

INDEPENDENT SCHOOL DISTRICT NO. 194
LAKEVILLE, MINNESOTA

Extracurricular Student Activity
Accounts Financial Statements

Year Ended
June 30, 2010



PRINCIPALS

Kenneth W. Malloy, CPA
Thomas M. Montague, CPA
Thomas A. Karnowski, CPA
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James H. Eichten, CPA
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INDEPENDENT AUDITOR'S REPORT

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

We have audited 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, 2010. These financial statements are the responsibility of the District's extracurricular student activity accounts management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, 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.

Because of the design of the accounting system relating to cash receipts and the nature of student activities, we were only able to audit cash collections that are recorded. It was not practical for us to extend our audit of such cash collections beyond the amounts recorded.

Because these financial statements are prepared on the basis of cash receipts and disbursements, revenue is recorded when received rather than when earned, and expenses are recognized when paid rather than when the obligations are incurred. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with 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 statements referred to above present fairly, in all material respects, the cash transactions of the District's extracurricular student activity accounts for the year ended June 30, 2010, and the cash balances at that date.

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

November 8, 2010

INDEPENDENT SCHOOL DISTRICT NO. 194

Extracurricular Student Activity Accounts
 Statement of Cash Receipts and Disbursements
 Year Ended June 30, 2010

	Beginning Balance – <u>July 1, 2009</u>	<u>Receipts</u>	<u>Disbursements</u>	Ending Balance – <u>June 30, 2010</u>
Lakeville North High School	\$ 108,197	\$ 179,043	\$ 186,463	\$ 100,777
Lakeville South High School	76,554	235,568	225,782	86,340
Century Middle School	18,671	–	18,671	–
Kenwood Trail Middle School	<u>1,726</u>	<u>–</u>	<u>1,726</u>	<u>–</u>
	<u>\$ 205,148</u>	<u>\$ 414,611</u>	<u>\$ 432,642</u>	<u>\$ 187,117</u>

See note 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, 2010

	Beginning Balance – July 1, 2009	Receipts	Disbursements	Ending Balance – June 30, 2010
AA Club	\$ 1,898	\$ 682	\$ 1,928	\$ 652
Academic Decathlon	130	–	130	–
American Sign Language	796	211	953	54
Annual	8,399	10,333	11,944	6,788
Avid	92	–	92	–
Best Buddies	172	863	642	393
Change Fund	(26)	6,412	6,098	288
Class of 2001	4,766	3	–	4,769
DECA	8,022	30,558	24,699	13,881
Diversity	382	–	–	382
Drama	920	1,940	2,400	460
Electricity	1,507	1	–	1,508
Environmental	21	374	78	317
French Club	2,677	3,758	4,267	2,168
GSA	304	153	–	457
Guitar	337	1	309	29
Insight Group	150	–	150	–
Interest	62	35	62	35
Jazz Vocal	4,464	4,254	3,989	4,729
Junior Class	5,328	22,690	22,062	5,956
Link Crew	3,410	683	899	3,194
Literary Magazine	308	–	308	–
Math Club	373	–	–	373
Mock Trail	16	1,191	884	323
National Honor Society	4,198	3,227	2,876	4,549
One Act	2,480	1,167	1,040	2,607
Panther Enterprises	2,514	1,868	3,645	737
Paris Trip	–	1,500	1,500	–
Peer Connectors	878	–	878	–
Photo Club	3	–	3	–
SADD Club	1,513	2,301	1,761	2,053
Science Olympiad	101	61	162	–
Senior Class	1,236	19,092	15,431	4,897
SKILLS	826	–	826	–
Spanish Club	11,404	3,844	11,246	4,002
Spanish Fundraiser	5,716	4,194	2,028	7,882
Spring and Fall Play	3,374	9,934	10,166	3,142
Student Council	7,462	5,925	9,670	3,717
Summer Theater	23	–	23	–
Unclassified	126	–	–	126
Video Yearbook	20	–	20	–
Vocal Music	10,332	22,603	18,310	14,625
Vocal Musical	10,393	19,184	23,892	5,685
Youth in Government	1,091	1	1,092	–
Total	\$ 108,197	\$ 179,043	\$ 186,463	\$ 100,777

See note 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, 2010

	Beginning Balance – <u>July 1, 2009</u>	<u>Receipts</u>	<u>Disbursements</u>	Ending Balance – <u>June 30, 2010</u>
Anime	\$ 215	\$ 1,498	\$ 829	\$ 884
Annual	13,544	14,312	16,012	11,844
Band	245	980	300	925
Choir	12,970	33,422	41,064	5,328
Class of 2009	785	–	785	–
Class of 2010	5,866	9,720	1,942	13,644
Class of 2011	–	26,480	19,966	6,514
DECA	5,336	76,398	75,454	6,280
Diversity	9	457	300	166
Downhill Ski and Snowboard	167	1,685	1,520	332
Encore	2,107	945	922	2,130
Environmental	34	–	34	–
French Club	3,678	2,985	2,947	3,716
Interest	–	62	62	–
Link Crew	71	105	–	176
Mathematics	–	101	50	51
Mock Trial	3	4,601	4,574	30
National Honor Society	1,481	850	519	1,812
Newspaper	2,313	8,635	10,433	515
SADD Club	1,483	88	913	658
School Stores	317	3,462	3,677	102
Spanish Club	5,011	8,435	8,652	4,794
Speech	4,248	7,901	8,237	3,912
Student Council	10,724	5,297	5,500	10,521
Synergy	–	2,176	1,304	872
Theatre	5,947	24,973	19,786	11,134
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 76,554</u>	<u>\$ 235,568</u>	<u>\$ 225,782</u>	<u>\$ 86,340</u>

See note to extracurricular student activity accounts financial statements

INDEPENDENT SCHOOL DISTRICT NO. 194

Century Middle School Extracurricular Student Activity Accounts
 Statement of Cash Receipts and Disbursements
 Year Ended June 30, 2010

	Beginning Balance – July 1, 2009	Receipts	Disbursements	Ending Balance – June 30, 2010
Branching Out Club	\$ 420	\$ –	\$ 420	\$ –
Leadership	6,830	–	6,830	–
Lego	351	–	351	–
Middle School Activities	107	–	107	–
Ski Club	2,661	–	2,661	–
Teen Night	4,456	–	4,456	–
Video Club	831	–	831	–
Yearbook	3,015	–	3,015	–
	<u>18,671</u>	<u>–</u>	<u>18,671</u>	<u>–</u>
Total	<u>\$ 18,671</u>	<u>\$ –</u>	<u>\$ 18,671</u>	<u>\$ –</u>

See note to extracurricular student activity accounts financial statements

INDEPENDENT SCHOOL DISTRICT NO. 194

Kenwood Trail Middle School Extracurricular Student Activity Accounts
 Statement of Cash Receipts and Disbursements
 Year Ended June 30, 2010

	Beginning Balance – <u>July 1, 2009</u>	<u>Receipts</u>	<u>Disbursements</u>	Ending Balance – <u>June 30, 2010</u>
Administrator Contingency	<u>\$ 1,726</u>	<u>\$ –</u>	<u>\$ 1,726</u>	<u>\$ –</u>

See note to extracurricular student activity accounts financial statements

INDEPENDENT SCHOOL DISTRICT NO. 194

Note to Extracurricular Student Activity Accounts Financial Statements
June 30, 2010

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 extracurricular student activity accounts are maintained, and the accompanying financial statements have been prepared, on the cash basis of accounting. Consequently, receipts are recorded when received rather than when earned, and disbursements are recognized when paid rather than when the obligations are incurred.

OTHER REQUIRED REPORTS



PRINCIPALS

Kenneth W. Malloy, CPA
Thomas M. Montague, CPA
Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

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

We have audited 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, 2010 and have issued our report thereon dated November 8, 2010. 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, because the financial statements are prepared on a basis of cash receipts and disbursements, the financial statements are not intended to present financial position and results of operations in conformity with 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 responses to the findings in our audit are described in the accompanying Schedule of Findings and Corrective Action. 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 the School Board, management, students of the District, and the Minnesota Department of Education and is not intended to be, and should not be, used by anyone other than these specified parties.

November 8, 2010

INDEPENDENT SCHOOL DISTRICT NO. 194

Schedule of Findings and Corrective Action
June 30, 2010

FINDINGS AND CORRECTIVE ACTION

2010-1 Improper Accounts

Condition – We noted three activities accounted for by Independent School District No. 194, Lakeville, Minnesota (the District) as student activities during the year ended June 30, 2010 that do not meet the definition of an extracurricular activity as defined by standards of 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 assure all student activity accounts meet the definition of an extracurricular activity as defined by the standards of the *Manual for Activity Fund Accounting*.

Corrective Action Plan – The District will remove all improper accounts from its student activity funds.

2010-2 Inactive Accounts

Condition – We noted four activities accounted for by the District as student activities during the year ended June 30, 2010 which are inactive and need 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.

Corrective Action Plan – The District will close all inactive accounts.

2010-3 Untimely Deposits

Condition – We noted 26 of 50 cash receipt transactions tested within the student activity accounts 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 the District assure all student activity deposits are being recorded and deposited in a timely manner.

INDEPENDENT SCHOOL DISTRICT NO. 194

Schedule of Findings and Corrective Action (continued)
June 30, 2010

FINDINGS AND CORRECTIVE ACTION (CONTINUED)

2010-3 Untimely Deposits (continued)

Corrective Action Plan – The District will continue take the necessary steps to assure all student activity deposits are being recorded and deposited in a timely manner.

2010-4 Documentation of Transaction

Condition – The *Manual for Activity Fund Accounting* requires two signatures on all checks and original vendor invoices and/or backup documentation for disbursements. We noted 3 of 50 cash disbursements transactions we tested within the student activity accounts that lacked original vendor invoices and/or backup documentation and/or were not properly signed or approved during the year ended June 30, 2010.

Type of Finding – Current year finding.

Criteria – *Manual for Activity Fund Accounting*.

Recommendation – We recommend that the District obtain two signatures on all disbursements and retain sufficient backup documentation for all cash disbursements.

Corrective Action Plan – The District's Finance Department personnel will review the requirements for proper approval and documentation of student activity disbursements per the *Manual for Activity Fund Accounting* with individuals responsible for overseeing student activity accounts, and will continue to monitor these transactions to assure all student activity disbursements are supported by adequate documentation and that the required approving signatures are obtained for all disbursements.

2010-5 Improper Disbursement

Condition – We noted 9 of 50 cash disbursement transactions we tested within the student activity accounts that were for co-curricular activities or other payments not allowed to be paid by student activity accounts.

Type of Finding – Current year finding.

Criteria – *Manual for Activity Fund Accounting*

Recommendation – It is our recommendation that the individuals responsible for overseeing these accounts review the guidelines for what are considered to be proper disbursements per the *Manual for Activity Fund Accounting*.

Corrective Action Plan – The District's Finance Department personnel will review the requirements for proper student activity disbursements per the *Manual for Activity Fund Accounting* with individuals responsible for overseeing student activity accounts and will continue to monitor these transactions to assure all student activity disbursements are appropriate.