



Financial Statements  
June 30, 2013

**Independent School District No. 206  
Alexandria Public Schools**

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<b>School Board</b>		
<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Dean Anderson	Chairperson	2014
Dave Anderson	Vice Chairperson	2016
Jean Robley	Treasurer	2014
Pam Carlson	Director	2016
Angi Krebs	Director	2016
Alan Zeithamer	Director	2014
Sandy Susag	Director	2014
<b>Administration</b>		
Richard Lahn	Superintendent	
Trevor Peterson	Director of Business Services	



## Independent Auditor's Report

The School Board of  
Independent School District No. 206  
Alexandria Public Schools  
Alexandria, Minnesota

### Report on the Financial Statements

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. 206, Alexandria Public Schools, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **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, 2013, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively compromise the District's 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 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 Organization*, and is also not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, and uniform accounting and reporting compliance table, statement of changes in student activity cash balances, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The School Board and administration list has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated October 17, 2013 on our consideration of District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering the District's internal control over financial reporting and compliance.

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

Fargo, North Dakota  
October 17, 2013

This section of Alexandria Public Schools' – Independent School District No. 206's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2013. Please read it in conjunction with the District's financial statements, which immediately follow this section.

## **Financial Highlights**

Key financial highlights for the 2012-2013 fiscal year include the following:

- General Fund 01 – The overall revenues were \$38,647,815 while the overall expenditures were \$36,775,130. These, along with other financing sources of \$401,737, increased the fund balance by \$2,274,422.
- Food Service Fund 02 – The revenues were \$2,230,240 while the expenditures were \$2,148,729. These, along with a transfer out of \$75,000, increased the fund balance by \$6,511.
- Community Service Fund 04 – The revenues were \$1,880,829 while the expenditures were \$1,729,021; increasing the fund balance by \$151,283.
- Debt Service Fund 07 – The revenues were \$6,161,044 while the expenditures were \$5,992,133; increasing the fund balance by \$168,911.

## **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 position 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 position and how they have changed. Net position - 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 position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.



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

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

### **Fund Financial Statements**

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

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

The District has two kinds of funds:

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

**Financial Analysis of the District as a Whole**

**Net Position**

The District's combined net position was a positive \$148,931,307 on June 30, 2013.

Statement of Net Position  
 June 30, 2013 and 2012

	2013	2012
Assets		
Current assets	\$ 75,380,435	\$ 89,895,452
Capital assets	73,475,872	49,676,221
Total assets	\$ 148,856,307	\$ 139,571,673
Liabilities and Net Position		
Liabilities		
Other liabilities	\$ 20,817,783	\$ 21,111,152
Long-term liabilities	110,110,440	105,733,542
Total liabilities	130,928,223	126,844,694
Net Position		
Net investment in capital assets	29,913,228	10,560,372
Restricted for specific purposes	48,972,772	1,696,720
Unrestricted	(60,957,916)	469,887
Total net position	17,928,084	12,726,979
Total liabilities and net position	\$ 148,856,307	\$ 139,571,673

Independent School District No. 206  
 Alexandria Public Schools  
 Management's Discussion and Analysis  
 Year Ended June 30, 2013

	2013	2012
Revenues		
Program revenues		
Charges for service	\$ 2,622,310	\$ 2,367,454
Operating grants and contributions	453,910	443,225
Capital grants and contributions	1,096,060	785,650
General		
Property taxes	11,023,122	7,811,243
Aids and payments from state and other	35,210,472	33,992,779
Miscellaneous revenues	890,987	485,023
Total revenues	51,296,861	45,885,374
Expenses		
Administration	1,454,438	1,390,802
District support services	1,889,074	1,268,107
Regular instruction	16,679,802	14,290,575
Vocational instruction	392,157	448,940
Special education instruction	8,700,637	8,938,799
Community education and services	1,710,060	1,593,715
Instructional support services	568,153	901,090
Pupil support services	4,846,557	5,274,539
Sites and buildings	3,937,963	6,692,958
Fiscal and other fixed-cost programs	5,916,915	7,596,149
Total expenses	46,095,756	48,395,674
Change in Net Position	5,201,105	(2,510,300)
Net Position - Beginning	12,726,979	15,237,279
Net Position - Ending	\$ 17,928,084	\$ 12,726,979

**Changes in Net Position** – The District's total revenues were approximately \$51.3 million for the year ended June 30, 2013. Property taxes and state formula aid accounted for 90% of total revenue for the year. Another 8% came from other program revenues.

The total cost of all programs and services was approximately \$46 million. The District's expenses are predominantly related to educating and caring for students. The purely administrative activities of the District accounted for just 3.2% of total costs.

The total revenues exceeded expenses increasing the net position approximately \$5.3 million for fiscal year 2013.

Independent School District No. 206  
 Alexandria Public Schools  
 Management's Discussion and Analysis  
 Year Ended June 30, 2013

**General Fund**

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

The following schedule presents a summary of General Fund Revenues.

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2013	2012		
Local property taxes	\$ 3,665,799	\$ 3,932,406	\$ (266,607)	-6.8%
Other local sources	1,407,426	1,453,497	(46,071)	-3.2%
State sources	31,695,829	29,781,381	1,914,448	6.4%
Federal sources	1,867,974	2,282,447	(414,473)	-18.2%
Miscellaneous	10,781	17,864	(7,083)	-39.6%
<b>Total General Fund revenues</b>	<b>\$ 38,647,809</b>	<b>\$ 37,467,595</b>	<b>\$ 1,180,214</b>	<b>3.1%</b>

Total General Fund revenue *increased* by \$1,180,220 or 3.1% from the previous year. Basic general education revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. The mix of property tax and state aid can change significantly from year to year without any net change on revenue. The majority of the increase in revenue for 2013 was in the area of State sources and was caused by the District's increase in general education state aid and special education revenue.

The following schedule presents a summary of General Fund expenditures.

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2013	2012		
Salaries and benefits	\$ 28,688,296	\$ 29,599,830	\$ (911,534)	-3.1%
Purchased services	4,719,617	4,348,867	370,750	8.5%
Supplies and materials	1,480,444	1,547,555	(67,111)	-4.3%
Capital expenditures	1,687,678	1,756,460	(68,782)	-3.9%
Other expenditures	199,089	178,147	20,942	11.8%
<b>Total General Fund expenditures</b>	<b>\$ 36,775,124</b>	<b>\$ 37,430,859</b>	<b>\$ (655,735)</b>	<b>-1.8%</b>

Total General Fund expenditures *decreased* by \$655,729 or 1.8% from the previous year.

**General Fund Budgetary Highlights**

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

- Actual revenues were \$1,407,496 *more than* budget, mainly because of more than anticipated special education aid from the state.
- Actual expenditures were \$450,443 *less than* budget.

**Other Non-Major Funds –**

The Food Service Fund incurred a current year surplus of \$6,511. From the standpoint of maintaining current operating expenditures within the range of annual revenue, the Community Service Fund and Food Service Fund continue to operate on a sound financial basis.

**Capital Assets and Debt Administration**

**Capital Assets**

By the end of 2013, the District had invested approximately \$103 million in a broad range of capital assets, including school buildings, athletic facilities, computer and audit-visual equipment, and school vehicles. Total depreciation expense for the year was \$1,917,746.

Capital Assets Governmental Activities  
 June 30, 2013 and 2012

	2013	2012
Land	\$ 6,234,903	\$ 6,234,903
Construction in Progress	26,893,331	2,234,309
Buildings	49,542,889	49,322,017
Improvements	8,673,778	8,621,778
Equipment	11,536,874	10,947,149
Accumulated Depreciation	(29,405,903)	(27,683,935)
Total capital assets	\$ 73,475,872	\$ 49,676,221

### **Long-Term Debt**

At year end the District had \$110,110,440 of long term debt. This consisted of bonded indebtedness of \$108,065,000, unamortized bond premiums of \$1,293,895, capital leases payable of \$647,644 and vacation and sick leave payable of \$103,901. Note 8 presents the detail of the District's long-term debt.

### **Factors Bearing on the District's Future**

- With the exception of voter-approved excess operating referendum, the District is dependent on the State of Minnesota for its revenue authority. The state did allocate additional resources to school districts at a much greater level in the next two years than has been seen for quite some time. However, with the continuing uncertainty of funding sustainability and a substantial change across the district surrounding the opening of the new high school and reconfiguration of grade levels at every building, the District will continue to monitor its spending to remain fiscally responsible.

### **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 the Business Office, Independent School District No. 206, Alexandria, Minnesota.

Independent School District No. 206  
 Alexandria Public Schools  
 Statement of Net Position  
 June 30, 2013

Assets	
Cash and investments	\$ 10,989,446
Cash held with fiscal agent	49,811,451
Receivables	
Current property taxes	5,431,546
Delinquent property taxes	126,584
Accounts	56,344
Due from other governmental units	4,390,507
Prepaid items	107,275
Inventory	18,828
Net supplemental pension asset	528,087
Net OPEB obligation asset	3,920,367
	<u>75,380,435</u>
Capital assets, net of accumulated depreciation where applicable	
Non-depreciable	
Land	6,234,903
Construction in progress	26,893,331
Depreciable	
Buildings and improvements	31,583,951
Land improvements	5,682,975
Equipment	3,080,712
Total capital assets	<u>73,475,872</u>
Total assets	<u>\$ 148,856,307</u>
Liabilities and Net Position	
Liabilities	
Accounts payable	\$ 3,565,121
Salaries payable	4,407,086
Accrued interest payable	3,658,918
Unearned revenue	56,340
Property taxes levied for subsequent year	9,130,318
Long-term liabilities	
Portion due or payable within one year	2,994,981
Portion due or payable after one year	107,115,459
Total liabilities	<u>130,928,223</u>
Net Position	
Net investment in capital assets	29,913,228
Restricted for specific purposes	48,972,772
Unrestricted	(60,957,916)
Total net position	<u>17,928,084</u>
Total liabilities and net position	<u>\$ 148,856,307</u>

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

Independent School District No. 206  
 Alexandria Public Schools  
 Statement of Activities  
 Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Administration	\$ 1,454,438	\$ 155,634	\$ 395,581	\$ -
District support services	1,889,074	5,009	-	-
Regular instruction	16,679,802	349,448	-	-
Vocational instruction	392,157	-	-	-
Special education instruction	8,700,637	35,180	-	-
Community education and services	1,710,060	871,317	58,329	-
Instructional support services	568,153	-	-	-
Pupil support services	4,846,557	1,205,722	-	-
Sites and buildings	3,937,963	-	-	1,096,060
Fiscal and other fixed-cost programs	5,916,915	-	-	-
Total governmental activities	<u>\$ 46,095,756</u>	<u>\$ 2,622,310</u>	<u>\$ 453,910</u>	<u>\$ 1,096,060</u>
General Revenues				
Property taxes, levied for general purposes				4,459,039
Property taxes, levied for community education and services				440,853
Property taxes, levied for debt service				6,123,230
Aids and payments from state and federal sources				35,047,499
County apportionment				162,973
Miscellaneous revenues				890,987
Total general revenues				<u>47,124,581</u>
Changes in Net Position				5,201,105
Net Position - Beginning				<u>12,726,979</u>
Net Position - Ending				<u>\$ 17,928,084</u>



Independent School District No. 206  
 Alexandria Public Schools  
 Governmental Funds  
 Balance Sheet  
 June 30, 2013

	General	Capital Projects	Debt Service	OPEB Debt Service Fund	Other Governmental Funds	Totals
<b>Assets</b>						
Cash and investments	\$ 5,113,650	\$ 330,381	\$ 4,038,770	\$ 416,718	\$ 1,089,927	\$ 10,989,446
Cash held with fiscal agent	-	43,480,197	-	6,331,254	-	49,811,451
Receivables						
Current property taxes	1,825,877	-	3,027,399	358,681	219,589	5,431,546
Delinquent property taxes	42,286	-	70,774	8,387	5,137	126,584
Accounts	48,307	-	-	-	8,037	56,344
Due from other governmental units	4,287,768	-	4,242	516	97,981	4,390,507
Prepaid items	107,275	-	-	-	-	107,275
Inventories	-	-	-	-	18,828	18,828
<b>Total assets</b>	<b>\$ 11,425,163</b>	<b>\$ 43,810,578</b>	<b>\$ 7,141,185</b>	<b>\$ 7,115,556</b>	<b>\$ 1,439,499</b>	<b>\$ 70,931,981</b>
<b>Liabilities and Fund Balance</b>						
<b>Liabilities</b>						
Accounts payable	\$ 436,887	\$ 3,028,704	\$ -	\$ -	\$ 99,530	\$ 3,565,121
Salaries payable	4,227,488	15,871	-	-	163,727	4,407,086
Unearned revenue	54,006	-	70,775	8,387	49,756	182,924
Property taxes levied for subsequent year	1,882,712	-	6,270,610	743,067	233,929	9,130,318
<b>Total liabilities</b>	<b>6,601,093</b>	<b>3,044,575</b>	<b>6,341,385</b>	<b>751,454</b>	<b>546,942</b>	<b>17,285,449</b>
<b>Fund Balance</b>						
Nonspendable	107,275	-	-	-	18,828	126,103
Restricted	168,240	40,766,003	799,800	6,365,000	873,729	48,972,772
Assigned	975,000	-	-	-	-	975,000
Unassigned	3,573,555	-	-	(898)	-	3,572,657
<b>Total fund balance</b>	<b>4,824,070</b>	<b>40,766,003</b>	<b>799,800</b>	<b>6,364,102</b>	<b>892,557</b>	<b>53,646,532</b>
<b>Total liabilities and fund balance</b>	<b>\$ 11,425,163</b>	<b>\$ 43,810,578</b>	<b>\$ 7,141,185</b>	<b>\$ 7,115,556</b>	<b>\$ 1,439,499</b>	<b>\$ 70,931,981</b>

Independent School District No. 206  
Alexandria Public Schools  
Reconciliation of the Balance Sheet to the Statement of Net Position  
June 30, 2013

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Total Fund Balances - Governmental Funds	\$ 53,646,532
Amounts reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	73,475,872
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.	(3,658,918)
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.	126,584
Negative net OPEB obligation and net supplemental pension assets are created through treatment of OPEB Obligation Bonds as employer contributions are not recognized in the funds.	4,448,454
Long-term liabilities, including bonds payable, capital lease payable, bond premiums, and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(110,110,440)</u>
Total Net Position - Governmental Activities	<u><u>\$ 17,928,084</u></u>

Independent School District No. 206  
Alexandria Public Schools  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Year Ended June 30, 2013

	General	Capital Projects	Debt Service	OPEB Debt -	Other Governmental Funds	Totals
<b>Revenues</b>						
Local property tax levies	\$ 3,665,799	\$ -	\$ 6,123,230	\$ 739,959	\$ 408,894	\$ 10,937,882
Other local and county sources	1,407,426	1,096,060	-	-	939,042	3,442,528
State sources	31,695,829	-	31,040	-	625,251	32,352,120
Federal sources	1,867,974	-	-	-	965,542	2,833,516
Sales and other conversion of assets	-	-	-	-	1,172,334	1,172,334
Miscellaneous	10,781	518,234	6,775	3,792	-	539,582
Total revenues	<u>38,647,809</u>	<u>1,614,294</u>	<u>6,161,045</u>	<u>743,751</u>	<u>4,111,063</u>	<u>51,277,962</u>
<b>Expenditures</b>						
Administration	1,456,884	-	-	-	-	1,456,884
District support services	1,263,697	-	-	-	-	1,263,697
Regular instruction	16,651,880	-	-	-	-	16,651,880
Vocational instruction	390,070	-	-	-	-	390,070
Special education instruction	8,700,637	-	-	-	-	8,700,637
Community education and service	-	-	-	-	1,729,020	1,729,020
Instructional support services	1,602,177	-	-	-	-	1,602,177
Pupil support services	2,753,170	-	-	-	2,223,724	4,976,894
Sites and buildings	3,833,435	24,584,023	-	-	-	28,417,458
Fiscal and other fixed cost programs	123,174	-	5,992,134	787,196	-	6,902,504
Total expenditures	<u>36,775,124</u>	<u>24,584,023</u>	<u>5,992,134</u>	<u>787,196</u>	<u>3,952,744</u>	<u>72,091,221</u>
Excess (Deficiency) of Revenues over (under) Expenditures	1,872,685	(22,969,729)	168,911	(43,445)	158,319	(20,813,259)
<b>Other Financing Sources</b>						
Capital lease proceeds	401,737	-	-	-	-	401,737
Refunding bond proceeds	-	-	-	6,365,000	-	6,365,000
Total other financing sources	<u>401,737</u>	<u>-</u>	<u>-</u>	<u>6,365,000</u>	<u>-</u>	<u>6,766,737</u>
Net Change in Fund Balance	2,274,422	(22,969,729)	168,911	6,321,555	158,319	(14,046,522)
Fund Balance, Beginning of Year	<u>2,549,648</u>	<u>63,735,732</u>	<u>630,889</u>	<u>42,547</u>	<u>734,238</u>	<u>67,693,054</u>
Fund Balance, End of Year	<u>\$ 4,824,070</u>	<u>\$ 40,766,003</u>	<u>\$ 799,800</u>	<u>\$ 6,364,102</u>	<u>\$ 892,557</u>	<u>\$ 53,646,532</u>

Independent School District No. 206  
 Alexandria Public Schools  
 Reconciliation of the Statement of Revenues, Expenditures,  
 and Changes in Fund Balances to the Statement of Activities  
 Year Ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds		\$ (14,046,522)
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		\$ 25,717,397
Depreciation expense		(1,917,746)
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	\$ 126,584	
Prior period balance	(107,700)	
Current year effect		18,884
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	(103,901)	
Prior period balance	89,013	
Current year effect		(14,888)
Interest payable and bond issue costs are reported in the government wide statement of net position but is not recorded in the governmental funds.		
Current period balance	(3,658,918)	
Prior period balance	3,980,239	
Current year effect		321,321
In the statement of activities OPEB and Net Supplemental Pension assets are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.		
Current period balance	4,448,454	
Prior period balance	(4,963,785)	
Current year effect		(515,331)
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 position. In the current period these amounts consist of:		
Bond principal retirement	1,930,000	
Bond proceeds	(6,365,000)	
Capital lease principal payments	389,942	
Capital lease proceeds	(401,737)	
Amortization of premium on bond issuance	89,927	
Additions to premium on bonds payable	(5,142)	
		(4,362,010)
Change in Net Position of Governmental Activities		\$ 5,201,105

Independent School District No. 206  
Alexandria Public Schools

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – General Fund  
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Local property tax levies	\$ 3,691,543	\$ 3,691,543	\$ 3,665,799	\$ (25,744)
Other local and county sources	1,346,962	1,409,962	1,407,426	(2,536)
State sources	29,876,562	30,195,730	31,695,829	1,500,099
Federal sources	1,795,548	1,933,084	1,867,974	(65,110)
Miscellaneous	10,000	10,000	10,781	781
Total revenues	36,720,615	37,240,319	38,647,809	1,407,490
Expenditures				
Administration	1,483,956	1,483,956	1,456,884	27,072
District support services	1,326,931	1,305,931	1,263,697	42,234
Regular instruction	16,648,721	16,879,804	16,651,880	227,924
Vocational instruction	387,897	387,897	390,070	(2,173)
Special education instruction	8,690,188	8,949,596	8,700,637	248,959
Instructional support services	1,740,016	1,741,399	1,602,177	139,222
Pupil support services	2,876,132	2,818,033	2,753,170	64,863
Sites and buildings	3,230,703	3,321,957	3,833,435	(511,478)
Fiscal and other fixed cost programs	337,000	337,000	123,174	213,826
Total expenditures	36,721,544	37,225,573	36,775,124	450,449
Excess of Revenues over Expenditures	(929)	14,746	1,872,685	1,857,939
Other Financing Source				
Capital lease proceeds	-	-	401,737	401,737
Net Change in Fund Balance	\$ (929)	\$ 14,746	2,274,422	\$ 2,259,676
Fund Balance, Beginning of Year			2,549,648	
Fund Balance, End of Year			\$ 4,824,070	

Independent School District No. 206  
 Alexandria Public Schools  
 Statement of Fiduciary Net Position  
 June 30, 2013

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	Dental Agency Fund	OPEB Trust	Total
<b>Assets</b>			
Cash and investments	\$ 92,705	\$ 5,403,189	\$ 5,495,894
<b>Liabilities and Net Position</b>			
<b>Liabilities</b>			
Due to other organizations	92,705	-	92,705
Net Position held in trust for OPEB	-	5,403,189	5,403,189
Total liabilities and net position	\$ 92,705	\$ 5,403,189	\$ 5,495,894

Independent School District No. 206  
Alexandria Public Schools  
Statement of Changes in Fiduciary Net Position  
Year Ended June 30, 2013

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	<u>OPEB Trust</u>
Additions	
Interest	<u>\$ 45,798</u>
Deductions	
OPEB health insurance	<u>813,069</u>
Net Change in Net Position	(767,271)
Net Position, Beginning of Year	<u>6,170,460</u>
Net Position, End of Year	<u><u>\$ 5,403,189</u></u>

## **Note 1 - Summary of Significant Accounting Policies**

### **Organization**

Independent School District No. 206, Alexandria Public Schools, Alexandria, Minnesota (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

### **Reporting Entity**

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

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

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

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

### **Government-Wide Financial Statement Presentation**

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



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

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

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

### **Fund Financial Statement Presentation**

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

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

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

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

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

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

### **Description of Funds**

The existence of the various district funds has been established by the Minnesota Department of Education. Each fund is accounted for as an independent entity. Descriptions 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.

**Capital Projects Fund** – The capital projects fund is used to account for construction projects within the District.

**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.

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

### **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.

### **Fiduciary Funds**

**Agency Funds** – The Dental Agency fund is used to account for the assets of the District's dental plan.

**Trust Fund** – The Postemployments Benefits Irrevocable Trust Fund is used to report the resources set aside and held in an irrevocable arrangement for postemployment benefits, including health insurance premiums.

## **Other Significant Accounting Policies**

### **Budgeting**

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

### **Cash and Investments**

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

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

### **Cash Held with Fiscal Agent**

In the Capital Projects fund, the Series 2011 bond funds are used to fund expenses related to the new high school construction project. In the OPEB Debt Service fund, the Series 2013A refunding bonds are to be used to refund the OPEB Bond Series 2008B when they are available to be paid. Series 2013A bond funds will be held as cash with fiscal agent until the Series 2008B debt is callable on 2/1/2018.

### **Receivables**

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

### **Prepaid Items**

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

### **Inventories**

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

## **Property Taxes**

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the “tax shift,” which periodically changes the District’s recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year’s levy as current year revenue, allowing the state to reduce the amount of aid paid to the District.

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

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

## **Capital Assets**

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historic cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$10,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Capital assets not being depreciated include land and construction in progress.

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.

### **Accrued Employee Benefits**

**Vacation** – The District compensates substantially all full-time noncertified employees for unused vacation upon termination. The expenditure for vacation pay is recognized when earned. As of June 30, 2013, this amount did not exceed a normal year's accumulation.

**Sick Leave** – The District grants 13 days per year with an accumulation of up to 120 days of sick leave. Upon accumulation of 120 days of leave each teacher will be eligible for a buy back for unused days to a maximum number of 10 days per year at a rate of \$90 per day.

**Severance Pay** – The District maintains various severance plans for its employee groups. Each employee group plan contains benefit formulas based on years of service and/or minimum age requirements. The related supplemental pension liability was actuarially determined, in accordance with GASB No. 27 at July 1, 2011.

### **Unearned Revenue**

Unearned revenue represents amounts collected but not earned as of June 30, 2013.

### **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 2013.

### **Net Position**

For the year ended June 30, 2013, the District implemented GASB Statement No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in accordance with Concepts Statement No. 4, Elements of Financial Statements.

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

### **Fund Balance**

The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance amounts are comprised of funds that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. They include items that are inherently unspendable, such as, but not limited to, inventories, prepaid items, long-term receivables, non-financial assets held for resale, or the permanent principal of endowment funds.
- Restricted fund balance amounts are comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance amounts are comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the school board and that remain binding unless removed by the school board by subsequent formal action. The formal action to commit a fund balance must occur prior to fiscal year end; however, the specific amounts actually committed can be determined in the subsequent fiscal year. A majority vote of the school board is required to commit a fund balance to a specific purpose and subsequently to remove or change any constraint so adopted by the board. A committed fund balance cannot be a negative number.

- Assigned fund balance amounts are comprised of unrestricted funds constrained by the school district's intent that they be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. In funds other than the general fund, the assigned fund balance represents the remaining amount that is not restricted or committed. The assigned fund balance category will cover the portion of a fund balance that reflects the school district's intended use of those resources. The action to assign a fund balance may be taken after the end of the fiscal year. The school board, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The board also delegates the power to assign fund balances to the following: the Superintendent and the Director of Business Services. Assignments so made shall be reported to the school board on a monthly basis, either separately or as part of ongoing reporting by the assigning party if other than the school board. An assigned fund balance cannot be a negative number.
- Unassigned fund balance amounts are the residual amounts in the general fund not reported in any other classification. Unassigned amounts in the general fund are technically available for expenditure for any purpose. The general fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

If resources from more than one fund balance classification could be spent, the school district will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned. The school district will strive to maintain an unassigned general fund balance ranging between 8.5% and 12.75% of the annual general fund budget.

## **Note 2 - Deposits and Investments**

### **Deposits**

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

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

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

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

At June 30, 2013, all deposits were insured or collateralized by securities held by the District's agent in the District's name.

**Investments**

**Credit Risk – Investments**

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

**Custodial Credit Risk – Investments**

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

**Interest Rate Risk – Investments**

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

The following table presents the District's deposit and investment balances at June 30, 2013:

Type	Fair Value	Investment Maturities (in Years)	
		N/A	< 1
Cash and cash equivalents			
Minnesota School			
District Liquid Asset Fund	\$ 9,759,936	\$ 9,759,936	\$ -
Deposits	-	-	-
Petty cash	91,024	91,024	-
Money market	767,039	767,039	-
Investments			
Fixed income	5,867,341	-	5,867,341
	<u>\$ 16,485,340</u>	<u>\$ 10,617,999</u>	<u>\$ 5,867,341</u>

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

Cash and Investments - Statement of Net Position	\$ 10,989,446
Cash and Investments - Statement of Fiduciary Net Position	5,495,894
	<u>\$ 16,485,340</u>

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



**Note 3 - Due from Other Governmental Units**

Amounts receivable from other governments as of June 30, 2013, include:

<u>Fund</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
Major funds			
General	\$ 437,529	\$ 3,850,239	\$ 4,287,768
Debt service	-	4,242	4,242
Non-major funds	<u>1,675</u>	<u>96,822</u>	<u>98,497</u>
	<u>\$ 439,204</u>	<u>\$ 3,951,303</u>	<u>\$ 4,390,507</u>

**Note 4 - Capital Assets**

Capital asset activity for the year ended June 30, 2013 is as follows:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Capital assets not being depreciated:				
Land	\$ 6,234,903	\$ -	\$ -	\$ 6,234,903
Construction in progress	<u>2,234,309</u>	<u>24,659,022</u>	<u>-</u>	<u>26,893,331</u>
Total capital assets, not being depreciated	<u>8,469,212</u>	<u>24,659,022</u>	<u>-</u>	<u>33,128,234</u>
Capital assets being depreciated:				
Buildings and improvements	49,322,017	220,872		49,542,889
Equipment	10,947,149	785,503	(195,778)	11,536,874
Land improvements	<u>8,621,778</u>	<u>52,000</u>	<u>-</u>	<u>8,673,778</u>
Total capital assets being depreciated	<u>68,890,944</u>	<u>1,058,375</u>	<u>(195,778)</u>	<u>69,753,541</u>
Less accumulated depreciation for:				
Buildings and improvements	17,048,440	910,498	-	17,958,938
Equipment	8,009,481	642,459	(195,778)	8,456,162
Land improvements	<u>2,626,014</u>	<u>364,789</u>	<u>-</u>	<u>2,990,803</u>
Total accumulated depreciation	<u>27,683,935</u>	<u>1,917,746</u>	<u>(195,778)</u>	<u>29,405,903</u>
Net capital assets, depreciated	<u>41,207,009</u>	<u>(859,371)</u>	<u>-</u>	<u>40,347,638</u>
Total capital assets, net	<u>\$ 49,676,221</u>	<u>\$ 23,799,651</u>	<u>\$ -</u>	<u>\$ 73,475,872</u>

Depreciation expense for the year ended June 30, 2013 was charged to the following functions/programs:

Administration	\$ 1,614
District support services	110,046
Regular instruction	9,234
Vocational education instruction	2,087
Special education instruction	1,344
Instructional support services	24,091
Pupil support services	314,294
Sites and buildings	506,259
Unallocated	948,777
Total depreciation expense	\$ 1,917,746

**Note 5 - Aid Anticipation Certificates**

The District sold general obligation aid anticipation certificates dated August 25, 2011 with a value of \$3,438,321 at an interest rate of 2.00 percent. These certificates matured on September 9, 2012. Interest and fiscal charges on aid anticipation certificates for the year ended June 30, 2013 in the General Fund totaled \$68,766.

Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
\$ 3,438,321	\$ -	\$ 3,438,321	\$ -

The District entered into a line of credit agreement with a local bank to replace aid anticipation certificates for the current year. This agreement has a maximum line of credit of \$3,500,000 with a variable interest rate starting at 3 percent and adjusting monthly to a rate of 0.25 percent below the Wall Street Journal US Prime Rate. This line of credit has an August 24, 2017 maturity date, as of June 30, 2013 the District had no outstanding balance on the line of credit.

**Note 6 - Other Post-Employment Benefits**

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

Superintendent – For retirees reaching age 55 with 3 years of service, the District will pay the full medical insurance premium until Medicare eligibility for the retiree and spouse. For retirees reaching age 55 with 3 years of service, the District will pay the full premium at the time of retirement for a \$40,000 life insurance policy until Medicare eligibility.

Principals and Administration – For retirees reaching age 55 with 10 years of service (or “Rule of 90”), the District will pay the full medical insurance premium until Medicare eligibility (includes HSA contributions up to IRS maximum) for the retiree and spouse. For retirees reaching age 55 with 10 years of service (or “Rule of 90”), the District will pay the full premium at the time of retirement for a \$40,000 life insurance policy until age 65.

Cabinet – For retirees reaching age 58 with 7 years of service (or “Rule of 90”), the District will pay the full medical insurance premium until Medicare eligibility (includes HSA contributions up to IRS maximum) for the retiree and spouse. For retirees reaching age 58 with 7 years of service (or “Rule of 90”), the District will pay the full premium at the time of retirement for a \$40,000 life insurance policy until age 65.

Teachers – For retirees reaching age 55 with 10 years of service, the District will pay the Board Contribution for medical insurance premium at the same as active teachers (full single or 2/3 of family if retired before June 30, 2005) which is currently \$496 per month until Medicare eligibility. For retirees reaching age 55 with 10 years of service, the District will pay the full premium at the time of retirement for a \$10,000 life insurance policy until age 65.

Secretaries, Custodians, K-12 Classified Personnel and Food Service – For retirees reaching age 55 with 10 years of service, the District will pay the Board Contribution for medical insurance premium at the same as actives which is currently \$425 per month for Secretaries and Custodians, and \$402 per month for K-12 Classified Personnel and Food Service, until Medicare eligibility.

Confidential Secretary – For retirees reaching age 55 with 10 years of service (or 58 with no years of service requirement), the District will pay the Board Contribution for medical insurance premium at the same as actives which is currently \$425 per month, until Medicare eligibility.

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

Funding Policy – In November 2008, the District issued \$7,910,000 General Obligation Other Post-Employment Benefits (OPEB) bonds to provide resources for funding the OPEB Trust.

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

Annual required contribution	\$ 558,964
Interest on net OPEB obligation	(137,754)
Adjustment to annual required contribution	<u>250,230</u>
 Annual OPEB cost	 671,440
Contributions made	<u>-</u>
 Change in net OPEB obligation (asset)	 671,440
Net OPEB obligation (asset), beginning of year	(4,591,807)
Net OPEB obligation (asset), end of year	<u><u>\$ (3,920,367)</u></u>

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

Fiscal Year Ended	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net Ending OPEB Obligation (Asset)
06/30/13	\$ 671,440	\$ -	0.00%	\$ (3,920,367)
06/30/12	676,030	-	0.00%	(4,591,807)
06/30/11	662,666	-	0.00%	(5,267,837)
06/30/10	603,242	-	0.00%	(5,930,503)
06/30/09	841,763	6,533,815	776.21%	(6,533,745)

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$9,310,455 and the actuarial value of assets was \$6,682,252, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,628,203. The covered payroll (annual payroll of active employees covered by the plan) was \$20,028,813, and the ratio of the UAAL to the covered payroll was 13.1 percent.

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

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

In the July 1, 2011, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.0 percent investment rate of return (net of investment expenses), which is a blended rate of the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after six years. Both rates included an inflation assumption.

#### **Note 7 - Supplemental Benefit Plan**

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

Superintendent – For retirees reaching 3 years of service (completion of contract), the District will pay 5 days per year of service times the daily rate of pay at the time of termination, in the form of two equal annual payments.

Teachers – For retirees reaching age 55 with 10 years of service, the benefit where probation is complete before July 1, 1998 and not electing the Matching Contribution Program is \$27,000. All teachers with 20 years of service and electing the Matching Contribution Plan the benefit is \$27,000 minus the District contributions to the Matching Contribution Plan. The limitation on the total benefit is \$27,000 and matching contributions are equal to 2% of annual base salary up to \$2,000 per year. The benefit is payable in 3 equal payments over 2 years to a 403(b) plan.

Principals and Administration – For retirees reaching age 55 with 10 years of service, the benefit is \$37,500 minus the District contributions to the Matching Contribution Plan. The limitation on the total benefit is \$37,500 and matching contributions are equal to 2% of annual base salary up to \$2,000 per year. The benefit is payable in 3 equal payments over 2 years to a 403(b) plan.

Cabinet – For retirees reaching age 58 with 7 years of service, the District will pay 5 days per year of service times the daily rate of pay at the time of termination, minus the District contributions to the Matching Contribution Plan. The limitation on the total benefit is 120 days and matching contributions are equal to 2% of annual base salary up to \$2,000 per year. The benefit is payable in 3 equal payments over 2 years to a 403(b) plan.

K-12 Classified Employees, Secretaries, Paraprofessionals and Bus Drivers – For retirees reaching age 55 with 10 years of service (15 for Secretaries and 25 for K-12 Classified Employees) the benefit is a percentage of annual salary at the time of retirement at the following rates:

With 10-15 years of service	20%
With 16-19 years of service	30%
With 20+ years of service	40%

(Note: Secretaries have 30% with 15-19 years of service)

The benefit is payable in one lump sum.

Confidential Employees – For retirees reaching age 55 with 15 years of service the benefit is a percentage of annual salary at the time of retirement at the following rates:

With 15-19 years of service	30%
With 20-24 years of service	40%
With 25+ years of service	50%

The benefit is payable in one lump sum.

Food Service Employees – For retirees reaching age 55 with 20 years of service the District will pay \$1,200 in one lump sum.

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

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

Annual required contribution	\$ 163,741
Interest on net pension obligation	(11,159)
Adjustment to annual required contribution	18,891
 Annual pension cost	 171,473
Contributions made	(327,582)
 Change in net pension obligation	 (156,109)
Net pension asset, beginning of year	(371,978)
Net pension asset, end of year	\$ (528,087)

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

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net Ending Pension Obligation (Asset)</u>
06/30/13	\$ 171,473	\$ 327,582	191.04%	\$ (528,087)
06/30/12	169,394	257,405	151.96%	(371,978)
06/30/11	199,854	488,443	244.40%	(283,967)
06/30/10	198,685	282,133	142.00%	4,624
06/30/09	166,660	78,664	47.20%	88,028

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefit was \$1,604,563, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,604,563. The covered payroll (annual payroll of active employees covered by the plan) was \$21,215,725, and the ratio of the UAAL to the covered payroll was 7.6%

Actuarial Methods and Assumptions – The annual required contribution for the current year was determined as part of the July 1, 2011 actuarial valuation using the projected unit actuarial cost method. The actuarial assumptions included a 3.0% discount rate, which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date and projected salary increases at 3.0%.

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

**Note 8 - Long-Term Liabilities**

Changes in long-term liabilities during the year ended June 30, 2013 are as follows:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
Bonds payable	\$ 103,630,000	\$ 6,365,000	\$ 1,930,000	\$ 108,065,000	\$ 2,480,000
Unamortized bond premium	1,378,680	5,142	89,927	1,293,895	83,639
Capital leases payable	635,849	401,737	389,942	647,644	327,441
Vacation and sick leave	89,013	239,098	224,210	103,901	103,901
	<u>\$ 105,733,542</u>	<u>\$ 7,010,977</u>	<u>\$ 2,634,079</u>	<u>\$ 110,110,440</u>	<u>\$ 2,994,981</u>

New bonds were issued during the current year to refund the Series 2008B Bonds when they are callable during February 2018. The economic gain to the District as a result of this refunding is \$371,680.

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

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Capital leases payable are to account for items that the District has entered into leases that are considered capital assets to the District. These leases include copiers, buses, and network hardware. Total cost of capital lease assets as of June 30, 2013 was \$1,656,858 and total accumulated depreciation on these assets as of June 30, 2013 was \$535,220.

Subsequent to year end the District entered into an agreement to lease 4 busses that were received in August 2013. These busses had total equipment cost of \$442,213 with annual lease payments of \$91,854.

Following is a summary of bonds payable as of June 30, 2013:

Bond Description	Final	Interest Rate	Original Principal	Outstanding Balance
General Obligation School Building Bonds Series 2008A	2028	4 - 5%	\$ 23,590,000	\$ 23,590,000
General Obligation Taxable OPEB Bonds Series 2008B	2029	6 - 7%	7,910,000	7,140,000
General Obligation Alternative and Capital Facilities Bonds Series 2010A	2025	1.25 - 4.5%	5,820,000	5,820,000
General Obligation School Building Bonds Series 2011A	2037	2 - 5%	64,500,000	64,500,000
General Obligation School Building Bonds Series 2011B	2037	2 - 3%	650,000	650,000
General Obligation Taxable OPEB Refunding Bonds Series 2013A	2029	3 - 3.65%	6,365,000	6,365,000
				<u>\$ 108,065,000</u>

Bond principal and interest payments are made by the debt service fund, except for the principal and interest payments on the OPEB Bonds of 2010A, which are made by the OPEB debt service fund.

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

Years Ending June 30,	Bonds Payable		Capital Lease Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 2,480,000	\$ 4,230,450	\$ 327,441	\$ 9,272	\$ 2,807,441	\$ 4,239,722
2015	2,595,000	4,319,305	211,722	505	2,806,722	4,319,810
2016	2,790,000	4,287,802	108,481	-	2,898,481	4,287,802
2017	2,870,000	4,207,541	-	-	2,870,000	4,207,541
2018	3,020,000	4,110,127	-	-	3,020,000	4,110,127
2019 - 2023	19,315,000	18,673,096	-	-	19,315,000	18,673,096
2024 - 2028	23,040,000	14,476,697	-	-	23,040,000	14,476,697
2029 - 2033	27,210,000	9,065,979	-	-	27,210,000	9,065,979
2034 - 2037	24,745,000	3,002,518	-	-	24,745,000	3,002,518
	<u>\$ 108,065,000</u>	<u>\$ 66,373,515</u>	<u>\$ 647,644</u>	<u>\$ 9,777</u>	<u>\$ 108,712,644</u>	<u>\$ 66,383,292</u>



**Note 9 - Fund Balance**

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

The following is a summary of fund balances as of June 30, 2013:

	General	Capital Projects	Debt Service	OPEB Debt Service Fund	Other Government Funds	Totals
<b>Nonspendable</b>						
Inventory	\$ -	\$ -	\$ -	\$ -	\$ 18,828	\$ 18,828
Prepays	107,275	-	-	-	-	107,275
Total nonspendable	<u>107,275</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,828</u>	<u>126,103</u>
<b>Restricted</b>						
Deferred maintenance	36,049	-	-	-	-	36,049
Operating capital	132,191	-	-	-	-	132,191
Debt service	-	-	799,800	-	-	799,800
OPEB bond refundings	-	-	-	6,365,000	-	6,365,000
Food service	-	-	-	-	545,562	545,562
Community education	-	-	-	-	207,600	207,600
Early childhood and family education	-	-	-	-	14,686	14,686
School readiness	-	-	-	-	47,787	47,787
Community service	-	-	-	-	58,094	58,094
Capital projects	-	40,766,003	-	-	-	40,766,003
Total restricted	<u>168,240</u>	<u>40,766,003</u>	<u>799,800</u>	<u>6,365,000</u>	<u>873,729</u>	<u>48,972,772</u>
Assigned for capital	975,000	-	-	-	-	975,000
Unassigned	3,573,555	-	-	(898)	-	3,572,657
Total fund balance	<u>\$ 4,824,070</u>	<u>\$ 40,766,003</u>	<u>\$ 799,800</u>	<u>\$ 6,364,102</u>	<u>\$ 892,557</u>	<u>\$ 53,646,532</u>

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

	GASB Balance	Reconciling Items	UFARS Balance
Nonspendable			
Inventory	\$ 18,828	\$ -	\$ 18,828
Prepays	107,275	-	107,275
Total nonspendable	126,103	-	126,103
Restricted			
Deferred maintenance	36,049	-	36,049
Health and safety	-	(106,684)	(106,684)
Operating capital	132,191	-	132,191
Debt service	799,800	-	799,800
OPEB bond refundings	6,365,000	-	6,365,000
Food service	545,562	-	545,562
Community education	207,600	-	207,600
Early childhood and family education	14,686	-	14,686
School readiness	47,787	-	47,787
Community service	58,094	-	58,094
Capital projects	40,766,003	-	40,766,003
Total restricted	48,972,772	(106,684)	48,866,088
Assigned for capital	975,000	-	975,000
Unassigned	3,572,657	106,684	3,679,341
Total fund balance	\$ 53,646,532	\$ -	\$ 53,646,532

**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:

**Plan Description**

All teachers employed by Independent School District No. 206 are covered by defined benefit plans administered by the Teachers Retirement Association (TRA). TRA members belong to either the Coordinated or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All Basic members were first hired prior to July 1, 1989. All new members must participate in the Coordinated Plan. The plans are established and administered in accordance with Minnesota Statutes, Chapter 354 and 356.

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

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

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

With these provisions:

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

Or

Tier II: 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. Coordinated and Basic Plan members are required to contribute 6.0 percent and 9.5 percent, respectively, of their annual covered salary as employee contributions. The TRA employer contribution rates are 6.0 percent for Coordinated members and 10.0 percent for Basic members. Total covered payroll salaries for all TRA members statewide during the fiscal year June 30, 2012 was approximately \$3.87 billion. TRA covered payroll for all members statewide for the fiscal years ended June 30, 2011 and June 30, 2010 were \$3.84 billion and \$3.79 billion, respectively.

The District contributions for the years ended June 30, 2013, 2012, and 2011 were \$1,148,449, \$1,107,495, and \$1,050,874 respectively, equal to the required contributions for each year as set by state statute.

## **Public Employees' Retirement Association**

### **Plan Description**

All full-time and certain part-time employees of Independent School District No. 206 are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

GERF 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 GERF 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 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 GERS. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org), by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

### **Funding Policy**

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. GERS Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in calendar year 2013. The District is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members and 7.25% for Coordinated Plan members.

The District's contributions to the Public Employees Retirement Fund for the years ended June 30, 2013, 2012, and 2011 were \$439,268, \$423,161, and \$361,469 respectively, equal to the contractually required contributions for each year as set by state statute.

### **Note 11 - Employee Benefit Plan 403(B)**

All teachers having completed their tenth 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 a maximum of \$2,000 per year. The maximum career matching contribution by the District will not exceed \$30,000 per teacher. Contributions are invested in tax deferred annuities selected and owned by Plan participants. The District contributions for the years ended June 30, 2013, 2012, and 2011 were \$256,183, \$250,331, and \$259,286.

## **Note 12 - Commitments and Contingencies**

### **Federal and State 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.

**Construction Commitments** – The District has an active construction project for building of the new high school as of June 30, 2013. As of year-end, the District's commitments on these projects amounted to \$46,601,920.

## **Note 13 - Joint Ventures**

Lakes Area Recreation was established by an agreement between Independent School District No. 206 and the Alexandria and LaGrande Townships, pursuant to authority contained in the Minnesota State Statute 471.59. The Recreation Board is responsible for legislative and fiscal control of the program. The majority of the Recreation Program's funding is provided by patron fees and local government contributions.

The Runestone Area Education District No. 61-6014 was organized on August 15, 1988. The purpose of the Education District is to increase options for learning and access to educational opportunities for all residents within the boundaries of the member districts by facilitating cooperation among school districts. Funding is provided by the member districts. The following school districts are member of the Runestone Area Education District:

- Independent School District No. 206, Alexandria, Minnesota
- Independent School District No. 207, Brandon, Minnesota
- Independent School District No. 208, Evansville, Minnesota
- Independent School District No. 213, Osakis, Minnesota
- Independent School District No. 2149, Glenwood, Minnesota
- Independent School District No. 547, Parkers Prairie, Minnesota

Central Minnesota Educational Telecommunications System, (CMETS) is a joint powers entity established pursuant to provisions of Minnesota Statute Section 471.59. The purpose of CMETS is to provide a comprehensive educational program for all member districts involved. Member districts jointly provide planning, research, purchasing, development, implementation, and programming of distance learning systems and technological services. The following school districts are members of CMETS:

Independent School District No. 745, Albany, Minnesota  
Independent School District No. 206, Alexandria, Minnesota  
Independent School District No. 207, Brandon, Minnesota  
Independent School District No. 208, Evansville, Minnesota  
Independent School District No. 213, Osakis, Minnesota  
Independent School District No. 547, Parkers Prairie, Minnesota  
Independent School District No. 740, Melrose, Minnesota  
Independent School District No. 743, Sauk Centre, Minnesota  
Independent School District No. 2149, Glenwood, Minnesota

Each joint venture's financial statements are audited and available for inspection.

#### **Note 14 - Issued But Non-effective Accounting Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by the District. The first statement issued but not implemented that will significantly affect the District is statement No. 61, *The Financial Reporting Entity: Omnibus*. This statement will improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the requirements of Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those statements. This statement will be implemented at the District in the year ending June 30, 2014.

The second statement issued but not implemented that will significantly affect the District is statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, this Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. This statement will be implemented at the District in the year ending June 30, 2014.





Required Supplementary Information  
June 30, 2013

# Independent School District No. 206 Alexandria Public Schools

Schedule of Funding Progress – Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Simplified Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/11	\$ 6,682,252	\$ 9,310,455	\$ 2,628,203	71.77%	\$ 20,028,813	13.12%
07/01/09	7,355,603	9,083,042	1,727,439	0.80%	20,213,404	8.50%
07/01/07	-	7,766,513	7,766,513	0.00%	21,521,280	34.00%

Note to the Schedule of Funding Progress – Other Postemployment Benefits

The standard requires a schedule of funding progress for the three most recent valuations and accompanying notes to describe factors that significantly affect the trends in the amounts reported. The District implemented the standard as of July 1, 2007 and there have been three valuations performed.

Since the last actuarial valuation as of July 1, 2009, the following actuarial assumptions have changed:

- The discount rate was changed from 4.50% to 3.00% to reflect the District’s investment policy for the Irrevocable OPEB Trust.
- Retirees’ medical subsidy amounts are assumed to trend at half the medical trend instead of full trend for all Contract Groups except retired Administrators (including the Superintendent), Cabinet, and Principals.

Since the last actuarial valuation as of July 1, 2009, the following plan provisions have changed:

- Administrators, Cabinet and Principals now have an HAS contribution included in the post employment medical subsidy.
- Teachers’ post employment medical subsidy no longer includes any employer contribution toward the spouse coverage.

Schedule of Funding Progress – Supplemental Pension

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Simplified Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/11	\$ -	\$ 1,604,563	\$ 1,604,563	0.00%	\$ 21,215,725	7.56%
07/01/09	-	1,941,469	1,941,469	0.00%	20,577,111	9.40%
07/01/07	-	4,466,309	1,466,309	0.00%	19,636,421	7.50%

Note to the Schedule of Funding Progress – Supplemental Pension

The standard requires a schedule of funding progress for the three most recent valuations and accompanying notes to describe factors that significantly affect the trends in the amounts reported. The District implemented the standard as of July 1, 2007 and there have been three valuations performed.

Since the last actuarial valuation as of July 1, 2009, the following assumptions and plan provisions have changed:

- The discount rate was changed from 4.50% to 3.00%.
- Cabinet members no longer need the hired and at least age 40 before July 1, 1999 requirement.



Combining and Individual Fund Schedules  
June 30, 2013

# Independent School District No. 206 Alexandria Public Schools

Independent School District No. 206  
 Alexandria Public Schools  
 General Fund  
 Schedule of Changes in UFARS Fund Balances  
 Year Ended June 30, 2013

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	Fund Balance Beginning of Year	Net Change in Fund Balance	Fund Balance End of Year
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Nonspendable	\$ 108,418	\$ (1,143)	\$ 107,275
Restricted for deferred maintenance	118,681	(82,632)	36,049
Restricted for health and safety	37,666	(144,350)	(106,684)
Restricted for operating capital	155,765	(23,574)	132,191
Assigned for capital	-	975,000	975,000
Unassigned	<u>2,129,118</u>	<u>1,551,121</u>	<u>3,680,239</u>
	<u>\$ 2,549,648</u>	<u>\$ 2,274,422</u>	<u>\$ 4,824,070</u>

Independent School District No. 206  
 Alexandria Public Schools  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 June 30, 2013

	Food Service	Community Service	Totals
<b>Assets</b>			
Cash and investments	\$ 703,029	\$ 386,898	\$ 1,089,927
Receivables			
Current property taxes	-	219,589	219,589
Delinquent property taxes	-	5,137	5,137
Accounts	-	8,037	8,037
Due from other governmental units	-	97,981	97,981
Inventories	18,828	-	18,828
Total assets	\$ 721,857	\$ 717,642	\$ 1,439,499
 <b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
Accounts payable	\$ 80,561	\$ 18,969	\$ 99,530
Salaries payable	76,906	86,821	163,727
Unearned revenue	-	49,756	49,756
Property taxes levied for subsequent year	-	233,929	233,929
Total liabilities	157,467	389,475	546,942
 <b>Fund Balance</b>			
Nonspendable	18,828	-	18,828
Restricted	545,562	328,167	873,729
Unassigned	-	-	-
Total fund balance	564,390	328,167	892,557
Total liabilities and fund balance	\$ 721,857	\$ 717,642	\$ 1,439,499

Independent School District No. 206  
 Alexandria Public Schools  
 Nonmajor Governmental Funds  
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Year Ended June 30, 2013

	<u>Food Service</u>	<u>Community Service</u>	<u>Totals</u>
<b>Revenues</b>			
Local property tax levies	\$ -	\$ 408,894	\$ 408,894
Other local and county sources	16,956	922,086	939,042
State sources	87,994	537,257	625,251
Federal sources	952,951	12,591	965,542
Sales and other conversion of assets	1,172,334	-	1,172,334
Total revenues	<u>2,230,235</u>	<u>1,880,828</u>	<u>4,111,063</u>
<b>Expenditures</b>			
Community education and service	-	1,729,020	1,729,020
Pupil support services	2,223,724	-	2,223,724
Total expenditures	<u>2,223,724</u>	<u>1,729,020</u>	<u>3,952,744</u>
Excess (Deficiency) of Revenues over (under) Expenditures	6,511	151,808	158,319
Fund Balance, Beginning of Year	<u>557,879</u>	<u>176,359</u>	<u>734,238</u>
Fund Balance, End of Year	<u>\$ 564,390</u>	<u>\$ 328,167</u>	<u>\$ 892,557</u>



Other Supplementary Information  
June 30, 2013

**Independent School District No. 206**  
**Alexandria Public Schools**

Independent School District No. 206  
 Alexandria Public Schools  
 Changes in Student Activity Cash Balances  
 Year Ended June 30, 2013

Activity	Balance 7/1/12	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/13
A-Club	\$ 69,628	\$ 82,225	\$ 67,776	\$ 84,077
AD Cardinal	9,646	4,000	-	13,646
Alexian	651	22,102	21,053	1,700
Baseball	1,457	5,814	6,817	454
Boys Basketball	1,090	600	857	833
Boys Hockey	157	8,251	4,251	4,157
Boys Soccer	4,673	1,892	1,568	4,997
Cardinal Dance	7,368	13,263	10,798	9,833
CES	7,053	11,246	11,860	6,439
CES Deep Portage	1,743	7,960	9,340	363
CES MN Trip	650	260	380	530
CES PAC	3,110	18,694	17,939	3,865
Cheerleaders	5	7,827	7,044	788
Cross Country	6,609	6,145	4,529	8,225
Custodial Sunshine	347	20	20	347
District Office Sunshine	138	-	33	105
DMS 9th Gr Service Lrng Proj	-	83	-	83
DMS 9th Gr. Drama Trip	4	-	-	4
DMS Box Tops	6,849	1,671	309	8,211
DMS Cardinal	6,586	2,865	2,763	6,688
DMS Cardinal Participation	705	-	-	705
DMS Choir	613	-	155	458
DMS DOGS	1	171	150	22
DMS Environmental Trip	170	-	40	130
DMS Guthrie Trip	133	8,575	8,707	1
DMS Heatwave Club	5,240	4,610	4,334	5,516
DMS Jersey Fund	6,631	-	1,347	5,284
DMS Library	201	52	-	253
DMS Orchestra	1,050	2,261	2,217	1,094
DMS PAC	358	-	-	358
DMS Pencil Fund	527	265	308	484
DMS Renaissance	2,069	2,127	2,361	1,835
DMS Science Field Trip	2,547	10,015	9,892	2,670



Independent School District No. 206  
 Alexandria Public Schools  
 Changes in Student Activity Cash Balances  
 Year Ended June 30, 2013

Activity	Balance 7/1/12	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/13
DMS Student Council	14,931	10,751	12,199	13,483
DMS Washington DC Trip	1	503	290	214
DMS What's the Hype	1,134	-	387	747
DMS Yearbook	3,841	9,254	10,831	2,264
Drama Club	1,378	712	1,179	911
EEC Advisory Board	2,368	6,348	6,637	2,079
Football	25,220	28,559	43,903	9,876
GES Academic Support	356	500	-	856
GES Activity	9,151	11,701	10,858	9,994
GES Deep Portage	5,098	3,050	5,920	2,228
GES Field Trip	1,378	-	188	1,190
GES Media Center	3,093	2,013	3,263	1,843
GES PAC	6,010	23,444	19,885	9,569
GES Playground	2,042	1,500	3,080	462
Gifted & Talented	1,333	500	1,096	737
Girls Basketball	2,330	25,537	20,581	7,286
Girls Hockey	14,243	16,136	26,687	3,692
Girls Soccer	3,107	1,608	3,201	1,514
Golf	1,754	-	80	1,674
Gymnastic	1,647	1,511	2,509	649
Have A Heart	1,914	279	470	1,723
JHS 212 Club	2,686	2,062	1,000	3,748
JHS Amnesty Int'l	58	182	190	50
JHS Band	1,283	1,844	1,140	1,987
JHS Career Fair	3,921	6,586	7,234	3,273
JHS Carolers	799	3,018	2,852	965
JHS Choir	718	3,635	4,171	182
JHS Faculty	434	73	351	156
JHS FFA	195	12,063	11,536	722
JHS Fine Arts	271	-	-	271
JHS Guidance Office	4,295	11,854	16,149	-
JHS Industrial Ed (VICA)	517	215	-	732
JHS Jazz Band	39	4,046	3,620	465
JHS Jr Viking Sportsmen	376	-	-	376
JHS Knowledge Bowl	1,068	-	138	930
JHS Math Team	1,068	-	96	972
JHS National Honor Society	1,037	300	302	1,035
JHS Orchestra	847	8,991	9,838	-

Independent School District No. 206  
 Alexandria Public Schools  
 Changes in Student Activity Cash Balances  
 Year Ended June 30, 2013

Activity	Balance 7/1/12	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/13
JHS Rainbow Strings	801	2,425	2,399	827
JHS Science Fund	3,767	1,990	1,913	3,844
JHS Senior Citizen Dance	1,798	1,494	1,532	1,760
JHS Service Learning	405	5,806	4,799	1,412
JHS SLAM	289	-	131	158
JHS Speech	536	20	-	556
JHS Student Benevolence	1,301	1,025	1,924	402
JHS Student Council	8,484	18,854	15,545	11,793
JHS Student Recognition	2,753	2,801	945	4,609
Kids Voting	46	-	-	46
LES	23,320	74,704	83,605	14,419
Literacy Team	540	2,000	2,250	290
MES	20,573	48,626	50,690	18,509
MES Water Festival	2,695	4,213	3,933	2,975
Miscellaneous	(87)	3,084	2,041	956
Nordic Skiing	963	1,101	652	1,412
Softball	1,109	400	837	672
Swimming	7,733	20,612	25,768	2,577
Tennis	226	-	113	113
Tourney Fund	14,995	-	14,995	-
Track	2,777	1,809	1,211	3,375
VES Caring Kids	1,916	510	199	2,227
VES Faculty Fund	4,228	-	326	3,902
VES Heifer	11	-	-	11
VES Literacy	2,687	-	75	2,612
VES Media Center	5,642	3,797	4,620	4,819
VES Music	2,691	258	981	1,968
VES PAC	19,146	15,579	18,137	16,588
VES Playground	2,267	-	62	2,205
VES Student	11,176	53,685	48,358	16,503
VES Technology	1,776	-	-	1,776
Volleyball	14,436	17,043	14,778	16,701
Weight Training	4,967	2,207	571	6,603
Wellness	37,405	1,850	2,224	37,031
WES 6th Grade	-	1,396	813	583
WES	18,043	62,531	64,176	16,398
WES Cupigram	-	1,216	623	593
WES Ohio Grant	7,408	-	-	7,408
WES PAC	4,421	3,343	1,206	6,558
WES Sunshine	-	2,150	569	1,581
WES TLC	1,784	3,291	3,546	1,529
Wrestling	-	2,124	1,662	462
	<u>\$ 504,978</u>	<u>\$ 783,713</u>	<u>\$ 806,918</u>	<u>\$ 481,773</u>

Independent School District No. 206  
Alexandria Public Schools  
Uniform Accounting and Reporting Standards Compliance Table  
Year Ended June 30, 2013

**Fiscal Compliance Report - 6/30/2013**

**District: ALEXANDRIA (206-1)**

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	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
<b>01 GENERAL FUND</b>				<b>06 BUILDING CONSTRUCTION</b>			
Total Revenue	\$38,647,809	<u>\$38,647,808</u>	<u>\$1</u>	Total Revenue	\$1,614,294	<u>\$1,614,294</u>	<u>\$0</u>
Total Expenditures	\$36,775,124	<u>\$36,775,124</u>	<u>\$0</u>	Total Expenditures	\$24,584,023	<u>\$24,584,022</u>	<u>\$1</u>
<i>Non Spendable:</i>				<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$107,275	<u>\$107,275</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>				<i>Restricted / Reserved:</i>			
4.03 Staff Development	\$0	<u>\$0</u>	<u>\$0</u>	4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.05 Deferred Maintenance	\$36,049	<u>\$36,049</u>	<u>\$0</u>	4.09 Alternative Facility Program	\$0	<u>\$0</u>	<u>\$0</u>
4.06 Health and Safety	(\$106,684)	<u>(\$106,684)</u>	<u>\$0</u>	4.13 Project Funded by COP	\$0	<u>\$0</u>	<u>\$0</u>
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted:</i>			
4.08 Cooperative Revenue	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$40,766,003	<u>\$40,766,002</u>	<u>\$1</u>
4.14 Operating Debt	\$0	<u>\$0</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.16 Levy Reduction	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.17 Taconite Building Maint	\$0	<u>\$0</u>	<u>\$0</u>	<b>07 DEBT SERVICE</b>			
4.23 Certain Teacher Programs	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$6,161,045	<u>\$6,161,045</u>	<u>\$0</u>
4.24 Operating Capital	\$132,191	<u>\$132,191</u>	<u>\$0</u>	Total Expenditures	\$5,992,134	<u>\$5,992,134</u>	<u>\$0</u>
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>	<i>Non Spendable:</i>			
4.27 Disabled Accessibility	\$0	<u>\$0</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.28 Learning & Development	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted / Reserved:</i>			
4.34 Area Learning Center	\$0	<u>\$0</u>	<u>\$0</u>	4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	<u>\$0</u>	4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted:</i>			
4.38 Gifted & Talented	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$799,800	<u>\$799,801</u>	<u>(\$1)</u>
4.41 Basic Skills Programs	\$0	<u>\$0</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.45 Career Tech Programs	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.49 Safe School Crime	\$0	<u>\$0</u>	<u>\$0</u>	<b>08 TRUST</b>			
4.50 Pre-Kindergarten	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
4.53 Unfunded Sev & Retiremt Levy	\$0	<u>\$0</u>	<u>\$0</u>	<b>20 INTERNAL SERVICE</b>			
<i>Restricted:</i>				Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Committed:</i>				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
4.18 Committed for Separation	\$0	<u>\$0</u>	<u>\$0</u>	<b>25 OPEB REVOCABLE TRUST</b>			
4.61 Committed Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
<i>Assigned:</i>				Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.62 Assigned Fund Balance	\$975,000	<u>\$975,000</u>	<u>\$0</u>	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>				<b>45 OPEB IRREVOCABLE TRUST</b>			
4.22 Unassigned Fund Balance	\$3,680,239	<u>\$3,680,242</u>	<u>(\$3)</u>	Total Revenue	\$45,798	<u>\$45,798</u>	<u>\$0</u>
<b>02 FOOD SERVICES</b>				Total Expenditures	\$813,069	<u>\$813,069</u>	<u>\$0</u>
Total Revenue	\$2,230,235	<u>\$2,230,235</u>	<u>\$0</u>	4.22 Unassigned Fund Balance (Net Assets)	\$5,403,189	<u>\$5,403,189</u>	<u>\$0</u>
Total Expenditures	\$2,223,724	<u>\$2,223,726</u>	<u>(\$2)</u>	<b>47 OPEB DEBT SERVICE</b>			
<i>Non Spendable:</i>				Total Revenue	\$743,751	<u>\$743,750</u>	<u>\$1</u>
4.60 Non Spendable Fund Balance	\$18,828	<u>\$18,828</u>	<u>\$0</u>	Total Expenditures	\$787,196	<u>\$787,196</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>				<i>Non Spendable:</i>			
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>				<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$545,562	<u>\$545,562</u>	<u>\$0</u>	4.25 Bond Refundings	\$6,365,000	<u>\$6,365,000</u>	<u>\$0</u>
<i>Unassigned:</i>				4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	<i>Unassigned:</i>			
<b>04 COMMUNITY SERVICE</b>				4.63 Unassigned Fund Balance	(\$898)	<u>(\$898)</u>	<u>\$0</u>
Total Revenue	\$1,880,828	<u>\$1,880,828</u>	<u>\$0</u>				
Total Expenditures	\$1,729,020	<u>\$1,729,020</u>	<u>\$0</u>				
<i>Non Spendable:</i>							
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>				
<i>Restricted / Reserved:</i>							
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>				
4.31 Community Education	\$207,600	<u>\$207,600</u>	<u>\$0</u>				
4.32 E.C.F.E	\$14,686	<u>\$14,686</u>	<u>\$0</u>				
4.44 School Readiness	\$47,787	<u>\$47,787</u>	<u>\$0</u>				
4.47 Adult Basic Education	\$0	<u>\$0</u>	<u>\$0</u>				
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>				
<i>Restricted:</i>							
4.64 Restricted Fund Balance	\$58,094	<u>\$58,094</u>	<u>\$0</u>				
<i>Unassigned:</i>							
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>				

Independent School District No. 206  
 Alexandria Public Schools  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2013

Federal Grantor/Program Title	Federal CFDA Number	Pass Through Number	Expenditures
Department of Agriculture			
<i>Passed through Minnesota Department of Education</i>			
Non-Cash Assistance (Commodities):			
Food Distribution	10.558	N/A	\$ 149,937
Cash Assistance:			
School Breakfast Program	10.553	N/A	\$ 104,069
National School Lunch Program	10.555	N/A	642,561
Summer Food Service Program for Children	10.559	N/A	<u>56,383</u>
Total Child Nutrition Cluster			<u>803,013</u>
Total Department of Agriculture			\$ 952,950
Department of Education			
<i>Passed through Minnesota Department of Education</i>			
Title I, Part A, Improving the Academic Achievement of the Disadvantaged	84.010	0206-01-000 FIN 401	426,812
Title II, Part A, Teacher and Principal Training and Recruitment	84.367	0206-01-000 FIN 414	120,098
BOOK - Welcome to Microsoft Off	84.126	N/A	23
Part C IEIC, Ages 0-2	84.181	0206-01-000 FIN 422	21,129
Limited Eligibility Adult Basic Education	84.002	0206-01-000 FIN 438	7,841
Part B Section 611 Continuous Improvement Monitoring Process (CIMP)	84.027	0206-01-000 FIN 435	10,818
IDEA Special Education Part B, Section 611	84.027	0206-01-000 FIN 419	1,246,543
Part B Section 619 Preschool Incentive, Ages 3-5	84.173	0206-01-000 FIN 420	36,571
Part B Section 619 Preschool Incentive Personnel Development, Ages 3-5	84.173	0206-01-000 FIN 437	<u>1,764</u>
Total Special Education Cluster			<u>1,295,696</u>
Total Department of Education			1,871,599
Department of Health and Human Services			
<i>Passed through Minnesota Department of Education</i>			
Medical Assistance Program	93.778	N/A	<u>226,915</u>
Total expenditures of federal awards			<u><u>\$3,051,464</u></u>

**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, 2013 the District had food commodities totaling \$18,828 in inventory.

**Note C – Agency or Pass-Through Number**

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



Additional Reports  
June 30, 2013

# Independent School District No. 206 Alexandria Public Schools



## **Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

The School Board of  
Independent School District No. 206  
Alexandria Public Schools  
Alexandria, Minnesota

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 206, Alexandria Public Schools, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 17, 2013.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Independent School District No. 206 internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2013-A, 2013-B, and 2013-C, to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

### **Response to Findings**

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Fargo, North Dakota  
October 17, 2013



**Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

The School Board of  
Independent School District No. 206  
Alexandria Public Schools  
Alexandria, Minnesota

**Report on Compliance for Each Major Federal Program**

We have audited the District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

## Opinion on Each Major Federal Program

In our opinion, the District's complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect of each of its major Federal programs for the year ended June 30, 2013.

## Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item, 2013-001 that we consider to be a significant deficiency.

The District's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Fargo, North Dakota  
October 17, 2013



## Report on Compliance over Financial Reporting of the Student Activity Accounts

The School Board of  
Independent School District No. 206  
Alexandria Public Schools  
Alexandria, Minnesota

We have audited, 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)*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 206, Alexandria Public Schools, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 17, 2013.

### 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 instances of noncompliance that are required to be reported under MAFA, described in the accompanying schedule of audit findings as items 2013-D, 2013-E, 2013F, and 2013-G.

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 and is not intended to be and should be used by anyone other than those specified parties.

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

Fargo, North Dakota  
October 17, 2013



**Report on *Minnesota Legal Compliance*  
Independent Auditor's Report**

The School Board of  
Independent School District No. 206  
Alexandria Public Schools  
Alexandria, Minnesota

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 206 Alexandria Public Schools as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated October 17, 2013.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for school districts. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

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

Fargo, North Dakota  
October 17, 2013

**12-7**            **Reporting – No Review of Reports Submitted** – Department of Education ARRA-Education Jobs Fund CFDA #84.410, ARRA-Title I, Part A Cluster CFDA #84.010 and 84.389, and Special Education Cluster CFDA #84.027 and 84.173

Finding – During 2012 audit, it was noted that the controls surrounding the reporting function of these programs were not being properly segregated. There was no review being performed to ensure that all required reports were submitted accurately.

Status – The District has made an effort to ensure properly segregated controls around the function of these programs.

Auditor’s Response – The District has fully implemented procedures segregating controls there were no instances found during the current audit.

**12-8**            **Allowable Cost – Lack of Review of PARS Report** – Department of Education Special Education Cluster CFDA #84.027 and 84.173

Finding – During 2012 audit, it was noted instances of Personnel Activity Reports (PARS) that were not properly approved by the employee’s supervisor.

Status – The District has made an effort to ensure all appropriate approval of by employees supervisors for PARS reports.

Auditor’s Response – The District has fully implemented processes ensuring proper approval of PARS and there were no instances found during the current audit.

Independent School District No. 206  
 Alexandria Public Schools  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2013

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**A. Summary of Audit Results**

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

	<u>      </u> yes	<u>  X  </u> no
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*Federal Awards*

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported  
 in accordance with Section 510(a) of OMB Circular A-133?

	<u>  X  </u> yes	<u>      </u> no
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Identification of major programs:

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

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

Auditee qualified as low-risk auditee?        yes   X   no

**B. Findings – Financial Statement Audit**

**Material Weakness**

**2013-A 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 – Richard Lahn, Superintendent.
4. Planned Completion Date for the Corrective Action – Ongoing.
5. Plan to Monitor Completion of Corrective Action – The School Board will monitor.

**Material Weakness**

**2013-B Significant Journal Entries**

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

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

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

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

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

**Corrective Action Plan (CAP)**

1. Actions Planned in Response to the Finding – The District will review the prior year journal entries to determine training needs with the intent to reduce the overall frequency or number of adjusting journal entries.
2. Explanation of Disagreement – There is no disagreement with the audit finding.
3. Official Responsible for Ensuring Corrective Action – Trevor Peterson, Director of Business Services.
4. Planned Completion Date for the Corrective Action – Ongoing.
5. Plan to Monitor Completion of Corrective Action – The School Board will monitor.



**Material Weakness**

**2013-C Segregation of Duties**

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

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

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

**Cause** – One individual is responsible for receipting cash, preparing the deposit slip, making the deposit in the financial institution, and entering the transaction into the accounting system. Also, there is no formal process to review journal entries that are posted into the accounting system.

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

**Corrective Action Plan (CAP)**

1. Actions Planned in Response to the Finding – Management plans on reviewing control processes and segregating duties further to mitigate the risk of unauthorized transactions or loss of assets.
2. Explanation of Disagreement – There is no disagreement with the audit finding.
3. Official Responsible for Ensuring Corrective Action – Trevor Peterson, Director of Business Services.
4. Planned Completion Date for the Corrective Action – Ongoing.
5. Plan to Monitor Completion of Corrective Action – The School Board will monitor.

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

**Significant Deficiency – Internal Control Over Compliance**

**2013-001 Allowable Activities/Allowable Costs**

Department of Education  
Title I #84.010

**Condition** – During the course of our engagement we noted expenditures that did not have proper back-up documentation as support.

**Criteria or Specific Requirement** – A good system of internal accounting control contemplates an adequate system for ensuring all expenditures paid have proper detailed support.

**Effect** – The control deficiency could result in the District’s misuse of federal funds.

**Cause** – The District does not have an internal control system designed to ensure all federal expenditures have proper detailed support.

**Recommendation** – Management should put a procedure in place to ensure that all federal expenditures have proper detailed support.

**Corrective Action Plan (CAP)**

1. Actions Planned in Response to the Finding – The District will update their procedures to implement proper internal controls to ensure all federal expenditures paid have proper back-up documentation with proper review.
2. Explanation of Disagreement – There is no disagreement with the finding.
3. Official Responsible for Ensuring Corrective Action – Richard Lahn, Superintendent.
4. Planned Completion Date for the Corrective Action – June 30, 2014.
5. Plan to Monitor Completion of Corrective Action – The School Board will monitor.

**D. Findings – Student Activities**

**2013-D Unallowed Student Activity Accounts**

**Condition** – During the course of our engagement we noted that there are several accounts included in student activities that are not allowed by the Manual for Activity Fund Accounting (MAFA) guidelines.

**Criteria or Specific Requirement** – MAFA guidelines state that funds for parent-teacher (student) organization cannot be accounted for within the tax identification number of a school district. MAFA also does not permit any inclusion of non-student accounts or convenience accounts in a student activity fund.

**Effect** – The control deficiency could result in the District’s misuse of student activity funds.

**Cause** – The District does not have an internal control system designed to ensure student activity accounts are in accordance with MAFA guidelines.

**Recommendation** – Management should put a procedure in place to ensure that all student activity accounts are reviewed for compliance with guidelines.

**Corrective Action Plan (CAP)**

1. Actions Planned in Response to the Finding – The District will update their procedures to implement proper internal controls to ensure all student activity accounts are reviewed for compliance.
2. Explanation of Disagreement – There is no disagreement with the finding.
3. Official Responsible for Ensuring Corrective Action – Richard Lahn, Superintendent.
4. Planned Completion Date for the Corrective Action –June 30, 2014.
5. Plan to Monitor Completion of Corrective Action – The School Board will monitor.

**2013-E            Inappropriate Use of Student Activity Funds**

**Condition** – During the course of our engagement we noted several instances of activity in the student activity funds that are unallowable activities in student funds.

**Criteria or Specific Requirement** – MAFA guidelines state that student activity funds must be used for student activity purposes and must directly benefit the students who raise the funds.

**Effect** – The control deficiency could result in the District’s misuse of student activity funds.

**Cause** – The District does not have an internal control system designed to properly review activity through student accounts to ensure it is allowable through MAFA guidelines

**Recommendation** – Management should put a procedure in place to properly review activity through student accounts to ensure it is allowable through MAFA guidelines.

**Corrective Action Plan (CAP)**

1. Actions Planned in Response to the Finding – The District will update their procedures to implement proper internal controls to ensure activity in the student accounts is in compliance with MAFA guidelines.
2. Explanation of Disagreement – There is no disagreement with the finding.
3. Official Responsible for Ensuring Corrective Action – Richard Lahn, Superintendent.
4. Planned Completion Date for the Corrective Action –June 30, 2014.
5. Plan to Monitor Completion of Corrective Action – The School Board will monitor.

**2013-F            No Student Approval of Expenditure**

Condition – During the course of our engagement, we discovered disbursements that were not properly signed off by student representatives.

Criteria – A good system of internal accounting control contemplates an adequate system for compliance with the MAFA guidelines in the approval of all expenditures. Pages 20 and 21 of the MAFA guidelines describe the requirements for approval and documentation of expenditures.

Effect – This finding could result in student activities funding being misused.

Cause – The District did not follow the procedures to submit and approve expenditures.

Recommendation – A thorough review of all expenditure approvals should be performed in accordance with MAFA guidelines.

**Corrective Action Plan (CAP)**

1. **Actions Planned in Response to the Finding:** The District will review all student activity expenditures to ensure they are properly signed off and approved.
2. **Explanation of Disagreement:** There is no disagreement with the audit finding.
3. **Official Responsible for Ensuring Corrective Action:** Richard Lahn, Superintendent.
4. **Planned Completion Date for the Corrective Action:** June 30, 2014.
5. **Plan to Monitor Completion of Corrective Action:** The School Board will monitor.

**2013-G District Activity in Student Accounts**

**Condition** – During the course of our engagement we noted several instances of activity in the student activity funds that should be reported as district expenditures and under Board control.

**Criteria or Specific Requirement** – MAFA guidelines state that public funds are not allowed to be included in student activity accounts. In addition, co-curricular activities must be accounted for as district expenditures and under Board control.

**Effect** – The control deficiency could result in the District’s misuse of student activity funds.

**Cause** – The District does not have an internal control system designed to properly review activity through student accounts to ensure it is properly being recorded.

**Recommendation** – Management should put a procedure in place to properly review activity through student accounts to ensure it is being properly recorded.

**Corrective Action Plan (CAP)**

1. Actions Planned in Response to the Finding – The District will update their procedures to implement proper internal controls to ensure activity through the District and student accounts is being recorded properly.
2. Explanation of Disagreement – There is no disagreement with the finding.
3. Official Responsible for Ensuring Corrective Action – Richard Lahn, Superintendent.
4. Planned Completion Date for the Corrective Action – June 30, 2014.
5. Plan to Monitor Completion of Corrective Action – The School Board will monitor.

**E. Findings – Minnesota Legal Compliance**

**None**