

Independent School
District No. 100
Wrenshall, Minnesota

Federal Financial Assistance Audit
Report

Year Ended June 30, 2022

Draft

INDEPENDENT SCHOOL DISTRICT NO. 100
WRENSHALL, MINNESOTA

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Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance with Government Auditing Standards

To the School Board
Independent School District No. 100
Wrenshall, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States 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. 100, Wrenshall, Minnesota (District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated December 19, 2022.

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) as a basis for designing 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 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. 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 the attention of 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. We did identify a certain deficiency in internal control that we consider to be a significant deficiency, which is described in the accompanying schedule of findings and responses as item 2022-001.

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 financial statements. 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*.

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wipfli LLP

Wipfli LLP

December 19, 2022
Duluth, Minnesota

Draft



Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control over Compliance

To the Board of Directors
Independent School District No. 100
Wrenshall, Minnesota

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited Independent School District No. 100 (District)'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Independent School District No. 100 (District)'s major federal programs for the year ended June 30, 2022. Independent School District No. 100 (District)'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, Independent School District No. 100 (District) complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Child Nutrition Cluster for the year ended June 30, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Independent School District No. 100 (District) complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2022.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Independent School District No. 100 (District) and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Independent School District No. 100 (District)'s compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on Child Nutrition Cluster

As described in the accompanying schedule of findings and questioned costs, Independent School District No. 100 (District) did not comply with requirements regarding Child Nutrition Cluster, Assistance Listing Numbers 10.553, 10.555 and 10.559 as described in Finding No. 2022-002 for Procurement.

Compliance with this requirement is necessary, in our opinion, for Independent School District No. 100 (District) to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, federal statutes, regulations, rules, and provisions of contracts or agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify 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.

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 2022-002 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Independent School District No. 100 (District) as of and for the year ended June 30, 2022, and have issued our report thereon dated December 19, 2022, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 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 financial statements or to the 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 financial statements as a whole.

Wipfli LLP

DATE
Duluth, Minnesota

INDEPENDENT SCHOOL DISTRICT NO. 100
WRENSHALL, MINNESOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture		
Passed-through Minnesota Department of Education		
Child Nutrition Cluster		
School Breakfast Program	10.553	\$ 59,163
National School Lunch Program	10.555	191,315
National School Lunch Program - Commodities	10.555	15,257
COVID-19 National School Lunch Program	10.555C	11,350
Summer Food Service Program for Children	10.559	7,982
Total Child Nutrition Cluster		<u>285,067</u>
Total U.S. Department of Agriculture		<u>285,067</u>
U.S. Department of Treasury		
Passed-through Minnesota Department of Education		
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	<u>15,887</u>
Federal Communications Commission		
Emergency Gonnnectivity Fund Program	32.009	<u>120,471</u>
U.S. Department of Education		
Direct		
Rural Education	84.358A	37,067
Passed-through Minnesota Department of Education		
Title I, Part A	84.010	49,223
Title IV	84.424A	10,000
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	51,048
ARP - Elementary and Secondary School Emergency Relief Fund	84.425U	159,441
Total COVID-19 ESSER		<u>210,489</u>
Special Education Cluster		
IDEA, Part B	84.027	80,911
American Rescue Plan (ARP)	84.027C	4,911
Total 84.027		<u>85,822</u>
IDEA, Part B - Preschool Grant for Children with Disabilities	84.173	1,201
American Rescue Plan (ARP)	84.173C	1,819
Total Special Education Cluster		<u>88,842</u>
IDEA, Part C - Infants and Toddlers	84.181	4,003
Passed-through Independent School District No. 704		
Careers and Technical Education	84.048A	3,242
Total U.S. Department of Education		<u>402,866</u>
Total expenditures of federal awards		<u>\$ 824,291</u>

INDEPENDENT SCHOOL DISTRICT NO. 100
WRENSHALL, MINNESOTA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Independent School District No. 100 under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Independent School District No. 100, it is not intended to and does not present the financial position, changes in net position, or cash flows of Independent School District No. 100.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Independent School District No. 100 has not elected to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

NOTE 3 PASS-THROUGH GRANT NUMBERS

All pass-through listed on the previous page use the same AL numbers as the federal grantors to identify these grants and have not assigned any additional identifying numbers.

NOTE 4 SUBRECIPIENTS

Independent School District No. 100 does not have subrecipients or subrecipient expenditures.

INDEPENDENT SCHOOL DISTRICT NO. 100
WRENSHALL, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

Material weakness identified?	_____	Yes	_____	X	No
Significant deficiency identified?	_____	X	Yes	_____	None reported
Noncompliance material to the financial statements	_____	Yes	_____	X	No

Federal Awards

Internal control over major programs:

Material weakness identified?	_____	X	Yes	_____	No
Significant deficiency identified?	_____	Yes	_____	X	None reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance [2 CFR 200.516(a)]?

_____	X	Yes	_____	No
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Identification of major federal programs

AL Number

Name of Federal Program or Cluster

10.553, 10.555, 10.559

Child Nutrition Cluster

84.425

Elementary and Secondary Education Cluster

Dollar threshold used to distinguish between Type A and Type B Programs

\$750,000

Auditee qualified as a low-risk auditee?

_____	Yes	_____	X	No
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INDEPENDENT SCHOOL DISTRICT NO. 100
WRENSHALL, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022
(Continued)

Section II - Financial Statement Findings

Item 2022-001 - Financial Statement Presentation and Disclosures (Significant Deficiency)

Criteria - The District is responsible for having controls in place to prepare the financial statements in accordance with accounting principles generally accepted in the United States (GAAP).

Condition - The District's internal control over financial reporting does not end at the general ledger, but extends to the financial statements and related notes. As part of our professional services for the year ended June 30, 2022, Wipfli assisted in drafting the financial statements and related notes. While the District does have an internal control process to review the financial statements prepared by the auditors, the District does not have sufficient expertise to completely prepare its own financial statements and related notes, and relies on the auditors to provide necessary understanding of current accounting and disclosure principles in the preparation of the financial statements and related notes.

Cause - The District does not expect, nor does it require, its financial staff to have the ability to prepare GAAP statements.

Effect - The completeness of the related note disclosures and the accuracy of the overall financial presentation is negatively impacted as outside auditors do not have the same comprehensive understanding of the District and its staff. The potential exists that a misstatement of the financial statements and related notes could occur and not be prevented or detected by the District.

Recommendation - We recommend that management and those charged with governance continue to evaluate whether to accept the degree of risk associated with this condition because of cost or other considerations.

View of Responsible Officials - The District will continue to rely upon the auditors to prepare the financial statements and related notes. Management will review and approve the annual financial statements and related notes.

INDEPENDENT SCHOOL DISTRICT NO. 100
WRENSHALL, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022
(Continued)

4. Planned Completion Date

Ongoing.

5. Plan to Monitor

The School Board will monitor compliance with the corrective action plan.

Section III - Federal Award Findings

Finding: 2022-002

U.S. Department of Agriculture

AL Number: 10.553, 10.555, 10.559

Child Nutrition Cluster

Internal Control: Material Weakness

Compliance: Procurement

Criteria - The District is required to follow Uniform Guidance and its own procurement policies when making purchases with federal awards. The District's procurement procedures require the following for purchases with federal funds: *Contracts over \$100,000* – sealed bids solicited by public notice and subject to the particular requirements of the governmental subdivision. *Contracts over \$3,000 but not \$100,000* – Sealed bids or direct negotiation with 2 quotations whenever possible.

Condition - The District did not request bids for a food vendor for its Child Nutrition Program.

Questioned Costs – Questioned costs totaled \$82,308 based on total invoices for food purchased from vendors greater than \$25,000 per vendor.

Cause - The District did not follow Uniform Guidance and its own procurement policies when making purchases with federal awards.

Effect - The District has a material weakness in internal control over compliance with procurement requirements and is not in compliance with Uniform Guidance, and its own procurement policies.

Recommendation - The District should follow Uniform Guidance and its own procurement policies when making purchases.

View of Responsible Officials - The District will advertise for RFP's for products serving our Food Service program on an annual basis.

INDEPENDENT SCHOOL DISTRICT NO. 100
WRENSHALL, MINNESOTA

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

Section I - Financial Statement Findings

Resolution: Finding 2021-001 was repeated for fiscal year 2022 as item 2022-001.

Section II - Federal Award Findings

None.

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