

INTERMEDIATE SCHOOL DISTRICT NO. 917  
ROSEMOUNT, MINNESOTA

Extracurricular Student Activity  
Accounts Financial Statements

Year Ended  
June 30, 2013



PRINCIPALS

Thomas M. Montague, CPA  
Thomas A. Karnowski, CPA  
Paul A. Radosevich, CPA  
William J. Lauer, CPA  
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Victoria L. Holinka, CPA

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of  
Intermediate School District No. 917  
Rosemount, Minnesota

**REPORT ON THE FINANCIAL STATEMENT**

We have audited the accompanying statement of cash receipts and disbursements of the extracurricular student activity accounts of Intermediate School District No. 917 (the District) as of and for the year ended June 30, 2013, and the related notes to the extracurricular student activity accounts financial statement.

**MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENT**

The District's extracurricular student activities management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1 of notes to extracurricular student activity accounts financial statement; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that are free from material misstatement, whether due to error or fraud.

**AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(continued)

## **OPINIONS**

In our opinion, except for such adjustments, if any, as might have been determined to be necessary had the cash collections referred to in the emphasis of matter paragraph below been susceptible to satisfactory audit tests, the financial statement referred to on the previous page presents fairly, in all material respects, the cash balances of the District's extracurricular student activity accounts as of June 30, 2013, and the cash receipts and disbursements for the year then ended, on the cash basis of accounting described in Note 1 of the notes to extracurricular student activity accounts financial statement.

## **EMPHASIS OF MATTER**

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

## **BASIS OF ACCOUNTING**

We draw attention to Note 1 of the notes to extracurricular student activity accounts financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

*Malloy, Montague, Karnowski, Radosevich & Co., P.A.*

Minneapolis, Minnesota  
October 29, 2013

INTERMEDIATE SCHOOL DISTRICT NO. 917

Extracurricular Student Activity Accounts  
Statement of Cash Receipts and Disbursements  
Year Ended June 30, 2013

	Beginning Balance – <u>July 1, 2012</u>	<u>Receipts</u>	<u>Disbursements</u>	Ending Balance – <u>June 30, 2013</u>
Student activity accounts				
Alliance Education Center	\$ 246	\$ 2,125	\$ 2,230	\$ 141
Construction Trades	49	–	49	–
DCALS	299	69	369	–
DCALS North	72	–	55	16
Deaf & Hard of Hearing (DHOH)	543	555	353	745
IDEA Satellite	166	113	279	–
Secondary Auto Body	48	–	–	48
Secondary Graphics	37	2,431	2,431	37
Secondary Heavy Duty Truck	40	49	33	56
Secondary Youth	–	452	69	383
SKILLS USA	81	7,377	7,007	451
TESA	–	163	163	–
Vehicle Services	13	365	361	17
	<u>\$ 1,593</u>	<u>\$ 13,698</u>	<u>\$ 13,398</u>	<u>\$ 1,893</u>
Total	<u>\$ 1,593</u>	<u>\$ 13,698</u>	<u>\$ 13,398</u>	<u>\$ 1,893</u>

See notes to extracurricular student activity accounts financial statement

INTERMEDIATE SCHOOL DISTRICT NO. 917

Notes to Extracurricular Student Activity Accounts Financial Statement  
June 30, 2013

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

The accounts of Intermediate School District No. 917's (the District) extracurricular student activity accounts are maintained, and the accompanying financial statement has been prepared, on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Consequently, receipts are recorded when received rather than when earned, and disbursements are recognized when paid rather than when the obligations are incurred.

**NOTE 2 – CASH AND INVESTMENTS**

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the School Board for extracurricular student activity accounts.

The following is considered the most significant risk associated with deposits:

**Custodial Credit Risk** – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may be lost.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

The District's deposit policies do not further limit depository choices.

At year-end, all deposits were fully covered by federal depository insurance, surety bonds, or by collateral held by the District's agent in the District's name.

OTHER REQUIRED REPORTS



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INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING

To the School Board and Management of  
Intermediate School District No. 917  
Rosemount, Minnesota

In planning and performing our audit of the statement of cash receipts and disbursements of the extracurricular student activity accounts of Intermediate School District No. 917 (the District) as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies to be material weaknesses:

The District records student activity receipts on a cash basis, and has not established procedures to ensure that all cash collections are recorded in the accounting records.

The District does not have adequate segregation of duties over the processing and reporting of its extracurricular student activity account receipts and disbursements, such that no individual has responsibility to execute a transaction, has physical access to the related assets, and has responsibility or authority to record the transaction.

This report is intended solely for the information and use of those charged with governance, management of the District, and the state of Minnesota and is not intended to be, and should not be, used by anyone other than these specified parties.

*Malloy, Montague, Karnowski, Radosevich & Co., P.A.*  
Minneapolis, Minnesota  
October 29, 2013



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

To the School Board and Management of  
Intermediate School District No. 917  
Rosemount, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statement of cash receipts and disbursements of the extracurricular student activity accounts of Intermediate School District No. 917 (the District) as of and for the year ended June 30, 2013, and the related notes to the extracurricular student activity accounts financial statement, and have issued our report thereon dated October 29, 2013. Our report was qualified for a restriction on the scope of our audit resulting from the accounting system relating to cash receipts, which allows us only to audit cash collections that are recorded. Further, the financial statement is prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the *Manual for Activity Fund Accounting*, except as described in the Schedule of Findings and Corrective Action. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions.

The District's responses to the legal compliance findings identified in our audit have been included in the Schedule of Findings and Corrective Action. The District's responses were not subject to the auditing procedures applied in our audit of the financial statement and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of those charged with governance, management of the District, and the state of Minnesota and is not intended to be, and should not be, used by anyone other than these specified parties.

*Malloy, Montague, Karnowski, Radosevich & Co., P.A.*

Minneapolis, Minnesota  
October 29, 2013



INTERMEDIATE SCHOOL DISTRICT NO. 917

Extracurricular Student Activity Accounts  
Schedule of Findings and Corrective Action  
For the Year Ended June 30, 2013

**FINDINGS AND CORRECTIVE ACTION**

**EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS**

**2013-001 Inactive Accounts**

**Condition** – One activity accounted for by Intermediate School District No. 917 (the District) as a student activity during the year ended June 30, 2013 was inactive and needs to be closed.

**Type of Finding** – Current year and prior year finding.

**Criteria** – *Manual for Activity Fund Accounting.*

**Recommendation** – It is our recommendation that the District assure all student activity accounts are still active, close all inactive accounts, and transfer residual balances to another active student activity account.

**2013-002 Receipt Documentation**

**Condition** – Four of five cash receipts we tested accounted for by the District as student activities lacked documentation to allow us to determine if it was deposited in a timely manner during the year ended June 30, 2013.

**Type of Finding** – Current year and prior year finding.

**Criteria** – *Manual for Activity Fund Accounting.*

**Recommendation** – We recommend that the individuals that oversee student activity accounts verify appropriate documentation of cash receipt activity is kept on file as required by the *Manual for Activity Fund Accounting.*

**2013-003 Disbursement Authorization**

**Condition** – Two of ten checks tested were not accompanied by supervisor signatures which did not allow us to determine if the disbursements were properly authorized during the year ended June 30, 2013.

**Type of Finding** – Current year finding.

**Criteria** – *Manual for Activity Fund Accounting.*

**Recommendation** – We recommend that the individuals that oversee check disbursements ensure that checks receive proper authorization before being disbursed.

INTERMEDIATE SCHOOL DISTRICT NO. 917

Extracurricular Student Activity Accounts  
Schedule of Findings and Corrective Action (continued)  
For the Year Ended June 30, 2013

**FINDINGS AND CORRECTIVE ACTION (CONTINUED)**

**EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS (CONTINUED)**

**Corrective Action Plan for Extracurricular Student Activity Accounts Internal Controls  
Over Financial Reporting Findings and Findings 2013-001, 2013-002, 2013-003**

Actions Planned – The District will assess internal controls over student activity accounts to ensure adequate controls are in place. The District will require all accounts to be active, proper receipt documentation to be on file, and disbursements to be properly authorized.

Official Responsible – Business Manager.

Planned Completion Date – June 30, 2014.

Disagreement With or Explanation of Finding – The District has no disagreement with the findings.

Plan to Monitor – The Business Manager will also review the internal controls over student activity accounts to ensure the planned controls are being followed and these findings are eliminated in the future.