



Executive Summary
June 30, 2017

Pelican Rapids Area Public Schools Independent School District No. 548

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.

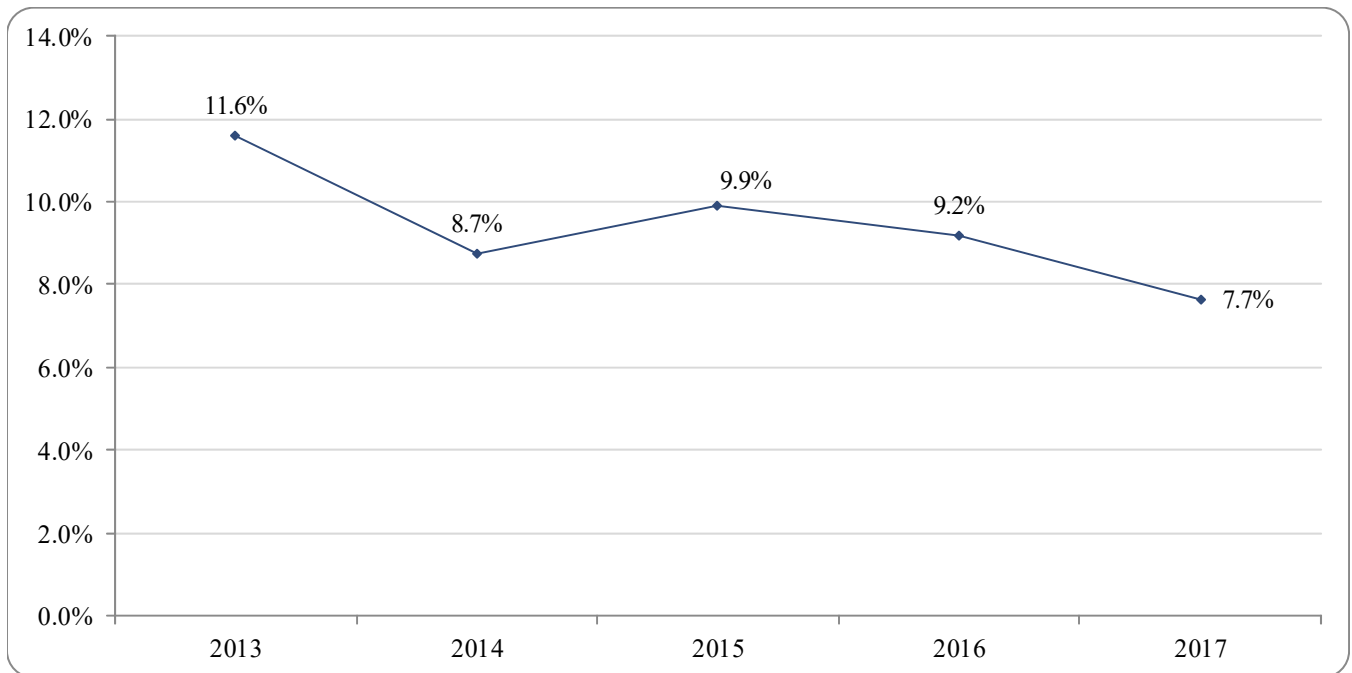
Audit Opinion

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 unqualified 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.

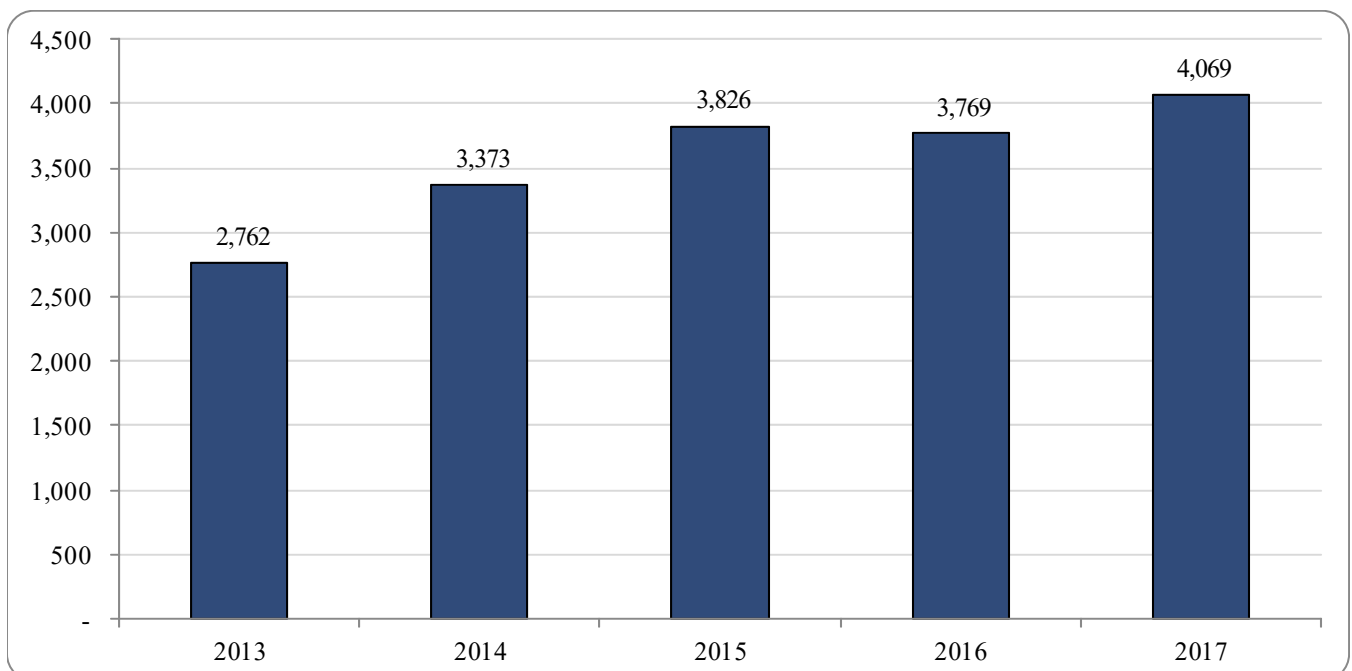
Some readers of financial statements with an unmodified (clean) audit opinion believe that the auditors are signifying that the organization has a financial clean bill of health. They may believe the auditors are indicating that there is no fraud, that the organization is using its resources effectively 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.

Pelican Rapids Area Public Schools
Independent School District No. 548
General Education Aid and Cash/Investments
Years Ended June 30, 2012 through June 30, 2017

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 are the cash and investment balances (in thousands) of the District for the past five years.



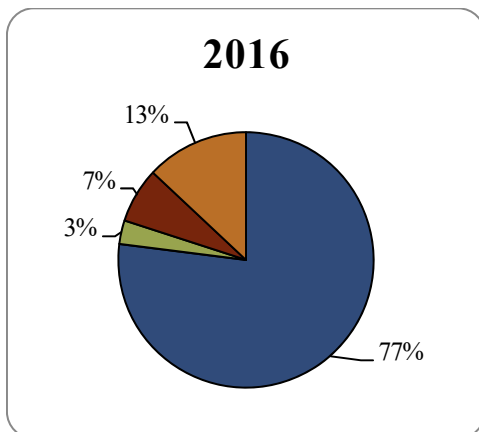
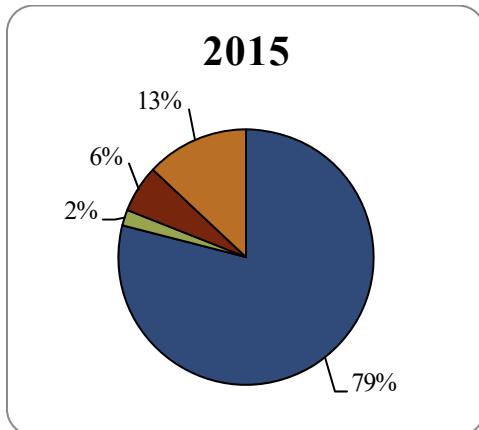
Pelican Rapids Area Public Schools
Independent School District No. 548
Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual – General Fund
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
State sources ***	\$ 7,796,672	\$ 8,068,383	\$ 8,434,094	\$ 365,711
Local levies	1,319,648	1,431,201	1,348,734	(82,467)
Federal sources	369,718	372,880	412,739	39,859
Other	237,338	285,879	489,757	203,878
Total revenues	<u>9,723,376</u>	<u>10,158,343</u>	<u>10,685,324</u>	<u>526,981</u>
				5.2%
				Positive
Expenditures				
Regular instruction ***	5,511,470	5,736,639	6,250,731	(514,092)
Special education instruction	1,255,010	1,260,257	1,248,388	11,869
Sites and buildings	980,705	1,153,299	1,154,376	(1,077)
Instructional and pupil support services	835,941	871,732	865,368	6,364
District administration and support services	775,971	788,020	788,270	(250)
Other	423,472	429,472	341,000	88,472
Total expenditures	<u>9,782,569</u>	<u>10,239,419</u>	<u>10,648,133</u>	<u>(408,714)</u>
				-4.0%
				Negative
Revenues over (Under) Expenditures	(59,193)	(81,076)	37,191	118,267
Other Financing Sources	<u>2,000</u>	<u>2,000</u>	<u>2,523</u>	<u>523</u>
Net Change in Fund Balance	<u>\$ (57,193)</u>	<u>\$ (79,076)</u>	39,714	<u>\$ 118,790</u>
Fund Balance, Beginning of Year			<u>1,340,262</u>	
Fund Balance, End of Year			<u>\$ 1,379,976</u>	

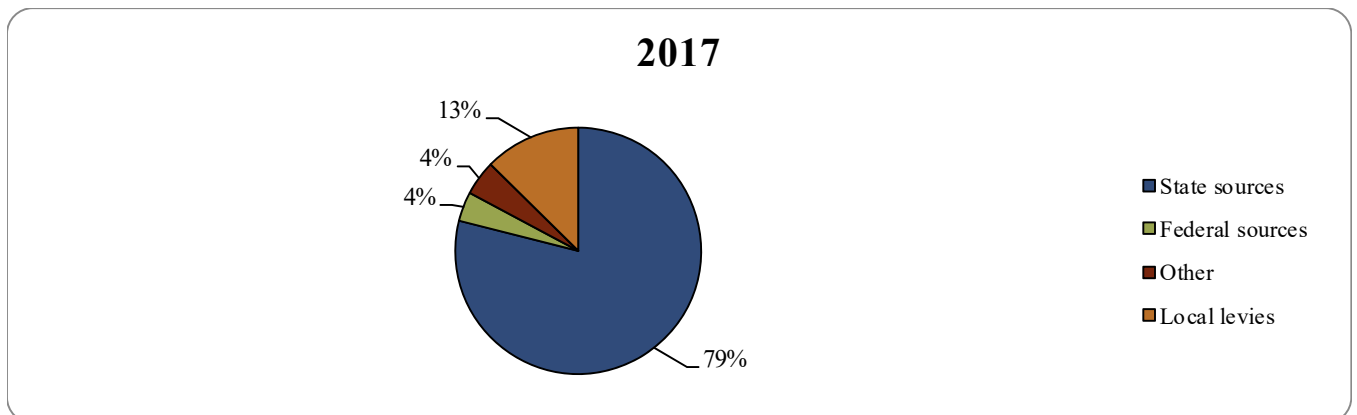
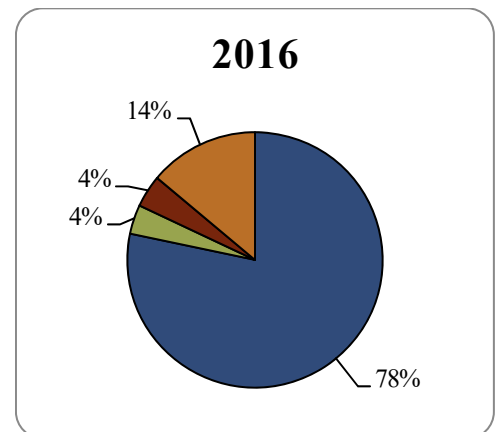
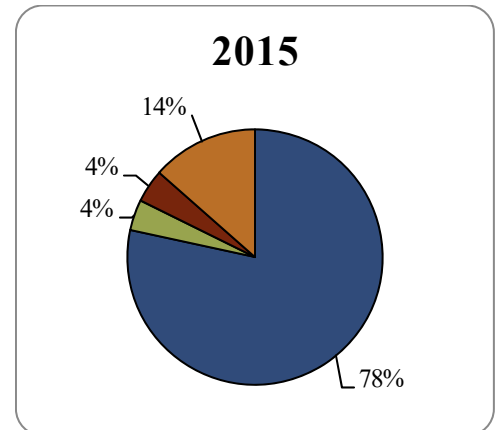
***The actual revenues for state sources and expenditures for regular instruction each contain an additional \$301,322 that were not included in the budgets. These amounts in both revenues and expenditures represent a non-cash transaction to record the additional pension support received and expense related to the support received from the State of Minnesota (as a nonemployer contribution) for TRA and PERA special funding situations per GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This transaction has a net fund balance effect of zero and was not considered during the budget process because of the non-cash nature.

Pelican Rapids Area Public Schools
Independent School District No. 548
General Fund Revenues by Source
Years Ended June 30, 2015 through June 30, 2017

District Actual



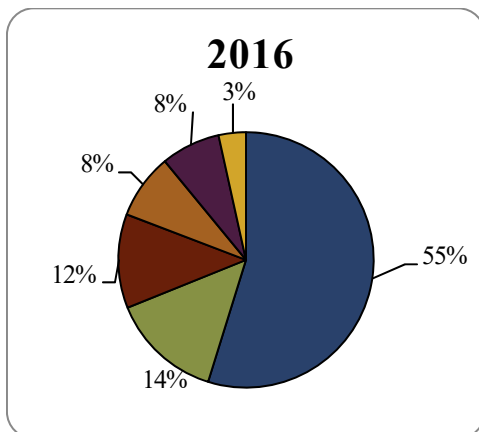
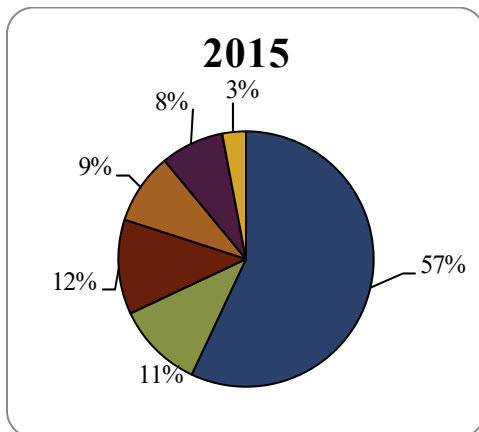
Statewide Average*



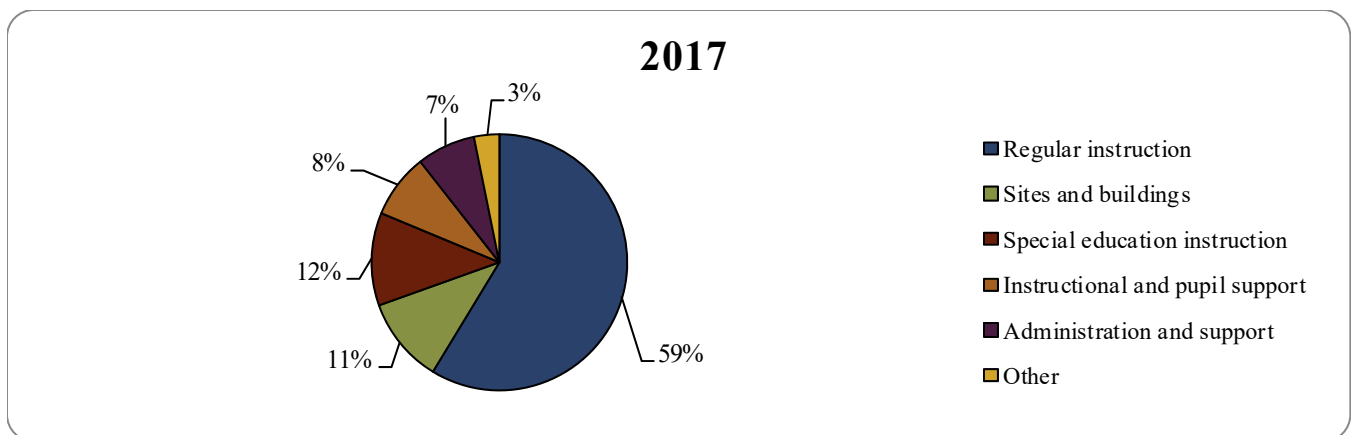
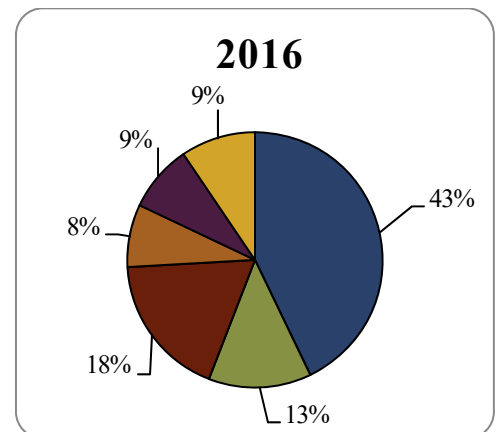
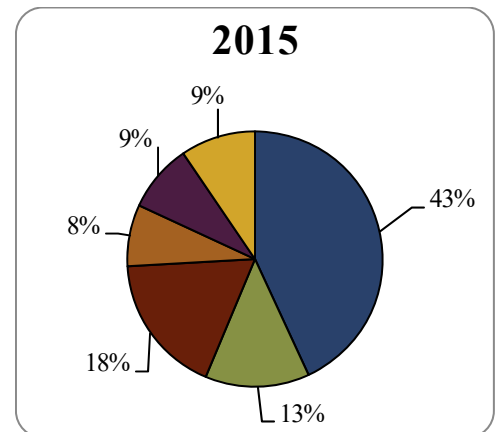
*Statewide Averages per *Minnesota Department of Education's* Data Center Information

Pelican Rapids Area Public Schools
Independent School District No. 548
General Fund Expenditures by Program
Years Ended June 30, 2015 through June 30, 2017

District Actual



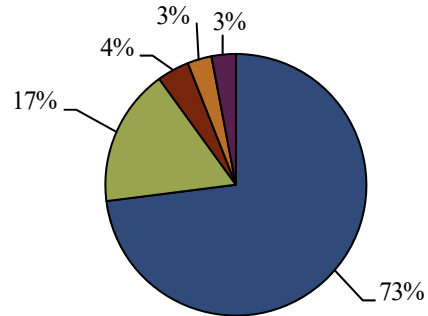
Statewide Average*



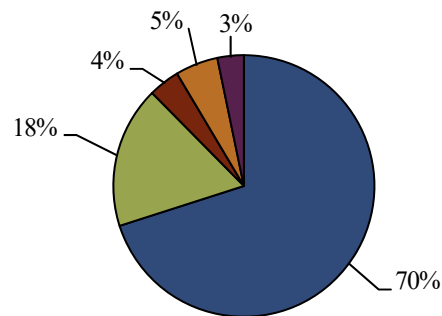
*Statewide Averages per *Minnesota Department of Education's* Data Center Information

Pelican Rapids Area Public Schools
Independent School District No. 548
General Fund Expenditures by Object
Years Ended June 30, 2015 through June 30, 2017

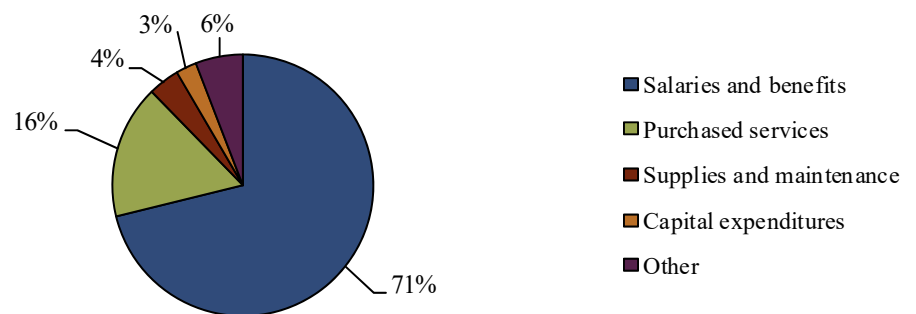
2015



2016



2017



Pelican Rapids Area Public Schools
Independent School District No. 548
Changes in Fund Balances – General Fund
Year Ended June 30, 2017

	Fund Balance Beginning of Year	Net Change in Fund Balance	Fund Balance End of Year
Nonspendable	\$ 5,928	\$ (3,215)	\$ 2,713
Restricted for deferred maintenance	8,149	(8,149)	-
Restricted for long-term facility maintenance	-	65,849	65,849
Restricted for health and safety	(52,208)	52,208	-
Restricted for operating capital	33,991	5,735	39,726
Restricted for gifted and talented	-	10,017	10,017
Restricted for safe school - crime levy	20,924	7,484	28,408
Restricted for teacher development/evaluation	2,817	(2,817)	-
Assigned for deferred maintenance of flooring	40,000	(40,000)	-
Unassigned	<u>1,280,661</u>	<u>(47,398)</u>	<u>1,233,263</u>
	<u>\$ 1,340,262</u>	<u>\$ 39,714</u>	<u>\$ 1,379,976</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

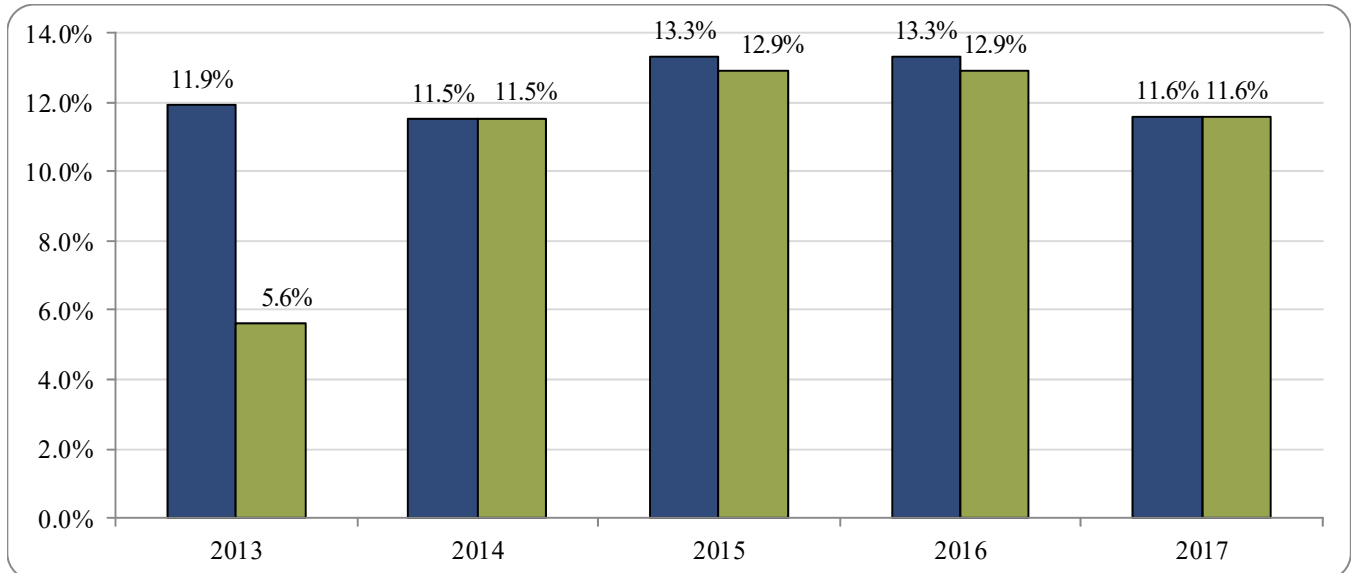
Pelican Rapids Area Public Schools
Independent School District No. 548
Changes in Fund Balances – General Fund
Year Ended June 30, 2017

The Government Finance Officers Association (GFOA) recommends, at a minimum, that governments maintain unreserved fund balance in their general fund of no less than two months (16.67 percent) of regular general fund operating expenditures.²

The State of Minnesota Office of the State Auditor (OSA) recommends that at year-end local governments maintain an unreserved 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.³

The District's policy is to strive to maintain a minimum unassigned general fund balance of \$400,000.⁴

The District's unrestricted (committed, assigned, and unassigned) fund balance as a percentage of expenditures in the General Fund for the last five years is as follows:



Fund Balances as of June 30,

	2013	2014	2015	2016	2017
Unrestricted	\$1,116,757	\$1,080,341	\$1,267,904	\$1,320,661	\$1,233,263
Unassigned	\$ 525,770	\$1,080,341	\$1,227,904	\$1,280,661	\$1,233,263

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

Where would you like to be?

1 month of expenditures (8%)	\$ 887,344
2 months of expenditures (17%)	1,774,689
3 months of expenditures (25%)	2,662,033
4 months of expenditures (33%)	3,549,378
5 months of expenditures (42%)	4,436,722
6 months of expenditures (50%)	5,324,067

² *Appropriate Level of Unreserved Fund Balance in the General Fund*, GFOA Best Practice, September 2015

³ *Statement of Position, Fund Balance for Local Governments*, OSA recommended practice, February 2014

⁴ *ISD No. 548 Fund Balance Policy*, approved June 21, 2011

Pelican Rapids Area Public Schools
Independent School District No. 548
Cost Per ADM Served
June 30, 2017

