

**INDEPENDENT SCHOOL DISTRICT NO. 273
EDINA, MINNESOTA**

**Extracurricular Student Activity Accounts
Financial Report**

**Year Ended
June 30, 2012**

INDEPENDENT AUDITOR'S REPORT

To the School Board of
Independent School District No. 273
Edina, Minnesota

We have audited the statement of cash receipts and disbursements of the extracurricular student activity accounts of Independent School District No. 273, Edina, Minnesota (the District) as of and for the year ended June 30, 2012. This financial statement is the responsibility of the District's extracurricular student activities management. Our responsibility is to express an opinion on this financial statement based on our audit.

Except as discussed in the following paragraphs, 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.

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.

As described in Note 1 of the notes to extracurricular student activities accounts financial statement, the financial statement was 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.

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 statement referred to above presents fairly, in all material respects, the cash balances of the District's extracurricular student activity accounts for the year ended June 30, 2012, and the cash receipts and disbursements for the year then ended, on the basis of accounting described in Note 1.

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

October 10, 2012

INDEPENDENT SCHOOL DISTRICT NO. 273

Summary of Extracurricular Student Activity Accounts
 Statement of Cash Receipts and Disbursements
 Year Ended June 30, 2012

	<u>Balance – June 30, 2011</u>	<u>Receipts and Transfers in</u>	<u>Disbursements and Transfers Out</u>	<u>Balance – June 30, 2012</u>
Edina High School	\$ 114,748	\$ 59,045	\$ 130,356	\$ 43,437
South View Middle School	5,300	–	5,181	119
Valley View Middle School	20,365	7,094	23,141	4,318
	<u>\$ 140,413</u>	<u>\$ 66,139</u>	<u>\$ 158,678</u>	<u>\$ 47,874</u>

See notes to extracurricular student activity accounts financial statement

INDEPENDENT SCHOOL DISTRICT NO. 273

Notes to Extracurricular Student Activity Accounts Financial Statement
June 30, 2012

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. 273, Edina, Minnesota's extracurricular student activity accounts are maintained, and the accompanying financial statement has 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, extracurricular student activity account 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 of
Independent School District No. 273
Edina, Minnesota

In planning and performing our audit of the statement of cash receipts and disbursements of the extracurricular student activity accounts of Independent School District No. 273, Edina, Minnesota (the District) as of and for the year ended June 30, 2012, 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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies, significant deficiencies, or material weaknesses have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as described below, we identified a 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 the School Board, 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.

October 10, 2012

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

To the School Board of
Independent School District No. 273
Edina, Minnesota

We have audited the statement of cash receipts and disbursements of the extracurricular student activity accounts of Independent School District No. 273, Edina, Minnesota (the District) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 10, 2012. 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 statement is 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.

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 corrective actions to the findings identified in our audit are described in the accompanying Schedule of Findings and Corrective Action. We did not audit the District's corrective actions and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the School Board, 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.

October 10, 2012

INDEPENDENT SCHOOL DISTRICT NO. 273

Extracurricular Student Activity Accounts
Schedule of Findings and Corrective Action
June 30, 2012

FINDINGS AND CORRECTIVE ACTION

2012-1 UNTIMELY DEPOSITS

Condition – We noted that 2 of 10 student activity receipts selected for testing were not deposited in a timely manner as defined by the *Manual for Activity Fund Accounting*, which specifies that receipts are not to be held over a weekend.

Criteria – *Manual for Activity Fund Accounting*.

Recommendation – It is our recommendation that Independent School District No. 273, Edina, Minnesota (the District) assure all student activity deposits are being deposited in a timely manner.

Corrective Action

Actions Planned – The District will work with the individuals responsible for overseeing student activities to improve the timeliness of depositing receipts.

Official Responsible – Jim Gilligan, Controller.

Planned Completion Date – June 30, 2013.

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

Plan to Monitor – Jim Gilligan, Controller, will review the procedures for depositing student activity receipts with the responsible individuals at each site where student activity accounts are maintained, and will monitor the timeliness of deposits.