

WAYZATA PUBLIC SCHOOLS

Independent School District 284
Wayzata, Minnesota

BOARD OF EDUCATION

Special Work Session - December 4, 2007 - 5:30 PM
District Administration Building, 210 Cty. Rd. 101 N., Plymouth

AGENDA

- | | | |
|----|--|-----|
| 1. | CALL TO ORDER - Board Chair Cohen | 3 |
| 2. | FINANCIAL | |
| | A. Comprehensive Annual Financial Report for Fiscal Year Ending June 30, 2007 - Larson Allen | 4 |
| 3. | ADJOURN | 181 |

WAYZATA PUBLIC SCHOOLS
Independent School District 284
Wayzata, Minnesota

VISION

A model of excellence among learning communities

MISSION

The mission of the Wayzata School District is to prepare all students for the future by providing a challenging education which builds academic competence, develops responsible citizenship, encourages creativity, promotes lifelong learning, advances critical thinking skills, instills a commitment to personal wellness, and fosters respect for self and others.

DISTRICT DIRECTIONS for 2005-2007

- ***Apply our vision to all components of the District***
- ***Erase organizational barriers that limit participation of all cultural groups***
- ***Strive for smaller class sizes***
- ***Work toward a more individualized model of education***
- ***Promote a “client-centered” District***

WAYZATA PUBLIC SCHOOLS
Independent School District 284
Wayzata, Minnesota

BOARD OF EDUCATION

Work Session – December 4, 2007

AGENDA ITEM: 1. CALL TO ORDER/ROLL CALL

COMMENTS BY: Board Chair Cohen

	<u>PRESENT</u>	<u>ABSENT</u>
Mr. Gregory D. Baufield	<u> </u>	<u> </u>
Ms. Linda A. Cohen	<u> </u>	<u> </u>
Ms. Susan J. Droegemueller	<u> </u>	<u> </u>
Ms. Patricia L. Gleason	<u> </u>	<u> </u>
Mr. Gary W. Landis	<u> </u>	<u> </u>
Mr. John A. Moroz	<u> </u>	<u> </u>
Ms. Carter G. Peterson	<u> </u>	<u> </u>
Mr. Bob J. Ostlund, Ex Officio	<u> </u>	<u> </u>

December 4, 2007

School Board
Independent School District No. 284
Wayzata Public Schools
Wayzata, Minnesota

This Executive Audit Summary and Management Report presents information which we believe is important to you as members of the school board. We encourage you to review the sections of this report, the audited financial statements and the auditor's reports.

We would be pleased to furnish additional information with respect to these suggestions and discuss this memorandum with you at your convenience. We wish to express our appreciation to the School for the courtesies, cooperation and assistance extended to us during the course of our work.

LarsonAllen LLP



Dennis Hoogeveen, CPA
Principal

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284**

EXECUTIVE AUDIT SUMMARY (EAS)

JUNE 30, 2007

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
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**EXECUTIVE AUDIT SUMMARY (EAS)
FOR
WAYZATA PUBLIC SCHOOLS
YEAR ENDED JUNE 30, 2007**

We prepared this Executive Audit Summary and Management Report in conjunction with our audit of the District's financial statements for the year ended June 30, 2007. We appreciated the time that staff took to work with us to complete the engagement—especially the efforts of Bill Rueber and Jim Scheuer, who were our main contacts on the audit.

Audit Opinion – The financial statements are fairly stated. We issued what is known as a “clean” audit report.

Yellow Book Opinion – No compliance issues were noted in our review of laws, regulations, contracts and grants that could have significant financial implications to the School.

Internal Controls – No “material weakness” in internal controls was noted.

Single Audit – The District complied with requirements of major federal programs (Special Education Cluster), except as outlined in schedule of findings and questioned costs.

Legal Compliance – No compliance issues were noted with respect to Minnesota Statutes.

Student Activity Audit – We reported the following findings related to the audit of the District's student activity accounts: 1) improper activity being accounted for in student activity accounts, 2) student activity accounts with deficit balances at year-end, 3) no disposition of inactive student activity accounts, and 4) lack of documentation of approval.

Enrollment – For fiscal 2006-07, Wayzata Public Schools had an estimated total adjusted average daily membership of 9,967.15 (or 11,545.29 adjusted pupil units). For fiscal 2005-06, the District had an estimated total adjusted average daily membership of 9,824.18 (or 11,365.25 adjusted pupil units).

Fund Balance – The District's General Fund unreserved-undesignated fund balance ended at \$7,670,512 as of June 30, 2007. The ending unreserved-undesignated fund balance (UFARS basis) represents 8.33% of total General Fund expenditures as opposed to 7.89% at the end of the prior year. A District's fund balance is an important aspect in considering the School's financial well being since a healthy fund balance represents things such as cashflow, as a cushion against unanticipated expenditures, enrollment declines, funding deficiencies and aid prorations at the state level and similar problems.

Budget to Actual – Total revenues on a net basis in the General Fund were \$99,507,985 (which was \$1,681,034 or 1.7% higher than the final amended budgeted amount) while total expenditures were \$92,032,754 (which was \$2,082,240 or 2.2% lower than the final amended budget). The net effect, after considering insurance recoveries and transfers out also, was an increase to total fund balance of \$1,662,978 compared to the final amended budget which anticipated a decrease of \$2.1 million. A good share of the variance relates to timing differences as in the case of amounts designated for site carryover, as well as the timing of certain capital projects and simple budgeting for contingent items. As part of any budget update initiated for fiscal 2007-08, the Board will want to take known budget variances into consideration in order to limit future budget differences to every extent possible. We recommend that budget variances in a school district environment be limited to 1% on either side of zero as a goal after considering known differences relating to timing such as site carryover, federal entitlements and capital items.

The total revenues in the Debt Service Fund were \$10,424,565 (which was \$533,026 or 4.9% lower than the final amended budget) while total expenditures were \$11,125,900 (which was \$2,904 or 0.03% higher than the final amended budget). The revenue variance relates to investment earnings which were lower than budgeted due to the use of funds held in escrow for the refunding of bonds.

Suggestions for Management

Business Office Policies – With anticipated changes in staffing in the Finance department, the District should consider creation of an up to date accounting policy and procedure manual. To ensure continued compliance with policies and assist in any future transitions, this should be completed as soon as possible.

Other Items – Invariably there are other issues that arise in the course of our audits that we work through with appropriate staff at the District level. In those cases, no additional communication is required to the School Board.

I. FINANCIAL RESULTS

Fund Balances

WAYZATA PUBLIC SCHOOLS						
AUDITED FUND BALANCES THROUGH JUNE 30, 2007						
FUND DESCRIPTION	6/30/2006 AUDITED BALANCE	2006-07 AUDITED REVENUES	TRANSFERS INTO FUNDS	2006-07 AUDITED EXPENDITURES	TRANSFERS OUT OF FUNDS	6/30/2007 AUDITED BALANCE
GENERAL FUND						
A. UNRESERVED-UNDESIGNATED - OPERATING	\$6,735,123	\$85,196,417	\$0	\$78,446,679	\$5,814,349	\$7,670,512
B. DESIGNATED FOR						
(1) SITE CARRYOVER	\$1,004,814	\$1,175,313	\$0	\$1,004,814	\$0	\$1,175,313
(2) DOME ESCROW	\$370,696	\$1,077	\$0	\$0	\$0	\$371,773
(3) REEMPLOYMENT INSURANCE	\$0	\$0	\$0	(\$426,160)	\$0	\$426,160
C. RESERVED FOR						
(1) REEMPLOYMENT INSURANCE	\$480,254	\$0	\$0	\$480,254	\$0	\$0
(2) STAFF DEVELOPMENT (2%)	\$963,236	1,125,072	\$0	\$959,306	\$0	\$1,129,002
(3) DISTRICT COOPERATION	\$250,000	\$0	\$0	\$0	\$0	\$250,000
(4) AREA LEARNING CENTER	\$71,220	\$820,511	\$0	\$737,493	\$0	\$154,238
(5) LEARNING AND DEVELOPMENT	\$546,942	\$2,270,340	\$0	\$2,482,475	\$0	\$334,807
(6) BASIC SKILLS	\$255,437	\$1,032,190	\$0	\$928,584	\$0	\$359,043
(7) GIFTED AND TALENTED	\$0	\$101,786	\$0	\$101,786	\$0	\$0
(8) CAREER AND TECHNICAL PROGRAMS	\$64,652	\$114,360	\$0	\$123,370	\$0	\$55,642
(9) SAFE SCHOOLS LEVY	\$0	\$306,510	\$0	\$267,625	\$0	\$38,885
(10) DOWN PAYMENT LEVY	\$132,577	\$4,262,409	\$0	\$4,394,986	\$0	\$0
(11) OPERATING CAPITAL	\$4,064,221	\$2,255,816	\$0	\$1,984,508	\$0	\$4,335,529
(12) DISABLED ACCESSIBILITY	\$7,452	\$0	\$0	\$0	\$0	\$7,452
(13) HEALTH & SAFETY	\$26,931	\$848,280	\$0	\$547,034	\$0	\$328,177
BUDGET		\$97,831,951	\$0	\$94,114,994	\$5,814,349	\$12,876,163
TOTAL GENERAL FUND	\$14,973,555	\$99,510,081	\$0	\$92,032,754	\$5,814,349	\$16,636,533
DIFFERENCE		\$1,678,130	\$0	(\$2,082,240)	\$0	\$3,760,370
% VARIANCE		1.72%		-2.21%		
BUDGET		\$4,281,410		\$5,283,648		\$92,796
FOOD SERVICE	\$1,095,034	\$4,570,136	\$0	\$4,943,844	\$0	\$721,326
DIFFERENCE		\$288,726		(\$339,804)		\$628,530
% VARIANCE		6.74%		-6.43%		
COMMUNITY EDUCATION						
REGULAR COMMUNITY ED	\$877,131	\$5,312,032	\$0	\$5,209,135	\$0	\$980,028
EARLY CHILDHOOD FAMILY ED	\$44,344	\$512,917	\$0	\$495,076	\$0	\$62,185
SCHOOL READINESS	\$2,242	\$70,102	\$0	\$72,147	\$0	\$197
UNRESERVED, UNDESIGNATED	\$20,322	\$687,934	\$0	\$717,073	\$0	(\$8,817)
BUDGET		\$5,851,393	\$0	\$6,055,398		\$740,034
TOTAL COMMUNITY EDUCATION	\$944,039	\$6,582,985	\$0	\$6,493,431	\$0	\$1,033,593
DIFFERENCE		\$731,592	\$0	\$438,033		\$293,559
% VARIANCE		12.50%		7.23%		
BUDGET		\$0	\$5,814,349	\$5,404,949		\$142,443
TOTAL BUILDING FUND	(\$266,957)	\$35,446	\$5,814,349	\$6,619,078	\$0	(\$1,036,240)
DIFFERENCE		\$35,446	\$0	\$1,214,129		(\$1,178,683)
% VARIANCE		#DIV/0!		22.46%		
DEBT SERVICE						
OPERATING	\$2,129,929	\$9,815,904	\$0	\$9,850,300	\$0	\$2,095,533
REFUNDING BONDS	\$29,961,070	\$608,661	\$0	\$23,725,600	\$0	\$6,844,131
BUDGET		\$10,957,591		\$11,122,996		\$31,925,594
TOTAL DEBT SERVICE	\$32,090,999	\$10,424,565	\$0	\$33,575,900	\$0	\$8,939,664
DIFFERENCE		(\$533,026)		\$22,452,904		(\$22,985,930)
% VARIANCE		-4.86%		201.86%		
PROPRIETARY AND TRUST						
TRUST FUNDS	\$280,689	\$56,413	\$0	\$27,360	\$0	\$309,742
INTERNAL SERVICE FUND - SELF INS & RET	\$1,396,692	\$14,975,589	\$0	\$14,486,486	\$0	\$1,885,795
TOTAL OTHER FUNDS	\$1,677,381	\$15,032,002	\$0	\$14,513,846	\$0	\$2,195,537

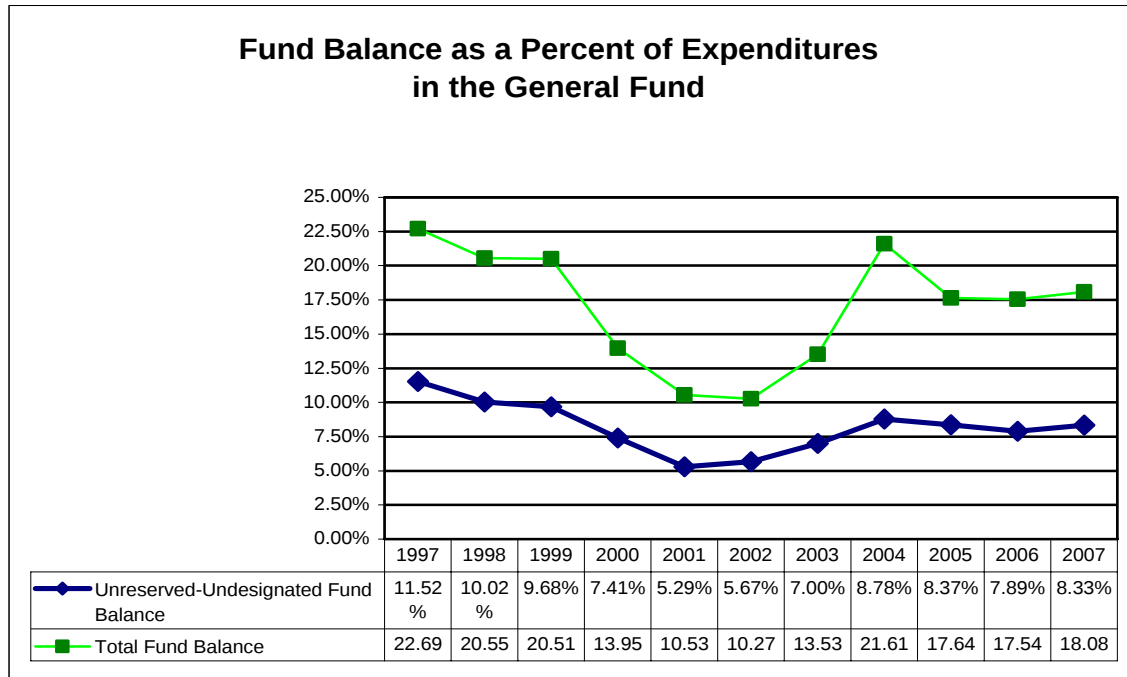
NOTE: The General Fund information is presented in the format required by the Uniform Financial Accounting and Reporting Standards issued by the Minnesota Department of Education.

I. FINANCIAL RESULTS (CONTINUED)

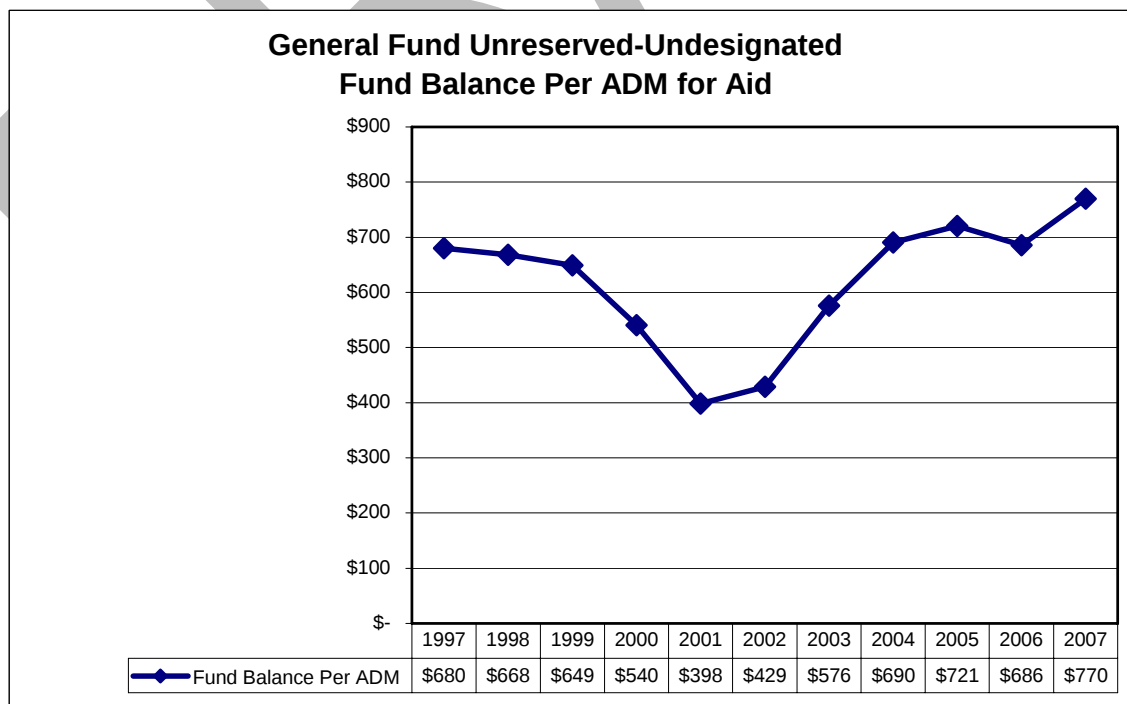
Fund Balances (Continued)

Unless otherwise noted, all graphs and charts reflect the activity of the pupil transportation and capital expenditure funds as if they had always been part of the general fund for any years prior to fiscal 1997.

As a percentage of annual expenditures:



Per student served for aid.

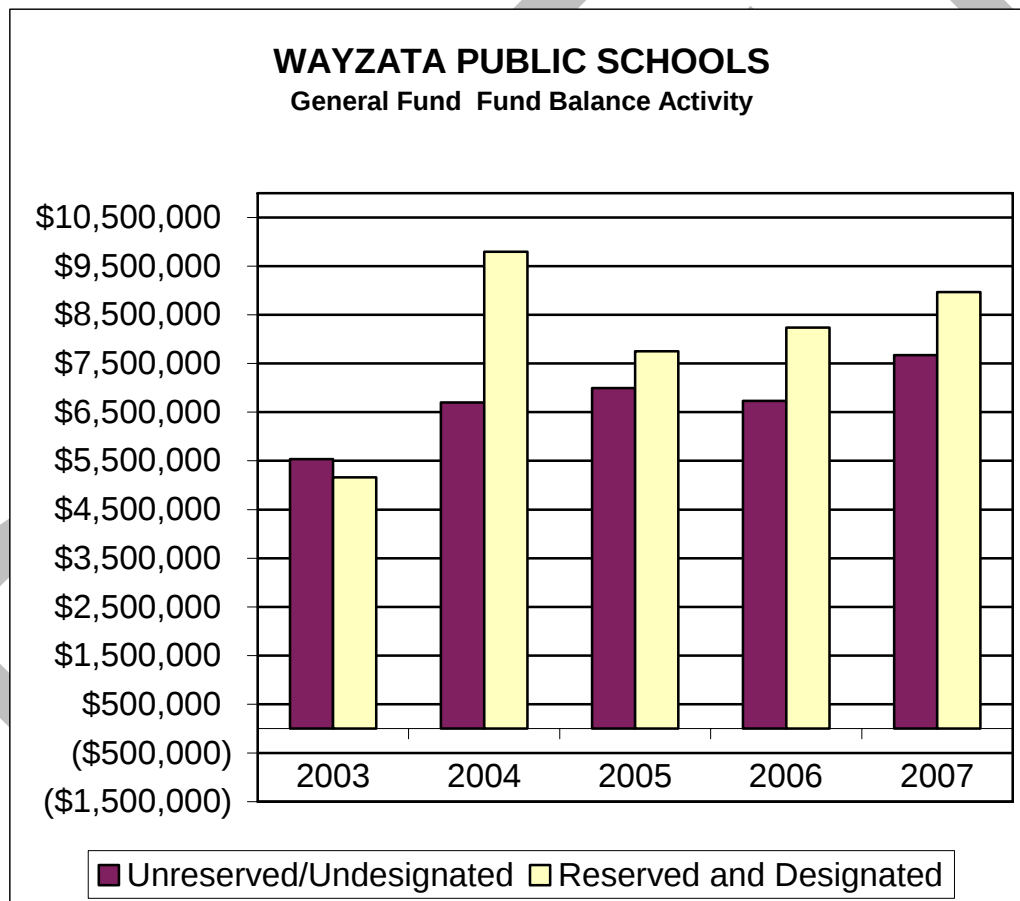


I. FINANCIAL RESULTS (CONTINUED)

Fund Balances of the General Fund

Unless otherwise noted, all graphs and charts reflect the combined activity of the District's General Fund, including the pupil transportation and capital expenditure sub-funds.

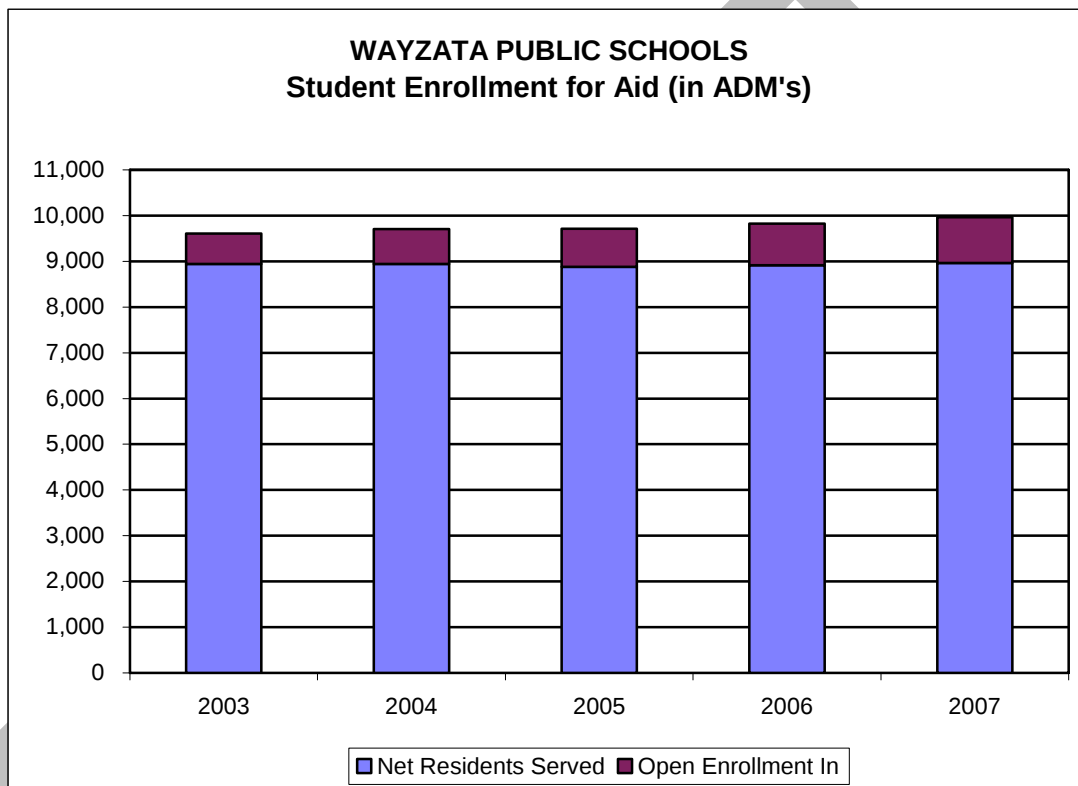
	2003	2004	2005	2006	2007
Unreserved/Undesignated:					
Fund Balance	\$ 5,534,713	\$ 6,699,484	\$ 6,996,425	\$ 6,735,123	\$ 7,670,512
Reserved and Designated:					
Fund Balance	5,164,250	9,794,662	7,754,109	8,238,432	8,966,021
Total Fund Balance	<u>\$10,698,963</u>	<u>\$16,494,146</u>	<u>\$14,750,534</u>	<u>\$14,973,555</u>	<u>\$16,636,533</u>
Total Expenditures	<u>\$79,093,797</u>	<u>\$76,315,763</u>	<u>\$83,631,572</u>	<u>\$85,380,129</u>	<u>\$92,032,754</u>
Unreserved/Undesignated Fund Balance as a % of Total Expenditures	<u>7.00%</u>	<u>8.78%</u>	<u>8.37%</u>	<u>7.89%</u>	<u>8.33%</u>



I. FINANCIAL RESULTS (CONTINUED)

Students Served for Aid

	2003	2004	2005	2006	2007
Total Residents	9,255.97	9,241.72	9,254.37	9,301.41	9,405.59
Open Enrollment Out	(313.98)	(301.92)	(374.00)	(389.40)	(441.85)
Net Residents Served	8,941.99	8,939.80	8,880.37	8,912.01	8,963.74
Open Enrollment In	666.32	763.75	830.12	912.17	1,003.41
Net ADM Served	9,608.31	9,703.55	9,710.49	9,824.18	9,967.15
Net Pupil Units Served	11,099.40	11,207.85	11,218.58	11,218.58	11,545.29



As reflected in the above chart and graph, the District continues to attract over two students through open enrollment for every resident student choosing to attend to elsewhere.

II. OTHER KEY TOPICS

ASBO Certificate of Excellence

The District submitted its June 30, 2006 CAFR (Comprehensive Annual Financial Report) to the Association of School Business Officials as part of ASBO's Certificate of Excellence in Financial Reporting program and was awarded the Certificate of Excellence. We believe this reflects the District's commitment to the high standard of financial reporting excellence required by the ASBO program. Although not guaranteed, we believe the District's June 30, 2007 CAFR will continue to qualify for the award.

GASB STATEMENT NO. 43 – FINANCIAL REPORTING FOR POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS AND

GASB STATEMENT NO. 45 – ACCOUNTING AND FINANCIAL REPORTING BY EMPLOYERS FOR POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

As we've presented to you in our last three Executive Audit Summary documents, we want to continue to cover the impact of these two new GASB statements, although the more predominant statement with applicability for school districts in Minnesota is expected to be GASB Statement No. 45, due to the fact that in Minnesota there is not currently a state statute which authorizes a public entity to establish a trust of the type that would be required under the requirements of GASB Statement No. 43. These related statements provide new guidance on accounting and financial reporting of post-employment benefits accounted for in trust funds included in the financial statements of plan sponsors or employers, and employer accounting and reporting for post-employment benefits other than pensions by employers when the plan is not accounted for in their financial statements.

OPEB stands for Other Post-employment Benefits and covers certain benefits provided after employment ends. From an accounting perspective, these benefits are in exchange for employees' current services. The "O" in OPEB means that these benefits are those "Other" than pensions. One example of this type of benefit is healthcare premiums paid by employers on behalf of former employees. They can also include other benefits such as life insurance. OPEB does not include vacation, sick leave, or COBRA continuation. Governmental entities have traditionally accounted for OPEB on a pay-as-you-go basis. Only a few governments have funded these benefits in advance of payment. The guidance in these statements rests on the assumption that OPEB should be accrued as an expense as service is provided by employees.

In health insurance plans where a school district's retirees and current employees are insured together as a group as required by state statute, the premiums paid by the retirees would typically be lower than they would have been if the retirees were insured separately—this is called an implicit rate subsidy. GASB concluded in Statements 43 and 45 that exempting governments from including an implicit rate subsidy in their OPEB calculations would result in the annual cost and long-term obligations of their OPEB being significantly understated. School districts must therefore include implicit rate subsidies as OPEB.

For governments offering OPEB, the cost would be recognized using a three-step approach. The government will be required to project future benefits, discount those benefits to their present value, then use an acceptable actuarial method to allocate costs to individual accounting periods.

Once calculated, the difference between the present value of OPEB benefits earned by employees as the result of past service and resources set aside to pay those benefits will be considered the "unfunded actuarial liability for OPEB." Every employer will be allowed to start fresh at the time of transition to the new standard. There will be no requirement for an employer to recognize an accounting liability for under funding prior to the implementation of the new standard. Instead, the unfunded actuarial accrued liability for OPEB at transition would be amortized over 30 years. As long as an employer funds the full amount of required contribution, no asset or liability will be reported on the Statement of Net Assets. However, an employer will need to report an asset or liability if the contributions are less or more than the annual required contribution each year.

Nothing in the documents is intended to alter the normal application of modified accrual accounting in the governmental funds of the entity. Thus, OPEB expenditures normally would be recognized when payments are made to the former employees rather than when benefits are earned.

The guidance will require that actuarial valuations for OPEB occur at least every two years for plans with 200 or more members, and every three years for plans with fewer than 200 members. A sole employer plan with fewer than 100 plan members has the option to apply a simplified alternative measurement method rather than obtain actuarial valuations.

These statements become effective in three phases based on the same criteria as those defined for the implementation of GASB Statement No. 34. GASB Statement No. 43 will be phased in for districts over a three year period, starting with category one districts in the fiscal year ending June 30, 2007. GASB Statement No. 45 will be phased in over a three year period, starting with category one districts in the fiscal year ending June 30, 2008.

NEW AUDITING STANDARDS

The Auditing Standards Board of the American Institute of CPA's has issued eight new auditing standards that significantly impact the required level of audit documentation, risk assessment and manner of reporting audit findings to audit committees, or their equivalents, by financial auditors. These audit standards, 104 through 111, will impact the audit process, including the approach, predictability of audit steps, and the overall scope of work to be performed. These standards are effective for the audits of financial statements for periods beginning on or after December 15, 2006. We bring this to your attention as a matter of information to consider in planning and executing your plans for future audits.

- SAS No. 104, Amendment to Statement on Auditing Standards No. 1, Codification of Auditing Standards and Procedures ("Due Professional Care in the Performance of Work")
- SAS No. 105, Amendment to Statement on Auditing Standards No. 95, Generally Accepted Auditing Standards
- SAS No. 106, Audit Evidence
- SAS No. 107, Audit Risk and Materiality in Conducting an Audit
- SAS No. 108, Planning and Supervision
- SAS No. 109, Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement
- SAS No. 110, Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained
- SAS No. 111, Amendment to Statement on Auditing Standards No. 39, Audit Sampling

These Statements establish standards and provide guidance concerning the auditor's assessment of the risks of material misstatement (whether caused by error or fraud) in a financial statement audit, and the design and performance of audit procedures whose nature, timing, and extent are responsive to the assessed risks. Additionally, the Statements establish standards and provide guidance on planning and supervision, the nature of audit evidence, and evaluating whether the audit evidence obtained affords a reasonable basis for an opinion regarding the financial statements under audit.

The primary objective of these Statements is to enhance auditors' application of the audit risk model in practice by specifying, among other things:

- More in-depth understanding of the entity and its environment, including its internal control, to identify the risks of material misstatement in the financial statements and what the entity is doing to mitigate them
- More rigorous assessment of the risks of material misstatement of the financial statements based on that understanding
- Improved linkage between the assessed risks and the nature, timing, and extent of audit procedures performed in response to those risks

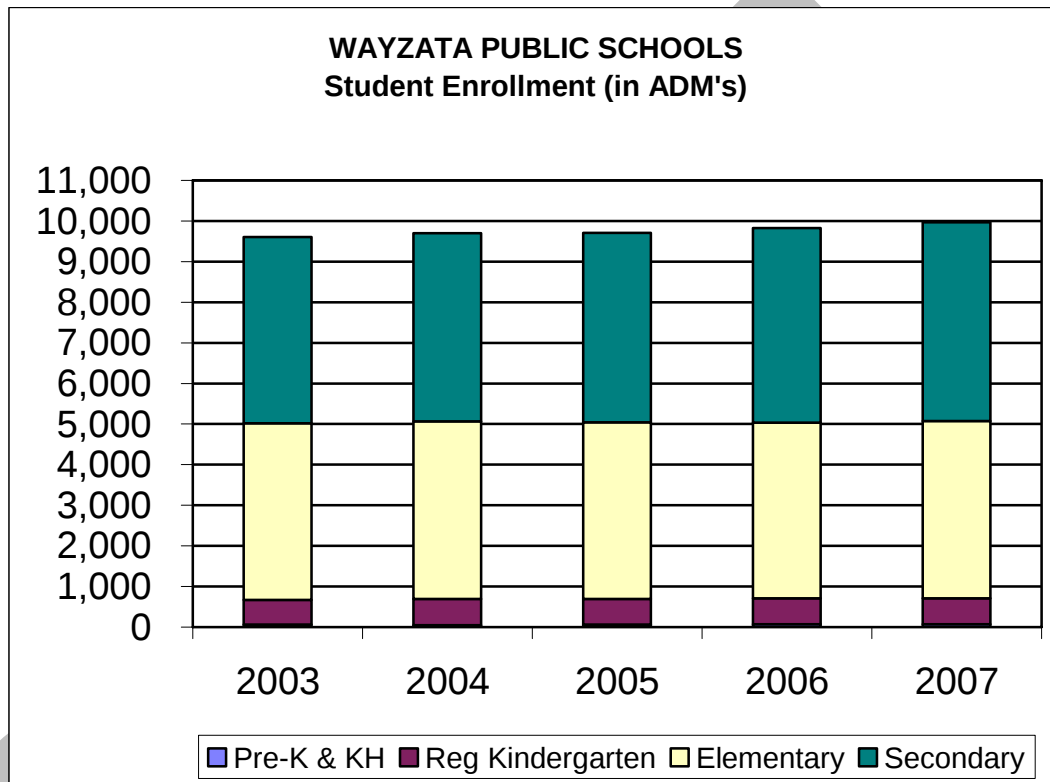
DRAFT

APPENDIX A

FINANCIAL TRENDS OF YOUR DISTRICT

Within this report there are a number of areas where condensed financial statement data has been presented. The last page of this document (Appendix E) contains an Independent Auditor's Report on Condensed Financial Statements Included Herein that should be considered when reading such condensed information.

Student Enrollment

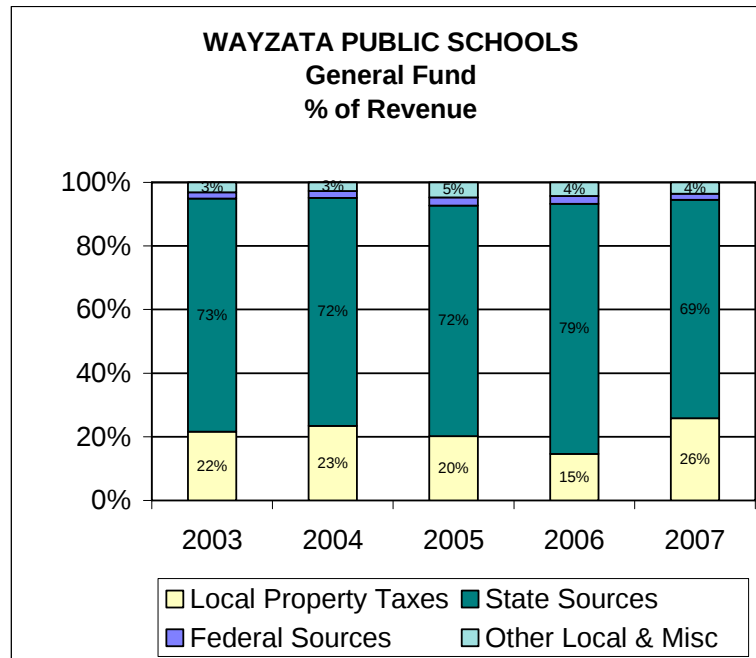


	2003	2004	2005	2006	2007
Pre-K & KH	59.94	48.60	63.23	68.95	71.92
Reg Kindergarten	611.41	642.75	630.45	638.07	637.28
Elementary	4,350.03	4,373.93	4,349.30	4,329.26	4,368.10
Secondary	4,586.93	4,638.27	4,667.51	4,787.90	4,889.85
Net ADM Served	<u>9,608.31</u>	<u>9,703.55</u>	<u>9,710.49</u>	<u>9,824.18</u>	<u>9,967.15</u>
Percent Change	4.00%	0.99%	0.07%	1.17%	1.46%

As noted in the above chart, the District's student count for fiscal 2006-07 increased by 1.46% over the prior year.

General Fund Revenue

The following table and graph summarizes the District's General Fund revenue sources for the last five years.



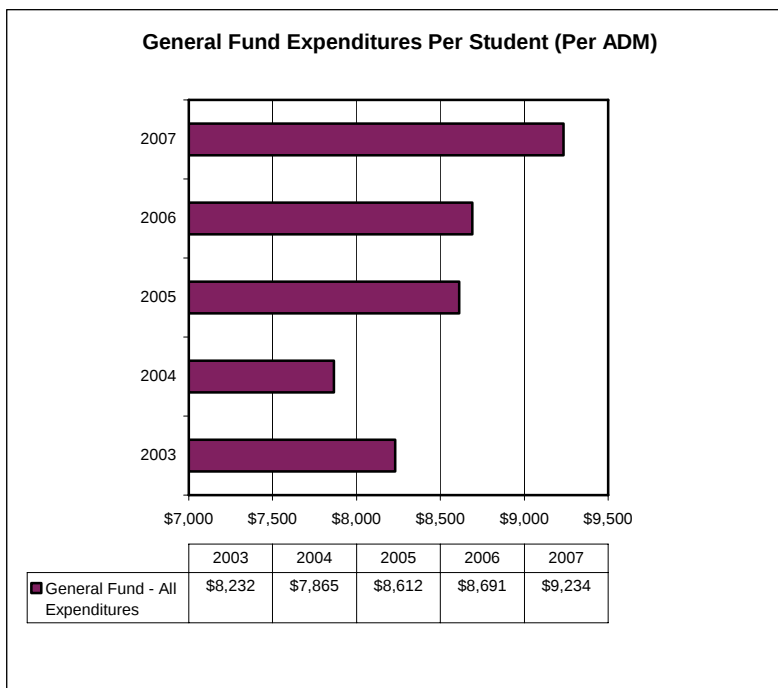
The table below illustrates the fluctuation that occurs between the taxes and state aid categories based on legislative activity. The Legislature determines what portion of the general education funding formula will be paid by local taxpayers. In addition, when the tax shift percentage changes or the state provides property tax relief such as the education homestead market value aid, this only impacts the mix between state aids and taxes and does not change total revenue. School finance in Minnesota continues to be a very difficult subject to explain to the general public. In fiscal 2006, a total of \$4.6 million of the tax shift was "bought down" by the legislature which gives the appearance of a significant increase in taxes for fiscal 2007. Beyond the tax shift impact in fiscal 2007, the voter-approved referendum from 2005 generated an additional \$5.0 million in revenue, the levy portion of operating capital was increased by \$1.1 million (used by the Legislature to help fund an increase in the general education aid formula), the levy portion of alternative compensation for fiscal 2007 was approximately \$.7 million, an increase of \$2.2 million for the capital project referendum, \$.9 million for the alternative facilities levy, a net reduction of \$.9 million for health and safety projects and all other levy and tax components consisting of the remaining difference of \$.4 million. Note that with the exception of voter-approved referendums, all other levy changes are generally the result of either legislative changes which result in increased taxes or the result of capital-related levies which is not available for general operations of the District.

	2003	2004	2005	2006	2007
Local Property Taxes	\$ 17,792,007	\$ 18,488,591	\$ 16,607,972	\$ 12,546,224	\$ 25,764,175
State Sources	60,364,303	56,722,521	59,523,945	67,614,167	68,290,486
Federal Sources	1,596,445	1,691,308	2,083,449	2,032,433	1,889,930
Other	2,589,490	2,145,322	3,901,026	3,722,728	3,563,394
Total Revenues	<u>\$ 82,342,245</u>	<u>\$ 79,047,742</u>	<u>\$ 82,116,392</u>	<u>\$ 85,915,552</u>	<u>\$ 99,507,985</u>

	2003	2004	2005	2006	2007
Local Property Taxes	22%	23%	20%	15%	26%
State Sources	73%	72%	72%	79%	69%
Federal Sources	2%	2%	3%	2%	2%
Other	3%	3%	5%	4%	3%
Total Revenues	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

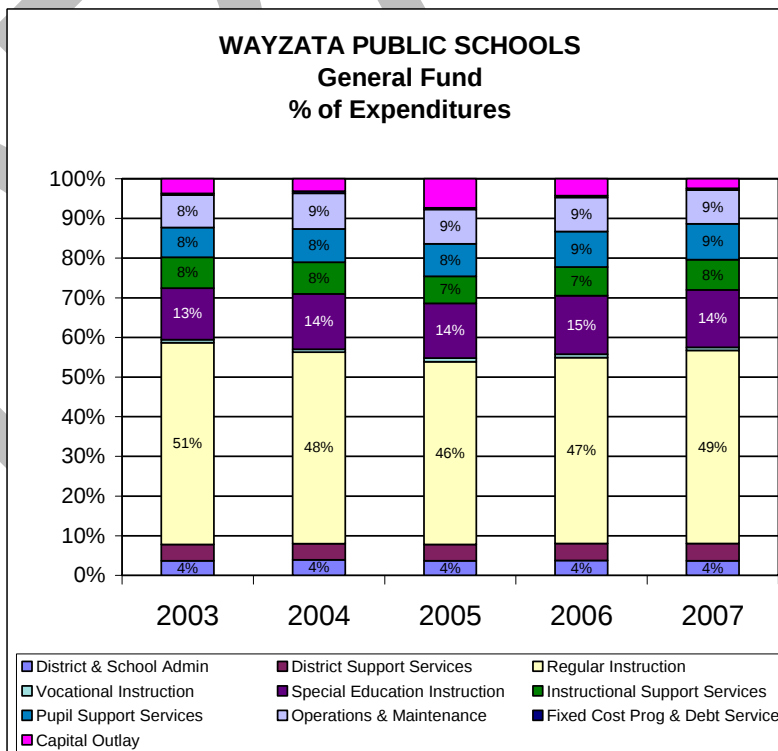
Expenditures Per Student

Expenditures per student (average daily membership) are summarized in the following graph.

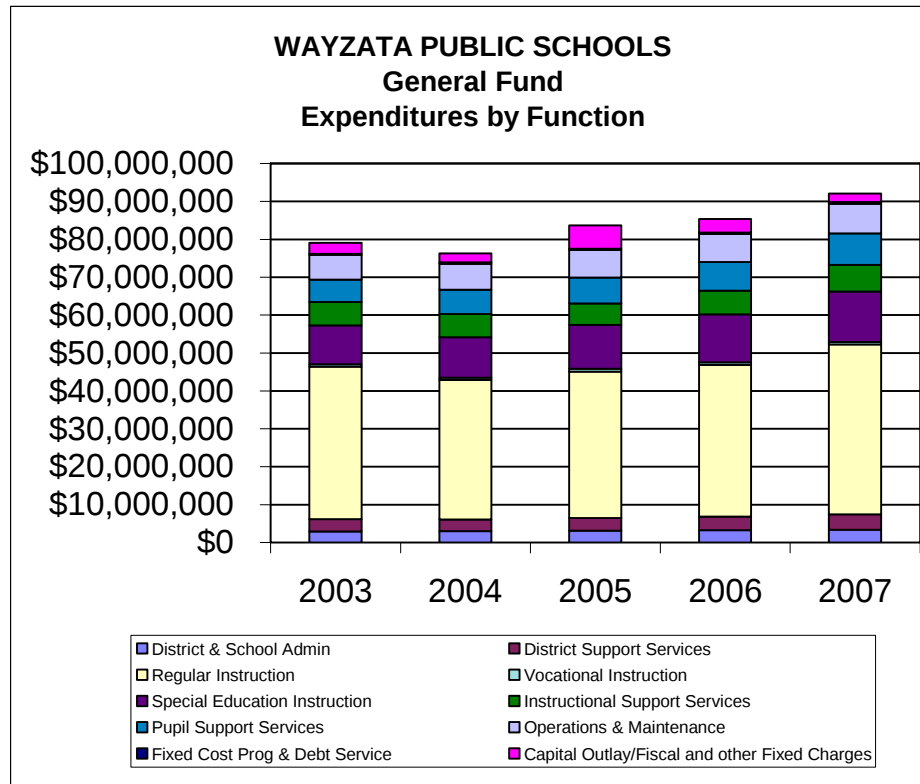


General Fund expenditures for fiscal 2007 were \$92,032,754 which represents an increase of \$6,652,625 or 7.8% from fiscal 2006.

The following schedule shows total expenditures of the General Fund by program type:



Expenditures Per Student (Continued)



	2003	2004	2005	2006	2007
District & School Admin	\$ 2,913,717	\$ 3,004,214	\$ 3,098,903	\$ 3,212,666	\$ 3,400,679
District Support Services	3,225,611	3,118,392	3,414,628	3,670,312	4,019,941
Regular Instruction	40,247,200	36,818,249	38,555,114	39,982,100	44,808,912
Vocational Instruction	628,944	552,176	751,596	705,369	682,739
Special Education Instruction	10,270,350	10,679,661	11,566,284	12,636,066	13,315,819
Instructional Support Services	6,137,942	6,079,368	5,675,656	6,197,509	7,003,890
Pupil Support Services	5,941,347	6,407,440	6,849,023	7,619,936	8,347,354
Operations & Maintenance	6,514,523	6,890,531	7,272,144	7,337,607	7,823,675
Capital Outlay	2,911,515	2,395,172	6,124,600	3,649,451	2,215,203
Fixed Cost Prog & Debt Service	302,648	370,560	323,624	369,113	414,542
Total Expenditures	\$ 79,093,797	\$ 76,315,763	\$ 83,631,572	\$ 85,380,129	\$ 92,032,754

The following chart summarizes District General Fund expenditures by object type.

	2007				2006
	Budget	Actual	Over (Under) Budget	%	Actual
Salaries	\$ 53,099,882	\$ 54,638,762	\$ 1,538,880	2.9%	\$ 47,569,207
Employee Benefits	17,207,144	16,305,104	(902,040)	-5.2%	15,943,404
Purchased Services	15,684,016	15,551,010	(133,006)	-0.8%	14,473,446
Supplies and Materials	3,229,390	3,199,795	(29,595)	-0.9%	3,626,110
Capital Expenditures	3,206,890	2,215,203	(991,687)	-30.9%	3,649,451
Other Expenditures	1,687,672	122,880	(1,564,792)	-92.7%	118,511
Total Expenditures	\$ 94,114,994	\$ 92,032,754	\$ (2,082,240)	-2.2%	\$ 85,380,129

General Fund Operations and Financial Position

The following table presents five years of comparative operating results for the District's General Fund.

	Year Ended June 30,				
	2003	2004	2005	2006	2007
Revenues	\$ 82,342,245	\$ 79,047,742	\$ 82,116,392	\$ 85,915,552	\$ 99,507,985
Expenditures	79,093,797	76,315,763	83,631,572	85,380,129	92,032,754
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,248,448	2,731,979	(1,515,180)	535,423	7,475,231
Other Financing Sources (Uses):					
Sale of Equipment Proceeds	-	-	1,380	3,844	1,096
Insurance Recovery Proceeds	-	-	98,392	1,576	1,000
Capital Lease Proceeds	-	3,645,000	-	224,178	-
Operating Transfers (Out)	-	(581,796)	(328,204)	(542,000)	(5,814,349)
Total Other Financing Sources (Uses)	-	3,063,204	(228,432)	(312,402)	(5,812,253)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	3,248,448	5,795,183	(1,743,612)	223,021	1,662,978
Fund Balance:					
Beginning of Year	7,450,515	10,698,963	16,494,146	14,750,534	14,973,555
End of Year	\$ 10,698,963	\$ 16,494,146	\$ 14,750,534	\$ 14,973,555	\$ 16,636,533
Reserved and Designated Fund Balance	\$ 5,164,250	\$ 9,794,662	\$ 7,754,109	\$ 8,238,432	\$ 8,966,021
Unreserved-Undesignated Fund Balance	5,534,713	6,699,484	\$ 6,996,425	\$ 6,735,123	\$ 7,670,512
Total Fund Balance	\$ 10,698,963	\$ 16,494,146	\$ 14,750,534	\$ 14,973,555	\$ 16,636,533
Unreserved-Undesignated Fund Balance as a Percentage of Expenditures	7.00%	8.78%	8.37%	7.89%	8.33%

The District's General Fund had an excess of revenues over expenditures and other financing uses of \$1,662,978 for fiscal 2007, bringing total fund balance to \$16,636,533 at June 30, 2007. Total fund balance includes a net of \$6,992,775 in reserved accounts as prescribed by state statute plus an additional \$1,973,246 in designated accounts. That leaves an unreserved-undesignated fund balance of \$7,670,512 at year-end.

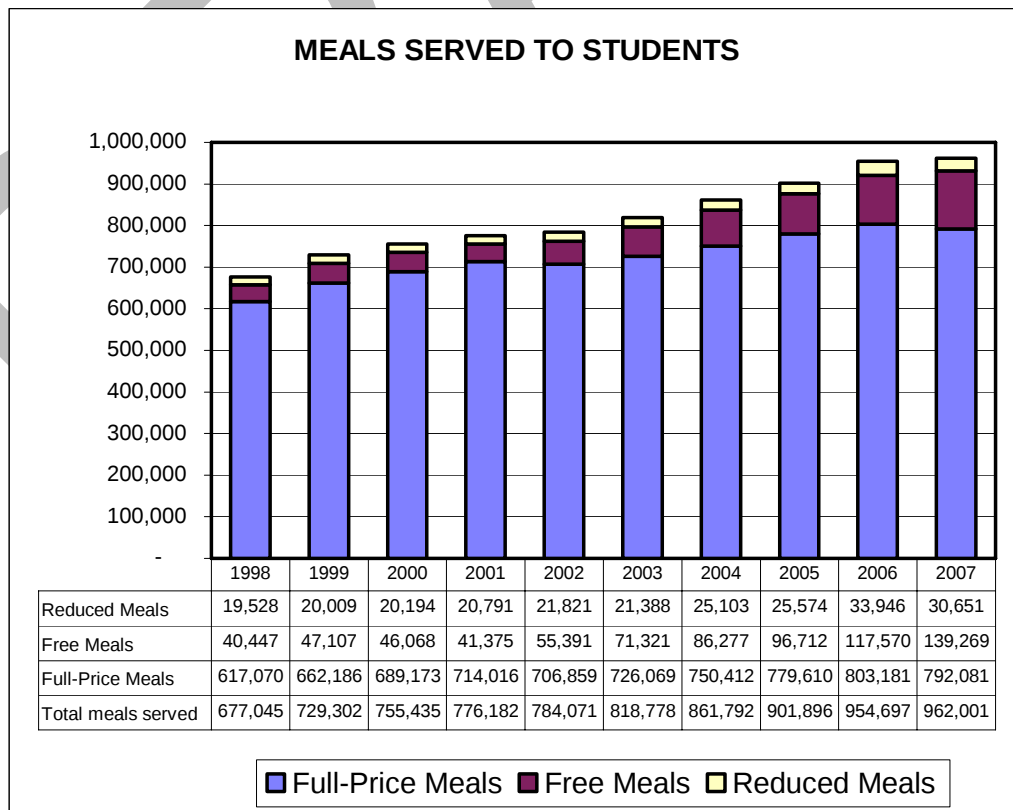
Food Service Fund

The following chart reflects the growth of the food service program over the past five years:

	Year Ended June 30,				
	2003	2004	2005	2006	2007
Revenues	\$ 3,616,138	\$ 3,896,461	\$ 4,015,842	\$ 4,378,522	\$ 4,570,136
Expenditures	3,522,257	4,192,288	3,876,502	4,278,633	4,943,844
Excess (Deficiency) of Revenues Over (Under) Expenditures	93,881	(295,827)	139,340	99,889	(373,708)
Fund Balance Beginning of Year	1,057,751	1,151,632	855,805	995,145	1,095,034
End of Year	\$ 1,151,632	\$ 855,805	\$ 995,145	\$ 1,095,034	\$ 721,326
Lunches Served to Students	818,778	861,792	901,896	954,697	962,001
Revenue per Lunch Served	\$ 4.42	\$ 4.52	\$ 4.45	\$ 4.59	\$ 4.75

Total expenditures exceeded total revenues by \$373,708 in the District's Food Service Fund for 2007, resulting in an ending fund balance of \$721,326 at June 30, 2007. Total actual revenues were higher than the budgeted amount by \$258,726. Total expenditures were lower than the budgeted amount by \$339,804. The net impact of these variances, in addition to equipment sale proceeds, was to increase the fund balance of the Food Service Fund by \$628,530 more than had been reflected in the final amended budget. Approximately \$250,000 relates to unspent capital outlay that had been budgeted for fiscal 2007.

The following chart reflects the number and type of meals served to students over the past ten years:



Community Service Fund

The following table presents five years of comparative operating results for the District's Community Service Fund:

	Year Ended June 30,				
	2003	2004	2005	2006	2007
Revenues	\$ 4,820,528	\$ 5,270,221	\$ 5,593,845	\$ 6,329,330	\$ 6,582,985
Expenditures	4,966,775	5,056,930	5,707,625	6,064,317	6,493,431
Excess (Deficiency) of Revenues Over (Under) Expenditures	(146,247)	213,291	(113,780)	265,013	89,554
Fund Balance:					
Beginning of Year	725,762	579,515	792,806	679,026	944,039
End of Year	\$ 579,515	\$ 792,806	\$ 679,026	\$ 944,039	\$ 1,033,593
Fund Balance					
Reserved for Comm Educ	\$ 410,857	\$ 619,023	\$ 586,850	\$ 877,131	\$ 980,028
Reserved for ECFE	103,096	111,885	55,304	44,344	62,185
Reserved for School Readiness	27,743	21,767	25,595	2,242	197
Unreserved/Undesignated	37,819	40,131	11,277	20,322	(8,817)
Total Fund Balance	\$ 579,515	\$ 792,806	\$ 679,026	\$ 944,039	\$ 1,033,593

The District's Community Service Fund had an excess of revenues over expenditures of \$89,554 for fiscal 2007, bringing the combined fund balance to \$1,033,593 at June 30, 2007. The fund balance reserves for Community Ed, ECFE and school readiness are limited by statute to 25% of program expenditures so it important to continue monitoring those balances carefully to ensure that no funding is lost for those programs.

Total revenues of the District's Community Service Fund for 2007 were \$731,592 (or 12.5%) higher than the budgeted amount while total expenditures were over budget by \$438,033 (or 7.2%). As a result, total fund balance increased by \$293,559 more than had been reflected in the budget.

APPENDIX B

The table below reflects the comparative data available from the Minnesota Department of Education for all expenditures incurred for the benefit of pre-elementary through secondary education, except expendable trust fund activity.

Expenditures Per Student (ADM) Served

	Statewide	Seven-county Metro Area	ISD No. 284 Wayzata		
	2006	2006	2005	2006	2007
District and School Admin and Support Services	\$ 719	\$ 704	\$668	\$699	\$741
Regular Instruction (including Co- & Extra-Curricular)	4,192	4,317	3,955	4,059	4,475
Vocational Instruction (Career & Technical)	136	130	77	72	68
Special Education Instruction	1,647	1,798	1,187	1,283	1,327
Instructional Support Services	410	465	582	629	699
Pupil Support Services (including Transportation)	749	812	703	774	834
Operations & Maintenance and Other	773	731	779	745	781
Total General Fund - Operating Portion	8,626	8,957	7,951	8,259	8,926
Food Service	397	396	390	434	494
Community Service	436	533	586	616	649
Capital Expenditure	420	389	733	370	221
Debt Service	1,083	1,165	1,204	1,331	1,814
Total Pre-K - 12 Expenditures	\$ 10,962	\$ 11,440	\$ 10,863	\$ 11,010	\$ 12,103
Percent Change from Prior Year				1.35%	9.92%

Source of Statewide and Seven-county Metro Area Data: School District Profiles published by the MN Dept of Education

District and school admin and support services - all costs related to providing administration to the District (school board, superintendent, principals, assistant superintendents, directors of instructional areas, etc.) and all central office administration (business services, human resources, legal, data processing, other district-wide support activities)

Regular instruction - includes all activities dealing directly with the teaching of pupils including co-curricular and extra-curricular activities and the interaction between teachers and pupils in the classroom (excluding exceptional, vocational and community education instruction) and includes activities of aides or assistants of any type (paraprofessionals, clerks, graders, etc.) who assist in the educational process, except spec ed aides

Vocational instruction - consists of costs related to courses and activities which develop knowledge, skills, attitudes and behavioral characteristics for students seeking career exploration and employability

Special education instruction - consists of activities providing learning experiences for pupils of any age, who because of certain atypical characteristics or conditions, have been identified as requiring, or who would benefit by, educational programs differentiated from those provided pupils in regular or vocational instruction

Instructional support services - activities for assisting instructional staff with content and process of providing learning experiences for pupils in K-12 (curriculum, staff dev, educ media, libraries and media centers, etc.)

Pupil support services - all services to pupils not classified as instructional (counseling and guidance, health services, psychological services, social work, etc.)

Operations and maintenance - activities related to the operation, maintenance, repair and remodeling of all physical plant, facilities and grounds of the District

Food Service - all costs of the Food Service Fund

Community service - all costs of the Community Service Fund

Capital Expenditures - all capital expenditures charged to operating funds

Debt service - all Debt Service Fund costs (principal, interest and fiscal agent costs--excluding refunding bond payments)

LEGISLATIVE ACTIVITY

The outcome of the 2007 Legislative session was somewhat surprising in that going into the session there had been indications that agreement could be reached to provide meaningful improvement to the basic formula. In the end, the basic formula was increased by only modest amounts but much needed relief was provided for special education costs. But even that was not without a dark cloud since the changes implemented mean that districts are entitled to more funding for special education, but the inadequate appropriation will result in ever lower proration factors since the funding provided does not cover what the new calculations show is owed.

Throughout the State, we're continuing to see a significant increase in the number of business manager positions that either have changed over or will be changing over due to pending retirements, movements between districts or just leaving positions for opportunities outside of K-12 public education. These positions are often getting more and more difficult to fill with experienced personnel, yet education funding and finance continues to get ever more complex. To alleviate the potential for problems related to the turnover of key finance personnel, we continue to emphasize the importance of appropriate financial planning and forecasting, the necessity for good budget development and monitoring methodologies and the need for cash flow planning in response to the ongoing complexity of education funding formulas, however, each of these areas should also include the involvement of multiple personnel and board members and require appropriate documentation of underlying assumptions and source documents.

What follows are some education-related highlights of recent legislative sessions as summarized from information made available by the Minnesota Department of Education and the Minnesota House of Representatives.

GENERAL EDUCATION

Formula Allowance

The 2007 Legislature increased the basic formula allowance by 2% (a \$100 increase to \$5,074 per pupil unit) for fiscal year 2008, and an additional 1% (a \$50 increase to \$5,124 per pupil unit) for fiscal year 2009 and later.

No changes were made in the calculation of adjusted marginal cost pupil units--grade level pupil unit weightings and the 77% current year / 23% prior year marginal cost pupil unit calculations for declining enrollment districts remain unchanged.

No changes were made in the linkage of other formulas to the general education formula: compensatory, operating sparsity, transportation sparsity, PSEO, shared time, contract alternative, nonpublic pupil, and tribal contract aids all continue to be calculated using the current formula allowance, and thereby receive a 2% increase in fiscal 2008 and a 1% increase in fiscal 2009. Extended time revenue, which is not linked to the formula, does not receive an inflationary increase, and continues to be calculated using a formula allowance of \$4,601.

Kindergarten Pupil Unit Weight

Beginning in fiscal 2008, the kindergarten pupil unit weight was increased from .557 to .612. The increase of .055 in the weight is about 10% of what would be required to weight kindergarten students at the same level as students in grade 1. The additional revenue generated by the pupil unit weight increase is unrestricted general fund revenue, which may be used for any general education purpose, including partial funding for full-day kindergarten programs.

Gifted and Talented Revenue

The 2005 Legislature had created a new component of general education revenue called “gifted and talented revenue.” The revenue was set equal to \$4 times a district’s adjusted marginal cost pupil units for fiscal year 2006 and \$9 times a district’s adjusted marginal cost pupil units for fiscal year 2007 and later. Beginning in fiscal 2008, gifted and talented revenue was increased from \$9 to \$12 times a district’s adjusted marginal cost pupil units (AMCPU). Included was a provision requiring school districts to adopt procedures for the academic acceleration of gifted and talented students.

Alternative Teacher Compensation (Q Comp) Revenue

The 2005 Legislature initiated the Quality Compensation for Teachers program (Q-comp). The Q Comp program has five components: career ladders for teachers, job-embedded professional development, instructional observations and standards-based assessments, measures to determine student growth, and alternative teacher compensation or performance pay. Beginning in fiscal year 2006, school districts, charter schools, and intermediate districts that had fully implemented an alternative teacher professional pay system by October 1 of that school year were eligible for alternative teacher compensation revenue.

For fiscal year 2006, the Q comp revenue and aid equaled \$260 times the October 1 enrollment for the previous fiscal year. For a district where only selected sites participated, the calculation was based on the enrollment at those sites on October 1 of the previous fiscal year. For fiscal year 2007 and later, the total alternative teacher compensation revenue remains \$260 times the October 1 enrollment for the previous fiscal year, but a portion of the revenue is funded with an equalized local levy. No changes to funding allocations were made by the 2007 Legislature for fiscal 2008-09. Beginning in fiscal 2010, the basic Q Comp aid will be reduced from 73.1% to 65% of the total Q Comp revenue (from \$190 per pupil to \$169 per pupil). Since the total Q comp revenue remains \$260 per pupil, the equalized levy portion of the revenue increases from \$70 to \$91 per pupil.

Equity Revenue

The 2005 Legislature also added new components to equity revenue. For fiscal 2006 and later, districts with referendum revenue per Resident Marginal Cost Pupil Unit (RMCPU) less than 10% of the state average receive additional revenue to bring the district up to the 10% level. However, a district cannot receive more than \$100,000 under this provision. Since the estimated state averages are \$560 per RMCPU for fiscal 2006 and \$670 per RMCPU for fiscal 2007, a district with no referendum revenue received an increase of \$56 per RMCPU for fiscal 2006 and \$67 per RMCPU for fiscal 2007 (not to exceed \$100,000 per year).

For fiscal 2006 and later, the equity revenue for metro districts, (excluding the revenue under the \$46 / \$23 provision described below), was increased by 25%. For fiscal 2006 only, this component was funded entirely with state aid. For fiscal 2007 and later, districts with referendum revenue per adjusted marginal cost pupil unit (AMCPU) below the regional (metro or rural) 95th percentile received additional equity revenue equal to \$46 times the AMCPU, while districts with referendum revenue above the regional 95th percentile received additional equity revenue equal to \$23 times the AMCPU. Beginning in fiscal 2008, the equity revenue was increased for districts with referendum allowances at or above the 95th percentile from \$23 to \$46 per pupil unit, consistent with the amount that other districts receive per pupil unit from this component of equity revenue.

Alternative Attendance Adjustment

Beginning in fiscal 2008, an additional alternative attendance adjustment was provided to districts where the net open enrollment pupil units exceed 20% of the district’s resident pupil units, and 50% or fewer of open enrolled students are enrolled solely in on line learning. For qualifying districts, the additional aid equals the first tier referendum equalization limit (currently \$700) times the district’s net open enrollment pupil units times the lesser of 1 or the difference between (a) the ratio of the district’s net open enrollment pupil units to the district’s resident pupil units and (b) .2. Under this formula, a district’s additional aid per pupil unit gradually increases as the ratio of the district’s net open enrollment pupil units to the district’s resident pupil units increases from .2 to 1.2, and then levels off at \$700.

County Apportionment Deduction for Wind Energy Tax Receipts

Beginning in fiscal 2009, school district receipts from the wind energy production tax is included in the county apportionment deduction from general education aid. The county auditor will be required to report the amount distributed to each school district on each settlement.

Uses of General Education Revenue

The 2007 Legislature clarified that a district may spend general education revenue for kindergarten and prekindergarten programs. Since prekindergarten expenditures are accounted for in the Community Service fund, school districts electing to spend general education revenue for prekindergarten programs must transfer the amount to be expended for this purpose to the Community Service Fund.

Tax Base Replacement Aid

Beginning in fiscal 2008, tax base replacement aid will be rolled into general education aid, eliminating the need for a separate state appropriation and a separate line on state aid payment reports.

Safe Schools Levy

Beginning with taxes payable in 2008, the safe schools levy was increased from \$27 to \$30 per AMCPU, and allows school districts that are members of an intermediate district to levy \$10 per AMCPU, which must be transferred to the intermediate school district. The eligible uses of the safe schools levy was expanded to include voluntary opt-in suicide prevention tools, and legislation clarified that a school district may use safe schools levy revenue to pay costs for licensed school counselors, licensed school nurses, licensed school social workers, licensed school psychologists, and licensed alcohol and chemical dependency counselors to help provide early responses to problems. The amount of the safe schools levy money used for student support services personnel must supplement and not supplant other expenditures made by the school district for this purpose.

Learning Year Programs

Legislation clarified that learning year programs may provide instruction on an extended year calendar, and extended school day calendar, or both. Area learning centers are required to serve eligible students enrolled in a district served by the center or a charter school within the geographic boundaries of a district served by the center and a charter school can be a learning year site. Continual learning plans must specify learning experiences necessary for grade progression. Learning year programs are required to be approved biennially by the state to provide accelerated instruction that leads to early graduation.

Special Education Maintenance of Effort – Coops

The reduction to general education aid for cooperatives that fail to maintain effort is required to be apportioned among member school districts based on the individual district's shortfall in maintaining effort. If the failure to maintain effort results from expenditures at the cooperative, the reduction must be apportioned among the member districts based on the AMCPU of each district.

School Finance Reform Task Force

Establishes a new School Finance Reform Task Force with the following goals:

- (1) creating a standard and index to ensure that the formula remains adequate over time;
- (2) simplifying the remaining school formulas;
- (3) analyzing categorical funding formulas, including but not limited to pupil transportation, compensatory revenue, and limited English proficiency revenue;
- (4) establishing a schedule for implementation of the other new formulas; and
- (5) examining the role of the regional delivery structure including the functions performed by intermediate school districts, service cooperatives, education districts, and other cooperative organizations.

The task force consists of nine members, including the Commissioner of Education, four members of the Senate, and four members of the House. The task force must submit a report to the education committees of the Legislature by January 15, 2008, describing the formula recommendations according to the goals it has established. The \$75,000 that had been appropriated to hire an independent contractor to assist the task force was vetoed by the governor.

Election by Petition

Requires a petition to mandate a school election to contain the greater of 50 signatures of district voters or 5 percent of the number of voters voting in the most recent school district general election.

Special Education

A significant share of the available funding that legislators added to K-12 public education as part of the 2007 legislative session was put into special education funding. The more significant of those changes are as follows:

Regular and Transition-Disabled Aid

- Beginning in fiscal 2008, the special education-regular and transition-disabled aid formulas were changed to calculate the aid using current year expenditures, instead of second prior year expenditures adjusted for ADM change.
- Beginning in fiscal 2008, the statewide funding caps for special education-regular and transition-disabled will be combined into one overall cap to ensure a uniform level of funding for expenditures in both programs.
- Beginning in fiscal 2008, funding for expansion of Part C services is included in the special education-regular and excess cost aid formulas.
- The combined statewide cap for special education-regular and transition-disabled aid were set at \$694,063,000 for fiscal 2008, \$719,470,000 for fiscal 2009, \$735,693,000 for fiscal 2010, and \$786,586,000 for fiscal 2011. After adjusting for the roll-in of transition-disabled aid and categorical funding for expanded Part C services and ADM changes from year to year, the imputed growth factors are 27.5% for fiscal 2008, 3.8% for fiscal 2009, 1.9% for fiscal 2010, and 6.6% for fiscal 2011. Beginning in fiscal 2012, the growth factor for the statewide special education-regular/transition disabled funding cap was set at 4.6% per year.
- Assuming a state average 4.5% annual increase in special education costs and a state average 7.8% annual increase in special transportation costs, the statewide adjustment/proration factors for special education-regular funding are projected to be 89% for fiscal 2008 and 88% for fiscal 2009.
- The deduction for other revenue used in calculating aid was updated for contracted placements. The deduction is calculated using the resident district's average general education revenue, excluding basic skills and Q Comp revenue, and referendum equalization aid per adjusted pupil unit attributable to the pupil. This calculation was clarified to include students receiving special education services who are residents of the state and are placed in a care and treatment facility by court action in a state that does not have a reciprocity agreement with Minnesota (those who also qualify for out-of-state tuition aid).

Special Education Excess Cost Aid

- Beginning in fiscal 2008, transition-disabled expenditures is included in calculating special education excess cost aid.
- Beginning in fiscal 2008, the alternative excess cost aid formula is eliminated. This formula provided funding for 70% of the difference between the increase in a district's unreimbursed cost between the second prior year and the current year and 1.6% of the district's general education revenue. This formula was no longer needed due to the use of current year data in the special education-regular aid formula, which will make the excess cost id calculations more stable and predictable. The remaining excess cost aid formula funds 75% of the unreimbursed cost exceeding 4.36% of the district's general education revenue.

- It was clarified that special transportation expenses are included in excess cost aid calculations.
- The statewide cap for special education excess cost aid was set at \$110,641,000 for fiscal 2008, \$110,918,000 for fiscal 2009, \$110,847,000 for fiscal 2010, and \$110,892,000 for fiscal 2011. After adjusting for the roll-in of categorical funding for expanded Part C services and ADM changes from year to year, the imputed growth factors are 5.2% for fiscal 2008 and 0% for fiscal 2009-2011.
- For fiscal 2012 and later, the growth factor for the statewide special education excess cost aid cap was set at 2% per year.

Special Education Tuition Billing

- The portions of general education revenue that are included in special education tuition billing calculations was clarified as follows:
 - Referendum equalization aid is included, but not tax base replacement aid, because the equalization aid follows the student while the tax base replacement aid stays with the resident district.
 - For students served under an agreement between boards, basic skills revenue and sparsity revenue is excluded from the amount charged to the resident district, since these components are paid directly to the serving district.
 - For students served under an agreement between boards, outside of the regular classroom more than 60% of the school day, the portion of general education revenue which offsets special education costs is calculated using the serving district's average basic skills and sparsity revenue per pupil, and the resident district's average for other general education revenue components.
 - For students served by a coop without a fiscal agent school district, the general education revenue and referendum equalization aid attributable to the student are calculated using the resident district's average general education revenue and referendum equalization aid excluding sparsity revenue.
- Intermediate districts and cooperatives that received an exemption from uniform tuition billing in fiscal 2007 are allowed to apply for a one-year extension of the exemption for fiscal 2008.
- Districts are allowed to apply for a waiver to cover any remaining unreimbursed costs of serving pupils with a disability in programs operated at residential facilities licensed by the Department of Human Services or the Department of Corrections.
- For fiscal 2007 only, a district or charter school not otherwise eligible for a waiver was allowed to apply for a waiver to cover any remaining unreimbursed costs of serving pupils with a disability.

Litigation Costs; Annual Report

Districts are required to report their special education litigation costs to the department annually through UFARS; requires the department to report on school district special education litigation costs to the legislative education committees by January 15 of each year.

School Technology And Operating Capital Aid

All school districts qualify for one-time technology and operating capital aid equal to \$40 for fiscal year 2008 and \$55 for fiscal year 2009 per adjusted marginal cost pupil unit. The aid must be used only for the purposes authorized for operating capital revenue in statute.

Equity in Telecommunications Access Aid

A one-time increase of \$3.9 million in fiscal 2008 and \$5.0 million in fiscal 2009 was provided over the \$3.75 million permanent funding base for the program to fully fund the estimated cost of the current telecommunications access formula for the next two years. In the event that this increase is not sufficient to fully fund the formula, the aid will be prorated.

Job Zones, Debt Service Equalization, and Alternative Facilities Levies

JOBZ property was made exempt from all operating referendum levies (previously JOBZ property was not exempt from pre-2004 operating referendum levies). This will simplify referendum aid and levy calculations. The exemption of JOBZ property from non-bonded debt service levies was eliminated, making JOBZ property subject to all debt service fund levies. This will simplify debt service aid and levy calculations. The annual pay-as-you-go levies under the alternative facilities program was excluded from debt service equalization, and includes these levies in the health & safety levy equalization program. Since the annual pay-as-you-go alternative facilities levies are made in the General Fund of a school district, and since JOBZ property is exempt from these levies, this will also help simplify school district aid and levy calculations. The debt service equalization appropriation was set at \$8,866,000 for fiscal 2010 and at \$6,631,000 for fiscal 2011. The state total debt equalization aid is declining annually due to tax base growth and, in many districts, declining enrollment. Legislation proposed to increase and index debt equalization was not enacted in 2007.

Capital Project Levy Referendum

Capital project levy referendum are limited to a term of not more than 10 years. Currently, there are no capital project levy referendums in place that exceed the 10 year limit.

Cooperative Facilities Grants

The Cooperative Secondary Facilities Grant Act was expanded to include elementary as well as secondary facilities, and the title was changed to the "Cooperative Facilities Grant Act." A school district that has consolidated with another school district since July 1, 1980, was made eligible for the grant. The maximum grant amount for new construction was increased from \$5 million to \$20 million and the maximum grant amount for remodeling or improving an existing facility from \$200,000 to \$10 million. In either case, the grant must not exceed 75% of the approved project costs. The minimum and maximum district enrollment size criteria were eliminated for the program. The commissioner is required to award grants first to districts that will close at least one existing school building. While criteria are changed for future grants, no funds are appropriated for grants in the current biennium.

Minneapolis and St Paul Bonding

The authority of the Minneapolis school district to annually sell and issue building bonds in an amount not to exceed \$15 million per year was extended for 8 more years, through 2016, by two-thirds majority of the school board without voter approval. The authority of the St. Paul School District to annually sell and issue building bonds in an amount not to exceed \$15 million per year was extended for 8 more years, through 2016, by two-thirds majority of the school board without voter approval. The St. Paul School District was granted explicit levy authority for the bonds issued under this provision.

School Lunch Aid

Beginning in fiscal 2008, state school lunch aid was increased by 1.5 cents per meal served, from 10.5 cents to 12 cents.

Account transfer for Reorganizing School Districts

The consolidation statute was changed to allow the newly formed board of a consolidated school district, by board resolution on or before August 30 of the year of the reorganization, to make permanent transfers between funds or accounts of the consolidating districts, which is to be reported on the affected districts' audited financial statements for the year immediately preceding the consolidation.

Elimination of Obsolete Reserve Accounts

A school board is required to eliminate reserve accounts in all areas where specific statutory authority for the reserve no longer exists as of June 30, 2007.

- Requires any balance in the reserved for bus purchases account as of June 30, 2007 to be transferred to the district's reserved account for operating capital.
- Requires any balances in other obsolete general fund accounts as of June 30, 2007 to be transferred to the school district's unreserved general fund balance.
- Allows a school board to replace any specific eliminated reserve account with a designated account for that same program. Accounts eliminated include:
 - 410 Unemployment Compensation
 - 412 Bus Purchases
 - 433 Student Transportation Safety
 - 439 Graduation Standards
 - 442 Class Size, All-Day K, and Special Ed Student-Instructor Ratio
 - 443 Telecommunications Access Costs (Revenue is now paid on a reimbursement basis so no reserve should exist.)

Compensatory Revenue Allocations

A district is authorized to reallocate the 5% of compensatory revenue not required to be allocated to the site generating the revenue for compensatory education purposes at any grade level, including students attending learning readiness or other prekindergarten programs. (Note: Since prekindergarten expenditures are accounted for in the community service fund, school districts electing to spend a portion of compensatory education revenue for prekindergarten programs must transfer the amount to be allocated for this purpose to the community service fund.) A school district that opens or closes school buildings, changes school attendance areas, or otherwise significantly changes its enrollment is allowed to adjust the allocation of its compensatory revenue accordingly. A district reallocating compensatory revenue under this provision is required to notify MDE of the adjustments, and requires MDE to adjust its report on school district revenue allocations by building accordingly.

Levy authority for certain unfunded severance and retirement costs

A school district that has participated in the cooperative secondary facilities program is authorized to levy for certain severance and retirement costs. Sets the maximum levy amount at \$150,000 per year for each of the next 10 years, through taxes payable in 2017. The revenue received under this section is required to be reserved and spent only for severance and retirement costs.

ECFE Revenue

Increases the revenue for ECFE from \$112 to \$120 per child under age 5 residing in the district, beginning in FY 2008. This completes the restoration of the ECFE formula to the rate in effect before reductions enacted during the 2003 legislative session.

Early Childhood and Family Education (ECFE) Levy

For fiscal 2009 only, the state total ECFE levy is reduced from \$22,135,000 to \$13,565,000. The reduction in the ECFE levy offsets other areas in the E-12 Education Act where school levies are increased, enabling the legislature to meet its target of zero growth over old law in state total school levies for taxes payable in 2008. The state total ECFE levy returns to \$22,135,000 for fiscal 2010. Beginning with levies for fiscal 2011, a district is prohibited from certifying a levy for ECFE unless it has met annual program data reporting and biennial plan requirements for the program.

ECFE Use of Revenue Restricted

Up to 10 percent of ECFE program revenue from aid, levy and fees is allowed to be used for equipment that is used in the ECFE program, which may include only the purchase or lease of computers and related materials or instructional equipment. A district is allowed to exceed the 10% limitation in unusual circumstances with prior written approval of the Commissioner.

ECFE Home Visiting Levy

A district must be eligible to levy for ECFE in order to qualify for the home visiting levy.

State Total Adult Basic Education Aid

Increases the state total adult basic education aid (before adjustments) from \$37,673,000 in fiscal 2007 to \$40,650,000 in fiscal 2008. The state total aid for later fiscal years is increased by 3% each year over this higher base.

Adult Basic Education Program Aid Limit

The limit on total ABE aid per contact hour was increased from \$21 to \$22. The individual program contact hour revenue cap was eliminated for fiscal 2008 only, and a new contact hour revenue cap of the greater of 11% or \$10,000 for fiscal 2009 and later was established.

APPENDIX D

FORMAL REQUIRED COMMUNICATIONS

Board of Education
Independent School District No. 284
Wayzata Public Schools

We have audited the financial statements of Independent School District No. 284 (the District) as of and for the year ended June 30, 2007, and have issued our report thereon dated December 4, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated May 7, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the District's compliance with those requirements.

Other Information in Documents Containing Audited Financial Statements

We provide no opinion or assurance on any information prepared by management that accompanies the District's audited financial statements.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note 1 to the financial statements. We noted no transactions entered into by the District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates and Management Judgments

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Due from Minnesota Department of Education
- Due from the Federal Government through the Minnesota Department of Education
- Claims Incurred but Not Reported
- Severance and Health Benefits Payable
- Estimated Useful Lives of Depreciable Capital Assets

Management's estimate of Due from Minnesota Department of Education (MDE) is based on amounts anticipated to be received from the state for various aid entitlements for fiscal 2006-07. The most significant of these is the aid portion of General education revenue. General education revenue and certain other revenues are computed by applying an allowance per student to the number of students served by the District. Student attendance is accumulated in a statewide database – MARSS. Because of the complexity of student accounting and because of certain enrollment options, student information is input by other school districts and the MARSS data for fiscal year 2007 is not finalized until well into fiscal year 2008. Beginning in fiscal 2007, MDE began calculating amounts owed to the District for special education excess cost tuition billing and adding the amount to the District's special education aid. In prior years, individual school districts handled the tuition billing calculation and process. Because the tuition amounts are based on estimated information, final entitlements are not expected to be known until well into the following fiscal year. Management expects any differences between estimated and actual data will be insignificant.

Management's estimate of Due from the Federal Government through the Minnesota Department of Education is based on expenditure data reported under federal programs by the District for reimbursement from the Minnesota Department of Education.

Management's estimate of Claims Incurred but Not Reported in its Self-Insurance Fund is based on data reported to the District by the plan administrator.

Accounting Estimates and Management Judgments (Continued)

Management's estimate of Severance Benefits Payable is based on certain assumptions made by the District. As required by GASB Statement No. 16, the District has recorded a long-term liability for accumulated sick leave convertible to early retirement pay for which it is probable the employees will be compensated. The "vesting method" used by the District to calculate this liability is based on assumptions involving the probability of employees becoming eligible to receive the benefits (vesting), the potential use of accumulated sick leave prior to termination, and the age at which such employees are likely to retire.

Management's estimate of useful lives for depreciable assets is based on guidance recommended by the Minnesota Department of Education. The useful life of a depreciable asset determines the amount of depreciation that will be recorded in any given reporting period as well as the amount of accumulated depreciation that is reported at the end of a reporting period.

We evaluated the key factors and assumptions used to develop the estimates noted above in determining that they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us, but not recorded by the District, which could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We recognize that for management purposes, the District maintains its accounting records primarily using the cash basis during the year. There may be adjustments which we propose while assisting your finance staff in the closing of the year-end accounting records. These types of adjustments, if any, are not considered to be "audit adjustments" for purposes of this communication.

Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

There were no significant difficulties encountered by us in the course of performing the audit.

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

LarsonAllen LLP

Minneapolis, Minnesota
December 4, 2007

APPENDIX E

REPORT ON CONDENSED FINANCIAL STATEMENTS INCLUDED HEREIN

Board of Education
Independent School District No. 284
Wayzata Public Schools
Wayzata, Minnesota

We have audited the financial statements of Independent School District No. 284 (the District), as of and for the years ended June 30, 2007, 2006, 2005, 2004, and 2003 (not presented herein). These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The condensed Statements of Revenues, Expenditures and Changes in Fund Balance for the years presented on pages 13, 14 and 15 are presented as a summary and therefore do not include all of the disclosures required by U.S. generally accepted accounting principles.

In our opinion, because of the significance of the omission of the information referred to in the preceding paragraph, the condensed financial statements referred to above do not present fairly, in conformity with U.S. generally accepted accounting principles, the results of its operations for the years then ended.

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

LarsonAllen LLP

Minneapolis, Minnesota
December 4, 2007

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT OF
WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
WAYZATA, MINNESOTA
YEAR ENDED JUNE 30, 2007**

**PREPARED BY THE
DEPARTMENT OF FINANCE AND BUSINESS SERVICES**

**ALAN R. HOPEMAN
EXECUTIVE DIRECTOR, FINANCE AND BUSINESS**

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INTRODUCTORY SECTION

DRAFT

December 7, 2007

To: Citizens of the District
Board of Education
Robert J. Ostlund, Superintendent of Schools

INTRODUCTION

We respectfully submit the Comprehensive Annual Financial Report of Independent School District No. 284, Wayzata, Minnesota (the District) for the fiscal year ended June 30, 2007. Responsibility for the entire financial report rests with District management. The report contains all of the funds of the District in conformity with accounting principles generally accepted in the United States of America (GAAP) for defining the reporting entity.

The District implemented Statement No. 34 of the Governmental Accounting Standards Board (GASB) entitled *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* for the year ended June 30, 2003. This standard, issued in June 1999, creates a new reporting model of financial information and disclosure, which represents a significant departure from the previously used reporting model. The reader will notice that the two main basic financial statements created by this standard, the Statement of Net Assets and the Statement of Activities, do not contain numerous columns for various funds that have been seen in past governmental financial statements. These two statements consolidate much of the information contained in fund-based financial statements of the past into statements which tend 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 a part of "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.

The Comprehensive Annual Financial Report is presented in three primary sections as follows:

- Introductory Section
- Financial Section
- Statistical Section

The introduction includes a list of Principal Officials, an organizational chart, and this transmittal letter. The financial section includes the basic financial statements, individual fund statements and related schedules. The Report of the Independent Certified Public Accountants is also included in the financial section. Notes to the financial section are provided to enhance the reader's understanding of Wayzata Public Schools' accounting policies and procedures. The statistical section includes selected financial and general information presented on a multiyear comparative basis.

ECONOMIC CONDITION AND OUTLOOK

The District is a public educational system serving a 38-square-mile area located in the western portion of Hennepin County. District boundaries encompass either the entire geographic area or portions of the communities of Wayzata, Plymouth, Minnetonka, Medicine Lake, Orono, Medina, Maple Grove, and Corcoran.

Enrollment for the 2006-2007 school year was 9,967 pupils in adjusted average daily membership, which represents an increase of 142 students from the prior year. Demographic forecasts indicate only modest change in enrollment in the next few years. Projected enrollments for the near future per an independent demographer hired by the District are:

<u>Fiscal Year</u>	<u>Enrollment</u>
2008	9,954
2009	10,005
2010	10,008
2011	9,947

For 2006-2007, District facilities included seven elementary schools, three middle schools, a senior high school, a district administration center, and a central service facility.

The tax base of the District increased 11.1 percent during the past year. The market value of all taxable property in the district in 2006 was \$9,932,205,357, compared to \$8,926,736,715 in 2005.

The net tax capacity of the District for 2006 was \$111,198,084, an increase of 11.3 percent over the 2005 value of \$99,870,308. The adjusted net tax capacity, which is net tax capacity after adjustments by the Minnesota Department of Revenue for sales/assessment ratios, was \$127,228,929 in 2006, up from \$113,747,503 in 2005.

The state fiscal disparities law provides for the pooling of 40 percent of all new commercial/industrial property valuation added since 1971 in the seven-county Minneapolis-Saint Paul metropolitan area. The pooled valuation is redistributed among the taxing jurisdictions according to population and a ratio measuring relative fiscal capacity. Local tax rates reflect the net contribution/distribution of fiscal disparities valuation. The District has been a net contributor to the fiscal disparities pool in recent years. The following table displays the District's net valuation contribution for the last ten years. The amount for 2002 was a substantial reduction from previous years due to changes in property class rates made by the Legislature.

<u>Tax Year</u>	<u>Amount</u>
1997	\$10,320,407
1998	\$10,287,454
1999	\$10,929,130
2000	\$11,695,017
2001	\$12,979,629
2002	\$ 8,490,062
2003	\$ 9,580,309
2004	\$ 9,531,729
2005	\$ 9,061,471
2006	\$ 8,772,387
2007	\$ 9,731,937

FINANCIAL INFORMATION

In developing and evaluating the District's accounting system, consideration is given to the adequacy of internal accounting controls. These controls are designed to provide reasonable assurance regarding: (1) the safeguarding of assets and (2) the reliability of financial records used in the preparation of financial statements in conformity with GAAP. The concept of reasonable assurance recognizes that the costs of internal control should not exceed the benefits likely to be derived and that the value of costs and benefits requires estimates and judgments by management.

An annual budget is adopted by the Board of Education (the School Board) for the General, Special Revenue, and Debt Service Funds. The Department of Finance and Business Services maintains budgetary control. Management and the School Board review monthly reports.

The following tables present comparative revenues and other financing sources for the fiscal periods 2007 and 2006 for the Special Revenue, Capital Projects, and Debt Service Funds. The reader is directed to the Management's Discussion and Analysis report for a more in depth look at the General Fund.

SPECIAL REVENUE FUND REVENUES Fiscal Year 2007

Revenue Source	Amount	Percent of Total	Increase (Decrease) Over FY 2006
Local Property Taxes	\$ 1,125,377	10.2%	\$ 533,649
Other Local Revenue (Fees, Etc.)	5,192,371	46.7%	242,815
State Sources	421,842	3.8%	(520,212)
Federal Sources	735,169	6.6%	114,387
Sales and Other Conversions of Assets	3,648,362	32.8%	46,130
Total	<u>\$ 11,123,121</u>	<u>100.0%</u>	<u>\$ 416,769</u>

In Special Revenue Funds (Food Service and Community Services Funds), revenue increased by 3.9 percent from the previous year. Food service program revenues increased by \$163,114, primarily due to increased sales to participants.

Community Education revenues increased by \$253,655. \$105,405 of this increase is due to growth in revenue from school-aged childcare programs. Revenue for early childhood and family education programs increased by \$46,688.

FINANCIAL INFORMATION (CONTINUED)**SPECIAL REVENUE FUND EXPENDITURES
Fiscal Year 2007**

<u>Expenditure Categories</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) Over FY 2006</u>
Pupil Support Services	\$ 4,188,001	36.6%	\$ 185,863
Community Education Services	6,419,017	56.1%	376,920
Capital	830,257	7.3%	531,542
Total	<u>\$ 11,437,275</u>	<u>100.0%</u>	<u>\$ 1,094,325</u>

Expenditures in the Food Service Fund increased by \$655,211, due in large part to capital expenditures. Community Services expenditures increased by \$429,124 due in large part to increases in school-aged childcare programs.

**SPECIAL REVENUE FUND BALANCE
Fiscal Year 2007**

<u>Fund</u>	<u>FY 2007 Amount</u>	<u>FY 2006 Amount</u>	<u>Increase (Decrease) Over FY 2006</u>
Food Service Fund:			
Unreserved - Undesignated	\$ 721,326	\$ 1,095,034	\$ (373,708)
Community Service Fund:			
Reserved	1,042,410	923,717	118,693
Unreserved - Undesignated	(8,817)	20,322	(29,139)
Subtotal -- Community Service Fund	<u>1,033,593</u>	<u>944,039</u>	<u>89,554</u>
Total	<u>\$ 1,754,919</u>	<u>\$ 2,039,073</u>	<u>\$ (284,154)</u>

The unreserved-undesignated fund balance in the Food Service fund declined by \$373,708 from the previous year due to planned expenditures for the replacement of the Central Middle School kitchen.

FINANCIAL INFORMATION (CONTINUED)**CAPITAL PROJECTS FUND REVENUE**
Fiscal Year 2007

Revenue Source	Amount	Percent of Total	Increase (Decrease) Over FY 2006
Interest Income	\$ 35,446	100.0%	\$ 1,412
Other	-	0.0%	-
Total	<u>\$ 35,446</u>	<u>100.0%</u>	<u>\$ 1,412</u>

The only significant revenue activity in the Capital Projects Fund consists of interest income. In addition, but not shown, is a permanent transfer of local property tax revenues from the General Fund to the Capital Projects-Building Construction Fund for the alternative facilities program. For fiscal year 2006 the transfer was \$542,000 and for fiscal year 2007 it was \$1,429,400. A second transfer of \$4,252,373 was transferred from the General Fund to the Capital Projects Fund for the capital projects (technology) levy. No additional bonds were sold to raise funds for capital projects in fiscal year 2007.

CAPITAL PROJECTS FUND EXPENDITURES
Fiscal Year 2007

Expenditure Categories	Amount	Percent of Total	Increase (Decrease) Over FY 2006
Capital Expenditures	<u>\$ 6,619,078</u>	<u>100%</u>	<u>\$ 5,220,552</u>

CAPITAL PROJECTS FUND BALANCE
Fiscal Year 2007

Fund	FY 2007 Amount	FY 2006 Amount	Increase (Decrease) Over FY 2006
Capital Projects Fund - Reserved	<u>\$ (1,036,240)</u>	<u>\$ (266,957)</u>	<u>\$ (769,283)</u>

Expenditures totaled \$6,619,078, which included \$1,847,756 for indoor air quality projects under the alternative facilities program. Capital projects (technology) levy expenditures were \$4,394,986. The remaining \$376,336 in capital expenditures is for site and building improvements at various locations including paving, masonry repairs, and field improvements, closing out the 1994 and 1998 bond issue accounts.

FINANCIAL INFORMATION (CONTINUED)**DEBT SERVICE FUND REVENUES**
Fiscal Year 2007

Revenue Source	Amount	Percent of Total	Increase (Decrease) Over FY 2006
Local Property Taxes	\$ 9,400,490	90.2%	\$ (785,521)
Other Local and County	1,024,075	9.8%	(335,827)
Total	<u>\$ 10,424,565</u>	<u>100.0%</u>	<u>\$ (1,121,348)</u>

DEBT SERVICE FUND EXPENDITURES
Fiscal Year 2007

Expenditure Categories	Amount	Percent of Total	Increase (Decrease) Over FY 2006
Debt Service - Principal	\$ 5,655,000	50.8%	\$ 145,000
Debt Service - Interest	5,464,395	49.2%	(367,374)
Fiscal and Other Fixed Charges	6,505	0.1%	4,636
Total	<u>\$ 11,125,900</u>	<u>100.1%</u>	<u>\$ (217,738)</u>

No new debt service obligations were incurred by the District in fiscal year 2007, and no bond refundings occurred. The call date was reached on the series 1997A general obligation bond issue, refunded in 2004, and a payment of \$22,450,000 was made from escrow to repay the 1997A bonds.

DEBT SERVICE FUND BALANCE
Fiscal Year 2007

Fund	FY 2007 Amount	FY 2006 Amount	Increase (Decrease) Over FY 2006
Debt Service Fund:			
Reserved	\$ 6,844,131	\$ 29,961,070	\$ (23,116,939)
Unreserved - Designated	2,095,533	2,129,929	(34,396)
Total -- Debt Service Fund	<u>\$ 8,939,664</u>	<u>\$ 32,090,999</u>	<u>\$ (23,151,335)</u>

DEBT ADMINISTRATION

At June 30, 2007, the District's bonded debt totaled \$98,248,570. This figure, which includes interest, is the amount which must be paid from current debt reserves and future tax levies. Under current state statutes, the District's general obligation bonded debt issuances are subject to a legal limitation equal to 15 percent of the indicated market value of all taxable property within the District. The District is well within its legal authority for bonded debt, which is over \$1.7 billion. No bonds were issued during fiscal year 2007.

Moody's Investor's Service upgraded the District's credit rating from Aa2 to Aa1 during fiscal year 2008. The bond rating had been Aa2 throughout fiscal year 2007. The rating of Aa1 is the highest currently awarded by Moody's to school districts in the state of Minnesota.

CASH MANAGEMENT

The primary goal of the District's cash management program is to effectively manage cash so that day-to-day operational needs are met in a timely manner and to invest any excess cash to earn the maximum return while complying with statutory requirements. The district has the ability and the intent to hold investments to maturity. Therefore, it intends to recover the cost of its investment portfolio, and does not expect to realize any gain or loss from the market value adjustments included in the financial statements. Substantially all of the District's investments, other than Internal Service Fund investments, are purchased to mature in less than six months.

Investments may include certificates of deposit, government agency securities, demand deposits, repurchase agreements, banker's acceptances, and commercial paper. The District is a participant in the Minnesota School District Liquid Asset Fund Plus investment pool. In fiscal year 2002, the District began investing moneys in the Internal Service Fund in guaranteed investment contracts with life insurance companies that met the rating requirements set forth in state law. The District earned net interest revenue of \$3,769,327 on investments in all funds for the year ended June 30, 2007. Accordingly, deposits were either insured by federal depository insurance or collateralized in compliance with Minnesota Statutes.

RISK MANAGEMENT

The District is well aware of the importance of proper risk management. Currently, the District contracts with third-party carriers for workers' compensation and liability and personal property coverage. The District has designated a portion of the General Fund balance to account for future reemployment compensation liability. State law formerly required school districts to create a reserve for reemployment moneys; currently a specific reserve is not required, but the funds cannot be spent for any other purpose.

GASB STATEMENT NO. 34

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*. This statement took effect in the District for the reporting period ended June 30, 2003. GASB Statement No. 34 affects the presentation of the District's annual financial report. The District is also required to utilize the economic resources measurement focus and the accrual basis of accounting for purposes of presentation in the Government-wide statement of net assets and statement of activities required by GASB Statement No. 34.

LOOKING FORWARD

The District's commitment to fiscal responsibility has enabled the District to maintain positive fund balance reserves in recent years. Currently, the General Fund has an unappropriated fund balance of approximately \$9.4 million of which \$2.0 million is designated for specific purposes.

On November 8, 2005, District voters approved two referenda to increase annual operating revenues. Question One requested an increase in the excess referendum dollars that are authorized under state statute. Question Two requested approval for a capital projects levy to cover technology costs for existing and new services and equipment. The referendum levy is for a net amount of approximately \$4.4 million in fiscal year 2007, which will be adjusted for inflation (estimated at 3 percent) for future years. The capital projects levy is a rate increase that raised \$2 million in fiscal year 2007. Both new authorizations are for ten years.

An indicator of continued financial health is the tremendous level of new private investment within the District. The City of Plymouth is the largest municipality within the District and it is anticipated that the commercial and residential growth of the Plymouth community, the largest city in the District, will continue during the next decade. From 1990 to 2006, the population of Plymouth grew from 50,889 to an estimated 70,676, or 39 percent. In addition, in 2006, the market value of the District was \$9,868,591,200, an increase of more than \$7.3 billion (390 percent) since 1990. In the last year market values have grown 11.2 percent.

The 2007 legislature authorized an increase in the general education basic formula allowance of 2 percent for fiscal year 2008 and 1 percent for fiscal year 2009. This formula provides nearly two-thirds of the District's operating revenue. Some other revenue sources were enhanced, and some previous revenue shortfalls were restored, particularly in the special education areas. The increased state support, combined with the additional support approved by the voters, means the District's financial picture is stable. The District was in a position to add more staff and programs in fiscal year 2007, reversing painful budget reductions made in 2002-2003, and added a few more expenditures for fiscal year 2008.

Below are some facts about the 2007-2008 budget:

- Student enrollment is expected to remain stable
- The General Fund unreserved, undesignated balance at year-end is projected to be \$7.7 million (this figure adjusted for prepaid 2007-08 expenditures)

Revenues:

- General Fund revenues were increased by approximately \$12,461,000 to \$95.1 million
- Basic Formula is \$5,074 for FY 2008, an increase of 2 percent
- The referendum levy is \$1,443.72 per pupil unit
- General Fund revenue per pupil increased by \$590 over the previous years
- State special education aid is expected to be prorated so the district will receive about 89 percent of its full entitlement, at a cost of about \$260,000, net of excess cost aid

LOOKING FORWARD (CONTINUED)

Expenditures:

- General Fund expenditures increased by \$2.7 million to \$100.4 million
- \$3.5 million was spent for class size reduction and other in-class, direct instructional services for students
- Capital projects (technology) levy continues at \$4.5 million
- Alternative Compensation Plan spending is \$2.6 million for staff development, peer coaching, and performance bonuses for teachers
- Health insurance and dental insurance premiums were increased by 3.0 percent

Construction Projects:

- Central Middle School is in the second year of a four-year HVAC replacement project

Other:

- The District's budgeted expenditures are less than revenues for fiscal year 2008. The reason for the difference is to build reserves for fiscal year 2009, when the formula allowance increase by the legislature will be only 1 percent.

OTHER INFORMATION

State law requires an annual audit by independent certified public accountants. The accounting firm of LarsonAllen, LLP was selected by the School Board to conduct the annual audit. In addition to meeting the requirements set forth in state law, the audit also was designed to meet the requirements of the federal Single Audit Act as amended in 1996 and the related Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The auditors' report on the financial statements is included in the financial section of this report. The auditors' reports related specifically to the single audit are issued as a separate report which is available from the District upon request.

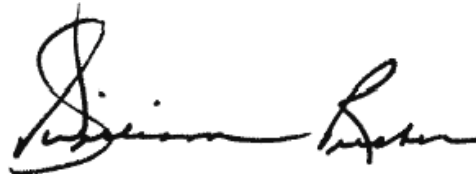
This report has been prepared following guidelines recommended by the Association of School Business Officials International (ASBO) for its Certificate of Excellence in Financial Reporting program. Achieving recognition by this program is a clear indication of the District's establishment of high standards for financial reporting. Independent School District No. 284 was awarded the ASBO Certificate of Excellence in Financial Reporting for its 2006 Comprehensive Annual Financial Report. We believe our current report continues to conform to ASBO's Certificate of Excellence program requirements.

We acknowledge the efforts of the entire accounting staff in providing complete and accurate data for this 2007 Comprehensive Annual Financial Report.

Respectfully submitted,



Alan R. Hopeman, Jr.
Executive Director,
Finance and Business Services



G. William Rueber
Controller

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
SCHOOL BOARD AND ADMINISTRATION
JUNE 30, 2007**

SCHOOL BOARD

<u>NAME</u>	<u>POSITION</u>
Ms. Linda A. Cohen	Chair
Ms. Carter G. Peterson	Vice Chair
Mr. John A. Moroz	Treasurer
Mr. Gregory D. Baufield	Director
Mr. Gary W. Landis	Director
Ms. Patricia L. Gleason	Director
Ms. Susan Hayes Droegemueller	Clerk
Mr. Robert J. Ostlund	Ex Officio

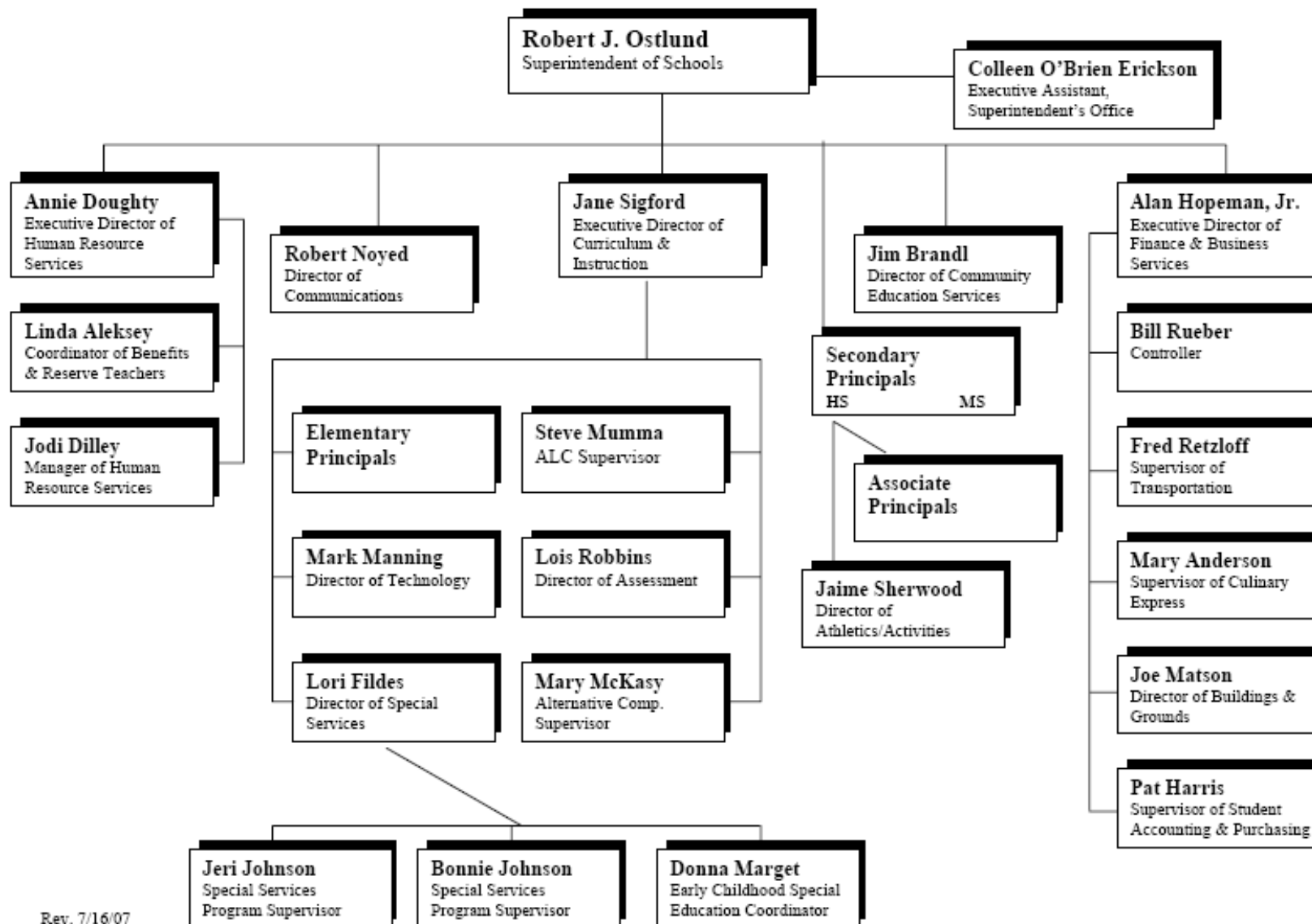
ADMINISTRATION

<u>NAME</u>	<u>POSITION</u>
Mr. Robert J. Ostlund	Superintendent of Schools
Dr. Jane L. Sigford	Executive Director of Curriculum and Instruction
Ms. Annie Doughty	Executive Director of Human Resource Services
Mr. Alan R. Hopeman, Jr.	Executive Director of Finance and Business Services
Mr. G. William Rueber	Controller

District Offices:

Independent School District No. 284
Wayzata Public Schools
210 County Road 101 North
P.O. Box 660
Wayzata, MN 55391-0660
(763) 745-5000
Fax: (763) 745-5091

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
ADMINISTRATIVE TEAM
2006-2007**



Rev. 7/16/07

WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
CERTIFICATE OF EXCELLENCE IN FINANCIAL REPORTING
JUNE 30, 2007



This Certificate of Excellence in Financial Reporting is presented to

INDEPENDENT SCHOOL DISTRICT NO. 284

For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2006

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

FINANCIAL SECTION

DRAFT

INDEPENDENT AUDITORS' REPORT

Members of the Board of Education
Independent School District No. 284
Wayzata Public Schools
Wayzata, Minnesota

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 284, Wayzata, Minnesota as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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 2006 financial statements and, in our report dated November 17, 2006, 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 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 No. 284 as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for General Fund and the Major Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The financial statements include partial prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2006, from which such partial information was derived.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The individual fund statements and schedules as listed in the table of contents as supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Uniform Financial Accounting and Reporting Standards Compliance Table is presented as supplemental information as required by the Minnesota Department of Education, and is also not a required part of the basic financial statements of the District. The supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

LarsonAllen LLP

Minneapolis, Minnesota
December 4, 2007

REQUIRED SUPPLEMENTARY INFORMATION

DRAFT

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007**

This section of Wayzata Public Schools – Independent School District 284's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2007. Please read it in conjunction with the District's financial statements, which immediately follow this section. The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in 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.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2006-2007 fiscal year include the following:

- Net assets increased by \$9,097,135, or 25.6 percent over June 30, 2006.
- Overall General Fund revenues were \$99,507,985 as compared to expenditures of \$92,032,754. Adding in a transfer of \$5,814,349 to the capital projects fund brings total General Fund expenditures plus transfers to \$97,847,103.
- Total fund balance of the General Fund increased \$1,662,978 from \$14,973,555 in 2006 to \$16,636,533 in 2007, an increase of 11.1 percent. The undesignated portion of the unreserved balance increased by \$668,712 to \$7,670,512, which is 7.8 percent of the General Fund expenditures. Unreserved, designated balances increased by \$597,737. State-specified reserves increased by \$129,862.
- The District decreased its net outstanding bonds payable by \$5,655,000 or 5.4 percent.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that 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 *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.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1
Annual Report Format

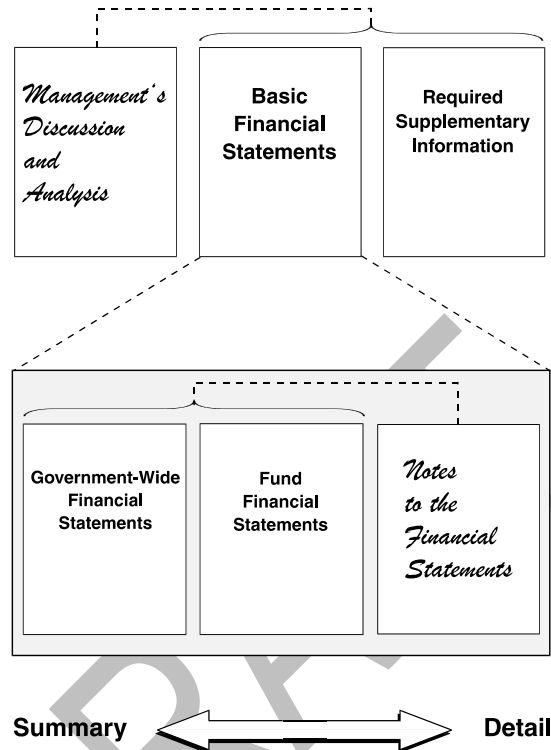


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	• Statement of net assets	• Balance sheet	• Statement of net assets	• Statement of fiduciary net assets
	• Statement of activities	• Statement of revenues, expenditures and changes in fund balances	• Statement of revenues, expenses and changes in fund net assets • Statement of cash flows	• Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Statements

The government-wide statements 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 must consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

- *Governmental Activities* – Most of the District's basic services are included here, such as regular and special education, transportation, administration, food services, 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 – not 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 (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

The District has three kinds of funds:

- *Governmental Funds* – Most of 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, we provide additional information at the bottom of the governmental funds statements that explains the relationship (or differences) between them.
- *Internal Service Funds* – Used 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 self-insurance of health and dental benefits, various early retirement benefit packages for employee groups, and post-retirement health care benefits. Internally such activity is maintained separately in nine separate funds, which are combined into one for state reporting purposes.
- *Fiduciary Funds* – The District is the trustee, or *fiduciary*, for assets that belong to others, such as the scholarship funds. 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. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets

The District's *combined* net assets were \$44,630,887 on June 30, 2007. This was an improvement of 25.6 percent from the prior year (see Table A-1).

Table A-1
The District's Net Assets

	Governmental Activities		Percentage
	2007	2006	Change
Current and Other Assets	\$ 111,001,690	\$ 127,717,401	-13.1%
Capital and Non-Current Assets	105,595,970	105,759,388	-0.2%
Total Assets	216,597,660	233,476,789	-7.2%
Current Liabilities	62,102,006	75,925,614	-18.2%
Long-Term Liabilities	109,864,767	122,017,423	-10.0%
Total Liabilities	171,966,773	197,943,037	-13.1%
Net Assets:			
Invested in Capital Assets			
Net of Related Debt	24,230,861	19,216,157	26.1%
Restricted	9,178,609	8,901,995	3.1%
Unrestricted	11,221,417	7,415,600	51.3%
Total Net Assets	\$ 44,630,887	\$ 35,533,752	25.6%

The District's financial position improved with a net asset increase of \$9.1 million from 2006 to 2007. Following are some of the highlights of that net change:

- a) Total assets decreased \$16.9 million of which the Current and Other Assets portion had a net decrease of \$16.7 million with the balance of \$.2 million relating to Capital and Non-Current Assets. Within the Current and Other Asset portion \$22.8 million in funds held in escrow was used to pay off the 1997A Series Bonds. There was also an increase in Cash/Investments of \$5.1 million.
- b) Total liabilities decreased nearly \$26 million, which was a combination of 1) increases in current liabilities not related to long-term debt of \$1.5 million (of which \$1.8 was related to an increase in deferred property taxes with a reduction in other current liabilities of \$.3 million), 2) and an overall net decrease in long-term debt of nearly \$26 million of which \$22.8 million was due to the payoff of the 1997A Series bonds. Over all long term debt is decreasing with larger shifts from payments due beyond one year to payments due within one year as a result of the accelerated payments scheduled within the debt instruments.

Changes in Net Assets

The District's total revenues were \$122,575,034 for the year ended June 30, 2007. Property taxes and state aid accounted for 77 percent of total revenue for the year (see Figure A-3). Another 18 percent came from program revenues and the remainder from other general revenues and investment earnings.

Table A-2
Change in Net Assets

	Governmental Activities for the Fiscal Year Ended June 30,		Total % Change
	2007	2006	
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 9,610,864	\$ 10,411,494	-7.7%
Operating Grants and Contributions	11,125,983	10,570,586	5.3%
Capital Grants and Contributions	1,926,042	846,206	127.6%
<u>General Revenues</u>			
Property Taxes	36,410,874	23,357,885	55.9%
Unrestricted State Aid	58,435,400	60,024,649	-2.6%
Investment Earnings	3,755,010	3,473,080	8.1%
Other	1,916,319	987,862	94.0%
Total Revenues	123,180,492	109,671,762	
Expenses			
Administration	4,103,763	3,529,662	16.3%
District Support Services	4,125,666	3,853,703	7.1%
Regular Instruction	42,200,859	41,370,121	2.0%
Vocational Education Instruction	706,799	738,649	-4.3%
Special Education Instruction	13,359,698	12,692,016	5.3%
Instructional Support Services	7,934,974	7,110,721	11.6%
Pupil Support Services	8,382,286	7,675,585	9.2%
Sites and Buildings	16,834,354	11,514,298	46.2%
Fiscal and Other Fixed Cost Programs	401,698	354,942	13.2%
Food Service	5,033,179	4,298,997	17.1%
Community Service	6,516,455	6,086,765	7.1%
Unallocated - Depreciation	128,798	106,602	20.8%
Interest and Fiscal Charges on Long-Term Liabilities	4,354,828	5,219,563	-16.6%
Total Expenses	114,083,357	104,551,624	9.1%
Increase in Net Assets	9,097,135	5,120,138	
Beginning Net Assets	35,533,752	30,413,614	
Ending Net Assets	\$ 44,630,887	\$ 35,533,752	

The total cost of all programs and services excluding interest and fiscal charges was \$109.1 million. Total revenues surpassed expenses, increasing net assets \$9,097,135 over last year.

The cost of all governmental activities this year was \$113,477,899.

- Some of the cost was paid by the users of the District's programs (\$9,610,864).
- Federal, state and local governments subsidized certain programs with grants and contributions (\$13,052,025).
- Other District revenues included a total of \$36,410,874 in property taxes and \$58,435,400 of unrestricted federal and state aid. Property tax revenue was \$13,052,989 more than in fiscal year 2006, but \$5,123,054 of this increase is due to changes in the state-required property tax recognition shift, not to an actual increase in taxes. The actual increase in tax revenue was \$7,929,935.

Figure A-3 Sources of District's Revenues for Fiscal 2007

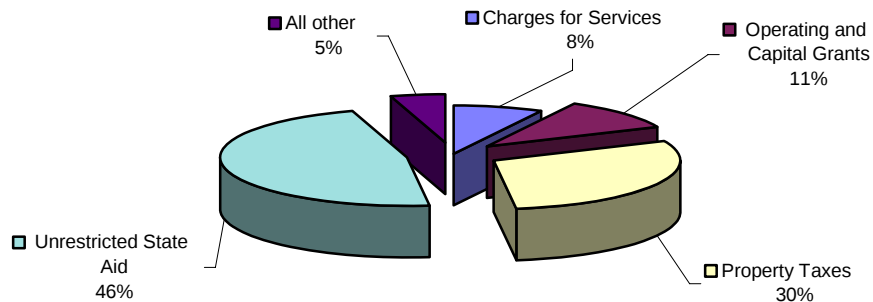
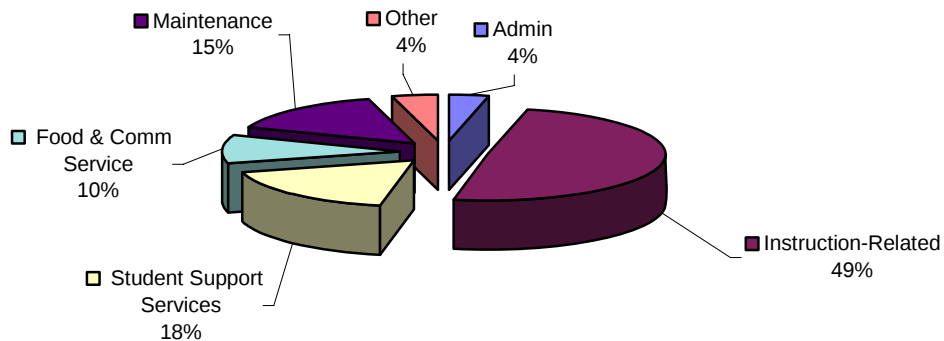


Figure A-4 District Expenses for Fiscal 2007



Typically the District does not include in an analysis of government-wide activities a breakout of expenses as depicted in Figure A-3. To do so distorts the latitude available to the District to allocate resources to instruction. All governmental funds includes not only funds received for the general operation of the district, which are used for classroom instruction, but also includes resources from the entrepreneurial-type funds of Food Service and Community Education, and from resources for debt service transactions. Funding for the general operation of the District is controlled by the state and the District does not have the latitude to allocate money received in Food Service or Community Education or for debt service to enhance classroom instruction resources. The above graph, by pooling all expenditures, implies that the District can spend any of its funds for classroom instruction. In Minnesota, that is simply not the case. A more accurate analysis of resources allocated to instruction should be limited to an analysis of resources received for the general operation of the District. That analysis would show that 64 percent of those resources are spent directly on instruction.

Table A-3
Program Expenses and Net Cost of Services

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2007	2006		2007	2006	
Administration	\$ 4,103,763	\$ 3,529,662	16.3%	\$ 4,103,763	\$ 3,529,662	16.3%
District Support Services	4,125,666	3,853,703	7.1%	4,125,666	3,853,703	7.1%
Regular Instruction	42,200,859	41,370,121	2.0%	34,797,067	33,886,047	2.7%
Vocational Education Instruction	706,799	738,649	-4.3%	586,187	738,649	-20.6%
Special Education Instruction	13,359,698	12,692,016	5.3%	11,469,768	10,673,134	7.5%
Instructional Support Services	7,934,974	7,110,721	11.6%	7,846,535	7,109,043	10.4%
Pupil Support Services	8,382,286	7,675,585	9.2%	6,836,908	6,491,555	5.3%
Sites and Buildings	16,834,354	11,514,298	46.2%	14,497,374	10,327,184	40.4%
Fiscal and Other Fixed Cost Programs	401,698	354,942	13.2%	401,698	354,942	13.2%
Food Service	5,033,179	4,298,997	17.1%	501,804	(14,546)	-3549.8%
Community Service	6,516,455	6,086,765	7.1%	1,770,072	447,800	295.3%
Unallocated - Depreciation	128,798	106,602	20.8%	128,798	106,602	20.8%
Interest and Fiscal Charges on Long-Term Liabilities	4,354,828	5,219,563	-16.6%	4,354,828	5,219,563	-16.6%
Total	<u>\$ 114,083,357</u>	<u>\$ 104,551,624</u>	9.1%	<u>\$ 91,420,468</u>	<u>\$ 82,723,338</u>	10.5%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

This portion of management's discussion and analysis will refer to the District's funds, which are summarized on page 32. The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a *combined* fund balance of \$26,294,876, which was \$22,541,794 below last year's ending fund balance of \$48,836,670. The combined fund balance decline is chiefly due to the fact that \$22,450,000 was paid from an escrow account to refund bonds that became callable in fiscal year 2007.

Revenues for the District's governmental funds were \$121,091,117, while total expenditures were \$121,215,007.

General Fund

The General Fund includes the primary operations of the District in providing educational services to students from kindergarten through grade 12, including pupil transportation activities and capital outlay projects.

General Fund (Continued)

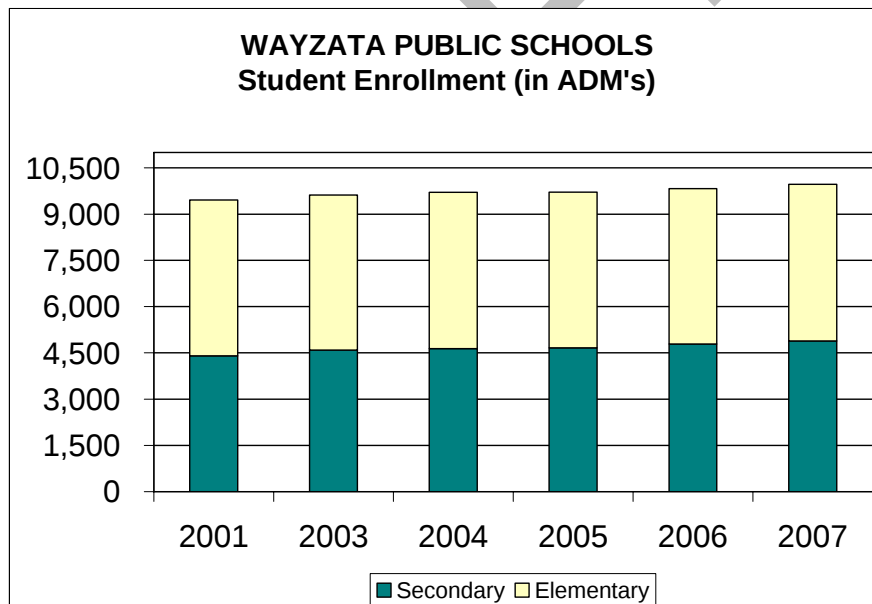
The majority of General Fund operational revenue is controlled by a complex set of state funding formulas. This includes a general education revenue formula based on enrollment and special education state aid based upon a cost reimbursement model providing approximately half of special education personnel expenditures. State law also strictly restricts the amount of operating revenue a district can collect from property taxes.

Enrollment

Enrollment is a critical factor in determining revenue. The following chart shows that the number of students has consistently increased over the last seven years.

**Table A-4
Enrollment Trend
Average Daily Membership (ADM)**

	2001	2002	Table A-4 2003	2004	2005	2006	2007
Reg K, Pre-K & KH	711	643	677	691	694	707	709
Elementary	4,339	4,399	4,351	4,374	4,349	4,330	4,368
Secondary	4,407	4,541	4,593	4,641	4,667	4,788	4,890
Total Students for Aid	9,457	9,583	9,621	9,706	9,710	9,825	9,967
Percent Change	2.37%	1.33%	0.40%	0.88%	0.04%	1.18%	1.45%



Over the last six years, the District has experienced increases in average daily membership of 510 students or 5.4 percent. The District continues to attract non-resident students through open enrollment programs due to the District's fine record of student performance. Clearly, however, enrollment has leveled off, and projected total enrollments for the next five years show little change from year to year.

The following schedule presents a summary of General Fund Revenues.

**Table A-5
General Fund Revenues**

Fund	Year Ended		Change	
	June 30, 2007	June 30, 2006	Increase (Decrease)	Percent
Local Sources:				
Property Taxes	\$ 25,764,175	\$ 12,546,224	\$ 13,217,951	105.4%
Earnings on Investments	735,965	740,035	(4,070)	-0.5%
Other	2,827,429	2,982,693	(155,264)	-5.2%
State Sources	68,290,486	67,614,167	676,319	1.0%
Federal Sources	1,889,930	2,032,433	(142,503)	-7.0%
Total General Fund Revenue	<u>\$ 99,507,985</u>	<u>\$ 85,915,552</u>	<u>\$ 13,592,433</u>	15.8%

Total General Fund Revenue increased by \$13,592,433 or 15.8 percent from the previous year. Year to year comparisons are extremely difficult in this area because of some recent legislative changes. For fiscal year 2006, a "property tax shift" adjustment was required, which moved revenue from state aid to local property tax. After fiscal year 2006, this property tax shift adjustment was reduced to zero by the Legislature. This resulted in a tax shift in fiscal year 2006 of \$4,569,183 -- added to state aid revenue, and subtracted from property tax revenue. This shift did not occur in fiscal year 2007.

For a valid companion between fiscal year 2007 and fiscal year 2006 General Fund property tax and state aid revenues, the amount of \$4,569,183 must be added to fiscal year 2006 property tax revenue, and subtracted from fiscal year 2006 state aid. After making this neutral adjustment, property tax revenue in fiscal year 2007 increased by \$8,648,768. The primary components of this tax increase are:

- Increase in the referendum levy of \$5,114,181
- Increase in the capital projects (technology) levy of \$2,222,635
- Levy of \$677,789 for the new Alternative Compensation program
- Change in source of operating capital revenue due to state law change with substantially more of this revenue coming from property taxes than in the past. This levy increased by \$1,077,601

State sources increased by \$5.2 million after adjusting fiscal year 2006 for the property tax shift. This was due to a 4 percent increase in the general education basic aid formula, increased enrollment, and other factors.

The following schedule presents a summary of General Fund Expenditures.

Table A-6
General Fund Expenditures

	Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30, 2007	June 30, 2006		
Salaries	\$ 54,638,762	\$ 47,569,207	\$ 7,069,555	14.9%
Employee Benefits	16,305,104	15,943,404	361,700	2.3%
Purchased Services	15,551,010	14,473,446	1,077,564	7.4%
Supplies and Materials	3,199,795	3,626,110	(426,315)	-11.8%
Capital Expenditures	2,215,203	3,649,451	(1,434,248)	-39.3%
Other Expenditures	122,880	118,511	4,369	3.7%
Total Expenditures	<u>\$ 92,032,754</u>	<u>\$ 85,380,129</u>	<u>\$ 6,652,625</u>	7.8%

Total General Fund Expenditures increased by \$6,652,625 or 7.8 percent from the previous year. Salaries increased by \$7,069,555 over the previous year, or 14.9 percent, and benefits by \$361,700. With the approval of a referendum levy increase in the fall of 2005, the Board of Education approved program additions of \$4.4 million, most of which was for salaries and benefits for new positions. Nearly \$2.7 million was budgeted for class size reduction alone. Average class sizes were reduced by 3 students in elementary schools, 4 students in middle schools, and 4.5 students in the high school.

In addition to the General Fund Expenditures shown in Table A-6, the amount of \$5,814,349 was transferred to the Capital Projects/Building Construction Fund. This included the technology levy of \$4,252,373; the rest is for alternative Facilities projects (health and safety improvements costing over \$500,000).

In 2006-07, General Fund revenues and transfers were greater than expenditures by \$1,660,882. After deducting statutory reserves, the unreserved-undesignated fund balance increased from \$5,606,020 at June 30, 2006 to \$7,430,835 at June 30, 2007. However, a true measure of the amount available for expenditure subsequent to June 30, 2006 should also add prepaid items of \$239,677, so the unreserved-undesignated amount available is \$7,670,512. The comparable figure for 2005-06 was \$6,735,123.

Unreserved-undesignated fund balance is the single best measure of overall financial health. The unreserved-undesignated fund balance (including prepaid items) of \$7,670,512 at June 30, 2007 represents 8.3 percent of annual expenditures. The District has had a Board approved fund balance policy in place since 1988 requiring that an unreserved balance in the General Fund with a minimum of 5 to 7 percent of the previous year's expenditures be maintained, although that policy was temporarily suspended during the period of state revenue shortfalls beginning in 2002-03. The fund balance currently is slightly above the policy minimum specifications. The 2007-08 budget anticipates that the fund balance will remain stable.

General Fund Budgetary Highlights

Following approval of the budget prior to the beginning of the fiscal year, the District revises the annual operating budget in mid-year. These budget amendments typically fall into two categories:

- Implementing budgets for specially funded projects, which include both federal and state grants and reinstating unexpended funds being carried over, and budgeting for expenditure changes.
- Legislation that passes subsequent to budget adoption, changes necessitated by collective bargaining agreements, and increases in appropriations for significant unbudgeted costs.

General Fund revenue was \$1,681,034 over budget, a variance of 1.72 percent. The largest single component of this increased revenue was general education aid which was \$682,215 more than budgeted. At year-end, the District had 98 more pupils in weighted average daily membership than had been budgeted, and this brought additional general education aid. Much of the increase was in enrollment outside of the normal school day/school classroom, such as summer school.

Other revenue receipts exceeding budget included:

- Additional desegregation transportation aid of \$243,500. This aid is driven by expenditures, with the State paying virtually all additional cost.
- Special education aid of \$135,000 over budget
- Nonpublic transportation aid of \$80,000 over budget
- Other local revenue of \$435,000 over budget, from a wide variety of sources
- Interest income of \$72,000 over budget

Total General Fund expenditures were \$2,082,240 below budget for a 2.2 percent variance. The single largest component of this is school carryover; the District's budget practice is to allow schools to carry over unspent balances to the next fiscal year. The unspent, carried over amount for fiscal year 2007 that was included in the budget is \$1,175,303.

Operating capital expenditures were under budget by \$850,000. In large part this is because \$376,000 of budgeting operating capital expenditures were paid using unspent bond money and interest in the Capital Projects/Construction Fund. Textbook expenditures in operating capital were \$140,000 under budget. Also, operating capital moneys of \$325,000 were allocated to the roof reserve and not spent.

Other expenditure differences include:

- Expenditures under budget for legal services of \$139,000
- Staff development expenditures \$166,000 below budget, which is added to the staff development reserve

Capital Project and Debt Service Funds

The Capital Projects - Building Construction Fund is used to account for money carried forward from the 1994 and 1998 bond issues. At the beginning of fiscal year 2007, a total of \$8,968 remained from the 1998 bond issue, and \$331,922 from the 1994 bond issue. These funds were fully expended in fiscal year 2007.

This fund also includes “alternative facilities” moneys—formerly health and safety projects over \$500,000 for which there is separate levy authority.

State accounting rules also require that revenue from the Capital Projects (Technology) Levy be accounted for in this fund. Approximately \$4.25 million was transferred from the General Fund for this purpose and expended from the Capital Projects – Building Construction Fund.

In the Debt Service Fund, expenditures and other financing uses exceeded revenues and other financing sources by \$23,151,335 in 2006-07. The expenditures included \$22,450,000 paid from the refunding bond trust account to repay refunded bonds that were called on February 1, 2007. The remaining fund balance of \$8,939,664 at June 30, 2007 consists of \$6,894,131 that is reserved for future bond refundings and \$2,095,533 which is available for meeting future debt service obligations.

Other Major Funds

Expenditures exceeded revenues in the Food Service Fund by \$373,708 and in the Community Education Fund revenues exceeded expenditures by \$89,554.

From the standpoint of maintaining current operating expenditures within the range of annual revenue and maintaining a sound fund balance, both the Community Service and Food Service Funds continue to operate on a sound financial basis.

Internal Service Fund

Proprietary funds such as the Internal Service Fund use the same basis of accounting as business-type activities; therefore, these statements will essentially match the information provided in statements for the District as a whole.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2007, the District had invested slightly more than \$163 million in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices (see Table A-7). (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total depreciation expense for the year exceeded \$4.2 million.

Table A-7
The District's Capital Assets

	2007	2006	Percentage Change
Land	\$ 8,054,939	\$ 8,054,939	0.0%
Construction in Progress	964,556	1,330,761	-27.5%
Land Improvements	7,516,654	7,141,116	5.3%
Buildings and Improvements	136,509,910	132,580,341	3.0%
Equipment	10,161,715	10,040,925	1.2%
Less: Accumulated Depreciation	(57,611,804)	(53,388,694)	7.9%
Total	<u>\$ 105,595,970</u>	<u>\$ 105,759,388</u>	-0.2%

Construction – Next Five Years

A 1998 bond referendum authorized the issuance of \$18.5 million in bonds for technology and deferred maintenance. The projects funded with those bonds cleared a substantial backlog of deferred maintenance needs. The primary current needs of the District are to upgrade HVAC systems in buildings to meet 21st century ventilation standards. The District has completed HVAC upgrades at its elementary schools, and has begun work at Central Middle School. One wing or area at Central Middle School will have its HVAC system renovated for each of the next three years; one wing was completed in 2007.

The District has purchased land for a new elementary school to accommodate enrollment growth, but at this point there are no immediate plans to proceed.

The District is currently planning a three-classroom addition at Oakwood Elementary to accommodate growth in regular and special education enrollments.

Long-Term Liabilities

At year-end, the District had \$82,760,000 in general obligation bonds, a decrease of 25.4 percent from last year – as shown in Note 5 to the financial statements. This large reduction is explained by the payment of \$22,450,000 from escrow to refund a bond issue. In fiscal year 2007, The Early Retirement Incentive pay is included in Retirement Benefits Payable. The sum of those two items increased by \$1.6 million, or 4.2 percent.

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

	2007	2006	Percentage Change
General Obligation Bonds	\$ 82,760,000	\$ 110,865,000	-25.4%
Net Bond Premium and Discount	1,722,142	2,058,898	-16.4%
Obligations Under Capital Leases	3,000,000	3,474,453	-13.7%
Retirement Benefits Payable	39,728,675	36,887,820	7.7%
Early Retirement Incentive Pay	-	1,522,026	-100.0%
Compensated Absences Payable	499,709	461,726	8.2%
Total	<u>\$ 127,710,526</u>	<u>\$ 155,269,923</u>	-17.7%

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of the voter-approved excess operating referendum, the District is dependent on the State of Minnesota for the bulk of its revenue authority. State funds provide over 72 percent of the district's general fund revenue. After several years of state revenue shortfalls, the economy has improved and state revenues have stabilized. The 2005 Legislature enacted significant increase in school district revenues, from both state and local tax sources. Added to revenue from a referendum levy and capital projects levy for technology that were approved by the District's voters in 2005, the District's financial picture is optimistic. Previous budget cuts have been restored for fiscal year 2007 and significant program improvements implemented, chiefly class size reduction and instructional improvements. Also the District has implemented a state-approved alternative compensation plan for teachers, with a performance pay component and a significant staff development element.

The District will strive to maintain its long-standing 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 our citizens, taxpayers, customers, and 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 284, District Administrative Office, P.O. Box 660, Wayzata, Minnesota 55391-0660.

Bond Ratings

The District's bonds presently carry a Moody's "Aa1" rating. Only 3 other Minnesota School districts share this rating, which is the highest Moody's has assigned to any school district in this state.

Limitations on Debt

The state limits the amount of general obligation debt the District can issue to 15 percent of the assessed value of all taxable property within the District. Our outstanding debt is significantly below this limit – which is currently well over \$1.7 billion.

BASIC FINANCIAL STATEMENTS

DRAFT

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
STATEMENT OF NET ASSETS
JUNE 30, 2007
(WITH COMPARATIVE DATA AS OF JUNE 30, 2006)**

	Governmental Activities	
	2007	2006
ASSETS		
Cash and Investments	\$ 70,072,448	\$ 64,989,611
Cash and Investments Held by Trustee	8,143,697	30,901,926
Receivables:		
Property Taxes	19,821,707	18,945,610
Other Governments	10,305,844	9,701,069
Other	1,910,363	1,698,163
Prepaid Items	254,734	1,139,883
Inventories	183,755	180,132
Bond Issuance Costs, Net	309,142	161,007
Capital Assets:		
Land and Construction in Progress	9,019,495	9,385,700
Other Capital Assets, Net of Depreciation	96,576,475	96,373,688
Total Assets	216,597,660	233,476,789
LIABILITIES		
Salaries and Compensated Absences Payable	1,995,823	1,352,622
Accounts and Contracts Payable	3,310,597	3,285,230
Accrued Interest	1,685,361	2,329,385
Due to Other Governmental Units	1,103,030	1,193,627
Deferred Revenue:		
Property Taxes	35,207,668	33,369,069
Local Sources	953,769	1,143,180
Long-Term Liabilities:		
Portion Due Within One Year	17,845,758	33,252,501
Portion Due in More Than One Year	109,864,767	122,017,423
Total Liabilities	171,966,773	197,943,037
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	24,230,861	19,216,157
Restricted for:		
General Fund Operating Capital Purposes	4,335,529	4,064,220
General Fund State-Mandated Reserves	2,657,246	2,798,702
Food Service	721,326	1,095,034
Community Service	1,033,593	944,039
Debt Service	430,915	-
Unrestricted	11,221,417	7,415,600
Total Net Assets	\$ 44,630,887	\$ 35,533,752

See accompanying Notes to Basic Financial Statements.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2006)**

Functions	2007				2006
	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
			Governmental Activities	Governmental Activities	Governmental Activities
Governmental Activities					
Administration	\$ 4,103,763	\$ -	\$ -	\$ -	\$ (4,103,763)
District Support Services	4,125,666	-	-	-	(4,125,666)
Regular Instruction	42,200,859	1,058,116	6,345,676	-	(34,797,067)
Vocational Education Instruction	706,799	-	120,612	-	(586,187)
Special Education Instruction	13,359,698	-	1,889,930	-	(11,469,768)
Instructional Support Services	7,934,974	886	87,553	-	(7,846,535)
Pupil Support Services	8,382,286	-	1,545,378	-	(6,836,908)
Sites and Buildings	16,834,354	410,631	307	1,926,042	(14,497,374)
Fiscal and Other Fixed Cost Programs	401,698	-	-	-	(401,698)
Food Service	5,033,179	3,694,472	836,903	-	(501,804)
Community Service	6,516,455	4,446,759	299,624	-	(1,770,072)
Interest and Fiscal Charges on Long-Term Liabilities	4,354,828	-	-	-	(4,354,828)
Unallocated - Depreciation	128,798	-	-	-	(128,798)
Total School District	<u>\$ 114,083,357</u>	<u>\$ 9,610,864</u>	<u>\$ 11,125,983</u>	<u>\$ 1,926,042</u>	(91,420,468)
General Revenues					
Property Taxes Levied for:					
General Purposes					25,849,960
Community Service					1,129,124
Debt Service					9,431,790
State Aid Not Restricted to Specific Purposes					58,435,400
Earnings on Investments					3,755,010
Gain on Sale of Fixed Assets					22,495
Miscellaneous					1,893,824
Total General Revenues					<u>100,517,603</u>
Change in Net Assets					9,097,135
Net Assets - Beginning					<u>35,533,752</u>
Net Assets - Ending					<u>\$ 44,630,887</u>
					<u>\$ 35,533,752</u>

See accompanying Notes to Basic Financial Statements.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2007
(WITH COMPARATIVE DATA AS OF JUNE 30, 2006)**

	Major Funds					Total Governmental Funds	
	General	Food Service	Community Service	Capital Projects - Building Construction	Debt Service	2007	2006
ASSETS							
Cash and Investments	\$ 19,325,027	\$ 777,730	\$ 2,433,453	\$ -	\$ 6,811,122	\$ 29,347,332	\$ 27,602,938
Cash and Investments Held by Trustee	1,405,972	-	-	-	6,737,725	8,143,697	30,901,926
Receivables:							
Current Property Taxes	13,869,718	-	680,204	-	4,958,716	19,508,638	18,764,388
Delinquent Property Taxes	214,260	-	11,330	-	87,479	313,069	181,222
Due from Other Minnesota School Districts	480,537	-	130,097	-	-	610,634	951,690
Due from Minnesota Department of Education	8,673,695	74	22,438	-	17,177	8,713,384	7,187,675
Due from Federal through Minnesota Department of Education	871,148	-	-	-	-	871,148	1,361,547
Due from Federal Government Received Directly	-	-	-	-	-	-	-
Due from Other Governmental Units	110,678	-	-	-	-	110,678	200,157
Other Receivables	762,448	753	61,142	130	106,406	930,879	722,707
Due from Other Funds	400,999	-	-	-	-	400,999	306,133
Prepaid Items	239,677	4,810	3,996	6,251	-	254,734	1,139,883
Inventory	96,818	86,937	-	-	-	183,755	180,132
Total Assets	\$ 46,450,977	\$ 870,304	\$ 3,342,660	\$ 6,381	\$ 18,718,625	\$ 69,388,947	\$ 89,500,398
LIABILITIES AND FUND BALANCE							
Liabilities:							
Salaries and Compensated Absences Payable	\$ 382,745	\$ 162	\$ 133,960	\$ 5,488	\$ -	\$ 522,355	\$ 247,477
Payroll Deductions and Employer Contributions Payable	1,435,406	-	30,150	7,912	-	1,473,468	1,105,145
Accounts and Contracts Payable	2,487,207	19,467	85,570	628,222	-	3,220,466	3,207,613
Due to Other Governmental Units	1,040,935	-	62,095	-	-	1,103,030	1,193,627
Due to Other Funds	-	-	-	400,999	-	400,999	306,133
Accrued Interest Payable	8,686	-	-	-	-	8,686	8,686
Deferred Revenue:							
Property Taxes Levied for Subsequent Year	24,182,716	-	1,305,558	-	9,719,394	35,207,668	33,369,069
Delinquent Property Taxes	136,039	-	8,024	-	59,567	203,630	82,798
Local Sources	140,710	129,349	683,710	-	-	953,769	1,143,180
Total Liabilities	29,814,444	148,978	2,309,067	1,042,621	9,778,961	43,094,071	40,663,728
Fund Balance:							
Reserved for:							
Staff Development	1,129,002	-	-	-	-	1,129,002	963,236
Down Payment Levy	-	-	-	-	-	-	132,576
Cooperative Revenue	250,000	-	-	-	-	250,000	250,000
Unemployment Compensation	-	-	-	-	-	-	480,254
Learning and Development	334,807	-	-	-	-	334,807	546,943
Area Learning Center	154,238	-	-	-	-	154,238	71,220
Basic Skills Programs	359,043	-	-	-	-	359,043	255,437
Health and Safety	328,177	-	-	-	-	328,177	26,932
Operating Capital	4,335,529	-	-	-	-	4,335,529	4,064,221
Disabled Accessibility	7,452	-	-	-	-	7,452	7,452
Career and Technical Programs	55,642	-	-	-	-	55,642	64,652
Safe Schools Levy	38,885	-	-	-	-	38,885	-
Prepaid Items	239,677	-	-	-	-	239,677	1,129,103
Community Education Programs	-	-	980,028	-	-	980,028	877,131
Early Childhood and Family Educations Programs	-	-	62,185	-	-	62,185	44,344
School Readiness	-	-	197	-	-	197	2,242
Bond Refundings	-	-	-	-	6,844,131	6,844,131	29,961,070
Unreserved:							
Designated for:							
Dome Escrow	371,773	-	-	-	-	371,773	370,695
Re-Employment Insurance	426,160	-	-	-	-	426,160	-
Site Carryover	1,175,313	-	-	-	-	1,175,313	1,004,814
Undesignated, Reported In:							
General Fund	7,430,835	-	-	-	-	7,430,835	5,606,020
Capital Projects Fund	-	-	-	(1,036,240)	-	(1,036,240)	(266,957)
Debt Service Fund	-	-	-	-	2,095,533	2,095,533	2,129,929
Special Revenue Funds	-	721,326	(8,817)	-	-	712,509	1,115,356
Total Fund Balance	16,636,533	721,326	1,033,593	(1,036,240)	8,939,664	26,294,876	48,836,670
Total Liabilities and Fund Balance	\$ 46,450,977	\$ 870,304	\$ 3,342,660	\$ 6,381	\$ 18,718,625	\$ 69,388,947	\$ 89,500,398

See accompanying Notes to Basic Financial Statements.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007
(WITH COMPARATIVE DATA AS OF JUNE 30, 2006)**

	<u>2007</u>	<u>2006</u>
Total Fund Balance for Governmental Funds	\$ 26,294,876	\$ 48,836,670
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	8,054,939	8,054,939
Construction in Progress	964,556	1,330,761
Land Improvements, Net of Accumulated Depreciation	3,988,752	3,987,899
Buildings and Improvements, Net of Accumulated Depreciation	90,561,216	90,085,336
Equipment, Net of Accumulated Depreciation	2,026,507	2,300,453
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.		
	203,630	82,798
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
	(1,676,675)	(2,320,699)
Bond issuance costs are reported as expenditures in the governmental funds.		
	309,142	161,007
Internal service funds are used by management to charge the costs of health and dental insurance services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. Internal service fund net assets at year-end are:		
	1,885,795	1,396,692
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	(82,760,000)	(110,865,000)
Unamortized Premiums	(2,078,645)	(2,451,174)
Unamortized Discounts	356,503	392,276
Obligations Under Capital Leases	(3,000,000)	(3,474,453)
Early Retirement Incentive Benefits Payable	-	(1,522,026)
Compensated Absences Payable	(499,709)	(461,726)
Total Net Assets of Governmental Activities	<u>\$ 44,630,887</u>	<u>\$ 35,533,753</u>

See accompanying Notes to Basic Financial Statements.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2006)**

	Major Funds					Total Governmental Funds	
	General	Food Service	Community Service	Capital Projects - Building Construction	Debt Service	2007	2006
REVENUES							
Local Sources:							
Property Taxes	\$ 25,764,175	\$ -	\$ 1,125,377	\$ -	\$ 9,400,490	\$ 36,290,042	\$ 23,323,963
Earnings on Investments	735,965	54,285	132,684	35,446	851,582	1,809,962	2,038,666
Other	2,827,429	3,648,948	5,004,816	-	-	11,481,193	11,397,781
State Sources	68,290,486	101,734	320,108	-	172,493	68,884,821	68,788,226
Federal Sources	1,889,930	735,169	-	-	-	2,625,099	2,653,215
Total Revenues	99,507,985	4,540,136	6,582,985	35,446	10,424,565	121,091,117	108,201,851
EXPENDITURES							
Current:							
Administration	3,400,679	-	-	-	-	3,400,679	3,212,666
District Support Services	4,019,941	-	-	-	-	4,019,941	3,670,312
Regular Instruction	44,808,912	-	-	-	-	44,808,912	39,982,100
Vocational Education Instruction	682,739	-	-	-	-	682,739	705,369
Special Education Instruction	13,315,819	-	-	-	-	13,315,819	12,636,066
Instructional Support Services	7,003,890	-	-	-	-	7,003,890	6,197,509
Pupil Support Services	8,347,354	-	-	-	-	8,347,354	7,619,936
Sites and Buildings	7,823,675	-	-	-	-	7,823,675	7,337,607
Fiscal and Other Fixed Cost Programs	401,698	-	-	-	-	401,698	354,942
Food Service	-	4,188,001	-	-	-	4,188,001	4,002,138
Community Service	-	-	6,419,017	-	-	6,419,017	6,042,097
Capital Outlay	2,215,203	755,843	74,414	6,619,078	-	9,664,538	5,346,692
Debt Service:							
Principal	-	-	-	-	5,655,000	5,655,000	5,510,000
Interest and Fiscal Charges	12,844	-	-	-	5,470,900	5,483,744	5,847,809
Total Expenditures	92,032,754	4,943,844	6,493,431	6,619,078	11,125,900	121,215,007	108,465,243
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,475,231	(403,708)	89,554	(6,583,632)	(701,335)	(123,890)	(263,392)
OTHER FINANCING SOURCES (USES)							
Proceeds from Sale of Equipment	1,096	30,000	-	-	-	31,096	5,344
Insurance Recovery Proceeds	1,000	-	-	-	-	1,000	1,576
Capital Leases Proceeds	-	-	-	-	-	-	224,178
Payment to Refunded Bond Escrow Agent	-	-	-	-	(22,450,000)	(22,450,000)	-
Transfers In	-	-	-	5,814,349	-	5,814,349	542,000
Transfers Out	(5,814,349)	-	-	-	-	(5,814,349)	(542,000)
Total Other Financing Sources (Uses)	(5,812,253)	30,000	-	5,814,349	(22,450,000)	(22,417,904)	231,098
Net Change in Fund Balances	1,662,978	(373,708)	89,554	(769,283)	(23,151,335)	(22,541,794)	(32,294)
Fund Balances - Beginning	14,973,555	1,095,034	944,039	(266,957)	32,090,999	48,836,670	48,868,964
Fund Balances - Ending	\$ 16,636,533	\$ 721,326	\$ 1,033,593	\$ (1,036,240)	\$ 8,939,664	\$ 26,294,876	\$ 48,836,670

See accompanying Notes to Basic Financial Statements.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE
YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2006)**

	2007	2006
Net Change in Fund Balance-Total Governmental Funds	\$ (22,541,794)	\$ (32,294)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital Outlays	4,091,654	2,885,939
Gain (Loss) on Disposal of Capital Assets	(8,601)	(6,001)
Depreciation Expense	(4,246,471)	(4,459,607)
Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net assets.		
Other Financing Source - Capital Lease	-	(224,179)
Change in Accrued Interest Expense - Capital Leases	31,810	2,666
Principal Payments - Capital Leases	474,453	394,725
The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:		
Bond Issuance Costs	148,136	161,007
Repayment of Bond Principal	28,105,000	5,510,000
Change in Accrued Interest Expense - General Obligation Bonds	612,214	127,817
Amortization of Bond Premium	372,529	372,529
Amortization of Bond Discount	(35,773)	(35,773)
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.	120,832	33,922
In the statement of activities, certain operating expenses - severance benefits and compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	1,484,043	(521,808)
Internal service funds are used by the District to charge the costs of employee health and dental benefits to individual funds. The net revenue of the internal service funds is reported with governmental activities.	489,103	911,195
Change in Net Assets of Governmental Activities	\$ 9,097,135	\$ 5,120,138

See accompanying Notes to Basic Financial Statements.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final	Amounts	
REVENUES				
Local Sources:				
Property Taxes	\$ 26,339,096	\$ 25,898,850	\$ 25,764,175	\$ (134,675)
Earnings on Investments	400,000	664,000	735,965	71,965
Other	2,549,414	2,762,972	2,827,429	64,457
State Sources	66,140,433	66,524,435	68,290,486	1,766,051
Federal Sources	1,926,074	1,976,694	1,889,930	(86,764)
Total Revenues	97,355,017	97,826,951	99,507,985	1,681,034
EXPENDITURES				
Current:				
Administration	3,324,073	4,006,053	3,400,679	(605,374)
District Support Services	3,520,022	3,437,987	4,019,941	581,954
Elementary and Secondary Regular Instruction	45,237,994	46,106,495	44,808,912	(1,297,583)
Vocational Education Instruction	792,710	816,049	682,739	(133,310)
Special Education Instruction	12,453,612	12,688,070	13,315,819	627,749
Instructional Support Services	7,275,784	7,466,124	7,003,890	(462,234)
Pupil Support Services	8,076,211	8,172,966	8,347,354	174,388
Sites and Buildings	7,689,129	7,723,918	7,823,675	99,757
Fiscal and Other Fixed Cost Programs	1,124,522	490,442	401,698	(88,744)
Capital Outlay	3,181,966	3,206,890	2,215,203	(991,687)
Debt Service:				
Interest and Fiscal Charges	-	-	12,844	12,844
Total Expenditures	92,676,023	94,114,994	92,032,754	(2,082,240)
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,678,994	3,711,957	7,475,231	3,763,274
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Equipment	5,000	5,000	1,096	(3,904)
Insurance Recovery Proceeds	-	-	1,000	1,000
Transfers Out	(5,681,773)	(5,814,349)	(5,814,349)	-
Total Other Financing Sources (Uses)	(5,676,773)	(5,809,349)	(5,812,253)	(2,904)
Net Change in Fund Balance	\$ (997,779)	\$ (2,097,392)	1,662,978	\$ 3,760,370
FUND BALANCE				
Beginning of Year			14,973,555	
End of Year			\$ 16,636,533	

See accompanying Notes to Basic Financial Statements.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
MAJOR FOOD SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual	Over (Under)
	Original	Final	Amounts	Final Budget
REVENUES				
Local Sources:				
Earnings on Investments	\$ -	\$ -	\$ 54,285	\$ 54,285
Other - Primarily Meal Sales	3,597,057	3,594,057	3,648,948	54,891
State Sources	92,455	92,455	101,734	9,279
Federal Sources	594,898	594,898	735,169	140,271
Total Revenues	4,284,410	4,281,410	4,540,136	258,726
EXPENDITURES				
Current:				
Food Service	4,279,947	4,282,947	4,188,001	(94,946)
Capital Outlay	1,000,701	1,000,701	755,843	(244,858)
Total Expenditures	5,280,648	5,283,648	4,943,844	(339,804)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(996,238)	(1,002,238)	(403,708)	598,530
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Equipment	-	-	30,000	30,000
Net Change in Fund Balance	\$ (996,238)	\$ (1,002,238)	(373,708)	\$ 628,530
FUND BALANCE				
Beginning of Year			1,095,034	
End of Year			\$ 721,326	

See accompanying Notes to Basic Financial Statements.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
MAJOR COMMUNITY SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>(Under)</u>
				<u>Final</u>
				<u>Budget</u>
REVENUES				
Local Sources:				
Property Taxes	\$ 1,118,818	\$ 1,118,818	\$ 1,125,377	\$ 6,559
Earnings on Investments	44,700	44,700	132,684	87,984
Other - Primarily Tuition and Fees	4,356,438	4,404,797	5,004,816	600,019
State Sources	<u>283,078</u>	<u>283,078</u>	<u>320,108</u>	<u>37,030</u>
Total Revenues	5,803,034	5,851,393	6,582,985	731,592
EXPENDITURES				
Current:				
Community Service	5,992,688	6,041,047	6,419,017	377,970
Capital Outlay	<u>14,351</u>	<u>14,351</u>	<u>74,414</u>	<u>60,063</u>
Total Expenditures	<u>6,007,039</u>	<u>6,055,398</u>	<u>6,493,431</u>	<u>438,033</u>
Excess of Revenues Over Expenditures	<u>\$ (204,005)</u>	<u>\$ (204,005)</u>	89,554	<u>\$ 293,559</u>
FUND BALANCE				
Beginning of Year			<u>944,039</u>	
End of Year			<u>\$ 1,033,593</u>	

See accompanying Notes to Basic Financial Statements.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
PROPRIETARY FUND
INTERNAL SERVICE FUND
STATEMENT OF NET ASSETS
JUNE 30, 2007
(WITH COMPARATIVE DATA AS OF JUNE 30, 2006)**

	Governmental Activities - Internal Service Funds	
	2007	2006
ASSETS		
Current Assets:		
Cash and Investments	\$ 40,725,116	\$ 37,386,673
Accounts Receivable	979,484	975,456
Total Current Assets	41,704,600	38,362,129
LIABILITIES		
Current Liabilities:		
Accounts Payable	90,131	77,617
Noncurrent Liabilities:		
Claims Payable for Health and Dental Benefits	2,947,885	2,958,661
Liability for Retiree Health Insurance	24,262,782	23,223,528
Retirement Benefits Payable	12,518,007	10,705,631
Total Noncurrent Liabilities	39,728,674	36,887,820
Total Liabilities	39,818,805	36,965,437
NET ASSETS		
Unrestricted	\$ 1,885,795	\$ 1,396,692

See accompanying Notes to Basic Financial Statements.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
PROPRIETARY FUND
INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2006)**

	Governmental Activities - Internal Service Funds	
	2007	2006
OPERATING REVENUES		
Charges for Services	\$ 11,385,829	\$ 11,110,873
Assessments Made to Other Funds for Retirement Benefits	1,644,712	1,341,025
Total Operating Revenues	13,030,541	12,451,898
OPERATING EXPENSES		
Health Insurance Claim and Premium Payments	11,367,805	10,471,015
Dental Insurance Claim and Premium Payments	908,644	758,890
Early Retirement Incentive Benefits	2,210,037	1,745,212
Total Operating Expenses	14,486,486	12,975,117
Operating Income (Loss)	(1,455,945)	(523,219)
NONOPERATING INCOME		
Earnings on Investments	1,945,048	1,434,414
Change in Net Assets	489,103	911,195
Total Net Assets - Beginning	1,396,692	485,497
Total Net Assets - Ending	\$ 1,885,795	\$ 1,396,692

See accompanying Notes to Basic Financial Statements.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
PROPRIETARY FUND
INTERNAL SERVICE FUND
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2006)**

	Governmental Activities - Internal Service Funds	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Interfund Services Provided	\$ 13,026,513	\$ 11,735,019
Payments for Medical Fees and Insurance Claims	(11,235,457)	(9,099,168)
Payments for Retirement Benefits	(397,661)	(660,575)
Net Cash Provided by Operating Activities	1,393,395	1,975,276
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	1,945,048	1,434,414
Net Increase in Cash and Cash Equivalents	3,338,443	3,409,690
Cash and Cash Equivalents - Beginning	37,386,673	33,976,983
Cash and Cash Equivalents - Ending	\$ 40,725,116	\$ 37,386,673
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Loss	\$ (1,455,945)	\$ (523,219)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Increase in Accounts Receivable	(4,028)	(716,879)
Increase (Decrease) in Accounts Payable	12,514	(5,139)
Increase (Decrease) in Claims Payable	(10,776)	274,968
Increase in Retirement Benefits Payable	2,851,630	2,945,545
Total Adjustments	2,849,340	2,498,495
Net Cash Provided by Operating Activities	\$ 1,393,395	\$ 1,975,276

See accompanying Notes to Basic Financial Statements.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2007**

	Private- Purpose Trust
	<u> </u>
ASSETS	
Cash and Investments	\$ 307,369
Interest receivable	<u> 2,473</u>
Total Assets	309,842
 LIABILITIES	
Due to Plan Participants	<u> 100</u>
 NET ASSETS	
Unreserved	<u><u> \$ 309,742</u></u>

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
JUNE 30, 2007**

	Private- Purpose Trust
	<u> </u>
ADDITIONS	
Gifts and Donations	\$ 42,095
Earnings on Investments	<u> 14,318</u>
Total Additions	56,413
 DEDUCTIONS	
Miscellaneous	<u> 27,360</u>
Change in Net Assets	29,053
Net Assets - Beginning of Year	<u> 280,689</u>
Net Assets - End of Year	<u><u> \$ 309,742</u></u>

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

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**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 284 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 has issued a codification of governmental accounting and financial reporting standards titled Codification of Governmental Accounting and Financial Reporting Standards: Statement 34 Edition. This codification and subsequent GASB pronouncements are recognized as U.S. generally accepted accounting principles for state and local governments that have implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999.

This financial report has been prepared in conformity with GASB Statement No. 34.

B. Financial Reporting Entity

Independent School District No. 284 (the District) is an instrumentality of the State of Minnesota established to function as an educational institution. The elected School Board (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

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

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

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

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation

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 the fiduciary funds. The Fiduciary Funds are only reported in the statements of Fiduciary Net Assets at the Fund Financial Statement level.

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

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

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

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

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

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting

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

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

1. Revenue Recognition

Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and U.S. generally accepted accounting principles. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

2. Recording of Expenditures

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

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

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

The District reports deferred revenue on its statement of net assets and 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 statement of net assets or 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 are as follows:

Major Governmental Funds

General Fund

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

Food Service Special Revenue Fund

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

Community Service Special Revenue Fund

The Community Service Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs, K-6 extended day programs or other similar services.

Capital Projects – Building Construction Fund

The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities. The Fund was established for building construction activity authorized by specific voter-approved bond issues and for large-scale construction activity authorized by the Board under provisions of state law.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and payment of, general long-term obligation bond principal, interest, and related costs. The regular debt service account is used for all general obligation bond debt service except for refunding bond issues, for which a separate refunding bond trust account has been established.

Proprietary Fund

Internal Service Fund

The Internal Service Fund accounts for financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The District's Internal Service Fund includes its self-insured health and dental insurance plan for its employees, its early retirement incentive plan, and post-retirement health care benefits. The Internal Service Fund accounts for the financing of services provided by one department to other departments of the District on a cost reimbursement basis.

Fiduciary Fund

The District maintains a Private Purpose Trust Fund which is used to account for money held by the District in the capacity of trustee or custodian.

E. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with U.S. generally accepted accounting principles. 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. 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.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting (Continued)

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

<u>Revenues</u>	<u>Original Budget</u>	<u>Amendments</u>	<u>Amended Budget</u>
General Fund	\$ 97,355,017	\$ 471,934	\$ 97,826,951
Special Revenue Funds:			
Food Service Fund	4,284,410	(3,000)	4,281,410
Community Service Fund	5,803,034	48,359	5,851,393
 <u>Expenditures</u>			
General Fund	92,676,023	1,438,971	94,114,994
Special Revenue Funds:			
Food Service Fund	5,280,648	3,000	5,283,648
Community Service Fund	6,007,039	48,359	6,055,398

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

At the end of each fiscal year, if the General Fund has a net unreserved deficit fund balance, calculated in accordance with the uniform financial accounting and reporting standards for Minnesota school districts which excludes certain reserves specified in Minnesota statutes, exceeding 2.5 percent of expenditures, a condition referred to as "statutory operating debt" exists. That debt requires retirement through the accumulation of subsequent operating surpluses in accordance with a "special operating plan" approved by the Commissioner of the Department of Education.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

Investments are stated at their fair value as determined by quoted market prices, except for money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less which are recorded at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Money market investments are short-term, highly liquid debt instruments including commercial paper, banker's acceptances, and U.S. Treasury and agency obligations. Investments in external investment pools operated in a manner consistent with the SEC's Rule 2a7 of the Investment Act of 1940 are valued at the pool's share price.

G. Accounts Receivable

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

H. Inventories

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

I. Prepaid Items

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

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Property Taxes

Property tax levies are established by the School Board in December each year and are certified to the County for collection the following calendar year. In Minnesota, counties act as collection agents for all property taxes and are responsible for spreading all levies over taxable property. Such taxes become a lien on January 1. Taxes are generally due on May 15 and October 15 and counties generally remit taxes to the Districts at periodic intervals as they are collected. A portion of property taxes levied is paid through state 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 and Special Revenue Funds 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 percent of the District's 2000 Pay 2001 operating referendum levy (frozen at \$3,560,480) advance recognized as revenue in fiscal 2007 with no corresponding state aid adjustment. The tax shift also includes certain other levies that are recognized early based on statutory requirements.

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the State which will be recognized as revenue in the next fiscal year beginning July 1, 2007, are included in the Property Taxes Levied for Subsequent Year account to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

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

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

Capital assets not being depreciated include land 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.

L. 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 are deferred and amortized over the life of the bonds using the effective interest method.

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

M. Accrued Employee Benefits

Vacation Pay

In the fund financial statements, vacations payable at year-end for terminated employees or actual vacation taken by year-end are accrued and included in compensated absences payable at June 30. The long-term portion of vacation liabilities is recorded as compensated absences payable in long-term debt in the government-wide financial statements. A majority of compensated absences are liquidated by the General Fund, which is the District's main operating fund.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Accrued Employee Benefits (Continued)

Sick Pay

Substantially all district employees are entitled to sick leave at various rates. Unused sick leave is a factor in the calculation of an employee's severance pay upon retirement.

Severance and Health Benefits

Severance and health benefits consist of lump sum early retirement incentive payments and post-retirement health care benefits. Accounting policies for severance and health benefits are described below.

1. Early Retirement Incentive and Convertible Sick Leave

The District maintains various early retirement incentive payment plans for its employee groups. Each employee group plan contains benefit formulas based on years of service and/or minimum age requirements. No employee can receive early retirement incentive payments exceeding one year's salary. Certain bargaining unit members are eligible to be compensated for unused accumulated sick leave upon termination subject to certain conditions.

During fiscal year 2007, the District's expenditures for early retirement incentive and convertible sick leave expenditures for early retirement incentive totaled approximately \$2,210,037. At June 30, 2007, the long-term portion of the early retirement incentive and convertible sick leave liability is included as part of long-term debt. The entire liability of \$12,518,008 is funded and recorded in the District's Internal Service Fund and on the District Wide financial statements.

2. Post-Retirement Health Care Benefits

In addition to retirement benefits, the District provides post-retirement medical insurance benefits to teachers, administrators, principals, food service workers, custodians and clerical employees, in accordance with their respective master employment agreements. The eligibility for, amount of, duration of, and District's contribution to the cost of the benefits provided varies by contract and date of retirement. The District has elected to record the post-retirement liability for health insurance for active and retired employees based on the amount accumulated for the liability in the internal service fund, which is less than the amount as determined by an independent actuarial valuation. Benefits are paid by the District's Internal Service Fund which was established to accumulate resources for such commitments. Interfund premiums for coverage are charged to activities of user funds as quasi-external transactions. During the year ended June 30, 2007, 173 retirees received District provided medical insurance benefits. Costs charged to the Internal Service Fund for post-retirement medical insurance benefits totaled approximately \$1,178,054. The District has authority to levy for a portion of its future post-retirement medical benefits premiums for certain retired employees. Such costs are charged directly to the General Fund for those employees that generate the special levy authority.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Accrued Employee Benefits (Continued)

2. Post-retirement Health Care Benefits (Continued)

The District established a separate Internal Service Fund to account for the Post-retirement healthcare benefits. The District's funding policy requires an annual contribution of an amount equal to the current year service cost adjusted for any amortization.

When calculating the actuarial determined liability, the most significant assumptions are the discount rate, the retirement age, the medical trend rate, and annual claim costs by age. The discount rate assumption was set at 5.75 percent for the June 30, 2005 valuation, which is the most recent available. The retirement decrement table used in the most recent valuation assumes a weighted average retirement age of 59. The medical trend rate assumptions were set with an ultimate medical trend rate of 4.25 percent.

	Principals and Administrators	Teachers	Food Service, Clerical, and Custodial	Total
Active Participants:				
Not Eligible to Receive Benefits	38	479	242	759
Eligible to Receive Benefits	13	91	87	191
Total	51	570	329	950
Retired Participants:				
Under Age 65	8	79	23	110
Age 65 and Over	10	60	5	75
Total	18	139	28	185
Total Participants	69	709	357	1,135

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Accrued Employee Benefits (Continued)

2. Post-retirement Health Care Benefits (Continued)

The accumulated post-retirement benefit obligation at June 30, 2007 was as follows:

Actuarial Accrued Liability (AAL) as of July 1, 2005:

Retirees Under Age 65	\$ 7,661,200
Actives Eligible for Postretirement Benefits	6,206,131
Actives Not Eligible for Postretirement Benefits	<u>10,451,116</u>
	24,318,447
AAL in Excess of Plan Assets	<u>(55,665)</u>
Plan Assets	<u><u>\$ 24,262,782</u></u>

N. Statement of Cash Flows

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments with an original maturity from the time of purchase by the District of three months or less to be cash equivalents. The Proprietary Fund's equity in the Government-wide cash and investment management pool is considered to be cash equivalents.

O. Restricted Assets

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

P. Fund Balance

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

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases insurance coverage for such risks from various providers. The District participates in the Minnesota School Board Association Insurance Trust (MSBA Trust), a public entity risk pool for its workers compensation insurance and for property/liability insurance. The MSBA Trust operates as a common risk management and insurance program for approximately 375 member districts. The District pays an annual premium to the MSBA Trust for its insurance coverage. The MSBA Trust agreement provides that the MSBA Trust will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits for each insured event.

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

R. Net Assets

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

S. Comparative Data

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

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

A. Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following funds at June 30, 2007.

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Special Revenue Funds:			
Community Service Fund	\$ 6,055,398	\$ 6,493,431	\$ 438,033
Capital Projects Fund	5,404,949	6,619,078	1,214,129
Debt Service Fund	11,122,996	11,125,900	2,904

The excess of expenditures over budget in the Community Service Fund was due to a higher demand for certain programs, resulting in both higher revenues and expenditures than anticipated. The overage in the Capital Projects Fund was due to a project that was not listed on the original budget, but was in the District's overall plan. The overage in the Debt Service Fund was due to the interest paid on escrow accounts being higher than anticipated.

B. Deficit Fund Balance

At June 30, 2007, the Capital Projects Fund had a deficit fund balance in the amount of \$1,036,240. It is expected that the deficit will be funded in the next year.

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net assets and the balance sheet as "Cash and Investments."

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

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the School District's Board.

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

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

The District's deposits in banks at June 30, 2007 in the amount of \$274,064 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota statutes.

Cash on Hand

Cash in the possession of the District consisting of petty cash and change funds at year-end totaled \$15,550.

B. Investments

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

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

At June 30, 2007, the District's investment balances were as follows:

	Maturing in Less than One Year	Maturing in One to Five Years	Carrying and Fair Value
Unrestricted:			
Commercial Paper	\$ 50,636,000	\$ -	\$ 50,636,000
Federal Home Loan Bank	7,890,840	-	7,890,840
Mutual Funds	2,514,928	-	2,514,928
Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	not applicable	not applicable	1,074,031
Cash Surrender Value of Life Insurance Policies	not applicable	not applicable	8,891,216
Restricted:			
U.S. Government Securities	7,226,885	-	7,226,885
			<u>78,233,900</u>
Deposits			274,064
Cash on Hand			<u>15,550</u>
Total Pooled Cash and Investments			<u><u>\$ 78,523,514</u></u>

These amounts are presented in the financial statements as follows:

Cash and Investments - Statement of Net Assets	\$ 70,072,448
Cash and Investments Held by Trustee - Statement of Net Assets	8,143,697
Cash and Investments - Statement of Fiduciary Net Assets	307,369
Total Cash and Investments	<u><u>\$ 78,523,514</u></u>

The MSDLAF+ is an external investment pool and its investments are valued at amortized cost, which approximates fair value in accordance with Rule 2a-7 of the Investment Company Act of 1940. The amortized cost method of valuation values a security at its cost on the date of purchase and thereafter assumes a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of instruments.

Credit Risk – The MSDLAF+ pool is rated AAAM. Of the District's investments in commercial paper approximately 79 percent were rated P-1, approximately 12 percent were rated A1 by Standard & Poors, and 4 percent rated A1+ by Standard & Poors. The remaining investment representing 5 percent of commercial paper declined in value unexpectedly after year-end, and was subsequently re-valued based on an estimate by the District, decreasing the value by approximately \$295,000. Of the District's investments in mutual funds, all were rated AAAM by Standard & Poor's. The FHLB investment is rated AAA by Moody's Investors Service.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Restricted Investments – These investments are held by an escrow agent in accordance with escrow agreements established with the sale of the General Obligation Refunding Bonds, Series 2005A. The securities have maturities thru February 1, 2008 at which time the proceeds will be used to pay in full the General Obligation School Building Bonds Series 2000A. The interest rates on these securities range from zero to 3.79 percent.

Investments Held with Broker – The District's investments in commercial paper are held by investment brokers.

Custodial Credit Risk – For an investment, custodial risk is the risk that, in the event of failure of the counterparty, the School District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The School District's does not have a custodial credit risk policy. The School District's brokers do provide insurance to cover balances held in each investment account. As of June 30, 2007, the investment balances held by brokers were fully covered by insurance for each brokerage firm.

Interest Rate Risk

The district does have a formal investment policy. The primary objective of the policy is to minimize the risk of loss of principal. The policy requires that all brokers used by the District acknowledge in writing that any investment purchased through that broker will comply with Minnesota state statutes governing the investment of public funds. The policy also states that the District will diversify by type, issuer, and maturity to help reduce the risk of loss. In addition, the majority of the district's investments have a maturity of one year or less.

Concentration of Credit Risk

The District places no limit on the amount that the District may invest in any one issuer. The individual investments which individually comprise more than 5 percent of the District's total investments are as follows:

Federal Home Loan Bank	<u>\$ 4,891,359</u>
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**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 4 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 8,054,939	\$ -	\$ -	\$ 8,054,939
Construction in Progress	1,330,761	949,927	(1,316,132)	964,556
Total Capital Assets, Not Being Depreciated	9,385,700	949,927	(1,316,132)	9,019,495
Capital Assets, Being Depreciated:				
Land Improvements	7,141,116	375,538	-	7,516,654
Buildings and Improvements	132,580,341	3,929,569	-	136,509,910
Equipment and Transportation Vehicles	8,933,437	152,752	-	9,086,189
Food Service Equipment	1,107,488	-	(31,962)	1,075,526
Total Capital Assets, Being Depreciated	149,762,382	4,457,859	(31,962)	154,188,279
Accumulated Depreciation for:				
Land Improvements	(3,153,217)	(374,685)	-	(3,527,902)
Buildings and Improvements	(42,495,005)	(3,453,689)	-	(45,948,694)
Equipment and Transportation Vehicles	(7,114,226)	(354,017)	-	(7,468,243)
Food Service Equipment	(626,246)	(64,080)	23,361	(666,965)
Total Accumulated Depreciation	(53,388,694)	(4,246,471)	23,361	(57,611,804)
Total Capital Assets, Being Depreciated, Net	96,373,688	211,388	(8,601)	96,576,475
Governmental Activities Capital Assets, Net	<u>\$ 105,759,388</u>	<u>\$ 1,161,315</u>	<u>\$ (1,324,733)</u>	<u>\$ 105,595,970</u>

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

Governmental Activities	
Administration	\$ 26,906
Elementary and Secondary Regular Instruction	3,222,912
Vocational Education Instruction	5,569
Instructional Support Services	18,407
Sites and Buildings	774,154
Food Service	69,725
Unallocated	128,798
Total Depreciation Expense, Governmental Activities	<u>\$ 4,246,471</u>

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 5 LONG-TERM LIABILITIES

The District has issued general obligation school building bonds to finance the construction of capital facilities or to refinance previous bond issues.

A. Components of Long-Term Debt

Issue Date	Net Interest Rate	Original Issue	Final Maturity	Principal Outstanding	
				Due Within One Year	Total
04/13/98	4.30% - 5.00%	\$ 36,975,000	02/01/16	\$ 995,000	\$ 35,085,000
03/11/99	3.80% - 4.50%	10,000,000	02/01/19	350,000	5,325,000
03/16/00	5.00% - 5.70%	8,710,000	02/01/20	7,310,000	7,310,000
12/19/02	5.00%	22,525,000	02/01/09	3,920,000	7,800,000
11/18/2004	3.00% - 5.00%	20,480,000	2/1/2017	150,000	20,480,000
5/5/2005	3.50% - 4.00%	6,760,000	2/1/2020	-	6,760,000
Total General Obligation Bonds				12,725,000	82,760,000
Bond Premium - Net				-	2,078,645
Bond Discounts - Net				-	(356,503)
Lease Purchase Obligations:					
Obligation for Capital Lease Payable				335,000	3,000,000
Total Leases Purchase Obligations				335,000	3,000,000
Retirement Benefits Payable				4,286,049	39,728,675
Compensated Absences Payable				499,709	499,709
				<u>\$ 17,845,758</u>	<u>\$ 127,710,526</u>

B. Minimum Debt Payments

Minimum annual principal and interest payments required to retire general obligation bonds and capital lease obligations are as follows:

Year Ending June 30,	General Obligation Bonds Payable		Capital Leases Payable	
	Principal	Interest	Principal	Interest
2008	\$ 12,725,000	\$ 3,366,688	\$ 335,000	\$ 98,780
2009	6,430,000	3,736,983	345,000	90,740
2010	6,635,000	3,081,588	355,000	81,425
2011	6,935,000	2,764,088	365,000	70,775
2012	7,255,000	2,429,588	380,000	58,912
2013 - 2017	40,130,000	6,621,338	1,220,000	94,141
2018 - 2022	2,650,000	223,200	-	-
	<u>\$ 82,760,000</u>	<u>\$ 22,223,473</u>	<u>\$ 3,000,000</u>	<u>\$ 494,773</u>

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Debt

Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated to the retirement of these bonds. The District has authority to levy for all existing general obligation bonds. These levies are subject to reduction if fund balances exceed limitations imposed by Minnesota law. In addition, assets are available in an escrow account to be used for the repayment of certain refunded bonds.

On December 19, 2002, the District issued \$22,525,000 of General Obligation Refunding Bonds, Series 2002A. The proceeds of this issue (including a reoffering premium of \$1,191,106 and accrued interest) were used on February 1, 2003, to refund, in advance of their stated maturities, the remaining fiscal 2004 through 2009 maturities of the District's 1993A General Obligation School Building Refunding Bonds, totaling \$23,655,000 (\$7,800,000 of defeased principal remains outstanding as of June 30, 2007). This refunding reduced the District's total future debt service payments by approximately \$1,680,405 and results in a present value savings of approximately \$1,525,413.

On November 18, 2004, the District issued \$20,480,000 of General Obligation Refunding Bonds, Series 2004B. The proceeds of this issue were used in 2007 to refund, in advance of their stated maturities, the remaining fiscal 2008 through 2017 maturities of the District's 1997A General Obligation School Building Bonds, totaling \$22,450,000. The proceeds of the 2004B bond issue were placed in an escrow account pending the call dates of the refunded issues and were used to purchase U.S. Government securities. On February 1, 2007, the escrow account was used to call the remaining principal of the 1997A bonds. After the crossover, the District assumes full debt service of the principal and interest payments on the 2004B issue. This "crossover refunding" reduced the District's total future debt service payments by \$2,772,986 and resulted in a present value savings of \$1,937,536.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Debt (Continued)

On May 5, 2005, the District issued \$6,760,000 of General Obligation Refunding Bonds, Series 2005A. The proceeds of this issue will be used in 2008 to refund, in advance of their stated maturities, the remaining fiscal 2009 through 2020 maturities of the District's 2000A General Obligation School Building Bonds, totaling \$6,735,000. The proceeds of the 2005A bond issue were placed in an escrow account pending the call dates of the refunded issues and were used to purchase U.S. Government securities. On February 1, 2008, the escrow account will be used to call the remaining principal of the 2000A. After the crossover, the District assumes full debt service of the principal and interest payments on the 2005A issue. This "crossover refunding" will reduce the District's total future debt service payments by \$656,033 and result in a present value savings of \$474,696.

Effective April 1, 2004, the District has entered into a lease agreement with a financial institution for financing the acquisition and construction of an athletic facility. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments of \$3,645,000 as of the inception date. As of June 30, 2007, \$3,274,305 of construction expenditures have been incurred and capitalized to date. The remaining unexpended funds of \$371,773 are held by the financial institution in its capacity as fiscal agent, and are included in the reserved fund balance of the General Fund. Construction of the athletic facility was substantially completed in fiscal year 2005. Resources for the payment of capital lease payable included in long-term debt will be provided primarily by the General Fund.

Arbitrage Rebate Liability

The Tax Reform Act of 1986 requires school districts and other governmental entities to pay to the federal government income earned on the proceeds from the issuance of debt in excess of interest costs, pending the expenditure of the borrowed funds. This rebate of interest income (known as arbitrage) applies to governmental debt issued after August 31, 1986.

Certain bond issues of the District are subject to the arbitrage rebate requirements. However, management does not expect to incur any significant arbitrage rebate liability.

Severance and Retirement Benefits Payable

Severance and retirement benefits payable consist of early retirement incentive payments, convertible sick leave, and other severance pay benefits payable to employees upon retirement. The District has funded a these benefits totaling \$40,219,928 in an internal service fund. Annual payments to retire the severance and health benefits liability have not been determined and will depend on actual employee turnover. Resources for the payment of severance and retirement benefits payable included in long-term debt will be provided primarily by the General Fund.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

D. Changes in Long-Term Debt

	June 30, 2006	Net Additions	Retirements	June 30, 2007
Bonds Payable	\$ 110,865,000	\$ -	\$ 28,105,000	\$ 82,760,000
Bond Premium	2,451,174	-	372,529	2,078,645
Bond Discounts	(392,276)	-	(35,773)	(356,503)
Lease Purchase Obligations	3,474,453	-	474,453	3,000,000
Retirement Benefits Payable	36,887,820	14,975,590	12,134,735	39,728,675
Early Retirement Incentive Pay	1,522,026	-	1,522,026	-
Compensated Absences Payable - Net	461,726	1,135,949	1,097,966	499,709
	<u>\$ 155,269,923</u>	<u>\$ 16,111,539</u>	<u>\$ 43,670,936</u>	<u>\$ 127,710,526</u>

E. Operating Leases

The District is obligated under several operating leases for buildings and office and other equipment. Annual minimum lease payments for the operating leases are as follows:

Year Ending June 30,	Minimum Lease Payments
2007	\$ 362,993
2008	289,152
2009	288,618
2010	261,170
2011	215,799
Total	<u>\$ 1,417,732</u>

Expenditures under the operating leases for the year ended June 30, 2007 were approximately \$388,960.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 6 INTERFUND BALANCES AND TRANSFERS

Prior to fiscal year 2004, expenditures for qualified health and safety improvements for Indoor Air Quality (IAQ) concerns were funded through the local health and safety levy. Starting in fiscal year 2004, these qualified IAQ projects costing \$500,000 or more no longer were eligible for funding through the health and safety levy, but were to be funded through the alternative levy process. The alternative levy process allows funding either through direct levy, or through the issuance of bonded debt. The Minnesota Department of Education requires that all alternative funded projects be recorded in the Capital Project Fund, regardless of the method used to obtain the funding sources. As such, the district transferred \$542,000 from levy money received in the General Fund under the alternative levy process to the Capital Project Fund.

The District has levy authority for Capital projects and has used those resources to fund the upgrades and operation of the technology infrastructure. Any revenue received in the current levy year that is not spent in the current levy year must be set aside in a reserve account for future use within the requirements of the levy authority. The reserve balance can be negative, with the understanding that future levy authority will offset the deficit. The State's accounting system (UFARS) allows for those funds to be spent either in the General Fund or the Capital Fund.

Beginning in Fiscal Year 2007, the District decided that the capital levy resources would be a better financial fit if they flowed into the Capital Fund. During Fiscal Year 2007 the District transferred the prior year reserve balance of \$132,576 from the General Fund to the Capital Fund and also transferred the current year levy authority of \$4,384,949. At fiscal year end the Capital projects reserve balance is a negative (deficit) \$10,036. This deficit will be eliminated during fiscal year 2008.

The District had the following interfund receivable and payable at June 30, 2007:

	Due from Other Fund	Due to Other Fund
General Fund	\$ 400,999	\$ -
Capital Projects Fund	-	400,999
	<u>\$ 400,999</u>	<u>\$ 400,999</u>

The purpose of these interfund balances is to eliminate negative cash. The balances are expected to be repaid within one year.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 7 RESERVED FUND BALANCES

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. Any such "reserves" which have an accumulated deficit rather than a positive balance at June 30 are included in unreserved fund balance in the District's financial statements in accordance with accounting principles generally accepted in the United States of America. However, a description of these "deficit balance reserves" is included herein since the District has specific statutory authority to levy taxes for such deficits. Reserved and unreserved designated fund balances at June 30, 2007 are as follows:

	Reserved	Unreserved/ Designated
General Fund:		
Reserved for Staff Development	\$ 1,129,002	\$ -
Reserved for Cooperative Revenue	250,000	-
Reserved for Learning and Development	334,807	-
Reserved for Area Learning Center	154,238	-
Reserved for Basic Skills Programs	359,043	-
Reserved for Health and Safety	328,177	-
Reserved for Operating Capital	4,335,529	-
Reserved for Disabled Accessibility	7,452	-
Reserved for Career and Technical Programs	55,642	-
Reserved for Safe Schools Levy	38,885	-
Reserved for Prepaid Items	239,677	-
Designated for Dome Escrow	-	371,773
Designated for Reemployment Insurance	-	426,160
Designated for Site Carryover	-	1,175,313
Total General Fund	7,232,452	1,973,246
Special Revenue Funds:		
Community Service Fund		
Reserved for School Readiness	197	-
Reserved for Community		
Education Programs	980,028	-
Reserved for Early Childhood and Family		
Education Programs	62,185	-
Total Special Revenue Funds	1,042,410	-
Capital Projects - Building Construction Fund		
Total Capital Projects -		
Building Construction Fund	-	-
Debt Service:		
Reserved for Bond Refunding	6,844,131	-
Total Debt Service Fund	6,844,131	-
Expendable Trust Fund		
Total All Funds	\$ 15,118,993	\$ 1,973,246

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 7 RESERVED FUND BALANCES (CONTINUED)

A. Reserved for Staff Development

In accordance with state statute, represents available resources dedicated exclusively for staff development.

B. Reserved for Cooperative Revenue

Represents available resources dedicated exclusively for cooperative programs as required by state statute.

C. Reserved for Learning and Development

Reserved for learning and development represents amounts reserved primarily for reducing the pupil-to-staff ratio.

D. Reserve for Area Learning Center

Represents amounts reserved for students attending area learning centers, based on a state revenue formula less designated expenditures.

E. Reserved for Basic Skills Programs

Reserved for basic skills represents amounts available for basic skills uses.

F. Reserved for Health and Safety

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

G. 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.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 6 RESERVED FUND BALANCES (CONTINUED)

H. Reserved for Disabled Accessibility

Reserved for disabled accessibility represents available resources to be used only to provide for the removal of approved disabled accessibility projects.

I. Reserved for Career and Technical Programs

Represents available resources from specific levies for career and technical aid under MN statutes 124D.453. The reserve balance can only be expended for career and technical programs that fall within the vocational instruction area.

J. Reserved for Safe Schools Levy

Reserved for funding various crime and drug prevention and education programs.

K. Reserved for Prepaid Items

At June 30, 2007, the General Fund includes a reserved fund balance for prepaid items. This represents amounts that are no longer available for general expenditures of the District.

L. 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.

M. Reserved for Community Education Programs

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

N. Reserved for Early Childhood and Family Education Programs

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

O. Reserved for Refunding Bonds

The refunding bond trust account can only be used to retire the 2000A bond issues, and to pay interest on the crossover refunding bonds issued to refund those bonds. Accordingly, a reserved fund balance is recognized in the Debt Service Fund equal to the balance of the refunding escrow accounts at June 30, 2007. See also Note 5 C.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 8 RETIREMENT PLANS

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

A. Teacher's Retirement Association (TRA)

1. Plan Description

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

TRA 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 five consecutive years of allowable service, age, and years of credit at termination of 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

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 8 RETIREMENT PLANS (CONTINUED)

A. Teacher's Retirement Association (TRA) (Continued)

2. Funding Policy

Minnesota Statutes Chapter 354 sets the rates for the employee and employer contributions. These statutes are established and amended by the state legislature. As of July 1, 2006, Coordinated and Basic Plan members are required to contribute 5.0 percent and 9.0 percent, respectively, of their annual covered salary as employee contributions. Effective July 1, 2007, the employer contribution rates are 5.5 percent for Coordinated members and 9.5 percent for Basic members. Total covered payroll salaries for all TRA members statewide during the fiscal year ended June 30, 2006 was approximately \$3.431 billion.

The District contributions for the years ended June 30, 2007, 2006 and 2005 were \$2,097,507 \$1,803,862 and \$1,695,036, respectively, equal to the required contributions for each year as set by state statute.

B. Public Employees' Retirement Association (PERA)

1. Plan Description

All full-time and certain part-time employees of the District (other than teachers) are covered by a defined benefit plan administered by the Public Employees' Retirement Association of Minnesota (PERA). PERA administers the Public Employees' Retirement Fund (PERF) which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF. That report may be obtained on the web at mnpera.org, by writing to PERA:

Public Employees' Retirement Association
60 Empire Drive Suite 200
St Paul MN 55103-2088
651-296-7460
800-652-9026

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 8 RETIREMENT PLANS (CONTINUED)

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

2. 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 are required to contribute 9.10 percent and 5.50 percent, respectively, of their annual covered salary in 2006. Contribution rates in the Coordinated Plan increased in 2007 to 5.75 percent.

The District was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan PERF members and 6.0 percent for Coordinated Plan PERF members. The District's contributions for the years ended June 30, 2007, 2006 and 2005 were \$967,331, \$862,178 and \$779,888, respectively, equal to the contractually required contributions for each year as set by state statute.

C. Defined Contribution Plan

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the "Plan"). All employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. Contributions are invested in tax deferred annuities selected and owned by Plan participants. In the year ended June 30, 2007, the employees and the District contributed \$2,722,815 and \$1,503,801, respectively, to the plan.

NOTE 9 FLEXIBLE BENEFIT PLAN

The District has a flexible benefit plan which is classified as a "cafeteria plan" under Section 125 of the Internal Revenue Code. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the plan for health care and dependent care benefits.

Before the beginning of the plan year, which is July 1 to June 30, each participant designates a total amount of pre-tax dollars to be contributed to the plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the plan, whether or not such contributions have been made.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 9 FLEXIBLE BENEFIT PLAN (CONTINUED)

The District is self-funded for its group health and dental plans. Payments of insurance premiums (health and dental) are made by the District directly to the designated Internal Service Fund account. These payments are made on a monthly basis and are accounted for in the General Fund.

Amounts withheld for medical reimbursement and dependent care are deposited into the District's general checking account on a per pay date basis. All assets of the plan are held in the General Fund and are administered by an employee of the District. Payments are made by the District to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the participant. The medical reimbursement and dependent care activity is included in the financial statements in the General Fund.

All plan property and income attributable to that property is solely the property of the District, subject to the claims of the District's general creditors. Participants' rights under the plan are equal to those of general creditors of the District in an amount equal to eligible health care and dependent care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 10 COMMITMENTS AND CONTINGENCIES

A. Federal and State Programs

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

B. Contingencies

The District is subject to legal proceedings and claims which arise in the ordinary course of business. Management believes the resolution of these matters will not have a material impact on the District.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 11 HEALTH AND DENTAL SELF-INSURANCE PLAN

The District maintains an Internal Service Fund to account for and finance a self-insurance program for health and dental benefits provided to current employees of the District. Accordingly, the District has not purchased outside insurance for the risks of losses to which it is exposed for amounts under its stop-loss limit of \$225,000 at which point reinsurance coverage is available. The District also has aggregate stop-loss coverage in place which limits the District's liability to 125 percent of expected claims for the current year. District management believes it is more economical to manage its risks internally and set aside assets for claim settlement. The Internal Service Fund currently services all claims and risk of loss to which the District is exposed for health and dental expenses.

Participants in the program make premium payments to the fund based on the insurance premium. The excess amount received above current year claims is used to establish a reserve for future claims. At June 30, 2007, there is a reserve of \$2,947,885 for health and dental claims.

District liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR) based on estimates provided by plan administrators and recommendations from insurance plan consultants. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing a claim liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

There were no liabilities in excess of claims paid at June 30, 2007. There is a possibility for loss if claims are in excess of the premiums collected. The District does not believe this occurrence would have a material financial effect on the District. The District held \$3,991,771 in cash and investments at June 30, 2007, for payment of health and dental claims.

Changes in the balances of claim liabilities during fiscal years 2007 and 2006 were as follows:

	<u>2007</u>	<u>2006</u>
Beginning of Fiscal Year Liability for Unpaid Claims	\$ 2,958,661	\$ 2,683,693
Current Year Claims, Changes in Estimates and Other Charges	11,367,805	10,471,015
Current Year Claims Paid, including an estimate of Claims Incurred but Not Reported (IBNR)	<u>(11,378,581)</u>	<u>(10,196,047)</u>
Balance at Fiscal Year End of Liability for Unpaid Claims	<u>\$ 2,947,885</u>	<u>\$ 2,958,661</u>

**FINANCIAL SECTION –
SUPPLEMENTAL INFORMATION**

DRAFT

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
GENERAL FUND
BALANCE SHEET
JUNE 30, 2007
(WITH COMPARATIVE DATA AS OF JUNE 30, 2006)**

	2007	2006
ASSETS		
Cash and Investments	\$ 19,325,027	\$ 17,366,702
Cash and Investments in Escrow	1,405,972	1,261,315
Receivables:		
Current Taxes	13,869,718	13,290,892
Delinquent Taxes	214,260	103,901
Accounts and Interest Receivable	762,448	319,457
Due from Other Funds	400,999	306,133
Due from Other Minnesota School Districts	480,537	809,556
Due from Minnesota Department of Education	8,673,695	7,140,339
Due from Federal through the Minnesota Department of Education	871,148	1,354,072
Due from Other Governmental Units	110,678	117,691
Inventories	96,818	104,090
Prepaid Items	239,677	1,129,103
Total Assets	<u>\$ 46,450,977</u>	<u>\$ 43,303,251</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Salaries and Compensated Absences Payable	\$ 382,745	\$ 119,616
Payroll Deductions and Employer Contributions Payable	1,435,406	1,105,145
Accounts and Contracts Payable	2,487,207	3,067,976
Due to Other Minnesota School Districts	1,019,006	1,120,290
Interest Payable	8,686	8,686
Due to Other Governmental Units	21,929	19,247
Property Taxes Levied for Subsequent Year	24,182,716	22,657,534
Deferred Revenue - Delinquent Taxes	136,039	44,759
Deferred Revenue	140,710	186,443
Total Liabilities	<u>29,814,444</u>	<u>28,329,696</u>
Fund Equity		
Fund Balance:		
Reserved:		
Reserved for Staff Development	1,129,002	963,236
Reserved for Down Payment Levy	-	132,576
Reserved for Cooperative Revenue	250,000	250,000
Reserved for Unemployment Compensation	-	480,254
Reserved for Learning and Development	334,807	546,943
Reserved for Area Learning Center	154,238	71,220
Reserved for Basic Skills Programs	359,043	255,437
Reserved for Health and Safety	328,177	26,932
Reserved for Operating Capital	4,335,529	4,064,221
Reserved for Disabled Accessibility	7,452	7,452
Reserved for Career and Technical Programs	55,642	64,652
Reserved for Safe Schools Levy	38,885	-
Reserved for Prepaid Items	239,677	1,129,103
Unreserved:		
Designated for Dome Escrow	371,773	370,695
Designated for Re-Employment Insurance	426,160	-
Designated for Site Carryover	1,175,313	1,004,814
Undesignated	7,430,835	5,606,020
Total Fund Balance	<u>16,636,533</u>	<u>14,973,555</u>
Total Liabilities and Fund Balance	<u>\$ 46,450,977</u>	<u>\$ 43,303,251</u>

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2006)**

	2007			2006
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
REVENUES				
Local Sources:				
Property Taxes	\$ 25,898,850	\$ 25,764,175	\$ (134,675)	\$ 12,546,224
Earnings on Investments	664,000	735,965	71,965	740,035
Other	2,762,972	2,827,429	64,457	2,982,693
State Sources	66,524,435	68,290,486	1,766,051	67,614,167
Federal Sources	1,976,694	1,889,930	(86,764)	2,032,433
Total Revenues	97,826,951	99,507,985	1,681,034	85,915,552
EXPENDITURES				
Current:				
Administration:				
Salaries	2,397,704	2,391,293	(6,411)	2,202,583
Employee Benefits	762,853	739,816	(23,037)	695,753
Purchased Services	174,945	165,606	(9,339)	208,671
Supplies and Materials	70,314	59,664	(10,650)	67,984
Capital Expenditures	12,322	28,511	16,189	28,845
Other Expenditures	600,237	44,300	(555,937)	37,675
Total Administration	4,018,375	3,429,190	(589,185)	3,241,511
District Support Services:				
Salaries	1,711,518	2,521,716	810,198	1,622,380
Employee Benefits	644,953	837,966	193,013	1,221,398
Purchased Services	806,656	541,518	(265,138)	713,477
Supplies and Materials	163,240	96,387	(66,853)	108,538
Capital Expenditures	15,500	798	(14,702)	78,464
Other Expenditures	111,620	22,354	(89,266)	4,519
Total District Support Services	3,453,487	4,020,739	567,252	3,748,776
Elementary and Secondary:				
Regular Instruction				
Salaries	31,692,681	31,256,772	(435,909)	27,116,440
Employee Benefits	9,939,402	9,462,573	(476,829)	9,166,045
Purchased Services	2,359,969	2,358,179	(1,790)	2,273,356
Supplies and Materials	1,626,924	1,729,970	103,046	1,413,548
Capital Expenditures	338,659	197,627	(141,032)	334,163
Other Expenditures	487,519	1,418	(486,101)	12,711
Total Elementary and Secondary Regular Instruction	46,445,154	45,006,539	(1,438,615)	40,316,263

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2006)**

	2007			2006
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
EXPENDITURES (Continued)				
Current (Continued):				
Vocational Education Instruction:				
Salaries	\$ 169,694	\$ 175,843	\$ 6,149	\$ 160,997
Employee Benefits	56,096	53,740	(2,356)	48,189
Purchased Services	400,514	412,424	11,910	473,757
Supplies and Materials	28,503	39,840	11,337	21,404
Capital Expenditures	40,000	18,491	(21,509)	25,240
Other Expenditures	161,242	892	(160,350)	1,022
Total Vocational Education Instruction	856,049	701,230	(154,819)	730,609
Special Education Instruction:				
Salaries	7,592,223	8,043,557	451,334	7,490,725
Employee Benefits	2,565,996	2,305,813	(260,183)	2,121,519
Purchased Services	2,101,907	2,860,465	758,558	2,900,536
Supplies and Materials	284,256	103,480	(180,776)	119,357
Capital Expenditures	38,385	16,566	(21,819)	28,637
Other Expenditures	143,688	2,504	(141,184)	3,929
Total Special Education Instruction	12,726,455	13,332,385	605,930	12,664,703
Instructional Support Services:				
Salaries	4,196,961	4,832,433	635,472	4,101,872
Employee Benefits	1,541,607	1,314,808	(226,799)	1,148,801
Purchased Services	1,456,877	628,014	(828,863)	585,127
Supplies and Materials	143,469	202,806	59,337	335,660
Capital Expenditures	-	14,016	14,016	555,780
Other Expenditures	127,210	25,829	(101,381)	26,049
Total Instructional Support Services	7,466,124	7,017,906	(448,218)	6,753,289
Pupil Support Services:				
Salaries	1,820,638	1,917,218	96,580	1,844,243
Employee Benefits	611,617	514,777	(96,840)	519,080
Purchased Services	5,492,650	5,688,683	196,033	5,070,773
Supplies and Materials	178,684	226,541	47,857	185,640
Capital Expenditures	97,100	32,672	(64,428)	52,813
Other Expenditures	69,377	135	(69,242)	200
Total Pupil Support Services	8,270,066	8,380,026	109,960	7,672,749

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2006)**

	2007			2006
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
EXPENDITURES (Continued)				
Current (Continued):				
Sites and Buildings:				
Salaries	\$ 3,375,543	\$ 3,499,930	\$ 124,387	\$ 3,029,967
Employee Benefits	1,084,620	1,075,611	(9,009)	1,022,619
Purchased Services	2,542,976	2,494,423	(48,553)	1,892,807
Supplies and Materials	734,000	741,107	7,107	1,373,979
Capital Expenditures	2,664,924	1,906,522	(758,402)	2,545,509
Other Expenditures	(13,221)	12,604	25,825	18,235
Total Sites and Buildings	10,388,842	9,730,197	(658,645)	9,883,116
Fiscal and Other Fixed Cost Programs:				
Salaries	142,920	-	(142,920)	-
Purchased Services	347,522	401,698	54,176	354,942
Total Fiscal and Other Fixed Costs Programs	490,442	401,698	(88,744)	354,942
Debt Service:				
Interest and Fiscal Charges	-	12,844	12,844	14,171
Total Expenditures	94,114,994	92,032,754	(2,082,240)	85,380,129
Excess (Deficiency) of Revenues Over Expenditures	3,711,957	7,475,231	3,763,274	535,423
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Equipment	5,000	1,096	(3,904)	3,844
Insurance Recovery Proceeds	-	1,000	1,000	1,576
Capital Leases Proceeds	-	-	-	224,178
Transfers Out	(5,814,349)	(5,814,349)	-	(542,000)
Total Other Financing Sources (Uses)	(5,809,349)	(5,812,253)	(2,904)	(312,402)
Net Change in Fund Balance	\$ (2,097,392)	1,662,978	\$ 3,760,370	223,021
FUND BALANCE				
Beginning of Year		14,973,555		14,750,534
End of Year		\$ 16,636,533		\$ 14,973,555

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
FOOD SERVICE SPECIAL REVENUE FUND
BALANCE SHEET
JUNE 30, 2007
(WITH COMPARATIVE DATA AS OF JUNE 30, 2006)**

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and Investments	\$ 777,730	\$ 1,179,167
Receivables:		
Accounts and Interest Receivable	753	-
Due from Minnesota Department of Education	74	-
Due from Federal through the Minnesota Department of Education	-	7,475
Inventory	86,937	76,042
Prepaid Items	<u>4,810</u>	<u>5,090</u>
Total Assets	<u>\$ 870,304</u>	<u>\$ 1,267,774</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Salaries and Compensated Absences Payable	\$ 162	\$ 225
Accounts and Contracts Payable	19,467	49,135
Deferred Revenue	<u>129,349</u>	<u>123,380</u>
Total Liabilities	148,978	172,740
Fund Balance:		
Unreserved, Undesignated	<u>721,326</u>	<u>1,095,034</u>
Total Liabilities and Fund Balance	<u>\$ 870,304</u>	<u>\$ 1,267,774</u>

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
FOOD SERVICE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2006)**

	2007			2006
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
REVENUES				
Local Sources:				
Earnings on Investments	\$ -	\$ 54,285	\$ 54,285	\$ 63,479
Other - Primarily Meal Sales	3,594,057	3,648,948	54,891	3,599,336
State Sources	92,455	101,734	9,279	93,425
Federal Sources	594,898	735,169	140,271	620,782
Total Revenues	4,281,410	4,540,136	258,726	4,377,022
EXPENDITURES				
Current:				
Salaries	1,360,611	1,325,156	(35,455)	1,227,088
Employee Benefits	409,875	379,730	(30,145)	360,907
Purchased Services	494,750	403,444	(91,306)	477,924
Supplies and Materials	1,982,211	2,072,431	90,220	1,929,139
Other Expenditures	35,500	7,240	(28,260)	7,080
Capital Outlay	1,000,701	755,843	(244,858)	276,495
Total Expenditures	5,283,648	4,943,844	(339,804)	4,278,633
Excess of Revenues Over Expenditures	(1,002,238)	(403,708)	598,530	98,389
OTHER FINANCING SOURCES				
Proceeds from Sale of Equipment	-	30,000	30,000	1,500
Net Change in Fund Balance	<u>\$ (1,002,238)</u>	<u>(373,708)</u>	<u>\$ 628,530</u>	99,889
FUND BALANCE				
Beginning of Year		1,095,034		995,145
End of Year		<u>\$ 721,326</u>		<u>\$ 1,095,034</u>

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
COMMUNITY SERVICE SPECIAL REVENUE FUND
BALANCE SHEET
JUNE 30, 2007
(WITH COMPARATIVE DATA AS OF JUNE 30, 2006)**

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and Investments	\$ 2,433,453	\$ 2,286,912
Receivables:		
Current Taxes	680,204	580,765
Delinquent Taxes	11,330	7,394
Accounts and Interest Receivable	61,142	42,720
Due from Other Minnesota School Districts	130,097	142,134
Due from Minnesota Department of Education	22,438	24,135
Due from Other Governmental Units	-	82,466
Prepaid Items	<u>3,996</u>	<u>5,690</u>
Total Assets	<u><u>\$ 3,342,660</u></u>	<u><u>\$ 3,172,216</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Salaries and Compensated Absences Payable	\$ 133,960	\$ 127,636
Payroll Deductions and Employer Contributions Payable	30,150	-
Accounts and Contracts Payable	85,570	89,607
Due to Other Governmental Units	62,095	54,090
Property Taxes Levied for Subsequent Year	1,305,558	1,119,949
Deferred Revenue - Delinquent Taxes	8,024	3,538
Deferred Revenue	<u>683,710</u>	<u>833,357</u>
Total Liabilities	2,309,067	2,228,177
Fund Equity		
Fund Balance:		
Reserved for Community Education Programs	980,028	877,131
Reserved for Early Childhood and Family Education Programs	62,185	44,344
Reserved for School Readiness	197	2,242
Unreserved, Undesignated	<u>(8,817)</u>	<u>20,322</u>
Total Fund Balance	<u>1,033,593</u>	<u>944,039</u>
Total Liabilities and Fund Balance	<u><u>\$ 3,342,660</u></u>	<u><u>\$ 3,172,216</u></u>

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
COMMUNITY SERVICE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2006)**

	2007			2006
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
REVENUES				
Local Sources:				
Property Taxes	\$ 1,118,818	\$ 1,125,377	\$ 6,559	\$ 591,728
Earnings on Investments	44,700	132,684	87,984	73,221
Other - Primarily Tuition and Fees	4,404,797	5,004,816	600,019	4,815,752
State Sources	<u>283,078</u>	<u>320,108</u>	<u>37,030</u>	<u>848,629</u>
Total Revenues	5,851,393	6,582,985	731,592	6,329,330
EXPENDITURES				
Current:				
Salaries	3,941,020	4,165,752	224,732	3,980,922
Employee Benefits	1,096,523	1,153,189	56,666	1,088,687
Purchased Services	567,652	679,884	112,232	586,515
Supplies and Materials	382,110	407,207	25,097	379,397
Other Expenditures	53,742	12,985	(40,757)	6,576
Capital Outlay	<u>14,351</u>	<u>74,414</u>	<u>60,063</u>	<u>22,220</u>
Total Expenditures	<u>6,055,398</u>	<u>6,493,431</u>	<u>438,033</u>	<u>6,064,317</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (204,005)</u>	89,554	<u>\$ 293,559</u>	265,013
FUND BALANCE				
Beginning of Year		<u>944,039</u>		<u>679,026</u>
End of Year		<u>\$ 1,033,593</u>		<u>\$ 944,039</u>

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
CAPITAL PROJECTS – BUILDING CONSTRUCTION FUND
BALANCE SHEET
JUNE 30, 2007
(WITH COMPARATIVE DATA AS OF JUNE 30, 2006)**

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and Investments in Escrow	\$ -	\$ 40,071
Accounts and Interest Receivable	130	-
Prepaid Items	<u>6,251</u>	<u>-</u>
Total Assets	<u><u>\$ 6,381</u></u>	<u><u>\$ 40,071</u></u>
LIABILITIES AND FUND BALANCE (DEFICIT)		
Liabilities:		
Salaries and Compensated Absences Payable	\$ 5,488	\$ -
Payroll Deductions and Employer Contributions Payable	7,912	-
Accounts and Contracts Payable	628,222	895
Due to Other Funds	<u>400,999</u>	<u>306,133</u>
Total Liabilities	1,042,621	307,028
Fund Balance (Deficit):		
Unreserved	<u>(1,036,240)</u>	<u>(266,957)</u>
Total Fund Liabilities and Fund Balance (Deficit)	<u><u>\$ 6,381</u></u>	<u><u>\$ 40,071</u></u>

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
CAPITAL PROJECTS – BUILDING CONSTRUCTION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2006)**

	2007			2006
	Final Budgeted Amounts	Actual Amounts	Over (Under) Final Budget	Actual Amounts
REVENUES				
Local Sources:				
Earnings on Investments	\$ -	\$ 35,446	\$ 35,446	\$ 34,035
EXPENDITURES				
Current:				
Salaries	1,126,500	1,063,772	(62,728)	10,965
Employee Benefits	271,477	307,089	35,612	2,955
Purchased Services	419,146	728,322	309,176	130,451
Supplies and Materials	314,750	242,280	(72,470)	-
Other Expenditures	4,500	67,035	62,535	-
Capital Outlay	3,268,576	4,210,580	942,004	1,254,155
Total Expenditures	5,404,949	6,619,078	1,214,129	1,398,526
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,404,949)	(6,583,632)	(1,178,683)	(1,364,491)
OTHER FINANCING SOURCES				
Transfer In	5,814,349	5,814,349	-	542,000
Net Change in Fund Balance	\$ 409,400	(769,283)	\$ (1,178,683)	(822,491)
Fund Balance - Beginning		(266,957)		555,534
Fund Balance (Deficit) - Ending		\$ (1,036,240)		\$ (266,957)

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
DEBT SERVICE FUND
BALANCE SHEET
JUNE 30, 2007
(WITH COMPARATIVE DATA AS OF JUNE 30, 2006)**

	Regular Debt Service	Refunding Bond Trust Account	Totals	
			2007	2006
ASSETS				
Cash and Investments	\$ 6,811,122	\$ -	\$ 6,811,122	\$ 6,770,157
Cash and Investments Held by Trustee	-	6,737,725	6,737,725	29,600,540
Receivables:				
Current Taxes	4,958,716	-	4,958,716	4,892,731
Delinquent Taxes	87,479	-	87,479	69,927
Accounts and Interest Receivable	-	106,406	106,406	360,530
Due from Minnesota Department of Education	17,177	-	17,177	23,201
 Total Assets	<u>\$ 11,874,494</u>	<u>\$ 6,844,131</u>	<u>\$ 18,718,625</u>	<u>\$ 41,717,086</u>
 LIABILITIES AND FUND BALANCE				
Liabilities:				
Property Taxes Levied for Subsequent Year	9,719,394	-	9,719,394	9,591,586
Deferred Revenue - Delinquent Taxes	59,567	-	59,567	34,501
Total Liabilities	<u>9,778,961</u>	<u>-</u>	<u>9,778,961</u>	<u>9,626,087</u>
Fund Balance:				
Reserved for Bond Refunding	-	6,844,131	6,844,131	29,961,070
Unreserved - Undesignated	2,095,533	-	2,095,533	2,129,929
Total Fund Balance	<u>2,095,533</u>	<u>6,844,131</u>	<u>8,939,664</u>	<u>32,090,999</u>
 Total Liabilities and Fund Balance	<u>\$ 11,874,494</u>	<u>\$ 6,844,131</u>	<u>\$ 18,718,625</u>	<u>\$ 41,717,086</u>

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2006)**

	2007					2006
	Final Budgeted Amounts	Regular Debt Service	Refunding Bond Trust Account	Total Actual Amounts	Over (Under) Final Budget	Actual Amounts
REVENUES						
Local Sources:						
Property Tax	\$ 9,421,360	\$ 9,400,490	\$ -	\$ 9,400,490	\$ (20,870)	\$ 10,186,011
Earnings on Investments	1,365,600	242,921	608,661	851,582	(514,018)	1,127,896
State Sources	170,631	172,493	-	172,493	1,862	232,005
Total Revenues	10,957,591	9,815,904	608,661	10,424,565	(533,026)	11,545,912
EXPENDITURES						
Debt Service:						
Bond Principal	5,655,000	5,655,000	-	5,655,000	-	5,510,000
Bond Interest	5,464,396	4,188,795	1,275,600	5,464,395	(1)	5,831,769
Paying Agent Fees and Other	3,600	6,505	-	6,505	2,905	1,869
Total Expenditures	11,122,996	9,850,300	1,275,600	11,125,900	2,904	11,343,638
Excess (Deficiency) of Revenues Over (Under) Expenditures	(165,405)	(34,396)	(666,939)	(701,335)	(535,930)	202,274
OTHER FINANCING SOURCES (USES)						
Payment to Refunded Bond Escrow Agent	(22,450,000)	-	(22,450,000)	(22,450,000)	-	-
Transfers In (Out)	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(22,450,000)	-	(22,450,000)	(22,450,000)	-	-
Net Change in Fund Balance	<u>\$ (22,615,405)</u>	<u>(34,396)</u>	<u>(23,116,939)</u>	<u>(23,151,335)</u>	<u>\$(535,930)</u>	202,274
Fund Balance - Beginning		2,129,929	29,961,070	32,090,999		31,888,725
Fund Balance - Ending		<u>\$ 2,095,533</u>	<u>\$ 6,844,131</u>	<u>\$ 8,939,664</u>		<u>\$ 32,090,999</u>

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
INTERNAL SERVICE FUND
COMBINING BALANCE SHEET
JUNE 30, 2007
(WITH COMPARATIVE DATA AS OF JUNE 30, 2006)**

	Self- Insurance Accounts	Early Retirement Accounts	Totals	
			2007	2006
ASSETS				
Current Assets:				
Cash and Investments	\$ 28,207,109	\$ 12,518,007	\$ 40,725,116	\$ 37,386,673
Accounts Receivable	979,484	-	979,484	975,456
Total Assets	<u>\$ 29,186,593</u>	<u>\$ 12,518,007</u>	<u>\$ 41,704,600</u>	<u>\$ 38,362,129</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Current Liabilities				
Accounts Payable	\$ 90,131	\$ -	\$ 90,131	\$ 77,617
Noncurrent Liabilities:				
Claims Payable for Health and Dental Benefits	2,947,885	-	2,947,885	2,958,661
Liability for Retiree Health Insurance	24,262,782	-	24,262,782	23,223,528
Retirement Benefits Payable	-	12,518,007	12,518,007	10,705,631
Total Noncurrent Liabilities	<u>27,210,667</u>	<u>12,518,007</u>	<u>39,728,674</u>	<u>36,887,820</u>
Total Liabilities	27,300,798	12,518,007	39,818,805	36,965,437
Net Assets:				
Reserved for Benefits Payable	-	-	-	-
Unrestricted	1,885,795	-	1,885,795	1,396,692
Total Net Assets	<u>1,885,795</u>	<u>-</u>	<u>1,885,795</u>	<u>1,396,692</u>
Total Liabilities and Net Assets	<u>\$ 29,186,593</u>	<u>\$ 12,518,007</u>	<u>\$ 41,704,600</u>	<u>\$ 38,362,129</u>

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
INTERNAL SERVICE FUND
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2006)**

	Self- Insurance Accounts	Early Retirement Accounts	Totals	
			2007	2006
OPERATING REVENUES				
Charges for Services				
Health Insurance Premiums	\$ 10,485,514	\$ -	\$ 10,485,514	\$ 10,221,866
Dental Insurance Premiums	900,315	-	900,315	889,007
Assessments to Other Funds	-	1,644,712	1,644,712	1,341,025
Total Operating Revenues	11,385,829	1,644,712	13,030,541	12,451,898
OPERATING EXPENSES				
Health Insurance and Claim Payments	11,367,805	-	11,367,805	10,471,015
Dental Insurance and Claim Payments	908,644	-	908,644	758,890
Early Retirement Incentive Benefits	-	2,210,037	2,210,037	1,745,212
Total Operating Expenses	12,276,449	2,210,037	14,486,486	12,975,117
Operating Income (Loss)	(890,620)	(565,325)	(1,455,945)	(523,219)
NONOPERATING INCOME				
Earnings on Investments	1,379,723	565,325	1,945,048	1,434,414
Change in Net Assets	489,103	-	489,103	911,195
Net Assets - Beginning	1,396,692	-	1,396,692	485,497
Net Assets - Ending	<u>\$ 1,885,795</u>	<u>\$ -</u>	<u>\$ 1,885,795</u>	<u>\$ 1,396,692</u>

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
INTERNAL SERVICE FUND
COMBINING SCHEDULE OF CASH FLOWS
YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2006)**

	Self- Insurance Accounts	Early Retirement Accounts	Totals	
			2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Interfund Services Provided	\$ 11,381,801	\$ 1,644,712	\$ 13,026,513	\$ 11,735,019
Payments for Medical Fees and Insurance Claims	(11,235,457)	(397,661)	(11,633,118)	(9,099,168)
Payments for Retirement Benefits	-	-	-	(660,575)
Net Cash Provided (Used) by Operating Activities	146,344	1,247,051	1,393,395	1,975,276
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	1,379,723	565,325	1,945,048	1,434,414
Net Increase in Cash and Cash Equivalents	1,526,067	1,812,376	3,338,443	3,409,690
Cash and Cash Equivalents - Beginning	26,681,042	10,705,631	37,386,673	33,976,983
Cash and Cash Equivalents - Ending	\$ 28,207,109	\$ 12,518,007	\$ 40,725,116	\$ 37,386,673
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (890,620)	\$ (565,325)	\$ (1,455,945)	\$ (523,219)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Increase in Accounts Receivable	(4,028)	-	(4,028)	(716,879)
Decrease in Accounts Payable	12,514	-	12,514	(5,139)
(Increase) Decrease in Claims Payable	(10,776)	-	(10,776)	274,968
Increase in Retirement Benefits Payable	1,039,254	1,812,376	2,851,630	2,945,545
Total Adjustments	1,036,964	1,812,376	2,849,340	2,498,495
Net Cash Provided by Operating Activities	\$ 146,344	\$ 1,247,051	\$ 1,393,395	\$ 1,975,276

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE
JUNE 30, 2007**

01 GENERAL FUND

Total Revenue	\$ 99,508,985
Total Expenditures	\$ 92,032,740
Reserved:	
403 Staff Development	\$ 1,129,002
406 Health and Safety	328,177
407 Capital Project Levy	-
408 Cooperative Programs	250,000
409 Deferred Maintenance	-
410 Unemployment Compensation	-
411 Severance Pay	-
412 Bus Purchase	-
414 Operating Debt	-
416 Levy Reduction	-
419 Encumbrances	-
423 Certain Teacher Programs	-
424 Operating Capital	4,335,529
426 \$25 Taconite	-
427 Disabled Accessibility	7,452
428 Learning and Development	334,807
429 Parental Involvement	-
433 Student Transportation Safety	-
434 Area Learning Center	154,238
435 Contracted Alt. Programs	-
436 State Approved Alt. Program	-
437 Grad Standards Staff Develop.	-
438 Grad Standards Gifted & Talented	-
439 Grad Standards	-
441 Basic Skills Programs	359,043
442 Class Size, All-Day	-
Kindergarten and Special Education	-
Student-to-Instructor Ratio Reduction	-
443 Telecommunication Access Cost	-
445 Career and Technical Programs	55,642
449 Safe Schools Levy	38,885
Unreserved:	
418 Severance - Ins. Premium	\$ -
422 Unreserved/Undesignated	9,643,776

02 FOOD SERVICE

Total Revenue	\$ 4,540,136
Total Expenditures	\$ 4,943,844
Fund Balance	
Reserved:	
411 Severance Pay	\$ -
419 Encumbrances	-
Unreserved:	
418 Severance - Ins. Premium	\$ -
422 Unreserved/Undesignated	721,326

Note: The District may report certain additional reserved fund balances for financial reporting purposes that are reported to the Minnesota Department of Education as unreserved for purposes of this table.

04 COMMUNITY SERVICE

Total Revenue	\$ 6,582,985
Total Expenditures	\$ 6,493,431
Reserved:	
410 Reemployment Insurance	\$ -
411 Severance Pay	-
419 Encumbrances	-
426 \$25 Taconite	-
431 Community Education	980,028
432 E.C.F.E.	62,185
444 School Readiness	197
447 Adult Basic Education	-
Unreserved:	
418 Severance - Ins. Premium	\$ -
422 Unreserved/Undesignated	(8,817)

06 BUILDING CONSTRUCTION

Total Revenue	\$ 35,446
Total Expenditures	\$ 6,619,078
Reserved:	
407 Capital Projects Levy	\$ (10,036)
409 Alternative Facility Program	-
419 Encumbrances	-
Unreserved:	
422 Unreserved/Undesignated	\$ (1,026,204)

07 DEBT SERVICE

Total Revenue	\$ 10,424,565
Total Expenditures	\$ 11,125,900
Reserved:	
425 Bond Refundings	\$ 6,844,131
Unreserved:	
422 Unreserved/Undesignated	\$ 2,095,533

08 TRUST

Total Revenue	\$ 56,413
Total Expenditures	\$ 27,360
Reserved:	
419 Encumbrances	\$ -
Unreserved:	
422 Unreserved/Undesignated	\$ 309,742

09 AGENCY

Unreserved:	
422 Unreserved/Undesignated	\$ -

20 INTERNAL SERVICE

Total Revenue	\$ 14,975,589
Total Expenditures	\$ 14,975,589
Reserved:	
419 Encumbrances	\$ -
Unreserved:	
422 Unreserved/Undesignated	\$ 1,885,795

STATISTICAL SECTION (UNAUDITED)

DRAFT

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
NET ASSETS BY COMPONENT
LAST FIVE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental activities					
Invested in Capital Assets, Net of Related Debt	\$ 7,994,864	#####	#####	#####	#####
Restricted	6,180,248	7,175,829	6,638,231	8,901,995	9,178,609
Unrestricted	2,358,406	6,092,018	7,791,470	7,415,600	11,221,417
Total Governmental Activities Net Assets	#####	#####	#####	#####	#####

Note: The District began to report accrual information when it implemented GASB 34 in fiscal year 2003.

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**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
CHANGES IN NET ASSETS
LAST FIVE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses					
Governmental Activities:					
Administration	\$ 2,875,298	\$ 3,366,913	\$ 3,891,206	\$ 3,529,662	\$ 4,103,763
District Support Services	3,225,611	3,118,392	3,414,628	3,853,703	4,125,666
Regular Instruction	44,057,178	39,213,680	41,454,565	41,370,121	42,200,859
Vocational Education Instruction	636,984	560,216	759,636	738,649	706,799
Special Education Instruction	10,270,350	10,679,661	11,566,284	12,692,016	13,359,698
Instructional Support Services	6,069,713	6,608,831	6,914,492	7,110,721	7,934,974
Pupil Support Services	5,941,347	6,407,440	6,849,023	7,675,585	8,382,286
Sites and Buildings	6,892,810	7,282,514	8,567,122	11,514,298	16,834,354
Fiscal and Other Fixed Cost Programs	302,648	370,560	323,624	354,942	401,698
Food Service	3,469,810	3,770,083	3,943,319	4,298,997	5,033,179
Community Service	4,936,491	5,031,007	5,707,625	6,086,765	6,516,455
Interest on Long-Term Debt	7,541,015	6,618,972	6,234,581	5,219,563	4,354,828
Unallocated Depreciation	55,825	66,817	71,252	106,602	128,798
Total Primary Government Expenses	<u>\$ 96,275,080</u>	<u>\$ 93,095,086</u>	<u>\$ 99,697,357</u>	<u>\$ 104,551,624</u>	<u>\$ 114,083,357</u>
Program Revenues					
Governmental Activities:					
Charges for Services:					
Regular Instruction	\$ 819,717	\$ 995,719	\$ 1,828,244	\$ 1,632,357	\$ 1,058,116
Instructional Support Services	7,632	5,774	1,432	1,678	886
Pupil Support Services	50,410	61,513	80,479	21,463	-
Sites and Buildings	157,751	156,740	336,788	340,908	410,631
Food Service	3,023,475	3,289,915	3,345,505	3,599,336	3,694,472
Community Service	2,939,343	3,394,310	4,325,955	4,815,752	4,446,759
Operating Grants and Contributions	8,892,787	8,973,948	9,759,360	10,570,586	11,125,983
Capital Grants and Contributions	2,185,698	2,192,239	2,229,574	846,206	1,926,042
Total Primary Government Program Revenues	<u>\$ 18,076,813</u>	<u>\$ 19,070,158</u>	<u>\$ 21,907,337</u>	<u>\$ 21,828,286</u>	<u>\$ 22,662,889</u>
Net (Expense)/Revenue	<u>\$ (78,198,267)</u>	<u>\$ (74,024,928)</u>	<u>\$ (77,790,020)</u>	<u>\$ (82,723,338)</u>	<u>\$ (91,420,468)</u>
General Revenues and Other Changes in Net Assets					
Governmental Activities:					
Property Taxes:					
General Purpose	\$ 16,782,568	\$ 18,417,214	\$ 16,607,592	\$ 12,564,471	\$ 25,849,960
Community Service	1,161,780	1,044,107	1,029,509	592,589	1,129,124
Debt Service	11,467,794	10,712,909	10,106,353	10,200,825	9,431,790
Unrestricted Grants and Contributions	52,118,865	48,445,019	50,753,694	60,024,649	58,435,400
Unrestricted Investment Earnings	3,145,703	2,801,494	2,773,620	3,473,080	3,755,010
Gain on Sale of Capital Assets	-	-	-	-	22,495
Miscellaneous	1,899,696	1,411,028	1,592,505	987,862	1,893,824
Extraordinary Item	-	-	-	-	-
Transfers	-	-	-	-	-
Total Governmental Activities	<u>\$ 86,576,406</u>	<u>\$ 82,831,771</u>	<u>\$ 82,863,273</u>	<u>\$ 87,843,476</u>	<u>\$ 100,517,603</u>
Total Primary Government	<u>\$ 86,576,406</u>	<u>\$ 82,831,771</u>	<u>\$ 82,863,273</u>	<u>\$ 87,843,476</u>	<u>\$ 100,517,603</u>
Change in Net Assets	\$ 8,378,139	\$ 8,806,843	\$ 5,073,253	\$ 5,120,138	\$ 9,097,135
Net Assets - Beginning	8,155,379	16,533,518	25,340,361	30,413,614	35,533,752
Net Assets - Ending	<u>\$ 16,533,518</u>	<u>\$ 25,340,361</u>	<u>\$ 30,413,614</u>	<u>\$ 35,533,752</u>	<u>\$ 44,630,887</u>

Note: The District began to report accrual information when it implemented GASB 34 in fiscal year 2003.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year			
	1998	1999	2000	2001
General Fund				
Reserved	\$ 6,093,000	\$ 6,521,421	\$(1,430,272)	\$ 2,933,682
Unreserved	5,798,456	5,834,892	4,991,993	3,767,712
Total General Fund	<u>#####</u>	<u>#####</u>	<u>\$ 3,561,721</u>	<u>\$ 6,701,394</u>
All Other Governmental Funds				
Reserved Reported in:				
Food Service Fund				
Community Service Fund	\$ 496,533	\$ 510,671	\$ 589,087	\$ 985,732
Capital Project Funds	-	-	-	36,632,804
Debt Service Funds	-	-	-	-
Unreserved Reported in:				
Food Service Fund	841,239	1,079,417	641,822	944,958
Community Service Fund	106,181	87,481	95,680	135,079
Capital Project Funds	2,322,631	9,222,334	11,006,621	4,809,581
Debt Service Funds	78,049,568	38,159,006	38,243,783	831,166
Total All Other Governmental Funds	<u>#####</u>	<u>#####</u>	<u>#####</u>	<u>#####</u>
Total All Funds	<u>#####</u>	<u>#####</u>	<u>#####</u>	<u>#####</u>

Fiscal Year					
2002	2003	2004	2005	2006	2007
\$ 1,513,335	\$ 5,246,851	\$ 7,197,112	\$ 1,694,444	\$ 7,992,026	\$ 7,232,452
4,112,180	4,736,960	5,029,590	6,286,941	6,981,529	9,404,081
<u>\$ 5,625,515</u>	<u>\$ 9,983,811</u>	<u>#####</u>	<u>\$ 7,981,385</u>	<u>#####</u>	<u>#####</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
688,414	541,696	752,675	667,749	923,717	1,042,410
36,632,804	36,623,507	27,288,503	30,504,975	-	-
-	-	-	-	29,961,070	6,844,131
1,057,751	1,151,632	855,805	995,145	1,095,034	721,326
37,348	37,819	40,131	11,277	20,322	(8,817)
3,352,084	2,001,216	1,152,266	555,535	(266,957)	(1,036,240)
892,992	1,565,787	2,341,412	1,383,749	2,129,929	2,095,533
<u>#####</u>	<u>#####</u>	<u>#####</u>	<u>#####</u>	<u>#####</u>	<u>\$ 9,658,343</u>
<u>#####</u>	<u>#####</u>	<u>#####</u>	<u>#####</u>	<u>#####</u>	<u>#####</u>

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year			
	1998	1999	2000	2001
Revenues				
Local Sources:				
Property Taxes	\$ 50,234,176	\$ 46,262,611	\$ 47,858,108	\$ 47,005,409
Earnings on Investments	5,210,351	4,945,851	4,206,641	4,017,927
Other	7,681,338	5,497,510	7,481,208	8,444,282
State Sources	14,511,243	19,067,451	23,019,253	28,626,465
Federal Sources	1,099,480	1,313,044	1,373,652	1,342,790
Total Revenues	<u>78,736,588</u>	<u>77,086,467</u>	<u>83,938,862</u>	<u>89,436,873</u>
Expenditures				
Current:				
Administration	4,493,722	4,944,322	5,407,865	2,563,281
District Support Services	2,878,535	2,357,500	3,577,313	3,825,510
Regular Instruction	26,774,722	30,946,323	32,099,762	34,186,462
Vocational Education Instruction	729,685	685,177	786,559	737,616
Special Education Instruction	8,248,475	6,390,729	7,168,291	8,153,405
Instructional Support Services	3,041,776	3,143,130	2,749,898	6,113,731
Pupil Support Services	4,443,855	4,582,291	5,056,520	6,009,546
Sites and Buildings	7,140,484	7,052,291	10,382,280	9,431,507
Fiscal and Other Fixed Cost Programs	120,662	151,607	143,899	182,822
Food Service	2,399,699	2,704,742	3,594,992	3,136,237
Community Service	3,677,877	3,800,940	3,942,546	4,410,617
Capital Outlay	9,290,868	3,316,227	7,439,235	6,631,033
Debt Service:				
Principal	3,199,398	31,536,347	4,285,000	4,465,000
Interest and Fiscal Charges	8,589,348	17,770,402	7,470,613	7,732,618
Total Expenditures	<u>85,029,106</u>	<u>119,382,028</u>	<u>94,104,773</u>	<u>97,579,385</u>
Excess (Deficiency) of Revenues Over Expenditures	(6,292,518)	(42,295,561)	(10,165,911)	(8,142,512)
Other Financing Sources (Uses)				
Sale of Equipment	1,615	(99)	6,109	-
Insurance Recovery Proceeds	23,425	3,281	4,672	3,222
Sale of Bond Proceeds	36,818,273	10,000,000	8,710,000	-
Capital Leases Proceeds	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-
Transfer In	-	-	-	-
Transfer Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>36,843,313</u>	<u>10,003,182</u>	<u>8,720,781</u>	<u>3,222</u>
Net Change in Fund Balances	<u>\$ 30,550,795</u>	<u>\$ (32,292,379)</u>	<u>\$ (1,445,130)</u>	<u>\$ (8,139,290)</u>
Debt Service as a Percentage of Noncapital Expenditures	15.6%	42.5%	13.6%	13.4%

Fiscal Year					
2002	2003	2004	2005	2006	2007
\$ 49,973,424	\$ 29,485,661	\$ 30,756,316	\$ 27,744,090	\$ 23,323,963	\$ 36,290,042
2,785,719	2,233,687	1,808,248	1,599,448	2,038,666	1,809,962
8,008,855	8,752,210	9,265,267	11,300,232	11,397,781	11,481,193
30,509,756	61,096,062	56,961,655	60,089,894	68,788,226	68,884,821
1,763,357	2,101,286	2,184,231	2,652,734	2,653,215	2,625,099
93,041,111	103,668,906	100,975,717	103,386,398	108,201,851	121,091,117
2,800,879	2,920,764	3,004,214	3,098,903	3,212,666	3,400,679
2,987,627	3,250,266	3,118,392	3,414,628	3,670,312	4,019,941
34,587,179	40,440,505	36,818,249	38,555,114	39,982,100	44,808,912
722,305	674,875	552,176	751,596	705,369	682,739
9,015,317	10,297,258	10,679,661	11,566,284	12,636,066	13,315,819
6,213,554	6,928,148	6,079,368	5,675,656	6,197,509	7,003,890
6,077,532	5,941,347	6,407,440	6,849,023	7,619,936	8,347,354
9,849,830	8,337,986	9,285,703	7,272,144	7,337,607	7,823,675
293,543	302,648	370,560	323,624	354,942	401,698
3,337,802	3,522,257	4,192,288	3,800,959	4,002,138	4,188,001
5,087,261	4,966,775	5,056,930	5,628,552	6,042,097	6,419,017
1,530,325	1,375,569	1,436,071	7,224,824	5,346,692	9,664,538
4,665,000	4,885,000	4,905,000	5,285,000	5,510,000	5,655,000
7,596,780	7,483,629	7,106,529	6,449,175	5,847,809	5,483,744
94,764,934	101,327,027	99,012,581	105,895,482	108,465,243	121,215,007
(1,723,823)	2,341,879	1,963,136	(2,509,084)	(263,392)	(123,890)
-	7,681	1,275	1,381	5,344	31,096
7,237	97,696	24,969	98,392	1,576	1,000
-	23,716,106	3,645,000	29,628,316	-	-
-	-	-	-	224,178	-
-	(23,655,000)	(9,330,000)	(27,275,000)	-	(22,450,000)
-	-	581,796	328,204	542,000	5,814,349
-	-	(581,796)	(328,204)	(542,000)	(5,814,349)
7,237	166,483	(5,658,756)	2,453,089	231,098	(22,417,904)
\$ (1,716,586)	\$ 2,508,362	\$ (3,695,620)	\$ (55,995)	\$ (32,294)	\$ (22,541,794)
13.2%	12.4%	12.3%	11.9%	11.0%	10.0%

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
NET TAX CAPACITY AND VALUATION OF ALL TAXABLE PROPERTY
(UNAUDITED)**

Levy Year	Net Tax Capacity	Taxable Market Value	Percent Tax Capacity of Estimated Market Value
1997	\$ 69,374,363	\$ 3,693,281,736	1.9%
1998	70,911,479	4,061,476,000	1.7%
1999	76,320,131	4,449,003,900	1.7%
2000	84,289,650	4,869,902,300	1.7%
2001	63,178,778	5,408,432,295	1.2%
2002	68,779,345	5,996,718,632	1.1%
2003	73,395,787	6,570,520,400	1.1%
2004	80,068,560	7,219,051,900	1.1%
2005	88,850,251	8,019,537,100	1.1%
2006	99,870,308	8,926,736,715	1.1%
2007	99,870,308	8,926,736,715	1.1%

SOURCE: Hennepin County Taxpayer Services Division.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(UNAUDITED)**

<u>Fiscal Year</u>	<u>ISD No. 284</u>	<u>Corcoran</u>	<u>Maple Grove</u>	<u>Medicine Lake</u>	<u>Medina</u>	<u>Minnetonka</u>
1997	60.111	19.391	24.428	24.580	14.577	19.248
1998	52.211	16.856	24.412	23.229	14.683	18.518
1999	52.004	18.208	25.354	24.854	15.900	19.061
2000	53.820	19.579	26.761	24.510	16.754	20.034
2001	49.190	17.389	26.410	26.856	14.943	19.528
2002	46.387	19.378	24.060	27.447	13.217	18.012
2003	26.793	34.478	37.391	35.114	21.863	30.995
2004	23.264	30.922	35.503	45.050	19.529	30.945
2005	22.150	28.870	33.241	41.820	17.164	29.878
2006	20.706	27.966	30.677	38.580	16.339	28.810
2007	21.893	29.275	30.272	35.252	16.105	28.597

COUNTY AUDITOR'S GROSS SPREAD LEVIES:

1997	43,524,479	107,600	629,312	322,487	1,337,467	9,616,907
1998	49,296,493	99,592	746,941	348,973	1,444,087	10,206,160
1999	51,241,969	102,484	922,355	307,452	1,486,017	11,068,265
2000	52,744,178	105,488	1,107,628	369,209	1,529,581	11,076,278
2001	52,398,909	104,798	1,152,776	314,393	1,729,164	10,532,181
2002	55,427,318	110,855	1,274,828	332,564	1,939,956	11,251,746
2003	27,941,462	83,824	670,595	195,590	1,033,834	5,420,644
2004	26,548,323	79,645	690,256	185,838	1,115,030	4,831,795
2005	27,699,665	83,099	830,990	193,898	1,329,584	4,819,742
2006	28,595,508	85,787	943,652	200,169	1,515,562	4,661,068
2007	28,595,508	85,787	1,000,843	228,764	1,687,135	4,661,068

Note: Above tax rates are used to levy City, County, and School District taxes.

Source: Hennepin County Taxpayer Services Division

Orono	Plymouth	Wayzata	Hennepin County	Special Districts
14.743	14.394	19.976	37.270	6.900
14.251	14.222	19.243	35.515	6.659
14.716	14.568	19.780	38.386	7.483
15.380	15.428	20.912	40.994	8.553
14.807	15.478	20.973	39.655	8.426
13.708	14.483	19.439	37.624	8.126
20.960	24.658	30.498	50.409	7.386
19.870	24.198	28.233	50.607	7.757
17.637	23.922	25.558	47.324	7.488
16.252	23.132	24.240	44.172	7.382
15.316	23.197	22.224	41.016	6.448
622,663	25,786,530	5,101,513	364,841,360	63,557,402
647,349	30,076,840	5,726,551	375,833,798	56,175,920
614,904	31,001,391	5,739,101	391,847,613	69,987,066
632,930	32,173,949	5,749,115	411,824,813	78,828,839
628,787	32,277,728	5,659,082	421,287,030	82,486,578
665,128	33,755,237	6,097,005	443,306,111	88,114,156
335,298	17,044,292	3,157,385	461,447,003	61,050,104
345,128	16,221,025	3,079,605	485,443,960	68,804,783
360,096	16,758,298	3,323,960	495,716,030	72,632,494
371,742	17,271,687	3,545,843	515,379,632	79,410,990
400,337	16,899,945	3,631,629	535,872,783	83,443,805

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)**

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2006 Net Tax Capacity</u>
Ridgedale Joint Venture	Commercial	\$ 2,134,950
Carlson Real Estate Co.	Commercial	1,417,900
Teachers Insurance & Annuity Assoc.	Commercial	739,950
Talcott III Atria LLC	Commercial	725,110
Carlson Real Estate Co, Inc	Commercial	685,090
Bay Holdins LLC	Commercial	531,570
RREEF America REIT II Corp	Apartment	516,563
Invesco Real Estate	Apartment	476,250
Vicksburg Village	Apartment	388,275
US Retail Partners LLC	Commercial	374,770
Total		<u>\$ 7,990,428</u>

<u>Taxpayer</u>	<u>Type of Property</u>	<u>1997 Net Tax Capacity</u>
Ridgedale Joint Venture	Shopping Mall	\$ 3,908,400
Carlson Real Estate Co.	Commercial	1,777,440
Teachers Insurance & Annuity Assoc.	Commercial	1,246,002
Premisys Real Estate Service Co.	Commercial	1,203,462
TCR Carlson Ltd. Partnership	Apartment	584,205
Park Place I & II Property	Apartment	540,240
Real Estate Tax Services Inc.	Apartment	499,664
Dayton Hudson Corp.	Retail	474,274
Northern States Power	Utility	386,027
Regional Plymouth Vetures	Commercial	384,800
Total		<u>\$ 11,004,514</u>

SOURCE: Hennepin County Department of Property Tax and Public Records

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	Taxes Levied for the Fiscal Year			Collected within the Fiscal Year of Levy	
	Operating Tax Levy	Debt Tax Levy	Total Tax Levy (1)	Current Tax Collection	Percentage of Levy
1998	\$ 39,675,679	\$ 7,571,955	\$ 47,247,634	\$ 46,932,289	99.3%
1999	40,886,941	7,813,898	48,700,839	48,370,716	99.3%
2000	40,707,649	9,555,930	50,263,579	50,013,697	99.5%
2001	40,805,847	8,957,910	49,763,757	49,525,018	99.5%
2002	42,746,993	9,919,061	52,666,054	52,310,016	99.3%
2003	16,228,941	10,585,330	26,814,271	26,672,900	99.5%
2004	14,671,461	10,555,419	25,226,880	25,093,540	99.5%
2005	16,418,919	9,950,429	26,369,348	26,231,532	99.5%
2006	17,275,503	9,914,045	27,189,548	27,037,906	99.4%
2007	26,443,935	9,234,056	35,677,991	35,063,395	98.3%

Source: Minnesota Department Of Education School Tax Reports;
Hennepin County School Tax Settlement Reports.

Collections in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes	Percentage of Levy Outstanding
	Total Tax Collection	Percentage of Levy		
\$ 178,618	\$ 47,110,907	99.7%	136,727	0.3%
222,037	48,592,753	99.8%	108,086	0.2%
132,808	50,146,505	99.8%	117,074	0.2%
80,085	49,605,103	99.7%	158,654	0.3%
39,658	52,349,674	99.4%	316,380	0.6%
117,967	26,790,867	99.9%	23,404	0.1%
20,044	25,113,584	99.6%	113,296	0.4%
111,659	26,343,191	99.9%	26,157	0.1%
117,299	27,155,205	99.9%	34,343	0.1%
-	35,063,395	98.3%	614,596	1.7%

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	Governmental Activities		Total Primary Government	Percentage of Personal Income	Per Capita	Percentage of Estimated Actual Value Taxable Property
	General Obligation Bonds	Certificates of Participation				
1997	\$134,372,968	\$ -	\$134,372,968	- %	\$ 2,756	3.99%
1998	168,183,011	-	168,183,011	-	3,318	4.55%
1999	146,650,000	-	146,650,000	-	2,860	3.61%
2000	151,075,000	-	151,075,000	-	2,845	3.40%
2001	146,610,000	-	146,610,000	-	2,723	3.01%
2002	141,945,000	-	141,945,000	-	2,636	2.62%
2003	135,930,000	-	135,930,000	-	2,509	2.27%
2004	121,695,000	3,645,000	125,340,000	-	2,275	1.90%
2005	116,375,000	3,645,000	120,020,000	-	2,102	1.66%
2006	110,865,000	3,325,000	114,190,000	-	2,000	1.42%
2007	82,760,000	3,000,000	85,760,000	-	1,497	1.60%

Notes: Personal income data for the district was not available therefore percentage of personal income cannot be shown.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
JUNE 30, 2007
(UNAUDITED)**

DIRECT DEBT

Total Long-Term General Obligation Debt Being Paid From Taxes	\$ 82,760,000
Less Funds on Hand For Payment of Principal and Interest (as of June 30, 2007)	<u>8,939,661</u>
Net General Obligation Debt Being Paid From Taxes	<u><u>\$ 73,820,339</u></u>

OVERLAPPING DEBT

Taxing Unit (a)	2006 Taxable Net Tax Capacity	G. O. Debt as of 09/30/2007 (b)	Debt Applicable to Tax Capacity in District	
			Percent	Amount
Hennepin County	\$ 1,480,713,060	\$ 480,690,000	7.5 %	\$ 36,051,750
Three Rivers Park District	1,105,871,333	65,890,000	10.1	6,957,890
Hennepin County Regional Railroad Authority	1,480,713,060	45,865,000	7.5	3,439,875
City of Corcoran	7,402,591	344,000 (c)	4.3	14,792
City of Maple Grove	81,609,818	97,735,000	5.3	5,179,955
City of Medina	13,997,496	1,425,000	49.0	698,250
City of Minnetonka	88,262,405	8,535,000	19.8	1,689,930
City of Orono	28,609,357	2,255,000	5.0	112,750
City of Plymouth	106,131,556	19,850,000	61.9	12,287,150
City of Wayzata	14,303,578	12,320,000	99.2	12,221,440
Metropolitan Council	3,342,207,897	31,795,000 (d)	3.3	1,049,235
Regional Transit Authority	2,711,740,994	184,040,000 (e)	4.1	7,545,640
				<u><u>\$ 87,248,657</u></u>

(a) Only those taxing units with debt outstanding are included here.

(b) Includes only general obligation debt supported by taxes, special assessments, tax increment revenue, and appropriation lease revenue issues. Does not include general obligation debt supported by other revenues.

(c) Debt as of December 31, 2006

(d) Excludes general obligation debt payable from sewer system revenues, 911 user fees, and housing rental
Includes certificates of participation.

(e) Includes lease revenue bonds, subject to annual appropriation, issued by the Bloomington Port Authority for
and equipping a transit station and parking ramp.

SOURCE: Hennepin County Department of Property Tax and Public Records / Springsted Financial Services

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(DOLLARS IN THOUSANDS)
(UNAUDITED)**

<u>Fiscal Year</u>	<u>Net Bonded Debt</u>	<u>Net Tax Capacity</u>	<u>% of Net Debt to Net Tax Capacity</u>	<u>Estimated Population</u>	<u>Net Debt per Capita</u>	<u>Legal Debt Margin (1)</u>
1997	\$ 92,741,856	N/A	N/A	48,753	1,902	\$ 474,170,916
1998	90,133,443	\$ 65,884,126	136.81%	50,688	1,778	563,930,619
1999	108,490,994	69,087,245	157.03%	51,268	2,116	577,303,607
2000	112,831,217	69,374,363	162.64%	53,102	2,125	611,762,252
2001	109,146,030	70,911,479	153.92%	53,847	2,027	695,353,249
2002	104,419,204	76,320,131	136.82%	53,847	1,939	813,301,208
2003	97,740,706	84,289,650	115.96%	54,186	1,804	936,176,300
2004	92,065,085	63,178,778	145.72%	55,095	1,671	1,062,007,585
2005	84,486,276	68,779,345	122.84%	55,855	1,513	1,198,520,578
2006	78,774,001	73,395,787	107.33%	57,106	1,379	1,321,610,824
2007	73,820,339	80,068,560	92.20%	57,293	1,288	837,928,095

(1) The legal debt margin for a school district in Minnesota is 15% of the indicated market value of all taxable property within the district less any outstanding bonded debt.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)**

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
1997	48,753	N/A	N/A	8,420	2.8%
1998	50,688	N/A	N/A	8,675	2.4
1999	51,268	N/A	N/A	8,989	2.7
2000	53,102	N/A	N/A	9,238	2.7
2001	53,847	N/A	N/A	9,457	3.7
2002	53,847	N/A	N/A	9,583	4.7
2003	54,186	N/A	N/A	9,608	5.0
2004	55,095	N/A	N/A	9,704	4.6
2005	57,106	N/A	N/A	9,710	3.8
2006	57,106	N/A	N/A	9,825	3.6
2007	57,293	N/A	N/A	9,969	4.4

Source: Enrollment information from district records
Population data based on information from property developers and cities,
methodology approved by State Demographer's Office.
Unemployment rate from Minnesota Department of Employment and
Economic Development.
Personal Income data was not available.

Note: N/A = not available.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)**

2007 Data:

<u>Employer</u>	<u>Product/Service</u>	<u>Approximate Number of Employees</u>
Honeywell, Incorporated	Technology Manufacturing	10,000 (a)(b)
Carlson Companies	Corporate Headquarters	4,500 (a)(c)
Boston Scientific	Disposable Medical Products	3,000
Cargill Inc.	Agribusiness	2,000
Independent School District 284	Public Education	1,300
Allina Health Systems	Insurance	1,180
Advance Circuits, Inc.	Printed Circuits	1,100
Value Rx	Health Services	620 (a)
Datacard Corporation	Embossing Machines	600
Opportunity Partners Inc.	Jobtraining and related services	530
American Medical Systems	Medical technology	500
Pfizer, Inc.	Measuring and controlling devices	480 (a)
Osmonics, Inc.	Water purification systems	450
Nilfisk-Advance	Floor and carpet cleaning equipment	450
Musicland Stores	Music Stores	425 (a)
Advantek	Coated paper and laminated packaging	350
Select Comfort Corpotion	Mattresses	250

(a) Most recent information available.

(c) Includes entire metro area. Carlson Marketing Travel Group is included in Carlson Companies.

Source: Telephone survey of individual employers, November 2007

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY TYPE
JUNE 30, 2006 AND 2005
(UNAUDITED)**

	2006	2007
Administration		
Principals	11.0	11.0
Associate Principals	4.0	7.0
Unaffiliated	36.0	38.0
Total Administration	51.0	56.0
Instructional Administrators		
High School Classroom Teachers	124.0	142.4
Middle School Classroom Teachers	109.6	125.6
Elementary Classroom Teachers	158.5	169.0
High School - Adult Learning Center	7.0	7.3
Middle School - Adult Learning Center	3.0	3.0
Community Ed - Extended Day Kindergarten	5.5	9.0
Community Ed - Early Childhood Family Ed	4.5	4.9
Special Services	68.2	72.5
Elementary Specialists	33.7	48.2
Total Instruction	514.0	581.9
Student Services		
Curriculum and Instruction - Resource, Peer, Alt Comp	5.0	16.5
Media Centers - Elementary	10.5	7.0
High School - Professional Development	0.3	0.3
High School - Counselors, Media, Vision 21	9.3	10.7
Middle Schools - Counselors, Media, Vision 21	10.7	10.2
Technology	0.5	1.5
Special Services - Social Workers, Psychologists, Nurses, Etc.	37.9	38.2
Total Student Services	74.2	84.4
Support Services		
Clerical/Secretarial	42.1	45.1
Custodial	74.5	75.9
Food Service	41.0	42.9
Paraprofessionals [6 hrs = 1.0 FTE]	211.2	299.9
Unaffiliated Specialists	13.0	15.0
Unaffiliated Support Staff	9.0	10.0
Total Support Services	390.8	488.8
District wide Totals	1,030.0	1,211.1

Source: District Human Resource Department

Notes: All FTE's are based on an 8 hour day.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
OPERATING STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)**

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures</u>	<u>Cost per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff</u>	<u>Pupil–Teacher Ratio</u>	<u>Percentage of Students Receiving Free or Reduced-Price Meals</u>	<u>Student Attendance Percentage</u>
1998	8,675	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1999	8,989	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2000	9,238	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2001	9,457	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2002	9,583	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2003	9,608	\$ 84,655,187	\$ 8,811	N/A	N/A	N/A	8.5 %	N/A
2004	9,704	82,655,187	8,518	(3.3)%	N/A	N/A	8.3	N/A
2005	9,710	86,936,483	8,953	5.1	381	25.5	8.9	N/A
2006	9,825	91,760,742	9,340	4.3	392	25.1	10.5	N/A
2007	9,969	100,411,725	10,072	7.8	381	26.2	10.8	N/A

Source: Nonfinancial information from district records.

Notes: Operating expenditures are total expenditures less debt service and capital outlays.
N/A = not available

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
BUILDING INFORMATION
LAST TEN FISCAL YEARS
(UNAUDITED)**

Elementary Schools	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Birchview (1969)										
Square Feet	59,720	59,720	59,720	59,720	59,720	59,720	59,720	59,720	59,720	59,720
Capacity	530	530	530	530	530	530	530	530	530	530
Enrollment	516	527	485	563	537	531	531	503	498	553
Gleason Lake (1988)										
Square Feet	80,600	80,600	80,600	80,600	80,600	80,710	80,710	80,710	80,710	80,710
Capacity	630	630	630	630	630	630	630	630	630	630
Enrollment	581	580	560	641	657	659	661	641	627	722
Greenwood (1964)										
Square Feet	62,991	62,991	71,816	71,816	71,816	72,007	72,007	72,007	72,007	72,007
Capacity	600	600	680	680	680	680	680	680	680	680
Enrollment	646	675	672	693	668	644	656	637	640	629
Kimberly Lane (1991)										
Square Feet	83,000	83,000	83,000	83,000	83,000	83,000	83,000	83,000	83,000	83,000
Capacity	680	680	680	680	680	680	680	680	680	680
Enrollment	654	735	805	680	692	742	747	764	779	744
Oakwood (1957)										
Square Feet	80,786	80,786	80,786	80,786	80,786	80,786	80,786	80,786	80,786	80,786
Capacity	475	475	475	475	475	475	475	475	475	475
Enrollment	493	507	524	513	521	479	447	458	446	476
Plymouth Creek (1988)										
Square Feet	81,000	81,000	81,000	81,000	81,000	81,000	81,000	81,000	81,000	81,000
Capacity	680	680	680	680	680	680	680	680	680	680
Enrollment	623	607	619	640	632	611	687	665	707	558
Sunset Hill (1963)										
Square Feet	60,973	60,973	60,973	64,983	64,983	64,983	64,983	64,983	64,983	64,983
Capacity	575	575	575	575	575	575	575	575	575	575
Enrollment	529	520	537	520	501	514	502	481	519	557
Middle Schools										
East (1967)										
Square Feet	145,711	145,711	145,711	145,711	145,711	145,711	145,711	145,711	145,711	145,711
Capacity	800	800	800	800	800	800	800	800	800	800
Enrollment	681	709	711	726	732	734	732	718	734	736
West (1949)										
Square Feet	167,000	167,000	167,000	167,000	167,000	167,000	167,000	167,000	167,000	167,000
Capacity	900	900	900	900	900	900	900	900	900	900
Enrollment	604	588	625	657	697	705	691	727	723	745
Central (1997)										
Square Feet	308,568	308,568	308,568	308,568	308,568	308,568	308,568	308,568	308,568	308,568
Capacity	1700	1700	1700	1700	1700	1700	1700	1700	1700	1700
Enrollment	756	811	858	799	833	850	836	880	885	912
High School										
Peony (1997)										
Square Feet	487,000	487,000	487,000	487,000	487,000	487,000	487,000	487,000	487,000	487,000
Capacity	3200	3200	3200	3200	3200	3200	3200	3200	3200	3200
Enrollment	2465	2571	2699	2831	2866	2950	3011	3047	3084	3193

Note: New high school on Peony Lane have opened in 1997 and existing high school on Vicksburg Lane became Central Middle School.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284**

**SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS AND REPORTS OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
AND OTHER REQUIRED REPORTS**

JUNE 30, 2007

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
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SINGLE AUDIT AND OTHER REQUIRED REPORTS

DRAFT

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

Board of Education
Independent School District No. 284
Wayzata Public Schools
Wayzata, Minnesota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 284 as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 4, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies, and accordingly, would not necessarily identify all significant deficiencies that are also considered material weaknesses. We did not detect any items which we would consider to be material weaknesses in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2007-1 and 2007-2.

The District's written responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not subject the District's responses to the audit procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

LarsonAllen, LLP

Minneapolis, Minnesota
December 4, 2007

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND ON THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS**

Board of Education
Independent School District No. 284
Wayzata Public Schools
Wayzata, Minnesota

Compliance

We have audited the compliance of the Independent School District No. 284 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2007-1 and 2007-2.

Internal Control Over Compliance

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

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Findings 2007-1 and 2007-2 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

The School's written responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not subject the School's responses to the audit procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 284, Wayzata, Minnesota, as of and for the year ended June 30, 2007, and have issued our report thereon dated December 4, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

LarsonAllen, LLP



LarsonAllen LLP is a member of Nexia International, a worldwide network of independent accounting and consulting firms.

Minneapolis, Minnesota
December 4, 2007

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**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007**

FEDERAL AGENCY/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
U.S. DEPARTMENT OF AGRICULTURE		
Passed Through Minnesota Department of Education:		
Food Distribution (& Commodity Rebate Program)	10.550	\$ 168,816
National School Breakfast Program	10.553	28,366
National School Lunch Program	10.555	526,393
Total U. S. Department of Agriculture		<u>723,575</u>
U.S. DEPARTMENT OF EDUCATION		
Passed Through Minnesota Department:		
Title III LEP	84.365	22,357
Special Education Grants to States	84.027	1,464,797
Special Education Preschool Grants	84.173	61,879
Hurricane Aid	84.938	-
Safe and Drug Free School and Communities State Grants	84.186	16,866
Title II Part A Improving Teacher Quality State Grants	84.367	165,558
Title V Innovative Education Program Strategies	84.298	27,596
Total U. S. Department of Education		<u>1,759,053</u>
Passed Through Intermediate School District No. 287:		
Vocation Education - Basic Grants to States	84.048	43,503
Special Education Infants and Families (Part H)	84.181	32,197
		<u>75,700</u>
 Total Federal Awards		 <u><u>\$ 2,558,328</u></u>

REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education
Independent School District No. 284
Wayzata Public Schools
Wayzata, Minnesota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 284 as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 4, 2007.

We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. Section 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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

The results of our tests indicate that, with respect to the items tested, the District complied, in all material respects, with the provisions referred to in the preceding paragraph.

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

LarsonAllen LLP

Minneapolis, Minnesota
December 4, 2007

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Independent School District No. 284.
2. No significant deficiencies were disclosed during the audit of the financial statements of Independent School District No. 284.
3. No instances of material noncompliance were disclosed during the audit of the financial statements of Independent School District No. 284.
4. Significant deficiencies were disclosed related to the audit of the major federal award programs for Independent School District No. 284.
5. The auditors' report on compliance for the major federal award programs for Independent School District No. 284 expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for Independent School District No. 284 are reported in Part C of this schedule.
5. The programs tested as major programs included:

U.S. Department of Education – Special Education Cluster:

Special Education Grants to States	CFDA #84.027
Special Education Preschool Grants	CFDA #84.173

6. The threshold for distinguishing Types A and B programs was \$300,000.
7. Independent School District No. 284 was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Finding 2007-1

Special Education Cluster

Criteria: OMB Circular A-87, Attachment B, Section 11h, requires semi-annual payroll certifications to be prepared for employees who work solely on a single Federal award, signed either by the employee or the employee's direct supervisor. When employees work on multiple programs, the employee's time must be supported by approved time studies or timesheets in accordance with specifications contained in the Circular.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

Condition: We tested 40 special education cluster expenditures. Of these 40 expenditures, we noted 4 employees coded within the payroll system as working on special education that did not have payroll certifications prepared to support the salaries paid, time studies, or timesheets.

Cause: The District's management was unaware of the requirement under OMB Circular A-87.

Effect: Salary costs were not documented in accordance with OMB Circular A-87

Recommendation: We recommend that the District obtain semiannual payroll certifications for all employees fully funded by Federal programs.

Management Response and Corrective Action Plan: Management will begin to obtain the semiannual payroll certifications for all employees fully funded by federal programs beginning in fiscal year 2007-08.

Finding 2007-2

Special Education Cluster

Criteria: OMB Circular A-133 prohibits the distribution of Federal dollars in excess of \$25,000 to vendors or contractors who are included on the Excluded Parties List System maintained by the General Services Administration.

Condition: We noted that the District does not have formal policies or procedures related to the verification of entities on the Excluded Parties List System. The District does not require a certification from vendors or include such a certification in its contracts.

Cause: The District was unaware of the requirement under OMB Circular A-133.

Effect: The District is not fully in compliance with OMB Circular A-133.

Recommendation: We recommended that the District implement policies and procedures related to the verification of suspension and debarment, including adding a certification to District contracts and checking the Excluded Parties List System prior to entering into a contract.

D. FINDINGS AND QUESTIONED COSTS – MINNESOTA LEGAL COMPLIANCE

None

EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS

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INDEPENDENT AUDITORS' REPORT ON EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS

The School Board
Independent School District No. 284
Wayzata Public Schools
Wayzata, Minnesota

We have audited the accompanying statement of cash receipts and disbursements of the extracurricular student activity funds of Independent School District No. 284 as of and for the year ended June 30, 2007. This financial statement is the responsibility of the District's extracurricular student activity accounts management. Our responsibility is to express an opinion on this financial statement based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

As described in Note 1, this financial statement has been prepared on the cash basis of accounting, as prescribed by the Minnesota Department of Education, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, except for such adjustments, if any, as might have been determined to be necessary had the cash collections referred to above been susceptible to satisfactory audit tests, the financial statement referred to above presents fairly, in all material respects, the cash transactions of the District's extracurricular student activity accounts for the year ended June 30, 2007, and the cash balances at that date on the basis of accounting as described in Note 1.

LarsonAllen LLP

Minneapolis, Minnesota
December 4, 2007

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
YEAR ENDED JUNE 30, 2007**

	<u>Balance July 1, 2006</u>	<u>Receipts and Transfers In</u>	<u>Disbursements and Transfers Out</u>	<u>Balance June 30, 2007</u>
Miscellaneous:				
AD Building	\$ 726	\$ 383	\$ 260	\$ 849
Wayzata High School:				
Drama	4,454	17,429	17,044	4,839
Wayako	15,417	114,028	112,947	16,498
Ceramics	327	4,928	4,884	370
Cheerleaders	874	4,101	3,915	1,060
Choir	9,318	54,527	42,118	21,726
Danceline	21,175	38,890	42,727	17,338
Class Of 08	2,199	37,473	36,156	3,516
Class Of 07	34,817	5,317	40,134	-
Class Of 09	299	8,382	5,080	3,601
Class Of 10	-	259	100	159
Class Of 06	3,259	2,285	5,544	(0)
Concessions/Activity Support	63,733	53,093	54,586	62,240
Deca	19,065	79,195	79,273	18,987
French	1,170	245	348	1,067
German	7,734	16,364	21,419	2,679
Letterman	12,038	23,495	9,858	25,675
Fine Arts	1,571	7,808	8,529	850
Locker Fund	18,394	758	-	19,152
Band	55,771	80,727	94,838	41,660
Miscellaneous/Smoking Fines	211	168	-	379
National Honor	3,562	21,501	18,438	6,625
Special/Student Services	17,606	-	-	17,606
Orchestra	6,313	53,831	53,428	6,717
Student Council	3	38,001	35,884	2,120
Spanish	1,452	3,153	3,024	1,581
Musical	12,555	18,479	21,829	9,205
Rare	4,139	2,763	4,710	2,192
Scholarships	781	-	-	781
Theatre Arts	5,288	2,933	4,493	3,728
Business Profess	1,372	23,483	21,606	3,250

See accompanying Notes to Extracurricular Student Activity Accounts.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2007**

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**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2007**

	Balance July 1, 2006	Receipts and Transfers In	Disbursements and Transfers Out	Balance June 30, 2007
Wayzata High School (Continued):				
School Store	\$ 1,162	\$ -	\$ -	\$ 1,162
Vica	13,942	3,220	8,537	8,625
Art Club	824	562	400	986
Link 4	2,874	5,169	3,573	4,471
B.A.D./Bpa/Deca	8,294	23,669	17,367	14,596
High Mileage Team	(819)	3,768	1,877	1,072
Y.E.S.	53	5,325	2,368	3,010
Creative Writing	809	1,736	2,545	-
Deca - Spiritwear	-	18,119	14,391	3,727
Activity Support	-	6,335	3,362	2,973
Robotics Team	-	4,017	3,223	794
Show Stoppers	-	2,525	1,523	1,003
Fashion Club	-	2,694	1,554	1,140
Total Wayzata High School	352,036	790,754	803,632	339,157
Wayzata High School Athletics:				
Baseball	2,218	6,792	11,186	(2,175)
Basketball - Boys	4,863	10,332	11,728	3,467
Basketball - Girls	2,802	10,986	15,667	(1,879)
Cross Country - Boys	4,028	11,423	9,849	5,603
Cross Country - Girls	3,249	12,078	11,078	4,249
Football	35,874	29,819	43,941	21,752
Gymnastics	97	4,844	4,317	623
Golf - Boys	1,114	4,382	5,966	(470)
Golf - Girls	258	3,309	3,834	(266)
Hockey - Boys	3,080	22,552	16,955	8,677
Hockey - Girls	3,518	12,985	10,501	6,002
Skiing - Alpine	2,021	2,313	5,503	(1,169)
Skiing - Nordic	3,582	19,214	17,991	4,805
Softball	1,006	5,597	815	5,788
Swimming/Diving - Boys	450	5,015	6,174	(709)
Swimming/Diving - Girls	9,271	18,931	21,245	6,958
Soccer - Boys	4,387	14,563	13,207	5,743
Soccer - Girls	4,150	2,844	2,000	4,994
Synchronized Swimming	5,222	10,948	8,770	7,400
Tennis - Boys	6,761	3,227	5,053	4,935
Tennis - Girls	4,160	8,743	7,277	5,626
Track/Field - Boys	5,758	5,455	6,311	4,902
Track/Field - Girls	5,307	9,548	12,185	2,670
Volleyball	3,632	13,403	16,275	760
Wrestling	(24)	3,264	4,549	(1,309)
Adaptive Athletics	1,553		5	1,548
Lacrosse- Boys	-	6,597	6,964	(367)
Lacrosse- Girls	-	3,803	3,290	513
Total Wayzata High School Athletics	118,337	262,966	282,633	98,671

See accompanying Notes to Extracurricular Student Activity Accounts.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2007**

	Balance July 1, 2006	and Transfers In	and Transfers Out	Balance June 30, 2007
Central Middle School:				
Drama	\$ 15,765	21,985	23,278	\$ 14,472
Valleyfair	4,728	19,184	19,433	4,479
Student Council	1,447	10,213	9,127	2,534
Band	1,309	5,342	5,580	1,071
Choir	636	281	467	450
Yearbooks	5,061	20,049	16,787	8,323
Discretionary/Student Services	10,802	17,688	14,361	14,129
Mini Courses	4,237	5,469	11,333	(1,627)
Total Central Middle School	43,985	100,211	100,365	43,832
West Middle School:				
Band	11	22,776	14,729	8,058
Choir	10,453	15,213	15,105	10,561
Check Service	6,720	19,444	18,216	7,947
School Store	-	187	15	172
Student Council	1,935	1,580	1,751	1,764
Yearbook	7,533	14,336	15,585	6,284
Theater	14,288	15,381	23,186	6,483
Boys Night Out	-	1,137	404	733
Day One	-	836	-	836
Total West Middle School	40,940	90,889	88,991	42,838
East Middle School:				
Check Service/Student Services	9,687	28,300	28,793	9,194
Lockers	104	89	-	193
Band	784	3,765	3,253	1,296
Student Council	1,846	2,521	2,726	1,641
Variety Fund	8,738	5,242	6,218	7,762
Total East Middle School	21,159	39,917	40,990	20,086

See accompanying Notes to Extracurricular Student Activity Accounts.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2007**

	Balance July 1, 2006	and Transfers In	and Transfers Out	Balance June 30, 2007
Birchview:				
Kindergarten	\$ 948	-	-	\$ 948
1st Grade	182	386	430	138
2nd Grade	117	835	736	216
3rd Grade	598	802	1,011	389
4th Grade	837	1,156	1,335	657
5th Grade	1,796	783	2,503	76
Student Council	580	1,798	1,718	660
General Fund	1,812	747	894	1,665
Media	769	403	746	426
Total Birchview	7,639	6,909	9,372	5,176
Greenwood:				
Kindergarten	165	740	660	245
Media	290	159	367	82
General/Student Services	7,358	1,197	3,544	5,011
Total Greenwood	7,813	2,096	4,570	5,339
Oakwood:				
Latterell/Student Serv - K	-	-	-	-
Stone/Student Serv - Gr 2	-	-	-	-
Sullwood/Student Serv - Gr 4	-	-	-	-
Pyzdrowski/Student Serv - Gr 5	5	217	222	0
Katzmarek/Student Serv - Gr 3	112	8	-	120
Student Council	713	3,907	4,175	445
Misc./Student Serv - General	7,425	1,466	1,713	7,177
Chess Club	195	205	79	321
Total Oakwood	8,450	5,803	6,189	8,063
Sunset Hill:				
Principal	8,938	14,893	15,335	8,496
Miscellaneous	-	300	300	-
Pencil Machine/Store	2,651	1,295	1,633	2,313
Total Sunset Hill	11,589	16,489	17,269	10,809

See accompanying Notes to Extracurricular Student Activity Accounts.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2007**

	Balance July 1, 2006	and Transfers In	and Transfers Out	Balance June 30, 2007
Plymouth Creek:				
Choir/Student Council	\$ 453	\$ -	\$ 115	\$ 338
General/Student Services	14,412	8,101	6,745	15,768
Total Plymouth Creek	<u>14,865</u>	<u>8,101</u>	<u>6,860</u>	<u>16,106</u>
Gleason Lake:				
General Account/Student Services	4,661	5,720	1,372	9,009
School Store/Student Council	737	165	22	880
Media	2,271	199	-	2,470
Total Gleason Lake	<u>7,669</u>	<u>6,084</u>	<u>1,394</u>	<u>12,359</u>
Kimberly Lane:				
General	3,220	3,754	4,488	2,486
Gjestrang	479	30	457	52
Carlson	431		352	79
Wesley/Sprague	5	462	398	69
Roberts/Student Serv - Gr1	371	-	-	371
Grade 2/Student Serv - Gr 2	951	-	640	311
Grade 3/Student Serv - Gr 3	173	-	147	26
Grade 4/Student Serv - Gr 4	19	875	446	448
Grade 5/ Student Serv - Gr 5	357	800	690	467
Media	303	65	23	345
Miscellaneous	13,553	14,489	26,477	1,565
Total Kimberly Lane	<u>19,862</u>	<u>20,475</u>	<u>34,118</u>	<u>6,219</u>
Total District	<u>\$ 655,070</u>	<u>\$ 1,351,077</u>	<u>\$ 1,396,643</u>	<u>\$ 609,504</u>

See accompanying Notes to Extracurricular Student Activity Accounts.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
NOTES TO EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS
JUNE 30, 2007**

NOTE 1 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

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

Student activities are to be self-sustaining with all expenses paid by dues, admissions, or other student fundraising events. These funds are not included in the combined financial statements of Independent School District No. 284, and are restricted for the student activity uses, as established.

The accounts of the student activity funds are maintained, and the accompanying financial statement has been prepared, on the cash basis of accounting which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Consequently, receipts are recognized when received rather than when earned, and disbursements are recognized when paid rather than when the obligations are incurred.

NOTE 2 DEPOSITS AND INVESTMENTS

All cash and investments of the student activity accounts are held in a demand accounts.

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

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

Authorized collateral includes certain state or local government obligations, obligations of the U.S. Treasury and U.S. agencies, irrevocable standby letter of credit issued by the Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank's public debt is rated "AA" or better by Moody's or Standard & Poor's Corporation, and certificates of deposit insured by the FDIC.

Minnesota statutes require that securities pledged as collateral be held in safekeeping by the District Treasurer or in a financial institution (as agent for the District) other than that furnishing the collateral.

All student activity bank deposits are covered by deposit insurance or are collateralized by securities held by the District or its Agent in the District's name.

REPORT ON COMPLIANCE WITH UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS APPLICABLE TO EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS

The School Board, Advisers, and Students
Independent School District No. 284
Wayzata Public Schools
Wayzata, Minnesota

We have audited the statement of cash receipts and disbursements of the student activity funds of Independent School District No. 284 for the year ended June 30, 2007, and have issued our report thereon dated December 4, 2007. In our report, our opinion was qualified because the District has not established procedures to provide assurance that all cash collections are recorded in the accounting records. Further, the financial statement has been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the provisions of the *Manual of Activity Fund Accounting*, issued by the Minnesota Department of Education, pursuant to Minnesota Statutes Section 123.38.

The *Manual of Activity Fund Accounting* provides uniform financial accounting and reporting standards for student activities. Compliance with student activity laws and regulations is the responsibility of the District's management. We have performed auditing procedures to test compliance with the provisions of this manual. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, the District's extracurricular student activity accounts complied with the material terms and conditions of applicable legal provisions except as described on the Schedule of Findings and Questioned Costs for Student Activity Accounts.

This report is intended solely for the information and use of the School Board, management, and students of Independent School District No. 284 and the Minnesota Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

LarsonAllen LLP

Minneapolis, Minnesota
December 4, 2007

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

MINNESOTA LEGAL COMPLIANCE FINDINGS FOR STUDENT ACTIVITY ACCOUNTS

Finding: 2007-1

Improper Student Activity Accounts

Finding: During fiscal 2006-07, the District maintained a number of accounts as part of its student activity fund which did not meet the state's guideline for inclusion as a student activity account in accordance with the Manual of Activity Fund Accounting (MAFA) which was effective beginning July 1, 2002.

Corrective Action Plan: During fiscal 2007-08, the District intends to continue to rectify this finding by transferring non-compliant accounts out of the District's student activity fund to the extent practicable.

Finding: 2007-2

Deficit Account Balances

Finding: We noted that certain activity accounts have deficit account balances at June 30, 2007. According to the *Manual of Activity Fund Accounting*, individual account balances should not be a deficit amount and may constitute a personal liability of the advisor for the particular group.

Corrective Action Plan: The District will continue monitoring deficit accounts to ensure that receipts exceed expenses such that the deficit does not exist at June 30, 2007. The District has specific plans to eliminate the deficit balances in fiscal year 2007-08.

Finding: 2007-3

Inactive Accounts

Finding: We noted that certain activity accounts have remained inactive during the year ended June 30, 2007. According to the *Manual of Activity Fund Accounting*, inactive accounts should be removed and funds transferred to another appropriate account as determined by the student group.

Corrective Action Plan: During fiscal 2007-08, the District intends to continue to rectify this finding by ensuring that all inactive accounts have been appropriately closed at June 30, 2008.

**WAYZATA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 284
EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

Finding: 2007-4

Improper Approval

Finding: We could not determine that expenditures were approved by the membership and/or advisor for the activity accounts. There was not documentation contained on the invoice noting approval. According to the *Manual of Activity Fund Accounting*, expenditures that are allowed are those that are approved by the membership and/or advisor permitted under the organization's rules.

Corrective Action Plan: During fiscal year 2007-08, the District intends to rectify this finding by ensuring that all expenditures have been properly approved by the membership and/or advisor permitted under the organization's rules prior to payment.

DRAFT

WAYZATA PUBLIC SCHOOLS

Independent School District 284
Wayzata, Minnesota

BOARD OF EDUCATION

Work Session – December 4, 2007

AGENDA SECTION: 4. **ADJOURN**

ITEM: _____

COMMENTS BY: Board Chair Cohen

If there is no additional business before the School Board, the Chair will adjourn the meeting.