



**Independent School District No. 318  
Grand Rapids, Minnesota**

**Communications Letter**

**June 30, 2024**

**Independent School District No. 318  
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	21
Emerging Issues	24



## 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. 318  
Grand Rapids, Minnesota

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 318, Grand Rapids, 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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 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 November 5, 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.

*Bogomolov, Ltd.*

St. Cloud, Minnesota  
November 5, 2024

**Independent School District No. 318  
Significant Deficiency**

**Lack of Segregation of Accounting Duties**

The District had a lack of segregation of accounting duties in the cash disbursements, receipts, and payroll processes due to a limited number of office employees. The lack of adequate segregation of accounting duties could materially affect the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the basic financial statements. Although this meets the definition of a "significant deficiency", it may not be practical to correct since the costs of obtaining desirable segregation of accounting duties may exceed benefits that could be derived.

The Business Manager has full access to the general ledger as well as reconciles state aids and property tax revenues.

Management is aware of this condition and will take certain steps to compensate for the lack of segregation. However, 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.

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. 318  
Required Communication**

We have audited the 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 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. 318  
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:

- ◆ Improper Revenue Recognition Specific to State Aids - 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 and Bank Reconciliation Process - This is considered a risk in substantially all engagements.
- ◆ 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.
- ◆ Capital Assets Valuation - Capital assets and related depreciation are material to the financial statements and involve significant estimates. In addition, the District had significant construction activity around year-end, so there is an increased risk related to completeness and proper cutoff of construction in progress and related payables.
- ◆ 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.
- ◆ 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.
- ◆ Lease Valuation - Lease liability and right-to-use assets are material to the financial statements and involve significant estimates.

**Independent School District No. 318  
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 has been no initial selection of accounting policies during 2024. The District amended its policy related to accounting for group asset purchases. 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 related to:

General Education and Special Education Aid - General Education Aid is an estimate until average daily membership (ADM) values are final. Since this is normally not done until after the reporting deadline, this Aid is an estimate. Special Education Aid is dependent on the availability of funds and complex formulas that are finalized after reporting deadlines.

Depreciation - The District is currently depreciating its capital assets over their estimated useful lives, as determined by management, using the straight-line method.

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.

Lease Liability and Right-to-Use Lease Assets - These balances are based on estimates and judgments determined by the District related to amortization, the discount rate, lease term, and lease payments.

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. 318  
Required Communication**

**Significant Difficulties Encountered during the Audit**

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

**Uncorrected and Corrected Misstatements**

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

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

- ◆ State Receivable/Revenue

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 and each opinion unit.

**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.

**Independent School District No. 318  
Required Communication**

**Other Information Included in Annual Reports**

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. 318  
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.

**Average Daily Membership**

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 adjustments changes, and other restructuring.

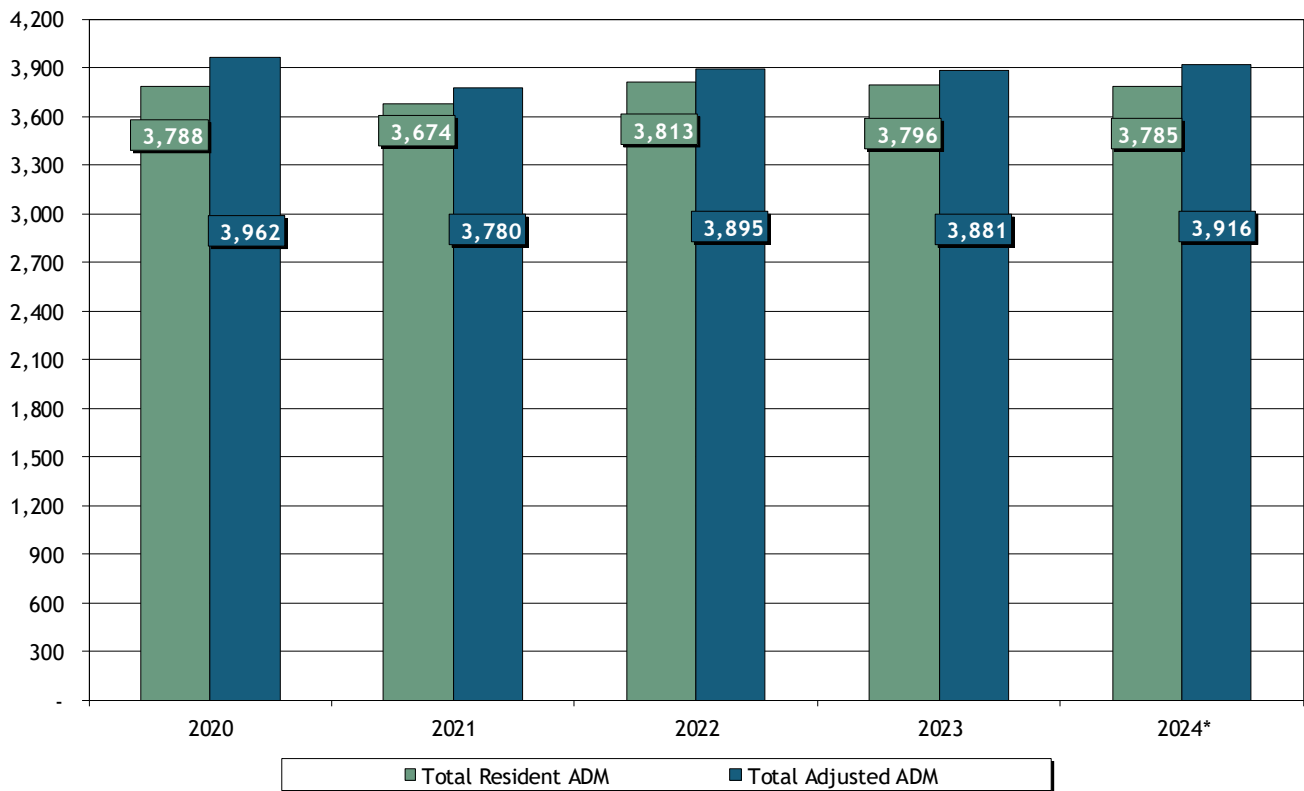
## Independent School District No. 318 Financial Analysis

### Average Daily Membership and Pupil Units

The following summarizes resident ADM of the District over the past five years ended June 30:

ADM	2020	2021	2022	2023	2024*
Other	141	113	118	115	72
Kindergarten	229	220	229	213	273
Elementary	1,620	1,545	1,627	1,665	1,671
Secondary	1,798	1,796	1,837	1,804	1,768
<b>Total Resident ADM</b>	<b>3,788</b>	<b>3,674</b>	<b>3,813</b>	<b>3,796</b>	<b>3,785</b>
<b>Total Adjusted ADM</b>	<b>3,962</b>	<b>3,780</b>	<b>3,895</b>	<b>3,881</b>	<b>3,916</b>

**Students (ADM)**



\*Estimate as of September 16, 2024

As the charts above indicate, resident ADM decreased 11, or 0.3%, from 2023 to 2024, while total adjusted ADM increased 35, or 0.9%. Total adjusted ADM is higher than resident ADM due to open enrollment gains.

**Independent School District No. 318  
Financial Analysis**

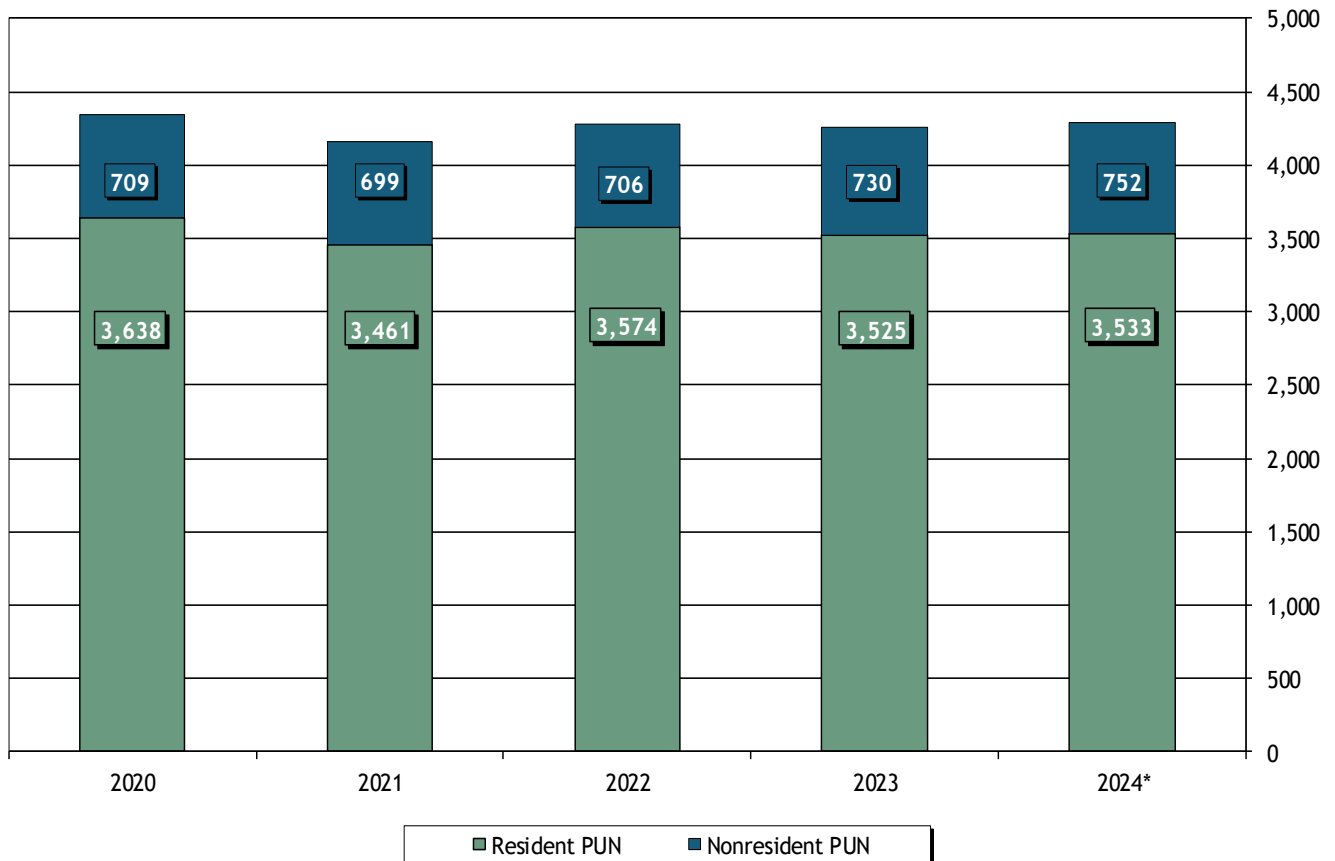
**Average Daily Membership and Pupil Units (Continued)**

Pupil Units Weighting						
	Pre-Kindergarten	Handicapped Kindergarten	Kindergarten	Elementary Grades 1-3	Elementary Grades 4-6	Secondary
Year 2020-2024	1.000	1.000	1.000	1.000	1.000	1.200

The adjusted pupil units, table and graph below, converts the resident ADM into weighted or adjusted pupil unit data for the past five years, taking into consideration the above weighting factors and open enrollment. The District weighted pupil units increased in 2024 by 31 units, or 0.7%. Since the majority of state aid is dependent on student counts, the change in students has a significant impact on the budget.

Adjusted WADM/PUN	2020	2021	2022	2023	2024*
Resident PUN	4,148	4,034	4,180	4,157	4,138
Nonresident PUN	709	699	706	730	752
Resident loss	(510)	(574)	(606)	(633)	(605)
<b>Total Adjusted WADM/PUN</b>	<b>4,347</b>	<b>4,160</b>	<b>4,280</b>	<b>4,255</b>	<b>4,286</b>

**Students (PUN)**



\*Estimate as of September 16, 2024

**Independent School District No. 318  
Financial Analysis**

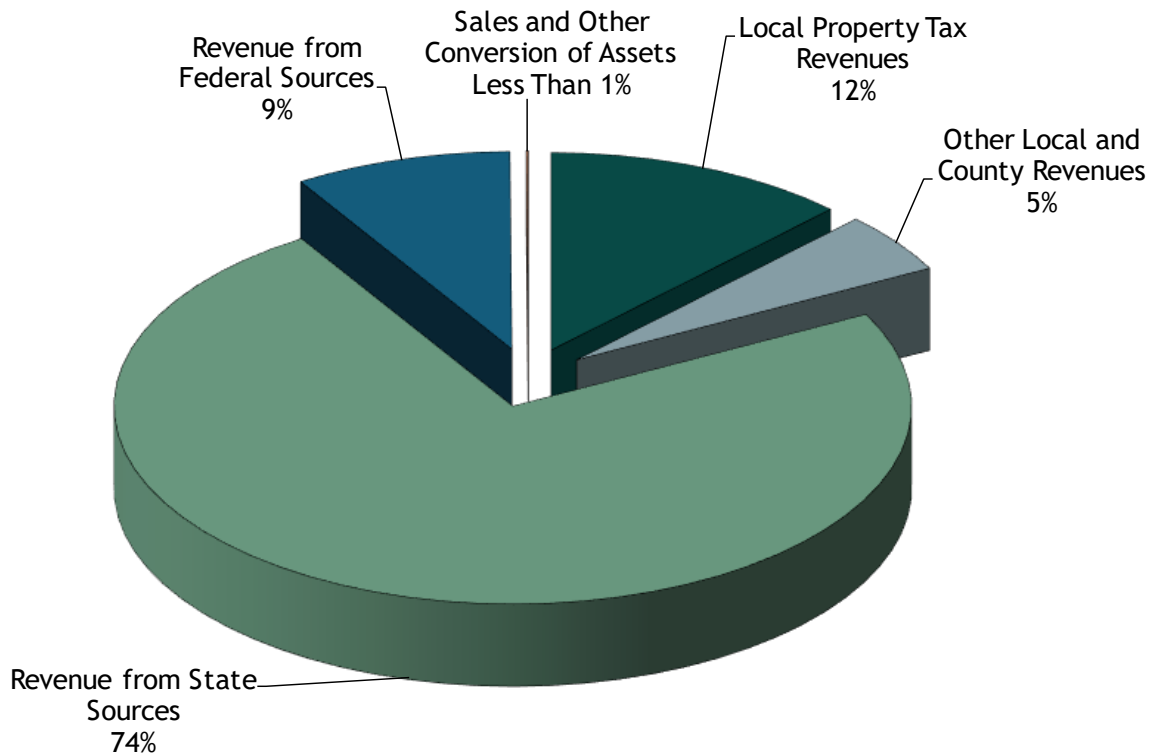
**General Fund Sources of Revenue**

General Fund sources of revenue are summarized as follows:

For the Year Ended June 30,	2020	2021	2022	2023	2024
Local property tax revenues	\$ 8,927,302	\$ 8,579,205	\$ 8,748,195	\$ 9,196,424	\$ 8,295,651
Other local and county revenues	2,705,548	2,680,113	2,777,624	2,798,614	3,318,766
Revenue from state sources	40,622,556	40,133,044	41,159,823	42,435,446	49,499,255
Revenue from federal sources	2,085,748	4,577,683	5,215,313	5,165,069	5,913,435
Sales and other conversion of assets	49,721	41,397	86,374	41,130	53,981
<b>Total</b>	<b>\$ 54,390,875</b>	<b>\$ 56,011,442</b>	<b>\$ 57,987,329</b>	<b>\$ 59,636,683</b>	<b>\$ 67,081,088</b>

Overall, the District's General Fund revenues increased \$7,444,405, or 12.5%, from 2023 to 2024. Revenue from state sources increased \$7,063,809 due to an increase in general education aid due to the increase in formula allowance and the increase in students served as well as an increase in compensatory aid. State special education aid entitlement also increased. Revenue from federal sources increased \$748,366 due to an increase in the spending of Education Stabilization Funds. Other local and county revenues increased \$520,152 due to increases in interest earnings, gifts and donations, and charges for services to other districts. Partially offsetting these increases, local property tax revenues decreased \$900,773 primarily due to a decrease in the amount levied and a decrease in county apportionment.

**2024 General Fund Sources of Revenue**



**Independent School District No. 318  
Financial Analysis**

**Revenues Per Student**

The table below shows a comparison of total revenue per ADM received by your District, districts with 3,000-5,000 ADM and all Minnesota school districts.

ISD No. 318	2020*	2021*	2022*	2023*	2024**
Property taxes	\$ 1,596	\$ 1,468	\$ 1,467	\$ 1,670	\$ 1,429
Other local sources	1,247	1,474	1,421	1,325	1,444
State aid	9,885	10,385	10,179	10,512	12,191
Federal aid	508	1,185	1,296	1,285	1,456
<b>Total</b>	<b>\$ 13,236</b>	<b>\$ 14,512</b>	<b>\$ 14,363</b>	<b>\$ 14,792</b>	<b>\$ 16,521</b>

District's with 3000-5000 ADM Served	2020*	2021*	2022*	2023*	2024**
Property taxes	\$ 1,705	\$ 1,976	\$ 1,941	\$ 2,083	N/A
Other local sources	766	495	792	758	N/A
State aid	10,659	10,464	10,745	10,755	N/A
Federal aid	545	897	1,375	1,132	N/A
<b>Total</b>	<b>\$ 13,675</b>	<b>\$ 13,832</b>	<b>\$ 14,853</b>	<b>\$ 14,728</b>	<b>N/A</b>

State-Wide	2020*	2021*	2022*	2023*	2024**
Property taxes	\$ 2,180	\$ 2,381	\$ 2,443	\$ 2,545	N/A
Other local sources	528	432	558	731	N/A
State aid	10,393	10,758	10,782	11,073	N/A
Federal aid	527	1,041	1,383	1,378	N/A
<b>Total</b>	<b>\$ 13,628</b>	<b>\$ 14,612</b>	<b>\$ 15,166</b>	<b>\$ 15,727</b>	<b>N/A</b>

\* Amounts per State of Minnesota *School District Profiles*

\*\* Estimate. 2024 amounts other than District amounts are not yet available.

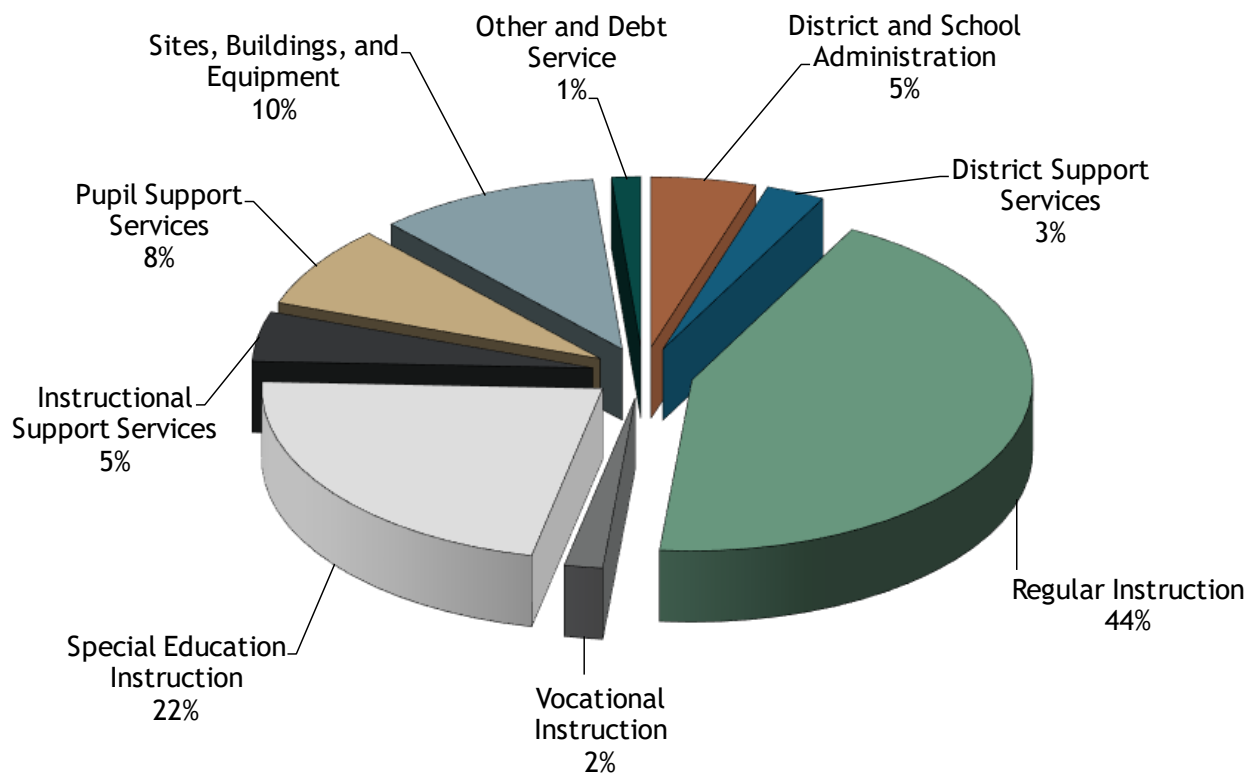
## Independent School District No. 318 Financial Analysis

### General Fund Expenditures

Overall, the District's General Fund expenditures increased \$2,632,630, or 4.5%. The increase was due to increases in salaries and benefits and capital outlay purchases. As noted on the following page, actual expenditures were within 0.3% of final budgeted expenditures.

The percentage of each expenditure classification is highlighted in the chart below.

### 2024 General Fund Expenditures





**Independent School District No. 318  
Financial Analysis**

**General Fund Budget to Actual**

The chart below presents the final budget and actual results for General Fund.

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Local property taxes	\$ 7,540,000	\$ 7,920,000	\$ 8,295,651	\$ 375,651
Other local and county revenues	2,779,000	2,620,000	3,318,766	698,766
Revenue from state sources	47,170,000	47,899,000	49,499,255	1,600,255
Revenue from federal sources	4,421,000	3,981,000	5,913,435	1,932,435
Sales and other conversion of assets	85,000	85,000	53,981	(31,019)
<b>Total revenues</b>	<b>61,995,000</b>	<b>62,505,000</b>	<b>67,081,088</b>	<b>4,576,088</b>
<b>Expenditures</b>				
Administration	2,995,495	2,943,118	3,025,361	82,243
District support services	1,633,460	1,729,381	1,699,669	(29,712)
Elementary and secondary regular instruction	28,098,060	26,875,283	26,544,884	(330,399)
Vocational education instruction	966,798	1,146,066	1,102,981	(43,085)
Special education instruction	12,877,480	13,166,561	13,527,131	360,570
Instructional support services	2,577,312	2,988,423	2,858,710	(129,713)
Pupil support services	4,874,629	4,688,635	4,730,574	41,939
Sites and buildings	7,062,030	6,462,797	6,373,651	(89,146)
Food service	-	-	14,423	14,423
Fiscal and other fixed cost programs	360,000	380,000	315,589	(64,411)
Debt service	504,736	504,736	504,736	-
<b>Total expenditures</b>	<b>61,950,000</b>	<b>60,885,000</b>	<b>60,697,709</b>	<b>(187,291)</b>
Excess of revenues over budget	45,000	1,620,000	6,383,379	4,763,379
<b>Other Financing Sources</b>				
	-	-	190,700	190,700
<b>Net change in fund balances</b>	<b>\$ 45,000</b>	<b>\$ 1,620,000</b>	<b>\$ 6,574,079</b>	<b>\$ 4,954,079</b>

Overall, there was a 7.3% variance between actual revenues of \$67,081,088 and the final amended budget of \$62,505,000. The largest budget variance occurred in revenue from federal sources, which was over budget by \$1,932,435 primarily due to pandemic related funding exceeding budgeted amounts. Revenues from state sources were over budget \$1,600,255 due to special education aid and general education aid including compensatory aid exceeding the budgeted amount. Other local and county revenues were over budget by \$698,766 due to conservative budgeting for amounts that can vary from year-to-year.

Actual expenditures were under budget in the General Fund by \$187,291, or 0.3%.

**Independent School District No. 318  
Financial Analysis**

**Expenditures Per Student**

The table below shows a comparison of expenditures per ADM by fund for your District, districts with 4,000 plus ADM and all Minnesota school districts.

<b>ISD No. 318</b>	<b>2020*</b>	<b>2021*</b>	<b>2022*</b>	<b>2023*</b>	<b>2024**</b>
General Fund	\$ 13,363	\$ 15,077	\$ 14,570	\$ 14,376	\$ 14,949
Food Service	420	419	532	586	666
Community Service	318	281	309	303	264
Building Construction	14,710	3,495	819	1,810	2,126
Debt Service	747	810	778	867	918
Post Employment Debt Service	1,135	1,208	1,162	1,168	1,161
<b>Total</b>	<b>\$ 30,693</b>	<b>\$ 21,290</b>	<b>\$ 18,170</b>	<b>\$ 19,110</b>	<b>\$ 20,084</b>

<b>Districts of 4000+ ADM Served</b>	<b>2020*</b>	<b>2021*</b>	<b>2022*</b>	<b>2023*</b>	<b>2024**</b>
General Fund	\$ 13,586	\$ 14,552	\$ 15,351	\$ 16,136	N/A
Food Service	543	513	650	684	N/A
Community Service	733	658	738	820	N/A
Building Construction	2,442	2,078	1,803	1,578	N/A
Debt Service	1,340	1,583	1,542	1,563	N/A
Post Employment Debt Service Fund	100	72	68	65	N/A
<b>Total</b>	<b>\$ 18,744</b>	<b>\$ 19,456</b>	<b>\$ 20,152</b>	<b>\$ 20,846</b>	<b>N/A</b>

<b>State-Wide Average</b>	<b>2020*</b>	<b>2021*</b>	<b>2022*</b>	<b>2023*</b>	<b>2024**</b>
General Fund	\$ 13,313	\$ 14,167	\$ 15,010	\$ 15,730	N/A
Food Service	554	529	666	702	N/A
Community Service	622	571	646	715	N/A
Building Construction	2,085	2,008	1,773	1,513	N/A
Debt Service	1,265	1,457	1,477	1,499	N/A
Post-Employment Debt Service	80	65	54	52	N/A
<b>Total</b>	<b>\$ 17,919</b>	<b>\$ 18,797</b>	<b>\$ 19,626</b>	<b>\$ 20,211</b>	<b>N/A</b>

\* Amounts per State of Minnesota *School District Profiles*

\*\* Estimate. 2024 amounts other than District amounts are not yet available.

**Independent School District No. 318  
Financial Analysis**

**General Fund Operations**

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

For 2024, General Fund revenues increased 12.5% and expenditures increased 4.5%. The General Fund experienced an overall increase in fund balance of \$6,574,079.

	2020	2021	2022	2023	2024
Revenues	\$ 54,390,875	\$ 56,081,369	\$ 57,987,329	\$ 59,636,683	\$ 67,081,088
Expenditures	(54,915,730)	(58,267,150)	(58,833,397)	(58,058,223)	(60,697,709)
Excess of revenues over (under) expenditures	(524,855)	(2,185,781)	(846,068)	1,578,460	6,383,379
Add other financing sources (uses)	412,682	11,993	12,006	172,581	190,700
Prior period adjustment	199,081	-	-	-	-
Fund balance, July 1	7,784,925	7,871,833	5,698,045	4,863,983	6,615,024
<b>Fund Balance, June 30</b>	<b>\$ 7,871,833</b>	<b>\$ 5,698,045</b>	<b>\$ 4,863,983</b>	<b>\$ 6,615,024</b>	<b>\$ 13,189,103</b>

<b>Components of Fund Balance</b>					
Nonspendable	\$ 205,507	\$ 265,976	\$ 74,906	\$ 23,797	\$ 9,753
Restricted/reserved for					
Student Activities	168,924	142,902	151,887	179,279	182,075
Staff Development	-	-	-	-	4
Literacy Incentive Aid	-	-	-	-	199,846
American Indian Education Aid	-	-	-	-	9,109
Operating Capital	343,829	-	372,436	391,393	639,546
Area Learning Center	27,745	54,627	105,371	427,720	803,037
Gifted and Talented	16,548	19,261	10,903	13,361	1,298
Basic Skills	11,698	-	-	51,124	2,730,160
School Library Aid	-	-	-	-	28,588
Achievement and Integration	-	124,283	127,028	83,350	86,376
Safe School Levy	15,146	-	(28,913)	-	-
LTFM	482,836	825,547	1,066,084	1,260,106	542,327
Medical Assistance	1,215,690	1,199,669	1,081,193	667,788	827,008
Payments in lieu of taxes	-	-	5,760	14,452	5,168
Assigned fund balance	1,786,725	1,531,560	1,059,823	905,889	966,060
Unassigned fund balance	3,597,185	1,534,220	837,505	2,596,765	6,158,748
<b>Total Fund Balance, June 30</b>	<b>\$ 7,871,833</b>	<b>\$ 5,698,045</b>	<b>\$ 4,863,983</b>	<b>\$ 6,615,024</b>	<b>\$ 13,189,103</b>

<b>Unassigned fund balance as a percentage of expenditures</b>	2020	2021	2022	2023	2024
	6.6%	2.6%	1.4%	4.5%	10.1%

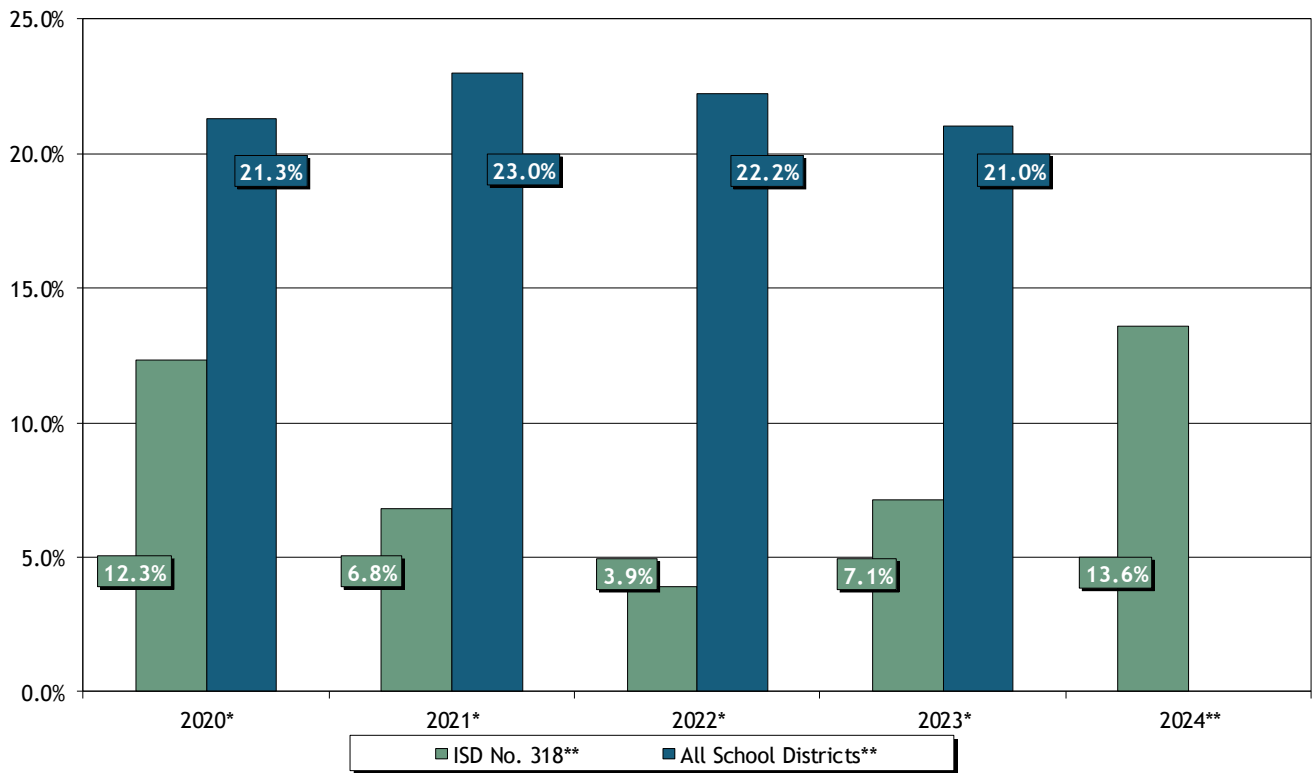
As of June 30, 2024, the General Fund had a fund balance of \$13,189,103. Of this amount, \$9,753 represents nonspendable balances, \$6,054,542 represents restricted balances, and \$966,060 represents assigned balances, leaving an unassigned fund balance of \$6,158,748. Unassigned fund balance increased by \$3,561,983 during 2024 and the ending balance represents 10.1% of total expenditures based on 2024 spending levels.

The District's fund balance policy states the District will maintain a minimum unassigned General Fund balance of 10-15% of the annual expenditures budget.

Independent School District No. 318  
Financial Analysis

General Fund Financial Health

Unrestricted Fund Balance as a Percent of Unrestricted Expenditures



\* Figures for 2024 are not available for state-wide average.

\*\* Source: *Minnesota School District Financial Trends Report for 2020-2023*. The District's 2024 values were obtained from the 2024 Compliance Report.

The graph above details the unrestricted fund balance as a percentage of unrestricted expenditures. The District's fund balance as a percentage of expenditures has historically been lower than the average of all Minnesota school districts. Unrestricted fund balance as a percent of unrestricted expenditures increased to 13.6% in 2024.

**Independent School District No. 318  
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	\$ 1,648,118	\$ 1,493,896	\$ 2,563,847	\$ 2,364,242	\$ 2,991,572
Expenditures	(1,724,292)	(1,617,815)	(2,140,229)	(2,354,258)	(2,705,959)
Excess of revenues over (under) expenditures	(76,174)	(123,919)	423,618	9,984	285,613
Add other financing sources	72,984	1,404	-	-	429
Fund balance, July 1	538,125	534,935	412,420	836,038	846,022
<b>Fund Balance, June 30</b>	<b>\$ 534,935</b>	<b>\$ 412,420</b>	<b>\$ 836,038</b>	<b>\$ 846,022</b>	<b>\$ 1,132,064</b>

Components of Fund Balance					
Nonspendable	\$ 107,563	\$ 98,291	\$ 61,060	\$ 85,582	\$ 83,590
Restricted for					
Food Service	427,372	314,129	774,978	760,440	1,048,474
<b>Fund Balance, June 30</b>	<b>\$ 534,935</b>	<b>\$ 412,420</b>	<b>\$ 836,038</b>	<b>\$ 846,022</b>	<b>\$ 1,132,064</b>

For 2024, food service revenues increased \$627,330, or 26.5%, due to a Legislative change and the State of Minnesota now reimbursing participating districts for all student meals served that are not federally reimbursable. This change resulted in an increase in the number of meals served. Expenditures increased \$351,701, or 14.9%, due to an increase in food expenditures related to rising costs and an increase in the number of meals served.

**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	\$ 1,336,184	\$ 1,189,451	\$ 1,292,289	\$ 1,374,906	\$ 1,153,790
Expenditures	(1,307,122)	(1,087,651)	(1,244,611)	(1,218,152)	(1,071,246)
Excess of revenues over (under) expenditures	29,062	101,800	47,678	156,754	82,544
Add other financing sources	-	1,336	-	-	-
Fund balance, July 1	376,347	405,409	508,545	556,223	712,977
<b>Fund Balance, June 30</b>	<b>\$ 405,409</b>	<b>\$ 508,545</b>	<b>\$ 556,223</b>	<b>\$ 712,977</b>	<b>\$ 795,521</b>

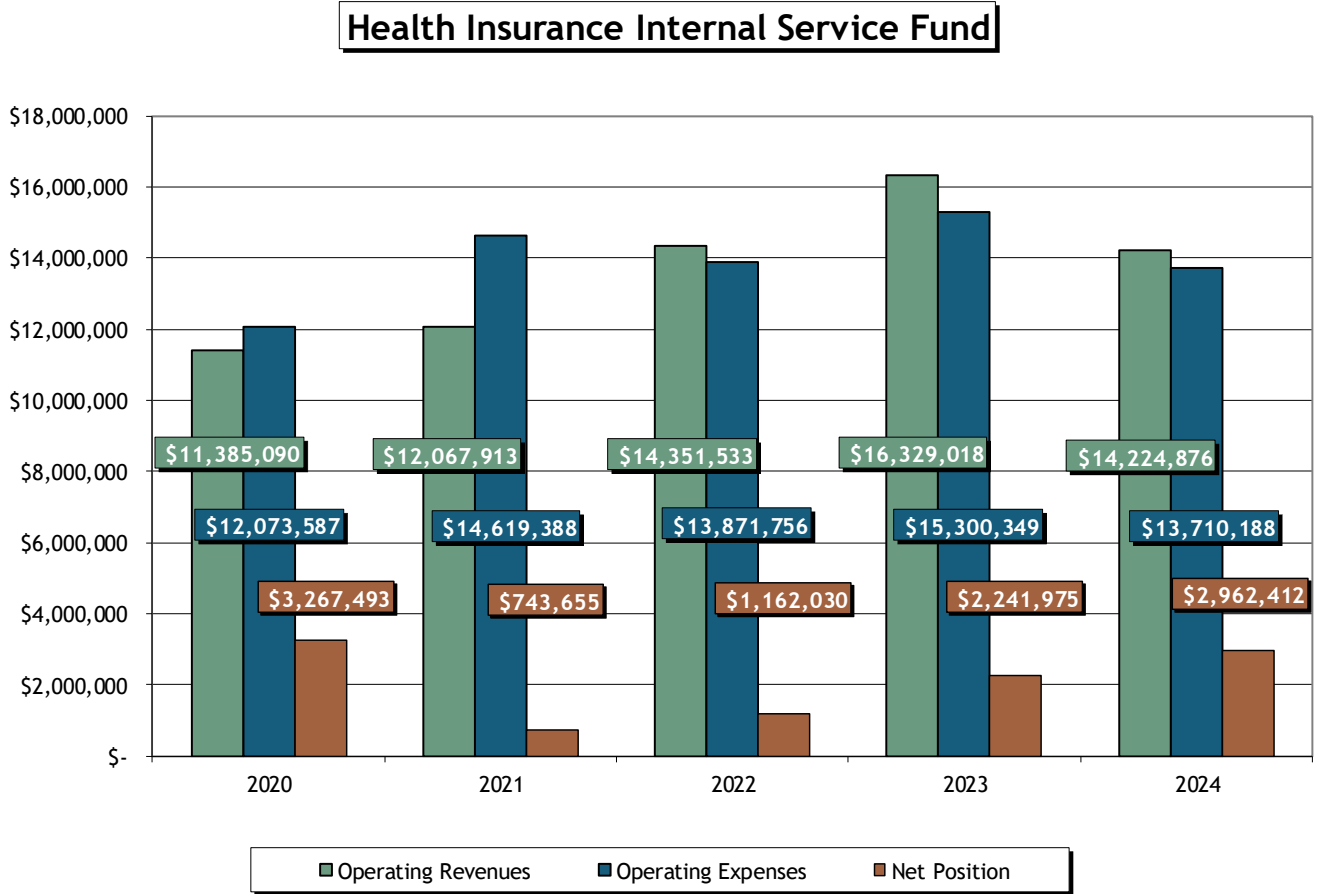
Components of Fund Balance					
Restricted fund balance	\$ 111,439	\$ 104,621	\$ 92,855	\$ 101,822	\$ 81,791
Restricted/reserved for					
Community Education	326,873	402,674	462,118	585,131	705,510
School Readiness	(32,903)	1,250	1,250	18,109	18,109
ECFE	-	-	-	7,915	(9,889)
<b>Total Fund Balance, June 30</b>	<b>\$ 405,409</b>	<b>\$ 508,545</b>	<b>\$ 556,223</b>	<b>\$ 712,977</b>	<b>\$ 795,521</b>

For 2024, community service revenues decreased \$221,116, or 16.1%, due to the end of the 21<sup>st</sup> Century federal program grant as well as decreased fees collected across various programs. Expenditures decreased \$146,906, or 12.1%, due to the end of the 21<sup>st</sup> Century program grant so the District was no longer paying the Boys and Girls Club for services under this grant.

## Independent School District No. 318 Financial Analysis

### Health Insurance Internal Service Fund

The following graph presents five years of comparative operating results for the District's Health Insurance Internal Service Fund.



Operating expenses exceeded operating revenues in 2020 and 2021. In 2022 through 2024, operating revenues exceeded operating expenses.

## Independent School District No. 318 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. 318 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 Statute* § 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 8 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. 318  
Legislative Summary**

**Student Teacher Stipend Pilot Program**

Funding of \$6,543,000 has been approved for 8 teacher preparation programs to provide to 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. 318 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. 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 extensive summaries of the current updates. As your continued business partner, we are committed to keeping you informed of new and emerging issues. We are happy to discuss these issues with you further and their applicability to your District.

**Independent School District No. 318  
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 reporting periods 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. 318  
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. 318  
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).