

**INDEPENDENT SCHOOL DISTRICT NO. 818
VERDALE PUBLIC SCHOOLS**

SUMMARY FINANCIAL INFORMATION

YEAR ENDED JUNE 30, 2019

Purpose of the Summary Financial Information

The District receives audited financial statements each year. This is a summary of the information contained in the audit report. This is not a required report and I offer no opinion on the summary financial information. I believe this information will provide a clearer picture of the financial condition of the District.

I hope this summary financial information encourages discussion of the District's financial condition and to:

- Make the School Board and management aware of financial condition trends, both favorable and unfavorable.
- Allow perspective by compiling data for several years.

There are advantages and disadvantages to using this approach to evaluate financial condition.

Advantages may include:

- District data was compiled under consistent accounting principles and audited under Government Auditing Standards.
- Analysis was performed independent of District management and offers a new perspective of the District's financial condition.

Disadvantages may include:

- The analysis is historical rather than a projection of future financial condition.
- The analysis provides a broad overview rather than detailed analysis.
- The analysis does not attempt to measure level and quality of services.
- This information is summarized.

Audit Expectation Gap

The expectation gap is the gap between the auditor's actual standard of performance and various expectations of auditor's performance by the public. In simpler terms, the gap is the difference between what auditors actually do and what the public thinks they do. When referring to auditors in this discussion, I am referring to certified public accountants (CPAs) hired to perform financial statement audits.

What do many members of the public expect auditors to do?

- Test every transaction – In reality, sampling is used.
- Accept prime responsibility for the financial statements – In reality, financial statements are the responsibility of the District's management.
- Detect fraud – In reality fraud will be reported if it is found, but most frauds are not detected by the external auditors.

Other Items in the Audit Report

The Independent Auditor's Report contains unqualified or clean audit opinions.

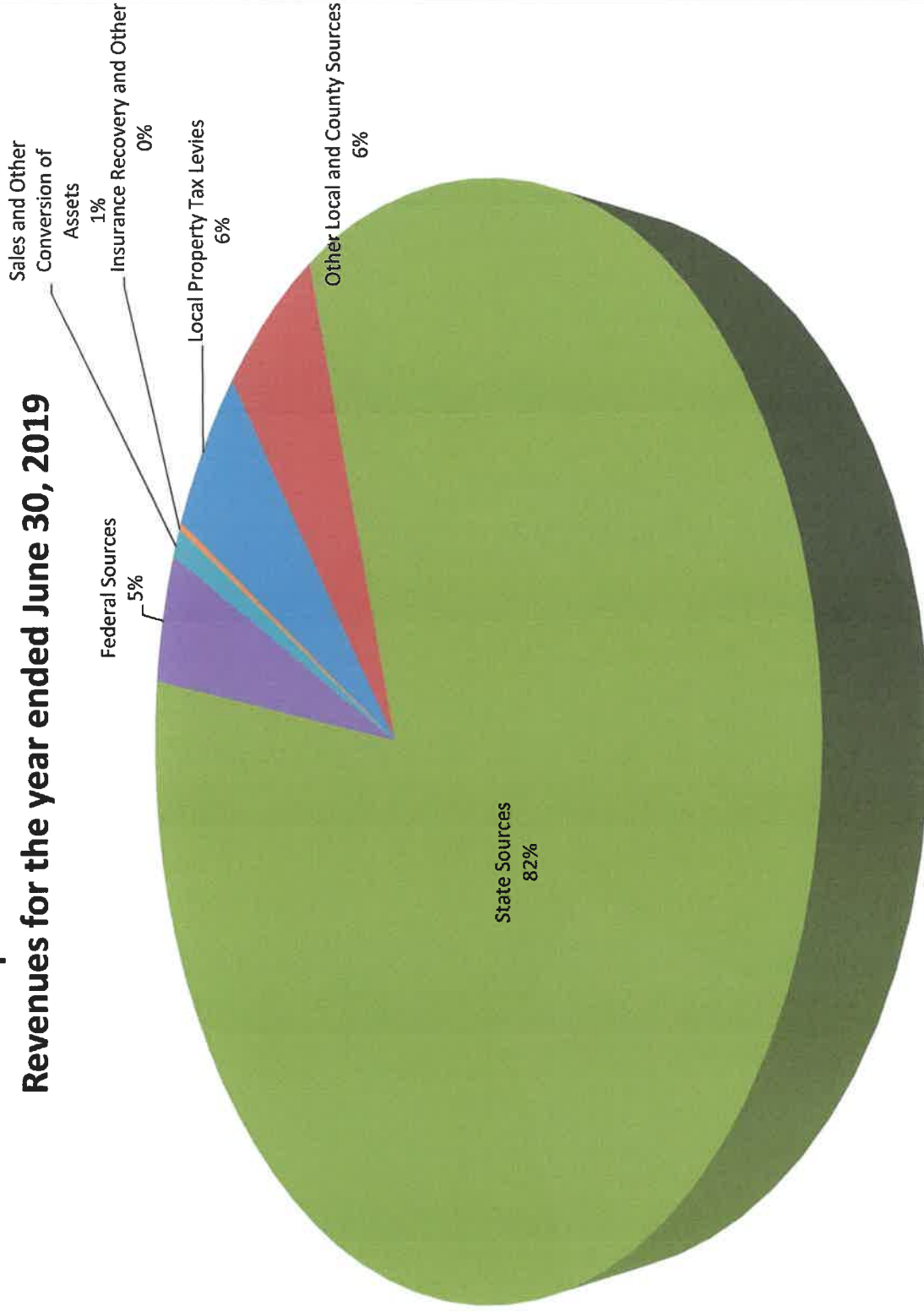
There were four findings contained in the audit report

1. Lack of Segregation of Duties
2. Year End Closing Procedures
3. Financial Statement Presentation
4. Public Purpose Expenditures

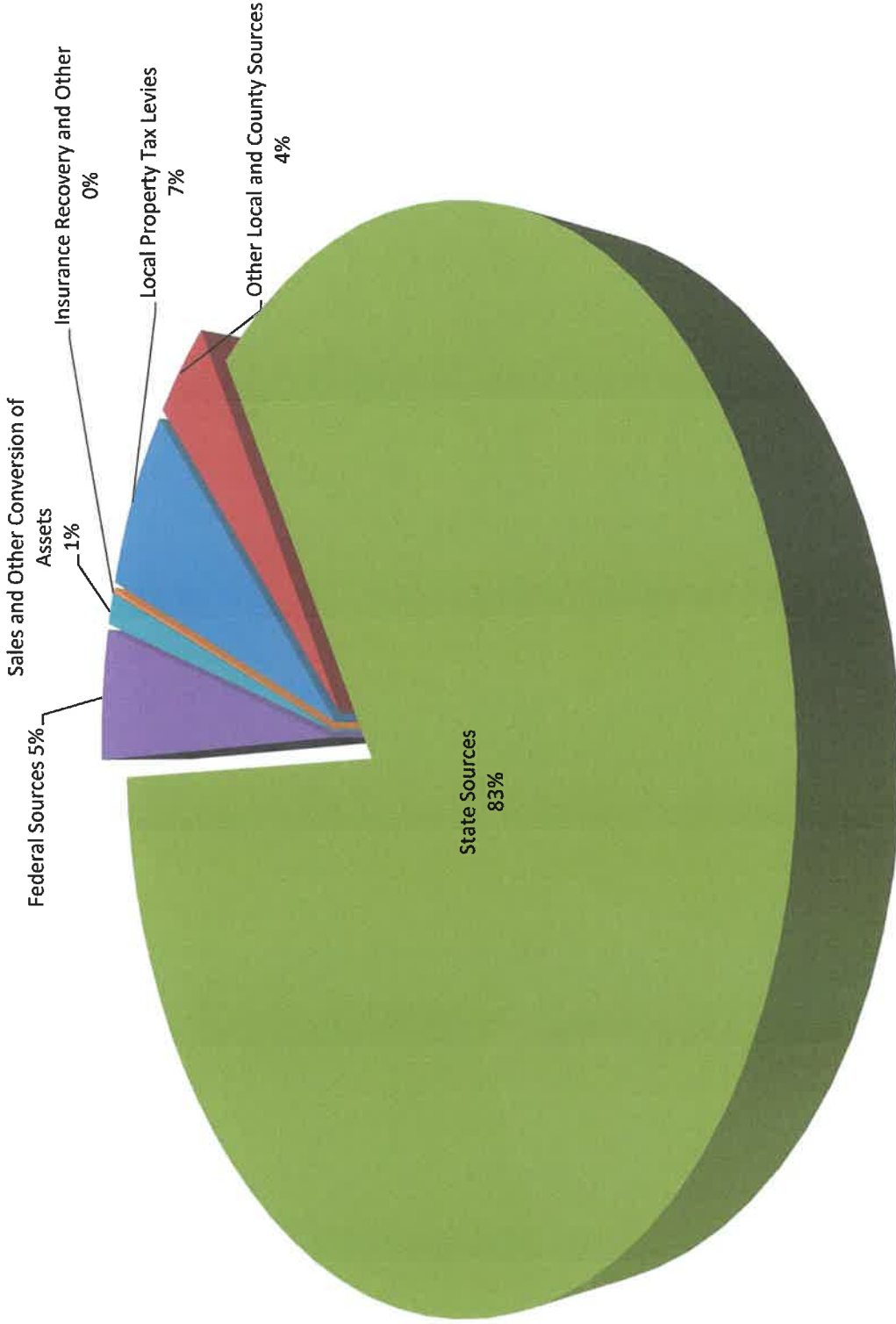
Perspective for the Summary Financial Information

The following tables provide summary information for your analysis. The information was all taken from the Minnesota Department of Education Website. The final audit report contains more detailed information.

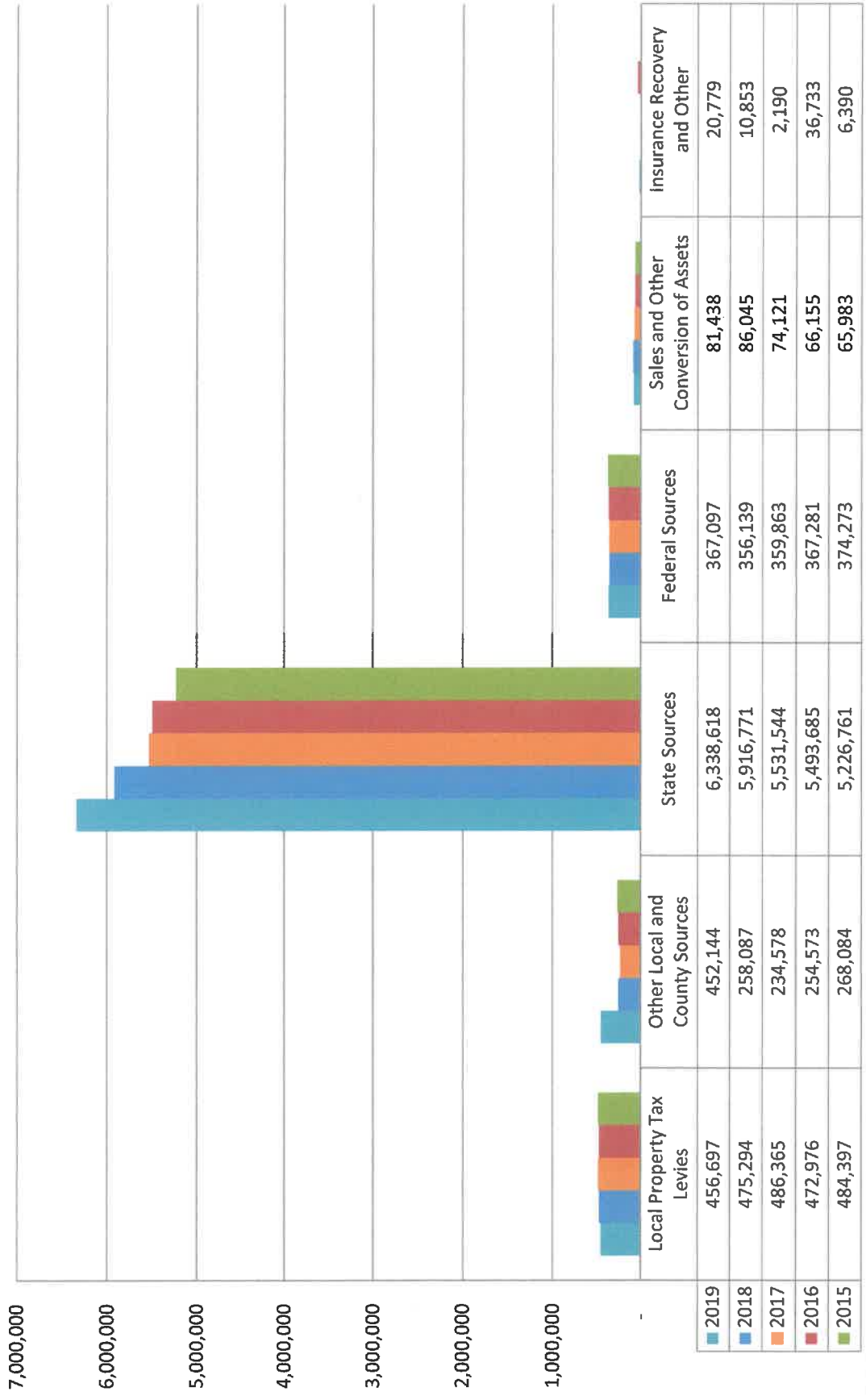
Independent School District No. 818 Revenues for the year ended June 30, 2019



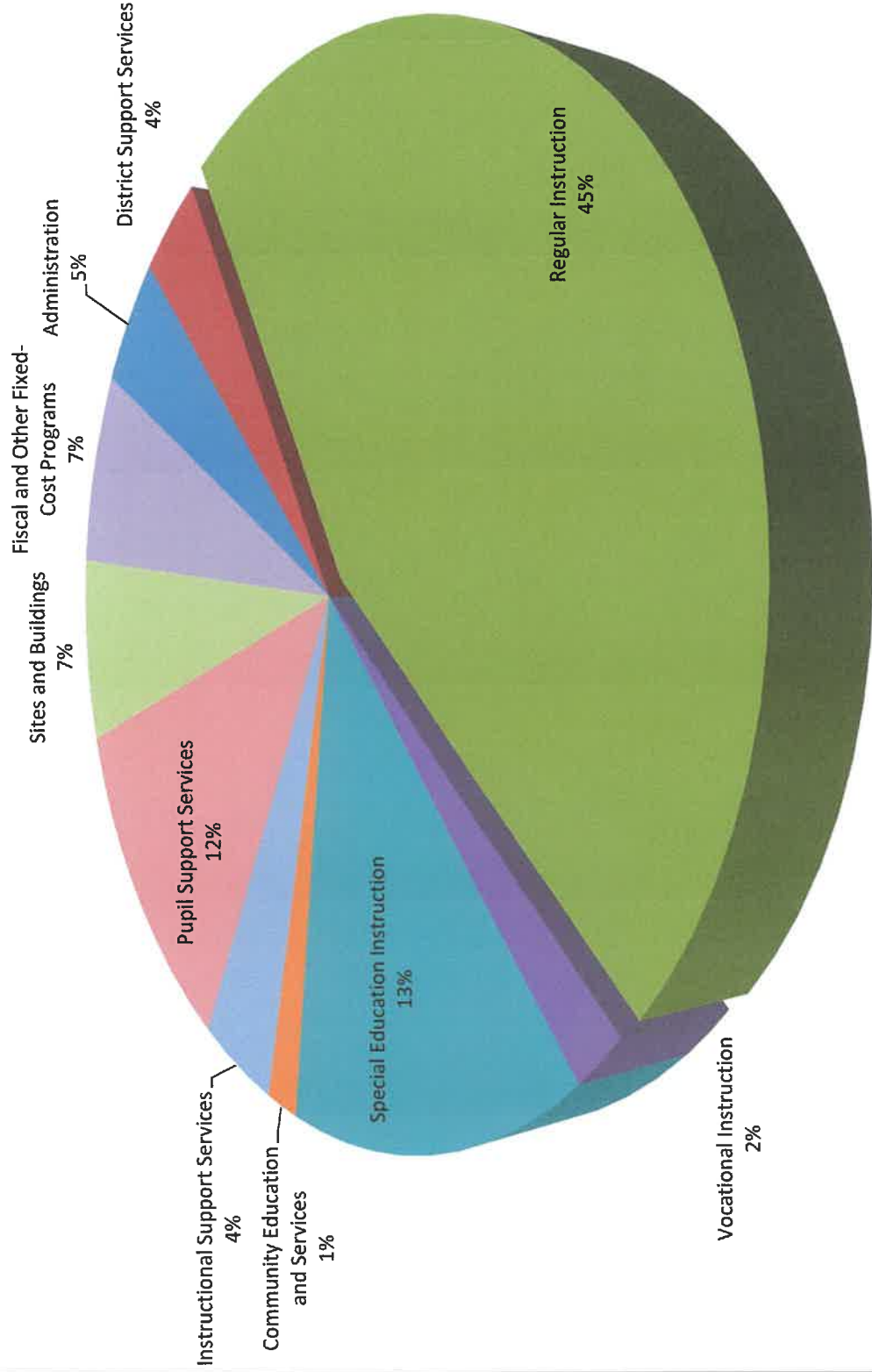
Independent School District No. 818 Revenues for the year ended June 30, 2018



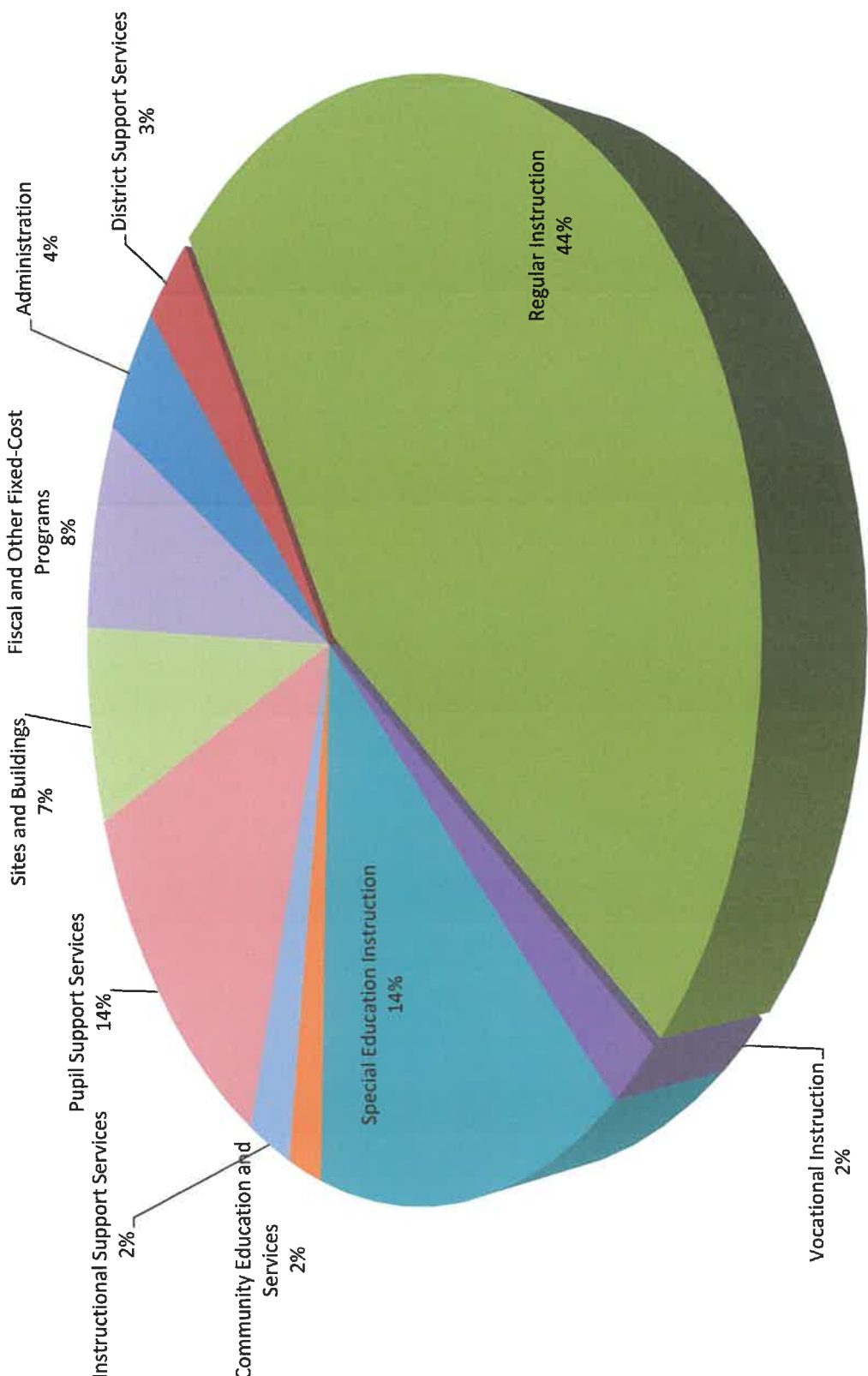
Independent School District No. 818 Comparative Revenues for the years ended June 30



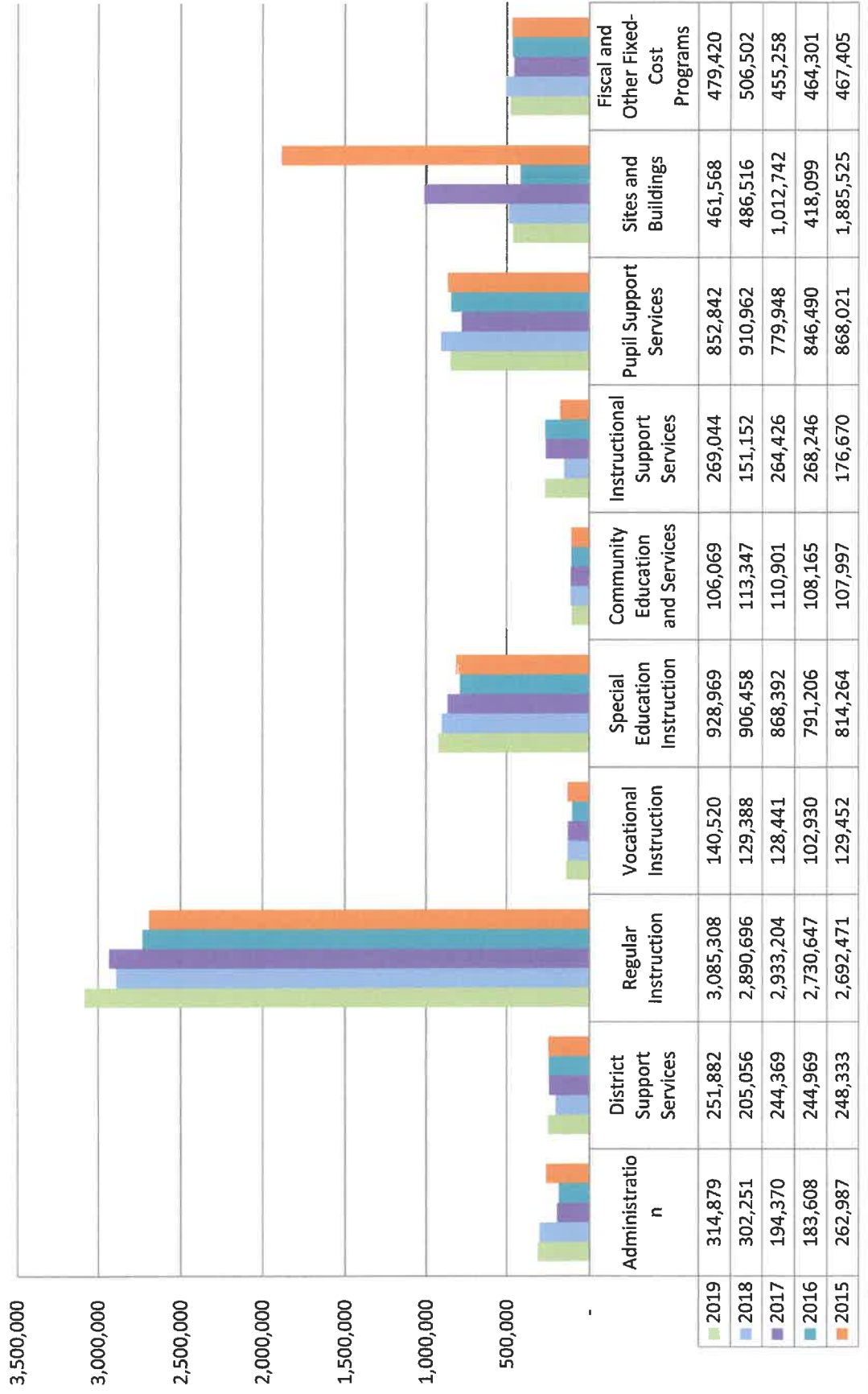
Independent School District No. 818 Expenditures for the year ended June 30, 2019



Independent School District No. 818 Expenditures for the year ended June 30, 2018



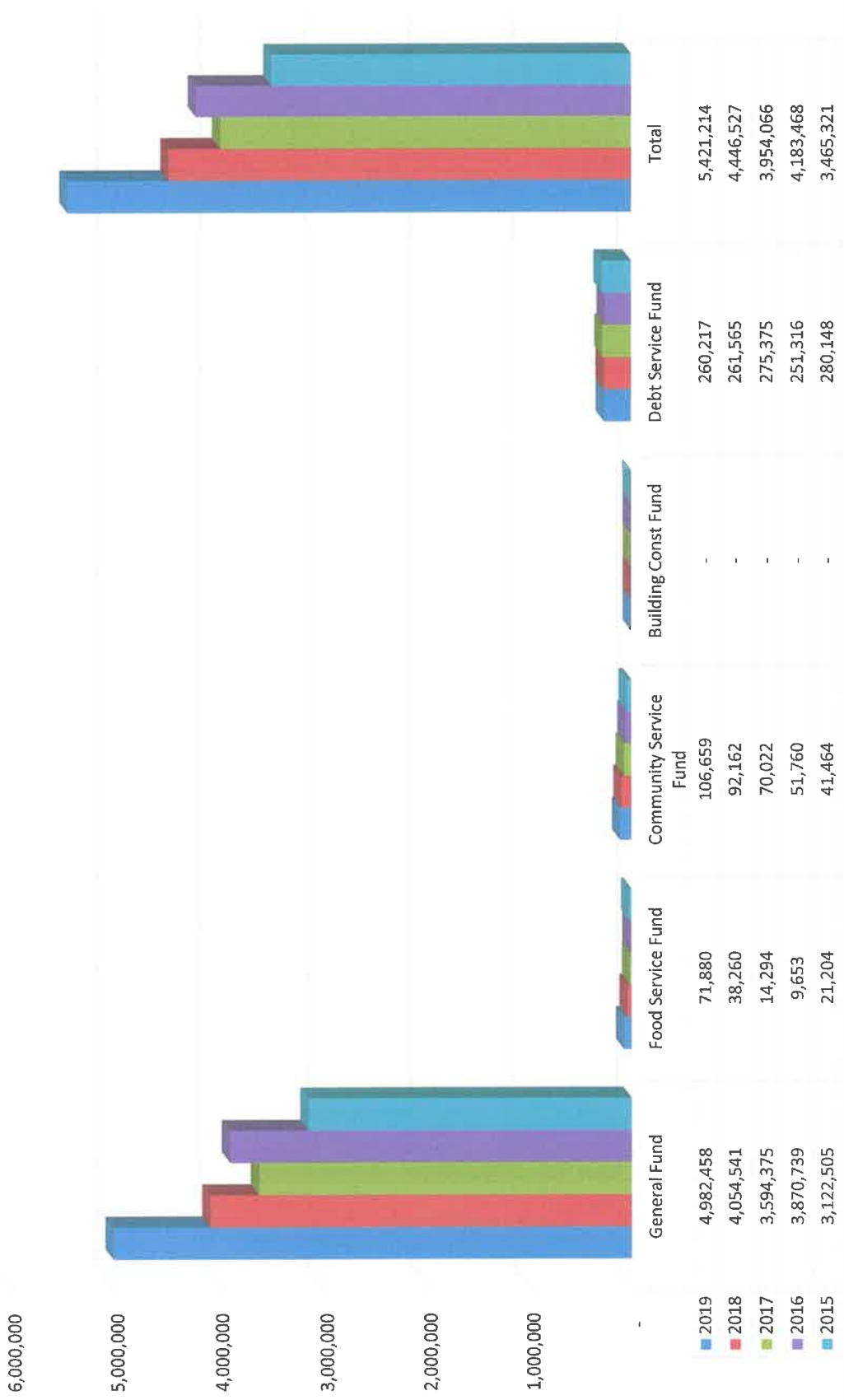
Independent School District No. 818 Comparative Expenditures for the years ended June 30



Independent School District No. 818

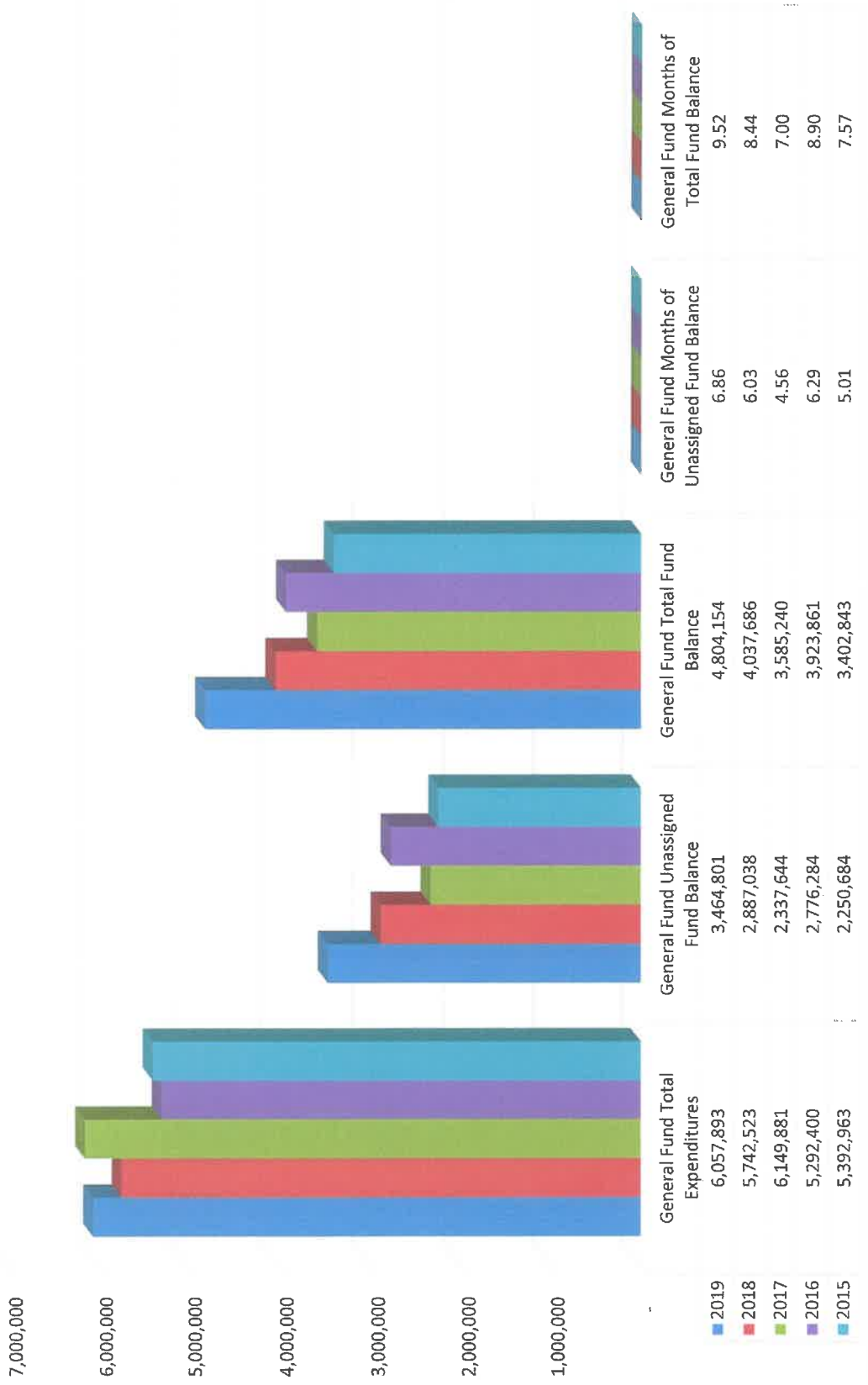
Cash and Investment Balances

As of June 30



Independent School District No. 818

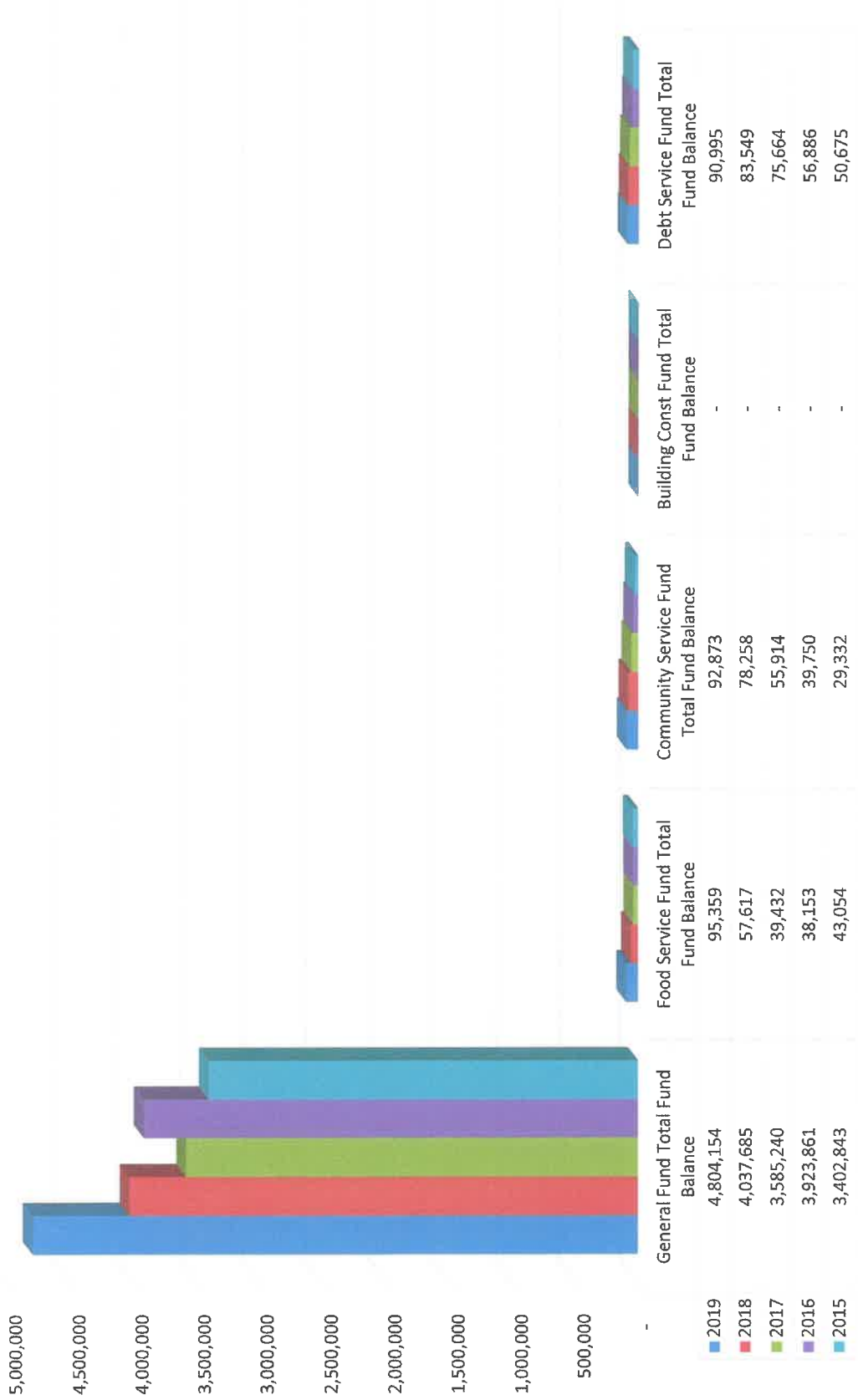
General Fund Months of Fund Balance As of June 30



Independent School District No. 818

Fund Balances

As of June 30



	Food Service Fund Total Fund Balance	Community Service Fund Total Fund Balance	Building Const Fund Total Fund Balance	Debt Service Fund Total Fund Balance
2019	95,359	92,873	-	90,995
2018	57,617	78,258	-	83,549
2017	39,432	55,914	-	75,664
2016	38,153	39,750	-	56,886
2015	43,054	29,332	-	50,675

Independent School District No. 818 Pupil Units for the years ended June 30



***** AID, LEVY AND REVENUE SUMMARY BY FUNDING COMPONENT *****

GENERAL ED REVENUE:	AID	LEVY	TOTAL	PER APU	PER ADJ ADM	ADJUSTED PUPIL UNITS:
A. BASIC	3,927,705.12		3,927,705.12		6,913.39	622.26
B. DECLINING REVENUE						
C. PENSION ADJ	5,639.83		5,639.83	9.06	9.93	
D. GIFTED & TALENTED	8,089.38		8,089.38	13.00	14.24	
E. EXTENDED TIME	37,405.27		37,405.27	60.11	65.84	
F. BASIC SKILLS	511,720.16		511,720.16	822.36	900.71	
G. SMALL SCHOOLS	119,094.34		119,094.34	191.39	209.63	
H. SPARSITY						
I. TRANSPORT SPARSITY	156,286.82		156,286.82	251.16	275.09	
J. A THROUGH I	4,765,940.92		4,765,940.92	7,659.08	8,388.82	
K. OPER CAPITAL	125,503.98		139,492.02	224.17	245.53	
L. LOCAL OPTIONAL						
M. EQUITY	49,059.34		97,773.22	157.13	172.10	
N. TRANSITION	10,756.30		21,436.86	34.45	37.73	
O. J THROUGH K	4,951,260.54		5,024,643.02	8,074.83	8,844.18	
P. REFERENDUM	132,774.93		186,678.00	300.00	328.58	
Q. N+O	5,084,035.47		5,211,321.02	8,374.83	9,172.76	
R. ALT ATT ADJ						
R. TOTAL REV=P+Q	5,084,035.47	127,285.55	5,211,321.02	8,374.83	9,172.76	

Increase in aid and levy per pupil unit of \$347.64 from Fiscal Year 2018

NON-GENERAL ED REV:

- S. ALT TEACHER COMP
- T. COMP REV PILOT PROJ
- U. ENDOWMENT (FULL YR)
- V. TACONITE NET RECEIPTS

23,385.47 23,385.47 41.16

***** AID ENTITLEMENTS ON IDEAS ***** REVENUE-NEUTRAL ADJUSTMENTS *****

ANNUAL AID ENTITLEMENT	PRORATED AID ENTITLEMENT	ANNUAL UFARS REVENUE	AID ADJUSTMENT	LEVY CORRESPONDING RECEIPTS
A. GENERAL ED	5,084,035.47	5,084,035.47	10,235.74-	10,235.74
B. Q COMP				
C. ENDOWMENT	23,385.47	23,385.47		
D. TOTAL	5,107,420.94	5,107,420.94		

***** REVENUE RESTRICTIONS *****

BASIC SKILLS	COMPENSATORY = (63) =	497,605.16
	(3.5% EXT. TIME) =	17,416.18
	EL = (65) =	14,080.00
	EL CONCENTRATION = (70) =	35.00
TOTAL BASIC SKILLS		511,720.16
GIFTED & TALENTED = (57) =		8,089.38
OPERATING CAPITAL = (118) =		139,492.02
ALT TEACHER COMPENSATION = (346) =		124,005.56
LEARNING & DEVELOPMENT = (363) =		78,554.10
STAFF DEVELOPMENT = (364) =		
TOTAL REVENUE = (324 + 325):		5,211,321.02

***** THE AID SHOWN ON THIS REPORT WILL BE PAID THROUGH THE MDE'S IDEAS SYSTEM. QUESTIONS ABOUT GENERAL EDUCATION REVENUES SHOULD BE DIRECTED TO DALEY LEHMANN AT (651) 582-8817 OR MICHAEL SCHWARTZ AT (651) 582-8399. *****

***** AID, LEVY AND REVENUE SUMMARY BY FUNDING COMPONENT *****

GENERAL ED REVENUE:	AID	LEVY	TOTAL	PER APU	PER ADJ ADM	ADJUSTED PUPIL UNITS:
A. BASIC	3,794,914.76		3,794,914.76		6,761.78	613.27
B. DECLINING REVENUE	521.28		521.28	.85	.93	
C. PENSION ADJ	7,972.51		7,972.51	13.00	14.21	
D. GIFTED & TALENTED	35,819.00		35,819.00	58.41	63.82	ADJUSTED
E. EXTENDED TIME	452,198.10		452,198.10	737.36	805.73	YEAR ADM:
F. BASIC SKILLS	120,495.29		120,495.29	196.48	214.70	561.23
G. SMALL SCHOOLS						
H. SPARSITY	146,295.56		146,295.56	238.55	260.67	
I. TRANSPORT SPARSITY	4,556,219.89	1,996.61	4,558,216.50	7,432.64	8,121.83	
J. A THROUGH I	121,640.64	15,523.33	137,163.97	223.66	244.40	
K. OPER CAPITAL						
L. LOCAL OPTIONAL	54,462.79	44,515.80	98,978.59	161.39	176.36	
M. EQUITY	11,625.18	9,501.97	21,127.15	34.45	37.64	
N. TRANSITION	4,743,948.50	71,537.71	4,815,486.21	7,852.15	8,580.24	
O. J THROUGH K	101,611.47	35,822.34	137,433.81	224.10	244.88	
P. REFERENDUM	4,845,559.97	107,360.05	4,952,920.02	8,076.25	8,825.12	
Q. N+O						
R. ALT ATT ADJ						
S. TOTAL REV=P+Q+R	4,845,559.97	107,360.05	4,952,920.02	8,076.25	8,825.12	

NON-GENERAL ED REV:

T. ALT TEACHER COMP						
U. COMP REV PILOT PROJ						
V. ENDOWMENT (FULL YR)	20,855.10		20,855.10	34.01	37.16	
W. TACONITE NET RECEIPTS						

***** AID ENTITLEMENTS ON IDEAS ***** REVENUE-NEUTRAL ADJUSTMENTS *****

	ANNUAL AID ENTITLEMENT	PRORATED AID ENTITLEMENT	ANNUAL UFARS REVENUE	AID ADJUSTMENT	LEVY ADJUSTMENT	CORRESPONDING RECEIPTS
A. GENERAL ED	4,845,559.97	4,845,559.97	4,845,559.97	8,455.00-	8,455.00	
B. Q COMP						
B. ENDOWMENT	20,855.10	20,855.10	20,855.10			
C. TOTAL	4,866,415.07	4,866,415.07	4,866,415.07			
***** DETAIL FOR UFARS REPORTING *****						
AID ENTITLEMENT:						
GEN EDUC SRC 211 = (325) =						
CNTY APPORT SRC 010 = (329) =						
SUBTOTAL AID:						
TOTAL LEVY SRC 001 = (324):						
TOTAL REVENUE = (324+325):						

BASIC SKILLS						
COMPENSATORY = (59) =						
(1.7% EXT. TIME) =						
EL = (61) =						
EL CONCENTRATION = (66) =						
TOTAL BASIC SKILLS						
GIFTED & TALENTED = (53) =						
OPERATING CAPITAL = (114) =						
ALT TEACHER COMPENSATION = (343) =						
LEARNING & DEVELOPMENT = (357) =						
STAFF DEVELOPMENT = (358) =						
TOTAL LEVY SRC 001 = (324):						
TOTAL REVENUE = (324+325):						

***** THE AID SHOWN ON THIS REPORT WILL BE PAID THROUGH THE MDE'S IDEAS SYSTEM. QUESTIONS ABOUT GENERAL EDUCATION REVENUES SHOULD BE DIRECTED TO DALEY LEHMANN AT (651) 582-8817 OR MICHAEL SCHWARTZ AT (651) 582-8399. *****

**INDEPENDENT SCHOOL DISTRICT #818
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

2019-001 LACK OF SEGREGATION OF DUTIES

- Condition:** The District has a limited number of office personnel and, accordingly, does not have adequate internal controls in certain areas because of lack of segregation of duties.
- Criteria:** Effective internal control provides an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.
- Cause:** Because of the lack of segregation of duties, one individual regularly handles transactions from inception to completion.
- Effect:** The District's internal control policies can be compromised by certain individuals.
- Recommendation:** While I recognize the District's office staff may not be large enough to permit an adequate segregation of duties in all respects for an effective internal control structure, it is important that the District be aware of this condition.

Corrective Action Plan

- 1 *Actions Planned in response to the finding:* The District will continue to explore the possible further segregation of duties within the District office until it becomes cost prohibitive.

- 2 *Explanation of Disagreement:* There is no disagreement with the audit finding.

- 3 *Official Responsible for Ensuring Corrective Action:* Superintendent.

- 4 *Planned Completion Date for the Corrective Action:* June 30, 2020.

- 5 *Plan to Monitor Completion of Corrective Action:* The School Board will monitor the corrective action.

**INDEPENDENT SCHOOL DISTRICT #818
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

2019-002 YEAR END CLOSING PROCEDURES

- Condition:** As part of the audit, I proposed material adjustments for closing the District's books at year end, recording of accruals, and reclassifications to the proper accounts.
- Criteria:** The District is responsible for establishing and maintaining internal controls for the proper recording of all the District's accounting transactions, including account coding, reporting of accruals and net assets, and cash flow reporting.
- Cause:** The District relies on the audit firm to prepare the annual financial report and record significant reclassification and conversion to accrual conversion entries.
- Effect:** The design of the internal controls over recording transactions and year-end accruals limits the ability of the District to provide accurate accrual basis financial information.
- Recommendation:** While I recognize the District may not find it necessary to account and report using generally accepted accounting principles, it is important the District constantly be aware of these conditions.

Corrective Action Plan

- 1 *Actions Planned in response to the finding:* The District will explore the cost effective feasibility of adding additional staff to correct the deficiency. The District personnel will also gain additional training as possible to ensure more adjusting journal entries are completed.
- 2 *Explanation of Disagreement:* There is no disagreement with the audit finding.
- 3 *Official Responsible for Ensuring Corrective Action:* Superintendent.
- 4 *Planned Completion Date for the Corrective Action:* June 30, 2020.
- 5 *Plan to Monitor Completion of Corrective Action:* The School Board will monitor the corrective action.

**INDEPENDENT SCHOOL DISTRICT #818
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

2019-003 FINANCIAL STATEMENT PREPARATION

- Condition:** The District does not have an internal control process in place over annual financial reporting under GAAP, therefore, the potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the District's internal controls
- Criteria:** The District must be able to prevent or detect a material misstatement in the annual financial statement including footnote disclosures.
- Cause:** The District relies on the audit firm to prepare the annual financial report.
- Effect:** Departures from generally accepted accounting principles may not be detected by the District.
- Recommendation:** While I recognize the District may not find it necessary to account and report using generally accepted accounting principles, it is important the District constantly be aware of these conditions.

Corrective Action Plan

1 *Actions Planned in response to the finding:* The District will explore the cost effective feasibility of adding additional staff to correct the deficiency. The District personnel will also review the financial statements and adjusting journal entries prior to accepting them.

2 *Explanation of Disagreement:* There is no disagreement with the audit finding.

3 Official Responsible for Ensuring Corrective Action: Superintendent.

4 *Planned Completion Date for the Corrective Action:* June 30, 2020

5 *Plan to Monitor Completion of Corrective Action:* The School Board will monitor the corrective action.

**INDEPENDENT SCHOOL DISTRICT #818
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

2019-004 RELATED PARTY TRANSACTIONS

Condition: The District contracted for services from two different School Board Members without the required affidavits and resolutions

Criteria: Minnesota Statutes Section 471.88 and 471.89 require District to obtain an affidavit from the related parties before the initial transaction stating the rates are as low or lower that can be obtained elsewhere, and the School Board must pass a similiar resolution.

Cause: The District relied on obtaining quotes for the services to be adequate, and the controls did not require the affidavits or resolutions.

Effect: The District was not in compliance with Minnesota Statutes.

Recommendation: I recommend monitor the District obtain the affidavit and pass the related resolution as soon as any contract with a School Board is approved and at least annually thereafter.

1 *Actions Planned in response to the finding* : The District did obtain quotes for the transactions with related parties during the year ended June 30, 2019, and the District will obtain the required affidavits and pass the related resolutions in the future.

2 *Explanation of Disagreement* : There is no disagreement with the audit finding.

3 *Official Responsible for Ensuring Corrective Action*: Superintendent.

4 *Planned Completion Date for the Corrective Action* : June 30, 2020.

5 *Plan to Monitor Completion of Corrective Action* : The School Board will monitor the corrective action.