

**WINONA AREA PUBLIC SCHOOLS FOUNDATION, INC.  
D/B/A FOUNDATION FOR WINONA AREA PUBLIC SCHOOLS**

**INDEPENDENT AUDITORS' COMMUNICATIONS  
WITH THOSE CHARGED WITH GOVERNANCE  
AND OF SIGNIFICANT DEFICIENCIES AND  
MATERIAL WEAKNESSES AND  
MANAGEMENT ADVISORY COMMENTS**

**JUNE 30, 2013**

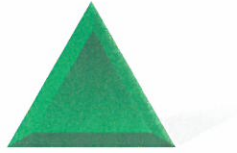
**WINONA AREA PUBLIC SCHOOLS FOUNDATION, INC.  
D/B/A FOUNDATION FOR WINONA AREA PUBLIC SCHOOLS**

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**RUSSELL & ASSOCIATES** LLC  
Certified Public Accountants

**INDEPENDENT AUDITORS' COMMUNICATION  
WITH THOSE CHARGED WITH GOVERNANCE**

To the Board of Directors  
Winona Area Public Schools Foundation, Inc.  
D/B/A Foundation for Winona Area Public Schools

We have audited the financial statements of the Winona Area Public Schools Foundation, Inc. D/B/A Foundation for Winona Area Public Schools as of and for the year ended June 30, 2013, and have issued our report thereon dated October 24, 2013. Professional Standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated July 15, 2013, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Winona Area Public Schools Foundation, Inc. D/B/A Foundation for Winona Area Public Schools solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant control deficiencies and material weaknesses, and other matters noted during our audit in a separate letter to you dated October 24, 2013.

### **Other Information in Documents Containing Audited Financial Statements**

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the Winona Area Public Schools Foundation, Inc.'s audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have applied certain limited procedures which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.

### **Qualitative Aspects of the Entity's Significant Accounting Practices**

#### *Significant Accounting Policies*

Management has the responsibility to select and use of appropriate accounting policies. A summary of the significant accounting policies adopted by the Winona Area Public Schools Foundation, Inc., is included in Note 1 to the financial statements. There has been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2013. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the value of investments in marketable securities is based on the published fair market values of the securities at the financial statement date. We evaluated the key factors and assumptions used to develop the estimate of the fair market value of investments in marketable securities in determining that it is reasonable in relation to the financial statements taken as a whole.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Winona Area Public Schools Foundation, Inc.'s financial statements relate to fair value estimates.

### **Significant Difficulties Encountered During the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. The misstatements reported on pages 10-11 that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management.

In addition, the attached schedule on page 12 summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Winona Area Public Schools Foundation's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain representations from management that are included in the management representation letter dated October 24, 2013.

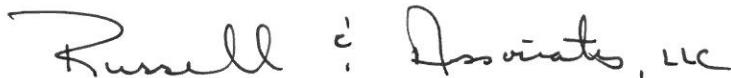
### **Management Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

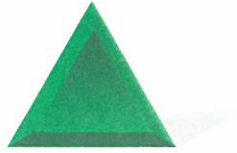
### **Other Significant Findings or Issues**

In the normal course of our professional association with the Winona Area Public Schools Foundation, Inc., we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting Winona Area Public Schools Foundation, Inc. and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the entity's auditors.

This report is intended solely for the information and use of the Board of Directors and management of the Winona Area Public Schools Foundation, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Russell & Associates, LLC".

Winona, Minnesota  
October 24, 2013



**RUSSELL & ASSOCIATES** LLC  
Certified Public Accountants

**INDEPENDENT AUDITORS' COMMUNICATION OF SIGNIFICANT  
DEFICIENCIES AND MATERIAL WEAKNESSES**

To the Board of Directors  
Winona Area Public Schools Foundation, Inc.  
D/B/A Foundation for Winona Area Public Schools

In planning and performing our audit of the financial statements of the Winona Area Public Schools Foundation, Inc. as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Foundation'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control 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 certain deficiencies in internal control 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 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in the Foundation's internal control to be material weaknesses.

Oversight of the Financial Reporting Process

Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. The Organization does not have a system of internal controls that would enable management to conclude the financial statements and related disclosures are complete and presented in accordance with generally accepted accounting

principles. As such, management requested us to prepare a draft of the financial statements including related footnote disclosures. The outsourcing of these services is not unusual in Organizations of your size and is a result of management's cost benefit decision to rely on our accounting expertise rather than incurring this internal resource cost.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention of those charged with governance. We consider the following deficiencies in the Foundation's internal control to be significant deficiencies.

#### Segregation of Duties and Management Override

The size of your organization and the limited number of employees result in certain limitations in your internal accounting controls. Improper segregation of duties and the possibility of override of existing controls are inherent in a system of your size. These weaknesses result in the possibility that errors or irregularities can exist and not be detected by your internal accounting controls.

This communication is intended solely for the information and use of the Board of Directors, management, and others within the Foundation, and is not intended to be, and should not be, used by anyone other than these specified parties.

We would like to take this opportunity to acknowledge the many courtesies extended to us during the course of our work.

We shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the above suggestions, we would welcome the opportunity to assist you in these matters.

Handwritten signature in cursive script that reads "Russell & Associates, LLC".

Winona, Minnesota  
October 24, 2013





RUSSELL & ASSOCIATES LLC  
Certified Public Accountants

**REPORT ON  
MANAGEMENT ADVISORY COMMENTS**

To the Board of Directors  
Winona Area Public Schools Foundation  
D/B/A Foundation for Winona Area Public Schools

In planning and performing our audit of the financial statements of the Winona Area Public Schools Foundation, for the year ended June 30, 2013, we considered the Organization's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The following page that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated October 24, 2013, contains our report on significant deficiencies in the Organization's internal control. This letter does not affect our report dated October 24, 2013 on the financial statements of the Winona Area Public Schools Foundation.

We shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, we would welcome the opportunity of assisting you in these matters.

*Russell & Associates, LLC*

Winona, Minnesota  
October 24, 2013

## MANAGEMENT ADVISORY COMMENTS

### **Scholarships Procedures**

We noted that some of the scholarships were awarded directly to the recipients or their parents. In order to comply with the provisions of the Pension Protection Act, we recommend that scholarship checks should be written to the educational institution upon receipt of the student's transcripts.

A policy should be adopted on how these scholarships are awarded to make sure they are nondiscriminatory.

### **Missing Documentation for Paid Invoices**

We noted invoices missing from the files. Most of the missing invoices were included in accounts payable and paid in July 2013.

Many of the invoices in the binders are copies. Original invoices should be kept in the binders. We recommend changing the procedures on how invoices are filed. The binders could be kept at the office, and after the appropriate signatures are received, the Executive Director should file the paid invoices in the binders.

### **Unrecorded Check**

Check # 2602 was never recorded in QuickBooks. On the January bank reconciliation, check #2514 cleared in its place. The net asset accounts need to be adjusted to reflect the voiding of the check for a Haake poetry prize and the expense for the Misato trip.

### **Designated Investment Accounts**

When donations are made to the Haake & Edstrom funds or expenses are paid from these funds, the deposits and withdrawals need to be made to or from the appropriate investment account.

\$3,825 of donations received during the year needs to be added to the Edstrom investment.

At the end of the last fiscal year, the Haake investment was changed to a different mutual fund. The new fund does not reinvest the dividends, this should be changed. In addition, expenses paid during the year were not withdrawn from the designated investment account. The net effect is that \$799.20 needs to be added to the Haake investment.

Client: *Winona Area Public Schools Foundation, Inc.*  
Engagement: *Winona Area Public Schools Foundation*  
Period Ending: *6/30/2013*  
Workpaper: *Adjusting Journal Entries*

Account	Description	Debit	Credit
<b>Adjusting Journal Entries JE # 2</b>			
Accrue June MN unemployment tax			
5060	Payroll Taxes	64.00	
2100	Payroll Liabilities		64.00
<b>Total</b>		<b><u>64.00</u></b>	<b><u>64.00</u></b>
<b>Adjusting Journal Entries JE # 3</b>			
Correct check & deposit posting errors for YTD income distribution			
4020	Contribution Income - restricted	175.00	
6670	Program Expense	189.82	
3100	Net Assets: Unrestricted		364.82
<b>Total</b>		<b><u>364.82</u></b>	<b><u>364.82</u></b>
<b>Adjusting Journal Entries JE # 4</b>			
Correct investment activity			
4200	Dividend Income	1,430.61	
4400	Realized Gain (Loss) on Sale	5,126.36	
4500	Unrealized Gain on Investments	12,318.40	
3100	Net Assets: Unrestricted		6,111.88
4105	Donor Directed Interest Income		2,421.03
4300	Capital Gain Distributions		10,342.46
<b>Total</b>		<b><u>18,875.37</u></b>	<b><u>18,875.37</u></b>
<b>Adjusting Journal Entries JE # 5</b>			
Record depreciation expense			
6150	Depreciation Expense	406.36	
1415	Accumulated Depreciation		406.36
<b>Total</b>		<b><u>406.36</u></b>	<b><u>406.36</u></b>
<b>Adjusting Journal Entries JE # 6</b>			
Record additional payables			
6140	Grants	88.02	
6190	Contract labor	43.75	
6670	Program Expense	25,000.00	
2010	Accounts Payable		25,131.77
<b>Total</b>		<b><u>25,131.77</u></b>	<b><u>25,131.77</u></b>
<b>Adjusting Journal Entries JE # 8</b>			
Correct wage accrual			
2020	Wages Payable	206.05	
2100	Payroll Liabilities	15.76	
5050	Wages		206.05
5060	Payroll Taxes		15.76
<b>Total</b>		<b><u>221.81</u></b>	<b><u>221.81</u></b>

Client: *Winona Area Public Schools Foundation, Inc.*  
Engagement: *Winona Area Public Schools Foundation*  
Period Ending: *6/30/2013*  
Workpaper: *Adjusting Journal Entries*

Account	Description	Debit	Credit
<b>Adjusting Journal Entries JE # 10</b>			
Reclass unrestricted donations to the proper account			
4020	Contribution Income - restricted	1,096.35	
4030	Contributions Income		1,096.35
<b>Total</b>		<b><u>1,096.35</u></b>	<b><u>1,096.35</u></b>
<b>Adjusting Journal Entries JE # 11</b>			
Reclass prior year grant not paid from the collaborative account			
6140	Grants	448.97	
6670	Program Expense		448.97
<b>Total</b>		<b><u>448.97</u></b>	<b><u>448.97</u></b>
<b>Adjusting Journal Entries JE # 12</b>			
Accrue contributions			
1321	Current Portion of Unc. Promise	25,500.00	
4020	Contribution Income - restricted		25,000.00
4030	Contributions Income		500.00
<b>Total</b>		<b><u>25,500.00</u></b>	<b><u>25,500.00</u></b>
<b>Adjusting Journal Entries JE # 14</b>			
Reclass Haake Poetry costs			
6670	Program Expense	149.00	
6260	Printing and Reproduction		149.00
<b>Total</b>		<b><u>149.00</u></b>	<b><u>149.00</u></b>

### Passed Audit Adjustments

Description	Effect – Increase (Decrease)				
	Assets	Liabilities	Net Assets	Revenue	Expenses
Carryover from previous years	\$ -	\$ -	\$ 1,083	\$ -	\$ (1,083)
Prepaid expenses understated	1,129	-	-	-	1,129
Current year effect on net assets			46	-	46
Total	\$ 1,129	\$ -	\$ 1,129	-	46