

OFFICE OF THE SUPERINTENDENT

Millburn Public Schools

INFORMATION ITEM

January 19, 2010

To: Board of Education Members

From: Ellen E. Mauer, PhD

Subject: Audit Presentation

David Cain of Milburn, Cain, and Company will be here tonight to give a brief overview of our most recent audit and to answer any questions you may have about that.

Millburn School District No. 24
Audit Presentation
January 19, 2010

Assurances

Records are precise and well-maintained.

Capital Asset records are very well maintained.

The District has good competent people responsible for its business operations.

Financial Operations

As you may already know, there are two different sets of financial statements contained within the audit report:

One set is on the modified accrual method of accounting. These statements report activities separately for each fund. The net change in fund balances was a deficit of \$1.5 million compared to a \$2.2 deficit in the prior year.

The other is a consolidated set of statements which report total activities for all funds on the full accrual basis of accounting. The change in net assets was a deficit of \$2.5 million in both this year and the prior year.

Page 15 and 18 of the audit report provide a reconciliation of these two different sets of financial statements.

The deficits mean that Millburn has to borrow money in order to operate until next year's tax collections start to come in around the first of June. As the deficits continue, the District will have to borrow earlier in the school year.

The District needs to consider ways to increase its revenues and reduce its expenditures if it is to eliminate these deficits.

Annual Financial Report

According to the District's annual financial report, Millburn will again be on the State's financial watch list.

The formula the State uses for determining which districts are on the financial watch list places those who report on the accrual method of accounting at a disadvantage. Realizing this, several years ago Millburn began using the cash method of accounting to prepare its annual financial reports. This change allowed the District to defer being placed on the financial watch list by a year or two. Nevertheless, it was on the financial watch list for the past two years and is on it again this year.

Management Letter

This year our communication to management and the Board only points out the need to hire an actuary firm to calculate the unfunded actuarial accrued liability, the required footnote disclosures, and required supplementary schedules relating to the District's post-employment healthcare benefits it provides.

New Developments

We will need to meet with an audit committee of the Board or a Finance Committee if there is no audit committee to discuss the purpose and objectives of next year's audit in advance of performing the examination itself. Then we are to meet with the same committee or the full Board after the audit is complete to discuss the results of our work. These meetings are necessary to be in compliance with Statements on Auditing Standards No. 114, communication with those changes with governance.

It is a pleasure to work with Millburn School. Thanks for the opportunity.