

THE BOARD MEMBER'S Guide to a School District Audit Report

5 TIPS TO GET THE MOST OUT OF YOUR STATEMENTS

With new standards that have been implemented in recent years, school district financial statements are now averaging almost 100 pages long. This can be quite daunting when you first pick up the statement to read about the financial health of your school district. Here are 5 key areas to focus on to get the most value out of your review of the financial statements.

1 Schedule of Findings and Questioned Costs

This is the overall summary of the results of the audit. On this page you will see if the audit of the financial statements had an unmodified (clean) opinion and if there were any deviations (findings) related to internal controls over financial reporting. This schedule also shows the results of the audit over the district's major federal programs with any internal control findings or compliance issues identified. If your district had findings, they would be displayed on the subsequent pages in more detail noting the deviation, its cause, recommendations from the auditor, and the corrective action plan from management.

2 General Fund Budget to Actual Schedule

Prior to the start of the year the school board will approve a budget for the year for the district's revenues and expenditures for the general fund. Here you will find the original budget that was approved, the final budget if there were any budgetary transfers during the year, and the actual results for the year. The budget serves as a guide for the year, but as always there are factors that are not easily predictable that can cause large variances. This could be a new grant or subsidy that results in an increase to both your revenues and expenditures, additional special education or charter school costs, fluctuations in health insurance if the district is self-insured, or the sale of a commercial property that results in a large transfer tax revenue. Any large variances should be explainable by management.

3 Fund Balance

At the bottom of the governmental funds balance sheet you will see a breakdown of the district's fund balance. In the simplest terms, fund balance in any given fund is what is available for use after the fund's assets have satisfied the fund's liabilities.

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Pension and Other Post Employment Benefit Liabilities

These standards went into effect for the 2015 and 2018 fiscal years, respectively, and have resulted in over 25 additional pages to the financial statements as well as overall deficits in the proprietary funds and government-wide financial statements. While it may be difficult to interpret all the additional footnote disclosures, actuarial assumptions, and new lines on the financial statements, it is important to understand the actual impact that has occurred on the annual operations of the district. The district does not pay down the pension liability directly, but rather through a rate certified by the pension plan's board of trustees. The effect of this rate trend on operations is best demonstrated by the required supplementary information schedule in the financial statement that shows a 10-year trend of the district's covered payroll and its contributions to the plan.

5

Management Discussion and Analysis

This section is prepared by the district to accompany the financial statements. It includes financial highlights, an overview of certain financial information included in the statements, and factors affecting the district's future. This is the best place to go to find a narrative behind the numbers that are presented in the financial statement. This is also the only place you will see a comparison of financial information to the prior year.

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