

INDEPENDENT SCHOOL DISTRICT NO. 2180

**REPORT TO THE
MEMBERS OF GOVERNANCE**

NOVEMBER 7, 2017

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

INDEPENDENT SCHOOL DISTRICT NO. 2180
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November 7, 2017

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, 2017. 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.

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. The Company did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.

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 estimate we have deemed significant to the financial statements is the estimate included in the calculation of amounts due from the Minnesota Department of Education.

**INDEPENDENT SCHOOL DISTRICT NO. 2180
REQUIRED COMMUNICATIONS**

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.

Uncorrected misstatements relate to prior years projected accounts payable errors and known OPEB obligation misstatement.

Audit adjustments proposed by us and recorded by the District are shown at the attached Exhibit A.

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 for the current year.

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 deficiencies 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, 2017.

Certain Written Communications Between Management and Our Firm

We have requested certain representations from management that are included in the management representation letter dated November 7, 2017.

EXHIBIT A

**SUMMARY OF RECORDED
AUDIT ADJUSTMENTS**

Client: **2012 - Independent School District No. 2180**
 Engagement: **6-17 AUD - Independent School District No. 2180**
 Period Ending: **6/30/2017**
 Trial Balance: **3000.00 - TB**
 Workpaper: **0204.00 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
To adjust revenues and receivables to agree to levy certification and MDE reports.				
R-01-005-000-000-000-001	Levies		17,081.00	
R-04-005-505-000-321-001	Levies		564.00	
R-07-005-000-000-000-001	Levies		5,575.00	
B-01-110-000	Curr Property Taxes Rec			17,081.00
B-04-110-000	Curr Property Taxes Rec			564.00
B-07-110-000	Curr Property Taxes Rec			5,575.00
Total			23,220.00	23,220.00
Adjusting Journal Entries JE # 2				
To adjust delinquent property taxes receivable and deferral.				
B-01-111-000	Del Property Taxes Rec		8,383.00	
B-01-231-000	Deferred Rev-Del		3,030.00	
B-04-111-000	Del Property Taxes Rec		40.00	
B-04-231-000	Deferred Rev-Del		80.00	
B-07-231-000	Deferred Rev-Del		2,043.00	
B-07-111-000	Del Property Taxes Rec			858.00
R-01-005-000-000-000-001	Levies			11,413.00
R-04-005-505-000-321-001	Levies			120.00
R-07-005-000-000-000-001	Levies			1,185.00
Total			13,576.00	13,576.00
Adjusting Journal Entries JE # 3				
To adjust property taxes levied for subsequent years to the proper year-end balance.				
B-01-235-000	Property Tax Levied For Sub Years		1,935.00	
B-04-235-000	Property Tax Levied For Sub Years		440.00	
B-07-235-000	Property Tax Levied For Sub Years		3,978.00	
R-01-005-000-000-000-001	Levies			1,935.00
R-04-005-505-000-321-001	Levies			440.00
R-07-005-000-000-000-001	Levies			3,978.00
Total			6,353.00	6,353.00
Adjusting Journal Entries JE # 4				
To reallocate tax revenues amongst funds based on MDE reports.				
B-07-101-001	Cash - Citizens Bank		12,942.00	
R-01-005-000-000-000-001	Levies		12,942.00	
B-01-101-001	Checking Cash - Citizens Bank			12,942.00
R-07-005-000-000-000-001	Levies			12,942.00
Total			25,884.00	25,884.00
Adjusting Journal Entries JE # 5				
To record current year investment earnings				
B-01-104-000	Investments/Cd's		25.00	
R-01-005-000-112-000-092	Investment Interest			25.00
Total			25.00	25.00
Adjusting Journal Entries JE # 6				
To break out levy revenues based on levy certification.				
R-01-005-000-000-000-001	Levies		437,647.00	
R-04-005-505-000-321-001	Levies		40,487.00	
R-01-005-000-000-313-001	Integration Levy			20,750.00
R-01-005-000-000-342-001	Safe Schools			25,957.00
R-01-005-000-000-385-001	Deferred Maintenance			896.00
R-01-005-000-000-467-001	LTFM Levy			136,760.00
R-01-005-000-000-797-001	Levies-OPEB			11,197.00
R-01-005-000-000-830-001	Career/Tech Educ. Levy			11,154.00
R-04-005-580-000-325-001	ECFE Local Levies			40,036.00

Client: **2012 - Independent School District No. 2180**
 Engagement: **6-17 AUD - Independent School District No. 2180**
 Period Ending: **6/30/2017**
 Trial Balance: **3000.00 - TB**
 Workpaper: **0204.00 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
R-04-005-580-000-328-001	Home Visit Levy			451.00
R-05-005-850-000-302-001	Levies			172,858.00
R-05-005-860-000-000-001	H&S Levies			58,075.00
Total			478,134.00	478,134.00

Adjusting Journal Entries JE # 7

Adjusting Journal Entry per Client: To adjust for student activities checking account transfer from "Do Not Use" account

B-01-101-001	Checking Cash - Citizens Bank		536.00	
B-21-101-001	Do Not Use		1,061.00	
B-01-101-021	Do Not Use			536.00
B-21-101-021	Student Activity Cash-Citizens Bank			1,061.00
Total			1,597.00	1,597.00

Adjusting Journal Entries JE # 8

To record money market interest activity during FY17

B-01-101-004	MM Investment - Aid Anticipation		4,294.00	
R-01-005-000-112-000-092	Investment Interest			4,294.00
Total			4,294.00	4,294.00

Adjusting Journal Entries JE # 9

Adjusting Journal Entry per Client: To adjust Accounts Payable for FY17 DARE and ACT Spring 2017 testing invoices.

E-01-010-790-000-000-305	DARE		2,127.00	
E-01-020-710-000-000-461	Standarized Tests		2,399.00	
B-01-206-000	Accounts Payable			4,526.00
Total			4,526.00	4,526.00

Adjusting Journal Entries JE # 10

To reverse prior year F16 accounts payable

B-01-206-000	Accounts Payable		77,250.00	
E-01-020-211-318-000-185	WC Collaborative - Gamma		3,270.00	
E-01-020-211-318-000-210	FICA/Medicare		249.00	
E-01-020-211-318-000-218	TRA		245.00	
E-01-020-211-318-000-366	Travel		153.00	
E-01-002-203-000-000-280	Unemployment Comp.			1,050.00
E-01-005-608-000-000-555	Technology Equipment			64,130.00
E-01-005-608-000-000-820	ITV Leave/Site Licenses			720.00
E-01-020-640-000-313-390	WC Integration Collab.			84.00
E-01-020-640-000-313-390	WC Integration Collab.			1,315.00
E-01-020-640-000-313-390	WC Integration Collab.			1,537.00
E-01-020-640-000-313-390	WC Integration Collab.			2,175.00
E-01-020-640-000-313-390	WC Integration Collab.			5,111.00
E-01-020-640-000-318-390	WC Integ Collab. Teacher Eval			564.00
E-01-020-640-000-318-390	WC Integ Collab. Teacher Eval			568.00
E-01-020-640-000-318-390	WC Integ Collab. Teacher Eval			3,913.00
Total			81,167.00	81,167.00

Adjusting Journal Entries JE # 11

To adjust capital asset accounts for current year activity.

B-98-143-000	Equipment		65,204.00	
B-98-430-000	Investments in General Fixed Assets		897,243.00	
B-98-172-000	Acc Depreciation Building			909,610.00
B-98-173-000	Acc Depreciation Equipment			52,837.00
Total			962,447.00	962,447.00

Adjusting Journal Entries JE # 12

To record prepaid bond interest paid

B-07-131-000	Prepaid Exp		7,288.00	
E-07-005-910-000-000-720	Bond Interest			7,288.00
Total			7,288.00	7,288.00

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 Period Ending: **6/30/2017**
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 Workpaper: **0204.00 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 13				
To record final activity in fund 06 checking account.				
B-01-101-006	Bond Checking Acct		24.00	
E-06-005-865-000-366-520	Build Acq or Constr		465.00	
E-06-005-870-000-000-520	Build Acq or Constr		2,150.00	
B-06-101-006	Bond Checking Acct			2,615.00
R-01-005-000-112-000-092	Investment Interest			24.00
Total			2,639.00	2,639.00
Adjusting Journal Entries JE # 14				
To break out e-rate revenue from expense account.				
E-01-005-608-000-000-555	Technology Equipment		37,520.00	
R-01-005-608-000-000-400	E-Rate Rev (SW reclass)			37,520.00
Total			37,520.00	37,520.00
Adjusting Journal Entries JE # 15				
To eliminate nonspendable fund balance in fund 01.				
B-05-460-000	Nonspendable Fund Balance		20,000.00	
B-05-422-000	Unappropriated			20,000.00
Total			20,000.00	20,000.00

EXHIBIT B

MANAGEMENT LETTER

November 7, 2017

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, 2017. 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.

Authorized Signers

During our current year procedures, we noted authorized signers assigned to the School's accounts had not been updated to reflect changes in District officials. We recommend the School Board review the authorized signers annually, as well as whenever there is a change in key personnel, to ensure that the District's accounts are not exposed to risk.

Capitalization Policy

During our current year procedures, we noted the School does 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 recommend the District consider implementing a policy under which only acquisitions in excess of at least \$5,000 and with a useful life in excess of one year are capitalized.

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. We appreciate serving Independent School District No. 2180 and would be happy to assist you in addressing and implementing any of the suggestions in this letter.

Schlenner Wenner & Co.

SCHLENNER WENNER & CO.
St. Cloud, Minnesota