



Board Agenda Item #	Agenda #III A- Audit Reports for all MPS
Date:	January 18, 2018
To:	Magnolia Board of Directors
From:	Caprice Young, Ed.D., CEO & Superintendent
Staff Lead:	Nanie Montijo, Chief Financial Officer
RE:	Approval of 2016-2017 Audit Report

Proposed Board Recommendation

Motion to approve the Financial Audit Report for fiscal year 2016-17 of all ten (10) schools and the consolidated audit including the home office.

Background

Under Education Code (EC) Sections 41020 through 41020.8, all school districts must file their annual audit reports for the preceding fiscal year by December 15, with the Los Angeles County Superintendent of Schools (County Superintendent), the California Department of Education (CDE), and the State Controller’s Office (SCO). The audit shall be conducted by an auditor from the list approved by the SCO and mutually agreeable to the authorizers and the Charter School.

The Governing Board of each school district must review the annual audit report for the prior fiscal year at a public meeting. According to EC Section 41020.3, the review will include: “. . . the annual audit of the local education agency for the prior year, any audit exceptions identified in that audit, the recommendations or findings of any management letter issued by the auditor, and any description of correction or plans to correct any exceptions or management letter issue.”

The board is required to review and approve annual financial audit report annually and submit to our various oversight entities by December 15.

In an audit engagement:

- The auditor explains that preparing the financial statements and maintaining sound internal control is management responsibility;
- The auditor explains its owns responsibilities, duties and rights regarding the engagement; emphasizes the nature of the audit and states that the auditor only examines the internal controls and accounting records on a sample basis;
- The auditor gives his opinion on the financial statements:
  - ❑ An unqualified report concludes that the financial statements present fairly its affairs in all material aspects. Also known as a clean report, which implies that any changes in the accounting policies, application and effects are adequately determined and disclosed.

- ❑ A qualified report is when there is a limitation of scope in auditor's work, or when there is disagreement with management regarding application, acceptability or adequacy of accounting policies. The issue must be material or financially worth consideration to qualify a report.
- ❑ If issues are material and pervasive, the auditor issues a disclaimer or adverse opinion.

Independent auditor's report received from VTD at the end of their audit engagement with MERF for fiscal year 2017-18 states that the financial statements present fairly, in all material aspects, the respective financial position of the Charter School, as of June 30, 2017. The changes in its net assets, its cash flows for the year that ended, in accordance with accounting principles generally accepted in the United States of America.

Budget Implications

None.

How Does This Action Relate/Affect/Benefit All MSAs?

All MPS schools will be in compliance with the authorizers' requirements.

Name of Staff Originator:

Nanie Montijo, Chief Financial Officer

Exhibits (attachments):

Audit Reports for each school, MERF and Consolidated