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December 17, 2019

School Board
Independent School District No. 270
Hopkins Public Schools

This Executive Audit Summary and Management Report presents information which we believe is important to you as members of the school board. We encourage you to review the sections of this report, the audited financial statements, and the auditors' reports.

We would be pleased to furnish additional information with respect to these suggestions and discuss this memorandum with you at your convenience. We wish to express our appreciation to the District for the courtesies, cooperation, and assistance extended to us during the course of our work.

CliftonLarsonAllen LLP

Michelle Hoffman

Michelle Hoffman, CPA
Principal

HOPKINS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 270

EXECUTIVE AUDIT SUMMARY (EAS)

JUNE 30, 2019

HOPKINS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 270
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JUNE 30, 2019

EXECUTIVE AUDIT SUMMARY (EAS)
FOR
HOPKINS PUBLIC SCHOOLS
YEAR ENDED JUNE 30, 2019

We prepared this Executive Audit Summary and Management Report in conjunction with our audit of the District's financial records for the year ended June 30, 2019. We appreciated the time that staff took to work with us to complete the engagement—especially the efforts of District Staff and John Toop.

Audit Opinion – The financial statements are fairly stated. We issued what is known as a "clean" or unmodified audit report.

Yellow Book Compliance – No compliance issues were reported in our review of laws, regulations, contracts, and grants that could have significant financial implications to the District.

Internal Controls – No "material weaknesses" in internal control were reported.

Single Audit – The District complied with all direct and material requirements of the major federal programs tested (Title I and Child Nutrition Cluster).

Legal Compliance – Four legal compliance matters were reported with regards to our review of the District's compliance with Minnesota Statutes applicable to school districts.

Enrollment – For fiscal 2018-2019, Hopkins Public Schools had an estimated total adjusted average daily membership of 6,827.07 (or 7,484.27 adjusted pupil units). For fiscal 2017-2018, the District had a total adjusted average daily membership of 6,770.13 (or 7,428.60 adjusted pupil units).

Fund Balance – The School's General Fund unassigned fund balance (UFARS basis) decreased almost $1 million ending at $7,748,076 as of June 30, 2019. Total fund balance of the General Fund decreased by $335,646, ending at $11,161,232 as of June 30, 2019. A total of $1,050,000 was transferred out of the General Fund to other funds however. The ending unassigned fund balance represents 7.66% (last year 8.97%) of General Fund expenditures. A District's fund balance in the General Fund is an important aspect in considering the School's financial well-being since a healthy fund balance represents things such as cash flow, as a cushion against unanticipated expenditures, enrollment declines, funding deficiencies, and aid prorations at the state level and similar problems.

Budget to Actual – Total revenues in the General Fund were 1,064,113 (or 1.07%) higher than the final amended budget amount while total expenditures were $330,813 (or 0.33%) more than had been budgeted. The net effect, including other financing sources, was a decrease to total fund balance that was $806,866 less than had been reflected in the District's budget. As part of any budget update initiated for fiscal 2019-19, the Board will want to take these and other budget variances into consideration in order to limit future budget differences to every extent possible. We recommend that your goal for budget variances in your environment be limited to no more than 1% on either side of zero to the extent practical which the District has achieved. This general guidance would exclude those items where it is impractical to know the exact timing such as with capital items or federal expenditures or where the amounts not expended may be re-appropriated in the following year such as with site carryover.

Statement of Net Position

The Statement of Net Position essentially tells you what your District owns and owes at a given point in time, the last day of the fiscal year. Theoretically, net position represents the resources the District has leftover to use for providing services after its debts are settled. However, those resources are not always in expendable form, or there may be restrictions on how some of those resources can be used. Therefore, the statement divides the net position into three components: net investment in capital assets, restricted net position, and unrestricted net position. Beginning in fiscal 2015, the District was required to implement GASB Statement No. 68, which significantly impacted the District's ending net position as a result of recording the District's estimated share of the respective unfunded liability for the statewide pension plans for TRA and PERA. The ending balance of the Net Pension Liability at June 30, 2018, decreased significantly as a result of GASB requirements related to the actuarial calculations. The following table presents components of the District's net position at year-end, along with a simplified reconciliation of the difference between the governmental fund balances and total net position:

	As of June 30, 2019	As of June 30, 2018
Total Fund Balance of Governmental Funds	$ 36,071,933	$ 39,957,987
Capital Assets, Less Accumulated Depreciation	179,206,759	165,820,929
Net Pension Liabilities and Related Deferred Inflows and Outflows	(107,936,991)	(132,470,266)
OPEB Liabilities and Related Deferred Inflows and Outflows	(22,197,149)	(22,475,241)
Other Long-Term Liabilities	(177,746,045)	(171,514,043)
Other - Net	30,776,018	32,421,122
Total Net Position - Governmental Activities	$ (61,825,475)	$ (88,259,512)
Net Position:		
Net Investment in Capital Assets	$ 22,915,255	$ 22,053,140
Restricted	5,457,499	5,905,947
Unrestricted	(90,198,229)	(116,218,599)
Total Net Position - Governmental Activities	$ (61,825,475)	$ (88,259,512)

Most of the District's fund balances translate into restricted net position by virtue of external restrictions (statutory reserves) or by the nature of the fund they are in (e.g. unrestricted food service fund balance can only be spent for food service program costs). The unrestricted net position category consists mainly of the General Fund unreserved fund balances, offset against noncapital long-term obligations such as vacation or severance payable and beginning in fiscal 2015 the District's estimated share of the unfunded portion of statewide pension plans. Consequently, many Minnesota school districts have accumulated deficits in this component of net position.

Statement of Activities

The Statement of Activities tracks the District's yearly revenues and expenses, as well as any other transactions that increase or reduce total net position. These amounts represent the full cost of providing education. This statement provides a more comprehensive measure than just the amount of cash that changed hands, as reflected in the fund-based financial statements. This statement includes the cost of supplies used, depreciation of long-lived capital assets, and other accrual-based expenses. As mentioned previously, the line item for "Change in Net Pension Liability – Defined Benefit Plans" was a new requirement beginning in fiscal 2015. The following table presents a simplified reconciliation of the change in the District's governmental fund balances to the change in total net position for fiscal years 2019 and 2018:

	Year Ended June 30,	
	2019	2018
Net Change in Fund Balance - Total Governmental Funds	$ (3,886,054)	$ 8,439,603
Capital Asset Purchases	24,170,321	17,799,661
Depreciation	(10,784,491)	(10,169,572)
Debt Proceeds	(38,840,029)	(30,134,294)
Repayment of Debt	31,420,000	9,865,000
Change in Net Pension Liability and Related Deferred Inflows and Outflows - Defined Benefit Plans	24,470,415	(25,457,773)
Change in Other Long-Term Liabilities	1,298,828	3,230,819
Internal Service Fund Change in Net Position	(1,462,941)	166,159
Other - Net	47,988	(3,640)
Change in Net Position - Governmental Activities	$ 26,434,037	$ (26,264,037)

FINANCIAL RESULTS

Fund Balances

HOPKINS PUBLIC SCHOOLS

AUDITED FUND BALANCES THROUGH JUNE 30, 2019

FUND DESCRIPTION	6/30/2018 AUDITED BALANCE	2018-19 AUDITED REVENUES	TRANSFERS INTO FUNDS	2018-19 AUDITED EXPENDITURES	TRANSFERS OUT OF FUNDS	6/30/2019 AUDITED BALANCE
GENERAL FUND						
A. UNASSIGNED - OPERATING	**$8,684,400**	**$81,750,738**	**($2,255,767)**	**$79,881,295**	**$550,000**	**$7,748,076**
B. NONSPENDABLE FOR						
PREPAID ITEMS	$163,767	$66,329		$0		$230,096
INVENTORY	$78,121	$0		$23,282		$54,839
TOTAL NONSPENDABLE	$241,888	$66,329	$0	$23,282	$0	$284,935
C. ASSIGNED FOR						
TURF FIELDS	$100,000	$0		$100,000		$0
HEALTH & SAFETY	$312,132	$0		$0		$312,132
BUS SHELTER INTER-AGENCY AGREEMENT	$27,500	$0		$27,500		$0
BUILDING PURCHASE	$500,000	$0		$500,000		$0
BUILDING RENOVATION	$0	$500,000		$0		$500,000
STRATEGIC VISIONING 2031	$467,429	$0		$0		$467,429
STRATEGIC TRANSPORTATION	$0	$127,500		$0		$127,500
TOTAL ASSIGNED	$1,407,061	$627,500	$0	$627,500	$0	$1,407,061
D. RESTRICTED FOR						
MEDICAL ASSISTANCE	$515,675	$397,601		$273,392		$639,884
ACHIEVEMENT & INTEGRATION	$0	$876,908	$421,033	$1,297,941		$0
GIFTED AND TALENTED	$0	$97,294	$1,173,223	$1,270,517		$0
CAREER AND TECHNICAL PROGRAMS	$0	$211,134	$698,409	$909,543		$0
SAFE SCHOOLS PROGRAMS	$0	$381,390	$111,961	$493,351		$0
STAFF DEVELOPMENT	$235,987	$944,803		$1,098,000		$82,790
LEARNING AND DEVELOPMENT	$0	$1,491,249	$78,500	$1,569,749		$0
BASIC SKILLS	$0	$3,506,112	$1,523,633	$5,029,745		$0
OPERATING CAPITAL	$722,956	$3,563,808		$2,476,813		$1,809,951
LONG-TERM FACILITIES MAINT (LTFM)	$0	$1,288,335		$1,288,335		$0
CAPITAL PROJECT LEVY	$0	$4,607,293		$4,918,758	$500,000	($811,465)
HEALTH & SAFETY	($311,089)	($38,335)	$349,424	$0		$0
TOTAL RESTRICTED	$1,163,529	$17,327,592	$4,356,183	$20,626,144	$500,000	$1,721,160
BUDGET		$98,634,480	$2,100,416	$100,827,408	$1,050,000	$10,354,366
TOTAL GENERAL FUND	**$11,496,878**	**$99,772,159**	**$2,100,416**	**$101,158,221**	**$1,050,000**	**$11,161,232**
DIFFERENCE		$1,137,679	$0	$330,813	$0	$806,866
% VARIANCE		1.15%		0.33%		

FINANCIAL RESULTS (CONTINUED)

Fund Balances (Continued)

HOPKINS PUBLIC SCHOOLS
AUDITED FUND BALANCES THROUGH JUNE 30, 2019

FOOD SERVICE						
NONSPENDABLE FOR PREPAID ITEMS	$1,180	$0		$1,180	$0	$0
NONSPENDABLE FOR INVENTORY	$79,070	$0		$20,864		$58,206
RESTRICTED FOR FOOD SERVICE PROGRAM	$658,864	$4,070,570		$4,193,981		$535,453
BUDGET		$4,089,450		$4,327,648		$500,916
TOTAL FOOD SERVICE	**$739,114**	**$4,070,570**	**$0**	**$4,216,025**	**$0**	**$593,659**
DIFFERENCE		($18,880)		($111,623)		$92,743
% VARIANCE		-0.46%		-2.58%		
COMMUNITY EDUCATION						
NONSPENDABLE FOR PREPAID ITEMS	$0	$0		$0		$0
RESTRICTED FOR REGULAR COMMUNITY ED	$1,722,878	$8,098,744	$250,000	$8,339,849		$1,731,773
RESTRICTED FOR EARLY CHILDHOOD FAMILY ED	$294,674	$564,829		$577,608		$281,895
RESTRICTED FOR SCHOOL READINESS	$5,777	$273,942		$266,984		$12,735
RESTRICTED FOR ADULT BASIC EDUCATION	$52,538	$1,127,134		$1,142,247		$37,425
RESTRICTED FOR PRESCHOOL SCREENING	$7,768	$12,744	$16,969	$37,481		$0
RESTRICTED FOR NONPUBLIC PUPIL AID	$132,946	$536,762	($16,969)	$511,202		$141,537
BUDGET		$10,541,958	$250,000	$10,729,648		$2,278,891
TOTAL COMMUNITY EDUCATION	**$2,216,581**	**$10,614,155**	**$250,000**	**$10,875,371**	**$0**	**$2,205,365**
DIFFERENCE		$72,197	$0	$145,723		($73,526)
% VARIANCE		0.68%		1.36%		
BUILDING CONSTRUCTION FUND						
NONSPENDABLE FOR PREPAID ITEMS	$228,493	$0		$50,267		$178,226
RESTRICTED FOR LONG-TERM FAC MAINT (LTFM)	$2,035,617	$18,154,777		$9,302,525		$10,887,869
RESTRICTED FOR TURF FIELDS LEASE	$0	$0		$0		$0
RESTRICTED FOR REFERENDUM PROJECTS	$19,578,026	$543,739		$10,420,445		$9,701,320
RESTRICTED FOR CAPITAL PROJECTS LEVY	$3,165,727	$4,569,149		$5,558,804		$2,176,072
RESTRICTED FOR FY17 CAPITAL PROJECTS LEVY SCHOOL NUTRITION KITCHEN IMPROVEMENTS	($2,083,098)	$1,500,000	$500,000	$4,129,948		($4,213,046)
BUDGET		$23,351,546		$37,622,040		$8,654,271
TOTAL BUILDING FUND	**$22,924,765**	**$24,767,665**	**$500,000**	**$29,461,989**	**$0**	**$18,730,441**
DIFFERENCE		$1,416,119		($8,160,051)		$10,076,170
% VARIANCE		6.06%		-21.69%		
DEBT SERVICE						
RESTRICTED FOR OPEB DEBT SERVICE	$748,009	$3,954,119		$3,872,072		$830,056
RESTRICTED FOR DEBT SERVICE	$1,832,640	$34,382,991		$33,664,451		$2,551,180
BUDGET		$38,275,288		$37,538,523		$3,317,414
TOTAL DEBT SERVICE	**$2,580,649**	**$38,337,110**	**$0**	**$37,536,523**	**$0**	**$3,381,236**
DIFFERENCE		$61,822		($2,000)		$63,822
% VARIANCE		0.16%		-0.01%		
PROPRIETARY AND TRUST & AGENCY						
SCHOLARSHIP & OTHER TRUST FUNDS	$50,662	$26,416		$44,032		$33,046
INTERNAL SERVICE FUND - OPEB REVOC TRUST	$16,443,818	$1,352,844		$117,456		$17,679,206
INTERNAL SERVICE FUND - SEVERANCE	$14,021,696	$175,739	$300,000	$809,363	$2,100,416	$11,587,656
INTERNAL SERVICE FUND - SELF-INSURANCE	$4,155,644	$10,827,791		$11,092,080		$3,891,355
TOTAL OTHER FUNDS	**$34,671,820**	**$12,382,790**	**$300,000**	**$12,062,931**	**$2,100,416**	**$33,191,263**

FINANCIAL RESULTS (CONTINUED)

General Fund Operations and Financial Position

The following table presents five years of comparative operating results for the District's General Fund.

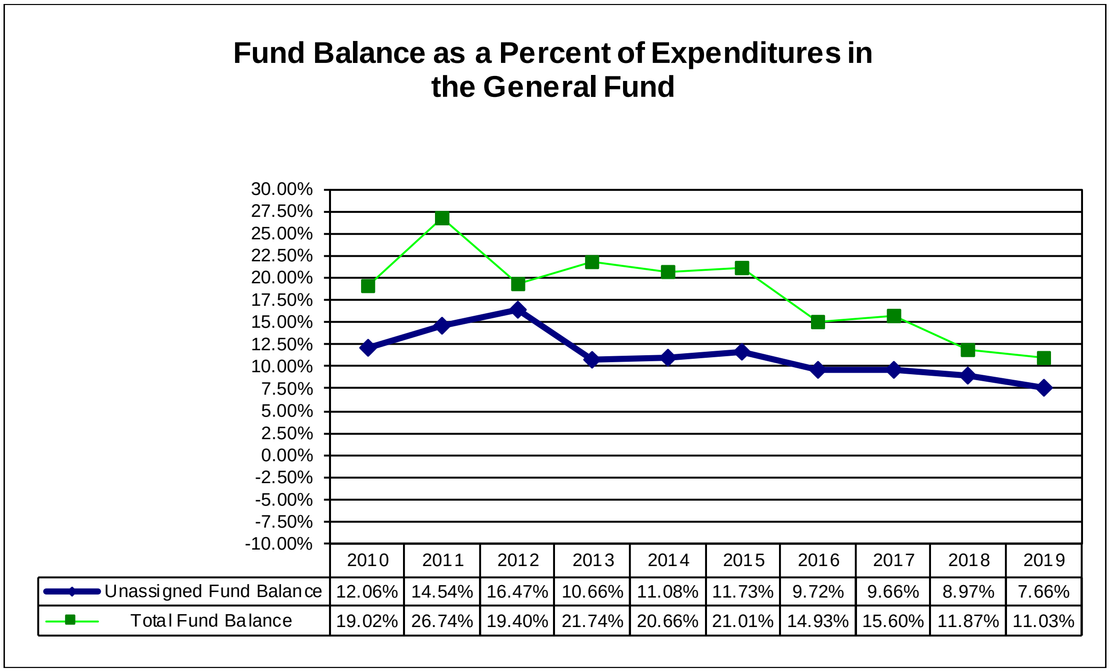
	Year Ended June 30, 2019				
	2015	2016	2017	2018	2019
Revenues	$ 89,944,743	$ 91,275,976	$ 93,928,751	$ 96,438,651	$ 99,698,593
Expenditures	86,526,580	89,391,494	89,887,513	96,846,184	101,158,221
Excess of Revenues Over Expenditures	3,418,163	1,884,482	4,041,238	(407,533)	(1,459,628)
Other Financing Sources (Uses):					
Sale of Equipment Proceeds	-	-	-	-	31,500
Insurance Recovery Proceeds	1,113	473	-	17,862	42,066
Transfers In	-	-	-	-	2,100,416
Transfers (Out)	(2,273,113)	(6,721,373)	(3,361,612)	(2,137,175)	(1,050,000)
Total Other Financing Sources (Uses)	(2,272,000)	(6,720,900)	(3,361,612)	(2,119,313)	1,123,982
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,146,163	(4,836,418)	679,626	(2,526,846)	(335,646)
Fund Balance:					
Beginning of Year	17,034,353	18,180,516	13,344,098	14,023,724	11,496,878
End of Year	$ 18,180,516	$ 13,344,098	$ 14,023,724	$ 11,496,878	$ 11,161,232
Nonspendable Fund Balance	$ 227,406	$ 300,955	$ 559,320	$ 241,888	$ 284,935
Restricted Fund Balance	748,198	1,263,154	2,738,192	1,163,529	1,721,160
Committed Fund Balance	5,735,000	2,428,627	-	-	-
Assigned Fund Balance	1,318,370	666,960	2,041,810	1,407,061	1,407,061
Unassigned Fund Balance	10,151,542	8,684,402	8,684,402	8,684,400	7,748,076
Total Fund Balance	$ 18,180,516	$ 13,344,098	$ 14,023,724	$ 11,496,878	$ 11,161,232
Unassigned Fund Balance as a Percentage of Expenditures	11.73%	9.72%	9.66%	8.97%	7.66%

The District's General Fund had an excess of expenditures and other financing uses over revenue other financing sources of $335,646 for fiscal 2019, bringing total fund balance to $11,161,232 at June 30, 2019. Total fund balance includes $7,748,076 in unassigned fund balance which represents 7.66% of General Fund expenditures.

FINANCIAL RESULTS (CONTINUED)

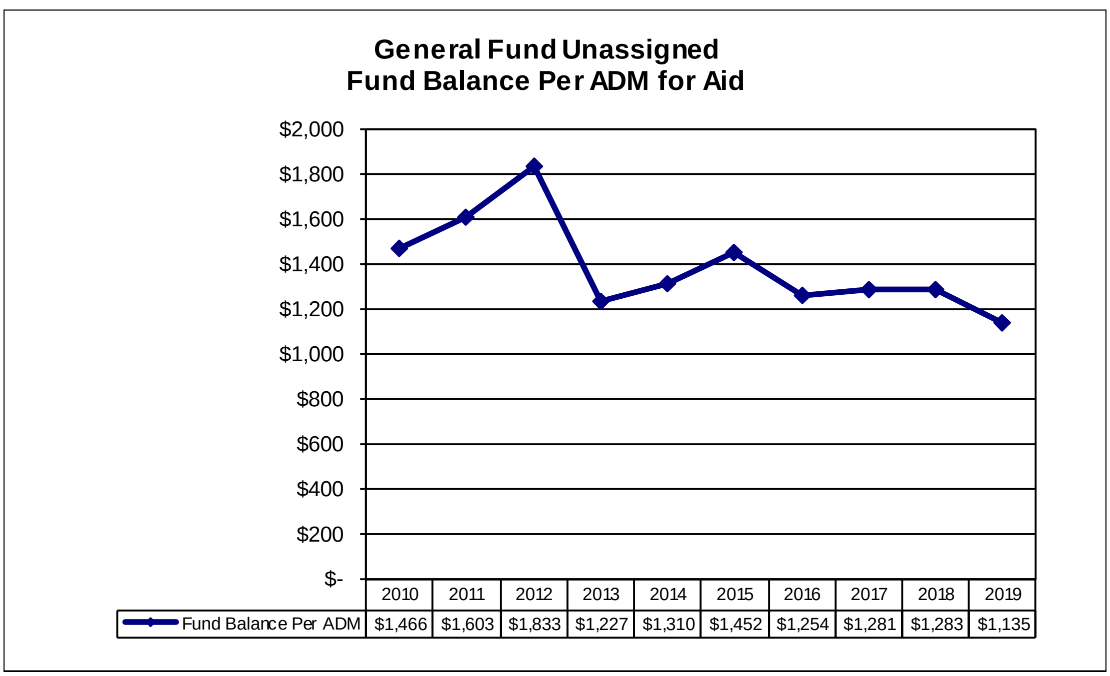
General Fund Operations and Financial Position (Continued)

As a percentage of annual expenditures:



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Unassigned Fund Balance	12.06%	14.54%	16.47%	10.66%	11.08%	11.73%	9.72%	9.66%	8.97%	7.66%
Total Fund Balance	19.02%	26.74%	19.40%	21.74%	20.66%	21.01%	14.93%	15.60%	11.87%	11.03%

Per student served for aid.

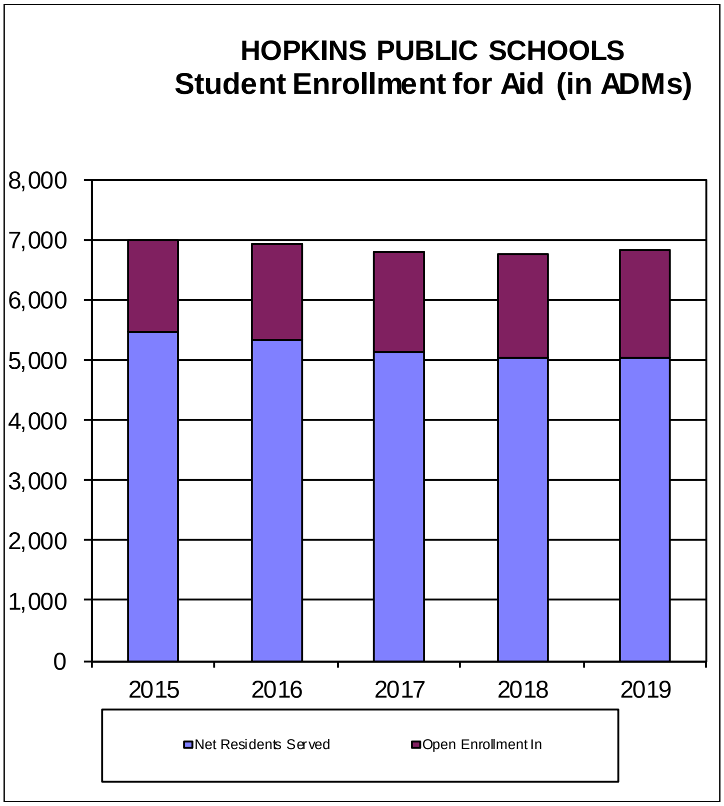


	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Fund Balance Per ADM	$1,466	$1,603	$1,833	$1,227	$1,310	$1,452	$1,254	$1,281	$1,283	$1,135

FINANCIAL RESULTS (CONTINUED)

Students Served for Aid

	2015	2016	2017	2018	2019
Total Residents	7,040.47	7,012.57	6,994.68	7,003.99	7,070.99
Open Enrollment Out	(1,256.61)	(1,325.76)	(1,421.15)	(1,475.69)	(1,504.45)
Charter Schools Out	(336.40)	(349.95)	(447.03)	(511.47)	(534.68)
Net Residents Served	5,447.46	5,336.86	5,126.50	5,016.83	5,031.86
Open Enrollment In	1,545.43	1,588.79	1,652.39	1,753.30	1,795.21
Net ADM Served	6,992.89	6,925.65	6,778.89	6,770.13	6,827.07
Net Pupil Units Served	7,667.00	7,586.23	7,429.09	7,428.60	7,484.27



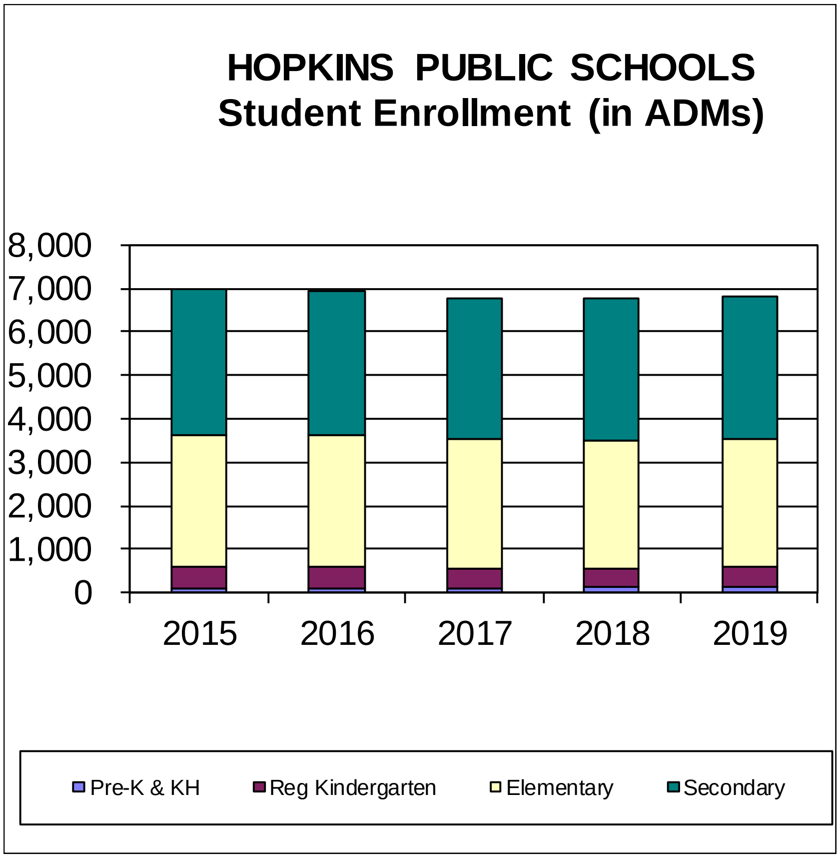
Beginning in fiscal 2013 the District had more resident students attend elsewhere, including charter schools, than non-residents opting to attend the District.

APPENDIX A

FINANCIAL TRENDS OF YOUR DISTRICT

Within this report there are a number of areas where condensed financial statement data has been presented.

Student Enrollment



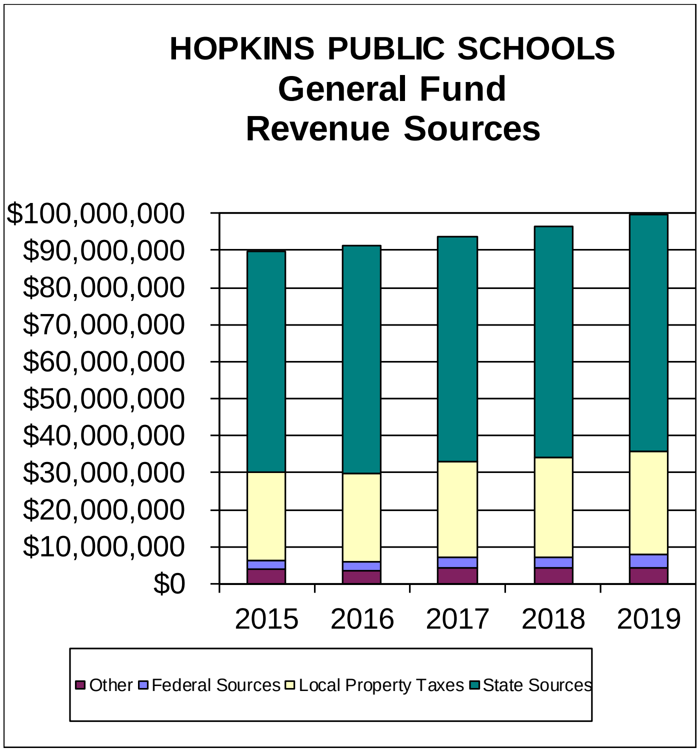
	2015	2016	2017	2018	2019
Pre-K & KH	91.51	101.71	110.70	120.03	133.02
Reg Kindergarten	505.31	504.80	425.27	448.38	455.36
Elementary	3,025.60	3,016.15	2,991.90	2,909.26	2,952.53
Secondary	3,370.47	3,302.99	3,251.02	3,292.46	3,286.16
Net ADM Served	6,992.89	6,925.65	6,778.89	6,770.13	6,827.07
Percent Change	0.30%	-0.96%	-2.12%	-0.13%	0.84%

As noted in the above chart, the District's student count for fiscal 2018-19 was 56.94 students (or 0.84%) higher than for the prior year.

APPENDIX A (CONTINUED)

General Fund Revenue

The following table and graph summarizes the District's General Fund revenue sources for the last five years.



The table below illustrates the fluctuation that occurs between the taxes and state aid categories based on legislative activity. The Legislature determines what portion of the general education funding formula will be paid by local taxpayers. In addition, when the tax shift percentage changes or the state provides property tax relief, this only impacts the mix between state aids and taxes and does not change total revenue. For this and other reasons, school finance in Minnesota continues to be a very difficult subject to explain to the general public.

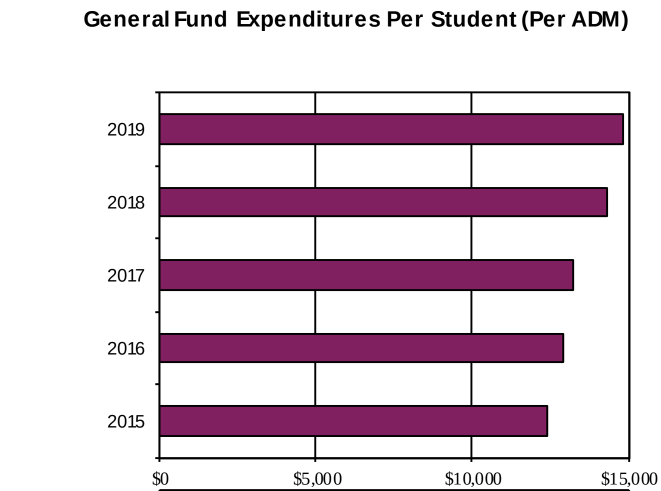
	2015	2016	2017	2018	2019
Local Property Taxes	$ 23,720,510	$ 23,687,302	$ 25,608,340	$ 27,058,222	$ 27,698,676
State Sources	59,904,963	61,641,459	61,072,518	62,224,846	63,985,373
Federal Sources	2,464,613	2,355,868	2,775,987	2,935,205	3,891,693
Other	3,854,657	3,591,347	4,471,906	4,220,378	4,122,851
Total Revenues	$ 89,944,743	$ 91,275,976	$ 93,928,751	$ 96,438,651	$ 99,698,593

	2015	2016	2017	2018	2019
Local Property Taxes	26.4%	26.0%	27.3%	28.1%	27.8%
State Sources	66.6%	67.5%	65.0%	64.5%	64.2%
Federal Sources	2.7%	2.6%	3.0%	3.0%	3.9%
Other	4.3%	3.9%	4.8%	4.4%	4.1%
Total Revenues	100.0%	100.0%	100.0%	100.0%	100.0%

APPENDIX A (CONTINUED)

Expenditures Per Student

Expenditures per student (average daily membership) are summarized in the following graph.

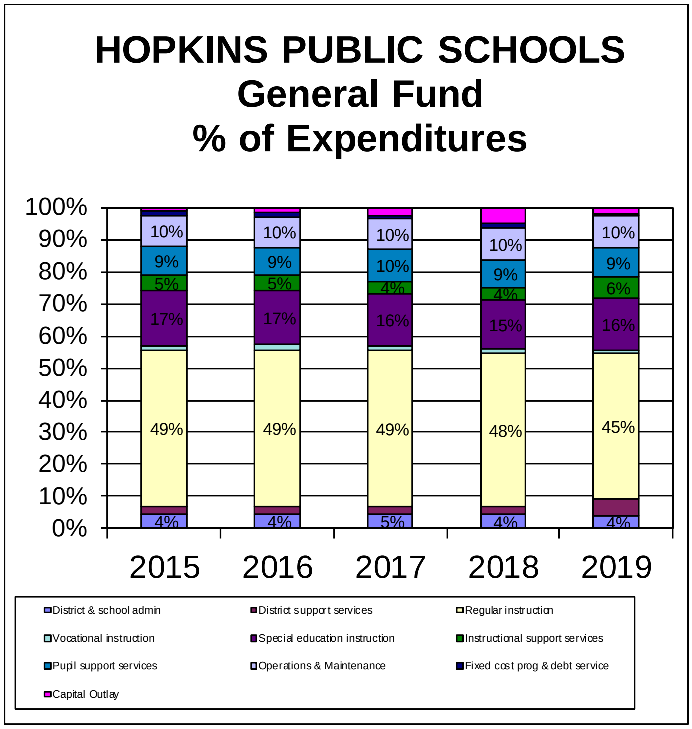


	2015	2016	2017	2018	2019
General Fund - All Expenditures	$12,374	$12,907	$13,260	$14,305	$14,817

General Fund Expenditures for fiscal 2019 were $101,158,221, which represents an increase of $4,312,037 or 4.45% from fiscal 2018.

APPENDIX A (CONTINUED)

The following schedule shows total expenditures of the General Fund by program type:



	2015	2016	2017	2018	2019
District and School Admin	$ 3,800,920	$ 4,012,660	$ 4,138,586	$ 4,179,572	$ 4,158,956
District Support Services	2,176,186	2,078,586	1,846,598	2,311,373	5,215,768
Regular Instruction	42,182,408	43,614,720	43,862,824	46,274,076	45,690,309
Vocational Instruction	1,082,007	1,405,443	1,314,391	1,279,959	1,297,841
Special Education Instruction	14,820,763	15,225,594	14,606,775	14,992,720	16,240,938
Instructional Support Services	4,181,973	4,140,524	3,599,280	3,604,288	6,476,852
Pupil Support Services	7,824,549	7,824,324	8,585,842	8,310,271	9,352,041
Operations and Maintenance	8,257,340	8,536,324	8,740,145	9,746,626	10,008,457
Capital Outlay	979,387	1,487,573	2,197,569	4,756,591	2,023,895
Fixed Cost Prog and Debt Service	1,221,047	1,065,746	995,503	1,390,708	693,164
Total Expenditures	$ 86,526,580	$ 89,391,494	$ 89,887,513	$ 96,846,184	$ 101,158,221

The following chart summarizes District General Fund expenditures by object type.

	2019				2018	2017
	Budget	Actual	Over (Under) Budget	%	Actual	Actual
Salaries	$ 61,659,157	$ 61,605,777	$ (53,380)	(0.1)%	$ 56,003,918	$ 55,499,835
Employee Benefits	17,867,782	18,478,019	610,237	3.4	17,237,100	15,985,381
Purchased Services	14,827,206	15,533,142	705,936	4.8	14,234,921	13,027,130
Supplies and Materials	2,781,984	2,364,851	(417,133)	(15.0)	2,902,686	1,980,618
Capital Expenditures	2,826,547	2,023,895	(802,652)	(28.4)	4,756,591	2,197,569
Other Expenditures	864,582	1,152,537	287,955	33.3	1,710,968	1,196,980
Total Expenditures	$ 100,827,258	$ 101,158,221	$ 330,963	0.3 %	$ 96,846,184	$ 89,887,513

The variances by object dimension are fairly well spread throughout the fund. Note that total expenditures were 0.3% lower than the final amended budget.

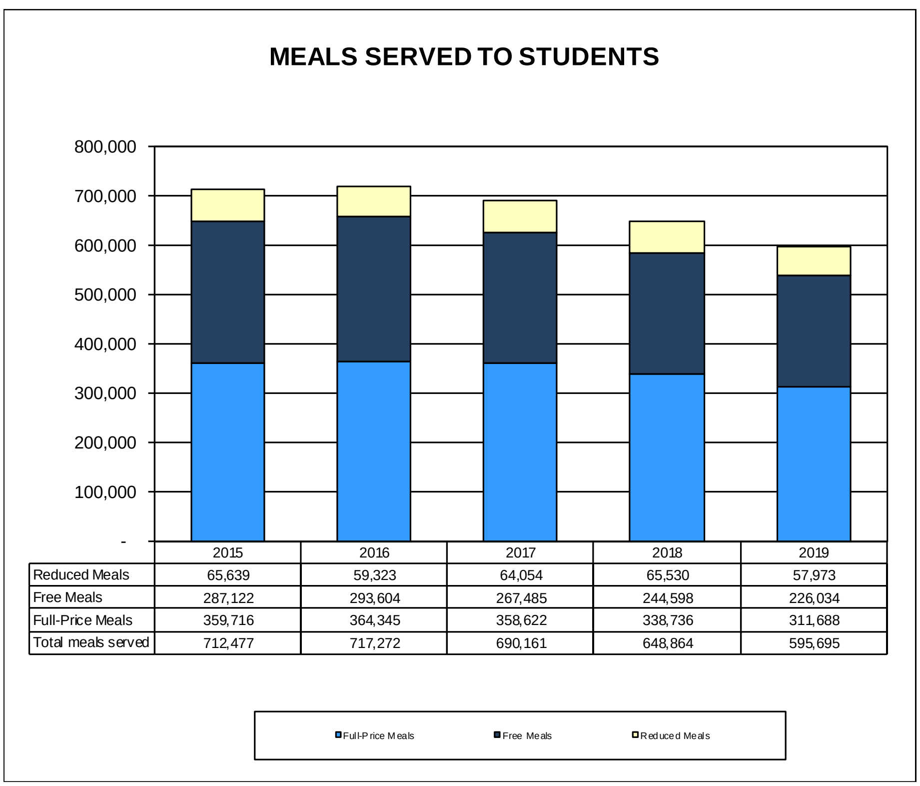
Food Service Fund

The following chart reflects the growth of the food service program over the past five years:

	Year Ended June 30, 2019				
	2015	2016	2017	2018	2019
Revenues	$ 4,386,370	$ 4,583,975	$ 4,473,766	$ 4,190,265	$ 4,063,943
Expenditures	4,357,110	4,437,815	4,193,995	4,173,657	4,216,025
Excess of Revenues Over Expenditures	29,260	146,160	279,771	16,608	(152,082)
Other Financing Sources:					
Sale of Equipment Proceeds	2,986	7,991	1,000	250	-
Insurance Recovery	-	-	-	-	6,627
Total Other Financing Sources	2,986	7,991	1,000	250	6,627
Excess of Revenues and Other Financing Sources Over Expenditures	32,246	154,151	280,771	16,858	(145,455)
Fund Balance					
Beginning of Year	255,088	287,334	441,485	722,256	739,114
End of Year	$ 287,334	$ 441,485	$ 722,256	$ 739,114	$ 593,659

Total expenditures exceeded total revenues and other financing sources in the District's Food Service Fund by $145,455 for 2019, resulting in an ending fund balance of $593,659 at June 30, 2019. Total actual revenue was lower than the budgeted amount by $25,507. Total expenditures were lower than the budgeted amount by $111,623. The net impact of these variances and other financing sources resulted in the fund balance of the Food Service Fund being $92,743 higher than anticipated at year-end.

The following chart reflects the number and type of meals served to students over the past five years:



	2015	2016	2017	2018	2019
Reduced Meals	65,639	59,323	64,054	65,530	57,973
Free Meals	287,122	293,604	267,485	244,598	226,034
Full-Price Meals	359,716	364,345	358,622	338,736	311,688
Total meals served	712,477	717,272	690,161	648,864	595,695

Community Service Fund

The following table presents five years of comparative operating results for the District's Community Service Fund:

	Year Ended June 30, 2019				
	2015	2016	2017	2018	2019
Revenues	$ 9,687,233	$ 9,783,477	$ 9,579,119	$ 9,582,158	$ 10,614,155
Expenditures	9,839,863	10,051,559	9,415,074	9,742,691	10,875,371
Excess (Deficiency) of Revenues Over (Under) Expenditures	(152,630)	(268,082)	164,045	(160,533)	(261,216)
Other Financing Sources:					
Transfers In	450,000	525,000	250,000	250,000	250,000
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	297,370	256,918	414,045	89,467	(11,216)
Fund Balance:					
Beginning of Year	1,158,781	1,456,151	1,713,069	2,127,114	2,216,581
End of Year	$ 1,456,151	$ 1,713,069	$ 2,127,114	$ 2,216,581	$ 2,205,365
Fund Balance:					
Nonspendable for Prepaid Items	$ 9,886	$ -	$ 4,047	$ -	$ -
Restricted for Community Ed	1,024,671	1,310,398	1,670,241	1,722,878	1,731,773
Restricted for ECFE	129,072	161,056	223,074	294,674	281,895
Restricted for School Readiness	30,038	58,812	49,995	5,777	12,735
Restricted for Adult Basic Education	138,178	49,165	37,790	52,538	37,425
Restricted for Other Purposes	124,306	133,638	141,967	140,714	141,537
Total Fund Balance	$ 1,456,151	$ 1,713,069	$ 2,127,114	$ 2,216,581	$ 2,205,365

The District's Community Service Fund had expenditures over revenues and other financing sources of $11,216 for fiscal 2019, bringing the combined fund balance to $2,205,365 at June 30, 2019. The District has done a good job of exercising control over the costs of programs and the fees being charged in order to ensure that programs are self-sustaining.

Total revenues of the District's Community Service Fund for 2019 were $322,197 higher than the budgeted amount while total expenditures were over budget by $145,723. The net impact of these variances along with other financing sources resulted in the fund balance of the Community Service Fund being $176,474 higher than anticipated at year-end.

APPENDIX B

The table below reflects the comparative data available from the Minnesota Department of Education for all expenditures incurred for the benefit of pre-elementary through secondary education, except expendable trust fund activity.

Expenditures Per Student (ADM) Served

	Statewide All Districts	Statewide Seven-county Metro Area	Statewide Enrollment > than 4,000	ISD No. 270 Hopkins		
	2018	2018	2018	2017	2018	2019
District and School Admin and Support Services	$ 1,091	$ 1,045	$ 993	$ 876	$ 949	$ 1,362
Regular Instruction (including Co- & Extra-Curricular)	5,602	5,976	5,810	6,416	6,766	6,640
Vocational Instruction (Career & Technical)	159	154	159	192	187	189
Special Education Instruction	2,315	2,418	2,468	2,137	2,192	2,360
Instructional Support Services	639	748	743	526	527	941
Pupil Support Services (Including Transportation)	1,122	1,209	1,172	1,256	1,215	1,359
Operations and Maintenance and Other	924	896	906	1,424	1,628	1,495
Total Instruction, Support Services, and Operations/Maintenance	11,852	12,445	12,251	12,827	13,464	14,348
Food Service	550	545	544	605	604	606
Community Service	606	750	713	1,372	1,412	1,557
Capital Expenditure	743	636	642	335	714	324
Debt Service	1,342	1,372	1,434	2,125	2,234	2,489
Total Pre-K - 12 Operating Expenditures Before OPEB	$ 15,093	$ 15,749	$ 15,584	$ 17,265	$ 18,428	$ 19,324
Percent Change from Prior Year				3.89%	6.74%	4.86%

Source of Statewide Data: School District Profiles published by the Dept of Education

District and school admin and support services - all costs related to providing administration to the District (school board, superintendent, principals, assistant superintendents, directors of instructional areas, etc.) and all central office administration (business services, human resources, legal, data processing, other district-wide support activities)

Regular instruction - includes all activities dealing directly with the teaching of pupils including co-curricular and extra-curricular activities and the interaction between teachers and pupils in the classroom (excluding exceptional, vocational and community education instruction) and includes activities of aides or assistants of any type (paraprofessionals, clerks, graders, etc.) who assist in the educational process, except spec ed aides

Vocational instruction - consists of costs related to courses and activities which develop knowledge, skills, attitudes and behavioral characteristics for students seeking career exploration and employability

Special education instruction - consists of activities providing learning experiences for pupils of any age, who because of certain atypical characteristics or conditions, have been identified as requiring, or who would benefit by, educational programs differentiated from those provided pupils in regular or vocational instruction

Instructional support services - activities for assisting instructional staff with content and process of providing learning experiences for pupils in K-12 (curriculum, staff dev, educ media, libraries and media centers, etc.)

Pupil support services - all services to pupils not classified as instructional (counseling and guidance, health services, psychological services, social work, pupil transportation and safety, etc.)

Operations and maintenance - activities related to the operation, maintenance, repair and remodeling of all physical plant, facilities and grounds of the District

Food service - all costs of the Food Service Fund

Community service - all costs of the Community Service Fund

Capital expenditures - all capital expenditures charged to operating funds

Debt service - all Debt Service Fund costs (principal, interest and fiscal agent costs)

APPENDIX C

LEGISLATIVE ACTIVITY

What follows are some education-related highlights of the 2019 legislative session as summarized from information made available by the Minnesota Department of Education, the Minnesota School Boards Association, and the Minnesota House of Representatives.

General Education Formula Increase

The General Education Revenue formula allowance was increased by 2% (or by $126 per pupil unit to $6,438) for fiscal year 2020 and by another 2% (or $129 per pupil unit to $6,567) for fiscal year 2021 and later.

Special Education Funding

Special education aid was increased by the amount needed ($90,691,000) to hold the state average cross-subsidy constant at the fiscal year 2019 rate of $820 per pupil. Beginning in fiscal year 2020, the following special education funding formula changes take effect:

- Created a new category of special education aid called cross-subsidy reduction aid, and includes cross-subsidy aid in the definition of special education aid,
- The special education aid cap is phased out in fiscal 2021 and later,
- The tuition billing rate or “billback” paid by the resident school district is reduced for open enrolled special education students served by another district or charter school, and
- Adjusts the hold harmless to reduce the reliance on the fiscal year 2016 base and factors in current year costs.

Special Education Tuition Billing

The tuition rate paid by the resident district for open enrolled students is reduced from 90% to 85% of the unfunded costs for fiscal year 2020 and to 80% for fiscal year 2021 and later. The general education revenue for a charter school student is adjusted equal to 5% in fiscal year 2020 and 10% in fiscal year 2021 and later, of the unreimbursed cost of providing special education services to the student. Charter schools will receive additional special education aid from the state to fully fund the impact of the tuition billing change.

Voluntary Prekindergarten / School Readiness Plus

The funding for this 4,000-seat program that was set to expire after fiscal 2019 was extended for two additional years.

School Safety Supplemental Aid

Makes a one-time appropriation of up to $30 million. Districts must reserve the aid and use it for the same purposes as the safe schools levy.

Tribal Contract School Aid

The tribal contract aid amount for fiscal years 2020 and later was increased. Converts $3,230 per pupil to 51.17% of the basic formula allowance (this links future amounts to increases in the basic formula allowance).

School Board Control of Extracurricular Activities

Aligns school board responsibility for extracurricular activities to GASB requirements 84 and 87. Requires a school board to take charge of and control all extracurricular activities. Also requires a school district to reserve revenue raised for extracurricular activities and spend the revenue only for extracurricular activities. School boards will need to review each student activity account not under board control to determine whether the activity belongs under a district's General Fund or should not be a part of the district's financial system, (i.e.: outside organizations such as Booster Clubs). Effective July 1, 2019.

Simplification of Local Optional Revenue (LOR)

Modifies local optional revenue so that the revenue no longer needs to be factored into a district's referendum revenue. Transfers $300 per pupil unit of referendum revenue to LOR. Keeps the revenue and equalization levels the same. Conforms equity revenue, referendum allowance, referendum allowance limit, referendum equalization levy, and aid to the realignment of local optional revenue.

Dyslexia Screening

Requires a school district to screen for characteristics of dyslexia, in a locally determined manner, students identified as not reading at grade level by the end of kindergarten, grade 1, and grade 2. For students in grade 3 or higher, requires a district to screen students for characteristics of dyslexia, in a locally determined manner, who demonstrates a reading difficulty, unless a different reason for the reading difficulty has been identified.

Lead in School Drinking Water

Charter schools were added to the testing requirements. A school district or charter school that finds lead in cooking or drinking water is required to formulate, make publicly available, and implement a plan consistent with established guidelines and recommendations to ensure student exposure to lead is minimized. Districts and charter schools are also required to remediate the presence of lead to below the level set in the guidance, verified by retest, or directly notify parents of the result. The water source is required to be made unavailable until the hazard has been minimized.

Disposing of Surplus School Computers

In addition to authority available under current law to transfer surplus school computers to another school district, the state Department of Corrections, the Minnesota State system, or a family in the school district whose income is at or below the federal poverty level, legislation authorizes a school district to transfer a computer to a charitable nonprofit registered with the attorney general's office, or to sell or give a surplus computer to currently-enrolled district students who intend to enroll the following year. Requires the district to give priority to those students eligible for free or reduced-price meals and distribute the remaining computers by lottery.

Referendum Equalization Levy

The Legislature provided $9,000,000 in property tax relief in fiscal year 2021 and $600,000 for additional referendum aid for charter schools. The equalization factor for Tier 2 (new Tier 1) of the referendum levies was increased and conforms with technical provisions in the 2019 Education Omnibus Bill that convert the board-approved portion of Tier 1 referendum revenue to the local optional program. Effective for fiscal year 2021 and later.

School Building Bond Agricultural Credit

The school building bond ag credit was increased from 40% to 50% in Pay 20, to 55% in Pay 21, to 60% in Pay 22 and to 70% in Pay 23 and thereafter.

APPENDIX D

ACCOUNTING UPDATE

GASB standards effective for the first time for June 30, 2019, financial statements.

GASB Statement No. 83 – Certain Asset Retirement Obligations

GASB Statement No. 83 provides accounting and financial reporting requirements for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. Examples include: decommissioning of nuclear reactors, removal and disposal of wind turbines in wind farms, dismantling and removal of sewage treatment plants, and removal and disposal of x-ray machines. The statement is effective for financial statements for periods beginning after June 15, 2018.

GASB Statement No. 88 – Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

GASB Statement No. 88 improves the consistency in the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. The statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Requires disclosure of additional essential information about debt. The statement is effective for reporting periods beginning after June 15, 2018.

The remaining GASB standards have been issued but are not yet effective.

GASB Statement No. 84 – Fiduciary Activities

GASB Statement No. 84 establishes criteria for identifying fiduciary activities for state and local governments, focusing on (1) whether the government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception is provided for a business-type activity that normally expects to hold custodial assets for three months or less. Different criteria are included for fiduciary component units and postemployment benefit arrangements.

The main changes of this statement:

1. Governments may find additional activities that need to be reported as fiduciary that were not reported in the past.
2. Some activities treated as fiduciary may no longer be reported as fiduciary.
3. Agency funds will now be called custodial funds.
4. A statement of changes in fiduciary net position will be required for custodial funds.
5. Liabilities will be reported when an event has occurred that compels the government to disburse fiduciary resources.
6. Single purpose business-type activities will be required to report fiduciary activities unless the above exception applies.

The statement is effective for reporting periods beginning after December 15, 2018. The following are considerations for Minnesota school districts.

GASB No. 84 has new definitions for pension trust funds, investment trust funds and private purpose trust funds. Trust agreements or an equivalent arrangement must be present for an activity to be reported in a trust fund (Fund 8), otherwise it will be part of the General Fund or the Custodial Fund. Custodial funds will report fiduciary activities for which there is no trust or equivalent arrangement. The Agency Fund (Fund 9) will no longer be allowed as of July 1, 2019, since this is no longer valid per GASB Statement No. 84. Review and re-categorize all activity in Fund 8 and Fund 9 to determine if the activity belongs in a different fund or if the LEA should not keep the activity. MDE has requested a new fund (Fund 18) to be in compliance with GASB Statement No. 84.

Student activities not under board control are not considered to be special revenue funds because they do not represent a single stream of revenue and the purpose of each activity may vary. Effective July 1, 2019, Minnesota school districts will no longer be allowed to report student activities "not under board control". Student activities within the General Fund will need to be reserved using fund balance account 401 so the student activity funds are not comingled. The use of a restricted fund balance code will also ensure that there is no impact on the state's statutory operating debt (SOD) calculation. Districts may, for local purposes, choose to have sub-accounts within the fund balance for each student activity (i.e., student council, chess club, or band).

Things to keep in mind once student activities are under board control include the fact that the Board must review all transactions, the Board will have oversight on activity accounts, there may be changes in allowable expenditures and there will be school board approval of all contracts (although this should have already been occurring). School districts will want to review and implement, where necessary, appropriate internal controls over receipting, fundraising, etc.

GASB Statement No. 87 – Leases

GASB Statement No. 87 requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. Specifically, this statement:

1. Establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.
2. Defines the "lease term" and clarifies when lessees and lessors should reassess the lease term due to lease modifications or terminations.
3. Defines and establishes recognition criteria for short-term leases.
4. Amends accounting and financial reporting requirements for contracts with multiple components, contract combinations, subleases, and leaseback transactions.

The statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

STEPS THAT CAN BE TAKEN NOW

1) **Gather leases and contracts**. Depending on the number of leases your organization has, this may be a bigger challenge than anticipated. Keep in mind that not all leases are written "lease" agreements. Some contracts also include embedded leases that were previously treated as expenses, so you may be surprised to find more operating leases than you realized. Checking accounts payable for recurring payments may help you locate agreements that you'll need to analyze.

2) **Analyze all contracts to determine which are leases under the new standard**. GASB 87 defines a lease as a "contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset), as specified in the contract, for a period of time in an exchange or exchange-like transaction." Here are some of the agreements that can be excluded:

    - Short-term leases that are one year or less in duration.
    - Intangibles, such as investment assets, software licenses, and patents.
    - Financed purchases, where ownership of the asset transfers at the end of the lease without an additional payment.

3) **Review leases for multiple components.** Some leases include service agreements that will need to be split off from the entire lease. Many agreements (like service agreements and supply contracts) may qualify as leases under GASB 87. Some examples of service contracts that may have embedded leases can include cafeteria equipment, soda fountains, water coolers, coffee machines, etc. where the government may get to use a particular piece of equipment for free in return for the exclusive use of the provider's products.

4) **Determine appropriate materiality thresholds for capitalization**. Work with your auditor to determine what this should be. Be aware that items that are well below that threshold individually may be material in the aggregate.

5) **Select a technology solution such as leasing software to help manage your leases**. Unless your organization only has a few leases, the calculations for journal entries and footnote disclosures will most likely be beyond the capabilities of Excel. When choosing a software solution, keep in mind that tracking this information from leases will be an ongoing project, so look for one that's easy to use and provides your organization with all the information you'll need. Make sure to consider document storage as part of the capabilities. Entities with greater than 10-20 identified leases may wish to seriously consider a lease software solution and not rely on spreadsheets. Keep in mind that if a government has many similar leases, it may choose to amortize the lease assets as a group rather than individually. Composite depreciation is applied to groups of dissimilar assets, but should not be applied across classes of assets, such as buildings, equipment, furniture, and vehicles.

6) **Consider the district's bond covenants, loan covenants, and debt limitations to determine impact**. While a recent update from GASB (GASB 88) specifies that lease liabilities are excluded from the definition of debt for the purposes of financial statement disclosures, it's not clear whether banks, credit rating agencies or other stakeholders will take a similar stance.

    Adding liabilities for operating leases to the balance sheet may mean that covenants for bond contracts and loan agreements will be violated. If this is the case, you may need to renegotiate those agreements. Contacting these stakeholders and other interested parties early on is crucial.

Adding to the complexity, the rules and statutes governing debt limitations vary across states, counties, and municipalities. You may need to consult with an attorney to determine whether lease liabilities count as debt for those limitations.

7) **Develop new district policies and procedures as necessary.** Unlike many other financial controls, you'll need to work as a team with people outside of accounting, including procurement, IT and legal, to make sure all leases and contracts go through accounting. You may need to educate others about the balance sheet impacts of leases.

8) **Do your initial calculations and run the results past your auditor**. Because the calculations are different from the previous treatment of leases, some advisors are recommending performing a trial calculation on a subset of your leases. Then, ask us as your auditors to check your numbers before you do the entire population of leases.

9) **Begin the process early**. Early adopters report that they need two or three hours per lease to analyze and extract the data. Adding to the challenge, many government finance professionals wear many hats, and dealing with financial matters may be only a small part of their responsibilities. Be sure to keep the resulting information very organized and accessible and also keep in mind the new information that will be required for footnote disclosures.

10) **Start learning and keep learning**. Understanding the new standards is a steep learning curve. You'll need to dedicate time and resources for your team to get up to speed.

GASB Statement No. 89 – Accounting for Interest Cost Incurred before the End of a Construction Period

GASB Statement No. 89 provides that for financial statements prepared using the economic resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expense in the period in which the cost is incurred. Such interest cost should not be capitalized as part of the historical cost of a capital asset. Effective for reporting periods beginning after December 31, 2019. Earlier application is encouraged.

GASB Statement No. 90 – Majority Equity Interests—An Amendment of GASB Statements No. 14 and No. 61

GASB Statement No. 90 modifies previous guidance for reporting a government's majority equity interest in a legally separate organization by specifying that this type of interest should be reported as an investment if it meets the definition of an investment as prescribed in GASB 72. For all other holdings of a majority equity interest, a government would report the legally separate organization as a component unit, and the government or fund that holds the interest would report the asset using the equity method. Effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 91 – Conduit Debt Obligations

The primary objective of GASB Statement No. 91 is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Effective for reporting periods beginning after December 15, 2020.

APPENDIX E

FORMAL REQUIRED COMMUNICATIONS

Board of Education
Independent School District No. 270
Hopkins Public Schools
Hopkins, Minnesota

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hopkins Public Schools (the School) as of and for the year ended June 30, 2019, and have issued our report thereon dated December 17, 2019. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2019.

We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Qualitative aspects of accounting practices (continued)

<u>*Accounting estimates*</u>

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

- Due from Minnesota Department of Education
- Due from federal through the Minnesota Department of Education
- Estimated useful lives of depreciable capital assets
- Claims Incurred but Not Reported
- Severance Benefits Payable
- Other Postemployment Benefits Payable
- Estimated proportionate share of PERA's and TRA's pension items

Management's estimate of the due from Minnesota Department of Education is based on amounts anticipated to be received from the state for various aid entitlements for fiscal 2019. The most significant of these is the aid portion of general education revenue. General education revenue and certain other revenues are computed by applying an allowance per student to the number of students served by the school. Student attendance is accumulated in a statewide database, Minnesota Automated Reporting Student System (MARSS). Because of the complexity of student accounting and because of certain enrollment options, student information is input by other school districts and the MARSS data for fiscal year 2019 is not finalized until well into the next fiscal year. MDE calculates amounts owed to the School for special education excess cost tuition billing and adds the amount to the School's special education aid. Because the tuition amounts are based on estimated information, final entitlements are not expected to be known until well into the following fiscal year. Management expects any differences between estimated and actual data will be insignificant.

Management's estimate of due from federal through the Minnesota Department of Education is based on amounts anticipated to be received through the state for various federal aid entitlements for fiscal 2019. Many federal entitlements require that supporting financial reporting information be provided both in the Uniform Financial Accounting and Reporting Standards (UFARS) accounting system and also the SERVS and SEDRA reporting systems. To the extent that these two separate systems are not in agreement and reported in a timely manner, the estimated aid entitlement may be adversely affected. Management expects any differences between estimated and actual data will be insignificant.

Management's estimate of the useful lives for depreciable capital assets is based on guidance recommended by the Minnesota Department of Education and other sources. The useful life of a depreciable capital asset determines the amount of depreciation that will be recorded in any given reporting period as well as the amount of accumulated depreciation that is reported at the end of a reporting period.

Management's estimate of Claims Incurred but Not Reported in its Self-Insurance Fund is based on data reported to the District by the plan administrator.

Qualitative aspects of accounting practices (continued)

Accounting estimates (continued)

Management's estimate of Severance Benefits Payable is based on certain assumptions made by the District. As required by GASB Statement No. 16, the District has recorded a liability in long-term debt for accumulated sick leave convertible to early retirement pay for which it is probable the employees will be compensated. The "vesting method" used by the District to calculate this liability is based on assumptions involving the probability of employees becoming eligible to receive the benefits (vesting), and the potential use of accumulated sick leave prior to termination.

Management's estimate of other postemployment benefits payable is based on an actuarially determined calculation, less actual payments incurred on behalf of retirees and an actuarially determined estimate of implicit rate subsidy, which is the estimated increased cost of premiums due to inclusion of retirees in the same plan as the District's active employees.

Management's estimates of the District's proportionate share of PERA's and TRA's net pension liability and related deferred inflows and deferred outflows are based on guidance from GASB Statement No. 68 and each plan's respective allocation tables. Each plan's allocation tables allocate a portion of the plan's net pension liability and related deferred inflows and deferred outflows based on the District's prior fiscal year contributions as a percentage of the total contributions received for the related year by the plan.

We reviewed and tested management's procedures and underlying supporting documentation in the areas discussed above and evaluated the key factors and assumptions used to develop the estimates noted above in determining that they are reasonable in relation to the financial statements taken as a whole. We concluded that the accounting estimates and management judgments appeared to consider all significant factors and resulted in appropriate accounting recognition.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures. The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has determined that the effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We noted one uncorrected misstatement related to reducing the cash with fiscal agent balance in the capital projects fund by $75,119 to reflect the actual total balance of funds held for the District by neighboring cities.

Corrected misstatements

None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. We recognize that for management purposes, the District maintains its accounting records primarily using the cash basis during the year. There may be adjustments which we propose while assisting your finance staff in the closing of the year-end accounting records. These types of adjustments, if any, are not considered to be "audit adjustments" for purposes of this communication.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the management representation letter dated December 17, 2019.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Other information in documents containing audited financial statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

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Other information in documents containing audited financial statements (continued)

With respect to the schedule of expenditures of federal awards (SEFA) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the SEFA to determine that the SEFA complies with the requirements of the Uniform Guidance, the method of preparing it has not changed from the prior period or the reasons for such changes, and the SEFA is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the SEFA to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated December 17, 2019.

With respect to the individual fund financial statements and the Uniform Financial Accounting and Reporting Standards Compliance Table (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, 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 or the reasons for such changes, 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. We have issued our report thereon dated December 17, 2019.

The introductory and statistical sections accompanying the financial statements, which are the responsibility of management, were prepared for purposes of additional analysis and are not a required part of the financial statements. Such information was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we did not express an opinion or provide any assurance on it.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

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This information is intended solely for the use of the Board of Education and management of the District, and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 17, 2019