

**Special Committee of the Whole Board Meeting - FY21 Audit Review**

Duluth Public Schools, ISD 709

Agenda

Tuesday, January 18, 2022

Denfeld High School Media Center

401 N 44th Ave W

Duluth, MN 55807

6:00 PM

1. **CALL TO ORDER**

2. **ROLL CALL**

3. **AGENDA ITEMS**

A. Informational Items

1) Presentations

a. FY21 Audit Review

Wipfli

B. Other

4. **ADJOURN**

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Independent School District No. 709  
Audit Presentation  
Year Ended June 30, 2021  
Wipfli LLP



# Auditor Responsibility

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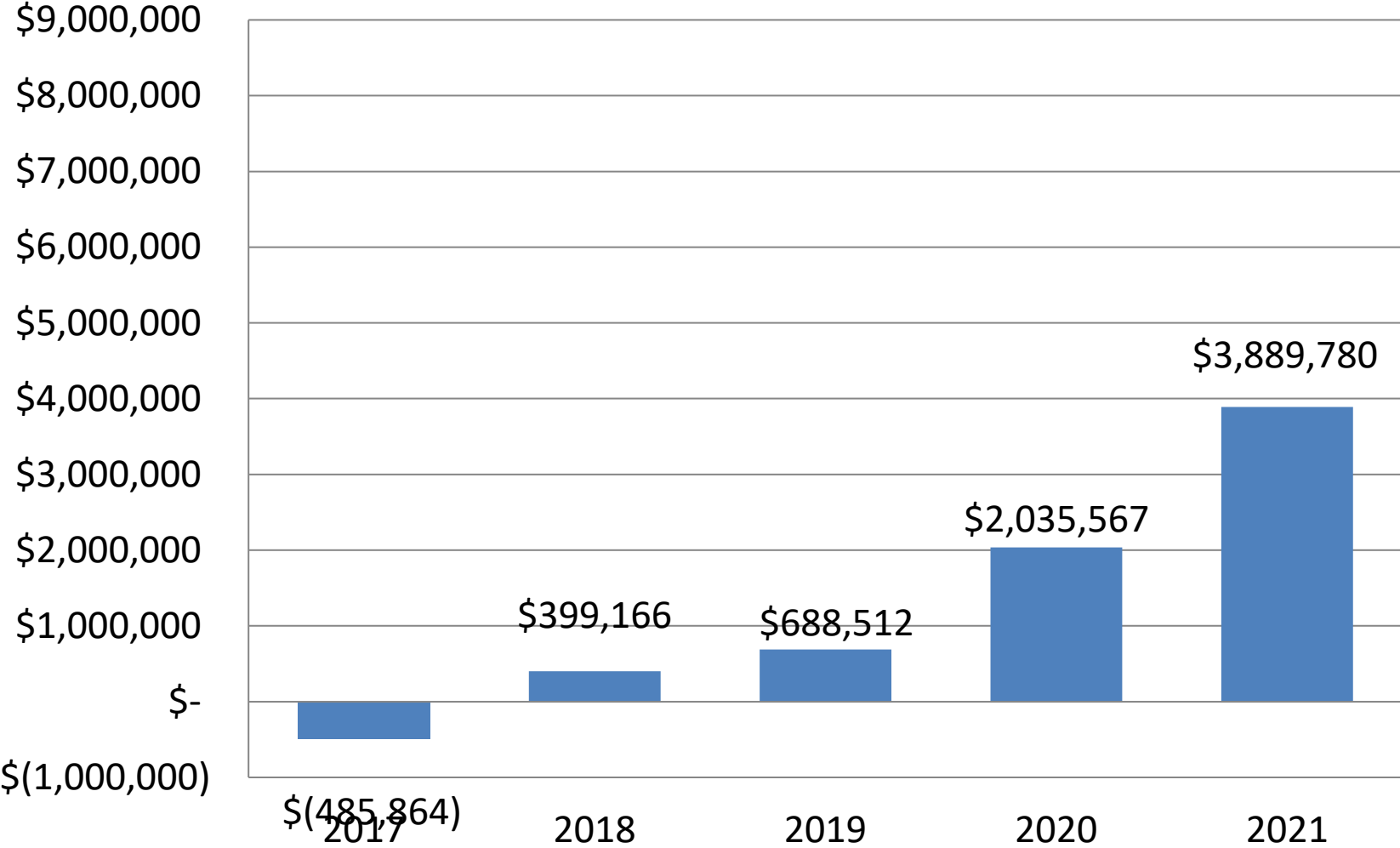
- Issue an opinion on the basic financial statements
- Report on compliance and internal controls over financial reporting
- Report on compliance and internal controls over federal programs – Uniform Guidance
- Report on compliance with Minnesota statutes tested

# Auditor Results

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- Unmodified opinion on the basic financial statements
- Internal controls findings over financial reporting (Material Weaknesses)
  - Audit adjustments/Reconciliation of Significant Accounts
  - Financial Statement Presentation and Disclosure
- No compliance or internal controls finding over federal programs
- No noncompliance with Minnesota statutes tested

# General Fund - Unassigned Balance



# General Fund – Fund Balances

|                                  | <u>June 30, 2020</u>        | <u>Change</u>              | <u>June 30, 2021</u>        |
|----------------------------------|-----------------------------|----------------------------|-----------------------------|
| Nonspendable                     |                             |                            |                             |
| Inventory                        | \$ 55,541                   | (29,068)                   | \$ 26,473                   |
| Prepayments                      | 358,421                     | 29,068                     | 387,489                     |
| Restricted for:                  |                             |                            |                             |
| Student activities               | 237,460                     | 87,927                     | 325,387                     |
| Staff development                | 21,240                      | 292,275                    | 313,515                     |
| Teacher development & evaluation | 16,729                      | -                          | 16,729                      |
| Gifted and talented              | 12,594                      | (12,594)                   | -                           |
| Safe schools - crime levy        | 93,644                      | 326,028                    | 419,672                     |
| Operating capital                | 762,334                     | 625,828                    | 1,388,162                   |
| Basic skills                     |                             | 222,148                    | 222,148                     |
| ALC                              | 143,573                     | -                          | 143,573                     |
| LTFM                             | 827,504                     | 1,166,091                  | 1,993,595                   |
| Medical assistance               | 605,581                     | (148,299)                  | 457,282                     |
| Assigned                         |                             |                            |                             |
| Textbooks                        | 1,060,610                   | 900,000                    | 1,960,610                   |
| Equipment                        | 800,000                     | 259,000                    | 1,059,000                   |
| Severance - insurance premiums   | 3,000,000                   | 1,100,000                  | 4,100,000                   |
| Instructional equipment          | 400,000                     | 1,173,359                  | 1,573,359                   |
| Special programs                 | 160,000                     | 350,000                    | 510,000                     |
| Student activities               | 887,350                     | -                          | 887,350                     |
| Unassigned                       | <u>2,035,567</u>            | <u>1,854,213</u>           | <u>3,889,780</u>            |
| <br>                             |                             |                            |                             |
| Total                            | <u><u>\$ 11,478,148</u></u> | <u><u>\$ 8,195,976</u></u> | <u><u>\$ 19,674,124</u></u> |

# Overview of General Fund Variances from Budget to Actual

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Explanation: The following major budget categories had budgets that were not fully spent in FY21 due to timing issues and results of COVID-19 and different learning models in the 20-21 school year.

- Operating Capital \$3.6 million
- General Fund Maintenance & Operations \$2 million
- Transportation \$500,000
- ESSER Unbudgeted \$500,000
- Technology \$600,000

These funds will be spent in future budgets to meet the new project timelines.

# General Fund Results of Operation

| <b>Results of Operation</b>                          | Budget                | Final                | Over<br>(Under)<br>Budget |
|--|-----------------------|----------------------|---------------------------|
| Revenues   | \$ 119,162,884        | \$ 118,862,678       | \$ (300,206)              |
| Total revenue  | 119,162,884           | 118,862,678          |                           |
| Expenditures   | 120,575,045           | 110,787,843          | (9,787,202)               |
| Total expenditures                                   | 120,575,045           | 110,787,843          |                           |
| Excess (deficiency) of revenues<br>over expenditures | (1,412,161)           | 8,074,835            | 9,486,996                 |
| Other financing sources                              |                       |                      |                           |
| Transfers in   | 2,672,334             | 2,672,334            |                           |
| Transfers out  | (2,672,334)           | (2,672,334)          |                           |
| Issuance of debt                                     |                       | 5,070,000            | 5,070,000                 |
| Premium on the issuance of debt                      |                       | 16,528               | 16,528                    |
| Payment to refunding escrow agent                    | -                     | (4,965,387)          | (4,965,387)               |
| Net change in fund balance                           | <u>\$ (1,412,161)</u> | 8,195,976            | <u>\$ 9,608,137</u>       |
| Fund balance, June 30, 2020                          |                       | <u>11,478,148</u>    |                           |
| Fund balance, June 30, 2021                          |                       | <u>\$ 19,674,124</u> |                           |

# Food Service Fund

## Results of Operation and Fund Balances

| <b>Results of Operation</b> | Budget       | Final        | Over<br>(Under)<br>Budget |
|-----------------------------|--------------|--------------|---------------------------|
| Revenues                    | \$ 4,290,000 | \$ 2,721,587 | \$ (1,568,413)            |
| Expenditures                | 4,433,337    | 3,009,046    | (1,424,291)               |
| Net change in fund balance  | \$ (143,337) | (287,459)    | \$ (2,992,704)            |
| Fund balance, June 30, 2020 |              | 1,341,506    |                           |
| Fund balance, June 30, 2021 |              | \$ 1,054,047 |                           |
| <br><b>Fund Balance</b>     |              |              |                           |
| Nonspendable                |              |              |                           |
| Inventory                   |              | \$ 108,545   |                           |
| Prepayments                 |              | -            |                           |
| Restricted                  |              | 945,502      |                           |
| Total                       |              | \$ 1,054,047 |                           |

# Community Service Fund

## Results of Operation and Fund Balances

| <b>Results of Operation</b>      | Budget              | Final               | Over<br>(Under)<br>Budget |
|----------------------------------|---------------------|---------------------|---------------------------|
| Revenues                         | \$ 8,234,131        | \$ 7,406,841        | \$ (827,290)              |
| Expenditures                     | 8,621,076           | 7,152,997           | 1,468,079                 |
| Net change in fund balance       | <u>\$ (386,945)</u> | 253,844             | <u>\$ 640,789</u>         |
| Fund balance, June 30, 2019      |                     | 1,170,737           |                           |
| Fund balance, June 30, 2020      |                     | <u>\$ 1,424,581</u> |                           |
| <br><b>Fund Balance</b>          |                     |                     |                           |
| Nonspendable                     |                     |                     |                           |
| Prepayments                      |                     | \$ 13,354           |                           |
| Restricted                       |                     |                     |                           |
| Community education              |                     | 1,102,827           |                           |
| Community service                |                     | 66,303              |                           |
| Early childhood family education |                     | 7,317               |                           |
| Adult basic education            |                     | 270,860             |                           |
| School readiness                 |                     | (36,080)            |                           |
| Total                            |                     | <u>\$ 1,424,581</u> |                           |

# Capital Projects Fund

## Results of Operation and Fund Balance

| <b>Results of Operation</b>                          | Budget | Final              | Over<br>(Under)<br>Budget |
|--|--------|--------------------|---------------------------|
| Revenues   | \$     | -                  | \$ -                      |
| Expenditures   | -      | 1,631,023          | 1,631,023                 |
| Excess (deficiency) of revenues over<br>expenditures | \$ -   | (1,631,023)        | \$ 1,631,023              |
| Net change in fund balance                           | \$     | (1,631,023)        | \$ 1,631,023              |
| <br>Fund balance, June 30, 2020                      |        | <br>9              |                           |
| <br>Fund balance, June 30, 2021                      |        | <br>\$ (1,631,014) |                           |
| <br><b>Fund Balances</b>                             |        |                    |                           |
| Restricted   |        |                    |                           |
| LTFM   |        | \$ -               |                           |
| Projects funded by COP                               |        | 9                  |                           |
| Total  |        | \$ 9               |                           |

# Debt Service Fund

## Results of Operation and Fund Balance

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| <b>Results of Operation</b>                          | Budget        | Final         | Over<br>(Under)<br>Budget |
|--|---------------|---------------|---------------------------|
| Revenues   | \$ 21,798,286 | \$ 22,214,203 | \$ 415,917                |
| Expenditures   | 21,506,300    | 21,828,096    | (321,796)                 |
| Excess (deficiency) of revenues over<br>expenditures | 291,986       | 386,107       | 94,121                    |
| Other financing sources (uses)                       |               |               |                           |
| Issuance of bonds                                    |               | 18,385,000    |                           |
| Principal refunding payments from escrow             |               |               |                           |
| Payment to refunding escrow agent                    |               | (18,056,559)  |                           |
| Other financing sources (uses)                       |               | 328,441       |                           |
| Net change in fund balance                           | \$ 291,986    | 714,548       | \$ 94,121                 |
| Fund balance, June 30, 2020                          |               | 3,774,203     |                           |
| Fund balance, June 30, 2021                          |               | \$ 4,488,751  |                           |
| <br><b>Fund Balances</b>                             |               |               |                           |
| Restricted   |               |               |                           |
| Bond refunding                                       |               | 3,994         |                           |
| Debt service   |               | 4,484,757     |                           |
| Total  |               | \$ 4,488,751  |                           |

# Outstanding Debt

| <u>G.O. Bonds</u>  | <u>Balance</u><br><u>06/30/20</u> | <u>New</u><br><u>Debt</u> | <u>Refunded</u> | <u>Principal</u><br><u>Paid</u> | <u>Balance</u><br><u>06/30/21</u> |
|--|-----------------------------------|---------------------------|-----------------|---------------------------------|-----------------------------------|
| \$44,320,000 G.O. Refunding Bonds, Series 2015B                              | \$ 36,390,000                     |                           |                 | \$ 3,880,000                    | \$ 32,510,000                     |
| \$3,640,000 G.O. Taxable Facilities Maintenance Bonds, Series 2017A          | 1,485,000                         |                           |                 | 730,000                         | 755,000                           |
| \$615,000 G.O. Taxable Capital Facilities Bonds, Series 2017B                | 250,000                           |                           |                 | 125,000                         | 125,000                           |
| <b>Total G.O. Bonds</b>  | <b>38,125,000</b>                 |                           |                 | <b>4,735,000</b>                | <b>33,390,000</b>                 |
| <b><u>Certificates of Participation</u></b>                                  |                                   |                           |                 |                                 |                                   |
| \$12,800,424.50 Full Term Capital Appreciation C.O.P., Series 2012A          | 12,800,425                        |                           |                 | 12,800,425                      |                                   |
| \$82,605,000 Certificates of Participation, Series 2016A                     | 62,515,000                        |                           |                 | 5,935,000                       | 56,580,000                        |
| \$41,715,000 Full Term Refunding Certificates of Participation, Series 2019B | 37,500,000                        |                           |                 | 3,575,000                       | 33,925,000                        |
| \$2,710,000 Full Term Refunding Certificates of Participation, Series 2019C  | 2,415,000                         |                           |                 | 255,000                         | 2,160,000                         |
| \$1,650,000 Full Term Refunding Certificates of Participation, Series 2010D  | 910,000                           |                           |                 | 910,000                         |                                   |
| \$6,340,000 Certificates of Participation, Series 2012B                      | 4,425,000                         |                           |                 | 4,425,000                       |                                   |
| \$18,385,000 Full Term Refunding Certificates of Participation, Series 2021A |                                   | 18,385,000                |                 |                                 | 18,385,000                        |
| \$5,070,000 Refunding Certificates of Participation, Series 2021B            |                                   | 5,070,000                 |                 |                                 | 5,070,000                         |
| \$24,130,000 Refunding Certificates of Participation, Series 2019A           | 22,780,000                        |                           |                 | 1,175,000                       | 21,605,000                        |
| <b>Total Certificates of Participation</b>                                   | <b>143,345,425</b>                | <b>23,455,000</b>         |                 | <b>29,075,425</b>               | <b>137,725,000</b>                |
| <b>Total Debt Outstanding</b>  | <b>\$ 181,470,425</b>             | <b>\$ 23,455,000</b>      | <b>\$ -</b>     | <b>\$ 33,810,425</b>            | <b>\$ 171,115,000</b>             |

Thank you for your time

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