

INDEPENDENT SCHOOL DISTRICT NO. 877
Buffalo-Hanover-Montrose, Minnesota

AUDITED FINANCIAL STATEMENTS OF
THE STUDENT ACTIVITY ACCOUNTS

For the Year Ended June 30, 2013

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 Statements 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, 2013, and the related Notes to the Financial Statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of final 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 statements 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 statements are 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 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.

Because these financial statements are prepared on the basis of cash receipts and disbursements, revenue is recorded when received rather than when earned and expenses are recognized when paid rather than when the obligations are incurred. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the “Basis for Qualified Opinion” paragraph, the financial statements referred to above present fairly, in all material respects, the cash transactions of Independent School District No. 877, Buffalo-Hanover-Montrose, Minnesota, student activity accounts for the year ended June 30, 2013, and the cash balances at that date.

A handwritten signature in cursive script that reads "Kern DeWenter, Viero Ltd".

KERN, DEWENTER, VIERE, LTD.
Bloomington, Minnesota
October 15, 2013

INDEPENDENT SCHOOL DISTRICT NO. 877

**STATEMENT OF RECEIPTS AND DISBURSEMENTS
Year Ended June 30, 2013**

Activity	Balance June 30, 2012	Receipts and Transfers In	Disbursements and Transfers Out	Balance June 30, 2013
SENIOR HIGH SCHOOL				
Class of 2012 (Graduates)	\$ 710	\$ -	\$ 710	\$ -
Class of 2013 (Seniors)	1,202	1,135	2,021	316
Class of 2014 (Juniors)	2,302	13,322	11,822	3,802
Class of 2015 (Sophomores)	1,914	224	-	2,138
Class of 2016 (Freshmen)	-	711	11	700
SH Arts Magnet	982	5,692	4,386	2,288
SH Band	23,847	131,233	131,373	23,707
SH Bison Stampede	6,048	2,805	5,772	3,081
SH Business Professionals America	620	12,522	12,976	166
SH Choir	1,258	15,269	12,399	4,128
SH Culture United	206	1	-	207
SH Dance	6	90	-	96
SH DECA	3,493	3,728	4,385	2,836
SH FFA	20,480	25,688	27,081	19,087
SH Football	14,450	15,907	20,096	10,261
SH Global Minded Student Activists	6	-	-	6
SH International Language	2,962	3,621	3,614	2,969
SH MEADA	149	952	396	705
SH Mock Trial	55	1	-	56
SH NHS	88	2,980	2,089	979
SH Orchestra	340	6,158	4,284	2,214
SH Student Care	19	3	-	22
SH Student Council	6,285	9,570	13,778	2,077
SH Students Stepping Up	232	34	-	266
SH Track-Field	3,231	4,049	6,369	911
Activity Interest	-	473	473	-
Total	\$ 90,885	\$ 256,168	\$ 264,035	\$ 83,018
Analysis of Balance				
Checking Account				\$ 8,018
Certificate of Deposit				75,000
				<u>\$ 83,018</u>

INDEPENDENT SCHOOL DISTRICT NO. 877

**NOTE TO THE STUDENT ACTIVITY ACCOUNTS FINANCIAL STATEMENTS
June 30, 2013**

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 the cash basis of accounting. Consequently, receipts are recognized when received rather than when earned, and disbursements are recognized when paid rather than when the obligations are incurred.



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**REPORT ON COMPLIANCE WITH THE
MANUAL FOR STUDENT ACTIVITY 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 Statements 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, 2013, and the related Notes to the Financial Statements and have issued our report thereon dated October 15, 2013.

The *Manual for Student Activity 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 Student Activity Accounting*, except as described in the Schedule of Findings and Corrective Action Plans on Compliance with the *Manual for Student Activity 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.

KERN, DEWENTER, VIERE, LTD.
Bloomington, Minnesota
October 15, 2013.

INDEPENDENT SCHOOL DISTRICT NO. 877

**SCHEDULE OF FINDINGS AND CORRECTIVE ACTION PLANS ON
COMPLIANCE WITH THE *MANUAL FOR STUDENT ACTIVITY ACCOUNTING*
June 30, 2013**

CURRENT YEAR FINDING:

Close Inactive Accounts

According to the *Manual for Activity Fund Accounting*, inactive accounts should be closed and the monies distributed.

During the audit, we noted the account for the Global Minded Students Activists and Cultures United were inactive, as the additions and disbursements are nonexistent or minimal, which suggests inactivity.

We recommend the District review these accounts to determine if they are inactive and close them if deemed so. We also recommend the District review all accounts that did not have activity in 2013 and close them if they continue to be inactive.

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 business office will monitor and contact advisors of activities that have had minimal activity and close them if necessary
3. Official Responsible for Ensuring CAP
The Business Office is responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP
The planned completion date for the CAP is June 30, 2014.
5. Plan to Monitor Completion of CAP
The Business Office will be monitoring this CAP.

INDEPENDENT SCHOOL DISTRICT NO. 877

**SCHEDULE OF FINDINGS AND CORRECTIVE ACTION PLANS ON
COMPLIANCE WITH THE *MANUAL FOR STUDENT ACTIVITY ACCOUNTING*
June 30, 2013**

CURRENT AND PRIOR YEAR FINDING:

Receipt Procedures

The *Manual for Activity Fund Accounting* requires two different people count deposits.

During our audit, it was noted there were not signatures verifying counts of all deposits. In addition, the only documentation for receipts was the deposit slip from the bank and an activity fund deposit page which detailed the activity receiving the revenue.

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 Business Office will request two signatures on the deposit sheets to verify two counts on deposits.
3. Official Responsible for Ensuring CAP
The Business Office is responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP
The planned completion date for the CAP is June 30, 2014.
5. Plan to Monitor Completion of CAP
The Business Office will be monitoring this CAP.