



# INDEPENDENT SCHOOL DISTRICT NO. 108

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:

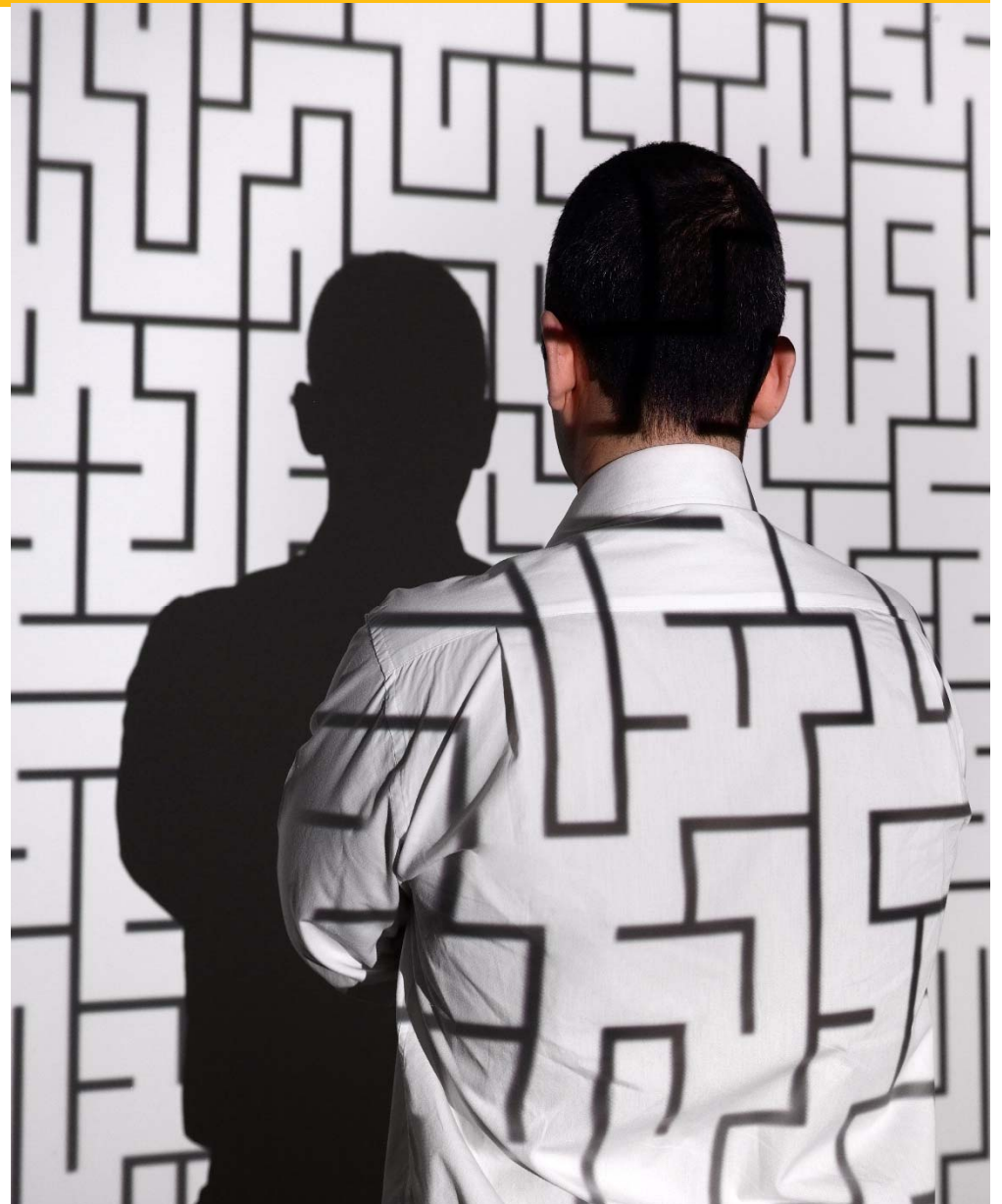
1. Segregation of Duties
2. Preparation of Financial Statements
3. Material Journal Entries

## Student Activities:

1. None

## Minnesota Legal Compliance:

1. None



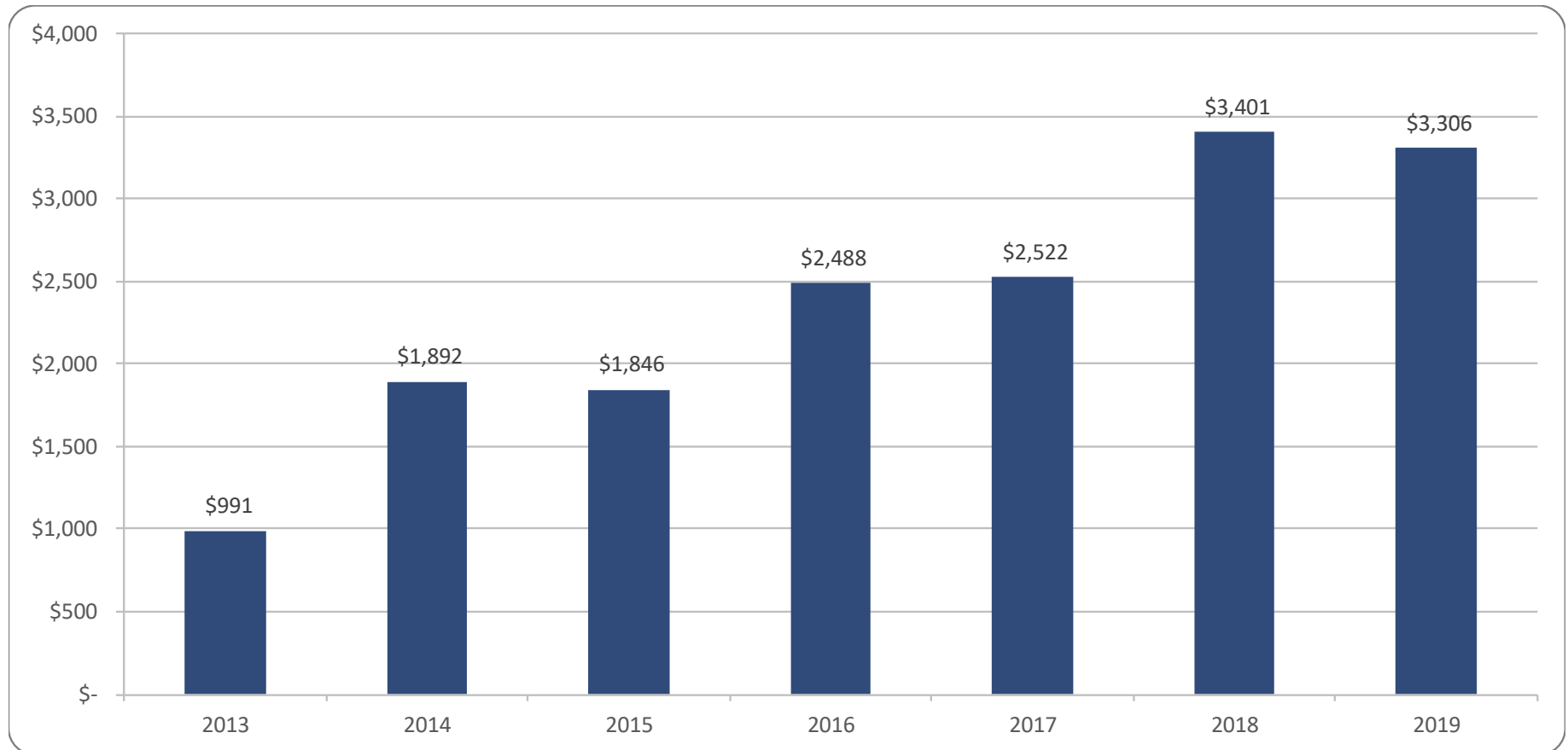


# CASH AND INVESTMENTS

# CASH/INVESTMENTS

Most significantly affected by the state aid payments structure.

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

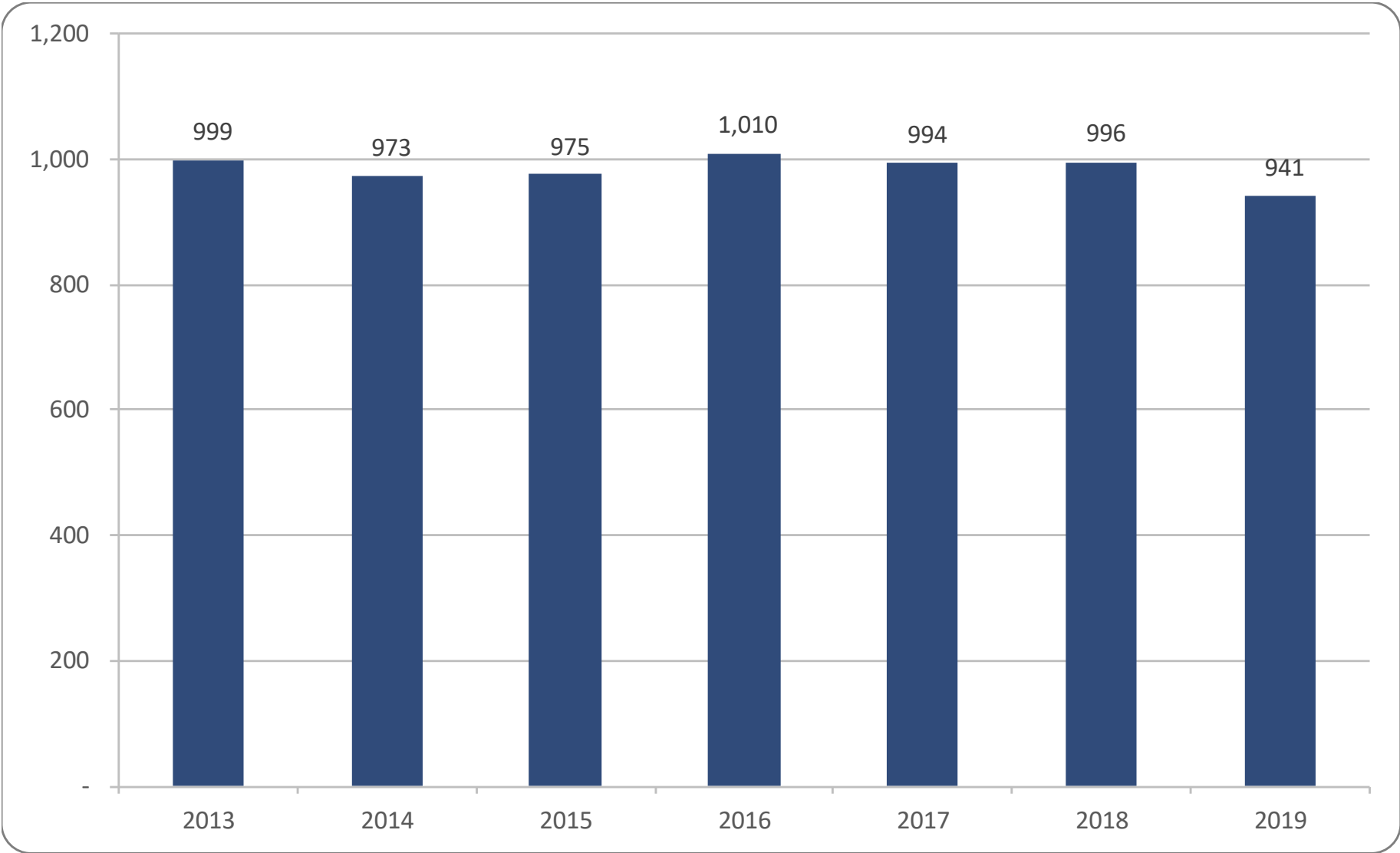




# GENERAL FUND



# ADM SERVED

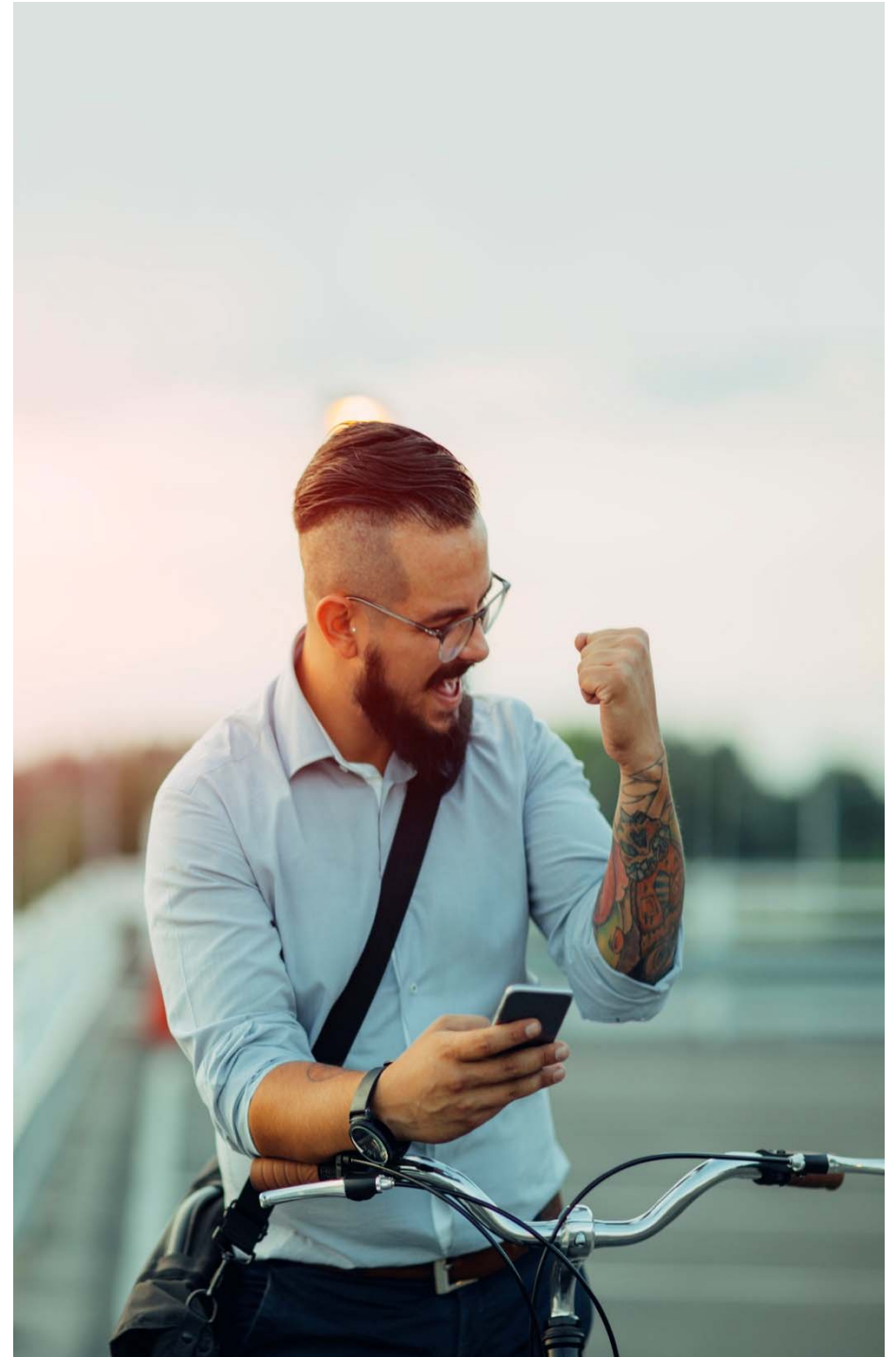


# BUDGET TO ACTUAL

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
State sources	\$ 8,239,252	\$ 8,131,863	\$ 8,570,358	\$ 438,495
Local levies	1,450,653	1,439,159	1,648,921	209,762
Federal sources	358,221	330,801	311,169	(19,632)
Other	224,167	271,413	317,907	46,494
	<u>10,272,293</u>	<u>10,173,236</u>	<u>10,848,355</u>	<u>675,119</u>
				<b>6.6%</b>
				<b>Positive</b>
Expenditures				
Regular instruction	5,000,840	4,965,487	5,320,048	(354,561)
Administration and district support services	1,126,310	1,144,247	1,149,442	(5,195)
Special education instruction	1,796,058	1,882,221	1,704,862	177,359
Instructional and pupil support services	1,242,846	1,234,495	1,348,613	(114,118)
Sites and buildings	1,126,153	1,380,907	1,428,030	(47,123)
Other	52,000	52,000	48,551	3,449
	<u>10,344,207</u>	<u>10,659,357</u>	<u>10,999,546</u>	<u>(340,189)</u>
				<b>-3.2%</b>
				<b>Negative</b>
Revenues under Expenditures	(71,914)	(486,121)	(151,191)	334,930
Other Financing Sources (Uses)				
Sale of equipment	-	13,405	12,138	1,267
Net Change in Fund Balance	<u>\$ (71,914)</u>	<u>\$ (486,121)</u>	<u>(151,191)</u>	<u>\$ 334,930</u>
Fund Balance, Beginning of Year			<u>1,729,286</u>	
Fund Balance, End of Year			<u>\$ 1,590,233</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

	Fund Balance Beginning of Year	Net Change in Fund Balance	Fund Balance End of Year
Nonspendable	\$ 10,096	\$ (154)	\$ 9,942
Restricted for health and safety	(12,793)	12,793	-
Restricted for operating capital	26,902	(26,902)	-
Restricted for disabled accessibility	1,078	-	1,078
Restricted for long-term facilities maintenance	77,761	113,932	191,693
Restricted for medical assistance	69,252	33,552	102,804
Unassigned	<u>1,556,990</u>	<u>(272,274)</u>	<u>1,284,716</u>
	<u>\$ 1,729,286</u>	<u>\$ (139,053)</u>	<u>\$ 1,590,233</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

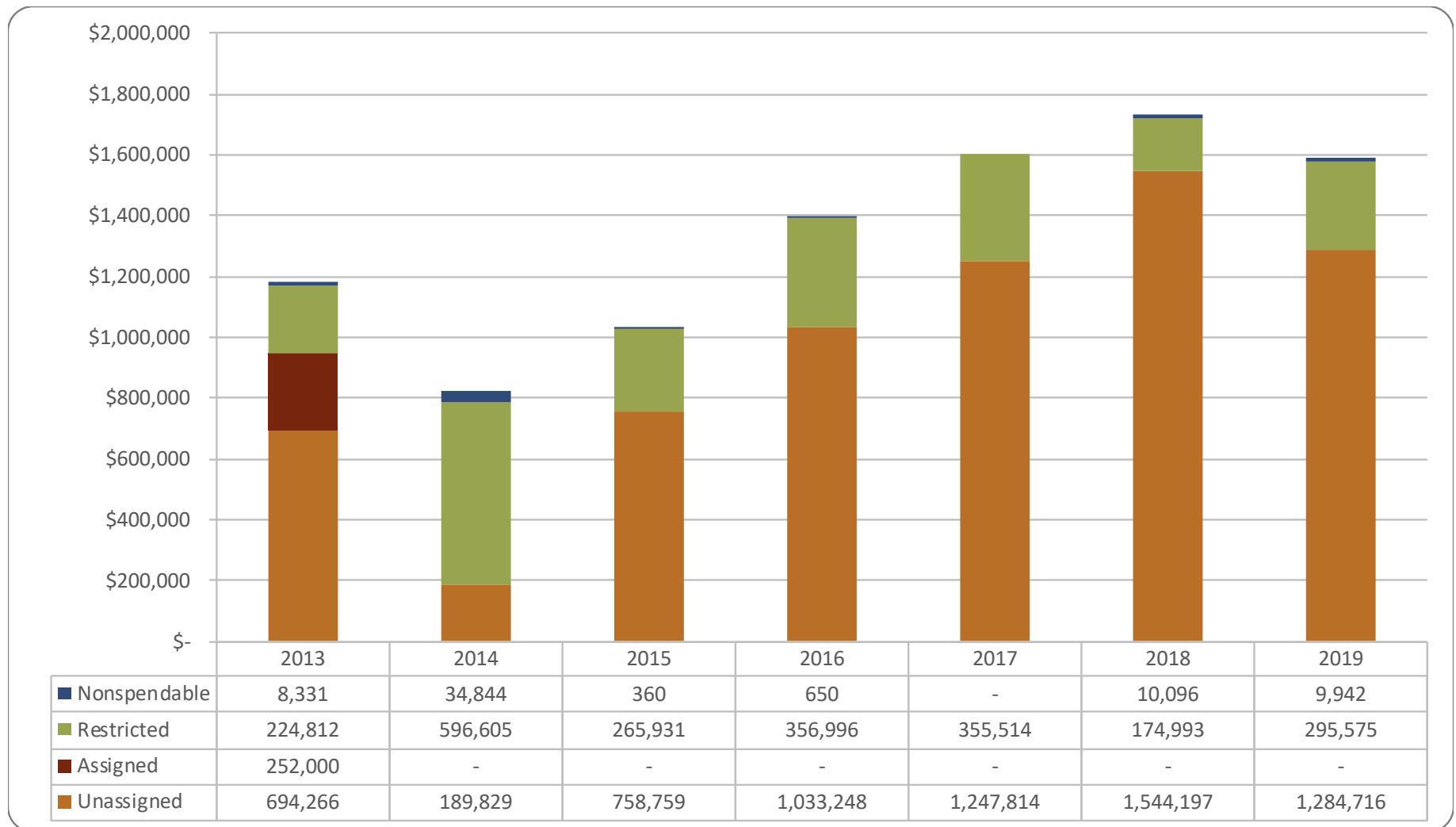
## Unassigned

Reserves

“Rainy day” fund

# TOTAL FUND BALANCES

Total fund balances of the General Fund for the past 7 years:



# RECOMMENDATIONS REGARDING FUND BALANCES

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**State of Minnesota Office of the State Auditor (OSA):** at year-end, local governments maintain an unrestricted fund balance in their general fund

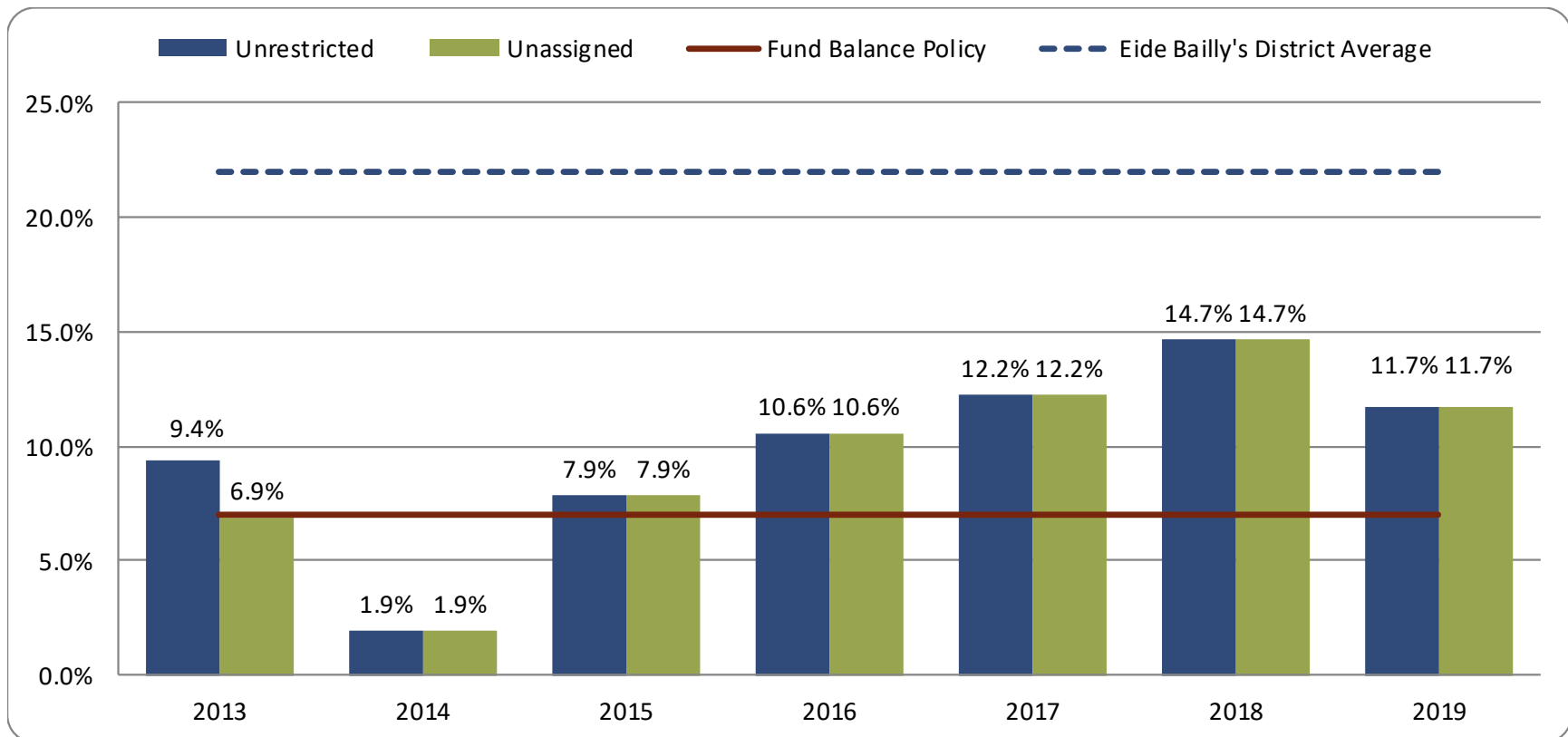
- Special Revenue Funds: approximately 35-50% of fund operating funds
- No less than 5 months of operating expenditures

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 7% of the annual budget. For the current year that target amount is \$770k.

# UNASSIGNED FUND BALANCE

The District's unassigned fund balance as a percentage of expenditures in the General Fund for the last 7 years



The maroon line indicates the District's fund balance policy of maintaining an unassigned fund balance of 7% of expenditures

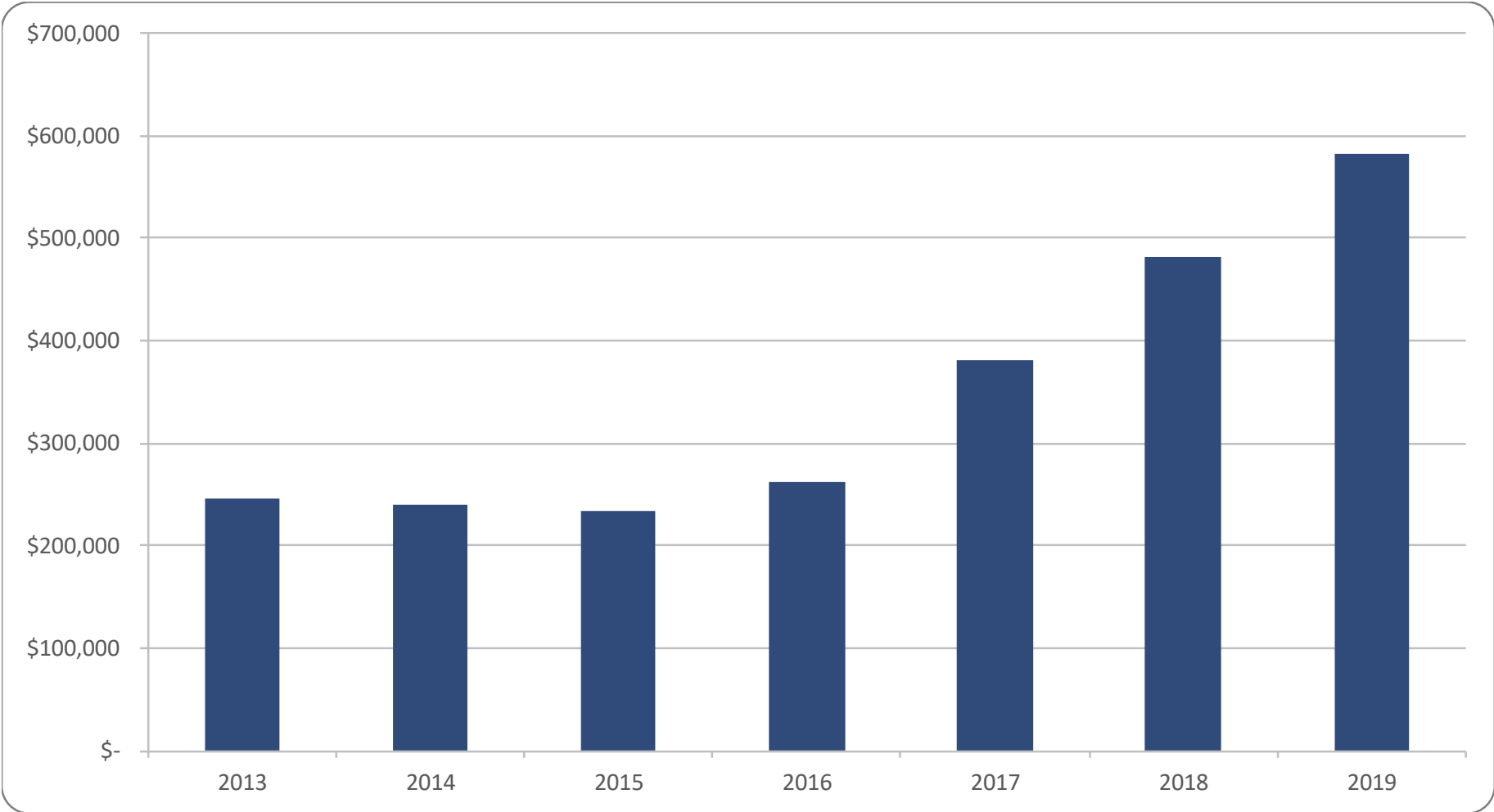




# OTHER FUNDS

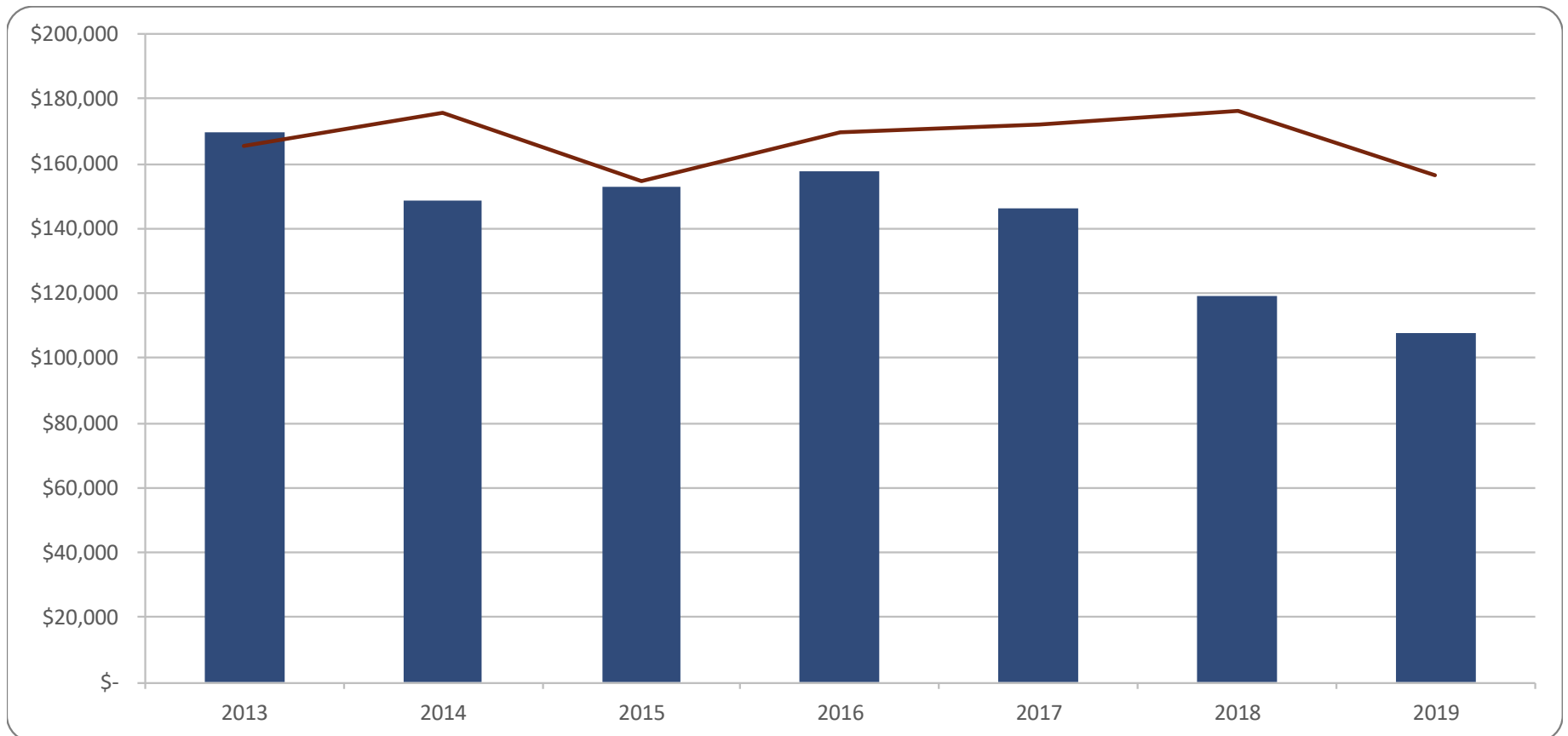
# YEAR-END FUND BALANCE – COMMUNITY SERVICE FUND

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

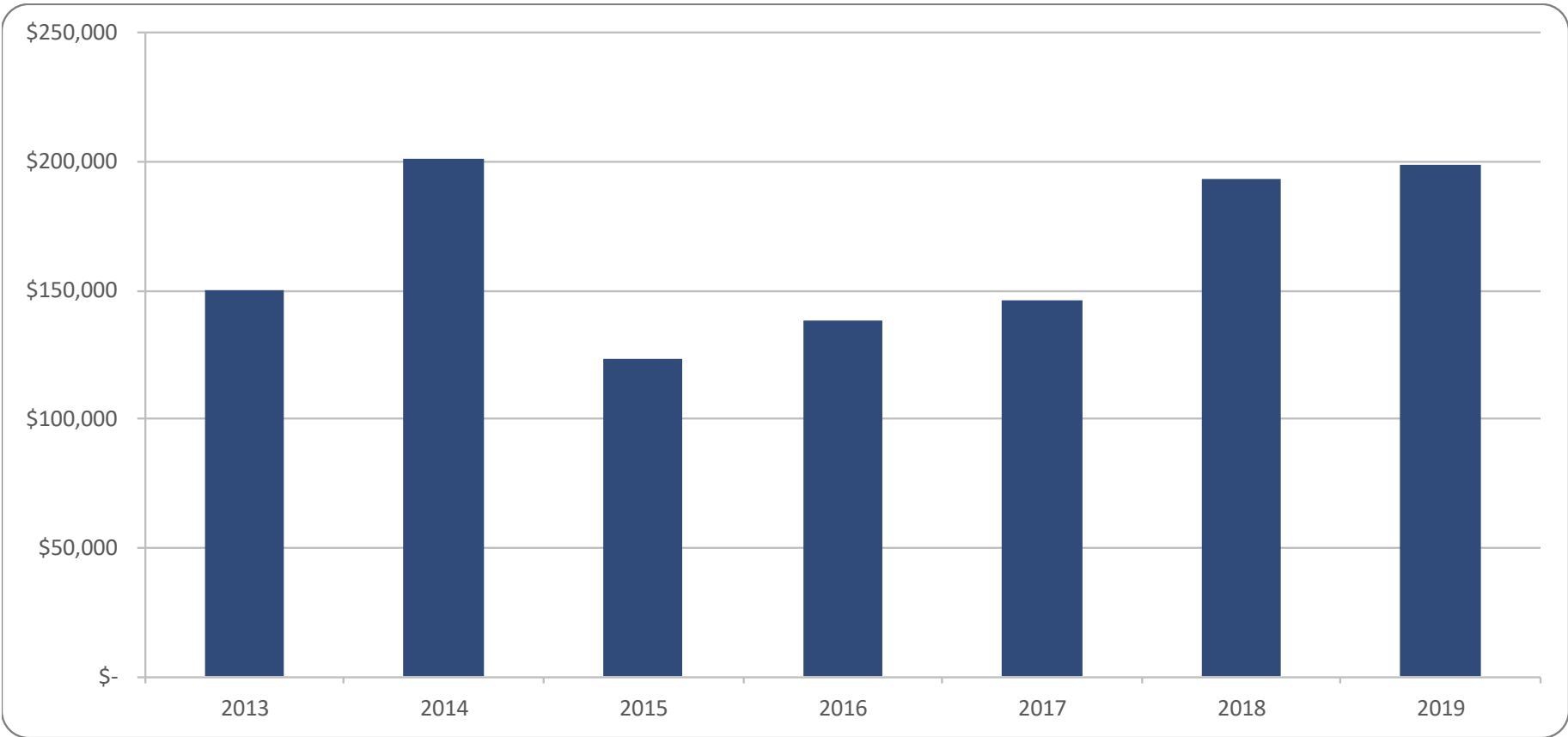
Positive fund balance indicates that revenues of the food service program are sufficient to cover the expenditures of the program.



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

# YEAR END FUND BALANCE – DEBT SERVICE 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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