



# INDEPENDENT SCHOOL DISTRICT NO. 2683

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**
- **Beginning of Year General Fund Restatement (GASB 84)**
  - This new standard resulted in Student Activity accounts and scholarship fund now being reported within the General Fund.



# AUDIT FINDINGS

# FINDINGS

## Financial Statements:

1. Segregation of Duties
2. Preparation of Financial Statements
3. Significant Journal Entries
4. Improper Use of District's Tax Identification Number
5. Improper Completion and Retention of Employee Personnel Forms

## Minnesota Legal Compliance:

1. Inactive Student Activity Funds



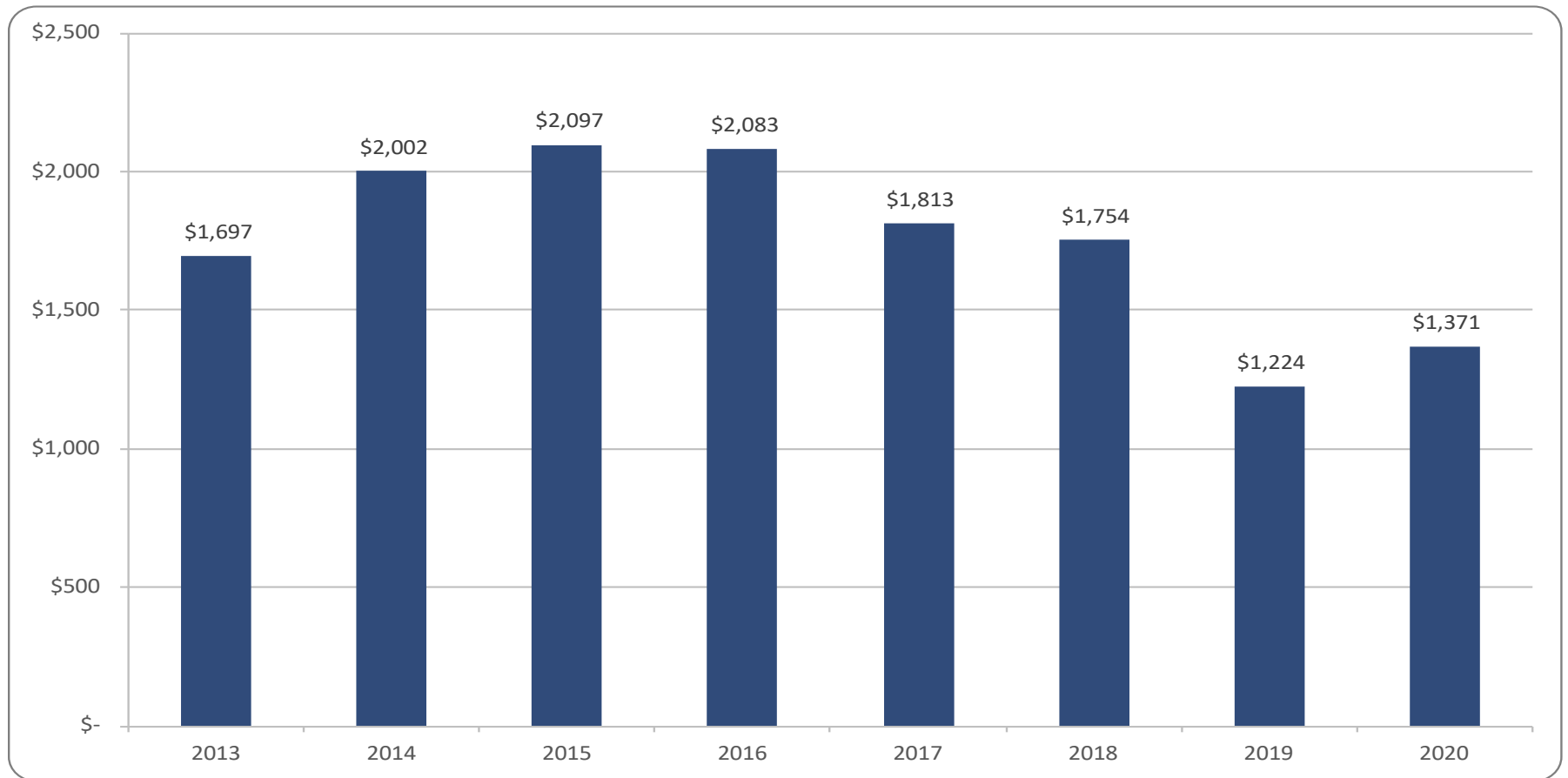


# CASH AND INVESTMENTS

# CASH/INVESTMENTS

Most significantly affected by the state aid payments structure.

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

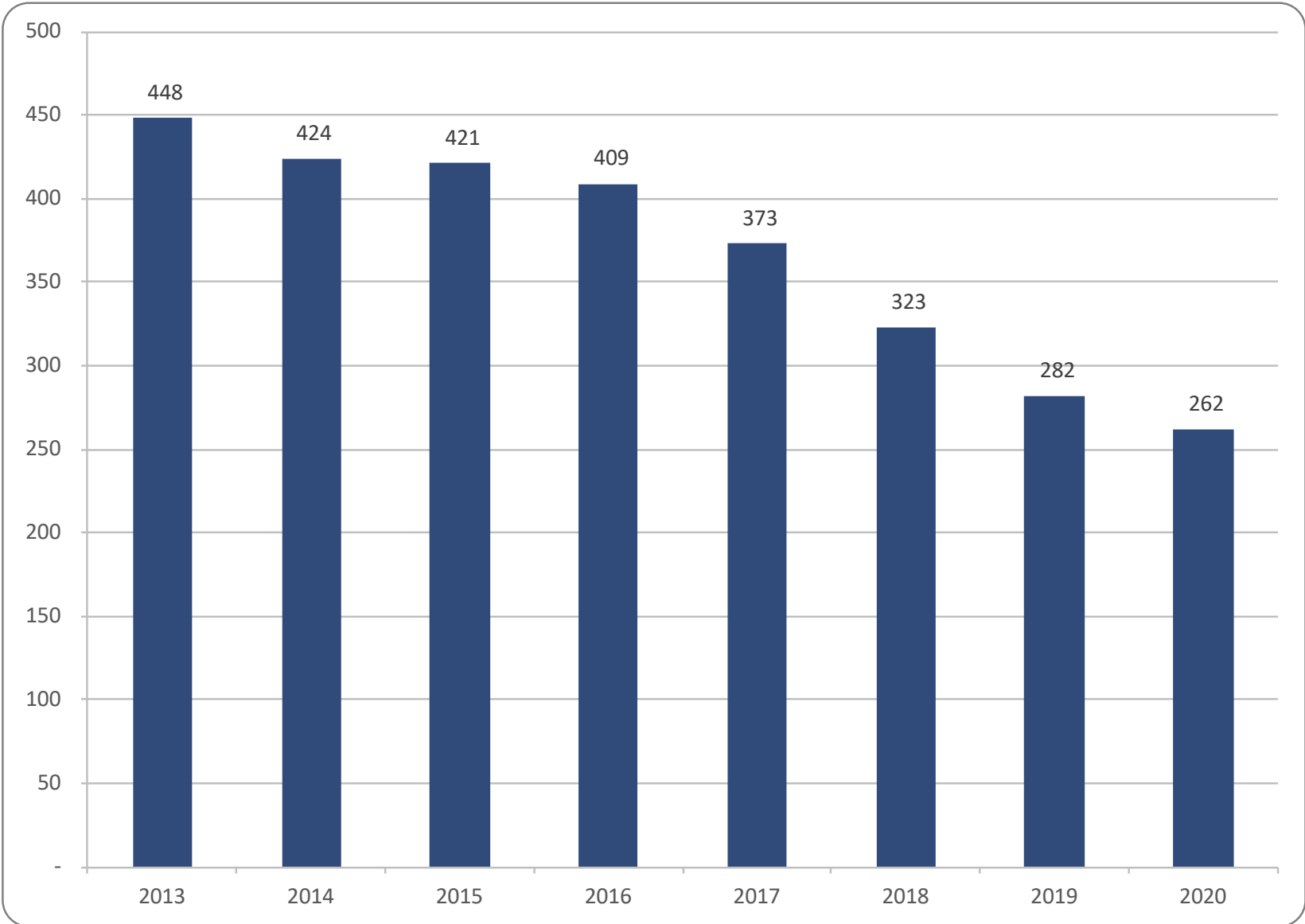




# GENERAL FUND



# ADM SERVED



# BUDGET TO ACTUAL

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
State sources	\$ 3,733,243	\$ 3,807,851	\$ 3,592,178	\$ (215,673)
Local levies	343,677	344,583	378,132	33,549
Federal sources	69,800	113,555	114,634	1,079
Other	204,137	258,608	479,343	220,735
	<u>4,350,857</u>	<u>4,524,597</u>	<u>4,564,287</u>	<u>39,690</u>
				<b>0.9%</b>
				<b>Positive</b>
Expenditures				
Regular instruction	2,168,365	2,166,575	2,304,592	(138,017)
Administration and district support services	520,396	528,378	495,651	32,727
Special education instruction	625,154	628,586	601,284	27,302
Instructional and pupil support services	558,627	660,445	661,306	(861)
Sites and buildings	714,923	729,723	630,177	99,546
Other	199,000	201,474	103,959	97,515
	<u>4,786,465</u>	<u>4,915,181</u>	<u>4,796,969</u>	<u>118,212</u>
				<b>2.4%</b>
				<b>Positive</b>
Deficiency of Revenues Under Expenditures	(435,608)	(390,584)	(232,682)	157,902
Transfers in (out)	<u>(15,000)</u>	<u>(15,000)</u>	<u>109,536</u>	<u>124,536</u>
Net Change in Fund Balance	<u>\$ (450,608)</u>	<u>\$ (405,584)</u>	<u>(123,146)</u>	<u>\$ 282,438</u>
Fund Balance, Beginning of Year			<u>1,433,694</u>	
Fund Balance, End of Year			<u>\$ 1,310,548</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

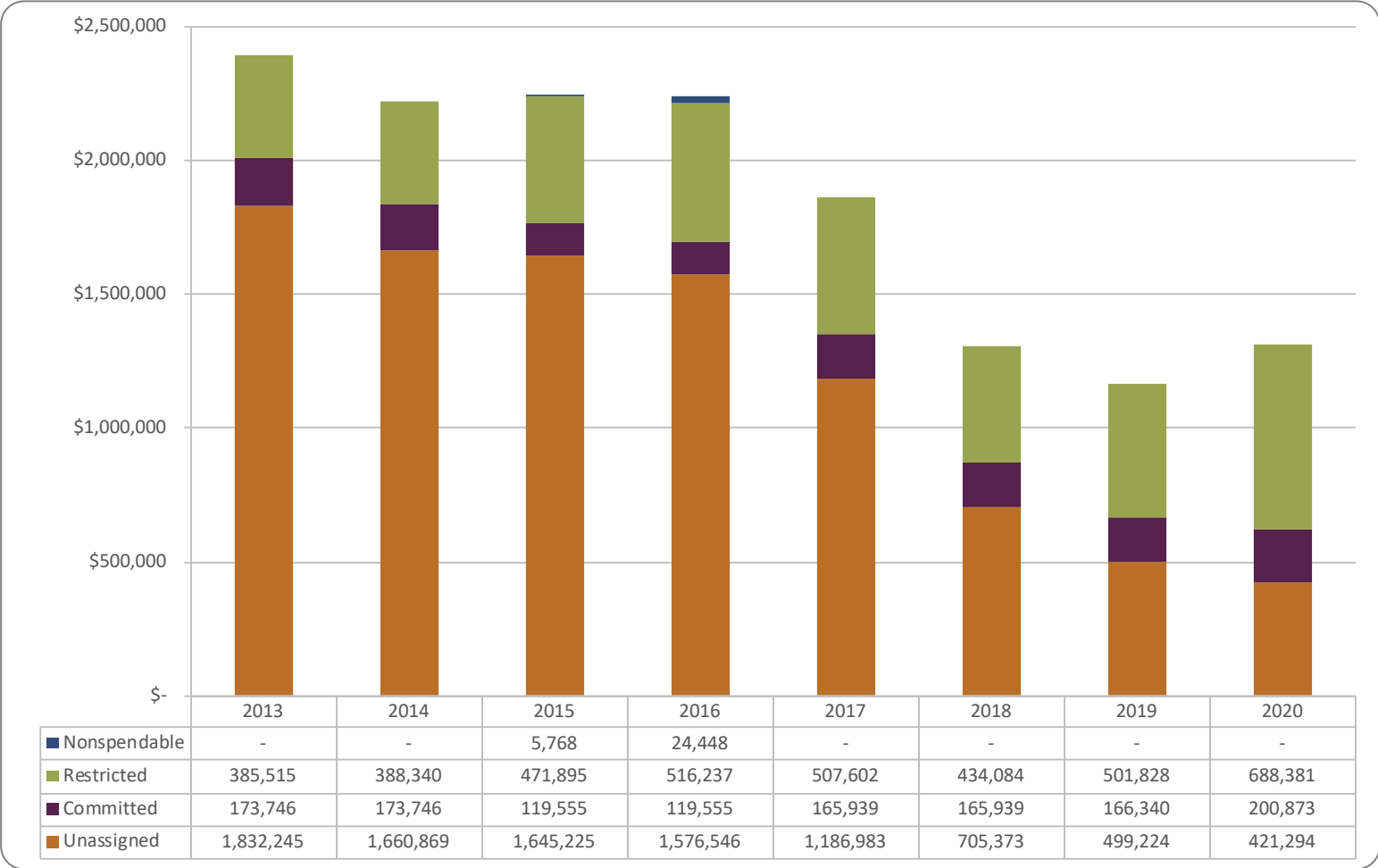
# CHANGES IN FUND BALANCES

Fund Balance: cumulative difference between fund assets and fund liabilities

	Fund Balance Beginning of Year, As Adjusted	Net Change in Fund Balance	Fund Balance End of Year
Restricted for student activities	\$ 147,511	\$ 34,006	\$ 181,517
Restricted for scholarships	118,791	1,150	119,941
Restricted for operating capital	154,193	(44,771)	109,422
Restricted for safe schools	33,637	4,211	37,848
Restricted for long term facilities maintenance	313,998	(74,345)	239,653
Committed for severance	166,340	34,533	200,873
Unassigned	499,224	(77,930)	421,294
	<u>\$ 1,433,694</u>	<u>\$ (123,146)</u>	<u>\$ 1,310,548</u>

# TOTAL FUND BALANCES

Total fund balances of the General Fund for the past eight 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

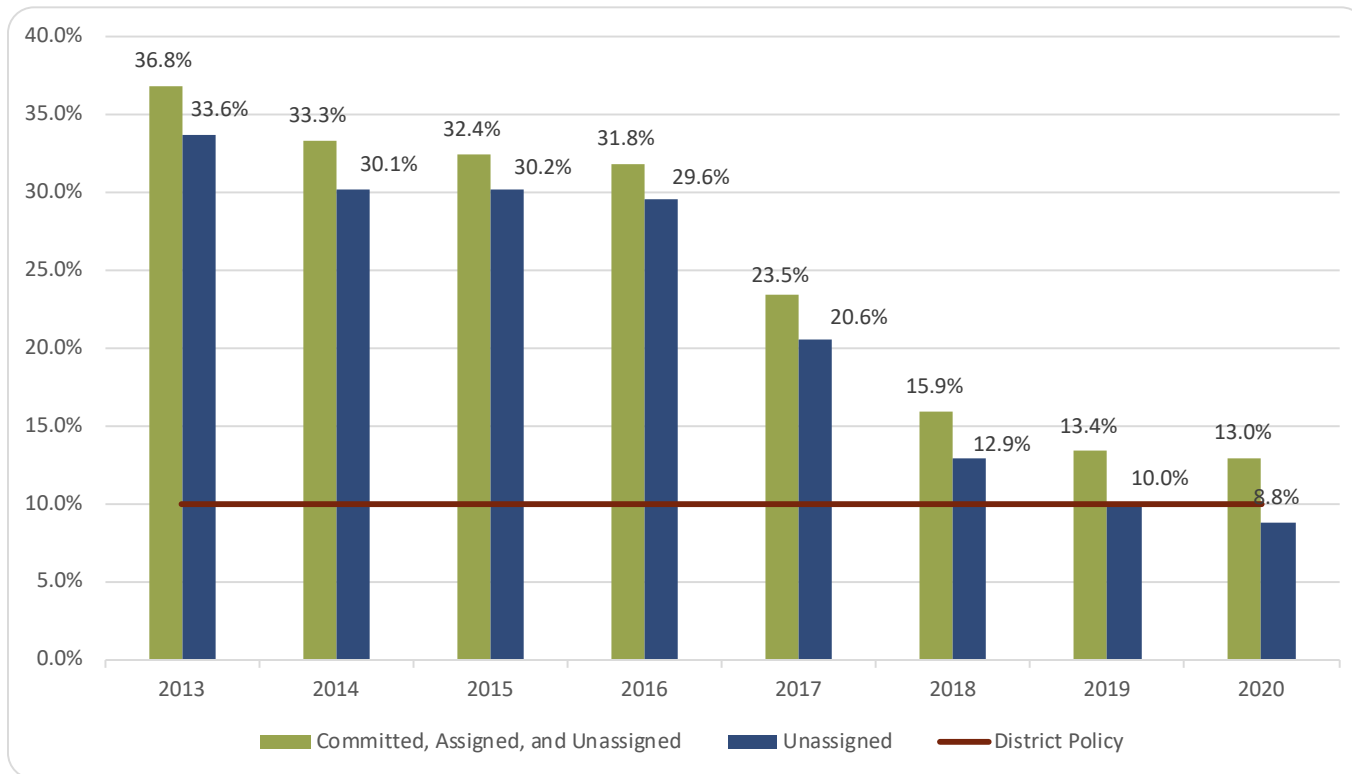
- Special Revenue Funds: approximately 35-50% of fund operating funds
- No less than 5 months of operating expenditures

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 10% of the annual budget. For the current year that target amount is \$480k.

# UNRESTRICTED AND UNASSIGNED FUND BALANCE

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



The maroon line indicates the District's fund balance policy of maintaining a minimum unassigned fund balance of 10% of expenditures

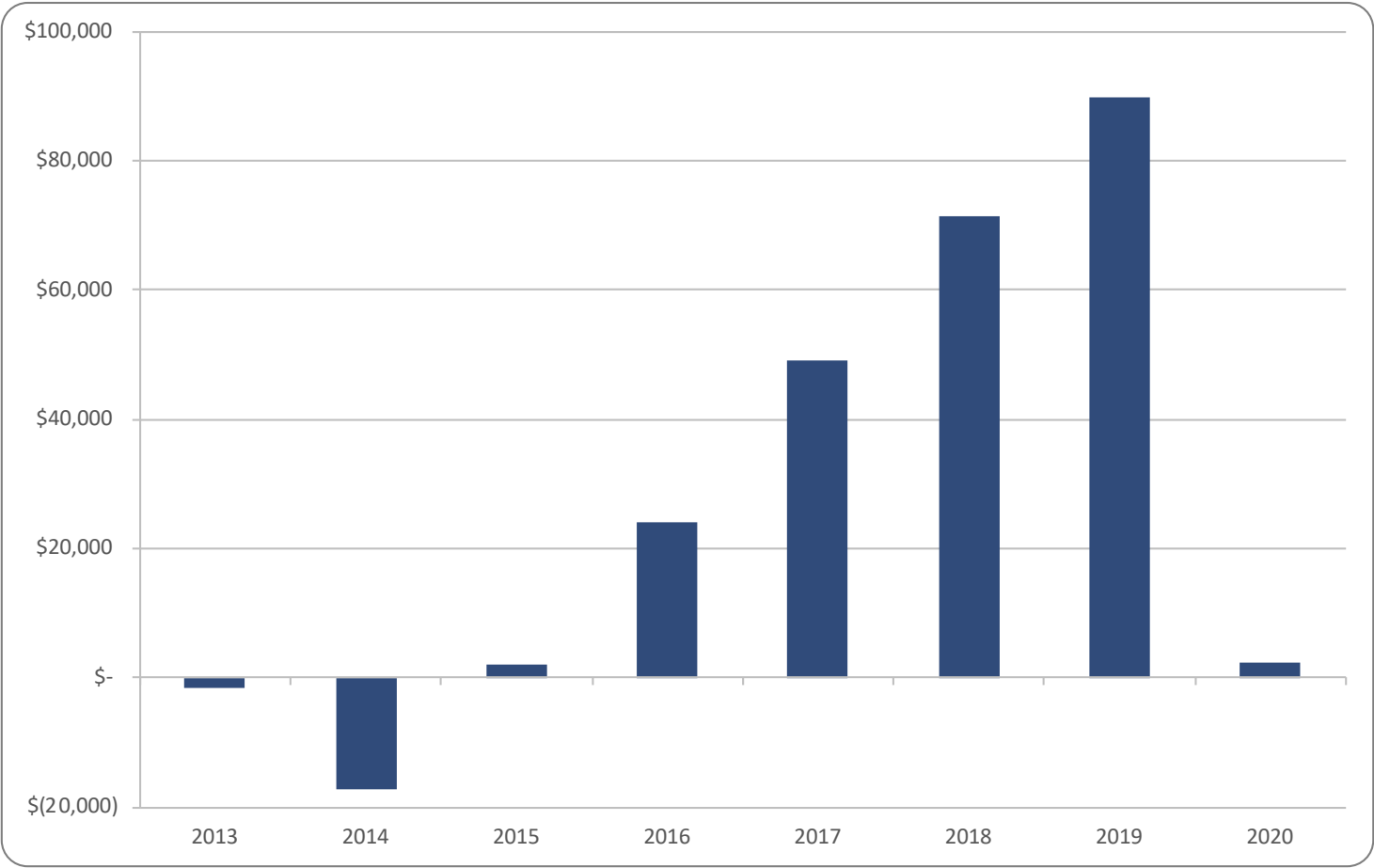




# OTHER FUNDS

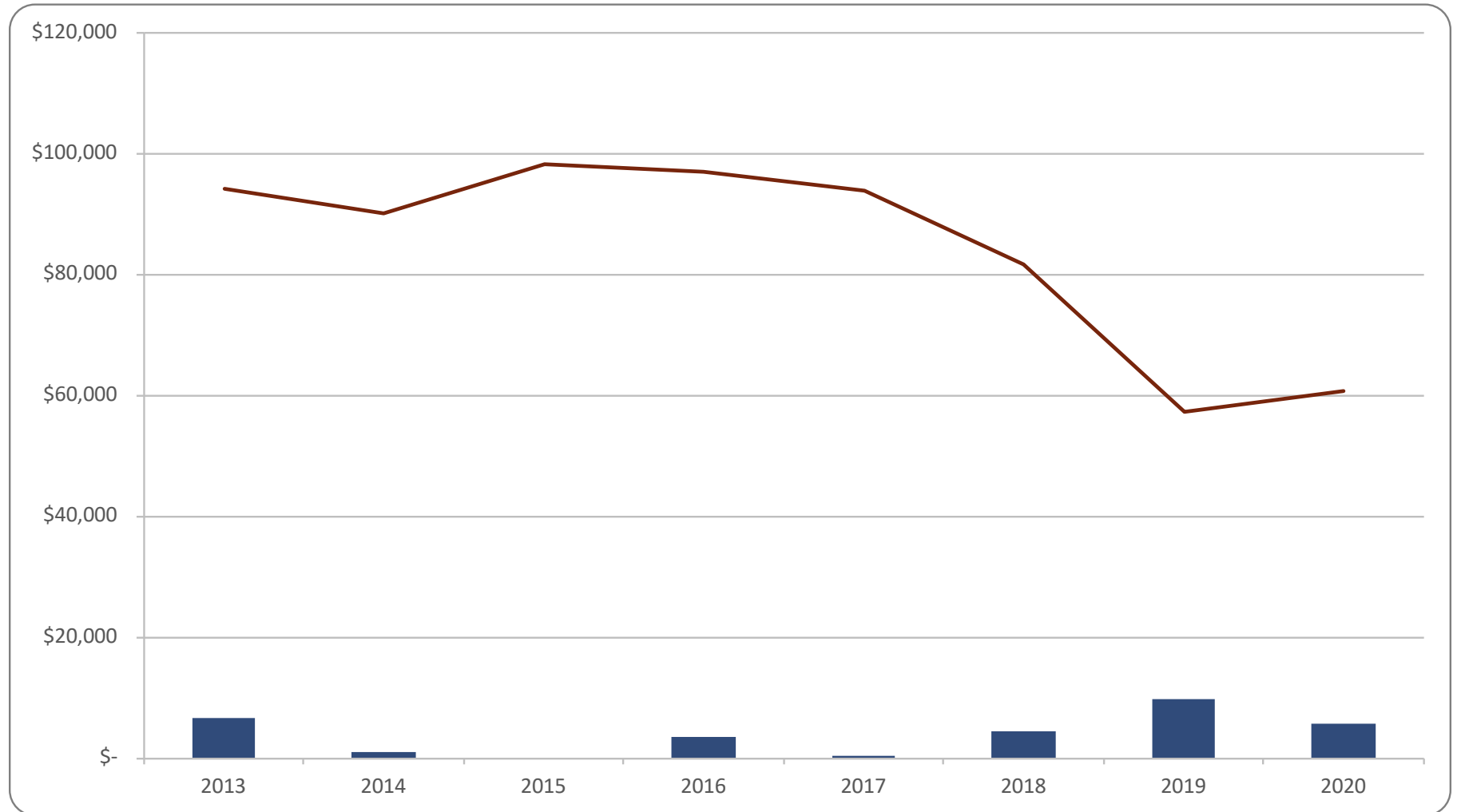
# YEAR-END FUND BALANCE – COMMUNITY SERVICE FUND

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

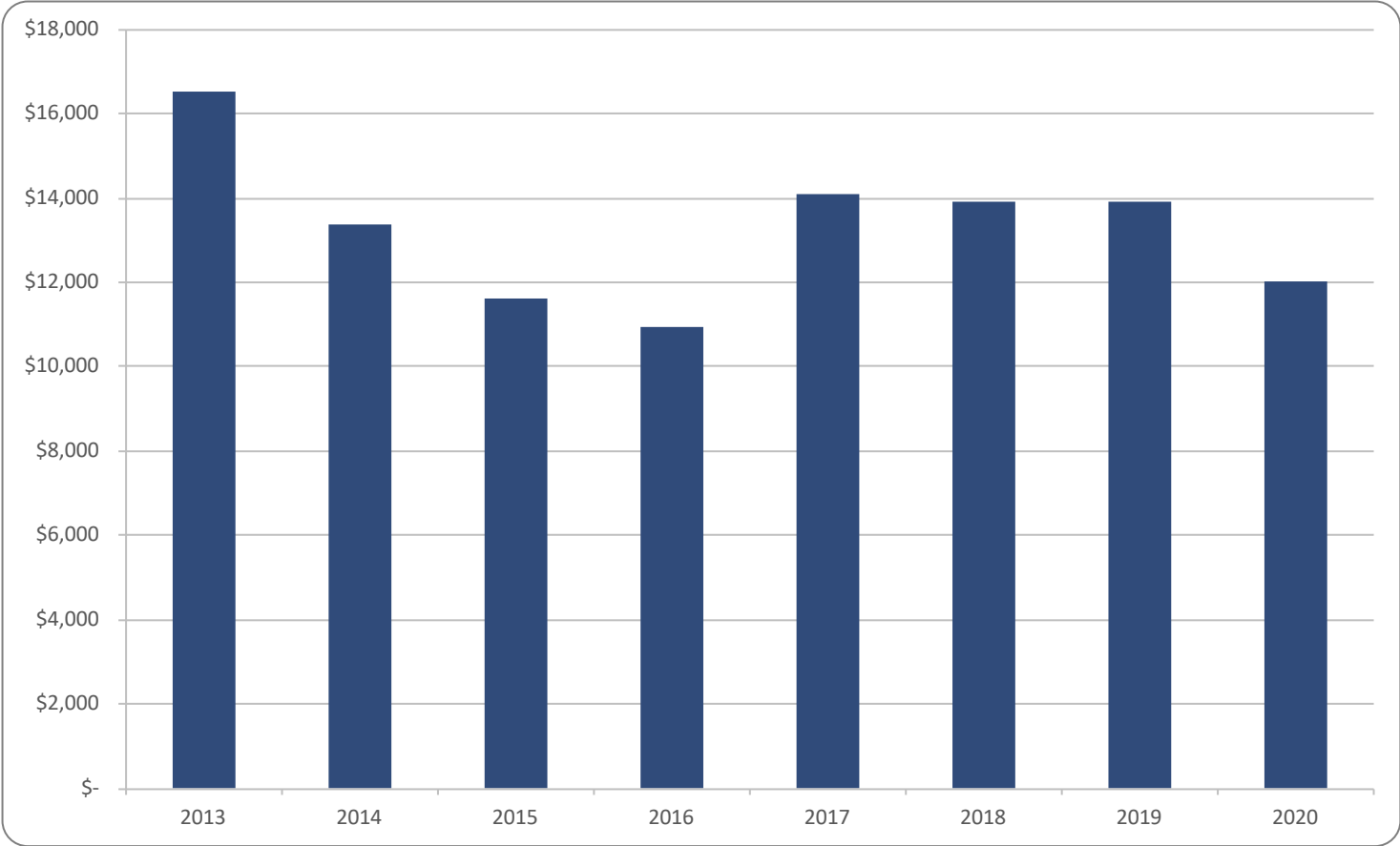
Positive fund balance indicates that revenues of the food service program are



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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**THANK YOU**

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