

**INDEPENDENT SCHOOL DISTRICT NO. 196
ROSEMOUNT-APPLE VALLEY-EAGAN PUBLIC SCHOOL
ROSEMOUNT, MINNESOTA**

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

JUNE 30, 2020

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ROSEMOUNT-APPLE VALLEY-EAGAN PUBLIC SCHOOL
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SINGLE AUDIT AND OTHER REQUIRED REPORTS



**INDEPENDENT AUDITORS' 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 THE UNIFORM GUIDANCE**

School Board
Independent School District No. 196
Rosemount-Apple Valley-Eagan Public School
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 *OMB 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, 2020. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' 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 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). Those standards and the Uniform Guidance 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.

Opinion on Each Major Federal Program

In our opinion, the 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 major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Independent School District No. 196 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Independent School District No. 196'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 the Uniform Guidance, 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 Independent School District No. 196's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

School Board
Independent School District No. 196
Rosemount-Apple Valley-Eagan Public School

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

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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated November 30, 2020, 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 the Uniform Guidance 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 23, 2020

**INDEPENDENT SCHOOL DISTRICT NO. 196
ROSEMOUNT-APPLE VALLEY-EAGAN PUBLIC SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

Federal Agency/Pass-Through Grantor/Program Title	Pass-Through Entity Number	Federal CFDA Number	Federal Expenditures	Passed Through to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Minnesota Department of Education:				
Child Nutrition Cluster:				
Non-Cash Assistance (Commodities):				
National School Lunch Program	01-0196-000-000 {a}	10.555	\$ 817,512	\$ -
Cash Assistance:				
School Breakfast Program	01-0196-000-000 {a}	10.553	605,874	-
National School Lunch Program	01-0196-000-000 {a}	10.555	2,568,821	-
Summer Food Service Program for Children	01-0196-000-000 {a}	10.559	1,615,283	-
Cash Assistance Subtotal			<u>4,789,978</u>	<u>-</u>
Total U.S. Department of Agriculture			5,607,490	-
U.S. DEPARTMENT OF EDUCATION				
Passed Through Minnesota Department of Education:				
Adult Basic Education	01-0196-000-000	84.002	58,779	-
Title I - Part A	01-0196-000-000	84.010	1,887,938	-
Carl Perkins Vocational and Applied Technology	01-0196-000-000	84.048	259,757	-
Special Education Grants to LEAs	01-0196-000-000 {b}	84.027	6,428,472	-
Special Education Preschool Grants	01-0196-000-000 {b}	84.173	218,957	-
Special Education Infants and Toddlers Program	01-0196-000-000	84.181	138,345	-
Special Education - Autism Spectrum	01-0196-000-000	84.323	12,778	-
Education for Homeless Children and Youth	01-0196-000-000	84.196	19,236	-
Title II - Improving Teacher Quality	01-0196-000-000	84.367	440,713	-
Title III - English Language Acquisition	01-0196-000-000	84.365	185,714	-
Student Support and Academic Enrichment Program	01-0196-000-000	84.424	54,297	-
COVID-19 Governor's Emergency Education Relief Fund	01-0196-000-000 {c}	84.425C	133,952	-
COVID-19 Elementary and Secondary School Emergency Relief Fund	01-0196-000-000 {c}	84.425D	154,961	-
Total Passed Through U.S. Department of Education			<u>9,993,899</u>	<u>-</u>
Direct:				
Indian Education Grants to Local Educational Agencies	Unknown	84.060	67,113	-
Magnet Schools Assistance	Unknown	84.165	1,217,230	-
Total U.S. Department of Education			<u>1,284,343</u>	<u>-</u>
Total Federal Awards			<u>\$ 16,885,732</u>	<u>\$ -</u>

{a} - Child Nutrition Cluster = \$5,607,490

{b} - Special Education Cluster = \$6,647,429

{c} - Education Stabilization Fund Cluster = \$288,913

See notes to Schedule of Expenditures of Federal Awards.

**INDEPENDENT SCHOOL DISTRICT NO. 196
ROSEMOUNT-APPLE VALLEY-EAGAN PUBLIC SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2020**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Independent School District No. 196 (the District) under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State and Local Governments, or the cost principles contained in Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District did not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**INDEPENDENT SCHOOL DISTRICT NO. 196
ROSEMOUNT-APPLE VALLEY-EAGAN PUBLIC SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

1. Internal control over financial reporting:

- Material weakness(es) identified? x yes no
- Significant deficiency(ies) identified? x yes none reported

2. Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes x no
- Significant deficiency(ies) identified? yes x none reported

1. Type of auditors’ report issued on compliance for major federal programs: Unmodified

2. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes x no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555, 10.559	Child Nutrition Cluster
84.027, 84.173	Special Education Cluster
84.425C and 84.425D	Education Stabilization Fund Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ \$750,000

Auditee qualified as low-risk auditee? yes x no

**INDEPENDENT SCHOOL DISTRICT NO. 196
ROSEMOUNT-APPLE VALLEY-EAGAN PUBLIC SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2020**

Section II – Financial Statement Findings

2020 – 001: Material Audit Adjustments

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition: During audit procedures conducted over the District’s contract payables balances, it was noted that amounts related to two projects for work performed during fiscal year 2020, including the relate retainage, were not properly accrued as liabilities at year-end.

Criteria: The District should have the proper financial procedures and controls in place to ensure that all liabilities are properly accrued.

Context: As a result of the incorrect cutoff of these amounts, contracts payable and capital outlay expenditures were both understated by \$1,810,927.

Effect: The design of the internal controls over the cutoff of year-end payables did not identify all amounts which should be accrued.

Cause: The District’s procedures for accruing and reconciling contracts payable did not identify all amounts which should be accrued at year-end.

Recommendation: We recommend District management review its procedures and controls related to the year-end reconciliation and accrual of contract payments and related liabilities.

Repeat Finding: This is not a repeat finding.

Views of responsible officials and planned corrective actions: The District does not disagree with the finding.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Actions planned in response to finding: The District will work to ensure that its procedures and controls related to the year-end reconciliation and accrual of contract payments and related liabilities.

Responsible party: The District’s Coordinator of Finance.

Planned completion date for corrective action plan: June 30, 2021.

Plan to monitor completion of corrective action plan: The corrective action plan will be monitored by the Board of Education and the Finance Department.

**INDEPENDENT SCHOOL DISTRICT NO. 196
ROSEMOUNT-APPLE VALLEY-EAGAN PUBLIC SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2020**

2020 – 002: Prior Period Restatement

Type of Finding: Material Weakness Over Controls Related to Capital Assets

Condition: During audit procedures conducted over the District's capital assets, it was noted that capital outlay incurred in previous years which related to ongoing projects in construction in progress, had not been properly captured in the capitalized project totals.

Criteria: The District should have the proper financial procedures and controls in place to ensure that all capital costs are properly identified and capitalized in the year they are incurred.

Context: Beginning construction in progress and net position of the governmental funds were both understated by \$10,971,169

Effect: The design of the internal controls over the year-end reconciliations limited the District's ability to detect a material misstatement.

Cause: The District's procedures for reconciling capital assets at year-end did not contain sufficient procedures and reviews to ensure year-end balances were complete. The missed capital outlay mainly occurred in 2017-2018, when the District also experienced turnover at the positions that performed these reconciliations.

Recommendation: We recommend District management review its procedures and controls related to the year-end reconciliations of capital assets to ensure all amounts are properly captured and capitalized.

Repeat Finding: This is a repeat finding, prior year finding 2019-002. There was also a prior period restatement in the prior year. It was not, however, related to capital assets.

Views of Responsible Officials and Planned Corrective Actions: The District does not disagree with the finding. As noted, most of the missed costs were from prior years, 2017-2018, and since then the District feels it has greatly improved their reconciliations over capital assets and stabilized personnel in this area.

Explanation of Disagreement with Audit Finding: There is no disagreement with the audit finding.

Actions Planned in Response to Finding: The District feels it has greatly improved their reconciliations over capital assets and stabilized personnel in this area, to ensure all costs are properly capitalized in the future.

Responsible Party: The District's Coordinator of Finance.

Planned Completion Date for Corrective Action Plan: June 30, 2021.

Plan to Monitor Completion of Corrective Action Plan: The corrective action plan will be monitored by the Board of Education and the Finance Department.

**INDEPENDENT SCHOOL DISTRICT NO. 196
ROSEMOUNT-APPLE VALLEY-EAGAN PUBLIC SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2020**

2020 – 003: Financial Controls Over Severance

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition: During audit procedures conducted over the District's calculations of its liability for severance benefits and compensated absences we noted several formula and other errors which resulted in the District re-working the reconciliation several times. In addition, it was noted that the process for employees to use compensated absences is not consistent and contains some manual processes that lend themselves for error.

Criteria: The District should have the proper financial procedures and controls in place to ensure that all reconciliations are properly updated and that the ending reconciliations are reviewed thoroughly enough to identify any errors in data inputs. The District should also work to standardize its procedures for employees requesting vacation time and ensure proper supporting documentation is retained.

Context: During our review of the reconciliations, we noted that initially wage rates for employees were not properly updated and formulas allowed for employees to accrue amounts over the maximum for compensated absences. In addition, inconsistent practices for requesting and tracking compensated absences taken resulted in data input changes by multiple personnel.

Effect: The design of the internal controls over the year-end calculations for severance liabilities may limit the District's ability to detect or prevent a misstatement of the year-end liability.

Cause: The District's procedures for calculating severance balances did not include review procedure thorough enough to identify all data input errors. The District's procedures for requesting and tracking compensated absences used was also not standardized across all departments and employee groups.

Recommendation: We recommend District management review its procedures and controls related to the year-end reconciliation and calculation of severance benefits and make modifications or changes as appropriate.

Repeat Finding: This is a repeat finding, prior year finding number 2019-001.

Views of responsible officials and planned corrective actions: The District does not disagree with the finding.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Actions planned in response to finding: The District will work to ensure that all information used to calculate severance liabilities is current and year-end reconciliations and work papers are properly reviewed. In addition, the District will review its procedures for tracking compensated absences used and work to standardize this process across District departments.

Responsible party: The District's Coordinator of Finance.

Planned completion date for corrective action plan: June 30, 2021.

Plan to monitor completion of corrective action plan: The corrective action plan will be monitored by the Board of Education and the Finance Department.

**INDEPENDENT SCHOOL DISTRICT NO. 196
ROSEMOUNT-APPLE VALLEY-EAGAN PUBLIC SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2020**

Section III – Findings and Questioned Costs – Major Federal Programs

There were no findings which were required to be reported.