



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

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

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INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD, MINNESOTA
SCHOOL BOARD AND ADMINISTRATION
JUNE 30, 2007

SCHOOL BOARD

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Bill Tomhave	Chairperson	2011
Kristine Thompson	Vice Chairperson	2011
Karin Dulski	Treasurer	2011
Carol Ladwig	Clerk	2009
Lisa Erickson	Director	2009
Cindy Fagerlie	Director	2009
Michael Siggerud	Director	2009

ADMINISTRATION

Dr. Larry P. Nybladh	Superintendent
Lynne Kovash	Assistant Superintendent of Teaching and Learning
Mark Weston	Assistant Superintendent of Business Services
Ron Nielsen	Director of Human Resources
Jill Skarvold	Director of Special Education and Federal Programs
Denice Sinner	District Accountant

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CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To 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, Minnesota, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2007, 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 October 26, 2007 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles general accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. The combining and individual nonmajor fund financial statements, uniform accounting and reporting compliance table, and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. In addition, in our opinion, the statement of changes in student activity cash balances (Exhibit C-1) presents fairly the changes in the cash balances of the student activity funds for the year ended June 30, 2007.

Eide Bailly LLP

Fargo, North Dakota
October 26, 2007

INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007

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, 2007. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2006-2007 fiscal year include the following:

- General Fund 01: - The overall revenues were \$48,226,912 while the overall expenditures were \$49,214,482 decreasing the fund balance by \$987,570.
- Food Service Fund 02: - The revenues were \$1,814,663 and the expenditures were \$1,765,641 increasing the fund balance by \$49,022.
- Community Service Fund 04: - The revenues were \$1,367,540 while the expenditures were \$1,452,859 decreasing the fund balance by \$85,319.
- Debt Service Fund 07: - The revenues were \$7,963,202 and expenditures of \$7,701,769 increasing the fund balance by \$261,422. This increase in the fund balance is due to the refinancing of the bonds. In 2012 when the bonds cross over the expenditures will be increased causing the reserved fund balance to go back down.

OVERVIEW OF THE FINANCIAL STATEMENTS

District-wide Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Net Assets

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

Table A-1

STATEMENT OF NET ASSETS JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets	\$ 64,404,986	\$ 22,067,426
Capital assets	<u>77,093,823</u>	<u>78,419,238</u>
Total assets	<u>\$ 141,498,809</u>	<u>\$ 100,486,664</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Other liabilities	\$ 14,012,392	\$ 12,737,373
Long-term liabilities	<u>106,933,031</u>	<u>65,623,175</u>
Total liabilities	<u>120,945,423</u>	<u>78,360,548</u>
NET ASSETS		
Invested in capital assets, net of related debt	17,683,823	16,044,238
Restricted for specific purposes	1,932,056	2,672,387
Unrestricted	<u>937,507</u>	<u>3,409,491</u>
Total net assets	<u>20,553,386</u>	<u>22,126,116</u>
Total liabilities and net assets	<u>\$ 141,498,809</u>	<u>\$ 100,486,664</u>

(continued on next page)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Change in Net Assets

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

Table A-2

STATEMENT OF ACTIVITIES YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
REVENUES		
Program revenues		
Charges for service	\$ 2,393,575	\$ 2,480,568
Operating grants and contributions	12,101,813	9,955,916
Capital grants and contributions	1,815,798	1,425,718
General		
Property taxes	5,398,616	3,809,957
Aids and payments from state and other	36,050,687	35,291,836
Federal aids and payments	660,192	811,808
Unrestricted investment earnings	583,909	457,637
Miscellaneous revenues	415,027	504,499
	<u>59,419,617</u>	<u>54,737,939</u>
Total revenues		
EXPENSES		
District and school administration	2,373,240	2,176,262
District support services	990,097	993,597
Regular instruction	21,259,249	21,118,131
Vocational instruction	436,247	462,603
Exceptional instruction	11,973,919	11,656,259
Community education and services	1,456,854	1,424,892
Instructional support services	3,024,162	2,883,570
Pupil support services	5,769,941	5,384,846
Site, buildings and equipment	6,135,678	6,909,084
Fiscal and other fixed-cost programs	4,897,134	3,445,036
	<u>58,316,521</u>	<u>56,454,280</u>
Total expenses		
CHANGE IN NET ASSETS	1,103,096	(1,716,341)
NET ASSETS - BEGINNING, as previously reported	22,126,116	23,842,457
PRIOR PERIOD ADJUSTMENT (see Note 11)	<u>(2,675,826)</u>	-
NET ASSETS - BEGINNING, as restated	<u>19,450,290</u>	<u>23,842,457</u>
NET ASSETS - ENDING	<u>\$ 20,553,386</u>	<u>\$ 22,126,116</u>

(continued on next page)

MANAGEMENT’S DISCUSSION AND ANALYSIS

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Note 4 to the financial statements presents an analysis of capital asset transactions occurring during the year ended June 30, 2007. A decrease in net capital assets consisted primarily of the Building Construction sites being completed and now depreciated.

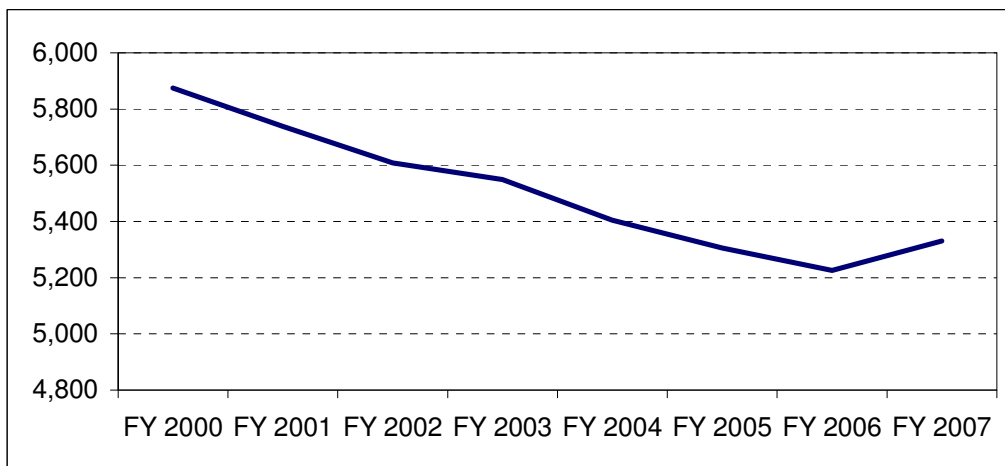
Long-Term Debt

At year end the District had \$106,933,031 of long term debt. This consisted of bonded indebtedness of \$101,490,000 and post employment benefits and sick leave of \$5,443,031. Note 5 presents the detail of the districts long-term debt.

FACTORS BEARING ON THE DISTRICT 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 districts enrollment to stabilize for the next couple of years.

Enrollment – Table A-3



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 Mark Weston, Assistant Superintendent of Business Services, at the District offices at 2410 14th Street South, Moorhead, MN 56560.

INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD, MINNESOTA
STATEMENT OF NET ASSETS
JUNE 30, 2007

Exhibit A-1

ASSETS

Cash and cash equivalents	\$ 10,873,730
Cash with fiscal agent	42,127,231
Receivables	
Current property taxes	4,746,454
Delinquent property taxes	99,173
Accounts	192,177
Due from other governmental units	6,332,922
Prepaid items	4,387
Inventory	28,912
	<u>64,404,986</u>
Capital assets	
Land	1,049,947
Buildings	89,349,403
Improvements	1,405,749
Vehicles	1,194,268
Equipment	508,957
Less accumulated depreciation	<u>(16,414,501)</u>
Total capital assets, net of depreciation	<u>77,093,823</u>
Total assets	<u><u>\$ 141,498,809</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 710,694
Salaries payable	4,257,659
Accrued interest payable	1,170,181
Unearned revenue	128,752
Property taxes levied for subsequent year	7,745,106
Long-term liabilities	
Portion due or payable within one year	4,205,354
Portion due or payable after one year	<u>102,727,677</u>
Total liabilities	<u>120,945,423</u>

NET ASSETS

Invested in capital assets, net of related debt	17,683,823
Restricted for specific purposes	1,932,056
Unrestricted	<u>937,507</u>
Total net assets	<u>20,553,386</u>
Total liabilities and net assets	<u><u>\$ 141,498,809</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

Exhibit A-2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
District and school administration	\$ 2,373,240	\$ -	\$ -	\$ -	\$ (2,373,240)
District support services	990,097	-	-	-	(990,097)
Regular instruction	21,259,249	31,700	878,684	-	(20,348,865)
Vocational instruction	436,247	-	-	-	(436,247)
Exceptional instruction	11,973,919	1,178,862	7,857,708	-	(2,937,349)
Community education and services	1,456,854	236,723	809,115	-	(411,016)
Instructional support services	3,024,162	-	-	-	(3,024,162)
Pupil support services	5,769,941	861,315	918,650	-	(3,989,976)
Site, buildings and equipment	6,135,678	84,975	-	1,815,798	(4,234,905)
Fiscal and other fixed-cost programs	4,897,134	-	1,637,656	-	(3,259,478)
Total governmental activities	<u>\$ 58,316,521</u>	<u>\$ 2,393,575</u>	<u>\$ 12,101,813</u>	<u>\$ 1,815,798</u>	<u>(42,005,335)</u>
GENERAL REVENUES					
Property taxes, levied for general purposes					1,041,317
Property taxes, levied for community education and services					186,176
Property taxes, levied for debt service					4,171,123
Aids and payments from the state					35,984,452
Federal aids and payments					660,192
County apportionment					66,235
Unrestricted investment earnings					583,909
Miscellaneous revenues					415,027
Total general revenues					<u>43,108,431</u>
CHANGES IN NETS ASSETS					1,103,096
NET ASSETS - BEGINNING, as previously reported					22,126,116
PRIOR PERIOD ADJUSTMENT (see Note 11)					<u>(2,675,826)</u>
NET ASSETS - BEGINNING, as restated					<u>19,450,290</u>
NET ASSETS - ENDING					<u>\$ 20,553,386</u>

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

INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD, MINNESOTA
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2007

Exhibit A-3

	General	Debt Service	Other Governmental Funds	Totals
ASSETS				
Cash and cash equivalents	\$ 7,869,079	\$ 2,441,154	\$ 563,497	\$ 10,873,730
Cash with fiscal agent	-	42,127,231	-	42,127,231
Receivables				
Current property taxes	1,123,797	3,453,562	169,095	4,746,454
Delinquent property taxes	29,459	66,740	2,974	99,173
Accounts	192,177	-	-	192,177
Due from other governmental units	5,972,525	216,442	143,955	6,332,922
Prepaid items	4,387	-	-	4,387
Inventory	-	-	28,912	28,912
	<u>\$ 15,191,424</u>	<u>\$ 48,305,129</u>	<u>\$ 908,433</u>	<u>\$ 64,404,986</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 672,834	\$ -	\$ 37,860	\$ 710,694
Salaries payable	4,215,626	-	42,033	4,257,659
Unearned revenue	117,818	66,740	43,367	227,925
Property taxes levied for subsequent year	1,672,494	5,788,376	284,236	7,745,106
Total liabilities	<u>6,678,772</u>	<u>5,855,116</u>	<u>407,496</u>	<u>12,941,384</u>
FUND BALANCE (DEFICIT)				
Reserved				
For health and safety	(206,579)	-	-	(206,579)
For severance pay	285,265	-	-	285,265
For operating capital	1,737,296	-	-	1,737,296
For safe schools	(602)	-	-	(602)
For early childhood and family education	-	-	46,044	46,044
For community education	-	-	(254,229)	(254,229)
For school readiness	-	-	2,079	2,079
For scholarships	-	-	10,000	10,000
For bond refunding	-	42,127,231	-	42,127,231
Unreserved				
Designated for severance pay	1,544,771	-	-	1,544,771
Undesignated	5,152,501	322,782	697,043	6,172,326
Total fund balance	<u>8,512,652</u>	<u>42,450,013</u>	<u>500,937</u>	<u>51,463,602</u>
	<u>\$ 15,191,424</u>	<u>\$ 48,305,129</u>	<u>\$ 908,433</u>	<u>\$ 64,404,986</u>

INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007

Exhibit A-4

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		\$ 51,463,602
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.		77,093,823
Accrued interest payable for long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(1,170,181)
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.		99,173
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. In the current period these amounts are:		
Bonds payable	\$(101,490,000)	
Severance payable	(1,830,036)	
Sick leave and vacation payable	(3,612,995)	
		<u>(106,933,031)</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES		<u>\$ 20,553,386</u>

INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2007

Exhibit A-5

	General	Debt Service	Other Governmental Funds	Totals
REVENUES				
Local property tax levies	\$ 1,943,324	\$ 4,171,123	\$ 186,176	\$ 6,300,623
Other local and county sources	2,208,487	1,637,656	353,640	4,199,783
State sources	41,208,932	2,154,423	858,020	44,221,375
Federal sources	2,749,437	-	924,848	3,674,285
Miscellaneous	116,732	-	859,904	976,636
Total revenues	<u>48,226,912</u>	<u>7,963,202</u>	<u>3,182,588</u>	<u>59,372,702</u>
EXPENDITURES				
District and school administration	2,364,132	-	-	2,364,132
District support services	990,097	-	-	990,097
Regular instruction	21,364,133	-	-	21,364,133
Vocational instruction	436,247	-	-	436,247
Exceptional instruction	11,973,918	-	-	11,973,918
Community education and service	-	-	1,452,859	1,452,859
Instructional support services	3,023,855	-	-	3,023,855
Pupil support services	4,030,205	-	1,766,026	5,796,231
Site, buildings and equipment	4,830,756	-	-	4,830,756
Fiscal and other fixed cost programs	201,139	7,701,769	-	7,902,908
Total expenditures	<u>49,214,482</u>	<u>7,701,769</u>	<u>3,218,885</u>	<u>60,135,136</u>
EXCESS (DEFICIENCY) OF REVENUES				
OVER (UNDER) EXPENDITURES	(987,570)	261,433	(36,297)	(762,434)
FUND BALANCE, BEGINNING OF YEAR				
	<u>9,500,222</u>	<u>42,188,580</u>	<u>537,234</u>	<u>52,226,036</u>
FUND BALANCE, END OF YEAR				
	<u>\$ 8,512,652</u>	<u>\$ 42,450,013</u>	<u>\$ 500,937</u>	<u>\$ 51,463,602</u>

**INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

Exhibit A-6

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (762,434)

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	\$ 691,490	
Depreciation expense	(2,016,905)	
Excess of depreciation expense over capital outlay		(1,325,415)

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	99,173	
Prior period balance	(51,872)	
Current year effect		47,301

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	(5,443,031)	
Prior period balance	5,550,524	
Current year effect		107,493

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

Current period balance	(1,170,181)	
Prior period balance	1,210,955	
Current year effect		40,774

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	2,965,000	
EPA loan principal retirement	30,377	

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 1,103,096

INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET TO ACTUAL – GENERAL FUND
YEAR ENDED JUNE 30, 2007

Exhibit A-7

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
REVENUES				
Local property tax levies	\$ 2,026,190	\$ 2,026,190	\$ 1,943,324	\$ (82,866)
Other local and county sources	1,943,361	2,530,110	2,208,487	(321,623)
State sources	40,810,203	40,716,341	41,208,932	492,591
Federal sources	2,824,821	2,824,821	2,749,437	(75,384)
Miscellaneous	116,732	116,732	116,732	-
Total revenues	<u>47,721,307</u>	<u>48,214,194</u>	<u>48,226,912</u>	<u>12,718</u>
EXPENDITURES				
District and school administration	2,380,961	2,380,941	2,364,132	16,809
District support services	987,248	947,269	990,097	(42,828)
Regular instruction	21,559,693	21,517,558	21,364,133	153,425
Vocational instruction	437,328	439,878	436,247	3,631
Exceptional instruction	11,696,632	12,010,711	11,973,918	36,793
Instructional support services	2,949,888	3,019,972	3,023,855	(3,883)
Pupil support services	4,029,408	4,015,244	4,030,205	(14,961)
Site, buildings and equipment	4,948,692	5,042,497	4,830,756	211,741
Fiscal and other fixed cost programs	202,000	201,139	201,139	-
Total expenditures	<u>49,191,850</u>	<u>49,575,209</u>	<u>49,214,482</u>	<u>360,727</u>
DEFICIENCY OF REVENUES				
UNDER EXPENDITURES	(1,470,543)	(1,361,015)	(987,570)	373,445
FUND BALANCE, BEGINNING OF YEAR	<u>9,500,222</u>	<u>9,500,222</u>	<u>9,500,222</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 8,029,679</u>	<u>\$ 8,139,207</u>	<u>\$ 8,512,652</u>	<u>\$ 373,445</u>

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INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

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

B. REPORTING ENTITY

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

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

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

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

C. GOVERNMENT-WIDE FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements (Statement of Net Assets and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District. Generally, the effect of interfund activity has been removed from the government-wide financial statements.

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

NOTES TO FINANCIAL STATEMENTS

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

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

D. FUND FINANCIAL STATEMENT PRESENTATION

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

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.

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.

NOTES TO FINANCIAL STATEMENTS

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.

Scholarship 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.

E. OTHER SIGNIFICANT ACCOUNTING POLICIES

Budgeting

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

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.

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

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

Receivables

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

Prepaid Items

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

NOTES TO FINANCIAL STATEMENTS

Inventories

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

Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognized \$359,309 of the property tax levy collectible in 2007 as revenue to the District in fiscal year 2006-2007. The remaining portion of the taxes collectible in 2007 is recorded as deferred revenue (property taxes levied for subsequent year).

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.

NOTES TO FINANCIAL STATEMENTS

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.

Compensated Absences Payable

Vacation – The District compensates substantially all full-time noncertified employees for unused vacation upon termination; however, no employee is allowed to accumulate more than a one-year vacation allowance. The expenditure for vacation pay is recognized when payment is made. As of June 30, 2007, this amount did not exceed a normal year's accumulation.

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

Severance and Health Benefits

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

- (1) Early Retirement Incentive Payments - The District maintains various early retirement incentive payment plans for its employee groups. Each employee group plan contains benefit formulas for lump sum payments based on years of service and/or minimum age requirements. No employee can receive early retirement incentive payments exceeding one year's salary. If early retirement incentive payments are paid within the first 60 days after year-end, an accrual is made in the governmental fund incurring the liability. For substantially all groups, the benefits are eliminated if retirement occurs at the normal retirement age as specified in their contracts. Benefits are not considered vested until actual retirement occurs. Therefore, no early retirement incentive payment liability is recorded in the government-wide financial statements until actual retirement occurs. During fiscal year 2007, the District's expenditures for early retirement incentive payments totaled \$454,020.

NOTES TO FINANCIAL STATEMENTS

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

During fiscal year 2007, total expenditures for health insurance premiums on behalf of 94 retired employees were \$3,467,766. At June 30, 2007, a post-employment health care benefits liability of \$1,830,036 is included as part of severance benefits payable in the Government wide financial statements.

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 2007.

Net Assets

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

NOTE 2 - 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 risks 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.

NOTES TO FINANCIAL STATEMENTS

At June 30, 2007, all deposits were insured or collateralized by securities held by the District's agent in the District's name

Interest Rate Risk – The District does not have a formal policy that limits investment maturities. However, the District does limit the maturities of certificates of deposit to less than one year as a means of managing its exposure to fair value losses arising from increasing interest rates.

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.

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.

The following table presents the District's deposit and investment balances at June 30, 2007:

Minnesota School District Liquid Asset Fund	\$ 4,190,344
Certificates of deposit	4,341,273
Deposits	2,327,738
Petty cash	<u>14,375</u>
	<u>\$ 10,873,730</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 3 - DUE FROM OTHER GOVERNMENTAL UNITS

Amounts receivable from other governments as of June 30, 2007, include:

Fund	Federal	State	Other	Total
Major funds				
General	\$ 828,640	\$ 4,233,141	\$ 910,744	\$ 5,972,525
Debt service	-	216,442	-	216,442
Non-major funds	<u>71,600</u>	<u>72,355</u>	<u>-</u>	<u>143,955</u>
	<u>\$ 900,240</u>	<u>\$ 4,521,938</u>	<u>\$ 910,744</u>	<u>\$ 6,332,922</u>

The state receivable in the general fund includes general education aid of \$3,016,922.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 is as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Capital assets not being depreciated:				
Land	\$ 849,947	\$ 200,000	\$ -	\$ 1,049,947
Capital assets being depreciated:				
Buildings	89,241,130	108,273	-	89,349,403
Improvements	1,197,821	207,928	-	1,405,749
Vehicles	1,139,059	106,716	(51,507)	1,194,268
Equipment	440,384	68,573	-	508,957
Total capital assets being depreciated	<u>92,018,394</u>	<u>491,490</u>	<u>(51,507)</u>	<u>92,458,377</u>
Less accumulated depreciation for:				
Buildings	13,450,595	1,795,210	-	15,245,805
Improvements	116,354	65,089	-	181,443
Vehicles	730,379	66,260	(51,507)	745,132
Equipment	151,775	90,346	-	242,121
Total accumulated depreciation	<u>14,449,103</u>	<u>2,016,905</u>	<u>(51,507)</u>	<u>16,414,501</u>
Net capital assets, depreciated	<u>77,569,291</u>	<u>(1,525,415)</u>	<u>-</u>	<u>76,043,876</u>
Total capital assets, net	<u>\$ 78,419,238</u>	<u>\$ (1,325,415)</u>	<u>\$ -</u>	<u>\$ 77,093,823</u>

Depreciation expense for the year ended June 30, 2007 was charged to the following functions/programs:

District and school administration	\$ 9,137
Regular instruction	2,611
Community education	3,996
Instructional support	43,103
Pupil support services	80,782
Site, building and equipment	<u>1,877,276</u>
Total depreciation expense	<u>\$ 2,016,905</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM LIABILITIES

Changes in long-term liabilities during the year ended June 30, 2007 are as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Due Within One Year
Bonds payable	\$ 104,455,000	\$ -	\$ 2,965,000	\$ 101,490,000	\$ 3,095,000
EPA loans payable	30,377	-	30,377	-	-
Compensated absences payable	3,845,595	4,959	237,559	3,612,995	285,265
Severance payable	<u>1,704,929</u>	<u>211,589</u>	<u>86,482</u>	<u>1,830,036</u>	<u>825,089</u>
	<u>\$ 110,035,901</u>	<u>\$ 216,548</u>	<u>\$ 3,319,418</u>	<u>\$ 106,933,031</u>	<u>\$ 4,205,354</u>

Following is a summary of bonds payable as of June 30, 2007:

Bond Description	Final Maturities	Interest Rate	Original Principal	Outstanding Balance
General Obligation School Building Bonds of 2002 **	4/12	4.00% - 5.25%	\$ 64,500,000	\$ 56,450,000
General Obligation School Building Refunding Bonds of 2005	4/22	3.25% - 4.25%	42,080,000	42,080,000
General Obligation Refunding Bonds of 2006	2/13	3.75%	3,375,000	<u>2,960,000</u>
				<u>\$ 101,490,000</u>

** As of June 30, 2007 the Building Bonds of 2002 have \$56,450,000 in principal payments remaining. All but \$14,370,000 of the balance due will be paid with the cash held by a fiscal agent.

NOTES TO FINANCIAL STATEMENTS

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

During 2005 the district issued bonds, the proceeds of which will be used to refund the 2013-2022 maturities of the General Obligation School Building Bonds of 2002 on the April 1, 2012 call date. The proceeds of the 2005 refunding issue were used to purchase SLGS, which are being held by a fiscal agent. The proceeds will be used to make interest payments on the 2005 refunding issue, with the remainder used to call the 2002 issue on April 1, 2012.

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

Compensated Absences Payable - This amount consists of vacation and sick pay benefits payable as described in Note 1.

Severance Payable - This amount consists of early retirement incentive payments and post-employment healthcare benefits payable as described in Note 1.

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

Years Ending June 30,	Bonds Payable		Compensated Absences Payable		Severance Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 3,095,000	\$ 4,606,726	\$ 1,190,687	\$ -	\$ 825,089	\$ -	\$ 5,110,776	\$ 4,606,726
2009	3,215,000	4,470,788	81,373	-	285,265	-	3,581,638	4,470,788
2010	3,380,000	4,329,602	122,232	-	211,589	-	3,713,821	4,329,602
2011	3,500,000	4,166,602	40,859	-	166,111	-	3,706,970	4,166,602
2012	46,220,000	4,018,288	122,578	-	135,370	-	46,477,948	4,018,288
2013 - 2017	18,980,000	7,014,674	1,464,443	-	206,612	-	20,651,055	7,014,674
2018 - 2022	23,100,000	2,955,124	560,091	-	-	-	23,660,091	2,955,124
2023 - 2024	-	-	30,732	-	-	-	30,732	-
	<u>\$ 101,490,000</u>	<u>\$ 31,561,804</u>	<u>\$ 3,612,995</u>	<u>\$ -</u>	<u>\$ 1,830,036</u>	<u>\$ -</u>	<u>\$ 106,933,031</u>	<u>\$ 31,561,804</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - RESERVED AND DESIGNATED FUND BALANCES

Certain portions of fund balances are reserved based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties. In addition, the District has designated portions of fund balance for specific future uses.

At June 30, 2007, the District has recorded the following reservations and designations of fund balances for the following purposes:

	<u>Reserved</u>	<u>Designated</u>
General Fund		
Reserved for health and safety	\$ (206,579)	\$ -
Reserved for severance pay	285,265	-
Reserved for operating capital	1,737,296	-
Reserved for safe schools	(602)	-
Designated for severance pay	<u>-</u>	<u>1,544,771</u>
Total general fund	<u>1,815,380</u>	<u>1,544,771</u>
Debt service fund		
Reserved for bond refunding	<u>42,127,231</u>	<u>-</u>
Nonmajor Funds		
Community Service Fund		
Reserved for early childhood and family education	46,044	-
Reserved for community education	(254,229)	-
Reserved for school readiness	2,079	-
Scholarship Fund		
Reserved for scholarships	<u>10,000</u>	<u>-</u>
Total nonmajor funds	<u>(196,106)</u>	<u>-</u>
Total all funds	<u>\$ 43,746,505</u>	<u>\$ 1,544,771</u>

NOTE 7 - OPERATING LEASES

The District has an agreement to lease the sports center from the City of Moorhead. The lease expires April 30, 2012, and requires variable annual lease payments of \$76,800 - \$80,000. Lease expense for all leases of the District for the current year was \$292,610.

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - DEFINED BENEFIT PENSION PLANS - STATEWIDE

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

Teachers' Retirement Association

Plan Description

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

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

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

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

With these provisions:

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

NOTES TO FINANCIAL STATEMENTS

or

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

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

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

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

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

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

Funding Policy

Minnesota Statutes Chapter 354 sets the rates for the employee and employer contributions. These statutes are established and amended by the state legislature. As of July 1, 2006, Coordinated and Basic Plan members are required to contribute 5.5 percent and 9.0 percent, respectively, of their annual covered salary. Prior to July 1, 2007, the employer contribution rates are 5.0 percent for Coordinated members and 9.0 percent for Basic members. Effective July 1, 2007, the employer contribution rate for Coordinated members will rise to 5.5 percent and 9.5 percent for Basic members. Total covered payroll salaries for all TRA members statewide during the fiscal year ended June 30, 2006 was approximately \$3.431 billion.

The District contributions for the years ended June 30, 2007, 2006, and 2005 were \$1,201,816, \$1,151,721, and \$1,103,867, respectively, equal to the required contributions for each year as set by state statute.

NOTES TO FINANCIAL STATEMENTS

Public Employees' Retirement Association

Plan Description

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 5.50%, respectively, of their annual covered salary in calendar year 2006. Contribution rates in the Coordinated Plan increased in calendar year 2007 to 5.75%. The District is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members and 6.0% for Coordinated Plan PERF members. Employer contribution rates for the Coordinated Plan increased to 6.25% effective January 1, 2007. The District's contributions to the Public Employees Retirement Fund for the years ended June 30, 2007, 2006, and 2005 were \$465,139, \$415,814, and \$383,016, respectively, equal to the contractually required contributions for each year as set by state statute.

NOTE 9 - FLEXIBLE BENEFIT PLAN

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 10 - 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.

NOTE 11 - PRIOR PERIOD ADJUSTMENT

The net assets as of June 30, 2006 on the Statement of Activities have been decreased \$2,332,723 due to the miscalculation of compensated absences payable and \$343,103 to properly account for the cross-over refunding bonds.

NOTE 12 - ISSUED BUT NON-EFFECTIVE ACCOUNTING PRONOUNCEMENT

The Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by the District. The statement issued but not implemented that will significantly affect the District is statement No. 45 "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions." This statement provides that post-employment benefits offered to employees are to be measured and recognized on the full accrual basis of accounting over a period that approximates an employee's years of service. This statement will be implemented at the District in the year ending June 30, 2009.

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

COMBINING AND INDIVIDUAL FUND SCHEDULES

INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD, MINNESOTA
SCHEDULE OF CHANGES IN FUND BALANCES
GENERAL FUND
YEAR ENDED JUNE 30, 2007

Exhibit B-1

	Fund Balance (Deficit) Beginning of Year	Net Change in Fund Balance	Fund Balance (Deficit) End of Year
	<u> </u>	<u> </u>	<u> </u>
Reserved for health and safety	\$ (426,779)	\$ 220,200	\$ (206,579)
Reserved for severance pay	281,892	3,373	285,265
Reserved for operating capital	2,859,834	(1,122,538)	1,737,296
Reserved for safe schools	(428)	(174)	(602)
Unreserved - designated for severance pay	1,423,037	121,734	1,544,771
Unreserved - undesignated	<u>5,362,666</u>	<u>(210,165)</u>	<u>5,152,501</u>
	<u>\$ 9,500,222</u>	<u>\$ (987,570)</u>	<u>\$ 8,512,652</u>

INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD, MINNESOTA
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2007
(With Comparative Totals for June 30, 2006)

Exhibit B-2

	2007			Variance With Final Budget	2006
	Original Budget	Final Budget	Actual		Actual
Local property tax levies					
Maintenance levy	\$ 2,026,190	\$ 2,026,190	\$ 1,943,324	\$ (82,866)	\$ 569,443
Other local and county sources					
Student activities, tuitions and fees	1,393,514	1,840,263	1,530,597	(309,666)	1,644,716
County apportionment	66,235	66,235	66,235	-	64,936
Interest	440,000	580,000	583,116	3,116	456,955
Other local revenues	43,612	43,612	28,539	(15,073)	40,951
	<u>1,943,361</u>	<u>2,530,110</u>	<u>2,208,487</u>	<u>(321,623)</u>	<u>2,207,558</u>
State sources					
General education aid	33,871,422	33,995,115	34,111,978	116,863	33,051,681
Special education aid	6,435,326	6,217,771	6,577,278	359,507	6,151,742
Educational Agricultural and Homestead Credit	143,897	143,897	147,499	3,602	75,137
Other aids	359,558	359,558	372,177	12,619	200,561
	<u>40,810,203</u>	<u>40,716,341</u>	<u>41,208,932</u>	<u>492,591</u>	<u>39,479,121</u>
Federal sources					
Title I	1,026,812	1,026,812	878,684	(148,128)	918,601
PL 94-142	1,126,814	1,126,814	1,277,987	151,173	1,158,387
Other	671,195	671,195	592,766	(78,429)	705,161
	<u>2,824,821</u>	<u>2,824,821</u>	<u>2,749,437</u>	<u>(75,384)</u>	<u>2,782,149</u>
Miscellaneous	116,732	116,732	116,732	-	165,872
Total revenues	<u>\$ 47,721,307</u>	<u>\$ 48,214,194</u>	<u>\$ 48,226,912</u>	<u>\$ 12,718</u>	<u>\$ 45,204,143</u>

INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD, MINNESOTA
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2007
(With Comparative Totals for June 30, 2006)

Exhibit B-3

	2007			Variance With Final Budget	2006
	Original Budget	Final Budget	Actual		Actual
District and school administration					
Salaries and wages	\$ 2,017,748	\$ 2,017,748	\$ 2,001,227	\$ 16,521	\$ 1,807,338
Employee benefits	311,044	311,044	310,986	58	302,505
Purchased services	26,480	28,480	28,635	(155)	35,190
Other expenditures	25,689	23,669	23,284	385	22,093
	<u>2,380,961</u>	<u>2,380,941</u>	<u>2,364,132</u>	<u>16,809</u>	<u>2,167,126</u>
District support services					
Salaries and wages	715,480	715,480	775,463	(59,983)	730,017
Employee benefits	116,968	116,968	116,945	23	104,323
Purchased services	126,867	86,888	70,284	16,604	129,955
Supplies and materials	14,715	14,715	9,453	5,262	13,422
Other expenditures	13,218	13,218	17,952	(4,734)	15,879
	<u>987,248</u>	<u>947,269</u>	<u>990,097</u>	<u>(42,828)</u>	<u>993,596</u>
Regular instruction					
Salaries and wages	15,192,070	15,183,684	15,149,089	34,595	14,505,149
Employee benefits	4,467,233	4,466,673	4,438,630	28,043	4,405,279
Purchased services	756,089	719,973	752,221	(32,248)	895,123
Supplies and materials	897,481	896,282	837,191	59,091	706,913
Capital expenditures	106,160	100,852	92,215	8,637	135,307
Other expenditures	140,660	150,094	94,787	55,307	89,067
	<u>21,559,693</u>	<u>21,517,558</u>	<u>21,364,133</u>	<u>153,425</u>	<u>20,736,838</u>
Vocational instruction					
Salaries and wages	326,445	326,445	328,347	(1,902)	353,868
Employee benefits	100,840	100,840	95,363	5,477	98,528
Purchased services	318	318	313	5	741
Supplies and materials	9,725	12,275	12,224	51	9,466
	<u>437,328</u>	<u>439,878</u>	<u>436,247</u>	<u>3,631</u>	<u>462,603</u>
Exceptional instruction					
Salaries and wages	8,592,837	8,592,837	8,517,631	75,206	8,248,685
Employee benefits	1,895,376	1,895,376	1,907,186	(11,810)	1,906,229
Purchased services	981,672	1,259,137	1,304,882	(45,745)	1,281,866
Supplies and materials	83,289	77,423	76,981	442	67,388
Capital expenditures	136,841	181,841	165,466	16,375	149,457
Other expenditures	6,617	4,097	1,772	2,325	2,633
	<u>11,696,632</u>	<u>12,010,711</u>	<u>11,973,918</u>	<u>36,793</u>	<u>11,656,258</u>

(continued on next page)

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

Exhibit B-3, continued

	2007			Variance With Final Budget	2006
	Original Budget	Final Budget	Actual		Actual
Instructional support services					
Salaries and wages	1,613,905	1,613,905	1,624,516	(10,611)	1,546,670
Employee benefits	258,712	295,178	322,534	(27,356)	272,783
Purchased services	204,034	218,294	195,873	22,421	120,923
Supplies and materials	105,722	128,453	117,718	10,735	130,878
Capital expenditures	735,399	730,434	730,567	(133)	771,369
Other expenditures	32,116	33,708	32,647	1,061	36,665
	<u>2,949,888</u>	<u>3,019,972</u>	<u>3,023,855</u>	<u>(3,883)</u>	<u>2,879,288</u>
Pupil support services					
Salaries and wages	1,313,186	1,313,086	1,306,990	6,096	1,228,028
Employee benefits	260,951	260,951	270,427	(9,476)	249,474
Purchased services	2,005,861	2,005,861	2,002,259	3,602	1,870,698
Supplies and materials	338,249	338,259	355,181	(16,922)	316,222
Capital expenditures	85,000	70,926	70,926	-	74,036
Other expenditures	26,161	26,161	24,422	1,739	20,023
	<u>4,029,408</u>	<u>4,015,244</u>	<u>4,030,205</u>	<u>(14,961)</u>	<u>3,758,481</u>
Site, building and equipment					
Salaries and wages	1,199,130	1,199,130	1,140,279	58,851	1,093,824
Employee benefits	196,907	196,907	196,649	258	180,581
Purchased services	1,312,060	1,283,760	1,333,701	(49,941)	1,328,588
Supplies and materials	1,249,264	1,249,264	1,082,760	166,504	1,105,007
Capital expenditures	986,897	1,109,002	1,072,276	36,726	987,483
Other expenditures	4,434	4,434	5,091	(657)	3,507
	<u>4,948,692</u>	<u>5,042,497</u>	<u>4,830,756</u>	<u>211,741</u>	<u>4,698,990</u>
Fiscal and other fixed costs					
Purchased services	<u>202,000</u>	<u>201,139</u>	<u>201,139</u>	<u>-</u>	<u>242,802</u>
Total expenditures	<u>\$ 49,191,850</u>	<u>\$ 49,575,209</u>	<u>\$ 49,214,482</u>	<u>\$ 360,727</u>	<u>\$ 47,595,982</u>

INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007

Exhibit B-4

	Food Service	Community Service	Scholarships	Totals
ASSETS				
Cash and cash equivalents	\$ 547,185	\$ 6,312	\$ 10,000	\$ 563,497
Receivables				
Current property taxes	-	169,095	-	169,095
Delinquent property taxes	-	2,974	-	2,974
Due from other governmental units	-	143,955	-	143,955
Inventories	<u>28,912</u>	<u>-</u>	<u>-</u>	<u>28,912</u>
 Total assets	 <u>\$ 576,097</u>	 <u>\$ 322,336</u>	 <u>\$ 10,000</u>	 <u>\$ 908,433</u>
 LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 17,170	\$ 20,690	\$ -	\$ 37,860
Salaries payable	1,302	40,731	-	42,033
Unearned revenue	33,378	9,989	-	43,367
Property taxes levied for subsequent year	<u>-</u>	<u>284,236</u>	<u>-</u>	<u>284,236</u>
Total liabilities	<u>51,850</u>	<u>355,646</u>	<u>-</u>	<u>407,496</u>
 FUND BALANCE (DEFICIT)				
Reserved				
For early childhood and family education	-	46,044	-	46,044
For community education	-	(254,229)	-	(254,229)
For school readiness	-	2,079	-	2,079
For scholarships	-	-	10,000	10,000
Unreserved - Undesignated	<u>524,247</u>	<u>172,796</u>	<u>-</u>	<u>697,043</u>
Total fund balance	<u>524,247</u>	<u>(33,310)</u>	<u>10,000</u>	<u>500,937</u>
 Total liabilities and fund balance	 <u>\$ 576,097</u>	 <u>\$ 322,336</u>	 <u>\$ 10,000</u>	 <u>\$ 908,433</u>

INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD, MINNESOTA
COMBINING SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

Exhibit B-5

	Food Service	Community Service	Scholarships	Totals
REVENUES				
Local property tax levies	\$ -	\$ 186,176	\$ -	\$ 186,176
Other local and county sources	64,086	289,169	385	353,640
State sources	123,152	734,868	-	858,020
Federal sources	767,521	157,327	-	924,848
Sales and other conversion of assets	859,904	-	-	859,904
	<u>1,814,663</u>	<u>1,367,540</u>	<u>385</u>	<u>3,182,588</u>
EXPENDITURES				
Community education and service	-	1,452,859	-	1,452,859
Pupil support services	1,765,641	-	385	1,766,026
	<u>1,765,641</u>	<u>1,452,859</u>	<u>385</u>	<u>3,218,885</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	49,022	(85,319)	-	(36,297)
FUND BALANCE, BEGINNING OF YEAR				
	<u>475,225</u>	<u>52,009</u>	<u>10,000</u>	<u>537,234</u>
FUND BALANCE (DEFICIT), END OF YEAR				
	<u>\$ 524,247</u>	<u>\$ (33,310)</u>	<u>\$ 10,000</u>	<u>\$ 500,937</u>

INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD, MINNESOTA
COMBINING SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2007
(With Comparative Totals for June 30, 2006)

Exhibit B-6

	2007			2006	
	Original Budget	Final Budget	Actual	Variance With Final Budget	Actual
Revenues					
Other local and county sources	\$ 42,340	\$ 53,598	\$ 64,086	\$ 10,488	\$ 48,610
State sources					
Lunch program aid	129,420	119,187	123,152	3,965	140,964
Federal sources					
Lunch program aid	655,163	669,592	680,829	11,237	637,051
Food distribution program	95,650	87,777	86,692	(1,085)	104,864
	<u>750,813</u>	<u>757,369</u>	<u>767,521</u>	<u>10,152</u>	<u>741,915</u>
Sale of food	<u>866,598</u>	<u>855,879</u>	<u>859,904</u>	<u>4,025</u>	<u>871,179</u>
Total revenues	<u>1,789,171</u>	<u>1,786,033</u>	<u>1,814,663</u>	<u>28,630</u>	<u>1,802,668</u>
Expenditures					
Pupil support services					
Salaries and wages	431,329	427,329	427,539	(210)	412,925
Employee benefits	66,391	73,551	69,627	3,924	63,945
Purchased services	155,887	141,318	157,719	(16,401)	149,094
Food costs and supplies	1,012,350	1,013,269	1,029,594	(16,325)	983,720
Capital outlay	22,000	36,793	43,497	(6,704)	10,048
Other expenditures	<u>30,000</u>	<u>36,000</u>	<u>37,665</u>	<u>(1,665)</u>	<u>21,624</u>
Total expenditures	<u>1,717,957</u>	<u>1,728,260</u>	<u>1,765,641</u>	<u>(37,381)</u>	<u>1,641,356</u>
Excess (deficiency) of revenues over (under) expenditures	71,214	57,773	49,022	(8,751)	161,312
Fund balance, beginning of year	<u>475,225</u>	<u>475,225</u>	<u>475,225</u>	<u>-</u>	<u>313,913</u>
Fund balance, end of year	<u>\$ 546,439</u>	<u>\$ 532,998</u>	<u>\$ 524,247</u>	<u>\$ -</u>	<u>\$ 475,225</u>

INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD, MINNESOTA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2007
(With Comparative Totals for June 30, 2006)

Exhibit B-7

	2007			2006	
	Original Budget	Final Budget	Actual	Variance With Final Budget	Actual
Revenues					
Local property taxes					
Property tax levy	\$ 298,642	\$ 307,963	\$ 186,176	\$ (121,787)	\$ 93,903
Other local and county sources					
Tuition and fees	204,100	195,350	236,723	41,373	203,375
Miscellaneous local revenues	61,390	49,500	52,446	2,946	63,779
	<u>265,490</u>	<u>244,850</u>	<u>289,169</u>	<u>44,319</u>	<u>267,154</u>
State sources					
Other appropriations	583,971	631,209	734,868	103,659	767,240
Federal source	70,493	195,333	157,327	(38,006)	189,165
	<u>1,218,596</u>	<u>1,379,355</u>	<u>1,367,540</u>	<u>(11,815)</u>	<u>1,317,462</u>
Expenditures					
Community education and services					
Salaries and wages	812,827	956,550	943,068	13,482	936,822
Employee benefits	140,807	141,376	145,643	(4,267)	134,065
Purchased services	168,043	221,226	228,951	(7,725)	234,713
Supplies and materials	49,178	57,479	75,792	(18,313)	67,328
Capital outlay	8,334	10,584	20,209	(9,625)	19,357
Other expenditures	40,948	49,472	39,196	10,276	28,618
	<u>1,220,137</u>	<u>1,436,687</u>	<u>1,452,859</u>	<u>(16,172)</u>	<u>1,420,903</u>
Excess (deficiency) of revenues over (under) expenditures	(1,541)	(57,332)	(85,319)	(27,987)	(103,441)
Fund balance, beginning of year	52,009	52,009	52,009	-	155,450
Fund balance (deficit), end of year	<u>\$ 50,468</u>	<u>\$ (5,323)</u>	<u>\$ (33,310)</u>	<u>\$ (27,987)</u>	<u>\$ 52,009</u>

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OTHER SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD, MINNESOTA
CHANGES IN STUDENT ACTIVITY CASH BALANCES
YEAR ENDED JUNE 30, 2007

Exhibit C-1

Activity	Balance 7/1/06	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/07
6th Grade Activities (A)	\$ -	\$ 4,668	\$ 873	\$ 3,795
6th Grade Activities (B)	2,208	28,783	26,276	4,715
6th Grade Activities (C)	-	3,611	419	3,192
7th Grade Activities	-	88	88	-
8th Grade Activities	-	3,479	539	2,940
After School Programs - Jr. High	4	396	400	-
ALC	3,679	163	100	3,742
APL Project	573	424	268	729
Apollo Strings	9,790	158,504	124,078	44,216
Auditorium Technology	380	1,049	1,072	357
Band - Jr. High	20,701	7,185	8,102	19,784
Band - Sr. High	47,107	139,650	137,726	49,031
Baseball Club	2,322	10,426	12,328	420
Basketball - Boys	1,165	5,178	5,787	556
Basketball - Girls	2,604	925	1,564	1,965
Caps & Gowns	14,928	669	-	15,597
Cheerleading	-	2,478	2,478	-
Choir - Sr. High	4,027	3,333	2,502	4,858
Chokio	21,914	12,441	30,307	4,048
Class of 2006	4,126	-	4,126	-
Class of 2007	4,384	183	4,567	-
Class of 2008	-	5,199	974	4,225
Community/Work Class	96	-	-	96
Craft Club - Sr. High	809	637	702	744
Cross Country	1,673	3,880	5,421	132
Danceline	5,605	10,409	11,039	4,975
Debate Enrichment	515	1,298	1,341	472
Destination Imagination	1,932	2,393	3,819	506
DHH Social Fund	111	309	293	127
Drama - Jr. High	47	-	47	-
ECFE	1,567	506	200	1,873
Edison School Store	82	-	-	82
English - Jr. High	313	14	-	327

(continued on next page)

Activity	Balance 7/1/06	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/07
Field House	1,211	30	1,098	143
Football Club	5,329	31,989	30,855	6,463
French Club	4,883	3,615	5,503	2,995
Girls Golf - Sr. High	27	-	-	27
Gymnastics Club	841	261	30	1,072
Hall of Honor	1,823	2,837	2,990	1,670
Heroes - Jr. High	486	22	-	508
History Day	134	6	-	140
Hockey - Boys	26	5,976	5,352	650
Hockey - Girls	791	33	106	718
Honor Choir - Jr. High	9,567	398	1,365	8,600
Interest	-	11,826	11,826	-
Intramurals	432	622	469	585
Journalism	2,279	1,411	-	3,690
Knowledge Bowl	14	1,133	231	916
Lova	88	-	-	88
Math Club - Jr. High	8	-	-	8
Media - Jr. High	542	563	473	632
National Forensics League	573	6,692	5,634	1,631
Nature Project - Jr. High	1,127	909	2,012	24
Orchestra - Jr. High	1,529	60,891	61,097	1,323
Orchestra - Sr. High	39	-	39	-
Plays - Sr. High	13,409	63,407	76,452	364
Positive Incentives - Jr. High	303	532	828	7
Robert Asp Special	15	-	-	15
Robert Asp Student Council	2,743	123	-	2,866
Robert Asp Yearbook	921	41	-	962
RRALC Store	1,293	521	96	1,718
SADD	919	535	761	693
School Patrol	7,454	824	940	7,338
Service Enhancement Club	224	8	93	139
Service Learning	3,656	17,578	16,430	4,804
Soccer - Boys	-	-	-	-
Soccer - Girls	207	9,957	7,004	3,160
Social Studies - Sr. High	246	11	-	257
Softball	5,407	1,052	2,663	3,796

Activity	Balance 7/1/06	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/07
Spanish Club	3,285	147	-	3,432
Spanish Club - Jr. High	429	1,064	379	1,114
Spanish Trips - Sr. High	1	-	-	1
Special Events	2,075	-	2,075	-
STEP - Jr. High	-	331	331	-
STEP Trip	3,560	6,185	9,664	81
Store - Jr. High	3,208	4,377	7,231	354
Student Council - Jr. High	3,836	16,573	12,049	8,360
Student Council - Sr. High	6,567	10,637	4,333	12,871
Swimming - Boys	1,160	4,711	3,893	1,978
Swimming - Girls	1,004	9,712	8,361	2,355
Tech Club - Jr. High	1,277	-	1,277	-
Tennis - Girls	41	-	-	41
Theatre Arts - Jr. High	8,270	39,280	42,581	4,969
Track - Boys	5,830	5,342	7,799	3,373
Track - Girls	153	4,954	4,659	448
World DI	52	-	-	52
Wrestling Club	671	1,280	1,491	460
Yearbook - Jr. High	5,999	15,240	13,576	7,663
Youth Board	7	-	-	7
	<u>7</u>	<u>-</u>	<u>-</u>	<u>7</u>
	<u>\$ 268,633</u>	<u>\$ 751,914</u>	<u>\$ 741,482</u>	<u>\$ 279,065</u>

INDEPENDENT SCHOOL DISTRICT NO. 152

MOORHEAD, MINNESOTA

UNIFORM ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE

Exhibit C-2

YEAR ENDED JUNE 30, 2007

GENERAL FUND

Total revenues	\$ 48,226,912
Total expenditures	49,214,482
Fund Balance	
Reserved:	
4.06 Health and safety	(206,579)
4.11 Severance pay	285,265
4.24 Operating capital	1,737,296
4.49 Safe schools	(602)
Unreserved:	
4.22 Designated for severance pay	1,544,771
4.22 Unres fund balance	5,152,501

FOOD SERVICE

Total revenues	\$ 1,814,663
Total expenditures	1,765,641
Fund Balance	
Unreserved:	
4.22 Unres fund balance	524,247

COMMUNITY SERVICE

Total revenues	\$ 1,367,540
Total expenditures	1,452,859
Fund Balance	
Reserved:	
4.31 Community education	(254,229)
4.32 Early childhood-family education	46,044
4.44 School readiness	2,079
Unreserved:	
4.22 Unres fund balance	172,796

DEBT SERVICE

Total revenues	\$ 7,963,202
Total expenditures	7,701,769
Fund Balance	
Reserved:	
4.25 Bond refunding	42,127,231
Unreserved:	
4.22 Unres fund balance	322,782

TRUST FUND

Total revenues	\$ 385
Total expenditures	385
Fund Balance	
Unreserved:	
4.22 Unres fund balance	10,000

	<u>Fund</u>	<u>Reserved Total</u>	<u>Unreserved Total</u>
01	\$ 1,815,380		\$ 6,697,272
02	-		524,247
04	(206,106)		172,796
07	42,127,231		322,782
08	10,000		-

INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

Federal Grantor/Program Title	Federal CFDA Number	Expenditures
Department of Agriculture		
<i>Passed through Minnesota Department of Children Families and Learning</i>		
School Breakfast	10.553	\$ 132,151
Milk Program	10.556	3,678
National School Lunch	10.555	536,314
Total Child Nutrition Cluster		672,143
Total Department of Agriculture		672,143
Department of Education		
<i>Passed through Minnesota Department of Children Families and Learning</i>		
Adult Basic Education - Regular	84.002	35,778
ECIA - Chapter I	84.010	708,513
ECIA - Chapter I - Neglected and Delinquent	84.010	36,723
Total CFDA # 84.010		745,236
Migrant - Education	84.011	370,582
Flow-through 94-142	84.027	1,275,904
Disabled Early Education	84.173	21,238
Total Special Education Cluster		1,297,142
Title VII Indian School Assistance	84.060	48,162
Drug Education	84.186	23,552
Homeless Grant	84.196	38,754

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – Page 2

Federal Grantor/Program Title	Federal CFDA Number	Expenditures
Department of Education, continued		
<i>Passed through Minnesota</i>		
<i>Department of Children Families and Learning</i>		
Title V	84.298	<u>25,568</u>
Title III	84.365A	<u>39,707</u>
Title II	84.367	<u>360,996</u>
Title II Part D	84.318	<u>15,628</u>
<i>Direct</i>		
Even Start	84.213	<u>135,319</u>
Total Department of Education		<u>3,136,424</u>
Total expenditures of federal awards		<u><u>\$ 3,808,567</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting.

NOTE B - FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule of expenditures of federal awards at the fair market value of commodities received and disbursed. At June 30, 2007, the district had food commodities totaling \$28,912 in inventory.

NOTE C – AGENCY OR PASS-THROUGH NUMBER

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

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ADDITIONAL REPORTS

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CPAs & BUSINESS ADVISORS

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

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

We have audited the financial statements of Independent School District No. 152, Moorhead, Minnesota, as of and for the year ended June 30, 2007, and have issued our report thereon dated October 26, 2007. 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 *Minnesota Legal Compliance Audit Guide for Local Government* promulgated by the Legal Compliance Task Force pursuant to Minnesota Statutes, Section 6.65.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider deficiency 07-1 and 07-2 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 07-1 and 07-2 to be a material weakness.

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*.

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. We did not audit the District's responses and, accordingly, we express no opinion on them.

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

Eide Bailly LLP

Fargo, North Dakota
October 26, 2007



CPAs & BUSINESS ADVISORS

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

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

Compliance

We have audited the compliance of Independent School District No. 152, Moorhead, Minnesota, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

Eide Bailly LLP

Fargo, North Dakota
October 26, 2007

INDEPENDENT SCHOOL DISTRICT NO. 152
MOORHEAD, MINNESOTA
SUMMARY OF AUDIT FINDINGS
YEAR ENDED JUNE 30, 2007

A. SUMMARY OF AUDIT RESULTS

1. The auditors report expresses an unqualified opinion of the basic financial statements of Independent School District No. 152, Moorhead, Minnesota.
2. Two material weaknesses were disclosed during the audit of the financial statements reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and *Minnesota Legal Compliance Audit*.
3. No instances of noncompliance material to the financial statements of Independent School District No. 152, Moorhead, Minnesota were disclosed during the audit.
4. No deficiencies were reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Controls over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Independent School District No. 152, Moorhead, Minnesota expresses an unqualified opinion on all major federal programs.
6. Audit findings relative to the major federal award programs for Independent School District No. 152, Moorhead, Minnesota are reported in Part C of this schedule.
7. The programs tested as major programs included: Migrant Ed CFDA #84.011, Title I CFDA #84.010, and Title II CFDA #84.367.
8. The threshold for distinguishing a Type A program was \$300,000.
9. Independent School District No. 152, Moorhead, Minnesota was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

07-1 Preparation of Financial Statements

Criteria or Specific Requirement: Statement on Auditing Standards (SAS) No. 112 states entities should be able to adequately prepare and/or understand their financial statements.

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

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

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.

Management's Response: Management agrees with the auditor's recommendation.

07-2 Significant Journal Entries

Criteria or Specific Requirement: Internal control that supports the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements require adequate oversight of operational functions.

Condition: During the course of our audit engagement, the auditor proposed material audit adjustments that would not have been identified as a result of the District's existing internal controls.

Effect: A material misstatement of the District's financial statements could have resulted.

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

Management's Response: Management agrees with the auditor's recommendation and the District will review and reconcile all accounts in future years.

C. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT - NONE

D. FINDINGS – MINNESOTA LEGAL COMPLIANCE – NONE



CPAs & BUSINESS ADVISORS

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

To 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, Minnesota, for the year ended June 30, 2007, and have issued our report thereon dated October 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of the Manual for Activity Fund Accounting (MAFA).

Compliance

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

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

Eide Bailly LLP

Fargo, North Dakota
October 26, 2007