



**Independent School District No. 316  
Coleraine, Minnesota**

**Communications Letter**

**June 30, 2025**

**Independent School District No. 316**  
**Table of Contents**

Report on Matters Identified as a Result of the Audit of the Basic Financial Statements	1
Material Weakness	3
Required Communication	4
Financial Analysis	9
Legislative Summary	19
Emerging Issues	21



**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. 316  
Coleraine, Minnesota

In planning and performing our audit of the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 316, Coleraine, 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 basic 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 certain deficiency in internal control that we consider 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 November 6, 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  
November 6, 2025

**Independent School District No. 316**  
**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 financial statements.

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the District's existing internal controls and, therefore, could have resulted in a material misstatement of the District's basic financial statements.

In order to ensure basic financial statements were free from material misstatements, audit adjustments were required in the following areas:

- Contracts payable
- Delinquent property taxes payable
- Deferred inflows of resources - Unavailable revenue - Delinquent property taxes

Management and the School Board are aware of this condition and have taken 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 costs of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. However, management and the School Board must remain aware of this situation and should continually monitor the accounting system, including changes that occur.

We recommend segregation or independent review be implemented whenever practical and cost effective.

**Independent School District No. 316  
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 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 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. 316  
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:

- **Management Override of Controls** - Management override of internal control through the journal entry process 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.
- **If duties cannot be appropriately segregated within the accounting department, these is a risk of recording of disbursement activity correctly.**
- **State Aid Valuation** - Revenue and receivable amounts related to General Education Aid and Special Education Aid are generally material to the financial statements and involve significant estimates.
- **Pension Valuation** - Net pension liability, deferred outflows of resources related to pensions, and deferred inflows of resources related to pensions are generally material to the financial statements and involve significant estimates.
- **Other Post Employment Benefits (OPEB) Valuation** - Net OPEB liability, deferred outflows of resources related to OPEB, and deferred inflows of resources related to OPEB are generally material to the financial statements and involve significant estimates.

**Independent School District No. 316  
Required Communication**

**Significant Risks (Continued)**

- **Compensated Absences** - Compensated absences are generally material to the financial statements and involve significant estimates.

**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 dependent on the availability of monies and complex formulas that are finalized after reporting deadlines.

**Net 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 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.

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

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.



**Independent School District No. 316  
Required Communication**

**Qualitative Aspects of the District's Significant Accounting Practices (Continued)**

*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 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.

- Overstatement of hourly unemployment receivable amount.
- Overstatement of OPEB liability.

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 misstatements that we identified as a result of our audit procedures were brought to the attention of and corrected by management:

- Contracts payable
- Delinquent property taxes payable
- Deferred inflows of resources - Unavailable revenue - Delinquent property taxes

**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. 316  
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. 316  
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.

**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.

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.

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. 316 Financial Analysis

## Average Daily Membership and Pupil Units (Continued)

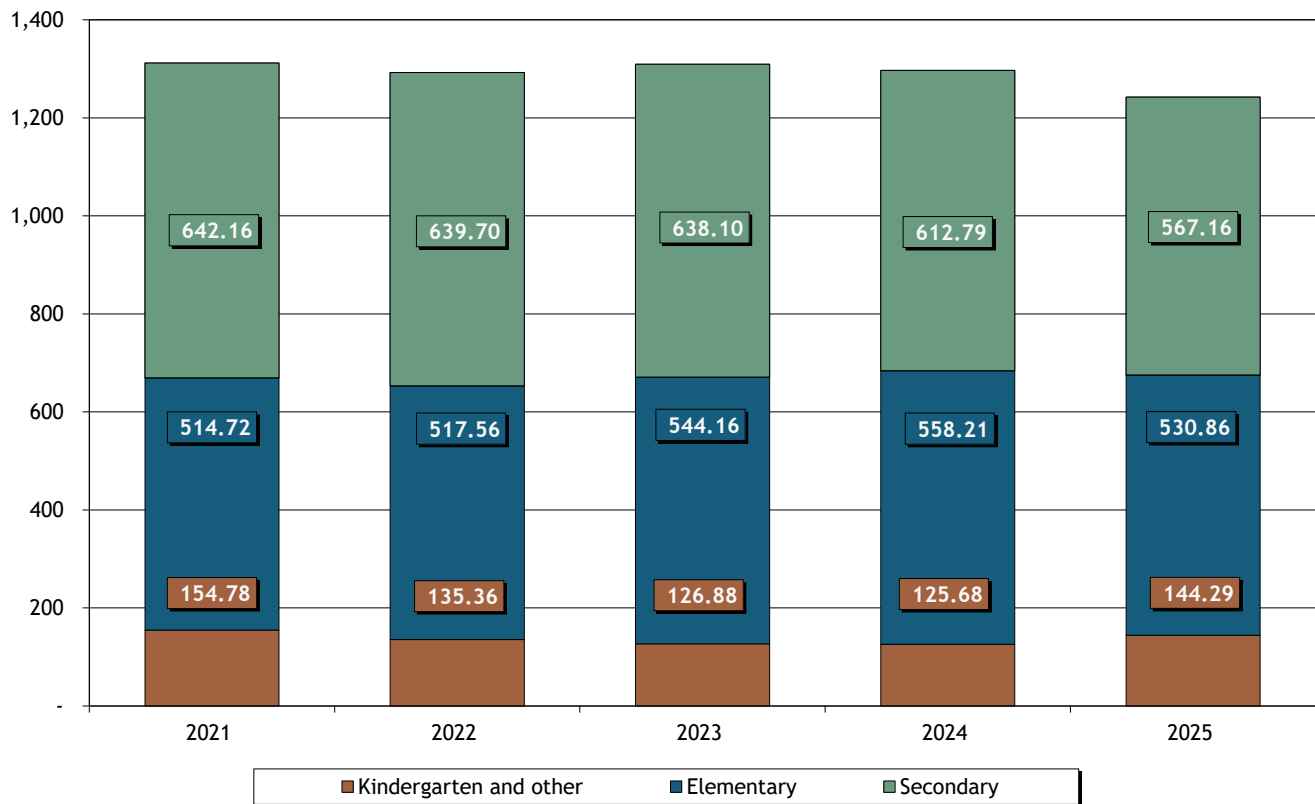
The following chart and graph summarizes resident ADM of the District over the past five years.

Resident ADM	2021	2022	2023	2024	2025
Kindergarten and other	154.78	135.36	126.88	125.68	144.29
Elementary	514.72	517.56	544.16	558.21	530.86
Secondary	642.16	639.70	638.10	612.79	567.16
<b>Total Resident ADM</b>	<b>1,311.66</b>	<b>1,292.62</b>	<b>1,309.14</b>	<b>1,296.68</b>	<b>1,242.31</b>

\* Estimate

The chart and graph above provides resident ADM over the past five years. Resident ADM ended 2025 with a total of 1,242.31, a decrease of 54 ADM, or 4.19%, compared to 2024.

### Resident Students - ADM



# Independent School District No. 316 Financial Analysis

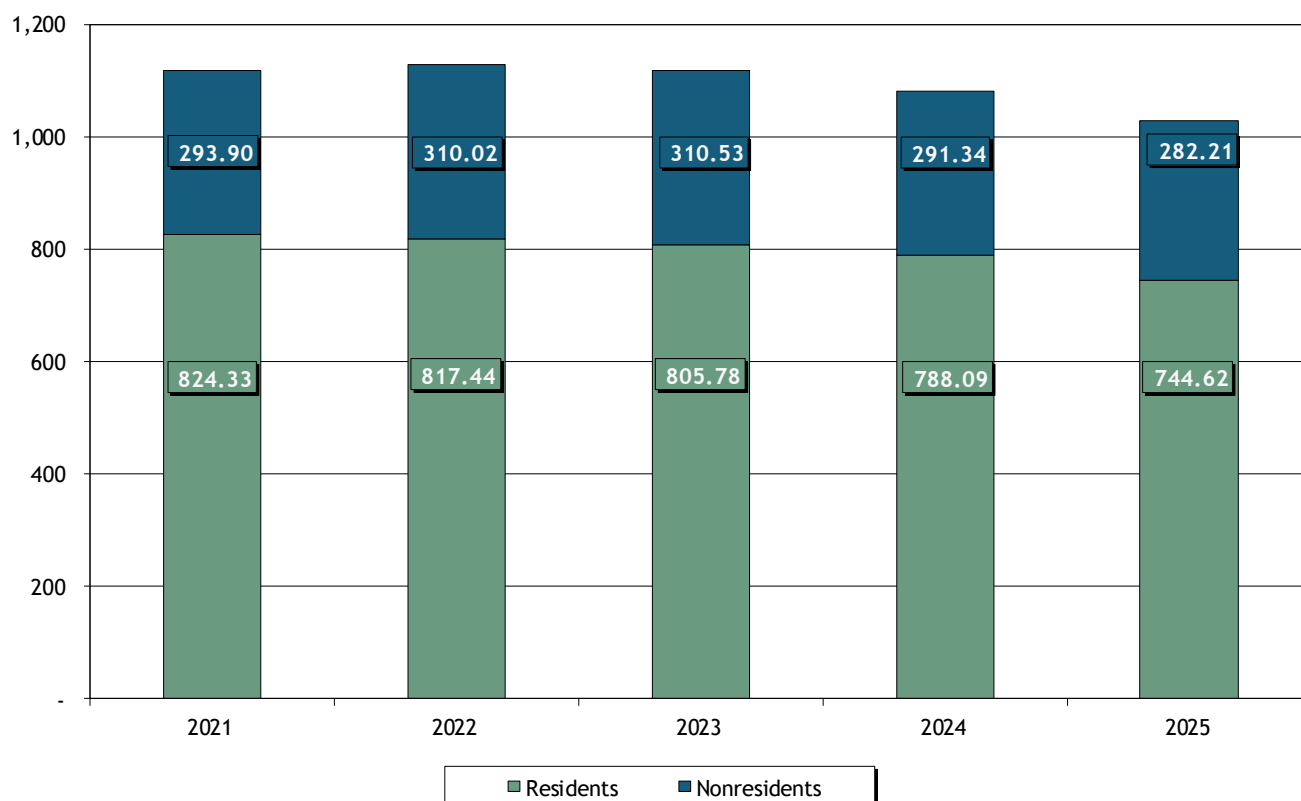
## Average Daily Membership and Pupil Units (Continued)

Pupil Units Weighting	Pre-Kindergarten	Handicapped Kindergarten	Kindergarten	Elementary Grades 1-3	Elementary Grades 4-6	Secondary
Fiscal Years 2021-2025	1.000	1.000	1.000	1.000	1.000	1.200

Pupil units are computed by weighting ADM (PUN) using the factors on the table above. The PUN served table and graph below converts resident ADM into weighted or adjusted pupil unit data for the past five years taking into consideration the above weighting factors and open enrollment.

	2021	2022	2023	2024	2025
Residents	1,440.07	1,420.55	1,436.76	1,419.23	1,355.75
Residents going elsewhere	(615.74)	(603.11)	(630.98)	(631.14)	(611.13)
Nonresidents coming in	293.90	310.02	310.53	291.34	282.21
<b>Total Adjusted PUN</b>	<b>1,118.23</b>	<b>1,127.46</b>	<b>1,116.31</b>	<b>1,079.43</b>	<b>1,026.83</b>

### Students Served - PUN



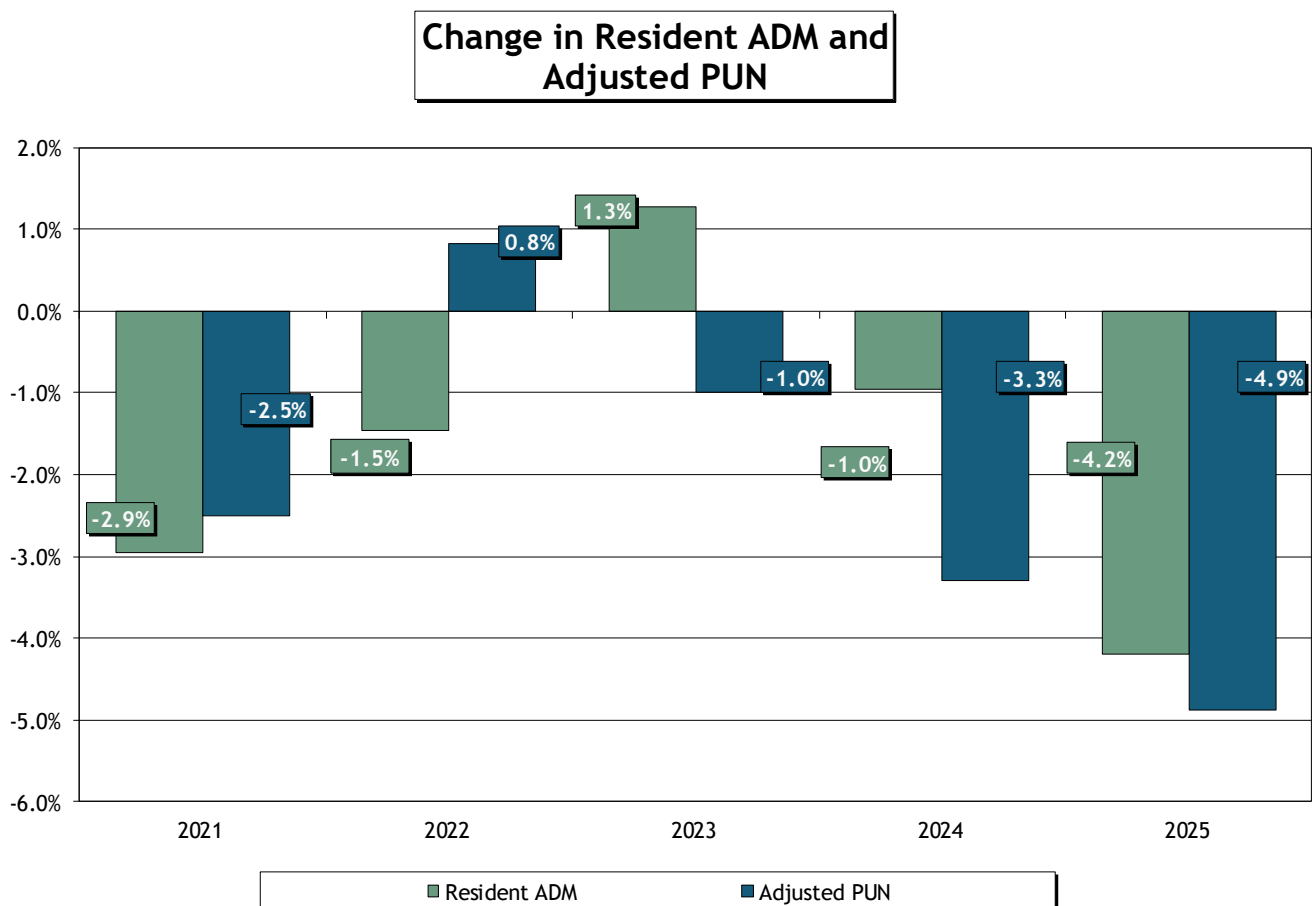
\* Estimate

## Independent School District No. 316 Financial Analysis

### Average Daily Membership and Pupil Units (Continued)

Adjusted PUN decreased by 52.60 from 2024 to 2025. Open enrollment is a factor in the District's student count fluctuation. For each of the five years shown, the District has experienced a net loss due to open enrollment. In 2021, the net loss was 321.84 and in 2025 the net loss remained fairly consistent at 328.92. These losses are due to resident students leaving the District through open enrollment and the growing number of students attending charter schools. The number of residents going elsewhere decreased by 20.01 adjusted PUN, while the number of nonresidents coming into District decreased by 9.13 in 2025.

The following graph illustrates the percentage change from year-to-year in resident ADM and PUN served.



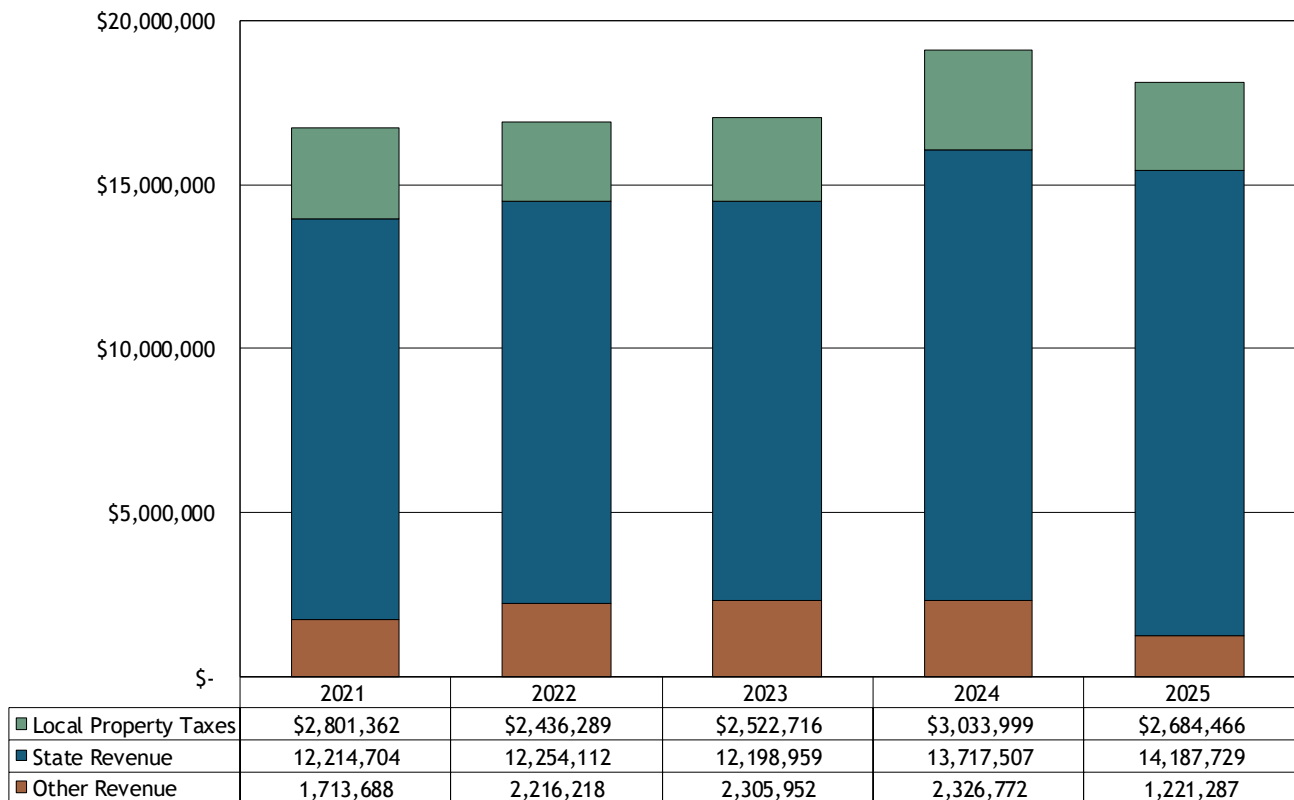
\* Estimate

# Independent School District No. 316 Financial Analysis

## General Fund Sources of Revenue

The following table displays the sources of revenue for the General Fund.

### General Fund Sources of Revenue



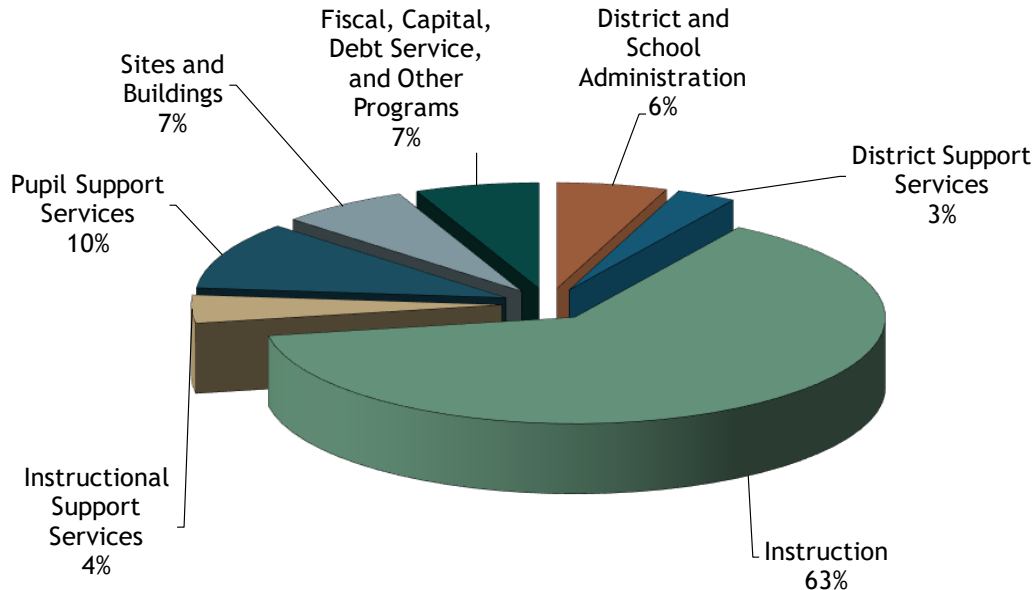
Total General Fund revenues of \$18,093,482 was a decrease of \$984,796, or 5.2%, from 2024 to 2025 but increased \$1,363,728, or 8.15% over the course of the five years presented.

State revenue, which makes up the largest percentage of the District's revenue at 78.41%, increased by \$470,222 in 2025 due primarily to more special education, library and compensatory aid received. Local property tax revenue decreased \$349,533 due primarily to a decrease in the Taconite revenues. Other revenue decreased due to a decrease in federal COVID funding.

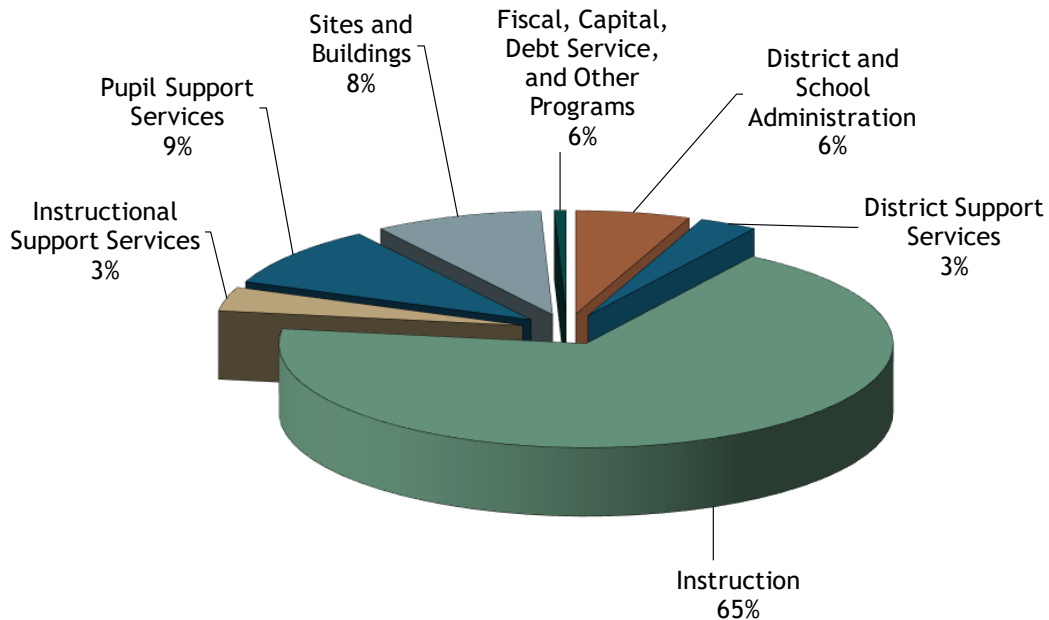
## Independent School District No. 316 Financial Analysis

### General Fund Expenditure Allocation

#### 2025 General Fund Expenditure Allocation



#### 2024 General Fund Expenditure Allocation



Total instruction expenditures (regular, special education and vocational) represents approximately 63% of total General Fund expenditures for 2025 and approximately 65% for 2024. Expenditures related to capital outlay increased by \$230,856 in 2025 due to increased equipment purchases, which contributed to the shift in allocation percentages across programs.



## Independent School District No. 316 Financial Analysis

### General Fund Budget and Actual

The chart below highlights 2025 General Fund budget and actual results. Originally, in June 2024, the District budgeted for deficit spending of \$259,294 for 2025. Budget revisions changed the projected deficit to \$478,753. The District ended 2025 with an actual deficit of just \$62,361 for the General Fund.

Overall, General Fund revenues were over budget by \$594,682, or 3.4%. Revenues from local property taxes were over budget by \$206,434 due to an increase in the levy. Revenues from state sources were over budget due to special education aid exceeding expectations and for not budgeting for unemployment hourly workers aid.

General Fund expenditures exceeded the budget by \$248,116 in total. Instructional support expenditures were \$180,900 over budget due to read act wage differences and chargebacks to the taconite fund. This variance was partially offset by pupil support expenditures being under budgeted amounts by \$108,941. However, capital outlay expenditures also exceeded the budget by \$170,705.

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Local property taxes	\$ 2,562,156	\$ 2,478,032	\$ 2,684,466	\$ 206,434
Other local and county revenues	470,322	643,101	611,873	(31,228)
Revenue from state sources	13,997,400	13,767,225	14,187,729	420,504
Revenue from federal sources	498,179	539,441	537,985	(1,456)
Sales and other conversion of assets	36,098	71,001	71,429	428
Total revenues	17,564,155	17,498,800	18,093,482	594,682
<b>Expenditures</b>				
Administration	1,064,381	1,091,020	1,047,344	(43,676)
District support services	548,491	534,113	568,749	34,636
Regular instruction	6,456,229	7,125,481	7,182,271	56,790
Vocational education instruction	294,476	224,092	231,531	7,439
Special education instruction	4,625,774	4,148,621	4,134,975	(13,646)
Instructional support services	527,922	596,883	777,783	180,900
Pupil support services	2,057,630	1,996,229	1,887,288	(108,941)
Sites and buildings	1,352,682	1,257,205	1,222,224	(34,981)
Fiscal and other fixed cost programs	110,952	110,952	110,596	(356)
Capital outlay	282,270	437,074	607,779	170,705
Debt service	502,642	459,139	458,385	(754)
Total expenditures	17,823,449	17,980,809	18,228,925	248,116
Excess of revenues over (under) expenditures	(259,294)	(482,009)	(135,443)	346,566
<b>Net Other Financing Sources (Uses)</b>	-	3,256	73,082	69,826
<b>Net Change in Fund Balances</b>	\$ (259,294)	\$ (478,753)	\$ (62,361)	\$ 416,392

## Independent School District No. 316 Financial Analysis

### General Fund Operations

The chart below illustrates the General Fund revenue, expenditures, and fund balances for the past five years.

Year Ended June 30,	2021	2022	2023	2024	2025
Revenues	\$ 16,729,754	\$ 16,906,619	\$ 17,027,627	\$ 19,078,278	\$ 18,093,482
Expenditures	16,179,036	16,537,259	18,475,732	18,728,697	18,228,925
Excess of revenues over (under) expenditures	550,718	369,360	(1,448,105)	349,581	(135,443)
Add other sources (uses)	(101,348)	56,957	71,413	35,870	73,082
Fund balance, July 1	7,217,021	7,666,391	8,092,708	6,716,016	7,101,467
Change in accounting principle	-	-	-	-	-
<b>Fund Balance, June 30</b>	<b>\$ 7,666,391</b>	<b>\$ 8,092,708</b>	<b>\$ 6,716,016</b>	<b>\$ 7,101,467</b>	<b>\$ 7,039,106</b>
Nonspendable for					
Prepays	\$ 6,803	\$ -	\$ 506	\$ -	\$ -
Restricted/reserved for					
Student Activities	82,089	88,593	111,163	131,943	111,794
Taconite Building Maintenance	896,773	1,011,850	1,127,769	1,270,572	1,411,853
Staff Development	-	-	-	-	14,932
Literacy Incentive Aid	-	-	-	-	912
American Indian Education Aid	-	-	-	-	15,073
Q Comp	-	-	-	-	19,788
School Library Aid	-	-	-	40,000	80,000
\$25 Taconite	161,655	190,370	219,235	248,100	133,765
Basic Skills Program	-	-	-	41,336	-
Gifted and Talented	40,837	55,570	70,109	84,118	97,529
Student Support Personnel Aid	-	-	-	-	40,000
Basic Skills Extended Time	50,385	43,752	41,336	-	-
LTFM	365,341	305,199	89,644	49,972	6,623
Safe Schools Levy	11,549	13,099	-	-	-
Medical Assistance	294,406	436,254	435,852	513,260	277,108
Committed	1,889,724	1,889,724	795,465	780,502	431,115
Assigned	1,466,926	1,466,926	1,466,926	1,468,801	1,306,869
Unassigned	2,399,903	2,591,371	2,358,011	2,472,863	3,091,745
<b>Fund Balance, June 30</b>	<b>\$ 7,666,391</b>	<b>\$ 8,092,708</b>	<b>\$ 6,716,016</b>	<b>\$ 7,101,467</b>	<b>\$ 7,039,106</b>

At June 30, 2025, the District has 17.0% of actual expenditures (based on 2025 levels) in the unassigned fund balance. The District has a fund balance policy to maintain an unassigned fund balance of 6% of budgeted general fund expenditures. The District has managed its spending through the budget to maintain its fund balance to be in compliance with its policy.

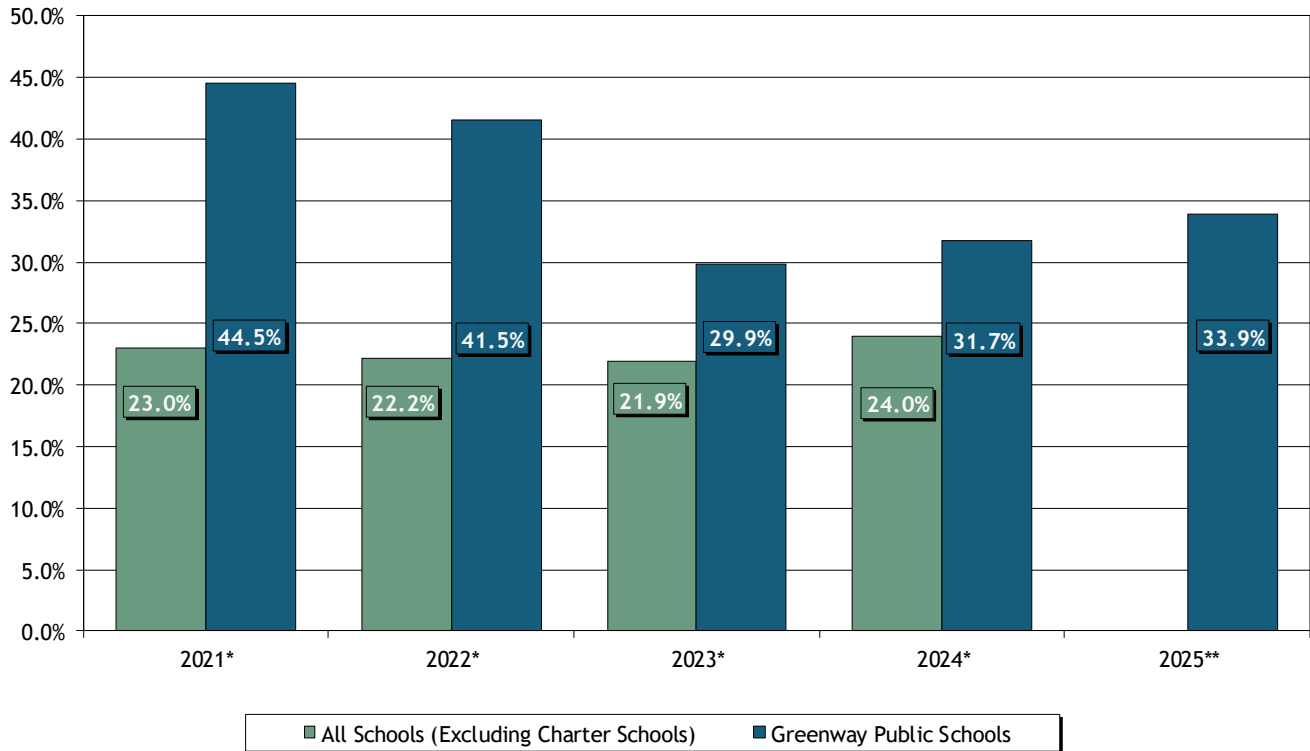
From 2024 to 2025, revenues decreased 5.2% and expenditures decreased 2.7%. Included in the illustration above are all the general activities of the District, including all categorical or reserved programs. All of these activities comprise the General Fund, per the Uniform Financial Accounting and Reporting Standards (UFARS) definition. Overall, the General Fund balance decreased \$62,361 while the unassigned portion increased by \$618,882.

## Independent School District No. 316 Financial Analysis

### General Fund Financial Health

One of the most common 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 the Minnesota Department of Education (MDE) web site report *General Fund Unreserved Balance for Fiscal Years 2013-2024*. Fiscal year 2025 information is not available.

\*\* MDE 2025 UFARS Turnaround Compliance Report

**Independent School District No. 316**  
**Financial Analysis**

**Food Service Fund**

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

Year Ended June 30,	2021	2022	2023	2024	2025
Revenues	\$ 699,328	\$ 980,584	\$ 770,102	\$ 930,825	\$ 901,067
Expenditures	666,168	944,083	855,786	895,058	936,028
Excess of revenues over (under) expenditures	33,160	36,501	(85,684)	35,767	(34,961)
Fund balance, July 1	251,318	284,478	320,979	235,295	271,062
<b>Fund Balance, June 30</b>	<b>\$ 284,478</b>	<b>\$ 320,979</b>	<b>\$ 235,295</b>	<b>\$ 271,062</b>	<b>\$ 236,101</b>

Overall, food service revenues decreased \$29,758 from 2024 to 2025, while expenditures increased \$40,970. The decrease in revenue was due to the decrease in enrollment in 2025. Expenditures increased due to purchases of lunchroom tables. The Fund finished the year with a 25% fund balance based on 2025 spending levels.

**Community Service Fund**

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

Year Ended June 30,	2021	2022	2023	2024	2025
Revenues	\$ 245,517	\$ 288,376	\$ 275,208	\$ 273,521	\$ 285,273
Expenditures	236,557	251,807	259,983	262,506	254,340
Excess of revenues over (under) expenditures	8,960	36,569	15,225	11,015	30,933
Other financing sources (uses)	-	8,983	-	-	-
Fund balance, July 1	179,100	188,060	233,612	248,837	259,852
<b>Fund Balance, June 30</b>	<b>\$ 188,060</b>	<b>\$ 233,612</b>	<b>\$ 248,837</b>	<b>\$ 259,852</b>	<b>\$ 290,785</b>

As the table indicates, Community Service Fund revenues exceeded expenditures in 2025 for the fifth consecutive year. The total Community Service Fund balance increased by \$30,933 to \$290,785 at June 30, 2025, which was the highest fund balance of the five years presented. Revenues increased by 4.3% based on more federal funding in 2025 while expenditures decreased by 3.1% with reduced costs for staffing hours and programming supplies.

Due to MDE regulations, the total Community Service Fund is segregated, or restricted, as follows: restricted for community education programs \$235,631, restricted for early childhood and family education \$(1,710), restricted for school readiness \$6,677, and the remaining \$50,187 is restricted for community service use.

## **Independent School District No. 316 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. 316  
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. 316  
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 extensive 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. 316  
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](http://www.gasb.org).



**Independent School District No. 316  
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](http://www.gasb.org).