



Executive Summary
June 30, 2016

Independent School District No. 152 Moorhead Area Public Schools

Purpose of the Executive Summary

The District receives audited financial statements each year, however the document is long and users 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.

Audit Opinion

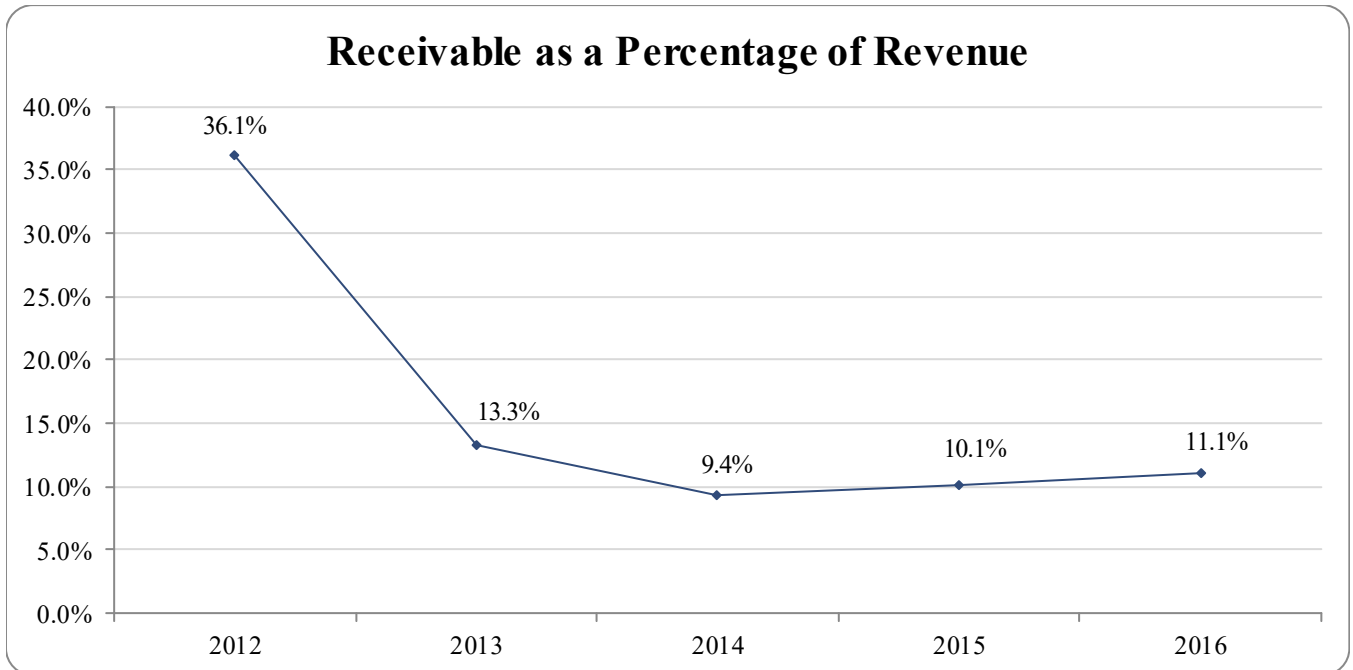
The District received a "clean" audit opinion. What does that really mean? The audit opinion is a brief report that appears with the financial statements. A clean audit opinion is more precisely referred to as an unmodified opinion. An *unmodified opinion* means that the financial statements have been 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.

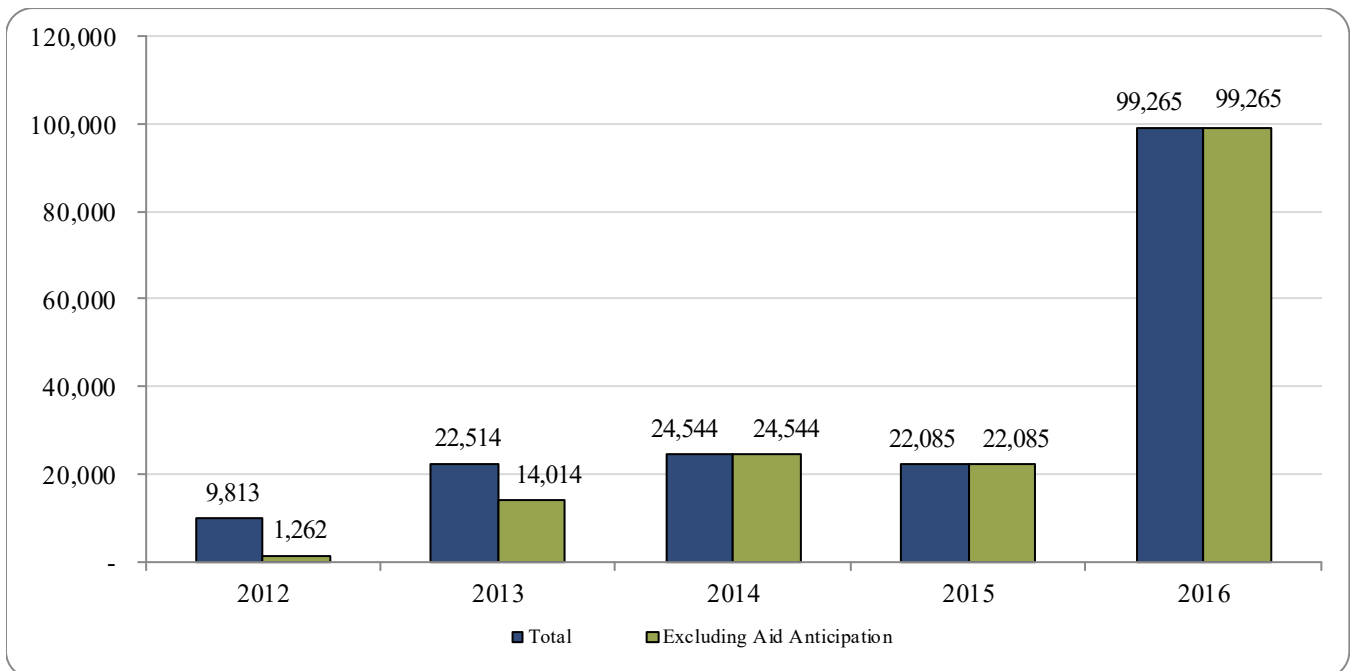
Audit of Federal Funds

All non-Federal entities that expend \$750,000 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 2016, the District expended approximately \$4,938,000 in Federal awards.

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



Cash and investments is most significantly affected by the aid payment structure. Below is the cash and investment balances (in thousands) of the District for the past five years.



Independent School District No. 152
Moorhead Area Public Schools
Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual – General Fund
Year Ended June 30, 2016

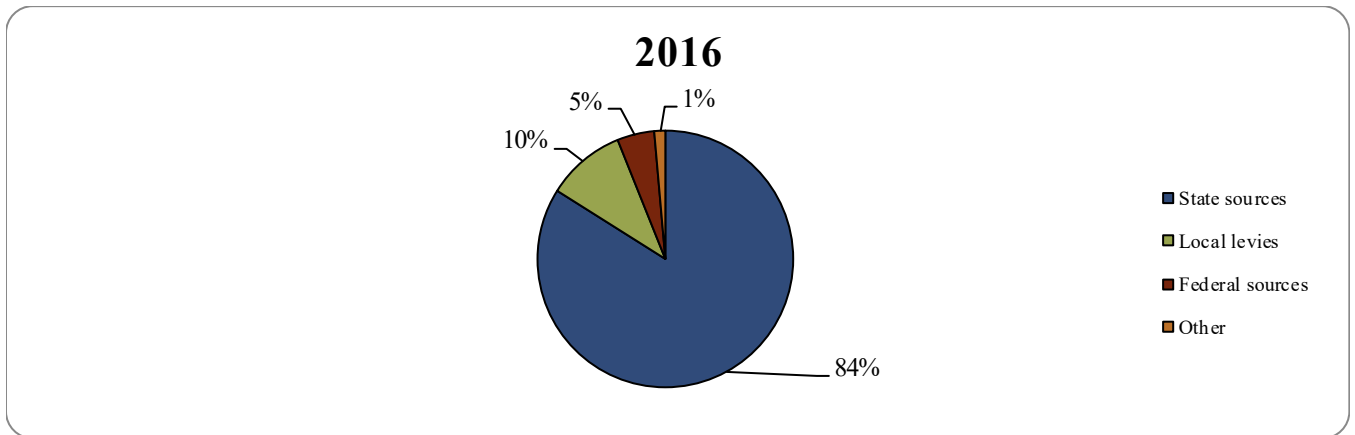
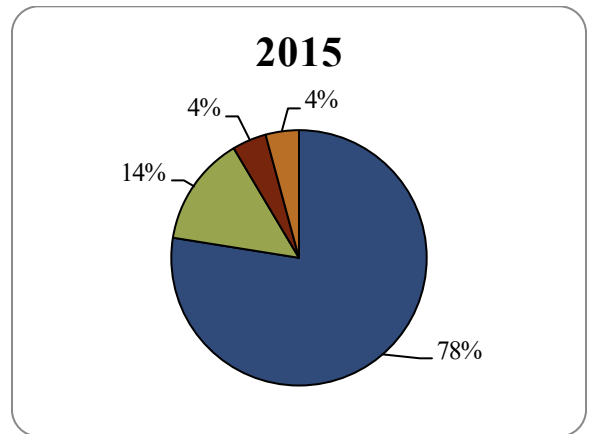
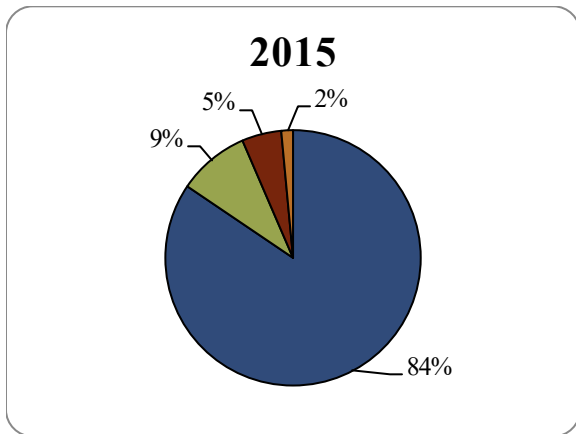
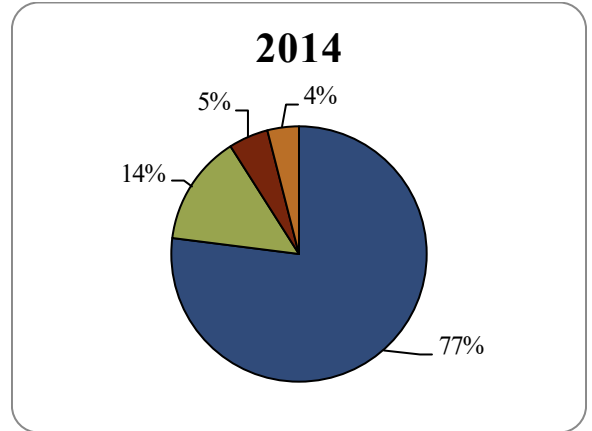
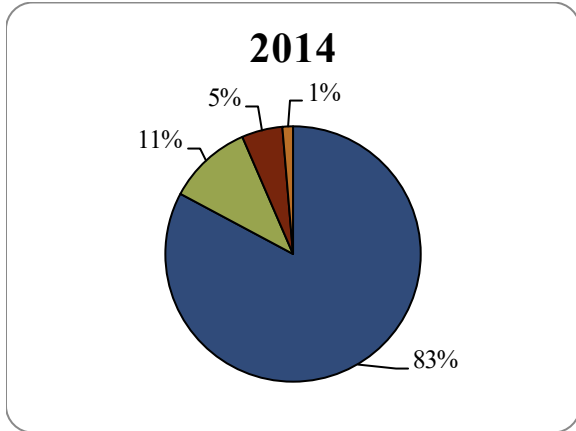
	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
State sources	\$ 57,624,346	\$ 58,038,739	\$ 59,521,661	\$ 1,482,922
Local levies	7,238,360	6,689,124	7,078,894	389,770
Federal sources	3,248,208	3,263,104	3,326,878	63,774
Other	817,400	942,047	995,038	52,991
	<u>68,928,314</u>	<u>68,933,014</u>	<u>70,922,471</u>	<u>1,989,457</u>
				2.9%
				Positive
Expenditures				
Regular instruction	29,745,626	31,225,815	28,717,492	2,508,323
Administration and district support services	4,385,439	4,523,139	4,352,307	170,832
Special education instruction Instructional and pupil support services	15,247,604	15,735,380	16,269,040	(533,660)
Sites and buildings **	9,034,339	10,285,319	9,959,838	325,481
Other	8,389,316	8,365,479	8,221,615	143,864
	811,366	816,067	845,238	(29,171)
	<u>67,613,690</u>	<u>70,951,199</u>	<u>68,365,530</u>	<u>2,585,669</u>
				3.6%
				Positive
Revenues over Expenditures	1,314,624	(2,018,185)	2,556,941	4,575,126
Other Financing Sources **				
Sale of equipment	-	-	4,829	4,829
Total other financing sources	<u>-</u>	<u>-</u>	<u>4,829</u>	<u>4,829</u>
Net Change in Fund Balance	<u>\$ 1,314,624</u>	<u>\$ (2,018,185)</u>	2,561,770	<u>\$ 4,579,955</u>
Fund Balance, Beginning of Year			<u>14,284,513</u>	
Fund Balance, End of Year			<u>\$ 16,846,283</u>	

** The expenditures for sites and buildings and total for other financing sources do not agree to the financial statements by \$2,390,189. This amount represents a non-cash transaction to record the capital lease activity during the year ended June 30, 2016 and was removed from this budgetary analysis. The transaction has a net effect of zero and was not considered during the budget process because of the non-cash nature.

Independent School District No. 152
Moorhead Area Public Schools
General Fund Revenues by Source
Years Ended June 30, 2014 through June 30, 2016

District Actual

Statewide Average¹

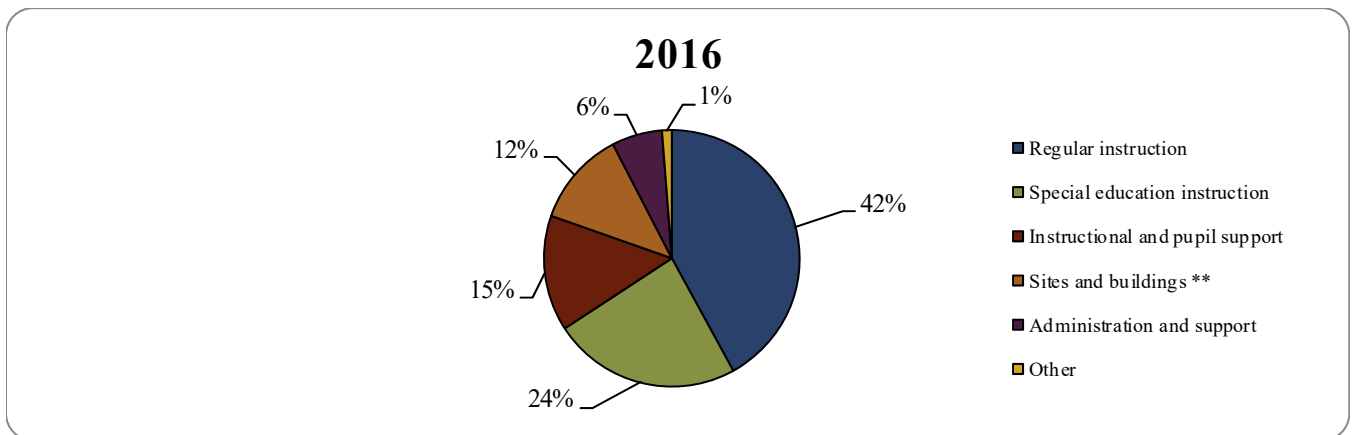
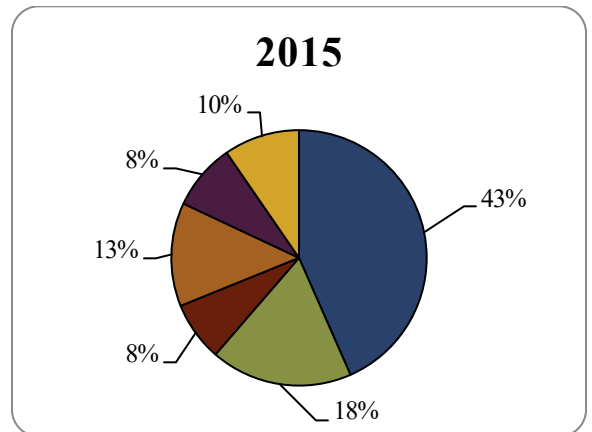
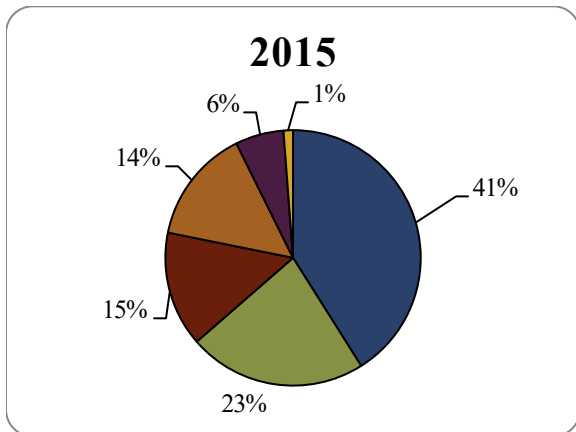
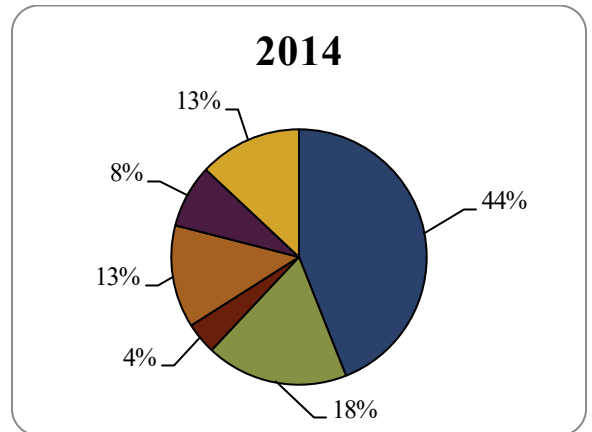
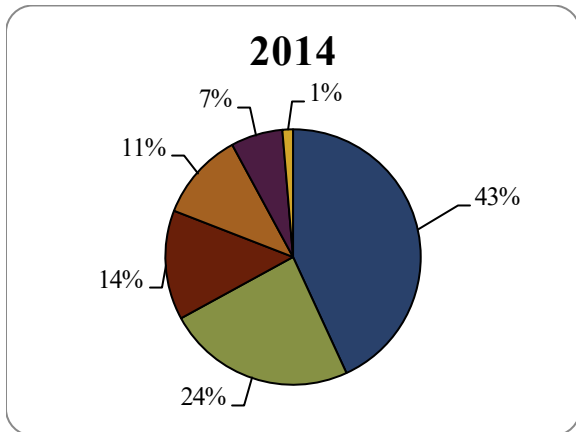


¹Statewide Averages per Minnesota Department of Education's Data Information

Independent School District No. 152
Moorhead Area Public Schools
General Fund Expenditures by Program
Years Ended June 30, 2014 through June 30, 2016

District Actual

Statewide Average²

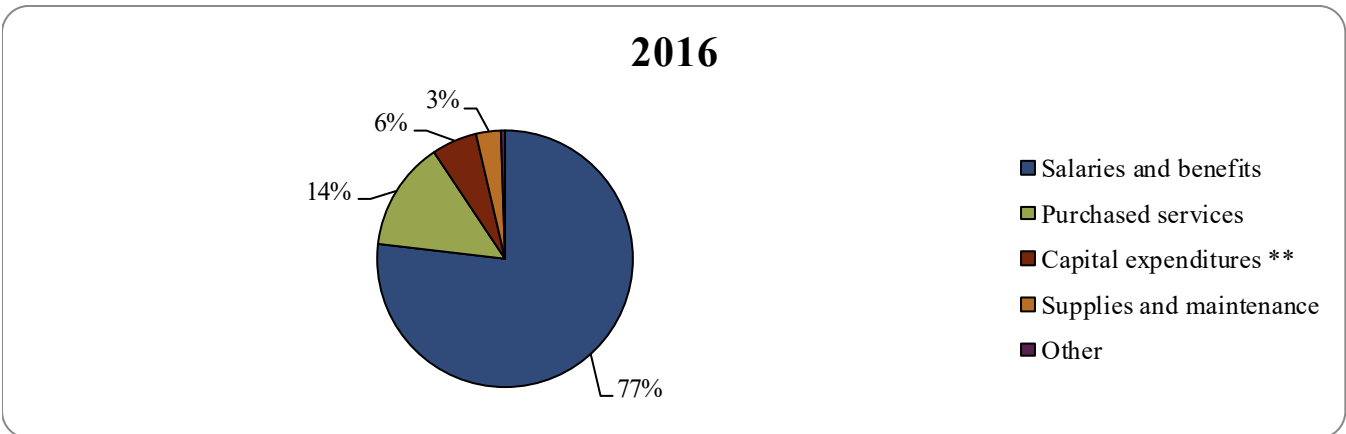
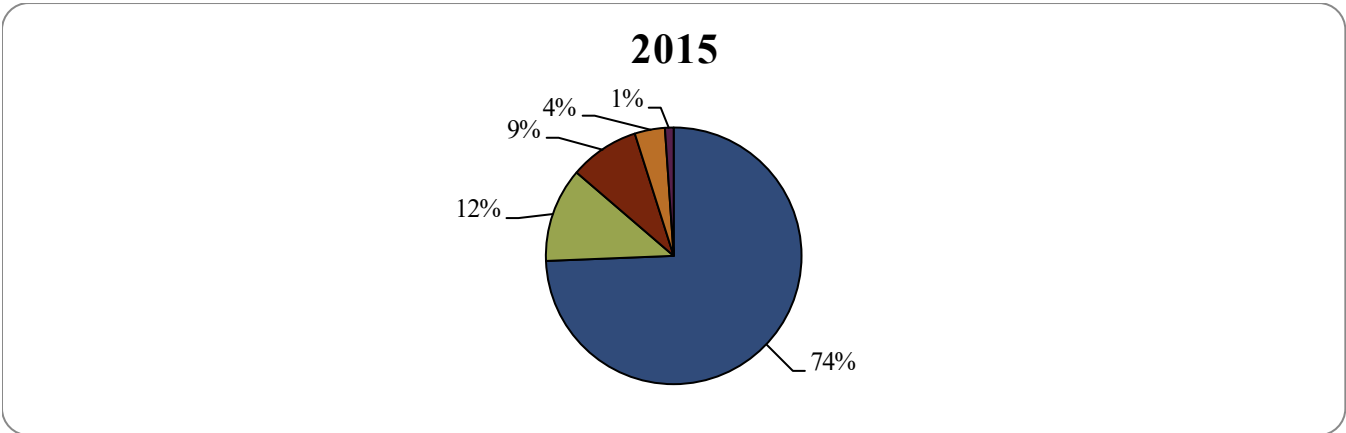
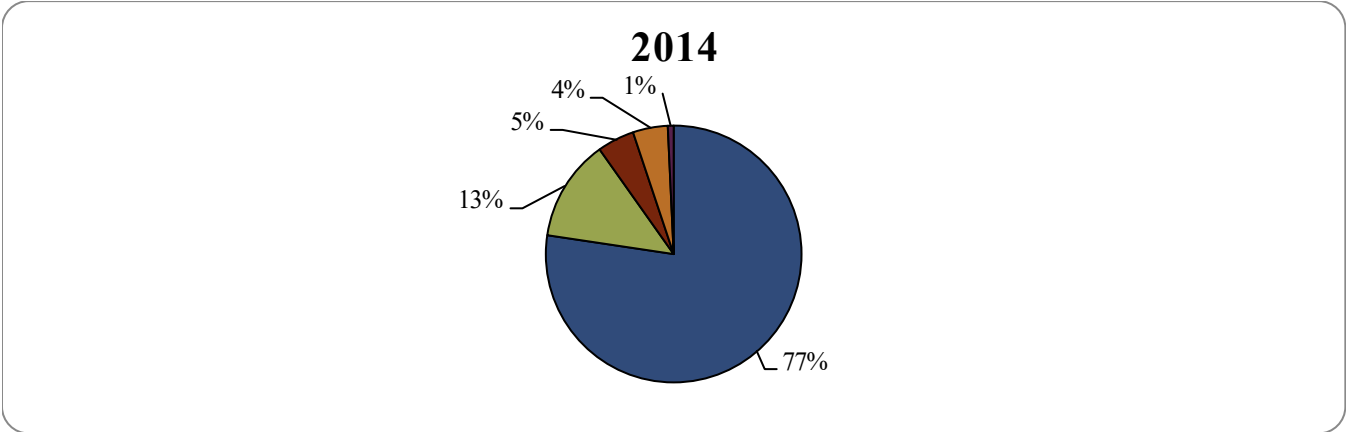


- Regular instruction
- Special education instruction
- Instructional and pupil support
- Sites and buildings **
- Administration and support
- Other

** See page 3 for explanation

²Statewide Averages per Minnesota Department of Education's Data Information

Independent School District No. 152
Moorhead Area Public Schools
General Fund Expenditures by Object
Years Ended June 30, 2014 through June 30, 2016



- Salaries and benefits
- Purchased services
- Capital expenditures **
- Supplies and maintenance
- Other

** See page 3 for explanation

Independent School District No. 152
Moorhead Area Public Schools
Changes in Fund Balances – General Fund
Year Ended June 30, 2016

	Fund Balance (Deficit) Beginning of Year	Net Change in Fund Balance	Fund Balance (Deficit) End of Year
Nonspendable	\$ 92,513	\$ (6,600)	\$ 85,913
Restricted for deferred maintenance	868,856	(191,163)	677,693
Restricted for health and safety	(641,381)	(50,707)	(692,088)
Restricted for operating capital	200,000	-	200,000
Restricted for safe schools	211,360	(16,158)	195,202
Committed for severance obligation	1,200,000	-	1,200,000
Assigned for health insurance and affordable care act	500,000	-	500,000
Assigned for capital projects	1,500,000	1,500,000	3,000,000
Unassigned	<u>10,353,165</u>	<u>1,326,398</u>	<u>11,679,563</u>
	<u>\$ 14,284,513</u>	<u>\$ 2,561,770</u>	<u>\$ 16,846,283</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

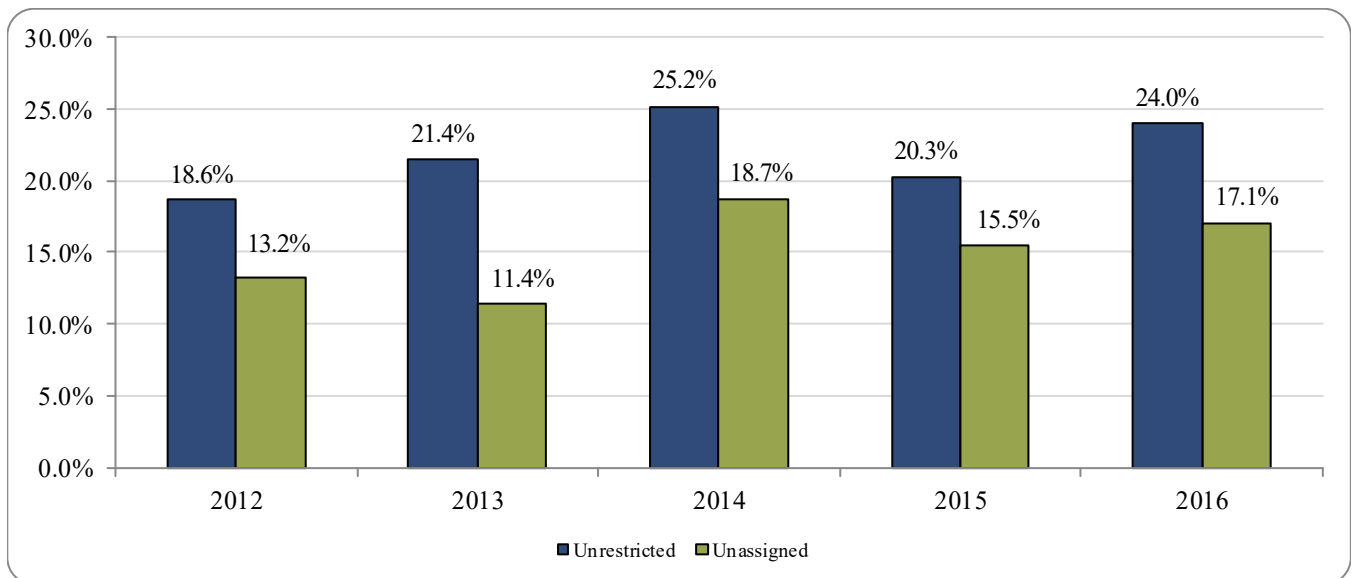
Independent School District No. 152
Moorhead Area Public Schools
Changes in Fund Balances – General Fund (Continued)
Year Ended June 30, 2016

The Government Finance Officers Association (GFOA) recommends, at a minimum, that governments maintain unrestricted fund balance in their general fund of no less than two months (16.67 percent) of regular general fund operating expenditures.³

The State of Minnesota Office of the State Auditor (OSA) recommends that at year-end local governments maintain an unrestricted 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. Minnesota school districts experience a more reliable flow of cash to fund operations therefore, a recommended unrestricted fund balance for school districts may be less than the amounts recommended for other local governments.⁴

The School Board will endeavor to maintain a minimum unassigned General Fund balance of at least 25% of the district's General Fund operating budget, and not to fall below 17%.⁵

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



Fund Balance as of June 30,

	2012	2013	2014	2015	2016
Unrestricted	\$ 9,965,295	\$ 12,134,977	\$ 15,104,305	\$ 13,553,165	\$ 16,379,563
Unassigned	7,084,745	6,442,627	11,222,675	10,353,165	11,679,563

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

Where would you like to be?	
1 month of expenditures (8%)	\$ 5,697,128
2 months of expenditures (17%)	11,394,255
3 months of expenditures (25%)	17,091,383
4 months of expenditures (33%)	22,788,510
5 months of expenditures (42%)	28,485,638
6 months of expenditures (50%)	34,182,765

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

³ *Statement of Position, Fund Balance for Local Governments*, OSA recommended practice, 2012

⁴ *ISD No. 152 Fund Balances Policy*, approved June 27, 2011

Independent School District No. 152
Moorhead Area Public Schools
Cost per ADM Served
Years Ended June 30, 2013 through June 30, 2015

