

CHARLESTON COUNTY SCHOOL DISTRICT

Financial Audit Presentation
for the

Year Ended
June 30, 2009

Charleston > excellence is our standard
County SCHOOL DISTRICT



CCSD Financial Audit-June 30, 2009

Highlights

- Tough year for the economy as a whole; negatively impacted District revenue; District responded well with tough and timely decisions to minimize impact of less revenue
- The District met its goal of having 5% in designated fund balance as of June 30, 2009
- Unqualified opinion from GF&H



CCSD Financial Audit-June 30, 2009

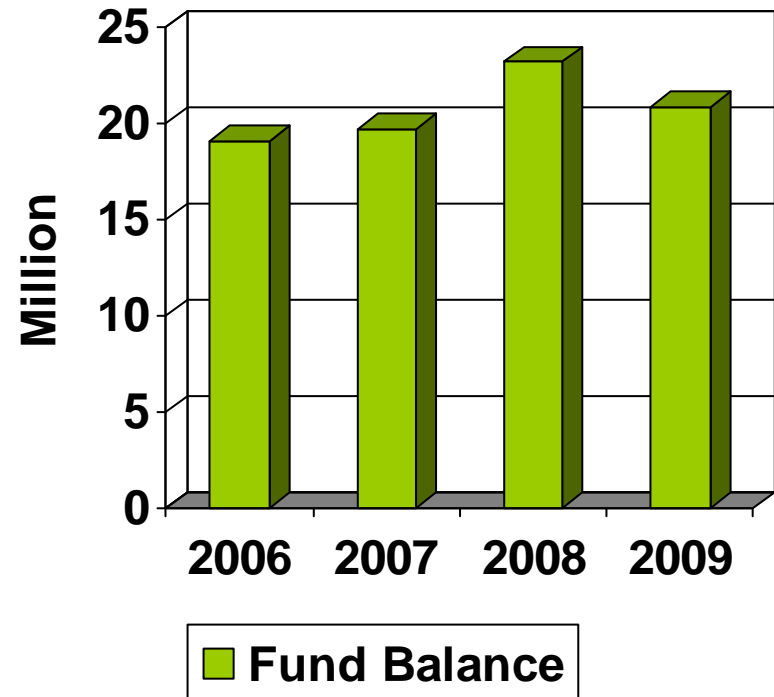
- Prevention and detection of fraud is the responsibility of the District
- Financial statements are the responsibility of the District
- Our responsibility: to express an opinion on the Financial Statements
- Opinion - reasonable assurance that financial statements are materially correct
- We issued an unqualified opinion
 - **Best opinion the District can receive**



CCSD Financial Audit-June 30, 2009

General Fund-fund balance

- Total decreased \$2.3 million to \$20.8 million
 - Represents 6.5% of 2010 budgeted expenditures
 - GFOA recommends 8% - 17%
- Designated for fund balance policy increased \$1.2 million
- Undesignated increased \$.5 million



CCSD Financial Audit-June 30, 2009

General Fund – Fund Balance (Continued)

– Fund Balance (in millions):	<u>2009</u>	<u>2008</u>
• Reserved for inventory	\$ 0.4	\$ 0.3
• Designated for encumbrances	0.8	0.9
• Designated for next year expenditures	3.0	7.1
• Designated for Fund Balance policy	16.1	14.9
• Undesignated	<u>0.5</u>	<u>0.0</u>
– Total Fund Balance	\$ 20.8	\$23.2



CCSD Financial Audit-June 30, 2009

Why is a Healthy Fund Balance Important?

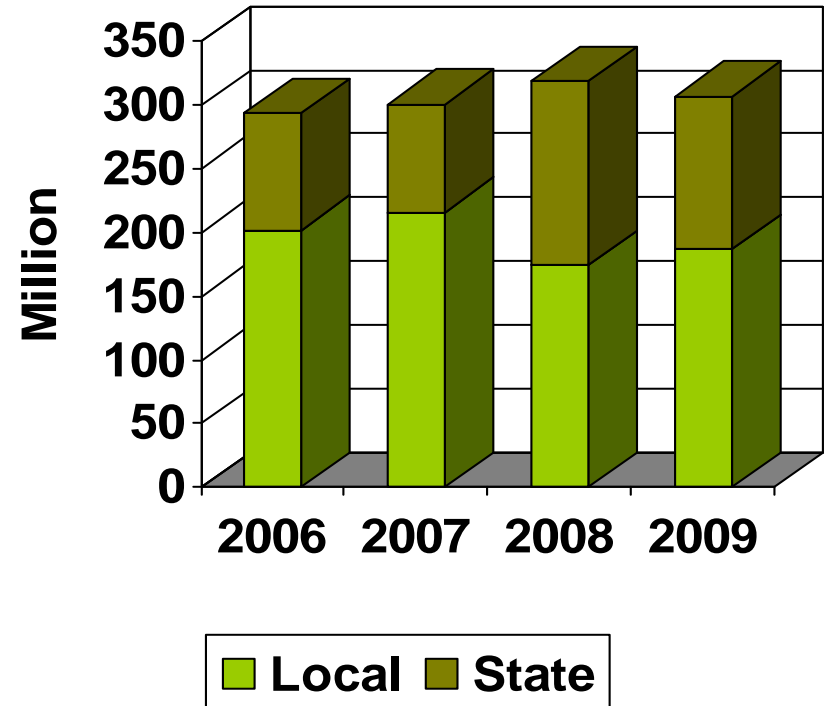
- Provides the necessary cash flow through the end of the calendar year until tax revenues are received – decreases the dependence upon Tax Anticipation Notes
- Lessens the immediate impact of State cuts
- Potential for better bond ratings and therefore lower interest rates on debt issuances
- Savings for emergencies and unanticipated events (for example-the difficult economy)
- Major planned expenditures



CCSD Financial Audit-June 30, 2009

General Fund Revenue

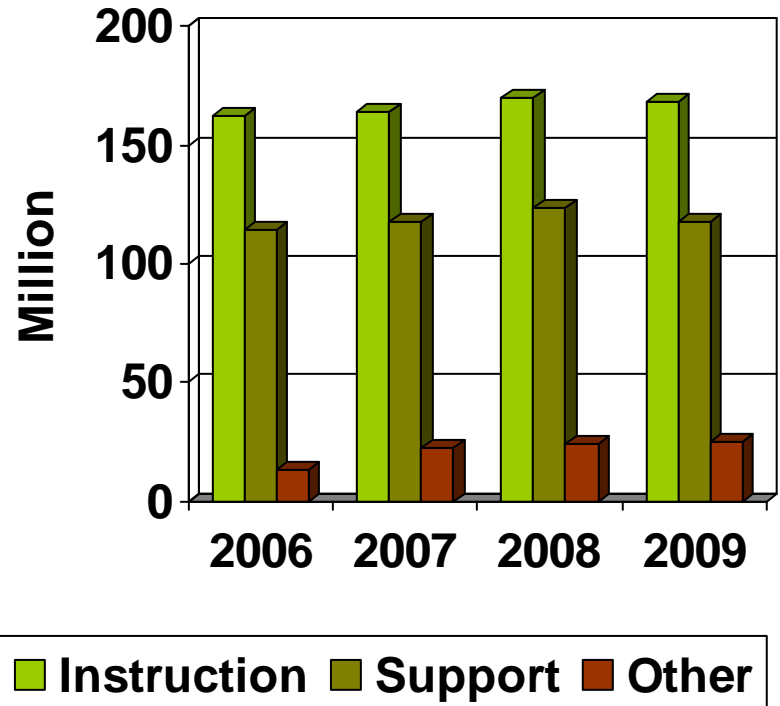
- \$12.2 m decrease from the prior year to \$307.5 m
 - State revenues decreased \$23.9 m
 - EFA decreased \$20.7 million
 - Local and other revenues increased \$11.7 m mainly due to a \$14.9 m increase in property taxes (3% increase in millage, combined with a 10.7% increase in assessed values).
- \$2.6 m (0.8%) over final 2009 budget
 - \$15.3 m over budget on property taxes; \$12.7 m under budget on state and other revenues



CCSD Financial Audit-June 30, 2009

General Fund Expenditures

- \$7.3 m decrease from the prior year to \$310.4 m:
 - Instruction of \$168.1 m (down \$1.7 m) – *primarily from decreases in salaries and related expenditures*
 - Support Services of \$117.5 m (down \$6 m) – *decrease in operations and maintenance expenditures*
 - Charter school subsidies of \$23.7 m (up \$1.9 m)
 - Other expenditures down \$1.5 m (primarily interest expense down \$1.1 m on TAN's and other short-term borrowings)
- \$7.9 m (2.5%) under final 2009 budget – mainly salaries and support services



CCSD Financial Audit-June 30, 2009

Special Project and EIA Funds

- **Special Project Funds** – Federal and state programs and grants (Title I, IDEA, etc.) Approximately 115 grants / programs - totaling \$48.8 million, which was a decrease of \$5.7 million from the prior year.
- **Education Improvement Act Funds** – Funded by the State's EIA Act of 1984. Approximately 40 programs - totaling \$34.8 million, which was a decrease of \$2.5 million from the prior year due to state funding cuts.
- The District is constrained by federal and state requirements to use these funds only as allowed by the applicable grants.
- No Fund Balance generally for these funds as any unspent funds must be returned to the State or carried over to the next year.



CCSD Financial Audit-June 30, 2009

Other Funds

- **Food Service** – loss of \$108 thousand for 2009; fund balance at 6/30/09 of \$2.0 million, of which \$1.7 million is unreserved
 - Unreserved fund balance is 8.9% of 2009's operating costs – on the low end of the scale for recommended fund balance
- **Debt Service (District)** – \$5.3 million deficit in fund balance due primarily to accounting requirements for bond anticipation note
- **Debt Service (CEEF)** - \$70.4 million fund balance; primarily amounts set aside for debt service reserves in accordance with the CEEF bond agreements
- **Capital Projects (District and CEEF)** - \$270.7 million fund balance to be used for the completion of planned capital projects



CCSD Financial Audit-June 30, 2009

District-wide (GASB 34)

- Assets-\$1.283 billion
 - \$816.7 million is capital assets
 - \$411.7 million is cash and investments
- Liabilities-\$1.022 billion
 - \$929.2 million is debt (District and CEEF bonds)
- Net Assets-\$261 million
- Revenues-\$498.5 million
- Expenses-\$479.5 million
 - \$19.1 million in non-cash depreciation



CCSD Financial Audit-June 30, 2009

Other Items of Note

- Approximately \$212.8 million in capital related expenditures during fiscal 2009
- Outstanding construction commitments (primarily CEEF) of \$108 million at 6/30/09
- Outstanding District debt (General Obligation and QZAB Bonds) of \$234.6 million at June 30, 2009
- Outstanding CEEF bonds of \$666.0 million at June 30, 2009
- Required debt service (principal and interest) during FY09 on outstanding long-term District and CEEF debt was \$56.1 million; required debt service for FY10 will be \$56.8 million



CCSD Financial Audit-June 30, 2009

Other Items of Note (continued)

- The District's short-term borrowings for fiscal 2009 totaled \$120.3 million
 - \$63.4 million Tax Anticipation Note – proceeds used to fund operations until tax revenues were received in the winter – repaid in April 2009
 - \$41.4 million in General Obligation Bonds, to pay fiscal 2009 debt service for the outstanding CEEF debt and to partially fund additional capital projects – repaid in March 2009
 - \$15.5 million in Bond Anticipation Notes – proceeds were used to pay remaining portion of required debt service on the outstanding CEEF debt - these notes were repaid with a portion of the proceeds of a new short-term General Obligation Bond issued in November 2009



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Other Items of Note (continued)

- ARRA Stimulus funds –
 - These new programs have significant compliance and reporting requirements
 - The District should be proactive in providing the necessary resources in order to manage these new programs in accordance with the new Federal requirements
 - We will have to audit these new programs as part of the Single Audit Act requirements



CCSD Financial Audit-June 30, 2009

Subsequent Events:

- Issuance of Debt:
 - In August 2009, the District issued a Tax Anticipation Note for \$66.1 million
 - to provide funds for operations until property tax revenues are received in the winter
 - Note plus interest at 2.0% is due in full in April 2010
 - In November 2009, the District issued a General Obligation Bond for \$54.9 million
 - to partially fund the fiscal 2010 debt service for the outstanding District and CEEF debt, to repay the outstanding Bond Anticipation Note and to provide additional funds for improvements to District facilities
 - Bond plus interest at 1.5% (effective rate) is due in full in March 2010
- Continuation of funding cuts from the state – additional 4% cut in September 2009, or approximately \$4 million impact to the District



CCSD Financial Audit-June 30, 2009

Required communications to Board from External Auditors:

– Single Audit results:

- Significant improvements in Title I program related to subrecipient monitoring for charter schools
- No findings related to Single Audit during the current year



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Required communications to Board from External Auditors (continued):

- Financial Statement Finding:
 - Error in recording of principal payment on short-term indebtedness-found and adjusted by GF&H



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Required communications to Board from External Auditors (continued):

- Management Letter Recommendations:
 - Internal controls and procedures
 - Payroll function – segregation of duties
 - Documentation of review of journal entries
 - Access rights in MUNIS
 - Accounting policies and procedures manual
 - Segregation of duties at the schools and related matters - pupil activities and food services



CCSD Financial Audit-June 30, 2009

Summary

- Unqualified opinion
- Good management of finances in light of the current economic downturn and massive cuts from the State
- We have not come out of the economic slump yet – probably have to continue to make difficult decisions

