

INDEPENDENT SCHOOL DISTRICT NO. 194 LAKEVILLE, MINNESOTA

Audit Report

Year Ended June 30, 2014



AUDITOR'S ROLE

- **Opinion on Financial Statements**
 - **District Audit**
 - **Student Activities Audit**
- **Internal Controls and Compliance**
 - **Financial Statement Audits**
 - **Federal "Single Audit"**
 - **State Laws and Regulations**
 - **Manual for Activity Fund Accounting**



AUDIT RESULTS

■ District Audit

■ Clean Opinion on Basic Financial Statements

■ Single Audit of Federal Awards

- During our audit, we noted the District did not have sufficient controls in place within its special education cluster program to assure that it was not contracting for goods or services with parties that are suspended or debarred, or whose principals are suspended or debarred from participating in contracts involving the expenditures of federal program funds.

■ Internal Control and Compliance Reports

- Before making final settlement with any contractor under a contract requiring the employment of employees for wages by said contractor or subcontractors, the District must obtain a certificate by the Commissioner of Revenue that the contractor or subcontractor has complied with the withholding requirements of Minnesota Statute. The District did not obtain the required certificate for one contract we tested during fiscal 2014.

■ Student Activity Audit

■ Internal Controls

- The District reports the cash receipts and disbursements of its extracurricular student activity accounts on the cash basis. The internal controls at the various district school sites are not sufficient to assure that all cash receipts have been recorded.
- A fundamental concept in a good system of internal control is the separation of duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. If the separation of duties is inadequate, there is a resulting danger that intentional fraud or unintentional errors could occur and not be detected.

■ Student Activity Audit

■ Compliance

- We noted 2 of 50 cash receipt transactions we tested within the student activity accounts that had receipts that were not deposited on a timely basis.
- We noted one activity accounted for by the District as a student activity which had a negative cash balance at year-end.
- Certain groups and activities accounted for by the District as student activities were inactive for the year and should be closed. We identified six inactive accounts.
- Certain groups and activities accounted for by the District as student activities do not meet the definition of an extracurricular activity. We identified two accounts that are improper accounts.

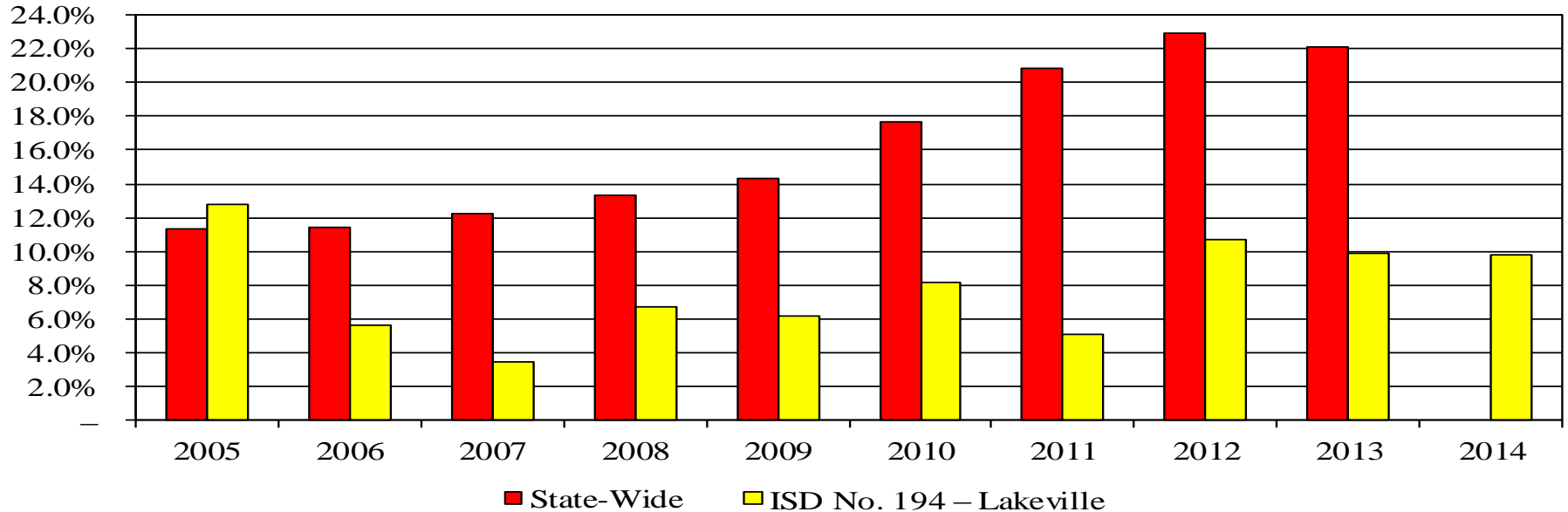
GENERAL EDUCATION AID— BASIC FORMULA ALLOWANCE

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Formula Allowance</u>	
	<u>Amount</u>	<u>Percent Increase</u>
2005	\$ 4,601	— %
2006	\$ 4,783	4.0 %
2007	\$ 4,974	4.0 %
2008	\$ 5,074	2.0 %
2009	\$ 5,124	1.0 %
2010	\$ 5,124	— %
2011	\$ 5,124	— %
2012	\$ 5,174	1.0 %
2013	\$ 5,224	1.0 %
2014	\$ 5,302	1.5 %
2015	\$ 5,831	2.0 % *

* The \$529 increase in 2015 is offset by changes to pupil weightings and the general education aid formula that reduced the increase to the equivalent of \$105, or 2.0 percent, state-wide.

STATE-WIDE FUND BALANCES

State-Wide Unrestricted Operating Fund Balance
as a Percentage of Operating Expenditures



REVENUE PER ADM SERVED

Governmental Funds Revenue per Student (ADM) Served

	State-Wide		Seven-County Metro Area		ISD No. 194 – Lakeville		
	2012	2013	2012	2013	2012	2013	2014
General Fund							
Property taxes	\$ 1,550	\$ 1,608	\$ 2,019	\$ 2,101	\$ 1,460	\$ 1,455	\$ 976
Other local sources	448	444	378	372	260	263	280
State	7,920	8,112	7,949	8,138	7,364	7,545	8,063
Federal	588	489	621	519	412	240	212
Total General Fund	10,506	10,653	10,967	11,130	9,496	9,503	9,531
Special revenue funds							
Food Service	488	495	483	495	473	484	478
Community Service	525	535	633	647	506	542	590
Debt Service Fund	1,088	1,079	1,180	1,172	1,773	1,670	1,432
Total revenue	\$12,607	\$12,762	\$13,263	\$13,444	\$12,248	\$12,199	\$12,031
ADM served per MDE School District Profiles Report (current year estimated)	<u>10,961</u>	<u>10,830</u>	<u>10,961</u>	<u>10,830</u>	<u>10,961</u>	<u>10,830</u>	<u>10,934</u>

Note: Excludes the Capital Projects – Building Construction Fund and Post-Employment Benefits Debt Service Fund.

Source of state-wide and seven-county metro area data: School District Profiles Report published by the MDE

EXPENDITURES PER ADM SERVED

Governmental Fund Expenditures per Student (ADM) Served

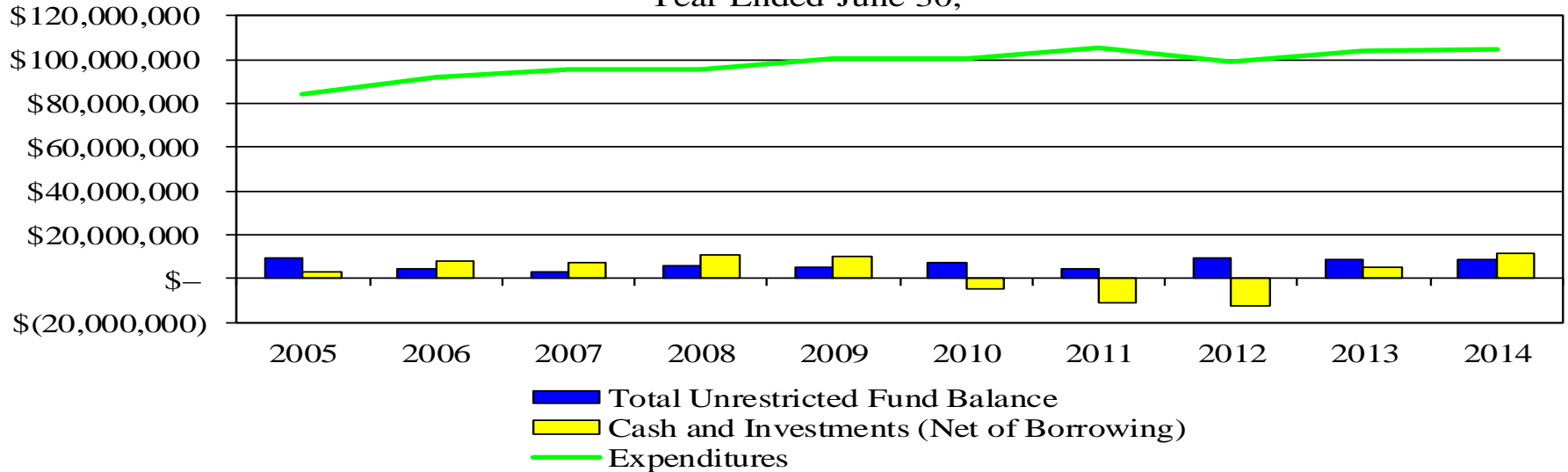
	State-Wide		Seven-County Metro Area		ISD No. 194 – Lakeville		
	2012	2013	2012	2013	2012	2013	2014
Administration and district support services	\$ 823	\$ 849	\$ 805	\$ 837	\$ 711	\$ 769	\$ 765
Elementary and secondary regular instruction	4,866	4,982	5,103	5,273	4,009	4,204	4,241
Vocational education instruction	138	138	136	132	73	71	66
Special education instruction	1,866	1,909	2,004	2,055	1,829	1,942	2,042
Instructional support services	459	477	537	562	378	464	423
Pupil support services	895	919	957	991	945	974	876
Sites, buildings, and other	802	850	755	800	906	947	949
Total General Fund – noncapital	9,849	10,124	10,297	10,650	8,851	9,371	9,362
General Fund capital expenditures	462	509	410	469	199	237	224
Total General Fund	10,311	10,633	10,707	11,119	9,050	9,608	9,586
Special revenue funds							
Food Service	486	500	480	500	480	478	470
Community Service	526	535	630	646	510	553	585
Debt Service Fund	1,337	1,234	1,312	1,322	1,779	1,827	1,431
Total expenditures	\$ 12,660	\$ 12,902	\$ 13,129	\$ 13,587	\$ 11,819	\$ 12,466	\$ 12,072
ADM served per MDE School District Profiles Report (current year estimated)					10,961	10,830	10,934

Note: Excludes the Capital Projects – Building Construction Fund and Post-Employment Benefits Debt Service Fund.

Source of state-wide and seven-county metro area data: School District Profiles Report published by the MDE

GENERAL FUND FINANCIAL POSITION

General Fund Financial Position
 Year Ended June 30,



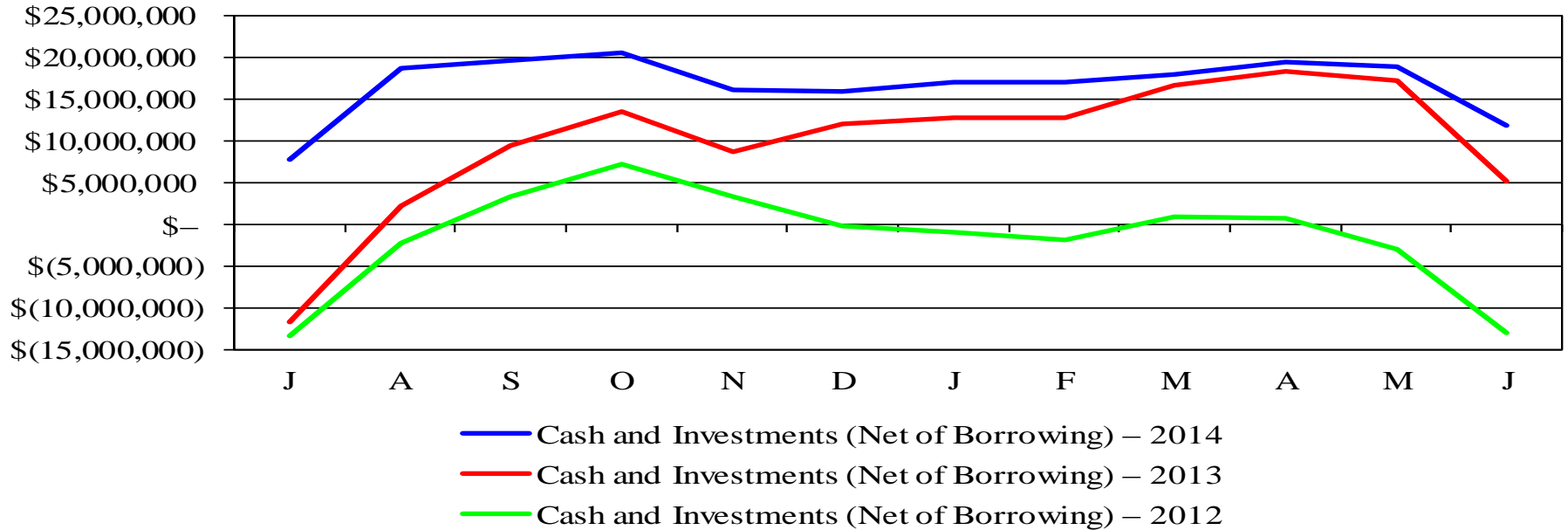
GENERAL FUND FINANCIAL POSITION

	Year Ended June 30,				
	2010	2011	2012	2013	2014
Nonspendable fund balances	\$ —	\$ 22,600	\$ 100	\$ 5,013	\$ 280
Restricted fund balances (1)	805,822	732,508	827,346	759,457	986,919
Unrestricted fund balances					
Assigned	1,658,669	—	1,478,522	1,704,585	200,000
Unassigned	5,558,601	4,435,964	7,779,672	7,294,275	8,728,265
Total fund balance	<u>\$ 8,023,092</u>	<u>\$ 5,191,072</u>	<u>\$ 10,085,640</u>	<u>\$ 9,763,330</u>	<u>\$ 9,915,464</u>
Unrestricted fund balances as a percentage of expenditures	<u>7.2%</u>	<u>4.2%</u>	<u>9.3%</u>	<u>8.6%</u>	<u>8.5%</u>
Unassigned fund balances as a percentage of expenditures	<u>5.5%</u>	<u>4.2%</u>	<u>7.8%</u>	<u>7.0%</u>	<u>8.3%</u>

(1) Includes deficits in restricted fund balance accounts allowed to accumulate deficits under UFARS, which are part of unassigned fund balance on the accounting principles generally accepted in the United States of America-based financial statements.

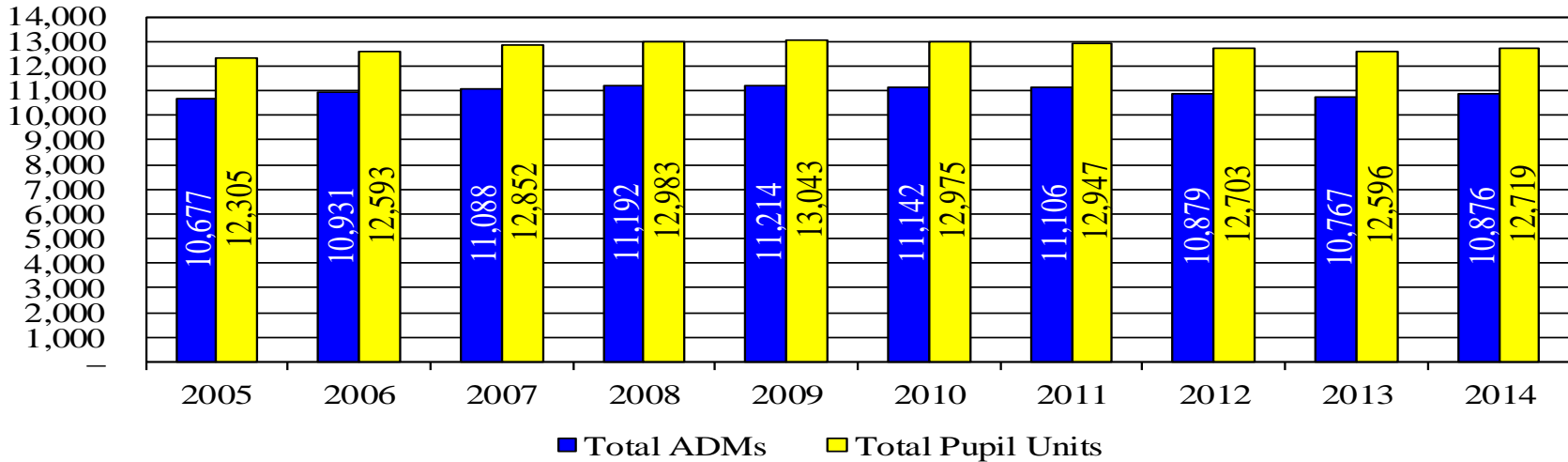
GENERAL FUND – CASH FLOW

General Fund Cash Flow
 Month-End Balances



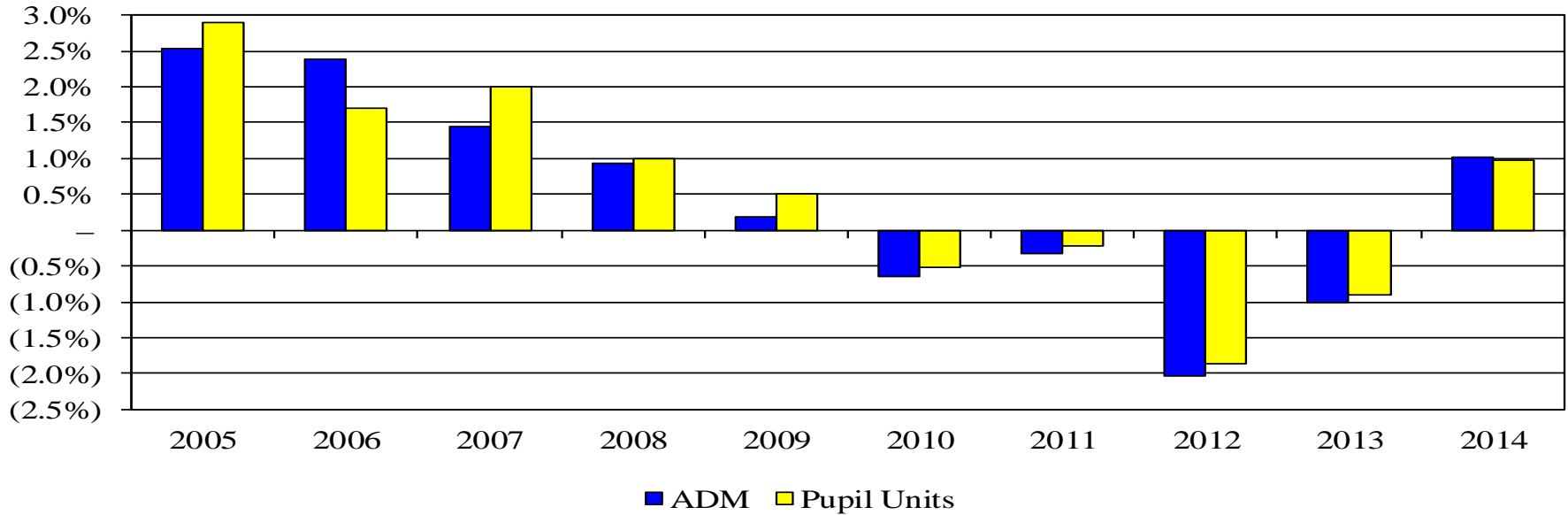
ADJUSTED ADM AND PUPIL UNITS SERVED

Adjusted ADM and Pupil Units Served



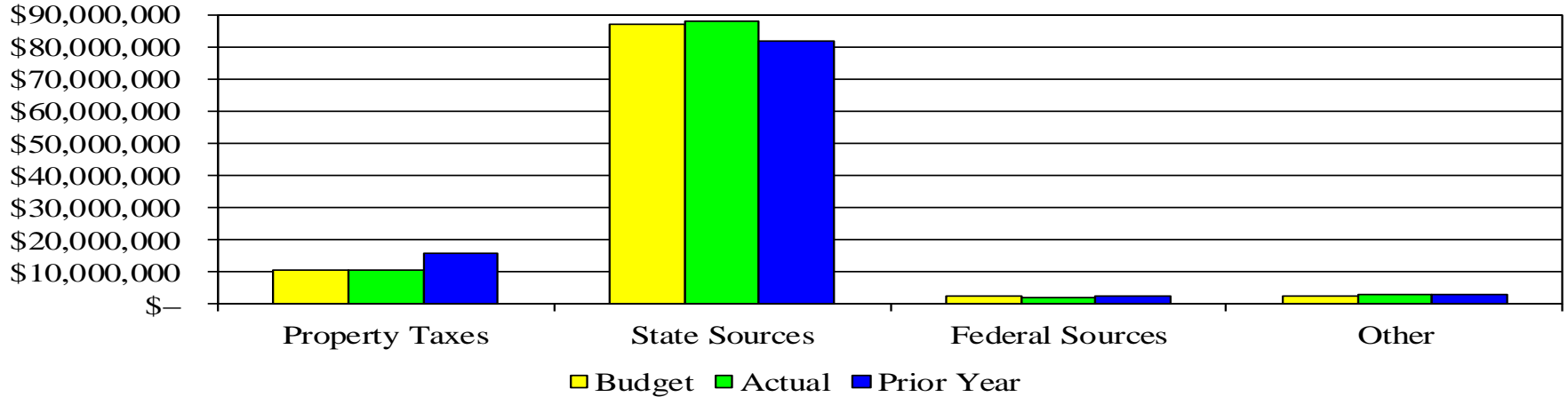
CHANGE IN STUDENTS SERVED

Change in ADM and Pupil Units



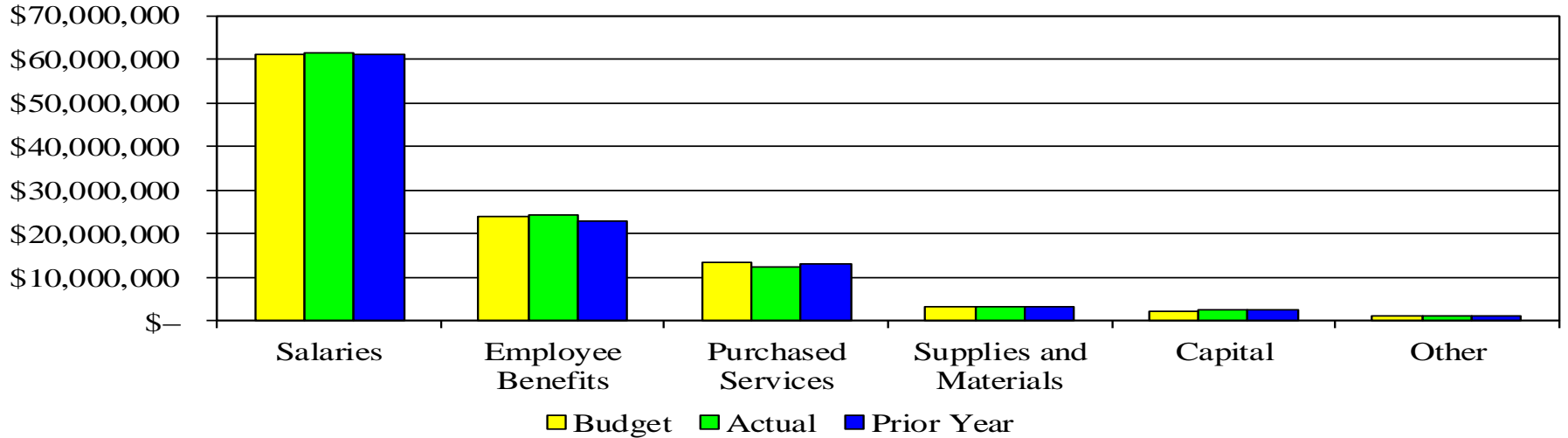
GENERAL FUND REVENUE

General Fund Revenue



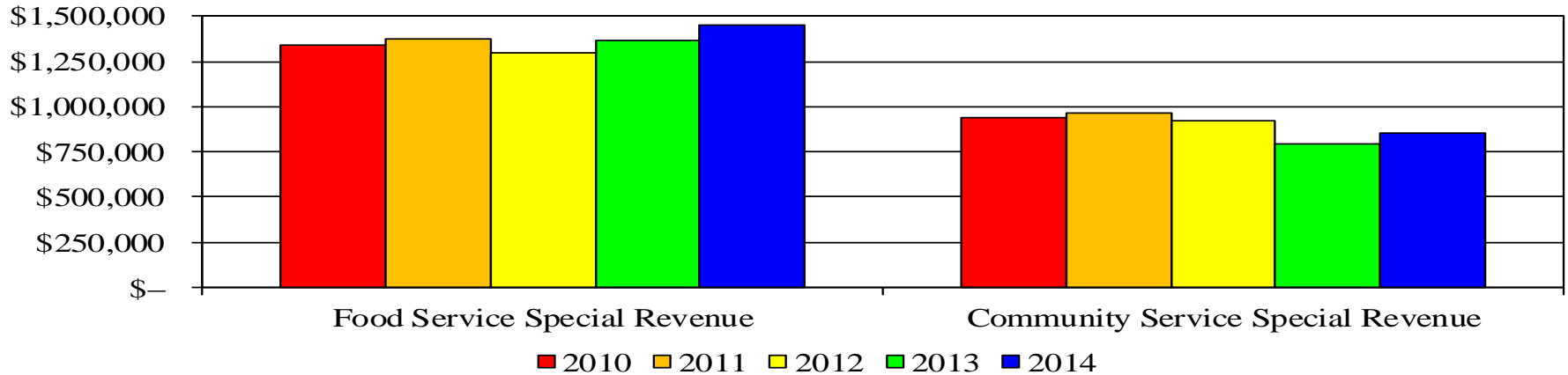
GENERAL FUND EXPENDITURES

General Fund Expenditures



OTHER GOVERNMENTAL FUNDS

Other Operating Funds
 Fund Balance – Last Five Fiscal Years





ACCOUNTING AND AUDITING UPDATES

**Governmental Accounting Standards Board (GASB) Statement No. 68,
*Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27***