

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

► The organization may have to use a copy of this return to satisfy state reporting requirements.

OMB No. 1545-0047
2002
Open to Public Inspection

Department of the Treasury
Internal Revenue Service

A For the 2002 calendar year, or tax year beginning July 1, 2002, and ending June 30, 2003

B Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Final return <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C Name of organization Minnesota School Board Association Insurance Trust	D Employer identification number 41-6160028
	Number and street (or P.O. box if mail is not delivered to street address) Room/suite 1900 West Jefferson Avenue	E Telephone number 507-931-2450
	City or town, state or country, and ZIP + 4 St. Peter, MN 56082	F Accounting method: <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other (specify) _____
	Please use IRS label or print or type. See Specific Instructions.	

• Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ).

H and I are not applicable to section 527 organizations.

H(a) Is this a group return for affiliates? Yes No

H(b) If "Yes," enter number of affiliates _____

H(c) Are all affiliates included? (If "No," attach a list. See instructions.) Yes No

H(d) Is this a separate return filed by an organization covered by a group ruling? Yes No

I Enter 4-digit GEN _____

M Check if the organization is not required to attach Sch. B (Form 990, 990-EZ, or 990-PF).

G Web site: _____

J Organization type (check only one) 501(c) 4 (insert no.) _____ 4947(a)(1) or _____ 527

K Check here if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS; but if the organization received a Form 990 Package in the mail, it should file a return without financial data. Some states require a complete return.

L Gross receipts: Add lines 6b, 8b, 9b, and 10b to line 12 **35,533,152**

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (See page 17 of the instructions.)

Revenue	1	Contributions, gifts, grants, and similar amounts received:		
	a	Direct public support	1a	
	b	Indirect public support	1b	
	c	Government contributions (grants)	1c	
	d	Total (add lines 1a through 1c) (cash \$ _____ noncash \$ _____)	1d	
	2	Program service revenue including government fees and contracts (from Part VII, line 93)	2	30,008,646
	3	Membership dues and assessments	3	
	4	Interest on savings and temporary cash investments	4	
	5	Dividends and interest from securities	5	3,804,564
	6a	Gross rents	6a	
	b	Less: rental expenses	6b	
	c	Net rental income or (loss) (subtract line 6b from line 6a)	6c	
7	Other investment income (describe Unrealized Gain on Investments)	7	1,564,041	
8a	Gross amount from sales of assets other than inventory	(A) Securities		(B) Other
		8a		
		8b		
c	Gain or (loss) (attach schedule)	8c		
d	Net gain or (loss) (combine line 8c, columns (A) and (B))	8d		
9	Special events and activities (attach schedule)	a	Gross revenue (not including \$ _____ of contributions reported on line 1a)	9a
		b	Less: direct expenses other than fundraising expenses	9b
		c	Net income or (loss) from special events (subtract line 9b from line 9a)	9c
10a	Gross sales of inventory, less returns and allowances	10a		
		b	Less: cost of goods sold	10b
		c	Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a)	10c
11	Other revenue (from Part VII, line 103)	11	155,901	
12	Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11)	12	35,533,152	
Expenses	13	Program services (from line 44, column (B))	13	35,808,302
	14	Management and general (from line 44, column (C))	14	793,520
	15	Fundraising (from line 44, column (D))	15	
	16	Payments to affiliates (attach schedule)	16	
	17	Total expenses (add lines 16 and 44, column (A))	17	36,601,822
Net Assets	18	Excess or (deficit) for the year (subtract line 17 from line 12)	18	-1,068,670
	19	Net assets or fund balances at beginning of year (from line 73, column (A))	19	12,672,533
	20	Other changes in net assets or fund balances (attach explanation)	20	
	21	Net assets or fund balances at end of year (combine lines 18, 19, and 20)	21	11,603,863

For Paperwork Reduction Act Notice, see the separate instructions.

Part II Statement of Functional Expenses

All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others. (See page 21 of the instructions.)

Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I.		(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22	Grants and allocations (attach schedule)				
	(cash \$ _____ noncash \$ _____)				
23	Specific assistance to individuals (attach schedule)				
24	Benefits paid to or for members (attach schedule)	30,308,567	30,308,567		
25	Compensation of officers, directors, etc.				
26	Other salaries and wages				
27	Pension plan contributions				
28	Other employee benefits				
29	Payroll taxes				
30	Professional fundraising fees				
31	Accounting fees	20,045		20,045	
32	Legal fees	82,845		82,845	
33	Supplies	3,354	3,354		
34	Telephone				
35	Postage and shipping				
36	Occupancy	41,828		41,828	
37	Equipment rental and maintenance				
38	Printing and publications	3,758		3,758	
39	Travel	10,059		10,059	
40	Conferences, conventions, and meetings	328		328	
41	Interest				
42	Depreciation, depletion, etc. (attach schedule)				
43	Other expenses not covered above (itemize): a Consultants	249,441	249,441		
	b Admin & Management Serv.	2,461,263	1,826,606	634,657	
	c MN Special Comp. Fund	1,382,825	1,382,825		
	d Commissions	1,900,870	1,900,870		
	e Investment Expenses	136,639	136,639		
44	Total functional expenses (add lines 22 through 43). Organizations completing columns (B)-(D), carry these totals to lines 13-15.	36,601,822	35,808,302	793,520	

Joint Costs. Check if you are following SOP 98-2.

Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services? Yes No
 If "Yes," enter (i) the aggregate amount of these joint costs \$ _____; (ii) the amount allocated to Program services \$ _____;
 (iii) the amount allocated to Management and general \$ _____; and (iv) the amount allocated to Fundraising \$ _____

Part III Statement of Program Service Accomplishments (See page 24 of the instructions.)

What is the organization's primary exempt purpose? Provide insurance to school districts	Program Service Expenses (Required for 501(c)(3) and (4) orgs., and 4947(a)(1) trusts; but optional for others.)
a <u>Provision of an insurance pool and the benefits of large group procurement for approximately 350 school districts.</u>	
(Grants and allocations \$ _____)	35,808,302
b _____	
(Grants and allocations \$ _____)	
c _____	
(Grants and allocations \$ _____)	
d _____	
(Grants and allocations \$ _____)	
e Other program services (attach schedule) (Grants and allocations \$ _____)	
f Total of Program Service Expenses (should equal line 44, column (B), Program services).	35,808,302

Part IV Balance Sheets (See page 24 of the instructions.)

Note: Where required, attached schedules and amounts within the description column should be for end-of-year amounts only.

		(A)		(B)
		Beginning of year		End of year
Assets	45 Cash - non-interest-bearing	7,496,775	45	12,074,138
	46 Savings and temporary cash investments		46	
	47a Accounts receivable	47a 4,197,468		
	b Less: allowance for doubtful accounts	47b	5,537,543	47c 4,197,468
	48a Pledges receivable	48a		
	b Less: allowance for doubtful accounts	48b		48c
	49 Grants receivable			49
	50 Receivables from officers, directors, trustees, and key employees (attach schedule)			50
	51a Other notes and loans receivable (attach schedule)	51a		
	b Less: allowance for doubtful accounts	51b		51c
	52 Inventories for sale or use			52
	53 Prepaid expenses and deferred charges		2,847,770	53 1,807,585
	54 Investments - securities (attach schedule)	▶ <input type="checkbox"/> Cost <input type="checkbox"/> FMV	61,583,361	54 64,400,014
	55a Investments - land, buildings, and equipment: basis	55a		
	b Less: accumulated depreciation (attach schedule)	55b		55c
56 Investments - other (attach schedule)			56	
57a Land, buildings, and equipment: basis	57a			
b Less: accumulated depreciation (attach schedule)	57b		57c	
58 Other assets (describe ▶ <u>Interest Receivable</u>)		547,989	58 484,884	
59 Total assets (add lines 45 through 58) (must equal line 74)		78,013,438	59 82,964,089	
Liabilities	60 Accounts payable and accrued expenses		60 1,347,627	1,452,605
	61 Grants payable		61	
	62 Deferred revenue		4,324,788	62 6,430,022
	63 Loans from officers, directors, trustees, and key employees (attach schedule)			63
	64a Tax-exempt bond liabilities (attach schedule)			64a
	b Mortgages and other notes payable (attach schedule)			64b
65 Other liabilities (describe ▶ <u>Reserve for losses</u>)		59,668,490	65 63,477,599	
66 Total liabilities (add lines 60 through 65)		65,340,905	66 71,360,226	
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here ▶ <input type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74.			
	67 Unrestricted		12,672,533	67 11,603,863
	68 Temporarily restricted			68
	69 Permanently restricted			69
	Organizations that do not follow SFAS 117, check here ▶ <input type="checkbox"/> and complete lines 70 through 74.			
	70 Capital stock, trust principal, or current funds			70
	71 Paid-in or capital surplus, or land, building, and equipment fund			71
	72 Retained earnings, endowment, accumulated income, or other funds			72
73 Total net assets or fund balances (add lines 67 through 69 or lines 70 through 72; column (A) must equal line 19; column (B) must equal line 21)		12,672,533	73 11,603,863	
74 Total liabilities and net assets / fund balances (add lines 66 and 73)		78,013,438	74 82,964,089	

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.

Part IV-A Reconciliation of Revenue per Audited Financial Statements with Revenue per Return (See page 26 of the instructions.)

Part IV-B Reconciliation of Expenses per Audited Financial Statements with Expenses per Return

a	Total revenue, gains, and other support per audited financial statements . . . ▶	a	35,396,513
b	Amounts included on line a but not on line 12, Form 990:		
	(1) Net unrealized gains on investments . . \$		
	(2) Donated services and use of facilities \$		
	(3) Recoveries of prior year grants \$		
	(4) Other (specify):		
	_____ \$		
	Add amounts on lines (1) through (4) ▶	b	
c	Line a minus line b ▶	c	35,396,513
d	Amounts included on line 12, Form 990 but not on line a:		
	(1) Investment expenses not included on line 6b, Form 990 . . . \$ 136,639		
	(2) Other (specify):		
	_____ \$		
	Add amounts on lines (1) and (2) . . ▶	d	136,639
e	Total revenue per line 12, Form 990 (line c plus line d) ▶	e	35,533,152

a	Total expenses and losses per audited financial statements ▶	a	36,465,183
b	Amounts included on line a but not on line 17, Form 990:		
	(1) Donated services and use of facilities \$		
	(2) Prior year adjustments reported on line 20, Form 990 \$		
	(3) Losses reported on line 20, Form 990 \$		
	(4) Other (specify):		
	_____ \$		
	Add amounts on lines (1) through (4) . . ▶	b	
c	Line a minus line b ▶	c	36,465,183
d	Amounts included on line 17, Form 990 but not on line a:		
	(1) Investment expenses not included on line 6b, Form 990 . . . \$ 136,639		
	(2) Other (specify):		
	_____ \$		
	Add amounts on lines (1) and (2) . . ▶	d	136,639
e	Total expenses per line 17, Form 990 (line c plus line d) ▶	e	36,601,822

Part V List of Officers, Directors, Trustees, and Key Employees (List each one even if not compensated; see page 26 of the instructions.)

(A) Name and address	(B) Title and average hours per week devoted to position	(C) Compensation (If not paid, enter -0-)	(D) Contributions to employee benefit plans & deferred compensation	(E) Expense account and other allowances
<u>Arlene Bush</u>	Board Chair	720	0	Actual Exp.
8788 Walton Oaks Dr., Bloomington MN 55438				
<u>William Higgs</u>	Vice Chair	540	0	
30664 615 Ave., Wadena, MN 56482				
<u>Michael Torkelson</u>	Sec./Treas.	0	0	
1900 W Jefferson, St. Peter, MN 56082				
<u>Gary Anderson</u>	Trustee	600	0	
32555 370 Ave. NE, Grygla, MN 56727				
<u>Jack Coombe</u>	Trustee	2,880	0	
4390 Lilac Road, Gilbert, MN 55741				
<u>Joanne McCabe</u>	Trustee	360	0	
103 Eager Ave NE, Madelia, MN 56062				
<u>Roy Nelson</u>	Trustee	540	0	
HC 4 Box 47A, Blackduck, MN 56630				
<u>Bruce Peterson</u>	Trustee	420	0	
311 N 6th St, Goodhue, MN 55027				
<u>Keith Young</u>	Trustee	600	0	
PO Box 18, Gilbert, MN 55741				

75 Did any officer, director, trustee, or key employee receive aggregate compensation of more than \$100,000 from your organization and all related organizations, of which more than \$10,000 was provided by the related organizations? ▶ Yes No
 If "Yes," attach schedule - see page 26 of the instructions.

Part VII Analysis of Income-Producing Activities (See page 31 of the instructions.)

Note: Enter gross amounts unless otherwise indicated.

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclusion code	(D) Amount	
93 Program service revenue:					
a Earned Insurance Contr.					30,008,646
b					
c					
d					
e					
f Medicare/Medicaid payments					
g Fees and contracts from government agencies					
94 Membership dues and assessments					
95 Interest on savings and temporary cash investments					
96 Dividends and interest from securities			14	3,804,564	
97 Net rental income or (loss) from real estate:					
a debt-financed property					
b not debt-financed property					
98 Net rental income or (loss) from personal property					
99 Other investment income					
100 Gain or (loss) from sales of assets other than inventory			18	1,564,041	
101 Net income or (loss) from special events					
102 Gross profit or (loss) from sales of inventory					
103 Other revenue: a Royalties			15	155,901	
b					
c					
d					
e					
104 Subtotal (add columns (B), (D), and (E))				5,524,506	30,008,646
105 Total (add line 104, columns (B), (D), and (E))					35,533,152

Note: Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I.

Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes (See page 32 of the instructions.)

Line No.	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes).
93a	The Trust's exempt purpose is to provide an insurance pool and the benefits of large group procurement for approximately 350 school districts. These contributions represent charges to each district for participation in the pool.

Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities (See page 32 of the instructions.)

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
	%			
	%			
	%			
	%			

Part X Information Regarding Transfers Associated with Personal Benefit Contracts (See page 33 of the instructions.)

(a) Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? Yes No

(b) Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? Yes No

Note: If "Yes" to (b), file Form 8870 and Form 4720 (see instructions).

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Please Sign Here

Signature of officer: Robert E. Marks Date: 2/13/04

Type or print name and title: Robert E. Marks, Secretary/Treasurer
Executive Director

Paid Preparer's Use Only

Preparer's signature: Werner Frik Date: JAN 2 2004 Check if self-employed:

Firm's name (or yours if self-employed), address, and ZIP + 4: Peterson & Company, P.A.
209 South 2nd St, Ste #407
Mankato, MN 56001

Preparer's SSN or PTIN (See Gen. Inst. W): P00055769

EIN: 41-1824186

Phone no.: 507-388-1641