

INDEPENDENT SCHOOL DISTRICT NO. 2180

**REPORT TO THE
MEMBERS OF GOVERNANCE**

DECEMBER 5, 2018

**SCHLENNER WENNER & CO.
Certified Public Accountants
& Business Consultants**

INDEPENDENT SCHOOL DISTRICT NO. 2180
TABLE OF CONTENTS

Introductory Letter 1

Required Communications 2

Exhibit A – Management Letter

December 5, 2018

Members of Governance
Independent School District No. 2180
Clara City, Minnesota

We are pleased to present this report related to our audit of the financial statements of Independent School District No. 2180 (the District) for the year ended June 30, 2018. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the District's financial reporting process.

This report is intended solely for the information and use of the members of governance and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to Independent School District No. 2180.

SCHLENNER WENNER & CO.
St. Cloud, Minnesota

INDEPENDENT SCHOOL DISTRICT NO. 2180 REQUIRED COMMUNICATIONS

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication with Those Charged with Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Auditor's Responsibility under Professional Standards

Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated May 16, 2016. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of, and planned audit response to, significant risks of material misstatement.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices

Under accounting principles generally accepted in the United States of America, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the District.

Effective for the year ended June 30, 2018, the District has adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The effect of the implementation modifies the District's presentation of the net OPEB liability and related balances on the Statement of Net Position, and results in additional footnote disclosures and schedules of required supplementary information.

Significant or Unusual Transactions

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Alternative Treatments Discussed with Management

We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit period.

Management's Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The only estimates we have deemed significant to the financial statements are the estimates associated with the following balances reported at year-end:

- Amounts due from the Minnesota Department of Education
- Net pension liability and related deferred inflows/outflows of resources
- Net OPEB liability and related deferred inflows/outflows of resources

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

There were no uncorrected misstatements discovered during the course of our audit.

Audit adjustments proposed by us and recorded by the District relate to adjusting year-end balances for receivables, liabilities and fund balances, as well as recording the impact of a newly adopted accounting principle.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed with Management

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management during the audit.

Letter Communicating Significant Deficiencies and Material Weaknesses in Internal Control over Financial Reporting

We have separately communicated the significant deficiency and material weaknesses in internal control over financial reporting identified during our audit of the financial statements, and this communication is included within the compliance section of the District's financial report for the year ended June 30, 2018.

Certain Written Communications Between Management and Our Firm

We have requested certain representations from management that are included in the management representation letter dated December 5, 2018.

EXHIBIT A
MANAGEMENT LETTER

December 5, 2018

Members of Governance
Independent School District No. 2180
Clara City, Minnesota

This letter includes comments and suggestions with respect to matters that came to our attention in connection with our audit of the financial statements of Independent School District No. 2180 (the District) as of and for the year ended June 30, 2018. These items are offered as constructive suggestions to be considered as part of the ongoing process of modifying and improving the School's practices and procedures.

PRIOR YEAR COMMENTS

Authorized Signers

During our prior year procedures, we noted authorized signers assigned to the School's accounts had not been updated to reflect changes in District officials. We commend the School Board for updating the authorized signers listing and ensuring that the District's accounts are not exposed to risk.

Capitalization Policy

During our prior year procedures, we noted the School did not have a formal policy in place to help determine when assets purchased by the District should be capitalized and depreciated over future years. We commend the District for adopting and implementing a capitalization policy during the current year.

CLOSING

We wish to take this opportunity to express our sincere appreciation for all the courtesies and cooperation extended to us by Kim Sandry. We would also like to thank you for the opportunity to serve you. We look forward to serving you in the future.

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

SCHLENNER WENNER & CO.
St. Cloud, Minnesota