

**WACONIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 110**

EXECUTIVE AUDIT SUMMARY (EAS)

YEAR ENDED JUNE 30, 2023



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CliftonLarsonAllen LLP
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December 8, 2023

Board of Education
Independent School District No. 110
Waconia, 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

CliftonLarsonAllen LLP

Craig Popenhagen, CPA
Principal

**WACONIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 110
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YEAR ENDED JUNE 30, 2023**

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**EXECUTIVE AUDIT SUMMARY (EAS) FOR
INDEPENDENT SCHOOL DISTRICT NO. 110
AUDIT FINDINGS AND RESULTS
YEAR ENDED JUNE 30, 2023**

We prepared this Executive Audit Summary and Management Report in conjunction with our audit of Independent School District No. 110's (the District) 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” audit report.

Internal Control Over Financial Reporting – One significant deficiency in internal control was identified. The significant deficiency related to employee signors.

Compliance Findings – No compliance findings noted.

Single Audit Opinion – Major program tested:

Child Nutrition Cluster
Special Education Cluster

There were no single audit findings noted.

Minnesota Legal Compliance – There were no legal compliance findings noted.



FORMAL REQUIRED COMMUNICATIONS

Board of Education
Independent School District No. 110
Waconia, Minnesota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Waconia ISD #110 (the District) as of and for the year ended June 30, 2023, and have issued our report thereon dated December 8, 2023. 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 engagement agreement dated August 10, 2023. 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 District are described in Note 1 to the financial statements.

The District changed accounting policies related to information technology subscriptions by adopting Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription Based Information Technology Agreements* (SBITA), effective July 1, 2022. There was no material impact on the District's net position/fund balance and changes in net position/fund balance as a result of the adoption of this accounting standard.

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

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 federal through the Minnesota Department of Education
- Estimated useful lives of depreciable capital assets
- Estimate of other postemployment benefits liability
- Estimate of the 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 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 District. 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. 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 2023. Many federal entitlements require that supporting financial reporting information be provided both in the Uniform Financial Accounting and Reporting Standards (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 the useful lives for depreciable capital assets is based on guidance recommended by the Minnesota Department of Education and other sources. The useful life of a depreciable capital 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 other postemployment benefits liability 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.

Management's estimate of the pension liability is based on management's expected salary increases, inflation, estimated life expectancy, and actual required contributions upon meeting the eligibility requirements. We reviewed the key assumptions used to estimate the liability in determining that they are reasonable in relation to the financial statements taken as a whole.

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.

Significant unusual transactions

We identified no significant unusual transactions.

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:

- It was noted during current year inventory testing that the count of inventory items on hand compared to the inventory listing differed. It is projected that current year assets in the Food Service Fund are overstated by \$15,393 and current year change in fund balance is overstated by \$15,393.
- It was noted during current year testing that prior year expenses and deferred revenue were not properly adjusted in the Community Service Fund. Therefore, current year change in fund balance is understated by \$27,250.
- Due to the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, the assets of the governmental activities to be understated by \$168,092 causing net position and the change in net position to be understated by \$168,092 for Governmental Activities.
- It was noted during current year testing that applicable SBITA agreements were recorded as prepaids instead of being expensed in the current year causing assets of the governmental activities and general fund opinion units to be overstated by \$139,990 and net position/fund balance and the change in net position/fund balance to be overstated by \$139,990.
- It was noted during current year testing that a receivable was recorded in the prior year for a federal emergency connectively grant that was not collected and therefore reversed in the current year causing net position/fund balance of the governmental activities and general fund opinion units to be overstated by \$185,677 as of July 1, 2022 and the change in net position/fund balance for 2023 to be understated by \$185,677.

Uncorrected misstatements or the matters underlying uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if management has concluded that the uncorrected misstatements are immaterial to the financial statements under audit.

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, 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. 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 by restating fund balance and net position to properly record expenditures and revenues.

Management representations

We have requested certain representations from management that are included in the management representation letter dated December 8, 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 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 December 8, 2023.

With respect to the uniform financial accounting and reporting standards compliance table and the individual fund financial statements and schedules (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 December 8, 2023.

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 introductory 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.

* * *

This communication is intended solely for the information and use of the Board of Education 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

Rochester, Minnesota
December 8, 2023

APPENDIX A

FINANCIAL TRENDS OF YOUR DISTRICT

The following graphs reflect financial trends of Independent School District No. 110. Information related to fund balances on pages 8 through 15 was obtained from current and prior year audit reports. Information from Independent School District No. 110, Waconia Public Schools has been included when appropriate for comparison purposes.

The graphs on pages 18 and 19 show expenditures per student served compared to the five most recent years, state averages, and the averages for comparable size school districts (students served of 2,000 – 3,999). Prior year expenditure data and statewide averages were obtained from the Minnesota Department of Education. Current year expenditures were obtained from the current year's audit report.

**INDEPENDENT SCHOOL DISTRICT NO. 110
FUND TRENDS**

General Fund

Year Ended June 30,	2023	2022	2021	2020	2019
Total Revenues	\$ 53,065,282	\$ 52,180,648	\$ 49,083,254	\$ 46,564,514	\$ 42,819,280
Total Expenditures	52,260,513	51,840,519	48,034,446	46,690,714	50,093,477
Other Financing Sources	54,367	379,310	204,292	531,003	593,682
Net Change in Fund Balance	859,136	719,439	1,253,100	404,803	(6,680,515)
Fund Balance - Beginning	(4,283,410)	(4,751,045)	(6,004,145)	(6,408,948)	271,567
Fund Balance - Restated	-	(5,002,849)	-	-	-
Nonspendable Fund Balance	885,964	188,139	142,221	40,035	90,882
Restricted Fund Balance	1,786,505	555,903	314,204	214,445	26,616
Assigned Fund Balance	-	-	-	-	-
Unassigned Fund Balance	(6,096,743)	(5,027,452)	(5,207,470)	(6,258,625)	(6,526,446)
Fund Balance - Ending June 30	\$ (3,424,274)	\$ (4,283,410)	\$ (4,751,045)	\$ (6,004,145)	\$ (6,408,948)

Food Service Fund

Year Ended June 30,	2023	2022	2021	2020	2019
Total Revenues	\$ 2,728,664	\$ 4,704,731	\$ 3,131,242	\$ 2,128,106	\$ 2,401,836
Total Expenditures	3,413,745	3,173,194	2,195,387	2,318,325	2,416,936
Other Financing Sources	-	-	-	-	-
Net Change in Fund Balance	(685,081)	1,531,537	935,855	(190,219)	(15,100)
Fund Balance - Beginning	3,052,448	1,520,911	585,056	775,275	790,375
Nonspendable Fund Balance	94,725	46,440	57,392	53,708	21,412
Restricted Fund Balance	2,272,642	3,006,008	1,463,519	531,348	753,863
Fund Balance - Ending June 30	\$ 2,367,367	\$ 3,052,448	\$ 1,520,911	\$ 585,056	\$ 775,275

Community Service Fund

Year Ended June 30,	2023	2022	2021	2020	2019
Total Revenues	\$ 3,696,570	\$ 3,393,831	\$ 2,695,691	\$ 2,671,872	\$ 3,242,114
Total Expenditures	3,151,217	3,101,048	2,801,369	2,942,511	3,290,698
Other Financing Sources	66,780	62,920	106,625	62,578	70,621
Net Change in Fund Balance	612,133	355,703	947	(208,061)	22,037
Fund Balance - Beginning	751,421	395,718	394,771	602,832	580,795
Nonspendable Fund Balance	63,565	5,497	2,203	500	3,132
Restricted Fund Balance	1,299,989	745,924	393,515	394,271	599,700
Fund Balance - Ending June 30	\$ 1,363,554	\$ 751,421	\$ 395,718	\$ 394,771	\$ 602,832

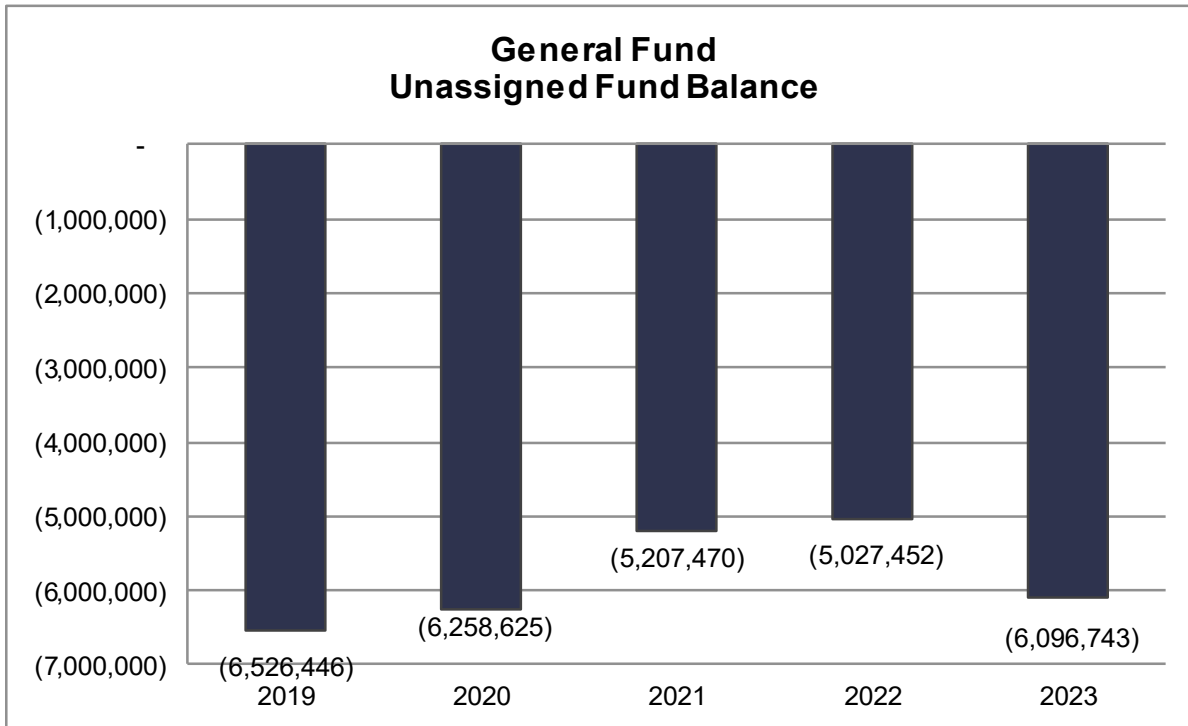
**INDEPENDENT SCHOOL DISTRICT NO. 110
FUND TRENDS (CONTINUED)**

Capital Projects Fund

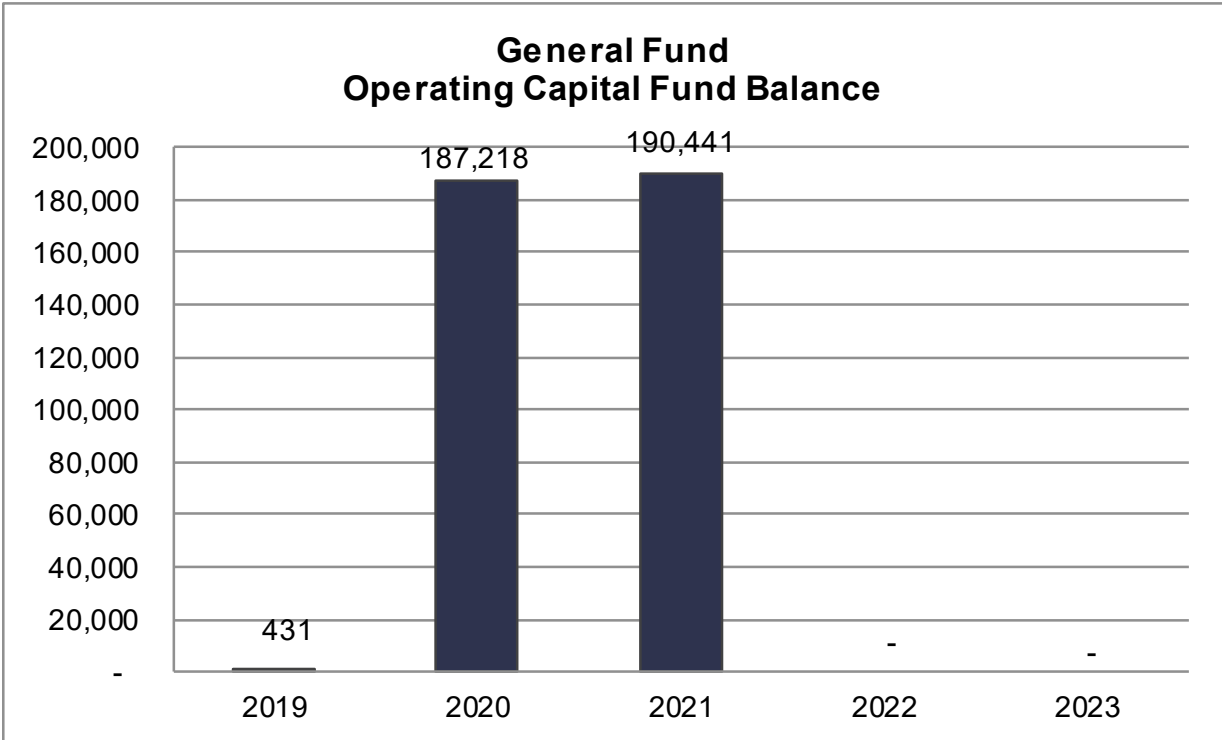
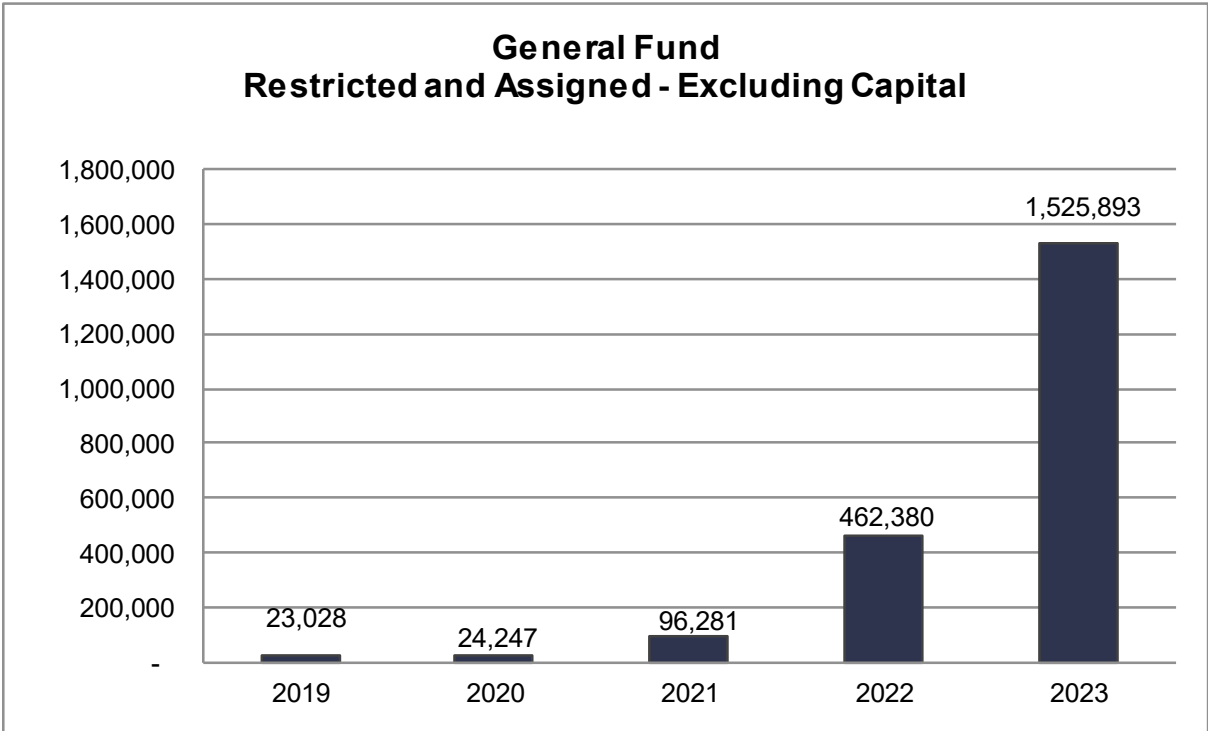
Year Ended June 30,	2023	2022	2021	2020	2019
Total Revenues	\$ -	\$ -	\$ 24,032	\$ 189,100	\$ 8,523
Total Expenditures	-	-	-	1,109,171	1,408,120
Other Financing Sources	-	-	-	-	2,421,650
Net Change in Fund Balance	-	-	24,032	(920,071)	1,022,053
Fund Balance - Beginning	-	-	(24,032)	896,039	(126,014)
Restricted Fund Balance - Ending June 30	\$ -	\$ -	\$ -	\$ (24,032)	\$ 896,039

Debt Service

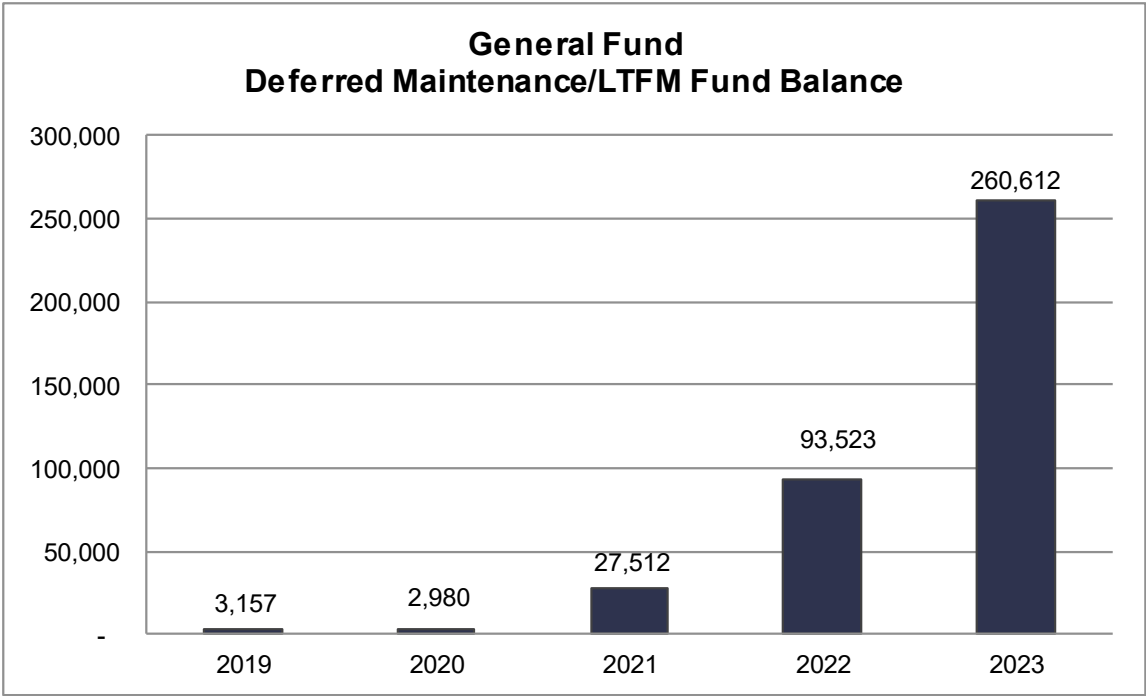
Year Ended June 30,	2023	2022	2021	2020	2019
Total Revenues	\$ 9,841,168	\$ 9,634,653	\$ 9,390,446	\$ 8,968,177	\$ 7,948,477
Total Expenditures	9,413,981	9,363,330	9,154,757	9,261,475	8,704,689
Other Financing Sources	-	-	-	-	256,592
Net Change in Fund Balance	427,187	271,323	235,689	(293,298)	(499,620)
Fund Balance - Beginning	1,763,688	1,492,365	1,256,676	1,549,974	2,049,594
Restricted Fund Balance - Ending June 30	\$ 2,190,875	\$ 1,763,688	\$ 1,492,365	\$ 1,256,676	\$ 1,549,974



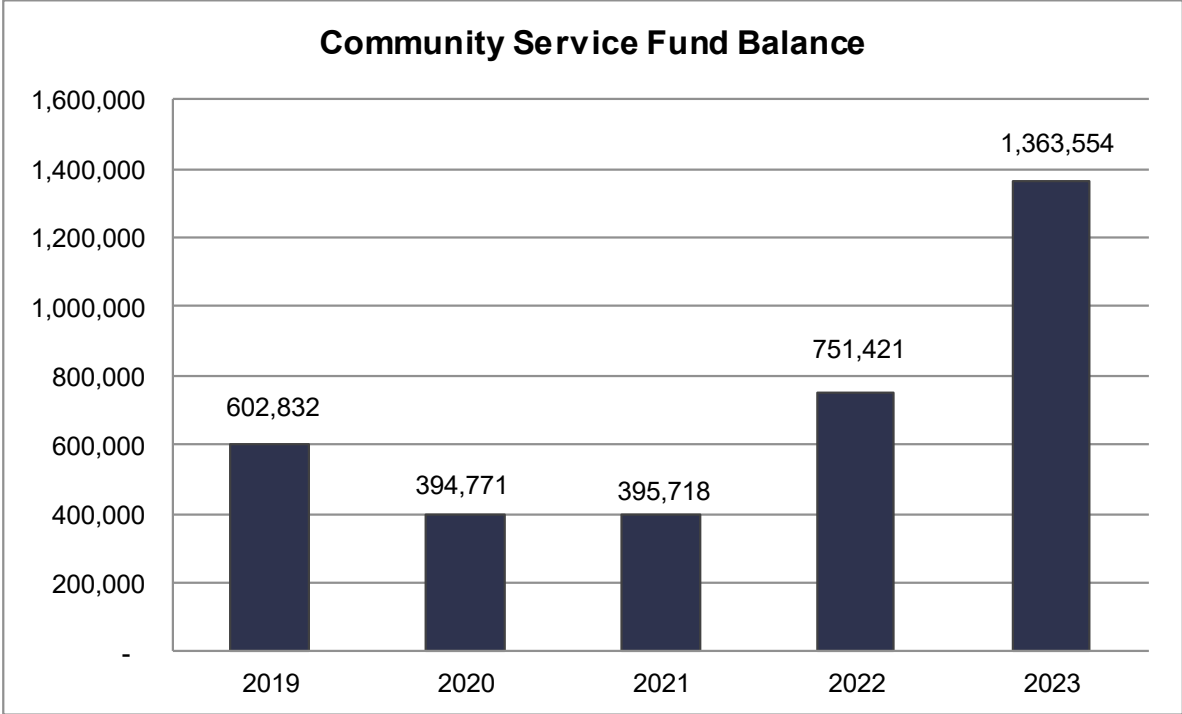
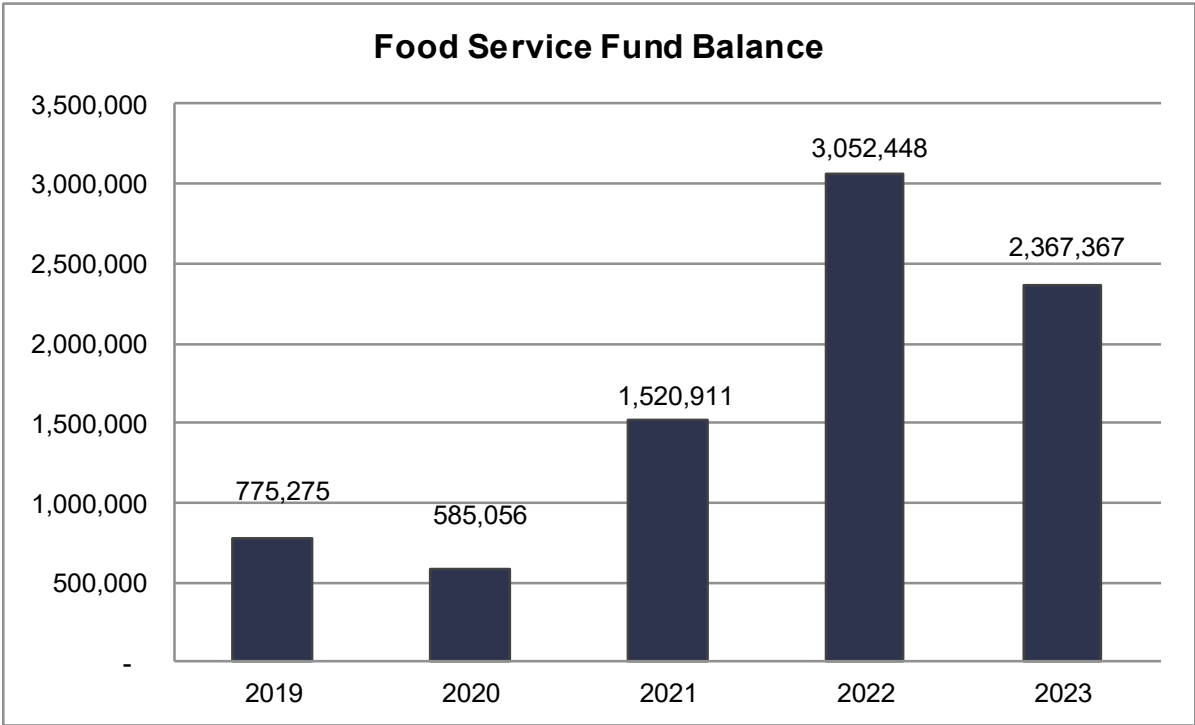
**INDEPENDENT SCHOOL DISTRICT NO. 110
FUND TRENDS (CONTINUED)**



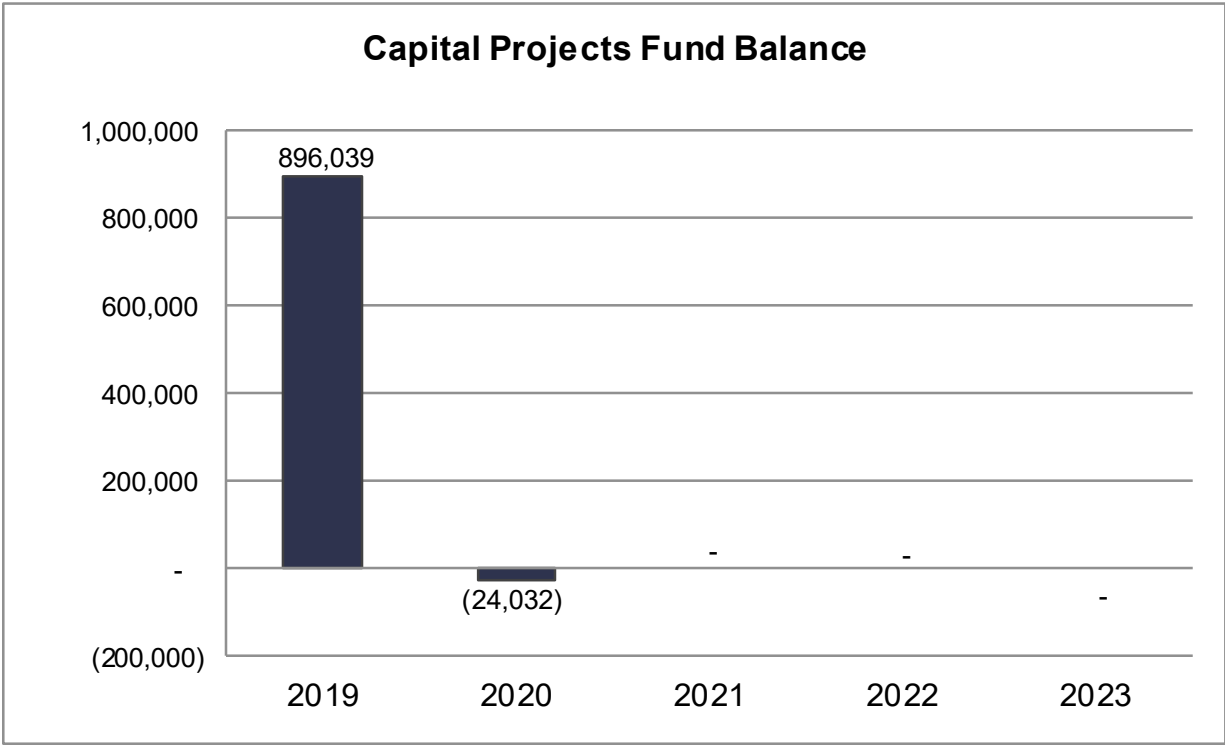
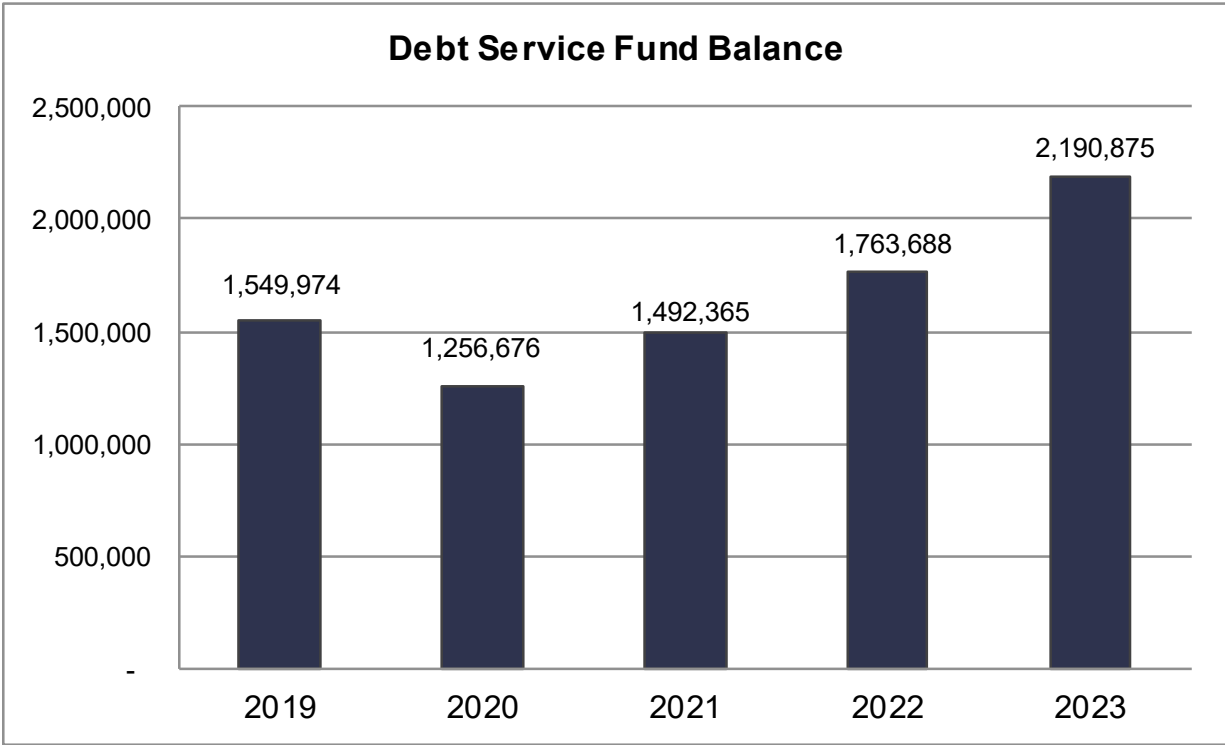
**INDEPENDENT SCHOOL DISTRICT NO. 110
FUND TRENDS (CONTINUED)**



**INDEPENDENT SCHOOL DISTRICT NO. 110
FUND TRENDS (CONTINUED)**

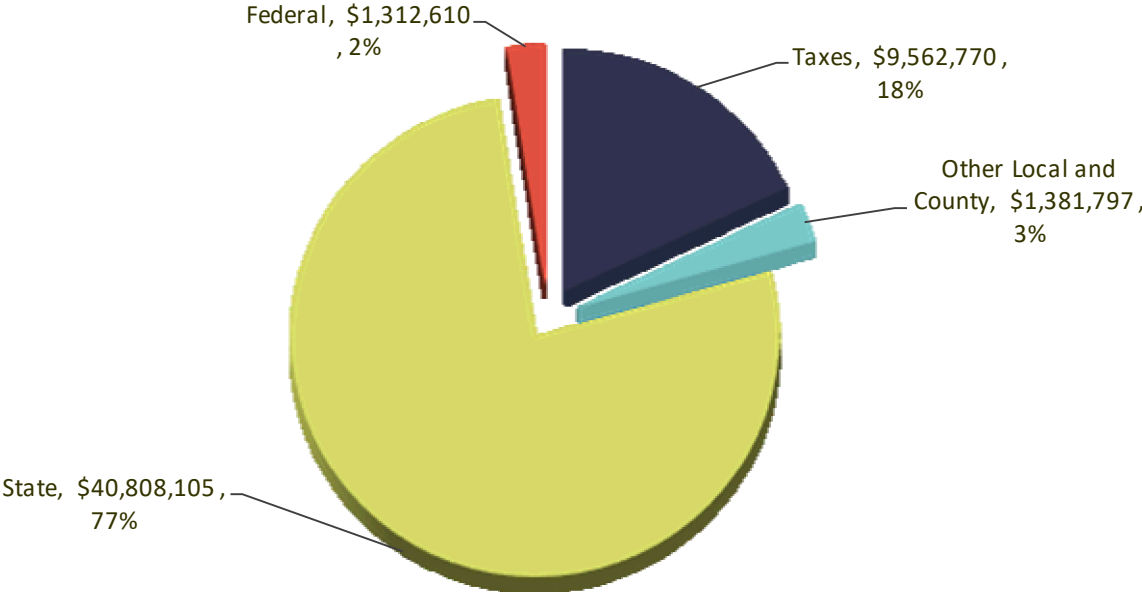


**INDEPENDENT SCHOOL DISTRICT NO. 110
FUND TRENDS (CONTINUED)**



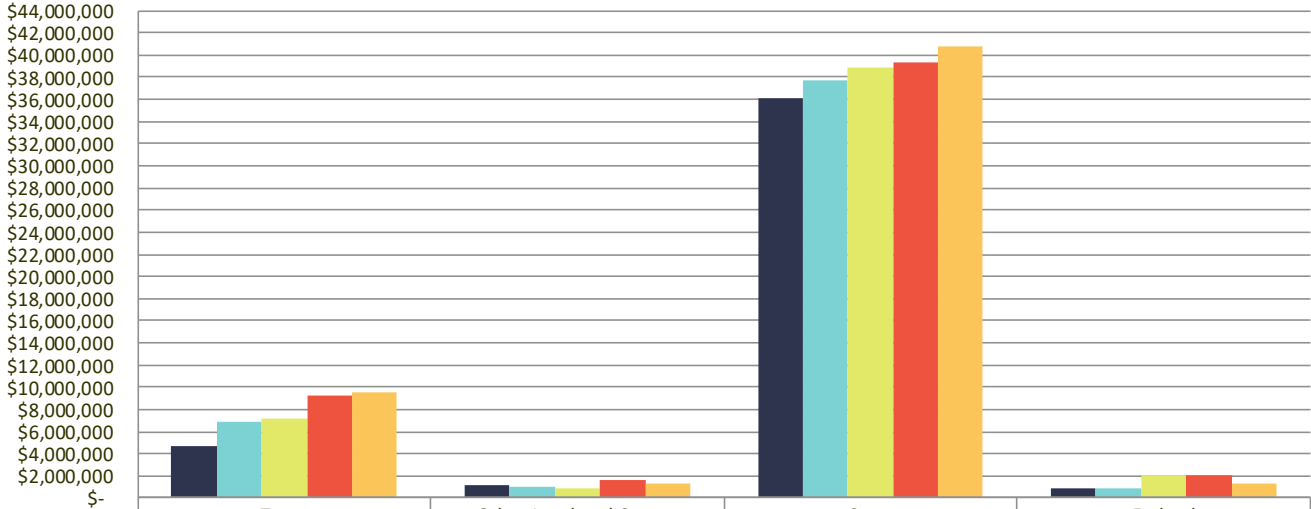
**INDEPENDENT SCHOOL DISTRICT NO. 110
FUND TRENDS (CONTINUED)**

**Sources of Revenues for General Fund
Year Ended June 30, 2023**



**INDEPENDENT SCHOOL DISTRICT NO. 110
FUND TRENDS (CONTINUED)**

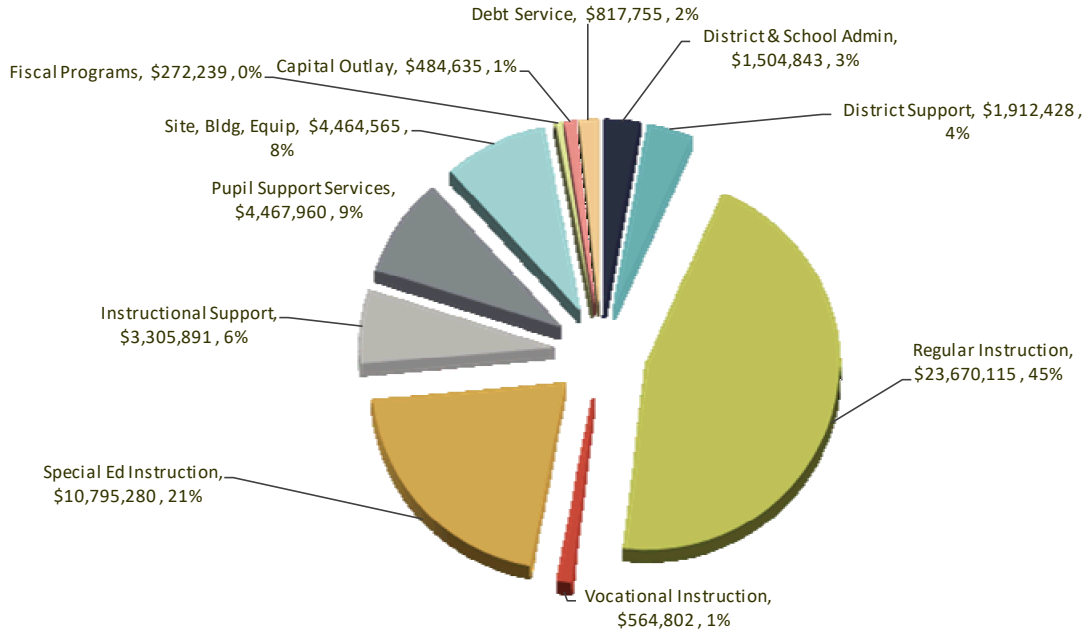
Comparative General Fund Revenues



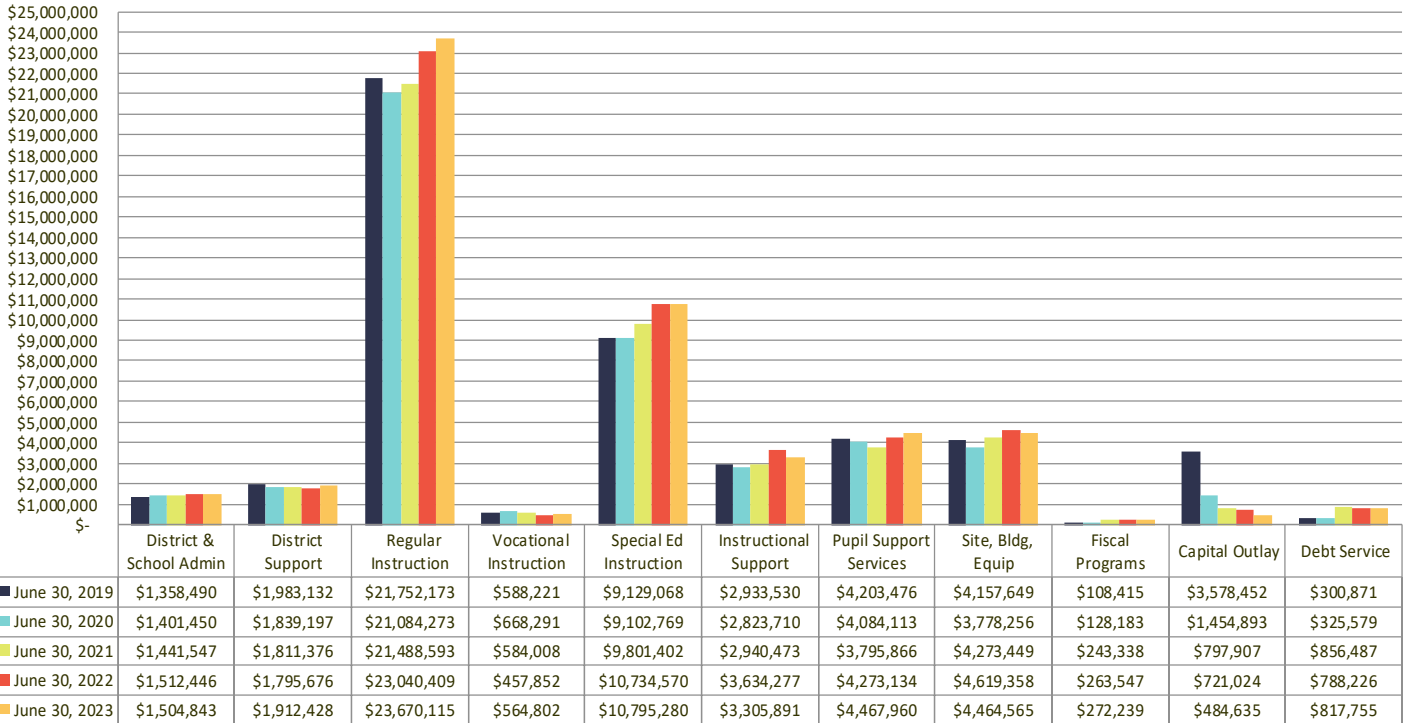
	Taxes	Other Local and County	State	Federal
■ June 30, 2019	\$4,625,179	\$1,213,658	\$36,125,653	\$854,790
■ June 30, 2020	\$6,872,050	\$1,068,659	\$37,757,831	\$865,974
■ June 30, 2021	\$7,225,981	\$916,026	\$38,867,353	\$2,073,894
■ June 30, 2022	\$9,241,888	\$1,541,416	\$39,356,445	\$2,040,899
■ June 30, 2023	\$9,562,770	\$1,381,797	\$40,808,105	\$1,312,610

**INDEPENDENT SCHOOL DISTRICT NO. 110
FUND TRENDS (CONTINUED)**

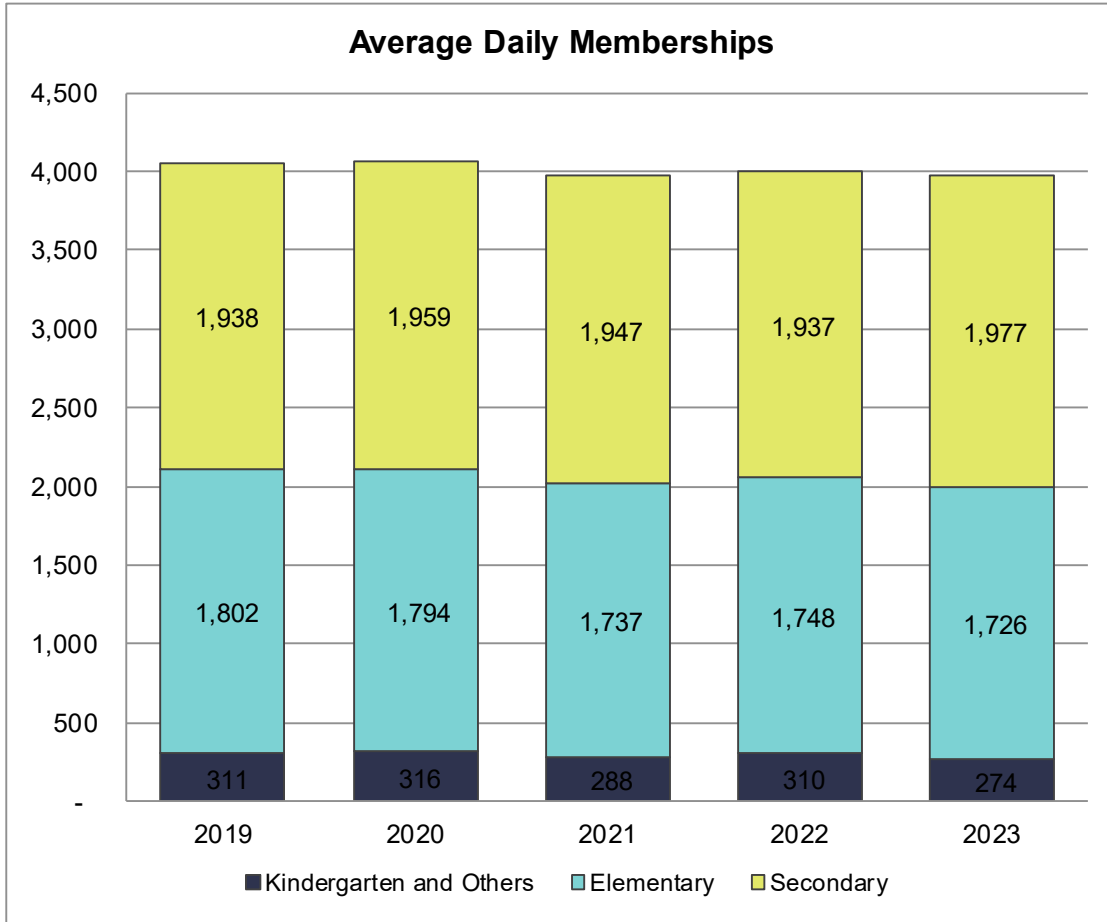
**Breakdown of Expenditures by Program for General Fund
Year Ended June 30, 2023**



Comparative Expenditures by Program for General Fund

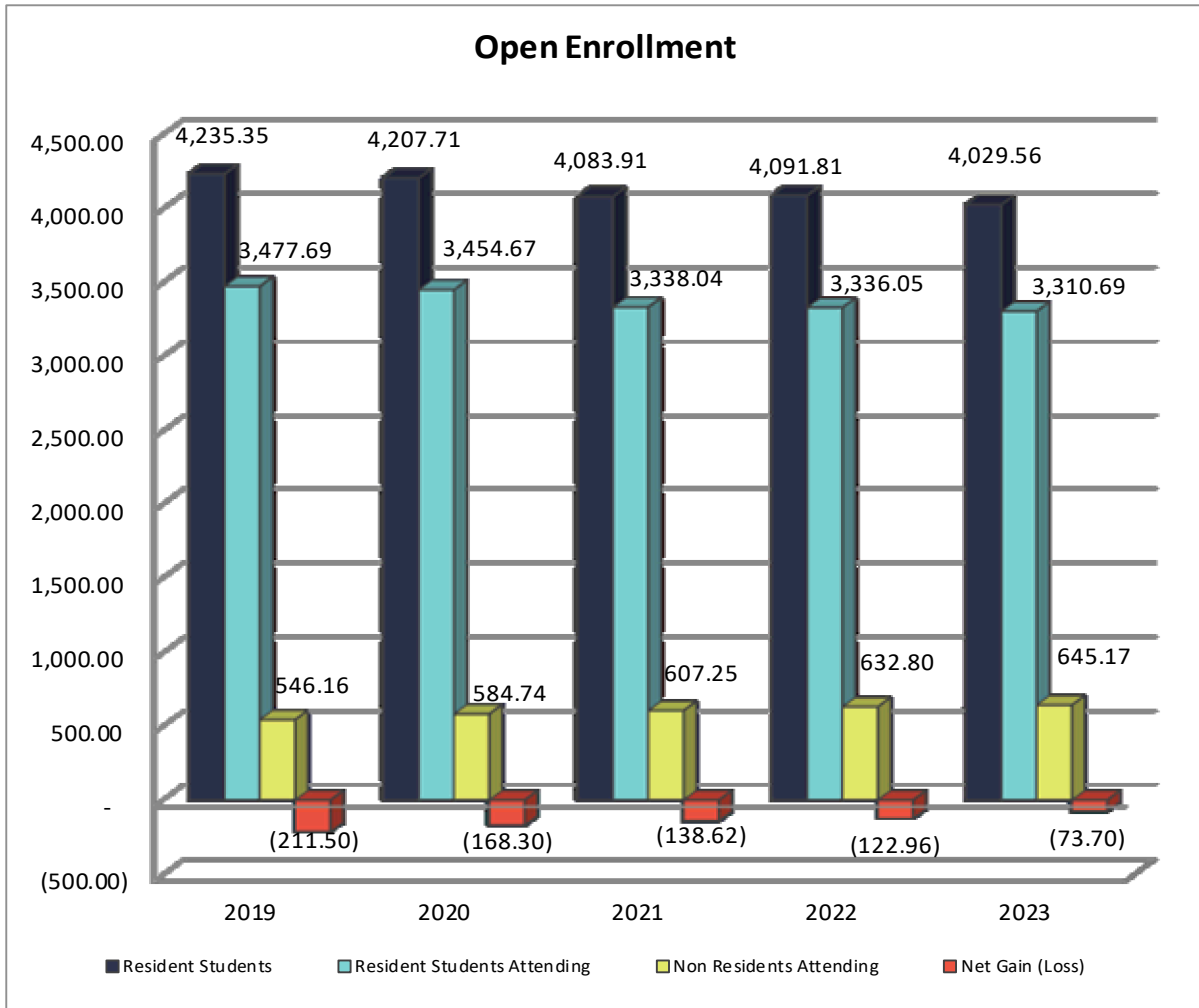


**INDEPENDENT SCHOOL DISTRICT NO. 110
FUND TRENDS (CONTINUED)**



Average Daily Membership (ADM)	2019	2020	2021	2022	2023
Kindergarten and Others	311	316	288	310	274
Elementary	1,802	1,794	1,737	1,748	1,726
Secondary	1,938	1,959	1,947	1,937	1,977
Total ADM	4,051	4,069	3,972	3,995	3,977

**INDEPENDENT SCHOOL DISTRICT NO. 110
FUND TRENDS (CONTINUED)**

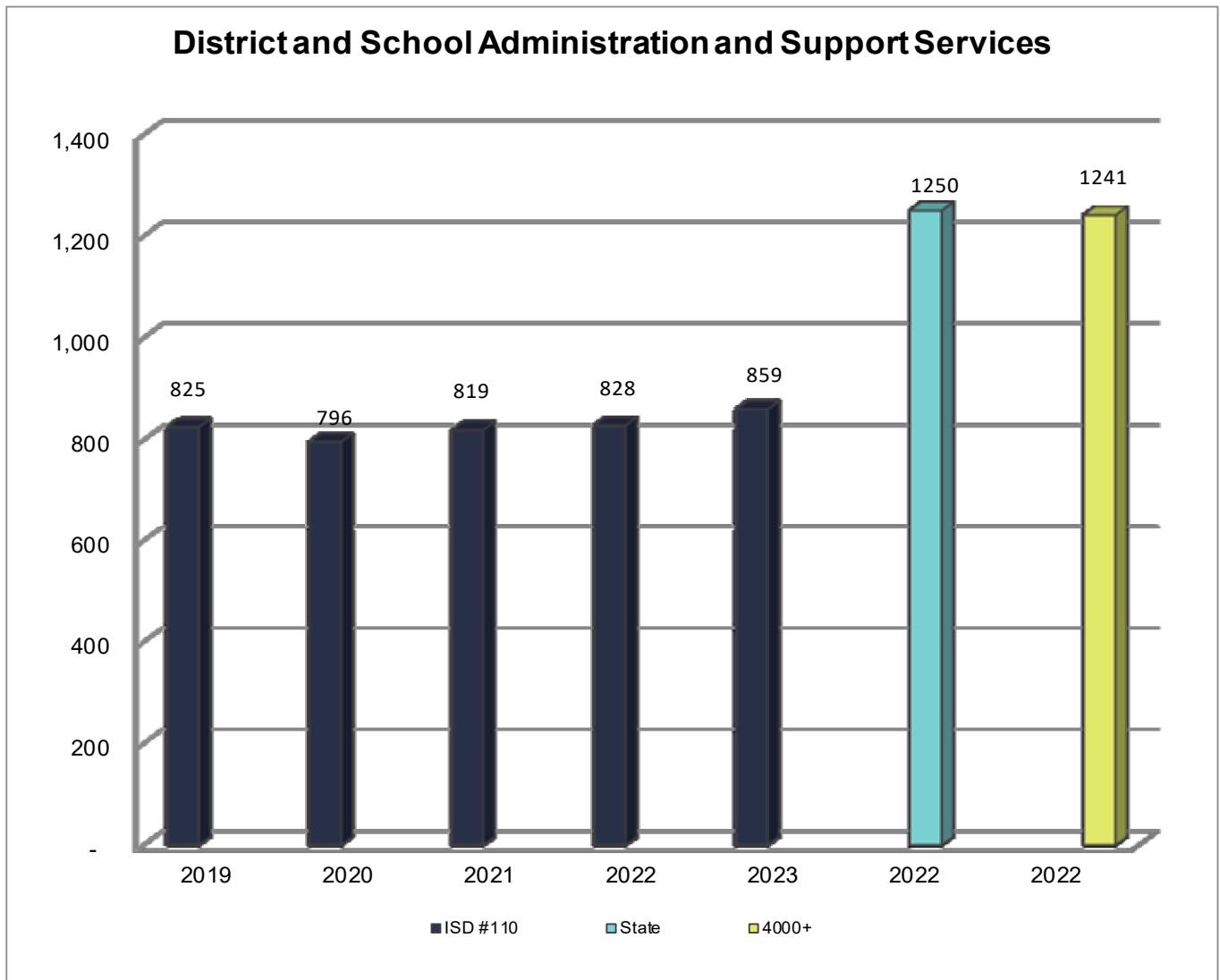


	2019	2020	2021	2022	2023
Resident Students	4,235.35	4,207.71	4,083.91	4,091.81	4,029.56
Resident Students Attending	3,477.69	3,454.67	3,338.04	3,336.05	3,310.69
Non Residents Attending	546.16	584.74	607.25	632.80	645.17
Net Gain (Loss)	(211.50)	(168.30)	(138.62)	(122.96)	(73.70)

**INDEPENDENT SCHOOL DISTRICT NO. 110
FUND TRENDS (CONTINUED)**

District and School Admin – all costs related to providing administration to the District (Board of Education, Superintendent, Principals, Line Administrators, etc.).

District Support Services – all activities provided by central office administrators (Business Services, Human Resources, Legal, Data Processing, Other District-Wide Support Activities).



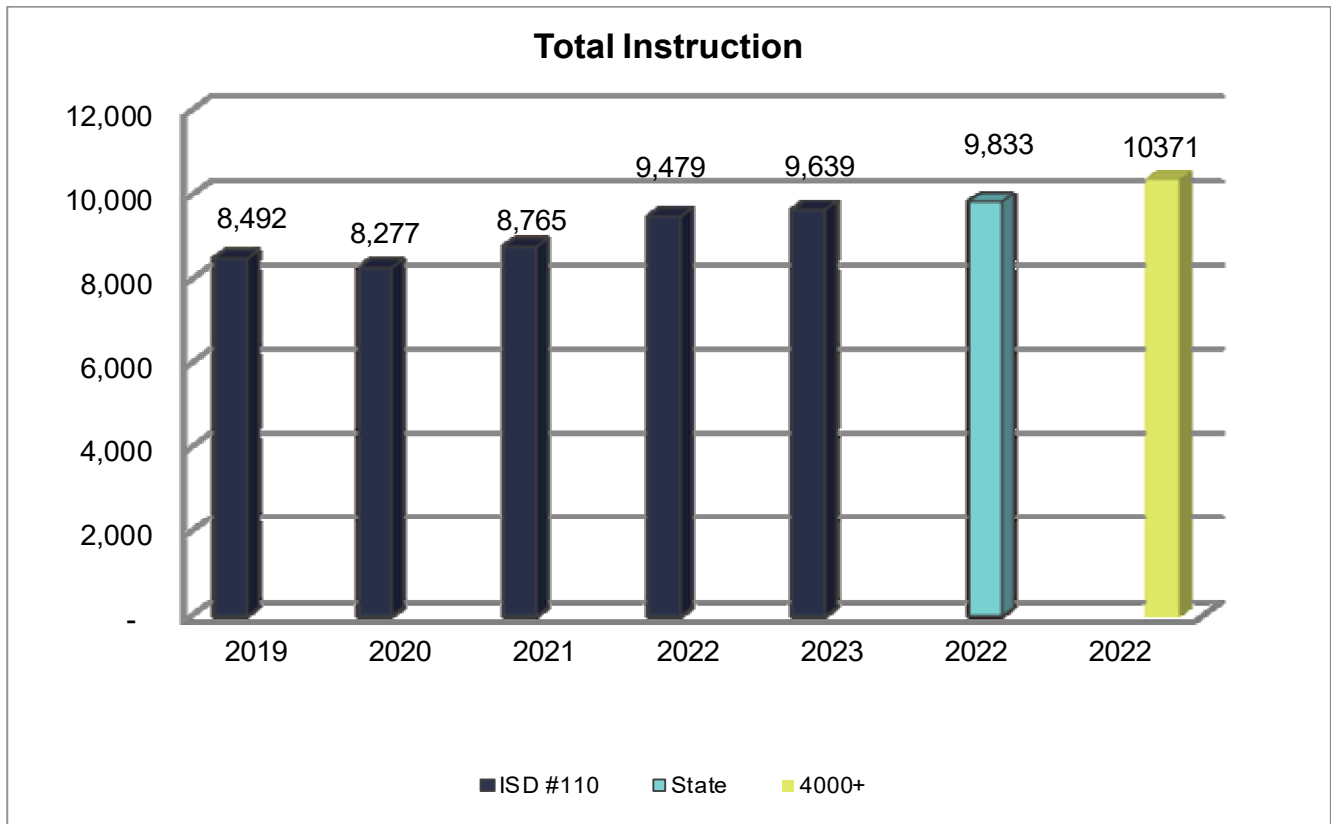
**INDEPENDENT SCHOOL DISTRICT NO. 110
FUND TRENDS (CONTINUED)**

Regular Instruction – includes all activities dealing directly with the teaching of pupils including co-curricular and extra-curricular activities.

Special Education Instruction – consists of activities to provide learning experiences for pupils of any age with atypical characteristics or conditions.

Instructional Support Services – activities to assist instructional staff with content and process of learning experiences for pupils in K-12 (curriculum, staff development, etc.).

Vocational Instruction – consists of costs related to career exploration, job-entry skills, job upgrading, and occupational training.





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