



# Executive Governance Summary

## Crosslake Community Schools

Crosslake, Minnesota

For the year ended June 30, 2025



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November 11, 2025

Management and Board of Directors  
Crosslake Community Schools  
Crosslake, Minnesota

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We have audited the financial statements of the governmental activities, the major fund and the remaining aggregate fund information of Crosslake Community Schools, (the Charter School), Crosslake, Minnesota for the year ended June 30, 2025 and have issued our report thereon dated November 11, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* 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 June 3, 2025. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

In planning and performing our audit of the financial statements, we considered the Charter School's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control.

*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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We identified a certain deficiency in internal control, described below as item 2025-001 that we consider to be a material weakness.

<u>Finding</u>	<u>Description</u>
<b>2025-001</b>	<b>Material Audit Adjustment</b>
<i>Condition:</i>	During our audit of Crosslake Community School's financial statements for the year ended June 30, 2025, we identified a material audit adjustment related to the School's building lease. The Charter School did not record or make its year-end building lease catch-up payment prior to year-end. As a result, lease expenditures and the related liability were understated in the governmental fund and government-wide financial statements.
<i>Criteria:</i>	Generally accepted accounting principles (GAAP) require that expenditures and related liabilities be recorded in the period in which they are incurred, regardless of when payment is made. Lease payments covering the reporting period should be accrued at year-end if unpaid.
<i>Cause:</i>	The Charter School did not identify or record the year-end building lease catch-up payment as part of its year-end closing procedures.
<i>Effect:</i>	The omission resulted in a material understatement of expenditures and accounts payable at year-end. An audit adjustment was proposed and subsequently recorded by management to properly state the financial statements.
<i>Recommendation:</i>	We recommend that the Charter School strengthen its year-end closing procedures to ensure that all recurring obligations, including lease payments, are reviewed and accrued as necessary at year-end. This should include a reconciliation of the lease payment schedule to ensure all amounts applicable to the fiscal year are properly recorded.

*Management Response:*

The Charter School will enhance its year-end closing checklist to include a reconciliation of the lease payment schedule and review of post-year-end disbursements to identify any amounts applicable to the audit year. The Charter School will ensure that the year-end building lease catch-up payment is properly accrued in future fiscal years. Management expresses no disagreement with the inclusion and issuance of the finding.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported in accordance with Government Auditing Standards or Minnesota statutes.

**Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Charter School are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies were not changed during the year ended June 30, 2025. We noted no transactions entered into by the governmental unit 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 financial statements are described below.

- Management's estimate of depreciation is based on estimated useful lives of the assets. Depreciation is calculated using the straight-line method.
- Management estimates a portion of the receivable from the Department of Education on student numbers and past expenditures.
- Management's estimate of its portion of the Charter School's net pension liabilities related to its proportionate share of TRA and PERA pensions (assets) are based on the Charter School's contributions in relation to all contributions to each plan as a whole. The overall net pension liability for TRA and PERA are based on several factors including, but not limited to, anticipated retirement age for active employees, life expectancy, survivor life expectancy, and high-five salary.
- Management's estimates of its lease liability and intangible right to use assets are based on several factors including, but not limited to, discount rate based on the Charter School's estimated incremental borrowing rate.

We evaluated the key factors and assumptions used to develop 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. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

#### **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 trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

- The Charter School did not record or make its year-end building lease catch-up payment prior to year-end. As a result, lease expenditures and the related liability were understated in the governmental fund and government-wide financial statements. The material misstatements noted above was corrected by management.

#### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as 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, November 11, 2025



## 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 Charter School’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 Matters

We applied certain limited procedures to the required supplementary information (RSI) (Management’s Discussion and Analysis, the Schedules of Employer’s Share of the Net Pension Liability and the Schedules of Employer’s Contributions), which is information 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 supplementary information (combining fund financial statements, individual fund schedules and table), which accompany the financial statements but are 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 introductory section, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on them.

## Other Audit Findings or Issues

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

## Future Accounting Standard Changes

The following Governmental Accounting Standards Board (GASB) Statements have been issued and may have an impact on future Charter School financial statements:

**GASB Statement No. 103** - *Financial Reporting Model Improvements*

*Effective: 06/30/2026*

**GASB Statement No. 104** - *Disclosure of Certain Capital Assets*

*Effective: 06/30/2026*

Further information on upcoming [GASB pronouncements](#).



### Restriction on Use

This communication is intended solely for the information and use of the members of the School Board, management and others within the administration of the District, federal awarding agencies and the Minnesota Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

The comments and recommendations in the report are purely constructive in nature, and should be read in this context. Our audit would not necessarily disclose all weaknesses in the system because it was based on selected tests of the accounting records and related data.

If you have any questions or wish to discuss any of the items contained in this letter, please feel free to contact us at your convenience. We wish to thank you for the opportunity to be of service and for the courtesy and cooperation extended to us by your staff.



**Abdo**  
Minneapolis, Minnesota  
November 11, 2025

