



Financial Statements
June 30, 2013

Independent School District No. 152
Moorhead Area Public Schools

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School Board

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Lisa Erickson	Chairperson	2017
Cindy Fagerlie	Vice Chairperson	2017
Bill Tomhave	Treasurer	2015
Laurie Johnson	Clerk	2015
Scott Steffes	Director	2017
Matt Valan	Director	2017
Kristine Thompson	Director	2015

Administration

Lynne Kovash	Superintendent
Wayne Kazmierczak	Assistant Superintendent
Denice Sinner	District Accountant



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 152, Moorhead Area Public Schools, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of government activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively compromise the District's financial statements. The school board and administration, combining and individual fund schedules, and other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular *A-133, Audits of States, Local Governments, and Non-Profit Organization*, and is also not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, uniform accounting and reporting standards compliance table, statement of changes in student activity cash balances, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The school board and administration list has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 26, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
November 26, 2013

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, 2013. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

Key financial highlights for the 2012-2013 fiscal year include the following:

- General Fund 01 – The overall revenues were \$59.1 million while the overall expenditures were \$56.6 million. These, along with other financing sources of \$40,504, increased the fund balance by \$2,553,476.
- Food Service Fund 02 – The revenues were \$2.4 million and the expenditures were \$2.5 million decreasing the fund balance by \$92,871.
- Community Service Fund 04 – The revenues were \$1.7 million while the expenditures were \$1.8 million decreasing the fund balance by \$61,639.
- Debt Service Fund 07 – The revenues were \$5.7 million and expenditures of \$5.7 million increasing the fund balance by \$16,221.

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 position 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 position and how they have changed. Net position - 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 position is 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.

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.

Net Position

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

Table A-1

Statement of Net Position
June 30, 2013 and 2012

	2013	2012
Assets		
Current assets	\$ 52,282,844	\$ 49,861,943
Capital assets	69,454,744	70,102,444
Total assets	\$ 121,737,588	\$ 119,964,387
Liabilities and Net Position		
Liabilities		
Other liabilities	\$ 25,751,844	\$ 26,240,936
Long-term liabilities	48,714,340	53,392,650
Total liabilities	74,466,184	79,633,586
Net Position		
Net investment in capital assets	20,883,029	17,372,444
Restricted for specific purposes	3,370,810	3,128,918
Unrestricted	23,017,565	19,829,439
Total net position	47,271,404	40,330,801
Total liabilities and net position	\$ 121,737,588	\$ 119,964,387

Independent School District No. 152
Moorhead Area Public Schools
Management's Discussion and Analysis
Year Ended June 30, 2013

Change in Net Position

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

Table A-2

Statement of Revenues, Expenses and Changes in Net Position
June 30, 2013 and 2012

	2013	2012
Revenues		
Program revenues		
Charges for service	\$ 2,236,099	\$ 2,130,179
Operating grants and contributions	4,956,080	4,990,194
Capital grants and contributions	-	139,541
General		
Property taxes	12,982,515	11,941,827
Aids and payments from state and other	49,715,921	48,902,969
Miscellaneous revenues	199,120	88,337
Total revenues	70,089,735	68,193,047
Expenses		
Administration	2,255,716	2,034,362
District support services	1,187,382	1,067,056
Regular instruction	23,929,850	21,475,425
Vocational instruction	631,862	574,715
Special education instruction	13,928,610	13,303,505
Community education and services	1,783,477	1,863,204
Instructional support services	3,142,329	3,132,554
Pupil support services	7,670,856	7,776,839
Sites and buildings	6,244,298	6,637,951
Fiscal and other fixed-cost programs	2,374,752	4,595,746
Total expenses	63,149,132	62,461,357
Change in Net Position	6,940,603	5,731,690
Net Position - Beginning	40,330,801	34,599,111
Net Position - Ending	\$ 47,271,404	\$ 40,330,801

Independent School District No. 152
Moorhead Area Public Schools
Management's Discussion and Analysis
Year Ended June 30, 2013

Changes in Net Position – The District's total revenues were approximately \$70 million for the year ended June 30, 2013. Property taxes and state formula aid accounted for 89% of total revenue for the year. Another 11% came from other program revenues.

The total cost of all programs and services was approximately \$67.5 million. The District's expenses are predominantly related to educating and caring for students. The purely administrative activities of the District accounted for just 3% of total costs.

The total revenues exceeded expenses, improving the net position by approximately \$6.9 million for fiscal year 2013.

General Fund

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

The following schedule presents a summary of General Fund Revenues.

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2013	2012		
Local property taxes	\$ 6,633,607	\$ 5,827,247	\$ 806,360	13.8%
Other local sources	1,055,338	1,007,704	47,634	4.7%
State sources	47,929,912	45,625,029	2,304,883	5.1%
Federal sources	3,498,653	3,249,082	249,571	7.7%
Miscellaneous	18,955	28,300	(9,345)	-33.0%
Total General Fund revenues	\$ 59,136,465	\$ 55,737,362	\$ 3,399,103	6.1%

Total General Fund revenue *increased* by \$3,399,103 or 6.1% from the previous year. Basic general education revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. The mix of property tax and state aid can change significantly from year to year without any net change on revenue. The majority of the increase in revenue for 2013 was due primarily to a new categorical state aid (Literacy Aid) that was added for 2012-2013 and to a \$50 per pupil increase on the basic formula allowance.

Independent School District No. 152
Moorhead Area Public Schools
Management's Discussion and Analysis
Year Ended June 30, 2013

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

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2013	2012		
Salaries and benefits	\$ 44,054,777	\$ 41,280,909	\$ 2,773,868	6.7%
Purchased services	7,080,216	6,633,037	447,179	6.7%
Supplies and materials	2,408,672	2,487,981	(79,309)	-3.2%
Capital expenditures	2,848,325	3,397,797	(549,472)	-16.2%
Other expenditures	231,503	237,788	(6,285)	-2.6%
Total General Fund expenditures	\$ 56,623,493	\$ 54,037,512	\$ 2,585,981	4.8%

Total General Fund expenditures *increased* by \$2,585,981 or 4.8% from the previous year.

General Fund Budgetary Highlights

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

- Actual revenues were approximately \$1.9 million *more than* budget, mainly because of more than anticipated special education aid from the state and increased enrollment.
- Actual expenditures were approximately \$370,500 *more than* budget due to the increase in regular instruction.

Debt Service Fund

The Debt Service Fund revenues were \$5,749,759 and expenditures were \$5,733,538, or \$16,221 less than revenues. The Debt Service Fund balance increased slightly due to the debt service levy being slightly higher than current year debt payments.

Other Non-Major Funds

The Food Service Fund incurred a current year deficit of approximately \$93,000. The Community Service Fund incurred decrease in the fund balance of approximately \$62,000. The OPEB Debt Service fund was created in 2009 to account for the future debt service of the OPEB bonds.

Capital Assets and Debt Administration

Capital Assets

Note 6 to the financial statements presents an analysis of capital asset transactions occurring during the year ended June 30, 2013. A decrease in net capital assets consisted primarily of a decrease in capital assets activity due to budget cuts.

Long-Term Debt

At year end the District had \$53,528,145 of long term debt. This consisted of bonded indebtedness of \$52,730,000, capital lease payable of \$552,375, and vacation payable of \$245,770. Note 10 presents the detail of the District's long-term debt.

Factors Bearing on the District's Future

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

Contacting the District's Financial Management

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

Independent School District No. 152
Moorhead Area Public Schools
Statement of Net Position
June 30, 2013

Assets	
Cash and investments	\$ 22,514,391
Receivables	
Current property taxes	7,592,025
Delinquent property taxes	290,626
Accounts	93,298
Due from other governmental units	9,970,138
Prepaid items	188,376
Inventory	12,062
Net supplemental pension asset	179,116
Net OPEB obligation asset	11,442,812
	<u>52,282,844</u>
Capital assets	
Non-depreciable	
Land	1,049,947
Construction in progress	285,783
Depreciable	
Buildings	91,869,824
Improvements	2,157,072
Vehicles	1,439,430
Equipment	886,820
Less accumulated depreciation	(28,234,132)
Total capital assets, net of depreciation	<u>69,454,744</u>
Total assets	<u>\$ 121,737,588</u>
Liabilities and Net Position	
Liabilities	
Due to other governmental units	\$ 130,347
Aid anticipation certificates	8,500,000
Accounts payable	890,463
Salaries payable	5,038,199
Accrued interest payable	636,481
Unearned revenue	168,668
Property taxes levied for subsequent year	10,387,686
Long-term liabilities	
Portion due or payable within one year	4,928,472
Portion due or payable after one year	43,785,868
Total liabilities	<u>74,466,184</u>
Net Position	
Net investment in capital assets	20,883,029
Restricted for specific purposes	3,370,810
Unrestricted	23,017,565
Total net position	<u>47,271,404</u>
Total liabilities and net position	<u>\$ 121,737,588</u>

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

Independent School District No. 152
Moorhead Area Public Schools
Statement of Activities
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental activities				
Administration	\$ 2,255,716	\$ -	\$ -	\$ (2,255,716)
District support services	1,187,382	-	-	(1,187,382)
Regular instruction	23,929,850	29,290	1,696,186	(22,204,374)
Vocational instruction	631,862	-	-	(631,862)
Special education instruction	13,928,610	552,828	1,581,203	(11,794,579)
Community education and services	1,783,477	421,214	52,380	(1,309,883)
Instructional support services	3,142,329	-	-	(3,142,329)
Pupil support services	7,670,856	1,118,848	1,626,311	(4,925,697)
Sites and buildings	6,244,298	113,919	-	(6,130,379)
Fiscal and other fixed-cost programs	2,374,752	-	-	(2,374,752)
Total governmental activities	<u>\$ 63,149,132</u>	<u>\$ 2,236,099</u>	<u>\$ 4,956,080</u>	<u>\$ (55,956,953)</u>
General Revenues				
Property taxes, levied for general purposes				7,746,057
Property taxes, levied for community education and services				294,233
Property taxes, levied for debt service				4,942,225
Aids and payments from the state				49,588,086
County apportionment				127,835
Loss on disposal of property and equipment				5,957
Miscellaneous revenues				193,163
Total general revenues				<u>62,897,556</u>
Changes in Net Position				6,940,603
Net Position - Beginning				<u>40,330,801</u>
Net Position - Ending				<u>\$ 47,271,404</u>

Independent School District No. 152
Moorhead Area Public Schools
Governmental Funds
Balance Sheet
June 30, 2013

	General	Debt Service	Other Governmental Funds	Totals
Assets				
Cash and investments	\$ 17,667,142	\$ 3,323,798	\$ 1,523,451	\$ 22,514,391
Receivables				
Current property taxes	3,592,340	2,938,466	1,061,219	7,592,025
Delinquent property taxes	141,579	116,592	32,455	290,626
Accounts	93,298	-	-	93,298
Due from other governmental units	9,707,617	109,754	152,767	9,970,138
Due from other funds	33,479	-	-	33,479
Prepaid items	188,376	-	-	188,376
Inventories	-	-	12,062	12,062
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 31,423,831</u>	<u>\$ 6,488,610</u>	<u>\$ 2,781,954</u>	<u>\$ 40,694,395</u>
Liabilities and Fund Balance				
Liabilities				
Due to other funds	\$ -	\$ -	\$ 33,479	\$ 33,479
Due to other governmental units	130,347	-	-	130,347
Aid anticipation certificates	8,500,000	-	-	8,500,000
Accounts payable	806,317	-	84,146	890,463
Salaries payable	4,917,125	-	121,074	5,038,199
Interest payable	53,125	-	-	53,125
Deferred revenue	261,887	116,592	80,815	459,294
Property taxes levied for subsequent year	3,592,340	5,149,696	1,645,650	10,387,686
Total liabilities	<u>18,261,141</u>	<u>5,266,288</u>	<u>1,965,164</u>	<u>25,492,593</u>
Fund Balance				
Nonspendable	188,376	-	12,062	200,438
Restricted	1,162,817	1,222,322	985,671	3,370,810
Committed	1,604,850	-	-	1,604,850
Assigned	4,087,500	-	-	4,087,500
Unassigned	6,119,147	-	(180,943)	5,938,204
Total fund balance	<u>13,162,690</u>	<u>1,222,322</u>	<u>816,790</u>	<u>15,201,802</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	<u>\$ 31,423,831</u>	<u>\$ 6,488,610</u>	<u>\$ 2,781,954</u>	<u>\$ 40,694,395</u>

Independent School District No. 152
Moorhead Area Public Schools
Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Position
June 30, 2013

Total Fund Balances - Governmental Funds	\$ 15,201,802
Amounts reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	69,454,744
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.	(583,356)
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.	290,626
Negative net OPEB and Supplemental Benefit obligation assets created through treatment of OPEB Obligation Bonds as employer contributions are not recognized in the funds.	11,621,928
Vacation payable is not due and payable in the current period and therefore is not reported as liabilities in the funds	(261,183)
Long-term liabilities, including bonds and capital lease payable, are not due and payable in the current period and, therefore, are not reported in the funds	<u>(48,453,157)</u>
Total Net Position - Governmental Activities	<u><u>\$ 47,271,404</u></u>

Independent School District No. 152
Moorhead Area Public Schools
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2013

	General	Debt Service	Other Governmental Funds	Totals
Revenues				
Local property tax levies	\$ 6,633,607	\$ 4,942,225	\$ 1,351,753	\$ 12,927,585
Other local and county sources	1,055,338	-	496,623	1,551,961
State sources	47,929,912	807,534	895,530	49,632,976
Federal sources	3,498,653	-	1,194,189	4,692,842
Sales and other conversion of assets	-	-	1,118,848	1,118,848
Miscellaneous	18,955	-	150,403	169,358
Total revenues	<u>59,136,465</u>	<u>5,749,759</u>	<u>5,207,346</u>	<u>70,093,570</u>
Expenditures				
Administration	2,255,716	-	-	2,255,716
District support services	1,188,373	-	-	1,188,373
Regular instruction	24,435,594	-	-	24,435,594
Vocational instruction	631,862	-	-	631,862
Special education instruction	13,958,361	-	-	13,958,361
Community education and service	-	-	1,776,893	1,776,893
Instructional support services	3,123,256	-	-	3,123,256
Pupil support services	5,079,342	-	2,523,602	7,602,944
Sites and buildings	5,720,887	-	-	5,720,887
Fiscal and other fixed cost programs	230,102	5,733,538	1,153,439	7,117,079
Total expenditures	<u>56,623,493</u>	<u>5,733,538</u>	<u>5,453,934</u>	<u>67,810,965</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,512,972	16,221	(246,588)	2,282,605
Other Financing Sources				
Capital lease proceeds	34,547	-	-	34,547
Sale of property and equipment	5,957	-	-	5,957
Total other financing sources	<u>40,504</u>	<u>-</u>	<u>-</u>	<u>40,504</u>
Net Change in Fund Balance	2,553,476	16,221	(246,588)	2,323,109
Fund Balance, Beginning of Year	<u>10,609,214</u>	<u>1,206,101</u>	<u>1,063,378</u>	<u>12,878,693</u>
Fund Balance, End of Year	<u>\$ 13,162,690</u>	<u>\$ 1,222,322</u>	<u>\$ 816,790</u>	<u>\$ 15,201,802</u>

Independent School District No. 152
Moorhead Area Public Schools
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
Year Ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds \$ 2,323,109

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	1,443,851
The net effect of disposal of capital assets is to decrease net position	(58,240)
Depreciation expense	(2,033,311)

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	\$ 290,626	
Prior period balance	(300,452)	
Current year effect		(9,826)

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	(261,183)	
Prior period balance	245,770	
Current year effect		(15,413)

Interest payable is reported in the government wide statement of net position but is not recorded in the governmental funds.

Current period balance	(583,356)	
Prior period balance	627,619	
Current year effect		44,263

In the statement of activities OPEB and Supplemental Benefit assets are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.

Current period balance	11,621,928	
Prior period balance	(11,069,481)	
Current year effect		552,447

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 position. In the current period these amounts consist of:

Bond principal retirement	4,715,000
Capital lease proceeds	(34,546)
Capital lease principal payments	30,206
Amortization of premium on bond issuance	(16,937)

Change in Net Position of Governmental Activities \$ 6,940,603

Independent School District No. 152
Moorhead Area Public Schools

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual
Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues				
Local property tax levies	\$ 6,551,420	\$ 6,551,420	\$ 6,633,607	\$ 82,187
Other local and county sources	904,370	766,050	1,055,338	289,288
State sources	46,264,560	46,959,590	47,929,912	970,322
Federal sources	3,003,660	2,989,360	3,498,653	509,293
Miscellaneous	-	-	18,955	18,955
Total revenues	<u>56,724,010</u>	<u>57,266,420</u>	<u>59,136,465</u>	<u>1,870,045</u>
Expenditures				
Administration	2,355,631	2,400,165	2,255,716	144,449
District support services	1,196,057	1,197,048	1,188,373	8,675
Regular instruction	23,235,975	23,527,240	24,435,594	(908,354)
Vocational instruction	602,124	602,124	631,862	(29,738)
Special education instruction	13,481,357	13,656,492	13,958,361	(301,869)
Instructional support services	3,182,850	3,509,877	3,123,256	386,621
Pupil support services	5,444,990	5,303,177	5,079,342	223,835
Sites and buildings	5,453,370	5,837,550	5,720,887	116,663
Fiscal and other fixed cost programs	155,540	219,300	230,102	(10,802)
Total expenditures	<u>55,107,894</u>	<u>56,252,973</u>	<u>56,623,493</u>	<u>(370,520)</u>
Excess of Revenues over Expenditures	1,616,116	1,013,447	2,512,972	1,499,525
Other Financing Sources				
Capital lease proceeds	-	-	34,547	34,547
Sale of property and equipment	-	-	5,957	5,957
Total other financing sources	<u>-</u>	<u>-</u>	<u>40,504</u>	<u>40,504</u>
Net Change in Fund Balance	<u>\$ 1,616,116</u>	<u>\$ 1,013,447</u>	2,553,476	<u>\$ 1,540,029</u>
Fund Balance, Beginning of Year			<u>10,609,214</u>	
Fund Balance, End of Year			<u>\$ 13,162,690</u>	

Independent School District No. 152
Moorhead Area Public Schools
Fiduciary Fund
Statement of Net Position
June 30, 2013

	<u>Trust Funds</u>
Assets	
Cash and investments	<u>\$ 7,878,503</u>
Net position	
Unrestricted	<u>\$ 7,878,503</u>

Independent School District No. 152
Moorhead Area Public Schools
Fiduciary Fund
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2013

	<u>Trust Funds</u>
Additions	
Scholarships	<u>\$ 5</u>
Deductions	
OPEB health insurance	<u>1,286,624</u>
Net Change in Net Position	(660,391)
Net Position, Beginning of Year	<u>8,538,894</u>
Net Position, End of Year	<u><u>\$ 7,878,503</u></u>

Note 1 - Summary of Significant Accounting Policies

Organization

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

Reporting Entity

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

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

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

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

Government-Wide Financial Statement Presentation

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

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

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

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

Fund Financial Statement Presentation

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

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

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

1. Revenue Recognition – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District generally considers revenues to be available if they are collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to Minnesota Statutes. Federal revenue is recorded in the year in which the related expenditure is made. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

2. Recording of Expenditures – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt, severance and healthcare benefits, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are included within the applicable functional areas.

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

Description of Funds

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

Major Governmental Funds

- General Fund – The general fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations and pupil transportation activities of the District, as well as the capital related activities such as maintenance of facilities, equipment purchases, and health and safety projects.
- Debt Service Fund – The debt service fund is used to account for the accumulation of resources for, and payment of, general obligation bond principal, interest, and related costs.

Nonmajor Governmental Funds

- Food Service Fund – The food service fund is used to account for food service revenues and expenditures.
- Community Service Fund – The community service fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, adult or early childhood programs, extended day programs, or other similar services.
- OPEB Debt Service Fund – The OPEB debt service fund is used to account for the accumulation of resources for, and payment of, general obligation OPEB bond principal, interest, and related costs.

Fiduciary Funds

- Scholarship Trust Fund – The scholarship fund is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the donor imposed restrictions.
- OPEB Trust Fund – The Other Post-Employment Benefit (OPEB) trust fund is used to account for the accumulation of resources to be used for the District's portion of the premium cost for providing health insurance to the District's retired employees.

Other Significant Accounting Policies

Budgeting

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

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.

Receivables

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

Prepaid Items

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

Inventories

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

Property Taxes

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

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

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

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

Capital Assets

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

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

Capital assets not being depreciated include land and construction in progress.

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

Long-Term Obligations

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

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

Vacation Payable

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, 2013, this amount did not exceed a normal year's accumulation.

Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal year 2013.

Net Position

For the year ended June 30, 2013, the District implemented GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in accordance with Concepts Statement No. 4, Elements of Financial Statements.

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Balance

The following classifications describe the relative strength of spending constraints:

- Nonspendable fund balance amounts are comprised of funds that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. They include items that are inherently unspendable, such as, but not limited to, inventories, prepaid items, long-term receivables, non-financial assets held for resale, or the permanent principal of endowment funds.
- Restricted fund balance amounts are comprised of funds that have legally enforceable constraints placed on their use that are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

- Committed fund balance amounts are comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the School Board and that remain binding unless removed by the School Board by subsequent formal action. The formal action to commit a fund balance must occur prior to fiscal year end; however, the specific amounts actually committed can be determined in the subsequent fiscal year. A committed fund balance cannot be a negative number. A majority vote of the School Board is required to commit a fund balance to a specific purpose and subsequently to remove or change any constraint so adopted by the board.
- Assigned fund balance amounts are comprised of unrestricted funds constrained by the school District's intent that they be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. In funds other than the general fund, the assigned fund balance represents the remaining amount that is not restricted or committed. The assigned fund balance category will cover the portion of a fund balance that reflects the school district's intended use of those resources. The action to assign a fund balance may be taken after the end of the fiscal year. An assigned fund balance cannot be a negative number. A School Board, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The board also delegates the power to assign fund balances to the following: Superintendent and Assistant Superintendent. Assignments so made shall be reported to the School Board on a monthly basis, either separately or as part of ongoing reporting by the assigning party if other than the School Board.
- Unassigned fund balance amounts are comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

The first priority is to utilize the balance as restricted fund balance. Committed funds will be considered second with assigned fund balance third when expenditures is incurred for purposes for which amounts in any of those unrestricted fund balance classification could be used like assigned or unassigned.

The School Board will endeavor to maintain a minimum unassigned General Fund balance of at least 25% of the district's General Fund operating budget. When the unassigned General Fund balance is projected to decrease below 17% of the General Fund budget, the district shall initiate one or more measures listed in the fund balance policy to ensure that the year-end General Fund unassigned balance for the budget year in question does not fall below 17%.

Note 2 - Stewardship, Compliance, and Accountability

Excess of Expenditures Over Appropriations – Budget control for the General Fund is established by the fund's total appropriations. The General Fund has expenditures exceeding appropriations in the amount of \$370,520 for the year ended June 30, 2013. This over expenditure was covered by available fund balance.

Note 3 - Interfund Receivables and Payables

Interfund receivables/payables are used when a fund has a cash deficit. A summary of the District’s interfund balances at June 30, 2013, is as follows:

Receivable	Amount	Payable	Amount
General	\$ 33,479	Community Service	\$ 33,479

Note 4 - Deposits and Investments

Deposits

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

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

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

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

At June 30, 2013, all deposits were insured or collateralized by securities held by the District’s agent in the District’s name.

Investments

Credit Risk – Investments

Minnesota Statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, bankers' acceptances, certain repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record. The District had no such investments during the year or at year-end.

Custodial Credit Risk – Investments

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

Interest Rate Risk – Investments

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

The following table presents the District’s deposit and investment balances at June 30, 2013:

<u>Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>N/A</u>	<u>< 1</u>
Cash and cash equivalents			
Minnesota School			
District Liquid Asset Fund	\$ 16,767,136	\$ 16,767,136	\$ -
Deposits	2,864,911	2,864,911	-
Petty cash	17,000	17,000	-
Money market	1,589,021	1,589,021	-
Investments			
Fixed income	3,551,287	-	3,551,287
Equities	5,603,539	5,603,539	-
	<u>\$ 30,392,894</u>	<u>\$ 26,841,607</u>	<u>\$ 3,551,287</u>

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

Cash and Investments - Statement of Net Positions	\$ 22,514,391
Cash and Investments - Statement of Fiduciary Net Positions	<u>7,878,503</u>
	<u>\$ 30,392,894</u>

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

Note 5 - Due from Other Governmental Units

Amounts receivable from other governments as of June 30, 2013, include:

<u>Fund</u>	<u>Federal</u>	<u>State</u>	<u>Other</u>	<u>Total</u>
Major funds				
General	\$ 3,149,995	\$ 6,360,372	\$ 197,250	\$ 9,707,617
Debt service	-	109,754	-	109,754
Non-major funds	<u>348</u>	<u>152,419</u>	<u>-</u>	<u>152,767</u>
	<u>\$ 3,150,343</u>	<u>\$ 6,622,545</u>	<u>\$ 197,250</u>	<u>\$ 9,970,138</u>

Note 6 - Capital Assets

Capital asset activity for the year ended June 30, 2013 is as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$ 1,049,947	\$ -	\$ -	\$ 1,049,947
Construction in progress	567,018	320,330	(601,565)	285,783
Total capital assets, not being depreciated	1,616,965	320,330	(601,565)	1,335,730
Capital assets being depreciated:				
Buildings	90,705,538	1,164,286	-	91,869,824
Improvements	2,088,318	68,754	-	2,157,072
Vehicles	1,243,162	277,461	(81,193)	1,439,430
Equipment	827,861	214,585	(155,626)	886,820
Total capital assets being depreciated	94,864,879	1,725,086	(236,819)	96,353,146
Less accumulated depreciation for:				
Buildings	24,149,246	1,805,013	-	25,954,259
Improvements	635,297	106,134	-	741,431
Vehicles	1,094,356	70,883	(81,192)	1,084,047
Equipment	500,501	51,281	(97,387)	454,395
Total accumulated depreciation	26,379,400	2,033,311	(178,579)	28,234,132
Net capital assets, depreciated	68,485,479	(308,225)	(58,240)	68,119,014
Total capital assets, net	\$ 70,102,444	\$ 12,105	\$ (659,805)	\$ 69,454,744

Depreciation expense for the year ended June 30, 2013 was charged to the following functions/programs:

Regular instruction	\$ 548
Community education	6,582
Instructional support	19,073
Pupil support services	67,911
Sites and buildings	1,939,197
Total depreciation expense	\$ 2,033,311

Note 7 - Aid Anticipation Certificates

The District sold general obligation aid anticipation certificates dated February 8, 2012 with a value of \$8,551,680 at an interest rate of 1.25 percent. These certificates matured on September 28, 2012. Interest and fiscal charges on aid anticipation certificates for the year ended June 30, 2013 in the General Fund totaled \$53,125. The District sold general obligation aid anticipation certificates dated September 18, 2012 with a value of \$8,500,000 at an interest rate of 1.00 percent. These certificates matured on September 18, 2013.

Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
\$ 8,551,680	\$ 8,500,000	\$ 8,551,680	\$ 8,500,000

Note 8 - Other Post-Employment Benefits

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

- Superintendent – For retirees reaching age 55 with 3 years of service, the District will pay the full premium for the \$10 copay medical insurance plan for 7 years or until Medicare eligibility, whichever is earlier.
- Administrators – For retirees reaching age 55, the District will pay the full premium of a \$100,000 life insurance policy until age 65. The percentage paid by the District reduces to 80% at age 61, 60% at age 62 and 40% at age 63.
- Principals – For retirees reaching age 55 with 8 years of service and hired on or before July 1, 2000 (10 years of service by July 1, 2010) and who retire before July 1, 2013, the District will pay the full premium for the \$10 copay medical insurance plan for 7 years or until Medicare eligibility, whichever is earlier. For retirees reaching age 55 with 8 years of service and hired on or before July 1, 2000 (10 years of service by July 1, 2010) and who retire before July 1, 2015, the District will pay \$9,300 per year with the excess toward HAS/VEBA deductibles, if applicable, for 7 years or until Medicare eligibility, whichever is earlier. For retirees reaching age 55 with 10 years of service, the District will pay the full life insurance premium of a \$100,000 policy until age 65. The percentage paid by the District reduces to 80% at age 61, 60% at age 62, and 40% at age 63.

- Teachers – For retirees reaching age 55 with 10 years of service and hired before July 1, 2010 and retired before July 1, 2011, the District will pay the full premium for the \$10 copay medical insurance plan (\$500 Deductible plan if returned after June 30, 2011) until Medicare eligibility. For retirees reaching age 55 with 10 years of service and hired before July 1, 2010 and retired before July 1, 2012, the District will pay the full premium for the \$500 deductible medical insurance plan until Medicare eligibility. For retirees reaching age 55 with 10 years of service and hired before July 1, 2010 and retired on or after July 1, 2012, the District will pay \$653 per month with the excess toward HAS/VEBA deductibles, if applicable, until Medicare eligibility. For retirees reaching age 55 with 3 years of service, the District will pay the full premium for a \$25,000 life insurance policy until age 65.

- Supervisors – For retirees reaching age 55 with 10 years of service and hired on or before July 1, 2001 (9 years of service by July 1, 2010), and who retire before July 1, 2013, the District will pay the full premium for the \$10 copay medical insurance plan for 7 years or until Medicare eligibility, whichever is earlier. For retirees reaching age 55 with 10 years of service and hired on or before July 1, 2001 (9 years of service by July 1, 2010), and who retire on or after July 1, 2013, the District will pay \$775 per month with the excess toward HAS/VEBA deductibles, if applicable, for 7 years or until Medicare eligibility, whichever is earlier. For retirees reaching age 55 with 10 years of service, the District will pay 100% of the premium of a \$100,000 life insurance policy until the age of 65. The percentage paid by the District reduces to 80% at age 61, 60% at age 62, and 40% at age 63.

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

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

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

Annual required contribution	\$ 122,175
Interest on net OPEB obligation	(602,950)
Adjustment to annual required contribution	764,116
	283,341
Annual OPEB cost	283,341
Contributions made	(763,427)
	(480,086)
Change in net OPEB asset	(480,086)
Net OPEB asset, beginning of year	(10,962,726)
Net OPEB asset, end of year	\$ (11,442,812)

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net Ending OPEB Obligation (Asset)</u>
06/30/13	\$ 283,341	\$ 763,427	269.44%	\$ (11,442,812)
06/30/12	366,434	980,530	267.59%	(10,962,726)
06/30/11	292,402	838,286	286.69%	(10,348,630)
06/30/10	611,521	-	0.00%	(9,217,942)

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

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date, the plan was funded. The actuarial accrued liability for benefits was \$8,420,988, and the actuarial value of assets was \$11,757,989, resulting in a negative unfunded actuarial accrued liability (UAAL) of \$3,337,001. The covered payroll (annual payroll of active employees covered by the plan) was \$28,409,839, and the ratio of the UAAL to the covered payroll was -11.7 percent.

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

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

In the July 1, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 5.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on the employer’s own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8 percent initially, reducing gradually to an ultimate rate of 5.0 percent after six years. Both rates included an inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis over 30 years.

Note 9 - Pension-Related Retirement Benefits

Plan Description – The District provides a defined contribution severance benefit to certain eligible employees. All of the severance benefits are based on contractual agreements with employee groups. Contract groups receive other severance benefits as follows:

Principals and Supervisors – For retirees reaching age 55 with 10 years of service hired before July 1, 1996, the District will pay a percentage of the highest annual salary of the last 5 years at the following rates:

With 15 years of service	75%
With 13-14 years of service	60%
With 12 years of service	50%
With 11 years of service	40%
With 10 years of service	30%
With 9 years of service	20%

The benefit is payable in one lump sum to a 403 (b).

Secretarial & Clerical Employees and Custodians – For retirees reaching age 55 with 10 years of service and hired before July 1, 2000, the District will pay a percentage of the highest annual salary of the last 5 years at the following rates:

With 15 years of service	60%
With 14 years of service	50%
With 13 years of service	40%
With 12 years of service	30%
With 11 years of service	20%
With 10 years of service	10%

The benefit is payable in one lump sum to a 403(b).

Paraprofessionals and TCI Employees – For retirees reaching age 55 with 10 years of service and hired before July 1, 2002, the District will pay a percentage of the highest annual salary of the last 5 years at the following rates:

With 15 years of service	60%
With 14 years of service	50%
With 13 years of service	40%
With 12 years of service	30%
With 11 years of service	20%
With 10 years of service	10%

The benefit is payable in one lump sum to a 403(b).

Teachers – For retirees reaching age 55 with 8 years of service and hired before September 1, 1999, the District will pay a percentage of the calculation 100 days less the number of sick leave days used in the last 2 years of employment at the following rates:

With 26+ years of service	121%
With 21-25 years of service	114%
With 16-20 years of service	107%
With 15 years of service	100%
With 14 years of service	93%
With 13 years of service	86%
With 12 years of service	79%
With 11 years of service	72%
With 10 years of service	65%
With 9 years of service	58%
With 8 years of service	50%

The benefit is payable in one lump sum to a 403(b).

Funding Policy – Payments under the plan are made on a pay-as-you-go basis. There are no invested plan assets accumulated for payment of future benefits. All benefits are paid out of the General Fund and the District makes all contributions.

Annual Pension Cost and Net Pension Obligation – The District’s annual pension cost (expense) is calculated based on annual reported contributions (ARC) of the District. This amount is determined by an actuary in accordance with the parameters of GASB Statement No. 27. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District’s annual pension cost for the year, the amount actually contributed to the plan, and the changes in the District net pension obligations to the plan:

Annual required contribution	\$ 247,152
Interest on net pension obligation	(4,804)
Adjustment to annual required contribution	8,494
	<hr/>
Annual pension cost	250,842
Contributions made	(323,203)
	<hr/>
Change in net OPEB asset	(72,361)
Net pension asset, beginning of year	(106,755)
	<hr/>
Net pension asset, end of year	<u>\$ (179,116)</u>

Independent School District No. 152
Moorhead Area Public Schools
Notes to Financial Statements
June 30, 2013

The District's annual pension cost, the District's annual contribution, the percentage of annual pension cost contributed to the plan, and the net pension obligation for the past three years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net Ending OPEB Obligation (Asset)</u>
06/30/13	\$ 250,842	\$ 323,203	128.85%	\$ (179,116)
06/30/12	274,615	575,694	209.64%	(106,755)
06/30/11	274,293	299,069	109.03%	194,324

Funding Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefit was \$1,947,581, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,947,581. The covered payroll (annual payroll of active employees covered by the plan) was \$4,804,038, and the ratio of UAAL to the covered payroll was 40.5%

- Actuarial Methods and Assumptions – The annual required contribution for the current year was determined as part of the July 1, 2011 actuarial valuation using the projected unit actuarial cost method. The actuarial assumptions included a 4.5% discount rate, which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date and projected salary increases at 3.0%.

The actuarial methods and assumptions include techniques that are designed to reduce the effect of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations. The UAAL is being amortized as a level percentage of projected payroll over a 30 year period.

Note 10 - Long-Term Liabilities

Changes in long-term liabilities during the year ended June 30, 2013 are as follows:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
Bonds payable	\$ 52,730,000	\$ -	\$ 4,715,000	\$ 48,015,000	\$ 4,505,000
Unamortized premium on bond issuance	(135,495)	-	(16,937)	(118,558)	(16,937)
Capital lease	552,375	34,546	30,206	556,715	31,476
Vacation payable	245,770	408,933	393,520	261,183	408,933
	<u>\$ 53,392,650</u>	<u>\$ 443,479</u>	<u>\$ 5,121,789</u>	<u>\$ 48,714,340</u>	<u>\$ 4,928,472</u>

Capital leases payable are to account for items that the District has entered into leases that are considered capital assets to the District. This lease is for financing an addition to the S.G. Reinertsen Elementary School. Total cost of the capital lease assets as of June 30, 2013 was \$601,565 and had no accumulated depreciation since this asset was put into service at the end of the fiscal year. The capital lease payments are made from the general fund.

Vacation payable consists of vested vacation as discussed in Note 1. These expenses are paid out of the general fund.

Independent School District No. 152
Moorhead Area Public Schools
Notes to Financial Statements
June 30, 2013

Following is a summary of bonds payable as of June 30, 2013:

Bond Description	Final	Interest Rate	Original Principal	Outstanding Balance
General Obligation School Building Refunding Bonds of 2005	4/22	3.25% - 4.25%	\$ 42,080,000	\$ 38,565,000
General Obligation School Taxable OPEB Bonds of 2009	2/13	3.75%	10,300,000	9,450,000
				<u>\$ 48,015,000</u>

Bond principal and interest payments for the School Building Refunding Bonds of 2005 are made by the debt service fund. Bond principal and interest payments for the School Taxable OPEB Bonds of 2009 are made by the OPEB debt service fund.

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

Years Ending June 30,	Bonds Payable		Capital Lease Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 4,505,000	\$ 1,549,188	\$ 31,476	\$ 22,838	\$ 4,536,476	\$ 1,572,025
2015	4,850,000	1,421,263	32,799	21,515	4,882,799	1,442,777
2016	5,050,000	1,269,263	34,178	20,136	5,084,178	1,289,398
2017	5,260,000	1,112,063	35,615	18,699	5,295,615	1,130,762
2018	5,485,000	948,463	37,112	17,202	5,522,112	965,664
2019 - 2023	22,865,000	2,006,662	210,315	61,255	23,075,315	2,067,917
2024 - 2027	-	-	175,219	14,880	175,219	14,880
	<u>\$ 48,015,000</u>	<u>\$ 8,306,900</u>	<u>\$ 556,715</u>	<u>\$ 176,524</u>	<u>\$ 48,571,715</u>	<u>\$ 8,483,423</u>

Note 11 - Fund Balance

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

The following is a summary of fund balances as of June 30, 2013:

	General	Debt Service	Other Government Funds	Totals
Nonspendable				
Inventory	\$ -	\$ -	\$ 12,062	\$ 12,062
Prepays	188,376	-	-	188,376
Total nonspendable	<u>188,376</u>	<u>-</u>	<u>12,062</u>	<u>200,438</u>
Restricted				
Deferred maintenance	843,309	-	-	843,309
Health & safety	-	-	-	-
Project funded by COP	-	-	-	-
Operating capital	189,051	-	-	189,051
Disabled accessibility	-	-	-	-
Gifted & talented	-	-	-	-
Safe school - crime levy	130,457	-	-	130,457
Debt service	-	1,222,322	-	1,222,322
Bond Refundings	-	-	-	-
OPEB debt service	-	-	129,546	129,546
Food service	-	-	651,708	651,708
Community education	-	-	-	-
Early childhood and family education	-	-	138,134	138,134
School readiness	-	-	-	-
Community service	-	-	66,283	66,283
Total restricted	<u>1,162,817</u>	<u>1,222,322</u>	<u>985,671</u>	<u>3,370,810</u>
Committed				
Severance obligation	<u>1,604,850</u>	<u>-</u>	<u>-</u>	<u>1,604,850</u>
Assigned				
Technology acquisition/upgrades	400,000	-	-	400,000
Health insurance and affordable care act	500,000	-	-	500,000
Capital projects	2,000,000	-	-	2,000,000
All-day kindergarten	1,187,500	-	-	1,187,500
Total assigned	<u>4,087,500</u>	<u>-</u>	<u>-</u>	<u>4,087,500</u>
Unassigned				
	<u>9,806,647</u>	<u>-</u>	<u>(180,943)</u>	<u>9,625,704</u>
Total fund balance	<u>\$ 13,162,690</u>	<u>\$ 1,222,322</u>	<u>\$ 816,790</u>	<u>\$ 15,201,802</u>

Independent School District No. 152
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The UFARS fund balance reporting standards are slightly different than the reporting standards under GASB 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. Below is reconciliation between the fund balance reporting under GASB 54 and UFARS reporting standards:

	GASB Balance	Reconciling Items	UFARS Balance
Nonspendable			
Inventory	\$ 12,062	\$ -	\$ 12,062
Prepays	188,376	-	188,376
Total nonspendable	<u>200,438</u>	<u>-</u>	<u>200,438</u>
Restricted			
Deferred maintenance	843,309	-	843,309
Health & safety	-	(323,480)	(323,480)
Project funded by COP	-	-	-
Operating capital	189,051	-	189,051
Disabled accessibility	-	-	-
Gifted & talented	-	-	-
Safe school - crime levy	130,457	-	130,457
Debt service	1,222,322	-	1,222,322
Bond Refundings	-	-	-
OPEB debt service	129,546	-	129,546
Food service	651,708	-	651,708
Community education	-	(102,704)	(102,704)
Early childhood and family education	138,134	-	138,134
School readiness	-	(78,239)	(78,239)
Community service	66,283	-	66,283
Total restricted	<u>3,370,810</u>	<u>(504,423)</u>	<u>2,866,387</u>
Committed			
Severance obligation	<u>1,604,850</u>	<u>-</u>	<u>1,604,850</u>
Assigned			
Technology acquisition/upgrades	400,000	-	400,000
Health insurance and affordable care act	500,000	-	500,000
Capital projects	2,000,000	-	2,000,000
All-day kindergarten	1,187,500	-	1,187,500
Total assigned	<u>4,087,500</u>	<u>-</u>	<u>4,087,500</u>
Unassigned	<u>9,625,704</u>	<u>504,423</u>	<u>10,130,127</u>
Total fund balance	<u>\$ 15,201,802</u>	<u>\$ -</u>	<u>\$ 15,201,802</u>

Note 12 - Defined Benefit Pension Plans - Statewide

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

Teachers' Retirement Association

Plan Description

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

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

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:

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

With these provisions:

1. Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
2. 3 percent per year early retirement reduction factors for all years under normal retirement age.
3. Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

Or

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

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

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

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

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. Alternatively, a copy of the report may be obtained by writing or calling TRA:

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

Funding Policy

Minnesota Statutes Chapter 354 sets the rates for the employee and employer contributions. These statutes are established and amended by the state legislature. Coordinated and Basic Plan members are required to contribute 6.0 percent and 9.5 percent, respectively, of their annual covered salary as employee contributions. The TRA employer contribution rates are 6.0 percent for Coordinated members and 10.0 percent for Basic members. Total covered payroll salaries for all TRA members statewide during the fiscal year ended June 30, 2012 was approximately \$3.87 billion. TRA covered payroll for all members statewide for the fiscal years ended June 30, 2011 and June 30, 2010 were \$3.84 billion and \$3.79 billion, respectively.

The District contributions for the years ended June 30, 2013, 2012, and 2011 were \$1,702,630, \$1,481,018, and \$1,331,990, respectively, equal to the required contributions for each year as set by state statute.

Public Employees' Retirement Association

Plan Description

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

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

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

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

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

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

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

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. GERS Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in calendar year 2013. The District is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members and 7.25% for Coordinated Plan members.

The District's contributions to the Public Employees Retirement Fund for the years ended June 30, 2013, 2012, and 2011 were \$663,003, \$623,975, and \$584,405, respectively, equal to the contractually required contributions for each year as set by state statute.

Note 13 - Flexible Benefit Plan

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

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

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

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

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

Note 14 - Employee Benefit Plan 403(B)

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

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

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

Note 15 - Commitments and Contingencies

Federal Revenue

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

Contingencies

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

Commitment

The District entered into a commitment prior to June 30, 2013 for a new phone system. Total amount of this contract committed to is \$500,118 and no work was completed on this project prior to year-end.

Operating Lease

The District is obligated under certain leases accounted for as operating leases. These leases are generally cancelable on an annual basis by the District. Operating leases do not give rise to property rights or lease obligations and, therefore, the results of the lease agreements are not reflected as a liability in the Districts financial statements. The District has several operating leases for various purposes. Lease expense for all leases of the District for the current year was \$355,880.

The following is a summary of operating lease payments for the next four years:

Years Ending June 30,	Payment
2014	\$ 350,662
2015	209,739
2016	201,039
2017	201,039
	\$ 962,479

Note 16 - Issued But Non-effective Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by the District. The first statement issued but not implemented that will significantly affect the District is statement No. 61, *The Financial Reporting Entity: Omnibus*. This statement will improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the requirements of Statement No. 34, *Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those statements. This statement will be implemented at the District in the year ending June 30, 2014.

The second statement issued but not implemented that will significantly affect the District is statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, this Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. This statement will be implemented at the District in the year ending June 30, 2014.



Required Supplementary Information
June 30, 2013

Independent School District No. 152 Moorhead Area Public Schools

Schedule of Funding Progress – Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Simplified Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/12	\$ 11,757,989	\$ 8,420,988	\$ (3,337,001)	139.63%	\$ 28,409,839	-11.75%
07/01/10	10,714,429	9,323,876	(1,390,553)	114.91%	27,993,218	-4.97%
07/01/08	-	10,156,481	10,156,481	0.00%	30,121,092	33.72%

Note to the Schedule of Funding Progress

The standard requires a schedule of funding progress for the three most recent valuations and accompanying notes to describe factors that significantly affect the trends in the amounts reported. The District implemented the standard as of July 1, 2008, and there have been three valuations performed.

Since the last actuarial valuation as of July 1, 2010, the following actuarial assumptions have changed:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality table was updated to reflect the projection of 2000 rates to 2012 based on Scale BB.

Since the last actuarial valuation as of July 1, 2010, the following plan provisions have changed:

- The post-employment medical subsidy for Teachers who retire on or after July 1, 2012 is now limited to \$653 per month with no increase after retirement. Previously they received the full single premium.
- The post-employment medical subsidy for Supervisors and Principals who retire on or after July 1, 2013 is now limited to \$775 per month with no increase after retirement. Previously they received the full single premium. Note, though, that no Principals retiring on or after 2015 will receive a post-employment subsidy under GASB 45 except for one grandfathered Principal (David Lawrence).

Since the last actuarial valuation as of July 1, 2010, the following other changes have occurred:

- Two Principals are known to retire on June 30, 2013. We have set their retirement rates to 100% on this date so that their post-employment subsidy will be valued.
- The life insurance premium increased from .12 to .126 per \$1,000 face amount per month.

Schedule of Funding Progress – Pension-Related Retirement Benefits

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Simplified Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/12	\$ -	\$ 1,947,581	\$ 1,947,581	0.00%	\$ 4,804,038	40.54%
07/01/10	-	2,172,925	2,172,925	0.00%	5,814,340	37.37%

Note to the Schedule of Funding Progress

The standard requires a schedule of funding progress for the three most recent valuations and accompanying notes to describe factors that significantly affect the trends in the amounts reported. The District implemented the standard as of July 1, 2010, there have been two valuations performed.

Since the last actuarial valuation as of July 1, 2010 the following actuarial assumption has changed:

- The mortality table was updated to reflect the projection of 2000 rates to 2012 based on Scale BB.

Since the last actuarial valuation as of July 1, 2010, the following plan provisions have changed:

- None.



Combining and Individual Fund Schedules
June 30, 2013

Independent School District No. 152 Moorhead Area Public Schools

Independent School District No. 152
Moorhead Area Public Schools
General Fund
Schedule of Changes in UFARS Fund Balances
Year Ended June 30, 2013

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

Independent School District No. 152
Moorhead Area Public Schools
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2013

	<u>Food Service</u>	<u>Community Service</u>	<u>OPEB Debt Service Fund</u>	<u>Totals</u>
Assets				
Cash and investments	\$ 829,929	\$ -	\$ 693,522	\$ 1,523,451
Receivables				
Current property taxes	-	284,579	776,640	1,061,219
Delinquent property taxes	-	10,727	21,728	32,455
Due from other governmental units	-	132,312	20,455	152,767
Inventories	12,062	-	-	12,062
	<u>12,062</u>	<u>-</u>	<u>-</u>	<u>12,062</u>
Total assets	<u>\$ 841,991</u>	<u>\$ 427,618</u>	<u>\$ 1,512,345</u>	<u>\$ 2,781,954</u>
Liabilities and Fund Balance				
Liabilities				
Due to other funds	\$ -	\$ 33,479	\$ -	\$ 33,479
Accounts payable	74,238	9,908	-	84,146
Salaries payable	55,623	65,451	-	121,074
Unearned revenue	48,360	10,727	21,728	80,815
Property taxes levied for subsequent year	-	284,579	1,361,071	1,645,650
Total liabilities	<u>178,221</u>	<u>404,144</u>	<u>1,382,799</u>	<u>1,965,164</u>
Fund Balance				
Nonspendable	12,062	-	-	12,062
Restricted	651,708	204,417	129,546	985,671
Unassigned	-	(180,943)	-	(180,943)
Total fund balance	<u>663,770</u>	<u>23,474</u>	<u>129,546</u>	<u>816,790</u>
Total liabilities and fund balance	<u>\$ 841,991</u>	<u>\$ 427,618</u>	<u>\$ 1,512,345</u>	<u>\$ 2,781,954</u>

Independent School District No. 152
Moorhead Area Public Schools
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2013

	<u>Food Service</u>	<u>Community Service</u>	<u>OPEB Debt Service Fund</u>	<u>Totals</u>
Revenues				
Local property tax levies	\$ -	\$ 440,795	\$ 910,958	\$ 1,351,753
Other local and county sources	4,136	492,487	-	496,623
State sources	130,541	764,989	-	895,530
Federal sources	1,177,206	16,983	-	1,194,189
Sales and other conversion of assets	1,118,848	-	-	1,118,848
Miscellaneous	-	-	150,403	150,403
Total revenues	<u>2,430,731</u>	<u>1,715,254</u>	<u>1,061,361</u>	<u>5,207,346</u>
Expenditures				
Community education and service	-	1,776,893	-	1,776,893
Pupil support services	2,523,602	-	-	2,523,602
Fiscal and other fixed cost programs	-	-	1,153,439	1,153,439
Total expenditures	<u>2,523,602</u>	<u>1,776,893</u>	<u>1,153,439</u>	<u>5,453,934</u>
Deficiency of Revenues Under Expenditures	(92,871)	(61,639)	(92,078)	(246,588)
Fund Balance, Beginning of Year	<u>756,641</u>	<u>85,113</u>	<u>221,624</u>	<u>1,063,378</u>
Fund Balance, End of Year	<u>\$ 663,770</u>	<u>\$ 23,474</u>	<u>\$ 129,546</u>	<u>\$ 816,790</u>



Other Supplementary Information
June 30, 2013

Independent School District No. 152 Moorhead Area Public Schools

Independent School District No. 152
Moorhead Area Public Schools
Changes in Student Activity Cash Balances
Year Ended June 30, 2013

Activity	Balance 7/1/12	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/13
6th Grade Activities (A)	\$ 307	\$ 2,770	\$ 2,752	\$ 325
6th Grade Activities (B)	5,474	1,375	1,061	5,788
6th Grade Activities (C)	1,747	1,352	1,347	1,752
7th Grade Activities (A)	853	1,055	730	1,178
7th Grade Activities (B)	71	1,148	153	1,066
7th Grade Activities (C)	556	1,553	1,052	1,057
8th Grade Activities (A)	721	618	202	1,137
8th Grade Activities (B)	2,604	1,045	1,412	2,237
8th Grade Activities (C)	1,341	887	262	1,966
Athletic Resale	-	221	221	-
APL Project	1,065	8,806	6,905	2,966
APL Project - Sr. High	371	313	407	277
Apollo Strings	70,288	127,588	137,301	60,575
Auditorium Technology	3,687	-	1,211	2,476
Band - Jr. High	12,743	15,221	18,906	9,058
Band - Sr. High	42,675	97,841	101,313	39,203
Baseball Club	1,479	14,894	15,080	1,293
Basketball - Boys	7,553	12,506	8,162	11,897
Basketball - Girls	773	12,087	8,981	3,879
Caps & Gowns	12,330	2,414	12,536	2,208
Choir - Sr. High	2,800	16,232	16,730	2,302
Chokio	9,001	15,660	19,325	5,336
Cross Country	611	19,052	17,112	2,551
Danceline	12,503	10,800	18,171	5,132
Destination Imagination	-	201	82	119
DI Globals	-	7,806	7,806	-
Fine Arts - Sr. High	2,177	-	310	1,867
First Lego League	708	200	641	267
Football Club	3,277	39,838	42,945	170

Independent School District No. 152
Moorhead Area Public Schools
Changes in Student Activity Cash Balances
Year Ended June 30, 2013

Activity	Balance 7/1/12	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/13
Golf - Boys Sr. High	2,570	10,220	7,031	5,759
Golf - Girls Sr. High	18	-	-	18
Gymnastics Club	2,870	3,150	3,358	2,662
Hall of Honor	4,479	2,000	2,329	4,150
Hockey - Boys	6,276	11,023	11,326	5,973
Hockey - Girls	2,039	1,980	2,728	1,291
Honor Choir - Jr. High	2,953	4,605	7,040	518
Hopkins Safety Patrol	2,593	-	12	2,581
Hopkins Ptac	2,500	3,295	5,761	34
Hopkins Ptac 188	733	7,485	7,627	591
Horizon Dance Team	-	610	610	-
Horizon Grade 6 Dean	76	200	185	91
Horizon Grade 7 Dean	105	200	131	174
Horizon Grade 8 Dean	21	200	134	87
Horizon Project Success	249	-	100	149
Horizon Visiting Auth	590	1,334	1,777	147
Indian Education	-	320	1	319
Interest	-	1,732	1,732	-
Intramurals	2,099	510	251	2,358
Journalism	2,091	3,545	3,150	2,486
Knowledge Bowl	419	3,279	2,021	1,677
Media - Jr. High	129	928	900	157
MHS Literacy Committee	271	-	1	270
MHS Robotics	-	3,496	1,899	1,597
Orchestra - Jr. High	2,053	55,926	57,763	216
PBIS - Horizon	1,626	-	8	1,618
Plays - Sr. High	-	60,925	60,815	110
Positive Incentives - Jr. High	146	-	80	66
Robert Asp Ptac	90	2,660	2,540	210
Robert Asp Safety Patrol	2,299	-	11	2,288
RRALC Store	3,905	-	19	3,886
SADD	1,463	1,425	484	2,404

Independent School District No. 152
Moorhead Area Public Schools
Changes in Student Activity Cash Balances
Year Ended June 30, 2013

<u>Activity</u>	<u>Balance 7/1/12</u>	<u>Receipts and and Transfers</u>	<u>Disbursements and Transfers</u>	<u>Balance 6/30/13</u>
Skills USA	-	1,433	1,239	194
Service Enhancement Club	1,251	1,988	1,434	1,805
Service Learning	2,464	13,719	10,927	5,256
SGR PTAC 189	60	2,637	2,607	90
SGR Safety Patrol	2,695	-	13	2,682
Soccer - Boys	3,009	2,802	2,482	3,329
Soccer - Girls	1,093	6,744	6,252	1,585
Softball	2,147	6,677	4,366	4,458
Spanish Club	3,465	1,614	384	4,695
Spanish Club - Jr. High	128	6,279	2,499	3,908
Speech	1,584	25,825	26,396	1,013
Stadium Celebration	205	-	-	205
STEP - Jr. High	1,295	-	858	437
Store - Jr. High	1,472	-	7	1,465
Student Council - Jr. High	17,635	6,030	7,435	16,230
Student Council - Sr. High	16,741	5,540	5,659	16,622
Swimming - Boys	2,862	2,851	4,737	976
Swimming - Girls	606	12,951	13,135	422
Tennis - Girls	1	-	-	1
Theatre Arts - Jr. High	30,443	25,419	35,971	19,891
Theatre Trips	-	29,329	28,292	1,037
Track - Boys	7	3,164	2,531	640
Track - Girls	2,272	2,399	2,783	1,888
Volleyball	7,867	10,993	12,612	6,248
Wrestling Club	3,004	8,605	7,857	3,752
Yearbook - Jr. High	3,869	18,845	13,788	8,926
	<u>\$ 348,553</u>	<u>\$ 790,375</u>	<u>\$ 819,204</u>	<u>\$ 319,724</u>

Independent School District No. 152
Moorhead Area Public Schools
Uniform Accounting and Reporting Standards Compliance Table
Year Ended June 30, 2013

Fiscal Compliance Report - 6/30/2013
District: MOORHEAD (152-1) [Help](#) [Logoff](#)
[Back](#) [Print](#)

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$59,136,465	<u>\$59,136,467</u>	(\$2)	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$56,623,493	<u>\$56,623,493</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>				<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$188,376	<u>\$188,376</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>				<i>Restricted / Reserved:</i>			
4.03 Staff Development	\$0	<u>\$0</u>	<u>\$0</u>	4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.05 Deferred Maintenance	\$843,309	<u>\$843,309</u>	<u>\$0</u>	4.09 Alternative Facility Program	\$0	<u>\$0</u>	<u>\$0</u>
4.06 Health and Safety	(\$323,480)	<u>(\$323,480)</u>	<u>\$0</u>	4.13 Project Funded by COP	\$0	<u>\$0</u>	<u>\$0</u>
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted:</i>			
4.08 Cooperative Revenue	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.14 Operating Debt	\$0	<u>\$0</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.16 Levy Reduction	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.17 Taconite Building Maint	\$0	<u>\$0</u>	<u>\$0</u>				
4.23 Certain Teacher Programs	\$0	<u>\$0</u>	<u>\$0</u>	07 DEBT SERVICE			
4.24 Operating Capital	\$189,051	<u>\$189,051</u>	<u>\$0</u>	Total Revenue	\$5,749,759	<u>\$5,749,758</u>	\$1
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$5,733,538	<u>\$5,733,538</u>	<u>\$0</u>
4.27 Disabled Accessibility	\$0	<u>\$0</u>	<u>\$0</u>	<i>Non Spendable:</i>			
4.28 Learning & Development	\$0	<u>\$0</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.34 Area Learning Center	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted / Reserved:</i>			
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	<u>\$0</u>	4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	<u>\$0</u>	4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.38 Gifted & Talented	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted:</i>			
4.41 Basic Skills Programs	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$1,222,322	<u>\$1,222,322</u>	<u>\$0</u>
4.45 Career Tech Programs	\$0	<u>\$0</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.49 Safe School Crime	\$130,457	<u>\$130,457</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.50 Pre-Kindergarten	\$0	<u>\$0</u>	<u>\$0</u>				
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>	08 TRUST			
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$5	<u>\$5</u>	<u>\$0</u>
4.53 Unfunded Sev & Retirem Levy	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>				4.22 Unassigned Fund Balance (Net Assets)	\$10,300	<u>\$10,300</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>				
<i>Committed:</i>				20 INTERNAL SERVICE			
4.18 Committed for Separation	\$1,604,850	<u>\$1,604,850</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.61 Committed Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Assigned:</i>				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
4.62 Assigned Fund Balance	\$4,087,500	<u>\$4,087,500</u>	<u>\$0</u>				
<i>Unassigned:</i>				25 OPEB REVOCABLE TRUST			
4.22 Unassigned Fund Balance	\$6,442,627	<u>\$6,442,631</u>	(\$4)	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
				Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
02 FOOD SERVICES				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
Total Revenue	\$2,430,731	<u>\$2,430,732</u>	(\$1)				
Total Expenditures	\$2,523,602	<u>\$2,523,603</u>	(\$1)	45 OPEB IRREVOCABLE TRUST			
<i>Non Spendable:</i>				Total Revenue	\$626,228	<u>\$626,226</u>	\$2
4.60 Non Spendable Fund Balance	\$12,062	<u>\$12,062</u>	<u>\$0</u>	Total Expenditures	\$1,286,624	<u>\$1,286,623</u>	\$1
<i>Restricted / Reserved:</i>				4.22 Unassigned Fund Balance (Net Assets)	\$7,868,203	<u>\$7,868,203</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>				
<i>Restricted:</i>				47 OPEB DEBT SERVICE			
4.64 Restricted Fund Balance	\$651,708	<u>\$651,710</u>	(\$2)	Total Revenue	\$1,061,361	<u>\$1,061,359</u>	\$2
<i>Unassigned:</i>				Total Expenditures	\$1,153,439	<u>\$1,153,438</u>	\$1
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	<i>Non Spendable:</i>			
				4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
04 COMMUNITY SERVICE				<i>Restricted:</i>			
Total Revenue	\$1,715,254	<u>\$1,715,254</u>	<u>\$0</u>	4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$1,776,893	<u>\$1,776,892</u>	\$1	4.64 Restricted Fund Balance	\$129,546	<u>\$129,545</u>	\$1
<i>Non Spendable:</i>				<i>Unassigned:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>							
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>				
4.31 Community Education	(\$102,704)	<u>(\$102,704)</u>	<u>\$0</u>				
4.32 E.C.F.E	\$138,134	<u>\$138,134</u>	<u>\$0</u>				
4.44 School Readiness	(\$78,239)	<u>(\$78,239)</u>	<u>\$0</u>				
4.47 Adult Basic Education	\$0	<u>\$0</u>	<u>\$0</u>				
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>				
<i>Restricted:</i>							
4.64 Restricted Fund Balance	\$66,283	<u>\$66,283</u>	<u>\$0</u>				
<i>Unassigned:</i>							
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>				

Independent School District No. 152
Moorhead Area Public Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal Grantor/Program Title	Federal CFDA Number	Pass Through Number	Expenditures
Department of Agriculture			
<i>Passed through Minnesota Department of Education</i>			
Non-Cash Assistance (Commodities):			
Food Distribution	10.558	0152-01-000	\$ 61,774
Cash Assistance:			
School Breakfast Program	10.553	0152-01-000 FIN 705	\$ 189,904
National School Lunch Program	10.555	0152-01-000 FIN 701	73,817
National School Lunch Program	10.555	0152-01-000 FIN 702	5,186
National School Lunch Program	10.555	0152-01-000 FIN 701	621,192
Summer Food Service Program for Children	10.559	0152-01-000 FIN 709	21,880
Total Child Nutrition Cluster			<u>911,979</u>
Total Department of Agriculture			\$ 973,753
Department of Interior			
<i>Passed through White Earth Indian Reservation</i>			
Johnson O' Malley	15.130	N/A	7,309
Department of Education			
<i>Direct</i>			
Indian Education - Grants to Local Educational Agencies	84.060	N/A	51,376
<i>Passed through Minnesota Department of Education</i>			
Adult Education - Basic Grants to States	84.002	0152-01-000 FIN 438	16,983
Title I Grants to Local Educational Agencies	84.010	0152-01-000 FIN 401	1,067,981
Title I Grants to Local Educational Agencies	84.010	0152-01-000 FIN 406	80,092
Total Title I Cluster			1,148,073
Special Education - Grants to States	84.027	0152-01-000 FIN 419	1,570,489
Special Education - Grants to States	84.027	0152-01-000 FIN 435	8,920
Special Education - Preschool Grants	84.173	0152-01-000 FIN 420	40,262
Special Education - Preschool Grants	84.173	0152-01-000	2,916
Special Education - Preschool Grants	84.173A	0152-01-000 FIN 437	2,205
Total Special Education Cluster			<u>1,624,792</u>
<i>Passed through Minnesota Department of Education</i>			
Special Education - State Personnel Development	84.323	0152-01-000 FIN 837	105,655
Special Education - Grants for Infants and Families	84.181	0152-01-000 FIN 422	23,578
English Language Acquisition State Grants	84.365	0152-01-000 FIN 417	69,122
Improving Teacher Quality State Grants	84.367	0152-01-000 FIN 414	226,382
Migrant Education - State Grant Program	84.011	0152-01-000 FIN 863	55,128
Migrant Education - State Grant Program	84.011A	0152-01-000 FIN 887	34,262
Total Migrant Education Cluster			<u>89,390</u>
Total Department of Education			3,355,351
Department of Health and Human Resources			
<i>Passed through Minnesota Department of Education</i>			
Medical Assistance Program	93.778	N/A	209,438
Total expenditures of federal awards			<u>\$4,545,851</u>

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, 2013, the district had food commodities totaling \$12,062 in inventory.

Note C – Agency or Pass-Through Number

The pass-through entity has not provided us with all the identifying numbers. These programs are noted by a “N/A”.



Additional Reports
June 30, 2013

Independent School District No. 152 Moorhead Area Public Schools



**Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

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

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 152, Moorhead Area Public Schools, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 26, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Moorhead Area Public Schools internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of audit findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of audit findings and questioned costs items, 2013-A and 2013-B to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of audit findings and questioned costs items, 2013-C to be significant deficiencies.

Compliance and Other Matters

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

Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of audit findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
November 26, 2013



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited the District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District's complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect of each of its major Federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
November 26, 2013



**Report on Compliance over
Financial Reporting of the Student Activity Accounts**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of the *Manual for Activity Fund Accounting (MAFA)*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 152, Moorhead Area Public Schools, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 26, 2013.

Compliance

As part of obtaining reasonable assurance about whether the District's student activity accounts are free of material misstatement, we performed tests of the district's compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of student activity amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed one instance of noncompliance that are required to be reported see 2013-D.

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 and is not intended to be and should be used by anyone other than those specified parties.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
November 26, 2013



Report on *Minnesota Legal Compliance*

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

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of as of Independent School District No. 152 Moorhead Area Public Schools and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated November 26, 2013.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for school districts. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Fargo, North Dakota
November 26, 2013

12-4 Allowable Cost - Special Education Cluster CFDA #84.027 & 84.173

Finding – During 2012 audit, it was noted that an expenditure did not meet the allowable cost principles. This expenditure was for mileage reimbursement to a teacher whose services are shared between the Moorhead Area School District and another local District. The Moorhead Area School District pays the entire mileage reimbursement through federal funds, but was then reimbursed from the other local District for that District's portion of the mileage.

Status – The District has made an effort to ensure expenditures meet the allowable cost principles.

Auditor's Response – The District has made progress in ensuring expenditures meet the allowable cost principles and there were no instances found in current audit.

Independent School District No. 152
Moorhead Area Public Schools
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Summary of Audit Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> X </u> yes	<u> </u> no
Significant deficiency(ies) identified?	<u> X </u> yes	<u> </u> none reported

Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no
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Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	<u> X </u> yes	<u> </u> no
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Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 10.559	Child Nutrition Cluster
84.027, 84.173 & 84.173A	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
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Auditee qualified as low-risk auditee?	<u> </u> yes	<u> X </u> no
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Findings – Financial Statement Audit

Material Weakness

2013-A Significant Journal Entries

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

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

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

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

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

Corrective Action Plan (CAP)

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

Material Weakness

2013-B Segregation of Duties

Condition – The District does not adequately separate duties in bank reconciliations and journal entry posting.

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

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

Cause – There is no documentation of a formal review of the bank reconciliations performed. Also, journal entries are prepared and posted by the same individual with no review of these entries.

Recommendation – The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

Corrective Action Plan (CAP)

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

Significant Deficiency

2013-C Preparation of Financial Statements

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

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

Effect – The disclosures in the financial statements could be incomplete.

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

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

Corrective Action Plan (CAP)

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

C. Findings – Major Federal Award Programs Audit

None

D. Findings – Student Activities

2013-D Missing detailed receipt for disbursement

Condition – During our testing we discovered an expenditure that did not have proper back-up documentation as support.

Criteria – Page 20 of the MAFA guidelines state that disbursements from student activity funds must be accompanied by original vendor invoices. If the original invoice is unavailable, the reason shall be noted on the document supporting the payment.

Effect – The control deficiency could result in the District’s misuse of student activity funds.

Cause – The District does not have an internal control system designed to properly review disbursement back-up from student accounts.

Recommendation – Management should put a procedure in place to ensure all disbursements from student activity accounts are accompanied by proper back-up documentation.

Corrective Action Plan (CAP)

1. Actions Planned in Response to the Finding – The District will update their procedures to implement proper internal controls to ensure all disbursements from student activity accounts are accompanied by proper back-up documentation.
2. Explanation of Disagreement – There is no disagreement with the audit finding.
3. Official Responsible for Ensuring Corrective Action – Wayne Kazmierczak, Assistant Superintendent.
4. Planned Completion Date for the Corrective Action – June 30, 2014.
5. Plan to Monitor Completion of Corrective Action – The School Board will monitor.

E. Findings – Minnesota Legal Compliance

None