



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

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MOORHEAD AREA PUBLIC SCHOOLS**

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INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD AREA PUBLIC SCHOOLS
SCHOOL BOARD AND ADMINISTRATION (UNAUDITED)
JUNE 30, 2009

SCHOOL BOARD

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

ADMINISTRATION

Lynne Kovash	Superintendent
Wayne Kazmierczak	Assistant Superintendent
Denice Sinner	District Accountant

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 152, Moorhead Area Public Schools, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2009, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2009 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The school board and administration, combining and individual fund schedules, and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. The combining and individual fund schedules, uniform accounting and reporting compliance table, and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. In addition, in our opinion, the statement of changes in student activity cash balances (Exhibit D-1) presents fairly the changes in the cash balances of the student activity funds for the year ended June 30, 2009. The school board and administration has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Eide Bailly LLP

Fargo, North Dakota
December 7, 2009

**INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD AREA PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

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, 2009. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2008-2009 fiscal year include the following:

- General Fund 01: - The overall revenues were \$49.9 million while the overall expenditures were \$60.3 million. These, along with other financing sources of \$10.2 million, decreased the fund balance by \$137,000.
- Food Service Fund 02: - The revenues were \$1.8 million and the expenditures were \$1.9 million decreasing the fund balance by \$100,000.
- Community Service Fund 04: - The revenues were \$1.4 million while the expenditures were \$1.3 million increasing the fund balance by \$125,000.
- Debt Service Fund 07: - The revenues were \$7.9 million and expenditures of \$7.7 million increasing the fund balance by \$260,000. In 2012 when the bonds cross over the expenditures will be increased causing the reserved fund balance to go back down.

OVERVIEW OF THE FINANCIAL STATEMENTS

District-wide Statements

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

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

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

MANAGEMENT’S DISCUSSION AND ANALYSIS

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Net Assets

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

Table A-1

STATEMENT OF NET ASSETS JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Current assets	\$ 77,226,483	\$ 63,978,242
Capital assets	<u>74,227,187</u>	<u>75,891,258</u>
Total assets	<u><u>\$ 151,453,670</u></u>	<u><u>\$ 139,869,500</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Other liabilities	\$ 18,638,139	\$ 15,560,285
Long-term liabilities	<u>108,131,808</u>	<u>103,747,041</u>
Total liabilities	<u><u>126,769,947</u></u>	<u><u>119,307,326</u></u>
NET ASSETS		
Invested in capital assets, net of related debt	21,137,187	19,586,258
Restricted for specific purposes	44,497,728	44,308,724
Unrestricted	<u>(40,951,192)</u>	<u>(43,332,808)</u>
Total net assets	<u><u>24,683,723</u></u>	<u><u>20,562,174</u></u>
Total liabilities and net assets	<u><u>\$ 151,453,670</u></u>	<u><u>\$ 139,869,500</u></u>

(continued on next page)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Change in Net Assets

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

Table A-2

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
REVENUES		
Program revenues		
Charges for service	\$ 1,833,913	\$ 1,896,098
Operating grants and contributions	5,057,831	5,220,086
General		
Property taxes	7,192,639	6,616,743
Aids and payments from state and other	46,725,037	45,287,303
Unrestricted investment earnings	203,347	471,221
Miscellaneous revenues	215,658	433,158
	<u>61,228,425</u>	<u>59,924,609</u>
Total revenues		
EXPENSES		
District and school administration	2,506,774	2,584,946
District support services	1,104,356	945,582
Regular instruction	19,125,008	22,229,574
Vocational instruction	438,560	465,327
Exceptional instruction	11,704,158	11,870,354
Community education and services	1,342,024	1,496,201
Instructional support services	3,055,089	3,082,708
Pupil support services	6,708,035	6,431,703
Site, buildings and equipment	6,348,483	6,098,101
Fiscal and other fixed-cost programs	4,774,389	4,711,325
	<u>57,106,876</u>	<u>59,915,821</u>
Total expenses		
CHANGE IN NET ASSETS	4,121,549	8,788
NET ASSETS - BEGINNING	<u>20,562,174</u>	<u>20,553,386</u>
NET ASSETS - ENDING	<u>\$ 24,683,723</u>	<u>\$ 20,562,174</u>

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MANAGEMENT’S DISCUSSION AND ANALYSIS

Changes in Net Assets: The District’s total revenues were approximately \$61.2 million for the year ended June 30, 2009. Property taxes and state formula aid accounted for 87% of total revenue for the year. Another 12% came from other program revenues, and the remaining came from general revenues combined with investment earnings.

The total cost of all programs and services was approximately \$57.1 million. The District’s expenses are predominantly related to educating and caring for students. The purely administrative activities of the District accounted for just 5% of total costs.

The total revenues exceeded expenses, improving the net assets approximately \$4.1 million for fiscal year 2009.

GENERAL FUND

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

The following schedule presents a summary of General Fund Revenues.

	<u>Year Ended June 30,</u>		<u>Amount of Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
	<u>2009</u>	<u>2008</u>		
Local property taxes	\$ 1,886,821	\$ 1,744,800	\$ 142,021	8.1%
Other local sources	1,106,765	1,609,146	(502,381)	-31.2%
State sources	44,565,250	42,629,959	1,935,291	4.5%
Federal sources	2,388,519	2,513,968	(125,449)	-5.0%
Miscellaneous	<u>279</u>	<u>55,610</u>	<u>(55,331)</u>	-99.5%
 Total General Fund revenues	 <u>\$ 49,947,634</u>	 <u>\$ 48,553,483</u>	 <u>\$ 1,394,151</u>	 2.9%

Total General Fund revenue *increased* by \$1.4 million or 2.9% 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 2009 was in the area of State sources and was caused by the District’s increase in general education state aid and better than anticipated enrollment.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2009	2008		
Salaries and benefits	\$ 40,170,093	\$ 40,315,301	\$ (145,208)	-0.4%
Purchased services	6,039,368	5,497,143	542,225	9.9%
Supplies and materials	2,098,392	2,505,722	(407,330)	-16.3%
Capital expenditures	1,409,436	2,299,622	(890,186)	-38.7%
Other expenditures	264,541	188,034	76,507	40.7%
Total General Fund expenditures	<u>\$ 49,981,830</u>	<u>\$ 50,805,822</u>	<u>\$ (823,992)</u>	-1.6%

Total General Fund expenditures *decreased* by \$834,000 or 1.6% from the previous year.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

- Actual revenues were \$588,000 *more than* budget, mainly because of more than anticipated special education aid from the state.
- Actual expenditures were \$9.0 million *more than* budget due to the issuance of OPEB bonds.

OTHER NON-MAJOR FUNDS –

The Food Service Fund incurred a current year deficit of approximately \$100,000. The Community Service Fund incurred a current year surplus of approximately \$125,000. From the standpoint of maintaining current operating expenditures within the range of annual revenue, the Community Service Fund and Food Service Fund continue to operate on a sound financial basis. The OPEB Debt Service Fund was created in 2009 to account for the future debt service of the OPEB bonds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Note 5 to the financial statements presents an analysis of capital asset transactions occurring during the year ended June 30, 2009. A decrease in net capital assets consisted primarily of a decrease in capital assets activity due to budget cuts.

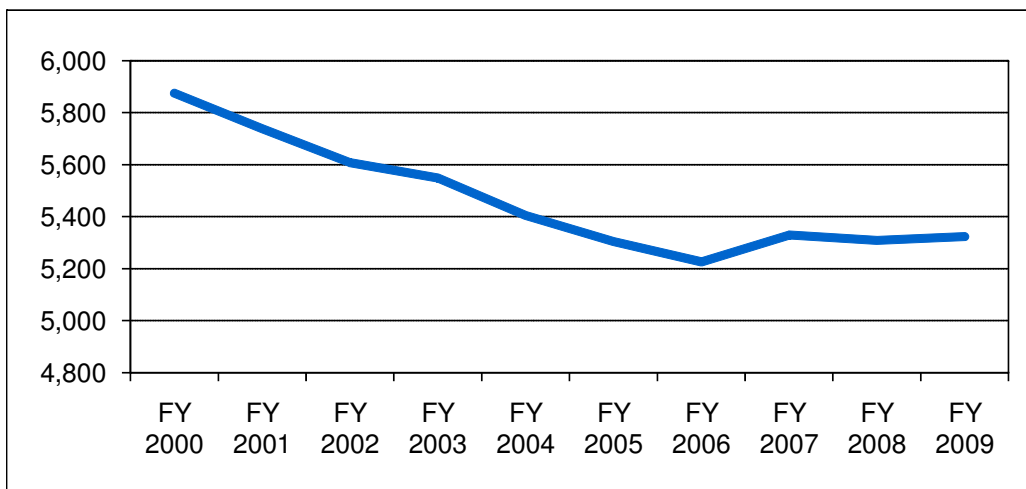
MANAGEMENT’S DISCUSSION AND ANALYSIS

Long-Term Debt

At year end the District had \$108,318,114 of long term debt. This consisted of bonded indebtedness of \$105,470,000 and severance and compensated absences payable of \$2,848,114. Note 8 presents the detail of the District’s long-term debt.

FACTORS BEARING ON THE DISTRICT’S FUTURE

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



CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

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

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INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD AREA PUBLIC SCHOOLS
STATEMENT OF NET ASSETS
JUNE 30, 2009

Exhibit A-1

ASSETS

Cash and investments	\$ 13,733,443
Cash with fiscal agent	42,076,343
Receivables	
Current property taxes	5,375,294
Delinquent property taxes	136,215
Accounts	105,151
Due from other governmental units	5,935,308
Prepaid items	6,438
Inventory	39,261
Net OPEB obligation asset	9,819,030
	<u>77,226,483</u>
Capital assets	
Land	1,049,947
Buildings	89,922,636
Improvements	1,852,829
Vehicles	1,218,400
Equipment	621,625
Less accumulated depreciation	<u>(20,438,250)</u>
Total capital assets, net of depreciation	<u>74,227,187</u>
Total assets	<u><u>\$ 151,453,670</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Aid anticipation certificates	\$ 3,000,000
Accounts payable	1,224,430
Salaries payable	4,027,673
Accrued interest payable	1,333,853
Unearned revenue	171,136
Property taxes levied for subsequent year	8,881,047
Long-term liabilities	
Portion due or payable within one year	3,939,027
Portion due or payable after one year	<u>104,192,781</u>
Total liabilities	<u>126,769,947</u>

NET ASSETS

Invested in capital assets, net of related debt	21,137,187
Restricted for specific purposes	44,497,728
Unrestricted	<u>(40,951,192)</u>
Total net assets	<u>24,683,723</u>
Total liabilities and net assets	<u><u>\$ 151,453,670</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD AREA PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

Exhibit A-2

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
District and school administration	\$ 2,506,774	\$ -	\$ -	\$ (2,506,774)
District support services	1,104,356	-	-	(1,104,356)
Regular instruction	19,125,008	10,513	1,129,021	(17,985,474)
Vocational instruction	438,560	-	-	(438,560)
Exceptional instruction	11,704,158	497,052	1,259,499	(9,947,607)
Community education and services	1,342,024	329,495	78,296	(934,233)
Instructional support services	3,055,089	-	-	(3,055,089)
Pupil support services	6,708,035	897,814	953,359	(4,856,862)
Site, buildings and equipment	6,348,483	99,039	-	(6,249,444)
Fiscal and other fixed-cost programs	4,774,389	-	1,637,656	(3,136,733)
Total governmental activities	<u>\$ 57,106,876</u>	<u>\$ 1,833,913</u>	<u>\$ 5,057,831</u>	<u>(50,215,132)</u>
GENERAL REVENUES				
Property taxes, levied for general purposes				1,905,320
Property taxes, levied for community education and services				231,162
Property taxes, levied for debt service				5,056,157
Aids and payments from the state				46,638,403
County apportionment				86,634
Unrestricted investment earnings				203,347
Gain on sale of property and equipment				20
Miscellaneous revenues				215,638
Total general revenues				<u>54,336,681</u>
CHANGES IN NETS ASSETS				4,121,549
NET ASSETS - BEGINNING				<u>20,562,174</u>
NET ASSETS - ENDING				<u>\$ 24,683,723</u>

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

INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD AREA PUBLIC SCHOOLS
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2009

Exhibit A-3

	General	Debt Service	Other Governmental Funds	Totals
ASSETS				
Cash and investments	\$ 9,431,696	\$ 3,374,766	\$ 926,981	\$ 13,733,443
Cash with fiscal agent	-	42,076,343	-	42,076,343
Receivables				
Current property taxes	1,243,714	3,719,008	412,572	5,375,294
Delinquent property taxes	32,694	99,019	4,502	136,215
Accounts	104,401	-	750	105,151
Due from other governmental units	5,622,834	125,286	187,188	5,935,308
Prepaid items	6,438	-	-	6,438
Inventories	-	-	39,261	39,261
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 16,441,777</u>	<u>\$ 49,394,422</u>	<u>\$ 1,571,254</u>	<u>\$ 67,407,453</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Aid anticipation certificates	\$ 3,000,000	\$ -	\$ -	\$ 3,000,000
Accounts payable	1,189,463	-	34,967	1,224,430
Salaries payable	3,987,585	-	40,088	4,027,673
Interest payable	89,375	-	-	89,375
Deferred revenue	164,527	99,019	43,806	307,352
Property taxes levied for subsequent year	1,833,640	6,343,613	703,794	8,881,047
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>10,264,590</u>	<u>6,442,632</u>	<u>822,655</u>	<u>17,529,877</u>
FUND BALANCE (DEFICIT)				
Reserved				
For deferred maintenance	205,994	-	-	205,994
For health and safety	(367,851)	-	-	(367,851)
For severance pay	89,446	-	-	89,446
For operating capital	533,263	-	-	533,263
For safe schools	(2,033)	-	-	(2,033)
For inventories	-	-	39,261	39,261
For early childhood and family education	-	-	75,499	75,499
For community education	-	-	(7,897)	(7,897)
For school readiness	-	-	20,626	20,626
For bond refunding	-	42,076,343	-	42,076,343
Unreserved				
Designated for severance pay	2,758,668	-	-	2,758,668
Undesignated	2,959,700	875,447	621,110	4,456,257
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>6,177,187</u>	<u>42,951,790</u>	<u>748,599</u>	<u>49,877,576</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	<u>\$ 16,441,777</u>	<u>\$ 49,394,422</u>	<u>\$ 1,571,254</u>	<u>\$ 67,407,453</u>

**INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD AREA PUBLIC SCHOOLS
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009**

Exhibit A-4

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 49,877,576
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	74,227,187
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.	(1,244,477)
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.	136,215
Negative net OPEB obligation assets created through treatment of OPEB Obligation Bonds as employer contributions are not recognized in the funds.	9,819,030
Compensated absences are not due and payable in the current period and therefore is not reported as liabilities in the funds	(2,848,114)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	<u>(105,283,694)</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	<u><u>\$ 24,683,723</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD AREA PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2009

Exhibit A-5

	General	Debt Service	Other Governmental Funds	Totals
REVENUES				
Local property tax levies	\$ 1,886,821	\$ 5,056,157	\$ 231,162	\$ 7,174,140
Other local and county sources	1,106,765	1,637,729	260,694	3,005,188
State sources	44,565,250	1,252,737	929,739	46,747,726
Federal sources	2,388,519	-	996,244	3,384,763
Miscellaneous	<u>279</u>	<u>-</u>	<u>897,814</u>	<u>898,093</u>
Total revenues	<u>49,947,634</u>	<u>7,946,623</u>	<u>3,315,653</u>	<u>61,209,910</u>
EXPENDITURES				
District and school administration	2,500,473	-	-	2,500,473
District support services	1,104,357	-	-	1,104,357
Regular instruction	21,472,864	-	-	21,472,864
Other post-employment benefits	10,300,000	-	-	10,300,000
Vocational instruction	438,559	-	-	438,559
Exceptional instruction	11,704,159	-	-	11,704,159
Community education and service	-	-	1,338,579	1,338,579
Instructional support services	3,019,086	-	-	3,019,086
Pupil support services	4,671,623	-	1,952,629	6,624,252
Site, buildings and equipment	4,816,561	-	-	4,816,561
Fiscal and other fixed cost programs	<u>254,148</u>	<u>7,686,216</u>	<u>-</u>	<u>7,940,364</u>
Total expenditures	<u>60,281,830</u>	<u>7,686,216</u>	<u>3,291,208</u>	<u>71,259,254</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(10,334,196)	260,407	24,445	(10,049,344)
OTHER FINANCING SOURCES AND (USES)				
Transfer in (out)	(306,243)	-	306,243	-
Sale of property and equipment	20	-	-	20
Bond proceeds	10,300,000	-	-	10,300,000
Premium on bond issuance	<u>203,243</u>	<u>-</u>	<u>-</u>	<u>203,243</u>
Total other financing sources and (uses)	<u>10,197,020</u>	<u>-</u>	<u>306,243</u>	<u>10,503,263</u>
NET CHANGE IN FUND BALANCE	(137,176)	260,407	330,688	453,919
FUND BALANCE, BEGINNING OF YEAR	<u>6,314,363</u>	<u>42,691,383</u>	<u>417,911</u>	<u>49,423,657</u>
FUND BALANCE, END OF YEAR	<u>\$ 6,177,187</u>	<u>\$ 42,951,790</u>	<u>\$ 748,599</u>	<u>\$ 49,877,576</u>

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

INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD AREA PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

Exhibit A-6

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 453,919

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	\$ 365,336	
Depreciation expense	(2,029,407)	
Excess of depreciation expense over capital outlay		(1,664,071)

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	136,215	
Prior period balance	(117,716)	
Current year effect		18,499

In the statement of activities compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.

Current period balance	(2,848,114)	
Prior period balance	3,248,800	
Current year effect		400,686

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

Current period balance	(1,244,478)	
Prior period balance	3,609,270	
Current year effect		2,364,792

Proceeds of OPEB obligation bonds during the year were contributed towards the OPEB obligation to retire the unfunded obligations. Governmental funds report such outlays as expenditures. However, the outlay is reported as an asset on the government wide statement of net assets.

9,819,030

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net assets. In the current period these amounts consist of:

Bond proceeds		(10,300,000)
Bond principal retirement		3,215,000
Premiums on bond issuance		(203,243)
Amortization of premium on bond issuance		16,937

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 4,121,549

INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD AREA PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
IN FUND BALANCES – BUDGET TO ACTUAL – GENERAL FUND
YEAR ENDED JUNE 30, 2009

Exhibit A-7

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
REVENUES				
Local property tax levies	\$ 1,735,508	\$ 1,835,299	\$ 1,886,821	\$ 51,522
Other local and county sources	1,846,992	1,065,744	1,106,765	41,021
State sources	43,730,172	43,810,871	44,565,250	754,379
Federal sources	2,803,447	2,647,435	2,388,519	(258,916)
Miscellaneous	<u>-</u>	<u>-</u>	<u>279</u>	<u>279</u>
Total revenues	<u>50,116,119</u>	<u>49,359,349</u>	<u>49,947,634</u>	<u>588,285</u>
EXPENDITURES				
District and school administration	2,658,763	2,528,212	2,500,473	27,739
District support services	963,994	963,994	1,104,357	(140,363)
Regular instruction	23,463,953	22,510,337	21,472,864	1,037,473
Other post-employment benefits	-	-	10,300,000	(10,300,000)
Vocational instruction	477,369	480,640	438,559	42,081
Exceptional instruction	12,784,266	12,024,982	11,704,159	320,823
Instructional support services	3,079,053	3,009,053	3,019,086	(10,033)
Pupil support services	4,495,297	4,495,601	4,671,623	(176,022)
Site, buildings and equipment	4,837,426	5,102,305	4,816,561	285,744
Fiscal and other fixed cost programs	<u>154,471</u>	<u>132,384</u>	<u>254,148</u>	<u>(121,764)</u>
Total expenditures	<u>52,914,592</u>	<u>51,247,508</u>	<u>60,281,830</u>	<u>(9,034,322)</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES				
	(2,798,473)	(1,888,159)	(10,334,196)	(8,446,037)
OTHER FINANCING SOURCES AND (USES)				
Transfer out	-	-	(306,243)	(306,243)
Sale of property and equipment	-	-	20	20
Bond proceeds	-	-	10,300,000	10,300,000
Premium on bond issuance	<u>-</u>	<u>-</u>	<u>203,243</u>	<u>203,243</u>
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>10,197,020</u>	<u>10,197,020</u>
NET CHANGE IN FUND BALANCE	(2,798,473)	(1,888,159)	(137,176)	1,750,983
FUND BALANCE, BEGINNING OF YEAR	<u>6,314,363</u>	<u>6,314,363</u>	<u>6,314,363</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 3,515,890</u>	<u>\$ 4,426,204</u>	<u>\$ 6,177,187</u>	<u>\$ 1,750,983</u>

INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD AREA PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2009

Exhibit A-8

	<u>Trust Funds</u>
ASSETS	
Cash and investments	<u>\$ 9,788,990</u>
LIABILITIES AND NET ASSETS	
Liabilities	
Due to other organizations	\$ 441
Net assets	
Unrestricted	<u>9,788,549</u>
Total liabilities and net assets	<u>\$ 9,788,990</u>

**INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD AREA PUBLIC SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED JUNE 30, 2009**

Exhibit A-9

	<u>Trust Funds</u>
ADDITIONS	
Interest	\$ 380,954
OPEB contribution	<u>10,151,897</u>
Total additions	<u>10,532,851</u>
DEDUCTIONS	
Scholarships	441
OPEB health insurance	<u>753,861</u>
Total deductions	<u>754,302</u>
NET CHANGE IN NET ASSETS	9,778,549
NET ASSETS, BEGINNING OF YEAR	<u>10,000</u>
NET ASSETS, END OF YEAR	<u><u>\$ 9,788,549</u></u>

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INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD AREA PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

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

B. REPORTING ENTITY

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

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

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

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

C. GOVERNMENT-WIDE FINANCIAL STATEMENT PRESENTATION

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

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

NOTES TO FINANCIAL STATEMENTS

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

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

D. FUND FINANCIAL STATEMENT PRESENTATION

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Description of Funds

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

Major Governmental Funds

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

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

Nonmajor Governmental Funds

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

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

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

Fiduciary Funds

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

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

E. OTHER SIGNIFICANT ACCOUNTING POLICIES

Budgeting

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

NOTES TO FINANCIAL STATEMENTS

Cash and Investments

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

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

Cash Held with Fiscal Agent

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

Receivables

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

Prepaid Items

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

Inventories

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

Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognized \$371,736 of the property tax levy collectible in 2009 as revenue to the District in fiscal year 2008-2009. The remaining portion of the taxes collectible in 2009 is recorded as deferred revenue (property taxes levied for subsequent year).

NOTES TO FINANCIAL STATEMENTS

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

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

Capital Assets

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

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

Capital assets not being depreciated include land.

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

Long-Term Obligations

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

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

Severance and Compensated Absences Payable

Vacation – The District compensates substantially all full-time noncertified employees for unused vacation upon termination; however, no employee is allowed to accumulate more than a one-year vacation allowance. The expenditure for vacation pay is recognized when payment is made. As of June 30, 2009, this amount did not exceed a normal year's accumulation.

NOTES TO FINANCIAL STATEMENTS

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

Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers’ compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District’s insurance coverage in fiscal year 2009.

Net Assets

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures over Budget

Budget control for all funds is established by their total appropriations. The following are the excess of expenditures over budget for the year ended June 30, 2009:

	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund	<u>\$ 51,247,508</u>	<u>\$ 60,281,830</u>	<u>\$ (9,034,322)</u>

These over expenditures were funded by the issuance of OPEB bonds in the amount of \$10,300,000.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits

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

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

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

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

At June 30, 2009, all deposits were insured or collateralized by securities held by the District's agent in the District's name

Investments

Credit Risk – Investments

Minnesota Statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, bankers' acceptances, certain repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record. As of June 30, 2009, \$3,851,482 of the District's investments in fixed income securities were rated AAA by Moody's and Standard & Poor's. \$305,376 of the District's investments in fixed income securities were rated AA2 by Moody's and AAA by Standard & Poor's. \$259,450 of the District's investments in fixed income securities were rated AA2 by Moody's and AA by Standard & Poor's. The remaining \$318,939 of the District's investments in fixed income securities were rated AA2 by Moody's and AA- by Standard & Poor's. The District's investments in the equities securities, alternative investments, real estate investment trusts, and certificates of deposit are not rated.

Custodial Credit Risk – Investments

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

Interest Rate Risk – Investments

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

NOTES TO FINANCIAL STATEMENTS

The following table presents the District's deposit and investment balances at June 30, 2009:

Type	Fair Value	Investment Maturities (in Years)		
		N/A	< 1	1 - 5
Cash and cash equivalents				
Minnesota School				
District Liquid Asset Fund	\$ 8,385,571	\$ 8,385,571	\$ -	\$ -
Deposits	274,671	274,671	-	-
Petty cash	19,340	19,340	-	-
Money market	3,253,093	3,253,093	-	-
Investments				
Fixed income	4,735,246	-	2,052,255	2,682,991
Equities	1,352,006	1,352,006	-	-
Alternative investments	1,175,144	1,175,144	-	-
Real estate investment trusts	17,362	17,362	-	-
Certificates of deposit	4,310,000	-	-	4,310,000
	<u>\$ 23,522,433</u>	<u>\$ 14,477,187</u>	<u>\$ 2,052,255</u>	<u>\$ 6,992,991</u>

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

Cash and Investments - Statement of Net Assets	\$ 13,733,443
Cash and Investments - Statement of Fiduciary Net Assets	<u>9,788,990</u>
	<u>\$ 23,522,433</u>

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

NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS

Amounts receivable from other governments as of June 30, 2009, include:

Fund	Federal	State	Other	Total
Major funds				
General	\$ 560,108	\$ 4,113,274	\$ 949,452	\$ 5,622,834
Debt service	-	125,286	-	125,286
Non-major funds	<u>107,148</u>	<u>80,040</u>	<u>-</u>	<u>187,188</u>
	<u>\$ 667,256</u>	<u>\$ 4,318,600</u>	<u>\$ 949,452</u>	<u>\$ 5,935,308</u>

The state receivable in the general fund includes general education aid of \$3,335,134.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 is as follows:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Capital assets not being depreciated:				
Land	\$ 1,049,947	\$ -	\$ -	\$ 1,049,947
Capital assets being depreciated:				
Buildings	89,747,679	174,957	-	89,922,636
Improvements	1,724,169	128,660	-	1,852,829
Vehicles	1,218,400	-	-	1,218,400
Equipment	559,906	61,719	-	621,625
Total capital assets being depreciated	<u>93,250,154</u>	<u>365,336</u>	<u>-</u>	<u>93,615,490</u>
Less accumulated depreciation for:				
Buildings	17,052,419	1,786,480	-	18,838,899
Improvements	259,691	89,425	-	349,116
Vehicles	796,289	56,520	-	852,809
Equipment	300,444	96,982	-	397,426
Total accumulated depreciation	<u>18,408,843</u>	<u>2,029,407</u>	<u>-</u>	<u>20,438,250</u>
Net capital assets, depreciated	<u>74,841,311</u>	<u>(1,664,071)</u>	<u>-</u>	<u>73,177,240</u>
Total capital assets, net	<u>\$ 75,891,258</u>	<u>\$ (1,664,071)</u>	<u>\$ -</u>	<u>\$ 74,227,187</u>

Depreciation expense for the year ended June 30, 2009 was charged to the following functions/programs:

District and school administration	\$ 6,300
Regular instruction	2,611
Community education	3,446
Instructional support	36,003
Pupil support services	83,781
Site, building and equipment	<u>1,897,266</u>
Total depreciation expense	<u>\$ 2,029,407</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - AID ANTICIPATION CERTIFICATES

The District sold aid anticipation certificates dated September 28, 2008 with a value of \$3,000,000 at an interest rate of 2.75 percent. These certificates mature on September 28, 2009. Additionally, general obligation aid anticipation certificates dated September 10, 2009 with a value of \$5,000,000 at an interest rate of 1.00 percent were sold. These certificates mature on September 10, 2010. Interest and fiscal charges on aid anticipation certificates for the year ended June 30, 2009 in the General Fund totaled \$89,375.

NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

Annual required contribution	\$ 1,076,295
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>1,076,295</u>
Contributions made	
Subsidized payments	(743,428)
Bond proceeds	<u>(10,151,897)</u>
Change in net OPEB obligation (asset)	(9,819,030)
Net OPEB obligation (asset), beginning of year	-
Net OPEB obligation (asset), end of year	<u><u>\$ (9,819,030)</u></u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2009 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>
06/30/09	<u>\$ 1,076,295</u>	<u>\$ 10,895,325</u>	<u>1012.30%</u>	<u>\$ (9,819,030)</u>

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

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

NOTE 8 - LONG-TERM LIABILITIES

Changes in long-term liabilities during the year ended June 30, 2009 are as follows:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Due Within One Year
Bonds payable	\$ 98,385,000	\$ 10,300,000	\$ 3,215,000	\$ 105,470,000	\$ 3,380,000
Unamortized premium on bond issuance	-	(203,243)	(16,937)	(186,306)	(16,937)
Severance and compensated absences payable	<u>3,248,800</u>	<u>-</u>	<u>400,686</u>	<u>2,848,114</u>	<u>575,964</u>
	<u>\$ 101,633,800</u>	<u>\$ 10,096,757</u>	<u>\$ 3,598,749</u>	<u>\$ 108,131,808</u>	<u>\$ 3,939,027</u>

NOTES TO FINANCIAL STATEMENTS

Following is a summary of bonds payable as of June 30, 2009:

Bond Description	Final Maturities	Interest Rate	Original Principal	Outstanding Balance
General Obligation School Building Bonds of 2002 **	4/12	4.00% - 5.25%	\$ 64,500,000	\$ 51,050,000
General Obligation School Building Refunding Bonds of 2005	4/22	3.25% - 4.25%	42,080,000	42,080,000
General Obligation Refunding Bonds of 2006	2/13	3.75%	3,375,000	2,040,000
General Obligation School Taxable OPEB Bonds of 2009***	2/13	3.75%	3,375,000	<u>10,300,000</u>
				<u>\$ 105,470,000</u>

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

** During 2005 the district issued bonds, the proceeds of which will be used to refund the 2013-2022 maturities of the General Obligation School Building Bonds of 2002 on the April 1, 2012 call date. The proceeds of the 2005 refunding issue were used to purchase SLGS, which are being held by a fiscal agent. The proceeds will be used to make interest payments on the 2005 refunding issue, with the remainder used to call the 2002 issue on April 1, 2012. As of June 30, 2009 the Building Bonds of 2002 have \$51,050,000 in principal payments remaining. All but \$8,970,000 of the balance due will be paid with the cash held by a fiscal agent.

***During 2009, the District issued \$10,300,000, Series 2009 OPEB bonds to retire the unfunded actuarial accrued OPEB liability.

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

NOTES TO FINANCIAL STATEMENTS

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

Years Ending June 30,	Bonds Payable		Severance and Compensated Absences Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 3,380,000	\$ 4,329,602	\$ 575,964	\$ -	\$ 3,955,964	\$ 4,329,602
2011	3,500,000	4,166,602	89,446	-	3,589,446	4,166,602
2012	45,860,000	3,997,848	39,759	-	45,899,759	3,997,848
2013	4,715,000	1,626,582	85,012	-	4,800,012	1,626,582
2014	4,505,000	1,485,225	199,173	-	4,704,173	1,485,225
2015 - 2019	26,360,000	4,818,680	1,398,838	-	27,758,838	4,818,680
2020 - 2023	<u>17,150,000</u>	<u>1,228,200</u>	<u>459,922</u>	<u>-</u>	<u>17,609,922</u>	<u>1,228,200</u>
	<u>\$ 105,470,000</u>	<u>\$ 21,652,739</u>	<u>\$ 2,848,114</u>	<u>\$ -</u>	<u>\$ 108,318,114</u>	<u>\$ 21,652,739</u>

NOTE 9 - RESERVED FUND BALANCES AND RESTRICTED NET ASSETS

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

At June 30, 2009 the District has recorded the following restrictions of net assets for the following purposes:

Major Funds

General Fund

Reserved for deferred maintenance	\$ 205,994
Reserved for severance pay	89,446
Reserved for operating capital	533,263

Debt service fund

Reserved for bond refunding	42,076,343
Unreserved	875,447

Nonmajor Funds

Food Service Fund

Unreserved	314,867
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Community Service Fund

Reserved for early childhood and family education	75,499
Reserved for school readiness	20,626

OPEB Debt Service Fund

Unreserved	306,243
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Total restricted for specific purposes	<u>\$ 44,497,728</u>
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NOTES TO FINANCIAL STATEMENTS

NOTE 10 - DEFINED BENEFIT PENSION PLANS - STATEWIDE

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

Teachers' Retirement Association

Plan Description

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

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

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

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

With these provisions:

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

Or

(continued on next page)

NOTES TO FINANCIAL STATEMENTS

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. As of July 1, 2006, Coordinated and Basic Plan members are required to contribute 5.5 percent and 9.0 percent, respectively, of their annual covered salary. Prior to July 1, 2007, the employer contribution rates are 5.0 percent for Coordinated members and 9.0 percent for Basic members. Effective July 1, 2007, the employer contribution rate for Coordinated members will rise to 5.5 percent and 9.5 percent for Basic members. Total covered payroll salaries for all TRA members statewide during the fiscal year ended June 30, 2008 was approximately \$3.645 billion.

The District contributions for the years ended June 30, 2009, 2008, and 2007 were \$1,354,933, \$1,339,578, and \$1,201,816, respectively, equal to the required contributions for each year as set by state statute.

NOTES TO FINANCIAL STATEMENTS

Public Employees' Retirement Association

Plan Description

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

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

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

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

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

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF. That report may be obtained on the internet at www.mnpera.org, 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.

NOTES TO FINANCIAL STATEMENTS

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 5.75%, respectively, of their annual covered salary in calendar year 2007. Contribution rates in the Coordinated Plan increased in calendar year 2008 to 6.00%. The District is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members and 6.5% for Coordinated Plan PERF members. Employer contribution rates for the Coordinated Plan increased to 6.75% effective January 1, 2009.

The District's contributions to the Public Employees Retirement Fund for the years ended June 30, 2009, 2008, and 2007 were \$525,869, \$506,256, and \$465,139, respectively, equal to the contractually required contributions for each year as set by state statute.

NOTE 11 - FLEXIBLE BENEFIT PLAN

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 12 - EMPLOYEE BENEFIT PLAN 403(B)

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

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

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

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Federal Revenue

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

Contingencies

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

Operating Lease

The District is obligated under certain leases accounted for as operating leases. These leases are generally cancelable on an annual basis by the District. Operating leases do not give rise to property rights or lease obligations and, therefore, the results of the lease agreements are not reflected as a liability in the Districts financial statements. The District has an agreement to lease the sports center from the City of Moorhead. The lease expires April 30, 2012, and requires variable annual lease payments of \$76,800 - \$80,000. Lease expense for all leases of the District for the current year was \$322,080.

NOTES TO FINANCIAL STATEMENTS

NOTE 14 - ISSUED BUT NON-EFFECTIVE ACCOUNTING PRONOUNCEMENT

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

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

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

**REQUIRED SUPPLEMENTARY INFORMATION IN ACCORDANCE WITH
STATEMENT NO. 45 OF THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD**

**INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD AREA PUBLIC SCHOOLS
SCHEDULE OF FUNDING PROGRESS
AS REQUIRED BY STATEMENT NO.45 OF THE GOVERNMENTAL
ACCOUNTING STANDARDS BOARD
JUNE 30, 2009**

Exhibit B-1

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Simplified Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
07/01/08	\$ -	\$ 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, there has been only one valuation performed. As such there is only one valuation disclosed above and there are no notes to describe factors that significantly affect the trends as those trends have not yet been established due to the recent adoption of the standard.

COMBINING AND INDIVIDUAL FUND SCHEDULES

INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD AREA PUBLIC SCHOOLS
SCHEDULE OF CHANGES IN FUND BALANCES
GENERAL FUND
YEAR ENDED JUNE 30, 2009

Exhibit C-1

	Fund Balance (Deficit) Beginning of Year	Net Change in Fund Balance	Fund Balance (Deficit) End of Year
	<u> </u>	<u> </u>	<u> </u>
Reserved for deferred maintenance	\$ 155,155	\$ 50,839	\$ 205,994
Reserved for health and safety	(281,587)	(86,264)	(367,851)
Reserved for severance pay	301,709	(212,263)	89,446
Reserved for operating capital	454,378	78,885	533,263
Reserved for safe schools	(134)	(1,899)	(2,033)
Unreserved - designated for severance pay	1,811,532	947,136	2,758,668
Unreserved - undesignated	<u>3,873,310</u>	<u>(913,610)</u>	<u>2,959,700</u>
	<u>\$ 6,314,363</u>	<u>\$ (137,176)</u>	<u>\$ 6,177,187</u>

INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD AREA PUBLIC SCHOOLS
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2009
(With Comparative Totals for June 30, 2008)

Exhibit C-2

	2009			2008	
	Original Budget	Final Budget	Actual	Variance With Final Budget	Actual
Local property tax levies					
Maintenance levy	\$ 1,735,508	\$ 1,835,299	\$ 1,886,821	\$ 51,522	\$ 1,744,800
Other local and county sources					
Student activities, tuitions and fees	1,347,034	747,476	761,354	13,878	1,029,129
County apportionment	70,268	70,268	86,634	16,366	68,222
Interest	400,000	220,000	202,979	(17,021)	471,221
Other local revenues	<u>29,690</u>	<u>28,000</u>	<u>55,798</u>	<u>27,798</u>	<u>40,574</u>
	<u>1,846,992</u>	<u>1,065,744</u>	<u>1,106,765</u>	<u>41,021</u>	<u>1,609,146</u>
State sources					
General education aid	35,788,465	35,902,819	35,974,666	71,847	35,198,352
Special education aid	7,280,254	7,322,347	7,845,099	522,752	6,924,727
Educational Agricultural and Homestead Credit	155,346	104,229	103,208	(1,021)	103,021
Other aids	<u>506,107</u>	<u>481,476</u>	<u>642,277</u>	<u>160,801</u>	<u>403,859</u>
	<u>43,730,172</u>	<u>43,810,871</u>	<u>44,565,250</u>	<u>754,379</u>	<u>42,629,959</u>
Federal sources					
Title I	760,275	821,998	647,643	(174,355)	702,522
Special education aid	1,329,618	1,209,042	1,149,624	(59,418)	1,113,024
Other	<u>713,554</u>	<u>616,395</u>	<u>591,252</u>	<u>(25,143)</u>	<u>698,422</u>
	<u>2,803,447</u>	<u>2,647,435</u>	<u>2,388,519</u>	<u>(258,916)</u>	<u>2,513,968</u>
Miscellaneous					
Insurance recoveries	-	-	279	279	42,386
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,224</u>
	<u>-</u>	<u>-</u>	<u>279</u>	<u>279</u>	<u>55,610</u>
Total revenues	<u>\$ 50,116,119</u>	<u>\$ 49,359,349</u>	<u>\$ 49,947,634</u>	<u>\$ 588,285</u>	<u>\$ 48,553,483</u>

INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD AREA PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2009
(With Comparative Totals for June 30, 2008)

Exhibit C-3

	2009			Variance With Final Budget	2008
	Original Budget	Final Budget	Actual		Actual
District and school administration					
Salaries and wages	\$ 2,250,548	\$ 2,148,614	\$ 2,074,080	\$ 74,534	\$ 2,123,840
Employee benefits	347,381	318,764	355,736	(36,972)	391,974
Purchased services	34,130	34,130	38,893	(4,763)	32,437
Other expenditures	26,704	26,704	31,764	(5,060)	27,558
	<u>2,658,763</u>	<u>2,528,212</u>	<u>2,500,473</u>	<u>27,739</u>	<u>2,575,809</u>
District support services					
Salaries and wages	683,033	683,033	840,488	(157,455)	728,823
Employee benefits	119,746	119,746	128,905	(9,159)	123,233
Purchased services	125,411	129,411	117,479	11,932	64,556
Supplies and materials	20,761	20,761	20,900	(139)	21,217
Other expenditures	15,043	11,043	(3,415)	14,458	7,753
	<u>963,994</u>	<u>963,994</u>	<u>1,104,357</u>	<u>(140,363)</u>	<u>945,582</u>
Regular instruction					
Salaries and wages	16,926,984	16,693,518	16,047,210	646,308	15,893,761
Employee benefits	4,901,750	4,186,382	3,843,712	342,670	4,669,495
Other post-employment benefits	-	-	10,300,000	(10,300,000)	-
Purchased services	740,906	836,547	768,100	68,447	778,974
Supplies and materials	608,780	605,509	601,632	3,877	782,168
Capital expenditures	119,187	103,427	117,101	(13,674)	89,783
Other expenditures	166,346	84,954	95,109	(10,155)	93,772
	<u>23,463,953</u>	<u>22,510,337</u>	<u>31,772,864</u>	<u>(9,262,527)</u>	<u>22,307,953</u>
Vocational instruction					
Salaries and wages	355,765	355,765	314,414	41,351	343,652
Employee benefits	110,996	110,996	109,558	1,438	109,613
Purchased services	338	338	1,167	(829)	645
Supplies and materials	10,270	13,541	13,420	121	11,417
	<u>477,369</u>	<u>480,640</u>	<u>438,559</u>	<u>42,081</u>	<u>465,327</u>
Exceptional instruction					
Salaries and wages	9,268,022	9,168,022	8,862,084	305,938	8,764,071
Employee benefits	2,249,132	2,249,132	2,250,784	(1,652)	2,119,894
Purchased services	969,290	456,681	405,084	51,597	817,091
Supplies and materials	79,290	79,290	75,881	3,409	87,753
Capital expenditures	217,602	70,927	110,326	(39,399)	81,545
Other expenditures	930	930	-	930	-
	<u>12,784,266</u>	<u>12,024,982</u>	<u>11,704,159</u>	<u>320,823</u>	<u>11,870,354</u>

(continued on next page)

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

Exhibit C-3, continued

	2009			2008	
	Original Budget	Final Budget	Actual	Variance With Final Budget	Actual
Instructional support services					
Salaries and wages	1,725,157	1,725,157	1,715,593	9,564	1,650,954
Employee benefits	349,072	349,072	302,344	46,728	277,221
Purchased services	224,167	224,042	197,423	26,619	142,838
Supplies and materials	159,204	159,204	173,051	(13,847)	175,300
Capital expenditures	578,259	508,259	593,259	(85,000)	765,797
Other expenditures	43,194	43,319	37,416	5,903	30,439
	<u>3,079,053</u>	<u>3,009,053</u>	<u>3,019,086</u>	<u>(10,033)</u>	<u>3,042,549</u>
Pupil support services					
Salaries and wages	1,501,788	1,498,177	1,589,634	(91,457)	1,435,250
Employee benefits	332,807	332,807	334,908	(2,101)	309,834
Purchased services	2,142,957	2,147,141	2,384,982	(237,841)	2,103,876
Supplies and materials	490,466	490,197	343,476	146,721	465,626
Capital expenditures	-	-	-	-	73,165
Other expenditures	27,279	27,279	18,623	8,656	22,912
	<u>4,495,297</u>	<u>4,495,601</u>	<u>4,671,623</u>	<u>(176,022)</u>	<u>4,410,663</u>
Site, building and equipment					
Salaries and wages	1,101,961	1,164,209	1,198,098	(33,889)	1,176,853
Employee benefits	209,116	209,116	202,545	6,571	196,833
Purchased services	1,535,235	2,142,235	1,955,427	186,808	1,406,195
Supplies and materials	1,212,650	802,650	870,032	(67,382)	962,241
Capital expenditures	775,264	780,895	588,750	192,145	1,289,332
Other expenditures	3,200	3,200	1,709	1,491	5,600
	<u>4,837,426</u>	<u>5,102,305</u>	<u>4,816,561</u>	<u>285,744</u>	<u>5,037,054</u>
Fiscal and other fixed costs					
Purchased services	154,471	132,384	170,813	(38,429)	150,531
Other expenditures	-	-	83,335	(83,335)	-
	<u>154,471</u>	<u>132,384</u>	<u>254,148</u>	<u>(121,764)</u>	<u>150,531</u>
Total expenditures	\$ 52,914,592	\$ 51,247,508	\$ 60,281,830	\$ (9,034,322)	\$ 50,805,822

INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD AREA PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009

Exhibit C-4

	Food Service	Community Service	OPEB Debt Service Fund	Totals
ASSETS				
Cash and investments	\$ 365,769	\$ 103,852	\$ 457,360	\$ 926,981
Receivables				
Current property taxes	-	198,411	214,161	412,572
Delinquent property taxes	-	4,502	-	4,502
Accounts	750	-	-	750
Due from other governmental units	-	187,188	-	187,188
Inventories	39,261	-	-	39,261
	<u>39,261</u>	<u>-</u>	<u>-</u>	<u>39,261</u>
Total assets	<u>\$ 405,780</u>	<u>\$ 493,953</u>	<u>\$ 671,521</u>	<u>\$ 1,571,254</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 12,348	\$ 22,619	\$ -	\$ 34,967
Salaries payable	-	40,088	-	40,088
Deferred revenue	39,304	4,502	-	43,806
Property taxes levied for subsequent year	-	338,516	365,278	703,794
	<u>-</u>	<u>338,516</u>	<u>365,278</u>	<u>703,794</u>
Total liabilities	<u>51,652</u>	<u>405,725</u>	<u>365,278</u>	<u>822,655</u>
FUND BALANCE (DEFICIT)				
Reserved				
For inventories	39,261	-	-	39,261
For early childhood and family education	-	75,499	-	75,499
For community education	-	(7,897)	-	(7,897)
For school readiness	-	20,626	-	20,626
Unreserved - Undesignated	314,867	-	306,243	621,110
	<u>314,867</u>	<u>-</u>	<u>306,243</u>	<u>621,110</u>
Total fund balance (deficit)	<u>354,128</u>	<u>88,228</u>	<u>306,243</u>	<u>748,599</u>
Total liabilities and fund balance	<u>\$ 405,780</u>	<u>\$ 493,953</u>	<u>\$ 671,521</u>	<u>\$ 1,571,254</u>

INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD AREA PUBLIC SCHOOLS
COMBINING SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

Exhibit C-5

	Food Service	Community Service	OPEB Debt Service Fund	Totals
REVENUES				
Local property tax levies	\$ -	\$ 231,162	\$ -	\$ 231,162
Other local and county sources	16,353	244,341	-	260,694
State sources	113,970	815,769	-	929,739
Federal sources	824,170	172,074	-	996,244
Sales and other conversion of assets	897,814	-	-	897,814
	<u>1,852,307</u>	<u>1,463,346</u>	<u>-</u>	<u>3,315,653</u>
Total revenues				
EXPENDITURES				
Community education and service	-	1,338,579	-	1,338,579
Pupil support services	1,952,629	-	-	1,952,629
	<u>1,952,629</u>	<u>1,338,579</u>	<u>-</u>	<u>3,291,208</u>
Total expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	(100,322)	124,767	-	24,445
OTHER FINANCING SOURCES				
Transfer in	-	-	306,243	306,243
	<u>-</u>	<u>-</u>	<u>306,243</u>	<u>306,243</u>
NET CHANGE IN FUND BALANCE	(100,322)	124,767	306,243	330,688
FUND BALANCE (DEFICIT), BEGINNING OF YEAR				
	454,450	(36,539)	-	417,911
	<u>454,450</u>	<u>(36,539)</u>	<u>-</u>	<u>417,911</u>
FUND BALANCE, END OF YEAR	\$ 354,128	\$ 88,228	\$ 306,243	\$ 748,599
	<u>\$ 354,128</u>	<u>\$ 88,228</u>	<u>\$ 306,243</u>	<u>\$ 748,599</u>

INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD AREA PUBLIC SCHOOLS
COMBINING SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2009
(With Comparative Totals for June 30, 2008)

Exhibit C-6

	2009			2008	
	Original Budget	Final Budget	Actual	Variance With Final Budget	Actual
Revenues					
Other local and county sources	\$ 56,746	\$ 21,659	\$ 16,353	\$ (5,306)	\$ 62,540
State sources					
Lunch program aid	126,077	126,077	113,970	(12,107)	127,995
Federal sources					
Lunch program aid	716,974	716,974	702,445	(14,529)	704,696
Food distribution program	105,800	105,800	121,725	15,925	96,329
	822,774	822,774	824,170	1,396	801,025
Sale of food	970,663	891,442	897,814	6,372	874,068
Total revenues	1,976,260	1,861,952	1,852,307	(9,645)	1,865,628
Expenditures					
Pupil support services					
Salaries and wages	481,266	458,126	455,256	2,870	454,831
Employee benefits	81,369	81,369	77,302	4,067	75,106
Purchased services	318,572	316,672	314,326	2,346	240,489
Food costs and supplies	1,209,050	1,077,750	1,077,003	747	1,116,955
Capital outlay	20,000	5,080	5,056	24	20,107
Other expenditures	31,300	26,300	23,686	2,614	27,937
Total expenditures	2,141,557	1,965,297	1,952,629	12,668	1,935,425
Excess (deficiency) of revenues over (under) expenditures	(165,297)	(103,345)	(100,322)	3,023	(69,797)
Fund balance, beginning of year	454,450	454,450	454,450	-	524,247
Fund balance, end of year	\$ 289,153	\$ 351,105	\$ 354,128	\$ 3,023	\$ 454,450

INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD AREA PUBLIC SCHOOLS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2009
(With Comparative Totals for June 30, 2008)

Exhibit C-7

	2009			2008	
	Original Budget	Final Budget	Actual	Variance With Final Budget	Actual
Revenues					
Local property taxes					
Property tax levy	\$ 278,252	\$ 278,252	\$ 231,162	\$ (47,090)	\$ 226,548
Other local and county sources					
Tuition and fees	215,360	208,142	200,112	(8,030)	239,706
Miscellaneous local revenues	54,024	59,024	44,229	(14,795)	75,327
	<u>269,384</u>	<u>267,166</u>	<u>244,341</u>	<u>(22,825)</u>	<u>315,033</u>
State sources					
Other appropriations	698,030	698,030	815,769	117,739	745,350
Federal source	203,591	203,591	172,074	(31,517)	202,044
	<u>1,449,257</u>	<u>1,447,039</u>	<u>1,463,346</u>	<u>16,307</u>	<u>1,488,975</u>
Expenditures					
Community education and services					
Salaries and wages	879,621	898,086	886,246	11,840	976,417
Employee benefits	117,008	136,651	137,814	(1,163)	154,329
Purchased services	213,326	206,841	167,636	39,205	223,869
Supplies and materials	64,916	69,093	86,193	(17,100)	88,692
Capital outlay	7,300	8,050	11,460	(3,410)	6,468
Other expenditures	46,467	56,206	49,230	6,976	42,429
	<u>1,328,638</u>	<u>1,374,927</u>	<u>1,338,579</u>	<u>36,348</u>	<u>1,492,204</u>
Excess (deficiency) of revenues over (under) expenditures	120,619	72,112	124,767	52,655	(3,229)
Fund balance (deficit), beginning of year	<u>(36,539)</u>	<u>(36,539)</u>	<u>(36,539)</u>	<u>-</u>	<u>(33,310)</u>
Fund balance (deficit), end of year	<u>\$ 84,080</u>	<u>\$ 35,573</u>	<u>\$ 88,228</u>	<u>\$ 52,655</u>	<u>\$ (36,539)</u>

INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD AREA PUBLIC SCHOOLS
COMBINING SCHEDULE OF FIDUCIARY NET ASSETS
JUNE 30, 2009

Exhibit C-8

	<u>Scholarship Trust</u>	<u>OPEB Trust</u>	<u>Total Trust Funds</u>
ASSETS			
Cash and investments	<u>\$ 10,000</u>	<u>\$ 9,778,990</u>	<u>\$ 9,788,990</u>
 LIABILITIES AND NET ASSETS			
Liabilities			
Due to other organizations	\$ 441	\$ -	\$ 441
 Net assets			
Unrestricted	<u>9,559</u>	<u>9,778,990</u>	<u>9,788,549</u>
Total liabilities and net assets	<u>\$ 10,000</u>	<u># \$ 9,778,990</u>	<u>\$ 9,788,990</u>

INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD AREA PUBLIC SCHOOLS
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED JUNE 30, 2009

Exhibit C-9

	<u>Scholarship Trust</u>	<u>OPEB Trust</u>	<u>Total Trust Funds</u>
ADDITIONS			
Interest	\$ -	\$ 380,954	\$ 380,954
OPEB contribution	-	10,151,897	10,151,897
Total additions	<u>-</u>	<u>10,532,851</u>	<u>10,532,851</u>
DEDUCTIONS			
Scholarships	441	-	441
OPEB health insurance	-	753,861	753,861
Total deductions	<u>441</u>	<u>753,861</u>	<u>754,302</u>
NET CHANGE IN NET ASSETS	(441)	9,778,990	9,778,549
NET ASSETS, BEGINNING OF YEAR	<u>10,000</u>	<u>-</u>	<u>10,000</u>
NET ASSETS, END OF YEAR	<u>\$ 9,559</u>	<u># \$ 9,778,990</u>	<u># \$ 9,788,549</u>

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OTHER SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD AREA PUBLIC SCHOOLS
CHANGES IN STUDENT ACTIVITY CASH BALANCES
YEAR ENDED JUNE 30, 2009

Exhibit D-1

Activity	Balance 7/1/08	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/09
6th Grade Activities (A)	\$ 1,873	\$ 188	\$ 622	\$ 1,439
6th Grade Activities (B)	5,394	4,620	4,809	5,205
6th Grade Activities (C)	2,666	97	247	2,516
7th Grade Activities (C)	-	722	722	-
8th Grade Activities (B)	5,136	644	3,443	2,337
8th Grade Activities (C)	-	357	-	357
ALC	3,829	-	-	3,829
APL Project	1,202	5,034	4,628	1,608
Apollo Strings	87,663	188,074	203,185	72,552
Auditorium Technology	373	2,504	2,271	606
Band - Jr. High	22,142	10,529	10,358	22,313
Band - Sr. High	81,120	123,622	146,855	57,887
Baseball Club	2,313	5,380	8,543	(850)
Basketball - Boys	1,100	4,430	4,082	1,448
Basketball - Girls	2,433	984	2,725	692
Caps & Gowns	15,958	-	-	15,958
Choir - Sr. High	4,218	3,046	3,629	3,635
Chokio	7,889	11,173	3,241	15,821
Class of 2008	49	-	97	(48)
Class of 2009	5,204	-	5,204	-
Class of 2010	-	5,204	5,204	-
Close Up	(434)	2,240	2,240	(434)
Community/Work Class	96	-	-	96
Craft Club - Sr. High	606	-	100	506
Cross Country	6	5,471	5,470	7
Danceline	7,445	12,600	12,700	7,345
Debate Enrichment	1,108	1,145	530	1,723
Destination Imagination	666	2,015	870	1,811
DHH Social Fund	130	-	-	130
Donation for Families	-	750	686	64
ECFE	22	-	-	22
Edison School Store	82	-	-	82
English - Jr. High	335	-	-	335

(continued on next page)

Activity	Balance 7/1/08	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/09
Field House	146	500	500	146
Fine Arts - Sr. High	368	878	390	856
Football Club	8,133	25,014	30,830	2,317
French Club	2,498	2,551	3,377	1,672
Girls Golf - Sr. High	27	-	-	27
Gymnastics Club	1,147	355	207	1,295
Hall of Honor	3,125	3,398	3,709	2,814
Heroes - Jr. High	520	-	-	520
History Day	143	-	-	143
Hockey - Boys	1,658	7,681	5,238	4,101
Hockey - Girls	612	-	152	460
Honor Choir - Jr. High	8,158	27,567	21,516	14,209
Hopkins Safety Patrol	-	2,707	-	2,707
Hopkins Ptac 188	-	3,175	2,900	275
Horizon After School Programs	-	980	940	40
Horizon Visiting Auth	223	600	656	167
Interest	-	666	666	-
Intramurals	951	640	312	1,279
Journalism	5,398	3,296	1,828	6,866
Knowledge Bowl	2,479	3,122	1,700	3,901
Lova	88	-	-	88
Math Club - Jr. High	8	-	7	1
Media - Jr. High	762	951	1,613	100
MHS Literacy Committee	-	1,085	-	1,085
National Forensics League	967	14,688	14,339	1,316
Nature Project - Jr. High	37	1,016	1,016	37
Orchestra - Jr. High	2,307	54,286	40,854	15,739
PBIS - Horizon	777	1,786	1,275	1,288
Plays - Sr. High	1,864	42,872	47,938	(3,202)
Positive Incentives - Jr. High	139	1,216	160	1,195
Robert Asp Ptac	-	825	825	-
Robert Asp Safety Patrol	-	2,707	-	2,707
Robert Asp Special	15	-	-	15
Robert Asp Student Council	2,932	-	-	2,932
Robert Asp Yearbook	984	-	-	984
RRALC Store	1,758	120	-	1,878
SADD	1,056	837	610	1,283
School Patrol	8,120	-	8,120	-
Scotland Fund	40,074	3,524	43,598	-

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Activity	Balance 7/1/08	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/09
Service Enhancement Club	154	314	219	249
Service Learning	4,000	12,912	14,246	2,666
SGR PTAC 189	-	1,190	1,150	40
SGR Safety Patrol	-	2,707	-	2,707
Soccer - Boys	202	1,678	-	1,880
Soccer - Girls	1,392	4,423	4,330	1,485
Social Studies - Sr. High	263	-	-	263
Softball	2,152	1,239	1,900	1,491
Spanish Club	3,511	-	-	3,511
Spanish Club - Jr. High	128	-	-	128
Spanish Trips - Sr. High	1	-	-	1
STEP - Jr. High	-	1,754	1,310	444
STEP Trip	81	445	445	81
Store - Jr. High	1,422	924	1,892	454
Student Council - Jr. High	14,303	20,662	19,601	15,364
Student Council - Sr. High	12,189	12,673	5,690	19,172
Swimming - Boys	1,207	868	1,623	452
Swimming - Girls	2,091	10,924	11,082	1,933
Tennis - Girls	41	-	-	41
Theatre Arts - Jr. High	9,894	52,387	40,512	21,769
Theatre Trips	-	33,908	34,157	(249)
Track - Boys	4,508	5,371	5,023	4,856
Track - Girls	161	3,396	2,779	778
Volleyball	-	12,593	7,568	5,025
World DI	52	-	-	52
Wrestling Club	470	-	-	470
Yearbook - Jr. High	(757)	14,786	14,437	(408)
Youth Board	7	-	-	7
	<u>7</u>	<u>-</u>	<u>-</u>	<u>7</u>
	<u>\$ 415,570</u>	<u>\$ 795,026</u>	<u>\$ 835,701</u>	<u>\$ 374,895</u>

INDEPENDENT SCHOOL DISTRICT NO. 152**MOORHEAD AREA PUBLIC SCHOOLS****UNIFORM ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE**

Exhibit D-2

YEAR ENDED JUNE 30, 2009GENERAL FUND

Total revenues	\$ 49,947,634
Total expenditures	60,281,830
Fund Balance	
Reserved:	
4.05 Deferred maintenance	205,994
4.06 Health and safety	(367,851)
4.11 Severance pay	89,446
4.24 Operating capital	533,263
4.49 Safe schools	(2,033)
Unreserved:	
4.22 Unres fund balance	5,718,368

FOOD SERVICE

Total revenues	\$ 1,852,307
Total expenditures	1,952,629
Fund Balance	
Unreserved:	
4.22 Unres fund balance	354,128

COMMUNITY SERVICE

Total revenues	\$ 1,463,346
Total expenditures	1,338,579
Fund Balance	
Reserved:	
4.31 Community education	(7,897)
4.32 Early childhood-family education	75,499
4.44 School readiness	20,626
Unreserved:	
4.22 Unres fund balance	-

DEBT SERVICE

Total revenues	\$ 7,946,623
Total expenditures	7,686,216
Fund Balance	
Reserved:	
4.25 Bond refunding	42,076,343
Unreserved:	
4.22 Unres fund balance	875,447

TRUST FUND

Total revenues	\$ -
Total expenditures	441
Fund Balance	
Unreserved:	
4.22 Unres fund balance	9,559

OPEB TRUST

Total revenues	\$ 10,532,851
Total expenditures	-
Fund Balance	
Unreserved:	
4.22 Unres fund balance	9,778,990

OPEB DEBT SERVICE

Total revenues	\$ -
Total expenditures	-
Fund Balance	
Unreserved:	
4.22 Unres fund balance	306,243

**INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD AREA PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009**

Federal Grantor/Program Title	Federal CFDA Number	Expenditures
Department of Agriculture		
<i>Passed through Minnesota Department of Children Families and Learning</i>		
Food Distribution	10.550	\$ 95,883
School Breakfast	10.553	122,730
Milk Program	10.556	4,654
National School Lunch	10.555	<u>575,061</u>
Total Child Nutrition Cluster		<u>798,328</u>
Total Department of Agriculture		<u>798,328</u>
Department of Education		
<i>Passed through Minnesota Department of Children Families and Learning</i>		
Adult Basic Education - Regular	84.002	<u>39,434</u>
ECIA - Chapter I	84.010	525,819
ECIA - Chapter I - Neglected and Delinquent	84.010	<u>76,992</u>
Total CFDA # 84.010		<u>602,811</u>
Flow-through 94-142	84.027	1,386,366
CIMP	84.027	6,263
Disabled Early Education	84.173	<u>20,240</u>
Total Special Education Cluster		<u>1,412,869</u>
Title VII Indian School Assistance	84.060	<u>52,376</u>
Drug Education	84.186	<u>12,552</u>
Homeless Grant	84.196	<u>71,603</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – Page 2

Federal Grantor/Program Title	Federal CFDA Number	Expenditures
Department of Education, continued		
<i>Passed through Minnesota</i>		
<i>Department of Children Families and Learning</i>		
Title V	84.298	<u>47,528</u>
Title III	84.365A	<u>51,246</u>
Title II	84.367	<u>312,946</u>
<i>Direct</i>		
Even Start	84.213	<u>132,639</u>
Total Department of Education		<u>2,736,004</u>
Total expenditures of federal awards		<u><u>\$ 3,534,332</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD AREA PUBLIC SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

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, 2009, the district had food commodities totaling \$39,261 in inventory.

NOTE C – AGENCY OR PASS-THROUGH NUMBER

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

ADDITIONAL REPORTS

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CPAs & BUSINESS ADVISORS

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 152, Moorhead Area Public Schools, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 7, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider deficiencies 09-1, 09-2, and 09-3 described in the accompanying schedule of audit findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 09-1, 09-2, and 09-3 to be material weaknesses.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

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

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

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

Eide Bailly LLP

Fargo, North Dakota
December 7, 2009



CPAs & BUSINESS ADVISORS

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

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

Compliance

We have audited the compliance of Independent School District No. 152, Moorhead Area Public Schools, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider item 09-4 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We do not consider item 09-4 to be a material weakness.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

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

Eide Bailly LLP

Fargo, North Dakota
December 7, 2009

INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD AREA PUBLIC SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

NONE

INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD AREA PUBLIC SCHOOLS
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion of the basic financial statements of Independent School District No. 152, Moorhead Area Public Schools.
2. Three significant deficiencies were disclosed during the audit of the financial statements reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Of the significant deficiencies identified, we consider findings 09-1, 09-2, and 09-3 to be material weaknesses.
3. No instances of noncompliance material to the financial statements of Independent School District No. 152, Moorhead Area Public Schools were disclosed during the audit.
4. One deficiency was reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Controls over Compliance in Accordance with OMB Circular A-133. We do not consider finding 09-4 to be a material weakness.
5. The auditor's report on compliance for the major federal award programs for Independent School District No. 152, Moorhead Area Public Schools expresses an unqualified opinion on all major federal programs.
6. Audit findings relative to the major federal award programs for Independent School District No. 152, Moorhead Area Public Schools are reported in Part C of this schedule.
7. The programs tested as major programs included: Child Nutrition Cluster CFDA #10.550, #10.553, #10.555, and #10.556, and Special Education Cluster CFDA #84.027 and #84.173.
8. The threshold for distinguishing a Type A program was \$300,000.
9. Independent School District No. 152, Moorhead Area Public Schools was determined to be a high-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

Material Weakness

09-1 Preparation of Financial Statements

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

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

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

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

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

Corrective Action Plan (CAP)

1. *Actions Planned in Response to the Finding:* The District will continue to have the auditors prepare the financial statements; however, the District has established an internal control policy to document the annual review of the financial statements by the School Board and management.
2. *Explanation of Disagreement:* There is no disagreement with the audit finding.
3. *Official Responsible for Ensuring Corrective Action:* Wayne Kazmierczak, Assistant Superintendent.
4. *Planned Completion Date for the Corrective Action:* November 30, 2009.
5. *Plan to Monitor Completion of Corrective Action:* Wayne Kazmierczak, Assistant Superintendent, will monitor the review of the financial statements with the School Board and management.

Material Weakness

09-2 Significant Journal Entries

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

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

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

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

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

Corrective Action Plan (CAP)

1. *Actions Planned in Response to the Finding:* The District will review the prior year journal entries to determine training needs with the intent to reduce the overall frequency or number of adjusting journal entries.
2. *Explanation of Disagreement:* There is no disagreement with the audit finding.
3. *Official Responsible for Ensuring Corrective Action:* Wayne Kazmierczak, Assistant Superintendent.
4. *Planned Completion Date for the Corrective Action:* June 30, 2010.
5. *Plan to Monitor Completion of Corrective Action:* Wayne Kazmierczak, Assistant Superintendent, will monitor the training needs to ensure completion of action plan by June 30, 2010.

Material Weakness

09-3 Segregation of Duties

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

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

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

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

Recommendation: In order to obtain an effective system, the functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements. More specifically the following should be addressed:

- In the cash receipts area the duties of handling receipts, creating deposit slips and bringing monies to the bank should be segregated by not allowing one employee to perform more than one of the these functions. The bank reconciliation should be performed by an employee who does not work with the bank account.
- In regards to the cash disbursements function, the duties of entering information into the accounting system, printing checks and mailing them out should be segregated.
- We recommend that an employee separate from the payroll function enter all employee information into SmartHR. If this is not feasible, a system of periodic independent reviews of employee payroll information should be performed to mitigate risk.

Corrective Action Plan (CAP)

1. *Actions Planned in Response to the Finding:* Management plans on reviewing control processes and segregating duties further to mitigate the risk of unauthorized transactions or loss of assets.
2. *Explanation of Disagreement:* There is no disagreement with the audit finding.
3. *Official Responsible for Ensuring Corrective Action:* Wayne Kazmierczak, Assistant Superintendent.
4. *Planned Completion Date for the Corrective Action:* June 30, 2010.
5. *Plan to Monitor Completion of Corrective Action:* Wayne Kazmierczak, Assistant Superintendent, will monitor the training needs to ensure completion of action plan by June 30, 2010.

C. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Significant Deficiency

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

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

Criteria: Only allowable costs as defined by OMB Circular A-87 should be made with federal award dollars.

Effect: The expenditure is a questioned cost.

Cause: Procedures to ensure that the District maintains adequate documentation of time and effort did not work properly.

Population and Items Tested: A sample of 40 items totaling \$38,998 was selected from a population of \$1,412,869. One item with questioned costs totaling \$2,292 was found in noncompliance.

Recommendation: A responsible District official should be reminded of the time and effort documentation requirements under OMB Circular A-87.

Corrective Action Plan (CAP)

1. *Actions Planned in Response to the Finding:* The District will review OMB Circular A-87 to ensure they are aware of what the time and effort documentation requirements are.
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, 2010.
5. *Plan to Monitor Completion of Corrective Action:* Wayne Kazmierczak, Assistant Superintendent, will monitor the training needs to ensure completion of action plan by June 30, 2010.



CPAs & BUSINESS ADVISORS

**INDEPENDENT AUDITOR'S 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 the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 152, Moorhead Area Public Schools, for the year ended June 30, 2009, and have issued our report thereon dated December 7, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of the Manual for Activity Fund Accounting (MAFA).

Compliance

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

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

Eide Bailly LLP

Fargo, North Dakota
December 7, 2009