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March 21, 2024

School Board
Independent School District No. 112
Eastern Carver County Schools
Chaska, 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, appearing to read 'Christopher G. Knopik'.

Christopher G. Knopik, CPA, CFE
Principal

**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS**

EXECUTIVE AUDIT SUMMARY (EAS)

JUNE 30, 2023



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**INDEPENDENT SCHOOL DISTRICT NO. 112
EASTERN CARVER COUNTY SCHOOLS
TABLE OF CONTENTS
JUNE 30, 2023**

EXECUTIVE AUDIT SUMMARY	
AUDIT FINDINGS AND RESULTS	1
FINANCIAL TRENDS	
FINANCIAL RESULTS	2
FUND BALANCES OF THE GENERAL FUND	4
STUDENTS SERVED FOR AID	5
OTHER KEY TOPICS	
APPENDIX A	
FINANCIAL TRENDS OF YOUR DISTRICT	6
APPENDIX B	
COMPARATIVE EXPENDITURES PER STUDENT SERVED	15
APPENDIX C	
ACCOUNTING UPDATE	16
APPENDIX D	
FORMAL REQUIRED COMMUNICATIONS	19

**EXECUTIVE AUDIT SUMMARY (EAS)
FOR
EASTERN CARVER COUNTY SCHOOLS
YEAR ENDED JUNE 30, 2023**

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, 2023.

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

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.

Internal Controls – Two material weaknesses in internal controls were noted. One was related to material audit adjustments for state aid revenue and receivables of \$419,247 and a material audit adjustment for federal revenue and receivables for \$75,647. The second material weakness in internal control of reporting for review of self-insurance claims and employee classifications.

Single Audit – We noted one material weakness with regards to direct and material compliance requirements of the major federal programs, which was related to suspension and debarment requirements in the Child Nutrition Program and Special Education Program. In addition to the Child Nutrition Program and Special Education Program, the Education Stabilization Fund was tested as a major federal program.

Legal Compliance – Three compliance issues were reported with respect to Minnesota Statutes related to missing required subcontractor language in contracts, prompt payments of bills, and approved delegation for electronic funds transfers.

Enrollment – For fiscal 2022-2023, Eastern Carver County Schools had an estimated total adjusted average daily membership of 9,166.66. For fiscal 2021-2022, Eastern Carver County Schools had an estimated total adjusted average daily membership of 9,244.25.

Fund Balance – The School's General Fund unassigned fund balance for UFARS reporting purposes increased by \$1,827,302 during fiscal year 2023, increasing from \$12,367,832 to \$14,195,134. Total fund balance of the General Fund increased by \$314,328, ending at \$26,440,835 as of June 30, 2023. The total ending unassigned fund balance represents 10.30% of General Fund expenditures. A District's fund balance is an important aspect in considering the School's financial wellbeing since a healthy fund balance represents things such as cash flow, as a cushion against unanticipated expenditures, enrollment changes, funding deficiencies, and aid prorations at the state level and similar problems. The District has continued to do a good job of financial planning and reacting to enrollment changes.

Budget to Actual – Total revenues on a net basis in the General Fund were \$1.1 million (or .8%) lower than the budgeted amount and total expenditures were \$1.3 million (or 0.92%) lower than had been budgeted. The net effect, including other financing sources, was an increase in total fund balance that was \$214,510 more than had been reflected in the District's final amended budget which is commendable given the District's General Fund expenditures exceeded \$137 million.

FINANCIAL TRENDS

**EASTERN CARVER COUNTY SCHOOLS
AUDITED FUND BALANCES THROUGH JUNE 30, 2023**

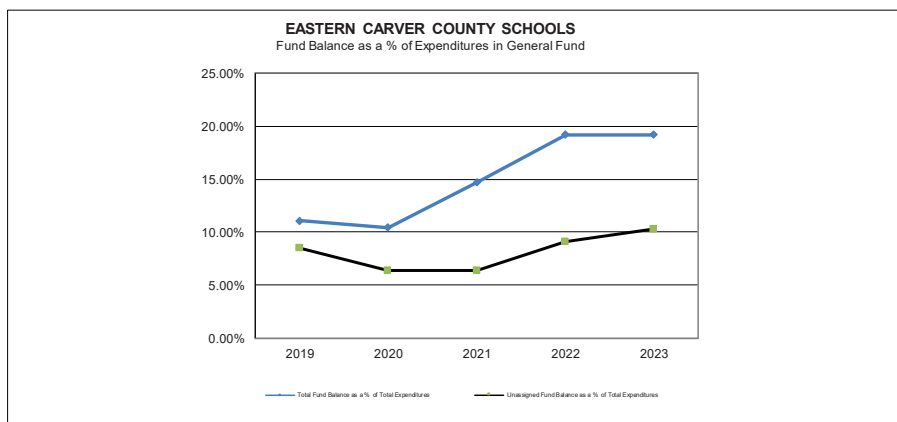
FUND DESCRIPTION	6/30/2022 AUDITED BALANCE	2022-23 AUDITED REVENUES	TRANSFERS INTO FUNDS	2022-23 AUDITED EXPENDITURES	TRANSFERS OUT OF FUNDS	6/30/223 AUDITED BALANCE
GENERAL FUND						
A. UNASSIGNED - OPERATING	\$ 12,367,831	\$ 113,444,698	\$ (1,540,070)	\$ 109,474,413	\$ -	\$ 14,798,046
As a percentage of current year operating expenditures	6.36%					10.74%
B. NONSPENDABLE FOR						
PREPAID ITEMS	260,905	-	-	164,643	-	96,262
C. RESTRICTED FOR						
STUDENT ACTIVITIES	216,126	186,026	-	192,155	-	209,997
CAREER AND TECHNICAL PROGRAM	-	401,400	643,908	1,045,308	-	-
ALTERNATIVE LEARNING CENTER	62,136	1,992,173	-	1,974,322	-	79,987
LEARNING AND DEVELOPMENT	-	2,039,964	227,700	2,267,664	-	-
ACHIEVEMENT AND INTEGRATION	-	963,712	36,725	1,000,437	-	-
MEDICAL ASSISTANCE	442,242	429,226	-	434,539	-	436,929
GIFTED AND TALENTED	-	130,462	604,497	734,959	-	-
BASIC SKILLS	188,160	1,163,984	27,240	1,379,384	-	-
SAFE SCHOOLS	24,524	360,659	-	293,468	-	91,715
CAPITAL PROJECTS	310,906	2,805,230	-	2,818,353	-	297,783
STAFF DEVELOPMENT	-	1,377,463	-	1,377,463	-	-
LTFM	(185,629)	7,378,393	-	7,795,677	-	(602,913)
OPERATING CAPITAL	957,283	2,246,970	-	2,687,488	-	516,765
TOTAL RESTRICTED	2,015,748	21,475,662	1,540,070	24,001,217	-	1,030,263
D. ASSIGNED FOR						
TRANSPORTATION	513,510	-	-	513,510	-	-
SEPARATION/RETIREMENT BENEFITS	1,700,000	-	-	-	-	1,700,000
MTSS-ADSS	1,265,398	-	-	499,040	-	766,358
CAPITAL MAINTENANCE-VICTORIA FIELD HOUSE	80,000	-	-	-	-	80,000
ALTERNATIVE COMPENSATION Q-COMP	458,894	2,405,026	-	2,517,192	-	346,728
ENERGY EFFICIENCY	208,766	5,900	-	880	-	213,786
CONSTRUCTION - NUTRITION SERVICES	-	200,000	-	-	-	200,000
FUTURE USE-DONATION/SALE OF LAND	6,606,505	-	-	-	-	6,606,505
SITE CARRY-OVER	648,949	602,886	-	648,950	-	602,885
TOTAL ASSIGNED	\$ 11,482,022	\$ 3,213,812	\$ -	\$ 4,179,572	\$ -	\$ 10,516,262
TOTAL GENERAL FUND	\$ 26,126,506	\$ 139,204,174	\$ -	\$ 139,104,356	\$ -	\$ 26,226,324
BUDGET						
DIFFERENCE		\$ (1,070,002)	\$ -	\$ (1,284,511)	\$ -	\$ 214,509
% VARIANCE		-0.77%		-0.92%		

FUND DESCRIPTION	6/30/2022 AUDITED BALANCE	2022-23 AUDITED REVENUES	TRANSFERS INTO FUNDS	2022-23 AUDITED EXPENDITURES	TRANSFERS OUT OF FUNDS	6/30/2023 AUDITED BALANCE
NUTRITION SERVICES						
NONSPENDABLE FOR INVENTORY	\$ 151,353	\$ -		\$ 5,710		\$ 145,643
RESTRICTED FOR FOOD SERVICE PROGRAM	4,423,642	6,687,420		6,546,695		4,564,367
BUDGET		\$ 6,055,273		\$ 6,596,465		\$ 4,033,803
NUTRITION SERVICES	\$ 4,574,995	\$ 6,687,420	\$ -	\$ 6,552,405	\$ -	\$ 4,710,010
DIFFERENCE		\$ 632,147		\$ (44,060)		\$ 676,207
% VARIANCE		10.44%		-0.67%		
COMMUNITY SERVICE						
NONSPENDABLE FOR PREPAID ITEMS	\$ 9,579	\$ -	\$ -	\$ 1,119	\$ -	\$ 8,460
A. RESTRICTED FOR						
REGULAR COMMUNITY ED PROGRAMS	939,015	7,572,401		6,766,145		1,745,271
EARLY CHILDHOOD FAMILY ED PROGRAMS	291,102	891,474		853,638		328,938
SCHOOL READINESS	62,034	376,326		333,387		104,973
OTHER RESTRICTED	51,175	982,028		1,011,434		21,769
BUDGET		\$ 9,519,961		\$ 9,101,271		\$ 1,771,595
TOTAL COMMUNITY SERVICE	\$ 1,352,905	\$ 9,822,229	\$ -	\$ 8,965,723	\$ -	\$ 2,209,411
DIFFERENCE		\$ 302,268		\$ (135,548)		\$ 437,816
% VARIANCE		3.18%		-1.49%		
A. RESTRICTED FOR						
CERTIFICATES OF PARTICIPATION	\$ 5,197,807	\$ 66,045	\$ -	\$ 4,550,895	\$ -	\$ 712,957
CAPITAL PROJECTS LEVY	402,331	2,226,071		1,910,331		718,071
LTFM BONDS	-	38,793,118		8,316,220		30,476,898
BUDGET		\$ 40,386,975		\$ 12,290,684		\$ 33,696,429
TOTAL CAPITAL PROJECTS - BLDG CONSTR	\$ 5,600,138	\$ 41,085,234	\$ -	\$ 14,777,446	\$ -	\$ 31,907,926
DIFFERENCE		\$ 698,259		\$ 2,486,762		\$ (1,788,503)
DEBT SERVICE						
A. RESTRICTED FOR						
OPERATING DEBT SERVICE	\$ 3,093,909	\$ 17,498,347	\$ 1,219	\$ 17,241,345	\$ -	\$ 3,352,130
BOND REFUNDING	31,537,443	473,576	(1,219)	32,009,800		-
BUDGET		\$ 17,364,743		\$ 48,634,916		\$ 3,361,179
TOTAL DEBT SERVICE	\$ 34,631,352	\$ 17,971,923	\$ -	\$ 49,251,145	\$ -	\$ 3,352,130
DIFFERENCE		\$ 607,180		\$ 616,229		\$ (9,049)
% VARIANCE		3.50%		1.27%		
PROPRIETARY & TRUST						
SCHOLARSHIP FUND	\$ 118,879	\$ 104,195		\$ 65,065		\$ 158,009
OPEB IRREVOCABLE TRUST	5,811,196	386,581		440,692		5,757,085
INTERNAL SERVICE - SELF INS FUND	6,858,291	11,006,388		11,322,701		6,541,978
PROPRIETARY & TRUST	\$ 12,788,366	\$ 11,497,164	\$ -	\$ 11,828,458	\$ -	\$ 12,457,072
TOTAL	\$ 85,074,262	\$ 225,198,142	\$ -	\$ 229,195,022	\$ -	\$ 81,077,382

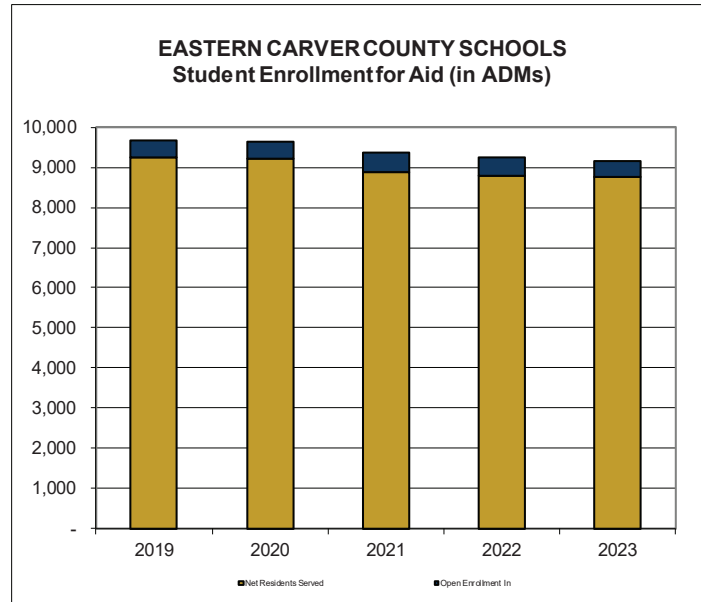
Fund Balances of the General Fund

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

	2019	2020	2021	2022	2023
Unassigned Fund Balance	\$ 10,660,042	\$ 8,171,437	\$ 8,394,545	\$ 12,367,832	\$ 14,195,134
Assigned Fund Balance	2,835,932	2,996,063	8,816,082	11,482,022	10,516,262
Restricted Fund Balance	255,281	2,059,732	2,150,287	2,015,748	1,633,176
Nonspendable Fund Balance	173,719	174,282	58,542	260,905	96,263
Total Fund Balance	\$ 13,924,974	\$ 13,401,514	\$ 19,419,456	\$ 26,126,507	\$ 26,440,835
Total Expenditures	\$ 125,773,413	\$ 128,479,462	\$ 132,237,551	\$ 136,021,361	\$ 137,819,843
Total Fund Balance as a % of Total Expenditures	11.07%	10.43%	14.69%	19.21%	19.19%
Unassigned Fund Balance as a % of Total Expenditures	8.48%	6.36%	6.35%	9.09%	10.30%



Students Served for Aid



	2019	2020	2021	2022	2023
Total Residents	10,905.12	10,897.82	10,681.27	10,678.89	10,667.62
Open Enrollment Out*	(1,663.83)	(1,695.42)	(1,812.02)	(1,883.26)	(1,915.63)
Net Residents Served	9,241.29	9,202.40	8,869.25	8,795.63	8,751.99
Open Enrollment In	428.71	446.20	485.85	448.62	414.67
Net ADM Served	9,670.00	9,648.60	9,355.10	9,244.25	9,166.66
* including charter schools					
Net Pupil Units Served	10,587.25	10,558.70	10,262.88	10,132.18	10,035.43
% of Net Served to Total Residents	89%	89%	88%	87%	86%

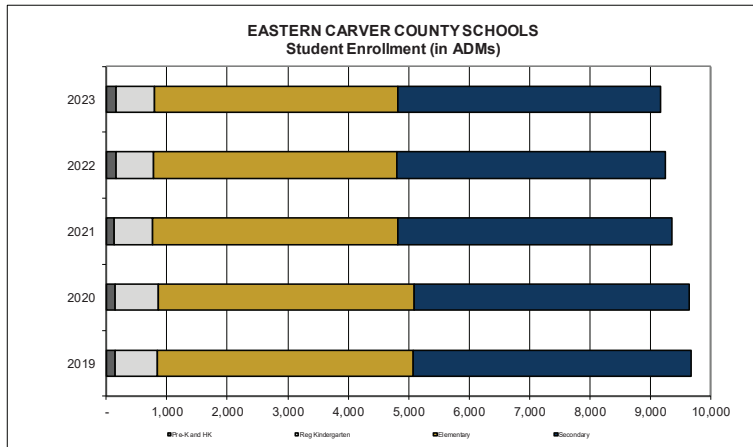
As reflected in the above chart and graph, the net impact of open enrollment out continues to be significant for the District.

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 (Average Daily Membership-ADM)

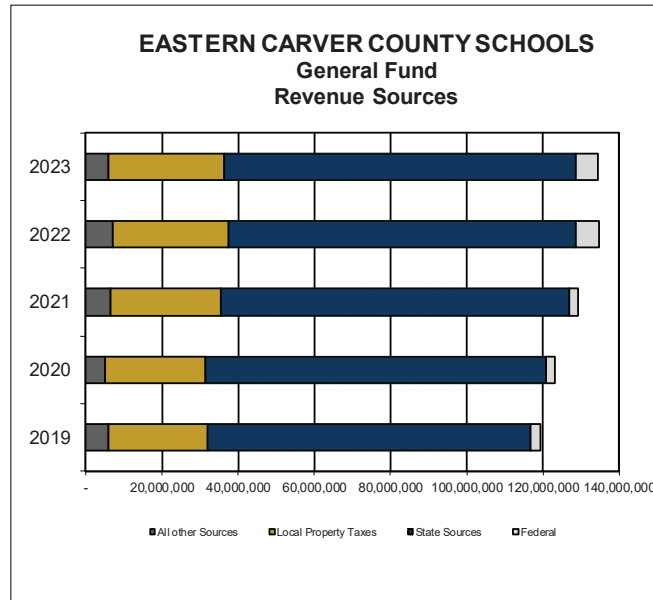


	2019	2020	2021	2022	2023
Pre-K and HK	146.28	148.71	133.28	161.06	153.10
Reg Kindergarten	694.08	704.87	627.19	614.60	646.54
Elementary	4,243.41	4,244.52	4,055.92	4,029.02	4,023.20
Secondary	4,586.23	4,550.50	4,538.71	4,439.57	4,343.82
Net ADM Served	<u>9,670.00</u>	<u>9,648.60</u>	<u>9,355.10</u>	<u>9,244.25</u>	<u>9,166.66</u>
Percent Change		0.57%	-3.04%	-1.18%	-0.84%

As noted in the above chart, the District's student ADMs for fiscal 2022-2023 was 77.59 ADMs (or 0.84%) lower than the prior year.

General Fund Revenue

The following table and graph summarizes the District's General Fund revenue sources for the last five years.



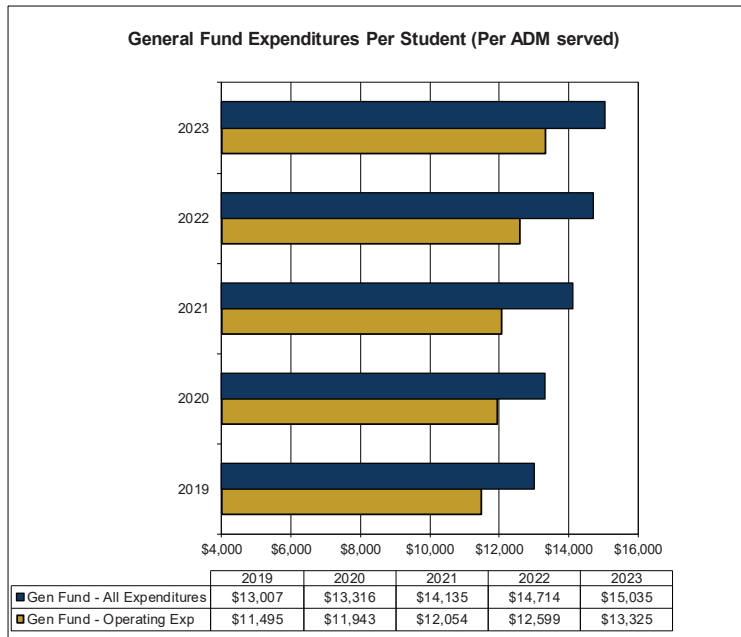
The table below illustrates the fluctuation that occurs between the taxes and state aid categories based on legislative activity. The Legislature determines what portion of the general education funding formula will be paid by local taxpayers.

	2019	2020	2021	2022	2023
Local Property Taxes	\$ 26,433,846	\$ 28,980,262	\$ 30,492,311	\$ 30,523,562	\$ 35,227,141
State Sources	89,273,990	91,497,077	91,176,434	92,390,036	92,882,880
Federal Sources	2,419,042	2,421,112	5,854,359	5,717,833	4,061,303
All Other Sources	6,014,089	5,051,497	6,446,021	7,070,162	5,821,021
Total Revenues	\$ 124,140,967	\$ 127,949,948	\$ 133,969,125	\$ 135,701,593	\$ 137,992,345
	2019	2020	2021	2022	2023
Local Property Taxes	21%	23%	23%	22%	26%
State Sources	72%	72%	68%	68%	67%
Federal Sources	2%	2%	4%	4%	3%
All Other Sources	5%	4%	5%	5%	4%
Total Revenues	100%	100%	100%	100%	100%

General Fund Expenditures

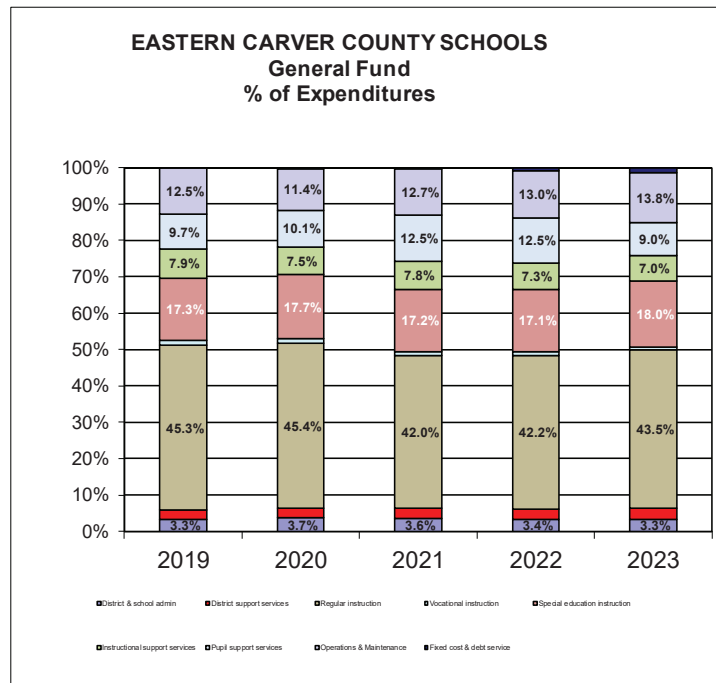
EXPENDITURES PER ADM

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



In fiscal 2023, General Fund expenditures per student increased by 2.18% while total ADMs served decreased 0.84%. Operating expenditures exclude the costs for transportation and for capital outlay.

General Fund Expenditures



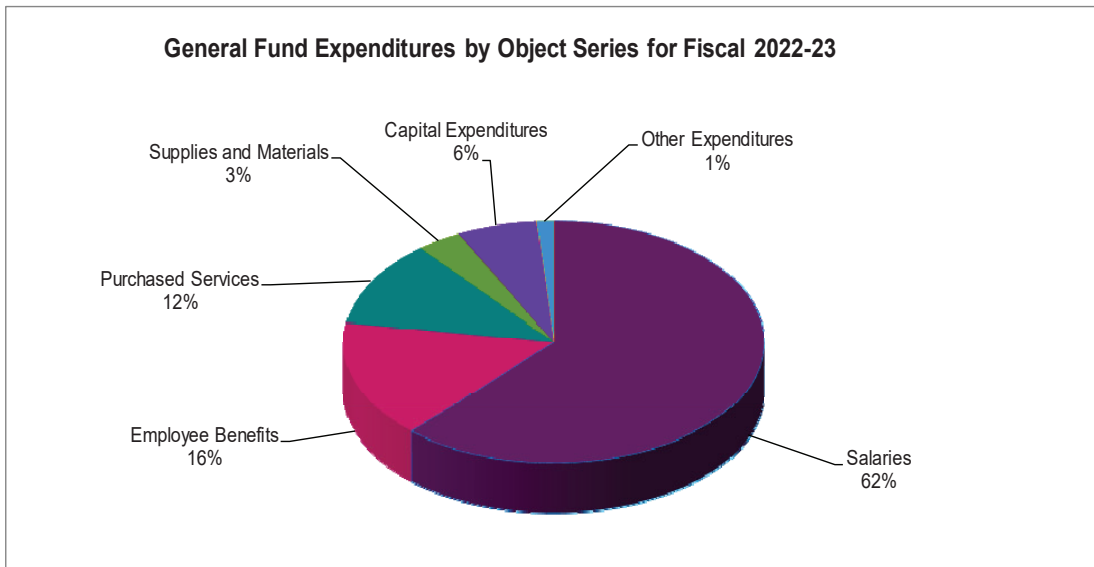
	2019	2020	2021	2022	2023
District and School Admin	\$ 4,154,410	\$ 4,736,528	\$ 4,780,109	\$ 4,562,359	\$ 4,488,647
District Support Services	3,283,503	3,446,513	3,562,358	3,807,722	4,370,107
Regular Instruction	56,958,060	58,311,252	55,479,602	57,415,695	60,012,153
Vocational Instruction	1,572,167	1,495,626	1,429,151	1,431,874	1,123,202
Special Education Instruction	21,725,366	22,801,931	22,799,560	23,208,620	24,844,767
Instructional Support Services	9,884,692	9,668,772	10,282,644	9,872,803	9,627,307
Pupil Support Services	12,194,383	13,040,532	16,558,021	17,036,768	12,444,698
Operations and Maintenance	15,747,436	14,639,445	16,739,257	17,623,648	19,066,188
Fixed Cost and Debt Service	253,396	338,863	606,849	1,061,872	1,842,774
Total Expenditures	\$ 125,773,413	\$ 128,479,462	\$ 132,237,551	\$ 136,021,361	\$ 137,819,843

General Fund Expenditures

The following chart summarizes District General Fund budget to actual expenditures by program dimension with capital outlay broken out and two years of comparative actual expenditures.

	2023				2022	2021
	Final Amended Budget	Actual	Over (Under) Budget	%	Actual	Actual
District and School Admin	\$ 4,494,707	\$ 4,488,465	\$ (6,242)	-0.1%	\$ 4,556,769	\$ 4,770,836
District Support Services	4,302,517	3,968,011	(334,506)	-7.8%	3,501,419	3,392,763
Regular Instruction	59,120,999	58,050,289	(1,070,710)	-1.8%	56,127,958	54,324,714
Vocational Instruction	1,483,943	1,121,135	(362,808)	-24.4%	1,431,874	1,429,151
Special Education Instruction	25,231,445	24,681,532	(549,913)	-2.2%	23,119,903	22,799,560
Instructional Support Services	9,512,892	8,570,222	(942,670)	-9.9%	8,315,474	8,949,836
Pupil Support Services	12,644,572	12,257,336	(387,236)	-3.1%	11,931,594	11,779,031
Operations and Maintenance	11,325,498	14,295,689	2,970,191	26.2%	13,278,781	12,028,220
Capital Outlay	8,732,039	8,544,390	(187,649)	-2.1%	12,695,717	10,289,000
Fixed Cost and Debt Service	2,255,744	1,842,774	(412,970)	-18.3%	1,061,872	606,849
Total Expenditures	\$ 139,104,356	\$ 137,819,843	\$ (1,284,513)	-0.9%	\$ 136,021,361	\$ 130,369,960

The following graph and chart summarizes District General Fund budget to actual expenditures by object type with two years of comparative actual expenditures.



	2023				2022	2021
	Final Amended Budget	Actual	Over (Under) Budget	%	Actual	Actual
Salaries	\$ 86,561,316	\$ 85,162,916	\$ (1,398,400)	-1.6%	\$ 81,410,469	\$ 77,899,707
Employee Benefits	22,293,270	21,649,263	(644,007)	-2.9%	20,402,500	19,751,758
Purchased Services	13,263,723	15,906,215	2,642,492	19.9%	15,477,506	17,637,893
Supplies and Materials	6,059,121	4,823,933	(1,235,188)	-20.4%	4,926,889	4,057,417
Capital Expenditures	8,732,039	8,544,390	(187,649)	-2.1%	126,595,717	12,156,591
Other Expenditures	2,194,887	1,733,126	(461,761)	-21.0%	1,108,280	734,185
Total Expenditures	\$ 139,104,356	\$ 137,819,843	\$ (1,284,513)	-0.9%	\$ 249,921,361	\$ 132,237,551

On a net basis, total expenditures were 0.92% lower than reflected in the final amended budget.

General Fund Operations and Financial Position

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

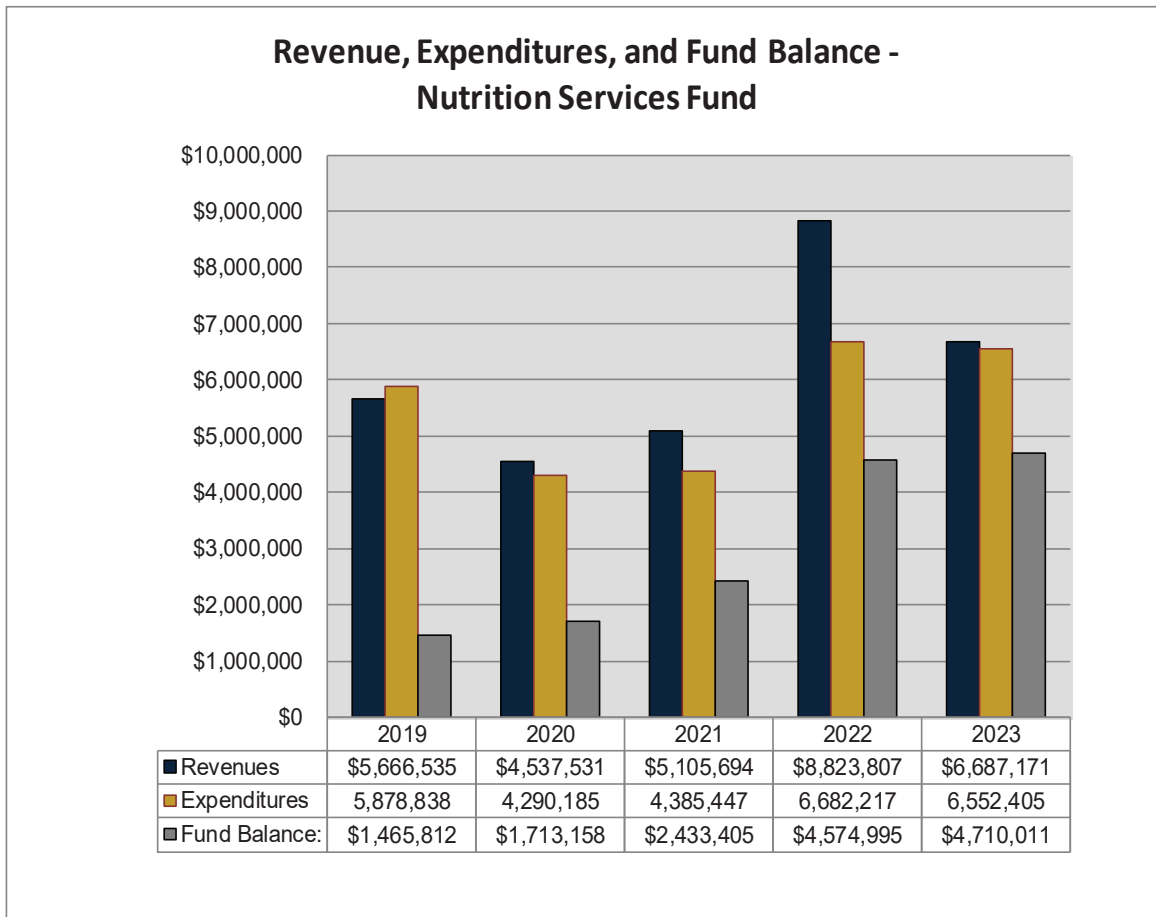
	Year Ended June 30,				
	2019	2020	2021	2022	2023
Revenues	\$ 124,140,967	\$ 127,949,948	\$ 133,969,125	\$ 135,701,593	\$ 137,992,345
Expenditures	125,773,413	128,479,462	132,237,551	136,021,361	137,819,843
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,632,446)	(529,514)	1,731,574	(319,768)	172,502
Other Financing Sources:					
Insurance Recovery	241	-	297,640	9,422	114,223
Sale of Capital Assets	22,192	6,054	2,121,137	7,105	-
Long-Term Lease Proceeds	-	-	1,867,591	171,292	27,603
Issuance of Equipment Certificates	-	-	-	6,839,000	-
Total Other Financing Sources	22,433	6,054	4,286,368	7,026,819	141,826
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(1,610,013)	(523,460)	6,017,942	6,707,051	314,328
FUND BALANCE					
Beginning of Year	15,534,987	13,924,974	13,401,514	19,419,456	26,126,507
End of Year	\$ 13,924,974	\$ 13,401,514	\$ 19,419,456	\$ 26,126,507	\$ 26,440,835
Restricted Fund Balance	\$ 255,281	\$ 2,059,732	\$ 2,150,287	\$ 2,015,748	\$ 1,633,176
Assigned Fund Balance	2,835,932	2,996,063	8,816,082	11,482,022	10,516,262
Nonspendable Fund Balance	173,719	174,282	58,542	260,905	96,263
Unassigned Fund Balance	10,660,042	8,171,437	8,394,545	12,367,832	14,195,134
Total Fund Balance	\$ 13,924,974	\$ 13,401,514	\$ 19,419,456	\$ 26,126,507	\$ 26,440,835
Unassigned Fund Balance as a Percentage of Expenditures	8.48%	6.36%	6.35%	9.09%	10.30%

The District's General Fund revenues and other financing sources exceeded expenditures by \$314,328 for fiscal 2023, increasing total fund balance to \$26,440,835 at June 30, 2023. Total fund balance (UFARS basis) includes a net of \$1,633,176 in restricted accounts as prescribed by state statute, \$10,516,262 in board-assigned accounts, and \$96,263 in nonspendable fund balance. That leaves an unassigned fund balance of \$14,195,134 at year-end, which is 10.30% of General Fund expenditures.

General Fund expenditures for fiscal 2023 were \$137,819,843 which represents an increase of \$1,798,482 or 1.32% from fiscal 2022.

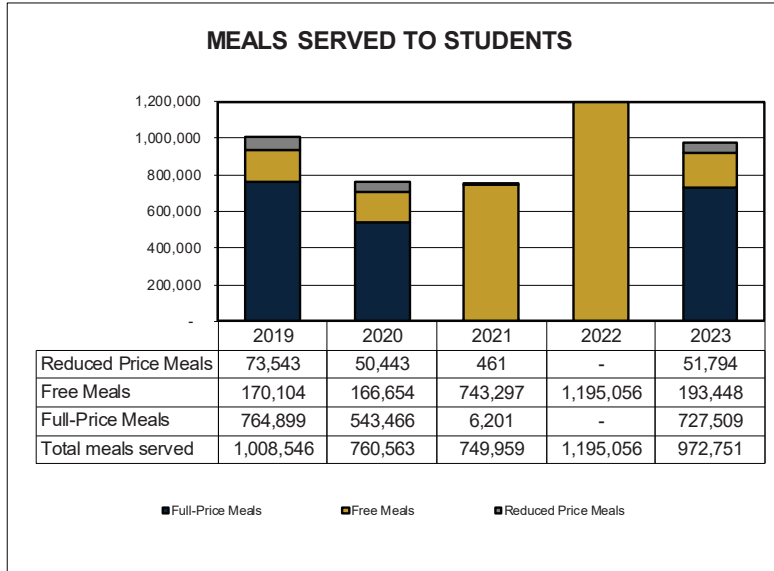
Nutrition Services Fund

The following chart reflects the financial results of the nutrition services program over the past five years:



Total revenues exceeded total expenditures by \$134,766 in the District's Nutrition Services Fund for 2023, increasing fund balance to \$4,710,011 at June 30, 2023. The ending fund balance represents 71.9% of expenditures and provides for cashflow and can serve as a source for capital improvements to the nutrition services program as needs warrant. During 2023, the District incurred \$214,940 of capital outlay invested back into the nutrition services program. Total revenue was more than the final budgeted amount by \$632,148 (or 10.4%) while total expenditures were \$44,060 (or 0.7%) lower than the budgeted amount. The net impact of these variances was a net increase in the fund balance of the Nutrition Services Fund which was \$676,208 more than had been reflected in the budget.

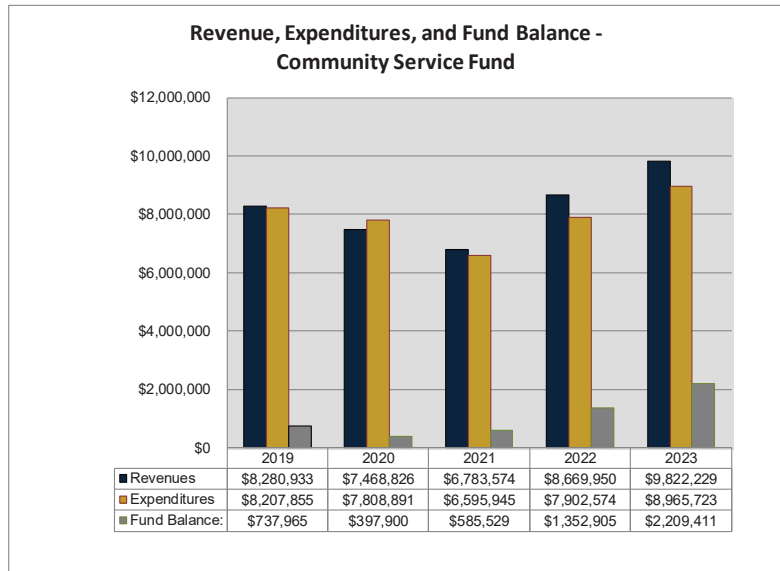
Nutrition Services Fund



	Year Ended June 30,				
	2019	2020	2021	2022	2023
Percentage of Total Meals Served by Type (excluding Breakfast):					
Full Price Meals	75.8 %	71.5 %	0.8 %	- %	74.8 %
Reduced Price Meals	7.3	6.6	0.1	-	5.3
Free Meals	16.9	21.9	99.1	100.0	19.9
Total	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

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 had an excess of revenues over expenditures of \$856,506 for fiscal 2023, bringing the combined fund balance to \$2,209,411, or 24.64% of total expenditures at June 30, 2023. Total revenue was higher than the final budgeted amount by \$302,268 (or 3.2%) while total expenditures were \$135,548 (or 1.5%) lower than the budgeted amount. The net impact of these variances was a net increase in the fund balance of the Community Service Fund which was \$437,816 more than had been reflected in the budget.

APPENDIX B

	Expenditures Per Student (ADM) Served					
	Statewide			ISD No. 112		
	All Districts	Seven County Metro Area	Enrollment > than 4,000	Eastern Carver County Schools		
	2022	2021	2021	2021	2022	2023
District and School Admin and Support Services	\$ 1,250	\$ 1,271	\$ 1,241	\$ 870	\$ 865	\$ 915
Regular Instruction (including Co- & Extra-Curricular)	6,494	6,743	6,621	5,790	6,022	6,282
Vocational Instruction (Career & Technical)	210	195	198	152	154	121
Special Education Instruction	2,724	2,842	2,936	2,430	2,481	2,671
Instructional Support Services	816	932	921	954	892	927
Pupil Support Services (excluding Transportation)	1,429	1,530	1,494	476	545	555
Pupil Transportation	-	-	-	780	736	771
Operations and Maintenance and Other	1,113	1,072	1,068	1,347	1,493	1,635
General Fund Subtotal	<u>14,036</u>	<u>14,585</u>	<u>14,479</u>	<u>12,798</u>	<u>13,186</u>	<u>13,878</u>
Nutrition Services	670	653	650	459	686	686
Community Service	689	767	738	703	845	967
Capital Expenditure (excluding Building Constr Fund)	876	876	874	1,105	1,396	951
Debt Service	<u>1,657</u>	<u>1,638</u>	<u>1,610</u>	<u>1,990</u>	<u>2,129</u>	<u>2,044</u>
Total Pre-K - 12 Operating Expenditures	<u>\$ 17,928</u>	<u>\$ 18,519</u>	<u>\$ 18,351</u>	<u>\$ 17,054</u>	<u>\$ 18,242</u>	<u>\$ 18,525</u>
Percent Change from Prior Year				4.52%	6.96%	1.55%

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 & guidance, health services, psychological services, social work, and safety, etc.)

Transportation - all costs for pupil transportation

Operations and maintenance - activities related to the operation, maintenance, repair and remodeling of all physical plant, facilities and grounds of the District

Nutrition services - all costs of the Nutrition Services Fund

Community service - all costs of the Community Service Fund

Capital expenditures - all capital expenditures charged to operating funds (which excludes the Building Construction Fund)

Debt service - all Debt Service Fund costs (principal, interest and fiscal agent costs)

APPENDIX C

ACCOUNTING UPDATE

GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

This Statement provides accounting and financial reporting requirements for public-private and public-public partnership arrangements (PPPs) that either meet the definition of a service concession arrangement or are not within the scope of Statement 87, as amended. This standard also provides guidance for accounting and financial reporting for availability payment arrangements (APAs), which are arrangements in which a government compensates an operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement was effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter, so it was implemented in fiscal year 2023.

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. 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
- 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

GASB Statement No. 99 – Omnibus (Continued)

- 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.

GASB Statement No. 102 – Certain Risk Disclosures

State and local governments face a variety of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. Although governments are required to disclose information about their exposure to some of those risks, essential information about other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints.

This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government’s highest level of decision-making authority. Concentrations and constraints may limit a government’s ability to acquire resources or control spending.

This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

GASB Statement No. 102 – *Certain Risk Disclosures* (Continued)

If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include descriptions of the following:

- The concentration or constraint
- Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements
- Actions taken by the government prior to the issuance of the financial statements to mitigate the risk.



APPENDIX D

FORMAL REQUIRED COMMUNICATIONS

School Board
Independent School District No. 112
Eastern Carver County Schools
Chaska, Minnesota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 112 (the District) as of and for the year ended June 30, 2023, and have issued our report thereon dated March 21, 2024. 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 Audit Services Statement of Work dated July 5, 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 District are described in Note 1 to the basic financial statements.

As described in Note 1, the District changed accounting policies related to subscription-based information technology arrangements (SBITAs) by adopting Statement of Governmental Accounting Standards Board (GASB Statement) No. 96, *Subscription-Based Information Technology Arrangements*, in fiscal year 2023. This resulted in the District capitalizing right to use SBITA assets and recording a corresponding subscription liability.

We noted no transactions enter 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.

Qualitative aspects of accounting practices (continued)

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 the Federal Government through the Minnesota Department of Education
- Severance Benefits Payable
- Other Postemployment Benefits Payable
- Estimated Useful Lives of Depreciable Capital Assets
- Estimated Self-Insurance Claims Payable
- Estimated proportionate share of PERA's and TRA's net pension liability and related deferred inflows and outflows

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 2023. 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 2023 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 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 the Federal Government through the Minnesota Department of Education is based on amounts anticipated to be received through the state for various federal aid entitlements for fiscal year 2023. Many federal entitlements require that supporting financial reporting information be provided both in the UFARS accounting system and also the SERVS 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 Severance Benefits Payable is based on certain assumptions made by the District. As required by GASB Statement No. 16, the District has recorded a liability in long-term debt for accumulated sick leave convertible to early retirement pay for which it is probable the employees will be compensated. The "vesting method" used by the District to calculate this liability is based on assumptions involving the probability of employees becoming eligible to receive the benefits (vesting), and the potential use of accumulated sick leave prior to termination.

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.

Qualitative aspects of accounting practices (continued)

Management’s estimate of 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 District’s self-insurance incurred but not reported (IBNR) claims liability is based on lag reports for actual claims through July 2023 and any remaining outstanding claims that were still incurred prior to June 30, 2023 are estimated based on an estimate of the average claims lag for a 24-month rolling period, and the average monthly claims for that same period.

Management’s estimate of the District’s net pension liability and related deferred inflows is based on an actuarially determined net pension liability of the state administered pension plans. This net pension liability is then allocated to all participating employers based on the actual proportion of the District’s contributions as compared to total contributions.

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.

Difficulties encountered in performing the audit

The completion of the audit was delayed due to staffing turnover at the District which delayed audit preparation and therefor were unable to perform the audit fieldwork as originally scheduled.

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.

- Accounts payable in the general fund is understated by \$194,527 and expenditures are understated by the same amount due to an additional payable not accrued at year-end. Amounts are immaterial to the general fund and government-wide statements
- Beginning capital assets balances were understated by \$407,821 for an additional capitalized asset during fiscal year 2022. Asset capitalized during fiscal year 2023 resulting in current year expenses being understated by \$407,821. The amount is immaterial to the government-wide statements.

Corrected misstatements

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

- State aid revenue and receivables in the general fund were adjusted by \$419,247 for additional general education aid.
- Federal revenue was increased in the food service fund by \$75,647 to recognize supply chain assistance funding that was improperly deferred at year-end.

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 auditors' report. We are pleased to report that 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 an emphasis-of-matter paragraph to highlight the change in accounting principle related to the adoption of new accounting guidance for subscription-based information technology arrangements as follows:

Change in Accounting Principle

As discussed in Note 1 to the financial statements, effective July 1, 2022, the District adopted new accounting guidance for subscription-based information technology arrangement (SBITA). This standard defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA.

Management representations

We have requested certain representations from management that are included in the management representation letter dated March 21, 2024.

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 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 District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

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 21, 2024.

With respect to the individual fund financial statements and the Uniform Financial Accounting and Reporting Standards 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 21, 2024.

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 introduction 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.

School Board
Independent School District No. 112
Eastern Carver County Schools

* * *

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
March 21, 2024



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