



CliftonLarsonAllen LLP
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December 13, 2022

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

A handwritten signature in black ink that reads "Michelle Hoffman".

Michelle Hoffman, CPA
Principal

**INDEPENDENT SCHOOL DISTRICT NO. 834
STILLWATER AREA PUBLIC SCHOOLS**

EXECUTIVE AUDIT SUMMARY (EAS)

JUNE 30, 2022



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**INDEPENDENT SCHOOL DISTRICT NO. 834
STILLWATER AREA PUBLIC SCHOOLS
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JUNE 30, 2022**

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**EXECUTIVE AUDIT SUMMARY (EAS)
FOR
STILLWATER AREA PUBLIC SCHOOLS
YEAR ENDED JUNE 30, 2022**

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, 2022.

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 – One “material weaknesses” in internal control was noted. This was related to controls over the payroll process and the proper segregation of duties between the payroll and HR departments as well as approvals over exception and pension exclusion reports.

Single Audit – We noted two material weaknesses with regards to direct and material compliance requirements of the major federal programs, which was related to the procurement and suspension and debarment requirements in the Special Education Program and the Child Nutrition Program. In addition, the Education Stabilization Program was tested as a major federal program, no findings were reported in this program with regards to direct and material compliance requirements.

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

Enrollment – For fiscal 2021-2022, Stillwater Area Public Schools had an estimated total adjusted average daily membership of 8,101.83 (or net pupil units served of 8,910.85). For fiscal 2020-2021, the District had an estimated total adjusted average daily membership of 8,180.73 (or net pupil units served of 8,998.12).

Fund Balance – The School's General Fund unassigned fund balance for UFARS reporting purposes decreased by \$1,963,483 during fiscal year 2022, decreasing from an unassigned balance of \$4,426,645 to \$2,463,162. Total fund balance of the General Fund decreased by \$169,662, ending at \$21,394,404 as of June 30, 2022. The total ending unassigned fund balance represents 2.07% 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 \$2,742,655 (or 2.3%) lower than the budgeted amount and total expenditures were \$605,297 (or 0.5%) lower than had been budgeted. However, the majority of the difference in revenues was the timing of amounts from state sources. The net effect, including other financing sources, was a decrease in total fund balance of \$169,662 while an increase of \$191,335 had been reflected in the District's final amended budget, a difference of \$360,997.

FINANCIAL TRENDS

ISD NO. 834 - STILLWATER

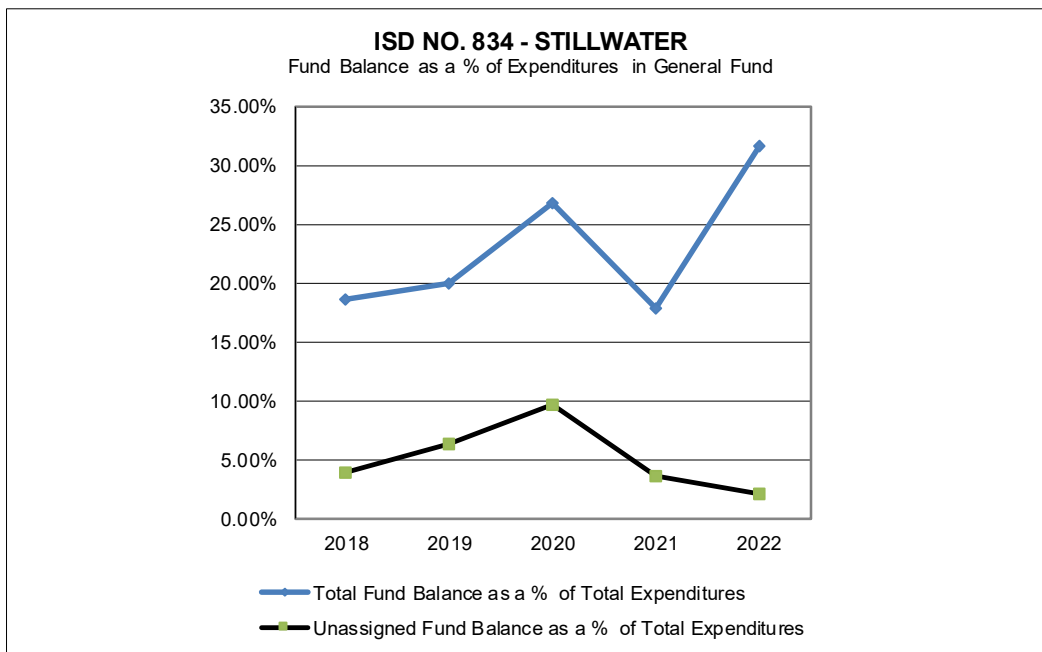
AUDITED FUND BALANCES THROUGH JUNE 30, 2022

FUND DESCRIPTION	6/30/21 AUDITED BALANCE	2021-22 AUDITED REVENUES	TRANSFERS INTO FUNDS	2021-22 AUDITED EXPENDITURES	TRANSFERS OUT OF FUNDS	6/30/22 AUDITED BALANCE
GENERAL FUND						
A. UNASSIGNED - OPERATING	\$ 4,426,645	\$ 98,788,173	\$ (2,105,873)	\$ 98,645,783	\$ -	\$ 2,463,162
As a percentage of current year operating expenditures	3.68%					2.07%
B. NONSPENDABLE FOR						
PREPAID ITEMS	\$ 59,842	\$ 148,874	\$ -	\$ 59,842	\$ -	\$ 148,874
C. RESTRICTED FOR						
LEARNING AND DEVELOPMENT	\$ -	\$ 1,702,832	\$ 508,149	\$ 2,210,981	\$ -	\$ -
STUDENT ACTIVITIES	54,917	103,919		82,055		76,781
SCHOLARSHIPS	276,949	18,704		21,600		274,053
ACHIEVEMENT AND INTEGRATION	210,594	973,027		1,183,621		-
MEDICAL ASSISTANCE	248,552	310,832		251,244		308,140
GIFTED AND TALENTED	-	115,866	9,972	125,838		-
BASIC SKILLS	-	747,531	651,909	1,399,440		-
SAFE SCHOOLS	259,243	494,303		494,303		259,243
COOPERATIVE PROGRAMS	-	450,498	546,243	996,741		-
STAFF DEVELOPMENT	-	1,199,300	389,600	1,588,900		-
LTFM	6,703,982	7,309,623		5,752,281		8,261,324
OPERATING CAPITAL	6,478,031	4,664,055		4,011,000		7,131,086
TOTAL RESTRICTED	\$ 14,232,268	\$ 18,090,490	\$ 2,105,873	\$ 18,118,004	\$ -	\$ 16,310,627
E. ASSIGNED FOR						
SEVERANCE BENEFITS	\$ 660,000	\$ 115,000		\$ -		\$ 775,000
FACILITY USE IMPROVEMENTS	476,706	78,921		-		555,627
ALTERNATIVE COMPENSATION Q-COMP	210,966	1,399,685		1,602,144		8,507
SUBSEQUENT YEAR'S BUDGET	528,732	-		528,732		-
GRANTS	445,167	45,398		-		490,565
DONATIONS	523,740	118,302		-		642,042
TOTAL ASSIGNED	\$ 2,845,311	\$ 1,757,306	\$ -	\$ 2,130,876	\$ -	\$ 2,471,741
TOTAL GENERAL FUND	\$ 21,564,066	\$ 119,751,137	\$ -	\$ 119,559,802	\$ -	\$ 21,755,401
BUDGET		\$ 118,784,843		\$ 118,954,505		\$ 21,394,404
DIFFERENCE		(\$966,294)		(\$605,297)		(\$360,997)
% VARIANCE		-0.81%		-0.51%		
FUND DESCRIPTION	6/30/21 AUDITED BALANCE	2021-22 AUDITED REVENUES	TRANSFERS INTO FUNDS	2021-22 AUDITED EXPENDITURES	TRANSFERS OUT OF FUNDS	6/30/22 AUDITED BALANCE
FOOD SERVICE						
NONSPENDABLE FOR INVENTORY	\$ 42,902	\$ 95,955		\$ 42,902		\$ 95,955
RESTRICTED FOR FOOD SERVICE PROGRAM	1,450,621	6,407,106		4,705,495		3,152,232
BUDGET		\$5,446,382	\$ -	\$5,407,360		\$1,532,545
TOTAL FOOD SERVICE	\$ 1,493,523	\$ 6,503,061	\$ -	\$ 4,748,397	\$ -	\$ 3,248,187
DIFFERENCE		\$ 1,056,679		(\$658,963)		\$1,715,642
% VARIANCE		19.40%		-12.19%		
TOTAL COMMUNITY EDUCATION	\$ 134	\$ 7,113,948	\$ -	\$ 7,349,851	\$ -	(\$235,769)
BUDGET		\$ 7,554,413		\$ 7,517,476		\$ 37,071
DIFFERENCE		\$440,465		\$167,625		\$272,840
% VARIANCE		6.19%		2.28%		
TOTAL BUILDING FUND	\$ 8,391,777	\$ 7,164,119	\$ -	\$ 6,078,733	\$ -	\$ 9,477,163
BUDGET		\$1,000		\$492,000		\$ 7,900,777
DIFFERENCE		\$7,163,119		\$5,586,733		\$ 1,576,386
TOTAL DEBT SERVICE	\$ 3,240,253	\$ 9,466,924	\$ -	\$ 10,395,896	\$ -	\$ 2,311,281
BUDGET		\$9,284,306		\$10,094,163		\$2,430,396
DIFFERENCE		\$182,618		\$301,733		(\$119,115)
% VARIANCE		1.97%		2.99%		
PROPRIETARY & TRUST	\$ 12,116,700	\$ 18,699,424	\$ -	\$ 21,016,752	\$ -	\$ 9,799,372
TOTAL	\$ 46,806,453	\$ 168,172,784	\$ -	\$ 168,711,759	\$ -	\$ 46,267,478

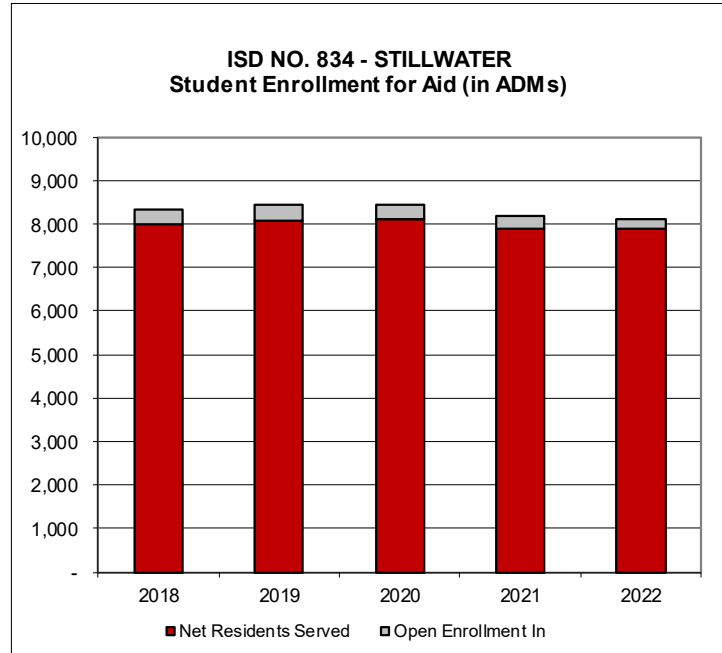
Fund Balances of the General Fund

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

	2018	2019	2020	2021	2022
Unassigned Fund Balance	\$ 4,215,589	\$ 7,011,832	\$ 10,393,558	\$ 4,426,645	\$ 2,463,162
Assigned Fund Balance	3,974,155	1,416,490	2,423,807	2,845,311	2,471,741
Committed Fund Balance	983,815	983,815	983,815	-	16,310,627
Restricted Fund Balance	10,603,252	12,387,032	14,738,965	14,232,268	16,310,627
Nonspendable Fund Balance	261,833	133,500	176,979	59,842	148,874
Total Fund Balance	\$ 20,038,644	\$ 21,932,669	\$ 28,717,124	\$ 21,564,066	\$ 37,705,031
Total Expenditures	\$ 107,283,532	\$ 110,060,150	\$ 107,091,815	\$ 120,366,394	\$ 118,954,505
Total Fund Balance as a % of Total Expenditures	18.68%	19.93%	26.82%	17.92%	31.70%
Unassigned Fund Balance as a % of Total Expenditures	3.93%	6.37%	9.71%	3.68%	2.07%



Students Served for Aid



	2018	2019	2020	2021	2022
Total Residents	9,790.24	9,952.06	9,976.35	9,778.17	9,866.06
Open Enrollment Out*	(1,797.03)	(1,863.02)	(1,850.23)	(1,901.88)	(1,986.89)
Net Residents Served	7,993.21	8,089.04	8,126.12	7,876.29	7,879.17
Open Enrollment In	349.08	344.20	326.97	304.44	222.66
Net ADM Served	<u>8,342.29</u>	<u>8,433.24</u>	<u>8,453.09</u>	<u>8,180.73</u>	<u>8,101.83</u>
* including charter schools					
Net Pupil Units Served	<u>9,178.17</u>	<u>9,276.77</u>	<u>9,283.07</u>	<u>8,998.12</u>	<u>8,906.58</u>

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,	
	2022	2021
Total Fund Balance for Governmental Funds	\$ 36,468,106	\$ 34,689,753
Capital Assets, Less Accumulated Depreciation	160,846,963	158,529,952
Long-Term Liabilities	(97,818,280)	(100,861,959)
Net Pension Liability-related	(87,635,637)	(90,794,516)
Other - Net	(9,538,664)	(9,003,481)
Total Net Position - Governmental Activities	<u>\$ 2,322,488</u>	<u>\$ (7,440,251)</u>
Net Position:		
Net Investment in Capital Assets	\$ 71,225,113	\$ 64,517,478
Restricted	28,849,817	18,929,197
Unrestricted	(97,752,442)	(90,886,926)
Total Net Position - Governmental Activities	<u>\$ 2,322,488</u>	<u>\$ (7,440,251)</u>

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 2022 and 2021:

	Year Ended June 30,	
	2022	2021
Net Change in Fund Balance - Total Governmental Funds	\$ 1,778,353	\$ 21,101
Capital Asset Purchases	10,607,156	3,652,970
Depreciation	(7,028,039)	(6,987,399)
Payment to Refunded Bond Escrow Agent *	(7,369,660)	(7,192,665)
Repayment of Bonds Payable	7,285,000	7,065,000
Change in OPEB Liability	668,045	(135,110)
Change in net pension liability	3,158,879	(4,479,790)
Other - Net	663,005	1,173,664
Change in Net Position - Governmental Activities	<u>\$ 9,762,739</u>	<u>\$ (6,882,229)</u>

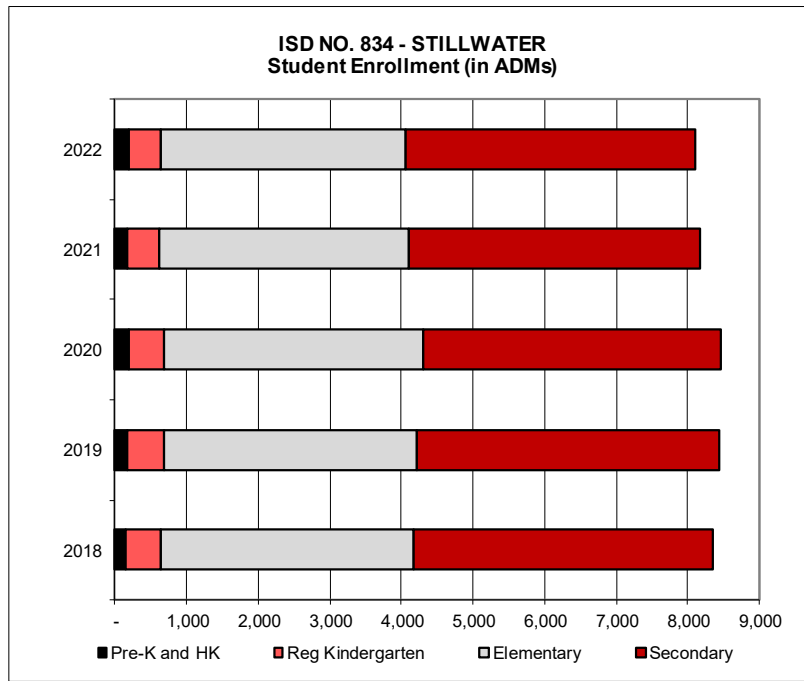
* - includes bond refunding activities which save taxpayer dollars

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)



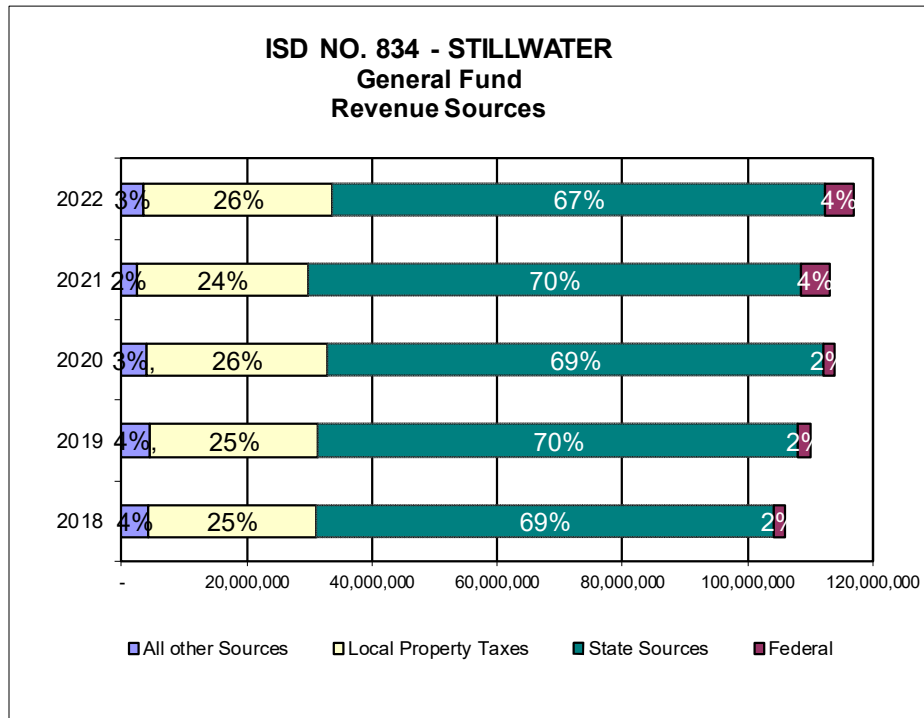
	2018	2019	2020	2021	2022
Pre-K and HK	146.66	178.37	193.80	171.94	191.43
Reg Kindergarten	493.72	506.73	487.48	450.98	449.13
Elementary	3,522.57	3,530.51	3,619.35	3,470.90	3,416.09
Secondary	4,179.34	4,217.63	4,150.19	4,086.91	4,045.18
Net ADM Served	<u>8,342.29</u>	<u>8,433.24</u>	<u>8,450.82</u>	<u>8,180.73</u>	<u>8,101.83</u>
Percent Change		-1.27%	1.09%	0.21%	-3.20%

As noted in the above chart, the District's student ADM's for fiscal 2021-2022 was 78.9 ADMs (or 0.96%) 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.

	2018	2019	2020	2021	2022
Local Property Taxes	\$ 26,718,149	\$ 27,016,038	\$ 29,103,776	\$ 27,443,738	\$ 30,197,880
State Sources	73,123,308	76,676,592	79,050,190	78,859,924	78,699,951
Federal Sources	1,861,344	2,018,811	1,861,877	4,594,382	4,576,524
All Other Sources	4,267,472	4,409,846	3,859,650	2,315,292	3,513,127
Total Revenues	\$ 105,970,273	\$ 110,121,287	\$ 113,875,493	\$ 113,213,336	\$ 116,987,482

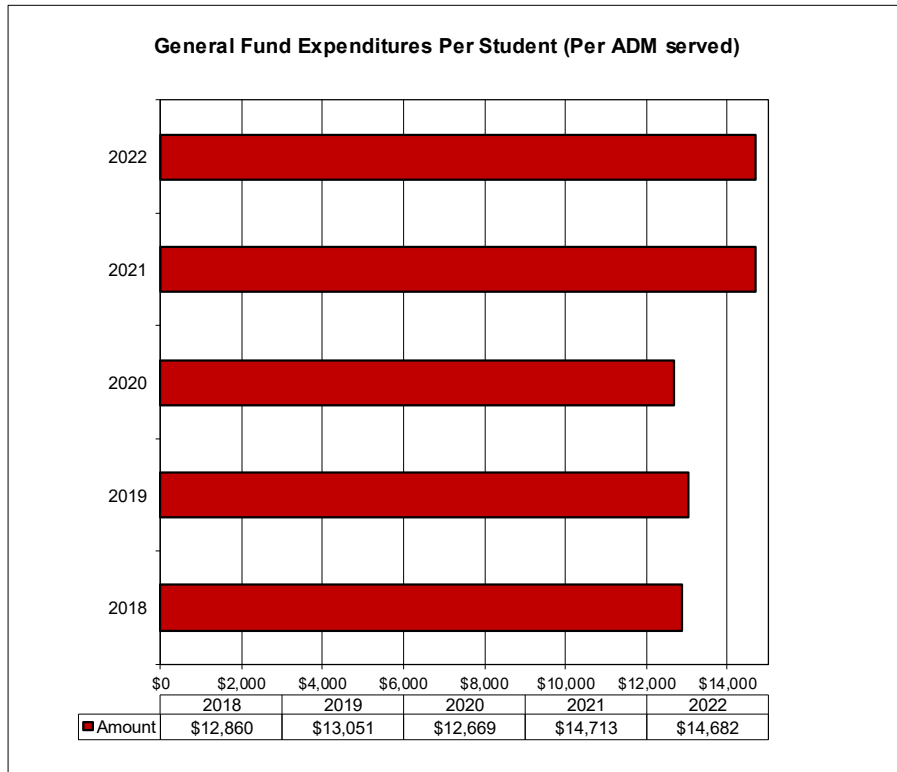
	2018	2019	2020	2021	2022
Local Property Taxes	25%	25%	26%	24%	26%
State Sources	69%	70%	69%	70%	67%
Federal Sources	2%	2%	2%	4%	4%
All Other Sources	4%	4%	3%	2%	3%
Total Revenues	100%	100%	100%	100%	100%

APPENDIX A (CONTINUED)

General Fund Expenditures

EXPENDITURES PER ADM

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



In fiscal 2022, General Fund expenditures per student decreased by 0.16% while total ADMs served decreased 0.96%.

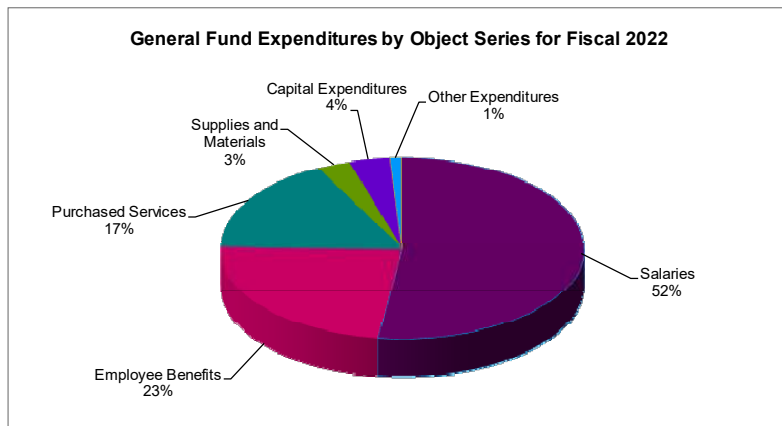
APPENDIX A (CONTINUED)

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.

	2018	2019	2020	2021	2022
District and School Admin	\$ 3,544,839	\$ 3,628,235	\$ 3,596,442	\$ 4,097,721	\$ 3,837,456
District Support Services	4,580,746	3,774,731	3,985,321	7,021,880	4,220,535
Regular Instruction	46,326,515	46,434,301	45,217,707	50,874,746	50,611,007
Vocational Instruction	1,418,503	1,370,650	1,380,944	1,587,521	1,588,145
Special Education Instruction	18,706,782	19,527,685	20,240,628	21,263,770	22,697,664
Instructional Support Services	7,170,917	7,248,996	6,455,293	6,881,669	6,976,730
Pupil Support Services	11,854,935	12,112,530	12,089,424	12,875,240	12,122,290
Sites and Buildings	12,572,733	14,766,990	12,882,696	14,422,319	15,545,638
Fixed Costs and Other Fixed Costs	282,149	298,619	418,172	497,990	484,668
Capital Outlay	825,413	822,413	825,188	819,589	870,372
Total Expenditures	\$ 107,283,532	\$ 109,985,150	\$ 107,091,815	\$ 120,342,445	\$ 118,954,505

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



	2022				2021	2020	Change
	Final Amended Budget	Actual	Over (Under) Budget	%	Actual	Actual	
Salaries	\$ 58,759,999	\$ 61,964,972	\$ 3,204,973	5.5%	\$ 61,916,225	\$ 55,804,102	\$ 6,160,870
Employee Benefits	27,449,689	27,733,856	284,167	1.0%	27,990,587	25,027,422	2,706,434
Purchased Services	20,395,917	20,149,512	(246,405)	-1.2%	19,375,921	17,366,091	2,783,421
Supplies and Materials	3,605,768	3,508,235	(97,533)	-2.7%	5,669,761	3,424,780	83,455
Capital Expenditures	7,701,900	4,326,532	(3,375,368)	-43.8%	4,166,712	4,103,614	222,918
Other Expenditures	1,646,529	1,271,398	(375,131)	-22.8%	1,247,188	1,365,806	(94,408)
Total Expenditures	\$ 119,559,802	\$ 118,954,505	\$ (605,297)	-0.5%	\$ 120,366,394	\$ 107,091,815	\$ 11,862,690

On a net basis, total expenditures were 0.5% lower than reflected in the final amended budget.

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,				
	2018	2019	2020	2021	2022
Revenues	\$ 105,970,273	\$ 110,121,287	\$ 113,875,493	\$ 113,213,336	\$ 116,987,482
Expenditures	107,283,532	110,060,150	107,091,815	120,366,394	118,954,505
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,313,259)	61,137	6,783,678	(7,153,058)	(1,967,023)
Other Financing Sources:					
Insurance Recovery	-	-	-	-	21,111
Sale of Real Property	-	-	-	-	1,776,250
Sale of Capital Assets	60,646	899,758	777	-	-
Total Other Financing Sources	60,646	899,758	777	-	1,797,361
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	(1,252,613)	960,895	6,784,455	(7,153,058)	(169,662)
FUND BALANCE					
Beginning of Year	21,291,257	20,038,644	21,932,669	28,717,124	21,564,066
Prior Period Restatement	-	933,130	-	-	-
End of Year	\$ 20,038,644	\$ 21,932,669	\$ 28,717,124	\$ 21,564,066	\$ 21,394,404
Nonspendable Fund Balance	\$ 261,833	\$ 133,500	\$ 176,979	\$ 59,842	\$ 148,874
Restricted Fund Balance	10,603,252	12,387,032	14,738,965	14,232,268	16,310,627
Committed Fund Balance	983,815	983,815	983,815	-	-
Assigned Fund Balance	3,974,155	1,416,490	2,423,807	2,845,311	2,471,741
Unassigned Fund Balance	4,215,589	7,011,832	10,393,558	4,426,645	2,463,162
Total Fund Balance	\$ 20,038,644	\$ 21,932,669	\$ 28,717,124	\$ 21,564,066	\$ 21,394,404
Unassigned Fund Balance as a Percentage of Expenditures	3.93%	6.37%	9.71%	3.68%	2.07%
Total Fund Balance as a Percentage of Expenditures	18.68%	19.93%	26.82%	17.92%	17.99%

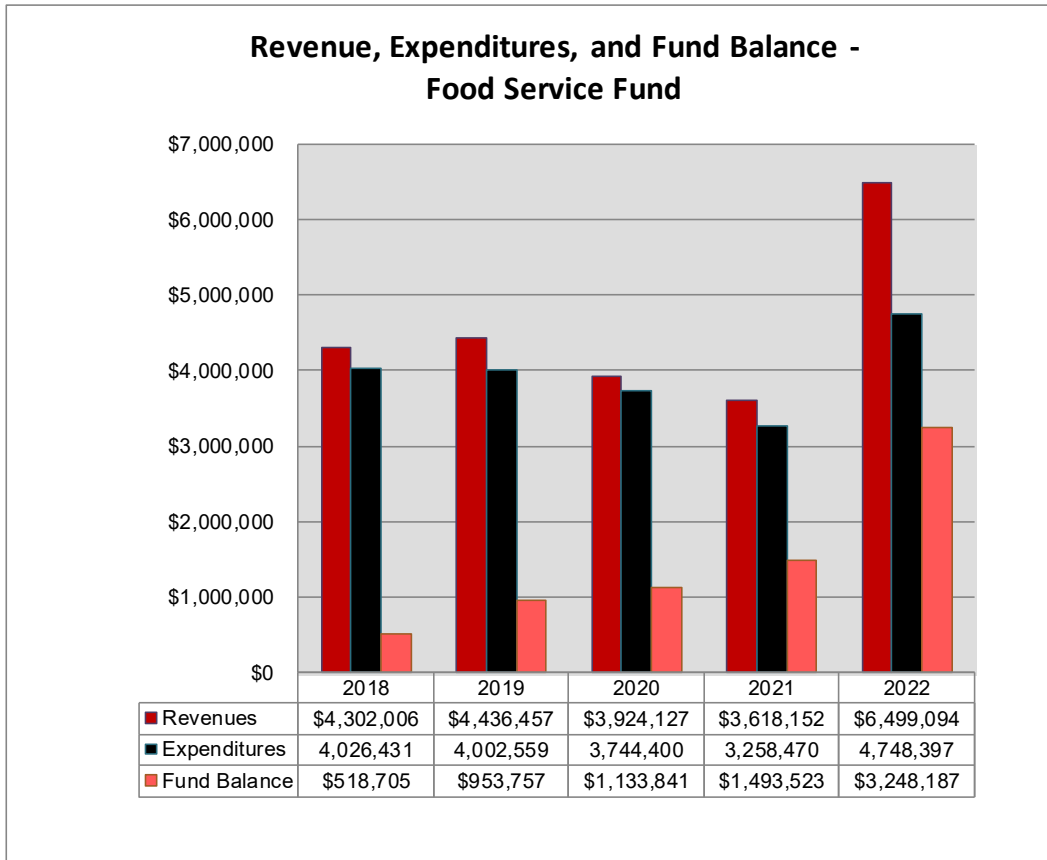
The District's General Fund expenditures exceeded revenues and other financing sources by \$169,662 for fiscal 2022, decreasing total fund balance to \$21,394,404 at June 30, 2022. Total fund balance (UFARS basis) includes a net of \$16,310,627 in restricted accounts as prescribed by state statute, \$2,471,741 in board-assigned accounts, and \$148,874 in nonspendable fund balance. That leaves an unassigned fund balance of \$2,463,162 at year-end, which is 2.07% of General Fund expenditures.

General Fund expenditures for fiscal 2022 were \$118,954,505 which represents a decrease of \$1,411,889 or 1.17% from fiscal 2021, of which 5.5% relates to salaries and benefits.

APPENDIX A (CONTINUED)

Food Service Fund

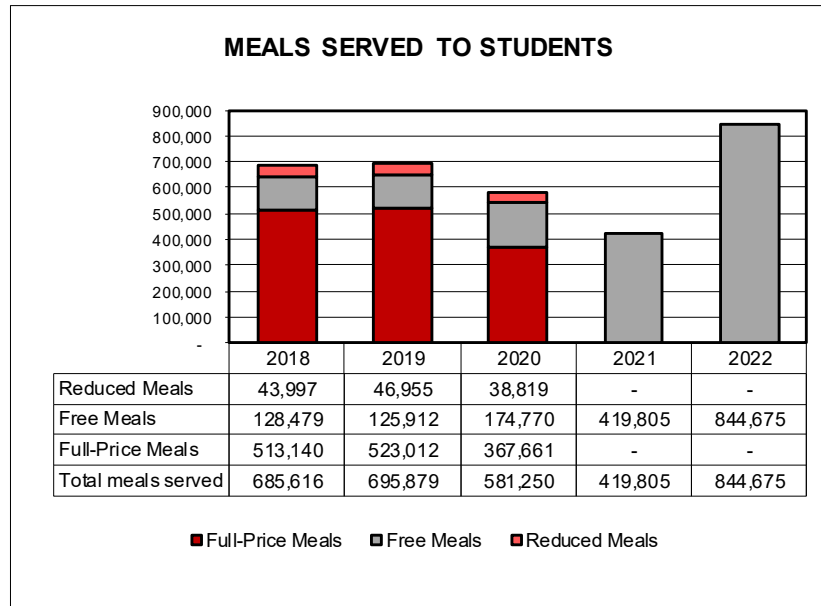
The following chart reflects the financial results of the nutrition services program over the past five years:



Total revenues exceeded total expenditures by \$1,754,664 in the District's Food Service Fund for 2022, increasing fund balance to \$3,248,187 at June 30, 2022. The ending fund balance represents 68.4% of expenditures and provides for cashflow and can serve as a source for capital improvements to the food service program as needs warrant. During 2022, the District incurred \$66,378 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 \$1,052,712 (or 19.3%) while total expenditures were \$658,963 (or 12.2%) 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 \$1,715,642 more than had been reflected in the budget.

APPENDIX A (CONTINUED)

Food Service Fund

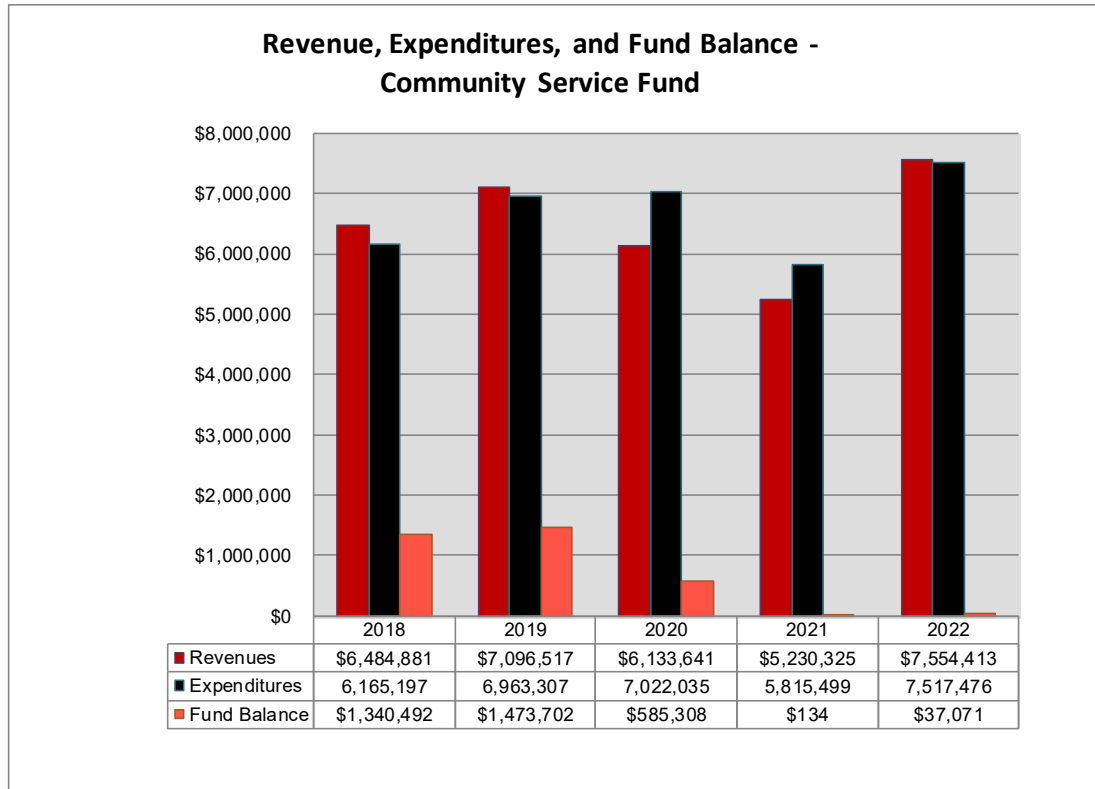


	Year Ended June 30,				
	2018	2019	2020	2021	2022
Percentage of Total Meals Served by Type (excluding Breakfast):					
Full Price Meals	74.84%	75.16%	63.25%	0.00%	0.00%
Reduced Price Meals	6.42%	6.75%	6.68%	0.00%	0.00%
Free Meals	18.74%	18.09%	30.07%	100.00%	100.00%
Total	100.00%	100.00%	100.00%	100.00%	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:



The District’s Community Service Fund had an excess of revenues over expenditures of \$36,937 for fiscal 2022, bringing the combined fund balance to \$37,071 at June 30, 2022. Total revenue was greater than the final budgeted amount by \$440,465 while total expenditures were \$167,625 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			ISD No. 834		
	All Districts	Seven County Metro Area	Enrollment > than 4,000	Stillwater Area Public Schools		
	2021	2021	2021	2020	2021	2022
District and School Admin and Support Services	\$ 1,184	\$ 1,205	\$ 1,156	\$ 854	\$ 1,296	\$ 956
Regular Instruction (including Co- & Extra-Curricular)	6,198	6,527	6,348	5,321	6,193	6,225
Vocational Instruction (Career & Technical)	197	179	185	163	192	195
Special Education Instruction	2,625	2,792	2,839	2,386	2,585	2,792
Instructional Support Services	812	917	913	762	839	855
Pupil Support Services (including Transportation)	493	564	544	1,427	1,564	1,491
Operations and Maintenance and Other	1,083	1,052	1,056	1,143	1,390	60
Operations Subtotal	<u>12,592</u>	<u>13,236</u>	<u>13,041</u>	<u>12,055</u>	<u>14,058</u>	<u>12,574</u>
Food Service	532	522	513	433	396	576
Community Service	610	682	658	826	712	922
Capital Expenditure (excluding Building Constr Fund)	793	815	784	496	509	542
Debt Service	<u>1,576</u>	<u>1,683</u>	<u>1,583</u>	<u>1,302</u>	<u>1,334</u>	<u>1,386</u>
Total Pre-K - 12 Operating Expenditures	<u>\$ 16,103</u>	<u>\$ 16,938</u>	<u>\$ 16,579</u>	<u>\$ 15,112</u>	<u>\$ 17,009</u>	<u>\$ 16,000</u>
Percent Change from Prior Year				-2.31%	12.55%	-5.93%

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 special 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 2022 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 for fiscal year 2023 remains at the level established during the 2021 legislative session. The amount will reflect an increase of 2%, or \$296 per pupil unit, over the 2022 formula to \$6,863 per pupil unit for fiscal year 2023 and later.

Special Education Cross-Subsidy Aid

Both the House and Senate made offers during the negotiations of the E12 supplemental budget bill but were unable to come to an agreement. The House's final offer included increasing the portion of the unreimbursed special education costs that are funded from 6.43% to 37.746% for fiscal year 2023 and 40.49% for fiscal year 2024 and later. The Senate's final offer included increasing the portion of the unreimbursed special education costs that are funded from 6.43% to approximately 40% for fiscal year 2023 and later.

School Board Member Earnings

The amount of yearly earnings that a school board member may receive from the school district for employment was increased from \$8,000 per fiscal year to \$20,000 per fiscal year. This could allow school board members to spend additional time working as substitute teachers, school bus drivers, food service program workers, etc.

Retired Teacher Earnings Limitations

Retired teachers who resume teaching at a public school or charter school may teach without application of an earnings limitation. Application of the earnings limitation would otherwise cause pension payments to be deferred or forfeited. The earnings limit resumes after the year 2024.

Frontline Worker Pay

To thank those Minnesotans who worked on the frontlines during the COVID-19 peacetime emergency, Gov. Tim Walz signed Frontline Worker Payments into law, enabling those workers to apply for Frontline Worker Pay. The law lists fifteen categories of frontline sectors, one of which is schools, including charter schools, state schools, and higher education.

In addition, to be eligible for Frontline Worker Pay, the applicant:

- must have been employed at least 120 hours in Minnesota in one or more frontline sectors between March 15, 2020, and June 30, 2021.
- for the hours worked during this time period the applicant –
 - was not able to telework due to the nature of the individual's work and
 - worked in close proximity to people outside of the individual's household;

APPENDIX C (CONTINUED)

- must meet the income requirements for at least one year between Dec. 31, 2019, and Jan. 1, 2022 –
 - workers with direct COVID-19 patient care responsibilities must have had an adjusted gross income of less than \$350,000 for married taxpayers filing jointly, or less than \$175,000 for other filers and
 - for workers in occupations without direct COVID-19 patient care responsibilities, the adjusted gross income limit is \$185,000 for married taxpayers filing jointly, or \$85,000 for other filers; and
- must not have received an unemployment insurance benefit payment for more than 20 weeks on a cumulative basis for weeks between March 15, 2020, and June 26, 2021.

Mental Health Initiatives

A mental health package was passed which appropriates \$92.7 million to fund mental health programs and initiatives, including \$2 million in fiscal year 2023 for school-linked behavior health grants.

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. As such, this statement was implemented for fiscal year 2022. As a result, right-to-use assets that are included in long-term leases, as well as the corresponding amortization of the right to use said assets, are being reflected with the District’s capital assets. The related long-term liabilities were also recorded and the financial statement footnotes include additional information to reflect these additions.

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 postponed 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

APPENDIX D (CONTINUED)

- 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

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.

GASB Statement No. 98 – *The Annual Comprehensive Financial Report*

This statement establishes the term *Annual Comprehensive Financial Report* and its acronym *ACFR* to replace the *Comprehensive Annual Financial Report* and its acronym *CAFR*.

GASB Statement No. 99 – *Omnibus*

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

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

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument

APPENDIX D (CONTINUED)

- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP)
- Disclosures related to nonmonetary transactions
- Pledges of future revenues when resources are not received by the pledging government
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements

GASB Statement No. 100 – Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period.

GASB Statement No. 101 – Compensated Absences

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave.



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, 2022, and have issued our report thereon dated December 13, 2022. 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 in our engagement letter dated May 23, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings or issues

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 District are described in Note 1 to the financial statements.

As described in Note 1, the District changed accounting policies related to leases by adopting Statement of Governmental Accounting Standards Board (GASB Statement) No. 87, *Leases*, in 2022. This resulted in the District capitalizing right-to-use assets and the corresponding lease liability for long-term lease agreements as well as recording a lease receivable and a related deferred inflow of resources.

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 2022. 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 2022 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 2022. 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 2022 and any remaining outstanding claims that were still incurred prior to June 30, 2022 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 did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

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.

Circumstances that affect the form and content of the auditors' report

As previously communicated to you, the report was modified to include an emphasis-of-matter paragraph to highlight the change in accounting principle related to the adoption of new accounting guidance for leases as follows:

As discussed in Note 1 to the financial statements, effective July 1, 2021, the District adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use lease asset and corresponding lease liability and lessors to recognize a lease receivable and corresponding lease deferred inflow of resources for all leases with lease terms greater than twelve months. Our opinion is not modified with respect to this matter.

Management representations

We have requested certain representations from management that are included in the management representation letter dated December 13, 2022.

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.

Required supplementary information

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.

Supplementary information in relation to the financial statements as a whole

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 13, 2022.

With respect to the individual fund financial schedules and the Uniform Financial Accounting and Reporting Standards (UFARS) compliance table (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 13, 2022.

Other information included in annual reports

Other information (financial or nonfinancial information other than the financial statements and our auditors' report thereon) is being included in your annual report and is comprised of the introductory and statistical section. Our responsibility for other information included in your annual report does not extend beyond the financial information identified in our opinion on the financial statements. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in your annual report. We are required by professional standards to read the other information included in your annual report and consider whether a material inconsistency exists between the other information and the financial statements because the credibility of the financial statements and our auditors' report thereon may be undermined by material inconsistencies between the audited financial statements and other information. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report. Our auditors' report on the financial statements includes a separate section, "Other Information," which states we do not express an opinion or any form of assurance on the other information included in the annual report. We did not identify any material inconsistencies between the other information and the audited financial statements.

* * *

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

Minneapolis, Minnesota
December 13, 2022



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