CP ASSURANCE

Independent School District No. 191
Burnsville, Minnesota

Communications Letter

June 30, 2026

Independent School District No. 191
Table of Contents

Report on Matters Identified as a Result of the Audit of the Basic Financial Statements	1
Required Communication	3
Financial Analysis	8
Legislative Summary	19
Emerging Issues	21

CP ASSURANCE

Report on Matters Identified as a Result of the Audit of the Basic Financial Statements

To the School Board
Independent School District No. 191
Burnsville, Minnesota

In planning and performing our audit of the basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 191, Burnsville, Minnesota, as of and for the year ended June 30, 2026, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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

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

- *Probable*. The future event or events are likely to occur.

We did not identify any deficiencies in internal control that we consider to be material weaknesses.

The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated November 4, 2026, on such statements.

The purpose of this communication, which is an integral part of our audit, is to describe for the School Board, management and others within the District and state oversight agencies the scope of our testing of internal controls and the results of that testing. Accordingly, this communication is not intended to be, and should not be, used for any other purpose.

CP Assurance, Ltd.

St. Cloud, Minnesota
November 4, 2026

Independent School District No. 191
Required Communication

We have audited the basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the District as of and for the year ended June 30, 2026. Professional standards require that we advise you of the following matters related to our audit.

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

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

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

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

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

Our Responsibility in Relation to *Government Auditing Standards*
As communicated in our engagement letter, part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Independent School District No. 191
Required Communication

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

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

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

Planned Scope and Timing of the Audit

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

Compliance with All Ethics Requirements Regarding Independence

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

Significant Risks

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

- Management Override of Controls – Overall Financial Statements – Management override of internal control is considered a risk in substantially all engagements as management may be incentivized to produce better results.
- Improper Revenue Recognition – Revenue recognition is considered a fraud risk on substantially all engagements as it generally has a significant impact on the results of the government's operations. In addition, complexities exist surrounding the calculation and recording of various revenue sources.
- Misappropriation of Assets – If duties cannot be appropriately segregated, there is a risk of unauthorized payroll disbursements being made by the District. In addition, generally this results in less review taking place as transactions are recorded in the financial statements.
- General Education and Special Education Aid – General Education Aid is an estimate until average daily membership (ADM) values are final. Since this is normally not done until after the reporting deadline, this Aid is an estimate. Special Education Aid is dependent on the availability of funds and complex formulas that are finalized after reporting deadlines.
- Total Other Post Employment Benefits (OPEB) Liability – This balance is based on an actuarial study using the estimates of future obligations of the District for post-employment benefits.
- Net Pension Liability, Deferred Outflows of Resources Related to Pensions and Deferred Inflows of Resources Related to Pensions – These balances are based on an allocation by the pension plans using estimates based on contributions.

Significant Risks (Continued)

- Compensated Absences Valuation – Compensated absence balances are generally material to the financial statements and involve significant estimates.

Qualitative Aspects of the District's Significant Accounting Practices

Significant Accounting Policies
Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in the notes to the basic financial statements. There has been no initial selection of accounting policies and no changes to significant accounting policies or their application during 2026. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates and Related Disclosures
Accounting estimates and related disclosures are an integral part of the basic financial statements prepared by management and are based on management's current 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 basic financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most sensitive estimates affecting the basic financial statements relate to:

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

Total Other Post Employment Benefits (OPEB) Liability – This balance is based on an actuarial study using the estimates of future obligations of the District for post-employment benefits.

Net Pension Liability, Deferred Outflows of Resources Related to Pensions and Deferred Inflows of Resources Related to Pensions – These balances are based on an allocation by the pension plans using estimates based on contributions.

Compensated Absences Payable – This balance is based on an actuarial study using the estimates of future obligations of the District for compensated absences.

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

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

Independent School District No. 191
Required Communication

Significant Difficulties Encountered during the Audit
We encountered no significant difficulties in dealing with management relating to the performance of the audit.

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

Management did not identify, and we did not notify them of any uncorrected financial statement 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. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the basic financial statements taken as a whole.

Disagreements with Management
For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter, which could be significant to the District's basic financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Representations Requested from Management
We have requested certain written representations from management, which are included in the management representation letter.

Management's Consultations with Other Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management has informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

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

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

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

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

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

Independent School District No. 191
Financial Analysis

The following pages provide graphic representation of select data pertaining to the financial position and operations of the District for the past five years. Our analysis of each graph is presented to provide a basis for discussion of past performance and how implementing certain changes may enhance future performance. We suggest you view each graph and document if our analysis is consistent with yours. A subsequent discussion of this information should be useful for planning purposes.

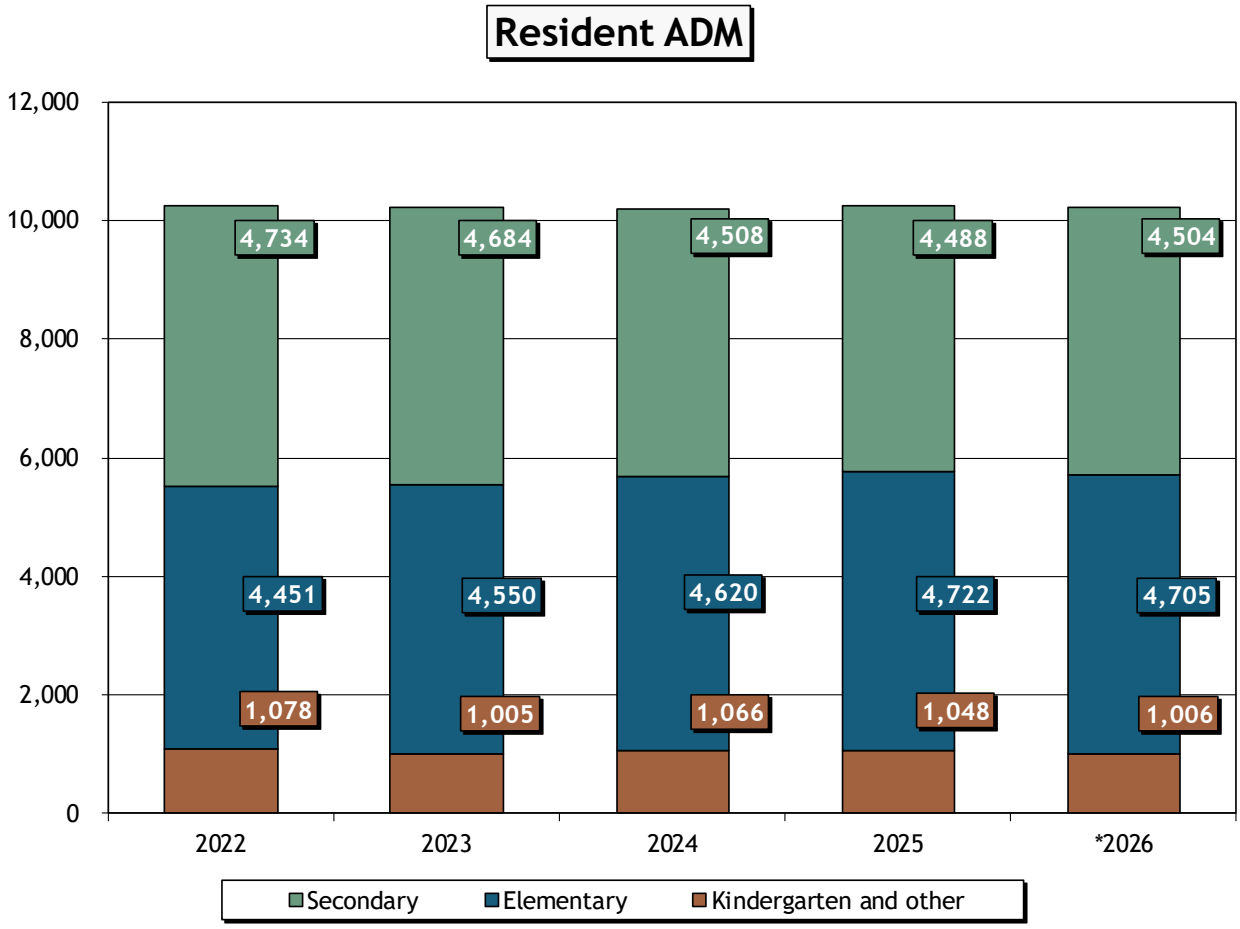
Due to its complexity, it would be impossible to fully explain the funding of public education in Minnesota within this letter. The last section of this report, which contains a summary of legislative changes affecting school districts, provides an indication of how complicated the funding system is. The following provides some state-wide funding and financial trend information.

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

	General Education Aid Formula Allowance	
Year	Amount	Percent Increase
2017	$ 6,067	2.0%
2018	6,188	2.0%
2019	6,312	2.0%
2020	6,438	2.0%
2021	6,567	2.0%
2022	6,728	2.5%
2023	6,863	2.0%
2024	7,138	4.0%
2025	7,281	2.0%
2026	7,481	2.7%
2027	7,683	2.7%

Average Daily Membership and Pupil Units (Continued)
Approximately 70% of the District's General Fund revenue is from the state. A majority of this funding is based on student counts, so an understanding of the District's population trends is critical to overall budgeting plans. The following summarizes resident ADM of the District over the past five years ended June 30:

Students (Resident ADM)	2022	2023	2024	2025	*2026
Kindergarten and other	1,078	1,005	1,066	1,048	1,006
Elementary	4,451	4,550	4,620	4,722	4,705
Secondary	4,734	4,684	4,508	4,488	4,504
Total Students (Resident ADM)	**10,262**	**10,239**	**10,194**	**10,258**	**10,215**



* Estimate as of October 12, 2026

As the chart and graph above indicate, resident ADM has fluctuated over the five years presented. The District saw a decrease of 43 resident ADM in 2026, or 0.4%. Over the five-year period, resident ADM has decreased by 47, or 0.5%.

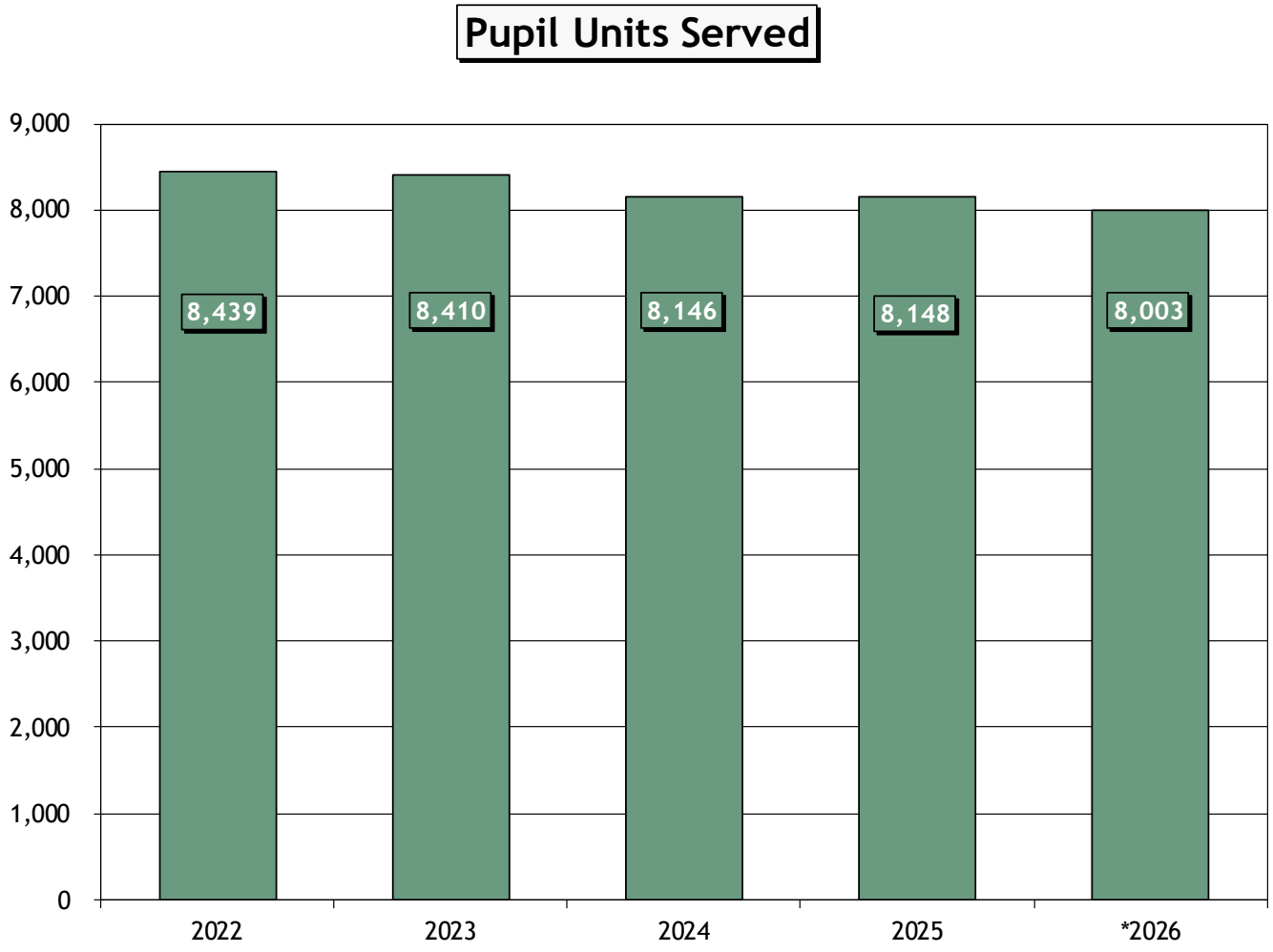
To calculate a majority of the District's education aids, the ADM amounts are converted into pupil units by weighting, based on the student's grade level. These weighting factors are presented in the table on the following page.

Average Daily Membership and Adjusted Pupil Units

	Pupil Units Weighting					
	Pre-Kindergarten	Part-Time	All-Day	Elementary		Secondary
2022-2026	1.000	1.000	1.000	1.000	1.000	1.200

The following chart and graph convert the ADM into weighted average daily membership (WADM) or pupil units (PUN) for the same five-year period, as noted on the previous page.

Adjusted Pupil Units	2022	2023	2024	2025	*2026
Residents	11,209	11,176	11,096	11,156	11,115
Pupil unit gain	621	689	748	815	772
Pupil unit loss	(3,391)	(3,455)	(3,697)	(3,823)	(3,884)
Total Adjusted Pupil Units	**8,439**	**8,410**	**8,146**	**8,148**	**8,003**



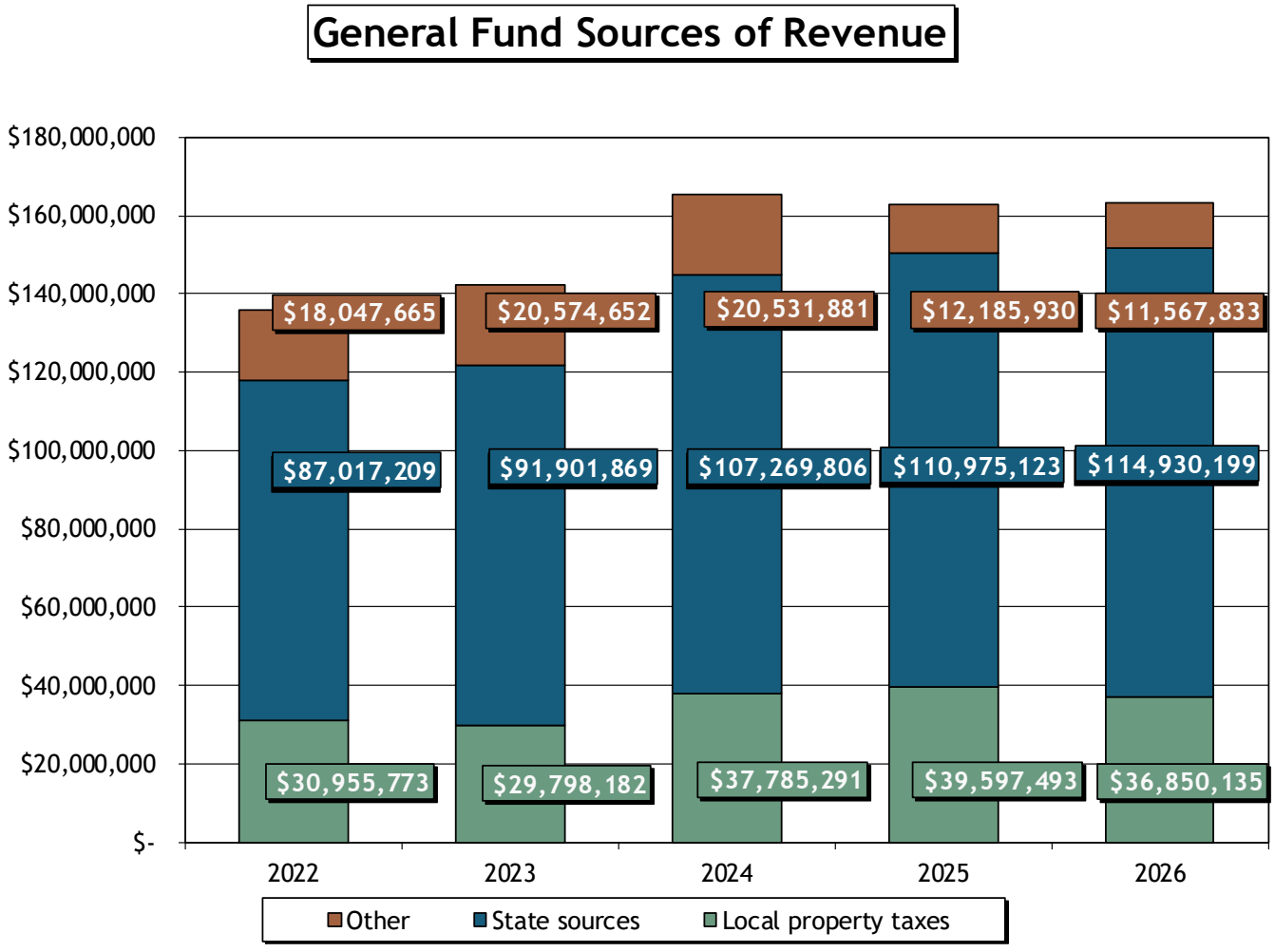
* Estimate as of October 12, 2026

General Fund Sources of Revenue

General Fund sources of revenue are summarized as follows:

Year Ended June 30,	2022	2023	2024	2025	2026
Local property taxes	$ 30,955,773	$ 29,798,182	$ 37,785,291	$ 39,597,493	$ 36,850,135
State sources	87,017,209	91,901,869	107,269,806	110,975,123	114,930,199
Other	18,047,665	20,574,652	20,531,881	12,185,930	11,567,833
Total	**$ 136,020,647**	**$ 142,274,703**	**$ 165,586,978**	**$ 162,758,546**	**$ 163,348,167**

Total General Fund revenues increased $589,621, or less than 1%, from 2025. In 2026, state sources made up 70.3% of General Fund revenues, local property taxes made up 22.6% and other sources made up 7.1%. Local property tax revenue decreased by $2,747,358 based on a decrease in levy for the fund. Revenue from state sources increased by $3,955,076 due to an increase in aids for special education and general education based on the increased formula allowance. General Fund federal revenue, which is part of the Other category, for the past three years has been approximately $14.0 million, $5.4 million and $5.0 million for 2024, 2025 and 2026, respectively. The decline in federal funding from the Elementary and Secondary School Emergency Relief (ESSER) Fund sources contributed significantly to the overall decline in General Fund revenues for 2025. General Fund revenues over the past five years are portrayed in the following graph.



Independent School District No. 191
Financial Analysis

General Fund Budget and Actual Results

For the year ending June 30, 2026, the Board adopted a budget calling for approximately $162 million in revenues and $169 million in expenditures. Actual expenditures exceeded revenues by $4.3 million at June 30, 2026.

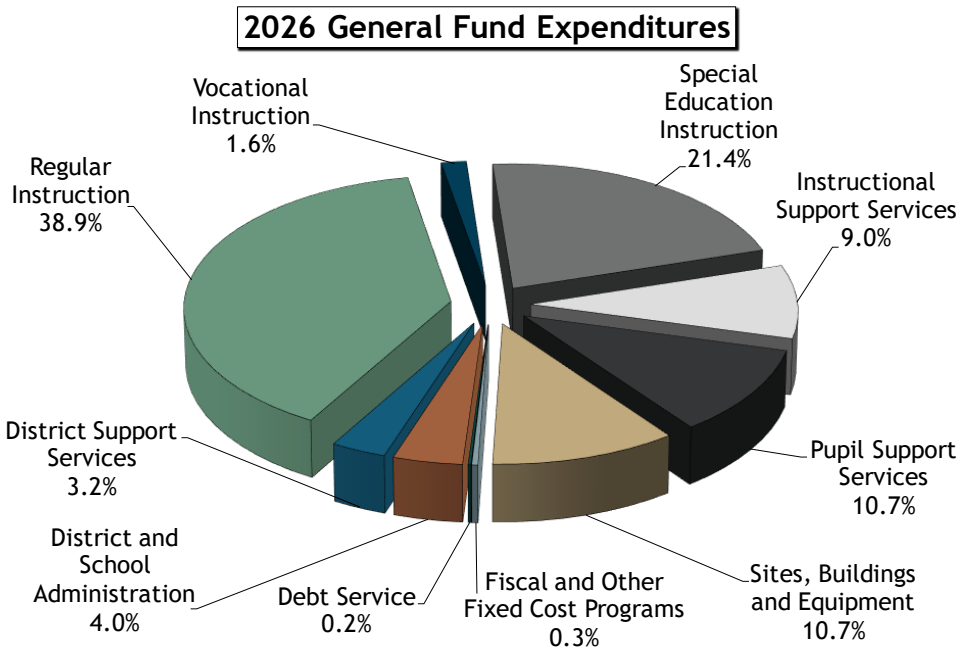
	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 36,981,737	$ 37,170,226	$ 36,850,135	$ (320,091)
Other local and county revenues	5,088,131	6,400,131	6,457,615	57,484
Revenue from state sources	111,137,151	113,442,039	114,930,199	1,488,160
Revenue from federal sources	5,327,406	5,306,892	5,066,799	(240,093)
Sales and other conversion of assets	56,000	51,000	43,419	(7,581)
Total revenues	158,590,425	162,370,288	163,348,167	977,879
Expenditures				
Administration	6,337,919	6,802,376	6,694,896	(107,480)
District support services	5,073,005	5,055,348	5,328,562	273,214
Regular instruction	66,582,636	66,664,626	65,333,396	(1,331,230)
Vocational education instruction	2,879,023	2,835,726	2,635,020	(200,706)
Special education instruction	36,136,124	36,158,582	35,893,997	(264,585)
Instructional support services	12,843,778	12,406,430	12,512,976	106,546
Pupil support services	19,630,020	18,814,050	17,846,505	(967,545)
Sites and buildings	12,326,004	12,456,788	13,003,251	546,463
Fiscal and other fixed cost programs	580,000	590,000	592,070	2,070
Capital outlay	7,046,575	7,531,211	7,905,945	374,734
Debt service	111,982	110,083	1,266,777	1,156,694
Total expenditures	169,547,066	169,425,220	169,013,395	(411,825)
Excess of revenues over (under) expenditures	(10,956,641)	(7,054,932)	(5,665,228)	1,389,704
Other Financing Sources				
Proceeds from Sale of Capital Assets	-	-	1,446	1,446
Insurance recoveries	-	-	88,115	88,115
Lease and subscription proceeds	-	-	1,298,728	1,298,728
Total other financing sources	-	-	1,388,289	1,388,289
Net change in fund balances	$ (10,956,641)	$ (7,054,932)	$ (4,276,939)	$ 2,777,993

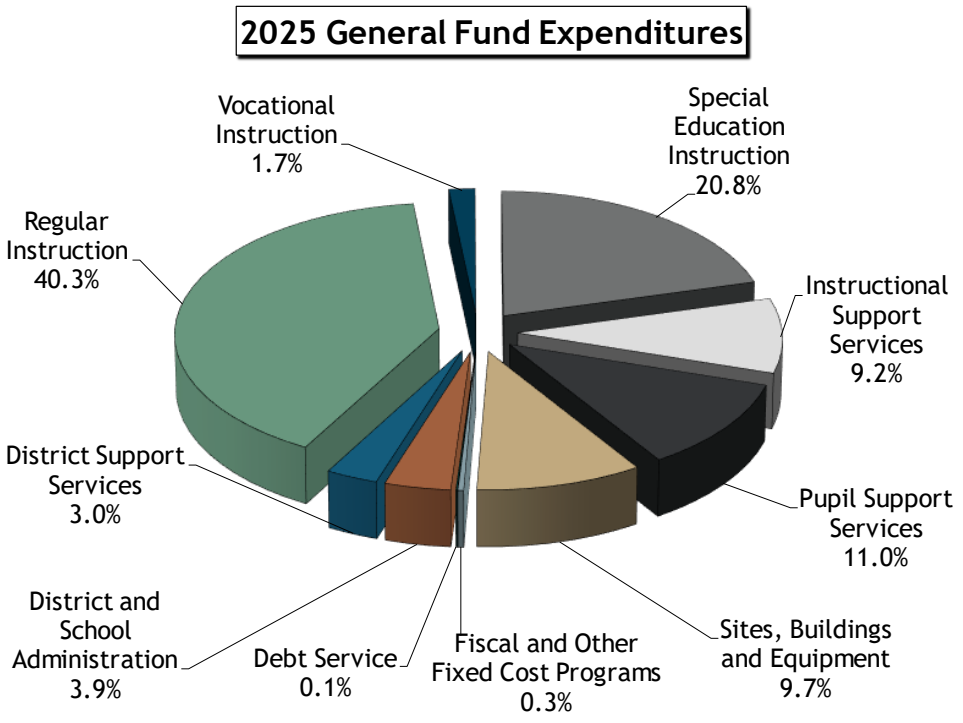
Actual revenues of $163,348,167 were $977,879, or less than 1%, over the final budget. Revenue from state sources for the General Fund was over budget due to conservative budgeting for volatile special education funding that can change greatly from year to year.

Overall, General Fund expenditures of $169,013,395 were $411,825, or less than 1%, under budget. Elementary and secondary instruction and pupil support services in the General Fund were under budget due to unfilled positions. Other expenditure categories were relatively in line with budgeted amounts.

General Fund Expenditures

Below is the allocation of expenditures for the past two years. Overall, expenditures in the General Fund increased $10,048,747, or 6.3%, from 2025 to 2026. A significant portion of the increase relates to salary and benefit expenditures. The three instruction categories of regular, vocational and special education comprise 61.9% of total expenditures for 2026 compared to 62.8% in 2025.



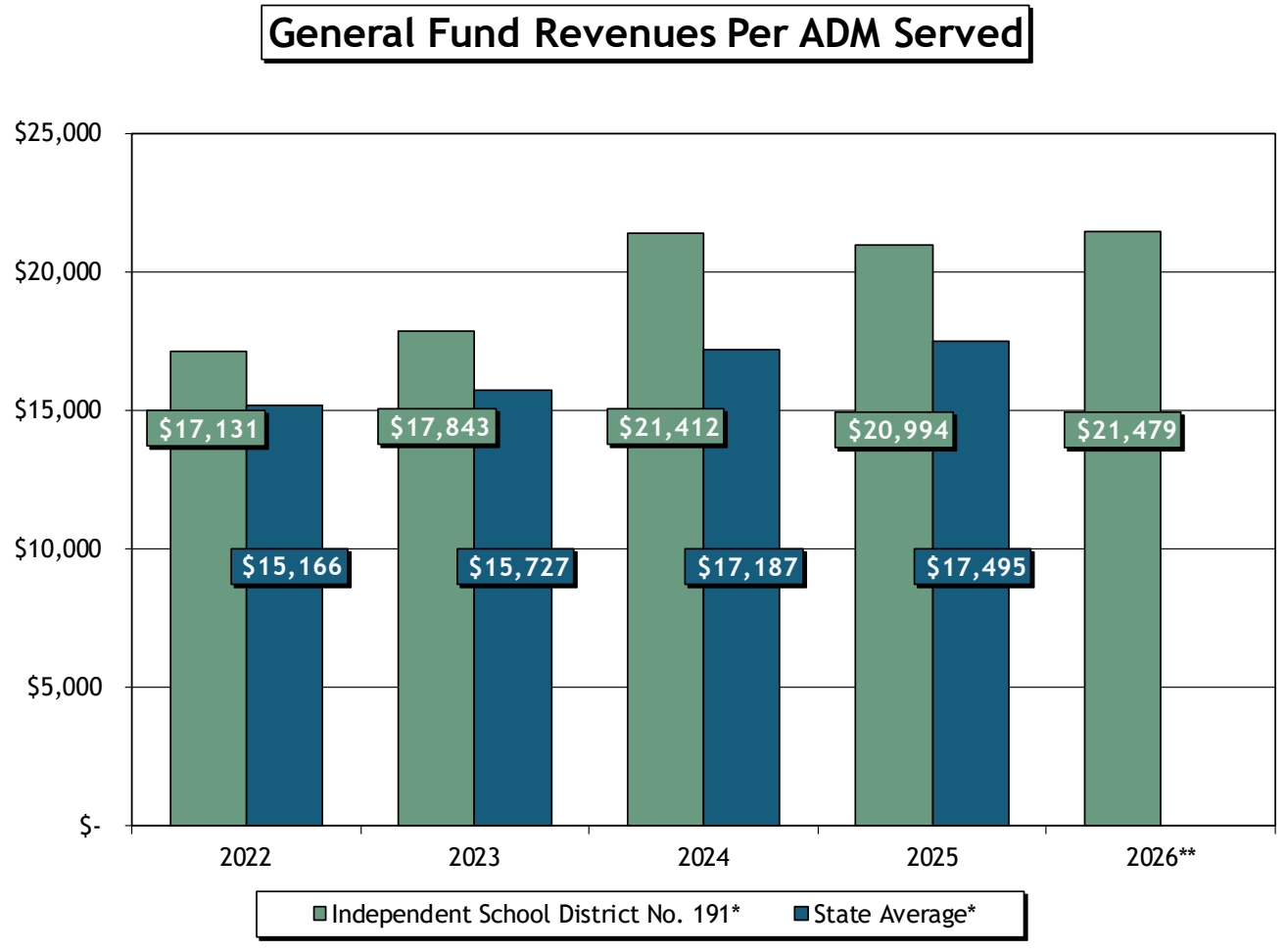


Revenues Per Student

Revenues per student (ADM served) are summarized as follows:

Independent School District No. 191*	2022	2023	2024	2025	2026**
General Fund	$ 17,131	$ 17,843	$ 21,412	$ 20,994	$ 21,479
Food Service Fund	796	741	929	958	990
Community Service Fund	807	855	936	975	1,036
Building Construction Fund	-	-	-	-	-
Debt Service Fund	1,537	1,390	1,375	1,403	1,490
Total Revenues Per Student	**$ 20,271**	**$ 20,829**	**$ 24,652**	**$ 24,330**	**$ 24,996**

State Average*	2022	2023	2024	2025	2025
General Fund	$ 15,166	$ 15,727	$ 17,187	$ 17,495	N/A
Food Service Fund	791	667	836	822	N/A
Community Service Fund	685	745	781	804	N/A
Building Construction Fund	35	104	173	193	N/A
Debt Service Fund	1,447	1,509	1,591	1,709	N/A
Total Revenues Per Student	**$ 18,124**	**$ 18,752**	**$ 20,568**	**$ 21,023**	**N/A**



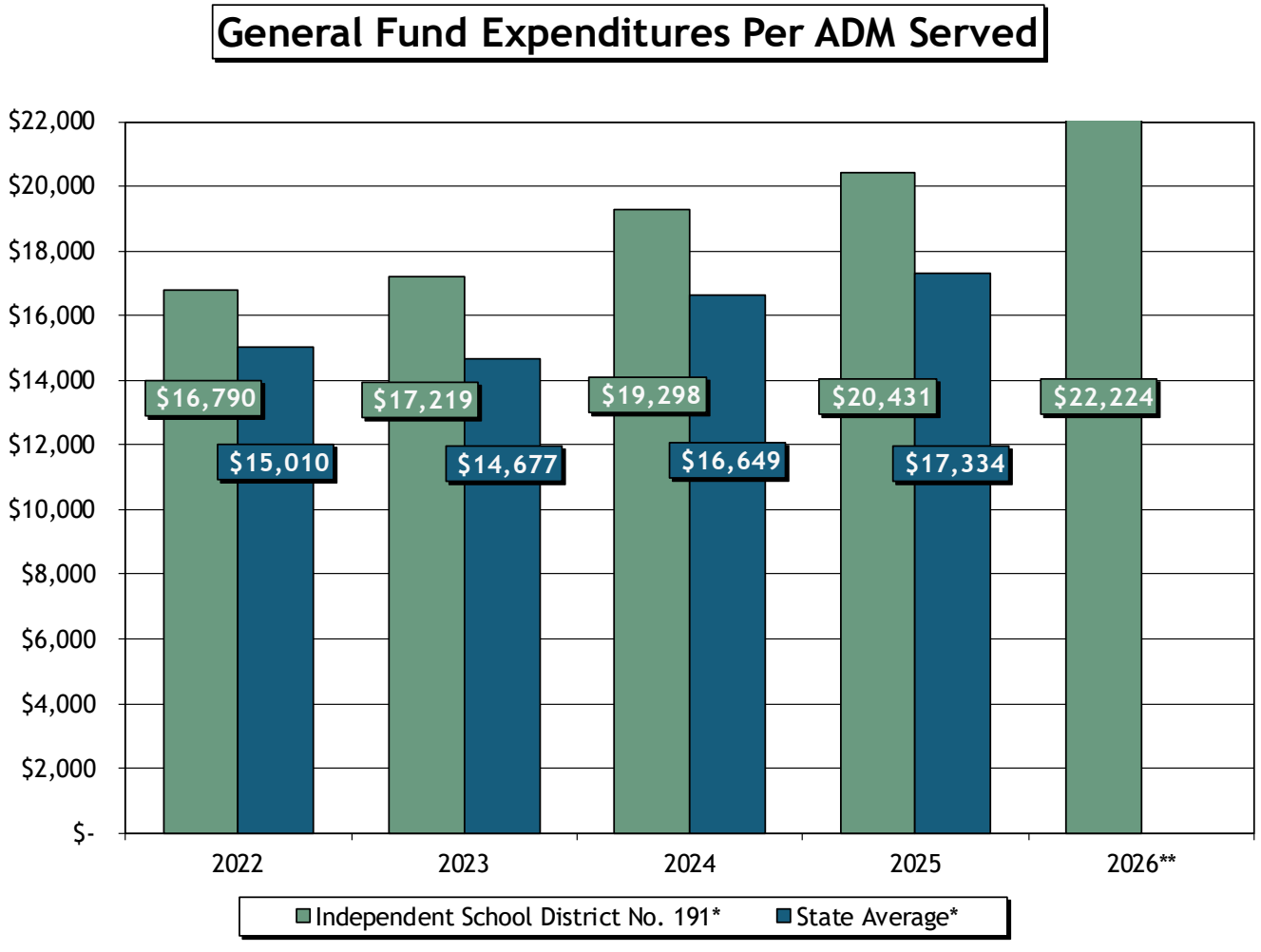
* Source: *School District Profiles*; year 2026 is not yet available.
** Estimate as of October 12, 2026

Expenditures Per Student

Expenditures per student (ADM served) are summarized as follows:

Independent School District No. 191*	2022	2023	2024	2025	2026**
General Fund	$ 16,790	$ 17,219	$ 19,298	$ 20,431	$ 22,224
Food Service Fund	621	657	799	918	946
Community Service Fund	665	743	794	901	1,085
Building Construction Fund	209	-	-	-	-
Debt Service Funds	1,450	1,428	1,472	1,535	1,471
Total Expenditures Per Student	**$ 19,735**	**$ 20,047**	**$ 22,363**	**$ 23,785**	**$ 25,726**

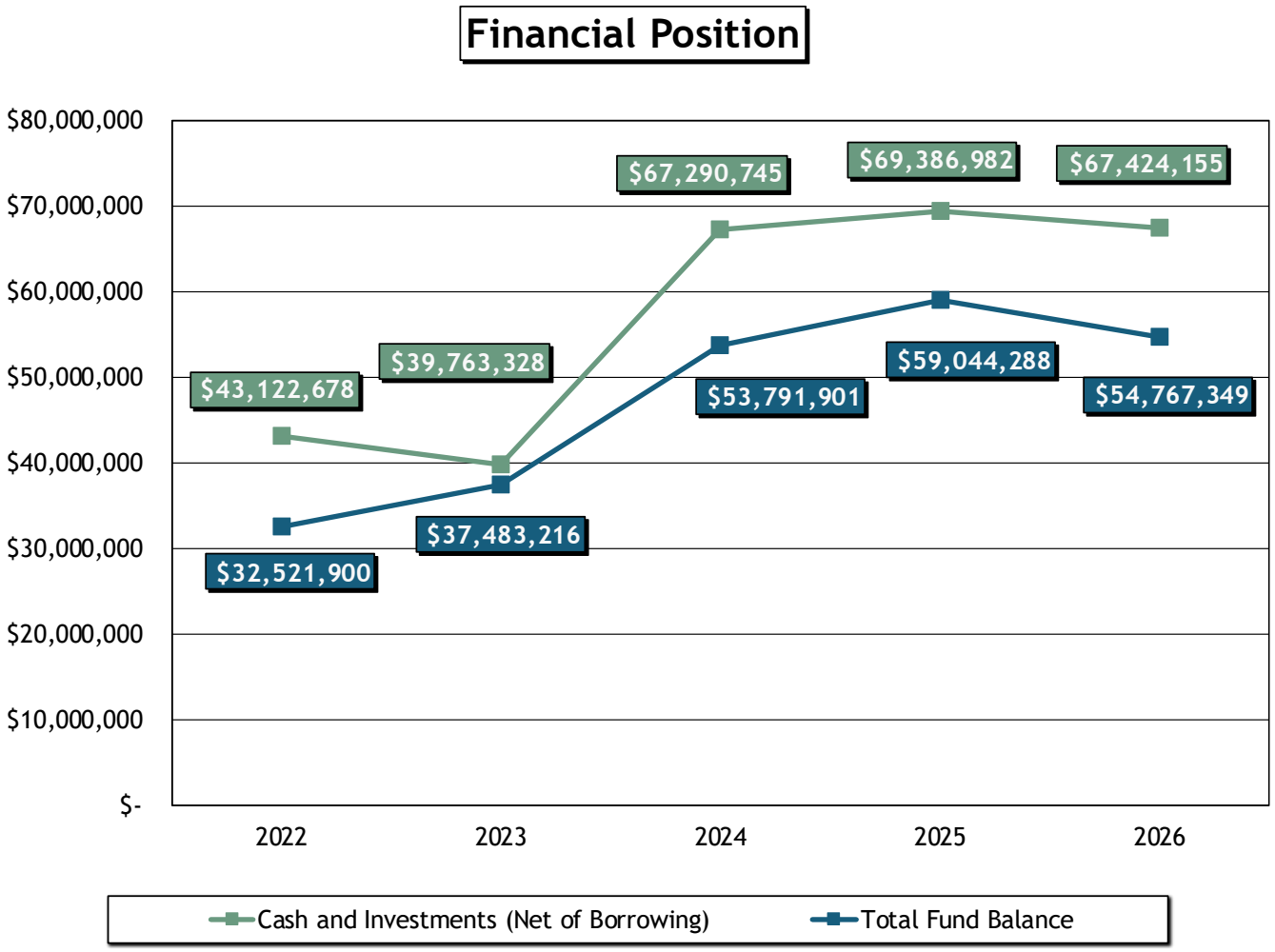
State Average*	2022	2023	2024	2025	2025
General Fund	$ 15,010	$ 14,677	$ 16,649	$ 17,334	N/A
Food Service Fund	666	702	801	832	N/A
Community Service Fund	646	715	765	807	N/A
Building Construction Fund	1,773	1,513	1,657	1,908	N/A
Debt Service Funds	1,531	1,551	1,652	1,862	N/A
Total Expenditures Per Student	**$ 19,626**	**$ 19,158**	**$ 21,524**	**$ 22,743**	**N/A**



* Source: *School District Profiles*; year 2026 is not yet available.
** Estimate as of October 12, 2026

General Fund Operations

The District's cash position and fund balance is presented below for the last five years. Changes in the timing of payments from the state and timing of requests for reimbursement of federal funds played a role in the gap between fund balance and cash and investments over the past five years.



General Fund Operations (Continued)

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

Year Ended June 30,	2022	2023	2024	2025	2026
Revenues	$ 136,020,647	$ 142,274,703	$ 165,586,978	$ 162,758,546	$ 163,348,167
Expenditures	(133,508,576)	(137,348,622)	(149,279,293)	(158,964,648)	(169,013,395)
Excess of revenues over (under) expenditures	2,512,071	4,926,081	16,307,685	3,793,898	(5,665,228)
Other financing sources	487,949	35,235	1,000	1,458,489	1,388,289
Fund balance, July 1	29,521,880	32,521,900	37,483,216	53,791,901	59,044,288
Fund Balance, June 30	**$ 32,521,900**	**$ 37,483,216**	**$ 53,791,901**	**$ 59,044,288**	**$ 54,767,349**

Components of Fund Balance					
Year Ended June 30,	**2022**	**2023**	**2024**	**2025**	**2026**
Nonspendable	$ 254,436	$ 603,936	$ 342,495	$ 291,247	$ 279,374
Restricted for					
Student Activities	231,296	249,669	259,689	280,180	306,615
Capital Projects Levy	521,753	860,910	832,955	262,383	39,534
Literacy Incentive Aid	-	-	313,959	406,378	270,740
Area Learning Center	5,173,831	7,072,672	8,801,478	8,613,051	8,021,266
Safe Schools Levy	-	-	196,200	182,666	-
American Indian Ed aid	-	-	17,957	41,283	-
Medical Assistance	376,714	1,991,314	3,340,272	3,134,009	2,527,811
Long-Term Facilities Maintenance	212,365	(281,509)	(264,191)	(333,782)	(278,748)
Operating Capital	3,325,929	2,962,681	2,049,497	2,162,715	1,240,842
READ Act	-	-	-	81,640	51,222
Literacy Aid	-	-	-	303,304	161,995
Q Comp	-	-	-	73,548	-
Student Support	-	-	-	-	156,790
Committed	1,837,017	1,505,311	1,207,116	1,605,982	1,398,369
Assigned	1,810,980	-	-	250,000	500,000
Unassigned	18,777,579	22,518,232	36,694,474	41,689,684	40,091,539
Fund Balance, June 30	**$ 32,521,900**	**$ 37,483,216**	**$ 53,791,901**	**$ 59,044,288**	**$ 54,767,349**

The chart above summarizes General Fund activity and financial position for each of the last five years. Total General Fund balance represents 32.4% of annual expenditures (based on 2026 spending levels) while the unassigned fund balance represents 23.7% of expenditures. Per the District's fund balance policy, the District should maintain a minimum unassigned General Fund balance of 8 percent of the General Fund expenditures.

Food Service Fund

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

Year Ended June 30,	2022	2023	2024	2025	2026
Revenues	$ 6,313,631	$ 5,888,279	$ 7,165,712	$ 7,406,565	$ 7,530,802
Expenditures	(4,921,294)	(5,227,056)	(6,162,393)	(7,103,404)	(7,192,966)
Excess of revenues over (under) expenditures	1,392,337	661,223	1,003,319	303,161	337,836
Other financing sources	-	1,807	4,667	10,175	12,280
Fund balance, July 1	1,119,125	2,511,462	3,174,492	4,182,478	4,495,814
Fund Balance, June 30	**$ 2,511,462**	**$ 3,174,492**	**$ 4,182,478**	**$ 4,495,814**	**$ 4,845,930**

Food service revenues increased by $124,237 in 2026 as there was more federal funding for meal reimbursements based on meals served in the summer food service program. Food Service expenditures increased by $89,562 in 2026 due in large part to increased chargeback costs.

Community Service Fund

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

Year Ended June 30,	2022	2023	2024	2025	2026
Revenues	$ 6,396,433	$ 6,800,786	$ 7,226,888	$ 7,551,286	$ 7,879,045
Expenditures	(5,273,555)	(5,911,010)	(6,135,359)	(6,979,513)	(8,252,038)
Excess of revenues over (under) expenditures	1,122,878	889,776	1,091,529	571,773	(372,993)
Fund balance, July 1	2,072,632	3,195,510	4,085,286	5,176,815	5,748,588
Fund Balance, June 30	**$ 3,195,510**	**$ 4,085,286**	**$ 5,176,815**	**$ 5,748,588**	**$ 5,375,595**
Restricted for					
Community education	$ 2,375,459	$ 3,289,382	$ 4,116,125	$ 4,541,344	$ 3,996,317
Adult basic education	29,077	-	-	-	-
ECFE	212,310	304,140	455,932	558,113	685,063
School readiness	577,712	459,219	588,915	628,342	654,334
Community service	952	32,545	15,843	20,789	39,881
Total Fund Balance, June 30	**$ 3,195,510**	**$ 4,085,286**	**$ 5,176,815**	**$ 5,748,588**	**$ 5,375,595**

Expenditures exceeded revenues by $372,993 during fiscal year 2026. Revenues increased by $327,759, or 4.3%, with increased programming revenue along with additional state funding during the year. Expenditures increased by $1,272,525, or 18.2%, with increased salaries and benefits, higher transportation costs and greater furniture and equipment expenditures.

Independent School District No. 191
Legislative Summary

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

Basic General Education Aid
The formula allowance for 2026 was set at $7,481 and for 2027, the formula allowance increases to $7,683, which is a 2.7% increase over 2026.

Compensatory Education Revenue
For fiscal year 2027 only, compensatory revenue will be calculated using the greater of the direct certification only formula enacted in the 2023 legislative session or the prorated 2026 revenue adjusted for fall enrollment.

English Learner Aid and Cross Subsidy
For 2026, the aid was $1,228 times the greater of 20 or total English learner ADM. For 2027, this increases to $1,775 times the greater of 20 or total English learner ADM. The English learner concentration formula amount increased from $436 in 2026 to $630 in 2027.

For 2027 and later, a district's Cross Subsidy Aid equals 25% of the district's cross subsidy, which is the greater of zero or the difference between the district's expenditures for qualifying services for the second prior year and the district's English learner revenue for the second previous year.

Food Service Net Cash Resource Limitation
The allowable excess net cash resource threshold remains at six months of average operating expenditures through fiscal year 2027. The excess net cash resources is a federal compliance standard established under USDA regulations (7 CFR 210.14(b)). This measure focuses on the program's liquidity, or the amount of cash readily available to cover operating costs. The USDA requires that net cash resources not exceed the equivalent of three months of average operating expenses, unless the State agency has approved a different limit.

Long-Term Facilities Maintenance (LTFM) Revenue
Districts may include roof repair and replacement costs totaling $100,000 or more per site in the annual LTFM revenue authority effective for fiscal year 2027 and later. The LTFM equalizing factor increases to 125.5% for fiscal year 2027 and 127% for fiscal year 2028.

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

School and Student Safety
By June 30, 2027, the board of a school district or charter school must adopt a policy to implement the use of an anonymous threat reporting system. Districts or schools electing to use a reporting system must implement either the local or statewide system by July 1, 2028. One-time grants of up to $10,000 per district or $2,500 per charter school are available for 2027 to fund expenses associated with the development, purchase, implementation, operations and maintenance of an anonymous threat reporting system.

School and Student Safety (Continued)
Mobile crisis one-time grants are available in 2027 with dollars to be expended through June 30, 2029. School-linked behavioral health grants are available one-time in 2027 with dollars to be expended through June 30, 2029.

Seasonal Tax Base Replacement Aid
The seasonal tax base replacement aid is provided to reduce a portion of voter approved operating referendum in districts with seasonal recreational property. One-time aid for 2027 of $2.542 million is approved.

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

Student Support Personnel Aid
The per pupil allowance increased from $30.05 in 2026 and 2027 to $34.32 in 2028 and 2029.

Independent School District No. 191
Emerging Issues

Executive Summary
The following is an executive summary of financial related updates to assist you in staying current on emerging issues in accounting and finance. This summary will give you a preview of the new standards that have been recently issued and what is on the horizon for the near future. The most recent and significant update includes:

- **Accounting Standard Update – GASB Statement No. 105 – *Subsequent Events***
  GASB has issued GASB Statement No. 105 relating to subsequent events. This Statement defines recognized and nonrecognized subsequent events and outlines the required note disclosures for nonrecognized subsequent events.
- **Uniform Grants Guidance Considerations**

The following is a summary of the current update. As your continued business partner, we are committed to keeping you informed of new and emerging issues. We are happy to discuss this issue with you further and their applicability to your District.

Independent School District No. 191
Emerging Issues

Accounting Standard Update – GASB Statement No. 105 – *Subsequent Events*
The objective of this Statement is to improve financial reporting related to subsequent events by clarifying the subsequent events time frame, defining recognized and nonrecognized subsequent events and specifying the information that is required to be disclosed about subsequent events.

Subsequent events are transactions or events that occur after the financial statement date but before the financial statements are available to be issued. Financial statements are considered available to be issued when they are complete in accordance with GAAP and all required approvals for issuance have been obtained.

A recognized event is a subsequent event that provides evidence of conditions that existed at the financial statement date that inform accounting estimates reported as of the financial statement date.

A nonrecognized event is a subsequent event that results in a significant effect that is recognized or disclosed in the basic financial statements in the reporting period in which the event occurs and is one of the following: a debt-related transaction, a government combination or disposal of government operations, a change to the legally separate entities that compose the financial reporting entity or a transaction or other event that is disclosure of which is essential to a user's analysis for making decisions or assessing accountability.

Required disclosures for nonrecognized events include a description of the nonrecognized event and its effect, and an estimate of the amount of the effect of the nonrecognized event or the reason why an estimate of the amount cannot be made.

GASB Statement No. 105 is effective for fiscal years beginning after June 15, 2026. Earlier application is encouraged.

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

Independent School District No. 191
Emerging Issues

Uniform Grants Guidance Considerations

On May 29, 2026, the *Office of Management and Budget* (OMB) issued a notice of proposed rulemaking (NPRM), which proposed amendments to 2 CFR Part 200 (Uniform Guidance). As a result of the proposed changes by the OMB, the following items should be considered by management for implementation:

- Be prepared to provide payment justification support for federally funded costs.
- Costs such as advertising, conferences, professional development, memberships and subscriptions may be subject to additional questioning. Document the rationale behind the allowability determination.
- Develop written policies and procedures for monitoring subrecipients.
- Develop written documentation of internal controls over federal awards. Current guidance in Part 200.303 states that internal controls should align with the guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO); however, proposed changes could remove reference to these frameworks.

In addition, the following changes have been implemented in recent years and should be considered when updating policies or procedures.

- The single audit threshold increased from $750,000 to $1,000,000.
- Update all policy references from "OMB Uniform Guidance" or "Grants and Agreements" to "OMB Guidance for Federal Financial Assistance".
- Replace the term "non-Federal entity" with "recipient or subrecipient", as applicable.
- Increase the de minimis indirect cost rate from 10% to 15% of Modified Total Direct Costs (MTDC). Update MTDC definition to include up to the first $50,000 of each subaward (up from $25,000).
- The capitalization threshold for equipment and supplies purchased with federal funds may be increased from $5,000 to $10,000 per unit.
- Incorporate Buy America preference requirements for iron, steel, manufactured products and construction materials into infrastructure-related procurement and contracting policies.
- Add a requirement to take "reasonable cybersecurity measures" to safeguard sensitive data. Cybersecurity expectations should also be incorporated into subaward agreements.
- Expand mandatory disclosure policies to require the prompt disclosure of credible evidence of fraud, bribery or gratuities and conflict of interest violations.