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MANAGEMENT LETTER

To the Board of Education and Management
Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota 56164

In planning and performing our audit of the financial statements of the Independent School District No. 2689, Pipestone Area Schools, Pipestone, Minnesota, for the year ended June 30, 2024, we considered its compliance with applicable laws and regulations for the purpose of expressing our opinion on the financial statements. In addition, during the process of planning and performing our audit of the financial statements other areas of comment came to our attention, which will be discussed below:

Food Service Net Cash Resource Limitation

Attached is a copy of a publication prepared by the Minnesota Department of Education regarding excess funds in food Service at yearend. This publication describes the computation of excess cash in the Food Service fund. According to their computation, the District has \$176,633 in excess funds. It is our understanding that the District will need to submit a written plan as to how the excess funds will be spent. MDE will notify Districts in January requiring this plan.

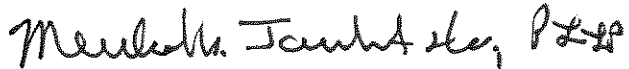
Recommended Adjusting Journal Entries

Attached to this letter is a copy of the recommended year-end adjusting journal entries. Please review these entries. These are the adjustments required to be made in order for your accounting system to be in agreement with the year-end audit. If the adjustments meet with your approval, please instruct your bookkeeper to enter them into SMART Finance for the year ended June 30, 2024.

Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota
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We feel that these comments and observations deserve the attention of the School Board. We would be willing to discuss any of these comments with you at any time. We appreciate the opportunity to provide auditing services to Independent School District No. 2689.

Sincerely,

A handwritten signature in black ink that reads "Meulebroeck, Taubert & Co., PLLP". The signature is written in a cursive style.

Meulebroeck, Taubert & Co., PLLP
Certified Public Accountants
Pipestone, Minnesota

November 19, 2024

ISD #2689 - PIPESTONE AREA SCHOOLS

Adjusting Journal Entries

July 1, 2023 - June 30, 2024

Date	Reference	Account	Description	Debit	Credit
Adjusting Journal Entries					
06/30/24	1		CLIENT PREPARED ENTRY 21286		
		01-206-504-000-000-000	Elem Book Fair		5,552.58
		01-206-516-000-000-000	In and Out	5,552.58	
06/30/24	2		CLIENT PREPARED ENTRY 21285		
		98-141-000-000-000-000	LAND IMPROVEMENTS	100,612.18	
		98-142-000-000-000-000	Building	127,767.71	
		98-143-000-000-000-000	Equipment	104,027.51	
		98-430-000-000-000-000	Investment in General Fixed Assets		332,407.40
06/30/24	3		TO ADJUST SEVERANCE PAYABLE (BB-3)		
		01-418-000-000-000-000	Designation for Separation/Ret	10,240.50	
		01-422-000-000-000-000	Unappropriated		10,240.50
		99-160-000-000-000-000	Available For Severance		10,240.50
		99-260-000-000-000-000	Separation & Severance Payable	10,240.50	
06/30/24	4		TO ADJUST NON SPENDABLE FUND BALANCE		
		01-460-000-000-000-000	Nonspendable Fund Balance		20,768.58
		01-422-000-000-000-000	Unappropriated	20,768.58	
06/30/24	5		TO BALANCE FUND 07 TO FUND 99		
		99-150-000-000-000-000	Amt For Retirement of Bonds	25,799.28	
		99-151-000-000-000-000	Amt Provided from Property Tax		25,799.28
06/30/24	6		CLIENT PREPARED ENTRY 21309		
		01-005-000-000-000-099	Misc Local Revenue	9.93	
		01-206-516-000-000-000	In and Out		9.93
06/30/24	7		CLIENT PREPARED ENTRY 21314		
		01-103-203-000-313-220	Grp Hospitalization	4,870.73	
		01-207-256-000-000-140	Salary-Inst(License)		4,335.48
		01-207-256-000-000-220	Grp Hospitalization		4,870.73
		01-300-211-000-313-140	Salary-Inst(License)	4,335.48	
06/30/24	8		TO ADJUST FUND BALANCES-CLIENT DOES NOT MAKE		
		21-401-913-000-000-000	Baseball	1,254.83	
		21-401-914-000-000-000	Boys Basketball		3,288.69
		21-401-916-000-000-000	Cheerleading		194.24
		21-401-921-000-000-000	Cross Country		892.27
		21-401-922-000-000-000	Res for Student Activities	4,185.10	
		21-401-924-000-000-000	Football Club	1,115.96	
		21-401-925-000-000-000	French Club		1,744.44
		21-401-926-000-000-000	Girls Basketball		3,841.95
		21-401-927-000-000-000	Girls Tennis		1,896.40
		21-401-928-000-000-000	Golf Club	34.47	
		21-401-929-000-000-000	Gymnastics	1,244.76	
		21-401-930-000-000-000	HS Student Council		2,588.43
		21-401-932-000-000-000	Journalism	1,402.80	
		21-401-934-000-000-000	MS Student Council		586.83
		21-401-935-000-000-000	National Honor Society	269.02	
		21-401-937-000-000-000	School Store	19.53	
		21-401-939-000-000-000	Spanish Club	1,760.24	
		21-401-940-000-000-000	Speech	547.93	
		21-401-941-000-000-000	STARS	287.60	
		21-401-942-000-000-000	Swing Choir	460.00	
		21-401-944-000-000-000	Robotics	57.55	

ISD #2689 - PIPESTONE AREA SCHOOLS

Adjusting Journal Entries

July 1, 2023 - June 30, 2024

Date	Reference	Account	Description	Debit	Credit
		21-401-946-000-000-000	Volleyball		202.85
		21-401-948-000-000-000	Wrestling Club	2,076.69	
		21-401-955-000-000-000	Fall Concessions	50.00	
		21-401-957-000-000-000	Prom	1,834.39	
		21-401-958-000-000-000	Homecoming	96.98	
		21-401-964-000-000-000	Class of 2024	6,642.90	
		21-422-000-000-000-000	Unassigned Fund Balance		8,104.65
		01-403-000-000-000-000	Rsvd For Staff Dev	22,182.83	
		01-412-000-000-000-000	Rsvd For Literacy Incentive Aid		52,862.50
		01-424-000-000-000-000	Reserved for Operating Capital	12,009.80	
		01-428-000-000-000-000	Resvd-Learning & Development	105,845.20	
		01-438-000-000-000-000	Reserved for Gifted and Talented		16,052.27
		01-441-000-000-000-000	Rsvd for Basic Skills		26,865.11
		01-449-000-000-000-000	Rsvd Safe Sch - Crime Levy	19,442.13	
		01-467-000-000-000-000	Long Term Deferred Maintenance		83,062.14
		01-472-000-000-000-000	Restricted/Reserved for MA		3,109.21
		01-422-000-000-000-000	Unappropriated	22,471.27	
		04-431-005-000-000-000	RSVD JO Volleyball	5,459.02	
		04-431-000-000-000-000	Fund Balance-Community Education		57,208.94
		04-432-000-000-000-000	Fund Balance-Ecfe		22,106.43
		04-444-000-000-000-000	School Readiness (Fd 04)	107,099.36	
		04-464-000-000-000-000	Restricted Fund Balance		33,243.01
		01-462-001-000-000-000	Assigned Fund Balance Athletic Help Fund	1,522.70	
		01-462-002-000-000-000	Assigned Fund Balance-Help Fune		779.77
		01-462-003-000-000-000	Assigned Fund Balance Elem Help		1,286.21
		01-462-004-000-000-000	Assigned Fund Balance-Arrow Way	1,375.49	
		01-422-000-000-000-000	Unappropriated		832.21
06/30/24	9		CLIENT PREPARED ENTRY 21320		
		02-230-001-000-000-000	Deferred Revenue	478.20	
		02-464-000-000-000-000	Restricted Fund Balance		478.20
Totals for Adjusting Journal Entries				<u>735,451.73</u>	<u>735,451.73</u>
Report Totals				<u>735,451.73</u>	<u>735,451.73</u>

Journal Entry count = 9



Net Cash Resource Limitation in the Nonprofit School Foodservice Fund

Overview

According to Title 7, *Code of Federal Regulations*, sections 210.2, 210.14(b), and 210.19(a)(1), School Food Authorities (SFA) must limit their net cash resources (NCR) to an amount that does not exceed 3 months of average operating expenditures or other amount established by the state agency* in order to maintain its nonprofit status.

**The Minnesota Department of Education (MDE) has temporarily increased the NCR limitation to six months average operating expenditures through school year 2024-25.*

Net cash resources are defined as, "All monies, as determined in accordance with the state agency's established accounting system, that are available to or have accrued to a SFA's nonprofit school food service at any given time, less cash payable. Such monies may include, but are not limited to, cash on hand, cash receivable, earnings on investments, cash on deposit and the value of stocks, bonds, or other negotiable securities."

If net cash resources are greater than 6 months operating expense, the amount greater than 6 months operating expense is considered excess funds. SFAs with excess funds are out of compliance with regulation.

Excess NCR

MDE notifies public SFAs with excess funds in January of each year. These SFAs will be required to submit a written plan to outline how the excess funds will be spent to benefit the foodservice operation.

Non-public SFAs do not submit financial data to MDE for review using the Uniform Financial Accounting and Reporting Standards (UFARS). Therefore, non-public SFAs with excess funds in the school food service account must notify MDE of the amount of excess funds and their plan to reduce excess funds. [Contact MDE \(mde.fns-rmp@state.mn.us\)](mailto:mde.fns-rmp@state.mn.us) for a copy of the spend down plan form that must be submitted to the state agency for review.

The spend down plan should outline your actions to expend these excess funds in a manner designed to **improve the nonprofit school food service operations*** and bring the balance within compliance. **Allowable expenses** that excess funds may be used include:

- Procurement of higher quality food for the school lunch and/or breakfast program
- Food service staff development directly related to food service and nutrition education.
- Increase in the number of food service employees or hours worked by food service employees.
- Increase in salary and benefits for food service employees.

Three Months Average Operating Expense Calculation:

- Total Operating Expense divided by number of full months operation (usually nine months) multiplied by three.
- Compliance is achieved when Net Cash Resources is less than six months operating expenses.

Six Months Average Operating Expense Calculation:

- Total Operating Expense divided by number of full months operation (usually nine months) multiplied by six.
- Compliance is achieved when Net Cash Resources is less than six months operating expenses.

$$\begin{aligned} \text{Exp} \quad 1,025,367 & \div 9 \times 6 \\ & = 683,578 \end{aligned}$$

$$\begin{array}{r} \text{Excess} \quad 860,211 \\ \underline{\quad (683,578)} \\ \hline \underline{\underline{176,633}} \end{array}$$