



Executive Summary  
June 30, 2011

# Moorhead Area Public Schools Independent School District No. 152

## **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.

## **About Eide Bailly**

Founded in 1917, Eide Bailly is a top 25 CPA firm in the nation, with 19 service centers in nine states. Our clients benefit from local, personal service while enjoying access to nearly 1,200 professionals with diverse skill sets and experiences. We truly care about our clients' successes and work hard to help them reach their goals. The Firm has built strong industry and service teams in order to surround our clients with relevant and valuable services.

Our focused industries include:

- Ag Producers
- Construction
- Dealerships
- Financial Institutions
- Government
- Health Care
- Insurance
- Manufacturing
- Non-Profit
- Oil & Gas
- Real Estate
- Renewable Energy
- Utilities

Eide Bailly's Government industry has over 40 years experience serving school districts, and more than 120 professionals dedicated to government clients.

## **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 *unqualified 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.

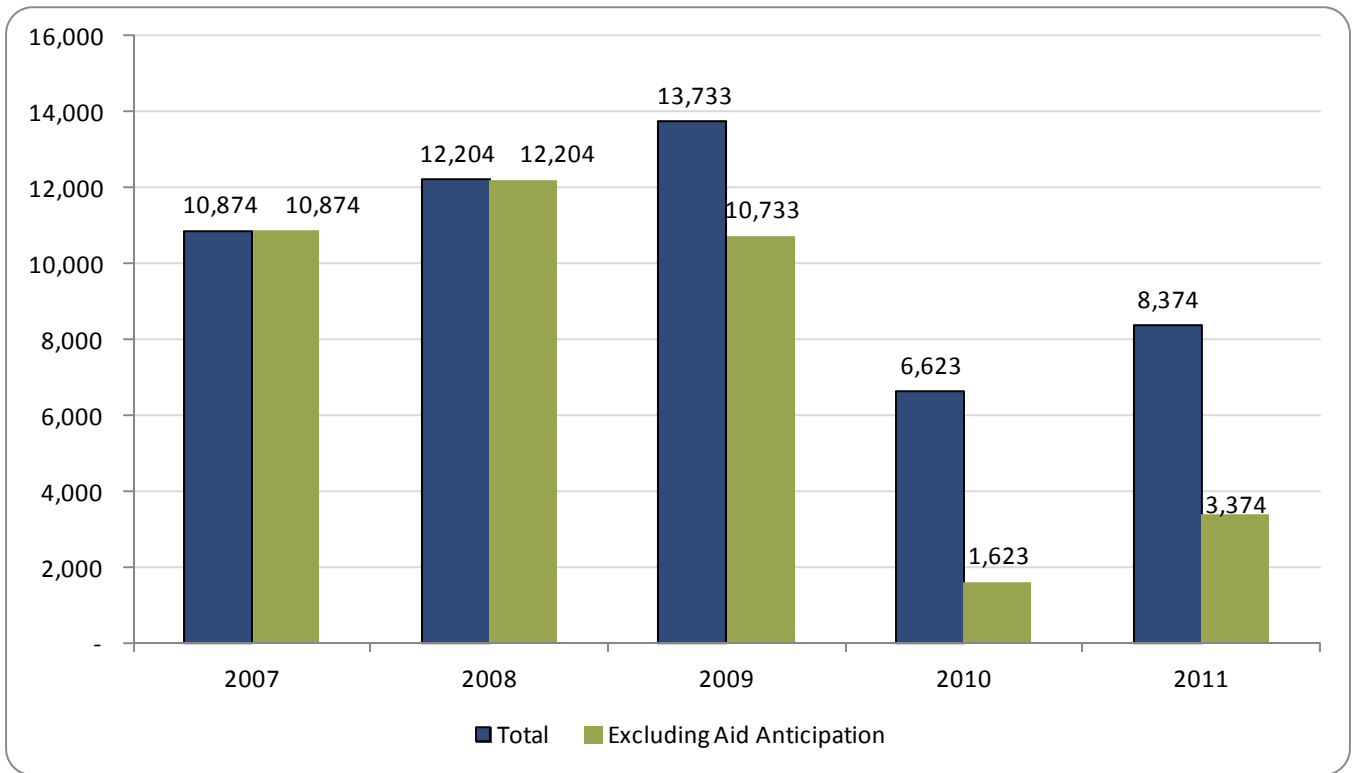
Some readers of financial statements with an unqualified (clean) audit opinion believe that the auditors are signifying that the organization has a financial clean bill of health. They may believe the auditors are indicating that there is no fraud, that the organization is using its resources effectively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

## **Audit of Federal Funds**

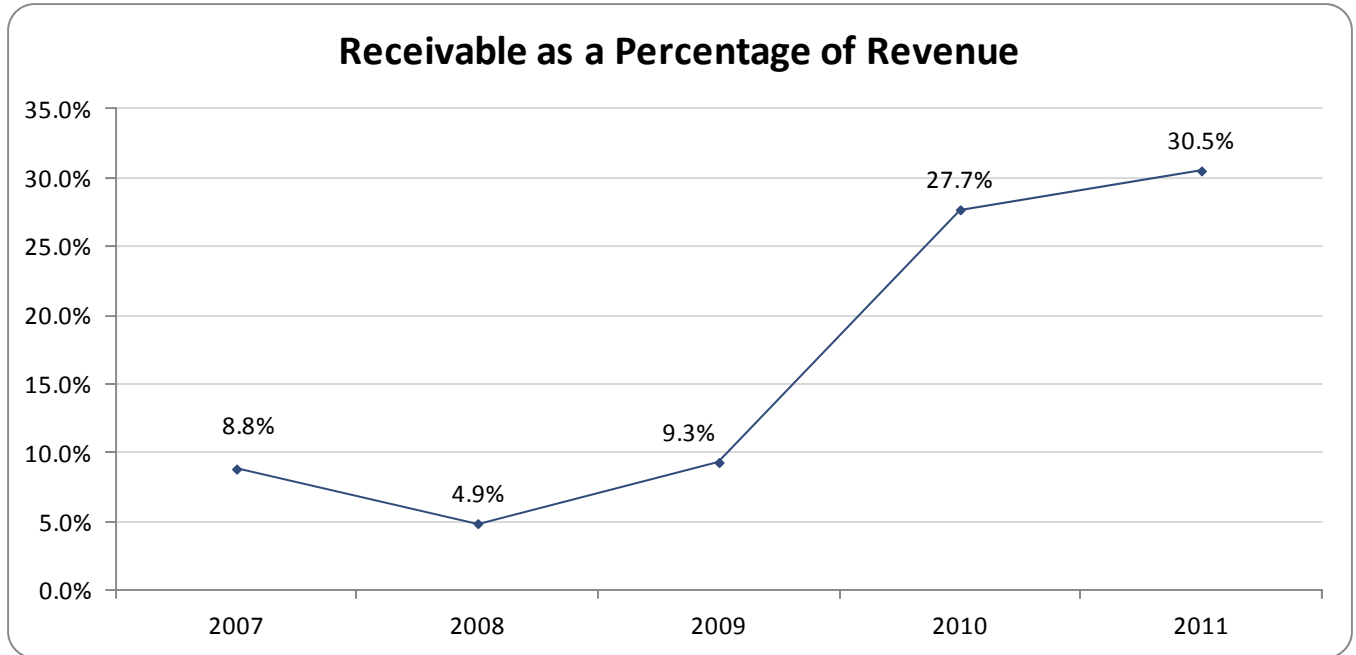
All non-Federal entities that expend \$500,000 or more of Federal awards in a year are required to obtain an annual audit in accordance with the Single Audit Act. A single audit is intended to provide a cost-effective audit in that one audit is conducted in lieu of multiple audits of individual programs. During 2011, the District expended approximately \$6,127,000 in Federal awards.

The District received an unqualified opinion on compliance for the major federal award programs report.

Independent School District No. 152  
Cash and Investments (In Thousands)  
June 30, 2007 through June 30, 2011



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



| Year    | General Education Aid |            | Receivable as a % of Rev |
|---------|-----------------------|------------|--------------------------|
|         | Receivable            | Revenue    |                          |
| 6/30/07 | \$ 3,016,922          | 34,111,978 | 8.8%                     |
| 6/30/08 | 1,716,221             | 35,198,352 | 4.9%                     |
| 6/30/09 | 3,335,134             | 35,791,088 | 9.3%                     |
| 6/30/10 | 8,979,563             | 32,430,924 | 27.7%                    |
| 6/30/11 | 10,885,880            | 35,673,234 | 30.5%                    |

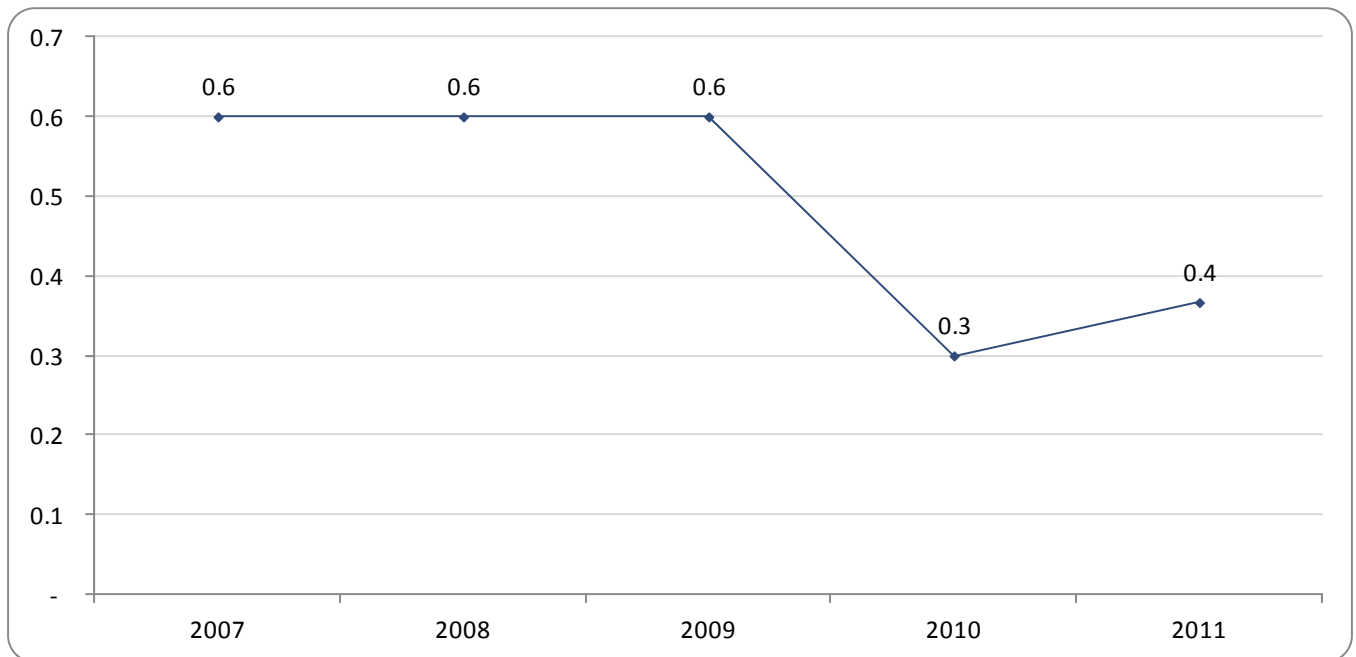
In fiscal years 2007 through 2009, approximately 90% of general education aid payments were made in the current fiscal year, with the remaining 10% being paid in the subsequent fiscal year. For FY10 that ratio was 73-27, and for FY11 that ratio changed to 70-30. For FY12 it will be 60-40.

Liquidity refers to an organization’s ability to pay short-term financial obligations. Liquidity involves determining the level of cash on hand and in the bank and other assets that can be easily converted to cash. This cash position is compared to accounts payable and other current liabilities as well as that portion of long-term liabilities that are due within one year.

The formula for calculating the liquidity ratio is:

$$\frac{\text{Cash and cash equivalents}}{\text{Accounts payable and other current liabilities} + \text{Long-term liabilities due within one year}}$$

A lower ratio of this indicator indicates a declining ability to pay short-term debt.



Liquidity is a controversial financial indicator according to many analysts. Because the ratio can change daily according to receipt of cash, any analysis of the liquidity ratio must be done at the same time of the year for a meaningful comparison.<sup>1</sup> This comparison was done with the year-end cash and liability position.

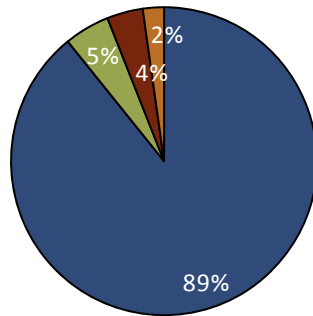
<sup>1</sup> *Evaluating Financial Condition: a Handbook for Local Governments*, page 71

Independent School District No. 152  
Revenues, Expenditures, and Changes in Fund Balances  
Budget to Actual – General Fund  
Year Ended June 30, 2011

|   | Original<br>Budget  | Final<br>Budget     | 2011<br>Actual      | Variance With<br>Final Budget |
|---|---------------------|---------------------|---------------------|-------------------------------|
| <b>Revenues</b>                                 |                     |                     |                     |                               |
| State sources                                   | \$ 43,417,918       | \$ 42,737,064       | \$ 44,079,362       | \$ 1,342,298                  |
| Local levies                                    | 1,682,125           | 1,662,125           | 1,868,783           | 206,658                       |
| Federal sources                                 | 2,840,943           | 4,847,580           | 5,166,857           | 319,277                       |
| Other   | 937,927             | 828,505             | 851,092             | 22,587                        |
|   | <u>48,878,913</u>   | <u>50,075,274</u>   | <u>51,966,094</u>   | <u>1,890,820</u>              |
|   |                     |                     |                     | <i>3.8%</i>                   |
|   |                     |                     |                     | <i>Positive</i>               |
| <b>Expenditures</b>                             |                     |                     |                     |                               |
| Regular instruction                             | 20,943,760          | 20,887,867          | 21,457,908          | (570,041)                     |
| Administration and district<br>support services | 3,646,270           | 3,294,701           | 3,127,105           | 167,596                       |
| Special education instruction                   | 11,213,275          | 12,678,479          | 12,964,783          | (286,304)                     |
| Instructional and<br>pupil support services     | 8,411,540           | 7,822,290           | 7,897,734           | (75,444)                      |
| Sites and buildings                             | 4,724,710           | 5,106,573           | 4,673,336           | 433,237                       |
| Other   | 607,950             | 594,150             | 682,902             | (88,752)                      |
|   | <u>49,547,505</u>   | <u>50,384,060</u>   | <u>50,803,768</u>   | <u>(419,708)</u>              |
|   |                     |                     |                     | <i>-0.8%</i>                  |
|   |                     |                     |                     | <i>Negative</i>               |
| Revenues over (under) Expenditures              | (668,592)           | (308,786)           | 1,162,326           | 1,471,112                     |
| Sale of equipment                               | -                   | -                   | 361                 | 361                           |
| Net Change in Fund Balance                      | (668,592)           | (308,786)           | 1,162,687           | <u>\$ 1,471,473</u>           |
| Fund Balance, Beginning of Year                 | <u>7,172,823</u>    | <u>7,172,823</u>    | <u>7,172,823</u>    |                               |
| Fund Balance, End of Year                       | <u>\$ 6,504,231</u> | <u>\$ 6,864,037</u> | <u>\$ 8,335,510</u> |                               |

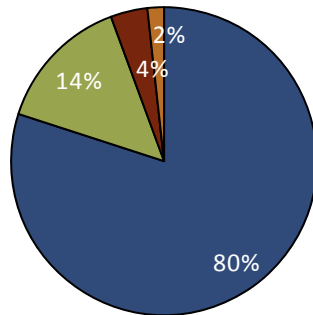
Independent School District No. 152  
 General Fund Revenues by Source  
 Years Ended June 30, 2009 through June 30, 2011

**2009**



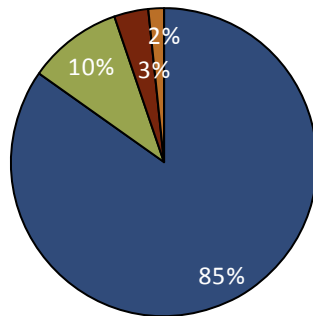
- State sources
- Federal sources
- Local levies
- Other

**2010**



- State sources
- Federal sources
- Local levies
- Other

**2011**



- State sources
- Federal sources
- Local levies
- Other

|                 | 2009                 | 2010                 | 2011                 |
|-----------------|----------------------|----------------------|----------------------|
| State sources   | \$ 44,565,250        | \$ 39,764,160        | \$ 44,079,362        |
| Federal sources | 2,388,519            | 7,166,354            | 5,166,857            |
| Local levies    | 1,886,821            | 1,922,246            | 1,868,783            |
| Other           | 1,107,044            | 860,608              | 851,092              |
| <b>Total</b>    | <b>\$ 49,947,634</b> | <b>\$ 49,713,368</b> | <b>\$ 51,966,094</b> |



Independent School District No. 152  
 General Fund Expenditures by Program  
 Years Ended June 30, 2009 through June 30, 2011

**2009**



**2010**



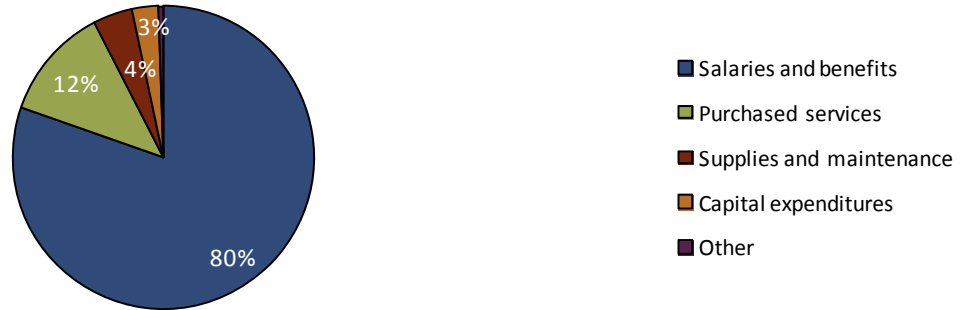
**2011**



|                                 | 2009                 | 2010                 | 2011                 |
|---------------------------------|----------------------|----------------------|----------------------|
| Regular instruction             | \$ 21,472,864        | \$ 21,016,855        | \$ 21,457,908        |
| Special education instruction   | 11,704,159           | 12,323,508           | 12,964,783           |
| Instructional and pupil support | 7,690,709            | 7,255,728            | 7,897,734            |
| Sites and buildings             | 4,816,561            | 4,441,641            | 4,673,336            |
| Administration and support      | 3,604,830            | 3,124,287            | 3,127,105            |
| Other                           | 692,707              | 573,283              | 682,902              |
| <b>Total</b>                    | <b>\$ 49,981,830</b> | <b>\$ 48,735,302</b> | <b>\$ 50,803,768</b> |

Independent School District No. 152  
 General Fund Expenditures by Object  
 Years Ended June 30, 2009 through June 30, 2011

**2009**



**2010**



**2011**



|                          | 2009                 | 2010                 | 2011                 |
|--------------------------|----------------------|----------------------|----------------------|
| Salaries and benefits    | \$ 40,170,093        | \$ 39,021,231        | \$ 40,157,718        |
| Purchased services       | 6,039,368            | 6,029,952            | 6,354,456            |
| Supplies and maintenance | 2,098,392            | 1,937,386            | 2,062,461            |
| Capital expenditures     | 1,409,436            | 1,531,604            | 1,977,579            |
| Other                    | 264,541              | 215,129              | 251,554              |
| <b>Total</b>             | <b>\$ 49,981,830</b> | <b>\$ 48,735,302</b> | <b>\$ 50,803,768</b> |

Independent School District No. 152  
Changes in Fund Balances – General Fund  
Year Ended June 30, 2011

|  | Fund Balance<br>(Deficit)<br>Beginning of<br>Year | Net Change in<br>Fund Balance | Fund Balance<br>(Deficit)<br>End of<br>Year |
|--|---|-------------------------------|---|
| Nonspendable                                     | \$ 55,929   | \$ 40,526                     | \$ 96,455                                   |
| Restricted for deferred maintenance              | 327,731   | 289,371                       | 617,102                                     |
| Restricted for health and safety                 | (104,870)   | (41,716)                      | (146,586)                                   |
| Restricted for operating capital                 | 311,757   | (311,757)                     | -   |
| Restricted for safe schools                      | (69,239)  | (47,548)                      | (116,787)                                   |
| Committed for severance obligation               | 2,726,377   | (626,377)                     | 2,100,000                                   |
| Assigned for technology acquisition and upgrades | -   | 1,205,000                     | 1,205,000                                   |
| Unassigned                                       | 3,925,138   | 655,188                       | 4,580,326                                   |
|  | <u>\$ 7,172,823</u>                               | <u>\$ 1,162,687</u>           | <u>\$ 8,335,510</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

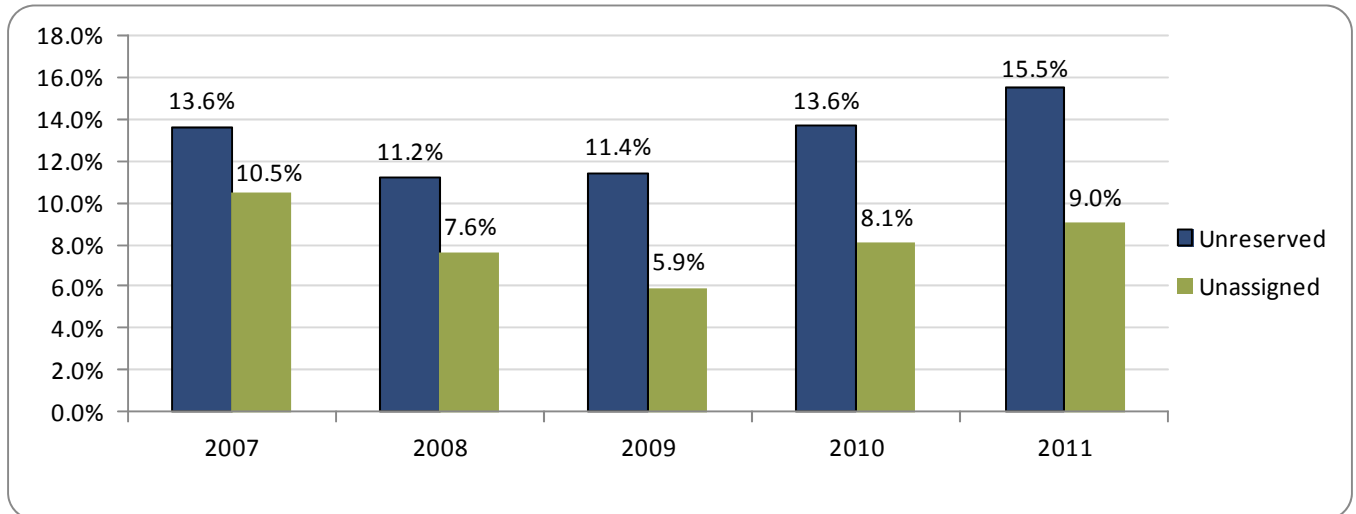
Independent School District No. 152  
Changes in Fund Balances – General Fund (Continued)  
Year Ended June 30, 2011

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.<sup>2</sup>

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.<sup>3</sup>

The District’s policy is to strive to maintain a minimum unassigned fund balance of 25 percent of the annual budget but not less than 17 percent of the annual budget.<sup>4</sup>

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



|            | 2007         | 2008         | 2009         | 2010         | 2011         |
|------------|--------------|--------------|--------------|--------------|--------------|
| Unreserved | \$ 6,697,272 | \$ 5,684,842 | \$ 5,718,368 | \$ 6,651,515 | \$ 7,885,326 |
| Unassigned | \$ 5,152,501 | \$ 3,873,310 | \$ 2,959,700 | \$ 3,925,138 | \$ 4,580,326 |

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

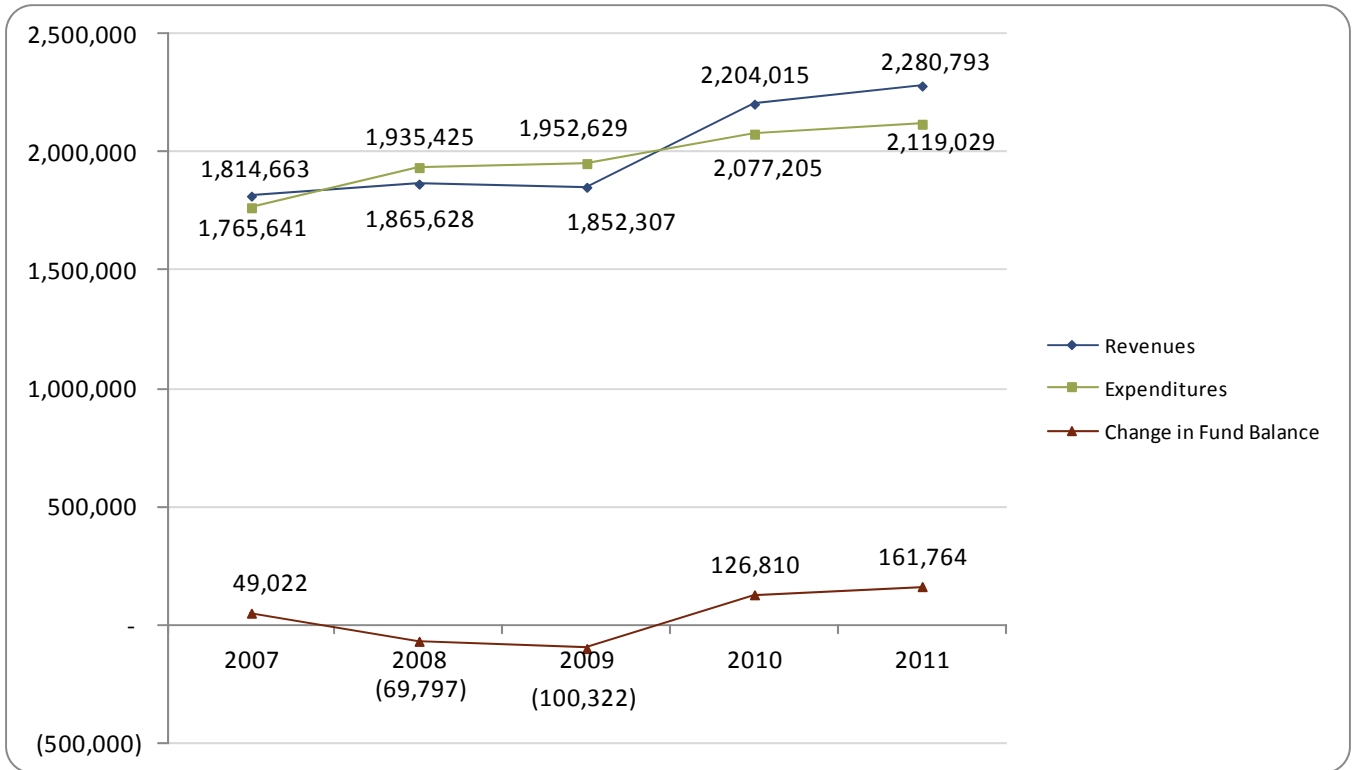
|                                |              |
|--------------------------------|--------------|
| 1 month of expenditures (8%)   | \$ 4,233,647 |
| 2 months of expenditures (17%) | 8,467,295    |
| 3 months of expenditures (25%) | 12,700,942   |
| 4 months of expenditures (33%) | 16,934,589   |
| 5 months of expenditures (42%) | 21,168,237   |
| 6 months of expenditures (50%) | 25,401,884   |

<sup>2</sup> *Appropriate Level of Unreserved Fund Balance in the General Fund*, GFOA Best Practice, 2009

<sup>3</sup> *Statement of Position, Fund Balance for Local Governments*, OSA recommended practice, 2010

<sup>4</sup> *ISD No. 152 Fund Balances Policy*, approved June 27, 2011

Independent School District No. 152  
 Revenues, Expenditures, and Changes in Fund Balances  
 Food Service Fund  
 Years Ended June 30, 2007 through June 30, 2011

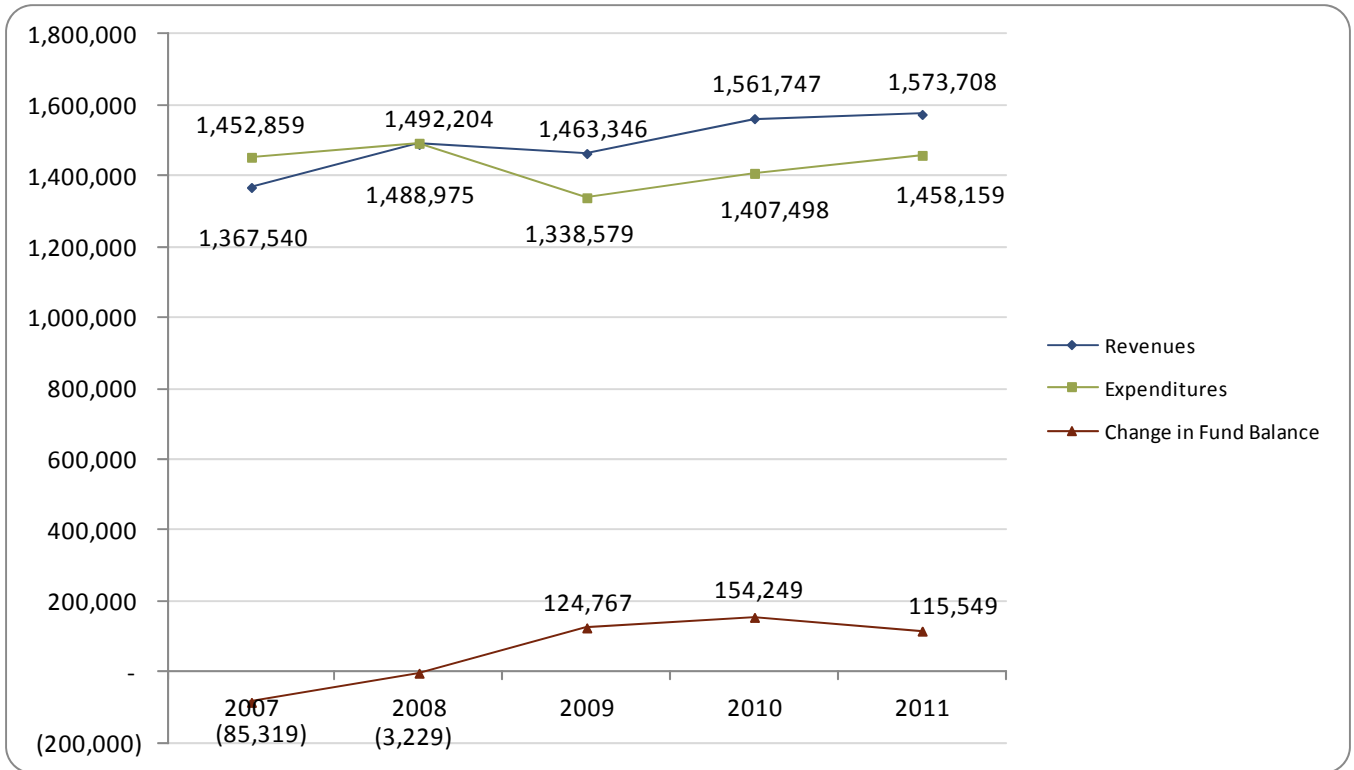


**Revenues** consist of food sales, federal and state aid, and other miscellaneous revenues.

**Expenditures** consist of food costs and supplies, salaries and benefits, and other miscellaneous expenditures.

**Change in Fund Balance** is the difference between revenues and expenditures.

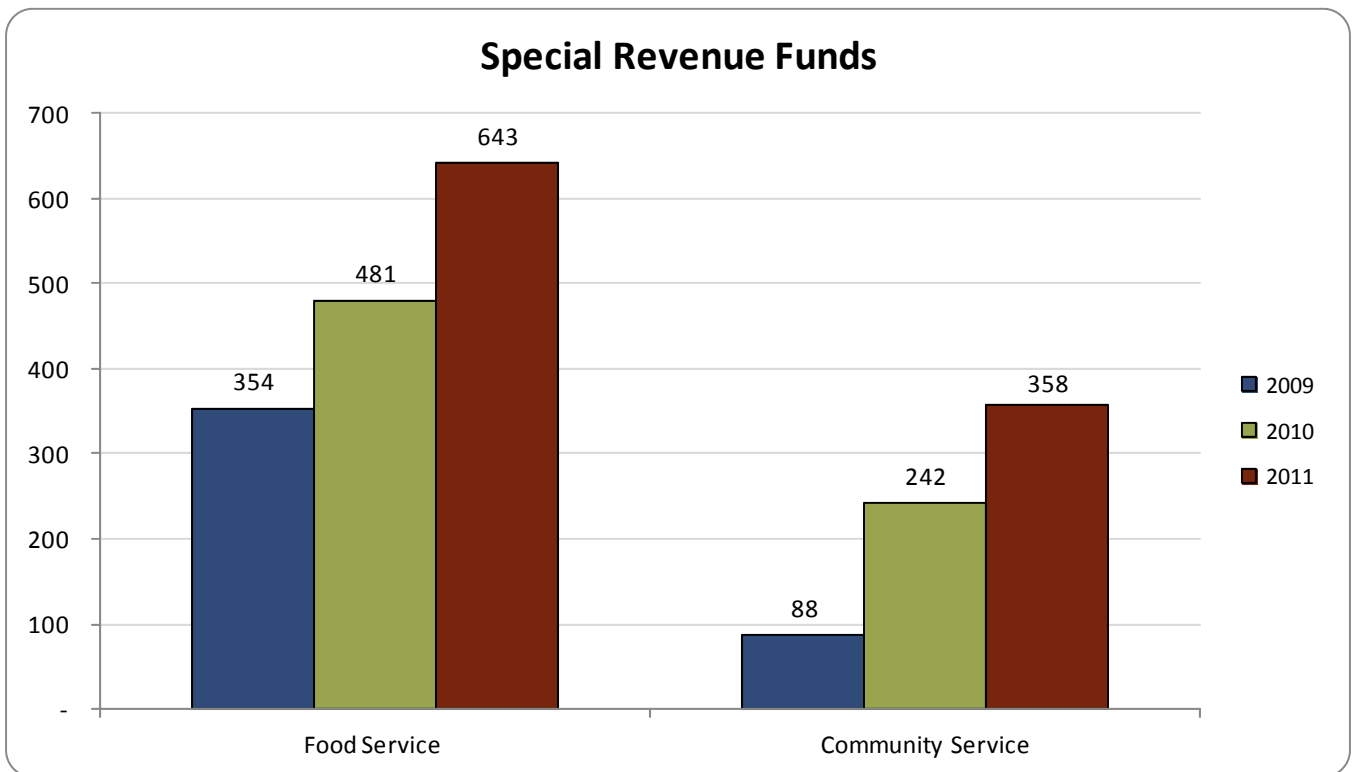
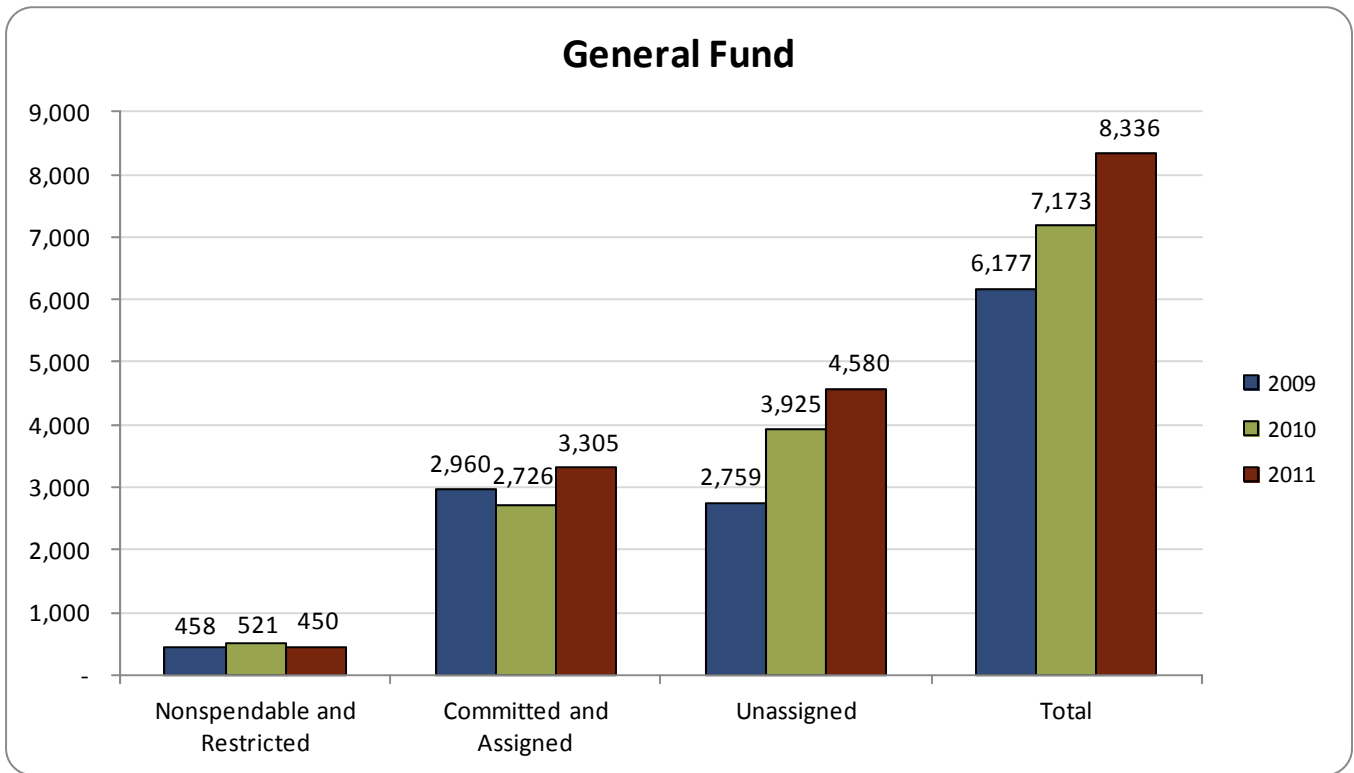
Independent School District No. 152  
 Revenues, Expenditures, and Changes in Fund Balances  
 Community Service Fund  
 Years Ended June 30, 2007 through June 30, 2011



**Revenues** consist of tuition and fees, federal and state aid, and local levies.

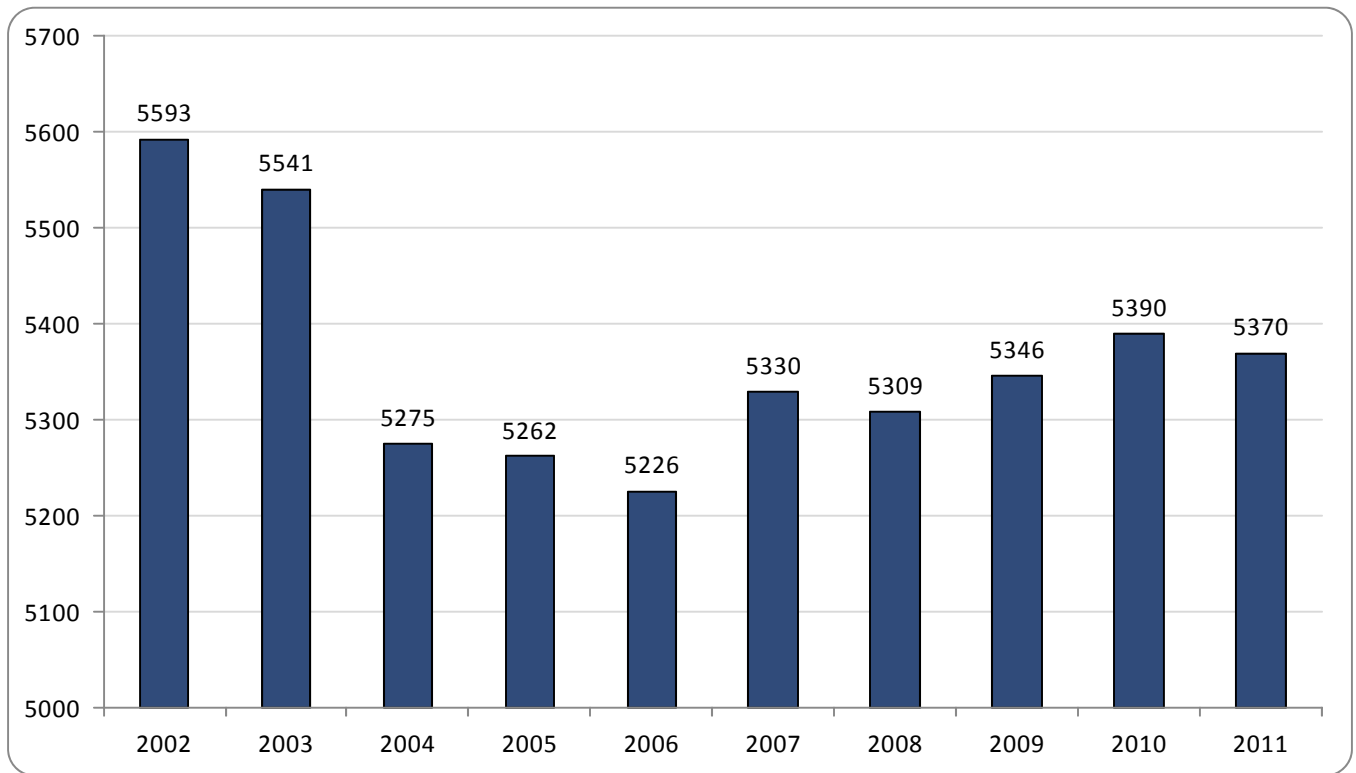
**Expenditures** consist of salaries and benefits, purchased services, and other miscellaneous expenditures.

**Change in Fund Balance** is the difference between revenues and expenditures.



Independent School District No. 152  
Average Daily Membership  
2002 through 2011

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Independent School District No. 152  
 Cost per ADM Served  
 June 30, 2011

