

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
STUDENT ACTIVITY ACCOUNTS
FINANCIAL STATEMENT
AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2016

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
STUDENT ACTIVITY ACCOUNTS
JUNE 30, 2016

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MILLER MCDONALD, INC.
Certified Public Accountants
513 Beltrami Avenue
P.O. Box 486
Bemidji, MN 56619
(218) 751 - 6300
Fax (218) 751 - 0782
www.millermcdonald.com

INDEPENDENT AUDITOR'S REPORT

**The Board of Education
Independent School District No. 31
Bemidji, Minnesota**

We have audited the accompanying statement of cash receipts and disbursements of the student activity accounts of Independent School District No. 31, Bemidji, Minnesota for the year ended June 30, 2016, and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. 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 statement of cash receipts and disbursements is free from material misstatements.

An audit involves performing procedures including, examining, on a test basis, evidence supporting the amounts and disclosures in the statement of cash receipts and disbursements, 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 risk 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statement of cash receipts and disbursements.

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

Independent School District No. 31
Bemidji, Minnesota

Basis for Qualified Opinion

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

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinion" paragraph, the financial statement referred to above presents fairly, in all material respects, the cash balances of the District's student activity accounts as of June 30, 2016, and the cash receipts and disbursements for the year then ended, on the cash basis of accounting described in Note 1 of the notes to student activity accounts financial statement.

Basis of Accounting

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. This financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Miller McDonald, Inc.

November 30, 2016
Bemidji, Minnesota

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
STUDENT ACTIVITY ACCOUNTS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
YEAR ENDED JUNE 30, 2016

	<u>Beginning Balances</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balances</u>
Senior High School	\$ 205,211	\$ 382,560	\$ 369,057	\$ 218,714
Middle School	58,548	111,555	94,131	75,972
General	39,903	1,030	230	40,703
Solway Elementary	6,541	5,674	6,980	5,235
Horace May Elementary	9,507	35,687	12,162	33,032
J. W. Smith Elementary	15,032	20,618	20,915	14,735
Northern Elementary	27,173	64,688	63,227	28,634
Central Elementary	8,999	4,722	3,863	9,858
Lincoln Elementary	13,863	21,494	20,020	15,337
Paul Bunyan Elementary	7,252	12,912	12,187	7,977
ECFE	<u>1,499</u>	<u>4,423</u>	<u>3,643</u>	<u>2,279</u>
Total	<u>\$ 393,528</u>	<u>\$ 665,363</u>	<u>\$ 606,415</u>	<u>\$ 452,476</u>

See Accompanying Notes to Student Activity Accounts Financial Statement.

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
STUDENT ACTIVITY ACCOUNTS
NOTES TO STUDENT ACTIVITY ACCOUNTS FINANCIAL STATEMENT
JUNE 30, 2016

1. Summary of Significant Accounting Policies

Reporting Entity

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.

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

Basis of Accounting

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. Under that basis, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and non-cash transactions are not recognized. The cash basis differs from accounting principles generally accepted in the United States of America primarily because the effects of outstanding dues and obligations for assessments unpaid at the date of financial statements are not included in the financial statement.

2. Deposits

Deposits at June 30, 2016 consist of the following accounts:

Cash in Bank – Checking Account	\$ 49,557
Cash in Bank – Money Market Account	402,919
Total Deposits	<u>\$ 452,476</u>

Authority

In accordance with Minnesota Statutes, the deposits of the student activity accounts of the District are maintained at those depository banks authorized by the School Board. All such depositories are members of the Federal Reserve System. Minnesota Statutes require that all 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 or 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 not owned or controlled by the financial institution furnishing the collateral.

INDEPENDENT SCHOOL DISTRICT NO. 31
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STUDENT ACTIVITY ACCOUNTS
NOTES TO STUDENT ACTIVITY ACCOUNTS FINANCIAL STATEMENT
JUNE 30, 2016

2. **Deposits** – (Continued)

Custodial Credit Risk

The custodial credit risk for deposits is the risk that in the event of a bank failure, the student activity accounts deposits may not be recovered. The District's policy for custodial credit risk is to maintain compliance with Minnesota Statutes that require all of the student activity account deposits to be protected by insurance, surety bond, or pledged collateral. The accounts of the student activities of the District have no custodial credit risk at June 30, 2016.



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH MANUAL FOR ACTIVITY FUND ACCOUNTING

**The Board of Education
 Independent School District No. 31
 Bemidji, Minnesota**

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 accounts of Independent School District No. 31, Bemidji, Minnesota as of and for the year ended June 30, 2016, and have issued our report thereon dated November 30, 2016. In our report, our opinion was qualified because Independent School District No. 31, Bemidji, Minnesota could not provide assurance that all cash collections were recorded.

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, pursuant to Minnesota Statutes Section 123.38.

The *Manual for Activity Fund Accounting* provides uniform financial accounting and reporting standards for student activities. We have performed auditing procedures to test compliance with the provisions of the manual. However, our objective was not to provide an opinion on overall compliance with such provisions, and accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, the District complied in all material respects with the provisions referred to in the preceding paragraph, except for the findings identified as 2016-001 and 2016-002 in the accompanying Schedule of Findings and Corrective Action Plans.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of the testing, and not provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Miller McDonald, Inc.

November 30, 2016
 Bemidji, Minnesota

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
FINDINGS AND CORRECTIVE ACTION PLANS ON COMPLIANCE WITH
MANUAL FOR ACTIVITY FUND ACCOUNTING
JUNE 30, 2016

Finding: 2016-001

Each school has its own set of Student Activity accounts. The total number of Student Activity accounts between all schools is 218 of which 77 had no activity during the fiscal year and appear to be inactive. The *Manual for Activity Fund Accounting* states that Student Activity accounts inactive for more than one year should be closed and any unused funds transferred to appropriate active funds. The inactive Student Activity accounts should be closed, unless the advisor submits a plan indicating why the activity is inactive and why it should not be closed.

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 these accounts are inactive and take appropriate steps to transfer fund in accordance with board policy, if necessary.

3. **Official Responsible for Ensuring CAP Implementation**

Chris Leinen, Director of Business Services.

4. **Planned Completion of CAP**

Prior to June 30, 2017.

5. **Plan to Monitor Completion of CAP**

This District will review the inactive accounts and determine if there are accounts that should be dissolved.

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
FINDINGS AND CORRECTIVE ACTION PLANS ON COMPLIANCE WITH
MANUAL FOR ACTIVITY FUND ACCOUNTING
JUNE 30, 2016

Finding: 2016-002

The Library Student Activity accounts at the schools are purchasing library books. The *Manual for Activity Fund Accounting* states that the purchase of library books is an inappropriate expenditure for the Student Activity Accounts. The Library Student Activity accounts cannot purchase library books for the library.

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 notify all active advisors and signatories on the Library Student Activity accounts that the purchase of library books must come from the District funds rather than Student Activity accounts.

3. **Official Responsible for Ensuring CAP Implementation**

Chris Leinen, Director of Business Services.

4. **Planned Completion of CAP**

Prior to June 30, 2017.

5. **Plan to Monitor Completion of CAP**

All responsible signatories on the Student Activity accounts will monitor each check request to ensure no check is issued for library books.