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Minneapolis Public Schools Special District No. 1

Reports on *Government Auditing Standards*, Uniform Guidance, and Legal Compliance

June 30, 2022

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Minneapolis Public Schools Special District No. 1 Schedule of Expenditures of Federal Awards Year Ended June 30, 2022

U.S. Department of Agriculture Through Minesson Department of Education Child Nutrition Cluster School Breakfast Program School Breakfast Program Commodities Programs - Non Cash Commodities Commodities - 193103865 U.S. Department of Education Through Minesson Department of Educational Adult Education - Basic Grants to States Commodities - 19310386 U.S. Department of Educational Agencies - 24(3)(3)(4)(2)(2)(3)(3)(4)(2)(2)(3)(3)(4)(2)(2)(3)(3)(4)(2)(2)(3)(3)(4)(2)(2)(3)(3)(4)(2)(3)(3)(4)(2)(3)(3)(4)(2)(3)(3)(4)(4)(3)(3)(4)(4)(3)(3)(4)(4)(4)(4)(4)(4)(4)(4)(4)(4)(4)(4)(4)	Federal Agency/Pass Through Agency/Program Title	Federal Assistance Listing Number	Expenditures
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Total Special EducationPreschool Grants288,348Total Special Education Cluster6,635,591Special Education - Grants for Infants and Families84.181205,952Career and Technical Education - Basic Grants to States84.048700,374Education for Homeless Children and Youth84.196Education for Homeless Children and Youth84.371C1,289,334Maltreatment reducation84.371C1,289,334Maltreatment reducation84.365800,594Title II, Part A - Supporting Effective Instruction84.3672,784,151Title IV, Part A - Student Support and Academic Enrichment Program84.424925,218COVID - Governor's Emergency Education Relief Fund COVID - ARP Homeless I84.425C1,024,181 246,296COVID - Elementary and Secondary School Education Relief Fund Total Education Stabilization Funds84.425D72,723,698 73,994,175	Special Education - Preschool Grants	84.173	250,185
Total Special Education Cluster6,635,591Special Education - Grants for Infants and Families84.181205,952Career and Technical Education - Basic Grants to States84.048700,374Education for Homeless Children and Youth84.19680,000Comprehensive State Literacy Development84.371C1,289,334Maltreatment reducation84.027A18,946English Language Acquisition84.365800,594Title II, Part A - Supporting Effective Instruction84.3672,784,151Title IV, Part A - Student Support and Academic Enrichment Program84.424925,218COVID - Governor's Emergency Education Relief Fund COVID - ARP Homeless I84.425C1,024,181COVID - Lementary and Secondary School Education Relief Fund Total Education Stabilization Funds84.425D72,723,698Total Education Stabilization Funds84.425D73,994,175		84.173X	
Special Education - Grants for Infants and Families84.181205,952Career and Technical Education - Basic Grants to States84.048700,374Education for Homeless Children and Youth84.19680,000Comprehensive State Literacy Development84.371C1,289,334Maltreatment reducation84.027A18,946English Language Acquisition84.365800,594Title II, Part A - Supporting Effective Instruction84.3672,784,151Title IV, Part A - Student Support and Academic Enrichment Program84.424925,218COVID - Governor's Emergency Education Relief Fund COVID - ARP Homeless I84.425C1,024,181 246,296COVID - Elementary and Secondary School Education Relief Fund Total Education Stabilization Funds84.425D72,723,698 73,994,175	Total Special EducationPreschool Grants		288,348
Career and Technical Education - Basic Grants to States84.048700,374Education for Homeless Children and Youth84.19680,000Comprehensive State Literacy Development84.371C1,289,334Maltreatment reducation84.027A18,946English Language Acquisition84.365800,594Title II, Part A - Supporting Effective Instruction84.3672,784,151Title IV, Part A - Student Support and Academic Enrichment Program84.424925,218COVID - Governor's Emergency Education Relief Fund COVID - ARP Homeless I84.425W246,296COVID - Elementary and Secondary School Education Relief Fund Total Education Stabilization Funds84.425D72,723,698 73,994,175	Total Special Education Cluster		6,635,591
Education for Homeless Children and Youth84.19680,000Comprehensive State Literacy Development84.371C1,289,334Maltreatment reducation84.027A18,946English Language Acquisition84.365800,594Title II, Part A - Supporting Effective Instruction84.3672,784,151Title IV, Part A - Student Support and Academic Enrichment Program84.424925,218COVID - Governor's Emergency Education Relief Fund COVID - ARP Homeless I84.425C1,024,181 246,296COVID - Elementary and Secondary School Education Relief Fund Total Education Stabilization Funds84.425D72,723,698 73,994,175	Special Education - Grants for Infants and Families	84.181	205,952
Comprehensive State Literacy Development84.371C1,289,334Maltreatment reducation84.027A18,946English Language Acquisition84.365800,594Title II, Part A - Supporting Effective Instruction84.3672,784,151Title IV, Part A - Student Support and Academic Enrichment Program84.424925,218COVID - Governor's Emergency Education Relief Fund COVID - ARP Homeless I COVID - Elementary and Secondary School Education Relief Fund Total Education Stabilization Funds84.425D72,723,698 73,994,175	Career and Technical Education - Basic Grants to States	84.048	700,374
Maltreatment reducation84.027A18,946English Language Acquisition84.365800,594Title II, Part A - Supporting Effective Instruction84.3672,784,151Title IV, Part A - Student Support and Academic Enrichment Program84.424925,218COVID - Governor's Emergency Education Relief Fund84.425C1,024,181COVID - ARP Homeless I84.425W246,296COVID - Elementary and Secondary School Education Relief Fund84.425D72,723,698Total Education Stabilization Funds73,994,17573,994,175	Education for Homeless Children and Youth	84.196	80,000
English Language Acquisition84.365800,594Title II, Part A - Supporting Effective Instruction84.3672,784,151Title IV, Part A - Student Support and Academic Enrichment Program84.424925,218COVID - Governor's Emergency Education Relief Fund84.425C1,024,181COVID - ARP Homeless I84.425W246,296COVID - Elementary and Secondary School Education Relief Fund84.425D72,723,698Total Education Stabilization Funds73,994,17573,994,175	Comprehensive State Literacy Development	84.371C	1,289,334
Title II, Part A - Supporting Effective Instruction84.3672,784,151Title IV, Part A - Student Support and Academic Enrichment Program84.424925,218COVID - Governor's Emergency Education Relief Fund84.425C1,024,181COVID - ARP Homeless I84.425W246,296COVID - Elementary and Secondary School Education Relief Fund84.425D72,723,698Total Education Stabilization Funds73,994,175	Maltreatment reducation	84.027A	18,946
Title IV, Part A - Student Support and Academic Enrichment Program84.424925,218COVID - Governor's Emergency Education Relief Fund84.425C1,024,181COVID - ARP Homeless I84.425W246,296COVID - Elementary and Secondary School Education Relief Fund84.425D72,723,698Total Education Stabilization Funds73,994,175	English Language Acquisition	84.365	800,594
COVID - Governor's Emergency Education Relief Fund84.425C1,024,181COVID - ARP Homeless I84.425W246,296COVID - Elementary and Secondary School Education Relief Fund84.425D72,723,698Total Education Stabilization Funds73,994,175	Title II, Part A - Supporting Effective Instruction	84.367	2,784,151
COVID - ARP Homeless I84.425W246,296COVID - Elementary and Secondary School Education Relief Fund84.425D72,723,698Total Education Stabilization Funds73,994,175	Title IV, Part A - Student Support and Academic Enrichment Program	84.424	925,218
COVID - Elementary and Secondary School Education Relief Fund84.425D72,723,698Total Education Stabilization Funds73,994,175			· · ·
Total Education Stabilization Funds73,994,175			· · · · · ·
Gaining Early Awareness and Readiness for Undergraduate Programs 84.334 73,672		84.425D	
	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	73,672

See notes to the schedule of expenditures of federal awards.

Minneapolis Public Schools Special District No. 1 Schedule of Expenditures of Federal Awards Year Ended June 30, 2022

 U.S. Department of Education (Continued) Through Metro ECSU Special Education - Paraprofessional Direct Gaining Early Awareness and Readiness for Undergraduate Programs 21st Century Community Learning Centers Fund for Improvement of Education Indian Education Grants to Local Educational Agencies Arts in Education or Professional Development for Arts Educators Total U.S. Department of Education U.S. Department of Treasury Through Minnesota Department of Education COVID - American Rescue Plan U.S. Department of Justice Direct STOP School Violence Corporation for National and Community Service Through Serve Minnesota AmeriCorps U.S. Department of Health and Human Services Through Minnesota Department of Education COVID - Minnesota COVID-19 Testing U.S. Department of Honeland Security Direct Citizenship Grant 	84.027 84.334 84.287 84.215 84.060 84.351	\$	1,200 635,877 716,146 415,016 322,960 <u>36,742</u> (5,139,960
Special Education - Paraprofessional Direct Gaining Early Awareness and Readiness for Undergraduate Programs 21st Century Community Learning Centers Fund for Improvement of Education Indian Education Grants to Local Educational Agencies Arts in Education - Professional Development for Arts Educators Total U.S. Department of Education U.S. Department of Treasury Through Minnesota Department of Education COVID - American Rescue Plan U.S. Department of Justice Direct STOP School Violence Corporation for National and Community Service Through Serve Minnesota AmeriCorps U.S. Department of Health and Human Services Through Minnesota Department of Education COVID - Minnesota COVID-19 Testing U.S. Department of Homeland Security Direct Citizenship Grant	84.334 84.287 84.215 84.060		635,877 716,146 415,016 322,960 36,742
Direct Gaining Early Awareness and Readiness for Undergraduate Programs 21st Century Community Learning Centers Fund for Improvement of Education Indian Education Grants to Local Educational Agencies Arts in Education - Professional Development for Arts Educators Total U.S. Department of Education U.S. Department of Treasury Through Minnesota Department of Education COVID - American Rescue Plan U.S. Department of Justice Direct STOP School Violence Corporation for National and Community Service Through Serve Minnesota AmeriCorps U.S. Department of Health and Human Services Through Minnesota Department of Education COVID - Minnesota COVID-19 Testing U.S. Department of Homeland Security Direct Citizenship Grant	84.334 84.287 84.215 84.060		635,877 716,146 415,016 322,960 36,742
Gaining Early Awareness and Readiness for Undergraduate Programs 21st Century Community Learning Centers Fund for Improvement of Education Indian Education Grants to Local Educational Agencies Arts in Education - Professional Development for Arts Educators Total U.S. Department of Treasury Through Minnesota Department of Education COVID - American Rescue Plan U.S. Department of Justice Direct STOP School Violence Corporation for National and Community Service Through Serve Minnesota AmeriCorps U.S. Department of Health and Human Services Through Minnesota Department of Education COVID - Minnesota COVID-19 Testing U.S. Department of Homeland Security Direct Citizenship Grant	84.287 84.215 84.060	11	716,146 415,016 322,960 36,742
 21st Century Community Learning Centers Fund for Improvement of Education Indian Education Grants to Local Educational Agencies Arts in Education - Professional Development for Arts Educators Total U.S. Department of Education U.S. Department of Treasury Through Minnesota Department of Education COVID - American Rescue Plan U.S. Department of Justice Direct STOP School Violence Corporation for National and Community Service Through Serve Minnesota AmeriCorps U.S. Department of Health and Human Services Through Minnesota Department of Education COVID - Minnesota COVID-19 Testing U.S. Department of Homeland Security Direct Citizenship Grant 	84.287 84.215 84.060	11	716,146 415,016 322,960 36,742
 Fund for Improvement of Education Indian Education Grants to Local Educational Agencies Arts in Education - Professional Development for Arts Educators Total U.S. Department of Education U.S. Department of Treasury Through Minnesota Department of Education COVID - American Rescue Plan U.S. Department of Justice Direct STOP School Violence Corporation for National and Community Service Through Serve Minnesota AmeriCorps U.S. Department of Health and Human Services Through Minnesota Department of Education COVID - Minnesota COVID-19 Testing U.S. Department of Homeland Security Direct Citizenship Grant 	84.215 84.060	11	415,016 322,960 36,742
Indian Education Grants to Local Educational Agencies Arts in Education - Professional Development for Arts Educators Total U.S. Department of Education U.S. Department of Treasury Through Minnesota Department of Education COVID - American Rescue Plan U.S. Department of Justice Direct STOP School Violence Corporation for National and Community Service Through Serve Minnesota AmeriCorps U.S. Department of Health and Human Services Through Minnesota Department of Education COVID - Minnesota COVID-19 Testing U.S. Department of Homeland Security Direct Citizenship Grant	84.060	11	322,960 36,742
Arts in Education - Professional Development for Arts Educators Total U.S. Department of Education U.S. Department of Treasury Through Minnesota Department of Education COVID - American Rescue Plan U.S. Department of Justice Direct STOP School Violence Corporation for National and Community Service Through Serve Minnesota AmeriCorps U.S. Department of Health and Human Services Through Minnesota Department of Education COVID - Minnesota COVID-19 Testing U.S. Department of Homeland Security Direct Citizenship Grant		11	36,742
Total U.S. Department of Education U.S. Department of Treasury Through Minnesota Department of Education COVID - American Rescue Plan U.S. Department of Justice Direct STOP School Violence Corporation for National and Community Service Through Serve Minnesota AmeriCorps U.S. Department of Health and Human Services Through Minnesota Department of Education COVID - Minnesota COVID-19 Testing U.S. Department of Homeland Security Direct Citizenship Grant	84.351	11	
 U.S. Department of Treasury Through Minnesota Department of Education COVID - American Rescue Plan U.S. Department of Justice Direct STOP School Violence Corporation for National and Community Service Through Serve Minnesota AmeriCorps U.S. Department of Health and Human Services Through Minnesota Department of Education COVID - Minnesota COVID-19 Testing U.S. Department of Homeland Security Direct Citizenship Grant 		11	5,139,960
Through Minnesota Department of Education COVID - American Rescue Plan U.S. Department of Justice Direct STOP School Violence Corporation for National and Community Service Through Serve Minnesota AmeriCorps U.S. Department of Health and Human Services Through Minnesota Department of Education COVID - Minnesota COVID-19 Testing U.S. Department of Homeland Security Direct Citizenship Grant			
Through Minnesota Department of Education COVID - American Rescue Plan U.S. Department of Justice Direct STOP School Violence Corporation for National and Community Service Through Serve Minnesota AmeriCorps U.S. Department of Health and Human Services Through Minnesota Department of Education COVID - Minnesota COVID-19 Testing U.S. Department of Homeland Security Direct Citizenship Grant			
COVID - American Rescue Plan U.S. Department of Justice Direct STOP School Violence Corporation for National and Community Service Through Serve Minnesota AmeriCorps U.S. Department of Health and Human Services Through Minnesota Department of Education COVID - Minnesota COVID-19 Testing U.S. Department of Homeland Security Direct Citizenship Grant			
Direct STOP School Violence Corporation for National and Community Service Through Serve Minnesota AmeriCorps U.S. Department of Health and Human Services Through Minnesota Department of Education COVID - Minnesota COVID-19 Testing U.S. Department of Homeland Security Direct Citizenship Grant	21.027		3,770,506
STOP School Violence Corporation for National and Community Service Through Serve Minnesota AmeriCorps U.S. Department of Health and Human Services Through Minnesota Department of Education COVID - Minnesota COVID-19 Testing U.S. Department of Homeland Security Direct Citizenship Grant			
Corporation for National and Community Service Through Serve Minnesota AmeriCorps U.S. Department of Health and Human Services Through Minnesota Department of Education COVID - Minnesota COVID-19 Testing U.S. Department of Homeland Security Direct Citizenship Grant			
Through Serve Minnesota AmeriCorps U.S. Department of Health and Human Services Through Minnesota Department of Education COVID - Minnesota COVID-19 Testing U.S. Department of Homeland Security Direct Citizenship Grant	16.839		122,969
Through Serve Minnesota AmeriCorps U.S. Department of Health and Human Services Through Minnesota Department of Education COVID - Minnesota COVID-19 Testing U.S. Department of Homeland Security Direct Citizenship Grant			
 U.S. Department of Health and Human Services Through Minnesota Department of Education COVID - Minnesota COVID-19 Testing U.S. Department of Homeland Security Direct Citizenship Grant 			
Through Minnesota Department of Education COVID - Minnesota COVID-19 Testing U.S. Department of Homeland Security Direct Citizenship Grant	94.006		406,817
Through Minnesota Department of Education COVID - Minnesota COVID-19 Testing U.S. Department of Homeland Security Direct Citizenship Grant			
U.S. Department of Homeland Security Direct Citizenship Grant			
Direct Citizenship Grant	93.323		1,529,349
Citizenship Grant			
	97.010		15,065
National Endowment for the Humanities			
Through Minnesota Department of Education			
Library Services Tech Art	45.310		70,030
Federal Communications Commisson			
Through Universal Service Administrative Company			
Emergency Connectivity Fund Program			2,816,798
Total Federal Expenditures	32.009	\$ 14	

See notes to the schedule of expenditures of federal awards.

Minneapolis Public Schools Special District No. 1 Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in, the preparation of the modified accrual basis financial statements.

NOTE 2 – PASS-THROUGH GRANT NUMBERS

All pass-through entities listed above use the same Assistance Listing numbers as the federal grantors to identify these grants and have not assigned any additional identifying numbers.

NOTE 3 – NONMONETARY ASSISTANCE

Nonmonetary assistance is reported in this schedule at the fair market value of commodities received and disbursed for the USDA Commodities Program (CFDA #10.555).

NOTE 4 – PASS-THROUGH GRANT NUMBERS

All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants and have not assigned any additional identifying numbers.

NOTE 5 – INDIRECT COST RATE

The District did not elect to use the 10 percent de minimis indirect cost rate, as allowed under the Uniform Guidance.

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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To the School Board Minneapolis Public Schools Special District No. 1 Minneapolis, Minnesota

We have audited, in accordance with the 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 basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Minneapolis Public Schools, Special District No. 1 Minneapolis, Minnesota, as of and for the year ended June 30, 2022, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 28, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the basic 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 basic 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 basic 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 such that there have be prevented of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as audit finding 2022-002, that we consider to be a material weakness.

Report on Internal Control over Financial Reporting (Continued)

A significant deficiency or a combination of deficiencies in internal control that is less serve then a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as audit findings 2022-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic 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 basic financial statement amounts. 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 the Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance. The District's responses were not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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 communication is not suitable for any other purpose.

Bergan KOV, Ud.

Minneapolis, Minnesota November 28, 2022

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Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance

Independent Auditor's Report

To the School Board Minneapolis Public Schools Special District No. 1 Minneapolis, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the 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 the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the District complied in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

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 the 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 the District 's compliance with the compliance requirements referred to above.

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, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District 's federal programs.

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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. Such 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

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 of deficiencies, in internal control over compliance with a type of compliance is a 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.

Report on Internal Control over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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.

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

We have audited the basic 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 basic financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated November 28, 2022, which contained unmodified opinions on those basic financial statements. Our audit was conducted for the purpose of forming opinions on the basic 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Bergan KOV, Ltd.

Minneapolis, Minnesota November 28, 2022

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements	
Type of auditor's report issued:	We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).
 Internal control over financial reporting: Material weakness(es) identified? Significant deficiency(ies) identified? 	Yes, Audit Finding 2022-002 Yes, Audit Finding 2022-001
Noncompliance material to financial statements noted?	No
Federal Awards Type of auditor's report issued on compliance for major programs:	Unmodified
 Internal control over major programs: Material weakness(es) identified? Significant deficiency(ies) identified? 	No None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?	No
Identification of Major Programs	
Assistance Listing No: Name of Federal Program or Cluster:	21.027 American Rescue Plan
Assistance Listing No: Name of Federal Program or Cluster:	84.010 Title I
Assistance Listing No: Name of Federal Program or Cluster:	84.425 Education Stabilization Fund
Dollar threshold used to distinguish between type A and type B programs:	\$4,295,475
Auditee qualified as low risk auditee?	No

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS

Audit Finding 2022-001 – Segregation of Duties

Criteria or Specific Requirement:

Internal control that supports the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the basic financial statements requires adequate segregation of accounting duties.

Condition:

We noted during review of the District's internal controls that there is a lack of segregation of duties over certain processes. A lack of segregation occurs when there is an individual who has responsibility to perform multiple functions in four key areas: initiation/authorization, processing/recording, reconciling/reporting of financial data, and custody of assets.

We noted lack of segregation of duties, to various degrees, in the following area:

• <u>Financial Closing Process</u>: Certain employees record transactions and reconcile balances at the end of the year without evidence of review by another employee.

Context:

This finding impacts the internal control for all significant accounting functions.

Effect or Potential Effect:

The lack of adequate segregation of accounting duties adversely affected the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the basic financial statements. Financial information could contain inaccurate information if reconciliations are not reviewed timely.

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2022-001 – Segregation of Duties (Continued)

Cause:

Changes in roles and responsibilities of finance staff contributed to reconciliations of certain account balances not being reviewed timely.

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

- 1. <u>Explanation of Disagreement with Audit Finding</u> There is no disagreement with the finding.
- <u>Actions Planned in Response to Finding</u> Financial Closing Process – The process for the financial closing process will improve after changes in roles and responsibilities in the Finance Department.
- 3. <u>Official Responsible for Ensuring CAP</u> Financial Closing Process – Chief Financial Officer.
- 4. <u>Planned Completion Date for CAP</u> The planned completion date for the CAP is June 30, 2023.
- 5. <u>Plan to Monitor Completion of CAP</u> The Finance Department will be monitoring the corrective action plan.

Audit Finding 2022-002 – Prior Period Adjustment

Criteria or Specific Requirement:

Internal control that supports the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the basic financial statements.

Condition:

During the course of our engagement, a prior period adjustment was recognized that had not been recognized in the correct reporting period, therefore resulting in a material misstatement of the District's prior year basic financial statements. The District's internal controls were not sufficient to detect the misstatement in a timely basis. In order to ensure the basic financial statements were free from material misstatements, a prior period adjustment was necessary to correct an understatement of debt service balances.

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2022-002 – Prior Period Adjustment (Continued)

Context:

This finding impacts internal control over financial reporting.

Effect or Potential Effect:

Internal controls over capital assets affected the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the basic financial statements as a prior period adjustment required for debt service. Financial information could contain inaccurate information if reconciliations are not reviewed timely.

Cause:

Changes in roles and responsibilities of finance staff contributed to reconciliations of account balances not being reviewed timely which resulted in a prior period adjustment.

CORRECTIVE ACTION PLAN (CAP):

- 1. <u>Explanation of Disagreement with Audit Finding</u> There is no disagreement with the finding.
- 2. <u>Actions Planned in Response to Finding</u> The District's internal controls identified the prior period adjustment however it was not identified until after the reporting period had ended.
- 3. <u>Official Responsible for Ensuring CAP</u> Joseph Olson, Interim Director, Finance - Controller, is the official responsible for ensuring corrective action of the deficiency.
- 4. <u>Planned Completion Date for CAP</u> The planned completion date for the CAP is June 30, 2023.
- 5. <u>Plan to Monitor Completion of CAP</u> The Finance Department management will be monitoring the corrective action plan.

SECTION III – PRIOR YEAR FINDINGS

None

SECTION IV – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

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Minnesota Legal Compliance

Independent Auditor's Report

To the School Board Minneapolis Public Schools Special District No. 1 Minneapolis, 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 basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Minneapolis Public Schools Special District No. 1, Minneapolis, Minnesota, as of and for the year ended June 30, 2022, and the related notes to basic financial statements, and have issued our report thereon dated November 28, 2022.

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 contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for school districts sections 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. However, our audit as 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.

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

Bergan KOV, Ltd.

Minneapolis, Minnesota November 28, 2022