

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION**

**YEAR ENDED JUNE 30, 2008**



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INDEPENDENT SCHOOL DISTRICT NO. 2859  
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## **INTRODUCTORY SECTION**

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## **FINANCIAL SECTION**

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## 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, 2008, 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 2007 financial statements and, in our report dated September 18, 2007, 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, 2008, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2008, 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 as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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.

  
**LarsonAllen LLP**

Austin, Minnesota  
September 29, 2008

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2008**

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, 2008. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. Certain comparative information between the current year (2007-2008) and the prior year (2006-2007) is required to be presented in the MD&A.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2007-2008 fiscal years include the following:

- The District has been able to increase the general fund balance beyond the fund balance policy.
- Enrollment decreased 3.58% over 2007.
- Combined net assets increased 32.78 percent over the prior year or \$1,971,261.
- Total general fund revenues in the Statement of Revenues and Expenditures for Governmental Funds surpassed expenditures by \$1,661,587.
- Total general fund expenses decreased by 2.9%.
- The general fund balance increased to \$3,461,796 compared to \$1,673,218 at June 30, 2007.
- Reserved accounts were increased for deferred maintenance, staff development, operating capital, and levy reduction.

### **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, 2008**

**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, 2008**

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

**Net Assets**

The District's *combined* net assets were \$7,985,071. This was a 32.78% 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>2008</b>	<b>2007</b>	
Current and Other Assets	\$ 7,856,457	\$ 6,701,496	17.23%
Capital and Non-Current Assets	5,125,054	5,396,837	-5.04%
<b>Total Assets</b>	<u>12,981,511</u>	<u>12,098,333</u>	7.30%
Current Liabilities	4,444,032	5,448,700	-18.44%
Long-Term Liabilities	552,408	635,823	-13.12%
<b>Total Liabilities</b>	<u>4,996,440</u>	<u>6,084,523</u>	-17.88%
Net Assets			
Invested in Capital Assets			
Net of Related Debt	4,950,268	4,724,654	4.78%
Restricted	688,769	462,700	48.86%
Unrestricted	2,346,034	826,456	183.87%
<b>Total Net Assets</b>	<u><u>\$ 7,985,071</u></u>	<u><u>\$ 6,013,810</u></u>	32.78%

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2008**

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

**Changes in Net Assets**

The District's total revenues were \$15,988,924 for the year ended June 30, 2008. Property taxes and state formula aid accounted for 70 percent of total revenues for the year (see Figure A-3 on the next page). The remaining 30 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>2008</b>	<b>2007</b>	<b>Change</b>
<b>Revenues</b>			
<u>Program Revenues</u>			
Charges for Services	\$ 1,080,682	\$ 1,475,151	-26.74%
Operating Grants and Contributions	2,834,129	2,747,643	3.15%
Capital Grants and Contributions	216,002	245,637	-12.06%
<u>General Revenues</u>			
Property Taxes	1,490,898	1,439,595	3.56%
Unrestricted State Aid	9,705,314	10,044,353	-3.38%
Investment Earnings	182,502	132,972	37.25%
Other	479,397	449,895	6.56%
Total Revenues	<u>15,988,924</u>	<u>16,535,246</u>	
<b>Expenses</b>			
Administration	607,296	748,747	-18.89%
District Support Services	398,233	338,700	17.58%
Regular Instruction	6,446,917	6,535,056	-1.35%
Vocational Education Instruction	101,123	121,234	-16.59%
Special Education Instruction	1,762,195	1,869,328	-5.73%
Instructional Support Services	523,741	479,937	9.13%
Pupil Support Services	1,190,482	1,231,555	-3.34%
Sites and Buildings	1,454,758	1,491,584	-2.47%
Fiscal and Other Fixed Cost Programs	76,992	71,496	7.69%
Food Service	846,083	846,565	-0.06%
Community Service	519,896	511,932	1.56%
Interest and Fiscal Charges on Long-Term Liabilities	89,947	133,121	-32.43%
Total Expenses	<u>14,017,663</u>	<u>14,379,255</u>	-2.51%
<b>Increase in Net Assets</b>	<u>1,971,261</u>	<u>2,155,991</u>	
Beginning Net Assets	<u>6,013,810</u>	<u>3,857,819</u>	
Ending Net Assets	<u>\$ 7,985,071</u>	<u>\$ 6,013,810</u>	

The total cost of all programs and services was \$14,017,663. The District's expenses are predominantly related to educating and caring for students.

Total revenues surpassed expenses, increasing net assets \$1,971,261 over last year.

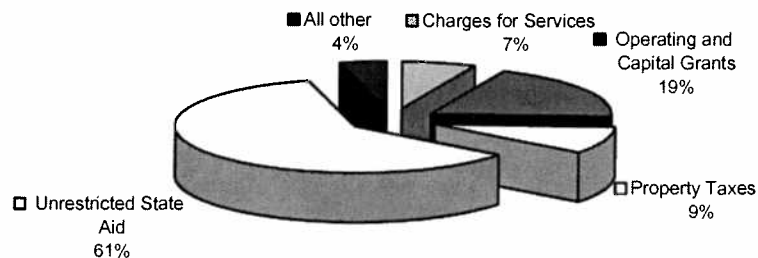
**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2008**

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

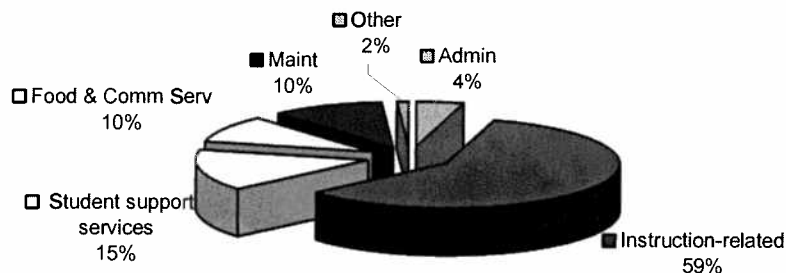
The cost of all *governmental* activities this year was \$14,017,663.

- Some of the cost was paid by the users of the District's programs (\$1,080,682).
- The federal and state governments subsidized certain programs with grants and contributions of \$3,050,131.
- Most of the District's costs \$9,886,850, however, were paid for by District taxpayers and the taxpayers of our state.
- This portion of governmental activities was paid for with \$1,490,898 in property taxes and \$9,705,314 in state aid based on the statewide education aid formula. In addition, the District earned additional revenues of \$661,899 related to investment earnings and other general revenues.

**Figure A-3 Sources of District's Revenues for Fiscal 2008**



**Figure A-4 District Expenses for Fiscal 2008**



**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2008**

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

Table A-3  
Program Costs and Net Cost of Services

	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	2008	2007	Change	2008	2007	Change
Administration	\$ 607,296	\$ 748,747	-18.89%	\$ 606,395	\$ 737,357	-17.76%
District Support Services	398,233	338,700	17.58%	398,233	326,206	22.08%
Regular Instruction	6,446,917	6,535,056	-1.35%	4,953,584	5,030,199	-1.52%
Vocational Education Instruction	101,123	121,234	-16.59%	92,165	104,853	-12.10%
Special Education Instruction	1,762,195	1,869,328	-5.73%	931,036	703,255	32.39%
Instructional Support Services	523,741	479,937	9.13%	523,741	433,769	20.74%
Pupil Support Services	1,190,482	1,231,555	-3.34%	1,035,074	1,110,182	-6.77%
Sites and Buildings	1,454,758	1,491,584	-2.47%	1,160,854	1,147,397	1.17%
Fiscal and Other Fixed						
Cost Programs	76,992	71,496	7.69%	(34,276)	71,242	-148.11%
Food Service	846,083	846,565	-0.06%	15,110	21,512	-29.76%
Community Service	519,896	511,932	1.56%	114,987	91,731	25.35%
Interest and Fiscal Charges on						
Long-Term Liabilities	89,947	133,121	-32.43%	89,947	133,121	-32.43%
<b>Total</b>	<b>\$ 14,017,663</b>	<b>\$ 14,379,255</b>	<b>-2.51%</b>	<b>\$ 9,886,850</b>	<b>\$ 9,910,824</b>	<b>-0.24%</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 \$3,598,512 significantly improved over last year's ending fund balance of \$1,880,095.

**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 that the number of students has decreased over the last nine years.

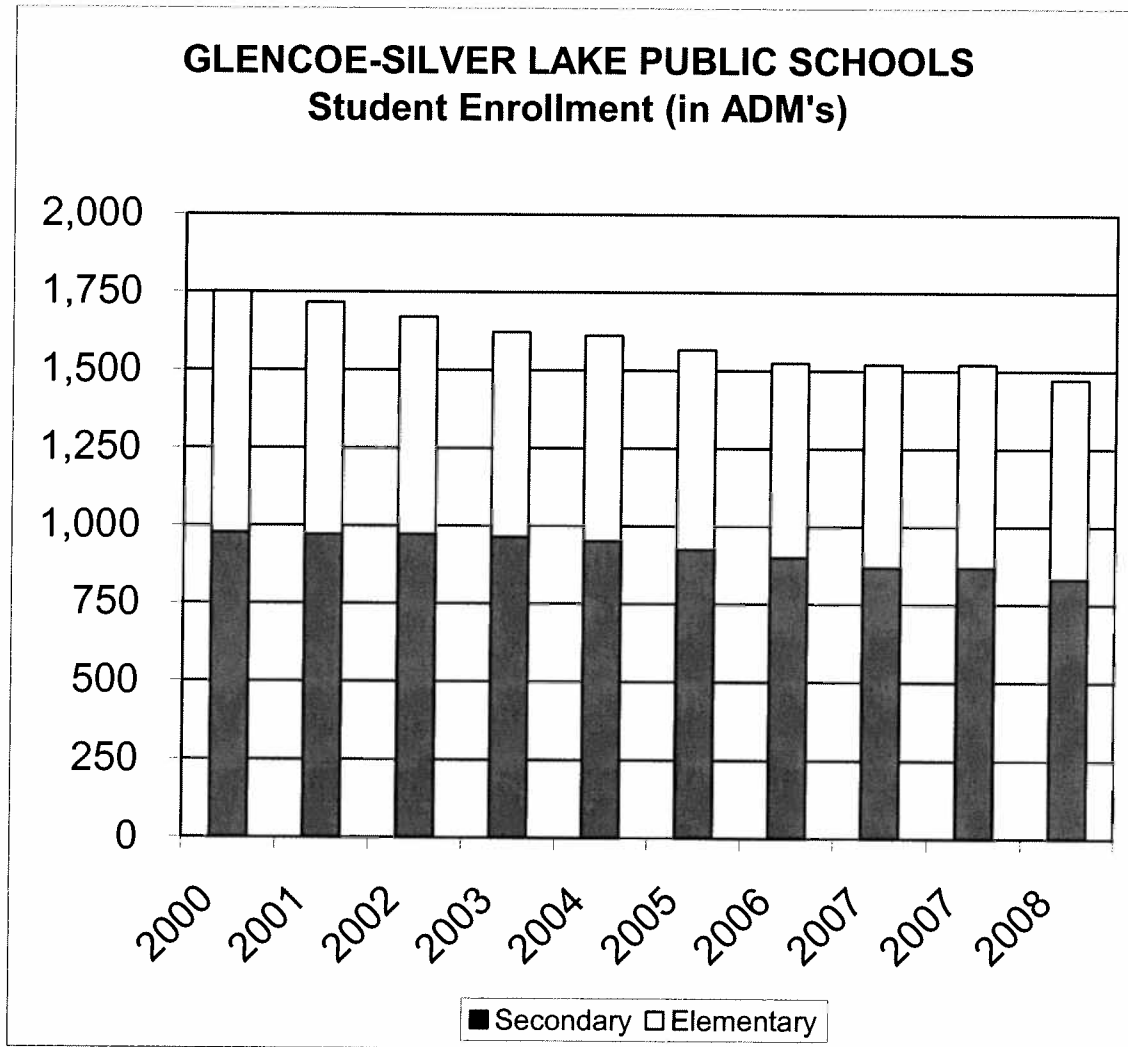
Table A-4  
Student Enrollment (Average Daily Membership)

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Pre-K & KH	15	14	23	23	30	29	29	28	22
Reg K, Pre-K & KH	112	119	105	103	84	94	89	104	100
Elementary	773	744	697	657	659	641	624	652	640
Secondary	978	972	973	964	952	925	900	868	832
Total Students for Aid	1,878	1,849	1,798	1,747	1,725	1,689	1,642	1,652	1,594
Percent change	0.00%	-1.57%	-2.77%	-2.79%	-1.31%	-2.04%	-2.80%	0.61%	-3.48%

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2008**

**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, 2008**

**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, 2008	June 30, 2007	Increase (Decrease)	Percent
Local Sources				
Property Taxes	\$ 1,166,506	\$ 1,126,173	\$ 40,333	3.6%
Earnings on Investments	174,044	124,326	49,718	40.0%
Other	706,686	957,406	(250,720)	-26.2%
State Sources	11,968,574	12,201,381	(232,807)	-1.9%
Federal Sources	273,096	307,231	(34,135)	-11.1%
Total General Fund Revenue	<u>\$ 14,288,906</u>	<u>\$ 14,716,517</u>	<u>\$ (427,611)</u>	-2.9%

Revenues from state and federal sources totaled \$12,241,670, a net decrease of \$266,942 or 2.1% from the preceding year. Total General Fund revenues decreased by \$427,611, or 2.9%, 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 \$232,807 decrease in state sources for fiscal 2008 is largely attributable to the decreased enrollment and changes in special education funding. The amount of interest earned increased by 40.0%. This factor was attributable to the stability of the District's cash flow, the ability to invest additional dollars, and rising interest rates. The 26.2% (\$250,720) decrease in other funding sources is due to funding factors pertaining to special education and third party billing. 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.

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, 2008**

**GENERAL FUND (CONTINUED)**

The following schedule presents a summary of General Fund expenditures.

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

	June 30, 2008	June 30, 2007	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries	\$ 6,759,718	\$ 6,764,005	\$ (4,287)	-0.1%
Employee Benefits	2,056,976	2,174,959	(117,983)	-5.4%
Purchased Services	2,675,614	2,979,633	(304,019)	-10.2%
Supplies and Materials	492,676	370,844	121,832	32.9%
Capital Expenditures	234,296	281,715	(47,419)	-16.8%
Other Expenditures	408,039	427,043	(19,004)	-4.5%
Total Expenditures	<u>\$ 12,627,319</u>	<u>\$ 12,998,199</u>	<u>\$ (370,880)</u>	-2.9%

Total General Fund expenditures decreased \$370,880 or 2.9% from the previous year.

During fiscal year 2008 employee benefits decreased by 5.4%. Some of this decrease is due to the timing of the settlement of the contract with the teachers' union. The District continues to look at various cost containment measures to minimize the effect rising health insurance premiums have on the costs of the District's employee compensation packages. The health insurance committee was re-activated in February of 2008 to review all of the health care coverage's. The \$150 deductible plan was eliminated from the health coverage offerings beginning on July 1<sup>st</sup>, 2008. The GSL Teachers union also agreed to a freeze on their health care coverage for the 2008-2009 school year, which is the 2<sup>nd</sup> year of the contract.

The total fund balance of the General Fund increased to \$3,461,796 at June 30, 2008 compared to \$1,673,218 at June 30, 2007, and (\$417,894) on June 30, 2006. 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 2008 a fund balance policy was adopted by the school board. The policy states that the school district will strive to attain and maintain a fund balance of 8-10% of annual General Fund expenditures. The June 30<sup>th</sup>, 2008 ending unreserved/undesignated general fund balance of \$2,984,520 is at 23.6% 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, 2008**

**General Fund Budgetary Highlights (Continued)**

During fiscal year 2008, General Fund revenues were below budgeted levels by \$273,640 and General Fund expenditures were below budget by \$780,909. 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 \$263,413 due to budgeting higher for transportation services and ended up paying their own bus drivers. Utility costs also came in below budget. A higher inflationary estimation was also used for fuel and utility costs compared to actual expenditures.
- Special education costs were below budget by \$372,100 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. There were also some outstanding liabilities with the dissolving of the Crow River Cooperative that were unknown.
- 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 incurred a decrease of \$5,730 leaving the fund balance at (\$2,625). The 2007-2008 school year was the second year that the food service program was outsourced to Taher Foods. The fund balance dropped to \$3,105 at June 30, 2007 from \$16,248 at June 30, 2006. Taher was uncooperative at year end in completing their final billing. At the completion of the audit, the final details of the billing were still unknown, however a significant receivable or payable is not anticipated.

The Minnesota Department of Education mandated school districts that outsourced their food service to go out for bids for the 2008-2009 even if there was a current contract in place. The bidding process occurred in April and at that time the school board approved hiring Chartwells Dining Service to take over the food service program for the 2008-2009 school year. Chartwells has guaranteed the district a profit for the 2008-2009 of approximately \$40,000. The District will continue to closely monitor the Food Service fund. Due to the increased cost of food and fuel the food service program will become more difficult to cash flow without substantially increasing fees to students.

**COMMUNITY SERVICE**

The Community Service Fund fund balance decreased from \$148,848 to \$139,341 at June 30, 2008. 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. To avoid a future fund balance penalty in Community Education and School Readiness, 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, 2008**

**OTHER MAJOR FUNDS (CONTINUED)**

**DEBT SERVICE FUND**

Prior to transfers, the Debt Service Fund ended with a fund balance of \$58,248 at June 30, 2008. The debt obligation of the District has now all been paid. Therefore a fund balance reserve is no longer needed and the Debt Service Fund has been closed. As per state statute, when the obligation has been completed, the balance of debt service is returned to the taxpayers. This occurs by a fund balance transfer to the general fund and a levy reduction with the Pay 2009 levy. Fund balance of \$58,248 has been reserved in the general fund as a future levy reduction.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2008, the District had invested \$5,125,054 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 \$344,894.

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

	<b>2008</b>	<b>2007</b>	<b>Percentage Change</b>
Land	\$ 130,000	\$ 130,000	0.0%
Land Improvements	133,645	133,645	0.0%
Buildings and Improvements	8,964,283	8,964,283	0.0%
Equipment	2,685,502	2,612,391	2.8%
Less: Accumulated Depreciation	<u>(6,788,376)</u>	<u>(6,443,482)</u>	5.4%
<b>Total</b>	<u><u>\$ 5,125,054</u></u>	<u><u>\$ 5,396,837</u></u>	-5.0%

**Long-Term Liabilities**

At year end, the District had \$174,786 in capital leases, as shown in Table A-8. The District also had \$581,921 in post-employment severance and health benefits payable at June 30, 2008. (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.

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

	<b>2008</b>	<b>2007</b>	<b>Percentage Change</b>
General Obligation Bonds	\$ -	\$ 245,000	-100.0%
Obligations Under Capital Leases	174,786	427,183	-59.1%
Severance Benefits Payable	<u>581,921</u>	<u>605,419</u>	-3.9%
<b>Total</b>	<u><u>\$ 756,707</u></u>	<u><u>\$ 1,277,602</u></u>	-40.8%
Long-Term Liabilities:			
Due Within One Year	\$ 204,299	\$ 641,779	
Due in More Than One Year	<u>552,408</u>	<u>635,823</u>	
	<u><u>\$ 756,707</u></u>	<u><u>\$ 1,277,602</u></u>	

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2008**

**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 2007-2008 decrease by 3.5% at the end of the school year compared to the 2007 year end. But, the enrollment continues to remain fairly stable and higher than originally anticipated. The future projected enrollments continue to indicate a decline in enrollment. Declining enrollment and enrollment options continue to hurt the district.
- The voters of the district successfully passed a 5-year referendum on November 6, 2007. This referendum was for \$680.05 per student with an inflationary increase on the last 4 years of the referendum. Referendums are calculated based on the resident pupil count. Because of the loss of students due to enrollment options, the district loses approximately \$38,428 in state referendum aid. The aid portion of the revenue is transferred from the resident district to the school district in which the pupil receives services. The levy portion stays with the resident district.
- Because of the budget cuts during the past few years, the district was able to get out of statutory operating debt on June 30, 2007 and start to build a positive fund balance. Having a positive fund balance again has proven to be a very positive reinforcement for the district, the staff and the community.
- The Henry Hill building was closed and sold to the City of Glencoe in February of 2007. Closing this building has proven to be a financial savings to the school district in operational cost even though it came with conflict from the community. At this time, the City of Glencoe is looking at ways to fund their Henry Hill Event Center project and has approached the School about contributing to their project. At this time, it would not serve the needs of the District to be a part of their project. The District is dealing with some classroom space issues and will eventually look forward to a building project.
- The 2007 Legislative Session was the basis for a two-year funding package. The basic formula for 2007 was increased by 2% for the 2007-2008 school year and 1% for the 2008-2009 school year. Additional one time money was added for operating capitol/technology aid. This calculation is \$40 per pupil unit for 2007-2008 and \$55 for 2008-2009. Kindergarten weighting was increased from .557 to .612. Gifted and Talented Revenue was increased from \$9 per AMCPU to \$12 beginning in FY 2008. Equity revenue increased from \$23 to \$46. Safe schools levy increased from \$27 to \$30. The ECFE revenue was increased from \$112 to \$120 per resident under the age of five. Because the 2008 Legislative Session was not a typical funding year districts did not see many changes in funding. There was a one-time general education revenue increase for FY 2009 only. The additional revenue equals \$51 per AMCPU. This is equivalent to a 1% increase to the general education formula, except that it is not linked to other formulas that use the general education formula allowance. Kindergarten milk was increased from 14 cents to 20 cents. Developmental screening aid saw a slight increase also.
- The high fuel and energy costs will continue to be a major factor in the 2008-2009 school year. The district did end the 2008 school year under budget in the cost of utilities. With the increased costs in fuel, more of the budget is being used to pay utilities and transportation.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2008**

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

- A new contract was negotiated for the 2007-2008 and 2008-2009 fiscal years for Education Minnesota - Glencoe-Silver Lake. Contract settlements have not been reached for the School Services Employees Local 284 whose contract expired on June 30, 2007. The delay in the settlement of the contract has been due to contract language regarding the sub-contracting of school bus drivers.
- 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 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. 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. Changing to Little Crow presented some challenges for the district in determining staffing, funding and budgeting and fiscal management with the dissolving of the Crow River Cooperative.
- 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.

**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.

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## **BASIC FINANCIAL STATEMENTS**

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**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
STATEMENT OF NET ASSETS  
JUNE 30, 2008  
(WITH COMPARATIVE DATA AS OF JUNE 30, 2007)**

	<b>Governmental Activities</b>	
	<b>2008</b>	<b>2007</b>
<b>ASSETS</b>		
Cash and Investments	\$ 5,674,009	\$ 4,750,264
Receivables		
Property Taxes	925,219	821,741
Other Governments	1,122,694	971,771
Other	105,622	101,035
Prepaid Items	23,913	35,456
Inventories	5,000	21,229
Capital Assets		
Land and Construction in Progress	130,000	130,000
Other Capital Assets, Net of Depreciation	4,995,054	5,266,837
Total Assets	<u>12,981,511</u>	<u>12,098,333</u>
<b>LIABILITIES</b>		
Short-Term Borrowing	1,500,000	2,150,000
Salaries and Compensated Absences Payable	891,212	893,499
Accounts and Contracts Payable	189,749	251,151
Accrued Interest	50,559	87,474
Due to Other Governmental Units	42,293	64,975
Deferred Revenue		
Property Taxes	1,547,653	1,353,088
Local Sources	18,267	6,734
Long-Term Liabilities		
Portion Due Within One Year	204,299	641,779
Portion Due in More Than One Year	552,408	635,823
Total Liabilities	<u>4,996,440</u>	<u>6,084,523</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	4,950,268	4,724,654
Restricted for		
General Fund Operating Capital Purposes	426,017	144,292
General Fund State-Mandated Reserves	123,411	114,440
Food Service	-	3,105
Community Service	139,341	148,848
Debt Service	-	52,015
Unrestricted	<u>2,346,034</u>	<u>826,456</u>
Total Net Assets	<u>\$ 7,985,071</u>	<u>\$ 6,013,810</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, 2008  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2007)**

2008

Functions	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Governmental Activities</b>			
Administration	\$ 607,296	\$ 901	\$ -
District Support Services	398,233	-	-
Regular Instruction	6,446,917	155,402	1,296,944
Vocational Education Instruction	101,123	406	8,552
Special Education Instruction	1,762,195	-	831,159
Instructional Support Services	523,741	-	-
Pupil Support Services	1,190,482	24,291	75,260
Sites and Buildings	1,454,758	129,428	164,476
Fiscal and Other Fixed Cost Programs	76,992	-	229
Food Service	846,083	498,543	332,430
Community Service	519,896	271,711	125,079
Interest and Fiscal Charges on Long-Term Liabilities	89,947	-	-
Total School District	<u>\$ 14,017,663</u>	<u>\$ 1,080,682</u>	<u>\$ 2,834,129</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.

		2007
	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
\$ -	\$ (606,395)	\$ (737,357)
-	(398,233)	(326,206)
40,987	(4,953,584)	(5,030,199)
-	(92,165)	(104,853)
-	(931,036)	(703,255)
-	(523,741)	(433,769)
55,857	(1,035,074)	(1,110,182)
-	(1,160,854)	(1,147,397)
111,039	34,276	(71,242)
-	(15,110)	(21,512)
8,119	(114,987)	(91,731)
-	(89,947)	(133,121)
<u>\$ 216,002</u>	<u>(9,886,850)</u>	<u>(9,910,824)</u>

1,150,079	1,110,504
107,046	103,363
233,773	225,728
9,705,314	10,044,353
182,502	132,972
600	136,961
478,797	312,934
<u>11,858,111</u>	<u>12,066,815</u>
1,971,261	2,155,991
<u>6,013,810</u>	<u>3,857,819</u>
<u>\$ 7,985,071</u>	<u>\$ 6,013,810</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008  
(WITH COMPARATIVE DATA AS OF JUNE 30, 2007)**

		<b>Major</b>	
	<b>General</b>	<b>Food Service</b>	<b>Community Service</b>
<b>ASSETS</b>			
Cash and Investments	\$ 5,482,112	\$ 2,470	\$ 189,427
Receivables			
Current Property Taxes	833,519	-	73,394
Delinquent Property Taxes	16,871	-	1,435
Due from Other Minnesota School Districts	87,080	-	-
Due from Minnesota Department of Education	990,681	-	4,254
Due from Federal through Minnesota Department of Education	40,679	-	-
Other Receivables	103,316	240	2,066
Prepaid Items	23,913	-	-
Inventory	2,068	2,932	-
Total Assets	<u>\$ 7,580,239</u>	<u>\$ 5,642</u>	<u>\$ 270,576</u>
<b>LIABILITIES AND FUND BALANCE (DEFICIT)</b>			
Liabilities			
Short-Term Borrowing	\$ 1,500,000	\$ -	\$ -
Salaries and Compensated Absences Payable	461,495	-	-
Payroll Deductions and Employer Contributions Payable	429,717	-	-
Accounts and Contracts Payable	189,749	-	-
Due to Other Governmental Units	42,293	-	-
Accrued Interest Payable	50,465	-	-
Deferred Revenue			
Property Taxes Levied for Subsequent Year	1,417,853	-	129,800
Delinquent Property Taxes	16,871	-	1,435
Local Sources	10,000	8,267	-
Total Liabilities	<u>4,118,443</u>	<u>8,267</u>	<u>131,235</u>
Fund Balance (Deficit)			
Reserved for			
Staff Development	22,596	-	-
Deferred Maintenance	42,567	-	-
Levy Reduction	58,248	-	-
Health and Safety	(72,152)	-	-
Operating Capital	426,017	-	-
Community Education Programs	-	-	65,747
Early Childhood and Family Education Programs	-	-	24,971
School Readiness	-	-	25,764
Unreserved			
Undesignated, Reported In			
General Fund	2,984,520	-	-
Debt Service Fund	-	-	-
Special Revenue Funds	-	(2,625)	22,859
Total Fund Balance (Deficit)	<u>3,461,796</u>	<u>(2,625)</u>	<u>139,341</u>
Total Liabilities and Fund Balance (Deficit)	<u>\$ 7,580,239</u>	<u>\$ 5,642</u>	<u>\$ 270,576</u>

See accompanying Notes to Basic Financial Statements.

Funds		Total Governmental	
Debt Service		Funds	
		2008	2007
\$	-	\$ 5,674,009	\$ 4,750,264
	-	906,913	802,753
	-	18,306	18,988
	-	87,080	178,955
	-	994,935	729,299
	-	40,679	63,517
	-	105,622	101,035
	-	23,913	35,456
	-	5,000	21,229
<u>\$</u>	<u>-</u>	<u>\$ 7,856,457</u>	<u>\$ 6,701,496</u>
\$	-	\$ 1,500,000	\$ 2,150,000
	-	461,495	431,146
	-	429,717	462,353
	-	189,749	251,151
	-	42,293	64,975
	-	50,465	82,966
	-	1,547,653	1,353,088
	-	18,306	18,988
	-	18,267	6,734
	-	4,257,945	4,821,401
	-	22,596	-
	-	42,567	-
	-	58,248	-
	-	(72,152)	114,440
	-	426,017	144,292
	-	65,747	93,801
	-	24,971	15,254
	-	25,764	16,568
	-	2,984,520	1,414,486
	-	-	54,924
	-	20,234	26,330
	-	3,598,512	1,880,095
<u>\$</u>	<u>-</u>	<u>\$ 7,856,457</u>	<u>\$ 6,701,496</u>

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**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, 2008  
(WITH COMPARATIVE DATA AS OF JUNE 30, 2007)**

	<u>2008</u>	<u>2007</u>
<b>Total Fund Balance for Governmental Funds</b>	\$ 3,598,512	\$ 1,880,095
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	103,231	109,693
Buildings and Improvements, Net of Accumulated Depreciation	4,120,546	4,287,246
Equipment, Net of Accumulated Depreciation	771,277	869,898
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.		
	18,306	18,988
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
	(94)	(4,508)
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets. Balances at year-end are:		
Bonds Payable	-	(245,000)
Obligations Under Capital Leases	(174,786)	(427,183)
Severance Benefits Payable	(581,921)	(605,419)
<b>Total Net Assets of Governmental Activities</b>	<u>\$ 7,985,071</u>	<u>\$ 6,013,810</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, 2008  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2007)**

	<b>Major</b>		
	<b>General</b>	<b>Food Service</b>	<b>Community Service</b>
<b>REVENUES</b>			
Local Sources			
Property Taxes	\$ 1,166,506	\$ -	\$ 113,858
Earnings on Investments	174,044	-	8,458
Other	706,686	502,556	282,094
State Sources	11,968,574	36,074	144,085
Federal Sources	273,096	292,344	673
Total Revenues	<u>14,288,906</u>	<u>830,974</u>	<u>549,168</u>
<b>EXPENDITURES</b>			
Current			
Administration	592,929	-	-
District Support Services	396,069	-	-
Regular Instruction	6,174,587	-	-
Vocational Education Instruction	99,180	-	-
Special Education Instruction	1,720,427	-	-
Instructional Support Services	441,169	-	-
Pupil Support Services	1,167,874	-	-
Sites and Buildings	1,380,529	-	-
Fiscal and Other Fixed Cost Programs	76,992	-	-
Food Service	-	836,704	-
Community Service	-	-	521,858
Capital Outlay	234,296	-	36,817
Debt Service			
Principal	252,397	-	-
Interest and Fiscal Charges	90,870	-	-
Total Expenditures	<u>12,627,319</u>	<u>836,704</u>	<u>558,675</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,661,587	(5,730)	(9,507)
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of Equipment Proceeds	600	-	-
Judgments for School Districts	68,143	-	-
Transfers In	58,248	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>126,991</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	1,788,578	(5,730)	(9,507)
Fund Balance (Deficit) - Beginning	<u>1,673,218</u>	<u>3,105</u>	<u>148,848</u>
Fund Balance (Deficit) - Ending	<u><u>\$ 3,461,796</u></u>	<u><u>\$ (2,625)</u></u>	<u><u>\$ 139,341</u></u>

See accompanying Notes to Basic Financial Statements.



<u>Funds</u>			
<u>Debt Service</u>	<u>Total Governmental Funds</u>		
	<u>2008</u>	<u>2007</u>	
\$ 211,216	\$ 1,491,580	\$ 1,438,857	
-	182,502	132,972	
-	1,491,336	1,740,291	
40,599	12,189,332	12,446,024	
-	566,113	591,609	
<u>251,815</u>	<u>15,920,863</u>	<u>16,349,753</u>	
-	592,929	806,631	
-	396,069	326,679	
-	6,174,587	6,112,408	
-	99,180	120,046	
-	1,720,427	1,831,914	
-	441,169	410,324	
-	1,167,874	1,202,813	
-	1,380,529	1,458,103	
-	76,992	71,496	
-	836,704	822,471	
-	521,858	488,131	
-	271,113	299,059	
245,000	497,397	489,352	
3,491	94,361	138,615	
<u>248,491</u>	<u>14,271,189</u>	<u>14,578,042</u>	
3,324	1,649,674	1,771,711	
-	600	325,000	
-	68,143	47,794	
-	58,248	-	
(58,248)	(58,248)	-	
<u>(58,248)</u>	<u>68,743</u>	<u>372,794</u>	
(54,924)	1,718,417	2,144,505	
54,924	1,880,095	(264,410)	
<u>\$ -</u>	<u>\$ 3,598,512</u>	<u>\$ 1,880,095</u>	

**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, 2008  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2007)**

	<u>2008</u>	<u>2007</u>
<b>Net Change in Fund Balance-Total Governmental Funds</b>	<b>\$ 1,718,417</b>	<b>\$ 2,144,505</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	73,111	19,146
Gain (Loss) on Disposal of Capital Assets	600	136,961
Proceeds from sales of capital assets	(600)	(325,000)
Depreciation Expense	(344,894)	(407,356)

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	1,505	2,997
Principal Payments - Capital Leases	252,397	254,352

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	235,000
Change in Accrued Interest Expense - General Obligation Bonds	2,909	2,497

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.

(682)	738
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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>23,498</u>	<u>92,151</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 1,971,261</u></b>	<b><u>\$ 2,155,991</u></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, 2008**

	<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	\$ 1,171,561	\$ 1,232,947	\$ 1,166,506	\$ (66,441)
Earnings on Investments	50,000	150,000	174,044	24,044
Other	510,329	708,720	706,686	(2,034)
State Sources	11,651,716	12,140,361	11,968,574	(171,787)
Federal Sources	434,582	330,518	273,096	(57,422)
Total Revenues	13,818,188	14,562,546	14,288,906	(273,640)
<b>EXPENDITURES</b>				
Current				
Administration	701,836	608,275	592,929	(15,346)
District Support Services	381,132	426,381	396,069	(30,312)
Elementary and Secondary				
Regular Instruction	6,025,295	6,045,927	6,174,587	128,660
Vocational Education Instruction	92,365	72,244	99,180	26,936
Special Education Instruction	2,289,870	2,092,527	1,720,427	(372,100)
Instructional Support Services	529,100	494,937	441,169	(53,768)
Pupil Support Services	1,013,397	1,089,569	1,167,874	78,305
Sites and Buildings	1,546,180	1,646,239	1,380,529	(265,710)
Fiscal and Other Fixed Cost Programs	239,900	278,900	76,992	(201,908)
Capital Outlay	226,830	270,607	234,296	(36,311)
Debt Service				
Principal	252,467	252,467	252,397	(70)
Interest and Fiscal Charges	130,155	130,155	90,870	(39,285)
Total Expenditures	13,428,527	13,408,228	12,627,319	(780,909)
Excess (Deficiency) of Revenues Over (Under) Expenditures	389,661	1,154,318	1,661,587	507,269
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Equipment Proceeds	-	100	600	500
Judgments for School Districts	-	-	68,143	68,143
Transfers In	-	-	58,248	58,248
Total Other Financing Sources (Uses)	-	100	126,991	126,891
Net Change in Fund Balance	\$ 389,661	\$ 1,154,418	1,788,578	\$ 634,160
<b>FUND BALANCE</b>				
Beginning of Year			1,673,218	
End of Year			\$ 3,461,796	

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, 2008**

	<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	\$ 540,249	\$ 540,249	\$ 502,556	\$ (37,693)
State Sources	33,404	33,404	36,074	2,670
Federal Sources	297,745	297,745	292,344	(5,401)
Total Revenues	<u>871,398</u>	<u>871,398</u>	<u>830,974</u>	<u>(40,424)</u>
<b>EXPENDITURES</b>				
Current				
Food Service	859,601	874,898	836,704	(38,194)
Capital Outlay	4,000	2,000	-	(2,000)
Total Expenditures	<u>863,601</u>	<u>876,898</u>	<u>836,704</u>	<u>(40,194)</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>\$ 7,797</u>	<u>\$ (5,500)</u>	(5,730)	<u>\$ (230)</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>3,105</u>	
End of Year			<u>\$ (2,625)</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, 2008**

	<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	\$ 114,633	\$ 113,799	\$ 113,858	\$ 59
Earnings on Investments	-	-	8,458	8,458
Other - Primarily Tuition and Fees	287,600	281,600	282,094	494
State Sources	143,626	154,958	144,085	(10,873)
Federal Sources	300	300	673	373
Total Revenues	<u>546,159</u>	<u>550,657</u>	<u>549,168</u>	<u>(1,489)</u>
<b>EXPENDITURES</b>				
Current				
Community Service	536,854	540,883	521,858	(19,025)
Capital Outlay	<u>6,650</u>	<u>6,650</u>	<u>36,817</u>	<u>30,167</u>
Total Expenditures	<u>543,504</u>	<u>547,533</u>	<u>558,675</u>	<u>11,142</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 2,655</u>	<u>\$ 3,124</u>	(9,507)	<u>\$ (12,631)</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>148,848</u>	
End of Year			<u>\$ 139,341</u>	

See accompanying Notes to Basic Financial Statements.

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**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**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, 2008**

**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, 2008**

**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, 2008**

**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.

Debt Service Fund

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

**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, Community Service, and Debt Service Funds. The approved budget is published in summary form in the District's legal newspaper. Reported budget amounts represent the 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, 2008**

**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.

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

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

**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.

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, 2008, 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.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

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

**K. Capital Assets (Continued)**

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.

**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.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

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

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

**Severance and Health Benefits**

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

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

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

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 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.

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 2008, the District's expenditures for early retirement incentive and convertible sick leave expenditures for early retirement incentive totaled \$104,011. At June 30, 2008, the long-term portion of the early retirement incentive and convertible sick leave liability is included as part of severance and health benefits payable in the long-term debt.

**2. Post-Employment Health Care Benefits**

Under the terms of certain collectively bargained employment contracts, including the teachers' contract, the District is required to pay either \$135 or \$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. For employees that have retired as of June 30, the District's accounting policy is to record these amounts as an expenditure when paid. All premiums are funded on a pay-as-you-go basis. Total expenditures for post-employment health care benefits were \$30,825 for the year ended June 30, 2008.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

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

**N. 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.

**O. 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.

**P. 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 \$688,769 of restricted net assets, all of which is restricted by enabling legislation.

**Q. 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.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 2 STEWARDSHIP AND ACCOUNTABILITY**

**Excess of Expenditures over Budget**

Expenditures exceeded budgeted amounts in the following fund at June 30, 2008:

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Special Revenue Funds			
Community Service Fund	\$ 547,533	\$ 558,675	\$ 11,142

The increase in expenditures in the Community Service Fund was done in order to reduce fund balances.

**Deficit Fund Balances**

The Food Service Fund had a deficit fund balance of \$(2,625) at June 30, 2008. The District will eliminate this deficit with future operations.

**Transfer Fund Balances**

The Debt Service Fund was closed out at June 30, 2008. The District made a transfer from the Debt Service Fund to the General Fund equal to the remaining fund balance of \$58,248. This amount has been reserved in the General Fund for future levy reduction.

**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, 2008 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.



**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

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

**A. Deposits**

Deposit balances at June 30, 2008 are as follows:

Deposits	\$ 5,673,732
Cash on Hand	277
	<u>\$ 5,674,009</u>
Cash and Investments - Statement of Net Assets	<u>\$ 5,674,009</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
- 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, 2008 the District had no investments.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2008 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	-	-	133,645
Buildings and Improvements	8,964,283	-	-	8,964,283
Equipment	2,612,391	73,111	-	2,685,502
Total Capital Assets, Being Depreciated	11,710,319	73,111	-	11,783,430
Accumulated Depreciation for				
Land Improvements	(23,952)	(6,462)	-	(30,414)
Buildings and Improvements	(4,677,037)	(166,700)	-	(4,843,737)
Equipment	(1,742,493)	(171,732)	-	(1,914,225)
Total Accumulated Depreciation	(6,443,482)	(344,894)	-	(6,788,376)
Total Capital Assets, Being Depreciated, Net	5,266,837	(271,783)	-	4,995,054
Governmental Activities Capital Assets, Net	<u>\$ 5,396,837</u>	<u>\$ (271,783)</u>	<u>\$ -</u>	<u>\$ 5,125,054</u>

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

<b>Governmental Activities</b>	
Administration	\$ 150
Elementary and Secondary Regular Instruction	285,836
Instructional Support Services	286
Pupil Support Services	2,123
Sites and Buildings	46,283
Food Service	9,379
Community Service	837
Total Depreciation Expense, Governmental Activities	<u>\$ 344,894</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 5 LONG-TERM LIABILITIES**

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

Long-term debt consisted of the following at June 30, 2008:

	Principal Outstanding	
	Due Within One Year	Total
Capital Leases Payable	\$ 118,699	\$ 174,786
Severance and Health Benefits Payable	85,600	581,921
	<u>\$ 204,299</u>	<u>\$ 756,707</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, 2008:

Year Ending June 30,	
2009	\$ 123,983
2010	11,372
2011	11,371
2012	11,372
2013	11,372
2014 - 2018	17,058
Total Minimum Lease Payments	186,528
Less Amounts Representing Interest	11,742
Present Value of Net Minimum Lease Payments	<u>\$ 174,786</u>

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

**General Obligation School Building Bonds**

These bonds were issued to finance acquisitions and/or construction of capital facilities. These bonds were retired during the current fiscal year.

**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 \$3,878,753. Related accumulated depreciation of assets under capital leases at June 30, 2008 is \$939,765.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

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

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

Panther Fieldhouse

The District has entered into a capital lease for the construction of a fieldhouse. The City of Glencoe has agreed to contribute \$573,397 to the financing of the fieldhouse. Payments are due from the City in ten annual installments of \$57,340 each and began in fiscal 1998-99.

Leased Equipment

The District has entered into a capital lease for Panther Fieldhouse equipment totaling \$331,297. Payments are due quarterly in the amount of \$13,213 until July 2009.

Computer Equipment

The District has entered into a capital lease for computer equipment totaling \$155,000. Payments were due semi-annually in the amount of \$20,787 until February 2008.

The District has entered into a capital lease for computer equipment totaling \$111,674. Payments are due semi-annually in the amount of \$15,226 until July 2009.

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 June 2014.

Helen Baker Building Lease

The District has entered into a capital lease for a building totaling \$131,578. Payments are due semi-annually in the amount of \$14,554 until June 2009.

Severance and Health Benefits Payable

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

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

	June 30, 2007	Net Additions	Retirements	June 30, 2008
Bonds Payable	\$ 245,000	\$ -	\$ 245,000	\$ -
Lease Purchase Obligations	427,183	-	252,397	174,786
Severance and Health Benefits Payable	605,419	65,513	89,011	581,921
	<u>\$ 1,277,602</u>	<u>\$ 65,513</u>	<u>\$ 586,408</u>	<u>\$ 756,707</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 6 SHORT-TERM BORROWING**

On August 21, 2006, the District issued Aid Anticipation Certificates in the amount of \$2,150,000 which expired on September 21, 2007.

On August 29, 2007, the District issued 2007A Aid Anticipation Certificates in the amount of \$1,500,000. The certificates bear interest at 4% and are due September 28, 2008. Interest payable of \$50,465 was accrued at June 30, 2008 on these certificates.

	June 30, 2007	Additions	Retirements	June 30, 2008
2006 Aid Anticipation Certificate	\$ 2,150,000	\$ -	\$ 2,150,000	\$ -
2007 Aid Anticipation Certificate	-	1,500,000	-	1,500,000
	<u>\$ 2,150,000</u>	<u>\$ 1,500,000</u>	<u>\$ 2,150,000</u>	<u>\$ 1,500,000</u>

**NOTE 7 OPERATING LEASES**

The District has entered into various operating leases for copiers, Community Education vehicle and credit card machine. The following is a schedule by years of future minimum rental payments required under the operating leases:

Year Ending June 30,	
2009	\$ 87,093
2010	5,493
2011	5,493
2012	<u>2,090</u>
Total Minimum Lease Payments	<u>\$ 100,169</u>

The District had \$87,909 of expenditures for these leases in fiscal year 2008.

**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.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

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

**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.

**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.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**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.

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, 2008, 2007, and 2006 were \$300,948, \$269,822 and \$287,137, respectively, equal to the required contributions for each year as set by state statute.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 9 RETIREMENT PLANS (CONTINUED)**

**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.

**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 5.75% of their annual covered salary through December 31, 2007. Employee contribution rates for the Coordinated Plan increased to 6.0%, effective January 1, 2008.

The District was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.25% for Coordinated Plan members, through December 31, 2007. Employer contribution rates for the Coordinated Plan increased to 6.5%, effective January 1, 2008. The District's contributions to the Public Employees Retirement Fund for the years ending June 30, 2008, 2007, and 2006, were \$75,844 \$80,434 and \$109,826, respectively. The District's contributions were equal to the contractually required contributions for each year as set by state statute.



**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 9 RETIREMENT PLANS (CONTINUED)**

**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, 2008, 2007 and 2006 are \$92,245, \$92,531 and \$93,470, respectively. The related employee contributions were \$216,510, \$230,293 and \$229,252 for the years ended June 30, 2008, 2007 and 2006, respectively.

**NOTE 10 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.

**Unsettled Union Contract**

The contract with School Services Employees Local 284 expired on June 30, 2007. The delay in the settlement of the contract has been due to contract language regarding the sub-contracting of school bus drivers. At this time, the District does not have an estimate of potential costs which may be associated with this contract.

**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 11 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.

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## **SUPPLEMENTAL INFORMATION**

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**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
GENERAL FUND  
BALANCE SHEET  
JUNE 30, 2008  
(WITH COMPARATIVE DATA AS OF JUNE 30, 2007)**

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and Investments	\$ 5,482,112	\$ 4,376,734
Receivables		
Current Taxes	833,519	579,504
Delinquent Taxes	16,871	14,648
Accounts and Interest Receivable	103,316	99,762
Due from Other Minnesota School Districts	87,080	178,955
Due from Minnesota Department of Education	990,681	707,386
Due from Federal through the Minnesota Department of Education	40,679	63,517
Inventories	2,068	11,064
Prepaid Items	23,913	35,456
	<hr/>	<hr/>
Total Assets	<u>\$ 7,580,239</u>	<u>\$ 6,067,026</u>
<b>LIABILITIES AND FUND BALANCE (DEFICIT)</b>		
Liabilities		
Short-Term Borrowing	\$ 1,500,000	\$ 2,150,000
Salaries and Compensated Absences Payable	461,495	431,146
Payroll Deductions and Employer Contributions Payable	429,717	462,353
Accounts and Contracts Payable	189,749	222,078
Due to Other Minnesota School Districts	-	64,438
Interest Payable	50,465	82,966
Due to Other Governmental Units	42,293	537
Property Taxes Levied for Subsequent Year	1,417,853	965,642
Deferred Revenue - Delinquent Taxes	16,871	14,648
Deferred Revenue - Other	10,000	-
Total Liabilities	<hr/> 4,118,443	<hr/> 4,393,808
Fund Balance (Deficit)		
Reserved		
Reserved for Staff Development	22,596	-
Reserved for Deferred Maintenance	42,567	-
Reserved for Levy Reduction	58,248	-
Reserved for Health and Safety	(72,152)	114,440
Reserved for Operating Capital	426,017	144,292
Unreserved		
Undesignated	2,984,520	1,414,486
Total Fund Balance (Deficit)	<hr/> 3,461,796	<hr/> 1,673,218
	<hr/>	<hr/>
Total Liabilities and Fund Balance (Deficit)	<u>\$ 7,580,239</u>	<u>\$ 6,067,026</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, 2008  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2007)**

	<b>2008</b>		<b>Over (Under)</b>	<b>2007</b>
	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Final Budget</b>	<b>Actual Amounts</b>
<b>REVENUES</b>				
Local Sources				
Property Taxes	\$ 1,232,947	\$ 1,166,506	\$ (66,441)	\$ 1,126,173
Earnings on Investments	150,000	174,044	24,044	124,326
Other	708,720	706,686	(2,034)	957,406
State Sources	12,140,361	11,968,574	(171,787)	12,201,381
Federal Sources	330,518	273,096	(57,422)	307,231
Total Revenues	14,562,546	14,288,906	(273,640)	14,716,517
<b>EXPENDITURES</b>				
Current				
Administration				
Salaries	439,242	444,112	4,870	555,794
Employee Benefits	90,486	81,677	(8,809)	150,184
Purchased Services	64,347	54,929	(9,418)	51,957
Supplies and Materials	4,200	3,937	(263)	38,536
Capital Expenditures	500	-	(500)	180
Other Expenditures	10,000	8,274	(1,726)	10,160
Total Administration	608,775	592,929	(15,846)	806,811
District Support Services				
Salaries	233,370	206,908	(26,462)	195,797
Employee Benefits	36,785	6,471	(30,314)	43,209
Purchased Services	117,476	142,755	25,279	56,050
Supplies and Materials	9,350	9,798	448	5,084
Capital Expenditures	18,320	9,616	(8,704)	16,320
Other Expenditures	29,400	30,137	737	26,539
Total District Support Services	444,701	405,685	(39,016)	342,999
Elementary and Secondary Regular Instruction				
Salaries	4,186,399	4,212,135	25,736	4,234,289
Employee Benefits	1,275,265	1,362,070	86,805	1,457,279
Purchased Services	359,959	322,000	(37,959)	251,355
Supplies and Materials	201,463	269,316	67,853	158,579
Capital Expenditures	130,560	60,964	(69,596)	122,800
Other Expenditures	22,841	9,066	(13,775)	10,906
Total Elementary and Secondary Regular Instruction	6,176,487	6,235,551	59,064	6,235,208

**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, 2008  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2007)**

	2008		Over (Under) Final Budget	2007
	Final Budget	Actual Amounts		Actual Amounts
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
Vocational Education Instruction				
Salaries	\$ 61,156	\$ 75,890	\$ 14,734	\$ 97,644
Employee Benefits	10,838	10,813	(25)	12,797
Purchased Services	-	3,303	3,303	1,365
Supplies and Materials	250	9,174	8,924	8,240
Capital Expenditures	-	1,850	1,850	2,979
Total Vocational Education Instruction	72,244	101,030	28,786	123,025
Special Education Instruction				
Salaries	1,184,225	1,155,837	(28,388)	889,952
Employee Benefits	420,594	421,718	1,124	300,403
Purchased Services	361,214	132,636	(228,578)	637,269
Supplies and Materials	126,494	10,236	(116,258)	4,290
Capital Expenditures	300	19,520	19,220	3,603
Total Special Education Instruction	2,092,827	1,739,947	(352,880)	1,835,517
Instructional Support Services				
Salaries	301,215	312,019	10,804	310,784
Employee Benefits	71,741	65,346	(6,395)	59,061
Purchased Services	93,231	42,944	(50,287)	28,108
Supplies and Materials	6,250	6,246	(4)	9,968
Capital Expenditures	34,100	99,386	65,286	72,024
Other Expenditures	22,500	14,614	(7,886)	2,403
Total Instructional Support Services	529,037	540,555	11,518	482,348
Pupil Support Services				
Salaries	177,312	277,342	100,030	329,762
Employee Benefits	72,147	95,028	22,881	103,221
Purchased Services	752,585	704,271	(48,314)	690,844
Supplies and Materials	87,500	91,233	3,733	78,967
Capital Expenditures	25,000	1,339	(23,661)	45,022
Other Expenditures	25	-	(25)	19
Total Pupil Support Services	1,114,569	1,169,213	54,644	1,247,835

**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, 2008  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2007)**

	<u>2008</u>		<u>2007</u>
	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
			<u>Actual Amounts</u>
<b>EXPENDITURES (Continued)</b>			
Current (Continued)			
Sites and Buildings			
Salaries	\$ 72,641	\$ 75,475	\$ 2,834
Employee Benefits	16,970	13,853	(3,117)
Purchased Services	1,461,878	1,198,465	(263,413)
Supplies and Materials	94,750	92,736	(2,014)
Capital Expenditures	61,827	41,621	(20,206)
Total Sites and Buildings	1,708,066	1,422,150	(285,916)
Fiscal and Other Fixed Cost Programs			
Salaries	150,000	-	(150,000)
Employee Benefits	54,000	-	(54,000)
Purchased Services	73,000	74,311	1,311
Other Expenditures	1,900	2,681	781
Total Fiscal and Other Fixed Costs Programs	278,900	76,992	(201,908)
Debt Service			
Principal	252,467	252,397	(70)
Interest and Fiscal Charges	130,155	90,870	(39,285)
Total Debt Service	382,622	343,267	(39,355)
Total Expenditures	13,408,228	12,627,319	(780,909)
Excess (Deficiency) of Revenues Over Expenditures	1,154,318	1,661,587	507,269
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of Equipment Proceeds	100	600	500
Judgments for School Districts	-	68,143	68,143
Transfers In	-	58,248	58,248
Total Other Financing Sources (Uses)	100	126,991	126,891
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and			
Net Change in Fund Balance	<u>\$ 1,154,418</u>	1,788,578	<u>\$ 634,160</u>
<b>FUND BALANCE (DEFICIT)</b>			
Beginning of Year		1,673,218	(417,894)
End of Year		<u>\$ 3,461,796</u>	<u>\$ 1,673,218</u>



**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
FOOD SERVICE SPECIAL REVENUE FUND  
BALANCE SHEET  
JUNE 30, 2008  
(WITH COMPARATIVE DATA AS OF JUNE 30, 2007)**

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and Investments	\$ 2,470	\$ 22,415
Accounts and Interest Receivable	240	-
Inventory	<u>2,932</u>	<u>10,165</u>
Total Assets	<u>\$ 5,642</u>	<u>\$ 32,580</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts and Contracts Payable	\$ -	\$ 22,741
Deferred Revenue	<u>8,267</u>	<u>6,734</u>
Total Liabilities	8,267	29,475
Fund Balance		
Unreserved		
Undesignated	<u>(2,625)</u>	<u>3,105</u>
Total Liabilities and Fund Balance	<u>\$ 5,642</u>	<u>\$ 32,580</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, 2008  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2007)**

	<b>2008</b>			<b>2007</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	\$ 540,249	\$ 502,556	\$ (37,693)	\$ 507,109
State Sources	33,404	36,074	2,670	33,567
Federal Sources	297,745	292,344	(5,401)	284,005
Total Revenues	<u>871,398</u>	<u>830,974</u>	<u>(40,424)</u>	<u>824,681</u>
<b>EXPENDITURES</b>				
Current				
Salaries	17,891	15,135	(2,756)	34,483
Employee Benefits	3,919	6,190	2,271	12,831
Purchased Services	390,385	377,829	(12,556)	341,177
Supplies and Materials	461,503	437,550	(23,953)	432,855
Other Expenditures	1,200	-	(1,200)	1,125
Capital Outlay	2,000	-	(2,000)	15,353
Total Expenditures	<u>876,898</u>	<u>836,704</u>	<u>(40,194)</u>	<u>837,824</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (5,500)</u>	(5,730)	<u>\$ (230)</u>	(13,143)
<b>FUND BALANCE</b>				
Beginning of Year		<u>3,105</u>		<u>16,248</u>
End of Year		<u>\$ (2,625)</u>		<u>\$ 3,105</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
COMMUNITY SERVICE SPECIAL REVENUE FUND  
BALANCE SHEET  
JUNE 30, 2008  
(WITH COMPARATIVE DATA AS OF JUNE 30, 2007)**

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and Investments	\$ 189,427	\$ 194,308
Receivables		
Current Taxes	73,394	78,338
Delinquent Taxes	1,435	1,363
Accounts and Interest Receivable	2,066	1,273
Due from Minnesota Department of Education	4,254	17,427
Total Assets	<u>\$ 270,576</u>	<u>\$ 292,709</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts and Contracts Payable	\$ -	\$ 6,332
Property Taxes Levied for Subsequent Year	129,800	136,166
Deferred Revenue - Delinquent Taxes	1,435	1,363
Total Liabilities	<u>131,235</u>	<u>143,861</u>
Fund Balance		
Reserved for Community Education Programs	65,747	93,801
Reserved for Early Childhood and Family Education Programs	24,971	15,254
Reserved for School Readiness	25,764	16,568
Unreserved, Undesignated	22,859	23,225
Total Fund Balance	<u>139,341</u>	<u>148,848</u>
 Total Liabilities and Fund Balance	 <u>\$ 270,576</u>	 <u>\$ 292,709</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, 2008  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2007)**

	<b>2008</b>		<b>2007</b>	
	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Over (Under) Final Budget</b>	<b>Actual Amounts</b>
<b>REVENUES</b>				
Local Sources				
Property Taxes	\$ 113,799	\$ 113,858	\$ 59	\$ 99,047
Earnings on Investments	-	8,458	8,458	5,393
Other - Primarily Tuition and Fees	281,600	282,094	494	275,776
State Sources	154,958	144,085	(10,873)	166,199
Federal Sources	300	673	373	373
Total Revenues	<u>550,657</u>	<u>549,168</u>	<u>(1,489)</u>	<u>546,788</u>
<b>EXPENDITURES</b>				
Current				
Salaries	327,369	296,812	(30,557)	292,821
Employee Benefits	59,444	56,030	(3,414)	55,731
Purchased Services	82,745	93,495	10,750	68,336
Supplies and Materials	66,975	71,767	4,792	67,782
Other Expenditures	4,350	3,754	(596)	3,461
Capital Outlay	6,650	36,817	30,167	1,991
Total Expenditures	<u>547,533</u>	<u>558,675</u>	<u>11,142</u>	<u>490,122</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 3,124</u>	<u>(9,507)</u>	<u>\$ (12,631)</u>	<u>56,666</u>
<b>FUND BALANCE</b>				
Beginning of Year		<u>148,848</u>		<u>92,182</u>
End of Year		<u>\$ 139,341</u>		<u>\$ 148,848</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
DEBT SERVICE FUND  
BALANCE SHEET  
JUNE 30, 2008  
(WITH COMPARATIVE DATA AS OF JUNE 30, 2007)**

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and Investments	\$ -	\$ 156,807
Receivables		
Current Taxes	-	144,911
Delinquent Taxes	-	2,977
Due from Minnesota Department of Education	-	4,486
	<u>-</u>	<u>154,274</u>
Total Assets	<u>\$ -</u>	<u>\$ 309,181</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Property Taxes Levied for Subsequent Year	\$ -	\$ 251,280
Deferred Revenue - Delinquent Taxes	-	2,977
Total Liabilities	<u>-</u>	<u>254,257</u>
Fund Equity		
Fund Balance		
Unreserved - Undesignated	-	54,924
Total Fund Equity	<u>-</u>	<u>54,924</u>
Total Liabilities and Fund Balance	<u>\$ -</u>	<u>\$ 309,181</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
DEBT SERVICE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2008  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2007)**

	2008			2007
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
<b>REVENUES</b>				
Local Sources				
Property Tax	\$ 210,882	\$ 211,216	\$ 334	\$ 213,637
Earnings on Investments	-	-	-	3,253
State Sources	40,381	40,599	218	44,877
Total Revenues	251,263	251,815	552	261,767
<b>EXPENDITURES</b>				
Debt Service				
Bond Principal	235,000	245,000	10,000	235,000
Bond Interest	9,000	3,491	(5,509)	16,466
Paying Agent Fees and Other	-	-	-	431
Total Expenditures	244,000	248,491	4,491	251,897
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,263	3,324	(3,939)	9,870
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	-	(58,248)	(58,248)	-
Total Other Financing Sources (Uses)	-	(58,248)	(58,248)	-
Net Change in Fund Balances	\$ 7,263	(54,924)	\$ (62,187)	9,870
Fund Balance - Beginning		54,924		45,054
Fund Balance - Ending		\$ -		\$ 54,924

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS  
COMPLIANCE TABLE  
JUNE 30, 2008**

**01 GENERAL FUND**

Total Revenue	\$ 14,357,049
Total Expenditures	\$ 12,627,319
Reserved:	
403 Staff Development	\$ 22,596
406 Health and Safety	\$ (72,152)
407 Capital Project Levy	\$ -
408 Cooperative Programs	\$ -
409 Deferred Maintenance	\$ 42,567
411 Severance Pay	\$ -
414 Operating Debt	\$ -
416 Levy Reduction	\$ 58,248
419 Encumbrances	\$ -
423 Certain Teacher Programs	\$ -
424 Operating Capital	\$ 426,017
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	\$ -
Unreserved:	
418 Severance - Ins. Premium	\$ -
422 Unreserved/Undesignated	\$ 2,984,520

**02 FOOD SERVICE**

Total Revenue	\$ 830,974
Total Expenditures	\$ 836,704
Fund Balance	
Reserved:	
411 Severance Pay	\$ -
419 Encumbrances	\$ -
Unreserved:	
418 Severance - Ins. Premium	\$ -
422 Unreserved/Undesignated	\$ (2,625)

**04 COMMUNITY SERVICE**

Total Revenue	\$ 549,168
Total Expenditures	\$ 558,675
Reserved:	
411 Severance Pay	\$ -
419 Encumbrances	\$ -
426 \$25 Taconite	\$ -
431 Community Education	\$ 65,747
432 E.C.F.E.	\$ 24,971
444 School Readiness	\$ 25,764
447 Adult Basic Education	\$ -
Unreserved:	
418 Severance - Ins. Premium	\$ -
422 Unreserved/Undesignated	\$ 22,859

**06 BUILDING CONSTRUCTION**

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

**07 DEBT SERVICE**

Total Revenue	\$ 251,815
Total Expenditures	\$ 248,491
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	\$ -
Unreserved:	
422 Unreserved/Undesignated	\$ -

**45 OPEB IRREVOCABLE TRUST**

Total Revenue	\$ -
Total Expenditures	\$ -
Unreserved:	
422 Unreserved/Undesignated	\$ -

**47 OPEB DEBT SERVICE**

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

**FY08 OPERATING CAPITAL TRANSFER**

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

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

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

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, 2008, which collectively comprise Independent School District No. 2859's basic financial statements and have issued our report thereon dated September 29, 2008. 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 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 2008-1 through 2008-2 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 described in the accompanying Schedule of Findings and Questioned Costs 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*.

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 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.

  
**LarsonAllen LLP**

Austin, Minnesota  
September 29, 2008

**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, 2008. 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, 2008.

### **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.



**LarsonAllen LLP**

Austin, Minnesota  
September 29, 2008

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2008**

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	1-422-000	\$ 42,491
School Breakfast Program	# 10.553	1-422-000	37,405
National School Lunch Program	# 10.555	1-422-000	211,862
After School Snack Program	# 10.555	1-422-000	673
Special Milk Program for Children	# 10.558	1-422-000	587
Total US Department of Agriculture			<u>293,018</u>
U.S. Department of Education			
Pass-Through Minnesota Department of Education			
Title I, Part A	84.010		128,944
Title I, Part C - Migrant Education - Summer	84.011		65,487
Title IV - Safe & Drug Free Schools	84.186		6,202
Title V, Block Grant	84.278		2,975
Title II, Part A - Improving Teacher Quality	84.281		65,811
Title III - English Language Acq Grants	84.365		5,158
Total US Department of Education			<u>274,577</u>
TOTAL FEDERAL FINANCIAL AWARDS EXPENDED			<u><u>\$ 567,595</u></u>

# - Child Nutrition 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, 2008**

**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.

**NOTE 2    BASIS OF ACCOUNTING**

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

**NOTE 3    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).



## 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, 2008, and have issued our report thereon dated September 29, 2008.

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 six main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and uniform financial accounting and reporting standards for school districts. Our study included all of the listed categories.

The results of our tests indicate that, with respect to the items tested, 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

Austin, Minnesota  
September 29, 2008

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**GLENCOE-SILVER LAKE SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008**

**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 2008-1 through 2008-2.
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
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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, 2008**

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

**FINDING: 2008-01 ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)**

**Condition:** The District does not have an internal control policy in place over annual financial reporting under GAAP, therefore, the potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the District's internal controls.

**Criteria:** The District must be able to prevent or detect a material misstatement in the annual financial statements including footnote disclosures.

**Questioned Costs:** None

**Context:** The District has informed us that they do not have an internal control policy in place over the annual financial reporting and that they do not have the necessary staff and expertise to prevent or detect a material misstatement in the annual financial statements including footnote disclosures.

**Effect:** No effect on the financial statements.

**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. The District has also enhanced staffing for the 2008-2009 year and will therefore be in a position to implement appropriate procedures to review the disclosures and other key elements in the financial statements.

**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, 2009.

**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, 2008**

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

**FINDING: 2008-02 MATERIAL AUDIT ADJUSTMENTS**

- Condition:** The audit firm proposed and the District posted to its general ledger accounts certain misstatements.
- 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:** No effect on the financial statements.
- 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, 2009.

**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, 2008**

**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, 2008**

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>It not Corrected, Provide Planned Corrective Action or Other Explanation</u>
2007-01	Annual Financial Statement Reporting	Not Corrected	See above Finding 2008-01
2007-02	Material Audit Adjustments	Not Corrected	See above Finding 2008-02
2007-03	Limited Segregation of Duties	Corrected	

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## **EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS**

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## **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, 2008. 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, 2008, and the cash balances at that date on the basis of accounting as described in Note 1.

  
**LarsonAllen LLP**

Austin, Minnesota  
September 29, 2008

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**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
YEAR ENDED JUNE 30, 2008**

Funds	Balance 06/30/07	Transfers and Receipts	Transfers and Disburse- ments	Balance 06/30/08
Activities, Miscellaneous	\$ 524	\$ 19,057	\$ 680	\$ 18,901
High School Yearbook	549	3,694	4,243	-
ALP	58	-	-	58
Art	2,945	3,122	2,387	3,680
Activities	8,634	38,597	44,518	2,713
Band	9,973	86,829	94,027	2,775
Business Professional Association (BPA)	1,421	6,950	8,371	-
Choir	-	3,224	3,224	-
Lincoln Fund	3,438	18,797	14,727	7,508
Close-Up	104	18,657	17,679	1,082
Kindergarten Entertainment	-	976	976	-
Grade 1 Entertainment	-	825	825	-
Grade 2 Entertainment	-	1,063	1,063	-
Grade 3 Entertainment	-	985	985	-
Grade 4 Entertainment	-	1,010	1,010	-
FFA	4,672	27,903	26,660	5,915
FCCLA	-	855	830	25
Class of 2009	3,196	22,613	22,639	3,170
LS Art Club	51	-	-	51
Lincoln Student Council	2,783	2,230	1,356	3,657
Grade 5 Entertainment	-	240	240	-
Lakeside Activities	16,815	61,984	61,071	17,728
Helen Baker Fund	6,099	33,384	26,309	13,174
HS Auto Shop	10	-	-	10
HS Handbooks	3,322	2,634	2,136	3,820
LS Handbooks	-	2,390	1,383	1,007
Lincoln Yearbooks	167	3,273	3,127	313
HS Student Council	1,037	2,818	3,315	540
Interest - Admin	1,783	1,489	3,272	-
L S Elem. Field Trips	-	-	-	-
Spanish Club	-	390	370	20
LS Student Council	313	712	378	647
DCD	881	993	606	1,268

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, 2008**

Funds	Balance 06/30/07	Transfer and Receipts	Transfer and Disburse- ments	Balance 06/30/08
Destination Imagination (OM)	\$ -	\$ 786	\$ 25	\$ 761
HB Student Needs	90	-	50	40
LS Student Needs	282	-	252	30
Nat'l Honor Society	1,134	1,542	1,931	745
Schools Elem Memory Book	1,708	4,905	4,507	2,106
Class of 2010	880	9,414	5,690	4,604
Class of 2008	2,875	1,609	4,484	-
High School Field Trips	-	8,242	7,226	1,016
High School Fund	508	5,502	2,931	3,079
Wetlands	378	-	-	378
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	<u>\$ 76,630</u>	<u>\$ 399,694</u>	<u>\$ 375,503</u>	<u>\$ 100,821</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, 2008**

**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, 2008, the Student Activity Funds' deposits were entirely covered by federal depository insurance.

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## 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, 2008, and have issued our report thereon dated September 29, 2008. In our report, our opinion was qualified because the District has not established procedures to provide assurance that all cash collections are recorded in the accounting records. Further, the financial statements are prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, the District's extracurricular student activity accounts complied with the material terms and conditions of applicable legal provisions except as described on the Schedule of Findings for Extracurricular Student Activity Accounts 2008-03.

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 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**

Austin, Minnesota  
September 29, 2008

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
SCHEDULE OF FINDINGS  
EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS**

**FINDING 2008-03: INELIGIBLE EXPENDITURES**

We noted the following expenditures that don't appear to be allowable expenditures for student activity funds. One was to pay for the contracted services of a DJ. Student activities are not allowed to enter into contracts. The other was for the purchase of text books for use during regular school hours and during a class directed or supervised by an instructional staff in a learning environment. Payments for a contract and co-curricular activity expenses 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.

**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 implement internal control procedures to review the payments made by the extracurricular student activity accounts to determine if the payments are allowable expenditures and will take appropriate action to prevent this type of payment in the future.

**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, 2008.

**Plan to Monitor Completion of CAP**

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