Management Report

for

Independent School District No. 279

June 30, 2026

LB | CARLSON

Certified Public Accountants Business Consultants

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To the School Board and Management of
Independent School District No. 279 – Osseo Area Schools
Maple Grove, Minnesota

We have prepared this management report in conjunction with our audit of Independent School District No. 279 – Osseo Area Schools' (the District) financial statements for the year ended June 30, 2026. We have organized this report into the following sections:

- Audit Summary
- Governmental Funds Overview
- General Fund Analysis
- Other District Funds
- Government-Wide Financial Statements
- Accounting and Auditing Updates

We would be pleased to further discuss any of the information contained in this report or any other concerns that you would like us to address. We would also like to express our thanks for the courtesy and assistance extended to us during the course of our audit.

The purpose of this report is solely to provide those charged with governance of the District, management, and those with responsibility for oversight of the District's financial reporting process comments resulting from our audit and information relevant to school district financing in Minnesota. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

LB Carlson, LLP

LB CARLSON, LLP
Minneapolis, Minnesota

November 6, 2026

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AUDIT SUMMARY

The following is a summary of our audit work, key conclusions, and other information that we consider important or that is required to be communicated to the School Board, administration, or those charged with governance of the District.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA AND *GOVERNMENT AUDITING STANDARDS*.

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2026. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you verbally and in our audit engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously discussed and coordinated in order to obtain sufficient audit evidence and complete an effective audit.

The District is subject to a Single Audit of its federal awards expenditures for the year ended June 30, 2026, which is required to be performed in accordance with Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). It was originally planned that the Single Audit would be completed and issued along with the District's financial statement audit by December 31, 2026. However, issuance of the 2026 *Compliance Supplement* by the Office of Management and Budget has been delayed, and the final version is not yet issued. The 2026 *Compliance Supplement* guidance is effective for Single Audits of federal awards expenditures for the year ended June 30, 2026. Consequently, Single Audits for this period cannot be finalized until the final version of this guidance is issued. The District plans to issue its audited Schedule of Expenditures of Federal Awards and related reports separately by the federal deadline of March 31, 2027.

AUDIT OPINIONS AND FINDINGS

Based on our audit of the District's financial statements for the year ended June 30, 2026:

- We have issued unmodified opinions on the District's basic financial statements. Our report included a paragraph emphasizing the District's implementation of Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements* during the year. Our opinion was not modified with respect to this matter.

- We reported no deficiencies in the District's internal control over financial reporting that we considered to be material weaknesses.

- The results of our testing disclosed no instances of noncompliance required to be reported under *Government Auditing Standards.*

- We reported no findings based on our testing of the District's compliance with Minnesota laws and regulations.

SIGNIFICANT ACCOUNTING POLICIES

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 of the notes to basic financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2026. However, the District implemented the following governmental accounting standard during the year:

- The District implemented GASB Statement No. 103, *Financial Reporting Model Improvements* during the fiscal year ended June 30, 2026. This standard improved 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.

We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

General education revenue and certain other revenues are computed by applying an allowance per student to the number of students served by the District. Student attendance is accumulated in a state-wide database—MARSS. Because of the complexity of student accounting and because of certain enrollment options, student information is input by other school districts and the MARSS data for the current fiscal year is not finalized until after the District has closed its financial records. General education revenue and certain other revenues are computed using preliminary information on the number of students served in the resident district and also utilizing some estimates, particularly in the area of enrollment options.

Special education state aid includes an adjustment related to tuition billings to and from other school districts for special education services, which are computed using formulas derived by the Minnesota Department of Education (MDE). Because of the timing of the calculations, this adjustment for the current fiscal year is not finalized until after the District has closed its financial records. The impact of this adjustment on the receivable and revenue recorded for state special education aid is calculated using preliminary information available to the District.

The District has recorded a liability in the Statement of Net Position for post-employment severance benefits payable and compensated absences. Management's estimate is based on current rates of pay, unused compensated absence balances, and the likelihood compensated absences will be paid out over the course of employment or at termination.

The District has recorded activity for other post-employment benefits (OPEB) and pension benefits. These obligations are calculated using actuarial methodologies primarily described in GASB Statement Nos. 68 and 75. These actuarial calculations include significant assumptions, including projected changes, healthcare insurance costs, investment returns, retirement ages, proportionate share, and employee turnover.

The depreciation/amortization of capital assets involves estimates pertaining to useful lives.

The District's self-insured activities require recording a liability for claims incurred, but not yet reported, which are based on estimates.

We evaluated the key factors and assumptions used by management to develop the estimates discussed above and on the previous page in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The disclosures included in the notes to basic financial statements related to OPEB and pension benefits are particularly sensitive, due to the maturity of the liabilities, and the large and complex estimates involved in determining the disclosures.

The financial statement disclosures are neutral, consistent, and clear.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing and completing our audit.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements as a whole.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter dated November 6, 2026.

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

OTHER AUDIT FINDINGS OR ISSUES

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

OTHER MATTERS

We applied certain limited procedures to the management's discussion and analysis, the budgetary, pension, and OPEB-related required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information accompanying the financial statements and the separately issued Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table, which is not RSI. With respect to this supplementary information, 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 financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements, but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

GOVERNMENTAL FUNDS OVERVIEW

This section of the report provides you with an overview of the financial trends and activities of the District's governmental funds, which includes the General, special revenue, debt service, and capital project funds. These funds are used to account for the various services the District provides, which are financed primarily with intergovernmental revenue and property taxes. The governmental fund information in the District's financial statements focuses on budgetary compliance and the sufficiency of each governmental fund's current assets to finance its current liabilities.

Governmental Fund Balances

The following table summarizes the changes in the fund balances of the District's governmental funds during the year ended June 30, 2026, presented both by fund balance classification and by fund:

Governmental Funds Change in Fund Balance

	Fund Balances as of June 30,		
	2026	2025	Change
Fund balances of governmental funds			
Total by classification			
Nonspendable	$ 4,037,783	$ 3,715,608	$ 322,175
Restricted	123,767,115	227,128,924	(103,361,809)
Assigned	18,671,075	23,174,861	(4,503,786)
Unassigned	92,076,202	96,294,660	(4,218,458)
Total governmental funds	$ 238,552,175	$ 350,314,053	$ (111,761,878)
Total by fund			
General	$ 128,071,813	$ 134,496,392	$ (6,424,579)
Capital Projects – Building Construction	94,341,188	199,686,359	(105,345,171)
Debt Service	6,525,500	5,553,081	972,419
Nonmajor funds			
Food Service	7,374,575	6,447,488	927,087
Community Service	2,239,099	4,130,733	(1,891,634)
Total governmental funds	$ 238,552,175	$ 350,314,053	$ (111,761,878)

In total, the fund balances of the District's governmental funds decreased by $111,761,878 during the year. The majority of the decrease was due to the planned spend down of bond proceeds for various capital improvements and long-term facilities maintenance.

GOVERNMENTAL FUNDS REVENUE

The following table presents all of the District's governmental funds revenue by source for the last two fiscal years. Other financing sources, such as proceeds from sales of capital assets, insurance recoveries, bond sales, loans, and interfund transfers are excluded.

Governmental Funds Revenue by Source

	2026		2025		Year-to-Year Change	
	Revenue	Percent of Total	Revenue	Percent of Total	Dollar Change	Percent Change
Property taxes	$ 141,819,726	28.8 %	$ 142,487,742	29.5 %	$ (668,016)	(0.5) %
State sources	291,915,431	59.6	281,517,155	58.3	10,398,276	3.7 %
Federal sources	22,890,892	4.7	21,443,834	4.4	1,447,058	6.8 %
Other local sources						
Meal sales	1,456,330	0.3	1,379,419	0.3	76,911	5.6 %
Community service fees	11,675,685	2.4	11,087,182	2.3	588,503	5.3 %
Investment earnings	12,521,942	2.6	18,710,623	3.9	(6,188,681)	(33.1) %
Other	7,744,920	1.6	6,443,170	1.3	1,301,750	20.2 %
Total revenue	$ 490,024,926	100.0 %	$ 483,069,125	100.0 %	$ 6,955,801	1.4 %

The District's governmental funds revenues for 2026 were $490,024,926, an increase of $6,955,801 (1.4 percent), from the prior year.

The mix of local and state revenues vary from year-to-year, primarily based on funding formulas and the state's financial condition. The mix of revenue components from district to district varies, due to factors such as the strength of property values, mix of property types, operating and bond referendums, enrollment trends, density of population, types of programs offered, and countless other criteria.

State sources increased $10,398,276 due to a growth in the general education basic formula allowance and special education funding. Property taxes decreased $668,016 due to a decrease in the certified levy for General Fund. Investment earnings decreased $6,188,681 due to the District spending down bond proceeds throughout the year leaving less cash on hand to invest. Other local sources revenue increased $1,301,450, mainly from gifts/bequests.

BASIC GENERAL EDUCATION REVENUE

The table on the previous page illustrates the District's dependence on state aids and grants which provided 59.6 percent of its total governmental funds revenue in the current year. The largest single funding source for Minnesota school districts is basic general education aid. Each year, the 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 average daily membership (ADM). Over the years, various modifications have been made to this calculation, including changes in weighting and special consideration for declining enrollment districts.

The table below presents a summary of the formula allowance for the past decade and as approved for the next fiscal year. The amount of the formula allowance and the percentage change from year-to-year excludes temporary funding changes, the "roll-in" of aids that were previously funded separately, and changes that may vary dependent on actions taken by individual districts.

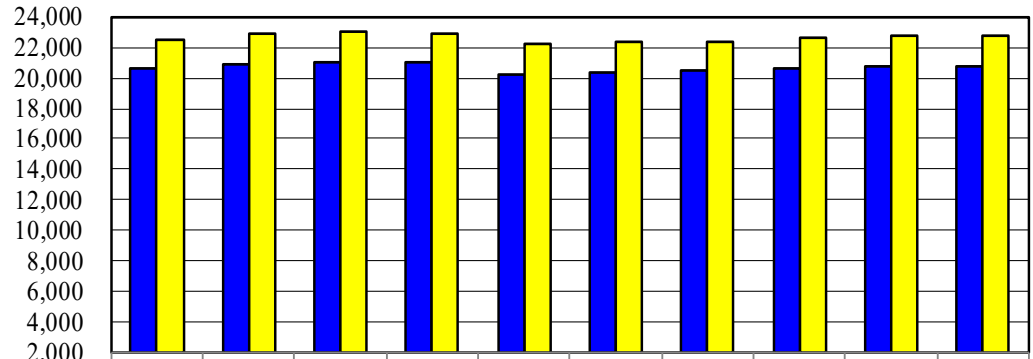
For fiscal 2026 and beyond, the annual formula increase will be adjusted for inflation, using a formula based on the Consumer Price Index-Urban (CPI-U) average inflation rate for the fourth calendar quarter of the immediately prior fiscal year compared to the average for the fourth calendar quarter of the second prior fiscal year, with a floor of 2.00 percent and a cap of 3.00 percent. This resulted in a per pupil increase to the basic formula allowance of $200 for fiscal 2026 and $202 for fiscal 2027.

Fiscal Year Ended June 30,	Formula Allowance Amount	Formula Allowance Percent Increase
2017	$ 6,067	2.00 %
2018	$ 6,188	2.00 %
2019	$ 6,312	2.00 %
2020	$ 6,438	2.00 %
2021	$ 6,567	2.00 %
2022	$ 6,728	2.45 %
2023	$ 6,863	2.00 %
2024	$ 7,138	4.00 %
2025	$ 7,281	2.00 %
2026	$ 7,481	2.75 %
2027	$ 7,683	2.70 %

AVERAGE DAILY MEMBERSHIP (ADM) AND PUPIL UNITS

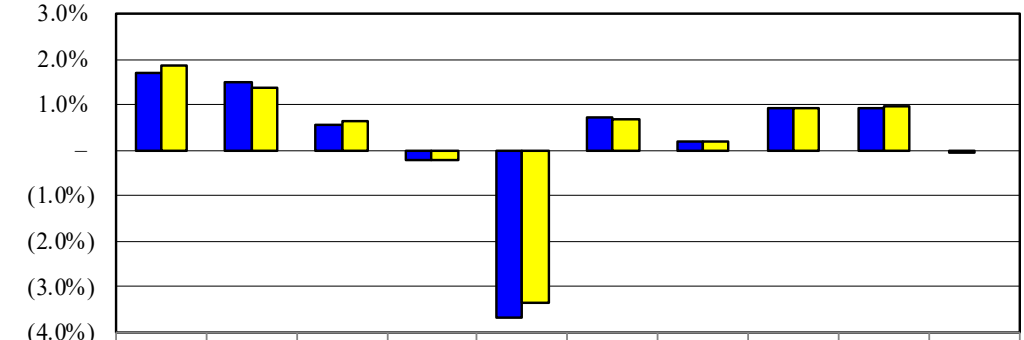
The number of students served by the District determines the amount of general education aid the District earns, and factors into various other funding formulas. The following graphs present the District's adjusted ADM and pupil units served for the past 10 years, along with the annual rates of change for both:

Adjusted ADM and Pupil Units Served



	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
ADM	20,659	20,958	21,073	21,030	20,254	20,403	20,439	20,631	20,823	20,810
Pupil Units	22,569	22,881	23,023	22,976	22,200	22,349	22,395	22,604	22,823	22,812

Change in Adjusted ADM and Pupil Units Served



	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
ADM	1.7%	1.5%	0.5%	(0.2%)	(3.7%)	0.7%	0.2%	0.9%	0.9%	(0.1%)
Pupil Units	1.9%	1.4%	0.6%	(0.2%)	(3.4%)	0.7%	0.2%	0.9%	1.0%	–

ADM is a measure of students attending class, which is then converted to pupil units (the base for determining revenue) using a statutory formula. Not only is the original budget based on ADM estimates, the final audited financial statements are based on updated, but still estimated, ADM since the counts are not finalized until around January of the following year. When viewing revenue budget variances, one needs to consider these ADM changes, the impact of the prior year final adjustments which affect this year's revenue, and also the final adjustments caused by open enrollment gains and losses.

The District served an estimated adjusted ADM of 20,810 in 2026, a decrease of 13 from the previous year. The number of pupil units served by the District for fiscal 2026 was 22,812, a decrease of 11 from the prior year.

PROPERTY TAXES

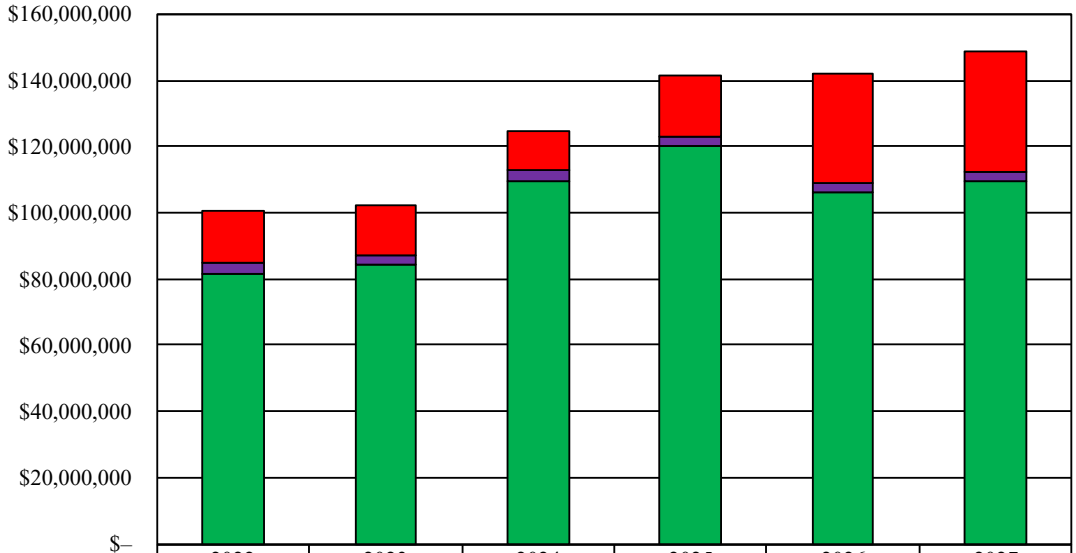
The second largest revenue source Minnesota school districts depend on to support governmental fund activities is local property taxes. State legislative priorities, property values and types, and other factors impact the split of some revenue sources between state aids and property taxes. Additional local support through voter-approved operating or capital referenda may also impact the size of a district's annual levy. In the 2026 fiscal year, property taxes provided 28.8 percent of the District's total governmental funds revenue.

A unique aspect of Minnesota school district funding results from property taxes being levied and collected on a calendar year basis, while districts operate with a June 30 fiscal year-end. Generally, property taxes recognized as revenue by a district in a given fiscal year relate to the levy that is collectible during the calendar year that begins six-months prior to a district's fiscal year. The Minnesota Legislature utilizes a tool referred to as the "tax shift" which periodically changes the recognition of district property tax revenue. However, the net year-to-year impact of this shift has been minimal in recent years.

Property tax revenue realized by a district year-to-year will also be affected by cancellations or abatements of taxes levied, as well as collection delinquencies. These factors primarily disrupt the timing of revenues, as adjustments are made to future levy authority to recover abatements. However, some districts have experienced significant short-term budgetary challenges due to large abatement adjustments from market value declines in the commercial/industrial property class in recent years.

The following graph shows the District's annual certified property tax levy by fund for each of the past five fiscal years, along with the levy certified for collection during calendar year 2026, which will fund the District's 2027 fiscal year operations:

Certified Property Tax Levies
Revenue for FYE June 30,



	2022	2023	2024	2025	2026	2027
Debt Service Fund	$15,735,260	$14,901,056	$12,017,045	$18,637,683	$33,303,944	$36,227,850
Community Service Fund	$3,068,201	$3,125,856	$3,162,392	$2,795,493	$3,007,910	$3,026,783
General Fund	$81,756,449	$84,115,150	$109,718,453	$120,146,548	$105,984,054	$109,441,733

The District's total certified property tax levy for fiscal year 2026 was $142,295,408, which represented an increase of 0.5 percent compared to the prior year. The District has set a total certified property tax levy for fiscal year 2027 at $148,696,366, which represents an increase of 4.5 percent compared to the fiscal year 2026 levy.

GOVERNMENTAL FUNDS EXPENDITURES

The District's governmental funds expenditures are classified into three types as follows:

- **Current** – These are typically the general operating type expenditures occurring on an annual basis, which are primarily funded by general sources, such as taxes and intergovernmental revenues.

- **Capital Outlay** – These expenditures represent the cost of acquiring, constructing, or maintaining the District's facilities and other significant capital assets. They are typically project-oriented and occur on a less consistent basis, often fluctuating significantly from year-to-year. These expenditures are primarily funded with various types of debt issues, or through specific capital or deferred maintenance property tax levies.

- **Debt Service** – Expenditures for debt service tend to be relatively consistent over the term of each individual debt issuance, but fluctuate based on changes in the volume of debt outstanding. Factors such as changing demographics, aging infrastructure, or evolving technology may impact a district's capital needs, and consequently its use of debt financing, over time.

The following table presents the District's governmental funds expenditures by type for the last two fiscal years. Other financing uses, such as bond refundings and transfers, are excluded**.**

Governmental Funds Expenditures by Type

	2026		2025		Year-to-Year Change	
	Expenditures	Percent of Total	Expenditures	Percent of Total	Dollar Change	Percent Change
Current						
Administration and district support	$ 29,113,911	4.4 %	$ 27,261,695	5.1 %	$ 1,852,216	6.8 %
Regular instruction	184,030,222	27.7	174,880,367	32.8	9,149,855	5.2 %
Special and vocational education instruction	81,000,886	12.2	76,390,845	14.3	4,610,041	6.0 %
Instructional support services	34,486,906	5.2	35,893,932	6.7	(1,407,026)	(3.9) %
Pupil support services	42,194,060	6.3	37,917,820	7.1	4,276,240	11.3 %
Sites, buildings, and other	41,291,099	6.2	49,945,434	9.4	(8,654,335)	(17.3) %
Food service	17,750,404	2.7	16,979,735	3.2	770,669	4.5 %
Community service	22,031,584	3.3	21,306,639	4.0	724,945	3.4 %
Total current	451,899,072	68.0	440,576,467	82.6	11,322,605	2.6 %
Capital outlay	174,026,033	26.1	61,049,970	11.5	112,976,063	185.1 %
Debt service	39,545,094	5.9	31,476,826	5.9	8,068,268	25.6 %
Total expenditures	$ 665,470,199	100.0 %	$ 533,103,263	100.0 %	$ 132,366,936	24.8 %

Total expenditures in the District's governmental funds for 2026 were $665,470,199, an increase of $132,366,936 (24.8 percent).

Total current spending was up as anticipated in the budget with inflationary changes for salaries, benefits and purchased services. Most of the overall increase was due to increased costs in these areas for elementary and secondary regular instruction and special education programs and increases in pupil support services related to increased costs for transportation . These increases were offset by decreases in sites and buildings for capital expenditures. Capital outlay increased in the current year with the undertaking of some significant building and facilities maintenance projects in fiscal 2026. Debt service expenditures were higher with the issuance of new bonds in recent years.

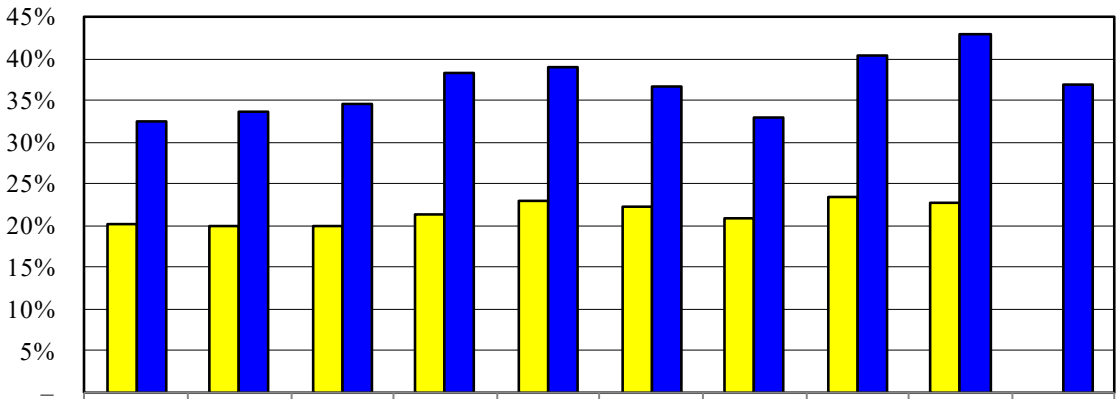
GENERAL FUND ANALYSIS

This section of the report focuses specifically on the financial trends and activities of the General Fund, which accounts for financial activity related to the basic services the District provides to the community. The primary services included within this fund include instructional services and support, administration and district support, pupil transportation and support, and the maintenance and operation of the District's facilities.

STATE-WIDE GENERAL FUND FINANCIAL HEALTH

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

State-Wide Unrestricted Operating Fund Balance
as a Percentage of Operating Expenditures
(Including the General Fund Capital Account)



	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
State-Wide	20.3%	20.0%	19.9%	21.3%	23.0%	22.2%	21.0%	23.4%	22.8%	–
ISD No. 279	32.5%	33.6%	34.7%	38.4%	39.0%	36.6%	33.0%	40.4%	42.9%	36.9%

Note: State-wide information is not available for fiscal 2026.

The calculation above reflects only the unrestricted fund balance of the General Fund, and the corresponding expenditures, which is the same method the state uses for the calculation of statutory operating debt. We have also included the comparable percentages for your district.

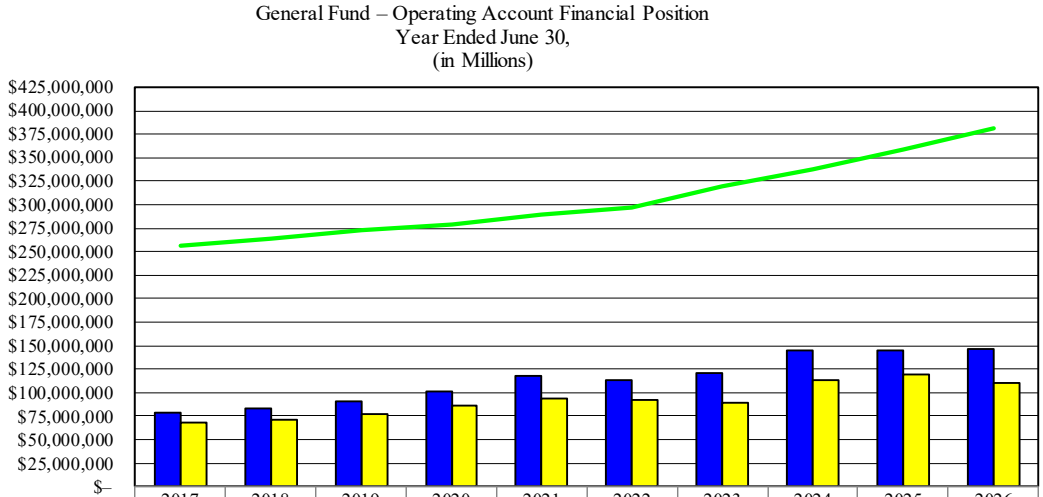
The state-wide average unrestricted fund balance as a percentage of operating expenditures for Minnesota school districts has fluctuated between 21.0 percent and 23.4 percent over the last five fiscal years for which data is available.

The District's unrestricted operating fund balance as a percentage of operating expenditures was 36.9 percent at the end of the current year, as compared to 42.9 percent at June 30, 2026.

Having an appropriate fund balance is an important factor in assessing the District's financial health because a government, like any organization, requires a certain amount of equity to operate. It is important to review fund balance levels on an ongoing basis to ensure a sufficient equity reserve is available to support programs and cash flow of the District.

GENERAL FUND – OPERATING ACCOUNT FINANCIAL POSITION

The following graph displays the District's General Fund trends of financial position and changes in the volume of financial activity. Unrestricted fund balance and cash balance are two indicators of financial health, while annual expenditures are often used to measure the size of the operation.



	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Cash and Investments	$79.2	$83.5	$90.6	$100.8	$117.6	$113.5	$120.9	$145.5	$144.3	$146.5
Unrestricted Fund Balance	$67.5	$71.6	$76.5	$85.6	$93.9	$91.7	$89.7	$113.4	$119.5	$110.9
Expenditures	$256.2	$264.6	$272.9	$278.4	$289.0	$297.0	$319.8	$337.5	$358.2	$381.9

The District ended fiscal year 2026 with a General Fund – Operating Account cash balance of $146,495,516 (net of borrowing and interfund receivables and payables), an increase of $2,198,461 from the previous year. Unrestricted fund balance (consisting of any committed, assigned, or unassigned fund balances) at year-end totaled $110,912,001, a decrease of $8,612,949.

The following table presents the components of the General Fund – Operating Account balance for the past five years:

	June 30,				
	2022	2023	2024	2025	2026
Nonspendable fund balances	$ 440,231	$ 434,679	$ 869,772	$ 3,323,906	$ 3,715,785
Restricted fund balances (1)	1,664,876	2,236,866	2,767,927	3,763,744	6,035,317
Unrestricted fund balances					
Assigned	14,669,070	500,000	2,159,105	23,174,861	18,671,075
Unassigned	77,005,186	89,245,564	111,235,114	96,350,089	92,240,926
Total fund balance	$ 93,779,363	$ 92,417,109	$ 117,031,918	$ 126,612,600	$ 120,663,103
Unassigned fund balances as a percentage of expenditures	25.9%	27.9%	33.0%	26.9%	24.2%

(1) Includes deficits in restricted fund balance accounts allowed to accumulate deficits under UFARS, which are part of unassigned fund balance on the accounting principles generally accepted in the United States of America-based financial statements.

The table above reflects the total General Fund – Operating Account unrestricted fund balance and percentages, which differs from those used in the previous discussion of state-wide fund balances, which are based on a state formula. The resources represented by this fund balance are critical to a district's ability to maintain adequate cash flow throughout the year, to retain its programs, and to cushion against the impact of unexpected costs or funding shortfalls.

Fund Balance Policy

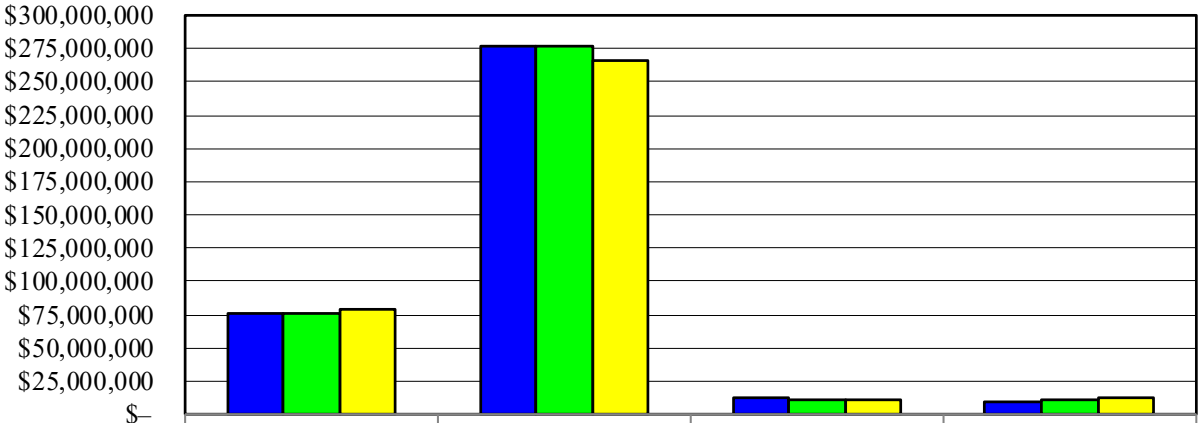
The School Board has formally adopted a fund balance policy regarding maintaining a minimum fund balance for the General Fund. The policy states that the District will endeavor to maintain an unassigned fund balance that will not fall below 5.0 percent of the District's General Fund operating expenditure budget, excluding operating capital programs.

At June 30, 2026, the unassigned fund balance (excluding restricted account deficits) of the General Fund – Operating Account was 24.2 percent of fiscal 2026 General Fund – Operating Account expenditures, or just over 12.6 weeks of operations assuming level spending throughout the year.

GENERAL FUND REVENUES

The following graph summarizes the District's General Fund – Operating Account revenue for 2026:

General Fund – Operating Account Revenue



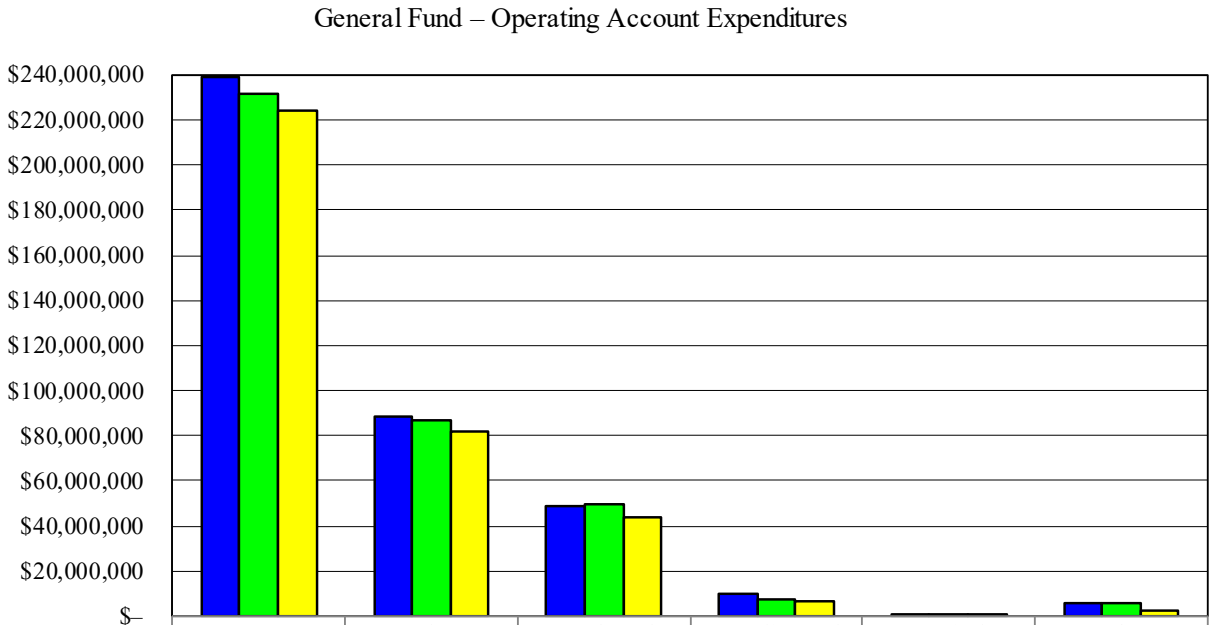
	Property Taxes	State Sources	Federal Sources	Other
Budget	$76,365,096	$276,932,327	$11,836,775	$9,787,627
Actual	$76,645,817	$277,271,512	$11,547,783	$10,351,465
Prior Year	$78,310,707	$266,136,176	$11,117,969	$11,968,026

Total General Fund – Operating Account revenues were $375,816,577 for the year ended June 30, 2026, which was $894,752 (0.2 percent) over the final budget. State revenues were over budget by $339,185, primarily due to special education estimates being more favorable than projected. Revenues from other local sources (including gifts, bequests, tuition, rental, and investment income) were $563,838 over budget, mainly due to conservative budgeting for these revenues.

General Fund – Operating Account total revenues were $8,283,699 higher than the previous year. The primary reasons for this change was in state sources from funding improvements in general education and special education funding formulas.

GENERAL FUND EXPENDITURES

The following graph presents the District's General Fund – Operating Account expenditures for 2026:



	Salaries	Employee Benefits	Purchased Services	Supplies and Materials	Capital Expenditures	Other Expenditures
Budget	$238,735,337	$88,679,352	$48,905,350	$9,478,698	$205,295	$5,709,415
Actual	$231,748,944	$86,566,616	$49,986,710	$7,590,159	$399,198	$5,629,080
Prior Year	$224,230,804	$81,562,085	$43,433,882	$6,260,594	$523,212	$2,165,323

Total General Fund – Operating Account expenditures were $381,920,707 for the year ended June 30, 2026, which was $9,792,740 (2.5 percent) under the final budget. Salaries were $6,986,393 under budget, with the variance being mostly in elementary and secondary regular instruction, mainly the result of open positions, unused budget capacity, and unused grant funds. Employee benefits were $2,112,736 under budget primarily due to lower than projected health insurance and health savings account contribution costs. Cost-containment efforts and unspent curriculum capacity resulted in less supplies and materials of $1,888,539 compared to budget.

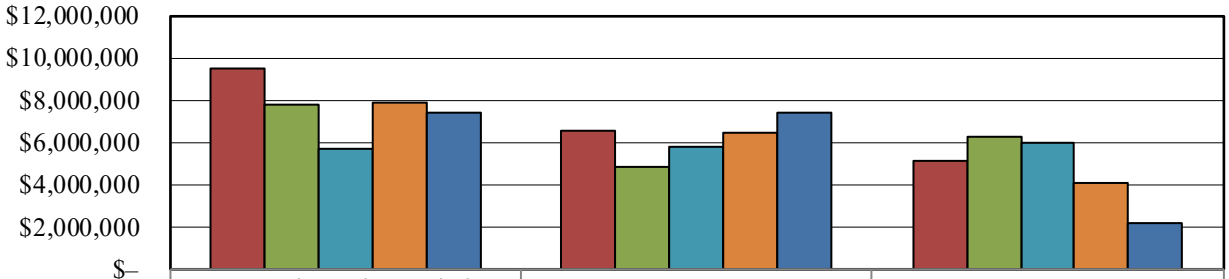
Total General Fund – Operating Account expenditures were $23,744,807 (6.6 percent) more than the prior year. The largest increase was in salaries, which were $17,518,140 higher than the previous year, due to contractual increases. Employee benefits increased $5,004,531. These costs were the result of increased salaries, increased Teachers Retirement Association (TRA) contribution rates, health insurance costs, and new paid medical leave. Purchased services increased $6,552,828. Most of this increase was in transportation costs as rates increased significantly in fiscal 2026. The District also experienced increased costs for contracted staff in the special education program.

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OTHER DISTRICT FUNDS

The following graph shows what is referred to as the other operating funds. The remaining nonoperating funds are only included in narrative form below, since their level of fund balance can fluctuate significantly, due to such things as issuing and spending the proceeds of refunding or building bonds and, therefore, the trend of fund balance levels is not necessarily a key indicator of financial health. It does not mean that these funds cannot experience financial trouble or that their fund balances are unimportant.

Other Operating Funds
Total Fund Balances



	General Fund – Capital Account	Food Service Special Revenue	Community Service Special Revenue
2022	$9,547,796	$6,567,975	$5,145,474
2023	$7,784,760	$4,813,959	$6,258,385
2024	$5,722,661	$5,763,889	$5,955,611
2025	$7,883,792	$6,447,488	$4,130,733
2026	$7,408,710	$7,374,575	$2,239,099

General Fund – Capital Account

The General Fund – Capital Account has accumulated a fund balance of $7,408,710 at June 30, 2026, which decreased $475,082 from the prior year. This account ended the year with a $475,082 decrease in fund balance compared to a budgeted deficit of $16,454. The ending fund balance includes $123,595 in nonspendable funds, restricted for operating capital purposes of $5,320,316, restricted for literacy aid of $829,794, restricted for capital projects levy of $1,270,731, and long-term facilities maintenance restricted account deficit of $135,726.

Food Service Special Revenue Fund

The District's Food Service Special Revenue Fund ended fiscal 2026 with a fund balance increase of $927,087, compared to a budgeted increase of $428,026. Food service revenue was $19,047,829, which was under budget by $370,868, mainly in other revenue from decreased participation. Expenditures were $18,120,742, under budget by $869,929 related to lower than anticipated salaries, benefits, and food costs. The ending fund balance of $7,374,575 in this fund represents 40.7 percent of current year expenditures.

Community Service Special Revenue Fund

The District's Community Service Special Revenue Fund ended fiscal 2026 with a fund balance decrease of $1,891,634, compared to a budgeted decrease of $1,835,427. Revenues of $20,285,194 were under budget by $468,260, mostly in state and federal aid. Expenditures of $22,184,143 were under budget by $404,738, mainly in employee benefits, purchased services, and capital outlay. The ending fund balance of $2,239,099 in this fund represents 10.1 percent of current year expenditures.

Over the years, we have emphasized to our clients that food service and community service operations should be self-sustaining, and should not become an additional burden on general education funds. The District has been able to maintain healthy, stable fund balances in both funds.

Capital Projects – Building Construction Fund

The Capital Projects – Building Construction Fund ended the year with a fund balance decrease of $105,345,171, due to ongoing capital and facility maintenance projects. Total expenditures for the fiscal year totaled $173,723,702.

Debt Service Funds

The funding of the general obligation bonds is controlled in accordance with each outstanding debt issue's financing plan.

Self-Insurance Internal Service Funds

During fiscal year 2026, the District operated a Dental Self-Insurance Internal Service Fund. This fund accounts for the District's self-insured dental insurance program. Net position in this fund increased $58,960, resulting in a net position of $529,276 at June 30, 2026.

During fiscal year 2026, the District operated a Medical Self-Insurance Internal Service Fund. This fund accounts for the District's self-insured medical insurance program. Net position in this fund increased $533,493, resulting in a net position of $409,047 at June 30, 2026.

Retirement Incentive Pay Internal Service Fund

The District uses the Retirement Incentive Pay Internal Service Fund to account for the activity of the District's severance benefit obligations. The following table presents the activity reported for the past five fiscal years in this Internal Service Fund:

	2022	2023	2024	2025	2026
Operating revenue					
Contributions from governmental funds	$ –	$ –	$ –	$ –	$ –
Operating expenses					
Post-employment severance benefits	242,212	355,880	157,185	130,298	73,386
Operating income (loss)	(242,212)	(355,880)	(157,185)	(130,298)	(73,386)
Nonoperating revenue					
Investment earnings	(2,219)	149,411	184,245	145,732	91,970
Income (loss) before transfers	(244,431)	(206,469)	27,060	15,434	18,584
Transfers (out)	(500,000)	–	–	–	–
Change in net position	(744,431)	(206,469)	27,060	15,434	18,584
Net position					
Beginning of year	1,742,514	998,083	791,614	818,674	834,108
End of year	$ 998,083	$ 791,614	$ 818,674	$ 834,108	$ 852,692

The year-end net position, as reported above, represents the District's total accumulated assets of $2,605,438, less the total severance benefit liability of $1,752,746 as of June 30, 2026.

Post-Employment Benefits Revocable Trust Internal Service Fund

The District uses the Post-Employment Benefits Revocable Trust Internal Service Fund to finance its post-employment health benefit liabilities. The following table presents the activity reported for the past five fiscal years in this Internal Service Fund:

	2022	2023	2024	2025	2026
Operating revenue					
Contributions from governmental funds	$ –	$ –	$ –	$ –	$ –
Operating expenses					
OPEB	585,040	288,022	463,157	853,027	1,136,371
Operating income (loss)	(585,040)	(288,022)	(463,157)	(853,027)	(1,136,371)
Nonoperating revenue					
Investment earnings (losses)	(4,130,445)	1,088,523	2,050,475	1,896,778	2,737,629
Income (loss) before transfers	(4,715,485)	800,501	1,587,318	1,043,751	1,601,258
Transfers in	500,000	–	–	–	–
Change in net position	(4,215,485)	800,501	1,587,318	1,043,751	1,601,258
Net position					
Beginning of year	12,578,313	8,362,828	9,163,329	10,750,647	11,794,398
End of year	$ 8,362,828	$ 9,163,329	$ 10,750,647	$ 11,794,398	$ 13,395,656

The District updated an actuarial study to determine the District's post-employment health benefit liabilities.

This OPEB Plan is funded by the District's Post-Employment Benefits Revocable Trust Internal Service Fund. Total net position increased $1,601,258 in fiscal 2026, mainly the result of investment gains from market conditions in the current year.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's financial statements include fund-based information that focuses on budgetary compliance, and the sufficiency of the District's current assets to finance its current liabilities. The governmental reporting model also requires the inclusion of two government-wide financial statements designed to present a clear picture of the District as a single, unified entity. These government-wide financial statements provide information on the total cost of delivering educational services, including capital assets and long-term liabilities.

Theoretically, net position represents district resources available for providing services after its debts are settled. However, those resources are not always in expendable form, or there may be restrictions on how some of those resources can be used. Therefore, this statement divides net position into three components: net investment in capital assets, restricted, and unrestricted. The following table presents a summarized reconciliation of the District's governmental fund balances to net position, and the separate components of net position for the last two years:

	June 30, 2026	June 30, 2025	Net Change
Net position – governmental activities			
Total fund balances – governmental funds	$ 238,552,175	$ 350,314,053	$ (111,761,878)
Total capital assets, net of depreciation and amortization	674,227,293	523,459,499	150,767,794
Certain long-term debt plus accrued interest	(455,295,747)	(417,789,786)	(37,505,961)
Compensated absences	(6,195,195)	(6,023,789)	(171,406)
Net pension-related adjustments	(179,703,761)	(191,875,949)	12,172,188
Internal Service Fund net position	15,186,671	12,974,376	2,212,295
Other adjustments	898,479	1,004,927	(106,448)
Total net position – governmental activities	$ 287,669,915	$ 272,063,331	$ 15,606,584
Net position			
Net investment in capital assets	$ 319,950,462	$ 311,758,545	$ 8,191,917
Restricted	36,505,572	33,846,238	2,659,334
Unrestricted	(68,786,119)	(73,541,452)	4,755,333
Total net position	$ 287,669,915	$ 272,063,331	$ 15,606,584

Some of the District's fund balances translate into restricted net position by virtue of external restrictions (statutory restrictions) or by the nature of the fund they are in (e.g., Food Service Special Revenue Fund balance can only be spent for food service program costs). The unrestricted net position category consists mainly of the General Fund unrestricted fund balances, offset against noncapital long-term obligations, such as severance benefits payable, compensated absences, and net pension liability.

Total net position increased by $15,606,584 during fiscal 2026. The District's net investment in capital assets increased $8,191,917 this year. The change in this category of net position typically depends on the relationship between the rate at which the District is adding additional capital assets, the rate capital assets are being depreciated and amortized, and how that compares to the rate at which the District is repaying the debt issued to purchase or construct those assets.

Restricted net position increased over the prior year in amounts restricted for food service, employee benefits, and state funding restrictions. The change in unrestricted net position includes changes in the District's proportionate share of the Public Employees Retirement Association and the TRA pension plan liabilities and related deferments. The financial operations of the General Fund and Medical Self-Insurance Fund, as previously discussed, also contributed to the change in unrestricted net position.

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ACCOUNTING AND AUDITING UPDATES

The following is a summary of Governmental Accounting Standards Board (GASB) standards expected to be implemented in the next few years.

GASB STATEMENT NO. 105, *SUBSEQUENT EVENTS*

The primary objective of this statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users.

This statement defines subsequent events as transactions or other events that occur after the date of the financial statements, but before the date the financial statements are available to be issued. This statement describes the date the financial statements are available to be issued as the date at which (1) the financial statements are complete in a form and format that complies with generally accepted accounting principles and (2) approvals necessary for issuance have been obtained. That definition modifies the subsequent events time frame throughout the GASB literature. This statement also requires the date through which subsequent events have been evaluated to be disclosed.

This statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events.

The requirements of this statement are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter. Earlier application is encouraged.

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