LB | CARLSON

952.224.1627
anielsen@lbcarlson.com
www.lbcarlson.com

MEMORANDUM

DATE: 11/4/2026

TO: MDE Financial Management

FROM: Aaron Nielsen, CPA

RE: ISD #709, Duluth – Trust Fund Presentation Changes

This memo is in response to my call with Deb Meier on November 3, 2026, as a follow up to the email on October 13, 2026, and prior discussions between ISD #709, Duluth Public Schools (the District) and members of the MDE Financial Management Team (MDE).

- For FY 2026 – LB Calson, LLP has engaged with the District to complete the annual audit. We understand that the District has been working with the MDE to make a change in presenting activity that has been reported on the UFARS compliance report as Fund 08 – Trust Fund. Based on our audit testing, assessment, and understanding provided by inquiry and discussions with the District; trust documents are not available to support the presentation as a trust fund. As required by GASBS No. 84 and UFARS reporting guidance provided by the MDE, we agree/support the District's plan to move these resources to the General Fund. The alternative would be for the District to obtain trust agreements/documents to support the establishment of a separate trust arrangement and trust fund. The District does not plan to establish trust documents.

- We believe the presentation was based on guidance available at the time the fund originally was established and used to track resources for a specific purpose for benefit expenditures. With the loss of institutional knowledge with the retirement/turnover of District staff, we understand the District has maintained the fund with minimal annual activity.

- The intention of this memo is to provide information and finalize prior discussions on this topic with the MDE. The District also wants to ensure this presentation does not violate any laws or regulations that are required to be enforced by the MDE as an oversight agency to the District and requests an affirmative response to this reporting change.

- Based on our research and discussions, the District intends to report this financial statement modification as a "Change to or within the Financial Reporting Entity" with the submission of the fiscal year 2026 audit report in accordance with the requirements of GASBS No 100, *Accounting Changes and Error Corrections*.

- Financial statement reporting would present beginning Trust Fund net position that would match the prior year audited financial statements with a direct adjustment to beginning net position, changing the restated balance to zero. There would be a matching/offsetting adjustment to the General Fund beginning fund balance for the amount moved out of the Trust Fund. The financial statements will include a footnote disclosure also explaining this change as required by GASBS No 100.

- This approach should not cause any discrepancies for UFARS Compliance Table reporting and with MDE approval we plan to submit all required reports by the current year reporting deadlines.