

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859**

EXECUTIVE AUDIT SUMMARY (EAS)

JUNE 30, 2012



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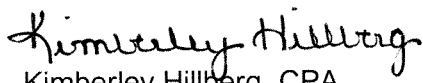
November 19, 2012

Board of Education
Independent School District No. 2859
Glencoe, Minnesota

This Executive Audit Summary and Management Report presents information which we believe is important to you as members of the school board. We encourage you to review the sections of this report, the audited financial statements and the auditors' reports.

We would be pleased to furnish additional information with respect to these suggestions and discuss this memorandum with you at your convenience. We wish to express our appreciation to the District for the courtesies, cooperation and assistance extended to us during the course of our work.

CliftonLarsonAllen LLP


Kimberley Hillberg, CPA
Partner

**GLENCOE-SILVER LAKE SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
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JUNE 30, 2012**

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**EXECUTIVE AUDIT SUMMARY (EAS) FOR
INDEPENDENT SCHOOL DISTRICT NO. 2859
YEAR ENDED JUNE 30, 2012**

We prepared this Executive Audit Summary and Management Report in conjunction with our audit of the District's financial records for the year ended June 30, 2012.

Audit Opinion

The financial statements are fairly stated. We issued what is known as a "clean" audit report.

Internal Control Over Financial Reporting

Two material weaknesses in internal control were noted. These relate to oversight of the financial reporting process and adjusting journal entries.

Yellow Book Compliance Finding

No compliance issues were noted in our review of laws, regulations, contracts and grants that could have significant financial implications to the District.

Single Audit

There were two findings related to internal controls over compliance was noted for the Title I, Part A Cluster related to review of cash reimbursement requests and controls over time and effort documentation. Both of these were material weaknesses. There was one compliance finding related to time and effort for Title I, Part A.

Minnesota Legal Compliance

There were two Minnesota Legal Compliance findings noted. These findings are related to unclaimed property and obtaining payment and performance bonds.

Student Activity Funds

We issued a qualified opinion on the financial statements of the student activity funds. The qualified opinion is due to the fact that the activity funds report on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Also, we do not provide an opinion on the cash collections of the student activity funds.

There was no compliance finding noted for student activity funds.

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FORMAL REQUIRED COMMUNICATIONS

Board of Education
Independent School District No. 2859
Glencoe, Minnesota

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 2859 (the District) for the year ended June 30, 2012, and have issued our report thereon dated November 19, 2012. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated April 16, 2012, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our audit procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the District's compliance with types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on the District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination of the District's compliance with those requirements.

Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards and OMB Circular A-133 (Continued)

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

We are also responsible for communicating matters regarding the provisions of the Minnesota Legal Compliance Audit Guide for Political Subdivisions, promulgated by the State Auditor pursuant to Minnesota Statute 6.65.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 25, 2012.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year audited.

We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Due from Minnesota Department of Education
- Due from Federal through the Minnesota Department of Education
- Estimated useful lives of depreciable capital assets
- Estimated severance benefits payable
- Other postemployment benefits payable

Management's estimate of the due from Minnesota Department of Education is based on amounts anticipated to be received from the state for various aid entitlements for fiscal 2011-12. The most significant of these is the aid portion of general education revenue. General education revenue and certain other revenues are computed by applying an allowance per student to the number of students served by the District. Student attendance is accumulated in a statewide database – MARSS. Because of the complexity of student accounting and because of certain enrollment options, student information is input by other school districts and the MARSS data for fiscal year 2012 is not finalized until well into fiscal year 2013. Management expects any differences between estimated and actual data will be insignificant.

Significant Audit Findings (Continued)

Qualitative Aspects of Accounting Practices (Continued)

Management's estimate of due from Federal through the Minnesota Department of Education is based on amounts anticipated to be received through the state for various federal aid entitlements for fiscal 2011-12. Many federal entitlements require that supporting financial reporting information be provided both in the UFARS accounting system and also the SERVS reporting system. To the extent that these two separate systems are not in agreement and reported in a timely manner, the estimated aid entitlement may be adversely affected. Management expects any differences between estimated and actual data will be insignificant.

Management's estimate of the useful lives for depreciable assets is based on guidance recommended by the Minnesota Department of Education and other sources. The useful life of a depreciable asset determines the amount of depreciation that will be recorded in any given reporting period as well as the amount of accumulated depreciation that is reported at the end of a reporting period.

Management's estimate of severance benefits payable is based on certain assumptions made by the District. As required by GASB Statement No. 16, the District has recorded a liability for accumulated sick leave convertible to severance pay for which it is probable the employees will be compensated. The method used by the District to calculate this liability is based on assumptions involving the probability of employees becoming eligible to receive the benefits and the potential use of sick leave prior to termination.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 19, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated November 19, 2012.

This information is intended solely for the use of the Board of Education and management of the District and is not intended to be and should not be used by anyone other than these specified parties.


CliftonLarsonAllen LLP

Austin, Minnesota
November 19, 2012

Board of Education
Independent School District No. 2859
Glencoe, Minnesota

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2859 as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered Independent School District No. 2859's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in Independent School District No. 2859's internal control to be material weaknesses.

Oversight of the Financial Reporting Process

Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial position, results of operations and disclosures in the financial statements, in conformity with accounting principles generally accepted in the United States of America (GAAP). The District does have a system of internal controls over the review of the financial statements. However, the District does not have the expertise that would enable management to conclude the disclosures are complete and presented in accordance with GAAP. As such, management requested us to prepare a draft of the financial statements including the related footnote disclosures. The outsourcing of these services is not unusual in entities of your size and is a result of management's cost benefit decision to rely on our accounting expertise rather than incurring this internal resource cost.

Material Audit Adjustments

The audit firm proposed and the District posted to its general ledger accounts certain adjustments to correct misstatements. The District should have controls in place to prevent or detect all material misstatements in a timely manner. We recommend that the accountant review the 2012 audit adjustments and workpapers prior to the start of the 2013 audit in order to identify additional areas which may require adjustment.

Student Activity Receipts

The District has not established accounting procedures to provide assurance that all cash collections are recorded in the accounting records. The District records student activity revenues on the cash basis and does not have an accounting system and internal controls in place to ensure student activity revenues and receipts have been properly recorded. The accounting system and internal controls could be improved by (a) use of pre-numbered receipts with reconciliation of the numerical sequence; (b) reconciliation of merchandise purchased to items sold and items remaining at the end of the fundraiser; (c) calculation of expected sales compared to cash receipts; or various other procedures determined by management.

We are available to discuss with you the internal control reporting requirements and the above matters that resulted from our audit of Independent School District No. 2859's financial statements.

This communication is intended solely for the information and use of management, Board of Education, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.


CliftonLarsonAllen LLP

Austin, Minnesota
November 19, 2012

APPENDIX A

FINANCIAL TRENDS OF YOUR DISTRICT

The following graphs reflect financial trends of Independent School District No. 2859. Information related to fund balances on pages 9 through 13 were obtained from current and prior year audit reports. Information from Independent School District No. 2859 has been included when appropriate for comparison purposes.

The graphs on pages 14 through 20 show expenditures per student served compared to the four most recent years, state averages and the averages for comparable size school districts (students served of 1,500 – 2,199). Prior year expenditure data and state wide averages were obtained from the Minnesota Department of Education. This data does not include expenditure data for the McLeod West School District. Current year expenditures were obtained from the current year's audit report.

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INDEPENDENT SCHOOL DISTRICT NO. 2859
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GENERAL FUND
YEAR ENDED JUNE 30, 2012

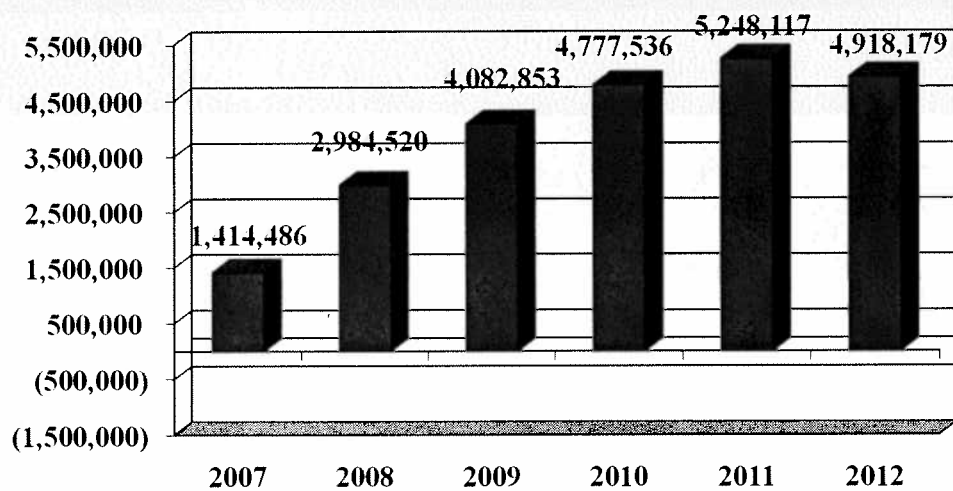
	Nonspendable, Assigned, & Unassigned	Non-Capital Related Restrictions	Capital Related Restrictions				General Fund Total
			Operating Capital	Health & Safety	Deferred Maintenance	Total	
Revenues	\$ 14,153,698	\$ 1,349,266	\$ 409,256	\$ 68,247	\$ 122,717	\$ 600,220	\$ 16,103,184
Expenditures and Operating transfers	14,482,231	1,325,859	376,485	100,399	135,409	612,293	16,420,383
Excess (Deficit) Revenues Over Expenditures	(328,533)	23,407	32,771	(32,152)	(12,692)	(12,073)	(317,199)
Fund Balance June 30, 2011	5,304,082	92,907	920,754	(59,458)	13,818	875,114	6,272,103
Fund Balance June 30, 2012	<u>\$ 4,975,549</u>	<u>\$ 116,314</u>	<u>\$ 953,525</u>	<u>\$ (91,610)</u>	<u>\$ 1,126</u>	<u>\$ 863,041</u>	<u>\$ 5,954,904</u>

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ISD #2859 Glencoe - Silver Lake
General Fund
Unassigned Balance



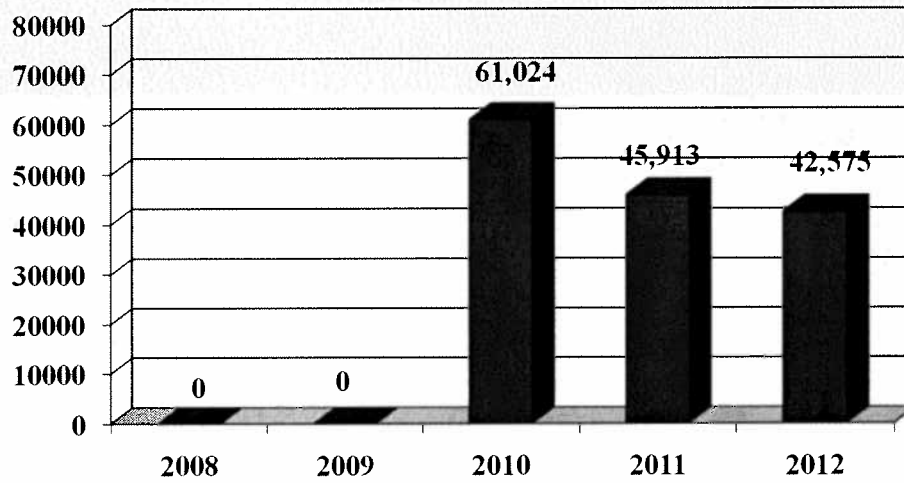
2008 through 2009 show Unreserved/Undesignated Fund Balance

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ISD #2859 Glencoe - Silver Lake
General Fund
Assigned Balance



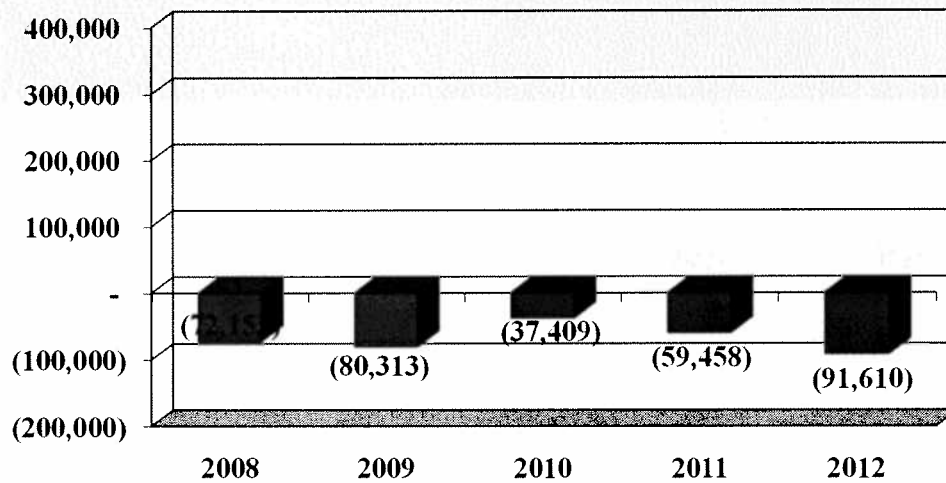
2008 through 2009 show Unreserved/Undesignated Fund Balance

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ISD #2859 Glencoe - Silver Lake
General Fund
Health and Safety Fund Balance

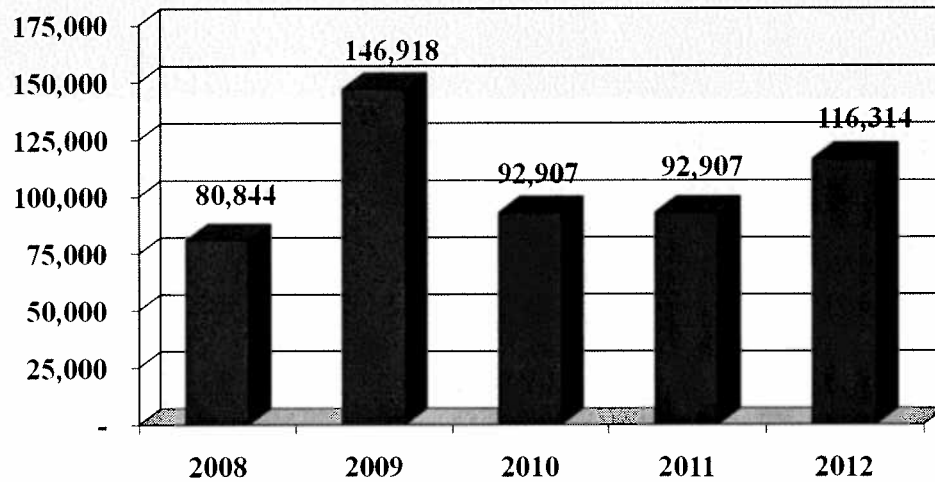


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ISD #2859 Glencoe - Silver Lake
General Fund
Restricted Balance (Excluding Capital Related)

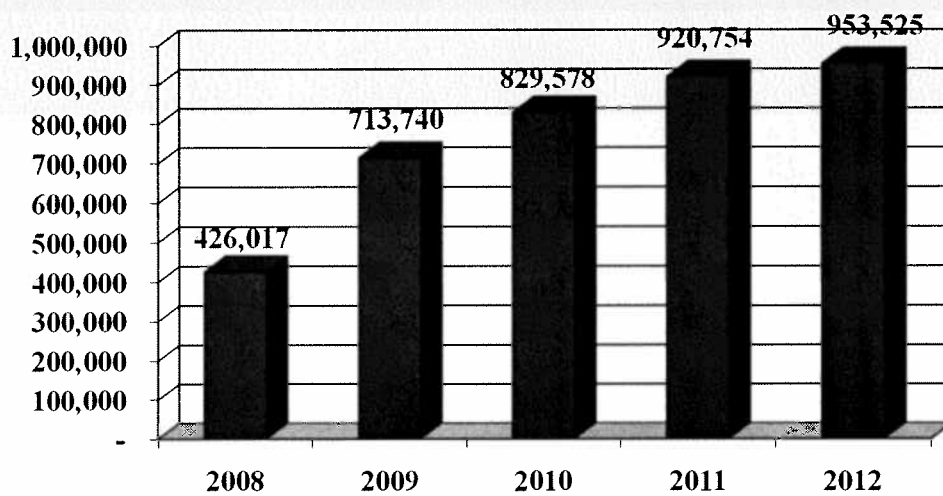


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ISD #2859 Glencoe - Silver Lake
General Fund
Operating Capital Fund Balance

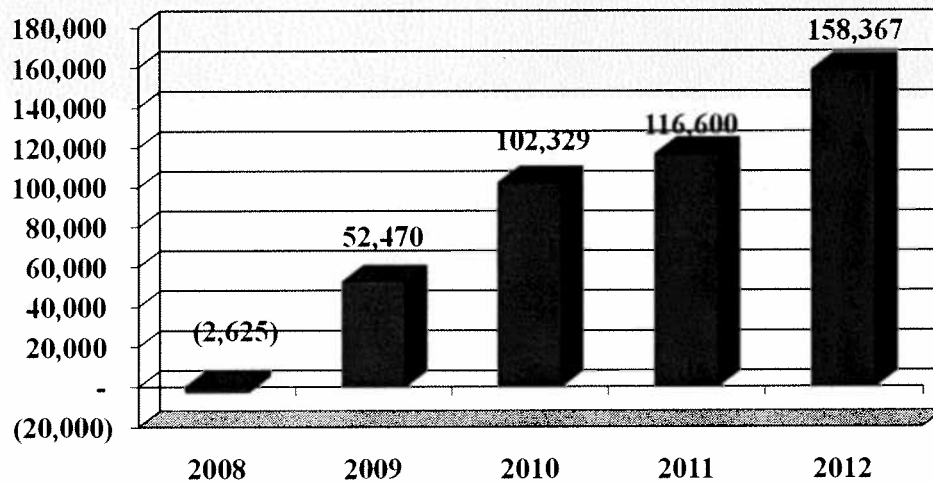


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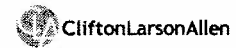


ISD #2859 Glencoe - Silver Lake
Food Service Fund Balance

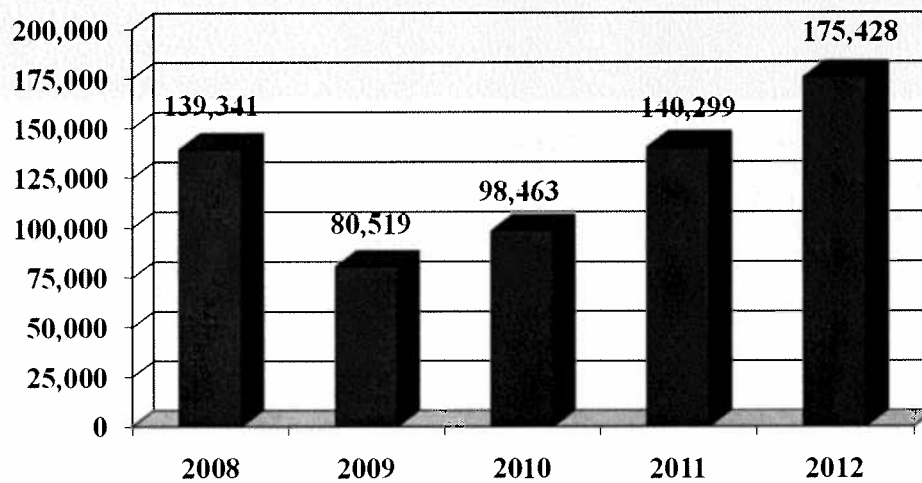


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ISD #2859 Glencoe - Silver Lake
Community Service Fund Balance

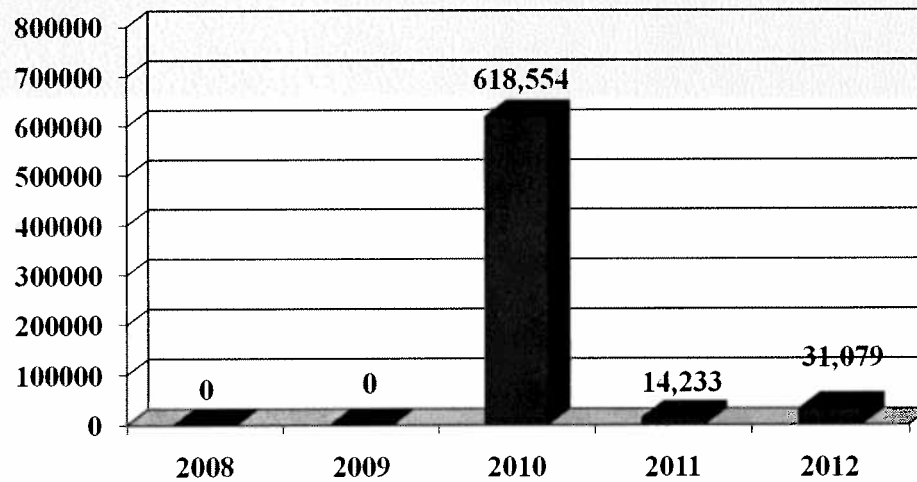


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ISD #2859 Glencoe - Silver Lake
Debt Service Fund Balance

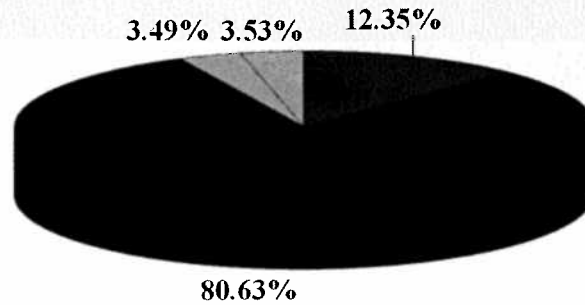


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ISD #2859 Glencoe - Silver Lake
General Fund Revenue - 2011



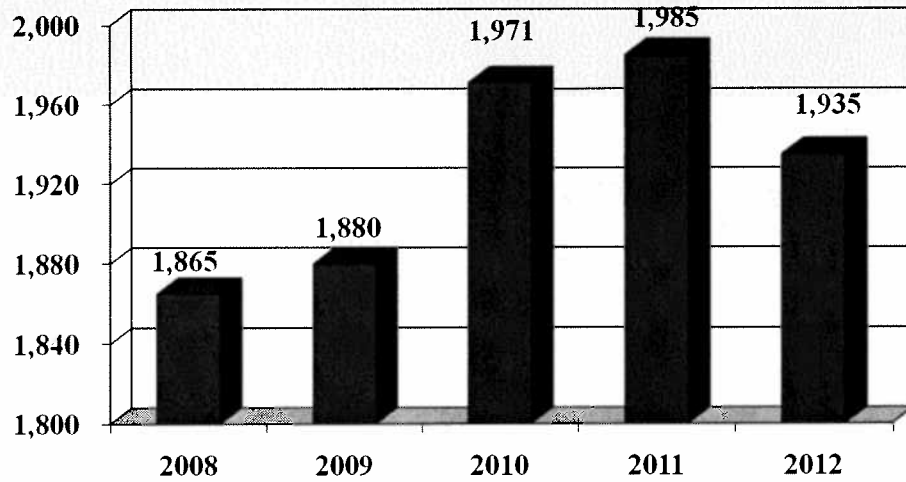
■ Local Property Taxes ■ State Sources ■ Federal Sources ■ Other

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WADM'S



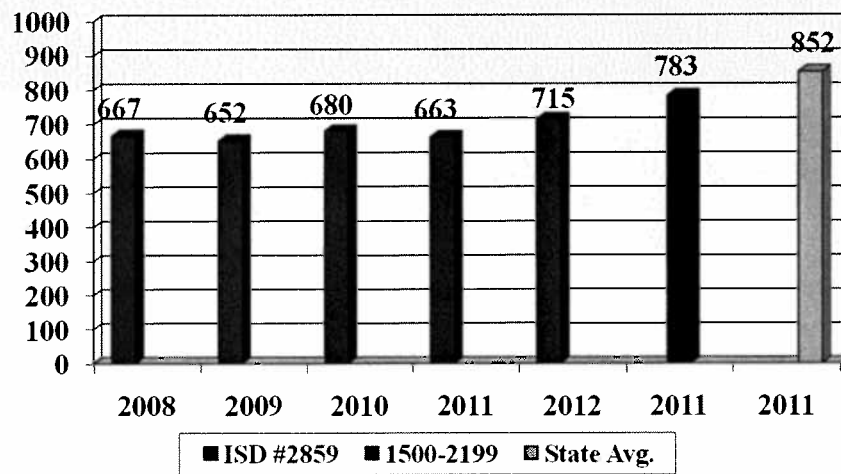
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ISD #2859 Glencoe - Silver Lake
District & School Administration

District and School Administration costs related to the District Administration, District Board of Education, and the District's various departments.

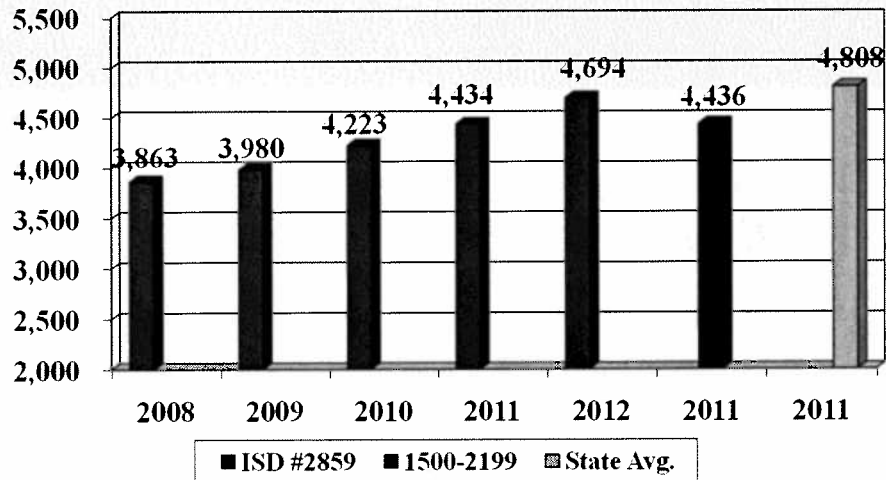


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Regular Instruction

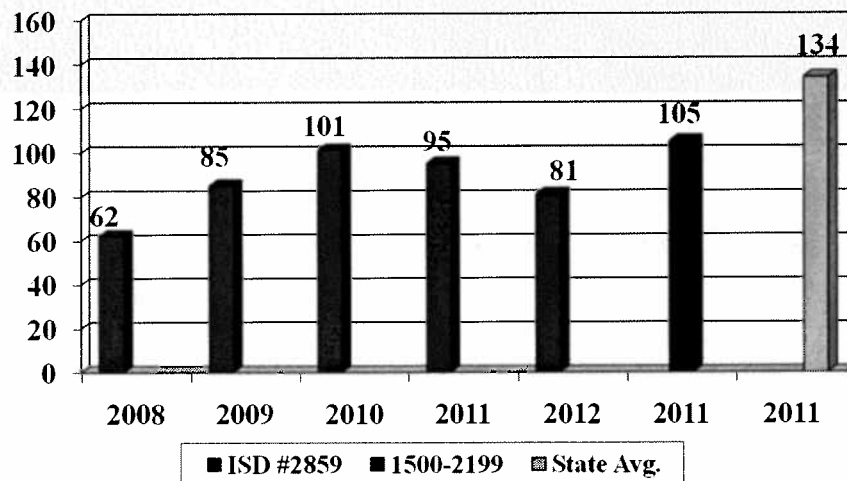


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Vocational Instruction

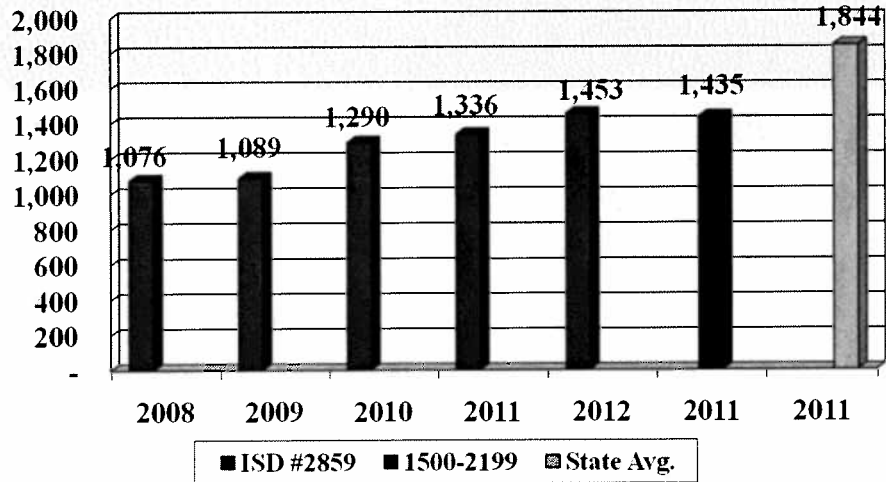


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Special Education Instruction

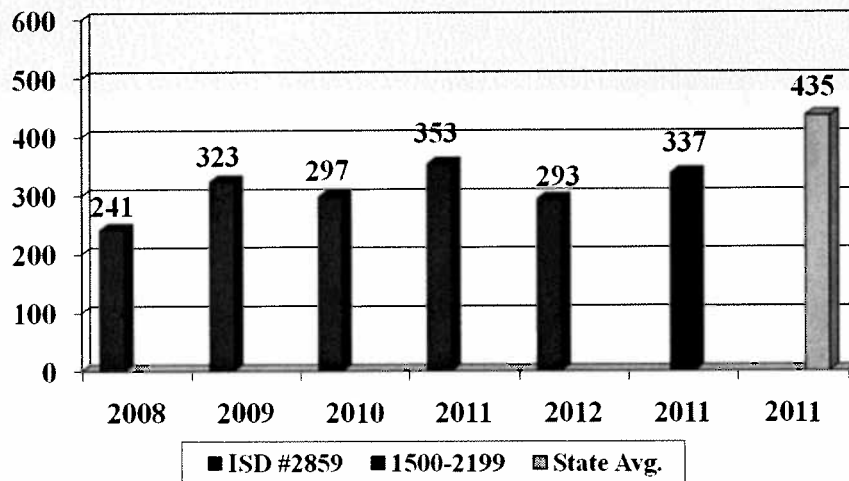


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Instructional Support Services



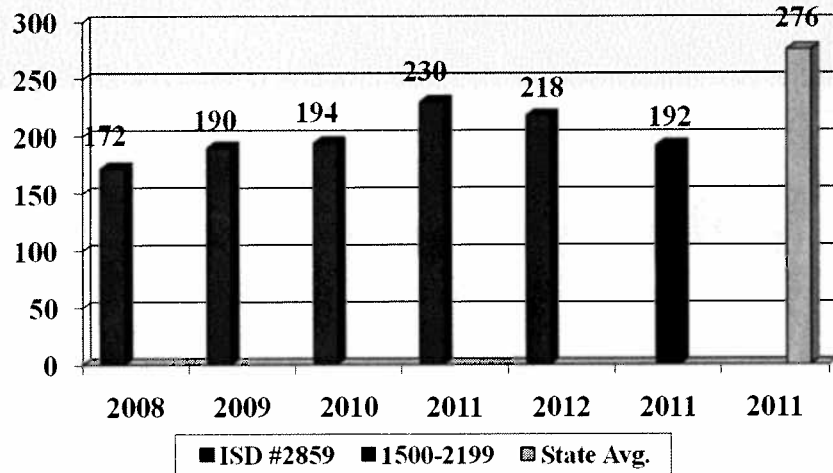
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Pupil Support Services

Pupil Support Services - supports pupils in achieving their academic potential by providing individualized instruction, remedial services, and social work services.



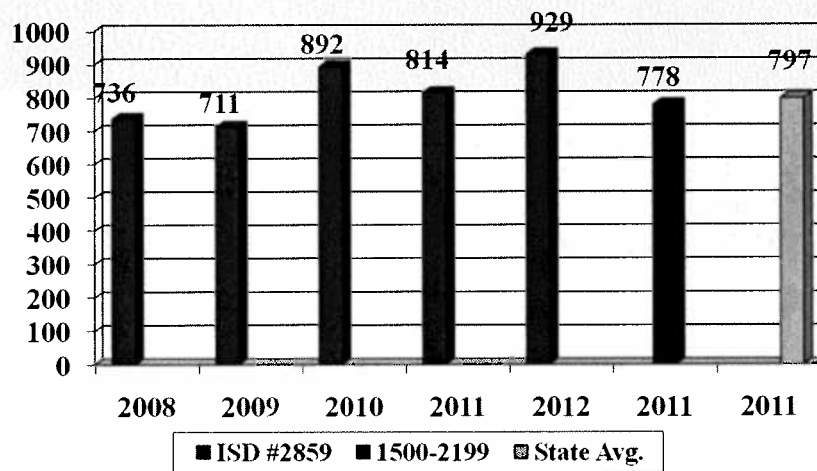
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Site, Buildings, & Equipment

Operational Management - activities related to the acquisition, management, operation and maintenance of all physical plant, facilities and grounds of ISD District.

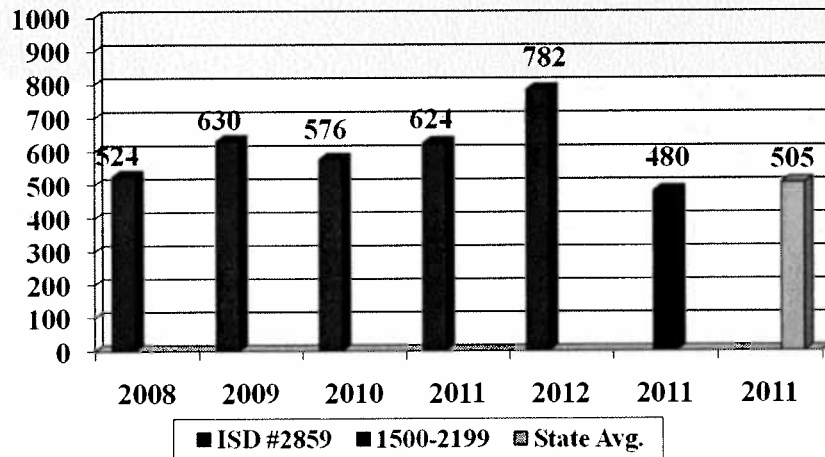


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ISD #2859 Glencoe - Silver Lake Capital Expenditures

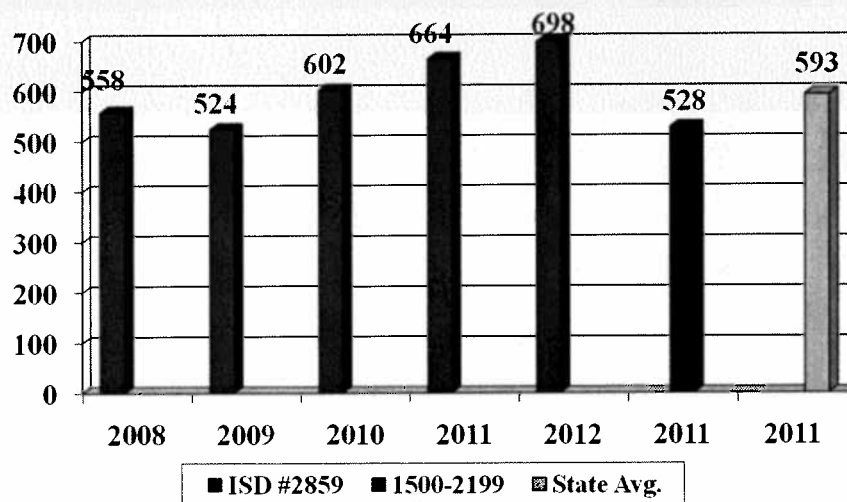


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ISD #2859 Glencoe - Silver Lake Transportation

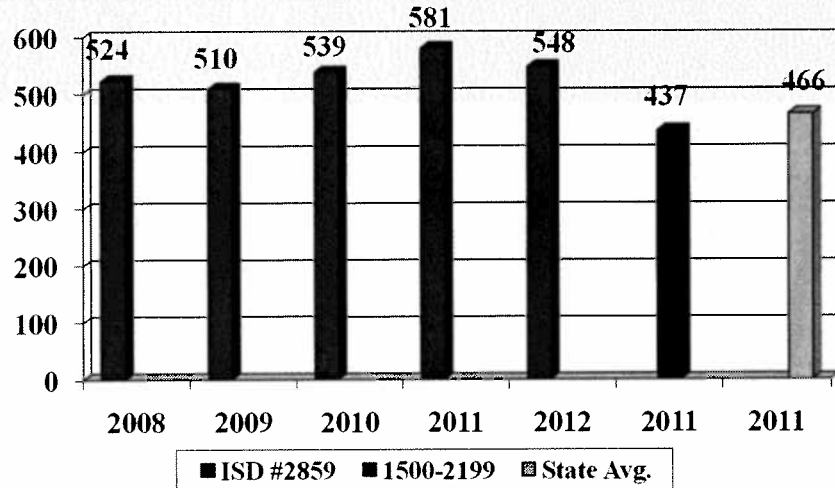


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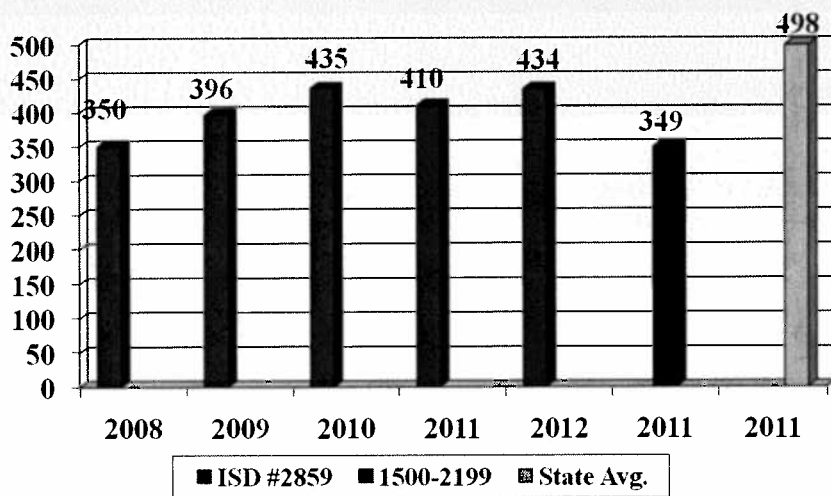
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ISD #2859 Glencoe - Silver Lake
Food Service



ISD #2859 Glencoe - Silver Lake
Community Service



ISD #2859 Glencoe - Silver Lake
Debt Service

