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March 27, 2023

To the Board of Education and Management of
Independent School District No. 624,
White Bear Lake Area Schools
White Bear Lake, Minnesota

The following is a summary of our audit work, key conclusions, and other information that we consider important or that is required to be communicated to the School Board, administration, or those charged with governance of Independent School District No. 624 (the District) in conjunction with our Single Audit of the Schedule of Expenditures of Federal Awards (SEFA) for the year ended June 30, 2022.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA, GOVERNMENT AUDITING STANDARDS, AND TITLE 2 U.S. CODE OF FEDERAL REGULATIONS PART 200, UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS (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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated January 16, 2023, which contained unmodified opinions on those financial statements. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you verbally and in our audit engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously discussed and coordinated in order to obtain sufficient audit evidence and complete an effective audit.

AUDIT OPINION AND FINDINGS

Based on our audit of the District's Schedule of Expenditures of Federal Awards for the year ended June 30, 2022:

- We reported that the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements.
- The results of our tests indicate that the District has complied, in all material respects, with the types of compliance requirements that could have a direct and material effect on three of its four major federal programs.

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

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- We reported a deficiency in the District's internal controls over compliance that we considered to be a material weakness with the types of compliance requirements that could have a direct and material effect on its major federal programs. The results of our tests also identified material noncompliance with the types of compliance requirements that could have a direct and material effect on its major federal programs:

2 CFR § 200.400 (i) requires the District to maintain records that adequately and accurately identify the source and application of funds for federally-funded activities to ensure the proper determination of allowable costs in accordance with 2 CFR 200 Subpart E – Cost Principles. During our audit, we noted that the District did not have sufficient controls to ensure proper determination of allowable costs charged to federal programs and compliance with the U.S. Office of Management and Budget's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) allowable costs standards, which resulted in material noncompliance.

OTHER OBSERVATIONS AND RECOMMENDATIONS

Title I Adjusted Cohort Graduation Rate and Required Documentation

A uniform and accurate measure of the four-year high school graduation rate that is comparable across states and consistently reported over time, is critical to understanding the successes and challenges for schools in ensuring that all students graduate from high school. This measure can promote accountability and reward success for high schools across the nation. Along with other Elementary and Secondary Education Act (ESEA) requirements, this measure also supports the realization of ESEA Title I's purpose: to provide all children significant opportunity to receive a fair, equitable, and high-quality education, and to close educational achievement gaps. To remove a student from the cohort, the District must confirm, in writing, that the student transferred out, emigrated to another country, transferred to a prison or juvenile facility, or is deceased in accordance with ESEA requirements.

During the Title I audit, we noted that the District's internal controls over the adjusted cohort graduation rates reported through the state-wide database—MARSS, could be improved. We recommend the District implement a written procedure that includes intentional follow-up on the MARSS unknown student report and requires written documentation to be retained for the removal of any student from the cohort to be in compliance with Title I special tests and provisions. The written documentation should be kept on file in accordance with the District's retention policies and federal retention requirements.

OTHER MATTERS

We were engaged to report on the separately issued Schedule of Expenditures of Federal Awards, which is not required supplementary information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter dated March 27, 2023.

CLOSING

The purpose of this report is solely to provide those charged with governance of the District, management, and those with responsibility for oversight of the District's financial reporting process comments resulting from our audit. Accordingly, this report is not suitable for any other purpose.

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

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Minneapolis, Minnesota

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