



Financial Statements  
June 30, 2012

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

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**School Board**

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
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, 2012, 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, 2012, 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 19, 2012, 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 combining and individual fund schedules 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 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 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, 2012. The school board and administration and uniform accounting and reporting compliance table has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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 19, 2012

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, 2012. Please read it in conjunction with the District's financial statements, which immediately follow this section.

## **Financial Highlights**

Key financial highlights for the 2011-2012 fiscal year include the following:

- General Fund 01 – The overall revenues were \$55.7 million while the overall expenditures were \$54.0 million. These, along with other financing sources of \$573,854, increased the fund balance by \$2,273,704.
- Food Service Fund 02 – The revenues were \$2.5 million and the expenditures were \$2.4 million increasing the fund balance by \$113,939.
- Community Service Fund 04 – The revenues were \$1.6 million while the expenditures were \$1.9 million decreasing the fund balance by \$272,913.
- Debt Service Fund 07 – The revenues were \$7.7 million and expenditures of \$49.6 million decreasing the fund balance by \$42,006,926.

## **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, 2012

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**Net Assets**

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

**Table A-1**

Statement of Net Assets		2012	2011
June 30, 2012 and 2011		<u>2012</u>	<u>2011</u>
<b>Assets</b>			
Current assets		\$ 49,861,943	\$ 84,436,833
Capital assets		<u>70,102,444</u>	<u>70,728,505</u>
Total assets		<u><u>\$ 119,964,387</u></u>	<u><u>\$ 155,165,338</u></u>
 <b>Liabilities and Net Assets</b>			
<b>Liabilities</b>			
Other liabilities		\$ 26,240,936	\$ 21,767,764
Long-term liabilities		<u>53,392,650</u>	<u>98,798,463</u>
Total liabilities		<u><u>79,633,586</u></u>	<u><u>120,566,227</u></u>
 <b>Net Assets</b>			
Invested in capital assets, net of related debt		17,372,444	24,518,505
Restricted for specific purposes		3,128,918	44,434,340
Unrestricted		<u>19,829,439</u>	<u>(34,353,734)</u>
Total net assets		<u><u>40,330,801</u></u>	<u><u>34,599,111</u></u>
Total liabilities and net assets		<u><u>\$ 119,964,387</u></u>	<u><u>\$ 155,165,338</u></u>

Independent School District No. 152  
Moorhead Area Public Schools  
Management's Discussion and Analysis  
Year Ended June 30, 2012

**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, 2012 and 2011

	2012	2011
Revenues		
Program revenues		
Charges for service	\$ 2,130,179	\$ 2,014,491
Operating grants and contributions	4,990,194	8,263,318
Capital grants and contributions	139,541	-
General		
Property taxes	11,941,827	10,784,037
Aids and payments from state and other	48,902,969	43,004,035
Miscellaneous revenues	88,337	17,380
Total revenues	68,193,047	64,083,261
Expenses		
Administration	2,034,362	1,972,586
District support services	1,067,056	1,156,251
Regular instruction	21,475,425	18,019,814
Vocational instruction	574,715	533,950
Special education instruction	13,303,505	12,908,012
Community education and services	1,863,204	1,458,161
Instructional support services	3,132,554	2,770,297
Pupil support services	7,776,839	7,346,701
Sites and buildings	6,637,951	6,280,977
Fiscal and other fixed-cost programs	4,595,746	4,724,636
Total expenses	62,461,357	57,171,385
Change in Net Assets	5,731,690	6,911,876
Net Assets - Beginning	34,599,111	27,687,235
Net Assets - Ending	\$ 40,330,801	\$ 34,599,111

Independent School District No. 152  
Moorhead Area Public Schools  
Management's Discussion and Analysis  
Year Ended June 30, 2012

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Changes in Net Assets – The District's total revenues were approximately \$68.2 million for the year ended June 30, 2012. Property taxes and state formula aid accounted for 89% of total revenue for the year. Another 11% came from other program revenues.

The total cost of all programs and services was approximately \$62.5 million. The District's expenses are predominantly related to educating and caring for students. The purely administrative activities of the District accounted for just 3% of total costs.

The total revenues exceeded expenses, improving the net assets approximately \$5.7 million for fiscal year 2012.

**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)
	2012	2011		
Local property taxes	\$ 5,827,247	\$ 1,868,783	\$ 3,958,464	211.8%
Other local sources	1,007,704	823,174	184,530	22.4%
State sources	45,625,029	44,079,362	1,545,667	3.5%
Federal sources	3,249,082	5,166,857	(1,917,775)	-37.1%
Miscellaneous	28,300	27,918	382	1.4%
<b>Total General Fund revenues</b>	<b>\$ 55,737,362</b>	<b>\$ 51,966,094</b>	<b>\$ 3,771,268</b>	<b>7.3%</b>

Total General Fund revenue *increased* by \$3,771,328 or 7.3% 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 2012 was due to the operating levy that was approved by District voters in November 2010.

Independent School District No. 152  
Moorhead Area Public Schools  
Management's Discussion and Analysis  
Year Ended June 30, 2012

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)
	2012	2011		
Salaries and benefits	\$ 41,280,084	\$ 40,157,718	\$ 1,122,366	2.8%
Purchased services	6,634,521	6,354,456	280,065	4.4%
Supplies and materials	2,535,009	2,062,461	472,548	22.9%
Capital expenditures	2,779,270	1,977,579	801,691	40.5%
Other expenditures	241,610	251,554	(9,944)	-4.0%
<b>Total General Fund expenditures</b>	<b>\$ 53,470,494</b>	<b>\$ 50,803,768</b>	<b>\$ 2,666,726</b>	<b>5.2%</b>

Total General Fund expenditures *increased* by \$2,666,786 or 5.2% from the previous year.

### General Fund Budgetary Highlights

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

- Actual revenues were 589,712 *more than* budget, mainly because of more than anticipated special education aid from the state.
- Actual expenditures were \$491,079 *more than* budget due to the increase in regular instruction.

### Other Non-Major Funds –

The Food Service Fund incurred a current year surplus of approximately \$114,000. The Food Service Fund balance has a limit which is 1/3 of the annual expenditures. The Community Service Fund incurred decrease in the fund balance of approximately \$273,000. Fiscal year 2012 is the last year for the community service fund balance limit. The OPEB Debt Service fund was created in 2009 to account for the future debt service of the OPEB bonds.

### Capital Assets and Debt Administration

#### Capital Assets

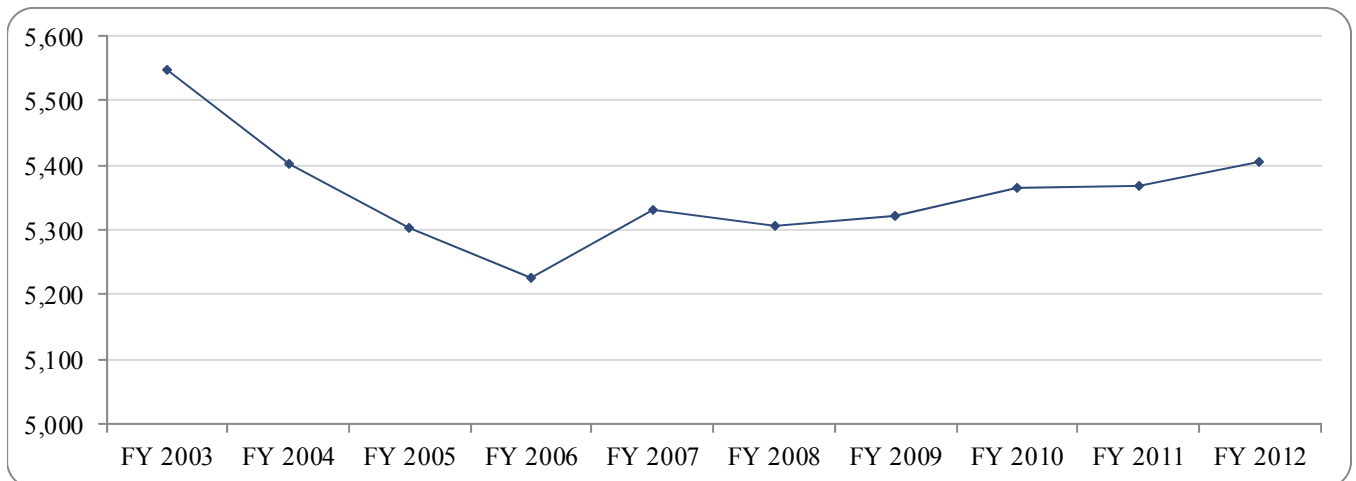
Note 6 to the financial statements presents an analysis of capital asset transactions occurring during the year ended June 30, 2012. A decrease in net capital assets consisted primarily of a decrease in capital assets activity due to budget cuts.

### Long-Term Debt

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

### Factors Bearing on the District's Future

- Minnesota school districts are paid based on pupil units served. A slight increase in the enrollment this year over last year has given us a slight increase in our revenue for operations. We are anticipating the school district's enrollment to 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, 2012

Assets	
Cash and investments	\$ 9,813,211
Cash with fiscal agent	34,547
Receivables	
Current property taxes	7,804,115
Delinquent property taxes	300,452
Accounts	92,266
Due from other governmental units	20,680,055
Prepaid items	64,472
Inventory	3,344
Net supplemental pension asset	106,755
Net OPEB obligation asset	10,962,726
	<u>49,861,943</u>
Capital assets	
Non-depreciable	
Land	1,049,947
Construction in progress	567,018
Depreciable	
Buildings	90,705,538
Improvements	2,088,318
Vehicles	1,243,162
Equipment	827,861
Less accumulated depreciation	(26,379,400)
Total capital assets, net of depreciation	<u>70,102,444</u>
Total assets	<u><u>\$ 119,964,387</u></u>
Liabilities and Net Assets	
Liabilities	
Aid anticipation certificates	\$ 8,551,680
Accounts payable	953,786
Salaries payable	5,135,989
Accrued interest payable	670,045
Unearned revenue	207,178
Property taxes levied for subsequent year	10,722,258
Long-term liabilities	
Portion due or payable within one year	5,284,547
Portion due or payable after one year	48,108,103
Total liabilities	<u>79,633,586</u>
Net Assets	
Invested in capital assets, net of related debt	17,372,444
Restricted for specific purposes	3,128,918
Unrestricted	19,829,439
Total net assets	<u>40,330,801</u>
Total liabilities and net assets	<u><u>\$ 119,964,387</u></u>

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

Independent School District No. 152  
Moorhead Area Public Schools  
Statement of Activities  
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Administration	\$ 2,034,362	\$ -	\$ -	\$ -	\$ (2,034,362)
District support services	1,067,056	-	-	-	(1,067,056)
Regular instruction	21,475,425	23,341	1,399,432	-	(20,052,652)
Vocational instruction	574,715	-	-	-	(574,715)
Special education instruction	13,303,505	438,819	207,557	-	(12,657,129)
Community education and services	1,863,204	393,334	61,653	-	(1,408,217)
Instructional support services	3,132,554	-	-	-	(3,132,554)
Pupil support services	7,776,839	1,140,988	1,683,907	-	(4,951,944)
Sites and buildings	6,637,951	133,697	-	139,541	(6,364,713)
Fiscal and other fixed-cost programs	4,595,746	-	1,637,645	-	(2,958,101)
Total governmental activities	<u>\$ 62,461,357</u>	<u>\$ 2,130,179</u>	<u>\$ 4,990,194</u>	<u>\$ 139,541</u>	<u>(55,201,443)</u>
General Revenues					
Property taxes, levied for general purposes					6,792,536
Property taxes, levied for community education and services					348,044
Property taxes, levied for debt service					4,801,247
Aids and payments from the federal government					1,451,792
Aids and payments from the state					47,337,489
County apportionment					113,688
Loss on disposal of property and equipment					6,836
Miscellaneous revenues					81,501
Total general revenues					<u>60,933,133</u>
Changes in Nets Assets					5,731,690
Net Assets - Beginning					<u>34,599,111</u>
Net Assets - Ending					<u>\$ 40,330,801</u>

Independent School District No. 152  
Moorhead Area Public Schools  
Governmental Funds  
Balance Sheet  
June 30, 2012

	General	Debt Service	Other Governmental Funds	Totals
<b>Assets</b>				
Cash and investments	\$ 5,273,321	\$ 3,208,555	\$ 1,331,335	\$ 9,813,211
Cash with fiscal agent	34,547	-	-	34,547
Receivables				
Current property taxes	3,620,725	3,272,327	911,063	7,804,115
Delinquent property taxes	141,169	133,325	25,958	300,452
Accounts	92,266	-	-	92,266
Due from other governmental units	19,725,040	457,300	497,715	20,680,055
Due from other funds	40,417	-	-	40,417
Prepaid items	64,472	-	-	64,472
Inventories	-	-	3,344	3,344
	<u>-</u>	<u>-</u>	<u>3,344</u>	<u>3,344</u>
Total assets	<u>\$ 28,991,957</u>	<u>\$ 7,071,507</u>	<u>\$ 2,769,415</u>	<u>\$ 38,832,879</u>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities</b>				
Due to other funds	\$ -	\$ -	\$ 40,417	\$ 40,417
Aid anticipation certificates	8,551,680	-	-	8,551,680
Accounts payable	840,412	-	113,374	953,786
Salaries payable	5,031,308	-	104,681	5,135,989
Interest payable	42,426	-	-	42,426
Deferred revenue	296,192	133,325	78,113	507,630
Property taxes levied for subsequent year	3,620,725	5,732,081	1,369,452	10,722,258
Total liabilities	<u>18,382,743</u>	<u>5,865,406</u>	<u>1,706,037</u>	<u>25,954,186</u>
<b>Fund Balance</b>				
Nonspendable	64,472	-	3,344	67,816
Restricted	862,783	1,206,101	1,060,034	3,128,918
Committed	1,980,550	-	-	1,980,550
Assigned	900,000	-	-	900,000
Unassigned	6,801,409	-	-	6,801,409
Total fund balance	<u>10,609,214</u>	<u>1,206,101</u>	<u>1,063,378</u>	<u>12,878,693</u>
Total liabilities and fund balance	<u>\$ 28,991,957</u>	<u>\$ 7,071,507</u>	<u>\$ 2,769,415</u>	<u>\$ 38,832,879</u>



Independent School District No. 152  
Moorhead Area Public Schools  
Reconciliation of the Balance Sheet to the Statement of Net Assets  
June 30, 2012

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Total Fund Balances - Governmental Funds	\$ 12,878,693
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.	70,102,444
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.	(627,619)
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.	300,452
Negative net OPEB and Supplemental Benefit obligation assets created through treatment of OPEB Obligation Bonds as employer contributions are not recognized in the funds.	11,069,481
Vacation payable is not due and payable in the current period and therefore is not reported as liabilities in the funds	(245,770)
Long-term liabilities, including bonds and capital lease payable, are not due and payable in the current period and, therefore, are not reported in the funds	<u>(53,146,880)</u>
Total Net Assets - Governmental Activities	<u><u>\$ 40,330,801</u></u>

Independent School District No. 152  
Moorhead Area Public Schools  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Year Ended June 30, 2012

	General	Debt Service	Other Governmental Funds	Totals
<b>Revenues</b>				
Local property tax levies	\$ 5,827,247	\$ 4,801,247	\$ 926,835	\$ 11,555,329
Other local and county sources	1,007,704	1,637,655	468,874	3,114,233
State sources	45,625,029	1,227,425	845,183	47,697,637
Federal sources	3,249,082	-	1,262,560	4,511,642
Sales and other conversion of assets	-	-	1,140,988	1,140,988
Miscellaneous	28,300	-	117,366	145,666
Total revenues	<u>55,737,362</u>	<u>7,666,327</u>	<u>4,761,806</u>	<u>68,165,495</u>
<b>Expenditures</b>				
Administration	2,034,362	-	-	2,034,362
District support services	1,067,056	-	-	1,067,056
Regular instruction	22,299,868	-	-	22,299,868
Vocational instruction	574,715	-	-	574,715
Special education instruction	13,314,714	-	-	13,314,714
Community education and service	-	-	1,863,197	1,863,197
Instructional support services	3,107,069	-	-	3,107,069
Pupil support services	5,328,877	-	2,382,341	7,711,218
Sites and buildings	6,117,903	-	-	6,117,903
Fiscal and other fixed cost programs	192,948	49,673,253	680,838	50,547,039
Total expenditures	<u>54,037,512</u>	<u>49,673,253</u>	<u>4,926,376</u>	<u>108,637,141</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,699,850	(42,006,926)	(164,570)	(40,471,646)
<b>Other Financing Sources</b>				
Capital lease proceeds	567,018	-	-	567,018
Sale of property and equipment	6,836	-	-	6,836
Total other financing sources	<u>573,854</u>	<u>-</u>	<u>-</u>	<u>573,854</u>
Net Change in Fund Balance	2,273,704	(42,006,926)	(164,570)	(39,897,792)
Fund Balance, Beginning of Year	<u>8,335,510</u>	<u>43,213,027</u>	<u>1,227,948</u>	<u>52,776,485</u>
Fund Balance, End of Year	<u>\$ 10,609,214</u>	<u>\$ 1,206,101</u>	<u>\$ 1,063,378</u>	<u>\$ 12,878,693</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, 2012

Net Change in Fund Balances - Total Governmental Funds \$ (39,897,792)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds.

However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:

Capital outlay	\$ 1,374,382	
Depreciation expense	(2,000,443)	
Excess of depreciation expense over capital outlay		(626,061)

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	300,452	
Prior period balance	(279,803)	
Current year effect		20,649

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	(245,770)	
Prior period balance	166,571	
Current year effect		(79,199)

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

Current period balance	(627,619)	
Prior period balance	735,849	
Current year effect		108,230

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

Current period balance	11,069,481	
Prior period balance	(10,154,306)	
Current year effect		915,175

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		45,860,000
Capital lease proceeds		(567,018)
Capital lease principal payments		14,643
Amortization of premium on bond issuance		(16,937)

Change in Net Assets of Governmental Activities \$ 5,731,690

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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>Revenues</b>				
Local property tax levies	\$ 6,142,702	\$ 6,142,702	\$ 5,827,247	\$ (315,455)
Other local and county sources	844,975	892,807	1,007,704	114,897
State sources	44,403,012	45,031,046	45,625,029	593,983
Federal sources	2,930,571	3,081,095	3,249,082	167,987
Miscellaneous	-	-	28,300	28,300
Total revenues	<u>54,321,260</u>	<u>55,147,650</u>	<u>55,737,362</u>	<u>589,712</u>
<b>Expenditures</b>				
Administration	2,005,894	1,978,944	2,034,362	(55,418)
District support services	1,351,166	1,192,776	1,067,056	125,720
Regular instruction	22,229,256	22,349,248	22,299,868	49,380
Vocational instruction	536,364	536,364	574,715	(38,351)
Special education instruction	12,937,210	13,203,597	13,314,714	(111,117)
Instructional support services	3,028,400	2,975,327	3,107,069	(131,742)
Pupil support services	5,235,760	5,439,270	5,328,877	110,393
Sites and buildings	5,281,310	5,718,886	6,117,903	(399,017)
Fiscal and other fixed cost programs	173,000	152,021	192,948	(40,927)
Total expenditures	<u>52,778,360</u>	<u>53,546,433</u>	<u>54,037,512</u>	<u>(491,079)</u>
Excess of Revenues over Expenditures	1,542,900	1,601,217	1,699,850	98,633
<b>Other Financing Sources</b>				
Capital lease proceeds	-	-	567,018	567,018
Sale of property and equipment	-	-	6,836	6,836
Total other financing sources	<u>-</u>	<u>-</u>	<u>573,854</u>	<u>573,854</u>
Net Change in Fund Balance	<u>\$ 1,542,900</u>	<u>\$ 1,601,217</u>	2,273,704	<u>\$ 672,487</u>
Fund Balance, Beginning of Year			<u>8,335,510</u>	
Fund Balance, End of Year			<u>\$ 10,609,214</u>	

Independent School District No. 152  
Moorhead Area Public Schools  
Statement of Fiduciary Net Assets  
June 30, 2012

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	<u>Trust Funds</u>
Assets	
Cash and investments	<u>\$ 8,538,894</u>
Liabilities and Net Assets	
Net assets	
Unrestricted	<u>8,538,894</u>
Total liabilities and net assets	<u>\$ 8,538,894</u>

Independent School District No. 152  
Moorhead Area Public Schools  
Statement of Changes in Fiduciary Net Assets  
Year Ended June 30, 2012

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	Trust Funds
Additions	
Scholarships	\$ 10
Deductions	
Investment loss	275,795
OPEB health insurance	980,531
Total deductions	1,256,326
Net Change in Net Assets	(1,256,316)
Net Assets, Beginning of Year	9,795,210
Net Assets, End of Year	\$ 8,538,894

## **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 General Fund, the capital lease account held by fiscal agent is used only to pay expenses for the construction costs related to an addition to the S.G. Reinertsen Elementary School. Interest earned on these investments is allocated directly to the 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.

### **Vacation Payable**

The District compensates substantially all full-time noncertified employees for unused vacation upon termination; however, no employee is allowed to accumulate more than a one-year vacation allowance. The expenditure for vacation pay is recognized when payment is made. As of June 30, 2012, this amount did not exceed a normal year's accumulation.

### **Risk Management**

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal year 2012.

### **Net Assets and Fund Balance**

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

**Note 2 - Stewardship, Compliance, and Accountability**

Excess of Expenditures Over Appropriations – Budget control for the General Fund is established by the fund’s total appropriations. The General Fund has expenditures exceeding appropriations in the amount of \$491,139 for the year ended June 30, 2012. This over expenditure was covered by capital lease proceeds recorded as an other financing source.

**Note 3 - Interfund Receivables and Payables**

Interfund receivables/payables are used when a fund has a cash deficit. A summary of the District’s interfund balances at June 30, 2012, is as follows:

<u>Receivable</u>	<u>Amount</u>	<u>Payable</u>	<u>Amount</u>
General	\$ 40,417	Community Service	\$ 40,417

## **Note 4 - Deposits and Investments**

### **Deposits**

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

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

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

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

At June 30, 2012, 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, 2012

The following table presents the District's deposit and investment balances at June 30, 2012:

Type	Fair Value	Investment Maturities (in Years)		
		N/A	< 1	1 - 5
Cash and cash equivalents				
Minnesota School				
District Liquid Asset Fund	\$ 1,241,094	\$ 1,241,094	\$ -	\$ -
Deposits	2,187,447	2,187,447	-	-
Petty cash	17,000	17,000	-	-
Money market	3,089,051	3,089,051	-	-
Investments				
Fixed income	5,900,904	-	5,900,904	-
Equities	5,916,609	5,916,609	-	-
	<u>\$ 18,352,105</u>	<u>\$ 12,451,201</u>	<u>\$ 5,900,904</u>	<u>\$ -</u>

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

Cash and Investments - Statement of Net Assets	\$ 9,813,211
Cash and Investments - Statement of Fiduciary Net Assets	<u>8,538,894</u>
	<u>\$ 18,352,105</u>

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

**Note 5 - Due from Other Governmental Units**

Amounts receivable from other governments as of June 30, 2012, include:

Fund	Federal	State	Other	Total
Major funds				
General	\$ 3,107,242	\$ 16,427,015	\$ 190,783	\$ 19,725,040
Debt service	-	457,300	-	457,300
Non-major funds	149,764	347,951	-	497,715
	<u>\$ 3,257,006</u>	<u>\$ 17,232,266</u>	<u>\$ 190,783</u>	<u>\$ 20,680,055</u>

**Note 6 - Capital Assets**

Capital asset activity for the year ended June 30, 2012 is as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets not being depreciated:				
Land	\$ 1,049,947	\$ -	\$ -	\$ 1,049,947
Construction in progress	-	567,018	-	567,018
Total capital assets, not being depreciated	<u>1,049,947</u>	<u>567,018</u>	<u>-</u>	<u>1,616,965</u>
Capital assets being depreciated:				
Buildings	90,262,256	443,282	-	90,705,538
Improvements	1,879,524	208,794		2,088,318
Vehicles	1,239,072	41,930	(37,840)	1,243,162
Equipment	714,503	113,358	-	827,861
Total capital assets being depreciated	<u>94,095,355</u>	<u>807,364</u>	<u>(37,840)</u>	<u>94,864,879</u>
Less accumulated depreciation for:				
Buildings	22,366,229	1,783,017		24,149,246
Improvements	536,101	99,196		635,297
Vehicles	1,061,525	70,671	(37,840)	1,094,356
Equipment	452,942	47,559		500,501
Total accumulated depreciation	<u>24,416,797</u>	<u>2,000,443</u>	<u>(37,840)</u>	<u>26,379,400</u>
Net capital assets, depreciated	<u>69,678,558</u>	<u>(1,193,079)</u>	<u>-</u>	<u>68,485,479</u>
Total capital assets, net	<u>\$ 70,728,505</u>	<u>\$ (626,061)</u>	<u>\$ -</u>	<u>\$ 70,102,444</u>

Depreciation expense for the year ended June 30, 2012 was charged to the following functions/programs:

Regular instruction	\$ 274
Instructional support	25,485
Pupil support services	65,610
Sites and buildings	<u>1,909,074</u>
 Total depreciation expense	 <u>\$ 2,000,443</u>



**Note 7 - 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, 2012 in the General Fund totaled \$57,813. The District sold general obligation aid anticipation certificates dated February 8, 2012 with a value of \$8,551,680 at an interest rate of 1.25 percent. These certificates mature on September 28, 2012. Subsequent to year end, the District paid off the certificates that matured on September 28, 2012 and sold general obligation aid anticipation certificates dated September 18, 2012 with a value of \$8,500,000 at an interest rate of 1.00 percent. These certificates mature on September 18, 2013.

Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
\$ 5,000,000	\$ 8,551,680	\$ 5,000,000	\$ 8,551,680

**Note 8 - 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.

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

Superintendent – For retirees reaching age 55 with 3 years of service, the District will pay the full premium for the \$10 copay medical insurance plan for 7 years or until Medicare eligibility, whichever is earlier.

Administrators – For retirees reaching age 55, the District will the full premium of a \$100,000 life insurance policy until age 65. The percentage paid by the District reduces to 80% at age 61, 60% at age 62 and 40% at age 63.

Principals – For retirees reaching age 55 with 8 years of service and hired on or before July 1, 2000 (10 years of service by July 1, 2010), the District will pay the full premium for the \$10 copay medical insurance plan for 7 years or until Medicare eligibility, whichever is earlier. For retirees reaching age 55 with 10 years of service, the District will pay the full life insurance premium of a \$100,000 policy until age 65. The percentage paid by the District reduces to 80% at age 61, 60% at age 62, and 40% at age 63.

Teachers – For retirees reaching age 55 with 10 years of service and hired before July 1, 2010, the District will pay the full premium for the \$10 copay medical insurance plan (\$500 Deductible plan if returned after June 30, 2011) until Medicare eligibility. For retirees reaching age 55 with 3 years of service, the District will pay the full premium for a \$25,000 life insurance policy until age 65.

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

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

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

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

Annual required contribution	\$ 223,499
Interest on net OPEB obligation	(569,175)
Adjustment to annual required contribution	<u>712,110</u>
 Annual OPEB cost	 366,434
Contributions made	<u>(980,530)</u>
 Change in net OPEB obligation (asset)	 (614,096)
Net OPEB obligation (asset), beginning of year	<u>(10,348,630)</u>
Net OPEB obligation (asset), end of year	<u><u>\$ (10,962,726)</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)
06/30/12	\$ 366,434	\$ 980,530	267.59%	\$ (10,962,726)
06/30/11	292,402	838,286	286.69%	(10,348,630)
06/30/10	611,521	-	0.00%	(9,217,942)
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, 2010, the most recent actuarial valuation date, the plan was funded. The actuarial accrued asset for benefits was \$10,348,630, and the actuarial value of assets was \$10,714,429, resulting in a negative unfunded actuarial accrued liability (UAAL) of \$1,390,553. The covered payroll (annual payroll of active employees covered by the plan) was \$27,993,218, and the ratio of the UAAL to the covered payroll was -4.9 percent.

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

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

In the July 1, 2010, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 5.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on the employer’s own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.5 percent initially, reducing gradually to an ultimate rate of 5.0 percent after seven years. Both rates included an inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis over 30 years.

**Note 9 - Pension-Related Retirement Benefits**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Annual required contribution	\$ 268,746
Interest on net pension obligation	(8,745)
Adjustment to annual required contribution	<u>14,614</u>
Annual pension cost	274,615
Contributions made	<u>(575,694)</u>
Change in net OPEB obligation (asset)	(301,079)
Net pension obligation (asset), beginning of year	194,324
Net pension obligation (asset), end of year	<u><u>\$ (106,755)</u></u>

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

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	OPEB Obligation (Asset)
06/30/12	\$ 274,615	\$ 575,694	209.64%	\$ (106,755)
06/30/11	274,293	299,069	109.03%	194,324

Funding Status and Funding Progress – As of July 1, 2010, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefit was \$2,172,925, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,172,925. The covered payroll (annual payroll of active employees covered by the plan) was \$5,814,340, and the ratio of UAAL to the covered payroll was 37.4%

Actuarial Methods and Assumptions – The annual required contribution for the current year was determined as part of the July 1, 2010 actuarial valuation using the projected unit actuarial cost method. The actuarial assumptions included a 4.5% discount rate, which is a blended rate of the expected long-term investment returns on plan assets and on the employer’s own investments calculated based on the funded level of the plan at the valuation date and projected salary increases at 3.0%.

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

**Note 10 - Long-Term Liabilities**

Changes in long-term liabilities during the year ended June 30, 2012 are as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Due Within One Year
Bonds payable	\$ 98,590,000	\$ -	\$ 45,860,000	\$ 52,730,000	\$ 4,715,000
Unamortized premium on bond issuance	(152,432)	-	(16,937)	(135,495)	(16,937)
Capital lease	-	567,018	14,643	552,375	30,206
Vacation payable	166,571	556,278	477,079	245,770	556,278
	<u>\$ 98,604,139</u>	<u>\$ 1,123,296</u>	<u>\$ 46,334,785</u>	<u>\$ 53,392,650</u>	<u>\$ 5,284,547</u>

Capital leases payable are to account for items that the District has entered into leases that are considered capital assets to the District. This lease is for financing an addition to the S.G. Reinertsen Elementary School. Total cost of the capital lease assets as of June 30, 2012 was \$567,018 and had no accumulated depreciation since these assets are in construction in process in the current year. The capital lease payments are made from the general fund.

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

Following is a summary of bonds payable as of June 30, 2012:

Bond Description	Final	Interest Rate	Original Principal	Outstanding Balance
General Obligation School Building Refunding Bonds of 2005	4/22	3.25% - 4.25%	\$ 42,080,000	\$ 42,080,000
General Obligation Refunding Bonds of 2006	2/13	3.75%	3,375,000	535,000
General Obligation School Taxable OPEB Bonds of 2009	2/13	3.75%	10,300,000	10,115,000
				<u>\$ 52,730,000</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.

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

Years Ending June 30,	Bonds Payable		Capital Lease Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 4,715,000	\$ 1,683,538	\$ 30,206	\$ 24,108	\$ 4,745,206	\$ 1,707,646
2014	4,505,000	1,549,188	31,476	22,838	4,536,476	1,572,026
2015	4,850,000	1,421,263	32,799	21,515	4,882,799	1,442,778
2016	5,050,000	1,269,263	34,178	20,136	5,084,178	1,289,399
2017	5,260,000	1,112,063	35,615	18,699	5,295,615	1,130,762
2018 - 2022	28,350,000	2,955,125	201,831	69,739	28,551,831	3,024,864
2023	-	-	186,270	23,597	186,270	23,597
	<u>\$ 52,730,000</u>	<u>\$ 9,990,440</u>	<u>\$ 552,375</u>	<u>\$ 200,632</u>	<u>\$ 53,282,375</u>	<u>\$ 10,191,072</u>

**Note 11 - Fund Balance**

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

The following is a summary of fund balances as of June 30, 2012:

	General	Debt Service	Other Government Funds	Totals
<b>Nonspendable</b>				
Inventory	\$ -	\$ -	\$ 3,344	\$ 3,344
Prepays	64,472	-	-	64,472
Total nonspendable	<u>64,472</u>	<u>-</u>	<u>3,344</u>	<u>67,816</u>
<b>Restricted</b>				
Deferred maintenance	636,482	-	-	636,482
Operating capital	201,329	-	-	201,329
Safe school - crime levy	24,972	-	-	24,972
Debt service	-	1,206,101	-	1,206,101
OPEB debt service	-	-	221,624	221,624
Food service	-	-	753,297	753,297
Community education	-	-	1,295	1,295
Early childhood and family education	-	-	23,059	23,059
School readiness	-	-	2,475	2,475
Community service	-	-	58,284	58,284
Total restricted	<u>862,783</u>	<u>1,206,101</u>	<u>1,060,034</u>	<u>3,128,918</u>
<b>Committed</b>				
Severance obligation	<u>1,980,550</u>	<u>-</u>	<u>-</u>	<u>1,980,550</u>
<b>Assigned</b>				
Technology acquisition/upgrades	<u>900,000</u>	<u>-</u>	<u>-</u>	<u>900,000</u>
<b>Unassigned</b>	<u>6,801,409</u>	<u>-</u>	<u>-</u>	<u>6,801,409</u>
<b>Total fund balance</b>	<u>\$ 10,609,214</u>	<u>\$ 1,206,101</u>	<u>\$ 1,063,378</u>	<u>\$ 12,878,693</u>

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

	GASB Balance	Reconciling Items	UFARS Balance
<b>Nonspendable</b>			
Inventory	\$ 3,344	\$ -	\$ 3,344
Prepays	64,472	-	64,472
Total nonspendable	<u>67,816</u>	<u>-</u>	<u>67,816</u>
<b>Restricted</b>			
Deferred maintenance	636,482	-	636,482
Health & safety	-	(283,336)	(283,336)
Operating capital	201,329	-	201,329
Safe school - crime levy	24,972	-	24,972
Debt service	1,206,101	-	1,206,101
OPEB debt service	221,624	-	221,624
Food service	753,297	-	753,297
Community education	1,295	-	1,295
Early childhood and family education	23,059	-	23,059
School readiness	2,475	-	2,475
Community service	58,284	-	58,284
Total restricted	<u>3,128,918</u>	<u>(283,336)</u>	<u>2,845,582</u>
<b>Committed</b>			
Severance obligation	<u>1,980,550</u>	<u>-</u>	<u>1,980,550</u>
<b>Assigned</b>			
Technology acquisition/upgrades	<u>900,000</u>	<u>-</u>	<u>900,000</u>
<b>Unassigned</b>			
	<u>6,801,409</u>	<u>283,336</u>	<u>7,084,745</u>
Total fund balance	<u>\$ 12,878,693</u>	<u>\$ -</u>	<u>\$ 12,878,693</u>

**Note 12 - Defined Benefit Pension Plans - Statewide**

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



**Teachers' Retirement Association**

**Plan Description**

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

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

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

	Step Rate Formula	Percentage
Tier I:	1st ten years	2.2 percent per year
	All years after	2.7 percent per year
Basic		
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 percentages 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](http://www.tra.state.mn.us). Alternatively, a copy of the report may be obtained by writing or calling TRA:

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

### **Funding Policy**

Minnesota Statutes Chapter 354 sets the rates for the employee and employer contributions. These statutes are established and amended by the state legislature. Coordinated and Basic Plan members are required to contribute 6.0 percent and 9.5 percent, respectively, of their annual covered salary as employee contributions. The TRA employer contribution rates are 6.0 percent for Coordinated members and 10.0 percent for Basic members. Total covered payroll salaries for all TRA members statewide during the fiscal year ended June 30, 2011 was approximately \$3.84 billion. TRA covered payroll for all members statewide for the fiscal years ended June 30, 2010 and June 30, 2009 were \$3.79 billion and \$3.76 billion, respectively.

The District contributions for the years ended June 30, 2012, 2011, and 2010 were \$1,481,018, \$1,331,990, and \$1,303,354, 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](http://www.mnpera.org), by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

### **Funding Policy**

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in calendar year 2011. The District is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members and 7.25% for Coordinated Plan PERF members.

The District's contributions to the Public Employees Retirement Fund for the years ended June 30, 2012, 2011, and 2010 were \$623,975, \$584,405, and \$558,027, respectively, equal to the contractually required contributions for each year as set by state statute.

### **Note 13 - Flexible Benefit Plan**

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

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

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

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

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

**Note 14 - Employee Benefit Plan 403(B)**

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

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

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

**Note 15 - Commitments and Contingencies**

**Federal Revenue**

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

**Contingencies**

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

**Operating Lease**

The District is obligated under certain leases accounted for as operating leases. These leases are generally cancelable on an annual basis by the District. Operating leases do not give rise to property rights or lease obligations and, therefore, the results of the lease agreements are not reflected as a liability in the Districts financial statements. The District has several operating leases for various purposes. Lease expense for all leases of the District for the current year was \$322,815.

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

<u>Years Ending June 30,</u>	<u>Payment</u>
2013	\$ 355,880
2014	350,662
2015	209,739
2016	201,039
2017	201,039
	<u>\$ 1,318,359</u>



Required Supplementary Information  
June 30, 2012

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

**Schedule of Funding Progress – Other Postemployment Benefits**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Simplified Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/10	\$ 10,714,429	\$ 9,323,876	\$ (1,390,553)	114.91%	\$ 27,993,218	-4.97%
07/01/08	-	10,156,481	10,156,481	0.00%	30,121,092	33.72%

**Note to the Schedule of Funding Progress**

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

Since the last actuarial valuation as of July 1, 2008, the following plan changes have occurred:

- The District contribution for teachers retired after June 10, 2011 will be limited to the full single premium for the \$500 Deductible medical plan rather than the \$20 Co-pay plan.
- Teachers must be hired before July 1, 2010 to qualify for the medical subsidy upon retirement.
- Principals must be hired before July 1, 2000 to qualify for the medical subsidy upon retirement.
- Supervisors must be hired before July 1, 2001 to qualify for the medical subsidy upon retirement.
- Administrators are no longer eligible for a medical subsidy on retirement.

Since the last actuarial valuation as of July 1, 2008, the following actuarial assumptions have changed:

- The health care trend rates were changed to better anticipate short term and long term medical increases. Previous rates started at 9.0% in 2008 grading down to an ultimate rate of 5.0% over 8 years.
- Discount rate has been increased from 4.5% to 5.5% to reflect the expected rate of return on the irrevocable OPEB trust.
- The assumption for retired Teachers electing spouse coverage at retirement was decreased from 25% to 10%.

Independent School District No. 152  
Moorhead Area Public Schools  
Schedule of Funding Progress  
June 30, 2012

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**Schedule of Funding Progress – Pension-Related Retirement Benefits**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Simplified Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/10	<u>\$ -</u>	<u>\$ 2,172,925</u>	<u>\$ 2,172,925</u>	0.00%	<u>\$ 5,814,340</u>	37.37%

**Note to the Schedule of Funding Progress**

The standard requires a schedule of funding progress for the three most recent valuations and accompanying notes to describe factors that significantly affect the trends in the amounts reported. The District implemented the standard as of July 1, 2010, there 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, 2012

# 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, 2012

	Fund Balance (Deficit) Beginning of Year	Net Change in Fund Balance	Fund Balance (Deficit) End of Year
Nonspendable	\$ 96,455	\$ (31,983)	\$ 64,472
Restricted for deferred maintenance	617,102	19,380	636,482
Restricted for health and safety	(146,586)	(136,750)	(283,336)
Restricted for operating capital	-	201,329	201,329
Restricted for safe schools	(116,787)	141,759	24,972
Committed for severance obligation	2,100,000	(119,450)	1,980,550
Assigned for technology acquisition and upgrades	1,205,000	(305,000)	900,000
Unassigned	4,580,326	2,504,419	7,084,745
	<u>\$ 8,335,510</u>	<u>\$ 2,273,704</u>	<u>\$ 10,609,214</u>

Independent School District No. 152  
Moorhead Area Public Schools  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2012

	<u>Food Service</u>	<u>Community Service</u>	<u>OPEB Debt Service Fund</u>	<u>Totals</u>
<b>Assets</b>				
Cash and investments	\$ 705,565	\$ -	\$ 625,770	\$ 1,331,335
Receivables				
Current property taxes	-	301,245	609,818	911,063
Delinquent property taxes	-	10,152	15,806	25,958
Due from other governmental units	148,060	295,412	54,243	497,715
Inventories	3,344	-	-	3,344
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 856,969</u>	<u>\$ 606,809</u>	<u>\$ 1,305,637</u>	<u>\$ 2,769,415</u>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities</b>				
Due to other funds	-	40,417		40,417
Accounts payable	\$ 3,005	\$ 110,369	\$ -	\$ 113,374
Salaries payable	46,884	57,797	-	104,681
Deferred revenue	50,439	11,868	15,806	78,113
Property taxes levied for subsequent year	-	301,245	1,068,207	1,369,452
Total liabilities	<u>100,328</u>	<u>521,696</u>	<u>1,084,013</u>	<u>1,706,037</u>
<b>Fund Balance</b>				
Nonspendable	3,344	-	-	3,344
Restricted	753,297	85,113	221,624	1,060,034
Total fund balance	<u>756,641</u>	<u>85,113</u>	<u>221,624</u>	<u>1,063,378</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balance	<u>\$ 856,969</u>	<u>\$ 606,809</u>	<u>\$ 1,305,637</u>	<u>\$ 2,769,415</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, 2012

	<u>Food Service</u>	<u>Community Service</u>	<u>OPEB Debt Service Fund</u>	<u>Totals</u>
Revenues				
Local property tax levies	\$ -	\$ 368,959	\$ 557,876	\$ 926,835
Other local and county sources	1,466	467,408	-	468,874
State sources	111,670	733,513	-	845,183
Federal sources	1,242,156	20,404	-	1,262,560
Sales and other conversion of assets	1,140,988	-	-	1,140,988
Miscellaneous	-	-	117,366	117,366
Total revenues	<u>2,496,280</u>	<u>1,590,284</u>	<u>675,242</u>	<u>4,761,806</u>
Expenditures				
Community education and service	-	1,863,197	-	1,863,197
Pupil support services	2,382,341	-	-	2,382,341
Fiscal and other fixed cost programs	-	-	680,838	680,838
Total expenditures	<u>2,382,341</u>	<u>1,863,197</u>	<u>680,838</u>	<u>4,926,376</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	113,939	(272,913)	(5,596)	(164,570)
Fund Balance, Beginning of Year	<u>642,702</u>	<u>358,026</u>	<u>227,220</u>	<u>1,227,948</u>
Fund Balance, End of Year	<u>\$ 756,641</u>	<u>\$ 85,113</u>	<u>\$ 221,624</u>	<u>\$ 1,063,378</u>



Other Supplementary Information  
June 30, 2012

**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, 2012

Activity	Balance 7/1/11	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/12
6th Grade Activities (A)	\$ 910	\$ 935	\$ 1,538	\$ 307
6th Grade Activities (B)	5,665	2,942	3,133	5,474
6th Grade Activities (C)	1,871	997	1,121	1,747
7th Grade Activities (A)	-	1,671	818	853
7th Grade Activities (B)	-	501	430	71
7th Grade Activities (C)	5	1,791	1,240	556
8th Grade Activities (A)	1	722	2	721
8th Grade Activities (B)	2,420	2,187	2,003	2,604
8th Grade Activities (C)	864	722	245	1,341
ALC	3,829	-	3,829	-
APL Project	1,661	5,896	6,492	1,065
APL Project - Sr. High	180	419	228	371
Apollo Strings	65,664	56,601	51,977	70,288
Auditorium Technology	539	5,036	1,888	3,687
Band - Jr. High	15,655	8,828	11,740	12,743
Band - Sr. High	39,107	44,257	40,689	42,675
Baseball Club	697	9,706	8,924	1,479
Basketball - Boys	5,824	17,955	16,226	7,553
Basketball - Girls	425	5,734	5,386	773
Caps & Gowns	11,346	4,061	3,077	12,330
Choir - Sr. High	19,507	61,762	78,469	2,800
Chokio	12,314	19,430	22,743	9,001
Craft Club - Sr. High	506	-	506	-
Cross Country	4,927	13,740	18,056	611
Danceline	13,171	15,073	15,741	12,503
Debate Enrichment	231	231	462	-
Destination Imagination	-	625	625	-
DHH Social Fund	130	-	130	-
DI Globals	93	11,214	11,307	-
Donation for Families	64	-	64	-
ECFE	22	-	22	-
English - Jr. High	335	-	335	-
Field House	146	-	146	-
Fine Arts - Sr. High	2,048	853	724	2,177
First Lego League	2,807	575	2,674	708
Football Club	17,274	39,365	53,362	3,277

Independent School District No. 152  
Moorhead Area Public Schools  
Changes in Student Activity Cash Balances  
Year Ended June 30, 2012

Activity	Balance 7/1/11	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/12
Golf - Boys Sr. High	1,672	8,298	7,400	2,570
Golf - Girls Sr. High	18	-	-	18
Gymnastics Club	2,648	2,785	2,563	2,870
Hall of Honor	3,872	3,000	2,393	4,479
Heroes - Jr. High	520	-	520	-
History Day	143	-	143	-
Hockey - Boys	3,647	17,398	14,769	6,276
Hockey - Girls	1,805	2,920	2,686	2,039
Honor Choir - Jr. High	16,609	22,741	36,397	2,953
Hopkins Safety Patrol	2,604	-	11	2,593
Hopkins Ptac	50	2,500	50	2,500
Hopkins Ptac 188	-	6,330	5,597	733
Horizon Dance Team	-	814	814	-
Horizon Grade 6 Dean	-	201	125	76
Horizon Grade 7 Dean	-	189	84	105
Horizon Grade 8 Dean	-	201	180	21
Horizon Intramurals	-	942	942	-
Horizon Project Success	-	350	101	249
Horizon Visiting Auth	235	1,184	829	590
Interest	-	1,670	1,670	-
Intramurals	1,641	646	188	2,099
Journalism	4,439	1,140	3,488	2,091
Knowledge Bowl	2,451	917	2,949	419
Math Club - Jr. High	1	-	1	-
Media - Jr. High	8	760	639	129
MHS Literacy Committee	272	-	1	271
Orchestra - Jr. High	18,128	48,244	64,319	2,053
PBIS - Horizon	1,632	-	6	1,626
Plays - Sr. High	322	65,390	65,712	-
Positive Incentives - Jr. High	1,195	-	1,049	146
Robert Asp Ptac	-	2,330	2,240	90
Robert Asp Safety Patrol	2,695	-	396	2,299
Robert Asp Student Council	2,932	-	2,932	-
Robert Asp Yearbook	984	-	984	-
RRALC Store	29	4,765	889	3,905
SADD	1,638	420	595	1,463

Independent School District No. 152  
Moorhead Area Public Schools  
Changes in Student Activity Cash Balances  
Year Ended June 30, 2012

<u>Activity</u>	<u>Balance 7/1/11</u>	<u>Receipts and and Transfers</u>	<u>Disbursements and Transfers</u>	<u>Balance 6/30/12</u>
Service Enhancement Club	324	2,333	1,406	1,251
Service Learning	3,331	11,471	12,338	2,464
SGR PTAC 189	-	2,440	2,380	60
SGR Safety Patrol	2,707	-	12	2,695
Soccer - Boys	1,636	5,195	3,822	3,009
Soccer - Girls	2,169	3,563	4,639	1,093
Social Studies - Sr. High	263	-	263	-
Softball	1,589	1,971	1,413	2,147
Spanish Club	3,479	-	14	3,465
Spanish Club - Jr. High	128	-	-	128
Speech	3,000	21,101	22,517	1,584
Stadium Celebration	206	-	1	205
STEP - Jr. High	1,411	131	247	1,295
STEP Trip	81	-	81	-
Store - Jr. High	1,478	-	6	1,472
Student Council - Jr. High	17,059	6,150	5,574	17,635
Student Council - Sr. High	15,056	10,704	9,019	16,741
Swimming - Boys	1,303	5,060	3,501	2,862
Swimming - Girls	2,645	6,265	8,304	606
Tennis - Girls	1	-	-	1
Theatre Arts - Jr. High	30,672	42,550	42,779	30,443
Theatre Trips	54	3,867	3,921	-
Track - Boys	195	3,512	3,700	7
Track - Girls	-	3,607	1,335	2,272
Volleyball	7,847	11,659	11,639	7,867
Wrestling Club	3,098	6,995	7,089	3,004
Yearbook - Jr. High	13,222	17,261	26,639	3,844
	<u>\$ 415,382</u>	<u>\$ 695,799</u>	<u>\$ 762,653</u>	<u>\$ 348,528</u>



Independent School District No. 152  
Moorhead Area Public Schools  
Uniform Accounting and Reporting Standards Compliance Table (Unaudited)  
Year Ended June 30, 2012

**Fiscal Compliance Report - 6/30/2012**

District: MOORHEAD (152-1) [Back](#) [Print](#)

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	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
<b>01 GENERAL FUND</b>				<b>06 BUILDING CONSTRUCTION</b>			
Total Revenue	\$55,737,362	<u>\$55,737,363</u>	(\$1)	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$54,037,512	<u>\$54,037,511</u>	\$1	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>				<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$64,472	<u>\$64,472</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>				<i>Restricted / Reserved:</i>			
4.03 Staff Development	\$0	<u>\$0</u>	<u>\$0</u>	4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.05 Deferred Maintenance	\$636,482	<u>\$636,482</u>	<u>\$0</u>	4.09 Alternative Facility Program	\$0	<u>\$0</u>	<u>\$0</u>
4.06 Health and Safety	(\$283,336)	<u>(\$283,336)</u>	<u>\$0</u>	4.13 Project Funded by COP	\$0	<u>\$0</u>	<u>\$0</u>
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted:</i>			
4.08 Cooperative Revenue	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.14 Operating Debt	\$0	<u>\$0</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.16 Levy Reduction	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.17 Taconite Building Maint	\$0	<u>\$0</u>	<u>\$0</u>				
4.23 Certain Teacher Programs	\$0	<u>\$0</u>	<u>\$0</u>	<b>07 DEBT SERVICE</b>			
4.24 Operating Capital	\$201,329	<u>\$201,329</u>	<u>\$0</u>	Total Revenue	\$7,666,327	<u>\$7,666,327</u>	<u>\$0</u>
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$49,673,253	<u>\$49,673,253</u>	<u>\$0</u>
4.27 Disabled Accessibility	\$0	<u>\$0</u>	<u>\$0</u>	<i>Non Spendable:</i>			
4.28 Learning & Development	\$0	<u>\$0</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.34 Area Learning Center	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted / Reserved:</i>			
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	<u>\$0</u>	4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	<u>\$0</u>	4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.38 Gifted & Talented	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted:</i>			
4.41 Basic Skills Programs	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$1,206,101	<u>\$1,206,101</u>	<u>\$0</u>
4.45 Career Tech Programs	\$0	<u>\$0</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.49 Safe School Crime	\$24,972	<u>\$24,972</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.50 Pre-Kindergarten	\$0	<u>\$0</u>	<u>\$0</u>				
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>	<b>08 TRUST</b>			
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$10	<u>\$10</u>	<u>\$0</u>
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>				4.22 Unassigned Fund Balance (Net Assets)	\$10,295	<u>\$10,295</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>				
<i>Committed:</i>				<b>20 INTERNAL SERVICE</b>			
4.18 Committed for Separation	\$1,980,550	<u>\$1,980,550</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.61 Committed Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Assigned:</i>				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
4.62 Assigned Fund Balance	\$900,000	<u>\$900,000</u>	<u>\$0</u>				
<i>Unassigned:</i>				<b>25 OPEB REVOCABLE TRUST</b>			
4.22 Unassigned Fund Balance	\$7,084,745	<u>\$7,084,746</u>	(\$1)	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
				Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<b>02 FOOD SERVICES</b>				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
Total Revenue	\$2,496,280	<u>\$2,496,281</u>	(\$1)				
Total Expenditures	\$2,382,341	<u>\$2,382,341</u>	<u>\$0</u>	<b>45 OPEB IRREVOCABLE TRUST</b>			
<i>Non Spendable:</i>				Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.60 Non Spendable Fund Balance	\$3,344	<u>\$3,344</u>	<u>\$0</u>	Total Expenditures	\$1,256,326	<u>\$1,256,325</u>	<u>\$1</u>
<i>Restricted / Reserved:</i>				4.22 Unassigned Fund Balance (Net Assets)	\$8,528,599	<u>\$8,528,600</u>	(\$1)
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>				
<i>Restricted:</i>				<b>47 OPEB DEBT SERVICE</b>			
4.64 Restricted Fund Balance	\$753,297	<u>\$753,298</u>	(\$1)	Total Revenue	\$675,242	<u>\$675,241</u>	<u>\$1</u>
<i>Unassigned:</i>				Total Expenditures	\$680,838	<u>\$680,838</u>	<u>\$0</u>
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	<i>Non Spendable:</i>			
				4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<b>04 COMMUNITY SERVICE</b>				<i>Restricted:</i>			
Total Revenue	\$1,590,284	<u>\$1,590,281</u>	<u>\$3</u>	4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$1,863,197	<u>\$1,863,196</u>	<u>\$1</u>	4.64 Restricted Fund Balance	\$221,624	<u>\$221,623</u>	<u>\$1</u>
<i>Non Spendable:</i>				<i>Unassigned:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>							
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>				
4.31 Community Education	\$1,295	<u>\$1,295</u>	<u>\$0</u>				
4.32 E.C.F.E	\$23,059	<u>\$23,059</u>	<u>\$0</u>				
4.44 School Readiness	\$2,475	<u>\$2,475</u>	<u>\$0</u>				
4.47 Adult Basic Education	\$0	<u>\$0</u>	<u>\$0</u>				
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>				
<i>Restricted:</i>							
4.64 Restricted Fund Balance	\$58,284	<u>\$58,283</u>	<u>\$1</u>				
<i>Unassigned:</i>							
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>				

Independent School District No. 152  
Moorhead Area Public Schools  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012

Federal Grantor/Program Title	Federal CFDA Number	Pass Through Number	Expenditures
<b>Department of Agriculture</b>			
<i>Passed through Minnesota Department of Education</i>			
School Breakfast Program	10.553	0152-01-000 FIN 705	\$ 194,432
National School Lunch Program	10.555	0152-01-000 FIN 701	122,736
National School Lunch Program	10.555	0152-01-000 FIN 702	4,859
National School Lunch Program	10.555	0152-01-000 FIN 701	602,794
Summer Food Service Program for Children	10.559	0152-01-000 FIN 709	38,506
Total Child Nutrition Cluster			\$ 963,327
<b>Department of Interior</b>			
<i>Passed through White Earth Indian Reservation</i>			
Johnson O' Malley	15.130	N/A	562
<b>Department of Education</b>			
<i>Direct</i>			
Indian Education - Grants to Local Educational Agencies	84.060	N/A	54,211
<i>Passed through Minnesota Department of Education</i>			
Adult Education - Basic Grants to States	84.002	0152-01-000 FIN 438	20,405
Title I Grants to Local Educational Agencies	84.010	0152-01-000 FIN 401	\$ 990,495
Title I Grants to Local Educational Agencies	84.010	0152-01-000 FIN 406	85,781
Total Title I Cluster			1,076,276
Special Education - Grants to States	84.027	0152-01-000 FIN 419	1,579,053
Special Education - Grants to States	84.027	0152-01-000 FIN 435	8,890
Special Education - Preschool Grants	84.173	0152-01-000 FIN 420	28,294
Special Education - Preschool Grants	84.173A	0152-01-000 FIN 437	1,980
Total Special Education Cluster			1,618,217
<i>Passed through Minnesota Department of Education</i>			
Special Education - State Personnel Development	84.323	0152-01-000 FIN 837	33,886
Special Education - Grants for Infants and Families	84.181	0152-01-000 FIN 422	39,399
ARRA - Special Education - Grants for Infants and Families	84.393	0152-01-000 FIN 486	30,000
Total Infants and Families Program Cluster			69,399
English Language Acquisition State Grants	84.365	0152-01-000 FIN 417	26,453
Improving Teacher Quality State Grants	84.367	0152-01-000 FIN 414	295,385
Migrant Education - State Grant Program	84.011	0152-01-000 FIN 863	48,624
Migrant Education - State Grant Program	84.011A	0152-01-000 FIN 887	34,287
Total Migrant Education Cluster			82,911
Total Department of Education			3,277,143
<b>Department of Health and Human Resources</b>			
<i>Passed through Minnesota Department of Education</i>			
Medical Assistance Program	93.778	N/A	194,594
Total expenditures of federal awards			\$4,435,626

**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, 2012, the district had food commodities totaling \$3,344 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, 2012

# Independent School District No. 152 Moorhead Area Public Schools



**Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards 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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 19, 2012. 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**

Management of the Moorhead Area Public Schools is responsible for establishing and maintaining effective 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 12-1, 12-2, and 12-3 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 19, 2012



**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, 2012. 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, 2012.

## 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. However, we identified a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 12-4 that we consider to be a significant deficiency in internal control over compliance. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention of those charged with governance.

The District's response to the finding identified in our audit is 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 their responses.

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 Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota  
November 19, 2012





## **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, 2012, and have issued our report thereon dated November 19, 2012. 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". The signature is written in a cursive, flowing style.

Fargo, North Dakota  
November 19, 2012

Independent School District No. 152  
Moorhead Area Public Schools  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2012

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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, 2012

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**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>  X  </u> yes	<u>      </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?   X   yes        no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173, 84.173A	Special Education Cluster
84.010	Title I, Part A 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**

**12-1 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, 2012.
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

### 12-2 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 performed at both the accounting staff and accounting supervisor levels.

### Corrective Action Plan (CAP)

1. Actions Planned in Response to the Finding – The District will review the prior year journal entries to determine training needs with the intent to reduce the overall frequency or number of adjusting journal entries.
2. Explanation of Disagreement – There is no disagreement with the audit finding.
3. Official Responsible for Ensuring Corrective Action – Wayne Kazmierczak, Assistant Superintendent.
4. Planned Completion Date for the Corrective Action – June 30, 2013.
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, 2013.

**Material Weakness**

**12-3 Segregation of Duties**

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

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

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

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

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

**Corrective Action Plan (CAP)**

1. Actions Planned in Response to the Finding – Management plans on reviewing control processes and segregating duties further to mitigate the risk of unauthorized transactions or loss of assets.
2. Explanation of Disagreement – There is no disagreement with the audit finding.
3. Official Responsible for Ensuring Corrective Action – Wayne Kazmierczak, Assistant Superintendent.
4. Planned Completion Date for the Corrective Action – June 30, 2013.
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, 2013.

**C. Findings – Major Federal Award Programs Audit**

**Significant Deficiency – Internal Control Over Compliance**

**12-4 Allowable Costs**

Department of Education  
Special Education Cluster (CFDA #84.027 & 84.173)

**Condition** – During our testing we noted an expenditure that did not meet the allowable cost principles. This expenditure was for mileage reimbursement to a teacher whose services are shared between the Moorhead Area School District and another local District. The Moorhead Area School District pays the entire mileage reimbursement through federal funds, but was then reimbursed from the other local District for that District's portion of the mileage. We noted that the Moorhead Area School District submitted the entire mileage reimbursement as expenditures for federal reimbursement, but did not properly reduce the expenditure amount by the amount received from the other local District. Therefore, we determined that the Moorhead Area School District is improperly being reimbursed twice for the other local District's portion of the expenditure. This expenditure is deemed to be an excess cost due to the failure to comply with the cost policies established under OMB Circular A-21.

**Criteria** – Requirements contained in 2 CFR Part 220 require that only allowable costs as defined by OMB Circular A-21 should be made with federal awards.

**Context** – A sample of 60 expenditures was selected for testing.

**Effect** – The expenditure noted above is a questioned cost.

**Questioned Costs** – One item with a questioned cost of \$571 was found in noncompliance.

**Cause** – Control procedures in place did not detect the unallowable expenditure coded to the specific federal program.

**Recommendation** – District officials should review the allowable costs under OMB Circular A-21, and consider these guidelines when approving program expenditures.

**Corrective Action Plan (CAP)**

1. Actions Planned in Response to the Finding – A list of allowable and unallowable costs will distributed to District officials who review program expenditures.
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, 2013.
5. Plan to Monitor Completion of Corrective Action – Wayne Kazmierczak, Assistant Superintendent, will monitor the review of the allowable and unallowable costs according to OMB Circular A-21.