

**Independent School District No. 111
Watertown-Mayer Schools
Watertown, Minnesota**

**Financial Statements of
the Student Activity Accounts**

June 30, 2017



Independent School District No. 111
Watertown-Mayer Schools
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Independent Auditor's Report

To the School Board,
Advisors, and Students
Independent School District No. 111
Watertown, Minnesota

Report on the Financial Statements

We have audited the Statement of Receipts and Disbursements of the student activity accounts of Independent School District No. 111, Watertown-Mayer Schools, Watertown, Minnesota, for the year ended June 30, 2017, and the related note to student activity accounts' financial statement.

Management's Responsibility for the Financial Statements

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 the 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 financial statement is free of material misstatement.

An audit involves performing procedures 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 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 statement.

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 Accounting Principles Generally Accepted in the United States of America

As described in the note to financial statement, 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 statement of the variances between the regulatory basis of accounting described in the note to financial statement 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 statement referred to above presents fairly, in all material respects, the cash balances of Independent School District No. 111, Watertown-Mayer Schools, Watertown, Minnesota, student activity accounts 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 statement.

BerganKDV, Ltd.

St. Cloud, Minnesota
October 30, 2017

Independent School District No. 111
Watertown - Mayer Schools
Statement of Receipts and Disbursements
Year Ended June 30, 2017

Activity	Balance June 30, 2016	Receipts and Transfers In	Disbursements and Transfers Out	Balance June 30, 2017
High School				
Band	\$ 21,263	\$ 13,362	\$ 18,531	\$ 16,094
Baseball	15,254	3,752	3,890	15,116
Basketball-Boys	1,518	15,469	15,512	1,475
Basketball-Girls	942	1,790	2,221	511
BPA	2,914	17,563	17,408	3,069
Chorus	3,500	76,888	77,048	3,340
Class of 2018	12	18,473	10,482	8,003
Class of 2019	-	522	518	4
Class of 2020	-	480	434	46
Class of 2017	65	1,874	1,939	-
Cross Country	331	4,725	2,996	2,060
Ecology	3,062	2,680	2,191	3,551
FFA-Foundation	211	8,570	7,865	916
FFA-General	10,813	30,029	33,588	7,254
FFA-Wildlife	8,322	11,474	14,501	5,295
Football	13,408	31,759	36,176	8,991
General Account	541	2	166	377
Game Club	141	-	-	141
Golf Team	1,247	2,718	3,358	607
Gymnastics Team	6,411	1,207	2,645	4,973
Mentorship Program	500	495	550	445
NHS	990	1,820	1,786	1,024
Post Prom Party	7,193	14,222	11,453	9,962
Public Relations	161	-	1	160
School Store	1,596	-	1,000	596
Soccer-Boys	1,534	-	-	1,534
Soccer-Girls	1,941	3,377	3,262	2,056
Softball	2,159	-	91	2,068
Spanish Trip	4,026	16,728	14,951	5,803
Student Council	825	3,473	2,772	1,526
Supermileage	579	3,200	2,923	856
Swim Team-Boys	561	1,913	2,471	3
Swim Team-Girls	2,392	7,007	4,817	4,582
Track	644	-	-	644
Volleyball	6,444	10,733	14,373	2,804
Weight Room-Summer	76	-	-	76
Wrestling	170	-	-	170
Drama	184	1,053	1,069	168
Trap	-	4,874	2,974	1,900
Total High School	<u>121,930</u>	<u>312,232</u>	<u>315,962</u>	<u>118,200</u>
Middle School				
Student Council	3,642	6,975	7,219	3,398
Yearbook	1,101	1,397	680	1,818
Total Middle School	<u>4,743</u>	<u>8,372</u>	<u>7,899</u>	<u>5,216</u>
Elementary School				
Student Council	841	3,705	2,645	1,901
Total	<u>\$ 127,514</u>	<u>\$ 324,309</u>	<u>\$ 326,506</u>	<u>\$ 125,317</u>
Analysis of balance				
Checking				<u>\$ 125,317</u>

See note to student activity accounts financial statements.

Independent School District No. 111
Watertown-Mayer Schools
Note to 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. 111
Watertown, 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. 111, Watertown-Mayer Schools, Watertown, Minnesota, for the year ended June 30, 2017, and the related note to student activity accounts financial statement and have issued our report thereon dated October 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 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.

St. Cloud, Minnesota
October 30, 2017

Independent School District No. 111
Watertown-Mayer Schools
Schedule of Findings and Corrective Action Plans on
Compliance with the *Manual for Activity Fund Accounting*

CURRENT AND PRIOR YEAR FINDING:

Ensure Activity Purpose Forms and Officer Listings Are Accurately Completed Annually

The *Manual for Activity Fund Accounting* requires an Activity Purpose Form exist for each activity within the fund. The Form needs to include the name of the advisor, acknowledgement of the receipt, 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.

A majority of the District's student activity accounts (35/42) did not have the purpose for the account on their activity purpose forms. Additionally, the Game Club, School Store, Soccer – Boys, and Weight Room – Summer did not have either an activity purpose form or an officer listing available.

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 ensure activity purpose forms and officer listings are completed for all activities.
3. Official Responsible for Ensuring CAP
Lisa Raiter, Finance Officer, 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, 2018.
5. Plan to Monitor Completion of the CAP
The Superintendent will be monitoring this CAP.

**Independent School District No. 111
Watertown-Mayer Schools
Schedule of Findings and Corrective Action Plans on
Compliance with the *Manual for Activity Fund Accounting***

CURRENT AND PRIOR YEAR FINDING:

Close Inactive Accounts

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

During our 2017 audit, we noted the Game Club, Soccer – Boys, Wrestling, and Weight Room – Summer account have been inactive for the past two years as there were no receipts or disbursements in 2017 or 2016.

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 ensure inactive accounts are closed.
3. Official Responsible for Ensuring CAP
Lisa Raiter, Finance Officer, 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, 2018.
5. Plan to Monitor Completion of the CAP
The Superintendent will be monitoring this CAP.

Independent School District No. 111
Watertown-Mayer Schools
Schedule of Findings and Corrective Action Plans on
Compliance with the *Manual for Activity Fund Accounting*

PRIOR YEAR FINDINGS:

Only One Signature Required on Checks

According to the *Manual for Activity Fund Accounting*, two signatures are required on all checks. During our audit, we noted the District does not require two signatures on student activity checks. Requiring two signatures on all checks is an added control to ensure the propriety of student activity disbursements.

CORRECTIVE ACTION TAKEN:

The District requires two signatures on all student activity checks.

Ensure Timely Deposits

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

During 2016, deposits were not made in a timely manner due to activity advisors not turning over deposits in a reasonable amount of time to the building secretary

CORRECTIVE ACTION TAKEN:

Deposits are made at least weekly unless there is no money to deposit.