

Duluth Public Schools

Independent School District #709

Duluth, Minnesota

FINANCIAL STATEMENTS

Year Ended June 30, 2008



**DULUTH
PUBLIC
SCHOOLS**

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

TABLE OF CONTENTS

	<u>Reference</u>	<u>Page</u>
<u>Organization</u>		1
 <u>Financial Section</u>		
Independent Auditor's Report		2
Required Supplementary Information Management's Discussion and Analysis		4
 Basic Financial Statements		
District-wide Financial Statements		
Statement of Net Assets	Exhibit 1	11
Statement of Activities	Exhibit 2	12
Fund Financial Statements		
Governmental Funds		
Balance Sheet	Exhibit 3	14
Reconciliation of the Balance Sheet to the Statement of Net Assets	Exhibit 4	20
Statement of Revenues, Expenditures and Changes in Fund Balance	Exhibit 5	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	Exhibit 6	24
Fiduciary Funds		
Statement of Fiduciary Net Assets	Exhibit 7	25
Statement of Changes in Fiduciary Net Assets	Exhibit 8	26
Notes to the Financial Statements		27
 Required Supplementary Information		
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual		
General Fund	Statement A-1	48
Capital Projects Fund	Statement A-2	49
Debt Redemption Debt Service Fund	Statement A-3	50
Information About the District's Other Postemployment Health Care Plan	Statement A-4	51

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**TABLE OF CONTENTS
(Continued)**

<u>Financial Section</u>	<u>Reference</u>	<u>Page</u>
Supplementary Information		
Individual Fund Financial Statements		
Balance Sheets		
General Fund	Statement B-1	52
Capital Projects Fund	Statement C-1	53
Debt Redemption Debt Services Fund	Statement D-1	54
Other Funds		
Combining Balance Sheet	Statement E-1	55
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	Statement E-2	56
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual		
Food Service Fund	Statement E-3	57
Community Services Fund	Statement E-4	58
Student Activities		
Combined Statement of Cash Receipts, Cash Disbursements, and Cash Balances	Statement F-1	59
Individual Student Activities Account Statements – Statement of Cash Receipts, Cash Disbursements, and Cash Balances		
Central High School	Statement G-1	60
Denfeld High School	Statement G-2	62
East High School	Statement G-3	64
Secondary Technical Center	Statement G-4	66
Morgan Park Middle School	Statement G-5	67
Ordean Middle School	Statement G-6	68
Woodland Middle School	Statement G-7	69
Elementary Schools, Unity, and Public School Stadium	Statement G-8	70
Schedule of Cash Receipts – Secondary Schools	Statement H-1	72
Schedule of Cash Disbursements – Secondary Schools	Statement H-2	74
Uniform Financial Accounting and Reporting Standards Compliance Table		
	Schedule 1	76

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Independent Auditor's Report

December 5, 2008

To the School Board
Independent School District No. 709
Duluth, Minnesota

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No. 709, Duluth, Minnesota (District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

As described in Note 1 to the basic financial statements, the District adopted the provisions of Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting for Employers of Postemployment Benefits Other Than Pensions*, as of July 1, 2007.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the other required supplementary information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund statements and schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly presented in all material respects, in relation to the basic financial statements taken as a whole.

Ehrlich & Schilling Ltd.

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

ORGANIZATION
JUNE 30, 2008

School Board Directors

Term Expires

Nancy Nilsen	Chairperson	12/31/2009
Tim Grover	Vice Chairperson	12/31/2011
Laura Condon	Clerk of the Board	12/31/2009
Ann Wasson	Treasurer	12/31/2009
Mary Cameron		12/31/2009
Gary Glass		12/31/2011
Judy Seliga Punyko		12/31/2011

Ex Officio Members

Superintendent
Keith Dixon, Appointed July, 2005
Deputy Clerk
William Hanson, Appointed July, 2003

**REQUIRED SUPPLEMENTARY
INFORMATION**

INDEPENDENT SCHOOL DISTRICT NO. 709 – DULUTH PUBLIC SCHOOLS
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2008

As management of Independent School District No. 709 (District), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008.

FINANCIAL HIGHLIGHTS

- The District continues to meet its fund balance policy goal of 10% of unrestricted expenditures from selected funds.
- The District’s total net assets of governmental activities decreased \$4.2 million, versus 2007, primarily due to a combination of decreasing capital assets and increased longer-term liabilities (severance liability and long-term debt related to our facilities plan).
- General revenues accounted for \$86.8 million, or 71% of all fiscal year 2008 revenues. This represents an increase of \$3.3 million versus the prior year. Program specific revenues of \$36.2 million (charges for services, grants and contributions) accounted for 29% of total fiscal 2008 revenues. This represents an increase of \$4.5 million versus the prior year.
- The District spent approximately \$127.1 million on governmental activities. This represents an increase of \$14.3 million (equal to 12.6%) versus prior year. The increase results from an increase in grant-related and debt-related (facilities plan) expenditures.
- Among major funds, the General fund had \$103.3 million in revenues, consisting mainly of state aids and local property taxes, and \$105.8 million in expenditures. This deficit of \$2.5 million was \$2.2 million better than the prior year.
- General Fund spending was \$3.1 million less than the revised budget of \$108.9 million. Approximately \$2.2 million of the budget relates to open purchase orders, school budgets and referendum spending that will be carried over to FY 2009.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor’s Report, Required Supplementary Information which includes the Management’s Discussion and Analysis (this section), the Basic Financial Statements, and Supplemental Information. The District’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation, and operation of non-instructional services.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District's budget process. The District adopts an annual expenditure budget for all governmental funds. A budgetary comparison statement has been provided for the General fund as required supplementary information.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the major budgetary comparisons.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities exceeded assets by \$0.3 million as of June 30, 2008. This decrease follows four consecutive years that the District had realized positive growth in net assets.

Duluth Public Schools Statement of Net Assets As of June 30,

	2008	2007	Total Percentage Change 2007- 2008
Current and Other Assets	\$228,543,132	\$57,372,011	298.4%
Capital Assets	<u>33,208,556</u>	<u>28,292,416</u>	17.4%
Total Assets	\$261,751,688	\$85,664,427	205.6%
Long-term Liabilities	\$222,832,160	\$54,617,092	308.0%
Other Liabilities	<u>39,171,191</u>	<u>27,138,050</u>	44.3%
Total Liabilities	\$262,003,351	\$81,755,142	220.5%
Net Assets/(Liabilities)			
Invested in capital assets, net of related debt	\$8,368,927	\$5,968,184	40.2%
Restricted	936,639	5,332,839	(82.4%)
Unrestricted	<u>(9,557,229)</u>	<u>(7,391,738)</u>	(29.3%)
Total Net Assets/(Liabilities)	<u>\$(251,663)</u>	<u>\$3,909,285</u>	(106.4%)

District Assets of \$261.8 million include \$197.7 million in unrestricted cash, \$33.2 million in undepreciated capital assets, property tax and state aid receivables of \$30.3 million and \$0.6 million in other assets.

District Liabilities of \$262 million include \$190.6 million in Long-term Debt (facilities plan), \$32.2 million in severance liability, \$18.2 million due to employees and vendors for expenditures incurred, but not paid as of fiscal year-end, and \$20.3 million for revenues collected for future fiscal years and \$0.7 million in other liabilities.

**Duluth Public Schools
Change in Net Assets
For the Year ended June 30,**

Revenues	<u>2008</u>	<u>2007</u>	Total % Change 2006- <u>2008</u>
Program Revenues			
Charges for Services	\$5,700,499	\$6,759,454	(15.7%)
Operating grants and contributions	30,490,473	24,906,809	22.4%
General Revenues			
Property taxes	12,170,010	10,840,876	12.3%
State aids	69,998,604	69,448,823	0.8%
Other	<u>4,589,556</u>	<u>3,179,558</u>	44.3%
Total Revenues	\$122,949,142	\$115,135,520	6.8%
 Expenses			
Administration	\$5,614,495	\$5,165,867	8.7%
District support services	3,805,268	7,201,352	(47.2%)
Elementary and secondary regular instruction	55,204,000	43,609,499	26.6%
Vocational education instruction	2,212,451	2,984,495	(25.9%)
Special education instruction	21,191,674	19,756,971	7.3%
Instructional support services	5,591,147	5,536,538	1.0%
Pupil support services	8,295,260	7,790,668	6.5%
Sites and buildings	9,808,175	10,183,899	(3.7%)
Fiscal and other fixed cost programs	259,908	282,979	(8.2%)
Food service	3,019,430	2,912,780	3.7%
Community service	9,777,835	6,535,645	49.6%
Interest and fiscal charges on long-term debt	<u>2,330,447</u>	<u>892,331</u>	161.2%
Total expenses	<u>\$127,110,090</u>	<u>\$112,853,024</u>	12.6%
 Change in net assets (liabilities)	<u>(\$4,160,948)</u>	<u>\$2,282,496</u>	(282.3%)
 Beginning of year net assets (liabilities)	<u>\$3,909,285</u>	<u>\$1,626,789</u>	140.3%
End of year net assets (liabilities)	<u>(\$251,663)</u>	<u>\$3,909,285</u>	(106.4%)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

GENERAL FUND

As planned, the General Fund fund balance decreased \$2.5 million as follows:

Unreserved / undesignated fund balance was unchanged at \$7.1 million. The District continues to meet the goals established by its policy on fund balance.

Designated fund balances decreased by \$1.5 million, due to a \$0.5 million decrease in school carryover funds, along with a \$0.7 million decrease in textbooks and \$0.2 million in transportation. These reductions were partially offset by an increase of \$0.2 million in severance insurance premiums.

Reserved fund balances decreased by \$1.0 million due primarily to decreases in the health and safety reserve of \$0.3 million, the learning development reserve of \$0.2 million, the severance reserve of \$0.1 million, and the basic skills reserve of \$0.1 million.

BUDGET REVISIONS

General fund (which includes the District's general, transportation and capital funds) adopted revenue budget of \$99.6 million was revised upward to \$103.2 million as a result of a \$0.9 million increase in Title program budgets. In addition, there was an increase of \$0.7 million for unbudgeted revenue available through a federal settlement with Microsoft and \$0.2 million due to carryover of unrealized funding in the Adult Learning Center program.

General fund adopted expenditure budget of \$101.7 million was increased by \$7.2 million to \$108.9 million. Again, we added \$0.9 million due to Title program revenues, and \$0.7 million from the Microsoft settlement and collection against the performance bond. In addition, we added over \$3.0 million for General and Capital fund carryovers.

VARIANCES TO FINAL REVISED BUDGET

General fund revenues were \$0.1 million more than the revised budget (a difference of 0.1%).

General fund spending was \$3.1 million less than the revised budget. Grants and restricted programs spending was approximately \$0.7 million less than revised budget, and these funds will be carried over and rebudgeted in fiscal 2009. Nearly \$2.2 million of unspent funds for open purchase orders, school budgets, staff development, and referendum spending will also be carried over into fiscal 2009.

CAPITAL ASSETS

In fiscal 2008, the District acquired \$6.6 million of new capital assets. Large items included ongoing facilities improvements, school bus purchases, and technology equipment. Depreciation of \$1.7 million was taken on existing items. As of June 30, 2008, the district had capital items costing \$62.2 million, which had an undepreciated value of \$33.2 million. Most of the capital investment is in buildings and equipment.

LONG-TERM LIABILITIES

At year-end, the district had \$190.6 million of outstanding bonds payable and certificates of participation. This reflects an increase of \$163.7 million. This increase reflects the debt issues completed in support of the District's comprehensive facilities plan. Two additional debt issues are anticipated for 2009 (with a planned total of approximately \$95 million). The District's debt rating from Moody's is improved to A2. State statute limits the District's debt to 15% of the fair market value of property in the District. This sets the District debt limit at approximately \$919.5 million as of June 30, 2008.

The remainder of long-term liabilities is the \$32.2 million recognized for severance benefits and other post-employment benefits (OPEB). This represents an increase of \$4.4 million versus prior year.

ECONOMIC AND BUDGETARY FACTORS

Factors affecting the District's future financial condition include the following:

Declining enrollment – as the population of school-age children residing in the District declines, District revenues decline, as most of our funding is based on the number of pupils served in the District.

School choice – in addition to population decline, more residents have chosen educational options other than the District. Increases in charter schools, home schooling and private school enrollment has contributed to pupil and corresponding revenue loss.

State Budget – the current economic forecast for the state of Minnesota is more negative than in the recent past. Since K-12 education makes up over 40% of state spending and because State revenues account for over 71% of the District's revenues, the District may well be impacted by decisions made relative to education spending.

Medical Insurance – premiums continue to increase at significant rates, due to increased utilization of prescription drugs and medical services. Premium rates have nearly doubled in the last 6 years, despite efforts to curtail the increases (bidding, changes in co-pays).

Retiree benefits (severance) – this large liability exceeds the amounts currently set aside to pay these benefits upon retirements. This may impact the General fund, as interest earned on any invested funds will accrue to the trust for severance and not be available as General fund revenue.

DISTRICT FINANCIAL CONTACT

This financial report is designed to provide citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives and utilizes. Should you have questions about this report, or need additional information, please contact:

Bill Hanson, Executive Director of Business Services, ISD #709
215 N. 1st Avenue East, Duluth, MN 55802
or call 218-336-8704

BASIC FINANCIAL STATEMENTS

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

Exhibit 1

**Statement of Net Assets
June 30, 2008**

	Governmental Activities
Assets	
Cash and temporary investments	\$ 31,200,736
Receivables	
Taxes	14,193,975
Accounts and interest receivable	1,212,956
Due from other governmental units	14,932,034
Inventory	328,598
Prepayments	156,084
Restricted assets	
Cash and investments for debt service	73
Cash and investments for capital projects	166,518,676
Capital assets, net of depreciation	
Capital assets not being depreciated	7,471,197
Capital assets being depreciated	25,737,359
Total assets	\$ 261,751,688
Liabilities	
Salaries payable	\$ 11,058,660
Accounts and contracts payable	4,693,756
Accrued interest payable	1,554,932
Due to other funds	346,119
Due to other governmental units	70,715
Compensated absences	426,893
Deferred revenue	23,786
Taxes levied for subsequent year's expenditures	20,262,952
Unamortized premium and discount, net	733,378
Long term liabilities	
Due within one year	7,483,488
Due in more than one year	215,348,672
Total liabilities	\$ 262,003,351
Net Assets	
Invested in capital assets, net of related debt	\$ 8,368,927
Restricted for:	
Debt Service payments	936,639
Unrestricted	(9,557,229)
Total liabilities	\$ (251,663)
Total liabilities and net assets	\$ 261,751,688

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**Statement of Activities
For the Year Ended June 30, 2008**

Functions/Programs	Expenses
Government Activities	
Administration	\$ 5,614,495
District Support Services	3,805,268
Regular Instruction	55,204,000
Vocational Education Instruction	2,212,451
Special Education Instruction	21,191,674
Instructional Support Services	5,591,147
Pupil Support Services	8,295,260
Sites and Buildings	9,808,175
Fiscal and Other Fixed cost Programs	259,908
Food Service	3,019,430
Community Service	9,777,835
Interest and Fiscal Charges on Long Term Debt	2,330,447
Total Governmental Activities	<u>\$ 127,110,090</u>

Exhibit 2

Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
\$	\$ 80,711	\$	\$ (5,533,784)
			(3,805,268)
2,708,474	3,831,901		(48,663,625)
42,393	400,703		(1,769,355)
302,664	12,290,445		(8,598,565)
350,889	2,229,266		(3,010,992)
1,214,367	3,446,533		(3,634,360)
83,461	168,064		(9,556,650)
			(259,908)
			(3,019,430)
998,251	7,433,850		(1,345,734)
	609,000		(1,721,447)
<u>\$ 5,700,499</u>	<u>\$ 30,490,473</u>	<u>\$</u>	<u>\$ (90,919,118)</u>
General Revenues			
Taxes			
Property Taxes, levied for General Purposes			\$ 9,443,556
Property Taxes, levied for Community Service			656,180
Property Taxes, levied for Debt Service			2,070,274
State aid-formula grants			69,998,604
Other general revenues			2,232,751
Investments Earnings			2,356,805
Total General Revenues			<u>\$ 86,758,170</u>
Change in net assets			\$ (4,160,948)
Net assets - beginning			<u>3,909,285</u>
Net liabilities - ending			<u>\$ (251,663)</u>

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008**

	General	Capital Projects
<u>Assets</u>		
Cash and investments	\$ 21,555,924	\$ 170,295,788
Cash and investments with fiscal agent		
Taxes and credits receivable	6,529,892	
Accounts and interest receivable	242,873	767,339
Due from		
Other funds	531,837	
Other Minnesota school districts	642,638	
Department of Education	9,361,276	16,806
Federal through Department of Education	1,876,166	
Federal - direct	139,404	
Other governmental units	92,965	
Inventory	185,303	
Prepayments	128,839	
Total Assets	\$ 41,287,117	\$ 171,079,933

Debt Service	Other Funds	Total Government Funds
\$ 5,587,291	\$ 280,409	\$ 197,719,412
73		73
7,139,428	524,655	14,193,975
	202,744	1,212,956
		531,837
		642,638
143,481	376,094	9,897,657
	64,516	1,940,682
	2,216,525	2,355,929
	2,163	95,128
	143,295	328,598
	27,245	156,084
<u>\$ 12,870,273</u>	<u>\$ 3,837,646</u>	<u>\$ 229,074,969</u>

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008**

	General	Capital Projects
<u>Liabilities</u>		
Salaries payable	\$ 10,474,718	\$ 1,445
Accounts payable	1,168,063	324,555
Due to		
Other funds	228,978	
Other Minnesota school districts	68,540	
Other governmental units	2,175	
Claims payable	96,822	
Construction contracts		2,456,244
Deferred revenue	310,871	
Taxes levied for subsequent year's expenditures	7,558,667	
	\$ 19,908,834	\$ 2,782,244

**Exhibit 3
(Continued)**

<u>Debt Service</u>	<u>Other Funds</u>	<u>Total Government Funds</u>
\$	\$ 582,497	\$ 11,058,660
	648,072	2,140,690
	648,978	877,956
		68,540
		2,175
		96,822
		2,456,244
95,644	10,676	417,191
<u>11,837,990</u>	<u>866,295</u>	<u>20,262,952</u>
<u>\$ 11,933,634</u>	<u>\$ 2,756,518</u>	<u>\$ 37,381,230</u>

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008**

	General	Capital Projects
Fund Balance (Deficit)		
Reserved for		
First grade preparedness	\$ 32,509	\$
Basic skills programs	210,485	
Cooperative revenue	120,654	
Encumbrances		3,361,572
Inventory	185,303	
Gifted and talented	60,474	
School readiness		
Operating capital	2,298,800	
Prepayments	128,839	
Severance pay	2,900,000	
Staff development	470,035	
Community education		
Adult basic education		
Early childhood family education		
Alternative facility program		2,191,253
Designated for		
Desegregation	74,936	
Operating capital	900,000	
Referendum expenditures	94,511	
School carryover	1,107,974	
Severance-insurance premiums	2,752,973	
Student activities	1,118,959	
Student transportation	1,569,057	
Textbooks	197,787	
Unreserved-undesignated		
General	7,154,987	
Debt service		
Food service		
Community services		
Capital projects		162,744,864
Total Fund Balance	\$ 21,378,283	\$ 168,297,689
Total Liabilities and Fund Balance	\$ 41,287,117	\$ 171,079,933

**Exhibit 3
(Continued)**

<u>Debt Service</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
\$	\$	\$ 32,509
		210,485
		120,654
		3,361,572
	143,295	328,598
		60,474
	45,967	45,967
		2,298,800
	27,245	156,084
		2,900,000
		470,035
	156,917	156,917
	79,711	79,711
	187,236	187,236
		2,191,253
		74,936
		900,000
		94,511
		1,107,974
		2,752,973
		1,118,959
		1,569,057
		197,787
		7,154,987
936,639		936,639
	279,603	279,603
	161,154	161,154
		162,744,864
<u>\$ 936,639</u>	<u>\$ 1,081,128</u>	<u>\$ 191,693,739</u>
<u>\$ 12,870,273</u>	<u>\$ 3,837,646</u>	<u>\$ 229,074,969</u>

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Exhibit 4

Reconciliation of the Balance Sheet to the
Statement of Net Assets
Governmental Funds
June 30, 2008

Total fund balances - governmental funds	\$ 191,693,739
Amounts reported for governmental activities in the statement of activities are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	62,205,092
Less: accumulated depreciation	(28,996,536)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Bond principal payable	(75,775,000)
Certificates of participation	(114,850,000)
Long-term liabilities, including severance payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
	(31,382,446)
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
	(426,893)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	
	393,405
Governmental funds do not report a liability for accrued interest until due and payable.	
	(1,554,932)
Changes in net other post-employment benefits obligations are reported only in the statement of activities.	
	(824,714)
Governmental funds report debt issuance premiums and discounts as an other financing source or use at the time of issuance. Premiums and discounts are reported as an unamortized asset or liability in the District-wide financial statements.	
	<u>(733,378)</u>
Total net assets (liabilities) - governmental activities	<u>\$ (251,663)</u>

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**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008**

	General	Capital Projects
Revenues		
Local property tax levies	\$ 7,696,891	\$ 1,696,912
Interest income	1,540,456	816,346
Other local and county	3,686,067	
State sources	82,683,663	168,064
Federal sources	6,966,331	
Sales and other conversions of assets	724,340	
Total Revenues	\$ 103,297,748	\$ 2,681,322
Expenditures		
Administration	\$ 5,470,709	\$
District support services	2,447,760	
Regular instruction	50,584,065	
Vocational instruction	2,206,277	
Special education instruction	21,169,807	
Community education and services		
Instructional support services	5,324,196	
Pupil support services	7,838,645	
Sites, buildings and equipment	8,427,321	
Fiscal and other fixed cost programs	259,908	
Debt Service		
Principal		
Interest and fiscal charges		
Capital outlay	2,058,205	6,661,323
Total Expenditures	\$ 105,786,893	\$ 6,661,323
Excess (Deficiency) of Revenues Over Expenditures	\$ (2,489,145)	\$ (3,980,001)
Other Financing Sources (Uses)		
Proceeds from bonds and loans, net	\$	\$ 171,543,681
Interest earned from escrow		
Principal and interest paid from escrow		
Total Other Financing Sources (Uses)	\$	\$ 171,543,681
Net change in fund balance	\$ (2,489,145)	\$ 167,563,680
Fund Balance		
Beginning of Year	23,867,428	734,009
End of Year	\$ 21,378,283	\$ 168,297,689

Exhibit 5

Debt Service	Other Funds	Total Governmental Funds
\$ 2,061,793	\$ 651,240	\$ 12,106,836
3		2,356,805
	1,627,448	5,313,515
1,434,811	2,357,163	86,643,701
	7,341,910	14,308,241
	1,214,367	1,938,707
<u>\$ 3,496,607</u>	<u>\$ 13,192,128</u>	<u>\$ 122,667,805</u>
		5,470,709
		2,447,760
		50,584,065
		2,206,277
		21,169,807
	9,759,245	9,759,245
		5,324,196
	3,018,110	10,856,755
		8,427,321
		259,908
2,555,000		2,555,000
1,039,911		1,039,911
	19,250	8,738,778
<u>\$ 3,594,911</u>	<u>\$ 12,796,605</u>	<u>\$ 128,839,732</u>
<u>\$ (98,304)</u>	<u>\$ 395,523</u>	<u>\$ (6,171,927)</u>
\$ 4,178,930	\$	\$ 175,722,611
218,464		218,464
(8,695,290)		(8,695,290)
<u>\$ (4,297,896)</u>	<u>\$</u>	<u>\$ 167,245,785</u>
\$ (4,396,200)	\$ 395,523	\$ 161,073,858
<u>5,332,839</u>	<u>685,605</u>	<u>30,619,881</u>
<u>\$ 936,639</u>	<u>\$ 1,081,128</u>	<u>\$ 191,693,739</u>

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Exhibit 6

Reconciliation of the Statement of
Revenues, Expenditures, and Changes in Fund Balance
to the Statement of Activities
Governmental Funds
YEAR ENDED JUNE 30, 2008

Total net changes in fund balances - governmental funds	\$ 161,073,858
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	6,655,213
Depreciation expense	(1,739,073)
The amount of bond proceeds used to finance the acquisition of capital assets is reported in the governmental funds as source of financing. Bond proceeds are not revenues in the statement of activities, but rather constitute long-term liabilities	
	(174,855,000)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
	11,060,000
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however interest expense is recognized as the interest accrues, regardless of when it is due.	
	(1,077,476)
Net amortization of premiums and discounts.	
	(890,381)
Payment of severance and postemployment benefits is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
	(4,420,068)
Payment of compensated absences is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
	(30,894)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditure, and therefore are deferred in the funds.	
	<u>62,873</u>
Change in net assets - governmental activities	<u>\$ (4,160,948)</u>

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Exhibit 7

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	<u>Federal Employee Benefit Trust</u>	<u>Private- Purpose Funds</u>	<u>Agency Funds</u>
Assets			
Cash and cash equivalents	\$ 1,284,880	\$ 172,210	\$ 116,337
Due from other funds	346,119		
Total Assets	<u>\$ 1,630,999</u>	<u>\$ 172,210</u>	<u>\$ 116,337</u>
Liabilities			
Accounts payable	\$	\$	\$ 116,337
Deferred revenue		17,500	
Total Liabilities	<u>\$ -</u>	<u>\$ 17,500</u>	<u>\$ 116,337</u>
Net Assets			
Reserved for endowment	\$	\$ 100,000	\$
Reserved for clock tower		16,366	
Reserved for retirees	1,630,999		
Unreserved - undesignated		38,344	
Total Net Assets	<u>\$ 1,630,999</u>	<u>\$ 154,710</u>	<u>\$</u>
Total Liabilities and Net Assets	<u>\$ 1,630,999</u>	<u>\$ 172,210</u>	<u>\$ 116,337</u>

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

Exhibit 8

**Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2008**

	Federal Employee Benefit Trust	Private- Purpose Funds
Additions		
Miscellaneous	\$ 346,119	\$ 15,000
Investment earnings		
Interest	40,898	5,572
Total Additions	\$ 387,017	\$ 20,572
Deductions		
Benefits	\$ 9,988	\$ 14,537
Changes in net assets	\$ 377,029	\$ 6,035
Net Assets - Beginning	1,253,970	148,675
Net Assets - Ending	\$ 1,630,999	\$ 154,710

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

1. Summary of Significant Accounting Policies

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 Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Financial Reporting Entity

The District is an instrumentality of the State of Minnesota established to function as an educational institution. The Board of Education consists of elected officials and is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board of Education and is responsible for administrative control of the District.

The District's financial statements include all funds, departments, agencies, boards, commissions, and other component units for which the District is considered to be financially accountable.

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 benefit or burden 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.

The financial transactions of student activities are included in the financial statements. Student activities are established by various student organizations (which have District employees as advisors). Amounts are usually generated and spent at the discretion of the student organizations and faculty advisors. The School Board has chosen to directly control the activities.

Basic Financial Statement Presentation

The district-wide financial statements (i.e. the Statement of Net Assets and the 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 only reported in the Statements of Fiduciary Net Assets at the fund financial statement level.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

1. Summary of Significant Accounting Policies (Continued)

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 items not properly included among program revenues are reported instead as general revenues.

The District applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net assets are available. Depreciation expense can be specifically identified by function and is included in the direct expenses of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. The effect of interfund activity has been removed from the district-wide financial statements.

Separate fund financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregate information for the remaining non-major governmental funds is reported in a single column in the fund financial statements.

The fiduciary funds are presented in the fiduciary fund financial statements by type (pension and agency). Since by definition these assets are being held for the benefit of a third party (private parties, severance obligations, etc.) and cannot be used to address activities or obligations of the District, these funds are not incorporated into the district-wide statements.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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". Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

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. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within one year.

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

1. Summary of Significant Accounting Policies (Continued)

2. Recording of Expenditures – Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

Basis of Presentation

The District has established funds to account for and segregate the financial consequences of its various activities. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and expenditures or expenses. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and by how such activities are controlled. Descriptions of the funds included in this report are as follows:

Major Governmental Funds

The General Fund of the District accounts for administration, kindergarten through 12th grade instruction, transporting students to and from school, purchases of land, buildings, improvements, equipment, textbooks, major repairs, activities and other costs to the District and related revenues.

The Capital Projects Fund accounts for construction of facility additions financed by levy or bonds.

The Debt Redemption Debt Service Fund accounts for the retirement of bonds issued for kindergarten through 12th grade projects and payments of related interest. The assets of this fund are legally restricted to the aforementioned purpose.

Non-major Governmental Funds

The Food Service Fund accounts for meals provided to students.

The Community Services Fund accounts for instruction of persons not in kindergarten through 12th grades.

Fiduciary Funds

The Private Purpose Funds account for principal and unexpended earnings of the Miller Memorial Playground endowment and the Clock Tower endowment.

Federal employee benefit trust accounts for employees' severance for federally funded programs.

The Agency Funds account for assets held for employees and other agencies.

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

1. Summary of Significant Accounting Policies (Continued)

Budget Policies and Basis

The School Board is responsible for the budget and for the District's financial performance against the budget. District employees prepare a proposed budget on the modified accrual basis of accounting. The budget is amended and approved by the Board before the beginning of the fiscal year as required by Minn. Stat. § 123.B.77, subd. 4. The Board reviews the District's financial progress against the budget regularly throughout the year.

Budget and Budgetary Accounting

Formal budgetary accounting is employed as a management control for all funds of the District. For each fund for which a formal budget is adopted, the same basis of accounting is used to reflect actual revenues and expenditures recognized on the basis of accounting principles generally accepted in the United States of America.

Reported budget amounts represent the originally adopted budget as amended. Expenditures in excess of the budget require approval of the School Board. Employees report significant deviations from budget line amounts to the Board as they are recognized throughout the year. The annual budget is not legally binding on the District unless the District has a total deficit in its K-12 general and operating funds, which exceeds 2.5 percent of expenditures. The budget is adopted through passage of a resolution. The School Board must approve revisions that alter total expenditures of any fund without offsetting revenues.

Cash and Investments

Cash and investments of the individual funds are combined to form a pool, except for the fiduciary funds, and are invested to the extent available in securities as authorized by state law. Investment income is reported in the General Fund. Funds with negative cash balances are not charged interest. Certificates of deposits and securities of the U.S. government and its agencies are recorded at fair value, based on quoted market price. External investment pools and money market funds are recorded at fair value, based on the fair value of the position in the pool. The annuity contract is recorded at cost.

Receivable

Amounts due from individuals and organizations are recorded as receivables at year-end. Receivables are shown net of an allowance for uncollectible accounts. At June 30, 2008, the allowance for uncollectible accounts was \$45,862. The only receivables not expected to be collected within one year are current property taxes receivable.

Inventory

General Fund inventory includes instructional and other materials held in the central storeroom. Inventory in the Food Service Fund consists of food and supplies.

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

1. Summary of Significant Accounting Policies (Continued)

The General Fund central storeroom inventory is priced using the weighted average method. All inventories are accounted for using the consumption method. Under the consumption method, expenditures are recognized when inventory is used rather than when purchased. Food and supplies are valued at cost, on a first-in, first-out basis.

Prepayments

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 expenditure at the time of consumption.

Restricted Assets

Restricted assets are cash and cash equivalents whose use is limited by legal requirements such as a bond indenture. Restricted assets are reported only in the district-wide financial statements.

Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$5,000 or more for capitalizing capital assets. Capital assets are recorded in the district-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, ranging from five to fifty 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.

Compensated Absences

The District records a liability for earned but unpaid vacation. Unpaid sick leave does not vest and therefore is not accrued. Sick pay is recognized when paid, and unused balances are used in severance calculations.

Long-term Liabilities

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

1. Summary of Significant Accounting Policies (Continued)

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.

Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. That portion of the fund balance not reserved is reported as unreserved fund balance, and is available for budgeting in future period. Fund balance designations represent that portion of fund balance the District has set aside for planned future expenditures.

Variance From State Reporting Requirements

Inventory – The Minnesota Department of Education has not defined a reserve for inventory account in its Uniform Financial Accounting and Reporting Standards (UFARS). However, the District has reported a reserve for inventory of \$328,598 on the combined balance sheet in accordance with accounting principles generally accepted in the United States of America.

Prepayments – The Minnesota Department of Education has not defined a reserve for prepayments account in its UFARS. However, the District has reported a reserve for prepayments of \$156,084 on the combined balance sheet in accordance with accounting principles generally accepted in the United States of America.

Net Assets

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

GASB Statement Changes

The District implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. GASB Statement 45 establishes standards for the accrual basis measurement and recognition of OPEB expense over a period that approximates employees' years of service. In addition, this Statement provides information about actuarial accrued liabilities associated with OPEB Plans and whether and to what extent progress is being made in funding the plans. This statement is implemented prospectively. The District did not previously report postemployment benefit liabilities; therefore, no changes were made to the beginning net assets.

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

1. Summary of Significant Accounting Policies (Continued)

Property Taxes

The property tax calendar in Minnesota follows the calendar year. Taxes are levied in December of the year prior to collections and becomes a lien on January 1 based on the School Board's certification and property values as of the previous January 1. Taxes are due May 15 and October 15 to the county as agent for the District. The county remits taxes to the District in June, November, and January.

2. Cash and Investments

Deposits

Minn. Stat. § 118A.04 authorizes the District to deposit its cash and to invest in financial institutions designated by the District's Board. Minnesota statutes require that all District deposits be covered by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 percent 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.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to it. The District requires collateral for deposits over FDIC insurance amounts. As of June 30, 2008, \$1,479,693 of the District's deposits were uninsured and uncollateralized.

Investments

Minn. Stat. § 118A.04 and 118A.05 generally authorizes the following types of investments as available to the District:

- (1) Securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by subd. 6;
- (2) Shares of a Minnesota joint powers investment trust or shares of an investment company that is registered under the Federal Investment Company Act of 1940 pursuant to the restrictions of Minn. Stat § 118A.05 subd. 4;
- (3) General obligations of the State of Minnesota and its municipalities; and in certain state agency and local obligations of Minnesota or other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) Time deposits that are fully insured by the Federal Deposit Insurance Corporation or bankers' acceptances of United States banks;
- (5) Commercial paper issued by United States corporations or their Canadian subsidiaries that is of the highest quality and matures in 270 days or less; and

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

2. Cash and Investments (Continued)

- (6) Guaranteed investment contracts (gic's) issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories;
- (7) Repurchase or reverse repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers; and
- (8) Securities lending agents under the provisions of Minn. Stat. § 118A.05 subd.3.

The Minnesota School District Liquid Asset Fund (MSDLAF) and the Mn Trust are external investment pools 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 on the pool is the same as the value of the pool shares.

Interest Rate Risk – Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The District has the following investments at June 30, 2008:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-3 Years</u>	<u>Over 3 Years</u>
Government Agencies	\$ 35,932,454	\$ 3,475,707	\$ 24,271,310	\$ 8,185,437
External Investment Pool	14,996,043	14,996,043		
Money Market Funds	5,921,437	5,921,437		
Annuity Contract	1,284,880	1,284,880		
Commercial Paper	132,732,636	21,194,000	\$ 96,384,500	15,154,136
Total Investments	\$ 190,867,450	\$ 46,872,067	\$ 120,655,810	\$ 23,339,573

Credit Risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the District's policy to invest only in securities that meet the ratings requirements set by state statute.

The District's exposure to credit risk as of June 30, 2008 is as follows:

<u>S&P or Moody's Rating</u>	<u>Fair Value</u>
AAA	\$ 17,633,829
AAAm	588,311
Aaa	5,548,359
Not rated	167,096,951
Total	\$ 190,867,450

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

2. Cash and Investments (Continued)

Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. At June 30, 2008, none of the District's investments were subject to custodial credit risk.

Concentration of Credit Risk – The concentration of credit risk is the risk of loss that may be caused by the District's investment in a single issuer. The District places no limit on the amount the District may invest in any one issuer. Investments in any one issuer (excluding mutual funds and internal investment pools) that represents five percent or more of the District's investments are as follows:

<u>Issuer</u>	<u>Amount</u>
Federal National Mortgage Association	\$ 20,226,182
Federal Home Loan Mortgage Corporation	11,031,709
Key Bank	77,305,636
Citibank	41,080,136

The District's total cash and investments as of June 30, 2008 are as follows:

Petty Cash	\$ 4,625
Deposits	8,420,837
Investments	<u>190,867,450</u>
Total	<u><u>\$ 199,292,912</u></u>

Presented in the basic financial statements as follows:

Statement of Net Assets	
Cash and temporary investments	\$ 31,200,736
Restricted Assets:	
Cash and investments for debt service	73
Cash and investments for capital projects	166,518,676
Statement of Fiduciary Net Assets	
Cash and Cash Equivalents	
Federal Employee Benefit Trust	1,284,880
Private Purpose Funds	172,210
Agency Funds	<u>116,337</u>
Total Cash and Investments	<u><u>\$ 199,292,912</u></u>

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

3. Taxes and Credits Receivable

Current taxes and credits receivable represent the uncollected balance of the 2007 levy, collectible in 2008, including related state property tax relief aid. Delinquent taxes receivable represent taxes due from levies of the prior six years. At June 30, 2008, property taxes and credits receivable consisted of:

<u>Fund</u>	<u>Current</u>	<u>Delinquent</u>	<u>Total</u>
General	\$ 6,260,577	\$ 269,315	\$ 6,529,892
Debt Redemption Debt Service	7,043,484	95,644	7,139,128
Community Services Fund	496,209	28,446	524,655
Total	<u>\$ 13,800,270</u>	<u>\$ 393,405</u>	<u>\$ 14,193,675</u>

4. Inventory

Inventory at June 30, 2008, consisted of:

General Fund - Supplies	\$ 185,303
Food Service Fund - food	143,295
Total	<u>\$ 328,598</u>

5. Capital Assets

A summary of the changes in capital assets is as follows:

	Balance June 30, 2007	Additions	Disposals	Balance June 30, 2008
Capital assets, not being depreciated				
Land	\$ 1,475,893	\$ -	\$ -	\$ 1,475,893
Constr. work in proc.	1,114,204	5,995,304	(1,114,204)	5,995,304
Total capital assets, not being depreciated	<u>\$ 2,590,097</u>	<u>\$ 5,995,304</u>	<u>\$ (1,114,204)</u>	<u>\$ 7,471,197</u>
Capital assets, being depreciated				
Land improvements	\$ 6,007,994	\$ -	\$ -	\$ 6,007,994
Buildings	39,511,868	1,302,067	-	40,813,935
Furniture & Equipment	7,691,537	472,046	(251,617)	7,911,966
Total capital assets, being depreciated	<u>\$ 53,211,399</u>	<u>\$ 1,774,113</u>	<u>\$ (251,617)</u>	<u>\$ 54,733,895</u>
Less: Accumulated Depreciation	(27,509,080)	(1,739,073)	251,617	(28,996,536)
Capital assets, being depreciated, net	<u>\$ 25,702,319</u>	<u>\$ 35,040</u>	<u>\$ -</u>	<u>\$ 25,737,359</u>
Total capital assets, net of depreciation	<u>\$ 28,292,416</u>	<u>\$ 6,030,344</u>	<u>\$ (1,114,204)</u>	<u>\$ 33,208,556</u>

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

5. Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Administration	\$	97,611
District Support Service		252,446
Elem/Sec Regular Instruction		21,895
Vocational Education Instruction		3,860
Special Education Instruction		4,744
Community Education and Service		660
Instructional Support Services		14,255
Pupil Support Services		241,978
Sites and Buildings		1,101,624
Total	\$	<u>1,739,073</u>

6. Lease Obligations

Operating Leases

The District is committed under various operating leases for building space, parking facilities, and equipment. Rent expense for the year ended June 30, 2008, was \$417,937.

Future minimum lease payments under operating leases, which are not reflected in these financial statements, consist of the following at June 30, 2008:

<u>Year Ending June 30</u>		
2009	\$	434,926
2010		434,926
2011		338,946
2012		179,589
2013		139,242
Total	\$	<u>1,527,629</u>

7. Long-Term Liabilities

Certificates of Participation

On November 1, 2001, the District issued \$5,885,000 Refunding Certificates of Participation 2001 bonds to refund in advance the 2005 through 2015 maturities totaling \$4,645,000 beginning March 1, 2002 through the March 1, 2005 call date. The debt is secured by the title to the land and a security interest in all project equipment or other property.

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

7. Long-Term Liabilities – (Continued)

On June 1, 2008, the District issued \$111,440,000 Full Term Certificates of Participation, Series 2008B due in annual installments of \$2,440,000 to \$10,385,000 plus 3.50 to 5.00 percent interest from February 1, 2009 through February 1, 2028.

The annual requirements to amortize the principal and interest are:

Year Ended June 30	Total	Principal	Interest
2009	\$ 6,194,436	\$ 2,855,000	\$ 3,339,436
2010	6,684,390	1,850,000	4,834,390
2011	7,102,465	2,335,000	4,767,465
2012	8,358,440	3,675,000	4,683,440
2013	8,516,420	3,965,000	4,551,420
2014-2028	142,488,332	100,170,000	42,318,332
Total	<u>\$ 179,344,483</u>	<u>\$ 114,850,000</u>	<u>\$ 64,494,483</u>

Bonds Payable

\$13,710,000 General Obligation School Building Refunding Bonds
(Series 2001B) due in annual installments of \$300,000 to \$2,080,000 plus
3.5 to 5.0 percent interest from August 1, 2002 through February 1, 2016. \$ 11,550,000

\$2,180,000 General Obligation School Building Refunding Bonds
(Series 2003) due in annual installments of \$250,000 to \$360,000 plus
1.15 to 3.20 percent interest from August 1, 2004 through February 1, 2011. 810,000

\$4,180,000 General Obligation Refunding Bonds (Series 2007) due in
annual installments of \$620,000 to \$770,000 plus 3.300 to 3.625 percent
interest from August 1, 2008 through February 1, 2014. 4,180,000

\$59,235,000 General Obligation Alternative Facilities Bonds (Series 2008A)
due in annual installments of \$590,000 to \$5,200,000 plus 3.500 to 4.625
percent interest from February 1, 2009 through February 1, 2028 59,235,000

		\$ 75,775,000
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**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

7. Long Term Liabilities (Continued)

The annual requirements to amortize bonds and interest are:

Year Ended June 30	Total	Principal	Interest
2009	\$ 5,904,718	\$ 2,865,000	\$ 3,039,718
2010	5,894,698	2,880,000	3,014,698
2011	5,899,118	2,990,000	2,909,118
2012	5,973,273	3,175,000	2,798,273
2013	5,990,333	3,315,000	2,675,333
2014-2028	83,066,096	60,550,000	22,516,096
Total	\$ 112,728,236	\$ 75,775,000	\$ 36,953,236

Changes in long-term debt for the year ended June 30, 2008, are:

	Balance June 30, 2007	Increase	Payments/ Adjustments	Balance June 30, 2008
Certificates of participation	\$ 3,810,000	\$ 111,440,000	\$ 400,000	\$ 114,850,000
Bonds payable	23,020,000	63,415,000	10,660,000	75,775,000
OPEB	-	1,311,842	487,128	824,714
Severance obligation	27,787,092	3,595,354		31,382,446
Total	\$ 54,617,092	\$ 179,762,196	\$ 11,547,128	\$ 222,832,160

Certificates of Participation and bonds are paid from Debt Service Fund. OPEB and severance obligations are paid from either the General, Food Service, Community Service, or the Federal Employee Benefit Trust.

The following is a summary of current (due in one year or less) and the long-term portion (due in more than one year) of long-term debt as of June 30, 2008:

	Current Portion	Long-term Portion	Total
Certificates of participation	\$ 2,855,000	\$ 111,995,000	\$ 114,850,000
Bonds payable	2,865,000	72,910,000	75,775,000
OPEB		824,714	824,714
Severance obligation	1,763,488	29,618,958	31,382,446
Total	\$ 7,483,488	\$ 215,348,672	\$ 222,832,160

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

7. Long Term Liabilities (Continued)

New Issuances

During the year, the District issued \$4,180,000 General Obligation Refunding Bonds, (Series 2007) to advance refund the 2009 through 2016 maturities of the General Obligation School Building Bonds (Series 2000A). The advance refunding was undertaken to reduce total debt service payments by \$104,736 over the life of the bonds resulting in a net present value savings of \$90,669.

Legal Debt Margin

The District's legal debt limit is 15% of the fair market value of the property within the District. The District's legal debt margin at June 30, 2008 is approximately \$919,520,446.

8. Compensated Absences

Vacation and sick leave are earned based on various bargaining unit contracts and length of service as follows:

	Vacation	Sick Leave
Teachers	None	10 days per year
Administrative	10 - 25 days per year	10 - 13 days per year
Maintenance	2 - 5 weeks per year	18 days per year
Non-certified	0 - 6 weeks per year	13-18 days per year

At June 30, 2008, \$426,893 has been included in the district-wide financial statements.

9. Severance Obligations

Upon retirement, most District employees are entitled to a severance amount based on accumulated unused sick leave, age, years of service and wage rate at the date of retirement, as established by contracts with bargaining units or other employment contracts. These contracts establish the terms and amounts each retiree is eligible to receive and establish when this severance benefit vests, all of which may differ between each bargaining unit and employee group. For some bargaining units, the District remits the lump sum severance benefit to the Minnesota State Retirement System Health Care Savings Plan (HCSP) upon retirement of the employee. These funds will be disbursed in accordance with the HCSP account agreement, which is a separate agreement between the HCSP and the retiree. For the remaining employees the District pays a portion of the severance benefit to the state HCSP and retains a portion for the employees to use to pay future health insurance premiums. In the governmental fund financial statements, the District has established a reserve fund balance for severance pay in the amount of \$2,900,000. As required by UFARS, the balance of the reserve represents the District's estimate of severance payments to be made in the 2009-2010 school year. Severance is recorded as an expenditure when paid. The retained severance obligation for this benefit is for future health insurance benefits. As allowed by UFARS, the District has designated \$2,798,698 that represents one-half of the total severance obligations for post employment health care benefits.

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

9. Severance Obligations – (Continued)

During 2008, 61 retirees received a total benefit of \$1,507,635. The District funds these expenditures as paid except for the severance for employees of federal programs, which is funded through the Federal Employee Benefit Trust.

Retained severance benefit obligations for retirees	\$	5,597,396
Retained severance benefit obligations for qualified employees		27,416,049
Total termination benefits payable	\$	33,013,445
Amount deposited in Federal Employee Benefit Trust Fund		(1,630,999)
 Total	 \$	 31,382,446

10. Interfund Transactions

Individual fund receivable and payable balances at June 30, 2008:

	Receivable	Payable
General Fund	\$ 531,837	\$ 228,978
Community Service		648,978
Fiduciary Funds		
Federal Employee Benefit Trust	346,119	
Total Funds	\$ 877,956	\$ 877,956

These amounts represent federal severance calculation and negative cash.

11. Post-Employment Healthcare Plan

The cost of postemployment benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45, the District recognizes the cost of postemployment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provide information useful in assessing potential demands on the District's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2008 liability.

Plan Description – Duluth Public Schools administers a single-employer defined benefit OPEB plan which allows retired employees to remain on the District's plan after severing from the District (implicit rate subsidy) at the retirees expense. The District has no contractual liability to contribute financially toward the retiree's premium.

Funding – Employer contribution requirements are established and may be amended as set forth in the applicable employment and bargaining unit agreements. The plan is financed on a pay-as-you-go basis.

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

11. Post-Employment Healthcare Plan –(Continued)

Annual OPEB Cost and Net OPEB Obligation – Duluth Public Schools annual other postemployment benefit (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 not to exceed thirty years. The following table shows the components of Duluth Public Schools' annual OPEB cost for the year, the amount actually contributed to the plan, and changes in Duluth Public Schools' net OPEB obligation as of June 30, 2008:

Annual Required Contribution (ARC)/Annual OPEB Cost	\$ 1,311,842
Contributions made:	
Actuarially determined contribution toward implicit rate portion of the ARC	(487,128)
Increase in OPEB obligation	\$ 824,714
Net OPEB obligation, June 30, 2007	-
Net OPEB obligation, June 30, 2008	\$ 824,714

Duluth Public Schools' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contribution	Net OPEB Obligation
June 30, 2008	\$ 1,311,842	37.13%	\$ 824,714

Funded Status and Funding Progress – As of July 1, 2007, the most recent actuarial valuation date the plan was 100 percent unfunded. The actuarial accrued liability and the unfunded actuarial accrued liability (UAAL) for benefits was \$10,532,000. The covered payroll (annual payroll of active employees covered by the plan) was \$61,239,381, and the ratio of the UAAL to the covered payroll was 17.20 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

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

11. Post-Employment Healthcare Plan –(Continued)

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, 2007, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a discount rate of 4 percent, health care trend rates ranging from 10 percent initially, reduced by decrements to an ultimate rate of 5 percent after ten years. The UAAL is being amortized as a level dollar amount over thirty years.

12. Pension Plans

Substantially all employees of the District are required by State law to belong to pension plans administered by the Duluth Teachers' Retirement Fund Association (DTRFA) or the Public Employees Retirement Association (PERA).

1. Duluth Teachers' Retirement Fund Association

a. Plan Description

Certified employees of the District are covered by defined benefit plans administered by the DTRFA. DTRFA administers cost sharing, multiple employer retirement plans. These plans are established and administered in accordance with *Minnesota Statutes*, Chapters 354A, 356, 356A, 317A and the Articles of Incorporation and bylaws of the Association.

DTRFA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits vest after three years of credited service and are established by Articles of Incorporation and bylaws, and by State Statute. The defined retirement benefits are based on a member's highest 5-year average salary, age, and years of credit at termination of service.

Association members may be eligible for benefits under three different plans depending on year of hire. Members in all three plans are covered by Social Security.

Old Plan Covers Association members hired prior to July 1, 1981. Normal retirement benefits are earned at age 60, or age plus service totals 90. Retirement benefits vest after 10 years or age 60. The annual normal retirement benefit is equal to 1.45 percent of the member's high five-year average salary multiplied by the number of years of credited service. Early retirement benefits are available at age 55 with 10 or more years of credited service with a .25 percent per month early retirement deduction under age 60. Old plan members may elect Tier I or Tier II plans if they produce a higher annual retirement benefit.

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

12. Pension Plans- (Continued)

Tier I Plan Covers Association members hired or rehired before July 1, 1989. Normal retirement benefits are earned at age 65, or at age 62 with at least 30 years of service, or if age plus service totals 90. Retirement benefits vest after 3 years of service or at age 65. The annual retirement benefit is equal to 1.20 percent for each of the first ten years of service credit and 1.70 percent for each subsequent year of service credit multiplied by the high five successive years average salary. Early retirement benefits are available at age 55 with three or more years of credited service or at any age with 30 or more years of credited service with a .25 percent per month early retirement deduction under the normal retirement age. Tier I Plan members may elect the Tier II Plan if it produces a higher annual retirement benefit.

Tier II Plan Covers Association members hired or rehired after June 30, 1989. Normal retirement benefits are tied to the Social Security normal retirement age, but in no event is normal retirement age higher than age 66. Retirement benefits vest after 3 years or age 65. The annual normal retirement benefit is equal to 1.70 percent for all years of credited service multiplied by the high five successive years of average salary. Benefits are available as early as age 55 with three or more years of credited service with an actuarial equivalence early retirement reduction under normal retirement age.

Under all plans, members may elect to receive their pension benefits in the form of a single-life annuity, a joint and survivor annuity or a life and term certain annuity, and have the option of electing Social Security actuarial income leveling. Terminating members may receive a refund of their contributions with interest computed at 6 percent or may elect an augmented deferred retirement benefit if retirement benefits have vested.

If active members die prior to the receipt of their first retirement allowance payment, death benefits are payable under each of the three plans. Active members who have not reached normal retirement age and have at least three years of credited service may receive a disability benefit upon becoming permanently disabled.

A guaranteed 2% cost-of-living adjustment (COLA) is payable to eligible benefit recipients each January 1. An additional percentage increase is added to the guaranteed 2% COLA to the extent that five-year annualized investment returns exceed the plans 8.5% actuarially assumed rate of interest, and to the extent that contribution rates are determined to be actuarially sufficient.

DTRFA issues a financial report that includes financial statements and required supplementary information and makes it available to the public by written request to DTRFA, 625 East Central Entrance, Duluth, MN 55811 or by calling (218) 722-2894.

b. Funding Policy

Minnesota Statutes Chapter 354A.12 sets the rates for employers and employee contributions. These statutes are established and amended by the state legislature. The District contributions to the pension plans are equal to the amount required by state statutes. DTRFA members are required to contribute 5.5% of their annual covered salary. The District is required to

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

12. Pension Plans- (Continued)

contribute 5.79% of annual covered payroll. The District's contributions for the years ending June 30, 2008, 2007, 2006 were \$2,876,790, \$2,835,993, and \$2,741,973 respectively equal to the contractually required contributions for each year as set by state statute.

2. Public Employees Retirement Association

a. Plan Description

All other full-time and certain part-time employees of the District are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF), which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356.

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

PERA provides retirement benefits as well as disability benefits to members and the option to elect to provide 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 PERF's Coordinated Plan members. The retiring member receives the higher of 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 services 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 members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

12. Pension Plans (Continued)

There are different types of annuities available to members upon retirement. A normal 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 are bound by the provisions in effect at the time they last terminated their public service.

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

b. 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 the statutes. PERA Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 5.75% respectively, of their annual covered salary through December 31, 2007. Effective January 1, 2008 contribution rates in the coordinated plan increase to 6.0%. The District is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, and 6.25% for Coordinated Plan PERF members. The District contributions for the years ending June 30, 2008, 2007 and 2006 were \$1,109,511, \$1,036,831, and \$953,133 respectively. The District's contributions were equal to the contractually required contributions for each year as set by state statute.

13. Expenditures Over Budget

The following nonmajor fund incurred expenditures greater than budget for the year ended June 30, 2008:

	Final Budget	Actual	Variance
Food Service	\$ 2,936,222	\$ 3,019,430	\$ (83,208)

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

14. Commitments

At June 30, 2008, the District had commitments under various construction and service contracts totaling \$4,536,743 of which \$3,361,572 has been recorded as a reserve for encumbrances in the capital projects fund.

15. 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; injuries to employee health and dental; and natural disasters. Risks of loss related to employee dental claims are self-insured. Risk of loss associated with workers' compensation claims are insured through participation in the Minnesota School Boards Association Insurance Trust. All other risks of loss are insured by the purchase of commercial insurance. There were no significant reductions in insurance coverage from the previous year. There were no settlements in excess of insurance for any of the past three fiscal years.

The Minnesota School Boards Association Insurance Trust is a public entity risk pool currently operated as a common risk management and insurance program for member school districts. The District pays an annual premium based on annual payroll rates and an experience modification factor for workers' compensation coverage.

Effective January 1994, the District changed to self-insuring employee dental claims. Risk management activities for employee dental claims are accounted for in the District's General Fund. Claims, expenditures, and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have occurred but have not been reported. Changes in the balances of the dental claims liability during the years ending June 30, 2008 and 2007 were as follows:

	<u>July 1</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>June 30</u>
2007	\$ 86,877	\$ 670,629	\$ 737,910	\$ 19,596
2008	\$ 19,596	\$ 817,646	\$ 756,874	\$ 80,368

16. Contingent Liabilities

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

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District's counsel the resolution of these matters will not have a material adverse effect of the financial conditions of the District.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

Statement A-1

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2008**

With Comparative Actual Amounts for the Year Ended June 30, 2007

	Budget		Actual	Variance	Prior Year Actual
	Original	Final		Favorable (Unfavorable)	
Revenues					
Local property tax levies	\$ 6,520,139	\$ 6,520,139	\$ 7,696,891	\$ 1,176,752	\$ 6,984,177
Interest income	1,160,000	1,171,720	1,540,456	368,736	1,515,841
Other local and county	3,814,963	4,644,890	3,686,067	(958,823)	4,330,163
State sources	80,970,095	82,385,797	82,683,663	297,866	79,738,268
Federal sources	6,110,563	7,452,362	6,966,331	(486,031)	6,332,248
Sales and other conversions of assets	987,463	1,020,863	724,340	(296,523)	1,794,564
Total Revenues	\$ 99,563,223	\$ 103,195,771	\$ 103,297,748	\$ 101,977	\$ 100,695,261
Expenditures					
Administration	\$ 4,858,520	\$ 6,694,101	\$ 5,470,709	\$ 1,223,392	\$ 5,058,431
District support services	4,565,476	4,833,343	2,447,760	2,385,583	5,231,692
Regular instruction	44,036,006	46,329,886	50,584,065	(4,254,179)	46,972,936
Vocational instruction	2,539,796	2,695,637	2,206,277	489,360	2,934,317
Special education instruction	20,694,688	20,980,006	21,169,807	(189,801)	19,720,170
Instructional support services	4,228,792	5,770,372	5,324,196	446,176	5,482,307
Pupil support services	7,536,628	7,885,377	7,838,645	46,732	7,570,947
Sites, buildings and equipment	8,866,857	9,031,182	8,427,321	603,861	8,850,140
Fiscal and other fixed cost programs	1,840,000	1,840,000	259,908	1,580,092	282,979
Capital outlay	2,578,750	2,871,200	2,058,205	812,995	3,334,797
Total Expenditures	\$ 101,745,513	\$ 108,931,104	\$ 105,786,893	\$ 3,144,211	\$ 105,438,716
Net change in fund balance	\$ (2,182,290)	\$ (5,735,333)	\$ (2,489,145)	\$ 3,246,188	\$ (4,743,455)
Fund Balance					
Beginning of Year			\$ 23,867,428		\$ 28,610,883
End of Year			\$ 21,378,283		\$ 23,867,428

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

Statement A-2

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUND
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2008**

With Comparative Actual Amounts for the Year Ended June 30, 2007

	Budget		Actual	Variance Favorable (Unfavorable)	Prior Year Actual
	Original	Final			
Revenues					
Local property tax levies	\$ 1,696,912	\$ 1,696,912	\$ 1,696,912	\$	\$ 1,231,461
Interest income			816,346	816,346	
Other local and county					3,371
State sources	168,000	168,000	168,064	64	174,641
Total Revenues	\$ 1,864,912	\$ 1,864,912	\$ 2,681,322	\$ 816,410	\$ 1,409,473
Expenditures					
Sites, buildings and equipment	\$	\$	\$	\$	\$ 29,309
Capital Outlay	1,300,000	11,465,682	6,661,323	4,804,359	1,845,931
Total Expenditures	\$ 1,300,000	\$ 11,465,682	\$ 6,661,323	\$ 4,804,359	\$ 1,875,240
Excess (Deficiency) of Revenues Over Expenditures	\$ 564,912	\$ (9,600,770)	\$ (3,980,001)	\$ 5,620,769	\$ (465,767)
Other Financing Sources (Uses)					
Proceeds from bonds and loans, net		175,169,706	171,543,681	(3,626,025)	
Transfer Out					(40,736)
Total Other Financing sources (Uses)		175,169,706	171,543,681	(3,626,025)	(40,736)
Net change in fund balance	\$ 564,912	\$ 165,568,936	\$ 167,563,680	\$ 1,994,744	\$ (506,503)
Fund Balance					
Beginning of Year			734,009		1,240,512
End of Year			\$ 168,297,689		\$ 734,009

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Statement A-3

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
DEBT REDEMPTION DEBT SERVICE FUND
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2008
With Comparative Actual Amounts for the Year Ended June 30, 2007

	Budget		Actual	Variance Favorable (Unfavorable)	Prior Year Actual
	Original	Final			
Revenues					
Local property tax levies	\$ 2,883,722	\$ 2,883,722	\$ 2,061,793	\$ (821,929)	\$ 1,982,699
Interest income			3	3	
State sources			1,434,811	1,434,811	1,459,884
Total Revenues	\$ 2,883,722	\$ 2,883,722	\$ 3,496,607	\$ 612,885	\$ 3,442,583
Expenditures					
Principal	\$ 2,555,000	\$ 2,555,000	\$ 2,555,000	\$	\$ 2,445,000
Interest and fiscal charges	1,087,670	1,087,670	1,039,911	47,759	1,084,970
Total Expenditures	\$ 3,642,670	\$ 3,642,670	\$ 3,594,911	\$ 47,759	\$ 3,529,970
Excess (Deficiency) of Revenues Over Expenditures	\$ (758,948)	\$ (758,948)	\$ (98,304)	\$ 660,644	\$ (87,387)
Other Financing Sources (Uses)					
Proceeds from bonds and loans, net		\$ 4,200,000	\$ 4,178,930	\$ (21,070)	\$
Transfer In					40,736
Interest earned from escrow	196,525	196,525	218,464	21,939	196,528
Principal and interest paid from escrow	(4,545,290)	(8,745,290)	(8,695,290)		(190,290)
Total Other Financing Sources (Uses)	\$ (4,348,765)	\$ (4,348,765)	\$ (4,297,896)	\$ 869	\$ 46,974
Net change in fund balance	\$ (5,107,713)	\$ (5,107,713)	\$ (4,396,200)	\$ 661,513	\$ (40,413)
Fund Balance					
Beginning of Year			5,332,839		5,373,252
End of Year			\$ 936,639		\$ 5,332,839

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

Statement A-4

**INFORMATION ABOUT THE DISTRICT'S OTHER POSTEMPLOYMENT
HEALTH CARE PLAN
June 30, 2008**

Schedule of funding Progress by Valuation Date

<u>Actuarial Valuation Date</u>	<u>Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Projected Unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a/c)</u>
July 1, 2007	\$ -	\$ 10,532,000	\$ 10,532,000	-	\$ 61,239,381	17.20%

Schedule of Employer Contributions

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
June 30, 2008	\$ 1,311,842	37.13%

**SUPPLEMENTARY
INFORMATION**

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

Statement B-1

**BALANCE SHEETS
GENERAL FUND
JUNE 30**

	2008	2007
<u>Assets</u>		
Cash and investments	\$ 21,555,924	\$ 26,837,336
Taxes and credits receivable	6,529,892	7,105,088
Accounts and interest receivable	242,873	115,211
Due from		
Other funds	531,837	
Other Minnesota school districts	642,638	712,373
Department of Education	9,361,276	8,825,288
Federal through Department of Education	1,876,166	1,293,575
Federal - direct	139,404	33,975
Other governmental units	92,965	89,635
Inventory	185,303	257,184
Prepayments	128,839	137,264
	\$ 41,287,117	\$ 45,406,929
<u>Liabilities</u>		
Salaries payable	\$ 10,474,718	\$ 11,321,282
Accounts payable	1,168,063	998,169
Due to		
Other funds	228,978	219,063
Other Minnesota school districts	68,540	133,270
Other governmental units	2,175	1,419
Claims payable	96,822	54,127
Deferred revenue	310,871	431,544
Taxes levied for subsequent year's expenditures	7,558,667	8,380,627
	\$ 19,908,834	\$ 21,539,501
Fund Balance (Deficit)		
Reserved for		
Area learning center	\$ -	\$ 57,637
First grade preparation	32,509	60,826
Basic skills programs	210,485	312,366
Cooperative revenue	120,654	120,654
Inventory	185,303	257,184
Gifted and talented	60,474	67,845
Health and safety	-	309,910
Learning and development	-	197,575
Operating capital	2,298,800	2,395,963
Prepayments	128,839	137,264
Safe schools	-	35,229
Severance pay	2,900,000	3,000,000
Staff development	470,035	498,256
Designated for		
Desegregation	74,936	132,867
Operating capital	900,000	1,050,000
Referendum expenditures	94,511	118,297
School carryover	1,107,974	1,619,369
Severance-insurance premiums	2,752,973	2,587,116
Student activities	1,118,959	1,173,805
Student transportation	1,569,057	1,783,549
Textbooks	197,787	887,787
Unreserved-undesignated	7,154,987	7,063,929
	\$ 21,378,283	\$ 23,867,428
Total Fund Balance	\$ 21,378,283	\$ 23,867,428
Total Liabilities and Fund Balance	\$ 41,287,117	\$ 45,406,929

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Statement C-1

**BALANCE SHEETS
CAPITAL PROJECTS FUND
JUNE 30**

	2008	2007
<u>Assets</u>		
Cash and investments	\$ 170,295,788	\$ 1,027,857
Accounts and interest receivable	767,339	
Due from Department of Education	16,806	16,806
Total Assets	\$ 171,079,933	\$ 1,044,663
<u>Liabilities</u>		
Salaries payable	\$ 1,445	\$ 21
Accounts payable	324,555	255,613
Construction contracts	2,456,244	55,020
Total Liabilities	\$ 2,782,244	\$ 310,654
Fund Balance		
Reserved for Encumbrances	\$ 3,361,572	\$
Alternative facility program	2,191,253	734,009
Unreserved-undesignated	162,744,864	
Total Fund Balance	\$ 168,297,689	\$ 734,009
End of Year	\$ 171,079,933	\$ 1,044,663

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Statement D-1

BALANCE SHEETS
DEBT REDEMPTION DEBT SERVICE FUND
JUNE 30

	2008	2007
<u>Assets</u>		
Cash and investments	\$ 5,587,291	\$ 1,888,396
Cash and investments with fiscal agent	73	4,348,765
Taxes and credits receivable	7,139,428	1,921,213
Due from		
Department of Education	143,481	145,650
Total Assets	\$ 12,870,273	\$ 8,304,024
<u>Liabilities</u>		
Deferred revenue	\$ 95,644	\$ 87,463
Taxes levied for subsequent year's expenditures	11,837,990	2,883,722
Total Liabilities	\$ 11,933,634	\$ 2,971,185
Fund Balance		
Reserved for		
Bond refunding	\$	\$ 4,348,765
Unreserved-undesignated	936,639	984,074
Total Fund Balance	\$ 936,639	\$ 5,332,839
End of Year	\$ 12,870,273	\$ 8,304,024

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Statement E-1

**COMBINING BALANCE SHEET
OTHER FUNDS
JUNE 30, 2008
With Comparative Amounts at June 30, 2007**

	Food Service	Community Services	Totals	
			2008	2007
<u>Assets</u>				
Cash and investments	\$ 279,109	\$ 1,300	\$ 280,409	\$ 945,121
Taxes and credits receivable		524,655	524,655	607,793
Accounts and interest receivable	1,498	201,246	202,744	8,030
Due from				
Department of Education		376,094	376,094	371,759
Federal through Department of Education	37,055	27,461	64,516	45,353
Federal - direct		2,216,525	2,216,525	333,226
Other governmental units		2,163	2,163	
Inventory	143,295		143,295	147,719
Prepayments		27,245	27,245	391
Total Assets	<u>\$ 460,957</u>	<u>\$ 3,376,689</u>	<u>\$ 3,837,646</u>	<u>\$ 2,459,392</u>
<u>Liabilities</u>				
Salaries payable	\$ 7,238	\$ 575,259	\$ 582,497	\$ 610,683
Accounts payable	30,821	617,251	648,072	108,281
Due to				
Other funds		648,978	648,978	97,247
Claims payable				
Deferred revenue		10,676	10,676	35,664
Taxes levied for subsequent year's expenditures		866,295	866,295	921,912
Total Liabilities	<u>\$ 38,059</u>	<u>\$ 2,718,459</u>	<u>\$ 2,756,518</u>	<u>\$ 1,773,787</u>
Fund Balance (Deficit)				
Reserved for				
Inventory	\$ 143,295	\$	\$ 143,295	\$ 147,719
Prepayments		27,245	27,245	391
School readiness		45,967	45,967	42,007
Community education		156,917	156,917	204,179
Adult basic education		79,711	79,711	89,260
Early childhood family education		187,236	187,236	126,761
Unreserved-undesignated	279,603	161,154	440,757	75,288
Total Fund Balance	<u>\$ 422,898</u>	<u>\$ 658,230</u>	<u>\$ 1,081,128</u>	<u>\$ 685,605</u>
End of Year	<u>\$ 460,957</u>	<u>\$ 3,376,689</u>	<u>\$ 3,837,646</u>	<u>\$ 2,459,392</u>

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

Statement E-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
OTHER FUNDS**

YEAR ENDED JUNE 30, 2008

With Comparative Actual Amounts for the Year Ended June 30, 2007

	Food Service	Community Services	Totals	
			2008	2007
Revenues				
Local property tax levies	\$	\$ 651,240	\$ 651,240	\$ 637,914
Other local and county	20	1,627,428	1,627,448	939,721
State sources	189,069	2,168,094	2,357,163	2,169,460
Federal sources	1,809,572	5,532,338	7,341,910	4,664,631
Sales and other conversions of assets	1,214,367		1,214,367	1,200,112
Total Revenues	\$ 3,213,028	\$ 9,979,100	\$ 13,192,128	\$ 9,611,838
Expenditures				
Community education and services	\$	\$ 9,759,245	\$ 9,759,245	\$ 6,478,883
Pupil support services	3,018,110		3,018,110	2,902,162
Capital outlay	1,320	17,930	19,250	62,071
Total Expenditures	\$ 3,019,430	\$ 9,777,175	\$ 12,796,605	\$ 9,443,116
Excess of Revenues Over Expenditures	\$ 193,598	\$ 201,925	\$ 395,523	\$ 168,722
Fund Balance				
Beginning of Year	229,300	456,305	685,605	516,883
End of Year	\$ 422,898	\$ 658,230	\$ 1,081,128	\$ 685,605

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Statement E-3

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOOD SERVICE FUND
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2008**

With Comparative Actual Amounts for the Year Ended June 30, 2007

	Budget		Actual	Variance Favorable (Unfavorable)	Prior Year Actual
	Original	Final			
Revenues					
Other local and county	\$ 2,500	\$ 2,500	\$ 20	\$ (2,480)	\$ 6,876
State sources	148,000	148,000	189,069	41,069	167,842
Federal sources	1,650,529	1,650,529	1,809,572	159,043	1,712,123
Sales and other conversions of assets	1,123,193	1,135,193	1,214,367	79,174	1,199,612
Total Revenues	\$ 2,924,222	\$ 2,936,222	\$ 3,213,028	\$ 276,806	\$ 3,086,453
Expenditures					
Pupil support services	\$ 2,922,222	\$ 2,934,902	\$ 3,018,110	\$ (83,208)	\$ 2,902,162
Capital outlay	2,000	1,320	1,320		5,309
Total Expenditures	\$ 2,924,222	\$ 2,936,222	\$ 3,019,430	\$ (83,208)	\$ 2,907,471
Excess of Revenues Over Expenditures	\$	\$	\$ 193,598	\$ 193,598	\$ 178,982
Fund Balance					
Beginning of Year			229,300		50,318
End of Year			\$ 422,898		\$ 229,300

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Statement E-4

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
COMMUNITY SERVICES FUND
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2008**

With Comparative Actual Amounts for the Year Ended June 30, 2007

	Budget		Actual	Variance Favorable (Unfavorable)	Prior Year Actual
	Original	Final			
Revenues					
Local property tax levies	\$ 293,868	\$ 293,868	\$ 651,240	\$ 357,372	\$ 637,914
Other local and county	937,645	1,611,486	1,627,428	15,942	932,845
State sources	2,441,035	2,579,376	2,168,094	(411,282)	2,001,618
Federal sources	6,177,297	10,188,613	5,532,338	(4,656,275)	2,952,508
Sales and other conversions of assets				0	500
Total Revenues	\$ 9,849,845	\$ 14,673,343	\$ 9,979,100	\$ (4,694,243)	\$ 6,525,385
Expenditures					
Community education and services	\$ 9,980,239	\$ 14,424,951	\$ 9,759,245	\$ 4,665,706	\$ 6,478,883
Capital outlay	27,760	406,546	17,930	388,616	56,762
Total Expenditures	\$ 10,007,999	\$ 14,831,497	\$ 9,777,175	\$ 5,054,322	\$ 6,535,645
Net change in fund balance	\$ (158,154)	\$ (158,154)	\$ 201,925	\$ 360,079	\$ (10,260)
Fund Balance					
Beginning of Year			456,305		466,565
End of Year			\$ 658,230		\$ 456,305

STUDENT ACTIVITIES

**INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA**

Statement F-1

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
STUDENT ACTIVITIES ACCOUNTS AND CERTAIN CURRICULAR AND CO-CURRICULAR ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

<u>Activity</u>	<u>Cash Balance 6/30/2007</u>	<u>Receipts and Transfers In</u>	<u>Disbursements and Transfers Out</u>	<u>Cash Balance 6/30/2008</u>
High Schools				
Central	\$ 153,961	\$ 515,157	\$ 507,850	\$ 161,268
Denfeld	225,333	852,237	908,090	169,480
East	264,494	765,360	765,330	264,524
Secondary Technical Center	93,577	83,232	100,273	76,536
Total High Schools	\$ 737,365	\$ 2,215,986	\$ 2,281,543	\$ 671,808
Middle Schools				
Morgan Park	\$ 80,811	\$ 99,454	\$ 104,262	\$ 76,003
Ordean	74,995	90,961	91,506	74,450
Woodland	37,519	94,960	84,678	47,801
Total Middle Schools	\$ 193,325	\$ 285,375	\$ 280,446	\$ 198,254
Elementary Schools				
Congdon Park	\$ 5,640	\$ 35,974	\$ 32,308	\$ 9,306
Grant	11,343	12,986	10,554	13,775
Homecroft	9,360	25,352	23,350	11,362
Lakewood	9,730	8,228	6,672	11,286
Laura MacArthur	20,620	42,515	42,600	20,535
Lester Park	22,804	86,780	92,032	17,552
Lincoln Park	33,510	34,099	38,212	29,397
Lowell	19,748	54,365	49,365	24,748
Nettleton	31,801	25,651	24,025	33,427
Piedmont	7,151	18,205	22,287	3,069
Rockridge	2,630	8,541	7,203	3,968
Stowe	34,050	23,449	26,333	31,166
Total Elementary Schools	\$ 208,387	\$ 376,145	\$ 374,941	\$ 209,591
ALC	\$ 2,632	\$ 11	\$ 1,167	\$ 1,476
Barnes Early Childhood	1,175	6,598	5,172	2,601
Merritt Creek Academy	2,369	2,525	2,429	2,465
Public School Stadium	1,690	17,624	17,509	1,805
Unity	24,757	3,771	-	28,528
Woodland Hills	2,105	2,083	1,757	2,431
Total Student Activities	\$ 1,173,805	\$ 2,910,118	\$ 2,964,964	\$ 1,118,959
District Funds				
Co-curricular	\$ 977,568	\$ 2,466,145	\$ 2,521,782	\$ 921,931
Extra-curricular	196,237	443,973	443,182	197,028
Total Funds	\$ 1,173,805	\$ 2,910,118	\$ 2,964,964	\$ 1,118,959

**INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA**

Statement G-1

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
CENTRAL HIGH SCHOOL-STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

<u>Activity</u>	<u>Cash Balance 6/30/2007</u>	<u>Receipts and Transfers In</u>	<u>Disbursements and Transfers Out</u>	<u>Cash Balance 6/30/2008</u>
Co-curricular				
Advance Placement	\$ 479	\$ 5,168	\$ 4,342	\$ 1,305
Art	-	467	413	54
Arts Literacy	1,384	-	1,384	-
Athletics	25,034	178,215	167,574	35,675
B. P. A.	1,471	2,434	3,073	832
Basketball-Boys	2,147	5,039	3,298	3,888
Basketball-Girls	1,246	3,387	4,335	298
Biology	263	500	219	544
Cross Country	675	4,044	3,860	859
Danceline	2,458	840	1,646	1,652
Debate	16	-	16	-
Drama	2,830	34,550	31,561	5,819
Football	2,559	15,186	13,324	4,421
Forensics	1,964	-	-	1,964
General Fund (Site)	7,761	42,868	38,202	12,427
Grants	1,172	-	-	1,172
Guidance	833	1,780	2,563	50
Habitat	354	777	994	137
Home Economics	50	-	-	50
Industrial Arts	-	3,219	223	2,996
Library	1,546	268	463	1,351
Media	112	-	112	-
Music				
Band	12,944	38,632	40,840	10,736
Band Uniforms	4,617	150	1,661	3,106
Jazz Ensemble	1,737	-	-	1,737
Orchestra	6,502	29,324	34,166	1,660
Pop Concert	2,456	12,633	10,202	4,887
Vocal	7,961	40,274	44,796	3,439
Ninth Gr. Civility Project	-	321	-	321
Physical Fitness	407	-	399	8
Rockets	133	5,468	5,253	348
School within a School	983	-	983	-
Scotland Trip	96	-	96	-
Soccer-Boys	5,393	3,536	6,765	2,164
Soccer-Girls	1,495	1,980	1,645	1,830
Stage	1,050	-	1,050	-
Susan Lovald Memorial	1	-	1	-
Swim Girls	1,889	3,250	3,787	1,352
Tennis-Girls	228	1,434	1,489	173
Topics in Biology	35	-	35	-
Transcripts	1,058	285	927	416
Volleyball	2,669	7,322	7,646	2,345
Yearbook	10,770	8,325	9,619	9,476
Total Co-curricular	\$ 116,778	\$ 451,676	\$ 448,962	\$ 119,492

**INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA**

**Statement G-1
(Continued)**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
CENTRAL HIGH SCHOOL-STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

<u>Activity</u>	<u>Cash Balance 6/30/2007</u>	<u>Receipts and Transfers In</u>	<u>Disbursements and Transfers Out</u>	<u>Cash Balance 6/30/2008</u>
Extra-curricular				
Aero Club	\$ 65	\$ -	\$ 65	\$ -
Asian Club	455	684	804	335
American Field Service	69	-	69	-
Benevolence Account	-	11,900	2,832	9,068
Cheerleaders	2,326	12,917	9,339	5,904
Class of				
2002	302	-	-	302
2007	502	-	-	502
2008	572	5,868	5,731	709
Close Up	508	12,259	12,696	71
Enterprise Prep	711	-	711	-
French Club	347	-	347	-
Key Club	653	1,697	2,001	349
Math Department	11	-	11	-
M.M.R.	674	-	193	481
National Honor Society	2,098	300	334	2,064
Native American	6	-	6	-
Pep-booster Club	38	280	119	199
Prom	4,321	5,920	4,064	6,177
SADD	140	-	140	-
Scholarship Fund	19,786	2,750	9,750	12,786
Spanish	780	407	444	743
Stories of Service	984	-	-	984
Student Council	879	8,499	8,276	1,102
WECEP	956	-	956	-
Total Extra-curricular	\$ 37,183	\$ 63,481	\$ 58,888	\$ 41,776
Total Student Activities	\$ 153,961	\$ 515,157	\$ 507,850	\$ 161,268

**INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA**

Statement G-2

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
DENFELD HIGH SCHOOL-STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

<u>Activity</u>	<u>Cash Balance 6/30/2007</u>	<u>Receipts and Transfers In</u>	<u>Disbursements and Transfers Out</u>	<u>Cash Balance 6/30/2008</u>
Co-curricular				
Anatomy	\$ 1,248	\$ 345	\$ 728	\$ 865
Art	2,458	350	2,574	234
Athletics	114,763	494,509	505,696	103,576
Autistic Cookie	332	14,044	14,376	-
Biology Olson	636	18,096	13,334	5,398
Ceramics	156	275	151	280
Chemistry	(4,178)	5,774	635	961
Choir	4,984	93,425	98,333	76
Danceline	552	1,365	1,777	140
Drafting	2,228	153	2,236	145
Drama-Pursi	-	781	630	151
English	118	-	62	56
Fitness Class	787	-	787	-
General Fund	33,688	33,448	51,055	16,081
Glass Art	7	-	7	-
Guidance	3,525	7,504	7,845	3,184
Health Grant	-	250	-	250
Home Ec	100	-	-	100
Ignatius Howard	-	2,326	-	2,326
Kids Come First	12	-	12	-
Lab Science	213	-	213	-
Life Skills	174	44	-	218
Math Department	560	-	-	560
Media	1,415	832	524	1,723
Music				
Band	971	40,354	39,772	1,553
Orchestra	16,285	17,199	29,855	3,629
Newspaper	1,505	2,837	3,953	389
NHS	333	1,321	1,370	284
Parent Involvement	-	1,079	-	1,079
Participation Fee	(240)	240	-	-
Physical Education	549	-	-	549
Physics	5,297	500	5,097	700
Play Production-Overland	947	-	947	-
Play Production-Lofald	1,111	3,812	4,123	800
PSS	8,639	4,452	13,091	-
Recycle	143	-	142	1
Science 9	379	779	420	738
Science-Heistad	15	-	15	-
Service Learning	342	-	342	-
Speech	(187)	8,827	8,631	9
Stage and Auditorium	7,193	7,640	9,303	5,530
Stained Glass	145	1,676	662	1,159
Star Program	466	-	70	396
Team Sports	282	-	282	-
Woodworking	(25)	4,210	-	4,185
Yearbook	3,694	7,275	9,855	1,114
Total Co-curricular	\$ 211,622	\$ 775,722	\$ 828,905	\$ 158,439

INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA

Statement G-2
(Continued)

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
DENFELD HIGH SCHOOL-STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

<u>Activity</u>	<u>Cash Balance 6/30/2007</u>	<u>Receipts and Transfers In</u>	<u>Disbursements and Transfers Out</u>	<u>Cash Balance 6/30/2008</u>
Extra-curricular				
American Field Service	\$ 28	\$ -	\$ 28	\$ -
Cheerleaders	(438)	13,095	11,787	870
Class of				
2006	(122)	6,567	6,075	370
2007	224	5,647	5,842	29
2008	247	-	247	-
2009	393	5,193	4,994	592
2005	604	-	604	-
DECA	(2,487)	7,157	3,763	907
French Club	2,327	3,265	4,432	1,160
German	1,896	11,566	11,026	2,436
Key Club	1,392	1,120	1,879	633
Link	(42)	42	-	-
Parking Pass	-	439	403	36
Pictures	162	-	160	2
P.R.I.D.E	107	-	107	-
Prom	682	6,128	6,357	453
Random Acts of Kindness	(34)	179	80	65
Retain Wall	228	-	212	16
Rotarian	524	-	524	-
SALF	200	-	200	-
Smoothies	247	-	247	-
Spanish Club	(6)	6	-	-
Spirit Pac	4,583	15,675	16,896	3,362
Student in Need	2,997	435	3,322	110
Task Force	(1)	1	-	-
Total Extra-curricular	\$ 13,711	\$ 76,515	\$ 79,185	\$ 11,041
Total Student Activities	\$ 225,333	\$ 852,237	\$ 908,090	\$ 169,480

**INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA**

Statement G-3

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
EAST HIGH SCHOOL-STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

<u>Activity</u>	<u>Cash Balance 6/30/2007</u>	<u>Receipts and Transfers In</u>	<u>Disbursements and Transfers Out</u>	<u>Cash Balance 6/30/2008</u>
Co-curricular				
Advance Placement	\$ 2,821	\$ 8,180	\$ 7,072	\$ 3,929
Art Fund	433	4,652	4,439	646
Athletics	58,503	257,838	277,454	38,887
A-V/Theater	2,500	-	508	1,992
Baseball	6,274	57,301	61,846	1,729
Biochemistry	702	-	702	-
Biology	3,780	1,146	436	4,490
Book Fund	1,216	508	117	1,607
Boys' Basketball	6,450	9,122	7,376	8,196
Bus Pass	500	500	1,000	-
Chemistry & Physics	2,821	25,485	24,359	3,947
Choralaires	151	2,750	2,850	51
Civics	837	123	321	639
Debate	1,953	-	1,953	-
DECA	-	2,087	2,066	21
Drama	8,437	10,624	9,074	9,987
Eastside Steppers	7,132	27,398	18,343	16,187
Explorations	244	-	244	-
Football	7,075	12,625	8,487	11,213
Foreign Language	584	-	73	511
General fund	16,848	42,044	50,150	8,742
Girls' Basketball	3,589	3,551	3,260	3,880
Girls' Hockey	1,677	2,408	1,743	2,342
Girls' Softball	1,235	6,979	4,547	3,667
Girls' Swim	1,266	14,206	13,869	1,603
Girls' Tennis	21	3,830	2,200	1,651
Golf Teams	1,154	5,394	4,193	2,355
Guidance	2,769	4,737	5,439	2,067
Health Fund	208	300	50	458
Hockey Alumni Fund	161	1,550	900	811
Hockey Jerseys	140	1,590	1,730	-
Hounds Helping Hands	396	-	-	396
Industrial Education	1,057	3,985	603	4,439
Language Arts	737	3,447	4,061	123
Library-Media	122	1,718	1,560	280
Mathematics Club	110	-	-	110
MMMI	961	6,615	7,309	267
Multi-Handicap	106	-	17	89
Music				
Music Department	1,900	14,427	13,172	3,155
Band	6,590	22,406	18,600	10,396
Orchestra	4,988	42,431	42,559	4,860
Orchestra-Performance	5,009	2,800	3,039	4,770
Vocal	9,822	25,152	22,958	12,016
Newspaper	2,628	10,485	11,087	2,026
Ordean Field	93	-	-	93
Robotics	-	5,100	3,681	1,419

**INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA**

**Statement G-3
(Continued)**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
EAST HIGH SCHOOL-STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

<u>Activity</u>	<u>Cash Balance 6/30/2007</u>	<u>Receipts and Transfers In</u>	<u>Disbursements and Transfers Out</u>	<u>Cash Balance 6/30/2008</u>
Physical Education	\$ 861	\$ 749	\$ 1,603	\$ 7
Physical Science	609	720	726	603
PSS Advertising	2,671	-	-	2,671
SAD	11,834	11,416	11,834	11,416
Scholarship	925	-	-	925
Social Studies	34	235	12	257
Speech	1,786	-	1,786	-
Track Fund	574	1,160	33	1,701
Volleyball	1,142	4,585	4,589	1,138
Work Experience	73	119	96	96
Yearbook	26,394	10,279	6,278	30,395
Total Co-curricular	\$ 222,903	\$ 674,757	\$ 672,404	\$ 225,256
Extra-curricular				
American Field Service	\$ 277	\$ 1,865	\$ 992	\$ 1,150
Association	5,115	15,870	16,866	4,119
Cheerleaders	722	16,591	13,566	3,747
Civility	751	-	751	-
Class of				
Freshmen	-	650	208	442
Seniors	1,803	5,114	3,723	3,194
Juniors	2,237	10,317	10,054	2,500
East Travel Club	840	40	880	-
East Wellness	110	-	110	-
FHA-New Horizons	6	802	208	600
French Club	244	-	244	-
Grants	207	10	-	217
Green Club	24	62	-	86
Key Club	1,580	4,098	4,860	818
Knowledge Bowl	112	626	266	472
Mathematics Club	71	-	-	71
National Honor Society	203	1,240	873	570
Need Fund	20,216	14,315	18,415	16,116
P.R.I.D.E	-	50	43	7
Rachel Bonzo Mem	424	-	330	94
Recycling	62	-	62	-
Scott Anderson	779	-	340	439
Spanish	992	220	326	886
STAR Program	637	-	158	479
Student Council	4,179	18,733	19,651	3,261
Total Extra-curricular	\$ 41,591	\$ 90,603	\$ 92,926	\$ 39,268
Total Student Activities	\$ 264,494	\$ 765,360	\$ 765,330	\$ 264,524

INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA

Statement G-4

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
SECONDARY TECHNICAL CENTER-STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

<u>Activity</u>	<u>Cash Balance 6/30/2007</u>	<u>Receipts and Transfers In</u>	<u>Disbursements and Transfers Out</u>	<u>Cash Balance 6/30/2008</u>
Co-curricular				
BPA	\$ 4,854	\$ 10,462	\$ 10,150	\$ 5,166
Duluth Future Farmers of America	6,135	8,216	8,016	6,335
General Fund	50,986	10,128	27,252	33,862
Hero Childcare	2,551	3,963	5,059	1,455
Hero Hosa	3,239	18,550	19,386	2,403
Hero Interior De	425	-	425	-
Hero Waiter/Wait	3,442	5,559	6,561	2,440
Kinder Korner	3,702	6,955	3,862	6,795
Naval Science-NJROTC	2,107	8,789	12,424	(1,528)
NJROTC	641	-	641	-
Parking Permits	4,634	890	640	4,884
Small Engine Repair	1,766	1,258	66	2,958
Tony Leone VICA	5,030	-	1,415	3,615
Vica	2,429	7,506	4,240	5,695
WECEP	-	956	-	956
Yearbook	136	-	136	-
Total Co-curricular	\$ 92,077	\$ 83,232	\$ 100,273	\$ 75,036
Extra-curricular				
Student Emergency	\$ 1,500	\$ -	\$ -	\$ 1,500
Total Extra-curricular	\$ 1,500	\$ -	\$ -	\$ 1,500
Total Student Activities	\$ 93,577	\$ 83,232	\$ 100,273	\$ 76,536

**INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA**

Statement G-5

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
MORGAN PARK MIDDLE SCHOOL-STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

<u>Activity</u>	<u>Cash Balance 6/30/2007</u>	<u>Receipts and Transfers In</u>	<u>Disbursements and Transfers Out</u>	<u>Cash Balance 6/30/2008</u>
Co-curricular				
Art	\$ 338	\$ -	\$ -	\$ 338
Athletics	267		202	65
American History	-	100	-	100
Awards	68	-	-	68
Band Rental	25	2,680	2,705	-
Book	1,204	44	13	1,235
General Fund	26,516	16,862	13,627	29,751
Home Economics	223	90	221	92
Industrial Education	2,310	1,282		3,592
Library-Media	975	298	747	526
Library-Donation	1,185	-	-	1,185
Music				
Band	3,388	16,259	19,202	445
Choir	7,195	16,815	22,861	1,149
Orchestra	11,919	6,225	5,635	12,509
Newspaper	93	-	-	93
Orchestra Rental	-	2,339	20	2,319
Physical Education	1,595	527	290	1,832
Rockets	20	1		21
UMD Environmental	31			31
Yearbook	3,054	3,693	3,699	3,048
Total Co-curricular	\$ 60,406	\$ 67,215	\$ 69,222	\$ 58,399
Extra-curricular				
Dance Club	\$ 25	\$ -	\$ -	\$ 25
English Trip	365	-	-	365
Garden club	172	655	176	651
Homebase	3,726		546	3,180
Sixth Grade	1,878	17,427	13,599	5,706
Eighth Grade Party	303	5		308
Ski Club	550	1,130	1,126	554
Spanish Club	157	-	-	157
Student Council	1,040	612	1,055	597
Track	-	284	284	-
Trip Fund	11,187	10,538	16,360	5,365
WECEP	1,002	1,588	1,894	696
Total Extra-curricular	\$ 20,405	\$ 32,239	\$ 35,040	\$ 17,604
Total Student Activities	\$ 80,811	\$ 99,454	\$ 104,262	\$ 76,003

**INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA**

Statement G-6

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
ORDEAN MIDDLE SCHOOL-STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

<u>Activity</u>	<u>Cash Balance 6/30/2007</u>	<u>Receipts and Transfers In</u>	<u>Disbursements and Transfers Out</u>	<u>Cash Balance 6/30/2008</u>
Co-curricular				
Art	\$ 2	\$ -	\$ 2	\$ -
Band	6,941	9,886	6,924	9,903
General Fund	24,050	12,555	10,076	26,529
Library-Media	2,450	868	382	2,936
Life Skills/Indu	-	2,530		2,530
Knowledge Bowl	218	280	480	18
Music				
Orchestra	6,001	13,254	14,114	5,141
Vocal	2,032	6,818	5,821	3,029
Physical Education	1,956	1,063	1,353	1,666
Science	2,018	771	1,823	966
Sixth Grade	3,968	7,456	11,424	-
WECEP	1,244	1,263	1,025	1,482
Yearbook	8,294	2,655	10,949	-
Total Co-curricular	\$ 59,174	\$ 59,399	\$ 64,373	\$ 54,200
Extra-curricular				
Drama Club	\$ 14,695	\$ 14,213	\$ 15,177	\$ 13,731
Ski Club	897	2,140	2,400	637
Student Council	226	-	222	4
Tea Time	3		3	-
Yearbook	-	15,209	9,331	5,878
Total Extra-curricular	\$ 15,821	\$ 31,562	\$ 27,133	\$ 20,250
Total Student Activities	\$ 74,995	\$ 90,961	\$ 91,506	\$ 74,450

**INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA**

Statement G-7

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
WOODLAND MIDDLE SCHOOL-STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

<u>Activity</u>	<u>Cash Balance 6/30/2007</u>	<u>Receipts and Transfers In</u>	<u>Disbursements and Transfers Out</u>	<u>Cash Balance 6/30/2008</u>
Co-curricular				
5 and 6 Musical	\$ 760	\$ -	\$ 730	\$ 30
Art 5-6	467		460	7
Art 8	132	3,420	3,334	218
Book Account	2,398	60		2,458
General Fund	438	9,913	9,059	1,292
Grants	620	3,728	2,152	2,196
Heart Monitors	154	-	-	154
Home Economics	2,796	927	1,164	2,559
Industrial Education	308	4,554	20	4,842
Library-Media	1,492	250	282	1,460
Music				
Band	4,250	14,966	15,601	3,615
Orchestra	8,796	8,446	10,284	6,958
Vocal	794	17,149	16,278	1,665
Phys Ed Locks	228	750	465	513
Play Production	848	-	-	848
Science Department	841	-	-	841
Yearbook	3,877	6,330	2,921	7,286
Total Co-curricular	\$ 29,199	\$ 70,493	\$ 62,750	\$ 36,942
Extra-curricular				
Grade 6	\$ 1,987	\$ 10,219	\$ 9,312	\$ 2,894
Grade 7	964	2,253	1,133	2,084
Grade 8	120	2,161	2,233	48
After School Ski	113	95	208	-
Buzz Club	2	-	-	2
Chess Club	100	-	-	100
French Club	95	-	-	95
Holm Team	35	-	-	35
Integration	200	-	-	200
Knowledge Bowl	-	399	371	28
PTSA Student Account	487	1,620	1,209	898
Spanish Club	43	-	-	43
Special Ed Store	226	166	201	191
Stamp Club	93	-	21	72
Student Council	2,061	4,562	5,121	1,502
Swim Team	1	732	733	-
Think or Sink	1	-	-	1
Track and Field	12	532	472	72
Video	142	285	-	427
Winter Survival	1,258	1,443	534	2,167
Woodland Environmental	380	-	380	-
Total Extra-curricular	\$ 8,320	\$ 24,467	\$ 21,928	\$ 10,859
Total Student Activities	\$ 37,519	\$ 94,960	\$ 84,678	\$ 47,801

**INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA**

Statement G-8

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
ELEMENTARY SCHOOLS, UNITY AND PUBLIC SCHOOL STADIUM-STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

<u>Activity</u>	<u>Cash Balance 6/30/2007</u>	<u>Receipts and Transfers In</u>	<u>Disbursements and Transfers Out</u>	<u>Cash Balance 6/30/2008</u>
Congdon Park				
Co-curricular	\$ 5,537	\$ 20,998	\$ 18,286	\$ 8,249
Extra-curricular	103	14,976	14,022	1,057
Total	\$ 5,640	\$ 35,974	\$ 32,308	\$ 9,306
Grant				
Co-curricular	\$ 8,812	\$ 11,745	\$ 9,360	\$ 11,197
Extra-curricular	2,531	1,241	1,194	2,578
Total	\$ 11,343	\$ 12,986	\$ 10,554	\$ 13,775
Homecroft				
Extra-curricular	\$ 9,360	\$ 25,352	\$ 23,350	\$ 11,362
Total	\$ 9,360	\$ 25,352	\$ 23,350	\$ 11,362
Lakewood				
Co-curricular	\$ 6,779	\$ 4,193	\$ 4,178	\$ 6,794
Extra-curricular	2,951	4,035	2,494	4,492
Total	\$ 9,730	\$ 8,228	\$ 6,672	\$ 11,286
Laura MacArthur				
Co-curricular	\$ 14,280	\$ 34,653	\$ 35,528	\$ 13,405
Extra-curricular	6,340	7,862	7,072	7,130
Total	\$ 20,620	\$ 42,515	\$ 42,600	\$ 20,535
Lester Park				
Co-curricular	\$ 10,696	\$ 76,384	\$ 74,340	\$ 12,740
Extra-curricular	12,108	10,396	17,692	4,812
Total	\$ 22,804	\$ 86,780	\$ 92,032	\$ 17,552
Lincoln Park				
Co-curricular	\$ 29,259	\$ 27,838	\$ 30,125	\$ 26,972
Extra-curricular	4,251	6,261	8,087	2,425
Total	\$ 33,510	\$ 34,099	\$ 38,212	\$ 29,397
Lowell				
Co-curricular	\$ 8,919	\$ 20,703	\$ 17,877	\$ 11,745
Extra-curricular	10,829	33,662	31,488	13,003
Total	\$ 19,748	\$ 54,365	\$ 49,365	\$ 24,748

**INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA**

**Statement G-8
(Continued)**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
ELEMENTARY SCHOOLS, UNITY AND PUBLIC SCHOOL STADIUM-STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

<u>Activity</u>	<u>Cash Balance 6/30/2007</u>	<u>Receipts and Transfers In</u>	<u>Disbursements and Transfers Out</u>	<u>Cash Balance 6/30/2008</u>
Elementary (Continued)				
Nettleton				
Co-curricular	\$ 25,333	\$ 17,235	\$ 15,281	\$ 27,287
Extra-curricular	6,468	8,416	8,744	6,140
Total	\$ 31,801	\$ 25,651	\$ 24,025	\$ 33,427
Piedmont				
Co-curricular	\$ 7,018	\$ 5,311	\$ 9,515	\$ 2,814
Extra-curricular	133	12,894	12,772	255
Total	\$ 7,151	\$ 18,205	\$ 22,287	\$ 3,069
Rockridge				
Co-curricular	\$ 2,630	\$ 8,541	\$ 7,203	\$ 3,968
Total	\$ 2,630	\$ 8,541	\$ 7,203	\$ 3,968
Stowe				
Co-curricular	\$ 34,050	\$ 23,449	\$ 26,333	\$ 31,166
Total	\$ 34,050	\$ 23,449	\$ 26,333	\$ 31,166
Total Elementary	\$ 208,387	\$ 376,145	\$ 374,941	\$ 209,591
ALC				
Extra-curricular	\$ 2,632	\$ 11	\$ 1,167	\$ 1,476
Barnes Early Childhood				
Co-curricular	\$ 1,175	\$ 6,598	\$ 5,172	\$ 2,601
Merritt Crk Academy				
Co-curricular	\$ 2,369	\$ 2,525	\$ 2,429	\$ 2,465
Public School Stadium				
Co-curricular	\$ 1,690	\$ 17,624	\$ 17,509	\$ 1,805
Unity				
Co-curricular	\$ 24,757	\$ 3,771	\$ -	\$ 28,528
Woodland Hills				
Co-curricular	\$ 2,105	\$ 2,083	\$ 1,757	\$ 2,431
Total Student Activities	\$ 243,115	\$ 408,757	\$ 402,975	\$ 248,897

**INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA**

**SCHEDULE OF CASH RECEIPTS
SECONDARY SCHOOLS - STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

Receipts	Central	Denfeld	East	Secondary Technical Center
Advertising	\$ 7,278	\$ 5,846	\$ 22,670	\$ -
Book fines	647	1,107	1,148	-
Concession Sales	13,011	20,174	18,533	883
Donations	26,439	19,832	67,981	9,433
Fund Raising	78,964	162,760	71,129	31,648
Gate Admissions	105,097	82,150	165,998	375
Interest	2,408	7,682	2,103	1,775
Library Fines	234	306	357	-
Miscellaneous	64,458	(10,550)	150,785	20,228
Participation Fees	5,570	103,425	4,685	7,970
Picture and Yearbook Sales	5,312	6,462	5,090	-
School Store	33,059	2,486	43,131	-
Testing	6,112	4,304	8,195	-
Vending Machines	17,937	15,581	21,506	7,222
Total Classified by Source	\$ 366,526	\$ 421,565	\$ 583,311	\$ 79,534
Unclassified *	148,631	430,672	182,049	3,698
Total Receipts	\$ 515,157	\$ 852,237	\$ 765,360	\$ 83,232

* Includes transfers between school site activities' accounts, participation fees, reimbursement transactions, and fund raising receipts reported net of related disbursements.

Morgan Park	Ordean	Woodland	Total
\$ -	\$ -	\$ -	\$ 35,794
194	177	60	3,333
-	-	-	52,601
1,540	6,731	14,431	146,387
45,937	8,123	35,324	433,885
-	19,394	-	373,014
1,008	496	778	16,250
200	711	11	1,819
484	19,140	-	244,545
18,421	4,300	17,536	161,907
3,693	8,621	7,940	37,118
1,588	1,263	3,132	84,659
-	-	-	18,611
6,543	2,500	4,920	76,209
\$ 79,608	\$ 71,456	\$ 84,132	\$ 1,686,132
19,846	19,505	10,828	815,229
\$ 99,454	\$ 90,961	\$ 94,960	\$ 2,501,361

**INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA**

**SCHEDULE OF CASH DISBURSEMENTS
SECONDARY SCHOOLS - STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

Disbursements	Central	Denfeld	East	Secondary Technical Center
Consulting/Fees For Service	\$ 26,163	\$ 38,500	\$ 56,507	\$ 10,238
Fees and Admissions	28,675	86,968	64,302	4,788
General Supplies	73,203	214,865	185,677	7,688
Instructional Supplies	40,353	-	35,691	12,200
Library Books	-	-	1,495	-
Materials For Resale	47,541	44,127	41,286	13,983
Memberships	4,831	5,198	3,076	8,682
Miscellaneous	17,523	8,512	42,993	769
Postage and Express	388	8	788	-
Testing	5,234	3,431	7,819	-
Telephone	-	-	-	5,250
Transportation	3,560	44,394	-	-
Travel In-District	15,323	12,046	19,577	1,103
Travel Out-of-District	96,424	19,371	124,068	31,876
Total Classified by Object	\$ 359,218	\$ 477,420	\$ 583,279	\$ 96,577
Unclassified *	148,632	430,670	182,051	3,696
Total Expenditures	\$ 507,850	\$ 908,090	\$ 765,330	\$ 100,273

* Includes transfers between school site activities' accounts, reimbursement transactions, and fund raising receipts reported net of related disbursements.

Morgan Park	Ordean	Woodland	Total
\$ 4,414	\$ 8,672	\$ 6,098	\$ 150,592
21,287	22,963	15,472	244,455
16,848	10,559	17,410	526,250
-	5,764	-	94,008
634	37	-	2,166
29,694	10,142	21,992	208,765
-	-	-	21,787
2,922	2,508	74	75,301
5	65	-	1,254
-	-	-	16,484
-	-	-	5,250
8,610	9,791	10,556	76,911
-	1,151	2,248	51,448
-	350	-	272,089
\$ 84,414	\$ 72,002	\$ 73,850	\$ 1,746,760
19,848	19,504	10,828	815,229
\$ 104,262	\$ 91,506	\$ 84,678	\$ 2,561,989

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
JUNE 30, 2008

01 GENERAL FUND

Total revenues \$ 103,297,748
Total expenditures 105,788,893

Reserved

403 Staff development 470,035
405 Deferred maintenance
406 Health and safety
407 Capital Projects Levy
408 Cooperation revenue 120,854
411 Severance pay 2,900,000
414 Operating debt
416 Levy reduction
419 Encumbrances
423 Certain teacher programs
424 Operating capital 2,298,800
426 \$25 Taconite
427 Disabled accessibility
428 Learning and development
434 Area learning center
435 Contracted alt. Programs
436 St. approved alt. Program
438 Gifted and talent 60,474
441 Basic skills program 210,485
445 Career and Technical Programs
446 First Grade Preparedness 32,509
449 Safe school levy
450 Prekindergarten
451 QZAB payments

Unreserved

418 Severance-Ins. Premium 2,752,973
422 Unreserved/undesignated 12,532,353

02 FOOD SERVICE

Total revenues 3,213,028
Total expenditures 3,019,430

Reserved

411 Severance
419 Encumbrances

Unreserved

418 Severance-Ins. Premium
422 Unreserved/undesignated 422,898

04 COMMUNITY SERVICE

Total revenues 9,979,100
Total expenditures 9,777,175

Reserved

410 Unemployment compensation
411 Severance
419 Encumbrances
426 \$25 taconite
431 Community education 156,917
432 Early childhood and family education 187,236
444 School readiness 45,967
447 Adult Basic Education 79,711

Unreserved

418 Severance-Ins. Premium
422 Unreserved/Undesignated 188,399

06 BUILDING CONSTRUCTION

Total revenues \$ 2,681,322
Total expenditures 6,681,323

Reserved

407 Down payment levy
409 Alternative facility program 2,191,253
419 Encumbrances 3,381,572

Unreserved

422 Unreserved/undesignated 162,744,664

07 DEBT SERVICE

Total revenues 3,496,607
Total expenditures 3,594,911

Reserved

425 Bond refundings
451 QZAB payments

Unreserved

422 Unreserved/undesignated 936,639

08 TRUST

Total revenues 407,589
Total expenditures 24,525

Reserved

419 Encumbrances

Unreserved

422 Unreserved/Undesignated 1,785,709

09 AGENCY

422 Unreserved/Undesignated

20 INTERNAL SERVICE

Total revenues
Total expenditures

Reserved

419 Encumbrances

Unreserved

422 Unreserved/Undesignated

25 OPEB REVOCBLE TRUST FUND

Total revenues
Total expenditures

Unreserved

422 Unreserved/Undesignated

45 OPEB IRREVOCBLE TRUST FUND

Total revenues
Total expenditures

Unreserved

422 Unreserved/Undesignated

47 OPEB DEBT SERVICE FUND

Total revenues
Total expenditures

Reserved

425 Bond refundings

Unreserved

422 Unreserved/Undesignated