

To the Members of the School Board  
Independent School District No. 4026  
Every Child Has Opportunities (Echo) Charter School  
101 Rocket Avenue  
Echo, Minnesota 56237

We have audited the financial statements of the governmental activities and each major fund of Independent School District No. 4026, Every Child Has Opportunities (Echo) Charter School, Echo, Minnesota for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Governmental Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 23, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. The District adopted Governmental Accounting Standards Board Statement No. 96, *Subscription-based Information Technology Arrangements*, in fiscal year 2023. The application of other existing policies was not changed during fiscal year 2023. 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 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 District's financial statements were:

Amounts due from the State of Minnesota and from other governmental units for general education aids and reimbursements under various specific programs are reported at the estimated amounts to be received based on available information at the date of this report. In some instances adjustments and proration by these agencies, which are dependent upon the amount of funds available for distribution, may result in differing amounts actually being received. Any such differences will be absorbed into operations of the subsequent period.

Management's estimate of the liability for defined pension benefits is based on an actuarial determination of the District's percentage of the statewide liability for employees participating in the Teachers' Retirement Account and Public Employees Retirement Account administered by the State of Minnesota. We evaluated the key factors and assumptions used to develop the actuary's report in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the right-of-use assets and lease liabilities is based on the present value of the lease payments over the lease term at the commencement date. We evaluated the key factors and assumptions used to develop the right of use assets and related lease liabilities in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the subscription assets and subscription liabilities (when applicable) is based on the present value of the payments (or upfront payment when applicable) for subscription arrangements over the term of the arrangement at the commencement date. We evaluated the key factors and assumptions used to develop the subscription assets and related subscription liabilities (when applicable) in determining that it is reasonable in relation to the financial statements taken as a whole.

Management also uses estimates for depreciation and amortization. These estimates are not as significant as the estimates noted above, but are still present in the financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of the District's long-term lease liabilities in Note 6 to the financial statements describe in detail the lease liabilities associated with the District's right of use assets. This assists the reader in evaluating all of the lease agreements and subscription liabilities and how they affect the financial statements.

The disclosure of the District's fund balances in Note 7 to the financial statements is important to the users of the District's financial statements because it details the amount of fund balances the District has available at year end to fund future operations.

The disclosure of the District's pension benefits liability in Note 8 to the financial statements is important to the users of the District's financial statements because it details the expected liability to the District for the District's percentage of the statewide defined benefit pension liabilities.

The disclosure of the District's change in accounting principle in Note 12 to the financial statements is important to the users of the District's financial statements because it details the opening net position adjustment resulting from the adoption of Governmental Accounting Standards Board Statement No. 96, Subscription-Based Information Technology Arrangements, during fiscal year 2023.

The disclosure of the District's subsequent events in Note 14 to the financial statements is important to the users of the District's financial statements because it details events affecting the District that arose after year end.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

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

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, some 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, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 11, 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 District's financial statements or a determination of the type of auditor's 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.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, Schedules of District's Share of Net Pension Liability and District's Contributions for Defined Benefit Pension Plans, and the budgetary comparison schedules for the General Fund and Special Revenue Fund, which are required supplementary information (RSI) that supplements the basic

financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the uniform financial accounting and reporting standards compliance table, which accompanies the financial statements but is not RSI. With respect to this supplementary information, 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, 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 were not engaged to report on the General Fund – historical analysis, which accompanies the financial statements but is not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the Members of the School Board and management of Independent School District No. 4026, Every Child Has Opportunities (Echo) Charter School, Echo, Minnesota and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Hoffman & Brobst, PLLP*

Hoffman & Brobst, PLLP  
Certified Public Accountants  
Marshall, Minnesota

December 11, 2023