

INDEPENDENT SCHOOL DISTRICT NO. 199  
INVER GROVE HEIGHTS, MINNESOTA

Extracurricular Student Activity Accounts  
Financial Statements

Year Ended  
June 30, 2012

INDEPENDENT AUDITOR'S REPORT

To the School Board of  
Independent School District No. 199  
Inver Grove Heights, Minnesota

We have audited the statements of cash receipts and disbursements of the extracurricular student activity accounts of Independent School District No. 199, Inver Grove Heights, Minnesota (the District) as of and for the year ended June 30, 2012. This financial statement is the responsibility of the District's extracurricular student activities management. Our responsibility is to express an opinion on this financial statement based on our audit.

Except as discussed in the following paragraphs, 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 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 opinion.

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

As described in Note 1, the financial statements were 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.

In our opinion, except for such adjustments, if any, as might have been determined to be necessary had the cash collections referred to above been susceptible to satisfactory audit tests, the financial statement referred to above presents fairly, in all material respects, the cash balances of the District's extracurricular student activity accounts for the year ended June 30, 2012, and the cash receipts and disbursements for the year then ended, on the basis of accounting described in Note 1.

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

October 18, 2012

INDEPENDENT SCHOOL DISTRICT NO. 199

Extracurricular Student Activity Accounts  
 Statement of Cash Receipts and Disbursements – Simley High School  
 Year Ended June 30, 2012

	Balance – June 30, 2011	Receipts and Transfers In	Disbursements and Transfers Out	Balance – June 30, 2012
Band activity supplies	\$ 676	\$ 6,882	\$ 5,710	\$ 1,848
Choir – vocal	174	200	94	280
Drama	35	–	19	16
German Club	686	2,197	2,519	364
Homecoming	3,604	7,538	8,508	2,634
Letterpersons' Club	2,639	18,486	17,850	3,275
National Honor Society	2,373	7,732	6,466	3,639
Prom	3,654	11,535	13,400	1,789
Random Acts	–	3,500	3,417	83
Robotics	1,855	9,248	6,919	4,184
SADD	3,133	257	298	3,092
School store	431	–	19	412
Spanish Club	166	2,579	1,629	1,116
Student Council	267	3,037	2,952	352
TEAM	2,642	692	1,629	1,705
Work Program	303	659	774	188
Yearbook/newspaper	2,802	13,866	1,854	14,814
	<u>\$ 25,440</u>	<u>\$ 88,408</u>	<u>\$ 74,057</u>	<u>\$ 39,791</u>

See notes to extracurricular student activity accounts financial statements

INDEPENDENT SCHOOL DISTRICT NO. 199

Extracurricular Student Activity Accounts  
 Statement of Cash Receipts and Disbursements – Pine Bend Elementary School  
 Year Ended June 30, 2012

	<u>Balance – June 30, 2011</u>	<u>Receipts and Transfers In</u>	<u>Disbursements and Transfers Out</u>	<u>Balance – June 30, 2012</u>
Snack shop	\$ 1,123	\$ 404	\$ 1,527	\$ –
Student Council	<u>2,607</u>	<u>275</u>	<u>2,882</u>	<u>–</u>
	<u>\$ 3,730</u>	<u>\$ 679</u>	<u>\$ 4,409</u>	<u>\$ –</u>

See notes to extracurricular student activity accounts financial statements

INDEPENDENT SCHOOL DISTRICT NO. 199

Extracurricular Student Activity Accounts  
 Statement of Cash Receipts and Disbursements – Salem Hills Elementary School  
 Year Ended June 30, 2012

	<u>Balance – June 30, 2011</u>	<u>Receipts and Transfers In</u>	<u>Disbursements and Transfers Out</u>	<u>Balance – June 30, 2012</u>
Pop Fund	\$ 94	\$ 115	\$ 209	\$ –
Student services	214	–	–	214
Student support	24	–	24	–
Sunshine Club	<u>300</u>	<u>–</u>	<u>197</u>	<u>103</u>
	<u>\$ 632</u>	<u>\$ 115</u>	<u>\$ 430</u>	<u>\$ 317</u>

See notes to extracurricular student activity accounts financial statements

INDEPENDENT SCHOOL DISTRICT NO. 199

Notes to Extracurricular Student Activity Accounts Financial Statements  
June 30, 2012

**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 Independent School District No. 199, Inver Grove Heights, Minnesota'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, extracurricular student activity account deposits were fully covered by federal depository insurance.

OTHER REQUIRED REPORTS

INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING

To the School Board of  
Independent School District No. 199  
Inver Grove Heights, Minnesota

In planning and performing our audit of the statements of cash receipts and disbursements of the extracurricular student activity accounts of Independent School District No. 199, Inver Grove Heights, Minnesota (the District) as of and for the year ended June 30, 2012, 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 statements, 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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies, significant deficiencies, or material weaknesses have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as described below, we identified one deficiency in internal control that we consider to be material a weakness.

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

(continued)



This report is intended solely for the information and use of the School Board, 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, Kamowski, Rodasewich & Co., P.A.*

October 18, 2012

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

To the School Board, advisors, and students of  
Independent School District No. 199  
Inver Grove Heights, Minnesota

We have audited the statements of cash receipts and disbursements of the extracurricular student activity accounts of Independent School District No. 199, Inver Grove Heights, Minnesota (the District) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 18, 2012. 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.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Manual for Activity Fund Accounting*, issued by the Minnesota Department of Education.

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

The results of our tests indicate that, with respect to the items tested, the District's extracurricular student activity accounts complied, in all material respects, with the provisions referred to in the preceding paragraph, except as described in the Schedule of Findings and Corrective Action.

The District's corrective actions to the findings identified in our audit are described in the accompanying Schedule of Findings and Corrective Action. We did not audit the District's corrective actions and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the School Board, 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.*

October 18, 2012

INDEPENDENT SCHOOL DISTRICT NO. 199

Extracurricular Student Activity Accounts  
Schedule of Findings and Corrective Action  
June 30, 2012

**FINDINGS AND CORRECTIVE ACTION**

**2012-1 STUDENT ACTIVITY RECEIPTS**

**Condition** – Four of ten cash receipts tested were not deposited in a timely manner or were held over a weekend.

**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 make regular deposits within the timeframe required by the *Manual for Activity Fund Accounting*.

**Corrective Action Plan**

**Actions Planned** – The *Manual for Activity Fund Accounting* requirements for depositing student activity account collections will be reviewed with the individuals that oversee these accounts, and the timeliness of depositing the collections will be stressed.

**Official Responsible** – Bruce Rimstad, Business Manager.

**Planned Completion Date** – June 30, 2013.

**Disagreement With or Explanation of Finding** – The District understands and agrees with this finding.

**Plan to Monitor** – Bruce Rimstad, Business Manager, will monitor this corrective action plan and the timeliness of student activity account deposits.

**2012-2 IMPROPER ACCOUNTS**

**Condition** – Four accounts included in the District's student activity report do not meet the definition of an extracurricular student activity as set forth in the *Manual for Activity Fund Accounting*.

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

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

**Recommendation** – It is our recommendation that the District continue to review the propriety of all student activity accounts to assure they meet the definition of an extracurricular student activity as set forth in the *Manual for Activity Fund Accounting*.

INDEPENDENT SCHOOL DISTRICT NO. 199

Extracurricular Student Activity Accounts  
Schedule of Findings and Corrective Action (Continued)  
June 30, 2012

**FINDINGS AND CORRECTIVE ACTION (CONTINUED)**

**2012-2 IMPROPER ACCOUNTS (CONTINUED)**

**Corrective Action Plan**

Actions Planned – The District has been working on closing noncompliant student activity accounts and will continue to eliminate accounts that do not meet the definition of an extracurricular student activity as set forth in the *Manual for Activity Fund Accounting*.

Official Responsible – Bruce Rimstad, Business Manager.

Planned Completion Date – June 30, 2013.

Disagreement With or Explanation of Finding – The District understands and agrees with this finding.

Plan to Monitor – Bruce Rimstad, Business Manager, will monitor this corrective action plan and the elimination of all noncompliant accounts.