

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

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

JUNE 30, 2012

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



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**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 the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 719 as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 20, 2012. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Prior Lake-Savage Area Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Prior Lake-Savage Area Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 deficiencies described in the accompanying schedule of findings as 2012-1 and 2012-2 to be material weaknesses.

Board of Education
Independent School District No. 719
Prior Lake - Savage Area Public Schools

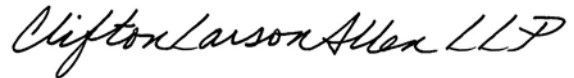
A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described as 2012-3 in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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*.

The District's written responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management of the District, the Minnesota Department of Education, and state and federal awarding entities and is not intended to be and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 20, 2012



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

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

Compliance

We have audited Prior Lake-Savage Area Schools' 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 Prior Lake-Savage Area Schools' major federal programs for the year ended June 30, 2012. Prior Lake-Savage Area Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Prior Lake-Savage Area Schools' management. Our responsibility is to express an opinion on Prior Lake-Savage Area Schools' compliance based on our audit.

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 Prior Lake-Savage Area Schools' 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. Our audit does not provide a legal determination of Prior Lake-Savage Area Schools' compliance with those requirements.

In our opinion, Prior Lake-Savage Area Schools complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of Prior Lake-Savage Area Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Prior Lake-Savage Area Schools' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 Prior Lake-Savage Area Schools' 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 719, Prior Lake, Minnesota, as of and for the year ended June 30, 2012, and have issued our report thereon dated October 20, 2012. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management of the District, the Minnesota Department of Education, and state and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 20, 2012

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012**

Federal Agency/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
Passed Through Minnesota Department of Education:		
Child Nutrition Cluster:		
Non-Cash Assistance (Commodities):		
National School Lunch Program	{a} 10.555	\$ 139,436
Passed Through Minnesota Department of Education:		
Special Milk Program for Children	10.558	3,359
National School Lunch Program	{a} 10.555	402,960
Total Child Nutrition Cluster		<u>545,755</u>
U.S. DEPARTMENT OF EDUCATION		
Passed Through Minnesota Department of Education:		
Title I - Part A	84.010	214,880
Title II - Improving Teacher Quality	84.367	118,996
Title III - English Language Acquisition	84.365	23,619
Special Education	{b} 84.027	1,080,471
Early Childhood	{b} 84.173	26,410
ARRA - Education Jobs Fund	84.410	366,492
ARRA - Special Education	{b} 84.391	61,475
ARRA - Early Childhood	{b} 84.392	10,903
ARRA - Part C Infants and Toddlers Program	84.393	4,605
Total U. S. Department of Education		<u>1,907,851</u>
Passed Through Minnesota River Valley Special Education Coop (0993):		
EHA Part H Infant/Toddler	84.181	33,375
Passed Through Carver-Scott Education Coop (0930):		
Carl Perkins	84.048A	<u>5,450</u>
Total Federal Awards		<u>\$ 2,492,431</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).

REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 719 as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 20, 2012.

We conducted our audit 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 the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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

The results of our tests indicate that, with respect to the items tested, the District complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the School Board, management of the District, the Minnesota Department of Education, and the Office of the Minnesota State Auditor and is not intended to be and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 20, 2012

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012**

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Independent School District No. 719.
2. Three "control deficiencies" in internal controls were disclosed during the audit of the financial statements. Two of these deficiencies were considered to be "material weaknesses" and one was considered a "significant deficiency".
3. No instances of noncompliance with Minnesota Statutes were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of the major federal award program for the Independent School District No. 719.
5. The auditors' report on compliance for the major federal award programs for Independent School District No. 719 expresses an unqualified opinion.
6. No audit findings relative to the major federal award programs for Independent School District No. 719 were 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
ARRA-Special Education	CFDA #84.391
ARRA-Early Childhood	CFDA #84.392

ARRA-Education Jobs Fund	CFDA #84.410
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8. The threshold for distinguishing Types A and B programs was \$300,000.
9. 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 (CONTINUED)
YEAR ENDED JUNE 30, 2012**

B. FINDINGS – INTERNAL CONTROL OVER FINANCIAL REPORTING

CURRENT YEAR

Finding 2012-1

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, 2012.

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 (CONTINUED)
YEAR ENDED JUNE 30, 2012**

B. FINDINGS – INTERNAL CONTROL OVER FINANCIAL REPORTING (CONTINUED)

CURRENT YEAR (CONTINUED)

Finding 2012-2

Material Weakness – Prior Period Adjustment

- Condition:** During our audit, it was noted that there was a material misstatement in the June 30, 2011 financial statements. Specifically, cash with fiscal agent and long-term debt were understated on the government-wide statements and cash with fiscal agent and change in fund balance in the debt service fund were understated in the debt service fund. This misstatement was corrected by adjusting beginning net assets and beginning fund balance. The absence of a complete control procedure or process in this area is considered a material weakness because the potential exists that a material misstatement of the financial statements could occur and not be prevented or detected by the District's internal control process.
- Criteria:** The District should have controls in place to prevent and detect a material misstatement in the financial statements in a timely manner. Management is responsible for the accuracy and completeness of all financial records and related information. Their responsibilities include adjusting the financial statements to correct material misstatements.
- Effect:** Correction of a material misstatement to the financial statements.
- Cause:** This District had turnover in the Director of Business Affairs around the time of the issuance, and because proceeds went directly to escrow account, the refunding was not properly recorded by the District.
- Recommendation:** We recommend that the District review their internal control processes to determine if changes to internal control procedures should be implemented to ensure that accounts are adjusted to their appropriate year-end balances in accordance with GAAP.

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 internal control processes to ensure that all accounts are adjusted to their appropriate year-end balances.

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, 2013.

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 (CONTINUED)
YEAR ENDED JUNE 30, 2012**

B. FINDINGS – INTERNAL CONTROL OVER FINANCIAL REPORTING (CONTINUED)

Finding 2012-3

Significant Deficiency – Timecard lacking approval

Condition: During our internal control testing, we noted a payroll disbursement for which the timecard had not been approved.

Criteria: The District should have controls in place to ensure all timecards are reviewed and approved before payroll is run.

Effect: No effect on the financial statements.

Cause: The invoice was inadvertently overlooked when the timecards were being approved.

Recommendation: We recommend the District ensure its controls are in place, and that all timecards are reviewed and approved by the appropriate supervisor before payroll is run for the pay period.

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 their processes and procedures as it relates to approval of timecards and ensure that they are being followed.

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, 2013.

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 (CONTINUED)
YEAR ENDED JUNE 30, 2012**

B. FINDINGS – INTERNAL CONTROL OVER FINANCIAL REPORTING (CONTINUED)

PRIOR YEAR

Finding 2011-2

Significant Deficiency – Unrecorded Liability and Duplicate Payment of Invoice

Condition: We noted that the same invoice had been paid twice by the District. It was also noted that the invoice was not properly reflected in accounts payable at June 30, 2011.

Status: No similar error in accounts payable processing was noted in the fiscal year 2012 audit.

Finding 2011-3

Significant Deficiency – Payroll Overpayment

Condition: During the performance of our audit procedures, we noted that the District paid an employee for more hours than were on that employee's timecard. This resulted in an immaterial overpayment to this employee.

Status: No similar error in payroll processing was noted in the fiscal year 2012 audit.

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

CURRENT YEAR

None

PRIOR YEAR

None

D. FINDINGS – MINNESOTA LEGAL COMPLIANCE

None noted

EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of cash receipts and disbursements of the extracurricular student activity accounts of Independent School District No. 719 as of and for the year ended June 30, 2012. This financial statement is the responsibility of the District's extracurricular student activity accounts management. Our responsibility is to express an opinion on this financial statement based on our audit.

Except as discussed in the following paragraph, 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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.

As described in Note 1, this financial statement has been prepared on the cash basis of accounting, as prescribed by the Minnesota Department of Education, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, except for such adjustments, if any, as might have been determined to be necessary had the cash collections referred to above been susceptible to satisfactory audit tests, the financial statement referred to above presents fairly, in all material respects, the cash transactions of the District's extracurricular student activity accounts for the year ended June 30, 2012, and the cash balances at that date on the basis of accounting as described in Note 1.

A handwritten signature in cursive script that reads 'CliftonLarsonAllen LLP'.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 20, 2012

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
YEAR ENDED JUNE 30, 2012**

	Beginning Balance	Receipts	Disbursements	Ending Balance
TWIN OAKS MIDDLE SCHOOL				
Student Ambassadors	\$ 1,781	\$ 3,615	\$ 5,216	\$ 180
Yearbook	193	11,508	11,702	-
Total Twin Oaks	<u>1,975</u>	<u>15,124</u>	<u>16,918</u>	<u>180</u>
DISTRICT SERVICES CENTER				
Interest/Charges/Clearing Account	5,090	3,401	2,442	6,049
GLENDALE ELEMENTARY SCHOOL				
School Store	2,220	2,264	1,320	3,164
HIDDEN OAKS MIDDLE SCHOOL				
Student Ambassadors	2,545	1,821	1,480	2,886
Yearbook	1,825	19,426	17,247	4,003
Total Hidden Oaks	<u>4,370</u>	<u>21,247</u>	<u>18,727</u>	<u>6,889</u>
SENIOR HIGH				
National Honor Society	4,023	13,076	13,341	3,758
SADD	2,485	-	54	2,430
Spanish	780	-	415	366
Class of 2011	5,312	-	5,312	-
Class of 2012	860	52,666	48,620	4,906
Class of 2013	423	1,180	-	1,603
Student Council	20,520	68,990	66,040	23,470
Live	712	10	585	136
School Store	7,436	11,401	12,080	6,758
Spirit Players	810	-	810	-
Yearbook	21,465	12,195	4,497	29,163
Total Senior High	<u>64,826</u>	<u>159,518</u>	<u>151,754</u>	<u>72,590</u>
DISTRICT TOTAL	<u>\$ 78,480</u>	<u>\$ 201,554</u>	<u>\$ 191,161</u>	<u>\$ 88,872</u>

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
NOTES TO EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS
JUNE 30, 2012**

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.



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REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited the statement of cash receipts and disbursements of the extracurricular student activity funds of Independent School District No. 719 as of and for the year ended June 30, 2012, and have issued our report thereon dated October 20, 2012. In our report, our opinion was qualified because the District has not established procedures to provide assurance that all cash collections are recorded in the accounting records. Further, the financial statements are prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Manual for Activity Fund Accounting*, issued by the Minnesota Department of Education, pursuant to Minnesota Statutes § 123.38.

The *Manual for Activity Fund Accounting* provides uniform financial accounting and reporting standards for student activities. Compliance with student activity laws and regulations is the responsibility of the District's extracurricular student activity accounts management. We have performed auditing procedures to test compliance with the provisions of this manual. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, the District's extracurricular student activity accounts complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the School Board, management, and students of Independent School District No. 719 and the Minnesota Department of Education, and the Office of the State Auditor of Minnesota, and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 20, 2012

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS
SCHEDULE OF FINDINGS AND CORRECTIVE ACTION
JUNE 30, 2012**

FINDINGS AND CORRECTIVE ACTION

EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS

CURRENT YEAR

None

PRIOR YEAR

None