



**CliftonLarsonAllen LLP**  
PO Box 1067  
St. Cloud, MN 56302-1067

**phone 320-203-5500 fax 320-253-7696**  
**CLAconnect.com**

November 6, 2024

Board of Education  
North Branch Public Schools  
Independent School District No. 138  
North Branch, Minnesota

This Executive Audit Summary and Management Report presents information which we believe is important to you as members of the School Board. We encourage you to review the sections of this report, the audited financial statements and the auditors' reports.

We would be pleased to furnish additional information with respect to these suggestions and discuss this memorandum with you at your convenience. We wish to express our appreciation to the District for the courtesies, cooperation and assistance extended to us during the course of our work.

**CliftonLarsonAllen LLP**

A handwritten signature in cursive script that reads "Mary Reedy".

Mary Reedy, CPA, CGFM  
Principal

**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138**

**EXECUTIVE AUDIT SUMMARY (EAS)  
AND MANAGEMENT REPORT**

**JUNE 30, 2024**



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**NORTH BRANCH PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 138  
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**EXECUTIVE AUDIT SUMMARY (EAS)  
AND MANAGEMENT REPORT  
FOR  
NORTH BRANCH PUBLIC SCHOOLS  
YEAR ENDED JUNE 30, 2024**

**Audit Findings and Results**

We prepared this Executive Audit Summary and Management Report in conjunction with our audit of North Branch Public Schools' (the District) financial records for the year ended June 30, 2024.

**Audit Opinion** – The financial statements are fairly stated. We issued what is known as a “clean” audit report.

**Yellow Book Compliance** – No compliance issues were noted in our review of laws, regulations, contracts and grants that could have significant financial implications to the District.

**Internal Controls** – Three “material weaknesses” in internal controls was noted related to the auditors’ drafting of the District’s financial statements, segregation of duties, and material audit adjustments.

**Single Audit** – Our audit did not disclose any matters required to be reported in accordance with 2 CRF 200.516(a).

**Legal Compliance** – No compliance issues were reported with respect to Minnesota Statutes.

**Enrollment** – For fiscal 2023-24, the District had an adjusted average daily membership of 2,722.89 (or 2,995.86 adjusted pupil units). For fiscal 2022-23, North Branch Public Schools had an estimated total adjusted average daily membership of 2,606.38 (or 2,865.69 adjusted pupil units).

**Fund Balance** – The District’s General Fund unassigned fund balance increased by \$624,494 during fiscal year 2023-24, increasing from \$3,642,045 to \$4,266,536. Total fund balance of the General Fund increased by \$3,609,333, ending at \$11,738,400 as of June 30, 2024. A District’s fund balance is an important aspect in considering the District’s financial well-being since a healthy fund balance represents things such as cash flow, as a cushion against unanticipated expenditures, enrollment variances, funding deficiencies and aid prorations at the state level and similar problems.

**Budget to Actual** – Total revenues on a net basis in the General Fund were \$1,264,683 (or 3.31%) higher than the budgeted amount while total expenditures were \$1,130,357 (or 3.06%) lower than the budgeted amount. The net effect, after also considering other financing sources, was a change in total fund balance that was \$2,395,040 more than had been reflected in the District’s final amended budget.

# FINANCIAL RESULTS

## Fund Balances

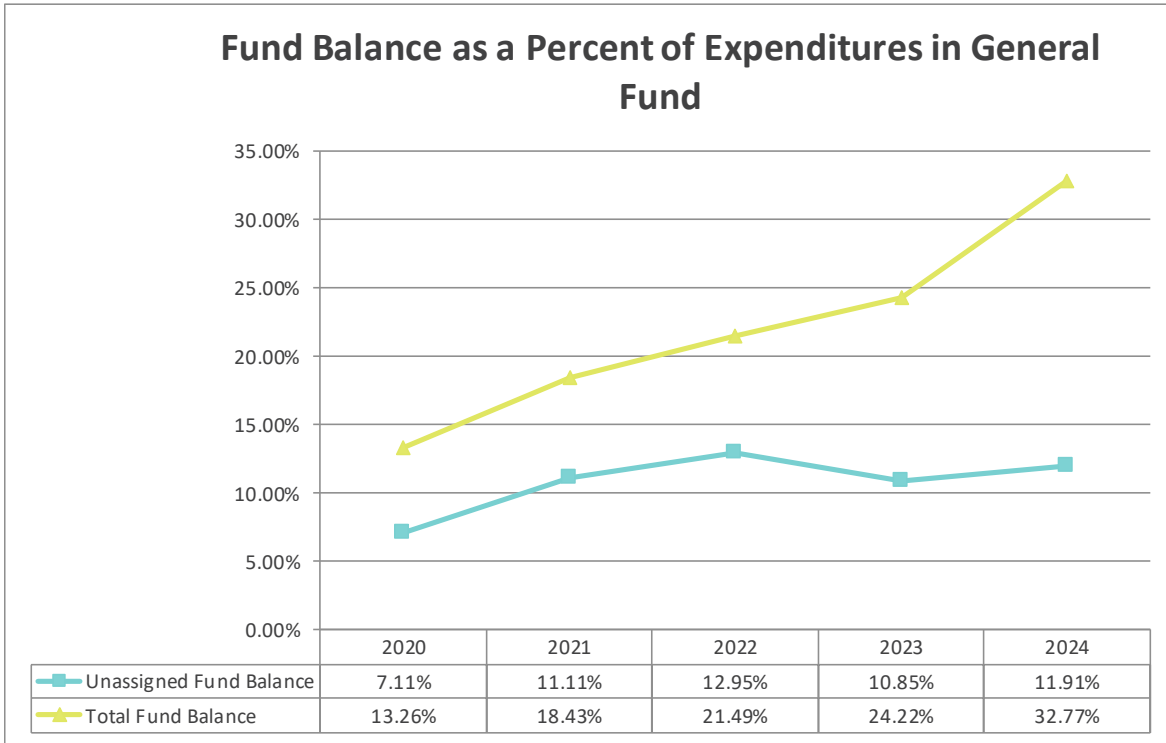
### NORTH BRANCH ISD #138 AUDITED FUND BALANCES THROUGH JUNE 30, 2024

FUND DESCRIPTION	6/30/2023 AUDITED BALANCE	2023-24 AUDITED REVENUES	TRANSFERS INTO FUNDS	2023-24 AUDITED EXPENDITURES	TRANSFERS OUT OF FUNDS	6/30/2024 AUDITED BALANCE
<b>GENERAL FUND</b>						
<b>A. UNASSIGNED - OPERATING</b>	\$ 3,642,045	\$ 33,494,378	-	\$ 32,869,887	-	\$ 4,266,536
As a percentage of current year expenditures	10.85%					11.91%
<b>B. NONSPENDABLE FOR</b>						
INVENTORY	\$ 47,459	\$ 29,531	-	\$ 47,459	-	\$ 29,531
PREPAIDS	\$ 294,078	\$ 14,134	-	\$ 294,078	-	\$ 14,134
TOTAL NONSPENDABLE	\$ 341,537	\$ 43,665	-	\$ 341,537	-	\$ 43,665
<b>C. ASSIGNED FOR</b>						
CAPITAL OUTLAY	\$ 1,525,000	\$ 3,098,980	-	-	-	\$ 4,623,980
<b>D. COMMITTED FOR</b>						
SEPARATION/RETIREMENT BENEFITS	-	-	-	-	-	-
<b>E. RESTRICTED FOR</b>						
STUDENT ACTIVITIES	\$ 200,944	\$ 211,829	-	\$ 220,226	-	\$ 192,547
SCHOLARSHIP	\$ 101,369	\$ 192,646	-	\$ 133,050	-	\$ 160,965
STAFF DEVELOPMENT	\$ 247,322	\$ 426,752	-	\$ 518,551	-	\$ 155,523
LTFM	\$ 1,096,190	\$ 363,263	-	\$ 531,647	-	\$ 927,806
CAPITAL PROJECTS LEVY	\$ 137,540	\$ 781,695	-	\$ 416,126	-	\$ 503,109
MEDICAL ASSISTANCE	\$ 226,945	\$ 80,076	-	\$ 34,858	-	\$ 272,163
OPERATING CAPITAL	\$ 463,056	\$ 517,981	-	\$ 530,517	-	\$ 450,520
BASIC SKILLS - EXT TIME	\$ 65,732	-	-	\$ 65,732	-	-
AMERICAN INDIAN ED	-	\$ 95,231	-	\$ 49,288	-	\$ 45,943
SCHOOL LIBRARY AID	-	\$ 4,807	-	-	-	\$ 4,807
LITERACY INCENTIVE AID	-	\$ 122,409	-	\$ 112,960	-	\$ 9,449
RESTRICTED	\$ 81,387	-	-	-	-	\$ 81,387
TOTAL RESTRICTED	\$ 2,620,485	\$ 2,796,689	-	\$ 2,612,955	-	\$ 2,804,219
<b>TOTAL GENERAL FUND</b>	<b>\$ 8,129,067</b>	<b>\$ 39,433,712</b>	<b>-</b>	<b>\$ 35,824,379</b>	<b>-</b>	<b>\$ 11,738,400</b>
BUDGET	-	\$ 38,169,029	-	\$ 36,954,736	-	\$ 9,343,360
DIFFERENCE	\$ 1,972,282	\$ 1,264,683	-	\$ (1,130,357)	-	\$ 2,395,040
% VARIANCE	-	3.31%	-	-3.06%	-	-
<b>FOOD SERVICE</b>						
NONSPENDABLE FOR INVENTORY	\$ 14,519	\$ 25,488	-	\$ 14,519	-	\$ 25,488
RESTRICTED FOR FOOD SERVICE PROG	\$ 439,834	\$ 2,091,472	-	\$ 1,812,880	-	\$ 718,426
BUDGET	-	\$ 1,548,614	-	\$ 1,641,140	-	\$ 361,827
<b>TOTAL FOOD SERVICE</b>	<b>\$ 454,353</b>	<b>\$ 2,116,960</b>	<b>-</b>	<b>\$ 1,827,399</b>	<b>-</b>	<b>\$ 743,914</b>
DIFFERENCE	\$ 236,904	\$ 568,346	-	\$ 186,259	-	\$ 382,087
% VARIANCE	-	36.70%	-	11.35%	-	-
<b>COMMUNITY EDUCATION</b>						
<b>A. NONSPENDABLE FOR</b>						
PREPAIDS	\$ 2,070	\$ 6,847	-	\$ 2,070	-	\$ 6,847
TOTAL NONSPENDABLE	\$ 2,070	\$ 6,847	-	\$ 2,070	-	\$ 6,847
<b>B. RESTRICTED FOR</b>						
COMMUNITY EDUCATION PROGRAMS	\$ 499,033	\$ 1,268,151	-	\$ 1,192,333	-	\$ 574,851
ECFE PROGRAMS	\$ 394,448	\$ 226,882	-	\$ 110,068	-	\$ 511,262
SCHOOL READINESS	-	\$ 191,066	-	\$ 271,371	\$ 80,305	-
OTHER PURPOSES	\$ 103,077	\$ 413,369	-	\$ 339,310	\$ (80,305)	\$ 96,831
BUDGET	-	\$ 1,849,236	-	\$ 1,601,059	-	\$ 1,246,805
<b>TOTAL COMMUNITY EDUCATION</b>	<b>\$ 998,628</b>	<b>\$ 2,106,315</b>	<b>-</b>	<b>\$ 1,915,152</b>	<b>-</b>	<b>\$ 1,189,791</b>
DIFFERENCE	\$ 136,050	\$ 257,079	-	\$ 314,093	-	\$ (57,014)
% VARIANCE	-	13.90%	-	19.62%	-	-
<b>CAPITAL PROJECTS-BUILDING CONSTRUCTION</b>						
OTHER PURPOSES	\$ 232,761	-	-	\$ 232,761	-	-
BUDGET	-	-	-	-	-	\$ 232,761
<b>TOTAL BUILDING FUND</b>	<b>\$ 232,761</b>	<b>-</b>	<b>-</b>	<b>\$ 232,761</b>	<b>-</b>	<b>-</b>
DIFFERENCE	\$ 417,962	-	-	\$ 232,761	-	\$ (232,761)
% VARIANCE	-	-	-	-	-	-
<b>DEBT SERVICE</b>						
OTHER PURPOSES	\$ 1,080,313	\$ 5,855,536	-	\$ 5,704,297	-	\$ 1,231,552
BUDGET	-	\$ 5,856,343	-	\$ 5,735,050	-	\$ 1,201,606
<b>TOTAL DEBT SERVICE</b>	<b>\$ 1,080,313</b>	<b>\$ 5,855,536</b>	<b>-</b>	<b>\$ 5,704,297</b>	<b>-</b>	<b>\$ 1,231,552</b>
DIFFERENCE	\$ (135,998)	\$ (807)	-	\$ (30,753)	-	\$ 29,946
% VARIANCE	-	-0.01%	-	-0.54%	-	-
<b>PROPRIETARY AND FIDUCIARY FUNDS</b>						
OPEB TRUST FUND	\$ 2,532,123	\$ 216,219	-	\$ 283,584	-	\$ 2,464,758
INTERNAL SERVICE - SELF INS FUND	\$ 739,054	\$ 296,340	-	\$ 241,363	-	\$ 794,031
<b>TOTAL PROPRIETARY</b>	<b>\$ 3,271,177</b>	<b>\$ 512,559</b>	<b>-</b>	<b>\$ 524,947</b>	<b>-</b>	<b>\$ 3,258,789</b>
<b>TOTAL</b>	<b>\$ 14,166,299</b>	<b>\$ 50,025,082</b>	<b>-</b>	<b>\$ 46,028,935</b>	<b>-</b>	<b>\$ 18,162,446</b>

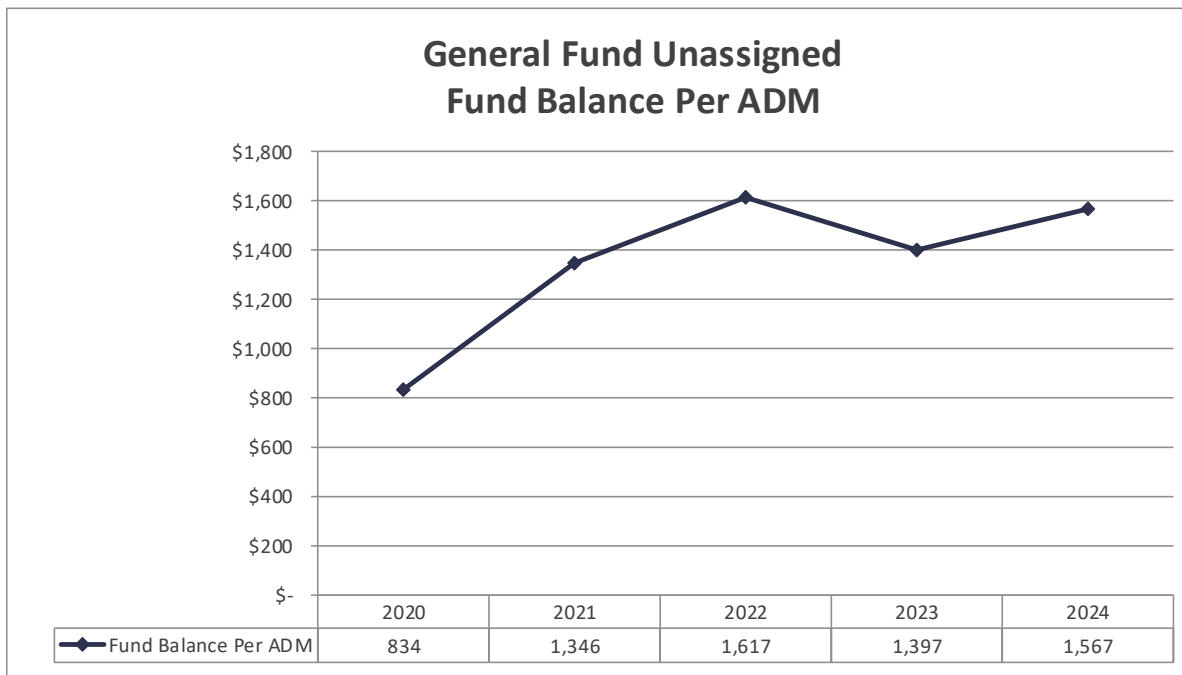
**FINANCIAL RESULTS (CONTINUED)**

**Fund Balances (Continued)**

As a percentage of annual expenditures:

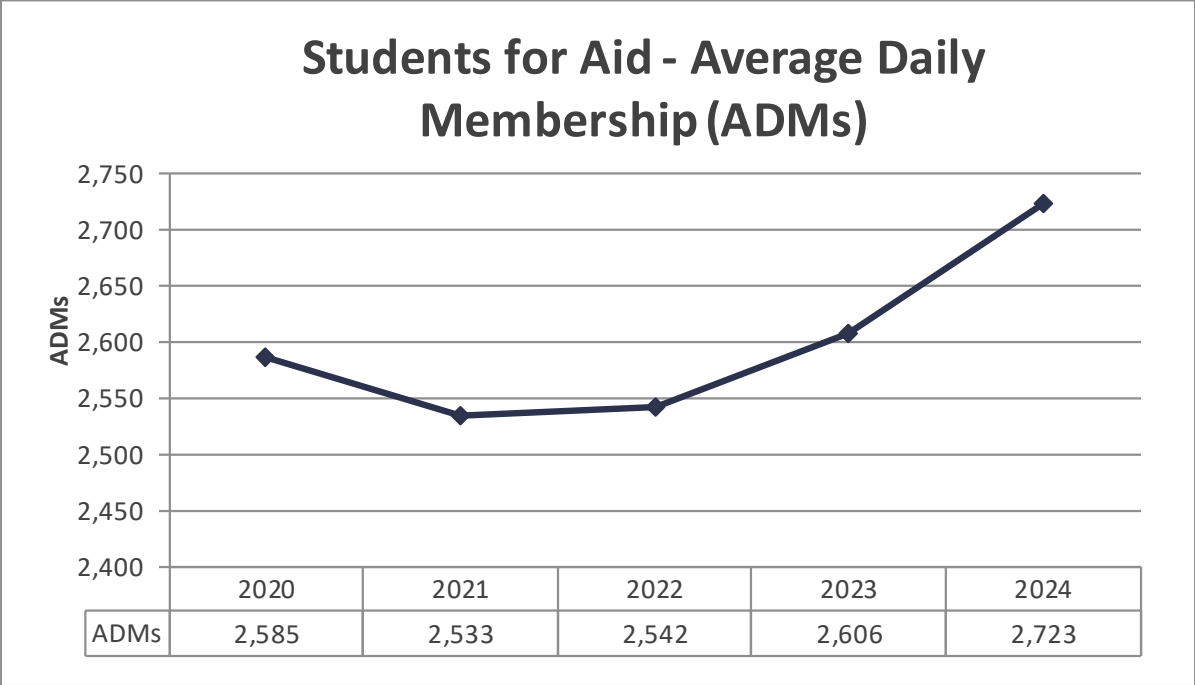


Per student served.



**FINANCIAL RESULTS (CONTINUED)**

**Students Served**



## OTHER KEY TOPICS

### GASB Reporting Model

#### Statement of Net Position

The Statement of Net Position essentially tells you what your District owns and owes at a given point in time, the last day of the fiscal year. Theoretically, net position represents the resources the District has leftover to use for providing services after its debts are settled. However, those resources are not always in expendable form, or there may be restrictions on how some of those resources can be used. Therefore, the statement divides the net position into three components: net investment in capital assets, restricted net position, and unrestricted net position. The following table presents components of the District's net position at year-end, along with a simplified reconciliation of the difference between the governmental fund balances and total net position:

	As of June 30,	
	<u>2024</u>	<u>2023</u>
Total Fund Balance for Governmental Funds	\$ 14,903,657	\$ 10,895,122
Capital Assets, Less Accumulated Depreciation	80,934,191	86,180,758
Net Prepaid OPEB Asset	744,569	738,255
Long-Term Liabilities	(70,669,106)	(74,288,008)
Net Pension Liability	(21,514,190)	(21,225,169)
Other - Net	<u>2,828,064</u>	<u>(202,673)</u>
Total Net Position - Governmental Activities	<u>\$ 7,227,185</u>	<u>\$ 2,098,285</u>
Net Position:		
Net Investment in Capital Assets	\$ 11,364,683	\$ 13,433,993
Restricted	5,795,876	5,150,813
Unrestricted	<u>(9,933,374)</u>	<u>(16,486,521)</u>
Total Net Position - Governmental Activities	<u>\$ 7,227,185</u>	<u>\$ 2,098,285</u>

Most of the District's fund balances translate into restricted net position by virtue of external restrictions (statutory reserves) or by the nature of the fund they are in (e.g., restricted food service fund balance can only be spent for food service program costs). The unrestricted net position category consists mainly of the General Fund unassigned fund balance, offset against non-capital long-term obligations such as vacation or severance payable and beginning in fiscal 2016, the District's estimated share of the unfunded portion of statewide pension plans. Consequently, many Minnesota school districts have accumulated deficits in this component of net position.



## OTHER KEY TOPICS (CONTINUED)

### Statement of Activities

The Statement of Activities tracks the District's yearly revenues and expenses, as well as any other transactions that increase or reduce total net position. These amounts represent the full cost of providing education. This statement provides a more comprehensive measure than just the amount of cash that changed hands, as reflected in the fund-based financial statements. This statement includes the cost of supplies used, depreciation of long-lived capital assets, and other accrual-based expenses. The following table presents a simplified reconciliation of the change in the District's governmental fund balances to the change in total net position for fiscal years 2024 and 2023:

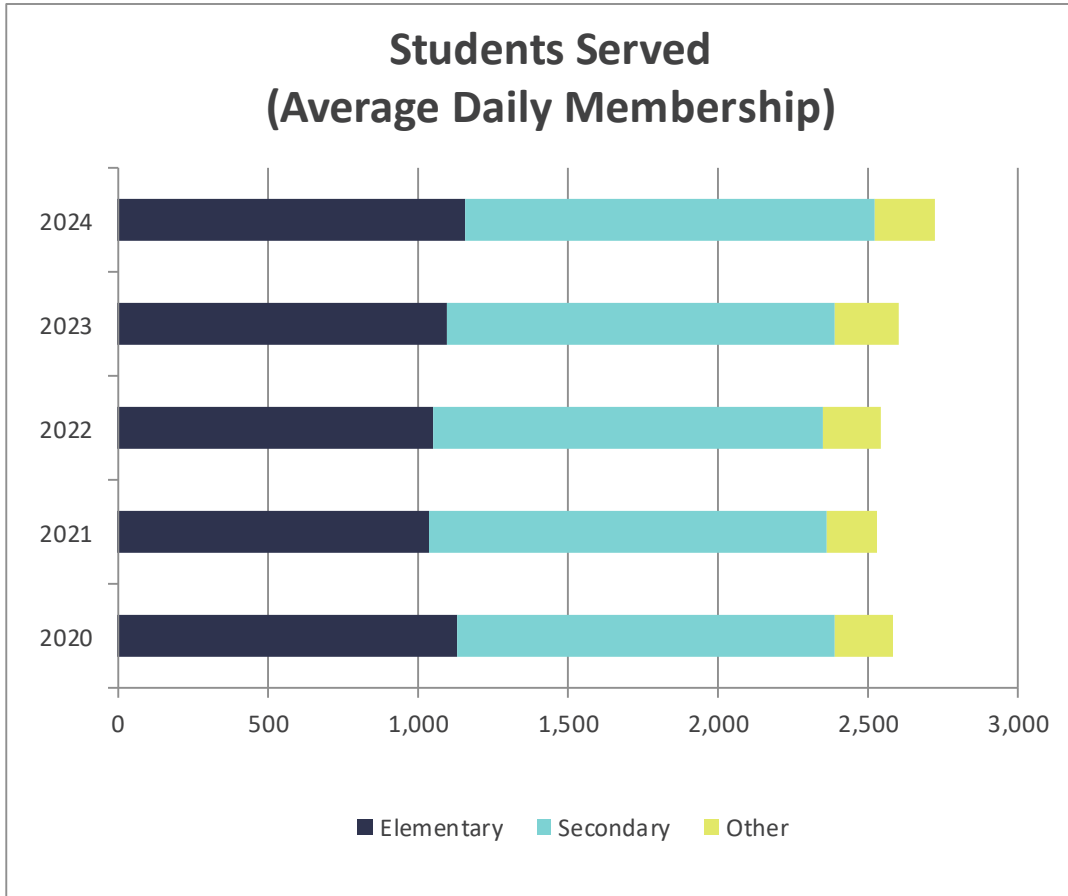
	Year Ended June 30,	
	2024	2023
Net Change in Fund Balance - Total Governmental Funds	\$ 4,008,535	\$ 1,495,135
Capital Asset Purchases	549,543	425,925
Depreciation	(5,796,110)	(5,969,678)
Change in Net Prepaid OPEB Asset	522	71,679
Repayment of Debt	3,210,000	3,080,000
Change in Net Pension Liability	2,498,224	5,667,362
Other - Net	658,186	559,310
Change in Net Position - Governmental Activities	<u>\$ 5,128,900</u>	<u>\$ 5,329,733</u>

# APPENDIX A

## FINANCIAL TRENDS OF YOUR DISTRICT

### Average Daily Membership and Pupil Units

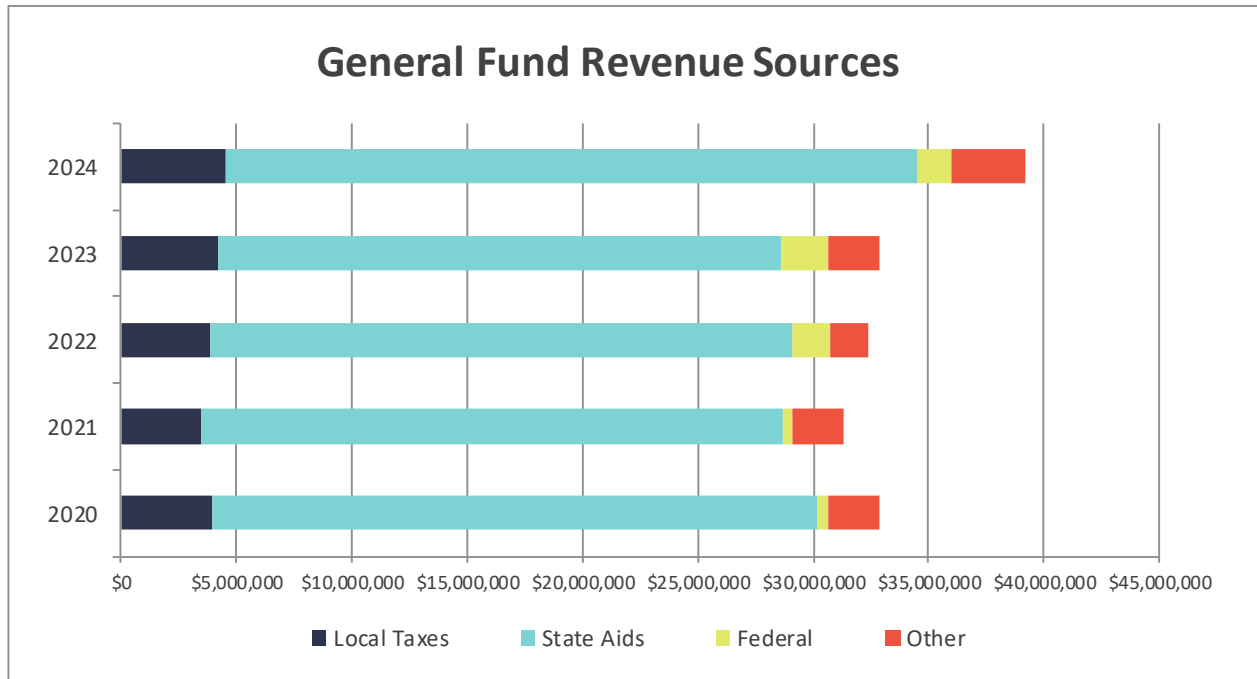
The following graph summarizes average daily membership of Independent School District No. 138 over the past five years ended June 30:



The District's average daily membership (ADM) for the 2024 fiscal year was 2,723 students, which represents an increase of 4.47% over the previous year. In the past five fiscal years, the District's enrollment has increased by 5.35%.

## General Fund Revenue

The following table and graph summarizes the District's General Fund revenue sources for the last five years:



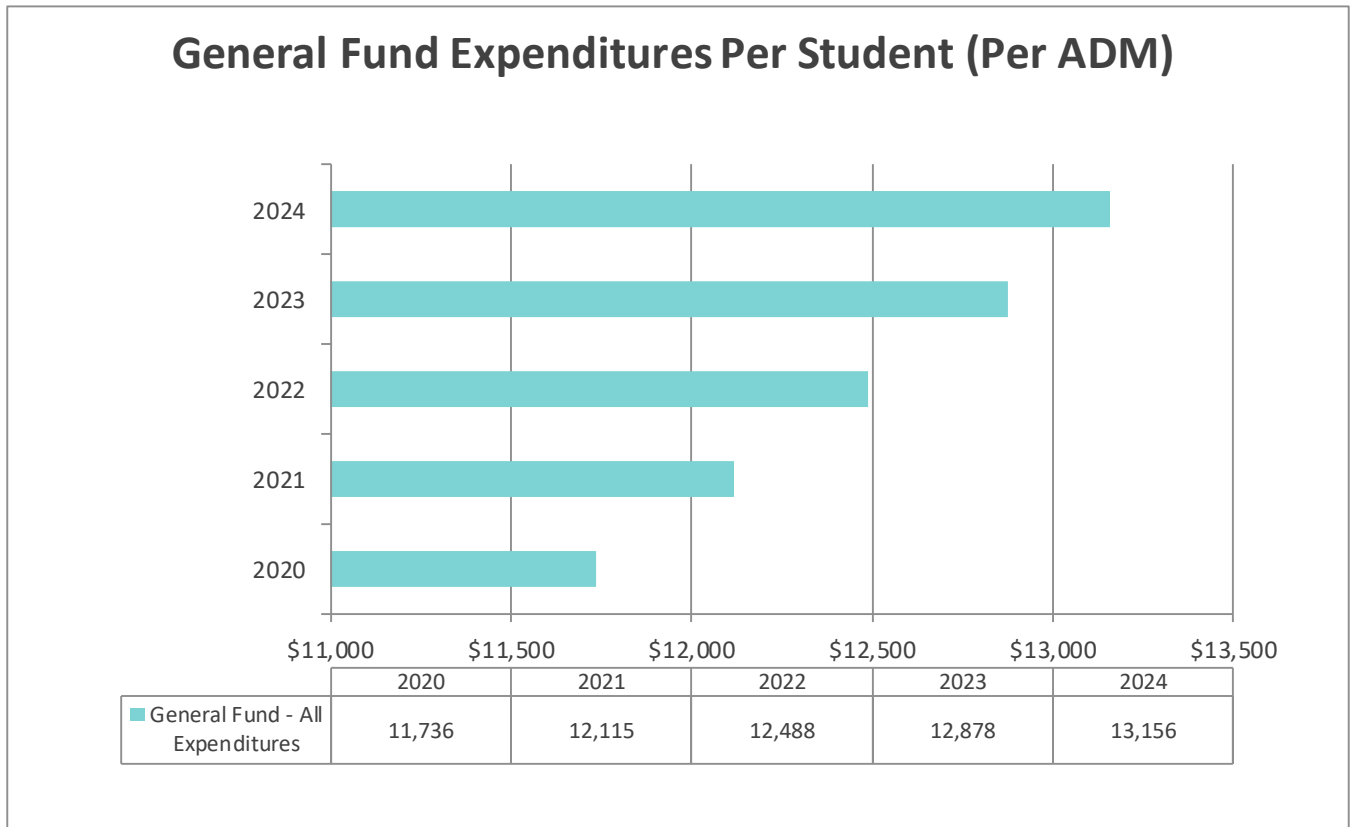
The table above illustrates the fluctuation that occurs between the taxes and state aid categories based on legislative activity. The Legislature determines what portion of the general education funding formula will be paid by local taxpayers. In addition, when the tax shift percentage changes or the state provides property tax relief such as the education homestead credit aid, this only impacts the mix between state aids and taxes and does not change total revenue.

The table below illustrates the fluctuation that occurs between the taxes and state aid categories based on legislative activity. The Legislature determines what portion of the general education funding formula will be paid by local taxpayers. In addition, when the tax shift percentage changes or the state provides property tax relief, this only impacts the mix between state aids and taxes and does not change total revenue. For this and other reasons, school finance in Minnesota continues to be a very difficult subject to explain to the general public.

Year	Taxes		State		Federal		Other		Total	%
	Amount	%	Amount	%	Amount	%	Amount	%		
2020	3,932,413	12	26,250,261	80	454,330	1	2,238,645	7	32,875,649	100
2021	3,435,715	11	25,272,420	81	383,992	1	2,225,676	7	31,317,803	100
2022	3,839,645	12	25,231,598	78	1,702,613	5	1,571,294	5	32,345,150	100
2023	4,215,634	13	24,398,147	74	2,056,445	6	2,220,251	7	32,890,477	100
2024	4,485,816	11	30,063,744	77	1,418,154	4	3,233,237	8	39,200,951	100

**Expenditures Per Student**

Expenditures per student (average daily membership) are summarized in the following graph:



General Fund expenditures for fiscal 2024 were \$35,824,379 which represents an increase of \$2,259,534 over fiscal 2023.

The following schedule shows total expenditures of the General Fund by object type:

	2024		Over (Under) Budget	%	2023
	Budget	Actual			Actual
Salaries	\$ 19,719,033	\$ 19,647,731	\$ (71,302)	(0.4)%	\$ 18,294,943
Employee Benefits	6,449,115	5,971,807	(477,308)	(7.4)	5,504,127
Purchased Services	7,878,539	7,133,759	(744,780)	(9.5)	6,644,883
Supplies and Materials	2,048,814	1,935,740	(113,074)	(5.5)	2,082,321
Capital Expenditures	576,990	683,857	106,867	18.5	429,855
Other Expenditures	282,245	451,485	169,240	60.0	608,716
<b>Total Expenditures</b>	<b>\$ 36,954,736</b>	<b>\$ 35,824,379</b>	<b>\$ (1,130,357)</b>	<b>(3.1)</b>	<b>\$ 33,564,845</b>

On a net basis, total expenditures were 3.10% lower than reflected than the final amended budget amount.

## General Fund Operations and Financial Position

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

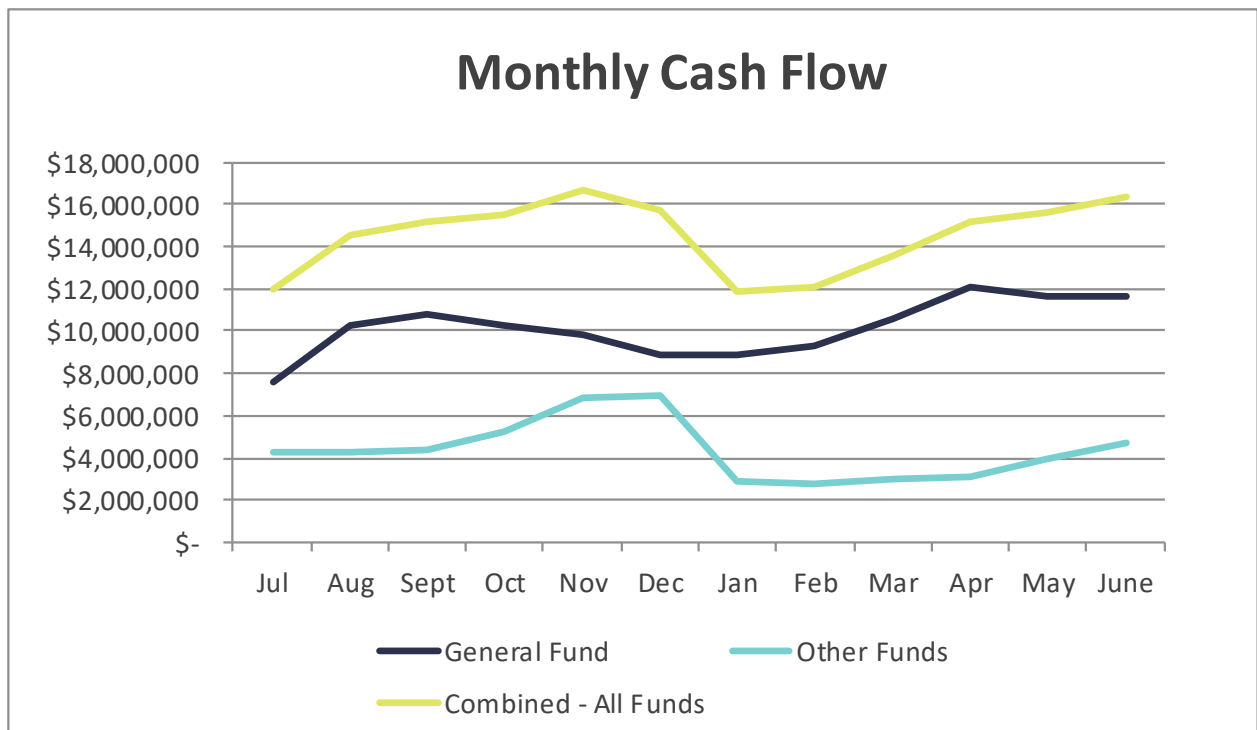
	Year Ended June 30,				
	2020	2021	2022	2023	2024
Revenues	\$ 31,317,803	\$ 32,345,150	\$ 32,890,477	\$ 34,872,651	\$ 39,200,951
Expenditures	30,336,579	30,693,641	31,743,487	33,564,845	35,824,379
Excess (Deficiency) of Revenues Over (Under) Expenditures	981,224	1,651,509	1,146,990	1,307,806	3,376,572
Other Financing Sources (Uses):					
Insurance Recovery Proceeds	90,667	28,846	16,325	-	-
Proceeds from Sale of Assets	-	20,849	-	-	-
Proceeds from Sale of Real Property	1,560	-	-	-	-
Capital Lease Proceeds	263,836	-	-	-	-
Transfer Out	(124,253)	(65,905)	-	-	232,761
Total Other Financing Sources (Uses)	231,810	(16,210)	16,325	-	232,761
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,213,034	1,635,299	1,163,315	1,307,806	3,609,333
Fund Balance:					
Beginning of Year	2,484,667	4,022,647	5,657,946	6,821,261	8,129,067
Change in Accounting Principle	324,946	-	-	-	-
End of Year	<u>\$ 4,022,647</u>	<u>\$ 5,657,946</u>	<u>\$ 6,821,261</u>	<u>\$ 8,129,067</u>	<u>\$ 11,738,400</u>
Nonspendable Fund Balance	\$ 28,431	\$ 51,116	\$ 43,350	\$ 341,537	\$ 43,665
Restricted/Committed Fund Balance	1,734,781	1,695,997	2,167,849	2,620,485	2,804,219
Assigned Fund Balance	102,918	500,000	500,000	1,525,000	4,623,980
Unassigned Fund Balance	2,156,517	3,410,833	4,110,062	3,642,045	4,266,536
Total Fund Balance	<u>\$ 4,022,647</u>	<u>\$ 5,657,946</u>	<u>\$ 6,821,261</u>	<u>\$ 8,129,067</u>	<u>\$ 11,738,400</u>
Unassigned Fund Balance as a Percentage of Expenditures	<u>7.11%</u>	<u>11.11%</u>	<u>12.95%</u>	<u>10.85%</u>	<u>11.91%</u>
Total Fund Balance as a Percentage of Expenditures	<u>13.26%</u>	<u>18.43%</u>	<u>21.49%</u>	<u>24.22%</u>	<u>32.77%</u>

**General Fund Operations and Financial Position (Continued)**

The District’s General Fund had an excess of revenues over expenditures of \$3,609,333 for fiscal 2024, increasing total fund balance to \$11,738,400 at June 30, 2024. Total fund balance includes a net of \$7,471,864 in nonspendable/restricted/committed/assigned accounts as prescribed by state statute. The remainder is an unassigned fund balance of \$4,266,536 at year-end.

Total General Fund revenues were higher than the budgeted amount for fiscal 2024 by \$1,042,089 (or 2.73%). Total General Fund expenditures were under budget by \$1,130,357 (or 3.06%). The net combined outcome of the budget variances was an increase to the ending fund balance that was \$2,395,040 more than had been reflected in the budget.

Some of the primary reasons it is essential for a district to maintain an adequate fund balance in the General Fund are to provide cash flow and to provide some cushion against unanticipated variances such as in enrollment estimates, special education tuition costs, and other similar variables. Due to the timing in which the District receives its tax settlements and state aid payments, there are times during the year when the District must depend on its cash reserves to finance operations. The following graph summarizes the monthly level of cash and investments during fiscal year 2024:



## Food Service Fund

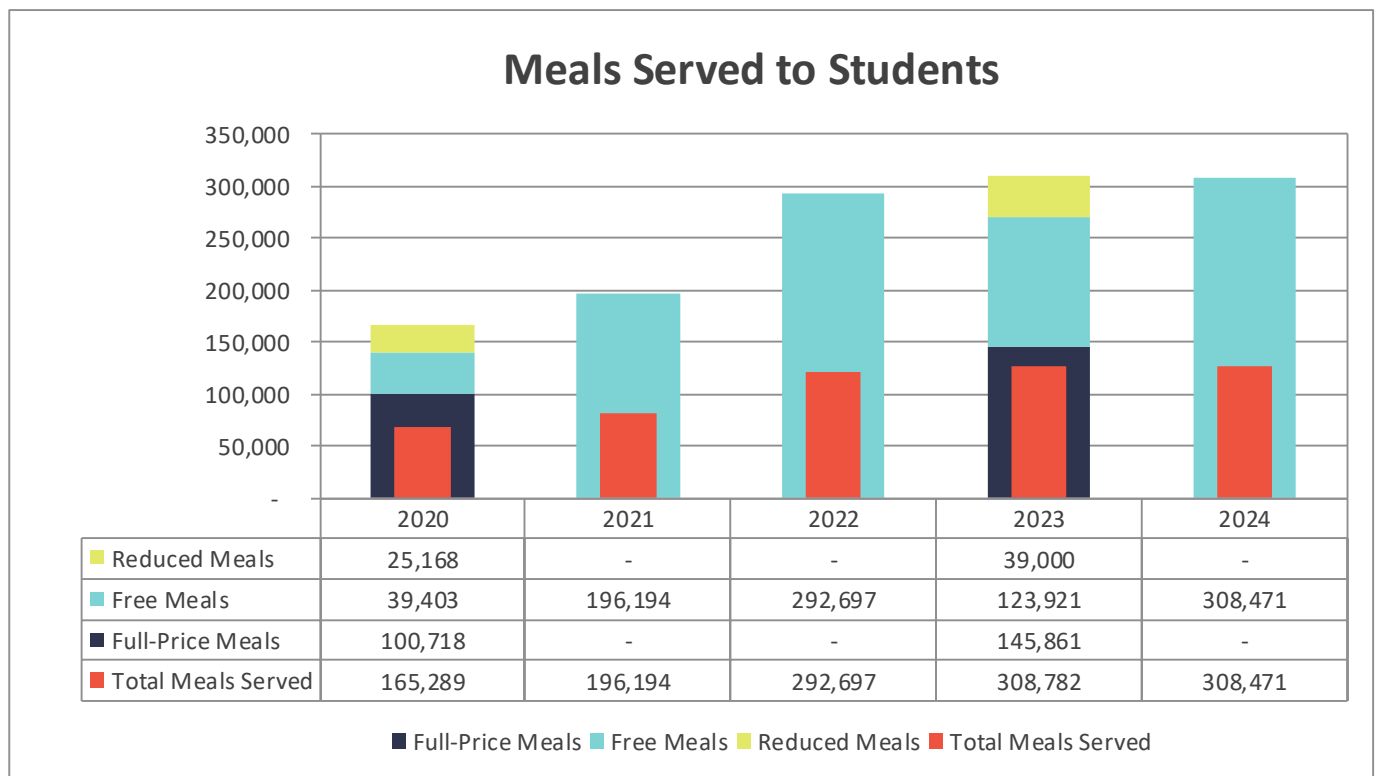
The following chart reflects the growth of the Food Service program over the past five years:

	Year Ended June 30,				
	2020	2021	2022	2023	2024
Revenues	\$ 1,380,450	\$ 1,242,570	\$ 2,092,805	\$ 1,647,449	\$ 2,116,960
Expenditures	1,359,985	1,184,055	1,732,821	1,713,515	1,827,399
Excess (Deficiency) of Revenues Over (Under) Expenditures	20,465	58,515	359,984	(66,066)	289,561
Other Financing Sources (Uses):					
Transfer In	12,913	-	-	-	-
Fund Balance:					
Beginning of Year	68,542	101,920	160,435	520,419	454,353
End of Year	101,920	160,435	520,419	454,353	743,914
Lunches Served to Students	165,289	196,194	292,697	308,782	308,471
Revenue per Lunch Served	\$ 8.35	\$ 6.33	\$ 7.15	\$ 5.34	\$ 6.86

In terms of revenue growth, the District's food service program has increased by 47.20% since 2020 (from total revenues of \$1,380,450 for fiscal 2020 to \$2,116,960 for fiscal year 2024).

Total revenues exceeded total expenditures by \$289,561 in the District's Food Service Fund for 2024, increasing fund balance of \$743,914 at June 30, 2024. This result was approximately \$382,087 higher than had been reflected in the District's budget.

The following chart reflects the growth of the food service program over the past six years:



## Community Service Fund

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

	Year Ended June 30,				
	2020	2021	2022	2023	2024
Revenues	\$ 1,488,091	\$ 1,305,287	\$ 1,858,658	\$ 1,919,784	\$ 2,106,315
Expenditures	1,651,205	1,146,885	1,405,933	1,656,553	1,915,152
Excess (Deficiency) of Revenues Over (Under) Expenditures	(163,114)	158,402	452,725	263,231	191,163
Other Financing Sources					
Transfer In	111,340	65,905	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(51,774)	224,307	452,725	263,231	191,163
Fund Balance:					
Beginning of Year	110,139	58,365	282,672	735,397	998,628
End of Year	\$ 58,365	\$ 282,672	\$ 735,397	\$ 998,628	\$ 1,189,791
Fund Balance:					
Nonspendable	\$ 2,277	\$ 954	\$ 7,691	\$ 2,070	\$ 6,847
Restricted for ECFE	100,956	205,977	297,360	394,448	511,262
Restricted for Community Ed	-	92,369	327,809	499,033	574,851
Restricted for School Readiness	-	8,412	-	-	-
Other Restricted	-	-	153,016	103,077	96,831
Unassigned	(44,868)	(25,040)	(50,479)	-	-
Total Fund Balance	\$ 58,365	\$ 282,672	\$ 735,397	\$ 998,628	\$ 1,189,791

The District's Community Service Fund had an excess of revenues over expenditures and other financing sources of \$191,163 for fiscal year 2024, bringing the combined fund balance to \$1,189,791 at June 30, 2024.

Total revenues of the District's Community Service Fund for 2024 were \$257,079 more than the budgeted amount while total expenditures were over budget by \$314,093. As a result, total fund balance increased by \$57,014 less than had been reflected in the budget.



# APPENDIX B

## STATEWIDE SCHOOL DISTRICT FINANCIAL POSITION

The table below reflects the comparative data available from the Minnesota Department of Education for all expenditures incurred for the benefit of pre-elementary through secondary education, except building construction and expendable trust fund activity.

	Enrollment			ISD No. 138		
	Statewide	2,000 to 3,999	2021	North Branch		2024
	2023	2023		2022	2023	
District and School Administration	\$ 718	\$ 646	\$ 601	\$ 637	\$ 675	\$ 679
District Support Services	582	533	594	587	666	616
Regular Instruction (including Co- & Extra-Curricular)	6,196	5,763	4,660	4,858	4,938	5,203
Vocational Instruction (Career and Technical)	224	205	168	206	222	296
Special Education Instruction	2,891	2,683	2,367	2,482	2,374	2,566
Instructional Support Services	861	741	651	736	887	793
Pupil Support Services (including Transportation)	1,554	1,464	1,197	1,354	1,421	1,373
Operations and Maintenance and Other	1,201	1,193	2,064	1,291	1,408	1,312
Total General Fund Operations	<u>14,227</u>	<u>13,228</u>	<u>12,302</u>	<u>12,151</u>	<u>12,591</u>	<u>12,838</u>
Food Service	706	686	467	682	657	671
Community Service	763	748	453	553	636	703
Capital Expenditure	960	903	1,702	504	236	267
Debt Service	1,626	1,493	2,473	2,363	2,304	2,145
Total Pre-K - 12						
Operating Expenditures, including OPEB	<u>\$ 18,282</u>	<u>\$ 17,058</u>	<u>\$ 17,397</u>	<u>\$ 16,253</u>	<u>\$ 16,424</u>	<u>\$ 16,624</u>
Percent Change from Prior Year			-26.34%	-6.58%	1.05%	1.22%

Source of Statewide Data: School District Profiles published by the Minnesota Department of Education.

District and School Admin - all costs related to providing administration to the District (Board of Education, Superintendent, Principals, Line administrators, etc.).

District support services - all activities provided by central office administrators (Business Services, Human Resources, Legal, Data processing, other district-wide support activities).

Regular Instruction - includes all activities dealing directly with the teaching of pupils including co-curricular and extra-curricular activities excluding exceptional, vocational and community education instruction).

Vocational Instruction - consists of costs related to career exploration, job-entry skills, job upgrading, and occupational training.

Special Education Instruction - consists of activities to provide learning experiences for pupils of any age with atypical characteristics or conditions.

Instructional Support Services - activities to assist instructional staff with content & process of learning experiences for pupils in K-12 (curriculum, staff dev, etc.).

Pupil Support Services - services to pupils not classified as instructional (transportation, counseling/guidance, health services, psychological services, social work, etc.).

Operations and Maintenance - activities related to the operation, maintenance, repair and remodeling of all physical plant, facilities and grounds of the District.

Food Service - all non-capital costs of the Food Service Fund.

Community Service - all non-capital costs of the Community Service Fund.

Capital Expenditures - all capital expenditures charged to operating funds.

Debt Service - all Debt Service Fund costs (principal, interest and fiscal agent costs--excluding bond refunding payments).

As the above table reflects, the North Branch School District has fewer resources available to it to expend on educational programs, but the costs incurred are proportional to the statewide averages.

# APPENDIX C

## TECHNICAL UPDATE

### **GASB Statement No. 100 – Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62**

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This statement was effective for fiscal years beginning after June 15, 2023, and all reporting period thereafter, so it was implemented in fiscal year 2024.

### **GASB Statement No. 101 – Compensated Absences**

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. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

### **GASB Statement No. 102 – Certain Risk Disclosures**

The primary objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement defines a *concentration* as 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. Concentrations and constraints may limit a government's ability to acquire resources or control spending. This Statement is effective for periods beginning after June 15, 2024.

### **GASB Statement No. 103 – Financial Reporting Model Improvements**

The primary objective of this Statements 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. Areas impacted include the MD&A, Proprietary fund Statement of Revenues, Expenses, and Changes in Fund Net Position, and Budgetary Comparison Information. This Statement is effective for fiscal periods beginning after June 15, 2025.



## APPENDIX D

### FORMAL REQUIRED COMMUNICATIONS

Board of Education  
North Branch Public Schools  
Independent School District No. 138  
North Branch, Minnesota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 138 (the District) as of and for the year ended June 30, 2024, and have issued our report thereon dated November 6, 2024. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

#### **Significant audit findings**

##### **Qualitative aspects of accounting practices**

###### Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the school are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2024.

We noted no transactions entered into by the school during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

###### Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no accounting estimates affecting the financial statements which we particularly sensitive or required substantial judgments by management.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

**Difficulties encountered in performing the audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

**Uncorrected misstatements**

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has determined that the effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The following summarizes uncorrected misstatements of the financial statements:

- General Fund expenditures and other financing sources are understated by \$72,196 due to not recording a new SBITA in the current year. The statement of net position is understated by \$70,762, liabilities are understated by \$39,336, and the change in the statement of activities is overstated by \$31,426 due to the District not recording SBITAs.

Uncorrected misstatements or the matters underlying uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if management has concluded that the uncorrected misstatements are immaterial to the financial statements under audit.

**Corrected misstatements**

The following material misstatements detected as a result of audit procedures were corrected by management:

- Tax revenues and receivables were adjusted.
- State revenues and receivables were adjusted.

**Disagreements with management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

**Management representations**

We have requested certain representations from management that are included in the management representation letter dated November 6, 2024 .

### **Management consultations with other independent accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the school’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other audit findings or issues***

The following describes findings or issues arising during the audit that are, in our professional judgment, significant and relevant to your oversight of the financial reporting process:

During the audit we identified the following significant risk of material misstatement that has not previously been communicated to you:

- Risk that capital asset additions may not be accurately recorded and capitalized.

### **Significant issues discussed with management prior to engagement**

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

### **Required supplementary information**

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management’s responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

### **Supplementary information in relation to the financial statements as a whole**

With respect to the schedule of expenditures of federal awards (SEFA) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the SEFA to determine that the SEFA complies with the requirements of the Uniform Guidance, the method of preparing it has not changed from the prior period or the reasons for such changes, and the SEFA is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the SEFA to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated November 6, 2024 .

With respect to the uniform financial accounting and reporting standards compliance table (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, 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 or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated November 6, 2024 .

The uniform financial accounting and reporting standards compliance table accompanying the financial statements, which is the responsibility of management, was prepared for purposes of additional analysis and is not a required part of the financial statements. Such information was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we did not express an opinion or provide any assurance on it.

**Other information included in annual reports**

Other information (financial or nonfinancial information other than the financial statements and our auditors' report thereon) is being included in your annual report and is comprised of the introductory section and bond schedules. Our responsibility for other information included in your annual report does not extend beyond the financial information identified in our opinion on the financial statements. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in your annual report. We are required by professional standards to read the other information included in your annual report and consider whether a material inconsistency exists between the other information and the financial statements because the credibility of the financial statements and our auditors' report thereon may be undermined by material inconsistencies between the audited financial statements and other information. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report. Our auditors' report on the financial statements includes a separate section, "Other Information," which states we do not express an opinion or any form of assurance on the other information included in the annual report. We did not identify any material inconsistencies between the other information and the audited financial statements.

\* \* \*

This communication is intended solely for the information and use of the Board of Education and management of the school and is not intended to be, and should not be, used by anyone other than these specified parties.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
November 6, 2024



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