



**Independent School District No. 51
Foley, Minnesota**

Communications Letter

June 30, 2025

**Independent School District No. 51
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**Report on Matters Identified as a Result of
the Audit of the Basic Financial Statements**

To the School Board and Management
Independent School District No. 51
Foley, Minnesota

In planning and performing our audit of the basic financial statements of Independent School District No. 51, Foley, Minnesota, as of and for the year ended June 30, 2025, 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. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

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.

The material weakness identified is stated within this letter.

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 December 8, 2025, on such statements.

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

BerganKDV, Ltd.

St. Cloud, Minnesota
December 8, 2025

Independent School District No. 51
Material Weakness

Lack of Segregation of Accounting Duties

The District has a lack of segregation of accounting duties due to a limited number of office employees. The lack of adequate segregation of accounting duties could adversely affect the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the basic financial statements. This lack of segregation of accounting can be demonstrated in the following areas, which is not intended to be an all-inclusive list:

- The Accounts Payable Clerk enters capital assets additions and disposals, prepares depreciation calculations using the accounting system, and maintains the master listing for reporting purposes.
- The Payroll Clerk enters employee information into the District's system, calculates timecards, enters timecard information into the system, and processes payroll. Payroll registers were not reviewed every payroll but were periodically reviewed.
- The Director Finance is responsible for reconciliation of general ledger accounts and has the ability to make manual adjustments to these accounts.

In order to ensure the financial statements were free from material misstatement, audit adjustments were required in accounts payable.

Management is aware of this condition and will take certain steps to compensate for the lack of segregation but due to the number of staff needed to properly segregate all of the accounting duties, the cost of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. Due to this reason, management has determined a complete segregation of accounting duties is impractical to correct. Management and the School Board must remain aware of this situation and should continually monitor the accounting system, including changes that occur.

Independent School District No. 51 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, 2025. Professional standards require that we advise you of the following matters related to our audit.

Our Responsibility in Relation to the 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 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. 51
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

We addressed the following significant risks of material misstatement identified in our planning procedures:

- Risk of Misappropriation of Assets - If duties cannot be appropriately segregated within the accounting and finance department, there is a risk of incomplete cash receipts relating to student activities.
- Improper Revenue Recognition Specific to State Aids and Student Activity Concession Stand Receipts - Revenue recognition is considered a fraud risk on substantially all engagements as it is generally the largest line item impacting a district's operating results.
- Misappropriation of Assets and Management override of controls through the journal entry process.
- 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 also dependent upon ADM value; however, in addition to those, this Aid is dependent on the availability of funds and complex formulas that are finalized after reporting deadlines.
- Total Other Post Employment Benefits (OPEB) Liability, Deferred Outflows of Resources Related to OPEB and Deferred Inflows of Resources Related to OPEB - These balances are based on an actuarial study using the estimates of future obligations of the District for post employment benefits.

Independent School District No. 51 Required Communication

Significant Risks

We addressed the following significant risks of material misstatement identified in our planning procedures:

- Net Pension Liability, Deferred Outflows of Resources Relating to Pensions and Deferred Inflows of Resources relating to Pensions - These balances are based on an allocation by the pension plans using estimates based on contributions.
- Compensated Absences Liability - These balances are related to leave accrued based on employment contracts and estimates based on historical use of leave balances.

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 2025. 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 also dependent upon ADM value; however, in addition to those, this Aid is dependent on the availability of funds and complex formulas that are finalized after reporting deadlines.

Total Other Post Employment Benefits (OPEB) Liability, Deferred Outflows of Resources Related to OPEB and Deferred Inflows of Resources Related to OPEB - These balances are 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 Relating to Pensions and Deferred Inflows of Resources relating to Pensions - These balances are based on an allocation by the pension plans using estimates based on contributions.

Compensated Absences Liability - These balances are related to leave accrued based on employment contracts and estimates based on historical use of leave balances.

Independent School District No. 51 Required Communication

Qualitative Aspects of the District's Significant Accounting Practices

Significant Accounting Estimates and Related Disclosures (Continued)

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.

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 point summarizes the uncorrected financial statement misstatement 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.

- State receivables and related revenue are 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. The following material misstatement(s) that we identified as a result of our audit procedures were brought to the attention of and corrected by management.

- The district required material audit adjustments relating to Accounts Payable.

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.

Independent School District No. 51 Required Communication

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.

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 an 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. 51 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.

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, gives an indication of how complicated the funding system is. The following section 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
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%
2026	7,481	2.7%

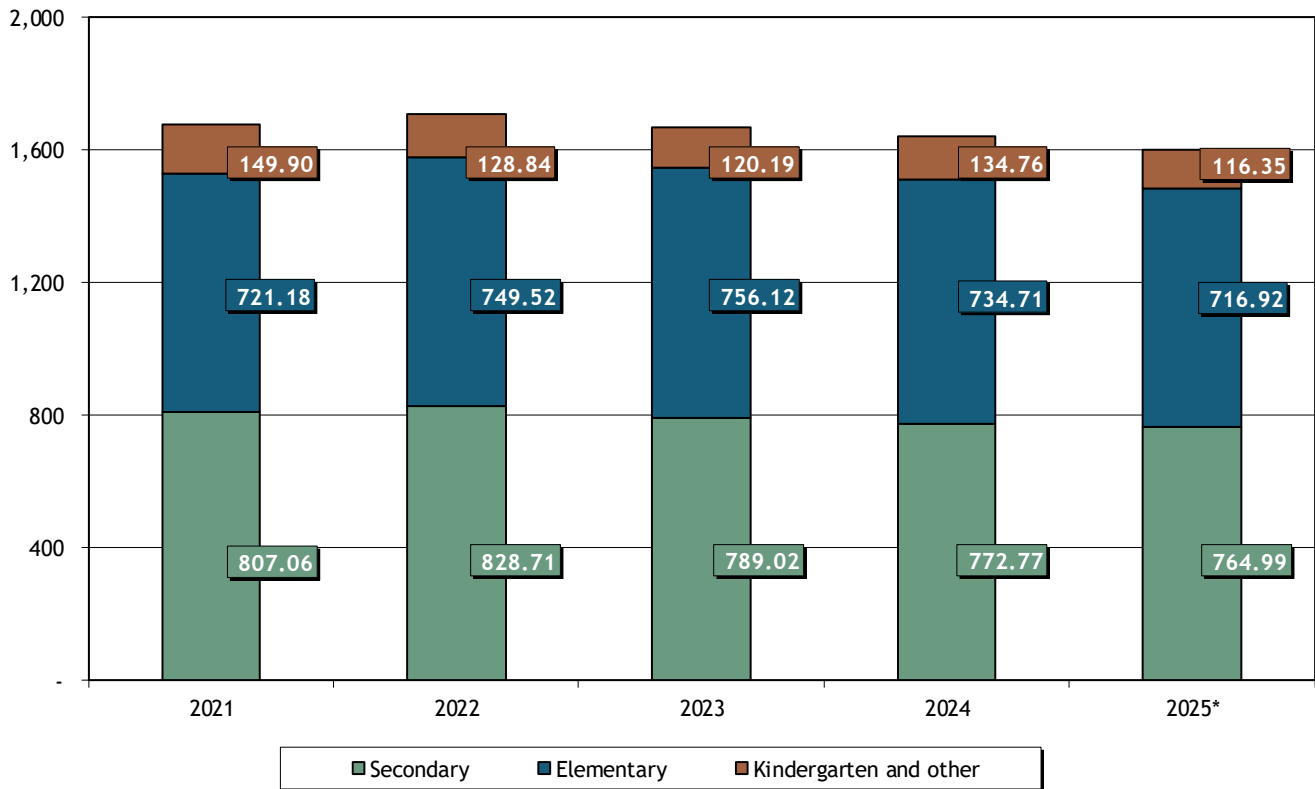
Independent School District No. 51 Financial Analysis

Average Daily Membership and Pupil Units (Continued)

The following summarizes resident average daily membership (ADM) of the District over the past five years ended June 30:

Resident ADM	2021	2022	2023	2024	2025*
Kindergarten and other	149.90	128.84	120.19	134.76	116.35
Elementary	721.18	749.52	756.12	734.71	716.92
Secondary	807.06	828.71	789.02	772.77	764.99
Total Resident ADM	1,678.14	1,707.07	1,665.33	1,642.24	1,598.26

Students (Average Daily Membership)



* Estimate

As the above chart indicates, resident ADM has decreased over the past five years. Since 2021, resident ADM decreased by 79.88, or 4.8%, decreasing 43.98 or 2.7% in 2025.

The chart on the next page converts the ADM into weighted average daily membership (PUN) and also factors in open enrollment for the same five years.

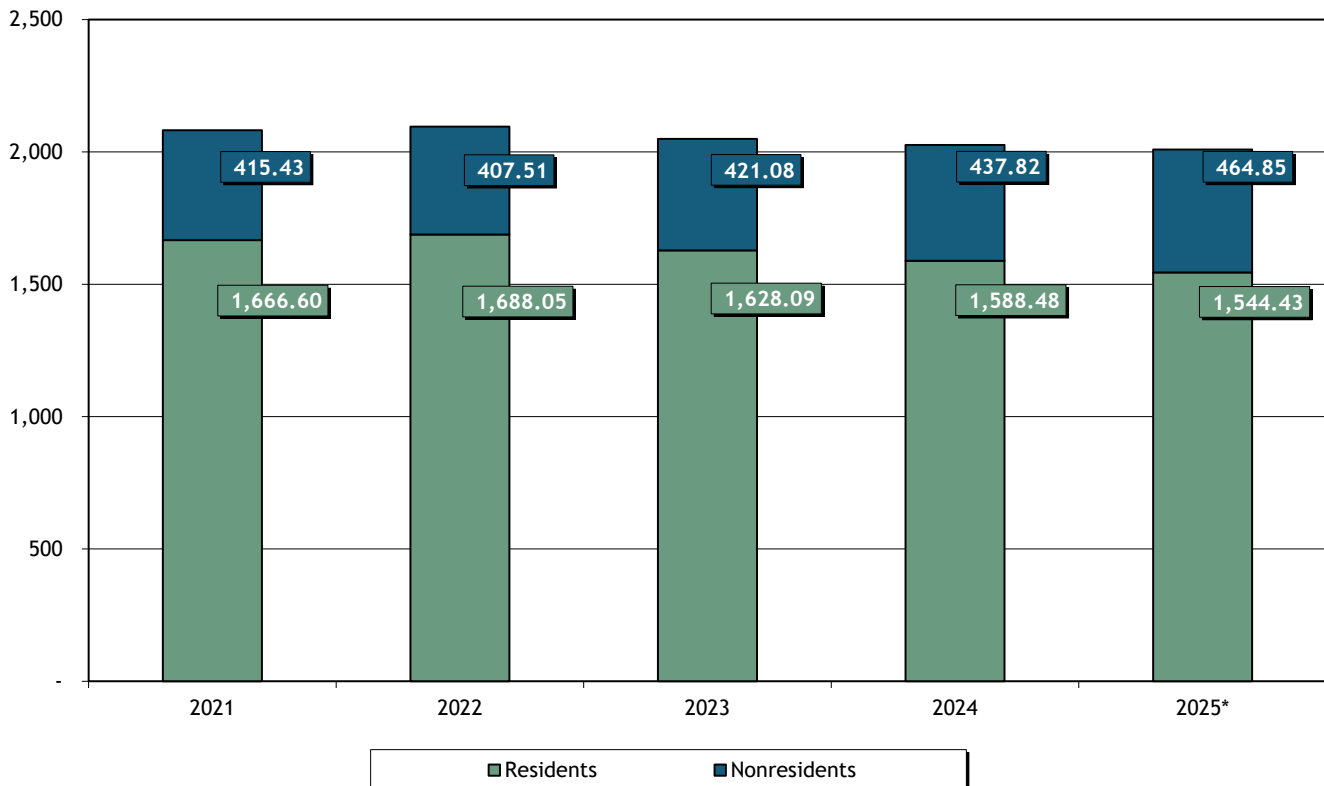
Independent School District No. 51 Financial Analysis

Average Daily Membership and Pupil Units (Continued)

When reviewing this information and comparing it with prior years' amounts, the reader should consider pupil weighting as shown in the table below, as to calculate a majority of the District's education aids, the ADM amounts are weighted based on the student's grade level. The state's weighting factors have remained the same over the past five years.

	Handicapped		Elementary			
	Pre-Kindergarten	Kindergarten	Kindergarten	Grade 1-3	Grade 4-6	Secondary
Years 2021-2025	1.000	1.000	1.000	1.000	1.000	1.200
Adjusted PUN	2021	2022	2023	2024	2025*	
Residents	1,839.54	1,872.82	1,823.14	1,796.79	1,751.25	
Resident loss	(172.94)	(184.77)	(195.05)	(208.31)	(206.82)	
Nonresident gain	415.43	407.51	421.08	437.82	464.85	
Total Adjusted PUN	2,082.03	2,095.56	2,049.17	2,026.30	2,009.28	

Students Served (PUN)



* Estimate

As shown above, the District has experienced open enrollment gains each of the last five years. The District reported a net gain of 258.03 in 2025. Since 2021, PUN decreased by 72.75, or 3.5%.

Independent School District No. 51 Financial Analysis

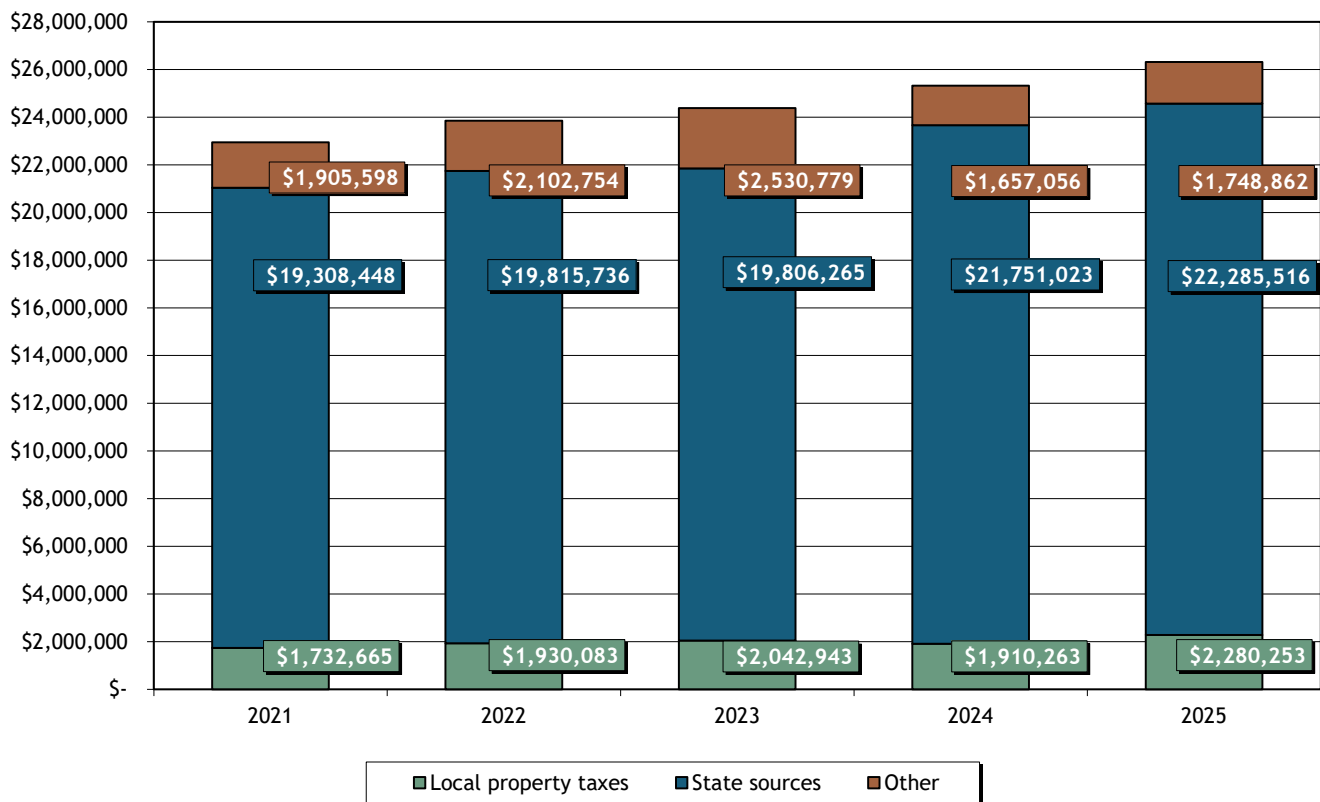
General Fund Sources of Revenue

General Fund sources of revenue for the last five years are summarized as follows:

	2021	2022	2023	2024	2025
Local property taxes	\$1,732,665	\$1,930,083	\$2,042,943	\$1,910,263	\$2,280,253
State sources	19,308,448	19,815,736	19,806,265	21,751,023	22,285,516
Other	1,905,598	2,102,754	2,530,779	1,657,056	1,748,862
Total	\$ 22,946,711	\$ 23,848,573	\$ 24,379,987	\$ 25,318,342	\$ 26,314,631

Total General Fund revenues increased \$996,289 from 2024 to 2025. The increase was in local property taxes and state revenue. State revenues increased due to an increase in the general education formula allowance and increased special education aid. Local property taxes increased due to an increase in the levy. Revenues from other sources remained fairly similar to the previous year.

General Fund Sources of Revenue



Independent School District No. 51 Financial Analysis

General Fund Budget and Actual Results

	Original Budget	Final Budget	Actual	Variance with Final Budget - Over (Under)
Revenues				
Local property taxes	\$ 2,206,977	\$ 2,202,777	\$ 2,280,253	\$ 77,476
Other local and county revenues	837,931	864,403	1,137,270	272,867
Revenue from state sources	22,119,927	22,351,850	22,285,516	(66,334)
Revenue from federal sources	473,970	558,765	557,971	(794)
Sales and other conversion of assets	26,085	31,796	53,621	21,825
Total revenues	25,664,890	26,009,591	26,314,631	305,040
Expenditures				
Current				
Administration	1,460,632	1,309,217	1,316,382	7,165
District support services	465,645	524,042	667,369	143,327
Elementary and secondary regular instruction	11,975,403	11,822,159	11,855,524	33,365
Vocational education instruction	207,496	183,987	184,252	265
Special education instruction	5,169,282	5,331,403	5,272,799	(58,604)
Instructional support services	1,310,173	1,323,582	1,444,397	120,815
Pupil support services	2,368,552	2,407,621	2,268,518	(139,103)
Sites and buildings	2,171,717	2,215,163	2,267,269	52,106
Fiscal and other fixed cost programs	190,000	168,765	165,461	(3,304)
Community education and services	8,000	250,000	3,214	(246,786)
Capital outlay				
Elementary and secondary regular instruction	16,300	51,936	55,811	3,875
Special education instruction	1,000	134,939	140,828	5,889
Instructional support services	100,000	-	-	-
Pupil support services	-	151,180	427,837	276,657
Sites and buildings	51,674	40,242	40,242	-
Debt service				
Principal	481,471	451,483	296,488	(154,995)
Interest and fiscal charges	31,725	74,419	51,714	(22,705)
Total expenditures	26,009,070	26,440,138	26,458,105	17,967
Excess of revenues over (under) expenditures	(344,180)	(430,547)	(143,474)	287,073
Other financing sources and uses (net)	-	-	276,481	276,481
Net change in fund balances	\$ (344,180)	\$ (430,547)	\$ 133,007	\$ 563,554

The School Board approved the original budget for 2025 in June of 2024. The School Board approved the revised budget in February 2025.

Total actual revenues were over the final budgeted amount by 1.2%. Revenue from other local and county sources were over budget as a result of conservative budgeting for student activities and third party medical billings.

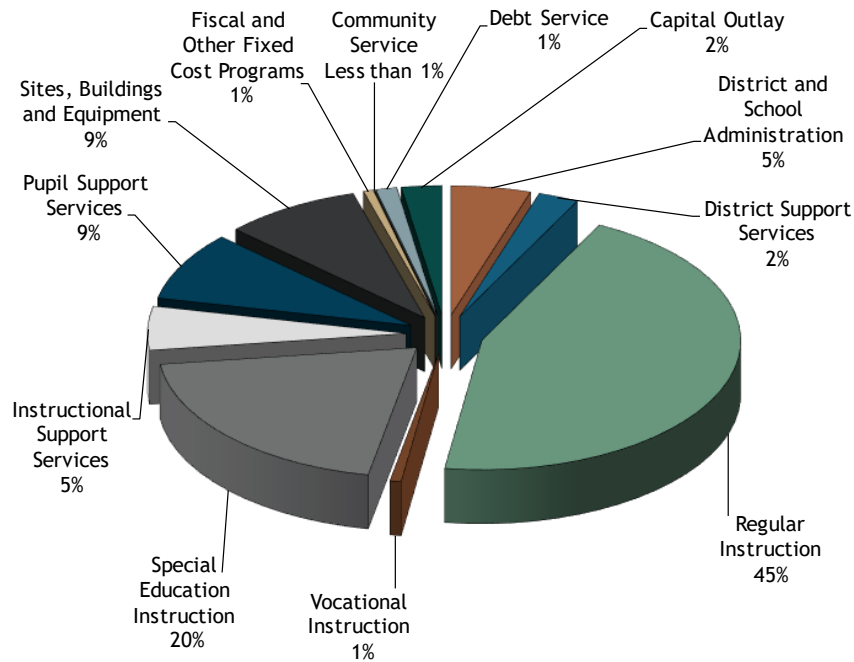
Actual expenditures were over budget 0.1%. The largest variances were pupil support capital outlay which was over budget due to not budgeting for lease issuance, this is offset with the lease issuance included in other financing sources. Community education expenditures were under budget as higher unemployment costs were budgeted.

Independent School District No. 51 Financial Analysis

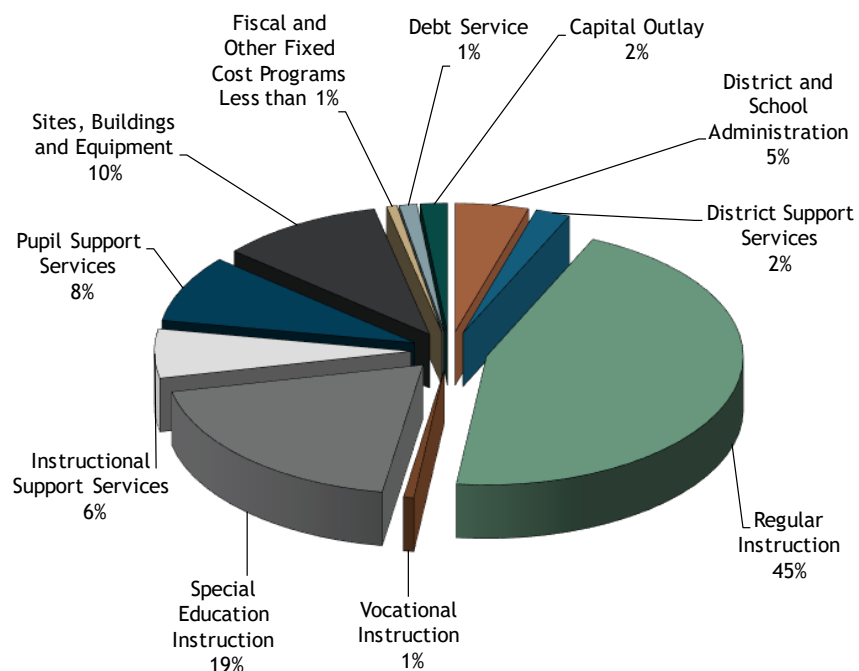
General Fund Expenditures

The graphs below show General Fund expenditures by function as a percentage of total expenditures for both 2025 and 2024. Expenditures by function remained fairly consistent with the prior year. The District spent 66% of its funds on instruction in 2025 and 65% in 2024.

2025 Expenditures



2024 Expenditures



Independent School District No. 51 Financial Analysis

Revenues Per ADM Served

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

ISD No. 51 Foley	2021*	2022*	2023*	2024*	2025 (est.)
General Fund	\$ 11,985	\$ 12,368	\$ 12,943	\$ 13,532	\$ 14,292
Food Service	871	1,126	877	1,099	1,081
Community Service	297	479	489	507	576
Building Construction	-	-	4	7	107
Debt Service	1,164	973	844	920	945
Total Revenues Per Student	\$ 14,317	\$ 14,946	\$ 15,157	\$ 16,065	\$ 17,001

Average for Similar Sized Districts	2021**	2022**	2023**	2024**
General Fund	\$ 13,452	\$ 13,752	\$ 14,266	\$ 15,558
Food Service	640	854	692	842
Community Service	453	544	578	605
Building Construction	167	(7)	83	182
Debt Service	1,354	1,428	1,463	1,493
Total Revenues Per Student	\$ 16,066	\$ 16,571	\$ 17,082	\$ 18,680

Average for All Districts	2021**	2022**	2023**	2024**
General Fund	\$ 14,612	\$ 15,166	\$ 15,727	\$ 17,187
Food Service	569	791	667	836
Community Service	571	685	745	781
Building Construction	82	35	104	173
Debt Service	1,466	1,447	1,509	1,591
Total Revenues Per Student	\$ 17,300	\$ 18,124	\$ 18,752	\$ 20,568

* Source: *School District Profiles*

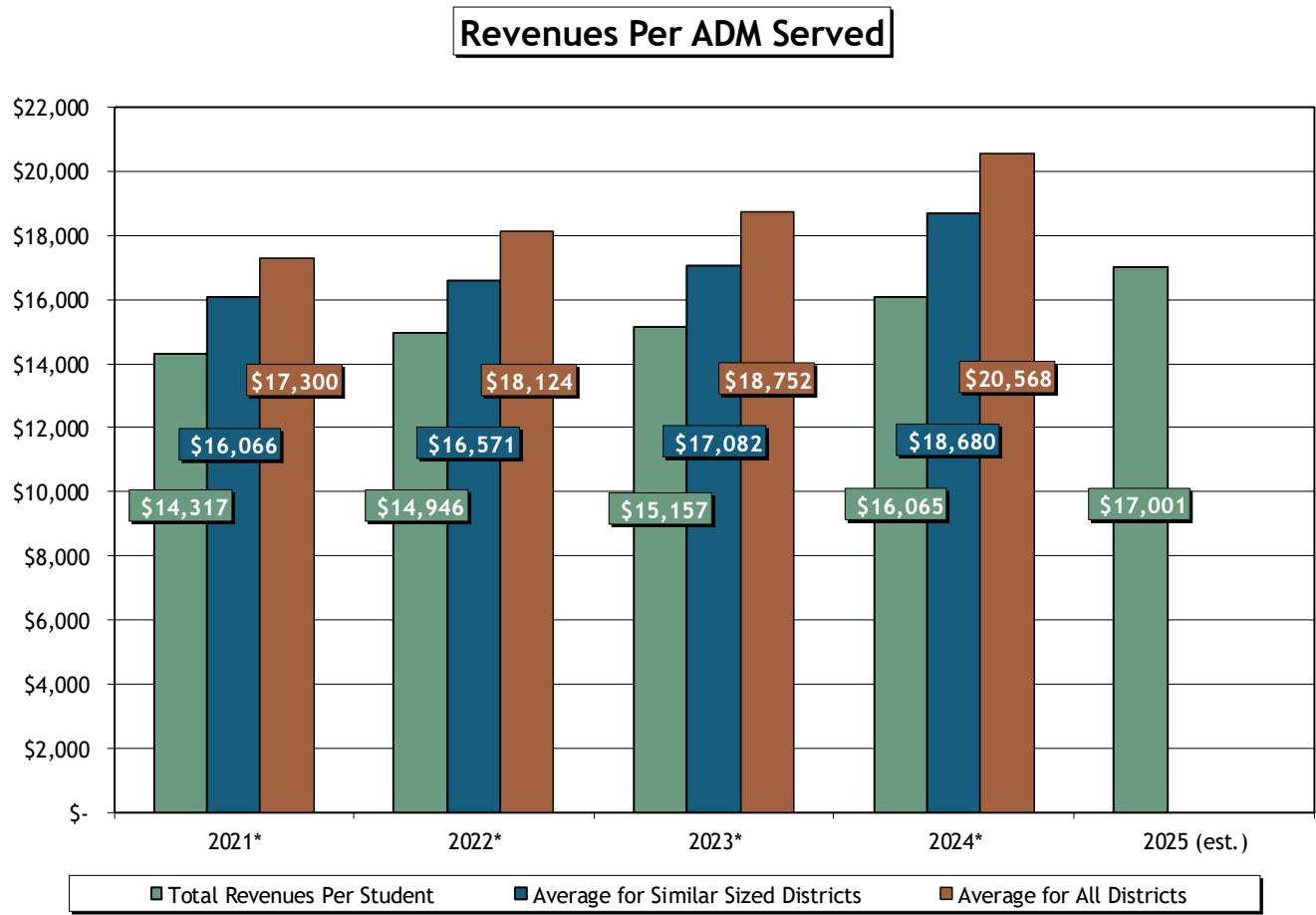
** Source: *School District Profiles* - Average expenditures per ADM served for the 1,000-1,999 group for 2021 through 2024 for all districts in the state

As seen in the above charts, the District's total revenues per ADM served continue to be below the average for similar sized districts and all districts.

The District's General Fund revenues per ADM served increased each of the last five years. In 2025, total revenues per ADM served increased due to an increase in General Fund revenues as discussed earlier, while ADM served decreased.

Independent School District No. 51
Financial Analysis

Revenues Per ADM Served (Continued)



Independent School District No. 51 Financial Analysis

Expenditures Per ADM Served

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

ISD No. 51 Foley	2021*	2022*	2023*	2024*	2025 (est.)
General Fund	\$ 11,712	\$ 12,337	\$ 12,949	\$ 14,001	\$ 14,370
Food Service	722	895	938	1,010	1,060
Community Service	318	475	527	551	641
Building Construction	178	115	13	-	2,280
Debt Service	956	841	872	869	877
Total Expenditures Per Student	\$ 13,886	\$ 14,663	\$ 15,299	\$ 16,431	\$ 19,228

Average for Similar Sized Districts	2021**	2022**	2023**	2024**
General Fund	\$ 12,961	\$ 13,753	\$ 14,414	\$ 15,038
Food Service	582	703	731	811
Community Service	497	563	619	668
Building Construction	2,177	2,407	1,644	2,433
Debt Service	1,664	1,937	2,203	1,799
Total Expenditures Per Student	\$ 17,881	\$ 19,363	\$ 19,611	\$ 20,749

Average for All Districts	2021**	2022**	2023**	2024**
General Fund	\$ 14,167	\$ 15,010	\$ 15,730	\$ 16,649
Food Service	529	666	702	801
Community Service	571	646	715	765
Building Construction	2,008	1,773	1,513	1,657
Debt Service	1,522	1,531	1,451	1,652
Total Expenditures Per Student	\$ 18,797	\$ 19,626	\$ 20,111	\$ 21,524

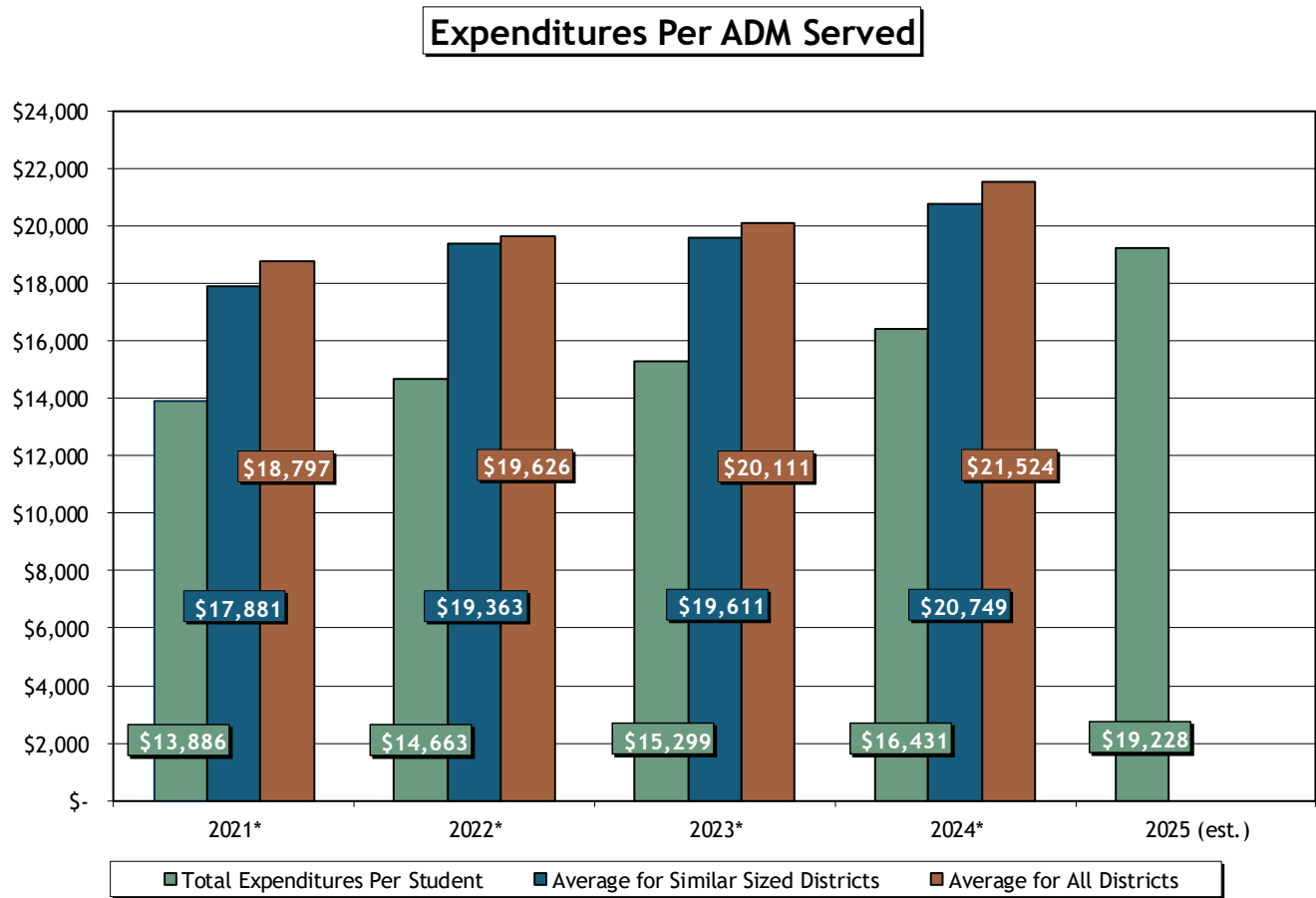
* Source: *School District Profiles*

** Source: *School District Profiles* - Average expenditures per ADM served for the 1,000-1,999 group for 2021 through 2024 for all districts in the state.

Fluctuations in the District's total expenditures per student are due to a variation of capital and debt service expenditures occurring over the five year period. The District's expenditures per ADM served in the General Fund continue to be less than the state-wide average and the average for similar-sized districts.

Independent School District No. 51
Financial Analysis

Expenditures Per ADM Served (Continued)



Independent School District No. 51 Financial Analysis

General Fund Operations

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

For the Year Ended June 30,	2021	2022	2023	2024	2025
Revenues	\$ 22,946,711	\$ 23,848,573	\$ 24,379,987	\$ 25,318,342	\$ 26,314,631
Expenditures	22,437,562	23,792,364	24,575,376	26,199,567	26,458,105
Excess of revenues over (under) expenditures	509,149	56,209	(195,389)	(881,225)	(143,474)
Net other financing sources (uses)	(50,417)	(82,101)	183,949	56,122	276,481
Fund balance, July 1	4,916,148	5,374,880	5,348,988	5,337,548	4,512,445
Total Fund Balance, June 30	\$ 5,374,880	\$ 5,348,988	\$ 5,337,548	\$ 4,512,445	\$ 4,645,452
Less nonspendable fund balances	\$ 44,858	\$ 79,497	\$ 22,857	\$ 29,721	\$ 30,054
Less restricted fund balances	659,028	978,028	1,442,774	1,211,041	1,485,894
Less assigned fund balances	882,658	839,759	603,027	583,262	550,784
Unassigned Fund Balance, June 30	\$ 3,788,336	\$ 3,451,704	\$ 3,268,890	\$ 2,688,421	\$ 2,578,720

As previously stated, in 2025, revenues increased \$996,289, while expenditures increased \$258,538. Including other financing sources for lease proceeds and insurance recoveries, fund balance increased \$133,007 as a result of 2025 operations.

The increase in revenues was discussed previously. The increase in expenditures was due to increases in salaries and benefits for cost-of-living increases and step and lane movement, increased special education services and bus purchases.

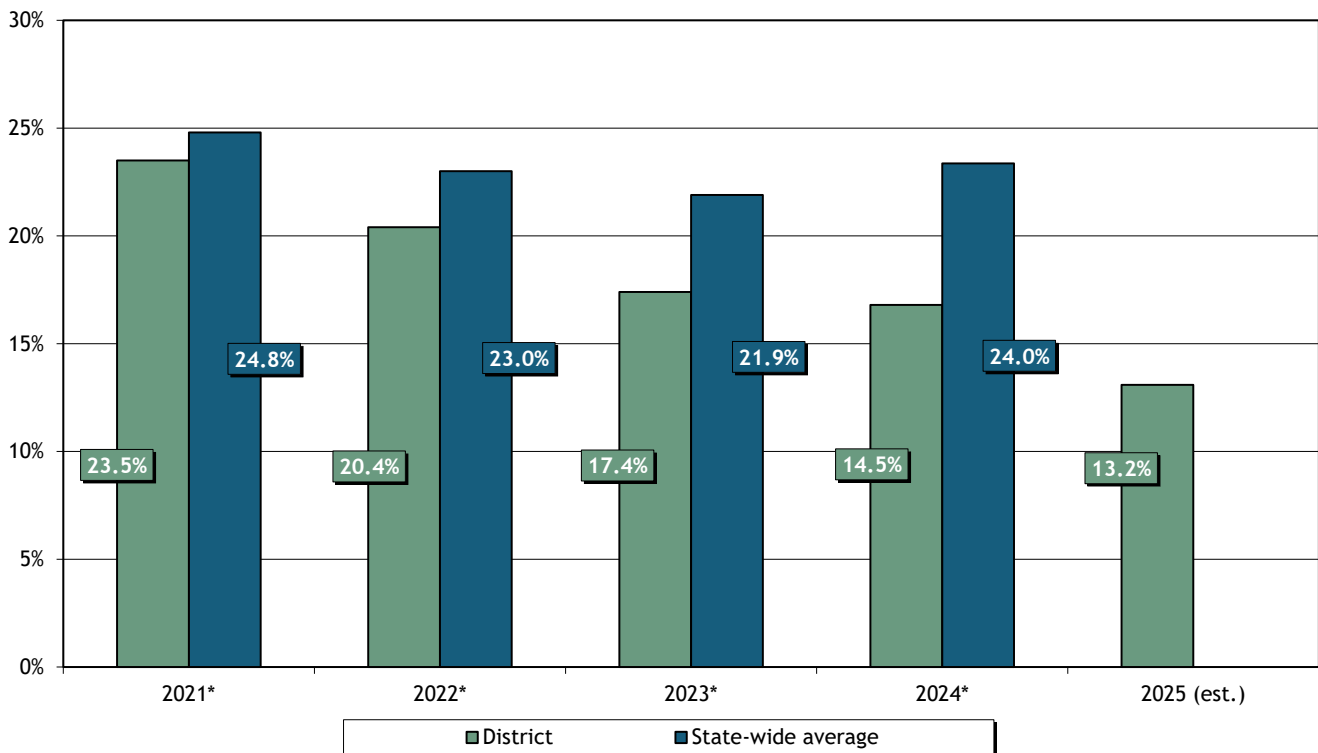
At June 30, 2025, the District's General Fund unassigned fund balance was 9.7% of 2025 expenditures based on 2025 spending levels. This compares to 10.3% as of June 30, 2024, based on 2024 spending levels.

Independent School District No. 51 Financial Analysis

General Fund Financial Health

One of the most common and comparable statistics used to evaluate school district financial health is the operating fund balance as a percentage of operating expenditures.

Unrestricted Fund Balance as a Percentage of Unrestricted Expenditures



* Information was obtained from MDE web site report *Fiscal Year 2013-Present General Fund Unreserved Balance*.

Figures for 2025 are not available for state-wide averages. District percentage obtained from MDE Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Report.

The graph above details the total fund balance as a percentage of expenditures. The District's fund balance as a percentage of expenditures is slightly lower than the average of all Minnesota school districts.

Independent School District No. 51 **Financial Analysis**

Food Service Fund

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

For the Year Ended June 30,	2021	2022	2023	2024	2025
Revenues	\$ 1,663,686	\$ 2,164,836	\$ 1,653,105	\$ 2,051,706	\$ 1,990,712
Expenditures	1,378,702	1,721,148	1,767,122	1,884,977	1,952,369
Excess of revenues over (under) expenditures	284,984	443,688	(114,017)	166,729	38,343
Other financing sources	-	1,500	-	-	176
Fund balance, July 1	337,474	622,458	1,067,646	953,629	1,120,358
Fund Balance, June 30	\$ 622,458	\$ 1,067,646	\$ 953,629	\$ 1,120,358	\$ 1,158,877

The District's Food Service fund balance increased in 2025. In 2025, revenues decreased \$60,994 while expenditures increased \$67,392. Revenues decreased due fewer meals served, a decrease in summer food program and less commodities received. Expenditures increased due to increases in workers compensation costs and other employee benefits as well as increased costs allocated to the program.

Independent School District No. 51 Financial Analysis

Community Service Fund

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

For the Year Ended June 30,	2021	2022	2023	2024	2025
Revenues	\$ 566,958	\$ 920,333	\$ 922,189	\$ 946,914	\$ 1,060,355
Expenditures	607,815	912,816	993,502	1,028,480	1,180,666
Excess of revenues over (under) expenditures	(40,857)	7,517	(71,313)	(81,566)	(120,311)
Other financing sources	63,614	85,751	-	24,677	-
Fund balance, July 1	18,896	41,653	134,921	63,608	6,719
Fund Balance, June 30	\$ 41,653	\$ 134,921	\$ 63,608	\$ 6,719	\$ (113,592)
Restricted/reserved for					
Community Education	\$ 26,526	\$ 53,315	\$ 80,803	\$ 70,469	\$ 29,299
Early Childhood and Family Education	-	-	(19,790)	(63,748)	(113,002)
School Readiness	-	-	(14,206)	(14,206)	(50,344)
Adult Basic Education	7,607	6,141	6,019	8,730	9,223
Community Service	7,520	75,465	10,782	5,474	11,232
Total Fund Balance	\$ 41,653	\$ 134,921	\$ 63,608	\$ 6,719	\$ (113,592)

Total revenues and expenditures for 2025 both were larger compared with the previous year, increasing 12% and 14.8% respectively. Revenues increased with increased participation in programs and additional state aids received. Expenditures increased due to increased salaries.

In each year except for 2023 and 2025, the District transferred funds from the General Fund to the Community Service Fund help cover costs of the school readiness and early childhood and family education programs. We recommend the District review program budgets to determine if fees and other revenue sources are sufficient to cover costs. If insufficient, a transfer from the General Fund should be budgeted to cover program shortfalls.

Independent School District No. 51 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).

Achievement and Integration Revenue

The administrative amount of each district's initial achievement and integration revenue that MDE may retain for administration of the program increased from 0.3% to 1.3% for the second prior fiscal year beginning in 2026 and later.

Basic Alternative Teacher Compensation Aid (Q-Comp)

The total cap for basic alternative teacher compensation aid increased to \$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 2025 was set at \$7,281 and for 2026, the formula allowance increases to \$7,481, which is a 2.7% increase over 2025.

Compensatory Education Revenue

For fiscal year 2026 only, the compensation revenue pupil units for each building in a district are set equal to the greater of the building's actual compensation revenue pupil units for revenue in FY 2026, or the building's actual compensation revenue pupil units computed for revenue in FY 2024. The transition to the new compensatory formula enacted in Minnesota Laws 2023, chapter 55 has been delayed until fiscal year 2027.

English Learner Aid and Cross Subsidy

For 2026, the aid is \$1,228 times the greater of 20 or total English learner ADM. For 2027, this increases to \$1,775 times the greater of 20 or total English learner ADM. The English learner concentration formula amount increases from \$436 in 2026 to \$630 in 2027. For 2027 and later, a district's Cross Subsidy Aid equals 25% of the district's cross subsidy, which is the greater of zero or the difference between the district's expenditures for qualifying services for the second prior year and the district's English learner revenue for the second previous year.

Food Service Net Cash Resource Limitation

The temporary 6-month net cash resource limit of operating expenditures in the Food Service Fund has been extended through fiscal year 2026 for authorities who provide justification for higher balances.

Long-Term Facilities Maintenance (LTFM) Revenue

Districts may include roof repair and replacement costs totaling \$100,000 or more per site in the annual LTFM revenue authority effective for fiscal year 2027 and later. The LTFM equalizing factor increased to offset the projected increase in statewide LTFM levies with additional equalization aid.

Pension Bill and Pension Adjustment Revenue

Minnesota Laws 2025, chapter 37, article 13, section 1 increases the pension adjustment rate for all other districts (besides ISD No. 625, St. Paul) in fiscal year 2026 and later from 2.0% to 2.31%. Article 13, section 2 increases the employer contribution to the Teachers Retirement Association in the special revenue fund in fiscal year 2026 and later from 9.5% to 9.81% of the salary of each coordinated member and from 13.5% to 13.81% of the salary of each basic member.

**Independent School District No. 51
Legislative Summary**

School Library Aid

Beginning in fiscal year 2026, the school library aid per pupil allowance is reduced from \$16.11 to \$10.27 for 2026 and 2027, and \$9.12 for 2028 and later. The minimum amount for a school district is reduced from \$40,000 to \$20,000, while the minimum amount for a charter school is reduced from \$20,000 to \$10,000 beginning in 2026.

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

Beginning in fiscal year 2026, the per pupil allowance is reduced from \$48.73 to \$30.05 in 2026 and 2027, and \$34.32 in 2028 and later. The cooperative student support allowance is reduced from \$2.44 to \$1.60 in 2026 and later.

Independent School District No. 51 Emerging Issues

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 includes:

- **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.

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

GASB has issued GASB Statement No. 104 relating to capital asset disclosures. The disclosures required by this Statement provide users of the financial statements with essential information about certain types of capital assets.

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. 51 Emerging Issues

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.

**Independent School District No. 51
Emerging Issues**

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

The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

This Statement requires certain types of capital assets continue to be disclosed separately in the capital assets note disclosures including presentation of capital assets by major class and separate disclosure of lease assets, subscription assets, and intangible right-to-use assets.

This Statement requires additional disclosures for capital assets held for sale. A capital asset is held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date.

Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset.

GASB Statement No. 104 is effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

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