



**Independent School District No. 2753
Long Prairie - Grey Eagle, Minnesota**

Communications Letter

June 30, 2025

**Independent School District No. 2753
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Report on Matters Identified as a Result of the Audit of the Basic Financial Statements

To the School Board and Management
Independent School District No. 2753
Long Prairie - Grey Eagle, Minnesota

In planning and performing our audit of the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2753, Long Prairie - Grey Eagle, Minnesota, as of and for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error, or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

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

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

The material weakness identified is stated within this letter.

The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated December 3, 2025, on such statements.

The purpose of this communication, which is an integral part of our audit, is to describe for the School Board and 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 3, 2025

Independent School District No. 2753
Material Weakness

Lack of Segregation of Accounting Duties

During the year ended June 30, 2025, the District had 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. Examples of the lack of segregation of accounting duties include but are not limited to:

- Both the Business Manager and Personnel employees have access to all areas of the accounting system.
- The Business Manager records and maintains capital asset records.
- The Business Manager reconciles property taxes and receivables without review.

During the course of our engagement, we proposed material audit adjustments and a prior period adjustment that would not have been identified as a result of the District's existing internal controls and, therefore, could have resulted in a material misstatement of the District's financial statements. Additionally, the listing of fixed assets provided by the District did not include a material amount of assets which exist and also could have resulted in a material misstatement of the District's financial statements.

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 accounting duties, the costs of obtaining desirable segregation of accounting duties exceeds the benefits which could be derived. Due to this reason, management has determined a complete segregation of accounting duties is impractical to correct.

We recommend management, along with the School Board, remain aware of this situation, and continually monitor the accounting system including changes that occur.

Independent School District No. 2753
Required Communication

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2025. Professional standards require that we advise you of the following matters related to our audit.

Our Responsibility in Relation to the Basic Financial Statement Audit

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

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

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

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

Our responsibility for the supplementary information accompanying the basic financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the basic financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements 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. 2753
Required Communication**

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

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

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

Planned Scope and Timing of the Audit

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

Compliance with All Ethics Requirements Regarding Independence

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

Significant Risks

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

- **Management Override of Controls - Overall Financial Statements** - Management override of internal control is considered a risk in substantially all engagements as management may be incentivized to produce better results.
- **Improper Revenue Recognition** - Revenue recognition is considered a fraud risk on substantially all engagements as it generally has a significant impact on the results of the governments operations. In addition, complexities exist surrounding the calculation and recording of various revenue sources including property taxes and state aid.
- **Risk of Misappropriation of Assets** - If accounting duties cannot be appropriately segregated, there is a risk of unauthorized disbursements being made by the District.
- **State Aid Valuation** - Revenue and receivable amounts related to General Education Aid and Special Education Aid are generally material to the financial statements and involve significant estimates.
- **Pension Valuation** - Net pension liability, deferred outflows of resources related to pensions, and deferred inflows of resources related to pensions are generally material to the financial statements and involve significant estimates.
- **Other Post Employment Benefits (OPEB) Valuation** - Total OPEB liability, deferred outflows of resources related to OPEB, and deferred inflows of resources related to OPEB are generally material to the financial statements and involve significant estimates.
- **Compensated Absences Valuation** - Compensated absence balances are generally material to the financial statements and involve significant estimates.

**Independent School District No. 2753
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 2025. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates and Related Disclosures

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

- General Education and Special Education Aid - General Education Aid is an estimate until average daily membership (ADM) values are final. Since this is normally not done until after the reporting deadline, this Aid is an estimate. Special Education Aid is also dependent upon ADM value; however, in addition to those, this Aid is dependent on the availability of fund 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 Related to Pensions and Deferred Inflows of Resources Related to Pensions - These balances are based on an allocation by the pension plans using estimates based on contributions.
- Compensated Absences Liability - This balance is an estimate based on assumption of hours more likely than not to be used by employees while employed by the District or paid out upon separation of employment.

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

Financial Statement Disclosures

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

Significant Difficulties Encountered during the Audit

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

**Independent School District No. 2753
Required Communication**

Uncorrected and Corrected Misstatements

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

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

- Subscription liability and right-to-use assets
- Delinquent property taxes receivable and deferred inflows of resources for delinquent property taxes
- State receivables and state revenues
- Grouped capital assets

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material misstatements that we identified as a result of our audit procedures were brought to the attention of and corrected by management.

- Accounts receivable
- Due from Department of Education and State revenues
- Due from Federal Government through Department of Education
- Unearned revenue
- Property taxes levied for subsequent years and tax revenues
- Accounts payable
- Construction in progress

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.

**Independent School District No. 2753
Required Communication**

Other Significant Matters, Findings, or Issues

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

Other Information Included in Annual Reports

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

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

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves.

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

Independent School District No. 2753 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 affective school districts, gives an indication of how complicated the funding system is. The following section provides selected state-wide funding and financial trend information.

Average Daily Membership and Pupil Units

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

Year	General Education Aid Formula Allowance	
	Amount	Percent Increase
2016	\$ 5,948	2.0%
2017	6,067	2.0%
2018	6,188	2.0%
2019	6,312	2.0%
2020	6,438	2.0%
2021	6,567	2.0%
2022	6,728	2.5%
2023	6,863	2.0%
2024	7,138	4.0%
2025	7,281	2.0%
2026	7,481	2.7%

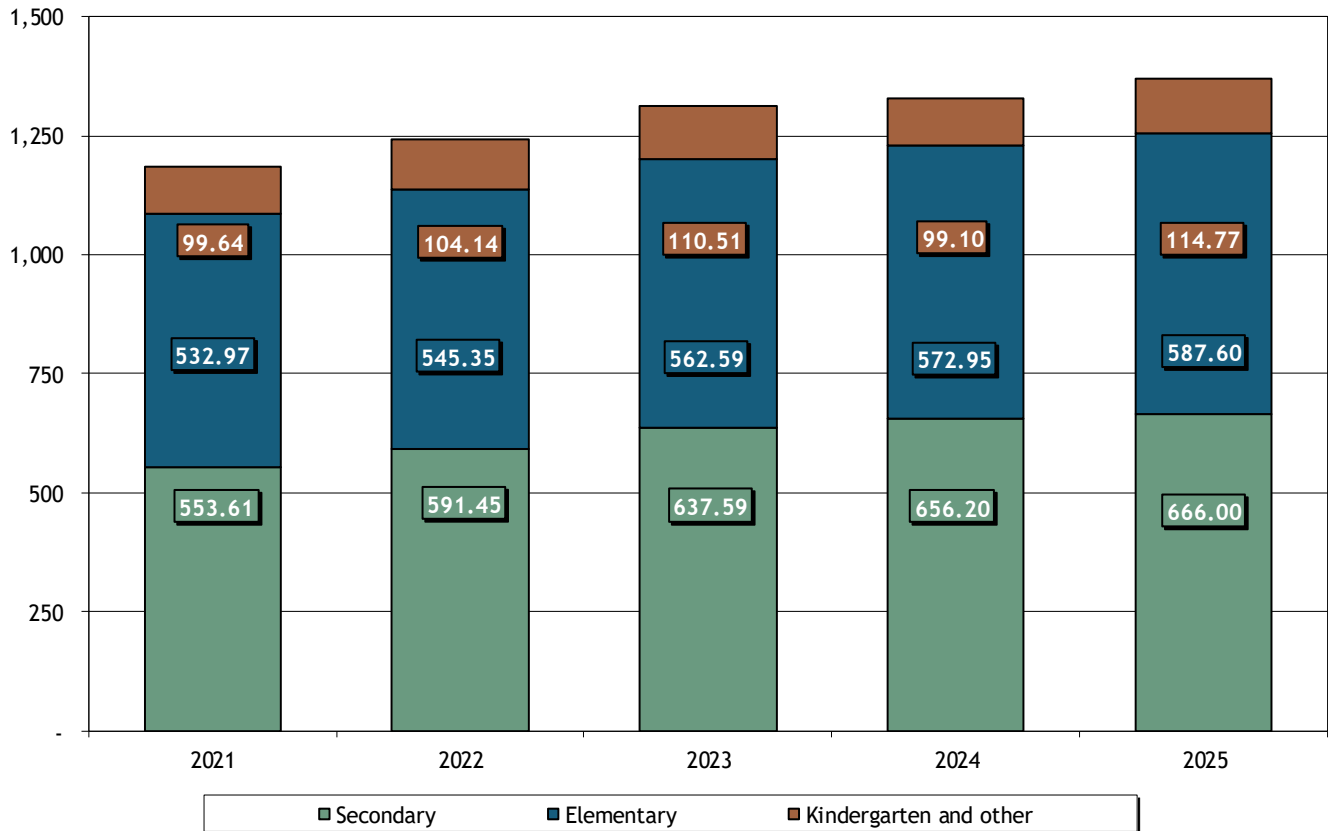
Independent School District No. 2753 Financial Analysis

Resident Average Daily Membership

Approximately 83% of the District's General Fund revenue is received from the state. A majority of this funding is based on student counts, so an understanding of the District's population trends is critical to overall budgeting plans. Average Daily Membership (ADM) is the average number of pupils in membership during the school year. Resident ADM is the average daily membership of students who reside in the District.

Resident ADM	2021	2022	2023	2024	2025
Kindergarten and other	99.64	104.14	110.51	99.10	114.77
Elementary	532.97	545.35	562.59	572.95	587.60
Secondary	553.61	591.45	637.59	656.20	666.00
Total Resident ADM	1,186.22	1,240.94	1,310.69	1,328.25	1,368.37

Students (Resident ADM)



* Estimate

Resident ADM increased slightly in 2025, to the highest level in the five years presented. During this time frame, the District has experienced an increase of approximately 182 ADM, or 15.4%. Resident ADM increased 40, or 3.0%, from 2024 to 2025.

Independent School District No. 2753 Financial Analysis

Pupil Units

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

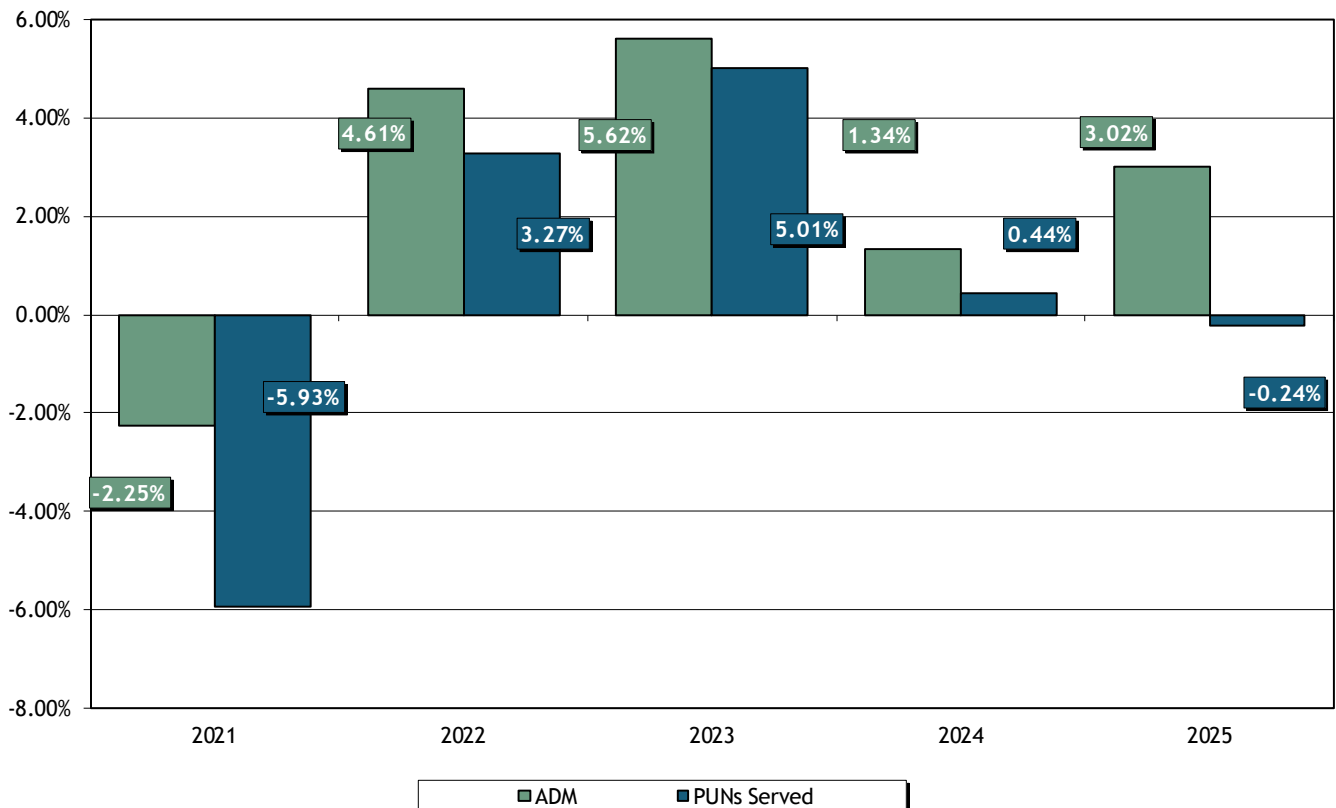
	Pre- Kindergarten	Kindergarten Disabled	Kindergarten	Elementary Grades 1-3	Elementary Grades 4-6	Secondary
2021-2025	1.000	1.000	1.000	1.000	1.000	1.200

The District's weighted student count decreased 3 or approximately .24% in 2025, due to an increase in residents offset by a decrease in the number of nonresidents transferring in.

PUN	2021	2022	2023	2024	2025
Residents	1,296.50	1,359.24	1,438.19	1,459.51	1,501.57
Resident PUN going elsewhere	(417.14)	(435.81)	(455.55)	(473.92)	(495.06)
Nonresident PUN coming in	127.41	116.29	109.21	111.01	87.51
Total PUN	1,006.77	1,039.72	1,091.85	1,096.60	1,094.02

* Estimate

Change in Resident ADM and PUN Served

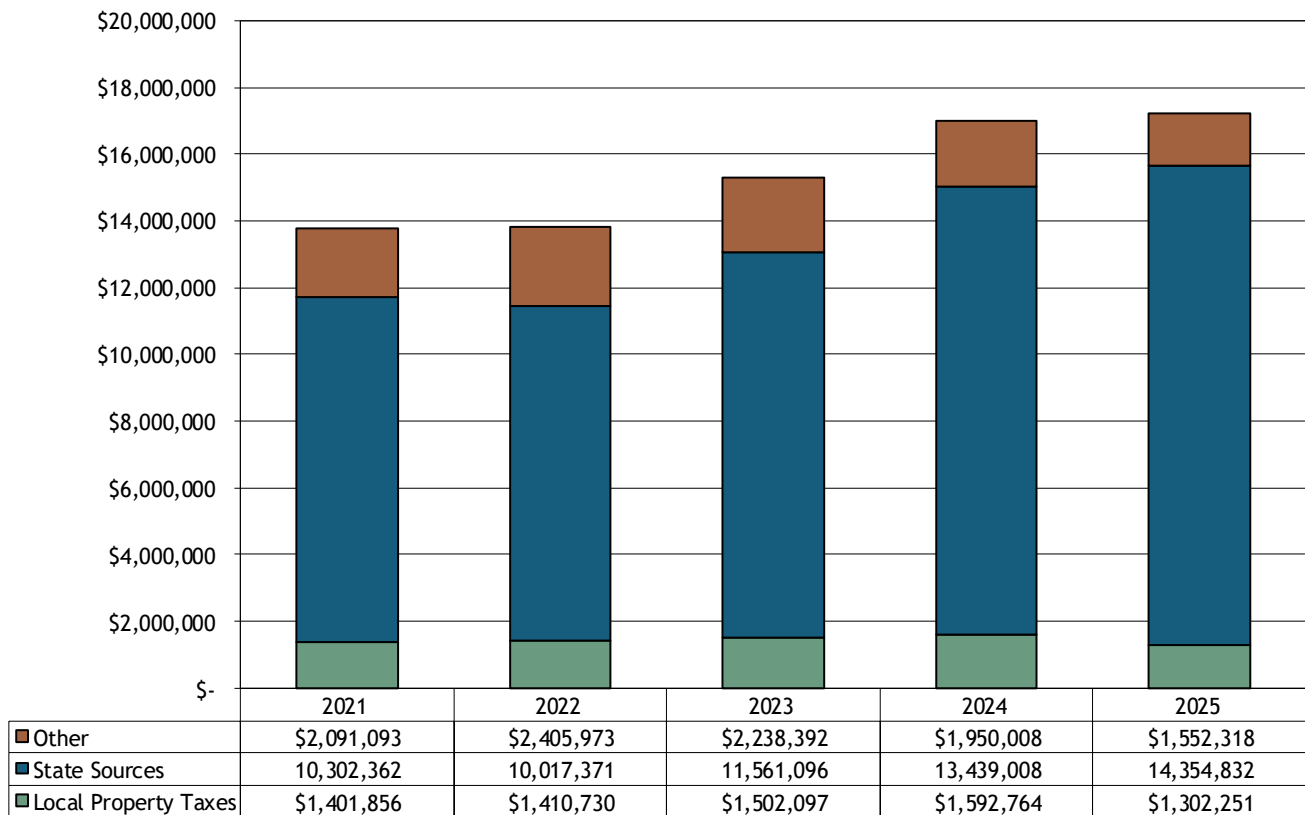


Independent School District No. 2753 Financial Analysis

General Fund Sources of Revenue

General Fund sources of revenue are summarized below for the last five years.

General Fund Sources of Revenue



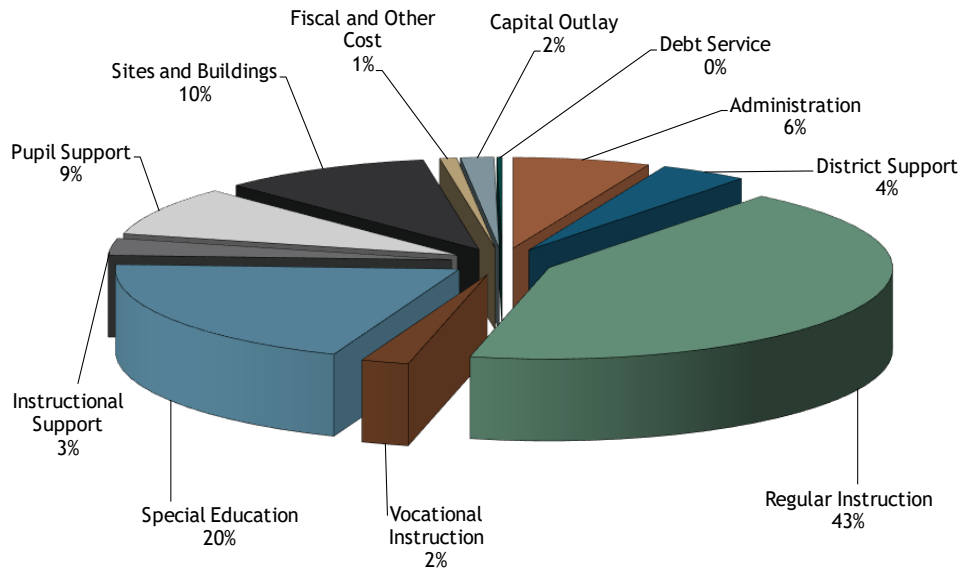
As noted above, the District's General Fund revenues increased over the prior year, increasing \$227,621, or 1.3%. Property taxes decreased \$290,513 due to a decrease in the levy. State aids increased \$915,824, or 6.6%, due to an increase in the formula allowance, and an increase in special education entitlement. Included in other revenues are local, county, and federal revenues. Other revenues decreased \$397,690 from 2024 due to the District receiving less COVID-19 related funding in 2025.

Independent School District No. 2753 Financial Analysis

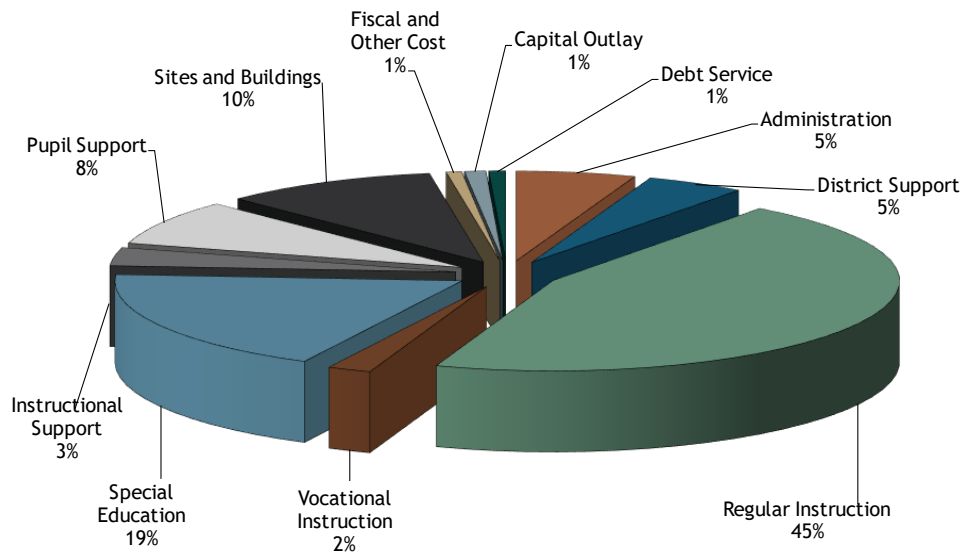
General Fund Expenditures

Overall, expenditures in the General Fund increased \$1,402,326, or 9.2%, from the prior year. Regular instruction expenditures increased due an increase in personnel costs and instructional supply costs. Special education and pupil support services expenditures increased due to an increase in personnel costs. Administration expenditures increased due to addition of interim superintendent.

2025 General Fund Expenditures



2024 General Fund Expenditures



The three instruction categories, regular, vocational, and special education comprised 65% and 66% of the total expenditures for 2025 and 2024, respectively.

Independent School District No. 2753
Financial Analysis

General Fund Budget and Actual

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Local property taxes	\$ 1,324,550	\$ 1,402,752	\$ 1,302,251	\$ (100,501)
State sources	13,595,160	13,641,415	14,354,832	713,417
Other sources	1,260,475	1,488,175	1,552,318	64,143
Total revenues	<u>16,180,185</u>	<u>16,532,342</u>	<u>17,209,401</u>	<u>677,059</u>
Expenditures				
Administration	848,224	1,025,927	1,081,200	55,273
District support services	466,289	677,417	693,545	16,128
Regular instruction	8,707,792	7,217,627	7,189,386	(28,241)
Vocational education instruction	334,157	285,029	374,977	89,948
Special education instruction	2,599,474	3,368,960	3,318,867	(50,093)
Instructional support services	236,965	507,209	497,180	(10,029)
Pupil support services	1,391,088	1,534,073	1,456,030	(78,043)
Sites and buildings	1,774,112	1,784,045	1,654,876	(129,169)
Fiscal and other fixed cost programs	85,000	132,000	132,624	624
Capital outlay	110,506	202,809	260,535	57,726
Debt service	-	-	40,609	40,609
Total expenditures	<u>16,553,607</u>	<u>16,735,096</u>	<u>16,699,829</u>	<u>(35,267)</u>
Net change in fund balances	\$ (373,422)	\$ (202,754)	\$ 509,572	\$ 712,326

Actual revenues were more than the final budget by \$677,059 or 4.1%. State sources revenues were over budget due to formula increases and special education. Other sources of revenue were over budget due to improved market conditions and conservative budgeting.

Total expenditures were under budget by \$35,267, or 0.2%. Vocational Education Instruction was over budget due to an increase in supplies. Sites and buildings was under budget due to budgeting for two years of health and safety management expenditures rather than one.

The District budgeted for a decrease in fund balance in the General Fund of \$202,754 for 2025. Actual results were better than budgeted, with an increase in fund balance from operations of \$509,572.

Independent School District No. 2753 Financial Analysis

General Fund Operations

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

Year Ended June 30,	2021	2022	2023	2024	2025
Revenues	\$ 13,795,311	\$ 13,834,074	\$ 15,301,585	\$ 16,981,780	\$ 17,209,401
Expenditures	13,458,607	13,864,083	14,525,293	15,297,503	16,699,829
Excess of revenues over (under) expenditures	336,704	(30,009)	776,292	1,684,277	509,572
Sale of assets/financed purchase transaction	481,297	153,671	1,000	1,327	-
Change in accounting principle			479,427		-
Fund balance, July 1	4,498,732	5,316,733	5,440,395	6,697,114	8,382,718
Fund balance, June 30	\$ 5,316,733	\$ 5,440,395	\$ 6,697,114	\$ 8,382,718	\$ 8,892,290
Less nonspendable fund balances	\$ (140,220)	\$ (222,482)	\$ (161,153)	\$ (142,195)	\$ (51,753)
Less restricted fund balances	(1,208,231)	(1,354,524)	(1,472,181)	(1,924,285)	(2,169,317)
Less committed fund balances	(488,656)	(395,225)	(358,658)	(414,580)	(853,374)
Unassigned fund balance, June 30	\$ 3,479,626	\$ 3,468,164	\$ 4,705,122	\$ 5,901,658	\$ 5,817,846

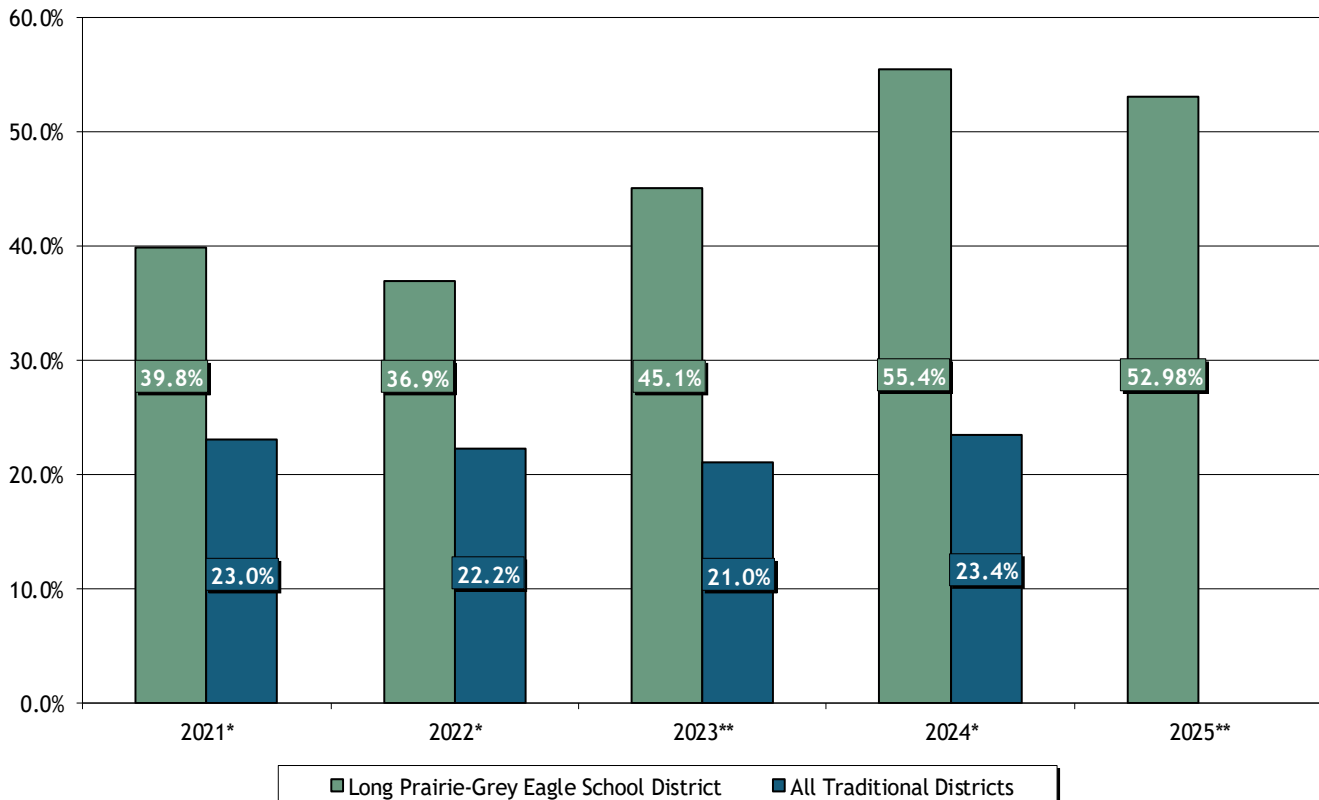
At June 30, 2025, the District had an unassigned fund balance of \$5,817,846, the second highest point in the five years presented. The District has a fund balance policy to strive for an unassigned fund balance of 15% of the District's General Fund operating budget. The current balance represents 34.8% of budgeted expenditures.

Independent School District No. 2753 Financial Analysis

General Fund Financial Health

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

Unrestricted Fund Balance as a Percent of Unrestricted Expenditures



* Information was obtained from the Minnesota Department of Education (MDE) web site reports, Year 2013-2024 General Fund Unreserved Balance. 2025 information is not available for all schools.

** Source: Uniform Financial Accounting and Reporting Standards (UFARS) Report

The calculations above reflect the committed, assigned, and unassigned fund balance of the General Fund and the corresponding expenditures, which is the same method the state uses for the statutory operating debt (SOD) calculation.

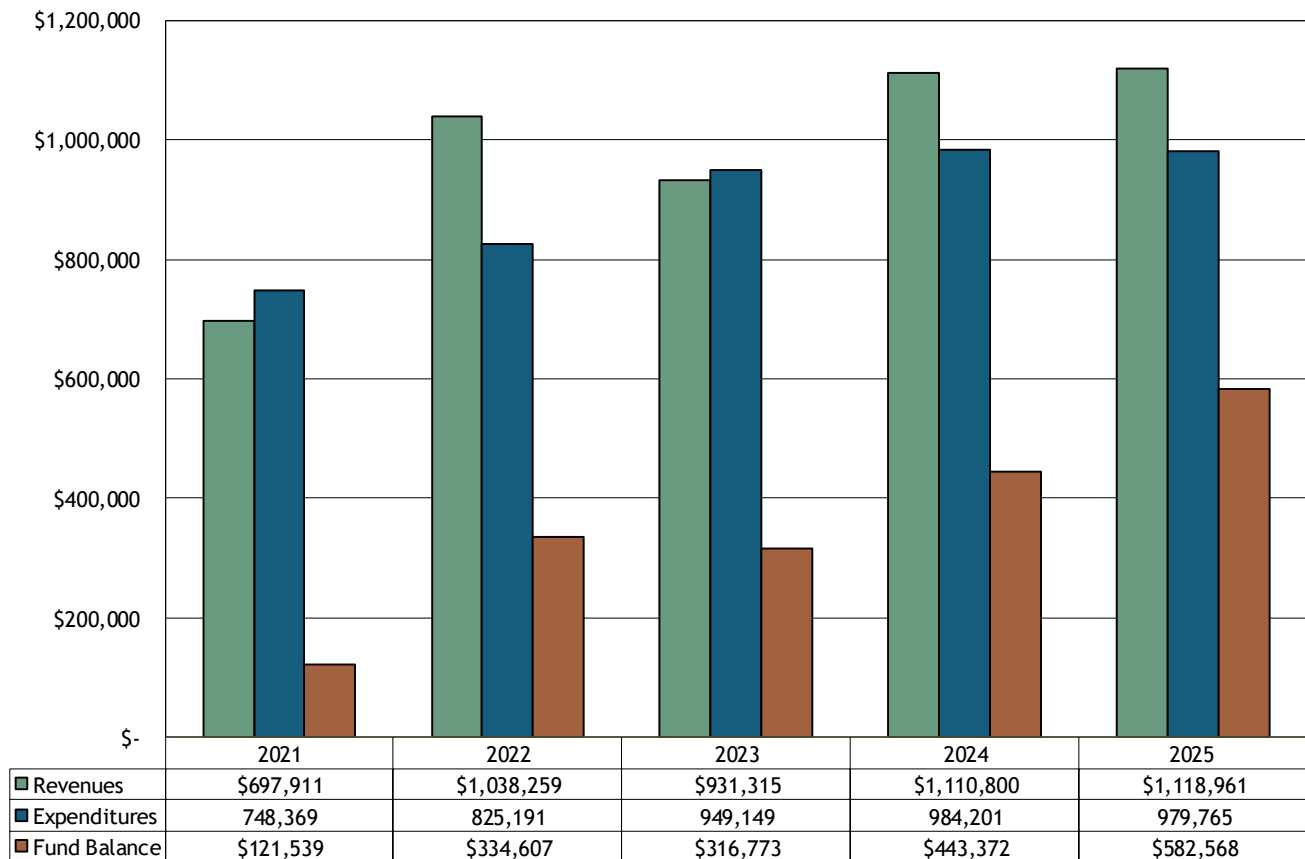
SOD occurs when a district's unrestricted fund balance ends the year below -2.5%. Since 2019, the District's SOD percentage has been higher than the state-wide average and has generally been increasing. In 2025, the fund balance as a percentage of relevant expenditures decreased to 50.0%. The state-wide average has remained relatively consistent in all years presented.

Independent School District No. 2753 Financial Analysis

Food Service Fund

The following chart reflects the activity of the Food Service Program over the last five years:

Food Service Operations



At June 30, 2025, the Food Service Fund balance increased. Revenues increased in 2025 by \$8,161, or 0.7% from the prior year. Total expenditures in the fund decreased \$4,436, or 0.5%.

Independent School District No. 2753
Financial Analysis

Community Service Fund

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

Year Ended June 30,	2021	2022	2023	2024	2025
Revenues	\$ 615,754	\$ 741,383	\$ 808,009	\$ 823,063	\$ 931,283
Expenditures	653,849	769,132	855,074	860,650	812,609
Excess of revenues over (under) expenditures	(38,095)	(27,749)	(47,065)	(37,587)	118,674
Fund balance, July 1	174,696	136,601	108,852	61,787	24,200
Fund balance, June 30	\$ 136,601	\$ 108,852	\$ 61,787	\$ 24,200	\$ 142,874

Year Ended June 30,	2021	2022	2023	2024	2025
Nonspendable	\$ 1,249	\$ -	\$ 35	\$ 2,082	\$ 75
Restricted for					
ECFE	31,280	30,583	32,690	33,806	34,742
Community education	104,828	87,141	66,230	43,831	117,879
School readiness	(756)	(8,872)	(37,168)	(55,519)	(9,822)
Total	\$ 136,601	\$ 108,852	\$ 61,787	\$ 24,200	\$ 142,874

In 2025, revenues exceeded expenditures for the first year in the five years presented. This resulted in a increase in fund balance of \$118,674.

Revenues increased from 2024 due to an increase in the levy and the allocation of basic skills state aid and expenditures decreased from 2024 due to decrease in personnel costs.

Independent School District No. 2753 Legislative Summary

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

Achievement and Integration Revenue

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

Basic Alternative Teacher Compensation Aid (Q-Comp)

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

Basic General Education Aid

The formula allowance for 2025 was set at \$7,281 and for 2026, the formula allowance increases to \$7,481, which is a 2.7% increase over 2025.

Compensatory Education Revenue

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

English Learner Aid and Cross Subsidy

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

Food Service Net Cash Resource Limitation

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

Long-Term Facilities Maintenance (LTFM) Revenue

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

Pension Bill and Pension Adjustment Revenue

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

**Independent School District No. 2753
Legislative Summary**

School Library Aid

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

Special Education Aid

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

Student Support Personnel Aid

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

Independent School District No. 2753 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 include:

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

GASB has issued GASB Statement No. 103 relating to changes in financial reporting requirements. The changes provide clarity, enhance the relevance of information, provide more useful information for decision-making, and provide for greater comparability amongst government entities.

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

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

The following is an extensive summary 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. 2753 Emerging Issues

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

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

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

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

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

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

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

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

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

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

**Independent School District No. 2753
Emerging Issues**

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

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

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

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

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

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

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