



INDEPENDENT SCHOOL DISTRICT NO. 771

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
- New Accounting Standard, GASB 84 Adoption
 - The new standard resulted in Student Activity accounts and Scholarship Funds now being reported within the General Fund.



AUDIT FINDINGS

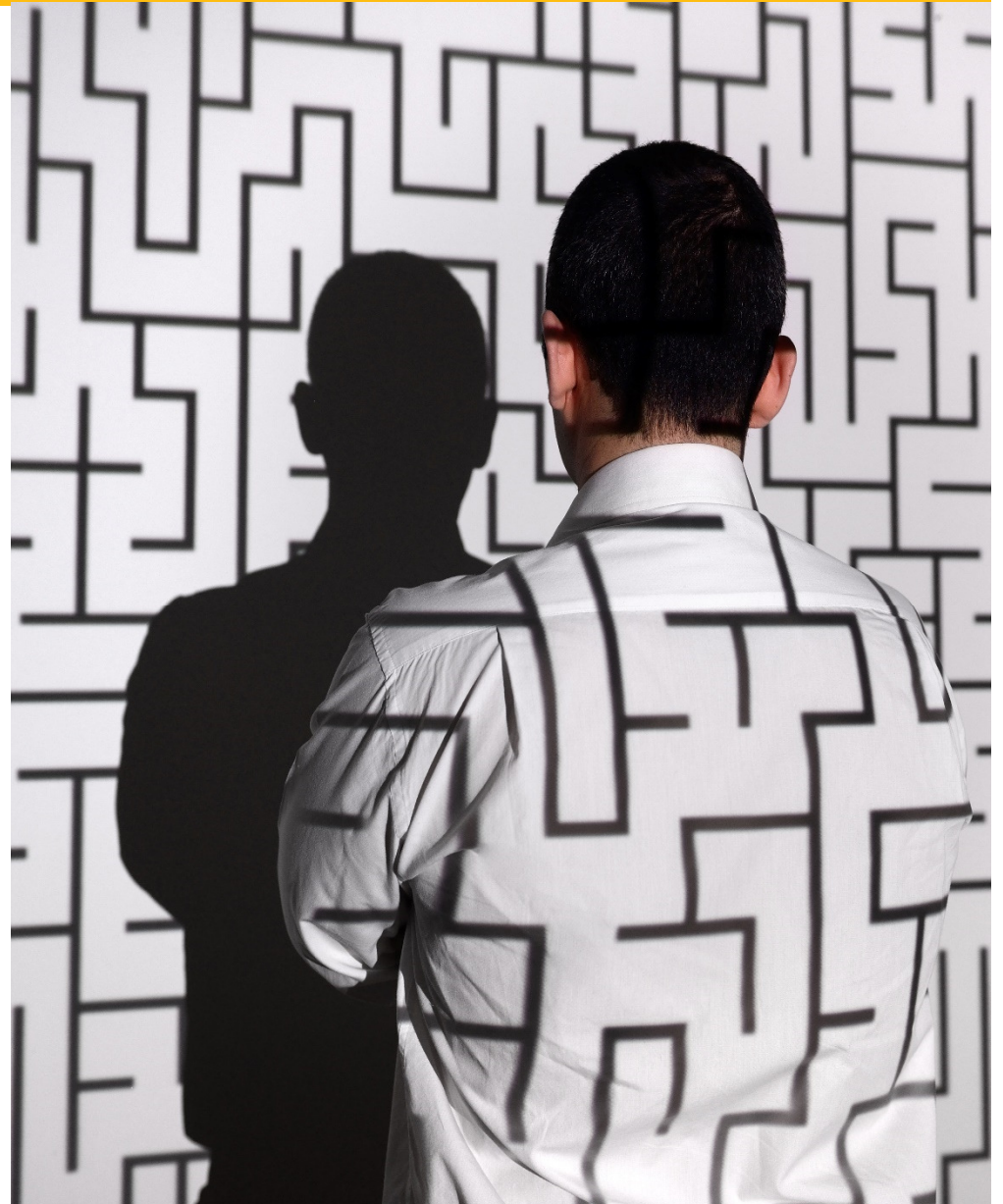
FINDINGS

Financial Statements:

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

Minnesota Legal Compliance:

1. Inactive Student Activity Accounts



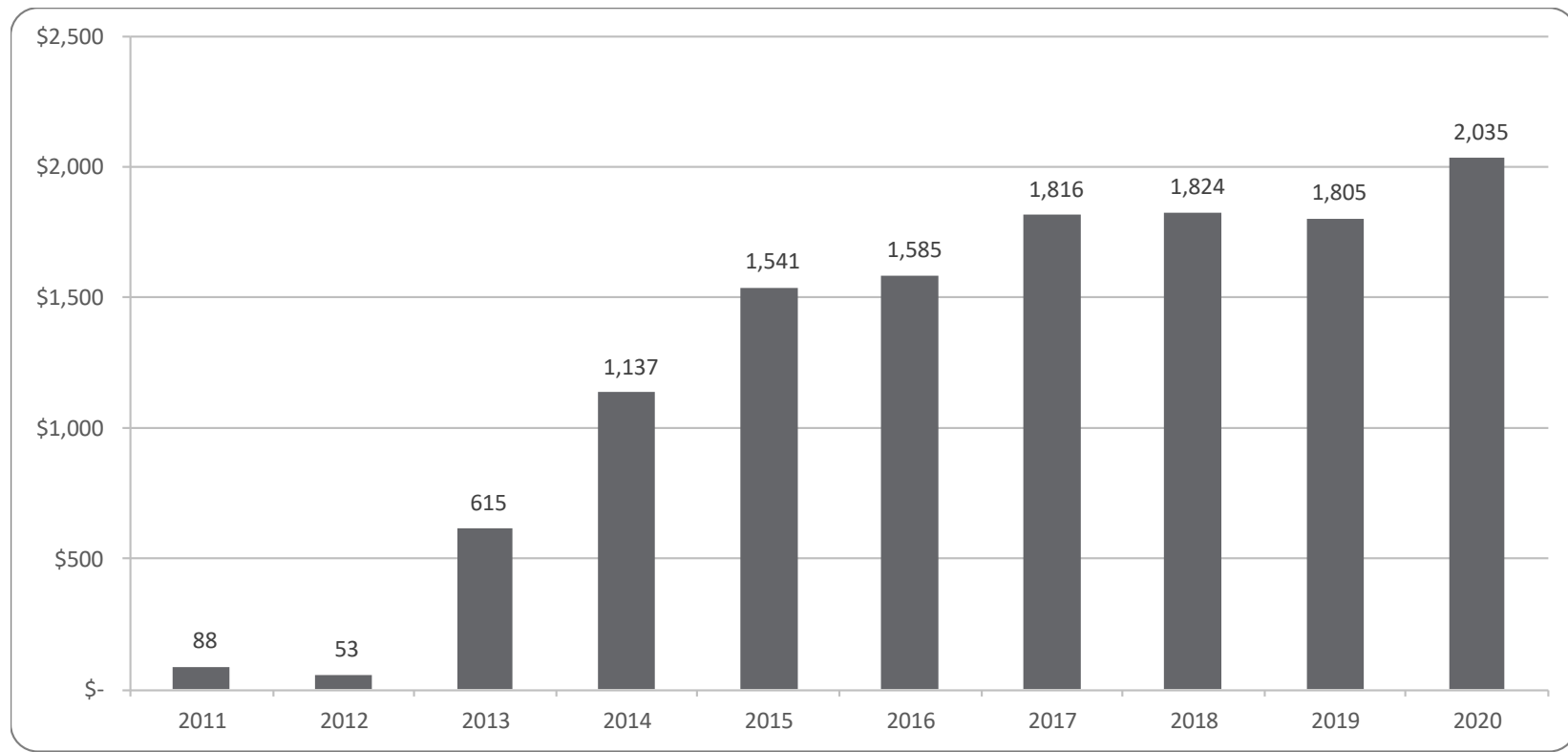


CASH AND INVESTMENTS

CASH/INVESTMENTS

Most significantly affected by the state aid payments structure.

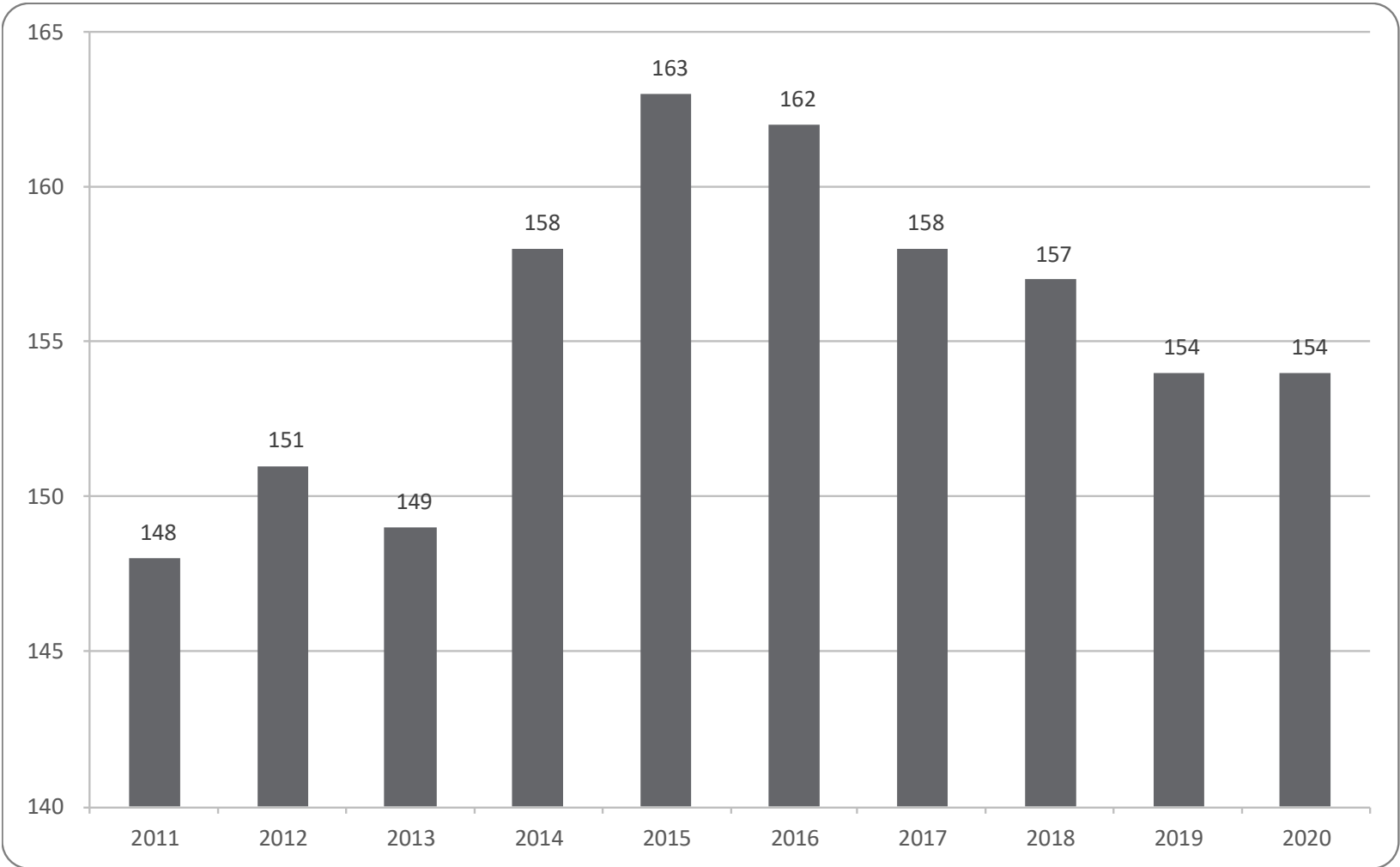
Balances (in thousands) of the District for the past ten years:





GENERAL FUND

ADM SERVED



BUDGET TO ACTUAL

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
State sources	\$ 1,850,822	\$ 1,873,090	\$ 1,912,588	\$ 39,498
Local levies	547,340	547,340	547,721	381
Federal sources	36,690	65,375	61,913	(3,462)
Other	49,189	28,308	98,590	70,282
	<u>2,484,041</u>	<u>2,514,113</u>	<u>2,620,812</u>	<u>106,699</u>
				4.2%
				Positive
Expenditures				
Regular instruction	1,208,584	1,214,739	1,230,282	(15,543)
Administration and district support services	414,503	285,352	286,561	(1,209)
Special education instruction	371,408	371,674	368,162	3,512
Instructional and pupil support services	287,458	365,650	287,799	77,851
Sites and buildings	256,119	304,416	246,890	57,526
Other	27,059	25,100	16,566	8,534
	<u>2,565,131</u>	<u>2,566,931</u>	<u>2,436,260</u>	<u>130,671</u>
				5.1%
				Positive
Net Change in Fund Balance	<u>\$ (81,090)</u>	<u>\$ (52,818)</u>	\$ 184,552	<u>\$ 237,370</u>
Fund Balance, Beginning of Year			<u>1,322,505</u> *	
Fund Balance, End of Year			<u>\$ 1,507,057</u>	

*Beginning of Year Fund Balance was restated due to GASB 84 implementation to include student activities and scholarships within the general fund

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

	<u>Fund Balance Beginning of Year (As Adjusted)</u>	<u>Net Change in Fund Balance</u>	<u>Fund Balance End of Year</u>
Restricted for student activities	\$ 39,183	\$ 1,981	\$ 41,164
Restricted for scholarships	37,877	(2,100)	35,777
Restricted for staff development	36,022	(23,232)	12,790
Restricted for long term facility maintenance	27,530	35,453	62,983
Unassigned	<u>1,181,893</u>	<u>172,450</u>	<u>1,354,343</u>
	<u>\$ 1,322,505</u>	<u>\$ 184,552</u>	<u>\$ 1,507,057</u>

Restricted for student activities and scholarship balances added to the General Fund due to GASB 84 implementation.

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

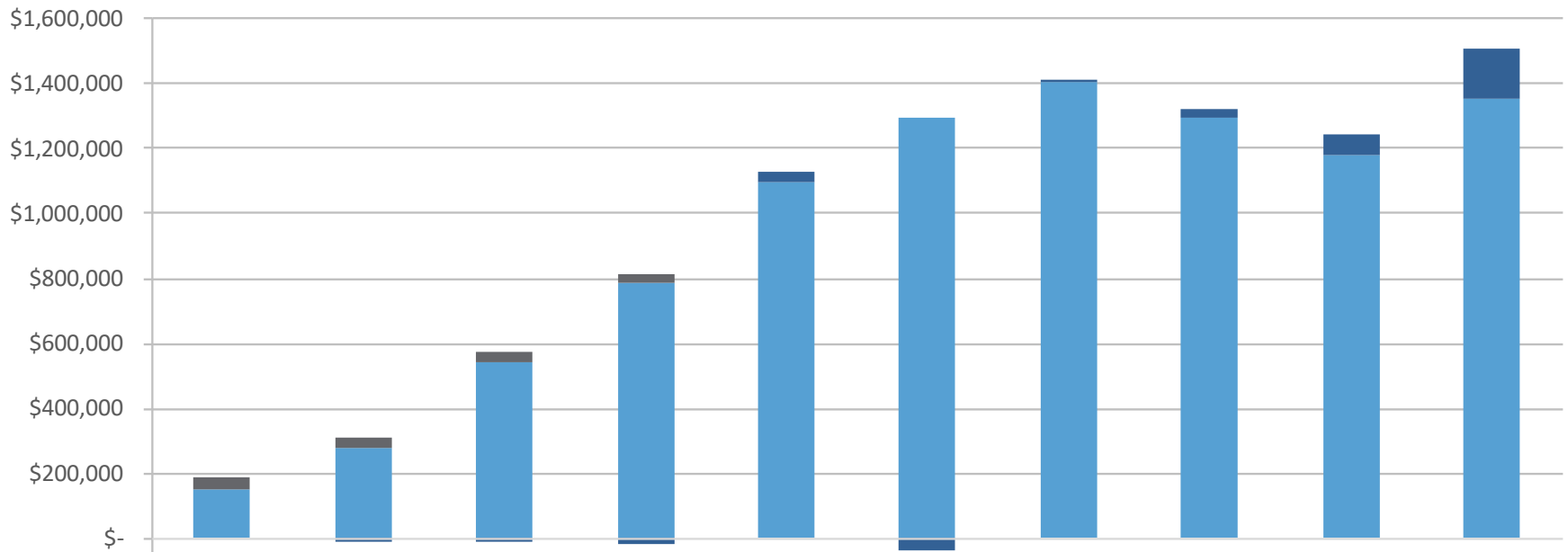
Unassigned

Reserves

“Rainy day” fund

TOTAL FUND BALANCES

Total fund balances of the General Fund for the past 10 years:



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
■ Nonspendable	38,835	34,011	30,760	27,760	-	-	-	-	-	-
■ Restricted	-	(10,918)	(10,348)	(15,215)	31,557	(33,703)	2,656	24,838	63,552	152,714
■ Unassigned	151,354	276,986	545,743	786,078	1,094,247	1,296,612	1,402,097	1,294,357	1,181,893	1,354,343

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

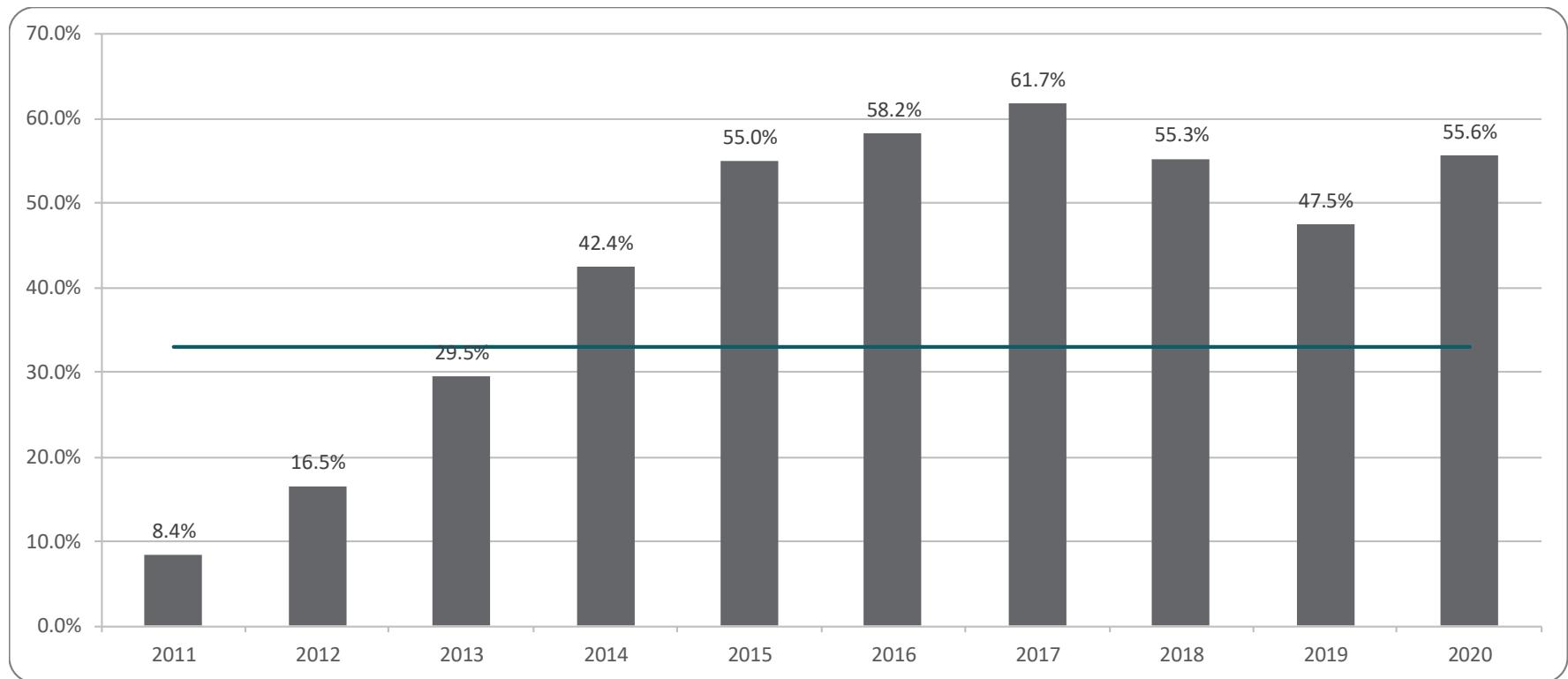
- Special Revenue Funds: approximately 35-50% of fund operating funds
- No less than 5 months of operating expenditures

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 33% of the annual budget. For the current year that target amount is \$847k.

UNASSIGNED FUND BALANCE

The District's unassigned fund balance as a percentage of expenditures in the General Fund for the last 10 years



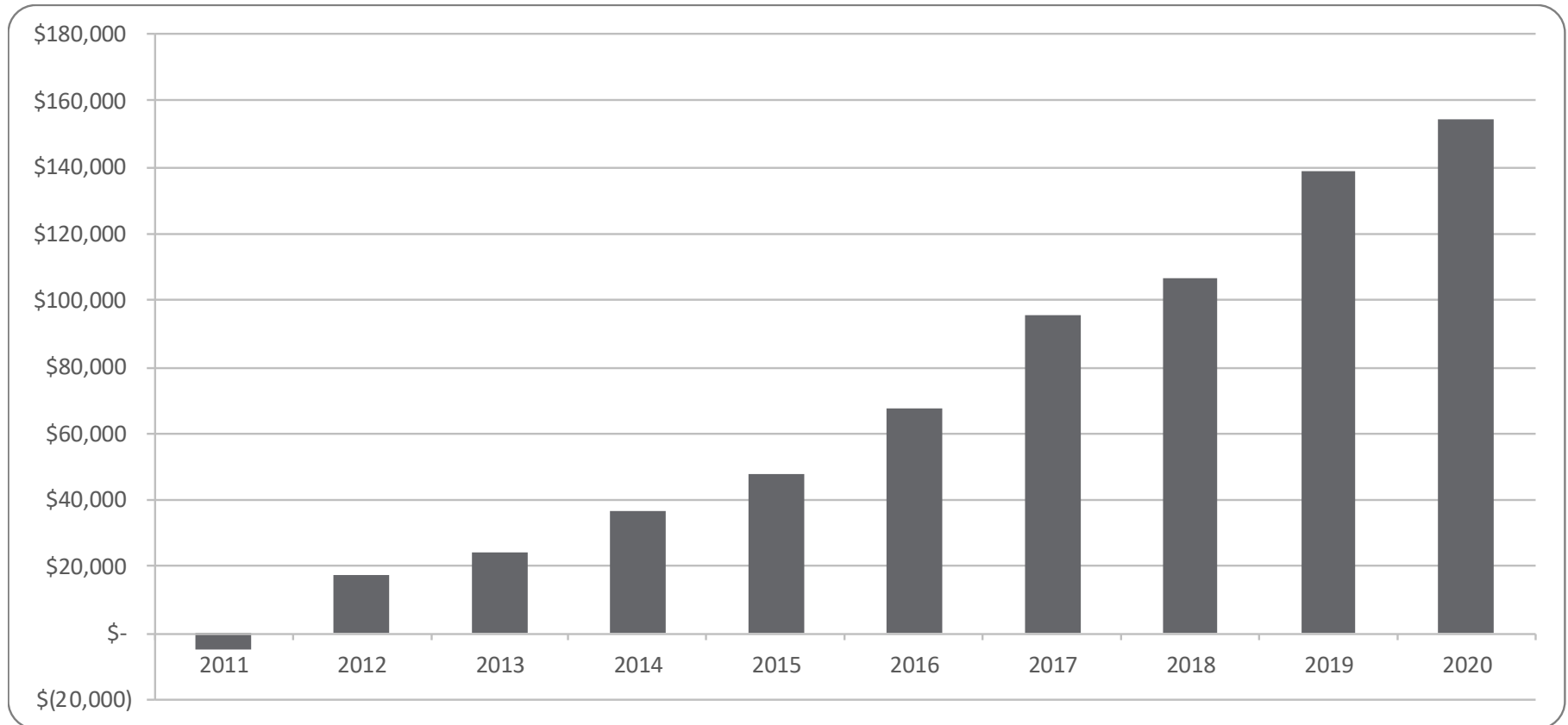
The teal line indicates the District's fund balance policy of maintaining a minimum unassigned fund balance of 33% of expenditures



OTHER FUNDS

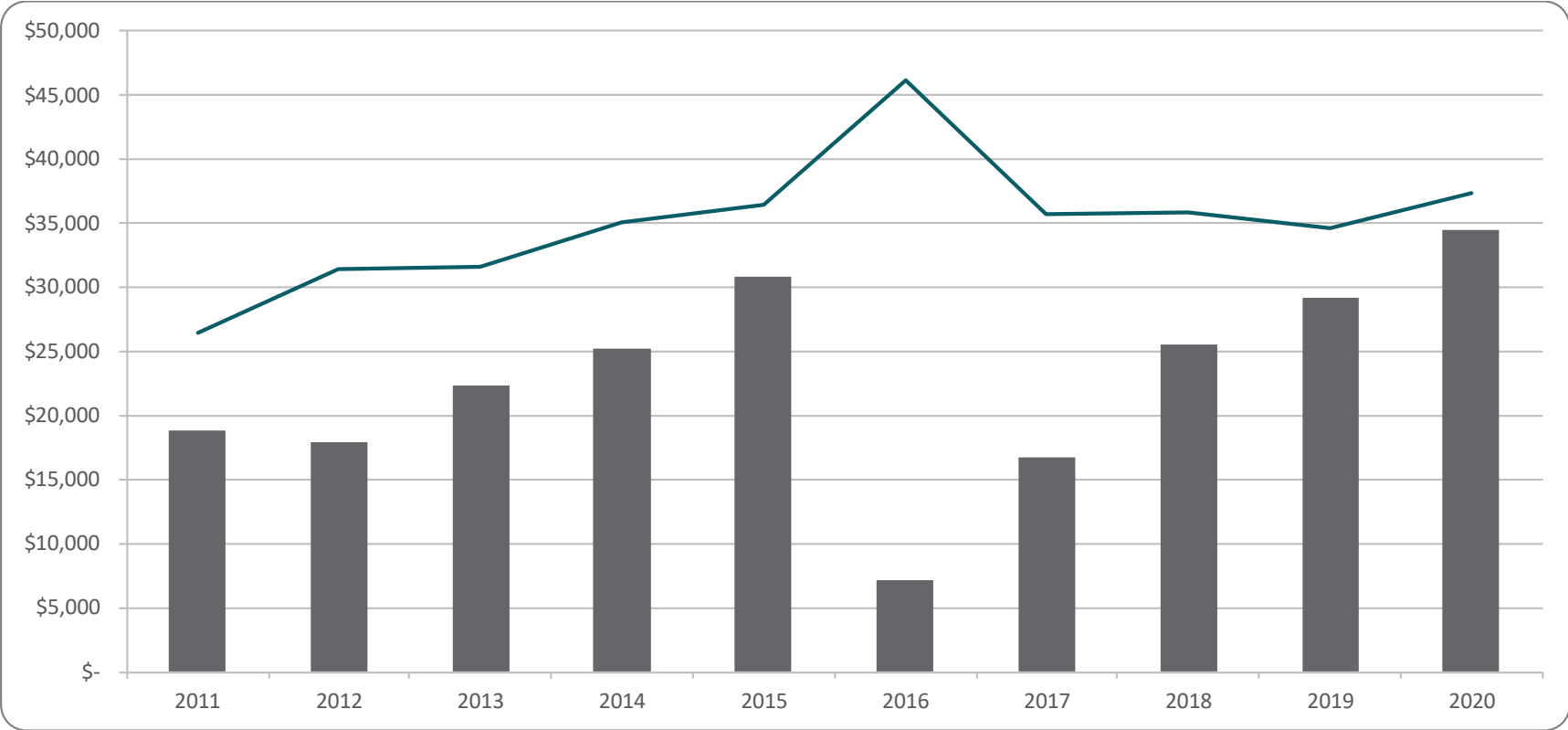
YEAR-END FUND BALANCE – COMMUNITY SERVICE FUND

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



QUESTIONS?

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