

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA

ANNUAL FINANCIAL REPORT

YEAR ENDED
JUNE 30, 2009

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

TABLE OF CONTENTS

	<u>Page No.</u>
INTRODUCTORY SECTION	
Board of Education and Administration	1
FINANCIAL SECTION	
Independent Auditor's Report	2 - 3
Management's Discussion and Analysis	I - X
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	4
Statement of Activities	5 - 6
Fund Financial Statements	
Governmental Fund	
Balance Sheet	7
Reconciliation of the Balance Sheet to the Statement of Net Assets	8
Statement of Revenues, Expenditures and Changes in Fund Balance	9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	10
General Fund	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	11
Notes to the Financial Statements	12 - 25
INDIVIDUAL FUND SCHEDULES	
General Fund	
Comparative Schedules of Assets, Liabilities and Fund Balance	26
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	27 - 28
Uniform Financial Accounting and Reporting Standards Compliance Table	29
OTHER REPORTS	
Report on Minnesota Legal Compliance	30
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	31 - 32
Summary Schedule of Prior Audit Findings	33

INTRODUCTORY SECTION

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA

YEAR ENDED
JUNE 30, 2009

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
BOARD OF EDUCATION AND ADMINISTRATION
JUNE 30, 2009

BOARD OF EDUCATION

<u>Name</u>	<u>Position</u>
Tom Plocher	Chairperson
Jeff Vitali	Vice-Chairperson
Brenda Swanson	Clerk/Treasurer
Sandy Flint	Member
Cassie Gaede	Member
Dawn Janusch	Member
Stacy Bender	Member
Kelly Legg	Member
Karen Paul	Member

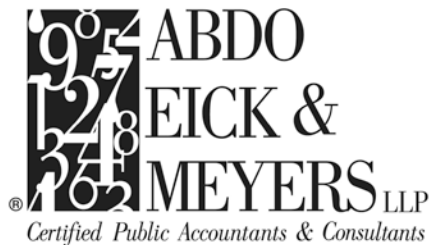
ADMINISTRATION

Tracy Quarnstrom	Director
Michael McLoughlin	Authorizer Representative
Heide Miller	Director of Business Services

FINANCIAL SECTION

**TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA**

**YEAR ENDED
JUNE 30, 2009**



5201 Eden Avenue
Suite 370
Edina, MN 55436

INDEPENDENT AUDITOR'S REPORT

Board of Education
TRIO Wolf Creek
Distance Learning Charter School No. 4095
Chisago City, Minnesota

We have audited the accompanying financial statements of the governmental activities and the major fund of TRIO Wolf Creek Distance Learning Charter School (Charter School No. 4095) (the Charter School), Chisago City, Minnesota as of and for the year ended June 30, 2009, which collectively comprise the Charter School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter School's management. Our responsibility is to express opinions on the financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities and the major fund of the Charter School as of June 30, 2009, and the respective changes in financial position thereof, and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2009, on our consideration of the Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on 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 conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages I through X is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 basic financial statements that collectively comprise the Charter School's basic financial statements. The Individual Fund Schedules and uniform financial accounting and reporting standards compliance table are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund schedules and uniform financial accounting and reporting standards compliance table 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 introductory information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

December 4, 2009
Minneapolis, Minnesota

ABDO, EICK & MEYERS, LLP
Certified Public Accountants

Management's Discussion and Analysis

As management of the TRIO Wolf Creek Distance Learning Charter School No. 4095 (the Charter School), Chisago City, Minnesota, we offer readers of the Charter School's financial statements this narrative overview and analysis of the financial activities of the Charter School for the fiscal year ended June 30, 2009.

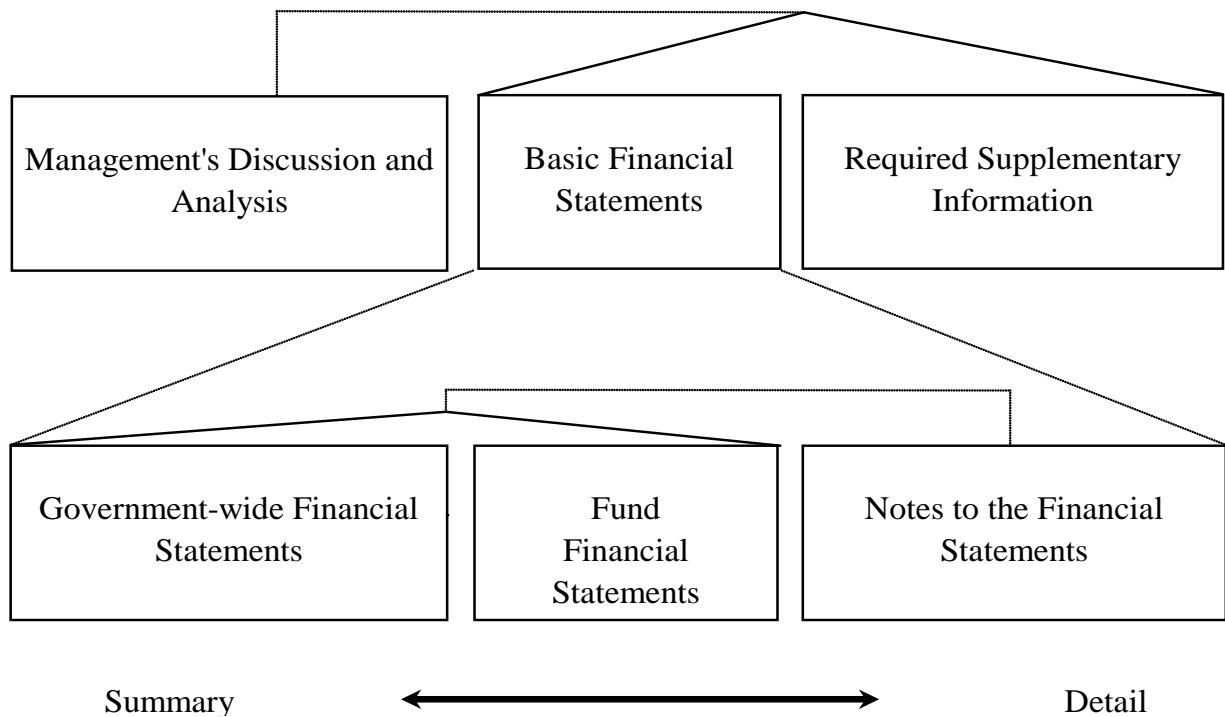
Financial Highlights

- The assets of the Charter School exceeded its liabilities at the close of the most recent fiscal year by \$1,083,353 (*net assets*). Of this amount, \$562,332 (*unrestricted net assets*) may be used to meet the Charter School's ongoing obligations to students and creditors.
- The Charter School's total net assets increased by \$453,486. The acquisition of capital assets was the primary reason for the increase.
- As of the close of the current fiscal year, the Charter School's governmental/General fund reported an ending fund balance of \$646,401, an increase of \$78,520 in comparison with the prior year. Approximately 82 percent of this total amount, (\$531,017) is available for spending at the Charter School's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General fund was \$531,017, or 32 percent of total General fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Charter School's basic financial statements. The Charter School's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves. The following chart shows how the various parts of this annual report are arranged and related to one another:

**Organization of
TRIO Wolf Creek
Distance Learning Charter School No. 4095
Annual Financial Report**



The following chart summarizes the major features of the Charter School's financial statements, including the portion of the Charter School's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements:

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements
		Governmental Funds
Scope	Entire Charter School (except fiduciary funds)	The activities of the Charter School that are not fiduciary, such as special education and building maintenance
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/out flow information	All revenues and expenditures during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Charter School's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Charter School's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Charter School is improving or deteriorating.

The *statement of activities* presents information showing how the Charter School's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The government-wide financial statements display functions of the Charter School that are principally supported by intergovernmental revenues (*governmental activities*). The governmental activities of the Charter School include administration, elementary and secondary regular instruction, special education instruction, instructional support services and sites and buildings.

The government-wide financial statements can be found on pages 4 - 6 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Charter School, like other state and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Charter School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Charter School maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, which is the one governmental fund.

The Charter School adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 7 - 11 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12 - 25 of this report.

Other Information

Individual fund schedules can be found on pages 26 - 29 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Charter School, assets exceeded liabilities by \$1,083,353 at the close of the most recent fiscal year.

A portion of the Charter School's net assets (40.3 percent) reflects its investment in capital assets (e.g. equipment, site improvements and building improvements). The Charter School uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending.

Net Assets

	Governmental Activities		
	2009	2008	Increase (Decrease)
Assets			
Current and other assets	\$ 992,325	\$ 781,109	\$ 211,216
Capital assets	436,952	61,986	374,966
Total assets	1,429,277	843,095	586,182
Liabilities			
Current	345,924	213,228	132,696
Net assets			
Invested in capital assets	436,952	61,986	374,966
Restricted	84,069	108,858	(24,789)
Unrestricted	562,332	459,023	103,309
Total net assets	\$ 1,083,353	\$ 629,867	\$ 453,486

An additional portion of the Charter School's net assets (7.8 percent) represents resources that are subject to external restrictions on how they may be used. The balance of *unrestricted net assets* (\$562,332) may be used to meet the Charter School's ongoing obligations to students and creditors.

At the end of the current fiscal year, the Charter School is able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

The Charter School's net assets increased \$453,486 during the current fiscal year. Key elements of this increase are as follows:

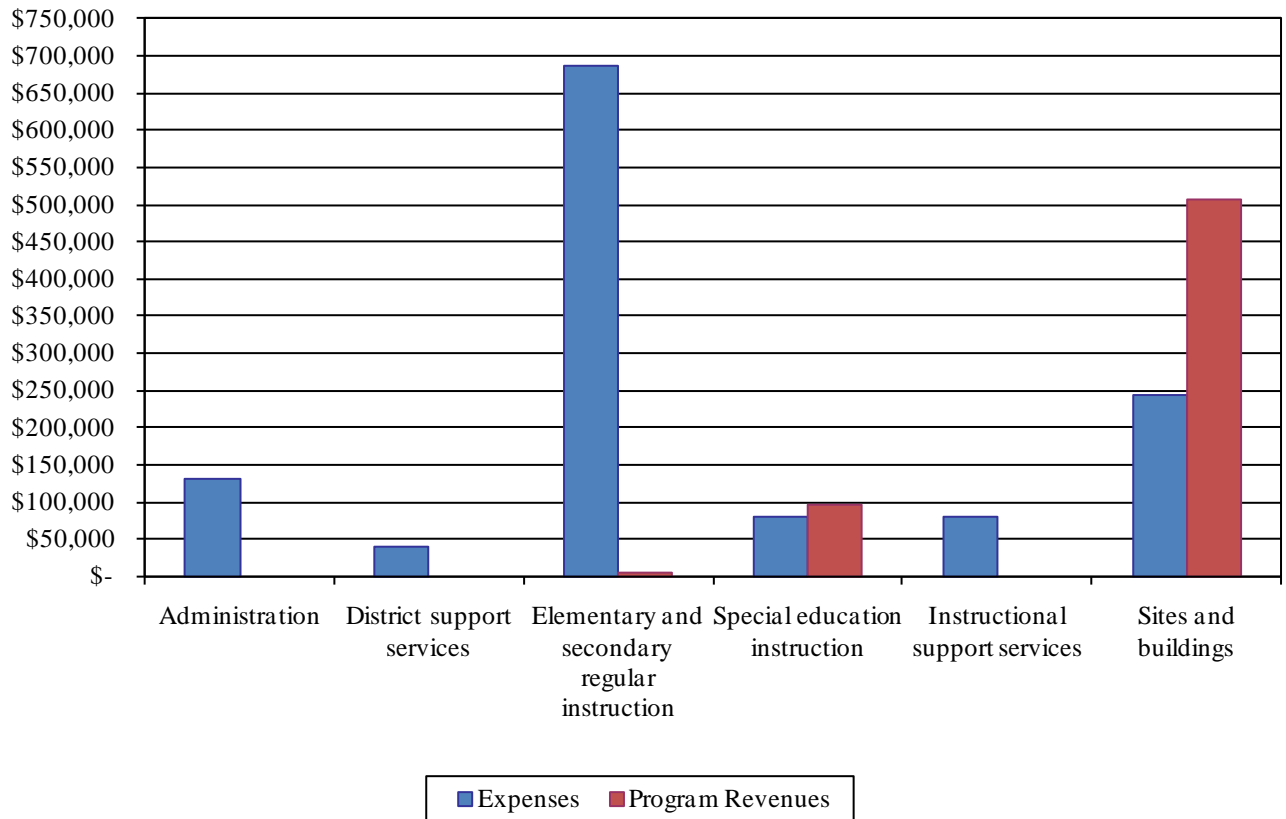
- Capital asset acquisitions and grant from the state provided for an increase in net assets of \$402,099.

Changes in Net Assets

	Governmental Activities		
	2009	2008	Increase (Decrease)
Revenues			
Program revenues			
Charges for services	\$ 3,495	\$ 445	\$ 3,050
Operating grants and contributions	205,024	95,728	109,296
Capital grants and contributions	402,099	-	402,099
General revenues			
State aid-formula grants	1,092,956	963,500	129,456
Other general revenues	635	1,341	(706)
Investment earnings	10,490	25,384	(14,894)
Total revenues	<u>1,714,699</u>	<u>1,086,398</u>	<u>628,301</u>
Expenses			
Administration	131,845	89,731	42,114
District support services	39,028	38,131	897
Elementary and secondary regular instruction	685,961	613,634	72,327
Special education instruction	80,796	76,023	4,773
Instructional support services	80,586	44,842	35,744
Pupil support services	-	20	(20)
Sites and buildings	242,997	225,028	17,969
Total expenses	<u>1,261,213</u>	<u>1,087,409</u>	<u>173,804</u>
Change in net assets	453,486	(1,011)	454,497
Net assets, July 1	<u>629,867</u>	<u>630,878</u>	<u>(1,011)</u>
Net assets, June 30	<u>\$ 1,083,353</u>	<u>\$ 629,867</u>	<u>\$ 453,486</u>

General education revenue remained stable for the 2008-09 school year since enrollment remained constant. The total ADM (Average Daily Membership) for 2008-09 was 133.34 as compared to 132.48 for 2007-08 and the total AMCPU (Adjusted Marginal Cost Pupil Units) for 2008-09 was 173.33 compared to 172.22 for 2007-08. Additional state aid revenue was due to increased revenue from special education. TRIO hired a part-time special education paraprofessional that was reimbursed under state special education aid for 2008-09 and TRIO served additional special needs students that resulted in special ed tuition revenue being distributed from the resident district of the students. In addition, the Online Learning aid that was received by TRIO increased in FY09. TRIO was awarded a federal Title V Part B Charter School Facilities in the amount of \$402,890 on May 1, 2008. This grant was used to pay for energy efficiency improvements when the new TRIO building was built in the summer of 2008. It was also used to provide computers for a mobile testing lab. Expenditures in the areas of administration and instructional support increased due the Charter School Director and the Dean of Students no longer teaching classes but still having grading duties so the majority of their time was spent in administration and their teaching duties decreased for the 2008-09 school year. Additional expenditures in sites and buildings were due to additional equipment being purchased for the new building that TRIO moved into in August 2008. Regular instruction expenditures increased due to two full-time learning managers being added for the 2008-09 school year in anticipation of increased enrollment. TRIO did not realize this increased enrollment and has adjusted its budget accordingly for 2009-2010.

Expenses and Program Revenues - Governmental Activities



Financial Analysis of the Government's Funds

As noted earlier, the Charter School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Charter School's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Charter School's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Charter School's governmental/General fund reported a combined ending fund balance of \$646,401, an increase of \$78,520 in comparison with the prior year. Approximately 82 percent of this total amount (\$531,017) constitutes *unreserved fund balance*, which is available for spending at the Charter School's discretion.

The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to: 1) pay for operating capital (\$64,408), 2) pay for staff development (\$7,219), 3) pay for gifted and talented (\$5,845), 4) pay for basic skills (\$6,597) and 5) for prepaid items (\$31,315).

As a measure of the General fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 32 percent of total General fund expenditures, while total fund balance represents 40 percent of that same amount.

General Fund Budgetary Highlights

Over the course of the year, the Charter School revised the annual operation budget three times. The preliminary budget was approved on May 13, 2008. A revised budget was approved on August 12, 2008 to reflect the additional one-time \$51.00 per pupil unit in general education aid that was approved by the Legislature and again on June 9, 2009 to reflect a revised student number. Two new learning managers were hired for the start of the 2008-2009 school year to accommodate the increase in student numbers. The preliminary budget that was approved on May 13, 2008 was based on 175 students or 227.50 WADM. It is difficult to project the actual enrollment for the Charter School since many of the students attend on a part-time basis. The revised budget for FY09 that was approved on May 13, 2008 was based on 138.5 ADM and 180 AMCPU. This number was reduced accordingly to 130 students or 174.67 WADM (Weighted Average Daily Membership). The actual student enrollment for FY09 was 133.34 ADM and 173.33 WADM. The actual headcount was much greater since many of the students attend on a part-time basis sometimes only for a quarter or two based on a temporary situation that requires them to utilize online learning options. It should also be noted that the majority of students at Wolf Creek are in 12th grade or have seen their graduation date pass so many only need a few quarters of education to graduate, which is another reason that enrollment is hard to estimate for this particular charter school.

In addition the Charter School continues to be approved as certified On-Line Learning provider. The Charter School was also approved as a Continuous Learning Year school. By offering classes year round, the Charter School can increase enrollment from 1.0 FTE's to 1.2 FTE's. In addition the Charter School again applied for and received Q Comp (ATPPS - Alternative Teacher Professional Pay System) revenue in the amount of \$29,442. There were corresponding expenditures since this program was developed by the Minnesota Department of Education to provide teachers with professional development and additional compensation for reaching specific goals. Expenditures for Q Comp were \$29,336.

Capital Asset and Debt Administration

Capital Assets

The Charter School's investment in capital assets for its governmental activities as of June 30, 2009, amounts to \$436,952 (net of accumulated depreciation). This investment in capital assets consists of equipment, site improvements and building improvements. The total depreciation for the year was \$43,874. The following is a schedule of capital assets as of June 30, 2009.

**Capital Assets
(Net of Depreciation)**

	Governmental Activities		
	2009	2008	Increase (Decrease)
Equipment and furniture	\$ 211,883	\$ 61,986	\$ 149,897
Site Improvements	152,825	-	152,825
Building Improvements	72,244	-	72,244
 Total	\$ 436,952	\$ 61,986	\$ 374,966

Additional information on the Charter School's capital assets can be found in Note 3 on page 18 of this report.

Factors Bearing on the Charter School's future

- The Charter School's enrollment was stable for the 2008-09 school year. The 2009-2010 preliminary budget is based on 130 students or 182 WADM and will be revised in December 2009. Two learning manager positions were eliminated in the 2009-10 budget. The current student numbers and the state of the economy with no increase in general education aid for the next two years did not warrant keeping those two positions. Even though the student numbers did not increase significantly during the 2008-09 school year, the two new learning manager positions did allow staff some time to do a significant amount of curriculum writing and the payment for student overloads were eliminated. Students have a number of choices on how they want to receive their education in Minnesota. TRIO's marketing committee is continually working to find ways to draw students to the TRIO On-line Learning experience.
- The Charter School applied for and received a Minnesota Facilities Incentive Grant in the amount of \$402,890.00. This grant was used for upgrades in the building that was built for TRIO by Greystone Construction and will be leased back to TRIO by Liberty Lane Ventures, LLC. Approximately \$100,000 of the grant was applied to the base bid for construction of the building. This reduced the amount that TRIO pays for their lease. The remaining \$302,890.00 was spent on upgrades to the project – solar tubes, tubular skylights, more energy efficient HVAC system, more energy efficient windows, acoustical ceiling upgrades, flooring upgrades from VCT to ceramic tile, auto flushes for rest rooms, solid service window sills for energy efficiency, landscaping for outdoor classroom, exterior concrete, carpet upgrade, stone columns, exterior building signs and computers for a mobile testing lab. This was a reimbursable grant with TRIO matching \$20,145.00 and the state awarding \$402,890.00. TRIO has received \$376,643.84 in reimbursement from the Minnesota Department of Education. Reimbursement was requested for the final claim of \$26,246.16 in FY2010 and was an accounts receivable for FY2009.

- The actual headcount of students at the Charter School decreased from 242 students in fiscal year 2008 to 191 students in fiscal year 2009. This is significant since the headcount had been growing by approximately 40 students each year. TRIO will review the backgrounds of the students and the amount of time they are enrolled in TRIO to see if there are any trends that the Marketing Committee can focus on. Students do have more choices now than they did several years ago and the state of the economy could also be impacting where a student attends school. Since a large number of the students attend on a part-time basis, the Charter School is always checking to see what the headcount translates to in the form of WADM and general education revenue for the Charter School. The TRIO Board of Education reviews the budget at least every other month to make sure that revenue projections are in line with student enrollment.
- The state aid formula will not be increasing for at least the next two years. Perhaps even longer if the state's economy does not improve significantly in these next two years. In addition, the one-time revenue increase of \$51 per WADM was just for the 2008-09 school year so TRIO will deal with a decrease in general education revenue of \$8,647 for FY10. Eliminating two learning manager positions for FY10 was needed in order for TRIO to have a balanced budget for 2009-2010. In addition, TRIO will not be spending any of its operating capital reserve this school year. TRIO will need to pay close attention to their student numbers for 2009-2010 and make the appropriate adjustments during the school year. Since student numbers drive the revenue generation for TRIO, student numbers will need to be reviewed monthly to make sure TRIO is on track with their revenue projections. Luckily, TRIO has a healthy fund balance so they will have adequate funds available for cash flow. TRIO does not anticipate borrowing any dollars for the 2009-2010 school year even though the state is only paying 73 percent of the revenue due to TRIO during 2009-2010. TRIO is hopeful that the state will pay the remaining 27 percent of the FY10 revenue in FY11.
- The Charter School applied for and again was approved for additional funds for teacher compensation from the State's Q-Comp or ATPPS (Alternative Teacher Professional Pay System) program. This provided for an additional \$260 per ADM to be used for teacher compensation. The Charter School has met certain criteria and will keep receiving these additional funds. If TRIO does not receive the ATPPS funds, then there will be no expenditures in ATPPS.

All of these factors were considered in preparing the Charter School's budget for the 2010 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Charter School's finances for all those with an interest in the Charter School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Tracy Quarnstrom, Director, TRIO Wolf Creek Distance Learning Charter School No. 4095, 10363 Liberty Lane, Chisago City, Minnesota or mailing address at 13750 Lake Boulevard, Lindstrom, Minnesota 55045-0187.

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA

YEAR ENDED
JUNE 30, 2009

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TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities
ASSETS	
Cash and temporary investments	\$ 898,118
Accounts receivable	619
Due from Department of Education	34,330
Due from Federal government	27,943
Prepaid items	31,315
Capital assets	
Depreciable assets (net of accumulated depreciation)	436,952
TOTAL ASSETS	1,429,277
LIABILITIES	
Accounts and other payables	21,486
Salaries and wages payable	46,340
Due to other school districts	121,552
Unearned revenue	156,546
TOTAL LIABILITIES	345,924
NET ASSETS	
Invested in capital assets	436,952
Restricted for	
Operating capital	64,408
Staff development	7,219
Gifted and talented	5,845
Basic skills	6,597
Unrestricted	562,332
TOTAL NET ASSETS	\$ 1,083,353

The notes to the financial statements are an integral part of this statement.

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Administration	\$ 131,845	\$ -	\$ -	\$ -
District support services	39,028	-	-	-
Elementary and secondary				
regular instruction	685,961	3,495	2,236	-
Special education instruction	80,796	-	97,003	-
Instructional support services	80,586	-	-	-
Sites and buildings	242,997	-	105,785	402,099
Total governmental activities	<u>\$ 1,261,213</u>	<u>\$ 3,495</u>	<u>\$ 205,024</u>	<u>\$ 402,099</u>

General revenues
State aid-formula grants
Other general revenues
Investment earnings

Total general revenues

Change in net assets

Net assets, July 1

Net assets, June 30

The notes to the financial statements are and integral part of this statement.

Net (Expenses)
Revenues and
Changes in
Net assets
<hr/>
Governmental
Activities
<hr/>
\$ (131,845)
(39,028)
(680,230)
16,207
(80,586)
264,887
<hr/>
(650,595)
<hr/>
1,092,956
635
10,490
<hr/>
1,104,081
<hr/>
453,486
629,867
<hr/>
\$ 1,083,353
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FUND
FINANCIAL STATEMENTS

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA

YEAR ENDED
JUNE 30, 2009

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2009

	General
ASSETS	
Cash and temporary investments	\$ 898,118
Accounts receivable	619
Due from Department of Education	34,330
Due from Federal government	27,943
Prepaid items	31,315
TOTAL ASSETS	\$ 992,325
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts and other payables	\$ 21,486
Salaries and wages payable	46,340
Due to other school districts	121,552
Deferred revenue	156,546
TOTAL LIABILITIES	345,924
FUND BALANCE	
Reserved for	
Operating capital	64,408
Staff development	7,219
Gifted and talented	5,845
Basic skills	6,597
Prepaid items	31,315
Unreserved - undesignated	531,017
TOTAL FUND BALANCE	646,401
TOTAL LIABILITIES AND FUND BALANCE	\$ 992,325

The notes to the financial statement are an integral part of this statement.

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUND
JUNE 30, 2009

Total fund balance - governmental fund	\$ 646,401
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	575,914
Less: accumulated depreciation	<u>(138,962)</u>
Total net assets - governmental activities	<u>\$ 1,083,353</u>

The notes to the financial statement are an integral part of this statement.

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	General
REVENUES	
Other local and county revenue	
Interest earned on investments	\$ 10,490
Other	4,049
Revenue from State sources	1,295,744
Revenue from Federal sources	403,781
Sales and other conversion of assets	635
TOTAL REVENUES	1,714,699
EXPENDITURES	
Administration	131,845
District support services	39,028
Elementary and secondary regular instruction	661,008
Special education instruction	80,796
Instructional support services	80,586
Sites and buildings	642,916
TOTAL EXPENDITURES	1,636,179
NET CHANGE IN FUND BALANCE	78,520
FUND BALANCE, JULY 1	567,881
FUND BALANCE, JUNE 30	\$ 646,401

The notes to the financial statements are an integral part of this statement.

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

Net change in fund balance - total governmental fund	\$	78,520
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>		
Capital outlays		418,840
Depreciation expense		(43,874)
		418,840
		(43,874)
Change in net assets of governmental activities	\$	453,486

The notes to the financial statements are an integral part of this statement.

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Other local and county revenue				
Interest earned on investments	\$ 5,000	\$ 5,000	\$ 10,490	\$ 5,490
Other	-	-	4,049	4,049
Revenue from State sources	1,570,995	1,143,269	1,295,744	152,475
Revenue from Federal sources	1,540	403,794	403,781	(13)
Sales and other conversion of assets	1,500	1,500	635	(865)
TOTAL REVENUES	1,579,035	1,553,563	1,714,699	161,136
EXPENDITURES				
Administration	108,608	127,742	131,845	(4,103)
District support services	-	36,400	39,028	(2,628)
Elementary and secondary regular instruction	937,060	693,513	661,008	32,505
Special education instruction	48,449	81,144	80,796	348
Instructional support services	55,859	81,616	80,586	1,030
Sites and buildings	398,994	641,936	642,916	(980)
TOTAL EXPENDITURES	1,548,970	1,662,351	1,636,179	26,172
NET CHANGE IN FUND BALANCE	30,065	(108,788)	78,520	187,308
FUND BALANCE, JULY 1	567,881	567,881	567,881	-
FUND BALANCE, JUNE 30	\$ 597,946	\$ 459,093	\$ 646,401	\$ 187,308

The notes to the financial statements are an integral part of this statement.

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

TRIO Wolf Creek Distance Learning Charter School (Charter School No. 4095) (the Charter School), Chisago City, Minnesota was incorporated as a non-profit corporation under section 501(c)(6) of the Internal Revenue Code of 1986, for the purpose of providing educational services to individuals within the state. The Charter School has been authorized as defined in Minnesota statute 124(d) by Independent School District 2144, Chisago City, Minnesota (ISD 2144). The Charter School is governed by a seven member Board of Education. The first Board of Education members were appointed based on the bylaws of the Charter School. An election will be held each October to admit new Board of Education members. The Charter School has considered all potential units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Charter School are such that exclusion would cause the Charter School's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The Charter School has no component units that meet the GASB criteria.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units.

The statement of activities demonstrates the degree to which the Charter School expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State aids and other items not properly included among program revenues are reported instead as *general revenues*.

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Charter School considers revenues available if they are collected within 60 days of the end of the current fiscal period. State revenue is recognized in the year to which it applies according to Minnesota statutes and accounting principles generally accepted in the United States of America. Minnesota statutes include State aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure was made. Other revenue is considered available if collected within one year.

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the Charter School receives value without directly giving equal value in return, include grants, entitlement and donations. Eligibility requirements include timing requirements which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Charter School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Charter School on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transaction must also be available before it can be recognized. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue in the fund financial statements.

This preparation of the basic financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumption that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Description of Funds

The Charter School funds have been established by the State of Minnesota Department of Education. Each fund is accounted for as an independent entity. Descriptions of the funds included in the report are as follows:

Major governmental fund

The *General fund* is the Charter School's primary operating fund. It accounts for all financial resources of the Charter School.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contribution, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Charter School's policy to use restricted resources first, then unrestricted resources as they are needed.

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments

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

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The Charter School may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United State or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities in (1) above.
3. General obligations of the State of Minnesota or any of its municipalities.
4. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
5. Commercial paper issued by United States banks, corporations or their Canadian subsidiaries, of highest quality, and maturing in 270 days or less.
6. Repurchase or reverse repurchase agreements 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.
7. Guaranteed investment contracts (GIC's) issued or 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, or in the top three rating categories for long-term GIC's issued by Minnesota banks.

The Charter School's investments are valued at fair value. The Charter School's investment in the Minnesota School Charter School Liquid Asset Fund (MSDLAF) investment pool operates in accordance with appropriate State laws and regulations. The reported value of the pool is the same as the value of the pool shares. Financial statements of the MSDLAF fund can be obtained by contacting PFM Asset Management, LLC at P.O. Box 11760, Harrisburg, PA 17108-11760. The Charter School does not have a formal investment policy.

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. No substantial losses are anticipated from present receivable balances, therefore no allowance for uncollectible has been recorded.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets

Capital assets include property, plant, and equipment. Capital assets are defined by the Charter School as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Property, plant and equipment of the Charter School are depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful Lives in Years
Leasehold improvements	20
Equipment, office	5 - 10
Equipment, machinery	10 - 20

Compensated Absences

Personal Time Off (PTO) - The Charter School staff will acquire PTO as explained below. PTO will accrue on the first day of each month and will appear on the employee's pay stub for that month.

PTO leave will be granted to full time teachers on the following basis:

- Starting year of employment, 8 days;
- Second year of employment, 10 days;
- Third year and every year thereafter, 13 days per year.

PTO shall accrue monthly as it is earned on a proportionate basis to the teachers work year.

Although substitute teachers are seldom used at the Charter School, it will be assumed that the Charter School staff will complete a PTO leave form if they are not present when expected to be in lab, conference or meeting.

The proper procedure for PTO leave is for staff to complete the Application for Absence Form and have their leave approved. After the leave is approved and/or taken, an Absence Reporting Form must be completed.

It is assumed that Charter School staff work a six hour day.

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

At the end of the year the following will occur:

PTO time will accumulate to a maximum of 150 days. Days over the 150 day (900 hours) accumulation as of June 30th will be paid at the rate of \$150.00 per day on the July 31st payroll.

Accruals are effective September 1 through June 1 of each school year.

This policy is effective July 1, 2003.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets are displayed in three components:

- a. Invested in capital assets - Consists of capital assets, net of accumulated depreciation.
- b. Restricted net assets - Consists of net assets restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets."

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Budgets are prepared for Charter School funds on the same basis and using the same accounting practices that are used in accounting and preparing financial statements for the General fund.

The Charter School follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the budget is prepared by the Director to be adopted by the Charter School Board of Education.
2. Budgets for the General fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
3. Budgeted amounts are as originally adopted, or as amended.
4. Budget appropriations lapse at year end.
5. The legal level of control is the fund level.
6. The Charter School does not use encumbrance accounting.

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

Note 3: DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

Deposits

The Charter School does not have any deposits as of June 30, 2009.

Investments

At fiscal year end, the Charter School had the following investments that are insured or registered, or securities held by the Charter School's agent in the Charter School's name:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Fair Value and Carrying Amount
Pooled investments			
Minnesota School District			
Liquid Assets Fund (MSDLAF)	N/A	Less than 6 months	<u>\$ 898,118</u>

1. Ratings are provided by various credit ratings agencies where applicable to indicate association's credit risk.
 2. Interest rate risk is disclosed using the segmented time distribution method.
- N/A Indicates not applicable or available.

The investments of the Charter School are subject to the following risks:

- *Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota Statutes limit the Charter School's investments to the list on page 14 of the notes.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.
- *Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.
- *Interest rate risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The Charter School does not have an investment policy that addresses the above mentioned risks.

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

Note 3: DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - CONTINUED

B. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets being depreciated				
Equipment and furniture	\$ 157,074	\$ 181,060	\$ -	\$ 338,134
Site improvements	-	160,867	-	160,867
Building improvements	-	76,913	-	76,913
	<u>157,074</u>	<u>418,840</u>	<u>-</u>	<u>575,914</u>
Total capital assets being depreciated				
Less accumulated depreciation for				
Equipment and furniture	(95,088)	(31,163)	-	(126,251)
Site improvements	-	(8,043)	-	(8,043)
Building improvements	-	(4,668)	-	(4,668)
	<u>(95,088)</u>	<u>(43,874)</u>	<u>-</u>	<u>(138,962)</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>\$ 61,986</u>	<u>\$ 374,966</u>	<u>\$ -</u>	<u>\$ 436,952</u>

Depreciation expense was charged to functions of the Charter School as follows:

Elementary and secondary regular instruction	\$ 31,163
Sites and buildings	<u>12,711</u>
Total depreciation expense - governmental activities	<u>\$ 43,874</u>

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

Note 3: DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - CONTINUED

C. Operating Leases

The Charter School leased space from Fairview Health Services during the fiscal year ended June 30, 2009. The lease began on September 1, 2004 and had a term of 36 months, revocable by mutual consent, for two additional years, in one year increments. The lease with Fairview Health Services was amended and ended on August 31, 2008.

The Charter signed a lease with a new landlord and moved into their current location on September 1, 2008.

The Charter School leased space from Liberty Lanes during the fiscal year ended June 30, 2009. The lease began on September 1, 2008 and had a term of 60 months. The lease includes an option to renew for two additional five-year periods commencing on the termination of the initial term.

Future minimum lease payments are as follows:

Year Ending June 30,	Liberty Lanes Lease
2010	\$ 121,587
2011	121,894
2012	121,894
2013	121,894
2014	20,316
Total	\$ 507,585

The Charter School incurred lease related expenditures of \$122,531 during the fiscal year ended June 30, 2009. The Charter School qualified for charter school lease aid from the state in the amount of \$105,785.

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

Note 3: DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - CONTINUED

D. Fund Equity Reservations and Designations

Fund equity balances are classified to reflect the limitations and restrictions of the respective fund:

Reserved fund balance is comprised of the following components:

	General
Reserved for	
Operating capital	\$ 64,408
Staff development	7,219
Gifted and talented	5,845
Basic skills	6,597
Prepaid items	31,315
Total	\$ 115,384

Reserved for Operating Capital - This amount represents available resources dedicated for capital expenditure building projects, equipment purchases, vehicle and computer hardware and software. Revenues are derived from tax levies and State aids and expenditures are for repair and restoration of existing facilities and construction of new facilities, purchase of equipment, computers, software, textbooks and library books.

Reserved for Staff Development - This amount represents available resources for staff development. Revenues are derived from a required 2 percent of basic revenue allocated to staff development.

Reserved for Gifted and Talented - This reserve was for gifted and talented programs that were integrated with the graduation rule. This aid supplemented, not supplanted, money spent on gifted and talented programs funded by Gifted and Talented Grants.

Reserved for Basic Skills - This is funded by State aid. The revenue is a combination of several State categorical aids including compensatory, AOM, and ESL. This reserve is used to pay licensed staff teaching in the Charter School's program. In addition, the monies are used for one on one or small group remedial instruction at all grade levels.

Reserved for Prepaid Items - This amount represents funds paid for expenses in the current fiscal year, with the goods or services being received in the following fiscal year.

Unreserved fund balance is comprised of the following component:

	General
Undesignated	\$ 531,017

Unreserved amounts represent resources available to meet current and future years' expenditures.

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

Note 4: OTHER INFORMATION

Risk Management

The Charter School 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 for which the Charter School carries commercial insurance. The Charter School 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 schools. The School 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. Settled claims have not exceeded this commercial coverage for the past three years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The Charter School's management is not aware of any incurred but not reported claims.

Note 5: DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. Teachers Retirement Association (TRA)

1. Plan Description

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

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

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

Note 5: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

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

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

With these provisions:

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

or

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

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

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

Note 5: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

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

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

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

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

2. Funding Policy

Minnesota Statutes Chapter 354 sets the rates for the employee and employer contributions. These statutes are established and amended by the state legislature. As of July 1, 2006, Coordinated and Basic Plan members are required to contribute 5.5 percent and 9.0 percent, respectively, of their annual covered salary as employee contributions. Prior to July 1, 2007, the employer contribution rates were 5.0 percent for Coordinated members and 9.0 percent for Basic members. Effective July 1, 2007, the employer contribution rate for Coordinated members rose to 5.5 percent and 9.5 percent for Basic members. Total covered payroll salaries for all TRA members statewide during the fiscal year ended June 30, 2008 was approximately \$3.645 billion.

The Charter School contributions for the years ending June 30, 2009, 2008, and 2007 were \$28,201, \$23,034, and \$18,673, respectively, equal to the required contributions for each year as set by state statute.

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

Note 5: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

B. Public Employees Retirement Association (PERA)

1. Plan Description

Employees, other than teachers of the Charter School, are covered by defined benefit plans 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. The 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 Minnesota statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age and years of credit at termination of service.

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

For all PERF members whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF. That report may be obtained on the Internet at www.mnpera.com, by writing to PERA, 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-1855 or by calling 651-296-7460 or 1-800-652-9026.

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

Note 5: DEFINED BENEFIT PENSION PLANS - STATEWIDE - 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 Charter School makes annual contributions to the pension plans equal to the amount required by Minnesota statutes. PERF Basic Plan members and Coordinated Plan members are required to contribute 9.10 percent and 6.00 percent respectively, of their annual covered salary in 2008. Contribution rates in the Coordinated Plan have increased in 2009 to 6.75 percent. The Charter School is required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan PERF members and 6.50 percent for Coordinated Plan PERF members. Employer contribution rates for the Coordinated Plan have increased to 6.75 percent, effective January 1, 2009. The Charter School's contributions to the PERF for the year ended June 30, 2009, 2008 and 2007 were \$3,861, \$3,293 and \$1,323, respectively. The Charter School's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

INDIVIDUAL FUND SCHEDULES

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA

YEAR ENDED
JUNE 30, 2009

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
GENERAL FUND
COMPARATIVE SCHEDULES OF ASSETS, LIABILITIES AND FUND BALANCES
JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and temporary investments	\$ 898,118	\$ 754,711
Accounts receivable	619	-
Due from Department of Education	34,330	14,195
Due from Federal government	27,943	2,555
Prepaid items	<u>31,315</u>	<u>9,648</u>
TOTAL ASSETS	<u>\$ 992,325</u>	<u>\$ 781,109</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts and other payables	\$ 21,486	\$ 5,934
Salaries and wages payable	46,340	39,208
Due to other school districts	121,552	125,408
Deferred revenue	<u>156,546</u>	<u>42,678</u>
TOTAL LIABILITIES	<u>345,924</u>	<u>213,228</u>
FUND BALANCE		
Reserved for		
Operating capital	64,408	93,320
Staff development	7,219	5,678
Gifted and talented	5,845	3,751
Basic skills	6,597	6,109
Prepaid items	31,315	9,648
Unreserved - undesignated	<u>531,017</u>	<u>449,375</u>
TOTAL FUND BALANCE	<u>646,401</u>	<u>567,881</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 992,325</u>	<u>\$ 781,109</u>

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009
(With comparative actual amounts for the year ended June 30, 2008)

	2009			Variance with Final Budget - Positive (Negative)	2008
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
REVENUES					
Other local and county revenue					
Interest earned on investments	\$ 5,000	\$ 5,000	\$ 10,490	\$ 5,490	\$ 25,384
Other	-	-	4,049	4,049	1,615
Revenue from State sources	1,570,995	1,143,269	1,295,744	152,475	1,055,503
Revenue from Federal sources	1,540	403,794	403,781	(13)	2,555
Sale of capital assets	1,500	1,500	635	(865)	1,341
TOTAL REVENUES	1,579,035	1,553,563	1,714,699	161,136	1,086,398
EXPENDITURES					
Administration					
Salaries	63,845	91,290	93,928	(2,638)	66,601
Fringe benefits	24,363	31,052	31,377	(325)	17,872
Purchased services	15,000	-	110	(110)	-
Supplies and materials	700	700	1,736	(1,036)	593
Other	4,700	4,700	4,694	6	4,665
Total administration	108,608	127,742	131,845	(4,103)	89,731
District support services					
Fringe benefits	-	1,000	-	1,000	521
Purchased services	-	35,400	38,888	(3,488)	37,507
Supplies and materials	-	-	140	(140)	103
Total district support services	-	36,400	39,028	(2,628)	38,131
Elementary and secondary regular instruction					
Salaries	501,436	381,733	353,497	28,236	329,798
Fringe benefits	195,102	120,364	113,355	7,009	93,957
Purchased services	221,472	162,138	168,720	(6,582)	152,546
Supplies and materials	13,950	23,276	24,237	(961)	26,262
Capital expenditures	-	2	2	-	120
Other	5,100	6,000	1,197	4,803	1,162
Total elementary and secondary regular instruction	937,060	693,513	661,008	32,505	603,845
Special education instruction					
Salaries	40,698	57,100	57,195	(95)	58,166
Fringe benefits	5,751	22,044	22,027	17	17,713
Supplies and materials	2,000	2,000	1,574	426	144
Total special education instruction	48,449	81,144	80,796	348	76,023

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009

(With comparative actual amounts for the year ended June 30, 2008)

	2009			Variance with Final Budget - Positive (Negative)	2008
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Instructional support services					
Salaries	\$ 21,412	\$ 53,529	\$ 53,530	\$ (1)	\$ 20,992
Fringe benefits	10,091	10,692	10,711	(19)	3,019
Purchased services	24,356	16,295	15,383	912	19,736
Supplies and materials	-	1,100	962	138	1,095
	<u>55,859</u>	<u>81,616</u>	<u>80,586</u>	<u>1,030</u>	<u>44,842</u>
Total instructional support services					
Pupil support services					
Purchased services	-	-	-	-	20
Sites and buildings					
Salaries	10,400	19,000	18,557	443	5,100
Fringe benefits	1,471	2,598	2,359	239	717
Purchased services	323,140	157,395	147,811	9,584	88,279
Supplies and materials	5,000	11,000	7,691	3,309	1,947
Capital expenditures	58,983	451,943	466,498	(14,555)	9,941
	<u>398,994</u>	<u>641,936</u>	<u>642,916</u>	<u>(980)</u>	<u>105,984</u>
Total sites and buildings					
TOTAL EXPENDITURES	<u>1,548,970</u>	<u>1,662,351</u>	<u>1,636,179</u>	<u>26,172</u>	<u>958,576</u>
NET CHANGE IN FUND BALANCE	30,065	(108,788)	78,520	187,308	127,822
FUND BALANCE, JULY 1	<u>567,881</u>	<u>567,881</u>	<u>567,881</u>	<u>-</u>	<u>440,059</u>
FUND BALANCE, JUNE 30	<u>\$ 597,946</u>	<u>\$ 459,093</u>	<u>\$ 646,401</u>	<u>\$ 187,308</u>	<u>\$ 567,881</u>

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
YEAR ENDED JUNE 30, 2009

01 GENERAL FUND

Total Revenues	\$ 1,714,699
Total Expenditures	<u>1,636,179</u>
<i>Reserved</i>	
403 Staff Development	<u>7,219</u>
405 Deferred Maintenance	<u>-</u>
406 Health & Safety	<u>-</u>
407 Capital Project Levy	<u>-</u>
408 Cooperative Revenue	<u>-</u>
411 Severance Payable	<u>-</u>
414 Operating Debt	<u>-</u>
416 Levy Reduction	<u>-</u>
417 Taconite Building Maintenance	<u>-</u>
419 Encumbrances	<u>-</u>
423 Certain Teacher Programs	<u>-</u>
424 Operating Capital	<u>64,408</u>
426 \$25 Taconite	<u>-</u>
427 Disabled Accessibility	<u>-</u>
428 Learning & Development	<u>-</u>
434 Area Learning Center	<u>-</u>
435 Contracted Alt. Programs	<u>-</u>
436 St. Approved Alt. Program	<u>-</u>
438 Gifted and Talented	<u>5,845</u>
441 Basic Skills Programs	<u>6,597</u>
445 Career Tech Programs	<u>-</u>
446 First Grade Preparedness	<u>-</u>
449 Safe Schools Levy	<u>-</u>
450 Pre-Kindergarten	<u>-</u>
451 QZAB Payments	<u>-</u>
452 OPEB Liability Not in Trust	<u>-</u>
453 Unfunded Severance & Retirement Levy	<u>-</u>
Prepaid Items	<u>31,315</u>
<i>Unreserved</i>	
418 Designated - Severance Pay	<u>-</u>
422 Unreserved/Undesignated	<u>531,017</u>

02 FOOD SERVICE

Total Revenues	\$ -
Total Expenditures	<u>-</u>
<i>Reserved</i>	
411 Severance	<u>-</u>
419 Encumbrances	<u>-</u>
452 OPEB Liability Not in Trust	<u>-</u>
Prepaid Items	<u>-</u>
<i>Unreserved</i>	
418 Designated - Severance Pay	<u>-</u>
422 Unreserved/Undesignated	<u>-</u>

04 COMMUNITY SERVICE

Total Revenues	\$ -
Total Expenditures	<u>-</u>
<i>Reserved</i>	
411 Severance	<u>-</u>
419 Encumbrances	<u>-</u>
426 \$25 Taconite	<u>-</u>
431 Community Education	<u>-</u>
432 ECFE	<u>-</u>
444 School Readiness	<u>-</u>
447 Adult Basic Education	<u>-</u>
452 OPEB Liability Not in Trust	<u>-</u>
<i>Unreserved</i>	
418 Designated - Severance Pay	<u>-</u>
422 Unreserved/Undesignated	<u>-</u>

06 BUILDING CONSTRUCTION

Total Revenues	\$ -
Total Expenditures	<u>-</u>
<i>Reserved</i>	
407 Capital Project Levy	<u>-</u>
409 Alternative Facilities Program	<u>-</u>
413 Projects Funded by COP	<u>-</u>
419 Encumbrances	<u>-</u>
<i>Unreserved</i>	
422 Unreserved/Undesignated	<u>-</u>

07 DEBT SERVICE

Total Revenues	\$ -
Total Expenditures	<u>-</u>
<i>Reserved</i>	
425 Bond refunding	<u>-</u>
451 QZAB Payments	<u>-</u>
Debt Service	<u>-</u>
<i>Unreserved</i>	
422 Unreserved/Undesignated	<u>-</u>

08 TRUST

Total Revenues	\$ -
Total Expenditures	<u>-</u>
<i>Fund Balance:</i>	
<i>Reserved</i>	
419 Encumbrances	<u>-</u>
<i>Unreserved</i>	
422 Unreserved/Undesignated	<u>-</u>

20 INTERNAL SERVICE

Total Revenues	\$ -
Total Expenditures	<u>-</u>
<i>Reserved</i>	
419 Encumbrances	<u>-</u>
<i>Unreserved</i>	
422 Unreserved/Undesignated	<u>-</u>

25 OPEB REVOCABLE TRUST

Total Revenues	\$ -
Total Expenditures	<u>-</u>
<i>Reserved</i>	
419 Encumbrances	<u>-</u>
<i>Unreserved</i>	
422 Unreserved/Undesignated	<u>-</u>

45 OPEB IRREVOCABLE TRUST

Total Revenues	\$ -
Total Expenditures	<u>-</u>
<i>Reserved</i>	
419 Encumbrances	<u>-</u>
<i>Unreserved</i>	
422 Unreserved/Undesignated	<u>-</u>

47 OPEB DEBT SERVICE

Total Revenues	\$ -
Total Expenditures	<u>-</u>
<i>Reserved</i>	
425 Bond Refundings	<u>-</u>
Debt Service	<u>-</u>
<i>Unreserved</i>	
422 Unreserved/Undesignated	<u>-</u>

FY09 MAINTENANCE OF EFFORT

MOE Base Year Expenditures	\$ 157
MOE FTE	<u>-</u>

FY09 OPERATING CAPITAL TRANSFER

Per Pupil Amount	\$ -
AMCPU	<u>-</u>
Total Transfer	<u>-</u>

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OTHER REPORTS

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA

YEAR ENDED
JUNE 30, 2009

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5201 Eden Avenue
Suite 370
Edina, MN 55436

REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education
TRIO Wolf Creek
Distance Learning Charter School No. 4095
Chisago City, Minnesota

We have audited the financial statements of governmental activities and the major fund of TRIO Wolf Creek Distance Learning Charter School, (Charter School No. 4095) (the Charter School), Chisago City, Minnesota as of and for the year ended June 30, 2009, which collectively comprise the Charter School's basic financial statements and have issued our report thereon dated December 4, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the Minnesota Office of the State Auditor pursuant to Minnesota statute, 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 two categories of compliance to be tested in audits of charter schools: uniform financial accounting and reporting standards and charter schools. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, the Charter School complied with the material terms and conditions of applicable legal provisions.

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

December 4, 2009
Minneapolis, Minnesota

ABDO, EICK & MEYERS, LLP
Certified Public Accountants



5201 Eden Avenue
Suite 370
Edina, MN 55436

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*

Members of the Board of Education
TRIO Wolf Creek
Distance Learning Charter School No. 4095
Chisago City, Minnesota

We have audited the accompanying financial statements of the governmental activities and the major fund of TRIO Wolf Creek Distance Learning Charter School, (Charter School No. 4095) (the Charter School), Chisago City, Minnesota as of and for the year ended June 30, 2009, which collectively comprise the Charter School's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 4, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Charter School'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 Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over financial reporting.

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

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

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



Compliance and Other Matters

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

We also noted certain additional matters that we reported to management of the Charter School in a separate letter dated December 4, 2009.

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

December 4, 2009
Minneapolis, Minnesota

ABDO, EICK & MEYERS, LLP
Certified Public Accountants

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TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2009

The following is a schedule of our prior audit findings:

FINDING 2008-1:

We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.

1. Explanation of Disagreement with Audit Findings:

There is no disagreement with the audit finding.

2. Action Planned in Response to Finding:

For now, the Charter School accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

3. Office Responsible for Ensuring CAP:

The director will be responsible for establishing procedures.

4. Planned Completion Date for CAP:

Ongoing

5. Plan to Monitor Completion of CAP:

Ongoing

JUNE 30, 2009 STATUS:

The Charter added control procedures over the year-end financial reporting process and we no longer report this finding.