



**INDEPENDENT SCHOOL DISTRICT NO. 152  
MOORHEAD, MINNESOTA**

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MOORHEAD, MINNESOTA**

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**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD, MINNESOTA**  
**OFFICIAL DIRECTORY**  
**YEAR ENDED JUNE 30, 2006**

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<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Lisa Erickson	Chairperson	2008
Bill Tomhave	Vice Chairperson	2010
Cindy Fagerlie	Treasurer	2008
Carol Ladwig	Clerk	2008
Karin Dulski	Director	2010
Michael Siggerud	Director	2008
Kristine Thompson	Director	2010
Dr. Larry P. Nybladh	Superintendent	
Lynne Kovash	Assistant Superintendent of Teaching and Learning	
Mark Weston	Assistant Superintendent of Business Services	
Ron Nielsen	Director of Human Resources	
Jill Skarvold	Director of Special Education and Federal Programs	
Denice Sinner	District Accountant	



CPAs & BUSINESS ADVISORS

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## INDEPENDENT AUDITOR'S REPORT

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Members of the School Board  
**Independent School District No. 152**  
**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, Minnesota**, as of and for the year ended June 30, 2006, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of **Independent School District No. 152, Moorhead, Minnesota's** management. Our responsibility is to express an opinion 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 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 **Independent School District No. 152, Moorhead, Minnesota**, as of June 30, 2006, 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 reports dated September 27, 2006 on our consideration of the School'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 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 on pages 4 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion of the financial statements that collectively comprise the School's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purpose of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules 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.

Our audit was performed for the purpose of forming an opinion of the financial statements that collectively comprise the School's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. In addition, in our opinion, the statement of changes in student activity cash balances (Exhibit C-1) presents fairly the changes in the cash balances of the student activity funds for the year ended June 30, 2006.

Eide Bailly LLP

Fargo, North Dakota  
September 27, 2006

**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2006**

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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, 2006. Please read it in conjunction with the District's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2005-2006 fiscal year include the following:

- General Fund 01: - The overall revenues were \$45,204,143 while the overall expenditures were \$47,595,982 decreasing the fund balance by \$2,391,839.
- Food Service Fund 02: - The revenues were \$1,802,668 and the expenditures were \$1,641,356 increasing the fund balance by \$161,312.
- Community Service Fund 04: - The revenues were \$1,317,462 while the expenditures were \$1,420,903 decreasing the fund balance by \$103,441.
- Building Construction Fund 06: - The revenues were \$8,719 and the expenditures were \$483,370 decreasing the fund balance by \$474,651. This fund has been closed as of year-end as all monies from the bonds issued in 2002 have been spent.
- Debt Service Fund 07: - The revenues were \$8,113,467 and expenditures of \$7,882,679 increasing the fund balance by \$258,736. This increase in the fund balance is due to the refinancing of the bonds. 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. The District’s fiduciary activities (consisting only of trust funds held for others) are reported in the governmental funds



## 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, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
Current assets	\$ 22,067,426	\$ 23,227,361
Capital assets	<u>78,419,238</u>	<u>80,219,547</u>
Total assets	<u>\$ 100,486,664</u>	<u>\$ 103,446,908</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Other liabilities	\$ 12,737,373	\$ 11,461,412
Long-term liabilities	<u>65,623,175</u>	<u>68,143,039</u>
Total liabilities	<u>78,360,548</u>	<u>79,604,451</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	16,044,238	15,489,198
Restricted for specific purposes	2,672,387	3,464,815
Unrestricted	<u>3,409,491</u>	<u>4,888,444</u>
Total net assets	<u>22,126,116</u>	<u>23,842,457</u>
Total liabilities and net assets	<u>\$ 100,486,664</u>	<u>\$ 103,446,908</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 ACTIVITIES YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
REVENUES		
Program revenues		
Charges for service	\$ 2,480,568	\$ 2,820,945
Operating grants and contributions	9,955,916	15,840,309
Capital grants and contributions	1,425,718	1,643,358
General		
Property taxes	3,809,957	3,642,050
Aids and payments from state and other	35,291,836	27,695,756
Federal aids and payments	811,808	860,711
Unrestricted investment earnings	457,637	206,621
Loss on disposal of capital assets	-	(1,282,767)
Miscellaneous revenues	504,499	249,832
	<u>54,737,939</u>	<u>51,676,815</u>
Total revenues		
EXPENSES		
District and school administration	2,176,262	2,190,242
District support services	993,597	874,625
Regular instruction	21,118,131	18,994,034
Vocational instruction	462,603	441,540
Exceptional instruction	11,656,259	10,836,426
Community education and services	1,424,892	1,490,672
Instructional support services	2,883,570	2,674,520
Pupil support services	5,384,846	5,193,922
Site, buildings and equipment	6,909,084	4,705,510
Fiscal and other fixed-cost programs	3,445,036	3,657,752
	<u>56,454,280</u>	<u>51,059,243</u>
Total expenses		
CHANGE IN NET ASSETS	(1,716,341)	617,572
NET ASSETS - BEGINNING	<u>23,842,457</u>	<u>23,224,885</u>
NET ASSETS - END	<u>\$ 22,126,116</u>	<u>\$ 23,842,457</u>

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### *Capital Assets*

Note 7 to the financial statements presents an analysis of capital asset transactions occurring during the year ended June 30, 2006. A decrease in net capital assets consisted primarily of the Building Construction sites being completed and now depreciated.

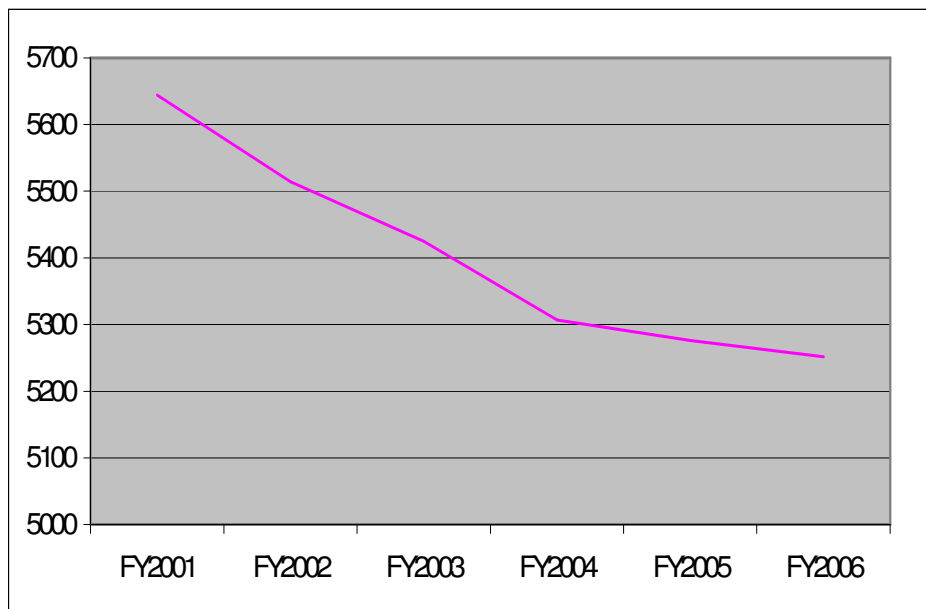
#### *Long-Term Debt*

At year end the District had \$65,623,175 of long term debt. This consisted of bonded indebtedness of \$62,375,000, an EPA Loan of \$30,374, and post employment benefits and sick leave of \$3,217,801. Footnote 9 presents the detail of the districts long-term debt.

### FACTORS BEARING ON THE DISTRICT FUTURE

- Declining enrollment continues to be a source of stress on the District's financial future. Since Minnesota school districts are paid based on pupil units served, a decline in enrollment results in less revenue being received for operations. The District's ADM (average daily membership = pupil units served) for the past three years illustrates this trend. Table A-2 below presents this information.

#### **Enrollment – Table A-3**



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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### **CONTACTING THE DISTRICT 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 Mark Weston, Assistant Superintendent of Business Services, at the District offices at 2410 14<sup>th</sup> Street South, Moorhead, MN 56560.

**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD, MINNESOTA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**

Exhibit A-1

**ASSETS**

Cash and cash equivalents		\$ 10,551,019
Current property taxes receivable		4,631,511
Delinquent property taxes receivable		51,872
Accounts receivable		49,910
Due from other governments		6,744,622
Prepaid expenses		1,510
Inventories		36,982
		<u>22,067,426</u>
Capital assets		
Land	\$ 849,947	
Buildings	89,241,130	
Improvements	1,197,821	
Vehicles	1,139,059	
Equipment	440,384	
		<u>92,868,341</u>
Less accumulated depreciation		<u>(14,449,103)</u>
Total capital assets, net of depreciation		<u>78,419,238</u>
Total assets		<u>100,486,664</u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable		330,301
Accrued salaries, payroll deductions and employer contributions		4,114,874
Interest payable		795,179
Deferred revenue		99,490
Property taxes levied for subsequent year		7,397,529
Long-term liabilities		
Portion due or payable within one year		4,020,353
Portion due or payable after one year		61,602,822
		<u>78,360,548</u>

**NET ASSETS**

Invested in capital assets, net of related debt		16,044,238
Restricted for specific purposes		2,672,387
Unrestricted		3,409,491
		<u>22,126,116</u>
Total net assets		<u>\$ 22,126,116</u>

**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
**JUNE 30, 2006**

Exhibit A-2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
District and school administration	\$ 2,176,262	\$ -	\$ -	\$ -	\$ (2,176,262)
District support services	993,597	-	-	-	(993,597)
Regular instruction	21,118,131	51,105	918,601	-	(20,148,425)
Vocational instruction	462,603	-	-	-	(462,603)
Exceptional instruction	11,656,259	1,264,763	7,261,557	-	(3,129,939)
Community education and services	1,424,892	203,375	866,768	-	(354,749)
Instructional support services	2,883,570	-	-	-	(2,883,570)
Pupil support services	5,384,846	871,179	900,272	-	(3,613,395)
Site, buildings and equipment	6,909,084	90,146	-	1,425,718	(5,393,220)
Fiscal and other fixed-cost programs	3,445,036	-	8,718	-	(3,436,318)
Total governmental activities	<u>\$ 56,454,280</u>	<u>\$ 2,480,568</u>	<u>\$ 9,955,916</u>	<u>\$ 1,425,718</u>	<u>(42,592,078)</u>
GENERAL REVENUES					
Property taxes, levied for general purposes					204,310
Property taxes, levied for community education and services					93,903
Property taxes, levied for debt service					3,511,744
Aids and payments from the state					35,226,900
Federal aids and payments					811,808
County apportionment					64,936
Unrestricted investment earnings					457,637
Miscellaneous revenues					504,499
Total general revenues					<u>40,875,737</u>
CHANGES IN NETS ASSETS					(1,716,341)
NET ASSETS - BEGINNING					<u>23,842,457</u>
NET ASSETS - ENDING					<u>\$ 22,126,116</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD, MINNESOTA**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**JUNE 30, 2006**

Exhibit A-3

	General	Debt Service	Other Governmental Funds	Totals
<b>ASSETS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,176,409	\$ 1,819,783	\$ 554,827	\$ 10,551,019
Cash with fiscal agent	-	42,152,675	-	42,152,675
Current property taxes receivable	1,317,755	3,172,365	141,391	4,631,511
Delinquent property taxes receivable	9,079	40,567	2,226	51,872
Accounts receivable	49,104	-	806	49,910
Due from other governmental units	6,306,476	295,059	143,087	6,744,622
Prepaid expenses	1,510	-	-	1,510
Inventories	-	-	36,982	36,982
	<u>\$ 15,860,333</u>	<u>\$ 47,480,449</u>	<u>\$ 879,319</u>	<u>\$ 64,220,101</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 315,175	\$ -	\$ 15,126	\$ 330,301
Accrued salaries, payroll deductions and employer contributions	4,066,723	-	48,151	4,114,874
Deferred revenue	67,054	40,567	43,740	151,361
Property taxes levied for subsequent year	1,911,159	5,251,302	235,068	7,397,529
Total liabilities	<u>6,360,111</u>	<u>5,291,869</u>	<u>342,085</u>	<u>11,994,065</u>
<b>FUND BALANCE (DEFICIT)</b>				
<b>Reserved</b>				
For health and safety	(426,779)	-	-	(426,779)
For severance pay	281,892	-	-	281,892
For operating capital	2,859,834	-	-	2,859,834
For safe schools	(428)	-	-	(428)
For early childhood and family education	-	-	57,767	57,767
For community education	-	-	(138,680)	(138,680)
For school readiness	-	-	2,876	2,876
For scholarships	-	-	10,000	10,000
For bond refunding	-	42,152,675	-	42,152,675
<b>Unreserved</b>				
Designated for severance pay	1,423,037	-	-	1,423,037
Undesignated	5,362,666	35,905	605,271	6,003,842
Total fund balance	<u>9,500,222</u>	<u>42,188,580</u>	<u>537,234</u>	<u>52,226,036</u>
	<u>\$ 15,860,333</u>	<u>\$ 47,480,449</u>	<u>\$ 879,319</u>	<u>\$ 64,220,101</u>

**INDEPENDENT SCHOOL DISTRICT NO. 152  
MOORHEAD, MINNESOTA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2006**

Exhibit A-4

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TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 52,226,036
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.	78,419,238
Cash held with fiscal agent consists of funds held for a debt cross-over refunding and therefore, is not reported on the district-wide statements	(42,152,675)
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.	(795,180)
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.	51,872
Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(65,623,175)</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	<u><u>\$ 22,126,116</u></u>



**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD, MINNESOTA**  
**COMBINED STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**JUNE 30, 2006**

Exhibit A-5

	General	Building Construction	Debt Service	Other Governmental Funds	Totals
<b>REVENUES</b>					
Local property tax levies	\$ 569,443	\$ -	\$ 3,511,744	\$ 93,903	\$ 4,175,090
Other local and county sources	2,207,558	8,719	1,741,134	326,004	4,283,415
State sources	39,479,121	-	2,860,589	908,204	43,247,914
Federal sources	2,782,149	-	-	931,080	3,713,229
Miscellaneous	165,872	-	-	871,179	1,037,051
<b>Total revenues</b>	<u>45,204,143</u>	<u>8,719</u>	<u>8,113,467</u>	<u>3,130,370</u>	<u>56,456,699</u>
<b>EXPENDITURES</b>					
District and school administration	2,167,126	-	-	-	2,167,126
District support services	993,596	-	-	-	993,596
Regular instruction	20,736,838	-	-	-	20,736,838
Vocational instruction	462,603	-	-	-	462,603
Exceptional instruction	11,656,258	-	-	-	11,656,258
Community education and service	-	-	-	1,420,903	1,420,903
Instructional support services	2,879,288	-	-	-	2,879,288
Pupil support services	3,758,481	-	-	1,641,596	5,400,077
Site, buildings and equipment	4,698,990	483,370	-	-	5,182,360
Fiscal and other fixed cost programs	242,802	-	7,882,679	-	8,125,481
<b>Total expenditures</b>	<u>47,595,982</u>	<u>483,370</u>	<u>7,882,679</u>	<u>3,062,499</u>	<u>59,024,530</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,391,839)</u>	<u>(474,651)</u>	<u>230,788</u>	<u>67,871</u>	<u>(2,567,831)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Bonds issued	-	-	3,375,000	-	3,375,000
Payment to refunded bond escrow agent	-	-	(3,365,000)	-	(3,365,000)
Bond premium	-	-	17,948	-	17,948
<b>Total other financing sources and uses</b>	<u>-</u>	<u>-</u>	<u>27,948</u>	<u>-</u>	<u>27,948</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(2,391,839)</u>	<u>(474,651)</u>	<u>258,736</u>	<u>67,871</u>	<u>(2,539,883)</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>11,892,061</u>	<u>474,651</u>	<u>41,929,844</u>	<u>469,363</u>	<u>54,765,919</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 9,500,222</u>	<u>\$ -</u>	<u>\$ 42,188,580</u>	<u>\$ 537,234</u>	<u>\$ 52,226,036</u>

**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD, MINNESOTA**  
**RECONCILIATION OF THE CHANGE IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**JUNE 30, 2006**

Exhibit A-6

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NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	(2,539,883)
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	\$	183,529
Depreciation expense		<u>(1,983,838)</u>
Excess of depreciation expense over capital outlay		(1,800,309)
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		51,872
Prior period balance		<u>(47,011)</u>
Current year effect		4,861
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		(3,217,801)
Prior period balance		<u>2,839,117</u>
Current year effect		(378,684)
Interest payable is reported in the government wide statement of net assets but is not recorded in the governmental funds.		
Current period balance		(795,179)
Prior period balance		<u>833,749</u>
Current year effect		38,570
Net interest expense on the funds held for a debt cross-over refunding is not reported on the district-wide statements		
		60,556
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:		
Refunding bonds issued		(3,375,000)
Bond principal retirement		6,205,000
EPA loan principal retirement		<u>68,548</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>(1,716,341)</u></u>

**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES – BUDGET TO ACTUAL – GENERAL FUND**  
**JUNE 30, 2006**

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	\$ 865,580	\$ 865,580	\$ 569,443	\$ (296,137)
Other local and county sources	1,630,556	1,904,057	2,207,558	303,501
State sources	38,701,542	39,523,773	39,479,121	(44,652)
Federal sources	2,394,688	2,837,073	2,782,149	(54,924)
Miscellaneous	-	166,046	165,872	(174)
	<u>43,592,366</u>	<u>45,296,529</u>	<u>45,204,143</u>	<u>(92,386)</u>
<b>EXPENDITURES</b>				
District and school administration	2,274,714	2,274,259	2,167,126	107,133
District support services	908,671	944,271	993,596	(49,325)
Regular instruction	20,237,155	20,552,493	20,736,838	(184,345)
Vocational instruction	458,721	459,619	462,603	(2,984)
Exceptional instruction	11,299,507	11,163,814	11,656,258	(492,444)
Instructional support services	2,724,779	2,807,315	2,879,288	(71,973)
Pupil support services	3,811,912	3,791,273	3,758,481	32,792
Site, buildings and equipment	4,481,639	4,939,945	4,698,990	240,955
Fiscal and other fixed cost programs	241,818	242,614	242,802	(188)
	<u>46,438,916</u>	<u>47,175,603</u>	<u>47,595,982</u>	<u>(420,379)</u>
<b>DEFICIENCY OF REVENUES</b>				
UNDER EXPENDITURES	(2,846,550)	(1,879,074)	(2,391,839)	(512,765)
<b>FUND BALANCE, BEGINNING OF YEAR</b>				
	<u>11,892,061</u>	<u>11,892,061</u>	<u>11,892,061</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>				
	<u>\$ 9,045,511</u>	<u>\$ 10,012,987</u>	<u>\$ 9,500,222</u>	<u>\$ (512,765)</u>

**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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

The following is a summary of the District's significant accounting policies:

**A. REPORTING ENTITY**

Independent School District No. 152 is an educational entity established by the State of Minnesota and is considered a charitable organization under Internal Revenue Code Section 170.

The District's Board consists of seven members; the superintendent of the District serves as a nonvoting member. The majority of the District's funding is provided by county levies and state aid.

The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Additionally, the District is not included in any other governmental reporting entity.

Component units are legally separate organizations for which elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and is either:

1. able to impose its will on that organization or
2. there is potential for the organization to provide specific financial benefits to, or impose financial burdens on the School. The School may be financially accountable if an organization is fiscally dependent on the School.

There are no component units reported within these financial statements.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The goal of government-wide financial statements is to present a broad overview of government's finances. The basic statements that form the government-wide financial statements are the statement of net assets and the statement of activities. These two statements report information on all of the activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally financed through taxes and intergovernmental revenues, are reported separately from business-type activities, which are normally financed through user fees and charges for goods or services.

The statement of activities reports gross direct expenses by function reduced by program revenues. This results in a measurement of net revenue or expense for each of the government's activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues are directly associated with the function and include 1) charges for services and 2) operating or capital grants and contributions that are restricted to a particular function. Tax and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

## NOTES TO FINANCIAL STATEMENTS

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### C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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 tax revenue is recorded under the intact levy concept, whereby taxes collectible during a calendar year are recorded as revenue in the fiscal year beginning within the year of collection. A portion of 2005 payable 2006 has been recognized as revenue during the current year, as discussed in Note 5.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, special assessments, intergovernmental revenue, permits, charges for services and investment income associated with the current fiscal period are the major revenues that are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent they are collected in 60 days. All other revenue items are considered to be measurable and available only when the School receives cash.

The District reports the following major governmental funds:

**General Fund** – The general fund is the general operating fund of the District. All financial resources of the general government that are not required to be reported in another fund are accounted for in the general fund.

**Debt Service Fund** – The debt service fund is used to account for the accumulation of resources for and the payment of general long-term debt principal and interest.

**Building Construction Fund** – The building construction fund is used to account for financial resources used in the construction of facilities.

Amounts reported as program revenues include the following: amounts received from those who purchase, use or directly benefit from a program; amounts received from parties outside the District that are restricted to one or more specific programs; and earnings on investments that are legally restricted for a specific program. Revenues that do not meet the previous criteria are reported as general revenues, including all taxes.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Depreciation expense that can be specifically identified by function is included in the direct expense of each function.

## NOTES TO FINANCIAL STATEMENTS

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### D. OTHER SIGNIFICANT ACCOUNTING POLICIES

A. *Budgetary Accounting* - 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.

B. *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.

C. *Inventories* - The cost of supplies, textbooks, food and other items is charged to expense as purchased in the year in which the expenditure is budgeted.

Inventories of federal commodity food items are recorded on the balance sheet in the food service fund based on a standard price list furnished by the USDA. They are subsequently recorded as revenues when received and expenditures when used.

D. *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, 2006, this amount did not exceed a normal year's accumulation.

E. *Sick Pay* - Substantially all district employees are entitled to sick leave at various rates. Unused sick leave does enter into the calculation of severance pay for some employees upon termination.

F. *Severance Benefits* - Severance benefits consist of lump sum early retirement incentive payments and post-employment health care benefits. Minnesota State accounting regulations for severance benefits are described below.

- (1) *Early Retirement Incentive Payments* - The district maintains various early retirement incentive payment plans for its employee groups. Each employee group plan contains benefit formulas for lump sum payments based on years of service and/or minimum age requirements. No employee can receive early retirement incentive payments exceeding one year's salary. If early retirement incentive payments are paid within the first 60 days after year-end, an accrual is made in the governmental fund incurring the liability. For substantially all groups, the benefits are eliminated if retirement occurs at the normal retirement age as specified in their contracts. Benefits are not considered vested until actual retirement occurs. Therefore, no early retirement incentive payment liability is recorded in the Government-wide financial statements until actual retirement occurs. During fiscal year 2006, the district's expenditures for early retirement incentive payments totaled \$408,734.

## NOTES TO FINANCIAL STATEMENTS

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- (2) Post-Employment Health Care Benefits – Under the terms of collectively bargained employment contracts, the district is required to pay the health insurance premiums for certain retired employees until they reach age 65. The amount to be paid is limited as specified by contract. For qualifying employees that have retired as of June 30, the district records the estimated present value of future premiums after year-end as part of severance benefits payable in the Government wide financial statements. No amounts are recorded for employees that have not retired as of June 30. All premiums are funded on-a-pay-as-you-go basis.

During fiscal year 2006, total expenditures for health insurance premiums on behalf of 81 retired employees were \$343,353. At June 30, 2006, a post-employment health care benefits liability of \$1,704,929 is included as part of severance benefits payable in the Government wide financial statements.

*G. Pension Costs* - Pension costs are funded as they accrue.

*H. Capital Assets*

Capital assets, which include land, buildings, improvements, vehicles, and equipment are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost equal to or greater than \$5,000. Such assets are recorded at historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized. Depreciation of the capital assets is computed on the straight-line method over a period of 3-50 years.

*I. Fund Balance Reserves and Designation*

Net Assets Restricted for Specific Purposes – The restricted net assets on the district-wide statement of net assets represents the available resources restricted for use for health and safety, post-employment benefits, operating capital, early childhood and family education, community education, school readiness, and debt service.

Fund Balance Reserved for Health and Safety – The reserved fund balance represents the available recourse for correction of fire, life and other safety hazards, including the removal and clean-up of asbestos and polychlorinated biphenyls. Also, the funds may be sued for the removal, clean up, disposal and repairs related to the storage heating and transportation fuels.

Fund Balance Reserved for Severance Pay – The reserve fund balance is for payment for insurance for accumulated sick leave, early retirement incentive payments, and continuing health insurance payments to retired employees. The amount to be recorded in the Reserve for Post-employment Benefits is equal to the portion of the long-term debt at the end of the current fiscal year that is schedule for payment in the second ensuing year. Any expenditures after the end of the fiscal year are not be to be charged against this reserve, but rather are charged against the Unreserved Fund Balance. Such severance payments are, therefore, financed from current resources and not from the reserve account.

Fund Balance Reserved for Operating Capital – The reserved fund balance represents the available resources dedicated exclusively for equipment and facility purchases.

Fund Balance Reserved for Safe Schools - The reserved fund balance represents available resources to pay for salaries, benefits and transportation of peace officers and sheriffs for liaison services, drug abuse prevention programs, gang resistance education training curriculum, security in the District's schools and school property, and other crime prevention.

## NOTES TO FINANCIAL STATEMENTS

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Fund Balance Reserved for Community Education – The reserved fund balance represents resources available to provide programming such as: nonvocational, recreational and leisure time activities, program for adults with disabilities, non-credit summer programs, adult basic education programs, youth development and youth service programming and extended day programs.

Fund Balance Reserved for Early Childhood and Family Education - The reserved fund balance represents resources available to provide for services for Early Childhood Family Education Programming.

Fund Balance Reserved for School Readiness – Represents the resources available to provide for services for School Readiness Program.

Fund Balance Reserved for Scholarships – Represents the principal of a nonexpendable trust fund established by a third-party donor for scholarships.

Fund Balance Reserved for Bond Refunding – Represents the cash held with fiscal agent to be used to refund the 2013-2022 maturities of the General Obligation School Building Bonds of 2002 on the April 1, 2012 call date.

Unreserved – Designated for Severance Pay – The designated fund balance is for payment for insurance for accumulated sick leave, early retirement incentive payments, and continuing health insurance payments to retired employees. The amount to be recorded in the Designated for Severance Pay is equal to the portion of the long-term debt at the end of the current fiscal year that is schedule for payment in the third ensuing year through the end of the payout schedule.

Unreserved - Undesignated Fund Balance - Indicates that portion of fund balance which is available for appropriation in future periods.

### NOTE 2 - RISK MANAGEMENT

The District is exposed to various risks of losses including general liability, property damage and employee bodily injury. The insurance coverage is considered to be adequate to cover unexpected claims against the District. The District retains the responsibility to cover any settlements exceeding the specific coverage. There was no reduction in coverage from the prior year and settlements have not exceeded insurance coverage in the past three years.

### NOTE 3 - CASH AND INVESTMENTS

*Deposits* - In accordance with Minnesota statutes, the district maintains deposits at those depositories authorized by the school board. All such depositories are members of the Federal Reserve System.

Minnesota statutes require that all district deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds (140% in the case of mortgage notes pledged). Authorized collateral includes U.S. Government obligations, as well as certain first mortgage notes and certain other state or local government obligations. Minnesota statutes require that securities pledged as collateral be held in safekeeping by the district treasurer or in a financial institution other than that furnishing the collateral. The deposits of the District are entirely insured or collateralized with securities held by the district or its agent in the district's name at June 30, 2006.

Deposits include checking and saving accounts, certificates of deposit and deposits with the Minnesota School District Liquid Asset Fund.

(continued on next page)



**NOTES TO FINANCIAL STATEMENTS**

*Investments* - 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. The District had no such investments during the year or at year end.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. The District does not have a formal policy to further limit exposure to custodial credit risk. As of June 30, 2006, the District's deposits were either fully insured or properly collateralized, and have no custodial credit risk.

**NOTE 4 - PROPERTY TAXES**

Property tax levies are set by the board in October each year and are certified to Clay County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes.

The county spreads all levies over assessable property. Such taxes become a lien on January 1 and are recorded as receivables by the district at that date.

Property taxes may be paid by taxpayers in two equal installments, on May 15 and October 15. The county provides tax settlements to districts and other local governments three times a year, on or before April 15, June 30 and November 30.

**NOTE 5 - PROPERTY TAX SHIFT**

Several years ago, the Minnesota state legislature passed a state aid reduction bill, which resulted in reduced general education aid payment to school districts. This legislation instructed districts to compensate for the loss of state aid by making an early recognition of property taxes which were levied for the subsequent year. This procedure was termed a tax shift.

For the year ended June 30, 2006, a portion of the District's property tax was subject to this procedure. As a result, \$405,730 of the 2005 payable 2006, which ordinarily would have been recognized in the 2007 fiscal year, was taken into revenue for the current year.

**NOTE 6 - DUE FROM OTHER GOVERNMENTS**

Amounts receivable from other governments as of June 30, 2006, include:

Fund	Federal	State	Other	Total
Major funds				
General	\$ 1,922,299	\$ 3,189,221	\$ 1,194,956	\$ 6,306,476
Debt service	-	295,059	-	295,059
Non-major funds	75,542	67,545	-	143,087
	<u>\$ 1,997,841</u>	<u>\$ 3,551,825</u>	<u>\$ 1,194,956</u>	<u>\$ 6,744,622</u>

The state receivable in the general fund includes general education aid of \$2,586,742.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 is as follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Capital assets not being depreciated				
Land	\$ 849,947	\$ -	\$ -	\$ 849,947
Capital assets being depreciated				
Buildings	\$ 89,225,625	\$ 15,505	\$ -	\$ 89,241,130
Improvements	1,197,821	-	-	1,197,821
Vehicles	1,073,564	97,127	(31,632)	1,139,059
Equipment	369,487	70,897	-	440,384
Total capital assets being depreciated	<u>\$ 91,866,497</u>	<u>\$ 183,529</u>	<u>\$ (31,632)</u>	<u>\$ 92,018,394</u>

Accumulated depreciation activity for the year ended June 30, 2006 is as follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Buildings	\$ 11,668,687	\$ 1,781,908	\$ -	\$ 13,450,595
Improvements	56,463	59,891	-	116,354
Vehicles	645,228	85,151	-	730,379
Equipment	126,519	56,888	(31,632)	151,775
	<u>\$ 12,496,897</u>	<u>\$ 1,983,838</u>	<u>\$ (31,632)</u>	<u>\$ 14,449,103</u>

Depreciation expense for the year ended June 30, 2006 was charged to the following functions/programs:

District and school administration	\$ 9,137
Regular instruction	2,610
Community education	3,996
Instructional support	42,948
Pupil support services	69,247
Site, building and equipment	<u>1,855,900</u>
Total depreciation expense	<u>\$ 1,983,838</u>

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - OPERATING LEASES**

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 \$290,667.

**NOTE 9 - LONG-TERM LIABILITIES**

Changes in long-term liabilities during the year ended June 30, 2006 are as follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Due Within One Year
Bonds payable	\$ 65,205,000	\$ 3,375,000	\$ 6,205,000	\$ 62,375,000	\$ 2,965,000
EPA loans payable	98,922	-	68,548	30,374	30,374
Severance payable	1,561,688	212,408	69,167	1,704,929	743,087
Sick leave and vacation	<u>1,277,429</u>	<u>235,443</u>	<u>-</u>	<u>1,512,872</u>	<u>281,892</u>
	<u>\$ 68,143,039</u>	<u>\$ 3,822,851</u>	<u>\$ 6,342,715</u>	<u>\$ 65,623,175</u>	<u>\$ 4,020,353</u>

Following is a summary of bonds payable as of June 30, 2006:

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	\$ 16,920,000
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%	42,080,000	<u>3,375,000</u>
				<u>\$ 62,375,000</u>

\*\* As of June 30, 2006 the Building Bonds of 2002 have \$58,920,000 in principal payments remaining. All but \$16,920,000 of the balance due will be paid with the cash held by a fiscal agent.

Bond principal and interest payments are made by the debt service fund.

**NOTES TO FINANCIAL STATEMENTS**

During 2006 the district issued bonds, the proceeds of which were used to refund the 2007-2013 maturities of the General Obligation School Building Refunding Bonds of 1997 on the February 1, 2006 call date. The refunding transaction resulted in an economic gain of \$139,223.

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.

*EPA Loans Payable* - The district has two assistance agreements with the U.S. Environmental Protection Agency (EPA) which included two loans. The agreements require semiannual installments of principal on the loans be paid to EPA in an amount equal to 1/36 of the loans. The loans are non-interest bearing and mature in fiscal year 2007. Payments are made from the general fund.

*Post-Employment Benefits Payable* - This amount consists of vested health and life insurance benefits payable until age 65 and a portion of unused sick leave payable as severance to qualified retirees.

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

Years Ending June 30,	Bonds Payable		EPA Loans Payable		Severance Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 2,965,000	\$ 3,071,734	\$ 30,374	\$ -	\$ 743,087	\$ -	\$ 3,738,461	\$ 3,071,734
2008	3,095,000	2,943,625	-	-	281,892	-	3,376,892	2,943,625
2009	3,215,000	2,807,687	-	-	212,348	-	3,427,348	2,807,687
2010	3,380,000	2,666,501	-	-	153,080	-	3,533,080	2,666,501
2011	3,500,000	2,503,502	-	-	114,898	-	3,614,898	2,503,502
2012 - 2016	19,030,000	8,257,800	-	-	90,173	-	19,120,173	8,257,800
2017 - 2021	22,200,000	3,855,110	-	-	51,632	-	22,251,632	3,855,110
2022	4,990,000	212,078	-	-	57,819	-	5,047,819	212,078
	<u>\$ 62,375,000</u>	<u>\$ 26,318,037</u>	<u>\$ 30,374</u>	<u>\$ -</u>	<u>\$ 1,704,929</u>	<u>\$ -</u>	<u>\$ 64,110,303</u>	<u>\$ 26,318,037</u>

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

A. *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 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 State Statute and vest after three years of allowable service credit. The defined retirement benefits are based on a member's highest average salary for any 5 consecutive 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 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>Coordinated</u>	<u>Basic</u>
	1st ten years	1.2 percent per year	2.2 percent per year
	all years after	1.7 percent per year	2.7 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: A level formula of 1.7 percent per year for coordinated members and 2.7 percent per year for basic members. These percents apply to all years of service. 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. 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. 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. Members terminating service are also 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.

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

## NOTES TO FINANCIAL STATEMENTS

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*B. 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. As of June 30, 2005, Coordinated and Basic Plan members are required to contribute 5.0 percent and 9.0 percent, respectively, of their annual covered salary. Employer contribution rates matched the rates paid by the member of 5.0 percent for Coordinated members and 9.0 percent for Basic members. Total covered payroll salaries for all TRA members statewide during fiscal year 2005 was approximately \$2.873 billion.

The district contributions for the years ended June 30, 2006, 2005, and 2004 were \$1,151,721, \$1,103,867, and \$1,082,512, respectively, equal to the required contributions for each year as set by state statute.

*C. 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), the Public Employees Police and Fire Fund (PEPFF), and the Local Government Correctional Service Retirement Fund, called the Public Employees Correctional Fund (PECF), which are cost-sharing, multiple-employer retirement plans. These plans are 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. All police officers, fire fighters and peace officers who qualify for membership by statute are covered by the PEPFF. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailers/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates are covered by PECF.

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.

Two methods are used to compute benefits for PERF's Coordinated and Basic Plan members. The retiring member receives the higher of 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 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 for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. The annuity accrual rate is 1.9 percent for each year of service for PECF members. For all PEPFF members, PECF members, and 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 55 for PEPFF and PECF members and 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.

(continued on next page)

## NOTES TO FINANCIAL STATEMENTS

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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, PEPFF, and PECF. That report may be obtained on the web at [mnpera.com](http://mnpera.com), 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.

*D. 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 are required to contribute 9.10 percent and 5.10 percent, respectively, of their annual covered salary. PEPFF members are required to contribute 6.20 percent of their annual covered salary. PECF members are required to contribute 5.83 percent of their annual covered salary. Independent School District No. 152 is required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan PERF members, 5.53 percent for Coordinated Plan PERF members, and 9.30 percent for PEPFF members, and 8.75 percent for PECF members. The District's contributions for the years ended June 30, 2006, 2005, and 2004 were \$415,814, \$383,016, and \$389,535, respectively, equal to the contractually required contributions for each year as set by state statute.

### **NOTE 11 - 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. 45 "Accounting and Financial Reporting by Employers for Postemployment benefits other than Pensions." This statement will affect the way the District accounts for and reports their postemployment healthcare and other non-pension benefits. This statement will be implemented at the District in the year ending June 30, 2009.

**GENERAL FUND**

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**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD, MINNESOTA**  
**SCHEDULE OF CHANGES IN FUND BALANCES**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2006**

Exhibit B-1

	Fund Balance (Deficit) Beginning of Year	Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	Fund Balance (Deficit) End of Year
Reserved for health and safety	\$ (180,469)	\$ (246,310)	\$ (426,779)
Reserved for severance pay	267,965	13,927	281,892
Reserved for operating capital	3,631,844	(772,010)	2,859,834
Reserved for safe schools	-	(428)	(428)
Unreserved - designated for severance pay	1,293,723	129,314	1,423,037
Unreserved - undesignated	<u>6,878,998</u>	<u>(1,516,332)</u>	<u>5,362,666</u>
	<u>\$ 11,892,061</u>	<u>\$ (2,391,839)</u>	<u>\$ 9,500,222</u>

**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD, MINNESOTA**  
**SCHEDULE OF REVENUES – BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2006**  
**(With Comparative Totals for June 30, 2005)**

Exhibit B-2

	2006			Variance With Final Budget	2005
	Original Budget	Final Budget	Actual		Actual
<b>Local property tax levies</b>					
Maintenance levy	\$ 865,580	\$ 865,580	\$ 893,686	\$ 28,106	\$ 908,680
Property tax shift	-	-	(324,243)	(324,243)	(49,435)
	<u>865,580</u>	<u>865,580</u>	<u>569,443</u>	<u>(296,137)</u>	<u>859,245</u>
<b>Other local and county sources</b>					
Student activities, tuitions and fees	1,308,682	1,386,364	1,644,716	258,352	1,405,390
County apportionment	77,773	64,936	64,936	-	63,663
Interest	175,000	410,000	456,955	46,955	203,081
Other local revenues	<u>69,101</u>	<u>42,757</u>	<u>40,951</u>	<u>(1,806)</u>	<u>41,918</u>
	<u>1,630,556</u>	<u>1,904,057</u>	<u>2,207,558</u>	<u>303,501</u>	<u>1,714,052</u>
<b>State sources</b>					
General education aid	31,852,914	32,817,861	32,589,808	(228,053)	31,348,435
State aid shift	-	-	324,243	324,243	49,435
Endowment fund apportionment	-	130,000	137,630	7,630	127,965
Special education aid	6,392,819	6,309,143	6,151,742	(157,401)	6,554,615
Educational Agricultural and Homestead Credit	75,137	76,089	75,137	(952)	101,934
Other aids	<u>380,672</u>	<u>190,680</u>	<u>200,561</u>	<u>9,881</u>	<u>190,719</u>
	<u>38,701,542</u>	<u>39,523,773</u>	<u>39,479,121</u>	<u>(44,652)</u>	<u>38,373,103</u>
<b>Federal sources</b>					
Title I	1,079,998	1,006,679	918,601	(88,078)	885,388
PL 94-142	658,813	1,104,719	1,158,387	53,668	1,083,059
Other	<u>655,877</u>	<u>725,675</u>	<u>705,161</u>	<u>(20,514)</u>	<u>923,293</u>
	<u>2,394,688</u>	<u>2,837,073</u>	<u>2,782,149</u>	<u>(54,924)</u>	<u>2,891,740</u>
Miscellaneous	-	166,046	165,872	(174)	-
Total revenues	<u>\$ 43,592,366</u>	<u>\$ 45,296,529</u>	<u>\$ 45,204,143</u>	<u>\$ (92,386)</u>	<u>\$ 43,838,140</u>

**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD, MINNESOTA**  
**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2006**  
**(With Comparative Totals for June 30, 2005)**

Exhibit B-3

	2006			Variance With Final Budget	2005
	Original Budget	Final Budget	Actual		Actual
District and school administration					
Salaries and wages	\$ 1,932,673	\$ 1,921,161	\$ 1,807,338	\$ 113,823	\$ 1,838,359
Employee benefits	291,390	302,447	302,505	(58)	290,927
Purchased services	25,710	25,710	35,190	(9,480)	31,411
Other expenditures	24,941	24,941	22,093	2,848	20,408
	<u>2,274,714</u>	<u>2,274,259</u>	<u>2,167,126</u>	<u>107,133</u>	<u>2,181,105</u>
District support services					
Salaries and wages	681,913	681,913	730,017	(48,104)	664,596
Employee benefits	105,183	105,183	104,323	860	101,026
Purchased services	101,956	130,056	129,955	101	109,883
Supplies and materials	14,286	14,286	13,422	864	13,654
Other expenditures	5,333	12,833	15,879	(3,046)	(10,044)
	<u>908,671</u>	<u>944,271</u>	<u>993,596</u>	<u>(49,325)</u>	<u>879,115</u>
Regular instruction					
Salaries and wages	14,154,158	14,427,833	14,505,149	(77,316)	13,757,192
Employee benefits	4,271,131	4,252,383	4,405,279	(152,896)	4,091,653
Purchased services	709,801	731,841	895,123	(163,282)	871,687
Supplies and materials	766,827	826,518	706,913	119,605	633,148
Capital expenditures	134,689	154,433	135,307	19,126	400,525
Other expenditures	200,549	159,485	89,067	70,418	96,992
	<u>20,237,155</u>	<u>20,552,493</u>	<u>20,736,838</u>	<u>(184,345)</u>	<u>19,851,197</u>
Vocational instruction					
Salaries and wages	351,705	351,705	353,868	(2,163)	341,128
Employee benefits	98,163	98,163	98,528	(365)	91,557
Purchased services	309	309	741	(432)	617
Supplies and materials	8,544	9,442	9,466	(24)	8,237
	<u>458,721</u>	<u>459,619</u>	<u>462,603</u>	<u>(2,984)</u>	<u>441,539</u>
Exceptional instruction					
Salaries and wages	8,284,630	8,183,654	8,248,685	(65,031)	7,868,892
Employee benefits	1,839,837	1,805,120	1,906,229	(101,109)	1,735,692
Purchased services	952,734	952,735	1,281,866	(329,131)	1,001,034
Supplies and materials	80,861	80,860	67,388	13,472	79,208
Capital expenditures	134,681	134,681	149,457	(14,776)	147,440
Other expenditures	6,764	6,764	2,633	4,131	4,158
	<u>11,299,507</u>	<u>11,163,814</u>	<u>11,656,258</u>	<u>(492,444)</u>	<u>10,836,424</u>

(continued on next page)

**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL  
GENERAL FUND – Page 2**

Exhibit B-3, continued

	2006			Variance With Final Budget	2005
	Original Budget	Final Budget	Actual		Actual
<b>Instructional support services</b>					
Salaries and wages	1,578,737	1,538,566	1,546,670	(8,104)	1,477,842
Employee benefits	274,856	245,836	272,783	(26,947)	236,219
Purchased services	181,734	194,974	120,923	74,051	130,702
Supplies and materials	136,649	136,650	130,878	5,772	125,887
Capital expenditures	503,517	655,243	771,369	(116,126)	651,188
Other expenditures	49,286	36,046	36,665	(619)	30,449
	<u>2,724,779</u>	<u>2,807,315</u>	<u>2,879,288</u>	<u>(71,973)</u>	<u>2,652,287</u>
<b>Pupil support services</b>					
Salaries and wages	1,282,526	1,252,093	1,228,028	24,065	1,209,780
Employee benefits	252,870	249,563	249,474	89	242,353
Purchased services	1,861,163	1,873,395	1,870,698	2,697	1,723,912
Supplies and materials	310,626	316,787	316,222	565	257,028
Capital expenditures	76,000	74,036	74,036	-	151,149
Other expenditures	28,727	25,399	20,023	5,376	28,643
	<u>3,811,912</u>	<u>3,791,273</u>	<u>3,758,481</u>	<u>32,792</u>	<u>3,612,865</u>
<b>Site, building and equipment</b>					
Salaries and wages	1,137,069	1,142,028	1,093,824	48,204	1,098,104
Employee benefits	187,109	187,531	180,581	6,950	180,319
Purchased services	1,291,761	1,363,308	1,328,588	34,720	1,260,663
Supplies and materials	1,037,920	1,212,877	1,105,007	107,870	956,878
Capital expenditures	823,475	1,029,896	987,483	42,413	2,036,536
Other expenditures	4,305	4,305	3,507	798	2,179
	<u>4,481,639</u>	<u>4,939,945</u>	<u>4,698,990</u>	<u>240,955</u>	<u>5,534,679</u>
<b>Fiscal and other fixed costs</b>					
Purchased services	<u>241,818</u>	<u>242,614</u>	<u>242,802</u>	<u>(188)</u>	<u>237,466</u>
<b>Total expenditures</b>	<b>\$ 46,438,916</b>	<b>\$ 47,175,603</b>	<b>\$ 47,595,982</b>	<b>\$ (420,379)</b>	<b>\$ 46,226,677</b>

## **NONMAJOR GOVERNMENTAL FUNDS**

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*Food Service* - This fund is used to account for revenues and expenditures for school lunch programs. Costs of the programs are recovered principally from charges to students and state and federal aids.

*Community Service* - This fund is used to account for programs other than for elementary and secondary students and is financed principally by property taxes, fees from patrons and state and federal aids.

*Scholarship* - This 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.

**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD, MINNESOTA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2006**

Exhibit B-4

	Food Service	Community Service	Scholarship	Totals
<b>ASSETS</b>				
Cash and cash equivalents	\$ 470,359	\$ 74,468	\$ 10,000	\$ 554,827
Current property taxes receivable	-	141,391	-	141,391
Delinquent property taxes receivable	-	2,226	-	2,226
Accounts receivable	806	-	-	806
Due from other governmental units	-	143,087	-	143,087
Inventories	36,982	-	-	36,982
	<u>\$ 508,147</u>	<u>\$ 361,172</u>	<u>\$ 10,000</u>	<u>\$ 879,319</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 4,075	\$ 11,051	\$ -	\$ 15,126
Accrued salaries	300	47,851	-	48,151
Deferred revenue	28,547	15,193	-	43,740
Property taxes levied for subsequent year	-	235,068	-	235,068
Total liabilities	<u>32,922</u>	<u>309,163</u>	<u>-</u>	<u>342,085</u>
<b>FUND BALANCE (DEFICIT)</b>				
Reserved				
For early childhood and family education	-	57,767	-	57,767
For community education	-	(138,680)	-	(138,680)
For school readiness	-	2,876	-	2,876
For scholarships	-	-	10,000	10,000
Unreserved - Undesignated	475,225	130,046	-	605,271
	<u>475,225</u>	<u>52,009</u>	<u>10,000</u>	<u>537,234</u>
	<u>\$ 508,147</u>	<u>\$ 361,172</u>	<u>\$ 10,000</u>	<u>\$ 879,319</u>

**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD, MINNESOTA**  
**COMBINING SCHEDULE OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2006**

Exhibit B-5

	Food Service	Community Service	Scholarships	Totals
<b>REVENUES</b>				
Local property tax levies	\$ -	\$ 93,903	\$ -	\$ 93,903
Other local and county sources	48,610	267,154	10,240	326,004
State sources	140,964	767,240	-	908,204
Federal sources	741,915	189,165	-	931,080
Sales and other conversion of assets	871,179	-	-	871,179
<b>Total revenues</b>	<u>1,802,668</u>	<u>1,317,462</u>	<u>10,240</u>	<u>3,130,370</u>
<b>EXPENDITURES</b>				
Community education and service	-	1,420,903	-	1,420,903
Pupil support services	1,641,356	-	240	1,641,596
<b>Total expenditures</b>	<u>1,641,356</u>	<u>1,420,903</u>	<u>240</u>	<u>3,062,499</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	161,312	(103,441)	10,000	67,871
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>313,913</u>	<u>155,450</u>	<u>-</u>	<u>469,363</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 475,225</u>	<u>\$ 52,009</u>	<u>\$ 10,000</u>	<u>\$ 537,234</u>

**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD, MINNESOTA**  
**COMBINING SCHEDULE OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOOD SERVICE FUND**  
**YEAR ENDED JUNE 30, 2006**  
**(With Comparative Totals for June 30, 2005)**

Exhibit B-6

	2006			2005	
	Original Budget	Final Budget	Actual	Variance With Final Budget	Actual
<b>Revenues</b>					
Other local and county sources	\$ 32,205	\$ 42,340	\$ 48,610	\$ 6,270	\$ 36,996
State sources					
Lunch program aid	107,124	126,714	140,964	14,250	110,288
Federal sources					
Lunch program aid	560,725	646,313	637,051	(9,262)	563,068
Food distribution program	89,200	106,022	104,864	(1,158)	84,585
	649,925	752,335	741,915	(10,420)	647,653
Sale of food	741,598	861,659	871,179	9,520	763,314
Total revenues	1,530,852	1,783,048	1,802,668	19,620	1,558,251
<b>Expenditures</b>					
Pupil support services					
Salaries and wages	413,832	414,350	412,925	1,425	437,546
Employee benefits	63,927	62,507	63,945	(1,438)	62,648
Purchased services	128,591	149,870	149,094	776	139,252
Food costs and supplies	1,027,900	996,537	983,720	12,817	992,191
Capital outlay	20,000	10,468	10,048	420	32,080
Other expenditures	27,000	22,000	21,624	376	26,166
Total expenditures	1,681,250	1,655,732	1,641,356	14,376	1,689,883
Excess (deficiency) of revenues over (under) expenditures	(150,398)	127,316	161,312	33,996	(131,632)
Fund balance, beginning of year	313,913	313,913	313,913	-	445,545
Fund balance, end of year	\$ 163,515	\$ 441,229	\$ 475,225	\$ -	\$ 313,913



**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD, MINNESOTA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE – BUDGET TO ACTUAL**  
**COMMUNITY SERVICE FUND**  
**YEAR ENDED JUNE 30, 2006**  
**(With Comparative Totals for June 30, 2005)**

Exhibit B-7

	2006			2005	
	Original Budget	Final Budget	Actual	Variance With Final Budget	Actual
<b>Revenues</b>					
Local property taxes					
Property tax levy	\$ 229,669	\$ 217,526	\$ 187,460	\$ (30,066)	\$ 141,969
Property tax shift	-	-	(93,557)	(93,557)	24,035
	<u>229,669</u>	<u>217,526</u>	<u>93,903</u>	<u>(123,623)</u>	<u>166,004</u>
Other local and county sources					
Tuition and fees	189,500	201,273	203,375	2,102	184,370
Miscellaneous local revenues	84,496	183,422	63,779	(119,643)	115,665
	<u>273,996</u>	<u>384,695</u>	<u>267,154</u>	<u>(117,541)</u>	<u>300,035</u>
State sources					
Other appropriations	540,784	584,806	673,683	88,877	715,958
State aid shift	-	-	93,557	93,557	(24,035)
	<u>540,784</u>	<u>584,806</u>	<u>767,240</u>	<u>182,434</u>	<u>691,923</u>
Federal source	<u>41,596</u>	<u>41,596</u>	<u>189,165</u>	<u>147,569</u>	<u>131,459</u>
Total revenues	<u>1,086,045</u>	<u>1,228,623</u>	<u>1,317,462</u>	<u>88,839</u>	<u>1,289,421</u>
<b>Expenditures</b>					
Community education and services					
Salaries and wages	796,896	808,841	936,822	(127,981)	939,959
Employee benefits	135,163	123,767	134,065	(10,298)	135,853
Purchased services	143,997	181,230	234,713	(53,483)	179,415
Supplies and materials	40,497	69,239	67,328	1,911	73,506
Capital outlay	21,300	18,104	19,357	(1,253)	113,390
Other expenditures	21,186	41,443	28,618	12,825	52,651
Total expenditures	<u>1,159,039</u>	<u>1,242,624</u>	<u>1,420,903</u>	<u>(178,279)</u>	<u>1,494,774</u>
Excess (deficiency) of revenues over (under) expenditures	(72,994)	(14,001)	(103,441)	(89,440)	(205,353)
Fund balance, beginning of year	<u>155,450</u>	<u>155,450</u>	<u>155,450</u>	-	<u>360,803</u>
Fund balance, end of year	<u>\$ 82,456</u>	<u>\$ 141,449</u>	<u>\$ 52,009</u>	<u>\$ (89,440)</u>	<u>\$ 155,450</u>

**OTHER SUPPLEMENTARY INFORMATION**

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**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD, MINNESOTA**  
**CHANGES IN STUDENT ACTIVITY CASH BALANCES**  
**YEAR ENDED JUNE 30, 2006**

Exhibit C-1

Activity	Balance 7/1/05	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/06
6th Grade Activities	\$ 2,002	\$ 3,001	\$ 2,795	\$ 2,208
After School Programs - Jr. High	-	150	146	4
ALC	3,561	118	-	3,679
APL Project	59	1,526	1,012	573
Apollo Strings	6,365	33,465	30,040	9,790
Auditorium Technology	11	1,073	704	380
Band - Jr. High	14,581	10,892	4,772	20,701
Band - Sr. High	26,994	83,509	63,396	47,107
Baseball Club	3,650	672	2,000	2,322
Basketball - Boys	711	6,239	5,785	1,165
Basketball - Girls	1,337	2,382	1,115	2,604
Caps & Gowns	14,448	480	-	14,928
Cheerleading	-	2,640	2,640	-
Choir - Sr. High	3,322	95,155	94,450	4,027
Chokio	8,556	36,178	22,820	21,914
Class of 2005	4,334	-	4,334	-
Class of 2006	3,993	133	-	4,126
Class of 2007	-	5,320	936	4,384
Community/Work Class	95	1	-	96
Craft Club - Sr. High	585	2,996	2,772	809
Cross Country	1,412	6,719	6,458	1,673
Danceline	19	17,696	12,110	5,605
Debate Enrichment	1,929	2,186	3,600	515
Destination Imagination	2,649	2,400	3,117	1,932
DHH Social Fund	107	4	-	111
Drama - Jr. High	32	15	-	47
ECFE	1,417	333	183	1,567
Edison School Store	82	-	-	82
English - Jr. High	303	10	-	313
Field House	-	2,060	849	1,211
Football Club	5,515	28,772	28,958	5,329
French Club	4,213	1,694	1,024	4,883
Girls Golf - Sr. High	28	-	1	27

(continued on next page)

Activity	Balance 7/1/05	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/06
Gymnastics Club	584	379	122	841
Hall of Honor	862	4,484	3,523	1,823
Heroes - Jr. High	469	1,697	1,680	486
History Day	130	4	-	134
Hockey - Boys	1,532	4,385	5,891	26
Hockey - Girls	1,226	33	468	791
Honor Choir - Jr. High	8,350	1,769	552	9,567
Interest	-	7,881	7,881	-
Intramurals	259	423	250	432
Journalism	1,492	787	-	2,279
Knowledge Bowl	867	2,801	3,654	14
Lova	88	-	-	88
Math Club - Jr. High	7	1	-	8
Media - Jr. High	496	408	362	542
National Forensics League	1,194	13,804	14,425	573
Nature Project - Jr. High	225	2,132	1,230	1,127
Orchestra - Jr. High	1,921	41,660	42,052	1,529
Orchestra - Sr. High	39	-	-	39
Plays - Sr. High	14,113	54,366	55,070	13,409
Positive Incentives - Jr. High	374	511	582	303
Robert Asp Special	16	-	1	15
Robert Asp Student Council	2,655	88	-	2,743
Robert Asp Yearbook	891	30	-	921
RRALC Store	1,281	762	750	1,293
SADD	359	731	171	919
School Patrol	3,909	3,655	110	7,454
Service Enhancement Club	206	160	142	224
Service Learning	799	10,205	7,348	3,656
Soccer - Boys	146	100	246	-
Soccer - Girls	107	1,012	912	207
Social Studies - Sr. High	237	9	-	246
Softball	4,762	4,122	3,477	5,407
Spanish Club	3,215	106	36	3,285
Spanish Club - Jr. High	417	12	-	429
Spanish Trips - Sr. High	-	2,238	2,237	1
Special Events	-	3,375	1,300	2,075

Activity	Balance 7/1/05	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/06
STEP Trip	3,631	5,153	5,224	3,560
Store - Jr. High	1,699	7,289	5,780	3,208
Student Council - Jr. High	1,870	6,186	4,220	3,836
Student Council - Sr. High	3,095	5,530	2,058	6,567
Swimming - Boys	-	3,688	2,528	1,160
Swimming - Girls	537	11,698	11,231	1,004
Tech Club - Jr. High	1,236	41	-	1,277
Tennis - Girls	40	1	-	41
Theatre Arts - Jr. High	2,912	50,365	45,007	8,270
Track - Boys	6,278	5,732	6,180	5,830
Track - Girls	3,963	4,484	8,294	153
World DI	52	-	-	52
Wrestling Club	648	23	-	671
Yearbook - Jr. High	2,648	16,011	12,660	5,999
Youth Board	4	3	-	7
	<u>4</u>	<u>3</u>	<u>-</u>	<u>7</u>
	<u>\$ 194,151</u>	<u>\$ 628,153</u>	<u>\$ 553,671</u>	<u>\$ 268,633</u>

**INDEPENDENT SCHOOL DISTRICT NO. 152**

**MOORHEAD, MINNESOTA**

**UNIFORM ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE**

Exhibit C-2

**YEAR ENDED JUNE 30, 2006**

GENERAL FUND

Total revenues	\$ 45,204,143
Total expenditures	47,595,982
Fund Balance	
Reserved:	
4.06 Health and safety	(426,779)
4.11 Severance pay	281,892
4.24 Operating capital	2,859,834
4.49 Safe schools	(428)
Unreserved:	
4.22 Designated for severance pay	1,423,037
4.22 Unres fund balance	5,362,666

FOOD SERVICE

Total revenues	\$ 1,802,668
Total expenditures	1,641,356
Fund Balance	
Unreserved:	
4.22 Unres fund balance	475,225

COMMUNITY SERVICE

Total revenues	\$ 1,317,462
Total expenditures	1,420,903
Fund Balance	
Reserved:	
4.31 Community education	(138,680)
4.32 Early childhood-family education	57,767
4.44 School readiness	2,876
Unreserved:	
4.22 Unres fund balance	130,046

BUILDING CONSTRUCTION

Total revenues	\$ 8,719
Total expenditures	483,370
Fund Balance	
Unreserved:	
4.22 Unres fund balance	-

DEBT SERVICE

Total revenues	\$ 8,113,467
Total expenditures	7,882,679
Fund Balance	
Reserved:	
4.25 Bond refunding	42,152,675
Unreserved:	
4.22 Unres fund balance	35,905

TRUST FUND

Total revenues	\$ 10,240
Total expenditures	240
Fund Balance	
Unreserved:	
4.22 Unres fund balance	10,000

	Fund	Reserved Total	Unreserved Total
	01	\$ 2,714,519	\$ 6,785,703
	02	-	475,225
	04	(78,037)	130,046
	06	-	-
	07	42,152,675	35,905
	08	10,000	-

**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD, MINNESOTA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2006**

Federal Grantor/Program Title	Federal CFDA Number	Expenditures
<b>Department of Agriculture</b>		
<i>Passed through Minnesota Department of Children Families and Learning</i>		
School Breakfast	10.553	\$ 136,550
Milk Program	10.556	3,677
National School Lunch	10.555	497,081
Total Child Nutrition Cluster		637,308
Total Department of Agriculture		637,308
<b>Department of Education</b>		
<i>Passed through Minnesota Department of Children Families and Learning</i>		
Adult Basic Education - Regular	84.002	36,435
ECIA - Chapter I	84.010	746,632
ECIA - Chapter I - Neglected and Delinquent	84.010	41,869
Total CFDA # 84.010		788,501
Migrant - Education	84.011	280,844
Flow-through 94-142	84.027	1,165,685
Disabled Early Education	84.173	31,029
Total Special Education Cluster		1,196,714
Title VII Indian School Assistance	84.060	44,661
Drug Education	84.186	24,439
Homeless Grant	84.196	51,655

**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</i>		
<i>Department of Children Families and Learning</i>		
Title V	84.298	<u>21,632</u>
Title III	84.365A	<u>32,079</u>
Title II	84.367	<u>332,581</u>
Title II Part D	84.318	<u>15,413</u>
<i>Direct</i>		
Physical Education Program (PEP)	84.215	<u>462,444</u>
Even Start	84.213	<u>147,500</u>
Total Department of Education		<u>3,434,898</u>
<b>Total expenditures of federal awards</b>		<u><u>\$ 4,072,206</u></u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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, 2006, the district had food commodities totaling \$36,982 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.





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

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Members of the School Board  
**Independent School District No. 152**  
Moorhead, Minnesota

We have audited the financial statements of governmental activities, each major fund, and the aggregate remaining fund information **Independent School District No. 152, Moorhead, Minnesota**, for the year ended June 30, 2006, and have issued our report thereon dated September 27, 2006. We conducted our audits 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 *Minnesota Legal Compliance Audit Guide for Local Government* promulgated by the Legal Compliance Task Force pursuant to Minnesota Statutes, Section 6.65.

*Internal Control Over Financial Reporting*

In planning and performing our audit, we considered **Independent School District No. 152, Moorhead, Minnesota's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether **Independent School District No. 152, Moorhead, Minnesota's** financial statements are free of material misstatement, we performed tests of the district's 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*.

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*.

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  
September 27, 2006



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**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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Board of Education and Superintendent  
**Independent School District No. 152**  
Moorhead, Minnesota

*Compliance*

We have audited the compliance of **Independent School District No. 152, Moorhead, Minnesota**, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. **Independent School District No. 152, Moorhead, Minnesota's** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of 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 **Independent School District No. 152, Moorhead, Minnesota's** management. Our responsibility is to express an opinion on **Independent School District No. 152, Moorhead, Minnesota'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, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 **Independent School District No. 152, Moorhead, Minnesota'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 **Independent School District No. 152, Moorhead, Minnesota's** compliance with those requirements.

In our opinion, **Independent School District No. 152, Moorhead, Minnesota**, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

*Internal Control Over Compliance*

The management of **Independent School District No. 152, Moorhead, Minnesota**, 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 **Independent School District No. 152, Moorhead, Minnesota's** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Fargo, North Dakota  
September 27, 2006

**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD, MINNESOTA**  
**SUMMARY OF AUDIT FINDINGS**  
**YEAR ENDED JUNE 30, 2006**

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**PRIOR YEAR FINDINGS**

No prior year findings.

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors report expresses an unqualified opinion of the basic financial statements of **Independent School District No. 152, Moorhead, Minnesota**.
2. No reportable conditions were disclosed during the audit of the financial statements reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and *Minnesota Legal Compliance Guide for Local Government*.
3. No instances of noncompliance material to the financial statements of **Independent School District No. 152, Moorhead, Minnesota** were disclosed during the audit.
4. No reportable conditions were reported in the Report on Compliance with Requirements 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, Minnesota** expresses an unqualified report.
6. The audit did not disclose any findings relative to the major federal award programs for **Independent School District No. 152, Moorhead, Minnesota**.
7. The programs tested as major programs included: Child Nutrition Cluster CFDA #10.553, #10.555, and #10.556, and Title I CFDA #84.010.
8. The threshold for distinguishing a Type A program was \$300,000.
9. **Independent School District No. 152, Moorhead, Minnesota** was determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

No finding in the current year.

**C. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

No findings in the current year.



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

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Members of the School Board  
**Independent School District No. 152**  
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, Minnesota**, for the year ended June 30, 2006, and have issued our report thereon dated September 27, 2006. We conducted our audits 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.

*Compliance*

As part of obtaining reasonable assurance about whether **Independent School District No. 152, Moorhead, Minnesota'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  
September 27, 2006