OlsenThielen & Co., Ltd.
CPAS AND ADVISORS

Board of Directors and Management
Association of Metropolitan School Districts, Inc.
Arden Hills, Minnesota

Management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements of Association of Metropolitan School Districts, Inc. as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Association of Metropolitan School Districts, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in Association of Metropolitan School Districts, Inc.'s internal control to be significant deficiencies:

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300 Prairie Center Drive, Suite 300 | Eden Prairie, Minnesota | 55344-7908 | 952-941-9242 | 952-941-0577 FAX
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Lack of Segregation of Duties

A fundamental concept in a good system of internal controls is the segregation of duties. Duties should be separated so that no one person performs incompatible duties or has complete control of any type of transaction. If these situations are not mitigated, there is a potential of misappropriation of assets. Due to the relatively small size of the Association's staff, the Association is not able to attain segregation of duties to the extent required for ideal internal control. This is not unusual in a company of this size, and generally it is not economically feasible to provide for complete adherence to the segregation of duties concept. Under these circumstances, management may mitigate the risks by doing the following:

(1) Identify areas where the lack of segregation of duties exists and where there are higher risks of errors or fraud occurring.
(2) Implement limited segregation to the extent possible to reduce risks without impairing efficiency.
(3) Use the knowledge that management and the Board of Directors have of operations by having them review certain accounting records and reports.
(4) Monitor the effectiveness of the above actions and make changes as considered appropriate.

Preparation of Financial Statements for External Reporting

Other internal controls over financial reporting include those related to the actual preparation and review of the audited financial statements. In order to prepare a complete set of financial statements in conformity with generally accepted accounting principles (GAAP), the preparer must have certain knowledge and expertise.

Association personnel prepare periodic financial statements and other financial information for internal use that meet the needs of management and the Board of Directors. However, the Association has limited internal resources to prepare full-disclosure financial statements required by GAAP for external reporting. This deficiency is mitigated by those charged with governance by performing effective oversight of the Association's financial reporting. The Association's management is aware of this deficiency and addresses it by obtaining our assistance in the preparation of the Association's annual financial statements. Management reviews and approves the completed statements and distributes them to the users.

Management recognizes this and feels it is effectively handling its reporting responsibilities with the procedures described above.

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

Olsen Thielen & Co., Ltd.

Roseville, Minnesota
October 22, 2019

OlsenThielen & Co., Ltd.
CPAS AND ADVISORS

Board of Directors
Association of Metropolitan School Districts, Inc.
Arden Hills, Minnesota

We have audited the financial statements of Association of Metropolitan School Districts, Inc. (the Association) for the year ended June 30, 2019, and have issued our report thereon dated October 22, 2019. Professional standards require that we provide you with the following information related to our audit.

<u>Our Responsibility under U.S. Generally Accepted Auditing Standards</u>

As stated in our engagement letter dated April 30, 2019, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Association. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are 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 specifically to identify such matters.

<u>Planned Scope and Timing of the Audit</u>

We performed the audit according to the planned scope and timing previously communicated to the Treasurer in our discussion of planning matters on October 16, 2019.

<u>Significant Audit Findings</u>

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Association are described in Note 1 to the financial statements. As described in Note 1, the Association adopted accounting policies related to the implementation of FASB Accounting Standard Updates (ASU) 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-For-Profit Entities*. We noted no transactions entered into by the Association 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.

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Significant Audit Findings (Continued)

Qualitative Aspects of Accounting Practices (Continued)

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 estimate affecting the financial statements were as follows:

Estimate	Management's Method of Determination
Functional Expense Allocation	Based on the proportion of each program's direct and personnel expenses to the total program direct and personnel expenses.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements 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. We wish to thank the Association's management and staff for their assistance.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such material misstatements.

Recorded audit adjustments pertaining to accounts payable, fixed assets, depreciation and salaries did have an effect on the Association's financial statements. The net effect of the adjustments was to decrease net assets and the change in net assets by $1,614.

We noted no uncorrected adjustments that, in our judgement, could have a significant effect on the Association's financial reporting process.

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 representations letter dated October 22, 2019.

Significant Audit Findings (Continued)

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 Association'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 Association'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

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, 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 statement themselves.

This information is intended solely for the use of the Board of Directors, executive committee, and management of the Association and is not intended to be and should not be used by anyone other than these specified parties.

Olsen Thielen & Co., Ltd.

Roseville, Minnesota
October 22, 2019