

Independent School District No. 332

Mora, Minnesota

MANAGEMENT LETTER AND TREND ANALYSIS

June 30, 2018

Althoff and Nordquist, LLC

CERTIFIED PUBLIC ACCOUNTANTS
www.althoffandnordquist.com

505 - SECOND STREET SE
PINE CITY, MINNESOTA 55063
TELEPHONE: 320-629-6185

124 EAST FOREST
MORA, MINNESOTA 55051
TELEPHONE: 320-679-4846

CARL D. NORDQUIST, JR., C.P.A.
ROBERT R. ALTHOFF, C.P.A.

MEMBERS
AMERICAN INSTITUTE OF C.P.A.'S
MINNESOTA SOCIETY OF C.P.A.'S

Members of the School Board
Independent School District No. 332
Mora, Minnesota

The accompanying memorandum includes financial trend information for your District and suggestions for improvement of accounting procedures and internal accounting control measures that came to our attention as a result of our audit of the basic financial statements of Independent School District No. 332, Mora, Minnesota, for the year ended June 30, 2018. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our independent auditors' report dated October 19, 2018 on such statements.

In planning and performing our audit of the basic financial statements of Independent School District No. 332, Mora, Minnesota, for the year ended June 30, 2018, we considered its internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be control deficiencies. Control deficiencies involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report on financial data consistent with the assertions of management in the basic financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education, management, and the State Department of Education and is not intended to be and should not be used by anyone other than these specified parties.



Althoff & Nordquist, LLC
Pine City, Minnesota
October 19, 2018



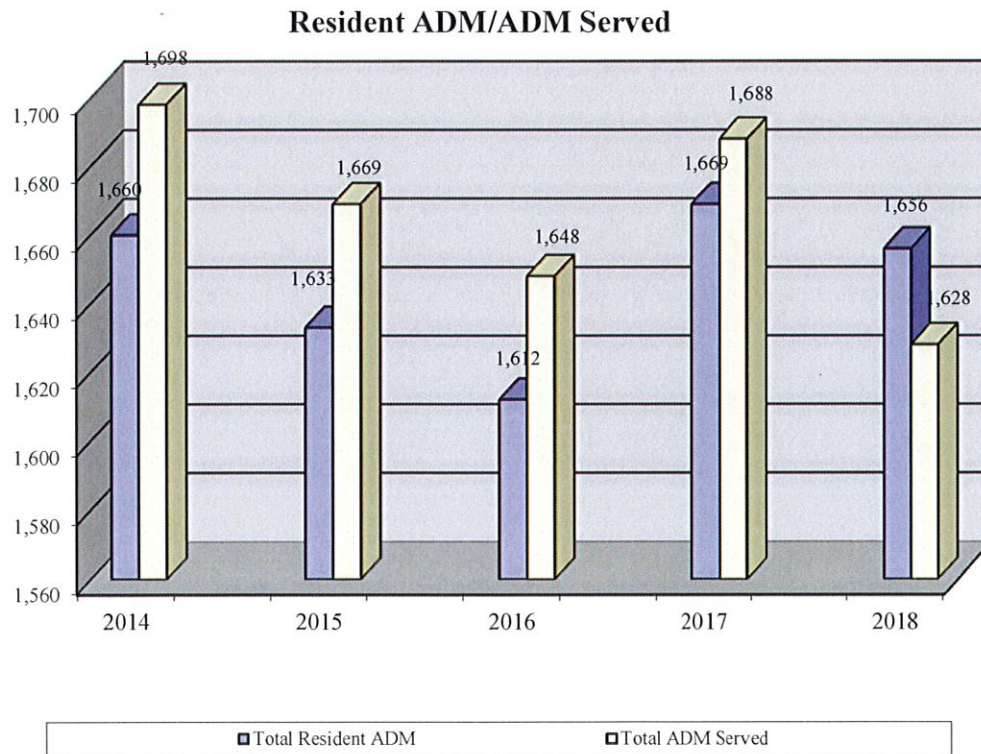
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FINANCIAL TRENDS OF YOUR DISTRICT

Average Daily Membership

The following is a summary of resident average daily membership (ADM) and ADM served of Independent School District No. 332 over the past five years ended June 30. Resident ADM include all residents who are enrolled in the District, educated in another district for whom tuition is paid, or attending another district under enrollment options legislation. Total ADM served includes residents attending the District, nonresident enrollment options students, and resident and nonresident tuition students.

<i>RESIDENT ADM</i>	2014	2015	2016	2017	2018
Kindergarten and Other	129	111	134	146	131
Elementary	774	774	738	757	767
Secondary	757	748	740	766	758
Total Resident ADM	1,660	1,633	1,612	1,669	1,656
Total ADM Served	1,698	1,669	1,648	1,688	1,628



FINANCIAL TRENDS OF YOUR DISTRICT

Average Daily Membership (Continued)

Both resident average daily membership and ADM served have decreased over the last year. Resident ADM served was lower this year and total ADM served for the current year was also lower than the previous year. Total ADM served is higher than resident ADM due to a net open enrollment option gain experienced by the District.

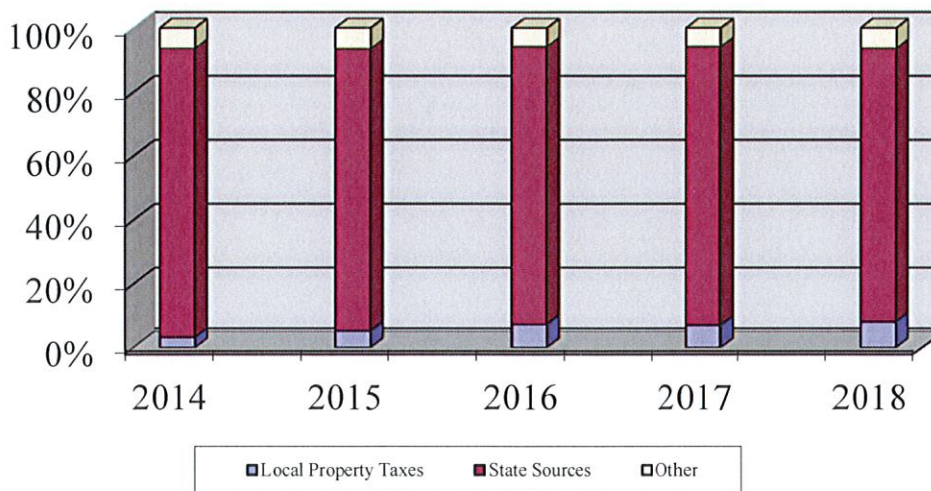
General Fund Sources of Revenue

General Fund sources of revenue are summarized as follows:

<i>For Years Ended June 30</i>	2014	2015	2016	2017	2018
Local Property Taxes	\$ 501,118	\$ 865,643	\$ 1,253,533	\$ 1,282,623	\$ 1,561,986
State Sources	13,981,599	14,590,725	14,966,748	15,905,157	16,418,337
Other	997,866	1,081,986	1,014,743	1,069,142	1,232,061
Totals	\$ 15,480,583	\$ 16,538,354	\$ 17,235,024	\$ 18,256,922	\$ 19,212,384

For fiscal year 2018, there was an increase in property tax revenues, an increase in state revenues, and an increase in other revenues, resulting in an overall 5.2% increase in revenues. \$583,049 of year 2018 revenues are federal revenues in the other category for this graph. State and other revenues were 91.87% of general fund revenue in 2018, compared to 96.76% in 2014. General fund revenues for the past five years are portrayed in the following graph:

General Fund Sources of Revenue



FINANCIAL TRENDS OF YOUR DISTRICT

General Fund Operations

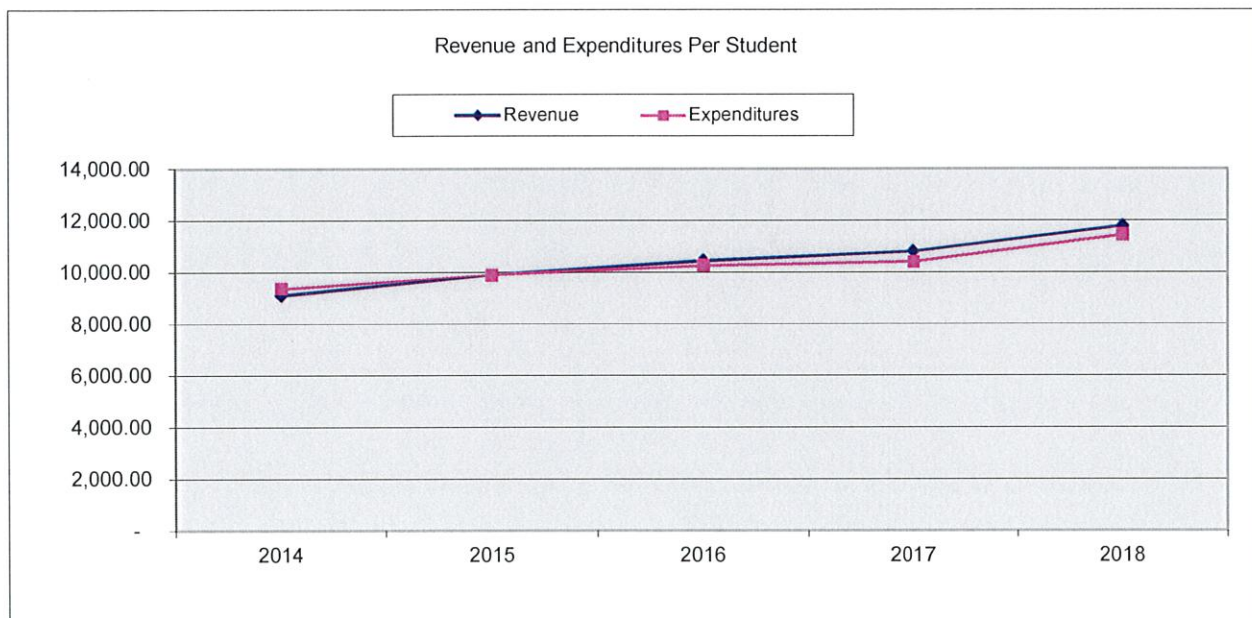
The following table presents five years of comparative operating results for the District's general fund:

<i>For Year ended June 30</i>	2014	2015	2016	2017	2018
Revenues	\$ 15,480,583	\$ 16,538,354	\$ 17,235,024	\$ 18,256,922	\$ 19,212,384
Expenditures	(15,942,777)	(16,544,369)	(16,950,235)	(17,603,812)	(18,664,412)
Excess of Revenues Over					
(Under) Expenditures	(462,194)	(6,015)	284,789	653,110	547,972
Sale of Assets	448	--	--	--	--
Fund Balances, July 1	3,537,895	3,076,149	3,070,134	3,354,923	4,008,033
Fund Balances, June 30	\$ 3,076,149	\$ 3,070,134	\$ 3,354,923	\$ 4,008,033	\$ 4,556,005

Components of Fund Balances:

Unassigned/Unreserved:					
Unassigned/Undesignated	\$ 2,161,799	\$ 2,470,594	\$ 2,833,963	\$ 3,211,871	\$ 3,419,775
Nonspendable	213,810	52,942	31,641	19,775	163,172
Assigned	--	--	--	--	106,579
Restricted/Reserved for:					
Staff development	4,178	4,778	4,678	4,622	4,013
Severance	135,636	--	--	--	--
Basic skills ext time	--	--	--	--	2,992
LTFM	--	--	--	632,929	768,009
Medical assistance	--	--	--	50,941	65,008
Pilt	--	--	--	--	2,037
Deferred maintenance	563,195	528,534	431,711	--	--
Operating capital	13,879	35,753	128,782	75,638	30,232
Health & safety	(16,348)	(22,467)	(75,852)	12,257	(5,812)
Fund Balances, June 30	\$ 3,076,149	\$ 3,070,134	\$ 3,354,923	\$ 4,008,033	\$ 4,556,005

During fiscal year 2018, General fund revenues exceeded expenditures by \$567,356. The fund balance is at a positive 24.41% of expenditures, which is enough to cover 3.6 months at 2018 expenditures level.

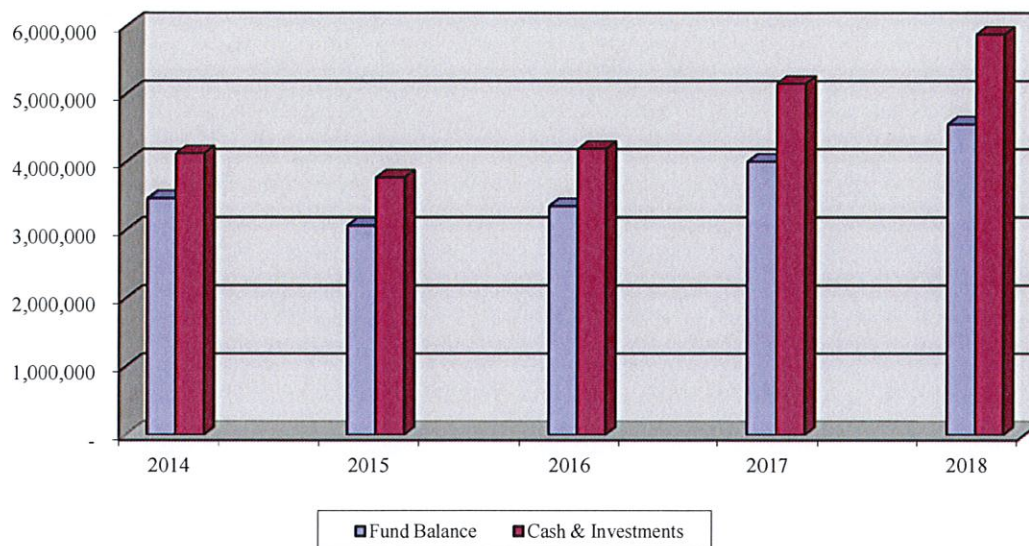


FINANCIAL TRENDS OF YOUR DISTRICT

General Fund Operations (Continued)

The following graph compares the general fund balance and cash balance for each of the last five years.

General Fund Financial Position at June 30

**Food Service Fund**

The following table presents comparative operating results for the District's food service fund:

<i>For Year Ended June 30</i>	2014	2015	2016	2017	2018
Revenues	\$ 688,433	\$ 750,008	\$ 773,824	\$ 810,947	\$ 766,266
Expenditures	(650,210)	(667,517)	(693,339)	(712,627)	(737,602)
Excess of Revenues Over (Under) Expenditures	\$ 38,223	\$ 82,491	\$ 80,485	\$ 98,320	\$ 28,664
Fund Balances, July 1	82,370	120,593	203,084	283,569	381,889
Fund Balances, June 30	\$ 120,593	\$ 203,084	\$ 283,569	\$ 381,889	\$ 410,553

Food service fund revenues exceeded expenditures by \$28,664 for fiscal year 2018. The fund balance remains positive, equaling 55.66% of annual expenditures.

FINANCIAL TRENDS OF YOUR DISTRICT

Community Service Fund

The following table presents comparative operating results for the District's community service fund:

<i>For Year Ended June 30</i>	2014	2015	2016	2017	2018
Revenues	\$ 409,382	\$ 448,733	\$ 469,083	\$ 515,961	\$ 565,545
Expenditures	(384,333)	(413,352)	(440,802)	(457,177)	(519,135)
Excess of Revenues Over (Under) Expenditures	25,049	35,381	28,281	58,784	46,410
Fund Balances, July 1	86,517	111,566	146,947	175,228	234,012
Fund Balances, June 30	\$ 111,566	\$ 146,947	\$ 175,228	\$ 234,012	\$ 280,422
<i>Components of Fund Balances:</i>					
Nonspendable	\$ --	\$ 2,705	\$ 1,636	\$ --	\$ --
Restricted/Reserved for:					
Other purposes	4,310	1,489	3,325	2,459	195
Community education	61,354	79,115	67,038	88,418	87,680
ECFE	32,510	43,258	46,855	47,536	48,203
School readiness	13,392	20,380	56,374	95,599	144,344
Fund Balances, June 30	\$ 111,566	# \$ 146,947	# \$ 175,228	# \$ 234,012	# \$ 280,422

The community service fund revenues exceeded expenditures for all 5 years. The fund balance remains in a positive position. On a regular basis, the District's administration should perform an analysis of each community service program to determine if fees, aids, and taxes are adequately covering the costs of each program, and determine if each program is performing as anticipated.

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COMMUNICATION OF CONTROLS NO MATERIAL WEAKNESSES IN INTERNAL CONTROL

Members of the School Board
Independent School District No. 332
Mora, Minnesota 55051

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the remaining fund information of Independent School District No. 332, Mora, Minnesota as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered Independent School District No. 332, Mora, Minnesota's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected and corrected by the district's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, members of the School Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.



Althoff & Nordquist LLC
Pine City, Minnesota 55063
October 19, 2018



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