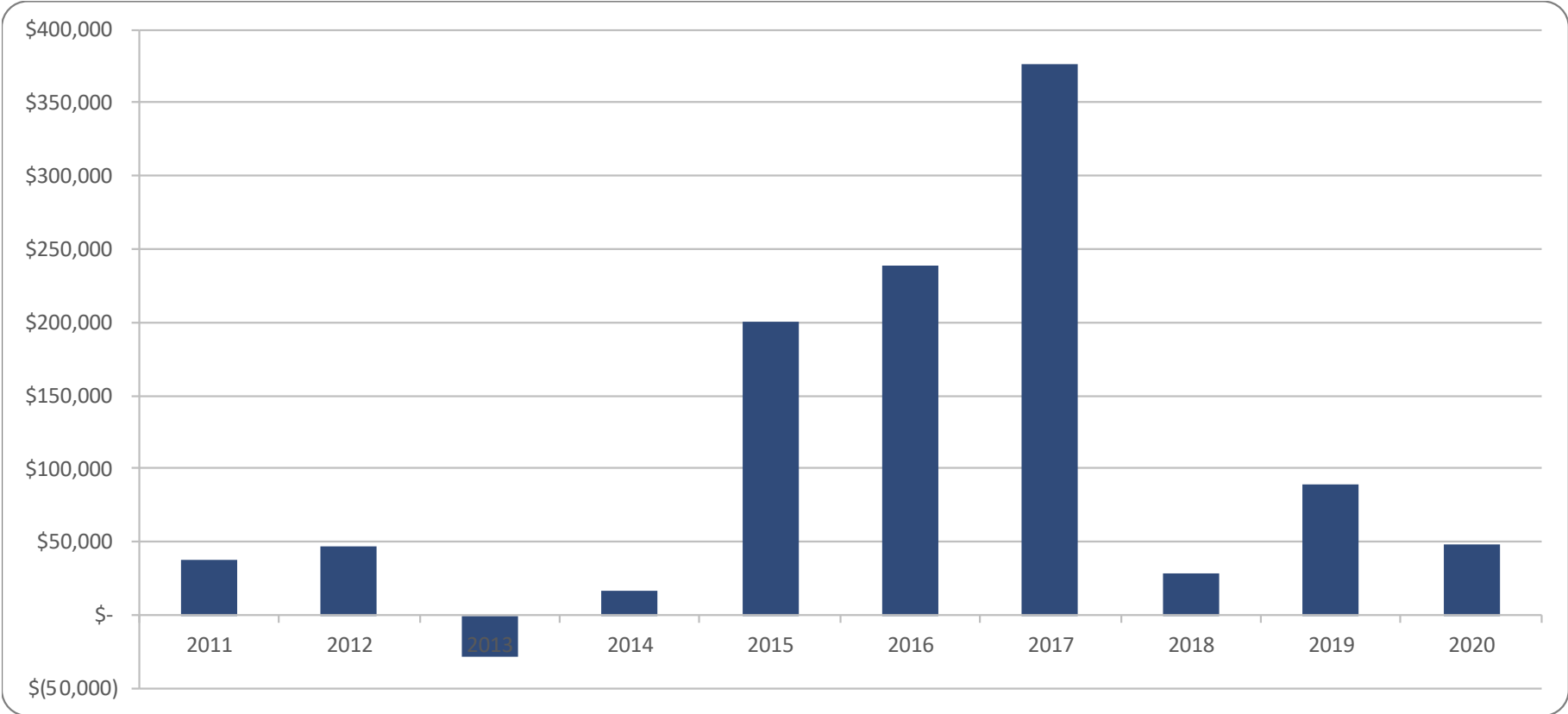
Positive fund balance indicates that revenues of the food service program are sufficient to cover the expenditures of the program.



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

YEAR END FUND BALANCE – DEBT SERVICE FUNDS

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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THANK YOU

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