

INDEPENDENT SCHOOL DISTRICT NO. 199  
INVER GROVE HEIGHTS, MINNESOTA

Special Purpose Audit Reports

Year Ended  
June 30, 2011

INDEPENDENT SCHOOL DISTRICT NO. 199

Special Purpose Audit Reports  
Year Ended June 30, 2011

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INDEPENDENT AUDITOR'S REPORT ON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 199, Inver Grove Heights, Minnesota (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 7, 2011. These basic financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these 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 consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used, and the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is not a required part of the basic financial statements of the District. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

November 7, 2011

INDEPENDENT SCHOOL DISTRICT NO. 199

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Federal Expenditures	
<b>U.S. Department of Education</b>			
Direct			
Indian Education – Grants to Local Education Agencies	84.060	\$	11,483
Passed through Minnesota Department of Education			
Special education cluster			
Special Education – Grants to States	84.027	807,910	
ARRA – Special Education – Grants to States	84.391	301,493	
Special Education – Preschool Grants	84.173	44,071	
ARRA – Special Education – Preschool Grants	84.392	<u>29,906</u>	
Total special education cluster			1,183,380
Title I, Part A cluster			
Title I Grants to Local Educational Agencies	84.010	402,630	
ARRA – Title I Grants to Local Educational Agencies	84.389	<u>124,821</u>	
Total Title I, Part A cluster			527,451
Education Jobs Fund	84.410		232,217
Safe and Drug-Free Schools and Communities – State Grants	84.186		5,404
English Language Acquisition Grants	84.365		36,096
Improving Teacher Quality State Grants	84.367		75,386
Early intervention services cluster			
ARRA – Special Education Grants for Infants and Families	84.393	35,712	
Passed through Intermediate School District No. 917			
Special Education Grants for Infants and Families	84.181	<u>43,268</u>	
Total early intervention services cluster			78,980
Passed through Intermediate School District No. 917			
Career and Technical Education – Basic Grants to States	84.048		10,686
<b>U.S. Department of Agriculture</b>			
Passed through Minnesota Department of Education			
Child nutrition cluster			
School Breakfast Program	10.553	144,654	
National School Lunch Program	10.555	670,808	
Special Milk Program for Children	10.556	<u>734</u>	
Total child nutrition cluster			<u>816,196</u>
Total federal awards			<u>\$ 2,977,279</u>

Note 1: This Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the District's financial statements.

Note 2: Non-monetary assistance of \$71,027 is reported in this schedule at the fair market value of commodities received and disbursed through the U.S. Department of Agriculture National School Lunch Program (CFDA No. 10.555).

Note 3: All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants, and have not assigned any additional identifying numbers.



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INDEPENDENT AUDITOR'S 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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 199, Inver Grove Heights, Minnesota (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 7, 2011. 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**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1 to be a material weakness.

(continued)

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2011-2 to be a significant deficiency.

### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of the District, in a separate letter dated November 7, 2011.

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

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

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

November 7, 2011



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

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

**Compliance**

We have audited Independent School District No. 199, Inver Grove Heights, Minnesota's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

(continued)

## Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

*Malloy, Montague, Karcowski, Radasovich & Co., P.A.*

November 7, 2011



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH MINNESOTA STATE LAWS AND REGULATIONS

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 199, Inver Grove Heights, Minnesota (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 7, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the Office of the State Auditor pursuant to Minnesota Statute § 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 Political Subdivisions* covers seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, uniform financial accounting and reporting standards for school districts, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that, for the items tested, the District complied with the material terms and conditions of applicable legal provisions, except as noted in the Schedule of Findings and Questioned Costs.

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

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

November 7, 2011

INDEPENDENT SCHOOL DISTRICT NO. 199

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2011

**A. SUMMARY OF AUDIT RESULTS**

This summary is formatted to provide federal granting agencies and pass-through agencies answers to specific questions regarding the audit of federal awards.

**Financial Statements**

What type of auditor's report is issued?  Unqualified  
 Qualified  
 Adverse  
 Disclaimer

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No  
Significant deficiencies identified?  Yes  None reported

Noncompliance material to the financial statements noted?  Yes  No

**Federal Awards**

Internal controls over major federal award programs:

Material weakness(es) identified?  Yes  No  
Significant deficiencies identified?  Yes  None reported

Type of auditor's report issued on compliance for major programs?  Unqualified  
 Qualified  
 Adverse  
 Disclaimer

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?  Yes  No

Programs tested as major programs:

Program or Cluster	CFDA No.
The U.S. Department of Education special education cluster consisting of:	
– Special Education – Grants to States	84.027
– ARRA – Special Education – Grants to States	84.391
– Special Education – Preschool Grants	84.173
– ARRA – Special Education – Preschool Grants	84.392
The U.S. Department of Education Title I, Part A cluster consisting of:	
– Title I Grants to Local Educational Agencies	84.010
– ARRA – Title I Grants to Local Educational Agencies	84.389
The U.S. Department of Agriculture child nutrition cluster consisting of:	
– School Breakfast Program	10.553
– National School Lunch Program	10.555
– Special Milk Program for Children	10.556

Threshold for distinguishing type A and B programs. \$ 300,000

Does the auditee qualify as a low-risk auditee?  Yes  No

INDEPENDENT SCHOOL DISTRICT NO. 199

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2011

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**MATERIAL WEAKNESS IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

**2011-1 Segregation of Duties**

**Criteria** – Internal control over financial reporting.

**Condition** – Independent School District No. 199, Inver Grove Heights, Minnesota (the District) has limited segregation of duties in several areas, including the processing of general disbursements, payroll transactions, and journal entries.

**Questioned Costs** – Not applicable.

**Context** – This is a current year and prior year finding.

**Cause** – The limited segregation of duties is primarily caused by the limited size of the District's business office staff.

**Effect** – One important element of internal accounting controls is an adequate segregation of duties such that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction. A lack of segregation of duties subjects the District to a higher risk that errors or fraud could occur and not be detected in a timely manner in the normal course of business.

**Recommendation** – We recommend that the District continue its efforts to segregate duties as best it can within the limits of what the District considers to be cost beneficial.

**Corrective Action Plan**

**Actions Planned** – The District adopted and implemented an Administrative Procedures Manual to formalize its internal control policies and procedures, including those addressing segregation of duties. The District will continue its efforts to segregate incompatible duties to the extent possible.

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

**Planned Completion Date** – June 30, 2012.

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

**Plan to Monitor** – Bruce Rimstad, Business Manager, and Dr. Deirdre Wells, Superintendent, will work with the School Board Policy Committee to continue to improve segregation of duties at the District.

INDEPENDENT SCHOOL DISTRICT NO. 199

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2011

**B. FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)**

**SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

**2011-2 Untimely Completion of Bank Reconciliations**

**Criteria and Condition** – The two primary objectives of any system of internal controls are to assure that an organization’s financial reporting system is able to provide timely and accurate financial data, and to safeguard the organization’s assets. The proper recording of cash transactions is essential to producing timely and accurate financial data. Also, due to its liquid nature, controls over the safeguarding of cash are critical. During the year under audit, the District’s controls over cash were deficient, as cash and investment reconciliations were not accurately prepared for part of the year.

**Questioned Costs** – Not applicable.

**Context** – This is a current year finding. The District’s monthly reconciliation of cash and investments did not agree to the general ledger for the last eight months of the fiscal year.

**Cause** – The monthly reconciliations prepared by District staff did not agree to the general ledger due to the District not recording the activity from two bond issues sold during the year.

**Effect** – This condition subjected the District to a higher risk that errors or fraud could occur and not be detected in a timely manner.

**Recommendation** – The District has reconciled cash accounts as of year-end and the previous reconciliations have been brought up to date. We recommend that in the future, the District’s cash and investment accounts be reconciled to activity recorded on the general ledger each month.

**Corrective Action Plan**

**Actions Planned** – As of June 30, 2011, the District has been current in performing bank reconciliations.

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

**Planned Completion Date** – June 30, 2012.

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

**Plan to Monitor** – Bruce Rimstad, Business Manager, and Dr. Deirdre Wells, Superintendent, will review monthly bank reconciliations to ensure timely, accurate completion.

INDEPENDENT SCHOOL DISTRICT NO. 199

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2011

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

None.

**D. FINDINGS – MINNESOTA LEGAL COMPLIANCE AUDIT**

**2011-3 Unclaimed Property**

**Criteria** – Minnesota Statute § 345.41.

**Condition** – Minnesota Statutes require districts to remit unclaimed or uncashed checks held for more than three years to the Commissioner of Commerce. For fiscal 2011, the District did not remit uncashed checks within the required time period.

**Questioned Costs** – Not applicable.

**Context** – The District was not in compliance for the year ended June, 30, 2011. This is a current year and prior year finding.

**Cause** – Annually, the District is required to report to the Commissioner of Commerce. Due to an oversight, the report was not filed for fiscal 2011 as required.

**Effect** – The unclaimed property report was not filed and the uncashed checks were not remitted within the timeframe required by state statutes.

**Recommendation** – We recommend that the District review its procedures for the remission of unclaimed property to ensure future compliance with this statute.

**Corrective Action Plan**

**Actions Planned** – The District is currently implementing new processes to meet its annual reporting requirement within statute guidelines.

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

**Planned Completion Date** – June 30, 2012.

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

**Plan to Monitor** – Bruce Rimstad, Business Manager, will review the annual report to the Commissioner of Commerce to assure the District is in compliance in future years.

INDEPENDENT SCHOOL DISTRICT NO. 199

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2011

**D. FINDINGS – MINNESOTA LEGAL COMPLIANCE AUDIT (CONTINUED)**

**2011-4 Annual Report of Outstanding Obligations**

**Criteria** – Minnesota Statute § 471.70.

**Condition** – Minnesota Statutes require districts to report to the auditor of each county in which such municipality is situate, the total amount of outstanding obligations, and the purpose for which issued as of December 31 of the preceding year. The District failed to include one new debt issue sold in its report filed for the calendar year ending December 31, 2010.

**Questioned Costs** – Not applicable.

**Context** – This is a current year finding.

**Cause** – Due to an oversight, the report filed for calendar year 2010 did not include the 2010A General Obligation School Building Refunding Bonds, issued November 4, 2010.

**Effect** – The outstanding indebtedness report filed for 2010 contained an error due to this omission.

**Recommendation** – We recommend that the District review its procedures for the reporting of outstanding obligations to ensure future compliance with this statute.

**Corrective Action Plan**

**Actions Planned** – The District is currently implementing new processes to meet its annual reporting requirement within statute guidelines.

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

**Planned Completion Date** – December 31, 2011.

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

**Plan to Monitor** – Bruce Rimstad, Business Manager, will review the annual report to the County Auditor to assure the District is in compliance in future years.

INDEPENDENT SCHOOL DISTRICT NO. 199

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2011

**D. FINDINGS – MINNESOTA LEGAL COMPLIANCE AUDIT (CONTINUED)**

**2011-5 Uniform Financial Accounting and Reporting Standards (UFARS) Coding Internal Controls**

**Criteria** – Minnesota Statute § 123B.77.

**Condition** – Minnesota School Districts are required to account for and report their financial activity in accordance with UFARS established by this statute. During our audit testing, we noted a number of transactions that were not coded to the appropriate UFARS account.

**Questioned Costs** – Not applicable.

**Context** – For 5 of 75 transactions tested, the transactions were not coded to the proper UFARS account.

**Cause** – The transactions were miscoded by district personnel.

**Effect** – The transactions noted were not recorded in compliance with UFARS.

**Recommendation** – We recommend that the District review its procedures for the coding of transactions to ensure future compliance with this requirement, and consider providing additional training to the individuals responsible for recording these transactions.

**Corrective Action Plan**

**Actions Planned** – The District will review its procedures for coding transactions in accordance with UFARS guidelines with the individuals responsible for recording receipts, disbursements, and payroll transactions.

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

**Planned Completion Date** – June 30, 2012.

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

**Plan to Monitor** – Bruce Rimstad, Business Manager, will review the District's procedures for coding transactions to assure the District is in compliance in future years.

INDEPENDENT SCHOOL DISTRICT NO. 199

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2011

**E. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**MATERIAL WEAKNESS IN INTERNAL CONTROL OVER COMPLIANCE AND REPORTABLE INSTANCES OF NONCOMPLIANCE – *SPECIAL EDUCATION CLUSTER (ARRA SPECIAL EDUCATION – GRANTS TO STATES – CFDA NO. 84.391), TITLE I CLUSTER (ARRA TITLE I – GRANTS TO LOCAL EDUCATIONAL AGENCIES – CFDA NO. 84.389), AND ARRA STATE FISCAL STABILIZATION FUNDS – EDUCATION STATE GRANTS – CFDA NO. 84.394***

**2010-2 Internal Control Over Compliance With Federal Reporting Requirements**

**Condition** – Section 1512 of the American Recovery and Reinvestment Act (ARRA) requires recipients to report on a quarterly basis an estimate of the number of jobs created or retained due to the ARRA funds. During our audit, we noted that the District did not have sufficient controls in place to assure compliance with this requirement for the three major programs noted above, which resulted in noncompliance with a type of federal compliance requirement that could have a direct and material effect on these programs. The District did not submit three of the four required quarterly jobs data surveys for each of these programs.

**Recommendation** – The auditor recommended that the District submit the quarterly jobs data surveys to report the number of the jobs created and retained as a result of funding received through the ARRA.

**Current Status** – The recommendation was adopted and no similar findings were reported in the audit for the year ended June 30, 2011.



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INDEPENDENT AUDITOR'S REPORT ON UNIFORM FINANCIAL  
ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 199, Inver Grove Heights, Minnesota (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 7, 2011. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used, and the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purposes of additional analysis as required by the Minnesota Department of Education, and is not a required part of the basic financial statements. The accompanying UFARS Compliance Table has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

November 7, 2011

INDEPENDENT SCHOOL DISTRICT NO. 199

Uniform Financial Accounting and Reporting Standards  
Compliance Table  
June 30, 2011

		Audit	UFARS	Audit – UFARS
<b>General Fund</b>				
Total revenue		\$ 39,058,309	\$ 39,058,307	\$ 2
Total expenditures		\$ 36,992,263	\$ 36,992,261	\$ 2
Nonspendable				
460	Nonspendable fund balance	\$ 96,952	\$ 96,952	\$ –
Restricted/reserve				
403	Staff development	\$ 47,991	\$ 47,991	\$ –
405	Deferred maintenance	\$ 851,717	\$ 851,717	\$ –
406	Health and safety	\$ (85,139)	\$ (85,139)	\$ –
407	Capital projects levy	\$ –	\$ –	\$ –
408	Cooperative revenue	\$ –	\$ –	\$ –
411	Severance pay	\$ –	\$ –	\$ –
413	Projects funded by COP	\$ –	\$ –	\$ –
414	Operating debt	\$ –	\$ –	\$ –
416	Levy reduction	\$ –	\$ –	\$ –
417	Taconite building maintenance	\$ –	\$ –	\$ –
423	Certain teacher programs	\$ –	\$ –	\$ –
424	Operating capital	\$ 795,141	\$ 795,141	\$ –
426	\$25 taconite	\$ –	\$ –	\$ –
427	Disabled accessibility	\$ –	\$ –	\$ –
428	Learning and development	\$ –	\$ –	\$ –
434	Area learning center	\$ –	\$ –	\$ –
435	Contracted alternative programs	\$ –	\$ –	\$ –
436	State approved alternative program	\$ –	\$ –	\$ –
438	Gifted and talented	\$ –	\$ –	\$ –
441	Basic skills programs	\$ –	\$ –	\$ –
445	Career and technical programs	\$ –	\$ –	\$ –
446	First grade preparedness	\$ –	\$ –	\$ –
449	Safe schools levy	\$ –	\$ –	\$ –
450	Pre-kindergarten	\$ –	\$ –	\$ –
451	QZAB payments	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
453	Unfunded severance and retirement levy	\$ –	\$ –	\$ –
Restricted				
464	Restricted fund balance	\$ –	\$ –	\$ –
Committed				
418	Committed for separation	\$ –	\$ –	\$ –
461	Committed fund balance	\$ –	\$ –	\$ –
Assigned				
462	Assigned fund balance	\$ 3,477,118	\$ 3,477,118	\$ –
Unassigned				
422	Unassigned fund balance	\$ 4,807,206	\$ 4,807,206	\$ –
<b>Food Service</b>				
Total revenue		\$ 1,769,078	\$ 1,769,078	\$ –
Total expenditures		\$ 1,683,589	\$ 1,683,588	\$ 1
Nonspendable				
460	Nonspendable fund balance	\$ 38,024	\$ 38,024	\$ –
Restricted				
452	OPEB liability not in trust	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 989,153	\$ 989,154	\$ (1)
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
<b>Community Service</b>				
Total revenue		\$ 2,071,020	\$ 2,071,021	\$ (1)
Total expenditures		\$ 2,197,373	\$ 2,197,374	\$ (1)
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted/reserve				
426	\$25 taconite	\$ –	\$ –	\$ –
431	Community education	\$ –	\$ –	\$ –
432	ECFE	\$ 7,095	\$ 7,095	\$ –
444	School readiness	\$ 6,368	\$ 6,368	\$ –
447	Adult basic education	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
Restricted				
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ (15,201)	\$ (15,201)	\$ –

INDEPENDENT SCHOOL DISTRICT NO. 199

Uniform Financial Accounting and Reporting Standards  
Compliance Table (continued)  
June 30, 2011

	Audit	UFARS	Audit - UFARS
<b>Building Construction</b>			
Total revenue	\$ 9,475	\$ 9,475	\$ -
Total expenditures	\$ 4,201,090	\$ 4,201,090	\$ -
Nonspendable			
460 Nonspendable fund balance	\$ -	\$ -	\$ -
Restricted/reserve			
407 Capital projects levy	\$ -	\$ -	\$ -
409 Alternative facility program	\$ 2,428,047	\$ 2,428,047	\$ -
413 Project funded by COP	\$ -	\$ -	\$ -
Restricted			
464 Restricted fund balance	\$ 30,773	\$ 30,773	\$ -
Unassigned			
463 Unassigned fund balance	\$ -	\$ -	\$ -
<b>Debt Service</b>			
Total revenue	\$ 2,915,484	\$ 2,915,484	\$ -
Total expenditures	\$ 2,952,936	\$ 2,952,936	\$ -
Nonspendable			
460 Nonspendable fund balance	\$ -	\$ -	\$ -
Restricted/reserve			
425 Bond refundings	\$ -	\$ -	\$ -
451 QZAB payments	\$ -	\$ -	\$ -
Restricted			
464 Restricted fund balance	\$ 757,107	\$ 757,107	\$ -
Unassigned			
463 Unassigned fund balance	\$ -	\$ -	\$ -
<b>Trust</b>			
Total revenue	\$ 274,975	\$ 274,975	\$ -
Total expenditures	\$ 274,975	\$ 274,975	\$ -
422 Net assets	\$ 12,232	\$ 12,232	\$ -
<b>Internal Service</b>			
Total revenue	\$ 322,528	\$ 322,528	\$ -
Total expenditures	\$ 368,436	\$ 368,436	\$ -
422 Net assets	\$ 179,746	\$ 179,746	\$ -
<b>OPEB Revocable Trust Fund</b>			
Total revenue	\$ 1,621,327	\$ 1,621,327	\$ -
Total expenditures	\$ 783,774	\$ 783,774	\$ -
422 Net assets	\$ 9,925,765	\$ 9,925,766	\$ (1)
<b>OPEB Irrevocable Trust Fund</b>			
Total revenue	\$ -	\$ -	\$ -
Total expenditures	\$ -	\$ -	\$ -
422 Net assets	\$ -	\$ -	\$ -
<b>OPEB Debt Service Fund</b>			
Total revenue	\$ 641,010	\$ 641,009	\$ 1
Total expenditures	\$ 613,773	\$ 613,773	\$ -
Nonspendable			
460 Nonspendable fund balance	\$ -	\$ -	\$ -
Restricted			
425 Bond refundings	\$ -	\$ -	\$ -
464 Restricted fund balance	\$ 53,672	\$ 53,672	\$ -
Unassigned			
463 Unassigned fund balance	\$ -	\$ -	\$ -

Note: Statutory restricted deficits, if any, are reported in unassigned fund balances in the financial statements in accordance with accounting principles generally accepted in the United States of America.