Independent School District No. 191
Burnsville, Minnesota

Communications Letter

June 30, 2025

Independent School District No. 191
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Report on Matters Identified as a Result of the Audit of the Basic Financial Statements

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

In planning and performing our audit of the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 191, Burnsville, Minnesota, as of and for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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

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

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

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

The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated October 13, 2025, on such statements.

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



St. Cloud, Minnesota
October 13, 2025

Independent School District No. 191
Required Communication

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2025. 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. 191
Required Communication

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

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

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

Planned Scope and Timing of the Audit

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

Compliance with All Ethics Requirements Regarding Independence

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

Significant Risks

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

- Management Override of Controls and Misappropriation of Assets – Overall Financial Statements – Management override of internal control is considered a risk in substantially all engagements as management may be incentivized to produce better results.
- Improper Revenue Recognition – Revenue recognition is considered a fraud risk on substantially all engagements as it generally has a significant impact on the results of the governments operations. In addition, complexities exist surrounding the calculation and recording of various revenue sources.
- Bank Reconciliations – Staff turnover can create a risk of improper bank reconciliations.
- General Education and Special Education Aid – General Education Aid is an estimate until average daily membership (ADM) values are final. Since this is normally not done until after the reporting deadline, this Aid is an estimate. Special Education Aid is dependent on the availability of funds and complex formulas that are finalized after reporting deadlines.
- Total Other Post Employment Benefits (OPEB) Liability – This balance is based on an actuarial study using the estimates of future obligations of the District for post-employment benefits.
- Net Pension Liability, Deferred Outflows of Resources Related to Pensions and Deferred Inflows of Resources Related to Pensions – These balances are based on an allocation by the pension plans using estimates based on contributions.
- Compensated Absences Valuation – Compensated absence balances are generally material to the financial statements and involve significant estimates.

Independent School District No. 191
Required Communication

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 2025. 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 funds and complex formulas that are finalized after reporting deadlines.

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

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

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

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

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

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Independent School District No. 191
Required Communication

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.

- The right-to-use asset and liability related to subscription-based information technology arrangements were 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. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the basic financial statements taken as a whole.

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

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

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

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

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

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

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

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

Independent School District No. 191
Financial Analysis

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

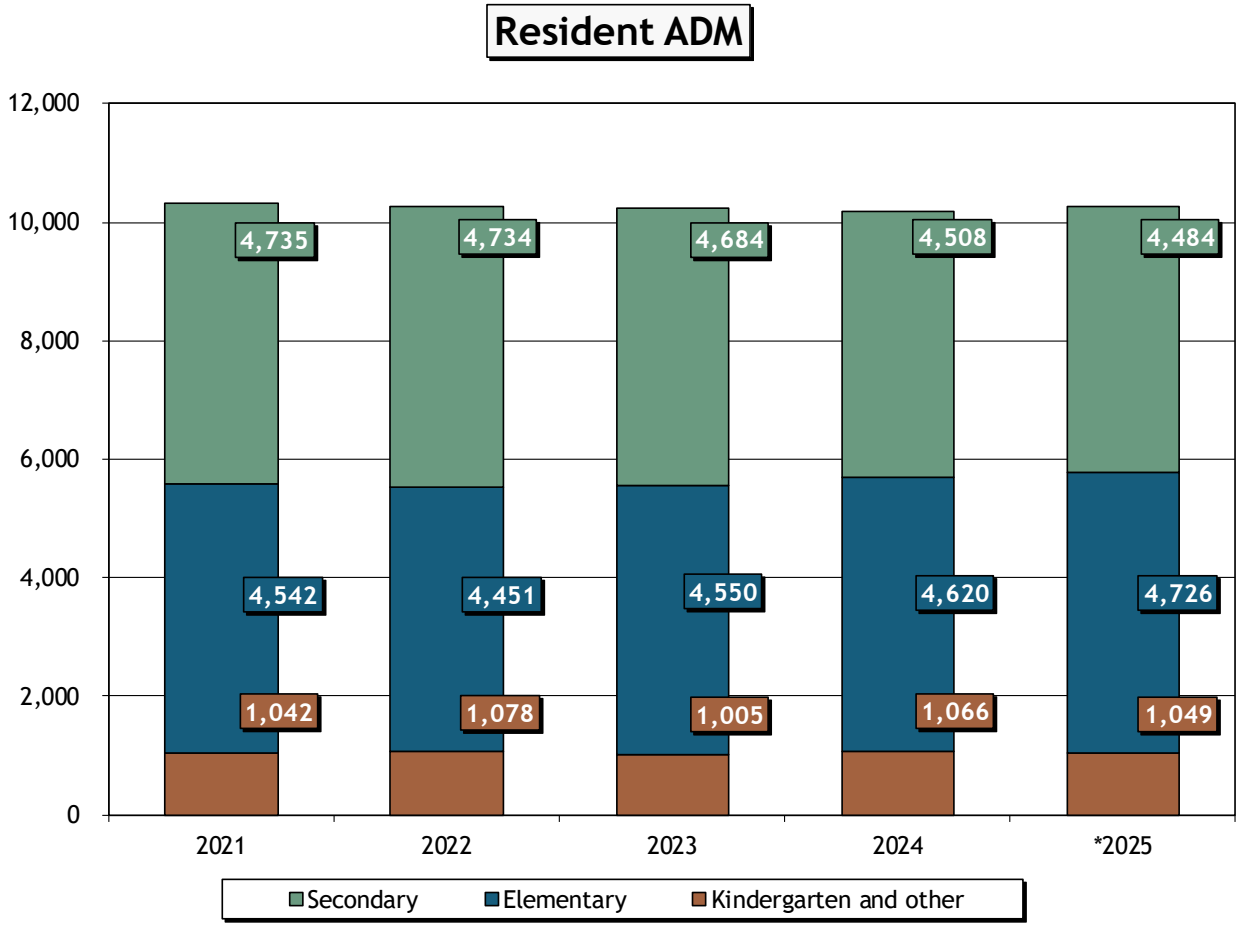
Due to its complexity, it would be impossible to fully explain the funding of public education in Minnesota within this letter. The last section of this report, which contains a summary of legislative changes affecting school districts, provides an indication of how complicated the funding system is.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

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

	General Education Aid Formula Allowance	
Year	Amount	Percent Increase
2016	$ 5,948	2.0%
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%

Average Daily Membership and Pupil Units (Continued)
Approximately 65% of the District's General Fund revenue is from the state. A majority of this funding is based on student counts, so an understanding of the District's population trends is critical to overall budgeting plans. The following summarizes resident ADM of the District over the past five years ended June 30:

Students (Resident ADM)	2021	2022	2023	2024	*2025
Kindergarten and other	1,042	1,078	1,005	1,066	1,049
Elementary	4,542	4,451	4,550	4,620	4,726
Secondary	4,735	4,734	4,684	4,508	4,484
Total Students (Resident ADM)	**10,319**	**10,262**	**10,239**	**10,194**	**10,258**



* Estimate as of September 15, 2025

As the chart and graph above indicate, resident ADM had steadily decreased from the year ended June 30, 2021, to June 30, 2024 before seeing a slight uptick in 2025. Over the five-year period, resident ADM has decreased by 61, or 0.6%. In 2025, total resident ADM increased by 64, an increase of 0.6% from the prior year.

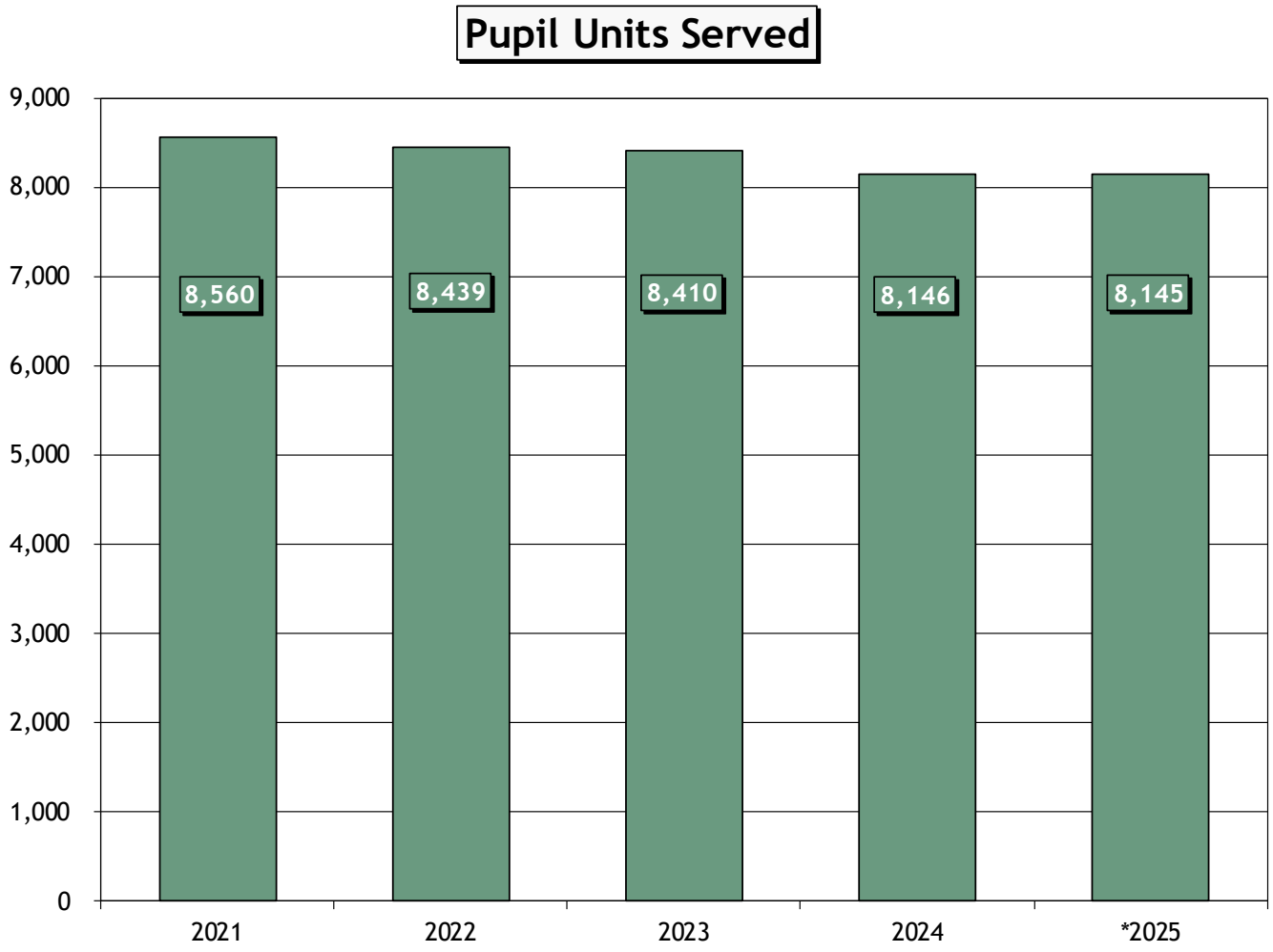
To calculate a majority of the District's education aids, the ADM amounts are converted into pupil units by weighting, based on the student's grade level. These weighting factors are presented in the table on the following page.

Average Daily Membership and Adjusted Pupil Units

	Pupil Units Weighting					
	Pre-Kindergarten	Part-Time	All-Day	Elementary		Secondary
2020-2024	1.000	1.000	1.000	1.000	1.000	1.200

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

Adjusted Pupil Units	2021	2022	2023	2024	*2025
Residents	11,265	11,209	11,176	11,096	11,155
Pupil unit gain	639	621	689	748	814
Pupil unit loss	(3,343)	(3,391)	(3,455)	(3,697)	(3,825)
Total Adjusted Pupil Units	**8,560**	**8,439**	**8,410**	**8,146**	**8,145**



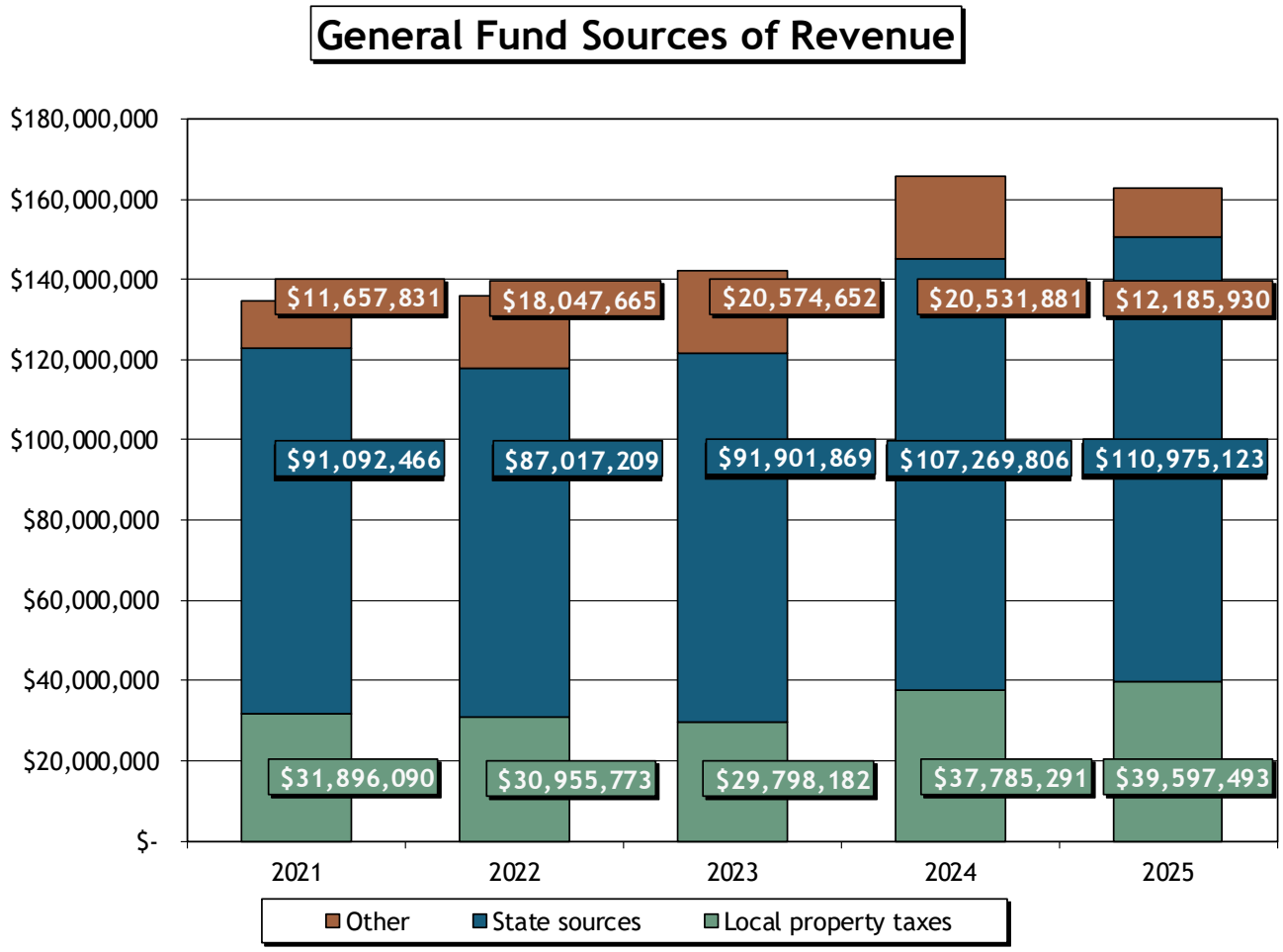
* Estimate as of September 15, 2025

General Fund Sources of Revenue

General Fund sources of revenue are summarized as follows:

Year Ended June 30,	2021	2022	2023	2024	2025
Local property taxes	$ 31,896,090	$ 30,955,773	$ 29,798,182	$ 37,785,291	$ 39,597,493
State sources	91,092,466	87,017,209	91,901,869	107,269,806	110,975,123
Other	11,657,831	18,047,665	20,574,652	20,531,881	12,185,930
Total	**$ 134,646,387**	**$ 136,020,647**	**$ 142,274,703**	**$ 165,586,978**	**$ 162,758,546**

General Fund revenues had increased in each of the previous four years presented before seeing a slight decline in 2025. Total General Fund revenues decreased $2,828,432, or 1.7%, from 2024. In 2025, state sources made up 68.1% of General Fund revenues, local property taxes made up 24.3% and other sources made up 7.6%. Local property tax revenue increased by $1,812,202 based on an increase in levy allocation for the fund. Revenue from state sources increased by $3,705,317 due to an increase in aids for special education and general education based on the increased formula allowance. General Fund federal revenue, which is part of the Other category, for the past three years has been approximately $14.8 million, $14.0 million, and $5.4 million for 2023, 2024, and 2025, respectively. The decline in federal funding from the Elementary and Secondary School Emergency Relief (ESSER) Fund sources contributed significantly to the overall decline in General Fund revenues for 2025. General Fund revenues over the past five years are portrayed in the following graph.



General Fund Budget and Actual Results

For the year ending June 30, 2025, the Board adopted a budget calling for approximately $161 million in revenues and $159 million in expenditures. Actual revenues and other financing sources exceeded expenditures by $5.3 million at June 30, 2025.

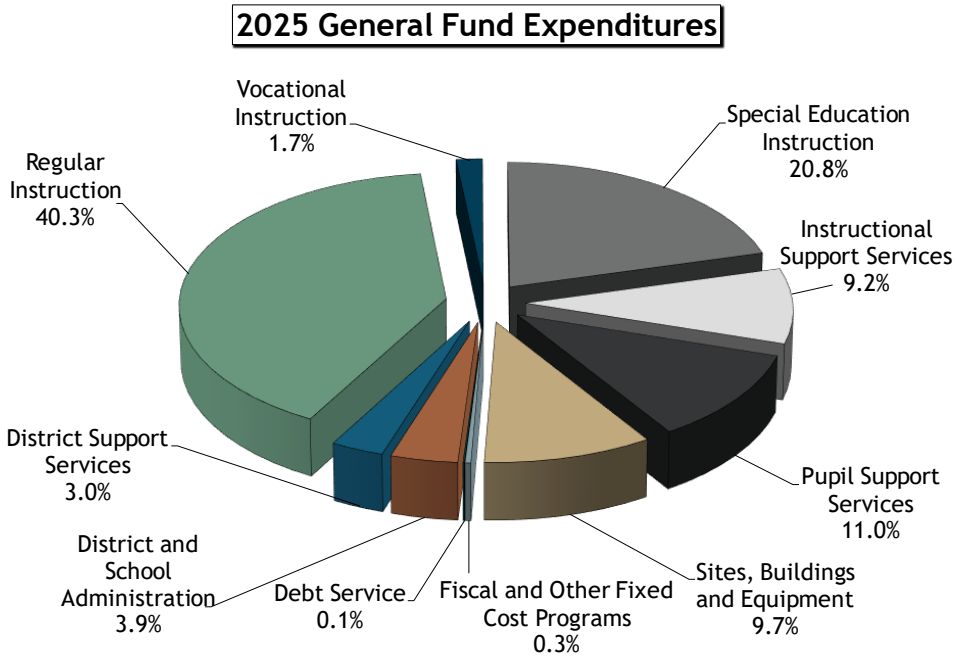
	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 39,734,399	$ 39,715,562	$ 39,597,493	$ (118,069)
Other local and county revenues	3,439,000	4,605,006	6,739,363	2,134,357
Revenue from state sources	105,531,131	111,346,847	110,975,123	(371,724)
Revenue from federal sources	5,588,099	5,352,362	5,399,331	46,969
Sales and other conversion of assets	61,000	61,000	47,236	(13,764)
Total revenues	154,353,629	161,080,777	162,758,546	1,677,769
Expenditures				
Administration	6,162,109	6,045,620	6,095,123	49,503
District support services	4,702,690	5,258,015	4,829,932	(428,083)
Regular instruction	64,644,802	64,130,703	63,920,198	(210,505)
Vocational education instruction	2,785,485	2,911,870	2,645,931	(265,939)
Special education instruction	32,563,828	31,782,705	32,900,349	1,117,644
Instructional support services	11,628,937	12,340,785	12,300,502	(40,283)
Pupil support services	16,221,220	18,258,159	17,349,734	(908,425)
Sites and buildings	12,993,502	12,531,745	12,456,057	(75,688)
Fiscal and other fixed cost programs	610,000	550,000	534,891	(15,109)
Capital outlay	5,404,288	5,575,661	5,798,111	222,450
Debt service	74,349	76,075	133,820	57,745
Total expenditures	157,791,210	159,461,338	158,964,648	(496,690)
Excess of revenues over (under) expenditures	(3,437,581)	1,619,439	3,793,898	2,174,459
Other Financing Sources				
Proceeds from Sale of Capital Assets	-	900,000	897,235	(2,765)
Lease proceeds	-	-	561,254	561,254
Total other financing sources	-	900,000	1,458,489	558,489
Net Change in Fund Balances	$ (3,437,581)	$ 2,519,439	$ 5,252,387	$ 2,732,948

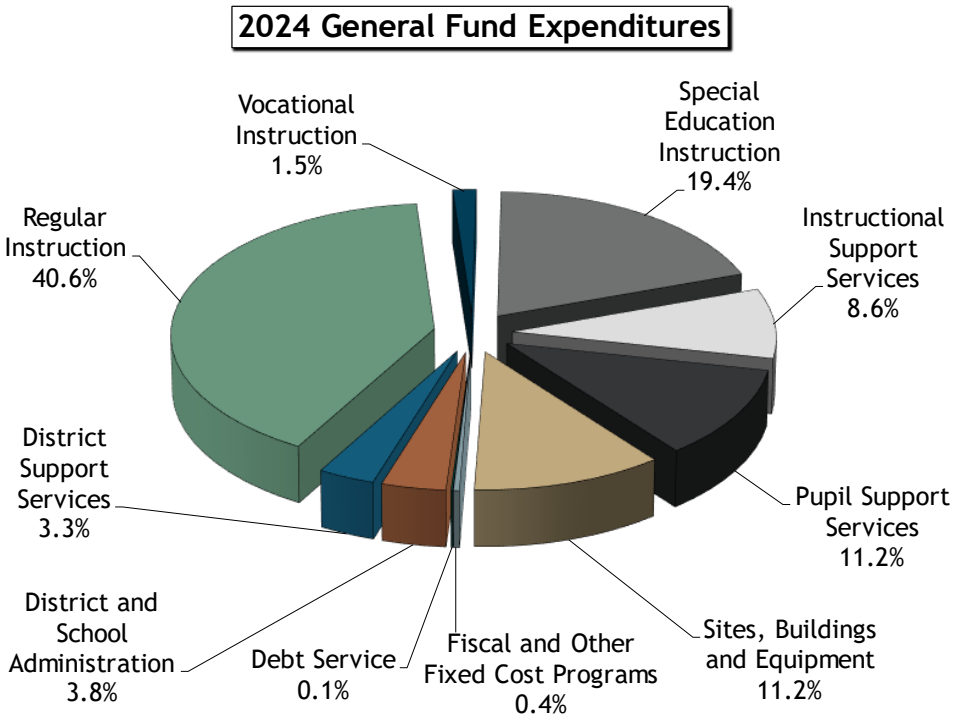
Actual revenues of $162,758,546 were $1,677,769, or 1.0%, over the final budget. Other local and county revenues were over budget $2,134,357 primarily due to investment earnings exceeding budgeted amounts based on positive investment market conditions.

Overall, General Fund expenditures of $158,964,648 were $496,690, or 0.3%, under budget. Pupil instruction was $908,425 under budget largely due in part to chargebacks being under budget with open positions throughout the year. Special education instruction was $1,117,644 over budget, which primarily related to higher payments to other educational agencies than anticipated. Other expenditure categories were relatively in line with budgeted amounts.

General Fund Expenditures

Below is the allocation of expenditures for the past two years. Overall, expenditures in the General Fund increased $9,685,355, or 6.5%, from 2024 to 2025. A significant portion of the increase relates to salary and benefit expenditures. The three instruction categories, regular, vocational, and special education comprise 62.8% of total expenditures for 2025 compared to 61.5% in 2024.





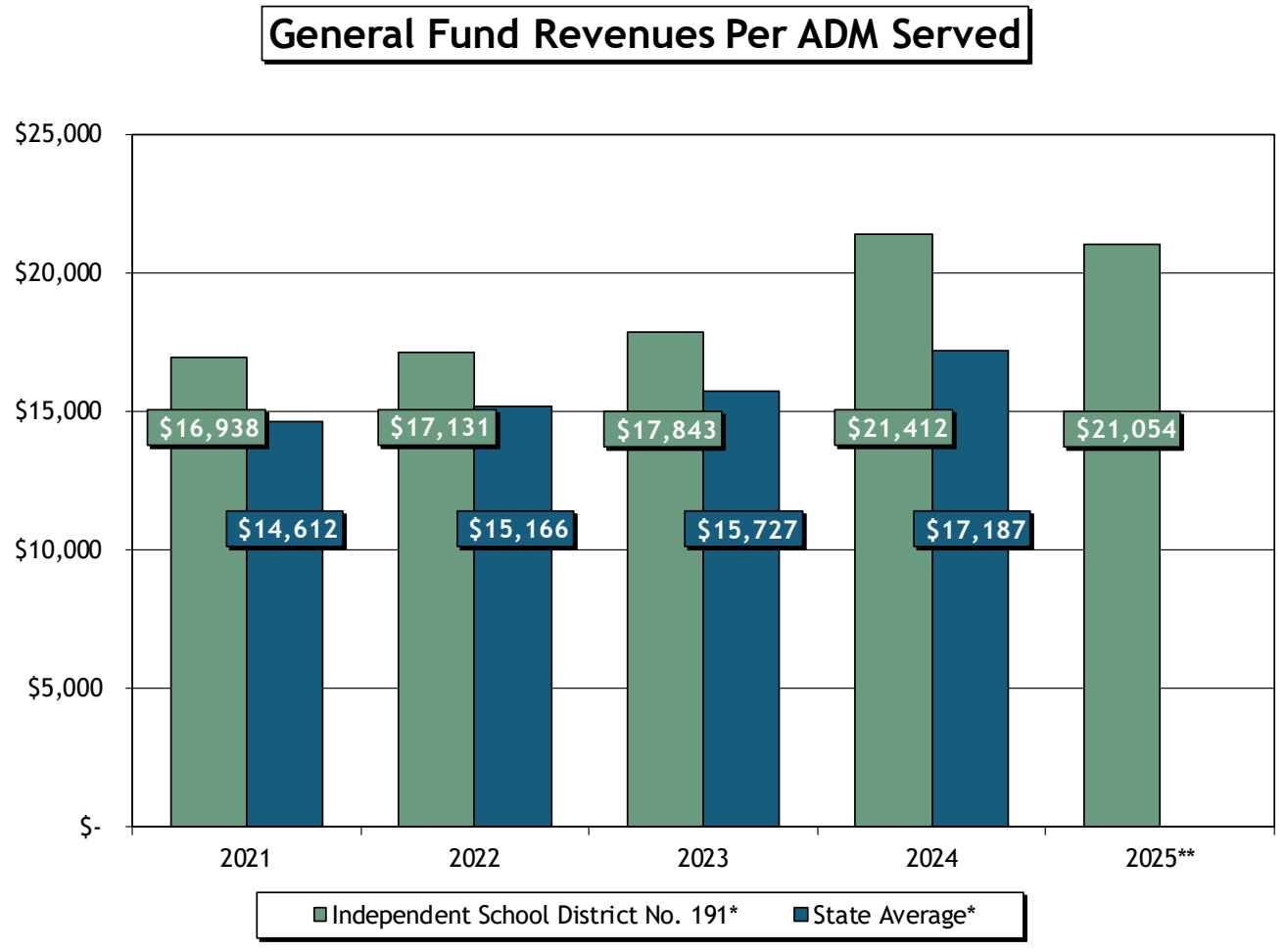
Independent School District No. 191
Financial Analysis

Revenues Per Student

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

Independent School District No. 191*	2021	2022	2023	2024	2025**
General Fund	$ 16,938	$ 17,131	$ 17,843	$ 21,412	$ 21,054
Food Service Fund	562	796	741	929	958
Community Service Fund	770	807	855	936	977
Building Construction Fund	-	-	-	-	-
Debt Service Fund	1,441	1,537	1,390	1,375	1,403
Total Revenues Per Student	**$ 19,711**	**$ 20,271**	**$ 20,829**	**$ 24,652**	**$ 24,393**

State Average*	2021	2022	2023	2024	2025
General Fund	$14,612	$15,166	$15,727	$ 17,187	N/A
Food Service Fund	569	791	667	836	N/A
Community Service Fund	571	685	745	781	N/A
Building Construction Fund	82	35	104	173	N/A
Debt Service Fund	1,466	1,447	1,509	1,591	N/A
Total Revenues Per Student	**$ 17,300**	**$ 18,124**	**$ 18,752**	**$ 20,568**	**N/A**



* Source: *School District Profiles*; year 2025 is not yet available.

** Estimate as of September 15, 2025

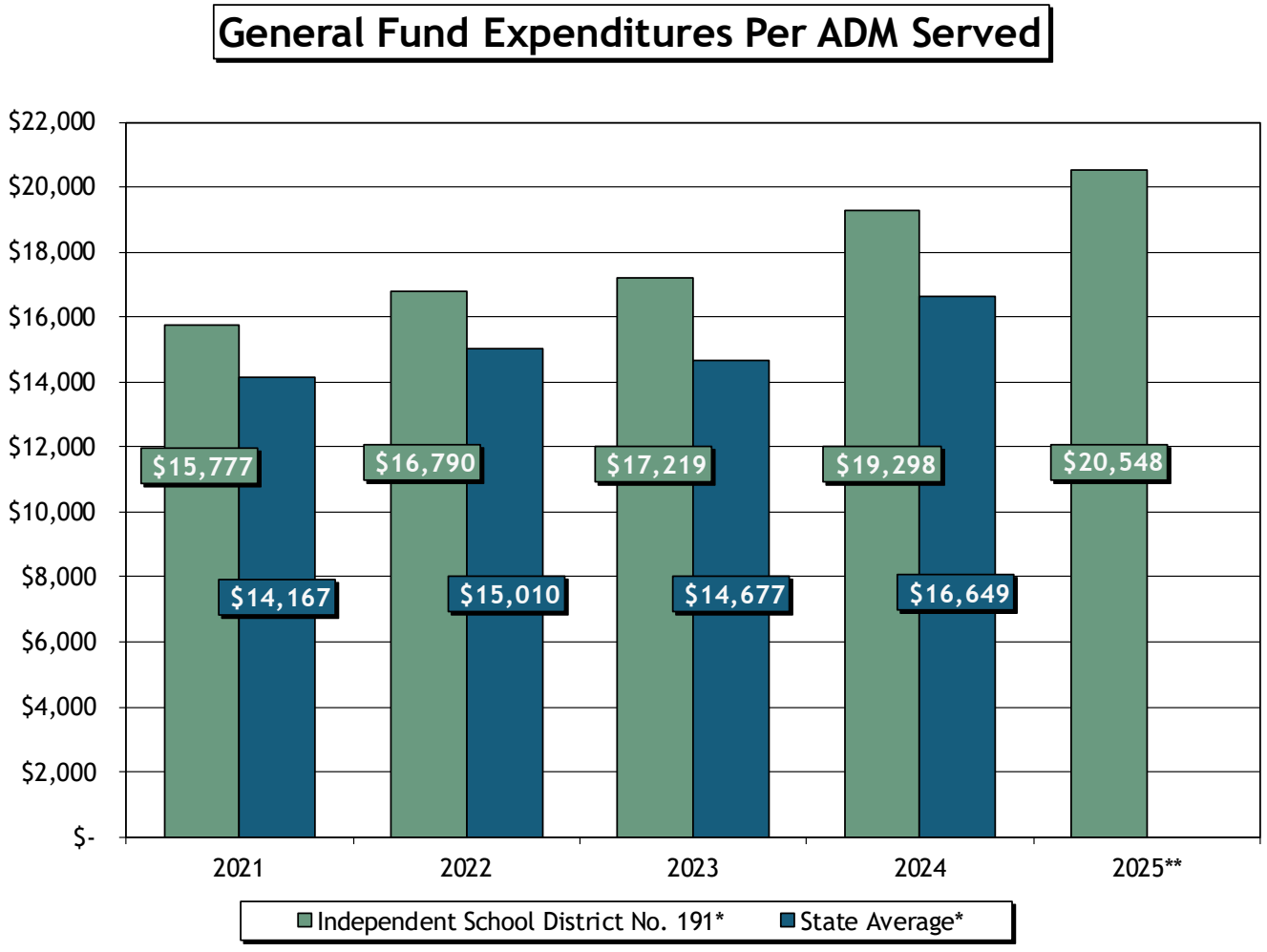
Independent School District No. 191
Financial Analysis

Expenditures Per Student

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

Independent School District No. 191*	2021	2022	2023	2024	2025**
General Fund	$ 15,777	$ 16,790	$ 17,219	$ 19,298	$ 20,548
Food Service Fund	551	621	657	799	919
Community Service Fund	653	665	743	794	903
Building Construction Fund	55	209	-	-	-
Debt Service Funds	1,485	1,450	1,428	1,472	1,536
Total Expenditures Per Student	**$ 18,521**	**$ 19,735**	**$ 20,047**	**$ 22,363**	**$ 23,906**

State Average*	2021	2022	2023	2024	2025
General Fund	$ 14,167	$ 15,010	$ 14,677	$ 16,649	N/A
Food Service Fund	529	666	702	801	N/A
Community Service Fund	571	646	715	765	N/A
Building Construction Fund	2,008	1,773	1,513	1,657	N/A
Debt Service Funds	1,522	1,531	1,551	1,652	N/A
Total Expenditures Per Student	**$ 18,797**	**$ 19,626**	**$ 19,158**	**$ 21,524**	**N/A**

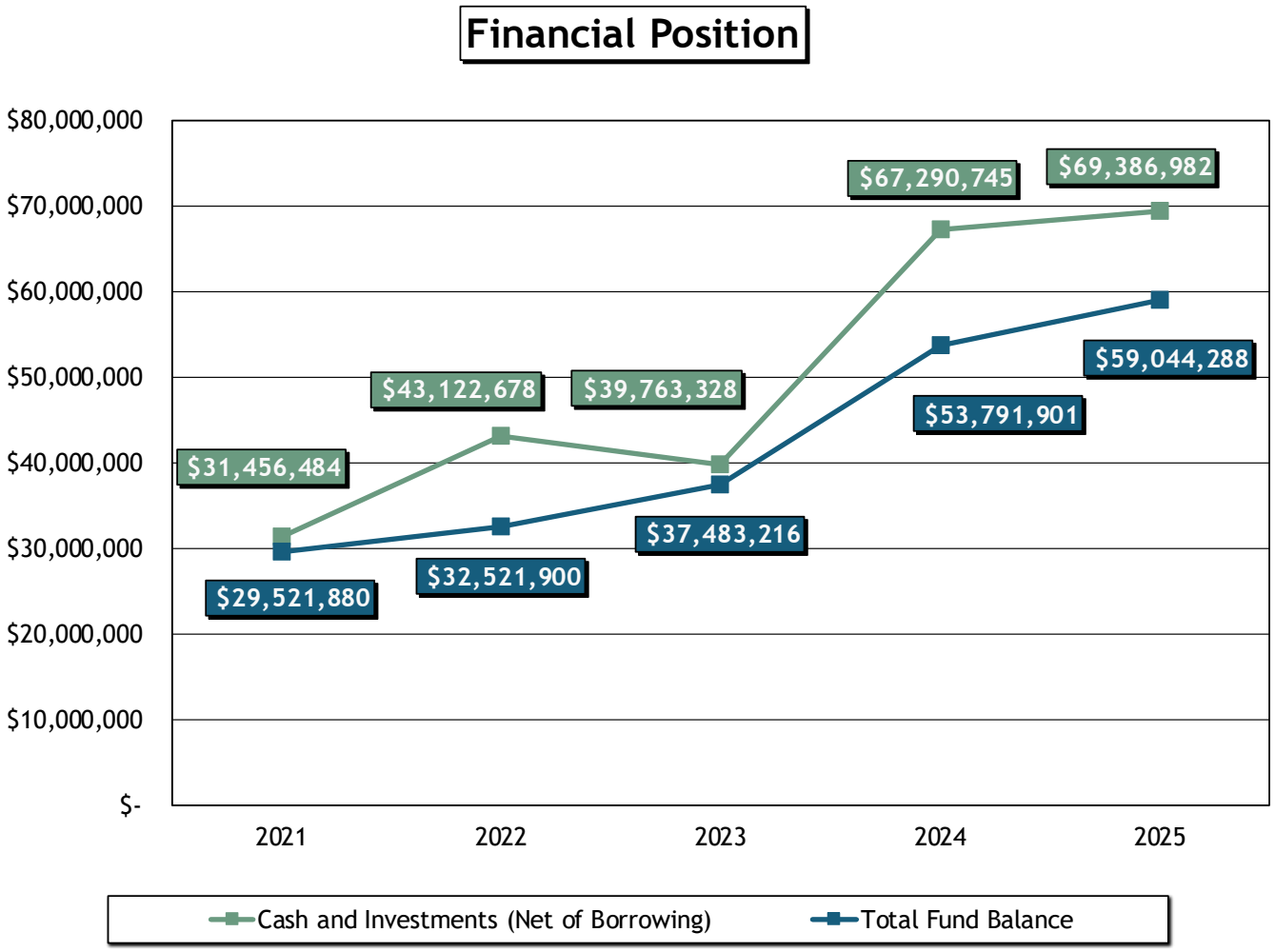


* Source: *School District Profiles*; year 2025 is not yet available.

** Estimate as of September 15, 2025

General Fund Operations

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



General Fund Operations (Continued)

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

Year Ended June 30,	2021	2022	2023	2024	2025
Revenues	$ 134,646,387	$ 136,020,647	$ 142,274,703	$ 165,586,978	$ 162,758,546
Expenditures	(125,450,534)	(133,508,576)	(137,348,622)	(149,279,293)	(158,964,648)
Excess of revenues over (under) expenditures	9,195,853	2,512,071	4,926,081	16,307,685	3,793,898
Other financing sources	-	487,949	35,235	1,000	1,458,489
Fund balance, July 1	20,326,027	29,521,880	32,521,900	37,483,216	53,791,901
Fund Balance, June 30	**$ 29,521,880**	**$ 32,521,900**	**$ 37,483,216**	**$ 53,791,901**	**$ 59,044,288**

Components of Fund Balance					
Year Ended June 30,	**2021**	**2022**	**2023**	**2024**	**2025**
Nonspendable	$ 382,338	$ 254,436	$ 603,936	$ 342,495	$ 291,247
Restricted for					
Staff Development					
Student Activities	215,674	231,296	249,669	259,689	280,180
Capital Projects Levy	794,657	521,753	860,910	832,955	262,383
Literacy Incentive Aid	-	-	-	313,959	406,378
Area Learning Center	4,406,743	5,173,831	7,072,672	8,801,478	8,613,051
Safe Schools Levy	-	-	-	196,200	182,666
American Indian Ed aid	-	-	-	17,957	41,283
Medical Assistance	204,234	376,714	1,991,314	3,340,272	3,134,009
Long-Term Facilities Maintenance	114,943	212,365	(281,509)	(264,191)	(333,782)
Operating Capital	3,284,531	3,325,929	2,962,681	2,049,497	2,162,715
READ Act	-	-	-	-	81,640
Literacy Aid	-	-	-	-	303,304
Q Comp	-	-	-	-	73,548
Committed	1,849,490	1,837,017	1,505,311	1,207,116	1,605,982
Assigned	5,081,823	1,810,980	-	-	250,000
Unassigned	13,187,447	18,777,579	22,518,232	36,694,474	41,689,684
Fund Balance, June 30	**$ 29,521,880**	**$ 32,521,900**	**$ 37,483,216**	**$ 53,791,901**	**$ 59,044,288**

The chart above summarizes General Fund activity and financial position for each of the last five years. Total General Fund balance represents 37.1% of annual expenditures (based on 2025 spending levels) while the unassigned fund balance represents 26.2% of expenditures. Per the District's fund balance policy, the District should maintain a minimum unassigned General Fund balance of 8 percent of the General Fund expenditures.

Food Service Fund

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

Year Ended June 30,	2021	2022	2023	2024	2025
Revenues	$ 4,457,931	$ 6,313,631	$ 5,888,279	$ 7,165,712	$ 7,406,565
Expenditures	(4,364,348)	(4,921,294)	(5,227,056)	(6,162,393)	(7,103,404)
Excess of revenues over (under) expenditures	93,583	1,392,337	661,223	1,003,319	303,161
Other financing sources	338	-	1,807	4,667	10,175
Fund balance, July 1	1,025,204	1,119,125	2,511,462	3,174,492	4,182,478
Fund Balance, June 30	**$ 1,119,125**	**$ 2,511,462**	**$ 3,174,492**	**$ 4,182,478**	**$ 4,495,814**

Food service revenues increased by $240,853 in 2025 as there was more state and federal funding for meal reimbursements based on the number of meals served. Food Service expenditures increased by $941,011 in 2025 as the result of contract increases, higher food costs, and increased equipment purchases.

Community Service Fund

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

Year Ended June 30,	2021	2022	2023	2024	2025
Revenues	$ 6,114,709	$ 6,396,433	$ 6,800,786	$ 7,226,888	$ 7,551,286
Expenditures	(5,185,327)	(5,273,555)	(5,911,010)	(6,135,359)	(6,979,513)
Excess of revenues over (under) expenditures	929,382	1,122,878	889,776	1,091,529	571,773
Fund balance, July 1	1,143,250	2,072,632	3,195,510	4,085,286	5,176,815
Fund Balance, June 30	**$ 2,072,632**	**$ 3,195,510**	**$ 4,085,286**	**$ 5,176,815**	**$ 5,748,588**
Restricted for					
Community education	$ 1,430,281	$ 2,375,459	$ 3,289,382	$ 4,116,125	$ 4,541,344
Adult basic education	-	29,077	-	-	-
ECFE	12,334	212,310	304,140	455,932	558,113
School readiness	588,050	577,712	459,219	588,915	628,342
Community service	41,967	952	32,545	15,843	20,789
Total Fund Balance, June 30	**$ 2,072,632**	**$ 3,195,510**	**$ 4,085,286**	**$ 5,176,815**	**$ 5,748,588**

Revenues exceeded expenditures by $571,773 during fiscal year 2025. Revenues increased by $324,398, or 4.5%, with increased programming revenue along with additional state funding during the year. Expenditures increased by $844,154, or 13.8%, with increased salaries and benefits, higher transportation costs, and greater building construction expenditures. The excess of $571,773 during 2025 contributed to a positive fund balance of $5,748,588 at the end of the fiscal year, the highest mark of the five years presented.

Independent School District No. 191
Legislative Summary

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

Achievement and Integration Revenue
The administrative amount of each district's initial achievement and integration revenue that MDE may retain for administration of the program increased from 0.3% to 1.3% for the second prior fiscal year beginning in 2026 and later.

Basic Alternative Teacher Compensation Aid (Q-Comp)
The total cap for basic alternative teacher compensation aid increased to $89,486,000 for 2026 and beyond. Unspent "Q Comp" funds must be reserved in a restricted fund balance and used only for their intended purpose.

Basic General Education Aid
The formula allowance for 2025 was set at $7,281 and for 2026, the formula allowance increases to $7,481, which is a 2.7% increase over 2025.

Compensatory Education Revenue
For fiscal year 2026 only, the compensation revenue pupil units for each building in a district are set equal to the greater of the building's actual compensation revenue pupil units for revenue in FY 2026, or the building's actual compensation revenue pupil units computed for revenue in FY 2024. The transition to the new compensatory formula enacted in Minnesota Laws 2023, chapter 55 has been delayed until fiscal year 2027.

English Learner Aid and Cross Subsidy
For 2026, the aid is $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 increases 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 temporary 6-month net cash resource limit of operating expenditures in the Food Service Fund has been extended through fiscal year 2026 for authorities who provide justification for higher balances.

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 increased to offset the projected increase in statewide LTFM levies with additional equalization aid.

Pension Bill and Pension Adjustment Revenue
Minnesota Laws 2025, chapter 37, article 13, section 1 increases the pension adjustment rate for all other districts (besides ISD No. 625, St. Paul) in fiscal year 2026 and later from 2.0% to 2.31%. Article 13, section 2 increases the employer contribution to the Teachers Retirement Association in the special revenue fund in fiscal year 2026 and later from 9.5% to 9.81% of the salary of each coordinated member and from 13.5% to 13.81% of the salary of each basic member.

School Library Aid
Beginning in fiscal year 2026, the school library aid per pupil allowance is reduced 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.

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
Beginning in fiscal year 2026, the per pupil allowance is reduced from $48.73 to $30.05 in 2026 and 2027, and $34.32 in 2028 and later. The cooperative student support allowance is reduced from $2.44 to $1.60 in 2026 and later.

Independent School District No. 191
Emerging Issues

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

- **Accounting Standard Update – GASB Statement No. 103 – *Financial Reporting Model Improvements***
  GASB has issued GASB Statement No. 103 relating to changes in financial reporting requirements. The changes provide clarity, enhance the relevance of information, provide more useful information for decision-making, and provide for greater comparability amongst government entities.
- **Accounting Standard Update – GASB Statement No. 104 – *Disclosure of Certain Capital Assets***
  GASB has issued GASB Statement No. 104 relating to capital asset disclosures. The disclosures required by this Statement provide users of the financial statements with essential information about certain types of capital assets.

The following are 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. 191
Emerging Issues

Accounting Standard Update – GASB Statement No. 103 – *Financial Reporting Model Improvements*

The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

This Statement addresses 5 areas of the financial statements (1) Management's Discussion and Analysis (MD&A), (2) Unusual or Infrequent Items, (3) Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position, (4) Major Component Unit Information, and (5) Budgetary Comparison Information.

This Statement continues the requirement that the MD&A precede the basic financial statements as part of the Required Supplementary Information (RSI). This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. The Statement stresses that detailed analyses should explain why balances and results of operations changed, rather than stating amounts and "boilerplate" discussions.

This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows.

This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. The Statement provides clarification regarding operating and nonoperating revenues and expenses. Also, this Statement requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses.

This Statement requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements.

This Statement requires governments to present budgetary comparison information using a single method of communication - RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI.

GASB Statement No. 103 is effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

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

Independent School District No. 191
Emerging Issues

Accounting Standard Update – GASB Statement No. 104 – *Disclosure of Certain Capital Assets*
The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

This Statement requires certain types of capital assets continue to be disclosed separately in the capital assets note disclosures including presentation of capital assets by major class and separate disclosure of lease assets, subscription assets, and intangible right-to-use assets.

This Statement requires additional disclosures for capital assets held for sale. A capital asset is held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date.

Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset.

GASB Statement No. 104 is effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

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