CP ASSURANCE

Independent School District No. 316
Coleraine, Minnesota

Communications Letter

June 30, 2026

Independent School District No. 316
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CP ASSURANCE

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

To the School Board and Management
Independent School District No. 316
Coleraine, 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. 316, Coleraine, 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 basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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

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

The material weakness identified is stated within this letter.

The District's written response to the material weakness identified in our audit has not been subjected to audit procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

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 October 20, 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, others within the District and state oversight agencies the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

CP Assurance, Ltd.

St. Cloud, Minnesota
October 20, 2026

Independent School District No. 316
Material Weakness

Lack of Segregation of Accounting Duties
The District has a lack of segregation of accounting duties due to a limited number of office employees. The lack of adequate segregation of accounting duties could adversely affect the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

During the course of our engagement, we proposed a material audit adjustment that would not have been identified as a result of the District's existing internal controls and, therefore, could have resulted in a material misstatement of the District's basic financial statements.

In order to ensure the basic financial statements were free from material misstatements, an audit adjustment adjusting delinquent property taxes receivable and deferred inflows of resources - unavailable revenue - delinquent property taxes was required.

Management and the School Board are aware of this condition and have taken certain steps to compensate for the lack of segregation but due to the number of staff needed to properly segregate all of the accounting duties, the costs of obtaining desirable segregation of accounting duties can often exceed the benefits which could be derived. However, management and the School Board must remain aware of this situation and should continually monitor the accounting system, including changes that occur.

We recommend segregation or independent review be implemented whenever practical and cost effective.

Independent School District No. 316
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 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 judgement, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

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

Our responsibility for the supplementary information accompanying the basic financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the basic financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements 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. 316
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 – Management override of internal control through the journal entry process 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.
- If duties cannot be appropriately segregated within the accounting department, there is a risk of improper bank reconciliations.
- State Aid Valuation – Revenue and receivable amounts related to General Education Aid and Special Education Aid are generally material to the financial statements and involve significant estimates.
- Pension Valuation – Net pension liability, deferred outflows of resources related to pensions and deferred inflows of resources related to pensions are generally material to the financial statements and involve significant estimates.
- Other Post Employment Benefits (OPEB) Valuation – Net OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB are generally material to the financial statements and involve significant estimates.

Significant Risks (Continued)

- Compensated Absences – Compensated absences 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 have 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 judgements. Those judgements are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgements. The most sensitive estimates affecting the basic financial statements 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 monies and complex formulas that are finalized after reporting deadlines.

Net Other Post Employment Benefits (OPEB) Liability, Deferred Outflows of Resources Related to OPEB and Deferred Inflows of Resources Related to OPEB – These balances are based on an actuarial study using the estimates of future obligations of the District for post employment benefits.

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

Compensated Absences Liability – These balances are related to leave accrued based on employment contracts and estimates based on historical use of leave balances.

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.

Qualitative Aspects of the District's Significant Accounting Practices (Continued)

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.

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

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

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

- State receivable is understated.
- OPEB liability is understated.

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. The following material misstatement that we identified as a result of our audit procedures was brought to the attention of and corrected by management.

- Delinquent property taxes receivable and deferred inflows of resources.

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.

Independent School District No. 316
Required Communication

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.

Matters Resulting in Consultation Outside the Engagement Team
In connection with our audit of the financial statements for the year ended June 30, 2026, the engagement team consulted with the firm's quality management team regarding the disclosure checklist used to evaluate the completeness of the financials statements and notes. The checklist had not been updated to incorporate the presentation and disclosure requirements of GASB Statement No. 103, Financial Reporting Model Improvements, which the District implemented during the current year. Because the checklist did not address the new requirements, the engagement team consulted with the quality management team to determine an appropriate approach for evaluating the District's compliance with them. The consultation did not result in any identified departures from the new requirements, and the conclusions reached were considered by the engagement team in forming our opinion.

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.

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

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

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

Independent School District No. 316
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.

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.

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, gives an indication of how complicated the funding system is. The following section provides some state-wide funding and financial trend information.

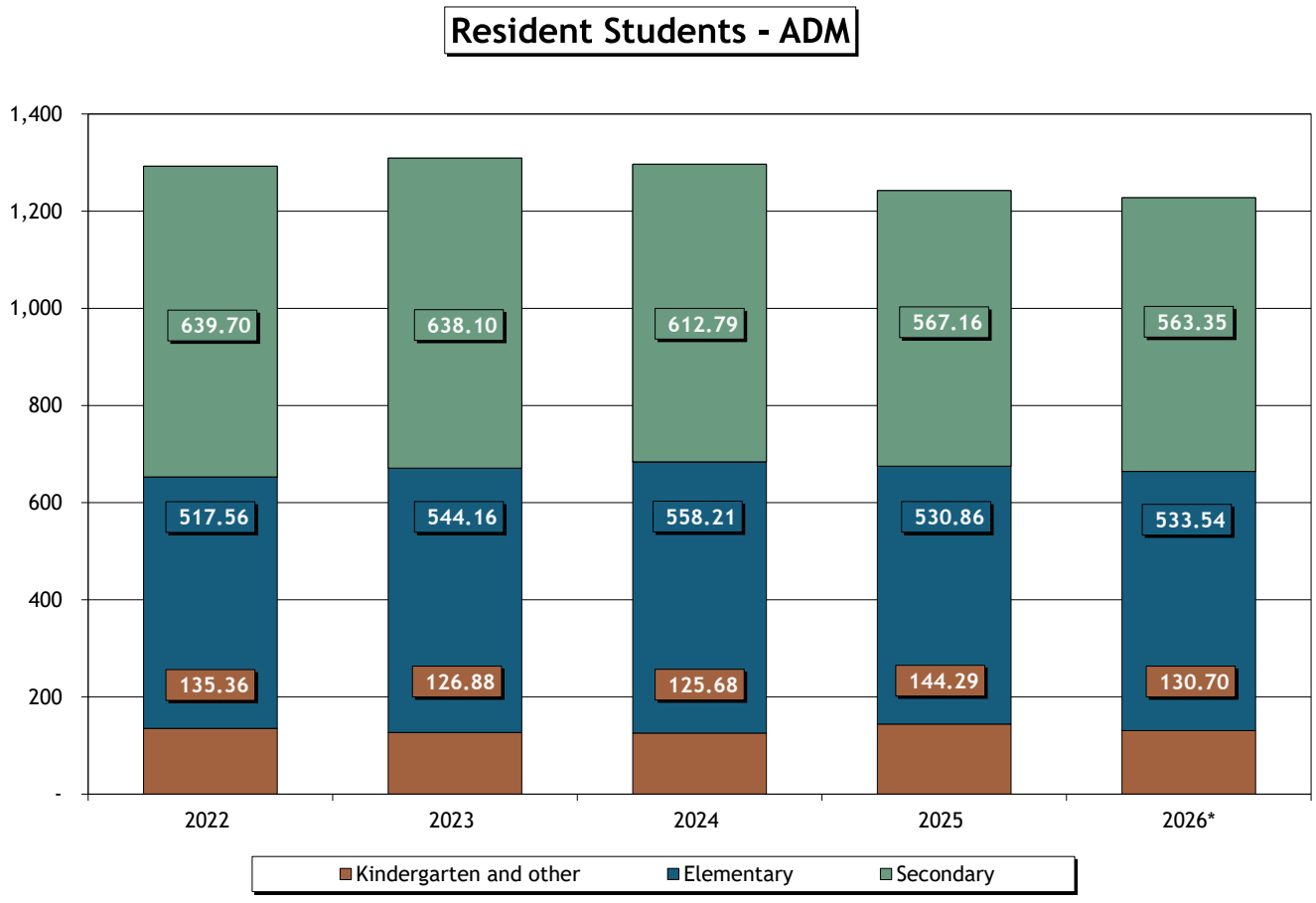
	General Education Aid Formula Allowance	
Year	Amount	Percent Increase
2017	$ 6,067	2.0%
2018	6,188	2.0%
2019	6,312	2.0%
2020	6,438	2.0%
2021	6,567	2.0%
2022	6,728	2.5%
2023	6,863	2.0%
2024	7,138	4.0%
2025	7,281	2.0%
2026	7,481	2.7%
2027	7,683	2.7%

Average Daily Membership and Pupil Units (Continued)
The following chart and graph summarizes resident ADM of the District over the past five years.

Resident ADM	2022	2023	2024	2025	2026*
Kindergarten and other	135.36	126.88	125.68	144.29	130.70
Elementary	517.56	544.16	558.21	530.86	533.54
Secondary	639.70	638.10	612.79	567.16	563.35
Total Resident ADM	**1,292.62**	**1,309.14**	**1,296.68**	**1,242.31**	**1,227.59**

* Estimate

The chart and graph above provides resident ADM over the past five years. Resident ADM ended 2026 with a total of 1,227.59, a decrease of 15 ADM, or 1.18%, compared to 2025.

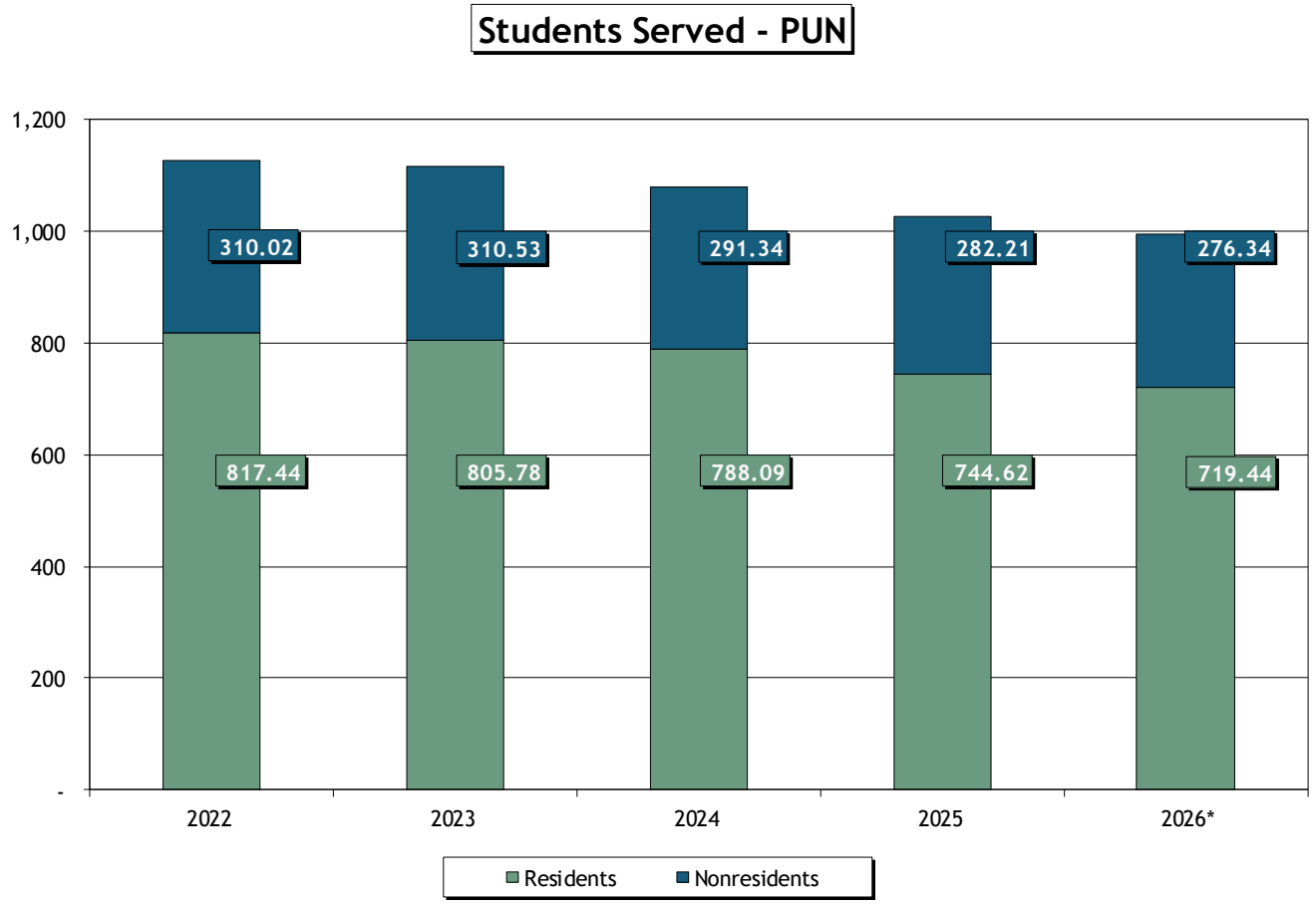


Average Daily Membership and Pupil Units (Continued)

Pupil Units Weighting	Pre-Kindergarten	Handicapped Kindergarten	Kindergarten	Elementary Grades 1-3	Elementary Grades 4-6	Secondary
Fiscal Years 2022-2026	1.000	1.000	1.000	1.000	1.000	1.200

Pupil units are computed by weighting ADM (PUN) using the factors on the table above. The PUN served table and graph below converts resident ADM into weighted or adjusted pupil unit data for the past five years taking into consideration the above weighting factors and open enrollment.

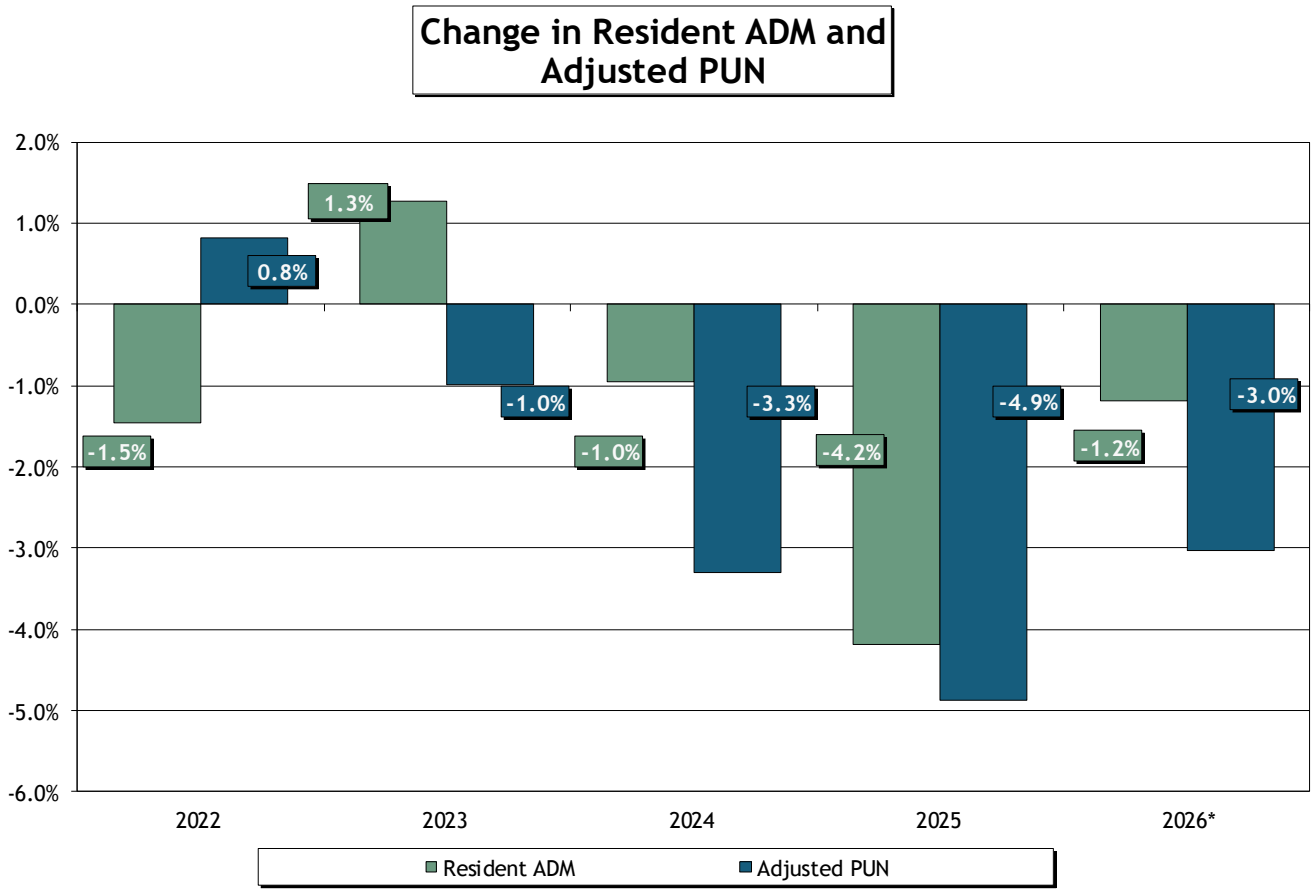
	2022	2023	2024	2025	2026*
Residents	1,420.55	1,436.76	1,419.23	1,355.75	1,340.25
Residents going elsewhere	(603.11)	(630.98)	(631.14)	(611.13)	(620.81)
Nonresidents coming in	310.02	310.53	291.34	282.21	276.34
Total Adjusted PUN	**1,127.46**	**1,116.31**	**1,079.43**	**1,026.83**	**995.78**



* Estimate

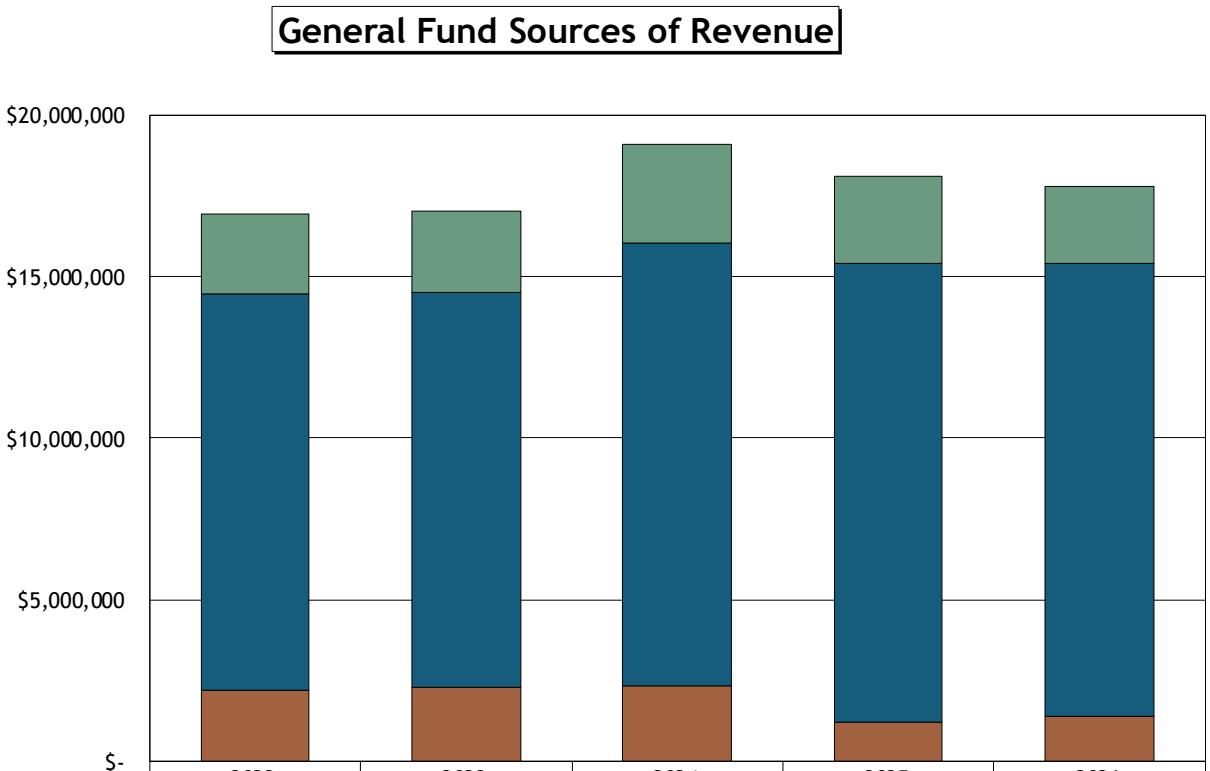
Average Daily Membership and Pupil Units (Continued)
Adjusted PUN decreased by 31.05 from 2025 to 2026. Open enrollment is a factor in the District's student count fluctuation. For each of the five years shown, the District has experienced a net loss due to open enrollment. In 2022, the net loss was 293.09 and in 2026 the net loss remained fairly consistent at 344.47. These losses are due to resident students leaving the District through open enrollment and the growing number of students attending charter schools. The number of residents going elsewhere increased by 9.68 adjusted PUN, while the number of nonresidents coming into District decreased by 5.87 in 2026.

The following graph illustrates the percentage change from year-to-year in resident ADM and PUN served.



* Estimate

General Fund Sources of Revenue
The following table displays the sources of revenue for the General Fund.

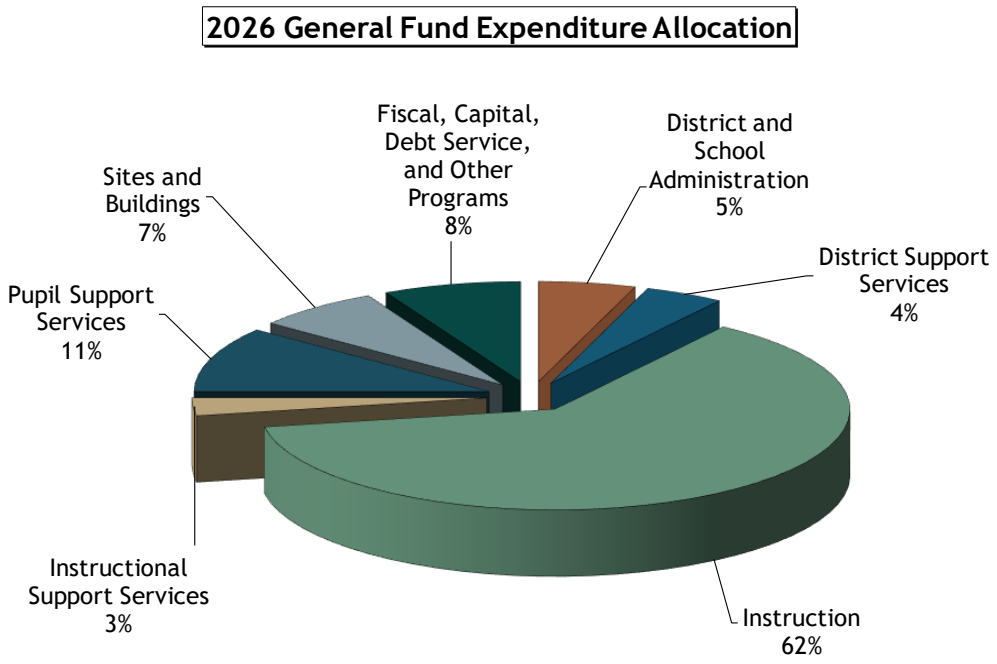


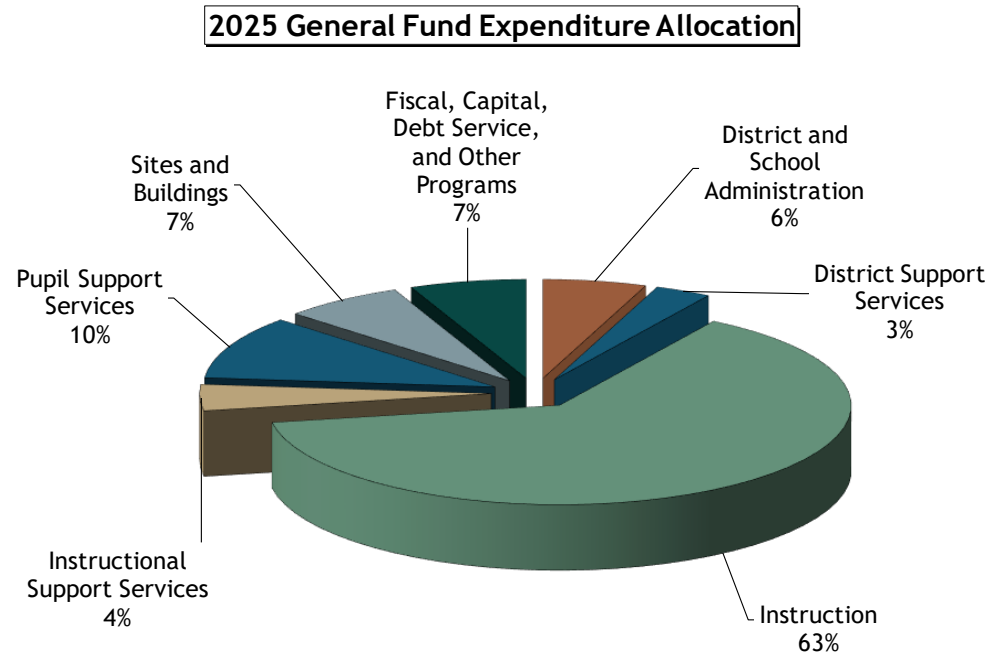
	2022	2023	2024	2025	2026
Local Property Taxes	$2,436,289	$2,522,716	$3,033,999	$2,684,466	$2,369,389
State Revenue	12,254,112	12,198,959	13,717,507	14,187,729	14,030,923
Other Revenue	2,216,218	2,305,952	2,326,772	1,221,287	1,374,345

Total General Fund revenues of $17,774,657 decreased $318,825, or 1.8%, from 2025 to 2026 but increased $868,038, or 5.1% over the course of the five years presented.

State revenue, which makes up the largest percentage of the District's revenue at 78.94%, decreased by $156,806 in 2026 due primarily to a decrease in enrollment leading to decrease in aid. Local property tax revenue decreased $315,077 due primarily to a decrease in the Taconite revenues. Other revenue increased $153,058 due to an increase in federal special education funding and an increase in interest income.

General Fund Expenditure Allocation





Total instruction expenditures (regular, special education and vocational) represents approximately 62% of total General Fund expenditures for 2026 and approximately 63% for 2025. Expenditures related to district support services increased by $230,360 in 2026 due to an additional DNR payment and instructional support services decreased by $250,905 in 2026 due to decrease in salaries and wages from reduced aid. Both of these contributed to the shift in allocation percentages across programs.

Independent School District No. 316
Financial Analysis

General Fund Budget and Actual

The chart below highlights 2026 General Fund budget and actual results. Originally, in June 2025, the District budgeted for deficit spending of $308,537 for 2026. Budget revisions changed the projected deficit to $1,157,036. The District ended 2026 with an actual deficit of $479,155 for the General Fund.

Overall, General Fund revenues were over budget by $355,236, or 2.0%. Revenues from state sources were over budget due to special education aid exceeding expectations. Revenues from federal sources were over budget due to receiving more title and special education funding than anticipated.

General Fund expenditures were less than budgeted by $184,743 in total. Vocational education instruction expenditures were $238,316 under budget due to chargebacks being budgeted for but not made. Special education instruction expenditures were $161,844 over budget due to more staff benefit expenses and purchased services than anticipated. Instructional support services expenditures were $166,464 under budget due to chargebacks being budgeted for but not made. Sites and buildings expenditures were $124,331 under budget due to less purchased services than anticipated. Capital outlay related expenditures were $157,400 over budget due to not budgeting for the lease transaction.

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Local property taxes	$ 2,377,977	$ 2,301,669	$ 2,369,389	$ 67,720
Other local and county revenues	569,253	792,556	724,867	(67,689)
Revenue from state sources	13,677,854	13,818,335	14,030,923	212,588
Revenue from federal sources	428,552	440,958	582,559	141,601
Sales and other conversion of assets	64,000	65,903	66,919	1,016
Total revenues	17,117,636	17,419,421	17,774,657	355,236
Expenditures				
Administration	925,307	1,081,535	979,569	(101,966)
District support services	541,659	736,713	799,109	62,396
Regular instruction	7,300,915	6,693,680	6,800,090	106,410
Vocational education instruction	227,618	531,784	293,468	(238,316)
Special education instruction	3,662,552	4,235,915	4,397,759	161,844
Instructional support services	484,263	693,342	526,878	(166,464)
Pupil support services	1,914,329	1,978,842	1,937,549	(41,293)
Sites and buildings	1,333,229	1,393,302	1,268,971	(124,331)
Fiscal and other fixed cost programs	133,910	133,910	133,910	-
Capital outlay	333,478	525,714	683,114	157,400
Debt service	568,913	571,720	571,297	(423)
Total expenditures	17,426,173	18,576,457	18,391,714	(184,743)
Excess of revenues over (under) expenditures	(308,537)	(1,157,036)	(617,057)	539,979
Net Other Financing Sources	-	-	137,902	137,902
Net Change in Fund Balances	$ (308,537)	$ (1,157,036)	$ (479,155)	$ 677,881

Independent School District No. 316
Financial Analysis

General Fund Operations

The chart below illustrates the General Fund revenue, expenditures and fund balances for the past five years.

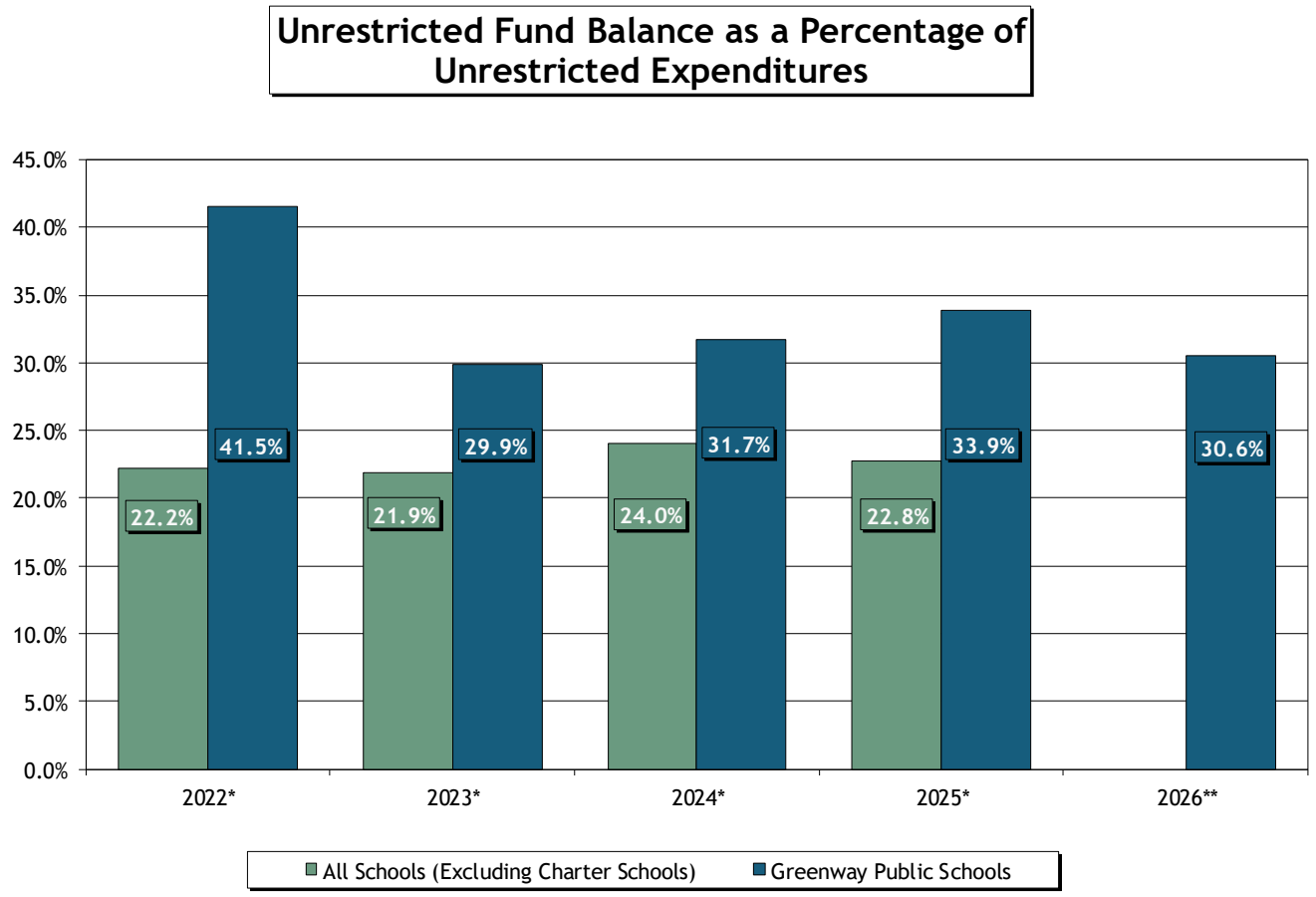
Year Ended June 30,	2022	2023	2024	2025	2026
Revenues	$ 16,906,619	$ 17,027,627	$ 19,078,278	$ 18,093,482	$ 17,774,657
Expenditures	16,537,259	18,475,732	18,728,697	18,228,925	18,391,714
Excess of revenues over (under) expenditures	369,360	(1,448,105)	349,581	(135,443)	(617,057)
Add other sources (uses)	56,957	71,413	35,870	73,082	137,902
Fund balance, July 1	7,666,391	8,092,708	6,716,016	7,101,467	7,039,106
Fund Balance, June 30	**$ 8,092,708**	**$ 6,716,016**	**$ 7,101,467**	**$ 7,039,106**	**$ 6,559,951**
Nonspendable for					
Prepaids	$ -	$ 506	$ -	$ -	$ -
Restricted/reserved for					
Student Activities	88,593	111,163	131,943	111,794	126,504
Taconite Building Maintenance	1,011,850	1,127,769	1,270,572	1,411,853	1,549,429
Staff Development	-	-	-	14,932	20,328
Literacy Incentive Aid	-	-	-	912	-
American Indian Education Aid	-	-	-	15,073	-
Q Comp	-	-	-	19,788	33,774
School Library Aid	-	-	40,000	80,000	99,794
$25 Taconite	190,370	219,235	248,100	133,765	159,460
Basic Skills Program	-	-	41,336	-	-
Gifted and Talented	55,570	70,109	84,118	97,529	110,490
Student Support Personnel Aid	-	-	-	40,000	-
Basic Skills Extended Time	43,752	41,336	-	-	-
LTFM	305,199	89,644	49,972	6,623	(43,232)
Safe Schools Levy	13,099	-	-	-	-
Medical Assistance	436,254	435,852	513,260	277,108	100,000
Committed	1,889,724	795,465	780,502	431,115	431,115
Assigned	1,466,926	1,466,926	1,468,801	1,306,869	1,146,869
Unassigned	2,591,371	2,358,011	2,472,863	3,091,745	2,825,420
Fund Balance, June 30	**$ 8,092,708**	**$ 6,716,016**	**$ 7,101,467**	**$ 7,039,106**	**$ 6,559,951**

At June 30, 2026, the District has 15.4% of actual expenditures (based on 2026 levels) in the unassigned fund balance. The District has a fund balance policy to maintain an unassigned fund balance of 6% of budgeted general fund expenditures. The District has managed its spending through the budget to maintain its fund balance to be in compliance with its policy.

From 2025 to 2026, revenues decreased 1.8% and expenditures increased 0.9%. Included in the illustration above are all the general activities of the District, including all categorical or reserved programs. All of these activities comprise the General Fund, per the Uniform Financial Accounting and Reporting Standards (UFARS) definition. Overall, the General Fund balance decreased $479,155 and the unassigned portion decreased by $266,325.

General Fund Financial Health

One of the most common comparable statistics used to evaluate school district financial health is the operating fund balance as a percentage of operating expenditures.



* Information was obtained from the Minnesota Department of Education (MDE) web site report *General Fund Unreserved Balance for Fiscal Years 2013-2025*. Fiscal year 2026 information is not available.

** MDE 2026 UFARS Turnaround Compliance Report

Food Service Fund

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

Year Ended June 30,	2022	2023	2024	2025	2026
Revenues	$ 980,584	$ 770,102	$ 930,825	$ 901,067	$ 922,463
Expenditures	944,083	855,786	895,058	936,028	947,626
Excess of revenues over (under) expenditures	36,501	(85,684)	35,767	(34,961)	(25,163)
Fund balance, July 1	284,478	320,979	235,295	271,062	236,101
Fund Balance, June 30	**$ 320,979**	**$ 235,295**	**$ 271,062**	**$ 236,101**	**$ 210,938**

Overall, food service revenues increased $21,396 from 2025 to 2026, and expenditures increased $11,598. The increase in revenue was due to an increase in special function food sales. Expenditures increased due to an increase in cost of items. The Fund finished the year with a 22% fund balance based on 2026 spending levels.

Community Service Fund

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

Year Ended June 30,	2022	2023	2024	2025	2026
Revenues	$ 288,376	$ 275,208	$ 273,521	$ 285,273	$ 299,187
Expenditures	251,807	259,983	262,506	254,340	310,540
Excess of revenues over (under) expenditures	36,569	15,225	11,015	30,933	(11,353)
Other financing sources (uses)	8,983	-	-	-	-
Fund balance, July 1	188,060	233,612	248,837	259,852	290,785
Fund Balance, June 30	**$ 233,612**	**$ 248,837**	**$ 259,852**	**$ 290,785**	**$ 279,432**

As the table indicates, Community Service Fund expenditures exceeded revenues in 2026. The total Community Service Fund balance decreased by $11,353, which was the first decrease of the five years presented. Revenues increased by 4.9% based on slightly more funding in 2026 while expenditures increased by 22.1% due to increased costs for staffing hours and programming supplies from the District operating their own Early Childhood program in 2026.

Due to MDE regulations, the total Community Service Fund is segregated, or restricted, as follows: restricted for community education programs $201,937, restricted for early childhood and family education $21,393, restricted for school readiness $7,385, and the remaining $48,717 is restricted for community service use.

Independent School District No. 316
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. 316
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 are extensive summaries of the current updates. As your continued business partner, we are committed to keeping you informed of new and emerging issues. We are happy to discuss these issues with you further and their applicability to your District.

Independent School District No. 316
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. 316
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.