

Shawnee Public Schools In-Depth Financial CPA Executive Summary

Integrity of the Game vs Economic Impact (Politics); The Oklahoma Business Plan

District No. 1-93 (Fiscal Years 2014–2021)

1. Overview & Reporting Framework

Summary:

The State Audit documents for Shawnee Public Schools adhere to Oklahoma’s statutory reporting requirements. They consist of two main sections—the Statement of Financial Condition and the Estimate of Needs—each prepared and certified by the Board of Education with supporting CPA compilation reports. These documents provide a clear snapshot of the district’s current financial status and its projected funding requirements for future operations and capital projects.

Key Notes:

- **Statement of Financial Condition:**
 - **Balance Sheet Presentation:** Detailed as of June 30 each year.
 - **Key Assets:** Predominantly cash balances; minimal investments emphasize liquidity.
 - **Key Liabilities:** Outstanding warrants and reserve balances (Schedule 8) form the bulk of liabilities.
 - **Estimate of Needs:**
 - **Forward-Looking Budget:** Projects operating expenses and capital expenditures for the coming fiscal year.
 - **Levy Requirements:** Specifies additional millage (standard, emergency, local support) to cover funding shortfalls.
 - **Certification & Compliance:**
 - **Board Certifications:** Ensures all statements have been reviewed and authorized.
 - **CPA Compilation Reports:** Clarify that the statements are compilations—not audits—and that management is responsible for internal controls.
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2. Detailed Analysis of Key Financial Items

A. Statement of Financial Condition

Summary:

The Statement of Financial Condition provides a comprehensive view of the district’s financial health at the close of each fiscal year. It reflects the district’s liquidity and outlines major liabilities, offering insight into its capacity to meet ongoing obligations.

Key Notes:

- **Assets:**

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- **Cash Balances:** Consistently robust, typically ranging between \$6 million and \$9 million in later years, ensuring high liquidity.
- **Investments:** Generally minimal or not present, indicating a conservative strategy focused on operational cash availability.
- **Liabilities:**
 - **Outstanding Warrants:** Represent a significant liability. Detailed schedules track new registrations, payments, and statutory cancellations.
 - **Reserves:** Specific reserves (e.g., Schedule 8) mitigate the impact of liabilities and support future debt service.
- **Net Position:**
 - **Liquidity Focus:** The net financial position remains stable, ensuring sufficient resources to cover unexpected expenses and ongoing operations.

B. Estimate of Needs

Summary:

This section outlines the funding requirements for the forthcoming fiscal year, detailing anticipated expenditures and corresponding additional levies needed. It helps stakeholders understand the gap between expected revenues and required funding.

Key Notes:

- **Operating Levies:**
 - **Baseline Additional Levy:** Often an extra 15.000 Mills is required to meet operating expenses.
 - **Emergency & Local Support Levies:** Additional measures (typically 5.000 and 10.000 Mills, respectively) address unforeseen expenses or specific capital repair needs.
- **Capital Projects & Debt Service:**
 - **Building Fund & Sinking Fund:** Detailed schedules provide separate calculations for long-term capital improvements and debt servicing.
 - **Forecast Accuracy:** Supported by historical revenue data and statutory guidelines, ensuring realistic funding projections.

C. Revenue & Expenditure Schedules

Summary:

These schedules offer a detailed breakdown of the district's revenue streams and expenditure patterns, emphasizing the balance between incoming funds and operating costs. Historical data is used to track trends and ensure transparency.

Key Notes:

- **Revenue Streams:**
 - **Ad Valorem Tax Collections:** Detailed accounts include certified net valuations and statutory adjustments.

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- **Non-Revenue Receipts:** Include various district sources and cash transfers contributing to overall funding.
- **Expenditure Analysis:**
 - **Budget vs. Actual:** Comparisons highlight discrepancies between estimated budgets and actual spending.
 - **Cash Rollforwards:** Show how deficits or surpluses are carried forward, ensuring continuity of liquidity.

D. Debt Service & Warrant Activity

Summary:

The audit documents provide an in-depth look at the district's debt obligations through warrant activity, offering insight into both the creation and retirement of debt over time.

Key Notes:

- **Warrant Registrations & Payments:**
 - **Activity Tracking:** Detailed records of new warrant registrations, payments made during the year, and any cancellations.
 - **Conversion Activity:** Monitored closely, even if conversions to bonds or judgments are infrequent.
- **Debt Management:**
 - **Reserve Management:** Ensures funds are earmarked for servicing outstanding debt, reflecting disciplined debt management practices.

E. Compliance, Transparency & Certification

Summary:

A strong emphasis on compliance and transparency is evident in each audit report. Legal affidavits, board certifications, and CPA compilation reports ensure all financial data is accurate and publicly disclosed according to state requirements.

Key Notes:

- **Affidavits of Publication:**
 - **Legal Publication:** Verification that financial statements and estimates have been published in legally qualified newspapers (typically via the Shawnee News-Star).
- **Board & Notary Certifications:**
 - **Accountability:** Signed by multiple board members and notarized to reinforce the credibility of the reports.
- **CPA Compilation Reports:**
 - **Scope of Work:** Clearly state that the statements are compilations, not audits, and that management is responsible for the internal controls.

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3. Additional Analysis & Recommendations

A. Risk Assessment & Sensitivity Analysis

Summary:

Incorporating a risk assessment helps anticipate potential future financial challenges, while sensitivity analysis provides insights into the effects of economic fluctuations.

Key Notes:

- **Risk Factors:**
 - Fluctuations in property values, tax revenue volatility, and changes in state funding formulas.
- **Sensitivity Analysis:**
 - Evaluates how economic downturns and inflation might impact cash flow, operating expenses, and debt service capacity.

B. Benchmarking & Comparative Analysis

Summary:

Comparing the district's financial ratios with those of similar school districts provides context and helps identify areas for operational improvements.

Key Notes:

- **Key Ratios:**
 - Liquidity ratios, debt service coverage, and operating margins should be compared with peer districts.
- **Performance Benchmarks:**
 - Identify best practices and areas for efficiency enhancements.

C. Future Capital Projects & Debt Refinancing

Summary:

Anticipating future capital needs and exploring refinancing opportunities can enhance the district's long-term financial stability.

Key Notes:

- **Capital Planning:**
 - Include detailed reviews of planned capital projects, anticipated cost escalations, and scheduling.
- **Debt Refinancing:**
 - Explore restructuring or refinancing existing debt to reduce servicing costs and optimize cash flows.

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D. External Economic & Policy Impact

Summary:

Assessing the broader economic environment and policy changes can inform more accurate revenue projections and strategic financial planning.

Key Notes:

- **Economic Trends:**
 - Analyze local property market conditions, inflation, and regional economic performance.
- **Policy Impacts:**
 - Monitor changes in state or local policies that could affect funding formulas or levy authorizations.

E. Governance & Internal Controls

Summary:

Strengthening governance and internal controls is essential for sustaining fiscal integrity and ensuring ongoing stakeholder confidence.

Key Notes:

- **Internal Controls:**
 - Enhance periodic reviews and risk assessments to maintain strong fiscal discipline.
 - **Oversight:**
 - Consider periodic independent audits to supplement the compilation reports, providing additional assurance.
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4. Conclusion

Summary:

A thorough analysis of Shawnee Public Schools' audit documents from 2014 to 2021 reveals a district with strong financial management practices, disciplined debt service, and transparent reporting. The consistent methodology and adherence to state-mandated procedures have enabled the district to maintain robust liquidity, effectively manage debt, and plan for both current operations and future capital projects.

Key Recommendations:

- **Ongoing Risk Assessment:** Regularly review economic and fiscal risks through sensitivity analysis.
- **Benchmarking:** Compare key financial ratios with peer districts to identify potential improvements.

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- **Capital & Debt Planning:** Refine future capital project plans and explore refinancing opportunities to reduce the future levy burden.
- **Enhanced Oversight:** Strengthen internal controls and consider periodic independent audits for added stakeholder assurance.