

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

**Financial Statements of  
the Student Activity Accounts**

**June 30, 2016**



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

BerganKDV, Ltd.

To the School Board,  
Advisors and Students  
Independent School District No. 877  
Buffalo-Hanover-Montrose, Minnesota

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### 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, 2016, and the related note to 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 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 Adverse Opinion on Accounting Principles Generally Accepted in the United States of America**

As described in the note to financial statements, 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 statements of the variances between the regulatory basis of accounting described in the note to financial statements and accounting principles generally accepted in the United State 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, 2016, 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, 2016, 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 14, 2016

**Independent School District No. 877**  
**Statement of Receipts and Disbursements**  
**Year Ended June 30, 2016**

Activity	Balance June 30, 2015	Receipts and Transfers In	Disbursements and Transfers Out	Balance June 30, 2016
<b>Senior High School</b>				
Class of 2015 (graduates)	\$ 915	\$ -	\$ 915	\$ -
Class of 2016 (seniors)	4,969	2,146	6,157	958
Class of 2017 (juniors)	409	22,800	19,025	4,184
Class of 2018 (sophomores)	823	-	-	823
Class of 2019 (freshman)	-	915	-	915
SH Arts Magnet	5,137	2,097	1,280	5,954
SH Bison Stampede	543	3,099	1,468	2,174
SH Business Professionals America	838	6,883	7,627	94
SH FFA	137	300	150	287
SH NHS	717	546	172	1,091
SH Student Care	3,093	7,999	2,502	8,590
SH Student Council	2,275	10,705	7,633	5,347
SH Students Stepping Up	249	-	249	-
Activity interest	-	6	-	6
Total	<u>\$ 20,105</u>	<u>\$ 57,496</u>	<u>\$ 47,178</u>	<u>\$ 30,423</u>
Analysis of balance				
Checking account				<u>\$ 30,423</u>

**Independent School District No. 877**  
**Note to the 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, 2016, and the related note to the financial statement and have issued our report thereon dated October 14, 2016. 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 14, 2016

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

**CURRENT YEAR FINDING**

**Ensure Timely Deposits**

According to the *Manual for Student Activity Accounting*, receipts should be deposited timely and student activity money should not be left in a school over the weekend.

During 2016, we noted six deposits that 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 24 to 48 hours after the activity.

3. Official Responsible for Ensuring CAP

Allison Robinson, 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, 2017.

5. Plan to Monitor Completion of CAP

Miranda Kramer, Controller, will be monitoring this CAP.