

**Independent School District No. 14
Fridley, Minnesota**

**Financial Statements of
the Student Activity Accounts**

June 30, 2017



Independent School District No. 14
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Independent Auditor's Report

To the School Board,
Advisors and Students
Independent School District No. 14
Fridley, Minnesota

Report on the Financial Statements

We have audited the Statement of Receipts and Disbursements of the student activity accounts of Independent School District No. 14, Fridley, Minnesota, for the year ended June 30, 2017, and the related note to student activity accounts' financial statement.

Management's/ Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the financial reporting provisions of the Minnesota Department of Education. 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 fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of 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 opinions.



Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

As described in the note to financial statements, the financial statement is prepared by the District on the basis of the financial reporting provisions of the Minnesota Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the financial reporting requirements of the Minnesota Department of Education.

The effects on the financial statements of the variances between the regulatory basis of accounting described in the note to financial statements and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Student Activity Funds of the District as of June 30, 2017, or changes in the financial position for the year then ended.

Basis for Qualified Opinion – Regulatory Basis of Accounting

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.

Qualified Opinion – Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinion – Regulatory Basis of Accounting" paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances of Independent School District No. 14, Fridley, Minnesota, student activity accounts for the year ended June 30, 2017, and the cash transactions for the year then ended in accordance with the financial reporting provisions of the Minnesota Department of Education as described in the note to financial statement.

A handwritten signature in cursive script that reads "BerganKDV Ltd." followed by a period.

Minneapolis, Minnesota
December 11, 2017

Independent School District No. 14
Statement of Receipts and Disbursements
Year Ended June 30, 2017

| Description | Balance July 1, 2016 | Receipts and Transfers In | Disbursements and Transfers Out | Balance June 30, 2017 |
|-------------------------------------|-------------------------|---------------------------------|---------------------------------------|--------------------------|
| Elementary School | | | | |
| Hayes-Stevenson Fun Run | \$ 732 | \$ - | \$ 11 | \$ 721 |
| Stevenson Kids in Action | 1,959 | 144 | 242 | 1,861 |
| Hayes Kids in Action | 630 | - | 8 | 622 |
| Total elementary school | <u>3,321</u> | <u>144</u> | <u>261</u> | <u>3,204</u> |
| Middle School | | | | |
| Music | 4,296 | 15,622 | 15,973 | 3,945 |
| Builders Club | 82 | 1,265 | 1,266 | 81 |
| MS Choir | 1,167 | 6,674 | 5,157 | 2,684 |
| Theatre | 2,040 | - | 2,040 | - |
| Middle School Student Council | 1,170 | - | 224 | 946 |
| Total middle school | <u>8,755</u> | <u>23,561</u> | <u>24,660</u> | <u>7,656</u> |
| Senior High School | | | | |
| Athletics Fundraisers | | | | |
| Boys Baseball | 295 | - | 4 | 291 |
| Boys Basketball | 914 | 19 | 933 | - |
| Boys Golf | 64 | - | 64 | - |
| Boys Soccer | 139 | 455 | 574 | 20 |
| Boys Swimming | 322 | - | 172 | 150 |
| Boys Tennis | 644 | 550 | 997 | 197 |
| Boys/Girls Athletics | 3,645 | 4,295 | 4,740 | 3,200 |
| Cheerleading | 382 | 5,126 | 5,070 | 438 |
| Cross Country | 3,480 | 3,052 | 4,733 | 1,799 |
| Dance Team | 784 | 310 | 630 | 464 |
| Fall Dance Team | 962 | - | 962 | - |
| Football | 461 | - | 461 | - |
| Girls Basketball | 1,314 | - | 538 | 776 |
| Girls Golf | 231 | 778 | 883 | 126 |
| Girls Soccer | 204 | - | 204 | - |
| Girls Swimming | 1,891 | 560 | 342 | 2,109 |
| Girls Tennis | 1,177 | 700 | 800 | 1,077 |
| Softball | 1,762 | 3,475 | 2,979 | 2,258 |
| Speech | 1,729 | 2,828 | 457 | 4,100 |
| Track | 5,356 | 4,818 | 2,688 | 7,486 |
| Volleyball | 1,110 | 1,081 | 457 | 1,734 |
| Wrestling | 1,708 | 4,755 | 3,484 | 2,979 |
| AVID | 360 | - | 360 | - |
| Band | 7,286 | 4,711 | 6,122 | 5,875 |
| Choir | 851 | 3,994 | 4,221 | 624 |
| Commencement | 4,353 | 6,134 | 6,794 | 3,693 |
| Concessions | 14,495 | 14,584 | 10,879 | 18,200 |
| Performing Arts Club | 30 | - | 30 | - |
| German Club | - | 4,880 | 322 | 4,558 |
| Grand March | 1,085 | 316 | 513 | 888 |
| High School Prom | 5,713 | 9,035 | 6,549 | 8,199 |
| High School Yearbook | 2,541 | 732 | 445 | 2,828 |
| KEY Club | 3,093 | 19,715 | 22,489 | 319 |
| National Honor Society | 178 | 452 | 479 | 151 |
| Robotics | 5,013 | 5,263 | 9,693 | 583 |
| Science Club | 1,195 | 480 | 632 | 1,043 |
| Spanish Club | 6,168 | 648 | 5,905 | 911 |
| High School AASU | 103 | - | 87 | 16 |
| Student Council | 4,347 | 7,732 | 7,356 | 4,723 |
| Strength Training | 1,635 | - | 617 | 1,018 |
| Youth in Government | 823 | 17,220 | 15,955 | 2,088 |
| High School/Middle School Bandorama | 207 | 1,564 | 1,359 | 412 |
| HS DECA | 406 | - | 6 | 400 |
| Total senior high school | <u>88,456</u> | <u>130,262</u> | <u>132,985</u> | <u>85,733</u> |
| Total | <u>\$ 100,532</u> | <u>\$ 153,967</u> | <u>\$ 157,906</u> | <u>\$ 96,593</u> |

See note to student activity accounts financial statements.

Independent School District No. 14
Note to Student Activity Accounts Financial Statement

Student activity account 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.

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

The accounts of the student activity funds are maintained, and the accompanying financial statement has been prepared, on a regulatory basis of accounting prescribed by the Minnesota Department of Education. Consequently, receipts are recognized when received rather than when earned, and disbursements are recognized when paid rather than when the obligations are incurred.

**Report on Compliance with the
*Manual for Activity Fund Accounting***

Independent Auditor's Report

To the School Board,
Advisors and Students
Independent School District No. 14
Fridley, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the Statement of Receipts and Disbursements of the student activity accounts of Independent School District No. 14, Fridley, Minnesota, for the year ended June 30, 2017, and the related note to student activity accounts financial statement and have issued our report thereon dated December 11, 2017. We expressed an adverse opinion on accounting principles generally accepted in the United States of America because the financial statement is prepared on a basis of accounting that demonstrates compliance with the regulatory basis of accounting prescribed or permitted by the Minnesota Department of Education, which differs from accounting principles generally accepted in the United States of America. In addition, our report on the regulatory basis of accounting is qualified because the District has not established procedures to provide assurance that all cash collections are recorded in the accounting records.

The *Manual for Activity Fund Accounting*, issued by the Minnesota Department of Education, pursuant to *Minnesota Statutes* Section 123B.49, provides uniform financial accounting and reporting standards for student activities. We have performed auditing procedures to test compliance with the provisions of this Manual.

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 Plans on Compliance with the *Manual for Activity Fund Accounting*. 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 purpose of this report is solely to describe the scope of our testing compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

BerganKDV Ltd.

Minneapolis, Minnesota
December 11, 2017

Independent School District No. 14
Schedule of Findings and Corrective Action Plans on
Compliance with the *Manual for Activity Fund Accounting*

CURRENT YEAR FINDING:

Ensure Activity Purpose Forms and Officer Listings Are Accurately Completed Annually

The *Manual for Activity Fund Accounting* requires an Activity Purpose Form exist for each activity within the fund. The Form needs to include the name of the advisor, acknowledgement of the receipt, and acknowledgement of responsibility for assuring proper procedures are followed. These Forms must be completed, signed by the advisor and principal, and placed on file at the district office.

The *Manual for Activity Fund Accounting* requests each class, club, or organization submit a list of officers to the business office. These individuals may be designated to assist in decision making about the account.

During the 2017 audit, it was noted that Boys and Girls Tennis did not complete the officer listing. In addition, DECA did not complete the activity purpose form or the officer listing.

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The District will ensure activity purpose forms and officer listings are completed for all activities.
3. Official Responsible for Ensuring CAP
Matt Hammer, Finance Director, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP
The planned completion date for the CAP is June 30, 2018.
5. Plan to Monitor Completion of the CAP
The Superintendent will be monitoring this CAP.

Independent School District No. 14
Schedule of Findings and Corrective Action Plans on
Compliance with the *Manual for Activity Fund Accounting*

CURRENT YEAR FINDING:

Ensure Bank Deposits are made Timely

The *Manual for Student Activity Accounting* requests that bank deposits must be completed, at a minimum, weekly and in the form in which the funds were received.

During the 2017 audit, it was noted that checks were being held by the District for over a month on several occasions.

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The District will ensure activity purpose forms and officer listings are completed for all activities.
3. Official Responsible for Ensuring CAP
Matt Hammer, Finance Director, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP
The planned completion date for the CAP is June 30, 2018.
5. Plan to Monitor Completion of the CAP
The Superintendent will be monitoring this CAP.

Independent School District No. 14
Schedule of Findings and Corrective Action Plans on
Compliance with the *Manual for Activity Fund Accounting*

CURRENT YEAR FINDING:

Equipment

According to the *Manual for Student Activity Accounting*, capital and non-capital equipment purchases funded by a student activity group become the property of the district. Payments for equipment need to be processed and paid by the district via normal district processes. The payments must not be made directly from the student activity account. The student activity account must reimburse the district for the equipment purchase.

During the 2017 audit, it was noted that two student activity accounts purchased capital equipment.

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The District will ensure activity purpose forms and officer listings are completed for all activities.
3. Official Responsible for Ensuring CAP
Matt Hammer, Finance Director, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP
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The Superintendent will be monitoring this CAP.