



MEMORANDUM

TO: ISD 110 School Board

FROM: Barb Schank, Director of Nutrition Services
Pam Carman, Director of Finance & Operations

DATE: September 28, 2026

SUBJECT: Permanent Fund Transfer - General Fund to Food Service Fund

Purpose

Administration is requesting Board approval of a permanent transfer of \$107,710.75 from the General Fund (Fund 01) to the Food Service Fund (Fund 02) as required following the Minnesota Department of Education's review of the District's school nutrition program.

Background

MDE's review of FY25 Food Service expenditures identified certain costs charged to Fund 02 that, while allowable when appropriately allocated and documented, were not supported by the required documentation. These included certain shared labor, utilities, waste removal, and other shared District costs. The primary issue was the lack of sufficient documentation to substantiate the amounts charged to the school nutrition program.

Because FY25 is closed and the financial audit is complete, the required \$107,710.75 correction will be recorded as a permanent transfer from Fund 01 to Fund 02 in FY26 and disclosed to the District's financial auditors. This represents a one-time FY26 adjustment related to FY25 expenditures identified through MDE's review.

Corrective Action

To ensure future allowable costs are appropriately coded to and funded by the Food Service Fund (Fund 02), Nutrition Services will be required to maintain and provide the documentation necessary to support costs charged to Fund 02. This may include time-and-effort records, itemized invoices, or documented allocation methodologies.

For the Edible Classroom/Garden Program, expenditures will similarly be evaluated based on their actual purpose and benefit to the school meals program, with appropriate documentation maintained to support eligible Fund 02 expenditures.

These documentation requirements will be applied to FY26 expenditures and going forward to ensure allowable Food Service costs are appropriately supported and remain funded by Fund 02.

RECOMMENDATION

Administration recommends that the School Board approve a one-time permanent transfer of \$107,710.75 from the General Fund (Fund 01) to the Food Service Fund (Fund 02).