



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

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MOORHEAD, MINNESOTA**

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**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD, MINNESOTA**  
**SCHOOL BOARD AND ADMINISTRATION (UNAUDITED)**  
**JUNE 30, 2008**

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**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
Wayne Kazmierczak	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

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## INDEPENDENT AUDITOR'S REPORT

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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, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2008, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2008 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 important for 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 school board and administration, combining and individual fund schedules, and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. The combining and individual fund schedules, uniform accounting and reporting compliance table, and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. In addition, in our opinion, the statement of changes in student activity cash balances (Exhibit C-1) presents fairly the changes in the cash balances of the student activity funds for the year ended June 30, 2008. The school board and administration has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Eide Bailly LLP

Fargo, North Dakota  
November 21, 2008

**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2008**

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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, 2008. Please read it in conjunction with the District's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2007-2008 fiscal year include the following:

- General Fund 01: - The overall revenues were \$48,607,533 while the overall expenditures were \$50,805,822 decreasing the fund balance by \$2,198,289.
- Food Service Fund 02: - The revenues were \$1,865,628 and the expenditures were \$1,935,425 decreasing the fund balance by \$69,797.
- Community Service Fund 04: - The revenues were \$1,488,975 while the expenditures were \$1,492,204 decreasing the fund balance by \$3,229.
- Debt Service Fund 07: - The revenues were \$7,943,928 and expenditures of \$7,702,558 increasing the fund balance by \$241,370. 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

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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

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### Net Assets

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

**Table A-1**

#### STATEMENT OF NET ASSETS JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Current assets	\$ 63,978,242	\$ 64,404,986
Capital assets	<u>75,891,258</u>	<u>77,093,823</u>
Total assets	<u>\$ 139,869,500</u>	<u>\$ 141,498,809</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Other liabilities	\$ 15,560,285	\$ 14,012,392
Long-term liabilities	<u>103,747,041</u>	<u>106,933,031</u>
Total liabilities	<u>119,307,326</u>	<u>120,945,423</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	19,586,258	17,683,823
Restricted for specific purposes	44,308,724	45,227,740
Unrestricted	<u>(43,332,808)</u>	<u>(42,358,177)</u>
Total net assets	<u>20,562,174</u>	<u>20,553,386</u>
Total liabilities and net assets	<u>\$ 139,869,500</u>	<u>\$ 141,498,809</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, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
REVENUES		
Program revenues		
Charges for service	\$ 1,896,098	\$ 2,393,575
Operating grants and contributions	5,220,086	12,762,005
General		
Property taxes	6,616,743	5,398,616
Aids and payments from state and other	45,287,303	37,866,485
Unrestricted investment earnings	471,221	583,909
Miscellaneous revenues	433,158	415,027
	<u>59,924,609</u>	<u>59,419,617</u>
Total revenues		
EXPENSES		
District and school administration	2,584,946	2,373,240
District support services	945,582	990,097
Regular instruction	22,229,574	21,259,249
Vocational instruction	465,327	436,247
Exceptional instruction	11,870,354	11,973,919
Community education and services	1,496,201	1,456,854
Instructional support services	3,082,708	3,024,162
Pupil support services	6,431,703	5,769,941
Site, buildings and equipment	6,098,101	6,135,678
Fiscal and other fixed-cost programs	4,711,325	4,897,134
	<u>59,915,821</u>	<u>58,316,521</u>
Total expenses		
CHANGE IN NET ASSETS	8,788	1,103,096
NET ASSETS - BEGINNING	<u>20,553,386</u>	<u>19,450,290</u>
NET ASSETS - ENDING	<u>\$ 20,562,174</u>	<u>\$ 20,553,386</u>

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## MANAGEMENT’S DISCUSSION AND ANALYSIS

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### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### *Capital Assets*

Note 6 to the financial statements presents an analysis of capital asset transactions occurring during the year ended June 30, 2008. A decrease in net capital assets consisted primarily of the Building Construction sites being completed and now depreciated.

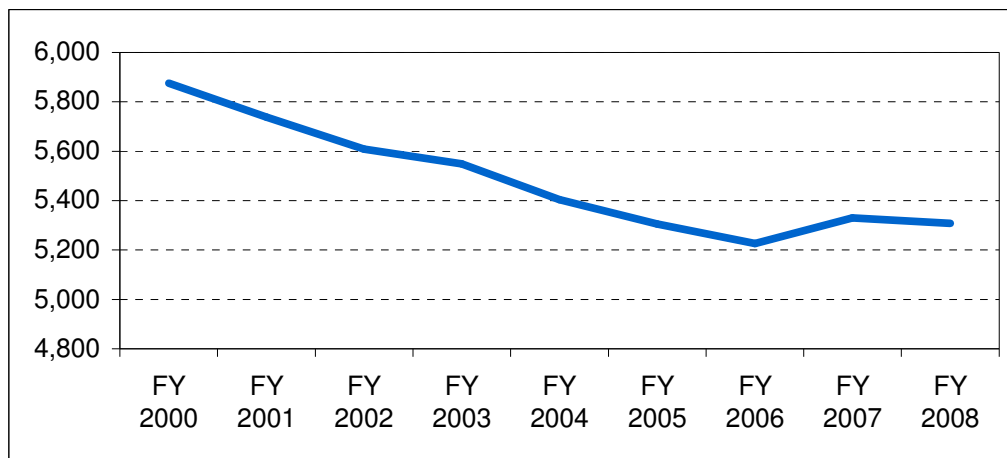
#### *Long-Term Debt*

At year end the District had \$103,747,041 of long term debt. This consisted of bonded indebtedness of \$98,385,000 and post employment benefits and sick leave of \$5,362,041. Note 7 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 Wayne Kazmierczak, Assistant Superintendent of Business Services, at the District offices at 2410 14<sup>th</sup> Street South, Moorhead, MN 56560.

**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD, MINNESOTA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

Exhibit A-1

**ASSETS**

Cash and investments	\$ 12,204,146
Cash with fiscal agent	42,101,787
Receivables	
Current property taxes	4,885,233
Delinquent property taxes	117,716
Accounts	109,294
Due from other governmental units	4,523,326
Prepaid items	5,587
Inventory	31,153
	<u>63,978,242</u>
Capital assets	
Land	1,049,947
Buildings	89,747,679
Improvements	1,724,169
Vehicles	1,218,400
Equipment	559,906
Less accumulated depreciation	<u>(18,408,843)</u>
Total capital assets, net of depreciation	<u>75,891,258</u>
Total assets	<u>\$ 139,869,500</u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable	\$ 442,490
Salaries payable	5,038,255
Accrued interest payable	1,133,416
Unearned revenue	134,033
Property taxes levied for subsequent year	8,812,091
Long-term liabilities	
Portion due or payable within one year	5,161,216
Portion due or payable after one year	<u>98,585,825</u>
Total liabilities	<u>119,307,326</u>

**NET ASSETS**

Invested in capital assets, net of related debt	19,586,258
Restricted for specific purposes	44,308,724
Unrestricted	<u>(43,332,808)</u>
Total net assets	<u>20,562,174</u>
Total liabilities and net assets	<u>\$ 139,869,500</u>

**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2008**

Exhibit A-2

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
District and school administration	\$ 2,584,946	\$ -	\$ -	\$ (2,584,946)
District support services	945,582	-	-	(945,582)
Regular instruction	22,229,574	24,150	1,280,609	(20,924,815)
Vocational instruction	465,327	-	-	(465,327)
Exceptional instruction	11,870,354	654,163	1,233,359	(9,982,832)
Community education and services	1,496,201	239,706	113,020	(1,143,475)
Instructional support services	3,082,708	-	-	(3,082,708)
Pupil support services	6,431,703	874,672	955,442	(4,601,589)
Site, buildings and equipment	6,098,101	103,407	-	(5,994,694)
Fiscal and other fixed-cost programs	4,711,325	-	1,637,656	(3,073,669)
Total governmental activities	<u>\$ 59,915,821</u>	<u>\$ 1,896,098</u>	<u>\$ 5,220,086</u>	<u>(52,799,637)</u>
GENERAL REVENUES				
Property taxes, levied for general purposes				1,763,343
Property taxes, levied for community education and services				226,548
Property taxes, levied for debt service				4,626,852
Aids and payments from the state				45,219,081
County apportionment				68,222
Unrestricted investment earnings				471,221
Gain on sale of property and equipment				54,050
Miscellaneous revenues				379,108
Total general revenues				<u>52,808,425</u>
CHANGES IN NETS ASSETS				8,788
NET ASSETS - BEGINNING				<u>20,553,386</u>
NET ASSETS - ENDING				<u>\$ 20,562,174</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, 2008**

Exhibit A-3

	General	Debt Service	Other Governmental Funds	Totals
<b>ASSETS</b>				
Cash and investments	\$ 8,762,902	\$ 2,995,416	\$ 445,828	\$ 12,204,146
Cash with fiscal agent	-	42,101,787	-	42,101,787
Due from other funds	6,549	-	-	6,549
Receivables				
Current property taxes	1,109,514	3,611,379	164,340	4,885,233
Delinquent property taxes	29,526	84,076	4,114	117,716
Accounts	78,567	-	30,727	109,294
Due from other governmental units	4,199,388	167,942	155,996	4,523,326
Prepaid items	5,587	-	-	5,587
Inventories	-	-	31,153	31,153
	<u>-</u>	<u>-</u>	<u>31,153</u>	<u>31,153</u>
Total assets	<u>\$ 14,192,033</u>	<u>\$ 48,960,600</u>	<u>\$ 832,158</u>	<u>\$ 63,984,791</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Due to other funds	\$ -	\$ -	\$ 6,549	\$ 6,549
Accounts payable	408,753	-	33,737	442,490
Salaries payable	5,002,394	-	35,861	5,038,255
Deferred revenue	120,180	84,076	47,493	251,749
Property taxes levied for subsequent year	2,346,343	6,185,141	280,607	8,812,091
Total liabilities	<u>7,877,670</u>	<u>6,269,217</u>	<u>404,247</u>	<u>14,551,134</u>
<b>FUND BALANCE (DEFICIT)</b>				
Reserved				
For deferred maintenance	155,155	-	-	155,155
For health and safety	(281,587)	-	-	(281,587)
For severance pay	301,709	-	-	301,709
For operating capital	454,378	-	-	454,378
For safe schools	(134)	-	-	(134)
For prepaid items	5,587	-	-	5,587
For inventories	-	-	31,153	31,153
For early childhood and family education	-	-	58,868	58,868
For community education	-	-	(309,341)	(309,341)
For school readiness	-	-	9,253	9,253
For scholarships	-	-	10,000	10,000
For bond refunding	-	42,101,787	-	42,101,787
Unreserved				
Designated for severance pay	1,811,532	-	-	1,811,532
Undesignated	3,867,723	589,596	627,978	5,085,297
Total fund balance	<u>6,314,363</u>	<u>42,691,383</u>	<u>427,911</u>	<u>49,433,657</u>
Total liabilities and fund balance	<u>\$ 14,192,033</u>	<u>\$ 48,960,600</u>	<u>\$ 832,158</u>	<u>\$ 63,984,791</u>

**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD, MINNESOTA**  
**RECONCILIATION OF THE BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

Exhibit A-4

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TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		\$ 49,433,657
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.		75,891,258
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.		(1,133,416)
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.		117,716
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	\$ (98,385,000)	
Severance payable	(2,113,241)	
Sick leave and vacation payable	(3,248,800)	
		<u>(103,747,041)</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES		<u>\$ 20,562,174</u>



**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2008**

Exhibit A-5

	General	Debt Service	Other Governmental Funds	Totals
<b>REVENUES</b>				
Local property tax levies	\$ 1,744,800	\$ 4,626,852	\$ 226,548	\$ 6,598,200
Other local and county sources	1,609,146	1,637,656	378,014	3,624,816
State sources	42,629,959	1,679,420	873,345	45,182,724
Federal sources	2,513,968	-	1,003,069	3,517,037
Miscellaneous	<u>55,610</u>	<u>-</u>	<u>874,068</u>	<u>929,678</u>
Total revenues	<u>48,553,483</u>	<u>7,943,928</u>	<u>3,355,044</u>	<u>59,852,455</u>
<b>EXPENDITURES</b>				
District and school administration	2,575,809	-	-	2,575,809
District support services	945,582	-	-	945,582
Regular instruction	22,307,953	-	-	22,307,953
Vocational instruction	465,327	-	-	465,327
Exceptional instruction	11,870,354	-	-	11,870,354
Community education and service	-	-	1,492,204	1,492,204
Instructional support services	3,042,549	-	-	3,042,549
Pupil support services	4,410,663	-	1,935,866	6,346,529
Site, buildings and equipment	5,037,054	-	-	5,037,054
Fiscal and other fixed cost programs	<u>150,531</u>	<u>7,702,558</u>	<u>-</u>	<u>7,853,089</u>
Total expenditures	<u>50,805,822</u>	<u>7,702,558</u>	<u>3,428,070</u>	<u>61,936,450</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(2,252,339)	241,370	(73,026)	(2,083,995)
<b>OTHER FINANCING SOURCE</b>				
Sale of property and equipment	<u>54,050</u>	<u>-</u>	<u>-</u>	<u>54,050</u>
<b>NET CHANGE IN FUND BALANCE</b>	(2,198,289)	241,370	(73,026)	(2,029,945)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>8,512,652</u>	<u>42,450,013</u>	<u>500,937</u>	<u>51,463,602</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 6,314,363</u>	<u>\$ 42,691,383</u>	<u>\$ 427,911</u>	<u>\$ 49,433,657</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, 2008**

Exhibit A-6

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NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (2,029,945)

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	\$ 842,810	
Depreciation expense	<u>(2,045,375)</u>	
Excess of depreciation expense over capital outlay		(1,202,565)

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	117,716	
Prior period balance	<u>(99,173)</u>	
Current year effect		18,543

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	(5,362,041)	
Prior period balance	<u>5,443,031</u>	
Current year effect		80,990

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

Current period balance	(1,133,416)	
Prior period balance	<u>1,170,181</u>	
Current year effect		36,765

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		<u>3,105,000</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 8,788

**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, 2008**

Exhibit A-7

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>REVENUES</b>				
Local property tax levies	\$ 1,735,192	\$ 1,735,192	\$ 1,744,800	\$ 9,608
Other local and county sources	2,565,557	2,031,274	1,609,146	(422,128)
State sources	43,392,236	43,373,445	42,629,959	(743,486)
Federal sources	2,881,317	2,681,202	2,513,968	(167,234)
Miscellaneous	<u>20,098</u>	<u>20,098</u>	<u>55,610</u>	<u>35,512</u>
Total revenues	<u>50,594,400</u>	<u>49,841,211</u>	<u>48,553,483</u>	<u>(1,287,728)</u>
<b>EXPENDITURES</b>				
District and school administration	2,491,603	2,573,797	2,575,809	(2,012)
District support services	1,004,678	994,561	945,582	48,979
Regular instruction	22,581,761	22,955,355	22,307,953	647,402
Vocational instruction	463,598	463,598	465,327	(1,729)
Exceptional instruction	12,580,804	12,206,974	11,870,354	336,620
Instructional support services	3,090,350	3,103,708	3,042,549	61,159
Pupil support services	4,197,767	4,358,277	4,410,663	(52,386)
Site, buildings and equipment	5,379,290	5,313,100	5,037,054	276,046
Fiscal and other fixed cost programs	<u>142,490</u>	<u>150,532</u>	<u>150,531</u>	<u>1</u>
Total expenditures	<u>51,932,341</u>	<u>52,119,902</u>	<u>50,805,822</u>	<u>1,314,080</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	(1,337,941)	(2,278,691)	(2,252,339)	26,352
<b>OTHER FINANCING SOURCE</b>				
Sale of property and equipment	<u>-</u>	<u>48,750</u>	<u>54,050</u>	<u>5,300</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,337,941)	(2,229,941)	(2,198,289)	31,652
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>8,512,652</u>	<u>8,512,652</u>	<u>8,512,652</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 7,174,711</u>	<u>\$ 6,282,711</u>	<u>\$ 6,314,363</u>	<u>\$ 31,652</u>

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**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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**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

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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

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**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

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### *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 \$303,531 of the property tax levy collectible in 2008 as revenue to the District in fiscal year 2007-2008. The remaining portion of the taxes collectible in 2008 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

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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, 2008, 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 2008, the District's expenditures for early retirement incentive payments totaled \$601,332.

## NOTES TO FINANCIAL STATEMENTS

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- (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 2008, total expenditures for health insurance premiums on behalf of 90 retired employees were \$2,714,572. At June 30, 2008, a post-employment health care benefits liability of \$2,113,241 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 2008.

### *Net Assets*

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

## **NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### *Deficit Fund Balance*

The Community Service Fund has a deficit fund balance of \$36,539. This deficit fund balance is expected to be eliminated with subsequent revenue and, if needed, a transfer from the General Fund.

## **NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables/payables are used to record accrued obligations between funds. At June 30, 2008 the General Fund has an interfund receivable from the Community Service Fund of \$6,549.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 4 - DEPOSITS AND INVESTMENTS

#### *Deposits*

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

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

#### Custodial Credit Risk – Deposits

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

At June 30, 2008, all deposits were insured or collateralized by securities held by the District's agent in the District's name

#### *Investments*

#### Credit Risk – Investments

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

#### Custodial Credit Risk – Investments

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

#### Interest Rate Risk – Investments

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

**NOTES TO FINANCIAL STATEMENTS**

The following table presents the District's deposit and investment balances at June 30, 2008:

Type	Fair Value	Investment Maturities (in Years)	
		N/A	1 - 5
Cash and cash equivalents			
Minnesota School District Liquid Asset Fund	\$ 6,995,695	\$ 6,995,695	\$ -
Deposits	858,180	858,180	-
Petty cash	14,340	14,340	-
Investments			
Certificates of deposit	4,335,931	-	4,335,931
	<u>\$ 12,204,146</u>	<u>\$ 7,868,215</u>	<u>\$ 4,335,931</u>

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

**NOTE 5 - DUE FROM OTHER GOVERNMENTAL UNITS**

Amounts receivable from other governments as of June 30, 2008, include:

Fund	Federal	State	Other	Total
Major funds				
General	\$ 779,329	\$ 2,494,600	\$ 925,459	\$ 4,199,388
Debt service	-	167,942	-	167,942
Non-major funds	<u>80,137</u>	<u>75,859</u>	<u>-</u>	<u>155,996</u>
	<u>\$ 859,466</u>	<u>\$ 2,738,401</u>	<u>\$ 925,459</u>	<u>\$ 4,523,326</u>

The state receivable in the general fund includes general education aid of \$1,716,221.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 is as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Capital assets not being depreciated:				
Land	\$ 1,049,947	\$ -	\$ -	\$ 1,049,947
Capital assets being depreciated:				
Buildings	89,349,403	398,276	-	89,747,679
Improvements	1,405,749	318,420	-	1,724,169
Vehicles	1,194,268	75,165	(51,033)	1,218,400
Equipment	508,957	50,949	-	559,906
Total capital assets being depreciated	<u>92,458,377</u>	<u>842,810</u>	<u>(51,033)</u>	<u>93,250,154</u>
Less accumulated depreciation for:				
Buildings	15,245,805	1,806,614	-	17,052,419
Improvements	181,443	78,248	-	259,691
Vehicles	745,132	102,190	(51,033)	796,289
Equipment	242,121	58,323	-	300,444
Total accumulated depreciation	<u>16,414,501</u>	<u>2,045,375</u>	<u>(51,033)</u>	<u>18,408,843</u>
Net capital assets, depreciated	<u>76,043,876</u>	<u>(1,202,565)</u>	<u>-</u>	<u>74,841,311</u>
Total capital assets, net	<u>\$ 77,093,823</u>	<u>\$ (1,202,565)</u>	<u>\$ -</u>	<u>\$ 75,891,258</u>

Depreciation expense for the year ended June 30, 2008 was charged to the following functions/programs:

District and school administration	\$ 9,137
Regular instruction	2,611
Community education	3,996
Instructional support	40,160
Pupil support services	85,616
Site, building and equipment	<u>1,903,855</u>
Total depreciation expense	<u>\$ 2,045,375</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7 - LONG-TERM LIABILITIES

Changes in long-term liabilities during the year ended June 30, 2008 are as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Due Within One Year
Bonds payable	\$ 101,490,000	\$ -	\$ 3,105,000	\$ 98,385,000	\$ 3,215,000
Compensated absences payable	3,612,995	-	364,195	3,248,800	959,765
Severance payable	<u>1,830,036</u>	<u>301,709</u>	<u>18,504</u>	<u>2,113,241</u>	<u>986,451</u>
	<u>\$ 106,933,031</u>	<u>\$ 301,709</u>	<u>\$ 3,487,699</u>	<u>\$ 103,747,041</u>	<u>\$ 5,161,216</u>

Following is a summary of bonds payable as of June 30, 2008:

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	\$ 53,800,000
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>2,505,000</u>
				<u>\$ 98,385,000</u>

\*\* As of June 30, 2008 the Building Bonds of 2002 have \$53,800,000 in principal payments remaining. All but \$11,720,000 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.

*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 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
2009	\$ 3,215,000	\$ 4,470,788	\$ 959,765	\$ -	\$ 986,451	\$ -	\$ 5,161,216	\$ 4,470,788
2010	3,380,000	4,329,602	89,446	-	301,709	-	3,771,155	4,329,602
2011	3,500,000	4,166,602	39,759	-	250,058	-	3,789,817	4,166,602
2012	45,675,000	3,997,848	85,012	-	213,863	-	45,973,875	3,997,848
2013	4,050,000	1,626,582	199,173	-	149,280	-	4,398,453	1,626,582
2014 - 2018	19,725,000	5,914,674	1,415,722	-	211,880	-	21,352,602	5,914,674
2019 - 2022	18,840,000	1,617,431	459,923	-	-	-	19,299,923	1,617,431
	<u>\$ 98,385,000</u>	<u>\$ 26,123,527</u>	<u>\$ 3,248,800</u>	<u>\$ -</u>	<u>\$ 2,113,241</u>	<u>\$ -</u>	<u>\$ 103,747,041</u>	<u>\$ 26,123,527</u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8 - RESTRICTED NET ASSETS

Restricted for specific purposes reported in the Statement of Net Assets consist of the following:

#### Major Funds

##### General Fund

Reserved for deferred maintenance	\$ 155,155
Reserved for severance pay	301,709
Reserved for operating capital	454,378

##### Debt service fund

Reserved for bond refunding	42,101,787
Unreserved	589,596

#### Nonmajor Funds

##### Food Service Fund

Unreserved	423,297
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##### Community Service Fund

Reserved for early childhood and family education	58,868
Reserved for school readiness	9,253
Unreserved	204,681

##### Scholarship Fund

Reserved for scholarships	<u>10,000</u>
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Total restricted for specific purposes	<u>\$ 44,308,724</u>
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### NOTE 9 - 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 \$305,114.



**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS - STATEWIDE**

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

**Teachers’ Retirement Association**

*Plan Description*

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

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

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

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

With these provisions:

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

## NOTES TO FINANCIAL STATEMENTS

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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](http://www.tra.state.mn.us). Alternatively, a copy of the report may be obtained by writing or calling TRA:

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

### *Funding Policy*

Minnesota Statutes Chapter 354 sets the rates for the employee and employer contributions. These statutes are established and amended by the state legislature. 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, 2008, 2007, and 2006 were \$1,339,578, \$1,201,816, and \$1,151,721, respectively, equal to the required contributions for each year as set by state statute.

## NOTES TO FINANCIAL STATEMENTS

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### **Public Employees' Retirement Association**

#### *Plan Description*

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

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

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

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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### *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, 2008, 2007, and 2006 were \$506,256, \$465,139, and \$415,814, respectively, equal to the contractually required contributions for each year as set by state statute.

### **NOTE 11 - FLEXIBLE BENEFIT PLAN**

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

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 12 - EMPLOYEE BENEFIT PLAN 403(B)

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

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

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

### NOTE 13 - COMMITMENTS AND CONTINGENCIES

#### *Federal Revenue*

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

#### *Contingencies*

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

#### *Operating Lease*

The District is obligated under certain leases accounted for as operating leases. These leases are generally cancelable on an annual basis by the District. Operating leases do not give rise to property rights or lease obligations and, therefore, the results of the lease agreements are not reflected as a liability in the Districts financial statements.

### NOTE 14 - ISSUED BUT NON-EFFECTIVE ACCOUNTING PRONOUNCEMENT

The Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by the District. The statement issued but not implemented that will significantly affect the District is statement No. 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.

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**COMBINING AND INDIVIDUAL FUND SCHEDULES**

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**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD, MINNESOTA**  
**SCHEDULE OF CHANGES IN FUND BALANCES**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2008**

Exhibit B-1

	Fund Balance (Deficit) Beginning of Year	Net Change in Fund Balance	Fund Balance (Deficit) End of Year
Reserved for deferred maintenance	\$ -	\$ 155,155	\$ 155,155
Reserved for health and safety	(206,579)	(75,008)	(281,587)
Reserved for severance pay	285,265	16,444	301,709
Reserved for operating capital	1,737,296	(1,282,918)	454,378
Reserved for safe schools	(602)	468	(134)
Reserved for prepaid items	-	5,587	5,587
Unreserved - designated for severance pay	1,544,771	266,761	1,811,532
Unreserved - undesignated	<u>5,152,501</u>	<u>(1,284,778)</u>	<u>3,867,723</u>
	<u>\$ 8,512,652</u>	<u>\$ (2,198,289)</u>	<u>\$ 6,314,363</u>



**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD, MINNESOTA**  
**SCHEDULE OF REVENUES – BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2008**  
**(With Comparative Totals for June 30, 2007)**

Exhibit B-2

	2008			Variance With Final Budget	2007
	Original Budget	Final Budget	Actual		Actual
Local property tax levies					
Maintenance levy	\$ 1,735,192	\$ 1,735,192	\$ 1,744,800	\$ 9,608	\$ 1,943,324
Other local and county sources					
Student activities, tuitions and fees	1,872,850	1,320,620	1,029,129	(291,491)	1,530,597
County apportionment	68,222	68,222	68,222	-	66,235
Interest	580,000	585,000	471,221	(113,779)	583,116
Other local revenues	<u>44,485</u>	<u>57,432</u>	<u>40,574</u>	<u>(16,858)</u>	<u>28,539</u>
	<u>2,565,557</u>	<u>2,031,274</u>	<u>1,609,146</u>	<u>(422,128)</u>	<u>2,208,487</u>
State sources					
General education aid	35,543,302	35,523,100	35,198,352	(324,748)	34,111,978
Special education aid	7,335,411	7,137,504	6,924,727	(212,777)	6,577,278
Educational Agricultural and Homestead Credit	146,774	146,774	103,021	(43,753)	147,499
Other aids	<u>366,749</u>	<u>566,067</u>	<u>403,859</u>	<u>(162,208)</u>	<u>372,177</u>
	<u>43,392,236</u>	<u>43,373,445</u>	<u>42,629,959</u>	<u>(743,486)</u>	<u>41,208,932</u>
Federal sources					
Title I	1,047,349	745,367	702,522	(42,845)	878,684
Special education aid	1,149,350	1,303,547	1,113,024	(190,523)	1,277,987
Other	<u>684,618</u>	<u>632,288</u>	<u>698,422</u>	<u>66,134</u>	<u>592,766</u>
	<u>2,881,317</u>	<u>2,681,202</u>	<u>2,513,968</u>	<u>(167,234)</u>	<u>2,749,437</u>
Miscellaneous					
Insurance recoveries	-	-	42,386	42,386	-
Other	<u>20,098</u>	<u>20,098</u>	<u>13,224</u>	<u>(6,874)</u>	<u>116,732</u>
	<u>20,098</u>	<u>20,098</u>	<u>55,610</u>	<u>35,512</u>	<u>116,732</u>
Total revenues	\$ <u>50,594,400</u>	\$ <u>49,841,211</u>	\$ <u>48,553,483</u>	\$ <u>(1,287,728)</u>	\$ <u>48,226,912</u>

**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD, MINNESOTA**  
**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2008**  
**(With Comparative Totals for June 30, 2007)**

Exhibit B-3

	2008			Variance With Final Budget	2007
	Original Budget	Final Budget	Actual		Actual
<b>District and school administration</b>					
Salaries and wages	\$ 2,102,600	\$ 2,136,984	\$ 2,123,840	\$ 13,144	\$ 2,001,227
Employee benefits	329,137	383,218	391,974	(8,756)	310,986
Purchased services	29,334	29,334	32,437	(3,103)	28,635
Other expenditures	30,532	24,261	27,558	(3,297)	23,284
	<u>2,491,603</u>	<u>2,573,797</u>	<u>2,575,809</u>	<u>(2,012)</u>	<u>2,364,132</u>
<b>District support services</b>					
Salaries and wages	767,289	715,679	728,823	(13,144)	775,463
Employee benefits	120,276	123,498	123,233	265	116,945
Purchased services	88,343	111,614	64,556	47,058	70,284
Supplies and materials	15,156	20,156	21,217	(1,061)	9,453
Other expenditures	13,614	23,614	7,753	15,861	17,952
	<u>1,004,678</u>	<u>994,561</u>	<u>945,582</u>	<u>48,979</u>	<u>990,097</u>
<b>Regular instruction</b>					
Salaries and wages	15,939,955	16,354,081	15,893,761	460,320	15,149,089
Employee benefits	4,688,556	4,670,272	4,669,495	777	4,438,630
Purchased services	745,214	762,282	778,974	(16,692)	752,221
Supplies and materials	930,957	930,957	782,168	148,789	837,191
Capital expenditures	126,124	97,601	89,783	7,818	92,215
Other expenditures	150,955	140,162	93,772	46,390	94,787
	<u>22,581,761</u>	<u>22,955,355</u>	<u>22,307,953</u>	<u>647,402</u>	<u>21,364,133</u>
<b>Vocational instruction</b>					
Salaries and wages	345,680	345,680	343,652	2,028	328,347
Employee benefits	107,333	107,333	109,613	(2,280)	95,363
Purchased services	328	328	645	(317)	313
Supplies and materials	10,257	10,257	11,417	(1,160)	12,224
	<u>463,598</u>	<u>463,598</u>	<u>465,327</u>	<u>(1,729)</u>	<u>436,247</u>
<b>Exceptional instruction</b>					
Salaries and wages	9,022,479	8,831,541	8,764,071	67,470	8,517,631
Employee benefits	1,990,145	2,142,916	2,119,894	23,022	1,907,186
Purchased services	1,324,817	941,060	817,091	123,969	1,304,882
Supplies and materials	79,750	79,290	87,753	(8,463)	76,981
Capital expenditures	162,710	211,264	81,545	129,719	165,466
Other expenditures	903	903	-	903	1,772
	<u>12,580,804</u>	<u>12,206,974</u>	<u>11,870,354</u>	<u>336,620</u>	<u>11,973,918</u>

(continued on next page)

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

Exhibit B-3, continued

	2008			Variance With Final Budget	2007
	Original Budget	Final Budget	Actual		Actual
<b>Instructional support services</b>					
Salaries and wages	1,692,718	1,674,415	1,650,954	23,461	1,624,516
Employee benefits	311,816	332,461	277,221	55,240	322,534
Purchased services	234,630	222,781	142,838	79,943	195,873
Supplies and materials	173,903	178,138	175,300	2,838	117,718
Capital expenditures	652,350	659,115	765,797	(106,682)	730,567
Other expenditures	24,933	36,798	30,439	6,359	32,647
	<u>3,090,350</u>	<u>3,103,708</u>	<u>3,042,549</u>	<u>61,159</u>	<u>3,023,855</u>
<b>Pupil support services</b>					
Salaries and wages	1,381,130	1,431,788	1,435,250	(3,462)	1,306,990
Employee benefits	284,317	316,959	309,834	7,125	270,427
Purchased services	2,044,421	2,060,785	2,103,876	(43,091)	2,002,259
Supplies and materials	386,120	446,966	465,626	(18,660)	355,181
Capital expenditures	75,295	75,295	73,165	2,130	70,926
Other expenditures	26,484	26,484	22,912	3,572	24,422
	<u>4,197,767</u>	<u>4,358,277</u>	<u>4,410,663</u>	<u>(52,386)</u>	<u>4,030,205</u>
<b>Site, building and equipment</b>					
Salaries and wages	1,259,087	1,159,010	1,176,853	(17,843)	1,140,279
Employee benefits	206,752	199,158	196,833	2,325	196,649
Purchased services	1,317,054	1,349,787	1,406,195	(56,408)	1,333,701
Supplies and materials	1,286,740	1,286,740	962,241	324,499	1,082,760
Capital expenditures	1,305,100	1,313,848	1,289,332	24,516	1,072,276
Other expenditures	4,557	4,557	5,600	(1,043)	5,091
	<u>5,379,290</u>	<u>5,313,100</u>	<u>5,037,054</u>	<u>276,046</u>	<u>4,830,756</u>
<b>Fiscal and other fixed costs</b>					
Purchased services	<u>142,490</u>	<u>150,532</u>	<u>150,531</u>	<u>1</u>	<u>201,139</u>
<b>Total expenditures</b>	<u>\$ 51,932,341</u>	<u>\$ 52,119,902</u>	<u>\$ 50,805,822</u>	<u>\$ 1,314,080</u>	<u>\$ 49,214,482</u>

**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD, MINNESOTA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2008**

Exhibit B-4

	Food Service	Community Service	Scholarships	Totals
<b>ASSETS</b>				
Cash and investments	\$ 435,828	\$ -	\$ 10,000	\$ 445,828
Receivables				
Current property taxes	-	164,340	-	164,340
Delinquent property taxes	-	4,114	-	4,114
Accounts	30,286	-	441	30,727
Due from other governmental units	14,385	141,611	-	155,996
Inventories	31,153	-	-	31,153
	<u>511,652</u>	<u>310,065</u>	<u>10,441</u>	<u>832,158</u>
Total assets	<u>\$ 511,652</u>	<u>\$ 310,065</u>	<u>\$ 10,441</u>	<u>\$ 832,158</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Due to other funds	\$ -	\$ 6,549	\$ -	\$ 6,549
Accounts payable	20,019	13,277	441	33,737
Salaries payable	-	35,861	-	35,861
Deferred revenue	37,183	10,310	-	47,493
Property taxes levied for subsequent year	-	280,607	-	280,607
Total liabilities	<u>57,202</u>	<u>346,604</u>	<u>441</u>	<u>404,247</u>
<b>FUND BALANCE (DEFICIT)</b>				
Reserved				
For inventories	31,153	-	-	31,153
For early childhood and family education	-	58,868	-	58,868
For community education	-	(309,341)	-	(309,341)
For school readiness	-	9,253	-	9,253
For scholarships	-	-	10,000	10,000
Unreserved - Undesignated	423,297	204,681	-	627,978
Total fund balance (deficit)	<u>454,450</u>	<u>(36,539)</u>	<u>10,000</u>	<u>427,911</u>
	<u>\$ 511,652</u>	<u>\$ 310,065</u>	<u>\$ 10,441</u>	<u>\$ 832,158</u>
Total liabilities and fund balance	<u>\$ 511,652</u>	<u>\$ 310,065</u>	<u>\$ 10,441</u>	<u>\$ 832,158</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, 2008**

Exhibit B-5

	Food Service	Community Service	Scholarships	Totals
<b>REVENUES</b>				
Local property tax levies	\$ -	\$ 226,548	\$ -	\$ 226,548
Other local and county sources	62,540	315,033	441	378,014
State sources	127,995	745,350	-	873,345
Federal sources	801,025	202,044	-	1,003,069
Sales and other conversion of assets	874,068	-	-	874,068
	<u>1,865,628</u>	<u>1,488,975</u>	<u>441</u>	<u>3,355,044</u>
<b>Total revenues</b>				
<b>EXPENDITURES</b>				
Community education and service	-	1,492,204	-	1,492,204
Pupil support services	1,935,425	-	441	1,935,866
	<u>1,935,425</u>	<u>1,492,204</u>	<u>441</u>	<u>3,428,070</u>
<b>Total expenditures</b>				
<b>DEFICIENCY OF REVENUES</b>				
<b>UNDER EXPENDITURES</b>	(69,797)	(3,229)	-	(73,026)
<b>FUND BALANCE (DEFICIT),</b>				
<b>BEGINNING OF YEAR</b>	<u>524,247</u>	<u>(33,310)</u>	<u>10,000</u>	<u>500,937</u>
<b>FUND BALANCE (DEFICIT), END OF YEAR</b>	<u>\$ 454,450</u>	<u>\$ (36,539)</u>	<u>\$ 10,000</u>	<u>\$ 427,911</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, 2008**  
**(With Comparative Totals for June 30, 2007)**

Exhibit B-6

	2008			2007	
	Original Budget	Final Budget	Actual	Variance With Final Budget	Actual
<b>Revenues</b>					
Other local and county sources	\$ 53,598	\$ 64,038	\$ 62,540	\$ (1,498)	\$ 64,086
State sources					
Lunch program aid	127,504	122,969	127,995	5,026	123,152
Federal sources					
Lunch program aid	683,738	700,228	704,696	4,468	680,829
Food distribution program	94,260	99,600	96,329	(3,271)	86,692
	<u>777,998</u>	<u>799,828</u>	<u>801,025</u>	<u>1,197</u>	<u>767,521</u>
Sale of food	855,936	872,550	874,068	1,518	859,904
Total revenues	<u>1,815,036</u>	<u>1,859,385</u>	<u>1,865,628</u>	<u>6,243</u>	<u>1,814,663</u>
<b>Expenditures</b>					
Pupil support services					
Salaries and wages	444,803	457,563	454,831	2,732	427,539
Employee benefits	76,298	75,514	75,106	408	69,627
Purchased services	171,876	240,570	240,489	81	157,719
Food costs and supplies	1,097,390	1,107,303	1,116,955	(9,652)	1,029,594
Capital outlay	63,200	24,800	20,107	4,693	43,497
Other expenditures	37,080	29,000	27,937	1,063	37,665
Total expenditures	<u>1,890,647</u>	<u>1,934,750</u>	<u>1,935,425</u>	<u>(675)</u>	<u>1,765,641</u>
Excess (deficiency) of revenues over (under) expenditures	(75,611)	(75,365)	(69,797)	5,568	49,022
Fund balance, beginning of year	<u>524,247</u>	<u>524,247</u>	<u>524,247</u>	-	<u>475,225</u>
Fund balance, end of year	<u>\$ 448,636</u>	<u>\$ 448,882</u>	<u>\$ 454,450</u>	<u>\$ 5,568</u>	<u>\$ 524,247</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, 2008**  
**(With Comparative Totals for June 30, 2007)**

Exhibit B-7

	2008			2007	
	Original Budget	Final Budget	Actual	Variance With Final Budget	Actual
<b>Revenues</b>					
Local property taxes					
Property tax levy	\$ 290,097	\$ 290,097	\$ 226,548	\$ (63,549)	\$ 186,176
Other local and county sources					
Tuition and fees	215,360	215,360	239,706	24,346	236,723
Miscellaneous local revenues	52,950	52,950	75,327	22,377	52,446
	<u>268,310</u>	<u>268,310</u>	<u>315,033</u>	<u>46,723</u>	<u>289,169</u>
State sources					
Other appropriations	661,148	661,148	745,350	84,202	734,868
Federal source	65,591	221,081	202,044	(19,037)	157,327
	<u>1,285,146</u>	<u>1,440,636</u>	<u>1,488,975</u>	<u>48,339</u>	<u>1,367,540</u>
<b>Expenditures</b>					
Community education and services					
Salaries and wages	808,994	997,175	976,417	20,758	943,068
Employee benefits	127,625	153,462	154,329	(867)	145,643
Purchased services	238,018	232,312	223,869	8,443	228,951
Supplies and materials	74,641	77,406	88,692	(11,286)	75,792
Capital outlay	4,560	4,760	6,468	(1,708)	20,209
Other expenditures	42,957	44,982	42,429	2,553	39,196
	<u>1,296,795</u>	<u>1,510,097</u>	<u>1,492,204</u>	<u>17,893</u>	<u>1,452,859</u>
Excess (deficiency) of revenues over (under) expenditures	(11,649)	(69,461)	(3,229)	66,232	(85,319)
Fund balance (deficit), beginning of year	(33,310)	(33,310)	(33,310)	-	52,009
Fund balance (deficit), end of year	\$ (44,959)	\$ (102,771)	\$ (36,539)	\$ 66,232	\$ (33,310)

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**OTHER SUPPLEMENTARY INFORMATION**

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**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD, MINNESOTA**  
**CHANGES IN STUDENT ACTIVITY CASH BALANCES**  
**YEAR ENDED JUNE 30, 2008**

Exhibit C-1

Activity	Balance 7/1/07	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/08
6th Grade Activities (A)	\$ 3,795	\$ 65	\$ 1,987	\$ 1,873
6th Grade Activities (B)	4,715	4,432	3,753	5,394
6th Grade Activities (C)	3,192	67	593	2,666
8th Grade Activities	2,940	5,806	3,610	5,136
ALC	3,742	87	-	3,829
APL Project	729	1,397	924	1,202
Apollo Strings	44,216	128,777	85,330	87,663
Auditorium Technology	357	1,056	1,040	373
Band - Jr. High	19,784	9,148	6,790	22,142
Band - Sr. High	49,031	83,471	51,382	81,120
Baseball Club	420	13,468	11,575	2,313
Basketball - Boys	556	5,316	4,772	1,100
Basketball - Girls	1,965	4,660	4,192	2,433
Caps & Gowns	15,597	361	-	15,958
Choir - Sr. High	4,858	13,632	14,272	4,218
Chokio	4,048	5,605	1,764	7,889
Class of 2008	4,225	49	4,225	49
Class of 2009	-	6,025	821	5,204
Close Up	-	8,543	8,977	(434)
Community/Work Class	96	-	-	96
Craft Club - Sr. High	744	215	353	606
Cross Country	132	3,637	3,763	6
Danceline	4,975	21,081	18,611	7,445
Debate Enrichment	472	3,559	2,923	1,108
Destination Imagination	506	2,595	2,435	666
DHH Social Fund	127	3	-	130
ECFE	1,873	505	2,356	22
Edison School Store	82	-	-	82
English - Jr. High	327	8	-	335

(continued on next page)

Activity	Balance 7/1/07	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/08
Field House	143	3	-	146
Fine Arts - Sr. High	-	368	-	368
Football Club	6,463	36,124	34,454	8,133
French Club	2,995	1,903	2,400	2,498
Girls Golf - Sr. High	27	70	70	27
Gymnastics Club	1,072	415	340	1,147
Hall of Honor	1,670	4,295	2,840	3,125
Heroes - Jr. High	508	12	-	520
History Day	140	3	-	143
Hockey - Boys	650	5,856	4,848	1,658
Hockey - Girls	718	355	461	612
Honor Choir - Jr. High	8,600	6,079	6,521	8,158
Horizon Visiting Auth	-	1,571	1,348	223
Interest	-	8,355	8,355	-
Intramurals	585	861	495	951
Journalism	3,690	1,957	249	5,398
Knowledge Bowl	916	3,028	1,465	2,479
Lova	88	-	-	88
Math Club - Jr. High	8	-	-	8
Media - Jr. High	632	652	522	762
National Forensics League	1,631	12,322	12,986	967
Nature Project - Jr. High	24	1,171	1,158	37
Orchestra - Jr. High	1,323	49,700	48,716	2,307
PBIS - Horizon	-	809	32	777
Plays - Sr. High	364	77,245	75,745	1,864
Positive Incentives - Jr. High	7	500	368	139
Robert Asp Special	15	-	-	15
Robert Asp Student Council	2,866	66	-	2,932
Robert Asp Yearbook	962	22	-	984
RRALC Store	1,718	40	-	1,758
SADD	693	620	257	1,056
School Patrol	7,338	1,862	1,080	8,120
Scotland Fund	-	232,461	192,387	40,074
Service Enhancement Club	139	198	183	154
Service Learning	4,804	13,710	14,514	4,000
Soccer - Boys	-	202	-	202
Soccer - Girls	3,160	2,736	4,504	1,392
Social Studies - Sr. High	257	6	-	263
Softball	3,796	3,283	4,927	2,152

Activity	Balance 7/1/07	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/08
Spanish Club	3,432	79	-	3,511
Spanish Club - Jr. High	1,114	14	1,000	128
Spanish Trips - Sr. High	1	-	-	1
STEP - Jr. High	-	452	452	-
STEP Trip	81	-	-	81
Store - Jr. High	354	3,352	2,284	1,422
Student Council - Jr. High	8,360	26,976	21,033	14,303
Student Council - Sr. High	12,871	4,634	5,316	12,189
Swimming - Boys	1,978	2,185	2,956	1,207
Swimming - Girls	2,355	8,335	8,599	2,091
Tennis - Girls	41	-	-	41
Theatre Arts - Jr. High	4,969	40,044	35,119	9,894
Track - Boys	3,373	5,680	4,545	4,508
Track - Girls	448	3,237	3,524	161
World DI	52	-	-	52
Wrestling Club	460	10	-	470
Yearbook - Jr. High	7,663	12,553	20,973	(757)
Youth Board	<u>7</u>	<u>-</u>	<u>-</u>	<u>7</u>
	<u>\$ 279,065</u>	<u>\$ 899,979</u>	<u>\$ 763,474</u>	<u>\$ 415,570</u>

**INDEPENDENT SCHOOL DISTRICT NO. 152**

**MOORHEAD, MINNESOTA**

**UNIFORM ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE**

Exhibit C-2

**YEAR ENDED JUNE 30, 2008**

GENERAL FUND

Total revenues	\$ 48,553,483
Total expenditures	50,805,822
Fund Balance	
Reserved:	
4.05 Deferred maintenance	155,155
4.06 Health and safety	(281,587)
4.11 Severance pay	301,709
4.24 Operating capital	454,378
4.49 Safe schools	(134)
Unreserved:	
4.22 Designated for severance pay	1,811,532
4.22 Unres fund balance	3,873,310

FOOD SERVICE

Total revenues	\$ 1,865,628
Total expenditures	1,935,425
Fund Balance	
Unreserved:	
4.22 Unres fund balance	454,450

COMMUNITY SERVICE

Total revenues	\$ 1,488,975
Total expenditures	1,492,204
Fund Balance	
Reserved:	
4.31 Community education	(309,341)
4.32 Early childhood-family education	58,868
4.44 School readiness	9,253
Unreserved:	
4.22 Unres fund balance	204,681

DEBT SERVICE

Total revenues	\$ 7,943,928
Total expenditures	7,702,558
Fund Balance	
Reserved:	
4.25 Bond refunding	42,101,787
Unreserved:	
4.22 Unres fund balance	589,596

TRUST FUND

Total revenues	\$ 441
Total expenditures	441
Fund Balance	
Unreserved:	
4.22 Unres fund balance	10,000

	Fund	Reserved Total	Unreserved Total
	01	\$ 629,521	\$ 5,684,842
	02	-	454,450
	04	(241,220)	204,681
	07	42,101,787	589,596
	08	10,000	-

**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD, MINNESOTA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2008**

Federal Grantor/Program Title	Federal CFDA Number	Expenditures
<b>Department of Agriculture</b>		
<i>Passed through Minnesota Department of Children Families and Learning</i>		
School Breakfast	10.553	\$ 129,494
Milk Program	10.556	3,883
National School Lunch	10.555	568,516
Total Child Nutrition Cluster		<u>701,893</u>
Total Department of Agriculture		<u>701,893</u>
<b>Department of Education</b>		
<i>Passed through Minnesota Department of Children Families and Learning</i>		
Adult Basic Education - Regular	84.002	<u>32,543</u>
ECIA - Chapter I	84.010	638,100
ECIA - Chapter I - Neglected and Delinquent	84.010	<u>27,764</u>
Total CFDA # 84.010		<u>665,864</u>
Migrant - Education	84.011	<u>38,146</u>
Flow-through 94-142	84.027	1,333,435
CIMP	84.027	8,665
RTI	84.027A	18,844
Disabled Early Education	84.173	<u>26,432</u>
Total Special Education Cluster		<u>1,387,376</u>
Title VII Indian School Assistance	84.060	<u>40,937</u>
Drug Education	84.186	<u>12,429</u>
Homeless Grant	84.196	<u>49,919</u>

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – Page 2**

Federal Grantor/Program Title	Federal CFDA Number	Expenditures
<b>Department of Education, continued</b>		
<i>Passed through Minnesota</i>		
<i>Department of Children Families and Learning</i>		
Title V	84.298	<u>6,516</u>
Title III	84.365A	<u>52,185</u>
Title II	84.367	<u>338,984</u>
Title II Part D	84.318	<u>15,628</u>
<i>Direct</i>		
Even Start	84.213	<u>159,352</u>
Total Department of Education		<u>2,799,879</u>
<b>Total expenditures of federal awards</b>		<u><u>\$ 3,501,772</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, 2008, the district had food commodities totaling \$31,153 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***

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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, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

*Internal Control Over Financial Reporting*

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider deficiencies 08-1 and 08-2 described in the accompanying schedule of audit findings and questioned costs to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 08-1 and 08-2 to be material weaknesses.

### *Compliance and Other Matters*

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

### *Minnesota Legal Compliance*

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

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

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

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

Eide Bailly LLP

Fargo, North Dakota  
November 21, 2008



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**

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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, 2008. 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, 2008.

### *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  
November 21, 2008

**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD, MINNESOTA**  
**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2008**

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NONE.

**INDEPENDENT SCHOOL DISTRICT NO. 152**  
**MOORHEAD, MINNESOTA**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2008**

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**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 significant deficiencies were disclosed during the audit of the financial statements reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Of the significant deficiencies identified, we consider findings 08-1 and 08-2 to be material weaknesses.
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: Child Nutrition Cluster CFDA #10.553, #10.555, and #10.556, and Special Education Cluster CFDA #84.027 and #84.173.
8. The threshold for distinguishing a Type A program was \$300,000.
9. Independent School District No. 152, Moorhead, Minnesota was determined to be a high-risk auditee.



**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**Material Weakness**

08-1 Preparation of Financial Statements

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

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

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

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

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

**Corrective Action Plan (CAP)**

1. *Actions Planned in Response to the Finding:* The District will continue to have the auditors prepare the financial statements; however, the District has established an internal control policy to document the annual review of the financial statements by the School Board and management.
2. *Explanation of Disagreement:* There is no disagreement with the audit finding.
3. *Official Responsible for Ensuring Corrective Action:* Wayne Kazmierczak, Assistant Superintendent of Business Services.
4. *Planned Completion Date for the Corrective Action:* November 30, 2008.
5. *Plan to Monitor Completion of Corrective Action:* Wayne Kazmierczak, Assistant Superintendent of Business Services, will monitor the review of the financial statements with the School Board and management.

**Material Weakness**

08-2 Significant Journal Entries

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

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

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

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

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

**Corrective Action Plan (CAP)**

1. *Actions Planned in Response to the Finding:* The District will review the prior year journal entries to determine training needs with the intent to reduce the overall frequency or number of adjusting journal entries.
2. *Explanation of Disagreement:* There is no disagreement with the audit finding.
3. *Official Responsible for Ensuring Corrective Action:* Wayne Kazmierczak, Assistant Superintendent of Business Services.
4. *Planned Completion Date for the Corrective Action:* June 30, 2009.
5. *Plan to Monitor Completion of Corrective Action:* Wayne Kazmierczak, Assistant Superintendent of Business Services, will monitor the training needs to ensure completion of action plan by June 30, 2009.

**C. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT – NONE**



CPAs & BUSINESS ADVISORS

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

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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, 2008, and have issued our report thereon dated November 21, 2008. 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  
November 21, 2008