



Special Purpose Audit Reports

For Fiscal Year Ended June 30, 2022

South Washington County Schools

Independent School District No. 833

Cottage Grove, Minnesota

INDEPENDENT SCHOOL DISTRICT NO. 833
SOUTH WASHINGTON COUNTY SCHOOLS

COTTAGE GROVE, MINNESOTA

Special Purpose Audit Reports

Year Ended
June 30, 2022

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INDEPENDENT SCHOOL DISTRICT NO. 833

Special Purpose Audit Reports
Year Ended June 30, 2022

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INDEPENDENT AUDITOR'S 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

To the School Board and Management of
Independent School District No. 833
Cottage Grove, Minnesota

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 833 (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, and have issued our report thereon dated December 21, 2022.

REPORT ON 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 District'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 attention by 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 or significant deficiencies may exist that were not identified.

(continued)

REPORT ON 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*.

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

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

Minneapolis, Minnesota
December 21, 2022



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INDEPENDENT AUDITOR’S REPORT
ON MINNESOTA LEGAL COMPLIANCE

To the School Board and Management of
Independent School District No. 833
Cottage Grove, Minnesota

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 833 (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, and have issued our report thereon dated December 21, 2022.

MINNESOTA LEGAL COMPLIANCE

In connection with our audit, we noted that the District failed to comply with provisions of the contracting – bid laws section of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minnesota Statutes § 6.65, insofar as they relate to accounting matters as described in the Schedule of Findings and Questioned Costs as finding 2022-001. Also, in connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the deposits of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District’s noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

DISTRICT’S RESPONSE TO FINDING

Government Auditing Standards requires the auditor to perform limited procedures on the District’s response to the legal compliance finding identified in our audit and 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 the financial statements and, accordingly, we express no opinion on the response.

(continued)

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

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

Minneapolis, Minnesota
December 21, 2022

INDEPENDENT SCHOOL DISTRICT NO. 833

Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

A. FINANCIAL STATEMENT FINDINGS

None.

B. MINNESOTA LEGAL COMPLIANCE FINDINGS

2022-001 CONTRACT LANGUAGE—PAYMENT OF SUBCONTRACTORS AND RESPONSIBLE CONTRACTOR

Criteria – Minnesota Statutes § 471.425, Subd. 4a. and § 16C.285.

Condition – Independent School District No. 833 (the District) must include specific language in certain contracts that requires the prime contractor to pay any subcontractors within 10 days of the prime contractor’s receipt of payment from the District or pay interest at the rate of 1.5 percent per month or any part of a month. For construction contracts in excess of \$50,000 awarded pursuant to a lowest responsible bidder or best value process, the District must also include responsible contractor language that requires the contractor to meet certain criteria. The required language previously mentioned was not included in one of the contracts awarded during the year ended June 30, 2022.

Questioned Costs – Not applicable.

Context – One of five bids tested was not in compliance.

Repeat Finding – This is a current year finding.

Cause – This was an oversight by district personnel.

Effect – One contract awarded by the District did not include certain language as required by state statutes.

Recommendation – We recommend that the District include this required language in all future contracts.

View of Responsible Official and Planned Corrective Actions – There is no disagreement with the finding. The District will review its procedures to ensure the required contract language is included in all district contracts in the future. The District has separately issued a Corrective Action Plan related to this finding.

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INDEPENDENT AUDITOR'S REPORT ON
UNIFORM FINANCIAL ACCOUNTING AND
REPORTING STANDARDS COMPLIANCE TABLE

To the School Board and Management of
Independent School District No. 833
Cottage Grove, Minnesota

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 833 (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, and have issued our report thereon dated December 21, 2022.

Auditing standards referred to in the previous paragraph require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purposes of additional analysis as required by the Minnesota Department of Education (MDE), and is not a required part of the basic financial statements of the District. The UFARS Compliance Table 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 basic 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 UFARS Compliance Table is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

(continued)

The purpose of this report on the UFARS Compliance Table required by the MDE is solely to describe the scope of our testing of the UFARS Compliance Table and the results of that testing based on our audit. Accordingly, this report is not suitable for any other purpose.

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

Minneapolis, Minnesota
December 21, 2022

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INDEPENDENT SCHOOL DISTRICT NO. 833

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2022

| | Audit | UFARS | Audit – UFARS |
|--|----------------|----------------|---------------|
| General Fund | | | |
| Total revenue | \$ 271,757,711 | \$ 271,757,711 | \$ – |
| Total expenditures | \$ 263,037,330 | \$ 263,037,330 | \$ – |
| Nonspendable | | | |
| 460 Nonspendable fund balance | \$ 3,549,624 | \$ 3,549,624 | \$ – |
| Restricted | | | |
| 401 Student activities | \$ 621,294 | \$ 621,294 | \$ – |
| 402 Scholarships | \$ 14,250 | \$ 14,250 | \$ – |
| 403 Staff development | \$ 1,487,060 | \$ 1,487,060 | \$ – |
| 407 Capital projects levy | \$ 216,907 | \$ 216,907 | \$ – |
| 408 Cooperative revenue | \$ – | \$ – | \$ – |
| 413 Projects funded by COP | \$ – | \$ – | \$ – |
| 414 Operating debt | \$ – | \$ – | \$ – |
| 416 Levy reduction | \$ – | \$ – | \$ – |
| 417 Taconite building maintenance | \$ – | \$ – | \$ – |
| 424 Operating capital | \$ 549,994 | \$ 549,994 | \$ – |
| 426 \$25 taconite | \$ – | \$ – | \$ – |
| 427 Disabled accessibility | \$ – | \$ – | \$ – |
| 428 Learning and development | \$ – | \$ – | \$ – |
| 434 Area learning center | \$ – | \$ – | \$ – |
| 435 Contracted alternative programs | \$ – | \$ – | \$ – |
| 436 State approved alternative program | \$ 1,183,622 | \$ 1,183,622 | \$ – |
| 438 Gifted and talented | \$ – | \$ – | \$ – |
| 440 Teacher development and evaluation | \$ – | \$ – | \$ – |
| 441 Basic skills programs | \$ – | \$ – | \$ – |
| 448 Achievement and integration | \$ – | \$ – | \$ – |
| 449 Safe schools levy | \$ 665,637 | \$ 665,637 | \$ – |
| 451 QZAB payments | \$ – | \$ – | \$ – |
| 452 OPEB liability not in trust | \$ – | \$ – | \$ – |
| 453 Unfunded severance and retirement levy | \$ – | \$ – | \$ – |
| 459 Basic skills extended time | \$ 230,887 | \$ 230,887 | \$ – |
| 467 Long-term facilities maintenance | \$ (1,158,769) | \$ (1,158,769) | \$ – |
| 472 Medical Assistance | \$ – | \$ – | \$ – |
| 473 PPP loans | \$ – | \$ – | \$ – |
| 474 EIDL loans | \$ – | \$ – | \$ – |
| 464 Restricted fund balance | \$ 30,683 | \$ 30,683 | \$ – |
| 475 Title VII – Impact Aid | \$ – | \$ – | \$ – |
| 476 PILT | \$ – | \$ – | \$ – |
| Committed | | | |
| 418 Committed for separation | \$ – | \$ – | \$ – |
| 461 Committed fund balance | \$ 3,006,324 | \$ 3,006,324 | \$ – |
| Assigned | | | |
| 462 Assigned fund balance | \$ – | \$ – | \$ – |
| Unassigned | | | |
| 422 Unassigned fund balance | \$ 16,936,126 | \$ 16,936,126 | \$ – |
| Food Service | | | |
| Total revenue | \$ 13,212,738 | \$ 13,212,738 | \$ – |
| Total expenditures | \$ 11,289,462 | \$ 11,289,462 | \$ – |
| Nonspendable | | | |
| 460 Nonspendable fund balance | \$ 242,652 | \$ 242,652 | \$ – |
| Restricted | | | |
| 452 OPEB liability not in trust | \$ – | \$ – | \$ – |
| 474 EIDL loans | \$ – | \$ – | \$ – |
| 464 Restricted fund balance | \$ 2,754,424 | \$ 2,754,424 | \$ – |
| Unassigned | | | |
| 463 Unassigned fund balance | \$ – | \$ – | \$ – |
| Community Service | | | |
| Total revenue | \$ 13,592,299 | \$ 13,592,299 | \$ – |
| Total expenditures | \$ 12,787,476 | \$ 12,787,476 | \$ – |
| Nonspendable | | | |
| 460 Nonspendable fund balance | \$ 164,947 | \$ 164,947 | \$ – |
| Restricted | | | |
| 426 \$25 taconite | \$ – | \$ – | \$ – |
| 431 Community education | \$ 3,169,698 | \$ 3,169,698 | \$ – |
| 432 ECFE | \$ (1,916) | \$ (1,916) | \$ – |
| 440 Teacher development and evaluation | \$ – | \$ – | \$ – |
| 444 School readiness | \$ (1,223,087) | \$ (1,223,087) | \$ – |
| 447 Adult basic education | \$ 127,869 | \$ 127,869 | \$ – |
| 452 OPEB liability not in trust | \$ – | \$ – | \$ – |
| 473 PPP loans | \$ – | \$ – | \$ – |
| 474 EIDL loans | \$ – | \$ – | \$ – |
| Unassigned | | | |
| 463 Unassigned fund balance | \$ (1,274,397) | \$ (1,274,397) | \$ – |

INDEPENDENT SCHOOL DISTRICT NO. 833

Uniform Financial Accounting and Reporting Standards
 Compliance Table (continued)
 June 30, 2022

| | Audit | UFARS | Audit – UFARS |
|--------------------------------------|---------------|---------------|---------------|
| Building Construction | | | |
| Total revenue | \$ 48,577 | \$ 48,577 | \$ – |
| Total expenditures | \$ 17,713,697 | \$ 17,713,697 | \$ – |
| Nonspendable | | | |
| 460 Nonspendable fund balance | \$ – | \$ – | \$ – |
| Restricted | | | |
| 407 Capital projects levy | \$ – | \$ – | \$ – |
| 413 Projects funded by COP | \$ 1,056,023 | \$ 1,056,023 | \$ – |
| 467 Long-term facilities maintenance | \$ 35,810,937 | \$ 35,810,937 | \$ – |
| 464 Restricted fund balance | \$ 32,288 | \$ 32,288 | \$ – |
| Unassigned | | | |
| 463 Unassigned fund balance | \$ – | \$ – | \$ – |
| Debt Service | | | |
| Total revenue | \$ 32,108,115 | \$ 32,108,115 | \$ – |
| Total expenditures | \$ 32,358,927 | \$ 32,358,927 | \$ – |
| Nonspendable | | | |
| 460 Nonspendable fund balance | \$ – | \$ – | \$ – |
| Restricted | | | |
| 425 Bond refundings | \$ – | \$ – | \$ – |
| 433 Maximum effort loan | \$ – | \$ – | \$ – |
| 451 QZAB payments | \$ – | \$ – | \$ – |
| 467 Long-term facilities maintenance | \$ – | \$ – | \$ – |
| 464 Restricted fund balance | \$ 6,718,407 | \$ 6,718,407 | \$ – |
| Unassigned | | | |
| 463 Unassigned fund balance | \$ – | \$ – | \$ – |
| Trust | | | |
| Total revenue | \$ – | \$ – | \$ – |
| Total expenditures | \$ – | \$ – | \$ – |
| 401 Student activities | \$ – | \$ – | \$ – |
| 402 Scholarships | \$ – | \$ – | \$ – |
| 422 Net position | \$ – | \$ – | \$ – |
| Custodial Fund | | | |
| Total revenue | \$ 17,145 | \$ 17,145 | \$ – |
| Total expenditures | \$ 11,500 | \$ 11,500 | \$ – |
| 401 Student activities | \$ – | \$ – | \$ – |
| 402 Scholarships | \$ 45,727 | \$ 45,727 | \$ – |
| 448 Achievement and integration | \$ – | \$ – | \$ – |
| 464 Restricted fund balance | \$ – | \$ – | \$ – |
| Internal Service | | | |
| Total revenue | \$ 7,378 | \$ 7,377 | \$ 1 |
| Total expenditures | \$ 529,679 | \$ 529,679 | \$ – |
| 422 Net position | \$ (371,149) | \$ (371,149) | \$ – |
| OPEB Revocable Trust Fund | | | |
| Total revenue | \$ – | \$ – | \$ – |
| Total expenditures | \$ – | \$ – | \$ – |
| 422 Net position | \$ – | \$ – | \$ – |
| OPEB Irrevocable Trust Fund | | | |
| Total revenue | \$ (517,418) | \$ (517,418) | \$ – |
| Total expenditures | \$ 260,531 | \$ 260,530 | \$ 1 |
| 422 Net position | \$ 3,125,163 | \$ 3,125,163 | \$ – |
| OPEB Debt Service Fund | | | |
| Total revenue | \$ – | \$ – | \$ – |
| Total expenditures | \$ – | \$ – | \$ – |
| Nonspendable | | | |
| 460 Nonspendable fund balance | \$ – | \$ – | \$ – |
| Restricted | | | |
| 425 Bond refundings | \$ – | \$ – | \$ – |
| 464 Restricted fund balance | \$ – | \$ – | \$ – |
| Unassigned | | | |
| 463 Unassigned fund balance | \$ – | \$ – | \$ – |

Note: Statutory restricted deficits, if any, are reported in unassigned fund balances in the financial statements in accordance with accounting principles generally accepted in the United States of America.

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