

Executive Summary

June 30, 2015

**Independent School District No. 2888**

Clinton-Graceville-Beardsley School District

## **Purpose of the Executive Summary**

The District receives audited financial statements each year, however the document is long and readers may find it difficult to read and understand. In an effort to help facilitate understanding we have put together an executive summary containing summarized information from the audited financial statements, as well as graphs and ratios. We believe the School Board, management, and citizens of the District will have a clearer picture of the financial condition of the District by reading this summary. This is not a required report and we offer no opinion on the executive summary.

We hope this executive summary encourages discussion of the District's financial condition and to:

- Alert the School Board and management to financial condition trends, both favorable and unfavorable.
- Put the District's financial condition in perspective by compiling data for several years.

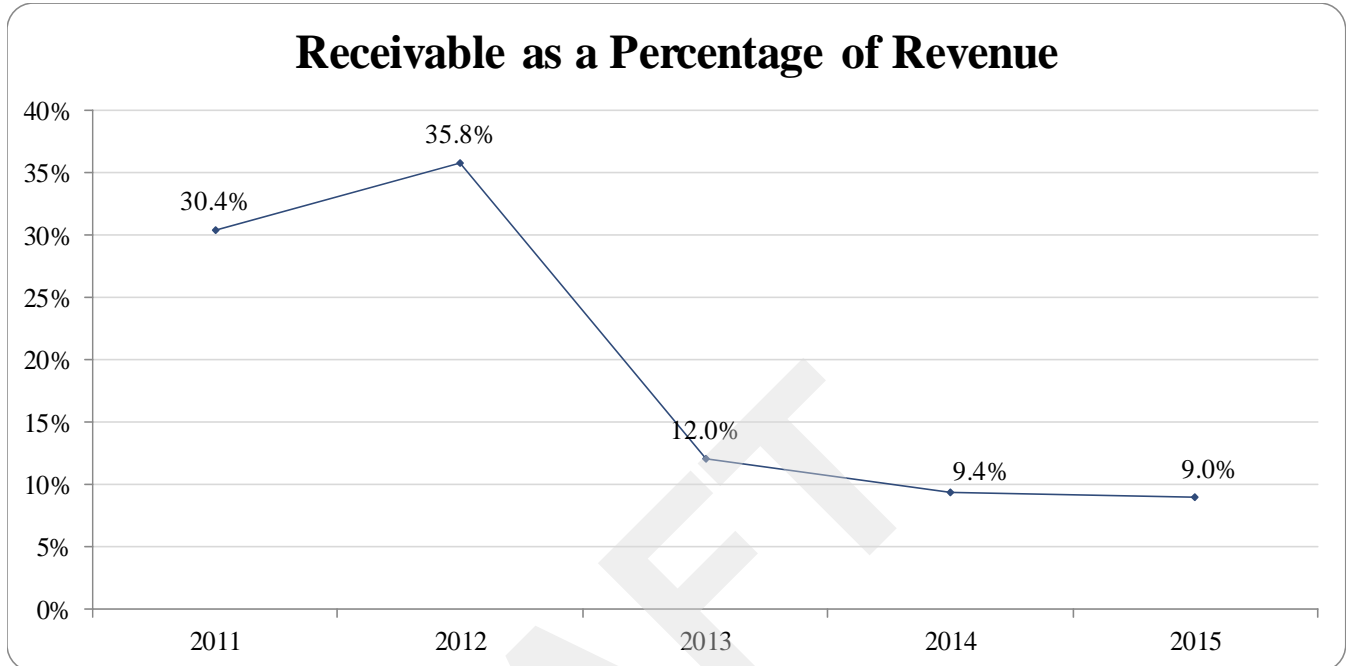
We obtained the idea of an executive summary format based on a review of the Comprehensive Annual Financial Report (CAFR) of the City of Sioux Falls, South Dakota, done by the Internal Audit department of the City in May 2009.

## **Audit Opinion**

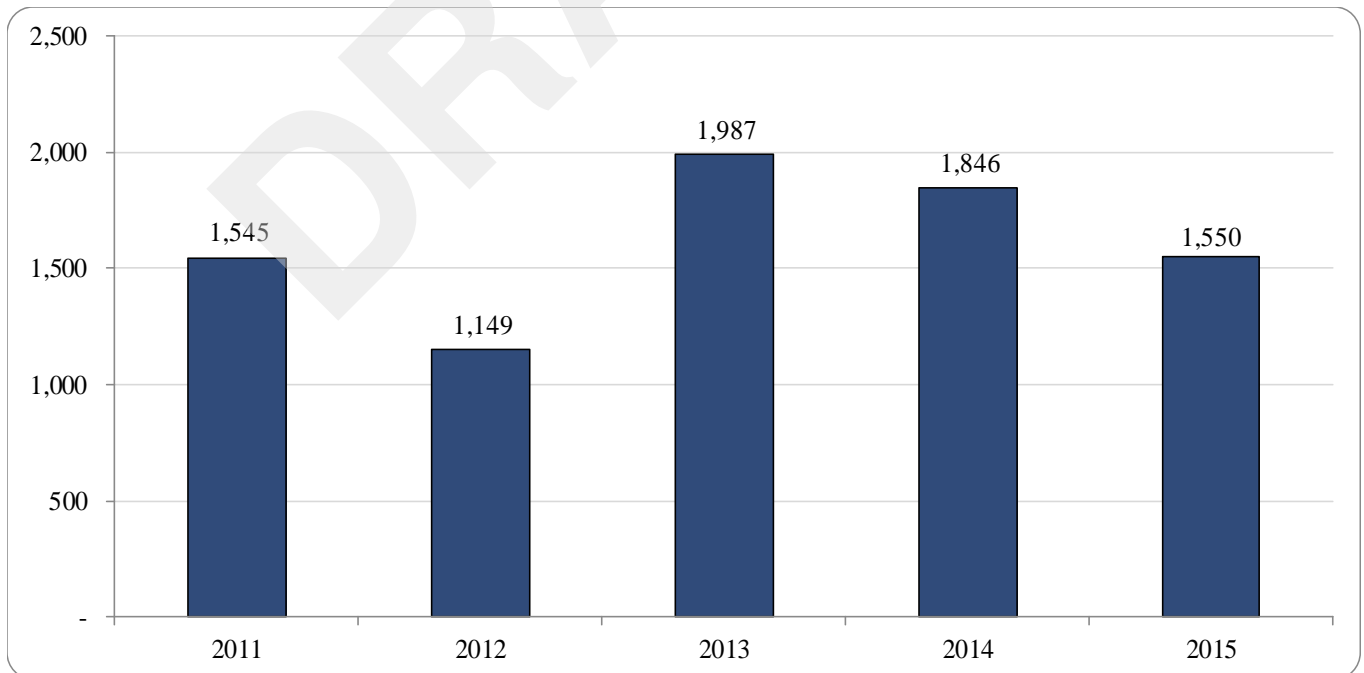
The District received a "clean" audit opinion. What does that really mean? The audit opinion is a brief report that appears with the financial statements. A clean audit opinion is more precisely referred to as an unmodified opinion. An *unmodified opinion* means that the financial statements have been prepared using accounting principles generally accepted in the United States of America (GAAP), do not contain material misstatements, and are fairly presented.

Some readers of financial statements with an unmodified (clean) audit opinion believe that the auditors are signifying that the organization has a financial clean bill of health. They may believe the auditors are indicating that there is no fraud, that the organization is using its resources effectively and efficiently, and that the organization is in compliance with all laws and regulations. The auditor's report (audit opinion) on a financial statement audit is merely the auditor's professional opinion, based on audit work, on whether the financial statements were prepared in accordance with GAAP and are free from material misstatement.

Below is an analysis of the general education aid receivable and revenue for the past five years.



Cash and investments is most significantly affected by the aid payment structure. Below is the cash and investment balances (in thousands) of the District for the past five years.



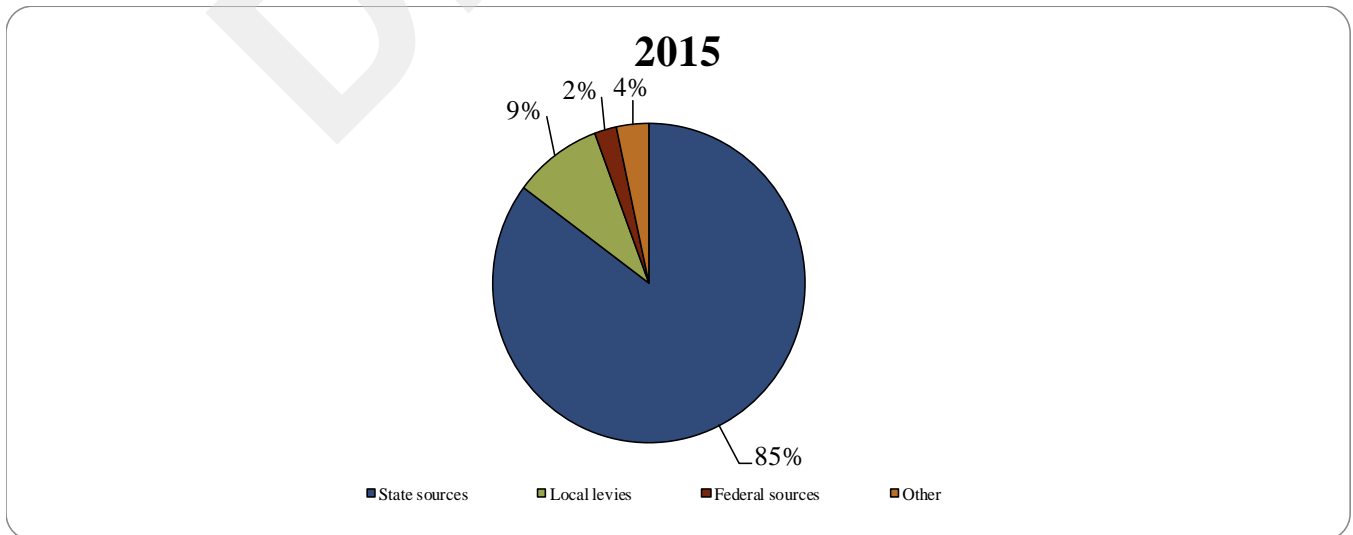
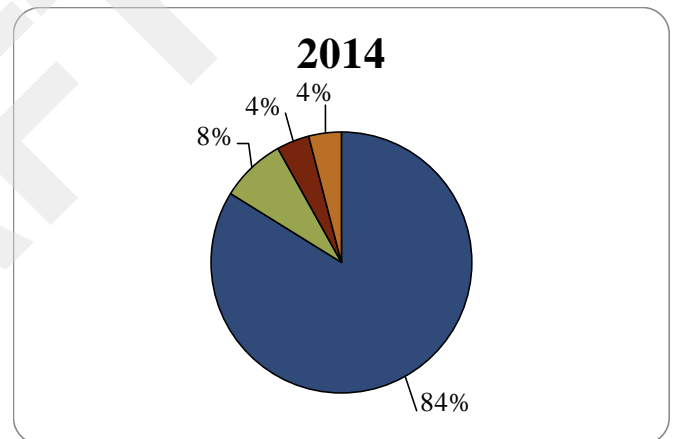
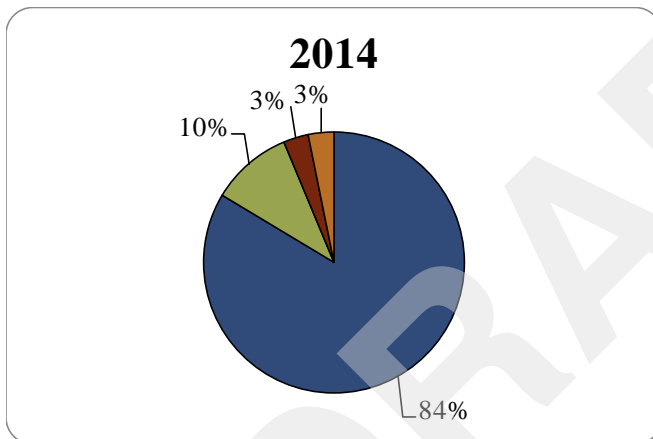
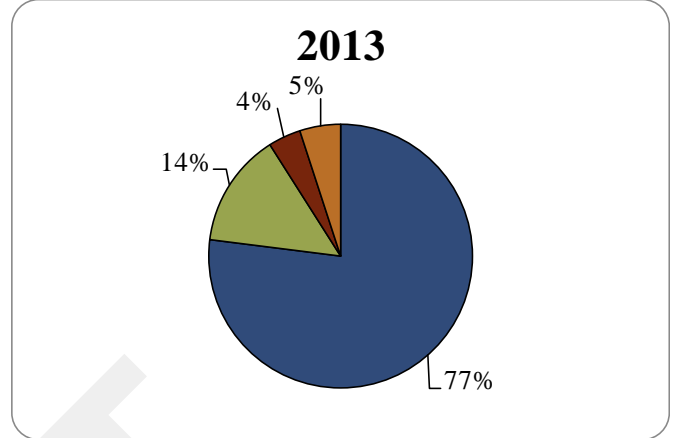
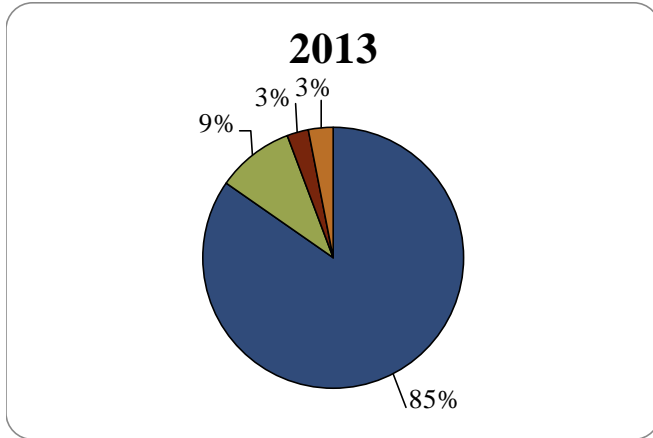
Independent School District No. 2888  
 Clinton-Graceville-Beardsley School District  
 Revenues, Expenditures, and Changes in Fund Balances  
 Budget to Actual – General Fund  
 Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
State sources	\$ 3,274,111	\$ 3,274,111	\$ 3,384,520	\$ 110,409
Local levies	337,633	337,633	365,081	27,448
Federal sources	86,000	86,000	90,447	4,447
Other	105,460	105,460	133,341	27,881
	<u>3,803,204</u>	<u>3,803,204</u>	<u>3,973,389</u>	<u>170,185</u>
				<b>4.5%</b>
				<b>Positive</b>
Expenditures				
Regular instruction	2,335,821	2,335,821	2,241,673	94,148
District administration and support services	447,988	447,988	450,650	(2,662)
Sites and buildings	548,840	548,840	530,875	17,965
Special education instruction	495,809	495,809	572,101	(76,292)
Instructional and pupil support services	502,569	502,569	442,738	59,831
Other	63,588	63,588	110,158	(46,570)
	<u>4,394,615</u>	<u>4,394,615</u>	<u>4,348,195</u>	<u>46,420</u>
				<b>1.1%</b>
				<b>Positive</b>
Revenues under expenditures	(591,411)	(591,411)	(374,806)	216,605
Other Financing Uses	<u>(18,000)</u>	<u>(18,000)</u>	<u>(13,223)</u>	<u>4,777</u>
Net Change in Fund Balance	<u>\$ (609,411)</u>	<u>\$ (609,411)</u>	<u>(388,029)</u>	<u>\$ 221,382</u>
Fund Balance, Beginning			<u>1,612,602</u>	
Fund Balance, End			<u>\$ 1,224,573</u>	

Independent School District No. 2888  
 Clinton-Graceville-Beardsley School District  
 General Fund Revenues by Source  
 Years Ended June 30, 2013 through June 30, 2015

**District Actual**

**Statewide Average<sup>1</sup>**

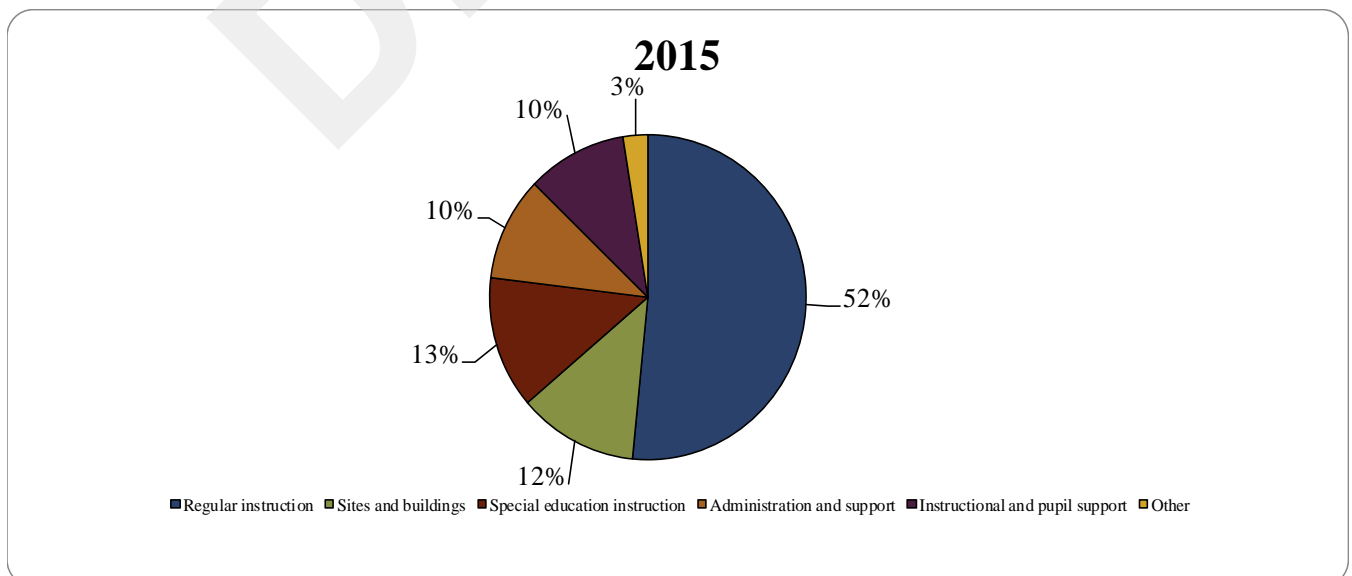
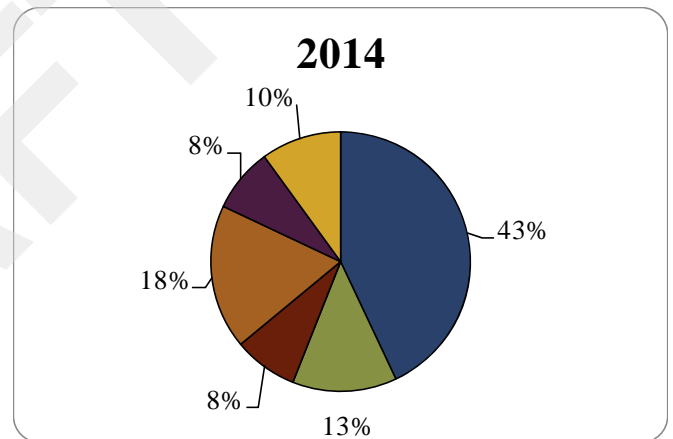
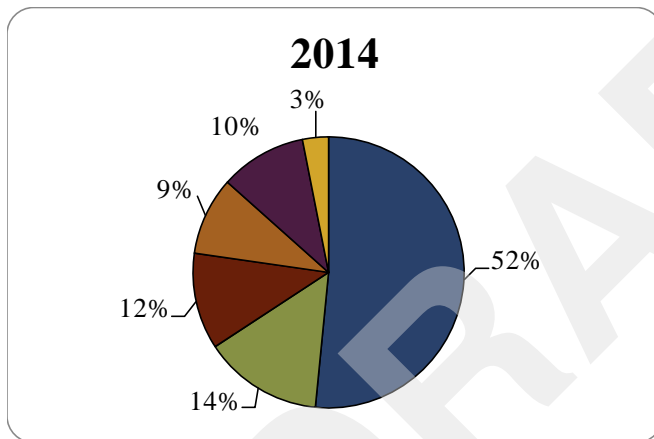
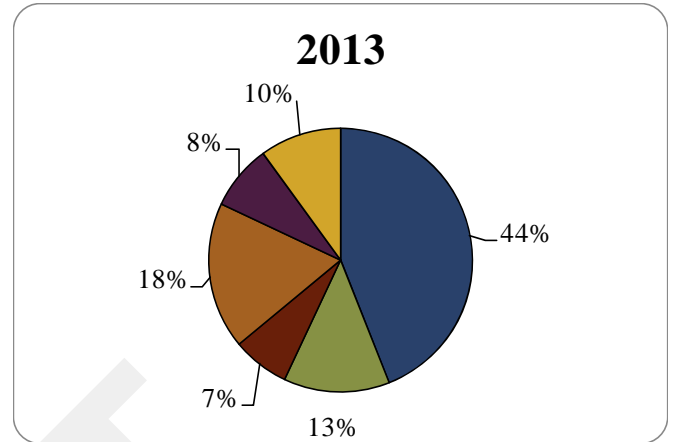
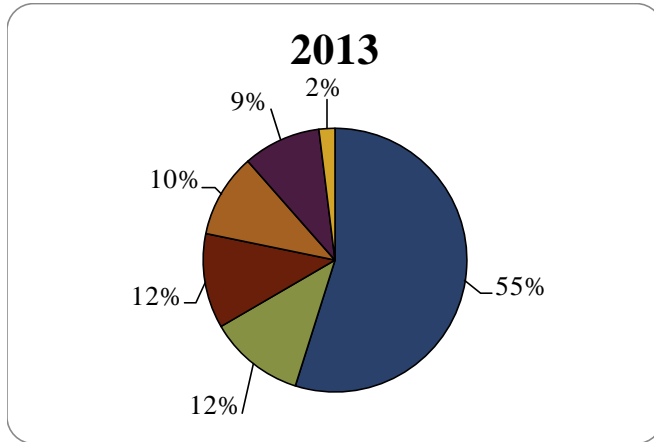


<sup>1</sup> Statewide Averages per *Minnesota Department of Education's* Data Center Information

Independent School District No. 2888  
 Clinton-Graceville-Beardsley School District  
 General Fund Expenditures by Program  
 Years Ended June 30, 2013 through June 30, 2015

**District Actual**

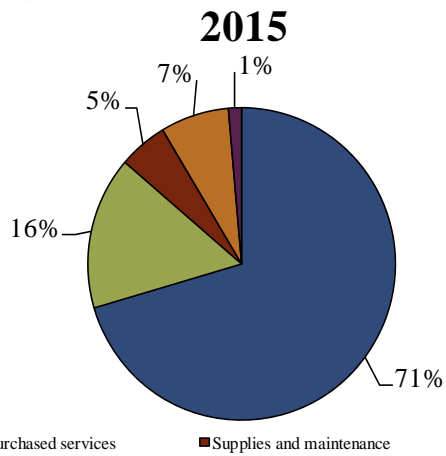
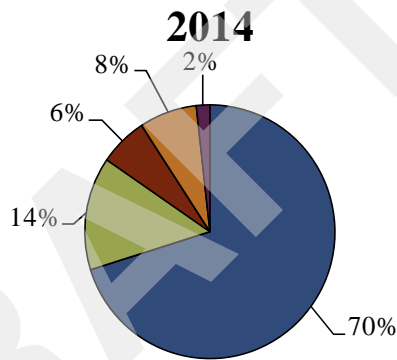
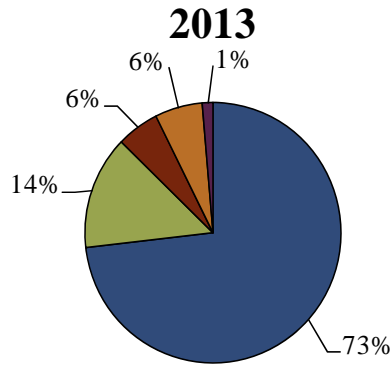
**Statewide Average<sup>2</sup>**



<sup>2</sup> Statewide Averages per *Minnesota Department of Education's* Data Center Information

Independent School District No. 2888  
Clinton-Graceville-Beardsley School District  
General Fund Expenditures by Object  
Years Ended June 30, 2013 through June 30, 2015

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Independent School District No. 2888  
 Clinton-Graceville-Beardsley School District  
 Changes in Fund Balances – General Fund  
 Year Ended June 30, 2015

	<u>Fund Balance Beginning of Year</u>	<u>Net Change in Fund Balance</u>	<u>Fund Balance End of Year</u>
Nonspendable	\$ 33,911	\$ (1,999)	\$ 31,912
Restricted for deferred maintenance	72,343	21,588	93,931
Restricted for health and safety	(11,198)	(21,266)	(32,464)
Restricted for teacher development & evaluation	-	9,788	9,788
Restricted for gifted and talented	10,603	4,602	15,205
Restricted for safe schools	37,686	12,151	49,837
Unassigned	<u>1,469,257</u>	<u>(412,893)</u>	<u>1,056,364</u>
	<u>\$ 1,612,602</u>	<u>\$ (388,029)</u>	<u>\$ 1,224,573</u>

The General Fund is used to account for all revenue and expenditures of the school district not accounted for elsewhere. It is used to account for educational activities, district instructional and student support programs, expenditures for the superintendent, district administration, normal operations and maintenance, pupil transportation, capital expenditures, and legal school district expenditures not specifically designated to be accounted for in any other fund.

Fund balance is the cumulative difference between fund assets and fund liabilities. Fund balance is further divided into nonspendable, restricted, committed, assigned, and unassigned categories. Nonspendable fund balance represents amounts that cannot be spent because they are not in spendable form, such as inventory and prepaid expenses. Restricted fund balance is legally restricted and cannot be appropriated for other spending. Committed fund balance is intended for a specific activity and imposed by formal action of the school board but is not legally restricted. Assigned fund balance is also intended for a specific activity by school board designated individuals, but is also not legally restricted. Unassigned fund balance can be thought of as reserves or a “rainy day” fund.

A positive fund balance:

- Contributes to a favorable bond rating
- Produces investment income
- Provides a source of working capital to meet cash flow needs
- Offers a cushion for unexpected expenditures or revenue shortfalls

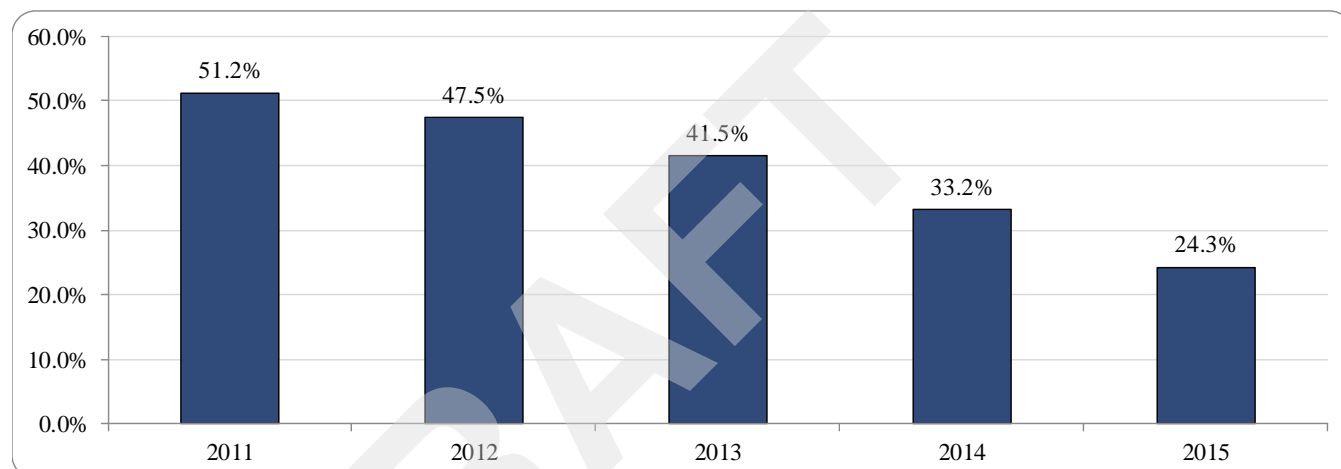


Independent School District No. 2888  
Clinton-Graceville-Beardsley School District  
Changes in Fund Balances – General Fund (Continued)  
Year Ended June 30, 2015

The Government Finance Officers Association (GFOA) recommends, at a minimum, that governments maintain unrestricted fund balance in their general fund of no less than two months (16.67 percent) of regular general fund operating expenditures.<sup>3</sup>

The State of Minnesota Office of the State Auditor (OSA) recommends that at year-end local governments maintain an unrestricted fund balance in their general fund and special revenue funds of approximately 35 to 50 percent of fund operating revenues or no less than five months of operating expenditures. Minnesota school districts experience a more reliable flow of cash to fund operations therefore, a recommended unrestricted fund balance for school districts may be less than the amounts recommended for other local governments.<sup>4</sup>

The District's unassigned fund balance as a percentage of expenditures in the General Fund for the last five years is as follows:



Unassigned Fund Balance as of June 30

2011	2012	2013	2014	2015
\$ 1,995,111	\$ 1,952,055	\$ 1,731,931	\$ 1,469,257	\$ 1,056,364

The following are some fund balance amounts for various benchmarking levels:

Where would you like to be?

1 month of expenditures (8%)	\$ 362,350
2 months of expenditures (17%)	724,699
3 months of expenditures (25%)	1,087,049
4 months of expenditures (33%)	1,449,398
5 months of expenditures (42%)	1,811,748
6 months of expenditures (50%)	2,174,098

<sup>3</sup> *Appropriate Level of Unreserved Fund Balance in the General Fund*, GFOA Best Practice, 2009

<sup>4</sup> *Statement of Position, Fund Balance for Local Governments*, OSA recommended practice, 2012

Independent School District No. 2888  
 Clinton-Graceville-Beardsley School District  
 Cost per ADM Served  
 June 30, 2015

