

INDEPENDENT SCHOOL DISTRICT NO. 194  
LAKEVILLE, MINNESOTA

Extracurricular Student Activity  
Accounts Financial Statements

Year Ended  
June 30, 2013

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of  
Independent School District No. 194  
Lakeville, Minnesota

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying statements of cash receipts and disbursements of the extracurricular student activity accounts of Independent School District No. 194, Lakeville, Minnesota (the District) as of and for the year ended June 30, 2013, and the related notes to the extracurricular student activity accounts financial statements.

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

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

**AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion 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. 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 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 statements referred to on the previous page present 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 statements.

## **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 statements, which describes the basis of accounting. The financial statements are 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 30, 2013

INDEPENDENT SCHOOL DISTRICT NO. 194

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

|                             | Beginning<br>Balance –<br><u>June 30, 2012</u> | <u>Receipts</u>   | <u>Disbursements</u> | Ending<br>Balance –<br><u>June 30, 2013</u> |
|-----------------------------|--|-------------------|----------------------|---|
| Lakeville North High School | \$ 84,097                                      | \$ 464,825        | \$ 451,693           | \$ 97,229                                   |
| Lakeville South High School | 93,091   | 197,838           | 185,530              | 105,399                                     |
|                             | <u>\$ 177,188</u>                              | <u>\$ 662,663</u> | <u>\$ 637,223</u>    | <u>\$ 202,628</u>                           |

See notes to extracurricular student activity accounts financial statements

INDEPENDENT SCHOOL DISTRICT NO. 194

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

|                        | Beginning<br>Balance –<br>June 30, 2012 | Receipts          | Disbursements     | Ending<br>Balance –<br>June 30, 2013 |
|------------------------|---|-------------------|-------------------|--------------------------------------|
| American Sign Language | \$ 1,065                                | \$ 472            | \$ 464            | \$ 1,073                             |
| Annual                 | 19,652                                  | 16,310            | 13,658            | 22,304                               |
| Best Buddies           | 508                                     | 1,519             | 1,627             | 400                                  |
| Change Fund            | (1,353)                                 | 1,720             | 364               | 3                                    |
| Clay Club              | 43                                      | 250               | 271               | 22                                   |
| DECA                   | 2,335                                   | 55,629            | 56,061            | 1,903                                |
| Diversity              | 111                                     | –                 | –                 | 111                                  |
| Drama                  | 509                                     | 800               | 1,973             | (664)                                |
| Electricity            | 695                                     | –                 | 143               | 552                                  |
| Environmental          | 431                                     | –                 | –                 | 431                                  |
| French Club            | 2,118                                   | 1,215             | 1,326             | 2,007                                |
| GSA                    | 1,221                                   | –                 | –                 | 1,221                                |
| Guitar                 | 513                                     | –                 | –                 | 513                                  |
| Interest               | –                                       | 10                | 10                | –                                    |
| Italy                  | (840)                                   | 324,438           | 323,647           | (49)                                 |
| Jazz Vocal             | 3,774                                   | 3,031             | 1,524             | 5,281                                |
| Junior Class           | 2,802                                   | 22,284            | 17,126            | 7,960                                |
| Panther Prep           | 2,525                                   | 280               | 747               | 2,058                                |
| Math Club              | 135                                     | 33                | –                 | 168                                  |
| Mock Trail             | 561                                     | 3,645             | 4,005             | 201                                  |
| National Honor Society | 5,629                                   | 1,388             | 1,223             | 5,794                                |
| One Act                | 3,395                                   | –                 | 3,000             | 395                                  |
| Panther Enterprises    | 2,738                                   | 2,071             | 1,726             | 3,083                                |
| Robotics               | 384                                     | 9,200             | 6,244             | 3,340                                |
| SADD Club              | 1,730                                   | 1,651             | 1,498             | 1,883                                |
| Science Olympiad       | 65                                      | 325               | 324               | 66                                   |
| Senior Class           | 11,918                                  | 11,856            | 4,637             | 19,137                               |
| Spanish Club           | 7,663                                   | 22                | 973               | 6,712                                |
| Spanish Fundraiser     | 2,887                                   | –                 | 141               | 2,746                                |
| Spring and Fall Play   | 885                                     | –                 | –                 | 885                                  |
| Student Council        | 554                                     | 4,569             | 3,878             | 1,245                                |
| Unclassified           | 26                                      | 1                 | –                 | 27                                   |
| Vocal Music            | 6,728                                   | 2,106             | 4,851             | 3,983                                |
| Vocal Musical          | 2,690                                   | –                 | 252               | 2,438                                |
| <b>Total</b>           | <b>\$ 84,097</b>                        | <b>\$ 464,825</b> | <b>\$ 451,693</b> | <b>\$ 97,229</b>                     |

See notes to extracurricular student activity accounts financial statements

INDEPENDENT SCHOOL DISTRICT NO. 194

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

|                            | Beginning<br>Balance –<br>June 30, 2012 | Receipts          | Disbursements     | Ending<br>Balance –<br>June 30, 2013 |
|----------------------------|---|-------------------|-------------------|--------------------------------------|
| Anime                      | \$ 1,000                                | \$ 70             | \$ 266            | \$ 804                               |
| Annual                     | 26,549                                  | 9,225             | 7,875             | 27,899                               |
| Art                        | 45                                      | –                 | –                 | 45                                   |
| Band                       | 211                                     | –                 | 45                | 166                                  |
| Bowling                    | 15                                      | 45                | 60                | –                                    |
| Choir                      | 4,196                                   | 3,337             | 6,415             | 1,118                                |
| Class of 2012              | 19,901                                  | –                 | 19,901            | –                                    |
| Class of 2013              | 1,754                                   | 19,721            | 14,706            | 6,769                                |
| Class of 2014              | –                                       | 24,187            | 18,664            | 5,523                                |
| DECA                       | 7,396                                   | 74,890            | 64,576            | 17,710                               |
| Downhill Ski and Snowboard | 311                                     | 650               | 540               | 421                                  |
| Encore                     | 2,675                                   | 1,401             | 761               | 3,315                                |
| Environmental              | 31                                      | 225               | 157               | 99                                   |
| French Club                | 4,012                                   | 6,994             | 7,782             | 3,224                                |
| HOSA                       | 983                                     | 4,036             | 3,634             | 1,385                                |
| Interest                   | –                                       | 66                | 66                | –                                    |
| Links                      | 624                                     | 3,094             | 2,649             | 1,069                                |
| Math League                | –                                       | 51                | –                 | 51                                   |
| Mock Trial                 | 968                                     | 3,395             | 2,714             | 1,649                                |
| National Honor Society     | 2,006                                   | 2,574             | 2,632             | 1,948                                |
| Newspaper                  | 1,402                                   | 2,065             | 2,740             | 727                                  |
| SADD Club                  | 292                                     | 745               | 588               | 449                                  |
| Science Olympiad           | 46                                      | –                 | –                 | 46                                   |
| Spanish Club               | 6,725                                   | 6,238             | 5,533             | 7,430                                |
| Speech                     | 2,568                                   | 5,205             | 2,421             | 5,352                                |
| Student Council            | 7,867                                   | 2,924             | 6,262             | 4,529                                |
| Theatre                    | 1,514                                   | 26,700            | 14,543            | 13,671                               |
|                            | <u>          </u>                       | <u>          </u> | <u>          </u> | <u>          </u>                    |
| Total                      | <u>\$ 93,091</u>                        | <u>\$ 197,838</u> | <u>\$ 185,530</u> | <u>\$ 105,399</u>                    |

See notes to extracurricular student activity accounts financial statements

INDEPENDENT SCHOOL DISTRICT NO. 194

Notes to Extracurricular Student Activity Accounts Financial Statements  
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 Independent School District No. 194, Lakeville, Minnesota's (the District) extracurricular student activity accounts are maintained, and the accompanying financial statements have 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



INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING

To the School Board and Management of  
Independent School District No. 194  
Lakeville, 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. 194, Lakeville, Minnesota (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 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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified one deficiency in internal control that we consider to be a material 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 deficiency to be a material weakness:

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.

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 30, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

To the School Board and Management of  
Independent School District No. 194  
Lakeville, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statements of cash receipts and disbursements of the extracurricular student activity accounts of Independent School District No. 194, Lakeville, Minnesota (the District) as of and for the year ended June 30, 2013, and the related notes to the extracurricular student activity accounts financial statements, and have issued our report thereon dated October 30, 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 statements are 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 statements 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 30, 2013

INDEPENDENT SCHOOL DISTRICT NO. 194

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

**FINDINGS AND CORRECTIVE ACTION**

**2013-001 UNTIMELY DEPOSITS**

**Condition** – We noted 3 of 50 cash receipt transactions we tested within the student activity accounts that had receipts that were not deposited on a timely basis.

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

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

**Recommendation** – We recommend that Independent School District No. 194, Lakeville, Minnesota (the District) assure all student activity deposits are being recorded and deposited in a timely manner.

**2013-002 NEGATIVE CASH BALANCE**

**Condition** – We noted two activities accounted for by the District as student activities during the year ended June 30, 2013 which had negative cash balances at year-end.

**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 have positive cash balances at the end of each school year.

**2013-003 INACTIVE ACCOUNTS**

**Condition** – Certain groups and activities accounted for by the District as student activities during the year ended June 30, 2013 were inactive for the year and should be closed. We identified nine inactive accounts.

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

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

**Recommendation** – It is our recommendation that the District close all inactive accounts and transfer any residual balances to other active student activity accounts.

INDEPENDENT SCHOOL DISTRICT NO. 194

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

**FINDINGS AND CORRECTIVE ACTION (CONTINUED)**

**2013-004 DISBURSEMENT ACTIVITY**

**Condition** – We noted 1 out of 50 cash disbursement transactions we tested within the student activity accounts did not have adequate supporting documentation. We noted 2 out of 50 cash disbursement transactions we tested within the student activity accounts that lacked proper student approval.

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

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

**Recommendation** – It is our recommendation that all student activity disbursements are approved by the appropriate designee and include proper supporting documentation.

**2013-001, 2013-002, 2013-003, 2013-004, AND INTERNAL CONTROL OVER FINANCIAL REPORTING  
FINDING CORRECTIVE ACTION PLANS**

**Actions Planned** – The District will work with the individuals responsible for overseeing student activities to improve controls and correct findings identified during the audit.

**Official Responsible** – The Accounting Supervisor.

**Planned Completion Date** – June 30, 2014.

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

**Plan to Monitor** – The Accounting Supervisor and staff will review the procedures and internal controls over student activity funds with the responsible individuals at each site where student activity accounts are maintained in order to comply with requirements of the *Manual for Activity Fund Accounting.*