

Joe Prom, Director of Business Services, will present the corrected audit analysis. The FY 10 audit, described last month, has not changed. **Joe Prom and I recommend approving the FY 10 Financial Audit (enclosed).**

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726**

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

YEAR ENDED JUNE 30, 2010

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2010**

INTRODUCTORY SECTION

SCHOOL BOARD AND ADMINISTRATION	1
---------------------------------	---

FINANCIAL SECTION

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

REQUIRED SUPPLEMENTARY INFORMATION	
MANAGEMENT'S DISCUSSION AND ANALYSIS	4

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS	16
-------------------------	----

STATEMENT OF ACTIVITIES	17
-------------------------	----

BALANCE SHEET – GOVERNMENTAL FUNDS	18
------------------------------------	----

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS	19
--	----

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – GOVERNMENTAL FUNDS	20
---	----

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES	21
---	----

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND	22
---	----

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – MAJOR FOOD SERVICE FUND	23
--	----

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – MAJOR COMMUNITY SERVICE FUND	24
---	----

NOTES TO BASIC FINANCIAL STATEMENTS	25
-------------------------------------	----

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFIT PLAN	51
--	----

SUPPLEMENTAL INFORMATION

GENERAL FUND

BALANCE SHEET	52
---------------	----

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL	53
--	----

FOOD SERVICE SPECIAL REVENUE FUND

BALANCE SHEET	56
---------------	----

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL	57
--	----

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
TABLE OF CONTENTS (CONTINUED)
YEAR ENDED JUNE 30, 2010**

SUPPLEMENTAL INFORMATION (CONTINUED)

COMMUNITY SERVICE SPECIAL REVENUE FUND

BALANCE SHEET 58

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND
BALANCE – BUDGET AND ACTUAL 59

DEBT SERVICE FUND

BALANCE SHEET 60

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND
BALANCE – BUDGET AND ACTUAL 61

UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE 62

OTHER REQUIRED REPORTS

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* 63

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133 65

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 67

REPORT ON MINNESOTA LEGAL COMPLIANCE 68

SCHEDULE OF FINDINGS AND QUESTIONED COSTS 69

EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS

INDEPENDENT AUDITORS' REPORT ON EXTRACURRICULAR STUDENT
ACTIVITY ACCOUNTS 72

EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS – STATEMENT OF CASH
RECEIPTS AND DISBURSEMENTS 73

EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS – NOTES TO FINANCIAL
STATEMENT 74

REPORT ON COMPLIANCE WITH UNIFORM FINANCIAL ACCOUNTING AND
REPORTING STANDARDS APPLICABLE TO EXTRACURRICULAR STUDENT
ACTIVITY ACCOUNTS 75

INTRODUCTORY SECTION

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
SCHOOL BOARD AND ADMINISTRATION
JUNE 30, 2010**

SCHOOL BOARD

<u>NAME</u>	<u>TERM ON BOARD EXPIRES</u>	<u>BOARD POSITION</u>
Mark Lumley	December 31, 2012	Chair
Mike Horgen	December 31, 2012	Vice Chair
Tina Holty	December 31, 2010	Clerk
Philip Norgaard	December 31, 2012	Treasurer
Lynel Johnson	December 31, 2010	Director
Dawn Hill	December 31, 2010	Director

ADMINISTRATION

Steven Dooley	Superintendent
Gary Kawlewski	Director of Business Services
District Offices	Independent School District No. 726 Becker Public Schools 12000 Hancock Street Becker, MN 55308 763-261-4502

FINANCIAL SECTION

LarsonAllen[®] LLP

CPAs, Consultants & Advisors
www.larsonallen.com

INDEPENDENT AUDITORS' REPORT

Members of the Board of Education
Independent School District No. 726
Becker Public Schools
Becker, Minnesota

We have audited the accompanying financial statements of the governmental activities and each major fund of Independent School District No. 726 as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the District's 2009 financial statements and, in our report dated November 3, 2009, we expressed unqualified opinions on the respective financial statements of the governmental activities and each major fund.

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

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Independent School District No. 726 as of June 30, 2010, and the respective changes in financial position, thereof, and the respective budgetary comparison for General Fund and the Major Special Revenue Funds for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Board of Education
Independent School District No. 726
Becker Public Schools

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The individual fund statements and schedules as listed in the table of contents as supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. The supplemental information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The accompanying Uniform Financial Accounting and Reporting Standards Compliance Table is presented as supplemental information as required by the Minnesota Department of Education, and is also not a required part of the basic financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Larson Allen LLP
LarsonAllen LLP

Minneapolis, Minnesota
November 8, 2010

REQUIRED SUPPLEMENTARY INFORMATION

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

This section of Becker Public Schools – Independent School District No. 726's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2010. Please read it in conjunction with the District's financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

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

- Net assets increased by .48% over June 30, 2009.
- Enrollment for the District dropped slightly compared to FY09. Projections indicate that the District should experience steady enrollment or slight enrollment growth over the next several years.
- The unreserved-undesignated fund balance of the General Fund ended at \$1,689,025 on June 30, 2010, as compared to a balance of \$2,274,191 at June 30, 2009.

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.

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

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.

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

- Over time, increases or decreases in the District's net assets are 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., child nutrition 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 to explain the relationship (or differences) between them.

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets

The District's *combined* net assets were \$14,305,670 on June 30, 2010. This was an increase of .5% from the prior year (see Table A-1).

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

	<u>Governmental Activities</u>		<u>Percentage Change</u>
	<u>2010</u>	<u>2009</u>	
Current and Other Assets	\$ 16,623,071	\$ 33,588,529	(50.51)%
Capital and Non-Current Assets	<u>35,459,420</u>	<u>36,295,916</u>	(2.30)
Total Assets	<u>52,082,491</u>	<u>69,884,445</u>	(25.47)
Current Liabilities	16,443,354	12,453,729	32.04
Long-Term Liabilities	<u>21,333,467</u>	<u>43,193,001</u>	(50.61)
Total Liabilities	<u>37,776,821</u>	<u>55,646,730</u>	(32.11)
Net Assets:			
Invested in Capital Assets			
Net of Related Debt	12,198,474	11,931,567	2.24
Restricted	814,743	397,385	105.03
Unrestricted	<u>1,292,453</u>	<u>1,908,763</u>	(32.29)
Total Net Assets	<u>\$ 14,305,670</u>	<u>\$ 14,237,715</u>	0.48

The change in the District's financial position is the product of many factors. Total net assets of the District changed by \$67,955. Long-term debt decreased a net of around \$21.6 million due primarily to the refunding payment of general obligation bond debt.

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

Changes in Net Assets

The District's total revenues were \$27,621,568 for the year ended June 30, 2010. Property taxes and state formula aid accounted for 80.2% of total revenue for the year (see Figure A-1). Another .5% came from other general revenues combined with investment earnings and the remainder from program revenues.

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

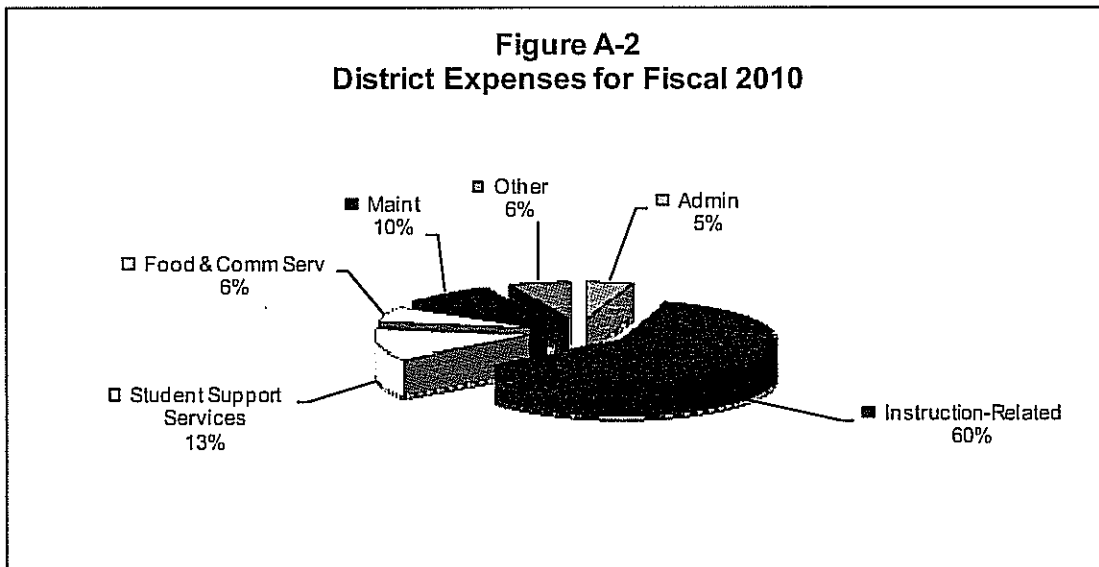
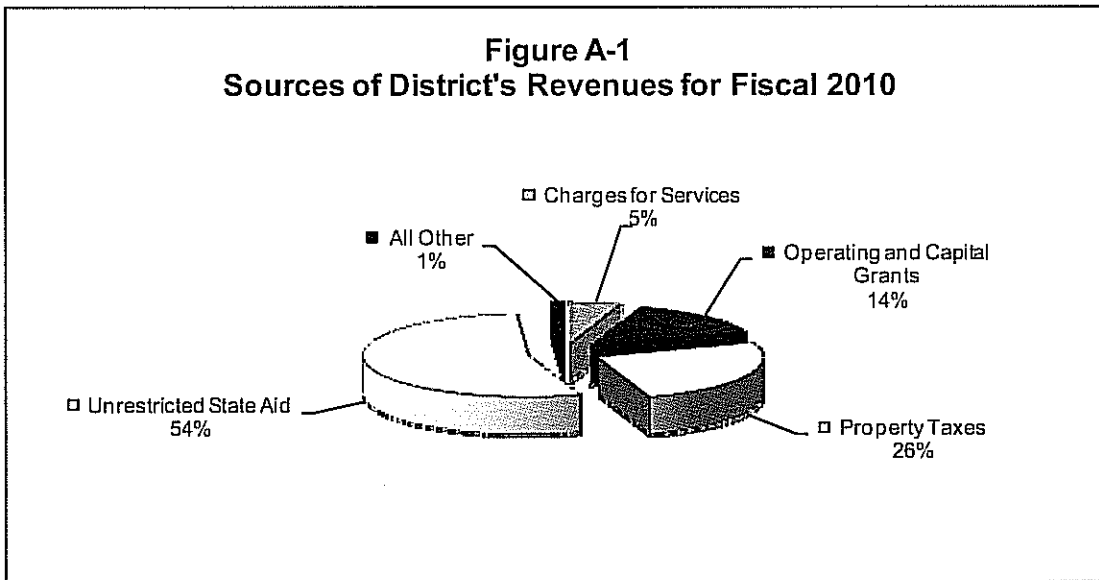
	Governmental Activities for the Fiscal Year Ended June 30,		Total % Change
	2010	2009	
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 1,394,774	\$ 1,363,396	2.30 %
Operating Grants and Contributions	3,542,450	1,894,582	86.98
Capital Grants and Contributions	426,818	343,521	24.25
<u>General Revenues</u>			
Property Taxes	7,018,537	6,833,490	2.71
Unrestricted State Aid	14,912,679	16,818,450	(11.33)
Investment Earnings	115,676	1,280,893	(90.97)
Other	210,634	345,610	(39.05)
Total Revenues	27,621,568	28,879,942	(4.36)
Expenses			
Administration	1,328,437	925,720	43.50
District Support Services	575,240	498,883	15.31
Regular Instruction	13,442,421	12,726,317	5.63
Vocational Education Instruction	135,275	146,576	(7.71)
Special Education Instruction	3,014,349	2,777,084	8.54
Instructional Support Services	1,463,331	1,655,123	(11.59)
Pupil Support Services	1,418,339	1,202,697	17.93
Sites and Buildings	2,745,892	2,618,344	4.87
Fiscal and Other Fixed Cost Programs	85,897	98,872	(13.12)
Food Service	1,069,893	1,071,560	(0.16)
Community Service	634,885	686,973	(7.58)
Interest and Fiscal Charges on Long-Term Liabilities	1,639,654	2,192,442	(25.21)
Total Expenses	27,553,613	26,600,591	3.58
Increase in Net Assets			
Beginning Net Assets	67,955	2,279,351	
Ending Net Assets	14,237,715	11,958,364	
	\$ 14,305,670	\$ 14,237,715	

The total cost of all programs and services including interest and fiscal charges was \$27,553,613. Total revenues exceeded expenses, increasing net assets by \$67,955 from the prior year.

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

The cost of all *governmental* activities this year was \$27,553,613.

- Some of the cost was paid by the users of the District's programs (\$1,394,774).
- The federal and state governments subsidized certain programs with grants and contributions (\$3,969,268).
- Most of the District's costs, however, were paid for by District taxpayers and the taxpayers of our state.
- The portion of governmental activities was paid for with \$7,018,537 in property taxes, with the balance from state aid based on the education aid formula, and with investment earnings and other general revenues.



**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

All governmental funds includes not only funds received for the general operation of the district, which are used for classroom instruction, but also includes resources from the entrepreneurial-type funds of Food Service and Community Education, and from resources for debt service transactions. Funding for the general operation of the District is controlled by the state and the District does not have the latitude to allocate money received in Food Service or Community Education or for debt service to enhance classroom instruction resources. The District cannot take funds from these restricted areas and use the funds to hire teachers to enhance instruction.

**Table A-3
Program Expenses and Net Cost of Services**

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2010	2009		2010	2009	
Administration	\$ 1,328,437	\$ 925,720	43.50 %	\$ 1,231,618	\$ 902,016	36.54 %
District Support Services	575,240	498,883	15.31	570,740	429,923	32.75
Regular Instruction	13,442,421	12,726,317	5.63	12,326,554	12,303,839	0.18
Vocational Education Instruction	135,275	146,576	(7.71)	135,275	146,576	(7.71)
Special Education Instruction	3,014,349	2,777,084	8.54	1,547,665	1,325,981	16.72
Instructional Support Services	1,463,331	1,655,123	(11.59)	1,187,143	1,620,710	(26.75)
Pupil Support Services	1,418,339	1,202,697	17.93	1,222,663	1,144,520	6.83
Sites and Buildings	2,745,892	2,618,344	4.87	2,137,986	2,569,544	(16.80)
Fiscal and Other Fixed Cost Programs	85,897	98,872	(13.12)	3	98,872	(100.00)
Food Service	1,069,893	1,071,560	(0.16)	11,463	53,742	(78.67)
Community Service	634,885	686,973	(7.58)	178,807	210,927	(15.23)
Interest and Fiscal Charges on Long-Term Liabilities	1,639,654	2,192,442	(25.21)	1,639,654	2,192,442	(25.21)
Total	\$ 27,553,613	\$ 26,600,591	3.58	\$ 22,189,571	\$ 22,999,092	(3.52)

GENERAL FUND

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

Total expenditures across all programs increased by 3.52% mostly as a result of slight salary increases and increased employee benefits costs caused by contract settlements. Administration expenses increased due to contract settlements as well as severance and separation benefits paid as a result of the superintendent's retirement. Other programs increased or decreased slightly based on programmatic focuses of the District.

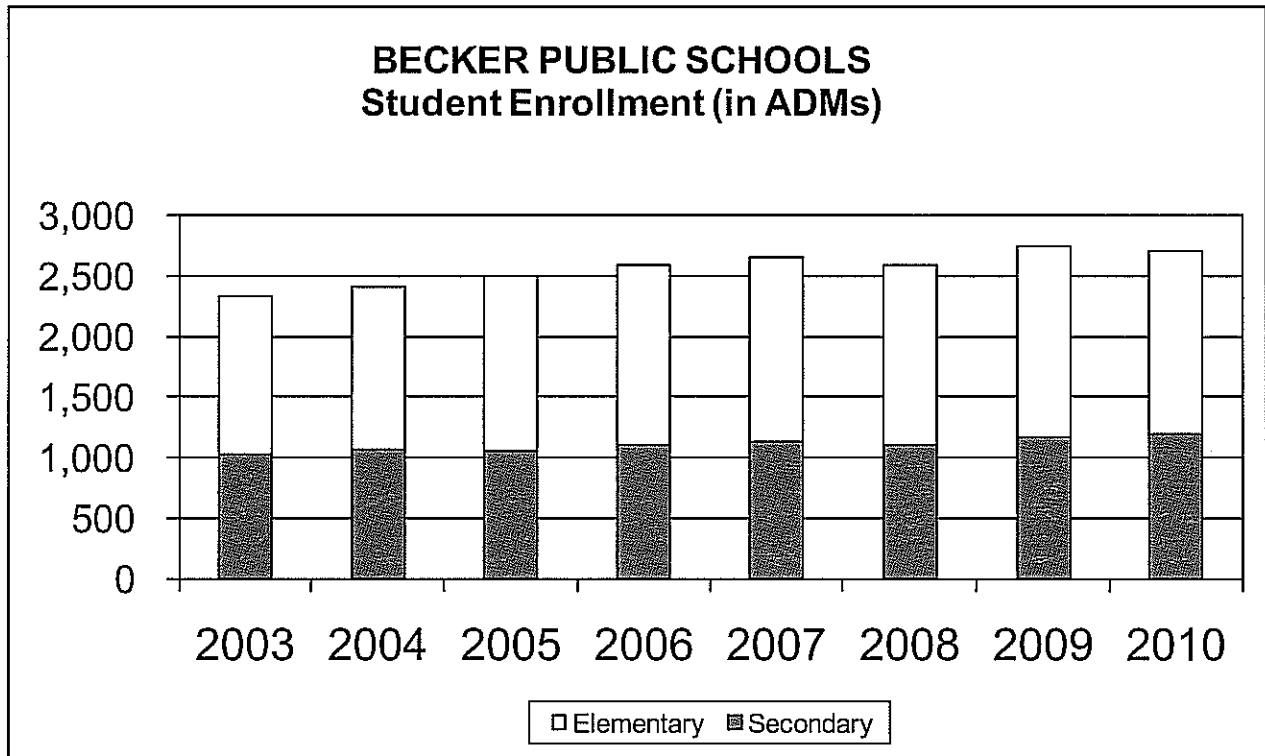
The majority of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources. This includes special education state aid that is based upon a cost reimbursement model providing approximately 68% of personnel expenditures (excluding fringe benefits). Other state formulas then determine what portion of the revenue will be provided by property taxes and what portion will come from state aid.

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

ENROLLMENT

Enrollment is a critical factor in determining school district revenue with approximately 90% of General Fund revenue being determined by enrollment. The following chart shows that the number of students has increased significantly over the last eight years.

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



Over the last eight years, the District has experienced an increase in average daily membership. It is anticipated that the District will experience steady enrollment or slight enrollment growth over the next several years.

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

The following schedule presents a summary of General Fund Revenues.

**Table A-5
General Fund Revenues**

Fund	Year Ended		Change	
	June 30, 2010	June 30, 2009	Increase (Decrease)	Percent
Local Sources:				
Property Taxes	\$ 3,649,638	\$ 3,424,069	\$ 225,569	6.59 %
Earnings on Investments	47,047	96,486	(49,439)	(51.24)
Other	551,727	560,099	(8,372)	(1.49)
State Sources	16,393,025	18,257,698	(1,864,673)	(10.21)
Federal Sources	1,883,590	183,290	1,700,300	927.66
Total General Fund Revenue	<u>\$ 22,525,027</u>	<u>\$ 22,521,642</u>	<u>\$ 3,385</u>	0.02

Basic general education revenue is determined by multiple state formulas, largely enrollment driven, and consists of an equalized mix of property tax and state aid revenue. Other state-authorized revenue including operating levy referendum and the property tax shift also involve an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change on total revenue.

The following schedule presents a summary of General Fund Expenditures.

**Table A-6
General Fund Expenditures**

	Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30, 2010	June 30, 2009		
Salaries	\$ 14,400,405	\$ 14,301,400	\$ 99,005	0.69 %
Employee Benefits	5,125,707	5,080,933	44,774	0.88
Purchased Services	1,705,668	1,728,817	(23,149)	(1.34)
Supplies and Materials	1,152,791	1,210,837	(58,046)	(4.79)
Capital Expenditures	924,537	688,093	236,444	34.36
Other Expenditures	273,758	235,252	38,506	16.37
Total Expenditures	<u>\$ 23,582,866</u>	<u>\$ 23,245,332</u>	<u>\$ 337,534</u>	1.45

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

Total General Fund Expenditures increased 1.5% from the previous year. Capital expenditures, including major transportation and technology purchases, contributed to this increase. Salary and benefit increases as a result of contract settlements were another factor, as well as decreased budgets for supplies and materials.

Unreserved-undesignated fund balance is the single best measure of overall financial health. The unreserved-undesignated fund balance of \$1.69 million at June 30, 2010 represents 7.2% of annual expenditures or slightly more than a month of operations. Maintaining this fund balance allows the District adequate cash flow, thus minimizing the costs of short-term borrowing.

General Fund Budgetary Highlights

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

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

DEBT SERVICE FUND

The fund balance of the Debt Service Fund decreased by \$20,420,549 in 2009-10 as a result of using cash and investments held in escrow to refund outstanding debt. Earnings on investments decreased as a result of this refunding activity. The remaining fund balance of \$771,476 at June 30, 2010 is available for meeting future debt service obligations.

OTHER MAJOR FUNDS

Revenues exceeded expenditures by \$9,948 in the Food Service fund. Expenditures exceeded revenues and transfers in the Community Education Fund by \$1,315. The Community Education Advisory Council will continue working diligently on a corrective action plan to have revenues exceed expenditures.

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2010, the District had invested \$58.1 million in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices (see Table A-7). (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total depreciation expense for the year was just over \$1.5 million.

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

	<u>2010</u>	<u>2009</u>	<u>Percentage Change</u>
Land	\$ 127,150	\$ 127,150	-
Land Improvements	3,366,520	3,348,456	0.54
Buildings and Improvements	48,329,806	48,054,330	0.57
Equipment	6,266,188	6,132,231	2.18
Less: Accumulated Depreciation	<u>(22,630,244)</u>	<u>(21,366,253)</u>	5.92
Total	<u>\$ 35,459,420</u>	<u>\$ 36,295,914</u>	(2.30)

Construction – Next Five Years

The District has completed an organizational facility analysis study to help determine the future needs of the District. The District has completed its facilities planning study and continues to monitor enrollment projections to determine the appropriate timing for implementation of the long-range facility plan. Renewable energy sources are being explored as a method for the District to defray future utility costs.

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

Long-Term Liabilities

At year-end, the District had \$22,925,000 in general obligation bonds and net bond premium – a decrease of 47.3% from last year – as shown in Note 5 to the financial statements. The decrease is due to the District making a refunding payment in the current year of approximately \$22.7 million. The District also had an estimated \$386,984 in vacation and severance payable as of June 30, 2010, a decrease of \$185,705 from June 30, 2009.

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

	2010	2009	Percentage Change
General Obligation Bonds	\$ 22,925,000	\$ 44,640,000	(48.64)%
Net Bond Premium and Discount	47,273	(53,104)	(189.02)
Obligations Under Capital Leases	288,673	123,675	133.41
Other Postemployment Benefits Payable	304,145	163,453	86.07
Severance Benefits Payable	282,672	459,824	(38.53)
Compensated Absences Payable	104,312	112,865	(7.58)
Total	<u>\$ 23,952,075</u>	<u>\$ 45,446,713</u>	(47.30)
Long-Term Liabilities:			
Due Within One Year	\$ 2,618,608	\$ 2,253,712	
Due in More than One Year	21,333,467	43,193,001	
	<u>\$ 23,952,075</u>	<u>\$ 45,446,713</u>	

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

With the slowing of in-migration and no increase in the general education formula for 2010, the District has been hard pressed to settle labor contracts with their certified and non-certified staff without spending down the fund balance. Increased employee benefit costs, such as health insurance premiums, and inflation will further erode the fund balance in the next fiscal year.

The District will need to closely monitor these variables in the year ahead to strive to maintain its long-standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Independent School District 726, 12000 Hancock Street, Becker, Minnesota 55308.

Bond Ratings

The District's bonds presently carry S&P's "AAA" rating.

Limitations on Debt

The state limits the amount of general obligation debt the District can issue to 15% of the assessed value of all taxable property within the District's corporate limits. Our outstanding debt is significantly below this limit – which is currently in excess of \$240 million.

BASIC FINANCIAL STATEMENTS

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
STATEMENT OF NET ASSETS
JUNE 30, 2010
(WITH COMPARATIVE DATA AS OF JUNE 30, 2009)**

	Governmental Activities	
	2010	2009
ASSETS		
Cash and Investments	\$ 7,130,336	\$ 6,682,854
Cash and Investments Held by Trustee	-	20,019,336
Receivables:		
Property Taxes	3,886,344	3,762,692
Other Governments	4,826,648	1,911,521
Other	65,005	391,591
Prepaid Items	106,105	229,417
Inventories	12,244	15,600
Land Held for Resale	512,236	512,236
Bond Issuance Costs, Net	84,153	63,282
Capital Assets:		
Land	127,150	127,151
Other Capital Assets, Net of Depreciation	35,332,270	36,168,765
Total Assets	52,082,491	69,884,445
LIABILITIES		
Short-Term Borrowing	4,100,000	-
Salaries and Benefits Payable	2,579,800	2,657,064
Accounts and Contracts Payable	136,572	233,841
Accrued Interest	421,402	884,751
Due to Other Governmental Units	103,242	146,653
Unearned Revenue:		
Property Taxes	6,439,712	6,243,941
Local Sources	44,018	33,767
Long-Term Liabilities:		
Portion Due Within One Year	2,618,608	2,253,712
Portion Due in More Than One Year	21,333,467	43,193,001
Total Liabilities	37,776,821	55,646,730
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	12,198,474	11,931,567
Restricted for:		
General Fund Operating Capital Purposes	137,445	273,662
General Fund State-Mandated Reserves	16,428	(118,437)
Food Service	252,108	242,160
Debt Service	408,762	-
Unrestricted	1,292,453	1,908,763
Total Net Assets	\$ 14,305,670	\$ 14,237,715

See accompanying Notes to Basic Financial Statements.

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2009)**

Functions	2010				2009	
	Expenses	Program Revenues			Net (Expense) Revenue and Changes In Net Assets	Net (Expense) Revenue and Changes In Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Total Governmental Activities
Governmental Activities						
Administration	\$ 1,328,437	\$ 78,100	\$ 18,210	\$ 509	\$ (1,231,618)	\$ (902,016)
District Support Services	575,240	-	4,500	-	(570,740)	(429,923)
Regular Instruction	13,442,421	252,010	798,682	65,175	(12,326,554)	(12,303,839)
Vocational Education Instruction	135,275	-	-	-	(135,275)	(146,576)
Special Education Instruction	3,014,349	-	1,466,684	-	(1,547,665)	(1,325,981)
Instructional Support Services	1,463,331	-	-	276,188	(1,187,143)	(1,620,710)
Pupil Support Services	1,418,339	600	155,482	39,594	(1,222,663)	(1,144,520)
Sites and Buildings	2,745,892	9,000	553,554	45,352	(2,137,986)	(2,569,544)
Fiscal and Other Fixed Cost Programs	85,897	-	85,894	-	(3)	(98,872)
Food Service	1,069,893	696,798	361,632	-	(11,463)	(53,742)
Community Service	634,885	358,266	97,812	-	(178,807)	(210,927)
Interest and Fiscal Charges on Long-Term Debt	1,639,654	-	-	-	(1,639,654)	(2,192,442)
Total School District	\$ 27,553,613	\$ 1,394,774	\$ 3,542,450	\$ 426,818	(22,189,571)	(22,999,092)
General Revenues						
Property Taxes Levied for:						
General Purposes					3,672,981	3,450,963
Community Service					162,913	137,338
Debt Service					3,182,633	3,245,189
State Aid Not Restricted to Specific Purposes					14,912,679	16,818,450
Earnings on Investments					115,676	1,280,893
Insurance Proceeds					3,319	16,247
Judgments					-	6,493
Miscellaneous					207,315	322,870
Total General Revenues					22,257,526	25,278,443
Change in Net Assets					67,955	2,279,351
Net Assets - Beginning					14,237,715	11,958,364
Net Assets - Ending					\$ 14,305,670	\$ 14,237,715

See accompanying Notes to Basic Financial Statements.

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010
(WITH COMPARATIVE DATA AS OF JUNE 30, 2009)**

	Major Funds				Total Governmental	
	General	Food Service	Community Service	Debt Service	2010	2009
ASSETS						
Cash and Investments	\$ 4,601,459	\$ 266,097	\$ 41,800	\$ 2,220,980	\$ 7,130,336	\$ 6,682,854
Cash and Investments Held by Trustee	-	-	-	-	-	20,019,336
Receivables:						
Current Property Taxes	2,032,959	-	88,957	1,572,370	3,694,286	3,615,259
Delinquent Property Taxes	91,029	-	5,279	95,750	192,058	147,433
Due from Other Minnesota School Districts	35,130	-	-	-	35,130	10,000
Due from Minnesota Department of Education	4,198,133	-	26,930	28,703	4,254,766	1,702,262
Due from Federal through Minnesota Department of Education	412,448	-	-	-	412,448	56,884
Due from Federal Government Received Directly	1,475	-	-	-	1,475	5,896
Due from Other Governmental Units	122,829	-	-	-	122,829	136,479
Other Receivables	54,778	1,099	9,128	-	65,005	391,591
Prepaid Items	103,396	2,309	400	-	106,105	229,417
Inventory	-	12,244	-	-	12,244	15,800
Land Held for Resale	512,236	-	-	-	512,236	512,236
Total Assets	\$ 12,165,872	\$ 281,749	\$ 172,494	\$ 3,918,803	\$ 16,538,918	\$ 33,525,247
LIABILITIES AND FUND BALANCE (DEFICIT)						
Liabilities:						
Short-Term Borrowing	\$ 4,100,000	\$ -	\$ -	\$ -	\$ 4,100,000	\$ -
Salaries Payable	1,086,609	13,969	14,064	-	1,114,642	1,185,467
Payroll Deductions and Employer Contributions Payable	1,421,779	13,839	29,540	-	1,465,158	1,471,597
Accounts and Contracts Payable	127,525	1,833	7,114	100	136,572	233,841
Due to Other Governmental Units	98,742	-	4,500	-	103,242	146,653
Accrued Interest Payable	54,764	-	-	-	54,764	-
Deferred Revenue:						
Property Taxes Levied for Subsequent Year	3,215,594	-	172,641	3,051,477	6,439,712	6,243,941
Delinquent Property Taxes	91,029	-	5,279	95,750	192,058	147,433
Local Sources	1,247	-	42,771	-	44,018	33,767
Total Liabilities	10,197,289	29,641	275,909	3,147,327	13,650,166	9,462,699
Fund Balance (Deficit):						
Reserved for:						
Staff Development	-	-	-	-	-	135,326
Deferred Maintenance	7,141	-	-	-	7,141	4,333
Health and Safety	9,287	-	-	-	9,287	(122,770)
Operating Capital	137,445	-	-	-	137,445	273,862
Land Held for Resale	512,236	-	-	-	512,236	512,236
Community Education Programs	-	-	(140,984)	-	(140,984)	(149,952)
Early Childhood and Family Educations Programs	-	-	36,149	-	36,149	40,267
School Readiness	-	-	11,762	-	11,762	17,254
Bond Refundings	-	-	-	-	-	20,346,222
Unreserved:						
Designated for:						
Building Construction Carryover	10,351	-	-	-	10,351	70,999
School Site Carryover	115,334	-	-	-	115,334	94,722
Undesignated, Reported in:						
General Fund	1,176,789	-	-	-	1,176,789	1,761,955
Debt Service Fund	-	-	-	771,476	771,476	845,803
Special Revenue Funds	-	252,108	(10,342)	-	241,766	232,491
Total Fund Balance (Deficit)	1,968,589	252,108	(103,415)	771,476	2,888,752	24,062,548
Total Liabilities and Fund Balance (Deficit)	\$ 12,165,872	\$ 281,749	\$ 172,494	\$ 3,918,803	\$ 16,538,918	\$ 33,525,247

See accompanying Notes to Basic Financial Statements.

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
JUNE 30, 2010
(WITH COMPARATIVE DATA AS OF JUNE 30, 2009)**

	2010	2009
Total Fund Balance for Governmental Funds	\$ 2,888,752	\$ 24,062,548
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	127,150	127,151
Land Improvements, Net of Accumulated Depreciation	1,575,899	1,717,398
Buildings and Improvements, Net of Accumulated Depreciation	32,144,847	32,917,268
Equipment, Net of Accumulated Depreciation	1,611,524	1,534,099
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.		
	192,058	147,433
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
	(366,638)	(884,751)
Bond issuance costs are reported as expenditures in the governmental funds.		
	84,153	63,282
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	(22,925,000)	(44,640,000)
Unamortized Premiums	(96,184)	-
Unamortized Discounts	48,911	53,104
Obligations Under Capital Leases	(288,673)	(123,675)
Other Postemployment Benefits Payable	(304,145)	(163,453)
Severance Benefits Payable	(282,672)	(459,824)
Compensated Absences Payable	(104,312)	(112,865)
Total Net Assets of Governmental Activities	\$ 14,305,670	\$ 14,237,715

See accompanying Notes to Basic Financial Statements.

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2009)**

	Major Funds				Total Governmental Funds	
	General	Food Service	Community Service	Debt Service	2010	2009
REVENUES						
Local Sources:						
Property Taxes	\$ 3,649,638	\$ -	\$ 161,877	\$ 3,162,397	\$ 6,973,912	\$ 6,780,236
Earnings on Investments	47,047	3,293	13	65,323	115,676	1,280,893
Other	551,727	680,493	369,820	-	1,602,040	1,686,313
State Sources	16,393,025	46,922	99,264	110,013	16,649,224	18,560,616
Federal Sources	1,883,590	349,133	-	-	2,232,723	495,937
Total Revenues	22,525,027	1,079,841	630,974	3,337,733	27,573,575	28,803,995
EXPENDITURES						
Current:						
Administration	1,295,617	-	-	-	1,295,617	1,231,289
District Support Services	572,088	-	-	-	572,088	483,152
Regular Instruction	12,475,912	-	-	-	12,475,912	12,565,932
Vocational Education Instruction	127,407	-	-	-	127,407	134,024
Special Education Instruction	3,011,993	-	-	-	3,011,993	2,817,397
Instructional Support Services	1,316,948	-	-	-	1,316,948	1,465,348
Pupil Support Services	1,293,105	-	-	-	1,293,105	1,299,980
Sites and Buildings	2,316,741	-	-	-	2,316,741	2,395,272
Fiscal and Other Fixed Cost Programs	85,897	-	-	-	85,897	98,872
Food Service	-	1,069,292	-	-	1,069,292	1,069,650
Community Service	-	-	632,289	-	632,289	667,594
Capital Outlay	924,537	601	-	-	925,138	690,003
Debt Service:						
Principal	127,642	-	-	1,995,000	2,122,642	1,978,783
Interest and Fiscal Charges	34,979	-	-	2,158,703	2,193,682	2,220,138
Total Expenditures	23,582,866	1,069,893	632,289	4,153,703	28,438,751	29,117,434
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,057,839)	9,948	(1,315)	(815,970)	(1,865,176)	(313,439)
OTHER FINANCING SOURCES (USES)						
Insurance Recovery Proceeds	3,319	-	-	-	3,319	16,247
Bond Proceeds	-	-	-	3,005,000	3,005,000	-
Judgments	-	-	-	-	-	6,493
Capital Lease Proceeds	292,640	-	-	-	292,640	-
Bond Premium	-	-	-	115,421	115,421	-
Payment to Refunded Bond Escrow Agent	-	-	-	(22,725,000)	(22,725,000)	-
Transfers In	-	-	-	-	-	20,793
Transfers Out	-	-	-	-	-	(20,793)
Total Other Financing Sources (Uses)	295,959	-	-	(19,604,579)	(19,308,620)	22,740
Net Change in Fund Balance	(761,880)	9,948	(1,315)	(20,420,549)	(21,173,796)	(290,699)
Fund Balance - Beginning	2,730,463	242,160	(102,100)	21,192,025	24,062,548	24,353,247
Fund Balance - Ending	<u>\$ 1,968,583</u>	<u>\$ 252,108</u>	<u>\$ (103,415)</u>	<u>\$ 771,476</u>	<u>\$ 2,888,752</u>	<u>\$ 24,062,548</u>

See accompanying Notes to Basic Financial Statements.

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2009)**

	2010	2009
Net Change in Fund Balance-Total Governmental Funds	\$ (21,173,796)	\$ (290,699)
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, are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Capital Outlays	698,553	297,295
Gain or Loss on Disposal of Capital Assets	(1,415)	-
Depreciation Expense	(1,533,630)	(1,453,853)
Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net assets.		
Other Financing Source - Capital Lease	(292,640)	-
Change in Accrued Interest Expense - Capital Leases	(3,855)	651
Principal Payments - Capital Leases	127,642	58,783
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:		
General Obligation Bond Proceeds	(3,005,000)	-
Payment to Refunded Bond Escrow Agent	22,725,000	-
Bond Discount	(115,421)	-
Bond Issuance Costs	31,040	-
Repayment of Bond Principal	1,995,000	1,920,000
Change in Accrued Interest Expense - General Obligation Bonds	521,968	36,234
Amortization of Bond Issuance Costs	(10,169)	(4,996)
Amortization of Bond Discount	(4,193)	(4,193)
Amortization of Bond Premium	(19,237)	-
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.	44,625	53,254
In the statement of activities, certain operating expenses - other postemployment benefits payable, 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).	45,009	1,666,875
Change in Net Assets of Governmental Activities	\$ 29,481	\$ 2,279,351

See accompanying Notes to Basic Financial Statements.

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Property Taxes	\$ 3,490,683	\$ 3,602,468	\$ 3,649,638	\$ 47,170
Earnings on Investments	80,000	43,942	47,047	3,105
Other	344,697	427,891	551,727	123,836
State Sources	17,884,479	16,736,928	16,393,025	(343,903)
Federal Sources	489,605	1,918,107	1,883,590	(34,517)
Total Revenues	<u>22,289,464</u>	<u>22,729,336</u>	<u>22,525,027</u>	<u>(204,309)</u>
EXPENDITURES				
Current:				
Administration	1,455,437	1,328,062	1,295,617	(32,445)
District Support Services	589,772	546,934	572,088	25,154
Elementary and Secondary Regular Instruction	12,718,152	12,728,602	12,475,912	(252,690)
Vocational Education Instruction	81,536	54,290	127,407	73,117
Special Education Instruction	2,912,726	3,002,350	3,011,993	9,643
Instructional Support Services	768,226	1,441,522	1,316,948	(124,574)
Pupil Support Services	1,382,481	1,342,740	1,293,105	(49,635)
Sites and Buildings	2,533,444	2,484,994	2,316,741	(168,253)
Fiscal and Other Fixed Cost Programs	145,638	116,994	85,897	(31,097)
Capital Outlay	595,004	639,302	924,537	285,235
Debt Service:				
Principal	-	-	127,642	127,642
Interest and Fiscal Charges	-	29,983	34,979	4,996
Total Expenditures	<u>23,182,416</u>	<u>23,715,773</u>	<u>23,582,866</u>	<u>(132,907)</u>
Deficiency of Revenues Under Expenditures	(892,952)	(986,437)	(1,057,839)	(71,402)
OTHER FINANCING SOURCES (USES)				
Insurance Recovery Proceeds	14,300	9,600	3,319	(6,281)
Capital Lease Proceeds	-	-	292,640	292,640
Transfers Out	(10,200)	(10,000)	-	10,000
Total Other Financing Sources (Uses)	<u>4,100</u>	<u>(400)</u>	<u>295,959</u>	<u>296,359</u>
Net Change in Fund Balance	<u>\$ (888,852)</u>	<u>\$ (986,837)</u>	<u>(761,880)</u>	<u>\$ 224,957</u>
FUND BALANCE				
Beginning of Year			<u>2,730,463</u>	
End of Year			<u>\$ 1,968,583</u>	

See accompanying Notes to Basic Financial Statements.

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Earnings on Investments	\$ 5,000	\$ 3,488	\$ 3,293	\$ (195)
Other - Primarily Meal Sales	639,310	696,798	680,493	(16,305)
State Sources	53,649	45,225	46,922	1,697
Federal Sources	303,517	316,407	349,133	32,726
Total Revenues	1,001,476	1,061,918	1,079,841	17,923
EXPENDITURES				
Current:				
Food Service	1,036,212	1,068,684	1,069,292	608
Capital Outlay	10,000	10,000	601	(9,399)
Total Expenditures	1,046,212	1,078,684	1,069,893	(8,791)
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (44,736)	\$ (16,766)	9,948	\$ 26,714
FUND BALANCE				
Beginning of Year			242,160	
End of Year			\$ 252,108	

See accompanying Notes to Basic Financial Statements.

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Property Taxes	\$ 228,142	\$ 168,849	\$ 161,877	\$ (6,972)
Earnings on Investments	-	-	13	13
Other - Primarily Tuition and Fees	319,366	382,966	369,820	(13,146)
State Sources	<u>82,892</u>	<u>97,812</u>	<u>99,264</u>	<u>1,452</u>
Total Revenues	630,400	649,627	630,974	(18,653)
EXPENDITURES				
Current:				
Community Service	<u>665,358</u>	<u>655,359</u>	<u>632,289</u>	<u>(23,070)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(34,958)	(5,732)	(1,315)	4,417
OTHER FINANCING SOURCES (USES)				
Transfer In	<u>10,179</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Net Change in Fund Balance	<u>\$ (24,779)</u>	<u>\$ 4,268</u>	(1,315)	<u>\$ (5,583)</u>
FUND BALANCE (DEFICIT)				
Beginning of Year			<u>(102,100)</u>	
End of Year			<u>\$ (103,415)</u>	

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 726 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. This financial report has been prepared in conformity with GASB Statement No. 34.

B. Financial Reporting Entity

Independent School District No. 726 (the District) is an instrumentality of the State of Minnesota established to function as an educational institution. The elected School Board (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

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

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

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

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

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 is 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.

Separate Fund financial statements are provided for governmental funds. 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.

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

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 U.S. generally accepted accounting principles. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

2. Recording of Expenditures

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

The District reports deferred revenue on its statement of net assets and 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 statement of net assets or the balance sheet and revenue is recognized.

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

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 the funds 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 U.S. generally accepted accounting principles. Each June, the School Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, and Debt Service Funds. The approved budget is published in summary form in the District's legal newspaper. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting (Continued)

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent submits to the School Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by School Board action. Revisions to budgeted amounts must be approved by the School Board. Individual amendments were not material in relation to the original appropriations.

Total fund expenditures in excess of the budget require approval of the School Board. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels. Budgeted amounts include mid-year budget amendments. Budget provisions for the Debt Service Fund are set by state law governing required debt service levels.

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

F. Cash and Investments

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

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

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 property taxes receivable.

H. Inventories

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

I. Prepaid Items

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

J. Property Taxes

Property tax levies are established by the School Board in December each year and are certified to the County for collection the following calendar year. In Minnesota, counties act as collection agents for all property taxes and are responsible for spreading all levies over taxable property. Such taxes become a lien on January 1. Taxes are generally due on May 15 and October 15 and counties generally remit taxes to 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 levy (frozen at \$783,519) advance recognized as revenue in fiscal 2010 with no corresponding state aid adjustment. The tax shift also includes certain other levies that are recognized early based on statutory requirements.

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Property Taxes (Continued)

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

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 \$1,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the 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 20 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.

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

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

M. Accrued Employee Benefits

Vacation Pay

The District's twelve-month employees are entitled to annual vacations. These benefits are reported as liabilities in the district-wide financial statements and as expenditures when taken in the fund financial statements.

Sick Pay

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

Severance and Other Postretirement Benefits

Severance and health benefits consist of lump sum early retirement incentive payments and postemployment 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. For substantially all employees, early retirement incentive benefits are eliminated if retirement occurs at the normal retirement age of 65 as specified in their contracts. In addition, certain bargaining unit members are eligible to be compensated for unused accumulated sick leave upon termination subject to certain conditions. The estimated GASB 16 liability was actuarially determined at June 30, 2009.

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Accrued Employee Benefits (Continued)

2. Other Postemployment Benefits Payable

Under the provisions of the various employee and union contracts the District provides health and dental care coverage until age 65 if certain age and minimum years of service requirements are met. The amount to be incurred is limited as specified by contract. This amount was actuarially determined, in accordance with GASB 45, at June 30, 2009.

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; injuries to employees; and natural disasters. The District purchases commercial insurance coverage for such risks. The District participates in the Minnesota School Board 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 \$150,000 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. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

Deficit Fund Balance

The Community Service Fund has a combined deficit fund balance of \$103,415. The state funding for community service programs has been reduced in recent years and has made it difficult to continue to provide the same level of programming without incurring a deficit. The District is looking into plans to reevaluate the fee structure relating to community service programs to eliminate the deficit in future years.

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net assets and the balance sheet as "Cash and Investments." In accordance with Minnesota Statutes the District maintains deposits at financial institutions which are authorized by the School District's Board.

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

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

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.

Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust departments of a commercial bank or other financial institution not owned or controlled by the depository.

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota statutes.

B. Investments

The District does have an investment policy and invests its 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, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 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

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

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

At June 30, 2010, the District had the following investments:

	Amortized Cost
Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	\$ 2,000,677
MN Trust Investment Shares	401,841
Total	\$ 2,402,518

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

The MN Trust Investment Share is a money market fund registered under the Investment Act of 1940, meets the conditions of rule 2a-7 of the SEC and holds investments with final maturities less than 13 months.

Custodial Credit Risk – For an investment, custodial risk is the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District does not have a specific investment policy for custodial credit risk but rather follows Minnesota Statutes for investments.

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Information about the sensitivity of the fair values of the District's investments to market interest rate risk fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

<u>Type</u>	<u>Total</u>	<u>12 Months or Less</u>
MSDLAF	\$ 2,000,677	\$ 2,000,677
MN Trust Investment Shares	401,841	401,841
Total	<u>\$ 2,402,518</u>	<u>\$ 2,402,518</u>

Credit Risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The following chart summarizes year-end ratings for the District's investments as rated by Moody's Investors Service:

<u>Type</u>	<u>Credit Quality Rating</u>	<u>Amount</u>
MSDLAF	AAA	\$ 2,000,677
MN Trust Investment Shares	AAAm	401,841
Total		<u>\$ 2,402,518</u>

Concentration of Credit Risk – The District places no limit on the amount the District may invest in any one issuer. The following is a list of investments which individually comprise more than 5% of the District's total investments:

<u>Type</u>	<u>Amount</u>	<u>Percentage</u>
MSDLAF	\$ 2,000,677	83.27%
MN Trust Investment Shares	401,841	16.73%

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

The deposits and investments are presented in the financial statements as follows:

Cash and Investments - Statement of Net Assets \$ 7,130,336

NOTE 4 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 127,150	\$ -	\$ -	\$ 127,150
Capital Assets, Being Depreciated:				
Land Improvements	3,348,456	18,064	-	3,366,520
Buildings and Improvements	48,054,330	275,476	-	48,329,806
Equipment	6,132,231	405,011	(271,054)	6,266,188
Total Capital Assets, Being Depreciated	57,535,017	698,551	(271,054)	57,962,514
Accumulated Depreciation for:				
Land Improvements	(1,631,059)	(159,562)	-	(1,790,621)
Buildings and Improvements	(15,137,062)	(1,047,897)	-	(16,184,959)
Equipment	(4,598,132)	(326,171)	269,639	(4,654,664)
Total Accumulated Depreciation	(21,366,253)	(1,533,630)	269,639	(22,630,244)
Total Capital Assets, Being Depreciated, Net	36,168,764	(835,079)	(1,415)	35,332,270
Governmental Activities Capital Assets, Net	\$ 36,295,914	\$ (835,079)	\$ (1,415)	\$ 35,459,420

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

Governmental Activities	
Administration	\$ 13,815
District Support Services	2,361
Regular Instruction	1,227,987
Vocational Education Instruction	75
Special Education Instruction	1,275
Instructional Support Services	60,297
Pupil Support Services	130,526
Sites and Buildings	96,515
Community Service	779
Total Depreciation Expense, Governmental Activities	\$ 1,533,630

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 5 LONG-TERM LIABILITIES

The District has issued general obligation school building and refunding bonds. Assets of the Debt Service Fund, together with scheduled future tax levies are dedicated for the retirement of these bonds and loans. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

A. Components of Long-Term Debt

Issue Date	Net Interest Rate	Original Issue	Final Maturity	Principal Outstanding	
				Due Within One Year	Total
3/16/2004	3.00% - 4.10%	\$ 19,920,000	2/1/2022	\$ 1,540,000	\$ 19,920,000
11/5/2009	2.00% - 3.00%	3,005,000	2/1/2014	730,000	3,005,000
Total General Obligation Bonds				2,270,000	22,925,000
Bond Premium - Net				-	96,184
Bond Discounts - Net				-	(48,911)
Lease Purchase Obligations:					
School Bus and Scrubber				41,203	84,071
Transit Bus				18,448	79,073
Computers				62,220	125,529
Total Lease Purchase Obligations				121,871	288,673
Other Postemployment Benefits Payable				121,658	304,145
Severance Benefits Payable				282,672	282,672
Compensated Absences Payable				104,312	104,312
				<u>\$ 2,900,513</u>	<u>\$ 23,952,075</u>

B. Minimum Debt Payments

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

Year Ending June 30,	General Obligation Bonds Payable		Capital Leases Payable	
	Principal	Interest	Principal	Interest
2011	\$ 2,270,000	\$ 851,606	\$ 121,871	\$ 10,768
2012	2,325,000	771,898	125,507	7,133
2013	2,385,000	701,885	20,196	1,846
2014	2,460,000	626,260	21,099	943
2015	1,730,000	541,540	-	-
2016 - 2020	9,615,000	1,619,500	-	-
2021 - 2022	2,140,000	87,740	-	-
Total	<u>\$ 22,925,000</u>	<u>\$ 5,200,429</u>	<u>\$ 288,673</u>	<u>\$ 20,690</u>

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Debt

General Obligation School Building Bonds

These bonds were issued to finance acquisition, construction, and/or improvement of capital facilities or to refinance (refund) previous bond issues. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated for the retirement of these bonds. Total deferred tax levies available to retire bond principal and interest payable at June 30, 2010 are \$26,132,789. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

On March 16, 2004, the District issued \$19,920,000 of General Obligation Refunding Bonds, Series 2004A. The proceeds of this issue were used in 2010 to refund, in advance of their stated maturities, the remaining maturities of the District's 2000A General Obligation School Building Bonds maturing from 2010 through 2021, totaling \$19,635,000. The proceeds of the 2004A bond issue were placed in an escrow account pending the call dates of the refunded issues. Until the respective call dates, the District makes all debt service payments on the 2000A issue, while a portion of the interest payments on the 2004A issue was paid from proceeds and earnings of the escrow account. On February 1, 2010, the escrow account was used to call the remaining principal of the 2000A issue, and the District assumed all of the principal and interest payments on the 2004A issue. This "crossover refunding" will reduce the District's total future debt service payments by approximately \$2,387,650 and result in a present value savings of approximately \$1,545,749.

On November 5, 2009, the District issued \$3,005,000 of General Obligation Refunding Bonds, Series 2009A. The proceeds of this issue were used in 2010 to refund, in advance of their stated maturities, the remaining maturities of the District's 2002A General Obligation Bonds maturing from 2010 through 2014, totaling \$3,090,000. The proceeds of the 2009A bond issue were placed in an escrow account pending the call dates of the refunding issues. On February 1, 2010, the escrow account was used to call the remaining principal of the 2002A issue, and the District assumed all of the principal and interest payments on the 2009A issue. This "crossover refunding" will reduce the District's total future debt service payments by approximately \$169,900 and result in a present value savings of approximately \$161,977.

Lease Purchase Obligations

On June 25, 2008, the District entered into a lease purchase agreement in the amount of \$206,340 for the acquisition of a Scrubber and a School Bus. Repayment terms are one down payment of \$44,600 and four annual installments of \$44,600 commencing June 25, 2012, including interest at 4.04%.

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Debt (Continued)

On September 9, 2009, the District entered into a lease purchase agreement in the amount of \$101,114 for the acquisition of School Bus. Repayment terms are one down payment of \$22,041 and four annual installments of \$22,041 commencing September 15, 2013, including interest at 4.47%.

On April 30, 2010, the District entered into a lease purchase agreement in the amount of \$191,526 for the acquisition of 179 Apple Laptops. Repayment terms are one down payment of \$65,998 and two annual installments of \$65,998 commencing January 15, 2011, including interest at 4.25%.

Assets acquired through capital leases are summarized as follows:

Equipment	\$ 498,983
Less: Accumulated Depreciation	<u>(50,137)</u>
Total	<u>\$ 448,846</u>

Severance and Compensated Absences Payable

Severance and compensated absences payable consist of administrator experience benefits, convertible sick leave, and other severance pay. Severance benefits are paid by the General and Special Revenue Funds. Annual payments to retire the severance benefits liability have not been determined and will depend on actual employee turnover. Resources for the payment of severance and compensated absences payable included in long-term debt will be provided primarily by the General Fund.

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

D. Changes in Long-Term Debt

	June 30, 2009	Net Additions	Retirements	June 30, 2010
Bonds Payable	\$ 44,640,000	\$ 3,005,000	\$ 24,720,000	\$ 22,925,000
Bond Premium	-	115,421	19,237	96,184
Bond Discounts	(53,104)	-	(4,193)	(48,911)
Lease Purchase Obligations	123,675	292,640	127,642	288,673
Other Postemployment Benefits Payable	163,453	524,391	383,699	304,145
Severance Benefits Payable	459,824	13,783	190,935	282,672
Compensated Absences Payable - Net	112,865	6,123	14,676	104,312
	<u>\$ 45,446,713</u>	<u>\$ 3,957,358</u>	<u>\$ 25,451,996</u>	<u>\$ 23,952,075</u>

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 6 RESERVED FUND BALANCES

Certain portions of fund balance are reserved based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties. Any such "reserves" which have an accumulated deficit rather than a positive balance at June 30 are included in reserved fund balance in the District's financial statements to the extent this is allowed under Minnesota Department of Education accounting guidance which requires a specific funding source for the reserve balance.

Reserved and unreserved designated fund balances at June 30, 2010 are as follows:

	Reserved	Unreserved/ Designated
General Fund:		
Reserved for Deferred Maintenance	\$ 7,141	\$ -
Reserved for Health and Safety	9,287	-
Reserved for Operating Capital	137,445	-
Reserved for Land Held for Resale	512,236	-
Designated for Building Construction Carryover	-	10,351
Designated for School Site Carryover	-	115,334
Total General Fund	666,109	125,685
Special Revenue Funds:		
Community Service Fund:		
Reserved for School Readiness	11,762	-
Reserved for Community Education Programs	(140,984)	-
Reserved for Early Childhood and Family Education Programs	36,149	-
Total Special Revenue Funds	(93,073)	-
Total All Funds	\$ 573,036	\$ 125,685

A. Reserved for Deferred Maintenance

Deferred maintenance aid and levy can only be used for projects and costs that would be eligible for health and safety revenue, disabled access levy, or deferred maintenance projects necessary to prevent further erosion of facilities.

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 6 RESERVED FUND BALANCES (CONTINUED)

B. 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.

C. Reserved for Operating Capital

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

D. Reserved for Land Held for Resale

Reserved for Land Held for Resale relates to a long-term asset of the District. This balance is included as Unreserved-Undesignated for purposes of state reporting under UFARS.

E. Designated for Building Construction Carryover

At June 30, 2010, the General Fund includes a designation of unreserved fund balance for building construction carryover.

F. Designated for School Site Carryover

At June 30, 2010, the General Fund includes a designation of unreserved fund balance for school site carryover.

G. Reserved for School Readiness

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

H. Reserved for Community Education Programs

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

I. 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.

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 7 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 are as follows:

A. Teacher's Retirement Association (TRA)

1. Plan Description

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

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

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

Teachers Retirement Association
60 Empire Drive Suite 400
St Paul MN 55103-1855
651-296-2409
800-657-3669

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 7 RETIREMENT PLANS (CONTINUED)

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

2. Funding Policy

Minnesota Statutes Chapter 354 sets the rates for the employee and employer contributions. These statutes are established and amended by the state legislature. Coordinated and Basic Plan members are required to contribute 5.5% and 9.0%, respectively, of their annual covered salary as employee contributions. The District was required to contribute the following percentages of annual covered payroll during 2009: 5.5% for Coordinated members and 9.5% for Basic members. Employer contribution rates for the coordinated and Basic Plan increased to 6.00% and 10.00%, respectively, effective January 1, 2010. The contribution requirements of plan members and the District are established and may be amended by state statute. Total covered payroll salaries for all TRA members statewide during the fiscal year ended June 30, 2009 was approximately \$3.76 billion.

The District contributions for the years ended June 30, 2010, 2009 and 2008 were \$598,370, \$626,550 and \$585,702, respectively, equal to the required contributions for each year as set by state statute.

B. Public Employees' Retirement Association (PERA)

1. Plan Description

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

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

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

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

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 7 RETIREMENT PLANS (CONTINUED)

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

2. Funding Policy

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

The District was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.75% for Coordinated Plan PERF members. Employer contribution rates for the Coordinated Plan increased to 7.00% effective January 1, 2010. The District's contributions for the years ended June 30, 2010, 2009 and 2008 were \$239,241, \$222,745 and \$188,963, respectively, equal to the contractually required contributions for each year as set by state statute.

C. Defined Contribution Plan

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the "Plan"). All employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. Contributions are invested in tax deferred annuities selected and owned by Plan participants. Employer and employee contributions to the plan for the year ended June 30, 2010 were \$284,350 and \$519,793, respectively.

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN

At June 30, 2010, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The District engaged an actuary to determine the District's liability for postemployment healthcare benefits other than pensions as of July 1, 2008.

A. Plan Description

The District operates a single-employer retiree benefit plan ("the Plan") that provides health and dental insurance to eligible employees and their spouses through the District's self-insured health insurance plan. There are 296 active participants and 36 retired participants. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report.

B. Funding Policy

Contribution requirements are also negotiated between the District and union representatives. The District contributes 100% of the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2010, the District contributed \$383,699 to the plan.

C. Annual OPEB Cost and Net OPEB Obligation

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

Annual Required Contribution (ARC):	\$ 526,853
Interest on Net OPEB Obligation	7,355
Adjustment to ARC	<u>(9,817)</u>
Annual OPEB Cost	524,391
Contributions During the Year	<u>(383,699)</u>
Increase in Net OPEB Obligation	140,692
Net OPEB - Beginning of the Year	<u>163,453</u>
Net OPEB - End of the Year	<u><u>\$ 304,145</u></u>

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010:

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
June 30, 2010	\$ 524,391	\$ 383,699	73.17%	\$ 304,145
June 30, 2009	526,853	363,400	68.98%	163,453

D. Funded Status and Funding Progress

The District currently has no assets that have been irrevocable deposits in the trust for future health benefits. Therefore, the actuarial value of assets is zero.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2008	\$ -	\$ 4,654,601	\$ 4,654,601	0.00%	\$ 13,016,213	35.76%

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

E. Actuarial Methods and Assumptions

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

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

E. Actuarial Methods and Assumptions (Continued)

In the July 1, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The initial healthcare trend rate was 9% to 5% in eight years. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2010 was 28 years.

NOTE 9 FLEXIBLE BENEFIT PLAN

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

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

Payments of insurance premiums (health and dental) are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General and Special Revenue Funds.

All assets of the plan are deposited into the District's payroll checking account on a monthly basis and administered by an employee of the District. Payments are made by the District to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the participant.

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

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 10 COMMITMENTS AND CONTINGENCIES

Federal and State Programs

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

NOTE 11 SUBSEQUENT EVENT

On August 12, 2010, the Board approved the sale of Aid Anticipation Certificates Series 2010A for fiscal 2010-11 in the amount of \$3,000,000 at an interest rate of 1.5%.

REQUIRED SUPPLEMENTARY INFORMATION

**BECKER PUBLIC SCHOOLS
 INDEPENDENT SCHOOL DISTRICT NO. 726
 SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFIT PLAN
 JUNE 30, 2010**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2008	\$ -	\$ 4,654,601	\$ 4,654,601	0.00%	\$ 13,016,213	35.76%

SUPPLEMENTAL INFORMATION

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
GENERAL FUND
BALANCE SHEET
JUNE 30, 2010
(WITH COMPARATIVE DATA AS OF JUNE 30, 2009)**

	2010	2009
ASSETS		
Cash and Investments	\$ 4,601,459	\$ 3,922,002
Receivables:		
Current Taxes	2,032,959	1,809,856
Delinquent Taxes	91,029	68,205
Accounts and Interest Receivable	54,778	38,174
Due from Other Minnesota School Districts	35,130	10,000
Due from Minnesota Department of Education	4,198,133	1,667,715
Due from Federal through the Minnesota Department of Education	412,448	56,884
Due from Federal Government Received Directly	1,475	5,896
Due from Other Governmental Units	122,829	136,479
Prepaid Items	103,396	223,364
Land Held for Resale	512,236	512,236
	\$ 12,165,872	\$ 8,450,811
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Short-Term Borrowing	\$ 4,100,000	\$ -
Salaries Payable	1,086,609	1,141,548
Payroll Deductions and Employer Contributions Payable	1,421,779	1,428,642
Accounts and Contracts Payable	127,525	168,741
Due to Other Minnesota School Districts	87,399	79,000
Interest Payable	54,764	-
Due to Other Governmental Units	11,343	64,907
Property Taxes Levied for Subsequent Year	3,215,594	2,769,175
Deferred Revenue - Delinquent Taxes	91,029	68,205
Deferred Revenue - Other	1,247	130
Total Liabilities	10,197,289	5,720,348
Fund Balance:		
Reserved:		
Reserved for Staff Development	-	135,326
Reserved for Deferred Maintenance	7,141	4,333
Reserved for Health and Safety	9,287	(122,770)
Reserved for Operating Capital	137,445	273,662
Reserved for Land Held for Resale	512,236	512,236
Unreserved:		
Designated for Building Construction Carryover	10,351	70,999
Designated for School Site Carryover	115,334	94,722
Undesignated	1,176,789	1,761,955
Total Fund Balance	1,968,583	2,730,463
	\$ 12,165,872	\$ 8,450,811

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2009)**

	2010		Over (Under) Final Budget	2009
	Final Budget	Actual Amounts		Actual Amounts
REVENUES				
Local Sources:				
Property Taxes	\$ 3,602,468	\$ 3,649,638	\$ 47,170	\$ 3,424,069
Earnings on Investments	43,942	47,047	3,105	96,486
Other	427,891	551,727	123,836	560,099
State Sources	16,736,928	16,393,025	(343,903)	18,257,698
Federal Sources	1,918,107	1,883,590	(34,517)	183,290
Total Revenues	22,729,336	22,525,027	(204,309)	22,521,642
EXPENDITURES				
Current:				
Administration:				
Salaries	896,964	885,541	(11,423)	808,735
Employee Benefits	283,102	271,904	(11,198)	283,058
Purchased Services	106,200	109,113	2,913	110,275
Supplies and Materials	14,283	12,647	(1,636)	11,930
Capital Expenditures	47,399	47,354	(45)	19,069
Other Expenditures	27,513	16,412	(11,101)	17,291
Total Administration	1,375,461	1,342,971	(32,490)	1,250,358
District Support Services:				
Salaries	299,308	285,842	(13,466)	271,764
Employee Benefits	120,757	137,270	16,513	100,546
Purchased Services	78,379	81,015	2,636	60,212
Supplies and Materials	31,250	46,168	14,918	41,943
Capital Expenditures	-	889	889	3,579
Other Expenditures	17,240	21,793	4,553	8,687
Total District Support Services	546,934	572,977	26,043	486,731
Elementary and Secondary Regular Instruction:				
Salaries	8,951,682	8,825,069	(126,613)	8,817,952
Employee Benefits	3,220,362	3,152,544	(67,818)	3,150,704
Purchased Services	199,010	146,462	(52,548)	186,333
Supplies and Materials	314,079	299,402	(14,677)	309,548
Capital Expenditures	137,786	119,842	(17,944)	159,488
Other Expenditures	43,469	52,435	8,966	101,395
Total Elementary and Secondary Regular Instruction	12,866,388	12,595,754	(270,634)	12,725,420

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2009)**

	2010		Over (Under) Final Budget	2009
	Final Budget	Actual Amounts		Actual Amounts
EXPENDITURES (Continued)				
Current (Continued):				
Vocational Education Instruction:				
Salaries	\$ 105	\$ 88,470	\$ 88,365	\$ 87,797
Employee Benefits	14	-	(14)	14
Purchased Services	54,021	38,937	(15,084)	46,063
Supplies and Materials	150	-	(150)	150
Capital Expenditures	9,210	7,227	(1,983)	11,361
Total Vocational Education Instruction	63,500	134,634	71,134	145,385
Special Education Instruction:				
Salaries	1,761,402	1,799,393	37,991	1,759,976
Employee Benefits	642,011	631,771	(10,240)	610,617
Purchased Services	584,866	573,567	(11,299)	438,039
Supplies and Materials	14,071	7,262	(6,809)	8,765
Capital Expenditures	-	339	339	-
Total Special Education Instruction	3,002,350	3,012,332	9,982	2,817,397
Instructional Support Services:				
Salaries	765,655	680,328	(85,327)	763,724
Employee Benefits	271,762	262,538	(9,224)	258,562
Purchased Services	44,282	51,649	7,367	119,879
Supplies and Materials	356,223	318,579	(37,644)	319,089
Capital Expenditures	177,000	307,722	130,722	165,410
Other Expenditures	3,600	3,854	254	4,094
Total Instructional Support Services	1,618,522	1,624,670	6,148	1,630,758
Pupil Support Services:				
Salaries	841,624	825,802	(15,822)	797,336
Employee Benefits	257,957	248,664	(9,293)	250,522
Purchased Services	64,437	43,035	(21,402)	99,341
Supplies and Materials	176,472	174,298	(2,174)	151,961
Capital Expenditures	65,000	103,635	38,635	22,310
Other Expenditures	2,250	1,306	(944)	820
Total Pupil Support Services	1,407,740	1,396,740	(11,000)	1,322,290

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2009)**

	2010		Over (Under) Final Budget	2009
	Final Budget	Actual Amounts		Actual Amounts
EXPENDITURES (Continued)				
Current (Continued):				
Sites and Buildings:				
Salaries	\$ 962,931	\$ 1,009,960	\$ 47,029	\$ 994,116
Employee Benefits	434,119	421,016	(13,103)	426,910
Purchased Services	743,773	575,993	(167,780)	569,803
Supplies and Materials	304,671	294,435	(10,236)	367,451
Capital Expenditures	202,907	337,529	134,622	306,876
Other Expenditures	39,500	15,337	(24,163)	36,992
Total Sites and Buildings	<u>2,687,901</u>	<u>2,654,270</u>	<u>(33,631)</u>	<u>2,702,148</u>
Fiscal and Other Fixed Cost Programs:				
Purchased Services	116,994	85,897	(31,097)	98,872
Debt Service:				
Principal	-	127,642	127,642	58,783
Interest and Fiscal Charges	29,983	34,979	4,996	7,190
Total Debt Service	<u>29,983</u>	<u>162,621</u>	<u>132,638</u>	<u>65,973</u>
Total Expenditures	<u>23,715,773</u>	<u>23,582,866</u>	<u>(132,907)</u>	<u>23,245,332</u>
Deficiency of Revenues Under Expenditures	(986,437)	(1,057,839)	(71,402)	(723,690)
OTHER FINANCING SOURCES (USES)				
Insurance Recovery Proceeds	9,600	3,319	(6,281)	16,247
Capital Lease Proceeds	-	292,640	292,640	-
Judgments	-	-	-	6,493
Transfers Out	(10,000)	-	10,000	(20,793)
Total Other Financing Sources (Uses)	<u>(400)</u>	<u>295,959</u>	<u>296,359</u>	<u>1,947</u>
Net Change in Fund Balance	<u>\$ (986,837)</u>	<u>(761,880)</u>	<u>\$ 224,957</u>	<u>(721,743)</u>
FUND BALANCE				
Beginning of Year		<u>2,730,463</u>		<u>3,452,206</u>
End of Year		<u>\$ 1,968,583</u>		<u>\$ 2,730,463</u>

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
FOOD SERVICE SPECIAL REVENUE FUND
BALANCE SHEET
JUNE 30, 2010
(WITH COMPARATIVE DATA AS OF JUNE 30, 2009)**

	2010	2009
ASSETS		
Cash	\$ 266,097	\$ 304,160
Receivables:		
Accounts and Interest Receivable	1,099	1,344
Due from Minnesota Department of Education	-	1,557
Inventory	12,244	15,600
Prepaid Items	2,309	5,744
Total Assets	\$ 281,749	\$ 328,405
LIABILITIES AND FUND BALANCE		
Liabilities:		
Salaries Payable	\$ 13,969	\$ 15,960
Payroll Deductions and Employer Contributions Payable	13,839	13,904
Accounts and Contracts Payable	1,833	56,381
Total Liabilities	29,641	86,245
Fund Balance:		
Unreserved, Undesignated	252,108	242,160
Total Liabilities and Fund Balance	\$ 281,749	\$ 328,405

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
FOOD SERVICE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2009)**

	2010		Over (Under) Final Budget	2009
	Final Budget	Actual Amounts		Actual Amounts
REVENUES				
Local Sources:				
Earnings on Investments	\$ 3,488	\$ 3,293	\$ (195)	\$ 7,857
Other - Primarily Meal Sales	696,798	680,493	(16,305)	726,914
State Sources	45,225	46,922	1,697	46,916
Federal Sources	316,407	349,133	32,726	312,647
Total Revenues	<u>1,061,918</u>	<u>1,079,841</u>	<u>17,923</u>	<u>1,094,334</u>
EXPENDITURES				
Current:				
Salaries	371,387	363,535	(7,852)	350,966
Employee Benefits	107,597	104,589	(3,008)	94,058
Purchased Services	14,900	19,093	4,193	19,153
Supplies and Materials	570,300	574,516	4,216	604,539
Other Expenditures	4,500	7,559	3,059	934
Capital Outlay	10,000	601	(9,399)	1,910
Total Expenditures	<u>1,078,684</u>	<u>1,069,893</u>	<u>(8,791)</u>	<u>1,071,560</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (16,766)</u>	9,948	<u>\$ 26,714</u>	22,774
FUND BALANCE				
Beginning of Year		<u>242,160</u>		<u>219,386</u>
End of Year		<u>\$ 252,108</u>		<u>\$ 242,160</u>

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
COMMUNITY SERVICE SPECIAL REVENUE FUND
BALANCE SHEET
JUNE 30, 2010
(WITH COMPARATIVE DATA AS OF JUNE 30, 2009)**

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash	\$ 41,800	\$ 35,494
Receivables:		
Current Taxes	88,957	86,851
Delinquent Taxes	5,279	4,296
Accounts and Interest Receivable	9,128	25,187
Due from Minnesota Department of Education	26,930	20,311
Prepaid Items	<u>400</u>	<u>309</u>
Total Assets	<u>\$ 172,494</u>	<u>\$ 172,448</u>
LIABILITIES AND FUND BALANCE (DEFICIT)		
Liabilities:		
Salaries Payable	\$ 14,064	\$ 27,959
Payroll Deductions and Employer Contributions Payable	29,540	29,051
Accounts and Contracts Payable	7,114	8,719
Due to Other School Districts	4,500	-
Due to Other Governmental Units	-	2,746
Property Taxes Levied for Subsequent Year	172,641	168,140
Deferred Revenue - Delinquent Taxes	5,279	4,296
Deferred Revenue - Other	<u>42,771</u>	<u>33,637</u>
Total Liabilities	275,909	274,548
Fund Balance (Deficit):		
Reserved for Community Education Programs	(140,984)	(149,952)
Reserved for Early Childhood and Family Education Programs	36,149	40,267
Reserved for School Readiness	11,762	17,254
Unreserved, Undesignated	<u>(10,342)</u>	<u>(9,669)</u>
Total Fund Balance (Deficit)	<u>(103,415)</u>	<u>(102,100)</u>
Total Liabilities and Fund Balance (Deficit)	<u>\$ 172,494</u>	<u>\$ 172,448</u>

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
COMMUNITY SERVICE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2009)**

	2010		Over (Under) Final Budget	2009
	Final Budget	Actual Amounts		Actual Amounts
REVENUES				
Local Sources:				
Property Taxes	\$ 168,849	\$ 161,877	\$ (6,972)	\$ 136,268
Earnings on Investments	-	13	13	(54)
Other - Primarily Tuition and Fees	382,966	369,820	(13,146)	399,300
State Sources	97,812	99,264	1,452	129,210
Total Revenues	649,627	630,974	(18,653)	664,724
EXPENDITURES				
Current:				
Salaries	443,065	441,128	(1,937)	441,670
Employee Benefits	114,729	112,772	(1,957)	115,787
Purchased Services	65,965	51,461	(14,504)	60,965
Supplies and Materials	31,100	25,209	(5,891)	48,046
Other Expenditures	500	1,719	1,219	1,126
Total Expenditures	655,359	632,289	(23,070)	667,594
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,732)	(1,315)	4,417	(2,870)
OTHER FINANCING SOURCES (USES)				
Transfer In	10,000	-	(10,000)	20,793
Net Change in Fund Balance	\$ 4,268	(1,315)	\$ (5,583)	17,923
FUND BALANCE (DEFICIT)				
Beginning of Year		(102,100)		(120,023)
End of Year		\$ (103,415)		\$ (102,100)

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
DEBT SERVICE FUND
BALANCE SHEET
JUNE 30, 2010
(WITH COMPARATIVE DATA AS OF JUNE 30, 2009)**

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash	\$ 2,220,980	\$ 2,421,198
Cash and Investments Held by Trustee	-	20,019,336
Receivables:		
Current Taxes	1,572,370	1,718,552
Delinquent Taxes	95,750	74,932
Interest	-	326,886
Due from Minnesota Department of Education	<u>29,703</u>	<u>12,679</u>
Total Assets	<u>\$ 3,918,803</u>	<u>\$ 24,573,583</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts and Contracts Payable	\$ 100	\$ -
Property Taxes Levied for Subsequent Year	3,051,477	3,306,626
Deferred Revenue - Delinquent Taxes	<u>95,750</u>	<u>74,932</u>
Total Liabilities	3,147,327	3,381,558
Fund Balance:		
Reserved for Bond Refunding	-	20,346,222
Unreserved, Undesignated	<u>771,476</u>	<u>845,803</u>
Total Fund Balance	<u>771,476</u>	<u>21,192,025</u>
Total Liabilities and Fund Balance	<u>\$ 3,918,803</u>	<u>\$ 24,573,583</u>

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2009)**

	2010			Over (Under) Final Budget	2009 Total Actual Amounts	
	Final Budgeted Amounts	Regular Debt Service	Refunding Bond Trust Account			Total Actual Amounts
REVENUES						
Local Sources:						
Property Tax	\$ 3,184,625	\$ 3,162,397	\$ -	\$ 3,162,397	\$ (22,228)	\$ 3,219,899
Earnings on Investments	67,141	19,128	46,195	65,323	(1,818)	1,176,604
State Sources	123,400	110,013	-	110,013	(13,387)	126,792
Total Revenues	<u>3,375,166</u>	<u>3,291,538</u>	<u>46,195</u>	<u>3,337,733</u>	<u>(37,433)</u>	<u>4,523,295</u>
EXPENDITURES						
Debt Service:						
Bond Principal	1,995,000	1,995,000	-	1,995,000	-	1,920,000
Bond Interest	2,123,238	1,369,690	753,548	2,123,238	-	2,210,198
Paying Agent Fees and other	34,040	1,175	34,290	35,465	1,425	2,750
Total Expenditures	<u>4,152,278</u>	<u>3,365,865</u>	<u>787,838</u>	<u>4,153,703</u>	<u>1,425</u>	<u>4,132,948</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(777,112)	(74,327)	(741,643)	(815,970)	(38,858)	390,347
OTHER FINANCING SOURCES (USES)						
Proceeds from Sale of Bonds	3,005,000	-	3,005,000	3,005,000	-	-
Bond Premium	115,421	-	115,421	115,421	-	-
Payment to Refunded Bond Escrow Agent	(22,725,000)	-	(22,725,000)	(22,725,000)	-	-
Total Other Financing Sources (Uses)	<u>(19,604,579)</u>	<u>-</u>	<u>(19,604,579)</u>	<u>(19,604,579)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (20,381,691)</u>	<u>(74,327)</u>	<u>(20,346,222)</u>	<u>(20,420,549)</u>	<u>\$ (38,858)</u>	<u>390,347</u>
Fund Balance - Beginning		<u>845,803</u>	<u>20,346,222</u>	<u>21,192,025</u>		<u>20,801,678</u>
Fund Balance - Ending		<u>\$ 771,476</u>	<u>\$ -</u>	<u>\$ 771,476</u>		<u>\$ 21,192,025</u>

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
JUNE 30, 2010**

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$ 22,628,340	\$ 22,628,342	\$ 4	Total Revenue	\$ -	\$ -	\$ -
Total Expenditures	\$ 23,682,606	\$ 23,582,847	\$ 19	Total Expenditures	\$ -	\$ -	\$ -
Reserved:				Reserved:			
403 Staff Development	\$ -	\$ -	\$ -	407 Capital Projects Levy	\$ -	\$ -	\$ -
405 Deferred Maintenance	\$ 7,141	\$ 7,141	\$ -	409 Alternative Facility Program	\$ -	\$ -	\$ -
406 Health & Safety	\$ 8,287	\$ 8,287	\$ -	413 Project Funded by COP	\$ -	\$ -	\$ -
407 Capital Project Levy	\$ -	\$ -	\$ -	419 Encumbrances	\$ -	\$ -	\$ -
408 Cooperative Programs	\$ -	\$ -	\$ -	Unreserved:			
411 Severance Pay	\$ -	\$ -	\$ -	422 Unreserved/Undesignated	\$ -	\$ -	\$ -
414 Operating Debt	\$ -	\$ -	\$ -	07 DEBT SERVICE			
416 Levy Reduction	\$ -	\$ -	\$ -	Total Revenue	\$ 3,337,733	\$ 3,337,732	\$ 1
417 Taconite Building Maint	\$ -	\$ -	\$ -	Total Expenditures	\$ 4,163,703	\$ 4,163,703	\$ -
419 Encumbrances	\$ -	\$ -	\$ -	Reserved:			
423 Certain Teacher Programs	\$ -	\$ -	\$ -	425 Bond Refundings	\$ -	\$ -	\$ -
424 Operating Capital	\$ 137,445	\$ 137,445	\$ -	451 QZAB Payments	\$ -	\$ -	\$ -
426 \$25 Taconite	\$ -	\$ -	\$ -	Unreserved:			
427 Disabled Accessibility	\$ -	\$ -	\$ -	422 Unreserved/Undesignated	\$ 771,478	\$ 771,477	\$ (1)
428 Learning & Development	\$ -	\$ -	\$ -	08 TRUST			
434 Area Learning Center	\$ -	\$ -	\$ -	Total Revenue	\$ -	\$ -	\$ -
435 Contracted A/L Programs	\$ -	\$ -	\$ -	Total Expenditures	\$ -	\$ -	\$ -
436 State Approved A/L Program	\$ -	\$ -	\$ -	Reserved:			
438 Gifted & Talented	\$ -	\$ -	\$ -	419 Encumbrances	\$ -	\$ -	\$ -
441 Basic Skills Programs	\$ -	\$ -	\$ -	Unreserved:			
445 Career and Technical Programs	\$ -	\$ -	\$ -	422 Unreserved/Undesignated	\$ -	\$ -	\$ -
448 First Grade Preparedness	\$ -	\$ -	\$ -	09 AGENCY			
449 Bale Schools Ofcma	\$ -	\$ -	\$ -	Unreserved: Should Always Be -0-			
450 Prekindergarten	\$ -	\$ -	\$ -	422 Unreserved/Undesignated	\$ -	\$ -	\$ -
451 QZAB Payments	\$ -	\$ -	\$ -	20 INTERNAL SERVICE			
452 OPEB Liab Not In Trust	\$ -	\$ -	\$ -	Total Revenue	\$ -	\$ -	\$ -
453 Unfunded Bev & Retirement Levy	\$ -	\$ -	\$ -	Total Expenditures	\$ -	\$ -	\$ -
Unreserved:				Reserved:			
418 Severance - Ins. Premium	\$ -	\$ -	\$ -	419 Encumbrances	\$ -	\$ -	\$ -
422 Unreserved/Undesignated	\$ 1,814,710	\$ 1,814,726	\$ (16)	Unreserved:			
02 FOOD SERVICE				422 Unreserved/Undesignated	\$ -	\$ -	\$ -
Total Revenue	\$ 1,079,841	\$ 1,079,840	\$ 1	25 OPEB REVOCABLE TRUST			
Total Expenditures	\$ 1,069,893	\$ 1,069,893	\$ -	Total Revenue	\$ -	\$ -	\$ -
Reserved:				Total Expenditures	\$ -	\$ -	\$ -
411 Severance Pay	\$ -	\$ -	\$ -	Unreserved:			
419 Encumbrances	\$ -	\$ -	\$ -	422 Unreserved/Undesignated	\$ -	\$ -	\$ -
452 OPEB Liab Not In Trust	\$ -	\$ -	\$ -	45 OPEB IRREVOCABLE TRUST			
Unreserved:				Total Revenue	\$ -	\$ -	\$ -
418 Severance - Ins. Premium	\$ -	\$ -	\$ -	Total Expenditures	\$ -	\$ -	\$ -
422 Unreserved/Undesignated	\$ 252,108	\$ 252,108	\$ -	Unreserved:			
04 COMMUNITY SERVICE				422 Unreserved/Undesignated	\$ -	\$ -	\$ -
Total Revenue	\$ 630,874	\$ 630,876	\$ (1)	47 OPEB DEBT SERVICE			
Total Expenditures	\$ 632,288	\$ 632,290	\$ (1)	Total Revenue	\$ -	\$ -	\$ -
Reserved:				Total Expenditures	\$ -	\$ -	\$ -
411 Severance Pay	\$ -	\$ -	\$ -	Reserved:			
419 Encumbrances	\$ -	\$ -	\$ -	425 Bond Refundings	\$ -	\$ -	\$ -
426 \$25 Taconite	\$ -	\$ -	\$ -	Unreserved:			
431 Community Education	\$ (140,884)	\$ (140,884)	\$ -	422 Unreserved/Undesignated	\$ -	\$ -	\$ -
432 E.C.F.E.	\$ 36,149	\$ 36,149	\$ -	03 GENERAL FUND			
444 School Readiness	\$ 11,782	\$ 11,782	\$ -	Total Revenue	\$ -	\$ -	\$ -
447 Adult Basic Education	\$ -	\$ -	\$ -	Total Expenditures	\$ -	\$ -	\$ -
452 OPEB Liab Not In Trust	\$ -	\$ -	\$ -	Reserved:			
Unreserved:				425 Bond Refundings	\$ -	\$ -	\$ -
418 Severance Premium	\$ -	\$ -	\$ -	Unreserved:			
422 Unreserved/Undesignated	\$ (10,342)	\$ (10,343)	\$ 1	422 Unreserved/Undesignated	\$ -	\$ -	\$ -

OTHER REQUIRED REPORTS

**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. 726
Becker Public Schools
Becker, Minnesota

We have audited the financial statements of the governmental activities and each major fund of Independent School District No. 726 as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 8, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency 2010-1, described in the accompanying schedule of findings and questioned costs to be a material weaknesses.

Compliance and Other Matters

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

The District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Recommendations. We did not audit the District's responses and, accordingly, we express no opinion on it.

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

Larson Allen LLP
LarsonAllen LLP

Minneapolis, Minnesota
November 8, 2010

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
Independent School District No. 726
Becker Public Schools
Becker, Minnesota

Compliance

We have audited the compliance of Independent School District No. 726 with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, Independent School District No. 726 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2010-2.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

The District'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 the responses.

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


LarsonAllen LLP

Minneapolis, Minnesota
November 8, 2010

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010**

Federal Agency/ Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
Passed Through Minnesota Department of Education:		
Child Nutrition Cluster:		
Non-Cash Assistance (Commodities):		
National School Lunch Program	10.555	\$ 68,592
Cash Assistance:		
National School Lunch Program	10.555	<u>273,821</u>
Total U. S. Department of Agriculture		342,413
U.S. DEPARTMENT OF EDUCATION		
Passed Through Minnesota Department of Education:		
Cash Assistance:		
Safe and Drug Free School and Communities State Grants	84.186	5,904
ARRA Stabilization Title VIII - Impact Aid	84.394	1,468,400
Title II - Eisenhower Prof Dev State Grant	84.281	38,886
CMJTS Grant	17.259	657
Carl Perkins, Part A	84.048	7,227
Indian Education Grant	84.060	<u>6,483</u>
Cash Assistance Subtotal		1,527,557
Cash Assistance Clustered Programs:		
Special Education Cluster:		
Special Education	84.027	8,708
ARRA Targeted Fund - IDEA Part B 611	84.391	285,835
Title I, Part A Cluster:		
Title I, Part A	84.010	<u>61,490</u>
Total Clustered Programs		<u>356,034</u>
Total U.S. Department of Education		<u>1,883,590</u>
Total Federal Awards Expended		<u>\$ 2,226,004</u>

Notes to Schedule of Expenditures of Federal Awards:

Note 1:

The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Independent School District No. 138.

Note 2:

The expenditures on this schedule are on the modified accrual basis of accounting, which is described in Note 1 to the basic financial statements of the District.

Note 3:

The pass-through entity identifying number is unknown.

LarsonAllen[®] LLP

CPAs, Consultants & Advisors
www.larsonallen.com

REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education
Independent School District No. 726
Becker Public Schools
Becker, Minnesota

We have audited the financial statements of the governmental activities and each major fund of Independent School District No. 726 as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 8, 2010.

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

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

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

Larson Allen LLP
LarsonAllen LLP

Minneapolis, Minnesota
November 8, 2010



**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Independent School District No. 726.
2. One material weakness in internal control over financial reporting was disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Independent School District No. 726 were disclosed during the audit.
4. No control 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. 726 expresses an unqualified opinion.
6. One audit finding relative to the major federal award programs for Independent School District No. 726 was disclosed during the audit.
7. The programs tested as major programs included:

State Fiscal Stabilization Fund	CFDA #84.394
Child Nutrition Cluster:	
National School Lunch Program	CFDA #10.555
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Independent School District No. 726 was not determined to be a low-risk auditee.

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2010**

B. FINDINGS – INTERNAL CONTROL OVER FINANCIAL REPORTING

Finding: 2010-1

Segregation of Duties

Criteria: Generally, a system of internal control contemplates separation of duties such that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction.

Condition: Due to the limited size of the District's business office staff, the District has limited segregation of duties in several areas, such as; the cash reconciliation process, accounts receivable, accounts payable, capital assets and journal entries.

Cause: The District's resources have not allowed for additional personnel to address this issue.

Effect: Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Recommendation: While we recognize that your staff may not be large enough to permit complete segregation of duties in all material respects for an effective system of internal control, the functions should be reviewed to determine if additional segregation of duties is feasible and to improve efficiency and effectiveness of financial management of the District.

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 reviews and makes improvements to its internal controls on an ongoing basis, and attempts to maximize the segregation of duties in all areas within the limits of the staff available.

Official Responsible for Ensuring CAP:

The District's Director of Business Services will be responsible for working with the finance department to properly segregate all incompatible functions listed above.

Planned Completion Date for CAP:

The District will implement the recommended changes within the next three years.

Plan to Monitor Completion of CAP:

The District's Director of Business Services will be monitoring this corrective action plan.

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2010**

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

Finding 2010-2 - Child Nutrition Cluster

Criteria: The verification box should be completed with the proper sign offs on the Free and Reduced Lunch Applications.

Conditions: We tested five Free and Reduced Lunch applications (3% of total applications) for the proper verification process. We noted that all five of these applications the verification completion box was not properly completed.

Questioned Costs: None.

Cause: Unknown.

Effect: The Verification process may not be complete.

Recommendation: We recommend that the District complete the verification box on the Free and Reduced Lunch Application for those applications selected in the verification process.

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 complete the verification box on the Free and Reduced Lunch applications selected for verification.

Official Responsible for Ensuring CAP:

The Food Service Director is the official responsible for ensuring corrective action of the deficiency.

Planned Completion Date of CAP:

The corrective action plan will be implemented beginning with the audit for the year ended June 30, 2011.

Plan to Monitor Completion of CAP:

The corrective action plan will be monitored by the Director of Business Services.

EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS

LarsonAllen[®] LLP

CPAs, Consultants & Advisors
www.larsonallen.com

INDEPENDENT AUDITORS' REPORT ON EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS

Board of Education
Independent School District No. 726
Becker Public Schools
Becker, Minnesota

We have audited the accompanying statement of cash receipts and disbursements of the extracurricular student activity accounts of Independent School District No. 726 as of and for the year ended June 30, 2010. 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 U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, except for such adjustments, if any, as might have been determined to be necessary had the cash collections referred to above been susceptible to satisfactory audit tests, the financial statement referred to above presents fairly, in all material respects, the cash transactions of the District's extracurricular student activity accounts for the year ended June 30, 2010, and the cash balances at that date on the basis of accounting as described in Note 1.

Larson Allen LLP
LarsonAllen LLP

Minneapolis, Minnesota
November 8, 2010



(72)
An Independent member of Nexia International

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
YEAR ENDED JUNE 30, 2010**

	Balance June 30, 2009	Receipts	Disburse- ments	Transfers	Balance June 30, 2010
<u>Becker Schools</u>					
Class of 2009/2010	\$ 6,340	\$ 192	\$ 4,800	\$ 2,342	\$ 4,074
SLAP	1,005	-	-	-	1,005
Middle School Student Council	9,715	14,306	19,157	-	4,864
National Honor Society	1,901	94	1,995	-	-
School Store	2,342	23,077	16,885	(2,342)	6,192
Student Council	567	1,199	1,766	-	-
Total	<u>\$ 21,870</u>	<u>\$ 38,867</u>	<u>\$ 44,603</u>	<u>\$ -</u>	<u>\$ 16,134</u>

See accompanying Notes to Financial Statement.

**BECKER PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 726
EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2010**

NOTE 1 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Student activity account transactions are defined as extracurricular programs conducted for the motivation and enjoyment of students. These programs and activities are not offered for school credits nor required for graduation. Activities are generally conducted outside of school hours. The content of the activities is determined primarily by the students, under the guidance of a staff member or other adult. Student activities are to be self-sustaining with all expenses paid by dues, admissions, or other student fundraising events. These funds are not included in the combined financial statements of Independent School District No. 726, and are restricted for the student activity uses, as established.

The accounts of the 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 U.S. generally accepted accounting principles. Consequently, receipts are recognized when received rather than when earned, and disbursements are recognized when paid rather than when obligations are incurred.

NOTE 2 CASH

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.

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.

Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust departments of a commercial bank or other financial institution not owned or controlled by the depository.

The District's Student Activity Accounts deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

LarsonAllen[®] LLP

CPAs, Consultants & Advisors
www.larsonallen.com

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

Board of Education
Independent School District No. 726
Becker Public Schools
Becker, Minnesota

We have audited the statement of cash receipts and disbursements of the Student Activity Accounts of Independent School District No. 726 for the year ended June 30, 2010, and have issued our report thereon dated November 8, 2010, our opinion was qualified because the District has not established procedures to provide assurance that all cash collections are recorded in the accounting records. Further, the financial statement has been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the provisions of the *Manual of Instruction for Uniform Student Activities Accounting for Minnesota School Districts and Area Vocational-Technical Colleges*, issued by the Minnesota Department of Education, pursuant to Minnesota Statutes Section 123.38.

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

The results of our tests indicate that, with respect to the items tested, the District's extracurricular student activity accounts complied with the material terms and conditions of applicable legal provisions.

This report is intended for the information and use of the Board of Education, management, students of Independent School District No. 726 and the Minnesota Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Larson Allen LLP
LarsonAllen LLP

Minneapolis, Minnesota
November 8, 2010



(75)

An independent member of Nexia International