



Financial Statements
June 30, 2011

Independent School District No. 152 Moorhead Area Public Schools

Independent School District No. 152
Moorhead Area Public Schools
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June 30, 2011

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School Board

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Kristine Thompson	Chairperson	2015
Lisa Erickson	Vice Chairperson	2013
Bill Tomhave	Treasurer	2013
Cindy Fagerlie	Clerk	2015
Michael Siggerud	Director	2013
Trudy Wilmer	Director	2013
Laurie Johnson	Director	2015

Administration

Lynne Kovash	Superintendent
Wayne Kazmierczak	Assistant Superintendent
Denice Sinner	District Accountant



Independent Auditor's Report

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

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, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2011, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2011 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The school board and administration, combining and individual fund schedules, and other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. The combining and individual fund schedules and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. In addition, in our opinion, the statement of changes in student activity cash balances presents fairly the changes in the cash balances of the student activity funds for the year ended June 30, 2011. The school board and administration and uniform accounting and reporting compliance table have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

The image shows a handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
November 28, 2011

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, 2011. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

Key financial highlights for the 2010-2011 fiscal year include the following:

- General Fund 01 – The overall revenues were \$52.0 million while the overall expenditures were \$50.8 million. These, along with other financing sources of \$361, increased the fund balance by \$1,162,687.
- Food Service Fund 02 – The revenues were \$2.3 million and the expenditures were \$2.1 million increasing the fund balance by \$161,764.
- Community Service Fund 04 – The revenues were \$1.6 million while the expenditures were \$1.5 million increasing the fund balance by \$115,549.
- Debt Service Fund 07 – The revenues were \$520,000 and expenditures of \$496,000 million increasing the fund balance by \$24,257. 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.

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.

Independent School District No. 152
Moorhead Area Public Schools
Management's Discussion and Analysis
Year Ended June 30, 2011

Net Assets

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

Table A-1

Statement of Net Assets		2011	2010
June 30, 2011 and 2010		<u>2011</u>	<u>2010</u>
Assets			
Current assets		\$ 84,436,833	\$ 79,691,450
Capital assets		<u>70,728,505</u>	<u>72,481,137</u>
Total assets		<u>\$ 155,165,338</u>	<u>\$ 152,172,587</u>
 Liabilities and Net Assets			
Liabilities			
Other liabilities		\$ 21,767,764	\$ 19,838,344
Long-term liabilities		98,798,463	104,647,008
Total liabilities		<u>120,566,227</u>	<u>124,485,352</u>
 Net Assets			
Invested in capital assets, net of related debt		24,518,505	22,771,137
Restricted for specific purposes		44,434,340	44,760,420
Unrestricted		<u>(34,353,734)</u>	<u>(39,844,322)</u>
Total net assets		<u>34,599,111</u>	<u>27,687,235</u>
Total liabilities and net assets		<u>\$ 155,165,338</u>	<u>\$ 152,172,587</u>

Independent School District No. 152
Moorhead Area Public Schools
Management's Discussion and Analysis
Year Ended June 30, 2011

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, 2011 and 2010

	2011	2010
Revenues		
Program revenues		
Charges for service	\$ 2,014,491	\$ 1,957,539
Operating grants and contributions	8,263,318	10,008,822
General		
Property taxes	10,784,037	7,808,378
Aids and payments from state and other	43,004,035	41,889,000
Unrestricted investment earnings	-	21,044
Miscellaneous revenues	17,380	132,735
Total revenues	64,083,261	61,817,518
Expenses		
Administration	1,972,586	1,855,446
District support services	1,156,251	1,272,305
Regular instruction	18,019,814	21,459,450
Vocational instruction	533,950	422,601
Special education instruction	12,908,012	12,323,508
Community education and services	1,458,161	1,408,950
Instructional support services	2,770,297	2,537,132
Pupil support services	7,346,701	6,903,197
Sites and buildings	6,280,977	6,034,946
Fiscal and other fixed-cost programs	4,724,636	4,596,471
Total expenses	57,171,385	58,814,006
Change in Net Assets	6,911,876	3,003,512
Net Assets - Beginning	27,687,235	24,683,723
Net Assets - Ending	\$ 34,599,111	\$ 27,687,235

Independent School District No. 152
Moorhead Area Public Schools
Management's Discussion and Analysis
Year Ended June 30, 2011

Changes in Net Assets – The District's total revenues were approximately \$64.1 million for the year ended June 30, 2011. Property taxes and state formula aid accounted for 84% of total revenue for the year. Another 16% came from other program revenues.

The total cost of all programs and services was approximately \$57.2 million. The District's expenses are predominantly related to educating and caring for students. The purely administrative activities of the District accounted for just 3% of total costs.

The total revenues exceeded expenses, improving the net assets approximately \$6.9 million for fiscal year 2011.

General Fund

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

The following schedule presents a summary of General Fund Revenues.

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2011	2010		
Local property taxes	\$ 1,868,783	\$ 1,922,246	\$ (53,463)	-2.8%
Other local sources	823,174	750,023	73,151	9.8%
State sources	44,079,362	39,764,160	4,315,202	10.9%
Federal sources	5,166,857	7,166,354	(1,999,497)	-27.9%
Miscellaneous	27,918	110,585	(82,667)	-74.8%
Total General Fund revenues	\$ 51,966,094	\$ 49,713,368	\$ 2,252,726	4.5%

Total General Fund revenue *increased* by \$2,252,726 or 4.5% from the previous year. Basic general education revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. The mix of property tax and state aid can change significantly from year to year without any net change on revenue. The majority of the increase in revenue for 2011 was in the area of State sources and was caused by the District's increase in general education state aid.

Independent School District No. 152
Moorhead Area Public Schools
Management's Discussion and Analysis
Year Ended June 30, 2011

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)
	2011	2010		
Salaries and benefits	\$ 40,157,718	\$ 39,021,228	\$ 1,136,490	2.9%
Purchased services	6,354,456	6,029,952	324,504	5.4%
Supplies and materials	2,062,461	1,937,386	125,075	6.5%
Capital expenditures	1,977,579	1,531,604	445,975	29.1%
Other expenditures	251,554	215,129	36,425	16.9%
Total General Fund expenditures	\$ 50,803,768	\$ 48,735,299	\$ 2,068,469	4.2%

Total General Fund expenditures *increased* by \$2,068,469 or 4.2% from the previous year.

General Fund Budgetary Highlights

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

- Actual revenues were \$1,890,820 *more than* budget, mainly because of more than anticipated special education aid from the state.
- Actual expenditures were \$419,708 *more than* budget due to the increase in regular instruction and special education costs.

Other Non-Major Funds –

The Food Service Fund incurred a current year surplus of approximately \$161,764. The Community Service Fund incurred a current year surplus of approximately \$115,549. 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

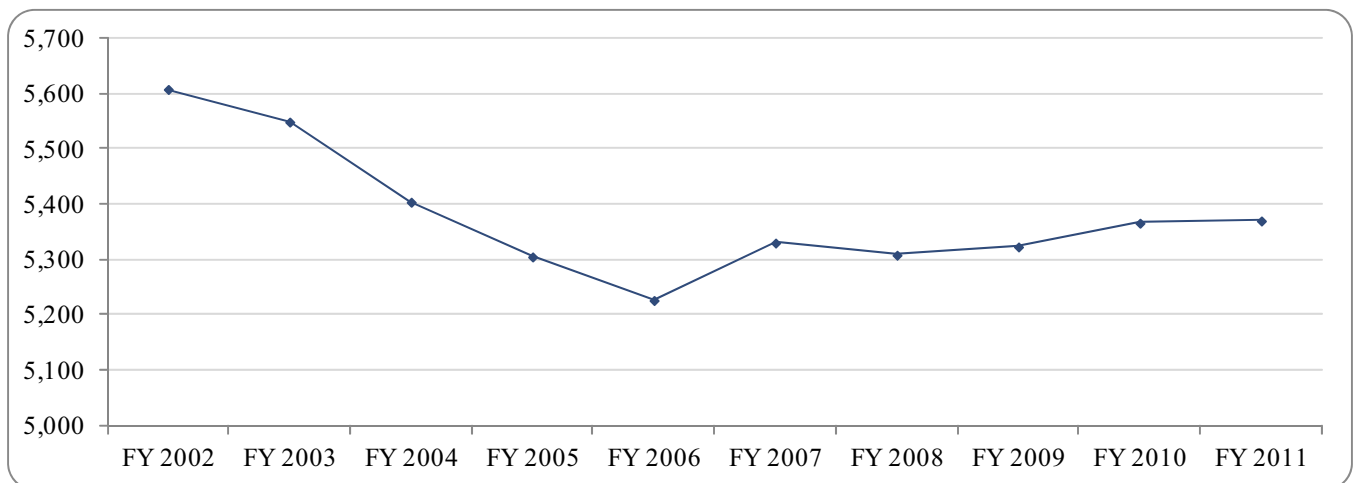
Note 5 to the financial statements presents an analysis of capital asset transactions occurring during the year ended June 30, 2011. A decrease in net capital assets consisted primarily of a decrease in capital assets activity due to budget cuts.

Long-Term Debt

At year end the District had \$98,950,895 of long term debt. This consisted of bonded indebtedness of \$98,590,000 and severance and compensated absences payable of \$360,895. 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.

Independent School District No. 152
Moorhead Area Public Schools
Statement of Net Assets
June 30, 2011

Assets	
Cash and investments	\$ 8,374,168
Cash with fiscal agent	42,025,455
Receivables	
Current property taxes	7,668,494
Delinquent property taxes	279,803
Accounts	59,765
Due from other governmental units	15,577,428
Prepaid items	96,455
Inventory	6,635
Net OPEB obligation asset	10,348,630
	<u>84,436,833</u>
Capital assets	
Land	1,049,947
Buildings	90,262,256
Improvements	1,879,524
Vehicles	1,239,072
Equipment	714,503
Less accumulated depreciation	(24,416,797)
Total capital assets, net of depreciation	<u>70,728,505</u>
Total assets	<u>\$ 155,165,338</u>
Liabilities and Net Assets	
Liabilities	
Aid anticipation certificates	\$ 5,000,000
Accounts payable	833,259
Salaries payable	4,683,459
Accrued interest payable	796,786
Unearned revenue	163,555
Property taxes levied for subsequent year	10,290,705
Long-term liabilities	
Portion due or payable within one year	46,203,958
Portion due or payable after one year	52,594,505
Total liabilities	<u>120,566,227</u>
Net Assets	
Invested in capital assets, net of related debt	24,518,505
Restricted for specific purposes	44,434,340
Unrestricted	(34,353,734)
Total net assets	<u>34,599,111</u>
Total liabilities and net assets	<u>\$ 155,165,338</u>

Independent School District No. 152
Moorhead Area Public Schools
Statement of Activities
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Administration	\$ 1,972,586	\$ -	\$ -	\$ (1,972,586)
District support services	1,156,251	-	-	(1,156,251)
Regular instruction	18,019,814	16,456	3,697,808	(14,305,550)
Vocational instruction	533,950	-	-	(533,950)
Special education instruction	12,908,012	417,596	1,363,462	(11,126,954)
Community education and services	1,458,161	391,721	62,776	(1,003,664)
Instructional support services	2,770,297	-	-	(2,770,297)
Pupil support services	7,346,701	1,089,207	1,501,616	(4,755,878)
Sites and buildings	6,280,977	99,511	-	(6,181,466)
Fiscal and other fixed-cost programs	4,724,636	-	1,637,656	(3,086,980)
Total governmental activities	<u>\$ 57,171,385</u>	<u>\$ 2,014,491</u>	<u>\$ 8,263,318</u>	<u>(46,893,576)</u>
General Revenues				
Property taxes, levied for general purposes				5,218,392
Property taxes, levied for community education and services				560,532
Property taxes, levied for debt service				5,005,113
Aids and payments from the state				42,921,567
County apportionment				82,468
Loss on disposal of property and equipment				(41,354)
Miscellaneous revenues				58,734
Total general revenues				<u>53,805,452</u>
Changes in Nets Assets				6,911,876
Net Assets - Beginning				<u>27,687,235</u>
Net Assets - Ending				<u>\$ 34,599,111</u>

Independent School District No. 152
Moorhead Area Public Schools
Governmental Funds
Balance Sheet
June 30, 2011

	General	Debt Service	Other Governmental Funds	Totals
Assets				
Cash and investments	\$ 3,709,869	\$ 3,288,810	\$ 1,375,489	\$ 8,374,168
Cash with fiscal agent	-	42,025,455	-	42,025,455
Receivables				
Current property taxes	3,353,622	3,611,494	703,378	7,668,494
Delinquent property taxes	60,997	189,706	29,100	279,803
Accounts	59,765	-	-	59,765
Due from other governmental units	14,971,521	313,464	292,443	15,577,428
Prepaid items	96,455	-	-	96,455
Inventories	-	-	6,635	6,635
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 22,252,229</u>	<u>\$ 49,428,929</u>	<u>\$ 2,407,045</u>	<u>\$ 74,088,203</u>
Liabilities and Fund Balance				
Liabilities				
Aid anticipation certificates	\$ 5,000,000	\$ -	\$ -	\$ 5,000,000
Accounts payable	747,297	-	85,962	833,259
Salaries payable	4,580,957	-	102,502	4,683,459
Interest payable	60,937	-	-	60,937
Deferred revenue	173,906	189,706	79,746	443,358
Property taxes levied for subsequent year	3,353,622	6,026,196	910,887	10,290,705
Total liabilities	<u>13,916,719</u>	<u>6,215,902</u>	<u>1,179,097</u>	<u>21,311,718</u>
Fund Balance				
Nonspendable	96,455	-	6,635	103,090
Restricted	-	43,213,027	1,221,313	44,434,340
Committed	2,100,000	-	-	2,100,000
Assigned	1,205,000	-	-	1,205,000
Unassigned	4,934,055	-	-	4,934,055
Total fund balance	<u>8,335,510</u>	<u>43,213,027</u>	<u>1,227,948</u>	<u>52,776,485</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	<u>\$ 22,252,229</u>	<u>\$ 49,428,929</u>	<u>\$ 2,407,045</u>	<u>\$ 74,088,203</u>

Independent School District No. 152
Moorhead Area Public Schools
Reconciliation of the Balance Sheet to the Statement of Net Assets
June 30, 2011

Total Fund Balances - Governmental Funds	\$ 52,776,485
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.	70,728,505
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.	(735,849)
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.	279,803
Negative net OPEB obligation assets created through treatment of OPEB Obligation Bonds as employer contributions are not recognized in the funds.	10,348,630
Compensated absences are not due and payable in the current period and therefore is not reported as liabilities in the funds	(360,895)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	<u>(98,437,568)</u>
Total Net Assets - Governmental Activities	<u><u>\$ 34,599,111</u></u>

Independent School District No. 152
Moorhead Area Public Schools
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2011

	General	Debt Service	Other Governmental Funds	Totals
Revenues				
Local property tax levies	\$ 1,868,783	\$ 5,005,113	\$ 767,600	\$ 7,641,496
Other local and county sources	823,174	1,637,656	438,793	2,899,623
State sources	44,079,362	1,044,864	918,489	46,042,715
Federal sources	5,166,857	-	1,072,210	6,239,067
Sales and other conversion of assets	-	-	1,087,486	1,087,486
Miscellaneous	27,918	-	90,018	117,936
Total revenues	<u>51,966,094</u>	<u>7,687,633</u>	<u>4,374,596</u>	<u>64,028,323</u>
Expenditures				
Administration	1,970,854	-	-	1,970,854
District support services	1,156,251	-	-	1,156,251
Regular instruction	21,457,908	-	-	21,457,908
Vocational instruction	533,950	-	-	533,950
Special education instruction	12,964,783	-	-	12,964,783
Community education and service	-	-	1,458,159	1,458,159
Instructional support services	2,740,148	-	-	2,740,148
Pupil support services	5,157,586	-	2,119,029	7,276,615
Sites and buildings	4,673,336	-	-	4,673,336
Fiscal and other fixed cost programs	148,952	7,669,160	495,838	8,313,950
Total expenditures	<u>50,803,768</u>	<u>7,669,160</u>	<u>4,073,026</u>	<u>62,545,954</u>
Excess of Revenues over Expenditures	1,162,326	18,473	301,570	1,482,369
Other Financing Sources				
Sale of property and equipment	361	-	-	361
Net Change in Fund Balance	1,162,687	18,473	301,570	1,482,730
Fund Balance, Beginning of Year	<u>7,172,823</u>	<u>43,194,554</u>	<u>926,378</u>	<u>51,293,755</u>
Fund Balance, End of Year	<u>\$ 8,335,510</u>	<u>\$ 43,213,027</u>	<u>\$ 1,227,948</u>	<u>\$ 52,776,485</u>

Independent School District No. 152
Moorhead Area Public Schools
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds \$ 1,482,730

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	\$ 282,861	
Depreciation expense	(1,994,139)	
Excess of depreciation expense over capital outlay		(1,711,278)

The net effect of the disposal of capital assets is to decrease net assets. (41,354)

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	279,803	
Prior period balance	(183,508)	
Current year effect		96,295

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	(360,895)	
Prior period balance	2,726,377	
Current year effect		2,365,482

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

Current period balance	(735,849)	
Prior period balance	842,099	
Current year effect		106,250

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

Current period balance	10,348,630	
Prior period balance	(9,217,942)	
Current year effect		1,130,688

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

Bond principal retirement		3,500,000
Amortization of premium on bond issuance		(16,937)

Change in Net Assets of Governmental Activities \$ 6,911,876

Independent School District No. 152
Moorhead Area Public Schools

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – General Fund
Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Local property tax levies	\$ 1,682,125	\$ 1,662,125	\$ 1,868,783	\$ 206,658
Other local and county sources	937,927	828,505	823,174	(5,331)
State sources	43,417,918	42,737,064	44,079,362	1,342,298
Federal sources	2,840,943	4,847,580	5,166,857	319,277
Miscellaneous	-	-	27,918	27,918
Total revenues	48,878,913	50,075,274	51,966,094	1,890,820
Expenditures				
Administration	2,237,167	2,063,785	1,970,854	92,931
District support services	1,409,103	1,230,916	1,156,251	74,665
Regular instruction	20,943,760	20,887,867	21,457,908	(570,041)
Vocational instruction	418,140	429,480	533,950	(104,470)
Special education instruction	11,213,275	12,678,479	12,964,783	(286,304)
Instructional support services	3,294,180	2,850,242	2,740,148	110,094
Pupil support services	5,117,360	4,972,048	5,157,586	(185,538)
Sites and buildings	4,724,710	5,106,573	4,673,336	433,237
Fiscal and other fixed cost programs	189,810	164,670	148,952	15,718
Total expenditures	49,547,505	50,384,060	50,803,768	(419,708)
Excess (Deficiency) of Revenues over (Under) Expenditures	(668,592)	(308,786)	1,162,326	1,471,112
Other Financing Sources				
Sale of property and equipment	-	-	361	361
Net Change in Fund Balance	(668,592)	(308,786)	1,162,687	\$ 1,471,473
Fund Balance, Beginning of Year	7,172,823	7,172,823	7,172,823	
Fund Balance, End of Year	\$ 6,504,231	\$ 6,864,037	\$ 8,335,510	

Independent School District No. 152
Moorhead Area Public Schools
Statement of Fiduciary Net Assets
June 30, 2011

	<u>Trust Funds</u>
Assets	
Cash and investments	<u>\$ 9,795,210</u>
Liabilities and Net Assets	
Net assets	
Unrestricted	<u>9,795,210</u>
Total liabilities and net assets	<u>\$ 9,795,210</u>

Independent School District No. 152
Moorhead Area Public Schools
Statement of Changes in Fiduciary Net Assets
Year Ended June 30, 2011

	<u>Trust Funds</u>
Additions	
Interest	\$ 1,378,879
Scholarships	641
Total additions	<u>1,379,520</u>
Deductions	
OPEB health insurance	<u>838,623</u>
Net Change in Net Assets	540,897
Net Assets, Beginning of Year	<u>9,254,313</u>
Net Assets, End of Year	<u><u>\$ 9,795,210</u></u>

Note 1 - Summary of Significant Accounting Policies

Organization

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

Reporting Entity

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

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

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

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

Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net 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.

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

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

Fund Financial Statement Presentation

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

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

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

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

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

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

Description of Funds

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

Major Governmental Funds

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

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

Nonmajor Governmental Funds

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

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

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

Fiduciary Funds

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

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

Other Significant Accounting Policies

Budgeting

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

Cash and Investments

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

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

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.

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, 2011, this amount did not exceed a normal year's accumulation.

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 2011.

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.

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, committed, assigned or unassigned.

- Nonspendable fund balance represents a portion of fund balance that includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.
- Restricted fund balances represents a portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

- Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority which is the School Board through an ordinance or resolution.
- Assigned fund balance represents amounts constrained by the government’s intent to be used for specific purposes, but neither restricted nor committed.
- Unassigned fund balance represents residual classification for the general fund. This classification represents fund balance not assigned to other funds and not restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it would be necessary to report a negative unassigned fund balance.

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

The District’s policy is to strive to maintain a minimum unassigned fund balance of 25 percent of the annual budget but not less than 17 percent of the annual budget.

Note 2 - Stewardship, Compliance, and Accountability

Excess of Expenditures over Appropriations

Budget control for all funds is established by their total appropriations. The following are the excess of expenditures over budget for the year ended June 30, 2011:

	Final Budget	Actual	Unfavorable
General Fund	\$ 50,384,060	\$ 50,803,768	\$ (419,708)
Community Service Fund	\$ 1,435,182	\$ 1,458,159	\$ (22,977)

The over expenditures were funded by existing fund balances. The general fund variance was funded by excess revenues over budget as well.

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, 2011, all deposits were insured or collateralized by securities held by the District's agent in the District's name.

Investments

Credit Risk – Investments

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

Custodial Credit Risk – Investments

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

Interest Rate Risk – Investments

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

Independent School District No. 152
Moorhead Area Public Schools
Notes to Financial Statements
June 30, 2011

The following table presents the District's deposit and investment balances at June 30, 2011:

Type	Fair Value	Investment Maturities (in Years)		
		N/A	< 1	1 - 5
Cash and cash equivalents				
Minnesota School				
District Liquid Asset Fund	\$ 3,872,368	\$ 3,872,368	\$ -	\$ -
Deposits	1,754,484	1,754,484	-	-
Petty cash	19,401	19,401	-	-
Money market	116,576	116,576	-	-
Investments				
Fixed income	5,925,125	-	2,154,364	3,770,761
Equities	5,691,707	5,691,707	-	-
Real estate investment trusts	476,476	476,476	-	-
Certificates of deposit	313,241	-	313,241	-
	<u>\$ 18,169,378</u>	<u>\$ 11,931,012</u>	<u>\$ 2,467,605</u>	<u>\$ 3,770,761</u>

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

Cash and Investments - Statement of Net Assets	\$ 8,374,168
Cash and Investments - Statement of Fiduciary Net Assets	<u>9,795,210</u>
	<u>\$ 18,169,378</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, 2011, include:

Fund	Federal	State	Other	Total
Major funds				
General	\$ 1,022,333	\$ 13,413,820	\$ 535,368	\$ 14,971,521
Debt service	-	313,464	-	313,464
Non-major funds	4,113	288,330	-	292,443
	<u>\$ 1,026,446</u>	<u>\$ 14,015,614</u>	<u>\$ 535,368</u>	<u>\$ 15,577,428</u>

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2011 is as follows:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Capital assets not being depreciated:				
Land	\$ 1,049,947	\$ -	\$ -	\$ 1,049,947
Capital assets being depreciated:				
Buildings	90,018,488	243,768	-	90,262,256
Improvements	1,873,524	6,000	-	1,879,524
Vehicles	1,239,072	-	-	1,239,072
Equipment	725,717	33,093	(44,307)	714,503
Total capital assets being depreciated	<u>93,856,801</u>	<u>282,861</u>	<u>(44,307)</u>	<u>94,095,355</u>
Less accumulated depreciation for:				
Buildings	20,598,337	1,767,892	-	22,366,229
Improvements	442,275	93,826	-	536,101
Vehicles	981,694	79,831	-	1,061,525
Equipment	403,305	52,590	(2,953)	452,942
Total accumulated depreciation	<u>22,425,611</u>	<u>1,994,139</u>	<u>(2,953)</u>	<u>24,416,797</u>
Net capital assets, depreciated	<u>71,431,190</u>	<u>(1,711,278)</u>	<u>(41,354)</u>	<u>69,678,558</u>
Total capital assets, net	<u>\$ 72,481,137</u>	<u>\$ (1,711,278)</u>	<u>\$ (41,354)</u>	<u>\$ 70,728,505</u>

Depreciation expense for the year ended June 30, 2011 was charged to the following functions/programs:

District and school administration	\$ 1,732
Regular instruction	1,305
Instructional support	30,149
Pupil support services	70,091
Sites and buildings	<u>1,890,862</u>
Total depreciation expense	<u>\$ 1,994,139</u>

Note 6 - Aid Anticipation Certificates

The District sold general obligation aid anticipation certificates dated August 26, 2010 with a value of \$5,000,000 at an interest rate of 1.50 percent. These certificates mature on September 26, 2011. Interest and fiscal charges on aid anticipation certificates for the year ended June 30, 2011 in the General Fund totaled \$57,813.

Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000

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.

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	\$ 295,346
Interest on net OPEB obligation	(546,361)
Adjustment to annual required contribution	<u>(41,387)</u>
 Annual OPEB cost	 (292,402)
Contributions made	<u>(838,286)</u>
 Change in net OPEB obligation (asset)	 (1,130,688)
Net OPEB obligation (asset), beginning of year	(9,217,942)
Net OPEB obligation (asset), end of year	<u><u>\$ (10,348,630)</u></u>

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

Fiscal Year Ended	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net Ending OPEB Obligation (Asset)
06/30/11	\$ 292,402	\$ 838,286	286.69%	\$ (10,348,630)
06/30/10	611,521	-	0.00%	(9,217,942)
06/30/09	1,076,295	10,895,325	1012.30%	(9,829,463)

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

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

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

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

In the July 1, 2008, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after ten years. Both rates included an inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis over 30 years. The remaining amortization period at June 30, 2011, was 27 years.

Note 8 - Long-Term Liabilities

Changes in long-term liabilities during the year ended June 30, 2011 are as follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Due Within One Year
Bonds payable	\$ 102,090,000	\$ -	\$ 3,500,000	\$ 98,590,000	\$ 45,860,000
Unamortized premium on bond issuance	(169,369)	-	(16,937)	(152,432)	(16,937)
Severance and compensated absences payable	2,726,377	194,324	2,559,806	360,895	360,895
	<u>\$ 104,647,008</u>	<u>\$ 194,324</u>	<u>\$ 6,042,869</u>	<u>\$ 98,798,463</u>	<u>\$ 46,203,958</u>

Independent School District No. 152
Moorhead Area Public Schools
Notes to Financial Statements
June 30, 2011

Following is a summary of bonds payable as of June 30, 2011:

Bond Description	Final	Interest Rate	Original Principal	Outstanding Balance
General Obligation School Building Bonds of 2002 **	4/12	4.00% - 5.25%	\$ 64,500,000	\$ 45,150,000
General Obligation School Building Refunding Bonds of 2005	4/22	3.25% - 4.25%	42,080,000	42,080,000
General Obligation Refunding Bonds of 2006	2/13	3.75%	3,375,000	1,060,000
General Obligation School Taxable OPEB Bonds of 2009	2/13	3.75%	10,300,000	10,300,000
				<u>\$ 98,590,000</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, 2011 the Building Bonds of 2002 have \$48,150,000 in principal payments remaining.

Severance and Compensated Absences Payable – This amount consists of vacation and sick leave payable as discussed in Note 1. Payments are made by the general fund. With the District’s implementation of GASB Statement No. 27 in the current year, the compensated absences are now accounted for in the actuarial valuation.

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
2012	\$ 45,860,000	\$ 3,997,848	\$ 360,895	\$ -	\$ 46,220,895	\$ 3,997,848
2013	4,715,000	1,683,538	-	-	4,715,000	1,683,538
2014	4,505,000	1,549,188	-	-	4,505,000	1,549,188
2015	4,850,000	1,421,263	-	-	4,850,000	1,421,263
2016	5,050,000	1,269,263	-	-	5,050,000	1,269,263
2017 - 2021	28,630,000	3,855,112	-	-	28,630,000	3,855,112
2022	4,980,000	212,076	-	-	4,980,000	212,076
	<u>\$ 98,590,000</u>	<u>\$ 13,988,288</u>	<u>\$ 360,895</u>	<u>\$ -</u>	<u>\$ 98,950,895</u>	<u>\$ 13,988,288</u>

Note 9 - Fund Balance

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

The following is a summary of fund balances as of June 30, 2011:

	<u>General</u>	<u>Debt Service</u>	<u>Other Government Funds</u>	<u>Totals</u>
Nonspendable				
Inventory	\$ -	\$ -	\$ 6,635	\$ 6,635
Prepays	96,455	-	-	96,455
Total nonspendable	<u>96,455</u>	<u>-</u>	<u>6,635</u>	<u>103,090</u>
Restricted				
Deferred maintenance	617,102	-	-	617,102
Debt service	-	1,162,128	-	1,162,128
Bond Refundings	-	42,050,899	-	42,050,899
OPEB debt service	-	-	227,220	227,220
Food service	-	-	636,067	636,067
Community education	-	-	246,159	246,159
Early childhood and family education	-	-	49,123	49,123
School readiness	-	-	7,754	7,754
Community service	-	-	54,990	54,990
Total restricted	<u>617,102</u>	<u>43,213,027</u>	<u>1,221,313</u>	<u>45,051,442</u>
Committed				
Severance obligation	<u>2,100,000</u>	<u>-</u>	<u>-</u>	<u>2,100,000</u>
Assigned				
Technology acquisition/upgrades	<u>1,205,000</u>	<u>-</u>	<u>-</u>	<u>1,205,000</u>
Unassigned				
	<u>4,316,953</u>	<u>-</u>	<u>-</u>	<u>4,316,953</u>
Total fund balance	<u>\$ 8,335,510</u>	<u>\$ 43,213,027</u>	<u>\$ 1,227,948</u>	<u>\$ 52,776,485</u>

Independent School District No. 152
Moorhead Area Public Schools
Notes to Financial Statements
June 30, 2011

The UFARS fund balance reporting standards are slightly different than the reporting standards under GASB 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. Below is a reconciliation between the fund balance reporting under GASB 54 and UFARS reporting standards:

	GASB Balance	Reconciling Items	UFARS Balance
Nonspendable			
Inventory	\$ 6,635	\$ -	\$ 6,635
Prepays	96,455	-	96,455
Total nonspendable	<u>103,090</u>	<u>-</u>	<u>103,090</u>
Restricted			
Deferred maintenance	617,102	-	617,102
Health & safety	-	(146,586)	(146,586)
Safe school - crime levy	-	(116,787)	(116,787)
Debt service	1,162,128	-	1,162,128
Bond Refundings	42,050,899	-	42,050,899
OPEB debt service	227,220	-	227,220
Food service	636,067	-	636,067
Community education	246,159	-	246,159
Early childhood and family education	49,123	-	49,123
School readiness	7,754	-	7,754
Community service	54,990	-	54,990
Total restricted	<u>45,051,442</u>	<u>(263,373)</u>	<u>44,788,069</u>
Committed			
Severance obligation	<u>2,100,000</u>	<u>-</u>	<u>2,100,000</u>
Assigned			
Technology acquisition/upgrades	<u>1,205,000</u>	<u>-</u>	<u>1,205,000</u>
Unassigned			
	<u>4,316,953</u>	<u>263,373</u>	<u>4,580,326</u>
Total fund balance	<u>\$ 52,776,485</u>	<u>\$ -</u>	<u>\$ 52,776,485</u>

Note 10 - Defined Benefit Pension Plans - Statewide

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

Teachers' Retirement Association

Plan Description

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

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

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

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

With these provisions:

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

Or

Tier II: A level formula of 1.7 percent per year for coordinated members and 2.7 percent per year for basic members. These percents apply to all years of service. Actuarially equivalent early retirement reduction factors with augmentation are used for early retirement before the normal age of 65. These reduction factors average approximately 4 to 5.5 percent per year.

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

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

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

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

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

Funding Policy

Minnesota Statutes Chapter 354 sets the rates for the employee and employer contributions. These statutes are established and amended by the state legislature. Coordinated and Basic Plan members are required to contribute 5.5 percent and 9.0 percent, respectively, of their annual covered salary as employee contributions. The TRA employer contribution rates are 5.5 percent for Coordinated members and 9.5 percent for Basic members. Total covered payroll salaries for all TRA members statewide during the fiscal year ended June 30, 2010 was approximately \$3.79 billion. TRA covered payroll for all members statewide for the fiscal years ended June 30, 2009 and June 30, 2008 were \$3.76 billion and \$3.65 billion, respectively.

The District contributions for the years ended June 30, 2011, 2010, and 2009 were \$1,331,990, \$1,303,354, and \$1,354,933, respectively, equal to the required contributions for each year as set by state statute.

Public Employees' Retirement Association

Plan Description

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

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

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

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.

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.0%, respectively, of their annual covered salary in calendar year 2010. The District is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members and 7% for Coordinated Plan PERF members.

The District's contributions to the Public Employees Retirement Fund for the years ended June 30, 2011, 2010, and 2009 were \$584,405, \$558,027, and \$525,869, 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.

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 \$318,118.

Note 14 - Subsequent Events

Subsequent to year-end, the District completed upgrades to the District's computer network for approximately \$700,000, improvements to the Moorhead High School Gym and Auditorium for approximately \$110,000, and security improvements to Ellen Hopkins Elementary for approximately \$111,000.



Required Supplementary Information
June 30, 2011

Independent School District No. 152 Moorhead Area Public Schools

Independent School District No. 152
Moorhead Area Public Schools
Schedule of Funding Progress
June 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Simplified Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/08	\$ -	\$ 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
June 30, 2011

Independent School District No. 152 Moorhead Area Public Schools

Independent School District No. 152
Moorhead Area Public Schools
General Fund
Schedule of Changes in UFARS Fund Balances
Year Ended June 30, 2011

	Fund Balance (Deficit) Beginning of Year	Net Change in Fund Balance	Fund Balance (Deficit) End of Year
Nonspendable	\$ 55,929	\$ 40,526	\$ 96,455
Restricted for deferred maintenance	327,731	289,371	617,102
Restricted for health and safety	(104,870)	(41,716)	(146,586)
Restricted for operating capital	311,757	(311,757)	-
Restricted for safe schools	(69,239)	(47,548)	(116,787)
Committed for severance obligation	2,726,377	(626,377)	2,100,000
Assigned for technology acquisition and upgrades	-	1,205,000	1,205,000
Unassigned	<u>3,925,138</u>	<u>655,188</u>	<u>4,580,326</u>
	<u>\$ 7,172,823</u>	<u>\$ 1,162,687</u>	<u>\$ 8,335,510</u>

Independent School District No. 152
Moorhead Area Public Schools
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2011

	<u>Food Service</u>	<u>Community Service</u>	<u>OPEB Debt Service Fund</u>	<u>Totals</u>
Assets				
Cash and investments	\$ 730,032	\$ 158,976	\$ 486,481	\$ 1,375,489
Receivables				
Current property taxes	-	275,235	428,143	703,378
Delinquent property taxes	-	12,871	16,229	29,100
Due from other governmental units	-	265,439	27,004	292,443
Inventories	6,635	-	-	6,635
	<u>6,635</u>	<u>-</u>	<u>-</u>	<u>6,635</u>
Total assets	<u>\$ 736,667</u>	<u>\$ 712,521</u>	<u>\$ 957,857</u>	<u>\$ 2,407,045</u>
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ 5,245	\$ 80,717	\$ -	\$ 85,962
Salaries payable	39,249	63,253	-	102,502
Deferred revenue	49,471	14,046	16,229	79,746
Property taxes levied for subsequent year	-	196,479	714,408	910,887
Total liabilities	<u>93,965</u>	<u>354,495</u>	<u>730,637</u>	<u>1,179,097</u>
Fund Balance				
Nonspendable	6,635	-	-	6,635
Restricted	636,067	358,026	227,220	1,221,313
Total fund balance	<u>642,702</u>	<u>358,026</u>	<u>227,220</u>	<u>1,227,948</u>
Total liabilities and fund balance	<u>\$ 736,667</u>	<u>\$ 712,521</u>	<u>\$ 957,857</u>	<u>\$ 2,407,045</u>

Independent School District No. 152
Moorhead Area Public Schools
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2011

	<u>Food Service</u>	<u>Community Service</u>	<u>OPEB Debt Service Fund</u>	<u>Totals</u>
Revenues				
Local property tax levies	\$ -	\$ 337,523	\$ 430,077	\$ 767,600
Other local and county sources	1,173	437,620	-	438,793
State sources	136,436	782,053	-	918,489
Federal sources	1,055,698	16,512	-	1,072,210
Sales and other conversion of assets	1,087,486	-	-	1,087,486
Miscellaneous	-	-	90,018	90,018
Total revenues	<u>2,280,793</u>	<u>1,573,708</u>	<u>520,095</u>	<u>4,374,596</u>
Expenditures				
Community education and service	-	1,458,159	-	1,458,159
Pupil support services	2,119,029	-	-	2,119,029
Fiscal and other fixed cost programs	-	-	495,838	495,838
Total expenditures	<u>2,119,029</u>	<u>1,458,159</u>	<u>495,838</u>	<u>4,073,026</u>
Excess of Revenues over Expenditures	161,764	115,549	24,257	301,570
Fund Balance, Beginning of Year	<u>480,938</u>	<u>242,477</u>	<u>202,963</u>	<u>926,378</u>
Fund Balance, End of Year	<u>\$ 642,702</u>	<u>\$ 358,026</u>	<u>\$ 227,220</u>	<u>\$ 1,227,948</u>



Other Supplementary Information
June 30, 2011

Independent School District No. 152 Moorhead Area Public Schools

Independent School District No. 152
Moorhead Area Public Schools
Changes in Student Activity Cash Balances
Year Ended June 30, 2011

Activity	Balance 7/1/10	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/11
6th Grade Activities (A)	\$ 914	\$ 151	\$ 155	\$ 910
6th Grade Activities (B)	5,947	2,926	3,208	5,665
6th Grade Activities (C)	2,003	150	282	1,871
7th Grade Activities (C)	-	1,061	1,056	5
8th Grade Activities (A)	-	270	269	1
8th Grade Activities (B)	2,330	898	808	2,420
8th Grade Activities (C)	812	56	4	864
ALC	3,829	-	-	3,829
APL Project	2,877	5,990	7,206	1,661
APL Project - Sr. High	-	180	-	180
Apollo Strings	74,538	139,234	148,108	65,664
Auditorium Technology	1,074	2,508	3,043	539
Band - Jr. High	23,671	6,200	14,216	15,655
Band - Sr. High	67,255	119,245	147,393	39,107
Baseball Club	-	7,473	6,776	697
Basketball - Boys	3,955	13,506	11,637	5,824
Basketball - Girls	618	3,374	3,567	425
Caps & Gowns	15,474	-	4,128	11,346
Choir - Sr. High	3,595	41,637	25,725	19,507
Chokio	12,915	24,281	24,882	12,314
Craft Club - Sr. High	506	-	-	506
Cross Country	1,375	22,066	18,514	4,927
Danceline	12,263	13,314	12,406	13,171
Debate Enrichment	1,723	-	1,492	231
Destination Imagination	710	161	871	-
DHH Social Fund	130	-	-	130
DI Globals	1,760	101	1,768	93
Donation for Families	64	-	-	64
ECFE	22	-	-	22
English - Jr. High	335	-	-	335

Independent School District No. 152
Moorhead Area Public Schools
Changes in Student Activity Cash Balances
Year Ended June 30, 2011

Activity	Balance 7/1/10	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/11
Field House	146	-	-	146
Fine Arts - Sr. High	1,252	826	30	2,048
First Lego League	4,446	151	1,790	2,807
Football Club	10,601	42,784	36,111	17,274
French Club	85	4	89	-
Golf - Boys Sr. High	86	8,090	6,504	1,672
Golf - Girls Sr. High	419	-	401	18
Gymnastics Club	2,232	1,231	815	2,648
Hall of Honor	4,087	3,000	3,215	3,872
Heroes - Jr. High	520	-	-	520
History Day	143	-	-	143
Hockey - Boys	240	10,842	7,435	3,647
Hockey - Girls	9	4,000	2,204	1,805
Honor Choir - Jr. High	15,806	18,264	17,461	16,609
Hopkins Safety Patrol	2,707	-	103	2,604
Hopkins Ptac	-	1,825	1,775	50
Hopkins Ptac 188	-	3,720	3,720	-
Horizon Visiting Auth	166	589	520	235
Interest	-	2,004	2,004	-
Intramurals	1,450	450	259	1,641
Journalism	6,639	611	2,811	4,439
Knowledge Bowl	2,873	2,440	2,862	2,451
Math Club - Jr. High	1	-	-	1
Media - Jr. High	74	440	506	8
MHS Literacy Committee	724	-	452	272
Orchestra - Jr. High	4,301	64,061	50,234	18,128
PBIS - Horizon	1,139	500	7	1,632
Plays - Sr. High	15,770	64,495	79,943	322
Positive Incentives - Jr. High	1,195	-	-	1,195
Robert Asp Ptac	-	1,715	1,715	-
Robert Asp Safety Patrol	2,707	1	13	2,695
Robert Asp Student Council	2,932	-	-	2,932
Robert Asp Yearbook	984	-	-	984
RRALC Store	66	400	437	29
SADD	1,283	671	316	1,638

Independent School District No. 152
Moorhead Area Public Schools
Changes in Student Activity Cash Balances
Year Ended June 30, 2011

<u>Activity</u>	<u>Balance 7/1/10</u>	<u>Receipts and and Transfers</u>	<u>Disbursements and Transfers</u>	<u>Balance 6/30/11</u>
Service Enhancement Club	193	1,239	1,108	324
Service Learning	2,794	12,275	11,738	3,331
SGR PTAC 189	-	1,764	1,764	-
SGR Safety Patrol	2,707	-	-	2,707
Soccer - Boys	2,344	4,641	5,349	1,636
Soccer - Girls	2,000	3,539	3,370	2,169
Social Studies - Sr. High	263	-	-	263
Softball	2,241	294	946	1,589
Spanish Club	3,495	1	17	3,479
Spanish Club - Jr. High	128	-	-	128
Speech	4,617	29,627	31,244	3,000
Stadium Celebration	-	3,398	3,192	206
STEP - Jr. High	618	1,345	552	1,411
STEP Trip	81	-	-	81
Store - Jr. High	1,486	-	8	1,478
Student Council - Jr. High	16,785	9,651	9,377	17,059
Student Council - Sr. High	18,840	4,993	8,777	15,056
Swimming - Boys	783	3,698	3,178	1,303
Swimming - Girls	159	14,519	12,033	2,645
Tennis - Girls	1	-	-	1
Theatre Arts - Jr. High	27,651	41,725	38,704	30,672
Theatre Trips	1,799	31,149	32,894	54
Track - Boys	840	3,799	4,444	195
Track - Girls	48	3,997	4,045	-
Volleyball	7,755	8,913	8,821	7,847
Wrestling Club	533	7,095	4,530	3,098
Yearbook - Jr. High	-	18,379	5,157	13,222
	<u>\$ 423,939</u>	<u>\$ 843,937</u>	<u>\$ 852,494</u>	<u>\$ 415,382</u>

Independent School District No. 152
Moorhead Area Public Schools
Uniform Accounting and Reporting Standards Compliance Table (Unaudited)
Year Ended June 30, 2011

<u>General Fund</u>		
Total revenues		\$ 51,966,094
Total expenditures		50,803,768
Fund Balance		
Nonspendable:		
4.60 Nonspendable fund balance		96,455
Restricted:		
4.05 Deferred maintenance		617,102
4.06 Health and safety		(146,586)
4.49 Safe schools		(116,787)
Committed:		
4.18 Committed for severance		2,100,000
Assigned:		
4.62 Assigned fund balance		1,205,000
Unreserved:		
4.22 Unassigned fund balance		4,580,326
 <u>Food Service</u>		
Total revenues		\$ 2,280,793
Total expenditures		2,119,029
Fund Balance		
Nonspendable:		
4.60 Nonspendable fund balance		6,635
Restricted:		
4.64 Restricted fund balance		636,067
 <u>Community Service</u>		
Total revenues		\$ 1,573,708
Total expenditures		1,458,159
Fund Balance		
Restricted:		
4.31 Community education		246,159
4.32 Early childhood-family education		49,123
4.44 School readiness		7,754
Restricted:		
4.64 Restricted fund balance		54,990
 <u>Debt Service</u>		
Total revenues		\$ 7,687,633
Total expenditures		7,669,160
Fund Balance		
Restricted:		
4.25 Bond refunding		42,050,899
Restricted:		
4.64 Restricted fund balance		1,162,128

Independent School District No. 152
Moorhead Area Public Schools
Uniform Accounting and Reporting Standards Compliance Table (Unaudited)
Year Ended June 30, 2011

<u>Trust Fund</u>		
Total revenues		\$ 641
Total expenditures		-
Fund Balance		
Unassigned:		
4.22 Unassigned fund balance		10,285
 <u>OPEB Irrevocable Trust</u>		
Total revenues		\$ 1,378,879
Total expenditures		838,623
Net Assets		
4.22 Net assets		9,784,925
 <u>OPEB Debt Service</u>		
Total revenues		\$ 520,095
Total expenditures		495,838
Fund Balance		
Restricted:		
4.64 Restricted fund balance		227,220

Independent School District No. 152
Moorhead Area Public Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor/Program Title	Federal CFDA Number	Pass Through Number	Expenditures
Department of Agriculture			
<i>Passed through Minnesota Department of Education</i>			
School Breakfast Program	10.553	N/A	\$ 7,769
School Breakfast Program	10.553	0152-01-000 FIN 705	189,251
National School Lunch Program	10.555	0152-01-000 FIN 701	155,611
National School Lunch Program	10.555	0152-01-000 FIN 702	4,965
National School Lunch Program	10.555	0152-01-000 FIN 701	613,524
Special Milk Program for Children	10.556	0152-01-000 FIN 703	4,739
Summer Food Service Program for Children	10.559	0152-01-000 FIN 709	26,757
Total Child Nutrition Cluster			\$1,002,616
Department of Interior			
<i>Passed through White Earth Indian Reservation</i>			
Johnson O' Malley	15.130	N/A	8,240
Department of Education			
<i>Direct</i>			
Indian Education - Grants to Local Educational Agencies	84.060	N/A	51,521
<i>Passed through Minnesota Department of Education</i>			
Adult Education - Basic Grants to States	84.002	0152-01-000 FIN 438	17,020
Title I Grants to Local Educational Agencies	84.010	0152-01-000 FIN 401	\$ 719,015
Title I Grants to Local Educational Agencies	84.010	0152-01-000 FIN 406	148,650
ARRA - Title I Grants to Local Educational Agencies	84.389	0152-01-000 FIN 470	358,958
Total Title I Cluster			1,226,623
Special Education - Grants to States	84.027	0152-01-000 FIN 419	1,272,241
Special Education - Grants to States	84.027	0152-01-000 FIN 435	8,480
Special Education - Grants to States	84.027	0152-01-000 FIN 421	43,200
Special Education - Preschool Grants	84.173	0152-01-000 FIN 441	3,752
Special Education - Preschool Grants	84.173	0152-01-000 FIN 420	28,241
ARRA - Special Education - Grants to States	84.391	0152-01-000 FIN 480	626,563
ARRA - Special Education - Preschool Grants	84.392	0152-01-000 FIN 484	30,906
Total Special Education Cluster			2,013,383
<i>Passed through Minnesota Department of Education</i>			
Special Education - Grants for Infants and Families	84.181	0152-01-000 FIN 422	98,218
ARRA - Special Education - Grants for Infants and Families	84.393	0152-01-000 FIN 486	60,524
Total Infants and Families Program Cluster			158,742
Safe and Drug Free Schools and Communities - State Grants	84.186	0152-01-000 FIN 433	10,305
English Language Acquisition Grants	84.365	0152-01-000 FIN 417	53,750
Improving Teacher Quality State Grants	84.367	0152-01-000 FIN 414	279,925
ARRA - McKinney Vento Homeless	84.387	0152-01-000 FIN 478	86,179
Education Jobs Fund	84.410	0152-01-000 FIN 152	1,047,925
Migrant Education - State Grant Program	84.011	0152-01-000 FIN 863	36,602
Total Department of Education			4,981,975
Department of Health and Human Resources			
<i>Passed through Minnesota Department of Education</i>			
Medical Assistance Program	93.778	N/A	134,070
Total expenditures of federal awards			\$6,126,901

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, 2011, the district had food commodities totaling \$6,635 in inventory.

Note C – Agency or Pass-Through Number

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



Additional Reports
June 30, 2011

Independent School District No. 152 Moorhead Area Public Schools



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and the *Minnesota Legal Compliance Audit Guide*

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, 2011, which collectively comprise the District’s basic financial statements and have issued our report thereon dated November 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over financial reporting described in the accompanying schedule of findings and questioned costs as items 11-1, 11-2, and 11-3 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 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.

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

Fargo, North Dakota
November 28, 2011



Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on 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 District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

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

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

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

Fargo, North Dakota
November 28, 2011

Independent School District No. 152
Moorhead Area Public Schools
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2011

There were no findings in the prior year in relation to the major federal award program audit.

Independent School District No. 152
Moorhead Area Public Schools
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

A. Summary of Audit Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported
in accordance with Section 510(a) of OMB Circular A-133? yes X no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.391, 84.027, 84.392, 84.173, 84.392	Special Education Cluster
84.410	Education Jobs Fund
84.010, 84.389	Title I, Part A Cluster
10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish
between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? yes X no

B. Findings – Financial Statement Audit

Material Weakness

11-1 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, 2011.
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

11-2 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, 2012.
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, 2012.

Material Weakness

11-3 Segregation of Duties

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

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

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

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

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

Corrective Action Plan (CAP)

1. Actions Planned in Response to the Finding – Management plans on reviewing control processes and segregating duties further to mitigate the risk of unauthorized transactions or loss of assets.
2. Explanation of Disagreement – There is no disagreement with the audit finding.
3. Official Responsible for Ensuring Corrective Action – Wayne Kazmierczak, Assistant Superintendent.
4. Planned Completion Date for the Corrective Action – June 30, 2012.
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, 2012.

C. Findings – Major Federal Award Programs Audit - None



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, 2011, and have issued our report thereon dated November 6, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of the Manual for Activity Fund Accounting (MAFA).

Compliance

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

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

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

Fargo, North Dakota
November 28, 2011