

**INDEPENDENT SCHOOL DISTRICT NO. 196
ROSEMOUNT-APPLE VALLEY-EAGAN PUBLIC SCHOOL
ROSEMOUNT, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND OTHER REQUIRED REPORTS**

JUNE 30, 2019

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ROSEMOUNT-APPLE VALLEY-EAGAN PUBLIC SCHOOL
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SINGLE AUDIT AND OTHER REQUIRED REPORTS



**INDEPENDENT AUDITORS' 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**

School Board
Independent School District No. 196
Rosemount-Apple Valley-Eagan Public School
Rosemount, Minnesota

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 196 (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 6, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a 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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002, which we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

Independent School District No. 196's Response to Findings

Independent School District No. 196's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Independent School District No. 196's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 6, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE,
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

School Board
Independent School District No. 196
Rosemount-Apple Valley-Eagan Public School
Rosemount, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Independent School District No. 196's (the District) compliance with the types of compliance requirements described in the *OMB 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, 2019. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of 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, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as items 2019-003, 2019-004, and 2019-005. Our opinion on each major federal program is not modified with respect to this matter.

Independent School District No. 196's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Independent School District No. 196's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Independent School District No. 196 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Independent School District No. 196's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Independent School District No. 196's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-003 and 2019-004 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-005 to be significant a deficiency.

School Board
Independent School District No. 196
Rosemount-Apple Valley-Eagan Public School

Independent School District No. 196's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Independent School District No. 196's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 6, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information 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 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 6, 2019

**INDEPENDENT SCHOOL DISTRICT NO. 196
ROSEMOUNT-APPLE VALLEY-EAGAN PUBLIC SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

Federal Agency/Pass-Through Grantor/Program Title	Pass-Through Entity Number	Federal CFDA Number	Federal Expenditures	Passed Through to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Minnesota Department of Education:				
Child Nutrition Cluster:				
Non-Cash Assistance (Commodities):				
National School Lunch Program	01-0492-000-000 {a}	10.555	\$ 922,634	\$ -
Cash Assistance:				
School Breakfast Program	01-0492-000-000 {a}	10.553	877,137	-
National School Lunch Program	01-0492-000-000 {a}	10.555	3,490,024	-
Summer Food Service Program for Children	01-0492-000-000 {a}	10.559	83,977	-
Cash Assistance Subtotal			<u>4,451,138</u>	<u>-</u>
Total U.S. Department of Agriculture			5,373,772	-
U.S. DEPARTMENT OF EDUCATION				
Passed Through Minnesota Department of Education:				
Adult Basic Education	01-0492-000-000	84.002	52,596	-
Title I - Part A	01-0492-000-000	84.010	1,983,690	-
Carl Perkins Vocational and Applied Technology	01-0492-000-000	84.048	246,618	-
Special Education Flow-Thru	01-0492-000-000 {b}	84.027	5,805,032	-
Special Education Preschool Grants	01-0492-000-000 {b}	84.173	132,865	-
Special Education Infants and Toddlers Program	01-0492-000-000	84.181	135,595	-
Special Education - Autism Spectrum	01-0492-000-000	84.323	7,396	-
Education for Homeless Children and Youth	01-0492-000-000	84.196	19,874	-
Title II - Improving Teacher Quality	01-0492-000-000	84.367	453,878	-
Title III - English Language Acquisition	01-0492-000-000	84.365	208,264	-
Student Support and Academic Enrichment Program	01-0492-000-000	84.424	52,495	-
Miscellaneous Other Federal Programs	01-0492-000-000		22,708	-
Total Passed Through U.S. Department of Education			<u>9,121,011</u>	<u>-</u>
Direct:				
Indian Education Grants to Local Educational Agencies		84.060	66,870	-
Magnet Schools Assistance		84.165	1,529,544	-
Total U.S. Department of Education			<u>1,596,414</u>	<u>-</u>
U.S. DEPARTMENT OF LABOR				
Direct:				
Youthbuild		17.274	137,478	-
Total Federal Awards			<u>\$ 16,228,675</u>	<u>\$ -</u>

{a} - Child Nutrition Cluster = \$5,373,772
 {b} - Special Education Cluster = \$5,937,897

See notes to Schedule of Expenditures of Federal Awards.

**INDEPENDENT SCHOOL DISTRICT NO. 196
ROSEMOUNT-APPLE VALLEY-EAGAN PUBLIC SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Independent School District No. 196 (the District) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State and Local Governments, or the cost principles contained in Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District did not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.



INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

School Board
Independent School District No. 196
Rosemount-Apple Valley-Eagan Public School
Rosemount, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 196 (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 6, 2019.

The *Minnesota Legal Compliance Audit Guide for School Districts* covers seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards. Our study included all of the listed categories.

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 *Minnesota Legal Compliance Audit Guide for School Districts*, insofar as they relate to accounting matters. 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, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of the District's compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 6, 2019

**INDEPENDENT SCHOOL DISTRICT NO. 196
ROSEMOUNT-APPLE VALLEY-EAGAN PUBLIC SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

1. Internal control over financial reporting:

- Material weakness(es) identified? x yes no
- Significant deficiency(ies) identified? yes x none reported

2. Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? x yes no
- Significant deficiency(ies) identified? x yes none reported

1. Type of auditors’ report issued on compliance for major federal programs: Unmodified

2. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555, 10.559 84.027, 84.173	Child Nutrition Cluster Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes x no

**INDEPENDENT SCHOOL DISTRICT NO. 196
ROSEMOUNT-APPLE VALLEY-EAGAN PUBLIC SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Section II – Financial Statement Findings

2019 – 001: Financial Controls Over Severance

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition: During audit procedures conducted over the District's calculations of its liability for severance benefits we noted that employee salaries and pay rates had not been properly updated from prior years. We also noted the number of hours and days that employees were accruing for the current fiscal year were not calculating properly, resulting in employees over accruing amounts in the current year.

Criteria: The District should have the proper financial procedures and controls in place to ensure that proper information is being utilized for all District calculations and that all year-end reconciliations and work papers are properly reviewed in order to prevent and/or detect errors and misstatements.

Context: As a result of the calculations errors the District overstated its severance liability by more than \$2 million.

Effect: The design of the internal controls over the year-end calculations for severance liabilities may limit the District's ability to detect or prevent a misstatement of the financial statements.

Cause: The District's procedures for calculating severance balances did not include review procedure thorough enough to identify errors.

Recommendation: We recommend District management review its procedures and controls related to the year-end reconciliation and calculation of severance benefits and make modifications or changes as appropriate.

Views of responsible officials and planned corrective actions: The District does not disagree with the finding.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Actions planned in response to finding: The District will work to ensure that all information used to calculate severance liabilities is current and year-end reconciliations and work papers are properly reviewed.

Responsible party: The District's Coordinator of Finance.

Planned completion date for corrective action plan: June 30, 2020.

Plan to monitor completion of corrective action plan: The corrective action plan will be monitored by the Board of Education and the Finance Department.

**INDEPENDENT SCHOOL DISTRICT NO. 196
ROSEMOUNT-APPLE VALLEY-EAGAN PUBLIC SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

2019 – 002: Prior Period Restatement

Type of Finding: Material Weakness Over Controls Related to Deposits and Unearned Revenue

Condition: During audit procedures conducted over the District's unearned revenue it was noted that in the prior year there was a food service deposit that the District recorded as unearned revenue twice. As unearned revenue was adjusted down to the current year's ending balance, this deposit was then recognized as revenue twice.

Criteria: The District should have the proper financial procedures and controls in place to ensure that year-end adjustments and reconciliations are correct and properly reviewed.

Context: Beginning fund balance in the food service fund was understated by \$230 thousand and current year revenue in the food service fund was initially overstated by \$230 thousand.

Effect: The design of the internal controls over the year-end adjustments limited the District's ability to detect a material misstatement.

Cause: The District's procedures for adjusting unearned revenue balances did not include thorough reconciliation procedures of the ending balances or a sufficient review of adjustments posted.

Recommendation: We recommend District management review its procedures and controls related to the year-end reconciliation and adjustment of unearned revenue and make modifications or changes as appropriate.

Views of responsible officials and planned corrective actions: The District does not disagree with the finding.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Actions planned in response to finding: The District will work to ensure that deposits are properly recorded and year-end adjustments and reconciliations over unearned revenue are properly reviewed.

Responsible party: The District's Coordinator of Finance.

Planned completion date for corrective action plan: June 30, 2020.

Plan to monitor completion of corrective action plan: The corrective action plan will be monitored by the Board of Education and the Finance Department.

**INDEPENDENT SCHOOL DISTRICT NO. 196
ROSEMOUNT-APPLE VALLEY-EAGAN PUBLIC SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Section III – Findings and Questioned Costs – Major Federal Programs

2019 - 003: Procurement Documentation

Federal Agencies: U.S. Department of Education and U.S. Department of Agriculture

Federal Program Title: Special Education Cluster and Child Nutrition Cluster

CFDA Numbers: 84.027 and 84.173 (Special Education Cluster, 10.553, 10.555, and 10.559 (Child Nutrition Cluster

Pass-Through Agency: Minnesota Department of Education

Award Period: July 1, 2018 – June 30, 2019

Type of Finding: Material Weakness in Internal Control Over compliance and Compliance Finding

Criteria: The Uniform Guidance requires that Districts maintain records sufficient to detail the history of all procurements made with Federal program funds. This documentation should include the rationale for the method of procurement, selection of contract type, etc. In addition, documented controls must be in place over this compliance requirement.

Condition: During our testing of procurements in the Special Education and Child Nutrition programs we noted that the District provided verbal rationale discussing the methods utilized but some of the procurements did not contain sufficient documentation as required by the Uniform Guidance and the District's policies.

In addition, we noted instances where the incorrect procurement method was utilized.

Questioned Costs: None

Context: For the Special Education program we tested eight procurements noting that the District provided verbal rationale discussing the methods utilized but that seven of the eight procurements tested did not contain sufficient documentation as required by the Uniform Guidance and the District's policies. For the Child Nutrition program we tested 17 procurements noting that 4 of the procurements tested did not contain sufficient documentation as required by the Uniform Guidance and the District's policies. In addition, two of the procurements did not utilize the appropriate method as required by the Uniform Guidance.

Cause: The District's execution of policies and procedures included verbal, not written rationale, for the type of procurement at the time of purchase. The district has taken steps to ensure documentation of rationales used in purchasing.

Effect: The District was not in compliance with the Uniform Guidance requirements around procurement.

Repeat Finding: No

Recommendation: We recommend that the District reviews its procedures and controls over federal procurements, creating standard forms or documents as necessary, to ensure all procurements are thoroughly documented. In addition, we recommend the District review the personnel that are involved in expenditures charged to Federal programs to ensure all personnel are properly trained in the requirements contained in the Federal Uniform Guidance.

View of Responsible Official: There is no disagreement with the audit finding.

**INDEPENDENT SCHOOL DISTRICT NO. 196
ROSEMOUNT-APPLE VALLEY-EAGAN PUBLIC SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

2019 - 004: Suspension and Debarment

Federal Agencies: U.S. Department of Education and U.S. Department of Agriculture

Federal Program Title: Special Education Cluster and Child Nutrition Cluster

CFDA Numbers: 84.027 and 84.173 (Special Education Cluster, 10.553, 10.555, and 10.559 (Child Nutrition Cluster

Pass-Through Agency: Minnesota Department of Education

Award Period: July 1, 2018 – June 30, 2019

Type of Finding: Material Weakness in Internal Control Over compliance and Compliance Finding

Criteria: The Uniform Guidance requires that for procurements exceeding \$25,000 Districts check all vendors against the Federal System for Award Management to ensure the vendor is not suspended or debarred. In addition, documentation of this check is required as well as proper internal controls over this process.

Condition: During our testing of procurements in the Special Education and Child Nutrition programs we noted that the District had not performed the appropriate vendor checks for all procurements exceeding \$25,000.

Questioned Costs: None

Context: For the Special Education program we noted that 5 of the 6 procurements tested did not contain documentation of this check. For the Child Nutrition program we noted that 4 of the 7 procurements tested did not contain documentation of this check.

Cause: The District's historical documentation for vendors added prior to the implementation of current documentation and internal controls processes did not include suspension and debarment documentation.

Effect: The District was not in compliance with the Uniform Guidance requirements around suspension and debarment.

Repeat Finding: No

Recommendation: We recommend that the District reviews its procedures and controls over federal procurements with regards to suspension and debarment to ensure these checks are being performed and properly documented.

View of Responsible Official: There is no disagreement with the audit finding.

**INDEPENDENT SCHOOL DISTRICT NO. 196
ROSEMOUNT-APPLE VALLEY-EAGAN PUBLIC SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

2019 - 005: Payroll Costs

Federal Agency: U.S. Department of Education

Federal Program Title: Special Education Cluster

CFDA Numbers: 84.027 & 84.173

Pass-Through Agency: Minnesota Department of Education

Award Period: July 1, 2018 – June 30, 2019

Type of Finding: Significant Deficiency in Internal control over Compliance and Compliance Finding

Criteria: The Uniform Guidance requires that all direct payroll costs charged to a Federal grant are supported by time and effort documentation that shows how the employee's time was allocated to each program.

Condition: During our testing of payroll transactions charged to the Special Education program it was noted that an employee's wages were not properly allocated to the Federal program based on the supporting time and effort documentation.

Questioned Costs: None

Context: We noted 1 of the 40 disbursements we tested was not allocated properly.

Cause: The District unknowingly made an entry error when the assignment for the selected employee changed in the middle of the school year. Execution of district procedures did not reveal this error during processing.

Effect: The District was not in compliance with the Uniform Guidance requirements around allowable costs and time and effort documentation.

Repeat Finding: No

Recommendation: We recommend that the District reviews its procedures and controls with regards to time and effort documentation and make any changes necessary to ensure all employees' wages are properly allocated and charged to Federal programs.

View of Responsible Official: There is no disagreement with the audit finding.

Section V – MN Legal Compliance Findings

No findings noted which are required to be reported.

EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS



INDEPENDENT AUDITORS' REPORT

School Board, Advisors, and Students
Independent School District No. 196
Rosemount-Apple Valley-Eagan Public School
Rosemount, Minnesota

Report on the Financial Statement

We have audited the statement of cash receipts and disbursements of the Student Activity Funds of Independent School District No. 196 (the District) as of and for the year ended June 30, 2019, and the related note to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the regulatory basis of accounting described in the note to the financial statement. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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

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

The effects on the financial statement of the variances between the regulatory basis of accounting described in the note to the financial statement 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 statement referred to above does 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, 2019, or changes in financial position for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

We were unable to audit cash receipts because the District has not established procedures to provide assurance that all cash collections are recorded in the accounting records. We were unable to obtain sufficient appropriate audit evidence about the completeness of cash receipts by other auditing procedures.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effect of the matter discussed in the Basis for Qualified Opinion on Regulatory Basis paragraph, the financial statement referred to in the first paragraph presents fairly, in all material respects, the cash balances of the Student Activity Funds of the District as of June 30, 2019, and the receipts and disbursements for the year then ended in accordance with the basis of accounting described in the notes to the financial statement.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 6, 2019

**INDEPENDENT SCHOOL DISTRICT NO. 196
ROSEMOUNT-APPLE VALLEY-EAGAN PUBLIC SCHOOL
EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
AS OF AND FOR YEAR ENDED JUNE 30, 2019**

	Beginning Balance	Receipts	Disbursements	Ending Balance
Alternative Learning Center	\$ 1,907	\$ 3,208	\$ 2,312	\$ 2,803
Apple Valley High School	54,413	50,168	65,100	39,481
Eagan High School	88,378	95,883	135,137	49,124
Eastview High School	35,534	54,086	49,065	40,555
Rosemount High School	147,628	160,518	183,823	124,323
School of Environmental Studies	1,786	6,598	6,581	1,803
Dakota Hills Middle School	21,774	-	3,424	18,350
Falcon Ridge Middle School	14,390	-	13,201	1,189
Rosemount Middle School	14,871	11,164	12,063	13,972
Scott Highlands Middle School	1,110	1,454	1,560	1,004
Valley Middle School	43,935	15,834	27,379	32,390
Cedar Park Elementary School	844	-	-	844
Diamond Path Elementary School	18,801	701	13,782	5,720
Deerwood Elementary School	364	7	-	371
Echo Park Elementary School	485	6,464	-	6,949
Greenleaf Elementary School	869	-	869	-
Parkview Elementary School	1,990	-	-	1,990
Pinewood Elementary School	8,121	2,017	2,660	7,478
Red Pine Elementary School	3,169	6,842	6,593	3,418
Thomas Lake Elementary School	884	-	30	854
Woodland Elementary School	134	-	-	134
Westview Elementary School	1,066	283	1,042	307
DISTRICT TOTAL	<u>\$ 462,453</u>	<u>\$ 415,227</u>	<u>\$ 524,621</u>	<u>\$ 353,059</u>

See Notes to Extracurricular Student Activity Accounts.

**INDEPENDENT SCHOOL DISTRICT NO. 196
ROSEMOUNT-APPLE VALLEY-EAGAN PUBLIC SCHOOL
NOTES TO EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2019**

NOTE 1 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Extracurricular 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. The student activity accounts are held in a separate bank account which is not under the control of the School Board of Independent School District No. 196.

Extracurricular 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 statements have been prepared, on the regulatory basis of accounting as permitted by the Minnesota Department of Education, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The regulatory basis presentation uses the cash basis. Consequently, receipts are recognized when received rather than when earned, and disbursements are recognized when paid rather than when the obligations are incurred.

NOTE 2 DEPOSITS AND INVESTMENTS

All cash and investments of the student activity accounts are held in demand accounts.

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

Minnesota Statutes require that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance.

Authorized collateral includes certain state or local government obligations, obligations of the U.S. Treasury and U.S. agencies, irrevocable standby letter of credit issued by the Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank's public debt is rated "AA" or better by Moody's or Standard & Poor's Corporation, and certificates of deposit insured by the FDIC.

Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the District Treasurer or in a financial institution (as agent for the District) other than that furnishing the collateral.

All student activity bank deposits are covered by deposit insurance or are collateralized by securities held by the District or its Agent in the District's name.



School Board, Advisers, and Students
Independent School District No. 196
Rosemount-Apple Valley-Eagan Public School
Rosemount, Minnesota

In planning and performing our audit of the statement of cash receipts and disbursements of the extracurricular student activity funds of Independent School District No. 196 (the District) as of and for the year ended June 30, 2019, 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 auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, 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 discussed below, we identified a certain 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the schedule of findings and corrective action as item 2019-006 to be a material weakness.

The District's written response to the material weakness finding identified in our audit is described in the Schedule of Findings and Corrective Action. The District's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of education and management of Independent School District No. 196 and is not and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 6, 2019



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE MANUAL FOR ACTIVITY FUND ACCOUNTING

School Board, Advisors, and Students
Independent School District No. 196
Rosemount-Apple Valley-Eagan Public School
Rosemount, Minnesota

Report on Compliance

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statement of cash receipts and disbursements of the Student Activity Funds of Independent School District No. 196 (the District) as of and for the year ended June 30, 2019, and the related note to the financial statement, and have issued our report thereon dated December 6, 2019. 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* (MAFA), issued by the Minnesota Department of Education, 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 MAFA, insofar as they relate to accounting matters, except as noted as item 2019-007 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, insofar as they relate to accounting matters.

Independent School District No. 196's response to the compliance finding identified in our audit is described in the extracurricular student activity accounts schedule of findings and corrective action. Independent School District No. 196's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

School Board, Advisors, and Students
Independent School District No. 196
Rosemount-Apple Valley-Eagan Public School

This report is intended solely for the information and use of the board of education and management of Independent School District No. 196 and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 6, 2019

**INDEPENDENT SCHOOL DISTRICT NO. 196
ROSEMOUNT-APPLE VALLEY-EAGAN PUBLIC SCHOOL
EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS
SCHEDULE OF FINDINGS AND CORRECTIVE ACTION
JUNE 30, 2019**

Schedule of Findings and Corrective Action

2019 – 006: Procedures to provide assurance that all cash collections are recorded in the accounting records

Condition: The District has not established accounting procedures to provide assurance that all cash collections are recorded in the accounting records. The District records student activity revenues on the cash basis and does not have an accounting system and internal controls in place to ensure student activity receipts have been recorded.

Effect: The potential exists that a material misstatement could occur in the financial statements and not be prevented or detected by the District's internal controls.

Views of responsible officials and planned corrective actions:

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Actions planned in response to finding: The District records student activity revenues on the cash basis and does not have an accounting system and internal controls in place to ensure student activity revenues and receipts have been properly recorded. In consideration of the guiding principles under which the student activity funds were established, the District provides opportunities for substantial student involvement in the selection, direction, and management of fundraisers. This student involvement, although of great value to those students, is an inherent internal control weakness. The District has determined the costs of implementing controls over fundraising activities, in light of the multiple locations and times of these activities, outweigh the benefits; therefore, the District will continue to rely on activity fund advisors for appropriate oversight and supervision, but will not, at this time, implement procedures and policies to provide for detail internal control processes at each fund raising location and activity.

Responsible party: The District's Coordinator of Finance is the school official responsible for carrying out the corrective action plan.

Planned completion date for corrective action plan: The corrective action plan will be carried out as part of each annual audit; therefore, the corrective action plan is ongoing.

Plan to monitor completion of corrective action plan: The corrective action plan will be monitored each year by the District financial staff and Board of Education as a part of the process of developing the annual audit report.

**INDEPENDENT SCHOOL DISTRICT NO. 196
ROSEMOUNT-APPLE VALLEY-EAGAN PUBLIC SCHOOL
EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS
SCHEDULE OF FINDINGS AND CORRECTIVE ACTION
JUNE 30, 2019**

2019 – 007: Inactive Student Activity Accounts

Condition: During fiscal 2019, the District had five student activity accounts which did not have any activity, which does not meet the state's guidelines for closing inactive accounts in accordance with the Manual for Activity Fund Accounting (MAFA).

Effect: The District was not in compliance with the Manual for Activity Fund Accounting.

Recommendation: We recommend the District develop procedures to review all inactive accounts and close those that do not have activity for an entire fiscal year.

Views of responsible officials and planned corrective actions:

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Actions planned in response to finding: The District will review its procedures over monitoring accounts and their activity.

Responsible party: The District's Coordinator of Finance is the school official responsible for carrying out the corrective action plan.

Planned completion date for corrective action plan: The planned completion date is June 30, 2020.

Plan to monitor completion of corrective action plan: The corrective action plan will be monitored each year by the District financial staff and Board of Education as a part of the process of developing the annual audit report.