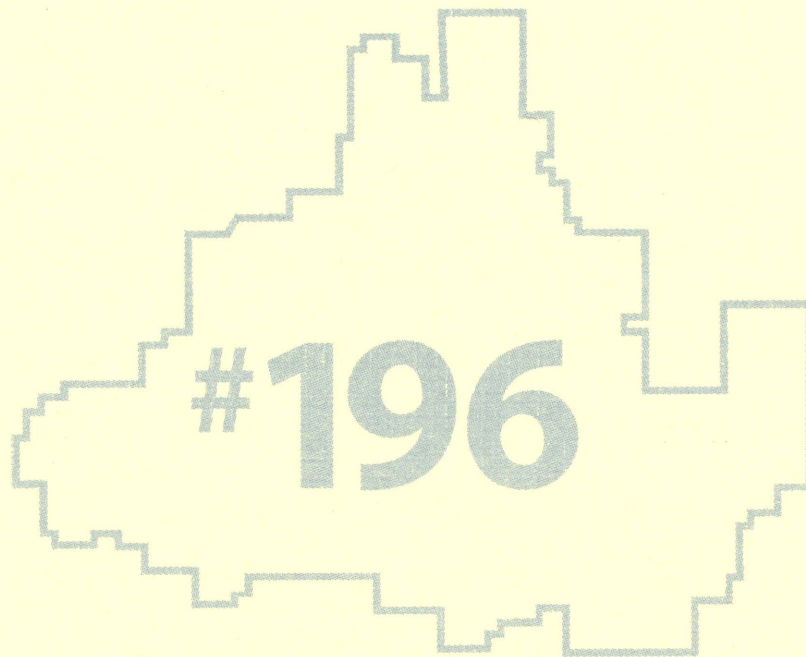


# SPECIAL PURPOSE

## Audit Reports

*Year Ended June 30, 2015*



INDEPENDENT SCHOOL DISTRICT 196  
**Rosemount-Apple Valley-Eagan Public Schools**  
**Rosemount, Minnesota**

*Educating our students to reach their full potential*



INDEPENDENT SCHOOL DISTRICT NO. 196  
ROSEMOUNT, MINNESOTA

Special Purpose Audit Reports

Year Ended  
June 30, 2015

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INDEPENDENT SCHOOL DISTRICT NO. 196

Special Purpose Audit Reports  
Year Ended June 30, 2015

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INDEPENDENT SCHOOL DISTRICT NO. 196

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Federal Expenditures
<b>U.S. Department of Agriculture</b>		
Passed through Minnesota Department of Education		
Child nutrition cluster		
School Breakfast Program	10.553	\$ 648,654
National School Lunch Program	10.555	3,756,736
Special Milk Program for Children	10.556	1,424
Total child nutrition cluster		4,406,814
<b>U.S. Department of Labor</b>		
Direct		
YouthBuild	17.274	422,157
<b>U.S. Department of Education</b>		
Direct		
Indian Education – Grants to Local Educational Agencies	84.060	60,099
Passed through Minnesota Department of Education		
Special education cluster		
Special Education – Grants to States	84.027	5,037,696
Special Education – Preschool Grants	84.173	136,609
Total special education cluster		5,174,305
Title I Grants to Local Educational Agencies	84.010	1,740,376
Improving Teacher Quality State Grants	84.367	453,648
English Language Acquisition Grants	84.365	178,536
Career and Technical Education – Basic Grants to States	84.048	239,750
Adult Education – Basic Grants to States	84.002	95,578
Special Education Grants for Infants and Families	84.181	81,417
Total federal awards		<u>\$ 12,852,680</u>

Note 1: This Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the District's basic financial statements.

Note 2: Non-monetary assistance of \$487,323 is reported in this schedule, representing the value of commodities received and disbursed for the U.S. Department of Agriculture National School Lunch Program (CFDA No. 10.555).

Note 3: All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants, and have not assigned any additional identifying numbers.

Note 4: The District provided federal awards to subrecipients as follows:

Program Title	Federal CFDA No.	Amount Provided
Improving Teacher Quality State Grants	84.367	\$ 14,849
Career and Technical Education – Basic Grants to States	84.048	\$ 100,025

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INDEPENDENT AUDITOR'S 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

To the School Board and Management of  
Independent School District No. 196  
Rosemount, Minnesota

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 196 (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 October 29, 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.

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 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. 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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(continued)

## 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*.

## 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 results 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 report is not suitable for any other purpose.

*Malloy, Montague, Karnowski, Radosevich & Co., P.A.*

Minneapolis, Minnesota  
October 29, 2015



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

To the School Board and Management of  
Independent School District No. 196  
Rosemount, Minnesota

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

We have audited Independent School District No. 196's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (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 auditor's 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.

**AUDITOR'S 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.

(continued)

**BASIS FOR QUALIFIED OPINION – U.S. DEPARTMENT OF LABOR YOUTHBUILD PROGRAM  
(CFDA No. 17.274)**

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with the requirements for procurement, suspension, and debarment related to the U.S. Department of Labor YouthBuild Program (CFDA No. 17.274) as described in item 2015-002. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

**QUALIFIED OPINION ON U.S. DEPARTMENT OF LABOR YOUTHBUILD PROGRAM (CFDA No. 17.274)**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to on the previous page that could have a direct and material effect on the U.S. Department of Labor YouthBuild Program (CFDA No. 17.274) for the year ended June 30, 2015.

**UNMODIFIED OPINION ON EACH OF THE OTHER MAJOR FEDERAL PROGRAMS**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to previously that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2015.

**DISTRICT'S RESPONSE TO FINDING**

The District's response to the 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.

**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 on the previous page. 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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 certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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.

(continued)

We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2015-002 and 2015-003 to be material weaknesses.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001 to be a significant deficiency.

#### **DISTRICT'S RESPONSES TO FINDINGS**

The District's responses to the internal control over compliance 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 compliance and, accordingly, we express no opinion on them.

#### **PURPOSE OF THIS REPORT**

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 results 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 October 29, 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 Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Malloy, Montague, Karnowski, Radosevich & Co., P. A.*

Minneapolis, Minnesota  
October 29, 2015

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INDEPENDENT AUDITOR'S REPORT  
ON MINNESOTA LEGAL COMPLIANCE

To the School Board and Management of  
Independent School District No. 196  
Rosemount, Minnesota

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 196 (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 October 29, 2015.

**MINNESOTA LEGAL COMPLIANCE**

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the Office of the State Auditor pursuant to Minnesota Statute § 6.65, contains seven 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 audit 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 items 2015-004 and 2015-005. 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.

**DISTRICT'S RESPONSES TO FINDINGS**

The District's responses to the compliance findings identified in our audit are included in the Schedule of Findings and Questioned Costs. The District's responses were not subject to the auditing procedures applied in our 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 compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

*Malloy, Montague, Karnowski, Radosevich & Co., P.A.*

Minneapolis, Minnesota  
October 29, 2015

INDEPENDENT SCHOOL DISTRICT NO. 196

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

**A. SUMMARY OF AUDIT RESULTS**

This summary is formatted to provide federal granting agencies and pass-through agencies answers to specific questions regarding the audit of federal awards.

**Financial Statements**

What type of auditor's report is issued?   X   Unmodified  
       Qualified  
       Adverse  
       Disclaimer

Internal control over financial reporting:

Material weakness(es) identified?        Yes   X   No

Significant deficiencies identified?        Yes   X   None reported

Noncompliance material to the financial statements noted?        Yes   X   No

**Federal Awards**

Internal controls over major federal award programs:

Material weakness(es) identified?   X   Yes        No

Significant deficiencies identified?   X   Yes        None reported

Type of auditor's report issued on compliance for major programs?

U.S. Department of Agriculture – child nutrition cluster Unmodified

U.S. Department of Labor – YouthBuild Qualified

U.S. Department of Education – special education cluster Unmodified

U.S. Department of Education – Title I Grants to Local Educational Agencies Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?   X   Yes        No

Programs tested as major programs:

Program or Cluster	CFDA No.
The U.S. Department of Agriculture child nutrition cluster consisting of:	
– School Breakfast Program	10.553
– National School Lunch Program	10.555
– Special Milk Program for Children	10.556
The U.S. Department of Labor	
– YouthBuild	17.274
The U.S. Department of Education special education cluster consisting of:	
– Special Education – Grants to States	84.027
– Special Education – Preschool Grants	84.173
The U.S. Department of Education	
– Title I Grants to Local Educational Agencies	84.010
Threshold for distinguishing type A and B programs.	<u>  \$  </u> 385,580

Does the auditee qualify as a low-risk auditee?        Yes   X   No



INDEPENDENT SCHOOL DISTRICT NO. 196

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2015

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

None.

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

**SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER COMPLIANCE – U.S. DEPARTMENT OF AGRICULTURE CHILD NUTRITION CLUSTER – CFDA NOS. 10.553, 10.555, AND 10.556; U.S. DEPARTMENT OF LABOR YOUTHBUILD PROGRAM – CFDA NO. 17.274; AND U.S. DEPARTMENT OF EDUCATION SPECIAL EDUCATION CLUSTER – CFDA NOS. 84.027 AND 84.173**

**2015-001 Internal Control Over Compliance With Suspension and Debarment Requirements**

**Criteria** – 2CFR § 180 requires management to establish and maintain effective internal control over compliance with requirements applicable to federal program expenditures, including suspension and debarment requirements applicable to the child nutrition cluster, YouthBuild, and special education cluster federal programs.

**Condition** – During our audit, we noted that Independent School District No. 196 (the District) did not have sufficient controls in place within the major programs indicated above to assure that it was not contracting for goods or services with parties that are suspended or debarred from participating in contracts involving the expenditures of federal program funds.

**Questioned Costs** – None. Our testing did not indicate any instances of noncompliance.

**Context** – This is a current year and prior year finding.

**Cause** – In response to a prior year audit finding (2014-001), the District implemented control procedures to verify that new vendors it contracted with were not suspended or debarred. However, the new procedures were not extended to existing vendors.

**Effect** – This could result in the District expending federal funds with vendors not eligible to be parties to such transactions, which could be viewed as a violation of the award agreement.

**Recommendation** – We recommend that the District review its internal control procedures relating to suspension and debarment for all federal programs. Internal controls over compliance for this area should include verification that any vendor with which the District contracts for goods or services exceeding \$25,000 is not listed as suspended or debarred on the federal Excluded Parties List System (EPLS) website.

**Corrective Action Plan**

**Actions Planned** – The District will review its internal controls over compliance with suspension and debarment requirements for all federal programs, and ensure that all parties with which it contracts for goods or services are eligible to participate in contracts involving the expenditures of federal program funding.

INDEPENDENT SCHOOL DISTRICT NO. 196

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2015

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

**SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER COMPLIANCE – U.S. DEPARTMENT OF AGRICULTURE CHILD NUTRITION CLUSTER – CFDA NOS. 10.553, 10.555, AND 10.556; U.S. DEPARTMENT OF LABOR YOUTHBUILD PROGRAM – CFDA NO. 17.274; AND U.S. DEPARTMENT OF EDUCATION SPECIAL EDUCATION CLUSTER – CFDA NOS. 84.027 AND 84.173 (CONTINUED)**

**2015-001 Internal Control Over Compliance With Suspension and Debarment Requirements  
(continued)**

**Corrective Action Plan (continued)**

Official Responsible – The District’s Director of Finance and Operations.

Planned Completion Date – December 31, 2015.

Disagreement With or Explanation of Finding – The District agrees with this finding.

Plan to Monitor – The District’s Director of Finance and Operations will assure appropriate controls are in place to verify that any vendor with which the District contracts for federal program goods or services exceeding \$25,000 is not listed as suspended or debarred on the federal EPLS website.

**MATERIAL WEAKNESS IN INTERNAL CONTROL OVER COMPLIANCE AND REPORTABLE INSTANCES  
OF NONCOMPLIANCE – U.S. DEPARTMENT OF LABOR YOUTHBUILD PROGRAM – CFDA NO. 17.274**

**2015-002 Internal Control and Compliance With Procurement Requirements**

**Criteria** – 2CFR § 180 and 2CFR § 215.45 require management to establish and maintain effective internal control over compliance with requirements applicable to federal program expenditures, including procurement requirements applicable to the YouthBuild program.

**Condition** – During our audit, we noted that the District did not have sufficient controls in place within its YouthBuild federal program to assure compliance with federal procurement requirements which resulted in noncompliance. The District did not have bids or quotations on file for 3 of the 12 vendors tested from which it purchased over \$25,000 of goods.

**Questioned Costs** – None noted.

**Context** – This is a current year finding.

**Cause** – This was an oversight by district personnel due in part to recent turnover in staff.

**Effect** – Noncompliance with procurement requirements could result in the District expending federal funds with inappropriate vendors, which could be viewed as a violation of the award agreement.

INDEPENDENT SCHOOL DISTRICT NO. 196

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2015

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

**MATERIAL WEAKNESS IN INTERNAL CONTROL OVER COMPLIANCE AND REPORTABLE INSTANCES  
OF NONCOMPLIANCE – U.S. DEPARTMENT OF LABOR YOUTHBUILD PROGRAM – CFDA No. 17.274  
(CONTINUED)**

**2015-002 Internal Control and Compliance With Procurement Requirements (continued)**

**Recommendation** – We recommend that the District review its internal control procedures relating to federal procurement for all federal programs to ensure compliance with requirements to obtain and keep on file bids and/or quotations for vendors from which it purchases over \$25,000 of goods.

**Corrective Action Plan**

Actions Planned – The District intends to review its procedures relating to procurement for its federal programs to ensure compliance with this requirement in the future.

Official Responsible – The District’s Director of Finance and Operations.

Planned Completion Date – December 31, 2015.

Disagreement With or Explanation of Finding – The District agrees with this finding.

Plan to Monitor – The District’s Director of Finance and Operations will assure appropriate controls are in place to verify that bids or quotations are obtained when the District contracts for goods exceeding \$25,000.

**MATERIAL WEAKNESS IN INTERNAL CONTROL OVER COMPLIANCE – U.S. DEPARTMENT OF LABOR  
YOUTHBUILD PROGRAM – CFDA No. 17.274**

**2015-003 Internal Control – Activities Allowed and Allowable Cost Principles**

**Criteria** – U.S. Office of Management and Budget (OMB) Circular A-87 and 2CFR § 225 require management to establish and maintain effective internal controls over compliance with requirements applicable to federal programs, including monitoring the YouthBuild Program activities allowed and allowable cost principles requirements.

**Condition** – One of the elements of the internal control and compliance over the recording of federal grant expenditures is that time and effort reports are required to be completed for each employee with time coded to the program in order to verify the services were performed for the appropriate program. The District did not have time and effort reports on file for one of the two employees tested for program CFDA No. 17.274.

**Questioned Costs** – None. The appropriateness of the salaries claimed for federal reimbursement was verified by other means.

INDEPENDENT SCHOOL DISTRICT NO. 196

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2015

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

**MATERIAL WEAKNESS IN INTERNAL CONTROL OVER COMPLIANCE – U.S. DEPARTMENT OF LABOR  
YOUTHBUILD PROGRAM – CFDA No. 17.274 (CONTINUED)**

**2015-003 Internal Control – Activities Allowed and Allowable Cost Principles (continued)**

**Context** – This is a current year finding.

**Cause** – The District did not have adequate controls in place to ensure personal activity reports were prepared and retained for all personnel with wages charged to this program.

**Effect** – The District could be reimbursed for more funds than they are entitled.

**Recommendation** – We recommend that the District review its procedures and internal controls over the preparation and retention of personal activity reports for services provided in federally funded programs.

**Corrective Action Plan**

**Actions Planned** – The District will review and improve its control procedures over the preparation and retention of personal activity reports for personnel with wages charged to federally funded programs to eliminate this finding in the future.

**Official Responsible** – The District’s Director of Finance and Operations.

**Planned Completion Date** – December 31, 2015.

**Disagreement With or Explanation of Finding** – The District agrees with this finding.

**Plan to Monitor** – The District’s Director of Finance and Operations will review procedures prior to the planned completion date to ensure future compliance with this requirement.

**D. FINDINGS – MINNESOTA LEGAL COMPLIANCE AUDIT**

**2015-004 Withholding Affidavit**

**Criteria** – Minnesota Statute § 270C.66.

**Condition** – Before making final settlement with any contractor under a contract requiring the employment of employees for wages by said contractor or subcontractors, the District must obtain a certificate by the Commissioner of Revenue that the contractor or subcontractor has complied with the withholding requirements of Minnesota Statute § 290.92 (either Form IC134 or a Contractor’s Withholding Affidavit). The District did not obtain the required certificate for one contract completed during fiscal 2015 prior to making final payment.

INDEPENDENT SCHOOL DISTRICT NO. 196

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2015

**D. FINDINGS – MINNESOTA LEGAL COMPLIANCE AUDIT (CONTINUED)**

**2015-004 Withholding Affidavit (continued)**

**Questioned Costs** – Not applicable.

**Context** – One of three contracts tested was not in compliance. This is a current year finding.

**Cause** – This was an oversight by district personnel.

**Effect** – The District did not obtain the required documentation of either a Contractor's Withholding Affidavit or Commissioner of Revenue Form IC134 prior to making final payment on the contract.

**Recommendation** – We recommend that the District review purchasing procedures to ensure this requirement is complied with for all future contracts.

**Corrective Action Plan**

Actions Planned – The District intends to review the state statutory requirements and obtain the required documents for all future contracts completed.

Official Responsible – The District's Director of Finance and Operations.

Planned Completion Date – December 31, 2015.

Disagreement With or Explanation of Finding – The District agrees with this finding.

Plan to Monitor – The District's Director of Finance and Operations will review requirements with appropriate staff to assure the planned controls are followed and the required Contractor's Withholding Affidavit or the Commissioner of Revenue Form IC134 are obtained prior to final payments being issued on all future contracts.

**2015-005 Bids and Quotes**

**Criteria** – Minnesota Statute § 471.345, Uniform Municipal Contracting Law.

**Condition** – When contracting for the purchase of goods, if the amount of the contract is estimated to exceed \$25,000 but not to exceed \$100,000, Minnesota Statutes require that the contract be made either upon sealed bids or by direct negotiation, by obtaining two or more quotations for the purchase or sale when possible, and without advertising for bids or otherwise complying with the requirements of competitive bidding. All quotations obtained shall be kept on file for a period of at least one year after receipt thereof. The District did not comply with this requirement for three contracts awarded during the year.

**Questioned Costs** – Not applicable.

INDEPENDENT SCHOOL DISTRICT NO. 196

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2015

**D. FINDINGS – MINNESOTA LEGAL COMPLIANCE AUDIT (CONTINUED)**

**2015-005 Bids and Quotes (continued)**

**Context** – Three of fifteen contracts tested were not in compliance. This is a current year finding.

**Cause** – This was an oversight by district personnel.

**Effect** – The District did not comply with Minnesota statutory requirements when awarding these contracts.

**Recommendation** – We recommend that the District review purchasing procedures to ensure this requirement is complied with for all future contracts.

**Corrective Action Plan**

Actions Planned – The District intends to review the state statutory requirements and obtain the required quotations for all future contracts completed.

Official Responsible – The District’s Director of Finance and Operations.

Planned Completion Date – December 31, 2015.

Disagreement With or Explanation of Finding – The District agrees with this finding.

Plan to Monitor – The District’s Director of Finance and Operations will review requirements with appropriate staff to assure the planned controls are followed such that all future contracts for goods estimated to be between \$25,000 and \$100,000 are awarded based on sealed bids or quotations as required by Minnesota Statutes.

**E. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**2014-001 Internal Control Over Compliance With Suspension and Debarment Requirements**

**Criteria and Condition** – Management is responsible for establishing and maintaining effective internal control over compliance with requirements applicable to federal programs expenditures, including suspension and debarment requirements applicable to the child nutrition cluster and special education cluster federal programs. During our audit for the year ended June 30, 2014, we noted that the District did not have sufficient controls in place within its child nutrition cluster and special education cluster federal programs to assure that it was not contracting for goods or services with parties that are suspended or debarred from participating in contracts involving the expenditures of federal program funds.

**Current Status** – The District implemented control procedures to verify that new vendors it contracted with were not suspended or debarred. However, the new procedures were not extended to existing vendors. See current year finding 2015-001.



PRINCIPALS

Thomas M. Montague, CPA  
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INDEPENDENT AUDITOR'S REPORT ON  
UNIFORM FINANCIAL ACCOUNTING AND  
REPORTING STANDARDS COMPLIANCE TABLE

To the School Board and Management of  
Independent School District No. 196  
Rosemount, Minnesota

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 196 (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 October 29, 2015.

Audit standards referred to in the previous paragraph 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 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purposes of additional analysis as required by the Minnesota Department of Education (MDE), and is not a required part of the basic financial statements of the District. The UFARS Compliance Table 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 basic 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 UFARS Compliance Table is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

(continued)

**PURPOSE OF THIS REPORT**

The purpose of this report on the UFARS Compliance Table required by the MDE is solely to describe the scope of our testing of the UFARS Compliance Table and the results of that testing based on our audit. Accordingly, this report is not suitable for any other purpose.

*Malloy, Montague, Karnowski, Radosevich & Co., P.A.*

Minneapolis, Minnesota

October 29, 2015



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INDEPENDENT SCHOOL DISTRICT NO. 196

Uniform Financial Accounting and Reporting Standards  
Compliance Table  
June 30, 2015

	Audit	UFARS	Audit – UFARS
<b>General Fund</b>			
Total revenue	\$ 322,337,249	\$ 322,337,250	\$ (1)
Total expenditures	\$ 315,319,828	\$ 315,319,828	\$ –
Nonspendable			
460 Nonspendable fund balance	\$ 924,736	\$ 924,736	\$ –
Restricted/reserve			
403 Staff development	\$ –	\$ –	\$ –
405 Deferred maintenance	\$ –	\$ –	\$ –
406 Health and safety	\$ 508,628	\$ 508,628	\$ –
407 Capital projects levy	\$ 715,621	\$ 715,621	\$ –
408 Cooperative revenue	\$ –	\$ –	\$ –
409 Alternative facility program	\$ –	\$ –	\$ –
413 Project funded by COP	\$ –	\$ –	\$ –
414 Operating debt	\$ –	\$ –	\$ –
416 Levy reduction	\$ –	\$ –	\$ –
417 Taconite building maintenance	\$ –	\$ –	\$ –
423 Certain teacher programs	\$ –	\$ –	\$ –
424 Operating capital	\$ 2,072,323	\$ 2,072,323	\$ –
426 \$25 taconite	\$ –	\$ –	\$ –
427 Disabled accessibility	\$ –	\$ –	\$ –
428 Learning and development	\$ –	\$ –	\$ –
434 Area learning center	\$ –	\$ –	\$ –
435 Contracted alternative programs	\$ –	\$ –	\$ –
436 State approved alternative program	\$ –	\$ –	\$ –
438 Gifted and talented	\$ –	\$ –	\$ –
440 Teacher development and evaluation	\$ –	\$ –	\$ –
441 Basic skills programs	\$ –	\$ –	\$ –
445 Career and technical programs	\$ –	\$ –	\$ –
448 Achievement and integration	\$ –	\$ –	\$ –
449 Safe schools levy	\$ (821,170)	\$ (821,170)	\$ –
450 Pre-kindergarten	\$ –	\$ –	\$ –
451 QZAB payments	\$ –	\$ –	\$ –
452 OPEB liability not in trust	\$ –	\$ –	\$ –
453 Unfunded severance and retirement levy	\$ –	\$ –	\$ –
Restricted			
464 Restricted fund balance	\$ –	\$ –	\$ –
Committed			
418 Committed for separation	\$ –	\$ –	\$ –
461 Committed fund balance	\$ –	\$ –	\$ –
Assigned			
462 Assigned fund balance	\$ 6,636,835	\$ 6,636,835	\$ –
Unassigned			
422 Unassigned fund balance	\$ 21,895,676	\$ 21,895,676	\$ –
<b>Food Service</b>			
Total revenue	\$ 11,370,178	\$ 11,370,177	\$ 1
Total expenditures	\$ 11,788,022	\$ 11,788,021	\$ 1
Nonspendable			
460 Nonspendable fund balance	\$ 132,069	\$ 132,069	\$ –
Restricted/reserve			
452 OPEB liability not in trust	\$ –	\$ –	\$ –
Restricted			
464 Restricted fund balance	\$ 1,826,450	\$ 1,826,450	\$ –
Unassigned			
463 Unassigned fund balance	\$ –	\$ –	\$ –
<b>Community Service</b>			
Total revenue	\$ 7,729,223	\$ 7,729,224	\$ (1)
Total expenditures	\$ 7,721,580	\$ 7,721,580	\$ –
Nonspendable			
460 Nonspendable fund balance	\$ 220	\$ 220	\$ –
Restricted/reserve			
426 \$25 taconite	\$ –	\$ –	\$ –
431 Community education	\$ 561,602	\$ 561,602	\$ –
432 ECFE	\$ 381,284	\$ 381,284	\$ –
440 Teacher development and evaluation	\$ –	\$ –	\$ –
444 School readiness	\$ 16,217	\$ 16,217	\$ –
447 Adult basic education	\$ 440,581	\$ 440,581	\$ –
452 OPEB liability not in trust	\$ –	\$ –	\$ –
Restricted			
464 Restricted fund balance	\$ 1,150	\$ 1,150	\$ –
Unassigned			
463 Unassigned fund balance	\$ –	\$ –	\$ –

INDEPENDENT SCHOOL DISTRICT NO. 196

Uniform Financial Accounting and Reporting Standards  
Compliance Table (continued)  
June 30, 2015

	Audit	UFARS	Audit – UFARS
<b>Building Construction</b>			
Total revenue	\$ 28,338	\$ 28,339	\$ (1)
Total expenditures	\$ 18,604,915	\$ 18,604,915	\$ –
Nonspendable			
460 Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted/reserve			
407 Capital projects levy	\$ –	\$ –	\$ –
409 Alternative facility program	\$ (279,012)	\$ (279,012)	\$ –
413 Project funded by COP	\$ 275,224	\$ 275,224	\$ –
Restricted			
464 Restricted fund balance	\$ –	\$ –	\$ –
Unassigned			
463 Unassigned fund balance	\$ –	\$ –	\$ –
<b>Debt Service</b>			
Total revenue	\$ 16,721,220	\$ 16,721,220	\$ –
Total expenditures	\$ 16,894,162	\$ 16,894,161	\$ 1
Nonspendable			
460 Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted/reserve			
425 Bond refundings	\$ 12,282,822	\$ 12,282,822	\$ –
451 QZAB payments	\$ –	\$ –	\$ –
Restricted			
464 Restricted fund balance	\$ 3,564,548	\$ 3,564,548	\$ –
Unassigned			
463 Unassigned fund balance	\$ –	\$ –	\$ –
<b>Trust</b>			
Total revenue	\$ 1,547,985	\$ 1,547,985	\$ –
Total expenditures	\$ 1,500,211	\$ 1,500,210	\$ 1
422 Net position	\$ 487,538	\$ 487,538	\$ –
<b>Internal Service</b>			
Total revenue	\$ 43,902,584	\$ 43,902,582	\$ 2
Total expenditures	\$ 42,785,037	\$ 42,785,036	\$ 1
422 Net position	\$ 6,309,002	\$ 6,309,002	\$ –
<b>OPEB Revocable Trust Fund</b>			
Total revenue	\$ 2,121,068	\$ 2,121,068	\$ –
Total expenditures	\$ 5,688,651	\$ 5,688,650	\$ 1
422 Net position	\$ 29,241,883	\$ 29,241,884	\$ (1)
<b>OPEB Irrevocable Trust Fund</b>			
Total revenue	\$ –	\$ –	\$ –
Total expenditures	\$ –	\$ –	\$ –
422 Net position	\$ –	\$ –	\$ –
<b>OPEB Debt Service Fund</b>			
Total revenue	\$ 2,548,472	\$ 2,548,472	\$ –
Total expenditures	\$ 2,496,438	\$ 2,496,438	\$ –
Nonspendable			
460 Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted			
425 Bond refundings	\$ –	\$ –	\$ –
464 Restricted fund balance	\$ 538,351	\$ 538,351	\$ –
Unassigned			
463 Unassigned fund balance	\$ –	\$ –	\$ –

Note: Statutory restricted deficits, if any, are reported in unassigned fund balances in the financial statements in accordance with accounting principles generally accepted in the United States of America.

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