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December 4, 2020

School Board
Independent School District No. 623
Roseville Area Schools
Roseville, 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 auditor's 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, CPA
Principal

**ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623**

EXECUTIVE AUDIT SUMMARY (EAS)

JUNE 30, 2020

**ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
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JUNE 30, 2020**

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**EXECUTIVE AUDIT SUMMARY (EAS)
FOR
ROSEVILLE AREA SCHOOLS
YEAR ENDED JUNE 30, 2020**

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, 2020.

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

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

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

Single Audit – The District complied with all direct and material requirements of the major federal programs tested (Child Nutrition Cluster and Title I, Part A). We reported a significant deficiency in internal controls over compliance related to the Child Nutrition Cluster.

Legal Compliance – One compliance issue was noted with respect to Minnesota Statutes.

Fund Balance – The District's General Fund unassigned fund balance (UFARS basis) increased by \$3,770,950 during fiscal 2019-2020, increasing from a balance of \$2,853,523 to a balance of \$6,624,473 at June 30, 2020. Total fund balance of the General Fund increased by \$4,100,863, ending at \$8,850,936 as of June 30, 2020. The ending unassigned fund balance represents a balance of 6.38% of General Fund expenditures. A District's fund balance is an important aspect in considering the District's financial well-being since a healthy fund balance represents things such as cashflow, as a cushion against unanticipated expenditures, enrollment declines, funding deficiencies, state aid metering changes and aid prorations at the state level and similar problems.

Enrollment – For fiscal 2019-2020, Roseville Area Schools had an estimated total adjusted average daily membership of 7,579.86 (or 8,278.21 adjusted pupil units). For fiscal 2018-2019, Roseville Area Schools had total adjusted average daily membership of 7,580.26 (or 8,274.79 adjusted pupil units).

Budget to Actual – Total revenues on a net basis in the General Fund were \$2,593,757 (or 2.46%) higher than the amended budget amount while total expenditures on a net basis were \$778,585 (or 0.74%) lower than had been budgeted. Including other financing sources, the net effect was an increase in total fund balance that was \$3,417,499 more than had been reflected in the District's budget.

Statement of Net Position

The Statement of Net Position essentially tells you what your District owns and owes at a given point in time, the last day of the fiscal year. Theoretically, net position represents the resources the District has leftover to use for providing services after its debts are settled. However, those resources are not always in expendable form, or there may be restrictions on how some of those resources can be used. Therefore, the statement divides the net position into three components: net investment in capital assets, restricted net position, and unrestricted net position. Beginning in fiscal 2015, the District was required to implement GASB Statement No. 68, which significantly impacted the District's ending net position as a result of recording the District's estimated share of the respective unfunded liability for the statewide pension plans for TRA and PERA. The ending balance of the Net Pension Liability at June 30, 2020, was approximately \$66 million. 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,	
	2020	2019
Total Fund Balance for Governmental Funds	\$ 72,751,671	\$ 135,029,977
Capital Assets, Less Accumulated Depreciation	164,412,530	76,482,929
Long-Term Liabilities	(187,619,186)	(185,342,951)
Net Pension Liability	(66,308,954)	(66,575,446)
Deferred Inflows/Outflows for Pensions - Net	(30,731,409)	(24,481,750)
Other Postemployment Benefits	(458,538)	(159,160)
Deferred Inflows/Outflows for OPEB - Net	355,357	681,324
Other - Net	(2,426,142)	(2,712,086)
Total Net Position - Governmental Activities	<u>\$ (50,024,671)</u>	<u>\$ (67,077,163)</u>
Net Position		
Net Investment in Capital Assets	\$ 35,487,015	\$ 24,551,012
Restricted	6,099,942	8,718,947
Unrestricted	(91,611,628)	(100,347,122)
Total Net Position - Governmental Activities	<u>\$ (50,024,671)</u>	<u>\$ (67,077,163)</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 – Defined Benefit Plans” was a new requirement beginning in fiscal 2015. The following table presents a simplified reconciliation of the change in the District’s governmental fund balances to the change in total net position for fiscal years 2020 and 2019:

	As of June 30,	
	2020	2019
Net Change in Fund Balance - Total Governmental Funds	\$ (62,278,306)	\$ (40,416,571)
Capital Asset Purchases	90,570,338	28,398,928
Depreciation	(2,640,737)	(2,596,496)
Debt Proceeds	(14,795,000)	-
Change in Net Pension Liability and Related Deferred Outflow and Deferred Inflows	(5,983,167)	22,965,506
Repayment of Debt	12,440,000	21,580,000
Change in Other Long-Term Liabilities	(601,069)	765,332
Other - Net	340,433	249,078
Change in Net Position - Governmental Activities	<u>\$ 17,052,492</u>	<u>\$ 30,945,777</u>

FINANCIAL RESULTS

ROSEVILLE AREA SCHOOLS

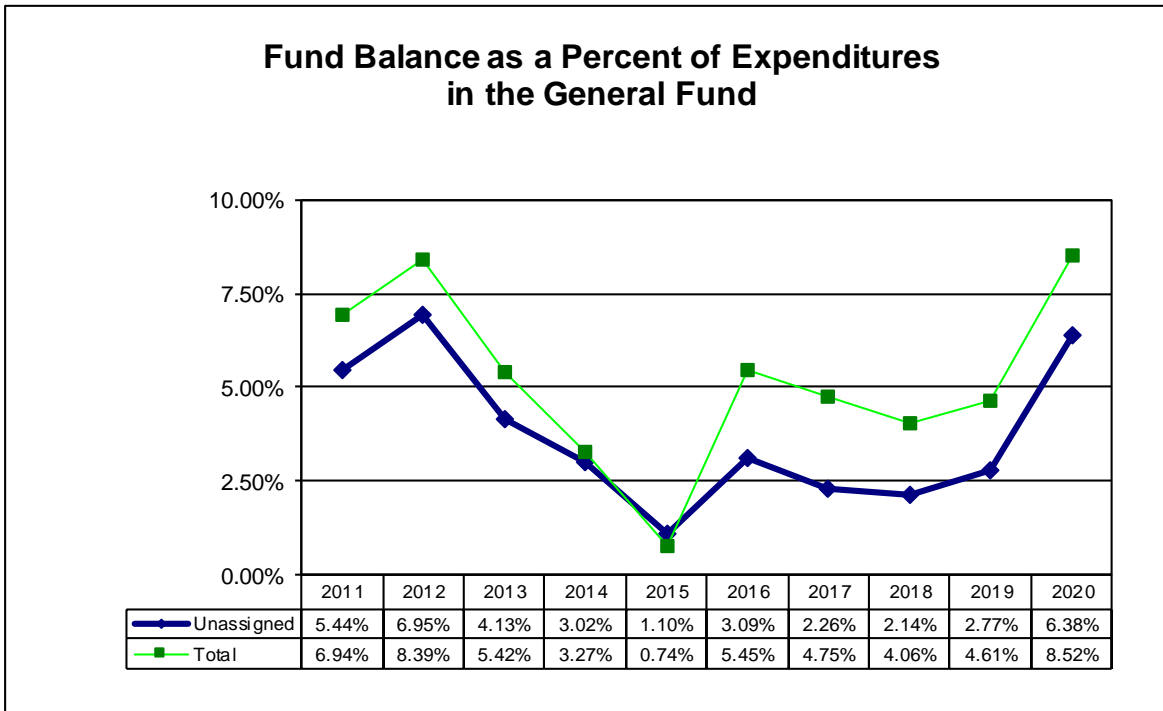
AUDITED FUND BALANCES THROUGH JUNE 30, 2020

FUND DESCRIPTION	6/30/2019 AUDITED BALANCE	2019-2020 AUDITED REVENUES	2019-2020 AUDITED EXPENDITURES	2019-2020 APPROVED TRANSFER	6/30/2020 AUDITED BALANCE
GENERAL FUND					
A. UNASSIGNED (UFARS BASIS)	\$ 2,853,523	\$ 93,124,503	\$ 87,598,269	(\$1,755,284)	\$ 6,624,473
B. NONSPENDABLE FOR					
INVENTORY	\$ 68,812		\$ 27,897		\$ 40,915
PREPAIDS	\$ 680,967		\$ 66,559		\$ 614,408
B. NONSPENDABLE TOTAL	\$ 749,779	\$0	\$94,456	\$0	\$ 655,323
C. RESTRICTED FOR					
GIFTED AND TALENTED	\$ -	\$ 83,986	\$ 233,476	\$ 149,490	\$ -
CAREER AND TECH PROGRAM	\$ -	\$ 472,257	\$ 888,979	\$ 416,722	\$ -
LEARNING AND DEVELOPMENT	\$ -	\$ 1,720,367	\$ 1,905,903	\$ 185,536	\$ -
BASIC SKILLS	\$ -	\$ 6,751,489	\$ 7,750,431	\$ 998,942	\$ -
STAFF DEVELOPMENT	\$ -	\$ 1,065,803	\$ 1,070,397	\$ 4,594	\$ -
SAFE SCHOOLS PROGRAM	\$ -	\$ 704,776	\$ 697,111		\$ 7,665
OPERATING CAPITAL	\$ 1,146,771	\$ 2,756,597	\$ 2,339,893		\$ 1,563,475
LONG-TERM FACILITIES MAINTENANCE	\$ -	\$ 1,307,064	\$ 1,307,064		\$ -
HEALTH & SAFETY	\$ -				\$ -
C. RESTRICTED TOTAL	\$1,146,771	\$14,862,339	\$16,193,254	\$1,755,284	\$ 1,571,140
BUDGET		\$ 105,347,928	\$ 104,664,564		
TOTAL GENERAL FUND	\$ 4,750,073	\$ 107,986,842	\$ 103,885,979		\$ 8,850,936
DIFFERENCE	\$ 484,191	\$ 2,638,914	\$ (778,585)		
% VARIANCE		2.50%	-0.74%		
FOOD SERVICE					
NONSPENDABLE FOR INVENTORY	\$ 50,320		\$ 3,388		\$ 46,932
NONSPENDABLE FOR PREPAIDS	\$ 17,907		\$ 6,741		\$ 11,166
RESTRICTED FOR FOOD SERVICE PROG	\$ 279,768	\$ 4,268,975	\$ 4,226,920		\$ 321,823
BUDGET		\$ 4,945,947	\$ 4,883,840		
TOTAL FOOD SERVICE	\$ 347,995	\$ 4,268,975	\$ 4,237,049		\$ 379,921
DIFFERENCE		\$ (676,972)	\$ (646,791)		
% VARIANCE		-13.69%	-13.24%		
COMMUNITY EDUCATION					
NONSPENDABLE FOR PREPAIDS	\$ 4,588		\$ 3,278		\$ 1,310
RESTRICTED FOR REGULAR COMMUNITY ED	\$ 230,671	\$ 3,914,155	\$ 4,259,625		\$ (114,799)
RESTRICTED FOR EARLY CHILDHOOD FAMILY ED	\$ 161,735	\$ 485,423	\$ 456,448		\$ 190,710
RESTRICTED FOR SCHOOL READINESS	\$ 88,256	\$ 674,703	\$ 705,576		\$ 57,383
RESTRICTED FOR ADULT BASIC EDUCATION	\$ 228,031	\$ 1,230,982	\$ 1,142,443		\$ 316,570
RESTRICTED FOR OTHER PURPOSES	\$ 272,355	\$ 916,345	\$ 899,331		\$ 289,369
BUDGET		\$ 8,532,139	\$ 8,501,206		
TOTAL COMMUNITY EDUCATION	\$ 985,636	\$ 7,221,608	\$ 7,466,701		\$ 740,543
DIFFERENCE		\$ (1,310,531)	\$ (1,034,505)		
% VARIANCE		-15.36%	-12.17%		
CAPITAL PROJECTS FUND					
NONSPENDABLE FOR PREPAIDS	\$ 417,132		\$ 417,132		\$ -
OPERATING	\$ 119,750,745	\$ 1,815,526	\$ 67,355,203		\$ 54,211,068
LONG TERM FACILITIES MAINTENANCE	\$ 7,345,854	\$ 13,056,044	\$ 13,561,883		\$ 6,840,015
BUDGET		\$ 7,355,721	\$ 90,000,000		
TOTAL CAPITAL PROJECTS	\$ 127,513,731	\$ 14,871,570	\$ 81,334,218		\$ 61,051,083
DIFFERENCE		\$ 7,515,849	\$ (8,665,782)		
DEBT SERVICE					
RESTRICTED FOR DEBT SERVICE - OPERATING	\$ 1,133,073	\$ 18,958,183	\$ 18,576,701		\$ 1,514,555
RESTRICTED FOR OPEB BOND DEBT SERVICE	\$ 299,469	\$ 819,877	\$ 904,713		\$ 214,633
BUDGET		\$ 12,688,015	\$ 12,210,163		
TOTAL DEBT SERVICE	\$ 1,432,542	\$ 19,778,060	\$ 19,481,414		\$ 1,729,188
DIFFERENCE		\$ 7,090,045	\$ 7,271,251		
% VARIANCE		55.88%	59.55%		
FIDUCIARY AND INTERNAL SERVICE FUNDS					
FAMILY COLLABORATIVE	\$ (338,003)	\$ 832,140	\$ 494,137		\$ -
OPEB TRUST FUND	\$ 8,665,187	\$ 792,417	\$ 869,053		\$ 8,588,551
SELF-INSURANCE DENTAL FUND	\$ 408,100	\$ 986,516	\$ 792,363		\$ 602,253
TOTAL TRUST AND INTERNAL SERVICE FUNDS	\$ 9,085,000	\$ 2,611,073	\$ 2,155,553		\$ 9,190,804

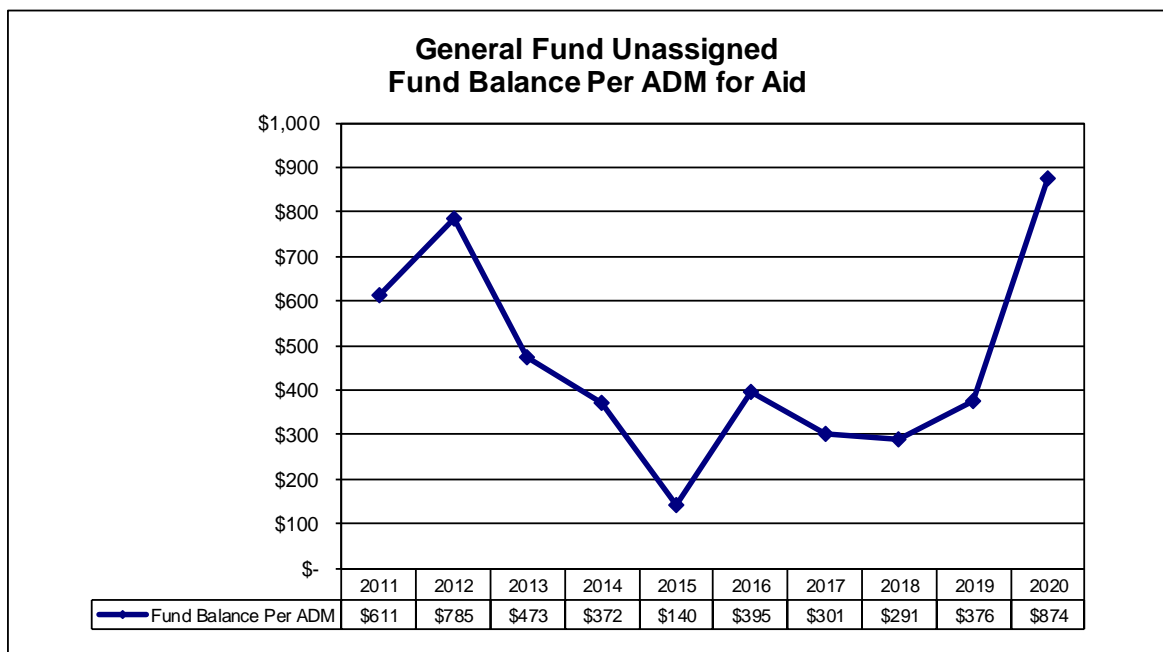
FINANCIAL RESULTS (CONTINUED)

Fund Balances (Continued)

As a percentage of annual expenditures:



Per student served for aid.

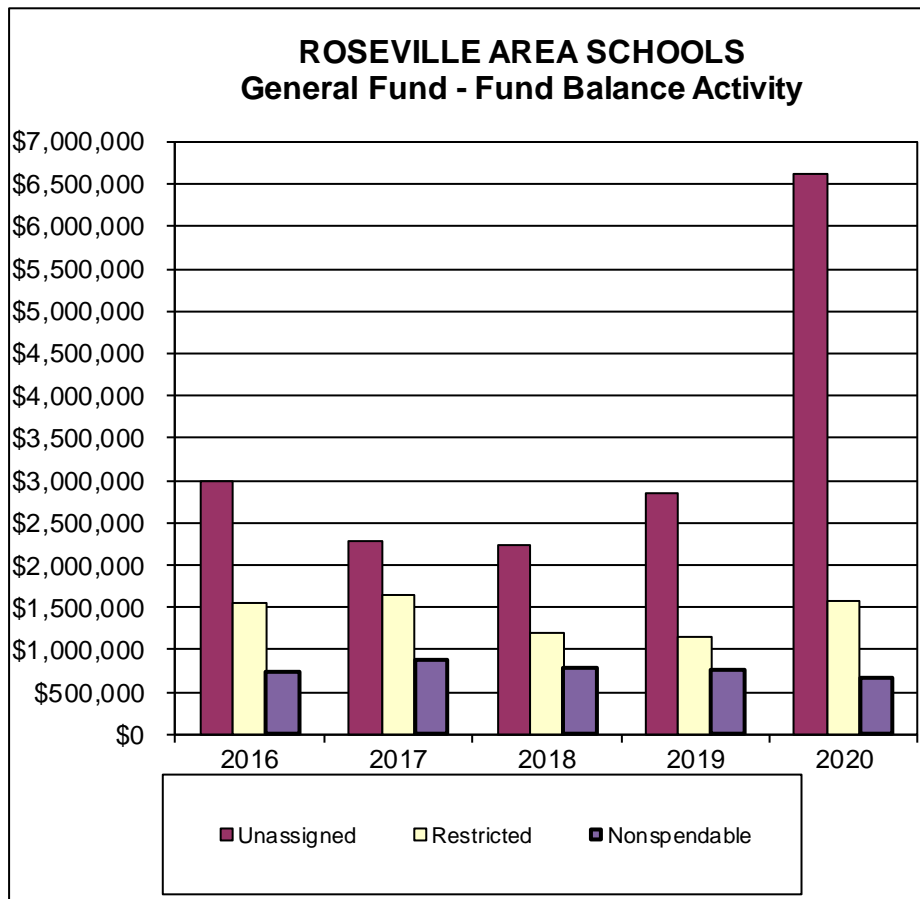


FINANCIAL RESULTS (CONTINUED)

Fund Balances of the General Fund

Unless otherwise noted, all graphs and charts reflect the combined activity of the District's General Fund, including the pupil transportation and capital expenditure sub-funds.

<u>UFARS Basis</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Nonspendable Fund Balance	\$ 734,087	\$ 869,406	\$ 792,020	\$ 749,779	\$ 655,323
Restricted Fund Balance	1,546,741	1,645,357	1,199,824	1,146,771	1,571,140
Unassigned Fund Balance	2,982,097	2,285,861	2,225,462	2,853,523	6,624,473
Total Fund Balance	<u>\$ 5,262,925</u>	<u>\$ 4,800,624</u>	<u>\$ 4,217,306</u>	<u>\$ 4,750,073</u>	<u>\$ 8,850,936</u>
 Total Expenditures	 <u>\$ 96,597,063</u>	 <u>\$ 101,133,134</u>	 <u>\$ 104,001,452</u>	 <u>\$ 103,056,035</u>	 <u>\$ 103,885,979</u>
 Unassigned Fund Balance as a % of Total Expenditures	 <u>3.09%</u>	 <u>2.26%</u>	 <u>2.14%</u>	 <u>2.77%</u>	 <u>6.38%</u>

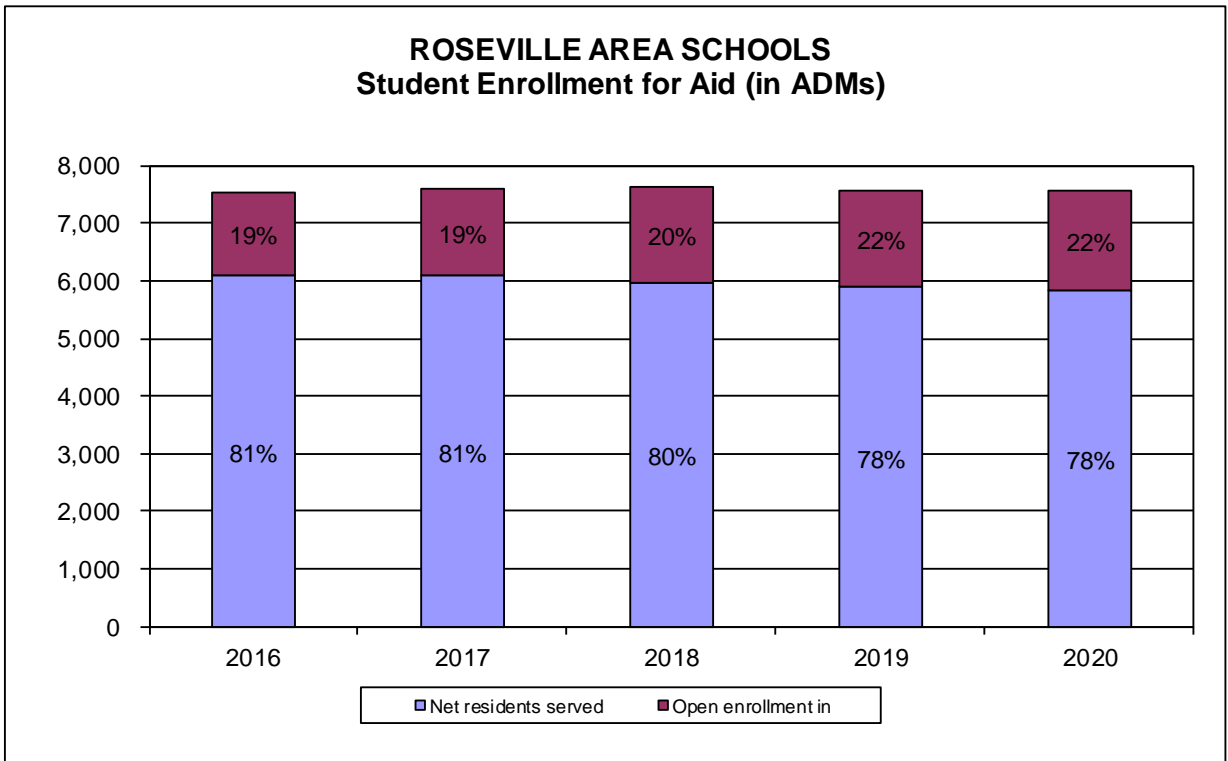


As reflected in the graph above, the District has utilized unassigned fund balance of the General Fund, to balance the District's budget.

FINANCIAL RESULTS (CONTINUED)

Students Served for Aid

	2016	2017	2018	2019	2020
Total Residents	7,033.35	7,062.93	6,966.81	6,993.72	7,049.09
Charter Enrollment Out	(429.20)	(484.14)	(495.18)	(559.44)	(668.98)
Open Enrollment Out	(507.06)	(491.56)	(493.11)	(540.40)	(531.38)
Net Residents Served	6,097.09	6,087.23	5,978.52	5,893.88	5,848.73
Open Enrollment In	1,449.60	1,519.57	1,672.99	1,686.38	1,731.13
Net ADM Served	7,546.69	7,606.80	7,651.51	7,580.26	7,579.86
Net Pupil Units Served	8,218.41	8,298.21	8,347.77	8,274.79	8,278.21
Net Residents Served %	81%	80%	78%	78%	77%
Open Enrollment In %	19%	20%	22%	22%	23%



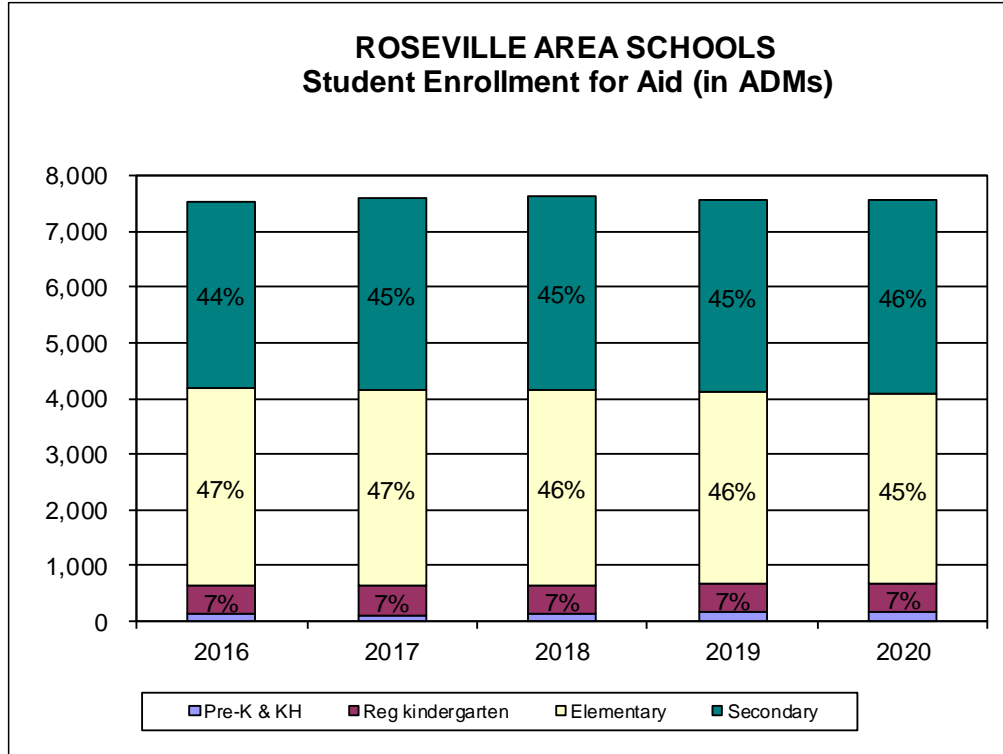
As reflected in the above chart and graph, the District continues to attract more students through open enrollment than resident students choosing to attend elsewhere.

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



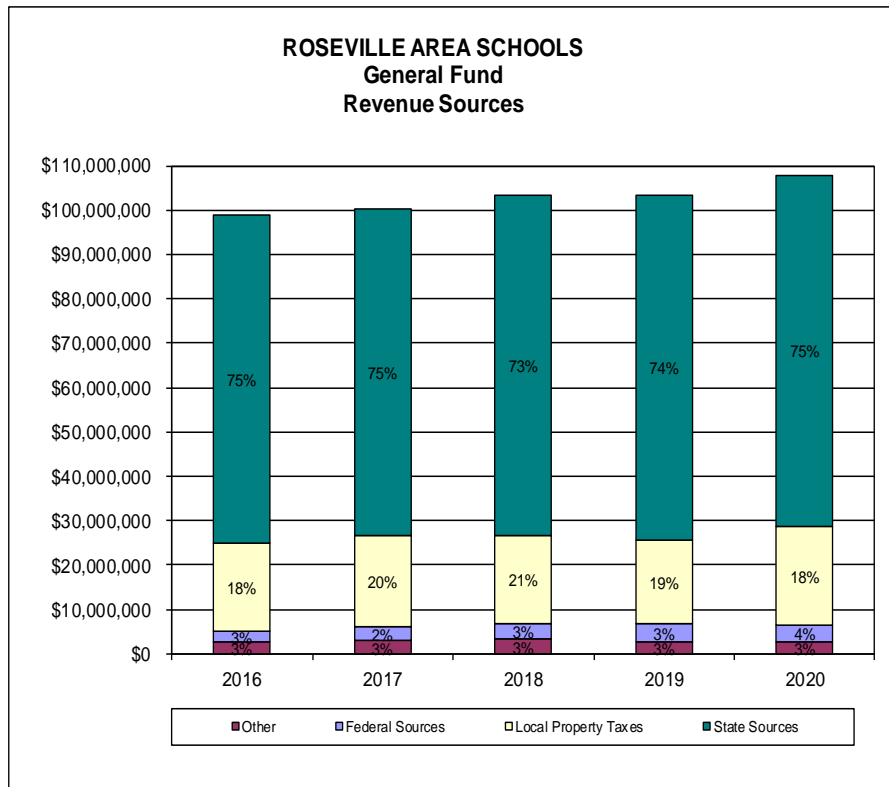
	2016	2017	2018	2019	2020
Pre-K & KH	117.03	102.93	124.88	152.54	154.08
Reg Kindergarten	509.54	526.18	526.53	514.18	533.63
Elementary	3,561.54	3,520.59	3,518.80	3,440.37	3,400.46
Secondary	3,358.58	3,457.10	3,481.30	3,473.17	3,491.69
Net ADM Served	<u>7,546.69</u>	<u>7,606.80</u>	<u>7,651.51</u>	<u>7,580.26</u>	<u>7,579.86</u>
Percent Change		0.52%	0.80%	0.59%	-0.93%

As noted in the above chart, the District's student count for fiscal 2019-2020 was 7,580 students (or 0.01%) lower than for the prior year.

APPENDIX A (CONTINUED)

General Fund Revenue

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



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

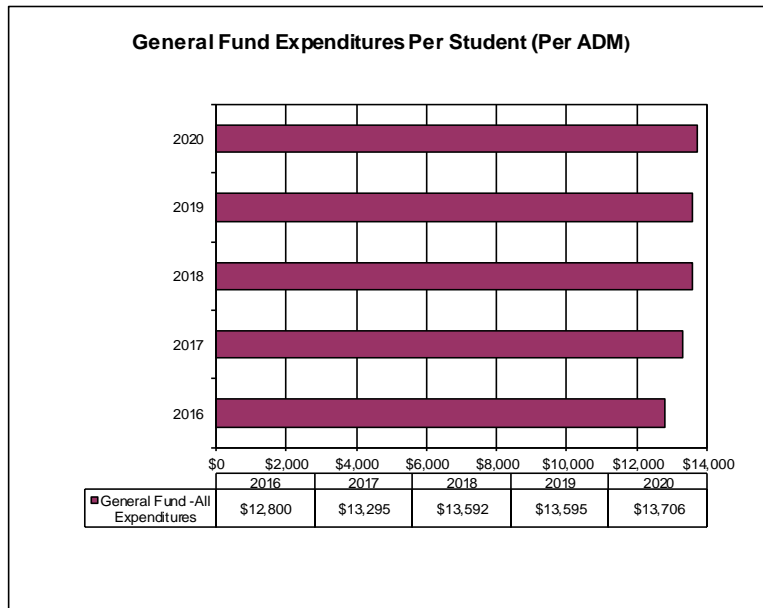
	2016	2017	2018	2019	2020
Local Property Taxes	\$ 19,965,934	\$ 20,586,463	\$ 19,967,049	\$ 18,702,561	\$ 22,080,685
State Sources	73,636,347	73,365,339	76,436,526	78,013,377	79,312,339
Federal Sources	2,462,850	3,267,258	3,528,365	3,923,104	3,700,151
Other	2,673,832	2,880,344	3,298,210	2,849,509	2,848,510
Total Revenues	\$ 98,738,963	\$ 100,099,404	\$ 103,230,150	\$ 103,488,551	\$ 107,941,685

	2016	2017	2018	2019	2020
Local Property Taxes	20%	21%	19%	18%	20%
State Sources	75%	73%	74%	75%	73%
Federal Sources	2%	3%	3%	4%	3%
Other	3%	3%	3%	3%	3%
Total Revenues	100%	100%	100%	100%	100%

APPENDIX A (CONTINUED)

Expenditures Per Student

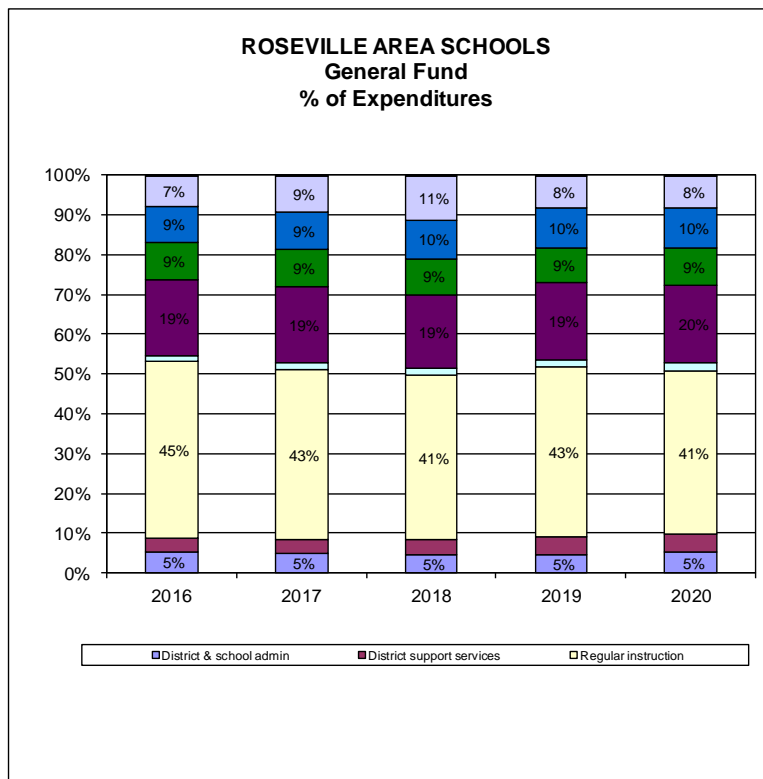
Expenditures per Student (average daily membership) are summarized in the following graph.



General Fund expenditures for fiscal 2020 were \$103,885,979 which represents a net increase of \$829,944 or 0.74% from fiscal 2019.

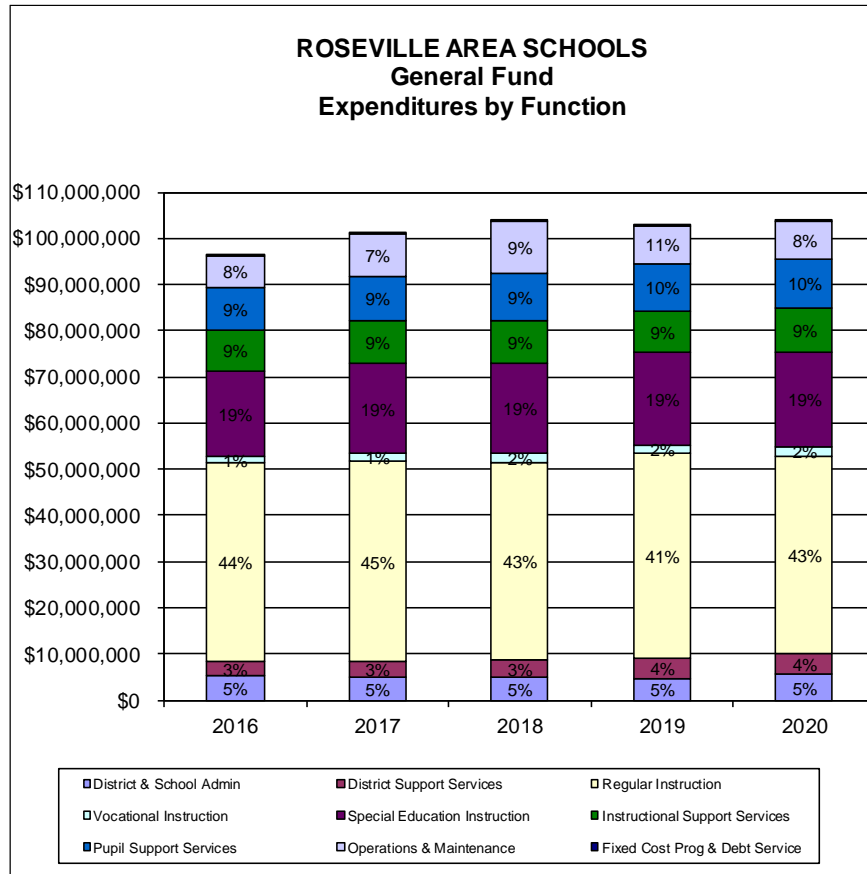
General Fund Expenditures

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



APPENDIX A (CONTINUED)

General Fund Expenditures (Continued)



	2016	2017	2018	2019	2020
District and School Admin	\$ 5,185,109	\$ 5,046,782	\$ 4,881,528	\$ 4,733,506	\$ 5,545,225
District Support Services	3,257,238	3,290,001	3,767,920	4,437,109	4,535,054
Regular Instruction	42,998,961	43,376,138	42,923,698	44,226,248	42,744,235
Vocational Instruction	1,218,367	1,646,034	1,807,372	1,840,397	2,053,518
Special Education Instruction	18,426,240	19,431,017	19,470,686	19,933,088	20,359,744
Instructional Support Services	9,168,276	9,355,193	9,417,740	9,092,554	9,506,429
Pupil Support Services	8,928,790	9,504,382	10,075,797	10,215,853	10,801,775
Operations and Maintenance	7,109,586	9,351,957	11,409,829	8,306,748	8,051,505
Fixed Cost Prog and Debt Service	304,496	131,630	246,882	270,532	288,494
Total Expenditures	\$ 96,597,063	\$ 101,133,134	\$ 104,001,452	\$ 103,056,035	\$ 103,885,979

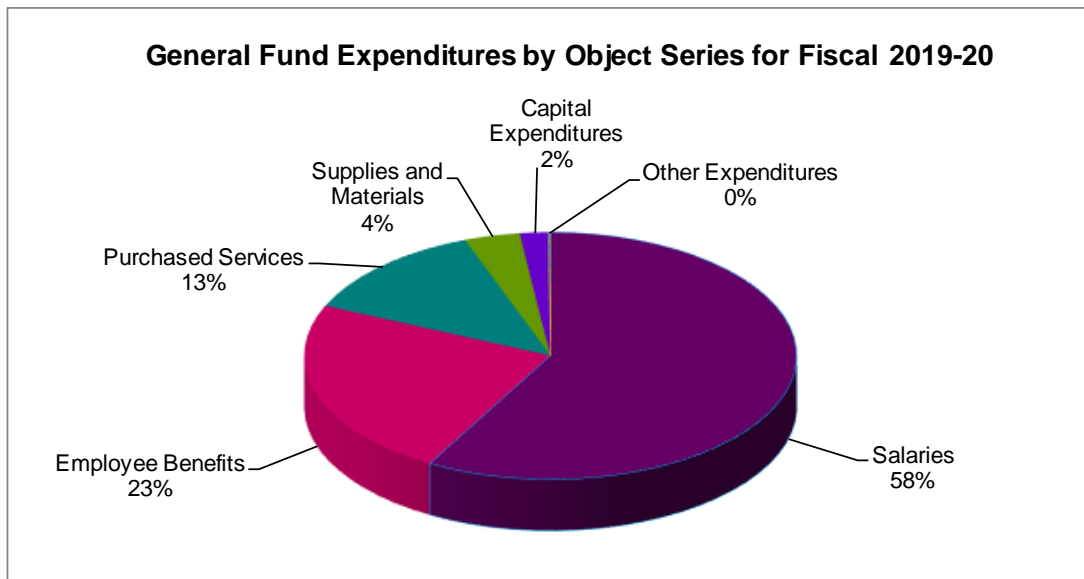
APPENDIX A (CONTINUED)

General Fund Expenditures (Continued)

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.

	2020				2019	Change from the Prior Year
	Final Amended Budget	Actual	Over (Under) Budget	%	Actual	
District and School Admin	\$ 5,206,659	\$ 5,545,225	\$ 338,566	6.5%	\$ 4,733,506	\$ 811,719
District Support Services	4,237,811	4,351,885	114,074	2.7%	4,149,811	202,074
Regular Instruction	43,180,353	42,565,307	(615,046)	-1.4%	44,047,533	(1,482,226)
Vocational Instruction	2,119,858	2,051,518	(68,340)	-3.2%	1,834,659	216,859
Special Education Instruction	21,051,388	20,359,525	(691,863)	-3.3%	19,933,088	426,437
Instructional Support Services	9,426,086	9,392,968	(33,118)	-0.4%	9,002,818	390,150
Pupil Support Services	10,550,597	10,424,327	(126,270)	-1.2%	10,151,062	273,265
Operations and Maintenance	6,920,068	6,947,084	27,016	0.4%	7,612,893	(665,809)
Capital Outlay	1,671,744	1,959,646	287,902	17.2%	1,320,133	639,513
Fixed Cost	300,000	288,494	(11,506)	-3.8%	270,532	17,962
Total Expenditures	\$ 104,664,564	\$ 103,885,979	\$ (778,585)	-0.7%	\$ 103,056,035	\$ 829,944

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



	2020				2018	2018
	Budget	Actual	Over (Under) Budget	%	Actual	Actual
Salaries	\$ 60,662,657	\$ 60,389,255	\$ (273,402)	-0.5%	\$ 59,244,657	\$ 56,043,519
Employee Benefits	24,383,340	24,413,475	30,135	0.1%	24,002,031	24,355,821
Purchased Services	14,068,867	13,208,804	(860,063)	-6.1%	\$ 14,295,383	11,128,060
Supplies and Materials	3,725,012	3,785,711	60,699	1.6%	\$ 4,081,349	3,165,187
Capital Expenditures	1,671,744	1,959,646	287,902	17.2%	\$ 1,320,133	1,643,653
Other Expenditures	152,944	129,088	(23,856)	-15.6%	\$ 112,482	260,823
Total Expenditures	\$ 104,664,564	\$ 103,885,979	\$ (778,585)	-0.7%	\$ 103,056,035	\$ 96,597,063

As reflected above, total expenditures of the General Fund on a net basis were 0.7% under the budgeted amount.

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.

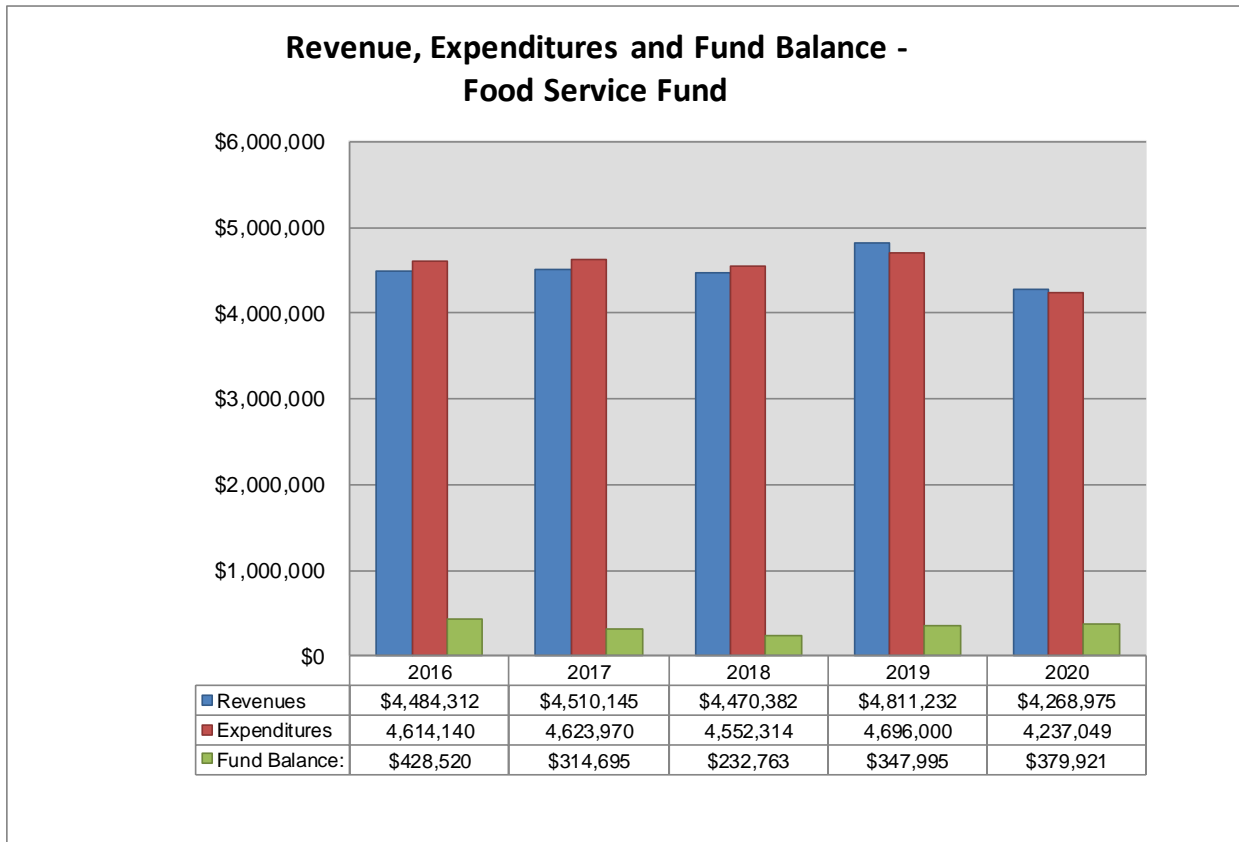
	Year Ended June 30,				
	2016	2017	2018	2019	2020
Revenues	\$ 98,738,963	\$ 100,099,404	\$ 103,230,150	\$ 103,488,551	\$ 107,941,685
Expenditures	96,597,063	101,133,134	104,001,452	103,056,035	103,885,979
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,141,900	(1,033,730)	(771,302)	432,516	4,055,706
Other Financing Sources (Uses):					
Proceeds from Sale of Real Property	2,393,240	-	-	316	-
Proceeds from Insurance Recovery	16,879	571,429	187,984	99,935	45,157
Total Other Financing Sources	2,410,119	571,429	187,984	100,251	45,157
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	4,552,019	(462,301)	(583,318)	532,767	4,100,863
Fund Balance:					
Beginning of Year	710,906	5,262,925	4,800,624	4,217,306	4,750,073
End of Year	\$ 5,262,925	\$ 4,800,624	\$ 4,217,306	\$ 4,750,073	\$ 8,850,936
Nonspendable Fund Balance	\$ 734,087	\$ 869,406	\$ 792,020	\$ 749,779	\$ 655,323
Restricted Fund Balance	1,546,741	1,645,357	1,199,824	1,146,771	1,571,140
Unassigned Fund Balance	2,982,097	2,285,861	2,225,462	2,853,523	6,624,473
Total Fund Balance	\$ 5,262,925	\$ 4,800,624	\$ 4,217,306	\$ 4,750,073	\$ 8,850,936
Unassigned Fund Balance as a Percentage of Expenditures	3.09%	2.26%	2.14%	2.77%	6.38%
Total Fund Balance as a Percentage of Expenditures	5.45%	4.75%	4.06%	4.61%	8.52%

The District's General Fund unassigned fund balance increased by \$3,770,950 during fiscal 2019-2020, increasing from a balance of \$2,853,523 to a balance of \$6,624,473 at June 30, 2020. Total fund balance of the General Fund increased by \$4,100,863, ending at \$8,850,936 as of June 30, 2020. The ending unassigned fund balance as defined by UFARS represents 6.38% of General Fund expenditures.

APPENDIX A (CONTINUED)

Food Service Fund

The following chart reflects the growth of the Food Service Program over the past five years:



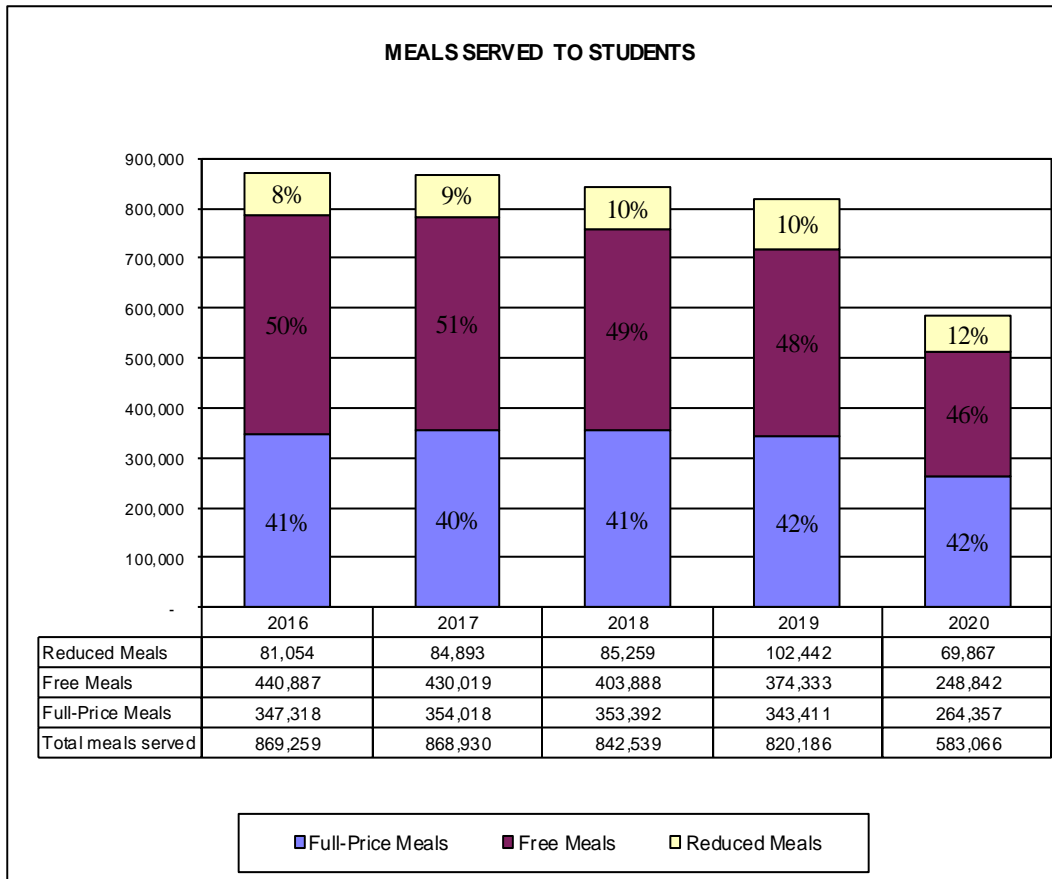
Total revenues exceeded expenditures by \$31,926 in the District’s Food Service Fund for fiscal 2020, resulting in a fund balance of \$379,921 at June 30, 2020.

Total actual revenues were lower than the budgeted amount by \$676,972. Total expenditures were lower than the budgeted amount by \$646,791. The net impact of these variances was an increase in fund balance that was \$30,181 less than had been reflected in the budget. As part of any budget update initiated for fiscal 2020-2021, the food service department will want to take these variances into consideration in order to limit budget variances to every extent possible.

APPENDIX A (CONTINUED)

Food Service Fund (Continued)

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

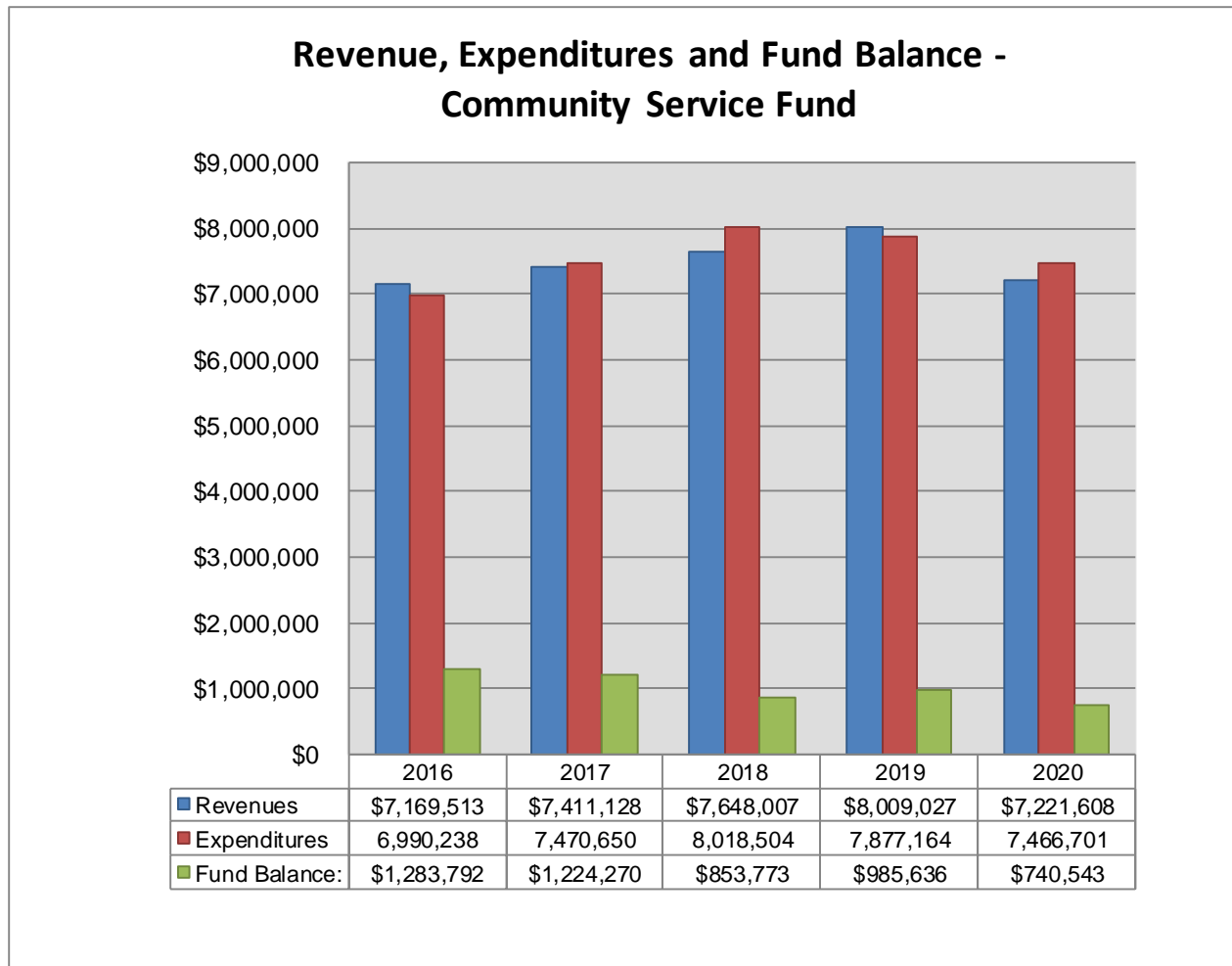


	Year Ended June 30,				
	2016	2017	2018	2019	2020
Percentage of Total Meals Served by Type:					
Full Price Meals	40.0%	40.7%	41.9%	41.9%	45.3%
Reduced Price Meals	9.3%	9.8%	10.1%	12.5%	12.0%
Free Meals	50.7%	49.5%	47.9%	45.6%	42.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

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 expenditures over revenues of \$245,093 for fiscal 2020, decreasing the combined fund balance to \$740,543 at June 30, 2020.

Total revenues of the District's Community Service Fund for 2020 were \$1,310,531 lower than the budgeted amount while total expenditures were \$1,034,505 lower than the budgeted amount. The net impact of these variances was to decrease total fund balance by \$276,026 more than had been reflected in the budget. As part of any budget update initiated for fiscal 2020-2021, the community services department will want to take these variances into consideration in order to limit budget variances to every extent possible.

APPENDIX B

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

Expenditures Per Student (ADM) Served

	Statewide			ISD No. 623 Roseville		
	All Districts	Seven County Metro Area	Enrollment > than 4,000			
	2019	2019	2019	2018	2019	2020
District and School Admin and Support Services	\$ 1,123	\$ 1,079	\$ 1,022	\$ 1,066	\$ 1,146	\$ 1,284
Regular Instruction (including Co- & Extra-Curricular)	5,743	6,112	5,932	5,487	5,684	5,522
Vocational Instruction (Career & Technical)	168	165	170	229	237	266
Special Education Instruction	2,403	2,505	2,546	2,504	2,572	2,641
Instructional Support Services	650	751	746	1,125	1,162	1,219
Pupil Support Services (Including Transportation)	1,182	1,282	1,231	1,287	1,310	1,352
Operations and Maintenance and Other	950	907	917	999	1,017	939
General Fund Subtotal (excluding Capital Expenditures)	12,219	12,801	12,564	12,698	13,128	13,223
Food Service	559	556	553	579	585	533
Community Service	638	799	747	1,029	1,014	963
Capital Expenditures (excluding Building Constr Fund)	806	675	714	690	193	277
Debt Service	1,354	1,454	1,433	646	1,700	1,594
Total Pre-K - 12 Expenditures	<u>\$ 15,576</u>	<u>\$ 16,285</u>	<u>\$ 16,011</u>	<u>\$ 15,641</u>	<u>\$ 16,621</u>	<u>\$ 16,590</u>
Percent Change from Prior Year				3.32%	6.26%	-0.19%

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,

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, pupil transportation and safety, etc.)

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

Food service - all costs of the Food Service Fund

Community service - all costs of the Community Service Fund

Capital expenditures - all capital expenditures charged to operating funds

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

APPENDIX C

LEGISLATIVE ACTIVITY

What follows are some education-related highlights of the 2020 legislative sessions (limited as they were) 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 requirement to reserve a portion of compensatory revenue for extended time programming was eliminated beginning in fiscal 2021. Under the old law, districts would have been required to reserve 7.5% of compensatory revenue for extended time programming in fiscal 2021. However, the 5.5% of fiscal 2020 compensatory revenue (excludes regular formula amount and any grandfathered pilot amount) must still be reserved for extended time. Any balance remaining in balance sheet account 459 as of June 30, 2020 can only be used for extended time unless transferred out in fiscal 2020 or fiscal 2021 using the transfer provisions provided in law.

COVID-19 Formula Adjustments

Expanded the allowable uses of the regional library telecommunications aid for fiscal 2020 and later, to include improving internet access and access to technology with items that are not e-rated, including but not limited to, digital or online resources.

Addressed school finance formula glitches resulting from the conversion to the distance learning model as follows:

- Special Education Aid – fiscal 2020 expenditures for employees and contracted services that would have been eligible for state aid in the absence of school closures due to COVID-19 must be included as eligible expenditures for calculation of aid and for tuition billing, regardless of whether special education services were actually provided during the closure.
- School Meals - State aid savings due to lower meal counts for regular school food service programs are reallocated on a per meal served basis to schools providing summer food service meals between March 16 and June 30, 2020.
- Career and Technical Education (CTE) Revenue - If fiscal 2020 or 2021 revenue based on actual expenditures is below the February 2020 forecast estimate, the Minnesota Department of Education (MDE) is authorized to recalculate the revenue for expenditures incurred on or after March 18, 2020, in an equitable manner (e.g., increase the reimbursement rate) to ensure the full expected amount of funding is distributed to schools. The revenue must be prorated if it would exceed the February 2020 forecast estimates.
- Nonpublic Pupil Transportation Aid - Allows MDE to adjust FY 2020 pupil transportation expenditures used to determine fiscal 2022 aid to ensure that the full amount of aid estimated in the February 2020 forecast is equitably allocated among districts.
- Interdistrict Desegregation or Integration Transportation Aid - Allows MDE to adjust fiscal 2020 pupil transportation expenditures used to determine fiscal 2021 aid to ensure that the full amount of aid estimated in the February 2020 forecast is equitably allocated among districts.
- Adult Basic Education Aid - Allows MDE to recalculate the contact hour reimbursement rate for fiscal 2021 or otherwise adjust the formula to fully spend the amount estimated based on the February 2020 forecast. The aid must be prorated if it would exceed the February 2020 forecast estimates.
- Literacy Incentive Aid - Excludes tests administered during the 2019-20 school year from the three-year averages used in computing the aid for FY 2021, FY 2022, and FY 2023, and allows the commissioner to adjust the formula rates for these years to ensure that the aid does not fall below the amount estimated in the February 2020 forecast.

APPENDIX C (CONTINUED)

- School Age Care Revenue - For fiscal 2020 and 2021 only, for spending on or after March 18, 2020, each district's school-age care revenue continues at its approved amounts, and program funds may be reallocated consistent with the process and limitations of the fund transfer provisions in the bill.
- Community Education After-School Enrichment Revenue - For fiscal 2020 and 2021 only, for spending occurring on or after March 18, 2020, after-school enrichment revenue may be reallocated consistent with the process and limitations of the fund transfer provisions in the bill.
- Early Childhood Screening - Directs MDE to calculate the aid for fiscal 2020 and 2021 using the formula amounts set in statute for each age group and the 2018-19 school year counts of children screened for each age group.
- Achievement and Integration Revenue - Authorizes a school district to carry over any unspent balance of its approved budget for fiscal 2020 into fiscal 2021. If spent for approved purposes in fiscal 2021, the district would generate additional fiscal 2021 revenue over and above the regular formula limitations.

Fund Transfers

Allows a school district, charter school, or a cooperative unit to make operating fund and account transfers for fiscal years 2020 and 2021 only. The amounts to be transferred are limited to revenue not already assigned or encumbered by staff salary and benefits, or otherwise encumbered by federal law. There is a requirement that the fund or account transfer be revenue neutral for the district and not affect the receipt of its aid or levy. Board approval is required along with being well documented in the accounting records.

Debt Service Cash Flow

For fiscal 2021 only, a school district unable to make a required debt service payment because of an anticipated delay in property tax receipts may apply for modified cash flow payments under Minnesota Statutes, section 127A.45. The school district must apply in the form and manner specified by the commissioner of education and the commissioner must adjust the timing of Integrated Department of Education Aids System (IDEAS) state aid payments accordingly.

The following provisions were passed as part of the 1st special session.

Transportation Contracts

Contracts for the transportation of children or the purchase of fuel (vehicle or heating) are limited to 10 years in duration.

Referendum Notice

For referendum notices mailed on or after July 1, 2020, the maximum notice period was extended from 30 to 45 days.

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 CAN BE TAKEN NOW

- 1) **Gather leases and contracts.** Depending on the number of leases your organization has, this may be a bigger challenge than anticipated. Keep in mind that not all leases are written “lease” agreements. Some contracts also include embedded leases that were previously treated as expenses, so you may be surprised to find more operating leases than you realized. Checking accounts payable for recurring payments may help you locate agreements that you’ll need to analyze.
- 2) **Analyze all contracts to determine which are leases under the new standard.** GASB 87 defines a lease as a “contract that conveys control of the right to use another entity’s nonfinancial asset (the underlying asset), as specified in the contract, for a period of time in an exchange or exchange-like transaction.” Here are some of the agreements that can be excluded:
 - Short-term leases that are one year or less in duration.
 - Intangibles, such as investment assets, software licenses, and patents.
 - Financed purchases, where ownership of the asset transfers at the end of the lease without an additional payment.
- 3) **Review leases for multiple components.** Some leases include service agreements that will need to be split off from the entire lease. Many agreements (like service agreements and supply contracts) may qualify as leases under GASB 87. Some examples of service contracts that may have embedded leases can include cafeteria equipment, soda fountains, water coolers, coffee machines, etc., where the government may get to use a particular piece of equipment for free in return for the exclusive use of the provider’s products.
- 4) **Determine appropriate materiality thresholds for capitalization.** Work with your auditor to determine what this should be. Be aware that items that are well below that threshold individually may be material in the aggregate.

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) **Begin the process early.** Early adopters report that they need two or three hours per lease to analyze and extract the data. Adding to the challenge, many government finance professionals wear many hats, and dealing with financial matters may be only a small part of their responsibilities. Be sure to keep the resulting information very organized and accessible and also keep in mind the new information that will be required for footnote disclosures.
- 10) **Start learning and keep learning.** Understanding the new standards is a steep learning curve. You'll need to dedicate time and resources for your team to get up to speed.

APPENDIX D (CONTINUED)

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 postponed to reporting periods beginning after December 15, 2020. Earlier application is encouraged.

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

GASB Statement No. 90 modifies previous guidance for reporting a government's majority equity interest in a legally separate organization by specifying that this type of interest should be reported as an investment if it meets the definition of an investment as prescribed in GASB 72. For all other holdings of a majority equity interest, a government would report the legally separate organization as a component unit, and the government or fund that holds the interest would report the asset using the equity method. Initially effective for reporting periods beginning after December 15, 2018 but postponed to reporting periods beginning after December 15, 2019.

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
- 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

Board of Education
Independent School District No. 623
Roseville Area Schools
Roseville, Minnesota

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Roseville Area Schools (the District) as of and for the year ended June 30, 2020, and have issued our report thereon dated December 4, 2020. 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

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 15 to the financial statements, the District implemented GASB Statement No. 84, *Fiduciary Activities*, which did not have a material impact on the beginning fund balance amounts.

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.

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 federal through the Minnesota Department of Education
- Estimated useful lives of depreciable capital assets
- Retirement Pay and Other Compensated Absences Payable
- Other Postemployment Benefits Payable
- Estimated proportionate share of PERA's and TRA's net pension 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 2020. 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 District. 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 2020 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 District's special education aid. Because the tuition amounts are based on estimated information, final entitlements are not expected to be known until well into the following fiscal year. Management expects any differences between estimated and actual data will be insignificant.

Management's estimate of due from federal through the Minnesota Department of Education is based on amounts anticipated to be received through the state for various federal aid entitlements for fiscal 2020. Many federal entitlements require that supporting financial reporting information be provided both in the Uniform Financial Accounting and Reporting Standards (UFARS) accounting system and also the 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 the useful lives for depreciable capital assets is based on guidance recommended by the Minnesota Department of Education and other sources. The useful life of a depreciable capital asset determines the amount of depreciation that will be recorded in any given reporting period as well as the amount of accumulated depreciation that is reported at the end of a reporting period.

Accounting estimates (Continued)

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

Management's estimate of other postemployment benefits payable is based on an actuarially determined calculation. The total liability is reduced by the amount held in the Other Postemployment Benefit Trust for the payment of such liabilities.

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.

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. The uncorrected misstatements of the financial statements are summarized below. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole:

Management passed on recording lease agreements as capital leases. The effect of passing on this adjustment is an understatement of assets of approximately \$255,000, an understatement of liabilities of approximately \$144,000, an understatement of governmental activities change in net position of approximately \$111,000 and an understatement of ending net position of approximately \$81,000.

Management passed on reclassifying restricted fund balance for approximately \$148,000 of Student Activity Funds in the General Fund. This amount is immaterial to the financial statements of the General Fund. The effect of passing on this adjustment is an understatement of restricted fund balance of approximately \$148,000 and an overstatement of unassigned fund balance of approximately \$148,000.

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. 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 4, 2020.

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 audit findings or issues

We have provided a separate letter to you dated December 4, 2020, communicating internal control related matters identified during the audit.

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.

Other information in documents containing audited financial statements (Continued)

With respect to the schedule of expenditures of federal awards (SEFA) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the SEFA to determine that the SEFA complies with the requirements of the Uniform Guidance, the method of preparing it has not changed from the prior period or the reasons for such changes, and the SEFA is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the SEFA to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated December 4, 2020.

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 4, 2020.

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

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



CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 4, 2020