

INDEPENDENT SCHOOL DISTRICT #347
WILLMAR PUBLIC SCHOOLS

AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2009

Conway, Deuth & Schmiesing, PLLP
Certified Public Accountants
Willmar, Minnesota

INDEPENDENT SCHOOL DISTRICT #347
YEAR ENDED JUNE 30, 2009
TABLE OF CONTENTS

| | <u>PAGE</u> |
|--|-------------|
| BOARD OF EDUCATION AND ADMINISTRATION | 1 |
| INDEPENDENT AUDITOR'S REPORT | 2-3 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 4-18 |
| BASIC FINANCIAL STATEMENTS | |
| Statement of Net Assets | 19 |
| Statement of Activities | 20 |
| Balance Sheet - Governmental Funds | 21 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets | 22 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | 23 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 24 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund | 25 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Food Service Special Revenue Fund | 26 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Community Service Special Revenue Fund | 27 |
| Statement of Net Assets - Proprietary Fund | 28 |
| Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Fund | 29 |
| Statement of Cash Flows - Proprietary Fund | 30 |
| Statement of Fiduciary Net Assets | 31 |
| Statement of Changes in Fiduciary Net Assets | 31 |
| Notes to the Financial Statements | 32-55 |

INDEPENDENT SCHOOL DISTRICT #347
YEAR ENDED JUNE 30, 2009
TABLE OF CONTENTS

| | <u>PAGE</u> |
|--|-------------|
| REQUIRED SUPPLEMENTARY INFORMATION | |
| Schedule of Funding Progress for Postemployment Benefit Plan | 56 |
| SUPPLEMENTARY INFORMATION | |
| Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Debt Service Fund | 57 |
| REQUIRED REPORTS | |
| UFARS Compliance Table | 58 |
| Schedule of Expenditures of Federal Awards | 59 |
| Notes to Schedule of Expenditures of Federal Awards | 60 |
| COMPLIANCE SECTION | |
| Independent Auditor's Report on Minnesota Legal Compliance | 61 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 62-63 |
| Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 | 64-65 |
| Schedule of Findings and Questioned Costs | 66-67 |
| STUDENT ACTIVITIES | |
| Independent Auditor's Report on Student Activities | 68 |
| Statements of Cash Receipts and Disbursements | 69-72 |
| Notes to the Student Activity Accounts Financial Statements | 73 |
| Independent Auditor's Report on Student Activities Compliance | 74 |
| Schedule of Student Activities Findings | 75 |

INDEPENDENT SCHOOL DISTRICT #347

BOARD OF EDUCATION AND ADMINISTRATION
JUNE 30, 2009

| <u>Board of Education</u> | | <u>Term Expires</u> |
|--------------------------------|---------------------|---------------------|
| Chairperson | Brad Schmidt | 12/31/2010 |
| Vice-Chairperson | Dion Warne | 12/31/2010 |
| Clerk | Wayne Lenzmeier | 12/31/2012 |
| Treasurer | Eric Roberts | 12/31/2012 |
| Director | Mike Carlson | 12/31/2010 |
| Director | Mike Reynolds | 12/31/2012 |
| Director | Sandra Unger | 12/31/2012 |
| <u>Administration</u> | | |
| Superintendent | Dr. Jerry Kjergaard | |
| Director of Business & Finance | Pam Harrington | |
| Director of Human Resources | Bill Busta | |

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Quality | Dedication | Integrity

INDEPENDENT AUDITOR'S REPORT

To The Board of Education
Independent School District #347
Willmar, Minnesota

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #347, Willmar, Minnesota, as of and for the year ended June 30, 2009, 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. The prior year partial comparative information has been derived from the District's 2008 financial statements and, in our report dated October 27, 2008, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information.

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 the 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 Independent School District #347, Willmar, Minnesota, as of June 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Food Service and Community Service Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the notes to the basic financial statements, the Independent School District #347 adopted the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as of and for the year ended June 30, 2009. This statement results in the District reporting a liability for postemployment benefits other than pensions that the District provides to its employees and retirees.

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Ste. 3
Benson, MN 56215
Phone: (320) 843-2302

Morris Office
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Morris, MN 56267
Phone: (320) 589-2602

www.cdscpa.com

Litchfield Office
820 Sibley Avenue N
Litchfield, MN 55355
Phone: (320) 693-7975

St. Cloud Office
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Ste. 110
Sartell, MN 56377
Phone: (320) 252-7565
Toll Free: (800) 862-1337

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2009, 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 Schedule of Funding Progress for Postemployment Benefit Plan as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The statements and schedules listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
Certified Public Accountants
Willmar, Minnesota

November 9, 2009

REQUIRED SUPPLEMENTARY INFORMATION

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INDEPENDENT SCHOOL DISTRICT #347

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2009

This section of Willmar Public Schools – Independent School District No. 347's (District) annual financial report presents management's discussion of the District's financial performance during the fiscal year (FY) ending June 30, 2009. Please read it in conjunction with the District's financial statements, which follow this section.

The Management's Discussion and Analysis (MD&A) is an element of a reporting model that is required by the Governmental Accounting Standard Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. Statement No. 34 contains significant requirements that enhance financial reporting. These requirements are also designed to make annual reports easier for the public to understand and more useful to stakeholders. Specifically, Statement No. 34 establishes reporting requirements that include financial statements, expanded disclosure, and supplemental information, including the MD&A (this section).

FINANCIAL REVIEW

Key financial items for the 2008-2009 fiscal year include the following:

- The General Fund undesignated-unreserved fund balance again exceeded the School Board's fund balance goal of 6% of expenditures with a fund balance of \$2,808,634, equivalent to 6.6% of expenditures. Notably, this key fund balance decreased by \$1,588,450, or 36.1%, compared to a decrease of \$1,430,119 last year.
- Net Assets decreased 0.9% from the prior year.
- The combined Governmental Funds fund balance decreased by 22.1%, or \$1,665,310.
- The overall net decrease to the District's long-term liabilities was \$1,849,776, or 9.6%.
- Enrollment increased by 37 ADM's (Average Daily Membership) in FY 2009. This puts the District close to the FY 2007 enrollment.
- Four Financial Awards: The District's comprehensive annual financial report for the year ended June 30th, 2008 was awarded several prestigious financial reporting awards by the Government Finance Officers Association of the United States and Canada (GFOA) and the Association of School Business Officials International (ASBO). The District's Original 2008-09 Budget received the ASBO Meritorious Budget Award. The District also received the Minnesota Department of Education 2009 School Finance Award.

INDEPENDENT SCHOOL DISTRICT #347

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2009

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of three parts. They are:

- Independent Auditor's Report,
- Required Supplementary information which includes the Management's Discussion and Analysis (this section), and
- Basic financial statements

The basic financial statements include two kinds of statements that present different views of the District:

- The **government-wide financial statements**, including the Statement of Net Assets and the Statement of Activities, provide both **short-term** and **long-term** information about the District's **overall** financial status.
- The remaining statements are **fund financial statements** that focus on **individual parts** of the District, reporting the District's operations in **more detail** than the government-wide statements. The District maintains three groups of fund financial statements. They are:
 - The **governmental funds statements** tell how basic services such as regular and special education were financed in the **short-term** as well as what remains for future spending.
 - **Proprietary funds statements** offer **short** and **long-term** financial information about the activities the District operates like **businesses**.
 - **Fiduciary funds statements** provide information about the financial relationships in which the District acts solely as a **trustee or agent** for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

Government-wide Statements

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

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

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

INDEPENDENT SCHOOL DISTRICT #347

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2009

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

In the government-wide financial statements the District's activities are shown in one category titled Governmental Activities:

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

Fund Financial Statements

The fund financial statements provide more detailed information about the District's **funds** – focusing on its most significant or "major" funds – rather than the District as a whole.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as a Scholarship fund to manage scholarship money.

The District has three kinds of funds:

- **Governmental funds** – The District's basic services are included in governmental funds, which generally focus on: 1) how **cash and other financial assets** that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed **short-term** view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information (reconciliation schedules) is provided following the governmental funds statements that explains the relationship (or differences) between these two types of financial statement presentations.
- **Proprietary funds** – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's sole Proprietary fund is an internal service fund.
 - The District uses internal service funds to report activities that provide supplies and services for the District's other programs and activities. The District currently has one internal service fund for the dental self-insurance program.
- **Fiduciary funds** – The District is a trustee, or fiduciary, for assets that belong to others, such as the Private-Purpose Trust Fund. This fund accounts for scholarship gifts and bequests. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets. These activities are excluded from the government-wide financial statements because the District cannot use these assets to finance its operations.

INDEPENDENT SCHOOL DISTRICT #347

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The District's *combined* net assets were \$18,856,280 on June 30, 2009. This was a decrease of 0.9% from the previous year (see Table A-1 below).

**Table A-1
The District's Net Assets**

| | Governmental Activities | | Percentage Change |
|--|--------------------------------|-----------------------------|------------------------------|
| | 2009 | 2008 | |
| Current and Other Assets | \$ 16,616,602 | \$ 17,427,849 | -4.65% |
| Capital and Non-Current Assets | <u>30,493,789</u> | <u>30,896,968</u> | -1.30% |
| Total Assets | 47,110,391 | 48,324,817 | -2.51% |
| Current Liabilities | \$ 10,773,074 | \$ 9,972,253 | 8.03% |
| Long-term Liabilities | <u>17,481,037</u> | <u>19,330,813</u> | -9.57% |
| Total Liabilities | 28,254,111 | 29,303,066 | -3.58% |
| Net Assets | | | |
| Invested in Capital Assets Net of Related Debt | \$ 18,050,980 | \$ 16,590,276 | 8.80% |
| Restricted | 1,618,837 | 1,657,445 | -2.33% |
| Unrestricted | <u>(813,537)</u> | <u>774,030</u> | -205.10% |
| Total Net Assets | <u><u>\$ 18,856,280</u></u> | <u><u>\$ 19,021,751</u></u> | -0.87% |

The largest portion of the District's net assets (95.7%) reflects its investment in capital assets (e.g., land, buildings and improvements, furniture, and equipment net of accumulated depreciation); less any related outstanding debt (such as general obligation bonds) used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The deficit in unrestricted net assets is primarily due to the District's liability for future severance and health benefits, which is not fully funded.

INDEPENDENT SCHOOL DISTRICT #347

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

A summary of the revenues and expenses for the last two fiscal years is presented in Table A-2 below.

**Table A-2
Change in Net Assets**

| | Governmental Activities for the fiscal year ended June 30, | | Percentage Change |
|--|---|-----------------------------|------------------------------|
| | 2009 | 2008 | |
| Revenues | | | |
| <u>Program Revenues</u> | | | |
| Charges for Services | \$ 2,098,256 | \$ 2,043,736 | 2.67% |
| Operating Grants and Contributions | 15,442,107 | 15,705,789 | -1.68% |
| Capital Grants and Contributions | 638,414 | 697,859 | -8.52% |
| <u>General Revenues</u> | | | |
| Property Taxes | 5,374,019 | 5,407,585 | -0.62% |
| Unrestricted State Aid | 24,228,781 | 23,903,451 | 1.36% |
| Investment Earnings | 123,545 | 408,458 | -69.75% |
| Other | 9,393 | 36,524 | -74.28% |
| Total Revenues | <u>47,914,515</u> | <u>48,203,402</u> | -0.60% |
| Expenses | | | |
| Administration | \$ 1,605,548 | \$ 1,544,907 | 3.93% |
| District Support Services | 986,334 | 885,154 | 11.43% |
| Regular Instruction | 21,236,601 | 21,704,551 | -2.16% |
| Vocational Education Instruction | 892,498 | 730,195 | 22.23% |
| Special Education Instruction | 8,355,384 | 8,055,217 | 3.73% |
| Instructional Support Services | 2,332,636 | 2,492,349 | -6.41% |
| Pupil Support Services | 3,607,987 | 3,397,152 | 6.21% |
| Sites and Buildings | 4,083,773 | 4,722,635 | -13.53% |
| Fiscal and Other Fixed Costs Programs | 130,872 | 159,340 | -17.87% |
| Food Service | 2,233,289 | 2,208,624 | 1.12% |
| Community Service | 2,054,760 | 2,094,012 | -1.87% |
| Interest and Fiscal Charges on Long-Term Liabilities | 560,304 | 645,553 | -13.21% |
| Total Expenses | <u>48,079,986</u> | <u>48,639,689</u> | -1.15% |
| Change in Net Assets | \$ (165,471) | \$ (436,287) | -62.07% |
| Beginning Net Assets | 19,021,751 | 19,458,038 | -2.24% |
| Ending Net Assets | <u><u>\$ 18,856,280</u></u> | <u><u>\$ 19,021,751</u></u> | -0.87% |

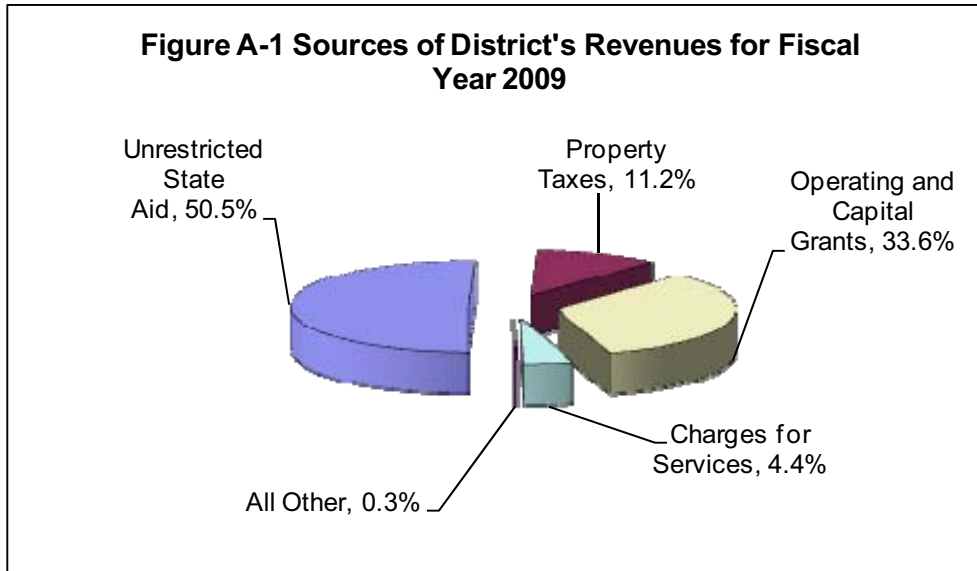
INDEPENDENT SCHOOL DISTRICT #347

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009

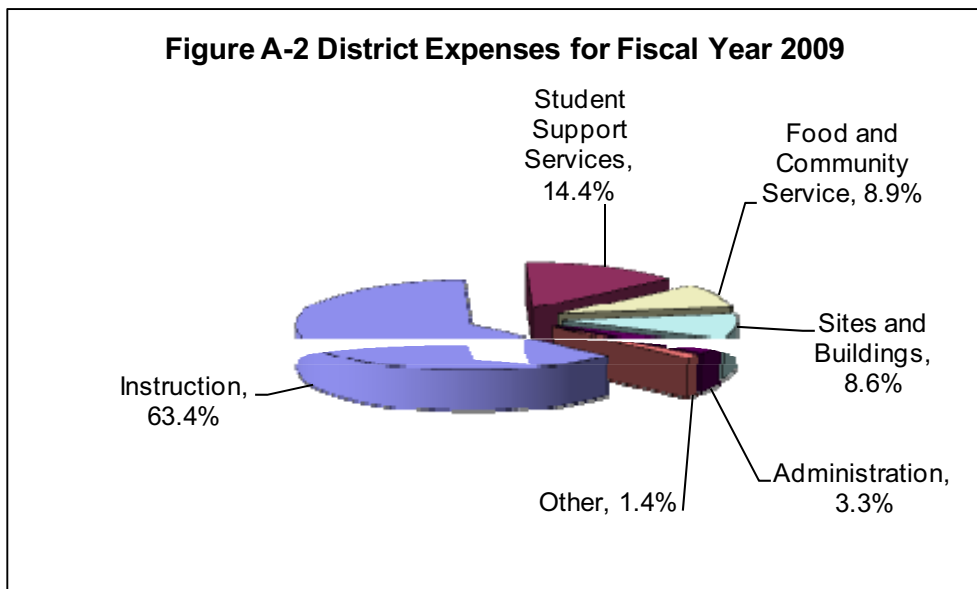
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Assets. The District's total revenues were \$47,914,515 for the year ended June 30, 2009. This is a 0.6% decrease from the prior year's revenues.

State and federal aid along with local property taxes accounted for 61.7% of the total revenue for the year (see Figure A-1 below). Another 38.0% came from program revenues and the remaining 0.3% from earnings on investments and other. Total expenses surpassed revenues, decreasing net assets \$165,471 from last year.



The District's total expenditures for programs and services were \$48,079,986 for the year ended June 30, 2009. This is a 1.2% decrease from the prior year's expenditures. The District's expenses are predominantly related to student education (77.8%). (See Figure A-2). The purely administrative activities of the District accounted for just 3.3% of total costs.



INDEPENDENT SCHOOL DISTRICT #347

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

The net cost of all *governmental* activities is their total costs less program revenues applicable to each category. The total cost of all governmental activities for this year was \$48,079,986. Table A-3 presents the costs of twelve major District activities such as instruction, food service and others. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

- The users of the District's programs paid for 4.4%, or \$2,098,256 of the costs.
- The federal and state governments subsidized certain programs with grants and contributions. This totaled \$16,080,521, or 33.4% of the total costs for 2008-2009.
- The remainder of the District's costs (\$29,901,209), however, were paid for by: 1) state taxpayers based on the statewide education aid formula, 2) by District taxpayers, and 3) by investment earnings.

**Table A-3
Change in Net Assets**

| | <u>Total Cost of Services</u> | | <u>Percentage Change</u> | <u>Net Cost of Services</u> | | <u>Percentage Change</u> |
|--|-------------------------------|----------------------|------------------------------|-----------------------------|----------------------|------------------------------|
| | <u>2009</u> | <u>2008</u> | | <u>2009</u> | <u>2008</u> | |
| Administration | \$ 1,605,548 | \$ 1,544,907 | 3.93% | \$ 1,605,548 | \$ 1,544,907 | 3.93% |
| District Support Services | 986,334 | 885,154 | 11.43% | 956,176 | 855,476 | 11.77% |
| Regular Instruction | 21,236,601 | 21,704,551 | -2.16% | 14,117,114 | 14,531,240 | -2.85% |
| Vocational Education Instruction | 892,498 | 730,195 | 22.23% | 815,022 | 609,343 | 33.75% |
| Special Education Instruction | 8,355,384 | 8,055,217 | 3.73% | 3,351,695 | 2,882,473 | 16.28% |
| Instructional Support Services | 2,332,636 | 2,492,349 | -6.41% | 1,668,266 | 1,813,049 | -7.99% |
| Pupil Support Services | 3,607,987 | 3,397,152 | 6.21% | 3,344,503 | 3,140,410 | 6.50% |
| Sites and Buildings | 4,083,773 | 4,722,635 | -13.53% | 3,092,380 | 3,781,515 | -18.22% |
| Fiscal and Other Fixed Costs Programs | 130,872 | 159,340 | -17.87% | 130,872 | 159,340 | -17.87% |
| Food Service | 2,233,289 | 2,208,624 | 1.12% | (78,449) | 978 | -8121.37% |
| Community Service | 2,054,760 | 2,094,012 | -1.87% | 337,778 | 228,021 | 48.13% |
| Interest and Fiscal Charges on Long-Term Liabilities | 560,304 | 645,553 | -13.21% | 560,304 | 645,553 | -13.21% |
| Total | <u>\$ 48,079,986</u> | <u>\$ 48,639,689</u> | -1.15% | <u>\$ 29,901,209</u> | <u>\$ 30,192,305</u> | -0.96% |

INDEPENDENT SCHOOL DISTRICT #347

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds. At the end of the 2008-2009 fiscal year, the District's governmental funds reported a **combined** fund balance of \$5,874,325, a 22.1% decrease from last year's ending fund balance of \$7,539,635.

Revenues for the District's governmental funds totaled \$47,876,458 while total expenditures were \$49,561,924. Other financing sources totaled \$20,156. As a result, the District completed the year with an excess of expenditures over revenues and other financing sources of \$1,665,310. Discussion about each governmental fund follows. A summary of the revenues and expenditures reported on the governmental fund financial statements for the past two years appears in Table A-4 below:

**Table A-4
Revenues and Expenditures - Governmental Funds**

| | 2009 | | | Fund Balance Increase (Decrease) |
|------------------------|----------------------|----------------------|-------------------------------------|--|
| | Revenues | Expenditures | Other Financing Sources(Uses) | |
| General Fund | \$ 41,252,010 | \$ 42,793,992 | \$ 20,156 | \$ (1,521,826) |
| Food Service Fund | 2,322,833 | 2,233,289 | | 89,544 |
| Community Service Fund | 2,028,015 | 2,012,843 | | 15,172 |
| Capital Projects Fund | | | | |
| Debt Service Fund | 2,273,600 | 2,521,800 | | (248,200) |
| Totals | <u>\$ 47,876,458</u> | <u>\$ 49,561,924</u> | <u>\$ 20,156</u> | <u>\$ (1,665,310)</u> |
| | 2008 | | | |
| | Revenues | Expenditures | Other Financing Sources(Uses) | Fund Balance Increase (Decrease) |
| General Fund | \$ 41,038,954 | \$ 42,897,780 | \$ 95,135 | \$ (1,763,691) |
| Food Service Fund | 2,212,999 | 2,208,624 | | 4,375 |
| Community Service Fund | 2,196,730 | 2,280,929 | | (84,199) |
| Capital Projects Fund | 473 | 413,346 | | (412,873) |
| Debt Service Fund | 2,647,038 | 2,583,830 | | 63,208 |
| Totals | <u>\$ 48,096,194</u> | <u>\$ 50,384,509</u> | <u>\$ 95,135</u> | <u>\$ (2,193,180)</u> |

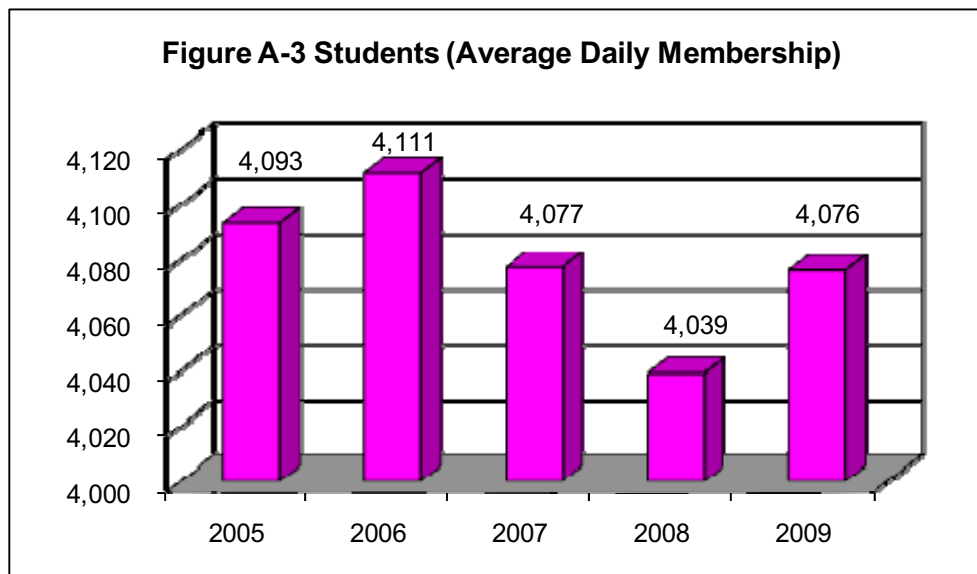
INDEPENDENT SCHOOL DISTRICT #347

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2009

GENERAL FUND

The General Fund is used by the District to record the primary operations of providing educational services to students from kindergarten through grade 12. Pupil transportation activities and capital and major maintenance projects are also included in the General Fund.

Enrollment. Funding for Minnesota school districts is largely driven by enrollment. The majority of Minnesota school districts are facing declining enrollment. Over the last five years, the District has averaged an annual 0.42% decline in the number of students. Figure A-3, below, shows that the number of students has generally decreased steadily since FY 2006 with enrollment increasing slightly in FY 2009.



In general, the District has been experiencing enrollment decline which has been a function of demographic trends affecting the majority of Minnesota school districts. These trends include a decline in the number of households with children, lower overall populations of children, and increased mobility. In addition, the District also faces typical enrollment challenges from open enrollment options, drop outs and competition from local private schools and home schooling options.

Looking into the near future, demographic trends point to a more level enrollment trend. The grade level sizes are evening out. However, the leveling out will include slight increases or decreases to enrollment each year. Fortunately, Willmar has not experienced large impacts to enrollment due to the difficult economic times the country is facing. Very few businesses have shut down or laid off employees.

INDEPENDENT SCHOOL DISTRICT #347

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

GENERAL FUND (CONTINUED)

The following table presents a summary of General Fund revenues:

**Table A-5
General Fund Revenues**

| Sources | Year Ended June 30, | | Amount Difference | Percent Change |
|-----------------------------|----------------------------|----------------------|------------------------------|---------------------------|
| | 2009 | 2008 | | |
| Local Sources | | | | |
| Property Taxes | \$ 3,018,820 | \$ 2,769,568 | \$ 249,252 | 9.0% |
| Interest Earnings | 92,569 | 318,763 | (226,194) | -71.0% |
| Other | 1,167,725 | 1,156,755 | 10,970 | 0.9% |
| State Sources | 35,233,235 | 34,914,994 | 318,241 | 0.9% |
| Federal Sources | 1,739,661 | 1,878,874 | (139,213) | -7.4% |
| Total General Fund Revenues | <u>\$ 41,252,010</u> | <u>\$ 41,038,954</u> | <u>\$ 213,056</u> | 0.5% |

Total General Fund revenue increased \$213,056, or 0.5%, from the previous year. Basic general education revenue is determined by a state per student funding formula. Other state-authorized revenue, including operating levy referendum, involves an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change in revenue.

Property taxes in 2009 were \$249,252, or 9.0%, more than the prior year. The increase is mainly the result of higher property values which causes an increase to the local levy. Interest earnings decreased \$226,194 from the prior year as a result of declining interest rates due to the nationwide economic recession. Other local sources increased \$10,970. State sources of revenue increased by \$318,241, or 0.9%, from 2008. The increase is due to an increase in the formula allowance and increased enrollment. Federal revenues decreased \$139,213, or 7.4%, from the previous year. This decrease is due to a reduction in the amount of the federal entitlements.

The following table presents a summary of General Fund expenditures:

**Table A-6
General Fund Expenditures**

| Expenditures | Year Ended June 30, | | Amount Difference | Percent Change |
|---------------------------------|----------------------------|----------------------|------------------------------|---------------------------|
| | 2009 | 2008 | | |
| Salaries | \$ 25,147,873 | \$ 24,849,960 | \$ 297,913 | 1.2% |
| Employee Benefits | 7,571,188 | 7,458,981 | 112,207 | 1.5% |
| Purchased Services | 6,817,910 | 7,239,809 | (421,899) | -5.8% |
| Supplies and Materials | 1,745,931 | 1,950,430 | (204,499) | -10.5% |
| Capital Expenditures | 1,343,764 | 1,245,459 | 98,305 | 7.9% |
| Other Expenditures | 167,326 | 153,140 | 14,186 | 9.3% |
| Total General Fund Expenditures | <u>\$ 42,793,992</u> | <u>\$ 42,897,780</u> | <u>\$ (103,788)</u> | -0.2% |

INDEPENDENT SCHOOL DISTRICT #347

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

GENERAL FUND (CONTINUED)

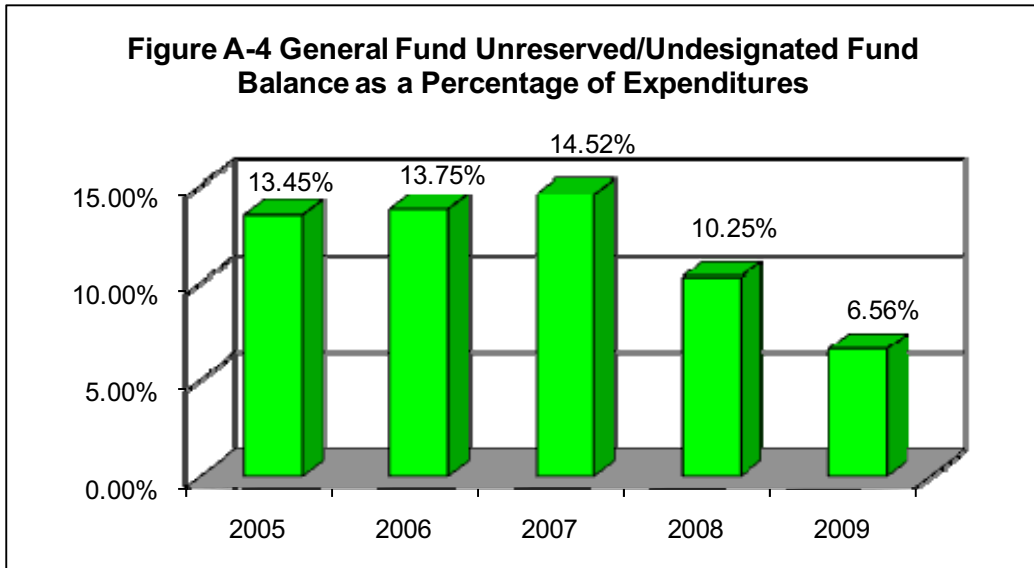
Total General Fund expenditures decreased \$103,788 or 0.2% from the previous year.

Salaries and employee benefits increased due to the settlement of the 2007-2009 contracts. Benefits also increased due to an increase in health insurance premiums and PERA contributions. The District continues to proactively pursue various cost containment measures to minimize the effect of rising health insurance premiums on the costs of the District's employee compensation packages.

Combined non-payroll expenditures (Purchased Services, Supplies & Materials, Capital Expenditures and Other Expenditures) decreased \$513,907 or 4.9%, compared to last year. The decrease is primarily due to the decreased cost of fuel and reduced purchases of supplies.

In summary, 2008-2009 General Fund expenditures exceeded General Fund revenues by \$1,541,982. As a result, and after factoring in \$20,156 of Microsoft settlement proceeds, the total fund balance decreased by \$1,521,826 to \$4,593,661 at June 30, 2009. After deducting statutory reserves, the unreserved-undesignated fund balance decreased from \$4,397,084 on June 30, 2008 to \$2,808,634 on June 30, 2009.

Figure A-4, below, depicts the General Fund unreserved-undesignated fund balance as a percentage of expenditures for fiscal years 2005 - 2009:



The graph above describing the District's unreserved-undesignated fund balance trend, offers the single best measure of the District's overall financial health. The unreserved-undesignated fund balance of \$2,808,634 on June 30, 2009 represents 6.56% of annual expenditures.

INDEPENDENT SCHOOL DISTRICT #347

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2009

GENERAL FUND (CONTINUED)

The District closely monitors the General Fund unreserved-undesignated fund balance through use of a detailed financial planning model, initiating necessary budget revisions during the year and with monthly budget analysis. The School Board has adopted a formal fund balance policy to maintain a minimum 6 percent (as a percentage of expenditures) fund balance in the General Fund unreserved-undesignated fund.

General Fund Budgetary Highlights

The District is required to adopt an operating budget prior to the beginning of its fiscal year (July 1). Over the course of the year, the District revised the annual operating budget once. The budget amendment usually falls into two categories:

- Implementing budgets for specially funded projects, which may include grants, adjusting staffing and various instructional building allocations based on enrollment, and budgeting for certain unspent funds that are required to be carried over from fiscal year 2008.
- Changes in appropriations for significant unbudgeted costs.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by \$3,438,883, the actual results for the year show that expenditures exceeded revenues by \$1,541,982. The main reason for the variance is due to increased revenues due to increased enrollment and a spending slow down towards the end of the year.

FOOD SERVICE FUND

The Food Service Fund revenue for 2008-2009 totaled \$2,322,833 and expenditures were \$2,233,289, resulting in a fund balance increase of \$89,544. This fund balance improvement was primarily a result of continued effective cost control. The June 30, 2009 Food Service fund balance is \$282,842.

The Food Service Fund is anticipating another modest fund balance increase for 2009-2010.

COMMUNITY SERVICE FUND

In 2008-2009, total revenues for the Community Service Fund were \$2,028,015 and total expenditures were \$2,012,843. Total revenues exceeded expenditures by \$15,172, resulting in an increase of the same amount in the June 30, 2009 fund balance. The Community Service fund balance as of June 30, 2009 is \$280,040. Community Service continues to monitor the fund balance and make adjustments that allow for the optimal level of programming for the District.

DEBT SERVICE FUND

Revenues and expenditures for the District's Debt Service Fund are tied directly to the District's bond principal and interest payment schedules. The Debt Service Fund expenditures exceeded revenues by \$248,200 in 2008-2009. The resulting fund balance decrease leaves the Debt Service Fund with a fund balance of \$717,782 at June 30, 2009. This fund balance is only available for meeting future debt service obligations.

INDEPENDENT SCHOOL DISTRICT #347

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2009

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2009, the District had net capital assets of \$30,493,789 representing a broad range of capital assets, including school buildings, computer and audio-visual equipment, and other equipment for various instructional programs (see Table A-7 below). Total depreciation expense for the year was \$1,313,594. More detailed information about capital assets can be found in Note 4 to the financial statements.

Table A-7
The District's Capital Assets

| Assets | Year Ended June 30, | | Percent Change |
|--------------------------------------|----------------------|----------------------|-------------------|
| | 2009 | 2008 | |
| Capital Assets Not Being Depreciated | \$ 705,083 | \$ 623,282 | 13.1% |
| Land Improvements | 3,146,715 | 3,054,702 | 3.0% |
| Buildings and Improvements | 46,158,678 | 45,982,312 | 0.4% |
| Equipment | 5,922,349 | 5,400,442 | 9.7% |
| Less: Accumulated Depreciation | (25,439,036) | (24,163,770) | 5.3% |
| Total Net Capital Assets | <u>\$ 30,493,789</u> | <u>\$ 30,896,968</u> | -1.3% |

Construction Plans

The School Board went through an intense process of looking at facility needs for the future of the District. The Board decided to close two elementary schools for the 2009 – 2010 school year and build an addition to Roosevelt Elementary that will house half of the District's kindergarten students. Construction began in June 2009 and is scheduled to be completed in December 2009.

The School Board will continue to meet in a workshop setting with other local governmental entities annually to be apprised of other projects coming up in the District that will impact constituents of the city, county, and school district.

Long-term Liabilities

At year-end, the District had \$12,442,809 in general obligation bonds outstanding including bond premium. This is a decrease of 13.5% from the previous year - as shown in Table A-8. The District continues to pay down its debt, retiring \$1,835,000 of outstanding bonds in the year ending June 30, 2009. The District implemented the Governmental Accounting Standards Board Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45) during fiscal year 2009. GASB 45 was implemented prospectively, meaning that the net OPEB obligation was zero at transition. Prior to implementation of GASB 45, the District estimated its obligation for future health care cost for retired persons who had met the eligibility requirements. The estimated liability was \$37,710 prior to implementation of the standard. The estimated liability after implementation is \$283,822. The District also has \$4,602,796 in severance payable at June 30, 2009. Overall, the District's outstanding long-term liabilities decreased by 9.6% in fiscal year 2009. More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.

INDEPENDENT SCHOOL DISTRICT #347

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

**Table A-8
The District's Long-Term Liabilities**

| <u>Long-Term Liabilities</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---------------------------------------|------------------------------|---------------------|---------------------|---------------------------|--------------------------------|
| Bonds Payable | \$ 13,765,000 | \$ | \$ 1,835,000 | \$ 11,930,000 | \$ 1,995,000 |
| Bond Premium | 613,808 | | 100,999 | 512,809 | 100,999 |
| Other Postemployment Benefits Payable | | 506,567 | 222,745 | 283,822 | 25,833 |
| OPEB (Prior to Adoption of GASB 45) | 37,710 | | 37,710 | | |
| Severance and Health Benefits Payable | 4,742,236 | 870,642 | 1,010,082 | 4,602,796 | 460,280 |
| Compensated Absences Payable | 172,059 | 168,883 | 189,332 | 151,610 | 136,449 |
| Total | <u>\$ 19,330,813</u> | <u>\$ 1,546,092</u> | <u>\$ 3,395,868</u> | <u>\$ 17,481,037</u> | <u>\$ 2,718,561</u> |

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of a voter-approved operating referendum, the District is dependent on the State of Minnesota for its revenue authority. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional needs and increased costs due to inflation.

The 2007 Legislative Session was completed in May 2007. The basic formula for 2008-2009 was increased by 1% for the 2008-2009 school year. Additional one time money was added for operating capital/technology aid. This calculation is \$55 per pupil unit for 2008-2009. There is quite a bit of concern regarding education funding in the future. The 2009 Legislative Session ended with the basic formula remaining at the 2008-2009 level for 2009-2010 and 2010-2011. In addition, the country has gone into an economic recession. The federal government enacted the American Recovery and Reinvestment Act of 2009 (ARRA) to provide additional money to states, schools, businesses, etc. The District will benefit from the ARRA money starting in the 2009-2010 school year.

The District went to the voters in November 2008 to ask for additional operating revenue. The first operating referendum question passed and will increase revenue an additional \$201.51 per pupil. The second operating referendum question that would increase revenue an additional \$374.36 per pupil failed. Even with the passage of the first referendum question the District made \$2,718,105 of budget reductions for 2009-2010.

The Willmar area continues to develop from an economic standpoint in some areas and decline in other areas. Walgreens opened a retail store and pharmacy. Slumberland relocated to a newly built facility. Bethesda is building a new health, wellness, therapy, adult day services and home health care center. The Willmar Municipal Utilities has completed the construction of two wind turbines. The MinnWest Technology Campus that began development four years ago is continuing to thrive and secure new technology based businesses for their campus, as well as, opening a daycare facility. Many of the above-mentioned projects have come to fruition as a result of public entities working collaboratively as well as public and private partnerships that have formed on behalf of economic development. Unfortunately, Willmar has also seen some businesses close their doors, such as, Northern Grounds and Wendy's. Many businesses have reduced their staff hours while maintaining positions.

The District will strive to maintain its longstanding commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

INDEPENDENT SCHOOL DISTRICT #347

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide District citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

If you have questions about this report or need additional financial information, contact the Business Office, Independent School District 347, 611 5th St SW, Willmar, MN 56201-3297, visit the Finance section of the District website at www.willmar.k12.mn.us (click on District, Finance, and Finance Home), or contact Pam Harrington, Director of Business and Finance, at harringtonp@willmar.k12.mn.us or 320-231-8511.

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BASIC FINANCIAL STATEMENTS

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INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF NET ASSETS
 JUNE 30, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2008

| | Governmental Activities | |
|---|-------------------------|---------------|
| | 2009 | 2008 |
| ASSETS | | |
| Cash and investments | \$ 7,830,683 | \$ 9,315,708 |
| Receivables | | |
| Property taxes | 3,492,983 | 2,966,770 |
| Other governments | 5,059,850 | 4,765,792 |
| Other | 69,591 | 178,778 |
| Prepaid items | 22,072 | 72,745 |
| Inventories | 81,664 | 55,940 |
| Bond issuance costs, net | 59,759 | 72,116 |
| Capital assets: | | |
| Assets not being depreciated | 705,083 | 623,282 |
| Other capital assets, net of depreciation | 29,788,706 | 30,273,686 |
| | | |
| Total Assets | \$ 47,110,391 | \$ 48,324,817 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Salaries and wages payable | \$ 3,452,311 | \$ 3,624,788 |
| Accounts and contracts payable | 541,955 | 565,689 |
| Due to other governmental units | 122,137 | 44,411 |
| Accrued interest | 246,854 | 284,708 |
| Unearned revenue | | |
| Property taxes | 6,285,042 | 5,312,339 |
| Local sources | 124,775 | 140,318 |
| Noncurrent liabilities | | |
| Due within one year | 2,718,561 | 2,568,847 |
| Due in more than one year | 14,762,476 | 16,761,966 |
| | | |
| Total Liabilities | 28,254,111 | 29,303,066 |
| Net Assets | | |
| Invested in capital assets, net of related debt | 18,050,980 | 16,590,276 |
| Restricted for | | |
| Operating capital purposes | 440,240 | 340,076 |
| State-mandated reserves | 144,787 | 177,929 |
| Food service | 282,842 | 193,298 |
| Community service | 280,040 | 264,868 |
| Debt service | 470,928 | 681,274 |
| Unrestricted | (813,537) | 774,030 |
| | | |
| Total Net Assets | 18,856,280 | 19,021,751 |
| | \$ 47,110,391 | \$ 48,324,817 |

See accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

| | 2009 | | | | 2008 | 2008 |
|--|----------------------|-------------------------|--|--|--|--|
| | Expenses | Charges for Services | Program Revenues | | Net (Expense) Revenue and Changes in Net Assets | Net (Expense) Revenue and Changes in Net Assets |
| | | | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Governmental Activities |
| GOVERNMENTAL ACTIVITIES: | | | | | | |
| Administration | \$ 1,605,548 | \$ | \$ | \$ | \$ (1,605,548) | \$ (1,544,907) |
| District support services | 986,334 | | 30,158 | | (956,176) | (855,476) |
| Regular instruction | 21,236,601 | 388,009 | 6,731,478 | | (14,117,114) | (14,531,240) |
| Vocational education instruction | 892,498 | 12,000 | 65,476 | | (815,022) | (609,343) |
| Special education instruction | 8,355,384 | 124,650 | 4,879,039 | | (3,351,695) | (2,882,473) |
| Instructional support services | 2,332,636 | 63,593 | 600,777 | | (1,668,266) | (1,813,049) |
| Pupil support services | 3,607,987 | | 263,484 | | (3,344,503) | (3,140,410) |
| Sites and buildings | 4,083,773 | 39,042 | 313,937 | 638,414 | (3,092,380) | (3,781,515) |
| Fiscal and other fixed costs programs | 130,872 | | | | (130,872) | (159,340) |
| Food service | 2,233,289 | 768,762 | 1,542,976 | | 78,449 | (978) |
| Community service | 2,054,760 | 702,200 | 1,014,782 | | (337,778) | (228,021) |
| Interest and fiscal charges on long-term liabilities | 560,304 | | | | (560,304) | (645,553) |
| Total Governmental Activities: | \$ 48,079,986 | \$ 2,098,256 | \$ 15,442,107 | \$ 638,414 | (29,901,209) | (30,192,305) |
| GENERAL REVENUES: | | | | | | |
| Property taxes levied for: | | | | | | |
| General purposes | | | | | 3,029,678 | 2,776,231 |
| Community service | | | | | 279,779 | 281,805 |
| Debt service | | | | | 2,064,562 | 2,349,549 |
| State aid not restricted to specific purposes | | | | | 24,228,781 | 23,903,451 |
| Interest earnings | | | | | 123,545 | 408,458 |
| Gain on sale of capital assets | | | | | | 1,999 |
| Miscellaneous | | | | | 9,393 | 34,525 |
| Total General Revenues | | | | | 29,735,738 | 29,756,018 |
| Change in Net Assets | | | | | (165,471) | (436,287) |
| NET ASSETS, BEGINNING OF YEAR | | | | | 19,021,751 | 19,458,038 |
| NET ASSETS, END OF YEAR | | | | | \$ 18,856,280 | \$ 19,021,751 |

See accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2008

| | Total Governmental Funds | | | | | |
|--|--------------------------|-------------------|-------------------|---------------------|----------------------|----------------------|
| | General | Food Service | Community Service | Debt Service | 2009 | 2008 |
| ASSETS | | | | | | |
| Cash and investments | \$ 5,462,611 | \$ | \$ 403,052 | \$ 1,862,156 | \$ 7,727,819 | \$ 9,211,542 |
| Receivables | | | | | | |
| Current property taxes | 1,930,970 | | 173,128 | 1,324,047 | 3,428,145 | 2,919,833 |
| Delinquent property taxes | 33,524 | | 3,502 | 27,812 | 64,838 | 46,937 |
| Due from other Minnesota school districts | 205,056 | 91 | | | 205,147 | 258,406 |
| Due from Minnesota Department of Education | 3,774,547 | 50,169 | 95,898 | 19,052 | 3,939,666 | 3,855,230 |
| Due from Federal through Minnesota Department of Education | 409,915 | 315,324 | 47,892 | | 773,131 | 514,876 |
| Due from Federal Government received directly | 25,814 | | | | 25,814 | 66,021 |
| Due from other governmental units | 114,443 | | 1,649 | | 116,092 | 71,259 |
| Other receivables | 68,534 | 63 | 994 | | 69,591 | 178,778 |
| Due from other funds | 43,616 | | | | 43,616 | |
| Prepaid items | 20,872 | 300 | 900 | | 22,072 | 72,745 |
| Inventories | 38,788 | 42,876 | | | 81,664 | 55,940 |
| Total Assets | \$ 12,128,690 | \$ 408,823 | \$ 727,015 | \$ 3,233,067 | \$ 16,497,595 | \$ 17,251,567 |
| LIABILITIES AND FUND BALANCE | | | | | | |
| Liabilities | | | | | | |
| Salaries and wages payable | \$ 3,331,310 | \$ 26,551 | \$ 94,450 | \$ | \$ 3,452,311 | \$ 3,624,788 |
| Accounts and contracts payable | 507,391 | 7,015 | 16,145 | | 530,551 | 543,139 |
| Due to other governmental units | 113,245 | 1,296 | 7,596 | | 122,137 | 44,411 |
| Due to other funds | | 43,616 | | | 43,616 | |
| Deferred revenue | | | | | | |
| Property taxes levied for subsequent year | 3,472,287 | | 325,282 | 2,487,473 | 6,285,042 | 5,312,339 |
| Delinquent property taxes | 33,524 | | 3,502 | 27,812 | 64,838 | 46,937 |
| Local sources | 77,272 | 47,503 | | | 124,775 | 140,318 |
| Total Liabilities | 7,535,029 | 125,981 | 446,975 | 2,515,285 | 10,623,270 | 9,711,932 |
| Fund Balance | | | | | | |
| Reserved for | | | | | | |
| Staff development | 100,772 | | | | 100,772 | 169,842 |
| Area learning center | 77,507 | | | | 77,507 | |
| Severance and health benefits | | | | | | 1,200,000 |
| Gifted and talented | 14,648 | | | | 14,648 | 36,369 |
| Health and safety | (48,140) | | | | (48,140) | (28,282) |
| Operating capital | 440,240 | | | | 440,240 | 340,076 |
| Community education programs | | | 111,386 | | 111,386 | 96,337 |
| Early childhood and family education programs | | | 72,889 | | 72,889 | |
| School readiness | | | 47,371 | | 47,371 | 1,660 |
| Safe schools | | | | | | 398 |
| Unreserved, designated, reported in | | | | | | |
| General fund | 1,200,000 | | | | 1,200,000 | |
| Unreserved, undesignated, reported in | | | | | | |
| General fund | 2,808,634 | | | | 2,808,634 | 4,397,084 |
| Debt service fund | | | | 717,782 | 717,782 | 965,982 |
| Special revenue funds | | 282,842 | 48,394 | | 331,236 | 360,169 |
| Total Fund Balance | 4,593,661 | 282,842 | 280,040 | 717,782 | 5,874,325 | 7,539,635 |
| Total Liabilities and Fund Balance | \$ 12,128,690 | \$ 408,823 | \$ 727,015 | \$ 3,233,067 | \$ 16,497,595 | \$ 17,251,567 |

See accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2008

| | <u>2009</u> | <u>2008</u> |
|---|-----------------------------|-----------------------------|
| Total Fund Balances - Governmental Funds | \$ 5,874,325 | \$ 7,539,635 |
| <p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p> | | |
| <p>Capital assets used in governmental funds are not financial resources and therefore are not reported as assets in the governmental funds. Those assets consist of:</p> | | |
| Land and construction in progress | 705,083 | 623,282 |
| Land improvements, net of accumulated depreciation | 1,472,649 | 1,496,857 |
| Buildings and improvements, net of accumulated depreciation | 26,352,929 | 27,042,225 |
| Equipment and vehicles, net of accumulated depreciation | 1,963,128 | 1,734,604 |
| <p>Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.</p> | | |
| | 64,838 | 46,937 |
| <p>Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.</p> | | |
| | (246,854) | (284,708) |
| <p>Governmental funds report debt issuance costs as expenditures at the time of issuance. Issuance costs are reported as an unamortized asset in the government-wide financial statements.</p> | | |
| | 59,759 | 72,116 |
| <p>Internal service funds are used by management to charge the costs associated with Delta Dental Insurance. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Assets.</p> | | |
| | 91,460 | 81,616 |
| <p>Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the Statement of Net Assets. Balances at year-end are:</p> | | |
| Bonds payable | (11,930,000) | (13,765,000) |
| Unamortized premiums | (512,809) | (613,808) |
| Other postemployment benefits | (283,822) | |
| Other postemployment benefits (prior to the adoption of GASB 45) | | (37,710) |
| Severance payable | (4,602,796) | (4,742,236) |
| Compensated absences payable | (151,610) | (172,059) |
| | <u> </u> | <u> </u> |
| Total Net Assets - Governmental Activities | <u>\$ 18,856,280</u> | <u>\$ 19,021,751</u> |

See accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

| | General | Food Service | Community Service | Debt Service | Total Governmental Funds | |
|---|---------------------|-------------------|-------------------|-------------------|--------------------------|---------------------|
| | | | | | 2009 | 2008 |
| REVENUES | | | | | | |
| Local sources | | | | | | |
| Property taxes | \$ 3,018,820 | \$ | \$ 278,710 | \$ 2,058,587 | \$ 5,356,117 | \$ 5,395,510 |
| Interest earnings | 92,569 | 1,701 | 4,779 | 24,495 | 123,544 | 408,459 |
| Other | 1,167,725 | 782,746 | 799,590 | | 2,750,061 | 2,882,310 |
| State sources | 35,233,235 | 190,237 | 894,151 | 190,518 | 36,508,141 | 36,221,092 |
| Federal sources | 1,739,661 | 1,348,149 | 50,785 | | 3,138,595 | 3,188,823 |
| Total Revenues | 41,252,010 | 2,322,833 | 2,028,015 | 2,273,600 | 47,876,458 | 48,096,194 |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| Administration | 1,740,466 | | | | 1,740,466 | 1,546,127 |
| District support services | 946,171 | | | | 946,171 | 872,978 |
| Regular instruction | 19,565,445 | | | | 19,565,445 | 19,967,831 |
| Vocational education instruction | 857,961 | | | | 857,961 | 744,309 |
| Special education instruction | 8,357,364 | | | | 8,357,364 | 8,112,649 |
| Instructional support services | 2,273,127 | | | | 2,273,127 | 2,398,440 |
| Pupil support services | 3,568,997 | | | | 3,568,997 | 3,393,865 |
| Sites and buildings | 4,010,687 | | | | 4,010,687 | 4,624,367 |
| Fiscal and other fixed costs programs | 130,010 | | | | 130,010 | 158,478 |
| Food service | | 2,213,875 | | | 2,213,875 | 2,156,016 |
| Community service | | | 2,012,713 | | 2,012,713 | 2,094,107 |
| Capital outlay | 1,343,764 | 19,414 | 130 | | 1,363,308 | 1,731,512 |
| Debt service | | | | | | |
| Principal | | | | 1,835,000 | 1,835,000 | 1,820,000 |
| Interest and fiscal charges | | | | 686,800 | 686,800 | 763,830 |
| Total Expenditures | 42,793,992 | 2,233,289 | 2,012,843 | 2,521,800 | 49,561,924 | 50,384,509 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (1,541,982) | 89,544 | 15,172 | (248,200) | (1,685,466) | (2,288,315) |
| OTHER FINANCING SOURCES | | | | | | |
| Sale of real property proceeds | | | | | | 1,999 |
| Judgments for school districts | 20,156 | | | | 20,156 | 93,136 |
| Total Other Financing Sources | 20,156 | 0 | 0 | 0 | 20,156 | 95,135 |
| Net Change in Fund Balances | (1,521,826) | 89,544 | 15,172 | (248,200) | (1,665,310) | (2,193,180) |
| FUND BALANCE, BEGINNING OF YEAR | 6,115,487 | 193,298 | 264,868 | 965,982 | 7,539,635 | 9,732,815 |
| FUND BALANCE, END OF YEAR | \$ 4,593,661 | \$ 282,842 | \$ 280,040 | \$ 717,782 | \$ 5,874,325 | \$ 7,539,635 |

See accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

| | <u>2009</u> | <u>2008</u> |
|--|---------------------|---------------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ (1,665,310) | \$ (2,193,180) |
| <p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> | | |
| <p>Capital outlay is 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.</p> | | |
| Capital outlay | 911,415 | 1,051,284 |
| Gain on disposal of capital assets | | 1,999 |
| Proceeds from sales of capital assets | | (1,999) |
| Depreciation expense | (1,313,594) | (1,293,447) |
| Loss on disposal of capital assets | (1,000) | (22,368) |
| <p>The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the Statement of Net Assets, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities and repayment of principal reduces the liability. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences is as follows:</p> | | |
| Payment of bond principal | 1,835,000 | 1,820,000 |
| Change in accrued interest expense | 37,854 | 28,011 |
| Amortization of bond issuance costs | (12,357) | (11,000) |
| Amortization of bond premium | 100,999 | 101,266 |
| <p>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.</p> | | |
| | 17,901 | 12,073 |
| <p>In the Statement of Activities, certain operating expenses - severance, other post-employment benefits and compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).</p> | | |
| | (86,223) | 57,144 |
| <p>An internal service fund is used to charge the costs associated with Delta Dental insurance. The net income of the fund is reported with governmental activities.</p> | | |
| | <u>9,844</u> | <u>13,930</u> |
| Change in Net Assets - Governmental Activities | <u>\$ (165,471)</u> | <u>\$ (436,287)</u> |

See accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED JUNE 30, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

| | 2009 | | | Over (Under) Final Budget | 2008 |
|--|-----------------------------|-----------------------------|---------------------|---------------------------------|---------------------|
| | Budgeted Amounts | | Actual | | Actual |
| | Original | Final | | | |
| REVENUES | | | | | |
| Local sources | | | | | |
| Property taxes | \$ 2,950,314 | \$ 2,990,019 | \$ 3,018,820 | \$ 28,801 | \$ 2,769,568 |
| Interest earnings | 291,041 | 90,763 | 92,569 | 1,806 | 318,763 |
| Other | 1,485,576 | 1,103,228 | 1,167,725 | 64,497 | 1,156,755 |
| State sources | 34,852,150 | 34,849,208 | 35,233,235 | 384,027 | 34,914,994 |
| Federal sources | 1,391,523 | 1,810,783 | 1,739,661 | (71,122) | 1,878,874 |
| Total Revenues | 40,970,604 | 40,844,001 | 41,252,010 | 408,009 | 41,038,954 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Administration | 1,815,601 | 1,803,398 | 1,740,466 | (62,932) | 1,546,127 |
| District support services | 941,238 | 1,048,651 | 946,171 | (102,480) | 872,978 |
| Regular instruction | 19,865,582 | 20,410,308 | 19,565,445 | (844,863) | 19,967,831 |
| Vocational education instruction | 683,644 | 836,597 | 857,961 | 21,364 | 744,309 |
| Special education instruction | 8,276,157 | 8,398,977 | 8,357,364 | (41,613) | 8,112,649 |
| Instructional support services | 2,502,303 | 2,467,216 | 2,273,127 | (194,089) | 2,398,440 |
| Pupil support services | 3,673,723 | 3,589,881 | 3,568,997 | (20,884) | 3,393,865 |
| Sites and buildings | 4,093,365 | 4,145,243 | 4,010,687 | (134,556) | 4,457,644 |
| Fiscal and other fixed costs programs | 160,000 | 130,010 | 130,010 | | 158,478 |
| Capital outlay | 1,496,766 | 1,452,603 | 1,343,764 | (108,839) | 1,245,459 |
| Total Expenditures | 43,508,379 | 44,282,884 | 42,793,992 | (1,488,892) | 42,897,780 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (2,537,775) | (3,438,883) | (1,541,982) | 1,896,901 | (1,858,826) |
| OTHER FINANCING SOURCES | | | | | |
| Sale of real property proceeds | | | | | 1,999 |
| Judgments for school districts | 152,733 | 140,868 | 20,156 | (120,712) | 93,136 |
| Total Other Financing Sources | 152,733 | 140,868 | 20,156 | (120,712) | 95,135 |
| Net Change in Fund Balances | <u>\$(2,385,042)</u> | <u>\$(3,298,015)</u> | (1,521,826) | <u>\$ 1,776,189</u> | (1,763,691) |
| FUND BALANCE, BEGINNING OF YEAR | | | 6,115,487 | | 7,879,178 |
| FUND BALANCE, END OF YEAR | | | <u>\$ 4,593,661</u> | | <u>\$ 6,115,487</u> |

See accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOOD SERVICE SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

| | 2009 | | | Over (Under) Final Budget | 2008 |
|---------------------------------|------------------|-----------|------------|---------------------------------|------------|
| | Budgeted Amounts | | Actual | | Actual |
| | Original | Final | | | |
| REVENUES | | | | | |
| Local sources | | | | | |
| Interest earnings | \$ 3,000 | \$ 1,138 | \$ 1,701 | \$ 563 | \$ 5,354 |
| Other-primarily meal sales | 784,775 | 783,374 | 782,746 | (628) | 775,699 |
| State sources | 190,100 | 187,841 | 190,237 | 2,396 | 189,131 |
| Federal sources | 1,191,620 | 1,313,562 | 1,348,149 | 34,587 | 1,242,815 |
| Total Revenues | 2,169,495 | 2,285,915 | 2,322,833 | 36,918 | 2,212,999 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Food service | 2,083,757 | 2,215,368 | 2,213,875 | (1,493) | 2,156,016 |
| Capital outlay | 65,197 | 27,292 | 19,414 | (7,878) | 52,608 |
| Total Expenditures | 2,148,954 | 2,242,660 | 2,233,289 | (9,371) | 2,208,624 |
| Net Change in Fund Balances | \$ 20,541 | \$ 43,255 | 89,544 | \$ 46,289 | 4,375 |
| FUND BALANCE, BEGINNING OF YEAR | | | 193,298 | | 188,923 |
| FUND BALANCE, END OF YEAR | | | \$ 282,842 | | \$ 193,298 |

See accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 COMMUNITY SERVICE SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

| | 2009 | | | Over (Under) Final Budget | 2008 |
|--|--------------------|--------------------|-------------------|---------------------------------|-------------------|
| | Budgeted Amounts | | Actual | | Actual |
| | Original | Final | | | |
| REVENUES | | | | | |
| Local sources | | | | | |
| Property taxes | \$ 276,370 | \$ 276,842 | \$ 278,710 | \$ 1,868 | \$ 281,075 |
| Interest earnings | 5,160 | 4,953 | 4,779 | (174) | 15,013 |
| Other-primarily tuition and fees | 701,572 | 753,686 | 799,590 | 45,904 | 949,856 |
| State sources | 836,689 | 892,565 | 894,151 | 1,586 | 883,652 |
| Federal sources | 40,000 | 47,892 | 50,785 | 2,893 | 67,134 |
| Total Revenues | 1,859,791 | 1,975,938 | 2,028,015 | 52,077 | 2,196,730 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Community service | 1,896,569 | 2,028,000 | 2,012,713 | (15,287) | 2,094,107 |
| Capital outlay | 10,600 | 2,130 | 130 | (2,000) | 186,822 |
| Total Expenditures | 1,907,169 | 2,030,130 | 2,012,843 | (17,287) | 2,280,929 |
| Net Change in Fund Balances | \$ (47,378) | \$ (54,192) | 15,172 | \$ 69,364 | (84,199) |
| FUND BALANCE, BEGINNING OF YEAR | | | 264,868 | | 349,067 |
| FUND BALANCE, END OF YEAR | | | \$ 280,040 | | \$ 264,868 |

See accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2009
 WITH COMPARATIVE AMOUNTS AS OF JUNE 30, 2008

| | | Governmental Activities- Internal Service Fund | |
|----------------------------------|--|---|-------------------|
| | | <u>2009</u> | <u>2008</u> |
| ASSETS | | | |
| Current Assets | | | |
| Cash and investments | | <u>\$ 102,864</u> | <u>\$ 104,166</u> |
| LIABILITIES AND NET ASSETS | | | |
| Current Liabilities | | | |
| Accounts payable | | \$ 11,404 | \$ 22,550 |
| Net Assets | | | |
| Unrestricted | | <u>91,460</u> | <u>81,616</u> |
| Total Liabilities and Net Assets | | <u>\$ 102,864</u> | <u>\$ 104,166</u> |

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2009
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

| | Governmental Activities- Internal Service Fund | |
|---------------------------------|---|-------------------------|
| | <u>2009</u> | <u>2008</u> |
| OPERATING REVENUES | | |
| Charges for services | \$ 230,718 | \$ 243,164 |
| OPERATING EXPENSES | | |
| Dental insurance claim payments | 194,182 | 200,000 |
| General administration costs | <u>26,692</u> | <u>29,234</u> |
| Total Operating Expenses | <u>220,874</u> | <u>229,234</u> |
| Net Change in Net Assets | 9,844 | 13,930 |
| NET ASSETS, BEGINNING OF YEAR | <u>81,616</u> | <u>67,686</u> |
| NET ASSETS, END OF YEAR | <u><u>\$ 91,460</u></u> | <u><u>\$ 81,616</u></u> |

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2009
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

| | Governmental Activities- Internal Service Fund | |
|---|---|-------------------|
| | 2009 | 2008 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Receipts from interfund services provided | \$ 230,718 | \$ 243,164 |
| Payments for administrative costs | (27,819) | (29,234) |
| Payments for dental fees and insurance claims | (204,201) | (203,087) |
| | <u>(1,302)</u> | <u>10,843</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | | |
| | (1,302) | 10,843 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>104,166</u> | <u>93,323</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 102,864</u> | <u>\$ 104,166</u> |
| RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Operating income | \$ 9,844 | \$ 13,930 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | |
| Increase (Decrease) in: | | |
| Accounts payable | (11,146) | (3,087) |
| | <u>(11,146)</u> | <u>(3,087)</u> |
| Net Cash Provided (Used) By Operating Activities | <u>\$ (1,302)</u> | <u>\$ 10,843</u> |

See accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2009

| | | Private- Purpose Trust Fund |
|--------------------------------|--|-----------------------------------|
| ASSETS | | |
| Cash and investments | | \$ 36,008 |
| Interest receivable | | 645 |
| | | <hr/> |
| Total Assets | | <u>\$ 36,653</u> |
| NET ASSETS | | |
| Net Assets | | |
| Held in trust for scholarships | | <u>\$ 36,653</u> |

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED JUNE 30, 2009

| | | Private- Purpose Trust Fund |
|-------------------------------|--|-----------------------------------|
| ADDITIONS | | |
| Interest earnings | | \$ 814 |
| DEDUCTIONS | | |
| Scholarship obligations | | <u>1,100</u> |
| | | (286) |
| Change in Net Assets | | |
| NET ASSETS, BEGINNING OF YEAR | | <u>36,939</u> |
| NET ASSETS, END OF YEAR | | <u>\$ 36,653</u> |

See accompanying Notes to the Financial Statements

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INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Independent School District #347 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The District has the option to apply FASB pronouncements issued after that date to its proprietary funds and has chosen to do so. The more significant of the government's accounting policies are described below.

A. REPORTING ENTITY

The Independent School District #347 Board of Education ("District") is the basic level of government which has the financial accountability and control over all activities related to the public school education for the Willmar School District. The District receives funding from local, state, and federal sources and must comply with the expenditure requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB pronouncement, since Board members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, and the ability to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined by GASB Statement 14 which are included in the District's reporting entity.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. The School Board has a fiduciary responsibility in establishing broad policies and ensuring that appropriate financial records are maintained for student activities. However, in accordance with Minnesota Statutes, the District's School Board has not elected to control or exercise oversight responsibility with respect to the underlying student activities. Accordingly, the student activity accounts are not included in these financial statements.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-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 fiduciary funds. Fiduciary funds are only reported at the fund financial statement level.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of all charges would distort the direct costs and program revenue reported for the various functions concerned.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Cont'd)

Separate financial statements are provided for governmental, proprietary and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

The Internal Service Fund is presented in the proprietary fund financial statements. Because the principal user of the internal services is the District's governmental activities, the financial statement of the internal service fund is consolidated into the governmental activities column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's internal service fund is charges to customers for service. Operating expenses for the internal service fund include the cost of services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

The governmental fund financial statements are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting, in which revenues are recognized when they become measurable and available. Revenues are considered to be measurable when the amount of the transaction can be determined and available when they are collectible within the current period or soon enough thereafter 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 and accounting principles generally accepted in the United States of America. 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. Food service sales, community education tuition, and other miscellaneous revenue (except interest earnings) are recorded as revenues when received because they are generally not measurable until then. Interest earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Cont'd)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The District does not use encumbrances for either budgeting or financial reporting purposes.

When both restricted and unrestricted resources are available for use, it is generally the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to incurring the qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Description of Funds

The existence of the various District funds has been established by the State of Minnesota, Department of Education. The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. A description of the funds included in this report is as follows:

Major Governmental Funds:

The General Fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations and pupil transportation activities of the District, as well as the capital related activities such as maintenance of facilities, equipment purchases, health and safety projects, and disabled accessibility projects.

The Food Service Special Revenue Fund accounts for all activities associated with the preparation and serving of regular and incidental meals, lunches or snacks in connection with school activities.

The Community Service Special Revenue Fund accounts for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs or other similar services.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

Proprietary Fund:

The Internal Service Fund accounts for financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The District's Internal Service Fund accounts for the District's dental self-insurance program. The self-insurance costs are charged to the various funds based on established premium rates.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Cont'd)

Fiduciary Fund:

The Private-Purpose Trust Fund is used to account for trust arrangements under which principal and income benefits individuals, private organizations, or other governments. This fund accounts for gifts and bequests that are to be used for scholarships.

D. BUDGETS AND BUDGETARY ACCOUNTING

Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. Each June, the School Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, and Debt Service Funds. The approved budget is published in summary form in the District's legal newspaper by November 30 of each year. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent submits to the School Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by School Board action. Revisions to budgeted amounts must be approved by the School Board.

Total fund expenditures in excess of the budget require approval of the School Board. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

Unencumbered expenditure appropriations lapse at year-end. Encumbrances are generally not recorded.

Budget provisions for the Debt Service Fund are set by state law governing required debt service levels.

E. ASSETS, LIABILITIES AND EQUITY

Cash and Investments:

Cash and investments consist of demand deposit accounts, non-negotiable and negotiable certificates of deposit. The certificates of deposit are recorded at fair value.

Cash balances from all funds of the District are pooled and invested, to the extent available, in allowable cash management accounts. Earnings from such accounts are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

For purposes of the statement of cash flows, the District considers cash in bank and all highly liquid instruments (including restricted assets) to be cash and cash equivalents in its proprietary fund.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, LIABILITIES AND EQUITY (Cont'd)

Accounts Receivable:

Accounts receivable represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary. The only receivables not expected to be collected within one year are current property taxes receivable.

Current Property Taxes Receivable:

Current property taxes receivable represent current real and personal property tax levies, certified the previous December and collectible in the current calendar year, which have not been received by the District.

Delinquent Property Taxes Receivable:

Delinquent property taxes receivable represent taxes collectible in the years 2002 to 2008 that remain uncollected at June 30, 2009. They are equally offset by a deferred revenue amount in the liabilities of the fund financial statements.

Prepaid Items:

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

Inventories:

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

Property Taxes Levied for Subsequent Years:

Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the state which will be recognized as revenue in the next fiscal year beginning July 1, 2009, are included in this account to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

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 for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, LIABILITIES AND EQUITY (Cont'd)

Capital Assets: (Cont'd)

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

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

The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

Long-Term Obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, if material, are reported as an asset and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Accrued Employee Benefits:

Vacation Pay:

Employees earn annual vacation pay at rates dependent upon each employee group labor contract. All outstanding unpaid vacation pay is payable upon termination of employment. At June 30, 2009, unpaid vacation pay totaling \$151,610 is recorded in the financial statements.

Sick Pay:

Substantially all District employees are entitled to sick leave at various rates. For certain employees, unused sick leave enters into the calculation of severance pay upon termination.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, LIABILITIES AND EQUITY (Cont'd)

Accrued Employee Benefits: (Cont'd)

Severance:

Severance consists of severance payments. Accounting policies for severance payments are described below.

Secretarial Staff:

A severance payment is available to secretaries who have completed at least 15 years of continuous service with the District and are at least 55 years of age. An eligible individual will receive an amount equal to 75% of the number of unused accumulated sick leave hours multiplied by the employee's hourly rate of pay, not to exceed 600 hours, less any TSA match the District contributed. Employees hired after July 1, 2000 are not eligible for severance pay.

Library Clerical Staff and General Paraprofessionals:

A severance payment is available to library clerical staff and general paraprofessionals who have completed at least 15 years of continuous service with the District and are at least 55 years of age. An eligible individual will receive an amount equal to 75% of the number of unused accumulated sick leave days multiplied by the employee's daily rate of pay, not to exceed 115 days.

Special Needs Paraprofessionals and Sign Language Interpreters:

A severance payment is available to special needs paraprofessionals and sign language interpreters who have completed at least 15 years of continuous service with the District and are at least 58 years of age. An eligible individual will receive an amount equal to 75% of the number of unused accumulated sick leave days multiplied by the employee's daily rate of pay, not to exceed 805 hours, less any TSA match the District contributed. Employees hired after July 1, 2002 will not be eligible for severance pay.

Food Service Staff:

A severance payment is available to food service staff who have completed at least 15 years of continuous service with the District and are at least 55 years of age. An eligible individual will receive an amount equal to 75% of the number of unused accumulated sick leave hours multiplied by the employee's hourly rate of pay, not to exceed 430 hours.

Administrators:

A severance payment is available to administrators who have completed at least 10 years of continuous service with the District and are at least 55 years of age but not more than 65 years of age. An eligible administrator will receive an amount equal to the number of unused accumulated sick leave days multiplied by the employee's daily rate of pay, not to exceed 175 days, less any TSA match the District contributed. Administrators hired after July 1, 2000 are not eligible for severance pay.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, LIABILITIES AND EQUITY (Cont'd)

Accrued Employee Benefits: (Cont'd)

Severance: (Cont'd)

Teachers:

A severance payment is available to teachers who have completed at least 15 years of continuous service with the District and are at least 55 years of age. An eligible teacher will receive an amount equal to 50% of the number of unused accumulated sick leave days multiplied by the employee's daily rate of pay, not to exceed 90 days, less any TSA match the District contributed.

Teachers that have completed at least 15 years of continuous service with the District and are at least 55 years of age are also eligible to receive a severance payment in an amount equal to the teacher's number of years of service multiplied by four and the employee's daily rate of pay, not to exceed 100 days, less any TSA match the District contributed.

The maximum combined total severance shall not exceed 150 days. Teachers hired after July 1, 2000 are not eligible for severance pay.

Custodians:

Custodians shall earn ten days of severance pay credit for each full year of service, with accumulation to 150 days. Upon resignation of the employee at age 55 or older, the District shall pay severance equal to 75% of an employee's accumulated severance pay days up to a maximum of 112.5 days, at the employee's daily rate of pay.

Confidential Employees:

A severance payment is available to confidential employees who have completed at least 15 years of continuous service with the District and are at least 55 years of age. An eligible individual will receive an amount equal to 75% of the number of unused accumulated sick leave hours multiplied by the employee's hourly rate of pay, not to exceed 805 hours, less any TSA match the District contributed. Employees hired after July 1, 2004 are not eligible for severance pay.

Other Postemployment Benefits:

Under the terms of previous employment contracts, when teachers retired between the ages of 55 to 65, the District provided life and health insurance benefits which would cease when such employees attain the age of 65. This benefit is no longer available to employees; however, the District continues to pay health insurance for qualified individuals that retired when this benefit was in effect. All premiums are funded on a pay-as-you-go basis. This amount was actuarially determined, in accordance with GASB 45 at June 30, 2009.

GASB 45 was implemented prospectively, meaning that the net OPEB obligation was zero at transition. Prior to implementation of GASB 45, the District estimated its obligation for future health care cost for retired persons who had met the eligibility requirements. The estimated liability was \$37,710 prior to implementation of the standard.

Deferred Revenue:

Deferred revenues are those in which resources are received by the District before it has a legal claim to them. The District has reported deferred revenues for excess tax increment financing receipts in the General Fund.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, LIABILITIES AND EQUITY (Cont'd)

Fund Balance:

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.

Net Assets:

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

F. REVENUES AND EXPENDITURES

Revenues:

Property tax levies are established by the Board of Education in December each year and are certified to the County for collection in the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become a lien on January 1. Taxes are due on May 15 and October 15. The County generally remits taxes to the District at periodic intervals as they are collected. A portion of property taxes levied is paid through various state tax credits which are included in revenue from state sources in the financial statements.

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as deferred revenue (property taxes levied for subsequent year). The majority of District revenue in the General Fund (and to a lesser extent in the District's Community Service Special Revenue Fund) is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift."

In accordance with State law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum which is frozen at \$184,153 for the District. The tax shift also includes certain other levies that are recognized early based on statutory requirements.

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the State which will be recognized as revenue in the next fiscal year beginning July 1, 2009, are included in Property Taxes Levied for Subsequent Year to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

F. REVENUES AND EXPENDITURES (Cont'd)

Expenditures:

Expenditure recognition for governmental fund types is limited to amounts represented by current liabilities. Noncurrent liabilities are not recognized as governmental fund expenditures or liabilities.

G. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. PRIOR YEAR INFORMATION

The basic financial statements include certain prior-year partial comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2008, from which the partial information was derived.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. VIOLATIONS OF FINANCE-RELATED OBLIGATIONS

There were no violations of finance-related obligations.

B. DEFICIT FUND BALANCES

The District had no deficit fund balances as of June 30, 2009. As noted on the Balance Sheet - Governmental Funds, the Reserved Fund Balance for Health and Safety in the General Fund has a deficit balance of \$48,140.

C. EXCESS OF EXPENDITURES OVER BUDGET

No funds of the District have excess expenditures over budget as of June 30, 2009.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 3. CASH AND CASH EQUIVALENTS

Cash and investments as of June 30, 2009, are as follows:

| | Book Balance |
|--|-----------------|
| Governmental Activities | |
| Cash and investments | |
| Pooled cash in checking accounts | \$ 5,825,417 |
| Petty cash | 480 |
| Individual fund savings account | 4,786 |
| Non-negotiable certificates of deposit | 2,000,000 |
| Total Cash and investments | \$ 7,830,683 |
| Fiduciary Fund | |
| Cash and investments | |
| Pooled cash in checking accounts | \$ 11,008 |
| Non-negotiable certificates of deposit | 25,000 |
| Total Cash and investments | \$ 36,008 |

A. DEPOSITS

Custodial Credit Risk. Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. Minnesota Statutes require all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral includes the obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, futures contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days, as well as certain first mortgage notes, and certain other state or local government obligations. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the District treasurer or in a financial institution other than that furnishing the collateral.

As of June 30, 2009, the District's deposits were sufficiently covered by insurance and collateral. The District does not have a policy that further limits its collateral choices.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, was as follows:

| | Beginning Balance | Increase | Decrease | Ending Balance |
|---|----------------------|---------------------|-------------------|----------------------|
| Governmental Activities | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 623,282 | \$ | \$ | \$ 623,282 |
| Construction in progress | | 81,801 | | 81,801 |
| Total capital assets, not being depreciated | 623,282 | 81,801 | 0 | 705,083 |
| Capital assets, being depreciated | | | | |
| Land improvements | 3,054,702 | 92,013 | | 3,146,715 |
| Buildings and improvements | 45,982,312 | 176,366 | | 46,158,678 |
| Equipment | 5,400,442 | 561,235 | (39,328) | 5,922,349 |
| Total capital assets, being depreciated | 54,437,456 | 829,614 | (39,328) | 55,227,742 |
| Less accumulated depreciation for | | | | |
| Land improvements | (1,557,845) | (116,221) | | (1,674,066) |
| Buildings and improvements | (18,940,087) | (865,662) | | (19,805,749) |
| Equipment | (3,665,838) | (331,711) | 38,328 | (3,959,221) |
| Total accumulated depreciation | (24,163,770) | (1,313,594) | 38,328 | (25,439,036) |
| Total capital assets being depreciated, net | 30,273,686 | (483,980) | (1,000) | 29,788,706 |
| Governmental Activities | | | | |
| Net Capital Assets | <u>\$ 30,896,968</u> | <u>\$ (402,179)</u> | <u>\$ (1,000)</u> | <u>\$ 30,493,789</u> |

Depreciation expense was charged to functions/programs as follows:

| | |
|--|---------------------|
| Governmental Activities | |
| Administration | \$ 693 |
| District support services | 2,407 |
| Regular instruction | 1,095,423 |
| Vocational education instruction | 10,162 |
| Special education instruction | 1,913 |
| Instructional support services | 15,239 |
| Pupil support services | 22,817 |
| Sites and buildings | 143,195 |
| Fiscal and other fixed cost programs | 862 |
| Community service | 20,883 |
| Total depreciation expense - Governmental Activities | <u>\$ 1,313,594</u> |

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 5. LONG-TERM DEBT

A. COMPONENTS OF LONG-TERM DEBT

The District has issued general obligation school building bonds to finance the construction of capital facilities or refinance previous bond issues. Assets of the Debt Service Fund, together with scheduled future tax levies, are dedicated for the retirement of these bonds. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

| | Original Amount Issued | Final Maturity Date | Interest Rate | Balance Outstanding |
|---------------------------------------|------------------------------|---------------------------|------------------|------------------------|
| <u>Governmental Activities</u> | | | | |
| General Obligation Bonds | | | | |
| Refunding Bonds, Series 2005A | \$ 16,265,000 | 02/01/15 | 5.00% | \$ 11,525,000 |
| Capital Facilities, Series 2007A | 495,000 | 02/01/13 | 4.00% | <u>405,000</u> |
| Total General Obligation Bonds | | | | 11,930,000 |
| Bond premium - net | | | | 512,809 |
| Other postemployment benefits payable | | | | 283,822 |
| Severance payable | | | | 4,602,796 |
| Compensated absences payable | | | | <u>151,610</u> |
| Total Governmental Activities | | | | <u>\$ 17,481,037</u> |

B. MINIMUM DEBT PAYMENTS

Minimum annual principal and interest payments required to retire long-term debt, not including other postemployment benefits payable, severance payable and compensated absences payable are as follows:

| Year Ending June 30, | General Obligation Bonds Payable | |
|-------------------------|-------------------------------------|---------------------|
| | Principal | Interest |
| 2010 | \$ 1,995,000 | \$ 592,450 |
| 2011 | 2,100,000 | 493,650 |
| 2012 | 2,200,000 | 389,650 |
| 2013 | 2,315,000 | 280,700 |
| 2014 | 2,320,000 | 166,000 |
| 2015 | <u>1,000,000</u> | <u>50,000</u> |
| | <u>\$ 11,930,000</u> | <u>\$ 1,972,450</u> |

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 5. LONG-TERM DEBT (Cont'd)

C. DESCRIPTION OF LONG-TERM DEBT

General Obligation Bonds:

On November 1, 2005, the District issued \$16,265,000 of General Obligation Refunding Bonds, Series 2005A to advance refund the General Obligation Refunding Bonds, Series 1997A. The bonds are due in varying annual installments each February 1 from February 1, 2007 through February 1, 2015, with interest at a rate of 5.00% due semi-annually on February 1 and August 1. The District reduced its total debt service payments by \$1,098,563 and obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$916,043. Future ad valorem tax levies are dedicated to the retirement of these bonds.

On June 15, 2007, the District issued \$495,000 of General Obligation Capital Facilities Bonds, Series 2007A. The proceeds of this issue were used to finance various school roofing and parking lot improvements. Capital facilities revenues under Minnesota Statute Section 124.2455, are dedicated to the retirement of these bonds. In the event the capital facilities revenues are not sufficient, the District will levy property taxes for the deficiency.

Other Postemployment Benefits Payable:

Other postemployment benefits payable consist of postemployment health insurance benefits available to employees as specified in the employee's employment contract upon retirement. Health benefits have been paid by the General Fund.

Severance Payable:

Severance payable consist of severance payments available to employees as specified in the employee's employment contract upon retirement. Severance has been paid by the General and Special Revenue Funds.

Compensated Absences Payable:

Compensated absences payable consists of unused vacation at June 30, 2009. In the past, vacation expense has been paid by the General, Food Service, and the Community Service Funds.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 5. LONG-TERM DEBT (Cont'd)

D. CHANGES IN LONG-TERM DEBT

The following table summarizes changes in long-term debt during the year ended June 30, 2009:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|---------------------|-----------------------|----------------------|---------------------------|
| <u>Governmental Activities</u> | | | | | |
| Bonds payable | \$ 13,765,000 | \$ | \$ (1,835,000) | \$ 11,930,000 | \$ 1,995,000 |
| Bond premium | 613,808 | | (100,999) | 512,809 | 100,999 |
| Other postemployment benefits payable | | 506,567 | (222,745) | 283,822 | 25,833 |
| OPEB (prior to adoption of GASB 45) | 37,710 | | (37,710) | | |
| Severance payable | 4,742,236 | 870,642 | (1,010,082) | 4,602,796 | 460,280 |
| Compensated absences payable | 172,059 | 168,883 | (189,332) | 151,610 | 136,449 |
| Total Governmental Activities | <u>\$ 19,330,813</u> | <u>\$ 1,546,092</u> | <u>\$ (3,395,868)</u> | <u>\$ 17,481,037</u> | <u>\$ 2,718,561</u> |

In addition, the District has available a \$750,000 line of credit with a local financial institution. The line bears interest at variable rates (3.25% at June 30, 2009) and is unsecured. This line matures on December 31, 2009. There is no balance outstanding under this arrangement as of June 30, 2009.

NOTE 6. RESERVED FUND BALANCES

Fund Equity:

Certain portions of fund balance are reserved based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties. The following is a summary of the reserved fund balances for the governmental funds:

A. RESERVED FOR STAFF DEVELOPMENT

In accordance with state statute, and based upon a majority vote of licensed teachers and the School Board, 1% of basic General Education revenue is allocated to staff development. The cumulative excess of such revenues over staff development expenditures is reported as a reservation of fund balance in the General Fund.

B. RESERVED FOR GIFTED AND TALENTED

The fund balance reservation represents accumulated resources available to provide gifted and talented programming in accordance with funding made available for that purpose.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 6. RESERVED FUND BALANCES (Cont'd)

C. RESERVED FOR HEALTH AND SAFETY

Reserved for health and safety represents available resources to be used only to provide for the removal of hazardous substances and other state approved life/health safety projects. Under Minnesota Statute, a deficit in this reserve generates specific future levy authority.

D. RESERVED FOR OPERATING CAPITAL

The District levies taxes and receives state aid to be used for the purchase of equipment, books and vehicles and to purchase, rent, improve, and repair school facilities as allowed by state statute. The cumulative excess of such revenues over equipment and facilities expenditures is reported as a reservation of fund balance in the General Fund.

E. RESERVED FOR SAFE SCHOOLS

The fund balance reservation represents accumulated resources available to provide for safe schools programs in accordance with funding made available for that purpose.

F. RESERVED FOR COMMUNITY EDUCATION PROGRAMS

The fund balance reservation represents accumulated resources available to provide general community education programming.

G. RESERVED FOR EARLY CHILDHOOD AND FAMILY EDUCATION PROGRAMS

This fund balance reservation represents accumulated resources available to provide services for early childhood family education programming.

H. RESERVED FOR SCHOOL READINESS

The fund balance reservation represents accumulated resources available to provide school readiness programming in accordance with funding made available for that purpose.

I. RESERVED FOR AREA LEARNING CENTERS

The fund balance reservation represents up to 90% of the accumulated resources available to provide alternative programming in accordance with funding made available for that purpose.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 7. DEFINED BENEFIT PENSION PLANS - STATEWIDE

Substantially all employees of the District are required by State law to belong to pension plans administered by the Teachers Retirement Association (TRA) or Public Employees Retirement Association (PERA), all of which are administered on a statewide basis.

A. TEACHERS RETIREMENT ASSOCIATION

Plan Description:

All teachers employed by the District are covered by defined benefit plans administered by the Teachers Retirement Association (TRA) which is a cost-sharing, multiple-employer retirement plan. TRA members belong to either the Coordinated or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All Basic members were first hired prior to July 1, 1989. All new members must participate in the Coordinated Plan. The plans are established and administered in accordance with Minnesota Statutes, Chapters 354 and 356.

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

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

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

With these provisions:

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

-or-

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 7. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

A. TEACHERS RETIREMENT ASSOCIATION (Cont'd)

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

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

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

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

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

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

Funding Policy:

Minnesota Statutes Chapter 354 sets the rates for the employee and employer contributions. These statutes are established and amended by the state legislature. As of July 1, 2006, Coordinated and Basic Plan members are required to contribute 5.5 percent and 9.0 percent, respectively, of their annual covered salary as employee contributions. Prior to July 1, 2007, the employer contribution rates were 5.0 percent for Coordinated members and 9.0 percent for Basic members. Effective July 1, 2007, the employer contribution rate for Coordinated members rose to 5.5 percent and 9.5 percent for Basic members. Total covered payroll salaries for all TRA members statewide during fiscal year ended June 30, 2008 was approximately \$3.645 billion.

The District contributions for the years ending June 30, 2009, 2008, and 2007 were \$1,066,607, \$1,089,337, and \$945,664, respectively, equal to the required contributions for each year as set by state statute.

NOTE 7. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

B. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF MINNESOTA

Plan Description:

All full-time and certain part-time employees (other than teachers) 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 benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

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

Normal retirement age is 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives.

Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

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

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 7. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

B. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF MINNESOTA (Cont'd)

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

Funding Policy:

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.0%, respectively, of their annual covered salary in 2008. The District is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, and 6.50% for Coordinated Plan PERF members. Employer contribution rates for the Coordinated Plan increased to 6.75% effective January 1, 2009.

The District's contributions to the Public Employees Retirement Fund for the years ending June 30, 2009, 2008, and 2007, were \$410,012, \$382,372, and \$353,321, respectively. The District's contributions were equal to the contractually required contributions for each year as set by state statute.

NOTE 8. OTHER POSTEMPLOYMENT BENEFIT PLAN

At June 30, 2009, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting for Employers for Postemployment Benefits Other than Pensions*. The District engaged an actuary to determine the District's liability for postemployment healthcare benefits other than pensions as of July 1, 2008.

A. PLAN DESCRIPTION

The District operates a single-employer retiree benefit plan ("the Plan") that provides health, life and dental insurance to eligible employees and their families through the District's health insurance plan. There are 609 active participants and 91 retired participants. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available report.

B. FUNDING POLICY

Contribution requirements are also negotiated between the District and union representatives. The District contributes 0% - 100% of the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2009, the District contributed \$222,745 to the Plan.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 8. OTHER POSTEMPLOYMENT BENEFIT PLAN (Cont'd)

C. ANNUAL OPEB COST AND NET OPEB OBLIGATION

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 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 un-funded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually paid from the plan, and changes in the District's net OPEB obligation.

| | |
|--|--------------------------|
| Annual Required Contribution | \$ 506,567 |
| Interest on Net OPEB Obligation | |
| Adjustment to Annual Required Contribution | |
| Annual OPEB Cost (Expense) | <u>506,567</u> |
| Contributions Made | <u>(222,745)</u> |
| Increase in Net OPEB Obligation | 283,822 |
| Net OPEB Obligation - Beginning of Year | |
| Net OPEB Obligation - End of Year | <u><u>\$ 283,822</u></u> |

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan and the net OPEB obligation for 2009:

| Fiscal Year Ended | Annual OPEB Cost | Annual Plan Sponsor Contribution | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|----------------------|---------------------|--|---|------------------------|
| 6/30/2009 | \$ 506,567 | \$ 222,745 | 44% | \$ 283,822 |

D. FUNDED STATUS AND FUNDING PROGRESS

As of July 1, 2008, the most recent actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was \$4,382,890. The annual payroll for active employees covered by the Plan in the actuarial valuation was \$23,498,643 for a ratio of UAAL to covered payroll of 18.7%.

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 healthcare cost trends. 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 #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 8. OTHER POSTEMPLOYMENT BENEFIT PLAN (Cont'd)

E. 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 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, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumption included a 4.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The initial healthcare trend rate was 10% reduced by decrements to an ultimate rate of 5% after ten years. The UAAL is being amortized as a level dollar amount on an open basis. The remaining amortization period at June 30, 2009 was 29 years.

NOTE 9. SELF-INSURED DENTAL PLAN

The District has elected to self-insure their employee dental insurance program. The District has entered into an agreement with an insurance company to provide stop-loss insurance to limit the losses on individual and aggregate claims and to provide claims processing and other administrative duties. The individual stop-loss amount is \$1,200 per participant. The District established an internal service fund to account for contributions from other funds for dental insurance and to establish a reserve for catastrophic losses. Contributions during the year were based on maximum claims before reinsurance is effective. The amounts charged to expenses include administrative fees, stop-loss insurance premiums, claims paid and accruals for claims incurred but not paid at year end. The District recorded expenses of \$220,874 for the year ended June 30, 2009.

The liability for unpaid claims is included in the Internal Service Fund as accounts payable.

| | |
|----------------------------------|------------------|
| Unpaid Claims, Beginning of Year | \$ 22,550 |
| Incurred Claims | 194,182 |
| Claims Payments (cash basis) | <u>(205,328)</u> |
| Unpaid Claims, End of Year | <u>\$ 11,404</u> |

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 10. OPERATING LEASES

The District is committed under long-term operating leases for the rental of office equipment and vehicles. Office equipment is leased under varying terms, with leases running through November 2012. Vehicles are leased under varying terms with leases running through August 2012.

Total rent expense includes the following:

| | <u>Amount</u> |
|-----------------------|-------------------|
| Maintenance equipment | \$ 6,500 |
| Facilities | 40,752 |
| Office equipment | 44,134 |
| Vehicles | 18,532 |
| Miscellaneous rental | <u>35,160</u> |
| Total | <u>\$ 145,078</u> |

Future minimum lease payments due under existing operating leases are as follows.

| <u>Year Ending June 30,</u> | |
|-----------------------------|-------------------|
| 2010 | \$ 116,305 |
| 2011 | 98,448 |
| 2012 | 51,292 |
| 2013 | <u>11,200</u> |
| Total | <u>\$ 277,245</u> |

NOTE 11. COMMITMENTS AND CONTINGENCIES

A. FEDERAL AND STATE PROGRAMS

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

B. CONTINGENCIES

The District is a claimant in an ongoing case. The outcome of the claim is not presently determinable.

C. COMMITMENTS

The District had a project in progress at June 30, 2009 with Kue Contractors. The contract amount is \$1,001,268 with \$5,000 complete at June 30, 2009.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 12. 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 employees; natural disasters and workers' compensation. The District purchases commercial insurance coverage for such risks. The District participates in the Minnesota Board of Education Association Insurance Trust (MSBA Trust), a public entity risk pool, for its workers' compensation insurance, property, liability, and other insurance coverages. The MSBA Trust operates as a common risk management and insurance program for approximately 375 member districts. The District pays an annual premium to the MSBA Trust for its insurance coverage. The MSBA Trust agreement provides that the MSBA Trust will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits for each insured event. The reinsurance point is \$100,000 per occurrence for medical and hospitalization.

The District has joined together with other school districts in Minnesota in the South Central - West Central Service Cooperative Gross Self-Insured Health Insurance Plan, a public entity risk pool currently operating as common risk management and insurance program for member districts. The District pays an annual premium to this plan for its health insurance coverage. These premiums are used to purchase reinsurance through commercial companies. The administrators of the plan believe assessment to participating districts for future losses sustained is extremely remote.

There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 13. JOINT POWERS AGREEMENT

The District and the City of Willmar have entered into a Joint Powers agreement to collaborate and coordinate in the provision of social, educational, vocational and recreational services to members of the community. It is the intention of the parties to offer these services collaboratively and to coordinate their service programs in order to eliminate duplication of services and in order to maximize the effectiveness of the services provided. The Joint Powers Entity is governed by the Joint Powers Board, which includes five members appointed by the City Council, five members appointed by the School Board, and two students, one recommended by the Senior High School Student Council and one recommended by the Junior High School Council, to be approved and appointed by the City Council and School Board. One School Board member, one City Council member, the City Administrator and the Superintendent of Schools shall serve as ex-officio members to the Board.

The District employs an individual to administer community education, which is in the Community Service Fund. The City is responsible for providing adult and youth recreation programs, adult and youth athletic programs and administer the daily operations of the Dorothy A. Olson Aquatic Center. The District is responsible for providing necessary facilities, services, and employees to provide Early Childhood and Adult Basic Education programs. This agreement is perpetual but may be canceled upon six months written notice by either party.

NOTE 14. INTERNAL RECEIVABLES AND PAYABLES

The District had the following interfund balance related to a cash deficit at June 30, 2009:

| <u>Due From Other Funds</u> | <u>Due to Other Funds</u> | <u>Amount</u> |
|-----------------------------|---------------------------|---------------|
| General Fund | Food Service Fund | \$ 43,616 |

REQUIRED SUPPLEMENTARY INFORMATION

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INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFIT PLAN
JUNE 30, 2009

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------------|--|---|--------------------------|--------------------------|---------------------------|---|
| 7/1/2008 | \$ | \$ 4,382,890 | \$ 4,382,890 | 0.0% | \$ 23,498,643 | 18.7% |

The District implemented GASB Statement No. 45 for fiscal year ended June 30, 2009. Information for prior years is not available.

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SUPPLEMENTARY INFORMATION

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INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 DEBT SERVICE FUND
 YEAR ENDED JUNE 30, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

| | 2009 | | | Over (Under) Final Budget | 2008 |
|---------------------------------|---------------------|---------------------|-------------------|---------------------------------|-------------------|
| | Budgeted Amounts | | Actual | | Actual |
| | Original | Final | | | |
| REVENUES | | | | | |
| Local sources | | | | | |
| Property taxes | \$ 2,018,796 | \$ 2,061,419 | \$ 2,058,587 | \$ (2,832) | \$ 2,344,867 |
| Interest earnings | 24,080 | 30,888 | 24,495 | (6,393) | 68,856 |
| State sources | 233,141 | 190,518 | 190,518 | | 233,315 |
| Total Revenues | 2,276,017 | 2,282,825 | 2,273,600 | (9,225) | 2,647,038 |
| EXPENDITURES | | | | | |
| Debt service | | | | | |
| Bond principal | 1,835,000 | 1,835,000 | 1,835,000 | | 1,820,000 |
| Bond interest | 683,300 | 683,300 | 683,300 | | 762,680 |
| Paying agent fees and other | 800 | 3,850 | 3,500 | (350) | 1,150 |
| Total Expenditures | 2,519,100 | 2,522,150 | 2,521,800 | (350) | 2,583,830 |
| Net Change in Fund Balances | <u>\$ (243,083)</u> | <u>\$ (239,325)</u> | (248,200) | <u>\$ (8,875)</u> | 63,208 |
| FUND BALANCE, BEGINNING OF YEAR | | | 965,982 | | 902,774 |
| FUND BALANCE, END OF YEAR | | | <u>\$ 717,782</u> | | <u>\$ 965,982</u> |

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REQUIRED REPORTS

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INDEPENDENT SCHOOL DISTRICT #347

UFARS COMPLIANCE TABLE
YEAR ENDED JUNE 30, 2009

| | | | |
|---------------------------------|---------------|--------------------------------------|--------------|
| <u>01 GENERAL FUND</u> | | <u>04 COMMUNITY SERVICE</u> | |
| TOTAL REVENUES | \$ 41,272,166 | TOTAL REVENUES | \$ 2,028,015 |
| TOTAL EXPENDITURES | 42,793,992 | TOTAL EXPENDITURES | 2,012,843 |
| RESERVED: | | RESERVED: | |
| 403 STAFF DEVELOPMENT | 100,772 | 419 ENCUMBRANCES | |
| 406 HEALTH & SAFETY | (48,140) | 431 COMMUNITY EDUCATION | 111,386 |
| 408 COOPERATIVE REVENUE | | 432 E.C.F.E. | 72,889 |
| 409 DEFERRED MAINTENANCE | | 444 SCHOOL READINESS | 47,371 |
| 411 SEVERANCE PAY | | 447 ADULT BASIC EDUCATION | |
| 412 BUS PURCHASES | | UNRESERVED: | |
| 414 OPERATING DEBT | | 418 DESIG. SEVERANCE-INS. PREM. | |
| 416 LEVY REDUCTION | | 422 UNRESERVED/UNDESIGNATED | 48,394 |
| 419 ENCUMBRANCES | | | |
| 423 CERTAIN TEACHER PROGRAMS | | <u>06 BUILDING CONSTRUCTION FUND</u> | |
| 424 OPERATING CAPITAL | 440,240 | TOTAL REVENUES | |
| 426 \$25 TACONITE | | TOTAL EXPENDITURES | |
| 427 DISABLED ACCESSIBILITY | | RESERVED: | |
| 428 LEARNING & DEVELOPMENT | | 407 CAPITAL PROJECTS LEVY | |
| 434 AREA LEARNING CENTER | 77,507 | UNRESERVED: | |
| 435 CONTRACTED ALT. PROGRAMS | | 422 UNRESERVED/UNDESIGNATED | |
| 436 ST. APPROVED ALT. PROGRAM | | | |
| 437 GRAD STAND. STAFF DEV | | <u>07 DEBT SERVICE FUND</u> | |
| 438 GIFTED & TALENTED | 14,648 | TOTAL REVENUES | 2,273,600 |
| 439 GRAD STANDARDS | | TOTAL EXPENDITURES | 2,521,800 |
| 441 BASIC SKILLS PROGRAMS | | RESERVED: | |
| 442 CLASS SIZE REDUCTION | | 425 BOND REFUNDINGS | |
| 443 TELECOMM ACCESS COST | | UNRESERVED: | |
| 445 CAREER & TECH. PROGRAMS | | 422 UNRESERVED/UNDESIGNATED | 717,782 |
| 449 SAFE SCHOOLS LEVY | | | |
| UNRESERVED: | | <u>08 TRUST FUND</u> | |
| 418 DESIG. SEVERANCE-INS. PREM. | 1,200,000 | TOTAL REVENUES | 814 |
| 422 UNRESERVED/UNDESIGNATED | 2,808,634 | TOTAL EXPENDITURES | 1,100 |
| | | RESERVED: | |
| | | 419 ENCUMBRANCES | |
| <u>02 FOOD SERVICE FUND</u> | | UNRESERVED: | |
| TOTAL REVENUES | 2,322,833 | 422 UNRESERVED/UNDESIGNATED | 36,653 |
| TOTAL EXPENDITURES | 2,233,289 | | |
| RESERVED: | | <u>09 AGENCY FUND</u> | |
| 411 SEVERANCE | | UNRESERVED: | |
| 419 ENCUMBRANCES | | 422 UNRESERVED/UNDESIGNATED | |
| UNRESERVED: | | | |
| 418 DESIG. SEVERANCE-INS. PREM. | | <u>20 INTERNAL SERVICE FUND</u> | |
| 422 UNRESERVED/UNDESIGNATED | 282,842 | TOTAL REVENUES | 230,718 |
| | | TOTAL EXPENDITURES | 220,874 |
| | | RESERVED: | |
| | | 419 ENCUMBRANCES | |
| | | UNRESERVED: | |
| | | 422 UNRESERVED/UNDESIGNATED | 91,460 |

INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

| Federal Grantor\ Pass Through Grantor\ Program Title | Federal CFDA Number | Agency or Pass-Through Number | Expenditures |
|--|---------------------------|-------------------------------------|---------------------|
| U.S. Department of Agriculture | | | |
| Minnesota Department of Education | | | |
| National School Lunch Program: | | | |
| Regular Lunch | 10.555 | 1-347-000 | \$ 135,119 |
| Free and Reduced Lunch | 10.555 | 1-347-000 | 632,192 |
| After School Snack | 10.555 | 1-347-000 | 11,545 |
| Special Milk Program for Children | 10.556 | 1-347-000 | 230 |
| School Breakfast Program | 10.553 | 1-347-000 | 405,240 |
| Food Distribution (Commodities) | 10.550 | 1-347-000 | 120,913 |
| Commodities Rebates | 10.558 | 1-347-000 | 1,154 |
| Fresh Fruits and Veggies Program | 10.582 | 1-347-000 | 38,919 |
| Total U.S. Department of Agriculture | | | <u>1,345,312</u> |
| U.S. Department of Education | | | |
| Direct | | | |
| Foreign Language Assistance | 84.293B | N/A | 53,829 |
| Minnesota Department of Education | | | |
| Title I, Grants to Local Education Agencies | 84.010 | N/A | 722,766 |
| Title I, Part C - Education of Migrant Children | 84.011 | N/A | 5,312 |
| Title I, Part D - Neglected and Delinquent Children | 84.013 | N/A | 171,069 |
| Title II, Part A - Improving Teacher Quality | 84.367 | N/A | 225,980 |
| Title V, Part A - Innovative Programs | 84.298 | N/A | 42,800 |
| Title III, Part A - English Language Acquisition | 84.365 | N/A | 69,163 |
| Title IV, Part A - Safe and Drug-Free Schools | 84.186 | N/A | 21,211 |
| Federal Adult Basic Education | 84.002 | N/A | 47,892 |
| Little Crow Special Education Cooperative | | | |
| Special Education - Grants to States: | | | |
| Federal Flow Through, P.L. 108-446 | 84.027 | N/A | 356,662 |
| Preschool Incentive Grants | 84.173 | N/A | 32,533 |
| Ridgewater College | | | |
| Career and Technical Education | 84.048A | N/A | 33,551 |
| Total U.S. Department of Education | | | <u>1,782,768</u> |
| U.S. Department of Labor | | | |
| Central Minnesota Jobs & Training Services | | | |
| Workforce Investment Act - Youth Activities | 17.259 | N/A | 2,103 |
| Total Federal Awards | | | <u>\$ 3,130,183</u> |

Supplementary Information - See accompanying Notes to Schedule of Expenditures of Federal Awards and Auditor's Report

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

NOTE 1. GENERAL

The Schedule of Expenditures of Federal Awards presents the federal award programs expended by Independent School District #347. The District's reporting entity is defined in Note 1 to the financial statements.

NOTE 2. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the District's basic financial statements.

NOTE 3. FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

NOTE 4. SUBRECIPIENTS

During the year ended June 30, 2009, the District did not pass any federal money to subrecipients.

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COMPLIANCE SECTION

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Quality | Dedication | Integrity

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To The Board of Education
Independent School District #347
Willmar, Minnesota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #347, Willmar, Minnesota, as of and for the year ended June 30, 2009, and have issued our report thereon dated November 9, 2009.

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

The *Minnesota Legal Compliance Audit Guide for Local Government* covers seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, uniform financial accounting and reporting standards for school districts, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, Independent School District #347, Willmar, Minnesota, complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of Independent School District #347 and state agencies and is not intended to be, and should not be, used by anyone other than those specified parties.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
Certified Public Accountants
Willmar, Minnesota

November 9, 2009

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Morris Office

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Phone: (320) 693-7975

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Toll Free: (800) 862-1337

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Quality | Dedication | Integrity

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

To The Board of Education
Independent School District #347
Willmar, Minnesota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #347, Willmar, Minnesota, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 9, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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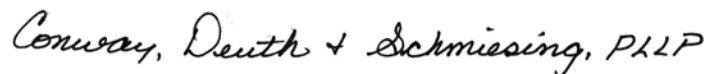
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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

Compliance and Other Matters

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

We noted certain matters that we reported to the management of Independent School District #347 in a separate letter dated November 9, 2009.

This report is intended solely for the information and use of the Board of Education, management, state agencies, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



CONWAY, DEUTH & SCHMIESING, PLLP
Certified Public Accountants
Willmar, Minnesota

November 9, 2009



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

To the Board of Education
Independent School District #347
Willmar, Minnesota

Compliance

We have audited the compliance of Independent School District #347, Willmar, Minnesota, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Independent School District #347 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

| | | | | |
|---|--|--|--|---|
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|---|--|--|--|---|

Internal Control Over Compliance

The management of Independent School District #347 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

This report is intended solely for the information and use of the Board of Education, management, state and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
Certified Public Accountants
Willmar, Minnesota

November 9, 2009

INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

I. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses unqualified opinions on the basic financial statements of Independent School District #347, Willmar, Minnesota.
2. No significant deficiencies in internal control were disclosed by the audit of financial statements of Independent School District #347 as reported in the "Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*."
3. No instances of noncompliance material to the financial statements of Independent School District #347, Willmar, Minnesota, were disclosed during the audit.
4. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133."
5. The auditor's report on compliance for the major federal award programs for Independent School District #347, Willmar, Minnesota, expresses an unqualified opinion.
6. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The following programs were tested as major programs:

| <u>Program Name</u> | <u>CFDA No.</u> |
|-----------------------------------|-----------------|
| Child Nutrition Cluster: | |
| School Breakfast Program | 10.553 |
| National School Lunch Program | 10.555 |
| Special Milk Program for Children | 10.556 |
| Special Education Cluster (IDEA): | |
| Federal Flow Through P.L. 108-446 | 84.027 |
| Preschool Incentive Grants | 84.173 |

8. The threshold for distinguishing between Types A and B programs was \$300,000.
9. Independent School District #347, Willmar, Minnesota, did not qualify as a low-risk auditee.

INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

PREVIOUSLY REPORTED ITEMS RESOLVED

FINDING: 2007-01 ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING
PRINCIPLES (GAAP)

The District's internal control policy over annual financial reporting under GAAP is not sufficient to fully prevent material misstatements in annual financial reporting. Therefore, the potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the District's internal controls.

RESOLUTION:

The District prepared the financial statements including the footnote disclosures as of and for the year ended June 30, 2009.

FINDING: 2007-02 MATERIAL AUDIT ADJUSTMENTS

The audit firm proposed and the District posted to its general ledger accounts certain misstatements.

RESOLUTION:

The District prepared the financial statements including the footnote disclosures as of and for the year ended June 30, 2009.

FINDING: 2008-01 PRIOR PERIOD ADJUSTMENT

Net assets were restated to reflect an asset not capitalized and to adjust the liability for severance. The District did not have proper controls in place to detect this misstatement.

RESOLUTION:

No such adjustments were necessary as of and for the year ended June 30, 2009.

III. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

None

IV. FINDINGS AND QUESTIONED COSTS - MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS RESOLVED

FINDING 2008-02 FOOD SERVICE FUND CAPITAL ASSETS

The District did not complete an application and receive approval from the Minnesota Department of Education before purchasing capital assets from the Food Service Special Revenue Fund. Minnesota Statute §124D.111, Subd.3.d.2 requires the District to purchase food service equipment from the General Fund unless the unreserved fund balance in the food service fund at the end of the last fiscal year is greater than the cost of the equipment to be purchased and the department has approved the purchase of the equipment.

RESOLUTION:

Management followed statutory requirements by obtaining approval from the Minnesota Department of Education for equipment purchased from the Food Service Fund for the year ended June 30, 2009.

STUDENT ACTIVITIES

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INDEPENDENT AUDITOR'S REPORT ON STUDENT ACTIVITIES

Members of the Board of Education, Advisors, and Students
Independent School District #347
Willmar, Minnesota

We have audited the Statements of Cash Receipts and Disbursements of the Student Activity Funds of Independent School District #347 for the year ended June 30, 2009. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinion.

The District has not established procedures to provide assurance that all cash collections are recorded in the accounting records. Accordingly, it was not practical for us to extend our audit of such cash collections beyond the amounts recorded.

As described in Note 1 to the Student Activity Funds Financial Statements, the financial statements are prepared on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, except for such adjustments, if any, as might have been determined to be necessary had the cash collections referred to above been susceptible to satisfactory audit tests, the financial statements referred to above presents fairly, in all material respects, the cash transactions of the District's Student Activity Funds for the year ended June 30, 2009, and the cash balances at that date.

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CONWAY, DEUTH & SCHMIESING, PLLP
Certified Public Accountants
Willmar, Minnesota

November 9, 2009

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INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
ELEMENTARY ACTIVITY FUND
YEAR ENDED JUNE 30, 2009

| | <u>Balance</u> <u>July 1, 2008</u> | <u>Transfers &</u> <u>Receipts</u> | <u>Disbursements</u> | <u>Balance</u> <u>June 30, 2009</u> |
|---------------------|---------------------------------------|---|----------------------|--|
| Elementary Yearbook | <u>\$ 240</u> | <u>\$ 12,564</u> | <u>\$ 10,357</u> | <u>\$ 2,447</u> |

See accompanying Notes and Auditor's Report on Student Activities

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
 JUNIOR HIGH ACTIVITY FUND
 YEAR ENDED JUNE 30, 2009

| | Balance July 1, 2008 | Transfers & Receipts | Disbursements | Balance June 30, 2009 |
|----------------------|-------------------------|-------------------------|---------------|--------------------------|
| All-State Choir | \$ | \$ 105 | \$ 105 | \$ |
| Musical | 128 | 905 | 992 | 41 |
| Pop Concert T-Shirts | 83 | 1,785 | 1,744 | 124 |
| Yearbook | 409 | 9,183 | 9,263 | 329 |
| Student Council | 758 | 3,112 | 2,370 | 1,500 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total | \$ 1,378 | \$ 15,090 | \$ 14,474 | \$ 1,994 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

See accompanying Notes and Auditor's Report on Student Activities

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
 SENIOR HIGH ACTIVITY FUND
 YEAR ENDED JUNE 30, 2009

| | Balance July 1, 2008 | Transfers & Receipts | Disbursements | Balance June 30, 2009 |
|------------------------|-------------------------|-------------------------|-------------------|--------------------------|
| Class of 2010 | \$ | \$ 8,839 | \$ 5,276 | \$ 3,563 |
| Class of 2009 | 3,774 | 3,320 | 7,094 | |
| Class of 2008 | 4,284 | | 4,284 | |
| Cardettes | 4,197 | 2,493 | 4,927 | 1,763 |
| F.F.A. | 309 | 888 | 567 | 630 |
| French Club | 34 | | 7 | 27 |
| Cross Country | | 3,913 | 2,821 | 1,092 |
| Key Club | 2,834 | 1,902 | 2,110 | 2,626 |
| National Honor Society | 360 | 1,364 | 1,423 | 301 |
| Nordic Ski | 97 | 4,525 | 4,579 | 43 |
| Seventh Rendition | 19,443 | 205,350 | 216,312 | 8,481 |
| Spanish Club | | 879 | 879 | |
| Student Council | 1,519 | 10,749 | 11,404 | 864 |
| Usher's Fund | 14 | 358 | 322 | 50 |
| "W" Fund | 6,921 | 9,290 | 11,532 | 4,679 |
| Wihisean | 513 | 17,846 | 17,507 | 852 |
| Orchestra | 3,619 | 1,253 | 681 | 4,191 |
| Willmar Athletics | 9,060 | 22,050 | 19,568 | 11,542 |
| Final Concessions | 3,062 | 27,229 | 22,173 | 8,118 |
| Knowledge Bowl | 813 | 303 | 873 | 243 |
| High Mileage | 25 | 772 | 705 | 92 |
| Gymnastics | 1,197 | 4,210 | 2,162 | 3,245 |
| Speech | 178 | 1 | 94 | 85 |
| BPA | 7,491 | 13,480 | 18,270 | 2,701 |
| Fastpitch Soft Ball | 360 | 6,541 | 5,816 | 1,085 |
| Tennis | | 4,897 | 3,800 | 1,097 |
| Volleyball | | 9,976 | 6,648 | 3,328 |
| Track | | 5,562 | 4,629 | 933 |
| Girls Soccer | | 8,530 | 8,003 | 527 |
| Boys Soccer | | 1,110 | 534 | 576 |
| Boys Swim | | 920 | 850 | 70 |
| Girls Swim | | 2,284 | 1,480 | 804 |
| Wrestling | | 3,166 | 2,420 | 746 |
| Boys Basketball | | 1,641 | 1,180 | 461 |
| Girls Basketball | | 3,185 | 2,503 | 682 |
| Boys Hockey | | 3,398 | 3,171 | 227 |
| Girls Hockey | | 3,721 | 2,978 | 743 |
| Boys Baseball | | 5,517 | 4,819 | 698 |
| Boys Golf | | 3,010 | 2,290 | 720 |
| Girls Golf | | 716 | 633 | 83 |
| Total | \$ 70,104 | \$ 405,188 | \$ 407,324 | \$ 67,968 |

See accompanying Notes and Auditor's Report on Student Activities

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
ALC - SERVICE LEARNING ACTIVITY FUND
YEAR ENDED JUNE 30, 2009

| | <u>Balance</u> <u>July 1, 2008</u> | <u>Transfers &</u> <u>Receipts</u> | <u>Disbursements</u> | <u>Balance</u> <u>June 30, 2009</u> |
|------------------|---------------------------------------|---|----------------------|--|
| Service Learning | <u>\$ 500</u> | <u>\$ 2,128</u> | <u>\$ 1,469</u> | <u>\$ 1,159</u> |

See accompanying Notes and Auditor's Report on Student Activities

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE STUDENT ACTIVITY ACCOUNTS FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Student activity fund transactions are defined as extracurricular programs conducted for the motivation and enjoyment of students. These programs and activities are not offered for school credits nor required for graduation. Activities are generally conducted outside of school hours. The content of the activities is determined primarily by the students, under the guidance of a staff member or other adult.

Student activities are to be self-sustaining with all expenses paid by dues, admissions, or other student fund raising events.

The accounts of the Student Activity Funds are maintained, and the accompanying financial statements have been prepared, on the cash basis of accounting. Consequently, receipts are recognized when received rather than when earned, and disbursements are recognized when paid rather than when the obligations are incurred.

NOTE 2. COLLATERAL

Cash balances are held in demand accounts. In accordance with Minnesota Statutes, the Student Activity Funds maintain deposits at those depository banks authorized by the Board of Education.

Minnesota Statutes require that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance.

As of June 30, 2009, the Student Activity Funds' deposits were entirely covered by federal depository insurance.

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INDEPENDENT AUDITOR'S REPORT ON STUDENT ACTIVITIES COMPLIANCE

Members of the Board of Education, Advisors, and Students
Independent School District #347
Willmar, Minnesota

We have audited the Statements of Cash Receipts and Disbursements of the extracurricular student activity accounts of Independent School District #347 for the year ended June 30, 2009, and have issued our report thereon dated November 9, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Manual for Activity Fund Accounting for Minnesota School Districts*, issued by the Minnesota Department of Education.

The *Manual for Activity Fund Accounting for Minnesota School Districts* provides uniform financial accounting and reporting standards for student activities. We have performed auditing procedures to test compliance with the provisions of this manual. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, the District's extracurricular Student Activity Fund complied with the material terms and conditions of applicable legal provisions.

This report is intended for the information of the Board of Education, management, and students of Independent School District #347 and the Minnesota Department of Education and is not intended to be, and should not be, used by anyone other than those specified parties.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
Certified Public Accountants
Willmar, Minnesota

November 9, 2009

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INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF STUDENT ACTIVITIES FINDINGS
YEAR ENDED JUNE 30, 2009

I. FINDINGS RELATED TO STUDENT ACTIVITY COMPLIANCE

PREVIOUSLY REPORTED ITEMS RESOLVED

FINDING: 2008-03 *MANUAL FOR ACTIVITY FUND ACCOUNTING FOR MINNESOTA SCHOOL DISTRICTS*
(MAFA) NONCOMPLIANCE

The District did not have a signed statement of purpose for certain activities within the Student Activity Funds. Furthermore, check requests for various student activity accounts were not signed by the advisor and a student representing the activity.

RESOLUTION:

The District implemented procedures to comply with the *Manual for Activity Fund Accounting for Minnesota School Districts*.

FINDING: 2008-04 UNRECORDED STUDENT ACTIVITY FUND FOR THE ALC

The ALC - Service Learning Center was not included as an activity within the Student Activity Funds as previously reported.

RESOLUTION:

The District recorded a prior period adjustment to record the ALC - Service Learning Center for the year ended June 30, 2008.