

**MINNETONKA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 276**

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

JUNE 30, 2011

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INDEPENDENT SCHOOL DISTRICT NO. 276
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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. 276
Minnetonka Public Schools
Minnetonka, 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. 276 as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 25, 2011. 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 the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

School Board
Independent School District No. 276
Minnetonka Public Schools

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Minnetonka Public Schools ISD No. 276'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*.

This report is intended solely for the information and use of the School Board, 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.

LarsonAllen LLP
LarsonAllen LLP

Minneapolis, Minnesota
October 25, 2011

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. 276
Minnetonka Public Schools
Minnetonka, Minnesota

Compliance

We have audited Minnetonka Public Schools ISD No. 276's 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 Minnetonka Public Schools ISD No. 276's major federal programs for the year ended June 30, 2011. Minnetonka Public Schools ISD No. 276's major federal programs are identified in the summary of auditor's 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 Minnetonka Public Schools ISD No. 276's management. Our responsibility is to express an opinion on Minnetonka Public Schools ISD No. 276's 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 Minnetonka Public Schools ISD No. 276'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. Our audit does not provide a legal determination of Minnetonka Public Schools ISD No. 276's compliance with those requirements.

In our opinion, Minnetonka Public Schools ISD No. 276 complied, in all material respects, with the 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, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2011-1.

Internal Control Over Compliance

Management of Minnetonka Public Schools ISD No. 276 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Minnetonka Public Schools ISD No. 276's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our 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 Minnetonka Public Schools ISD No. 276'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 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 discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-1 to be a material weakness.

Minnetonka Public Schools ISD No. 276's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Minnetonka Public Schools ISD No. 276's response and, accordingly, we express no opinion on the response.

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 Minnetonka Public Schools ISD No. 276, as of and for the year ended June 30, 2011, and have issued our report thereon dated October 25, 2011. 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.

School Board
Independent School District No. 276
Minnetonka Public Schools

This report is intended solely for the information and use of the School Board, 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.

Larson Allen LLP
LarsonAllen LLP

Minneapolis, Minnesota
October 25, 2011

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**MINNETONKA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 276
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011**

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:		
National School Lunch Program		
Cash Assistance	10.555	\$ 455,503
Non-Cash Assistance	10.555	149,457
Special Milk Program for Children	10.556	2,681
Total U. S. Department of Agriculture		<u>607,641</u>
U.S. DEPARTMENT OF EDUCATION		
Passed Through Minnesota Department of Education:		
Title I Grants for Local Educational Agencies	84.010	193,898
Special Education Cluster:		
Special Education Grants to States	84.027	1,383,433
Special Education Preschool Grants	84.173	43,020
ARRA - Special Education Grants to States	84.391	817,417
ARRA - Special Education Preschool Grants	84.392	43,192
Title II, Part A - Teacher and Principal Training and Recruiting	84.367	137,183
Title III, Part A - English Language Acquisition Grant	84.365	6,003
ARRA - Part C Infants and Toddlers Program	84.393	{a} 25,635
ARRA - MN Education Jobs Fund	84.410	1,421,577
Passed Through Intermediate School District No. 287:		
Special Education Infants and Families (Part H)	84.181	{a} 19,662
Vocation Education - Basic Grants to States	84.048	30,166
Total U. S. Department of Education		<u>4,121,186</u>
Total Federal Awards		<u>\$ 4,728,827</u>

{a} Early Intervention Services 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. 276.

Note 2:

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

Note 4:

The pass-through entity identifying number is unknown.

REPORT ON MINNESOTA LEGAL COMPLIANCE

School Board
Independent School District No. 276
Minnetonka Public Schools
Minnetonka, 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. 276 as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 25, 2011.

We conducted our audit in accordance with U.S. generally accepted auditing standards, 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. Section 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 main 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 other 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, in all material respects, with the provisions referred to in the preceding paragraph.

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.

LarsonAllen LLP
LarsonAllen LLP

Minneapolis, Minnesota
October 25, 2011

**MINNETONKA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 276
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Minnetonka Public Schools ISD No. 276.
2. No material weaknesses in internal control over financial reporting were disclosed during the audit of the financial statements of Minnetonka Public Schools ISD No. 276.
3. No instances of material noncompliance were disclosed during the audit of the financial statements of Minnetonka Public Schools ISD No. 276.
4. One significant deficiency in internal control over major programs, which was considered a material weakness, was disclosed related to the audit of the major federal award programs for Minnetonka Public Schools ISD No. 276.
5. The auditors' report on compliance for the major federal award programs for Minnetonka Public Schools ISD No. 276 expresses an unqualified opinion.
6. One audit finding relative to the major federal award programs for Minnetonka Public Schools ISD No. 276 was disclosed.
7. The programs tested as major programs included:
 - U.S. Department of Education – Special Education Cluster:

Special Education Grants to States	CFDA #84.027
Special Education Preschool Grants	CFDA #84.173
ARRA-Special Education Grants to States	CFDA #84.391
ARRA-Special Education Preschool Grants	CFDA #84.392
 - U.S. Department of Agriculture – Nutrition Cluster

National School Lunch Program	CFDA #10.555
Special Milk Program for Children	CFDA #10.556
 - ARRA - MN Education Jobs Fund

ARRA - MN 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. 276 was not determined to be a low-risk auditee.

**MINNETONKA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 276
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

B. FINDINGS – INTERNAL CONTROL OVER FINANCIAL REPORTING

CURRENT YEAR

None

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

CURRENT YEAR

Finding: 2011-1

Material Weakness – ARRA - Special Education Cluster (CFDA 84.027, 84.173, 84.391, 84.392) and ARRA – MN Education Jobs Fund (CFDA 84.410); Grant Period – Year Ended June 30, 2011; Passed Through Agency – Minnesota Department of Education

Condition: We tested 40 disbursements for the Special Education Cluster and while all employees were coded within the payroll system as working on their respective Federal program and job descriptions indicated the same, we noted two employees who were coded to multiple cost objectives but prepared Time Certifications rather than Personnel Activity Reports. It was also noted that time and effort documentation (Time Certifications and Personnel Activity Reports) were not prepared for any of the employees coded to the Education Jobs Fund program.

Criteria: OMB Circular A-87, Attachment B, Section 11h, requires semi-annual payroll certifications to be prepared for employees who work solely on a single Federal award, signed either by the employee or the employee's direct supervisor. When employees work on multiple programs, the employee's time must be supported by approved time studies or time sheets prepared at least on a monthly basis.

Effect: Payroll expenditures charged to the federal programs were not adequately supported by time reporting documentation.

Cause: The Education Jobs Fund is a new program this year and the District was relying on initial guidance released from the Minnesota Department of Education that indicated the time reporting documentation was not necessary. The Special Education employees mistakenly completed the wrong type of time reporting documentation.

Recommendation: We recommend that the District implement a control process to ensure that the District is in compliance with all federal time reporting requirements.

**MINNETONKA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 276
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

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

CURRENT YEAR (CONTINUED)

Finding: 2011-1 (CONTINUED)

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

During fiscal year 2012, the District will incorporate a system of internal controls to ensure that all compliance requirements are being met.

Official Responsible for Ensuring CAP:

Paul Bourgeois, Executive Director of Finance & Operations, will be responsible for working with the Finance Department and Special Education Department to ensure these key controls are put in place.

Planned Completion Date for CAP:

The District will implement the recommended changes by the end of fiscal year 2012.

Plan to Monitor Completion of CAP:

The School Board will be monitoring this corrective action plan.

PRIOR YEAR

Finding: 2010-1

Significant Deficiency – Special Education Cluster (CFDA 84.027, 84.173, 84.391, 84.392) and ARRA – State Fiscal Stabilization Fund (CFDA 84.394); Grant Period – Year Ended June 30, 2010; Passed Through Agency – Minnesota Department of Education

Condition: We tested the reporting requirements for funds received through the American Recovery and Reinvestment Act (ARRA) and noted that certain job summary reports were not submitted as required.

Recommendation: We recommend that the District implement a control process to ensure that the District is in compliance with any new federal program requirements.

Current Status: Reporting requirements for funds received through the American Recovery and Reinvestment Act (ARRA) were submitted as required for the fiscal year ended June 30, 2011.

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EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS



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**INDEPENDENT AUDITORS' REPORT
ON EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS**

School Board, Advisers, and Students of
Independent School District No. 276
Minnetonka Public Schools
Minnetonka, Minnesota

We have audited the accompanying statement of cash receipts and disbursements of the extracurricular student activity funds of Independent School District No. 276 as of and for the year ended June 30, 2011. 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 U.S. generally accepted auditing standards. 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, 2011, and the cash balances at that date on the basis of accounting as described in Note 1.

LarsonAllen LLP
LarsonAllen LLP

Minneapolis, Minnesota
October 25, 2011



**MINNETONKA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 276
EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
YEAR ENDED JUNE 30, 2011**

	<u>Balance June 30, 2010</u>	<u>Revenues and Transfers In</u>	<u>Expenditures and Transfers Out</u>	<u>Balance June 30, 2011</u>
Deephaven 112: Student Store	\$ 1,264	\$ 450	\$ 500	\$ 1,214
Groveland 114: Student Store	1,825	1,530	2,284	1,071
Minnewashta 115: Student Store	24	24	48	-
Minnetonka Middle School East 205:				
Guitar	6	-	6	-
MME Drama	3,445	3,277	4,436	2,286
Music	-	-	-	-
Student Government	1,985	8,761	7,128	3,618
Variety Show	3,110	-	3,110	-
Yearbook	7,371	10,089	13,678	3,782
Total Minnetonka Middle School East	15,917	22,127	28,358	9,686
Minnetonka Middle School West 210:				
Music	1,299	16,693	13,055	4,937
Student Government	1,208	9,820	9,910	1,118
Yearbook	18,339	1,804	1,066	19,077
Total Minnetonka Middle School West	20,846	28,317	24,031	25,132
High School 310:				
ASL Club	309	602	220	691
Baking Club	-	255	40	215
Drama	-	683	683	-
Earth's Group	3,633	1,073	1,504	3,202
Fall Dance - Performance	10,102	6,100	6,534	9,668
Field Biology	117	82	33	166
Film Festival	1,107	-	1,107	-
Honor Society	2,396	2,196	3,576	1,016

See accompanying Note to Financial Statement.

**MINNETONKA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 276
EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

	Balance June 30, 2010	Revenues and Transfers In	Expenditures and Transfers Out	Balance June 30, 2011
High School 310 (Continued):				
Interact Club	\$ 131	\$ 503	\$ 585	\$ 49
J C Superstar	-	898	898	-
Morning Announcement Show	325	300	100	525
Optimist Club	328	-	143	185
People to People	-	693	390	303
Reach Out Volunteers	380	525	525	380
Student Government	24,981	98,254	86,059	37,176
Student Newspaper	683	2,859	2,021	1,521
Vocal	-	-	-	-
Yearbook Fundraising	1,940	22,751	15,961	8,730
Total High School	<u>46,432</u>	<u>137,774</u>	<u>120,379</u>	<u>63,827</u>
 Total District	 <u>\$ 86,308</u>	 <u>\$ 190,222</u>	 <u>\$ 175,600</u>	 <u>\$ 100,930</u>

See accompanying Note to Financial Statement.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS
NOTE TO FINANCIAL STATEMENT
JUNE 30, 2011**

NOTE 1 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Student activity account transactions are defined as extracurricular programs conducted for the motivation and enjoyment of students. These programs and activities are not offered for school credits nor required for graduation. Activities are generally conducted outside of school hours. The content of the activities is determined primarily by the student, 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. These funds are not included in the combined financial statements of Independent School District No. 276, and are restricted for the student activity uses, as established.

The accounts of the student activity funds 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.

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 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 or corporate surety bonds.

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.

The District's deposits in banks at June 30, 2011, were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

School Board, Advisers, and Students of
Independent School District No. 276
Minnetonka Public Schools
Minnetonka, Minnesota

In planning and performing our audit of the statement of cash receipts and disbursements of the extracurricular student activity funds of Independent School District No. 276 as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered Independent School District No. 276's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the extracurricular student activity funds financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Independent School District No. 276's internal control. Accordingly, we do not express an opinion on the effectiveness of the Independent School District No. 276's internal control.

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 such deficiencies have been identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency listed below to be a material weakness.

Student Activity Receipts

The District has not established procedures to provide assurance that all cash collections are recorded in the accounting records.

This communication is intended solely for the information and use of management, the School Board, students of Independent School District No. 276 and the Minnesota Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

LarsonAllen LLP
LarsonAllen LLP

Minneapolis, Minnesota
October 25, 2011

REPORT ON COMPLIANCE WITH UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS APPLICABLE TO EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS

School Board, Advisers, and Students of
Independent School District No. 276
Minnetonka Public Schools
Minnetonka, Minnesota

We have audited the statement of cash receipts and disbursements of the student activity funds of Independent School District No. 276 for the year ended June 30, 2011, and have issued our report thereon dated October 25, 2011. 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 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.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the provisions of the *Manual of Activity Fund Accounting*, issued by the Minnesota Department of Education, pursuant to Minnesota Statutes Section 123.38.

The *Manual of 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 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. 276 and the Minnesota Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

LarsonAllen LLP
LarsonAllen LLP

Minneapolis, Minnesota
October 25, 2011