



**Independent School District No. 191
Burnsville, Minnesota**

Communications Letter

June 30, 2024

**Independent School District No. 191
Table of Contents**

Report on Matters Identified as a Result of the Audit of the Basic Financial Statements	1
Required Communication	3
Financial Analysis	8
Legislative Summary	19
Emerging Issues	22



Report on Matters Identified as a Result of the Audit of the Basic Financial Statements

To the School Board
Independent School District No. 191
Burnsville, Minnesota

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 191, Burnsville, Minnesota, as of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the District'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 have not been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error, or fraud may occur and not be detected by such controls.

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 over financial reporting, such that there is a reasonable possibility that a material misstatement of the District's basic financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- ◆ *Reasonably possible*. The chance of the future event or events occurring is more than remote but less than likely.
- ◆ *Probable*. The future event or events are likely to occur.

We did not identify any deficiencies in internal control that we consider to be material weaknesses.

The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated October 23, 2024, on such statements.

The purpose of this communication, which is an integral part of our audit, is to describe for the School Board, management, and others within the District and state oversight agencies the scope of our testing of internal controls and the results of that testing. Accordingly, this communication is not intended to be, and should not be, used for any other purpose.

Bogomolov, Ltd.

St. Cloud, Minnesota
October 23, 2024

**Independent School District No. 191
Required Communication**

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2024. Professional standards require that we advise you of the following matters related to our audit.

Our Responsibility in Relation to the Basic Financial Statement Audit

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express opinions about whether the basic financial statements prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the basic financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the basic financial statements are free of material misstatement. An audit of the basic financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Generally accepted accounting principles provide for certain Required Supplementary Information (RSI) to supplement the basic financial statements. Our responsibility with respect to the RSI, which supplements the basic audit financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

Our responsibility for the supplementary information accompanying the basic financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the basic financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our Responsibility in Relation to *Government Auditing Standards*

As communicated in our engagement letter, part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

**Independent School District No. 191
Required Communication**

Our Responsibility in Relation to *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*

As communicated in our engagement letter, in accordance with the Uniform Guidance, we examined on a test basis, evidence about the District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the District's compliance with those requirements. While our audit provided a reasonable basis for our opinion, it did not provide a legal determination on the District's compliance with those requirements.

In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

We have identified the following significant risks of material misstatement:

- ◆ Management Override of Controls and Misappropriation of Assets - Overall Financial Statements - Management override of internal control is considered a risk in substantially all engagements as management may be incentivized to produce better results.
- ◆ Improper Revenue Recognition - Revenue recognition is considered a fraud risk on substantially all engagements as it generally has a significant impact on the results of the governments operations. In addition, complexities exist surrounding the calculation and recording of various revenue sources.
- ◆ General Education and Special Education Aid - General Education Aid is an estimate until average daily membership (ADM) values are final. Since this is normally not done until after the reporting deadline, this Aid is an estimate. Special Education Aid is dependent on the availability of funds and complex formulas that are finalized after reporting deadlines.
- ◆ Total Other Post Employment Benefits (OPEB) Liability - This balance is based on an actuarial study using the estimates of future obligations of the District for post-employment benefits.
- ◆ Net Pension Liability, Deferred Outflows of Resources Related to Pensions and Deferred Inflows of Resources Related to Pensions - These balances are based on an allocation by the pension plans using estimates based on contributions.

**Independent School District No. 191
Required Communication**

Qualitative Aspects of the District's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in the notes to the basic financial statements. There have been no initial selection of accounting policies and no changes to significant accounting policies or their application during 2024. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates and Related Disclosures

Accounting estimates and related disclosures are an integral part of the basic financial statements prepared by management and are based on management's current judgements. Those judgements are normally based on 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 basic financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgements. The most sensitive estimates affecting the basic financial statements relate to:

General Education and Special Education Aid - General Education Aid is an estimate until average daily membership (ADM) values are final. Since this is normally not done until after the reporting deadline, this Aid is an estimate. Special Education Aid is dependent on the availability of funds and complex formulas that are finalized after reporting deadlines.

Total Other Post Employment Benefits (OPEB) Liability - This balance is based on an actuarial study using the estimates of future obligations of the District for post-employment benefits.

Net Pension Liability, Deferred Outflows of Resources Related to Pensions and Deferred Inflows of Resources Related to Pensions - These balances are based on an allocation by the pension plans using estimates based on contributions.

We evaluated the key factors and assumptions used to develop the accounting estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain basic financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The basic financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Independent School District No. 191 Required Communication

Uncorrected and Corrected Misstatements

For the purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effects of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the basic financial statements taken as a whole and each applicable opinion unit.

The following bullet points summarize the uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

- ◆ The right-to-use asset and liability related to subscription-based information technology arrangements were not recorded.
- ◆ State receivable and revenue were overstated.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. 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 basic financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's basic financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management has informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating, and regulatory conditions affecting the District, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditor.

Other Information Included in Annual Reports

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in the District's annual reports, does not extend beyond the information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

**Independent School District No. 191
Required Communication**

Other Information Included in Annual Reports (Continued)

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

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 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 basic financial statements or to the basic financial statements themselves.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the basic financial statements.

**Independent School District No. 191
Financial Analysis**

The following pages provide graphic representation of select data pertaining to the financial position and operations of the District for the past five years. Our analysis of each graph is presented to provide a basis for discussion of past performance and how implementing certain changes may enhance future performance. We suggest you view each graph and document if our analysis is consistent with yours. A subsequent discussion of this information should be useful for planning purposes.

Due to its complexity, it would be impossible to fully explain the funding of public education in Minnesota within this letter. The last section of this report, which contains a summary of legislative changes affecting school districts, provides an indication of how complicated the funding system is. The following provides some state-wide funding and financial trend information.

Average Daily Membership and Pupil Units

The largest single funding source for Minnesota school districts is basic General Education Aid. Each year, the State Legislature sets a basic formula allowance. Total basic general education revenue is calculated by multiplying the formula allowance by the number of pupil units for which a district is entitled to aid. Pupil units are calculated using a legislatively determined weighting system applied to ADM. Over the years, various modifications have been made to this calculation, including changes in weighting and special consideration for declining enrollment districts.

Year	General Education Aid Formula Allowance	
	Amount	Percent Increase
2014	\$ 5,302	1.5%
2015*	5,831	1.9%
2016	5,948	2.0%
2017	6,067	2.0%
2018	6,188	2.0%
2019	6,312	2.0%
2020	6,438	2.0%
2021	6,567	2.0%
2022	6,728	2.5%
2023	6,863	2.0%
2024	7,138	4.0%
2025	7,281	2.0%

* General Education Aid - Of the \$529 increase over 2014, \$105 is for inflation at 1.9%; the remaining \$424 is a shifting of revenue to adjust for pupil weight changes, pension adjustments changes and other restructuring.

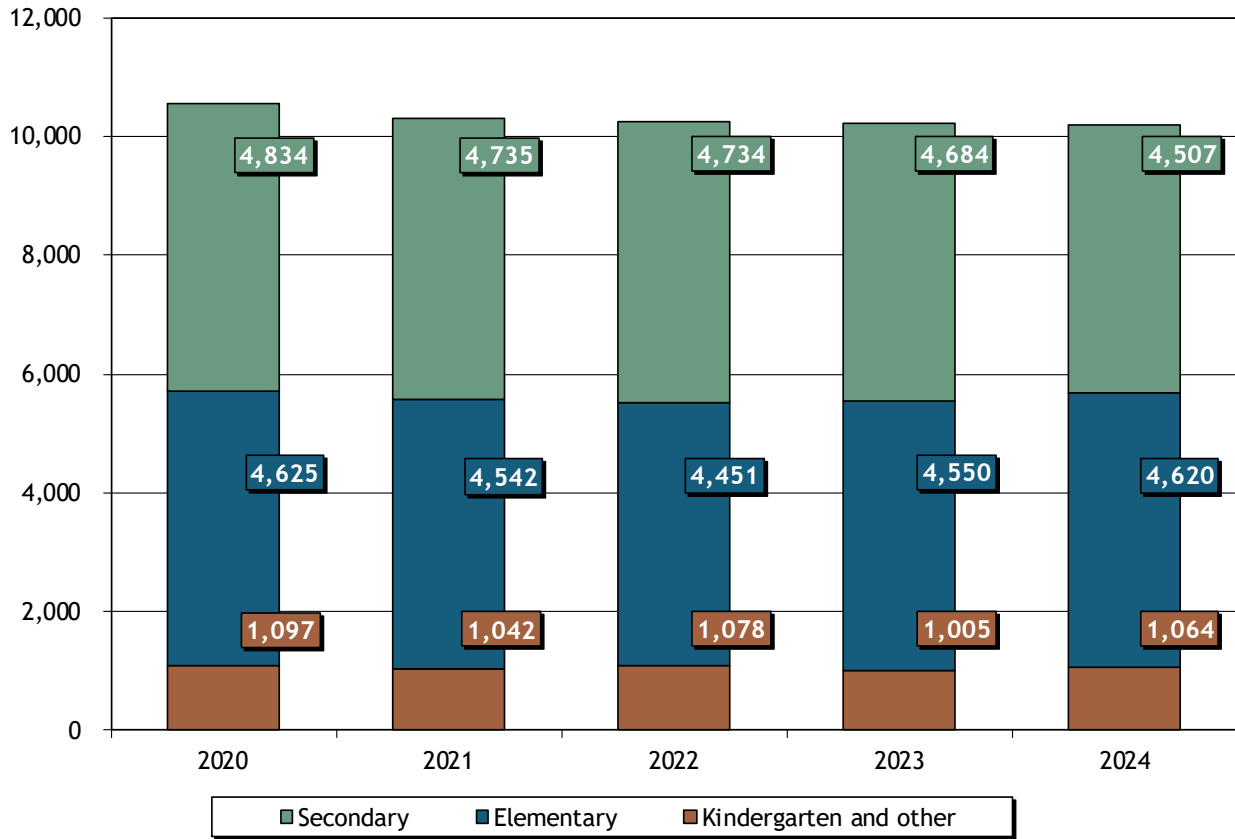
Independent School District No. 191 Financial Analysis

Average Daily Membership and Pupil Units (Continued)

Approximately 65% of the District's General Fund revenue is from the state. A majority of this funding is based on student counts, so an understanding of the District's population trends is critical to overall budgeting plans. The following summarizes resident ADM of the District over the past five years ended June 30:

Students (Resident ADM)	2020	2021	2022	2023	2024
Kindergarten and other	1,097	1,042	1,078	1,005	1,064
Elementary	4,625	4,542	4,451	4,550	4,620
Secondary	4,834	4,735	4,734	4,684	4,507
Total Students (Resident ADM)	10,556	10,319	10,262	10,239	10,192

Resident ADM



* Estimate as of October 21, 2024

As the chart and graph above indicate, resident ADM had steadily decreased from the year ended June 30, 2020, to June 30, 2024. Over the five-year period, resident ADM has decreased by 365, or 3.5%. In 2024, total resident ADM decreased by 48, a decline of less than 1% from the prior year.

To calculate a majority of the District's education aids, the ADM amounts are converted into pupil units by weighting, based on the student's grade level. These weighting factors are presented in the table on the following page.

**Independent School District No. 191
Financial Analysis**

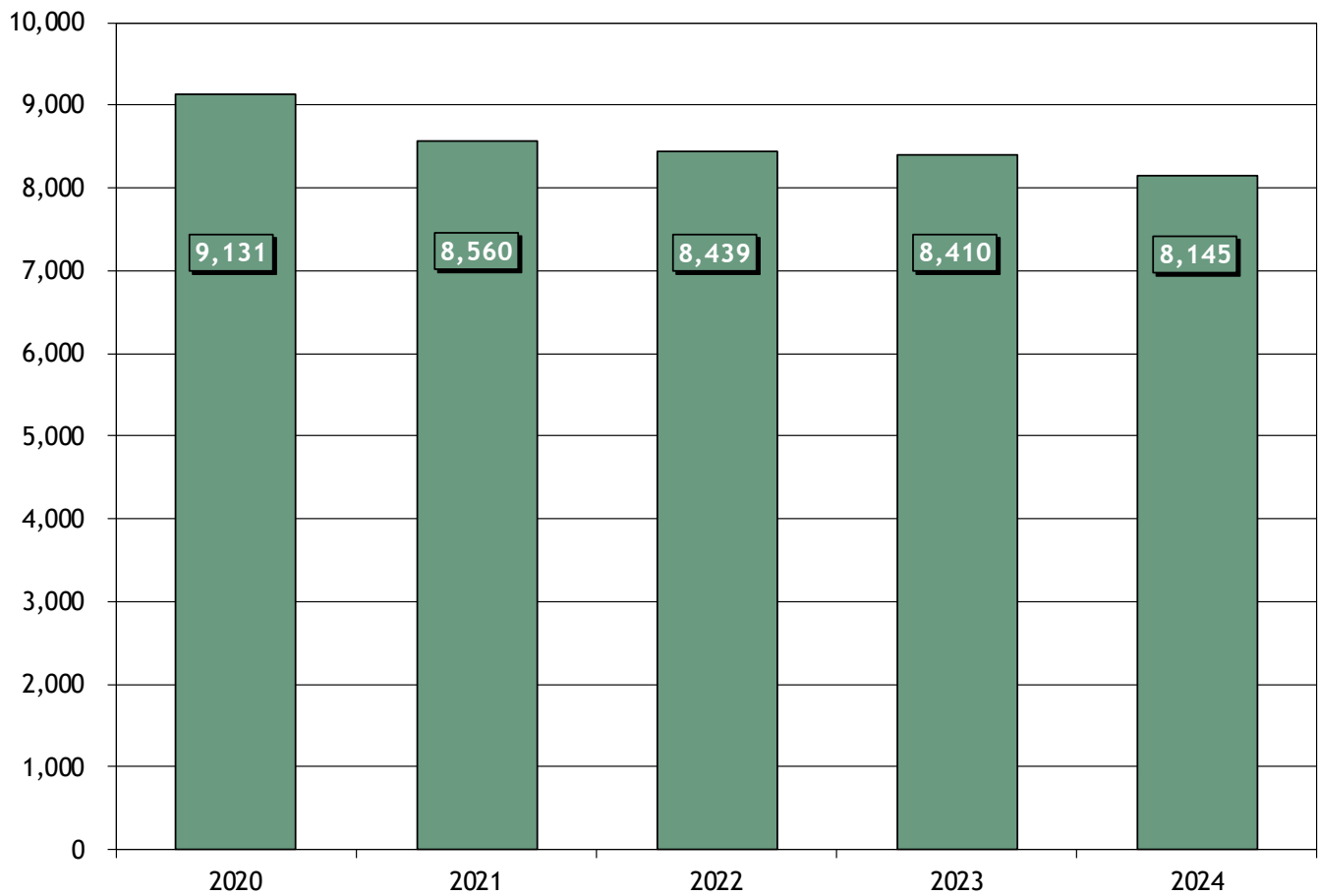
Average Daily Membership and Adjusted Pupil Units

Pupil Units Weighting						
	Pre-Kindergarten	Part-Time	All-Day	Elementary	Secondary	
2020-2024	1.000	1.000	1.000	1.000	1.000	1.200

The following chart and graph convert the ADM into weighted average daily membership (WADM) or pupil units (PUN) for the same five-year period, as noted on the previous page.

Adjusted Pupil Units	2020	2021	2022	2023	2024
Residents	11,523	11,265	11,209	11,176	11,093
Pupil unit gain	616	639	621	689	747
Pupil unit loss	(3,007)	(3,343)	(3,391)	(3,455)	(3,695)
Total Adjusted Pupil Units	9,131	8,560	8,439	8,410	8,145

Pupil Units Served



* Estimate as of October 21, 2024

Independent School District No. 191 Financial Analysis

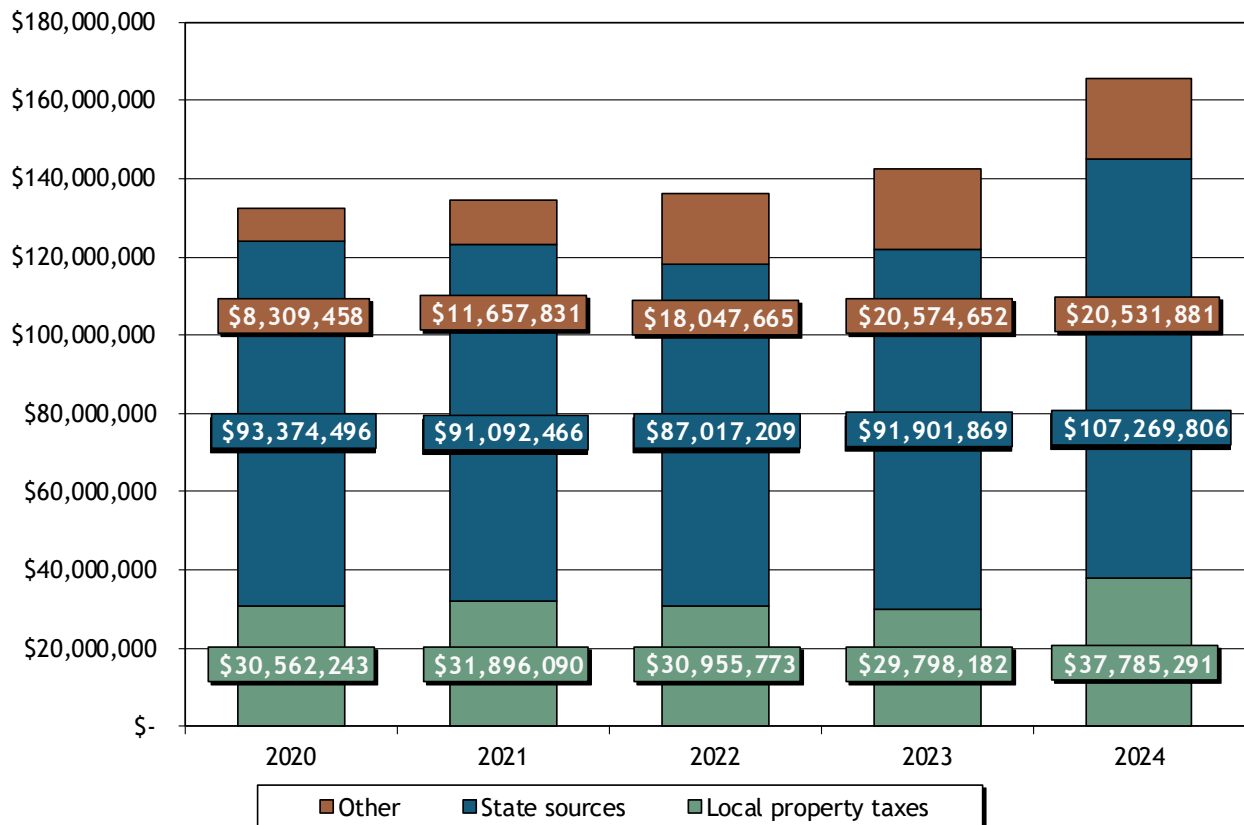
General Fund Sources of Revenue

General Fund sources of revenue are summarized as follows:

Year Ended June 30,	2020	2021	2022	2023	2024
Local property taxes	\$ 30,562,243	\$ 31,896,090	\$ 30,955,773	\$ 29,798,182	\$ 37,785,291
State sources	93,374,496	91,092,466	87,017,209	91,901,869	107,269,806
Other	8,309,458	11,657,831	18,047,665	20,574,652	20,531,881
Total	\$ 132,246,197	\$ 134,646,387	\$ 136,020,647	\$ 142,274,703	\$ 165,586,978

General Fund revenues have increased in each of the five years presented. Total General Fund revenues increased \$23,312,275, or 16.4%, from 2023. In 2024, state sources made up 64.8% of General Fund revenues, local property taxes made up 22.8% and other sources made up 12.4%. Local property tax revenue increased by \$7,987,109 based on an increase in levy allocation for the fund. Revenue from state sources increased by \$15,367,937 due to an increase in aids for special education and general education based on the increased formula allowance. General Fund federal revenue, which is part of Other category, for the past three years has been approximately \$15.0 million, \$14.8 million, and \$14.0 million for 2022, 2023, and 2024, respectively. General Fund revenues over the past five years are portrayed in the following graph.

General Fund Sources of Revenue



**Independent School District No. 191
Financial Analysis**

General Fund Budget and Actual Results

For the year ending June 30, 2024, the Board adopted a budget calling for approximately \$160 million in revenues and \$154 million in expenditures. Actual revenues and other financing sources exceeded expenditures by \$16.3 million at June 30, 2024.

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Local property taxes	\$ 37,737,983	\$ 37,990,707	\$37,785,291	\$ (205,416)
Other local and county revenues	2,587,408	3,439,000	6,481,333	3,042,333
Revenue from state sources	102,508,778	104,338,340	107,269,806	2,931,466
Revenue from federal sources	13,420,447	14,357,204	13,999,930	(357,274)
Sales and other conversion of assets	60,000	61,000	50,618	(10,382)
Total revenues	156,314,616	160,186,251	165,586,978	5,400,727
Expenditures				
Administration	5,594,769	5,784,757	5,630,932	(153,825)
District support services	4,587,153	4,261,879	4,619,344	357,465
Regular instruction	65,309,589	64,937,744	60,457,360	(4,480,384)
Vocational education instruction	2,341,888	2,406,879	2,234,521	(172,358)
Special education instruction	29,643,896	28,887,125	28,874,464	(12,661)
Instructional support services	12,504,167	11,032,508	10,888,514	(143,994)
Pupil support services	12,920,507	15,578,043	16,650,421	1,072,378
Sites and buildings	12,243,843	12,182,782	11,592,406	(590,376)
Fiscal and other fixed cost programs	530,000	530,000	525,199	(4,801)
Capital outlay	7,660,677	7,818,040	7,649,670	(168,370)
Debt service	156,496	161,496	156,462	(5,034)
Total expenditures	153,492,985	153,581,253	149,279,293	(4,301,960)
Excess of revenues over expenditures	2,821,631	6,604,998	16,307,685	9,702,687
Other Financing Sources				
Proceeds from Sale of Capital Assets	-	-	1,000	1,000
Net Change in Fund Balances	\$ 2,821,631	\$ 6,604,998	\$ 16,308,685	\$ 9,703,687

Actual revenues of \$165,586,978 were \$5,400,727, or 3.4%, over the final budget. Revenue from state sources was over budget \$2,931,466 due primarily to conservative budgeting for special education aid. Other local and county revenues were over budget \$3,042,333 primarily due to investment earnings exceeding budgeted amounts based on positive investment market conditions.

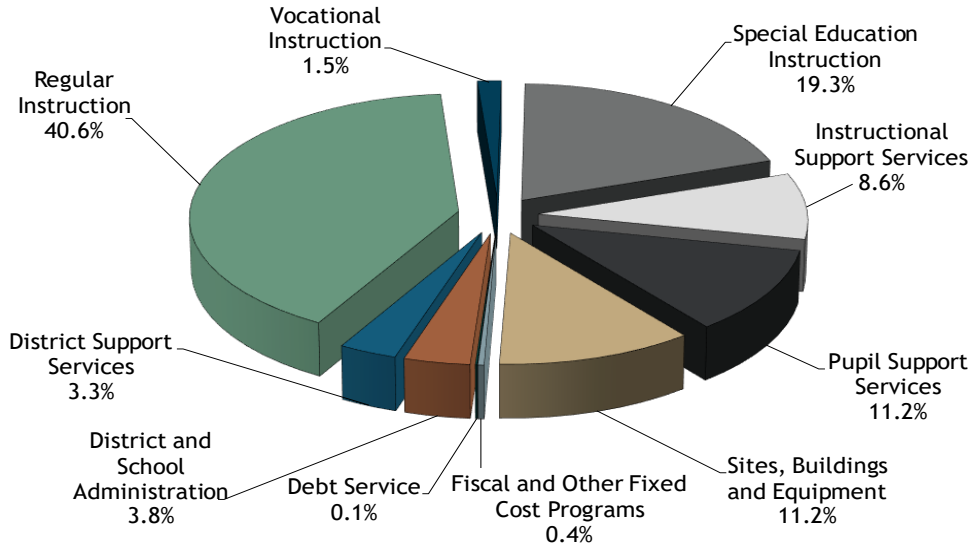
Overall, General Fund expenditures of \$149,279,293 were \$4,301,960, or 2.8%, under budget. Regular instruction was \$4,480,384 under budget largely due to salaries and benefits being under budget with open positions throughout the year. Pupil support services was \$1,072,378 over budget due mainly to higher transportation costs than anticipated. Other expenditure categories were relatively in line with budgeted amounts.

Independent School District No. 191 Financial Analysis

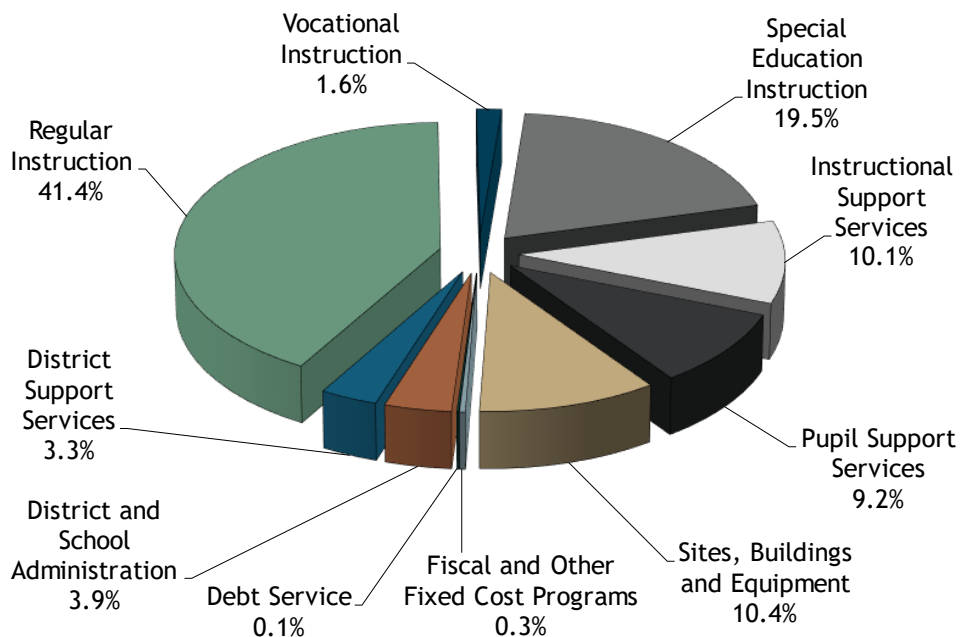
General Fund Expenditures

Below is the allocation of expenditures for the past two years. Overall, expenditures in the General Fund increased \$11,930,671, or 8.7%, from 2023 to 2024. A significant portion of the increase relates to salary and benefit expenditures. The three instruction categories, regular, vocational, and special education comprise 61.4% of total expenditures for 2024 compared to 62.5% in 2023.

2024 General Fund Expenditures



2023 General Fund Expenditures



Independent School District No. 191 Financial Analysis

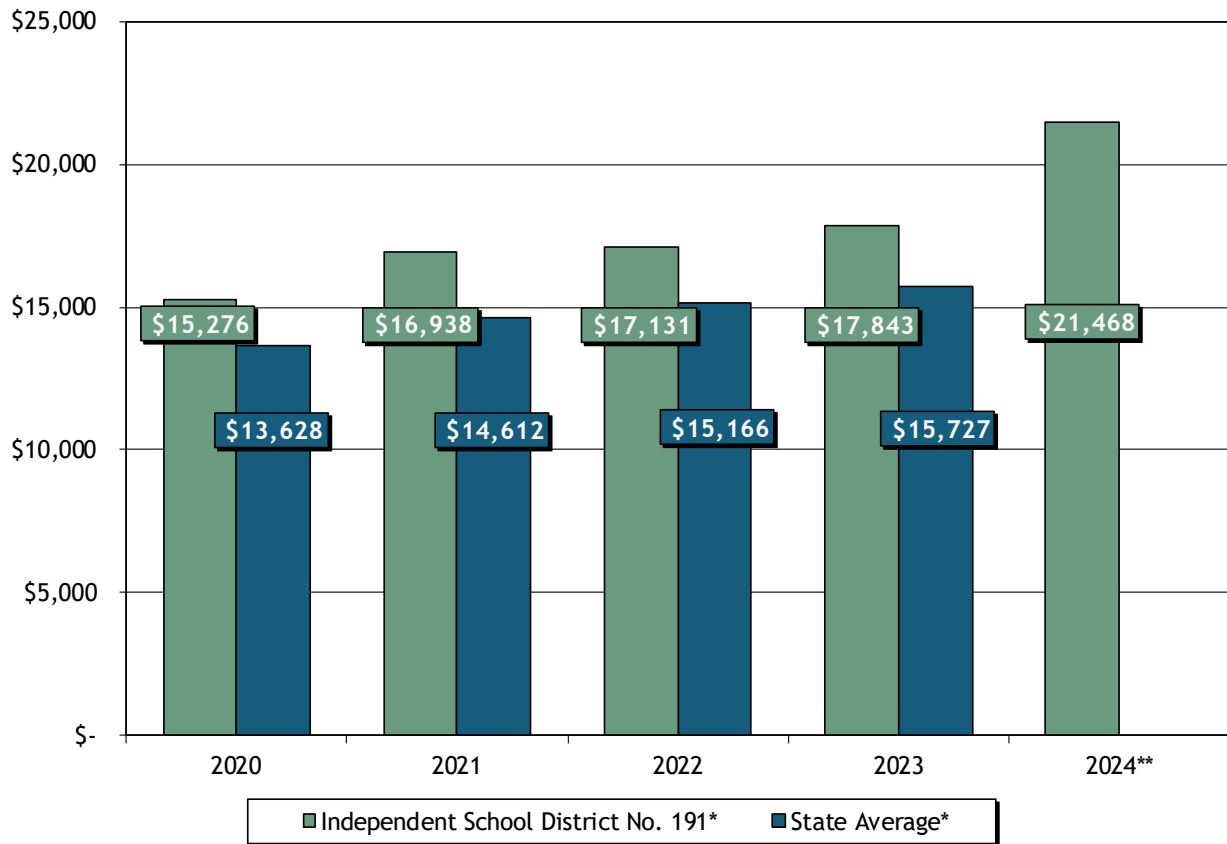
Revenues Per Student

Revenues per student (ADM served) are summarized as follows:

Independent School District No. 191*	2020	2021	2022	2023	2024**
General Fund	\$ 15,276	\$ 16,938	\$ 17,131	\$ 17,843	\$ 21,468
Food Service Fund	650	562	796	741	929
Community Service Fund	797	770	807	855	937
Building Construction Fund	4	-	-	-	-
Debt Service Fund	1,448	1,441	1,537	1,390	1,375
Total Revenues Per Student	\$ 18,175	\$ 19,711	\$ 20,271	\$ 20,829	\$ 24,710

State Average*	2020	2021	2022	2023	2024
General Fund	\$ 13,628	\$ 14,612	\$ 15,166	\$ 15,727	N/A
Food Service Fund	548	569	791	667	N/A
Community Service Fund	595	571	685	745	N/A
Building Construction Fund	134	82	35	104	N/A
Debt Service Fund	1,307	1,466	1,447	1,509	N/A
Total Revenues Per Student	\$ 16,212	\$ 17,300	\$ 18,124	\$ 18,752	N/A

General Fund Revenues Per ADM Served



* Source: *School District Profiles*; year 2024 is not yet available.

** Estimate as of October 21, 2024

Independent School District No. 191 Financial Analysis

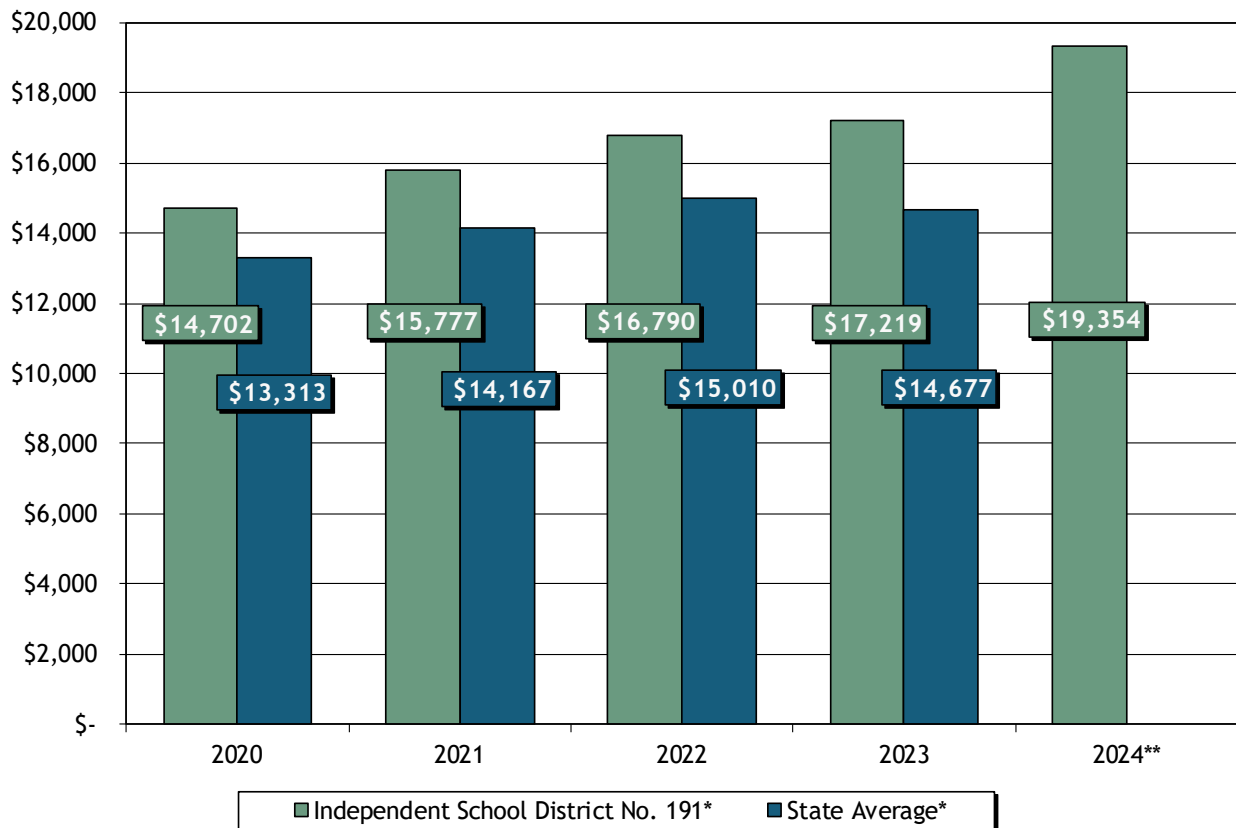
Expenditures Per Student

Expenditures per student (ADM served) are summarized as follows:

Independent School District No. 191*	2020	2021	2022	2023	2024**
General Fund	\$ 14,702	\$ 15,777	\$ 16,790	\$ 17,219	\$ 19,354
Food Service Fund	650	551	621	657	799
Community Service Fund	701	653	665	743	795
Building Construction Fund	86	55	209	-	-
Debt Service Funds	1,351	1,485	1,450	1,428	1,472
Total Expenditures Per Student	\$ 17,490	\$ 18,521	\$ 19,735	\$ 20,047	\$ 22,421

State Average*	2020	2021	2022	2023	2024
General Fund	\$ 13,313	\$ 14,167	\$ 15,010	\$ 14,677	N/A
Food Service Fund	554	529	666	702	N/A
Community Service Fund	622	571	646	715	N/A
Building Construction Fund	2,085	2,008	1,773	1,513	N/A
Debt Service Funds	1,345	1,522	1,531	1,551	N/A
Total Expenditures Per Student	\$ 17,919	\$ 18,797	\$ 19,626	\$ 19,158	N/A

General Fund Expenditures Per ADM Served



* Source: *School District Profiles*; year 2024 is not yet available.

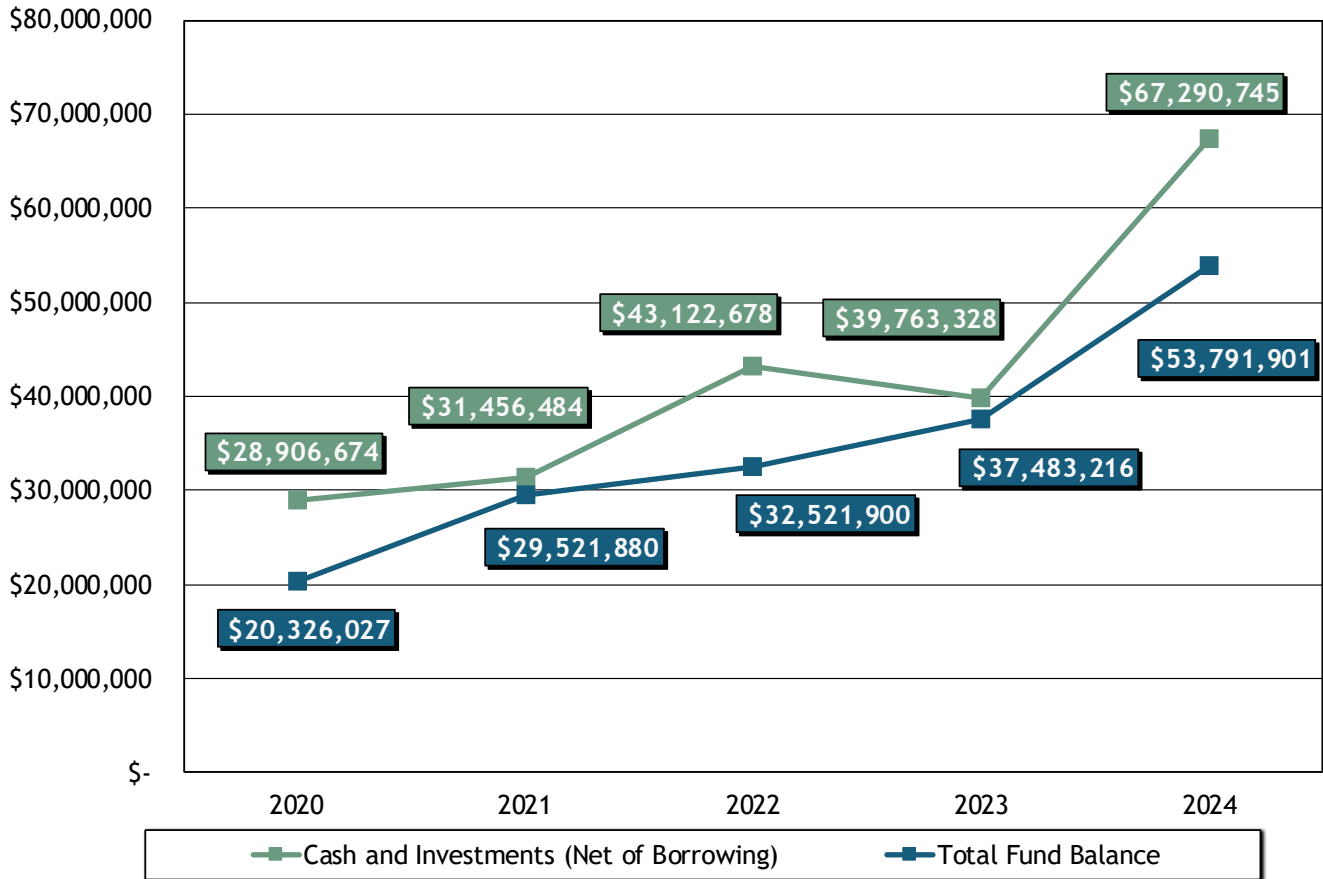
** Estimate as of October 21, 2024

Independent School District No. 191 Financial Analysis

General Fund Operations

The District's cash position and fund balance is presented below for the last five years. Changes in the timing of payments from the state and timing of requests for reimbursement of federal funds played a role in the gap between fund balance and cash and investments over the past five years.

Financial Position



**Independent School District No. 191
Financial Analysis**

General Fund Operations (Continued)

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

Year Ended June 30,	2020	2021	2022	2023	2024
Revenues	\$ 132,246,197	\$ 134,646,387	\$ 136,020,647	\$ 142,274,703	\$ 165,586,978
Expenditures	(127,299,185)	(125,450,534)	(133,508,576)	(137,348,622)	(149,279,293)
Excess of revenues over expenditures	4,947,012	9,195,853	2,512,071	4,926,081	16,307,685
Other financing sources	-	-	487,949	35,235	1,000
Fund balance, July 1	15,284,399	20,326,027	29,521,880	32,521,900	37,483,216
Change in accounting principle	94,616	-	-	-	-
Fund Balance, June 30	\$ 20,326,027	\$ 29,521,880	\$ 32,521,900	\$ 37,483,216	\$ 53,791,901

Components of Fund Balance					
Year Ended June 30,	2020	2021	2022	2023	2024
Nonspendable	\$ 435,457	\$ 382,338	\$ 254,436	\$ 603,936	\$ 342,495
Restricted for					
Student activities	252,499	215,674	231,296	249,669	259,689
Capital projects levy	470,611	794,657	521,753	860,910	832,955
Literacy incentive aid	-	-	-	-	313,959
Area Learning Center	3,739,848	4,406,743	5,173,831	7,072,672	8,801,478
Safe schools levy	-	-	-	-	196,200
American Indian Ed aid	-	-	-	-	17,957
Medical assistance	149,917	204,234	376,714	1,991,314	3,340,272
Long-term facilities maintenance	88,742	114,943	212,365	(281,509)	(264,191)
Operating capital	3,177,211	3,284,531	3,325,929	2,962,681	2,049,497
Committed	1,735,209	1,849,490	1,837,017	1,505,311	1,207,116
Assigned	-	5,081,823	1,810,980	-	-
Unassigned	10,276,533	13,187,447	18,777,579	22,518,232	36,694,474
Fund Balance, June 30	\$ 20,326,027	\$ 29,521,880	\$ 32,521,900	\$ 37,483,216	\$ 53,791,901

The chart above summarizes General Fund activity and financial position for each of the last five years. Total General Fund balance represents 36.0% of annual expenditures (based on 2024 spending levels) while the unassigned fund balance represents 24.6% of expenditures. Per the District's fund balance policy, the District should maintain a minimum unassigned General Fund balance of 8 percent of the General Fund expenditures.

**Independent School District No. 191
Financial Analysis**

Food Service Fund

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

Year Ended June 30,	2020	2021	2022	2023	2024
Revenues	\$ 5,612,682	\$ 4,457,931	\$ 6,313,631	\$ 5,888,279	\$ 7,165,712
Expenditures	(5,609,449)	(4,364,348)	(4,921,294)	(5,227,056)	(6,162,393)
Excess of revenues over expenditures	3,233	93,583	1,392,337	661,223	1,003,319
Other financing sources	7,793	338	-	1,807	4,667
Fund balance, July 1	1,014,178	1,025,204	1,119,125	2,511,462	3,174,492
Fund Balance, June 30	\$ 1,025,204	\$ 1,119,125	\$ 2,511,462	\$ 3,174,492	\$ 4,182,478

Food service revenues increased by \$1,277,433 in 2024 as there was more state funding for meal reimbursements. Food Service expenditures increased by \$935,337 in 2024 primarily the result of higher costs of goods and supplies.

Community Service Fund

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

Year Ended June 30,	2020	2021	2022	2023	2024
Revenues	\$ 6,889,843	\$ 6,114,709	\$ 6,396,433	\$ 6,800,786	\$ 7,226,888
Expenditures	(6,066,435)	(5,185,327)	(5,273,555)	(5,911,010)	(6,135,359)
Excess of revenues over expenditures	823,408	929,382	1,122,878	889,776	1,091,529
Fund balance, July 1	319,842	1,143,250	2,072,632	3,195,510	4,085,286
Fund Balance, June 30	\$ 1,143,250	\$ 2,072,632	\$ 3,195,510	\$ 4,085,286	\$ 5,176,815
Restricted for					
Community education	\$ 731,211	\$ 1,430,281	\$ 2,375,459	\$ 3,289,382	\$ 4,116,125
Adult basic education	-	-	29,077	-	-
ECFE	-	12,334	212,310	304,140	455,932
School readiness	380,855	588,050	577,712	459,219	588,915
Community service	31,184	41,967	952	32,545	15,843
Total Fund Balance, June 30	\$ 1,143,250	\$ 2,072,632	\$ 3,195,510	\$ 4,085,286	\$ 5,176,815

Revenues exceeded expenditures by \$1,091,529 during fiscal year 2024. Revenues increased by \$426,102, or 6.3%, with increased programming revenue along with additional state funding during the year. Expenditures increased by \$224,349, or 3.8%, with increased salaries, benefits, and purchased services related to the greater activity in programming. The excess of \$1,091,529 during 2024 created a positive fund balance of \$5,176,815 at the end of the fiscal year, the highest mark of the five years presented.

Independent School District No. 191 Legislative Summary

The following is a brief summary of current legislative changes and issues affecting the funding of Minnesota school districts. More detailed and extensive summaries are available from the Minnesota Department of Education (MDE).

American Indian Education Aid

The period in which this aid can be carried over has been revised from six months to one year to be consistent with district financial reporting. Permanent School Fund Supplemental Aid is set at \$40,000 in 2025 for tribal contract schools.

American Rescue Plan (ARP) Act

The ARP Act was signed into law on March 11, 2021, and focuses on returning to, and maintaining, safe in-person learning for all students.

The ARP includes \$1.3 billion for E-12 education in ESSER funds for Minnesota to help schools returning to, and maintaining, safe in-person learning for all students. Per the federal law, 90% of these funds have been allocated to eligible districts and charter schools. 9.5% of these funds are for flexible use by each state education agency to create a plan to meet the needs of students. Funds are eligible for spending through September 30, 2024.

Area Learning Center (ALC) Transportation Aid

ALC transportation aid reimburses school districts for costs associated with transportation of students to and from an ALC program. School districts can apply for this new funding stream for 2024 and beyond. Allowable recipients for this aid have been modified to include cooperative units that provide their own transportation for ALCs.

Basic Alternative Teacher Compensation Aid (Q-Comp)

The total cap for basic alternative teacher compensation aid increased from \$88,118,000 to \$88,461,000 for 2024 and 2025, and \$89,486,000 for 2026 and beyond. Unspent "Q Comp" funds must be reserved in a restricted fund balance and used only for their intended purpose.

Basic General Education Aid

The formula allowance for 2024 was set at \$7,138 and for 2025, the formula allowance increases to \$7,281, which is a 2% increase over 2024. For fiscal years 2026 and beyond, the actual increase will be equal to the Consumer Price Index - Urban with a floor of 2% and a cap of 3%.

Basic Skills Revenue

School districts are permitted to execute a one-time transfer of restricted balance sheet funds into another restricted balance sheet that is in alignment with uses.

Charter School Lease Aid Review

The Commissioner may develop a system of analyzing charter school lease aid applications. The system will support consistency in applications and allow for the evaluation of the financial viability of multiple charter school leases.

Compensatory Education Revenue

The compensatory allowance for 2024 was updated and corresponds to increases in the basic formula allowance. A hold-harmless provision has been added for 2025 so that compensatory revenue for each site is the greater of its calculated revenue for 2025 or the 2024 actual revenue.

Independent School District No. 191 Legislative Summary

English Learner Aid and Cross Subsidy

For 2024-2026, aid is \$1,228 times the greater of 20 or total English learner ADM and \$436 times English learner pupil units (concentration). For 2027, this increases to \$1,775 times the greater of 20 or total English learner ADM and \$4630 times English learner pupil units (concentration), and 25% Cross Subsidy Aid Reduction based on second prior year qualifying services.

Facilities

Districts subject to non-voter approved building projects that require a review and comment do not need to publish or hold a public hearing on the results of the review and comment except districts eligible for non-voter construction projects under *Minnesota Statutes* § 126C.40, subd. 6 must hold a public meeting within 45 days of a review and comment decision. The dates of publication of review and comment have been changed to at least 48 days and not more than 70 days before a referendum. Prior legislation was not more than 60 days before a referendum.

Food Service Fund

Lunchroom furniture, including tables and chairs used by pupils to eat, were added as an eligible expense in the food service fund if a surplus exists for three consecutive years.

Local Optional Revenue

The second-tier equalization threshold for 2024 remained at \$510,000 before increasing to \$587,244 for 2025, \$642,038 for 2026, and \$671,345 for 2027 and later.

Paraprofessionals

For the 2024-2025 school year, districts are required to provide 6 hours of training and may be reimbursed for up to 6 hours. A separate payment equal to 2 hours of the district average wage rate will be made. Consultation with the union representative must be made before planning required trainings.

Special education paraprofessionals employed and paid with special education funding during 2024 may continue to be paid with State special education fund (not federal) for 2025 if they meet competences 4 and 9 in the competency grid or are enrolled in a qualifying training and testing program.

MDE and the Professional Educator Licensing and Standards Board (PELSB) are required to review paraprofessional qualifications.

Pension Bill and Pension Adjustment Revenue

The pension adjustment rate for districts (besides ISD No. 625, St. Paul) is 1.25% for fiscal years 2024 and 2025 and 2.0% for fiscal year 2026 and 2027. For fiscal year 2028 and later, pension adjustment revenue must not exceed the fiscal year 2027 amount, and the revenue will be prorated, as necessary.

Special Education Aid

The Special Education Cross Subsidy Reduction Aid paid to districts increased from 6.43% to 44% beginning in 2024. A further increase to 50% begins in 2027.

Student Support Personnel Aid

Districts and charters may retain unspent aid in a restricted fund balance, limited to the amount of the prior year's aid allocation.

**Independent School District No. 191
Legislative Summary**

Student Teacher Stipend Pilot Program

Funding of \$6,543,000 has been approved for 8 teacher preparation programs to provide student teachers placed in Minnesota schools during the 2024-2025 school year. Stipends should be awarded at approximately \$6,880 per student teacher.

Unemployment Insurance Aid

Effective May 28, 2023, certain non-certified hourly school workers may qualify for "between term" summer unemployment benefits. A new aid has been created to reimburse districts for between term unemployment insurance costs, which are not eligible for levy reimbursement. The total aid available is \$135 million in fiscal year 2024 and is available until fiscal year 2027 or depletion. This aid now required to be paid on a 90/10 basis.

Voluntary Prekindergarten (VPK)

VPK seats were increased to 12,360 in 2025 using a \$50 million set aside from 2023. Minneapolis and St. Paul districts are individual regions for purposes of seat allocations, so the allocations of other regions are not impacted by this change. Districts were notified of the new allocation by July 1, 2024.

Independent School District No. 191 Executive Summary

The following is an executive summary of financial related updates to assist you in staying current on emerging issues in accounting and finance. This summary will give you a preview of the new standards that have been recently issued and what is on the horizon for the near future. The most recent and significant updates include:

- ◆ **Accounting Standard Update - GASB Statement No. 101 - *Compensated Absences***
GASB has issued GASB Statement No. 101 relating to accounting and financial reporting for compensated absences. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave.
- ◆ **Accounting Standard Update - GASB Statement No. 102 - *Certain Risk Disclosures***
GASB has issued GASB Statement No. 102 relating to risk disclosures. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact.
- ◆ **Accounting Standard Update - GASB Statement No. 103 - *Financial Reporting Model Improvements***
GASB has issued GASB Statement No. 103 relating to changes in financial reporting requirements. The changes provide clarity, enhance the relevance of information, provide more useful information for decision-making, and provide for greater comparability amongst government entities.

The following are summaries of the current updates. As your continued business partner, we are committed to keeping you informed of new and emerging issues. We are happy to discuss these issues with you further and their applicability to your District.

Independent School District No. 191
Executive Summary

Accounting Standard Update - GASB Statement No. 101 - *Compensated Absences*

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

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. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences - including parental leave, military leave, and jury duty leave - not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

GASB Statement No. 101 is effective for fiscal years beginning after December 15, 2023. Earlier application is encouraged.

Information provided above was obtained from www.gasb.org.

Independent School District No. 191
Executive Summary

Accounting Standard Update - GASB Statement No. 102 - *Certain Risk Disclosures*

The objective of this Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability.

This Statement provides definitions for concentration and constraint. A concentration is 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.

This Statement requires a government to assess whether a concentration or constraint could present a risk of financial difficulty. The District will need to make a disclosure in the notes to the financial statements if all three of the following criteria are true:

- ◆ The District knows about the concentration or constraint prior to financial statement issuance.
- ◆ The concentration or constraint makes the District is vulnerable to risk of a substantial impact.
- ◆ An event or events associated with the concentration or constraint that could cause a substantial impact have either (1) happened; (2) started to happen; or (3) are more likely than not to start happening within 12 months of the financial statements being issued.

If a government determines the above criteria for disclosure have been met, 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. Disclosures are required for the government as a whole as well as any opinion unit in the financial statements that includes outstanding revenue debt. Disclosures can be combined to avoid unnecessary duplication (e.g., a subsequent event footnote).

GASB Statement No. 102 is effective for fiscal years beginning after June 15, 2024. Earlier application is encouraged.

Information provided above was obtained from www.gasb.org.

**Independent School District No. 191
Executive Summary**

Accounting Standard Update - GASB Statement No. 103 - *Financial Reporting Model Improvements*

The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

This Statement addresses 5 areas of the financial statements (1) Management's Discussion and Analysis (MD&A), (2) Unusual or Infrequent Items, (3) Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position, (4) Major Component Unit Information, and (5) Budgetary Comparison Information.

This Statement continues the requirement that the MD&A precede the basic financial statements as part of the Required Supplementary Information (RSI). This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. The Statement stresses that detailed analyses should explain why balances and results of operations changed, rather than stating amounts and "boilerplate" discussions.

This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows.

This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. The Statement provides clarification regarding operating and nonoperating revenues and expenses. Also, this Statement requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses.

This Statement requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements.

This Statement requires governments to present budgetary comparison information using a single method of communication - RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI.

GASB Statement No. 103 is effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

Information provided above was obtained from www.gasb.org.