



Executive Summary
June 30, 2018

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.

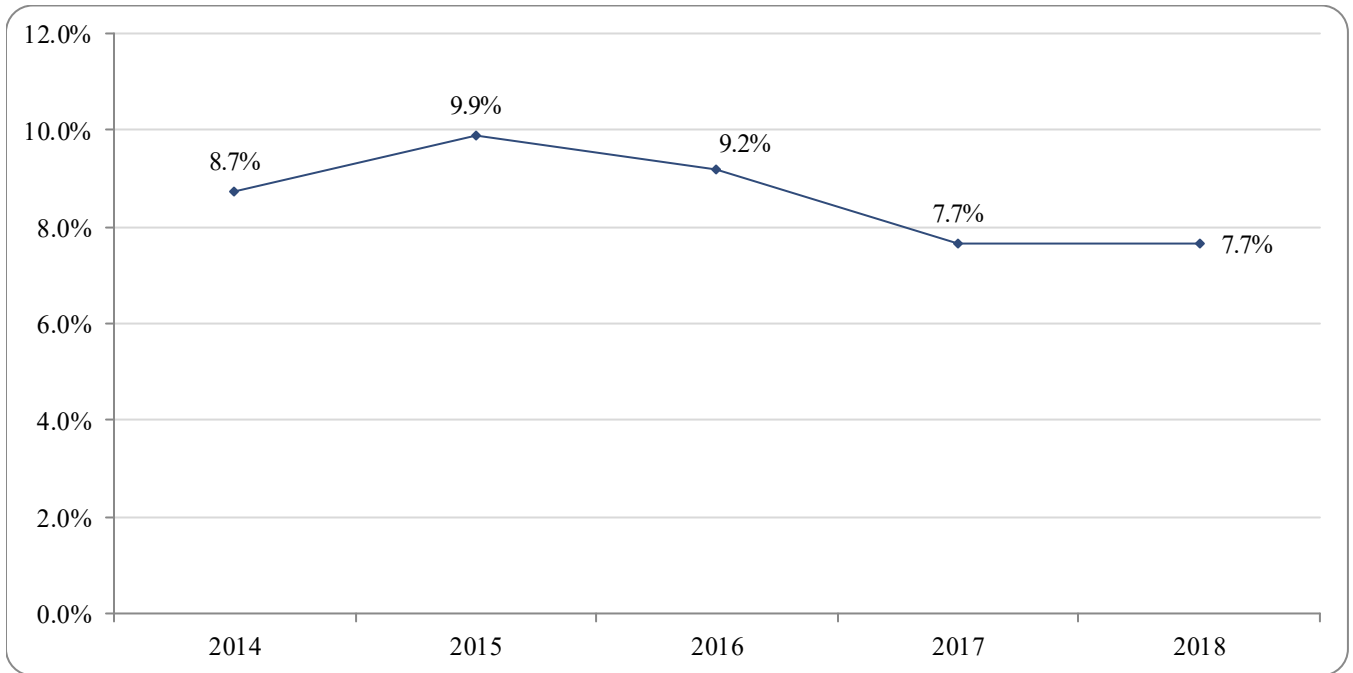
Audit Opinion

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.

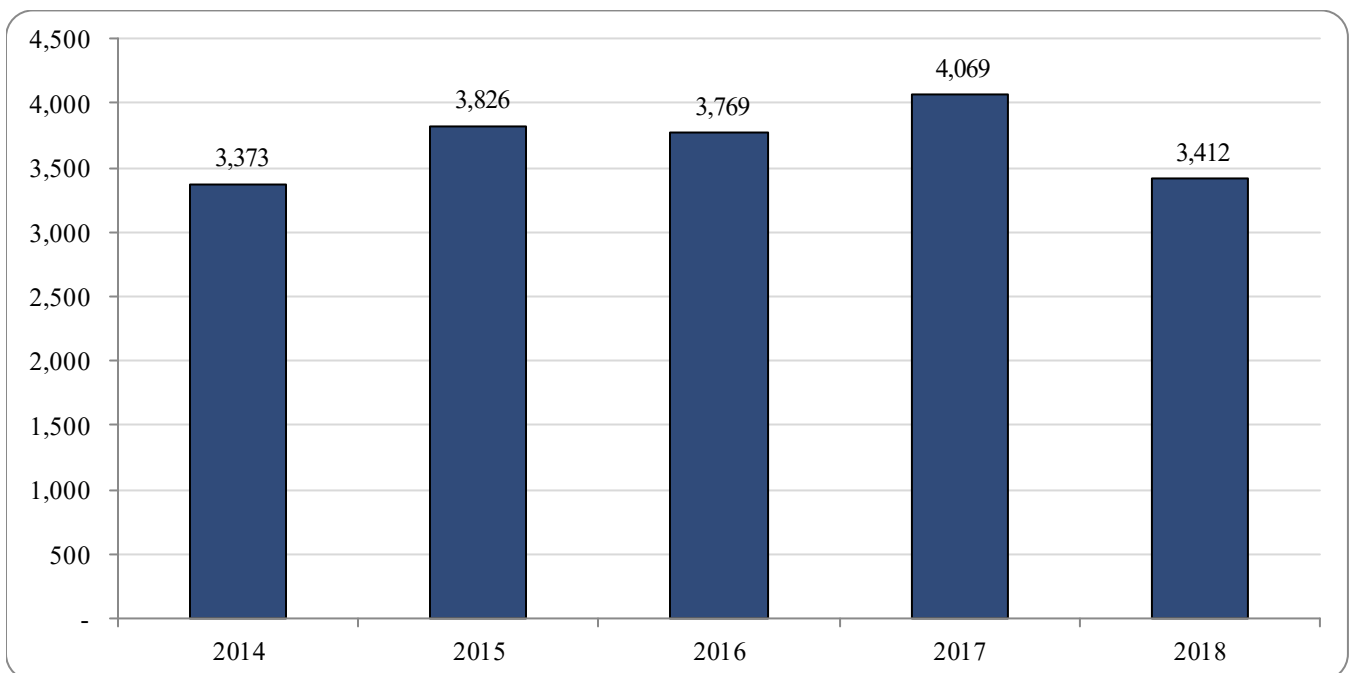
Some readers of financial statements with an unmodified (clean) audit opinion believe that the auditors are signifying that the organization has a financial clean bill of health. They may believe the auditors are indicating that there is no fraud, that the organization is using its resources effectively 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, 2014 through June 30, 2018

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.



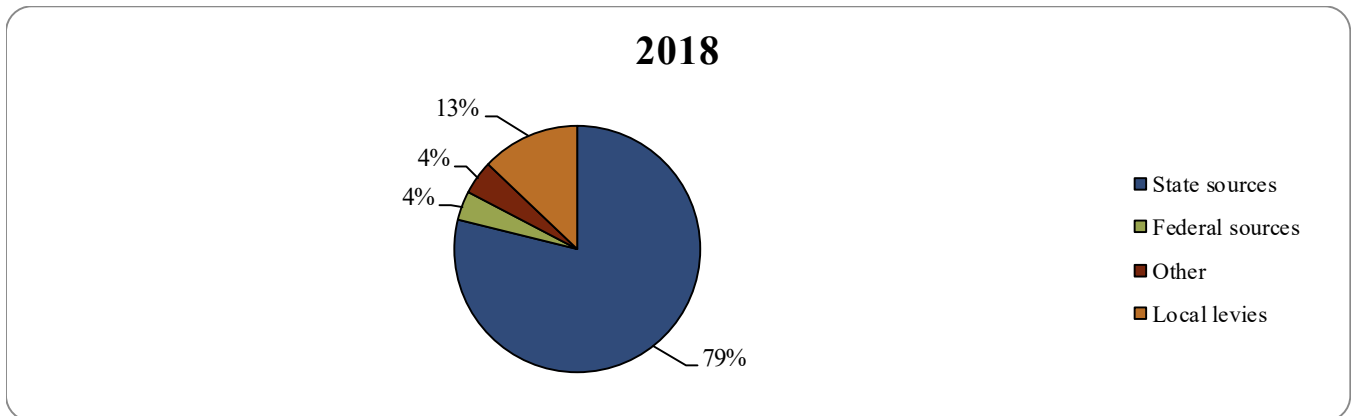
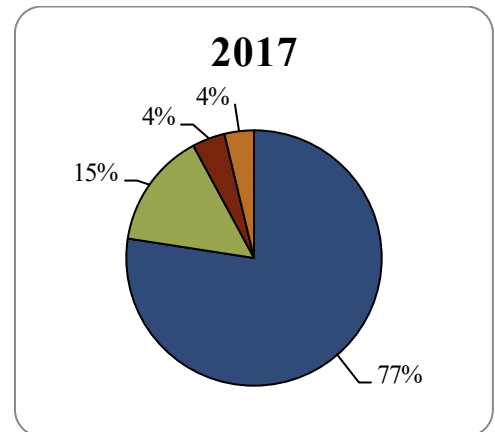
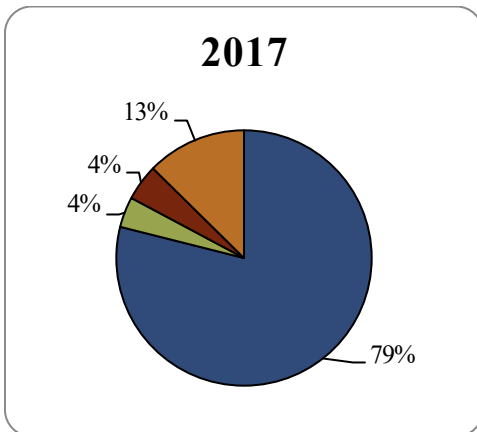
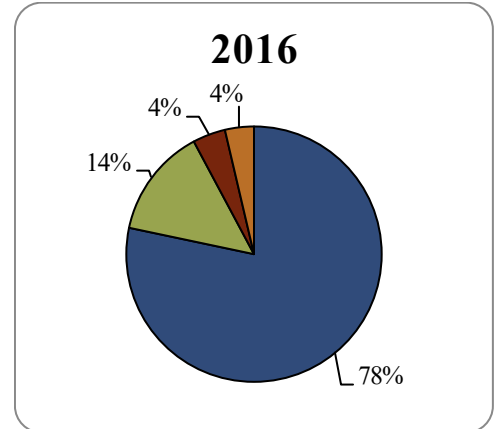
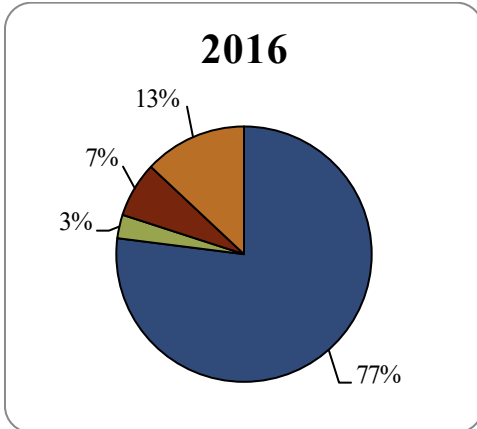
Pelican Rapids Area Public Schools
Independent School District No. 548
Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual – General Fund
Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Local property tax levies	\$ 1,277,161	\$ 1,277,161	\$ 1,309,933	\$ 32,772
Other local and county sources	263,731	263,731	446,038	182,307
State sources	8,094,136	8,094,136	7,994,477	(99,659)
Federal sources	372,880	372,880	385,147	12,267
Sales and other conversion of assets	2,000	2,000	3,708	1,708
Total revenues	<u>10,009,908</u>	<u>10,009,908</u>	<u>10,139,303</u>	<u>129,395</u>
Expenditures				
District and school administration	675,984	675,984	818,241	(142,257)
District support services	113,685	113,685	118,814	(5,129)
Regular instruction	5,730,233	5,730,233	6,156,791	(426,558)
Vocational instruction	279,811	279,811	287,472	(7,661)
Special education instruction	1,260,257	1,260,257	1,199,769	60,488
Instructional support services	102,167	102,167	130,573	(28,406)
Pupil support services	785,190	785,190	792,443	(7,253)
Sites and buildings	1,035,859	1,035,859	1,423,908	(388,049)
Fiscal and other fixed cost programs	149,661	149,661	70,828	78,833
Total expenditures	<u>10,132,847</u>	<u>10,132,847</u>	<u>10,998,839</u>	<u>(865,992)</u>
Deficiency of Revenues Under Expenditures	(122,939)	(122,939)	(859,536)	(736,597)
Other Financing Sources				
Transfer in	-	-	374,790	374,790
Sale of property and equipment	2,000	2,000	4,000	2,000
Total other financing sources	<u>2,000</u>	<u>2,000</u>	<u>378,790</u>	<u>376,790</u>
Net Change in Fund Balance	<u>\$ (120,939)</u>	<u>\$ (120,939)</u>	(480,746)	<u>\$ (359,807)</u>
Fund Balance, Beginning of Year			<u>1,379,976</u>	
Fund Balance, End of Year			<u>\$ 899,230</u>	

Pelican Rapids Area Public Schools
 Independent School District No. 548
 General Fund Revenues by Source
 Years Ended June 30, 2016 through June 30, 2018

District Actual

Statewide Average*

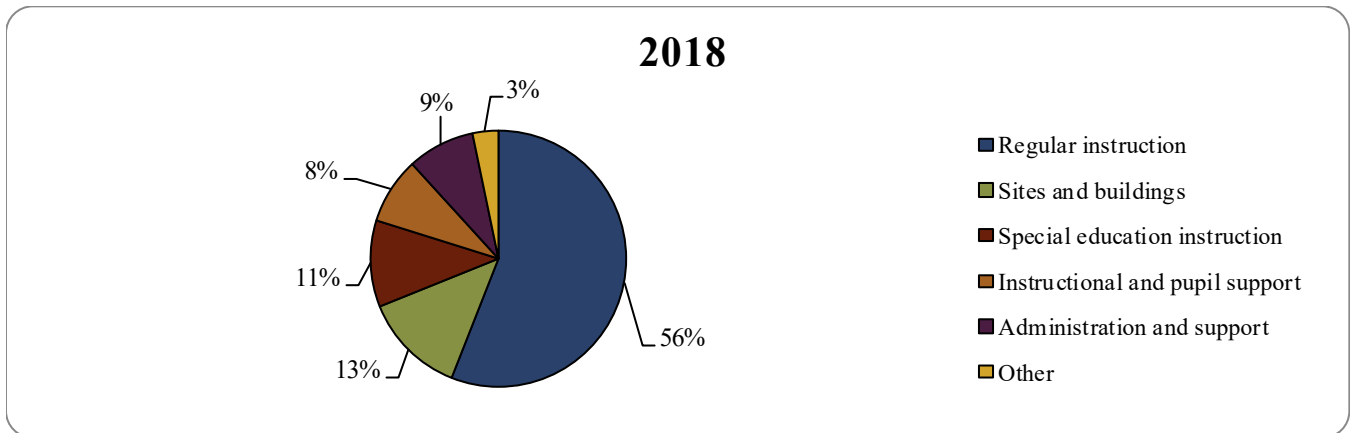
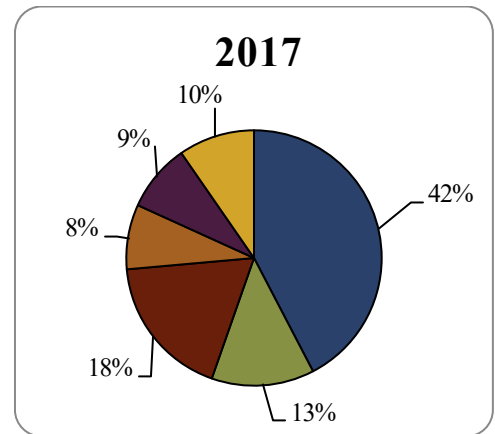
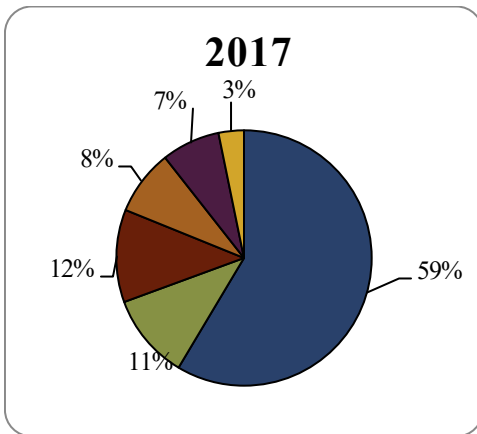
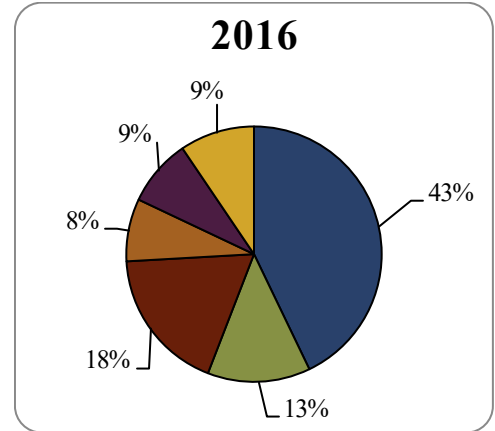
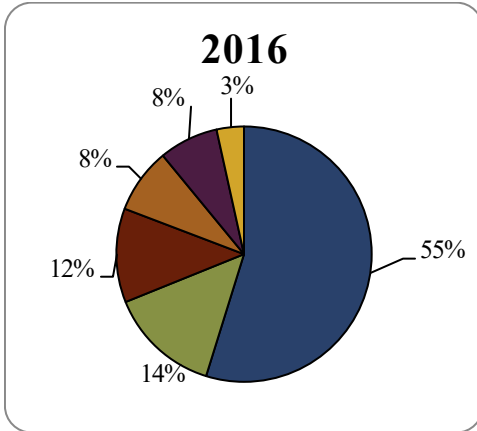


*Statewide Averages per *Minnesota Department of Education's* Data Center Information

Pelican Rapids Area Public Schools
 Independent School District No. 548
 General Fund Expenditures by Program
 Years Ended June 30, 2016 through June 30, 2018

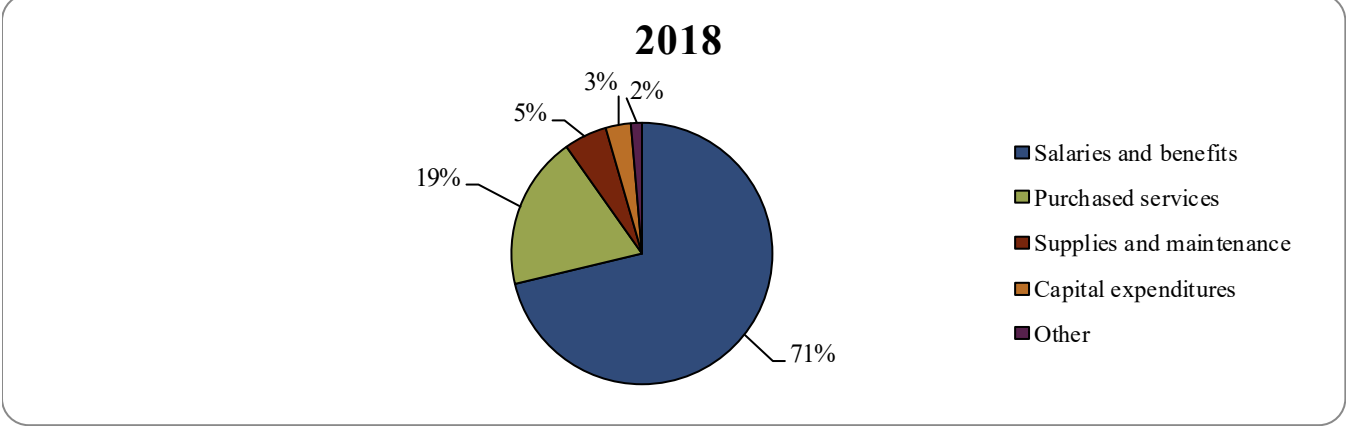
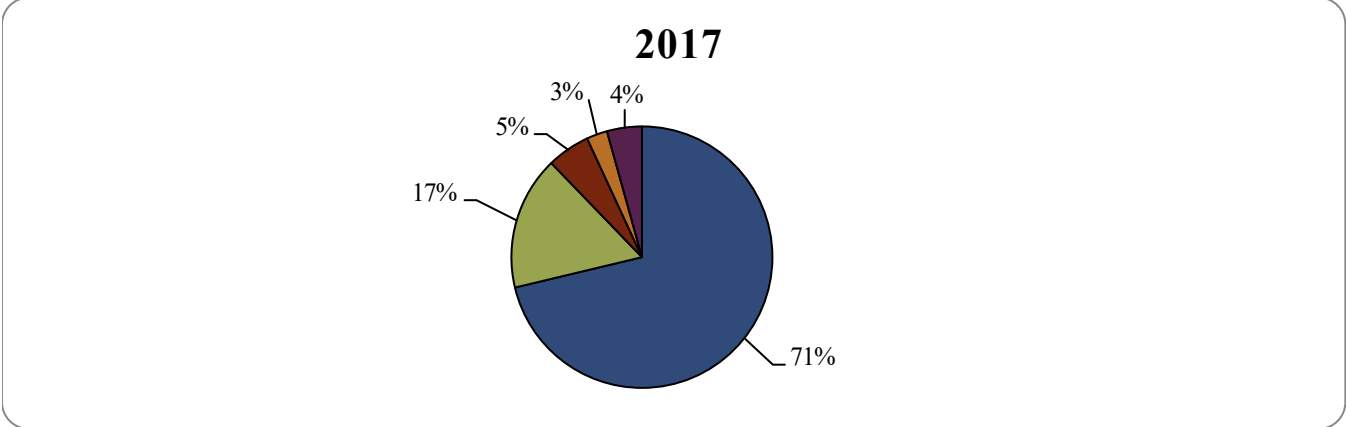
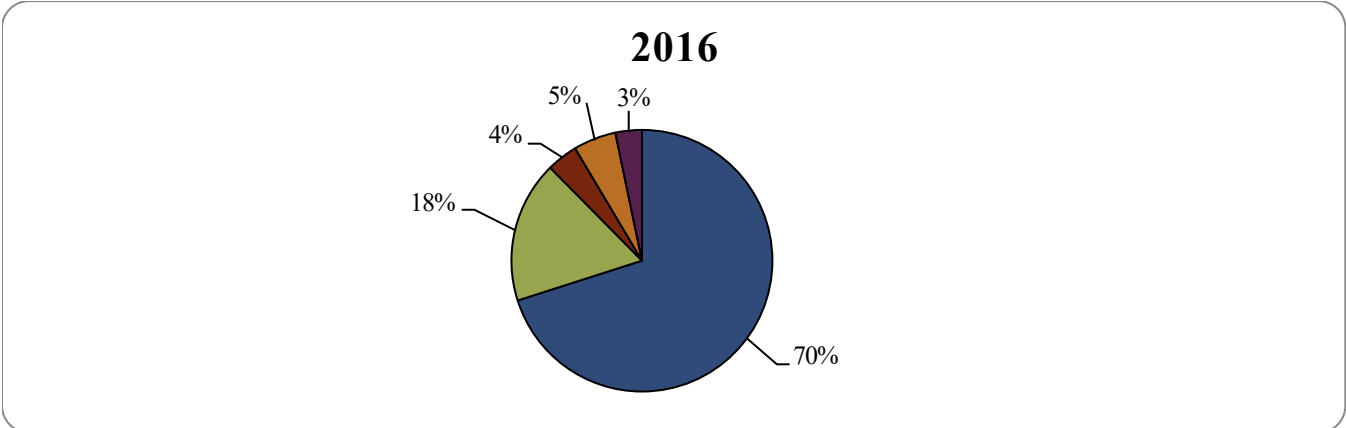
District Actual

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, 2016 through June 30, 2018



Pelican Rapids Area Public Schools
Independent School District No. 548
Changes in Fund Balances – General Fund
Year Ended June 30, 2018

	Fund Balance Beginning of Year	Net Change in Fund Balance	Fund Balance (Deficit) End of Year
Nonspendable	\$ 2,713	\$ (2,713)	\$ -
Restricted for long-term facility maintenance	65,849	(40,500)	25,349
Restricted for health and safety	-	3,903	3,903
Restricted for operating capital	39,726	(34,101)	5,625
Restricted for gifted and talented	10,017	9,389	19,406
Restricted for safe school - crime levy	28,408	(76,338)	(47,930)
Restricted for area learn center	-	125,786	125,786
Unassigned	<u>1,233,263</u>	<u>(466,172)</u>	<u>767,091</u>
	<u>\$ 1,379,976</u>	<u>\$ (480,746)</u>	<u>\$ 899,230</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

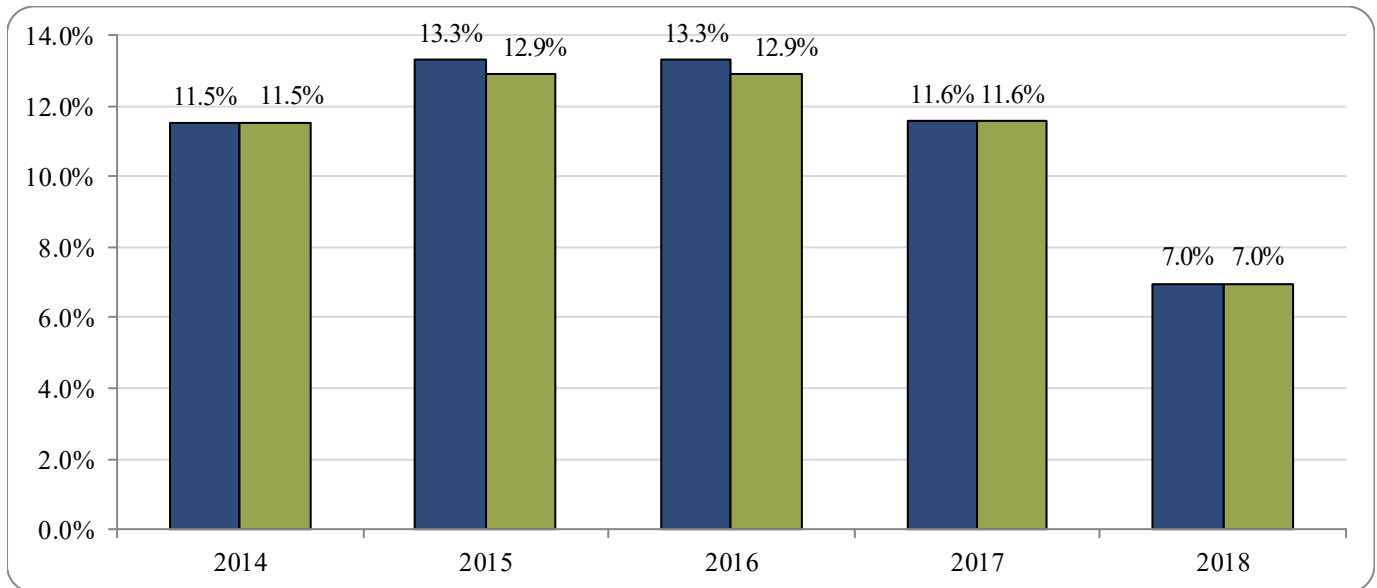
Pelican Rapids Area Public Schools
Independent School District No. 548
Changes in Fund Balances – General Fund
Year Ended June 30, 2018

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 10-13 percent of the annual budget with the long range plan to strive to maintain 3 months of operating expenses.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,

	2014	2015	2016	2017	2018
Unrestricted	\$ 1,080,341	\$ 1,267,904	\$ 1,320,661	\$ 1,233,263	\$ 767,091
Unassigned	\$ 1,080,341	\$ 1,227,904	\$ 1,280,661	\$ 1,233,263	\$ 767,091

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

Where would you like to be?

1 month of expenditures (8%)	\$ 916,570
2 months of expenditures (17%)	1,833,140
3 months of expenditures (25%)	2,749,710
4 months of expenditures (33%)	3,666,280
5 months of expenditures (42%)	4,582,850
6 months of expenditures (50%)	5,499,420

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 October 2017

Pelican Rapids Area Public Schools
 Independent School District No. 548
 Cost Per ADM Served
 June 30, 2018

