

**INDEPENDENT SCHOOL DISTRICT #347  
WILLMAR, MINNESOTA**

**FINANCIAL STATEMENTS TOGETHER  
WITH INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2002**

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WILLMAR, MINNESOTA  
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JUNE 30, 2002**

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WILLMAR, MINNESOTA  
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**INDEPENDENT SCHOOL DISTRICT #347  
WILLMAR, MINNESOTA  
BOARD OF EDUCATION AND ADMINISTRATION  
JUNE 30, 2002**

Mike Reynolds	Chair
Sharon Emery	Vice Chair
Dion Warne	Treasurer
Sandra Unger	Clerk
Rudy Vigil, Jr.	Director
Brad Schmidt	Director
Mike Carlson	Director

**ADMINISTRATION**

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

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general purpose financial statements of Independent School District #347 as of June 30, 2002 and for the year then ended, as listed in Section I of the table of contents. These general purpose financial statements are the responsibility of Independent School District #347's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to in the first paragraph, present fairly, in all material respects, the financial position of Independent School District #347 at June 30, 2002 and the results of its operations and cash flows of its proprietary fund type for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2002, on our consideration of Independent School District #347's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying 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*, the combining and individual fund financial statements listed in Section II, and the supporting schedule listed in Section III of the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

*Larson, Allen, Weishair & Co., LLP*

**LARSON, ALLEN, WEISHAIR & CO., LLP**

Austin, Minnesota  
September 26, 2002

**SECTION I – GENERAL PURPOSE FINANCIAL STATEMENTS**

**INDEPENDENT SCHOOL DISTRICT #347  
WILLMAR, MINNESOTA  
COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2002**

	Governmental Fund Types		
	General	Special Revenue	Debt Service Fund
<b>ASSETS AND OTHER DEBITS</b>			
Cash and Temporary Investments	\$ 2,888,797	\$ 809,349	\$ 2,066,646
Investments	522,749	-	-
Taxes Receivable -			
Current	678,128	125,607	1,409,676
Delinquent	37,430	863	27,685
Accounts Receivable	27,708	2,979	-
Interest Receivable	50,688	-	-
Due from Other Minnesota School Districts	1,407,617	-	-
Due from Department of Children, Families and Learning	3,864,957	132,487	22,138
Due from Other Funds	79,083	-	-
Due From Other Governmental Units	-	9,271	-
Inventory	33,674	17,801	-
Prepaid Expenditures	36,370	-	-
Restricted Assets - Investments with			
Bond Escrow Agent	-	-	-
Property, Plant, and Equipment	-	-	-
Other Debits -			
Amount Available for Retirement of Bonds	-	-	-
Amount to be Provided for Retirement of Long-Term Bonded Debt	-	-	-
Amount Available for Severance Pay	-	-	-
Amount to be Provided for Severance Pay	-	-	-
Amount to be Provided for Special Assessments	-	-	-
Amount to be Provided for Vacation Pay	-	-	-
Total Assets and Other Debits	<u>\$ 9,627,201</u>	<u>\$ 1,098,357</u>	<u>\$ 3,526,145</u>

See accompanying Notes to Financial Statements.



**EXHIBIT A**

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
		General Fixed Assets	General Long- Term Debt	June 30, 2002	June 30, 2001
\$ -	\$ -	\$ -	\$ -	\$ 5,764,792	\$ 2,750,094
-	-	-	-	522,749	6,284,074
-	-	-	-	2,213,411	5,011,095
-	-	-	-	65,978	54,965
-	-	-	-	30,687	77,090
-	-	-	-	50,688	212,506
-	-	-	-	1,407,617	1,431,779
-	12,792	-	-	4,032,374	3,507,642
-	-	-	-	79,083	17,028
-	-	-	-	9,271	-
-	-	-	-	51,475	39,794
-	-	-	-	36,370	180,682
-	-	-	-	-	20,362,764
-	-	53,235,022	-	53,235,022	67,635,703
-	-	-	993,012	993,012	21,145,279
-	-	-	22,422,413	22,422,413	24,357,648
-	-	-	593,870	593,870	795,372
-	-	-	2,100,533	2,100,533	2,443,530
-	-	-	105,908	105,908	111,623
-	-	-	110,510	110,510	105,200
<u>\$ -</u>	<u>\$ 12,792</u>	<u>\$ 53,235,022</u>	<u>\$ 26,326,246</u>	<u>\$ 93,825,763</u>	<u>\$ 156,523,868</u>

**INDEPENDENT SCHOOL DISTRICT #347  
WILLMAR, MINNESOTA  
COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2002**

	Governmental Fund Types		
	General	Special Revenue	Debt Service Fund
<b>LIABILITIES, FUND EQUITY, AND OTHER CREDITS</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 345,952	\$ 111,523	\$ -
Salaries and Wages Payable	2,581,223	139,020	-
Interest Payable	116,208	-	-
Due to Other Districts	219,037	-	-
Due to Other Governmental Units	1,200	-	-
Due to Other Funds	-	-	-
Deferred Revenue	37,430	18,663	27,685
Property Taxes Levied for Subsequent Years' Expenditures	1,058,656	223,243	2,505,448
Tax and Aid Anticipation Certificates Payable	3,975,120	-	-
Separation and Severance Payable	-	-	-
Bonds Payable	-	-	-
Special Assessments Payable	-	-	-
Vacation Payable	-	-	-
Total Liabilities	<u>\$ 8,334,826</u>	<u>\$ 492,449</u>	<u>\$ 2,533,133</u>
<b>FUND EQUITY AND OTHER CREDITS</b>			
Investment in General Fixed Assets	\$ -	\$ -	\$ -
Retained Earnings, Reserved Fund Balances -	-	-	-
Reserved for Reemployment	(15,701)	-	-
Reserved for Severance Pay	593,870	-	-
Reserved for Area Learning Center	279,284	-	-
Reserved for Operating Capital	211,121	-	-
Reserved for Health and Safety	(39,199)	-	-
Reserved for Disabled Access	38,786	-	-
Reserved for Grad Standards - Gifted and Talented	-	-	-
Reserved for Grad. Standards	-	-	-
Reserved for Telecommunications Access	-	-	-
Reserved for Community Education	-	306,228	-
Reserved for Early Childhood Family Education	-	(62,711)	-
Reserved for School Readiness	-	24,130	-
Reserved for Debt Service	-	-	993,012
Reserved for Refunding Bond Debt Service	-	-	-
Unreserved, Undesignated	224,214	338,261	-
Total Fund Equity and Other Credits	<u>\$ 1,292,375</u>	<u>\$ 605,908</u>	<u>\$ 993,012</u>
Total Liabilities, Fund Equity, and Other Credits	<u>\$ 9,627,201</u>	<u>\$ 1,098,357</u>	<u>\$ 3,526,145</u>

See accompanying Notes to Financial Statements.

**EXHIBIT A  
(CONT'D.)**

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
		Internal Service	Agency Fund	General Fixed Assets	General Long- Term Debt
\$ 18,315	\$ -	\$ -	\$ -	\$ 475,790	\$ 582,291
-	-	-	-	2,720,243	3,118,530
-	-	-	-	116,208	207,283
-	-	-	-	219,037	20,456
-	-	-	-	1,200	29,354
66,291	12,792	-	-	79,083	17,028
-	-	-	-	83,778	112,973
-	-	-	-	3,787,347	7,985,602
-	-	-	-	3,975,120	7,201,261
-	-	-	2,694,403	2,694,403	3,238,902
-	-	-	23,415,425	23,415,425	45,502,927
-	-	-	105,908	105,908	111,623
-	-	-	110,510	110,510	105,200
<u>\$ 84,606</u>	<u>\$ 12,792</u>	<u>\$ -</u>	<u>\$ 26,326,246</u>	<u>\$ 37,784,052</u>	<u>\$ 68,233,430</u>
\$ -	\$ -	\$ 53,235,022	\$ -	\$ 53,235,022	\$ 67,635,703
(84,606)	-	-	-	(84,606)	(21,260)
-	-	-	-	(15,701)	27,806
-	-	-	-	593,870	795,372
-	-	-	-	279,284	-
-	-	-	-	211,121	62,587
-	-	-	-	(39,199)	39,594
-	-	-	-	38,786	38,786
-	-	-	-	-	3,732
-	-	-	-	-	5,516
-	-	-	-	-	867
-	-	-	-	306,228	285,082
-	-	-	-	(62,711)	(43,084)
-	-	-	-	24,130	-
-	-	-	-	993,012	782,515
-	-	-	-	-	20,362,764
-	-	-	-	562,475	(1,685,542)
<u>\$ (84,606)</u>	<u>\$ -</u>	<u>\$ 53,235,022</u>	<u>\$ -</u>	<u>\$ 56,041,711</u>	<u>\$ 88,290,438</u>
<u>\$ -</u>	<u>\$ 12,792</u>	<u>\$ 53,235,022</u>	<u>\$ 26,326,246</u>	<u>\$ 93,825,763</u>	<u>\$ 156,523,868</u>

**INDEPENDENT SCHOOL DISTRICT #347  
WILLMAR, MINNESOTA  
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
YEAR ENDED JUNE 30, 2002**

	Governmental Fund Types	
	General	Special Revenue
<b>REVENUES</b>		
Local Property Tax Levies	\$ 3,593,950	\$ 138,917
Other Local and County Revenues	2,502,647	613,204
Revenues from State Sources	26,390,524	884,656
Revenues from Federal Sources	1,687,479	746,531
Sales and Other Conversions of Assets	95,942	708,382
Total Revenues	<u>\$ 34,270,542</u>	<u>\$ 3,091,690</u>
<b>EXPENDITURES</b>		
District and School Administration	\$ 956,951	\$ -
District Support Services	1,334,089	-
Regular Instruction	14,601,423	-
Vocational Instruction	940,051	-
Special Education Instruction	6,636,753	-
Community Education and Services	-	1,571,652
Instructional Support Services	1,705,627	-
Pupil Support Services	2,418,043	1,495,274
Site, Buildings and Equipment	2,960,877	-
Fiscal and Other Fixed Cost Programs	373,925	-
Total Expenditures	<u>\$ 31,927,739</u>	<u>\$ 3,066,926</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<u>\$ 2,342,803</u>	<u>\$ 24,764</u>
<b>OTHER FINANCING USE</b>		
Payment from Escrow Agent	<u>\$ -</u>	<u>\$ -</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER OTHER FINANCING USE</b>	<u>\$ 2,342,803</u>	<u>\$ 24,764</u>
Fund Balance, as Previously stated	\$ (1,050,428)	\$ 581,144
Prior Period Adjustments	-	-
Fund Balance, July 1	<u>\$ (1,050,428)</u>	<u>\$ 581,144</u>
Fund Balance, June 30	<u><u>\$ 1,292,375</u></u>	<u><u>\$ 605,908</u></u>

See accompanying Notes to Financial Statements.

Debt Service Fund	Totals (Memorandum Only)	
	June 30, 2002	June 30, 2001
\$ 2,720,001	\$ 6,452,868	\$ 6,500,115
1,127,674	4,243,525	4,827,105
221,383	27,496,563	28,369,517
-	2,434,010	1,844,595
-	804,324	839,395
<u>\$ 4,069,058</u>	<u>\$ 41,431,290</u>	<u>\$ 42,380,727</u>
\$ -	\$ 956,951	\$ 2,003,800
-	1,334,089	2,080,513
-	14,601,423	16,007,935
-	940,051	1,178,364
-	6,636,753	6,277,266
-	1,571,652	1,242,590
-	1,705,627	1,176,274
-	3,913,317	4,128,953
-	2,960,877	3,741,304
2,813,398	3,187,323	4,313,782
<u>\$ 2,813,398</u>	<u>\$ 37,808,063</u>	<u>\$ 42,150,781</u>
\$ 1,255,660	\$ 3,623,227	\$ 229,946
<u>\$ (21,407,927)</u>	<u>\$ (21,407,927)</u>	<u>\$ -</u>
\$ (20,152,267)	\$ (17,784,700)	\$ 229,946
\$ 21,145,279	\$ 20,675,995	\$ (359,003)
-	-	20,805,052
<u>\$ 21,145,279</u>	<u>\$ 20,675,995</u>	<u>\$ 20,446,049</u>
<u>\$ 993,012</u>	<u>\$ 2,891,295</u>	<u>\$ 20,675,995</u>

**INDEPENDENT SCHOOL DISTRICT #347  
WILLMAR, MINNESOTA  
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – Budget and Actual  
ALL GOVERNMENTAL FUND TYPES  
YEAR ENDED JUNE 30, 2002**

	General Fund		Variance - Favorable (Unfavorable)
	Budget	Actual	
<b>REVENUES</b>			
Local Property Tax Levies	\$ 3,593,122	\$ 3,593,950	\$ 828
Other Local and County Revenues	2,229,349	2,502,647	273,298
Revenues from State Sources	26,211,442	26,390,524	179,082
Revenues from Federal Sources	1,593,757	1,687,479	93,722
Sales and Other Conversions of Assets	86,000	95,942	9,942
Total Revenues	<u>\$ 33,713,670</u>	<u>\$ 34,270,542</u>	<u>\$ 556,872</u>
<b>EXPENDITURES</b>			
District and School Administration	\$ 1,755,256	\$ 956,951	\$ 798,305
District Support Services	1,338,678	1,334,089	4,589
Regular Instruction	14,877,520	14,601,423	276,097
Vocational Instruction	1,050,678	940,051	110,627
Special Education Instruction	6,000,563	6,636,753	(636,190)
Community Education and Services	-	-	-
Instructional Support Services	1,134,953	1,705,627	(570,674)
Pupil Support Services	2,675,234	2,418,043	257,191
Site, Buildings and Equipment	3,154,481	2,960,877	193,604
Fiscal and Other Fixed Cost Programs	428,097	373,925	54,172
Total Expenditures	<u>\$ 32,415,460</u>	<u>\$ 31,927,739</u>	<u>\$ 487,721</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>\$ 1,298,210</u>	<u>\$ 2,342,803</u>	<u>\$ 1,044,593</u>
<b>OTHER FINANCING USE</b>			
Payment from Escrow Agent	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USE	<u>\$ 1,298,210</u>	<u>\$ 2,342,803</u>	<u>\$ 1,044,593</u>
Fund Balance, July 1	<u>(1,050,428)</u>	<u>(1,050,428)</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 247,782</u></u>	<u><u>\$ 1,292,375</u></u>	<u><u>\$ 1,044,593</u></u>

See accompanying Notes to Financial Statements.

Special Revenue Funds		
Budget	Actual	Variance - Favorable (Unfavorable)
\$ 182,803	\$ 138,917	\$ (43,886)
612,476	613,204	728
897,141	884,656	(12,485)
647,820	746,531	98,711
781,948	708,382	(73,566)
<u>\$ 3,122,188</u>	<u>\$ 3,091,690</u>	<u>\$ (30,498)</u>
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
1,521,258	1,571,652	(50,394)
-	-	-
1,532,841	1,495,274	37,567
-	-	-
-	-	-
<u>\$ 3,054,099</u>	<u>\$ 3,066,926</u>	<u>\$ (12,827)</u>
<u>\$ 68,089</u>	<u>\$ 24,764</u>	<u>\$ (43,325)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 68,089	\$ 24,764	\$ (43,325)
581,144	581,144	-
<u>\$ 649,233</u>	<u>\$ 605,908</u>	<u>\$ (43,325)</u>

**INDEPENDENT SCHOOL DISTRICT #347  
WILLMAR, MINNESOTA  
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – Budget and Actual  
ALL GOVERNMENTAL FUND TYPES  
YEAR ENDED JUNE 30, 2002**

	Debt Service Fund		
	Budget	Actual	Variance - Favorable (Unfavorable)
<b>REVENUES</b>			
Local Property Tax Levies	\$ 2,713,471	\$ 2,720,001	\$ 6,530
Other Local and County Revenues	25,530	1,127,674	1,102,144
Revenues from State Sources	220,945	221,383	438
Revenues from Federal Sources	-	-	-
Sales and Other Conversions of Assets	-	-	-
Total Revenues	<u>\$ 2,959,946</u>	<u>\$ 4,069,058</u>	<u>\$ 1,109,112</u>
<b>EXPENDITURES</b>			
District and School Administration	\$ -	\$ -	\$ -
District Support Services	-	-	-
Regular Instruction	-	-	-
Vocational Instruction	-	-	-
Special Education Instruction	-	-	-
Community Education and Services	-	-	-
Instructional Support Services	-	-	-
Pupil Support Services	-	-	-
Site, Buildings and Equipment	-	-	-
Fiscal and Other Fixed Cost Programs	2,798,990	2,813,398	(14,408)
Total Expenditures	<u>\$ 2,798,990</u>	<u>\$ 2,813,398</u>	<u>\$ (14,408)</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>\$ 160,956</u>	<u>\$ 1,255,660</u>	<u>\$ 1,094,704</u>
<b>OTHER FINANCING USE</b>			
Payment from Escrow Agent	<u>\$ -</u>	<u>\$ (21,407,927)</u>	<u>\$ (21,407,927)</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USE	<u>\$ 160,956</u>	<u>\$ (20,152,267)</u>	<u>\$ (20,313,223)</u>
Fund Balance, July 1	<u>21,145,279</u>	<u>21,145,279</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 21,306,235</u></u>	<u><u>\$ 993,012</u></u>	<u><u>\$ (20,313,223)</u></u>

See accompanying Notes to Financial Statements.



**EXHIBIT C  
(CONT'D.)**

Totals (Memorandum Only)		
Budget	Actual	Variance - Favorable (Unfavorable)
\$ 6,489,396	\$ 6,452,868	\$ (36,528)
2,867,355	4,243,525	1,376,170
27,329,528	27,496,563	167,035
2,241,577	2,434,010	192,433
867,948	804,324	(63,624)
<u>\$ 39,795,804</u>	<u>\$ 41,431,290</u>	<u>\$ 1,635,486</u>
\$ 1,755,256	\$ 956,951	\$ 798,305
1,338,678	1,334,089	4,589
14,877,520	14,601,423	276,097
1,050,678	940,051	110,627
6,000,563	6,636,753	(636,190)
1,521,258	1,571,652	(50,394)
1,134,953	1,705,627	(570,674)
4,208,075	3,913,317	294,758
3,154,481	2,960,877	193,604
3,227,087	3,187,323	39,764
<u>\$ 38,268,549</u>	<u>\$ 37,808,063</u>	<u>\$ 460,486</u>
<u>\$ 1,527,255</u>	<u>\$ 3,623,227</u>	<u>\$ 2,095,972</u>
<u>\$ -</u>	<u>\$ (21,407,927)</u>	<u>\$ (21,407,927)</u>
\$ 1,527,255	\$ (17,784,700)	\$ (19,311,955)
20,675,995	20,675,995	-
<u>\$ 22,203,250</u>	<u>\$ 2,891,295</u>	<u>\$ (19,311,955)</u>

**INDEPENDENT SCHOOL DISTRICT #347  
WILLMAR, MINNESOTA  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS  
ALL PROPRIETARY FUNDS – INTERNAL SERVICE FUND  
YEAR ENDED JUNE 30, 2002**

**EXHIBIT D**

OPERATING REVENUES	
Charges for Premiums	\$ <u>160,424</u>
OPERATING EXPENSES	
Administration Fees	\$ 26,554
Claims	<u>197,216</u>
Total Operating Expenses	<u>\$ 223,770</u>
NET LOSS	\$ (63,346)
Retained Earnings, July 1	<u>(21,260)</u>
RETAINED EARNINGS, JUNE 30	<u><u>\$ (84,606)</u></u>

*See accompanying Notes to Financial Statements.*

**INDEPENDENT SCHOOL DISTRICT #347  
WILLMAR, MINNESOTA  
STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUNDS – INTERNAL SERVICE FUND  
YEAR ENDED JUNE 30, 2002**

**EXHIBIT E**

CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	\$	(63,346)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) In Operating Activities:		
Change in Liabilities:		
Increase in Accounts Payable		14,083
Increase in Due to Other Funds		49,263
		-
Net Cash Provided (Used) In Operating Activities	\$	-
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 \$	 -
 Cash and Cash Equivalents, July 1		 -
 CASH AND CASH EQUIVALENTS, JUNE 30	 \$	 -

*See accompanying Notes to Financial Statements.*

**INDEPENDENT SCHOOL DISTRICT #347**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Independent School District #347 was formed and operates pursuant to applicable Minnesota laws and statutes.

The governing body consists of a seven-member board elected by the voters of the District to serve four-year terms.

The accounting policies of the District conform to U.S. generally accepted accounting principles. The following is a summary of the significant accounting policies.

**A. Financial Reporting Entity**

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

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

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

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

**B. Description of Funds and Account Groups**

The accounts of the School District are organized on the basis of funds or groups of accounts, each of which is considered to be a separate accounting entity. The operations of each fund and account group are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, equity, revenues and expenditures. The various funds and account groups are presented as follows:

**INDEPENDENT SCHOOL DISTRICT #347**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

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

Governmental Fund Types

*General Fund* - Accounts for all financial resources and transactions except those required to be accounted for in other funds or account groups. The General Fund includes all revenues and expenditures for general operations, special education programs, transportation, and capital expenditures.

*Special Revenue Funds* - Account for the proceeds of specific revenue sources (other than expendable trust and major capital projects) that are legally restricted to expenditures for specified purposes. The School District's Special Revenue Funds and their purposes are as follows:

*Food Service* - Accounts for all activities associated with the preparation and serving of regular and incidental meals, lunches, or snacks in connection with school activities.

*Community Service* - Accounts for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs, or other similar services.

*Debt Service Fund* - Accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Proprietary Fund Type

Proprietary Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control accountability, or other purposes. The following is the District's Proprietary Fund:

*Internal Service Fund* - Accounts for the financing of services provided by one fund to the other funds of the District 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.

Fiduciary Fund Type

*Agency Fund* - The Agency Fund is custodial in nature and used to account for assets that the District holds on behalf of others as their agent. The Agency Fund is used to account for the Carl Perkins grant received on behalf of a consortium of school districts.

**INDEPENDENT SCHOOL DISTRICT #347**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

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

Account Groups

General Fixed Assets Account Group - Accounts for all School District general fixed assets associated with the operations of the School District. All of the property and equipment is recorded at cost or estimated historical cost. In governmental funds, property and equipment additions are recorded as cash disbursements in the year purchased. Depreciation expense is not included in the expenditures of the governmental funds, and accordingly, accumulated depreciation is not recorded in the general fixed asset account group.

General Long-Term Debt Account Group - Accounts for all School District general obligation long-term debt expected to be financed from governmental fund types.

Account groups are not "funds". They are concerned only with the measurement of financial position and are not involved with measurement of results of operations.

**C. Basis of Accounting**

The accounting and reporting treatment applied to a fund is determined by its measurement focus.

All governmental fund types are accounted for on a current financial resources measurement focus. Generally only current assets and current liabilities are included in these balance sheets. Unreserved, undesignated fund balance (net current assets) is considered a measure of "available spendable resources." Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with fund activity are included on these balance sheets. Fund equity (net total assets) of proprietary funds is recorded as retained earnings. Proprietary funds' operating statements present increases (revenues) and decreases (expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The modified accrual basis of accounting is used for governmental fund types and agency funds. Under this method, revenues are recorded when they are susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Revenues determined to be susceptible to accrual include property taxes, state aids, fees, and interest.

Expenditures are generally recognized using the modified accrual basis of accounting when related fund liability is incurred. Exceptions to this rule include (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued, and (2) principal and interest on general long-term debt which is recognized when due.

**INDEPENDENT SCHOOL DISTRICT #347**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

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

Proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

In accordance with Governmental Accounting Standards Board (GASB) Statement 20, the District has elected not to apply the Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989 for its proprietary fund. These methods are in accordance with the Uniform Financial Accounting and Reporting System (UFARS) which the School District uses to prepare its financial statements.

**D. Budgets and Budgetary Accounting**

The School Board adopts an annual budget for all governmental funds of the District, which are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as revised by the School Board.

Unexpended budgeted amounts lapse at the end of the budget year. Spending control for most funds is established by the amount of expenditures budgeted for the fund, but management control is exercised at budgetary line item levels

**E. Encumbrances**

Encumbrances are recorded as a reservation of fund balance because they do not constitute expenditures or liabilities. There are no significant encumbrances outstanding as of June 30, 2002.

**F. Assets, Liabilities, and Equity**

**Cash and Temporary Investments**

Cash and temporary investments consist of cash on hand, demand deposit accounts, a money market account, and Minnesota School District Liquid Asset Fund (MSDLAF).

Cash and temporary investment balances from all funds are combined and invested to the extent possible. Earnings are allocated to the individual funds based upon the average of month-end balances.

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

**Investments**

Investments consist of funds invested in guaranteed investment contracts at the Minnesota School District Liquid Asset Fund.

**INDEPENDENT SCHOOL DISTRICT #347**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

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

Taxes Receivable

Current taxes receivable represents taxes levied in 2001 which are not payable until 2002. Delinquent taxes receivable represents levies collectible during 2001 and prior years. The District has recorded as deferred revenue an amount equal to delinquent taxes receivable at June 30, 2002.

Inventories

Inventories consist of paper, bathroom supplies and commodities on hand at June 30, 2002. Paper and bathroom supplies are recorded at latest invoice price, which approximates the FIFO inventory method, surplus commodities are stated at standardized commodities cost as determined by the Department of Agriculture. Expenditures are recognized when inventories are consumed.

The District does not maintain a central store for all other supply items whereby items are distributed to requisitioning units. The UFARS method of accounting does not record inventory unless there is a central point of distribution. Therefore, all other supply items are expensed when received.

Property Taxes Levied for Subsequent Year's Expenditures

These accounts represent current taxes receivable, which are levied in 2001 but not payable until 2002 and are not expendable by the School District until the 2002-03 school year, adjusted for the property tax shift amount as discussed in the property tax revenue disclosures.

Unpaid Sick Leave

Unpaid sick pay has not been accrued in any funds, as this benefit does not vest to employees. See the following on accrued vacation and severance pay.

Vacation Payable

In governmental funds, balance sheets reflect only current liabilities, therefore, only the current portion of the accumulated unpaid vacation pay is reported in these funds. The current portion is the amount left unpaid at the end of a reporting period that normally would be liquidated with expendable available financial resources. The remainder of the accumulated unpaid vacation pay is reported in the General Long-Term Debt Account Group.

Employees earn annual vacation pay at rates dependent upon each employee group labor contract. All outstanding accumulated unpaid vacation pay is payable upon termination of employment. Accordingly, for the governmental funds all accumulated unpaid vacation pay totaling \$110,510 at June 30, 2002 is recorded in the General Long-Term Debt Account Group.



**INDEPENDENT SCHOOL DISTRICT #347**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

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

*Separation and Severance Payable*

Severance and health benefits consist of early retirement incentive payments and post-employment health care benefits.

Early Retirement Incentive Payment – Secretarial Staff

An early retirement incentive payment is available to secretaries 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 hours multiplied by the employee's hourly rate of pay, not to exceed 600 hours.

Early Retirement Incentive Payment – Library Clerical Staff and Special Education Paraprofessionals

An early retirement incentive payment is available to library clerical staff and special education paraprofessionals 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 115 days.

Early Retirement Incentive Payment – Food Service Staff

An early retirement incentive payment is available to food service staff 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 hours multiplied by the employee's hourly rate of pay, not to exceed 430 hours.

Early Retirement Incentive Payment – Administrators

An early retirement incentive 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 64 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.

Early Retirement Incentive Payment – Teachers

An early retirement incentive 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.

Teacher 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.

**INDEPENDENT SCHOOL DISTRICT #347**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

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

Early Retirement Incentive Payment – Custodians

Custodians that have completed at least 15 years of continuous service with the District and are at least 58 years of age are eligible to receive a severance payment in amount equal to 75% of the number of years of service multiplied by 10 days, not to exceed 150 days, at the employee's daily rate of pay.

Early Retirement Incentive Payment - Confidential Employees

An early retirement incentive payment is available to confidential employees 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 hours multiplied by the employee's hourly rate of pay, not to exceed 600 hours.

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 years for most employees. 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.

The District budgets for payments of severance pay for the ensuing year when it anticipates the retirement of personnel requiring a severance payment. The payment of severance pay is recorded as a current expenditure in the year of payment. The severance payments that will be made in the second ensuing year have been recorded by an appropriation of the fund balance. In addition, the total established payments of \$2,694,403 have been recorded as a long-term liability in the general long-term debt account group. The District's expenditures for this plan totaled \$411,103 for the year ended June 30, 2002.

Deferred Revenues

Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The District has reported as deferred revenue an amount equal to the commodity food inventory on hand at June 30, 2002 and an amount equal to delinquent taxes receivable at June 30, 2002 less taxes received within sixty days of year-end.

Equity

Fund balances of governmental fund types are classified in two separate categories. The general meaning of each is as follows:

- |                             |  |
|-----------------------------|--|
| Reserved                    | - Indicates that a portion of fund equity has been legally segregated for specific purposes. |
| Unreserved,<br>Undesignated | - Indicates that portion of fund equity which is available for expenditure in future periods |

**INDEPENDENT SCHOOL DISTRICT #347  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2002**

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

**G. Revenues and Expenditures**

Property Tax Revenue

Property tax revenue is recorded under the intact levy concept whereby taxes collectible during a calendar year are recorded as revenue in the fiscal year beginning with the year of collection.

Portions of the levy assumed by the State in the form of tax credits are recognized as revenue in the fiscal year beginning in the calendar year for which the levy is payable. Such credits are shown as intergovernmental revenue.

State Aids

State aids are recorded as revenue in the fiscal year for which the aids are designated by statute.

Property Tax Shift

The state reduced the property tax shift to zero in fiscal year 1998-1999, with the exception of certain special levies and referendum levies. A 31% tax shift continues for referendum levies. However, this portion has been frozen at the 2001 amount of \$184,153. The tax shift requires early recognition of payable 2002 property taxes up to the amount of the shift. The tax shift resulted in a increase in property tax revenues, calculated as follows:

Total 2001-02 Levy Shift	\$ 281,750
Less Replacement for 2000-01 Shift	(196,149)
	\$ 85,601
2001-02 Increase in Property Tax Revenues	\$ 85,601

The total effect on the balance sheet accounts was to decrease property taxes levied for subsequent years expenditures by \$281,750.

**H. Comparative Data**

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, comparative data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

**I. Total Columns on Combined Statements - Overview**

Total columns on the Combined Statements - Overview are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**INDEPENDENT SCHOOL DISTRICT #347  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2002**

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

**Excess of Expenditures Over Budget**

Expenditures exceeded budgeted amounts in the funds shown below.

	Expenditures	Budget	Excess
Community Service Fund	\$ 1,581,346	\$ 1,537,233	\$ 44,113
Debt Service Fund	2,813,398	2,798,990	14,408

**Deficit Retained Earnings**

The Internal Service Fund had deficit retained earnings of \$84,606 at June 30, 2002. The District will eliminate the deficit through future operations.

**NOTE 3 DEPOSITS AND INVESTMENTS**

**Deposits**

In accordance with Minnesota statutes the District maintains deposits at financial institutions which are 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% of the deposits not covered by insurance or bonds.

Authorized collateral includes certain U.S. government securities, state or local government obligations, and other securities authorized by Minn. Stat. 118.A.03. Minnesota statutes require that securities pledged as collateral be held in safekeeping by the District treasurer or in a financial institution other than that furnishing the collateral.

The District's deposits at year-end were entirely covered by federal depository insurance or by collateral held by the District's agent in the District's name as follows:

Cash balances at June 30, 2002:

	Bank Balances	Carrying Amount
Insured	\$ 102,913	\$ 102,913
Collateralized With Securities Held by Pledging Financial Institution's Trust Department Agent in the District's Name	6,382,787	5,661,825
	\$ 6,485,700	\$ 5,764,738
Pooled Investments		54
Total Cash and Temporary Investments		\$ 5,764,792

**INDEPENDENT SCHOOL DISTRICT #347**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

The investment pool consists of funds in the Minnesota School District Liquid Asset Fund Plus, which are invested in accordance with Section 475.66 of the Minnesota Statutes. In the Minnesota School District Asset Fund Plus each school district owns a pro rata share of each investment or deposit, which is held in the name of the Fund. Since the Funds have the characteristics of a mutual fund, they would not be reported by risk category in accordance with Governmental Accounting Standards Board Statement #3.

**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 whose only investments are in securities in (a) above.
- General obligations of the State of Minnesota or any of its municipalities.
- Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality, and maturing in 270 days or less.
- Repurchase or reverse repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
- Guaranteed investment contracts (gic's) issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories, or in the top three rating categories for long-term gic's issued by Minnesota banks.

The following is a summary of the District's investments at June 30, 2002:

Guaranteed Investment Contract	<u>\$ 522,749</u>
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The District's Guaranteed Investment Contract is held by the Minnesota Liquid Asset Fund. Since the Funds had the characteristics of mutual fund, they would not be reported by risk category in accordance with Governmental Accounting Standards Board Statement #3.

**INDEPENDENT SCHOOL DISTRICT #347  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2002**

**NOTE 4 GENERAL FIXED ASSETS**

**General Fixed Assets**

A summary of the changes in general fixed assets is as follows:

	06/30/01 Balance	Adjustment to Record Fixed Asset Inventory	Additions 4/1 - 6/30	Deletions 4/1 - 6/30	06/30/02 Balance
Land and Land Improvements	\$ 1,571,842	\$ 937,984	\$ 13,292	\$ -	\$ 2,523,118
Buildings	52,629,057	(6,664,274)	35,855	-	46,000,638
Equipment	13,434,804	(8,994,517)	19,168	-	4,459,455
Vehicles	-	251,811	-	-	251,811
<b>Total General Fixed Assets</b>	<b>\$ 67,635,703</b>	<b>\$ (14,468,996)</b>	<b>\$ 68,315</b>	<b>\$ -</b>	<b>\$ 53,235,022</b>

A fixed asset appraisal was performed on April 1, 2002. An adjustment was made to record fixed assets at historical cost or estimated historical cost when actual historical cost was not known.

**NOTE 5 PROPERTY TAXES - LEVIES, COLLECTION AND DISTRIBUTION**

Independent School District #347 is located in Kandiyohi County. The County levies and collects property taxes for all School Districts whose taxing jurisdiction extends to taxable property located within the County.

Taxes are billed to individual property owners within the County annually and, for the most part, are due on the first business day in January, but may be paid in two equal installments on or before May 15 and October 15.

The County is required to distribute the final tax collections to the School District three times a year as follows:

April 20  
July 20, and  
December 20

The District receives two estimates on the collection within 14 business days, and also may request an advance of taxes prior to the distribution dates.

**INDEPENDENT SCHOOL DISTRICT #347  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2002**

**NOTE 6 GENERAL LONG-TERM DEBT**

**Bonds and Loan Payable**

Bonds payable at June 30, 2002 consist of the following:

	<u>Interest Rate</u>	<u>Principal Payments</u>	<u>Final Maturity Date</u>	<u>Bonds Outstanding</u>
<u>Bonds Payable</u>				
Series 1995A Capital Facility Bonds, Dated August 1, 1995	4.25-4.85%	\$180,000-\$355,000	02/2005	\$ 1,020,000
Series 1996A Refunding Bonds Dated January 1, 1996	3.95-4.65%	\$310,000-\$455,000	02/2006	1,725,000
Series 1997A Cross- Over Refunding Bonds, Dated February 26, 1997	4.65-5.35%	\$800,000-\$2,400,000	02/2015	20,650,000
				<u>\$ 23,395,000</u>
U.S. EPA Loan	0.00%	\$5,000	11/2006	20,425
				<u>20,425</u>
				<u><u>\$ 23,415,425</u></u>

**INDEPENDENT SCHOOL DISTRICT #347  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2002**

**NOTE 6 GENERAL LONG-TERM DEBT (CONTINUED)**

The following is a summary of annual debt service requirements to maturity for the District's bonds and loan payable:

Year Ended June 30,	Series 1995A	1996A Refunding	Series 1997A Crossover Refunding	U.S. EPA Loan	Total
2003	\$ 373,480	\$ 493,295	\$ 1,866,160	\$ 5,000	\$ 2,737,935
2004	373,368	495,035	1,868,960	5,000	2,742,363
2005	372,218	495,460	1,894,060	5,000	2,766,738
2006	-	439,530	1,965,168	5,000	2,409,698
2007	-	-	2,479,678	425	2,480,103
2008	-	-	2,515,428	-	2,515,428
2009	-	-	2,539,578	-	2,539,578
2010	-	-	2,581,363	-	2,581,363
2011	-	-	2,594,250	-	2,594,250
2012	-	-	2,621,100	-	2,621,100
2013	-	-	2,619,765	-	2,619,765
2014	-	-	2,586,180	-	2,586,180
2015	-	-	1,137,780	-	1,137,780
	<u>\$ 1,119,066</u>	<u>\$ 1,923,320</u>	<u>\$ 29,269,470</u>	<u>\$ 20,425</u>	<u>\$ 32,332,281</u>
Less: Interest Portion	<u>99,066</u>	<u>198,320</u>	<u>8,619,470</u>	<u>-</u>	<u>8,916,856</u>
Principal Outstanding 6/30/02	<u>\$ 1,020,000</u>	<u>\$ 1,725,000</u>	<u>\$ 20,650,000</u>	<u>\$ 20,425</u>	<u>\$ 23,415,425</u>



**INDEPENDENT SCHOOL DISTRICT #347  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2002**

**NOTE 6 GENERAL LONG-TERM DEBT (CONTINUED)**

**Special Assessments Payable**

The District has special assessments for various City projects. The annual payments vary from \$32,940 to \$2,535 with interest rates varying from 8.0% to 6.9%. The following is a summary of the annual debt service requirements for the District's special assessments:

Year Ending June 30,

2003		\$			32,940
2004					28,907
2005					15,122
2006					13,340
2007					12,653
2008					9,680
2009					9,142
2010					6,576
2011					2,535
Total Special Assessment Payments		\$			130,895
Less Interest					24,987
					<u>105,908</u>
Special Assessments Payable		\$			<u>105,908</u>

The following is a summary of changes in general long-term debt, separation and severance payable, and vacation payable:

	July 1, 2001 Balance	Issued	Payments	Adjustment	Changes in Separation and Severance Payable and Vacation Pay	June 30, 2002 Balance
Separation and Severance Payable	\$ 3,238,902	\$ -	\$ -	\$ -	\$ (544,499)	\$ 2,694,403
Vacation Payable	105,200	-	-	-	5,310	110,510
Special Assessments Payable	111,623	23,912	29,627	-	-	105,908
Bonds Payable	45,502,927	-	22,107,927	-	-	23,395,000
Loan Payable	-	-	5,000	25,425	-	20,425
	<u>\$ 48,958,652</u>	<u>\$ 23,912</u>	<u>\$ 22,142,554</u>	<u>\$ 25,425</u>	<u>\$ (539,189)</u>	<u>\$ 26,326,246</u>

During the year, the District noticed its asbestos loan payable to the United States Environmental Protection Agency had not been recorded in the General Long-Term Debt Account Group.

**INDEPENDENT SCHOOL DISTRICT #347**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

**NOTE 7 TAX AND AID ANTICIPATION CERTIFICATES**

The District participated in the Minnesota School District Cash Flow Borrowing Program to provide money for school purposes in anticipation of School District state aid to be collected in 2002. The General Obligation Aid Anticipation Certificates of Indebtedness of 2001 were issued for \$3,975,120 on August 27, 2001, with a maturity date of August 27, 2002, at an interest rate of 3.25%.

On August 20, 2002, the District issued a General Obligation Aid Anticipation Certificate of Indebtedness, Series 2002A. The certificate was issued in the amount of \$8,475,687, with an interest rate of 2.25%. The certificate matures on August 20, 2003.

**NOTE 8 PENSION PLANS**

Substantially all employees of the District, other than teachers, are required by State Law to belong to a pension plan administered by the Public Employees Retirement Association (PERA). State Law requires teachers employed by the District to belong to a pension plan administered by the State of Minnesota Teachers Retirement Association (TRA).

Disclosure relating to these plans follows:

**A. TEACHERS RETIREMENT ASSOCIATION**

The District contributes to a cost-sharing, multiple-employer defined benefit pension plan administered by TRA. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. Benefits are established by State Statute and vest after three years of credited service. Members belong to either the Basic Plan or Coordinated Plan. Coordinated members are covered by Social Security and Basic Members are not. All new members must participate in the Coordinated Plan. TRA issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by contacting TRA, Suite 500 Gallery Building, 17 West Exchange Street, St. Paul, Minnesota, 55102, or by calling 651-296-6449 or 1-800-657-3853.

**Funding Policy**

Basic Plan members and Coordinated Plan members are required to contribute 9.0% and 5.0%, respectively, of the annual covered salary and the District is required to contribute at an actuarially determined rate. The current employer contribution rate is 9.0% of annual covered payroll for Basic Plan members and 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's contributions to TRA for the years ending June 30, 2002, 2001, and 2000 were \$804,644, \$874,867, and \$844,845, respectively, equal to the required contributions for each year.

**INDEPENDENT SCHOOL DISTRICT #347  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2002**

**NOTE 8 PENSION PLANS (CONTINUED)**

**B. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

**Plan Description**

The District contributes to the Public Employees Retirement Fund (PERF), a cost-sharing, multiple-employer defined benefit pension plan administered by PERA. PERF provides retirement, disability, and death benefits to plan members and beneficiaries. Benefits are established by State Statute and vest after three years of credited service. Members belong to either the Basic Plan or Coordinated Plan. Coordinated Plan members are covered by Social Security and Basic members are not. All new members must participate in the Coordinated Plan. PERA issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by contacting PERA, 514 St. Peter Street #200, St. Paul, Minnesota, 55102, or by calling 651-296-7460 or 1-800-652-9026.

**Funding Policy**

Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 5.10%, respectively, of the annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 11.78% for Basic Plan members and 5.53% for Coordinated Plan members. The contribution requirements of plan members and the District are established and may be amended by State Statute. The District's contributions to PERF for the years ending June 30, 2002, 2001, and 2000, were \$253,743, \$253,256, and \$243,008, respectively, equal to the required contributions for each year.

**NOTE 9 RESERVED FUND BALANCES**

Reservation of the fund balance indicates that a portion of the fund balance is not appropriable for future expenditures or is legally segregated for a specific future use. The following is a summary of the reserved fund balances for the governmental funds:

**Reserved for Reemployment -**

Represents special tax levies for the payment of unemployment claims made by School District employees.

**Reserved for Severance Pay -**

Represents the District's estimate of the severance payments that will be required in the 2003-04 school year.

**Reserved for Area Learning Center -**

Represents amounts reserved for students attending area learning centers.

**Reserved for Operating Capital -**

Represents tax levies and state aid in the General Fund to be used for purchase of equipment and facilities.

**INDEPENDENT SCHOOL DISTRICT #347**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

**NOTE 9 RESERVED FUND BALANCES (CONTINUED)**

**Reserved for Health and Safety; Disabled Access** –

Represents taxes levied in the General Fund for these specific purposes.

**Reserved for Graduation Standards – Gifted and Talented** -

Represents general education aid resources reserved for gifted and talented programs that are integrated with the graduation rule.

**Reserved for Graduation Standards** –

Represents general education aid resources reserved for technology improvements; including wiring, network connections, and other technology related infrastructure improvements; purchase or lease interactive television network equipment and network support; purchase or lease of computer software and hardware designed to support special needs programming and limited English proficiency programming; network and technical support; and purchase of textbooks and other instructional materials; or to reduce class size.

**Reserved for Telecommunications Access** –

Represents general education aid resources to be expended for ongoing or recurring telecommunication access costs, including access to data lines, video lines, or Internet access.

**Reserved for Community Education, ECFE and School Readiness** –

Represents tax levies and state aid in the Community Service Fund for these specific purposes.

**Reserved for Debt Service** –

Represents amounts to be used for debt service.

**Reserved for Refunding Bond Debt Service** –

Represents assets held by the escrow agent in relation to the Refunding Bonds of 1997.

Reserved retained earnings in the Internal Service Fund has been established for self-insurance program reserves.

**INDEPENDENT SCHOOL DISTRICT #347  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2002**

**NOTE 10 RISK MANAGEMENT**

The School 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 School 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 \$223,770 for the year ended June 30, 2002.

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

Unpaid Claims, Beginning of Year	\$	4,232
Incurred Claims		223,770
Claims Payments		<u>(209,687)</u>
 Unpaid Claims, End of Year	 \$	 <u><u>18,315</u></u>

The District has joined together with other school districts in the State of Minnesota in the Minnesota School Board Association Group Self-Insured Workers' Compensation Plan, a public entity risk pool currently operating as a common risk, management and insurance program for member school districts. The District pays an annual premium to this plan for its workers' compensation coverage. These premiums are used to purchase reinsurance through commercial companies. The administrators of this plan believe assessment to participating districts for future losses sustained is extremely remote.

The District is self-insured for unemployment compensation. The State of Minnesota allows districts to levy local taxpayers for estimated future unemployment claims. These levy amounts are legally segregated for future use in the General Fund, Reserved for Reemployment Fund Balance. Claims paid for unemployment are recorded against this reserve account. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

The District continues to carry commercial insurance for all other risks of loss. There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. In addition, there have been no settlements in excess of the District's insurance coverage in any of the prior three years.

**INDEPENDENT SCHOOL DISTRICT #347**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

**NOTE 11 CONTINGENT LIABILITIES AND COMMITMENTS**

**Federal and State Receivables**

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial. The financial assistance received is subject to an audit pursuant to OMB Circular A-133 or audits by the grantor agency.

**EEOC Charges**

The EEOC has charged the District with age discrimination regarding certain employee benefits. Negotiations are pending with the EEOC and the amount of financial expense can not be determined at this time.

**SECTION II – COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS**

**INDEPENDENT SCHOOL DISTRICT #347  
WILLMAR, MINNESOTA  
COMBINING BALANCE SHEET  
ALL SPECIAL REVENUE FUNDS  
JUNE 30, 2002**

**SCHEDULE 1**

	Food Service	Community Service	Totals	
			June 30, 2002	June 30, 2001
<b>ASSETS</b>				
Cash and Temporary Investments	\$ 249,496	\$ 559,853	\$ 809,349	\$ 572,212
Taxes Receivable -				
Current	-	125,607	125,607	87,900
Delinquent	-	863	863	182
Accounts Receivable	522	2,457	2,979	13,843
Due from Department of Children, Families and Learning	28,380	104,107	132,487	174,832
Due from Other Governmental Units	-	9,271	9,271	-
Inventory	17,801	-	17,801	39,794
Prepaid Expenditures	-	-	-	135
<b>Total Assets</b>	<b>\$ 296,199</b>	<b>\$ 802,158</b>	<b>\$ 1,098,357</b>	<b>\$ 888,898</b>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 39,684	\$ 71,839	\$ 111,523	\$ 21,098
Salaries and Wages Payable	22,526	116,494	139,020	81,638
Due to Other Governmental Units	-	-	-	7,727
Deferred Revenue	17,801	862	18,663	39,976
Property Taxes Levied for Subsequent Years' Expenditures	-	223,243	223,243	157,315
<b>Total Liabilities</b>	<b>\$ 80,011</b>	<b>\$ 412,438</b>	<b>\$ 492,449</b>	<b>\$ 307,754</b>
<b>FUND BALANCES</b>				
Reserved for Community Education	\$ -	\$ 306,228	\$ 306,228	\$ 285,082
Reserved for Early Childhood Family Education	-	(62,711)	(62,711)	(43,084)
Reserved for School Readiness	-	24,130	24,130	-
Unreserved, Undesignated	216,188	122,073	338,261	339,146
<b>Total Fund Equity</b>	<b>\$ 216,188</b>	<b>\$ 389,720</b>	<b>\$ 605,908</b>	<b>\$ 581,144</b>
<b>Total Liabilities and     Fund Equity</b>	<b>\$ 296,199</b>	<b>\$ 802,158</b>	<b>\$ 1,098,357</b>	<b>\$ 888,898</b>



**INDEPENDENT SCHOOL DISTRICT #347  
WILLMAR, MINNESOTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
ALL SPECIAL REVENUE FUNDS  
YEAR ENDED JUNE 30, 2002**

**SCHEDULE 2**

	Food Service	Community Service	Totals	
			June 30, 2002	June 30, 2001
<b>REVENUES</b>				
Local Property Tax Levies	\$ -	\$ 138,917	\$ 138,917	\$ 22,969
Other Local and County Revenues	11,444	601,760	613,204	473,824
Revenues from State Sources	66,109	818,547	884,656	870,573
Revenues from Federal Sources	693,669	52,862	746,531	647,724
Sales and Other Conversions of Assets	706,428	1,954	708,382	767,937
Total Revenues	\$ 1,477,650	\$ 1,614,040	\$ 3,091,690	\$ 2,783,027
<b>EXPENDITURES</b>				
Community Education and Services	\$ -	\$ 1,571,652	\$ 1,571,652	\$ 1,242,590
Pupil Support Services	1,485,580	9,694	1,495,274	1,423,910
Total Expenditures	\$ 1,485,580	\$ 1,581,346	\$ 3,066,926	\$ 2,666,500
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	\$ (7,930)	\$ 32,694	\$ 24,764	\$ 116,527
Fund Balance, July 1	224,118	357,026	581,144	464,617
Fund Balance, June 30	\$ 216,188	\$ 389,720	\$ 605,908	\$ 581,144

**INDEPENDENT SCHOOL DISTRICT #347  
WILLMAR, MINNESOTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES – Budget and Actual  
ALL SPECIAL REVENUE FUNDS  
YEAR ENDED JUNE 30, 2002**

	Food Service		Variance - Favorable (Unfavorable)
	Budget	Actual	
<b>REVENUES</b>			
Local Property Tax Levies	\$ -	\$ -	\$ -
Other Local and County Revenues	12,541	11,444	(1,097)
Revenues from State Sources	144,904	66,109	(78,795)
Revenues from Federal Sources	580,569	693,669	113,100
Sales and Other Conversions of Assets	779,994	706,428	(73,566)
Total Revenues	<u>\$ 1,518,008</u>	<u>\$ 1,477,650</u>	<u>\$ (40,358)</u>
<b>EXPENDITURES</b>			
Community Education and Services	\$ -	\$ -	\$ -
Pupil Support Services	1,516,866	1,485,580	31,286
Total Expenditures	<u>\$ 1,516,866</u>	<u>\$ 1,485,580</u>	<u>\$ 31,286</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	\$ 1,142	\$ (7,930)	\$ (9,072)
Fund Balance, July 1	<u>224,118</u>	<u>224,118</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 225,260</u></u>	<u><u>\$ 216,188</u></u>	<u><u>\$ (9,072)</u></u>

**SCHEDULE 3**

Community Service			Totals (Memorandum Only)		
Budget	Actual	Variance - Favorable (Unfavorable)	Budget	Actual	Variance - Favorable (Unfavorable)
\$ 182,803	\$ 138,917	\$ (43,886)	\$ 182,803	\$ 138,917	\$ (43,886)
599,935	601,760	1,825	612,476	613,204	728
752,237	818,547	66,310	897,141	884,656	(12,485)
67,251	52,862	(14,389)	647,820	746,531	98,711
1,954	1,954	-	781,948	708,382	(73,566)
<u>\$ 1,604,180</u>	<u>\$ 1,614,040</u>	<u>\$ 9,860</u>	<u>\$ 3,122,188</u>	<u>\$ 3,091,690</u>	<u>\$ (30,498)</u>
\$ 1,521,258	\$ 1,571,652	\$ (50,394)	\$ 1,521,258	\$ 1,571,652	\$ (50,394)
15,975	9,694	6,281	1,532,841	1,495,274	37,567
<u>\$ 1,537,233</u>	<u>\$ 1,581,346</u>	<u>\$ (44,113)</u>	<u>\$ 3,054,099</u>	<u>\$ 3,066,926</u>	<u>\$ (12,827)</u>
\$ 66,947	\$ 32,694	\$ (34,253)	\$ 68,089	\$ 24,764	\$ (43,325)
357,026	357,026	-	581,144	581,144	-
<u>\$ 423,973</u>	<u>\$ 389,720</u>	<u>\$ (34,253)</u>	<u>\$ 649,233</u>	<u>\$ 605,908</u>	<u>\$ (43,325)</u>

**INDEPENDENT SCHOOL DISTRICT #347  
WILLMAR, MINNESOTA  
STATEMENT OF CHANGES IN NET ASSETS  
AND LIABILITIES – AGENCY FUND  
YEAR ENDED JUNE 30, 2002**

**SCHEDULE 4**

	Balance June 30, 2001	Additions	Deductions	Balance June 30, 2002
<b>ASSETS</b>				
Cash	\$ 17,622	\$ 62,176	\$ 79,798	\$ -
Due from Department of Children, Families and Learning	-	47,185	34,393	12,792
Total Assets	<u>\$ 17,622</u>	<u>\$ 109,361</u>	<u>\$ 114,191</u>	<u>\$ 12,792</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ 68,858	\$ 68,858	\$ -
Due to Other Governmental Units	17,622	27,711	45,333	-
Due to Other Funds	-	12,792	-	12,792
Total Liabilities	<u>\$ 17,622</u>	<u>\$ 109,361</u>	<u>\$ 114,191</u>	<u>\$ 12,792</u>

**SECTION III – SUPPORTING SCHEDULE**

**INDEPENDENT SCHOOL DISTRICT #347**  
**WILLMAR, MINNESOTA**  
**UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS**  
**COMPLIANCE TABLE**  
**JUNE 30, 2002**

**SCHEDULE 5**

**01 GENERAL FUND**

Total Revenue	\$ 34,270,542
Total Expenditures	\$ 31,927,739

*Reserved:*

4.03	Staff Development	\$ -
4.06	Health and Safety	\$ (39,199)
4.07	Down Payment Levy	\$ -
4.08	Cooperation Rev.	\$ -
4.09	Deferred Maintenance	\$ -
4.10	Reemployment Ins.	\$ (15,701)
4.11	Severance Pay	\$ 593,870
4.12	Bus Purchases	\$ -
4.14	Operating Debt	\$ -
4.15	Reduce SOD-77	\$ -
4.16	Levy Reduction	\$ -
4.18	Severance-Ins. Premium	\$ -
4.19	Encumbrances	\$ -
4.23	Certain Teacher Programs	\$ -
4.24	Operating Capital	\$ 211,121
4.26	\$25 Taconite	\$ -
4.27	Disabled Accessibility	\$ 38,786
4.28	Learning & Development	\$ -
4.29	Parental Involvement	\$ -
4.33	Student Transport Safety	\$ -
4.34	Area Learning Center	\$ 279,284
4.35	Contracted Alt. Programs	\$ -
4.36	State Approved Alt. Programs	\$ -
4.37	Grad Standards Staff	\$ -
4.38	Grad Standards Gifted & Tal.	\$ -
4.39	Grad Standards	\$ -
4.41	Basic Skills	\$ -
4.42	Class Size, All-Day	\$ -

4.43	Telecomm. Access Cost	\$ -
<i>Unreserved:</i>		
4.20	Des S.O.D.-1977	\$ -
4.21	Des Since S.O.D.-1977	\$ -
4.22	Unreserved/Undesignated	\$ 224,214

**02 FOOD SERVICE**

Total Revenue	\$ 1,477,650
Total Expenditures	\$ 1,485,580

*Reserved:*

4.11	Severance	\$ -
4.18	Des Severance-Ins. Premium	\$ -
4.19	Encumbrances	\$ -

*Unreserved:*

4.21	Des Since S.O.D.-1977	\$ -
4.22	Unreserved/Undesignated	\$ 216,188

**04 COMMUNITY SERVICES**

Total Revenue	\$ 1,614,040
Total Expenditures	\$ 1,581,346

*Reserved:*

4.11	Severance	\$ -
4.18	Severance-Ins. Premium	\$ -
4.19	Encumbrances	\$ -
4.26	\$25 Taconite	\$ -
4.31	Community Education	\$ 306,228
4.32	E.C.F.E.	\$ (62,711)
4.44	School Readiness	\$ 24,130

*Unreserved:*

4.21	Des Since S.O.D.-1977	\$ -
4.22	Unreserved/Undesignated	\$ 122,073

**06 BUILDING CONSTRUCTION**

Total Revenue	\$ -
Total Expenditures	\$ -

*Reserved:*

4.07	Down Payment Levy	\$ -
4.09	Alternative Facility Program	\$ -
4.19	Encumbrances	\$ -

*Unreserved:*

4.22	Unreserved/Undesignated	\$ -
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**07 DEBT SERVICE**

Total Revenue	\$ 4,069,058
Total Expenditures	\$ 24,221,325

*Reserved:*

4.25	Bond Refundings	\$ -
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*Unreserved:*

4.22	Unreserved/Undesignated	\$ 993,012
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**08 TRUST**

Total Revenue	\$ -
Total Expenditures	\$ -

*Reserved:*

4.19	Encumbrances	\$ -
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*Unreserved:*

4.22	Unreserved/Undesignated	\$ -
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**09 AGENCY**

Total Revenue	\$ -
Total Expenditures	\$ -

*Unreserved:*

4.22	Unreserved/Undesignated	\$ -
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**20 INTERNAL SERVICE**

Total Revenue	\$ 160,424
Total Expenditures	\$ 223,770

*Reserved:*

4.19	Encumbrances	\$ -
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*Unreserved:*

4.22	Unreserved/Undesignated	\$ (84,606)
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**SECTION IV – COMPLIANCE LETTERS**

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

We have audited the general purpose financial statements of Independent School District #347 as of and for the year ended June 30, 2002 and have issued our report thereon dated September 26, 2002. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether Independent School District #347's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we have noted an immaterial instance of noncompliance, which has been reported to management in the accompanying schedule of findings and questioned costs.

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered Independent School District #347's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.



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

*Larson, Allen, Weishaar & Co., LLP*  
LARSON, ALLEN, WEISHAAR & CO., LLP

Austin, Minnesota  
September 26, 2002

## INDEPENDENT AUDITOR'S REPORT ON LEGAL COMPLIANCE

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

We have audited the general purpose financial statements of Independent School District #347 as of and for the year ended June 30, 2002, and have issued our report thereon dated September 26, 2002.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 #347 complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs.

This report is intended solely for the information and use of the Independent School District #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.

*Larson, Allen, Weishair & Co., LLP*

LARSON, ALLEN, WEISHAIR & CO., LLP

Austin, Minnesota  
September 26, 2002

**SECTION V – SINGLE AUDIT**

**INDEPENDENT SCHOOL DISTRICT #347  
WILLMAR, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2002**

**SCHEDULE 6**

Grantor/Program	CFDA Number	Expenditures
US Department of Agriculture		
Pass-Through Minnesota Department of Children, Families, and Learning		
* Type A Lunch	10.555	\$ 481,090
After School Snack	10.558	2,683
Cash in Lieu	10.558	5
* School Breakfast Program	10.553	100,924
Food Distribution (Commodities)	10.550	90,264
Child and Adult Care Food Program	10.558	291
Commodity Rebates	10.550	18,413
Total US Department of Agriculture		<u>\$ 693,670</u>
US. Department of Education		
Pass-Through Minnesota Department of Children, Families, and Learning		
Special Education - Flow Through	84.027	\$ 191,946
Title I Grants to Local Education Agencies	84.010	770,385
Title II - Professional Development	84.281	35,046
Title VI - Innovative Education		
Program Strategies	84.298	61,456
Federal Class Size Reduction	84.340	215,136
Goals 2000	84.276	31,780
Migrant Education	84.011	87,099
Carl Perkins	84.048	67,341
Drug Free	84.186A	33,038
Adult Basic Education	84.002	29,336
Title I Comp Delinquent	84.010	66,500
Total US Department of Education		<u>\$ 1,589,063</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE EXPENDED		<u><u>\$ 2,282,733</u></u>

\* Programs are Clustered - Major Program

See accompanying Notes to Schedule.

**INDEPENDENT SCHOOL DISTRICT #347  
WILLMAR, MINNESOTA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2002**

**NOTE 1 GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the expenditures of all federal financial assistance programs of Independent School District #347. The reporting entity is defined in Note 1 to the District's general purpose financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies are 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 general purpose 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, 2002, the District had food commodities totaling \$ 17,801 in inventory.

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

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

Compliance

We have audited the compliance of Independent School District #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 programs for the year ended June 30, 2002. Independent School District #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 #347's management. Our responsibility is to express an opinion on Independent School District #347's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; 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 #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 on Independent School District #347's compliance with those requirements.

In our opinion, Independent School District #347 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal financial assistance programs for the year ended June 30, 2002.

**Internal Control Over Compliance**

The management of Independent School District #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 #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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that would be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

*Larson, Allen, Weishair & Co., LLP*

**LARSON, ALLEN, WEISHAIR & CO., LLP**

Austin, Minnesota  
September 26, 2002

**INDEPENDENT SCHOOL DISTRICT #347  
WILLMAR, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2002**

**Part I: Summary of the Independent Auditor's Results**

**Section I – Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: Unqualified.

Internal control over financial reporting:

- Material weakness(es) identified? Yes \_\_\_\_\_ No  X
- Reportable condition(s) identified that are not considered to be material weaknesses?  
\_\_\_\_\_ Yes  X  None Reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes  X  No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes  X  No
- Reportable condition(s) identified that are not considered to be material weakness(es)?  
\_\_\_\_\_ Yes  X  None Reported

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

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

\_\_\_\_\_ Yes  X  No

Identification of major programs?

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	<u>Amount</u>
10.553	School Breakfast	\$ 100,924
10.555	Type A Lunch	481,090
	Nutrition Cluster	\$ 582,014
84.010	Title I Grants to Local Education Agencies	770,385
		<u> \$ 1,352,399 </u>

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

Auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes  X  No



**INDEPENDENT SCHOOL DISTRICT #347  
WILLMAR, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2002**

**Section II – Financial Statement Findings**

NONE.

**Section III – Federal Awards Findings and Questioned Costs**

NONE

**INDEPENDENT SCHOOL DISTRICT #347  
WILLMAR, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2002**

**Section IV – Findings Related to Minnesota Legal Compliance**

02-IV-A

Minnesota Statute 118A.003, Subdivision 3 requires the District to have deposits in excess of FDIC or FSLIC insurance be protected by bond or collateral of which market value should be at least ten percent more than the amount of excess deposits. The District did not have adequate collateral on December 31, 2001.

Corrective Action Plan (CAP):

1. Explanation of Disagreement With Audit Finding

There was no disagreement with the audit finding.

2. Actions Planned in Response to Finding

The District will obtain additional collateral.

3. Official Responsible for Ensuring CAP

Bob Haines, Director of Business and Finance, is responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP

Immediately.

5. Plan to Monitor Completion of CAP

Kathryn Leedom, Superintendent, will be monitoring this corrective action plan.

**INDEPENDENT SCHOOL DISTRICT #347  
WILLMAR, MINNESOTA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2002**

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>It not Corrected, Provide Planned Corrective Action or Other Explanation</u>
01-II-A	Fixed Asset Records	Corrected	Not Applicable

**SECTION VI – STUDENT ACTIVITY FUNDS**

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the statement of cash receipts and disbursements of the Student Activity Funds of Independent School District #347 for the year ended June 30, 2002. 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 U.S. generally accepted auditing standards. 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 the Note to Student Activity Fund Financial Statements, the financial statement is prepared on the cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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, 2002, and the revenues it received and the expenditures it paid for the year then ended on the basis of accounting described in the Note to Student Activity Fund Financial Statements.

*Larson, Allen, Weishair & Co., LLP*

LARSON, ALLEN, WEISHAIR & CO., LLP

Austin, Minnesota  
September 26, 2002

**INDEPENDENT SCHOOL DISTRICT #347  
WILLMAR, MINNESOTA  
CENTRAL OFFICE ACTIVITY FUND  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
YEAR ENDED JUNE 30, 2002**

**SCHEDULE 7**

Funds	Balance 06/30/01	Transfer & Receipts	Disburse- ments	Balance 06/30/02
WEAC	\$ 4,502	\$ 893	\$ 4,327	\$ 1,068
Elementary Yearbook	(1,997)	15,797	13,800	-
Blomquist Scholarship	10,000	64	-	10,064
Keating Scholarship	<u>23,090</u>	<u>404</u>	<u>400</u>	<u>23,094</u>
Total	<u>\$ 35,595</u>	<u>\$ 17,158</u>	<u>\$ 18,527</u>	<u>\$ 34,226</u>

See Note to Student Activity Fund Financial Statements.

**INDEPENDENT SCHOOL DISTRICT #347  
WILLMAR, MINNESOTA  
JUNIOR HIGH ACTIVITY FUND  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
YEAR ENDED JUNE 30, 2002**

**SCHEDULE 8**

Funds	Balance 06/30/01	Transfer & Receipts	Disburse- ments	Balance 06/30/02
Library	\$ 709	\$ 116	\$ -	\$ 825
Student Council	664	7,243	7,067	840
German	580	-	580	-
Journalism	(4,177)	9,066	6,615	(1,726)
Drama	5,980	5,097	4,638	6,439
Special Projects	5,396	9,401	6,247	8,550
Swim Suit Rent	1,570	2,066	3	3,633
Faculty Pop	605	304	437	472
French	1,613	-	43	1,570
Spanish	1,689	-	1,098	591
Conservation Club	55	2,917	2,648	324
Total	<u>\$ 14,684</u>	<u>\$ 36,210</u>	<u>\$ 29,376</u>	<u>\$ 21,518</u>

See Note to Student Activity Fund Financial Statements.

INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE 9

WILLMAR, MINNESOTA

SENIOR HIGH ACTIVITY FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

YEAR ENDED JUNE 30, 2002

Funds	Balance 06/30/01	Transfer & Receipts	Disburse- ments	Balance 06/30/02
Class of 2001	\$ 473	\$ 841	\$ 1,314	\$ -
Class of 2002	6,066	2,536	7,530	1,072
Class of 2003	-	20,092	12,809	7,283
Kleenex	-	34	34	-
Cardettes	7,096	18,661	21,842	3,915
Choralaires	34	-	-	34
Concessions	-	20,969	20,969	-
F.F.A.	2,769	335	886	2,218
Faculty	7	248	241	14
Flow Thru	-	17,846	17,846	-
Foreign Language	51	-	51	-
French Club	395	11,406	11,622	179
General Fund	8,304	6,154	10,277	4,181
German Club	236	-	35	201
Cross Country	196	-	124	72
Key Club	2,022	2,447	1,762	2,707
Library Club	775	85	118	742
National Honor Society	-	678	678	-
Nordic Ski	-	959	320	639
Pop Fund	11,901	5,872	17,072	701
Seventh Rendition	-	17,109	16,634	475
Spanish Club	-	74,624	74,494	130
Piano Donations	4,650	19,370	24,020	-
Goals - Retreat	-	3,735	3,735	-
Student Council	2,046	12,971	11,191	3,826
Sunshine Fund	612	362	513	461
Usher's Fund	84	390	435	39
"W" Fund	1,141	9,731	10,747	125
Wihisean	15,031	4,568	9,073	10,526
Wilohi	-	4,095	4,095	-
Football	16	6,276	6,292	-
Roth-Norlien	2,000	2,000	2,000	2,000
Orchestra	104	954	974	84
Willmar Athletics	10,167	63,962	42,476	31,653
Team Target	1,167	-	-	1,167
N. Quick Memorial Scholarship	1,200	-	400	800
Registration	5,191	34,270	22,846	16,615
Final Concessions	1,212	14,077	10,616	4,673
Athletic Tournaments	-	36,685	36,685	-
Knowledge Bowl	297	25	322	-
Faculty Scholarship	970	30	1,000	-
FACS	-	364	287	77
The Voice	271	-	271	-
Art Club	183	100	220	63
Student Handbook	-	7,386	6,936	450
High Mileage	458	3,848	4,304	2
Guidance Department	731	871	796	806
Communication Book Replacement	170	432	407	195
United Culture	1,110	600	572	1,138
Linda Aune Mini Grant	-	900	727	173
Track Apparel	600	1,703	1,621	682
Random Acts of Kindness	185	1,000	894	291
Total	<u>\$ 89,921</u>	<u>\$ 431,601</u>	<u>\$ 421,113</u>	<u>\$ 100,409</u>

See Note to Student Activity Fund Financial Statements.



**INDEPENDENT SCHOOL DISTRICT #347  
WILLMAR, MINNESOTA  
NOTE TO STUDENT ACTIVITY FUND FINANCIAL STATEMENTS  
JUNE 30, 2002**

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.

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

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

We have audited the statement of cash receipts and disbursements of the extracurricular Student Activity Fund of Independent School District #347 for the year ended June 30, 2002 and have issued our report thereon dated September 26, 2002.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the provisions of the *Manual of Instruction for Uniform Student Activities Accounting for Minnesota School Districts and Area Vocational-Technical Colleges*, issued by the Minnesota Department Education, pursuant to Minnesota Statutes Section 123.38.

The *Manual of Instruction for Uniform Student Activities Accounting for Minnesota School Districts and Area Vocational-Technical Colleges* provides uniform financial accounting and reporting standards for student activities, compliance is the responsibility of the District's management. 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. Accordingly, we do not express such an opinion.

The result of our tests indicate that, with respect to the items tested, the District's extracurricular student activity accounts complied, in all material respects, with the provisions referred to in the preceding paragraph, except as described below.

### Improper Activity Accounts

Certain activities (for example; Faculty Fund, Pop Fund, Keating Scholarship, Blomquist Scholarship) accounted for by the District as student activities during the year ended June 30, 2002 do not meet the definition of an extracurricular activity as defined by the standards referred to above. While we recognize that your current accounting procedures for these certain activities may be both efficient and practical, it is important, however, that you be aware of this condition.

Deficit Cash Balances

One activity fund had negative balance at June 30, 2002. Guidelines indicate that balances cannot be negative as this condition may result in a personal liability by the advisor or treasurer of that fund. We recommend that balances be monitored by the advisor or treasurer of each fund to maintain a current balance of zero or above.

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

*Larson, Allen, Weishair & Co., LLP*

**LARSON, ALLEN, WEISHAIR & CO., LLP**

Austin, Minnesota  
September 26, 2002