

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION**

**YEAR ENDED JUNE 30, 2009**



**GLENCOE-SILVER LAKE PUBLIC SCHOOL  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
TABLE OF CONTENTS  
JUNE 30, 2009**

**INTRODUCTORY SECTION**

BOARD OF EDUCATION AND ADMINISTRATION	1
---------------------------------------	---

**FINANCIAL SECTION**

INDEPENDENT AUDITORS' REPORT	2
------------------------------	---

**REQUIRED SUPPLEMENTARY INFORMATION**

MANAGEMENT'S DISCUSSION AND ANALYSIS	4
--------------------------------------	---

**BASIC FINANCIAL STATEMENTS**

STATEMENT OF NET ASSETS	18
-------------------------	----

STATEMENT OF ACTIVITIES	19
-------------------------	----

BALANCE SHEET – GOVERNMENTAL FUNDS	21
------------------------------------	----

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS – GOVERNMENTAL FUNDS	23
--	----

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – GOVERNMENTAL FUNDS	24
---	----

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES	26
---	----

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND	27
---	----

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – FOOD SERVICE FUND	28
--	----

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – COMMUNITY SERVICE FUND	29
---	----

NOTES TO BASIC FINANCIAL STATEMENTS	30
-------------------------------------	----

**REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFIT PLAN	50
--	----

**SUPPLEMENTAL INFORMATION**

**GENERAL FUND**

BALANCE SHEET	51
---------------	----

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL	52
---	----

**FOOD SERVICE SPECIAL REVENUE FUND**

BALANCE SHEET	55
---------------	----

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL	56
---	----



**GLENCOE-SILVER LAKE PUBLIC SCHOOL  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
TABLE OF CONTENTS  
JUNE 30, 2009**

<b>COMMUNITY SERVICE SPECIAL REVENUE FUND</b>	
<b>BALANCE SHEET</b>	<b>57</b>
<b>SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE         – BUDGET AND ACTUAL</b>	<b>58</b>
<b>SINGLE AUDIT AND OTHER REQUIRED REPORTS</b>	
<b>REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON         COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL         STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING         STANDARDS</i></b>	<b>59</b>
<b>REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR         PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE         WITH OMB CIRCULAR A-133</b>	<b>61</b>
<b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	<b>63</b>
<b>NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	<b>64</b>
<b>REPORT ON MINNESOTA LEGAL COMPLIANCE</b>	<b>65</b>
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	<b>66</b>
<b>SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS</b>	<b>70</b>
<b>UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS         COMPLIANCE TABLE (UNAUDITED)</b>	<b>71</b>
<b>EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS</b>	
<b>INDEPENDENT AUDITORS' REPORT</b>	<b>72</b>
<b>STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS</b>	<b>73</b>
<b>NOTES TO FINANCIAL STATEMENT</b>	<b>75</b>
<b>REPORT ON COMPLIANCE</b>	<b>76</b>
<b>SCHEDULE OF FINDINGS</b>	<b>77</b>



## **INTRODUCTORY SECTION**







(This page intentionally left blank)

## **FINANCIAL SECTION**

(This page intentionally left blank)



CPAs, Consultants & Advisors  
www.larsonallen.com

## INDEPENDENT AUDITORS' REPORT

Board of Education  
Independent School District No. 2859  
Glencoe, Minnesota

We have audited the accompanying financial statements of the governmental activities and each major fund of Independent School District No. 2859, as of and for the year ended June 30, 2009, 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 data has been derived from the Independent School District No. 2859's 2008 financial statements and, in our report dated September 29, 2008, 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 basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Independent School District No. 2859, as of June 30, 2009, and the respective changes in financial position and budgetary comparison for the General Fund, Food Service Fund, and Community Service Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the notes to the financial statements, Independent School District No. 861 adopted the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as of and for the year ended June 30, 2009. This statement results in the District reporting a liability for postemployment benefits other than pensions that the District provides to its employees and retirees.



(2)  
LarsonAllen LLP is a member of Nexia International,  
a worldwide network of independent accounting and consulting firms.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2009, on our consideration of Independent School District No. 2859'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 and the schedule of funding progress for postemployment benefit plan as listed in the table of contents are not required parts of the basic financial statements but are 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 Independent School District No. 2859's basic financial statements. The supplemental information section and schedule of expenditure of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental information section and schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material aspects in relation to the basic financial statements taken as a whole. The accompanying Uniform Financial Accounting and Reporting Standards Compliance Table (Unaudited) is not a required part of the basic financial statements of the District. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

*Larson Allen LLP*  
LarsonAllen LLP

Austin, Minnesota  
October 3, 2009

## **REQUIRED SUPPLEMENTARY INFORMATION**

(This page intentionally left blank)



**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2009**

This section of Glencoe-Silver Lake Public Schools – Independent School District No. 2859's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2009. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2008-2009 fiscal years include the following:

- The District has been able to increase the general fund balance beyond the fund balance policy.
- Enrollment increased 0.86% over 2008.
- Combined net assets increased 16.22 percent over the prior year or \$1,295,225.
- Total general fund revenues in the Statement of Revenues and Expenditures for Governmental Funds surpassed expenditures by \$1,397,675.
- Total general fund expenses increased by 4.5%.
- The general fund balance increased to \$4,863,198 compared to \$3,461,796 at June 30, 2008.
- Reserved accounts were increased for staff development and operating capital.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the district-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.

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

### **District-Wide Statements**

The district-wide statements 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.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2009**

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

**District-Wide Statements (Continued)**

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 – are one way to measure the District's financial health or *position*.

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

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

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

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's *funds* – focusing on its most significant or “major” funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

The District has one kind of fund:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2009**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Assets**

The District's *combined* net assets were \$9,280,296. This was a 16.22% increase from the prior year. (See Table A-1.)

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

	<b>Governmental Activities</b>		<b>Percentage Change</b>
	<b>2009</b>	<b>2008</b>	
Current and Other Assets	\$ 7,961,977	\$ 7,856,457	1.34%
Capital and Non-Current Assets	4,952,317	5,125,054	-3.37%
<b>Total Assets</b>	<b>12,914,294</b>	<b>12,981,511</b>	<b>-0.52%</b>
Current Liabilities	2,994,508	4,444,032	-32.62%
Long-Term Liabilities	639,490	552,408	15.76%
<b>Total Liabilities</b>	<b>3,633,998</b>	<b>4,996,440</b>	<b>-27.27%</b>
<b>Net Assets</b>			
Invested in Capital Assets			
Net of Related Debt	4,894,728	4,950,268	-1.12%
Restricted	993,647	688,769	44.26%
Unrestricted	3,391,921	2,346,034	44.58%
<b>Total Net Assets</b>	<b>\$ 9,280,296</b>	<b>\$ 7,985,071</b>	<b>16.22%</b>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2009**

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

**Changes in Net Assets**

The District's total revenues were \$16,053,311 for the year ended June 30, 2009. Property taxes and state formula aid accounted for 73 percent of total revenues for the year (see Figure A-1 on the next page). The remaining 27 percent came from other general revenues combined with investment earnings and program revenues.

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

	<b>Governmental Activities for the Fiscal Year Ended June 30,</b>		<b>Total %</b>
	<b>2009</b>	<b>2008</b>	<b>Change</b>
<b>Revenues</b>			
<u>Program Revenues</u>			
Charges for Services	\$ 1,179,723	\$ 1,080,682	9.16%
Operating Grants and Contributions	2,561,158	2,834,129	-9.63%
Capital Grants and Contributions	172,906	216,002	-19.95%
<u>General Revenues</u>			
Property Taxes	1,719,601	1,490,898	15.34%
Unrestricted State Aid	10,274,339	9,705,314	5.86%
Investment Earnings	104,012	182,502	-43.01%
Other	41,572	479,397	-91.33%
Total Revenues	16,053,311	15,988,924	
<b>Expenses</b>			
Administration	650,341	607,296	7.09%
District Support Services	365,581	398,233	-8.20%
Regular Instruction	6,767,865	6,446,917	4.98%
Vocational Education Instruction	145,153	101,123	43.54%
Special Education Instruction	1,788,480	1,762,195	1.49%
Instructional Support Services	857,451	523,741	63.72%
Pupil Support Services	1,152,977	1,190,482	-3.15%
Sites and Buildings	1,474,519	1,454,758	1.36%
Fiscal and Other Fixed Cost Programs	56,336	76,992	-26.83%
Food Service	831,226	846,083	-1.76%
Community Service	648,276	519,896	24.69%
Interest and Fiscal Charges on Long-Term Liabilities	19,881	89,947	-77.90%
Total Expenses	14,758,086	14,017,663	5.28%
<b>Increase in Net Assets</b>	1,295,225	1,971,261	
Beginning Net Assets	7,985,071	6,013,810	
Ending Net Assets	\$ 9,280,296	\$ 7,985,071	

The total cost of all programs and services was \$14,758,086. The District's expenses are predominantly related to educating and caring for students.

Total revenues surpassed expenses, increasing net assets \$1,295,225 over last year.

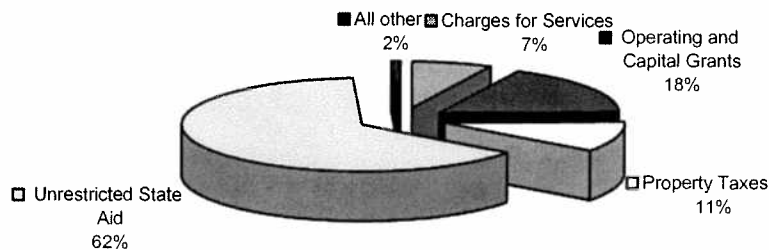
**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2009**

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

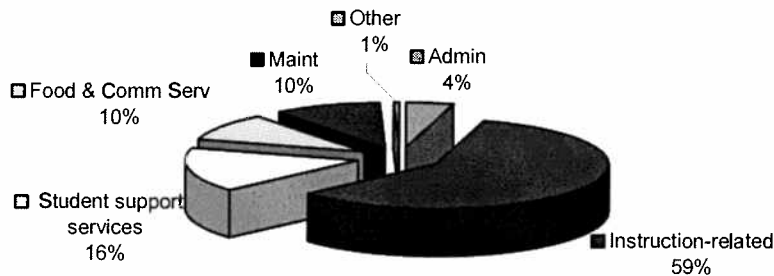
The cost of all *governmental* activities this year was \$14,758,086.

- Some of the cost was paid by the users of the District's programs (\$1,179,723).
- The federal and state governments subsidized certain programs with grants and contributions of \$2,734,064.
- Most of the District's costs \$10,844,299, however, were paid for by District taxpayers and the taxpayers of our state.
- This portion of governmental activities was paid for with \$1,719,601 in property taxes and \$10,274,339 in state aid based on the statewide education aid formula. In addition, the District earned additional revenues of \$145,584 related to investment earnings and other general revenues.

**Figure A-1 Sources of District's Revenues for Fiscal 2009**



**Figure A-2 District Expenses for Fiscal 2009**



**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2009**

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

Table A-3  
Program Costs and Net Cost of Services

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2009	2008		2009	2008	
Administration	\$ 650,341	\$ 607,296	7.09%	\$ 648,210	\$ 606,395	6.90%
District Support Services	365,581	398,233	-8.20%	365,581	398,233	-8.20%
Regular Instruction	6,767,865	6,446,917	4.98%	5,208,124	4,953,584	5.14%
Vocational Education Instruction	145,153	101,123	43.54%	133,038	92,165	44.35%
Special Education Instruction	1,788,480	1,762,195	1.49%	1,073,614	931,036	15.31%
Instructional Support Services	857,451	523,741	63.72%	833,221	523,741	59.09%
Pupil Support Services	1,152,977	1,190,482	-3.15%	1,073,268	1,035,074	3.69%
Sites and Buildings	1,474,519	1,454,758	1.36%	1,274,013	1,160,854	9.75%
Fiscal and Other Fixed						
Cost Programs	56,336	76,992	-26.83%	56,336	(34,276)	-264.36%
Food Service	831,226	846,083	-1.76%	(45,717)	15,110	-402.56%
Community Service	648,276	519,896	24.69%	204,730	114,987	78.05%
Interest and Fiscal Charges on						
Long-Term Liabilities	19,881	89,947	-77.90%	19,881	89,947	-77.90%
<b>Total</b>	<b>\$ 14,758,086</b>	<b>\$ 14,017,663</b>	<b>5.28%</b>	<b>\$ 10,844,299</b>	<b>\$ 9,886,850</b>	<b>9.68%</b>

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a *combined* fund balance of \$4,996,187 significantly improved over last year's ending fund balance of \$3,598,512.

**GENERAL FUND**

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

The following graph shows the average daily membership for the last 8 years.

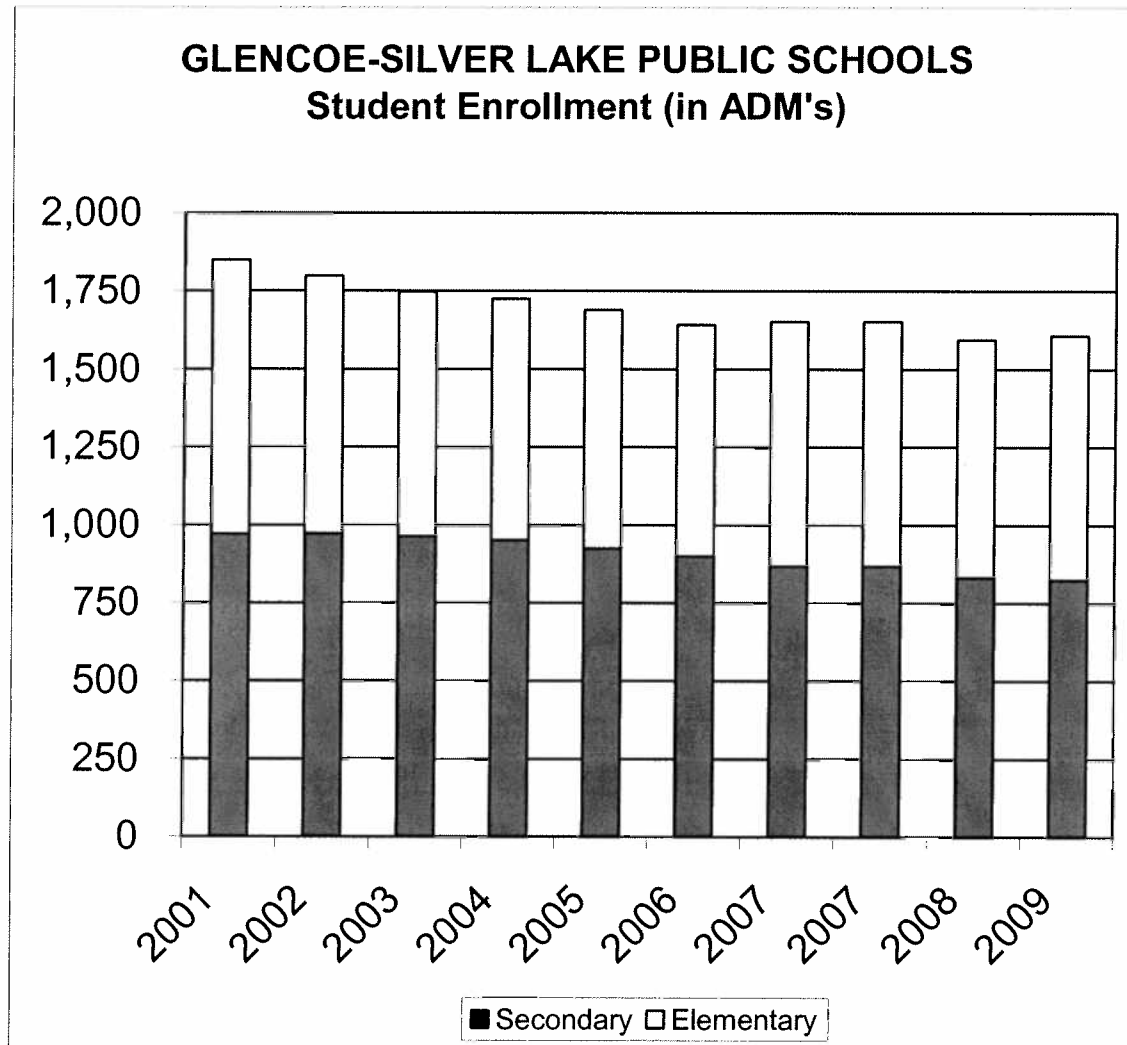
Table A-4  
Student Enrollment (Average Daily Membership)

	2002	2003	2004	2005	2006	2007	2008	2009
Pre-K & KH	23	23	30	29	29	28	22	30
Reg K, Pre-K & KH	105	103	84	94	89	104	100	95
Elementary	697	657	659	641	624	652	640	658
Secondary	973	964	952	925	900	868	832	825
Total Students for Aid	1,798	1,747	1,725	1,689	1,642	1,652	1,594	1,608
Percent change	-2.77%	-2.79%	-1.31%	-2.04%	-2.80%	0.61%	-3.48%	0.86%

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2009**

**GENERAL FUND (CONTINUED)**

**Figure A-5  
Student Enrollment (Average Daily Membership)**



**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2009**

**GENERAL FUND (CONTINUED)**

The following schedule presents a summary of General Fund revenues.

**Table A-5  
General Fund Revenues**

Fund	Year Ended		Change	
	June 30, 2009	June 30, 2008	Increase (Decrease)	Percent
Local Sources				
Property Taxes	\$ 1,608,598	\$ 1,166,506	\$ 442,092	37.9%
Earnings on Investments	101,412	174,044	(72,632)	-41.7%
Other	495,824	706,686	(210,862)	-29.8%
State Sources	11,894,863	11,968,574	(73,711)	-0.6%
Federal Sources	478,104	273,096	205,008	75.1%
Total General Fund Revenue	<u>\$ 14,578,801</u>	<u>\$ 14,288,906</u>	<u>\$ 289,895</u>	2.0%

Revenues from state and federal sources totaled \$12,372,967, a net increase of \$131,297 or 1.1% from the preceding year. Total General Fund revenues increased by \$289,895, or 2.0%, from the previous year. Basic general education revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. Other state-authorized revenue includes excess levy referendum and equity aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change in revenues.

The \$73,711 decrease in state sources for fiscal 2009 is attributable to various areas of state funding categories. The district was not eligible for any state funding for deferred maintenance aid along with changes in special education funding, homestead market value credits and Learning and Development aid. The amount of interest earned decreased by 41.7% due to the state of the economy and investment earnings. The 29.8% (\$210,862) decrease in other funding sources is mainly due to factors pertaining to Microsoft reimbursements to the district.

At June 30, 2007 the District recorded \$139,000 in revenue in third party billing. The Crow River Coop was responsible for this reporting in the past. At June 30, 2008 the District recorded a liability of \$40,000 to the Department of Human Services. The liability occurred because of incorrect rates used in the 2006-2007 school year by Crow River. As long as the District continues to incur third party expenses and submits bills to the Department of Human Services we will be able to spend down our liability. At year end June 30, 2009 the district is still carrying a liability of \$40,000 due to some additional error findings from the Crow River Coop.

The remaining decrease is in correlation to the new state tuition billing process. In the past, districts recorded the anticipated revenue that was due from other districts for services. Those revenues and expenditures are now recognized in the tuition billing system.



**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2009**

**GENERAL FUND (CONTINUED)**

The following schedule presents a summary of General Fund expenditures.

**Table A-6  
General Fund Expenditures  
Year Ended**

	June 30, 2009	June 30, 2008	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries	\$ 7,081,127	\$ 6,759,718	\$ 321,409	4.8%
Employee Benefits	2,051,273	2,056,976	(5,703)	-0.3%
Purchased Services	2,741,991	2,675,614	66,377	2.5%
Supplies and Materials	582,209	492,676	89,533	18.2%
Capital Expenditures	491,490	234,296	257,194	109.8%
Other Expenditures	241,600	408,039	(166,439)	-40.8%
Total Expenditures	<u>\$ 13,189,690</u>	<u>\$ 12,627,319</u>	<u>\$ 562,371</u>	4.5%

Total General Fund expenditures increased \$562,371 or 4.5% from the previous year.

The biggest increase in expenditures came in the area of capital expenditures. A large amount was dedicated to new textbooks in the areas of a new reading curriculum at the Elementary levels and updated curriculum in Math and Algebra at the High School. Additional money was also spent in Technology and in building and facility upgrades. With the positive fund balance the district was finally able to address some badly needed repairs and upgrades.

The total fund balance of the General Fund increased to \$4,863,198 at June 30, 2009 compared to \$3,461,796 at June 30, 2008, and 1,673,218 on June 30, 2007. The finance committee and the school board have worked extremely hard in monitoring the budget and controlling the spending of the school district. In November of 2009 the fund balance policy was revised by the school board. The policy states that the school district will strive to attain and maintain a fund balance of 20-23% of annual General Fund expenditures. The fund balance policy is to be reviewed annually following the audit. The June 30<sup>th</sup>, 2009 ending unreserved/undesignated general fund balance of \$4,082,853 is at 31.0% of annual General Fund expenditures.

**General Fund Budgetary Highlights**

When budget changes are adopted by the Board they fall into one of the following categories:

- Adjusting for changes in pupil enrollment including revenue and potential staff additions.
- Adjustments for utility consumptions and costs
- Implementing budgets for specially funded projects (Health and Safety), and projects which include both federal and state grants, reinstating prior year purchase orders being carried over, and budgeting for clearing, resale, and gifts.
- Special Education

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2009**

**General Fund Budgetary Highlights (Continued)**

During fiscal year 2009, General Fund revenues were over budgeted levels by \$275,719 and General Fund expenditures were below budget by \$602,390. Although many areas showed the effects of the District's conservative spending policies, a few areas made up much of the expenditure fluctuation.

- Sites and buildings purchased services below budget by \$124,945. A higher inflationary estimation was used for fuel and utility costs compared to actual expenditures.
- Special education costs were below budget by \$336,189 due to conservative budgeting. With the change in special education cooperatives, there were variables that were unknown regarding staffing and contracted services, along with the determination of how the federal flow thru funds were going to be recognized with the new cooperative. The placement of special education is consistently an unknown variable when budgeted expenses.
- Finally, salaries and related benefits of \$204,000 which were included in the fiscal and other fixed cost programs budget were conservative estimates that did not occur.

**OTHER MAJOR FUNDS**

**FOOD SERVICE FUND**

The Food Service Fund experienced an increase of \$55,095 leaving the fund balance at \$52,470. The 2008-2009 school year was the first year that the food service program was outsourced to Compass Group, Inc. through its Chartwell's Food Service Division. The fund balance dropped to \$(2,625) at June 30, 2008. When a district contracts for food service, the district is not allowed to go into a deficit fund balance. Because of the lack of cooperation from Taher Foods on June 30, 2008, this negative balance was not cleared up until February of 2009. The district will continue to use Chartwell's to provide for their food service program.

**COMMUNITY SERVICE**

The Community Service Fund fund balance decreased from \$139,341 to \$80,519 at June 30, 2009. From the standpoint of maintaining current operating expenditures within the range of annual revenues, the Community Service Fund continues to operate on a sound financial basis. Because the district did not sufficiently spend down the high fund balance, the district did receive a fund balance penalty of \$5,591 in community service and \$1,359 in ECFE. To avoid a future fund balance penalties in Community Education and ECFE, some deficit spending had to occur. Programs in all areas of community service remain strong and enrollment in the ECFE and School Readiness Programs continues to grow. Fund balances will be monitored to ensure that continuing programs will more closely match revenues and expenditures.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2009**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2009, the District had invested \$4,952,317 in a broad range of capital assets, including school buildings, athletic facilities, vehicles; computer and audio-visual equipment (see Table A-7). Total depreciation expense for the year was \$332,945.

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

	<u>2009</u>	<u>2008</u>	<u>Percentage Change</u>
Land	\$ 130,000	\$ 130,000	0.0%
Land Improvements	142,233	133,645	6.4%
Buildings and Improvements	8,964,283	8,964,283	0.0%
Equipment	2,837,122	2,685,502	5.6%
Less: Accumulated Depreciation	<u>(7,121,321)</u>	<u>(6,788,376)</u>	4.9%
<b>Total</b>	<u><u>\$ 4,952,317</u></u>	<u><u>\$ 5,125,054</u></u>	-3.4%

**Long-Term Liabilities**

At year end, the District had \$57,589 in capital leases, as shown in Table A-8. The District also had \$569,874 in severance benefits payable and \$65,156 in other post employment benefits payable at June 30, 2009. (More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.)

The District has paid off all of its outstanding bonds and continues to pay down other long-term debt.

	<u>2009</u>	<u>2008</u>	<u>Percentage Change</u>
Obligations Under Capital Leases	\$ 57,589	\$ 174,786	-67.1%
Other Post Employment Benefits Payable	65,126	-	N/A
Severance Benefits Payable	<u>569,874</u>	<u>581,921</u>	-2.1%
<b>Total</b>	<u><u>\$ 692,589</u></u>	<u><u>\$ 756,707</u></u>	-8.5%
Long-Term Liabilities:			
Due Within One Year	\$ 53,099	\$ 204,299	
Due in More Than One Year	<u>639,490</u>	<u>552,408</u>	
	<u><u>\$ 692,589</u></u>	<u><u>\$ 756,707</u></u>	

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2009**

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

- Minnesota school districts are paid based on pupil units served, a decline or increase in enrollment results in variable revenue that is received for operations. The district enrollment for 2008-2009 increased by .86% at the end of the school year compared to the 2008 year end. The enrollment continues to remain fairly stable and higher than originally anticipated. Enrollment options continue to hurt the district. The district has a net loss of approximately 163 students.
- The largest impact of the district for the 2008-2009 school year and the upcoming years was the joint consolidation effort between the McLeod West School District, the Buffalo-Lake Hector School District and the GFW School District. The consolidation effort consisted of splitting the McLeod West District into 3 sections with a section being assigned to each of the neighboring districts. This consolidation election was held in May of 2009 and was successfully passed in all four districts. The Commissioner of Education assigned all hard and soft assets to the GSL district as well as being assigned the custodian for all fiscal responsibilities. The consolidation was effective July 1, 2009. The GSL School gained 285 resident students which will have a large impact in the operating levy referendum. Students from the McLeod West district will still have the open enrollment option, so the number of new students that will actually attend the district is unknown as of June 30<sup>th</sup>. Because of the increase of property base and resident students the GSL levy will change dramatically beginning with the Pay 2010 levy. The McLeod West District was able to sell bonds for 5 years to pay off their existing debt. This debt obligation will only be paid off by the McLeod West taxpayers and will not be taxed to the GSL residents.
- As part of the consolidation the GSL District inherited the Brownton School Building. The intent of the School Board is to sell the building and surrounding property to the City of Brownton. The GSL School will not utilize the Brownton building for an educational facility.
- Preliminary projections because of the consolidation show that the number of students attending GSL could be as high as 100 additional students with the majority of the students attending grades K-6. With this increase the GSL Board is going to have to start addressing classroom space along with facility issues at Helen Baker. The Helen Baker Elementary is already full and there are no additional classrooms available to use. The Lakeside Elementary has the capability of remodeling a storage area that would include 2 more classrooms.
- Because of the positive fund balance in both unreserved general fund and operating capital a number of building and grounds projects have been completed. The facility committee has been active in addressing the deferred maintenance, health and safety and operating capital plans and outlining the projects to be completed. Having a positive fund balance again has proven to be a very positive reinforcement for the district, the staff and the community.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2009**

**FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)**

- The 2009 Legislative Session was the basis for a two-year funding package that resulted in no new funds for school districts. Because of the Recession and the State budget shortfall, this proved to be an extremely frustrating legislative session. The legislators did not reach an agreement for the K-12 Omnibus Bill, and therefore the Governor did not allow for a special session and used his unallotment authority. The Federal Government enacted the American Recovery and Reinvestment Act or AARA funds. What these funds did is replace the cuts that were made at the State level with Federal dollars. The Governor cut funds to School Districts by 8.6% and districts were then allowed to apply to use the AARA Stabilization Funds to replace what was cut. Seeing a net of zero to their funding level. This will be effective for FY10 only. Districts have to apply for these funds through the Minnesota Department of Education. The Governor also used his unallotment authority to change the State Aid payment schedule from 80/20 to 73/27 effective for both FY10 and FY11. He also changed the property tax shift for FY11. This is part of the unallotment law and not a permanent law change. The aid payment shift will prove to be very difficult for districts to cash flow their expenses and will force more districts to borrow money through an aid anticipation program. At this time GSL will not have to look to borrow any money for the FY10 school year. The AARA funds also affected the areas of Special Education and the Title Programs. The District will see an increase in both of those reserved areas. The details of the AARA funds are still forthcoming for the FY10 school year.

The Governor also removed the mandated 2% reserve for staff development. This will allow districts the flexibility of using those funds to become available as unreserved funds.

- A new contract was negotiated for the 2009-2010 and 2010-2011 fiscal years for Education Minnesota - Glencoe-Silver Lake. The contract settlement was reached on June 30, 2009. The early settlement been a very positive factor for both sides as far as moving forward as a district. The GSL settlement was one of the first in the State to be reported. With the state of the economy and many surrounding districts struggling financially and struggling to reach a settlement we have been very fortunate to have this completed prior to the start of the new school year.
- Contract settlements were finally reached in March of 2009 for the School Services Employees Local 284 whose contract expired on June 30, 2007. The settlement included contracts for 2007-2009 and 2009-2011. The delay in the settlement of the contracts had been due to contract language regarding the sub-contracting of school bus drivers.
- Contract settlements were also completed for all individual contracts including Principals, IT Personal and Nursing. The only unsettled contract was the Superintendents contract which will be completed in September of 2009.
- All contracts were settled within the financial means of the budget.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2009**

**FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)**

- GASB 45 requirements. The new Governmental Accounting Standards Statements 43 and 45 pertains to other post employment benefits (OPEB). Glencoe-Silver Lake Public Schools will have to implement this requirement by June 30, 2009. This GASB includes recognizing the districts liability for benefits on an accrual basis versus a pay as you go format. The Glencoe-Silver Lake Public Schools has completed this process of having an actuarial study completed. This Actuarial Study was completed by Hildi Incorporated. The annual OPEB cost was determined to be \$153,525. This will be addressed with the 2009 FY year audit. The district will then need to decide how to fund this liability. Funding can be completed through a bond levy process, line item budgeting or pay as you go. Or as the liability occurs.
- The 2007-2008 school year was the first year with the Little Crow Special Education. The Crow River Special Education Cooperative dissolved as of June 30, 2007. Little Crow is based out of Willmar and is one of the Service Centers of the Southwest/West Central Cooperative, Region 4 in Marshall. The Little Crow Cooperative also rents space in the Lincoln building to house the Transgression/Progressions Programs for four area districts. The Cooperative will be moving their Transition Program out of the Lincoln building to the Cosmos School District effective June 15<sup>th</sup>, 2009. This will ultimately free up classroom space in the Lincoln building but will force the District to transport the GSL students in those programs to Cosmos. This will increase the Districts Special Education Transportation costs substantially. With all the changes in Special Education, including the state wide tuition billing, this continues to be a difficult area to monitor in the budget
- Glencoe-Silver Lake Public Schools is a very stable district with strong community support. The District provides a full range of public education services for Pre-school through grade 12. Food service and transportation are provided as supporting programs. The district's community education program includes early childhood, school readiness along with adult learning opportunities. The public school also provides some shared time services for the non-public schools in the district. There is currently a K-9 Lutheran School in Glencoe, a K-6 Catholic School in Glencoe and a K-6 Catholic School also in Silver Lake. With the consolidation process complete, Glencoe-Silver Lake now serves the communities of Glencoe, Silver Lake, Plato, New Auburn, Biscay, Sumter and Brownton.
- The consolidation with McLeod West has helped make the Glencoe-Silver Lake School stronger and has helped in stabilizing the enrollment which will aid in future funding and planning for the district. The district has proven to gain financial stability and will be able to focus in educational programs while staying fiscally responsible.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report contact the District Office, Independent School District No. 2859, 1621 East 16<sup>th</sup> Street, Glencoe, MN 55336.

## **BASIC FINANCIAL STATEMENTS**

(This page intentionally left blank)



**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
STATEMENT OF NET ASSETS  
JUNE 30, 2009  
(WITH COMPARATIVE DATA AS OF JUNE 30, 2008)**

	<b>Governmental Activities</b>	
	<b>2009</b>	<b>2008</b>
<b>ASSETS</b>		
Cash and Investments	\$ 5,621,922	\$ 5,674,009
Receivables		
Property Taxes	1,012,044	925,219
Other Governments	1,283,392	1,122,694
Other	24,528	105,622
Prepaid Items	3,418	23,913
Inventories	16,673	5,000
Capital Assets		
Land and Construction in Progress	130,000	130,000
Other Capital Assets, Net of Depreciation	4,822,317	4,995,054
Total Assets	<u>12,914,294</u>	<u>12,981,511</u>
<b>LIABILITIES</b>		
Short-Term Borrowing	-	1,500,000
Salaries and Compensated Absences Payable	955,096	891,212
Accounts and Contracts Payable	257,131	189,749
Accrued Interest	-	50,559
Due to Other Governmental Units	47,386	42,293
Deferred Revenue		
Property Taxes	1,662,246	1,547,653
Local Sources	19,550	18,267
Long-Term Liabilities		
Portion Due Within One Year	53,099	204,299
Portion Due in More Than One Year	639,490	552,408
Total Liabilities	<u>3,633,998</u>	<u>4,996,440</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	4,894,728	4,950,268
Restricted for		
General Fund Operating Capital Purposes	713,740	426,017
General Fund State-Mandated Reserves	146,918	123,411
Food Service	52,470	-
Community Service	80,519	139,341
Unrestricted	<u>3,391,921</u>	<u>2,346,034</u>
Total Net Assets	<u>\$ 9,280,296</u>	<u>\$ 7,985,071</u>

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2008)**

2009

Functions	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Governmental Activities</b>			
Administration	\$ 650,341	\$ 2,131	\$ -
District Support Services	365,581	-	-
Regular Instruction	6,767,865	259,780	1,223,901
Vocational Education Instruction	145,153	1,240	10,875
Special Education Instruction	1,788,480	2,194	712,672
Instructional Support Services	857,451	-	-
Pupil Support Services	1,152,977	641	79,068
Sites and Buildings	1,474,519	129,640	425
Fiscal and Other Fixed Cost Programs	56,336	-	-
Food Service	831,226	496,534	380,409
Community Service	648,276	287,563	153,808
Interest and Fiscal Charges on Long-Term Liabilities	19,881	-	-
Total School District	<u>\$ 14,758,086</u>	<u>\$ 1,179,723</u>	<u>\$ 2,561,158</u>

**General Revenues**

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

See accompanying Notes to Basic Financial Statements.

		2008
	Net (Expense) Revenue and Changes in Net Assets	Net (Expense) Revenue and Changes in Net Assets
Capital Grants and Contributions	Total Governmental Activities	Total Governmental Activities
\$ -	\$ (648,210)	\$ (606,395)
-	(365,581)	(398,233)
76,060	(5,208,124)	(4,953,584)
-	(133,038)	(92,165)
-	(1,073,614)	(931,036)
24,230	(833,221)	(523,741)
-	(1,073,268)	(1,035,074)
70,441	(1,274,013)	(1,160,854)
-	(56,336)	34,276
-	45,717	(15,110)
2,175	(204,730)	(114,987)
-	(19,881)	(89,947)
<u>\$ 172,906</u>	<u>(10,844,299)</u>	<u>(9,886,850)</u>

1,614,460	1,150,079
105,141	107,046
-	233,773
10,274,339	9,705,314
104,012	182,502
-	600
41,572	478,797
<u>12,139,524</u>	<u>11,858,111</u>
1,295,225	1,971,261
7,985,071	6,013,810
<u>\$ 9,280,296</u>	<u>\$ 7,985,071</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009  
(WITH COMPARATIVE DATA AS OF JUNE 30, 2008)**

	Major Funds		
	General	Food Service	Community Service
<b>ASSETS</b>			
Cash and Investments	\$ 5,449,000	\$ 53,797	\$ 119,125
Receivables			
Current Property Taxes	908,746	-	78,917
Delinquent Property Taxes	22,733	-	1,648
Due from Other Minnesota School Districts	161,308	-	-
Due from Minnesota Department of Education	1,083,673	-	16,842
Due from Federal through Minnesota Department of Education	21,569	-	-
Other Receivables	15,409	-	9,119
Prepaid Items	3,176	-	242
Inventory	2,315	14,358	-
Total Assets	<u>\$ 7,667,929</u>	<u>\$ 68,155</u>	<u>\$ 225,893</u>
<b>LIABILITIES AND FUND BALANCE (DEFICIT)</b>			
Liabilities			
Short-Term Borrowing	\$ -	\$ -	\$ -
Salaries and Compensated Absences Payable	505,778	-	-
Payroll Deductions and Employer Contributions Payable	449,318	-	-
Accounts and Contracts Payable	249,460	7,418	253
Due to Other Governmental Units	47,386	-	-
Accrued Interest Payable	-	-	-
Deferred Revenue			
Property Taxes Levied for Subsequent Year	1,524,364	-	137,882
Delinquent Property Taxes	22,733	-	1,648
Local Sources	5,692	8,267	5,591
Total Liabilities	<u>2,804,731</u>	<u>15,685</u>	<u>145,374</u>
Fund Balance (Deficit)			
Reserved for			
Staff Development	88,670	-	-
Deferred Maintenance	-	-	-
Levy Reduction	58,248	-	-
Health and Safety	(80,313)	-	-
Operating Capital	713,740	-	-
Community Education Programs	-	-	14,963
Early Childhood and Family Education Programs	-	-	18,932
School Readiness	-	-	16,657
Unreserved			
Undesignated, Reported In			
General Fund	4,082,853	-	-
Special Revenue Funds	-	52,470	29,967
Total Fund Balance (Deficit)	<u>4,863,198</u>	<u>52,470</u>	<u>80,519</u>
Total Liabilities and Fund Balance (Deficit)	<u>\$ 7,667,929</u>	<u>\$ 68,155</u>	<u>\$ 225,893</u>

See accompanying Notes to Basic Financial Statements.

Total Governmental Funds	
2009	2008
\$ 5,621,922	\$ 5,674,009
987,663	906,913
24,381	18,306
161,308	87,080
1,100,515	994,935
21,569	40,679
24,528	105,622
3,418	23,913
16,673	5,000
<u>\$ 7,961,977</u>	<u>\$ 7,856,457</u>
\$ -	\$ 1,500,000
505,778	461,495
449,318	429,717
257,131	189,749
47,386	42,293
-	50,465
1,662,246	1,547,653
24,381	18,306
19,550	18,267
<u>2,965,790</u>	<u>4,257,945</u>
88,670	22,596
-	42,567
58,248	58,248
(80,313)	(72,152)
713,740	426,017
14,963	65,747
18,932	24,971
16,657	25,764
4,082,853	2,984,520
82,437	20,234
<u>4,996,187</u>	<u>3,598,512</u>
<u>\$ 7,961,977</u>	<u>\$ 7,856,457</u>

(This page intentionally left blank)

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT  
OF NET ASSETS GOVERNMENTAL FUNDS  
JUNE 30, 2009  
(WITH COMPARATIVE DATA AS OF JUNE 30, 2008)**

	<u>2009</u>	<u>2008</u>
<b>Total Fund Balance for Governmental Funds</b>	\$ 4,996,187	\$ 3,598,512
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	130,000	130,000
Land Improvements, Net of Accumulated Depreciation	105,142	103,231
Buildings and Improvements, Net of Accumulated Depreciation	3,953,846	4,120,546
Equipment, Net of Accumulated Depreciation	763,329	771,277
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.		
	24,381	18,306
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
	-	(94)
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets. Balances at year-end are:		
Obligations Under Capital Leases	(57,589)	(174,786)
Severance Benefits Payable	(569,874)	(581,921)
Other Postemployment Benefits Payable	(65,126)	-
<b>Total Net Assets of Governmental Activities</b>	<u>\$ 9,280,296</u>	<u>\$ 7,985,071</u>

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2008)**

	<b>Major Funds</b>		
	<b>General</b>	<b>Food Service</b>	<b>Community Service</b>
<b>REVENUES</b>			
Local Sources			
Property Taxes	\$ 1,608,598	\$ -	\$ 104,928
Earnings on Investments	101,412	-	2,600
Other	495,824	504,871	299,429
State Sources	11,894,863	37,277	171,883
Federal Sources	478,104	334,794	362
Total Revenues	<u>14,578,801</u>	<u>876,942</u>	<u>579,202</u>
<b>EXPENDITURES</b>			
Current			
Administration	616,461	-	-
District Support Services	360,049	-	-
Regular Instruction	6,414,408	-	-
Vocational Education Instruction	136,873	-	-
Special Education Instruction	1,754,880	-	-
Instructional Support Services	595,738	-	-
Pupil Support Services	1,151,115	-	-
Sites and Buildings	1,475,482	-	-
Fiscal and Other Fixed Cost Programs	56,336	-	-
Food Service	-	821,021	-
Community Service	-	-	611,390
Capital Outlay	491,490	826	26,634
Debt Service			
Principal	116,883	-	-
Interest and Fiscal Charges	19,975	-	-
Total Expenditures	<u>13,189,690</u>	<u>821,847</u>	<u>638,024</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	1,389,111	55,095	(58,822)
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of Equipment Proceeds	-	-	-
Judgments for School Districts	12,291	-	-
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>12,291</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	1,401,402	55,095	(58,822)
Fund Balance (Deficit) - Beginning	<u>3,461,796</u>	<u>(2,625)</u>	<u>139,341</u>
Fund Balance - Ending	<u>\$ 4,863,198</u>	<u>\$ 52,470</u>	<u>\$ 80,519</u>

See accompanying Notes to Basic Financial Statements.



Total Governmental Funds	
2009	2008
\$ 1,713,526	\$ 1,491,580
104,012	182,502
1,300,124	1,491,336
12,104,023	12,189,332
813,260	566,113
16,034,945	15,920,863
616,461	592,929
360,049	396,069
6,414,408	6,174,587
136,873	99,180
1,754,880	1,720,427
595,738	441,169
1,151,115	1,167,874
1,475,482	1,380,529
56,336	76,992
821,021	836,704
611,390	521,858
518,950	271,113
116,883	497,397
19,975	94,361
14,649,561	14,271,189
1,385,384	1,649,674
-	600
12,291	68,143
-	58,248
-	(58,248)
12,291	68,743
1,397,675	1,718,417
3,598,512	1,880,095
\$ 4,996,187	\$ 3,598,512

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2008)**

	<u>2009</u>	<u>2008</u>
<b>Net Change in Fund Balance-Total Governmental Funds</b>	<b>\$ 1,397,675</b>	<b>\$ 1,718,417</b>

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$2,500 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlays	160,208	73,111
Gain on Disposal of Capital Assets	-	600
Proceeds from sales of capital assets	-	(600)
Depreciation Expense	(332,945)	(344,894)

Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net assets.

Change in Accrued Interest Expense - Capital Leases	94	1,505
Principal Payments - Capital Leases	117,197	252,397

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of Bond Principal	-	245,000
Change in Accrued Interest Expense - General Obligation Bonds	-	2,909

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

6,075	(682)
-------	-------

In the statement of activities, certain operating expenses - severance benefits and compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

	<u>(53,079)</u>	<u>23,498</u>
<b>Change in Net Assets of Governmental Activities</b>	<b>\$ 1,295,225</b>	<b>\$ 1,971,261</b>

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2009**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Over (Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	
<b>REVENUES</b>				
Local Sources				
Property Taxes	\$ 1,609,475	\$ 1,533,731	\$ 1,608,598	\$ 74,867
Earnings on Investments	100,000	100,000	101,412	1,412
Other	444,250	464,678	495,824	31,146
State Sources	11,863,476	11,798,972	11,894,863	95,891
Federal Sources	422,007	405,701	478,104	72,403
Total Revenues	14,439,208	14,303,082	14,578,801	275,719
<b>EXPENDITURES</b>				
Current				
Administration	619,301	633,501	616,461	(17,040)
District Support Services	398,195	437,266	360,049	(77,217)
Elementary and Secondary				
Regular Instruction	6,168,535	6,217,010	6,414,408	197,398
Vocational Education Instruction	72,694	121,308	136,873	15,565
Special Education Instruction	2,052,386	2,091,069	1,754,880	(336,189)
Instructional Support Services	655,767	662,988	595,738	(67,250)
Pupil Support Services	1,132,124	1,289,949	1,151,115	(138,834)
Sites and Buildings	1,685,158	1,600,427	1,475,482	(124,945)
Fiscal and Other Fixed Cost Programs	117,800	117,800	56,336	(61,464)
Capital Outlay	387,240	475,260	491,490	16,230
Debt Service				
Principal	118,052	118,052	116,883	(1,169)
Interest and Fiscal Charges	27,735	27,450	19,975	(7,475)
Total Expenditures	13,434,987	13,792,080	13,189,690	(602,390)
Excess of Revenues Over Expenditures	1,004,221	511,002	1,389,111	878,109
<b>OTHER FINANCING SOURCES</b>				
Judgments for School Districts	-	-	12,291	12,291
Total Other Financing Sources	-	-	12,291	12,291
Net Change in Fund Balance	<u>\$ 1,004,221</u>	<u>\$ 511,002</u>	1,401,402	<u>\$ 890,400</u>
<b>FUND BALANCE</b>				
Beginning of Year			3,461,796	
End of Year			<u>\$ 4,863,198</u>	

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
FOOD SERVICE FUND  
YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>(Under)</u>
<b>REVENUES</b>				<b>Final</b>
				<b>Budget</b>
Local Sources				
Other - Primarily Meal Sales	\$ 505,633	\$ 505,633	\$ 504,871	\$ (762)
State Sources	33,404	33,404	37,277	3,873
Federal Sources	297,745	297,745	334,794	37,049
Total Revenues	<u>836,782</u>	<u>836,782</u>	<u>876,942</u>	<u>40,160</u>
<b>EXPENDITURES</b>				
Current				
Food Service	787,243	787,243	821,021	33,778
Capital Outlay	2,000	2,000	826	(1,174)
Total Expenditures	<u>789,243</u>	<u>789,243</u>	<u>821,847</u>	<u>32,604</u>
Excess of Revenues				
Over Expenditures	<u>\$ 47,539</u>	<u>\$ 47,539</u>	55,095	<u>\$ 7,556</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>(2,625)</u>	
End of Year			<u>\$ 52,470</u>	

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
COMMUNITY SERVICE FUND  
YEAR ENDED JUNE 30, 2009**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Over (Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	
<b>REVENUES</b>				
Local Sources				
Property Taxes	\$ 98,709	\$ 98,709	\$ 104,928	\$ 6,219
Earnings on Investments	-	-	2,600	2,600
Other - Primarily Tuition and Fees	298,122	298,122	299,429	1,307
State Sources	168,901	168,901	171,883	2,982
Federal Sources	300	300	362	62
Total Revenues	<u>566,032</u>	<u>566,032</u>	<u>579,202</u>	<u>13,170</u>
<b>EXPENDITURES</b>				
Current				
Community Service	596,482	598,172	611,390	13,218
Capital Outlay	11,000	11,000	26,634	15,634
Total Expenditures	<u>607,482</u>	<u>609,172</u>	<u>638,024</u>	<u>28,852</u>
(Deficiency) of Revenues (Under) Expenditures	<u>\$ (41,450)</u>	<u>\$ (43,140)</u>	(58,822)	<u>\$ (15,682)</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>139,341</u>	
End of Year			<u>\$ 80,519</u>	

See accompanying Notes to Basic Financial Statements.

(This page intentionally left blank)

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The financial statements of Independent School District No. 2859 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 financials reporting principles. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local governments.

**B. Financial Reporting Entity**

Independent School District No. 2859 (the District) is an instrumentality of the State of Minnesota established to function as an educational institution. The elected Board of Education (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

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

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

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. The Board of Education 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 Board of Education 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.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

**C. Basic Financial Statement Presentation**

The District-Wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District.

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

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

Major individual governmental funds are reported as separate columns in the fund financial statements.

**D. Measurement Focus and Basis of Accounting**

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



**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

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

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

1. Revenue Recognition - Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenues.
2. Recording of Expenditures - Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

The District reports deferred revenue on its combined 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 incurring the qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

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

**Description of Funds**

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

*Major Governmental Funds*

General Fund

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

Food Service Special Revenue Fund

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

Community Service Special Revenue Fund

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

**E. Budgeting**

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

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

**E. Budgeting (Continued)**

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

**F. Cash and Investments**

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

**G. Accounts Receivable**

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

**H. Inventories**

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

**I. Prepaid Items**

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

**J. Property Taxes**

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

**J. Property Taxes (Continued)**

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

In accordance with State law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum which is frozen at \$152,280 for the District. The tax shift also includes certain other levies that are recognized early based on statutory requirements.

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the State which will be recognized as revenue in the next fiscal year beginning July 1, 2009, are included in Property Taxes Levied for Subsequent Year to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

**K. Capital Assets**

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$2,500 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Capital assets not being depreciated include land.

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

**L. Long-Term Obligations**

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

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

**M. Accrued Employee Benefits**

**Vacation Pay**

Since vacation pay does not vest to employees, no long-term portion of vacation liabilities are recorded in the financial statements.

**Sick Pay**

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

**Severance and Health Benefits**

Severance consist of lump sum early retirement incentive payments. Accounting policies for severance benefits are described below.

**a. Early Retirement Incentive and Convertible Sick Leave**

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

Full-time teachers, employed before September 1, 1995, who are at least 55 years of age or have completed twenty years of professional public school teaching service in the appropriate unit in the School District should be eligible for severance pay. Full-time teachers receive a retirement benefit equal to 100 sick days of pay at the individual's daily rate of pay in effect on the date of retirement minus the total amount of school district's matching contribution to the teacher's 403(b) annuity account.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

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

**Severance and Health Benefits (Continued)**

**a. Early Retirement Incentive and Convertible Sick Leave (Continued)**

Full-time employees, other than teachers, who have completed at least 15 years of continuous service with the District and who are at least 55 years of age are eligible for severance pay. Eligible employees, upon early retirement, receive as severance pay, an amount representing 66% of their unused accumulation of sick leave days.

During fiscal year 2009, the District's expenditures for early retirement incentive and convertible sick leave expenditures for early retirement incentive totaled \$44,749. At June 30, 2009, the long-term portion of the early retirement incentive and convertible sick leave liability is included as part of severance payable in the long-term debt.

**b. Other Postemployment Benefits Payable**

Under the terms of certain collectively bargained employment contracts, including the teachers' contract, the District is required to pay \$100 to \$150 per month toward the premium cost of the individual health insurance for 96 months. The employee pays the difference toward the full premium for any coverage elected. All premiums are funded on a pay-as-you-go basis. This amount was actuarially determined, in accordance with GASB 45, at June 30, 2009.

GASB 45 was implemented prospectively, meaning that the net OPEB obligation was zero at transition.

**N. Deferred Revenue**

Deferred revenues are those in which resources are received by the District before it has a legal claim to them. The District has reported deferred revenues for property taxes levied for the subsequent and delinquent property taxes, and for student account balances available for future meals in the Food Service Fund.

**O. Fund Balance**

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

**P. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters and workers compensation. The District purchases commercial insurance coverage for such risks. The District participates in the Minnesota Board of Education Association Insurance Trust (MSBA Trust), a public entity risk pool for its workers' compensation insurance. The MSBA Trust operates as a common risk management and insurance program for approximately 375 member districts. The District pays an annual premium to the MSBA Trust for its insurance coverage. The MSBA Trust agreement provides that the MSBA Trust will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits for each insured event. The reinsurance point is \$100,000 per occurrence for medical and hospitalization.

There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. In addition, there have been no settlements in excess of the District's insurance coverage in any of the prior three years.

**Q. Net Assets**

Net assets represent the difference between assets and liabilities in the District-wide financial statements. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulation 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. The government-wide statement of net assets reports \$993,647 of restricted net assets, all of which is restricted by enabling legislation.

**R. Comparative Data**

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

**NOTE 2 STEWARDSHIP AND ACCOUNTABILITY**

**Excess of Expenditures over Budget**

Expenditures exceeded budgeted amounts in the following fund at June 30, 2009:

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Special Revenue Funds			
Food Service Fund	\$ 789,243	\$ 821,847	\$ 32,604
Community Service Fund	\$ 609,172	\$ 638,024	\$ 28,852

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 3 DEPOSITS AND INVESTMENTS**

**A. Deposits**

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

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

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

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

Deposit balances at June 30, 2009 are as follows:

Deposits	\$ 5,621,645
Cash on Hand	277
	<u>\$ 5,621,922</u>
Cash and Investments - Statement of Net Assets	<u>\$ 5,621,922</u>

**B. Investments**

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

- direct obligations or obligations guaranteed by the United States or its agencies.
- shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less
- general obligations rated "A" or better; revenue obligations rated "AA" or better
- general obligations of the Minnesota Housing Finance Agency rate "A" or better
- bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
- commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories



**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

**B. Investments (Continued)**

- repurchase or reverse purchase agreement and securities lending agreements financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

At June 30, 2009 the District had no investments.

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 130,000	\$ -	\$ -	\$ 130,000
Total Capital Assets, Not Being Depreciated	130,000	-	-	130,000
Capital Assets, Being Depreciated				
Land Improvements	133,645	8,588	-	142,233
Buildings and Improvements	8,964,283	-	-	8,964,283
Equipment	2,685,502	151,620	-	2,837,122
Total Capital Assets, Being Depreciated	11,783,430	160,208	-	11,943,638
Accumulated Depreciation for				
Land Improvements	(30,414)	(6,677)	-	(37,091)
Buildings and Improvements	(4,843,737)	(166,700)	-	(5,010,437)
Equipment	(1,914,225)	(159,568)	-	(2,073,793)
Total Accumulated Depreciation	(6,788,376)	(332,945)	-	(7,121,321)
Total Capital Assets, Being Depreciated, Net	4,995,054	(172,737)	-	4,822,317
Governmental Activities Capital Assets, Net	<u>\$ 5,125,054</u>	<u>\$ (172,737)</u>	<u>\$ -</u>	<u>\$ 4,952,317</u>

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

<b>Governmental Activities</b>	
Administration	\$ 150
Elementary and Secondary Regular Instruction	265,493
Instructional Support Services	3,854
Pupil Support Services	2,123
Sites and Buildings	49,856
Food Service	9,379
Community Service	2,090
Total Depreciation Expense, Governmental Activities	<u>\$ 332,945</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 5 LONG-TERM LIABILITIES**

**A. Components of Long-Term Liabilities**

Long-term liabilities consisted of the following at June 30, 2009:

	Principal Outstanding	
	Due Within One Year	Total
Capital Leases Payable	\$ 9,299	\$ 57,589
Other Postemployment Benefits Payable	-	65,126
Severance Benefits Payable	43,800	569,874
	<u>\$ 53,099</u>	<u>\$ 692,589</u>

**B. Future Minimum Lease Payments**

The following is a schedule of the future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2009:

<u>Year Ending June 30,</u>	
2010	\$ 11,372
2011	11,371
2012	11,372
2013	11,373
2014	11,372
2015	7,189
Total Minimum Lease Payments	<u>64,049</u>
Less Amounts Representing Interest	<u>6,460</u>
Present Value of Net Minimum Lease Payments	<u>\$ 57,589</u>

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

**Capital Leases Payable**

Capital leases are utilized by the District as a means to finance the Facility projects that are too small for issuing bonds and too large for the operating capital funds to cover the costs. These projects over the years have included modifications to the fieldhouse, equipment for the fieldhouse, technology throughout the district, stadium lights, and improvements to the Helen Baker Elementary. Total cost of assets held under capital leases is \$112,396. Related accumulated depreciation of assets under capital leases at June 30, 2009 is \$61,818.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 5 LONG-TERM LIABILITIES (CONTINUED)**

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

Stadium Lights Capital Lease

The District has entered into a capital lease for stadium lights totaling \$93,600. Payments are due monthly in the amount of \$948 until January 2015.

Severance Benefits Payable

Severance benefits payable consist of early retirement incentive payments and convertible sick leave payable to employees upon retirement. Severance benefits have been paid by the General and Special Revenue Funds. Annual payments to retire the severance benefits liability have not been determined and will depend on actual employee turnover.

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

	June 30, 2008	Net Additions	Retirements	June 30, 2009
Lease Purchase				
Obligations	\$ 174,786	\$ -	\$ 117,197	\$ 57,589
Other Postemployment				
Benefits Payable	-	153,525	88,399	65,126
Severance Benefits Payable	581,921	32,702	44,749	569,874
	<u>\$ 756,707</u>	<u>\$ 186,227</u>	<u>\$ 250,345</u>	<u>\$ 692,589</u>

**NOTE 6 SHORT-TERM BORROWING**

On August 29, 2007, the District issued Aid Anticipation Certificates in the amount of \$1,500,000 which expired on September 28, 2008.

	June 30, 2008	Additions	Retirements	June 30, 2009
2007 Aid Anticipation Certificate	<u>\$ 1,500,000</u>	<u>\$ -</u>	<u>\$ 1,500,000</u>	<u>\$ -</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 7 OPERATING LEASES**

The District has entered into an operating lease for a Community Education vehicle. The following is a schedule by years of future minimum rental payments required under the operating leases:

<u>Year Ending June 30,</u> 2010	<u>\$ 3,342</u>
Total Minimum Lease Payments	<u><u>\$ 3,342</u></u>

The District had \$87,418 of expenditures for these leases in fiscal year 2009.

**NOTE 8 RESERVED FUND BALANCES**

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

**A. Reserved for Staff Development**

This fund balance reservation represents accumulated general education aid resources available to provide staff development programming.

**B. Reserved for Deferred Maintenance**

This fund balance reservation represents accumulated resources available to provide maintenance on buildings with funding made available for that purpose.

**C. Reserved for Levy Reduction**

The reserved for levy reduction represents funds remaining after bonded debt has been paid and the debt service fund closed. These funds will replace the reduction of future levy authority.

**D. Reserved for Health and Safety**

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 8    RESERVED FUND BALANCES (CONTINUED)**

**E.    Reserved for Operating Capital**

Reserved for operating capital represents available resources to be used only for operating capital purposes, including but not limited to the purchase, lease, repair and improvement of school buildings, and the purchase or lease of computers, vehicles, textbooks, and telecommunications equipment.

**F.    Reserved for Community Education Programs**

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

**G.    Reserved for Early Childhood and Family Education Programs**

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

**H.    Reserved for School Readiness**

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

**NOTE 9    RETIREMENT PLANS**

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

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

**1.    Plan Description**

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

TRA provides retirement benefits as well as death and 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 credited service. The defined retirement benefits are based on a member's highest average salary for five consecutive years of allowable service, age, and years of credit at termination of service.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 9 RETIREMENT PLANS (CONTINUED)**

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

**1. Plan Description (Continued)**

TRA publicly issues a Comprehensive Annual Financial Report (CAFR) presenting financial statements, supplemental information on funding levels, investment performance, and further information on benefits provisions. The report may be accessed at the TRA Web site [www.tra.state.mn.us](http://www.tra.state.mn.us). Alternatively, a copy of the report may be obtained by writing or calling TRA at Teachers Retirement Association, 60 Empire Drive Suite 400, St Paul MN 55103-1855 or by calling (651) 296-6449 or (800) 657-3853.

**2. Funding Policy**

Minnesota Statutes Chapter 354 sets the rates for the employee and employer contributions. These statutes are established and amended by the state legislature. Coordinated and Basic Plan members are required to contribute 5.5% and 9.0%, respectively, of their annual covered salary while the District is required to contribute at an actuarially determined rate.

The District is required to contribute the following percentages of annual covered payroll: 5.5% for Coordinated Plan members and 9.5% for Basic plan members. The contribution requirements of plan members and the District are established and may be amended by State Statute. The District contributions for the years ended June 30, 2009, 2008, and 2007 were \$319,088, \$300,948 and \$269,822, respectively, equal to the required contributions for each year as set by state statute.

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

**1. Plan Description**

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

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF. The report may be obtained on the web at [www.mnpera.org](http://www.mnpera.org), by writing to PERA at 60 Empire Drive Suite 200, St. Paul, MN 55103-2088, or by calling (651) 296-7460 or (800) 652-9026.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 9 RETIREMENT PLANS (CONTINUED)**

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

**2. Funding Policy**

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by State Statutes. PERF Basic Plan members are required to contribute 9.10% of their annual covered salary. PERF Coordinated Plan members are required to contribute 6.00% of their annual covered salary in 2009.

The District was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.50% for Coordinated Plan members. Employer contribution rates for the Coordinated Plan increased to 6.75%, effective January 1, 2009. The District's contributions to the Public Employees Retirement Fund for the years ending June 30, 2009, 2008, and 2007, were \$82,945 \$75,844 and \$80,434, respectively. The District's contributions were equal to the contractually required contributions for each year as set by state statute.

**C. Defined Contribution Plan**

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the "Plan"). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. Contributions are invested in tax deferred annuities selected and owned by Plan participants. The District contributions for the years ended June 30, 2009, 2008 and 2007 are \$95,325, \$92,245 and \$92,531, respectively. The related employee contributions were \$225,526, \$216,510 and \$230,293 for the years ended June 30, 2009, 2008 and 2007, respectively.

**NOTE 10 OTHER POSTEMPLOYMENT BENEFIT PLAN**

At June 30, 2009, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The District engaged an actuary to determine the District's liability for postemployment healthcare benefits other than pensions as of July 1, 2007.

**A. Plan Description**

The District operates a single-employer retiree benefit plan ("the Plan") that provides health and dental insurance to eligible employees and their spouses through the District's self-insured health insurance plan. There are 170 active participants and 28 retired participants. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 10 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

**B. Funding Policy**

Contribution requirements are also negotiated between the District and union representatives. The District contributes \$100 - \$150 per month of the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2009, the District contributed \$88,399 to the plan.

**C. Annual OPEB Cost and Net OPEB Obligation**

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

Annual Required Contribution	\$ 153,525
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Cost (Expense)	<u>153,525</u>
Contributions Made	<u>(88,399)</u>
Increase in Net OPEB Obligation	65,126
Net OPEB Obligation - Beginning of Year	-
Net OPEB Obligation - End of Year	<u><u>\$ 65,126</u></u>

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
<u>6/30/2009</u>	<u>\$ 153,525</u>	<u>57.6%</u>	<u>\$ 65,126</u>



**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 10 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

**D. Funded Status and Funding Progress**

As of July 1, 2007, the most recent actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was \$1,349,866. The annual payroll for active employees covered by the plan in the actuarial valuation was \$6,249,711 for a ratio of UAAL to covered payroll of 21.6%.

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

**E. Actuarial Methods and Assumptions**

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

In the July 1, 2007 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The initial healthcare trend rate was 9.0%, reduced by decrements to an ultimate rate of 5% after eight years. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2009 was 29 years.

**NOTE 11 COMMITMENTS AND CONTINGENCIES**

**Federal and State Receivables**

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 11 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Legal Contingencies**

The District is subject to legal proceedings and claims which arise in the ordinary course of business. Although the outcome of these lawsuits against the District is not presently determinable, management believes the resolution of these matters will not have a material impact on the District.

**NOTE 12 JOINTLY GOVERNED ORGANIZATION**

Independent School District No. 2859 is a member of the Little Crow Special Education Cooperative. The Little Crow Special Education Cooperative was established for the primary objective to provide specialized services for special education students, as defined by state law, and to provide other programs and services as approved by the Joint Powers Governing Board. The Cooperative was established by 13 separate member districts. Each member district shares in the cost of the programming, which is paid to the education district in the form of membership fees, reimbursements and other charges for services. The education district is able to recover the cost of its programs through the previously mention revenue sources.

**NOTE 13 SUBSEQUENT EVENT**

In May 2009, the voters of Independent School District No. 2859, Glencoe-Silver Lake, Independent School District No. 2365, Gibbon-Fairfax-Winthrop, Independent School District No. 2159, Buffalo Lake-Hector, and Independent School District No. 2887, McLeod West passed a resolution to consolidate McLeod West School District with Glencoe-Silver Lake Public Schools, Gibbon-Fairfax-Winthrop Public Schools and Buffalo Lake-Hector Public schools. The combination is effective July 1, 2009.

## **REQUIRED SUPPLEMENTARY INFORMATION**

(This page intentionally left blank)

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFIT PLAN  
JUNE 30, 2009**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2007	\$ -	\$ 1,349,866	\$ 1,349,866	0.0%	\$ 6,249,711	21.6%

(This page intentionally left blank)

## **SUPPLEMENTAL INFORMATION**

(This page intentionally left blank)



**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
GENERAL FUND  
BALANCE SHEET  
JUNE 30, 2009  
(WITH COMPARATIVE DATA AS OF JUNE 30, 2008)**

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash and Investments	\$ 5,449,000	\$ 5,482,112
Receivables		
Current Taxes	908,746	833,519
Delinquent Taxes	22,733	16,871
Accounts and Interest Receivable	15,409	103,316
Due from Other Minnesota School Districts	161,308	87,080
Due from Minnesota Department of Education	1,083,673	990,681
Due from Federal through the Minnesota Department of Education	21,569	40,679
Inventories	2,315	2,068
Prepaid Items	3,176	23,913
	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$ 7,667,929</u>	<u>\$ 7,580,239</u>
<b>LIABILITIES AND FUND BALANCE (DEFICIT)</b>		
Liabilities		
Short-Term Borrowing	\$ -	\$ 1,500,000
Salaries and Compensated Absences Payable	505,778	461,495
Payroll Deductions and Employer Contributions Payable	449,318	429,717
Accounts and Contracts Payable	249,460	189,749
Interest Payable	-	50,465
Due to Other Governmental Units	47,386	42,293
Property Taxes Levied for Subsequent Year	1,524,364	1,417,853
Deferred Revenue - Delinquent Taxes	22,733	16,871
Deferred Revenue - Other	5,692	10,000
Total Liabilities	<u>2,804,731</u>	<u>4,118,443</u>
Fund Balance (Deficit)		
Reserved		
Reserved for Staff Development	88,670	22,596
Reserved for Deferred Maintenance	-	42,567
Reserved for Levy Reduction	58,248	58,248
Reserved for Health and Safety	(80,313)	(72,152)
Reserved for Operating Capital	713,740	426,017
Unreserved		
Undesignated	4,082,853	2,984,520
Total Fund Balance (Deficit)	<u>4,863,198</u>	<u>3,461,796</u>
	<u>                    </u>	<u>                    </u>
Total Liabilities and Fund Balance (Deficit)	<u>\$ 7,667,929</u>	<u>\$ 7,580,239</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2009  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2008)**

	<b>2009</b>		<b>Over (Under)</b>	<b>2008</b>
	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Final Budget</b>	<b>Actual Amounts</b>
<b>REVENUES</b>				
Local Sources				
Property Taxes	\$ 1,533,731	\$ 1,608,598	\$ 74,867	\$ 1,166,506
Earnings on Investments	100,000	101,412	1,412	174,044
Other	464,678	495,824	31,146	706,686
State Sources	11,798,972	11,894,863	95,891	11,968,574
Federal Sources	405,701	478,104	72,403	273,096
Total Revenues	14,303,082	14,578,801	275,719	14,288,906
<b>EXPENDITURES</b>				
Current				
Administration				
Salaries	461,039	469,290	8,251	444,112
Employee Benefits	93,662	81,222	(12,440)	81,677
Purchased Services	60,800	49,423	(11,377)	54,929
Supplies and Materials	7,000	5,919	(1,081)	3,937
Capital Expenditures	1,000	-	(1,000)	-
Other Expenditures	11,000	10,607	(393)	8,274
Total Administration	634,501	616,461	(18,040)	592,929
District Support Services				
Salaries	204,012	201,701	(2,311)	206,908
Employee Benefits	31,682	10,303	(21,379)	6,471
Purchased Services	158,072	111,013	(47,059)	142,755
Supplies and Materials	5,500	10,564	5,064	9,798
Capital Expenditures	2,000	-	(2,000)	9,616
Other Expenditures	38,000	26,468	(11,532)	30,137
Total District Support Services	439,266	360,049	(79,217)	405,685
Elementary and Secondary Regular Instruction				
Salaries	4,353,622	4,352,446	(1,176)	4,212,135
Employee Benefits	1,288,238	1,354,375	66,137	1,362,070
Purchased Services	377,099	343,034	(34,065)	322,000
Supplies and Materials	171,750	346,234	174,484	269,316
Capital Expenditures	164,000	103,620	(60,380)	60,964
Other Expenditures	26,301	18,319	(7,982)	9,066
Total Elementary and Secondary Regular Instruction	6,381,010	6,518,028	137,018	6,235,551

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED JUNE 30, 2009  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2008)**

	2009			2008
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
Vocational Education Instruction				
Salaries	\$ 97,517	\$ 111,954	\$ 14,437	\$ 75,890
Employee Benefits	15,791	21,499	5,708	10,813
Purchased Services	-	121	121	3,303
Supplies and Materials	8,000	3,299	(4,701)	9,174
Capital Expenditures	-	8,754	8,754	1,850
Total Vocational Education Instruction	121,308	145,627	24,319	101,030
Special Education Instruction				
Salaries	1,268,661	1,263,586	(5,075)	1,155,837
Employee Benefits	440,008	422,527	(17,481)	421,718
Purchased Services	279,900	31,741	(248,159)	132,636
Supplies and Materials	102,500	37,026	(65,474)	10,236
Capital Expenditures	-	20,905	20,905	19,520
Total Special Education Instruction	2,091,069	1,775,785	(315,284)	1,739,947
Instructional Support Services				
Salaries	345,067	392,887	47,820	312,019
Employee Benefits	75,971	90,229	14,258	65,346
Purchased Services	212,500	56,665	(155,835)	42,944
Supplies and Materials	8,450	8,639	189	6,246
Capital Expenditures	135,000	265,392	130,392	99,386
Other Expenditures	21,000	47,318	26,318	14,614
Total Instructional Support Services	797,988	861,130	63,142	540,555
Pupil Support Services				
Salaries	225,195	208,123	(17,072)	277,342
Employee Benefits	51,754	59,395	7,641	95,028
Purchased Services	906,500	808,695	(97,805)	704,271
Supplies and Materials	106,500	74,902	(31,598)	91,233
Capital Expenditures	32,000	31,400	(600)	1,339
Total Pupil Support Services	1,321,949	1,182,515	(139,434)	1,169,213

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED JUNE 30, 2009  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2008)**

	<b>2009</b>			<b>2008</b>
	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Over (Under) Final Budget</b>	<b>Actual Amounts</b>
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
Sites and Buildings				
Salaries	\$ 73,918	\$ 81,140	\$ 7,222	\$ 75,475
Employee Benefits	13,804	11,723	(2,081)	13,853
Purchased Services	1,411,855	1,286,993	(124,862)	1,198,465
Supplies and Materials	100,850	95,626	(5,224)	92,736
Capital Expenditures	141,260	61,419	(79,841)	41,621
Total Sites and Buildings	1,741,687	1,536,901	(204,786)	1,422,150
Fiscal and Other Fixed Cost Programs				
Employee Benefits	60,000	-	(60,000)	-
Purchased Services	55,000	54,306	(694)	74,311
Other Expenditures	2,800	2,030	(770)	2,681
Total Fiscal and Other Fixed Costs Programs	117,800	56,336	(61,464)	76,992
Debt Service				
Principal	118,052	116,883	(1,169)	252,397
Interest and Fiscal Charges	27,450	19,975	(7,475)	90,870
Total Debt Service	145,502	136,858	(8,644)	343,267
Total Expenditures	13,792,080	13,189,690	(602,390)	12,627,319
Excess of Revenues Over Expenditures	511,002	1,389,111	878,109	1,661,587
<b>OTHER FINANCING SOURCES</b>				
Sale of Equipment Proceeds	-	-	-	600
Judgments for School Districts	-	12,291	12,291	68,143
Transfers In	-	-	-	58,248
Total Other Financing Sources	-	12,291	12,291	126,991
Net Change in Fund Balance	<u>\$ 511,002</u>	<u>1,401,402</u>	<u>\$ 890,400</u>	<u>1,788,578</u>
<b>FUND BALANCE</b>				
Beginning of Year		3,461,796		1,673,218
End of Year		<u>\$ 4,863,198</u>		<u>\$ 3,461,796</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
FOOD SERVICE SPECIAL REVENUE FUND  
BALANCE SHEET  
JUNE 30, 2009  
(WITH COMPARATIVE DATA AS OF JUNE 30, 2008)**

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash and Investments	\$ 53,797	\$ 2,470
Accounts and Interest Receivable	-	240
Inventory	<u>14,358</u>	<u>2,932</u>
Total Assets	<u>\$ 68,155</u>	<u>\$ 5,642</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts and Contracts Payable	\$ 7,418	\$ -
Deferred Revenue	<u>8,267</u>	<u>8,267</u>
Total Liabilities	15,685	8,267
Fund Balance		
Unreserved		
Undesignated	<u>52,470</u>	<u>(2,625)</u>
Total Liabilities and Fund Balance	<u>\$ 68,155</u>	<u>\$ 5,642</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
FOOD SERVICE SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2009  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2008)**

	<b>2009</b>			<b>2008</b>
	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Over (Under) Final Budget</b>	<b>Actual Amounts</b>
<b>REVENUES</b>				
Local Sources				
Other - Primarily Meal Sales	\$ 505,633	\$ 504,871	\$ (762)	\$ 502,556
State Sources	33,404	37,277	3,873	36,074
Federal Sources	297,745	334,794	37,049	292,344
Total Revenues	<u>836,782</u>	<u>876,942</u>	<u>40,160</u>	<u>830,974</u>
<b>EXPENDITURES</b>				
Current				
Salaries	16,205	16,099	(106)	15,135
Employee Benefits	2,698	2,568	(130)	6,190
Purchased Services	409,035	379,325	(29,710)	377,829
Supplies and Materials	359,305	423,029	63,724	437,550
Capital Outlay	2,000	826	(1,174)	-
Total Expenditures	<u>789,243</u>	<u>821,847</u>	<u>32,604</u>	<u>836,704</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 47,539</u>	55,095	<u>\$ 7,556</u>	(5,730)
<b>FUND BALANCE</b>				
Beginning of Year		<u>(2,625)</u>		<u>3,105</u>
End of Year		<u>\$ 52,470</u>		<u>\$ (2,625)</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
COMMUNITY SERVICE SPECIAL REVENUE FUND  
BALANCE SHEET  
JUNE 30, 2009  
(WITH COMPARATIVE DATA AS OF JUNE 30, 2008)**

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash and Investments	\$ 119,125	\$ 189,427
Receivables		
Current Taxes	78,917	73,394
Delinquent Taxes	1,648	1,435
Accounts and Interest Receivable	9,119	2,066
Due from Minnesota Department of Education	16,842	4,254
Prepaid Items	242	-
Total Assets	<u>\$ 225,893</u>	<u>\$ 270,576</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts and Contracts Payable	\$ 253	\$ -
Property Taxes Levied for Subsequent Year	137,882	129,800
Deferred Revenue - Delinquent Taxes	1,648	1,435
Deferred Revenue	5,591	-
Total Liabilities	<u>145,374</u>	<u>131,235</u>
Fund Balance		
Reserved for Community Education Programs	14,963	65,747
Reserved for Early Childhood and Family Education Programs	18,932	24,971
Reserved for School Readiness	16,657	25,764
Unreserved, Undesignated	29,967	22,859
Total Fund Balance	<u>80,519</u>	<u>139,341</u>
Total Liabilities and Fund Balance	<u>\$ 225,893</u>	<u>\$ 270,576</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
COMMUNITY SERVICE SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2009  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2008)**

	<u>2009</u>			<u>2008</u>
	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>	<u>Actual Amounts</u>
<b>REVENUES</b>				
Local Sources				
Property Taxes	\$ 98,709	\$ 104,928	\$ 6,219	\$ 113,858
Earnings on Investments	-	2,600	2,600	8,458
Other - Primarily Tuition and Fees	298,122	299,429	1,307	282,094
State Sources	168,901	171,883	2,982	144,085
Federal Sources	300	362	62	673
Total Revenues	<u>566,032</u>	<u>579,202</u>	<u>13,170</u>	<u>549,168</u>
<b>EXPENDITURES</b>				
Current				
Salaries	359,705	364,262	4,557	296,812
Employee Benefits	72,245	68,388	(3,857)	56,030
Purchased Services	85,132	85,610	478	93,495
Supplies and Materials	76,190	87,188	10,998	71,767
Other Expenditures	4,900	5,942	1,042	3,754
Capital Outlay	11,000	26,634	15,634	36,817
Total Expenditures	<u>609,172</u>	<u>638,024</u>	<u>28,852</u>	<u>558,675</u>
(Deficiency) of Revenues (Under) Expenditures	<u>\$ (43,140)</u>	<u>(58,822)</u>	<u>\$ (15,682)</u>	<u>(9,507)</u>
<b>FUND BALANCE</b>				
Beginning of Year		<u>139,341</u>		<u>148,848</u>
End of Year		<u>\$ 80,519</u>		<u>\$ 139,341</u>



## **SINGLE AUDIT AND OTHER REQUIRED REPORTS**

(This page intentionally left blank)

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

Board of Education  
Independent School District No. 2859  
Glencoe, Minnesota

We have audited the financial statements of the governmental activities and each major fund of Independent School District No. 2859 as of and for the year ended June 30, 2009, which collectively comprise Independent School District No. 2859's basic financial statements and have issued our report thereon dated October 3, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Independent School District No. 2859's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs listed as items 2009-1 through 2009-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies listed as items 2009-1 through 2009-2 to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Independent School District No. 2859's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted additional matters that we reported to management of Independent School District No. 2859 in a separate letter dated October 3, 2009.

Independent School District No. 2859's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not the audit the District's responses and, accordingly, we express no opinion on them.

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

*Larson Allen LLP*  
**LarsonAllen LLP**

Austin, Minnesota  
October 3, 2009

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

Board of Education  
Independent School District No. 2859  
Glencoe, Minnesota

### Compliance

We have audited the compliance of the Independent School District No. 2859 with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Independent School District No. 2859's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Independent School District No. 2859's management. Our responsibility is to express an opinion on Independent School District No. 2859's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Independent School District No. 2859's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

**Internal Control Over Compliance**

The management of Independent School District No. 2859 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Independent School District No. 2859's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Independent School District No. 2859's internal control over compliance.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education, management of Independent School District No. 2859, the Minnesota Department of Education, and state and federal awarding entities and is not intended to be and should not be used by anyone other than these specified parties.

*Larson Allen LLP*  
**LarsonAllen LLP**

Austin, Minnesota  
October 3, 2009

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2009**

Grantor/Program	CFDA Number	Agency or Pass-Through Number	Expenditures
U.S. Department of Agriculture			
Pass-Through Minnesota Department of Education			
Food Distribution (Commodities)	10.550	1-2589-000	\$ 50,463
School Breakfast Program	# 10.553	1-2589-000	41,626
National School Lunch Program	# 10.555	1-2589-000	241,896
After School Snack Program	# 10.555	1-2589-000	362
Special Milk Program for Children	# 10.558	1-2589-000	809
Total US Department of Agriculture			<u>335,156</u>
U.S. Department of Education			
Pass-Through Minnesota Department of Education			
Title I, Part A	84.010		152,430
Title I, Part C - Migrant Education - Summer	84.011		64,975
Special Education - Grants to States	& 84.027		175,095
Special Education - Preschool Incentive	& 84.173		10,940
Title IV - Safe & Drug Free Schools	84.186		4,112
Title II, Part A - Improving Teacher Quality	84.367		50,870
Title III - English Language Acq Grants	84.365		14,840
Total US Department of Education			<u>473,262</u>
TOTAL FEDERAL FINANCIAL AWARDS EXPENDED			<u><u>\$ 808,418</u></u>

# - Child Nutrition Cluster

& - Special Education Cluster

*See accompanying Notes to Schedule of Expenditures of Federal Awards.*

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2009**

**NOTE 1    GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the expenditures of all federal financial assistance programs of Independent School District No. 2859. The reporting entity is defined in Note 1 to the financial statements.

**BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the Independent School District No. 2859's financial statements.

**FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed for the USDA Commodities Program (CFDA #10.550).





CPAs, Consultants & Advisors  
www.larsonallen.com

## REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education  
Independent School District No. 2859  
Glencoe, Minnesota

We have audited the financial statements of Independent School District No. 2859 as of and for the year ended June 30, 2009, and have issued our report thereon dated October 3, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minnesota Legal Compliance Audit Guide for Local Government, promulgated by the Legal Compliance Task Force pursuant to Minn. Stat. §6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The Minnesota Legal Compliance Audit Guide for Local Government covers 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, with respect to the items tested, Independent School District No. 2859 complied with the material terms and conditions of applicable legal provisions.

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

*LarsonAllen LLP*  
LarsonAllen LLP

Austin, Minnesota  
October 3, 2009



(This page intentionally left blank)

**GLENCOE-SILVER LAKE SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009**

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

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Independent School District No. 2859.
2. Material weaknesses were disclosed during the audit of the financial statements and are listed as Findings 2009-1 through 2009-2.
3. No instances of noncompliance material to the financial statements of Independent School District No. 2859 were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for Independent School District No. 2859 expresses an unqualified opinion.
6. No audit findings relative to the major federal award programs for Independent School District No. 2859 were disclosed during the audit.
7. The following programs were tested as major programs:

U.S. Department of Agriculture – Child Nutrition Cluster:

School Breakfast Program	CFDA #10.553
National School Lunch Program	CFDA #10.555
After School Snack Program	CFDA #10.555
Special Milk Program	CFDA #10.558
Food Distribution	CFDA #10.550
Title I, Part C – Migrant Education – Summer	CFDA #84.011
Title II, Part A – Improving Teacher Quality	CFDA #84.367

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Independent School District No. 2859 was not determined to be a low-risk auditee.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009**

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

**FINDING: 2009-01 ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)**

**Condition:** The District does have a control in place for the review of the drafted financial statements. However, the District does not have the expertise to ensure all disclosures required by generally accepted accounting principles are included in the annual financial statements.

**Criteria:** The District must be able to prevent or detect the omission of a material disclosure in the annual financial statements.

**Questioned Costs:** None

**Context:** The District has informed us they will continue to rely upon the audit firm to prepare the financial statements and related footnote disclosures and will review and approved these prior to the issuance of the annual financial statements.

**Effect:** The potential exists that a material disclosure could be omitted from the financial statements and not be prevented or detected by the District's controls.

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

**Recommendation:** The District should continue to evaluate their internal staff and expertise to determine if an internal control policy over the annual financial reporting is beneficial.

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Findings**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

The District will continue to 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:**

Michelle Sander, Business Manager, is the official responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP:**

The CAP completion date is June 30, 2010.

**Plan to Monitor Completion of CAP:**

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009**

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

**FINDING: 2009-02 MATERIAL AUDIT ADJUSTMENTS**

**Condition:** The District made journal entries to adjust account to year end balances. However, the audit firm identified certain misstatements and proposed entries to correct them. Management reviewed the journal entries and posted them to its general ledger.

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

**Questioned Costs:** None

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

**Effect:** The potential exists that the financial statements could be materially misstated and not be prevented or detected by the District's controls.

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

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

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Findings**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

The District will review the prior year journal entries to determine training needs with the intent to complete all journal entries necessary to adjust accounts to their appropriate year end balances.

**Official Responsible for Ensuring CAP:**

Michelle Sander, Business Manager, is the official responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP:**

The CAP completion date is June 30, 2010.

**Plan to Monitor Completion of CAP:**

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009**

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

None

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

None

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2009**

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>It not Corrected, Provide Planned Corrective Action or Other Explanation</u>
2008-01	Annual Financial Statement Reporting	Not Corrected	See above Finding 2009-01
2008-02	Material Audit Adjustments	Not Corrected	See above Finding 2009-02

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS  
COMPLIANCE TABLE  
(UNAUDITED)  
YEAR ENDED JUNE 30, 2009**

**01 GENERAL FUND**

Total Revenue	\$ 14,591,092
Total Expenditures	\$ 13,189,690
Reserved:	
403 Staff Development	\$ 88,670
405 Deferred Maintenance	\$ -
406 Health and Safety	\$ (80,313)
407 Capital Project Levy	\$ -
408 Cooperative Programs	\$ -
411 Severance Pay	\$ -
414 Operating Debt	\$ -
416 Levy Reduction	\$ 58,248
419 Encumbrances	\$ -
423 Certain Teacher Programs	\$ -
424 Operating Capital	\$ 713,740
426 \$25 Taconite	\$ -
427 Disabled Accessibility	\$ -
428 Learning and Development	\$ -
434 Area Learning Center	\$ -
435 Contracted Alt. Programs	\$ -
436 State Approved Alt. Program	\$ -
438 Grad Standards Gifted & Talented	\$ -
441 Basic Skills Programs	\$ -
445 Career and Technical Programs	\$ -
446 First Grade Preparedness	\$ -
449 Safe Schools - Crime Levy	\$ -
450 Pre-Kindergarten	\$ -
451 QZAB Payments	\$ -
452 OPEB Liab Not In Trust	\$ -
Unreserved:	
418 Severance - Ins. Premium	\$ -
422 Unreserved/Undesignated	\$ 4,082,853

**02 FOOD SERVICE**

Total Revenue	\$ 876,942
Total Expenditures	\$ 821,847
Fund Balance	
Reserved:	
411 Severance Pay	\$ -
419 Encumbrances	\$ -
452 OPEB Liab Not In Trust	\$ -
Unreserved:	
418 Severance - Ins. Premium	\$ -
422 Unreserved/Undesignated	\$ 52,470

**04 COMMUNITY SERVICE**

Total Revenue	\$ 579,202
Total Expenditures	\$ 638,024
Reserved:	
411 Severance Pay	\$ -
419 Encumbrances	\$ -
426 \$25 Taconite	\$ -
431 Community Education	\$ 14,963
432 E.C.F.E.	\$ 18,932
444 School Readiness	\$ 16,657
447 Adult Basic Education	\$ -
452 OPEB Liab Not In Trust	\$ -
Unreserved:	
418 Severance - Ins. Premium	\$ -
422 Unreserved/Undesignated	\$ 29,967

**06 BUILDING CONSTRUCTION**

Total Revenue	\$ -
Total Expenditures	\$ -
Reserved:	
407 Capital Projects Levy	\$ -
409 Alternative Facility Program	\$ -
419 Encumbrances	\$ -
413 Project Funded by COP	\$ -
Unreserved:	
422 Unreserved/Undesignated	\$ -

**07 DEBT SERVICE**

Total Revenue	\$ -
Total Expenditures	\$ -
Reserved:	
425 Bond Refundings	\$ -
451 QZAB Payments	\$ -
Unreserved:	
422 Unreserved/Undesignated	\$ -

**08 TRUST**

Total Revenue	\$ -
Total Expenditures	\$ -
Reserved:	
419 Encumbrances	\$ -
Unreserved:	
422 Unreserved/Undesignated	\$ -

**09 AGENCY**

Unreserved:	
422 Unreserved/Undesignated	\$ -

**20 INTERNAL SERVICE**

Total Revenue	\$ -
Total Expenditures	\$ -
Reserved:	
419 Encumbrances	\$ -
Unreserved:	
422 Unreserved/Undesignated	\$ -

**25 OPEB REVOCABLE TRUST**

Total Revenue	\$ -
Total Expenditures	\$ -
Reserved:	
419 Encumbrances	\$ -
Unreserved:	
422 Unreserved/Undesignated	\$ -

**45 OPEB IRREVOCABLE TRUST**

Total Revenue	\$ -
Total Expenditures	\$ -
Reserved:	
419 Encumbrances	\$ -
Unreserved:	
422 Unreserved/Undesignated	\$ -

**47 OPEB DEBT SERVICE**

Total Revenue	\$ -
Total Expenditures	\$ -
Reserved:	
425 Bond Refundings	\$ -
Unreserved:	
422 Unreserved/Undesignated	\$ -

**FY09 SAFE SCHOOL MAINTENANCE OF EFFORT**

Total Expenditures	\$ 190,176
FTE	3.000

**FY09 OPERATING CAPITAL TRANSFER**

Per Pupil Amount	\$ 0
AMCPU	0
Total Transfer	\$ 0



## **EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS**

(This page intentionally left blank)



CPAs, Consultants & Advisors  
www.larsonallen.com

## INDEPENDENT AUDITORS' REPORT

Board of Education, Advisors, and Students  
Independent School District No. 2859  
Glencoe, Minnesota

We have audited the accompanying statement of cash receipts and disbursements of the extracurricular student activity accounts of Independent School District No. 2859 as of and for the year ended June 30, 2009. This financial statement is the responsibility of the District's extracurricular student activity accounts management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

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

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

In our opinion, except for such adjustments, if any, as might have been determined to be necessary had the cash collections referred to above been susceptible to satisfactory audit tests, the financial statement referred to above presents fairly, in all material respects, the cash transactions of the District's extracurricular student activity accounts for the year ended June 30, 2009, and the cash balances at that date on the basis of accounting as described in Note 1.

*LarsonAllen LLP*  
**LarsonAllen LLP**

Austin, Minnesota  
October 3, 2009



(72)  
LarsonAllen LLP is a member of Nexia International,  
a worldwide network of independent accounting and consulting firms.

(This page intentionally left blank)

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
YEAR ENDED JUNE 30, 2009**

Funds	Balance 06/30/08	Transfers and Receipts	Transfers and Disburse- ments	Balance 06/30/09
Activities, Miscellaneous	\$ 18,901	\$ 26,270	\$ 45,171	\$ -
High School Yearbook	-	2,135	5,884	(3,749)
ALP	58	-	58	-
Art	3,680	3,783	4,833	2,630
Activities	2,713	55,567	34,037	24,243
Band	2,775	32,949	25,593	10,131
Business Professional Association (BPA)	-	6,819	4,938	1,881
Trip Abroad	-	15,054	3,094	11,960
Choir	-	4,180	3,320	860
Lincoln Fund	7,508	5,815	7,037	6,286
Close-Up	1,082	19,917	18,805	2,194
Kindergarten Entertainment	-	1,028	1,028	-
Grade 1 Entertainment	-	1,058	1,058	-
Grade 2 Entertainment	-	1,005	1,005	-
Grade 3 Entertainment	-	894	894	-
Grade 4 Entertainment	-	960	960	-
FFA	5,915	25,054	24,958	6,011
FCCLA	25	250	41	234
Class of 2009	3,170	539	3,709	-
LS Art Club	51	-	-	51
Lincoln Student Council	3,657	2,509	2,184	3,982
Grade 5 Entertainment	-	431	431	-
Lakeside Activities	17,728	51,300	48,264	20,764
Helen Baker Fund	13,174	44,915	36,634	21,455
HS Auto Shop	10	-	10	-
HS Handbooks	3,820	2,704	3,053	3,471
LS Handbooks	1,007	2,622	456	3,173
Lincoln Yearbooks	313	2,212	2,162	363
Lincoln Handbooks	-	76	-	76
YES Grant	-	500	-	500
HS Student Council	540	3,770	2,232	2,078
Interest - Admin	-	1,389	1,389	-
L S Elem. Field Trips	-	11,550	11,550	-
Spanish Club	20	37	-	57
LS Student Council	647	762	959	450
DCD	1,268	270	735	803

See accompanying Notes to Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2009**

Funds	Balance 06/30/08	Transfer and Receipts	Transfer and Disburse- ments	Balance 06/30/09
Destination Imagination (OM)	\$ 761	\$ 972	\$ 793	\$ 940
HB Student Needs	40	286	25	301
LS Student Needs	30	470	313	187
Nat'l Honor Society	745	1,939	1,861	823
Schools Elem Memory Book	2,106	4,405	5,044	1,467
Football	-	400	160	240
Class of 2010	4,604	12,953	10,426	7,131
Class of 2011	-	6,820	5,664	1,156
Class of 2008	-	805	805	-
High School Field Trips	1,016	7,701	8,717	-
High School Fund	3,079	3,902	2,181	4,800
Science Fair	-	2,792	2,419	373
Wetlands	378	-	-	378
	<u>378</u>	<u>-</u>	<u>-</u>	<u>378</u>
Totals	<u>\$ 100,821</u>	<u>\$ 371,769</u>	<u>\$ 334,890</u>	<u>\$ 137,700</u>

See accompanying Notes to Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2009**

**NOTE 1 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

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

Extracurricular student activities are to be self-sustaining with all expenses paid by dues, admissions, or other student fund-raising events.

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

**NOTE 2 COLLATERAL**

Cash balances are held in demand accounts and in a certificate of deposit. In accordance with Minnesota statutes, the Student Activity Funds maintain deposits at those depository banks authorized by the Board of Education.

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

As of June 30, 2009, the Student Activity Funds' deposits were entirely covered by federal depository insurance.

(This page intentionally left blank)





CPAs, Consultants & Advisors  
www.larsonallen.com

## REPORT ON COMPLIANCE

Board of Education, Advisors, and Students  
Independent School District No. 2859  
Glencoe, Minnesota

We have audited the statement of cash receipts and disbursements of the extracurricular student activity funds of Independent School District No. 2859 as of and for the year ended June 30, 2009, and have issued our report thereon dated October 3, 2009.

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*, issued by the Minnesota Department of Education, pursuant to Minnesota Statutes §123.38.

The *Manual of Activity Fund Accounting* provides uniform financial accounting and reporting standards for student activities. Compliance with student activity laws and regulations is the responsibility of the District's extracurricular student activity accounts 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, with respect to the items tested, the District's extracurricular student activity accounts complied with the material terms and conditions of applicable legal provisions except as described on the Schedule of Findings for Extracurricular Student Activity Accounts as items 2009-03, 2009-04 and 2009-05.

Independent School District No. 2859's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not the audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Education, management, and students of Independent School District No. 2859 and the Minnesota Department of Education, and the Office of the State Auditor of Minnesota, and is not intended to be and should not be used by anyone other than these specified parties.

*LarsonAllen LLP*  
**LarsonAllen LLP**

Austin, Minnesota  
October 3, 2009



(76)  
LarsonAllen LLP is a member of Nexia International,  
a worldwide network of independent accounting and consulting firms.

(This page intentionally left blank)

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
SCHEDULE OF FINDINGS  
EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2009**

**FINDING 2009-03: INAPPROPRIATE STUDENT ACTIVITY FUND**

We noted an activity fund called "Activities Miscellaneous". Purchases from this activity fund included classroom supplies, field trips and other disbursements that should be made from the District's General Fund. Such payments are not allowable expenditures as defined by the standards referred to in the Manual for Activity Fund Accounting for Minnesota School Districts, issued by the Minnesota Department of Education. We recommend the District close this activity account into its General Fund. We also recommend the District account for such activities from its General Fund in the future.

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement With Audit Findings**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding**

The District will close this activity fund and record the related activity in the General Fund for fiscal year 2010 and thereafter.

**Official Responsible for Ensuring CAP**

Michelle Sander, Business Manager, is the official responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP**

Planned completion date is November 1, 2009.

**Plan to Monitor Completion of CAP**

The Independent School District No. 2859 Board of Education will be monitoring this corrective action plan.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
SCHEDULE OF FINDINGS  
EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2009**

**FINDING 2009-04:           NEGATIVE STUDENT ACTIVITY FUND BALANCE**

A certain student activity fund (HS Yearbook) had a negative balance at June 30, 2009. Guidelines indicate that balances cannot be negative. We recommend that balances be monitored by the advisor or treasurer of each fund to maintain a current balance of zero or above.

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement With Audit Findings**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding**

The District will monitor the account balances on a monthly basis to maintain a current balance of zero or above.

**Official Responsible for Ensuring CAP**

Michelle Sander, Business Manager, is the official responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP**

Planned completion date is November 1, 2009.

**Plan to Monitor Completion of CAP**

The Independent School District No. 2859 Board of Education will be monitoring this corrective action plan.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
SCHEDULE OF FINDINGS  
EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2009**

**FINDING 2009-05:        LACK OF DOCUMENTATION OF STUDENT APPROVAL ON  
DISBURSEMENTS**

Student activity disbursements are currently not approved by a student representative. Guidelines indicate student activity disbursements should be approved by student participants. A student signature on the voucher or invoice would indicate student approval of the disbursements. We suggest the District establish a policy to document student approval on disbursements.

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement With Audit Findings**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding**

The District will establish a policy to document student approval of disbursements.

**Official Responsible for Ensuring CAP**

Michelle Sander, Business Manager, is the official responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP**

Planned completion date is June 30, 2010.

**Plan to Monitor Completion of CAP**

The Independent School District No. 2859 Board of Education will be monitoring this corrective action plan.

