

**Independent School District No. 877  
Buffalo-Hanover-Montrose, Minnesota**

**Financial Statement of  
the Student Activity Accounts**

**June 30, 2018**



**Independent School District No. 877**  
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## **Independent Auditor's Report**

To the School Board,  
Advisors and Students  
Independent School District No. 877  
Buffalo-Hanover-Montrose, 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. 877, Buffalo-Hanover-Montrose, Minnesota, for the year ended June 30, 2018, and the related note to student activity accounts' financial statement.

### **Management's Responsibility for the Financial Statement**

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 these 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 statement. The procedures selected depend on the auditor's 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 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 audit opinions.



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

As described in the note to financial statement, 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 statement of the variances between the regulatory basis of accounting described in the note to 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, 2018, 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 statement referred to above presents fairly, in all material respects, the cash balances of Independent School District No. 877, Buffalo-Hanover-Montrose, Minnesota, student activity accounts for the year ended June 30, 2018, 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.

*BerganKDV Ltd.*

St. Cloud, Minnesota  
October 8, 2018

**Independent School District No. 877**  
**Statement of Receipts and Disbursements**  
**Year Ended June 30, 2018**

Activity	Balance June 30, 2017	Receipts and Transfers In	Disbursements and Transfers Out	Balance June 30, 2018
<b>Senior High School</b>				
Class of 2017 (Graduates)	\$ 1,352	\$ -	\$ 1,352	\$ -
Class of 2018 (Seniors)	6,742	1,691	6,835	1,598
Class of 2019 (Juniors)	541	22,360	21,030	1,871
Class of 2020 (Sophmores)	665	237	306	596
Class of 2021 (Freshman)	-	988	415	573
SH Arts Magnet	8,048	816	854	8,010
SH Bison Stampede	1,765	-	1,890	(125)
SH Business Professionals America	120	2,930	3,089	(39)
SH FFA	273	-	40	233
SH NHS	908	-	118	790
SH Student Care	5,879	1,160	3,452	3,587
SH Student Council	5,338	10,801	10,108	6,031
Activity interest	7	6	7	6
<b>Total</b>	<u><u>\$ 31,638</u></u>	<u><u>\$ 40,989</u></u>	<u><u>\$ 49,496</u></u>	<u><u>\$ 23,131</u></u>
Analysis of balance				
Checking account				<u><u>\$ 23,131</u></u>

**Independent School District No. 877**  
**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. 877  
Buffalo-Hanover-Montrose, 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. 877, Buffalo-Hanover-Montrose, Minnesota, for the year ended June 30, 2018, and the related note to student activity accounts financial statement and have issued our report thereon dated October 8, 2018. 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.



St. Cloud, Minnesota  
October 8, 2018

**Independent School District No. 877**  
**Schedule of Findings and Corrective Action Plans on**  
**Compliance with the *Manual for Activity Fund Accounting***

**CURRENT YEAR FINDINGS**

**Ensure Student Activity Purpose Forms are Completed Properly**

According to the *Manual for Student Activity Accounting*, activity purpose forms must include the following elements:

- Date.
- Name of Activity.
- Purpose of Activity.
- Age, grade and/or interest of students served.
- Acknowledgement that the advisor has received a copy of the Manual for Activity Fund Accounting (or District equivalent) and responsibilities related to the activity.
- Name of Advisor – printed, signature and date.
- Name of Building Principal – printed, signature and date.
- Instructions for disposal of the balance of the activities' funds upon termination.

During our 2018 audit, it was noted that the District did not fill out the activity purpose forms with all the required items above. Specifically, many forms did not provide instructions for disposal of the balance of activities' funds upon termination.

**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 that the most recent purpose form is signed, returned, and fully completed.

3. Official Responsible for Ensuring CAP

The Staff Accountant 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, 2019.

5. Plan to Monitor Completion of CAP

Miranda Kramer, Controller, will be monitoring this CAP



**Independent School District No. 877**  
**Schedule of Findings and Corrective Action Plans on**  
**Compliance with the *Manual for Activity Fund Accounting***

**CURRENT YEAR FINDINGS**

**Ensure Adequate Documentation of Receipts**

The *Manual for Student Activity Accounting* states the following procedures should be utilized by schools to properly receipt and deposit funds:

- Prenumbered receipts should be used
- All checks should be endorsed "For Deposit Only to the Respective School Activity Account"
- Two different people should count deposits
- Material discrepancies in the counting of receipts should be reported immediately to the chief accounting officer of the district
- Receipts should be deposited daily
- Bank deposit slips should contain the issuer name and amount of each check

During our 2018 audit, it was noted during our review of receipts, procedures were not implemented as required above. Specifically, pre-numbered receipts were not always being used, on the deposit recap form receipt #'s were being hand written.

**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 determine if the program for student activities has a feature for pre-numbered receipts. In the event that it does not, receipts will be issued pre-numbered.

3. Official Responsible for Ensuring CAP

The Staff Accountant 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, 2019.

5. Plan to Monitor Completion of CAP

Miranda Kramer, Controller, will be monitoring this CAP

**Independent School District No. 877**  
**Schedule of Findings and Corrective Action Plans on**  
**Compliance with the *Manual for Activity Fund Accounting***

**CURRENT AND PRIOR YEAR FINDING**

**Ensure Timely Deposits**

According to the *Manual for Student Activity Accounting*, receipts should be deposited timely and student activity money should be deposited at a minimum weekly.

During 2018, we noted deposits were not made in a timely manner due to office staff not turning over deposits to the accountant in a reasonable amount of time.

**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 require all cash and checks to be deposited within five working days after the activity.

3. Official Responsible for Ensuring CAP

The Staff Accountant 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, 2019.

5. Plan to Monitor Completion of CAP

Miranda Kramer, Controller, will be monitoring this CAP.