



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

**Communications Letter**

**June 30, 2024**

**Independent School District No. 51  
Table of Contents**

Report on Matters Identified as a Result of the Audit of the Basic Financial Statements	1
Significant Deficiency	3
Required Communication	4
Financial Analysis	9
Legislative Summary	23
Emerging Issues	26



## 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 financial statements of Independent School District No. 51, Foley, Minnesota, as of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the District's internal control over financial reporting (internal control) as a basis for designing our 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 significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the District's basic financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. The significant deficiency 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 23, 2024, on such statements.

The purpose of this communication, which is an integral part of our audit, is to describe for the School Board, management and others within the District and state oversight agencies the scope of our testing of internal 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 23, 2024

## Independent School District No. 51 Significant Deficiency

### **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 determines capital assets additions in the District's voucher system, 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, and processes payroll. Payroll registers were not reviewed every payroll but were periodically reviewed.
- ◆ The Director of Operations and Finance is responsible for reconciliation of general ledger accounts and has the ability to make manual adjustments to these accounts.

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, 2024. 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 Identified**

We have identified the following significant risks of material misstatement:

- ◆ Risk of misappropriation of assets. If duties cannot be appropriately segregated within the accounting and finance department, there is a risk of unauthorized disbursements of cash concealed through improper bank reconciliations and payroll.
- ◆ 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.
- ◆ 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.

## Independent School District No. 51 Required Communication

### Qualitative Aspects of the District's Significant Accounting Practices

#### *Significant Accounting Policies*

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

#### *Significant Accounting Estimates and Related Disclosures*

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

General Education and Special Education Aid - General Education Aid is an estimate until average daily membership (ADM) values are final. Since this is normally not done until after the reporting deadline, this Aid is an estimate. Special Education Aid is 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.

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.



## **Independent School District No. 51 Required Communication**

### **Uncorrected and Corrected Misstatements**

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

Management has corrected all such misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the basic financial statements taken as a whole.

### **Disagreements with Management**

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

### **Representations Requested from Management**

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

### **Management's Consultations with Other Accountants**

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

### **Other Significant Matters, Findings, or Issues**

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

### **Other Information Included in Annual Reports**

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

**Independent School District No. 51  
Required Communication**

**Other Information Included in Annual Reports (Continued)**

We applied certain limited procedures to the RSI that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express 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
2014	\$ 5,302	1.5%
2015*	5,831	1.9%
2016	5,948	2.0%
2017	6,067	2.0%
2018	6,188	2.0%
2019	6,312	2.0%
2020	6,438	2.0%
2021	6,567	2.0%
2022	6,728	2.5%
2023	6,863	2.0%
2024	7,138	4.0%
2025	7,281	2.0%

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

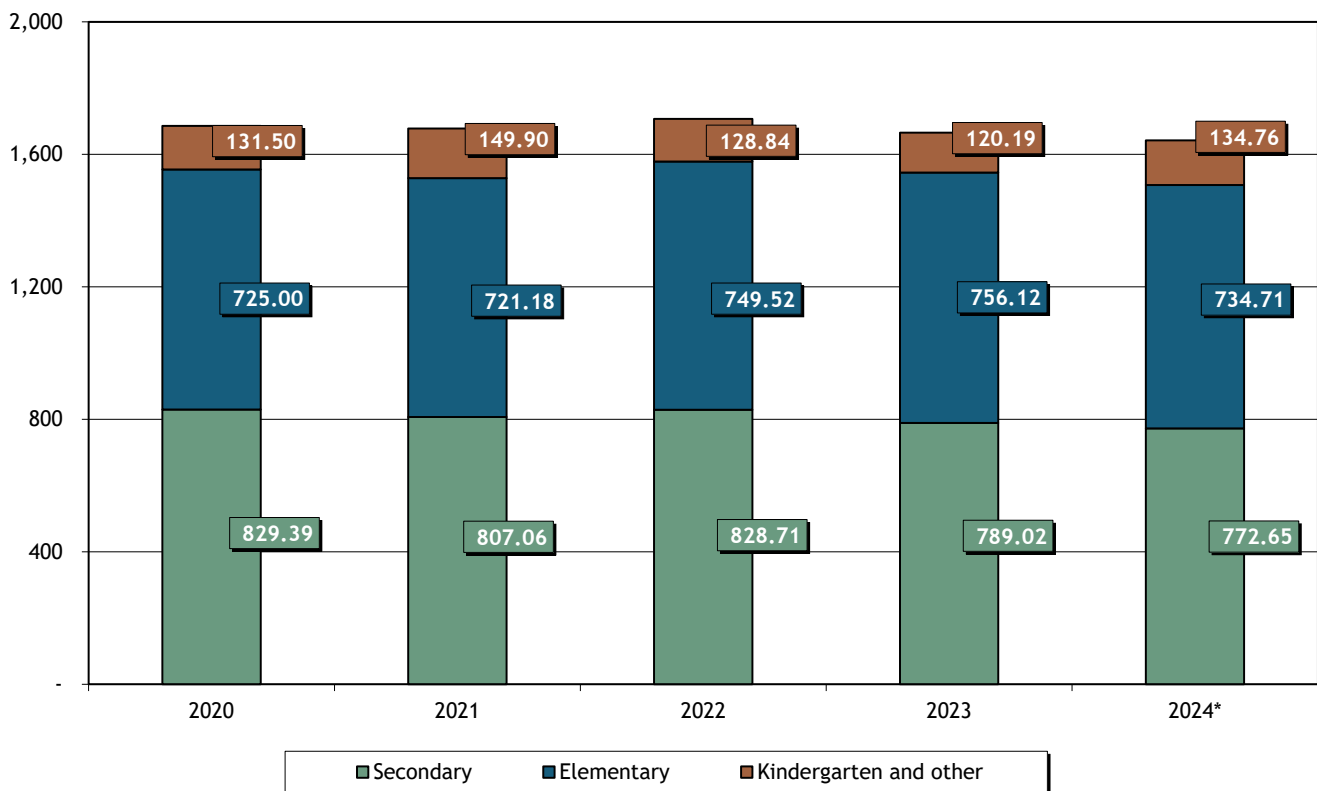
## Independent School District No. 51 Financial Analysis

### 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	2020	2021	2022	2023	2024*
Kindergarten and other	131.50	149.90	128.84	120.19	134.76
Elementary	725.00	721.18	749.52	756.12	734.71
Secondary	829.39	807.06	828.71	789.02	772.65
<b>Total Resident ADM</b>	<b>1,685.89</b>	<b>1,678.14</b>	<b>1,707.07</b>	<b>1,665.33</b>	<b>1,642.12</b>

### Students (Average Daily Membership)



\* Estimate

As the above chart indicates, resident ADM has decreased over the past five years. Since 2020, resident ADM decreased by 43.77, or 2.6%.

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.

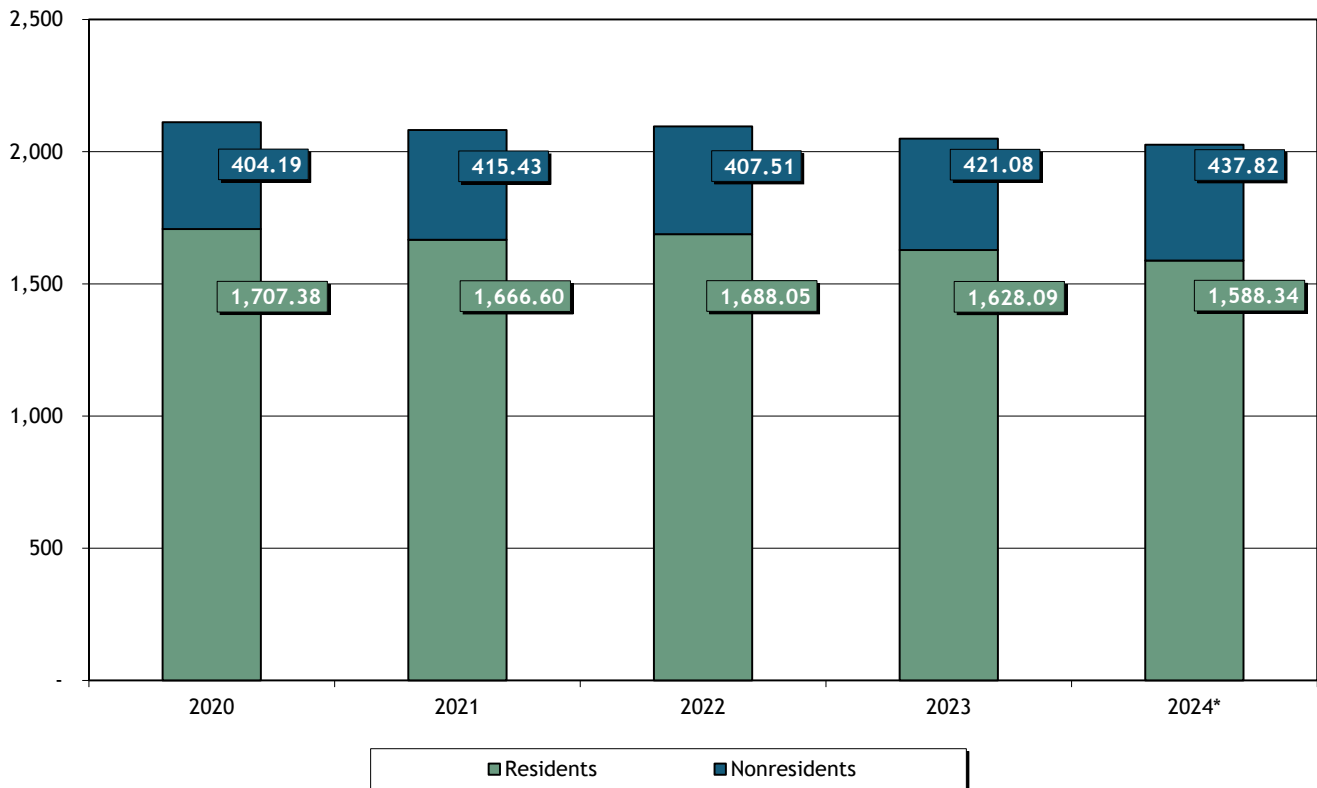
## Independent School District No. 51 Financial Analysis

### 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.

Years 2020-2024	Handicapped			Elementary		
	Pre-Kindergarten	Kindergarten	Kindergarten	Grade 1-3	Grade 4-6	Secondary
Years 2020-2024	1.000	1.000	1.000	1.000	1.000	1.200
Adjusted PUN	2020	2021	2022	2023	2024*	
Residents	1,851.76	1,839.54	1,872.82	1,823.14	1,796.65	
Resident loss	(144.38)	(172.94)	(184.77)	(195.05)	(208.31)	
Nonresident gain	404.19	415.43	407.51	421.08	437.82	
Total Adjusted PUN	2,111.57	2,082.03	2,095.56	2,049.17	2,026.16	

### 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 229.51 in 2024. Since 2020, PUN decreased by 85.41, or 4.0%.

## Independent School District No. 51 Financial Analysis

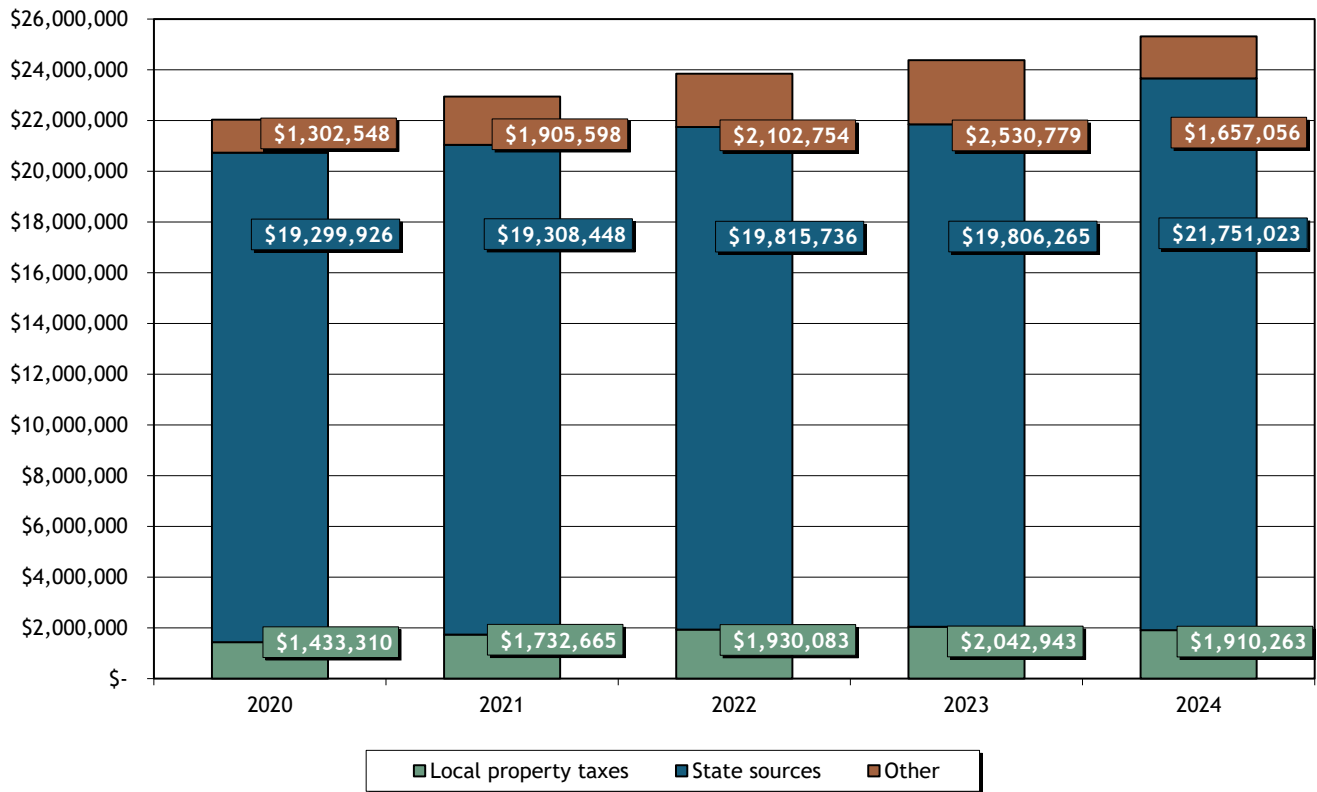
### General Fund Sources of Revenue

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

	2020	2021	2022	2023	2024
Local property taxes	\$ 1,433,310	\$ 1,732,665	\$ 1,930,083	\$ 2,042,943	\$ 1,910,263
State sources	19,299,926	19,308,448	19,815,736	19,806,265	21,751,023
Other	1,302,548	1,905,598	2,102,754	2,530,779	1,657,056
<b>Total</b>	<b>\$ 22,035,784</b>	<b>\$ 22,946,711</b>	<b>\$ 23,848,573</b>	<b>\$ 24,379,987</b>	<b>\$ 25,318,342</b>

Total General Fund revenues increased \$938,355 from 2023 to 2024. The increase was in state revenue. State revenues increased due to an increase in the general education formula allowance and increased special education and LTFM aids. Revenues from other sources decreased due to decreased federal COVID revenue. Local property taxes 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)
<b>Revenues</b>				
Local property taxes	\$ 1,894,563	\$ 1,928,253	\$ 1,910,263	\$ (17,990)
Other local and county revenues	450,450	1,012,839	958,914	(53,925)
Revenue from state sources	20,863,017	21,617,518	21,751,023	133,505
Revenue from federal sources	728,239	936,403	668,763	(267,640)
Sales and other conversion of assets	8,000	28,744	29,379	635
Total revenues	23,944,269	25,523,757	25,318,342	(205,415)
<b>Expenditures</b>				
<b>Current</b>				
Administration	1,255,591	1,309,435	1,211,373	(98,062)
District support services	393,530	535,199	570,023	34,824
Elementary and secondary regular instruction	10,886,547	11,848,891	11,808,305	(40,586)
Vocational education instruction	190,048	172,536	170,562	(1,974)
Special education instruction	4,657,312	4,905,143	5,005,985	100,842
Instructional support services	1,398,337	1,437,043	1,611,526	174,483
Pupil support services	1,802,161	2,081,012	2,207,714	126,702
Sites and buildings	2,560,162	2,642,510	2,698,715	56,205
Fiscal and other fixed cost programs	284,708	170,730	170,730	-
Community education and services	-	7,023	7,347	324
<b>Capital outlay</b>				
Elementary and secondary regular instruction	94,999	214,961	175,832	(39,129)
Instructional support services	-	47,140	47,140	-
Pupil support services	175,000	273,461	121,871	(151,590)
Sites and buildings	99,804	98,962	98,962	-
<b>Debt service</b>				
Principal	260,000	267,660	235,260	(32,400)
Interest and fiscal charges	7,700	53,803	58,222	4,419
Total expenditures	24,065,899	26,065,509	26,199,567	134,058
Excess of revenues under expenditures	(121,630)	(541,752)	(881,225)	(339,473)
<b>Other financing sources</b>				
	-	4,363	56,122	51,759
<b>Net change in fund balances</b>	\$ (121,630)	\$ (537,389)	\$ (825,103)	\$ (287,714)

The School Board approved the original budget for 2024 in June of 2023. The School Board approved the amended budget in June 2024.

Total actual revenues were under the final budgeted amount by 0.8%. Revenues from state sources were overbudget due to conservative budgeting for general education and special education aids. Revenue from federal sources were under budget due to over budgeting for COVID related grants for the year.

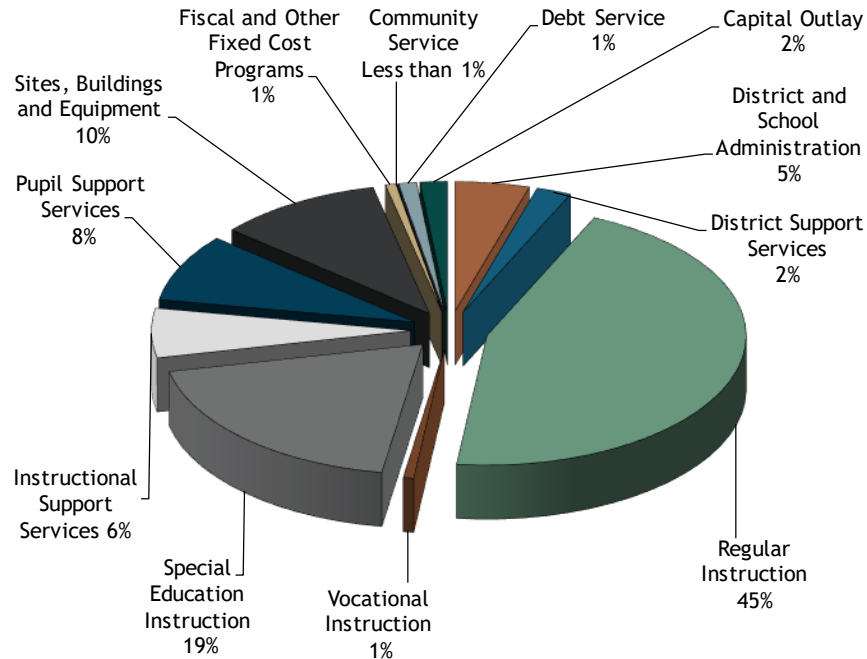
Actual expenditures were over budget 0.5%. The largest variances were in instructional support services which were over budget as a result of higher than anticipated salaries and benefit and pupil support capital outlay which was under budget due to not purchasing budgeted items.

## Independent School District No. 51 Financial Analysis

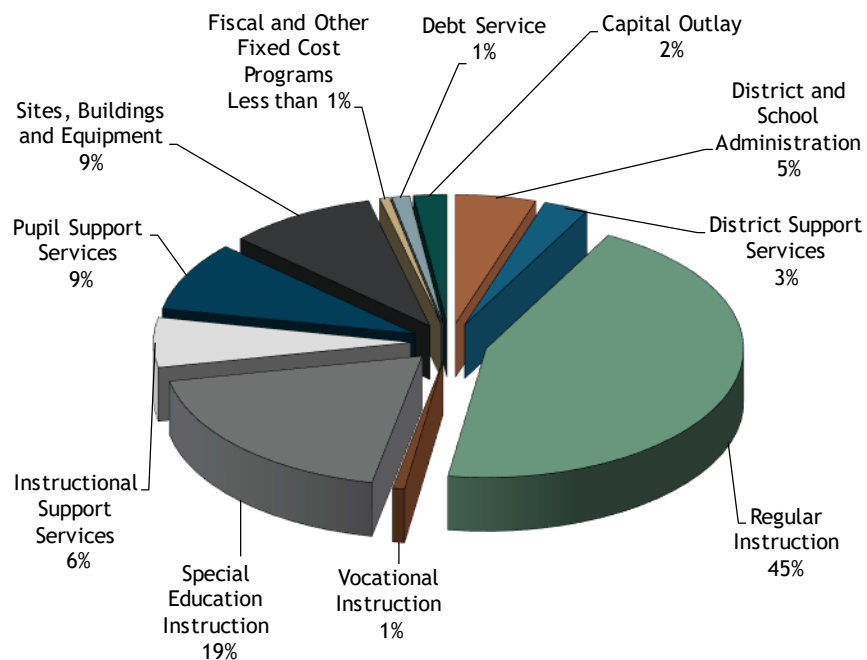
### General Fund Expenditures

The graphs below show General Fund expenditures by function as a percentage of total expenditures for both 2024 and 2023. Expenditures by function remained fairly consistent with the prior year. The District spent 65% of its funds on instruction in 2023 and 65% in 2024.

#### 2024 Expenditures



#### 2023 Expenditures





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

**Revenues Per ADM Served**

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

<b>ISD No. 51 Foley</b>	<b>2020*</b>	<b>2021*</b>	<b>2022*</b>	<b>2023*</b>	<b>2024 (est.)</b>
General Fund	\$ 11,373	\$ 11,985	\$ 12,368	\$ 12,943	\$ 13,567
Food Service	841	871	1,126	877	1,099
Community Service	263	297	479	489	507
Building Construction	11	-	-	4	7
Debt Service	1,379	1,164	973	844	920
<b>Total Revenues Per Student</b>	<b>\$ 13,867</b>	<b>\$ 14,317</b>	<b>\$ 14,946</b>	<b>\$ 15,157</b>	<b>\$ 16,100</b>

<b>Average for Similar Sized Districts</b>	<b>2020**</b>	<b>2021**</b>	<b>2022**</b>	<b>2023**</b>
General Fund	\$ 12,550	\$ 13,452	\$ 13,752	\$ 14,266
Food Service	587	640	854	692
Community Service	436	453	544	578
Building Construction	82	167	(7)	83
Debt Service	1,199	1,354	1,428	1,463
<b>Total Revenues Per Student</b>	<b>\$ 14,854</b>	<b>\$ 16,066</b>	<b>\$ 16,571</b>	<b>\$ 17,082</b>

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

\* Source: *School District Profiles*

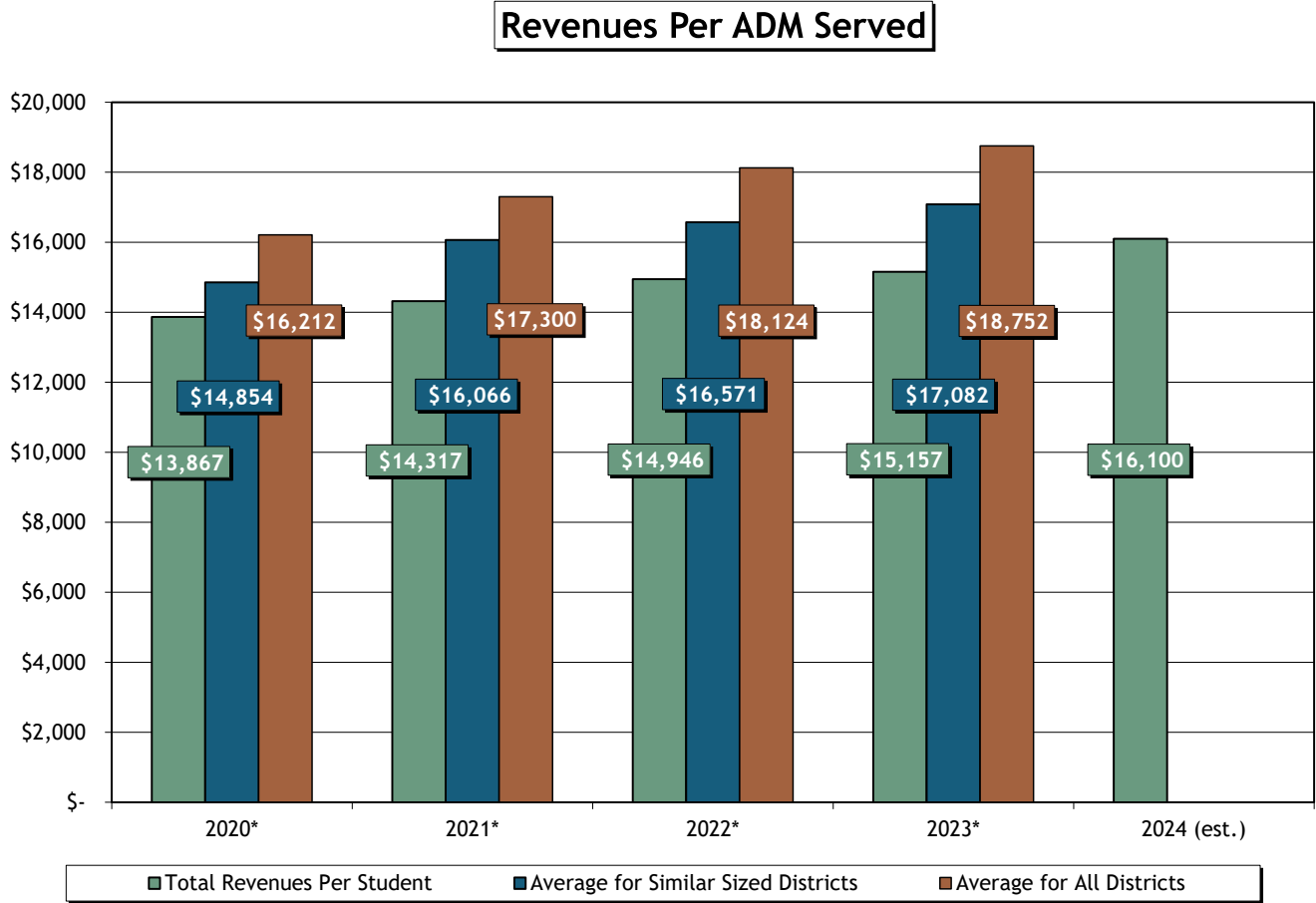
\*\* Source: *School District Profiles* - Average expenditures per ADM served for the 1,000-1,999 group for 2020 through 2023 for all districts in the state

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 2024, 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:

<b>ISD No. 51 Foley</b>	<b>2020*</b>	<b>2021*</b>	<b>2022*</b>	<b>2023*</b>	<b>2024 (est.)</b>
General Fund	\$ 11,182	\$ 11,712	\$ 12,337	\$ 12,949	\$ 14,040
Food Service	801	722	895	938	1,010
Community Service	305	318	475	527	551
Building Construction	1,322	178	115	13	-
Debt Service	8,409	956	841	872	869
<b>Total Expenditures Per Student</b>	<b>\$ 22,019</b>	<b>\$ 13,886</b>	<b>\$ 14,663</b>	<b>\$ 15,299</b>	<b>\$ 16,470</b>

<b>Average for Similar Sized Districts</b>	<b>2020**</b>	<b>2021**</b>	<b>2022**</b>	<b>2023**</b>
General Fund	\$ 12,166	\$ 12,961	\$ 13,753	\$ 14,414
Food Service	580	582	703	731
Community Service	497	497	563	619
Building Construction	1,669	2,177	2,407	1,644
Debt Service	1,542	1,664	1,937	2,203
<b>Total Expenditures Per Student</b>	<b>\$ 16,454</b>	<b>\$ 17,881</b>	<b>\$ 19,363</b>	<b>\$ 19,611</b>

<b>Average for All Districts</b>	<b>2020**</b>	<b>2021**</b>	<b>2022**</b>	<b>2023**</b>
General Fund	\$ 13,313	\$ 14,167	\$ 15,010	\$ 15,730
Food Service	554	529	666	702
Community Service	622	571	646	715
Building Construction	2,085	2,008	1,773	1,513
Debt Service	1,345	1,522	1,531	1,451
<b>Total Expenditures Per Student</b>	<b>\$ 17,919</b>	<b>\$ 18,797</b>	<b>\$ 19,626</b>	<b>\$ 20,111</b>

\* Source: *School District Profiles*

\*\* Source: *School District Profiles* - Average expenditures per ADM served for the 1,000-1,999 group for 2020 through 2023 for all districts in the state

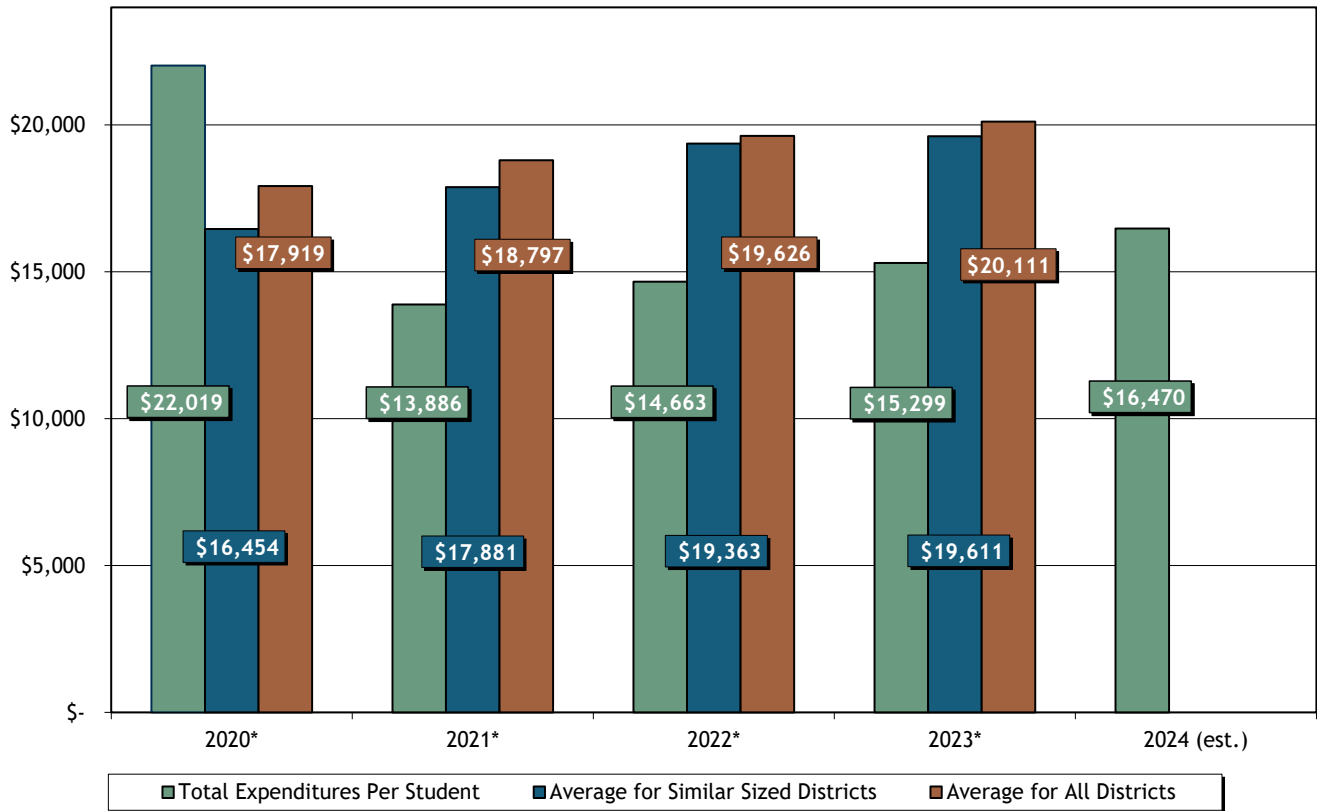
Fluctuations in the District's total expenditures per student are due to a variation of capital and debt service expenditures occurring over the five year period. The District's expenditures per ADM served in the General Fund continue to be less than the state-wide average and the average for similar-sized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

The 2020 Debt Service Fund expenditures per student amount includes bond refunding payments. In 2020, the District made refunding debt payments totaling \$13,650,000 of principal payments, which resulted in interest savings of over \$1.7 million. This resulted in the significant increase in Debt Service Fund expenditures per ADM served.

## Independent School District No. 51 Financial Analysis

### Expenditures Per ADM Served (Continued)

**Expenditures Per ADM Served**



**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,	2020	2021	2022	2023	2024
Revenues	\$ 22,035,784	\$ 22,946,711	\$ 23,848,573	\$ 24,379,987	\$ 25,318,342
Expenditures	21,681,280	22,437,562	23,792,364	24,575,376	26,199,567
Excess of revenues over (under) expenditures	354,504	509,149	56,209	(195,389)	(881,225)
Net other financing sources (uses)	(85,136)	(50,417)	(82,101)	183,949	56,122
Fund balance, July 1	4,519,858	4,916,148	5,374,880	5,348,988	5,337,548
Change in accounting principle	126,922	-	-	-	-
<b>Total Fund Balance, June 30</b>	<b>4,916,148</b>	<b>5,374,880</b>	<b>5,348,988</b>	<b>5,337,548</b>	<b>4,512,445</b>
Less nonspendable fund balances	45,631	44,858	79,497	22,857	29,721
Less restricted fund balances	757,052	659,028	978,028	1,442,774	1,211,041
Less assigned fund balances	464,529	882,658	839,759	603,027	583,262
<b>Unassigned Fund Balance, June 30</b>	<b>\$ 3,648,936</b>	<b>\$ 3,788,336</b>	<b>\$ 3,451,704</b>	<b>\$ 3,268,890</b>	<b>\$ 2,688,421</b>

As previously stated, in 2024, revenues increased \$938,355, while expenditures increased \$1,624,191. Including other financing sources for lease proceeds and insurance recoveries, fund balance decreased \$825,103 as a result of 2024 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, transportation costs, utilities, and more repairs and maintenance work in 2024.

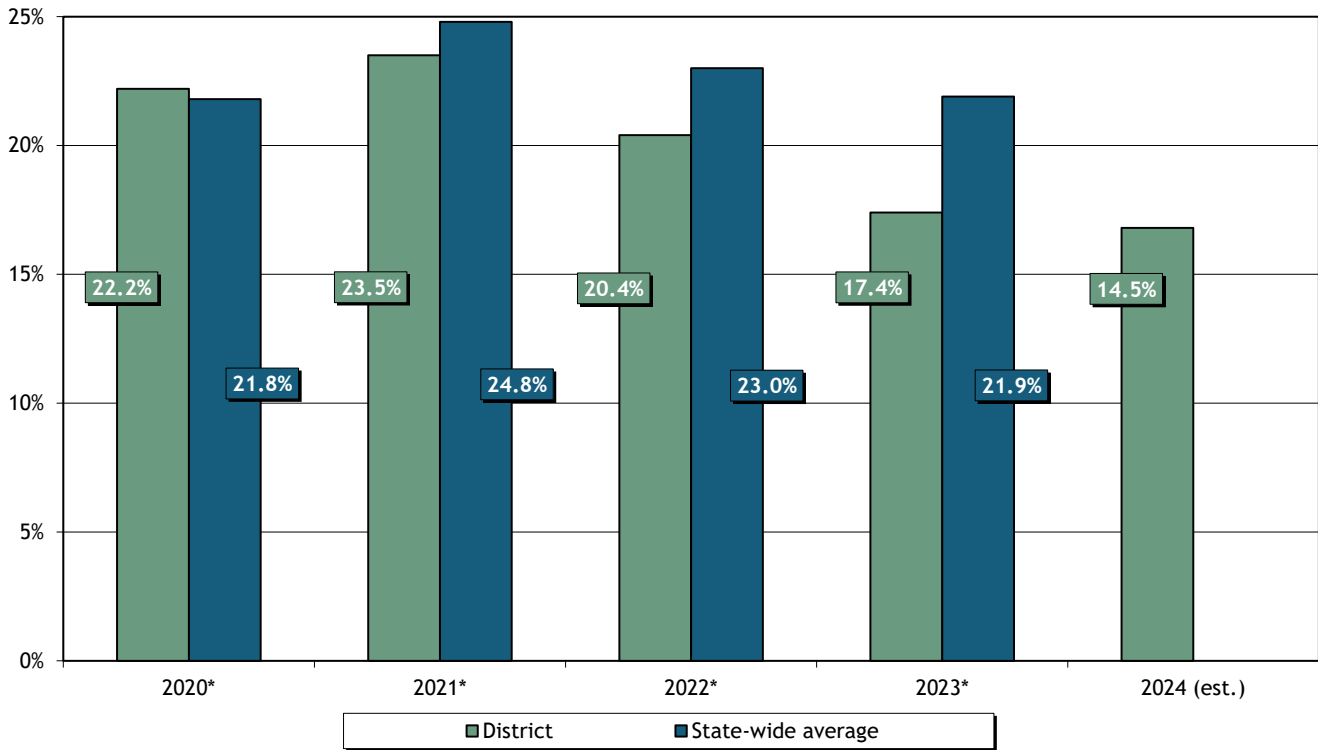
At June 30, 2024, the District's General Fund unassigned fund balance was 10% of 2024 expenditures based on 2024 spending levels. This compares to 13% as of June 30, 2023, based on 2023 spending levels.

## 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 2024 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 similar to 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,	2020	2021	2022	2023	2024
Revenues	\$ 1,625,802	\$ 1,663,686	\$ 2,164,836	\$ 1,653,105	\$ 2,051,706
Expenditures	1,548,654	1,378,702	1,721,148	1,767,122	1,884,977
Excess of revenues over (under) expenditures	77,148	284,984	443,688	(114,017)	166,729
Other financing sources	-	-	1,500	-	-
Fund balance, July 1	260,326	337,474	622,458	1,067,646	953,629
<b>Fund Balance, June 30</b>	<b>\$ 337,474</b>	<b>\$ 622,458</b>	<b>\$ 1,067,646</b>	<b>\$ 953,629</b>	<b>\$ 1,120,358</b>

The District's Food Service fund balance increased in 2024. In 2024, revenues increased \$398,601 while expenditures increased \$117,855. Revenues increased due the new state meal program and increased meals served. Expenditures increased due to increases in workers compensation costs and the increased costs of goods and supplies with more meals served.

**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,	2020	2021	2022	2023	2024
Revenues	\$ 507,820	\$ 566,958	\$ 920,333	\$ 922,189	\$ 946,914
Expenditures	590,241	607,815	912,816	993,502	1,028,480
Excess of revenues over (under) expenditures	(82,421)	(40,857)	7,517	(71,313)	(81,566)
Other financing sources	100,000	63,614	85,751	-	24,677
Fund balance, July 1	1,317	18,896	41,653	134,921	63,608
<b>Fund Balance, June 30</b>	<b>\$ 18,896</b>	<b>\$ 41,653</b>	<b>\$ 134,921</b>	<b>\$ 63,608</b>	<b>\$ 6,719</b>
Nonspendable	\$ 1,600	\$ -	\$ -	\$ -	\$ -
Restricted/reserved for					
Community Education	3,058	26,526	53,315	80,803	70,469
Early Childhood and Family Education	448	-	-	(19,790)	(63,748)
School Readiness	-	-	-	(14,206)	(14,206)
Adult Basic Education	7,607	7,607	6,141	6,019	8,730
Community Service	6,183	7,520	75,465	10,782	5,474
<b>Total Fund Balance</b>	<b>\$ 18,896</b>	<b>\$ 41,653</b>	<b>\$ 134,921</b>	<b>\$ 63,608</b>	<b>\$ 6,719</b>

Total revenues and expenditures for 2024 both remained consistent with the previous year increase 2.7% and 3.5% respectively.

In each year except for 2023, 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).

### **American Indian Education Aid**

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

### **American Rescue Plan (ARP) Act**

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

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

### **Area Learning Center (ALC) Transportation Aid**

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

### **Basic Alternative Teacher Compensation Aid (Q-Comp)**

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

### **Basic General Education Aid**

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

### **Basic Skills Revenue**

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

### **Charter School Lease Aid Review**

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

### **Compensatory Education Revenue**

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

## Independent School District No. 51 Legislative Summary

### **English Learner Aid and Cross Subsidy**

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

### **Facilities**

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

### **Food Service Fund**

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

### **Local Optional Revenue**

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

### **Paraprofessionals**

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

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

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

### **Pension Bill and Pension Adjustment Revenue**

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

### **Special Education Aid**

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

### **Student Support Personnel Aid**

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

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

**Student Teacher Stipend Pilot Program**

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

**Unemployment Insurance Aid**

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

**Voluntary Prekindergarten (VPK)**

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

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

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

## Independent School District No. 51 Emerging Issues

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

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

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

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

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

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

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

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

Information provided above was obtained from [www.gasb.org](http://www.gasb.org).

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

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

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

This Statement provides definitions for concentration and constraint. A concentration is a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority.

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

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

If a government determines the above criteria for disclosure have been met, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. Disclosures are required for the government as a whole as well as any opinion unit in the financial statements that includes outstanding revenue debt. Disclosures can be combined to avoid unnecessary duplication (e.g., a subsequent event footnote).

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

Information provided above was obtained from [www.gasb.org](http://www.gasb.org).

**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](http://www.gasb.org).