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March 17, 2023

Board of Education  
Independent School District No. 625  
Saint Paul Public Schools  
Saint Paul, Minnesota

This Executive Audit Summary and Management Report presents information which we believe is important to you as members of the school board. We encourage you to review the sections of this report, the audited financial statements, and the auditors' reports.

We would be pleased to furnish additional information with respect to these suggestions and discuss this memorandum with you at your convenience. We wish to express our appreciation to the District for the courtesies, cooperation, and assistance extended to us during the course of our work.

**CliftonLarsonAllen LLP**

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

Michelle Hoffman, CPA  
Principal

**INDEPENDENT SCHOOL DISTRICT NO. 625  
SAINT PAUL PUBLIC SCHOOLS**

**EXECUTIVE AUDIT SUMMARY (EAS)**

**JUNE 30, 2022**



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**INDEPENDENT SCHOOL DISTRICT NO. 625  
SAINT PAUL PUBLIC SCHOOLS  
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**EXECUTIVE AUDIT SUMMARY (EAS)  
FOR  
SAINT PAUL PUBLIC SCHOOLS  
YEAR ENDED JUNE 30, 2022**

**AUDIT FINDINGS AND RESULTS**

We prepared this Executive Audit Summary and Management Report in conjunction with our audit of the District's financial records for the year ended June 30, 2022.

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

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

**Single Audit** – We noted five findings with regards to major federal programs. Those include findings for allowable costs/cost principles, level of effort, earmarking, and procurement in the Special Education program and reporting in the State and Local Fiscal Recovery Funds program. The Education Stabilization Fund was also tested and there were no findings noted with regards to that program.

**Internal Controls Over Financial Reporting** – Two material weaknesses in internal control were reported related to material audit adjustments for unearned revenues and a prior period restatement for the District's severance liability.

**Legal Compliance** – Three compliance issues were reported with respect to Minnesota Statutes. They were related to the prompt payment of bills, out of state travel policy, and electronic funds transfer policy.

**Fund Balance** – The District's General Fund unassigned fund balance increased by \$36,598,692 (UFARS basis) during fiscal 2021-2022, changing from a balance of \$39,535,236 to a balance of \$76,133,928 at June 30, 2022. Total fund balance of the General Fund increased by \$37,171,605 from operations, ending at \$165,513,015 as of June 30, 2022. The ending unassigned fund balance represents a balance of 10.38% of General Fund expenditures. A District's fund balance is an important aspect in considering the District's financial wellbeing 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 proration at the state level and similar issues.

**Enrollment** – For fiscal 2021-2022, Saint Paul Public Schools served an estimated total adjusted average daily membership of 32,775.39 (or 35,736.07 adjusted pupil units). For fiscal 2020-2021, Saint Paul Public Schools had served total adjusted average daily membership of 34,086.47 (or 37,155.91 adjusted pupil units).

**Budget to Actual** – Total revenues on a net basis in the General Fund were \$30,664,219 (or 3.98%) lower than the final budgeted amount while total expenditures on a net basis were \$65,332,655 (or 8.32%) lower than had been budgeted. The net effect of budget variances was an increase to total fund balance that was approximately \$52.8 million more than the \$15.6 million loss which had been reflected in the District's final amended budget.

## I. FINANCIAL RESULTS

### 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, 2022 had decreased significantly as a result of GASB requirements related to the actuarial calculations. The following table presents components of the District's net position at year-end, along with a simplified reconciliation of the difference between the governmental fund balances and total net position:

	As of June 30,	
	2022	2021
Total Fund Balance for Governmental Funds	\$ 357,736,560	\$ 283,398,566
Capital Assets, Less Accumulated Depreciation	671,300,637	654,370,413
Long-Term Liabilities	(661,305,405)	(615,157,989)
Net Pension Liability-related	(424,258,372)	(462,899,375)
Internal Service Funds	2,856,890	2,092,234
Other - Net	(317,852,576)	(321,179,212)
Total Net Position - Governmental Activities	<u>\$ (371,522,266)</u>	<u>\$ (459,375,363)</u>
Net Position:		
Invested in Capital Assets	\$ 129,995,075	\$ 160,905,602
Restricted	115,481,151	48,956,864
Unrestricted	(616,998,492)	(669,237,829)
Total Net Position - Governmental Activities	<u>\$ (371,522,266)</u>	<u>\$ (459,375,363)</u>

Much 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

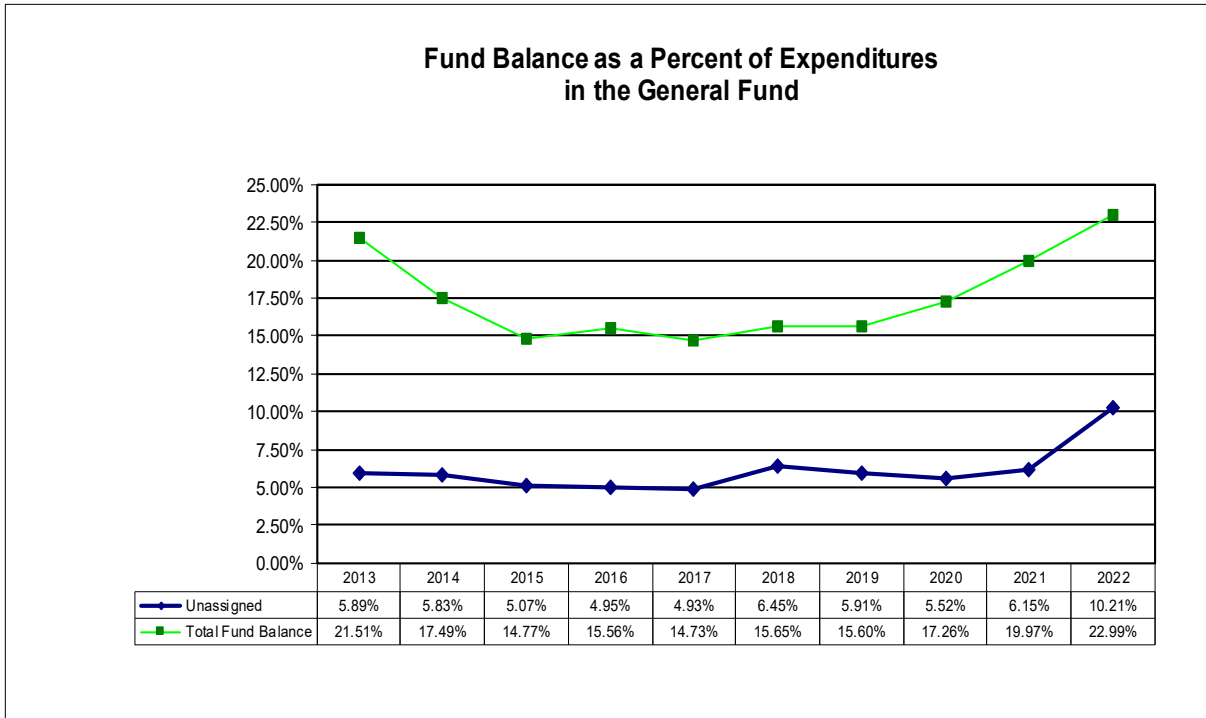
The Statement of Activities tracks the District's yearly revenues and expenses, as well as any other transactions that increase or reduce total net position. These amounts represent the full cost of providing education. This statement provides a more comprehensive measure than just the amount of cash that changed hands, as reflected in the fund-based financial statements. This statement includes the cost of supplies used, depreciation and amortization of long-lived capital assets, and other accrual-based expenses. As mentioned previously, the line item for "Change in Net Pension Liability" was a new requirement beginning in fiscal 2015. The following table presents a simplified reconciliation of the change in the District's governmental fund balances to the change in total net position for fiscal years 2022 and 2021:

	Year Ended June 30,	
	2022	2021
Net Change in Fund Balance - Total Governmental Funds	\$ 74,337,994	\$ 30,828,310
Capital Asset Purchases	50,466,393	57,891,631
Depreciation	(33,536,169)	(27,945,751)
Bond, COP, and Financed Purchase Proceeds	(90,301,143)	(97,241,921)
Repayment of Bonds and Certificates of Participation	41,490,000	81,670,404
Change in Net Pension Liability and Relate Deferred Inflows and Outflows	38,641,003	(2,822,029)
Change in Net OPEB Asset and Relate Deferred Inflows and Outflows	3,571,212	3,170,030
Change in Internal Service Funds	764,656	3,668
Other - Net	16,073,948	3,010,236
Change in Net Position - Governmental Activities	<u>\$ 101,507,894</u>	<u>\$ 48,564,578</u>

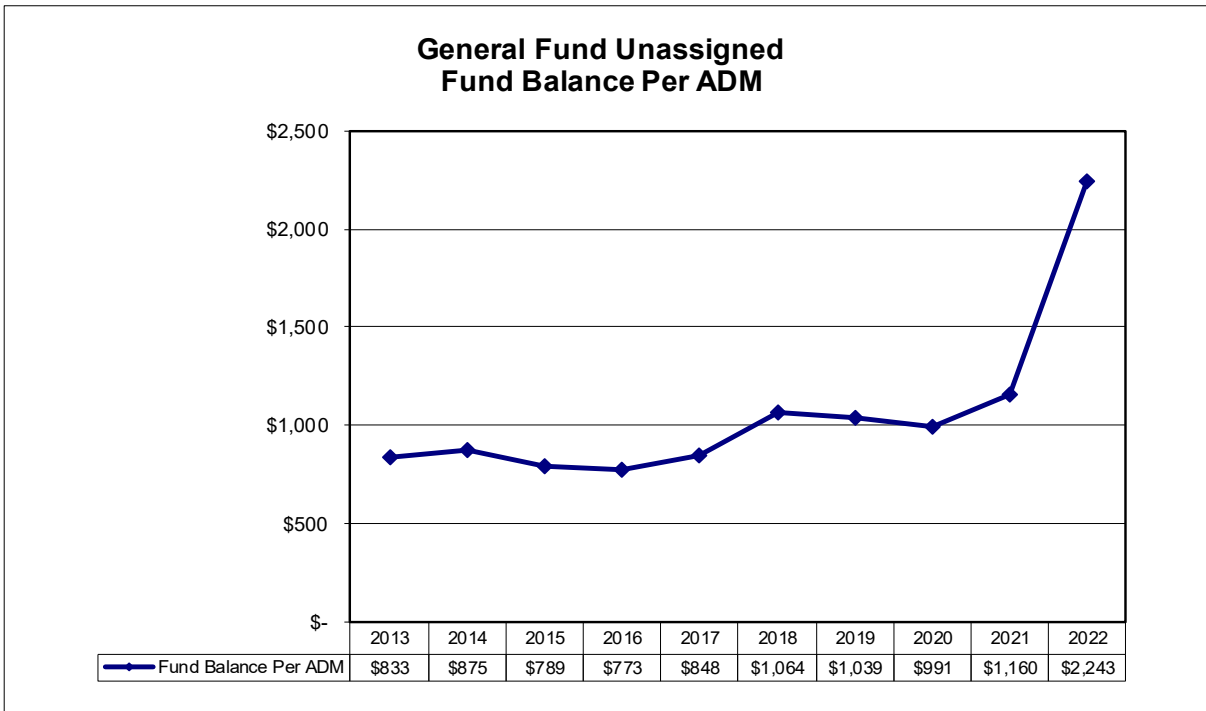
# I. FINANCIAL RESULTS (CONTINUED)

## Fund Balances

As a percentage of annual expenditures:



Per student served for aid:

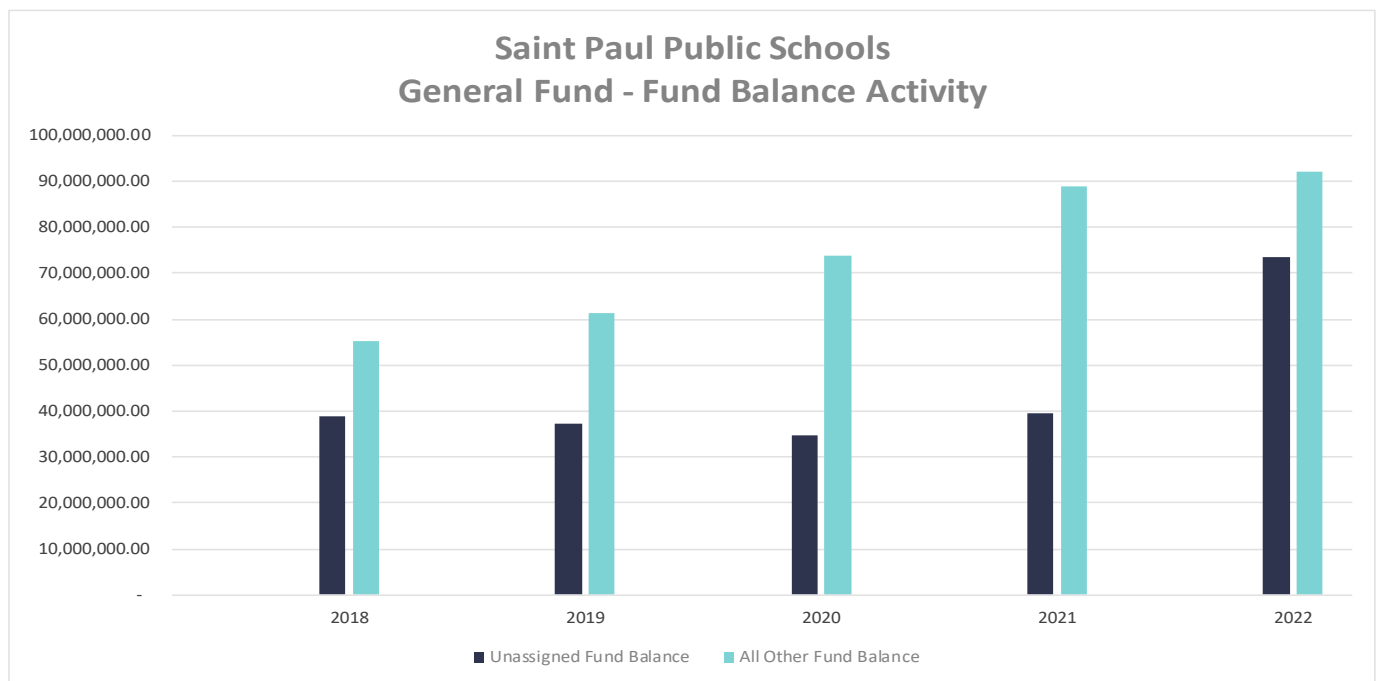


## I. FINANCIAL RESULTS (CONTINUED)

### Fund Balances of the General Fund

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

<u>UFARS Basis</u>	2018	2019	2020	2021	2022
Unassigned Fund Balance	\$ 38,742,162	\$ 37,343,123	\$ 34,687,162	\$ 39,535,236	\$ 73,504,019
All Other Fund Balance	55,240,345	61,170,131	73,742,676	88,806,174	92,008,996
Total Fund Balance	<u>\$ 93,982,507</u>	<u>\$ 98,513,254</u>	<u>\$ 108,429,838</u>	<u>\$ 128,341,410</u>	<u>\$ 165,513,015</u>
Total Expenditures	<u>\$ 600,642,532</u>	<u>\$ 631,622,218</u>	<u>\$ 628,276,993</u>	<u>\$ 642,631,641</u>	<u>\$ 719,888,405</u>
Unassigned Fund Balance as a % of Total Expenditures	<u>6.45%</u>	<u>5.91%</u>	<u>5.52%</u>	<u>6.15%</u>	<u>10.21%</u>



As reflected in the graph above, the District had been able to maintain financial strength through cost cutting measures and additional federal funding in recent years.

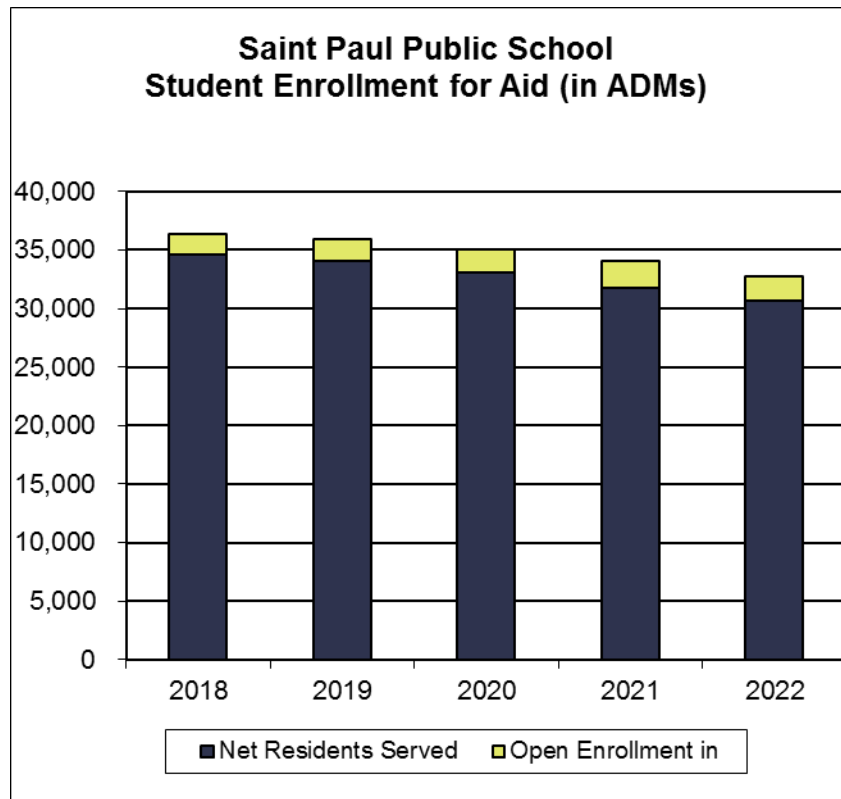


## I. FINANCIAL RESULTS (CONTINUED)

### Students Served for Aid

	2018	2019	2020	2021	2022
Total Residents	49,314.89	49,521.40	48,928.07	47,840.98	46,337.59
Open Enrollment Out *	(14,658.54)	(15,489.46)	(15,811.66)	(16,092.17)	(15,658.07)
Net Residents Served	34,656.35	34,031.94	33,116.41	31,748.81	30,679.52
Open Enrollment In	1,742.03	1,905.29	1,889.22	2,337.66	2,095.87
Net ADM Served	36,398.38	35,937.23	35,005.63	34,086.47	32,775.39
Net Pupil Units Served	39,494.92	39,026.25	38,052.96	37,155.91	35,736.07

\* - includes enrolled in charter schools



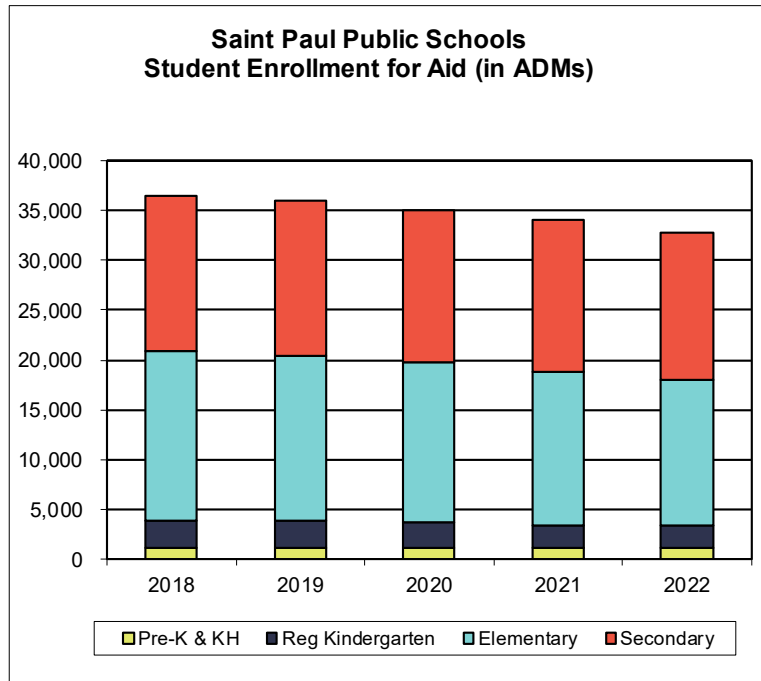
As reflected in the above chart and graph, the District's net open enrollment has continued to see small decreases over each of the previous five years.

# 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



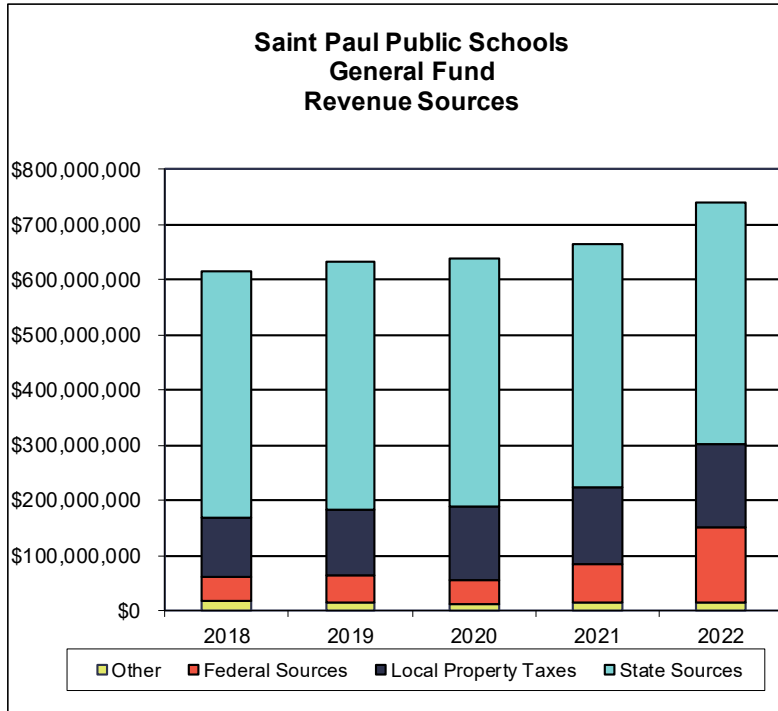
	2018	2019	2020	2021	2022
Pre-K, VPK & KH	1,105.82	1,187.11	1,148.08	1,170.33	1,157.97
Reg Kindergarten	2,752.84	2,729.09	2,488.96	2,287.86	2,213.39
Elementary	17,057.00	16,575.79	16,131.94	15,280.82	14,600.55
Secondary	15,482.72	15,445.24	15,236.65	15,347.46	14,803.48
Net ADM Served	<u>36,398.38</u>	<u>35,937.23</u>	<u>35,005.63</u>	<u>34,086.47</u>	<u>32,775.39</u>
Percent Change		(0.43)%	(1.27)%	(2.59)%	(2.63)%

As noted in the above chart, the District's student count for fiscal 2021-2022 was 1,311.08 ADM (or 3.85%) 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. For fiscal 2022 the impact of federal funding related to COVID-19 was significant but crucial in relation to the harm the enrollment decline and resulting revenue loss would have had.

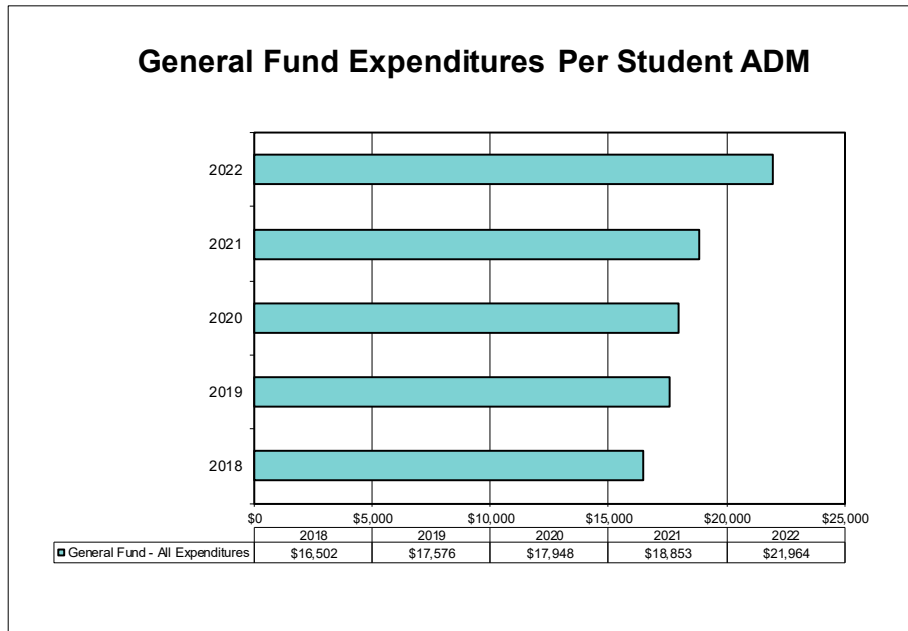
	2018	2019	2020	2021	2022
Local Property Taxes	\$ 109,238,056	\$ 117,114,826	\$ 132,789,821	\$ 139,937,337	\$ 149,734,295
State Sources	446,238,457	450,852,968	448,992,668	440,997,556	437,747,552
Federal Sources	42,442,009	49,039,002	45,441,539	68,318,851	138,082,829
Other	17,030,382	15,827,944	10,969,549	15,184,156	13,355,173
<b>Total Revenues</b>	<b>\$ 614,948,904</b>	<b>\$ 632,834,740</b>	<b>\$ 638,193,577</b>	<b>\$ 664,437,900</b>	<b>\$ 738,919,849</b>

	2018	2019	2020	2021	2022
Local Property Taxes	18 %	19 %	21 %	21 %	20 %
State Sources	73	71	70	66	59
Federal Sources	7	8	7	10	19
Other	3	3	2	2	2
<b>Total Revenues</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>

**APPENDIX A (CONTINUED)**

**Expenditures Per Student**

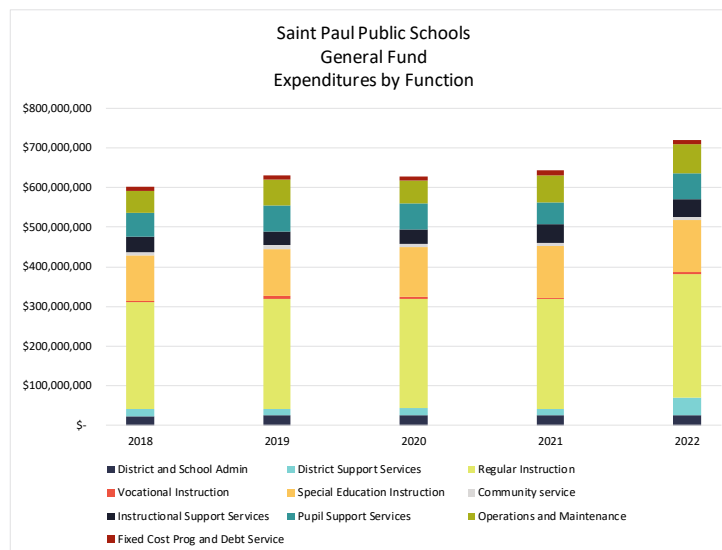
Expenditures per Student (average daily membership) are summarized in the following graph.



In fiscal 2022, General Fund expenditures per student increased 13.58% while total ADMs served decreased 3.85%.

**General Fund Operations and Financial Position**

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



**APPENDIX A (CONTINUED)**

**General Fund Operations and Financial Position (Continued)**

	2018	2019	2020	2021	2022
District and School Admin	\$ 23,854,360	\$ 24,537,667	\$ 26,734,883	\$ 24,763,769	\$ 26,946,794
District Support Services	16,938,836	16,285,155	16,896,652	17,866,125	42,207,372
Regular Instruction	269,413,767	279,467,164	275,867,827	275,827,134	313,268,433
Vocational Instruction	2,847,300	5,972,344	4,363,793	4,434,984	4,933,553
Special Education Instruction	115,418,197	119,596,282	126,095,315	129,865,375	129,629,857
Community service	7,349,794	8,390,698	8,405,509	7,508,842	7,579,518
Instructional Support Services	40,780,667	35,213,420	35,367,060	46,101,475	45,935,045
Pupil Support Services	59,285,630	64,980,833	65,245,628	55,044,245	64,807,550
Operations and Maintenance	54,387,609	66,252,806	58,643,295	69,561,663	74,900,983
Fixed Cost Prog and Debt Service	10,366,372	10,925,849	10,657,031	11,658,029	9,679,300
<b>Total Expenditures</b>	<b>\$ 600,642,532</b>	<b>\$ 631,622,218</b>	<b>\$ 628,276,993</b>	<b>\$ 642,631,641</b>	<b>\$ 719,888,405</b>

The following chart summarizes District General Fund Expenditures by object type.

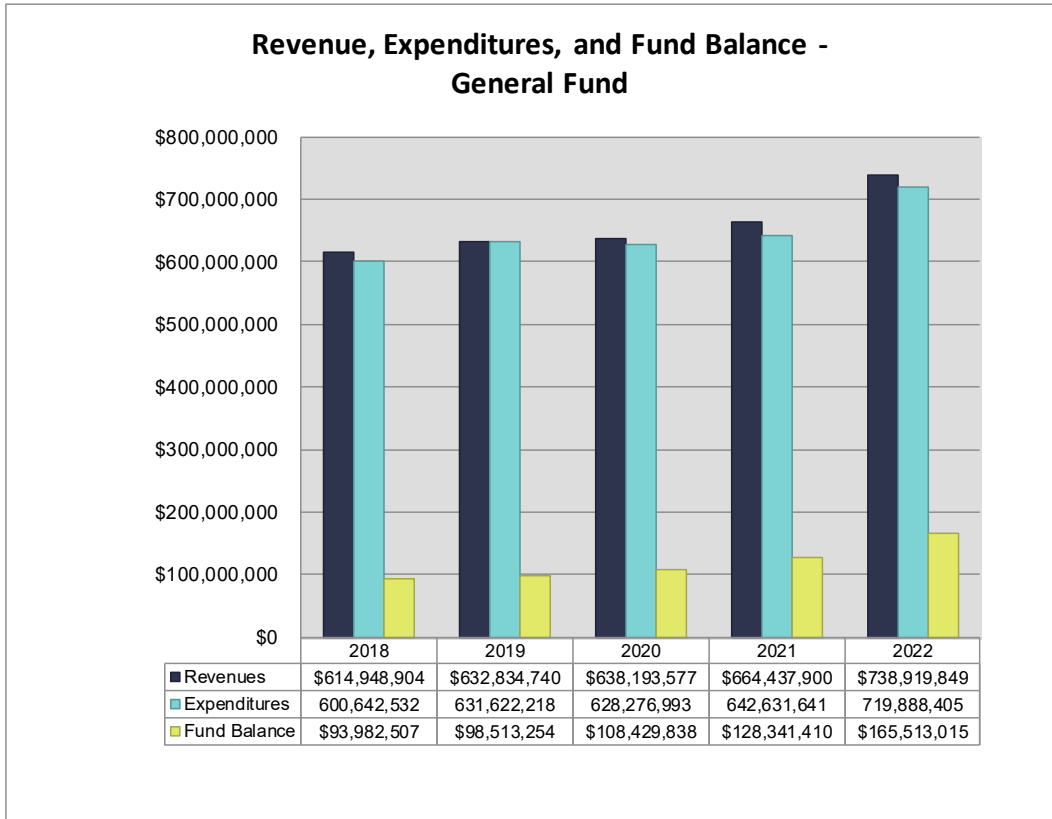
	2022			
	Final Amended Budget	Actual	Over (Under) Budget	Var %
Salaries	\$ 450,276,218	\$ 414,372,972	\$ (35,903,246)	(7.97)%
Employee Benefits	163,923,900	150,343,879	(13,580,021)	(8.28)
Purchased Services	84,331,618	74,473,573	(9,858,045)	(11.69)
Supplies and Materials	43,910,836	29,899,053	(14,011,783)	(31.91)
Capital Expenditures	26,885,220	14,546,488	(12,338,732)	(45.89)
Other Expenditures	15,893,268	18,182,263	2,288,995	14.40
<b>Total Expenditures</b>	<b>\$ 785,221,060</b>	<b>\$ 701,818,228</b>	<b>\$ (83,402,832)</b>	<b>(10.62)%</b>

As reflected above, total expenditures of the General Fund were 10.62% under the budgeted amount. For fiscal 2022, there were significant offsetting budget variances in all areas, with other expenditures being the only category which was over budget for the year.

**APPENDIX A (CONTINUED)**

**General Fund Operations and Financial Position (Continued)**

The following table presents five years of comparative operating results for the District’s General Fund.

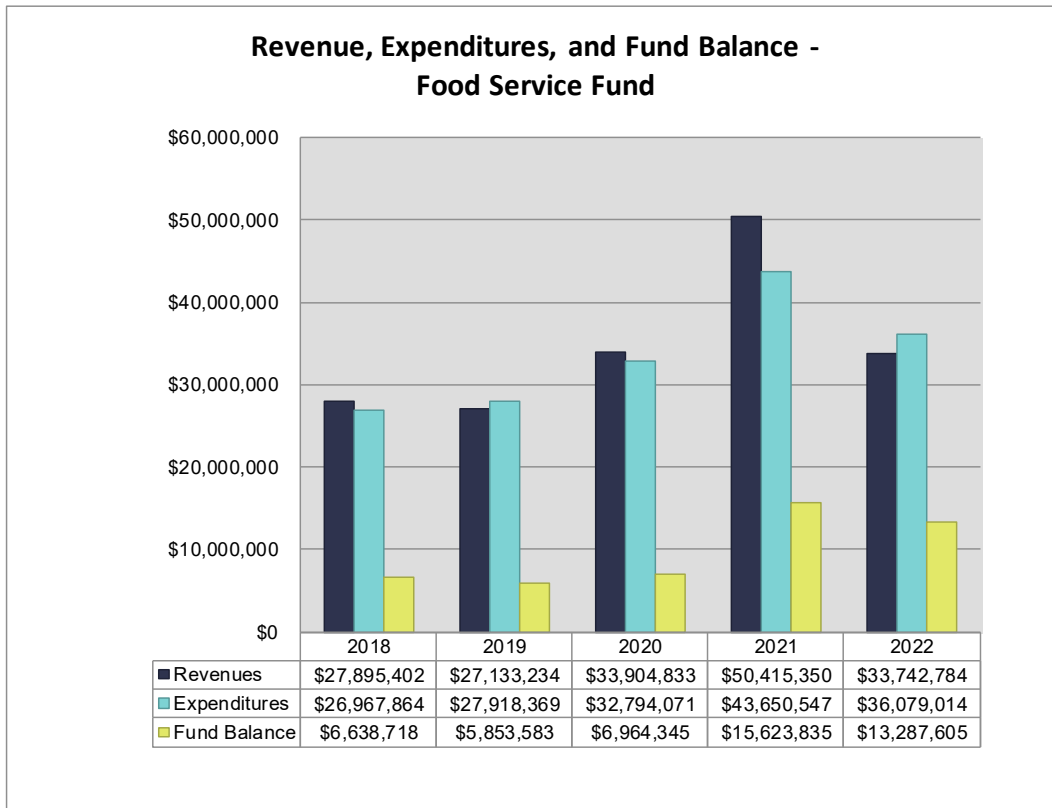


The District’s General Fund unassigned fund balance changed by \$36,598,692 during fiscal 2021-2022, increasing from \$39,535,236 to \$76,133,928 at June 30, 2022. Total fund balance of the General Fund increased by \$37,171,605 from operations, ending at \$165,513,015 as of June 30, 2022. The ending unassigned fund balance represents 10.58% 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:



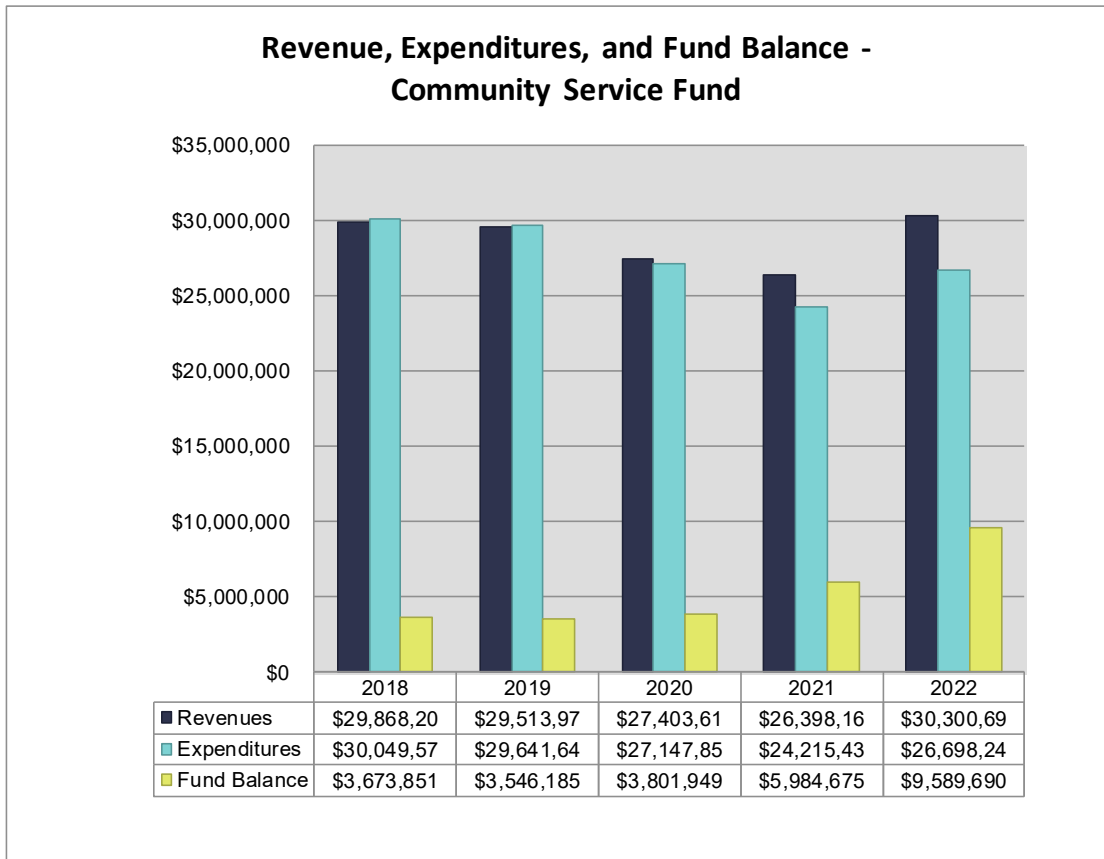
Total expenditures exceeded revenues and other financing sources by \$2,336,230 in the District's Food Service Fund for 2022, resulting in a fund balance of \$13,287,605 at June 30, 2022. The District utilized \$1,613,862 of the available fund balance for capital expenditure needs of the child nutrition program.

Total actual revenues were less than the budgeted amount by a net of \$7,429,894 or 18.0%, most of which is attributable to lower than budgeted federal revenue sources. Total expenditures were lower than the budgeted amount by \$5,098,688. The net impact of these variances was a decrease to fund balance that was approximately \$2,331,206 greater than the decrease which had been reflected in the final amended budget.

**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 results reflected that revenues and other financing sources exceeded expenditures by \$3,605,015 for fiscal 2022, increasing the combined fund balance from \$5,984,675 at June 30, 2021 to \$9,589,690 at June 30, 2022.

Total revenues of the District’s Community Service Fund for 2022 were \$2,326,534 lower than the budgeted amount while total expenditures were \$5,752,649 lower than the budgeted amount. The net impact of these variances was to increase total fund balance by \$3,428,679 more than had been reflected in the budget. As part of any budget update initiated for fiscal 2022-2023, the community services department will want to take these budget variances into consideration in order to limit budget variances to every extent possible.



# APPENDIX B

	<b>Expenditures Per Student (ADM) Served</b>					
	Statewide			ISD No. 625 Saint Paul Public Schools		
	All Districts	7-County Metro	Enrollment > than 4,000			
	2021	2021	2021	2020	2021	2022
District and School Admin and Support Services	\$ 1,184	\$ 1,205	\$ 1,156	\$ 1,246	\$ 1,249	\$ 2,105
Regular Instruction (Including Co- and Extra-Curricular)	6,198	6,527	6,348	7,881	8,089	8,998
Vocational Instruction (Career and Technical)	197	179	185	125	129	150
Special Education Instruction	2,625	2,792	2,839	3,602	3,808	3,953
Instructional Support Services	812	917	913	1,010	1,336	1,362
Pupil Support Services (Including Transportation)	1,228	1,285	1,271	1,892	1,642	1,968
Operations and Maintenance and Other	1,083	1,052	1,056	1,720	1,732	2,000
General Fund Subtotal	<u>13,327</u>	<u>13,957</u>	<u>13,768</u>	<u>17,477</u>	<u>17,985</u>	<u>20,535</u>
Food Service	532	522	513	937	1,281	1,052
Community Service	610	682	658	987	899	1,046
Capital Expenditure (Excluding Building Constr Fund)	793	815	784	-	413	1,044
Debt Service	1,576	1,683	1,583	1,487	1,694	1,703
Total Pre-K - 12 Operating Expenditures	<u>\$ 16,838</u>	<u>\$ 17,659</u>	<u>\$ 17,306</u>	<u>\$ 20,888</u>	<u>\$ 22,271</u>	<u>\$ 25,379</u>
Percent Change from Prior Year				2.89%	6.62%	13.96%

Source of Statewide Data: School District Profiles published by the Minnesota Department of Education

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

Regular instruction - includes all activities dealing directly with the teaching of pupils including co-curricular and extra-curricular activities and the interaction between teachers and pupils in the classroom (excluding exceptional, vocational and community education instruction) and includes activities of aides or assistants of any type (paraprofessionals, clerks, graders, etc.) who assist in the educational process, except 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, 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 2022 legislative sessions as summarized from information made available by the Minnesota Department of Education, the Minnesota School Boards Association, and the Minnesota House of Representatives.

### **General Education**

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

### **Special Education Cross-Subsidy Aid**

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

### **School Board Member Earnings**

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

### **Retired Teacher Earnings Limitations**

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

### **Frontline Worker Pay**

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

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

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

## APPENDIX C (CONTINUED)

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

### **Mental Health Initiatives**

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

## APPENDIX D

### TECHNICAL UPDATE

#### **GASB Statement No. 87 – Leases**

GASB Statement No. 87 requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. Specifically, this statement:

1. Establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.
2. Defines the “lease term” and clarifies when lessees and lessors should reassess the lease term due to lease modifications or terminations.
3. Defines and establishes recognition criteria for short-term leases.
4. Amends accounting and financial reporting requirements for contracts with multiple components, contract combinations, subleases, and leaseback transactions.

The statement was to be effective for reporting periods beginning after December 15, 2019. However, due to the impact of COVID-19, the effective date was moved back one and a half years to reporting periods beginning after June 15, 2021. As such, this statement was implemented for fiscal year 2022. As a result, right-to-use assets that are included in long-term leases, as well as the corresponding amortization of the right to use said assets, are being reflected with the District’s capital assets. The related long-term liabilities were also recorded, and the financial statement footnotes include additional information to reflect these additions.

#### **GASB Statement No. 91 – Conduit Debt Obligations**

The primary objective of GASB Statement No. 91 is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Initially effective for reporting periods beginning after December 15, 2020 but postponed to reporting periods beginning after December 15, 2021.

#### **GASB Statement No. 92 – Omnibus 2020**

The primary objectives of this statement are to enhance comparability and consistency by addressing practice issues that have been identified during implementation and application of certain GASB statements.

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

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements

## APPENDIX D (CONTINUED)

- 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

### **GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements***

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

### **GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans***

This statement clarifies how the absence of a governing board should be considered in determining whether a primary government is financially accountable for purposes of evaluating potential component units. It also modifies the applicability of certain component unit criteria as they relate to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans. The statement also establishes accounting and financial reporting requirements for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans and modifies the investment valuation requirements for all Section 457 plans. The requirements related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. Requirements relating to the applicability of certain component unit criteria as they relate to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans are effective immediately.

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

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

### **GASB Statement No. 99 – *Omnibus***

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

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

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

## APPENDIX D (CONTINUED)

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

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

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

### **GASB Statement No. 101 – Compensated Absences**

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



## APPENDIX E

### FORMAL REQUIRED COMMUNICATIONS

Board of Education  
Independent School District No. 625  
Saint Paul Public Schools  
Saint Paul, Minnesota

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Independent School District No. 625 (the school) as of and for the year ended June 30, 2022, and have issued our report thereon dated March 17, 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 Statement of Work dated July 1, 2022. Professional standards also require that we communicate to you the following information related to our audit.

#### **Significant audit findings or issues**

##### ***Qualitative aspects of accounting practices***

###### **Accounting policies**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the school are described in Note 1 to the financial statements.

As described in Note 1, the District changed accounting policies related to leases by adopting Statement of Governmental Accounting Standards Board (GASB Statement) No. 87, *Leases*, in 2022. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the lease footnote.

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
- Other Postemployment Benefits Payable
- Estimated useful lives of depreciable capital assets
- Estimated proportionate share of PERA's and TRA's net pension liability
- Estimate of self-insurance claims incurred but not reported
- Estimate of the District's liability for severance benefits payable

Management's estimate of the due from Minnesota Department of Education is based on amounts anticipated to be received from the state for various aid entitlements for fiscal 2022. The most significant of these is the aid portion of general education revenue. General education revenue and certain other revenues are computed by applying an allowance per student to the number of students served by the school. Student attendance is accumulated in a statewide database, Minnesota Automated Reporting Student System (MARSS). Because of the complexity of student accounting and because of certain enrollment options, student information is input by other school districts and the MARSS data for fiscal year 2022 is not finalized until well into the next fiscal year. MDE calculates amounts owed to the District for special education excess cost tuition billing and adds the amount to the 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 other Minnesota school districts is based on amounts that have been billed to other school districts for rental or other services performed for other Minnesota school districts. Management expects any difference 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 2022. 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 Special Education Data Reporting Application (SEDRA) reporting system 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 other postemployment benefits payable is based on an actuarially determined calculation, less actual payments incurred on behalf of retirees and an actuarially determined estimate of implicit rate subsidy, which is the estimated increased cost of premiums due to inclusion of retirees in the same plan as the District's active employees.

Management's estimate of 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 District's proportionate share of PERA's and TRA's Net Pension Liability is based on guidance from GASB Statement No. 68 and each plan's respective allocation tables. Each plan's allocation tables allocate a portion of the plan's net pension liability based on the District's prior fiscal year contributions as a percentage of the total contributions received for the related year by the plan.

Management's estimate of the self-insurance liability is based on assumptions made by the District regarding the potential for insurance payouts. Information from insurance claim lag reports is also factored in to show the actual payouts occurring for insurance related to the year under audit. This is then factored into the ending liability for the year.

Management's estimate of severance benefits payable is based on certain assumptions made by the District as required by GASB 16. The District recorded a liability for accumulated sick leave convertible to severance pay for which it is probable the employees will be compensated. The method used by the District to calculate this liability is based on assumptions involving the probability of employees becoming eligible to receive the benefits and the potential use of sick leave prior to termination.

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***

As previously communicated to you on December 28, 2022, we encountered the following significant difficulties:

- As the District experienced staffing turnover in several key positions within the finance department, the audit preparation and fieldwork was delayed.

***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 attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

***Corrected misstatements***

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

- Beginning net position and severance liabilities were restated due to the District only previously including sick payouts for employees who were fully vested. This increased the beginning severance liability and decreased beginning net position by \$13,654,797.
- Ending unearned revenue in the food service fund was adjusted due to the District not initially recording all ending student meal balances as unearned, despite meals not having yet been provided in exchange for those receipts. Unearned revenue related to grants was also adjusted as grants which only contain purpose restrictions should be recognized as revenue and included in ending restricted fund balance.

***Disagreements with management***

For purposes of this communication, a disagreement with management is a disagreement on 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 emphasis-of-matter paragraphs to highlight the change in accounting principle related to the adoption of new accounting guidance for leases as well as the prior period restatement of net position to correct the under accrual of the District's severance liability in the prior year.

### Management representations

We have requested certain representations from management that are included in the management representation letter dated March 17, 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 school’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 school’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 communication to you dated March 17, 2023, communicating internal control related matters identified during the audit.

### **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 March 17, 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 March 17, 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 section. Our responsibility for other information included in your annual report does not extend beyond the financial information identified in our opinion on the financial statements. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in your annual report. We are required by professional standards to read the other information included in your annual report and consider whether a material inconsistency exists between the other information and the financial statements because the credibility of the financial statements and our auditors' report thereon may be undermined by material inconsistencies between the audited financial statements and other information. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report. Our auditors' report on the financial statements includes a separate section, "Other Information," which states we do not express an opinion or any form of assurance on the other information included in the annual report. We did not identify any material inconsistencies between the other information and the audited financial statements.

\* \* \*

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



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
March 17, 2023



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