

**MATH AND SCIENCE ACADEMY
CHARTER SCHOOL NO. 4043**

EXECUTIVE AUDIT SUMMARY (EAS)

JUNE 30, 2020

**MATH AND SCIENCE ACADEMY
CHARTER SCHOOL NO. 4043
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**EXECUTIVE AUDIT SUMMARY (EAS)
FOR
MATH AND SCIENCE ACADEMY
YEAR ENDED JUNE 30, 2020**

AUDIT FINDINGS AND RESULTS

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

Yellow Book Comments – No compliance issues were noted in our review of laws, regulations, contracts, grant agreements, or other matters that could have significant financial implications to the School.

Internal Controls – There were no material weaknesses noted in the current year related to internal controls.

Legal Compliance – No compliance issues were reported with respect to Minnesota Statutes related to charter schools and UFARS accounting.

Enrollment – For fiscal 2019-20, Math and Science Academy served a net average daily membership of 485.85 (or 565.43 pupil units). For fiscal year 2018-19, the School had served an average daily membership of 483.57 (or 562.69 pupil units).

Fund Balance – For fiscal 2019-20, the fund balance in the General Fund increased by \$25,984. The fund balance ended at \$2,147,076 as of June 30, 2020. The ending fund balance represents 37.2% of expenditures incurred for the year and is an important aspect in the School’s financial well-being since a healthy fund balance represents things such as cashflow, as a cushion against unanticipated expenditures, enrollment declines, state aid metering changes, program expansion costs, funding deficiencies and aid prorations at the state level and similar problems.

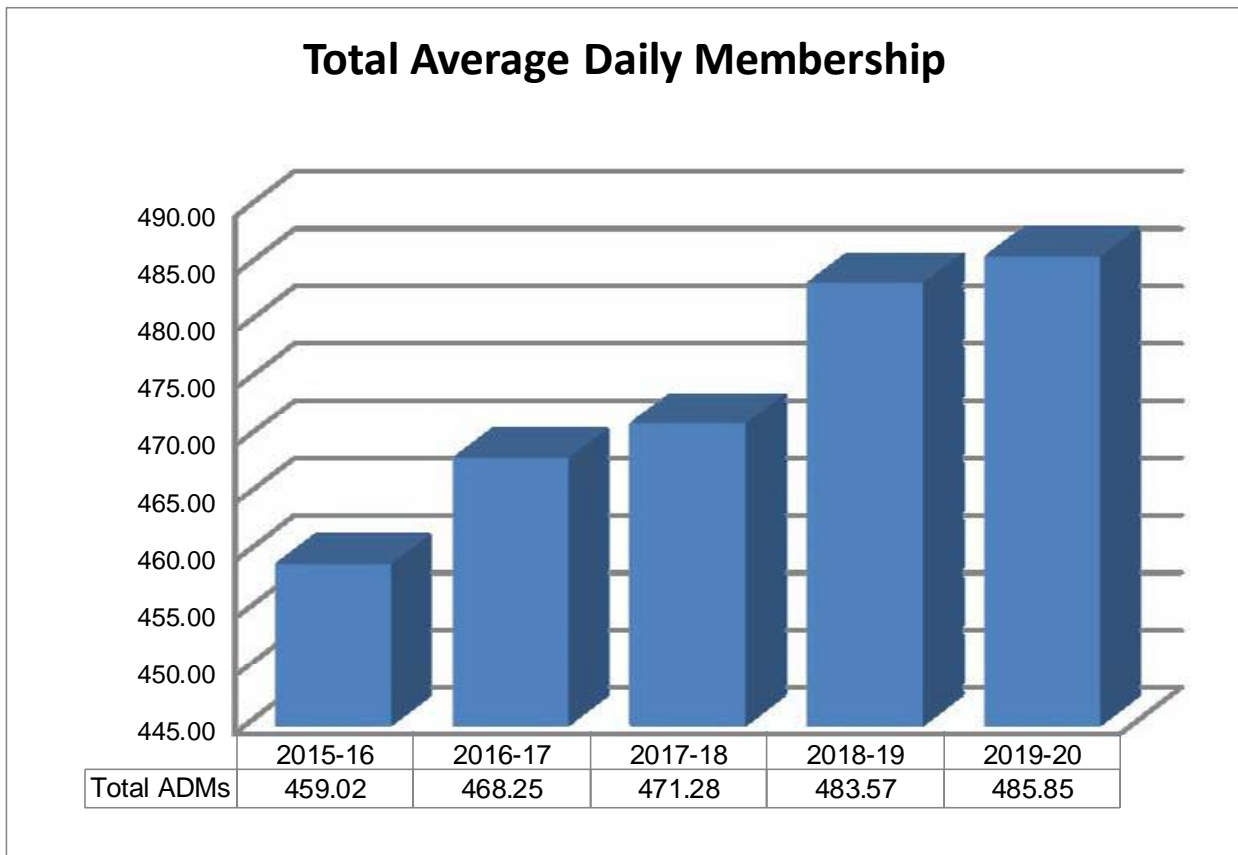
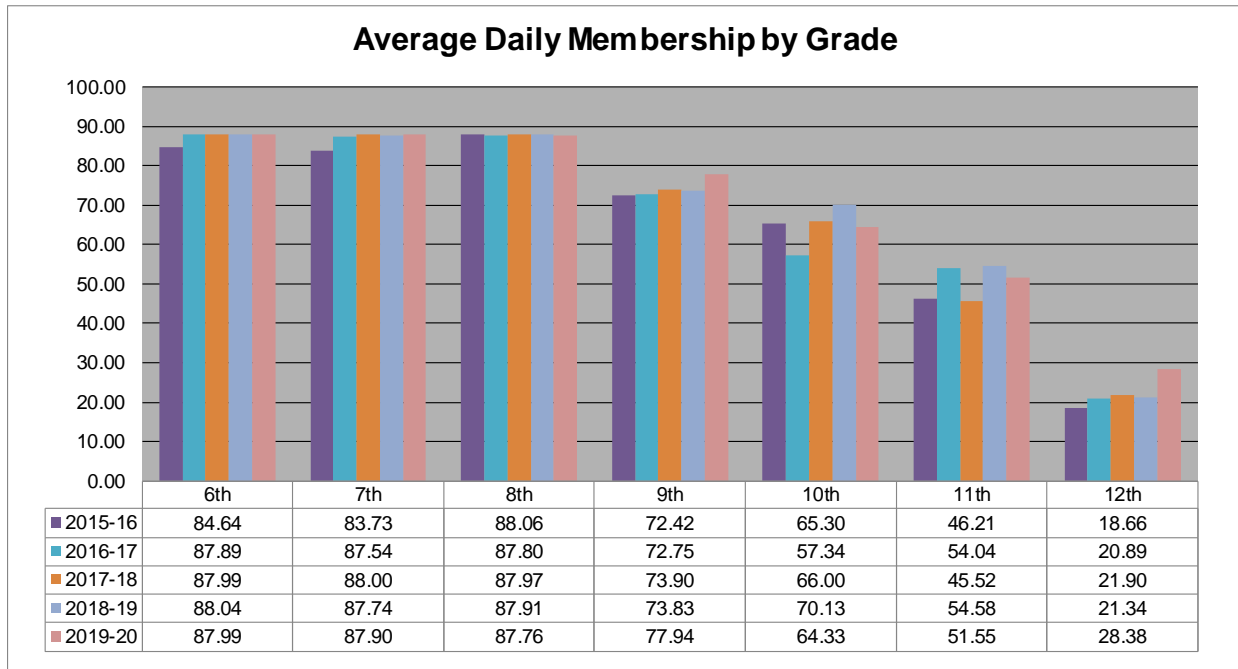
Budget to Actual – Total General Fund revenues on a net basis were \$13,413 (or 0.2%) lower than the budgeted amount while total expenditures were \$37,832 (or 0.7%) lower than had been budgeted. As part of any budget update initiated for fiscal 2020-21, the Board will want to take these variances into consideration in order to limit budget differences to every extent possible. We generally like to recommend that budget variances in a charter school environment (which is more volatile than in a traditional school environment but on a much smaller scale) be limited to 1% to 2% on either side of zero.

AUDIT FINDINGS AND RESULTS (CONTINUED)

MSA Building Company – The School's financial statements include the activity of the Building Company as a component unit. No separate financial statements are issued for the Building Company; however, a separate Form 990 is filed.

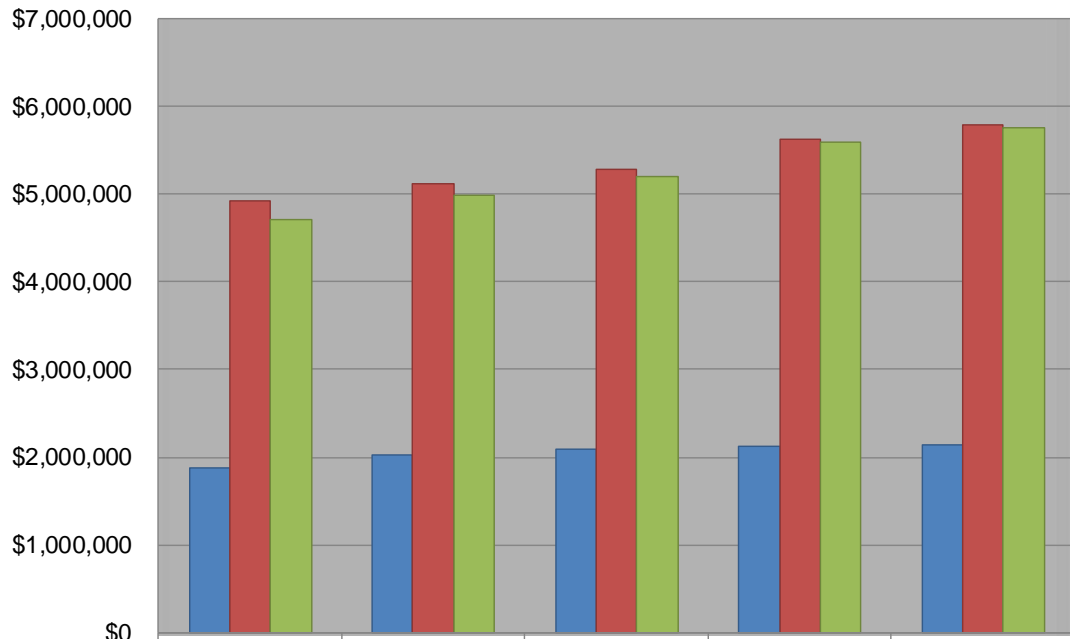
Building Company Debt Covenant Compliance – We want to take this opportunity to remind the Building Company Board that there are some general debt covenants that were agreed to as part of the Loan and Trust Agreements made between Math and Science Academy, the MSA Building Company, the City of Woodbury, and the U.S. Bank Trust National Association (as trustee). Some examples include the submission of audited financial statements within a certain timeframe, the submission of quarterly enrollment, current budget and financial information, and the submission of quarterly long-term budget model forecasting information. We are not aware of any non-compliance with such requirements through the date of our audit report, but it is important that the Board continue to monitor, review and accept responsibility for ensuring the ongoing compliance with all covenants that were agreed to as part of the financing arrangements related to the purchase of the building and subsequent improvements.

FINANCIAL TRENDS



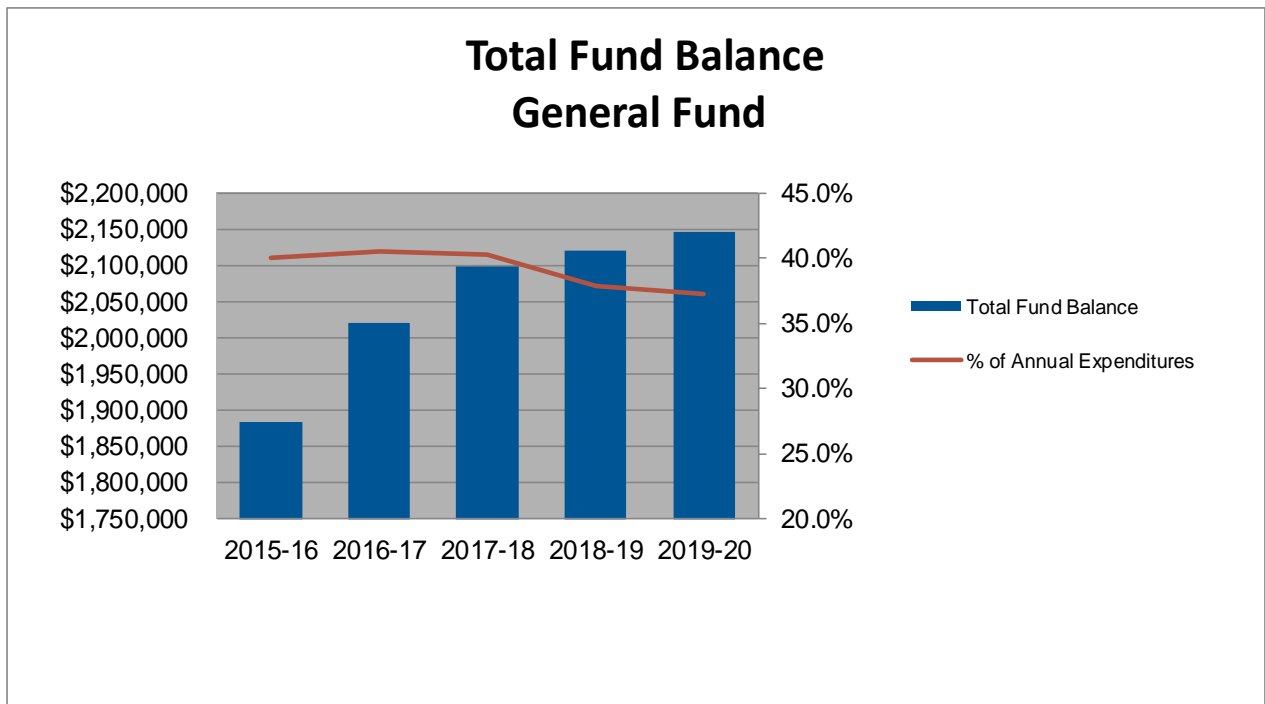
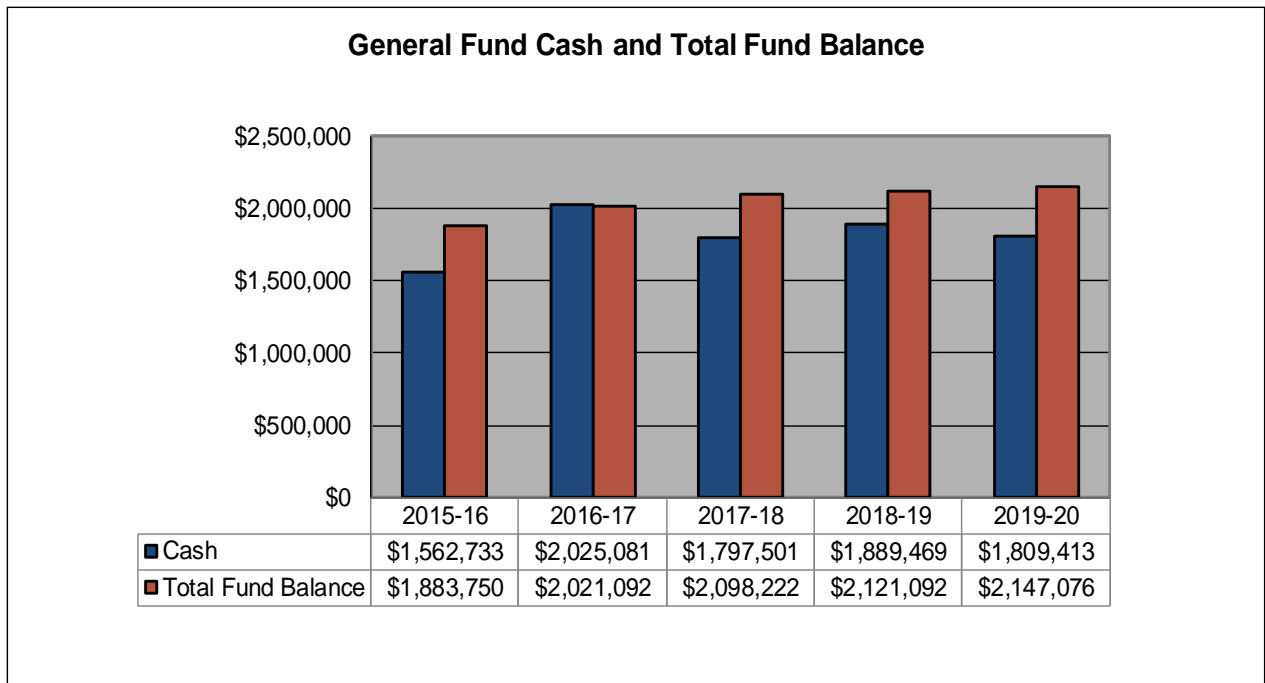
FINANCIAL TRENDS (CONTINUED)

Revenue, Expenditures, and Fund Balance - General Fund



	2015-16	2016-17	2017-18	2018-19	2019-20
Total Fund Balance	\$1,883,750	\$2,021,092	\$2,098,222	\$2,121,092	\$2,147,076
Revenue	\$4,920,721	\$5,125,242	\$5,282,930	\$5,620,599	\$5,783,856
Expenditures	\$4,706,494	\$4,987,900	\$5,205,800	\$5,597,729	\$5,757,872

FINANCIAL TRENDS (CONTINUED)





APPENDIX A

FORMAL REQUIRED COMMUNICATIONS

Board of Directors
Charter School No. 4043
Math and Science Academy
Woodbury, Minnesota

We have audited the financial statements of the governmental activities and each major fund of Math and Science Academy (the School) as of and for the year ended June 30, 2020, and have issued our report thereon dated October 29, 2020. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

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.

No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2020.

We noted no transactions entered into by the School 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.

Qualitative aspects of accounting practices (continued)

Accounting estimates (continued)

The most sensitive estimates affecting the financial statements were:

- Due from Minnesota Department of Education
- Due from Federal through the Minnesota Department of Education
- Estimated useful lives of depreciable capital assets
- Estimated proportionate share of PERA's and TRA's net pension liability

Management's estimate of the due from Minnesota Department of Education is based on amounts anticipated to be received from the state for various aid entitlements for fiscal 2019-20. 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 – 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 2020 is not finalized until well into the next fiscal year. MDE calculates amounts owed to the School for special education excess cost tuition billing and adds the amount to the School'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 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 2019-20. Many federal entitlements require that supporting financial reporting information be provided both in the UFARS accounting system and also the SEDRA reporting system. To the extent that these two separate systems are not in agreement and reported in a timely manner, the estimated aid entitlement may be adversely affected. Management expects any differences between estimated and actual data will be insignificant.

Management's estimate of the useful lives for depreciable assets is based on guidance recommended by the Minnesota Department of Education and other sources. The useful life of a depreciable 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 School'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 School's prior fiscal year contributions as a percentage of the total contributions received for the related year by the plan.

We reviewed and tested management's procedures and underlying supporting documentation in the areas discussed above and evaluated the key factors and assumptions used to develop the estimates noted above in determining that they are reasonable in relation to the financial statements taken as a whole. We concluded that the accounting estimates and management judgments appeared to consider all significant factors and resulted in appropriate accounting recognition.

Qualitative aspects of accounting practices (continued)

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.

Difficulties encountered in performing the audit

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

Uncorrected misstatements

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

There was one uncorrected misstatement that relates to the statement of net position.

DR	Deferral of Refunding Bond Costs	\$46,688
CR	Net Investment in Capital Assets	\$46,688

Corrected misstatements

None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with management

For purposes of this letter, professional standards define a disagreement with management as 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.

Management representations

We have requested certain representations from management that are included in the management representation letter dated October 29, 2020.

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.

Audits of group financial statements

We noted no matters related to the group audit that we consider to be significant to the responsibilities of those charged with governance of the group.

Other information in documents containing audited financial statements

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.

With respect to 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 October 29, 2020.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

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
October 29, 2020