

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2007**

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INDEPENDENT SCHOOL DISTRICT NO. 347  
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## INTRODUCTORY SECTION

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**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
BOARD OF EDUCATION AND ADMINISTRATION  
JUNE 30, 2007**

Mike Carlson	Chair
Brad Schmidt	Vice Chair
Shawn Mueske	Treasurer
Sandi Unger	Clerk
Wayne "Lenny" Lenzmeier	Director
Eric Roberts	Director
Dion Warne	Director

**ADMINISTRATION**

Kathryn Leedom	Superintendent
Bob Haines *	Director of Business and Finance
Bill Busta	Director of Human Resources

\* Resigned September 2007 and has been replaced by Pam Harrington



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**FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

Board of Education  
Independent School District No. 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 No. 347 as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Independent School District No. 347's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 347 as of June 30, 2007 and the respective changes in financial position, cash flows, where applicable, and budgetary comparison for the General Fund, Food Service Fund, and Community Service Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2007, on our consideration of Independent School District No. 347'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 on pages 4 through 18 is not a required part of the basic financial statements but is supplementary information required by the 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 made for the purpose of forming opinions on the financial statements that collectively comprise Independent School District No. 347's basic financial statements. The accompanying schedule included in the supplementary information section, the schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the Uniform Financial Accounting and Reporting Standards Compliance Table are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**LarsonAllen LLP**

Austin, Minnesota  
October 15, 2007

**REQUIRED SUPPLEMENTARY INFORMATION**

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**INDEPENDENT SCHOOL DISTRICT NO. 347  
WILLMAR PUBLIC SCHOOLS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2007**

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, 2007. 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 Government 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 HIGHLIGHTS**

Key financial highlights for the 2006-2007 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 \$5,827,203, equivalent to 14.5% of expenditures. Notably, this key fund balance increased by \$430,105, or 8.0%, compared to an increase of \$225,837 last year.
- Net Assets increased 9.13% over the prior year.
- The combined Governmental Funds fund balance increased by 14.91%, or \$1,263,005.
- The District reduced its outstanding long-term liabilities by \$1.16 million, or 6%.
- Enrollment decreased by 33 ADM's (Average Daily Membership) in FY 2007.
- Two Financial Awards: The district's comprehensive annual financial report for the year ended June 30<sup>th</sup>, 2006 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 (ASBO). Read the District's 2007 comprehensive annual financial report for more information about these awards.



**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2007**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

- Independent Auditors' 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 **district-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 district-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.

**District-wide Statements**

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

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, 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.

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2007**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

In the district-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 district-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 district-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 district-wide financial statements because the District cannot use these assets to finance its operations.

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2007**

**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. In the case of the District, its *combined* net assets were \$21.78 million on June 30, 2007. This was an increase of 9.13% from the previous year total of \$19.96 million. (See Table A-1 below). In comparison, net assets increased by 12.39% in FY 2006.

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

	<b>Governmental Activities</b>		<b>Percentage Change</b>
	<b>2007</b>	<b>2006</b>	
Current and Other Assets	\$ 19,722,026	\$ 22,117,147	-10.83%
Capital and Non-Current Assets	30,789,081	31,487,343	-2.22%
<b>Total Assets</b>	<u>50,511,107</u>	<u>53,604,490</u>	-5.77%
Current Liabilities	12,399,797	16,348,021	-24.15%
Long Term Liabilities	16,328,366	17,296,222	-5.60%
<b>Total Liabilities</b>	<u>28,728,163</u>	<u>33,644,243</u>	-14.61%
<b>Net Assets</b>			
Invested in Capital Assets			
Net of Related Debt	15,044,401	14,125,996	6.50%
Restricted	2,015,439	1,507,933	33.66%
Unrestricted	4,723,104	4,326,318	9.17%
<b>Total Net Assets</b>	<u>\$ 21,782,944</u>	<u>\$ 19,960,247</u>	9.13%

- The largest portion of the District's net assets (69.1%) 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.
- An additional portion of the District's net assets (9.2%) represents resources that are subject to external restrictions on how they may be used.
- The remaining balance of the *unrestricted net assets* (21.7%) may be used to meet the District's obligations to students, employees and creditors and to honor next year's budget.

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2007**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

At the end of the current fiscal year, the District is able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

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

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

	<b>Governmental Activities for the fiscal year ended June 30,</b>		<b>Total % Change</b>
	<b>2007</b>	<b>2006</b>	
<b>Revenues</b>			
<u>Program Revenues</u>			
Charges for Services	\$ 2,907,983	\$ 3,573,901	-18.63%
Operating Grants and Contributions	14,945,418	14,902,344	0.29%
Capital Grants and Contributions	652,077	847,130	-23.03%
<u>General Revenues</u>			
Property Taxes	4,918,683	3,451,819	42.50%
Unrestricted State Aid	23,461,186	23,523,078	-0.26%
Investment Earnings	491,828	418,315	17.57%
Other	128,986	29,394	338.82%
Total Revenues	<u>47,506,161</u>	<u>46,745,981</u>	1.63%
<b>Expenses</b>			
Administration	1,508,581	1,366,558	10.39%
District Support Services	993,521	860,710	15.43%
Regular Instruction	19,540,393	18,967,468	3.02%
Vocational Education Instruction	623,618	815,835	-23.56%
Special Education Instruction	7,670,736	8,314,732	-7.75%
Instructional Support Services	2,080,883	2,163,593	-3.82%
Pupil Support Services	3,225,826	3,094,558	4.24%
Sites and Buildings	4,964,068	3,845,392	29.09%
Fiscal and Other Fixed Cost Programs	240,254	314,062	-23.50%
Food Service	1,961,452	1,928,250	1.72%
Community Service	2,044,685	1,990,208	2.74%
Interest and Fiscal Charges on Long-Term Liabilities	829,447	883,672	-6.14%
Total Expenses	<u>45,683,464</u>	<u>44,545,038</u>	2.56%
<b>Increase in Net Assets</b>			
Beginning Net Assets	19,960,247	17,759,304	
Ending Net Assets	<u>\$ 21,782,944</u>	<u>\$ 19,960,247</u>	

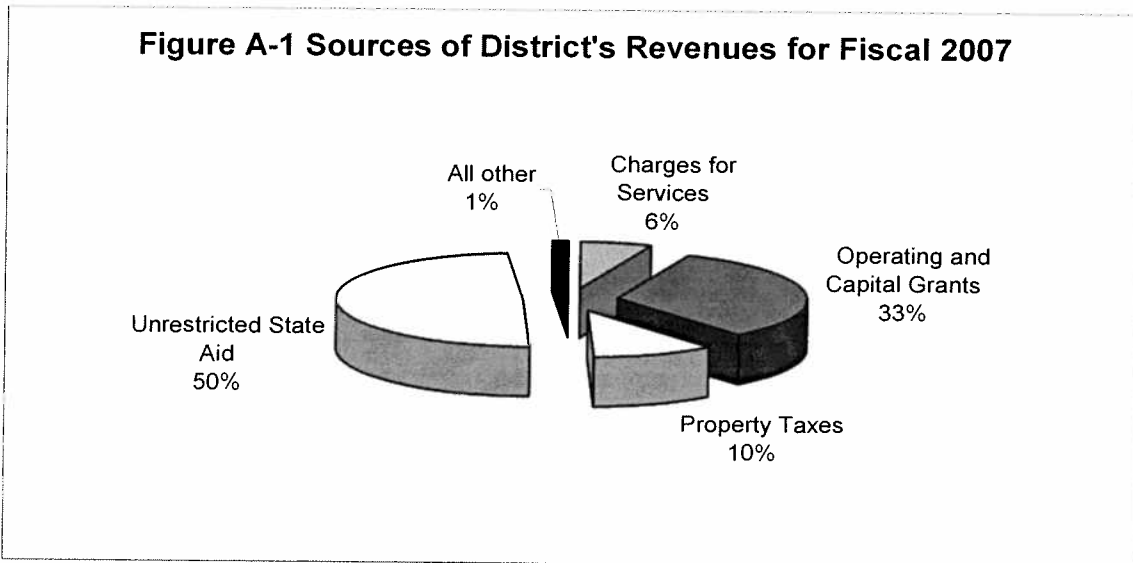
**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2007**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

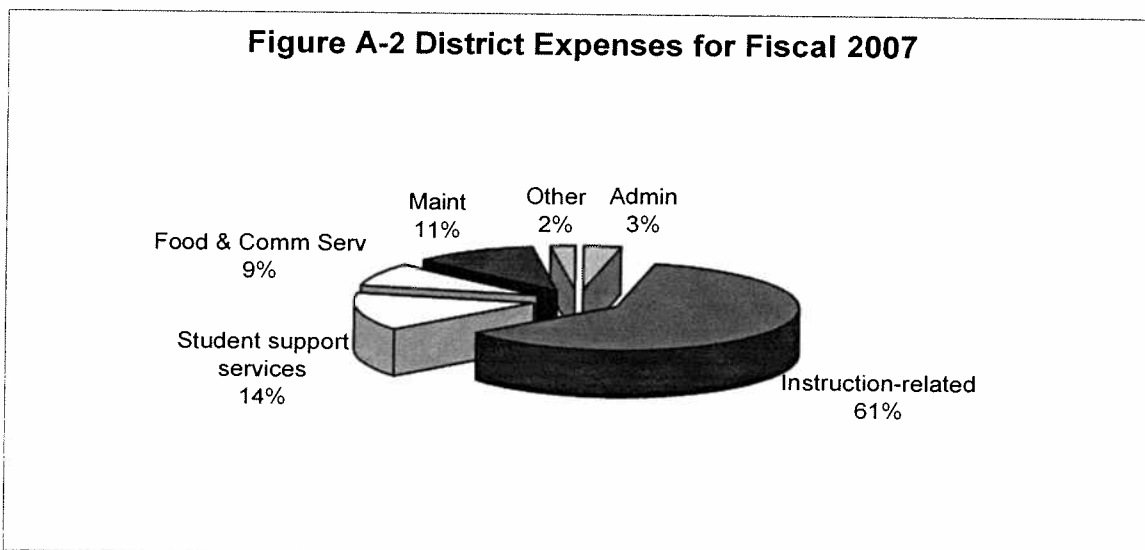
**Changes in Net Assets.** The District's total revenues were \$47.51 million for the year ended June 30, 2007. This is a 1.63% increase over the prior year's revenues.

State and federal aid along with local property taxes accounted for 60% of the total revenue for the year (see Figure A-1 below). Another 39% came from program revenues and the remaining 1% from earnings on investments and other.

Total revenues surpassed expenses, increasing net assets \$1.82 million over last year.



The District's total expenditures for programs and services were \$45.68 million for the year ended June 30, 2007. This is a 2.56% increase over the prior year's expenditures. The District's expenses are predominantly related to student education (75%). (See Figure A-2). The purely administrative activities of the District accounted for just 3.0% of total costs.



**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2007**

**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 \$45,683,464. 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 6.38%, or \$2,907,983 of the costs.
  - The federal and state governments subsidized certain programs with grants and contributions. This totaled \$15,597,495, or 34.2% of the total costs for 2006-2007.
  - The remainder of the District's costs (\$27,177,986), 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**

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2007	2006		2007	2006	
Administration	\$ 1,508,581	\$ 1,366,558	10.39%	\$ 1,508,040	\$ 1,366,175	10.38%
District Support Services	993,521	860,710	15.43%	881,730	707,430	24.64%
Regular Instruction	19,540,393	18,967,468	3.02%	11,810,099	11,488,750	2.80%
Vocational Education Instruction	623,618	815,835	-23.56%	523,384	698,987	-25.12%
Special Education Instruction	7,670,736	8,314,732	-7.75%	2,532,738	2,364,095	7.13%
Instructional Support Services	2,080,883	2,163,593	-3.82%	1,376,354	1,169,150	17.72%
Pupil Support Services	3,225,826	3,094,558	4.24%	2,906,816	2,855,549	1.80%
Sites and Buildings	4,964,068	3,845,392	29.09%	4,800,943	3,246,361	47.89%
Fiscal and Other Fixed Cost Programs	240,254	314,062	-23.50%	(265,680)	314,062	-184.59%
Food Service	1,961,452	1,928,250	1.72%	(90,958)	(14,861)	512.06%
Community Service	2,044,685	1,990,208	2.74%	365,073	312,175	16.94%
Interest and Fiscal Charges on Long-Term Liabilities	829,447	883,672	-6.14%	829,447	713,790	16.20%
<b>Total</b>	<b>\$ 45,683,464</b>	<b>\$ 44,545,038</b>	2.56%	<b>\$ 27,177,986</b>	<b>\$ 25,221,663</b>	7.76%

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2007**

**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 2006-2007 fiscal year, the District's governmental funds reported a **combined** fund balance of \$9,732,815, a 14.91% increase from last year's ending fund balance of \$8,469,810.

Revenues for the District's governmental funds totaled \$47,185,845 while total expenditures were \$46,752,914. Other financing sources totaled \$830,074. As a result, the District completed the year with an excess of revenues and other financing sources over expenditures of \$1,263,005. 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**

	<b>2007</b>			<b>Fund Balance Increase (Decrease)</b>
	<b>Revenue</b>	<b>Expenditures</b>	<b>Other Financing Sources (Uses)</b>	
General Fund	\$ 40,370,308	\$ 40,136,576	\$ 332,832	\$ 566,564
Food Service Fund	2,055,222	1,961,452	-	93,770
Community Service Fund	2,168,039	2,045,631	-	122,408
Building Construction Fund	-	75,692	488,565	412,873
Debt Service Fund	2,592,276	2,533,563	8,677	67,390
<b>Totals</b>	<b>\$ 47,185,845</b>	<b>\$ 46,752,914</b>	<b>\$ 830,074</b>	<b>\$ 1,263,005</b>
	<b>2006</b>			
	<b>Revenue</b>	<b>Expenditures</b>	<b>Other Financing Sources (Uses)</b>	<b>Fund Balance Increase (Decrease)</b>
General Fund	\$ 40,049,974	\$ 39,210,139	\$ 24,574	\$ 864,409
Food Service Fund	1,944,532	1,928,250	500	16,782
Community Service Fund	2,093,053	2,059,993	-	33,060
Building Construction Fund	-	-	-	-
Debt Service Fund	2,639,423	2,657,910	93,760	75,273
<b>Totals</b>	<b>\$ 46,726,982</b>	<b>\$ 45,856,292</b>	<b>\$ 118,834</b>	<b>\$ 989,524</b>

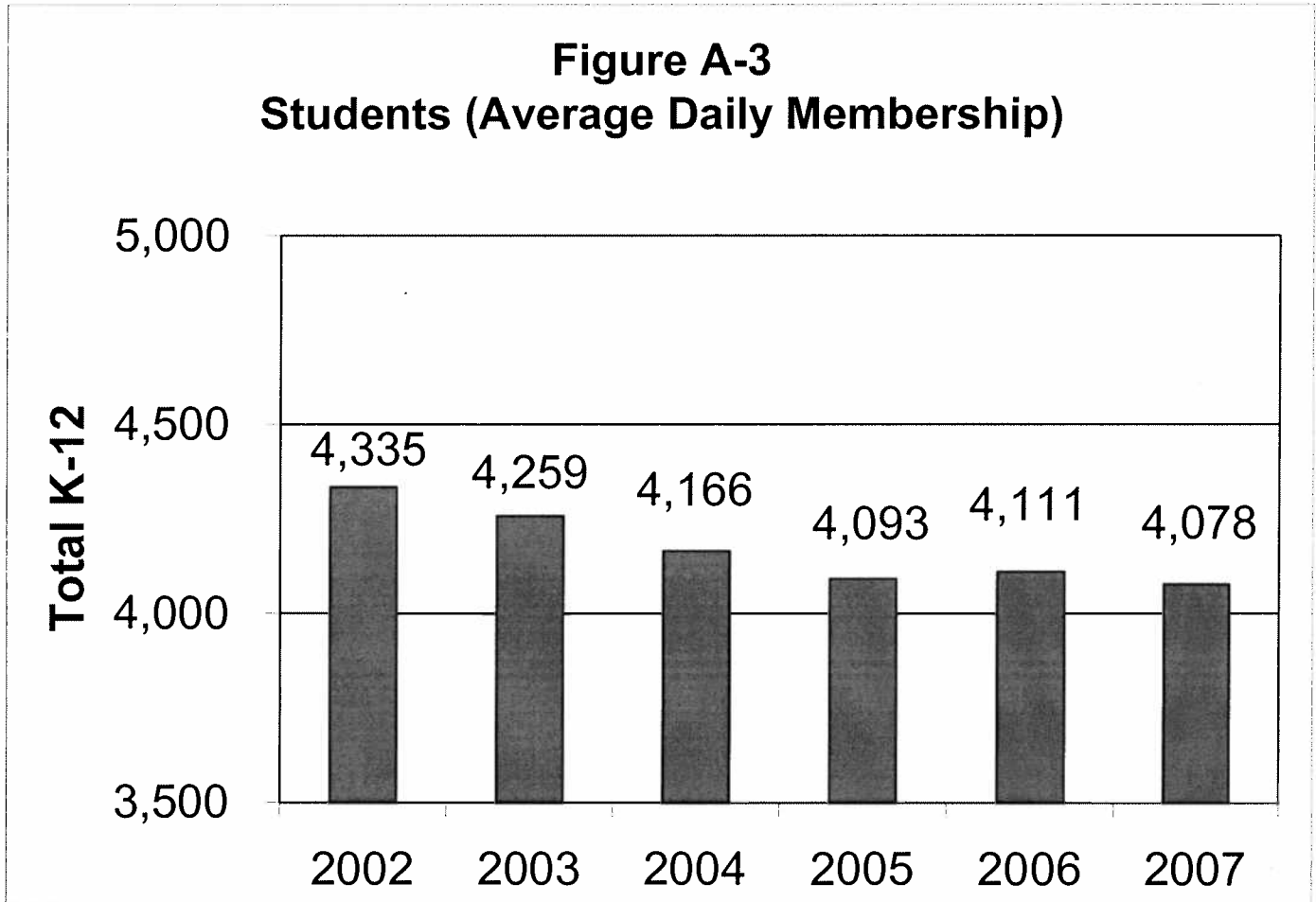
**GENERAL FUND**

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.

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2007**

**GENERAL FUND (CONTINUED)**

**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 1.21% decline in the number of students. Figure A-3, below, shows that the number of students has decreased steadily through FY 2005 with enrollment increasing slightly in FY 2006 and then decreasing again in FY 2007.



Although the overall population of the District has continued to grow since 1990, the youth population has steadily declined for ages 0 – 9 during the same period. Also, the number of households with children has also declined in the same period. Demographic projections show these trends are expected to continue. A much smaller, but important factor affecting declining enrollment is the loss of students to other districts through open enrollment options, especially for students living in areas bordering neighboring school districts.

Because of the above-mentioned demographic trends, and even factoring in promising economic development taking place in the Willmar area, the District projects that enrollment will decline slightly in FY 2008, and most likely level out again by 2008-2009. The District uses a deliberate and systematic enrollment projection process that includes several state-of-the-art and highly regarded enrollment projection models and the most up to date demographic resources. The District completed a comprehensive enrollment and demographic study in 2003 and again in 2006.



**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2007**

**GENERAL FUND (CONTINUED)**

The following table presents a summary of General Fund revenues:

**Table A-5  
General Fund Revenues**

Fund	Year Ended		Change	
	June 30, 2007	June 30, 2006	Increase (Decrease)	Percent
Local Sources				
Property Taxes	\$ 2,411,863	\$ 1,170,379	\$ 1,241,484	106.1%
Earnings on Investments	401,290	358,796	42,494	11.8%
Other	1,949,742	2,877,734	(927,992)	-32.2%
State Sources	34,111,061	33,264,022	847,039	2.5%
Federal Sources	1,496,352	2,379,043	(882,691)	-37.1%
Total General Fund Revenue	<u>\$ 40,370,308</u>	<u>\$ 40,049,974</u>	<u>\$ 320,334</u>	0.8%

Total General Fund revenue increased by \$320,334, or 0.8%, from the previous year. Basic general education revenue is determined by a state per student funding formula. Other state-authorized revenue, including excess 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 2007 were \$1,241,484, or 106.1%, more than the prior year. The increase is mainly the result of higher property values which causes an increase to the local levy. Earnings on investments increased \$42,494 from the prior year as a result of rising interest rates and a better than expected cash position. Other local sources decreased by \$927,992 primarily because revenue from Special Education Tuition billing is part of state sources effective in FY 2007. State sources of revenue increased by \$847,039, or 2.5%, from 2006. The increase is a function of the above-mentioned change to Special Education Tuition billing over the prior year. Federal revenues decreased \$882,691, or 37.1%, from the previous year. This decrease is largely due to the expiration of the Reading First grant and reclassification of special education revenue received through the cooperative to local revenues.

The following table presents a summary of General Fund expenditures:

**Table A-6  
General Fund Expenditures**

	Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30, 2007	June 30, 2006		
Salaries	\$ 23,442,117	\$ 23,357,830	\$ 84,287	0.4%
Employee Benefits	6,548,812	6,379,766	169,046	2.6%
Purchased Services	7,485,085	7,043,346	441,739	6.3%
Supplies and Materials	1,352,765	1,388,928	(36,163)	-2.6%
Capital Expenditures	1,075,893	711,020	364,873	51.3%
Other Expenditures	231,904	329,249	(97,345)	-29.6%
Total Expenditures	<u>\$ 40,136,576</u>	<u>\$ 39,210,139</u>	<u>\$ 926,437</u>	2.4%

Total General Fund expenditures increased \$926,437 or 2.4% from the previous year.

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2007**

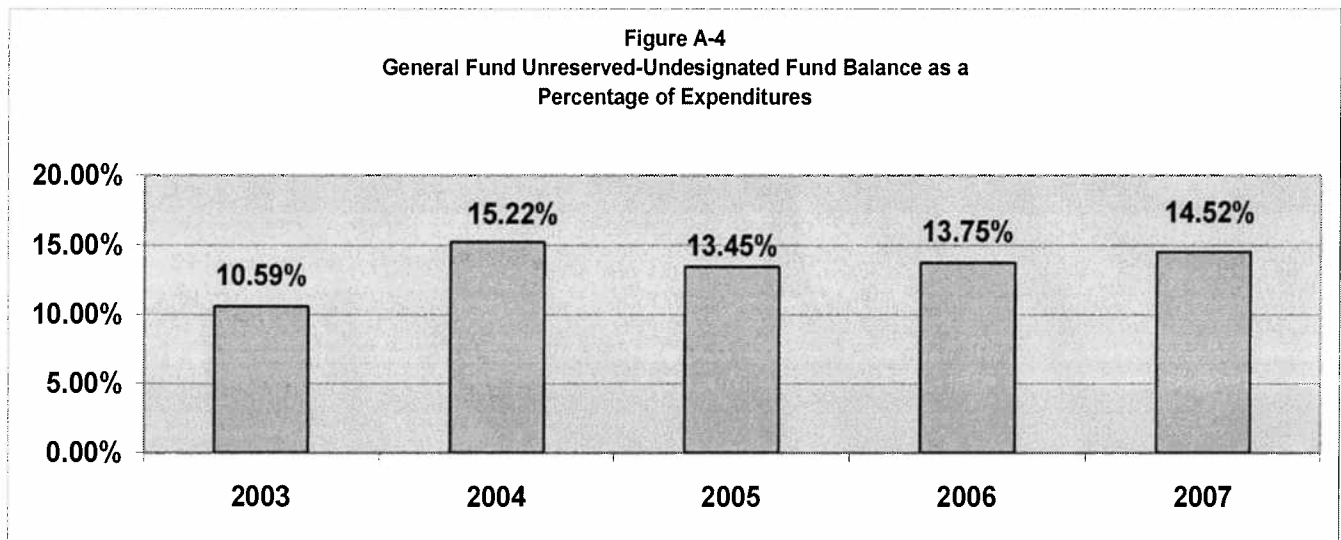
**GENERAL FUND (CONTINUED)**

In fiscal year 2006-2007 total salary expenditures remained fairly level. Employee benefits increased by 2.6% compared to last year. This increase is mainly due to an increase in health insurance premiums, TRA 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) increased by \$673,104 or 7.1%, compared to last year. The increase is primarily due to an increase in Purchased Services for Senior High wall repairs and an increase to Capital Expenditures for a large number of computer purchases and upgrades.

In summary, 2006-2007 General Fund revenues exceeded General Fund expenditures by \$233,732. As a result, and after factoring in \$128,986 from the sale of the Lafayette school building and \$203,846 of insurance recovery and Microsoft settlement proceeds, the total fund balance increased by \$566,564 to \$7,879,178 at June 30, 2007. After deducting statutory reserves, the unreserved-undesignated fund balance increased from \$5,397,098 on June 30, 2006 to \$5,827,203 on June 30, 2007.

Figure A-4, below, depicts the General Fund unreserved-undesignated fund balance as a percentage of expenditures for fiscal years 2003 - 2007:



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 \$5,827,203 on June 30, 2007 represents 14.5% of annual expenditures. This key fund balance increased by \$430,105 in FY 2007, compared to an increase of \$225,837 last year.

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2007**

**GENERAL FUND (CONTINUED)**

The District closely monitors the General Fund unreserved-undesignated fund balance through use of a detailed financial planning model, initiating two budget revisions during the year and with monthly budget analysis. The School Board has adopted a formal fund balance policy to reach and maintain a 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 two times. These budget amendments usually fall 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 2006.
- Changes in appropriations for significant unbudgeted costs.

While the District's final budget for the general fund anticipated that expenditures would exceed revenues by \$187,331, the actual results for the year show that revenues exceeded expenditures by \$233,732. In addition, other financing sources were \$131,961 more than budgeted.

- Actual revenues were 1.0% or \$388,618 less than budget, due largely to a decrease in federal funds.
- Actual expenditures were \$809,681, or 2.0%, less than budget.
  - Most of the expenditure budget savings are a result of positive variances across many expenditure categories, highlighted by the following areas: 1), \$309,005 under budget on supplies, 2) \$348,539 under budget on capital expenditures, and 3) \$421,662 or 1% under budget on payroll and benefits. Items 1-3 are partially offset by purchased services being over budget by \$247,294.
- The sale of the Lafayette School building was not budgeted.

**FOOD SERVICE FUND**

The Food Service Fund revenue for 2006-2007 totaled \$2.06 million and expenditures were \$1.96 million, resulting in a fund balance increase of \$93,770. This fund balance improvement was primarily a result of continued effective cost control along with increasing lunch prices. The June 30, 2007 Food Service fund balance is \$188,923.

The Food Service Fund is anticipating another modest fund balance increase for 2007-2008.

**COMMUNITY SERVICE FUND**

In 2006-2007, total revenues for the Community Service Fund were \$2.17 million and total expenditures were \$2.05 million. Total revenues exceeded expenditures by \$122,408, resulting in an increase of the same amount in the June 30, 2007 fund balance. The Community Service Fund fund balance as of June 30, 2007 is \$349,067. A financially healthy Youth Development and School-age Care program was the primary reason for the fund balance increase.

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2007**

**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 revenues and other financing sources exceeded expenditures by \$67,390 in 2006-2007. The resulting fund balance increase leaves the Debt Service Fund with a \$902,774 fund balance at June 30, 2007. This fund balance is available for meeting future debt service obligations.

**CAPITAL PROJECT – BUILDING CONSTRUCTION FUND**

The Building Construction Fund was established to account for the repair of the Senior High parking lot and the Junior High roof. Both projects are scheduled to be completed in 2008.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2007, the District had net capital assets of \$30,789,081 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). More detailed information about capital assets can be found in Note 3 to the financial statements. Total depreciation expense for the year was \$1.26 million.

**Table A-7  
The District's Capital Assets**

	<u>2007</u>	<u>2006</u>	<u>Percentage Change</u>
Land	\$ 623,282	\$ 623,282	0.0%
Land Improvements	2,284,246	2,275,986	0.4%
Buildings and Improvements	45,859,270	46,089,491	-0.5%
Equipment	5,173,667	4,628,221	11.8%
Less: Accumulated Depreciation	(23,151,384)	(22,129,637)	4.6%
<b>Total</b>	<u><u>\$ 30,789,081</u></u>	<u><u>\$ 31,487,343</u></u>	<u><u>-2.2%</u></u>

**Construction Plans**

Beginning in May of 2007, a Community Stakeholders Committee of 33 people was formed to assist the district in providing constituent perspective regarding the district's long-range facilities needs. Led by GLTArchitects, a St. Cloud architectural firm, the committee met through September to develop a 10-year recommendation on future building needs as well as comments regarding the deferred maintenance needs as outlined in the 2004 Facilities Study that was completed by Cities Edge Architects in Willmar at the request of the School District. In October, the School Board accepted the plans and recommendations from the Community Stakeholders Committee for long-range facilities needs and deferred maintenance plans. The School Board also directed the Superintendent to work with GLTArchitects in further delineating various aspects related to the plan.

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2007**

**CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

***Long-term Liabilities***

At year-end, the District had \$16.3 million in general obligation bonds outstanding. This is a decrease of 6.4% from the previous year - as shown in Table A-8 below. The District also had \$2.15 million in separation and severance payable at June 30, 2007, a decrease of 0.8% from the previous year. Overall, the District's outstanding long-term liabilities decreased by 5.9% in fiscal year 2007. More detailed information about the District's long-term liabilities is presented in Note 4 to the financial statements.

- The District continues to pay down its debt, retiring \$1.5 million of outstanding bonds in the year ending June 30, 2007, while issuing \$495,000 of new bonds.

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

	<u>2007</u>	<u>2006</u>	<u>Percentage Change</u>
General Obligation Bonds	\$ 16,300,074	\$ 17,409,500	-6.4%
Energy Loans Payable	-	425	-100.0%
Special Assessments Payable	-	34,859	-100.0%
Severance Benefits Payable	2,148,304	2,166,122	-0.8%
Compensated Absences Payable	163,521	160,507	1.9%
<b>Total</b>	<u>\$ 18,611,899</u>	<u>\$ 19,771,413</u>	<u>-5.9%</u>
Long-Term Liabilities:			
Due Within One Year	\$ 2,283,533	\$ 2,475,191	
Due in More Than One Year	16,328,366	17,296,222	
	<u>\$ 18,611,899</u>	<u>\$ 19,771,413</u>	

**Bond Ratings**

The District's general obligation bonds carry a rating of Aa2 from Moody's investors Service on March 9, 2005.

***Limitations on Debt***

The State of Minnesota limits the amount of general obligation debt the District can issue to 15% of the assessed value of all taxable property within the District's boundaries. The District's outstanding debt is significantly below this limit - which is \$275.5 million for calendar year 2007.

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2007**

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

With the exception of a voter-approved excess 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. The basic formula for 2007- 2008 was increased by 2% for the 2007-2008 school year and 1% for the 2008-2009 school year. Additional one time money was added for operating capitol/technology aid. This calculation is \$40 per pupil unit for 2007-2008 and \$55 for 2008-2009. Kindergarten weighting was increased from .557 to .612. Gifted and Talented Revenue was increased from \$9 per AMCPU to \$12 beginning in FY 2008. Equity revenue increased from \$23 to \$46. Safe schools levy increased from \$27 to \$30. The ECFE revenue was increased from \$112 to \$120 per resident under the age of five. State school lunch reimbursement was increased from 10.5 cents per meal to 12 cents per lunch.

The Willmar area continues to develop from an economic standpoint. Additional retail entities have located or expanded in Willmar, and industrial development is also on the horizon. A new airport has been completed as well as a major renovation project at Rice Memorial Hospital. A revised and enhanced industrial park will be completed in the next few years. City infrastructure is also being addressed through projects such as the new wastewater treatment facility that is being planned. Storm water retention issues are challenges that the City of Willmar is dealing with at the current time. The Willmar Municipal Utilities is going forward with the construction of wind turbines. Rice Hospital is making plans to construct a new nursing home and long-term care facility. The City of Willmar and Kandiyohi County Economic Development Commission is working to secure a Veterans Home in Willmar after already facilitating a location for a psychiatric hospital in Willmar. They have also worked to bring in a biomass pellet plant production company to the community. The MinnWest Technology Campus that began development two years ago is continuing to thrive and secure new technology based businesses for their campus. 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.

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

**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 5<sup>th</sup> St SW, Willmar, MN 56201-3297, visit the Finance section of the District website at [www.willmar.k12.mn.us](http://www.willmar.k12.mn.us) (click on At a Glance, District Services, and Finance), or contact Pam Harrington, Director of Business and Finance, at [harringtonp@willmar.k12.mn.us](mailto:harringtonp@willmar.k12.mn.us) and 320-231-8511.

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## **BASIC FINANCIAL STATEMENTS**



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**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
STATEMENT OF NET ASSETS  
JUNE 30, 2007  
(WITH COMPARATIVE DATA AS OF JUNE 30, 2006)**

	<b>Governmental Activities</b>	
	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Cash and Investments	\$ 11,513,398	\$ 12,924,653
Receivables		
Property Taxes	3,009,356	2,784,871
Other Governments	4,573,832	5,853,763
Other	461,586	347,988
Prepaid Items	27,984	73,996
Inventories	52,754	48,439
Bond issuance costs, net	83,116	83,437
Capital Assets		
Land	623,282	623,282
Other Capital Assets, Net of Depreciation	30,165,799	30,864,061
Total Assets	<u>50,511,107</u>	<u>53,604,490</u>
<b>LIABILITIES</b>		
Aid Anticipation Certificates Payable	-	3,957,811
Salaries and Wages Payable	3,259,242	3,118,181
Accounts and Contracts Payable	990,492	833,497
Accrued Interest	312,719	536,279
Due to Other Governmental Units	16,894	353,851
Unearned Revenue		
Property Taxes	5,366,327	4,915,837
Local Sources	170,590	157,374
Long-Term Liabilities		
Portion Due Within One Year	2,283,533	2,475,191
Portion Due in More Than One Year	16,328,366	17,296,222
Total Liabilities	<u>28,728,163</u>	<u>33,644,243</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	15,044,401	14,125,996
Restricted for:		
Operating Capital Purposes	485,009	356,566
State-Mandated Reserves	402,385	404,234
Food Service	188,923	95,153
Community Service	349,067	226,659
Debt Service	590,055	425,321
Unrestricted	<u>4,723,104</u>	<u>4,326,318</u>
Total Net Assets	<u>\$ 21,782,944</u>	<u>\$ 19,960,247</u>

See accompanying Notes to Basic Financial Statements.

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2006)**

	2007		
Functions	Expenses	Charges for Services	Program Operating Grants and Contributions
<b>Governmental Activities</b>			
Administration	\$ 1,508,581	\$ -	\$ -
District Support Services	993,521	-	111,791
Regular Instruction	19,540,393	637,353	6,962,865
Vocational Education Instruction	623,618	23,197	77,037
Special Education Instruction	7,670,736	583,607	4,553,463
Instructional Support Services	2,080,883	35,864	668,665
Pupil Support Services	3,225,826	-	301,712
Sites and Buildings	4,964,068	163,125	-
Fiscal and Other Fixed Cost Programs	240,254	-	2,700
Food Service	1,961,452	773,994	1,278,416
Community Service	2,044,685	690,843	988,769
Interest and Fiscal Charges on Long-Term Liabilities	829,447	-	-
Total School District	\$ 45,683,464	\$ 2,907,983	\$ 14,945,418

**General Revenues**

Property Taxes Levied for:  
     General Purposes  
     Community Service  
     Debt Service  
 State Aid Not Restricted to Specific Purposes  
 Earnings on Investments  
 Gain on Sale of Fixed Assets  
 Miscellaneous  
     Total General Revenues  
     Change in Net Assets  
 Net Assets - Beginning  
 Net Assets - Ending

See accompanying Notes to Basic Financial Statements.

	<u>2007</u>	<u>2006</u>
<u>Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>	<u>Total Governmental Activities</u>
\$ 541	\$ (1,508,040)	\$ (1,366,175)
-	(881,730)	(707,430)
130,076	(11,810,099)	(11,488,750)
-	(523,384)	(698,987)
928	(2,532,738)	(2,364,095)
-	(1,376,354)	(1,169,150)
17,298	(2,906,816)	(2,855,549)
-	(4,800,943)	(3,246,361)
503,234	265,680	(314,062)
-	90,958	14,861
-	(365,073)	(312,175)
-	(829,447)	(713,790)
<u>\$ 652,077</u>	<u>(27,177,986)</u>	<u>(25,221,663)</u>

2,408,339	1,168,340
246,165	125,599
2,264,179	2,157,880
23,461,186	23,523,078
491,828	418,315
128,986	-
-	29,394
<u>29,000,683</u>	<u>27,422,606</u>
1,822,697	2,200,943
19,960,247	17,759,304
<u>\$ 21,782,944</u>	<u>\$ 19,960,247</u>

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2007  
(WITH COMPARATIVE DATA AS OF JUNE 30, 2006)**

	Major		
	General	Food Service	Community Service
<b>ASSETS</b>			
Cash and Investments	\$ 8,372,815	\$ 78,393	\$ 461,621
Receivables			
Current Property Taxes	1,418,082	-	166,573
Delinquent Property Taxes	16,004	-	1,705
Due from Other Minnesota School Districts	253,358	-	-
Due from Minnesota Department of Education	3,714,342	18,152	79,020
Due from Federal through Minnesota Department of Education	176,417	136,825	74,614
Due from Federal Government Received Directly	95,709	-	-
Due from Other Governmental Units	-	-	549
Other Receivables	455,821	85	5,680
Prepaid Items	25,974	-	2,010
Inventory	24,025	28,729	-
Total Assets	<u>\$ 14,552,547</u>	<u>\$ 262,184</u>	<u>\$ 791,772</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Aid Anticipation Certificates Payable	\$ -	\$ -	\$ -
Salaries and Wages Payable	3,135,321	20,336	103,585
Accounts Payable	895,538	9,080	27,749
Due to Other Governmental Units	16,894	-	-
Accrued Interest Payable	-	-	-
Deferred Revenue:			
Property Taxes Levied for Subsequent Year	2,483,292	-	309,241
Delinquent Property Taxes	16,004	-	1,705
Local Sources	126,320	43,845	425
Total Liabilities	<u>6,673,369</u>	<u>73,261</u>	<u>442,705</u>
Fund Balance			
Reserved for			
Staff Development	363,222	-	-
Severance and Health Benefits	1,200,000	-	-
Gifted and Talented	39,163	-	-
Health and Safety	(35,419)	-	-
Operating Capital	485,009	-	-
Safe Schools	-	-	-
Community Education Programs	-	-	159,229
Early Childhood and Family Educations Programs	-	-	12,611
School Readiness	-	-	-
Adult Basic Education	-	-	-
Building Construction	-	-	-
Unreserved			
Undesignated, Reported In			
General Fund	5,827,203	-	-
Debt Service Fund	-	-	-
Special Revenue Funds	-	188,923	177,227
Total Fund Balance	<u>7,879,178</u>	<u>188,923</u>	<u>349,067</u>
Total Liabilities and Fund Balance	<u>\$ 14,552,547</u>	<u>\$ 262,184</u>	<u>\$ 791,772</u>

See accompanying Notes to Basic Financial Statements.

Funds		Total Governmental Funds	
Capital Projects	Debt Service	2007	2006
\$ 444,811	\$ 2,062,435	\$ 11,420,075	\$ 12,845,318
-	1,389,837	2,974,492	2,737,491
-	17,155	34,864	47,380
-	-	253,358	1,307,661
-	24,846	3,836,360	3,702,681
-	-	387,856	843,421
-	-	95,709	-
-	-	549	-
-	-	461,586	347,988
-	-	27,984	73,996
-	-	52,754	48,439
<u>\$ 444,811</u>	<u>\$ 3,494,273</u>	<u>\$ 19,545,587</u>	<u>\$ 21,954,375</u>
\$ -	\$ -	\$ -	\$ 3,957,811
-	-	3,259,242	3,118,181
31,938	550	964,855	807,915
-	-	16,894	353,851
-	-	-	126,216
-	2,573,794	5,366,327	4,915,837
-	17,155	34,864	47,380
-	-	170,590	157,374
<u>31,938</u>	<u>2,591,499</u>	<u>9,812,772</u>	<u>13,484,565</u>
-	-	363,222	384,714
-	-	1,200,000	1,200,000
-	-	39,163	13,520
-	-	(35,419)	(45,284)
-	-	485,009	356,566
-	-	-	6,000
-	-	159,229	56,468
-	-	12,611	18,812
-	-	-	6,149
-	-	-	3,075
412,873	-	412,873	-
-	-	5,827,203	5,397,098
-	902,774	902,774	835,384
-	-	366,150	237,308
<u>412,873</u>	<u>902,774</u>	<u>9,732,815</u>	<u>8,469,810</u>
<u>\$ 444,811</u>	<u>\$ 3,494,273</u>	<u>\$ 19,545,587</u>	<u>\$ 21,954,375</u>

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**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2007  
(WITH COMPARATIVE DATA AS OF JUNE 30, 2006)**

	<b>2007</b>	<b>2006</b>
<b>Total Fund Balance for Governmental Funds</b>	<b>\$ 9,732,815</b>	<b>\$ 8,469,810</b>
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	623,282	623,282
Land Improvements, Net of Accumulated Depreciation	686,885	763,028
Buildings and Improvements, Net of Accumulated Depreciation	27,795,640	28,679,277
Equipment and Vehicles, Net of Accumulated Depreciation	1,683,274	1,421,756
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.	34,864	47,380
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(312,719)	(410,063)
Bond issuance costs are reported as expenditures in the governmental funds.	83,116	83,437
Internal service funds are used by management to charge the costs associated with Delta Dental Insurance. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. Internal service fund net assets at year-end are:	67,686	53,753
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:		
Bonds Payable	(15,585,000)	(16,595,000)
Unamortized Premiums	(715,074)	(814,500)
Capital Improvement Loans Payable	-	(425)
Other Loan	-	(34,859)
Severance Benefits Payable	(2,148,304)	(2,166,122)
Compensated Absences Payable	(163,521)	(160,507)
	\$ 21,782,944	\$ 19,960,247
<b>Total Net Assets of Governmental Activities</b>	<b>\$ 21,782,944</b>	<b>\$ 19,960,247</b>

See accompanying Notes to Basic Financial Statements.



**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2006)**

	<b>Major</b>		
	<b>General</b>	<b>Food Service</b>	<b>Community Service</b>
<b>REVENUES</b>			
Local Sources			
Property Taxes	\$ 2,411,863	\$ -	\$ 246,756
Earnings on Investments	401,290	2,812	16,487
Other	1,949,742	780,817	862,387
State Sources	34,111,061	159,811	796,112
Federal Sources	1,496,352	1,111,782	246,297
Total Revenues	<u>40,370,308</u>	<u>2,055,222</u>	<u>2,168,039</u>
<b>EXPENDITURES</b>			
Current			
Administration	1,543,232	-	-
District Support Services	959,115	-	-
Regular Instruction	18,220,574	-	-
Vocational Education Instruction	612,387	-	-
Special Education Instruction	7,593,015	-	-
Instructional Support Services	1,953,089	-	-
Pupil Support Services	3,158,359	-	-
Sites and Buildings	4,781,520	-	-
Fiscal and Other Fixed Cost Programs	239,392	-	-
Food Service	-	1,951,394	-
Community Service	-	-	2,025,813
Capital Outlay	1,075,893	10,058	19,818
Debt Service			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	<u>40,136,576</u>	<u>1,961,452</u>	<u>2,045,631</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	233,732	93,770	122,408
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of Equipment Proceeds	-	-	-
Sale of Real Property Proceeds	128,986	-	-
Judgments for School Districts	203,846	-	-
Sale of Bonds Proceeds	-	-	-
Bond Premium	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-
Total Other Financing Sources (Uses)	<u>332,832</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	566,564	93,770	122,408
Fund Balances - Beginning	7,312,614	95,153	226,659
Fund Balances - Ending	<u>\$ 7,879,178</u>	<u>\$ 188,923</u>	<u>\$ 349,067</u>

See accompanying Notes to Basic Financial Statements.

<b>Funds</b>		<b>Total Governmental Funds</b>	
<b>Capital Projects - Building Construction</b>	<b>Debt Service</b>	<b>2007</b>	<b>2006</b>
\$ -	\$ 2,272,580	\$ 4,931,199	\$ 3,457,394
-	71,239	491,828	588,197
-	-	3,592,946	4,503,116
-	248,457	35,315,441	34,534,141
-	-	2,854,431	3,644,134
-	2,592,276	47,185,845	46,726,982
-	-	1,543,232	1,396,790
-	-	959,115	855,165
-	-	18,220,574	17,799,589
-	-	612,387	855,159
-	-	7,593,015	8,303,384
-	-	1,953,089	2,036,393
-	-	3,158,359	3,098,484
-	-	4,781,520	3,840,955
-	-	239,392	313,200
-	-	1,951,394	1,877,669
-	-	2,025,813	2,037,256
75,692	-	1,181,461	784,338
-	1,505,425	1,505,425	1,600,000
-	1,028,138	1,028,138	1,057,910
75,692	2,533,563	46,752,914	45,856,292
(75,692)	58,713	432,931	870,690
-	-	-	500
-	-	128,986	-
-	-	203,846	24,574
488,565	6,435	495,000	16,265,000
-	2,242	2,242	913,760
-	-	-	(17,085,000)
488,565	8,677	830,074	118,834
412,873	67,390	1,263,005	989,524
-	835,384	8,469,810	7,480,286
\$ 412,873	\$ 902,774	\$ 9,732,815	\$ 8,469,810

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 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, 2007  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2006)**

	2007	2006
<b>Net Change in Fund Balance-Total Governmental Funds</b>	<b>\$ 1,263,005</b>	<b>\$ 989,524</b>
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$2,500 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.		
Capital Outlays	561,519	575,409
Gain (Loss) on Disposal of Capital Assets	128,986	500
Proceeds from Sales of Capital Assets	(128,986)	(500)
Depreciation Expense	(1,259,781)	(1,197,253)
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 in the treatment of general obligation bonds and related items is as follows:		
General Obligation Bond Proceeds	(495,000)	(16,265,000)
Payment to Refunded Bond Escrow Agent	-	17,085,000
Bond Premium	(2,242)	(913,760)
Bond Issuance Costs	11,357	93,760
Repayment of Loan Principal	425	5,000
Payment of Special Assessment Principal	34,859	10,338
Repayment of Bond Principal	1,505,000	1,595,000
Change in Accrued Interest Expense - General Obligation Bonds	97,344	(8,014)
Amortization of Bond Issuance Costs	(11,678)	(14,689)
Amortization of Bond Premium	101,668	103,181
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.	(12,516)	(5,575)
In the statement of activities, certain operating expenses - severance 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).	14,804	106,656
Internal service funds are used by the District to charge the costs associated with Delta Dental insurance. The net revenue of the internal service funds is reported with governmental activities.	13,933	41,366
<b>Change in Net Assets of Governmental Activities</b>	<b>\$ 1,822,697</b>	<b>\$ 2,200,943</b>

See accompanying Notes to Basic Financial Statements.

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2007  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006)**

	2007			Over (Under) Final Budget	2006
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Local Sources					
Property Taxes	\$ 2,404,935	\$ 2,669,309	\$ 2,411,863	\$ (257,446)	\$ 1,170,379
Earnings on Investments	100,000	375,000	401,290	26,290	358,796
Other	2,078,396	1,602,778	1,949,742	346,964	2,877,734
State Sources	32,228,697	33,942,978	34,111,061	168,083	33,264,022
Federal Sources	1,911,701	2,168,861	1,496,352	(672,509)	2,379,043
Total Revenues	38,723,729	40,758,926	40,370,308	(388,618)	40,049,974
<b>EXPENDITURES</b>					
Current:					
Administration	1,492,646	1,593,410	1,543,232	(50,178)	1,396,790
District Support Services	843,874	962,405	959,115	(3,290)	855,165
Regular Instruction	18,086,839	18,344,987	18,220,574	(124,413)	17,799,589
Vocational Education Instruction	720,131	678,346	612,387	(65,959)	855,159
Special Education Instruction	8,304,966	7,970,549	7,593,015	(377,534)	8,303,384
Instructional Support Services	2,139,884	2,096,965	1,953,089	(143,876)	2,036,393
Pupil Support Services	3,225,394	3,242,718	3,158,359	(84,359)	3,098,484
Sites and Buildings	4,194,903	4,393,054	4,781,520	388,466	3,840,955
Fiscal and Other Fixed					
Cost Programs	238,097	239,392	239,392	-	313,200
Capital Outlay	579,701	1,424,431	1,075,893	(348,538)	711,020
Total Expenditures	39,826,435	40,946,257	40,136,576	(809,681)	39,210,139
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,102,706)	(187,331)	233,732	421,063	839,835
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of Real Property Proceeds	-	-	128,986	128,986	-
Judgments for School Districts	210,325	200,871	203,846	2,975	24,574
Total Other Financing Sources (Uses)	210,325	200,871	332,832	131,961	24,574
Net Change in Fund Balances	\$ (892,381)	\$ 13,540	566,564	\$ 553,024	864,409
<b>FUND BALANCE</b>					
Beginning of Year			7,312,614		6,448,205
End of Year			\$ 7,879,178		\$ 7,312,614

See accompanying Notes to Basic Financial Statements.

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
FOOD SERVICE FUND  
YEAR ENDED JUNE 30, 2007  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006)**

	2007			2006	
	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget	Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Local Sources					
Earnings on Investments	\$ 3,000	\$ 3,000	\$ 2,812	\$ (188)	\$ 1,421
Other - Primarily Meal Sales	726,564	735,720	780,817	45,097	721,303
State Sources	156,204	164,118	159,811	(4,307)	163,578
Federal Sources	1,043,114	1,083,102	1,111,782	28,680	1,058,230
Total Revenues	<u>1,928,882</u>	<u>1,985,940</u>	<u>2,055,222</u>	<u>69,282</u>	<u>1,944,532</u>
<b>EXPENDITURES</b>					
Current					
Food Service	1,827,990	1,925,860	1,951,394	25,534	1,877,669
Capital Outlay	64,500	38,509	10,058	(28,451)	50,581
Total Expenditures	<u>1,892,490</u>	<u>1,964,369</u>	<u>1,961,452</u>	<u>(2,917)</u>	<u>1,928,250</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	36,392	21,571	93,770	72,199	16,282
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of Equipment Proceeds	-	-	-	-	500
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500</u>
Net Change in Fund Balance	<u>\$ 36,392</u>	<u>\$ 21,571</u>	93,770	<u>\$ 72,199</u>	16,782
<b>FUND BALANCE</b>					
Beginning of Year			<u>95,153</u>		<u>78,371</u>
End of Year			<u>\$ 188,923</u>		<u>\$ 95,153</u>

See accompanying Notes to Basic Financial Statements.

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
COMMUNITY SERVICE FUND  
YEAR ENDED JUNE 30, 2007  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006)**

	2007			Over (Under) Final Budget	2006
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Local Sources					
Property Taxes	\$ 276,571	\$ 270,662	\$ 246,756	\$ (23,906)	\$ 125,058
Earnings on Investments	1,000	3,500	16,487	12,987	5,362
Other - Primarily Tuition and Fees	942,938	940,591	862,387	(78,204)	904,079
State Sources	738,708	773,922	796,112	22,190	851,693
Federal Sources	230,405	252,439	246,297	(6,142)	206,861
Total Revenues	2,189,622	2,241,114	2,168,039	(73,075)	2,093,053
<b>EXPENDITURES</b>					
Current					
Community Service	2,177,585	2,131,027	2,025,813	(105,214)	2,037,256
Capital Outlay	16,000	24,342	19,818	(4,524)	22,737
Total Expenditures	2,193,585	2,155,369	2,045,631	(109,738)	2,059,993
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (3,963)	\$ 85,745	122,408	\$ 36,663	33,060
<b>FUND BALANCE</b>					
Beginning of Year			226,659		193,599
End of Year			\$ 349,067		\$ 226,659

See accompanying Notes to Basic Financial Statements.

**WILLMAR PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. 347**  
**STATEMENT OF FUND NET ASSETS**  
**PROPRIETARY FUND**  
**JUNE 30, 2007**  
**(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2006)**

	<b>Governmental Activities - Internal Service Funds</b>	
	<b>2007</b>	<b>2006</b>
<b>ASSETS</b>		
Current Assets		
Cash and Investments	\$ 93,323	\$ 79,335
Total Current Assets	93,323	79,335
Total Assets	\$ 93,323	\$ 79,335
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	\$ 25,637	\$ 25,582
Total Current Liabilities	25,637	25,582
<b>NET ASSETS</b>		
Unrestricted	67,686	53,753
	\$ 67,686	\$ 53,753

See accompanying Notes to Basic Financial Statements.

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2007  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2006)**

	<b>Governmental Activities - Internal Service Funds</b>	
	<u>2007</u>	<u>2006</u>
<b>OPERATING REVENUES</b>		
Charges for Services	\$ 246,460	\$ 253,350
Total Operating Revenues	<u>246,460</u>	<u>253,350</u>
<b>OPERATING EXPENSES</b>		
Dental Insurance Claim Payments	203,198	185,295
General Administration Fees	29,329	26,689
Total Operating Expenses	<u>232,527</u>	<u>211,984</u>
Operating Income	13,933	41,366
Total Net Assets - Beginning	<u>53,753</u>	<u>12,387</u>
Total Net Assets - Ending	<u>\$ 67,686</u>	<u>\$ 53,753</u>

See accompanying Notes to Basic Financial Statements.



**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2007  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2006)**

	<b>Governmental Activities - Internal Service Funds</b>	
	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Interfund Services Provided	\$ 246,460	\$ 253,350
Payments for Administrative Costs	(29,329)	(26,689)
Payments for Dental Fees and Insurance Claims	(203,143)	(183,248)
Net Cash Provided by Operating Activities	<u>13,988</u>	<u>43,413</u>
Net Increase in Cash and Cash Equivalents	13,988	43,413
Cash and Cash Equivalents - Beginning	<u>79,335</u>	<u>35,922</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 93,323</u></u>	<u><u>\$ 79,335</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Income	\$ 13,933	\$ 41,366
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Increase in Accounts Payable	<u>55</u>	<u>2,047</u>
Total Adjustments	<u>55</u>	<u>2,047</u>
Net Cash Provided by Operating Activities	<u><u>\$ 13,988</u></u>	<u><u>\$ 43,413</u></u>

See accompanying Notes to Basic Financial Statements.

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2007**

	<b>Private- Purpose Trust</b>
<b>ASSETS</b>	
Cash and Investments	\$ 36,310
Interest receivable	413
Total Assets	36,723
<b>LIABILITIES</b>	
Accounts Payable	500
Total Liabilities	500
<b>NET ASSETS</b>	
Held in Trust for Scholarships	36,223
Total Net Assets	\$ 36,223

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
YEAR ENDED JUNE 30, 2007**

	<b>Private- Purpose Trust</b>
<b>ADDITIONS</b>	
Contributions	\$ 2,700
Interest Income	1,159
Total Additions	3,859
<b>DEDUCTIONS</b>	
Scholarship Obligations	2,700
Total Deductions	2,700
Change in Net Assets	1,159
Net Assets - Beginning of Year	35,064
Net Assets - End of Year	\$ 36,223

See accompanying Notes to Basic Financial Statements.

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**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The financial statements of Independent School District No. 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 for state and local governments.

**B. Financial Reporting Entity**

Independent School District No. 347 (the District) is an instrumentality of the State of Minnesota established to function as an educational institution. The elected School Board (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

Accounting Principles Generally Accepted in the United States of America (GAAP) require that the District's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separated from the District. In addition, the District's financial statements are to include all component units - entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. These financial statements include all funds and account groups of the District. There are no other entities for which the District is financially accountable.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. The School Board does have a fiduciary responsibility in establishing broad policies and ensuring that appropriate financial records are maintained for student activities. However, in accordance with Minnesota State 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.

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basic Financial Statement Presentation**

The District-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The Fiduciary Funds are only reported in the statements of Fiduciary Net Assets at the Fund Financial Statement level.

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

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

Separate Fund 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; private purpose trust. 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 District-wide 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 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 non-operating 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 non-operating revenues and expenses.

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. 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 of related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

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

1. Revenue Recognition – Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes 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 investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.
2. Recording of Expenditures – Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

The District applies only those applicable pronouncements of the Financial Accounting Standards Board issued on or before November 30, 1989 in accounting and reporting for its proprietary operations.

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Measurement Focus and Basis of Accounting (Continued)**

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*

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

Food Service Special Revenue Fund - The Food Service Fund is used to account for food service revenues and expenditures.

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

Capital Projects – Building Construction Fund – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities.

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

*Proprietary Fund*

Internal Service 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.

**WILLMAR PUBLIC SCHOOLS  
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NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Measurement Focus and Basis of Accounting (Continued)**

*Fiduciary Fund*

Private Purpose Trust 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.

**E. Budgeting**

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 October 1 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.

Budgeted amounts include mid-year budget amendments that increased revenue and expenditure budgets as follows:

<u>Revenues</u>	Original Budget	Amendments	Amended Budget
General Fund	\$ 38,934,054	\$ 2,025,743	\$ 40,959,797
Special Revenue Funds			
Food Service Fund	1,928,882	57,058	1,985,940
Community Service Fund	2,189,622	51,492	2,241,114
Debt Service Fund	2,769,026	(210,379)	2,558,647
<u>Expenditures</u>			
General Fund	39,826,435	1,119,822	40,946,257
Special Revenue Funds			
Food Service Fund	1,892,490	71,879	1,964,369
Community Service Fund	2,193,585	(38,216)	2,155,369
Debt Service Fund	2,649,403	(116,390)	2,533,013

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.



**WILLMAR PUBLIC SCHOOLS  
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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Cash and Investments**

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

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

**G. 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.

**H. 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 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. Paper is recorded at latest invoice price, which approximates the first-in, first-out method.

**I. 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.

**J. Property Taxes**

Property tax levies are established by the Board of Education in December each year and are certified to the County for collection 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

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. Property Taxes (Continued)**

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, 2007, 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.

**K. 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 \$2,500 for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the District-wide financial statement, 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.

**WILLMAR PUBLIC SCHOOLS  
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NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Capital Assets (Continued)**

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.

**L. Non-Current Liabilities**

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 deferred charges and amortized over the term of the related debt.

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

**M. 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, 2007, unpaid vacation pay totaling \$163,521 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.

**Severance and Health Benefits**

Severance and health benefits consist of severance payments and post-employment healthcare benefits. Accounting policies for severance and health benefits 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.

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JUNE 30, 2007**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**M. Accrued Employee Benefits (Continued)**

**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 157 days, less any TSA match the District contributed. Administrators hired after July 1, 2000 are not eligible for severance pay.

**Teachers**

A severance payment is available to teachers who have completed at least 15 years of continuous service with the District and are at 55 years of age. An eligible teacher will receive an amount equal to the 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.

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**M. Accrued Employee Benefits (Continued)**

**Teachers (Continued)**

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

**Custodians**

Custodians that are at least 55 years of age are eligible to receive a severance payment in an amount equal to 7 ½ days for each year of service, not to exceed 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.

**Post-Employment Health Care 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.

During fiscal year 2007, total expenditures for severance payments and post-employment health care benefits totaled \$225,628. At June 30, 2007, a liability for severance payments and post-employment health care benefits totaling \$2,148,304 is recorded on the Statement of Net Assets.

**N. Statement of Cash Flows**

For purposes of the statement of cash flows, the District considers cash on hand and demand deposits accounts to be cash and cash equivalents. Cash and cash equivalents are included in cash and investments.

**O. Deferred Revenues**

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. The District also recorded deferred revenue in the Community Service Fund in an amount equal to prepaid program revenues.

**WILLMAR PUBLIC SCHOOLS  
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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**P. 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.

**Q. 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.

**R. Net Assets**

Net assets represent the difference between assets and liabilities in the District-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 District-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

**S. Comparative Data**

Comparative data for the prior year have been presented only for certain sections of the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations.

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 2 DEPOSITS AND INVESTMENTS**

**A. Deposits**

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District deposit policy for custodial credit risk indicates that the District follows Minnesota Statutes for deposits.

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Investments." In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the School District's Board.

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

The District's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by surety bonds and collateral as described in the previous paragraph. Combined insurance and collateral coverage at two of the District's financial institutions were \$5,062 and \$927,840 less than that required by Minnesota statutes, representing 109.6% and 101.3% coverage as compared to the 110% requirement described above.

**B. Investments**

The District may also invest idle funds as authorized by Minnesota Statutes, as follows:

- direct obligations or obligations guaranteed by the United States or its agencies
- shares of investment companies registered under the Federal Investment Company Act of 1940 and receives the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less
- general obligations rated "A" or better; revenue obligations rated "AA" or better
- general obligations of the Minnesota Housing Finance Agency rated "A" or better
- bankers' acceptances of United States' banks eligible for purchase by the Federal Reserve System
- commercial paper issued by United States' corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less
- Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States' insurance company, and with a credit quality in one of the top two highest categories
- repurchase or reverse purchase agreements and securities lending agreements financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

At June 30, 2007 the District did not have any investments.

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**C. Balance Sheet Presentation**

Deposits and investments are presented on the combined balance sheet as follows:

Deposits, including Certificates of Deposit	\$ 11,549,508
Cash on Hand	200
Total	<u>\$ 11,549,708</u>
Cash and Investments - Statement of Net Assets	\$ 11,513,398
Cash and Investments - Statement of Fiduciary Net Assets	36,310
Total Cash and Investments	<u>\$ 11,549,708</u>

**NOTE 3 CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 623,282	\$ -	\$ -	\$ 623,282
Total Capital Assets, Not Being Depreciated	623,282	-	-	623,282
Capital Assets, Being Depreciated				
Land Improvements	2,275,986	8,260	-	2,284,246
Buildings and Improvements	46,089,491	7,813	(238,034)	45,859,270
Equipment	4,628,221	545,446	-	5,173,667
Total Capital Assets, Being Depreciated	52,993,698	561,519	(238,034)	53,317,183
Accumulated Depreciation for				
Land Improvements	(1,512,958)	(84,403)	-	(1,597,361)
Buildings and Improvements	(17,410,214)	(891,450)	238,034	(18,063,630)
Equipment	(3,206,465)	(283,928)	-	(3,490,393)
Total Accumulated Depreciation	(22,129,637)	(1,259,781)	238,034	(23,151,384)
Total Capital Assets, Being Depreciated, Net	30,864,061	(698,262)	-	30,165,799
Governmental Activities Capital Assets, Net	<u>\$ 31,487,343</u>	<u>\$ (698,262)</u>	<u>\$ -</u>	<u>\$ 30,789,081</u>



**WILLMAR PUBLIC SCHOOLS  
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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 3 CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions of the District as follows:

<b>Governmental Activities</b>	
Administration	\$ 1,161
District Support Services	2,407
Regular Instruction	1,096,981
Vocational Education Instruction	6,574
Special Education Instruction	3,442
Instructional Support Services	50,039
Pupil Support Services	24,729
Sites and Buildings	62,483
Fiscal and Other Fixed Cost Programs	862
Community Service	11,103
Total Depreciation Expense, Governmental Activities	<u>\$ 1,259,781</u>

**NOTE 4 GENERAL LONG-TERM DEBT**

**A. Components of General 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.

Issue Date	Net Interest Rate	Original Issue	Final Maturity	Principal Outstanding	
				Due Within One Year	Total
General Obligation Bonds:					
11/1/2003	2.00% - 2.50%	\$ 495,000	2/1/2008	\$ 170,000	\$ 170,000
11/1/2005	5.00%	16,265,000	2/1/2015	1,650,000	14,920,000
6/15/2007	4.00%	495,000	2/15/2013	-	495,000
Total General Obligation Bonds				1,820,000	15,585,000
Bond Premium - net				101,534	715,074
Severance and Health Benefits Payable				214,830	2,148,304
Compensated Absences Payable				147,169	163,521
				<u>\$ 2,283,533</u>	<u>\$ 18,611,899</u>

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 4 GENERAL LONG-TERM DEBT (CONTINUED)**

**B. Minimum Debt Payments**

Minimum annual principal and interest payments required to retire long-term debt, not including vacation payable and severance and health benefits payable are as follows:

Year Ending June 30	General Obligation Bonds Payable	
	Principal	Interest
2008	\$ 1,820,000	\$ 762,680
2009	1,835,000	683,300
2010	1,995,000	592,450
2011	2,100,000	493,650
2012	2,200,000	389,650
2013 - 2015	5,635,000	496,700
	<b>\$ 15,585,000</b>	<b>\$ 3,418,430</b>

**C. Description of Long-Term Debt**

**General Obligation Bonds**

On November 1, 2003, the District issued \$495,000 of General Obligation Capital Facilities Bonds, Series 2003A. 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.

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.

**United States EPA Loans Payable**

The District received asbestos loan proceeds from the United States Environmental Protection Agency to pay for the removal of asbestos. The loan does not bear interest. This loan was fully paid in 2007.

**WILLMAR PUBLIC SCHOOLS  
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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 4 GENERAL LONG-TERM DEBT (CONTINUED)**

**C. Description of Long-Term Debt (Continued)**

**Vacation Payable**

Vacation payable consists of unused vacation at June 30, 2007. In the past, vacation expense has been paid by the General Fund, the Food Service Fund, and the Community Service Fund.

**Severance and Health Benefits Payable**

Severance and health benefits payable consist of severance payments and post-retirement health insurance benefits payable to employees upon retirement. Severance and health benefits have been paid by the General and Special Revenue Funds.

**D. Changes in Long-Term Debt**

The following table summarizes changes in long term debt during the year ended June 30, 2007:

	June 30, 2006	Additions	Retirements	June 30, 2007
Bonds Payable	\$ 16,595,000	\$ 495,000	\$ 1,505,000	\$ 15,585,000
Bond Premium	814,500	2,242	101,668	715,074
State Energy Loans Payable	425	-	425	-
Special Assessments Payable	34,859	-	34,859	-
Severance and Health Benefits Payable	2,166,122	207,810	225,628	2,148,304
Compensated Absences Payable	160,507	133,583	130,569	163,521
	<u>\$ 19,771,413</u>	<u>\$ 838,635</u>	<u>\$ 1,998,149</u>	<u>\$ 18,611,899</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 (8.25% at June 30, 2007) and is unsecured. This line matures on October 1, 2008. There is no balance outstanding under this arrangement as of June 30, 2007.

**NOTE 5 SHORT-TERM DEBT**

The following is a summary of the changes in short-term debt:

	2006	Additions	Retirements	2007
2005 Aid Anticipation Certificate; matured September 7, 2006 including interest at 4.0%.	<u>\$ 3,957,811</u>	<u>\$ -</u>	<u>\$ 3,957,811</u>	<u>\$ -</u>

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**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 Severance and Health Benefits**

In accordance with state accounting regulations, a reserved fund balance is established for vested severance benefits. The reserved amount represents vested benefits for employees that are estimated to be paid in fiscal year 2008-2009.

**C. 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.

**D. 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.

**E. 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.

**F. 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.

**G. Reserved for Community Education Programs**

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

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 6 RESERVED FUND BALANCES (CONTINUED)**

**H. 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.

**I. 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.

**J. Reserved for Adult Basic Education**

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

**K. Reserved for Building Construction**

The fund balance reservation represents unexpended funds available for current construction projects.

**NOTE 7 PENSION PLANS**

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

**A. Teachers Retirement Association (TRA)**

**1. Plan Description**

All teachers employed by the District are covered by a cost sharing, multiple employer defined benefit pension plan administered by the State of Minnesota Teachers Retirement Association (TRA). TRA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security and Basic members are not. All new members must participate in the Coordinated Plan. These plans are established and administered in accordance with Minnesota Statutes, Chapters 354 and 356. The Willmar ISD does not have any participants in the Basic Plan.

TRA provides retirement benefits as well as death and 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 five consecutive years of allowable service, age, and years of credit at termination of service.

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 7 PENSION PLANS (CONTINUED)**

A. Teachers Retirement Association (TRA) (Continued)

**1. Plan Description (Continued)**

TRA publicly issues a Comprehensive Annual Financial Report (CAFR) presenting financial statements, supplemental information on funding levels, and further information on benefits provisions. A copy of the report may be obtained by writing TRA at Teachers Retirement Association, 60 Empire Drive Suite 400, St. Paul, MN 55103 or by calling (651) 296-6449 or 1-800-657-3853.

**2. Funding Policy**

Minnesota Statutes Chapter 354 sets the rates for the employee and employer contributions. These statutes are established and amended by the state legislature. Coordinated members are required to contribute 5.0% of their annual covered salary while the District is required to contribute at an actuarially determined rate.

The District is required to contribute 5.0% of annual covered payroll for Coordinated Plan members. The contribution requirements of plan members and the District are established and may be amended by State Statute. The District contributions for the years ended June 30, 2007, 2006 and 2005 were \$945,664, \$927,705, and \$923,121, respectively, equal to the required contributions for each year as set by state statute.

B. Public Employees' Retirement Association (PERA)

**1. Plan Description**

All full-time and certain part-time employees of the District (other than teachers) are covered by a defined benefit plan 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. The Willmar ISD does not have any participants in the PERF Basic 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. PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF. That report may be obtained by writing to PERA, 60 Empire Drive #200, St. Paul, MN 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 7 PENSION PLANS (CONTINUED)**

B. Public Employees' Retirement Association (PERA) (Continued)

**2. Funding Policy**

*Minnesota Statutes* Chapter 353 sets the rates for the employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plan equal to the amount required by state statutes. Coordinated Plan members were required to contribute 5.50% of their annual cover salary in 2006. Contribution rates in the Coordinated Plan increased to 5.75% effective January 1, 2007.

The District is required to contribute 6.0% of annual covered payroll for Coordinated Plan members. Employer contribution rates for the Coordinated Plan increased to 6.25% effective January 1, 2007. The contribution requirements of plan members and the District are established and may be amended by State Statute. The District's contributions for the years ending June 30, 2007, 2006 and 2005, were \$353,321, \$334,488, and \$316,713, respectively, equal to the contractually required contributions for each year as set by state statute.

**NOTE 8 SELF-INSURED DENTAL PLAN**

The District has elected to self-insure their employee dental insurance program. The School 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 \$1,000 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 School District recorded expenses of \$232,527 for the year ended June 30, 2007.

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

Unpaid Claims, Beginning of Year	\$ 25,582
Incurred Claims	203,198
Claims Payments (cash basis)	<u>(203,143)</u>
Unpaid Claims, End of Year	<u>\$ 25,637</u>

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 9 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 December 2009. Vehicles are leased under varying terms with leases running through April 2010.

Total rent expense includes the following:

	Amount
Maintenance Equipment	\$ 19,819
Facilities	54,102
Office Equipment	41,345
Vehicles	21,627
Miscellaneous Rental	30,823
Total	\$ 167,716

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

For the Year Ended June 30:	Amount
2008	\$ 119,821
2009	38,899
2010	16,078
Total	\$ 174,798

**NOTE 10 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 defendant in a disability discrimination claim. Although the outcome of this claim is not presently determinable, the District believes that the resolution of the matter will not have a material adverse effect on its financial condition.



**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 11 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. Under the terms of the agreement, the District paid the City for its provision of services \$42,059 for the year ended June 30, 2007. The City paid the District for its provision of services \$18,510 for the year ended June 30, 2007. This agreement is perpetual but may be canceled upon six months written notice by either party.

**SUPPLEMENTARY INFORMATION**

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**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2007  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006)**

	2007			2006	
	Budgeted Amounts		Actual Regular Debt Service	Over (Under) Final Budget	Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Local Sources					
Property Tax	\$ 2,493,061	\$ 2,270,190	\$ 2,272,580	\$ 2,390	\$ 2,161,957
Earnings on Investments	30,001	40,001	71,239	31,238	222,618
State Sources	245,964	248,456	248,457	1	254,848
Total Revenues	<u>2,769,026</u>	<u>2,558,647</u>	<u>2,592,276</u>	<u>33,629</u>	<u>2,639,423</u>
<b>EXPENDITURES</b>					
Debt Service:					
Bond Principal	1,745,425	1,505,425	1,505,425	-	1,600,000
Bond Interest	902,928	1,024,813	1,024,813	-	964,918
Paying Agent Fees and Other	1,050	2,775	3,325	550	92,992
Total Expenditures	<u>2,649,403</u>	<u>2,533,013</u>	<u>2,533,563</u>	<u>550</u>	<u>2,657,910</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	119,623	25,634	58,713	33,079	(18,487)
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of Bonds Proceeds	-	-	6,435	6,435	16,265,000
Bond Premium	-	-	2,242	2,242	913,760
Payment to Refunded Bond Escrow Agent	-	-	-	-	(17,085,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>8,677</u>	<u>8,677</u>	<u>93,760</u>
Net Change in Fund Balances	<u>\$ 119,623</u>	<u>\$ 25,634</u>	67,390	<u>\$ 41,756</u>	75,273
Fund Balance - Beginning			<u>835,384</u>		<u>760,111</u>
Fund Balance - Ending			<u>\$ 902,774</u>		<u>\$ 835,384</u>

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**SINGLE AUDIT AND OTHER REQUIRED REPORTS**

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**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2007**

Grantor/Program	CFDA Number	Agency or Pass-Through Number	Expenditures
US Department of Agriculture			
Pass-Through Minnesota Department of Education			
Type A Lunch	10.555	1-347-000	\$ 689,646
After School Snack	10.558	1-347-000	4,331
Special Milk Program for Children	10.556	1-347-000	132
School Breakfast Program	10.553	1-347-000	321,685
Food Distribution (Commodities)	10.550	1-347-000	83,145
Commodities Rebates	10.550	1-347-000	7,227
Total US Department of Agriculture			<u>1,106,166</u>
US. Department of Education			
Pass-Through Minnesota Department of Education			
Foreign Language Assistance	84.293B	N/A	119,977
Title I Grants to Local Education Agencies	84.010	N/A	694,058
Title I, Part C - Education of Migrant Children	84.011	N/A	128,650
Title I, Part C - Education of Migrant Children (Summer)	84.011A	N/A	84,221
Title I Comp Delinquent	84.013	N/A	159,800
Title II, Part A - Teacher Quality	84.367	N/A	234,146
Title V, Part A - Innovative Programs	84.298	N/A	10,091
Title III, Part A - English Language Acquisition	84.365	N/A	42,046
Title IV, Part A - Safe and Drug Free Schools	84.186	N/A	19,161
Title II, Part D - Enhancing Education Through Technology	84.318	N/A	949
Title IV, Part B - 21st Century Community Learning Centers	84.287	N/A	180,063
Federal Adult Basic Education	84.002	N/A	39,662
Special Education - Summer Migrant	84.027A	N/A	3,276
Total US Department of Education			<u>1,716,100</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE EXPENDED			<u><u>\$ 2,822,266</u></u>

See accompanying Notes to Schedule of Expenditures of Federal Awards



**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2007**

**NOTE 1 GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the expenditures of all federal financial assistance programs of Independent School District No. 347. The reporting entity is defined in Note 1 to the District's financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is included on the schedule.

**NOTE 2 BASIS OF ACCOUNTING**

The accompanying 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 financial statements.

**NOTE 3 FOOD DISTRIBUTION**

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2007, the District had food commodities totaling \$28,729 in inventory.

**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**

Board of Education  
Independent School District No. 347  
Willmar, Minnesota

We have audited the financial statements of governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 347 as of and for the year ended June 30, 2007, which collectively comprise Independent School District No. 347's basic financial statements and have issued our report thereon dated October 15, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Independent School District No. 347'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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accounting principles such there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying Schedule of Findings and Responses listed as items 2007-1 and 2007-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described in the accompanying Schedule of Findings and Responses listed as item 2007-1 and 2007-2 to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Independent School District No. 347'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 have also issued a separate letter to management dated October 15, 2007, regarding business and other matters not deemed to be reportable conditions and nonmaterial compliance matters.

Independent School District No. 347's responses to the findings identified in our audit are described in the accompanying schedules of findings and responses. We did not the audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, Board of Education, the Office of the State Auditor of Minnesota, and other state agencies and is not intended to be and should not be used by anyone other than those specified parties.

  
**LarsonAllen LLP**

Austin, Minnesota  
October 15, 2007

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

Board of Education  
Independent School District No. 347  
Willmar, Minnesota

**Compliance**

We have audited the compliance of Independent School District No. 347 with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Independent School District No. 347's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements and laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Independent School District No. 347's management.

Our responsibility is to express an opinion on Independent School District No. 347'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 Independent School District No. 347's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

### **Internal Control Over Compliance**

The management of Independent School District No. 347 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Independent School District No. 347's internal control over compliance with 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 Independent School District No. 347'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 the 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 of Independent School District No. 347, the Minnesota Department of Education, and state and federal awarding entities and is not intended to be and should not be used by anyone other than these specified parties.



**LarsonAllen LLP**

Austin, Minnesota  
October 15, 2007

## REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education  
Independent School District No. 347  
Willmar, Minnesota

We have audited the financial statements of Independent School District No. 347 as of and for the year ended June 30, 2007, and have issued our report thereon dated October 15, 2007.

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 Legal Compliance Task Force pursuant to Minn. Stat. §6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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

The results of our tests indicate that for the items tested the Independent School District No. 347 complied with the material terms and conditions of applicable legal provisions, except as described in the accompanying schedule of findings and questioned costs as items 2007-3 and 2007-4.

This report is intended solely for the information and use of the Independent School District No. 347, the Office of the State Auditor, and other state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

*LarsonAllen LLP*  
**LarsonAllen LLP**

Austin, Minnesota  
October 15, 2007

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**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007**

**PART I: SUMMARY OF AUDITOR'S RESULTS**

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Independent School District No. 347.
2. Significant deficiencies in internal control were disclosed during the audit of the financial statements and are listed as Findings 2007-1 and 2007-2. These significant deficiencies are considered to be material weaknesses.
3. No instances of noncompliance material to the financial statements of Independent School District No. 347 were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for Independent School District No. 347 expresses an unqualified opinion.
6. No audit findings relative to the major federal award programs for Independent School District No. 347 were disclosed during the audit.
7. The following programs were tested as major programs:
  - U.S. Department of Agriculture – Child Nutrition Cluster:

National School Lunch Program	CFDA #10.555
School Breakfast Program	CFDA #10.553
Special Milk Program for Children	CFDA #10.556
8. The threshold for distinguishing Types A and Type B programs was \$300,000.
9. Independent School District No. 347 was determined to be a low-risk auditee.



**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007**

**PART II: FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS:**

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

**Condition:** 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.

**Criteria:** The District must be able to prevent or detect a material misstatement in the annual financial statements including footnote disclosures.

**Questioned Costs:** None

**Context:** The District has informed us that, due to personnel turnover, they do not have the experienced staff to perform all of the procedures necessary to prevent or detect a material misstatement in the annual financial statements including footnote disclosures.

**Effect:** No effect on the financial statements.

**Cause:** The District relies on the audit firm to prepare the annual financial statements and related footnote disclosures. However, they have reviewed and approved the annual financial statements and the related footnote disclosures.

**Recommendation:** The District should continue to evaluate their internal staff to determine whether staff is available to fully implement their internal control policy over the annual financial reporting.

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Findings**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

The District will implement the appropriate internal controls to allow them to prevent or detect a material misstatement in the annual financial statements including footnote disclosures.

**Official Responsible for Ensuring CAP:**

Pam Harrington, Director of Business and Finance, is the official responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP:**

June 30, 2008.

**Plan to Monitor Completion of CAP:**

The Board of Education will be monitoring this corrective action plan.

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007**

**PART II: FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS:  
(CONTINUED)**

**FINDING: 2007-02 MATERIAL AUDIT ADJUSTMENTS**

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

**Criteria:** The District should have controls in place to prevent or detect a material misstatement in the financial statements in a timely manner.

**Questioned Costs:** None

**Context:** The District has informed us that they will continue to rely upon the audit firm to propose such audit adjustments as are necessary to adjust accounts in accordance with GAAP. Management will review and approve those entries prior to recording them.

**Effect:** No effect on the financial statements.

**Cause:** The District has not established controls to ensure that all accounts are adjusted to their appropriate year end balances in accordance with Generally Accepted Accounting Principles (GAAP).

**Recommendation:** The District should continue to evaluate its internal control processes to determine if additional internal control procedures should be implemented to ensure that accounts are adjusted to their appropriate year end balances in accordance with GAAP.

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Findings**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

The District will continue to rely upon the audit firm to propose audit adjustments necessary to adjust accounts in accordance with GAAP. Management will review and approve these entries prior to recording them.

**Official Responsible for Ensuring CAP:**

Pam Harrington, Director of Business and Finance, is the official responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP:**

The CAP is ongoing.

**Plan to Monitor Completion of CAP:**

The Board of Education will be monitoring this corrective action plan.

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007**

**PART III: FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS**

None

**PART IV: FINDINGS AND QUESTIONED COSTS – MINNESOTA LEGAL COMPLIANCE**

**FINDING: 2007-3      MINNESOTA LEGAL COMPLIANCE – ALTERNATIVE DISSEMINATION OF BIDS**

**Condition:** Our review of bids revealed that the District has designated alternative sources from their official newspaper in which to advertise for their bid requests. We noted that neither the District nor their architects published the location of the alternative dissemination of bids and requests in the Board minutes or the newspaper. The District did not continue to publish requests for bids for six months following the designation of an alternative means of dissemination in the official newspaper as required by Minnesota Statute 331A, Subd. 3.

**Recommendation:** Management should take steps to ensure that the Statute is followed on future projects and that all personnel involved in the process of obtaining bids or quotes are familiar with the related requirements.

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement With Audit Findings**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

The District has contacted the architects with whom they contract for this service. Future projects will meet the requirements of the Statute.

**Official Responsible for Ensuring CAP:**

Pam Harrington, Director of Business and Finance, is the official responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP:**

The planned completion date for the CAP is immediate.

**Plan to Monitor Completion of CAP:**

We will review the CAP as of June 30, 2008.

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007**

**FINDING: 2007-4      MINNESOTA LEGAL COMPLIANCE – COLLATERAL**

**Condition:** M.S. 118A.003 requires the District to have deposits in excess of FDIC insurance protected by a bond or collateral of which market value should be at least ten percent more than the amount of excess deposits. Our review of collateral pledges indicated that the District did not have adequate collateral for its deposits as of June 30, 2007 at two separate financial institutions.

**Recommendation:** Management should obtain additional collateral pledges from the financial institutions. In addition, the District should continue to monitor the adequacy of their collateral coverage on an ongoing basis.

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement With Audit Findings**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

The District has contacted the financial institutions and have corrected the collateral pledges.

**Official Responsible for Ensuring CAP:**

Pam Harrington, Director of Business and Finance, is the official responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP:**

The planned completion date for the CAP is immediate.

**Plan to Monitor Completion of CAP:**

We will review the CAP as of June 30, 2008.

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007**

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>It not Corrected, Provide Planned Corrective Action or Other Explanation</u>
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No Prior Year Findings.

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS  
COMPLIANCE TABLE  
JUNE 30, 2007**

**01 GENERAL FUND**

Total Revenue	\$ 40,574,154
Total Expenditures	\$ 40,136,576
<i>Reserved:</i>	
403 Staff Development	\$ 363,222
406 Health & Safety	\$ (35,419)
407 Capital Project Levy	\$ -
408 Cooperative Programs	\$ -
409 Deferred Maintenance	\$ -
410 Unemployment Compensation	\$ -
411 Severance Pay	\$ 1,200,000
412 Bus Purchase	\$ -
414 Operating Debt	\$ -
416 Levy Reduction	\$ -
419 Encumbrances	\$ -
423 Certain Teacher Programs	\$ -
424 Operating Capital	\$ 485,009
426 \$25 Taconite	\$ -
427 Disabled Accessibility	\$ -
428 Learning & Development	\$ -
429 Parental Involvement	\$ -
433 Student Transport Safety	\$ -
434 Area Learning Center	\$ -
435 Contracted Alt. Programs	\$ -
436 State Approved Alt. Program	\$ -
437 Grad Standards Staff Develop.	\$ -
438 Grad Standards Gifted & Talented	\$ 39,163
439 Grad Standards	\$ -
441 Basic Skills Programs	\$ -
442 Class Size, All-Day Kindergarten and Special Education Student-to-Instructor Ratio Reduction	\$ -
443 Telecommunication Access Cost	\$ -
445 Career and Technical Programs	\$ -
446 First Grade Preparedness	\$ -
449 Safe Schools	\$ -
<i>Unreserved:</i>	
418 Severance - Ins. Premium	\$ -
422 Unreserved/Undesignated	\$ 5,827,203

**02 FOOD SERVICE**

Total Revenue	\$ 2,055,222
Total Expenditures	\$ 1,961,452
<i>Reserved:</i>	
411 Severance Pay	\$ -
419 Encumbrances	\$ -
<i>Unreserved:</i>	
418 Severance - Ins. Premium	\$ -
422 Unreserved/Undesignated	\$ 188,923

**04 COMMUNITY SERVICE**

Total Revenue	\$ 2,168,039
Total Expenditures	\$ 2,045,631
<i>Reserved:</i>	
411 Severance Pay	\$ -
419 Encumbrances	\$ -
426 \$25 Taconite	\$ -
431 Community Education	\$ 159,229
432 E.C.F.E.	\$ 12,611
444 School Readiness	\$ -
447 Adult Basic Education	\$ -
<i>Unreserved:</i>	
418 Severance Premium	\$ -
422 Unreserved/Undesignated	\$ 177,227

**06 BUILDING CONSTRUCTION**

Total Revenue	\$ -
Total Expenditures	\$ 75,692
<i>Reserved:</i>	
407 Capital Projects Levy	\$ -
409 Alternative Facility Program	\$ -
419 Encumbrances	\$ -
<i>Unreserved:</i>	
422 Unreserved/Undesignated	\$ 412,873

**07 DEBT SERVICE**

Total Revenue	\$ 2,592,276
Total Expenditures	\$ 2,533,563
<i>Reserved:</i>	
425 Bond Refundings	\$ -
<i>Unreserved:</i>	
422 Unreserved/Undesignated	\$ 902,774

**08 TRUST**

Total Revenue	\$ 3,859
Total Expenditures	\$ 2,700
<i>Reserved:</i>	
419 Encumbrances	\$ -
<i>Unreserved:</i>	
422 Unreserved/Undesignated	\$ 36,223

**09 AGENCY**

<i>Unreserved: Should Always Be -0-</i>	
422 Unreserved/Undesignated	\$ -

**20 INTERNAL SERVICE**

Total Revenue	\$ 246,460
Total Expenditures	\$ 232,527
<i>Reserved:</i>	
419 Encumbrances	\$ -
<i>Unreserved:</i>	
422 Unreserved/Undesignated	\$ 67,686

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**STUDENT ACTIVITY FUNDS**



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## INDEPENDENT AUDITORS' REPORT

Board of Education  
Independent School District No. 347  
Willmar, Minnesota

We have audited the statement of cash receipts and disbursements of the Student Activity Funds of Independent School District No. 347 for the year ended June 30, 2007. This financial statement is the responsibility of the District's management. Our responsibility is to express an opinion on this financial statement 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 Student Activity Fund Financial Statements, the financial statement is 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 statement referred to above presents fairly, in all material respects, the cash balances of the District's Student Activity Fund as of June 30, 2007, and the revenues it received and the expenditures it paid for the year then ended on the basis of accounting described in Note 1 to Student Activity Fund Financial Statements.

*LarsonAllen LLP*

**LarsonAllen LLP**

Austin, Minnesota  
October 15, 2007

**WILLMAR PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. 347**  
**ELEMENTARY YEARBOOK ACTIVITY FUND**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**YEAR ENDED JUNE 30, 2007**

Funds	Balance 06/30/06	Transfer & Receipts	Disburse- ments	Balance 06/30/07
Elementary Yearbook	\$ 97	\$ 13,293	\$ 13,066	\$ 324
Total	<u>\$ 97</u>	<u>\$ 13,293</u>	<u>\$ 13,066</u>	<u>\$ 324</u>

See Notes to Student Activity Fund Financial Statements.

**WILLMAR PUBLIC SCHOOLS  
 INDEPENDENT SCHOOL DISTRICT NO. 347  
 JUNIOR HIGH ACTIVITY FUND  
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
 YEAR ENDED JUNE 30, 2007**

Funds	Balance 06/30/06	Transfer & Receipts	Disburse- ments	Balance 06/30/07
Musical	\$ 3	\$ 660	\$ 657	\$ 6
Pop Concert T-Shirts	-	755	672	83
Yearbook	-	10,223	9,672	551
Student Council	323	8,368	7,737	954
Total	<u>\$ 326</u>	<u>\$ 20,006</u>	<u>\$ 18,738</u>	<u>\$ 1,594</u>

See Notes to Student Activity Fund Financial Statements.

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
SENIOR HIGH ACTIVITY FUND  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
YEAR ENDED JUNE 30, 2007**

Funds	Balance 06/30/06	Transfer & Receipts	Disburse- ments	Balance 06/30/07
Class of 2008	\$ -	\$ 8,712	\$ 4,576	\$ 4,136
Class of 2007	4,932	31	8	4,955
Class of 2006	6,194	3	6,197	-
Cardettes	7,236	1,259	4,524	3,971
F.F.A.	411	644	675	380
French Club	-	1,481	710	771
Cross Country	37	-	37	-
Key Club	1,704	2,845	2,453	2,096
National Honor Society	68	433	368	133
Nordic Ski	1,017	3,886	4,294	609
Seventh Rendition	21,535	161,173	168,535	14,173
Spanish Club	363	1,797	1,803	357
Student Council	754	10,556	10,319	991
Usher's Fund	153	216	281	88
"W" Fund	3,840	5,371	3,719	5,492
Wihisean	-	11,007	7,743	3,264
Orchestra	2,795	715	249	3,261
Willmar Athletics	9,365	11,295	8,229	12,431
Final Concessions	3,329	17,601	18,062	2,868
High Mileage	142	1,546	1,642	46
Gymnastics	1,169	568	195	1,542
Speech	270	2	95	177
BPA	-	11,060	10,406	654
Cardinals Nest	-	1,471	1,155	316
Fastpitch Soft Ball	-	35,161	34,857	304
<b>Total</b>	<b>\$ 65,314</b>	<b>\$ 288,833</b>	<b>\$ 291,132</b>	<b>\$ 63,015</b>

See Notes to Student Activity Fund Financial Statements.

**WILLMAR PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 347  
NOTES TO STUDENT ACTIVITY FUND FINANCIAL STATEMENTS  
JUNE 30, 2007**

**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 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 Fund 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 and in a certificate of deposit. 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, 2007, the Student Activity Funds' deposits were entirely covered by federal depository insurance.

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## REPORT ON COMPLIANCE

Board of Education  
Independent School District No. 347  
Willmar, Minnesota

We have audited the statement of cash receipts and disbursements of the extracurricular Student Activity Fund of Independent School District No. 347 for the year ended June 30, 2007 and have issued our report thereon dated October 15, 2007.

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 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 solely for the information and use of the Board of Education, management, and students of Independent School District No. 347 and is not intended to be and should not be used by anyone other than these specified parties.

  
LarsonAllen LLP

Austin, Minnesota  
October 15, 2007



