

**Minneapolis Public Schools  
Special School District No. 1  
Minneapolis, Minnesota**

**Audited Financial Statements of  
the Student Activity Accounts**

**June 30, 2017**



**Minneapolis Public Schools  
Special School District No. 1  
Table of Contents**

Independent Auditor's Report	1
Statement of Receipts and Disbursements	3
Note to Student Activity Accounts Financial Statement	4
Report on Compliance with the <i>Manual for Activity Fund Accounting</i>	5
Schedule of Findings and Corrective Action Plans on Compliance with the <i>Manual for Activity Fund Accounting</i>	7

## Independent Auditor's Report

To the School Board,  
Advisors, and Students  
Minneapolis Public Schools  
Special School District No. 1  
Minneapolis, Minnesota

### Report on the Financial Statements

We have audited the Statement of Receipts and Disbursements of the student activity accounts of Minneapolis Public Schools, Special School District No. 1, Minneapolis, Minnesota, for the year ended June 30, 2017, and the related note to student activity accounts' 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 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 the 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 statements are 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 note 1 to 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 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 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, 2017, 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 statements referred to above present fairly, in all material respects, the cash transactions of the student activity accounts of Minneapolis Public Schools, Special School District No. 1, Minneapolis, Minnesota, for the year ended June 30, 2017, 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 statements.

A handwritten signature in cursive script that reads "BerganKDV Ltd." followed by a period.

Minneapolis, Minnesota  
November 30, 2017

**Minneapolis Public Schools  
Special School District No. 1  
Statement of Receipts and Disbursements  
Year Ended June 30, 2017**

Description	Balance July 1, 2016	Receipts and Transfers In	Disbursements and Transfers Out	Balance June 30, 2017
<b>Elementary Schools</b>				
Andersen Elementary	\$ 10,454	\$ 16,477	\$ 13,818	\$ 13,113
Anishnabe	486	5,131	4,566	1,051
Armatage	32,292	20,774	17,665	35,401
Barton	534	-	534	-
Burroughs	2,466	53,042	54,824	684
Dowling	13,473	549	14,022	-
Field	27,077	42,851	47,161	22,767
Fol Well	9,846	54,292	47,139	16,999
Hall	3,370	-	3,370	-
Keewaydin	1,977	1,824	2,858	943
Kenny	6,138	33,226	35,317	4,047
Kenwood	47	-	47	-
Lake Harriet Upper Campus	3,523	24,207	21,032	6,698
Lyndale	11,205	12,456	9,789	13,872
Marcy	17,864	24,703	23,698	18,869
Northrop	13,837	1	13,838	-
Page (formerly Ramsey)	3,356	2,497	2,019	3,834
Seward	192	-	192	-
Sheridan	3,722	-	3,722	-
Sullivan	2,605	-	2,605	-
Waite Park	147	3,464	3,506	105
Whittier	1,200	-	1,200	-
Subtotal Elementary Schools	<u>165,811</u>	<u>295,494</u>	<u>322,922</u>	<u>138,383</u>
<b>Secondary Schools</b>				
Anthony	2,828	9,630	10,271	2,187
Anwatin	9,732	7,796	9,295	8,233
Edison	33,225	68,024	58,175	43,074
Fair	-	8,962	5,794	3,168
Henry	36,125	67,569	73,873	29,821
Longfellow (Broadway)	486	444	245	685
Northeast	10,663	9,668	10,032	10,299
North	7,607	15,618	18,387	4,838
Olson Middle	2,305	1,398	2,840	863
Roosevelt	19,973	61,103	49,681	31,395
Sanford	32,610	1	32,392	219
South	115,642	169,061	165,110	119,593
Southwest	168,250	454,193	413,140	209,303
Transition Plus	2,977	8,696	7,754	3,919
Washburn	89,814	343,148	324,603	108,359
Wellstone International	1,481	695	1,040	1,136
Subtotal Secondary Schools	<u>533,718</u>	<u>1,226,006</u>	<u>1,182,632</u>	<u>577,092</u>
Total	<u>\$ 699,529</u>	<u>\$ 1,521,500</u>	<u>\$ 1,505,554</u>	<u>\$ 715,475</u>

**Minneapolis Public Schools  
Special School District No. 1  
Note to Student Activity Accounts Financial Statement**

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

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.

**NOTE 2 – DEPOSITS AND INVESTMENTS**

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

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District 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.

**Report on Compliance with the  
*Manual for Activity Fund Accounting***

**Independent Auditor's Report**

To the School Board,  
Advisors, and Students  
Minneapolis Public Schools  
Special School District No. 1  
Minneapolis, 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 Minneapolis, Special School District No. 1, Minneapolis, Minnesota, for the year ended June 30, 2017, and the related note to student activity accounts financial statements and have issued our report thereon dated November 30, 2017. We expressed an adverse opinion on accounting principles generally accepted in the United States of America 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*, 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 of 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.

*BerganKDV Ltd.*

Minneapolis, Minnesota  
November 30, 2017



**Minneapolis Public Schools  
Special School District No. 1  
Schedule of Findings and Corrective Action Plans on  
Compliance with the *Manual for Activity Fund Accounting***

**CURRENT AND PRIOR YEAR FINDINGS:**

**Cash Receipts not in compliance with MAFA requirements**

The receipts examined from the District do not appear to be in compliance with the requirements set out by MAFA. The requirements are for a form to accompany the receipts and include the deposit date, name of activity or account number, description of deposit, the coin, currency, checks, and total deposit amount, plus student advisor, and/or individual counting funds, and signature fields.. The cash receipts are to be sent to the depository with duplicated deposit slips, then after the central office receives and checks the amounts they then post the transactions to the necessary books.

In the receipts examined during the audit, one school did not use pre-numbered receipts, and no supporting documentation was kept on file other than copies of deposit slips.

**CORRECTIVE ACTION PLAN (CAP):**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the finding.
2. Actions Planned in Response to Finding  
The District will implement pre-numbered receipt books across all Student Activity Accounts.
3. Official Responsible for Ensuring CAP  
The Director – Financial Services is the school official responsible for carrying out the corrective action plan.
4. Planned Completion Date for CAP  
The planned completion date for the CAP is the next audit year 2018.
5. Plan to Monitor Completion of CAP  
The Finance team will be monitoring this corrective action plan.

**Minneapolis Public Schools  
Special School District No. 1  
Schedule of Findings and Corrective Action Plans on  
Compliance with the *Manual for Activity Fund Accounting***

**CURRENT AND PRIOR YEAR FINDINGS: (CONTINUED)**

**Bank Reconciliations**

According to the *Manual for Activity Fund Accounting*, the student activity funds and the bank statement must be reconciled monthly.

During our audit, we noted that some bank reconciliations had unreconciled differences and did not agree to the correct ledger balances.

**CORRECTIVE ACTION PLAN (CAP):**

1. Explanation of Disagreement with Audit Finding

There is no disagreement with the finding.

2. Actions Planned in Response to Finding

The District will ensure monthly reconciliations are performed on a timely basis. An employee has been designated who will be in charge of monitoring this process.

3. Official Responsible for Ensuring CAP

The Director – Financial Services is the school official responsible for carrying out the corrective action plan.

4. Planned Completion Date for CAP

The planned completion date for the CAP is the next audit year 2018.

5. Plan to Monitor Completion of CAP

The Finance team will be monitoring this corrective action plan.

**Minneapolis Public Schools  
Special School District No. 1  
Schedule of Findings and Corrective Action Plans on  
Compliance with the *Manual for Activity Fund Accounting***

**CURRENT AND PRIOR YEAR FINDINGS: (CONTINUED)**

**Ensure Activity Purpose Forms are Completed Annually**

The *Manual for Activity Fund Accounting* requires an Activity Purpose Form to exist for each activity within the fund and a statement of purpose must exist for each activity within the fund. The Form needs to include the name of the advisor, acknowledgement of the receipt of a *Manual for Activity Fund Accounting* and acknowledgement of responsibility for assuring proper procedures are followed. These Forms must be completed, signed by the advisor and principal, and placed on file at the district office.

During our audit and discussion with the District, Activity Purpose Forms were not being completed annually and filed with the district.

We recommend the District require an Activity Purpose Form to be filled out by each activity on an annual basis. The form needs to include the following list of items:

- Signature of advisor and principal
- Name of designated advisor
- Acknowledgement of the receipt of the *Manual for Activity Fund Accounting*
- Acknowledgement of the responsibility for assuring that proper procedures are followed
- Purpose of student activity

**CORRECTIVE ACTION PLAN (CAP):**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the finding.
2. Actions Planned in Response to Finding  
The District will require an Activity Purpose Form to be filled out by each activity annually.
3. Official Responsible for Ensuring CAP  
The Director – Financial Services is the school official responsible for carrying out the corrective action plan.
4. Planned Completion Date for CAP  
The planned completion date for the CAP is the next audit year 2018.
5. Plan to Monitor Completion of CAP  
The Finance team will be monitoring this corrective action plan.

**Minneapolis Public Schools  
Special School District No. 1  
Schedule of Findings and Corrective Action Plans on  
Compliance with the *Manual for Activity Fund Accounting***

**CURRENT AND PRIOR YEAR FINDINGS: (CONTINUED)**

**Student Activity Disbursements**

The *Manual for Activity Fund Accounting* states disbursements must be made from original vendor invoices and prohibits labor, contract, and payroll related payments. The Manual also states check requests must be signed by the activity advisor and a student representing the activity. The Manual also requires the following documentation for all disbursements:

- Name of Organization
- Explanation of Disbursement
- Name of Vendor
- Date Requested and date Needed
- Account Code
- Invoice
- Signed by the Activity Advisor

While reviewing disbursements, we noted several disbursements that were not properly approved, two disbursements where a supporting invoice was not provided, and one disbursement that was not paid timely. There were also two labor payments noted.

We recommend the District follow all MAFA disbursement requirements and require the receipt of a check request with advisor and student representative approval prior to checks being issued. We recommend the District refrain from approving the payment of items that do not have a Requisition Form and an original invoice attached and other supporting documentation as well as issue payment timely for all disbursements. We also recommend the District refrain from making labor payments from Student Activity accounts.

**CORRECTIVE ACTION PLAN (CAP):**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the finding.
2. Actions Planned in Response to Finding  
The District will require the above documentation for all disbursements and will refrain from making labor payments from Student Activity accounts.
3. Official Responsible for Ensuring CAP  
The Director – Financial Services is the school official responsible for carrying out the corrective action plan.
4. Planned Completion Date for CAP  
The planned completion date for the CAP is the next audit year 2018.
5. Plan to Monitor Completion of CAP  
The Finance team will be monitoring this corrective action plan.

**Minneapolis Public Schools  
Special School District No. 1  
Schedule of Findings and Corrective Action Plans on  
Compliance with the *Manual for Activity Fund Accounting***

**CURRENT AND PRIOR YEAR FINDINGS: (CONTINUED)**

**Tracking by Fund**

At the District level, Student Activity funds are only tracked by school and not by underlying use. Therefore, review of propriety of funds at an individual level is not feasible.

**CORRECTIVE ACTION PLAN (CAP):**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the finding.
2. Actions Planned in Response to Finding  
In October 2014, the District issued a new policy and procedures manual for school sites to follow. The manual provides needed guidance for school sites on the appropriate documentation required for student activity account transactions, as well as guidance on how funds should be tracked, and what activities should be included with the student activities accounts. The District will follow up with individual sites on compliance with the *Manual for Activity Fund Accounting*.
3. Official Responsible for Ensuring CAP  
The Director – Financial Services is the school official responsible for carrying out the corrective action plan.
4. Planned Completion Date for CAP  
The planned completion date for the CAP is the next audit year 2018.
5. Plan to Monitor Completion of CAP  
The Finance team will be monitoring this corrective action plan.

**Minneapolis Public Schools  
Special School District No. 1  
Schedule of Findings and Corrective Action Plans on  
Compliance with the Manual for Activity Fund Accounting**

**PRIOR YEAR FINDINGS:**

**UPDATE AUTHORIZED SIGNERS**

During the audit, we noted the authorized signers listing and signature cards for two schools included previous staff members.

**CORRECTIVE ACTION TAKEN:**

Authorized signers for the student activity accounts were updated during the year ended June 30, 2017.