



INDEPENDENT SCHOOL DISTRICT NO. 2168

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 FINDINGS

FINDINGS

Financial Statements:

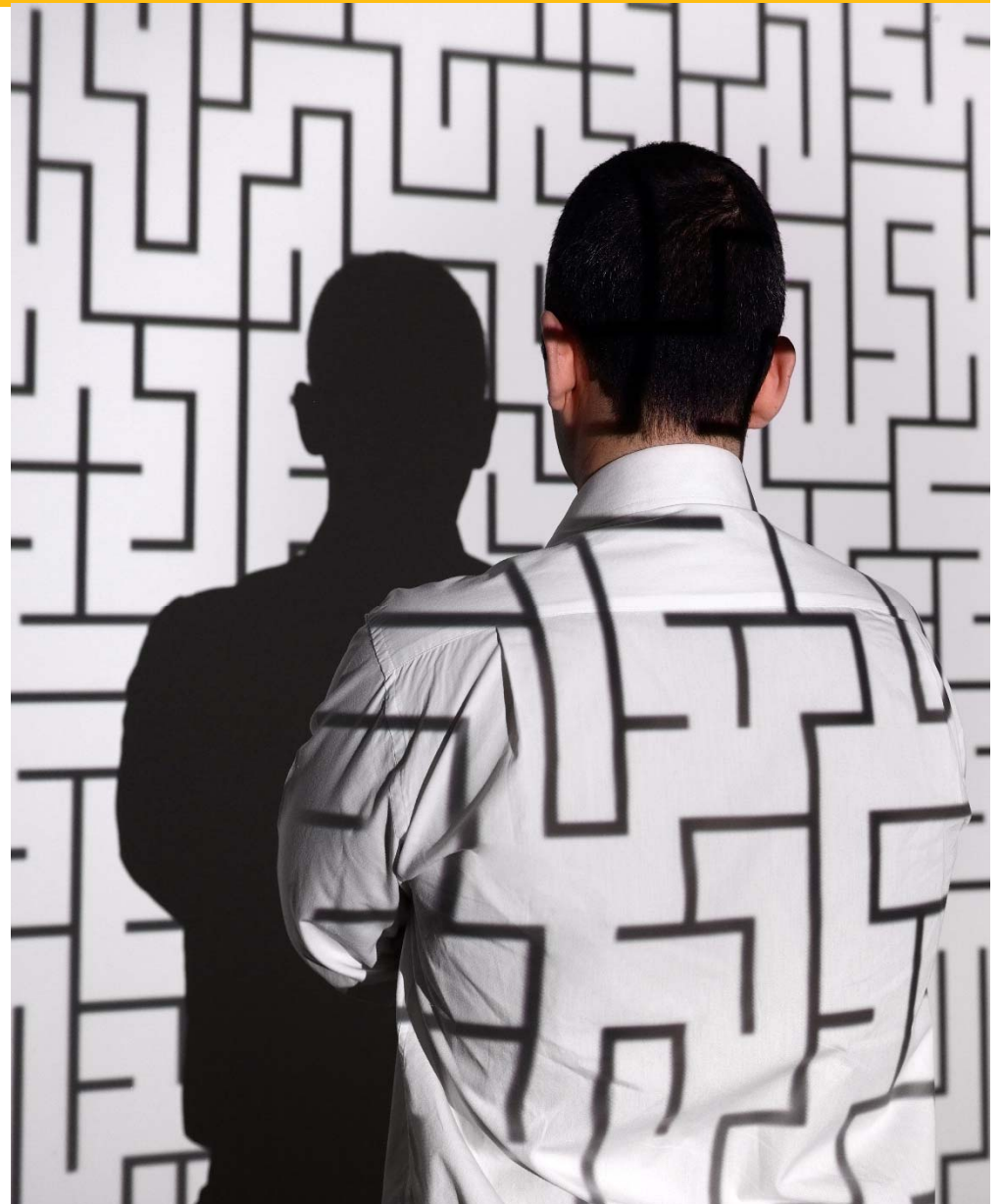
1. Segregation of Duties
2. Material Journal Entries
3. Preparation of Financial Statements

Student Activities:

1. Unallowable Student Activity Expenses

Minnesota Legal Compliance:

1. None



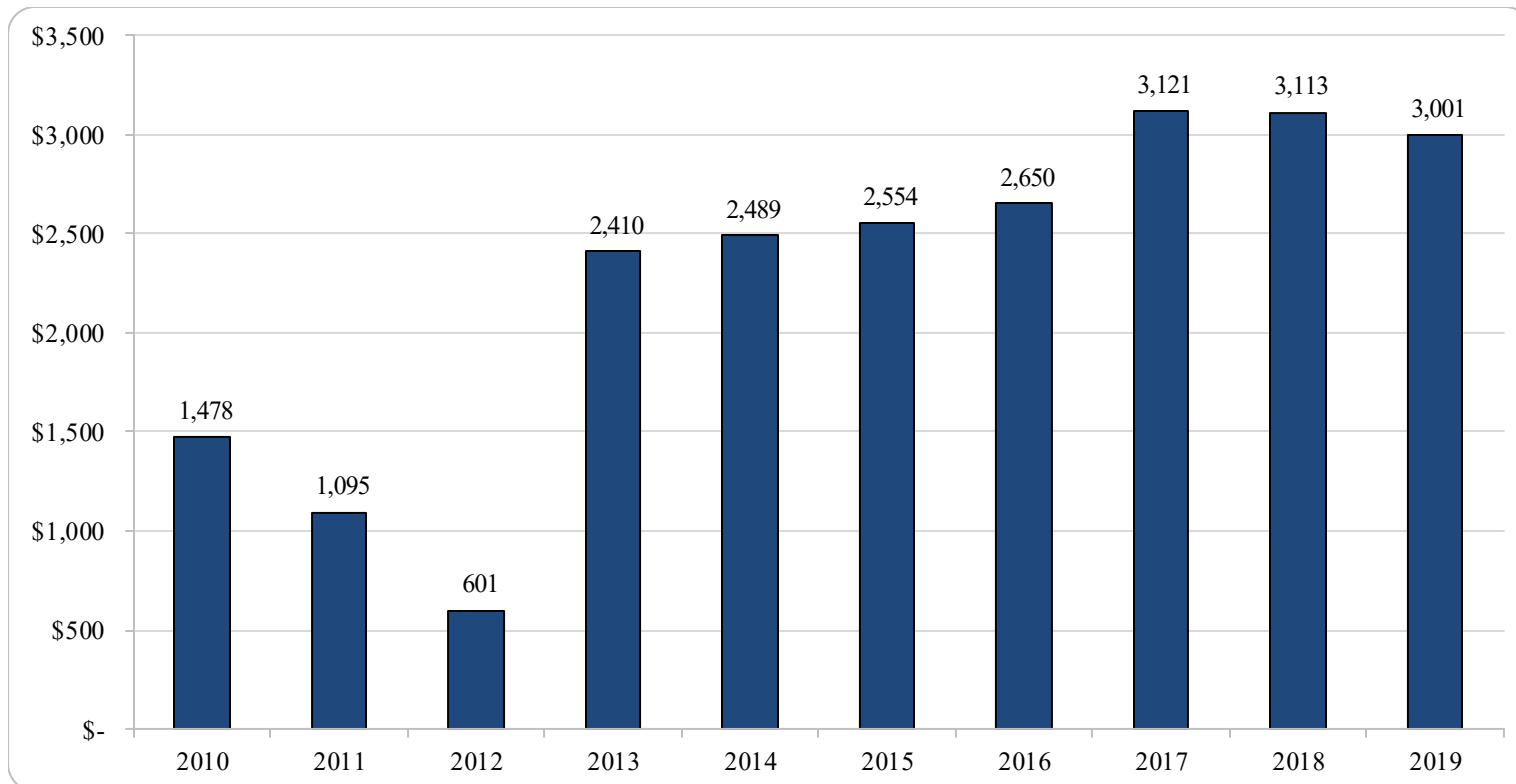


CASH AND INVESTMENTS

CASH/INVESTMENTS

Most significantly affected by the state aid payments structure.

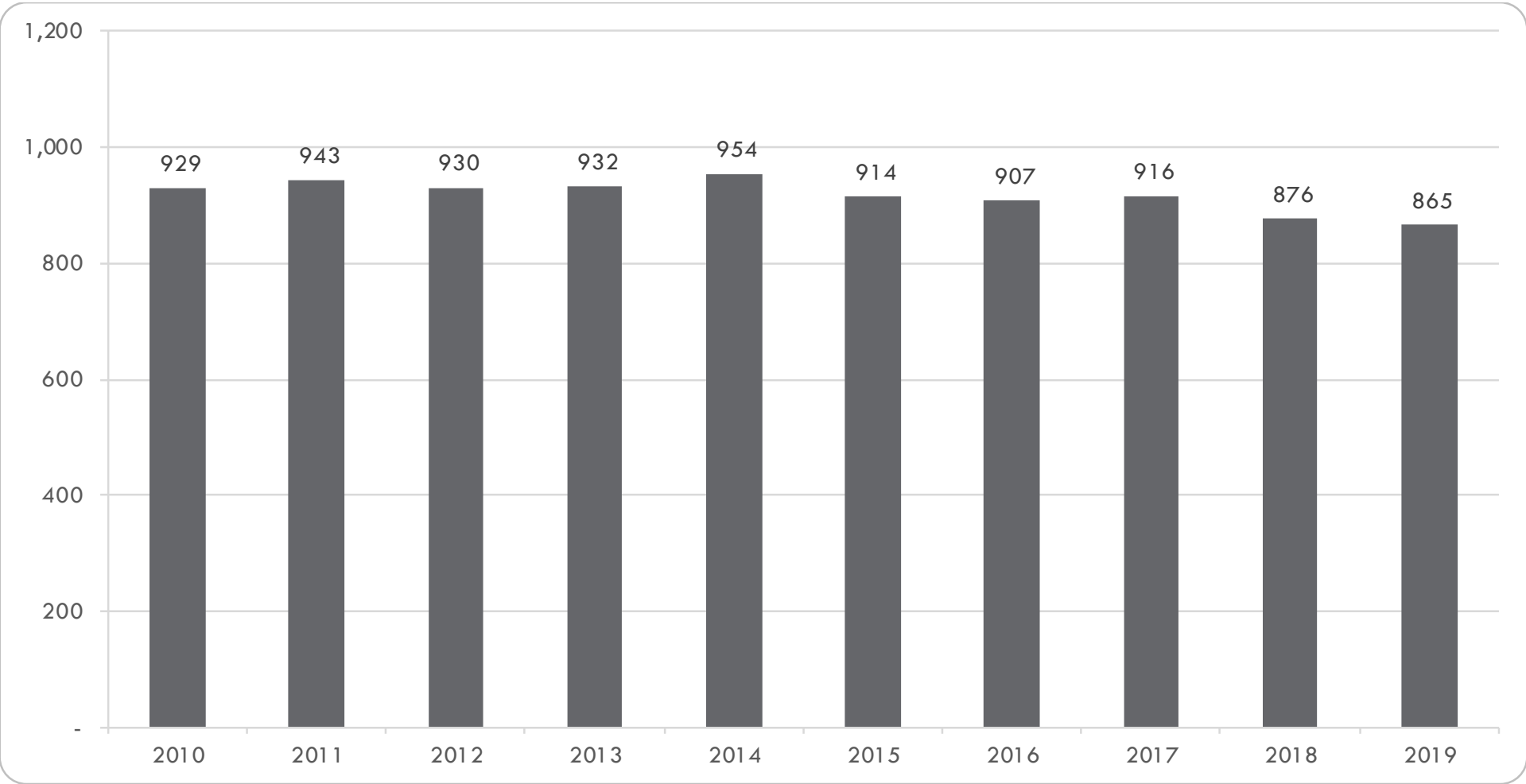
Balances (in thousands) of the District for the past ten years:





GENERAL FUND

ADM SERVED

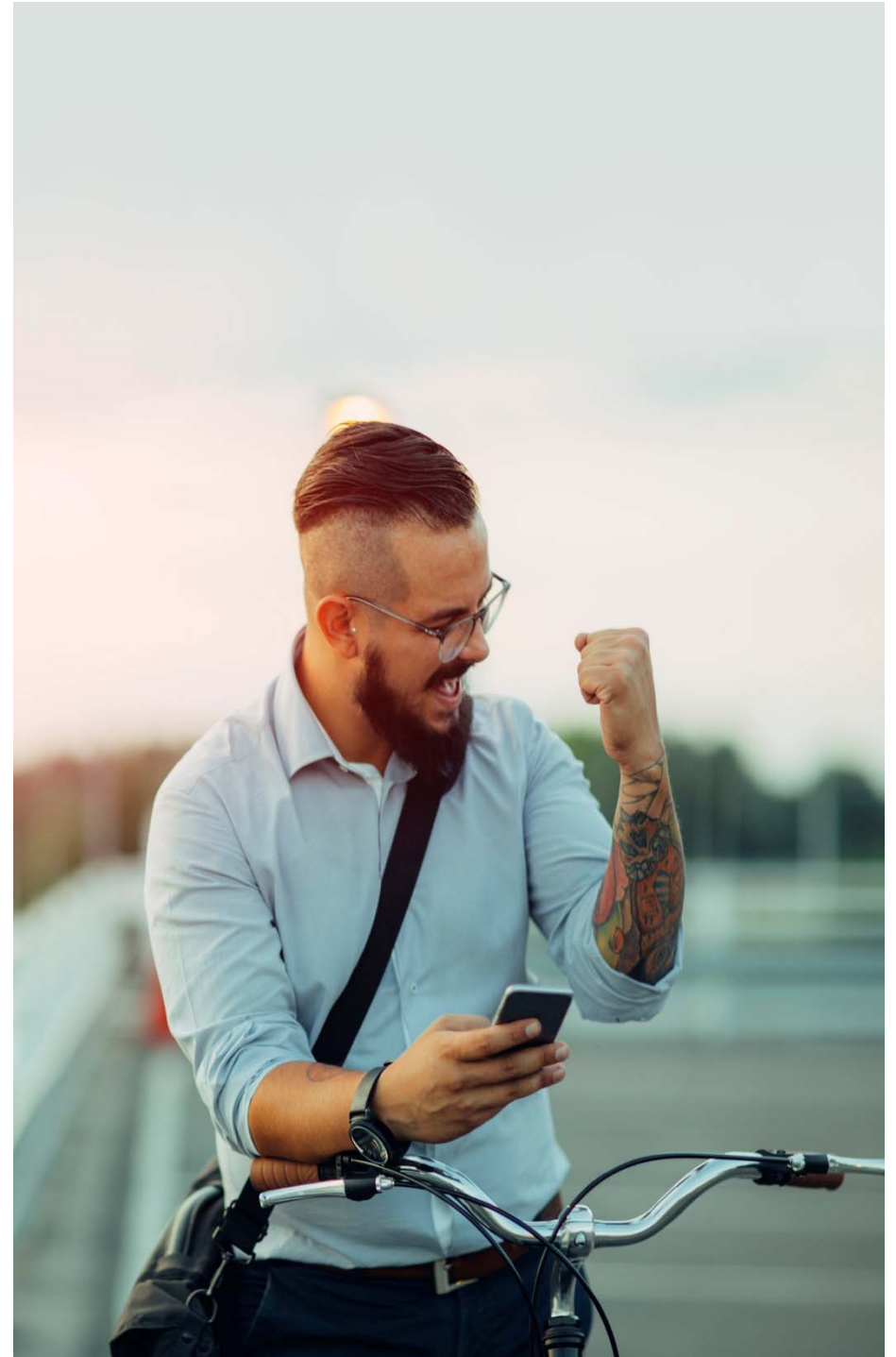


BUDGET TO ACTUAL

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
State sources	\$ 8,184,067	\$ 8,136,067	\$ 8,443,524	\$ 307,457
Local levies	932,208	912,208	900,678	(11,530)
Federal sources	356,500	331,120	344,763	13,643
Other	489,900	536,900	568,309	31,409
	<u>9,962,675</u>	<u>9,916,295</u>	<u>10,257,274</u>	<u>340,979</u>
				3.4%
				Positive
Expenditures				
Regular instruction	4,724,150	4,729,622	4,936,916	(207,294)
Administration and district support services	964,387	956,508	933,767	22,741
Special education instruction	1,801,071	1,806,771	1,722,883	83,888
Instructional and pupil support services	1,477,674	1,494,826	1,501,928	(7,102)
Sites and buildings	1,106,219	1,096,595	1,062,986	33,609
Other	43,000	45,000	45,075	(75)
	<u>10,116,501</u>	<u>10,129,322</u>	<u>10,203,555</u>	<u>(74,233)</u>
				-0.7%
				Negative
Revenues Over Expenditures	(153,826)	(213,027)	53,719	266,746
Other Financing Sources				
Sale of equipment	-	-	305	305
Net Change in Fund Balance	<u>\$ (153,826)</u>	<u>\$ (213,027)</u>	54,024	<u>\$ 267,051</u>
Fund Balance, Beginning of Year			<u>3,043,755</u>	
Fund Balance, End of Year			<u>\$ 3,097,779</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

	<u>Fund Balance Beginning of Year</u>	<u>Net Change in Fund Balance</u>	<u>Fund Balance End of Year</u>
Restricted for staff development	\$ 23,392	\$ 17,719	\$ 41,111
Restricted for health and safety	(2,548)	2,548	-
Restricted for teacher development and evaluation	(751)	-	(751)
Restricted for safe schools	3,371	(10,893)	(7,522)
Restricted for long-term facilities maintenance	74,927	158,440	233,367
Restricted for medical assistance	29,584	(7,381)	22,203
Committed for student activities	39,689	(4,379)	35,310
Unassigned	<u>2,876,091</u>	<u>(102,030)</u>	<u>2,774,061</u>
	<u>\$ 3,043,755</u>	<u>\$ 54,024</u>	<u>\$ 3,097,779</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

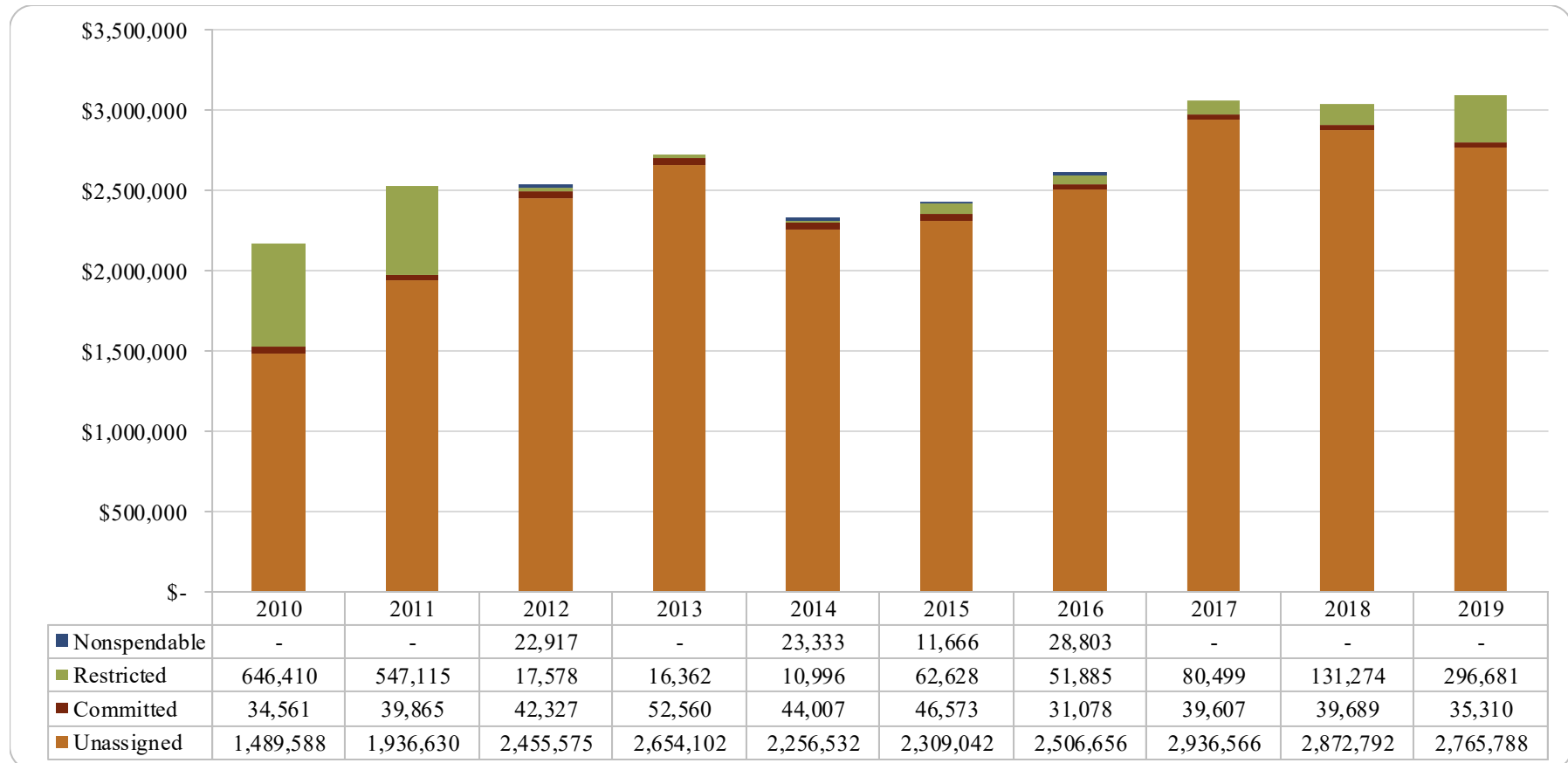
Unassigned

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

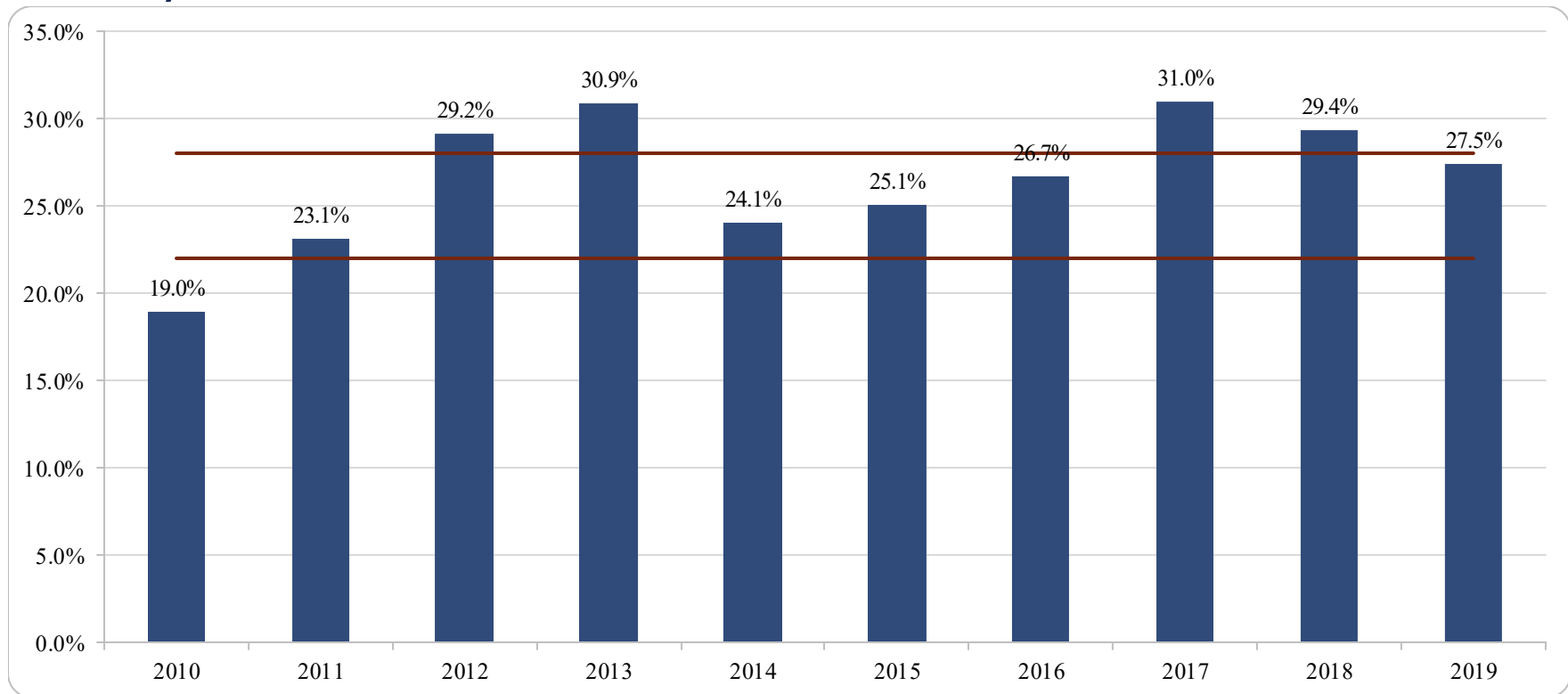
- Special Revenue Funds: approximately 35-50% of fund operating funds
- No less than 5 months of operating expenditures

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 unrestricted fund balance in an amount that shall be no less than 22% and no more than 28% of the annual budget. For the current year that target amount is \$2,099,361 - \$2,671,914.

UNRESTRICTED FUND BALANCE

The District's unrestricted fund balance (committed, assigned, and unassigned) as a percentage of expenditures in the General Fund for the last 10 years



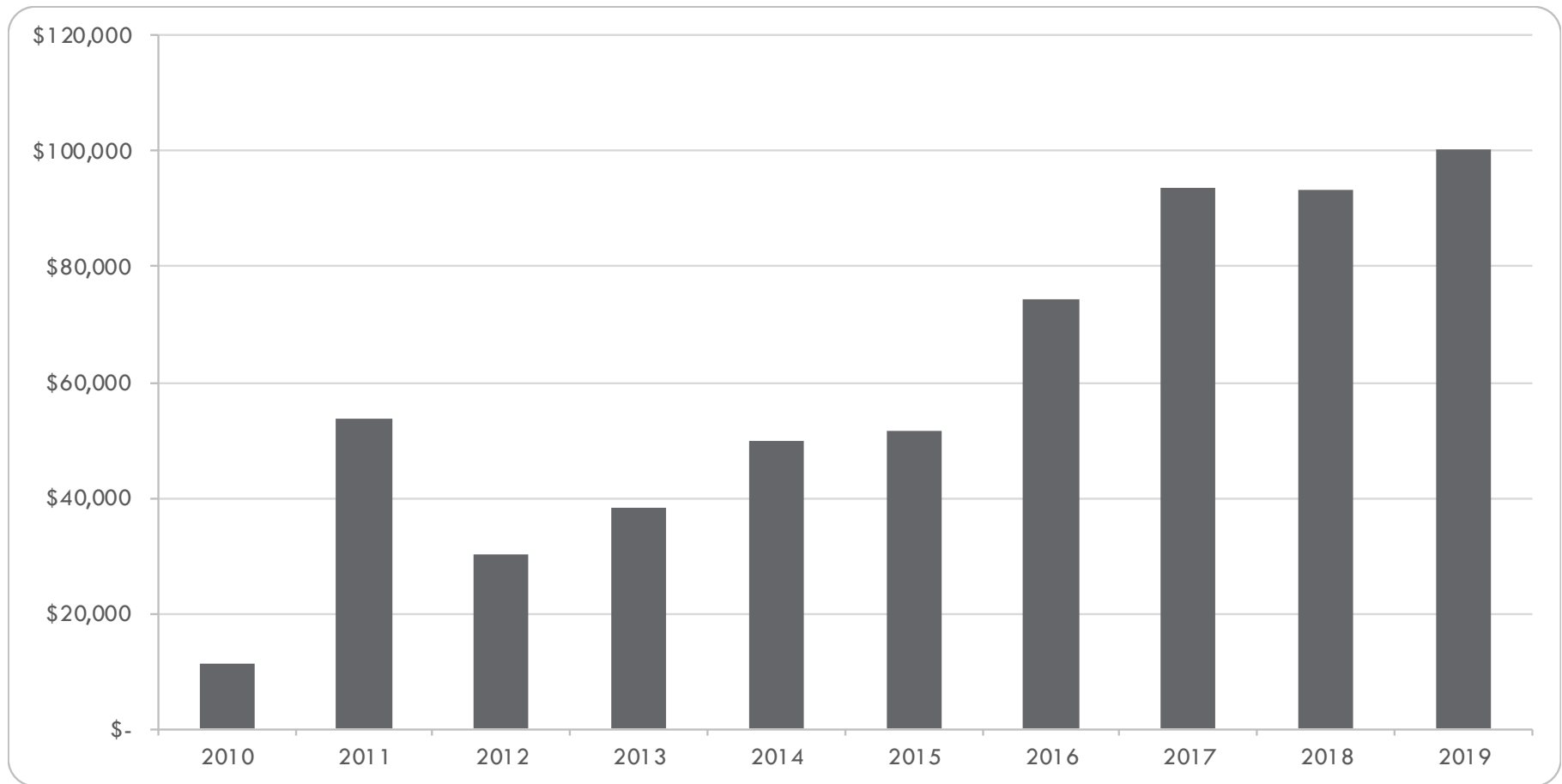
The maroon lines indicate the District's fund balance policy of maintaining an unrestricted fund balance of 22-28% of expenditures



OTHER FUNDS

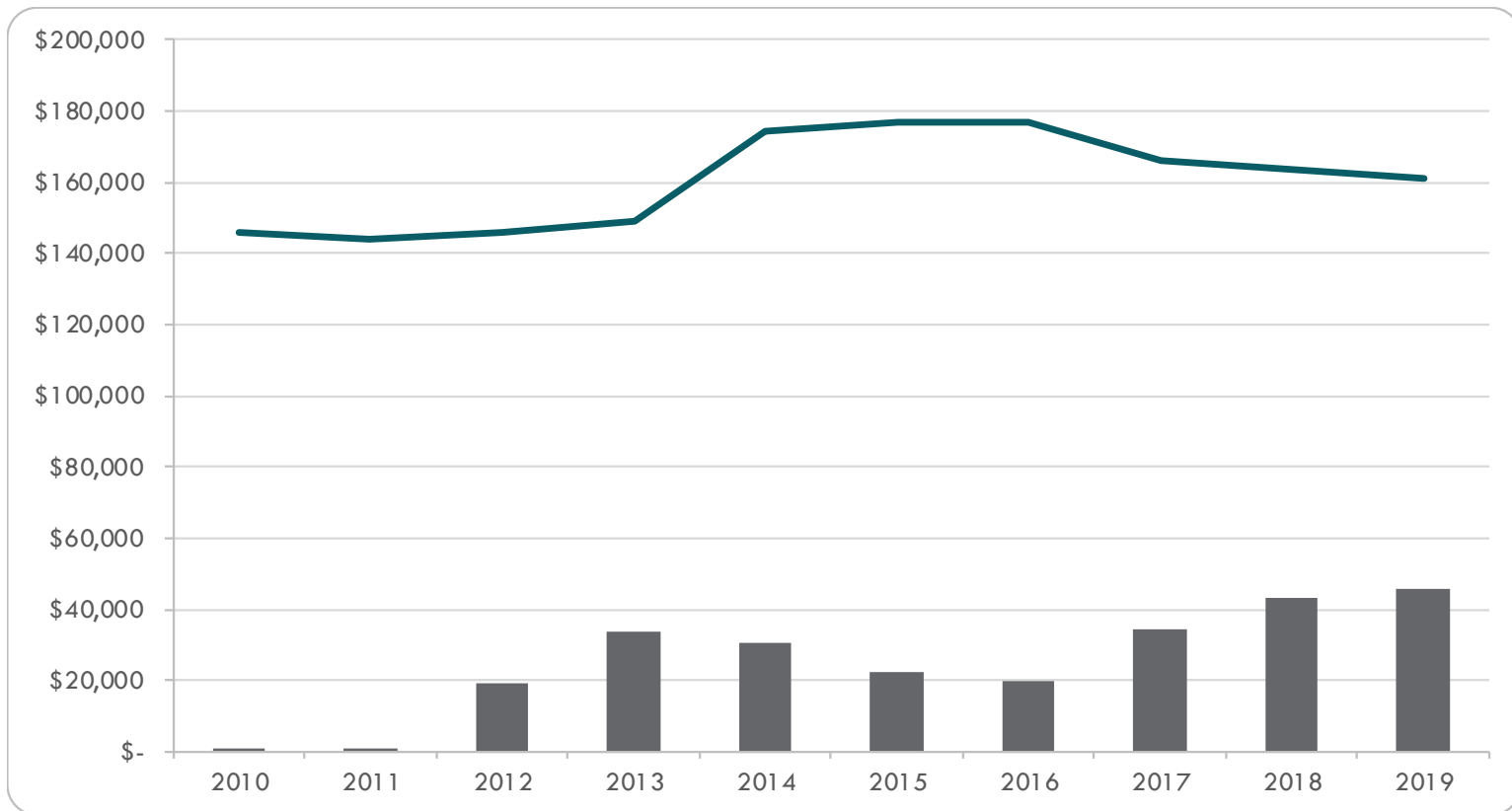
YEAR-END FUND BALANCE – COMMUNITY SERVICE FUND

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

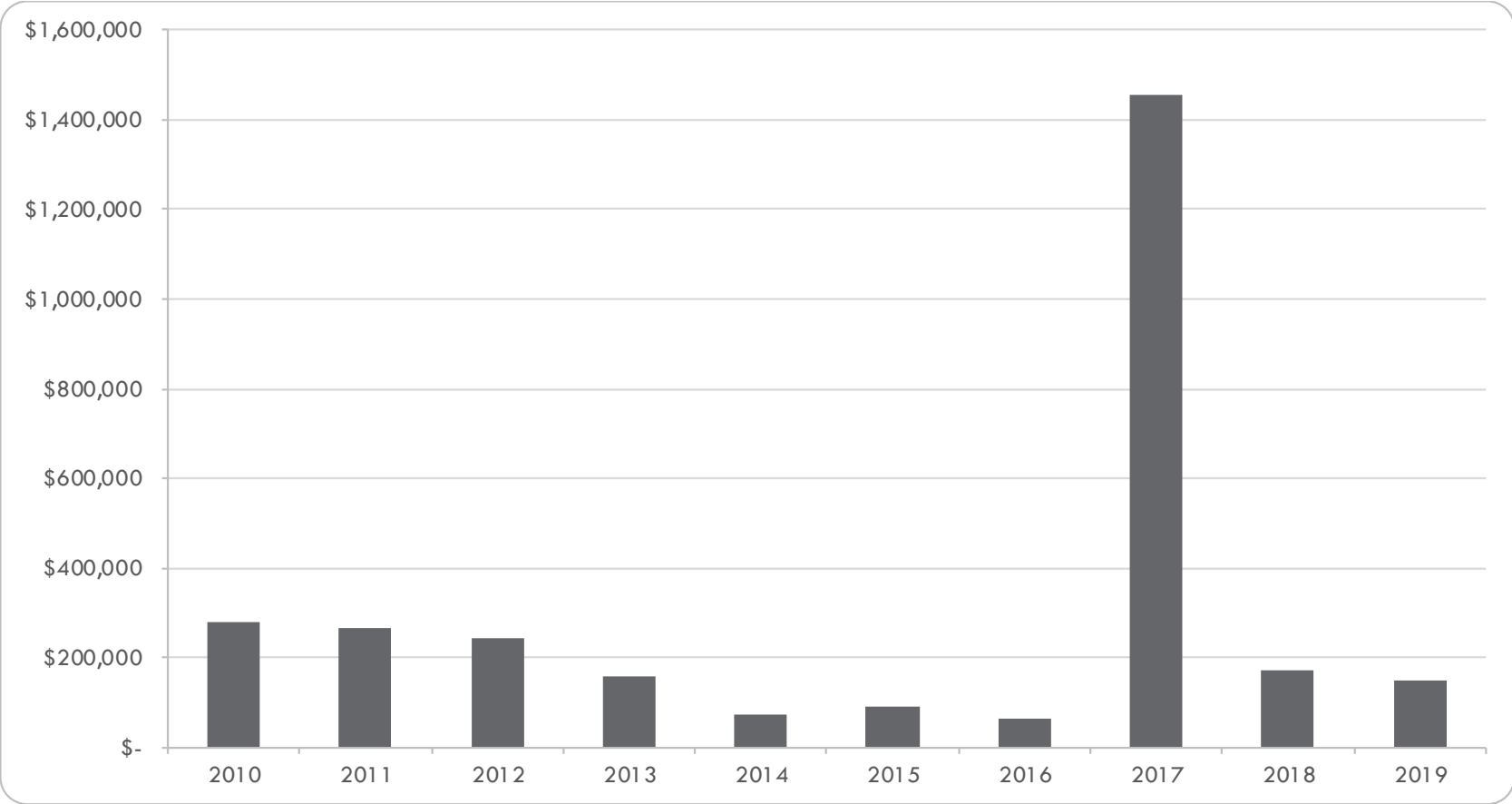
Positive fund balance indicates that revenues of the food service program are sufficient to cover the expenditures of the program.



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

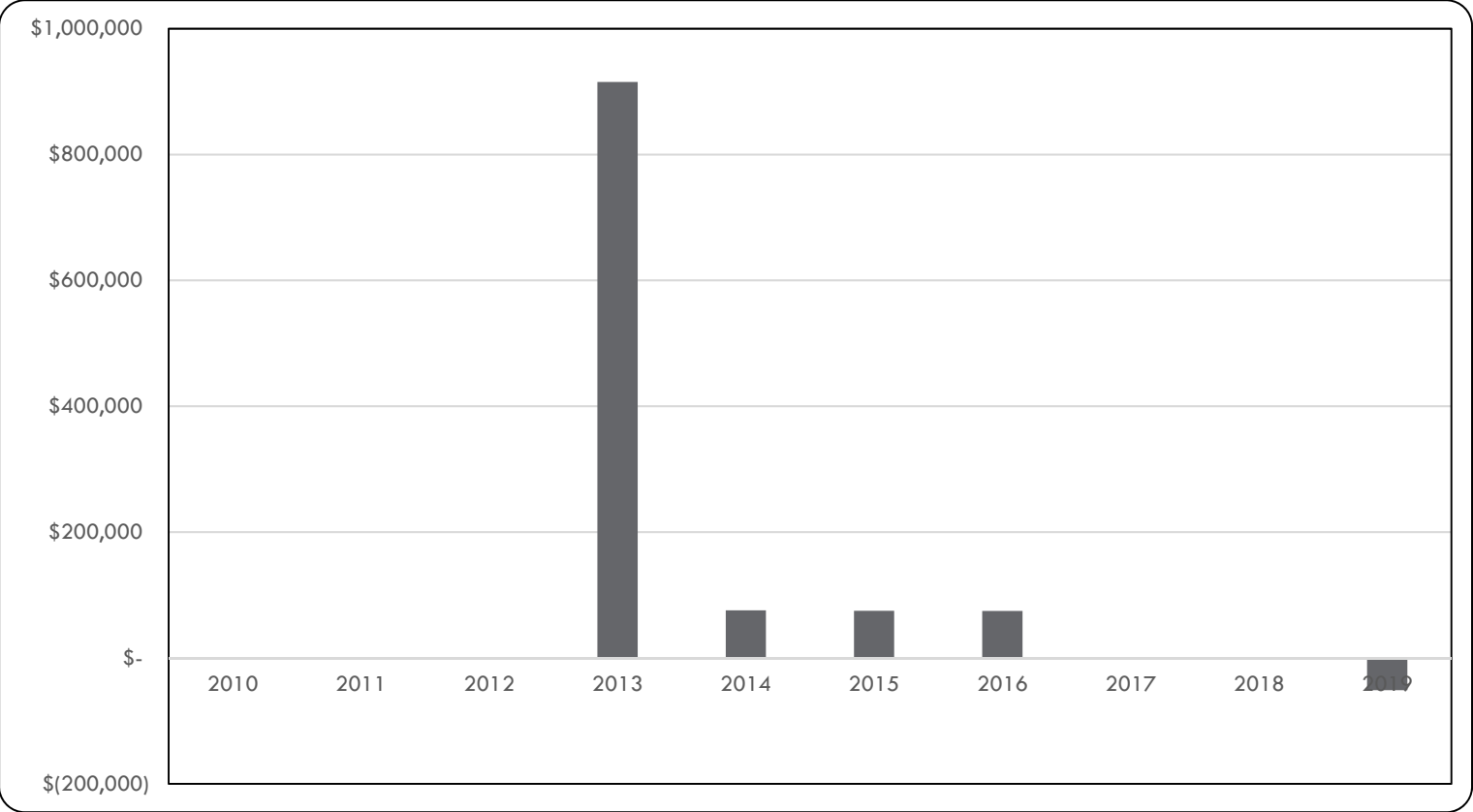
YEAR END FUND BALANCE – DEBT SERVICE FUND

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.



YEAR END FUND BALANCE (DEFICIT) – CAPITAL PROJECT FUND

Positive fund balance indicates that revenues from bond issuances and other sources have been sufficient to cover the expenditures related to capital projects.





QUESTIONS?

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