

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138**

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

JUNE 30, 2024



CPAs | CONSULTANTS | WEALTH ADVISORS

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INDEPENDENT SCHOOL DISTRICT NO. 138
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SINGLE AUDIT AND OTHER REQUIRED REPORTS



**INDEPENDENT AUDITORS' 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**

Board of Education
North Branch Public Schools
Independent School District No. 138
North Branch, 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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 138 (the District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 6, 2024 .

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 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 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 identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001 to 2024-003 that we consider to be material weaknesses.

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*.

The District’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District’s response to the findings 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.

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.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 6, 2024



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

Board of Education
North Branch Public Schools
Independent School District No. 138
North Branch, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Independent School District No. 138's (the District) 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, 2024. The District's major federal programs are identified in the summary of auditors' 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, 2024.

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; 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 *Auditors' 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.

Auditors' 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 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 Auditors' 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. 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 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 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, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We have issued our report thereon, dated November 6, 2024, 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 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.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 6, 2024

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2024**

Federal Grantor/Pass through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Pass-Through Minnesota Department of Education				
Noncash Assistance (Commodities):				
National School Lunch Program	10.555	# 1-0138-000	\$ 138,275	
Total Noncash Assistance			\$ 138,275	\$ -
Cash Assistance:				
National School Lunch Program	10.555	# 1-0138-000	587,861	
School Breakfast Program	10.553	# 1-0138-000	149,017	
COVID-19 - Supply Chain Assistance Funding	10.555	# 1-0138-000	69,310	
Total Cash Assistance			806,188	-
Total Child Nutrition Cluster			944,463	-
Local Food for Schools Cooperative Agreement Program	10.185	1-0138-000	7,896	-
Child and Adult Care Food Program	10.558	1-0138-000	630	-
COVID-19 - Pandemic EBT Administrative Costs	10.649	1-0138-000	3,256	-
Total U.S. Department of Agriculture			956,245	-
U.S. Department of Treasury				
Pass-Through Minnesota Department of Education				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	8,333	-
COVID-19 - American Rescue Plan (ARP) Summer Academic Enrichment and Mental Health	21.027	N/A	30,750	-
Pass-Through Chisago County				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	80,050	-
Total U.S. Department of Treasury			119,133	-
U.S. Department of Education				
Pass-Through Minnesota Department of Education				
Title I - Grants to Local Education Agencies	84.010	S010A230023A	344,731	-
Carl Perkins Vocational Education	84.048	N/A	15,251	-
Title II, Part A - Supporting Effective Instruction State Grants	84.367	S367A230022	56,581	-
Title III, Part A - English Language Acquisition Grants	84.365	S365A230024A	12,719	-
Education Stabilization Fund				
COVID-19 - Expanded Summer Learning for Emergency Relief Fund (ESSER III)	84.425U	* S425U230045	682,488	
COVID-19 - Learning Loss for Elementary and Secondary School Emergency Relief Fund (ESSER III)	84.425U	* S425U230045	227,713	
ARP - Elementary and Secondary School Emergency Relief - Homeless Children and Youth	84.425W	* S425W230024	1,393	
Total Education Stabilization Fund			911,594	-
Pass-Through St. Croix River Education District				
Special Education Cluster				
Special Education Grants to States	84.027	@ H027A230087	42,888	
Special Education Preschool Grants	84.173	@ H173A230086	384	
Total Special Education Cluster			43,272	-
Total U.S. Department of Education			1,384,148	-
Total Federal Expenditures			\$ 2,459,526	\$ -

- Child Nutrition Cluster
@ - Special Education Cluster
* - Education Stabilization Fund

The total of Assistance Listing No. 10.555 is \$795,446
The total of Assistance Listing No. 84.425U is \$910,201
The total of Assistance Listing No. 21.027 is \$119,113

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2024**

NOTE 1 GENERAL

The accompanying schedule of expenditures of federal awards includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2024. The reporting entity is defined in Note 1 to the District's financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is included on the schedule. The District did not pass any federal award money to subrecipients during the fiscal year. 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 BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 INDIRECT COST RATE

The District has not elected to use the 10% de minimis in direct costs rate as allowed under Uniform Guidance.



INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education
North Branch Public Schools
Independent School District No. 138
North Branch, 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. 138 (the District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 6, 2024 .

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 – bid laws, depositories 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*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, 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.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 6, 2024

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024**

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

 yes X no

Federal Awards

Internal control over major programs:

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

Type of auditors' report issued on compliance for major programs:

Unmodified

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

 yes X no

Identification of major programs:

Assistance Listing Numbers
84.425U and 84.425W
10.553 and 10.555

Name of Federal Program or Cluster
COVID-19 – Education Stabilization Fund
Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 yes X no

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2024**

B. FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT

2024-001 Financial Statement Preparation

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

Condition: The Board and management share the ultimate responsibility for the District's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. The District engages CliftonLarsonAllen (CLA) to assist in preparing the financial statements and accompanying disclosures. However, as independent auditors, CLA cannot be considered part of the District's internal control system. As part of its internal control over the preparation of its financial statements, including disclosures, the District has implemented a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of U.S. generally accepted accounting principles and knowledge of the District's activities and operations.

Criteria or specific requirement: Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation of the financial statements including the related disclosures, in conformity with U.S. generally accepted accounting principles.

Effect: The potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the District's internal controls in the normal course of business.

Cause: The District relies on the audit firm to prepare the annual financial statements and related footnote disclosures. However, management has reviewed and approved the annual financial statements and the related footnote disclosures.

Repeat finding: Yes – Finding 2023-001

Recommendation: Management should continue to evaluate its internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding and there is a planned corrective action in place.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2024**

B. FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT (CONTINUED)

2024-002 Segregation of Duties

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

Condition: The District has limited number of office personnel and accordingly, does not have adequate internal controls in place because of a lack of segregation of duties.

Criteria or specific requirement: A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Effect: Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Cause: The District's resources did not allow for personnel to address this issue.

Repeat finding: Yes - 2023-002.

Recommendation: While we recognize that the District may not be large enough to permit complete segregation of duties in all material respects for an effective system of internal controls, the functions should be reviewed to determine if additional segregation of duties is feasible and to improve efficiency and effectiveness of financial management of the District.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding and there is a planned corrective action in place.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2024**

B. FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT (CONTINUED)

2024-003 Material Audit Adjustments

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

Condition: As part of the audit, we proposed material adjustments related to tax and state revenue/receivables.

Criteria or specific requirement: Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair representation in the financial statements in accordance with U.S. GAAP. Management is responsible for the accuracy and completeness of all financial records and related information. Their responsibilities include adjusting the financial statement to correct material misstatements and produce accurate financial statements on a timely basis.

Effect: Errors in the preparation of year-end balances increases the risk related to financial statement misstatements. The amounts were, in our judgment, material to the financial statements and therefore, we concluded that a material weakness existed in the District's control policies and procedures related to recording such adjustments, which are required to be reported under professional standards.

Cause: The District's resources did not allow for personnel to address this issue in the current year.

Repeat finding: Yes - 2023-003.

Recommendation: We recommend that District management and financial personnel establish a process to ensure the recording of all related transactions to properly adjust financial statements at year-end.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding and there is a planned corrective action in place.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2024**

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Our audit did not disclose any matters required to be reported in accordance with 2 CRF 200.516(a).

D. FINDINGS – MINNESOTA LEGAL COMPLIANCE

None reported.



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.