



Executive Summary  
June 30, 2017

# 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**

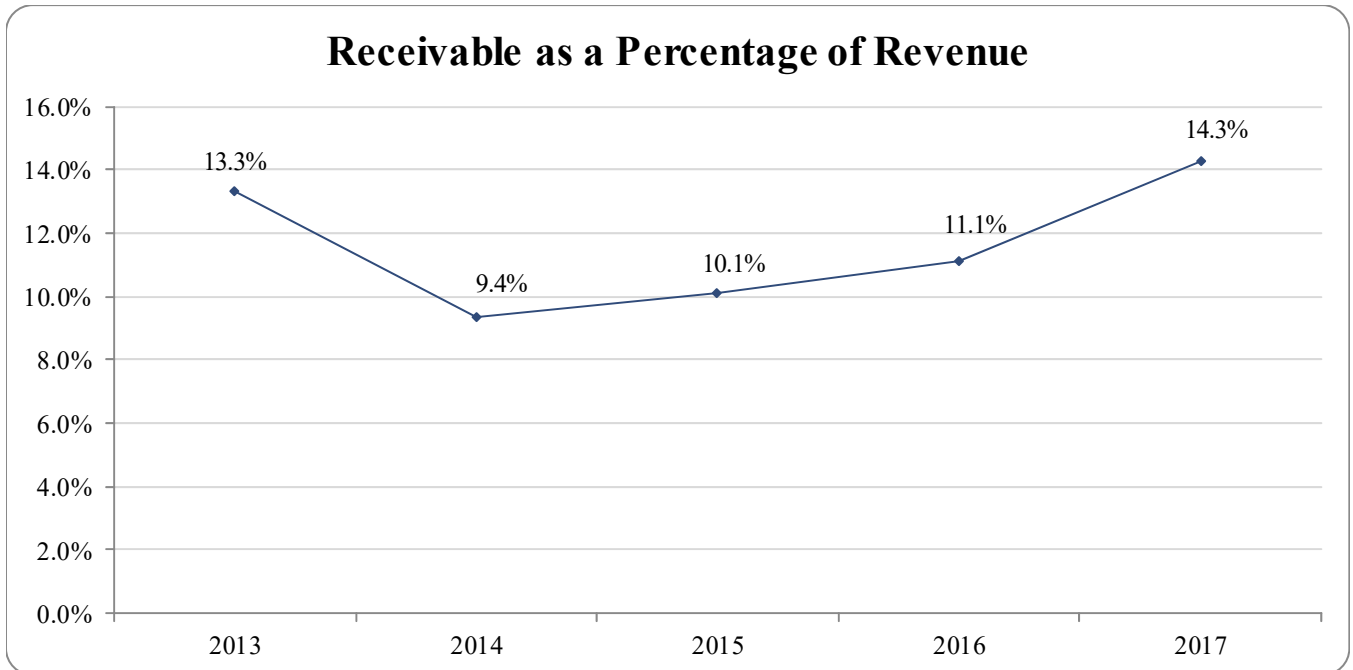
The District received a "clean" audit opinion. What does that really mean? The audit opinion is a brief report that appears with the financial statements. A clean audit opinion is more precisely referred to as an unmodified opinion. An *unmodified opinion* means that the financial statements have been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

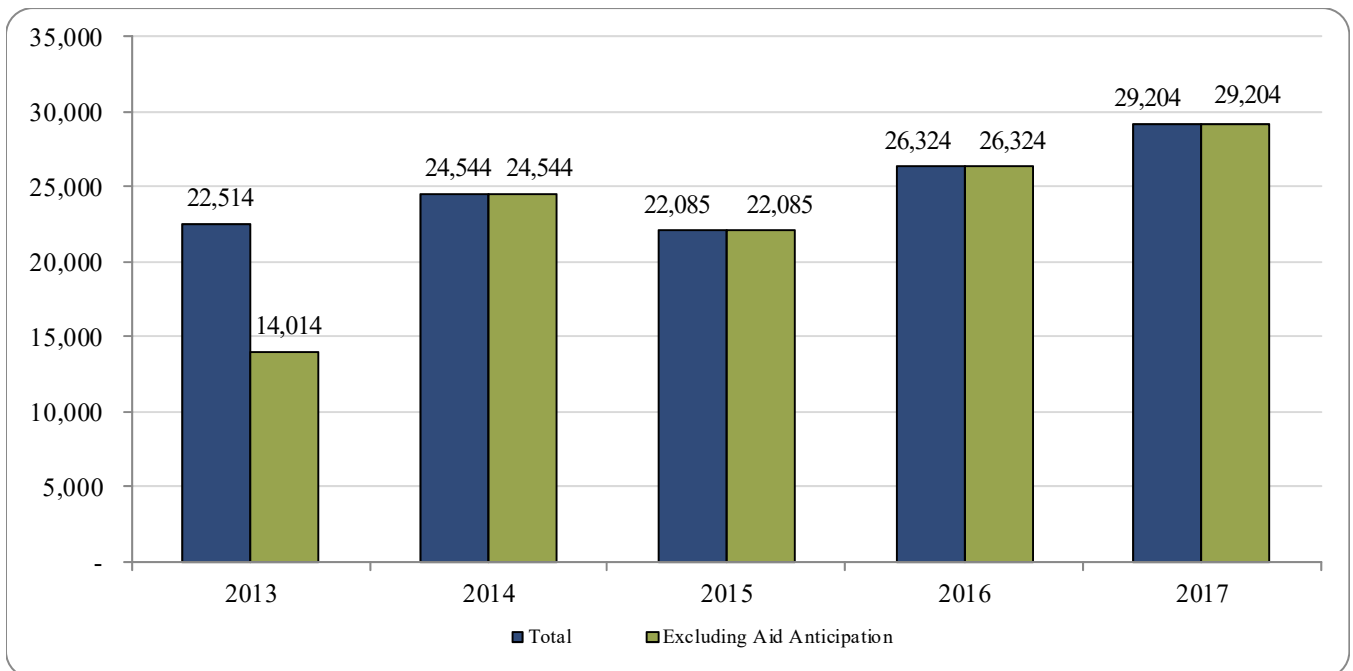
### **Audit of Federal Funds**

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 2017, the District expended approximately \$5,336,000 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.



\*The above amounts do not include cash and investments in the Building Construction Fund.

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, 2017

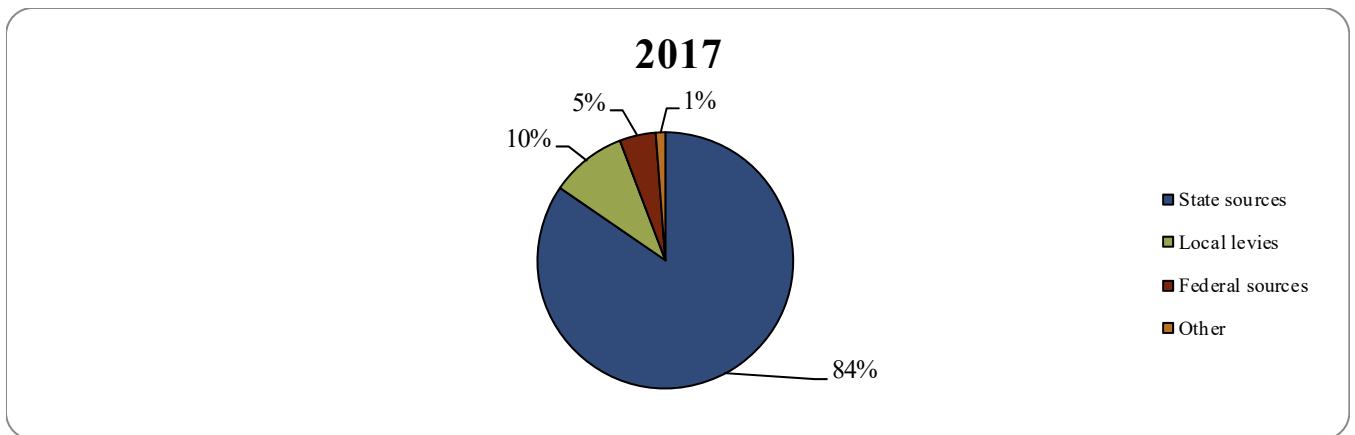
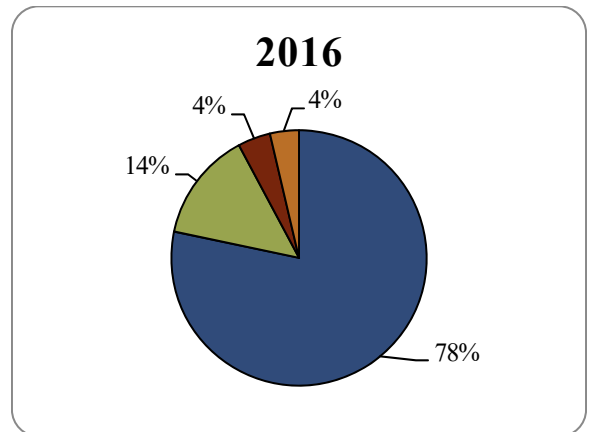
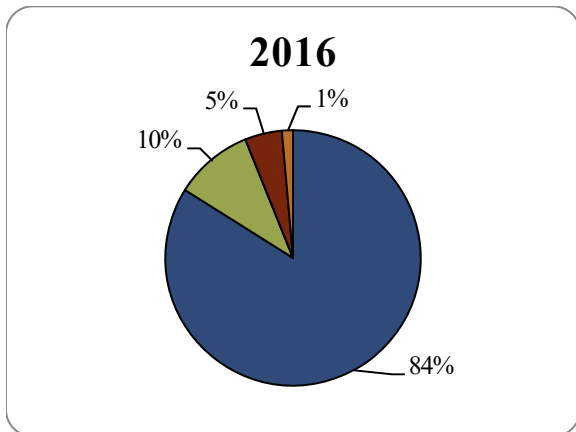
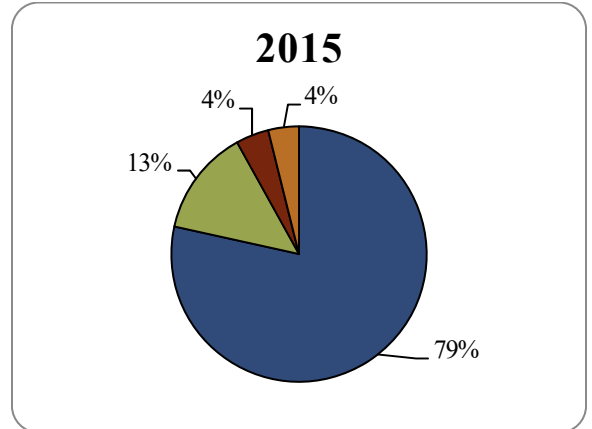
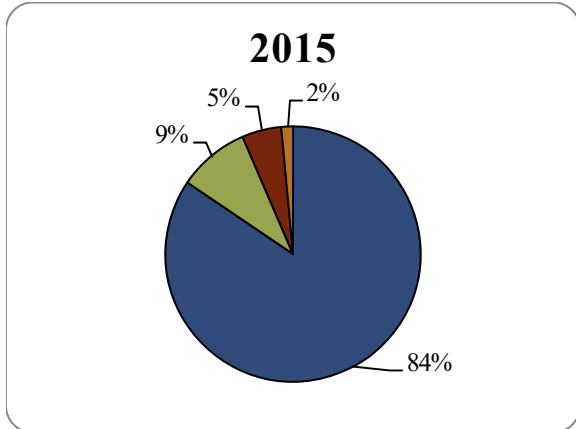
|   | Original<br>Budget  | Final<br>Budget       | Actual               | Variance With<br>Final Budget |
|---|---------------------|-----------------------|----------------------|-------------------------------|
| <b>Revenues</b>                                 |                     |                       |                      |                               |
| State sources***                                | \$ 61,359,216       | \$ 61,996,918         | \$ 67,142,931        | \$ 5,146,013                  |
| Local levies                                    | 7,935,098           | 8,067,835             | 7,653,211            | (414,624)                     |
| Federal sources                                 | 3,291,909           | 3,365,172             | 3,638,691            | 273,519                       |
| Other   | 879,268             | 934,270               | 962,021              | 27,751                        |
|   | <u>73,465,491</u>   | <u>74,364,195</u>     | <u>79,396,854</u>    | <u>5,032,659</u>              |
|   |                     |                       |                      | <b>6.8%</b>                   |
|   |                     |                       |                      | <b>Positive</b>               |
| <b>Expenditures</b>                             |                     |                       |                      |                               |
| Regular instruction***                          | 32,687,194          | 31,776,353            | 32,624,069           | (847,716)                     |
| Administration and district<br>support services | 4,777,075           | 4,777,256             | 4,572,062            | 205,194                       |
| Special education instruction                   | 16,217,740          | 17,144,860            | 17,827,344           | (682,484)                     |
| Instructional and<br>pupil support services     | 9,976,790           | 10,352,755            | 10,389,276           | (36,521)                      |
| Sites and buildings                             | 9,458,551           | 12,043,966            | 15,138,108           | (3,094,142)                   |
| Other   | 835,281             | 835,281               | 865,996              | (30,715)                      |
|   | <u>73,952,631</u>   | <u>76,930,471</u>     | <u>81,416,855</u>    | <u>(4,486,384)</u>            |
|   |                     |                       |                      | <b>-5.8%</b>                  |
|   |                     |                       |                      | <b>Negative</b>               |
| Revenues under Expenditures                     | (487,140)           | (2,566,276)           | (2,020,001)          | 546,275                       |
| <b>Other Financing Sources</b>                  |                     |                       |                      |                               |
| Capital lease proceeds                          | -                   | -                     | 4,354,142            | 4,354,142                     |
| Net Change in Fund Balance                      | <u>\$ (487,140)</u> | <u>\$ (2,566,276)</u> | 2,334,141            | <u>\$ 4,900,417</u>           |
| Fund Balance, Beginning of Year                 |                     |                       | <u>16,846,283</u>    |                               |
| Fund Balance, End of Year                       |                     |                       | <u>\$ 19,180,424</u> |                               |

\*\*\*The revenues for state sources and the expenditures for regular instruction each contain an additional \$1,995,590. These amounts in both revenues and expenditures represent a non-cash transaction to record the additional pension support received and expense related to the support received from the State of Minnesota (as a nonemployer contribution entity) for TRA and PERA special funding situations per GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. This 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, 2015 through June 30, 2017

**District Actual**

**Statewide Average<sup>1</sup>**

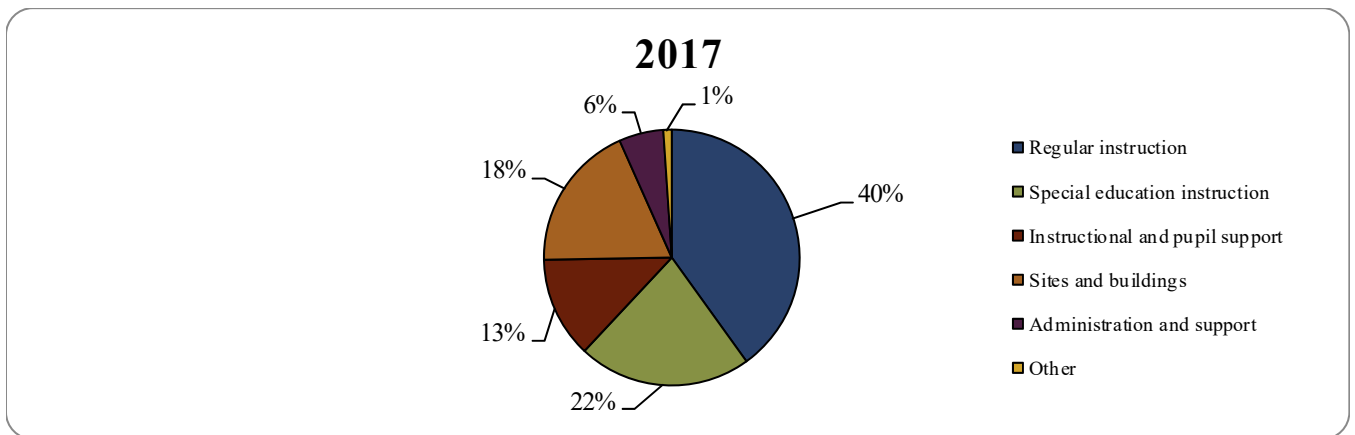
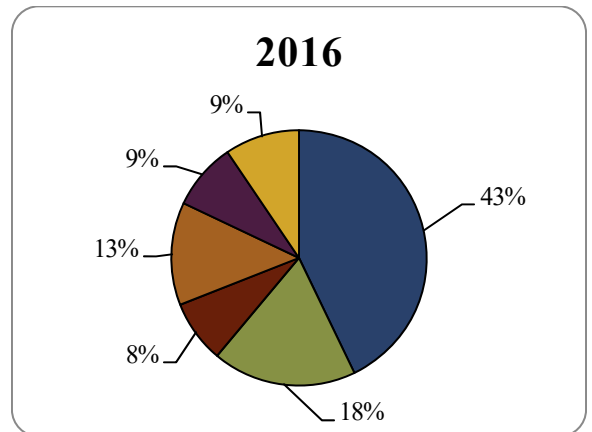
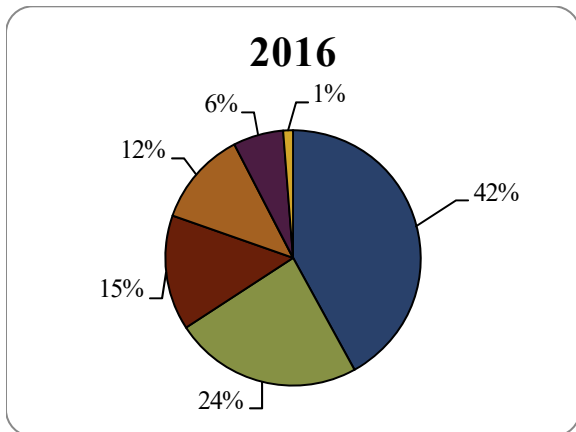
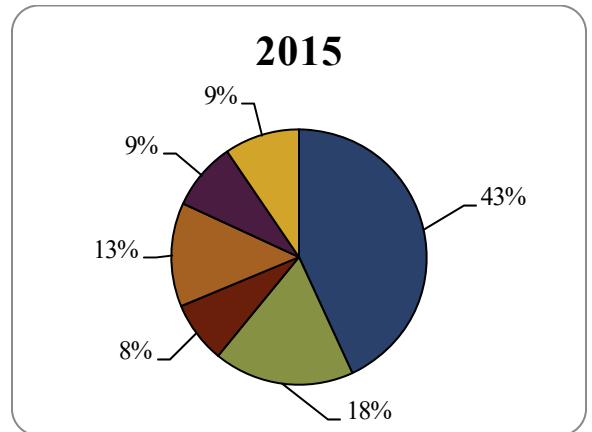
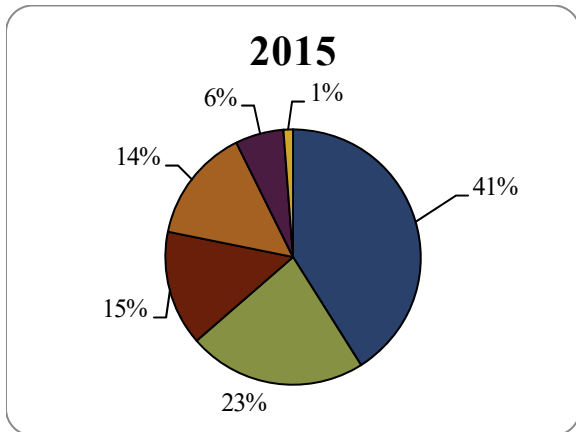


<sup>1</sup>Statewide Averages per Minnesota Department of Education's Data Information

Independent School District No. 152  
Moorhead Area Public Schools  
General Fund Expenditures by Program  
Years Ended June 30, 2015 through June 30, 2017

**District Actual**

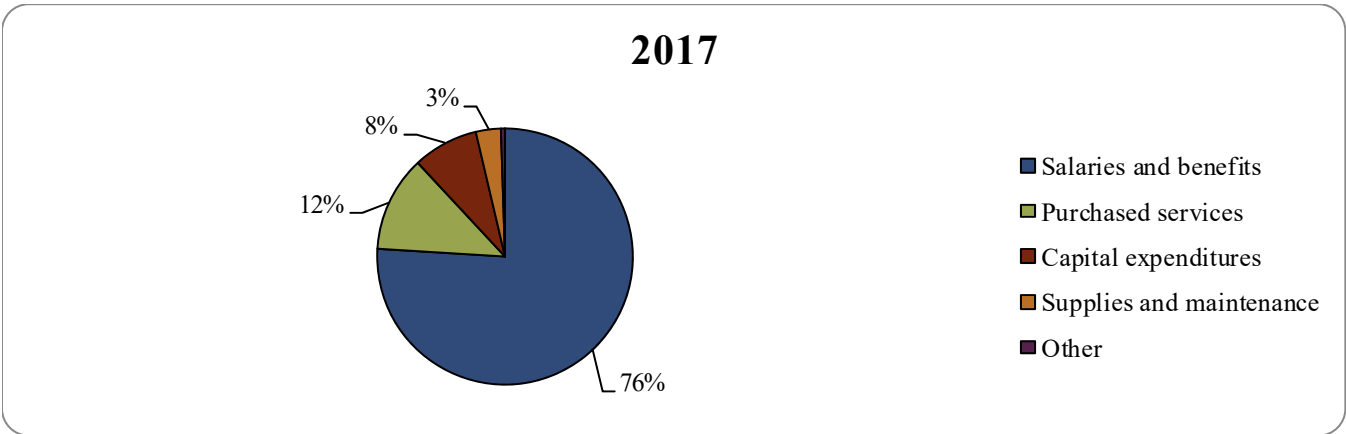
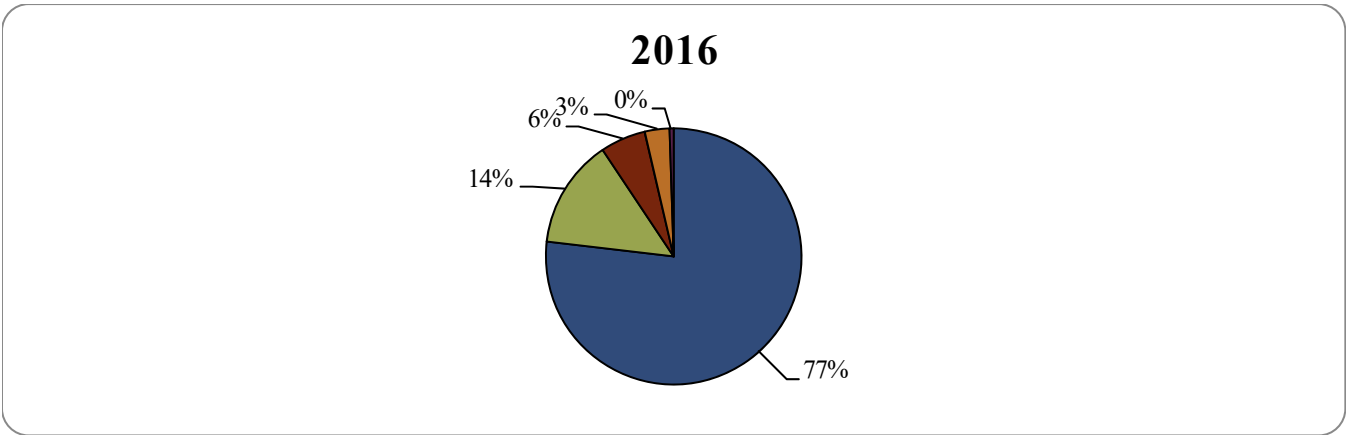
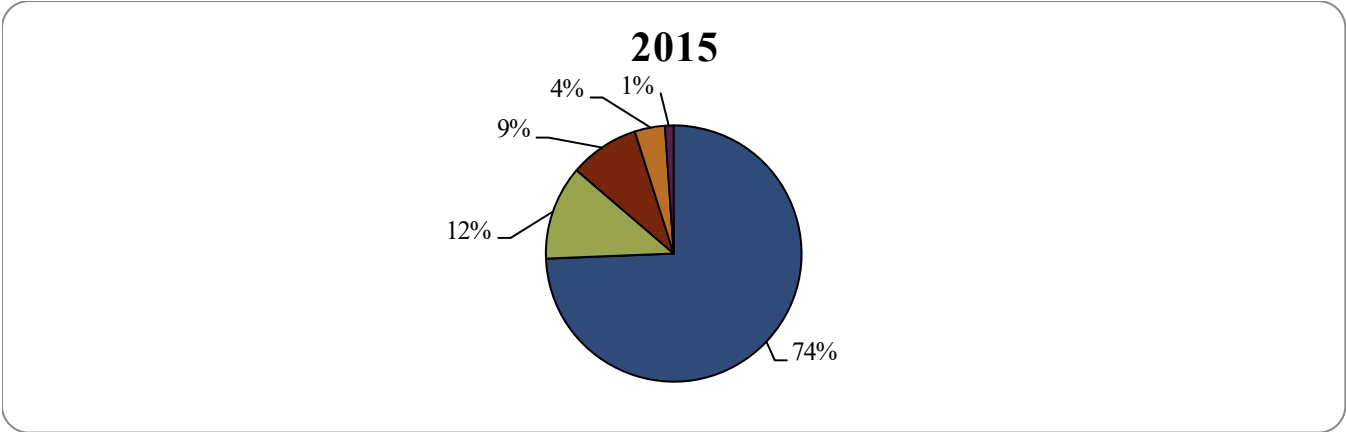
**Statewide Average<sup>2</sup>**



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

<sup>2</sup>Statewide 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, 2015 through June 30, 2017



Independent School District No. 152  
Moorhead Area Public Schools  
Changes in Fund Balances – General Fund  
Year Ended June 30, 2017

|   | 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  | \$ 85,913   | \$ (25,310)                   | \$ 60,603                                   |
| Restricted for deferred maintenance                   | 677,693   | (677,693)                     | -   |
| Restricted for health and safety                      | (692,088)   | 275,719                       | (416,369)                                   |
| Restricted for operating capital                      | 200,000   | (26,445)                      | 173,555                                     |
| Restricted for safe schools                           | 195,202   | (5,553)                       | 189,649                                     |
| Restricted for staff development                      | -   | 60,775                        | 60,775                                      |
| Restricted for long-term facilities maintenance       | -   | 704,196                       | 704,196                                     |
| 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                         | 3,000,000   | -                             | 3,000,000                                   |
| Unassigned  | <u>11,679,563</u>                                 | <u>2,028,452</u>              | <u>13,708,015</u>                           |
|   | <u>\$ 16,846,283</u>                              | <u>\$ 2,334,141</u>           | <u>\$ 19,180,424</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



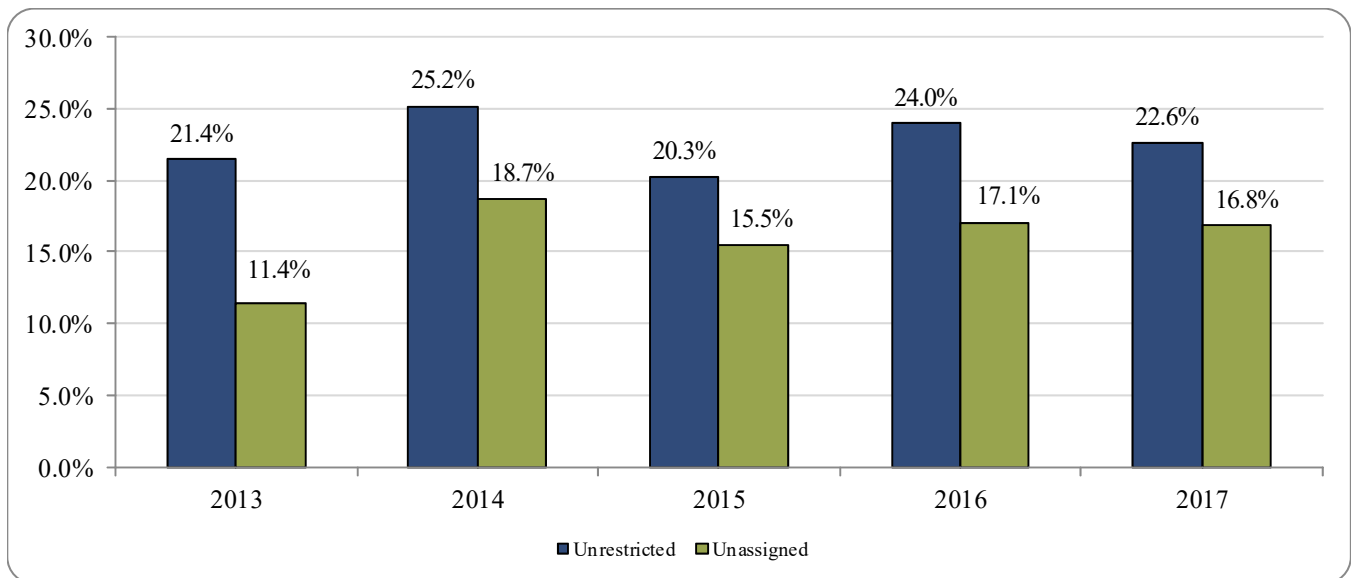
Independent School District No. 152  
Moorhead Area Public Schools  
Changes in Fund Balances – General Fund (Continued)  
Year Ended June 30, 2017

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.<sup>3</sup>

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.<sup>4</sup>

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%.<sup>5</sup>

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, |               |               |               |               |
|--------------|-----------------------------|---------------|---------------|---------------|---------------|
|              | 2013                        | 2014          | 2015          | 2016          | 2017          |
| Unrestricted | \$ 12,134,977               | \$ 15,104,305 | \$ 13,553,165 | \$ 16,379,563 | \$ 18,408,015 |
| Unassigned   | 6,442,627                   | 11,222,675    | 10,353,165    | 11,679,563    | 13,708,015    |

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

| Where would you like to be?    |              |
|--------------------------------|--------------|
| 1 month of expenditures (8%)   | \$ 6,784,738 |
| 2 months of expenditures (17%) | 13,569,476   |
| 3 months of expenditures (25%) | 20,354,214   |
| 4 months of expenditures (33%) | 27,138,952   |
| 5 months of expenditures (42%) | 33,923,690   |

<sup>3</sup> Fund Balance Guidelines for the General Fund, GFOA Best Practice, September 2015

<sup>4</sup> Statement of Position, Fund Balance for Local Governments, OSA recommended practice, February 2014

<sup>5</sup> 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, 2014 through June 30, 2016

