



INDEPENDENT SCHOOL DISTRICT NO. 2448

Executive Summary - June 30, 2021



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 OF FEDERAL FUNDS

- All entities with federal award expenditures of \$750,000+ in a year are required to obtain an annual audit
- Single audit – considers compliance with rules and regulation of applicable federal awards
- The District received an unmodified opinion on compliance for the major federal awards programs report



During 2021, the District expended approximately \$1.4 million in Federal awards.



AUDIT FINDINGS

FINDINGS

Financial Statements:

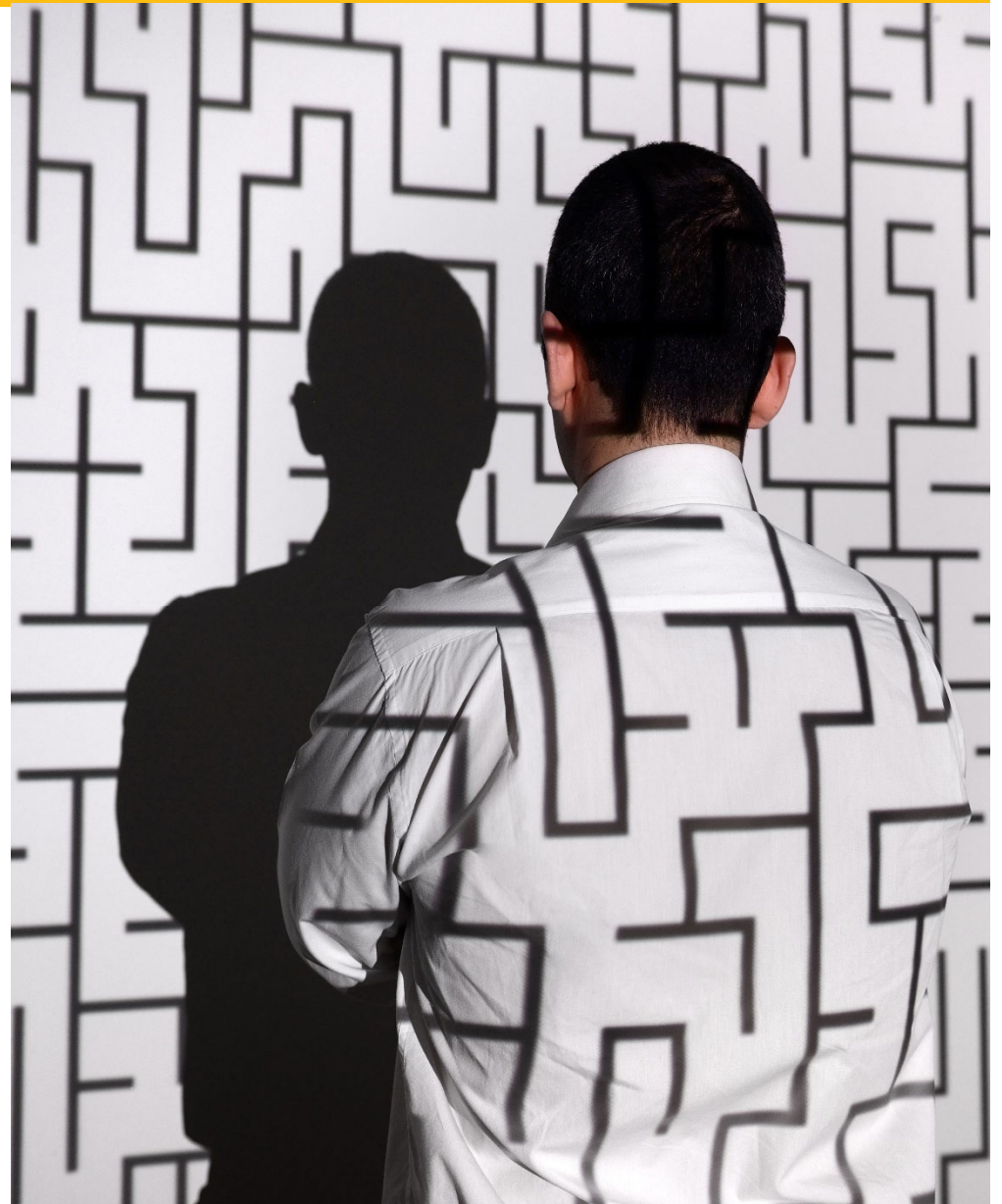
1. **Segregation of Duties**
2. **Material Journal Entries**
3. **Preparation of Financial Statements, including the Schedule of Expenditures of Federal Awards**

Minnesota Legal Compliance:

1. **None**

Major Federal Awards Program:

1. **Lack of internal control procedures over reimbursement report approval**



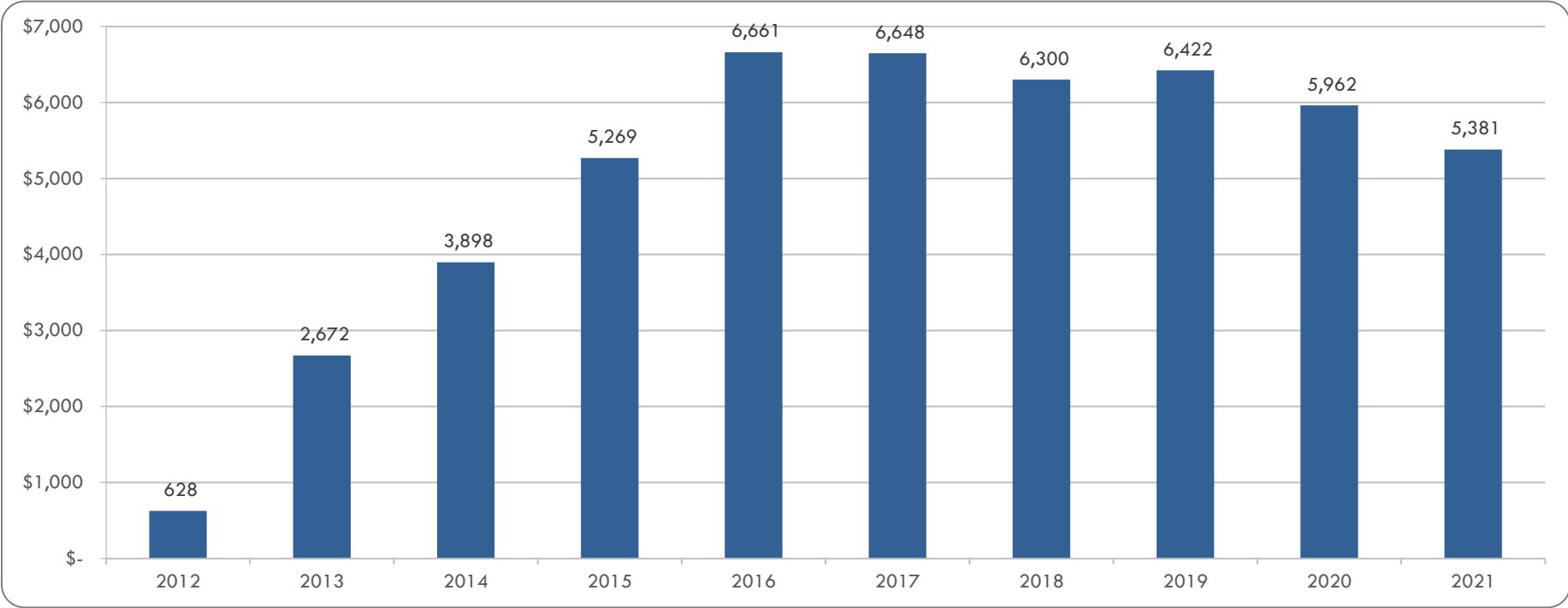


CASH AND INVESTMENTS

CASH/INVESTMENTS

Most significantly affected by the state aid payment structure.

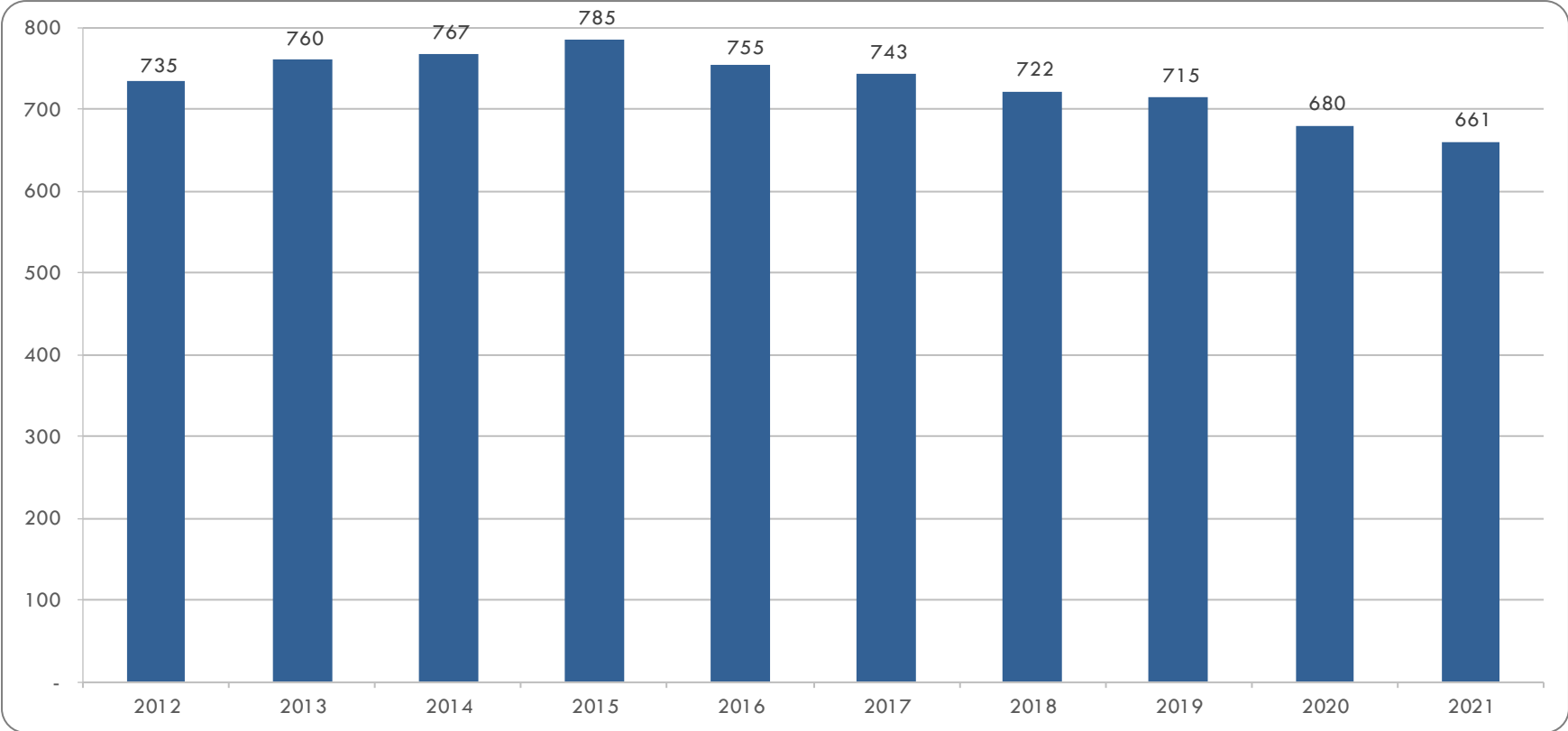
Balances (in thousands) of the District for the past ten years:





GENERAL FUND

ADM SERVED

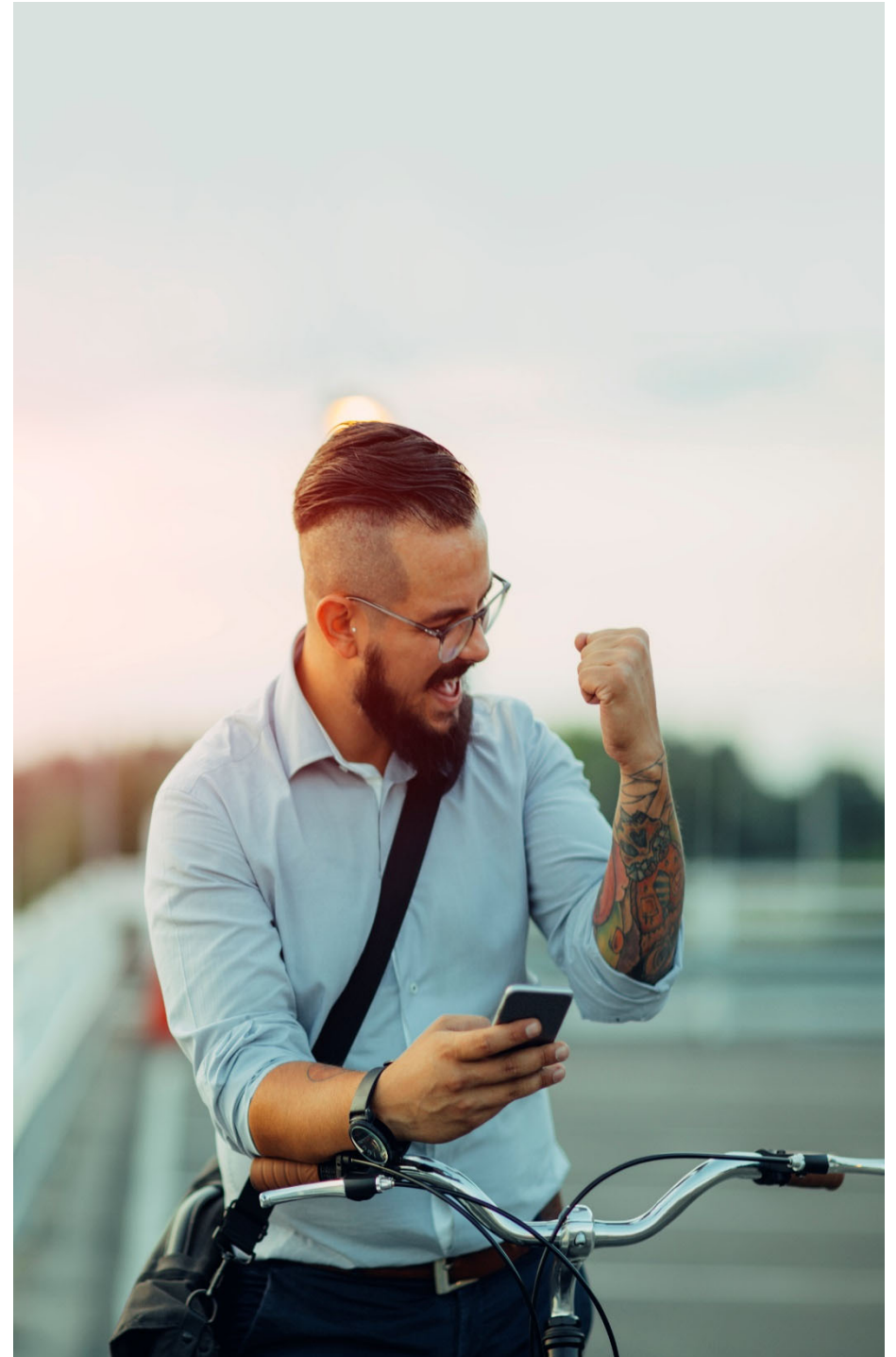


BUDGET TO ACTUAL

	Final Budget	Actual	Variance With Final Budget
Revenues			
Local levies	\$ 1,312,088	\$ 1,296,035	\$ (16,053)
State sources	6,759,122	6,756,323	(2,799)
Federal sources	114,400	975,075	860,675
Other local and county sources	550,786	499,824	(50,962)
Total revenues	<u>8,736,396</u>	<u>9,527,257</u>	<u>790,861</u>
			9.1%
			Positive
Expenditures			
Current			
Regular instruction	4,000,208	3,762,967	237,241
Administration and district support services	1,141,417	1,328,549	(187,132)
Vocational instruction	233,275	261,152	(27,877)
Special education instruction	1,316,705	1,419,853	(103,148)
Instructional and pupil support services	947,398	1,116,123	(168,725)
Sites and buildings	1,246,790	1,166,672	80,118
Fiscal and other fixed cost programs	231,500	224,467	7,033
Total expenditures	<u>9,220,143</u>	<u>9,378,946</u>	<u>(158,803)</u>
			-1.7%
			Negative
Net Change in Fund Balance	<u>\$ (483,747)</u>	148,311	<u>\$ 632,058</u>
Fund Balance, Beginning of Year		<u>4,129,346</u>	
Fund Balance, End of Year		<u>\$ 4,277,657</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 (Deficit) Beginning of Year	Net Change in Fund Balance	Fund Balance (Deficit) End of Year
Nonspendable	\$ 125,485	\$ 44,538	\$ 170,023
Restricted for student activities	-	186,555	186,555
Restricted for operating capital	553,930	(152,943)	400,987
Restricted for achievement and integration	6,259	3,849	10,108
Restricted for safe school - crime levy	9,262	23,718	32,980
Restricted for long term facilities maintenance	366,579	(54,662)	311,917
Committed for severance	150,000	(67,487)	82,513
Unassigned	2,917,831	164,743	3,082,574
	<u>\$ 4,129,346</u>	<u>\$ 148,311</u>	<u>\$ 4,277,657</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

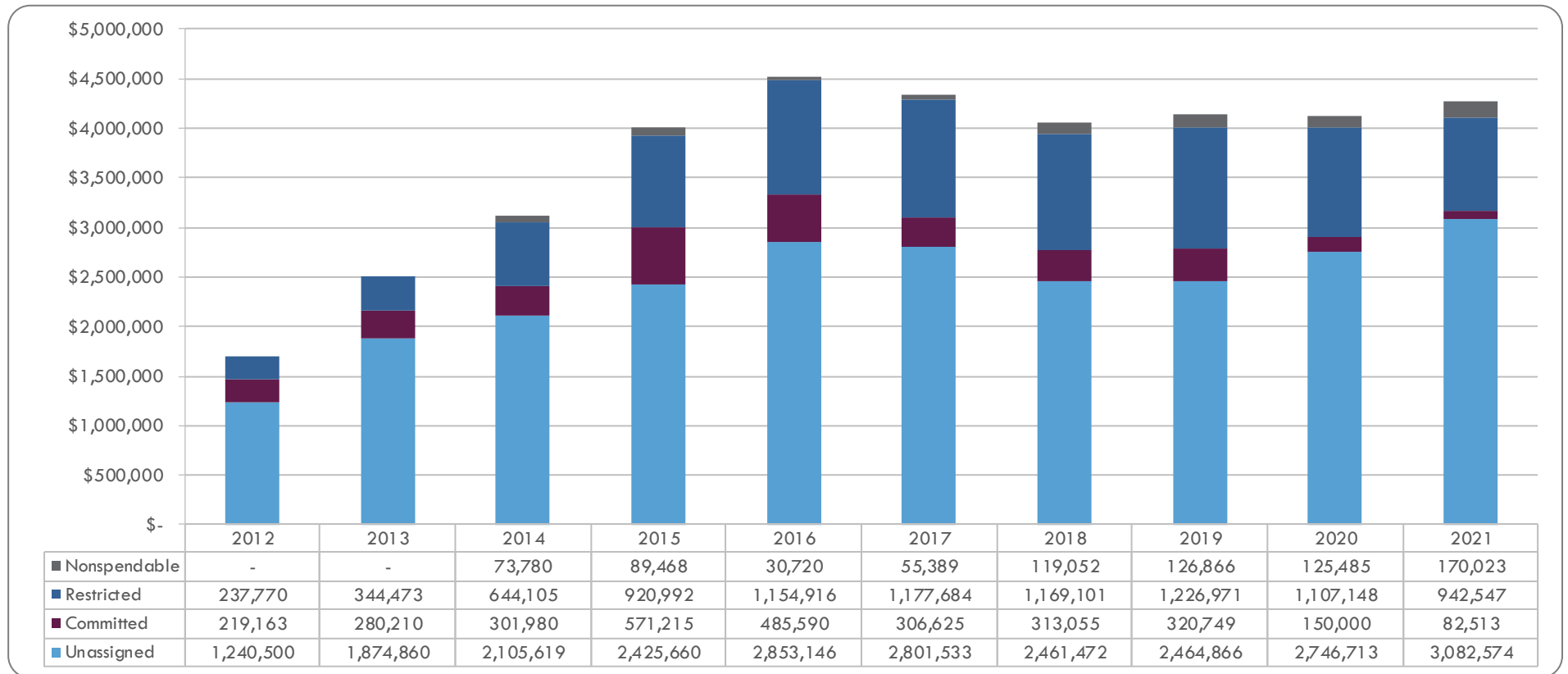
Unassigned

Reserves

“Rainy day” fund

TOTAL UFARS FUND BALANCES

Total fund balances of the General Fund for the past 10 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

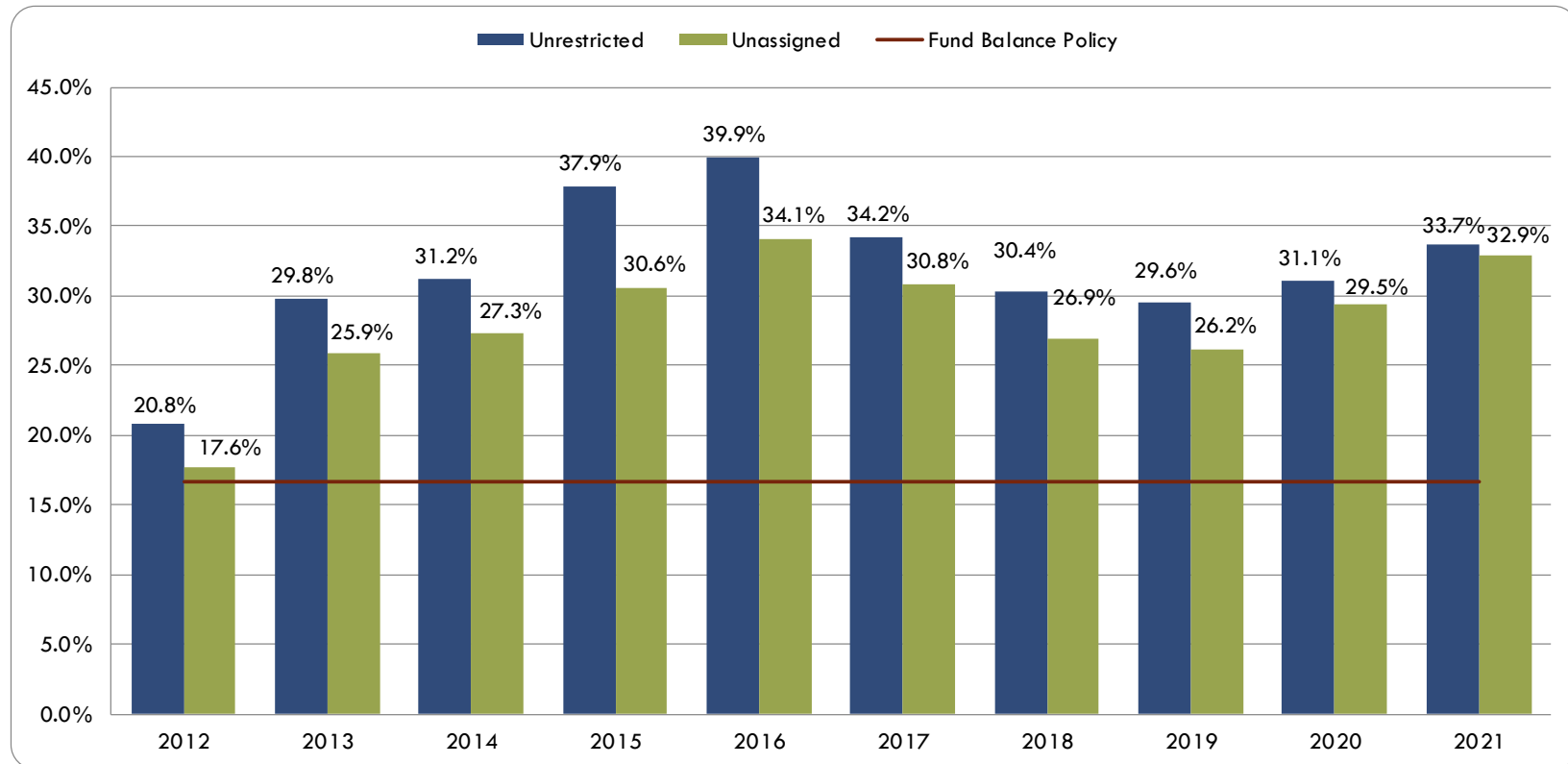
- Special Revenue Funds: approximately 35-50% of fund operating funds
- No less than 5 months of operating expenditures

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 two months of operating expenses (16.67% of annual expenditures).

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



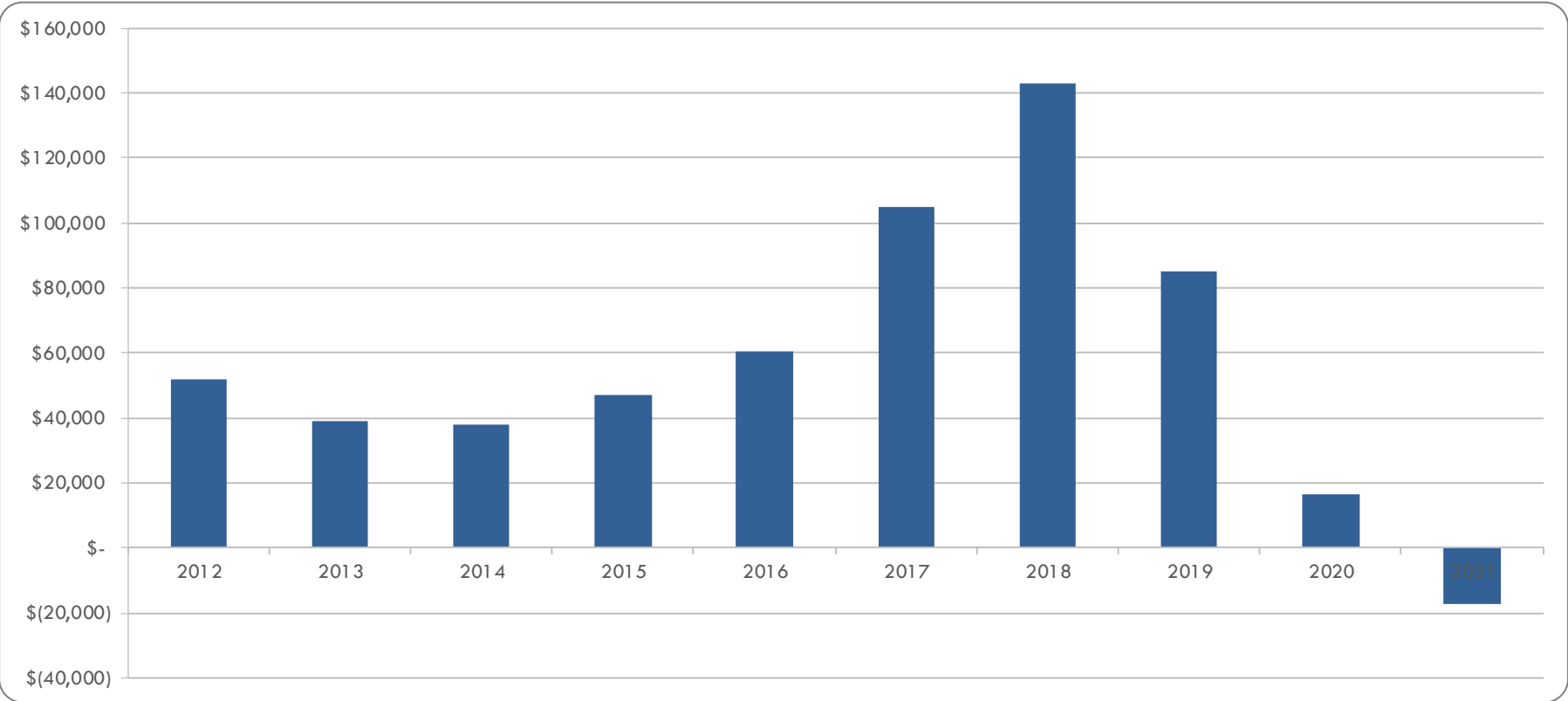
The maroon line indicates the District's fund balance policy of maintaining a minimum unrestricted fund balance of two months of operating expenditures



OTHER FUNDS

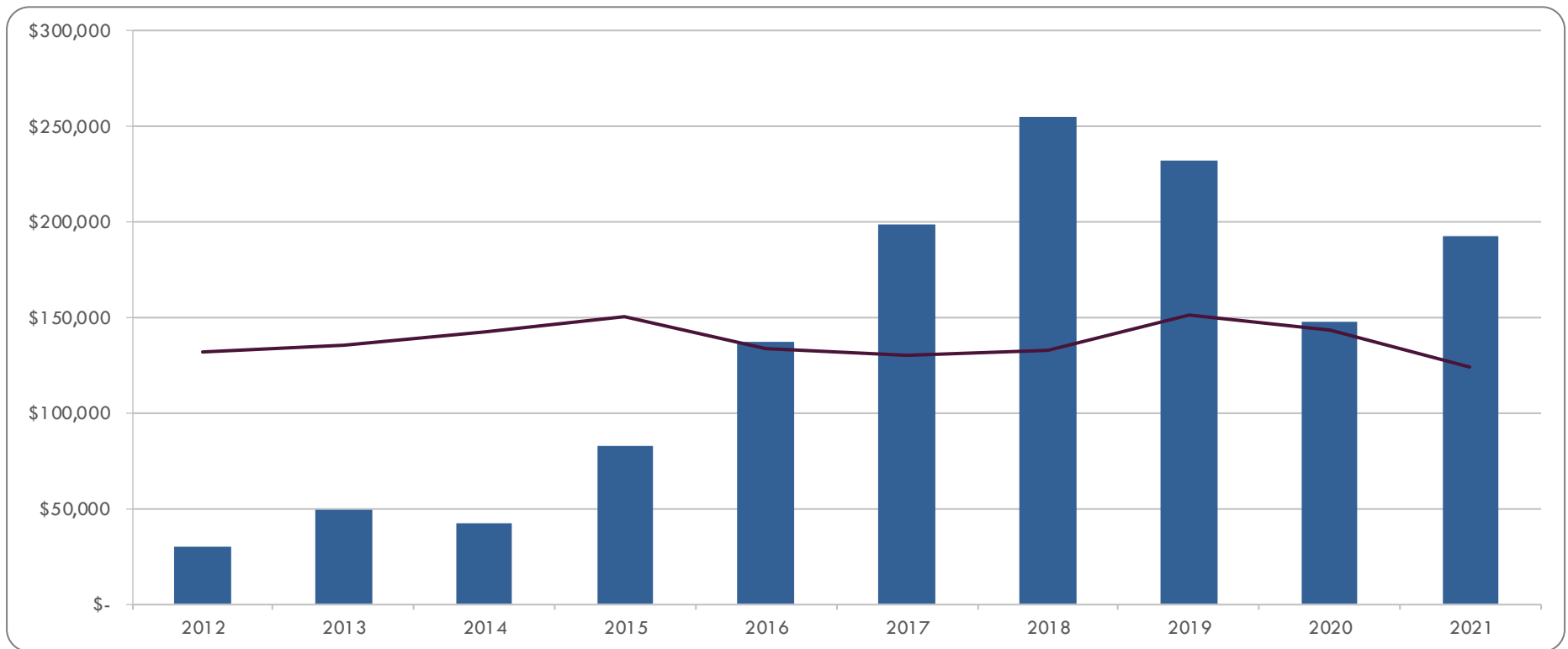
YEAR-END FUND BALANCE – COMMUNITY SERVICE FUND

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

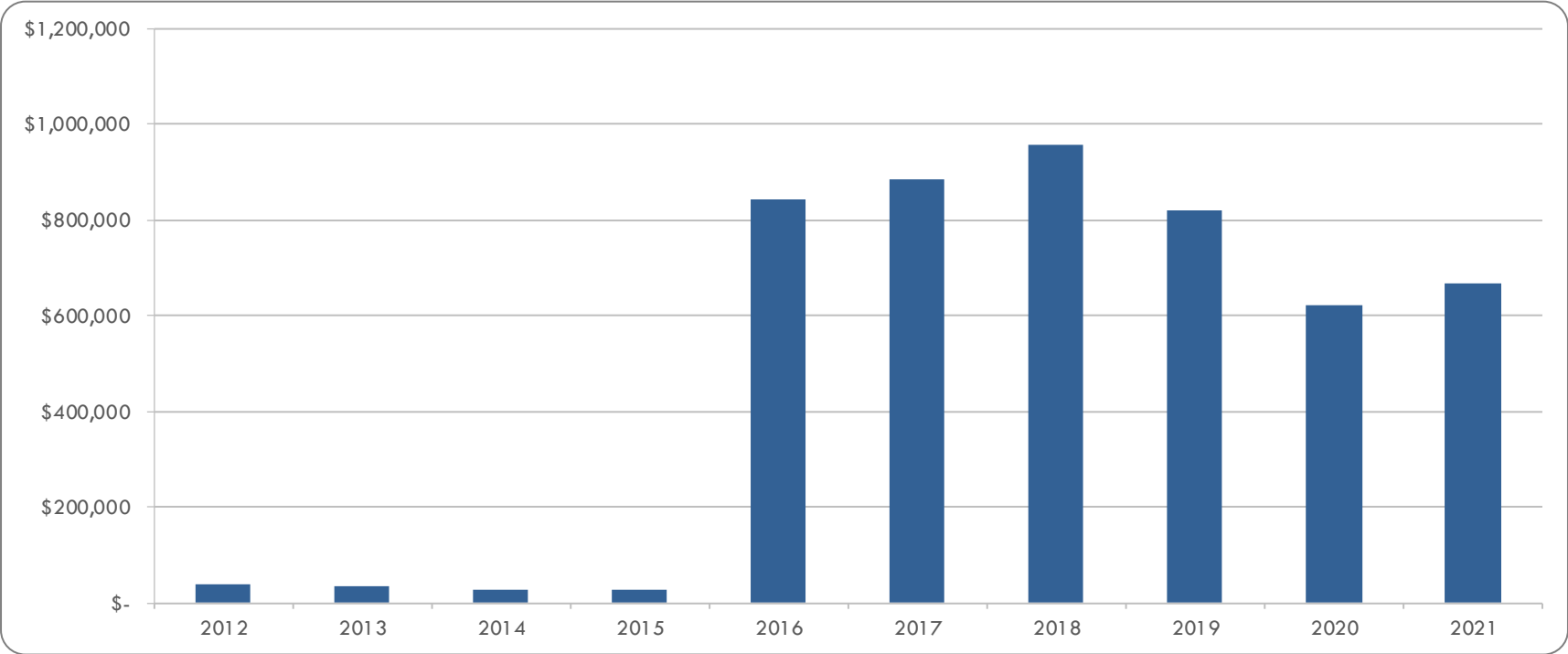
Positive fund balance indicates that revenues of the food service program are sufficient to cover the expenditures of the program.



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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