

## **Finance Committee Meeting**

Thursday, February 22, 2024 4:00 PM

Board Assembly Room, 1250 West Broadway Avenue, Minneapolis, Minnesota 55411

1) **Call to Order and Roll Call**

2) **Adoption of Agenda**

3) **Approval of Minutes**

3)a. January 16, 2024 Minutes

4) **Reports and Discussion**

4)a. Financial Statements

4)a.1. January 2024 Statements

4)b. 2024-2025 Budget Development Update

5) **Adjournment**

**OFFICIAL MINUTES  
MINNEAPOLIS BOARD OF EDUCATION**

**FINANCE COMMITTEE MEETING  
JANUARY 16, 2024**

**CALL TO ORDER AND ROLL CALL**

Committee Chair Abdul Abdi called the meeting to order at 5:00 p.m., a quorum being present.

Present: Directors Ira Jourdain, Collin Beachy, Joyner Emerick, Abdul Abdi (4)

Absent: Director Kim Ellison (1)

**APPROVAL OF AGENDA**

Beachy moved to approve the agenda.

On a voice vote, the motion was adopted unanimously.

**ACCEPTANCE OF MINUTES**

Beachy moved to approve the minutes from the November 21, 2023 meeting.

On a voice vote, the motion was adopted unanimously.

**REPORTS AND DISCUSSION**

**Financial Statements: November 2023 and December 2023**

Staff presented the financial statements from December 2023.

**Budget Update**

Staff provided an update on the 2024-25 budget development process.

**ADJOURNMENT**

Without objection, Chair Abdi adjourned the meeting at 5:58 p.m.

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Minutes submitted by Ryan Strack, Assistant to the Superintendent and Board.

Meeting materials: <https://meetings.boardbook.org/Public/Agenda/1807?meeting=617306>

# Monthly Financial Report January 31, 2024

\*Unaudited\* Report

Prepared By: Finance Division

Prepared For: Finance Committee

[www.mpls.k12.mn.us](http://www.mpls.k12.mn.us)

John B. Davis Education and Service Center | 1250 W. Broadway Ave. Minneapolis, MN 55411



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# Monthly Finance Highlights

## Ending Fund Balance for Operating Funds Month Ended January 31, 2024

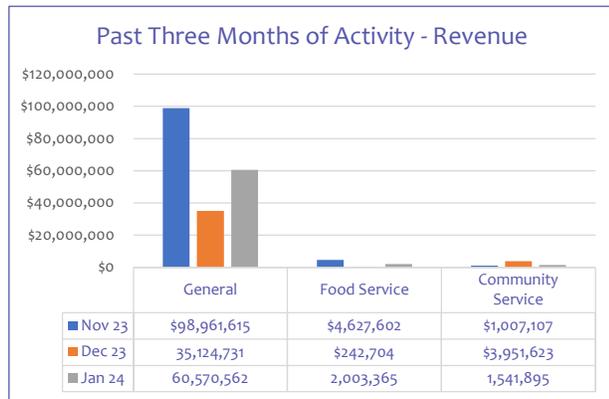
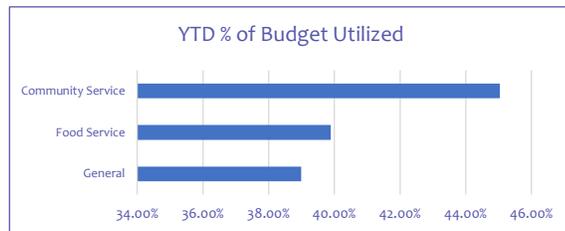
Minneapolis Public School began the fiscal year in compliance with the District balance fund policy. Minneapolis Public School is projected to be in compliance at the end of this fiscal year with the District fund policy. Current fund balance is \$60,631,043. District policy dictates that the unassigned portion of General Fund balance be at least 8.0%. Due to the timing of recording revenues & expenditures, fund balance fluctuates throughout the year.

|                         | General      | Food Service  | Community Service |
|-------------------------|--------------|---------------|-------------------|
| Month \$ Ending balance | \$60,631,043 | (\$3,962,160) | \$5,796,728       |

## Revenue Highlights for Operating Funds As of January 31, 2024

General Fund revenue during the month was \$60,570,562. Year to date General Fund revenue was \$270,818,143 (38.98 percent of budgeted revenue). Revenue activity in other funds are stated below:

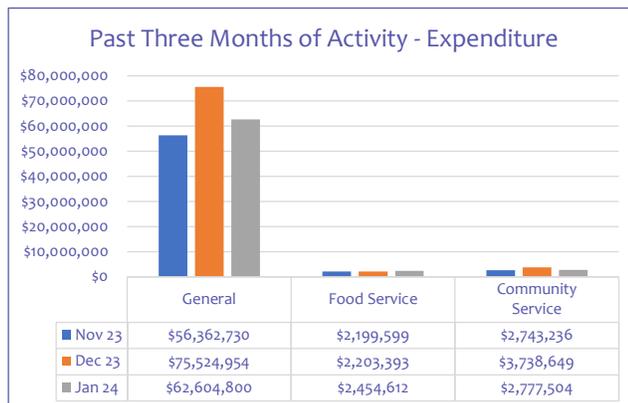
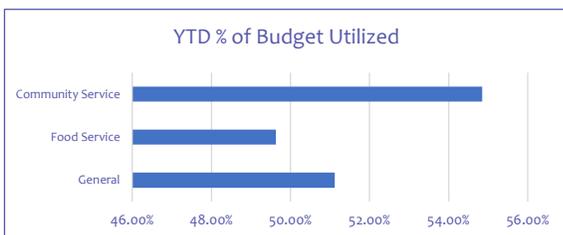
| Revenue Year-To-Date Totals |               |
|-----------------------------|---------------|
| General                     | \$270,818,143 |
| Food Service                | \$8,969,110   |
| Community Service           | \$16,199,711  |



## Expenditures Highlights for Operating Funds As of January 31, 2024

General Fund expenditures during the month was \$60,604,800 while YTD expenditures totaled \$353,472,552 (YTD actuals as a % of budget totaled 51.11%). Expenditures activity in other funds are stated below:

| Expenditures Year-To-Date Totals |               |
|----------------------------------|---------------|
| General                          | \$353,472,552 |
| Food Service                     | \$13,309,111  |
| Community Service                | \$18,029,171  |



\*Note: Food service fund balance does not reflect nonspendable portion, such as inventory.

**Minneapolis Public Schools  
Special School District No. 1  
Revenue and Expenditure Summary  
Month Ended January 31, 2024**

**Revenue Summary**

| Fund                       | Budget             | YTD Actuals        | % of Budget  | PY YTD Actuals     | PY % of Budget |
|----------------------------|--------------------|--------------------|--------------|--------------------|----------------|
| <b>General Fund</b>        |                    |                    |              |                    |                |
| Local Sources              | 145,848,250        | 82,590,125         | 56.6%        | 73,900,937         | 55.8%          |
| State Sources              | 387,105,129        | 140,476,982        | 36.3%        | 136,413,527        | 38.3%          |
| Federal Sources            | 145,626,310        | 47,179,713         | 32.4%        | 55,289,134         | 62.4%          |
| Other                      | 16,111,002         | 571,323            | 3.5%         | 115,721            | 4.4%           |
| <b>Total</b>               | <b>694,690,691</b> | <b>270,818,143</b> | <b>39.0%</b> | <b>265,719,319</b> | <b>47.4%</b>   |
| <b>Operating Funds</b>     |                    |                    |              |                    |                |
| Food Service Fund          | 22,487,000         | 8,969,110          | 39.9%        | 4,990,303          | 26.4%          |
| Community Service Fun      | 35,972,036         | 16,199,711         | 45.0%        | 19,708,785         | 53.3%          |
| <b>Non-Operating Funds</b> |                    |                    |              |                    |                |
| Building Construction Fur  | 83,908,725         | 7,592,637          | 9.0%         | 69,945,573         | 91.8%          |
| Debt Service Fund*         | 92,497,284         | 55,694,003         | 60.2%        | 125,316,845        | 137.5%         |
| <b>Total All Funds</b>     | <b>929,555,736</b> | <b>359,273,605</b> | <b>38.7%</b> | <b>485,680,825</b> | <b>60.6%</b>   |

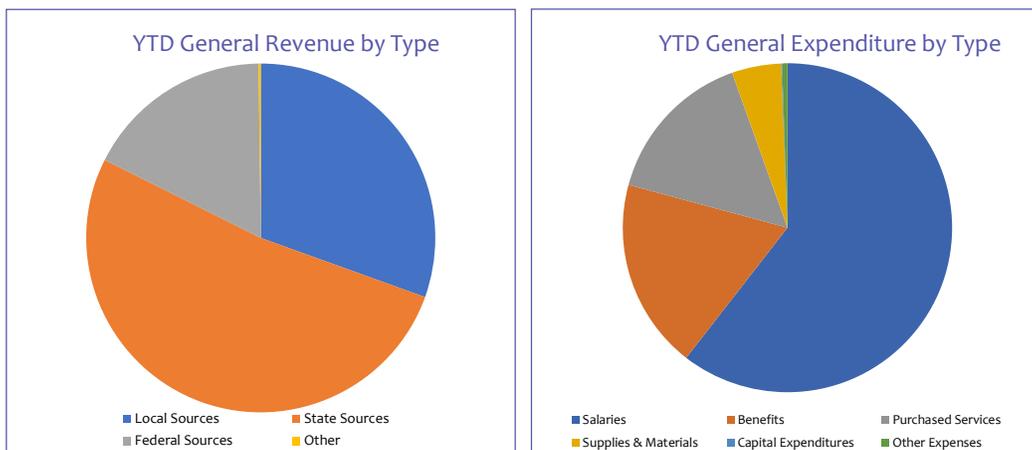
\*For the purposes of this report, other financing sources are reported as revenue

**Expenditure Summary**

| Fund                       | Budget             | YTD Actuals        | % of Budget  | PY YTD Actuals     | PY % of Budget |
|----------------------------|--------------------|--------------------|--------------|--------------------|----------------|
| <b>General Fund</b>        |                    |                    |              |                    |                |
| Salaries                   | 391,532,285        | 213,909,506        | 54.6%        | 201,507,156        | 54.2%          |
| Benefits                   | 142,117,625        | 66,096,633         | 46.5%        | 60,658,396         | 46.0%          |
| Purchased Services         | 117,123,922        | 54,197,023         | 46.3%        | 49,893,758         | 37.7%          |
| Supplies & Materials       | 31,437,816         | 17,138,642         | 54.5%        | 14,669,576         | 56.9%          |
| Capital Expenditures       | 793,909            | 277,179            | 34.9%        | 271,368            | 18.1%          |
| Other Expenses             | 8,528,147          | 1,853,568          | 21.7%        | 715,548            | 10.4%          |
| <b>Total</b>               | <b>691,533,704</b> | <b>353,472,552</b> | <b>51.1%</b> | <b>327,715,802</b> | <b>49.0%</b>   |
| <b>Operating Funds</b>     |                    |                    |              |                    |                |
| Food Service Fund          | 26,819,050         | 13,309,111         | 49.6%        | 12,931,871         | 62.7%          |
| Community Service Fund     | 32,872,032         | 18,029,171         | 54.8%        | 17,192,394         | 45.0%          |
| <b>Non-Operating Funds</b> |                    |                    |              |                    |                |
| Building Construction Fund | 132,002,128        | 69,630,063         | 52.7%        | 50,070,828         | 35.3%          |
| Debt Service Fund*         | 92,497,294         | 96,771,802         | 104.6%       | 96,087,698         | 105.4%         |
| <b>Total All Funds</b>     | <b>975,724,208</b> | <b>551,212,698</b> | <b>56.5%</b> | <b>503,998,593</b> | <b>52.5%</b>   |

\*For the purposes of this report, other financing uses are included in expenditures.

**YTD General Fund Revenue & Expenditure by Type**



**Minneapolis Public Schools**  
**Special School District No. 1**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**Month Ended January 31, 2024**

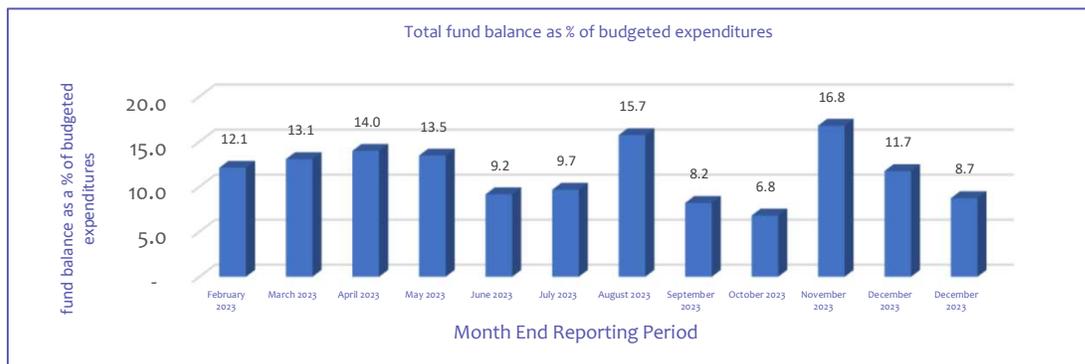
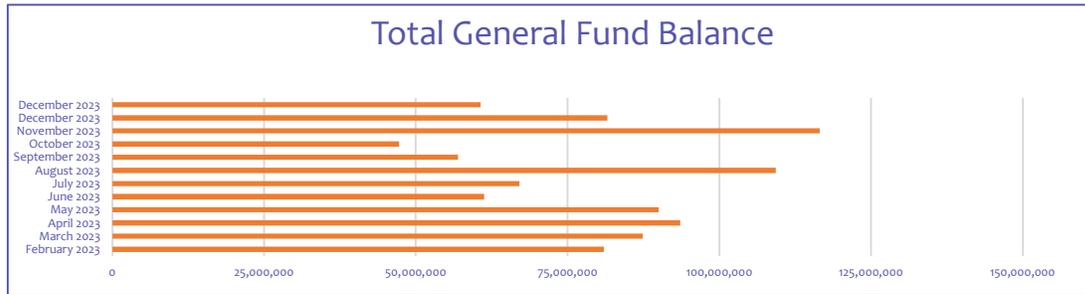
|   | Budget             | YTD<br>Actuals      | % of<br>Budget | PY YTD<br>Actuals   | PY % of<br>Budget |
|---|--------------------|---------------------|----------------|---------------------|-------------------|
| <b>Revenues</b>                                 |                    |                     |                |                     |                   |
| Local sources                                   |                    |                     |                |                     |                   |
| Property taxes                                  | 145,848,250        | 69,948,712          | 48.0%          | 67,018,227          | 50.6%             |
| Earnings on investments                         | 2,000,000          | 4,991,138           | 249.6%         | 1,711,003           | 85.6%             |
| Other local and county revenues                 | 14,111,002         | 7,650,275           | 54.2%          | 5,171,707           | 840.6%            |
| Revenue from state sources                      | 387,105,129        | 140,476,982         | 36.3%          | 136,413,527         | 38.3%             |
| Revenue from federal sources                    | 145,626,310        | 47,179,713          | 32.4%          | 55,289,134          | 36.6%             |
| Sale and other conversion of assets             | -                  | 571,323             | 0.0%           | 115,721             | 0.0%              |
| <b>Total Revenues</b>                           | <b>694,690,691</b> | <b>270,818,143</b>  | <b>39.0%</b>   | <b>265,719,318</b>  | <b>41.4%</b>      |
| <b>Expenditures</b>                             |                    |                     |                |                     |                   |
| Current   |                    |                     |                |                     |                   |
| Administration                                  | 12,315,356         | 10,716,359          | 87.0%          | 9,887,502           | 25.7%             |
| District support services                       | 50,040,939         | 26,614,912          | 53.2%          | 23,293,846          | 57.0%             |
| Elementary and secondary regular                | 304,897,855        | 152,620,879         | 50.1%          | 138,724,717         | 52.9%             |
| Vocational education instruction                | 6,843,107          | 2,814,147           | 41.1%          | 2,693,606           | 50.5%             |
| Special education instruction                   | 133,611,176        | 60,567,594          | 45.3%          | 63,142,687          | 48.6%             |
| Community education and services                | 63,344             | -                   |                |                     |                   |
| Instructional support services                  | 55,986,048         | 25,659,844          | 45.8%          | 20,619,893          | 49.8%             |
| Pupil support services                          | 104,369,589        | 49,893,039          | 47.8%          | 44,809,306          | 41.0%             |
| Sites and buildings                             | 48,499,564         | 22,092,465          | 45.6%          | 22,875,175          | 57.4%             |
| Fiscal and other fixed cost programs            | (25,877,983)       | 2,216,135           | (8.6%)         | 1,397,702           | 100.2%            |
| Capital Outlay                                  |                    |                     |                |                     |                   |
| Administration                                  | -                  | 1,084               | 0.0%           | 1,500               | 0.0%              |
| District support services                       | -                  | 500                 | 0.0%           | -                   | 0.0%              |
| Elementary and secondary regular                | 638,655            | 69,156              | 10.8%          | 129,540             | 12954.0%          |
| Vocational education instruction                | -                  | -                   | 0.0%           | -                   | 0.0%              |
| Special education instruction                   | -                  | 8,497               | 0.0%           | 6,828               | 0.0%              |
| Instructional support services                  | 81,033             | 38,974              | 48.1%          | 50,375              | 797.6%            |
| Pupil support services                          | 15,500             | 4,847               | 0.0%           | -                   | 0.0%              |
| Sites and buildings                             | 49,521             | 154,121             | 311.2%         | 83,125              | 59.1%             |
| <b>Total Expenditures</b>                       | <b>691,533,704</b> | <b>353,472,552</b>  | <b>51.1%</b>   | <b>327,715,802</b>  | <b>49.0%</b>      |
| Excess of Revenues Over<br>(Under) Expenditures | 3,156,987          | (82,654,408)        |                | (61,996,484)        |                   |
| <b>Other Financing Sources</b>                  |                    |                     |                |                     |                   |
| Lease financing                                 | -                  | -                   | 0.0%           | -                   | 0.0%              |
| <b>Total Other Financing Sources</b>            | <b>-</b>           | <b>-</b>            | <b>-</b>       | <b>-</b>            | <b>-</b>          |
| <b>Net Change in Fund Balances</b>              | <b>3,156,987</b>   | <b>(82,654,408)</b> |                | <b>(17,275,379)</b> |                   |
| <b>Fund Balances</b>                            |                    |                     |                |                     |                   |
| June 30, 2023                                   |                    | 143,285,451         |                |                     |                   |
| <b>January 31, 2024</b>                         |                    | <b>60,631,043</b>   |                |                     |                   |

**Minneapolis Public Schools**  
**Special School District No. 1**  
**General Fund Balance Sheet**  
 January 31, 2024

| <b>Assets</b>  | <u>Current Year</u>       | <u>Prior Year</u>         |
|--|---------------------------|---------------------------|
| Cash and investments   | 77,678,353                | 97,915,159                |
| Cash and investments held by trustee                                       | -                         | -                         |
| Due from food service fund (negative cash)                                 | 3,962,160                 | 7,065,372                 |
| Receivables  |                           |                           |
| Current property taxes receivable  | 71,182,485                | 65,216,633                |
| Delinquent property taxes receivable                                       | 791,906                   | 867,727                   |
| Due from other Minnesota school districts                                  | 4,691                     | 2,297                     |
| Due from the Minnesota Department of Education                             | 2,652,466                 | 2,059,947                 |
| Due from the federal government through MDE                                | 49,053,239                | 48,173,155                |
| Due from the federal government directly                                   | 35,297                    | 279,438                   |
| Due from other governmental units  | 2,055,214                 | 1,641,973                 |
| Other receivables  | 1,721,229                 | 929,790                   |
| Prepaid items  | 5,179,676                 | 10,008,076                |
| Inventory  | 171,134                   | 124,920                   |
| <b>Total assets</b>  | <b><u>214,487,850</u></b> | <b><u>234,284,486</u></b> |
| <b>Liabilities</b>   |                           |                           |
| Salaries and compensated absences payable                                  | 23,022,546                | 22,074,100                |
| Payroll deductions and contributions payable                               | 5,637,935                 | 8,749,564                 |
| Accounts and contracts payable   | 2,773,284                 | 5,817,762                 |
| Due to other governmental units  | (21,005)                  | -                         |
| Unearned revenue   | (3,609)                   | 7,753                     |
| <b>Total liabilities</b>   | <b><u>31,409,150</u></b>  | <b><u>36,649,179</u></b>  |
| <b>Deferred Inflows of Resources</b>                                       |                           |                           |
| Property taxes levied for subsequent expenditures                          | 121,587,994               | 113,606,563               |
| Unavailable revenue - delinquent property taxes                            | 791,906                   | 867,727                   |
| Deferred Inflow - lease revenue  | 67,756                    | 203,276                   |
| <b>Total deferred inflows of resources</b>                                 | <b><u>122,447,656</u></b> | <b><u>114,677,566</u></b> |
| <b>Fund Balances</b>   |                           |                           |
| <b>Total fund balances</b>   | <b><u>60,631,043</u></b>  | <b><u>82,957,742</u></b>  |
| <b>Total liabilities, deferred inflows of resources, and fund balances</b> | <b><u>214,487,850</u></b> | <b><u>234,284,487</u></b> |

Cash and investments are net of salaries & compensated wages payable

# General Fund - Fund Balance Analysis



District policy dictates that the unassigned portion of General Fund balance be at least 8.0% of budgeted expenditures. The above graphs display total fund balance, unassigned in a portion of the overall fund balance of MPS.

## Overview of fund balance types

Nonspendable – assets that are inherently nonspendable (inventory and prepaid expenditures).

Restricted – amounts that are subject to externally enforceable legal purpose restrictions.

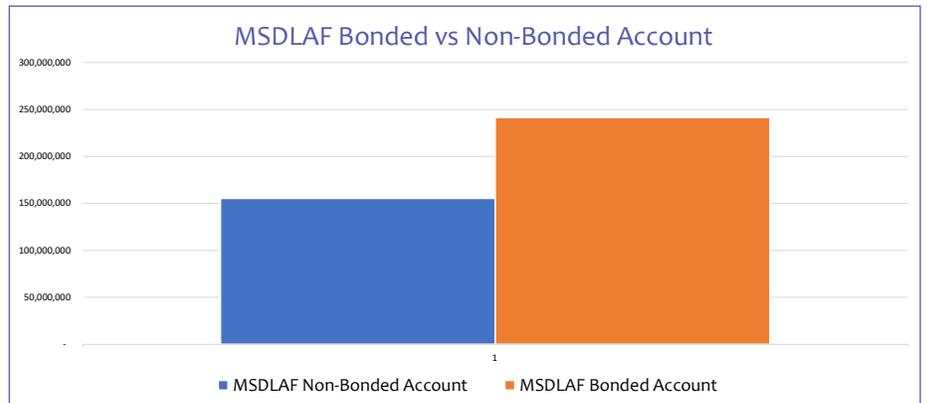
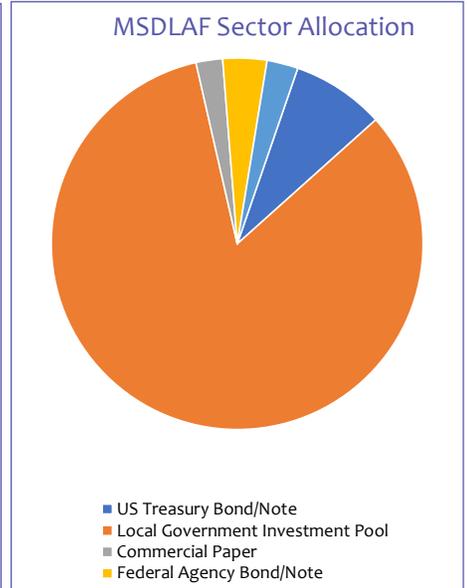
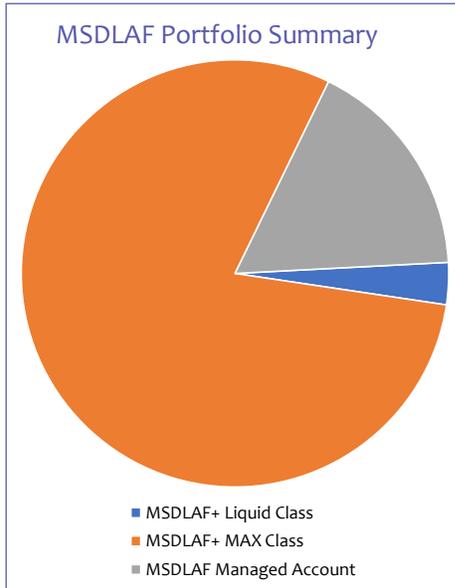
Assigned – amounts that are subject to a purpose constraint that represents an intended use established by The District

Unassigned – represents the residual classification for the government's general fund

As displayed in the bar graph above, the District receives revenue throughout the year unevenly causing the fund balance bar graph to show a U shaped curve. The District receives most of their funds during the first third and end of the school year. Due to uneven revenue collection during the year, the District must set aside funding for the periods to remain in operations. This additional reconciling item is being displayed as "fluctuations of revenue during the year" as part of assigned. Assigned fund balance is fully reconciled during the course of the annual audit process at June year end.

**Minneapolis Public Schools  
Special School District No. 1**  
Cash Position & Minnesota School District Liquid Asset Fund Investment Fair Market Values  
Month Ended January 31, 2024

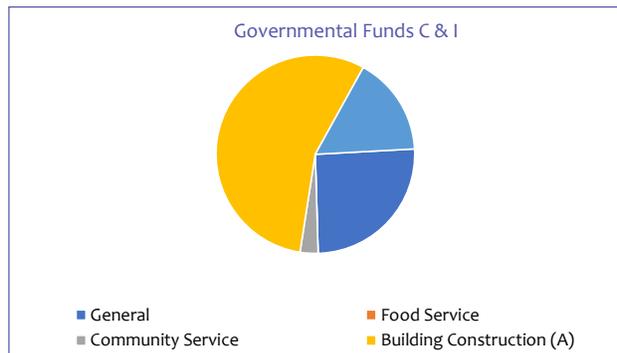
| <u>MSDLAF Investment Accounts*</u>  | <u>2024<br/>January</u> |
|-------------------------------------|-------------------------|
| <b>MSDLAF</b>                       |                         |
| General Investments                 | 67,359,130              |
| General                             | 85,221,253              |
| Payroll                             | 2,783,714               |
| 2015D COP's                         | -                       |
| 2016A GO Bonds                      | -                       |
| 2016B GO Bonds (LTFM)               | 12,837                  |
| 2016C COP's                         | 927,951                 |
| 2017A GO Bonds                      | 3,644,540               |
| 2017B GO Bonds (LTFM)               | 4,795,609               |
| 2017C COP's                         | 4,385,450               |
| 2018A GO Bonds                      | 1,601                   |
| 2018B GO Bonds (LTFM)               | 2,390,264               |
| 2019A GO Bonds                      | 11,473,790              |
| 2019B GO Bonds (LTFM)               | 17,273,189              |
| 2019C COP's                         | -                       |
| 2020B GO Bonds                      | 32,386,907              |
| 2020C GO Bonds (LTFM)               | 18,293,258              |
| 2021B GO Bonds                      | 23,730,800              |
| 2021C GO Bonds (LTFM)               | 16,452,147              |
| 2021D Bond Refunding                | -                       |
| 2022A GO Bonds                      | 16,333,849              |
| 2022B GO Bonds (LTFM)               | 2,253,329               |
| 2023A GO Bonds                      | 39,529,485              |
| 2023B GO Bonds                      | 47,530,298              |
| <b>Total Fair Market Value</b>      | <b>396,779,399</b>      |
| <b>Non MSDLAF Accounts*</b>         |                         |
| US Bank                             | -                       |
| Wells Fargo                         | 10,036                  |
| Cash with Fiscal Agents             | 32,570,388              |
| Student Activity Accounts           | 540,682                 |
| <b>Total Non MSDLAF</b>             | <b>33,121,105</b>       |
| <b>Total Cash &amp; Investments</b> | <b>429,900,505</b>      |



\*Note 1: These amounts represent cash balances and do not take into account pending transactions (outstanding checks, deposits in transit, etc.).  
 \*Note 2: Cash & Investments balances for non-governmental funds may also be displayed above, however aren't included in cash on hand table.  
 \*Note 3: All investments held at the Minnesota School District Liquid Asset Fund adhere to MPS investment Policy 3296 & 3296A, as well as state & federal guidelines.

**Month End Governmental Funds Cash and Investments**

| <b>Governmental Funds</b>  | <b>Balances</b> |
|----------------------------|-----------------|
| <b>Operating Funds</b>     |                 |
| General                    | \$77,678,353    |
| Food Service               | \$0             |
| Community Service          | \$8,954,029     |
| <b>Non-Operating Funds</b> |                 |
| Building Construction (A)  | \$170,017,585   |
| Debt Service               | \$49,304,150    |

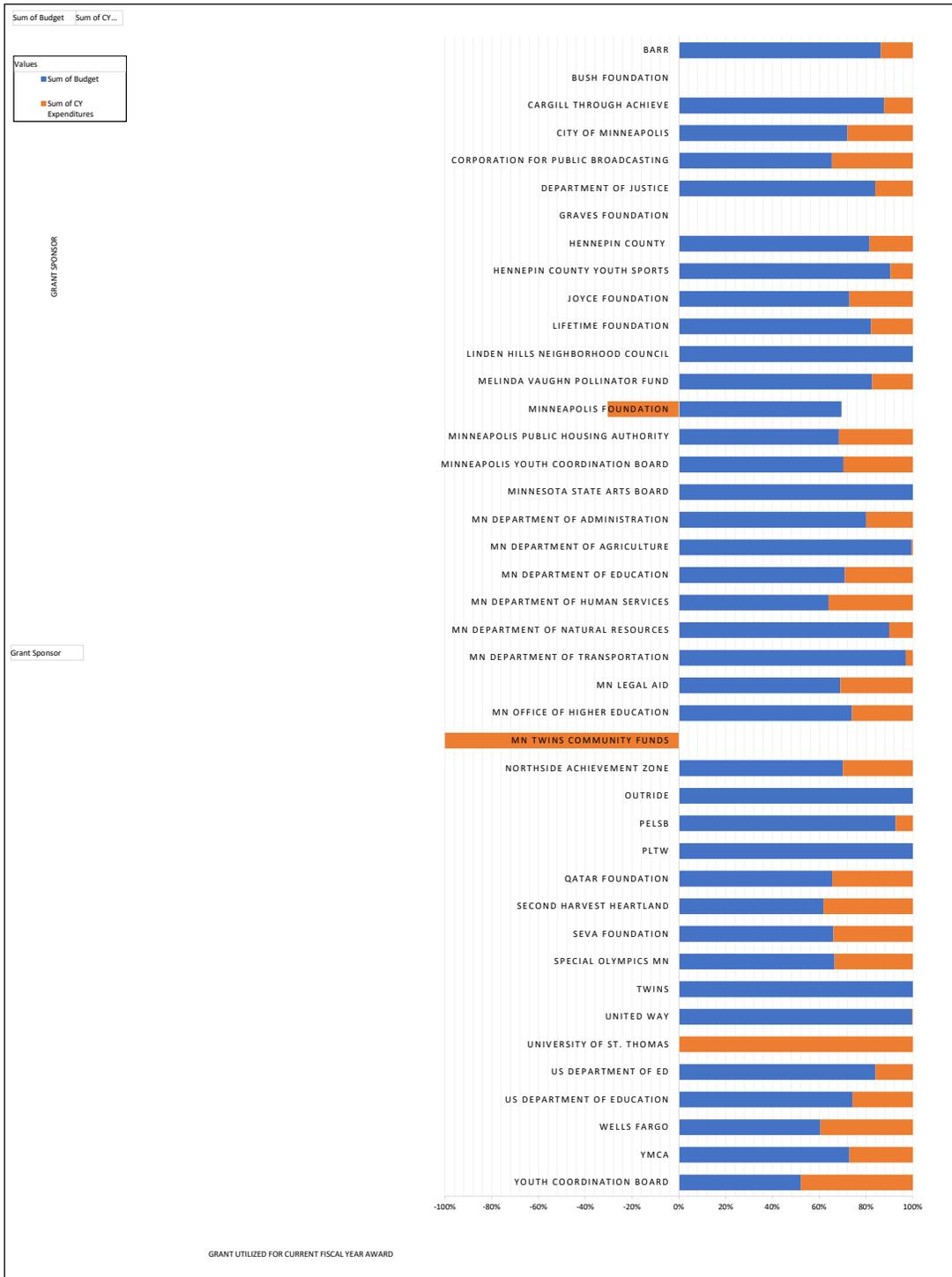


(A) A significant portion of The District's Cash and Investment is in the building construction fund. This funding must be spent on capital

Minneapolis Public Schools  
Special School District No. 1  
Grant Awards and Expenditures  
Month Ended January 31, 2024

| Row Labels                           | Sum of Budget         | Sum of CY Expenditures |
|--------------------------------------|-----------------------|------------------------|
| Youth Coordination Board             | 37,000.00             | 33,922.00              |
| YMCA                                 | 1,000,265.00          | 371,293.00             |
| Wells Fargo                          | 36,425.00             | 23,768.00              |
| US Department of Education           | 2,665,271.00          | 928,415.00             |
| US Department of Ed                  | 610,260.00            | 115,856.00             |
| University of St. Thomas             | -                     | 1,658.00               |
| United Way                           | 87,276.00             | 243.00                 |
| Special Olympics MN                  | 24,995.00             | 12,581.00              |
| SEVA Foundation                      | 99,990.00             | 51,456.00              |
| Qatar Foundation                     | 46,040.00             | 24,150.00              |
| PELSB                                | 482,970.00            | 38,070.00              |
| Outride                              | 15,000.00             | -                      |
| Northside Achievement Zone           | 159,977.00            | 68,029.00              |
| MN Twins Community Funds             | -                     | (18,416.00)            |
| MN Office of Higher Education        | 178,751.00            | 63,145.00              |
| MN Legal Aid                         | 17,264.00             | 7,749.00               |
| MN Department of Transportation      | 45,874.00             | 1,400.00               |
| MN Department of Natural Resources   | 4,959.00              | 560.00                 |
| MN Department of Human Services      | 100,000.00            | 56,215.00              |
| MN Department of Education           | 117,629,740.00        | 48,203,540.00          |
| MN Department of Agriculture         | 212,198.00            | 996.00                 |
| MN Department of Administration      | 285,771.00            | 71,253.00              |
| Minnesota State Arts Board           | 52,140.00             | -                      |
| Minneapolis Youth Coordination Board | 335,000.00            | 141,298.00             |
| Minneapolis Public Housing Authority | 696,520.00            | 321,150.00             |
| Minneapolis Foundation               | 141,007.92            | (61,689.45)            |
| Melinda Vaughn Pollinator Fund       | 2,791.63              | 588.00                 |
| Linden Hills Neighborhood Council    | 1,000.00              | -                      |
| Lifetime Foundation                  | 12,194.00             | 2,652.00               |
| Hennepin County Youth Sports         | 573,256.00            | 61,166.00              |
| Hennepin County                      | 116,861.00            | 26,574.00              |
| Graves Foundation                    | -                     | -                      |
| Department of Justice                | 153,750.00            | 29,454.00              |
| Corporation for Public Broadcasting  | 201,806.00            | 106,728.00             |
| City of Minneapolis                  | 254,769.00            | 99,322.00              |
| Cargill through Achieve              | 1,065,725.00          | 148,786.00             |
| Bush Foundation                      | -                     | -                      |
| BARR                                 | 42,125.00             | 6,670.00               |
| <b>Grand Total</b>                   | <b>127,577,955.55</b> | <b>50,997,653.55</b>   |

**Minneapolis Public Schools**  
**Special School District No. 1**  
**Grant Utilization for Current Fiscal Year Award**  
**Month Ended January 31, 2024**



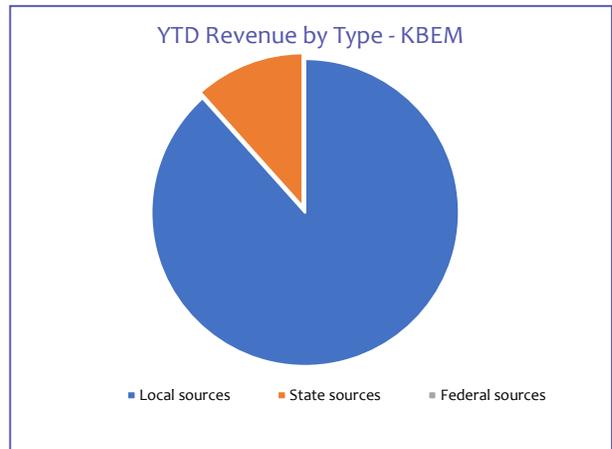
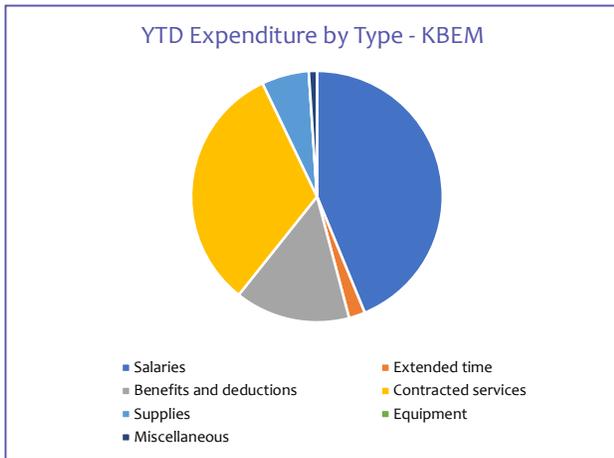
**Minneapolis Public Schools  
Special School District No. 1  
Budget and Actual Expenditures - KBEM  
Month Ended January 31, 2024**

| Fund                    | Budget           | YTD Actuals    | % of Budget  | PY YTD Actuals | PY % of Budget |
|-------------------------|------------------|----------------|--------------|----------------|----------------|
| Salaries                | 869,586          | 435,227        | 50.0%        | 356,084        | 49.1%          |
| Extended time           | 54,100           | 20,851         | 38.5%        | 16,970         | 56.1%          |
| Benefits and deductions | 337,515          | 147,124        | 43.6%        | 109,847        | 40.7%          |
| Contracted services     | 724,214          | 320,061        | 44.2%        | 151,243        | 47.2%          |
| Supplies                | 2,080,697        | 60,517         | 2.9%         | 14,631         | 9.9%           |
| Equipment               | -                | -              | 0.0%         | -              | 0.0%           |
| Miscellaneous           | 11,112           | 10,287         |              | 18,190         | 99%            |
| <b>Total</b>            | <b>4,077,224</b> | <b>994,067</b> | <b>24.4%</b> | <b>666,965</b> | <b>44.1%</b>   |

**Revenue Breakdown - KBEM  
Month Ended January 31, 2024**

|                             | YTD Actuals    |
|-----------------------------|----------------|
| Local sources               | 785,254        |
| State sources               | 103,227        |
| Federal sources             | -              |
| <b>YTD Revenue Received</b> | <b>888,481</b> |

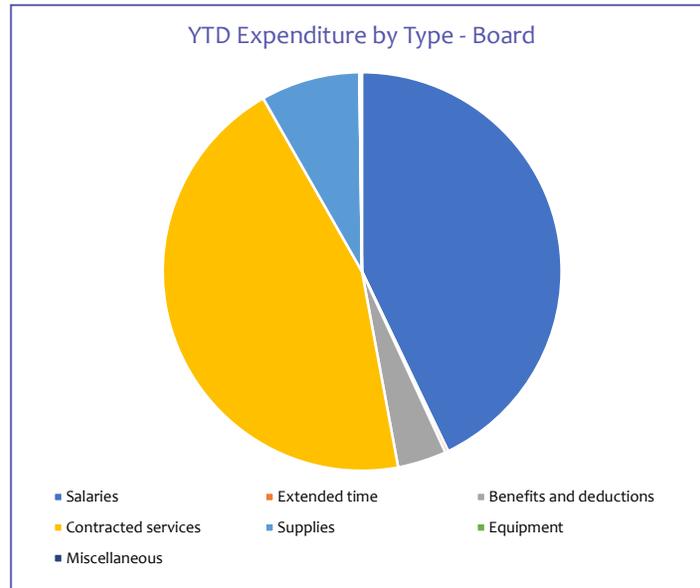
**Pie Chart Displaying Breakdown of Revenue & Expenditure by Type**



**Minneapolis Public Schools  
Special School District No. 1  
Budget and Actual Expenditures - Board of Education  
Month Ended January 31, 2024**

| <b>Fund</b>             | <b>Budget</b>  | <b>YTD Actuals</b> | <b>% of Budget</b> | <b>PY YTD Actuals</b> | <b>PY % of Budget</b> |
|-------------------------|----------------|--------------------|--------------------|-----------------------|-----------------------|
| Salaries                | 184,000        | 96,437             | 52.4%              | 300,948               | 79.0%                 |
| Extended time           | -              | 583                | 0.0%               | -                     | 0.0%                  |
| Benefits and deductions | 66,240         | 8,857              | 13.4%              | 50,387                | 46.9%                 |
| Contracted services     | 220,200        | 100,429            | 45.6%              | 229,395               | 71.1%                 |
| Supplies                | 12,000         | 18,052             | 150.4%             | 3,344                 | 11.4%                 |
| Equipment               | -              | -                  | 0.0%               | -                     | 0.0%                  |
| Miscellaneous           | -              | 500                |                    | -                     | 0.0%                  |
| <b>Total</b>            | <b>482,440</b> | <b>224,858</b>     | <b>46.6%</b>       | <b>584,074</b>        | <b>63.8%</b>          |

**Pie Chart Displaying Breakdown of Expenditure by Type**



**Minneapolis Public Schools**  
**Special School District No. 1**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Governmental Funds (Non - General Fund)**  
**Month Ended January 31, 2024**

\*The activity represented below is for the current fiscal year\*

|   | <u>Operating Funds</u> |                          | <u>Non-Operating Funds</u>   |                     |
|---|------------------------|--------------------------|------------------------------|---------------------|
|   | <u>Food Service</u>    | <u>Community Service</u> | <u>Building Construction</u> | <u>Debt Service</u> |
| <b>Revenues</b>                                 |                        |                          |                              |                     |
| Local sources                                   | 115,321                | 9,220,309                | 7,585,700                    | 45,708,956          |
| Revenue from state sources                      | 3,659,730              | 6,837,204                | -                            | 9,469,298           |
| Revenue from federal sources                    | 4,833,852              | 142,198                  | -                            | 515,748             |
| Other Revenue                                   | 360,207                | -                        | 6,937                        | -                   |
| <b>Total Revenues</b>                           | <b>8,969,110</b>       | <b>16,199,711</b>        | <b>7,592,637</b>             | <b>55,694,003</b>   |
| <b>Expenditures</b>                             |                        |                          |                              |                     |
| Current   | 13,285,814             | 18,029,171               | 28,849,133                   | -                   |
| Capital Outlay                                  | 23,297                 | -                        | 40,780,930                   | -                   |
| Debt Service                                    | -                      | -                        | -                            | 96,771,802          |
| <b>Total Expenditures</b>                       | <b>13,309,111</b>      | <b>18,029,171</b>        | <b>69,630,063</b>            | <b>96,771,802</b>   |
| Excess of Revenues Over<br>(Under) Expenditures | (4,340,001)            | (1,829,460)              | (62,037,426)                 | (41,077,799)        |
| <b>Other Financing Sources</b>                  |                        |                          |                              |                     |
| <b>Total Other Financing Sources</b>            | -                      | -                        | -                            | -                   |
| <b>Net Change in Fund Balances</b>              | <b>(4,340,001)</b>     | <b>(1,829,460)</b>       | <b>(62,037,426)</b>          | <b>(41,077,799)</b> |
| <b>Fund Balances</b>                            |                        |                          |                              |                     |
| June 30, 2023                                   | 1,970,767              | 7,626,188                | 228,973,748                  | 43,205,114          |
| <b>January 31, 2024</b>                         | <b>(2,369,234)</b>     | <b>5,796,728</b>         | <b>166,936,322</b>           | <b>2,127,315</b>    |

**Minneapolis Public Schools**  
**Special School District No. 1**  
**Balance Sheet - Governmental Funds (Non - General Fund)**  
**January 31, 2024**

\*The activity represented below is a snapshot as of month end\*

|  | Operating Funds    |                   | Non-Operating Funds   |                   |
|--|--------------------|-------------------|-----------------------|-------------------|
|  | Food Service       | Community Service | Building Construction | Debt Service      |
| <b>Assets</b>  |                    |                   |                       |                   |
| Cash and investments   | -                  | 8,954,029         | 170,017,585           | 49,304,150        |
| Receivables  | -                  | 2,460,538         | -                     | 45,826,780        |
| Due from other gov entitites   | 373,248            | -                 | -                     | -                 |
| Prepaid items  | -                  | -                 | (380,030)             | -                 |
| Inventory  | 1,970,767          | -                 | -                     | -                 |
| <b>Total assets</b>  | <b>2,344,015</b>   | <b>11,414,567</b> | <b>169,637,554</b>    | <b>95,130,930</b> |
| <b>Liabilities</b>   |                    |                   |                       |                   |
| Due to general fund (negative cash)  | 3,962,160          | -                 | -                     | -                 |
| Salaries and benefits payable  | -                  | 1,940             | -                     | -                 |
| Accounts, contracts, and DTOG payable                                      | 373,248            | 109,489           | 2,701,232             | -                 |
| Unearned revenue   | 377,842            | -                 | -                     | -                 |
| <b>Total liabilities</b>   | <b>4,713,250</b>   | <b>111,429</b>    | <b>2,701,232</b>      | <b>-</b>          |
| <b>Deferred Inflows of Resources</b>                                       |                    |                   |                       |                   |
| <b>Total deferred inflows of resources</b>                                 | <b>-</b>           | <b>5,506,412</b>  | <b>-</b>              | <b>93,003,615</b> |
| <b>Fund Balances</b>   |                    |                   |                       |                   |
| Nonspendable   | 1,970,767          | -                 | (380,030)             | -                 |
| Restricted   | (4,340,002)        | 5,796,728         | 167,316,353           | 2,127,315         |
| Assigned   | -                  | -                 | -                     | -                 |
| Unassigned   | -                  | -                 | -                     | -                 |
| <b>Total fund balances</b>   | <b>(2,369,234)</b> | <b>5,796,728</b>  | <b>166,936,322</b>    | <b>2,127,315</b>  |
| <b>Total liabilities, deferred inflows of resources, and fund balances</b> | <b>2,344,015</b>   | <b>11,414,567</b> | <b>169,637,554</b>    | <b>95,130,930</b> |

**KBEM Radio Station**  
**Financial Statements**  
**June 30, 2023 and 2022**



**KBEM Radio Station  
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## Independent Auditor's Report

To the Honorable Members of the Board of Education of  
Special School District No. 1  
KBEM Radio Station  
Minneapolis, Minnesota

### ***Opinion***

We have audited the financial statements of KBEM Radio Station, which comprise the statement of assets, liabilities, and net assets – regulatory basis as of June 30, 2023 and 2022, and the related statement of support, revenue, and expenses – regulatory basis for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the assets, liabilities, and net assets of KBEM Radio Station as of June 30, 2023 and 2022, and its support, revenue, and expenses for the years then ended in accordance with the financial reporting provisions of Financial Reporting Guidelines of the Corporation for Public Broadcasting as described in Note 1.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of KBEM Radio Station and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. As described in Note 1 to the financial statements, the financial statements are prepared on the basis of the financial reporting provisions of the Financial Reporting Guidelines of the Corporation for Public Broadcasting, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Corporation for Public Broadcasting. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Financial Reporting Guidelines of the Corporation for Public Broadcasting; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of KBEM Radio Station's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about KBEM Radio Station's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

### ***Restriction on Use***

Our report is intended solely for the information and use of the Corporation for Public Broadcasting and is not intended to be and should not be used by anyone other than these specified parties.

*BergankDV, Ltd.*

St. Cloud, Minnesota  
November 11, 2023

**KBEM Radio Station**  
**Statements of Assets, Liabilities, and Net Assets - Regulatory Basis**  
**As of June 30, 2023 and 2022**

|   | 2023       | 2022       |
|---|------------|------------|
| <b>Assets</b>                                   |            |            |
| Current assets                                  |            |            |
| Cash and cash equivalents                       | \$ -       | \$ 290,981 |
| Accounts receivable - program revenue           | 50,000     | -          |
| Grants receivable                               | 176,070    | 68,676     |
| Total current assets                            | 226,070    | 359,657    |
| Property and equipment, net                     | 96,333     | 69,843     |
| Right-of-use asset, net                         | 237,670    | 56,247     |
| Total assets                                    | \$ 560,073 | \$ 485,747 |
| <b>Liabilities and Net Assets</b>               |            |            |
| Current liabilities                             |            |            |
| Cash overdraft                                  | \$ 3,140   | \$ -       |
| Current maturities of operating lease liability | 44,710     | 39,883     |
| Accounts payable                                | 34,582     | 7,515      |
| Accrued expenses                                | 62,998     | 48,042     |
| Refundable advances                             | 123,482    | 132,875    |
| Total current liabilities                       | 268,912    | 228,315    |
| Long-term liabilities                           |            |            |
| Operating lease liability                       | 184,360    | -          |
| Total liabilities                               | 453,272    | 228,315    |
| Net assets                                      |            |            |
| Without donor restrictions                      | 94,278     | 238,098    |
| With donor restrictions                         | 12,523     | 19,334     |
| Total net assets                                | 106,801    | 257,432    |
| Total liabilities and net assets                | \$ 560,073 | \$ 485,747 |

**KBEM Radio Station**  
**Statement of Support and Revenue, Expenses and Change**  
**in Net Assets - Regulatory Basis**  
**Year Ended June 30, 2023**

|                                      | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total      |
|--------------------------------------|-------------------------------|----------------------------|------------|
| <b>Public Support and Revenue</b>    |                               |                            |            |
| Grant revenue                        | \$ 342,155                    | \$ -                       | \$ 342,155 |
| Contributions                        |                               |                            |            |
| Members                              | 736,881                       | -                          | 736,881    |
| In-kind                              | 42,321                        | -                          | 42,321     |
| In-kind sponsorships                 | 1,500                         | -                          | 1,500      |
| Underwriting                         | 152,485                       | -                          | 152,485    |
| Program revenue - MnDOT              | 200,000                       | -                          | 200,000    |
| Net assets released from restriction | 6,811                         | (6,811)                    | -          |
| Total public support and revenue     | 1,482,153                     | (6,811)                    | 1,475,342  |
| <br><b>Expenses</b>                  |                               |                            |            |
| Program services                     | 1,188,589                     | -                          | 1,188,589  |
| Management and general               | 262,470                       | -                          | 262,470    |
| Fundraising                          | 174,914                       | -                          | 174,914    |
| Total expenses                       | 1,625,973                     | -                          | 1,625,973  |
| <br>Change in net assets             | (143,820)                     | (6,811)                    | (150,631)  |
| <br><b>Net Assets</b>                |                               |                            |            |
| Beginning of year                    | 238,098                       | 19,334                     | 257,432    |
| End of year                          | \$ 94,278                     | \$ 12,523                  | \$ 106,801 |

**KBEM Radio Station**  
**Statement of Support and Revenue, Expenses and Change**  
**in Net Assets - Regulatory Basis**  
**Year Ended June 30, 2022**

|                                      | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total             |
|--------------------------------------|-------------------------------|----------------------------|-------------------|
| <b>Public Support and Revenue</b>    |                               |                            |                   |
| Grant revenue                        | \$ 350,834                    | \$ -                       | \$ 350,834        |
| Contributions                        |                               |                            |                   |
| Members                              | 728,695                       | 6,325                      | 735,020           |
| In-kind                              | 43,057                        | -                          | 43,057            |
| In-kind sponsorships                 | 35,660                        | -                          | 35,660            |
| Underwriting                         | 113,533                       | -                          | 113,533           |
| Program revenue - MnDOT              | 200,000                       | -                          | 200,000           |
| Net assets released from restriction | 5,639                         | (5,639)                    | -                 |
| Total public support and revenue     | <u>1,477,418</u>              | <u>686</u>                 | <u>1,478,104</u>  |
| <b>Expenses</b>                      |                               |                            |                   |
| Program services                     | 946,983                       | -                          | 946,983           |
| Management and general               | 196,440                       | -                          | 196,440           |
| Fundraising                          | 117,981                       | -                          | 117,981           |
| Total expenses                       | <u>1,261,404</u>              | <u>-</u>                   | <u>1,261,404</u>  |
| Change in net assets                 | 216,014                       | 686                        | 216,700           |
| <b>Net Assets</b>                    |                               |                            |                   |
| Beginning of year                    | <u>22,084</u>                 | <u>18,648</u>              | <u>40,732</u>     |
| End of year                          | <u>\$ 238,098</u>             | <u>\$ 19,334</u>           | <u>\$ 257,432</u> |

**KBEM Radio Station**  
**Statement of Functional Expenses - Regulatory Basis**  
**Year Ended June 30, 2023**

|  | Program Services              |                                 |                     | Management<br>and General | Fundraising       | Total               |
|--|-------------------------------|---------------------------------|---------------------|---------------------------|-------------------|---------------------|
|  | Programming<br>and Production | Broadcasting<br>and Engineering | Total               |                           |                   |                     |
| Salaries   | \$ 407,168                    | \$ 94,206                       | \$ 501,374          | \$ 62,384                 | \$ 123,655        | \$ 687,413          |
| Payroll taxes and benefits                       | 132,493                       | 32,414                          | 164,907             | 19,813                    | 51,259            | 235,979             |
| Total salaries and related<br>taxes and benefits | 539,661                       | 126,620                         | 666,281             | 82,197                    | 174,914           | 923,392             |
| Consulting fees                                  | 473,167                       | -                               | 473,167             | -                         | -                 | 473,167             |
| Office expenses                                  | 1,161                         | -                               | 1,161               | 16,282                    | -                 | 17,443              |
| General supplies and equipment                   | -                             | -                               | -                   | 82,716                    | -                 | 82,716              |
| Membership dues and licensing                    | 18,289                        | -                               | 18,289              | -                         | -                 | 18,289              |
| Donated event sponsorships                       | 1,500                         | -                               | 1,500               | -                         | -                 | 1,500               |
| Donated space                                    | 6,000                         | -                               | 6,000               | 25,960                    | -                 | 31,960              |
| Donated materials                                | -                             | 10,361                          | 10,361              | -                         | -                 | 10,361              |
| Operating lease expense                          | -                             | -                               | -                   | 55,315                    | -                 | 55,315              |
| Depreciation                                     | 11,830                        | -                               | 11,830              | -                         | -                 | 11,830              |
| Total expenses by function                       | <u>\$ 1,051,608</u>           | <u>\$ 136,981</u>               | <u>\$ 1,188,589</u> | <u>\$ 262,470</u>         | <u>\$ 174,914</u> | <u>\$ 1,625,973</u> |

See notes to financial statements.

**KBEM Radio Station**  
**Statement of Functional Expenses - Regulatory Basis**  
**Year Ended June 30, 2022**

|  | Program Services              |                                 |                   | Management<br>and General | Fundraising       | Total               |
|--|-------------------------------|---------------------------------|-------------------|---------------------------|-------------------|---------------------|
|  | Programming<br>and Production | Broadcasting<br>and Engineering | Total             |                           |                   |                     |
| Salaries   | \$ 369,336                    | \$ 91,914                       | \$ 461,250        | \$ 48,895                 | \$ 86,644         | \$ 596,789          |
| Payroll taxes and benefits                       | 99,826                        | 16,475                          | 116,301           | 19,389                    | 31,337            | 167,027             |
| Total salaries and related<br>taxes and benefits | 469,162                       | 108,389                         | 577,551           | 68,284                    | 117,981           | 763,816             |
| Consulting fees                                  | 259,785                       | -                               | 259,785           | -                         | -                 | 259,785             |
| Office expenses                                  | -                             | -                               | -                 | 5,459                     | -                 | 5,459               |
| General supplies and equipment                   | -                             | -                               | -                 | 47,141                    | -                 | 47,141              |
| Membership dues and licensing                    | 22,576                        | -                               | 22,576            | -                         | -                 | 22,576              |
| Donated event sponsorships                       | 35,660                        | -                               | 35,660            | -                         | -                 | 35,660              |
| Donated space                                    | 6,000                         | -                               | 6,000             | 21,447                    | -                 | 27,447              |
| Donated materials                                | 15,610                        | -                               | 15,610            | -                         | -                 | 15,610              |
| Lease expense                                    | -                             | 13,527                          | 13,527            | 54,109                    | -                 | 67,636              |
| Depreciation                                     | 16,274                        | -                               | 16,274            | -                         | -                 | 16,274              |
| Total expenses by function                       | <u>\$ 825,067</u>             | <u>\$ 121,916</u>               | <u>\$ 946,983</u> | <u>\$ 196,440</u>         | <u>\$ 117,981</u> | <u>\$ 1,261,404</u> |

See notes to financial statements.

**KBEM Radio Station**  
**Statements of Cash Flows - Regulatory Basis**  
**Years Ended June 30, 2023 and 2022**

|   | 2023         | 2022       |
|---|--------------|------------|
| <b>Cash Flows - Operating Activities</b>  |              |            |
| Change in net assets  | \$ (150,631) | \$ 216,700 |
| Adjustments to reconcile change in net assets<br>to net cash flows - operating activities |              |            |
| Depreciation  | 11,830       | 16,274     |
| Amortization of right-of-use asset  | 63,450       | 67,155     |
| Change in operating assets and liabilities  |              |            |
| Accounts receivable   | (50,000)     | -          |
| Grants receivable   | (107,394)    | (36,856)   |
| ROU asset - prepaid rent  | (8,600)      | -          |
| Accounts payable  | 27,067       | (3,231)    |
| Accrued expenses  | 14,956       | (566)      |
| Refundable advances   | (9,393)      | (107,969)  |
| Operating lease liability   | (47,086)     | (47,519)   |
| Total adjustments   | (105,170)    | (112,712)  |
| Net cash flows - operating activities   | (255,801)    | 103,988    |
| <br><b>Cash Flows - Investing Activities</b>  |              |            |
| Purchases of equipment  | (38,320)     | (49,503)   |
| <br><b>Cash Flows - Financing Activities</b>  |              |            |
| Cash overdraft  | 3,140        | -          |
| Net change in cash and cash equivalents   | (290,981)    | 54,485     |
| <br><b>Cash and Cash Equivalents</b>  |              |            |
| Beginning of year   | 290,981      | 236,496    |
| End of year   | \$ -         | \$ 290,981 |
| <br><b>Supplemental Disclosure of Cash Flow Information</b>                               |              |            |
| Operating cash outflows from operating lease  | \$ 48,600    | \$ 48,000  |
| Prepaid rent recorded as ROU asset at adoption  | \$ -         | \$ 36,000  |
| <br><b>Supplemental Disclosure for Non-Cash Investing<br/>and Financing Activities</b>    |              |            |
| ROU assets obtained in exchange for operating lease liability                             | \$ 236,273   | \$ 87,402  |

See notes to financial statements.

**KBEM Radio Station**  
**Notes to Financial Statements**

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

KBEM Radio Station (the Station) was founded in 1970 as a sub-department of Special School District No. 1 (the District) and is considered to be a special purpose government engaged primarily in business-type activities (BTA) to establish non-commercial community radio as an alternative to other Twin Cities stations, to fill the voids in music and news left by traditional broadcasters, to provide access to airwaves for the public at large, and to empower community members to use radio broadcasting.

The individuals that work for the Station are all employees of the District.

**Basis of Accounting**

The Station is a special purpose government of the District that would normally follow the accounting standards prescribed by the Government Auditing Standards Board (GASB). However, the Station is regulated by the Corporation for Public Broadcasting (CPB), who has instructed the Station to follow the accounting standards prescribed by the Financial Accounting Standards Board (FASB) because the Station's primary source of revenue is from contributions, not from government grants or taxes. In accordance with this direction, the Station has prepared the accompanying financial statements in accordance with FASB and considers the financial statements to be prepared in accordance with the regulatory basis.

The Station's financial statements are intended to present the assets, liabilities, net assets, support and revenue, expenses and changes in net assets, functional expenses, and cash flows of only that portion of the funds of the District that are attributable to the transactions of the Station.

**Use of Estimates**

The preparation of financial statements in conformity with the regulatory basis requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash Equivalents**

Cash equivalents include highly liquid investments with original maturities of three months or less, that are recorded at cost plus accrued interest, which approximates market.

Cash balances of the Station are pooled with cash balances of the District. Amounts owed to the Station are reported as cash and cash equivalents. All of the cash allocated to the Station in the District's pooled cash balances have original maturities of three months or less.

**Concentrations**

Financial instruments which potentially subject the Station to concentrations of credit risk consist principally of cash and cash equivalents, accounts and grants receivables. The Station places its cash and cash equivalents with high credit quality financial institutions. At times, the Station's cash and cash equivalents are in excess of the FDIC insurance limit.

**KBEM Radio Station**  
**Notes to Financial Statements**

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Concentrations (Continued)**

The Station is subject to a degree of vulnerability due to concentrations of receivables and revenue from major funding sources. The Station received program revenue from MnDOT which accounted for 14% of total public support and revenue for both 2023 and 2022.

**Grants Receivable**

Grants receivable are primarily from grant awards and revenues relating to the Station's current year which are expected to be received in the subsequent year. The Station determines the allowance for uncollectable receivables based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off when deemed uncollectable. As of June 30, 2023 and 2022, no allowance for uncollectable grants receivable is deemed necessary.

**Property and Equipment**

Property and equipment with a value in excess of \$500 are capitalized and are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation of property and equipment is provided using the straight-line method over the estimated useful life of the assets.

**Long-Lived Assets**

The Station records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. There were no impairment losses for the years ended June 30, 2023 and 2022.

**Net Assets**

Net assets and public support and revenue are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets without Donor Restrictions*

Net assets available for use in general operations and not subject to donor or grantor restrictions.

*Net Assets with Donor Restrictions*

Net assets subject to donor or grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished). All other donor-imposed restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**KBEM Radio Station**  
**Notes to Financial Statements**

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition**

*Grant Revenue*

A portion of the Station's revenue is derived from cost-reimbursable federal and state grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Station has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

*Contributions*

Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of an irrevocable beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

*Underwriting*

Underwriting revenue is received from the customers for radio ad spots for specific events or short-term campaigns. This revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Station and are recognized over time. Pricing is based on the time of day the ad spots are run and payment is received in installments over the term of the underwriting agreement. All underwriting revenue is collected and earned in the same year.

*Program Revenue - MnDOT*

Program revenue is received from the Minnesota Department of Transportation (MnDOT) for broadcasting roadway travel information to motorists in the Metro area during the morning and evening peak times and major incidents. The contract may be terminated by the Station or MnDOT by written notification within a minimum of 90 days' notice to the other party. If sufficient funding is not provided by the State of Minnesota or other funding source, MnDOT has the authority to immediately terminate the contract. The contract for 2023 and 2022 was amended to extend the expiration date through June 30, 2024. This revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Station and are recognized over time. Payment is received in quarterly installments of \$50,000.

**In-Kind Contributions and Sponsorships**

Contributed services are recognized as in-kind revenues at their estimated fair value if they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated. Volunteers contribute significant amounts of time to the Station's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria. Donated professional services, contributed goods, and space (facilities and tower space) are recorded at fair value at the date of donation. Donated sponsorships are recorded at the respective fair values and are recognized when earned.

**KBEM Radio Station**  
**Notes to Financial Statements**

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Functional Allocation of Expenses**

The costs of providing the program and supporting services have been summarized on a functional basis in the statement of support and revenue, expenses, and changes in net assets – regulatory basis. The statement of functional expenses – regulatory basis presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited. The expenses that are allocated include salaries and employee benefits which are allocated on the basis of estimates of time and effort.

**Tax Status**

Because the Station is a department of Special School District No. 1, the Station is exempt from income taxes as a part of the District under Internal Revenue Service Code Section 115. Accordingly, the financial statements do not reflect a provision for income taxes.

**Leases**

The Station classifies leases as either operating or finance leases at the commencement date of the lease in accordance with ASC 842. A lease is classified as a finance lease if any of the following five criteria are met: (1) ownership transfers at the end of the lease term, (2) there is an option to purchase the underlying asset and the lessee is reasonable certain to exercise the option, (3) the term of the lease is for a major part of the remaining economic life of the underlying asset, (4) the present value of the sum of the lease payments and any residual value guaranteed by the lessee equals or exceeds substantially all of the fair value of the underlying asset or (5) the underlying assets is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term. Leases that do not meet any of the five criteria above for a finance lease are classified as operating leases.

The Station recognizes a right-of-use (ROU) asset and lease liability for each operating and finance lease with an initial term greater than 12 months at the time of lease inception. The Station does not record an ROU asset or lease liability for leases with an initial term of 12 months or less but continues to record rent expense on a straight-line basis over the lease term. Options to extend or terminate at the sole discretion of the Station are included in the determination of lease term when they are reasonably certain to be exercised. The lease liability represents the present value of future lease payments over the lease term. The Station has elected the practical expedient that allows for private entities to utilize the risk-free rate by asset class.

**KBEM Radio Station**  
**Notes to Financial Statements**

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Recently Issued Accounting Pronouncement**

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This ASU amends the guidance on the impairment of financial instruments and adds an impairment model, known as the current expected credit losses model, that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes, as an allowance, its estimate of expected credit losses over the contractual life of a financial asset. In November 2019, the FASB issued ASU 2019-10, *Financial Instruments – Credit Losses (Topic 326)*, which defers the effective date to annual reporting periods beginning after December 15, 2022, with early adoption permitted. The provisions of this ASU are to be applied using the modified retrospective approach. The Station is currently evaluating the impact this standard will have on its financial statements.

**Subsequent Events**

The Station has evaluated subsequent events through November 11, 2023, the date which the financial statements were available to be issued.

**NOTE 2 – LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of assets, liabilities, and net assets – regulatory basis of accounting date, comprise of the following as of June 30, 2023 and 2022:

|   | <u>2023</u>              | <u>2022</u>              |
|---|--------------------------|--------------------------|
| Cash and cash equivalents                                 | \$ (3,140)               | \$ 290,981               |
| Accounts receivable - program revenue                     | 50,000                   | -                        |
| Grants receivable   | <u>176,070</u>           | <u>68,676</u>            |
| Total financial assets                                    | 222,930                  | 359,657                  |
| Less net assets with donor restrictions                   | <u>12,523</u>            | <u>19,334</u>            |
| Total financial assets available for general expenditures | <u><u>\$ 210,407</u></u> | <u><u>\$ 340,323</u></u> |

The Station does not have a formal policy; however, it structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, as part of its liquidity management, the District invests cash in excess of daily requirements in various short-term investments, including certificates of deposit and short-term treasury instruments.

**KBEM Radio Station**  
**Notes to Financial Statements**

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following as of June 30, 2023 and 2022:

|                               | <u>2023</u>      | <u>2022</u>      |
|-------------------------------|------------------|------------------|
| Radio and sound equipment     | \$ 424,706       | \$ 386,386       |
| Less accumulated depreciation | <u>328,373</u>   | <u>316,543</u>   |
| Property and equipment, net   | <u>\$ 96,333</u> | <u>\$ 69,843</u> |

**NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following as of June 30, 2023 and 2022:

|  | <u>2023</u>      | <u>2022</u>      |
|--|------------------|------------------|
| Subject to expenditure for specified purpose |                  |                  |
| Summer interns                               | <u>\$ 12,523</u> | <u>\$ 19,334</u> |

**NOTE 5 – GRANTS**

The Station received Community Service Grants (CSG) from the Corporation for Public Broadcasting (CPB). CPB is a private, nonprofit grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual CSGs to qualifying public broadcasting entities. CSGs are used to supplement the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two years as described in the Communication Act, 47 United States Code Annotated, Section 396(k)(7). Each grant must be expended within two years of the initial grant authorization.

Grant revenue consists of the following for the years ended June 30, 2023 and 2022:

|   | <u>2023</u>       | <u>2022</u>       |
|---|-------------------|-------------------|
| Community service grants (CPB)                                      | \$ 82,001         | \$ 97,787         |
| Community service grant (CPB - ARPA)                                | 20,397            | 116,752           |
| Artistic, cultural, and historical programming grant (Legacy grant) | 185,472           | 115,992           |
| Community service and equipment grant                               | <u>54,285</u>     | <u>20,303</u>     |
| Total grant revenue   | <u>\$ 342,155</u> | <u>\$ 350,834</u> |

**KBEM Radio Station  
Notes to Financial Statements**

**NOTE 6 – IN-KIND CONTRIBUTIONS**

In-kind contributions consist of the following for the years ended June 30, 2023 and 2022:

|                             | 2023      | 2022      |
|-----------------------------|-----------|-----------|
| Donated space               | \$ 31,960 | \$ 27,447 |
| Donated materials           | 8,660     | 8,660     |
| Donated tickets             | 1,701     | 6,950     |
| In-kind sponsorships        | 1,500     | 35,660    |
| Total in-kind contributions | \$ 43,821 | \$ 78,717 |

Donated space (tower transmitter and facility) is recorded at fair value based on the Station's portion of the building and related costs. Costs included in the calculation include depreciation, utilities, and engineers. Donated materials (cd's) and tickets are recorded at fair value of similar items and stated ticket prices. Donated sponsorships are recorded at the respective fair values of the services provided, which is equal to the commensurate value of services and/or materials exchanged.

All in-kind contributions are unrestricted and utilized in programming and production, other than facility space which is utilized for management and general purposes.

**NOTE 7 – RELATED PARTY TRANSACTIONS**

The Station receives administrative support from the District. Administrative support provided by the District is valued based on square footage occupied by the Station and the cost charged to third parties to lease similar space from the District. In-kind contributions from the District totaled \$25,960 and \$21,447 for 2023 and 2022, respectively.

Cash balances of the Station are pooled with cash balances of the District. All cash and cash equivalents of \$(3,140) and \$290,981 were pooled with the District's cash balances as of June 30, 2023 and 2022, respectively.

**NOTE 8 – RETIREMENT PLAN**

The individuals that work for the Station are employees of the District. As such, the Station has recorded the portion of retirement plan contributions it is responsible for. The District participates in a cost-sharing multiple-employer defined benefit pension plan administered by Public Employees' Retirement Association (PERA). PERA's defined benefit pension plan is established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code. Total employer contributions to this plan were \$50,074 and \$42,094, for 2023 and 2022, respectively.

**KBEM Radio Station**  
**Notes to Financial Statements**

**NOTE 9 – LEASE**

In 2023, the District (on behalf of the Station) amended a lease arrangement for a tower to extend the remaining lease term 5 years (through April 2028). The lease states there are no further options to extend the term.

Future minimum lease payments under the operating lease are as follows for the year ended June 30:

|  |                          |
|--|--------------------------|
| 2024                                       | \$ 51,600                |
| 2025                                       | 51,600                   |
| 2026                                       | 51,600                   |
| 2027                                       | 51,600                   |
| 2028                                       | <u>43,000</u>            |
| Total lease payments                       | 249,400                  |
| Less amounts representing interest         | <u>20,330</u>            |
| Present value of operating lease liability | <u><u>\$ 229,070</u></u> |

For the years ended June 30, 2023 and 2022 total operating lease costs were \$55,315 and \$67,636, respectively.

As of June 30, 2023 and 2022, the Station's operating lease weighted-average remaining lease term was approximately 58 and 10 months, respectively, and the weighted-average discount rate was approximately 3.64% and 0.78%, respectively.

**KBEM Radio Station**  
**Communications Letter**  
**June 30, 2023**



**KBEM Radio Station**  
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## Internal Control over Financial Reporting Communication

The Board of Education of Special School District No. 1 and Management  
KBEM Radio Station  
Minneapolis, Minnesota

In planning and performing our audit of the financial statements of KBEM Radio Station (the Station) as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Station'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the Station's internal control.

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 and, therefore, material weaknesses may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 entity's 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 consider the following deficiencies in the entity's internal control to be material weaknesses:

### General Ledger

The Station is a sub-department of Special School District No. 1 (the District) and receives administrative support from the District. The Station's activity is comingled with the activity of the District. Some account balances require extensive reconciliation and outside corroboration to finalize financial information that is reliable. This lack of reconciliation and the need for outside corroboration will continue to cause delays in the financial statements as well as allow for possible irregularities, including fraud, to exist and continue without notice. We recommend the Station's general ledger activity be recorded separate from the activity of the District.

### **Accounting Records**

During the audit process, we discovered that certain backup documentation for member contributions on the audited financial statements was not maintained. Accounting standards require organizations to obtain certain documentation regarding contributions, restrictions, and uses of the contributions to properly present the activity on the audited financial statements. We strongly recommend that the accounting department develop procedures and maintain backup for all contributions to more readily determine the proper net asset classification and recording. The procedures and files should ensure that the contributions are recorded in the proper period and that any restrictions are noted and recorded in the proper net asset class. This will help to ensure proper audited financial statement presentation.

### **Lack of Segregation of Accounting Duties**

The Station had a lack of segregation of accounting duties due to the limited number of people involved in the accounting for the Station. The individuals that work for the Station are all employees of the District.

Specifically, a number of District employees have access to accounts payable functions, purchasing functions, and the general ledger. Also, there were instances identified where individuals have access to perform many responsibilities within a process (e.g., enter an invoice for payment and cut a check). The lack of adequate segregation of accounting duties could adversely affect the Station's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

We recommend that the Station review all user roles and the permissions granted to each role for appropriateness, taking into consideration adequate segregation of duties. The Station should also validate that adequate compensating controls are implemented to review and detect potential irregular or fraudulent activity performed by users with elevated permissions. Additionally, individuals in a position of authority should have limited transactional ability within the software application to further prevent management override of controls.

### **Keep Bank Accounts Separate in Accounting System**

The Station's cash balances are pooled with cash balances of the District. We believe the cash balances of the Station should be separately reconciled monthly. This would provide a more concise monthly cash position.

### **Material Audit Adjustments**

There were insufficient internal controls over financial reconciliations and a material audit adjustment was required to prevent the Station's financial statements from being materially misstated. The following material audit adjustment was proposed during the audit and recorded by management.

- Right of use asset for lease was increased by \$55,551, prepaid expenses and cash were decreased by \$8,600, lease liability was increased by \$7,925 and lease expenses were decreased by \$30,426.
- Payroll taxes and benefits were increased by \$18,385 and cash was decreased by \$18,385.

*BergankDV, Ltd.*

St. Cloud, Minnesota  
November 11, 2023

## **Recommendations for Management**

During our audit, we also became aware of deficiencies in internal control over financial reporting other than material weaknesses or significant deficiencies, and other matters that are opportunities for strengthening internal controls and operating efficiency. Below is a list of our recommendations for management.

1. The Station should have a separately identifiable budget that covers revenue and expenses that is Board approved.
2. The Board should approve a policy for the allocation of functional expenses.
3. The Station should have a formal risk assessment process.
4. The Station should have a formal liquidity policy.
5. The Station should follow depreciation method consistently and per internal policy.
6. The Station should consider increasing their capitalization threshold for property and equipment, currently at \$500.

## Required Communication

The Board of Education of Special School District No. 1 and Management  
KBEM Radio Station  
Minneapolis, Minnesota

We have audited the financial statements of KBEM Radio Station (the Station) as of and for the year ended June 30, 2023, and have issued our report thereon dated November 11, 2023. Professional standards require that we advise you of the following matters relating to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated April 4, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with the financial reporting provisions of Section 3 of the Financial Reporting Guidelines of the Corporation for Public Broadcasting. Our audit of the 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 financial statements are free of material misstatement. An audit of 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 entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Station KBEM Radio Stationsolely 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.

We have provided our comments regarding material weaknesses and other matters noted during our audit in separate letters to you dated November 11, 2023.

### **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**

During our audit, we designed and executed specific audit procedures to address the following identified significant risks of material misstatement:

- Management override of internal controls
- Lack of segregation of accounting duties
- Improper revenue recognition

## **Qualitative Aspects of the Entity'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 Station are included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2023. 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*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments 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 financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

- Management estimates its allocation of functional allocation of expenses based on program and supporting services benefited.
- Management estimates in-kind contributions at fair value on the date of the donation considering fair values of similar type materials, space, or services.
- Management estimates the expected lease term, fair value of leased asset and discount rate applied to record ROU asset and liability.

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

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Station's financial statements relate to basis of accounting and revenue recognition.

## **Significant Difficulties Encountered during the Audit**

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

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards also 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 effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. See the material misstatement that we identified as a result of our audit procedures and brought to the attention of, and corrected by, management on page 2 under Material Weaknesses.

### **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 Station's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the letter dated November 11, 2023.

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

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management 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 Station, 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 conditions affecting the entity, and operating 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 Station's auditors.

This communication is intended solely for the information and use of the Board of Education of Special School District No. 1 and management of the Station and is not intended to be and should not be used by anyone other than these specified parties.

*BergankDV, Ltd.*

St. Cloud, Minnesota  
November 11, 2023

## **KBEM CAPITAL POLICY**

The Board of Education, as custodians of the District funds, shall be responsible for the care, maintenance and security of property and equipment purchased or donated. A well-maintained fixed asset system assures the public of the legitimacy of expenditures as well as the sense of responsibility necessary with the acceptance and distribution of grant funds and donations.

### **1. PURPOSE**

This purpose of this policy establishes the minimum cost that shall be used to determine capital assets that are to be recorded in KBEM's annual financial statements.

### **2. CAPITAL ASSET DEFINITION**

"Capital Asset" is defined as an asset with a useful life longer than a year. Capital Assets must be capitalized and depreciated for financial statement purposes.

### **3. CAPITALIZATION THRESHOLD**

The threshold for KBEM is established at \$5,000 or greater for capitalization which are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation of property and equipment is provided using the straight-line method over the estimated useful life of the assets.

**Original**

02/22//2024



## FY25 Budget Update

Thom Roethke

Director, Budget Planning & Analysis

# Summary

- Due to the extent of the cuts required to balance the budget, the process is taking longer than normal.
- Although revenue has increased slightly, significant reductions are still necessary.
- The timeline for budget completion has been revised and updated.
- The budget team is working diligently to make sure the board is able to approve a budget within the time-frame required by law.



# Timeline

|  | Original Timeline | Revised Timeline |
|--|-------------------|------------------|
| Executive Review & Sign-Off                                      |                   | 2/23/2024        |
| Enrollment projections sent to schools                           |                   | 2/28/2024        |
| Budgets Shared with Schools and Departments;<br>BTO Portal Opens | 2/12/2024         | 3/1/2024         |
| Department budget recommendations shared                         | 2/22/2024         | 3/5/2024         |
| BTO Portal Closes  | 3/1/2024          | 3/15/2024        |

**The magnitude of changes required to achieve a balanced budget in a way that is intentional and equitable has taken longer than we anticipated. This has delayed the timeline as reflected above.**

# Revenue Projections

|                                | FY24            | FY25            | YOY              |
|--------------------------------|-----------------|-----------------|------------------|
|                                | Budget          | Budget          | Change           |
| General Education Aid          | \$293.9M        | \$306.0M        | \$12.1M          |
| Special Education Aid          | \$93.2M         | \$92.1M         | (\$1.1M)         |
| Property Tax Levy              | \$145.8M        | \$143.2M        | (\$2.7M)         |
| Federal Funds                  | \$50.5M         | \$52.0M         | \$1.5M           |
| Covid Relief Funds             | \$92.4M         | \$0.0M          | (\$92.4M)        |
| Non-Federal Grants             | \$2.8M          | \$3.0M          | \$0.2M           |
| Funded Programs                | \$10.0M         | \$10.0M         | \$0.0M           |
| Other Revenue                  | \$6.1M          | \$6.1M          | \$0.0M           |
| <b>Subtotal General Fund</b>   | <b>\$694.7M</b> | <b>\$612.4M</b> | <b>(\$82.3M)</b> |
| Food Service                   | \$22.5M         | \$21.9M         | (\$0.6M)         |
| Community Education            | \$36.0M         | \$32.5M         | (\$3.5M)         |
| <b>Total Operating Revenue</b> | <b>\$753.1M</b> | <b>\$666.9M</b> | <b>(\$86.3M)</b> |

- FY25 General Fund revenue of \$612.4M is \$82.3M lower than the current year's revenue budget.
- The change is driven by the loss of ESSER funding:
  - \$29.0M for Intervention Teams
  - \$63.4M for other operating costs
- Excluding the loss of ESSER funding, General Fund revenue is otherwise increasing by \$10M.
- Revenue is better than initially expected due to new-to-country families.

# Current Year Expense Review

|                                  | Current Year FY24 |                 |              | Prior Year FY23 |              |
|----------------------------------|-------------------|-----------------|--------------|-----------------|--------------|
|                                  | Budget            | YTD Actual      | % of Budget  | YTD Actual      | % of Budget  |
| <b>General Fund</b>              |                   |                 |              |                 |              |
| Salaries                         | \$391.5M          | \$213.9M        | 54.6%        | \$201.5M        | 54.2%        |
| Benefits                         | \$142.1M          | \$66.1M         | 46.5%        | \$60.7M         | 46.0%        |
| Purchased Services               | \$117.1M          | \$54.2M         | 46.3%        | \$49.9M         | 37.7%        |
| Supplies & Materials             | \$31.4M           | \$17.1M         | 54.5%        | \$14.7M         | 56.9%        |
| Capital Expenditures             | \$0.8M            | \$0.3M          | 34.9%        | \$0.3M          | 18.1%        |
| Other Expenses                   | \$8.5M            | \$1.9M          | 21.7%        | \$0.7M          | 10.4%        |
| <b>Subtotal General Fund</b>     | <b>\$691.5M</b>   | <b>\$353.5M</b> | <b>51.1%</b> | <b>\$327.7M</b> | <b>49.0%</b> |
| Food Service Fund                | \$26.8M           | \$13.3M         | 49.6%        | \$12.9M         | 62.7%        |
| Community Service Fund           | \$32.9M           | \$18.0M         | 54.8%        | \$17.2M         | 45.0%        |
| <b>Total Operating Funds</b>     | <b>\$751.2M</b>   | <b>\$384.8M</b> | <b>51.2%</b> | <b>\$357.8M</b> | <b>49.2%</b> |
| Building Construction Fund       | \$132.0M          | \$69.6M         | 52.7%        | \$50.1M         | 35.3%        |
| Debt Service Fund*               | \$92.5M           | \$96.8M         | 104.6%       | \$96.1M         | 105.4%       |
| <b>Total Non-Operating Funds</b> | <b>\$224.5M</b>   | <b>\$166.4M</b> | <b>56.5%</b> | <b>\$146.2M</b> | <b>52.5%</b> |
| <b>All Funds</b>                 | <b>\$975.7M</b>   | <b>\$551.2M</b> | <b>56.5%</b> | <b>\$504.0M</b> | <b>50.1%</b> |

- Operating expenditures have generally been running ahead of last year in both \$ expended and expenditures as a % of budget.
- General fund YTD expenditures have increased by \$25.8M year-over-year, or 7.9%.
- While much of the increase year-over-year is related to Intervention Teams, non-intervention expenses have also increased at least 3%.

# Current Year Balance Sheet

|                                 | CY FY24         | PY FY23         | Y-o-Y Change     |
|---------------------------------|-----------------|-----------------|------------------|
| Cash                            | \$77.7M         | \$97.9M         | (\$20.2M)        |
| Receivables                     | \$127.5M        | \$119.2M        | \$8.3M           |
| Prepays                         | \$5.2M          | \$10.0M         | (\$4.8M)         |
| Other                           | \$4.1M          | \$7.2M          | (\$3.1M)         |
| <b>Assets</b>                   | <b>\$214.5M</b> | <b>\$234.3M</b> | <b>(\$19.8M)</b> |
| Salaries Payable                | \$28.7M         | \$30.8M         | (\$2.2M)         |
| Accounts Payable                | \$2.8M          | \$5.8M          | (\$3.0M)         |
| Other                           | (\$0.0M)        | \$0.0M          | (\$0.0M)         |
| <b>Liabilities</b>              | <b>\$31.4M</b>  | <b>\$36.6M</b>  | <b>(\$5.2M)</b>  |
| <b>Deferred Inflows</b>         |                 |                 |                  |
| <b>of Resources</b>             | <b>\$122.4M</b> | <b>\$114.7M</b> | <b>\$7.8M</b>    |
| <b>Fund Balance</b>             | <b>\$60.6M</b>  | <b>\$83.0M</b>  | <b>(\$22.3M)</b> |
| <b>Liab, Def &amp; Fund Bal</b> | <b>\$214.5M</b> | <b>\$234.3M</b> | <b>(\$19.8M)</b> |

- The amount of cash held by the district in the General Fund is \$20.2M less than it was at this time last year.
- The amount of cash held in the General Fund is insufficient to cover even two months of expenses.
- This is not necessarily a cause for concern. We anticipate sufficient cash flow to maintain operations.
- However, it is something we want to keep an eye on.
- Most of this decline is reflected in the Fund Balance.

# Process Milestones

| Task                            | Description   | Status            |
|---------------------------------|---|-------------------|
| Department Reviews              | All departments must present a proposed budget to a Department Budget Committee. The Department Budget Committee then created a set of recommendations for consideration. | <b>Complete</b>   |
| Predictable Staffing            | The Schools Committee reviewed the current predictable staffing model, made adjustments to improve the model.   | <b>Complete</b>   |
| Other School-Specific Decisions | The Schools Committee reviewed how certain funding streams are allocated to schools, made adjustments as necessary.   | <b>Complete</b>   |
| Contract Review                 | The Contracts Committee met with each department, prepared a comprehensive list of contracts under which the district is obligated.                                       | <b>Complete</b>   |
| Executive Review                | The proposed budget is reviewed by the Superintendent and senior leadership, prior to sharing with the Board Finance Committee and School Board.                          | <b>In Process</b> |
| Budget Tie-Out                  | Individual budget owners access the BTO Admin Portal and enter budget information for the next fiscal year.   | <b>Delayed</b>    |

# Next Steps

Once Executive Review is complete, a number of steps must be completed:

- Proposed budget changes that impact individuals must be communicated privately to those individuals (late February).
- Recommended budgets will be presented to the Finance Committee on March 5 and March 19 meetings.
- The final budget recommendations will be presented to the full Board of Education on March 26.
- Interview & Select (April thru early June)
- First reading of the budget on May 14.
- Final approval of the budget at the June board meeting.

# Achievement and Integration Budget Update

# Questions?