Finance Committee Meeting

Tuesday, April 28, 2026 5:45 PM
Board Assembly Room, 1250 West Broadway Avenue, Minneapolis, Minnesota 55411

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

2) **Approval of the Agenda**

3) **Acceptance of Minutes**

3)a. March 24, 2026

4) **Reports and Discussion**

4)a. Financial Statements

4)a.1. March 2026 Financial Statements

4)b. FY27 Budget Development Update

4)c. General Fund Balance Update

4)d. Corrective Action Plans in Response to the Fiscal Year 2025 Audit

5) **Adjournment**

OFFICIAL MINUTES
MINNEAPOLIS BOARD OF EDUCATION

FINANCE COMMITTEE MEETING
March 24, 2026

CALL TO ORDER AND ROLL CALL

Committee Chair Abdul Abdi called the meeting to order at 5:46 p.m., a quorum being present.
Present: Greta Callahan, Collin Beachy, Kim Ellison, Joyner Emerick, Abdul Abdi (5)
Absent: (0)
Director Emerick participated via interactive technology.

APPROVAL OF AGENDA

Beachy moved to approve the agenda. Ellison Seconded the motion.

On a roll call vote, the agenda was approved with the following result:

Aye: Beachy, Callahan, Ellison, Emerick, Abdi (5)
Nay: (0)
Abstain: (0)
Absent: (0)

ACCEPTANCE OF MINUTES

Beachy moved to approve the minutes from the Feb. 24, 2026 meeting. Ellison seconded the motion.

On a voice vote, the motion was adopted with the following result:

Aye: Beachy, Callahan, Ellison, Emerick, Abdi (5)
Nay: (0)
Abstain: (0)
Absent: (0)

REPORTS AND DISCUSSION

Financial Statements

Staff presented financial statements for the month of February 2026.

DRAFT

Fiscal Year 2027 Budget Update

Staff provided an update on the Budget process for 2027.

ADJOURNMENT

Without objection, Chair Abdi adjourned the meeting at 6:36 p.m.

Minutes submitted by Nandi O'Brien, School Board Administrator and Assistant Clerk.
Meeting materials:https://meetings.boardbook.org/Public/Agenda/1807?meeting=736822

DRAFT

MINNEAPOLIS PUBLIC SCHOOLS
Urban Education. Global Citizens.

Monthly Financial Report

March 31, 2026

Unaudited Report

Prepared By: Finance Division
Prepared for: Finance Committee

MINNEAPOLIS PUBLIC SCHOOLS
Special School District No.1
Minneapolis, Minnesota

www.mpls.k12.mn.us
John B. Davis Education and Service Center
1250 W. Broadway Ave. Minneapolis, MN 55411

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Monthly Finance Highlights

Ending Fund Balance for Operating Funds
Month Ended March 31, 2026

Minneapolis Public School began the fiscal year with its unassigned fund balance slightly below the District's goal of 8%. Minneapolis Public School is projected to be in compliance at the end of this fiscal year with the District fund policy. Current fund balance is $67,088,671. District policy dictates that the unassigned portion of General Fund balance be at least 8.0%. Due to the timing of recording revenues & expenditures, fund balance fluctuates throughout the year.

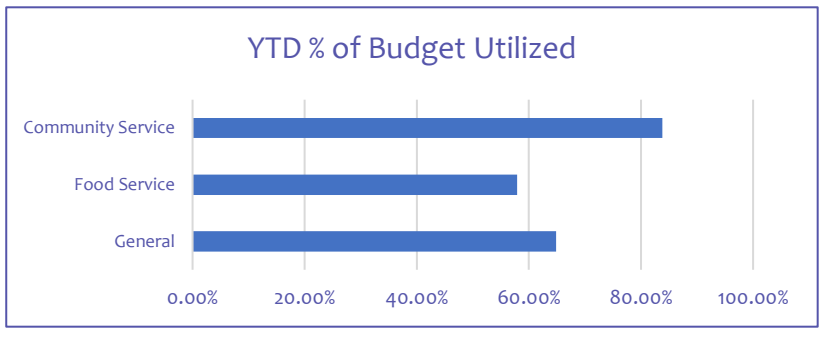
	General	Food Service	Community Service
Month Ending balance	$67,088,671	($2,168,089)	$11,555,248

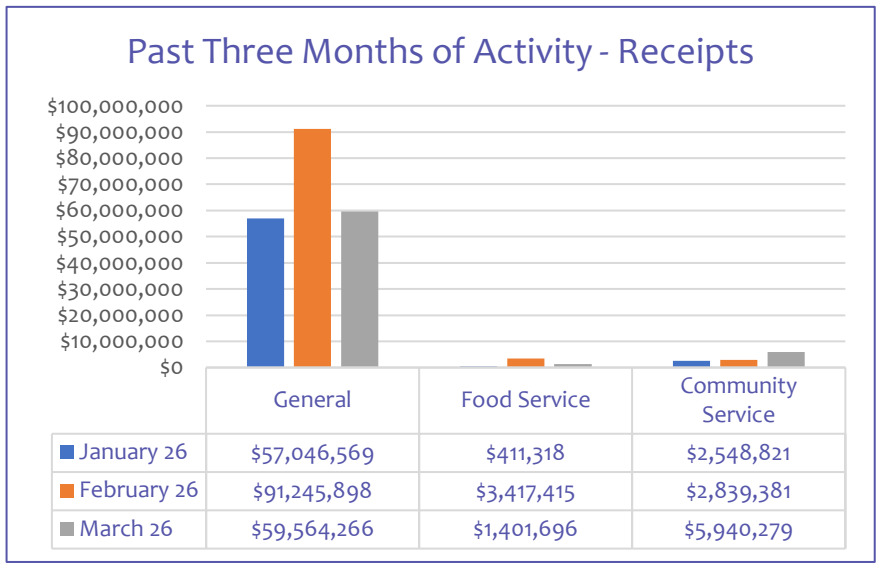
Revenue Highlights for Operating Funds
As of March 31, 2026

General Fund revenue during the month was $59,564,266 (YTD actuals as a % of budget totaled 64.86%). Revenue activity in other funds are stated below:

Revenue Year-To-Date Totals

General	$455,396,732
Food Service	$13,677,608
Community Service	$29,556,577





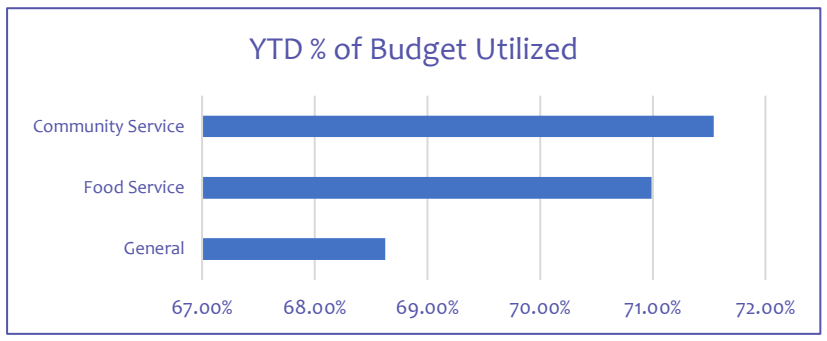
	General	Food Service	Community Service
January 26	$57,046,569	$411,318	$2,548,821
February 26	$91,245,898	$3,417,415	$2,839,381
March 26	$59,564,266	$1,401,696	$5,940,279

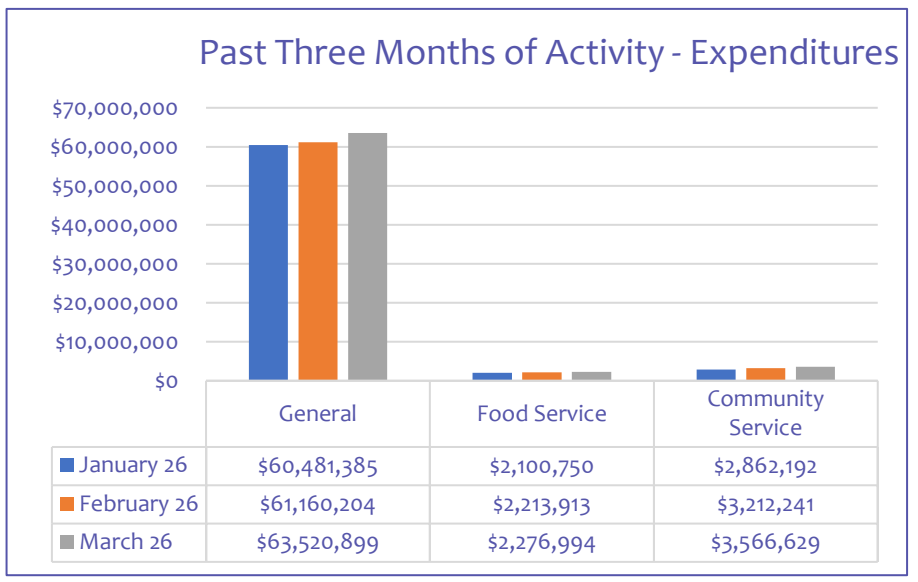
Expenditures Highlights for Operating Funds
As of March 31, 2026

General Fund expenditures during the month were $63,520,899 (YTD actuals as a % of budget totaled 68.63%). Expenditure activity in other funds are stated below:

Expenditures Year-To-Date Totals

General	$499,950,119
Food Service	$17,784,312
Community Service	$27,812,630





	General	Food Service	Community Service
January 26	$60,481,385	$2,100,750	$2,862,192
February 26	$61,160,204	$2,213,913	$3,212,241
March 26	$63,520,899	$2,276,994	$3,566,629

Minneapolis Public Schools
Special School District No. 1
Revenue and Expenditure Summary
Month Ended March 31, 2026

Revenue Summary

Fund	Budget	YTD Actuals	% of Budget	PY YTD Actuals	PY % of Budget
General Fund					
Local Sources	167,487,498	97,353,442	58.1%	84,378,229	58.9%
State Sources	452,629,897	325,893,526	72.0%	279,147,263	87.5%
Federal Sources	58,931,642	31,945,029	54.2%	32,593,603	22.2%
Other	23,076,612	204,736	0.9%	1,702,062	8.2%
Total	702,125,649	455,396,732	64.9%	397,821,158	63.1%
Operating Funds					
Food Service Fund	23,605,895	13,677,608	57.9%	13,308,101	60.7%
Community Service Fund	35,272,531	29,556,577	83.8%	27,666,587	85.1%
Non-Operating Funds					
Building Construction Fund*	90,004,525	96,102,423	106.8%	93,168,381	109.1%
Debt Service Fund*	101,248,920	88,369,762	87.3%	60,228,320	60.6%
Total All Funds	**952,257,520**	**683,103,103**	**71.7%**	**592,192,546**	**68.1%**

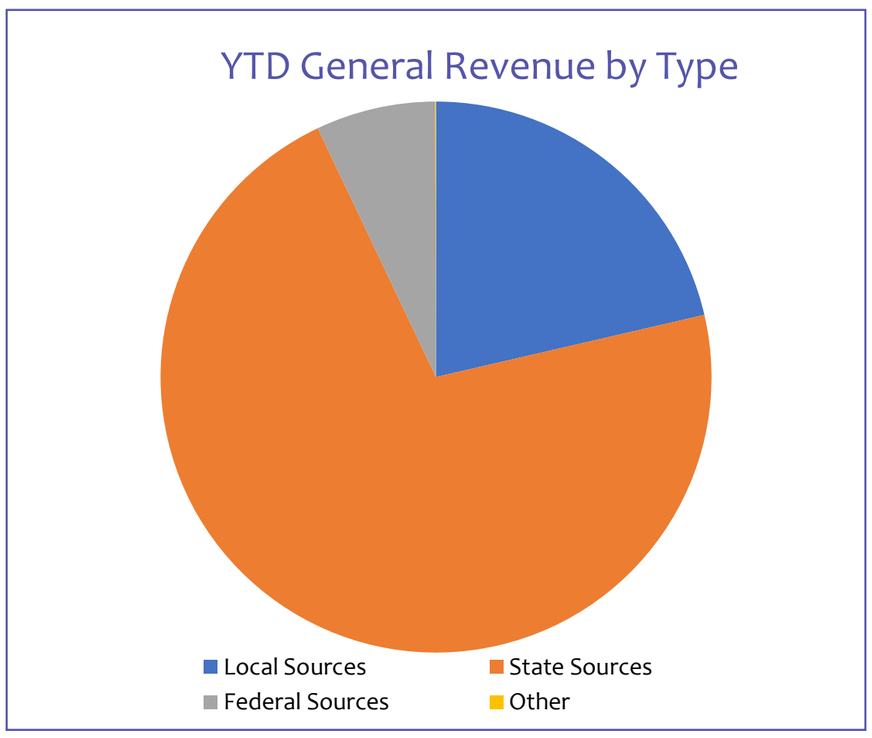
*For the purposes of this report, other financing sources are reported as revenue

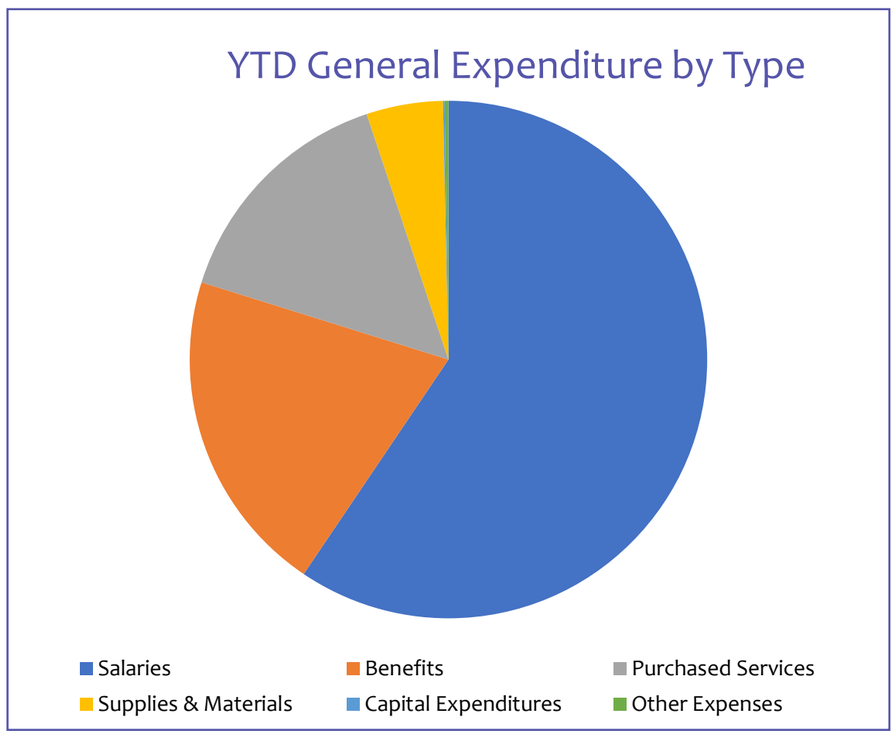
Expenditure Summary

Fund	Budget	YTD Actuals	% of Budget	PY YTD Actuals	PY % of Budget
General Fund					
Salaries	390,163,347	297,224,833	76.2%	295,252,505	73.6%
Benefits	161,179,185	101,862,622	63.2%	95,584,774	65.1%
Purchased Services	115,438,805	75,274,178	65.2%	80,277,400	67.7%
Supplies & Materials	42,218,703	23,904,980	56.6%	20,508,033	53.1%
Capital Expenditures	9,708,762	495,411	5.1%	274,877	9.1%
Other Expenses	9,807,869	1,188,096	12.1%	614,904	29.0%
Total	728,516,671	499,950,119	68.6%	492,512,493	69.3%
Operating Funds					
Food Service Fund	25,052,086	17,784,312	71.0%	20,268,895	75.9%
Community Service Fund	38,877,352	27,812,630	71.5%	26,301,015	74.2%
Non-Operating Funds					
Building Construction Fund	155,417,464	57,075,682	36.7%	59,849,662	38.3%
Debt Service Fund*	101,248,920	119,902,232	118.4%	104,764,293	105.4%
Total All Funds	**1,049,112,493**	**722,524,975**	**68.9%**	**703,696,359**	**68.4%**

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

YTD General Fund Revenue & Expenditure by Type





Minneapolis Public Schools
Special School District No. 1
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
Month Ended March 31, 2026

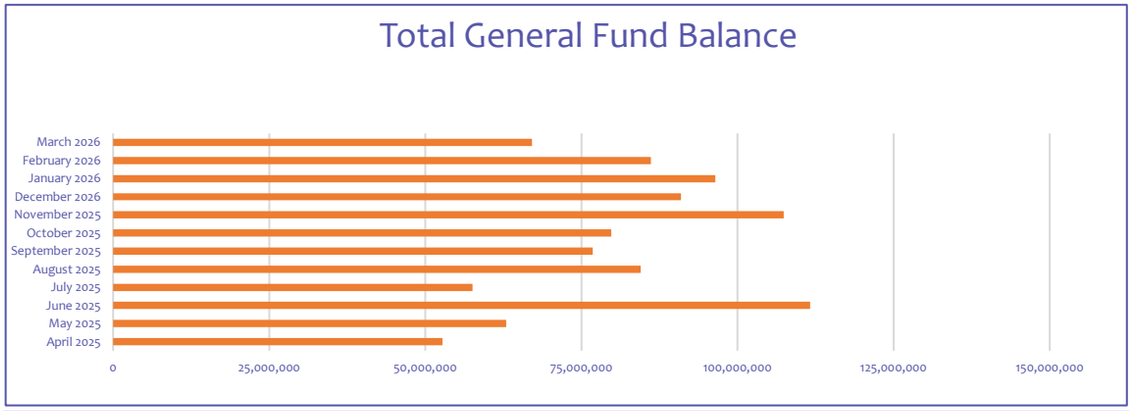
	Budget	YTD Actuals	% of Budget	PY YTD Actuals	PY % of Budget
Revenues					
Local sources					
Property taxes	165,487,498	82,377,280	49.8%	68,854,175	48.1%
Earnings on investments	2,000,000	2,934,253	146.7%	2,868,047	143.3%
Other local and county revenues	23,076,612	12,041,910	52.2%	12,656,007	67.3%
Revenue from state sources	452,629,897	325,893,526	72.0%	279,147,263	87.5%
Revenue from federal sources	58,931,642	31,945,029	54.2%	32,593,603	22.2%
Sale and other conversion of assets	-	204,736	-	1,702,062	0.0%
Total Revenues	**702,125,649**	**455,396,732**	**64.9%**	**397,821,158**	**63.1%**
Expenditures					
Current					
Administration	22,423,934	15,369,033	68.5%	16,200,665	55.7%
District support services	57,261,545	36,049,494	63.0%	36,552,958	66.5%
Elementary and secondary regular	278,908,084	206,392,663	74.0%	200,242,484	70.2%
Vocational education instruction	6,264,203	2,796,645	44.6%	4,514,579	57.1%
Special education instruction	156,003,910	106,425,138	68.2%	101,149,999	70.6%
Community education and services		-		-	
Instructional support services	47,125,980	30,454,494	64.6%	29,414,584	66.4%
Pupil support services	106,247,188	70,858,589	66.7%	74,251,715	76.4%
Sites and buildings	42,312,601	29,207,299	69.0%	28,094,727	60.3%
Fiscal and other fixed cost programs	2,156,456	1,901,352	88.2%	1,815,905	156.8%
Capital Outlay					
Administration	-	1,271	-	284	0.0%
District support services	-	-	-	17,214	0.0%
Elementary and secondary regular	-	280,328	-	102,207	52.2%
Vocational education instruction	-	-	-	-	0.0%
Special education instruction	-	47,808	-	146,318	0.0%
Instructional support services	-	20,926		1,673	28.3%
Pupil support services	-	-	-	2,482	0.0%
Sites and buildings	9,812,770	145,078	1.5%	4,700	9.2%
Total Expenditures	**728,516,671**	**499,950,118**	**68.6%**	**492,512,493**	**69.3%**
Excess of Revenues Over (Under) Expenditures	(26,391,022)	(44,553,386)		(94,691,336)	
Other Financing Sources					
Lease financing	-	-	0.0%		0.0%
Total Other Financing Sources	**-**	**-**	**-**	**-**	**-**
Net Change in Fund Balances	**(26,391,022)**	**(44,553,386)**		**(94,691,336)**	
Fund Balance					
March 31, 2026		**67,088,671**			

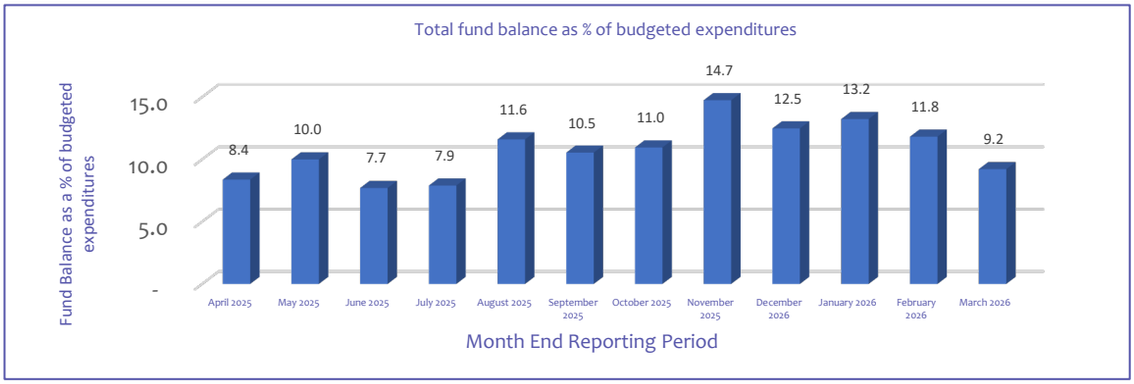
Minneapolis Public Schools
Special School District No. 1
General Fund Balance Sheet
March 31, 2026

Assets	Current Year	Prior Year
Cash and investments	107,434,974	89,632,802
Cash and investments held by trustee	-	-
Due from food service fund (negative cash)	7,517,077	6,960,793
Receivables		
Current property taxes receivable	85,084,251	70,457,406
Delinquent property taxes receivable	1,581,763	1,453,953
Due from other Minnesota school districts	51,186	15,598
Due from the Minnesota Department of Education	28,135,545	1,153,431
Due from the federal government through MDE	19,022,849	29,330,851
Due from the federal government directly	81,670	1,109,225
Due from other governmental units	2,021,957	2,591,435
Other receivables	3,461,801	3,167,524
Prepaid items	4,838,400	-
Inventory	124,384	132,726
Total assets	**259,355,857**	**206,005,743**
Liabilities		
Salaries and compensated absences payable	25,388,368	23,037,994
Payroll deductions and contributions payable	9,579,593	(243,615)
Accounts and contracts payable	8,153,328	2,932,354
Due to other governmental units	(26,640)	(20,808)
Unearned revenue	16,528	-
Total liabilities	**43,111,177**	**25,705,925**
Deferred Inflows of Resources		
Property taxes levied for subsquent expenditures	147,157,024	121,244,325
Unavailable revenue - delinquent property taxes	1,581,763	1,453,953
Deferred Inflow - lease revenue	417,222	67,438
Total deferred inflows of resources	**149,156,008**	**122,765,715**
Fund Balances		
Total fund balances	**67,088,671**	**57,534,103**
Total liabilities, deferred inflows of resources, and fund balances	**259,355,857**	**206,005,743**

Cash and investments are net of salaries & compensated wages payable

General Fund - Fund Balance Analysis





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

Overview of fund balance types

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

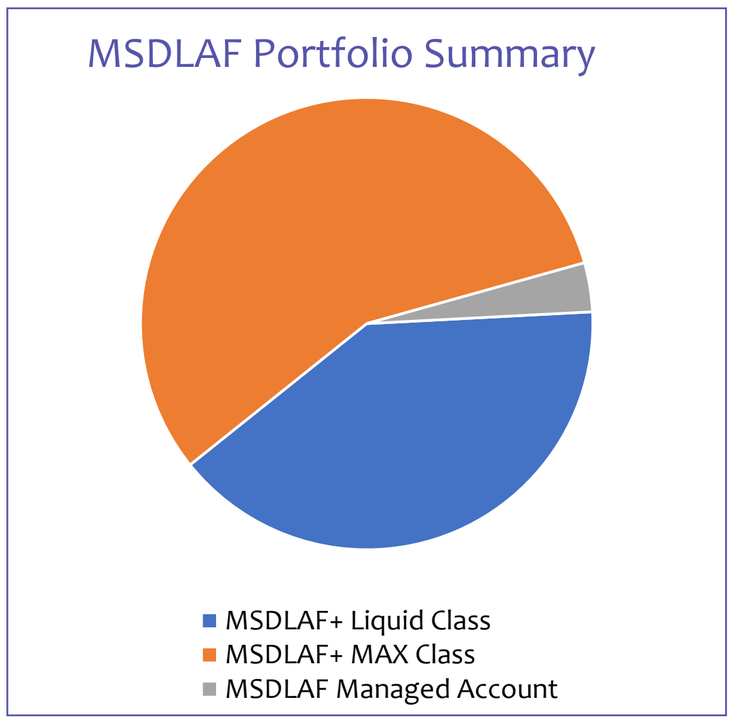
Restricted – amounts that are subject to externally enforceable legal purpose restrictions.

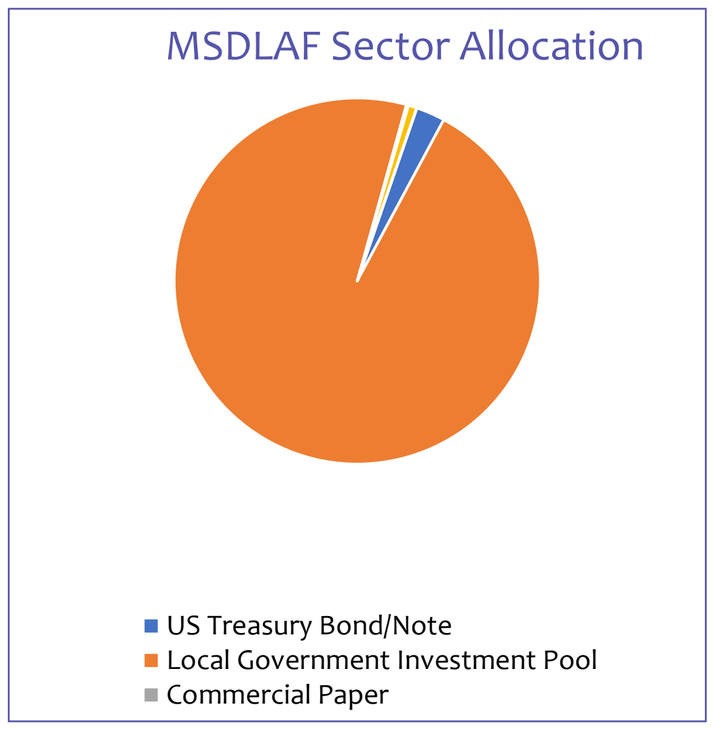
Assigned – amounts that are subject to a purpose constraint that represents an intended use established by The District

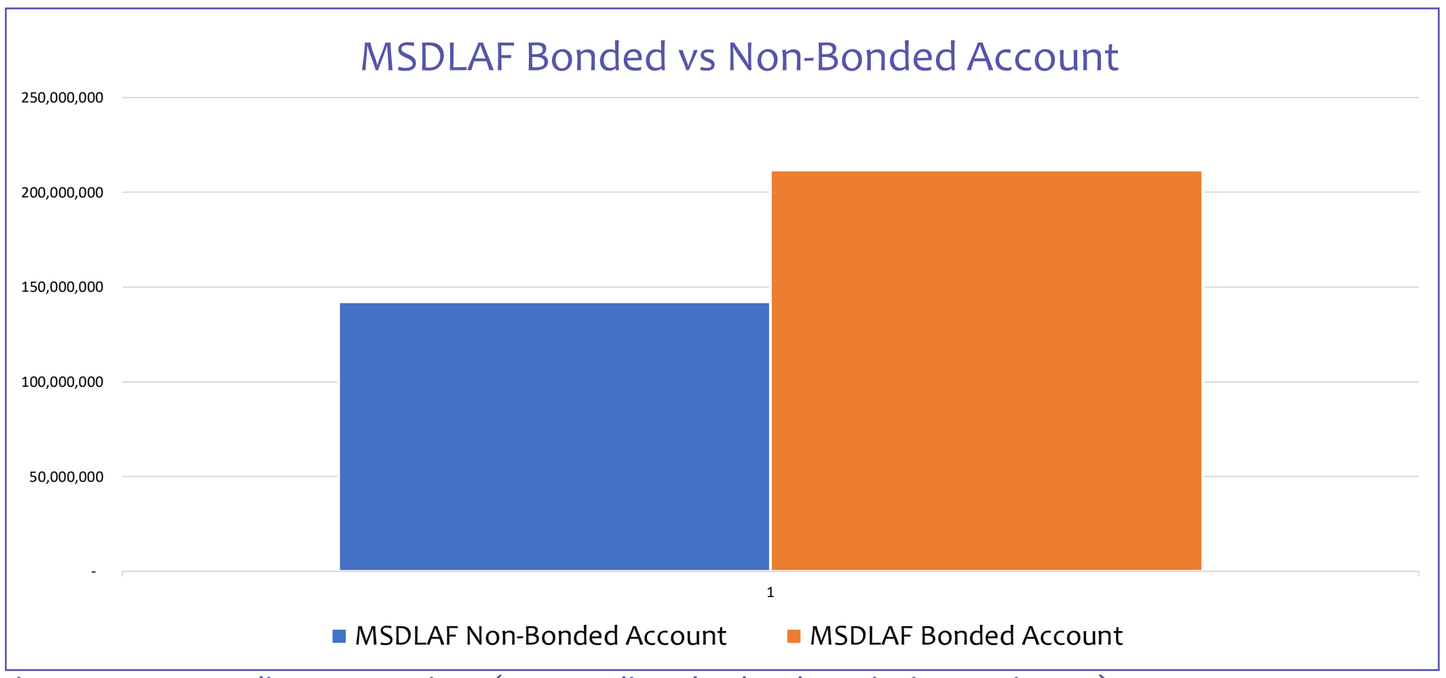
Unassigned – represents the residual classification for the government's general fund

Minneapolis Public Schools
Special School District No. 1
Cash Position & Minnesota School District Liquid Asset Fund Investment Fair Market Values
Month Ended March 31, 2026

MSDLAF Investment Accounts*	2026 March
MSDLAF	
General Investments	16,566,126
General	107,178,957
Payroll	18,539,261
2017B GO Bonds (LTFM)	7
2017C COP's	3,036
2019A GO Bonds	543
2019B GO Bonds (LTFM)	4,730,906
2020B GO Bonds	7,531
2020C GO Bonds (LTFM)	7,948,689
2021B GO Bonds	11,544
2021C GO Bonds (LTFM)	7,112,469
2022A GO Bonds	3,810,601
2022B GO Bonds (LTFM)	9,156,812
2023A GO Bonds	15,122,485
2023B GO Bonds	21,247,725
2024A GO Bonds	35,982,738
2024B GO BOND (LTFM)	15,251,777
2025A GO Bonds	48,779,307
2025B GO Bonds (LTFM)	42,592,088
2025C GO Bonds	243
Total Fair Market Value	**354,042,845**
Non MSDLAF Accounts*	
US Bank	77,965
Wells Fargo	721,915
Cash with Fiscal Agents	44,538,660
Student Activity Accounts	758,097
Total Non MSDLAF	**46,096,637**
Total Cash & Investments	**400,139,482**





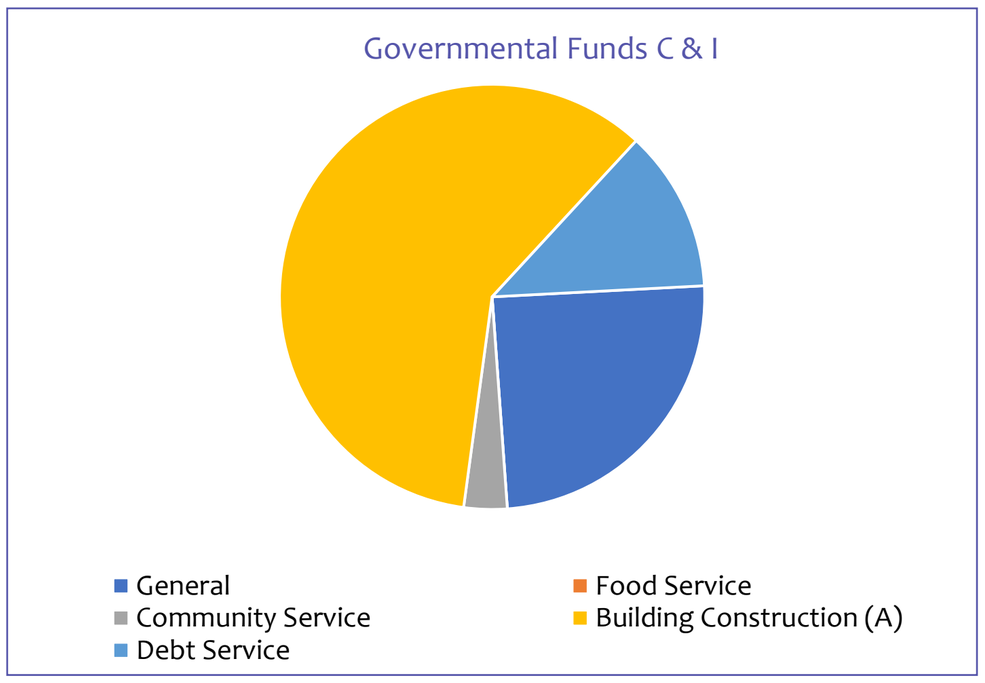


*Note 1: These amounts represent cash balances and do not take into account pending transactions (outstanding checks, deposits in transit, etc.).
*Note 2: Cash & Investments balances for non-governmental funds may also be displayed above, however aren't included in cash on hand table.
*Note 3: All investments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

Month End Governmental Funds Cash and Investments

Governmental Funds	Balances
Operating Funds	
General	$107,434,974
Food Service	$0
Community Service	$14,303,559
Non-Operating Funds	
Building Construction **(A)**	$259,905,362
Debt Service	$53,534,168

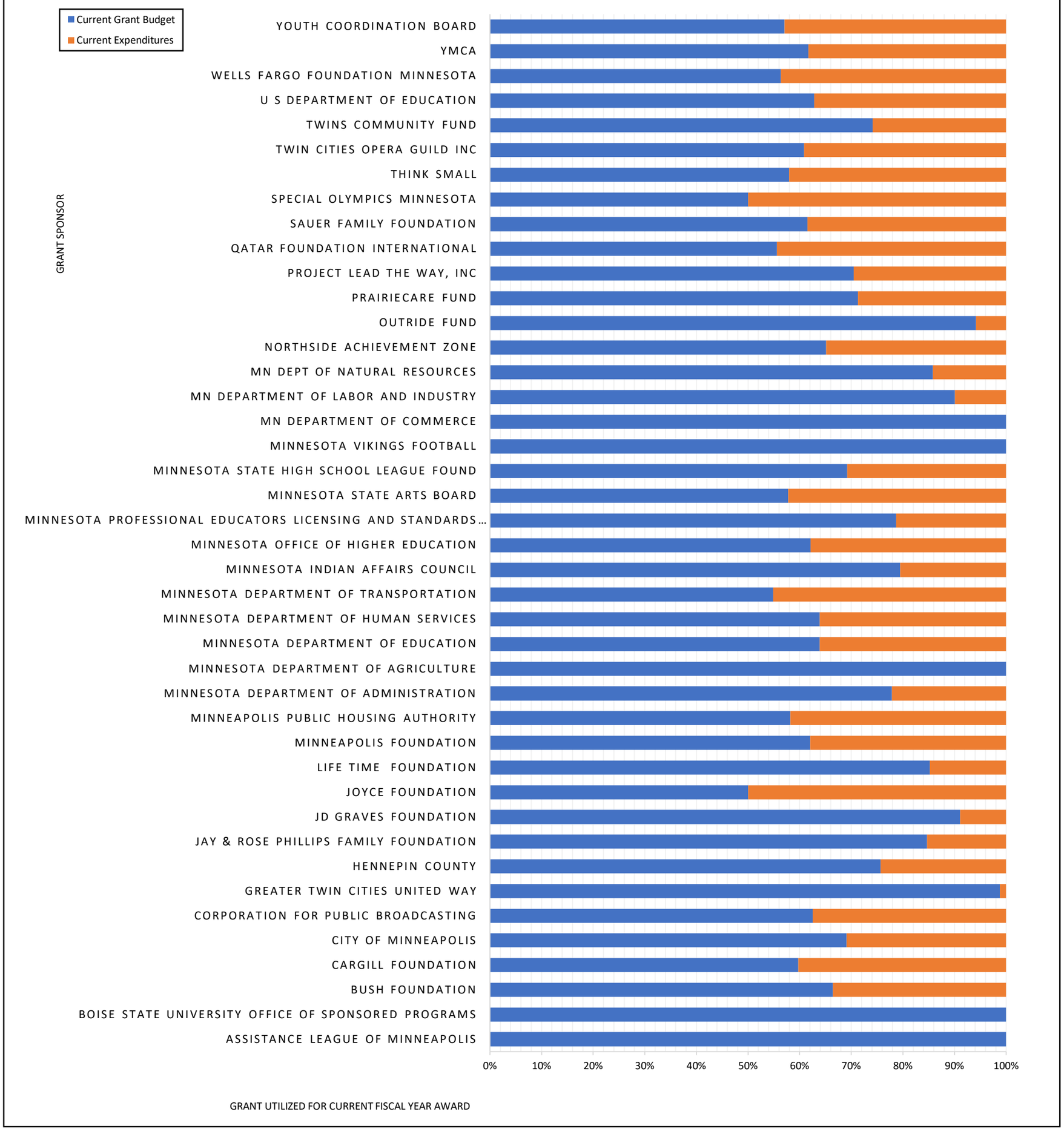
(A) A significant portion of The District's Cash and Investment is in the building construction fund. This funding must be spent on capital projects.



Minneapolis Public Schools
Special School District No. 1
Grant Awards and Expenditures
Month Ended March 31, 2026

Grant Sponsor	Current Grant Budget	Current Expenditures
Assistance League of Minneapolis	3,000	-
Boise State University Office of Sponsored Programs	384,346	-
Bush Foundation	7,984	4,034
Cargill Foundation	582,675	392,468
City of Minneapolis	907,810	406,300
Corporation for Public Broadcasting	165,732	99,375
Greater Twin Cities United Way	43,781	533
Hennepin County	1,055,848	339,511
Jay & Rose Phillips Family Foundation	106,765	19,328
JD Graves Foundation	20,000	1,964
Joyce Foundation	5,667	5,667
Life Time Foundation	14,350	2,487
Minneapolis Foundation	1,282,304	785,141
Minneapolis Public Housing Authority	749,993	538,211
Minnesota Department of Administration	162,889	46,296
Minnesota Department of Agriculture	31,454	-
Minnesota Department of Education	56,117,773	31,725,550
Minnesota Department of Human Services	211,371	119,513
Minnesota Department of Transportation	34,661	28,519
Minnesota Indian Affairs Council	898,914	232,492
Minnesota Office of Higher Education	588,073	359,213
Minnesota Professional Educators Licensing and Standards Board	270,366	73,235
Minnesota State Arts Board	93,050	67,950
Minnesota State High School League Found	8,383	3,727
Minnesota Vikings Football	492,985	-
MN Department of Commerce	1,206,325	-
MN Department of Labor and Industry	142,088	15,699
MN Dept of Natural Resources	19,000	3,143
Northside Achievement Zone	613,873	328,609
Outride Fund	5,115	316
PrairieCare Fund	4,708	1,896
PROJECT LEAD THE WAY, INC	16,850	7,053
Qatar Foundation International	67,163	53,692
Sauer Family Foundation	95,000	59,375
Special Olympics Minnesota	13,161	13,146
Think Small	1,338,024	971,081
Twin Cities Opera Guild Inc	15,004	9,646
Twins Community Fund	44,369	15,491
U S Department of Education	3,427,688	2,028,253
Wells Fargo Foundation Minnesota	40,000	31,005
YMCA	954,682	592,575
Youth Coordination Board	360,296	271,161
Grand Total	**72,603,520**	**39,653,657**

Minneapolis Public Schools
Special School District No. 1
Grant Utilization for Current Fiscal Year Award
Month Ended March 31, 2026



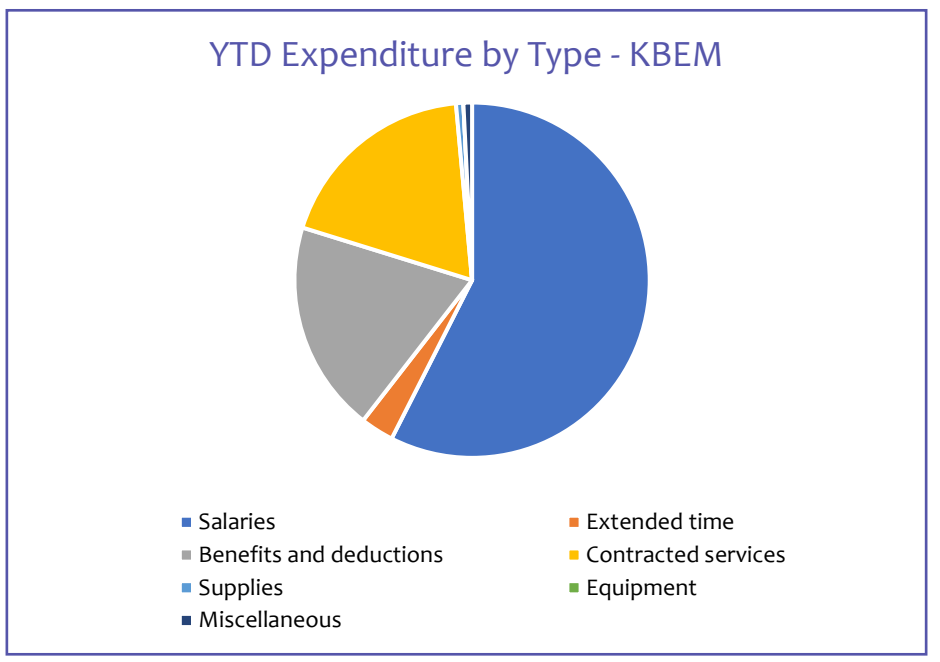
Minneapolis Public Schools
Special School District No. 1
Budget and Actual Expenditures - KBEM
Month Ended March 31, 2026

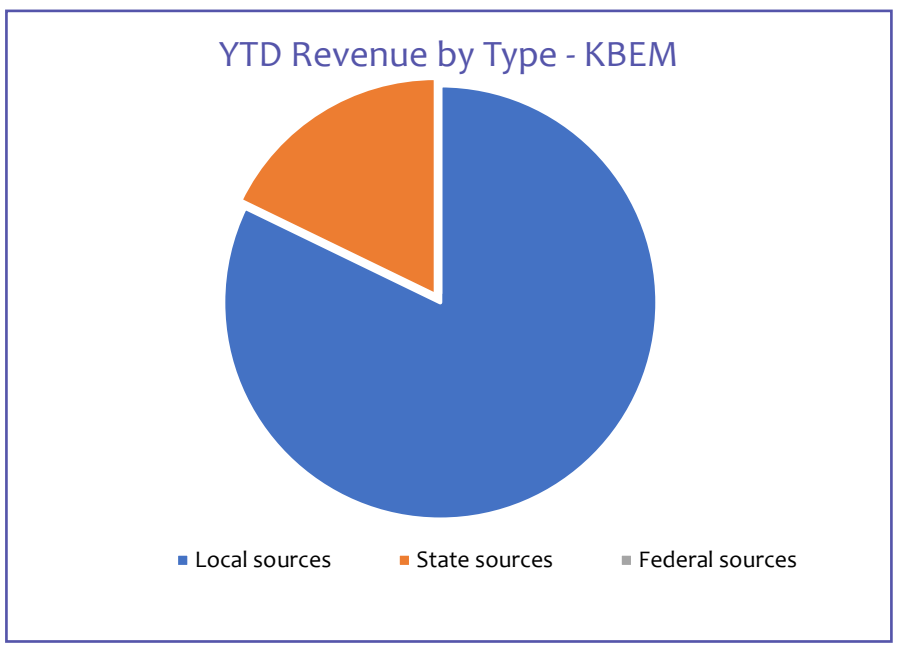
Fund	Budget	YTD Actuals	% of Budget	PY YTD Actuals	PY % of Budget
Salaries	775,603	561,578	72.4%	642,369	63.4%
Extended time	46,140	29,607	64.2%	27,841	58.0%
Benefits and deductions	317,196	188,324	59.4%	209,845	52.4%
Contracted services	312,062	183,259	58.7%	382,979	56.9%
Supplies	39,754	6,528	16.4%	96,184	55.5%
Equipment	-	-	-	-	
Miscellaneous	8,160	7,660	93.9%	10,167	51.4%
Total	**1,498,915**	**976,957**	65.2%	**1,369,384**	**58.8%**

Revenue Breakdown - KBEM
Month Ended March 31, 2026

	YTD Actuals
Local sources	852,755
State sources	184,865
Federal sources	-
YTD Revenue Received	**1,037,621**

Pie Chart Displaying Breakdown of Revenue & Expenditure by Type

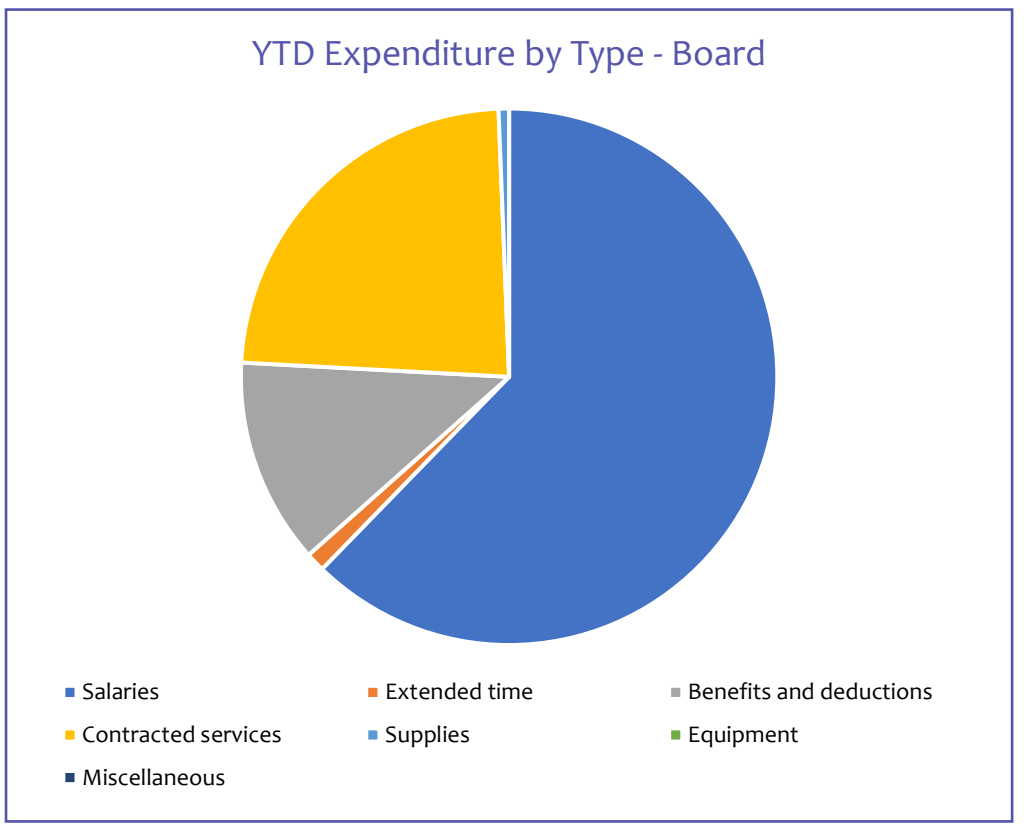




Minneapolis Public Schools
Special School District No. 1
Budget and Actual Expenditures - Board of Education
Month Ended March 31, 2026

Fund	Budget	YTD Actuals	% of Budget	PY YTD Actuals	PY % of Budget
Salaries	294,000	223,945	**76.2%**	132,538	72.0%
Extended time	-	4,165	**-**	416	0.0%
Benefits and deductions	76,400	44,623	**58.4%**	944	1.7%
Contracted services	227,500	84,584	**37.2%**	85,577	38.9%
Supplies	13,000	2,261	**17.4%**	7,116	32.1%
Equipment	-	-	**-**	-	
Miscellaneous	-		**-**	250	
Total	**610,900**	**359,578**	**58.9%**	**226,840**	46.9%

Pie Chart Displaying Breakdown of Expenditure by Type



Minneapolis Public Schools
Special School District No. 1
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds (Non - General Fund)
Month Ended March 31, 2026

The activity represented below is for the current fiscal year

	Operating Funds		Non-Operating Funds	
	Food Service	Community Service	Building Construction	Debt Service
Revenues				
Local sources	62,585	15,416,791	5,568,969	50,136,190
Revenue from state sources	3,791,039	13,456,548	-	10,118,765
Revenue from federal sources	9,551,001	683,238	-	-
Other Revenue	272,984	-	-	-
Total Revenues	**13,677,608**	**29,556,577**	**5,568,969**	**60,254,955**
Expenditures				
Current	17,784,312	27,812,630	35,509,821	100
Capital Outlay	-	-	21,565,861	-
Debt Service	-	-	-	119,902,132
Total Expenditures	**17,784,312**	**27,812,630**	**57,075,682**	**119,902,232**
Excess of Revenues Over (Under) Expenditures	(4,106,704)	1,743,947	(51,506,713)	(59,647,276)
Other Financing Sources				
Total Other Financing Sources	**-**	**-**	**90,533,454**	**105,684**
Net Change in Fund Balances	**(4,106,704)**	**1,743,947**	**39,026,741**	**(59,541,592)**
Fund Balances				
March 31, 2026	**(2,168,089)**	**11,555,248**	**258,219,264**	**(2,657,266)**

Minneapolis Public Schools
Special School District No. 1
Balance Sheet - Governmental Funds (Non - General Fund)
March 31, 2026

The activity represented below is a snapshot as of month end

	Operating Funds		Non-Operating Funds	
Assets	**Food Service**	**Community Service**	**Building Construction**	**Debt Service**
Cash and investments	-	14,303,559	259,905,362	53,534,168
Receivables	-	3,130,271	-	50,528,110
Due from other gov entities	3,619,489	-	-	-
Prepaid items	-	-	-	-
Inventory	1,938,616	-	-	-
Total assets	**5,558,105**	**17,433,830**	**259,905,362**	**104,062,279**
Liabilities				
Due to general fund (negative cash)	7,517,077	-	-	-
Salaries and benefits payable	-	-	-	-
Accounts, contracts, and DTOG payable	209,117	413,013	1,686,102	4,547,003
Unearned revenue	-	-	-	-
Total liabilities	**7,726,194**	**413,013**	**1,686,102**	**4,547,003**
Deferred Inflows of Resources				
Total deferred inflows of resources	**-**	**5,465,571**	**-**	**102,172,542**
Fund Balances				
Nonspendable	1,938,616	-	-	-
Restricted	(4,106,704)	11,555,248	258,219,264	(2,657,266)
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	**(2,168,089)**	**11,555,248**	**258,219,264**	**(2,657,266)**
Total liabilities, deferred inflows of resources, and fund balances	**5,558,105**	**17,433,830**	**259,905,362**	**104,062,279**

Financial Statements (March 2026)

MINNEAPOLIS PUBLIC SCHOOLS

March Financial Statements Highlights: General Fund

General Fund	Budget	YTD	Percent of Budget	Prior Year Percent of Budget
Revenue	$ 702,125,649	$ 455,396,732	64.9%	63.1%
Expenditures	$ 728,516,671	$ 499,950,118	68.6%	69.3%
Change in Fund Balance	$ (26,391,022)	$ (44,553,386)		
Beginning Fund Balance	$ 111,642,059	$ 111,642,059		
Ending Fund Balance	$ 85,251,037	$ 67,088,673		

March Financial Statements Highlights: Community Service Fund

Community Service Fund		Budget		YTD	Percent of Budget	Prior Year Percent of Budget
Revenue	$	35,272,531	$	29,556,577	83.8%	85.1%
Expenditures	$	38,877,352	$	27,812,630	71.5%	74.2%
Change in Fund Balance	$	(3,604,821)	$	1,743,947		
Beginning Fund Balance	$	9,811,298	$	9,811,298		
Ending Fund Balance	$	6,206,477	$	11,555,245		

March Financial Statements Highlights: Food Service Fund

Food Service Fund		Budget		YTD	Percent of Budget	Prior Year Percent of Budget
Revenue	$	23,605,895	$	13,677,608	57.9%	60.7%
Expenditures	$	25,052,086	$	17,784,312	71.0%	75.9%
Change in Fund Balance	$	(1,446,191)	$	(4,106,704)		
Beginning Fund Balance	$	1,938,615	$	1,938,615		
Ending Fund Balance	$	492,424	$	(2,168,089)		

MINNEAPOLIS PUBLIC SCHOOLS

Questions

Fiscal Year 27 (2026-27) Budget Development Process Update

Finance Committee Meeting

April 28, 2026



MINNEAPOLIS PUBLIC SCHOOLS

Agenda



1. Revised State Special Education Projected Revenue
2. Budget Process Status Updates
3. Legislative Session Update
4. Future Budget-Related Focus Areas
5. Questions and Discussion

Revised State Special Education Projected Revenue

Update

- Our efforts to correct issues are yielding tangible results that will have positive impact on our current year budget, the projected budget for next year, and will directly benefit our students, staff, and community
- A focus on the Special Education finances began with a review commissioned by Dr. Sayles-Adams, that was conducted by the Council of Great City Schools (CGCS), a national association of urban school districts
- The review recommended organizational changes and additional reviews to ensure expense coding and billing were being done appropriately to maximize Special Education-related reimbursements and revenue
- Following the review, steps were taken to correct expense coding and billing issues and an Associate Superintendent of Special Education & Student Support Services was hired

Update

- Since January 2026 the expense coding and revenue projection work has been supported by the Center for Effective School Operations or CESO, and done in close partnership with MPS Finance and Special Education staff
- Their analysis has revealed a pattern, dating back at least several years, where state Special Education revenue was likely not maximized due primarily to miscategorized expenses and the underutilization of available reimbursement mechanisms (including coding tuition billing to federal Special Education funding)
- Now that the work has been done to correctly code and categorize expenses in the current year, which is used to determine the next year's revenue, MPS expects to receive significantly more net state Special Education revenue both in the current year and for next year
    - **Approximately $10.7 million more in the current year** (fiscal year 2026) than what was budgeted
    - **Approximately $10.8 million more for next year** (fiscal year 2027) than the projected amount used to develop the budget to this point

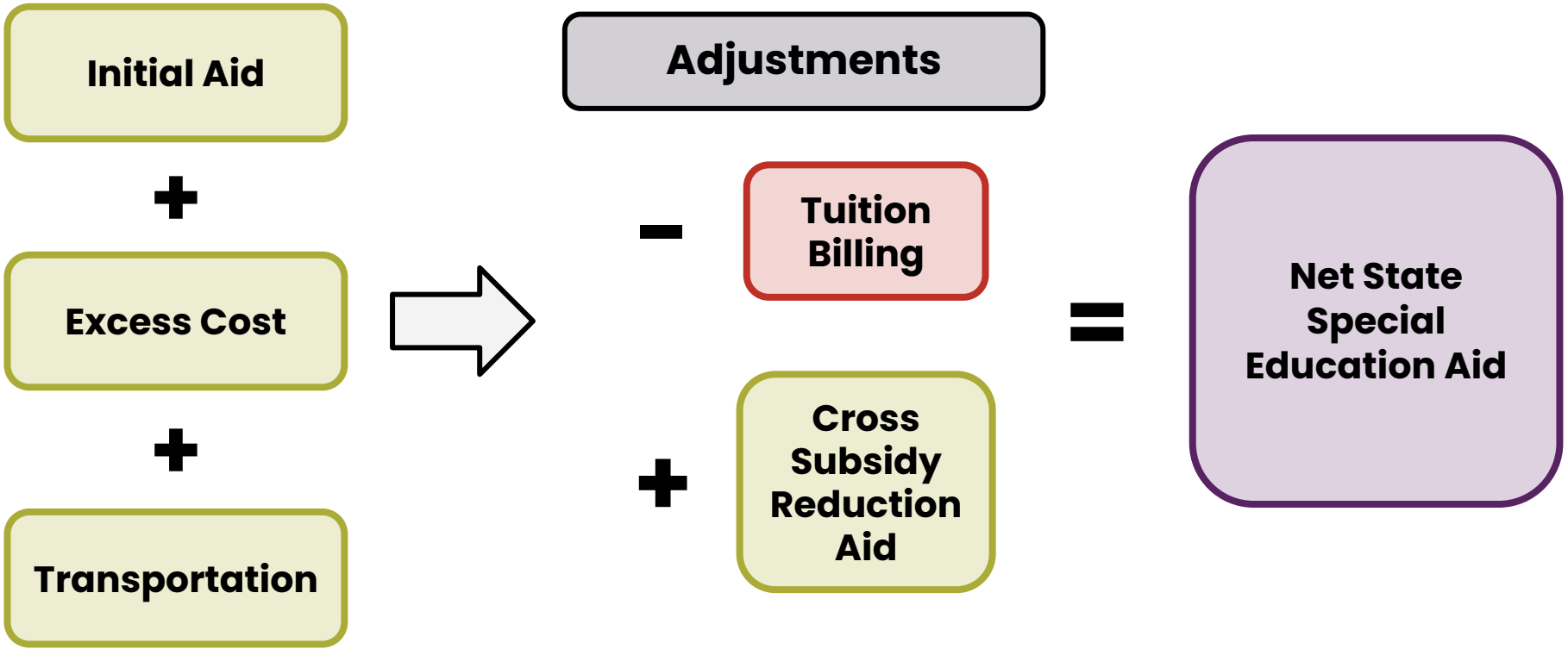
Impact on FY27 Budget

- This means that our budget gap for FY27 will be revised downward to $39.7 million
- Increased FY26 revenue will support needed current year expenses (fund balance, internal service fund, Fund 2 deficit, etc.)
- Increased FY27 projected revenue will be recommended for use in the following areas:
    - Restore some student support positions at racially identifiable elementary schools and secondary schools
    - Provide one-time transitional subsidy to Fund 4 for Adult Education
    - Additional funding support for Longfellow
    - Insurance expense increases
- There will be a new expense in the budget of about $7 million that will allow us to charge a portion of tuition billing to federal Special Education sources, which helps bring additional state funding

How Special Education Funding Works

- State special education funding is a reimbursement based on the prior year's special education expenditures and current year tuition billing
- In addition, the District receives federal special education grants and earns Medical Assistance aid on eligible expenditures

How State Special Education Funding is Calculated



MPS State Special Education Funding Trend

	FY26 Estimate	FY25 (FY24 Data)	FY24 (FY23 Data)	FY23 (FY22 Data)
State Special Education Expenditures	$117,685,372	$104,132,859	$101,638,338	$97,179,085
Transportation (FIN Codes 723 & 728)	$45,483,359	$39,395,147	$20,768,457	$28,439,231
Total Costs	**$163,168,730**	**$142,528,006**	**$122,406,794**	**$125,618,317**
General Education Aid	**$8,285,697**	**$8,137,567**	**$7,322,442**	**$8,164,026**
Net Aid Before Cross Subsidy Aid	$98,906,110	$77,828,628	$58,861,336	$66,820,398
Cross Subsidy Reduction Aid	$34,103,473	$30,745,445	$21,450,024	$3,470,888
Net Aid (Including Cross Subsidy Reduction Aid)	**$133,009,583**	**$108,574,073**	**$80,311,390**	**$70,291,286**
How much did we get on the dollar for eligible state special education expenditures?				
State Sped Aid (Excluding Cross Subsidy Aid)	$0.61	$0.54	$0.48	$0.53
State Sped Aid (Including Cross Subsidy Aid)	$0.82	$0.76	$0.66	$0.56
State Sped Aid (Plus Gen Ed Aid to Defray Costs)	$0.87	$0.81	$0.72	$0.62

Current Year Expenses Impact FY27 Projected Revenue

	FY27	FY26
Currently Budgeted State Special Education Projected Revenue	$121,760,000	$114,600,000
Revised State Special Education Projected Revenue	$139,730,000	$132,410,000
New Expense (Not Currently Budgeted) for Tuition Billing	$(7,150,000)	$(7,140,000)
Net Additional State Special Education Revenue	**$10,800,000**	**$10,700,000**

Next Steps

1. Call special finance committee meeting for May 5
2. We will incorporate additional revenue into the proposed budget resolution/update website for May 5 meeting
3. Forward the budget resolutions to the full board from the May 5 finance committee meeting
4. First reading takes place on May 12 as planned
5. FY27 budget vote occurs on June 9

Budget Process Status Updates

Proposed 2026-27 Budget Website

budget.mpschools.org



Scan the QR code to visit the budget site

Personnel processes



- Positions in AMP, MACA, and MAAS that remained vacant after an internal hiring period are now posted externally
- The first round of Interview and Select for licensed staff has concluded and the second round began on April 27 and will conclude on May 14
- The beginning stages of the transfer and reassignment processes for clerical staff and Education Support Professionals (ESPs) are also underway
- With the revised revenue, there will be additional positions added back to the budget

Budget website updates



- Once the proposed changes have been made for the additional revenue, the budget website will be updated accordingly
- The top of the website shows the date of last update

Vacant position reconciliation



- Before the final proposed budget is complete, there is one final reconciliation
- This process ensures that the finally approved budget accounts for any changes in positions that have occurred since the budget planning process began in February
- This may mean slight increases or decreases in the budget based on the individual employees assigned to positions, specifically those that are budgeted using actual salaries

Legislative Session Update

Update

- Senate Education Finance Committee advanced a modest omnibus supplemental education finance bill containing $22 per pupil in one-time school safety revenue and $25 million in one-time compensatory revenue.
- MPS worked closely with Senator Doron Clark of NE Minneapolis on the compensatory revenue provision. If passed in its current form, MPS would receive $2.1 million over current law.
- House Education Finance Committee was unable to agree on school safety revenue or compensatory revenue. No supplemental bill emerged from the committee by the April 17 deadline.
- House and Senate leadership and Governor Walz will determine if any additional education funding passes this session. If a deal is reached, it will likely happen close to the May 18 adjournment date.

Future Budget-Related Focus Areas

Future Budget-Related Focus Areas

As the FY27 budget moves into its final stages, we are also reviewing several areas that could have an impact the budget in the longer-term

OPEB Trust	Operating Capital Revenue	Property Tax Levy
Ensuring that all eligible retiree expenditures are either paid with OPEB levy funds or are reimbursed by trust proceeds	Working on a bill at the capitol that would expand the allowable uses of operating capital revenue that would allow MPS to utilize a restricted fund balance to offset general fund expenses in future years	Working with consultants to ensure ADM inputs for levy calculations reflect recent enrollment gains without causing a significant impact all at once for property taxpayers

Questions

General Fund Balance Update

April 28, 2026 Finance Committee Meeting

Agenda

- Definitions and Purpose
- Applicable Laws and Policy
- Best Practices and Approach
- Trends and Comparables
- Current Status
- Liabilities and Opportunities
- Next Steps and Recommendations

What is a fund balance?

- The difference between the assets and liabilities reported in a school district (or other governmental entity) fund
- Measurement of financial health
- Provides stability in finances when cash flow fluctuates or there are unexpected costs
- Used for both financial reporting and budgeting purposes
- Fund balances have five classifications: nonspendable, restricted, committed, assigned, and unassigned
- Often referred to as “a rainy day fund” or “reserve fund” and while fund balances in part function as such, they have additional purposes as well

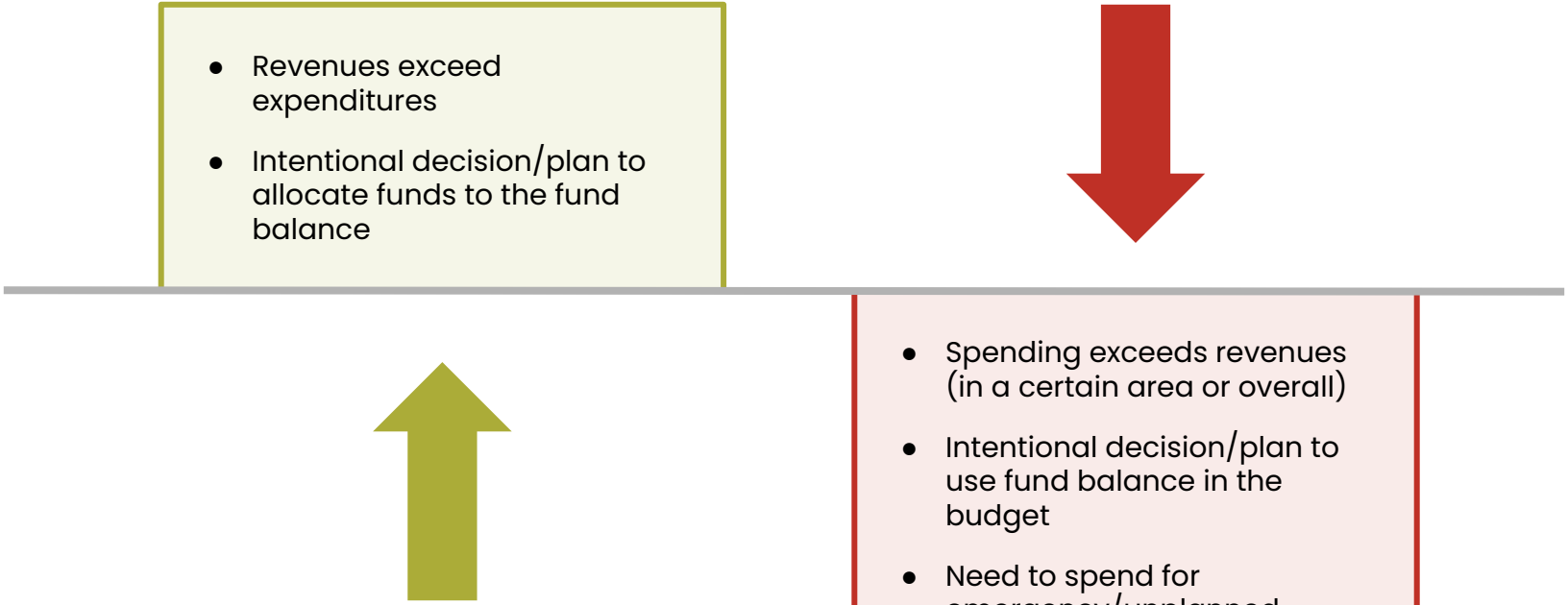
Fund Balance Components

Restricted/ Reserved	Nonspendable	Unassigned	Assigned	Committed
How these funds can be used is determined externally (by law, MDE, etc.) Examples: • Comp ed • Library aid • Operating capital	Not in spendable form or legally or contractually required to be maintained intact Examples: • Inventory • Prepaid items	Represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned	Intended for specific uses as determined by MPS Examples: • Referendum • School activity accounts	Funds committed by specific school board action

The sum these three types is considered to be the total unreserved fund balance

How do fund balances increase and decrease?

- Revenues exceed expenditures
- Intentional decision/plan to allocate funds to the fund balance



- Spending exceeds revenues (in a certain area or overall)
- Intentional decision/plan to use fund balance in the budget
- Need to spend for emergency/unplanned expenses

Applicable Laws and Policy

- Minnesota Statutes Sections 123B.81 and 123B.83
  - A district is in statutory operating debt if the negative unreserved general fund balance calculated as of June 30 is more than 2.5 percent of the most recent fiscal year's expenditure amount
  - A school district must limit its expenditures so that its net unreserved general fund balance does not constitute statutory operating debt under section 123B.81
- Policy 3700: Fund Balances and Regulation 3700A: Fund Balance Procedures
  - Ensures alignment with statutes, rules, and guidance
  - Follows MN School Boards Association (MSBA) model policy template

Resources and Guidance

Source	Purpose
Government Finance Officers Association (GFAO)	Recommends fund balance guidelines for the general fund and is the primary guidance for government entities
Governmental Accounting Standards Board (GASB)	Statement No. 54 defines fund balance reporting and fund type standards
Generally Accepted Accounting Principles (GAAP)	Standard accounting practices that MPS and other school districts are required to follow
Uniform Financial Accounting and Reporting Standards (UFARS)	Minnesota's financial reporting standards and data submission system for school districts
Minnesota Association of School Business Officials (MASBO)	Statewide membership organization that provides professional development and guidance for school district finance staff

Key Best Practices

Per the Government Finance Officers Association (GFAO)

- Governments should have formal policy on the level of unrestricted fund balance that should be maintained in the general fund
- A variety of local factors should be considered in determining the appropriate level
- Maintain unrestricted budgetary fund balance in the general fund of no less than two months (~16.67%) of regular general fund operating revenues or regular general fund operating expenditures
- Seek to replenish their fund balances within one to three years of use

Source: Fund Balance Guidelines for the General Fund (https://www.gfoa.org/materials/fund-balance-guidelines-for-the-general-fund)

Why is it important to have a sufficient fund balance?

Financial Stability

- Well-planned, sufficient fund balances allow for strategic use to prevent programmatic reductions, make one-time investments, or cover emergencies/unplanned expenses

Cash Flow

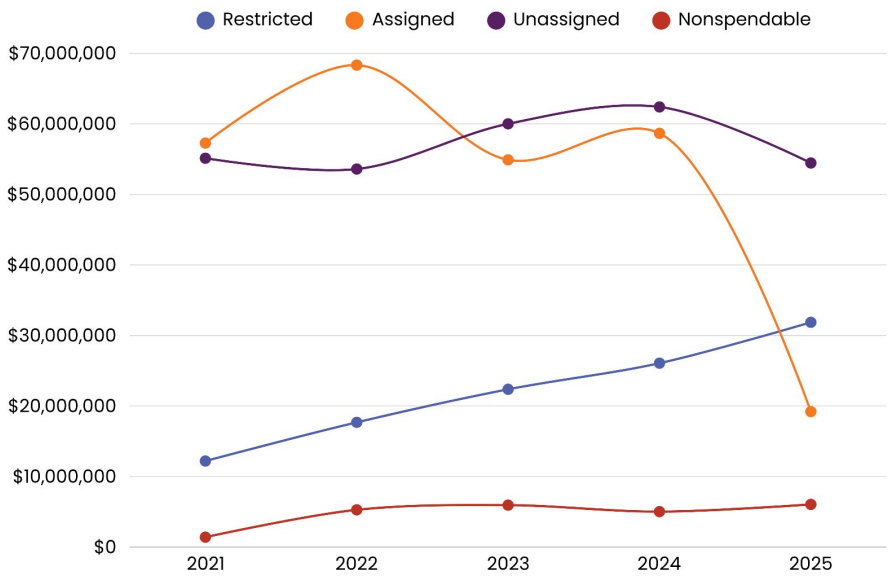
- Though not the case currently, there could become a time (i.e., state delay of aid payments) when fund balance is needed to ensure sufficient cash flow

Bond Ratings

- Ratings agencies, among other factors, closely monitor and review fund balances, adherence with related policies and plans

Sources: Government Finance Officers Association (GFAO) and the Minnesota Association of School Business Officials (MASBO)

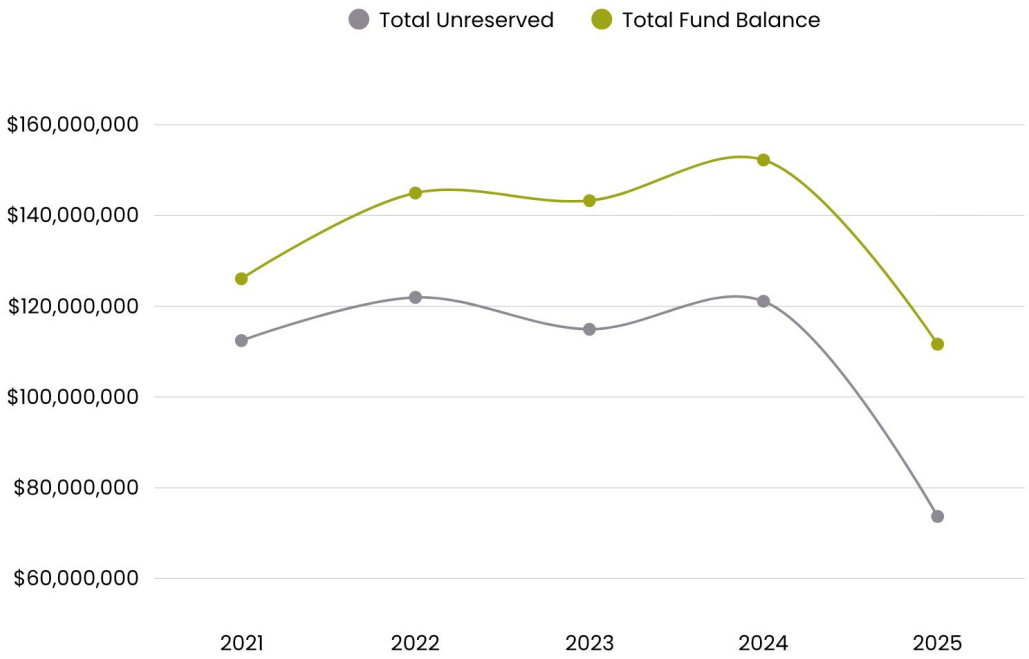
MPS General Fund Balance Trend by Type



	Restricted	Assigned	Unassigned	Nonspendable
FY21	$12,214,531	$57,295,506	$55,149,041	$1,414,679
FY22	$17,698,879	$68,347,003	$53,613,747	$5,294,596
FY23	$22,386,757	$54,915,232	$60,025,541	$5,957,921
FY24	$26,087,666	$58,679,417	$62,418,130	$5,040,225
FY25	$31,883,618	$19,222,835	$54,470,945	$6,064,661

Source: MPS FY25 audit

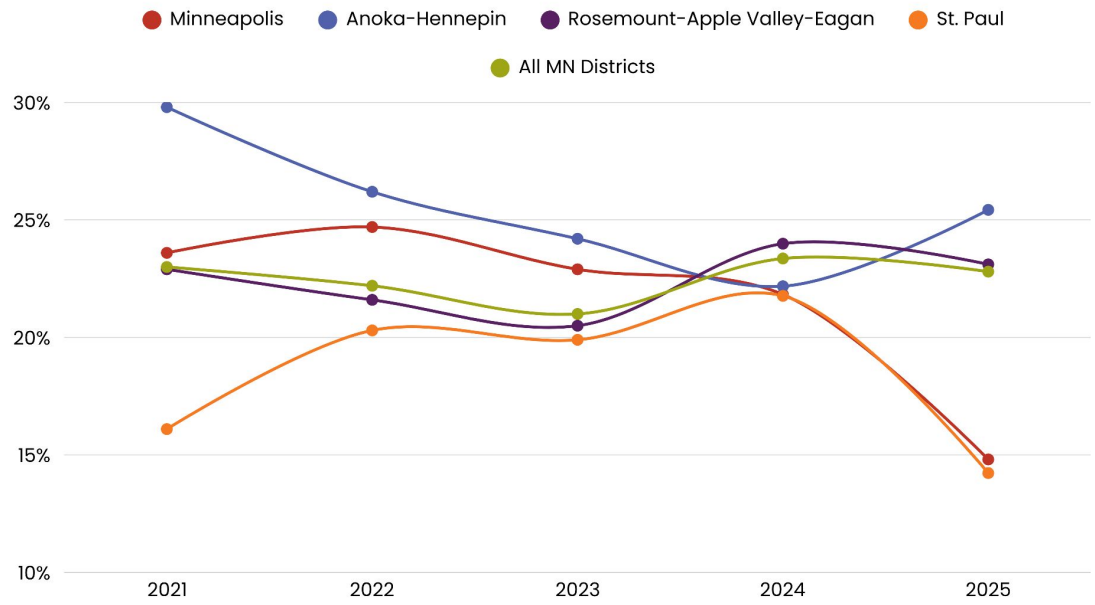
MPS General Fund Balance Trend



	Total Unreserved	Total Fund Balance
FY21	$112,444,547	$126,073,757
FY22	$121,960,750	$144,954,225
FY23	$114,940,773	$143,285,451
FY24	$121,097,547	$152,225,438
FY25	$73,693,780	$111,642,059

Source: MPS FY25 audit

Total Unreserved Fund Balance Comparables



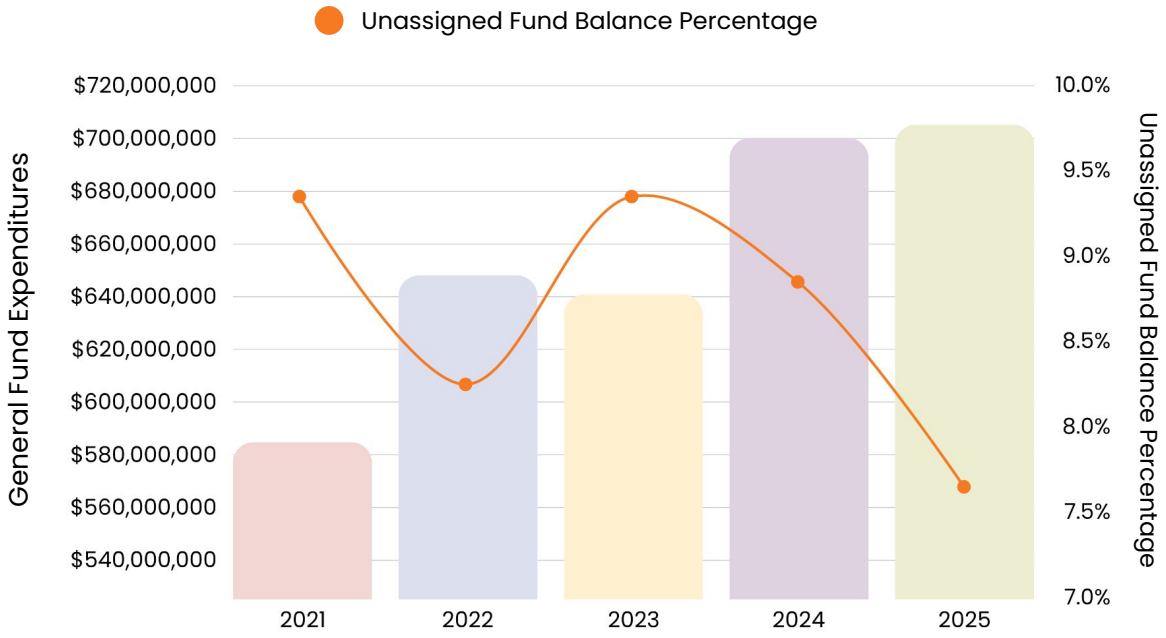
	2021	2022	2023	2024	2025
Minneapolis	23.60%	24.70%	22.90%	21.83%	14.81%
Anoka-Hennepin	29.80%	26.20%	24.20%	22.18%	25.43%
Rosemount-Apple Valley-Eagan	22.90%	21.60%	20.50%	23.99%	23.11%
St. Paul Public	16.10%	20.30%	19.90%	21.77%	14.23%
All MN Districts	23.00%	22.20%	21.00%	23.36%	22.80%

Source: MDE Data Center > Data Reports and Analytics > Financial Trends > Fund Balance Trends > "General Fund Unrsvd Bal FY13-Present"

Percentage reflects total unreserved (assigned + unassigned + committed) general fund balance divided by the general fund expenditures

Unassigned Fund Balance Percentage Calculation

The District's fund balance minimum is calculated by taking the unassigned fund balance and dividing it by the total general fund expenditures.



	General Fund Expenditures	Unassigned Fund Balance %
FY21	$584,833,448	9.40%
FY22	$648,092,854	8.30%
FY23	$640,898,974	9.40%
FY24	$700,266,959	8.90%
FY25	$705,256,604	7.70%

Sources: MDE UFARS Turnaround Reports for each year and annual audited financial statements

Current Status

Restricted/ Reserved	Assigned	Unassigned	Nonspendable	Committed
• The District will work to spend restricted funds first • Restricted revenues are highly sensitive to the District's enrollment	• About $12 million of $19 million was used in FY26 budget • Assigned fund balance will likely be functionally drawn down after FY26	• Following the FY25 audit, the unassigned general fund balance is at 7.5% of budgeted FY26 expenses • About $3.6 million is needed to return the unassigned fund balance to 8% of FY26 budgeted expenditures, per board policy	• Nonspendable fund balance is normally determined after year-end when inventory levels are known and prepaid expenditures are reconciled	• MPS does not currently have any committed general fund balances

Liabilities and Opportunities

Potential unplanned liabilities that could impact the fund balance	Opportunities to improve fund balance position
• Potential for lower than projected revenue based on enrollment and ADM impacts from Operation Metro Surge • Food service fund will need at least $1.9 million in general fund support at year-end to address a negative fund balance (result of online learning option necessary during Operation Metro Surge) • Possible payment of IRS penalties	• Putting new practices in place to ensure expenses are coded to maximize the use of restricted fund balances • Working on a bill at the capitol which would expand the allowable uses of operating capital revenue

Next Steps and Recommendations

Administrative Next Steps	Recommendations for the School Board
• Ensure all allowable restricted expenditures are coded to restricted funds • Develop a recommended plan to replenish the unassigned fund balance to meet board policy level (8%)	• Approve a balanced budget which plans for no fund balance to be used in FY27 • Review current policy regarding the unassigned fund balance to determine if changes are needed

Questions

Corrective Action Plans for FY25 Audit Findings

Audit Finding: Lack of Segregation of Duties (2025-001)

Finding Overview:
We noted during review of the District's internal controls that there is a lack of segregation of duties over certain processes. A lack of segregation occurs when there is an individual who has responsibility to perform multiple functions in four key areas: initiation/authorization, processing/recording, reconciling/reporting of financial data, and custody of assets.

MPS Corrective Action Plan	
Actions:	**Official(s) Responsible:**
1. **Financial Closing Process** – The District is working with finance managers and staff to ensure the financial close and audit preparation process is intentional and accurate. Existing staff will have new responsibilities in the process so that additional levels of review are performed on reconciled data 2. **Bank reconciliation** – New review procedures are currently being implemented. One finance staff currently reconciles cash and another staff reconciles investments. A third staff is reviewing these reconciliations and approving them. The reconciled cash and investments will be matched to the monthly financial reports. The reconciliations and review will be done monthly prior to the presentation of the monthly financial reports 3. **SAP User Rights** – The Executive Director of Information Technology Services and the Executive Director of Finance will review current user's access and ensure that no staff have the ability to authorize, record and manage a transaction. If such instances exist, mitigating controls will be implemented including additional oversight of that individual's work	Senior Finance Officer (CESO consultant until position is filled) **Planned Completion Date:** August 31, 2026 **Responsible for Monitoring:** The Finance Division will be monitoring the corrective action plan

Audit Finding: Deficiency in Internal Control over Disbursements (2025-002)

Finding Overview:
For the fiscal year under audit, we noted instances of vendors that appeared to be paid more than the contracted amount. Payments were processed based on invoices that were prepared with different terms than the agreed-upon contract terms.

MPS Corrective Action Plan	
Actions:	**Official(s) Responsible:**
Transportation staff have a 2-step review process to ensure that monthly invoices are billed within the contract terms. Additionally, the transportation department is implementing a software platform that provides contractors with the allowable billable amounts, and the vendor services being procured for FY27 and beyond will have significantly restructured and simplified billing terms to ensure greater accuracy and cost efficiency	Senior Finance Officer (CESO consultant until position is filled) **Planned Completion Date:** Immediately (already implemented) **Responsible for Monitoring:** The Finance Division will be monitoring the corrective action plan

Audit Finding: Budget Reporting Process (2025-003)

Finding Overview:
During our audit, we noted significant variances between budgeted amounts and actual amounts for expenditures by program and revenue classifications. Upon further investigation, amounts presented in the original budget and final budget did not appear to follow UFARS or GAAP reporting requirements due to the current budget practice resulting in adjustments to program codes that are inconsistent with actual activity in accordance with UFARS and GAAP.

MPS Corrective Action Plan	
Actions:	**Official(s) Responsible:**
Staff planned the FY27 budget using the Minnesota Department of Education's Uniform Financial and Accounting Reporting Standards (UFARS). Additionally, staff are ensuring that revenues and expenditures are coded in accordance with UFARS. The budget staff are reviewing the budget to actual activity on a monthly basis to ensure spending and revenues are consistent with the budget. Monthly financial reporting is being prepared in accordance with Generally Accepted Accounting Principles (GAAP) with the material revenue accruals being recognized for state and federal aids to ensure reporting is accurate. In addition, budget and general accounting staff are attending training provided by the MInnesota Association of School Business Officials (MASBO)	Senior Finance Officer (CESO consultant until position is filled) **Planned Completion Date:** Immediately **Responsible for Monitoring:** The Finance Division will be monitoring the corrective action plan

Audit Finding: Lack of Uniform Financial Accounting and Reporting Standards Compliance (2025-004)

Finding Overview:
During our audit we noted instances when the District did not follow accounting practices within the Uniform Financial Accounting and Reporting Standards

MPS Corrective Action Plan	
Actions:	**Official(s) Responsible:**
The District is planning the FY25-26 audit to be completed in the month of September. The final UFARS data will be uploaded to the Department of Education site by November 30, 2026 and the final audit report will be presented to the School Board by December 31, 2026	Senior Finance Officer (CESO consultant until position is filled)
	Planned Completion Date:
	November 30, 2026
	Responsible for Monitoring:
	The Finance Division will be monitoring the corrective action plan

Audit Finding: Group Insurance Request for Proposals Noncompliance (2025-005)

Finding Overview:
During our audit, we noted public notice of the request for proposals [for group health insurance administration] was not provided in a newspaper or trade journal at least 21 days before the final date for submitting proposals.

MPS Corrective Action Plan	
Actions:	**Official(s) Responsible:**
The District will ensure state statutes will be followed with each contract and request for proposals (RFP)	Senior Finance Officer (CESO consultant until position is filled)
	Planned Completion Date:
	Immediately
	Responsible for Monitoring:
	The Finance Division will be monitoring the corrective action plan

Questions