



Executive Summary
June 30, 2013

**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.

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.

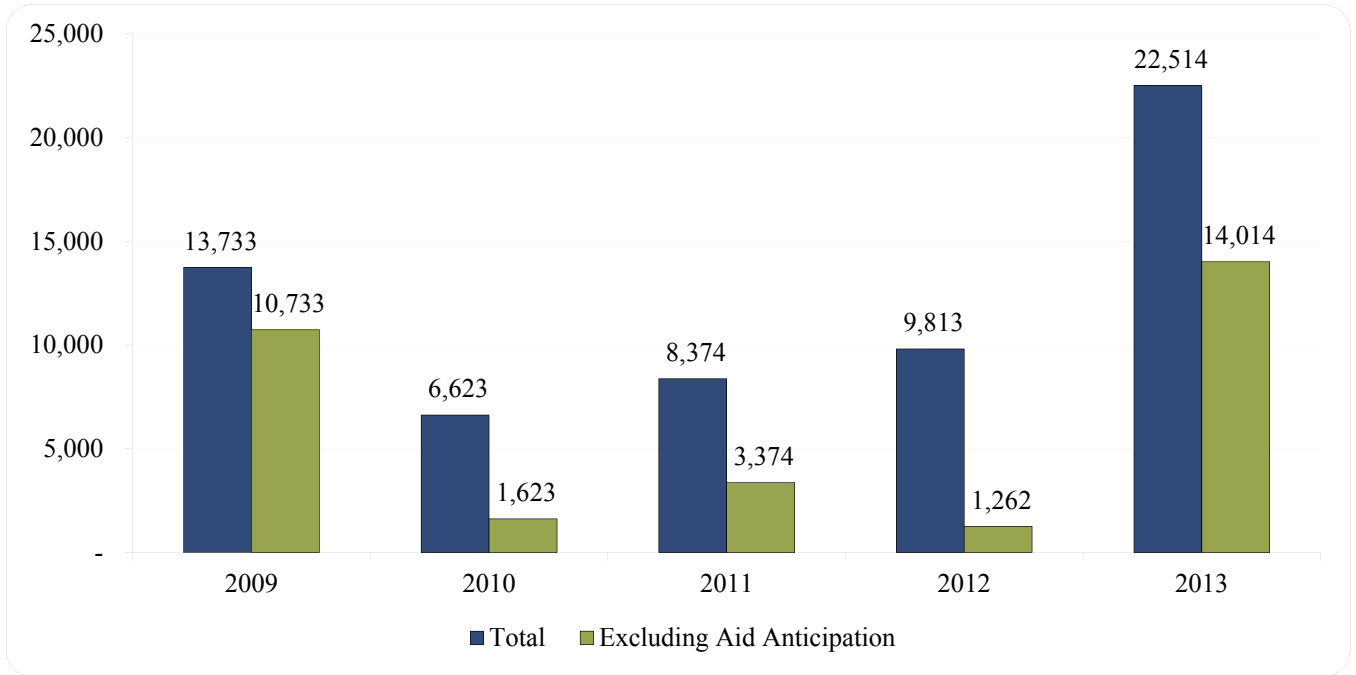
Some readers of financial statements with an unmodified (clean) audit opinion believe that the auditors are signifying that the organization has a financial clean bill of health. They may believe the auditors are indicating that there is no fraud, that the organization is using its resources effectively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

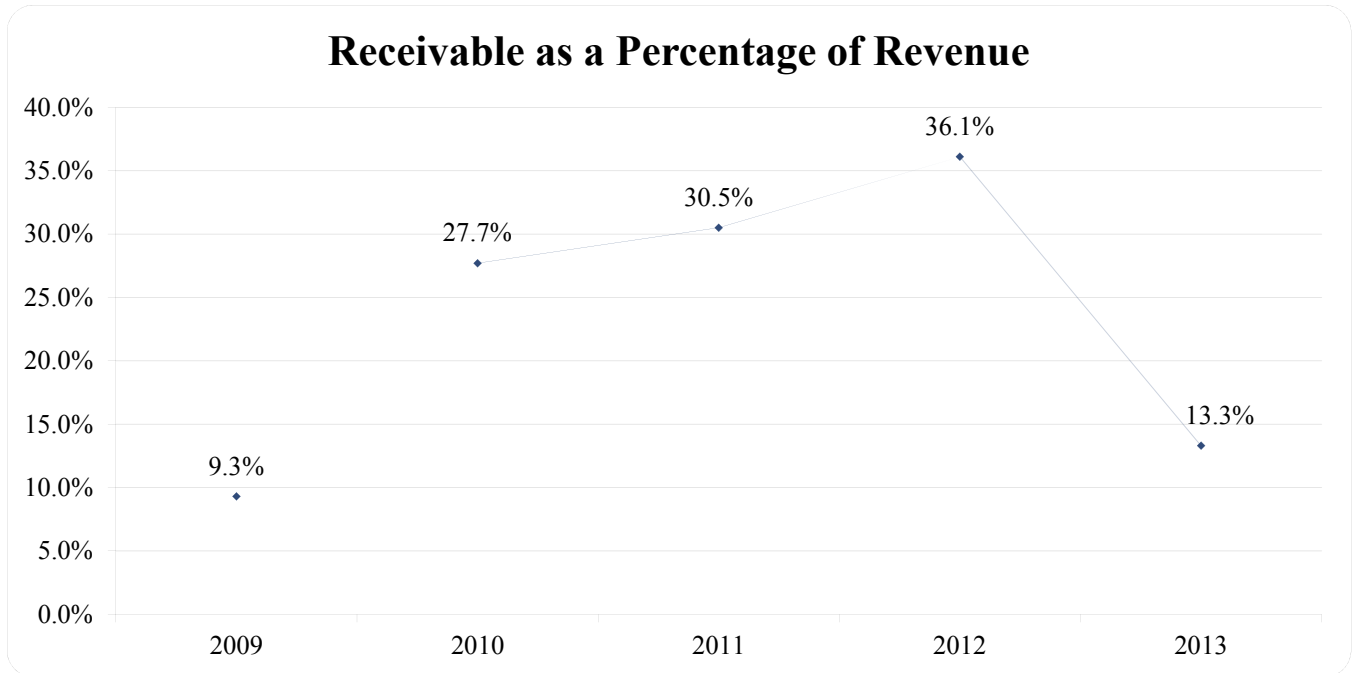
All non-Federal entities that expend \$500,000 or more of Federal awards in a year are required to obtain an annual audit in accordance with the Single Audit Act. A single audit is intended to provide a cost-effective audit in that one audit is conducted in lieu of multiple audits of individual programs. During 2013, the District expended approximately \$4,546,000 in Federal awards.

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

Independent School District No. 152
Cash and Investments (In Thousands)
June 30, 2009 through June 30, 2013



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



General Education Aid			
Year	Receivable	Revenue	Receivable as a % of Rev
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%
6/30/12	13,491,608	37,371,259	36.1%
6/30/13	5,163,650	38,756,919	13.3%

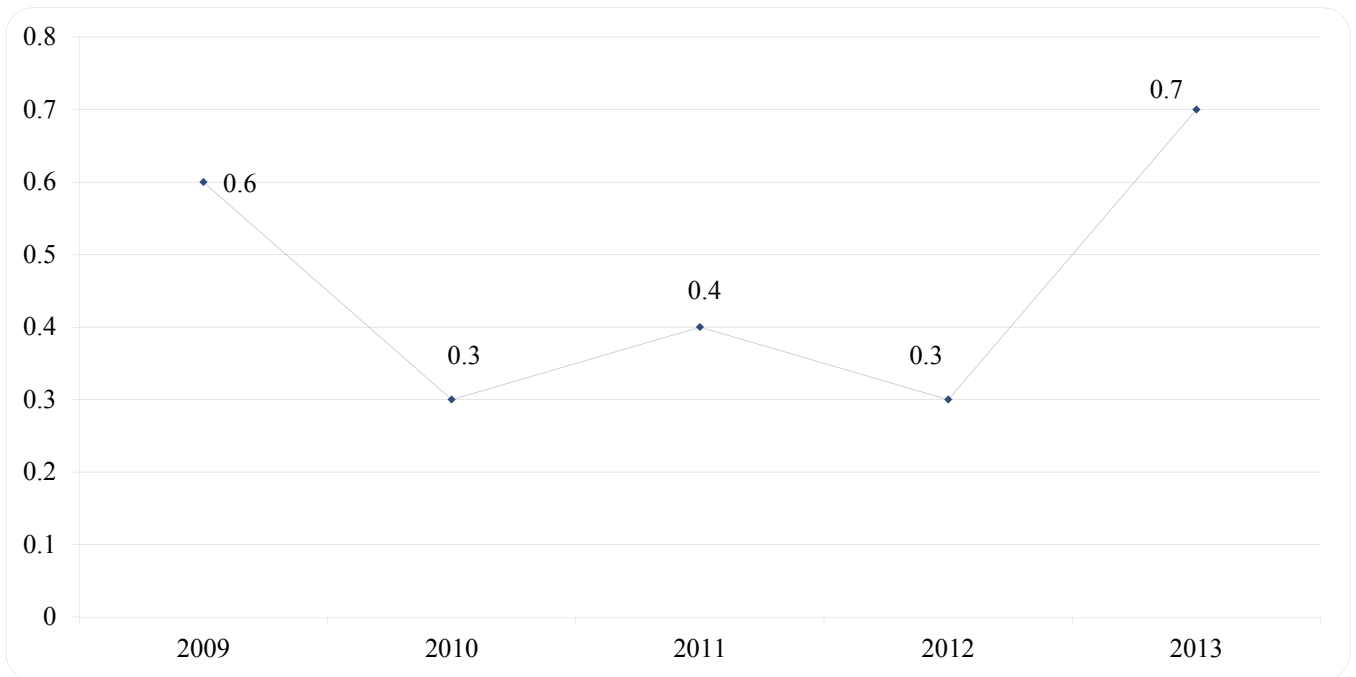
In fiscal year 2009 approximately 90% of general education aid payments were made in the current fiscal year, with the remaining 10% being paid in the subsequent fiscal year. For FY10 that ratio was 73-27, for FY11 that ratio changed to 70-30, for FY12 it was 64-36, and For FY13 it was 86-14. For FY14 it will be 90-10.

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.¹ This comparison was done with the year-end cash and liability position.

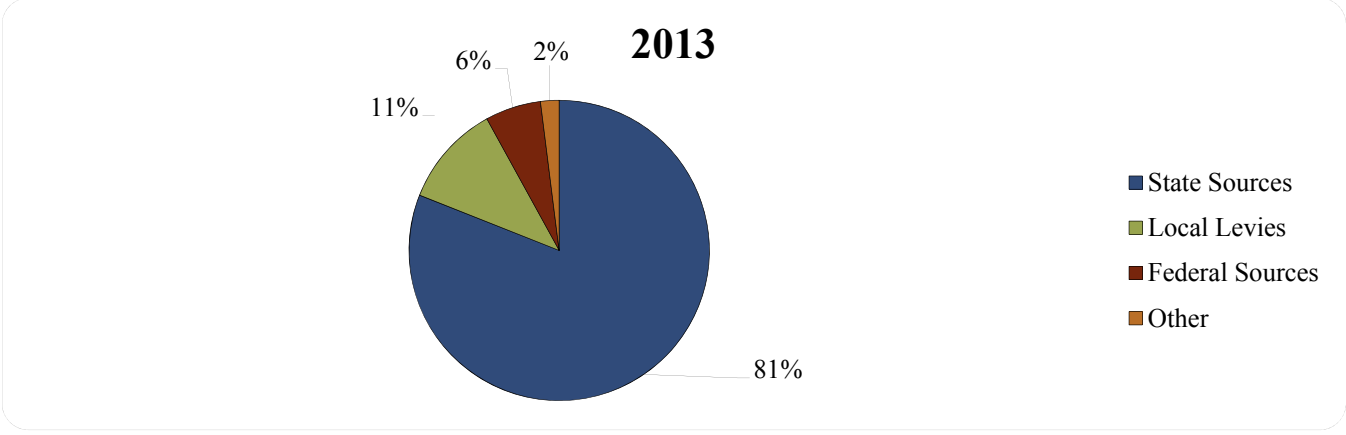
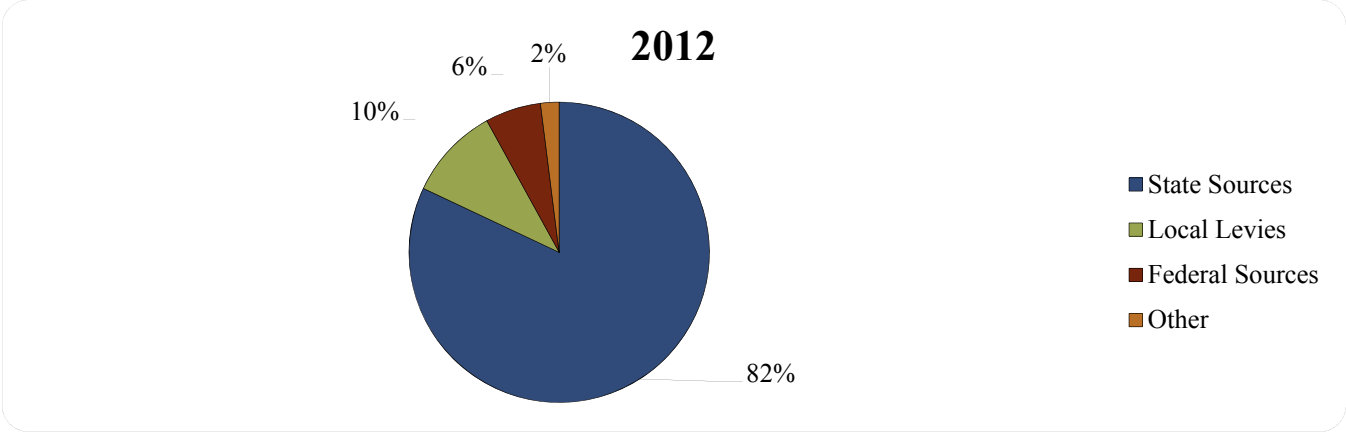
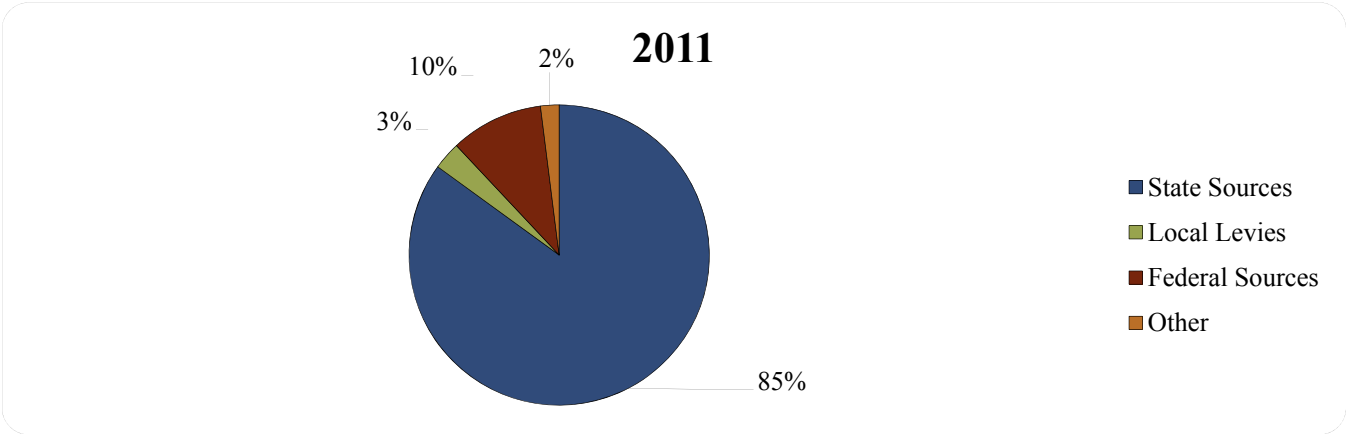
¹ *Evaluating Financial Condition: a Handbook for Local Governments*, page 71

Independent School District No. 152
Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual – General Fund
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
State sources	\$ 46,264,560	\$ 46,959,590	\$ 47,929,912	\$ 970,322
Local levies	6,551,420	6,551,420	6,633,607	82,187
Federal sources	3,003,660	2,989,360	3,498,653	509,293
Other	904,370	766,050	1,074,293	308,243
	<u>56,724,010</u>	<u>57,266,420</u>	<u>59,136,465</u>	<u>1,870,045</u>
				3.3%
				Positive
Expenditures				
Regular instruction	23,235,975	23,527,240	24,435,594	(908,354)
Administration and district support services	3,551,688	3,597,213	3,444,089	153,124
Special education instruction	13,481,357	13,656,492	13,958,361	(301,869)
Instructional and pupil support services	8,627,840	8,813,054	8,202,598	610,456
Sites and buildings **	5,453,370	5,837,550	5,686,340	151,210
Other	757,664	821,424	861,964	(40,540)
	<u>55,107,894</u>	<u>56,252,973</u>	<u>56,588,946</u>	<u>(335,973)</u>
				-0.6%
				Negative
Revenues over Expenditures	1,616,116	1,013,447	2,547,519	1,534,072
Other Financing Sources **				
Sale of equipment	-	-	5,957	5,957
Net Change in Fund Balance	<u>\$ 1,616,116</u>	<u>\$ 1,013,447</u>	2,553,476	<u>\$ 1,540,029</u>
Fund Balance, Beginning of Year			<u>10,609,214</u>	
Fund Balance, End of Year			<u>\$ 13,162,690</u>	

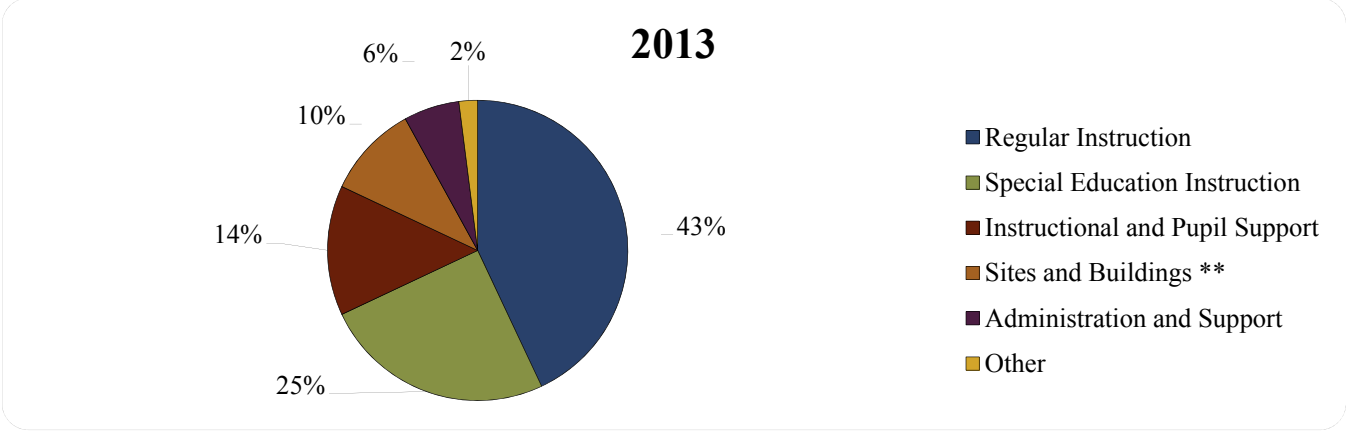
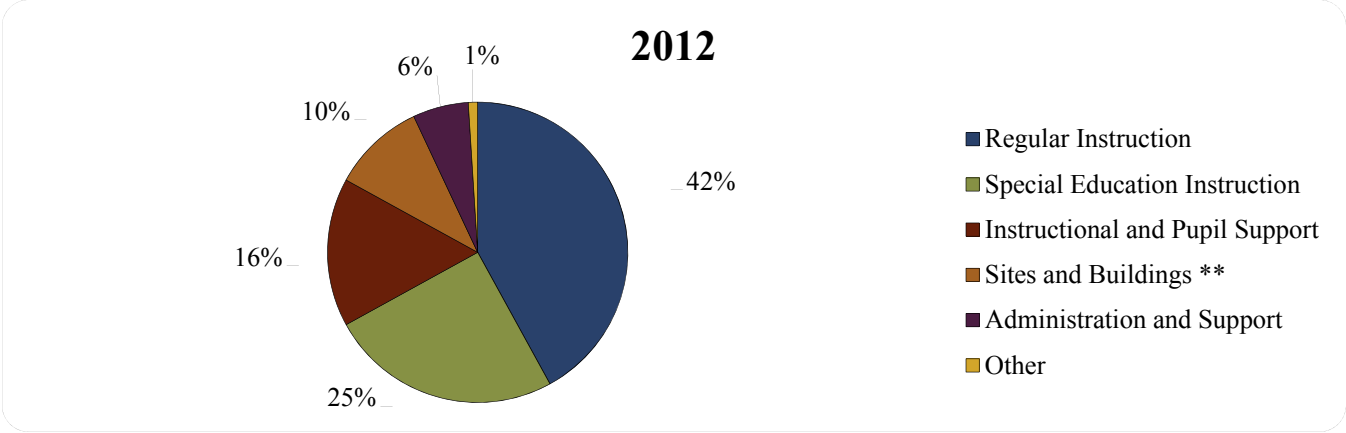
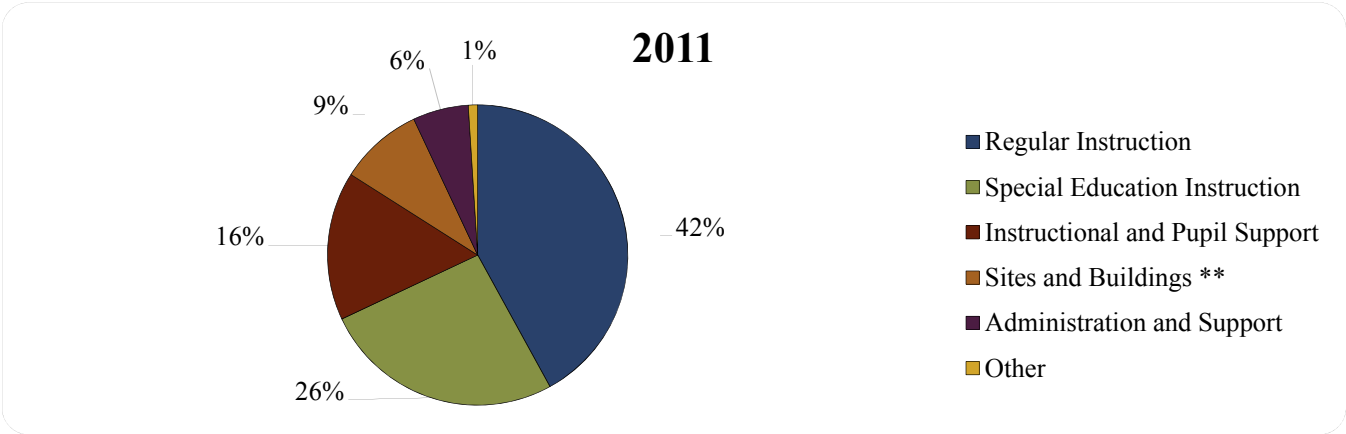
** The expenditures for sites and buildings and total for other financing sources do not agree to the financial statements by \$34,547. This amount represents a non-cash transaction to record the capital lease entered into during the year ended June 30, 2013 and was removed from this budgetary analysis. 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
 General Fund Revenues by Source
 Years Ended June 30, 2011 through June 30, 2013



	2011	2012	2013
State sources	\$ 44,079,362	\$ 45,625,029	\$ 47,929,912
Local levies	1,868,783	5,827,247	6,633,607
Federal sources	5,166,857	3,249,082	3,498,653
Other	851,092	1,036,004	1,074,293
Total	\$ 51,966,094	\$ 55,737,362	\$ 59,136,465

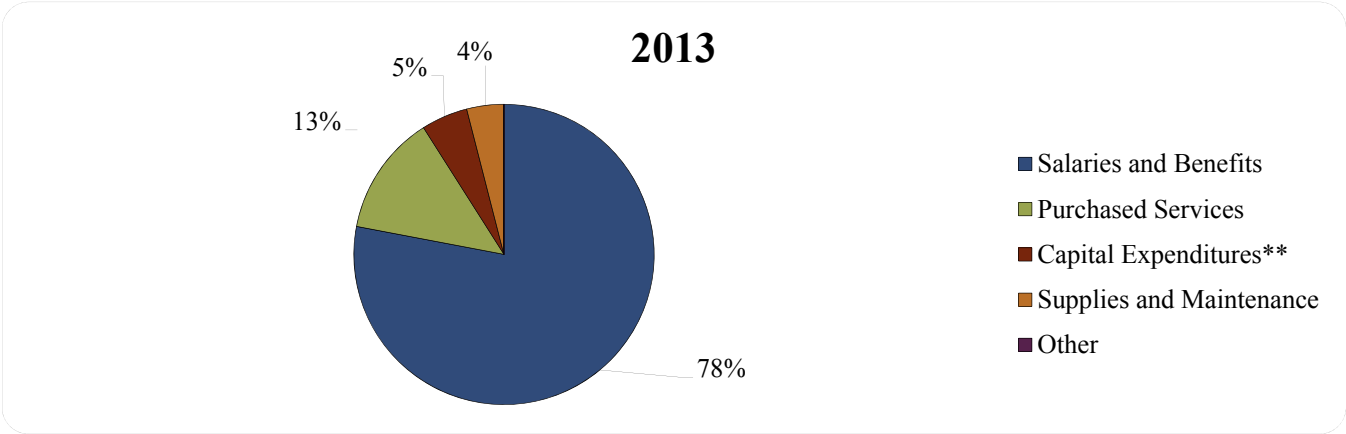
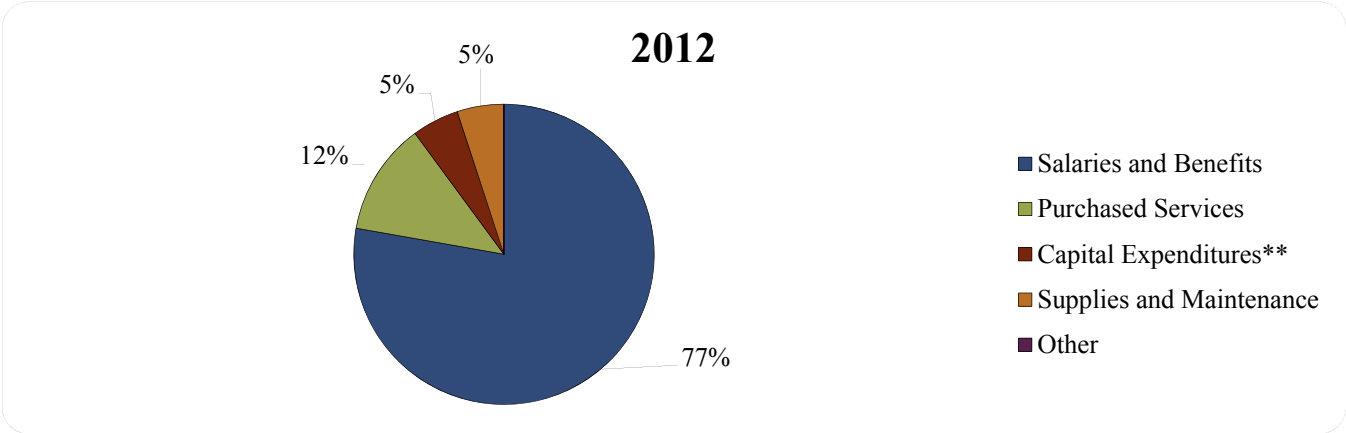
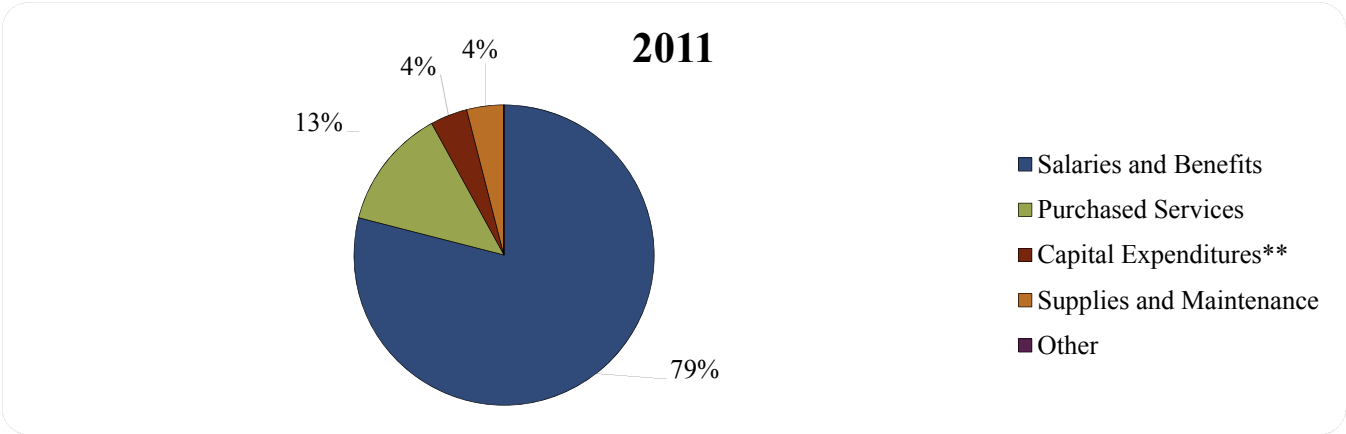
Independent School District No. 152
 General Fund Expenditures by Program
 Years Ended June 30, 2011 through June 30, 2013



	2011	2012	2013
Regular instruction	\$ 21,457,908	\$ 22,299,868	\$ 24,435,594
Special education instruction	12,964,783	13,314,714	13,958,361
Instructional and pupil support	7,897,734	8,435,946	8,202,598
Sites and buildings **	4,673,336	5,550,885	5,686,340
Administration and support	3,127,105	3,101,418	3,444,089
Other	682,902	767,663	861,964
Total	\$ 50,803,768	\$ 53,470,494	\$ 56,588,946

** See page 5 for explanation

Independent School District No. 152
 General Fund Expenditures by Object
 Years Ended June 30, 2011 through June 30, 2013



	2011	2012	2013
Salaries and benefits	\$ 40,157,718	\$ 41,280,084	\$ 44,054,777
Purchased services	6,354,456	6,634,521	7,080,216
Capital expenditures **	1,977,579	2,779,270	2,813,778
Supplies and maintenance	2,062,461	2,535,009	2,408,672
Other	251,554	241,610	231,503
Total	\$ 50,803,768	\$ 53,470,494	\$ 56,588,946

** See page 5 for explanation

Independent School District No. 152

Changes in Fund Balances – General Fund

Year Ended June 30, 2013

	Fund Balance (Deficit) Beginning of Year	Net Change in Fund Balance	Fund Balance (Deficit) End of Year
Nonspendable	\$ 64,472	\$ 123,904	\$ 188,376
Restricted for deferred maintenance	636,482	206,827	843,309
Restricted for health and safety	(283,336)	(40,144)	(323,480)
Restricted for operating capital	201,329	(12,278)	189,051
Restricted for safe schools	24,972	105,485	130,457
Committed for severance obligation	1,980,550	(375,700)	1,604,850
Assigned for technology acquisition and upgrades	900,000	(500,000)	400,000
Assigned for health insurance and affordable care act	-	500,000	500,000
Assigned for capital projects	-	2,000,000	2,000,000
Assigned for all-day kindergarten	-	1,187,500	1,187,500
Unassigned	<u>7,084,745</u>	<u>(642,118)</u>	<u>6,442,627</u>
	<u>\$ 10,609,214</u>	<u>\$ 2,553,476</u>	<u>\$ 13,162,690</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:

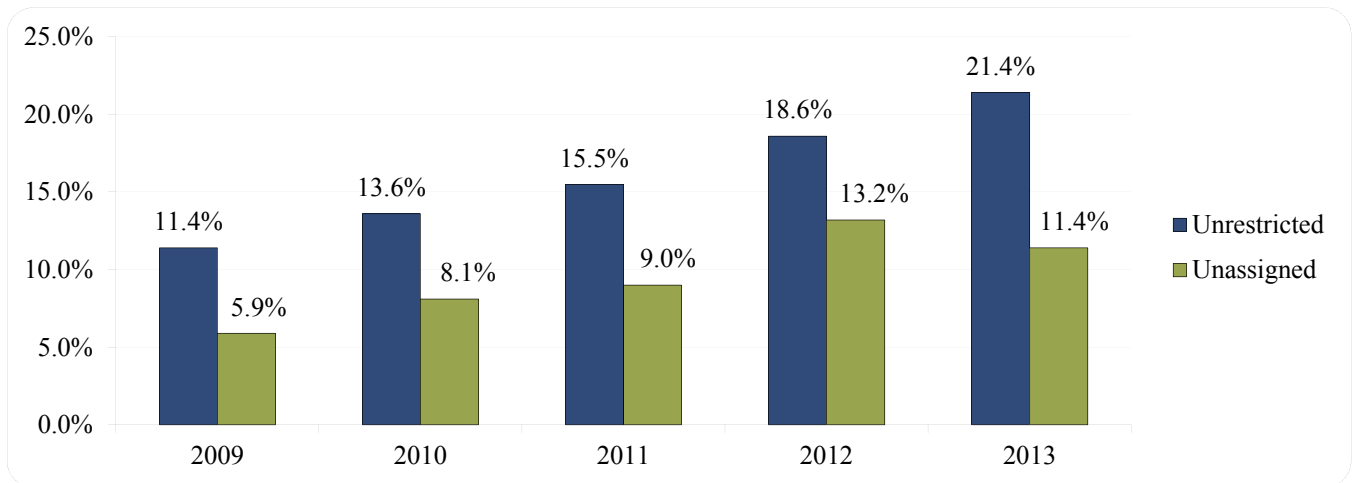
- Contributes to a favorable bond rating
- Produces investment income
- Provides a source of working capital to meet cash flow needs
- Offers a cushion for unexpected expenditures or revenue shortfalls

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.²

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.³

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%.⁴

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,

	2009	2010	2011	2012	2013
Unrestricted	\$ 5,718,368	\$ 6,651,515	\$ 7,885,326	\$ 9,965,295	\$ 12,134,977
Unassigned	2,959,700	3,925,138	4,580,326	7,084,745	6,442,627

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

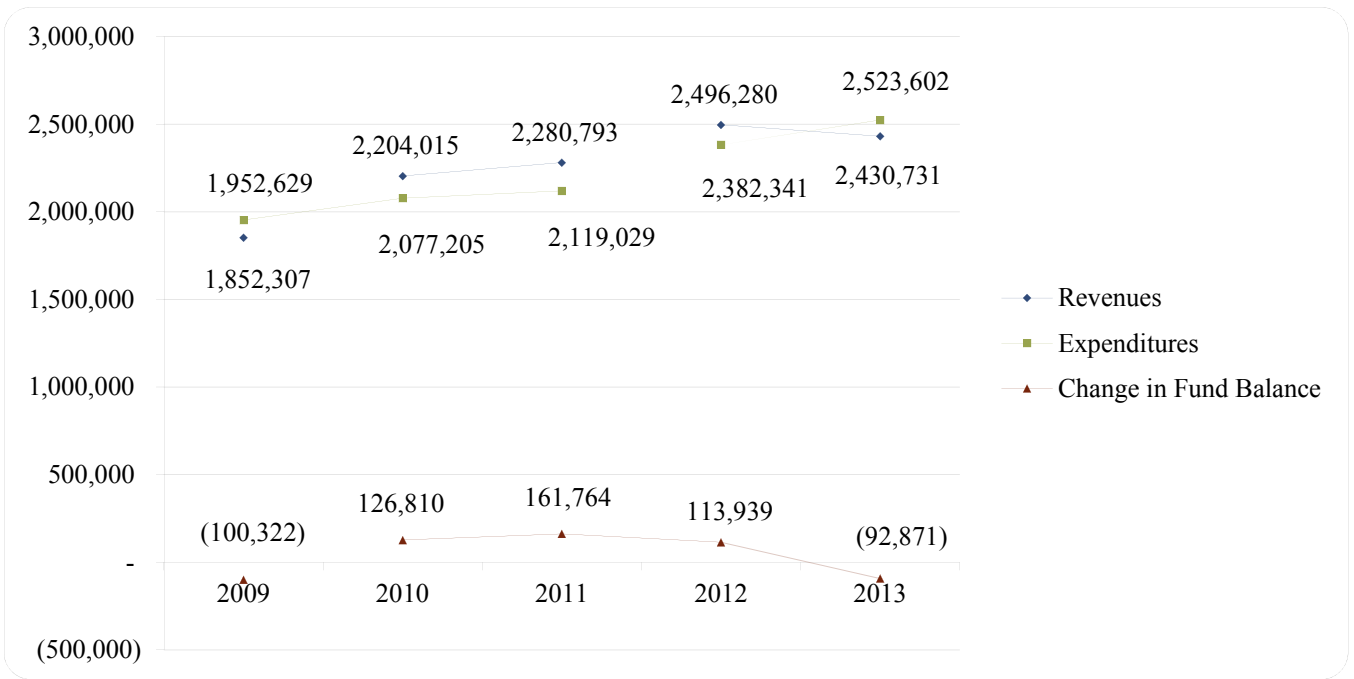
<u>Where would you like to be?</u>	
1 month of expenditures (8%)	\$ 4,715,746
2 months of expenditures (17%)	9,431,491
3 months of expenditures (25%)	14,147,237
4 months of expenditures (33%)	18,862,982
5 months of expenditures (42%)	23,578,728
6 months of expenditures (50%)	28,294,473

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
 Revenues, Expenditures, and Changes in Fund Balances
 Food Service Fund
 Years Ended June 30, 2009 through June 30, 2013

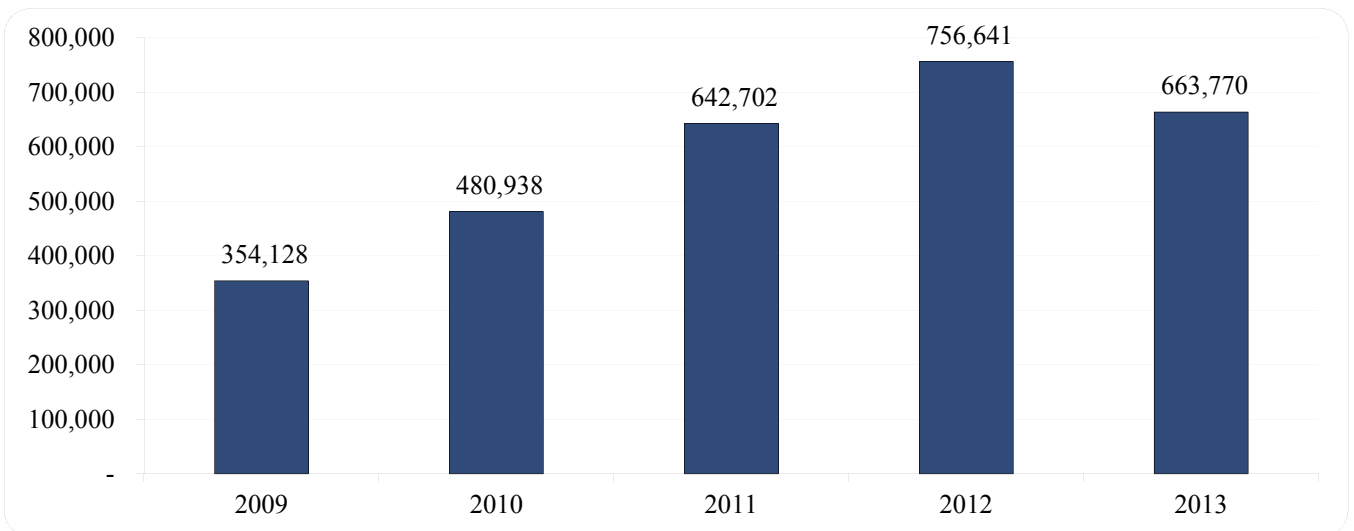


Revenues consist of food sales, federal and state aid, and other miscellaneous revenues.

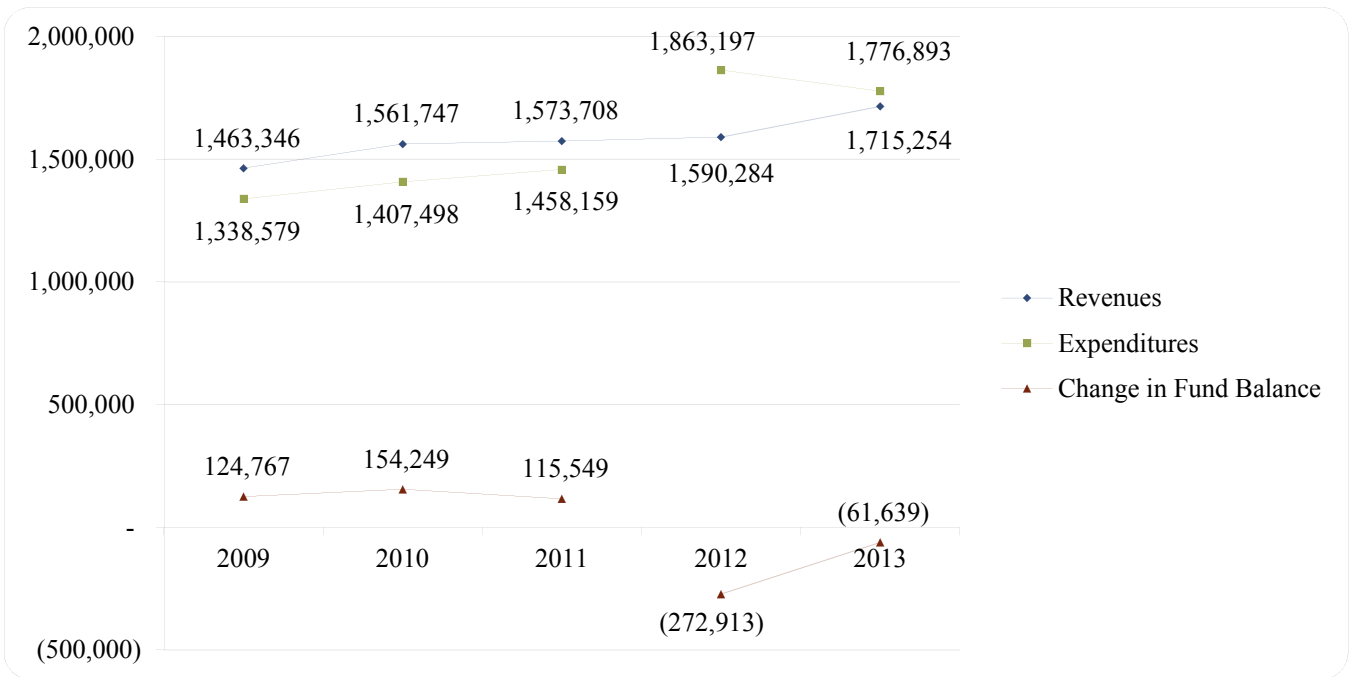
Expenditures consist of food costs and supplies, salaries and benefits, and other miscellaneous expenditures.

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

The graph below represents the fund's total ending fund balance as of June 30th for the following years:



Independent School District No. 152
 Revenues, Expenditures, and Changes in Fund Balances
 Community Service Fund
 Years Ended June 30, 2009 through June 30, 2013

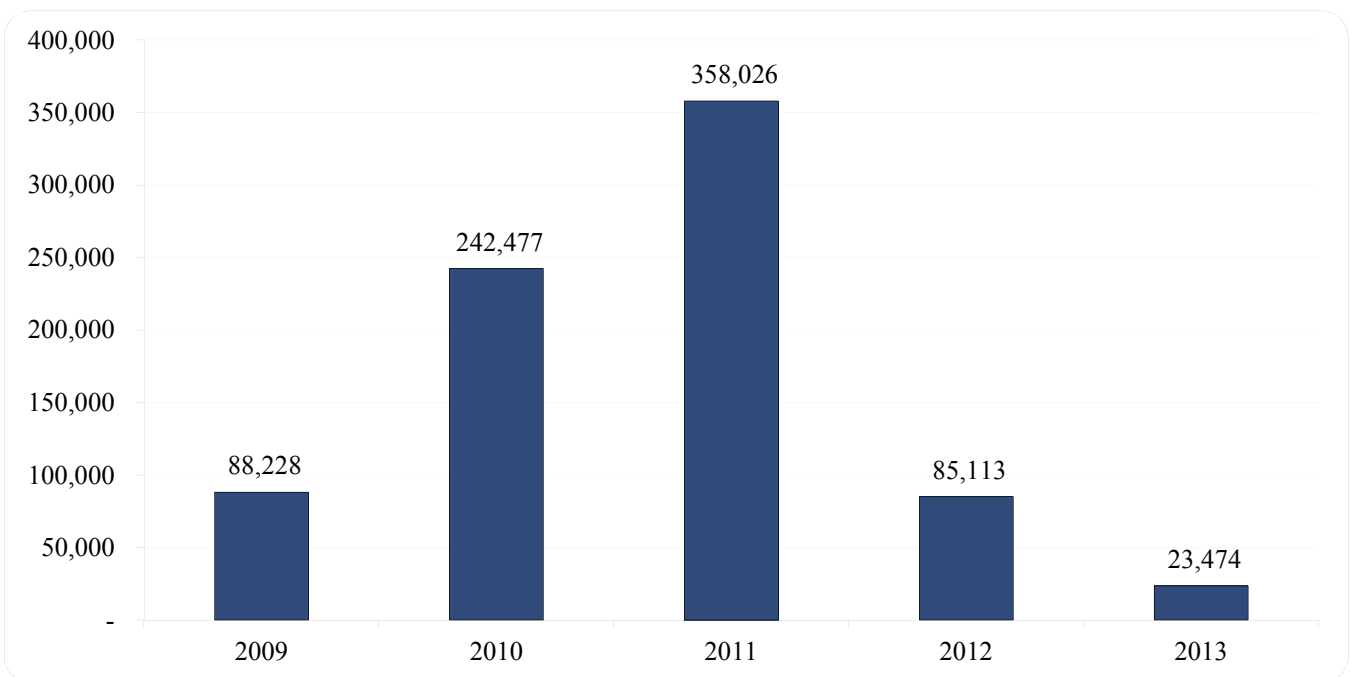


Revenues consist of tuition and fees, federal and state aid, and local levies.

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

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

The graph below represents the fund's total ending fund balance as of June 30th for the following years:



Independent School District No. 152
Average Daily Membership
2004 through 2013

