



November 5, 2020

To the Board of
Chokio-Alberta Area Public Schools
Chokio, Minnesota

We have audited the financial statements of Chokio-Alberta Area Public Schools as of and for the year ended June 30, 2020, and have issued our report thereon dated November 5, 2020. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards*

As communicated in our letter dated June 11, 2020, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Chokio-Alberta Area Public Schools solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding significant control deficiencies during our audit in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated November 5, 2020.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Chokio-Alberta ISD No. 771 is included in Note 1 to the financial statements. As described in Note 1, Chokio-Alberta ISD No. 771 changed accounting policies related to accounting for fiduciary activities to adopt the provisions of GASB Statement No. 84, Fiduciary Activities. Accordingly, the accounting change has been retrospectively applied to the financial statements beginning July 1, 2019. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are as follows:

Management's estimate of the state aid receivable and related revenue from the State of Minnesota is based on the projected student counts at year-end. We evaluated the key factors and assumptions used to develop the state aid receivable and related revenue and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Management's estimate of the other post-employment and net pension liability is based on an actuary's calculation in accordance with the employment contracts. We evaluated the key factors and assumptions used to develop the other post-employment benefits and net pension liability and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. The misstatements in the attached schedule that we identified as a result of our audit procedures were brought to the attention of, and corrected by management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management that are included in the management representation letter dated November 5, 2020.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with Chokio-Alberta Area Public Schools, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Chokio-Alberta Area Public Schools' auditors.

Modification of the Auditor's Report

As discussed in Notes 1 and 10 to the financial statements, the District has adopted the provisions of GASB Statement No. 84, Fiduciary Activities, which has resulted in an adjustment of the net position and fund balance of the General Fund as of July 1, 2019. Our opinions are not modified with respect to this matter.

This report is intended solely for the information and use of the School Board, and management of Chokio-Alberta Area Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Eide Sallee LLP

Fargo, North Dakota

Client: **90136 - Independent School District No. 771**
Engagement: **AA 2020 - Chokio-Alberta ISD No. 771**
Period Ending: **6/30/2020**
Trial Balance: **3.00 - Trial Balance**
Workpaper: **1a.02a - AU-C 260 Attachment**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1				
CLIENT POST - To adjust property taxes receivable to actual				
R01-005-000-000-001-000	Levies	B.01	85,056.00	
R04-005-505-321-001-000	Gen CE & AS Enrich Levy		2,179.00	
B01-110-000---	Current Property Taxes Receivable			85,056.00
B04-110-000---	Current Property Taxes Receivable			2,179.00
Total			87,235.00	87,235.00
Adjusting Journal Entries JE # 2				
CLIENT POST - To adjust delinquent property taxes receivable to actual				
B01-231-000---	Deferred Revenue-Delinquent Taxes	B.01	892.00	
B04-231-000---	Deferred Revenue-Delinquent Tax		49.00	
B01-111-000---	Delinquent Property Taxes Receivable			892.00
B04-111-000---	Delinquent Taxes Receivable			49.00
Total			941.00	941.00
Adjusting Journal Entries JE # 3				
CLIENT POST - To adjust property taxes levied for subsequent years to actual				
B04-235-000---	Property Taxes Levied Sub Years	B.01	805.00	
R01-005-000-000-001-000	Levies		70,304.00	
B01-235-000---	Property Taxes Levied Subsequent Years			70,304.00
R04-005-505-321-001-000	Gen CE & AS Enrich Levy			805.00
Total			71,109.00	71,109.00
Adjusting Journal Entries JE # 4				
CLIENT POST - To adjust State receivables and revenue to actual.				
R01-005-000-000-001-000	Levies	B.09	10,217.00	
R01-200-420-740-360-000	Special Educ.aid		15,351.00	
B01-121-000---	Due from MDE			5,537.00
R01-005-000-000-211-000	General Educ Aid			20,031.00
B01-123-000---	Due From Federal Govt.			
B04-121-000---	Due from Dept of Education			
R01-005-000-000-229-000	Disparity Aid			
R01-005-000-000-234-000	Homestead Market Value			
R04-005-505-321-229-000	Disparity Aid			
R04-005-505-321-234-000	Homestead Market Value			
Total			25,568.00	25,568.00
Adjusting Journal Entries JE # 5				
CLIENT POST - To record revenue restrictions				
R01-005-000-000-211-000	General Educ Aid	B.10	8,479.00	
R01-005-000-330-211-000	Learning & Development		616.00	
R01-005-000-388-211-000	Gifted & Talented Gen Ed Aid		34.00	
R01-005-640-316-211-000	Staff Development		340.00	
R01-005-000-000-010-000	County Apport			9,469.00
R01-005-000-000-201-000	Endowment			
R01-005-000-317-211-000	Basic Skills			
Total			9,469.00	9,469.00
Adjusting Journal Entries JE # 6				
CLIENT POST: CY GASB 68 Entry to record direct aid contribution items				
E01-010-203-000-000-891	Pension Expense	CC.50	4,215.50	
E01-020-203-000-000-891	Pension Expense		4,215.50	
R01-005-000-000-000-397	Revenue - State Aid			8,431.00
Total			8,431.00	8,431.00
Adjusting Journal Entries JE # 7				
CLIENT POST: To adjust investment loss for FY 2020.				
R01-005-000-000-099-000	Misc Rev Local	A.01	11,480.00	
B01-104-000---	Investment			11,480.00
Total			11,480.00	11,480.00
Adjusting Journal Entries JE # 8				
CLIENT POST: To adjust commodities received to match state report & non-spendable fund balance.				
B02-464-000---	Restricted Fund Balance	D.00	1,317.00	
R02-005-770-701-474-000	Commodities/Inventory		184.00	
B02-460-000---	Nonspendable Fund Balance			1,317.00
R02-005-770-701-099-000	Misc Rev Local			184.00
Total			1,501.00	1,501.00
Adjusting Journal Entries JE # 9				
CLIENT POST: To reclassify federal funding to the correct accounts.				
R02-005-770-701-472-000	Free/Reduced Meals	OO.03	1,145.00	
R02-005-770-701-601-000	Regular Lunch		1,143.00	
R02-005-770-701-601-000	Regular Lunch		2,810.00	
R02-005-770-701-601-000	Regular Lunch		4,284.00	
R02-005-770-705-601-000	Regular Breakfast		6,420.00	
R02-005-770-701-471-000	Federal Reimb Lunch			1,143.00
R02-005-770-701-471-000	Federal Reimb Lunch			941.00
R02-005-770-701-471-000	Federal Reimb Lunch			4,284.00

R02-005-770-701-472-000	Free/Reduced Meals		2,810.00
R02-005-770-705-476-000	Breakfast Federal Program		1,145.00
R02-005-770-705-476-000	Breakfast Federal Program		5,479.00
Total		15,802.00	15,802.00

Adjusting Journal Entries JE # 10

CLIENT POST: To adjust CIP and Accumulated Depreciation balances.

K.00

B98-430-000---	Total Investment General Fixed Assets	189,354.00	
B98-149-000---	Construction W-I-P		67,077.00
B98-171-000---	Depreciation - land		16,219.00
B98-172-000---	Depreciation - buildings		62,104.00
B98-173-000---	Depreciation - equipment		43,954.00
Total		189,354.00	189,354.00

Adjusting Journal Entries JE # 11

CLIENT POST: To true up accrued benefit balances to actual based on July/August 2020 payroll payments.

CC.00

B01-215-006---	Roth IRA	1,400.00	
B01-215-017---	PERA Payable	536.00	
B01-215-047---	EM DUES	1,596.00	
E01-100-203-000-220-000	Elem Group Insurance	10,080.00	
B01-215-005---	Tax Shelter Payable		1,333.00
B01-215-022---	Life Insurance		285.00
B01-215-029---	Garnishments		757.00
B01-215-030---	Health Insurance		9,557.00
B01-215-035---	Health Savings Account (HSA)		523.00
E01-100-216-470-214-000	PERA		536.00
E01-300-258-000-899-000	Misc Exp		621.00
Total		13,612.00	13,612.00

Adjusting Journal Entries JE # 100

PBC AJE's #6216, 6217, 6224 and 6226

PBC

B01-403-000---	Rst/Rsvd For Staff Develop	40,000.00	
E01-100-203-000-430-000	Elem Instruct Supplies	252.00	
E01-100-203-000-430-000	Elem Instruct Supplies	142.00	
E01-100-203-302-530-000	Elem Equipment	3,964.00	
E01-100-258-000-430-000	Elem Music Instruct Supplies	657.00	
E01-200-207-514-430-000	Technology Grant - Instruct Supplies	11,634.00	
E01-200-407-740-433-000	Spec Ed SLD Individualized Instr	127.00	
E21-005-298-301-401-702	BPA Supplies	2,035.00	
E21-005-298-301-401-704	Class of 2021 Supplies	1,347.00	
E21-005-298-301-401-708	Music Department Supplies	250.00	
E21-005-298-301-401-711	Student Council Supplies	249.00	
B01-206-000---	Accounts Payable		16,776.00
B01-422-000---	Unappropriated Fund Balance		40,000.00
R21-005-298-301-099-702	BPA Revenue		2,035.00
R21-005-298-301-099-704	Class of 2021 Revenue		1,347.00
R21-005-298-301-099-708	Music Department Revenue		250.00
R21-005-298-301-099-711	Student Council Revenue		249.00
Total		60,657.00	60,657.00

Adjusting Journal Entries JE # 101

CLIENT DO NOT POST: To record PBC JE #6234 and 6235

PBC

B01-101-000---	Cash General	18,505.00	
E04-005-505-321-401-000	Community Ed Supplies	288.00	
E04-005-580-325-140-106	Pathway II Grant - Licensed Salary	3,188.00	
E04-005-580-325-140-106	Pathway II Grant - Licensed Salary	10,193.00	
E04-005-580-325-144-106	Pathway II Grant - Non-Licensed Support	6,359.00	
E04-005-580-325-210-106	Pathway II Grant - FICA	678.00	
E04-005-580-325-214-106	Pathway II Grant - PERA	665.00	
E04-005-580-325-218-106	Pathway II Grant - TRA	610.00	
E04-005-580-325-490-106	Pathway II Grant - Food	200.00	
B04-101-000---	Cash Community Service		18,505.00
E01-100-201-000-140-000	Kindergarten Instructional Sal	10,193.00	
E01-100-201-000-140-000	Kindergarten Instructional Sal	6,359.00	
E01-100-201-000-210-000	Kindergarten FICA	678.00	
E01-100-201-000-218-000	Kindergarten TRA	610.00	
E01-100-203-000-214-000	Elem PERA	665.00	
E04-005-580-325-140-000	ECFE Instructional Sal	3,188.00	
E04-005-580-325-401-000	ECFE Non-Instruc Supplies	200.00	
E04-005-580-325-401-106	Pathway II Grant - Supplies	288.00	
Total		40,686.00	40,686.00

Adjusting Journal Entries JE # 102

CLIENT DO NOT POST: To record PBC JE 6243

PBC

B98-143-000---	Equipment	112,357.00	
B98-430-000---	Total Investment General Fixed Assets		112,357.00
Total		112,357.00	112,357.00

Adjusting Journal Entries JE # 103

CLIENT DO NOT POST: To adjust fund balances to actual

REPORT

B01-422-000---	Unappropriated Fund Balance	67,240.00	
B04-431-000---	Comm Ed Fund Balance	10,023.00	
B08-402-000---	Rst/Rsvd Scholarships	2,100.00	
B01-403-000---	Rst/Rsvd For Staff Develop		16,768.00
B01-467-000---	Rst/Rsvd for LTFM		35,453.00
B04-432-000---	Reserved For Early Child & Fam Ed		16,336.00
B04-444-000---	School Readiness (Fd 04)		8,781.00
B04-464-000---	Restricted Fund Balance		45.00
B21-401-701---	FB Audio Sound System Club		1,980.00

B01-424-000---	Reserved For Operating Capital		
B01-459-000---	Restricted for basic skills ext time		
Total		<u>79,363.00</u>	<u>79,363.00</u>
Adjusting Journal Entries JE # 104			
CLIENT DO NOT POST: To record PBC JE #6259 - 6263			
E01-005-850-000-545-000	Operation & Maint Chargeback	2,380.00	
E01-005-930-000-270-000	Workers Comp	7,954.00	
E01-005-930-000-280-000	Re-employment Comp	1,398.00	
E01-300-050-309-195-000	Basic Skills Extended Time Chgbck	6,608.00	
E01-005-850-302-545-000	Operation & Maint Chargeback		2,380.00
E01-005-930-000-295-000	Emp Benefits Chgback		9,352.00
E01-100-203-000-140-000	Elem Instructional Sal		3,304.00
E01-100-203-000-195-000	Elem Chargebacks		3,304.00
Total		<u>18,340.00</u>	<u>18,340.00</u>
Adjusting Journal Entries JE # 105			
PBC AJE #6268 to reclass expenses			
B01-101-000---	Cash General	4,000.00	
E02-005-770-701-305-000	Consult Fee/Services	800.00	
E02-005-770-701-330-000	Food Service Utilities Service	1,700.00	
E02-005-770-701-350-000	Food Service Repair Maint Serv	1,500.00	
B02-101-000---	Cash Food Service		4,000.00
E01-005-110-000-305-000	Business Office Fee/Services		800.00
E01-005-810-000-350-000	Repairs		1,700.00
E01-005-810-000-350-000	Repairs		1,500.00
Total		<u>8,000.00</u>	<u>8,000.00</u>
Adjusting Journal Entries JE # 106			
CLIENT DO NOT POST: To adjust buildings & equipment to actual			
B98-143-000---	Equipment	1.00	
B98-142-000---	Buildings		1.00
Total		<u>1.00</u>	<u>1.00</u>
Total Adjusting Journal Entries		<u>753,906.00</u>	<u>753,906.00</u>
Total All Journal Entries		<u>753,906.00</u>	<u>753,906.00</u>