
Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2010



Independent School District No. 347

Willmar, Minnesota

NCA accredited



Preparing All Students for a Successful Tomorrow

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year ended June 30, 2010**

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

**611 5th Street SW
Willmar, Minnesota 56201-3218**

**Prepared by
Business Office Staff**

INTRODUCTORY SECTION



**WILLMAR PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT 347
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INDEPENDENT SCHOOL DISTRICT 347
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**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2010**

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

**SCHOOL BOARD AND ADMINISTRATION
JUNE 30, 2010**

SCHOOL BOARD

<u>NAME</u>	<u>TERM EXPIRES</u>	<u>POSITION</u>
Brad Schmidt	12/31/2010	Chairperson
Dion Warne	12/31/2010	Vice-Chairperson
Mike Carlson	12/31/2010	Clerk
Wayne Lenzmeier	12/31/2012	Treasurer
Mike Reynolds	12/31/2012	Director
Eric Roberts	12/31/2012	Director
Sandra Unger	12/31/2012	Director

CENTRAL ADMINISTRATION

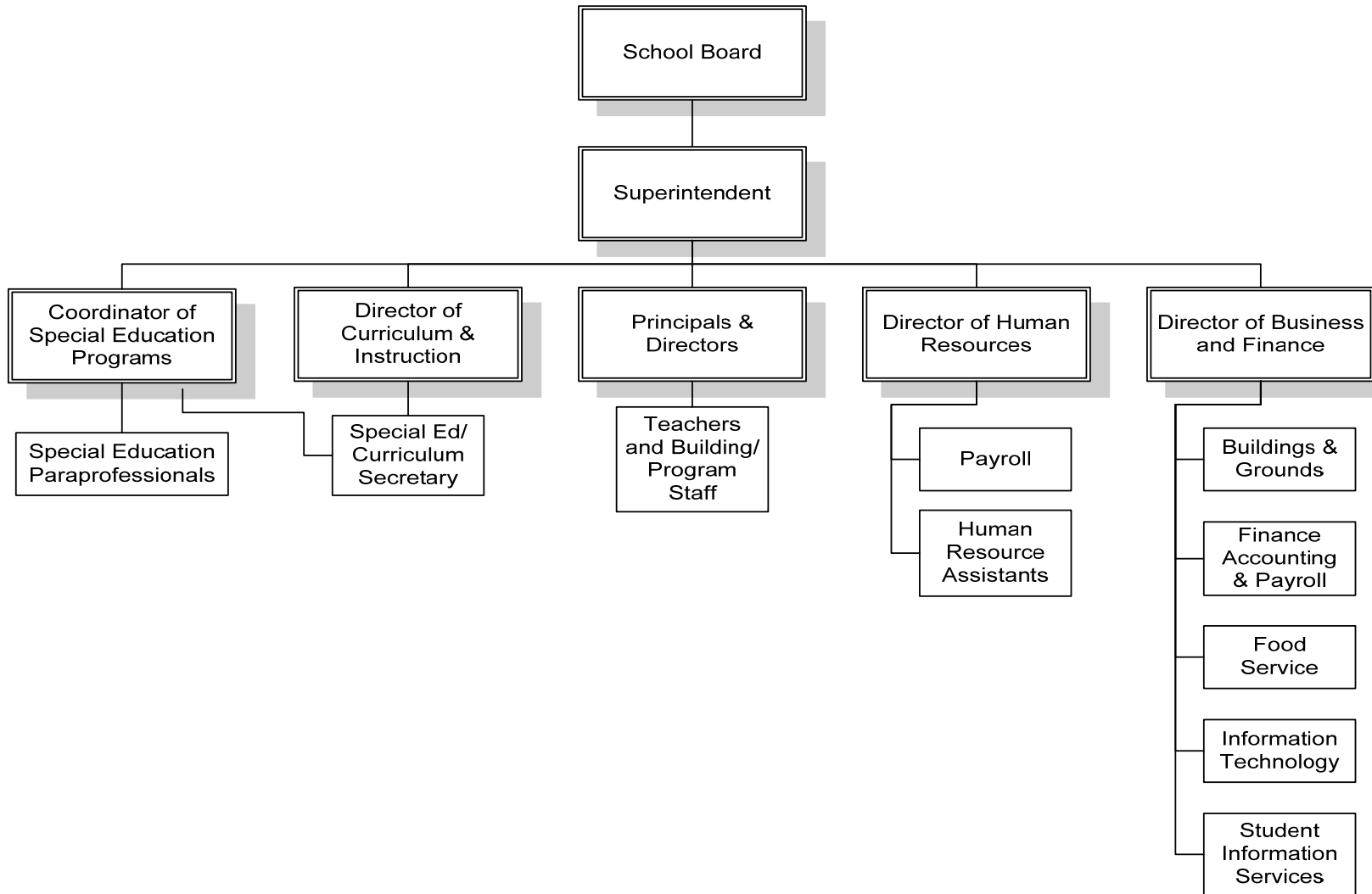
<u>NAME</u>	<u>POSITION</u>
Dr. Jerry Kjergaard	Superintendent
Pamela Harrington	Director of Business and Finance
William Busta	Director of Human Resources

District Offices:

Willmar Public Schools
Independent School District No. 347
611 5th St. SW
Willmar, MN 56201-3218
320-231-8500
www.willmar.k12.mn.us

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

**ORGANIZATIONAL CHART
JUNE 30, 2010**



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The Willmar Public Schools

Independent School District 347
611 SW 5th St., Willmar, MN 56201
Phone: 320/231-8500
Fax: 320/231-8504
www.willmar.k12.mn.us

November 8, 2010

To: Citizens of Independent School District 347
Members of the Board of Education
Employees of the District

INTRODUCTION

The Comprehensive Annual Financial Report of Willmar Public Schools – Independent School District No. 347 (District) is submitted for the fiscal year (FY) ended June 30, 2010. The enclosed information is accurate in all material respects and reported in a manner that fairly presents the District's financial position and results of operations. The District Administration accepts full responsibility for the accuracy, completeness and fairness of this presentation.

This report is prepared in conformance with United States Generally Accepted Accounting Principles (GAAP). This report is also consistent with legal reporting requirements of the State of Minnesota. In addition to meeting legal requirements, this report is intended to present a comprehensive summary of significant financial data to meet the needs of citizens, taxpayers, employees, financial institutions, and the School Board.

Since the implementation of Governmental Accounting Standards Board (GASB) Statement No. 34, the readers of this financial report will notice that the two main financial statements created by this standard, the Statement of Net Assets along with the Statement of Activities, do not contain numerous columns for various funds that have been included in past governmental financial statements. These two statements consolidate much of the information contained in fund-based financial statements of the past into two statements which help to answer the question: "Is the District better or worse off financially than it was in the previous year?" A comparison of net assets should help the reader in answering that question. Also required as part of the "Required Supplementary Information" by GASB Statement No. 34 is a "Management's Discussion and Analysis" (MD&A) which allows the District to explain in layman's terms its financial position and results of operations of the past fiscal year.

REPORT FORMAT

The comprehensive annual financial report is presented in three sections.

Introductory Section – includes this letter of transmittal, an organization chart, and a list of School Board members and administrative personnel. The Introductory Section is not audited.

Financial Section – includes the independent auditor's report, Management's Discussion and Analysis (MD&A), basic financial statements, notes to the financial statements, required supplementary information and supplementary information.

Statistical Section – includes selected financial, demographic and economic information, generally presented on a multi-year comparative basis. The Statistical Section is not audited.

REPORTING ENTITY AND ITS SERVICES

Independent School District No. 347, also known as the Willmar Public Schools, is an instrumentality of the State of Minnesota established to function as an educational institution. The District is an independent entity governed by an elected seven member School Board. The School Board has the power and duty to set budgets, certify tax levies, issue debt and perform other tasks necessary to the operation of the District. The District is subject to the oversight of the Minnesota Department of Education. The District does not have any component units.

The District, established in 1881, serves the communities of Blomkest, Kandiyohi, Pennock and Willmar. The District is located in west-central Minnesota, approximately 100 miles west of the Minneapolis/St. Paul metropolitan area. The District encompasses an area of approximately 149,294 acres in Kandiyohi County with an estimated population of 24,605 citizens, including a population of 19,072 in Willmar. All school buildings are located in Willmar. The District currently operates nine owned buildings with a total square footage of 875,804 square feet and an average age of over 54 years, with the oldest building built in 1924.

The Willmar Public Schools enrollment for FY 2010 is 4,031 ADM's (Average Daily Membership). The District projects that enrollment will level off with just slight variations up or down from year to year. More detailed enrollment information is included in the Financial Section in the MD&A.

The District provides a full range of public education services appropriate to our students in grade levels ranging from pre-kindergarten through grade 12. These services include regular and enriched academic education, special education and career/vocational education. Food service and transportation are provided as supporting programs. The District's community education program includes Early Childhood and Family Education programs, Adult Basic Education programs, School Readiness and a wide variety of classes for lifelong learning experiences for children and adults.

ECONOMIC CONDITION AND OUTLOOK

The area has begun to feel the impact of the economic recession. The City of Willmar serves as a regional center for medical care, retail, trade, education and small industries. The diversity of the economic base had provided stability. Willmar is seeing more and more housing foreclosures and homes sitting vacant. Business have laid off staff or reduced hours. It seems to be better for the District when business reduce hours versus laying off staff because families are less likely to look for employment outside of the District.

The City of Willmar was named an "All American City" in June 2005 by the National Civic League. Since 1949, only 18 Minnesota cities have received this significant honor.

Willmar has experienced some economic downturns even though the unemployment rate has decreased from 6.9% in 2009 to 5.9% in 2010. Some companies have opted to reduce employees work weeks in lieu of full layoffs.

With the exception of voter approved operating and bond referendums, the District is dependent on the State of Minnesota for its revenue authority. Recent experience demonstrates that legislated revenue increases are not sufficient to meet instructional program needs and increased costs due to inflation. As a result of these pressures, the District has had to rely on a property tax referendum to support its educational programs. The voters approved an operating referendum in 2001, scheduled to sunset in calendar year 2012. An increase in revenues from the 2001 operating referendum began in FY 2003. The voters approved an additional operating referendum in 2008 that began in FY 2010. In November 2010, the District will ask the voters to revoke the operating referendum from 2001 and replace it with a referendum amount that is almost double the 2001 amount.

In addition to passing the operating referendum, the School Board cut \$1.8 million in expenditures from the FY 2002 Budget. Additional budget cuts (primarily personnel) were enacted for FY 2006 (\$800,000) and FY 2007 (\$771,000). The District carefully added approximately \$800,000 in programming and services to positively impact student learning during the FY 2008 school year. The budget was reduced \$1,300,000 for FY 2009. Budget reductions again occurred for the FY 2010 school year in the amount of \$2.7 million and for FY 2011 in the amount of \$1.7 million.

The District will continue to be proactive in its financial management by seeking all available sources of revenue, responding to enrollment changes, controlling expenditures and seeking maximum efficiencies. Continued use of state of the art enrollment and long-range financial planning software, a Finance Advisory Committee (including

community members), updated budgeting processes, and a business office culture of continuous improvement all will continue contributing towards the quest for financial stability into the future.

The financial future for the District looks challenging. The 2009 Legislature approved a freeze in the General Education formula for 2009-2010 and 2010-2011. The result of this funding formula freeze is budget reductions and decrease of services provided to students. The District received some state funding replacement in 2009-10 in form of the American Recovery and Reinvestment Act of 2009 stabilization funding. Accordingly, the District continues to utilize sophisticated enrollment and financial planning tools, along with detailed and conservative budgeting and budget monitoring processes. The District will continue to seek all available sources of funding, balance revenue to expenditures, and maintain systems that ensure financial stability. If state funding remains below inflation levels, General Fund budget deficits will grow and the fund balance will decline in subsequent years. The legislature will be back in session in February of 2011 and will focus on the state budget deficit and education funding. Preliminary predictions indicate flat or reduced state education funding.

MISSION STATEMENT

Preparing All Students for a Successful Tomorrow

Purposeful Thinker
Effective Communicator
Self Directed Learner
Productive Group Participant
Responsible Citizen

Long Term District Wide Goal

Increase the academic proficiency of all students through effective instruction and appropriate curriculum and assessments in partnership with all staff as well as parents, guardians and community members.

In order to meet our mission and reach our goal it is understood that we must all work collaboratively to provide for the social, physical and emotional well being of every child.

The School Board reviewed and revised the major District-wide goals in FY 2010:

- Improve student lives
- Achievement for all students
- Fiscally responsible stewardship
- Strengthen school/community relationships to improve learning for all students

A copy of the strategic plan document based on the above goals is available in the District Office or from a building Administrator.

FINANCIAL AND BUDGETARY CONTROL

The District complies with the Uniform Financial Accounting and Reporting Standards (UFARS) for Minnesota schools. UFARS, established in 1976, dictates a modified accrual basis of accounting. An audited annual financial report is required to be provided to the Minnesota Department of Education by December 31, subsequent to the year end on June 30.

The District has established and maintained internal controls designed to ensure that the assets of the District are protected from theft, misuse or losses. These controls are also designed to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) and Minnesota UFARS. The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived, and 2) the valuation of the costs and benefits requires estimates and judgments by management.

Minnesota school finance law requires that the budget fiscal year begin July 1 and end June 30. The District develops a General Fund Budget, Food Service Fund Budget, Community Service Fund Budget, Debt Service Budget and other necessary budgets on an annual basis.

The budget process is comprised of five phases – planning, preparation, adoption, implementation, and evaluation. Planning and preparation for the FY 2010 budget began in December of 2008 with approval of the budget development plan and analysis of the student enrollment trend. The current enrollment status provided the data to update allocations for site non-payroll budgets. Expenditure estimates were updated both on a site basis and district-wide in the spring. An enrollment projection was developed in early April and provided the key data for the budget's revenue projection. The FY 2010 Budget was adopted in June of 2009 and implemented on July 1, 2009. The District completes a budget revision during the fiscal year normally in April.

To accurately track and report financial activities with a focus on site responsibility, approximately 10,403 account codes have been defined in the District's chart of accounts.

The District's budget and financial management practices are evidenced by the following District policies:

Fund Balance Policy #703: Requires the District to maintain a minimum General Fund unreserved fund balance of 6% of the annual operating budget. When the unreserved fund balance is equal to or less than 6% of the expenditure budget, the administration shall alert the School Board and propose alternative measures such as, seeking additional funds through a referendum and/or reducing expenditures by curtailing program services.

Budgeting Policy #709 and 709.1: Requires the District to comply with the budget process as explained above.

MAJOR INITIATIVES

Fiscal and Operational Integrity

The District is committed to maintaining the General Fund according to Board Fund Balance Policy. The Willmar Public Schools is also committed to implementing and maintaining systems that ensure financial stability and operational efficiency.

Due to the combined effort of the Community, School Board, staff and students, the District's General Fund has remained at a reasonable and responsible level. The District's sound fiscal management has a long-term positive impact on the student success.

A sophisticated long-range financial planning model, a detailed enrollment projection model, a Finance Advisory Committee, enhanced communication, consistently improved financial accuracy and compliance, and improved budgeting and accounting processes all have played a role in the District's financial stability.

The District encourages constituents to look closely at the financial performance and management. The District welcomes the opportunity to be fully accountable to the School Board, Staff and Community.

Major fiscal and operational initiatives from FY 2010 include:

- **The School Board decreased the FY 2011 Budget approximately \$1.7 million in June 2010.** Positions were reduced and programs were impacted by budget reductions following a very deliberate prioritization process.
- **Restructuring of District sites in FY 2010.** As part of the budget reduction process for FY 2010, the District consolidated the four elementary schools down to two elementary schools with new attendance boundaries. The District repurposed one of the closed elementary schools for Willmar Community Education and Recreation. One building is for sale. A seven classroom addition was built on to Roosevelt Elementary using state capital outlay funding.
- **Three National Financial Awards and one State Financial Award were received in 2010** – See the Financial Awards section on page 12 for more information.

- **The Food & Nutrition Services Department received the federal Fresh Fruits and Veggies Grant** – The Fresh Fruits and Veggies program provided an afternoon snack of fruits and vegetables to be served in both of the elementary schools.
- **Planning of an operating referendum question for November 2010** – The District began planning for an operating referendum question that will be posed to the public in November 2010. The referendum would revoke a current referendum set to expire in FY 2013 and renew it for a higher amount.
- **Mandarin Chinese program in the Senior High expanded** – The Mandarin Chinese program in the Senior High continues to be very successful. The District was awarded a very prestigious grant that put a teacher from China in a Senior High classroom teaching Chinese for FY 2010.

Student Achievement

The District's mission is "To Prepare All Students for a Successful Tomorrow." That mission is met with an intense effort at all levels of the Willmar Public Schools.

In order to have our mission become a reality, academic standards of the Willmar Public Schools are high. We use the Minnesota state standards in Mathematics, English Language Arts, Social Studies, Science and Art as the core of our curriculum. We use national or international standards in Business, Industrial Technology, Agriculture, World Languages, Health, Physical Education and Music.

Teaching our students to become contributing members of our society is also a high priority. Students, teachers and support staff participate in many community-building initiatives, such as service clubs, and volunteer activities. Character education is an integrated and important part of the education of all students.

Our high school leads all area schools in offering Advanced Placement (AP) opportunities in numerous subject areas. All students in grades 2 – 8 take the Northwest Educational Assessment (NWEA) exams three times a year in reading and mathematics. Students in grades 9-10 also take these tests, as appropriate to their course of study. Growth is measured individually, as well as by classroom and district. Opportunities for remediation and acceleration are available. In addition to national standardized tests and state assessments, formative and summative assessments are an expectation for all classroom teachers for all students.

The federal No Child Left Behind (NCLB) law requires schools to demonstrate that students are meeting Adequate Yearly Progress (AYP) goals. This progress is measured by the Minnesota Comprehensive Assessments (MCA). Each year the achievement bar is set higher for districts, leading to the goal of all students being proficient in reading and math by 2013-2014. For the 2009-10 school year, Willmar Public Schools made AYP in participation, attendance and graduation rate. The District did not make AYP for proficiency for all students in reading and math. Numerous interventions have been put in place. The District continues to operate all-day, everyday kindergarten for all students as a way to assist in closing the achievement gap early in a child's learning experience.

Student Achievement Programs & Improvements:

- Continue to offer all-day, everyday kindergarten to better serve the needs our young learners as well as to attempt to close the achievement gap early.
- Continue to use NWEA testing in math and reading in grades 2-10 as a means of assessing student growth, as well as program and instructional quality. Use the NWEA science test at the middle school and high school, as appropriate to grade and course.
- Maintain and update a comprehensive strategic work plan that addresses goals and objectives for all District sites.
- Continue to offer a Mandarin Chinese language class at the Senior High School in FY 2010-11.
- Curriculum maps are developed according to the curriculum review cycle. They are available on the District website. This provides public awareness of curriculum content, assessment and implementation of standards.

- Continue to offer Project Lead the Way during the 2010-11 school year. Staff continue to be trained in this pre-engineering course of study.
- Maintain an active Curriculum Advisory Committee comprised of interested community members, parents and students.
- Provide Targeted Services summer and after-school programming for students needing academic and social development. Enrollment in the program is very strong.
- The District Site Council is involved in staff development activities and the funding of teacher-generated "Best Practices" initiatives.
- Gifted and Talented Education dollars are used for enrichment activities at the building level. This allows the District to provide additional opportunities for students needing acceleration and enrichments.
- Capitalize on volunteers, foundations, and the Parent-Teacher-Student-Association's willingness to bring value added opportunities to students via curriculum enhancements, student life enhancements, and hundreds of hours of assistance in the classroom.

CASH MANAGEMENT

Temporary cash balances during the year are invested in various securities per the District Investment Policy and statute. The District uses a twelve month cash flow projection, updated monthly, to guide investment terms. The District's investment policy is structured to minimize risk while maintaining a competitive yield. Accordingly, deposits are either insured by federal depository insurance or collateralized in compliance with Minnesota statutes. Investment yield during FY 2010 ranged from 0.25% to 3.35%, resulting in a total net return of \$46,847.

DEBT ADMINISTRATION

As of June 30, 2010, the District had net bonded debt (including bond premiums) of \$10,346,810, well below the legal limit of \$280,151,515, or fifteen percent of the actual value of all taxable property in the District. Outstanding bonds are reviewed on a continuous basis by the District and its bond consultant to determine if refunding is feasible. The District's bond rating is at the Aa3 level.

RISK MANAGEMENT

The District maintains a comprehensive risk management program that includes a property/casualty insurance program specifically designed to meet school district needs. Other key aspects of the risk management program include a health & safety consultation arrangement, an active health & safety committee, annual safety inspections and periodic review of policies to assure regulatory compliance and adherence to legal constructs.

INDEPENDENT AUDIT

District policy and state statutes require an annual financial audit by independent certified public accountants. The District engaged Conway, Deuth & Schmiesing, PLLP to conduct the annual audit. The District also engaged Conway, Deuth & Schmiesing, PLLP to perform the audit of its federal programs in accordance with U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The District's federal programs are discussed in a report separate from the comprehensive annual financial report.

FINANCIAL AWARDS

The Association of School Business Officials (ASBO) International awarded the Certificate of Excellence in Financial Reporting to the District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009. This is the fifth year in a row the District received this award. Achieving recognition by this program provides a clear indication of the District's high standards for financial reporting and financial stewardship. It is the belief that this current report conforms to the Certificate of Excellence program requirements. This report will be submitted to ASBO to determine its eligibility for the certificate.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Willmar Public Schools for its comprehensive annual financial report for the fiscal year ended June 30, 2009. This was the fifth year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily

readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. It is the belief that this current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and it is being submitted to the GFOA to determine its eligibility for another certificate.

ASBO awarded the Meritorious Budget Award to the District for its FY 2008, FY 2009, FY 2010 and FY 2011 Original Budgets. The Meritorious Budget Award is the highest form of recognition in budgeting for school districts. The award is presented after the document has been through a comprehensive review by an independent panel of budget professionals. The review not only critiques the budget document using rigorous criteria but also provides feedback with suggested comments for improvements.

The Minnesota Department of Education awarded a School Finance Award for FY 2010 to the Willmar Public Schools for its exhibition of sound fiscal health and financial management policies and procedures. The award is based on compliance with state statute on a number of finance issues and other means of demonstrating fiscal health. The District has received the award in FY 2004, FY 2005, FY 2008, FY 2009 and FY 2010.

ACKNOWLEDGEMENTS

Preparation of this report could not have been accomplished without the efficient and dedicated services of the Business Office staff. We very much appreciate the hard work and expertise from our auditors, Conway, Deuth & Schmiesing, PLLP. Their work has been instrumental in the preparation of this document. Finally, thanks also go to Sam Modderman, Kandiyohi County Auditor/Treasurer and his staff for their assistance with this report.

We would like to express our appreciation to the School Board for the interest and support in planning and conducting the financial operations of the District in a responsible and progressive manner.

Sincerely,



Dr. Jerry Kjergaard
Superintendent



Pam Harrington
Director of Business and Finance

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

WILLMAR PUBLIC SCHOOLS ISD # 347

For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2009

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Willmar Public Schools
ISD #347, Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized handwritten signature in black ink, consisting of several loops and a long horizontal stroke.

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

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FINANCIAL SECTION



Quality | Dedication | Integrity

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #347, Willmar, Minnesota, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the District's 2009 financial statements and, in our report dated November 9, 2009, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #347, Willmar, Minnesota, as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Food Service and Community Service Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

(17)

Members: American Institute of Certified Public Accountants, Minnesota Society of Certified Public Accountants

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Toll Free: (800) 862-1337

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The introductory section, individual fund financial statement, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The individual fund financial statement is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Conway, Deuth & Schmiesing, PLLP

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

November 8, 2010

INDEPENDENT SCHOOL DISTRICT #347

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2010

This section of Willmar Public Schools – Independent School District No. 347's (District) annual financial report presents management's discussion of the District's financial performance during the fiscal year (FY) ending June 30, 2010. Please read it in conjunction with the District's financial statements, which follow this section.

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

FINANCIAL REVIEW

Key financial items for the 2009-2010 fiscal year include the following:

- The General Fund undesignated-unreserved fund balance again exceeded the School Board's fund balance goal of 6% of expenditures with a fund balance of \$4,798,469, equivalent to 11.9% of expenditures. The fund balance also exceeded the revised budget estimate of \$3,802,585 or 9.1% of expenditures. The additional fund balance is attributed to strategic under spending of budgeted expenditures in the areas of purchased services, supplies and capital outlay. The increased fund balance puts the district in a position to better weather the economical financial storm that continues to impact revenue and cash flow.
- Net Assets increased 19.9% from the prior year due to the addition of capital assets as a result of the Roosevelt Elementary School building addition and the increased undesignated-unreserved fund balance as discussed above.
- The combined Governmental Funds fund balance increased by 35.7%, or \$2,096,908.
- The overall net decrease to the District's long-term liabilities was \$1,685,964, or 9.6%.
- Enrollment decreased by 44 ADM's (Average Daily Membership) in FY 2010. This puts the District close to the FY 2008 enrollment. The District expects enrollment to increase and decrease slightly each year as enrollment remains fairly level.
- Four Financial Awards: The District's comprehensive annual financial report for the year ended June 30th, 2009 was awarded several prestigious financial reporting awards by the Government Finance Officers Association of the United States and Canada (GFOA) and the Association of School Business Officials International (ASBO). The District's Original 2009-10 Budget received the ASBO Meritorious Budget Award. The District also received the Minnesota Department of Education 2010 School Finance Award.

INDEPENDENT SCHOOL DISTRICT #347

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2010

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

Government-wide Statements

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

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

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

INDEPENDENT SCHOOL DISTRICT #347

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2010

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

Fund Financial Statements

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

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

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

The District has three kinds of funds:

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

INDEPENDENT SCHOOL DISTRICT #347

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The District's *combined* net assets were \$22,615,318 on June 30, 2010. This was an increase of 19.94% from the previous year (see Table A-1 below).

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

	<u>Governmental Activities</u>		<u>Percentage Change</u>
	<u>2010</u>	<u>2009</u>	
Current and Other Assets	\$ 18,922,373	\$ 16,616,602	13.88%
Capital Assets	30,423,263	30,493,789	-0.23%
Total Assets	<u>49,345,636</u>	<u>47,110,391</u>	4.74%
Current Liabilities	\$ 10,935,245	\$ 10,773,074	1.51%
Long-term Liabilities	15,795,073	17,481,037	-9.64%
Total Liabilities	<u>26,730,318</u>	<u>28,254,111</u>	-5.39%
Net Assets			
Invested in Capital Assets Net of Related Debt	\$ 20,076,453	\$ 18,050,980	11.22%
Restricted	1,767,076	1,618,837	9.16%
Unrestricted	771,789	(813,537)	194.87%
Total Net Assets	<u><u>\$ 22,615,318</u></u>	<u><u>\$ 18,856,280</u></u>	19.94%

The largest portion of the District's net assets (88.8%) reflects its investment in capital assets (e.g., land, buildings and improvements, furniture, and equipment net of accumulated depreciation); less any related outstanding debt (such as general obligation bonds) used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Unrestricted net assets is primarily the District's unreserved-undesignated fund balance offset by the liability for future severance and health benefits, which is not fully funded.

INDEPENDENT SCHOOL DISTRICT #347

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

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

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

	Governmental Activities for the fiscal year ended June 30,		Percentage Change
	2010	2009	
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 2,258,163	\$ 2,098,256	7.62%
Operating Grants and Contributions	18,501,962	15,442,107	19.82%
Capital Grants and Contributions	605,372	638,414	-5.18%
<u>General Revenues</u>			
Property Taxes	6,352,927	5,374,019	18.22%
Unrestricted State Aid	21,636,016	24,228,781	-10.70%
Investment Earnings	46,183	123,545	-62.62%
Other	12,484	9,393	32.91%
Total Revenues	<u>49,413,107</u>	<u>47,914,515</u>	3.13%
Expenses			
Administration	\$ 1,653,919	\$ 1,605,548	3.01%
District Support Services	949,578	986,334	-3.73%
Regular Instruction	20,103,140	21,236,601	-5.34%
Vocational Education Instruction	883,686	892,498	-0.99%
Special Education Instruction	7,752,733	8,355,384	-7.21%
Instructional Support Services	2,243,858	2,332,636	-3.81%
Pupil Support Services	3,538,480	3,607,987	-1.93%
Sites and Buildings	3,508,797	4,083,773	-14.08%
Fiscal and Other Fixed Costs Programs	130,321	130,872	-0.42%
Food Service	2,359,800	2,233,289	5.66%
Community Service	2,064,867	2,054,760	0.49%
Interest and Fiscal Charges on Long-Term Liabilities	464,890	560,304	-17.03%
Total Expenses	<u>45,654,069</u>	<u>48,079,986</u>	-5.05%
Change in Net Assets	\$ 3,759,038	\$ (165,471)	2371.72%
Beginning Net Assets	<u>18,856,280</u>	<u>19,021,751</u>	-0.87%
Ending Net Assets	<u>\$ 22,615,318</u>	<u>\$ 18,856,280</u>	19.94%

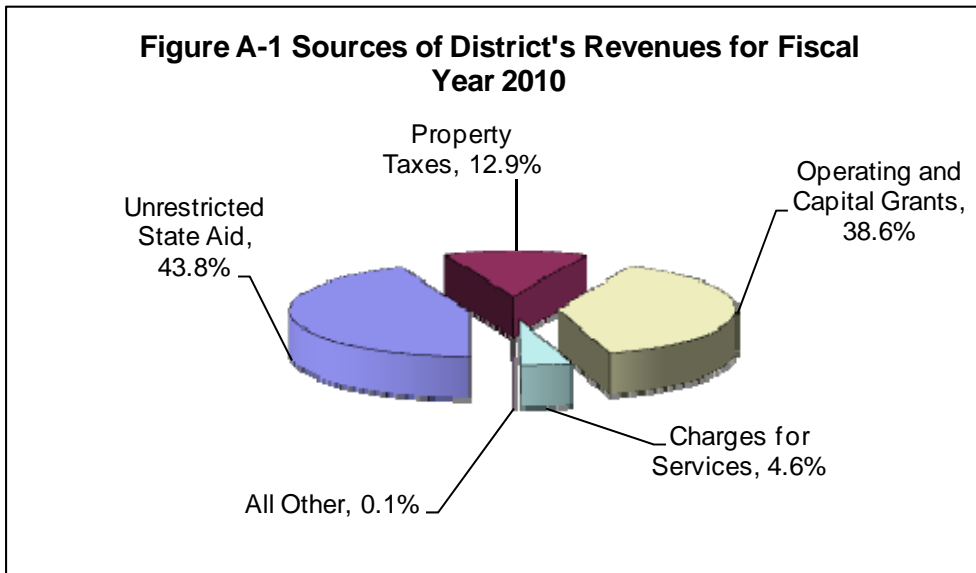
INDEPENDENT SCHOOL DISTRICT #347

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010

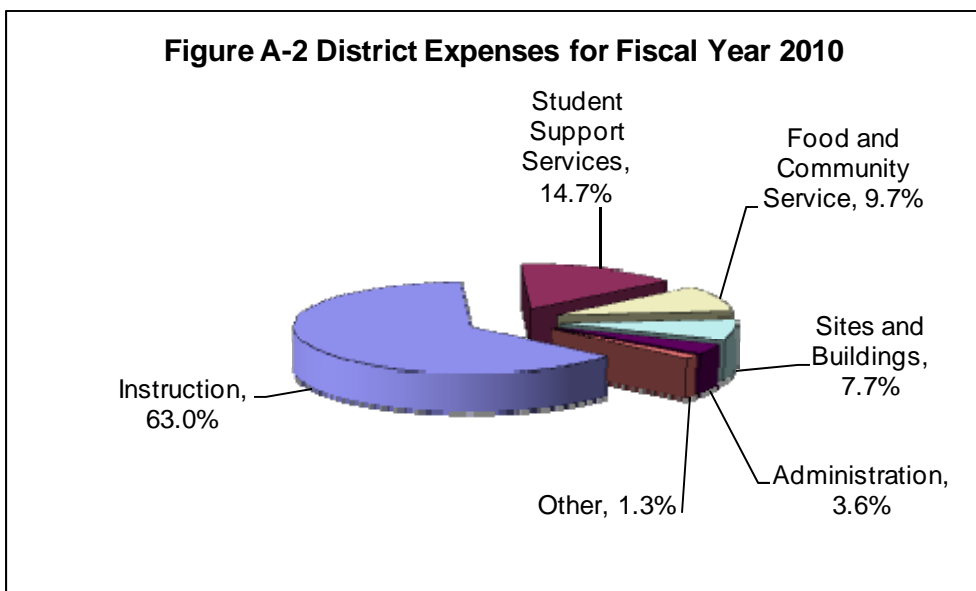
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Assets. The District's total revenues were \$49,413,107 for the year ended June 30, 2010. This is a 3.13% increase from the prior year's revenues.

Unrestricted State aid along with local property taxes accounted for 56.7% of the total revenue for the year (see Figure A-1 below). Another 43.2% came from restricted state, federal and local program revenues and the remaining 0.1% from earnings on investments and other. Total revenues surpassed expenses, increasing net assets \$3,759,038 from last year.



The District's total expenditures for programs and services were \$45,654,069 for the year ended June 30, 2010. This is a 5.05% decrease from the prior year's expenditures. The District's expenses are predominantly related to student education (77.7%). (See Figure A-2). The purely administrative activities of the District accounted for just 3.6% of total costs.



INDEPENDENT SCHOOL DISTRICT #347

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

The net cost of all *governmental* activities is their total costs less program revenues applicable to each category. The total cost of all governmental activities for this year was \$45,654,069. Table A-3 presents the costs of twelve major District activities such as instruction, food service and others. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

- The users of the District's programs paid for 4.9%, or \$2,258,163 of the costs.
- The federal and state governments subsidized certain programs with grants and contributions. This totaled \$19,107,334, or 41.9% of the total costs for 2009-2010.
- The remainder of the District's costs (\$24,288,572), however, were paid for by: 1) state taxpayers based on the statewide education aid formula, 2) by District taxpayers, and 3) by investment earnings.

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

	<u>Total Cost of Services</u>		<u>Percentage Change</u>	<u>Net Cost of Services</u>		<u>Percentage Change</u>
	<u>2010</u>	<u>2009</u>		<u>2010</u>	<u>2009</u>	
Administration	\$ 1,653,919	\$ 1,605,548	3.01%	\$ 1,648,919	\$ 1,605,548	2.70%
District Support Services	949,578	986,334	-3.73%	907,759	956,176	-5.06%
Regular Instruction	20,103,140	21,236,601	-5.34%	9,923,072	14,117,114	-29.71%
Vocational Education Instruction	883,686	892,498	-0.99%	818,649	815,022	0.45%
Special Education Instruction	7,752,733	8,355,384	-7.21%	2,546,266	3,351,695	-24.03%
Instructional Support Services	2,243,858	2,332,636	-3.81%	1,638,483	1,668,266	-1.79%
Pupil Support Services	3,538,480	3,607,987	-1.93%	3,445,307	3,344,503	3.01%
Sites and Buildings	3,508,797	4,083,773	-14.08%	2,831,646	3,092,380	-8.43%
Fiscal and Other Fixed Costs Programs	130,321	130,872	-0.42%	130,321	130,872	-0.42%
Food Service	2,359,800	2,233,289	5.66%	(208,558)	(78,449)	165.85%
Community Service	2,064,867	2,054,760	0.49%	141,818	337,778	-58.01%
Interest and Fiscal Charges on Long-Term Liabilities	464,890	560,304	-17.03%	464,890	560,304	-17.03%
Total	<u>\$ 45,654,069</u>	<u>\$ 48,079,986</u>	-5.05%	<u>\$ 24,288,572</u>	<u>\$ 29,901,209</u>	-18.77%

INDEPENDENT SCHOOL DISTRICT #347

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds. At the end of the 2009-2010 fiscal year, the District's governmental funds reported a **combined** fund balance of \$7,971,233, a 35.7% increase from last year's ending fund balance of \$5,874,325.

Revenues for the District's governmental funds totaled \$49,385,110 while total expenditures were \$47,290,302. Other financing sources totaled \$2,100. As a result, the District completed the year with an excess of revenues and other financing sources over expenditures of \$2,096,908. Discussion about each governmental fund follows. A summary of the revenues and expenditures reported on the governmental fund financial statements for the past two years appears in Table A-4 below:

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

	2010			Fund Balance Increase (Decrease)
	Revenues	Expenditures	Other Financing Sources(Uses)	
General Fund	\$ 42,068,352	\$ 40,313,101	\$ 2,100	\$ 1,757,351
Food Service Fund	2,570,666	2,359,800		210,866
Community Service Fund	2,241,563	2,027,701		213,862
Debt Service Fund	2,504,529	2,589,700		(85,171)
Totals	<u>\$ 49,385,110</u>	<u>\$ 47,290,302</u>	<u>\$ 2,100</u>	<u>\$ 2,096,908</u>
	2009			
	Revenues	Expenditures	Other Financing Sources(Uses)	Fund Balance Increase (Decrease)
General Fund	\$ 41,272,166	\$ 42,793,992	\$	\$ (1,521,826)
Food Service Fund	2,322,833	2,233,289		89,544
Community Service Fund	2,028,015	2,012,843		15,172
Debt Service Fund	2,273,600	2,521,800		(248,200)
Totals	<u>\$ 47,896,614</u>	<u>\$ 49,561,924</u>	<u>\$ 0</u>	<u>\$ (1,665,310)</u>

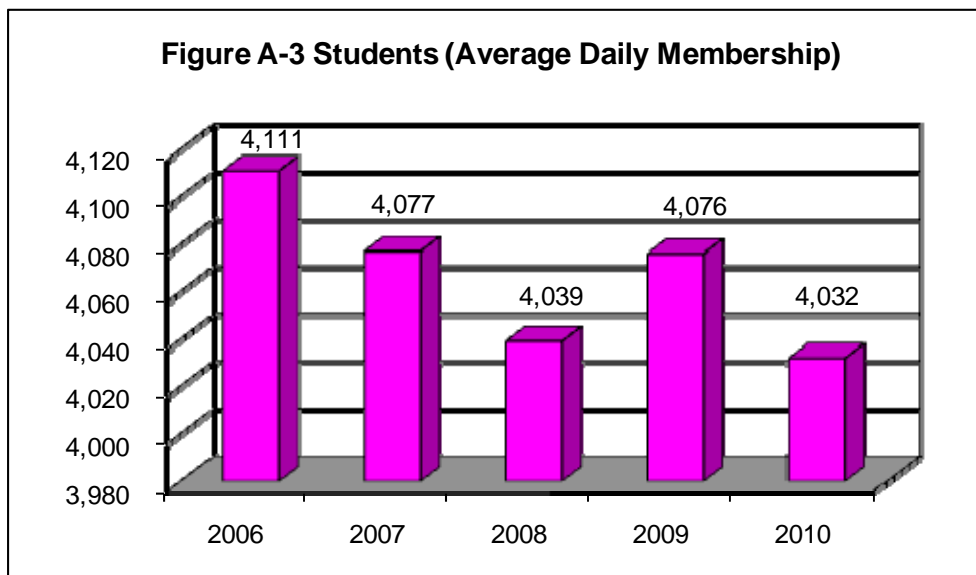
INDEPENDENT SCHOOL DISTRICT #347

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2010

GENERAL FUND

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

Enrollment. Funding for Minnesota school districts is largely driven by enrollment. The majority of Minnesota school districts are facing declining enrollment. Over the last five years, the District has averaged an annual 0.3% decline in the number of students. Figure A-3, below, shows that the number of students has generally decreased steadily since FY 2006 with enrollment increasing slightly in FY 2009 and declining again in FY 2010. The District expects enrollment to increase and decrease slightly each year as enrollment remains fairly level.



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

Looking into the near future, demographic trends point to a more level enrollment trend. The grade level sizes are evening out. However, the leveling out will include slight increases or decreases to enrollment each year. Willmar has experienced some small impacts to enrollment due to the difficult economic times the country is facing. A few businesses have laid off employees and some have relocated to places where there is work.

INDEPENDENT SCHOOL DISTRICT #347

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

GENERAL FUND (CONTINUED)

The following table presents a summary of General Fund revenues:

**Table A-5
General Fund Revenues**

Sources	Year Ended June 30,		Amount Difference	Percentage Change
	2010	2009		
Local Sources				
Property Taxes	\$ 3,740,446	\$ 3,018,820	\$ 721,626	23.9%
Interest Earnings	26,867	92,569	(65,702)	-71.0%
Other	1,141,495	1,187,881	(46,386)	-3.9%
State Sources	32,000,209	35,233,235	(3,233,026)	-9.2%
Federal Sources	5,159,335	1,739,661	3,419,674	196.6%
Total General Fund Revenues	<u>\$ 42,068,352</u>	<u>\$ 41,272,166</u>	<u>\$ 796,186</u>	1.9%

Total General Fund revenue increased \$796,186, or 1.9%, from the previous year. Basic general education revenue is determined by a state per student funding formula. Other state-authorized revenue, including operating levy referendum, involves an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change in revenue.

Property taxes in 2010 were \$721,926, or 23.9%, more than the prior year. The increase is mainly the result of higher property values which causes an increase to the local levy and the passage of a referendum of \$201.52 per resident marginal cost pupil unit. Interest earnings decreased \$65,702 from the prior year as a result of declining interest rates due to the nationwide economic recession. Other local sources decreased \$46,386. The change to state and federal sources is predominantly offsetting as Minnesota replaced approximately \$2.5 million of the District's state funding with federal American Recovery and Reinvestment Act Stabilization funding.

The following table presents a summary of General Fund expenditures:

**Table A-6
General Fund Expenditures**

Expenditures	Year Ended June 30,		Amount Difference	Percentage Change
	2010	2009		
Salaries	\$ 23,671,721	\$ 25,147,873	\$ (1,476,152)	-5.9%
Employee Benefits	7,429,186	7,571,188	(142,002)	-1.9%
Purchased Services	6,426,371	6,817,910	(391,539)	-5.7%
Supplies and Materials	1,282,198	1,745,931	(463,733)	-26.6%
Capital Expenditures	1,341,055	1,343,764	(2,709)	-0.2%
Other Expenditures	162,570	167,326	(4,756)	-2.8%
Total General Fund Expenditures	<u>\$ 40,313,101</u>	<u>\$ 42,793,992</u>	<u>\$ (2,480,891)</u>	-5.8%

INDEPENDENT SCHOOL DISTRICT #347

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

GENERAL FUND (CONTINUED)

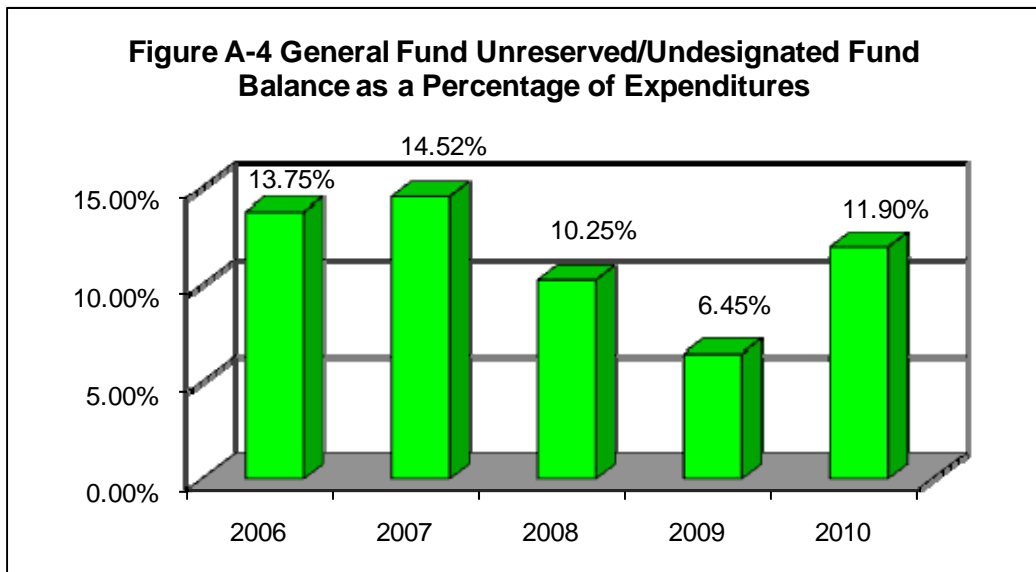
Total General Fund expenditures decreased \$2,480,891 or 5.8% from the previous year.

Salaries and employee benefits decreased due to the reductions in staffing made for the 2009-2010 school year. Benefits also decreased due to the reduction of staff. The District continues to proactively pursue various cost containment measures to minimize the effect of rising health insurance premiums on the costs of the District's employee compensation packages.

Combined non-payroll expenditures (Purchased Services, Supplies & Materials, Capital Expenditures and Other Expenditures) decreased \$862,737 or 8.6%, compared to last year. The decrease is primarily due to reductions and strategically under spending of budgeted expenditures in the areas of purchased services, supplies and capital outlay to help reduce the necessity for future reductions.

In summary, 2009-2010 General Fund revenues and other financing sources exceeded General Fund expenditures by \$1,757,351. As a result, the total fund balance is \$6,351,012 at June 30, 2010. After deducting statutory reserves, the unreserved-undesignated fund balance increased from \$2,760,494 on June 30, 2009 to \$4,798,469 on June 30, 2010.

Figure A-4, below, depicts the General Fund unreserved-undesignated fund balance as a percentage of expenditures for fiscal years 2006 - 2010:



The graph above describing the District's unreserved-undesignated fund balance trend, offers the single best measure of the District's overall financial health. The unreserved-undesignated fund balance of \$4,798,469 on June 30, 2010 represents 11.90% of annual expenditures.

INDEPENDENT SCHOOL DISTRICT #347

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2010

GENERAL FUND (CONTINUED)

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

General Fund Budgetary Highlights

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

- Implementing budgets for specially funded projects, which may include grants, adjusting staffing and various instructional building allocations based on enrollment, and budgeting for certain unspent funds that are required to be carried over from fiscal year 2009.
- Changes in appropriations for significant unbudgeted costs.

While the District's final budget for the General Fund anticipated that revenues and other financing sources would exceed expenditures by \$429,832, the actual results for the year show that revenues and other financing sources exceeded expenditures by \$1,757,351. The main reason for the variance is due to strategic under spending of budgeted expenditures in the areas of purchased services, supplies and capital outlay to help reduce the necessity for future reductions.

FOOD SERVICE FUND

The Food Service Fund revenue for 2009-2010 totaled \$2,570,666 and expenditures were \$2,359,800, resulting in a fund balance increase of \$210,866. This fund balance improvement was primarily a result of continued effective cost control in an effort to finance kitchen remodel projects. The June 30, 2010 Food Service fund balance is \$493,708.

The Food Service Fund is anticipating the fund balance to remain steady or decline slightly as kitchen remodel projects begin in phases for 2010-2011.

COMMUNITY SERVICE FUND

In 2009-2010, total revenues for the Community Service Fund were \$2,241,563 and total expenditures were \$2,027,701 resulting in a fund balance increase of \$213,862. The Community Service fund balance as of June 30, 2010 is \$493,902. Community Service continues to monitor the fund balance and make adjustments that allow for the optimal level of programming for the District.

DEBT SERVICE FUND

Revenues and expenditures for the District's Debt Service Fund are tied directly to the District's bond principal and interest payment schedules. The Debt Service Fund expenditures exceeded revenues by \$85,171 in 2009-2010. The resulting fund balance decrease leaves the Debt Service Fund with a fund balance of \$632,611 at June 30, 2010. This fund balance is only available for meeting future debt service obligations.

INDEPENDENT SCHOOL DISTRICT #347

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2010, the District had net capital assets of \$30,423,263 representing a broad range of capital assets, including school buildings, computer and audio-visual equipment, and other equipment for various instructional programs (see Table A-7 below). Total depreciation expense for the year was \$1,324,584. More detailed information about capital assets can be found in Note 4 to the financial statements.

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

<u>Assets</u>	<u>Year Ended June 30,</u>		<u>Percent Change</u>
	<u>2010</u>	<u>2009</u>	
Capital Assets Not Being Depreciated	\$ 623,282	\$ 705,083	-11.6%
Land Improvements	3,146,715	3,146,715	0.0%
Buildings and Improvements	47,341,605	46,158,678	2.6%
Equipment	6,006,397	5,922,349	1.4%
Less: Accumulated Depreciation	<u>(26,694,736)</u>	<u>(25,439,036)</u>	4.9%
Total Net Capital Assets	<u>\$ 30,423,263</u>	<u>\$ 30,493,789</u>	-0.2%

Construction Plans

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

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

Long-term Liabilities

At year-end, the District had \$10,346,810 in general obligation bonds outstanding including bond premium. This is a decrease of 16.8% from the previous year - as shown in Table A-8. The District continues to pay down its debt, retiring \$1,995,000 of outstanding bonds in the year ending June 30, 2010. The District implemented the Governmental Accounting Standards Board Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45) during fiscal year 2009. The GASB 45 estimated liability is \$640,270 at June 30, 2010. The District also has \$4,779,844 in compensated absences payable and \$28,149 in pension benefits payable at June 30, 2010. Other postemployment benefits payable consist of postemployment health insurance benefits available to employees as specified in the employee's employment contract upon retirement. Health benefits have been paid by the General Fund. Pension benefits payable consist of pension benefit payments available to employees as specified in the employee's employment contract upon retirement. Pension benefits are paid by the General and Special Revenue Funds. Compensated absences payable consists of unused vacation at June 30, 2010 and other compensated absences paid at retirement for certain employees based on the employment contract. In the past, vacation expense has been paid by the General, Food Service, and the Community Service Funds. Overall, the District's outstanding long-term liabilities decreased by 9.6% in fiscal year 2010. More

INDEPENDENT SCHOOL DISTRICT #347

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.

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

<u>Long-Term Liabilities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds Payable	\$ 11,930,000	\$	\$ 1,995,000	\$ 9,935,000	\$ 2,100,000
Bond Premium	512,809		100,999	411,810	100,999
Other Postemployment Benefits Payable	283,822	695,999	339,551	640,270	
Pension Benefits Payable		67,980	39,831	28,149	
Compensated Absences Payable	4,754,406	479,215	453,777	4,779,844	493,781
Total	<u>\$ 17,481,037</u>	<u>\$ 1,243,194</u>	<u>\$ 2,929,158</u>	<u>\$ 15,795,073</u>	<u>\$ 2,694,780</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

The 2009 Legislative Session was completed in May 2009. The basic formula for 2009-2010 was held flat for the 2009-2010 and 2010-2011 school years. There is quite a bit of concern regarding education funding in the future. In addition, the country has gone into an economic recession. The federal government enacted the American Recovery and Reinvestment Act of 2009 (ARRA) to provide additional money to states, schools, businesses, etc. The District benefited from the ARRA money in the 2009-2010 and 2010-2011 school years. The federal government also enacted the EDU JOBS act to provide additional money to schools for 2010-2011. The state delayed March and April, 2010 aid payments and paid Districts back in May 2010. The state started delaying aid payments for 2010-2011 in September 2010 and expects to pay the money back to Districts in May 2011.

The District went to the voters in November 2008 to ask for additional operating revenue. The first operating referendum question passed and revenue increased \$201.51 per pupil. The District will again go to the voters in November 2010 to ask the voters to revoke the soon to be expiring \$498.49 per pupil operating referendum and replace it with a new \$898.49 per pupil operating referendum. If the operating referendum passes the additional money will not be available to the District until the 2011-2012 school year. The District still made \$1,744,362 of budget reductions for 2010-2011.

The Willmar area has felt the impact of the recession but continues to develop in some areas. Many businesses have reduced staff in order to remain viable during this economic crisis. The District feels the impact when service is slower or goods are no longer received in a timely manner. Chappell Central and Willmar Electric Service reduced staff over the past year. Jennie-O Turkey Store cut staff hours which allowed the District to maintain student enrollment because families remained in the area instead of relocating which is what would have happened if they were reduced. Papa Wheelies sold motor scooters when gas prices were high. As gas prices came down, Papa Wheelies went out of business and was replaced by a battery store. Alltel is relocating and remodeling the new location. Jimmy John's is being built and will bring a few jobs to the area.

INDEPENDENT SCHOOL DISTRICT #347

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF NET ASSETS

JUNE 30, 2010

WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2009

	Governmental Activities	
	2010	2009
ASSETS		
Cash and investments	\$ 4,902,235	\$ 7,830,683
Receivables		
Property taxes	3,554,243	3,492,983
Other governments	10,218,824	5,059,850
Other	119,351	69,591
Prepaid items	20,733	22,072
Inventories	59,583	81,664
Bond issuance costs, net	47,404	59,759
Capital assets:		
Assets not being depreciated	623,282	705,083
Other capital assets, net of depreciation	29,799,981	29,788,706
Total Assets	\$ 49,345,636	\$ 47,110,391
LIABILITIES AND NET ASSETS		
Liabilities		
Salaries and wages payable	\$ 3,454,009	\$ 3,452,311
Accounts and contracts payable	502,060	541,955
Due to other governmental units	138,418	122,137
Accrued interest	205,688	246,854
Unearned revenue		
Property taxes	6,489,215	6,285,042
Local sources	145,855	124,775
Noncurrent liabilities		
Due within one year	2,694,780	2,718,561
Due in more than one year	13,100,293	14,762,476
Total Liabilities	26,730,318	28,254,111
Net Assets		
Invested in capital assets, net of related debt	20,076,453	18,050,980
Restricted for		
Operating capital purposes	153,980	440,240
State-mandated reserves	198,563	144,787
Food service	493,708	282,842
Community service	493,902	280,040
Debt service	426,923	470,928
Unrestricted	771,789	(813,537)
Total Net Assets	22,615,318	18,856,280
Total Liabilities and Net Assets	\$ 49,345,636	\$ 47,110,391

See accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2010
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010				Net (Expense) Revenue and Changes in Net Assets	2009 Net (Expense) Revenue and Changes in Net Assets
	Program Revenues					
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Governmental Activities	
Expenses						
GOVERNMENTAL ACTIVITIES:						
Administration	\$ 1,653,919	\$ 5,000	\$	\$ (1,648,919)	\$ (1,605,548)	
District support services	949,578	41,819		(907,759)	(956,176)	
Regular instruction	20,103,140	480,798	9,699,270	(9,923,072)	(14,117,114)	
Vocational education instruction	883,686	5,082	59,955	(818,649)	(815,022)	
Special education instruction	7,752,733	151,035	5,055,432	(2,546,266)	(3,351,695)	
Instructional support services	2,243,858	1,810	603,565	(1,638,483)	(1,668,266)	
Pupil support services	3,538,480		93,173	(3,445,307)	(3,344,503)	
Sites and buildings	3,508,797	50,878	20,901	605,372	(2,831,646)	(3,092,380)
Fiscal and other fixed costs programs	130,321			(130,321)	(130,872)	
Food service	2,359,800	794,307	1,774,051	208,558	78,449	
Community service	2,064,867	774,253	1,148,796	(141,818)	(337,778)	
Interest and fiscal charges on long-term liabilities	464,890			(464,890)	(560,304)	
Total Governmental Activities	\$ 45,654,069	\$ 2,258,163	\$ 18,501,962	\$ 605,372	(24,288,572)	(29,901,209)
GENERAL REVENUES:						
Property taxes levied for:						
General purposes				3,764,583	3,029,678	
Community service				289,627	279,779	
Debt service				2,298,717	2,064,562	
State aid not restricted to specific purposes				21,636,016	24,228,781	
Interest earnings				46,183	123,545	
Miscellaneous				12,484	9,393	
Total General Revenues				28,047,610	29,735,738	
Change in Net Assets				3,759,038	(165,471)	
NET ASSETS, BEGINNING OF YEAR				18,856,280	19,021,751	
NET ASSETS, END OF YEAR				\$ 22,615,318	\$ 18,856,280	

See accompanying Notes to the Financial Statements

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INDEPENDENT SCHOOL DISTRICT #347

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2009

ASSETS	General	Food Service	Community Service	Debt Service	Total Governmental Funds	
					2010	2009
Cash and investments	\$ 1,966,207	\$ 506,602	\$ 548,207	\$ 1,791,738	\$ 4,812,754	\$ 7,727,819
Receivables						
Current property taxes	1,940,386		198,511	1,324,611	3,463,508	3,428,145
Delinquent property taxes	49,891		4,654	36,190	90,735	64,838
Due from other Minnesota school districts	260,585	95	17,344		278,024	205,147
Due from Minnesota Department of Education	8,589,994	3,855	264,125	52,322	8,910,296	3,939,666
Due from Federal through Minnesota Department of Education	931,058	64,033	2,996		998,087	773,131
Due from Federal Government received directly	29,567				29,567	25,814
Due from other governmental units	1,508	1,342			2,850	116,092
Other receivables	92,574	8,353	18,424		119,351	69,591
Due from other funds						43,616
Prepaid items	19,216	246	1,271		20,733	22,072
Inventories	40,732	18,851			59,583	81,664
Total Assets	\$ 13,921,718	\$ 603,377	\$ 1,055,532	\$ 3,204,861	\$ 18,785,488	\$ 16,497,595
LIABILITIES AND FUND BALANCE						
Liabilities						
Salaries and wages payable	\$ 3,298,119	\$ 45,240	\$ 110,650	\$	\$ 3,454,009	\$ 3,452,311
Accounts and contracts payable	445,676	20,848	29,499		496,023	530,551
Due to other governmental units	112,557		25,861		138,418	122,137
Due to other funds						43,616
Deferred revenue						
Property taxes levied for subsequent year	3,573,078		380,077	2,536,060	6,489,215	6,285,042
Delinquent property taxes	49,891		4,654	36,190	90,735	64,838
Local sources	91,385	43,581	10,889		145,855	124,775
Total Liabilities	7,570,706	109,669	561,630	2,572,250	10,814,255	10,623,270
Fund Balance						
Reserved for						
Staff development	91,105				91,105	100,772
Area learning center	65,745				65,745	77,507
Gifted and talented	36,408				36,408	14,648
Operating capital	153,980				153,980	440,240
Basic skills	5,305				5,305	
Adult basic education			49,865		49,865	
Community education programs			257,339		257,339	111,386
Early childhood and family education programs			84,881		84,881	72,889
School readiness			51,262		51,262	47,371
Unreserved, designated, reported in						
General fund	1,200,000				1,200,000	1,200,000
Unreserved, undesignated, reported in						
General fund	4,798,469				4,798,469	2,760,494
Debt service fund				632,611	632,611	717,782
Special revenue funds		493,708	50,555		544,263	331,236
Total Fund Balance	6,351,012	493,708	493,902	632,611	7,971,233	5,874,325
Total Liabilities and Fund Balance	\$ 13,921,718	\$ 603,377	\$ 1,055,532	\$ 3,204,861	\$ 18,785,488	\$ 16,497,595

See accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS

JUNE 30, 2010

WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2009

	<u>2010</u>	<u>2009</u>
Total Fund Balances - Governmental Funds	\$ 7,971,233	\$ 5,874,325
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental funds are not financial resources and therefore are not reported as assets in the governmental funds. Those assets consist of:		
Land and construction in progress	623,282	705,083
Land improvements, net of accumulated depreciation	1,354,584	1,472,649
Buildings and improvements, net of accumulated depreciation	26,654,443	26,352,929
Equipment and vehicles, net of accumulated depreciation	1,790,954	1,963,128
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.	90,735	64,838
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(205,688)	(246,854)
Governmental funds report debt issuance costs as expenditures at the time of issuance. Issuance costs are reported as an unamortized asset in the government-wide financial statements.	47,404	59,759
Internal service funds are used by management to charge the costs associated with Delta Dental Insurance. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Assets.	83,444	91,460
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the Statement of Net Assets. Balances at year-end are:		
Bonds payable	(9,935,000)	(11,930,000)
Unamortized premiums	(411,810)	(512,809)
Other postemployment benefits	(640,270)	(283,822)
Pension benefits	(28,149)	
Compensated absences payable	(4,779,844)	(4,754,406)
	<u> </u>	<u> </u>
Total Net Assets - Governmental Activities	<u>\$ 22,615,318</u>	<u>\$ 18,856,280</u>

See accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2010
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	General	Food Service	Community Service	Debt Service	Total Governmental Funds	
					2010	2009
REVENUES						
Local sources						
Property taxes	\$ 3,740,446	\$	\$ 288,475	\$ 2,297,174	\$ 6,326,095	\$ 5,356,117
Interest earnings	26,867	2,308	3,438	13,570	46,183	123,544
Other	1,141,495	809,821	1,032,958		2,984,274	2,770,217
State sources	32,000,209	180,270	880,785	193,785	33,255,049	36,508,141
Federal sources	5,159,335	1,578,267	35,907		6,773,509	3,138,595
Total Revenues	42,068,352	2,570,666	2,241,563	2,504,529	49,385,110	47,896,614
EXPENDITURES						
Current						
Administration	1,557,761				1,557,761	1,740,466
District support services	942,076				942,076	946,171
Regular instruction	18,880,393				18,880,393	19,565,445
Vocational education instruction	780,689				780,689	857,961
Special education instruction	7,468,689				7,468,689	8,357,364
Instructional support services	2,111,164				2,111,164	2,273,127
Pupil support services	3,550,608		16,639		3,567,247	3,587,103
Sites and buildings	3,551,207				3,551,207	4,010,687
Fiscal and other fixed costs programs	129,459				129,459	130,010
Food service		2,246,359			2,246,359	2,213,875
Community service			1,973,659		1,973,659	1,994,607
Capital outlay	1,341,055	113,441	37,403		1,491,899	1,363,308
Debt service						
Principal				1,995,000	1,995,000	1,835,000
Interest and fiscal charges				594,700	594,700	686,800
Total Expenditures	40,313,101	2,359,800	2,027,701	2,589,700	47,290,302	49,561,924
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,755,251	210,866	213,862	(85,171)	2,094,808	(1,665,310)
OTHER FINANCING SOURCES						
Sale of equipment	2,100				2,100	
Net Change in Fund Balances	1,757,351	210,866	213,862	(85,171)	2,096,908	(1,665,310)
FUND BALANCE, BEGINNING OF YEAR	4,593,661	282,842	280,040	717,782	5,874,325	7,539,635
FUND BALANCE, END OF YEAR	\$ 6,351,012	\$ 493,708	\$ 493,902	\$ 632,611	\$ 7,971,233	\$ 5,874,325

See accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	<u>2010</u>	<u>2009</u>
Total Net Change in Fund Balances - Governmental Funds	\$ 2,096,908	\$ (1,665,310)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Capital outlay is reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>		
Capital outlay	1,276,703	911,415
Depreciation expense	(1,324,584)	(1,313,594)
Loss on disposal of capital assets	(22,645)	(1,000)
<p>The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the Statement of Net Assets, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities and repayment of principal reduces the liability. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences is as follows:</p>		
Payment of bond principal	1,995,000	1,835,000
Change in accrued interest expense	41,166	37,854
Amortization of bond issuance costs	(12,355)	(12,357)
Amortization of bond premium	100,999	100,999
<p>Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.</p>		
	25,897	17,901
<p>In the Statement of Activities, certain operating expenses - pension, other post-employment benefits and compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).</p>		
	(410,035)	(86,223)
<p>An internal service fund is used to charge the costs associated with Delta Dental insurance. The net change in net assets of the fund is reported with governmental activities.</p>		
	<u>(8,016)</u>	<u>9,844</u>
Change in Net Assets - Governmental Activities	<u>\$ 3,759,038</u>	<u>\$ (165,471)</u>

See accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED JUNE 30, 2010
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			Over (Under) Final Budget	2009
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Local sources					
Property taxes	\$ 3,738,352	\$ 3,747,330	\$ 3,740,446	\$ (6,884)	\$ 3,018,820
Interest earnings	58,970	25,683	26,867	1,184	92,569
Other	1,090,114	957,685	1,141,495	183,810	1,187,881
State sources	34,097,070	31,985,016	32,000,209	15,193	35,233,235
Federal sources	1,957,068	5,304,900	5,159,335	(145,565)	1,739,661
Total Revenues	40,941,574	42,020,614	42,068,352	47,738	41,272,166
EXPENDITURES					
Current					
Administration	1,537,745	1,560,561	1,557,761	(2,800)	1,740,466
District support services	1,002,599	1,010,061	942,076	(67,985)	946,171
Regular instruction	19,281,952	19,402,993	18,880,393	(522,600)	19,565,445
Vocational education instruction	653,165	810,751	780,689	(30,062)	857,961
Special education instruction	7,619,400	7,513,963	7,468,689	(45,274)	8,357,364
Instructional support services	2,142,435	2,264,598	2,111,164	(153,434)	2,273,127
Pupil support services	3,614,655	3,583,221	3,550,608	(32,613)	3,568,997
Sites and buildings	3,539,360	3,619,203	3,551,207	(67,996)	4,010,687
Fiscal and other fixed costs programs	130,010	130,010	129,459	(551)	130,010
Capital outlay	1,626,719	1,697,521	1,341,055	(356,466)	1,343,764
Total Expenditures	41,148,040	41,592,882	40,313,101	(1,279,781)	42,793,992
Excess (Deficiency) of Revenues Over (Under) Expenditures	(206,466)	427,732	1,755,251	1,327,519	(1,521,826)
OTHER FINANCING SOURCES					
Sale of equipment		2,100	2,100		
Net Change in Fund Balances	\$ (206,466)	\$ 429,832	1,757,351	\$ 1,327,519	(1,521,826)
FUND BALANCE, BEGINNING OF YEAR			4,593,661		6,115,487
FUND BALANCE, END OF YEAR			<u>\$ 6,351,012</u>		<u>\$ 4,593,661</u>

See accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOOD SERVICE SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2010
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			Over (Under) Final Budget	2009
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Local sources					
Interest earnings	\$ 1,201	\$ 1,455	\$ 2,308	\$ 853	\$ 1,701
Other-primarily meal sales	808,642	795,284	809,821	14,537	782,746
State sources	187,841	180,618	180,270	(348)	190,237
Federal sources	1,216,931	1,438,771	1,578,267	139,496	1,348,149
Total Revenues	2,214,615	2,416,128	2,570,666	154,538	2,322,833
EXPENDITURES					
Current					
Food service	2,077,820	2,253,734	2,246,359	(7,375)	2,213,875
Capital outlay	89,700	138,485	113,441	(25,044)	19,414
Total Expenditures	2,167,520	2,392,219	2,359,800	(32,419)	2,233,289
Net Change in Fund Balances	\$ 47,095	\$ 23,909	210,866	\$ 186,957	89,544
FUND BALANCE, BEGINNING OF YEAR			282,842		193,298
FUND BALANCE, END OF YEAR			\$ 493,708		\$ 282,842

See accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 COMMUNITY SERVICE SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2010
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			Over (Under) Final Budget	2009
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Local sources					
Property taxes	\$ 299,409	\$ 288,914	\$ 288,475	\$ (439)	\$ 278,710
Interest earnings	3,280	2,424	3,438	1,014	4,779
Other-primarily tuition and fees	778,213	906,652	1,032,958	126,306	799,590
State sources	835,833	870,945	880,785	9,840	894,151
Federal sources	47,892	36,482	35,907	(575)	50,785
Total Revenues	1,964,627	2,105,417	2,241,563	136,146	2,028,015
EXPENDITURES					
Current					
Pupil support services	7,150	12,950	16,639	3,689	18,106
Community service	1,987,835	2,038,605	1,973,659	(64,946)	1,994,607
Capital outlay	2,000	27,706	37,403	9,697	130
Total Expenditures	1,996,985	2,079,261	2,027,701	(51,560)	2,012,843
Net Change in Fund Balances	\$ (32,358)	\$ 26,156	213,862	\$ 187,706	15,172
FUND BALANCE, BEGINNING OF YEAR			280,040		264,868
FUND BALANCE, END OF YEAR			\$ 493,902		\$ 280,040

See accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2010
 WITH COMPARATIVE AMOUNTS AS OF JUNE 30, 2009

		Governmental Activities- Internal Service Fund	
		2010	2009
ASSETS			
Current Assets			
Cash and investments		\$ 89,481	\$ 102,864
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable		\$ 6,037	\$ 11,404
Net Assets			
Unrestricted		83,444	91,460
Total Liabilities and Net Assets		\$ 89,481	\$ 102,864

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2010
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	Governmental Activities- Internal Service Fund	
	<u>2010</u>	<u>2009</u>
OPERATING REVENUES		
Charges for services	\$ 222,199	\$ 230,718
OPERATING EXPENSES		
Dental insurance claim payments	203,653	194,182
General administration costs	<u>26,562</u>	<u>26,692</u>
Total Operating Expenses	<u>230,215</u>	<u>220,874</u>
Net Change in Net Assets	(8,016)	9,844
NET ASSETS, BEGINNING OF YEAR	<u>91,460</u>	<u>81,616</u>
NET ASSETS, END OF YEAR	<u><u>\$ 83,444</u></u>	<u><u>\$ 91,460</u></u>

See accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2010
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	Governmental Activities- Internal Service Fund	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from interfund services provided	\$ 222,199	\$ 230,718
Payments for administrative costs	(27,179)	(27,819)
Payments for dental fees and insurance claims	(208,403)	(204,201)
	<u> </u>	<u> </u>
Net Increase (Decrease) in Cash and Cash Equivalents	(13,383)	(1,302)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>102,864</u>	<u>104,166</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 89,481</u>	<u>\$ 102,864</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	\$ (8,016)	\$ 9,844
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Increase (Decrease) in:		
Accounts payable	<u>(5,367)</u>	<u>(11,146)</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ (13,383)</u>	<u>\$ (1,302)</u>

See accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2010

		Private- Purpose Trust Fund
ASSETS		
Cash and investments		\$ 36,623
Interest receivable		493
		<hr/>
Total Assets		<u>\$ 37,116</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable		\$ 200
Net Assets		
Held in trust for scholarships		<hr/> 36,916
		<hr/>
Total Liabilities and Net Assets		<u>\$ 37,116</u>

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED JUNE 30, 2010

		Private- Purpose Trust Fund
ADDITIONS		
Interest earnings		\$ 663
DEDUCTIONS		
Scholarship obligations		<hr/> 400
		<hr/>
Change in Net Assets		263
NET ASSETS, BEGINNING OF YEAR		<hr/> 36,653
		<hr/>
NET ASSETS, END OF YEAR		<u>\$ 36,916</u>

See accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Independent School District #347 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America. The more significant of the government's accounting policies are described below.

A. REPORTING ENTITY

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

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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

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

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

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

The governmental fund financial statements are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting, in which revenues are recognized when they become measurable and available. Revenues are considered to be measurable when the amount of the transaction can be determined and available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except interest earnings) are recorded as revenues when received because they are generally not measurable until then. Interest earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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

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

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

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

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

Description of Funds

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

Major Governmental Funds:

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

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

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

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

Proprietary Fund:

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

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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

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

Fiduciary Fund:

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

D. BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

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

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

E. ASSETS, LIABILITIES AND EQUITY

Cash and Investments:

Cash and investments consist of demand deposit accounts, non-negotiable certificates of deposit and a repurchase agreement. Investments are recorded at fair value.

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

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

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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

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

Accounts Receivable:

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

Current Property Taxes Receivable:

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

Delinquent Property Taxes Receivable:

Delinquent property taxes receivable represent taxes collectible in the years 2003 to 2009 that remain uncollected at June 30, 2010. They are equally offset by a deferred revenue amount in the liabilities of the fund financial statements.

Prepaid Items:

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

Inventories:

Inventories are recorded using the consumption method of accounting and consist of paper, purchased food and supplies. Food, paper and supply purchases are recorded at invoice cost, computed on a first-in, first-out method.

Property Taxes Levied for Subsequent Years:

Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the state which will be recognized as revenue in the next fiscal year beginning July 1, 2010, are included in this account to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

Capital Assets:

Tangible and intangible capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$5,000 for capitalizing tangible and intangible capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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

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

Capital Assets: (Cont'd)

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

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

In June 2007, the Governmental Accounting Standards Board (GASB) issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that essentially all intangible assets be recorded as capital assets. Further, the Statement provides guidance regarding internally generated intangible assets, such as software development and other intangible assets, such as easements, water rights, timber rights and other land management assets. Retroactive reporting is required for intangible assets, except for those considered to have indefinite useful lives as of the effective date of this Statement, and those that would be considered internally generated. The District implemented GASB Statement No. 51 effective July 1, 2009. The District does not possess any material amounts of intangible capital assets.

Long-Term Obligations:

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

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

Accrued Employee Benefits:

Vacation Pay:

Employees earn annual vacation pay at rates dependent upon each employee group labor contract. All outstanding unpaid vacation pay is payable upon termination of employment. At June 30, 2010, unpaid vacation pay totaling \$159,694 is recorded in the financial statements.

Sick Pay:

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

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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

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

Accrued Employee Benefits: (Cont'd)

Secretarial Staff:

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

Library Clerical Staff and General Paraprofessionals:

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

Special Needs Paraprofessionals and Sign Language Interpreters:

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

Food Service Staff:

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

Administrators:

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

Teachers:

An unused sick leave payment is available to teachers who have completed at least 15 years of continuous service with the District and are at least 55 years of age. An eligible teacher will receive an amount equal to 50% of the number of unused accumulated sick leave days multiplied by the employee's daily rate of pay, not to exceed 90 days. Furthermore, an eligible teacher will receive 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. The maximum combined total payment shall not exceed 150 days. Any TSA match the District contributed will be deducted from the payment. Teachers hired after July 1, 2000 are not eligible for this benefit.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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

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

Accrued Employee Benefits: (Cont'd)

Custodians:

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

Confidential Employees:

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

Other Postemployment Benefits:

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

Deferred Revenue:

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

Fund Balance:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Net Assets:

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

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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

F. REVENUES AND EXPENDITURES

Revenues:

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

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

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

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the State which will be recognized as revenue in the next fiscal year beginning July 1, 2010, are included in Property Taxes Levied for Subsequent Year to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

Expenditures:

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

G. USE OF ESTIMATES

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

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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

H. PRIOR YEAR INFORMATION

The basic financial statements include certain prior-year partial comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2009, from which the partial information was derived.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. VIOLATIONS OF FINANCE-RELATED OBLIGATIONS

There were no violations of finance-related obligations.

B. DEFICIT FUND BALANCES

The District had no deficit fund balances as of June 30, 2010.

C. EXCESS OF EXPENDITURES OVER BUDGET

No funds of the District have excess expenditures over budget as of June 30, 2010.

NOTE 3. CASH AND INVESTMENTS

Cash and investments as of June 30, 2010, are as follows:

	<u>Book Balance</u>
Governmental Activities	
Cash and investments	
Pooled cash in checking accounts	\$ 129,217
Petty cash	480
Individual fund savings account	2,031
Repurchase agreement	<u>4,770,507</u>
Total Cash and investments	<u>\$ 4,902,235</u>
Fiduciary Fund	
Cash and investments	
Pooled cash in checking accounts	\$ 6,623
Non-negotiable certificates of deposit	<u>30,000</u>
Total Cash and investments	<u>\$ 36,623</u>

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 3. CASH AND INVESTMENTS (Cont'd)

A. DEPOSITS

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

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

As of June 30, 2010, the District's deposits were sufficiently covered by insurance. The District does not have a policy that further limits its collateral choices.

B. INVESTMENTS

Custodial Credit Risk. For an investment, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy on custodial credit risk states securities shall be held in third party safekeeping by an institution designated as custodial agent. The institution or dealer shall issue a safekeeping receipt to the District listing the specific instrument, the name of the issuer, the name in which the security is held, the rate, the maturity, serial numbers and other distinguishing marks, and other pertinent information related to the securities held.

Interest Rate Risk. This is the risk that the market value of securities will fall due to the changes in market interest rates. The District's policy states investment maturities shall be scheduled to coincide with projected District cash flow needs, taking into account large routine or scheduled expenditures, as well as anticipated receipt dates of anticipated revenues. Maturities for short-term and long-term investments shall be timed according to anticipated need. Within these parameters, portfolio maturities shall be staggered to avoid undue concentration of assets and a specific maturity sector. The maturities selected shall provide for stability of income and reasonable liquidity. The District's investment in the repurchase agreement does not have a specific maturity date but is cancelable by giving the institution 30 days notice.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 3. CASH AND INVESTMENTS (Cont'd)

B. INVESTMENTS (Cont'd)

Credit Risk. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the District's investments to 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 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; time deposits that are fully insured by the Federal Deposit Insurance Corporation or bankers' acceptances of United States banks; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, or with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, or that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

Certain securities underlying the repurchase agreement include investments in FNMA and FHLMC. FNMA is rated Aaa and FHLMC is rated Aa2 by Moody's.

Concentration Risk. This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District's investment policy states the District shall diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. More than 5 percent of the District's investments are in the repurchase agreement. The repurchase agreement is 100% of the District's investments.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 623,282	\$	\$	\$ 623,282
Construction in progress	81,801	1,066,531	(1,148,332)	
Total capital assets, not being depreciated	705,083	1,066,531	(1,148,332)	623,282
Capital assets, being depreciated				
Land improvements	3,146,715			3,146,715
Buildings and improvements	46,158,678	1,182,927		47,341,605
Equipment	5,922,349	175,577	(91,529)	6,006,397
Total capital assets, being depreciated	55,227,742	1,358,504	(91,529)	56,494,717
Less accumulated depreciation for				
Land improvements	(1,674,066)	(118,065)		(1,792,131)
Buildings and improvements	(19,805,749)	(881,413)		(20,687,162)
Equipment	(3,959,221)	(325,106)	68,884	(4,215,443)
Total accumulated depreciation	(25,439,036)	(1,324,584)	68,884	(26,694,736)
Total capital assets being depreciated, net	29,788,706	33,920	(22,645)	29,799,981
Governmental Activities				
Net Capital Assets	<u>\$ 30,493,789</u>	<u>\$ 1,100,451</u>	<u>\$ (1,170,977)</u>	<u>\$ 30,423,263</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
Administration	\$ 226
District support services	1,640
Regular instruction	1,072,261
Vocational education instruction	11,935
Special education instruction	1,825
Instructional support services	15,023
Pupil support services	23,550
Sites and buildings	176,657
Fiscal and other fixed cost programs	862
Community service	20,605
Total depreciation expense - Governmental Activities	<u>\$ 1,324,584</u>

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 5. LONG-TERM DEBT

A. COMPONENTS OF LONG-TERM DEBT

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

	Original Amount Issued	Final Maturity Date	Interest Rate	Balance Outstanding
<u>Governmental Activities</u>				
General Obligation Bonds				
Refunding Bonds, Series 2005A	\$ 16,265,000	02/01/15	5.00%	\$ 9,625,000
Capital Facilities, Series 2007A	495,000	02/01/13	4.00%	310,000
				<hr/>
Total General Obligation Bonds				9,935,000
Bond premium - net				411,810
Other postemployment benefits payable				640,270
Pension benefits payable				28,149
Compensated absences payable				4,779,844
				<hr/>
Total Governmental Activities				<u>\$ 15,795,073</u>

B. MINIMUM DEBT PAYMENTS

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

Year Ending June 30,	General Obligation Bonds Payable	
	Principal	Interest
2011	\$ 2,100,000	\$ 493,650
2012	2,200,000	389,650
2013	2,315,000	280,700
2014	2,320,000	166,000
2015	1,000,000	50,000
	<hr/>	<hr/>
	<u>\$ 9,935,000</u>	<u>\$ 1,380,000</u>

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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

C. DESCRIPTION OF LONG-TERM DEBT

General Obligation Bonds:

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

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

Other Postemployment Benefits Payable:

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

Pension Benefits Payable:

Pension benefits payable consist of pension benefit payments available to employees as specified in the employee's employment contract upon retirement. Pension benefits are paid by the General and Special Revenue Funds.

Compensated Absences Payable:

Compensated absences payable consists of unused vacation at June 30, 2010 and other compensated absences paid at retirement for certain employees based on the employment contract. In the past, compensated absences have been paid by the General, Food Service, and the Community Service Funds.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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

D. CHANGES IN LONG-TERM DEBT

The following table summarizes changes in long-term debt during the year ended June 30, 2010:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
Bonds payable	\$ 11,930,000	\$	\$ (1,995,000)	\$ 9,935,000	\$ 2,100,000
Bond premium	512,809		(100,999)	411,810	100,999
Other postemployment benefits payable	283,822	695,999	(339,551)	640,270	
Pension benefits payable		67,980	(39,831)	28,149	
Compensated absences payable	4,754,406	479,215	(453,777)	4,779,844	493,781
Total Governmental Activities	<u>\$ 17,481,037</u>	<u>\$ 1,243,194</u>	<u>\$ (2,929,158)</u>	<u>\$ 15,795,073</u>	<u>\$ 2,694,780</u>

In addition, the District has available a \$750,000 line of credit with a local financial institution. The line bears interest at variable rates (4.5% at June 30, 2010) and is unsecured. This line matures on December 31, 2010. There is no balance outstanding under this arrangement as of June 30, 2010.

NOTE 6. RESERVED FUND BALANCES

Fund Equity:

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

A. RESERVED FOR STAFF DEVELOPMENT

In accordance with state statute, the district was not required but chose to reserve 0.75% of basic General Education revenue for staff development. The cumulative excess of such revenues over staff development expenditures is reported as a reservation of fund balance in the General Fund.

B. RESERVED FOR GIFTED AND TALENTED

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

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 6. RESERVED FUND BALANCES (Cont'd)

C. RESERVED FOR OPERATING CAPITAL

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

D. RESERVED FOR BASIC SKILLS

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

E. RESERVED FOR COMMUNITY EDUCATION PROGRAMS

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

F. RESERVED FOR EARLY CHILDHOOD AND FAMILY EDUCATION PROGRAMS

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

G. RESERVED FOR SCHOOL READINESS

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

H. RESERVED FOR AREA LEARNING CENTERS

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

I. RESERVED FOR ADULT BASIC EDUCATION

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

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 7. DEFINED BENEFIT PENSION PLANS - STATEWIDE

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

A. TEACHERS RETIREMENT ASSOCIATION

Plan Description:

All teachers employed by the District are covered by defined benefit plans administered by the Teachers Retirement Association (TRA). TRA members belong to either the Coordinated or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. The plans are established and administered in accordance with Minnesota Statutes, Chapters 354 and 356.

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

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

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

With these provisions:

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

-or-

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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

A. TEACHERS RETIREMENT ASSOCIATION (Cont'd)

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

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

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

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

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

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

Funding Policy:

Minnesota Statutes Chapter 354 sets the rates for the employee and employer contributions. These statutes are established and amended by the state legislature. Coordinated and Basic Plan members are required to contribute 5.5 percent and 9.0 percent, respectively, of their annual covered salary as employee contributions. The TRA employer contribution rates are 5.5 percent for Coordinated members and 9.5 percent for Basic members. Total covered payroll for all TRA members statewide during the fiscal year ended June 30, 2009 was approximately \$3.76 billion. TRA covered payroll for all members statewide for the fiscal years ended June 30, 2008 and June 30, 2007 were \$3.65 billion and \$3.53 billion, respectively.

The District contributions for the years ending June 30, 2010, 2009, and 2008 were \$1,027,781, \$1,066,607, and \$1,089,337, respectively, equal to the required contributions for each year as set by state statute.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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

B. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF MINNESOTA

Plan Description:

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

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

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

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

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

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

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

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

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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

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

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

Funding Policy:

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.0%, respectively, of their annual covered salary in 2009. The District is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, and 6.75% for Coordinated Plan PERF members. Employer contribution rates for the Coordinated Plan increased to 7.0% effective January 1, 2010.

The District's contributions to the Public Employees Retirement Fund for the years ending June 30, 2010, 2009, and 2008, were \$406,472, \$410,012, and \$382,372, respectively. The District's contributions were equal to the contractually required contributions for each year as set by state statute.

NOTE 8. OTHER POSTEMPLOYMENT BENEFIT PLAN

At June 30, 2009, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting for Employers for Postemployment Benefits Other than Pensions*. This implementation allows the District to report its liability for other postemployment benefits consistent with newly established generally accepted accounting principles and to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees on the financial statements.

A. PLAN DESCRIPTION

The District operates a single-employer retiree benefit plan ("the Plan") that provides health, life and dental insurance to eligible employees and their families through the District's health insurance plan. There are 626 active participants and 88 retired participants. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available report.

B. FUNDING POLICY

Contribution requirements are also negotiated between the District and union representatives. The District contributes 0% - 100% of the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2010, the District contributed \$339,551 to the Plan.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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

C. ANNUAL OPEB COST AND NET OPEB OBLIGATION

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any un-funded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually paid from the plan, and changes in the District's net OPEB obligation.

Annual Required Contribution	\$ 701,059
Interest on Net OPEB Obligation	11,353
Adjustment to Annual Required Contribution	<u>(16,413)</u>
Annual OPEB Cost (Expense)	695,999
Contributions Made	<u>(339,551)</u>
Increase in Net OPEB Obligation	356,448
Net OPEB Obligation - Beginning of Year	<u>283,822</u>
Net OPEB Obligation - End of Year	<u><u>\$ 640,270</u></u>

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan and the net OPEB obligation for 2010 and the preceding year was:

Fiscal Year Ended	Annual OPEB Cost	Annual Plan Sponsor Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 695,999	\$ 339,551	49%	\$ 640,270
6/30/2009	506,567	222,745	44%	283,822

D. FUNDED STATUS AND FUNDING PROGRESS

As of July 1, 2009, the most recent actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was \$6,228,886. The annual payroll for active employees covered by the Plan in the actuarial valuation was \$22,444,970 for a ratio of UAAL to covered payroll of 27.8%.

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

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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

E. ACTUARIAL METHODS AND ASSUMPTIONS

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

In the July 1, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumption included a 4.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The initial healthcare trend rate was 9.5% reduced by decrements to an ultimate rate of 5% after nine years. The UAAL is being amortized as a level dollar amount on an open basis. The remaining amortization period at June 30, 2010 was 30 years.

NOTE 9. SUPPLEMENTAL PENSION PLAN

A. PLAN DESCRIPTION

The District provides pension benefits to certain eligible employees through a single-employer defined benefit plan administered by the District. The plan does not issue a publicly available financial report. All pension benefits are based on contractual agreements with employees and employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements. These benefits are summarized as follows:

As described in Note 1.E., teachers who have completed at least 15 years of continuous service with the District and are at least 55 years of age are eligible for a severance payment. A portion of that payment is based on the teacher's number of years of service multiplied by four and the employee's daily rate of pay. Twenty-five percent of this payment is paid to the employee's Special Pay Deferral Plan and the remaining 75% is placed into the employee's Health Care Savings Plan. The 25% is considered a pension benefit.

The Superintendent is eligible for a pension benefit upon termination of employment of 10 days pay for each year of service, up to 100 days.

B. FUNDING POLICY

Payments under the plan are made on a pay-as-you-go basis. There are no invested plan assets accumulated for payment of future benefits. The General Fund and Special Revenue Funds are used for funding of all pension benefits. The employer makes all contributions.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 9. SUPPLEMENTAL PENSION PLAN (Cont'd)

C. ANNUAL PENSION COST AND NET PENSION OBLIGATION

The District's annual other pension cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement Nos. 25, 27, and 50. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any un-funded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the District's annual pension cost for the year, the amount actually paid from the plan, and changes in the District's net pension obligation.

Annual Required Contribution	\$ 67,980
Interest on Net Pension Obligation	
Adjustment to Annual Required Contribution	
Annual Pension Cost (Expense)	<u>67,980</u>
Contributions Made	<u>(39,831)</u>
Increase in Net Pension Obligation	28,149
Net Pension Obligation - Beginning of Year	
Net Pension Obligation - End of Year	<u><u>\$ 28,149</u></u>

The District's annual pension cost, the percentage of the annual pension cost contributed to the Plan and the net pension obligation for 2010 was:

Fiscal Year Ended	Annual Pension Cost	Annual Plan Sponsor Contribution	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
6/30/2010	\$ 67,980	\$ 39,831	59%	\$ 28,149

D. FUNDED STATUS AND FUNDING PROGRESS

As of July 1, 2009, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$606,725, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$606,725. The annual payroll for active employees covered by the Plan in the actuarial valuation was \$22,444,970 for a ratio of UAAL to covered payroll of 2.7%.

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

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 9. SUPPLEMENTAL PENSION PLAN (Cont'd)

E. ACTUARIAL METHODS AND ASSUMPTIONS

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

In the July 1, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumption included a 4.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The projected salary increase is 3% per year. The UAAL is being amortized as a level dollar amount on an open basis. The remaining amortization period at June 30, 2010 was 30 years.

NOTE 10. SELF-INSURED DENTAL PLAN

The District has elected to self-insure their employee dental insurance program. The District has entered into an agreement with an insurance company to provide stop-loss insurance to limit the losses on individual and aggregate claims and to provide claims processing and other administrative duties. The individual stop-loss amount is \$1,200 per participant. The District established an internal service fund to account for contributions from other funds for dental insurance and to establish a reserve for catastrophic losses. Contributions during the year were based on maximum claims before reinsurance is effective. The amounts charged to expenses include administrative fees, stop-loss insurance premiums, claims paid and accruals for claims incurred but not paid at year end. The District recorded expenses of \$230,215 for the year ended June 30, 2010.

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

	FY 2010	FY 2009
Unpaid Claims, Beginning of Year	\$ 11,404	\$ 22,550
Incurred Claims	203,653	194,182
Claims Payments (cash basis)	<u>(209,020)</u>	<u>(205,328)</u>
Unpaid Claims, End of Year	<u>\$ 6,037</u>	<u>\$ 11,404</u>

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 11. OPERATING LEASES

The District is committed under long-term operating leases for the rental of office equipment and vehicles. Office equipment is leased under varying terms, with leases running through January 2014. Vehicles are leased under varying terms with leases running through March 2013.

Total rent expense includes the following:

	<u>Amount</u>
Maintenance equipment	\$ 6,600
Facilities	38,082
Office equipment	79,744
Vehicles	19,088
Miscellaneous rental	<u>35,365</u>
Total	<u>\$ 178,879</u>

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

<u>Year Ending June 30,</u>	
2011	\$ 155,584
2012	108,976
2013	67,382
2014	<u>30,273</u>
Total	<u>\$ 362,215</u>

NOTE 12. COMMITMENTS AND CONTINGENCIES

A. FEDERAL AND STATE PROGRAMS

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

B. CONTINGENCIES

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

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 13. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters and workers' compensation. To mitigate these risks, the District has obtained commercial property and casualty insurance and workers' compensation coverage. The District pays an annual premium with no additional assessments.

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

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

NOTE 14. JOINT POWERS AGREEMENT

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

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

NOTE 15. RECLASSIFICATIONS

Certain prior year financial statement amounts have been reclassified to conform to current year's presentation. There was no affect on Net Assets or Fund Balance.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFIT PLANS
JUNE 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>Pension</u>						
7/1/2009	\$	\$ 606,725	\$ 606,725	0.0%	\$ 22,444,970	2.7%
<u>Other Postemployment Benefits</u>						
7/1/2009	\$	\$ 6,228,886	\$ 6,228,886	0.0%	\$ 22,444,970	27.8%
7/1/2008		4,382,890	4,382,890	0.0%	23,498,643	18.7%

The District implemented GASB Statement No. 27 for fiscal year ended June 30, 2010. The District implemented GASB Statement No. 45 for fiscal year ended June 30, 2009. Information for prior years is not available.

SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 DEBT SERVICE FUND
 YEAR ENDED JUNE 30, 2010
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			Over (Under) Final Budget	2009
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Local sources					
Property taxes	\$ 2,296,955	\$ 2,293,688	\$ 2,297,174	\$ 3,486	\$ 2,058,587
Interest earnings	17,251	12,836	13,570	734	24,495
State sources	190,518	193,785	193,785		190,518
Total Revenues	2,504,724	2,500,309	2,504,529	4,220	2,273,600
EXPENDITURES					
Debt service					
Bond principal	1,995,000	1,995,000	1,995,000		1,835,000
Bond interest	592,450	592,450	592,450		683,300
Paying agent fees and other	2,200	2,250	2,250		3,500
Total Expenditures	2,589,650	2,589,700	2,589,700	0	2,521,800
Net Change in Fund Balances	\$ (84,926)	\$ (89,391)	(85,171)	\$ 4,220	(248,200)
FUND BALANCE, BEGINNING OF YEAR			717,782		965,982
FUND BALANCE, END OF YEAR			\$ 632,611		\$ 717,782

STATISTICAL SECTION (Unaudited)



This part of the comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

Contents:	Page
<p>Financial Trends <i>These schedules contain trend information to help the reader understand how the School District's financial information and well-being have changed over time.</i></p>	80-86
<p>Revenue Capacity <i>These schedules contain information to help the reader assess the School District's most significant local revenue source, the property tax.</i></p>	87-90
<p>Debt Capacity <i>These schedules present information to help the reader assess the affordability of the School District's current levels of outstanding debt and the School District's ability to issue additional debt in the future.</i></p>	91-94
<p>Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the School District's financial activities take place.</i></p>	95-96
<p>Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the School District's financial report relates to the services the School District provides and the activities it performs.</i></p>	97-102

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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Willmar Public Schools
Net Assets by Component
Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities								
Invested in Capital Assets, Net of Related Debt	\$ 11,314,674	\$ 12,018,714	\$ 13,049,010	\$ 14,125,996	\$ 15,416,819	\$ 16,590,276	\$ 18,050,980	\$ 20,076,453
Restricted	1,693,277	1,998,553	1,112,183	1,507,933	2,015,439	1,657,445	1,618,837	1,767,076
Unrestricted	1,645,748	3,394,013	3,598,111	4,326,318	2,025,780	774,030	(813,537)	771,789
Total Net Assets	<u>\$ 14,653,699</u>	<u>\$ 17,411,280</u>	<u>\$ 17,759,304</u>	<u>\$ 19,960,247</u>	<u>\$ 19,458,038</u>	<u>\$ 19,021,751</u>	<u>\$ 18,856,280</u>	<u>\$ 22,615,318</u>

Note: The District implemented GASB Statement 34 in 2003. This information is not available for previous fiscal years.

Source: District Records

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Willmar Public Schools
Expenses, Program Revenues, and Net (Expense)/Revenue
Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Expenses								
Governmental activities:								
Administration	\$ 1,192,060	\$ 1,199,931	\$ 1,366,717	\$ 1,366,558	\$ 1,614,112	\$ 1,544,907	\$ 1,605,548	\$ 1,653,919
District Support Services	1,493,396	798,273	871,804	860,710	919,392	885,154	986,334	949,578
Regular Instruction	15,612,289	17,896,044	19,331,810	18,967,468	19,617,570	21,704,551	21,236,601	20,103,140
Vocational Education Instruction	1,009,389	956,619	994,894	815,835	627,729	730,195	892,498	883,686
Special Education Instruction	6,967,950	7,354,987	8,106,444	8,314,732	7,731,391	8,055,217	8,355,384	7,752,733
Instructional Support Services	1,857,142	2,000,604	1,844,924	2,163,593	2,047,363	2,492,349	2,332,636	2,243,858
Pupil Support Services	2,529,455	2,683,324	2,947,488	3,094,558	3,233,078	3,397,152	3,607,987	3,521,841
Sites and Buildings	3,233,977	3,256,881	3,340,607	3,845,392	4,586,523	4,722,635	4,083,773	3,508,797
Fiscal and Other Fixed Cost Programs	300,954	264,007	223,001	314,062	240,254	159,340	130,872	130,321
Food Service	1,638,630	1,846,894	2,066,305	1,928,250	1,961,452	2,208,624	2,233,289	2,359,800
Community Service	1,753,628	1,673,941	2,182,154	1,990,208	2,049,275	2,094,012	2,054,760	2,081,506
Interest and Fiscal Charges on								
Long-Term Liabilities	1,164,807	1,094,590	1,007,896	883,672	829,447	645,553	560,304	464,892
Total School District Expenses	<u>38,753,677</u>	<u>41,026,095</u>	<u>44,284,044</u>	<u>44,545,038</u>	<u>45,457,586</u>	<u>48,639,689</u>	<u>48,079,986</u>	<u>45,654,071</u>
Program Revenues								
Governmental Activities:								
Charges for Services:								
Food Service	689,411	669,556	679,110	721,303	773,994	773,685	768,762	794,307
Community Service	463,623	591,610	722,223	702,499	690,843	667,133	702,200	774,253
Other	1,408,142	1,406,909	1,462,064	2,150,099	1,443,146	602,918	627,294	689,603
Operating Grants and Contributions	13,288,073	13,043,811	14,061,382	14,902,344	14,945,418	15,705,789	15,442,107	18,501,962
Capital Grants and Contributions	994,427	1,006,214	877,479	847,130	652,077	697,859	638,414	605,372
Total governmental program revenues	<u>16,843,676</u>	<u>16,718,100</u>	<u>17,802,258</u>	<u>19,323,375</u>	<u>18,505,478</u>	<u>18,447,384</u>	<u>18,178,777</u>	<u>21,365,497</u>
Net (Expense)/Revenue								
Total primary governmental net expense	<u>\$ (21,910,001)</u>	<u>\$ (24,307,995)</u>	<u>\$ (26,481,786)</u>	<u>\$ (25,221,663)</u>	<u>\$ (26,952,108)</u>	<u>\$ (30,192,305)</u>	<u>\$ (29,901,209)</u>	<u>\$ (24,288,574)</u>

Note: The District implemented GASB Statement 34 in 2003. This information is not available for previous fiscal years.

Source: District Records

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Willmar Public Schools
General Revenues and Total Change in Net Assets
Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Net (Expense)/Revenue								
Total primary governmental net expense	\$ (21,910,001)	\$ (24,307,995)	\$ (26,481,786)	\$ (25,221,663)	\$ (26,952,108)	\$ (30,192,305)	\$ (29,901,209)	\$ (24,288,574)
General Revenues and Changes in Net Assets								
Governmental Activities:								
Property Taxes Levied for								
General Purposes	1,450,890	2,077,862	1,646,005	1,168,340	2,408,339	2,776,231	3,029,678	3,764,583
Community Service	74,427	242,495	284,300	125,599	246,165	281,805	279,779	289,627
Debt Service	2,218,386	2,250,811	2,330,594	2,157,880	2,264,179	2,349,549	2,064,562	2,298,717
State Aid Not Restricted to Specific Purposes	22,545,637	22,383,185	22,475,565	23,523,078	23,461,186	23,903,451	24,228,781	21,636,016
Earnings on Investments	178,094	110,285	96,235	418,315	491,828	408,458	123,545	46,184
Miscellaneous	11,158	938	3,358	29,394	128,986	36,524	9,393	12,485
Total General Revenues	<u>26,478,592</u>	<u>27,065,576</u>	<u>26,836,057</u>	<u>27,422,606</u>	<u>29,000,683</u>	<u>29,756,018</u>	<u>29,735,738</u>	<u>28,047,612</u>
Change in Net Assets								
Total primary government	<u>\$ 4,568,591</u>	<u>\$ 2,757,581</u>	<u>\$ 354,271</u>	<u>\$ 2,200,943</u>	<u>\$ 2,048,575</u>	<u>\$ (436,287)</u>	<u>\$ (165,471)</u>	<u>\$ 3,759,038</u>

Note: The District implemented GASB Statement 34 in 2003. This information is not available for previous fiscal years.

Source: District Records

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Willmar Public Schools
Fund Balances, Governmental Funds
Last Eight Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
General Fund								
Reserved	\$ 1,586,428	\$ 1,444,299	\$ 1,276,944	\$ 1,918,516	\$ 2,051,975	\$ 1,718,403	\$ 633,167	\$ 352,543
Unreserved	3,536,006	5,409,298	5,171,261	5,394,098	5,827,203	4,397,084	3,960,494	5,998,469
Total General Fund	<u>\$ 5,122,434</u>	<u>\$ 6,853,597</u>	<u>\$ 6,448,205</u>	<u>\$ 7,312,614</u>	<u>\$ 7,879,178</u>	<u>\$ 6,115,487</u>	<u>\$ 4,593,661</u>	<u>\$ 6,351,012</u>
All Other Governmental Funds								
Reserved	\$ 91,939	\$ 223,117	\$ 50,218	\$ 84,504	\$ 171,840	\$ 97,997	\$ 231,646	\$ 443,347
Unreserved:								
Building Construction Fund	-	362,950	-	-	412,873	-	-	-
Debt Service Fund	907,371	840,804	760,111	835,384	902,774	965,982	717,782	632,611
Special Revenue Funds	538,551	426,684	221,752	237,308	366,150	360,169	331,236	544,263
Total all other governmental funds	<u>\$ 1,537,861</u>	<u>\$ 1,853,555</u>	<u>\$ 1,032,081</u>	<u>\$ 1,157,196</u>	<u>\$ 1,853,637</u>	<u>\$ 1,424,148</u>	<u>\$ 1,280,664</u>	<u>\$ 1,620,221</u>

Note: The District implemented GASB Statement 34 in 2003. This information is not available for previous fiscal years.

Source: District Records

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Willmar Public Schools
Governmental Funds Revenues
Last Eight Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Federal sources:								
Federal grants	\$ 1,892,894	\$ 2,415,250	\$ 2,976,667	\$ 2,585,904	\$ 1,742,649	\$ 1,946,008	\$ 1,790,446	\$ 5,195,242
Food Service	689,411	942,719	997,882	1,058,230	1,111,782	1,242,815	1,348,149	1,578,267
Total Federal sources	<u>2,582,305</u>	<u>3,357,969</u>	<u>3,974,549</u>	<u>3,644,134</u>	<u>2,854,431</u>	<u>3,188,823</u>	<u>3,138,595</u>	<u>6,773,509</u>
State sources:								
General Education aid	32,194,247	31,101,721	31,476,589	33,264,022	34,111,061	34,914,994	35,233,235	32,000,209
Food Service	212,584	112,955	173,595	163,578	159,811	189,131	190,237	180,270
Community Service	737,513	740,561	657,680	851,693	796,112	883,652	894,151	880,785
Debt Service aid	412,767	403,534	353,315	254,848	248,457	233,315	190,518	193,785
Total State sources	<u>33,557,111</u>	<u>32,358,771</u>	<u>32,661,179</u>	<u>34,534,141</u>	<u>35,315,441</u>	<u>36,221,092</u>	<u>36,508,141</u>	<u>33,255,049</u>
Local sources:								
Property Taxes	3,754,328	4,576,808	4,257,657	3,457,394	4,931,199	5,395,510	5,356,117	6,326,095
Food Service sales	689,411	669,556	680,903	721,303	780,817	775,699	782,746	809,821
Other Revenues	2,748,688	2,825,273	3,058,007	4,370,010	3,303,957	2,515,070	2,111,015	2,220,636
Total Local sources	<u>7,192,427</u>	<u>8,071,637</u>	<u>7,996,567</u>	<u>8,548,707</u>	<u>9,015,973</u>	<u>8,686,279</u>	<u>8,249,878</u>	<u>9,356,552</u>
Total Revenues	<u>\$ 43,331,843</u>	<u>\$ 43,788,377</u>	<u>\$ 44,632,295</u>	<u>\$ 46,726,982</u>	<u>\$ 47,185,845</u>	<u>\$ 48,096,194</u>	<u>\$ 47,896,614</u>	<u>\$ 49,385,110</u>

Note: The District implemented GASB Statement 34 in 2003.

Source: District Records

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Willmar Public Schools
Governmental Funds Expenditures and Debt Service Ratio
Last Eight Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Administration	\$ 1,188,380	\$ 1,372,933	\$ 1,367,749	\$ 1,396,790	\$ 1,543,232	\$ 1,546,127	\$ 1,740,466	\$ 1,557,761
District Support Services	1,496,621	739,775	848,471	855,165	959,115	872,978	946,171	942,076
Regular Instruction	14,834,612	16,834,677	18,410,539	17,799,589	18,220,574	19,967,831	19,565,445	18,880,393
Vocational Education Instruction	1,016,872	956,050	996,008	855,159	612,387	744,309	857,961	780,689
Special Education Instruction	6,965,758	7,385,608	8,050,284	8,303,384	7,593,015	8,112,649	8,357,364	7,468,689
Instructional Support Services	1,786,264	1,852,514	1,728,040	2,036,393	1,953,089	2,398,440	2,273,127	2,111,164
Pupil Support Services	2,531,695	2,674,200	3,048,342	3,098,484	3,158,359	3,393,865	3,587,103	3,567,247
Sites and Buildings	3,310,991	3,160,351	3,511,193	3,840,955	4,781,520	4,624,367	4,010,687	3,551,207
Fiscal and Other Fixed Costs	300,092	263,146	222,139	313,200	239,392	158,478	130,010	129,459
Food Service	1,630,041	1,741,815	1,959,951	1,877,669	1,951,394	2,156,016	2,213,875	2,246,359
Community Service	1,761,632	1,663,488	1,951,640	2,037,256	2,025,813	2,094,107	1,994,607	1,973,659
Capital Outlay	-	842,400	983,668	784,338	1,181,461	1,731,512	1,363,308	1,491,899
Debt Service								
Principal	1,545,000	1,620,000	1,740,000	1,600,000	1,505,425	1,820,000	1,835,000	1,995,000
Interest and Fiscal Charges	1,195,935	1,150,213	1,043,915	1,057,910	1,028,138	763,830	686,800	594,700
Total Expenditures	\$ 39,563,893	\$ 42,257,170	\$ 45,861,939	\$ 45,856,292	\$ 46,752,914	\$ 50,384,509	\$ 49,561,924	\$ 47,290,302
Debt Service as a percentage of noncapital expenditures	6.97%	6.61%	6.19%	5.87%	5.48%	5.24%	5.18%	5.63%

Note: The District implemented GASB Statement 34 in 2003.

Source: District Records

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Willmar Public Schools
Governmental Funds Other Financing Sources and Uses and Net Change in Fund Balances
Last Eight Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Excess of revenues over (under) expenditures	\$ 3,767,950	\$ 1,531,208	\$ (1,229,644)	\$ 870,690	\$ 432,931	\$ (2,288,315)	\$ (1,665,310)	\$ 2,094,808
Other Financing Sources (Uses)								
Insurance Recovery Proceeds	-	938	2,778	24,574	203,846	93,136	-	-
Sale of Bonds Proceeds	-	1,389,711	-	16,265,000	495,000	-	-	-
Bond Premium	-	-	-	913,760	2,242	-	-	-
Payment to Refunded Bond Escrow Agent	-	(875,000)	-	(17,085,000)	-	-	-	-
Sale of Capital Assets	1,050	-	-	500	-	-	-	2,100
Sale of Real Property Proceeds	-	-	-	-	128,986	1,999	-	-
Total Other Financing Sources (Uses)	1,050	515,649	2,778	118,834	830,074	95,135	-	2,100
Net Change in Fund Balances	\$ 3,769,000	\$ 2,046,857	\$ (1,226,866)	\$ 989,524	\$ 1,263,005	\$ (2,193,180)	\$ (1,665,310)	\$ 2,096,908

Note: The District implemented GASB Statement 34 in 2003.

Source: District Records

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**Willmar Public Schools
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years**

For Taxes Collectible	Tax Capacity Valuation					Taxable Market Value	Tax Capacity as a Percentage of Market Value	Total Direct Tax Rate
	Agricultural	Non-Agricultural	Personal	Tax Increment	Total Taxable			
2001	\$ 1,640,027	\$ 12,422,571	\$ 260,075	\$ (278,741)	\$ 14,043,932	\$ 928,334,516	1.51%	53.952
2002	1,495,010	9,678,935	177,535	(116,286)	11,235,194	840,410,870	1.34%	24.656
2003	1,587,299	10,015,812	220,226	(114,863)	11,708,474	884,638,900	1.32%	25.149
2004	1,713,199	10,589,903	257,189	(100,081)	12,460,210	942,034,900	1.32%	25.826
2005	1,982,217	11,817,783	281,114	(31,314)	14,049,800	1,050,845,800	1.34%	23.799
2006	2,296,089	13,000,522	312,655	(32,968)	15,576,298	1,163,814,004	1.34%	23.441
2007	2,632,195	14,547,853	307,961	(35,833)	17,452,176	1,293,283,775	1.35%	22.798
2008	2,946,724	15,839,210	305,981	(49,567)	19,042,348	1,393,141,350	1.37%	20.354
2009	3,174,815	16,719,425	304,326	(22,865)	20,175,701	1,459,461,675	1.38%	20.713
2010	3,551,015	17,455,668	317,290	(22,865)	21,301,108	1,484,886,925	1.43%	20.019

Source: State of Minnesota School Tax Report, Kandiyohi County Auditor

Willmar Public Schools
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$1,000 of assessed value)

For Taxes Collectible	District Direct Rates			Overlapping Rates	
	Referendum Purposes	General Purposes	Total	Kandiyohi County	City of Willmar
2001	0.064	53.880	53.944	62.658	26.991
2002	0.157	24.499	24.656	79.752	26.355
2003	0.155	24.994	25.149	81.338	24.584
2004	0.114	25.712	25.826	79.176	26.196
2005	0.103	23.696	23.799	70.608	26.265
2006	0.132	23.309	23.441	65.319	24.102
2007	0.130	22.693	22.823	60.414	25.623
2008	0.125	20.229	20.354	56.711	28.236
2009	0.168	20.545	20.713	56.878	28.163
2010	0.172	19.847	20.019	53.358	28.642

Source: Kandiyohi County Auditor

**Willmar Public Schools
Principal Property Tax Payers
Current Year and Nine Years Ago**

TAXPAYER	2010			2001		
	2010 NET TAX CAPACITY	RANK	% OF TOTAL NET TAX CAPACITY 20,175,701	2001 NET TAX CAPACITY	RANK	% OF TOTAL NET TAX CAPACITY 11,235,194
Wal-Mart Stores, Inc	\$204,654	1	1.01%	\$0		0.00%
Pioneer Health Systems, Inc. (Aff Comm)	187,602	2	0.93%	196,362	1	1.75%
Kandi Land 1999, LLC	186,990	3	0.93%	195,776	2	1.74%
Menard, Inc.	186,474	4	0.92%	-		0.00%
Mills Properties, Inc.	136,055	5	0.67%	-		0.00%
Jennie-O Turkey Store, Inc.	115,220	6	0.57%	124,708	3	1.11%
BNSF Railway Company	113,816	7	0.56%	97,066	4	0.86%
Alliance Pipeline	102,054	8	0.51%	57,080	9	0.51%
Willmar Ten Investors	94,402	9	0.47%	-		0.00%
Minnegasco (Centerpoint)	86,918	10	0.43%	66,012	7	0.59%
Torgerson Properties	-		0.00%	63,020	8	0.56%
ACGO Manufacturing Co.	-		0.00%	78,916	5	0.70%
Willmar Poultry Farms, Inc.	-		0.00%	74,816	6	0.67%
Dayton Hudson Corp.	-		0.00%	53,308	10	0.47%
TOTAL	\$1,414,185		7.01%	\$1,007,064		8.96%

Source: Kandiyohi County Auditor

**Willmar Public Schools
Property Tax Levies and Collections
Last Ten Fiscal Years**

For Taxes Collectible	Adjusted Net Levy (1)	Collected within the Fiscal Year of the Levy		Delinquent Tax Collections	Total Collections to Date	
		Amount (2)	% of Levy		Amount	% of Levy
2001	\$ 6,347,540	\$ 6,246,103	98.40%	\$ 92,219	\$ 6,338,322	99.85%
2002	3,749,176	3,676,820	98.07%	66,186	3,743,006	99.84%
2003	3,962,277	3,902,664	98.50%	52,110	3,954,774	99.81%
2004	3,938,930	3,887,832	98.70%	97,362	3,932,234	99.83%
2005	4,058,509	4,007,232	98.74%	47,974	4,055,206	99.92%
2006	4,807,017	4,742,834	98.66%	53,404	4,796,238	99.78%
2007	5,292,329	5,222,338	98.68%	39,311	5,261,649	99.42%
2008	5,276,103	5,199,412	98.55%	31,266	5,230,678	99.14%
2009	6,283,379	6,177,075	98.31%	49,659	6,226,734	99.10%
2010	6,470,465	3,331,023	51.48%	0	3,331,023	51.48%

Note 1: Beginning with the levy collectible in FY 2003, the general education levy is eliminated due to the state's effort to fund general education entirely through state aid.

Note 2: A portion of the total levy is paid through various property tax credits which are paid through state aids and have been included in collections.

Source: Kandiyohi County Auditor

**Willmar Public Schools
Outstanding Debt by Type (1)
Last Ten Fiscal Years**

Fiscal Year	Bonded Debt (2)	Aid & Tax Anticipation Certificates	EPA Loan	Total Primary Government	% of Personal Income¹	Per Capita¹
2001	\$ 45,502,927	\$ 3,725,250	0	\$ 49,228,177	4.35%	\$ 1,195
2002	23,395,000	3,975,120	20,425	27,390,545	2.36%	670
2003	21,855,000	8,475,687	15,425	30,346,112	2.55%	739
2004	20,752,395	2,537,065	10,425	23,299,885	1.86%	568
2005	19,010,000	0	5,425	19,015,425	1.40%	465
2006	16,595,000	3,957,811	425	20,553,236	1.45%	503
2007	15,585,000	0	0	15,585,000	1.04%	381
2008	13,765,000	0	0	13,765,000	0.87%	336
2009	11,930,000	0	0	11,930,000	N/A	293
2010	9,935,000	0	0	9,935,000	N/A	242

N/A = not available.

Note 1: Details regarding the District's current outstanding debt can be found in the notes to basic financial statements.

Note 2: The District issued cross-over refunding bonds with an original principal of \$20.65 million in 1997 to refinance the original 1992 Sr. High bonds. The actual transaction to retire the original 1992 bonds took place during FY 2001, resulting in the temporary large increase in bonded debt.

¹ See the Schedule of Demographic and Economic Statistics for personal income and population data. These ratios were calculated using personal income and population for the prior calendar year.

Source: District Records

**Willmar Public Schools
Direct and Overlapping Governmental Activities Debt
As of June 30, 2010**

Governmental Unit (1)	G.O. Bonded Debt	Estimated Applicable Percentage (2)	Estimated Share of Direct and Overlapping Debt
Kandiyohi County	\$ 33,975,000	45.70%	\$ 15,526,167
Cities:			
Kandiyohi	255,000	100.00%	255,000
Pennock	740,000	100.00%	740,000
Willmar	10,800,000	100.00%	10,800,000
Subtotal, overlapping debt			27,321,167
District direct debt			<u>9,935,000</u>
Total direct and overlapping debt			<u><u>\$ 37,256,167</u></u>

Note 1: Only those taxing jurisdictions with general obligation debt outstanding are included in this section.

Note 2: Estimated Applicable Percentage is determined by dividing the Tax Capacity of Portion Within the School District by the Tax Capacity of the Entire Governmental Unit.

Source: Kandiyohi County Auditor

**Willmar Public Schools
Legal Debt Margin Information
Last Ten Fiscal Years
(dollars in thousands)**

Legal Debt Margin Calculation for Fiscal Year 2010

Assessed Value	\$ 1,933,910,100
Debt Limit (15% of assessed value)	290,086,515
Debt applicable to limit	9,935,000
Legal debt margin	\$ 280,151,515

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt Limit	\$ 144,717,511	\$ 150,759,876	\$ 158,567,400	\$ 168,934,620	\$ 189,409,695	\$ 211,673,997	\$ 236,997,950	\$ 256,901,697	\$ 272,596,995	\$ 290,086,515
Total net Debt applicable to limit	49,228,177	27,390,545	30,346,112	23,299,885	19,015,425	16,595,000	15,585,000	13,765,000	11,930,000	9,935,000
Legal debt margin	\$ 95,489,334	\$ 123,369,331	\$ 128,221,288	\$ 145,634,735	\$ 170,394,270	\$ 195,078,997	\$ 221,412,950	\$ 243,136,697	\$ 260,666,995	\$ 280,151,515
Total net debt applicable to the limit as a % of debt limit	34.02%	18.17%	19.14%	13.79%	10.04%	7.84%	6.58%	5.36%	4.38%	3.42%

Note: Under state finance law, the District's outstanding general obligation debt should not exceed 15 percent of total market value.

Source: Kandiyohi County Auditor

**Willmar Public Schools
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Value of Taxable Property	% of Personal Income	Per Capita
	General Obligation Bonds	Less: Amounts Restricted to Repaying Principal	Total			
2001	\$ 45,502,927	\$ 21,145,279	\$ 24,357,648	2.52%	2.15%	\$ 592
2002	23,395,000	993,012	22,401,988	2.23%	1.93%	544
2003	21,855,000	907,371	20,947,629	1.98%	1.76%	512
2004	20,752,395	840,804	19,911,591	1.77%	1.59%	485
2005	19,010,000	760,111	18,249,889	1.45%	1.35%	445
2006	16,595,000	835,384	15,759,616	1.12%	1.11%	385
2007	15,585,000	902,774	14,682,226	0.93%	0.98%	359
2008	13,765,000	965,982	12,799,018	0.75%	0.81%	313
2009	11,930,000	717,782	11,212,218	0.62%	N/A	274
2010	9,935,000	632,611	9,302,389	0.48%	N/A	229

N/A = not available

Note: Details regarding the District's outstanding debt can be found in the notes to basic financial statements.

¹ See Schedule of Demographic and Economic Statistics for personal income and population data. These ratios were calculated using personal income and population for the prior calendar year.

Source: District Records and Bureau of Economic Analysis - U.S. Dept. of Commerce.

**Willmar Public Schools
Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year	Kandiyohi County			
	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2001	41,181	\$ 1,132,403,000	\$ 27,498	3.00%
2002	40,893	1,162,600,000	28,430	3.80%
2003	41,043	1,188,070,000	28,947	4.20%
2004	41,013	1,251,755,000	30,521	4.20%
2005	40,936	1,355,537,000	33,114	3.50%
2006	40,861	1,421,774,000	34,795	3.40%
2007	40,870	1,493,125,000	36,534	4.00%
2008	40,959	1,579,821,000	38,571	4.50%
2009	40,679	N/A	N/A	6.90%
2010	41,123	N/A	N/A	5.90%

N/A = not available

Source: Bureau of Economic Analysis - U.S. Department of Commerce,
Bureau of Labor Statistics, U.S. Census Bureau, and
Minnesota Department of Employment and Economic Development

**Willmar Public Schools
Principal Employers
Current Year and Nine Years Ago**

TAXPAYER	2010			2001		
	EMPLOYEES	RANK	% OF TOTAL EMPLOYMENT 22,472	EMPLOYEES	RANK	% OF TOTAL EMPLOYMENT 23,243
Jennie-O Turkey Store, Inc.	1,764	1	7.85%	1,328	1	5.71%
Rice Memorial Hospital	1,000	2	4.45%	684	2	2.94%
Willmar Public Schools	660	3	2.94%	675	3	2.90%
Affiliated Community Medical Centers	538	4	2.39%	447	5	1.92%
Willmar Poultry Co.	500	5	2.22%	225	9	0.97%
Divine House	475	6	2.11%	0		0.00%
Bethesda Homes	430	7	1.91%	350	7	1.51%
Kandiyohi County	429	8	1.91%	433	6	1.86%
Walmart	340	9	1.51%	0		0.00%
Ridgewater College	300	10	1.33%	235	8	1.01%
Willmar Regional Treatment Center	0		0.00%	530	4	2.28%
Minnesota Department of Transportation			0.00%	225	10	0.97%
TOTAL	6,436		28.64%	5,132		22.08%

N/A = not available

Source: Minnesota Department of Employment and Economic Development and Springsted, Inc.

Willmar Public Schools
Full-Time-Equivalent District Employees by Type
Last Seven Fiscal Years

	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
Instruction							
Teachers	335.0	333.5	331.0	327.0	338.0	322.7	307.5
Title Teachers	17.0	15.5	17.5	16.5	17.0	15.0	15.0
Deans of Students	4.0	4.0	4.0	3.0	5.0	4.0	4.0
Total Instruction	<u>356.0</u>	<u>353.0</u>	<u>352.5</u>	<u>346.5</u>	<u>360.0</u>	<u>341.7</u>	<u>326.5</u>
Support							
Principals and District Administration	10.0	10.0	10.0	10.0	10.0	9.0	9.0
Directors & Community Education	8.0	8.0	8.0	6.0	6.0	6.0	6.0
Secretaries	16.5	16.5	16.5	16.0	20.0	20.0	18.5
Custodians	27.0	26.0	25.5	24.5	27.0	27.0	27.0
Food Service	28.0	28.0	30.0	30.0	30.0	30.0	28.0
Clerical/Non-affiliated	45.0	44.5	44.5	44.5	42.0	42.0	38.0
Paraprofessionals	119.0	118.5	110.0	99.0	102.0	97.0	78.0
Total Support	<u>253.5</u>	<u>251.5</u>	<u>244.5</u>	<u>230.0</u>	<u>237.0</u>	<u>231.0</u>	<u>204.5</u>
Total	<u><u>609.5</u></u>	<u><u>604.5</u></u>	<u><u>597.0</u></u>	<u><u>576.5</u></u>	<u><u>597.0</u></u>	<u><u>572.7</u></u>	<u><u>531.0</u></u>

Note: Information prior to 2004 is not readily available.

Source: District Records

**Willmar Public Schools
Operating Statistics
Last Ten Fiscal Years**

Fiscal Year	Enrollment (1)	Operating Expenditures (2)	Cost Per Pupil	% Change	Teaching Staff FTE's	Pupil-Teacher Ratio (3)	% of Students Receiving Free or Reduced- Price Meals
2001	4,449	\$ 37,052,766	\$ 8,328	6.09%	N/A	N/A	37.5%
2002	4,335	34,232,553	7,897	-5.18%	N/A	N/A	38.2%
2003	4,259	36,051,061	8,465	7.19%	N/A	N/A	40.9%
2004	4,195	38,834,939	9,257	9.37%	356.0	11.8	41.2%
2005	4,093	42,452,947	10,372	12.04%	353.0	11.6	43.0%
2006	4,103	42,312,009	10,312	-0.57%	352.5	11.6	44.5%
2007	4,077	43,352,344	10,633	3.11%	346.5	11.8	46.4%
2008	4,038	46,629,456	11,548	8.60%	360.0	11.2	46.9%
2009	4,076	45,960,727	11,276	-2.35%	341.7	11.9	48.0%
2010	4,031	43,519,178	10,796	-4.26%	326.5	12.3	50.3%

N/A = not available.

Note 1: Enrollment is measured by Average Daily Membership per the Minnesota Department of Education.

Note 2: Operating Expenditures are total districtwide expenditures less debt service and operating capital.

Note 3: This data is computed by dividing total Enrollment by total Teaching Staff FTE's.

Source: District Records and Minnesota Department of Education

**Willmar Public Schools
Teacher Base Salaries
Last Ten Fiscal Years**

Fiscal Year	Minimum Salary	Maximum Salary
2001	\$28,309	\$54,799
2002	28,309	54,799
2003	29,500	56,178
2004	29,800	56,658
2005	30,100	57,138
2006	30,550	58,735
2007	32,435	59,585
2008	33,132	60,931
2009	34,159	62,820
2010	34,159	62,820

Note: Amounts do not include fringe benefits such as pension, health insurance, disability, etc.

Source: District Records

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**Willmar Public Schools
School Building Information - Owned Buildings
Last Ten Fiscal Years**

<u>School</u>	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
PreK - Elementary										
Jefferson (1953)										
Square Feet	46,833	46,833	46,833	46,833	46,833	46,833	46,833	46,833	46,833	46,833
Enrollment	264	225	200	245	247	252	258	253	264	32
Acres	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Kennedy (1958)										
Square Feet	150,665	150,665	150,665	150,665	150,665	150,665	150,665	150,665	150,665	150,665
Enrollment	875	948	921	758	752	755	796	802	854	910
Acres	23.7	23.7	23.7	23.7	23.7	23.7	23.7	23.7	23.7	23.7
Lafayette (1939) (sold June 15, 2007)										
Square Feet	22,953	22,953	22,953	22,953	22,953	22,953	0	0	0	0
Enrollment	98	0	0	0	0	0	0	0	0	0
Acres	2.3	2.3	2.3	2.3	2.3	2.3	0	0	0	0
Lincoln (1924) (closed 2010)										
Square Feet	46,004	46,004	46,004	46,004	46,004	46,004	46,004	46,004	46,004	46,004
Enrollment	323	329	321	319	326	326	325	313	254	0
Acres	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Roosevelt (1987)										
Square Feet	95,000	95,000	95,000	95,000	95,000	95,000	95,000	95,000	95,000	105,000
Enrollment	678	642	635	740	709	683	698	720	767	883
Acres	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Washington (1951) (closed 2010)										
Square Feet	30,916	30,916	30,916	30,916	30,916	30,916	30,916	30,916	30,916	30,916
Enrollment	24	23	24	22	22	23	25	25	29	0
Acres	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7

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Willmar Public Schools
School Building Information - Owned Buildings (continued)
Last Ten Fiscal Years

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Secondary										
Middle School (1967)										
Square Feet	157,380	154,380	154,380	154,380	154,380	154,380	154,380	154,380	154,380	154,380
Enrollment	681	675	644	637	623	648	609	539	552	871
Acres	28.7	28.7	28.7	28.7	28.7	28.7	28.7	28.7	28.7	28.7
Senior High (1997)										
Square Feet	267,000	267,000	267,000	267,000	267,000	267,000	267,000	267,000	267,000	267,000
Enrollment	1,318	1,250	1,278	1,267	1,254	1,261	1,195	1,226	1,198	1,175
Acres	193.0	193.0	193.0	193.0	193.0	193.0	193.0	193.0	193.0	193.0
Garfield (1930)										
Square Feet	25,536	25,536	25,536	25,536	25,536	25,536	25,536	25,536	25,536	25,536
Enrollment	115	140	112	101	84	67	89	72	69	77
Acres	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
WEAC (1939)										
Square Feet	49,470	49,470	49,470	49,470	49,470	49,470	49,470	49,470	49,470	49,470
Enrollment	17	17	18	18	16	15	7	0	0	0
Acres	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4

N/A = not available

Source: District Records and Minnesota Department of Education

**Willmar Public Schools
Schedule of Insurance Coverage
For the Year Ended June 30, 2010**

Insurable Risk	Insured through Agent & Ins. Co. or Risk Pool	Policy Period	Coverage Limits	Deductible
General Liability	Indiana Insurance Company	7/1/09 - 7/1/10	Gen. Agg. \$2,000,000 Each Occ. \$1,200,000	\$1,000/ee
Automotive Liability	Indiana Insurance Company	7/1/09 - 7/1/10	Liability \$1,200,000 Uninsured \$1,000,000 Under... \$1,000,000	\$250 to \$500
Commercial Excess	Indiana Insurance Company	7/1/09 - 7/1/10	Occurance \$2,000,000 Aggregate \$2,000,000	na
School Leaders E & O	Indiana Insurance Company	7/1/09 - 7/1/10	Claim \$1,200,000 Aggregate \$1,200,000	\$2,500
Basic Property (all risk)	Indiana Insurance Company	7/1/09 - 7/1/10	Varies by type of property	\$2,500
Boiler and Machinery	Indiana Insurance Company	7/1/09 - 7/1/10	\$75,000,000	\$2,500
Inland Marine	Indiana Insurance Company	7/1/09 - 7/1/10	Various types of property	na
Workers' Compensation	Indiana Insurance Company	7/1/09 - 7/1/10	Accident \$500,000 Disease \$500,000 Disease \$500,000 ee	na
Crime	Indiana Insurance Company	7/1/09 - 7/1/10	Theft, etc. \$250,000	\$500

Source: District records