CliftonLarsonAllen LLP
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December 8, 2021

School Board
Independent School District No. 834
Stillwater Area Public Schools
Stillwater, Minnesota

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

Dennis Hoogeveen

Dennis Hoogeveen, CPA
Principal

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INDEPENDENT SCHOOL DISTRICT NO. 834
STILLWATER AREA PUBLIC SCHOOLS

EXECUTIVE AUDIT SUMMARY (EAS)

JUNE 30, 2021

WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

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INDEPENDENT SCHOOL DISTRICT NO. 834
STILLWATER AREA PUBLIC SCHOOLS
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JUNE 30, 2021

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EXECUTIVE AUDIT SUMMARY (EAS)
FOR
STILLWATER AREA PUBLIC SCHOOLS
YEAR ENDED JUNE 30, 2021

AUDIT FINDINGS AND RESULTS

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, 2021.

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

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

Internal Controls – No “material weaknesses” in internal control were noted.

Single Audit – The District complied with all direct and material requirements of the major federal program tested (Education Stabilization Fund and Coronavirus Relief Fund).

Legal Compliance – No compliance issues were reported with respect to Minnesota Statutes.

Enrollment – For fiscal 2020-2021, Stillwater Area Public Schools had an estimated total adjusted average daily membership of 8,180.73 (or net pupil units served of 8,998.12). For fiscal 2019-2020, the District had an estimated total adjusted average daily membership of 8,453.09 (or net pupil units served of 9,283.07).

Fund Balance – The School’s General Fund unassigned fund balance for UFARS reporting purposes decreased by $5,966,913 during fiscal year 2021, decreasing from an unassigned balance of $10,393,558 to $4,426,645. Total fund balance of the General Fund decreased by $7,153,058, ending at $21,564,066 as of June 30, 2021. The total ending unassigned fund balance represents 3.68% of General Fund expenditures. A District’s fund balance is an important aspect in considering the School’s financial wellbeing since a healthy fund balance represents things such as cash flow, as a cushion against unanticipated expenditures, enrollment changes, funding deficiencies, and aid prorations at the state level and similar problems.

Budget to Actual – Total revenues on a net basis in the General Fund were $293,875 (or 0.3%) lower than the budgeted amount and total expenditures were $5.7 million (or 5.0%) higher than had been budgeted. However, nearly $2.5 million of this amount was the timing of capital-related amounts. The net effect, including other financing sources, was a decrease in total fund balance that was $6.0 million more than had been reflected in the District’s final amended budget.

FINANCIAL TRENDS

ISD NO. 834 - STILLWATER

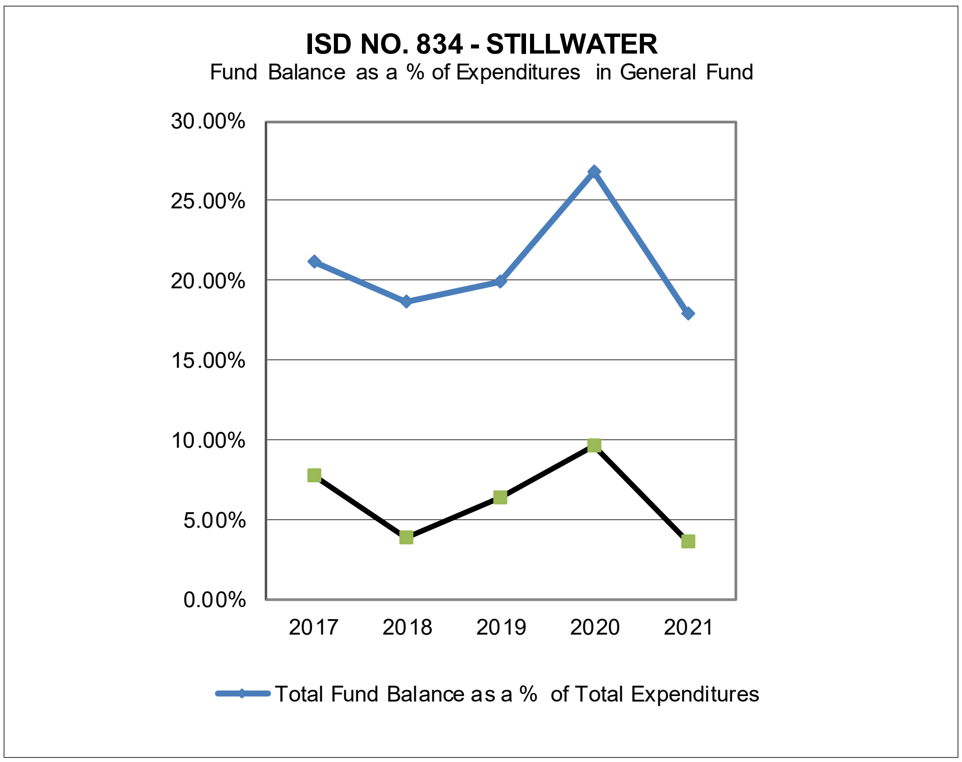
AUDITED FUND BALANCES THROUGH JUNE 30, 2021

FUND DESCRIPTION	6/30/2020 AUDITED BALANCE	2020-21 AUDITED REVENUES	TRANSFERS INTO FUNDS	2020-21 AUDITED EXPENDITURES	TRANSFERS OUT OF FUNDS	6/30/21 AUDITED BALANCE
GENERAL FUND						
A. UNASSIGNED - OPERATING	$ 10,393,558	$ 98,016,483	$ (1,786,286)	$ 102,197,110	$ -	$ 4,426,645
As a percentage of current year operating expenditures	9.71%					3.68%
B. NONSPENDABLE FOR						
PREPAID ITEMS	$ 176,979	$ -	$ -	$ 117,137	$ -	$ 59,842
C. RESTRICTED FOR						
LEARNING AND DEVELOPMENT	$ -	$ 1,727,986	$ 467,840	$ 2,195,826		$ -
STUDENT ACTIVITIES	72,862	25,425		43,370		54,917
SCHOLARSHIPS	280,751	13,198		17,000		276,949
ACHIEVEMENT AND INTEGRATION	151,703	1,007,982		949,091		210,594
MEDICAL ASSISTANCE	-	385,413		136,861		248,552
GIFTED AND TALENTED	-	116,975		116,975		-
BASIC SKILLS	-	916,394	617,677	1,534,071		-
SAFE SCHOOLS	259,243	488,405		488,405		259,243
COOPERATIVE PROGRAMS	-	450,498	481,290	931,788		-
STAFF DEVELOPMENT	350,694	1,181,812	219,479	1,751,985		-
LTFM	7,376,822	3,836,932		4,509,772		6,703,982
OPERATING CAPITAL	6,246,890	2,905,145		2,674,004		6,478,031
TOTAL RESTRICTED	$ 14,738,965	$ 13,056,165	$ 1,786,286	$ 15,349,148	$ -	$ 14,232,268
D. COMMITTED FOR						
TECHNOLOGY	$ 983,815	$ -	$ -	$ 983,815	$ -	$ -
E. ASSIGNED FOR						
SEVERANCE BENEFITS	$ 520,000	$ 140,000		$ -		$ 660,000
FACILITY USE IMPROVEMENTS	440,569	36,137		-		476,706
ALTERNATIVE COMPENSATION Q-COMP	363,451	1,414,606		1,567,091		210,966
LEARNING AND INNOVATION	142,000	-		142,000		-
SUBSEQUENT YEAR'S BUDGET	-	528,732		-		528,732
GRANTS	455,260	-		10,093		445,167
DONATIONS	502,527	21,213		-		523,740
TOTAL ASSIGNED	$ 2,423,807	$ 2,140,688	$ -	$ 1,719,184	$ -	$ 2,845,311
BUDGET		$113,519,211		$114,645,874		$27,590,461
TOTAL GENERAL FUND	**$ 28,717,124**	**$ 113,213,336**	**$ -**	**$ 120,366,394**	**$ -**	**$ 21,564,066**
DIFFERENCE		($305,875)		$5,720,520	$ -	($6,026,395)
% VARIANCE		-0.27%		4.99%		
FOOD SERVICE						
NONSPENDABLE FOR INVENTORY	$ 75,052	$ -		$ 32,150		$ 42,902
RESTRICTED FOR FOOD SERVICE PROGRAM	1,058,789	3,618,152		3,226,320		1,450,621
BUDGET		$4,492,367	$ -	$4,425,385		$1,200,823
TOTAL FOOD SERVICE	**$ 1,133,841**	**$ 3,618,152**	**$ -**	**$ 3,258,470**	**$ -**	**$ 1,493,523**
DIFFERENCE		($874,215)		($1,166,915)		$292,700
% VARIANCE		-19.46%		-26.37%		
COMMUNITY EDUCATION						
NONSPENDABLE FOR PREPAID ITEMS	$ 1,150	$ -		$ 1,150		$ -
A. RESTRICTED FOR						
REGULAR COMMUNITY ED PROGRAMS	$ 996,170	$ 3,334,421	$ -	$ 3,876,428		$ 454,163
EARLY CHILDHOOD FAMILY ED PROGRAMS	5,242	598,250		522,544	(80,948)	-
ADULT BASIC EDUCATION PROGRAMS	-	200,034		200,034		-
SCHOOL READINESS	(417,254)	964,073	80,948	1,081,796		(454,029)
OTHER PURPOSES	-	133,547		133,547		-
BUDGET		$7,611,700		$7,786,169		$410,839
TOTAL COMMUNITY EDUCATION	**$ 585,308**	**$ 5,230,325**	**$ 80,948**	**$ 5,815,499**	**$ (80,948)**	**$ 134**
DIFFERENCE		($2,381,375)		($1,970,670)		($410,705)
% VARIANCE		-31.29%		-25.31%		
CAPITAL PROJECTS - BUILDING CONSTRUCTION						
A. RESTRICTED FOR						
CAPITAL PROJECTS	$ 1,372,200	$ 239,220		$ 122,211		$ 1,489,209
PROJECTS FUNDED BY COP	-	7,043,689		141,121		6,902,568
BUDGET		$20,000		$477,000		$915,200
TOTAL BUILDING FUND	**$ 1,372,200**	**$ 7,282,909**	**$ -**	**$ 263,332**	**$ -**	**$ 8,391,777**
DIFFERENCE		$7,262,909		($213,668)		$7,476,577
DEBT SERVICE						
A. RESTRICTED FOR						
OPERATING DEBT SERVICE	$ 2,860,179	$ 10,507,672	$ -	$ 10,127,598	$ -	$ 3,240,253
BUDGET		$10,475,402		$10,127,608		$3,207,973
TOTAL DEBT SERVICE	**$ 2,860,179**	**$ 10,507,672**	**$ -**	**$ 10,127,598**	**$ -**	**$ 3,240,253**
DIFFERENCE		$32,270		($10)		$32,280
% VARIANCE		0.31%		0.00%		
PROPRIETARY & TRUST						
SCHOLARSHIP PRIVATE PURPOSE TRUST	$ 68,877	$ 12,440		$ 9,250		$ 72,067
POST-EMPLOYMENT BENEFITS TRUST	6,894,859	1,068,806		1,561,656		6,402,009
INTERNAL SERVICE - SELF INS FUND	5,262,284	18,146,098		17,765,758		5,642,624
PROPRIETARY & TRUST	**$ 12,226,020**	**$ 19,227,344**	**$ -**	**$ 19,336,664**	**$ -**	**$ 12,116,700**
TOTAL	**$ 46,894,672**	**$ 159,079,738**	**$ 80,948**	**$ 159,167,957**	**$ (80,948)**	**$ 46,806,453**

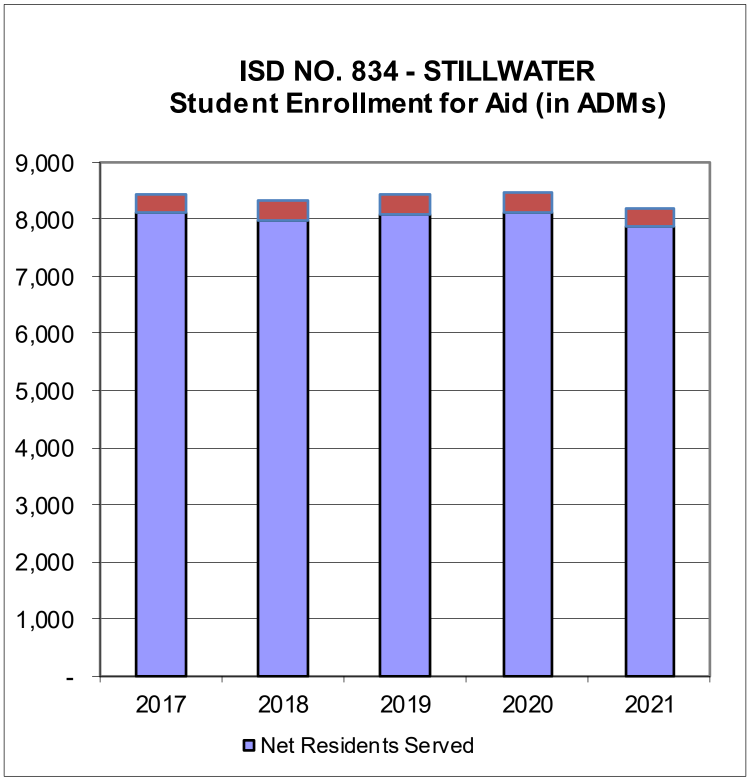
Fund Balances of the General Fund

Unless otherwise noted, all graphs and charts reflect the combined activity of the District's General Fund.

	2017	2018	2019	2020	2021
Unassigned Fund Balance	$ 7,852,065	$ 4,215,589	$ 7,011,832	$ 10,393,558	$ 4,426,645
Assigned Fund Balance	3,351,587	3,974,155	1,416,490	2,423,807	2,845,311
Committed Fund Balance	1,883,815	983,815	983,815	983,815	-
Restricted Fund Balance	8,070,793	10,603,252	12,387,032	14,738,965	14,232,268
Nonspendable Fund Balance	132,997	261,833	133,500	176,979	59,842
Total Fund Balance	$ 21,291,257	$ 20,038,644	$ 21,932,669	$ 28,717,124	$ 21,564,066
Total Expenditures	$ 100,647,151	$ 107,283,532	$ 110,060,150	$ 107,091,815	$ 120,366,394
Total Fund Balance as a % of Total Expenditures	21.15%	18.68%	19.93%	26.82%	17.92%
Unassigned Fund Balance as a % of Total Expenditures	7.80%	3.93%	6.37%	9.71%	3.68%



Students Served for Aid



	2017	2018	2019	2020	2021
Total Residents	9,732.00	9,790.24	9,952.06	9,976.35	9,778.17
Open Enrollment Out*	(1,621.97)	(1,797.03)	(1,863.02)	(1,850.23)	(1,901.88)
Net Residents Served	8,110.03	7,993.21	8,089.04	8,126.12	7,876.29
Open Enrollment In	339.82	349.08	344.20	326.97	304.44
Net ADM Served	8,449.85	8,342.29	8,433.24	8,453.09	8,180.73
* including charter schools					
Net Pupil Units Served	9,282.13	9,178.17	9,276.77	9,283.07	8,998.12

As reflected in the above chart and graph, the net impact of open enrollment out continues to be significant for the District.

OTHER KEY TOPICS

GASB Reporting Model

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 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, 2021	As of June 30, 2020
Total Fund Balance for Governmental Funds	$ 34,689,753	$ 34,668,652
Capital Assets, Less Accumulated Depreciation	158,529,952	161,884,361
Long-Term Liabilities	(100,861,959)	(101,439,085)
Net Pension Liability-related	(90,794,516)	(86,314,726)
Other - Net	(9,003,481)	(9,357,224)
Total Net Position - Governmental Activities	$ (7,440,251)	$ (558,022)
Net Position:		
Net Investment in Capital Assets	$ 64,517,478	$ 62,505,284
Restricted	18,899,197	19,894,112
Unrestricted	(90,856,926)	(82,957,418)
Total Net Position - Governmental Activities	$ (7,440,251)	$ (558,022)

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" 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 2021 and 2020:

	Year Ended June 30, 2021	Year Ended June 30, 2020
Net Change in Fund Balance - Total Governmental Funds	$ 21,101	$ 3,003,591
Capital Asset Purchases	3,652,970	6,161,688
Depreciation	(6,987,399)	(6,860,374)
Payment to Refunded Bond Escrow Agent *	(7,192,665)	(6,054,079)
Repayment of Bonds Payable	7,065,000	12,685,000
Change in OPEB Liability	(135,110)	(776,740)
Change in net pension liability	(4,479,790)	(5,952,440)
Other - Net	1,173,664	2,472,484
Change in Net Position - Governmental Activities	$ (6,882,229)	$ 4,679,130

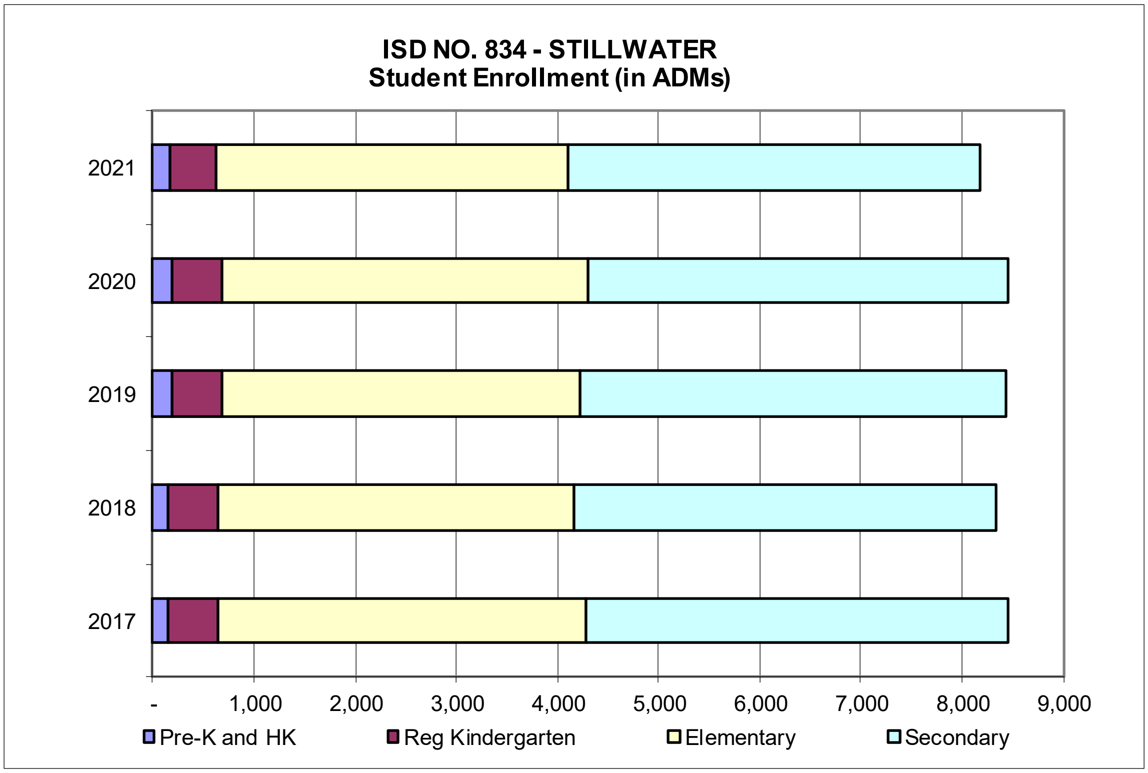
* - includes bond refunding activities which save taxpayer dollars

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 (Average Daily Membership-ADM)



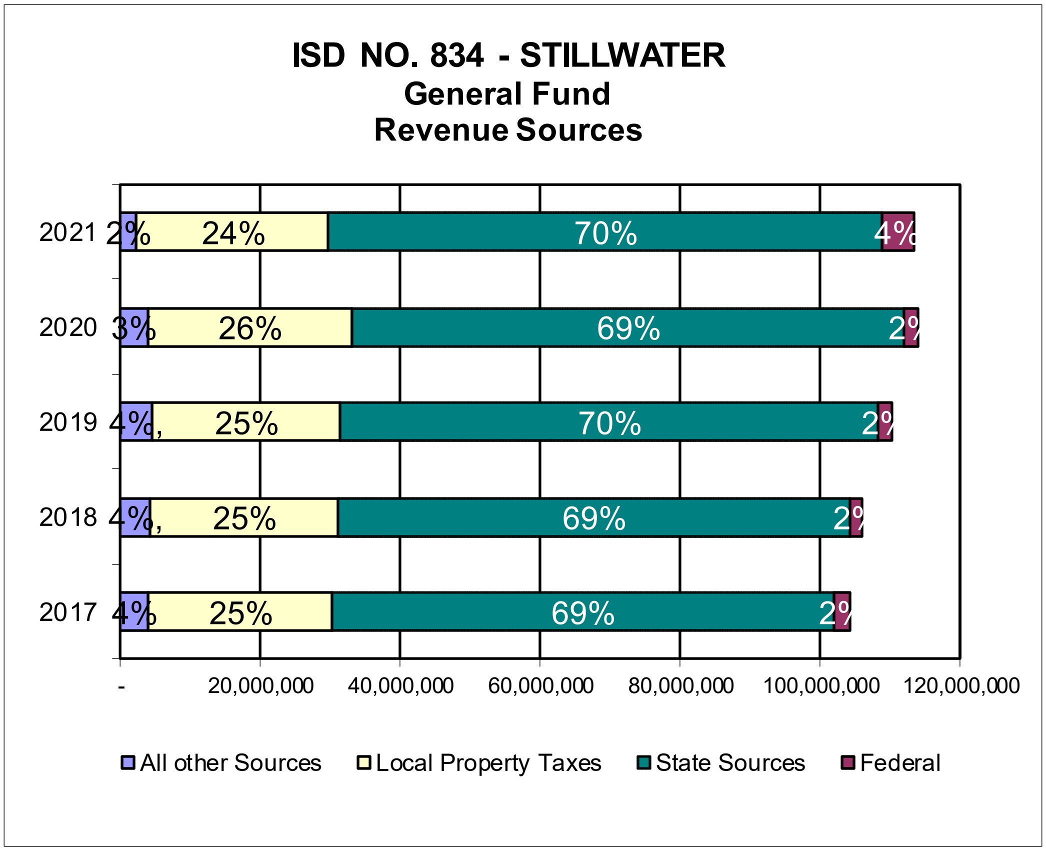
	2017	2018	2019	2020	2021
Pre-K and HK	144.04	146.66	178.37	193.80	171.94
Reg Kindergarten	495.45	493.72	506.73	487.48	450.98
Elementary	3,648.54	3,522.57	3,530.51	3,619.35	3,470.90
Secondary	4,161.82	4,179.34	4,217.63	4,150.19	4,086.91
Net ADM Served	8,449.85	8,342.29	8,433.24	8,450.82	8,180.73
Percent Change	1.17%	-1.27%	1.09%	0.21%	-3.20%

As noted in the above chart, the District's student ADM's for fiscal 2020-2021 was 272 ADMs (or 3.22%) lower than the prior year.

APPENDIX A (CONTINUED)

General Fund Revenue

The following table and graph summarize 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. For fiscal 2021 the impact of federal funding related to COVID-19 was significant but crucial in relation to the harm the enrollment decline and resulting revenue loss would have had.

	2017	2018	2019	2020	2021
Local Property Taxes	$ 26,092,174	$ 26,718,149	$ 27,016,038	$ 29,103,776	$ 27,443,738
State Sources	71,627,595	73,123,308	76,676,592	79,050,190	78,859,924
Federal Sources	2,475,672	1,861,344	2,018,811	1,861,877	4,594,382
All Other Sources	4,053,096	4,267,472	4,409,846	3,859,650	2,315,292
Total Revenues	$ 104,248,537	$ 105,970,273	$ 110,121,287	$ 113,875,493	$ 113,213,336

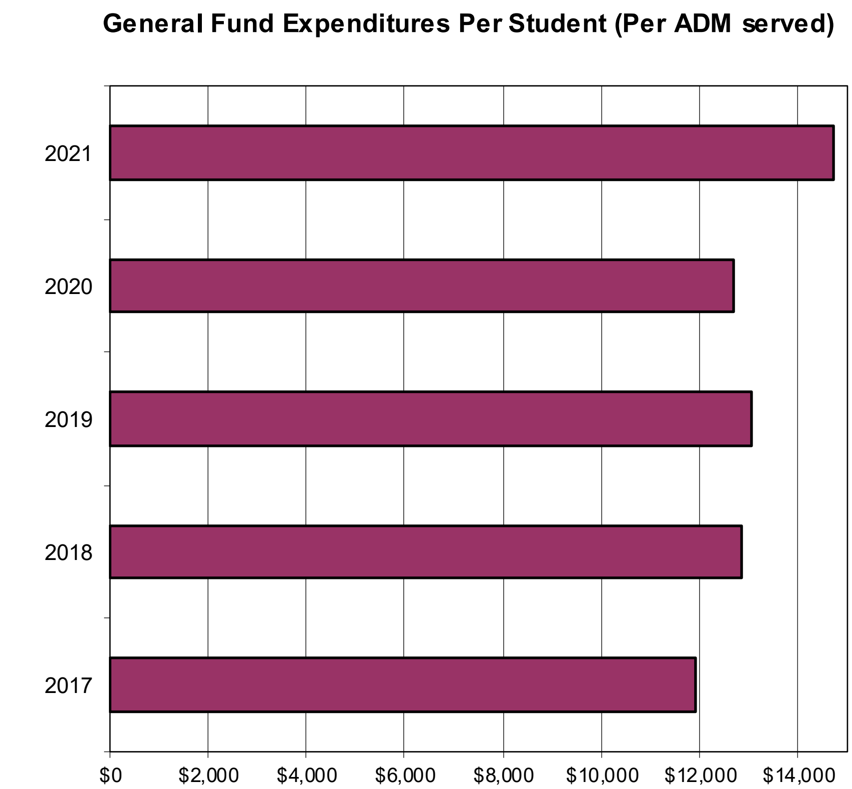
	2017	2018	2019	2020	2021
Local Property Taxes	25%	25%	25%	26%	24%
State Sources	69%	69%	70%	69%	70%
Federal Sources	2%	2%	2%	2%	4%
All Other Sources	4%	4%	4%	3%	2%
Total Revenues	100%	100%	100%	100%	100%

APPENDIX A (CONTINUED)

General Fund Expenditures

EXPENDITURES PER ADM

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



	2017	2018	2019	2020	2021
Amount	$11,911	$12,860	$13,051	$12,669	$14,713

In fiscal 2021, General Fund expenditures per student increased by 16.14% while total ADMs served decreased 3.22%.

APPENDIX A (CONTINUED)

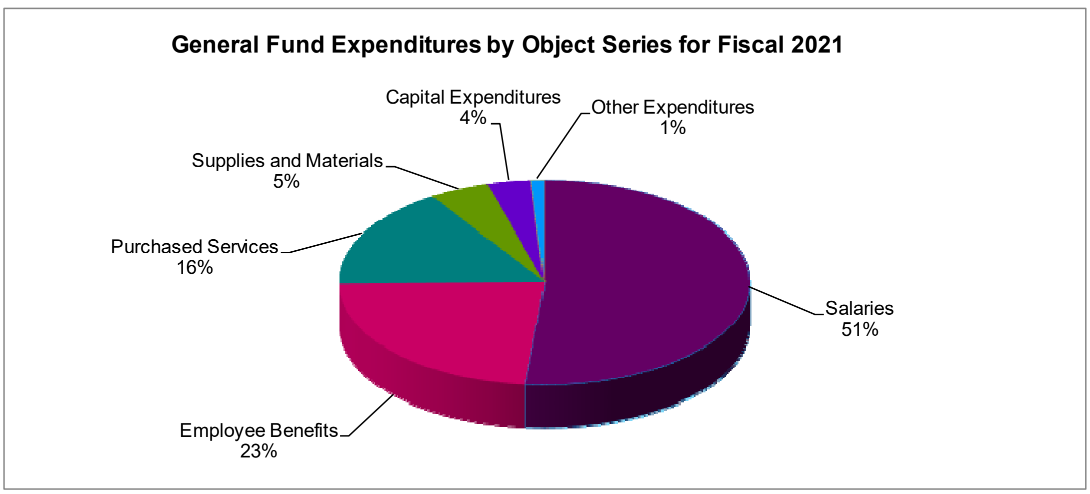
General Fund Expenditures

The following chart summarizes District General Fund budget to actual expenditures by program dimension with capital outlay broken out and one year of comparative actual expenditures.

	2021				2020	2019
	Final Amended Budget	Actual	Over (Under) Budget	Variance %	Actual	Actual
District and School Admin	$ 3,564,925	$ 4,097,721	$ 532,796	14.9%	$ 3,596,442	$ 3,628,235
District Support Services	3,918,261	7,021,880	3,103,619	79.2%	3,985,321	3,774,731
Regular Instruction	47,757,680	50,874,746	3,117,066	6.5%	45,217,707	46,434,301
Vocational Instruction	1,366,832	1,587,521	220,689	16.1%	1,380,944	1,370,650
Special Education Instruction	20,916,691	21,263,770	347,079	1.7%	20,240,628	19,527,685
Community Service	-	23,949	23,949	0.0%	-	75,000
Instructional Support Services	6,264,463	6,881,669	617,206	9.9%	6,455,293	7,248,996
Pupil Support Services	13,265,708	12,875,240	(390,468)	-2.9%	12,089,424	12,112,530
Sites and Buildings	16,409,225	14,422,319	(1,986,906)	-12.1%	12,882,696	14,766,990
Fixed Cost and Debt Service	1,182,089	1,317,579	135,490	11.5%	1,243,360	1,121,032
Total Expenditures	$ 114,645,874	$ 120,366,394	$ 5,720,520	5.0%	$ 107,091,815	$ 110,060,150

As had been noted in the previous fiscal year, note that for the Sites and Buildings category the District deferred a number of LTFM projects until fiscal 2021 that had originally been budgeted for fiscal year 2020.

The following graph and chart summarize District General Fund budget to actual expenditures by object type with two years of comparative actual expenditures.



	2021				2020	2019
	Final Amended Budget	Actual	Over (Under) Budget	%	Actual	Actual
Salaries	$ 57,588,954	$ 61,916,225	$ 4,327,271	7.5%	$ 55,804,102	$ 56,274,912
Employee Benefits	25,766,898	27,990,587	2,223,689	8.6%	$ 25,027,422	25,017,802
Purchased Services	20,389,003	19,375,921	(1,013,082)	-5.0%	$ 17,366,091	19,270,025
Supplies and Materials	3,150,202	5,669,761	2,519,559	80.0%	$ 3,424,780	3,540,961
Capital Expenditures	6,687,798	4,166,712	(2,521,086)	-37.7%	$ 4,103,614	4,675,635
Other Expenditures	1,063,019	1,247,188	184,169	17.3%	$ 1,365,806	1,280,815
Total Expenditures	$ 114,645,874	$ 120,366,394	$ 5,720,520	5.0%	$ 107,091,815	$ 110,060,150

On a net basis, total expenditures were 5.0% higher than reflected in the final amended budget. Excluding the timing of capital items, the District's budget variance would have been $3,199,434 or 2.8%.

APPENDIX A (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,				
	2017	2018	2019	2020	2021
Revenues	$ 104,248,537	$ 105,970,273	$ 110,121,287	$ 113,875,493	$ 113,213,336
Expenditures	100,647,151	107,283,532	110,060,150	107,091,815	120,366,394
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,601,386	(1,313,259)	61,137	6,783,678	(7,153,058)
Other Financing Sources:					
Sale of Capital Assets	1,529,748	60,646	899,758	777	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	5,131,134	(1,252,613)	960,895	6,784,455	(7,153,058)
FUND BALANCE					
Beginning of Year	16,160,123	21,291,257	20,038,644	21,932,669	28,717,124
Prior Period Restatement	-	-	933,130	-	-
End of Year	$ 21,291,257	$ 20,038,644	$ 21,932,669	$ 28,717,124	$ 21,564,066
Nonspendable Fund Balance	$ 132,997	$ 261,833	$ 133,500	$ 176,979	$ 59,842
Restricted Fund Balance	8,070,793	10,603,252	12,387,032	14,738,965	14,232,268
Committed Fund Balance	1,883,815	983,815	983,815	983,815	-
Assigned Fund Balance	3,351,587	3,974,155	1,416,490	2,423,807	2,845,311
Unassigned Fund Balance	7,852,065	4,215,589	7,011,832	10,393,558	4,426,645
Total Fund Balance	$ 21,291,257	$ 20,038,644	$ 21,932,669	$ 28,717,124	$ 21,564,066
Unassigned Fund Balance as a Percentage of Expenditures	7.80%	3.93%	6.37%	9.71%	3.68%
Total Fund Balance as a Percentage of Expenditures	21.15%	18.68%	19.93%	26.82%	17.92%

The District's General Fund expenditures exceeded revenues by $7,153,058 for fiscal 2021, decreasing total fund balance to $21,564,066 at June 30, 2021. Total fund balance (UFARS basis) includes a net of $14,232,268 in restricted accounts as prescribed by state statute, $2,845,311 in board-assigned accounts, and $59,842 in nonspendable fund balance. That leaves an unassigned fund balance of $4,426,645 at year-end, which is 3.68% of General Fund expenditures.

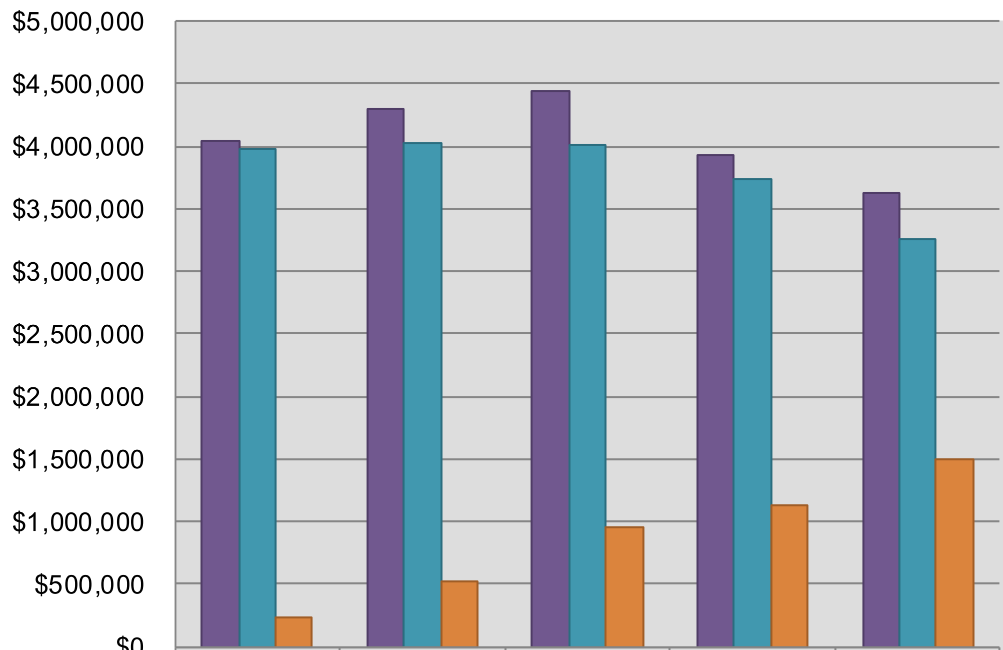
General Fund expenditures for fiscal 2021 were $120,366,394 which represents an increase of $13,274,579 or 12.4% from fiscal 2020, of which 8.5% relates to salaries and benefits.

APPENDIX A (CONTINUED)

Food Service Fund

The following chart reflects the financial results of the nutrition services program over the past five years:

Revenue, Expenditures, and Fund Balance - Food Service Fund



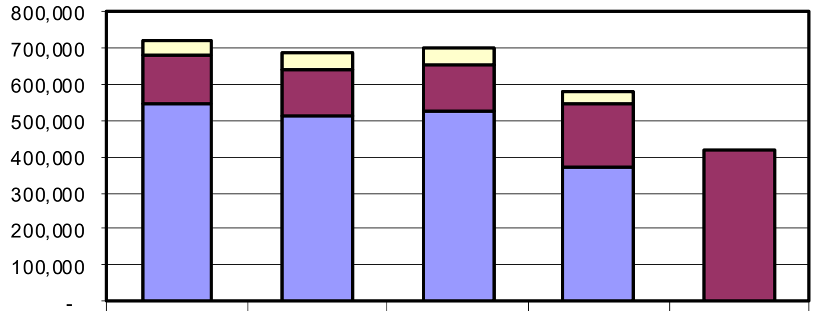
	2017	2018	2019	2020	2021
Revenues	$4,033,930	$4,302,006	$4,436,457	$3,924,127	$3,618,152
Expenditures	3,971,793	4,026,431	4,002,559	3,744,400	3,258,470
Fund Balance	$236,956	$518,705	$953,757	$1,133,841	$1,493,523

Total revenues exceeded total expenditures by $359,682 in the District's Food Service Fund for 2021, increasing fund balance to $1,493,523 at June 30, 2021. The ending fund balance represents 45.8% of expenditures and provides for cashflow and can serve as a source for capital improvements to the food service program as needs warrant. During 2021, the District incurred $8,073 of capital outlay invested back into the nutrition services program. Due to the ongoing impact of COVID-19, total net revenue was less than the final budgeted amount by $874,215 (or 19.5%) while total expenditures were $1,166,915 (or 26.4%) lower than the budgeted amount. All meals served were reimbursed as Free meals through the federal Summer Food Service program. The net impact of these variances was a net increase in the fund balance of the Food Service Fund which was $292,700 more than had been reflected in the budget.

APPENDIX A (CONTINUED)

Food Service Fund

MEALS SERVED TO STUDENTS



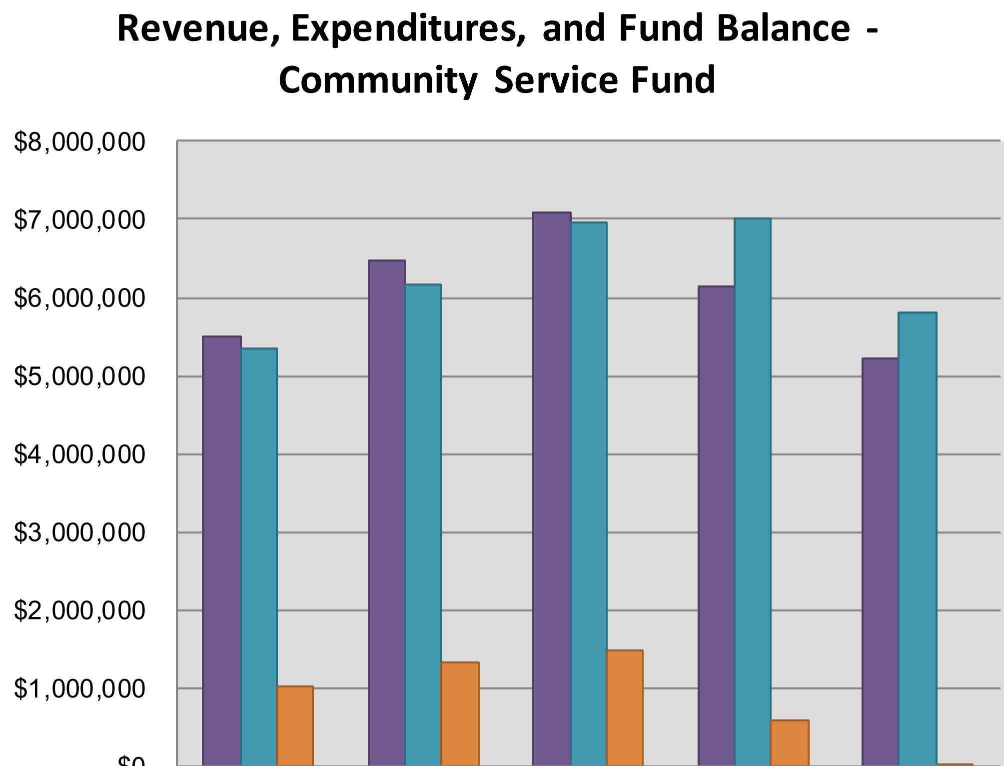
	2017	2018	2019	2020	2021
Reduced Meals	39,860	43,997	46,955	38,819	-
Free Meals	131,214	128,479	125,912	174,770	419,805
Full-Price Meals	547,015	513,140	523,012	367,661	-
Total meals served	718,089	685,616	695,879	581,250	419,805

	Year Ended June 30,				
	2017	2018	2019	2020	2021
Percentage of Total Meals Served by Type (excluding Breakfast):					
Full Price Meals	76.18%	74.84%	75.16%	63.25%	0.00%
Reduced Price Meals	5.55%	6.42%	6.75%	6.68%	0.00%
Free Meals	18.27%	18.74%	18.09%	30.07%	100.00%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

APPENDIX A (CONTINUED)

Community Service Fund

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



	2017	2018	2019	2020	2021
Revenues	$5,495,186	$6,484,881	$7,096,517	$6,133,641	$5,230,325
Expenditures	5,359,081	6,165,197	6,963,307	7,022,035	5,815,499
Fund Balance	$1,020,808	$1,340,492	$1,473,702	$585,308	$134

The District's Community Service Fund had an excess of expenditures over revenues of $585,174 for fiscal 2021, bringing the combined fund balance to $134 at June 30, 2021. Total revenue was less than the final budgeted amount by $2,381,375 while total expenditures were $1,970,670 less than the budgeted amount. We recognize that similar to the experience of the other operating funds, the Community Service Fund experienced a reduction in expenditures due to COVID-19 impacting the activities that could actually take place.

APPENDIX B

Expenditures Per Student (ADM) Served

	Statewide All Districts 2020	Statewide Seven County Metro Area 2020	Statewide Enrollment > than 4,000 2020	ISD No. 834 Stillwater Area Public Schools 2019	ISD No. 834 Stillwater Area Public Schools 2020	ISD No. 834 Stillwater Area Public Schools 2021
District and School Admin and Support Services	$ 1,154	$ 1,100	$ 1,049	$ 858	$ 854	$ 1,296
Regular Instruction (including Co- & Extra-Curricular)	5,830	6,231	6,033	5,459	5,321	6,193
Vocational Instruction (Career & Technical)	174	171	174	162	163	192
Special Education Instruction	2,510	2,626	2,664	2,307	2,386	2,585
Instructional Support Services	662	787	769	855	762	839
Pupil Support Services (including Transportation)	1,205	1,317	1,272	1,432	1,427	1,564
Operations and Maintenance and Other	941	910	910	1,278	1,143	1,390
General Fund Subtotal	12,476	13,142	12,871	12,351	12,055	14,058
Food Service	554	548	543	465	433	396
Community Service	622	774	733	830	826	712
Capital Expenditure (excluding Building Constr Fund)	838	717	715	563	496	509
Debt Service	1,345	1,472	1,440	1,261	1,302	1,334
Total Pre-K - 12 Operating Expenditures	$ 15,835	$ 16,653	$ 16,302	$ 15,469	$ 15,112	$ 17,009
Percent Change from Prior Year				1.71%	-2.31%	12.55%

Source of Statewide Data: School District Profiles published by the Minnesota Department 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 & guidance, health services, psychological services, social work, and safety, etc.)

Transportation - all costs for pupil transportation

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 (which excludes the Building Construction Fund)

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 2021 legislative sessions 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

The General Education Revenue formula allowance was increased by 2.45% (by $161 per pupil unit to $6,728) for fiscal year 2022 and by another 2% (by $296 per pupil unit to $6,863) for fiscal year 2023 and later.

English Learner Cross-Subsidy Reduction Aid

Additional statewide, supplemental aid (not on the formula) is provided for four years only to English learners. The aid is increased by $2 million per year for fiscal years 2022, 2023, 2024 and 2025. The aid must be allocated to school districts and charter schools proportionate to their English learner revenue.

Special Education Cross-Subsidy Aid

A one-time special education cross-subsidy aid is provided for each school district equal the ratio of the school district's initial special education cross-subsidy in fiscal year 2021 to the total initial special education cross-subsidy for all districts in that year.

Early Education

The 4,000 voluntary prekindergarten/school readiness plus seats program was extended for two years that would have otherwise expired. For fiscal years 2022 and 2023 only. Makes no policy changes to the administration of VPK or SR+.

Local Optional Revenue

Increases local optional aid (and correspondingly lowers the local optional levy) for fiscal year 2023 only by setting the second-tier equalizing factor at $548,842 per pupil unit. Lowers the equalizing factor back to $510,000 for fiscal year 2024 and later.

Respectful School Meal Policies

Requires a participant in the national school lunch program to adopt and post a school meals policy to:

- be in writing, reasonable, well-defined, and clearly communicate student meal charges when payment cannot be collected. Requires the policy to maintain the dignity of students by prohibiting lunch shaming;
- address whether a collections agency is used by the participant to collect unpaid school meals debt;
- ensure that once a meal is placed on a tray or otherwise served to a student that the meal is not withdrawn from the student; and
- ensure that a student who is eligible for a free or reduced-price lunch is always served a reimbursable meal even if they have outstanding debt.

APPENDIX C (CONTINUED)

School Meal Policies (Continued)

If a school contracts with a third party it must provide the vendor with its school meals policy and require the vendor to adhere to the policy for contracts entered or modified after July 1, 2021.

Prohibits a participant from denying a school lunch to a student who qualifies for free or reduced-price lunch whether the student has outstanding school meal debt attributable to a la carte purchases or for any other reason.

Requires the participant to provide meals to students in a respectful manner. The law provides examples of prohibited activities, which include dumping meals, withdrawing a meal that has been served, announcing or listing students' names publicly, or affixing stickers, stamps, or pins. Prohibits a participant from limiting a student's participation in any school activities, graduation ceremonies, field trips, athletics, activity clubs, or other extracurricular activities or access to materials, technology, or other items provided to students due to an unpaid student meal balance due to unpaid student meal balance.

Teacher Mentoring Programs

School districts are required to develop teacher mentoring programs. Requires districts to use staff development revenue (2 percent of basic revenue) for teacher mentorship under MN statute 122A.70, subdivision 1. Current law requires revenue to be used for this purpose only if extra funds remain after being used for other purposes.

Special Education Recovery Services and Supports

To address the impact of learning disruptions due to COVID-19, a school district or charter school is required to invite the parents of a student with a disability to a meeting of each individualized education program team as soon as practicable, to determine whether special education services and supports are necessary to address the lack of progress on IEP goals or in the general education curriculum. The services and supports may include extended school year services, additional IEP services, compensatory services, or other appropriate services. Requires services and supports be included in the IEP of the student. The school district or charter school is required to report to the commissioner the services and supports provided to students with disabilities under this section, including the cost. Allows a school district or charter school to use federal funds to comply with this section.

Mental Health Education for Teachers

Suicide and self-harm prevention training must be accessible to teachers in every school district, charter school, Intermediate school districts, service cooperative and tribal schools in Minnesota.

Seizure Training and Action Plan

Requires a school district or charter school where a student with a seizure disorder and prescribed seizure medication is enrolled to have a seizure action plan. The action plan must identify a school nurse or designated individual who can administer seizure medication and require training on seizures. Requires a school district or charter school to provide all licensed school nurses or other designated individuals, and other staff with self-study materials on seizure disorders.

APPENDIX C (CONTINUED)

Leave of Absence Due to COVID-19

Between December 27, 2020, and September 4, 2021, certain "leaves of absence" by an applicant are considered involuntary, so the leave does not make the applicant ineligible for unemployment insurance benefits. Leaves considered involuntary during the COVID-19 pandemic include: (1) determination by a health authority or health care professional that the applicant's presence in the workplace is a risk to the health of others; (2) quarantine or isolation order; (3) self-isolation or self-quarantine; (4) direction by employer not to come to work; or (5) schools or childcare are cancelled or unavailable and no other childcare or time off from employer is available. Effective date: Applies retroactively to December 27, 2020. Continues Laws 2020, chapter 71, article 2, section 23.

Unemployment Eligibility for High School Students

Allows high school students to qualify for unemployment insurance if they otherwise meet eligibility requirements. Currently, high school students are excluded from receiving unemployment benefits under Minnesota law but may be eligible for temporary Pandemic Unemployment Assistance under federal law following a recent Minnesota Court of Appeals decision. Effective date: This section is effective July 3, 2022.

Limit on Screen Time for Children in Preschool and Kindergarten

Prohibits a child in a publicly funded preschool or kindergarten program from using an individual-use screen without engagement from a teacher or other students. Excludes a child with an individualized family service plan, an individualized education program, or a 504 plan from the application of this section. This section is effective July 1, 2022.

Fundraising Sales Tax Exemptions

During the 2021 legislative session, there was a change made to Minnesota Statute 297A.70, subdivision 13, restoring the fundraising exemption for school-associated student groups. Starting July 1, 2021, fundraising sales made by school-associated student groups are exempt from sales tax, even when the money must be recorded as part of school district revenues, when the following apply:

- The sales are for fundraising purposes of a club, association, or other organization of elementary or secondary school students organized for the purpose of carrying on sports activities, educational activities, or other extracurricular activities.
- The school district reserves the revenue raised for extracurricular activities, as provided in Minnesota Statute 123B.49, subdivision 4 (e), and spends the revenue raised by a particular extracurricular activity only for that extracurricular activity.

The sales tax exemption to the student fundraising organization applies only to the first $20,000 of the gross annual receipts of the student group from fundraising.

APPENDIX D

ACCOUNTING UPDATE

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 was to be effective for reporting periods beginning after December 15, 2019. However, due to the impact of COVID-19, the effective date was moved back one and a half years to reporting periods beginning after June 15, 2021. Earlier application is encouraged.

STEPS THAT SHOULD BE TAKEN NOW

1) **Gather leases and contracts**. Depending on the number of leases your organization has, this will likely 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, solar panels, 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.

APPENDIX D (CONTINUED)

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 leased 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) **Start learning and keep learning**. 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) **Begin Implementing the Standard Now.** Ensuring that someone is able to learn and understand the new standard and how to implement it is important for a successful implementation year. If you find you are having issues with stretched resources within your organization, don't understand the standard, how to properly implement it, or simply don't have the time to do it, feel free to consult with us. CLA is helping many of our clients through this implementation and is providing various levels of assistance depending on the needs of our clients. We would be happy to discuss the various ways in which we can help and be involved if you determine you will need help with the lease determinations, calculations, or implementation related to the new standard.

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. Initially effective for reporting periods beginning after December 31, 2019 but postposed to reporting periods beginning after December 15, 2020. Earlier application is encouraged.

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. Initially effective for reporting periods beginning after December 15, 2020 but postposed to reporting periods beginning after December 15, 2021.

GASB Statement No. 92 – Omnibus 2020

The primary objectives of this statement are to enhance comparability and consistency by addressing practice issues that have been identified during implementation and application of certain GASB statements.

This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

APPENDIX D (CONTINUED)

GASB Statement No. 96 – Subscription-Based Information Technology Arrangements

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

GASB Statement No. 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans

This statement clarifies how the absence of a governing board should be considered in determining whether a primary government is financially accountable for purposes of evaluating potential component units. It also modifies the applicability of certain component unit criteria as they relate to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans. The statement also establishes accounting and financial reporting requirements for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans and modifies the investment valuation requirements for all Section 457 plans. The requirements related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. Requirements relating to the applicability of certain component unit criteria as they relate to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans are effective immediately.

APPENDIX E

FORMAL REQUIRED COMMUNICATIONS

School Board
Independent School District No. 834
Stillwater Area Public Schools
Stillwater, Minnesota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 834 (the District) as of and for the year ended June 30, 2021, and have issued our report thereon dated December 8, 2021. 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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

<u>Accounting policies</u>

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District 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 fiscal year 2021.

We noted no transactions entered into by the District 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)

Accounting estimates

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 the Federal Government through the Minnesota Department of Education
- Severance Benefits Payable
- Other Postemployment Benefits Payable
- Estimated Useful Lives of Depreciable Capital Assets
- Estimated proportionate share of PERA's and TRA's net pension liability
- Estimated Self-Insurance Incurred but Not Reported (IBNR) claims liability

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 2021. 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 2021 is not finalized until well into the next fiscal year. MDE calculates amounts owed to the District 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 the Federal Government through the Minnesota Department of Education is based on amounts anticipated to be received through the state for various federal aid entitlements for fiscal year 2021. Many federal entitlements require that supporting financial reporting information be provided both in the UFARS accounting system and also the SEDRA reporting system. 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 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.

Qualitative aspects of accounting practices (continued)

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 estimate of useful lives for depreciable assets is based on guidance recommended by the Minnesota Department of Education and other sources. The useful life of a depreciable 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 the District’s proportionate share of PERA’s and TRA’s Net Pension Liability is 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 based on the District’s prior fiscal year contributions as a percentage of the total contributions received for the related year by the plan.

Management’s estimate of the District’s self-insurance incurred but not reported (IBNR) claims liability is based on lag reports for actual claims through July 2021 and any remaining outstanding claims that were still incurred prior to June 30, 2021 are estimated based on an estimate of the average claims lag for a 24-month rolling period, and the average monthly claims for that same period.

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. The following summarizes uncorrected misstatements of the financial statements:

- We noted one uncorrected misstatement during the year related to revenue/unearned revenue in Fund 04 with $18,142 being incorrectly recognized during the year.

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.

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. We are pleased to report that 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 8, 2021.

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 District'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 District'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.

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 8, 2021.

Other information in documents containing audited financial statements (continued)

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 8, 2021.

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 communication is intended solely for the information and use of the School Board 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 8, 2021

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