

INDEPENDENT AUDITOR'S REPORT
INDEPENDENT SCHOOL DISTRICT NO. 403
IVANHOE, MINNESOTA 56142
FOR THE YEAR ENDING JUNE 30, 2010

Meulebroeck, Taubert & Co., PLLP
Certified Public Accountants
P.O. Box 707
Pipestone, Minnesota 56164

CONTENTS OF REPORT

	<u>PAGE</u>
BOARD OF EDUCATION AND ADMINISTRATIVE PERSONNEL	1
FINANCIAL SECTION	
INDEPENDENT AUDITOR'S REPORT	3 - 4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5 - 9
BASIC FINANCIAL STATEMENTS:	
EXHIBIT A Statement of Net Assets	10
EXHIBIT B Statement of Activities	11
EXHIBIT C Governmental Funds Balance Sheet	12
EXHIBIT D Reconciliation of Governmental Fund Balances to Net Assets of Governmental Activities	13
EXHIBIT E Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	14
EXHIBIT F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
EXHIBIT G Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	16
EXHIBIT H Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Food Service Fund	17
EXHIBIT I Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Community Service Fund	18
EXHIBIT J Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Projects Fund	19

CONTENTS OF REPORT
-Continued-

EXHIBIT K	Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund	20
EXHIBIT L	Statement of Fiduciary Assets – Expendable Trust Fund	21
EXHIBIT M	Statement of Changes in Fiduciary Net Assets – Expendable Trust Fund	22
NOTES TO THE FINANCIAL STATEMENTS		23 – 48
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES:		
Schedule 1	Schedule of Funding Progress- Other Postemployment Benefits	49
Schedule 2	General Fund Balance Sheet	50
Schedule 3	General Fund Statement of Revenues, Expenditures and Changes in Fund Balance	51 – 55
Schedule 4	All Special Revenue Funds Combining Balance Sheet	56
Schedule 5	Special Revenue Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balance	57
Schedule 6	Food Service Fund Statement of Revenues, Expenditures and Changes in Fund Balance	58
Schedule 7	Community Service Fund Statement of Revenues, Expenditures and Changes in Fund Balance	59
Schedule 8	Capital Projects Fund Statement of Revenues, Expenditures and Changes in Fund Balance	60

CONTENTS OF REPORT
-Continued-

Schedule 9	Debt Service Fund Statement of Revenues, Expenditures and Changes in Fund Balance	61
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OTHER SCHEDULES

Schedule 10	Uniform Financial Accounting and Reporting Standards Compliance Table	62
Schedule 11	Summary of Changes in Fund Balance	64 – 65

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	67 – 68
---	---------

INDEPENDENT AUDITOR'S REPORT ON THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS OF THE STUDENT ACTIVITY FUND	69
---	----

Schedule 12	Student Activity Fund Statement of Receipts and Disbursements	70
-------------	--	----

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS APPLICABLE TO THE STUDENT ACTIVITY ACCOUNT	71
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Schedule 13	Schedule of Findings and Recommendations	72 – 74
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BOARD OF EDUCATION AND ADMINISTRATIVE PERSONNEL
JUNE 30, 2010

BOARD OF EDUCATION

Steve Citterman	Chairperson
Gene Panka	Vice-Chairperson
Marty Rost	Treasurer
Beth Otto	Clerk
Matt Lundrus	Director
Archie Citterman	Director

ADMINISTRATIVE PERSONNEL

Dwayne Strand	Superintendent
Michelle Mortensen	High School Principal
SW/WC Service Cooperative	Business Manager
Nancy Blanchette	Administrative Assistant

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INDEPENDENT AUDITOR'S REPORT

To The Board of Education
Independent School District No. 403
Ivanhoe, Minnesota

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No. 403, Ivanhoe, Minnesota, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the District's financial statements for the year ended June 30, 2009, and in our report dated October 9, 2009, we expressed unqualified opinions on the respective financial statements of the governmental activities and each major fund.

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 the Independent School District No. 403, Ivanhoe, Minnesota as of June 30, 2010, and the respective changes in financial position, and the respective budgetary comparison for General Fund and the Major Special Revenue Funds, for the year ended in conformity with accounting principles generally accepted in the United States of America.


As discussed in Note 10C to the financial statements, Independent School District No. 2902 has implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*.

The financial statements include partial prior-year comparative information, which does not include all of the information required in a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2009, from which it was derived.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2010 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis 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. 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.


Meulebroeck, Taubert Co., PLLP
Certified Public Accountants

October 5, 2010

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

This section of the Independent School District No. 403's annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2010. Please read it in conjunction with the other components of the District's annual financial report.

The Management's Discussion and Analysis (MD&A) is a new element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 --*Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments*.

Financial Highlights

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

- Net assets increased \$86,038, or 7.8% over June 30, 2009.
- General Fund fund balance decreased \$330,646 from the prior year, due to several different factors, including capital asset costs and increases in normal operating costs.
- Food Service Fund fund balance decreased \$12,435 from the prior year, due to a decrease in revenues of \$6,901 and a increase in expenditures of \$2,032.
- Community Service Fund fund balance increased \$17,440, due mainly to an increase in levy.
- Capital Projects Fund fund balance decreased \$8,218,819 due to the construction of the building remodeling project.
- Total expenditures increased \$7,115,378 or 158.79% in comparison to fiscal year 2009, while revenues increased \$350,189 or 12.83% in comparison to fiscal year 2009. This increase was due primarily because of completion of the building remodeling project.

Overview of the Financial Statements

The financial section of the annual report consists of four parts -- Independent Auditor's 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 District-wide financial statements and fund financial statements and the notes to the financial statements.

District-Wide Statements

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

The two District-wide statements report the District's net assets and how they have changed. Net assets -- the difference between the District's assets and liabilities -- is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You also need to consider other nonfinancial factors, however, such as changes in the District's property tax base, pupil enrollment, and the condition of school facilities.

Fund Financial Statements

The fund financial statements include more detailed information about a District's individual funds. The District maintains the following funds:

Governmental Funds - The District's services are included in this type of fund, which generally focuses 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 provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's activities. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.

Fiduciary Funds – The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District's fiduciary activity, a scholarship fund, is reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. We exclude this activity from the district-wide financial statements because the District cannot use these assets to finance operations.

In fiscal year 2010, the District implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* (GASB 45). Please see Note 10 for further information and the impact related to the implementation of GASB Statement 45.

Financial Analysis of the District as a Whole

Table 1 is a summarized view of the District's Statement of Net Assets.

Table 1 Statement of Net Assets As of June 30, 2010		
<u>Assets</u>	<u>2010</u>	<u>2009</u>
Current and other assets	1,799,483	10,167,955
Capital assets, net of depreciation	10,664,935	2,305,455
Total Assets	<u>12,464,418</u>	<u>12,473,410</u>
<u>Liabilities</u>		
Current and other liabilities	1,642,678	1,186,401
Long-term liabilities	9,632,687	10,183,994
Total Liabilities	11,275,365	11,370,395
<u>Net Assets</u>		
Invested in capital assets, net of related debt	949,935	385,830
Restricted	(65,895)	597,851
Unrestricted	305,013	119,334
Net Assets	<u>1,189,053</u>	<u>1,103,015</u>
Total Liabilities and Net Assets	<u>12,464,418</u>	<u>12,473,410</u>

The District's financial position is the product of numerous factors. Therefore, it is important to view the net assets balance as a starting point to evaluate future years' results, rather than to just focus on the current balance.

Table 2 presents a condensed version of the change in net assets of the District.

Table 2 Change in Net Assets For the year ended June 30, 2010		
	<u>2010</u>	<u>2009</u>
<u>Revenues</u>		
Program Revenues		
Charges for Services	396,223	535,968
Operating Grants and Contributions	184,189	198,185
General Revenues		
Property Taxes	835,938	278,610
Unrestricted Federal and State Aid	1,575,350	1,306,239
Other	<u>97,394</u>	<u>410,940</u>
Total revenues	3,089,094	2,729,942
<u>Expenses</u>		
District and School Administration	165,027	184,964
District Support Services	49,503	48,606
Regular Instruction	1,163,886	1,255,435
Vocational Instruction	113,123	111,082
Exceptional Instruction	148,570	155,383
Instructional Support Services	16,479	30,990
Pupil Support Services	194,040	223,254
Site, Buildings, and Equipment	629,305	210,427
Fiscal and Other Fixed Cost Programs	15,506	14,008
Food Service	93,813	91,781
Community Service	25,281	33,595
Interest and Fiscal Charges on		
Long-term Liabilities	<u>388,523</u>	<u>293,660</u>
Total expenses	<u>3,003,056</u>	<u>2,653,185</u>
Change in net assets	<u><u>86,038</u></u>	<u><u>76,757</u></u>

Figure A and Figure B show further analysis of these revenue sources and expenditure functions.

Figure A - Sources of Revenues for Fiscal Year 2010

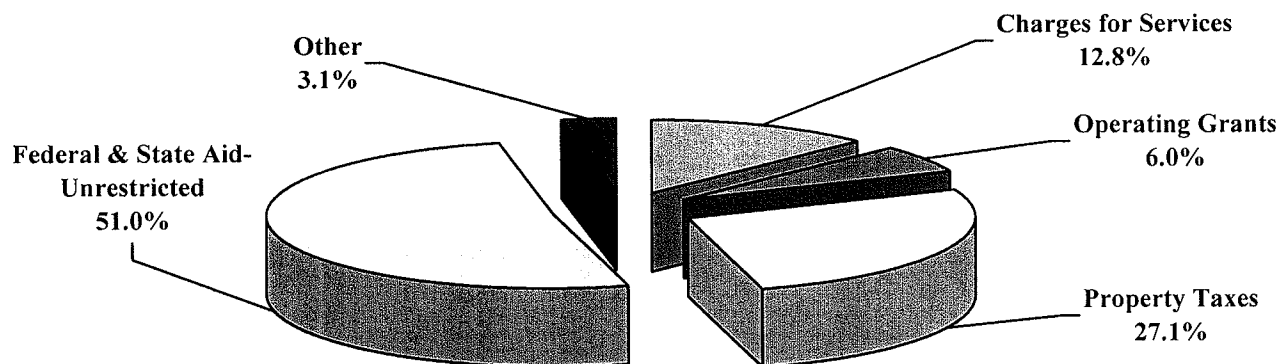
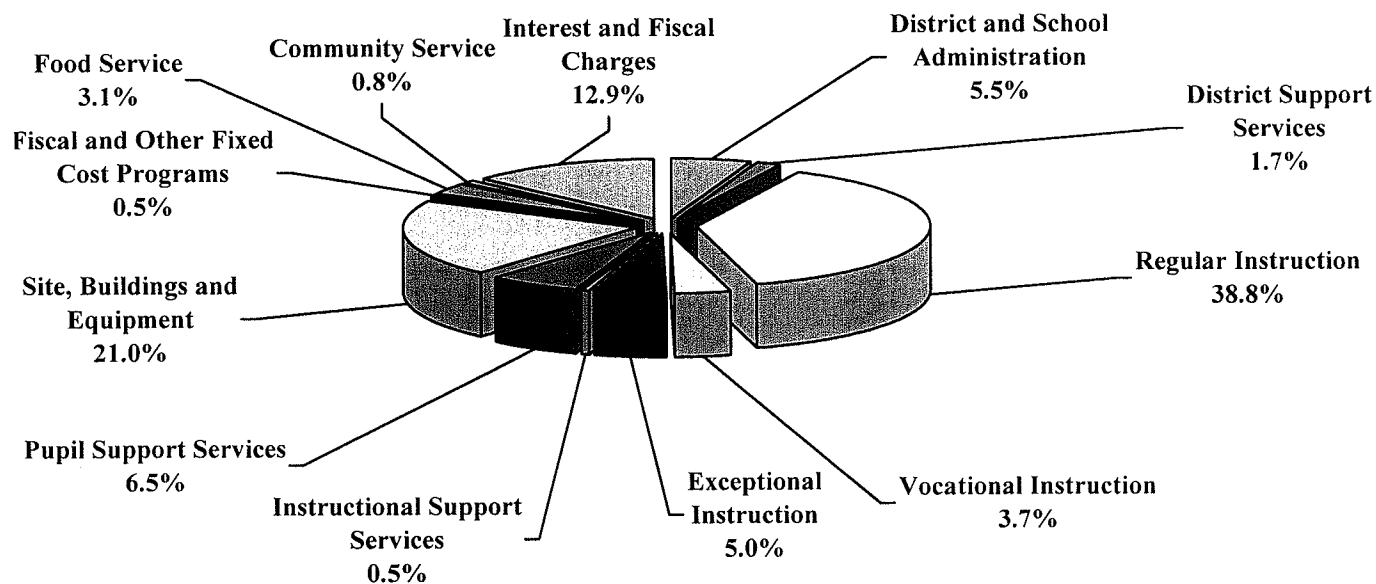


Figure B - Expenses for Fiscal Year 2010



Financial Analysis of the District's Funds

Analysis of the General Fund

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to as the original budget. During the year, the District might amend that budget for known changes in circumstances such as legislative funding. During fiscal year 2010, the District revised the budget for various reasons. None of the revisions were considered significant.

For fiscal year 2010, revenues were over budget by \$116,428 and expenditures were over budget by \$200,861.

Capital Assets

Additions for the fiscal year of \$170,513 include fitness equipment, phone system, and ag room set up. Construction in progress shows additional costs to the District's remodeling project in the amount of \$8,235,202.

Table 3 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal year ending June 30, 2010.

Table 3
Capital Assets

	<u>2010</u>	<u>2009</u>	<u>Increase (Decrease)</u>
Land	9,694	9,694	
Land Improvements	7,917	13,056	(5,139)
Buildings and Improvements	1,177,222	1,190,678	(13,456)
Equipment	345,817	230,683	115,131
Construction in Process	10,154,827	1,919,625	8,235,202
Less: Accumulated Depreciation	(1,030,539)	(1,058,281)	27,742
Total	<u>10,664,935</u>	<u>2,305,455</u>	<u>8,359,480</u>
Depreciation Expense	<u>23,957</u>	<u>21,656</u>	<u>(2,301)</u>

Long-Term Liabilities

In fiscal year 2010 the District had General Obligation School Building Bonds of 2008 with an outstanding balance of \$9,715,000. Severance liability decreased by \$10,294 and the net OPEB liability increased by \$11,533.

Factors Bearing on the District's Future

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

Contacting the District's Management

This financial report is designed to provide 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 Independent School District No. 403 at 421 N. Rebecca St., Ivanhoe, Minnesota 56136.

STATEMENT OF NET ASSETS
JUNE 30, 2010

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Current Assets		
Cash and Investments	820,538	9,257,546
Receivables:		
Property Taxes	456,461	409,974
Governmental Units	519,631	232,293
Other	333	266,946
Inventory	2,520	1,196
Capital Assets:		
Non-Depreciable	9,694	9,694
Construction in Process	10,154,827	1,919,625
Depreciable - net of accumulated depreciation	500,414	376,136
Total Assets	<u>12,464,418</u>	<u>12,473,410</u>
 <u>Liabilities</u>		
Salaries Payable	75,294	89,090
Accounts Payable	37,681	23,712
Due to Other Governmental Units	97,667	121,730
Payroll Deductions	85,890	89,555
Deferred Revenue	1,300	5,787
Property Taxes Levied for Subsequent Year	946,460	856,527
Short Term Indebtedness	80,840	
Long-term Liabilities:		
Portion Due Within One Year	317,546	252,530
Portion Due in More Than One Year	9,621,154	9,931,464
Net OPEB Liability	11,533	
Total Liabilities	<u>11,275,365</u>	<u>11,370,395</u>
 <u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	949,935	385,830
Restricted for:		
General Fund Operating Capital Purposes	102,791	450,220
General Fund State Mandated Purposes	(234,654)	78,144
Food Service	3,243	15,678
Community Service	25,571	8,131
Capital Projects	-0-	46,128
Debt Service	37,154	(450)
Unrestricted	305,013	119,334
Total Net Assets	<u>1,189,053</u>	<u>1,103,015</u>
Total Liabilities and Net Assets	<u>12,464,418</u>	<u>12,473,410</u>

See accompanying notes to the financial statements.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

<u>Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>	
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Government Activities</u>	
					<u>2010</u>	<u>2009</u>
Governmental Activities						
District and School Administration	165,027				(165,027)	(184,964)
District Support Services	49,503				(49,503)	(48,606)
Regular Instruction	1,163,886	337,412	72,846		(753,628)	(679,008)
Vocational Instruction	113,123				(113,123)	(111,082)
Exceptional Instruction	148,570		52,246		(96,324)	(140,951)
Instructional Support Services	16,479				(16,479)	(10,427)
Pupil Support Services	194,040				(194,040)	(223,254)
Site, Buildings and Equipment	629,305		13,117		(616,188)	(200,367)
Fiscal and Other Fixed Cost Programs	15,506				(15,506)	(14,008)
Food Service	93,813	49,903	31,459		(12,451)	(3,787)
Community Service	25,281	8,908	14,521		(1,852)	(8,918)
Interest and Fiscal Charges on						
Long-term Liabilities	388,523				(388,523)	(293,660)
Total	<u>3,003,056</u>	<u>396,223</u>	<u>184,189</u>	<u>-0-</u>	<u>(2,422,644)</u>	<u>(1,919,032)</u>
<u>General Revenues</u>						
Property Taxes Levied for:						
General Purposes					220,099	267,979
Community Service					19,041	10,631
Debt Service					596,798	
Federal and State Aid Not Restricted to Specific Purposes					1,575,350	1,306,239
Earnings on Investments					18,077	306,573
Miscellaneous					79,317	104,367
Total General Revenues					<u>2,508,682</u>	<u>1,995,789</u>
Change in Net Assets					86,038	76,757
Net Assets - Beginning					<u>1,103,015</u>	<u>1,026,258</u>
Net Assets - Ending					<u>1,189,053</u>	<u>1,103,015</u>

See accompanying notes to the financial statements.

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	Major Funds					Total Governmental Funds	
	General	Food Service	Community Service	Capital Projects	Debt Service	2010	2009
Assets							
Cash and Investments	413,402	6,096	38,433		362,607	820,538	9,257,546
Current Property Taxes Receivable	128,330		8,676		316,002	453,008	406,174
Delinquent Property Taxes Receivable	1,441		424		1,588	3,453	3,800
Accounts Receivable							2,672
Interest Receivable	333					333	264,274
Due From Other Minnesota Districts	112,522		120			112,642	159,077
Due From Department of Education	373,993	220	3,920		15,869	394,002	68,143
Due From Federal Government	12,987					12,987	5,073
Inventory		2,520				2,520	1,196
Total Assets	1,043,008	8,836	51,573	-0-	696,066	1,799,483	10,167,955
Liabilities and Fund Equity							
Liabilities							
Salaries Payable	69,227	5,400	667			75,294	89,090
Accounts Payable	37,182	193	306			37,681	23,712
Short Term Indebtedness	80,840					80,840	
Due to Other Governmental Units	402					402	134
Due to Other Minnesota School Districts	92,021		5,244			97,265	121,596
Payroll Deductions	85,890					85,890	89,555
Deferred Revenue-Other			1,300			1,300	5,787
Deferred Revenue-Delinquent Taxes	1,441		424		1,588	3,453	3,800
Property Taxes Levied for Subsequent Years	271,075		18,061		657,324	946,460	856,527
Total Liabilities	638,078	5,593	26,002	-0-	658,912	1,328,585	1,190,201
Fund Equity							
Fund Balance-Reserved	(131,863)		26,144			(105,719)	577,838
Fund Balance-Unreserved	313,093	3,243	(573)	-0-	37,154	352,917	8,399,916
Fund Balance-Unreserved-Designated	223,700					223,700	
Total Fund Equity	404,930	3,243	25,571	-0-	37,154	470,898	8,977,754
Total Liabilities and Equity	1,043,008	8,836	51,573	-0-	696,066	1,799,483	10,167,955

See accompanying notes to the financial statements.

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2010

	<u>2010</u>	<u>2009</u>
Total Governmental Fund Balances	470,898	8,977,754
Amounts reported in Governmental Activities in The Statement of Net Assets are Different Because:		
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds		
Cost of Capital Assets	11,695,474	3,363,736
Less: Accumulated Depreciation	<u>(1,030,539)</u>	<u>(1,058,281)</u>
	10,664,935	2,305,455
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.	3,453	3,800
Long-term liabilities that pertain to governmental funds are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets. Balances at year-end are:		
Bonds Payable	(9,715,000)	(9,950,000)
Severance Payable	(223,700)	(233,994)
Net OPEB Liability	(11,533)	<u>(10,183,994)</u>
	<u>(9,950,233)</u>	
Net Assets of Governmental Activities	<u>1,189,053</u>	<u>1,103,015</u>

See accompanying notes to the financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Major Funds					Total Governmental Funds	
	General	Food Service	Community Service	Capital Projects	Debt Service	2010	2009
<u>Revenues</u>							
Local Property Tax Levies	221,991		19,084		595,210	836,285	277,111
Other Local and County Revenues	396,187	16	9,116	16,383	7,144	428,846	821,182
Revenue from State Sources	1,451,843	4,110	14,521		58,773	1,529,247	1,416,995
Revenue from Federal Sources	202,943	27,349				230,292	87,429
Other	4,059	49,903				53,962	125,726
Total Revenues	2,277,023	81,378	42,721	16,383	661,127	3,078,632	2,728,443
<u>Expenditures</u>							
District and School Administration	165,027					165,027	184,964
District Support Services	49,503					49,503	48,606
Regular Instruction	1,161,105					1,161,105	1,248,958
Vocational Instruction	112,963					112,963	110,922
Exceptional Instruction	148,570					148,570	155,383
Community Education and Services			25,281			25,281	33,595
Instructional Support Services	16,479					16,479	30,990
Pupil Support Services	193,252	93,813				287,065	297,198
Site, Buildings and Equipment	756,073			8,235,202		8,991,275	2,062,635
Fiscal and Other Fixed Cost Programs	15,506				623,523	639,029	307,668
Total Expenditures	2,618,478	93,813	25,281	8,235,202	623,523	11,596,297	4,480,919
Excess Revenues (Expenditures)	(341,455)	(12,435)	17,440	(8,218,819)	37,604	(8,517,665)	(1,752,476)
<u>Other Financing Sources (Uses)</u>							
Sale of Equipment	10,809					10,809	
Total Other Financing Sources (Uses)	10,809	-0-	-0-	-0-	-0-	10,809	-0-
Net Change in Fund Balance	(330,646)	(12,435)	17,440	(8,218,819)	37,604	(8,506,856)	(1,752,476)
Fund Balance-Beginning	735,576	15,678	8,131	8,218,819	(450)	8,977,754	10,730,230
Fund Balance-Ending	404,930	3,243	25,571	-0-	37,154	470,898	8,977,754

See accompanying notes to the financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>2010</u>	<u>2009</u>
Net Change in Governmental Fund Balances	(8,506,856)	(1,752,476)

Amounts reported for the governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures, however, in the statement of activities, assets with an initial, individual cost of more than \$2,000.00 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 Outlay	170,513		67,552	
Construction in Process	8,235,202		1,810,208	
Disposal of Assets	(22,278)		(18,176)	
Depreciation Expense	<u>(23,957)</u>	8,359,480	<u>(21,656)</u>	1,837,928

Governmental funds report long-term debt proceeds as financing sources, while repayment of long-term debt 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. 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. The net effect of these differences is as follows:

Bond Payments	235,000			
Severance	<u>10,294</u>	245,294	<u>(10,194)</u>	(10,194)

Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for current period's expenditures, are therefore are deferred in the funds.

(347)	1,499
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in OPEB liability	(11,533)
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Change in Net Assets of Governmental Activities	<u>86,038</u>	<u>76,757</u>
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See accompanying notes to the financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual	Better/(Worse)
	Original	Final	Amounts	Than Final Budget
<u>Revenues</u>				
Local Property Tax Levies	225,541	225,541	221,991	(3,550)
Other Local and County Revenues	365,970	365,970	396,187	30,217
Revenue from State Sources	1,444,878	1,444,878	1,451,843	6,965
Revenue from Federal Sources	118,206	118,206	202,943	84,737
Other	6,000	6,000	4,059	(1,941)
Total Revenues	2,160,595	2,160,595	2,277,023	116,428
<u>Expenditures</u>				
District and School Administration	174,289	174,289	165,027	9,262
District Support Services	50,162	50,162	49,503	659
Regular Instruction	1,150,575	1,150,575	1,161,105	(10,530)
Vocational Instruction	114,685	114,685	112,963	1,722
Exceptional Instruction	171,510	171,510	148,570	22,940
Instructional Support Services	25,513	25,513	16,479	9,034
Pupil Support Services	238,468	238,468	193,252	45,216
Site, Building and Equipment	477,015	477,015	756,073	(279,058)
Fiscal and Other Fixed Cost Programs	15,400	15,400	15,506	(106)
Total Expenditures	2,417,617	2,417,617	2,618,478	(200,861)
Excess Revenues (Expenditures)	(257,022)	(257,022)	(341,455)	(84,433)
<u>Other Financing Sources (Uses)</u>				
Sale of Equipment			10,809	10,809
Total Other Financing Sources (Uses)	-0-	0	10,809	10,809
Net Change in Fund Balance	(257,022)	(257,022)	(330,646)	(73,624)
Fund Balance-Beginning			735,576	
Fund Balance-Ending			404,930	

See accompanying notes to the financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR FOOD SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Better/(Worse)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Than Final</u>
				<u>Budget</u>
<u>Revenues</u>				
Other Local and County Revenues	280	280	16	(264)
Revenue from State Sources	5,450	5,450	4,110	(1,340)
Revenue from Federal Sources	31,125	31,125	27,349	(3,776)
Other	50,225	50,225	49,903	(322)
Total Revenues	87,080	87,080	81,378	(5,702)
<u>Expenditures</u>				
Pupil Support Services	95,780	95,780	93,813	1,967
Total Expenditures	95,780	95,780	93,813	1,967
Net Change in Fund Balance	<u>(8,700)</u>	<u>(8,700)</u>	(12,435)	<u>(3,735)</u>
Fund Balance-Beginning			15,678	
Fund Balance-Ending			<u>3,243</u>	

See accompanying notes to the financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR COMMUNITY SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Better/(Worse)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Than Final</u>
				<u>Budget</u>
<u>Revenues</u>				
Local Property Tax Levies	17,689	17,689	19,084	1,395
Other Local and County Revenues	5,000	5,000	9,116	4,116
Revenue from State Sources	16,299	16,299	14,521	(1,778)
Total Revenues	38,988	38,988	42,721	3,733
<u>Expenditures</u>				
Community Education and Services	31,864	31,864	25,281	6,583
Total Expenditures	31,864	31,864	25,281	6,583
Net Change in Fund Balance	7,124	7,124	17,440	10,316
Fund Balance-Beginning			8,131	
Fund Balance-Ending			25,571	

See accompanying notes to the financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Better/(Worse)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Than Final</u>
				<u>Budget</u>
<u>Revenues</u>				
Other Local and County Revenues			16,383	16,383
Total Revenues	-0-	-0-	16,383	16,383
<u>Expenditures</u>				
Site, Building and Equipment	7,264,769	7,264,769	8,235,202	(970,433)
Total Expenditures	7,264,769	7,264,769	8,235,202	(970,433)
Net Change in Fund Balance	<u>(7,264,769)</u>	<u>(7,264,769)</u>	(8,218,819)	<u>(954,050)</u>
Fund Balance-Beginning			8,218,819	
Fund Balance-Ending			<u>-0-</u>	

See accompanying notes to the financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Better/(Worse)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Than Final</u>
				<u>Budget</u>
<u>Revenues</u>				
Local Property Tax Levies	595,565	595,565	595,210	(355)
Other Local and County Revenues			7,144	7,144
Revenue from State Sources	58,662	58,662	58,773	111
Total Revenues	654,227	654,227	661,127	6,900
<u>Expenditures</u>				
Fiscal and Other Fixed Cost Programs	29,321	623,073	623,523	(450)
Total Expenditures	29,321	623,073	623,523	(450)
Net Change in Fund Balance	624,906	31,154	37,604	6,450
Fund Balance-Beginning			(450)	
Fund Balance-Ending			37,154	

See accompanying notes to the financial statements.

STATEMENT OF FIDUCIARY ASSETS
EXPENDABLE TRUST FUND
JUNE 30, 2010

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Cash and Investments	4,902	5,076
Total Assets	<u>4,902</u>	<u>5,076</u>
 <u>Net Assets</u>		
Reserved for Scholarships	4,902	5,076
Total Net Assets	<u>4,902</u>	<u>5,076</u>

See accompanying notes to the financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2010

<u>Additions</u>	<u>2010</u>	<u>2009</u>
Interest Income	<u>26</u>	<u>90</u>
Total Additions	26	90
 <u>Deductions</u>		
Scholarships	<u>200</u>	<u>200</u>
Change in Net Assets	(174)	(110)
 Net Assets - Beginning of Year	<u>5,076</u>	<u>5,186</u>
Net Assets - End of Year	<u><u>4,902</u></u>	<u><u>5,076</u></u>

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements of Independent School District No. 403 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.

B. Financial Reporting Entity

Independent School District 403, Ivanhoe, was formed and operates pursuant to applicable Minnesota laws and statutes. The Ivanhoe District operates under an elected six member Board of Education form of government. The Board has control over all activities related to the public school education in the Ivanhoe District.

As required by generally accepted accounting principles, these financial statements present the District and its component units, entities for which the government is considered to be financially accountable.

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. Based on these criteria, there are no organizations considered to be component units of the District.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 Summary of Significant Accounting Policies - continued

B. Financial Reporting Entity - continued

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.

C. Basic Financial Statement Presentation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 Summary of Significant Accounting Policies - continued

C. Basic Financial Statement Presentation - continued

Separate fund financial statements are provided for governmental 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: expendable trust, and agency. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the District-wide statements.

Proprietary funds are used to report business-type activities carried on by a school district. No activities of the District were determined to be of this nature, so no proprietary funds are present in the financial statements.

D. Basis of Accounting and Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered to be available if collected within 60 days of fiscal year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 Summary of Significant Accounting Policies - continued

D. Basis of Accounting and Measurement Focus - continued

All major revenues are susceptible to accrual. Property tax revenues for all funds, which are payable by property owners on a calendar-year basis, are recognized as revenues in the fiscal years for which they apply according to Minnesota Statutes. Federal revenues are recorded in the year in which the related expenditure is made. If the amounts of Minnesota or federal revenues cannot be reasonably estimated or realization is not assured, they are not recorded as revenue in the current year.

The District reports deferred revenue on its balance sheet. Deferred revenues arise when 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 the incurring qualified 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 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. Each fund is accounted for as an independent entity. A description of the funds included in this report is as follows:

Governmental Funds

General Fund

The General Fund includes all financial transactions relating to the administration, instruction, maintenance, transportation, and capital expenditures of the District which are not accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted for expenditures for specified purposes. These funds include the Food Service and Community Service funds.

Debt Service Fund

Debt Service Funds account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 Summary of Significant Accounting Policies - continued

D. Basis of Accounting and Measurement Focus - continued

Capital Projects Fund

The Capital Projects Fund is used to record all operations of the District's building construction program that are funded by the sale of bonds, donations and interest income.

Fiduciary Funds

Agency Fund

The Agency Fund is used to account for the assets belonging to student organizations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations.

E. Budgets and Budgetary Accounting

The budgeted amounts included in the statement of revenues and expenditures were accounted for and presented on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets presented in this report for comparison to actual amounts are presented in accordance with generally accepted accounting principles. The budgets are prepared by the school personnel and approved by the school board. Encumbrances are not considered in the budget process nor in the regular district accounting.

Once a budget is approved, it can be amended by school personnel with approval by the school board. Amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Individual amendments were not material in relation to the original appropriations. All budget appropriations lapse at year-end.

F. Cash and Temporary Investments

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 Summary of Significant Accounting Policies - continued

F. Cash and Temporary Investments - continued

Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptances, and U.S. Treasury and agency obligations) purchased with a remaining maturity of one year or less are reported at amortized cost. Other investments are reported at fair value.

The school District uses the average cash balance method of allocating investment income to the various funds.

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.

H. Inventories

Inventories consist of expendable supplies held for consumption and are stated at moving, weighted average cost. Inventory of the General Fund is recorded as expenditure when items are issued from central stores. Accordingly inventory items on hand at the school are not included in inventory. Inventory of the Food Service Fund is recorded as expenditure when items are used. United States Department of Agriculture (USDA) commodities received are recorded at cost determined using the USDA standard price list and are included in the Food Service Fund inventory when received. Revenue is recognized and the expenditure is recorded when commodities are used.

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 expenditure at the time of consumption.

J. Property Tax Recognition

The levy certification is made in December of each year. The tax levy is collectible as of January 2nd of the following year and the taxes are due to the county treasurer in May and October of each year. The taxes levied during the fall of the year are recognized in the subsequent fiscal year for the school district.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 Summary of Significant Accounting Policies - continued

J. Property Tax Recognition - continued

Current taxes receivable includes the amount of Homestead Market Value Credit Aid and Disparity Reduction Aid to be received after July 1, 2010, and will be recognized as revenue during the fiscal year ending June 30, 2011. The delinquent taxes receivable are reserved as 100% uncollectible except for the amount received during the first sixty days of the subsequent fiscal year.

K. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded at their estimated fair market value at the date of donation. The District defines capital assets as those with an initial, individual cost of \$2,000 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

The District does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

L. Long-Term Obligations

In the district-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 straight-line method. Bond issuance costs, if material, are also reported as deferred charges and amortized over the term of the related debt.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 Summary of Significant Accounting Policies - continued

L. Long-Term Obligations - continued

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 or discounts on debt issuances are reported as other financing sources or uses, respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Fund Equity

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 (see Note 9).

N. Net Assets

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

O. Certain Comparative Data and Reclassifications

Certain comparative total data for the prior year have been presented in the District-wide and fund financial statements in order to provide an understanding of the changes in the financial position and operations. Such comparative total data does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 Summary of Significant Accounting Policies - continued

P. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Note 2 Deposits and Investments

A. Deposits

Minnesota Stat. 118A.02 and 118A.04 authorize the District to designate a depository for public funds and to invest in certificates of deposit. Minnesota Stat. 118A.03 requires that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

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 standby 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.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2010, none of the District's bank balance of \$871,404 was exposed to custodial credit risk.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 2 Cash and Investments - continued

B. Investments

Minnesota Stat. 118A.04 and 118A.05 generally authorize the following types of investments as available to the District:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minnesota Stat. 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

The District's investments are potentially subject to various risks including the following:

Custodial Credit Risk

The risk that in the event of a failure of the counter party to an investment transaction, a district will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Credit Risk

The risk that an issuer or other counter party to an investment will not fulfill its obligations to the holder of the investment.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 2 Cash and Investments - continued

B. Investments - continued

Concentration of Credit Risk

The risk of loss that may be caused by the District's investment in a single issuer.

Interest Rate Risk

The risk that changes in the market interest rates will adversely affect the fair value of an investment.

The District has no internal policies that limit deposits on investment choices or address these potential risks beyond the statutory limitations described above.

	<u>Credit Risk</u>	<u>Concentration</u>	<u>Interest</u>	
<u>Credit</u>	<u>Rating</u>	<u>Risk</u>	<u>Rate Risk</u>	<u>Carrying</u>
<u>Rating</u>	<u>Agency</u>	<u>Over 5%</u>	<u>Maturity</u>	<u>Value</u>
		<u>of Portfolio</u>	<u>Date</u>	
Investment Pools				
Minnesota School				
District Liquid				
Asset Fund Plus				
Liquid Class	AAAm	S & P	35%	N/A
Minnesota School				
District Liquid				
Asset Fund Plus				
MAX Class	AAAm	S & P	65%	N/A
MN Trust	Aaa	Moody's	N/A	N/A
Total Investments				150,327
Nonnegotiable				
Certificates of				
Deposit				103,377
Deposits				571,736
Total Cash and				
Investments				825,440

Cash and investments are included on the basic financial statements as follows:

Cash and temporary investments – statement of net assets	820,538
Cash and temporary investments – statement of fiduciary net assets	4,902
	<u>825,440</u>

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 3 Due From Other Minnesota School Districts

The amounts due from other Minnesota School Districts are as follows:

	<u>June 30</u>	
<u>General Fund</u>	<u>2010</u>	<u>2009</u>
Independent School District No. 402		
Hendricks – Reimbursable Expenses	103,088	147,913
SW/WC Coop – Montevideo		
Special Education Flow Thru	<u>9,434</u>	<u>6,541</u>
Total General Fund	112,522	154,454
<u>Special Revenue Fund</u>		
<u>Community Service Fund</u>		
SW/WC Coop– Reimbursable Expenses	120	
Independent School District No. 402		
Hendricks – Reimbursable Expenses		<u>4,623</u>
Total Special Revenue Funds	<u>120</u>	<u>4,623</u>
Total All Funds	<u>112,642</u>	<u>159,077</u>

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 4 Due From Department of Education

Amounts due from the Department of Education are aids and reimbursements receivable for the fiscal years as follows:

	<u>June 30</u>	
<u>General Fund</u>	<u>2010</u>	<u>2009</u>
General Education Aid	361,358	64,944
Other State Credits	1,485	1,968
Special Education	<u>11,150</u>	<u>(292)</u>
Total General Fund	373,993	66,620
 <u>Special Revenue Funds</u>		
<u>Food Service Fund</u>		
Lunch Aid	220	
<u>Community Service Fund</u>		
Early Childhood and Family Education	3,034	1,157
Other State Credits	<u>886</u>	<u>366</u>
Total Community Services	<u>3,920</u>	<u>1,523</u>
Total Special Revenue Funds	<u>4,120</u>	<u>1,523</u>
<u>Debt Service Fund</u>		
Other State Credits	<u>15,869</u>	
Total All Funds	<u>394,002</u>	<u>68,143</u>

Note 5 Capital Assets

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

	<u>Balance</u>			<u>Balance</u>
	<u>7/01/09</u>	<u>Additions</u>	<u>Retirements</u>	<u>6/30/10</u>
Land	9,694			9,694
Land Improvements	13,056		(5,139)	7,917
Buildings	1,190,678		(13,456)	1,177,222
Equipment	230,683	170,513	(55,382)	345,814
Construction In Process	<u>1,919,625</u>	<u>8,235,202</u>		<u>10,154,827</u>
Total Cost	3,363,736	8,405,715	(73,977)	11,695,474
 Accumulated Depreciation:				
Land Improvements	(13,056)		5,139	(7,917)
Buildings	(868,173)	(10,304)	7,723	(870,754)
Equipment	<u>(177,052)</u>	<u>(13,653)</u>	<u>38,837</u>	<u>(151,868)</u>
Total Accum. Depr.	<u>(1,058,281)</u>	<u>(23,957)</u>	<u>51,699</u>	<u>(1,030,539)</u>
Net Capital Assets	<u>2,305,455</u>	<u>8,381,758</u>	<u>(22,278)</u>	<u>10,664,935</u>

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 5 Capital Assets - continued

Depreciation expense of \$23,957 for the year ended June 30, 2010 was charged to the following governmental functions:

Regular Instruction	3,894
Vocational Instruction	160
Pupil Support Services	788
Sites, Buildings, and Equipment	<u>19,115</u>
Total	<u>23,957</u>

Note 6 Due To Other Minnesota School Districts

The amounts due to other Minnesota School Districts are as follows:

	<u>June 30</u>	
<u>General Fund</u>	<u>2010</u>	<u>2009</u>
Independent School District No. 402		
Hendricks – Reimbursements	86,390	113,134
Independent School District No. 099	1,060	
SW/WC Service Coop – Reimbursements		
Independent School District No. 414		
Minneota - Reimbursements	<u>4,571</u>	
Total General Fund	92,021	<u>113,134</u>
<u>Special Revenue Fund</u>		
<u>Community Service Fund</u>		
Independent School District No. 402		
Hendricks – Reimbursements	<u>5,244</u>	<u>8,462</u>
Total Special Revenue Funds	<u>5,244</u>	<u>8,462</u>
Total All Funds	<u>97,265</u>	<u>121,596</u>

Note 7 Due to Other Governmental Units

Amounts due to Other Governmental Units are as follows:

	<u>June 30</u>	
<u>General Fund</u>	<u>2010</u>	<u>2009</u>
Minnesota Department of Revenue		
Sales Tax	<u>402</u>	<u>134</u>
Total General Fund	<u>402</u>	<u>134</u>

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 8 Long-Term Liabilities

A. Bonds Payable

Bonds payable at June 30, 2010 are comprised of the following items:

	<u>Balance</u> <u>June 30, 2010</u>
General Obligation School Building Bonds, Series 2008A, due in annual installments of \$235,000 to \$635,000 through February 1, 2034, interest at 3.00% to 4.15%.	9,715,000
Total Bonds Payable	<u>9,715,000</u>

The annual requirements to amortize the bonds payable outstanding as of June 30, 2010, including interest payments, are listed below.

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	245,000	381,023	626,023
2012	255,000	373,673	628,673
2013	265,000	366,023	631,023
2014	275,000	356,748	631,748
2015	285,000	347,123	632,123
2016-2020	1,615,000	1,572,188	3,187,188
2021-2025	1,970,000	1,226,588	3,196,588
2026-2030	2,430,000	797,483	3,227,483
2031-2035	<u>2,375,000</u>	<u>251,905</u>	<u>2,626,905</u>
Total	<u>9,715,000</u>	<u>5,672,754</u>	<u>15,387,754</u>

B. Changes in Long-Term Liabilities

The following is a schedule of the changes in Long-Term Liabilities:

	<u>Balance</u> <u>7/01/09</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/10</u>	<u>Due Within</u> <u>One Year</u>
Bonds Payable	9,950,000		235,000	9,715,000	245,000
Net OPEB Liability	-0-	11,533		11,533	
Severance Pay	<u>233,994</u>	<u>7,236</u>	<u>17,530</u>	<u>223,700</u>	<u>72,546</u>
Total	<u>10,183,994</u>	<u>18,769</u>	<u>252,530</u>	<u>9,950,233</u>	<u>317,546</u>

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 9 Reserved Fund Balances

A portion of the fund balances are reserved based on state requirements to track certain program funding, to provide funding for long-term debt requirements, or for other various requirements. A summary of the changes during the past fiscal year are as follows:

<u>General</u>	<u>Balance 7/01/09</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance 6/30/10</u>
Severance Pay	183,300		183,300	-0-
Health & Safety	(156,102)	13,034	75,542	(218,610)
Disabled Accessibility	54,276		54,276	-0-
Learning & Development	916	27,064	27,064	916
Operating Capital				
Equipment	450,220	57,394	404,823	102,791
Staff Development	2,662	5,268	7,930	-0-
Gifted & Talented	662	2,506	2,596	572
Basic Skills	2,416	43,276	43,276	2,416
Safe Schools	6,706	5,670	36,640	(24,264)
Career & Technical	-0-	26,577	26,577	-0-
Deferred Maintenance	<u>24,292</u>	<u>12,024</u>	<u>32,000</u>	<u>4,316</u>
Total General	569,348	192,813	894,024	(131,863)
 <u>Special Revenue</u>				
<u>Community Services</u>				
Community Education	6,448	20,923	16,300	11,071
School Readiness	(6,809)	3,989		(2,820)
Early Childhood and				
Family Education	<u>8,851</u>	<u>19,670</u>	<u>10,628</u>	<u>17,893</u>
Total Special Revenue	<u>8,490</u>	<u>44,582</u>	<u>26,928</u>	<u>26,144</u>
Total All Funds	<u>577,838</u>	<u>237,395</u>	<u>920,952</u>	<u>(105,719)</u>

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 10 Pension Plan

A. Teacher Retirement Association

1. Plan Description

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 10 Pension Plan - continued

A. Teacher Retirement Association - continued

1. Plan Description - continued

With these provisions:

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

Or

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 10 Pension Plan - continued

A. Teacher Retirement Association - continued

2. Plan Description - continued

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

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

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

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 5.5 percent and 9.0 percent, respectively, of their annual covered salary as employee contributions. Prior to July 1, 2007, the employer contribution rates are 5.0 percent for Coordinated members and 9.0 percent for Basic members. Effective July 1, 2007, the employer contribution rate for Coordinated members will rise to 5.5 percent and 9.5 percent for Basic members. TRA covered payroll for all members statewide for the fiscal years ended June 30, 2008 and June 30, 2007 were \$3.65 billion and \$3.53 billion, respectively.

The District's contributions for the years ending June 30, 2010, 2009 and 2008, were \$38,801, \$39,299, and \$44,343, respectively, equal to the required contributions for each year as set by state statute.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 10 Pension Plan - continued

B. Public Employees Retirement Association (PERA)

1. Plan Description

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

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

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

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 10 Pension Plan - continued

B. Public Employees Retirement Association (PERA) - continued

1. Plan Description - continued

Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For all PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree—no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

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

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 10 Pension Plan - 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 were required to contribute 9.1% and 6.0%, respectively, of their annual covered salary in 2008. The District is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members and 6.5% for Coordinated Plan PERF members. Employer contribution rates for the Coordinated Plan will increase to 6.75% effective January 1, 2009. The District's contributions to the Public Employees Retirement Fund for the years ending June 30, 2010, 2009, and 2008, were \$13,699, \$12,337, and \$15,953, respectively. The District's contributions were equal to the contractually required contributions for each year as set by state statute.

C. Other Postemployment Benefits (OPEB)

Beginning in fiscal year 2010, the District implemented Governmental Accounting Standards Board (GASB), Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*.

This statement required the District to calculate and record a net OPEB obligation at June 30, 2010. The net OPEB obligation is, in general, the cumulative difference between the actuarial required contribution and the actual contributions since July 1, 2009.

Plan Description

The District provides a single-employer defined benefit healthcare plan to eligible retirees and their spouses. The plan offers medical insurance benefits. The District provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 10 Pension Plan – continued

C. Other Postemployment Benefits (OPEB) – continued

Funding Policy

The contribution requirements of the plan members and the District are established and may be amended by the Board of Education. The required contribution is based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the healthcare plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. For fiscal year 2010, there were approximately 31 participants in the plan, including 5 retirees.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan.

Annual Required Contribution	11,533
Interest on net OPEB obligation	0
Adjustment to Annual Required Contribution	<u>(0)</u>
Annual OPEB cost (expense)	11,533
Contributions made	<u>(14,034)</u>
Increase in net OPEB obligation	(2,501)
Net OPEB Obligation – Beginning of Year	<u>-</u>
Net OPEB Obligation – End of Year	(2,501)

The District's annual OPEB cost for June 30, 2010, was \$11,533. The percentage of annual OPEB cost contributed to the plan was 121.7%. Trend information for the previous two years is not available at this time based on the implementation date of June 30, 2010.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 10 Pension Plan – continued

C. Other Postemployment Benefits (OPEB) – continued

Fund Status and Funding Progress

As of July 1, 2008, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$114,215, and the actuarial value of assets was \$0, resulting in an unfunded actuarial liability (UAAL) of \$114,215. The covered payroll (annual payroll of active employees covered by the plan) was \$758,059, and the ratio of the UAAL to the covered payroll was 15.1%.

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

Actuarial Methods and Assumptions

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

In the July 1, 2008, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% investment rate of return (net of investment expenses), which is the District's implicit rate of return on the General Fund. The annual healthcare cost trend is 9.0% initially reduced by decrements to an ultimate rate of 5.0% over eight years. Both rates included a 3.0% inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at June 30, 2009, was 29 years.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 11 Vacation and Sick Leave

Full-time year around employees receive vacation based on their years of service. In the event of termination an employee who has completed at least six months of service is reimbursed for any unused accumulated vacation. Maximum vacation accrual is 30 days at the end of any fiscal year. Vacation pay is charged to operations when taken by the employees of the district.

Full-time year around employees accrue 14 sick days per year and school year employees accrue 11 sick days per year. All employees may accumulate up to 8 times their respective yearly allowance. Sick days do not vest under the District's policy, and accordingly, employees can be paid sick leave only for qualifying absences. Since the employee's accumulating rights to receive compensation for future absences are contingent upon the absences being caused by qualifying events and such amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the financial statements.

Full-time and school year employees are granted personal days which are subject to approval by the superintendent and charged to sick leave. Teachers earn 2 personal days per year and are allowed to accrue up to 5 days. Any contingent liability for unused personal days is not recognized in the financial statements.

Note 12 Excess Expenditures over Budget Appropriations

The following funds had excess expenditures over budget appropriations for the year ended June 30, 2010:

General Fund	200,861
Debt Service Fund	450
Capital Project Fund	970,433

Note 13 Change in Presentation

Subsequent to June 30, 2009 the district was approved to change expenditures related to the remodeling project to the reserve for Health and Safety for the year ended June 30, 2009. These dollars can then be levied for under the Health and Safety category. This adjustment has the approval of the Minnesota Department of Education.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 13 Change in Presentation – continued

The result of this was to charge \$142,316 of expenditures to the General Fund rather than the Capital Projects Fund. The following are the restatement effects on the funds for the year ended June 30, 2009:

	<u>General</u>	<u>Capital Projects</u>
Cash	(142,316)	142,316
Fund Balance	(142,316)	142,316
Expenditures	142,316	(142,316)

The financial statements for the year ended June 30, 2009 have been restated to reflect this.

Note 14 Risk Management

The District is exposed to various risk of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and dental; and natural disasters. Risks of loss associated with workers' compensation claims are insured through participation in the Minnesota School Boards Association Insurance Trust. All other risks of loss are insured by the purchase of commercial insurance. There were no significant reductions in insurance coverage from the previous year. There were no settlements in excess of insurance for any of the past three fiscal years.

The Minnesota School Boards Association Insurance Trust is a public entity risk pool currently operated as a common risk management and insurance program for member school districts. The district pays an annual premium based on its annual payroll and an experience modification factor for workers' compensation coverage.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2008	-0-	114,215	114,215	0.0%	758,059	15.1%

See Note 10, Other Postemployment Benefits, for more information

Multi-year trend information is not available at this time, as Governmental Accounting Standards Board Statement 45 was implemented in fiscal year 2010.

GENERAL FUND
BALANCE SHEET
JUNE 30, 2010

<u>Assets</u>	<u>2010</u>	<u>2009</u>
Cash and Investments	413,402	895,469
Current Property Taxes Receivable	128,330	94,417
Delinquent Property Taxes Receivable	1,441	3,333
Accounts Receivable		2,639
Interest Receivable	333	5,034
Due From Other Minnesota Districts	112,522	154,454
Due From Department of Education	373,993	66,620
Due From Federal Government	12,987	5,073
Total Assets	<u>1,043,008</u>	<u>1,227,039</u>
 <u>Liabilities and Fund Equity</u>		
<u>Liabilities</u>		
Salaries Payable	69,227	80,106
Accounts Payable	37,182	7,211
Short Term Indebtedness	80,840	
Due to Other Governmental Units	402	134
Due to Other Minnesota School Districts	92,021	113,134
Payroll Deductions	85,890	89,555
Deferred Revenue-Delinquent Taxes	1,441	3,333
Property Taxes Levied for Subsequent Years	<u>271,075</u>	<u>197,990</u>
Total Liabilities	638,078	491,463
 <u>Fund Equity</u>		
Fund Balance-Reserved	(131,863)	569,348
Fund Balance-Unreserved	313,093	166,228
Fund Balance-Unreserved-Designated	<u>223,700</u>	
Total Fund Equity	<u>404,930</u>	<u>735,576</u>
Total Liabilities and Equity	<u>1,043,008</u>	<u>1,227,039</u>

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010

	Year Ended June 30			2009
	2010		Better/(Worse)	
<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>	<u>Than Budget</u>	<u>Actual</u>
<u>Local Property Tax Levy</u>				
Local Tax Levy	225,541	221,991	(3,550)	266,562
<u>Other Local and County Revenues</u>				
County Apportionment	3,980	7,124	3,144	6,004
Admissions	23,090	30,748	7,658	27,503
Tuition from Other Minnesota Districts	309,250	306,664	(2,586)	401,713
Interest Income	21,000	1,453	(19,547)	13,977
Tuition from Out of State Districts				46,628
Other Revenues	8,650	50,198	41,548	23,170
Total Other Local				
County Revenues	365,970	396,187	30,217	518,995
<u>Revenue From State Sources</u>				
General Education	1,381,910	1,399,336	17,426	1,370,679
Special Education	52,800	46,404	(6,396)	3,927
Disparity Reduction Aid	5,778	801	(4,977)	7,051
Market Value Credit	4,353	4,684	331	12,595
Other State Aids	37	618	581	2,236
Total Revenue From State Sources	1,444,878	1,451,843	6,965	1,396,488
<u>Revenue From Federal Sources</u>				
Federal Aid Programs	118,206	202,943	84,737	55,389
<u>Sales and Other Conversion of Assets</u>				
Judgments				75
Sale of Equipment				68,907
Sale of Materials	6,000	4,059	(1,941)	6,062
Total Sales and Other Conversion of Assets	6,000	4,059	(1,941)	75,044
Total Revenues	2,160,595	2,277,023	116,428	2,312,478

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010

	Year Ended June 30			2009
	2010			
<u>Expenditures</u>	<u>Budget</u>	<u>Actual</u>	<u>Better/(Worse) Than Budget</u>	<u>Actual</u>
<u>District and School Administration</u>				
Salaries	127,201	121,512	5,689	138,784
Travel	12,165	11,734	431	12,348
Fixed Charges	19,848	17,403	2,445	17,931
Contracted Services	7,350	4,864	2,486	6,329
Supplies	575	2,426	(1,851)	1,544
Equipment Leased		1,000	(1,000)	
Equipment				997
Other	7,150	6,088	1,062	7,031
Total District and School Administration	174,289	165,027	9,262	184,964
<u>District Support</u>				
Salaries	44,300	49,392	(5,092)	44,300
Supplies	1,000	1,107	(107)	1,236
Legal and Professional Services	12,000	10,644	1,356	11,709
Other	780	770	10	768
Dues and Memberships	6,603	4,995	1,608	6,172
Fixed Charges	14,520	14,006	514	13,149
Travel	1,500	758	742	1,027
Pairing/Sharing Chargebacks	(30,541)	(32,169)	1,628	(29,755)
Total District Support Services	50,162	49,503	659	48,606
<u>Regular Instruction</u>				
<u>Elementary School</u>				
Salaries	149,302	139,230	10,072	173,440
Fixed Charges	35,989	29,979	6,010	30,614
Tuition to Other Minnesota School Districts	349,081	352,533	(3,452)	452,467
Other	2,300		2,300	1,156
Pairing/Sharing Chargebacks	(169,640)	(151,679)	(17,961)	(170,904)
Total Elementary	367,032	370,063	(3,031)	486,773

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010

	Year Ended June 30			
	2010			2009
			Better/(Worse)	
<u>Expenditures - continued</u>	<u>Budget</u>	<u>Actual</u>	<u>Than Budget</u>	<u>Actual</u>
<u>Regular Instruction - continued</u>				
<u>Secondary School</u>				
Salaries	431,208	441,954	(10,746)	436,612
Instructional Supplies	38,422	21,640	16,782	29,497
Fixed Charges	124,126	128,278	(4,152)	109,590
Travel	35,716	50,848	(15,132)	28,669
Dues and Memberships	1,880	2,281	(401)	2,252
Workers Compensation	9,662	9,821	(159)	8,784
Repairs and Maintenance	7,500	2,600	4,900	6,540
Tuition to Other Minnesota				
School Districts	28,118	9,736	18,382	18,672
Tuition to Out of State Districts				5,398
Professional Services	33,750	45,368	(11,618)	38,089
Equipment	23,420	31,364	(7,944)	30,221
Other	21,831	19,470	2,361	22,368
Pairing/Sharing Chargebacks	27,910	27,682	228	25,493
Total Secondary	783,543	791,042	(7,499)	762,185
Total Regular Instruction	1,150,575	1,161,105	(10,530)	1,248,958
 <u>Vocational Instruction</u>				
Salaries	72,358	72,665	(307)	76,438
Instructional Supplies	15,000	14,397	603	11,749
Fixed Charges	25,827	23,867	1,960	22,490
Equipment		1,421	(1,421)	
Other	1,500	613	887	245
Total Vocational Instruction	114,685	112,963	1,722	110,922
 <u>Exceptional Instruction</u>				
Salaries	100,319	103,738	(3,419)	101,250
Instructional Supplies	750	811	(61)	640
Travel	2,000	1,930	70	2,432
Tuition to Other Minnesota				
School Districts	30,930	4,319	26,611	19,583
Fixed Charges	37,511	37,772	(261)	31,386
Equipment				92
Total Exceptional Instruction	171,510	148,570	22,940	155,383

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010

	Year Ended June 30			
	2010			2009
			Better/(Worse)	
<u>Expenditures - continued</u>	<u>Budget</u>	<u>Actual</u>	<u>Than Budget</u>	<u>Actual</u>
<u>Instructional Support Services</u>				
Salaries	4,970	4,381	589	16,238
Supplies	1,450	1,380	70	786
Library Books and Materials	740	210	530	421
Fixed Charges	656	1,484	(828)	3,606
Legal and Professional Services	12,745	4,085	8,660	3,675
Travel	4,952	4,939	13	4,565
Equipment				1,699
Total Instructional Support	25,513	16,479	9,034	30,990
<u>Pupil Support</u>				
Salaries	37,192	28,514	8,678	23,462
Fixed Charges	15,604	15,604		7,918
Supplies	300	11	289	281
Transportation Chargebacks	(11,000)	(58,576)	47,576	(10,402)
Transportation Contract	157,296	152,162	5,134	149,155
Insurance				(367)
Gas and Repairs	32,276	22,479	9,797	27,775
Professional Fees	1,300	1,687	(387)	1,421
Other	5,500	31,371	(25,871)	6,174
Total Pupil Support	238,468	193,252	45,216	205,417
<u>Site, Building and Equipment</u>				
Salaries	62,388	65,785	(3,397)	67,502
Supplies	3,835	14,416	(10,581)	2,946
Telephone	6,500	3,873	2,627	997
Utilities	57,650	74,210	(16,560)	28,933
Fuel	2,200	1,838	362	31,443
Repair and Maintenance Service	37,310	44,718	(7,408)	29,956
Fixed Charges	24,378	25,008	(630)	20,460
Building Improvements	182,000	299,594	(117,594)	138,271
Equipment	56,924	129,727	(72,803)	60,686
Equipment Lease	450	755	(305)	1,202
Professional Services	42,460	95,262	(52,802)	11,047
Other	920	887	33	1,300
Total Site, Building and Equipment	477,015	756,073	(279,058)	394,743

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010

	Year Ended June 30			2009
	2010			
	<u>Budget</u>	<u>Actual</u>	<u>Better/(Worse) Than Budget</u>	<u>Actual</u>
<u>Expenditures - continued</u>				
<u>Fixed Cost Programs</u>				
Interest		1,544	(1,544)	
Property Insurance	15,400	13,962	1,438	14,008
Total Fixed Cost Programs	15,400	15,506	(106)	14,008
Total Expenditures	2,417,617	2,618,478	(200,861)	2,393,991
Excess Revenues (Expenditures)	(257,022)	(341,455)	(84,433)	(81,513)
<u>Other Financing Sources (Uses)</u>				
Sale of Equipment		10,809	10,809	
Total Other Financing Sources (Uses)		10,809	10,809	
Excess Revenues and Other Financing Sources Over Expenditures and Other Uses	<u>(257,022)</u>	(330,646)	<u>(73,624)</u>	(81,513)
Fund Balance-July 1		735,576		817,089
Fund Balance-June 30		<u>404,930</u>		<u>735,576</u>

ALL SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010

	Food	Community	Total	
	Service	Service	(Memo Only)	
<u>Assets</u>			<u>2010</u>	<u>2009</u>
Cash and Investments	6,096	38,433	44,529	48,347
Current Property Taxes Receivable		8,676	8,676	7,422
Delinquent Property Taxes Receivable		424	424	467
Accounts Receivable				33
Due from Other Minnesota Districts		120	120	4,623
Due from Department of Education	220	3,920	4,140	1,523
Inventory	2,520		2,520	1,196
Total Assets	<u>8,836</u>	<u>51,573</u>	<u>60,409</u>	<u>63,611</u>
 <u>Liabilities and Fund Equity</u>				
<u>Liabilities</u>				
Accounts Payable	193	306	499	427
Salaries Payable	5,400	667	6,067	8,984
Due to Other Minnesota Districts		5,244	5,244	8,462
Deferred Revenue - Other		1,300	1,300	5,787
Deferred Revenue - Delinquent Taxes		424	424	467
Property Taxes Levied for Subsequent				
Years Expenditures		18,061	18,061	15,675
Total Liabilities	<u>5,593</u>	<u>26,002</u>	<u>31,595</u>	<u>39,802</u>
 <u>Fund Equity</u>				
Fund Balance-Reserved		26,144	26,144	8,490
Fund Balance-Unreserved	3,243	(573)	2,670	15,319
Total Fund Equity	<u>3,243</u>	<u>25,571</u>	<u>28,814</u>	<u>23,809</u>
Total Liabilities and Fund Equity	<u>8,836</u>	<u>51,573</u>	<u>60,409</u>	<u>63,611</u>

SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010

	Food	Community	Total	
	Service	Service	(Memo Only)	
<u>Revenues</u>			<u>2010</u>	<u>2009</u>
Local Property Tax Levy		19,084	19,084	10,549
Other Local and County Revenues	16	9,116	9,132	10,165
Revenue from State Sources	4,110	14,521	18,631	20,507
Revenue from Federal Sources	27,349		27,349	32,040
Other	49,903		49,903	50,682
Total Revenues	<u>81,378</u>	<u>42,721</u>	<u>124,099</u>	<u>123,943</u>
 <u>Expenditures</u>				
Community Education and Services		25,281	25,281	33,595
Pupil Support Services	93,813		93,813	91,781
Total Expenditures	<u>93,813</u>	<u>25,281</u>	<u>119,094</u>	<u>125,376</u>
 Excess Revenues (Expenditures)	(12,435)	17,440	5,005	(1,433)
Fund Balance-July 1	<u>15,678</u>	<u>8,131</u>	<u>23,809</u>	<u>25,242</u>
Fund Balance-June 30	<u><u>3,243</u></u>	<u><u>25,571</u></u>	<u><u>28,814</u></u>	<u><u>23,809</u></u>

FOOD SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010

	Year Ended June 30			2009
	2010		Better/(Worse)	
<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>	<u>Than Budget</u>	<u>Actual</u>
<u>Other Local and County Revenues</u>				
Interest Income	280	16	(264)	285
Total Local and County Revenues	280	16	(264)	285
<u>Revenue From State Sources</u>				
State Lunch Reimbursement	2,650	2,433	(217)	2,482
Other State Aid	2,800	1,677	(1,123)	2,790
Total Revenue from State Sources	5,450	4,110	(1,340)	5,272
<u>Revenue From Federal Sources</u>				
Federal Lunch Reimbursement	21,275	19,938	(1,337)	21,143
Federal Breakfast Reimbursement	5,350	3,184	(2,166)	5,356
Commodities	4,500	4,227	(273)	5,541
Total Revenue From Federal Sources	31,125	27,349	(3,776)	32,040
<u>Sales and Other Conversion of Assets</u>				
Sale of Lunches	50,225	49,903	(322)	50,682
Total Revenues	87,080	81,378	(5,702)	88,279
<u>Expenditures</u>				
<u>Pupil Support Services</u>				
Salaries	34,118	33,252	866	32,924
Food	32,300	33,020	(720)	31,253
Commodities	4,532	4,227	305	5,541
Fixed Charges	20,495	18,677	1,818	15,656
Repair and Maintenance Service	500		500	2,066
Utilities and Fuel	1,600		1,600	2,231
Other	635	710	(75)	604
General Supplies	1,600	3,927	(2,327)	1,506
Total Expenditures	95,780	93,813	1,967	91,781
Excess Revenues (Expenditures)	(8,700)	(12,435)	(3,735)	(3,502)
Fund Balance-July 1		15,678		19,180
Fund Balance-June 30		3,243		15,678

COMMUNITY SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010

	Year Ended June 30			
	2010			2009
	Budget	Actual	Better/(Worse) Than Budget	Actual
<u>Revenues</u>				
<u>Local Property Tax Levy</u>				
Local Tax Levy	17,689	19,084	1,395	10,549
<u>Other Local and County Revenues</u>				
Fees from Patrons	4,625	8,908	4,283	9,442
Interest Income	375	38	(337)	289
Other		170	170	149
Total Other Local and County Revenues	5,000	9,116	4,116	9,880
<u>Revenue From State Sources</u>				
Other State Aids	16,299	14,521	(1,778)	15,235
Total Revenues	38,988	42,721	3,733	35,664
<u>Expenditures</u>				
<u>Community Education and Services</u>				
Salaries	9,400	5,074	4,326	11,088
Fixed Charges	1,236	627	609	1,069
Supplies	900	1,493	(593)	1,492
Other	5,915	5,005	910	4,268
Equipment	500	168	332	
Pairing/Sharing Chargebacks	13,913	12,914	999	15,678
Total Expenditures	31,864	25,281	6,583	33,595
Excess Revenues (Expenditures)	7,124	17,440	10,316	2,069
Fund Balance-July 1		8,131		6,062
Fund Balance-June 30		25,571		8,131

CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010

	Year Ended June 30			2009
	2010		Better/(Worse)	
<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>	<u>Than Budget</u>	<u>Actual</u>
<u>Other Local and County Revenues</u>				
Interest Income		16,383	16,383	292,022
Total Revenues	-0-	16,383	16,383	292,022
 <u>Expenditures</u>				
<u>Site, Building and Equipment</u>				
Building Improvement	7,264,769	8,118,028	(853,259)	1,597,892
Equipment Purchased		117,174	(117,174)	
Professional Services				70,000
Total Expenditures	<u>7,264,769</u>	<u>8,235,202</u>	<u>(970,433)</u>	<u>1,667,892</u>
 Excess Revenues (Expenditures)	<u>(7,264,769)</u>	(8,218,819)	<u>(954,050)</u>	(1,375,870)
 Fund Balance-July 1		8,218,819		9,594,689
Fund Balance-June 30		<u>-0-</u>		<u>8,218,819</u>

DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Year Ended June 30</u>			
	<u>2010</u>			<u>2009</u>
<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>	<u>Better/(Worse) Than Budget</u>	<u>Actual</u>
<u>Local Property Tax Levy</u>				
Local Tax Levy	595,565	595,210	(355)	
<u>Other Local and County Revenues</u>				
Interest Income		187	187	
Misc. Local Taxes		6,957	6,957	
Total Other Local and County Revenues	-0-	7,144	7,144	-0-
<u>Revenue From State Sources</u>				
Other State Aids	58,662	58,773	111	
Total Revenues	654,227	661,127	6,900	-0-
<u>Expenditures</u>				
Bond Principal	235,000	235,000		
Bond Interest	388,073	388,073		293,210
Other Bond Expenses		450	(450)	450
Total Expenditures	623,073	623,523	(450)	293,660
Excess Revenues (Expenditures)	31,154	37,604	6,450	(293,660)
Fund Balance-July 1		(450)		293,210
Fund Balance-June 30		37,154		(450)

UNIFORM FINANCIAL ACCOUNTING & REPORTING STANDARDS
COMPLIANCE TABLE
FOR THE YEAR ENDED JUNE 30, 2010

<u>01 GENERAL FUND</u>	<u>General</u>
Total Revenues	<u>2,286,762</u>
Total Expenditures	<u>2,617,408</u>
Reserved:	
4.03 Staff Development	-0-
4.05 Deferred Maintenance	4,316
4.06 Health and Safety	(218,610)
4.11 Severance	206,170
4.24 Operating Capital	102,791
4.27 Disabled Accessibility	-0-
4.28 Learning and Development	916
4.38 Gifted and Talented	572
4.41 Basic Skills	2,416
4.45 Career and Technical Programs	-0-
4.49 Safe Schools	(24,264)
Unreserved:	
4.22 Unreserved	330,623
<u>02 FOOD SERVICE</u>	
Total Revenues	<u>81,378</u>
Total Expenditures	<u>93,813</u>
Unreserved:	
4.22 Unreserved	3,243
<u>04 COMMUNITY SERVICE</u>	
Total Revenues	<u>42,721</u>
Total Expenditures	<u>25,281</u>
Reserved:	
4.31 Community Education	11,071
4.32 Early Child & Family Education	17,893
4.44 School Readiness	(2,820)
Unreserved:	
4.22 Unreserved	(573)
<u>06 CAPITAL PROJECTS</u>	
Total Revenues	<u>16,383</u>
Total Expenditures	<u>8,235,202</u>
Unreserved:	
4.22 Unreserved	-0-
<u>07 DEBT SERVICE</u>	
Total Revenues	<u>661,127</u>
Total Expenditures	<u>623,523</u>
Unreserved:	
4.22 Unreserved	37,154
<u>08 TRUST AND AGENCY</u>	
Total Revenues	<u>26</u>
Total Expenditures	<u>200</u>
Unreserved:	
4.22 Unreserved	4,902

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SUMMARY OF CHANGES IN FUND BALANCE
FOR THE PERIOD OF JUNE 30, 1996 TO JUNE 30, 2010

	<u>General Fund</u>		<u>Food Service Fund</u>	<u>Transportation Fund</u>	
	<u>Reserved</u>	<u>Unreserved</u>		<u>Reserved</u>	<u>Unreserved</u>
Fund Balance June 30, 1996	34,956	242,236	(13,591)	145,058	(12,794)
Revenues and Transfers	607,155	1,775,452	83,662	-0-	-0-
Expenditures and Transfers	<u>307,171</u>	<u>1,699,118</u>	<u>84,696</u>	<u>145,058</u>	<u>(12,794)</u>
Fund Balance June 30, 1997	334,940	318,570	(14,625)	-0-	-0-
Revenues and Transfers	306,721	1,594,869	117,397		
Expenditures and Transfers	<u>254,376</u>	<u>1,764,328</u>	<u>103,549</u>		
Fund Balance June 30, 1998	387,285	149,111	(777)	-0-	-0-
Revenues and Transfers	215,213	1,819,700	98,616		
Expenditures and Transfers	<u>255,937</u>	<u>1,628,809</u>	<u>97,136</u>		
Fund Balance June 30, 1999	346,561	340,002	703	-0-	-0-
Revenues and Transfers	520,224	1,507,795	88,427		
Expenditures and Transfers	<u>328,635</u>	<u>1,494,347</u>	<u>97,451</u>		
Fund Balance June 30, 2000	538,150	353,450	(8,321)	-0-	-0-
Revenues and Transfers	322,138	1,535,286	94,788		
Expenditures and Transfers	<u>276,491</u>	<u>1,601,353</u>	<u>100,356</u>		
Fund Balance June 30, 2001	583,797	287,383	(13,889)	-0-	-0-
Revenues and Transfers	211,960	1,624,045	105,936		
Expenditures and Transfers	<u>314,464</u>	<u>1,610,428</u>	<u>83,859</u>		
Fund Balance June 30, 2002	481,293	301,000	8,188	-0-	-0-
Revenues and Transfers	340,195	1,709,842	88,924		
Expenditures and Transfers	<u>392,319</u>	<u>1,565,241</u>	<u>71,341</u>		
Fund Balance June 30, 2003	429,169	445,601	25,771	-0-	-0-
Revenues and Transfers	179,666	1,638,609	88,400		
Expenditures and Transfers	<u>230,741</u>	<u>1,491,397</u>	<u>85,725</u>		
Fund Balance June 30, 2004	378,094	592,813	28,446	-0-	-0-
Revenues and Transfers	396,203	1,448,838	77,897		
Expenditures and Transfers	<u>111,410</u>	<u>1,776,243</u>	<u>86,603</u>		
Fund Balance June 30, 2005	662,887	265,408	19,740	-0-	-0-
Revenues and Transfers	149,158	1,698,685	86,614		
Expenditures and Transfers	<u>152,445</u>	<u>1,816,494</u>	<u>89,946</u>		
Fund Balance June 30, 2006	659,600	147,599	16,408	-0-	-0-
Revenues and Transfers	139,163	1,380,087	91,770		
Expenditures and Transfers	<u>172,370</u>	<u>1,527,294</u>	<u>87,698</u>		
Fund Balance June 30, 2007	626,393	392	20,480	-0-	-0-
Revenues and Transfers	261,223	1,967,212	88,481		
Expenditures and Transfers	<u>236,510</u>	<u>1,801,621</u>	<u>89,781</u>		
Fund Balance June 30, 2008	651,106	165,983	19,180	-0-	-0-
Revenues and Transfers	355,331	1,957,147	88,279		
Expenditures and Transfers	<u>437,089</u>	<u>1,956,902</u>	<u>91,781</u>		
Fund Balance June 30, 2009	569,348	166,228	15,678	-0-	-0-
Revenues and Transfers	192,813	2,095,019	81,378		
Expenditures and Transfers	<u>894,024</u>	<u>1,724,454</u>	<u>93,813</u>		
Fund Balance June 30, 2010	<u>(131,863)</u>	<u>536,793</u>	<u>3,243</u>	<u>-0-</u>	<u>-0-</u>

Community Service Fund		Capital Expenditure	Capital Projects	Debt Service	Trust & Agency	Total
Reserved	Unreserved	Reserved	Fund	Fund	Fund	All Funds
96,127	7,854	324,348	-0-	-0-	-0-	824,194
43,805	2,561	-0-				2,512,635
37,529	3,296	324,348				2,588,422
102,403	7,119	-0-	-0-	-0-	-0-	748,407
48,929	2,553					2,070,469
41,223	5,663					2,169,139
110,109	4,009	-0-	-0-	-0-	-0-	649,737
52,962	3,446					2,189,937
53,710	5,299					2,040,891
109,361	2,156	-0-	-0-	-0-	-0-	798,783
47,588	3,206					2,167,240
56,084	15,775					1,992,292
100,865	(10,413)	-0-	-0-	-0-	-0-	973,731
55,587	3,077					2,010,876
52,018	14,048					2,044,266
104,434	(21,384)	-0-	-0-	-0-	-0-	940,341
57,909	-0-					1,999,850
75,100	(7,619)					2,076,232
87,243	(13,765)	-0-	-0-	-0-	-0-	863,959
30,372	51					2,169,384
46,029	52					2,074,982
71,586	(13,766)	-0-	-0-	-0-	-0-	958,361
31,325	-0-				5,053	1,943,053
56,942	-0-					1,864,805
45,969	(13,766)	-0-	-0-	-0-	5,053	1,036,609
41,180	13,798				3,218	1,981,134
64,243	32				1,700	2,040,231
22,906	-0-	-0-	-0-	-0-	6,571	977,512
24,909					1,149	1,960,515
39,969					1,700	2,100,554
7,846	-0-	-0-	-0-	-0-	6,020	837,473
28,427	540				801	1,640,788
32,929					1,150	1,821,441
3,344	540	-0-	-0-	-0-	5,671	656,820
34,559	(540)		9,997,316	293,210	215	12,641,676
31,841			402,627		700	2,563,080
6,062	-0-	-0-	9,594,689	293,210	5,186	10,735,416
35,664			292,022	-0-	90	2,728,533
33,236	359		1,667,892	293,660	200	4,481,119
8,490	(359)	-0-	8,218,819	(450)	5,076	8,982,830
44,582	(1,861)		16,383	661,127	26	3,089,467
26,928	(1,647)		8,235,202	623,523	200	11,596,497
26,144	(573)	-0-	-0-	37,154	4,902	475,800

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

To The Board of Education
Independent School District No. 403
Ivanhoe, Minnesota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No. 403, Ivanhoe, Minnesota, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 5, 2010. 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 Financial Reporting

In planning and performing our audit, we considered the Independent School District No. 403, Ivanhoe, Minnesota'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 Independent School District No. 403, Ivanhoe, Minnesota's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Independent School District No. 403, Ivanhoe, Minnesota's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Recommendations that we consider to be material weaknesses in internal control over financial reporting (2010-I, 2010-II, 2010-III).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Independent School District No. 403, Ivanhoe, Minnesota's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. Sec. 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 Governments* covers seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, uniform financial accounting and reporting standards for school districts, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, the Independent School District No. 403, Ivanhoe, Minnesota has complied with the material terms and conditions of applicable legal provisions.

We noted certain matters that we reported to management of Independent School District No. 403 in a separate letter dated October 5, 2010.

The Independent School District No. 403, Ivanhoe, Minnesota's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. We did not audit Independent School District No. 403, Ivanhoe, Minnesota's response and, accordingly, we express no opinion on it.

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


Meulebroeck, Taubert & Co., PLLP
Certified Public Accountants

October 5, 2010

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INDEPENDENT AUDITOR'S REPORT ON THE
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
OF THE STUDENT ACTIVITY FUND


To the Board of Education
Independent School District No. 403
Ivanhoe, Minnesota

We have audited the statement of cash receipts and disbursements of the student activity fund of Independent School District No. 403, Ivanhoe, Minnesota for the year ended June 30, 2010. This financial statement is the responsibility of the District's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

The student activity account of Independent School District No. 403, Ivanhoe, Minnesota prepares its statement of cash receipts and disbursements on the cash basis which is a comprehensive basis of accounting other than the accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash transactions of the District's student activity account for the year ended June 30, 2009, and the cash balance at that date.



Meulebroeck, Taubert & Co., PLLP
Certified Public Accountants

October 5, 2010

STUDENT ACTIVITY FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

<u>Organization</u>	<u>07-01-09</u>	<u>2009-10</u>	<u>2009-10</u>	<u>06-30-10</u>
	<u>Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u>
Jr. Class	7,681	17,633	18,366	6,948
Cheerleaders		272	204	68
"L" Club Golf	187	3,245	3,402	30
"L" Club	1,743	4,369	2,887	3,225
"L" Club VB		405		405
"L" Club GBB	175	2,592	2,767	
"L" Club Baseball		225		225
"L" Club BBB	244			244
General	5	690	661	34
Music	4,280	13,355	10,719	6,917
Art Club	6	7,118	4,398	2,726
SADD		200		200
Spanish	3,329	86	341	3,074
FFA	6,090	11,161	12,208	5,043
JO Volleyball	1,177		57	1,120
Total	<u>24,917</u>	<u>61,352</u>	<u>56,009</u>	<u>30,260</u>

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH LAWS AND REGULATIONS APPLICABLE TO THE
STUDENT ACTIVITY FUND

To the Board of Education
Independent School District No. 403
Ivanhoe, Minnesota

We have audited the statement of cash receipts and disbursements of the student activity fund of Independent School District No. 403, Ivanhoe, Minnesota for the year ended June 30, 2010, and have issued our report thereon dated October 5, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Manual For Activity Fund Accounting (MAFA) issued by the Minnesota Department of Children, Families, and Learning, pursuant to Minnesota Statutes Section 123.38.

The Manual For Activity Fund Accounting provides uniform financial accounting and reporting standards for student activities. Compliance with the manual 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.

The results of our tests indicate that for the items tested, the District has complied with the material terms and conditions of applicable legal provisions. Further, for the items not tested, based on our audit and the procedures referred to above, nothing came to our attention to indicate that the District had not complied with such legal provisions.

This report is intended solely for the information and use of the Board of Education, management and students of Independent School District No. 403, Ivanhoe, Minnesota and is not intended to be and should not be used by anyone other than these specified parties.

Meulebroeck, Taubert & Co., PLLP

Meulebroeck, Taubert & Co., PLLP
Certified Public Accountants

October 5, 2010

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2010

I. Financial Statement Audit-Internal Controls

Previously Reported Items Not Resolved

2010-I Lack of Segregation of Duties

Due to the limited number of office personnel within the accounting department, proper segregation of the accounting functions necessary to ensure adequate internal accounting control in the areas of bank reconciliation, receipts, disbursements, payroll, journal entries and budgets are not possible. Although this is not unusual in small office situations, management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal control point of view.

The District has implemented internal control procedures which utilize the existing staff to provide for segregation of duties in accounting functions whenever possible.

We recommend that the District's management be aware of the lack of segregation of the accounting functions and, if possible, implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff.

Corrective Action Plan (CAP)

Evaluation of disagreement with audit findings:

There is no disagreement with the audit findings.

Actions planned in response to the finding:

Because it is economically infeasible to hire additional staff to adequately provide for the proper segregation of duties, the district implemented internal control procedures that will address the areas of segregation the district is lacking, including bank reconciliation's, receipts, disbursements, payroll, journal entries, and budget. The procedures will utilize staff and board members to the extent possible.

Official responsible for Ensuring CAP:

The District's Superintendent in conjunction with the Business Manager is the official responsible for ensuring corrective action.

Planned completion date for CAP:

November 30, 2010

Plan to monitor completion of CAP:

The Superintendent and Board of Education will monitor the internal control system.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2010

I. Financial Statement Audit-Internal Controls-continued
Previously Reported Items Not Resolved-continued
2010-II GAAP Financial Statements

District personnel that lack the necessary expertise are responsible for financial statements required to be prepared in accordance with generally accepted accounting principles.

Corrective Action Plan (CAP):

Evaluation of disagreement with audit findings:

There is no disagreement with the audit findings.

Actions planned in response to the finding:

The District will continue to have the auditor prepare the financial statements; however, the district has established an internal control policy to document the annual review of the financial statements, disclosures and schedules.

Official Responsible for Ensuring CAP:

The District's Superintendent in conjunction with the Business Manager is the official responsible for ensuring corrective action.

Planned Completion Date for CAP:

November 30, 2010

Plan to Monitor Completion of CAP:

The Superintendent and Board of Education will monitor the internal control system to ensure it is functioning as the internal control policy states.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2010

II. Financial Statement Audit—Internal Controls – continued

Items Arising this Year:

2010-III Audit Adjustments

During our audit, we proposed adjustments that resulted in significant changes to the District's financial statements.

Corrective Action Plan (CAP):

Evaluation of disagreement with audit findings:

There is no disagreement with the audit findings.

Actions planned in response to the finding:

Proposed audit adjustments will be reviewed and approved by the appropriate staff and approved adjustments will be posted and reflected in the financial statements.

Official Responsible for Ensuring CAP:

The Business Manager is responsible for ensuring corrective action.

Planned Completion Date for CAP:

November 30, 2010

Plan to Monitor Completion of CAP:

The Superintendent and Board of Education will review their procedures to ensure accuracy.

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE
CONCLUSION OF AUDIT

October 5, 2010

To the Board of Education and Superintendent
of Independent School District No. 403
Ivanhoe, Minnesota 56142

We have audited the financial statements of the governmental activities and each major fund of Independent School District No. 403, Ivanhoe, Minnesota, for the year ended June 30, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 28, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Independent School District No. 403 are described in Note 1 to the financial statements. As described in Note 11 to the financial statements, the District adopted Statement of Governmental Accounting Standards (GASB Statement) No. 45, *Accounting and Financial Reporting for Employers for Postemployment Benefits other than Pensions* in the year ended June 30, 2010. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 District's financial statements were:

Management's estimate of the General Ed Aid and Special Ed Aid receivables are based on the MN Department of Education's reports as of the date of the financial statements. These reports are often adjusted by the state after that date. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional statements require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, some of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. The material misstatements mainly deal with setting up the fiscal year end receivables and payables.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 5, 2010.

Management 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 governmental unit'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.

Other Audit Findings or Issues

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 governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Board of Education and management of the Independent School District No. 403 and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Meulebroeck, Taubert & Co., PLLP
Certified Public Accountant