CliftonLarsonAllen LLP
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December 5, 2023

School Board
Minnetonka Public Schools
Independent School District No. 276
Minnetonka, 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

Craig W Popenhagen

Craig Popenhagen, CPA
Principal

MINNETONKA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 276

EXECUTIVE AUDIT SUMMARY (EAS) AND MANAGEMENT REPORT

YEAR ENDED JUNE 30, 2023

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INDEPENDENT SCHOOL DISTRICT NO. 276
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EXECUTIVE AUDIT SUMMARY (EAS)
AND MANAGEMENT REPORT
FOR
MINNETONKA PUBLIC SCHOOLS
YEAR ENDED JUNE 30, 2023

We prepared this Executive Audit Summary and Management Report in conjunction with our audit of the District's financial statements for the year ended June 30, 2023. We appreciated the time that staff took to work with us to complete the engagement—especially the efforts of Jess Hulitt and Ashwin Muni who were our main contacts on the audit.

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 reported in our review of laws, regulations, contracts, and grants that could have significant financial implications to the District.

Internal Controls – One material weakness in internal controls was noted. This was related to a material adjustment for $529,934 in retainage payable which was not properly accrued into fiscal year 2023. One significant deficiency in internal controls was noted. This was related to adjustments for construction in progress and accumulated depreciation.

Single Audit – As part of the Single Audit we tested the District's compliance with all direct and material requirements of major federal programs (Child Nutrition Cluster, Special Education Cluster, and Education Stabilization Fund). We noted two material weaknesses with regards to procurement and suspension and debarment in the Child Nutrition Program and Special Education Program.

Legal Compliance – We noted one item of noncompliance with regards to Minnesota Legal Compliance, related to the prompt payment of bills.

Enrollment – For fiscal 2022-23, Minnetonka Public Schools had an estimated total adjusted average daily membership of 11,258.71 (or 12,319.85 adjusted pupil units). For fiscal 2021-22, Minnetonka Public Schools had an estimated total adjusted average daily membership of 11,223.23 (or 12,269.68 adjusted pupil units).

Fund Balance – The District's General Fund unassigned fund balance decreased by $239,985 during fiscal 22-23, decreasing from $19,237,087 to $18,997,102. Total fund balance of the General Fund decreased by $499,940 ending at $26,989,324 as of June 30, 2023. The ending unassigned fund balance represents 11.16% 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 cash flow, as a cushion against unanticipated expenditures, enrollment declines, funding deficiencies, and aid prorations at the state level and similar problems.

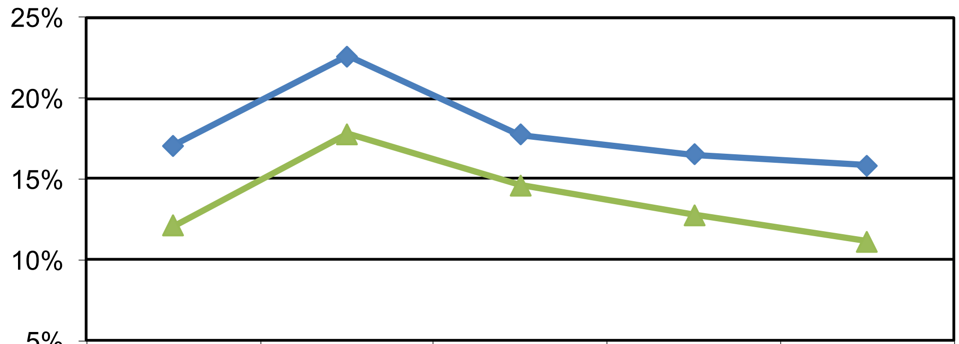
Budget to Actual – Total revenues on a net basis in the General Fund were $867,326 (or 0.52%) more than the budgeted amount while total expenditures were $2,233,098 (or 1.33%) more than had been budgeted. The net effect of the actual budget variances, including transfers in and other financing sources, was a decrease to total fund balance that was approximately $499,940 less than the decrease that had been reflected in the District's budget. On a budget this large, these variances reflect excellent budget development, monitoring, and outcomes, and are consistent with prior year variances.

I. FINANCIAL RESULTS

Fund Balances of the General Fund

As a percentage of annual expenditures (Board policy is to maintain at least 6% in the unassigned fund balance):

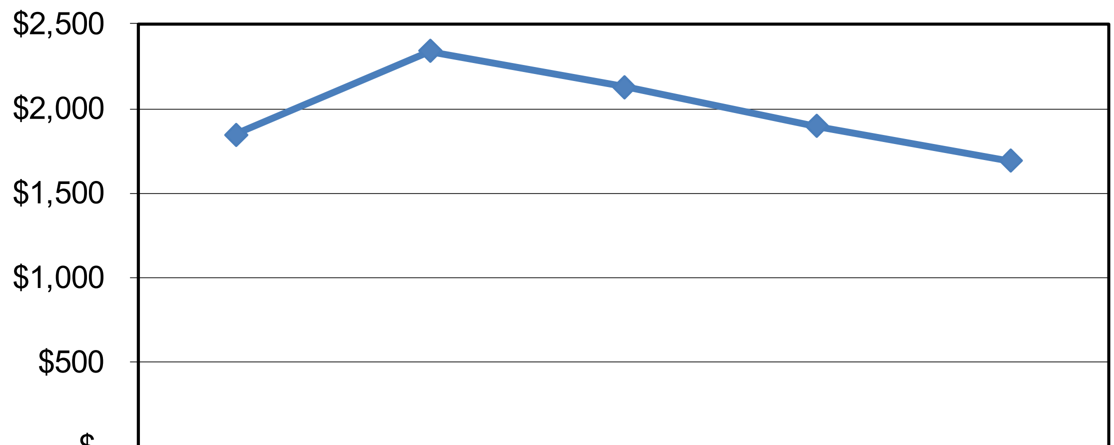
Fund Balance as a Percent of Expenditures in General Fund



	2019	2020	2021	2022	2023
Unassigned Fund Balance	20,175,858	25,906,236	23,480,722	21,266,174	18,997,102
Unassigned Fund Balance	12.12%	17.76%	14.61%	12.78%	11.16%
Total Fund Balance	28,367,299	32,955,275	28,519,124	27,489,264	26,989,324
Total Fund Balance	17.05%	22.59%	17.75%	16.52%	15.86%

Per student served.

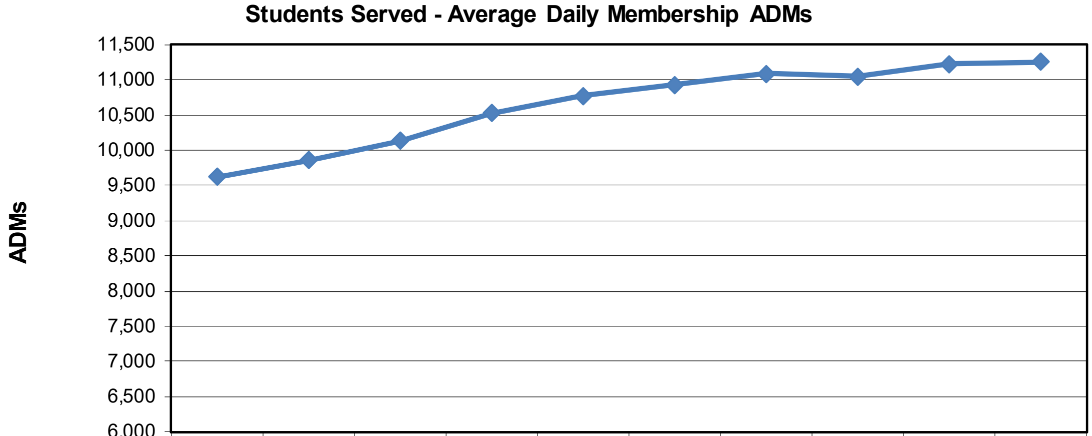
General Fund Unassigned Fund Balance Per ADM



	2019	2020	2021	2022	2023
Fund Balance Per ADM	$1,846	$2,336	$2,125	$1,895	$1,687

I. FINANCIAL RESULTS (CONTINUED)

Students Served



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Students Served (ADMs)	9,624	9,859	10,131	10,521	10,774	10,927	11,088	11,050	11,223	11,259

I. FINANCIAL RESULTS (CONTINUED)

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,	
	2023	2022
Total Fund Balance for Governmental Funds	$ 54,749,067	$ 57,253,433
Capital Assets, Less Accumulated Depreciation	183,490,034	172,986,730
Long-Term Liabilities	(190,481,899)	(188,101,261)
Net Pension Liability	(129,684,563)	(70,124,680)
Other Postemployment Benefits Liability	(9,080,649)	(9,555,193)
Deferred Inflows/Outflows for Pensions - Net	23,171,212	(60,723,949)
Other - Net	21,593,288	23,577,267
Total Net Position - Governmental Activities	$ (46,243,510)	$ (74,687,653)
Net Position		
Net Investment in Capital Assets	$ 13,262,262	$ 16,182,044
Restricted	27,506,026	20,826,373
Unrestricted	(87,011,798)	(111,696,070)
Total Net Position - Governmental Activities	$ (46,243,510)	$ (74,687,653)

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.

I. FINANCIAL RESULTS (CONTINUED)

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 2023 and 2022:

	As of June 30,	
	2023	2022
Net Change in Fund Balance - Total Governmental Funds	$ (2,504,366)	$ 18,578,840
Capital Asset Purchases	18,906,338	13,590,380
Depreciation	(10,156,601)	(8,920,538)
Issuance of Long-Term Liabilities	(16,464,838)	(61,074,343)
Repayment of Debt	15,013,879	51,883,610
Change in OPEB Liability	474,544	605,257
Change in Net Pension Liability and Related Deferred Outflows and Deferred Inflows	24,335,278	3,385,256
Change in Other Long-Term Liabilities	629,806	(227,705)
Other - Net	(1,789,897)	(11,641,545)
Change in Net Position - Governmental Activities	$ 28,444,143	$ 6,179,212

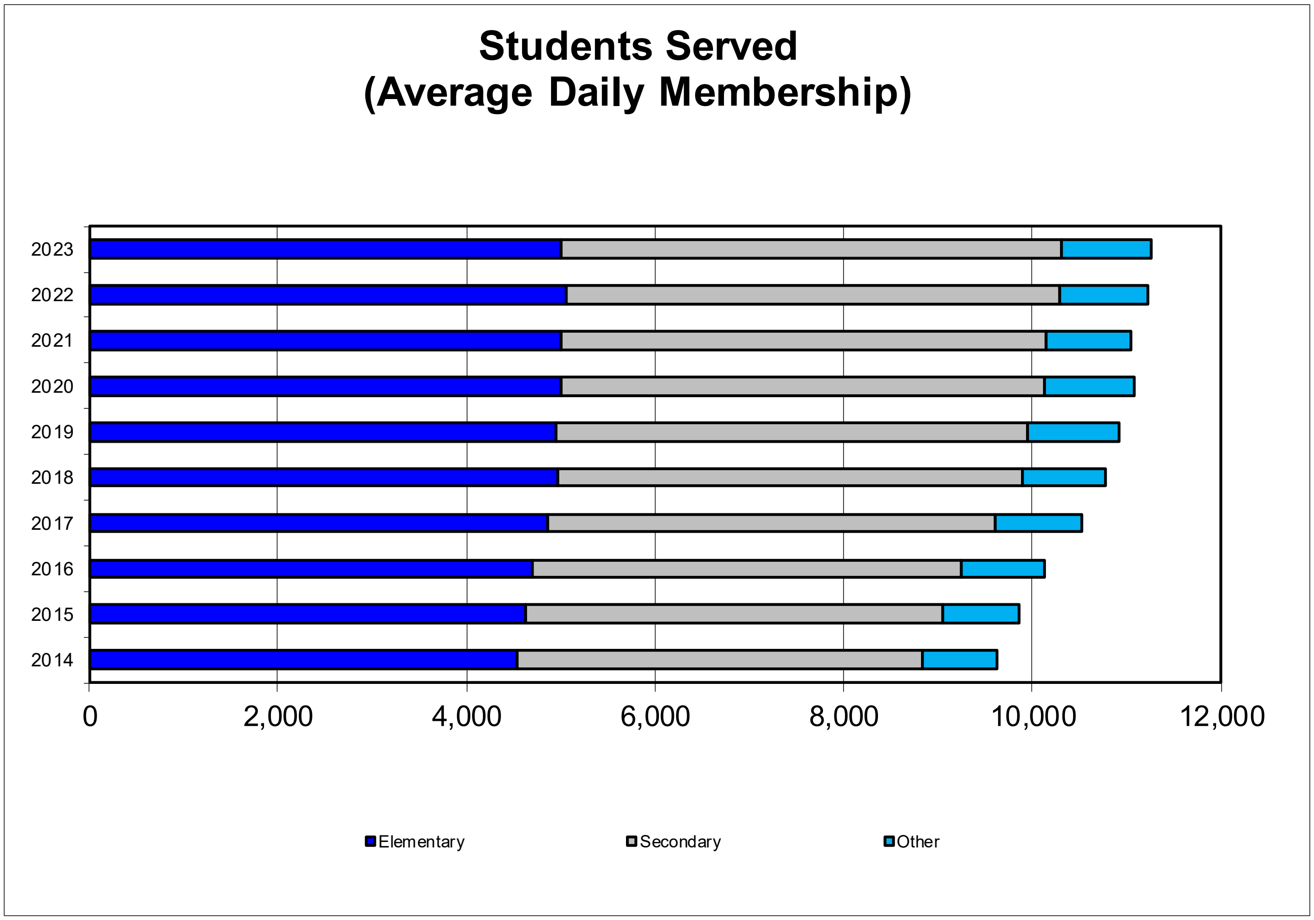
APPENDIX A

FINANCIAL TRENDS OF YOUR DISTRICT

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

Average Daily Membership and Pupil Units

The following graph summarizes average daily membership of Independent School District No. 276 over the past 10 years ended June 30:

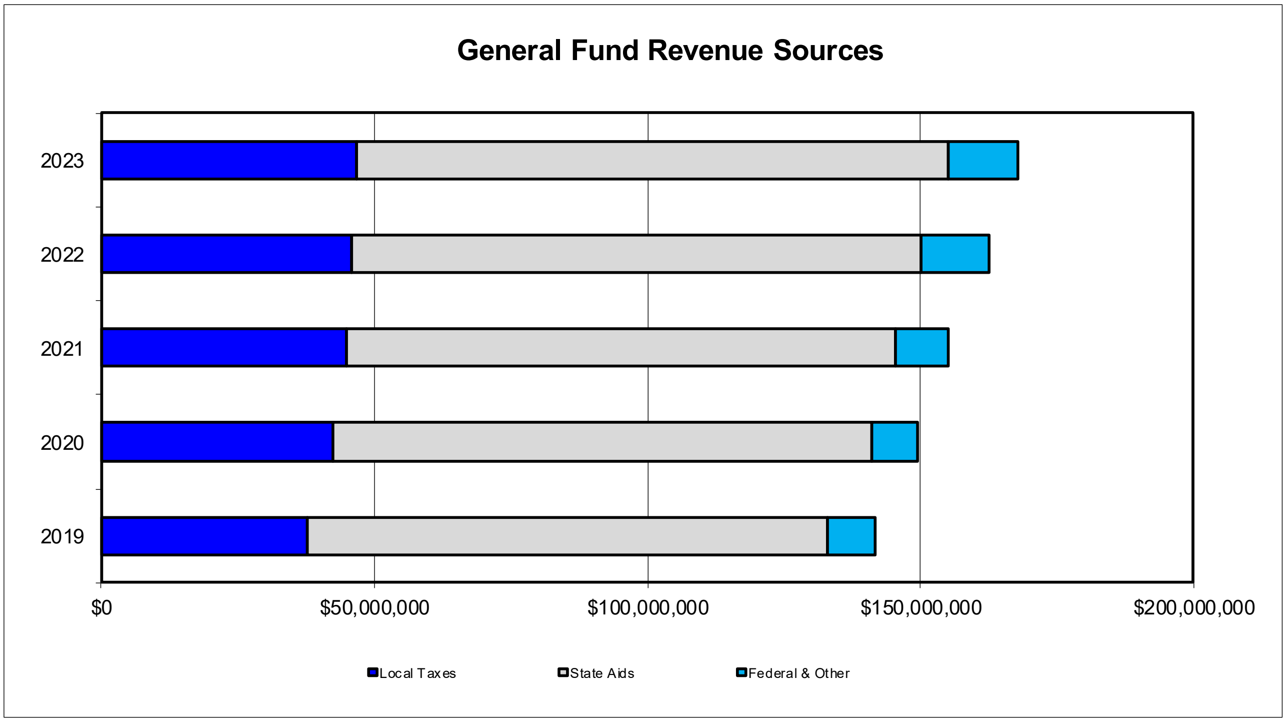


The District's average daily membership (ADM) for purposes of General Education Aid for fiscal 2023 was 11,240 students, which represents a net change of 17 more students than the prior year. Since fiscal 2014, the District's enrollment has increased by a net 16.79%.

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 such as the education homestead market value aid, this only impacts the mix between state aids and taxes and does not change total revenue. For this and other reasons, school finance in Minnesota continues to be a very difficult subject to explain to the general public.

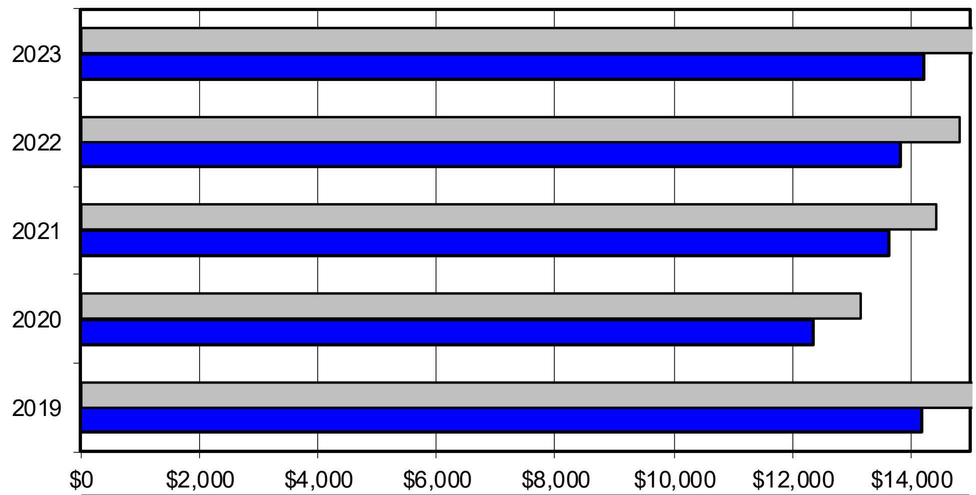
	Taxes		State		Federal and Other		
Year	Amount	Percent	Amount	Percent	Amount	Percent	Total
2019	$ 37,805,891	27	$ 95,228,354	67	$ 8,676,525	6	$ 141,710,770
2020	42,472,695	28	98,568,215	66	8,468,074	6	149,508,984
2021	44,866,205	29	100,566,817	65	9,662,472	6	155,095,494
2022	45,889,816	28	104,214,361	64	12,376,652	8	162,480,829
2023	46,678,041	28	108,373,631	65	12,724,701	8	167,776,373

APPENDIX A (CONTINUED)

Expenditures Per Student

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

General Fund Expenditures Per Student (Per ADM)



	2019	2020	2021	2022	2023
General Fund - All Expenditures	$15,228	$13,153	$14,437	$14,827	$15,113
Operating Expenditures	$14,183	$12,362	$13,611	$13,813	$14,208

General Fund Expenditures for fiscal 2023 were $170,156,444, which represents an increase of $3,755,906 or 2.26% from fiscal 2022.

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

	2023				2022
	Budget	Actual	Over (Under) Budget	Percent	Actual
Salaries	$ 104,333,427	$ 105,298,814	$ 965,387	0.9 %	$ 101,425,591
Employee Benefits	31,946,605	32,138,959	192,354	0.6	31,017,967
Purchased Services	11,907,346	13,940,494	2,033,148	17.1	12,475,869
Supplies and Materials	8,137,603	6,383,407	(1,754,196)	(21.6)	8,199,927
Capital Expenditures	3,537,646	4,492,045	954,399	27.0	5,960,316
Other Expenditures	8,060,719	7,902,725	(157,994)	(2.0)	7,320,868
Total Expenditures	$ 167,923,346	$ 170,156,444	$ 2,233,098	1.3	$ 166,400,538

The District has historically done an excellent job of allocating the budget according to the nature of the underlying cost, especially for the most critical areas of salaries and employee benefits. Budgeted expenditures were within $2,233,098 of actual amounts or 1.3% for fiscal 2023.

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:

	Fiscal Year Ended June 30,				
	2019	2020	2021	2022	2023
Revenues	$ 141,710,770	$ 149,508,984	$ 155,095,494	$ 162,480,829	$ 167,776,373
Expenditures	142,382,288	145,841,617	160,685,994	166,400,538	170,156,444
Excess (Deficiency) of Revenues Over (Under) Expenditures	(671,518)	3,667,367	(5,590,500)	(3,919,709)	(2,380,071)
Other Financing Sources:					
Issuance of Financed Purchase	-	-	-	-	231,386
Loan Proceeds	-	547,000	-	-	-
Issuance of Long-Term Leases	2,521,614	-	1,160,001	2,919,343	124,848
Issuance of Subscriptions Payable	-	-	-	-	1,548,604
Operating Transfers In	3,424,483	373,663	-	-	-
Operating Transfers In (Out)		(54)	(5,652)	(29,494)	(24,707)
Total Other Financing Sources	5,946,097	920,609	1,154,349	2,889,849	1,880,131
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	5,274,579	4,587,976	(4,436,151)	(1,029,860)	(499,940)
Fund Balance:					
Beginning of Year	23,092,720	28,367,299	32,955,275	28,519,124	27,489,264
End of Year	$ 28,367,299	$ 32,955,275	$ 28,519,124	$ 27,489,264	$ 26,989,324
Nonspendable Fund Balance	$ 2,434,164	$ 1,830,729	$ 2,458,993	$ 1,599,827	$ 2,478,777
Restricted Fund Balance	2,916,480	2,700,222	182,040	1,196,475	531,895
Assigned Fund Balance	2,840,797	2,518,088	2,397,369	5,455,875	4,981,550
Unassigned Fund Balance	20,175,858	25,906,236	23,480,722	19,237,087	18,997,102
Total Fund Balance	$ 28,367,299	$ 32,955,275	$ 28,519,124	$ 27,489,264	$ 26,989,324
Undesignated/Unassigned Fund Balance as a Percentage of Expenditures	14.17%	17.76%	14.61%	11.56%	11.16%
Total Fund Balance as a Percentage of Expenditures	19.92%	22.60%	17.75%	16.52%	15.86%

The District's General Fund had a deficit of revenues and other financing sources under expenditures and other financing uses of $499,940 for fiscal 2023, bringing total fund balance to $26,989,324 at June 30, 2023. Total fund balance includes a net $2,478,777 in nonspendable accounts, $531,895 in restricted accounts (UFARS basis) as prescribed by state statute, and $4,981,550 in assigned accounts as determined by the School Board or finance department. That leaves an unassigned fund balance of $18,997,102 at year-end, which is 11.16% of General Fund expenditures. The ending fund balance exceeds the Board policy amount of 6.0% of expenditures.

Total General Fund revenues were more than the budgeted amount for fiscal 2023 by $867,326, or 0.52%. Total General Fund expenditures were more than the budgeted amount by $2,233,098, or 1.33%. The net combined outcome of the budget variances, once other financing sources and uses budget variances were factored in, was to decrease the total ending fund balance by approximately $447,200 less than the planned decrease of approximately $947,140.

APPENDIX A (CONTINUED)

Food Service Fund

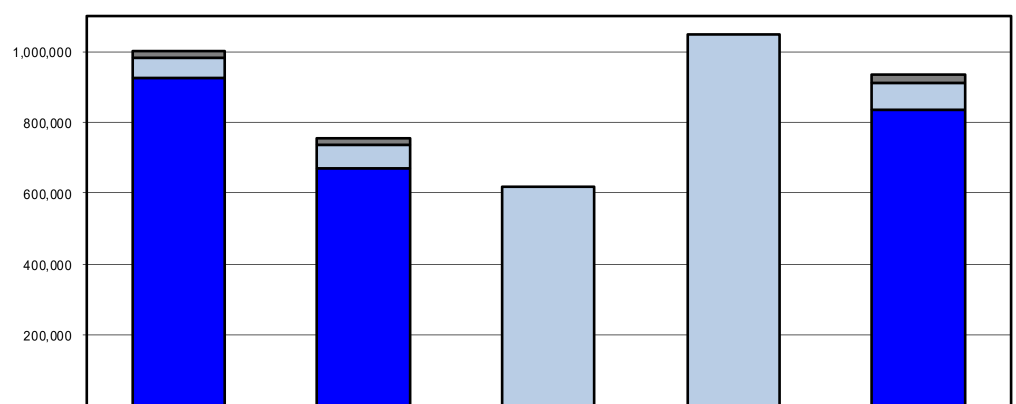
The following chart reflects the growth of the food service program over the past five years:

	Fiscal Year Ended June 30,				
	2019	2020	2021	2022	2023
Revenues	$ 6,213,010	$ 4,764,643	$ 3,384,546	$ 6,734,028	$ 6,312,341
Expenditures	5,572,946	5,104,834	3,506,676	4,986,676	5,694,842
Excess (Deficiency) of Revenues Over (Under) Expenditures	640,064	(340,191)	(122,130)	1,747,352	617,499
Fund Balance:					
Beginning of Year	1,256,039	1,896,103	1,555,912	1,433,782	3,181,134
End of Year	$ 1,896,103	$ 1,555,912	$ 1,433,782	$ 3,181,134	$ 3,798,633
Lunches Served to Students	1,001,624	753,349	617,905	1,045,465	932,033
Revenue per Lunch Served	$ 6.20	$ 6.32	$ 5.48	$ 6.44	$ 6.77

Food Service expenditures include both operating funds and equipment replacement. Total revenues exceeded expenditures by $617,499 in the District's Food Service Fund for 2023, increasing fund balance to $3,798,633 at June 30, 2023. Total Food Service Fund revenues on a net basis were approximately $188,769 more than had been reflected in the budget, while total expenditures on a net basis were approximately $1,209,570 less than budgeted; therefore, the impact on ending fund balance was an increase of $617,499, $1,415,110 more than the increase that had been budgeted.

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

MEALS SERVED TO STUDENTS



	2019	2020	2021	2022	2023
Reduced Meals	19,686	15,659	-	-	20,882
Free Meals	57,761	69,931	617,905	1,045,465	76,394
Full-Price Meals	924,177	667,759	-	-	834,757
Total Meals Served	1,001,624	753,349	617,905	1,045,465	932,033

Full-Price Meals   Free Meals   Reduced Meals   Total Meals Served

APPENDIX A (CONTINUED)

Community Service Fund

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

	2019	2020	2021	2022	2023
Revenues	$ 13,265,443	$ 11,218,105	$ 8,972,238	$ 13,101,390	$ 15,049,476
Expenditures	12,095,261	12,113,784	9,208,585	11,278,079	13,256,234
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,170,182	(895,679)	(236,347)	1,823,311	1,793,242
Other Financing Sources					
Transfers Out	(3,300,000)	-	8,850	39,770	24,707
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	(2,129,818)	(895,679)	(227,497)	1,863,081	1,817,949
Fund Balance:					
Beginning of Year	4,164,116	2,034,298	1,138,619	911,122	2,774,203
End of Year	$ 2,034,298	$ 1,138,619	$ 911,122	$ 2,774,203	$ 4,592,152
Fund Balance:					
Nonspendable	$ 192,812	$ 56,493	$ 92,309	$ 13,755	$ 22,897
Restricted for E.C.F.E.	82,345	212,523	397,857	532,075	505,572
Restricted for Community Ed	1,520,924	649,255	153,886	1,820,785	3,516,044
Restricted for School Readiness	216,361	200,143	243,114	281,722	319,478
Restricted for Adult Basic Educ	14,524	14,524	14,524	7,249	14,524
Restricted for Other Purposes	7,332	5,681	9,432	118,617	213,637
Total Fund Balance	$ 2,034,298	$ 1,138,619	$ 911,122	$ 2,774,203	$ 4,592,152

The District's Community Service Fund had an excess of revenues over expenditures and other financing uses of $1,817,949 for fiscal 2023, bringing the combined fund balance to a balance of $4,592,152 after a transfer in of $24,707 at June 30, 2023.

Total revenues of the District's Community Service Fund for 2023 were $982,125 more than the budgeted amount while total expenditures were under budget by $893,558. As a result, total fund balance increased by $1,817,949 while the District had budgeted for a decrease in total fund balance of $50,520.

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 All Districts	Statewide Seven-County Metro Area	Statewide Enrollment > than 4,000	ISD No. 276 Minnetonka	ISD No. 276 Minnetonka	ISD No. 276 Minnetonka
	2022	2022	2022	2021	2022	2023
District and School Admin and Support Services	$ 1,250	$ 1,271	$ 1,241	$ 1,034	$ 1,060	$ 1,027
Regular Instruction (including Co- & Extra-Curricular)	6,494	6,743	6,621	8,007	8,008	8,162
Vocational Instruction (Career & Technical)	210	195	198	99	108	115
Special Education Instruction	2,724	2,842	2,936	1,947	2,041	2,131
Instructional Support Services	816	932	921	667	652	734
Pupil Support Services (Excluding Transportation)	564	636	622	429	506	493
Pupil Transportation	865	894	872	472	483	506
Operations & Maintenance and Other	1,113	1,072	1,068	847	880	899
Food Service	670	653	650	306	443	461
Community Service	689	767	738	832	1,002	1,152
Capital Expenditure	876	876	874	471	535	467
Debt Service	1,657	1,638	1,610	1,397	1,528	1,558
Total Pre-K - 12 Operating Expenditures	$ 17,928	$ 18,518	$ 18,351	$ 16,509	$ 17,244	$ 17,706
Percent Change from Prior Year				6.19%	4.46%	2.68%

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

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

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

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

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

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

Pupil support services - all services to pupils not classified as instructional (counseling and guidance, health services, psychological services, social work, 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

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

As the above table reflects, the Minnetonka School District has typically expended less per student than the seven-county metro area average.

APPENDIX C

FORMAL REQUIRED COMMUNICATIONS

School Board
Minnetonka Public Schools
Independent School District No. 276
Minnetonka, Minnesota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Minnetonka Public Schools ISD No. 276 (the District) as of and for the year ended June 30, 2023, and have issued our report thereon dated December 5, 2023. 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 audit services statement of work dated August 20, 2023. 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 school are described in Note 1 to the financial statements.

As described in Note 1, the District changed accounting policies related to subscription-based information technology arrangements (SBITAs) by adopting Statement of Governmental Accounting Standards Board (GASB Statement) No. 96, *Subscription-Based Information Technology Arrangements*, in fiscal year 2023. This resulted in the District capitalizing right to use SBITA assets.

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 other Minnesota school districts
- Due from federal through the Minnesota Department of Education
- Estimated useful lives of depreciable capital assets
- Estimate of insurance claims incurred but not reported
- Estimate of the District’s other postemployment benefit liability
- Estimate of the District’s severance liability
- Estimate of the District’s 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 2023. 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 2023 is not finalized until well into the next fiscal year. Management expects any differences between estimated and actual data will be insignificant.

Management’s estimate of due from other Minnesota school districts is based on amounts that have been billed to other school districts under the excess special education cost tuition billing system. The school has made a good faith effort to accurately calculate such amounts billed, but until the resident school district has an opportunity to review such underlying details as membership days, disability codes, and rates, it will not be known whether such amounts will be collected or not. Management expects any difference between amounts billed and amounts ultimately collected 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 2023. 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 Electronic Data Reporting System (EDRS) 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.

Management’s estimate of the insurance claims incurred but not reported is based on an actuarial study performed by an external actuary who utilizes various market assumptions and District data to estimate the liability each year.

Management's estimate of the liability for other postemployment benefits liability is based on an actuarial study performed by an external actuary who utilizes various market assumptions, data from the District's postemployment benefit plans and demographic information of the District's employees and retirees to estimate the liability each year.

Management's estimate of the severance liability at year-end is based on total sick leave hours accrued for each employee category, average pay rates, and the estimate of how many employees who are eligible for the benefit will retire.

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.

Significant unusual transactions

We identified no significant unusual transactions.

Difficulties encountered in performing the audit

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

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has determined that the effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The following summarizes uncorrected misstatements of the financial statements:

- A capital projects fund receivable and unavailable revenue was overstated due to a pledged receivable of $80,000. Due to the receivable being unavailable, it has no impact on fund balance and is clearly trivial to governmental activities.

Uncorrected misstatements or the matters underlying uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if management has concluded that the uncorrected misstatements are immaterial to the financial statements under audit.

Corrected misstatements

The following material misstatements detected as a result of audit procedures were corrected by management:

- Retainage payable was increased $529,934 to reflect payables which had not been properly accrued by the District.

- Construction in progress assets were increased $1,824,227. There was also an entry to remove capital assets that had been recorded twice in the amount of $161,647.

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.

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, 2022, the District adopted new accounting guidance for subscription-based information technology arrangement (SBITA). The guidance requires subscribers to recognize a right-to-use subscription asset and corresponding subscription liability for all SBITAs with agreement 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 5, 2023.

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 5, 2023, communicating internal control related matters.

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 5, 2023.

With respect to the individual fund financial statements and Uniform Financial Accounting and Reporting Standards (UFARS) 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 5, 2023.

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 sections. 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

CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 5, 2023