

**PRIOR LAKE-SAVAGE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 719**

**SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS AND OTHER REQUIRED REPORTS**

**JUNE 30, 2015**

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INDEPENDENT SCHOOL DISTRICT NO. 719  
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## **SINGLE AUDIT AND OTHER REQUIRED REPORTS**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

School Board  
Independent School District No. 719  
Prior Lake-Savage Area Schools  
Prior Lake, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 719 (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 28, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2015-001, to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**District's Response to Findings**

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
September 28, 2015

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
FEDERAL PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE,  
AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

School Board  
Independent School District No. 719  
Prior Lake-Savage Area Schools  
Prior Lake, Minnesota

**Report on Compliance for Each Major Federal Program**

We have audited Independent School District No. 719's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-002. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-002, which we consider to be a significant deficiency.

**Report on Internal Control Over Compliance (Continued)**

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated September 28, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
September 28, 2015

**PRIOR LAKE-SAVAGE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 719  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2015**

Federal Agency/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
Passed Through Minnesota Department of Education:		
Child Nutrition Cluster:		
Non-Cash Assistance (Commodities):		
National School Lunch Program	{a} 10.555	\$ 110,576
Passed Through Minnesota Department of Education:		
School Breakfast Program	{a} 10.553	78,778
National School Lunch Program	{a} 10.555	512,184
Total Child Nutrition Cluster		<u>701,538</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>		
Received Direct:		
Indian Elementary and Secondary Assistance	84.060	12,933
Passed Through Minnesota Department of Education:		
Title I - Part A	84.010	179,070
Title II - Improving Teacher Quality	84.367	89,076
Title III - English Language Acquisition	84.365	36,376
Special Education	{b} 84.027	937,429
Early Childhood	{b} 84.173	19,190
EHA Part H Infant/Toddler	84.181	28,299
Total U. S. Department of Education		<u>1,302,373</u>
Passed Through Carver-Scott Education Coop (0930):		
Carl Perkins	84.048A	11,500
Total Federal Awards		<u>\$ 2,015,411</u>

{a} = Child Nutrition Cluster

{b} = Special Education Cluster

Notes to Schedule of Expenditures of Federal Awards:

Note 1:

The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Independent School District No. 719.

Note 2:

The expenditures on this schedule are on the modified accrual basis of accounting, which is described in Note 1 to the financial statements of the District.

Note 3:

Nonmonetary assistance is reported in this schedule at the fair market value of commodities received and disbursed for the USDA Commodities Program (CFDA #10.555).

## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

School Board  
Independent School District No. 719  
Prior Lake-Savage Area School  
Prior Lake, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 719 (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 28, 2015.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, covers seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for school districts. Our study included all of the listed categories.

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 Minnesota Legal Compliance Audit Guide for Political Subdivisions, except as described in the Schedule of Findings and Questioned Costs as item 2015-003. 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 District's response to Minnesota Legal Compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on it.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of the Schools compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
September 28, 2015

**PRIOR LAKE-SAVAGE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 719  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015**

**A. SUMMARY OF AUDITOR'S RESULTS**

1. The auditors' report expresses an unmodified opinion on the financial statements of Independent School District No. 719.
2. One material weakness in internal control over financial reporting was disclosed during the audit of the financial statements of Independent School District No. 719.
3. No instances of noncompliance material to the financial statements of Independent School District No. 719 were disclosed during the audit.
4. No material weaknesses were disclosed during the audit of the major federal award program for the Independent School District No. 719, however, one significant deficiency was reported.
5. The auditors' report on compliance for the major federal award programs for Independent School District No. 719 expresses an unmodified opinion.
6. One audit findings relative to the major federal award programs for Independent School District No. 719 was disclosed during the audit.
7. The programs tested as major programs included:

U.S. Department of Education – Special Education Cluster:

Special Education	CFDA #84.027
Early Childhood	CFDA #84.173

U.S. Department of Agriculture – Child Nutrition Cluster:

School Breakfast Program	CFDA #10.553
National School Lunch Program	CFDA #10.555
Special Milk Program	CFDA #10.556

The threshold for distinguishing Types A and B programs was \$300,000.

8. Independent School District No. 719 was not determined to be a low-risk auditee.

**PRIOR LAKE-SAVAGE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 719  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

**B. FINDINGS – INTERNAL CONTROL OVER FINANCIAL REPORTING**

**CURRENT YEAR**

**Finding 2015-001**

***Material Weakness – FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)***

- Criteria:** The District should have controls in place to prevent or detect the omission of a material disclosure in the financial statements.
- Condition:** The District relied upon the audit firm to prepare the financial statements and related disclosures.
- Effect:** The potential exists that a material disclosure could be omitted from the financial statements and not be prevented or detected by the District's internal controls.
- Cause:** The District does not have the expertise to draft the notes to the financial statements; however, they have reviewed and approved the annual financial statements prepared by the audit firm.
- Recommendation:** We recommend the District continue to evaluate their financial reporting process to determine if an internal control policy over the annual financial statements is beneficial.

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Findings:**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

The Director of Business Affairs reviews the drafted financial statements and footnote disclosures prior to issuance of the financial statements. This includes comparing information in the financial statements to the UFARS Compliance Table and other District documents. Since the District does not possess the expertise to ensure all required disclosures are included in the financial statements, the District will rely upon the audit firm for completeness of these disclosures.

**Official Responsible for Ensuring CAP:**

The Director of Business Affairs is the official responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP:**

The planned completion date is June 30, 2016.

**Plan to Monitor Completion of CAP:**

The Board of Education will be monitoring this corrective action plan.

**PRIOR LAKE-SAVAGE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 719  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**CURRENT YEAR**

**Finding 2015-002**

**Significant Deficiency – Special Education Cluster (CFDA #84.027 & #84.173)**

- Criteria:** OMB Circular A-87, Attachment B, Section 11h, requires semi-annual payroll certifications to be prepared for employees who work solely on a single Federal award, signed either by the employee or the employee's direct supervisor. If an employee works on multiple costs objectives, a distribution of the employee's salaries or wages must be supported by Personnel Activity Reports (PARs). The PAR must account for the total activity for which the employee is compensated, including part-time schedules or overtime.
- Condition:** A District employee working in the Special Education department completed semi-annual payroll certifications for fiscal year 2015. This employee, however, filled-in for a general administrative position several times throughout the year. For those months, this employee should have had supporting PARs.
- Context:** One of the forty payroll disbursements we sampled did not have proper time and effort documentation.
- Effect:** The District was not in compliance with federal requirements related to time and effort documentation.
- Cause:** The fact that this employee was working on multiple cost objectives several times throughout the year was not properly communicated, and the employee was unaware that this change would require a monthly personnel activity report.
- Recommendation:** We recommend the District ensure employees understand the federal requirements, and ensure that the appropriate time and effort documentation is completed when there are changes to an employee's planned work schedule during the year.

**PRIOR LAKE-SAVAGE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 719  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT  
(CONTINUED)**

**CURRENT YEAR (CONTINUED)**

**Finding 2015-002 (Continued)**

**Significant Deficiency – Special Education Cluster (CFDA #84.027 & #84.173) (Continued)**

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Findings:**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

The District will review its policies and procedures relating to time and effort documentation and ensure employees are properly trained and documentation is in accordance with federal requirements.

**Official Responsible for Ensuring CAP:**

The Director of Special Education is the official responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP:**

The planned completion date is June 30, 2016.

**Plan to Monitor Completion of CAP:**

The Board of Education will be monitoring this corrective action plan.

**PRIOR YEAR**

**Finding 2014-003**

**Condition:** The District did not have a current IEP on file or records of a “Notice of Team Meeting” on file for a student receiving special education services.

**Context:** No such finding was noted in the current year audit.

**PRIOR LAKE-SAVAGE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 719  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

**D. FINDINGS – MINNESOTA LEGAL COMPLIANCE**

**Finding 2015-003**

***Prompt Payment of Local Government Bills – Minnesota Statutes §471.425***

- Criteria:** Minnesota Statutes requires municipalities to pay each vendor obligation according to the terms of the contract or, if no contract terms apply, within the standard payment period, defined as within 35 days from the date of receipt for municipalities which have regularly scheduled meetings at least once a month.
- Condition:** We noted one invoice in our testing sample that was not paid by the District within this standard payment period.
- Effect:** The District was not in compliance with state statutes related to payment of local government bills.
- Cause:** Invoices were not routed to the District’s Business Office by District personnel in a timely manner, and as a result, were not paid within the standard payment period, as defined by Minnesota Statutes.
- Recommendation:** We recommend the District make every effort possible to ensure that invoices are mailed directly to the District’s Business Office, and that communications to District personnel request that they forward any invoices received at school locations to the District’s Business Office in a timely manner.

**CORRECTIVE ACTION PLAN (CAP)**

**Explanation of Disagreement with Audit Findings:**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

The District will make efforts to ensure that all invoices are routed to the District’s Business Office and are paid in within the required period.

**Official Responsible for Ensuring CAP:**

The Director of Business Affairs is the official responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP:**

The planned completion date is June 30, 2016.

**Plan to Monitor Completion of CAP:**

The Board of Education will be monitoring this corrective action plan.

## **EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS**

## INDEPENDENT AUDITORS' REPORT

School Board, Advisors, and Students  
Independent School District No. 719  
Prior Lake-Savage Area Schools  
Prior Lake, Minnesota

### **Report on the Financial Statement**

We have audited the statement of cash receipts and disbursements of the Student Activity Funds of Independent School District No. 719 (the District) as of and for the year ended June 30, 2015, and the related note to the financial statements.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the regulatory basis of accounting described in the note to the financial statements; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the 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 from 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 auditors' 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 the 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 opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in the note to the financial statements, to meet the financial reporting requirements of the Minnesota Department of Education, the financial statements are prepared by the District in accordance with the financial reporting provisions of the accounting practices prescribed or permitted by the Minnesota Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in the note to the financial statements and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do 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, 2015, or changes in financial position for the year then ended.

***Basis for Qualified Opinion on Regulatory Basis of Accounting***

We were unable to audit cash receipts because the District has not established procedures to provide assurance that all cash collections are recorded in the accounting records. We were unable to obtain sufficient appropriate audit evidence about the completeness of cash receipts by other auditing procedures.

***Qualified Opinion on Regulatory Basis of Accounting***

In our opinion, except for the possible effect of the matter discussed in the Basis for Qualified Opinion on Regulatory Basis paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash balances of the Student Activity Funds of the District as of June 30, 2015, and the receipts and disbursements for the year then ended in accordance with the basis of accounting described in the note to the financial statements.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
September 28, 2015

**PRIOR LAKE-SAVAGE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 719  
EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
YEAR ENDED JUNE 30, 2015**

	Beginning Balance	Receipts	Disbursements	Ending Balance
<b>TWIN OAKS MIDDLE SCHOOL</b>				
Student Ambassadors	\$ 806	\$ 487	\$ 542	\$ 751
Yearbook	1,931	605	363	2,173
Total Twin Oaks	<u>2,737</u>	<u>1,092</u>	<u>905</u>	<u>2,924</u>
<b>DISTRICT SERVICES CENTER</b>				
Interest/Charges/Clearing Account	6,379	691	664	6,406
<b>HIDDEN OAKS MIDDLE SCHOOL</b>				
Student Ambassadors	1,948	1,896	2,190	1,654
Yearbook	3,140	2,527	3,496	2,171
Total Hidden Oaks	<u>5,088</u>	<u>4,423</u>	<u>5,686</u>	<u>3,825</u>
<b>SENIOR HIGH</b>				
National Honor Society	6,621	22,242	21,184	7,679
SADD	1,602	6,325	6,216	1,711
Class of 2014	291	-	291	-
Class of 2015	416	48,158	48,485	89
Student Council	14,163	60,916	58,220	16,859
School Store	15,396	20,007	27,188	8,215
Yearbook	46,858	7,925	29,505	25,278
Total Senior High	<u>85,347</u>	<u>165,573</u>	<u>191,089</u>	<u>59,831</u>
<b>DISTRICT TOTAL</b>	<u><u>\$ 99,551</u></u>	<u><u>\$ 171,779</u></u>	<u><u>\$ 198,344</u></u>	<u><u>\$ 72,986</u></u>

**PRIOR LAKE-SAVAGE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 719  
NOTES TO EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS  
JUNE 30, 2015**

**NOTE 1 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

Extracurricular 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.

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

The accounts of the District'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 U.S. generally accepted accounting principles. Consequently, receipts are recognized when received rather than when earned, and disbursements are recognized when paid rather than when the obligations are incurred.

**NOTE 2 DEPOSITS AND INVESTMENTS**

All cash and investments of the student activity accounts are held in demand accounts.

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

Minnesota Statutes require that all District 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.

Authorized collateral includes certain state or local government obligations, obligations of the U.S. Treasury and U.S. agencies, irrevocable standby letter of credit issued by the Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank's public debt is rated "AA" or better by Moody's or Standard & Poor's Corporation, and certificates of deposit insured by the FDIC.

Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the District Treasurer or in a financial institution (as agent for the District) other than that furnishing the collateral.

All student activity bank deposits are covered by deposit insurance or are collateralized by securities held by the District or its Agent in the District's name.



School Board, Advisors, and Students  
Independent School District No. 719  
Prior Lake-Savage Area Schools  
Prior Lake, Minnesota

In planning and performing our audit of the statement of cash receipts and disbursements of the extracurricular student activity funds of Independent School District No. 719 (the District) as of and for the year ended June 30, 2015, 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 auditing procedures that are appropriate in the circumstances 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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain 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 a 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 deficiency described in the schedule of findings and corrective action as item 2015-004 to be a material weakness.

The District's written response to the material weakness finding identified in our audit is described in the Schedule of Findings and Corrective Action. The District's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

The purpose of this communication is solely to describe the scope of our testing of internal control over financial reporting and the results of that testing. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Independent School District No. 284's internal control over financial reporting. Accordingly, this communication is not suitable for any other purpose.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
September 28, 2015

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH THE MANUAL FOR ACTIVITY FUND ACCOUNTING**

School Board, Advisors, and Students  
Independent School District No. 719  
Prior Lake-Savage Area Schools  
Prior Lake, Minnesota

**Report on Compliance**

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 Funds of Independent School District No. 719 (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprises the basic financial statements, and have issued our report thereon dated September 28, 2015. We expressed an adverse opinion on U.S. generally accepted accounting principles because the financial statements are 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* (MAFA), issued by the Minnesota Department of Education, 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*. 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 of compliance relating to the provisions of the *Manual for Activity Fund Accounting* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
September 28, 2015

**PRIOR LAKE-SAVAGE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 719  
EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS  
SCHEDULE OF FINDINGS AND CORRECTIVE ACTION  
JUNE 30, 2015**

**FINDINGS FOR INTERNAL CONTROL OVER FINANCIAL REPORTING OF STUDENT ACTIVITY ACCOUNTS**

***Finding: 2015-004***

**PROCEDURES TO PROVIDE ASSURANCE THAT ALL CASH COLLECTIONS ARE RECORDED IN THE ACCOUNTING RECORDS**

**Condition** – The District has not established accounting procedures to provide assurance that all cash collections are recorded in the accounting records. The District records student activity revenues on the cash basis and does not have an accounting system and internal controls in place to ensure all student activity revenues and receipts have been properly recorded. The potential exists that a material misstatement could occur in the financial statements and not be prevented or detected by the District's internal controls.

**Effect** – The potential exists that a material misstatement could occur in the financial statements and not be prevented or detected by the District's internal controls.

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Finding:** There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:** The District records student activity revenues on the cash basis and does not have an accounting system and internal controls in place to ensure student activity revenues and receipts have been properly recorded. In consideration of the guiding principles under which the student activity funds were established, the District provides opportunities for substantial student involvement in the selection, direction, and management of fundraisers. This student involvement, although of great value to those students, is an inherent internal control weakness. The District has determined the costs of implementing controls over fundraising activities, in light of the multiple locations and times of these activities, outweigh the benefits; therefore, the District will continue to rely on activity fund advisors for appropriate oversight and supervision, but will not, at this time, implement procedures and policies to provide for detail internal control processes at each fund raising location and activity.

**Official Responsible for Ensuring CAP:** The District's Director of Business Affairs is the school official responsible for carrying out the corrective action plan.

**Planned Completion Date for CAP:** The CAP will be carried out as part of each annual audit; therefore, the CAP is ongoing.

**Plan to Monitor Completion of CAP:** The corrective action plan will be monitored each year by the District financial staff and School Board as a part of the process of developing the annual audit report.