



Financial Statements  
June 30, 2010

**Independent School District No. 152**  
**Moorhead Area Public Schools**

**INDEPENDENT SCHOOL DISTRICT NO. 152  
MOORHEAD AREA PUBLIC SCHOOLS**

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MOORHEAD AREA PUBLIC SCHOOLS**

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**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD AREA PUBLIC SCHOOLS**  
**SCHOOL BOARD AND ADMINISTRATION (UNAUDITED)**  
**JUNE 30, 2010**

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**SCHOOL BOARD**

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Kristine Thompson	Chairperson	2011
Lisa Erickson	Vice Chairperson	2013
Karin Dulski	Treasurer	2011
Cindy Fagerlie	Clerk	2013
Bill Tomhave	Director	2011
Michael Siggerud	Director	2013
Sonia Mayo Hohnadel	Director	2011

**ADMINISTRATION**

Lynne Kovash	Superintendent
Wayne Kazmierczak	Assistant Superintendent
Denice Sinner	District Accountant



## INDEPENDENT AUDITOR'S REPORT

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The School Board of  
Independent School District No. 152  
Moorhead Area Public Schools  
Moorhead, Minnesota

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 152, Moorhead Area Public Schools, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2010, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2010 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and schedule of funding progress are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The school board and administration, combining and individual fund schedules, and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. The combining and individual fund schedules, uniform accounting and reporting standards compliance table, and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. In addition, in our opinion, the schedule of changes in student activity cash balances presents fairly the changes in the cash balances of the student activity funds for the year ended June 30, 2010. The school board and administration has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Eide Bailly LLP

Fargo, North Dakota  
November 6, 2010

**INDEPENDENT SCHOOL DISTRICT NO. 152  
MOORHEAD AREA PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2010**

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This section of Independent School District No. 152 – Moorhead Area Public Schools' annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2010. Please read it in conjunction with the District's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2009-2010 fiscal year include the following:

- General Fund 01: - The overall revenues were \$49.7 million while the overall expenditures were \$48.7 million. These, along with other financing sources of \$17,570, increased the fund balance by \$995,636.
- Food Service Fund 02: - The revenues were \$2.2 million and the expenditures were \$2.1 million increasing the fund balance by \$126,810.
- Community Service Fund 04: - The revenues were \$1.6 million while the expenditures were \$1.4 million increasing the fund balance by \$154,249.
- Debt Service Fund 07: - The revenues were \$7.9 million and expenditures of \$7.7 million increasing the fund balance by \$242,764. In 2012 when the bonds cross over the expenditures will be increased causing the reserved fund balance to go back down.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

**District-wide Statements**

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements, report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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In the district-wide financial statement the District's activities are shown in one category:

- Governmental activities – Most of the District's basic services are included here, such as regular and special education, transportation, administration, food service, and community education. Property taxes and state aids finance most of these activities.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds—focusing on its most significant or “major” funds—not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using revenues (e.g., federal grants).

The District has two kinds of funds:

- Governmental funds – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information following the governmental funds statements that explains the relationship (or differences) between them.
- Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only by those to whom the assets belong.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Net Assets

A summary of assets, liabilities, and net assets is presented in Table A-1 below.

**Table A-1**

### STATEMENT OF NET ASSETS JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Current assets	\$ 79,691,450	\$ 77,226,483
Capital assets	<u>72,481,137</u>	<u>74,227,187</u>
Total assets	<u>\$ 152,172,587</u>	<u>\$ 151,453,670</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Other liabilities	\$ 19,838,344	\$ 18,638,139
Long-term liabilities	<u>104,647,008</u>	<u>108,131,808</u>
Total liabilities	<u>124,485,352</u>	<u>126,769,947</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	22,771,137	21,137,187
Restricted for specific purposes	44,760,420	44,497,728
Unrestricted	<u>(39,844,322)</u>	<u>(40,951,192)</u>
Total net assets	<u>27,687,235</u>	<u>24,683,723</u>
Total liabilities and net assets	<u>\$ 152,172,587</u>	<u>\$ 151,453,670</u>

(continued on next page)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Change in Net Assets

A summary of the revenues and expenses is presented in Table A-2 below.

**Table A-2**

#### **STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
REVENUES		
Program revenues		
Charges for service	\$ 1,957,539	\$ 1,833,913
Operating grants and contributions	10,008,822	5,057,831
General		
Property taxes	7,808,378	7,192,639
Aids and payments from state and other	41,889,000	46,725,037
Unrestricted investment earnings	21,044	203,347
Miscellaneous revenues	132,735	215,658
Total revenues	<u>61,817,518</u>	<u>61,228,425</u>
EXPENSES		
Administration	1,855,446	2,506,774
District support services	1,272,305	1,104,356
Regular instruction	21,459,450	19,125,008
Vocational instruction	422,601	438,560
Special education instruction	12,323,508	11,704,158
Community education and services	1,408,950	1,342,024
Instructional support services	2,537,132	3,055,089
Pupil support services	6,903,197	6,708,035
sites and buildings	6,034,946	6,348,483
Fiscal and other fixed-cost programs	4,596,471	4,774,389
Total expenses	<u>58,814,006</u>	<u>57,106,876</u>
CHANGE IN NET ASSETS	3,003,512	4,121,549
NET ASSETS - BEGINNING	<u>24,683,723</u>	<u>20,562,174</u>
NET ASSETS - ENDING	<u>\$ 27,687,235</u>	<u>\$ 24,683,723</u>

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**MANAGEMENT’S DISCUSSION AND ANALYSIS**

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*Changes in Net Assets:* The District’s total revenues were approximately \$61.8 million for the year ended June 30, 2010. Property taxes and state formula aid accounted for 80% of total revenue for the year. Another 19% came from other program revenues, and the remaining came from general revenues combined with investment earnings.

The total cost of all programs and services was approximately \$58.8 million. The District’s expenses are predominantly related to educating and caring for students. The purely administrative activities of the District accounted for just 3% of total costs.

The total revenues exceeded expenses, improving the net assets approximately \$3.0 million for fiscal year 2010.

**GENERAL FUND**

The General Fund includes the primary operations of the District in providing educational services to students from kindergarten through grade 12, including pupil transportation activities, buildings and grounds, and capital outlay projects.

The following schedule presents a summary of General Fund Revenues.

	<u>Year Ended June 30,</u>		Amount of Increase (Decrease)	Percent Increase (Decrease)
	<u>2010</u>	<u>2009</u>		
Local property taxes	\$ 1,922,246	\$ 1,886,821	\$ 35,425	1.9%
Other local sources	750,023	993,763	(243,740)	-24.5%
State sources	39,764,160	44,565,250	(4,801,090)	-10.8%
Federal sources	7,166,354	2,501,521	4,664,833	186.5%
Miscellaneous	110,585	279	110,306	39536.2%
<b>Total General Fund revenues</b>	<b><u>\$ 49,713,368</u></b>	<b><u>\$ 49,947,634</u></b>	<b><u>\$ (234,266)</u></b>	<b>-0.5%</b>

Total General Fund revenue *decreased* by \$234,266 or 0.5% from the previous year. Basic general education revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. The mix of property tax and state aid can change significantly from year to year without any net change on revenue. The majority of the increase in revenue for 2010 was in the area of State sources and was caused by the District’s decrease in general education state aid.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following schedule presents a summary of General Fund expenditures, excluding the other post-employment benefits expenditure due to the issuance of OPEB bonds in 2009.

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2010	2009		
Salaries and benefits	\$ 39,021,231	\$ 40,170,093	\$ (1,148,862)	-2.9%
Purchased services	6,029,952	6,039,368	(9,416)	-0.2%
Supplies and materials	1,937,386	2,098,392	(161,006)	-7.7%
Capital expenditures	1,531,604	1,409,436	122,168	8.7%
Other expenditures	215,129	264,541	(49,412)	-18.7%
<b>Total General Fund expenditures</b>	<b>\$ 48,735,302</b>	<b>\$ 49,981,830</b>	<b>\$ (1,246,528)</b>	<b>-2.5%</b>

Total General Fund expenditures *decreased* by \$1,246,528 or 2.5% from the previous year.

### GENERAL FUND BUDGETARY HIGHLIGHTS

The District's general fund results when compared to the final budget are:

- Actual revenues were \$550,853 *less than* budget, mainly because of less than anticipated special education aid from the state.
- Actual expenditures were \$36,701 *more than* budget due to the increase in special education costs.

### OTHER NON-MAJOR FUNDS –

The Food Service Fund incurred a current year surplus of approximately \$126,810. The Community Service Fund incurred a current year surplus of approximately \$154,249. From the standpoint of maintaining current operating expenditures within the range of annual revenue, the Community Service Fund and Food Service Fund continue to operate on a sound financial basis. The OPEB Debt Service Fund was created in 2009 to account for the future debt service of the OPEB bonds.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### *Capital Assets*

Note 5 to the financial statements presents an analysis of capital asset transactions occurring during the year ended June 30, 2010. A decrease in net capital assets consisted primarily of a decrease in capital assets activity due to budget cuts.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

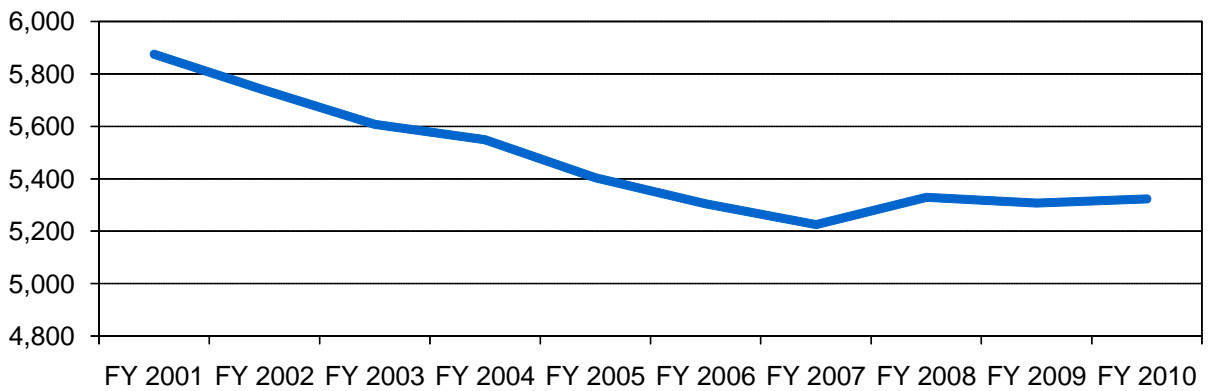
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### *Long-Term Debt*

At year end the District had \$104,816,377 of long term debt. This consisted of bonded indebtedness of \$102,090,000 and severance and compensated absences payable of \$2,726,377 Note 8 presents the detail of the District's long-term debt.

### **FACTORS BEARING ON THE DISTRICT'S FUTURE**

- Minnesota school districts are paid based on pupil units served. A slight increase in the enrollment this year over last year has given us a slight increase in our revenue for operations. We are anticipating the school district's enrollment to stabilize for the next couple of years.



### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or would like additional information, contact Wayne Kazmierczak, Assistant Superintendent, at the District offices at 2410 14<sup>th</sup> Street South, Moorhead, MN 56560.

**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD AREA PUBLIC SCHOOLS**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

Exhibit A-1

**ASSETS**

Cash and investments	\$ 6,623,570
Cash with fiscal agent	42,050,899
Receivables	
Current property taxes	5,161,723
Delinquent property taxes	183,507
Accounts	136,685
Due from other governmental units	16,235,455
Prepaid items	55,929
Inventory	25,740
Net OPEB obligation asset	9,217,942
	<u>79,691,450</u>
Capital assets	
Land	1,049,947
Buildings	90,018,488
Improvements	1,873,524
Vehicles	1,239,072
Equipment	725,717
Less accumulated depreciation	(22,425,611)
Total capital assets, net of depreciation	<u>72,481,137</u>
Total assets	<u>\$ 152,172,587</u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Aid anticipation certificates	\$ 5,000,000
Accounts payable	659,174
Salaries payable	4,643,955
Accrued interest payable	879,599
Unearned revenue	138,018
Property taxes levied for subsequent year	8,517,598
Long-term liabilities	
Portion due or payable within one year	4,155,853
Portion due or payable after one year	100,491,155
Total liabilities	<u>124,485,352</u>

**NET ASSETS**

Invested in capital assets, net of related debt	22,771,137
Restricted for specific purposes	44,760,420
Unrestricted	(39,844,322)
Total net assets	<u>27,687,235</u>
Total liabilities and net assets	<u>\$ 152,172,587</u>

**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD AREA PUBLIC SCHOOLS**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2010**

Exhibit A-2

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Administration	\$ 1,855,446	\$ -	\$ -	\$ (1,855,446)
District support services	1,272,305	-	-	(1,272,305)
Regular instruction	21,459,450	10,250	5,527,545	(15,921,655)
Vocational instruction	422,601	-	-	(422,601)
Special education instruction	12,323,508	348,800	1,348,279	(10,626,429)
Community education and services	1,408,950	423,020	75,222	(910,708)
Instructional support services	2,537,132	-	-	(2,537,132)
Pupil support services	6,903,197	1,100,731	1,420,120	(4,382,346)
Sites and buildings	6,034,946	74,738	-	(5,960,208)
Fiscal and other fixed-cost programs	4,596,471	-	1,637,656	(2,958,815)
Total governmental activities	<u>\$ 58,814,006</u>	<u>\$ 1,957,539</u>	<u>\$ 10,008,822</u>	<u>(46,847,645)</u>
GENERAL REVENUES				
Property taxes, levied for general purposes				2,327,244
Property taxes, levied for community education and services				276,344
Property taxes, levied for debt service				5,204,790
Aids and payments from the state				41,800,089
County apportionment				88,911
Unrestricted investment earnings				21,044
Loss on disposal of property and equipment				(20,257)
Miscellaneous revenues				152,992
Total general revenues				<u>49,851,157</u>
CHANGES IN NETS ASSETS				3,003,512
NET ASSETS - BEGINNING				<u>24,683,723</u>
NET ASSETS - ENDING				<u>\$ 27,687,235</u>

The Notes to Financial Statements are an integral part of this statement

**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD AREA PUBLIC SCHOOLS**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**JUNE 30, 2010**

Exhibit A-3

	General	Debt Service	Other Governmental Funds	Totals
<b>ASSETS</b>				
Cash and investments	\$ 2,174,313	\$ 3,353,443	\$ 1,095,814	\$ 6,623,570
Cash with fiscal agent	-	42,050,899	-	42,050,899
Receivables				
Current property taxes	1,092,985	3,524,647	544,091	5,161,723
Delinquent property taxes	43,738	125,811	13,958	183,507
Accounts	136,017	-	668	136,685
Due from other governmental units	15,568,872	300,027	366,556	16,235,455
Prepaid items	55,929	-	-	55,929
Inventories	-	-	25,740	25,740
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 19,071,854</u>	<u>\$ 49,354,827</u>	<u>\$ 2,046,827</u>	<u>\$ 70,473,508</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Aid anticipation certificates	\$ 5,000,000	\$ -	\$ -	\$ 5,000,000
Accounts payable	612,537	-	46,637	659,174
Salaries payable	4,556,128	-	87,827	4,643,955
Interest payable	37,500	-	-	37,500
Deferred revenue	140,939	125,811	54,776	321,526
Property taxes levied for subsequent year	1,551,927	6,034,462	931,209	8,517,598
Total liabilities	<u>11,899,031</u>	<u>6,160,273</u>	<u>1,120,449</u>	<u>19,179,753</u>
<b>FUND BALANCE (DEFICIT)</b>				
Reserved				
For deferred maintenance	327,731	-	-	327,731
For health and safety	(104,870)	-	-	(104,870)
For operating capital	311,757	-	-	311,757
For safe schools	(69,239)	-	-	(69,239)
For early childhood and family education	-	-	74,225	74,225
For community education	-	-	96,808	96,808
For school readiness	-	-	25,556	25,556
For bond refunding	-	42,050,899	-	42,050,899
Unreserved				
Designated for severance pay	2,726,377	-	-	2,726,377
Undesignated	3,981,067	1,143,655	729,789	5,854,511
Total fund balance	<u>7,172,823</u>	<u>43,194,554</u>	<u>926,378</u>	<u>51,293,755</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balance	<u>\$ 19,071,854</u>	<u>\$ 49,354,827</u>	<u>\$ 2,046,827</u>	<u>\$ 70,473,508</u>



**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD AREA PUBLIC SCHOOLS**  
**RECONCILIATION OF THE BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

Exhibit A-4

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TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 51,293,755
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	72,481,137
Accrued interest payable for long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(842,098)
Delinquent property taxes are not considered available for current financial resources and are therefore deferred in the funds. However, they are properly recognized as revenue in the entity-wide statements.	183,507
Negative net OPEB obligation assets created through treatment of OPEB Obligation Bonds as employer contributions are not recognized in the funds.	9,217,942
Compensated absences are not due and payable in the current period and therefore is not reported as liabilities in the funds	(2,726,377)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	<u>(101,920,631)</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	<u>\$ 27,687,235</u>

**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD AREA PUBLIC SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2010**

Exhibit A-5

	General	Debt Service	Other Governmental Funds	Totals
<b>REVENUES</b>				
Local property tax levies	\$ 1,922,246	\$ 5,204,790	\$ 570,118	\$ 7,697,154
Other local and county sources	750,023	1,637,533	478,839	2,866,395
State sources	39,764,160	1,111,324	925,231	41,800,715
Federal sources	7,166,354	-	984,617	8,150,971
Sales and other conversion of assets	-	-	1,100,731	1,100,731
Miscellaneous	110,585	-	63,932	174,517
Total revenues	<u>49,713,368</u>	<u>7,953,647</u>	<u>4,123,468</u>	<u>61,790,483</u>
<b>EXPENDITURES</b>				
Administration	1,851,982	-	-	1,851,982
District support services	1,272,305	-	-	1,272,305
Regular instruction	21,016,855	-	-	21,016,855
Vocational instruction	422,601	-	-	422,601
Special education instruction	12,323,508	-	-	12,323,508
Community education and service	-	-	1,407,498	1,407,498
Instructional support services	2,506,671	-	-	2,506,671
Pupil support services	4,749,057	-	2,077,205	6,826,262
Sites and buildings	4,441,641	-	-	4,441,641
Fiscal and other fixed cost programs	150,682	7,710,883	460,986	8,322,551
Total expenditures	<u>48,735,302</u>	<u>7,710,883</u>	<u>3,945,689</u>	<u>60,391,874</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	978,066	242,764	177,779	1,398,609
<b>OTHER FINANCING SOURCES</b>				
Sale of property and equipment	17,570	-	-	17,570
<b>NET CHANGE IN FUND BALANCE</b>	995,636	242,764	177,779	1,416,179
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>6,177,187</u>	<u>42,951,790</u>	<u>748,599</u>	<u>49,877,576</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 7,172,823</u>	<u>\$ 43,194,554</u>	<u>\$ 926,378</u>	<u>\$ 51,293,755</u>

**INDEPENDENT SCHOOL DISTRICT NO. 152  
MOORHEAD AREA PUBLIC SCHOOLS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010**

Exhibit A-6

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NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	1,416,179
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds.		
However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:		
Capital outlay	\$ 286,455	
Depreciation expense	<u>(1,994,678)</u>	
Excess of depreciation expense over capital outlay		(1,708,223)
The net effect of the disposal of capital assets is to decrease net assets.		
		(20,257)
Delinquent property taxes are not considered available for current financial resources and are therefore deferred in the funds. However, they are properly recognized as revenue in the statement of activities.		
Current period balance	183,507	
Prior period balance	<u>(136,215)</u>	
Current year effect		47,292
In the statement of activities compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.		
Current period balance	(2,726,377)	
Prior period balance	<u>2,848,114</u>	
Current year effect		121,737
Interest payable is reported in the government wide statement of net assets but is not recorded in the governmental funds.		
Current period balance	(842,099)	
Prior period balance	<u>1,153,673</u>	
Current year effect		311,574
In the statement of activities OPEB assets are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.		
Current period balance	9,217,942	
Prior period balance	<u>(9,779,669)</u>	
Current year effect		(561,727)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net assets. In the current period these amounts consist of:		
Bond principal retirement		3,380,000
Amortization of premium on bond issuance		<u>16,937</u>

**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD AREA PUBLIC SCHOOLS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**IN FUND BALANCES – BUDGET TO ACTUAL – GENERAL FUND**  
**YEAR ENDED JUNE 30, 2010**

Exhibit A-7

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>REVENUES</b>				
Local property tax levies	\$ 2,003,253	\$ 1,940,300	\$ 1,922,246	\$ (18,054)
Other local and county sources	1,123,321	897,575	750,023	(147,552)
State sources	40,409,097	40,491,973	39,764,160	(727,813)
Federal sources	7,737,110	6,787,215	7,166,354	379,139
Miscellaneous	-	110,457	110,585	128
Total revenues	<u>51,272,781</u>	<u>50,227,520</u>	<u>49,713,368</u>	<u>(514,152)</u>
<b>EXPENDITURES</b>				
Administration	2,529,336	2,261,916	1,851,982	409,934
District support services	964,738	1,272,758	1,272,305	453
Regular instruction	21,801,685	20,899,852	21,016,855	(117,003)
Vocational instruction	426,774	438,115	422,601	15,514
Special education instruction	13,084,121	11,220,059	12,323,508	(1,103,449)
Instructional support services	3,068,542	2,951,295	2,506,671	444,624
Pupil support services	4,629,701	4,892,586	4,749,057	143,529
Sites and buildings	4,855,164	4,573,702	4,441,641	132,061
Fiscal and other fixed cost programs	288,971	188,318	150,682	37,636
Total expenditures	<u>51,649,032</u>	<u>48,698,601</u>	<u>48,735,302</u>	<u>(36,701)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(376,251)	1,528,919	978,066	(550,853)
<b>OTHER FINANCING SOURCES</b>				
Sale of property and equipment	-	17,570	17,570	-
Bond proceeds	756,242	-	-	-
Total other financing sources	<u>756,242</u>	<u>17,570</u>	<u>17,570</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	379,991	1,546,489	995,636	(550,853)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>6,177,187</u>	<u>6,177,187</u>	<u>6,177,187</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 6,557,178</u>	<u>\$ 7,723,676</u>	<u>\$ 7,172,823</u>	<u>\$ (550,853)</u>

**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD AREA PUBLIC SCHOOLS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**JUNE 30, 2010**

Exhibit A-8

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	<u>Trust Funds</u>
<b>ASSETS</b>	
Cash and investments	<u>\$ 9,254,944</u>
<b>LIABILITIES AND NET ASSETS</b>	
Liabilities	
Due to other organizations	<u>\$ 631</u>
Net assets	
Unrestricted	<u>9,254,313</u>
Total liabilities and net assets	<u>\$ 9,254,944</u>

**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD AREA PUBLIC SCHOOLS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**YEAR ENDED JUNE 30, 2010**

Exhibit A-9

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	<u>Trust Funds</u>
ADDITIONS	
Interest	\$ 181,579
Scholarships	85
Total additions	<u>181,664</u>
DEDUCTIONS	
OPEB health insurance	<u>715,900</u>
NET CHANGE IN NET ASSETS	(534,236)
NET ASSETS, BEGINNING OF YEAR	<u>9,788,549</u>
NET ASSETS, END OF YEAR	<u><u>\$ 9,254,313</u></u>

**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD AREA PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. ORGANIZATION**

Independent School District No. 152, Moorhead Area Public Schools, Moorhead, Minnesota (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**B. REPORTING ENTITY**

The accompanying financial statements include all funds, departments, agencies, boards, commissions, and other organizations that comprise the District, along with any component units.

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial burden or benefit with the potential component unit, or is fiscally depended upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the District.

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, the District's School Board has elected not to control or be otherwise financially accountable with respect to the underlying extracurricular activities. Accordingly, the extracurricular student activity accounts are not included in these financial statements.

**C. GOVERNMENT-WIDE FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements (Statement of Net Assets and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The fiduciary funds are reported in the Statement of Fiduciary Net Assets at the fund financial statement level. Generally, the effect of interfund activity has been removed from the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported as general revenues.

## NOTES TO FINANCIAL STATEMENTS

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The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory “tax shift” described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. For capital assets that can be specifically identified with, or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

### **D. FUND FINANCIAL STATEMENT PRESENTATION**

Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

Fiduciary funds are presented in the fiduciary fund financial statements by type: pension (or other benefit) trust, private-purpose trust, and agency. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

1. *Revenue Recognition* – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District generally considers revenues to be available if they are collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to Minnesota Statutes. Federal revenue is recorded in the year in which the related expenditure is made. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.
2. *Recording of Expenditures* – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt, severance and healthcare benefits, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are included within the applicable functional areas.

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as described earlier in these notes.



## NOTES TO FINANCIAL STATEMENTS

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### *Description of Funds*

The existence of the various district funds has been established by the Minnesota Department of Education. Each fund is accounted for as an independent entity. A description of the funds included in this report are as follows:

#### **Major Governmental Funds**

**General Fund** – The general fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations and pupil transportation activities of the District, as well as the capital related activities such as maintenance of facilities, equipment purchases, and health and safety projects.

**Debt Service Fund** – The debt service fund is used to account for the accumulation of resources for, and payment of, general obligation bond principal, interest, and related costs.

#### **Nonmajor Governmental Funds**

**Food Service Fund** – The food service fund is used to account for food service revenues and expenditures.

**Community Service Fund** – The community service fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, adult or early childhood programs, extended day programs, or other similar services.

**OPEB Debt Service Fund** – The OPEB debt service fund is used to account for the accumulation of resources for, and payment of, general obligation OPEB bond principal, interest, and related costs.

#### **Fiduciary Funds**

**Scholarship Trust Fund** – The scholarship fund is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the donor imposed restrictions.

**OPEB Trust Fund** – The Other Post-Employment Benefit (OPEB) trust fund is used to account for the accumulation of resources to be used for the District's portion of the premium cost for providing health insurance to the District's retired employees.

### **E. OTHER SIGNIFICANT ACCOUNTING POLICIES**

#### *Budgeting*

An operating budget is adopted by July 1 of each fiscal year for all governmental funds on the same modified accrual basis used to reflect actual revenues and expenditures. The superintendent is authorized to transfer budget amounts within line items; however, supplemental appropriations that amend total appropriations of any fund require a board resolution. Reported budgeted amounts are as originally adopted or as amended by board resolution. Unencumbered appropriations lapse at year-end.

## NOTES TO FINANCIAL STATEMENTS

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### *Cash and Investments*

Cash balances for all district funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the fund's average monthly cash and investments balance. Funds that incur a deficit balance in pooled cash and investments during the year are charged interest.

Deposits and investments consist of certificates of deposit and monies deposited with the Minnesota School District Liquid Asset Fund (MSDLAF) and are stated at market.

### *Cash Held with Fiscal Agent*

In the Debt Service Fund, the refunding bond escrow account held by fiscal agent is used only to retire refunded bond issues and to pay interest on refunding bond issues until the crossover refunding dates. Interest earned on these investments is allocated directly to the escrow account.

### *Receivables*

All receivables are shown net of any allowance for uncollectibles. No allowances for uncollectibles have been recorded. The only receivables not expected to be collected within one year are property taxes receivable.

### *Prepaid Items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

### *Inventories*

Inventories are recorded using the consumption method of accounting and consist of purchased food, supplies, and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method. Surplus commodities are stated at standardized costs, as determined by the U.S. Department of Agriculture.

### *Property Taxes*

The majority of district revenue is determined annually by statutory funding formulas. The total revenue allowed by these formulas is allocated between property taxes and state aids by the Legislature based on education funding priorities.

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District.

## NOTES TO FINANCIAL STATEMENTS

---

Property tax levies are certified to the County Auditor in December of each year for collection from taxpayers in May and October of the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over taxable property. Such taxes become a lien on property on the following January 1. The county general remits taxes to the District at periodic intervals as they are collected. A portion of the property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred in the fund financial statements because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes is considered necessary.

### *Capital Assets*

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historic cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$5,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 3 to 50 years.

Capital assets not being depreciated include land.

The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

### *Long-Term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs, if material, are also reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### *Severance and Compensated Absences Payable*

*Vacation* – The District compensates substantially all full-time noncertified employees for unused vacation upon termination; however, no employee is allowed to accumulate more than a one-year vacation allowance. The expenditure for vacation pay is recognized when payment is made. As of June 30, 2010, this amount did not exceed a normal year's accumulation.

## NOTES TO FINANCIAL STATEMENTS

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*Sick Leave* – Substantially all District employees are allowed to accrue sick leave at varying amounts each year and accumulate within specified limits. Employees are not compensated for unused sick leave upon termination of employment. Since the employees accumulating rights to receive compensation for future absences being caused by future illnesses such amounts cannot be reasonably estimated, a liability for unused sick leave has not been recorded in the financial statements. In some instances unused sick leave does enter into the calculation of severance pay for some employees upon termination.

### *Risk Management*

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal year 2010.

### *Net Assets*

Net assets represent the difference between assets and liabilities in the government-wide and fiduciary fund financial statements. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net assets are reported as restricted in the government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

## **NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### *Excess of Expenditures over Appropriations*

Budget control for all funds is established by their total appropriations. The following are the excess of expenditures over budget for the year ended June 30, 2010:

	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund	\$ 48,698,601	\$ 48,735,302	\$ (36,701)
Food Service Fund	\$ 2,074,092	\$ 2,077,205	\$ (3,113)

The over expenditures were funded by existing fund balances.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 3 - DEPOSITS AND INVESTMENTS

#### *Deposits*

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the District's School Board. All such depositories are members of the Federal Reserve System.

The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may be lost.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

At June 30, 2010, all deposits were insured or collateralized by securities held by the District's agent in the District's name.

#### *Investments*

##### Credit Risk – Investments

Minnesota Statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, bankers' acceptances, certain repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record. As of June 30, 2010, \$2,102,679 of the District's investments in fixed income securities were rated AAA by Moody's and Standard & Poor's. \$482,971 of the District's investments in fixed income securities were rated AA2 by Moody's and AA+ by Standard & Poor's. \$512,055 of the District's investments in fixed income securities were rated AA1 by Moody's and AA by Standard & Poor's. \$255,003 of the District's investments in fixed income securities were rated AA2 by Moody's and AA by Standard & Poor's. \$203,136 of the District's investments in fixed income securities were rated AA1 by Moody's and AAA by Standard & Poor's. \$314,310 of the District's investments in fixed income securities were rated AA2 by Moody's and AA- by Standard & Poor's. \$20,245 of the District's investments in fixed income securities were rated A by Standard & Poor's. The remaining \$407,969 of the District's investments in fixed income securities were rated AAA by Moody's or AA- by Standard & Poor's. The District's investments in the equities securities, alternative investments, real estate investment trusts, and certificates of deposit are not rated.

##### Custodial Credit Risk – Investments

The investment in the Minnesota School District Liquid Asset Fund is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement No. 40.

##### Interest Rate Risk – Investments

The District does not have a formal policy that limits investment maturities.

## NOTES TO FINANCIAL STATEMENTS

The following table presents the District's deposit and investment balances at June 30, 2010:

Type	Fair Value	Investment Maturities (in Years)		
		N/A	< 1	1 - 5
Cash and cash equivalents				
Minnesota School				
District Liquid Asset Fund	\$ 443,473	\$ 443,473	\$ -	\$ -
Deposits	3,073,400	3,073,400	-	-
Petty cash	19,401	19,401	-	-
Money market	2,868,136	2,868,136	-	-
Investments				
Fixed income	4,298,368	-	2,256,916	2,041,452
Equities	3,512,259	3,512,259	-	-
Alternative investments	937,089	937,089	-	-
Real estate investment trusts	414,245	414,245	-	-
Certificates of deposit	312,143	-	312,143	-
	<u>\$ 15,878,514</u>	<u>\$ 11,268,003</u>	<u>\$ 2,569,059</u>	<u>\$ 2,041,452</u>

Cash and investments are included on the basic financial statements as follows:

Cash and Investments - Statement of Net Assets	\$ 6,623,570
Cash and Investments - Statement of Fiduciary Net Assets	<u>9,254,944</u>
	<u>\$ 15,878,514</u>

The Minnesota School District Liquid Asset Fund is an external investment pool not registered with the Securities and Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pools shares.

### NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS

Amounts receivable from other governments as of June 30, 2010, include:

Fund	Federal	State	Other	Total
Major funds				
General	\$ 3,942,832	\$ 10,872,567	\$ 753,473	\$ 15,568,872
Debt service	-	300,027	-	300,027
Non-major funds	<u>141,826</u>	<u>224,730</u>	<u>-</u>	<u>366,556</u>
	<u>\$ 4,084,658</u>	<u>\$ 11,397,324</u>	<u>\$ 753,473</u>	<u>\$ 16,235,455</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 is as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Capital assets not being depreciated:				
Land	\$ 1,049,947	\$ -	\$ -	\$ 1,049,947
Capital assets being depreciated:				
Buildings	89,922,636	95,852	-	90,018,488
Improvements	1,852,829	20,695	-	1,873,524
Vehicles	1,218,400	20,672	-	1,239,072
Equipment	621,625	149,236	(45,144)	725,717
Total capital assets being depreciated	<u>93,615,490</u>	<u>286,455</u>	<u>(45,144)</u>	<u>93,856,801</u>
Less accumulated depreciation for:				
Buildings	18,838,899	1,759,438	-	20,598,337
Improvements	349,116	93,159	-	442,275
Vehicles	852,809	128,885	-	981,694
Equipment	397,426	13,196	(7,317)	403,305
Total accumulated depreciation	<u>20,438,250</u>	<u>1,994,678</u>	<u>(7,317)</u>	<u>22,425,611</u>
Net capital assets, depreciated	<u>73,177,240</u>	<u>(1,708,223)</u>	<u>(37,827)</u>	<u>71,431,190</u>
Total capital assets, net	<u>\$ 74,227,187</u>	<u>\$ (1,708,223)</u>	<u>\$ (37,827)</u>	<u>\$ 72,481,137</u>

Depreciation expense for the year ended June 30, 2010 was charged to the following functions/programs:

District and school administration	\$ 3,464
Regular instruction	2,611
Community education	1,448
Instructional support	30,461
Pupil support services	76,936
Sites and buildings	<u>1,879,758</u>
Total depreciation expense	<u>\$ 1,994,678</u>

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 6 - AID ANTICIPATION CERTIFICATES**

The District sold general obligation aid anticipation certificates dated September 10, 2009 with a value of \$5,000,000 at an interest rate of 1.00 percent. These certificates mature on September 10, 2010. Interest and fiscal charges on aid anticipation certificates for the year ended June 30, 2010 in the General Fund totaled \$37,500.

Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<u>\$ 3,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ 3,000,000</u>	<u>\$ 5,000,000</u>

Additionally, general obligation aid anticipation certificates dated August 26, 2010 with a value of \$5,000,000 at an interest rate of 1.50 percent were sold. These certificates mature on September 26, 2011.

**NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS**

As of July 1, 2008, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. The District engaged an actuary to determine the District’s liability for post-employment health care benefits other than pensions as of July 1, 2008.

*Plan Description* – All employees are allowed upon meeting the eligibility requirements under Minn. Stat. 471.61 subd, 2b, to participate in the District’s health insurance plan after retirement. This plan covers active and retired employees. Benefit provisions are established through negotiations between the District and the union representing District employees and are renegotiated at the end of each contract period. Contract groups receive other post-retirement benefits as follows:

Superintendent – For retirees reaching age 55 with 3 years of service, the District will pay the full premium for the \$10 copay medical insurance plan for seven years or until Medicare eligibility, whichever is earlier.

Principals and Administration – For retirees reaching age 55 with 8 years of service (except for Administrators as there is no length of service requirement for them), the District will pay the full premium for the \$10 copay medical insurance plan for seven years or until Medicare eligibility, whichever is earlier.

Teachers – For retirees reaching age 55 with 10 years of service, the District will pay the full premium for the \$10 copay medical insurance plan until Medicare eligibility.

Supervisors – For retirees reaching age 55 with 10 years of service, the District will pay the full premium for the \$10 copay medical insurance plan for seven years or until Medicare eligibility, whichever is earlier.

The retiree health plan does not issue a publicly available financial report.

*Funding Policy* – In February 2009, the District issued \$10,300,000 General Obligation Taxable Other Post-Employment Benefits (OPEB) bonds to retire the unfunded actuarial accrued liability.



## NOTES TO FINANCIAL STATEMENTS

*Annual OPEB Cost and Net OPEB Obligation* – The District’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation (asset):

Annual required contribution	\$ 463,537
Interest on net OPEB obligation	(442,326)
Adjustment to annual required contribution	<u>590,310</u>
Annual OPEB cost	611,521
Contributions made	<u>-</u>
Change in net OPEB obligation (asset)	611,521
Net OPEB obligation (asset), beginning of year	<u>(9,829,463)</u>
Net OPEB obligation (asset), end of year	<u><u>\$ (9,217,942)</u></u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the previous two years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net Ending OPEB Obligation (Asset)</u>
06/30/10	\$ 611,521	\$ -	0.00%	\$ (9,217,942)
06/30/09	1,076,295	10,895,325	1012.30%	(9,829,463)

The District’s contributions in fiscal year 2009 included OPEB bond proceeds of \$10,151,897.

*Funded Status and Funding Progress* – As of July 1, 2008, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$10,156,481, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$10,156,481. The covered payroll (annual payroll of active employees covered by the plan) was \$30,121,092, and the ratio of the UAAL to the covered payroll was 33.7 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents a single year’s information, as the standard was implemented in fiscal year 2009, when it becomes available, multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits will be displayed.

## NOTES TO FINANCIAL STATEMENTS

*Actuarial Methods and Assumptions* – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2008, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after ten years. Both rates included an inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis over 30 years. The remaining amortization period at June 30, 2010, was 28 years.

### NOTE 8 - LONG-TERM LIABILITIES

Changes in long-term liabilities during the year ended June 30, 2010 are as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Due Within One Year
Bonds payable	\$ 105,470,000	\$ -	\$ 3,380,000	\$ 102,090,000	\$ 3,500,000
Unamortized premium on bond issuance	(186,306)	-	(16,937)	(169,369)	(16,937)
Severance and compensated absences payable	<u>2,848,114</u>	<u>16,400</u>	<u>138,137</u>	<u>2,726,377</u>	<u>672,790</u>
	<u>\$ 108,131,808</u>	<u>\$ 16,400</u>	<u>\$ 3,501,200</u>	<u>\$ 104,647,008</u>	<u>\$ 4,155,853</u>

## NOTES TO FINANCIAL STATEMENTS

Following is a summary of bonds payable as of June 30, 2010:

Bond Description	Final Maturities	Interest Rate	Original Principal	Outstanding Balance
General Obligation School Building Bonds of 2002 **	4/12	4.00% - 5.25%	\$ 64,500,000	\$ 48,150,000
General Obligation School Building Refunding Bonds of 2005	4/22	3.25% - 4.25%	42,080,000	42,080,000
General Obligation Refunding Bonds of 2006	2/13	3.75%	3,375,000	1,560,000
General Obligation School Taxable OPEB Bonds of 2009	2/13	3.75%	10,300,000	<u>10,300,000</u>
				<u>\$ 102,090,000</u>

Bond principal and interest payments are made by the debt service fund, except for the principal and interest payments on the OPEB Bonds of 2009A, which are made by the OPEB debt service fund.

\*\* During 2005 the district issued bonds, the proceeds of which will be used to refund the 2013-2022 maturities of the General Obligation School Building Bonds of 2002 on the April 1, 2012 call date. The proceeds of the 2005 refunding issue were used to purchase SLGS, which are being held by a fiscal agent. The proceeds will be used to make interest payments on the 2005 refunding issue, with the remainder used to call the 2002 issue on April 1, 2012. As of June 30, 2010 the Building Bonds of 2002 have \$48,150,000 in principal payments remaining.

*Severance and Compensated Absences Payable* – This amount consists of vacation and sick leave payable as discussed in Note 1. Payments are made by the general fund.

Remaining principal and interest payments on long-term debt are as follows:

Years Ending June 30,	Bonds Payable		Severance and Compensated Absences Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 3,500,000	\$ 4,166,602	\$ 672,790	\$ -	\$ 4,172,790	\$ 4,166,602
2012	45,860,000	3,997,848	127,849	-	45,987,849	3,997,848
2013	4,715,000	1,683,538	154,020	-	4,869,020	1,683,538
2014	4,505,000	1,549,188	406,391	-	4,911,391	1,549,188
2015	4,850,000	1,421,263	281,536	-	5,131,536	1,421,263
2016 - 2020	27,465,000	4,708,312	928,590	-	28,393,590	4,708,312
2021 - 2022	<u>11,195,000</u>	<u>627,938</u>	<u>155,201</u>	<u>-</u>	<u>11,350,201</u>	<u>627,938</u>
	<u>\$ 102,090,000</u>	<u>\$ 18,154,689</u>	<u>\$ 2,726,377</u>	<u>\$ -</u>	<u>\$ 104,816,377</u>	<u>\$ 18,154,689</u>

(continued on next page)

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9 - RESERVED FUND BALANCES AND RESTRICTED NET ASSETS

Certain portions of fund balances are reserved based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties.

At June 30, 2010 the District has recorded the following restrictions of net assets for the following purposes:

Restricted for deferred maintenance	\$ 327,731
Restricted for operating capital	311,757
Restricted for bond refunding	42,050,899
Restricted for debt service	1,143,655
Restricted for food service	480,938
Restricted for early childhood and family education	74,225
Restricted for community education	96,808
Restricted for school readiness	25,556
Restricted for community service	45,888
Restricted for OPEB debt service	202,963
Total restricted for specific purposes	<u>\$ 44,760,420</u>

### NOTE 10 - DEFINED BENEFIT PENSION PLANS - STATEWIDE

Substantially all employees of the District are required by state law to belong to defined benefit, multi-employer, cost-sharing pension plans administered by the Teachers' Retirement Association (TRA) or Public Employees' Retirement Association (PERA), all of which are administered on a state-wide basis. Disclosures relating to these plans are as follows:

#### **Teachers' Retirement Association**

##### *Plan Description*

All teachers employed by Independent School District No. 152 are covered by defined benefit plans administered by the Teachers Retirement Association (TRA). TRA members belong to either the Coordinated or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All Basic members were first hired prior to July 1, 1989. All new members must participate in the Coordinated Plan. The plans are established and administered in accordance with Minnesota Statutes, Chapter 354 and 356.

TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota Statute and vest after three years of service credit. The defined retirement benefits are based on a member's highest average salary for any five consecutive years of allowable service, age, and a formula multiplier based on years of credit at termination of service.

## NOTES TO FINANCIAL STATEMENTS

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Two methods are used to compute benefits for TRA's Coordinated and Basic Plan members. Members first employed before July 1, 1989, receive the greater of the Tier I or Tier II as described:

Tier I:	<u>Step Rate formula</u>	<u>Percentage</u>
Basic	1st ten years	2.2 percent per year
	All years after	2.7 percent per year
Coordinated	1st ten years if service years are prior to July 1, 2006	1.2 percent per year
	1st ten years if service years are July 1, 2006 or after	1.4 percent per year
	All other years of service if service years are prior to July 1, 2006	1.7 percent per year
	All other years of service if service years are July 1, 2006 or after	1.9 percent per year

With these provisions:

- (a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- (b) 3 percent per year early retirement reduction factors for all years under normal retirement age.
- (c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

Or

**Tier II:** For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for coordinated members and 2.7 percent per year for basic members. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated members and 2.7 for Basic members applies. Actuarially equivalent early retirement reduction factors with augmentation are used for early retirement before the normal age of 65. These reduction factors average approximately 4 to 5.5 percent per year.

Members first employed after June 30, 1989, receive only the Tier II calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66.

Six different types of annuities are available to members upon retirement. The No Refund Life Plan (A-1) is a lifetime annuity that ceases upon the death of the retiree - no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans which have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is eligible for a refund of their employee contributions plus interest.

The benefit provisions stated apply to active plan participants. Vested, terminated employees who are entitled to benefits but not yet receiving them are bound by the provisions in effect at the time they last terminated their public service.

## NOTES TO FINANCIAL STATEMENTS

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TRA publicly issues a Comprehensive Annual Financial Report (CAFR) presenting financial statements, supplemental information on funding levels, investment performance, and further information on benefits provisions. The report may be accessed at the TRA Web site [www.tra.state.mn.us](http://www.tra.state.mn.us). Alternatively, a copy of the report may be obtained by writing or calling TRA:

Teachers Retirement Association  
60 Empire Drive Suite 400  
St. Paul, MN 55103-4000  
(651) 296-6449  
(800) 657-3853

### *Funding Policy*

Minnesota Statutes Chapter 354 sets the rates for the employee and employer contributions. These statutes are established and amended by the state legislature. Coordinated and Basic Plan members are required to contribute 5.5 percent and 9.0 percent, respectively, of their annual covered salary as employee contributions. The TRA employer contribution rates are 5.5 percent for Coordinated members and 9.5 percent for Basic members. Total covered payroll salaries for all TRA members statewide during the fiscal year ended June 30, 2009 was approximately \$3.76 billion. TRA covered payroll for all members statewide for the fiscal years ended June 30, 2008 and June 30, 2007 were \$3.65 billion and \$3.53 billion, respectively.

The District contributions for the years ended June 30, 2010, 2009, and 2008 were \$1,303,354, \$1,354,933, and \$1,339,578, respectively, equal to the required contributions for each year as set by state statute.

### **Public Employees' Retirement Association**

#### *Plan Description*

All full-time and certain part-time employees of Independent School District No. 152 are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF), which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

## NOTES TO FINANCIAL STATEMENTS

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Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For all PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree - no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF. That report may be obtained on the internet at [www.mnpera.org](http://www.mnpera.org), by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

### *Funding Policy*

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.0%, respectively, of their annual covered salary in calendar year 2009. The District is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members and 6.75% for Coordinated Plan PERF members.

The District's contributions to the Public Employees Retirement Fund for the years ended June 30, 2010, 2009, and 2008 were \$558,027, \$525,869, and \$506,256, respectively, equal to the contractually required contributions for each year as set by state statute.

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 11 - FLEXIBLE BENEFIT PLAN**

The District has a flexible benefit plan which is classified as a “cafeteria plan” (the Plan) under section 125 of the Internal Revenue Code. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the Plan for healthcare and dependent care benefits.

Before the beginning of the Plan year, which is from September 1 to August 31, each participant designates a total amount of pre-tax dollars to be contributed to the Plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants’ annual contributions to the medical reimbursement portion of the Plan, whether or not such contributions have been made.

Payment of insurance premiums (health, dental, life, and disability) are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General Fund and special revenue funds.

Amounts withheld for medical reimbursement and dependent care are paid by the District to an outside administrator upon an employee submitting a request for reimbursement. Payments are made by the outside administrator to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the employee.

All property of the Plan and income attributable to that property is solely the property of the District, subject to the claims of the District’s general creditors. Participants’ rights under the plan are equal to those of general creditors of the District in an amount equal to eligible healthcare and dependent care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

**NOTE 12 - EMPLOYEE BENEFIT PLAN 403(B)**

All teachers having completed their fifth year of teaching in the District are eligible to participate in the matching 403(b) program. The District will match the employees’ deferral up to the following maximums:

<u>Years of Service</u>	<u>Maximum Match</u>
6 - 10	\$1,000
11+	\$1,500

The maximum career matching contribution by the District will not exceed \$20,000 per teacher.



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 13 - COMMITMENTS AND CONTINGENCIES

#### *Federal Revenue*

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

#### *Contingencies*

The District has the usual and customary legal claims pending at year-end. Although the outcomes of these lawsuits are not presently determinable, the District believes that the resolution of these matters will not have a material adverse effect on its financial position.

#### *Operating Lease*

The District is obligated under certain leases accounted for as operating leases. These leases are generally cancelable on an annual basis by the District. Operating leases do not give rise to property rights or lease obligations and, therefore, the results of the lease agreements are not reflected as a liability in the District's financial statements. The District has an agreement to lease the sports center from the City of Moorhead. The lease expires April 30, 2012, and requires variable annual lease payments of \$76,800 - \$80,000. Lease expense for all leases of the District for the current year was \$297,788.

### NOTE 14 - ISSUED BUT NON-EFFECTIVE ACCOUNTING PRONOUNCEMENT

The Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by the District. The statement issued but not implemented that will significantly affect the District is statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions."

Statement No. 54 establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. This statement will be implemented at the District in the year ending June 30, 2011.

The District is in the process of reviewing and evaluating the above statement. Therefore, the potential effect of this new accounting pronouncement on the financial statements cannot be determined at this time.



Required Supplementary Information in Accordance  
with Statement No. 45 of the Governmental Accounting  
Standards Board

June 30, 2010

**Independent School District No. 152**  
**Moorhead Area Public Schools**

**INDEPENDENT SCHOOL DISTRICT NO. 152**

**MOORHEAD AREA PUBLIC SCHOOLS**

**SCHEDULE OF FUNDING PROGRESS**

Exhibit B-1

**AS REQUIRED BY STATEMENT NO.45 OF THE GOVERNMENTAL  
ACCOUNTING STANDARDS BOARD**

**JUNE 30, 2010**

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<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Simplified Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
07/01/08	<u>\$ -</u>	<u>\$ 10,156,481</u>	<u>\$ 10,156,481</u>	0.00%	<u>\$ 30,121,092</u>	33.72%

**NOTE TO THE SCHEDULE OF FUNDING PROGRESS**

The standard requires a schedule of funding progress for the three most recent valuations and accompanying notes to describe factors that significantly affect the trends in the amounts reported. The District implemented the standard as of July 1, 2008, there has been only one valuation performed. As such there is only one valuation disclosed above and there are no notes to describe factors that significantly affect the trends as those trends have not yet been established due to the recent adoption of the standard.



Combining and Individual Fund Schedules  
June 30, 2010

**Independent School District No. 152**  
**Moorhead Area Public Schools**

**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD AREA PUBLIC SCHOOLS**  
**SCHEDULE OF CHANGES IN FUND BALANCES**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2010**

Exhibit C-1

	Fund Balance (Deficit) Beginning of Year	Net Change in Fund Balance	Fund Balance (Deficit) End of Year
Reserved for deferred maintenance	\$ 205,994	\$ 121,737	\$ 327,731
Reserved for health and safety	(367,851)	262,981	(104,870)
Reserved for severance pay	89,446	(89,446)	-
Reserved for operating capital	533,263	(221,506)	311,757
Reserved for safe schools	(2,033)	(67,206)	(69,239)
Unreserved - designated for severance pay	2,758,668	(32,291)	2,726,377
Unreserved - undesignated	<u>2,959,700</u>	<u>1,021,367</u>	<u>3,981,067</u>
	<u>\$ 6,177,187</u>	<u>\$ 995,636</u>	<u>\$ 7,172,823</u>

**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD AREA PUBLIC SCHOOLS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2010**

Exhibit C-2

	Food Service	Community Service	OPEB Debt Service Fund	Totals
<b>ASSETS</b>				
Cash and investments	\$ 434,897	\$ 258,873	\$ 402,044	\$ 1,095,814
Receivables				
Current property taxes	-	240,276	303,815	544,091
Delinquent property taxes	-	6,714	7,244	13,958
Accounts	668	-	-	668
Due from other governmental units	133,717	215,578	17,261	366,556
Inventories	25,740	-	-	25,740
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 595,022</u>	<u>\$ 721,441</u>	<u>\$ 730,364</u>	<u>\$ 2,046,827</u>
 <b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 34,100	\$ 12,537	\$ -	\$ 46,637
Salaries payable	40,431	47,396	-	87,827
Deferred revenue	39,553	7,979	7,244	54,776
Property taxes levied for subsequent year	-	411,052	520,157	931,209
Total liabilities	<u>114,084</u>	<u>478,964</u>	<u>527,401</u>	<u>1,120,449</u>
 <b>FUND BALANCE</b>				
Reserved				
For early childhood and family education	-	74,225	-	74,225
For community education	-	96,808	-	96,808
For school readiness	-	25,556	-	25,556
Unreserved - Undesignated	480,938	45,888	202,963	729,789
Total fund balance	<u>480,938</u>	<u>242,477</u>	<u>202,963</u>	<u>926,378</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balance	<u>\$ 595,022</u>	<u>\$ 721,441</u>	<u>\$ 730,364</u>	<u>\$ 2,046,827</u>

**INDEPENDENT SCHOOL DISTRICT NO. 152  
MOORHEAD AREA PUBLIC SCHOOLS  
COMBINING SCHEDULE OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2010**

Exhibit C-3

	Food Service	Community Service	OPEB Debt Service Fund	Totals
<b>REVENUES</b>				
Local property tax levies	\$ -	\$ 276,344	\$ 293,774	\$ 570,118
Other local and county sources	1,582	477,257	-	478,839
State sources	146,531	778,700	-	925,231
Federal sources	955,171	29,446	-	984,617
Sales and other conversion of assets	1,100,731	-	-	1,100,731
Miscellaneous	-	-	63,932	63,932
Total revenues	<u>2,204,015</u>	<u>1,561,747</u>	<u>357,706</u>	<u>4,123,468</u>
<b>EXPENDITURES</b>				
Community education and service	-	1,407,498	-	1,407,498
Pupil support services	2,077,205	-	-	2,077,205
Fiscal and other fixed cost programs	-	-	460,986	460,986
Total expenditures	<u>2,077,205</u>	<u>1,407,498</u>	<u>460,986</u>	<u>3,945,689</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	126,810	154,249	(103,280)	177,779
<b>FUND BALANCE, BEGINNING OF YEAR</b>				
	<u>354,128</u>	<u>88,228</u>	<u>306,243</u>	<u>748,599</u>
<b>FUND BALANCE, END OF YEAR</b>				
	<u>\$ 480,938</u>	<u>\$ 242,477</u>	<u>\$ 202,963</u>	<u>\$ 926,378</u>



Other Supplementary Information  
June 30, 2010

**Independent School District No. 152**  
**Moorhead Area Public Schools**



**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD AREA PUBLIC SCHOOLS**  
**CHANGES IN STUDENT ACTIVITY CASH BALANCES**  
**YEAR ENDED JUNE 30, 2010**

Exhibit D-1

Activity	Balance 7/1/09	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/10
6th Grade Activities (A)	\$ 1,439	\$ -	\$ 525	\$ 914
6th Grade Activities (B)	5,205	2,783	2,041	5,947
6th Grade Activities (C)	2,516	-	513	2,003
8th Grade Activities (B)	2,337	191	198	2,330
8th Grade Activities (C)	357	458	3	812
ALC	3,829	-	-	3,829
APL Project	1,608	7,878	6,609	2,877
Apollo Strings	72,552	62,251	60,265	74,538
Auditorium Technology	606	2,110	1,642	1,074
Band - Jr. High	22,313	10,237	8,879	23,671
Band - Sr. High	57,887	41,044	31,676	67,255
Baseball Club	(850)	10,487	9,637	-
Basketball - Boys	1,448	9,807	7,300	3,955
Basketball - Girls	692	3,153	3,227	618
Caps & Gowns	15,958	-	484	15,474
Choir - Sr. High	3,635	23,942	23,982	3,595
Chokio	15,821	6,769	9,676	12,914
Class of 2008	(48)	48	-	-
Close Up	(434)	434	-	-
Community/Work Class	96	-	96	-
Craft Club - Sr. High	506	-	-	506
Cross Country	7	19,642	18,274	1,375
Danceline	7,345	18,497	13,579	12,263
Debate Enrichment	1,723	-	-	1,723
Destination Imagination	1,811	130	1,231	710
DHH Social Fund	130	-	-	130
DI Globals	-	9,818	8,058	1,760
Donation for Families	64	-	-	64
ECFE	22	-	-	22
Edison School Store	82	-	82	-
English - Jr. High	335	-	-	335

(continued on next page)

Activity	Balance 7/1/09	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/10
Field House	146	-	-	146
Fine Arts - Sr. High	856	584	188	1,252
First Lego League	-	5,000	554	4,446
Football Club	2,317	16,865	8,581	10,601
French Club	1,672	509	2,096	85
Golf - Boys Sr. High	-	780	694	86
Golf - Girls Sr. High	27	1,055	663	419
Gymnastics Club	1,295	4,479	3,542	2,232
Hall of Honor	2,814	4,470	3,197	4,087
Heroes - Jr. High	520	-	-	520
History Day	143	-	-	143
Hockey - Boys	4,101	2,540	6,401	240
Hockey - Girls	460	87	538	9
Honor Choir - Jr. High	14,209	22,674	21,077	15,806
Hopkins Safety Patrol	2,707	-	-	2,707
Hopkins Ptac 188	275	4,190	4,465	-
Horizon After School Programs	40	1,800	1,840	-
Horizon Visiting Auth	167	600	601	166
Interest	-	2,138	2,138	-
Intramurals	1,279	585	414	1,450
Journalism	6,866	2,480	2,707	6,639
Knowledge Bowl	3,901	1,086	2,114	2,873
Lova	88	-	88	-
Math Club - Jr. High	1	-	-	1
Media - Jr. High	100	462	488	74
MHS Literacy Committee	1,085	-	361	724
National Forensics League	1,316	12,554	9,253	4,617
Nature Project - Jr. High	37	1,016	1,053	-
Orchestra - Jr. High	15,739	44,056	55,494	4,301
PBIS - Horizon	1,288	154	303	1,139
Plays - Sr. High	(3,202)	96,266	77,294	15,770
Positive Incentives - Jr. High	1,195	-	-	1,195
Robert Asp Ptac	-	1,600	1,600	-
Robert Asp Safety Patrol	2,707	-	-	2,707
Robert Asp Special	15	-	15	-
Robert Asp Student Council	2,932	-	-	2,932
Robert Asp Yearbook	984	-	-	984
RRALC Store	1,878	100	1,912	66
SADD	1,283	-	-	1,283

(continued on next page)

Activity	Balance 7/1/09	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/10
Service Enhancement Club	249	-	56	193
Service Learning	2,666	11,122	10,994	2,794
SGR PTAC 189	40	2,060	2,100	-
SGR Safety Patrol	2,707	-	-	2,707
Soccer - Boys	1,880	4,790	4,326	2,344
Soccer - Girls	1,485	3,537	3,022	2,000
Social Studies - Sr. High	263	-	-	263
Softball	1,491	2,494	1,744	2,241
Spanish Club	3,511	-	16	3,495
Spanish Club - Jr. High	128	-	-	128
Spanish Trips - Sr. High	1	-	1	-
STEP - Jr. High	444	1,653	1,479	618
STEP Trip	81	-	-	81
Store - Jr. High	454	1,036	4	1,486
Student Council - Jr. High	15,364	14,081	12,660	16,785
Student Council - Sr. High	19,172	9,390	9,722	18,840
Swimming - Boys	452	3,000	2,669	783
Swimming - Girls	1,933	5,517	7,291	159
Tennis - Girls	41	-	40	1
Theatre Arts - Jr. High	21,769	42,871	36,989	27,651
Theatre Trips	(249)	7,956	5,908	1,799
Track - Boys	4,856	5,000	9,016	840
Track - Girls	778	3,180	3,910	48
Volleyball	5,025	13,001	10,271	7,755
World DI	52	-	52	-
Wrestling Club	470	2,712	2,649	533
Yearbook - Jr. High	(408)	13,938	13,530	-
Youth Board	7	-	7	-
	<u>374,895</u>	<u>605,147</u>	<u>556,104</u>	<u>423,938</u>

**INDEPENDENT SCHOOL DISTRICT NO. 152**

**MOORHEAD AREA PUBLIC SCHOOLS**

**UNIFORM ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE  
YEAR ENDED JUNE 30, 2010**

Exhibit D-2

GENERAL FUND

Total revenues	\$ 49,713,368
Total expenditures	48,735,302
Fund Balance	
Reserved:	
4.05 Deferred maintenance	327,731
4.06 Health and safety	(104,870)
4.24 Operating capital	311,757
4.49 Safe schools	(69,239)
Unreserved:	
4.18 Designated for severance	2,726,377
4.22 Unres fund balance	3,981,067

FOOD SERVICE

Total revenues	\$ 2,204,015
Total expenditures	2,077,205
Fund Balance	
Unreserved:	
4.22 Unres fund balance	480,938

COMMUNITY SERVICE

Total revenues	\$ 1,561,747
Total expenditures	1,407,498
Fund Balance	
Reserved:	
4.31 Community education	96,808
4.32 Early childhood-family education	74,225
4.44 School readiness	25,556
Unreserved:	
4.22 Unres fund balance	45,888

DEBT SERVICE

Total revenues	\$ 7,953,647
Total expenditures	7,710,883
Fund Balance	
Reserved:	
4.25 Bond refunding	42,050,899
Unreserved:	
4.22 Unres fund balance	1,143,655

TRUST FUND

Total revenues	\$ 85
Total expenditures	-
Fund Balance	
Unreserved:	
4.22 Unres fund balance	9,644

OPEB TRUST

Total revenues	\$ 181,579
Total expenditures	715,900
Fund Balance	
Unreserved:	
4.22 Unres fund balance	9,244,669

OPEB DEBT SERVICE

Total revenues	\$ 357,706
Total expenditures	460,986
Fund Balance	
Unreserved:	
4.22 Unres fund balance	202,963

**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD AREA PUBLIC SCHOOLS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2010**

Exhibit D-3

Federal Grantor/Program Title	Federal CFDA Number	Expenditures
<b>Department of Agriculture</b>		
<i>Passed through Minnesota Department of Education</i>		
Commodities	10.553	\$ 8,222
School Breakfast	10.553	151,514
National School Lunch	10.555	147,762
Snack Program	10.555	5,183
Free/Reduced	10.555	540,343
Milk	10.556	4,047
Total Child Nutrition Cluster		857,071
Total Department of Agriculture		857,071
<b>Department of Interior</b>		
<i>Passed through White Earth Indian Reservation</i>		
Johnson O' Malley	15.130	4,392
<b>Department of Education</b>		
<i>Passed through Minnesota Department of Education</i>		
Adult Basic Education - Regular	84.002	26,812
Title I	84.010	806,577
Title I N&D	84.010	60,237
ARRA - Title I	84.389	100,231
ARRA - Title I N&D	84.389	20,411
Total Title I Cluster		987,456
IDEA, part B CEIS	84.027	37,558
Flow-through 94-142	84.027	1,196,682
CIMP	84.027	8,597
RTI	84.027	38,225
IDEA, part B	84.173	4,444
Disabled Early Education	84.173	45,767
ARRA - IDEA, part B	84.391	632,437
ARRA - IDEA, part B - Preschool Grant	84.391	20,652
Total Special Education Cluster		1,984,362

(continued on next page)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – Page 2**

Federal Grantor/Program Title	Federal CFDA Number	Expenditures
<b>Department of Education, continued</b>		
<i>Passed through Minnesota Department of Education</i>		
Infants and Toddlers Programs	84.181	61,910
ARRA - IDEA, part C - Infants and Toddlers	84.393	17,663
Total Infants and Toddler Program Cluster		<u>79,573</u>
 Title VII Indian School Assistance	 84.060	 <u>43,491</u>
 Drug Education	 84.186	 <u>15,848</u>
 Homeless Grant	 84.196	 <u>56,679</u>
 Title III	 84.365	 <u>45,203</u>
 Title II	 84.367	 <u>303,445</u>
 ARRA - McKinney Vento Homeless Fed	 84.387	 <u>48,724</u>
 ARRA - Stabilization Title VIII - Impact Aid	 84.394	 <u>3,161,114</u>
 Migrant Federal	 84.011	 <u>1,170</u>
<i>Direct</i>		
Even Start	84.213	<u>2,664</u>
Total Department of Education		<u>6,756,541</u>
<b>Department of Health and Human Resources</b>		
Medical Assistance	93.778	<u>162,248</u>
<b>Department of Homeland Security</b>		
Disaster Recovery - Flood	97.036	<u>14,989</u>
 <b>Total expenditures of federal awards</b>		 <u><u>\$ 7,795,241</u></u>

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting.

**NOTE B - FOOD DISTRIBUTION**

Non-monetary assistance is reported in the schedule of expenditures of federal awards at the fair market value of commodities received and disbursed. At June 30, 2010, the district had food commodities totaling \$25,740 in inventory.

**NOTE C – AGENCY OR PASS-THROUGH NUMBER**

The pass-through entity has not provided identifying numbers, therefore, they are not included in this schedule.



Additional Reports  
June 30, 2010

**Independent School District No. 152  
Moorhead Area Public Schools**





**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
AND THE MINNESOTA LEGAL COMPLIANCE AUDIT GUIDE**

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The School Board of  
Independent School District No. 152  
Moorhead Area Public Schools  
Moorhead, Minnesota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 152, Moorhead Area Public Schools, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 6, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

*Internal Control Over Financial Reporting*

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of audit findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over financial reporting described in the accompanying schedule of audit findings and questioned costs as items 10-1, 10-2, 10-3, and 10-4 to be material weaknesses.

### *Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated November 6, 2010.

### *Minnesota Legal Compliance*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* covers six main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and uniform financial accounting and reporting standards for school districts. Our study included all of the listed categories. The results of our tests disclosed no instances of noncompliance that are required to be reported the *Minnesota Legal Compliance Audit Guide for Local Government*.

The District's responses to the findings identified in our audit are described in the accompanying schedule of audit findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the School Board, the Minnesota Department of Education and other state agencies, the federal cognizant audit agency and other federal agencies and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Fargo, North Dakota  
November 6, 2010



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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The School Board of  
Independent School District No. 152  
Moorhead Area Public Schools  
Moorhead, Minnesota

*Compliance*

We have audited the District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of audit findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

*Internal Control Over Compliance*

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of management, the School Board, the Minnesota Department of Education and other state agencies, the federal cognizant audit agency and other federal agencies and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Fargo, North Dakota  
November 6, 2010

**INDEPENDENT SCHOOL DISTRICT NO. 152  
MOORHEAD AREA PUBLIC SCHOOLS  
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010**

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**FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**Significant Deficiency**

09-4 Special Education Cluster, CFDA #84.027 and #84.173

*Condition:* An employee working with the Special Education Cluster did not have proper time and effort documentation as required by OMB Circular A-87, Attachment B, paragraph 8.h.

*Criteria:* The District was able to implement controls to ascertain that time and effort documentation requirements under OMB Circular A-87 are maintained.

*Auditor Response:* Fully implemented.

**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD AREA PUBLIC SCHOOLS**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2010**

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**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion of the basic financial statements of Independent School District No. 152, Moorhead Area Public Schools.
2. Four significant deficiencies were disclosed during the audit of the financial statements reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and *Minnesota Legal Compliance Audit*. We consider significant deficiencies 10-1, 10-2, 10-3, and 10-4 to be material weaknesses.
3. No instances of noncompliance material to the financial statements of Independent School District No. 152, Moorhead Area Public Schools were disclosed during the audit.
4. No significant deficiencies were reported in the Report on Compliance Applicable to Each Major Program and Internal Controls over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Independent School District No. 152, Moorhead Area Public Schools expresses an unqualified opinion on all major federal programs.
6. Audit findings relative to the major federal award programs for Independent School District No. 152, Moorhead Area Public Schools are reported in Part C of this schedule.
7. The programs tested as major programs included: ARRA – Stabilization Title VIII-Impact Aid CFDA #84.394, Special Education Cluster CFDA #84.027, 84.173, and 84.391, Title I Cluster CFDA #84.010 and 84.389, and Title II CFDA #84.367.
8. The threshold for distinguishing a Type A program was \$300,000.
9. Independent School District No. 152, Moorhead Area Public Schools was determined to be a high-risk auditee.

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**Material Weakness**

10-1 Preparation of Financial Statements

*Condition:* The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. The auditors were requested to, and did, draft the financial statements and accompanying notes to the financial statements.

*Criteria:* A good system of internal accounting control contemplates an adequate system for internally preparing the District's financial statements.

*Effect:* The disclosures in the financial statements could be incomplete.

*Cause:* The District does not have an internal control system designed to provide for the preparation of the financial statements being audited.

*Recommendation:* It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

**Corrective Action Plan (CAP)**

1. *Actions Planned in Response to the Finding:* The District will continue to have the auditors prepare the financial statements; however, the District has established an internal control policy to document the annual review of the financial statements by the School Board and management.
2. *Explanation of Disagreement:* There is no disagreement with the audit finding.
3. *Official Responsible for Ensuring Corrective Action:* Wayne Kazmierczak, Assistant Superintendent.
4. *Planned Completion Date for the Corrective Action:* November 30, 2010.
5. *Plan to Monitor Completion of Corrective Action:* Wayne Kazmierczak, Assistant Superintendent, will monitor the review of the financial statements with the School Board and management.

**Material Weakness**

10-2 Significant Journal Entries

*Condition:* During the course of our engagement, we proposed material audit adjustments that were not identified as a result of the District’s existing internal controls, and therefore could have resulted in a material misstatement of the District’s financial statements.

*Criteria:* A good system of internal accounting control contemplates an adequate system for recording and processing entries material to the financial statements.

*Effect:* This deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

*Cause:* The District does not have an internal control system designed to identify all necessary adjustments.

*Recommendation:* A thorough review and reconciliation of accounts in each fund should take place prior to the beginning of the audit. This review should be done at both the accounting staff and accounting supervisor levels.

**Corrective Action Plan (CAP)**

1. *Actions Planned in Response to the Finding:* The District will review the prior year journal entries to determine training needs with the intent to reduce the overall frequency or number of adjusting journal entries.
2. *Explanation of Disagreement:* There is no disagreement with the audit finding.
3. *Official Responsible for Ensuring Corrective Action:* Wayne Kazmierczak, Assistant Superintendent.
4. *Planned Completion Date for the Corrective Action:* June 30, 2011.
5. *Plan to Monitor Completion of Corrective Action:* Wayne Kazmierczak, Assistant Superintendent, will monitor the training needs to ensure completion of action plan by June 30, 2011.



**Material Weakness**

10-3 Segregation of Duties

*Condition:* The District does not adequately separate duties in cash receipts, cash disbursements, accounts payable and purchasing, and payroll and related liabilities.

*Criteria:* A good system of internal control requires an adequate segregation of duties so that no one individual has incompatible responsibilities. No one person should have more than one duty relating to the authorization (approval), custody of assets (check signers), record keeping and reconciliation functions.

*Effect:* Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

*Cause:* There is a limited amount of office employees involved in certain internal control process.

*Recommendation:* While we recognize that your staff may not be large enough to permit complete segregation of duties in all material respects for an effective system of internal control, the functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements. As an additional service, Eide Bailly has a Forensic Department that can assist in a review of the District's internal controls to find ways to mitigate the lack of segregation of duties to a higher degree.

**Corrective Action Plan (CAP)**

1. *Actions Planned in Response to the Finding:* Management plans on reviewing control processes and segregating duties further to mitigate the risk of unauthorized transactions or loss of assets.
2. *Explanation of Disagreement:* There is no disagreement with the audit finding.
3. *Official Responsible for Ensuring Corrective Action:* Wayne Kazmierczak, Assistant Superintendent.
4. *Planned Completion Date for the Corrective Action:* June 30, 2011.
5. *Plan to Monitor Completion of Corrective Action:* Wayne Kazmierczak, Assistant Superintendent, will monitor the training needs to ensure completion of action plan by June 30, 2011.

**Material Weakness**

10-4 Preparation of Schedule of Expenditures of Federal Awards

*Condition:* During the course of our engagement, we assisted with the preparation of the Schedule of Expenditures of Federal Awards as the district did not properly include all federal expenditures, CFDA numbers, and additional pass through agency federal expenditures.

*Criteria:* As described in §\_\_\_.310(b)(3) of OMB Circular A-133, auditees must complete the Schedule of Expenditures of Federal Awards and include Catalog of Federal Domestic Assistance (CFDA) title and numbers provided in Federal awards/subawards and associated expenditures.

*Effect:* There were additional federal expenditures that were not properly identified in the Schedule of Expenditures of Federal Awards. This control deficiency could result in a misstatement to the Schedule of Expenditures of Federal Awards that would not be prevented or detected.

*Cause:* Lack of proper communication between management and pass-through agencies regarding the federal funding identification.

*Recommendation:* Develop a system in identifying and tracking the following information for each contract: pass-through agency, Catalog of Federal Domestic Assistance (CFDA) title and number, award number and year, and name of the federal agency.

**Corrective Action Plan (CAP)**

1. *Actions Planned in Response to the Finding:* The District will review the Schedule of Expenditures of Federal Awards and determine the necessary training to ensure completeness of the schedule going forward.
2. *Explanation of Disagreement:* There is no disagreement with the audit finding.
3. *Official Responsible for Ensuring Corrective Action:* Wayne Kazmierczak, Assistant Superintendent.
4. *Planned Completion Date for the Corrective Action:* June 30, 2011.
5. *Plan to Monitor Completion of Corrective Action:* Wayne Kazmierczak, Assistant Superintendent, will monitor the training needs to ensure completion of action plan by June 30, 2011.

**C. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT - NONE**



## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE OVER FINANCIAL REPORTING OF THE STUDENT ACTIVITY ACCOUNTS

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The School Board of  
Independent School District No. 152  
Moorhead Area Public Schools  
Moorhead, Minnesota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 152, Moorhead Area Public Schools, for the year ended June 30, 2010, and have issued our report thereon dated November 6, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of the Manual for Activity Fund Accounting (MAFA).

### *Compliance*

As part of obtaining reasonable assurance about whether the District's student activity accounts are free of material misstatement, we performed tests of the district's compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of student activity amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported.

This report is intended solely for the information and use of management, the Board of Education, the Minnesota Department of Education and other state agencies, the federal cognizant audit agency and other federal agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Eide Bailly LLP*

Fargo, North Dakota  
November 6, 2010