Management Report

for

Independent School District No. 273
Edina, Minnesota

June 30, 2023

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MMKR
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To the School Board and Management of
Independent School District No. 273
Edina, Minnesota

We have prepared this management report in conjunction with our audit of Independent School District No. 273, Edina, Minnesota's (the District) financial statements for the year ended June 30, 2023. We have organized this report into the following sections:

- Audit Summary
- Financial Trends in Public Education in Minnesota
- Financial Trends of Your District
- 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 who have responsibility for oversight of the 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.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
December 13, 2023

Malloy, Montague, Karnowski, Radosevich & Co., P.A.
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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, *GOVERNMENT AUDITING STANDARDS*, AND TITLE 2 U.S. CODE OF FEDERAL REGULATIONS PART 200, *UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS* (UNIFORM GUIDANCE)

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, 2023. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, 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.

AUDIT OPINIONS AND FINDINGS

Based on our audit of the District's financial statements for the year ended June 30, 2023:

- We have issued unmodified opinions on the District's basic financial statements.
- 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 that the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements.
- The results of our tests indicate that the District has complied, in all material respects, with the types of compliance requirements that could have a direct and material effect on each of its major federal programs.
- We reported no deficiencies in the District's internal controls over compliance that we considered to be material weaknesses with the types of compliance requirements that could have a direct and material effect on each of its major federal programs.
- We reported one finding based on our testing of the District's compliance with Minnesota laws and regulations.
    - For 2 of 25 claims tested, the District did not pay the claim within 35 days of receiving the goods or services or the invoice for goods or services, as required by Minnesota Statutes.

FOLLOW-UP ON PRIOR YEAR FINDINGS AND RECOMMENDATIONS

As a part of our audit of the District's financial statements for the year ended June 30, 2023, we performed procedures to follow-up on any findings and recommendations that resulted from our prior year audit. We reported the following finding that was corrected by the District in the current year:

- During our fiscal 2022 audit, we reported a material weakness in internal control over financial reporting related to proposed audit adjustments necessary to record additional contracts payable and correct construction in progress capitalized by the District that were considered material to the financial statements. Based on our testing, there was no similar finding in the current year.

- During our fiscal 2022 audit, we reported a significant deficiency in internal control over compliance with federal suspension and debarment requirements related to the District's special education cluster federal programs. Based on our testing, there was no similar finding in the current year.

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, 2023. However, the District implemented the following governmental accounting standard during the year:

> The District implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs), during fiscal year ended June 30, 2023. This standard changed the way SBITA transactions are reported by the governmental entities. However, implementation of this standard did not have a material effect on the District's current year financial statements.

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 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 severance benefits payable for which it is probable employees will be compensated. The "vesting method" used by the District to calculate this liability is based on assumptions involving the probability of employees becoming eligible to receive the benefits (vesting), the potential use of accumulated sick leave prior to termination, and the age at which such employees are likely to retire.

The District has recorded activity for pension benefits and other post-employment benefits (OPEB). These obligations are calculated using actuarial methodologies primarily described in GASB Statement Nos. 68, 73, 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 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 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 the basic financial statements related to OPEB and pension benefits are particularly sensitive, due to the materiality 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 taken 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 December 13, 2023.

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

We were engaged to report on the supplementary information accompanying the financial statements, and the separately issued Schedule of Expenditures of Federal Awards and Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table, which are 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.

FINANCIAL TRENDS IN PUBLIC EDUCATION IN MINNESOTA

This section provides selected state-wide funding and financial trend information.

BASIC GENERAL EDUCATION REVENUE

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 two fiscal years. The 2023 Legislature approved per pupil increases of $275 for fiscal 2024 and $143 for fiscal 2025. 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. The $529 increase in 2015 was offset by changes to pupil weightings and the general education aid formula that resulted in an increase equivalent to approximately $105, or 2.00 percent, state-wide.

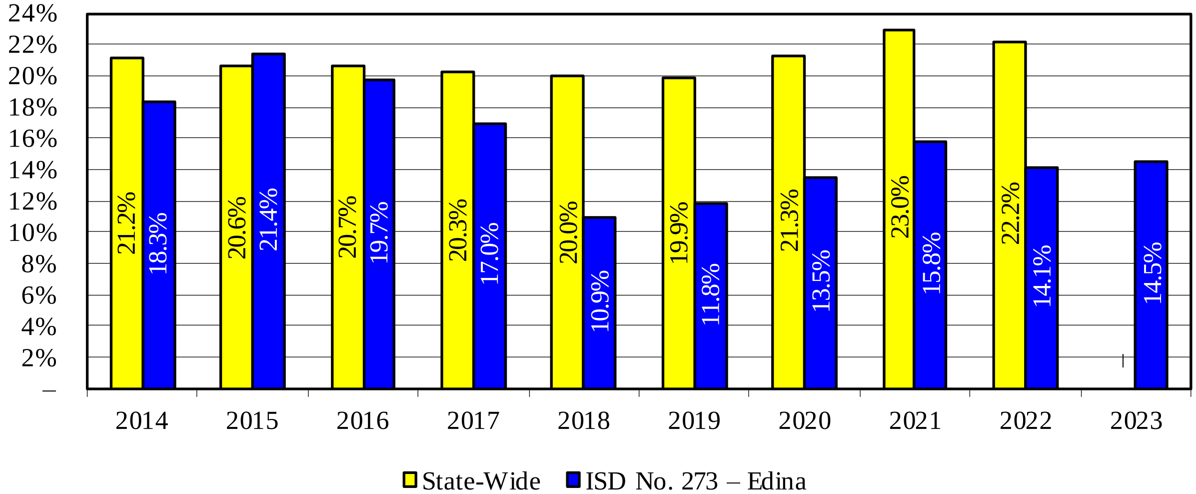
Fiscal Year Ended June 30,	Formula Allowance – Amount	Formula Allowance – Percent Increase
2014	$ 5,302	1.50 %
2015	$ 5,831	2.00 %
2016	$ 5,948	2.00 %
2017	$ 6,067	2.00 %
2018	$ 6,188	2.00 %
2019	$ 6,312	2.00 %
2020	$ 6,438	2.00 %
2021	$ 6,567	2.00 %
2022	$ 6,728	2.45 %
2023	$ 6,863	2.00 %
2024	$ 7,138	4.00 %
2025	$ 7,281	2.00 %

For fiscal 2026 and beyond, the actual increase will be equal to the Consumer Price Index-Urban (CPI-U), with a floor of 2.00 percent and a cap of 3.00 percent. CPI-U is determined based upon the prior two fourth-quarter totals. The inclusion of inflationary increases to this formula does not prevent future legislative increases from being approved.

STATE-WIDE SCHOOL DISTRICT FINANCIAL HEALTH

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

State-Wide Unrestricted Operating Fund Balance
as a Percentage of Operating Expenditures



Note: State-wide information is not available for fiscal 2023.

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 average unrestricted fund balance as a percentage of operating expenditures maintained by Minnesota school districts decreased gradually from 21.2 percent at the end of fiscal 2014 to 19.9 percent at the end of fiscal 2019, a period of relative stability in the state's economic condition and school funding. This ratio began rising again during the fiscal years impacted by the COVID-19 pandemic, increasing to 23.0 percent at the end of fiscal 2021. In 2022, the state-wide ratio decreased to 22.2 percent as districts returned to more traditional learning models and program operations with the relaxation of pandemic restrictions.

Based on this calculation, the District's unrestricted operating fund balance as a percentage of operating expenditures was 14.5 percent at the end of the current year, as compared to 14.1 percent at June 30, 2022.

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.

The table below shows a comparison of governmental fund revenue per ADM received by Minnesota school districts and your district. Revenues for all governmental funds are included, except for the Capital Projects – Building Construction Fund. Other financing sources, such as proceeds from sales of capital assets, insurance recoveries, bond sales, loans, and interfund transfers, are also excluded.

Governmental Funds Revenue per Student (ADM) Served

	State-Wide		Metro Area		ISD No. 273 – Edina		
	2021	2022	2021	2022	2021	2022	2023
General Fund							
Property taxes	$ 2,576	$ 2,645	$ 3,411	$ 3,506	$ 4,686	$ 5,348	$ 5,381
Other local sources	438	571	323	446	322	475	740
State	10,514	10,504	10,517	10,536	9,786	9,808	10,175
Federal	992	1,335	956	1,397	562	498	339
Total General Fund	14,520	15,055	15,207	15,885	15,356	16,129	16,635
Special revenue funds							
Food Service	576	803	568	770	172	491	424
Community Service	612	731	684	836	653	1,071	1,262
Debt Service Fund	1,512	1,508	1,549	1,537	1,785	1,793	1,746
Total revenue	$ 17,220	$ 18,097	$ 18,008	$ 19,028	$ 17,966	$ 19,484	$ 20,067
ADM served per MDE School District Profiles Report (current year estimated)					8,260	8,406	8,624

Note: Excludes the Capital Projects – Building Construction Fund.

Source of state-wide and metro area data: School District Profiles Report published by the MDE

ADM used in the table above and on the following page are consistent with those used in the MDE School District Profiles Report, which include extended time ADM, and may differ from ADM reported in other tables. Changes in enrollment also impact comparisons in the table above and on the next page when revenue and expenditures are based on fixed costs, such as debt levies and principal and interest on outstanding indebtedness.

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.

The District earned approximately $173.1 million in the governmental funds reflected above in fiscal 2023, an increase of $9.3 million (5.7 percent), or $583 per ADM from the prior year. Increases in revenue from the approved property tax levy, general education and special education state aids, and other local sources, including activity fees, contributions, and investment earnings, contributed to an overall increase of $506 per ADM in General Fund revenue. Federal sources in the General Fund were down with less pandemic-related funding entitlements recognized in the current year. Food service revenues were down with the end of the federal program providing free meals for all students the District operated under in the previous year. Increased programming and participation contributed to the $191 per ADM revenue increase in the Community Service Special Revenue Fund.

The following table reflects similar comparative data available from the MDE for all governmental fund expenditures, excluding the Capital Projects – Building Construction Fund. Other financing uses, such as bond refundings and transfers, are also excluded.

Governmental Funds Expenditures per Student (ADM) Served

	State-Wide		Metro Area		ISD No. 273 – Edina		
	2021	2022	2021	2022	2021	2022	2023
General Fund							
Administration and district support	$ 1,184	$ 1,249	$ 1,205	$ 1,300	$ 732	$ 800	$ 691
Elementary and secondary regular instruction	6,198	6,494	6,527	6,838	6,828	6,959	7,030
Vocational education instruction	197	210	179	191	42	50	53
Special education instruction	2,626	2,724	2,792	2,883	2,732	2,922	3,035
Instructional support services	812	816	917	939	865	1,316	1,405
Pupil support services	1,228	1,429	1,285	1,558	1,127	1,434	1,377
Sites, buildings, and other	1,083	1,113	1,052	1,076	1,504	1,495	1,418
Total General Fund – noncapital	13,328	14,035	13,957	14,785	13,830	14,976	15,009
General Fund capital expenditures	793	876	815	897	512	803	1,305
Total General Fund	14,121	14,911	14,772	15,682	14,342	15,779	16,314
Special revenue funds							
Food Service	532	670	522	659	173	446	440
Community Service	610	689	682	774	633	961	1,251
Debt Service Fund	1,576	1,599	1,609	1,561	1,783	1,776	1,766
Total expenditures	$ 16,839	$ 17,869	$ 17,585	$ 18,676	$ 16,931	$ 18,962	$ 19,771
ADM served per MDE School District Profiles Report (current year estimated)					8,260	8,406	8,624

Note: Excludes the Capital Projects – Building Construction Fund.

Source of state-wide and metro area data: School District Profiles Report published by the MDE

Expenditure patterns also vary from district to district for various reasons. Factors affecting the comparison include the growth cycle or maturity of the District, average employee experience, availability of funding, population density, program participation, and even methods of allocating costs.

The District spent approximately $170.5 million in the governmental funds reflected above in fiscal 2023, an increase of $11.1 million (7.0 percent), or $809 per ADM. General Fund noncapital expenditures were similar to the prior year, increasing $33 per ADM. Increases in special education instruction, instructional support services, and elementary and secondary regular instruction, were offset by decreases in administration and district support, pupil support services, and sites, buildings, and other. General Fund capital expenditures were $502 per ADM higher than last year, due to increased maintenances projects. Food Service Special Revenue Fund spending per ADM was similar to the prior year, while Community Service Special Revenue Fund was up with more programming and participation as previously discussed.

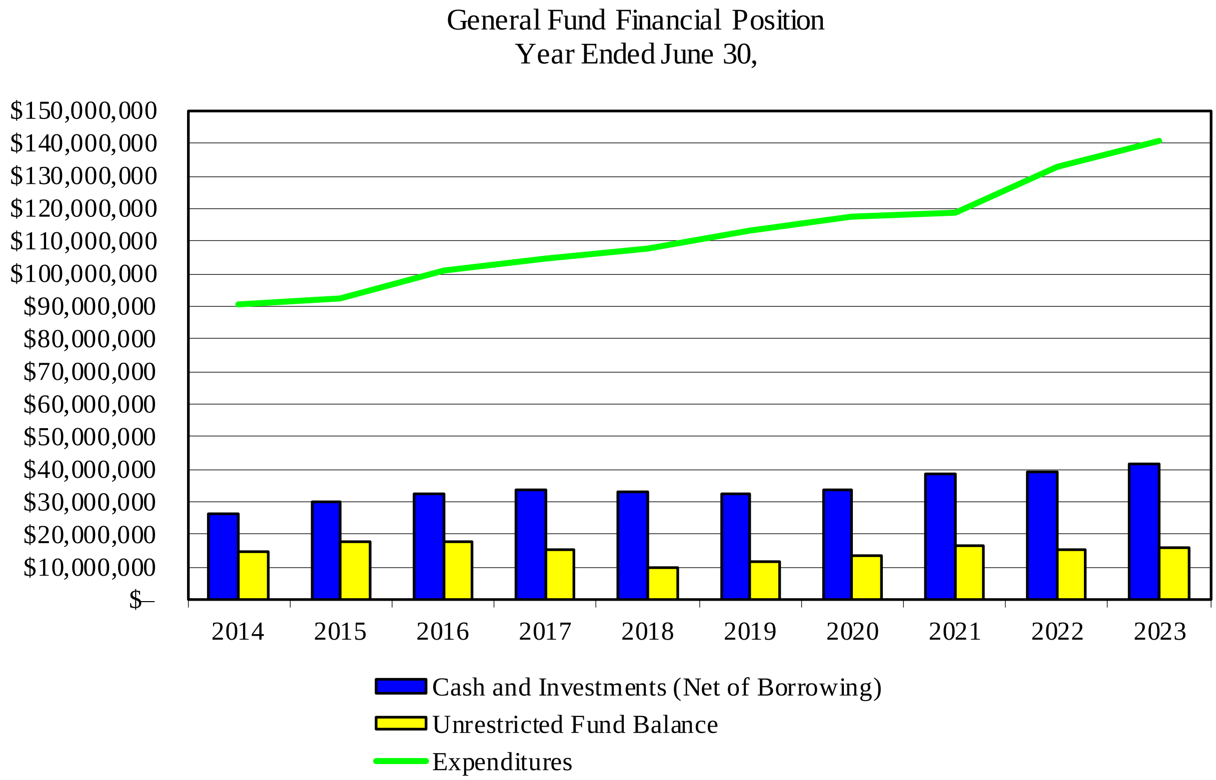
SUMMARY

The COVID-19 pandemic caused numerous financial and operational challenges for districts in recent years; creating instability in student populations, requiring numerous shifts in the delivery of educational services, and resulting in substantial new and unfamiliar federal revenue streams, to name a few. Challenges remain, with tight labor markets, inflationary increases, and the end of many federal pandemic-related funding programs. District school boards, administrators, and employees continue to manage these issues, as districts strive to provide a safe and effective learning experience for their students.

FINANCIAL TRENDS OF YOUR DISTRICT

GENERAL FUND 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.



The District ended fiscal year 2023 with a General Fund cash balance of $41,576,711 (net of any interfund receivables and payables), an increase of $2,718,273 from the previous year.

Total fund balance at year-end was $20,591,585, an increase of $2,469,563, compared to a fund balance decrease of $895,112 projected in the final budget. Unrestricted fund balances, as pictured above (consisting of committed, assigned, and unassigned fund balances), at year-end were $15,856,208, an increase of $570,751.

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

	June 30, 2019	2020	2021	2022	2023
Nonspendable fund balances	$ 31,133	$ –	$ –	$ 2,925	$ 392,982
Restricted fund balances (1)	2,624,734	1,459,232	1,333,034	2,833,640	4,342,395
Unrestricted fund balances					
Committed	1,037,614	1,068,409	1,074,602	1,098,955	2,322,850
Assigned	3,534,808	3,752,941	6,094,910	5,995,361	5,519,524
Unassigned	6,954,177	8,613,512	9,061,060	8,191,141	8,013,834
Total fund balance	$ 14,182,466	$ 14,894,094	$ 17,563,606	$ 18,122,022	$ 20,591,585
Unrestricted fund balances as a percentage of expenditures	10.2%	11.4%	13.7%	11.5%	11.3%
Unassigned fund balances as a percentage of expenditures	6.1%	7.3%	7.6%	6.2%	5.7%

(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 unrestricted and unassigned fund balances as percentages of total General Fund expenditures for the last five fiscal years, 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.

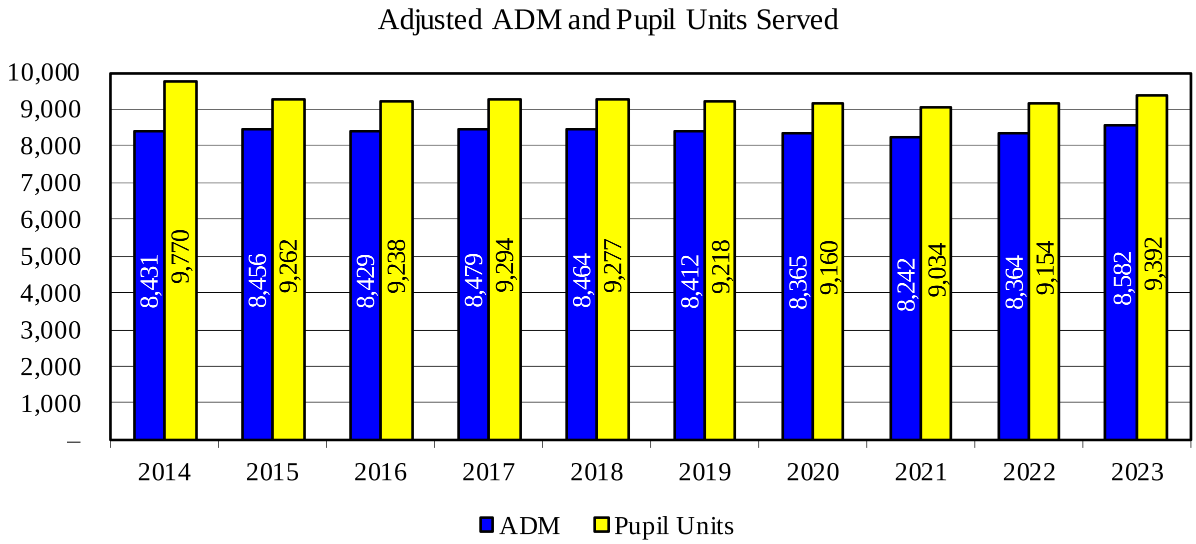
Minimum Fund Balance Policy

The District's fund balance policy sets a goal of maintaining an unassigned fund balance in the General Fund of 6.0–10.0 percent of the subsequent year's budgeted unassigned expenditures. The unassigned fund balance of the General Fund at June 30, 2023 was equal to 6.9 percent of budgeted unassigned expenditures for fiscal 2024.

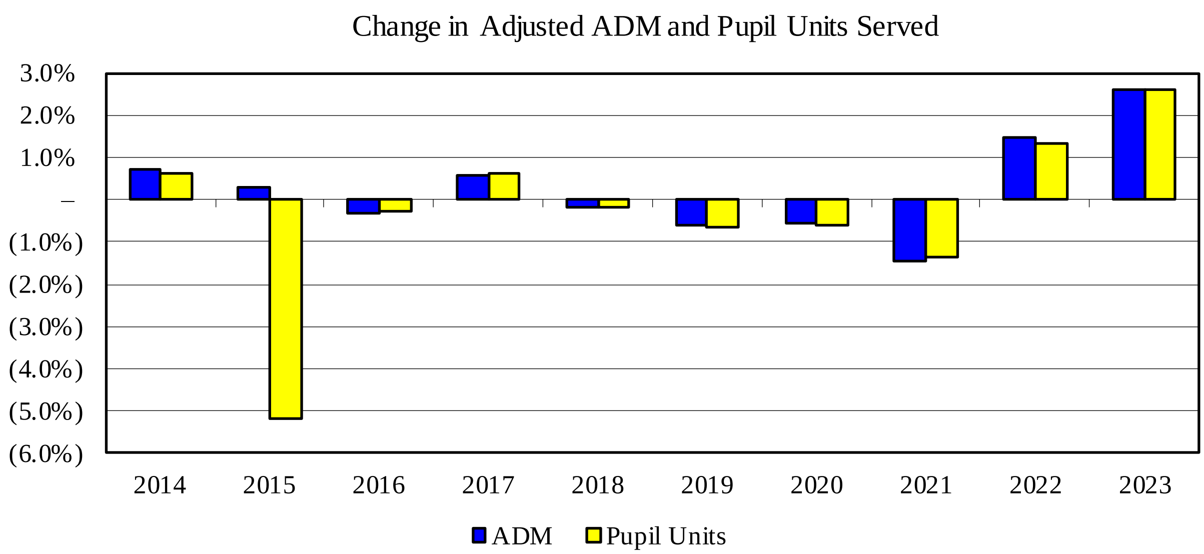
By policy, the District also maintains an additional 2.0 percent of the subsequent year's budgeted unassigned expenditures as a committed fund balance to provide adequate cash flow.

AVERAGE DAILY MEMBERSHIP (ADM) AND PUPIL UNITS

The following graph presents the District's adjusted ADM and pupil units served for the past 10 years:



The following graph shows the rate of change in ADM served by the District from year-to-year, along with the change in the resulting pupil units:



Note: the change in pupil units for 2015 includes the effect of legislative reductions to pupil weights.

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.

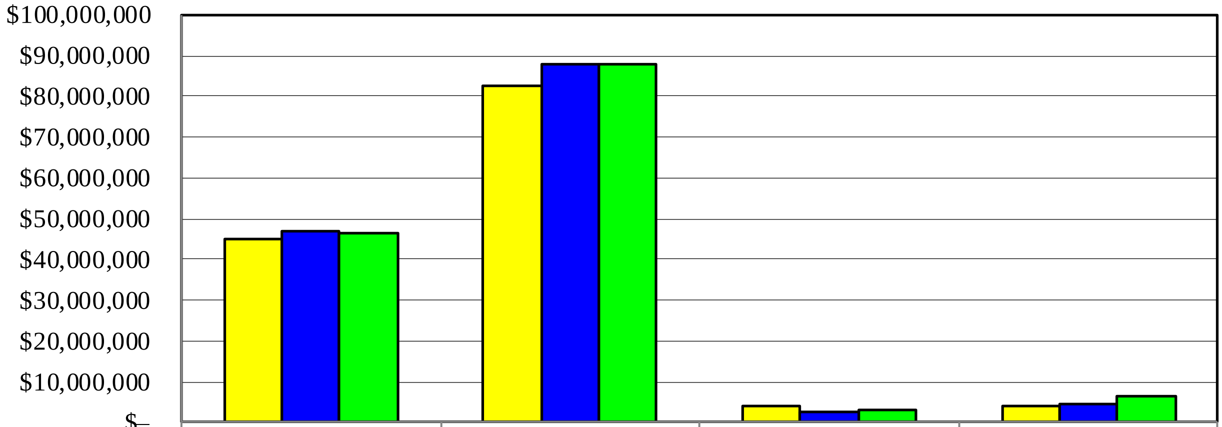
Adjusted ADM served by the District increased 218 from the prior year to 8,582.

The number of pupil units served by the District for aid in fiscal 2023 was 9,392, an increase of 238 (2.6 percent) from the prior year.

GENERAL FUND REVENUES

The following graph summarizes the District's General Fund revenue for 2023:

General Fund Revenue



	Property Taxes	State Sources	Federal Sources	Other
Prior Year	$44,953,106	$82,445,205	$4,187,257	$3,994,592
Budget	$46,853,980	$87,783,483	$2,731,866	$4,292,134
Actual	$46,405,452	$87,753,124	$2,923,062	$6,377,765

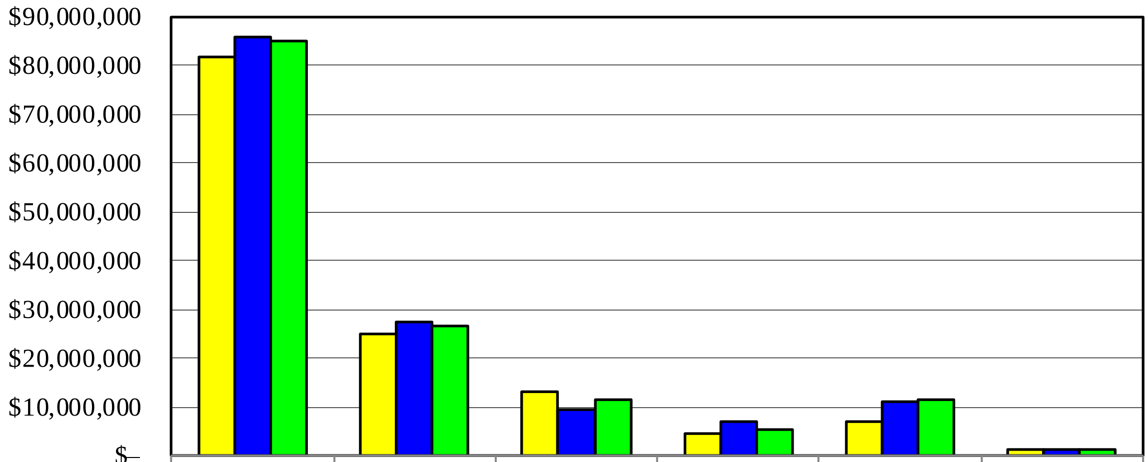
Total General Fund revenues were $143,459,403 for the year ended June 30, 2023, which was $1,797,940 (1.3 percent) over the final budget. Property tax revenue was under budget by $448,528, mainly due to negative reemployment insurance levy adjustments recognized through the tax shift. Federal revenue sources were $191,196 over budget, mainly due to the District spending more special education carryover funding to meet current year needs. Revenues from other local sources (including student fees, admissions, gifts, donations, tuition, rental, and investment income) were $2,085,631 over budget, due in part to increased student program participation, increased donations, and improved investment earnings.

General Fund total revenues were $7,879,243 (5.8 percent) more than the previous year. Property taxes were $1,452,346 more than last year, due to an increase in the levy. Revenue from state sources was $5,307,919 higher than the previous year, mainly in general education aid from increases to pupil units served and the basic formula allowance, and special education aid, due to increased costs and funding improvements. Revenue from federal grants decreased $1,264,195, due to a decrease in COVID-19-related funding utilized compared to the previous year. Revenues from other local sources increased $2,383,173 from last year, due to the increases in investment earnings and other local sources discussed in the previous paragraph.

General Fund Expenditures

The following graph presents the District's General Fund expenditures for 2023:

General Fund Expenditures



	Salaries	Employee Benefits	Purchased Services	Supplies	Capital	Other
Prior Year	$81,975,013	$25,122,896	$13,208,778	$4,445,549	$6,752,167	$1,138,661
Budget	$86,082,840	$27,428,144	$9,317,387	$7,091,203	$11,210,822	$1,159,919
Actual	$85,143,560	$26,453,634	$11,339,733	$5,332,589	$11,253,645	$1,160,112

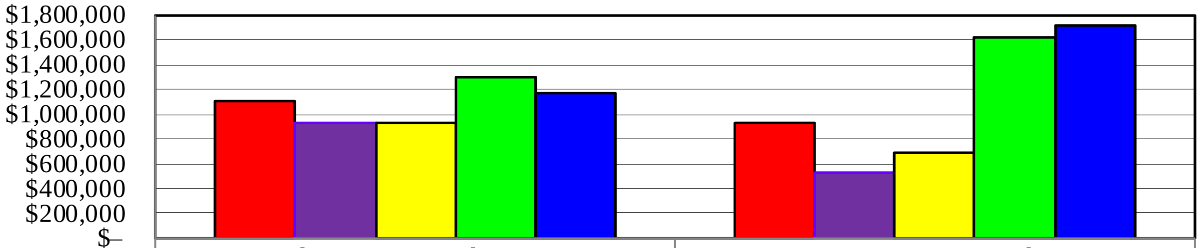
Total General Fund expenditures were $140,683,273 for the year ended June 30, 2023, which was $1,607,042 (1.1 percent) under the final budget. Personnel expenditures (salaries and benefits) were under budget by a combined $1,913,790, mainly due to the District's inability to fill all budgeted positions in a challenging labor market. Purchased service expenditures were over budget by $2,022,346, mainly in elementary and secondary regular instruction, pupil support services (transportation), and sites and buildings. Supplies were under budget by $1,758,614, due to the timing of instructional technology purchases.

Total General Fund expenditures were $8,040,209 (6.1 percent) more than the prior year. Salaries and benefits were $4,499,285 (4.2 percent) higher than last year, due to contractual wage increases and an increase in staffing to meet higher enrollment needs. Purchased services costs were $1,869,045 lower than last year, primarily in the instructional support services and pupil support services. Capital outlay expenditures increased $4,501,478 from the prior year, due to the District completing more maintenance projects than last year.

OTHER FUNDS OF THE DISTRICT

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



	Food Service Special Revenue	Community Service Special Revenue
2019	$1,100,255	$932,204
2020	$927,125	$528,055
2021	$921,842	$688,972
2022	$1,299,309	$1,612,330
2023	$1,166,019	$1,710,124

Food Service Special Revenue Fund

The District's Food Service Special Revenue Fund ended fiscal 2023 with a fund balance decrease of $133,290, compared to a budgeted decrease of $99,522. Revenue was $3,657,303, which is more than budget by $106,104, mainly in federal sources. Expenditures of $3,790,593 exceeded budget by $139,872, mainly in purchased services and supplies. The ending fund balance of $1,166,019 in this fund represents 30.8 percent of current year expenditures.

Community Service Special Revenue Fund

The District's Community Service Special Revenue Fund ended fiscal 2023 with a fund balance increase of $97,794, compared to a budgeted increase of $6,294. Revenues were $10,882,451, which was $311,134 more than budget, mainly due to higher program fees and tuition than projected with a significant increase in program participation. Expenditures of $10,784,657 were over budget by $219,634, primarily in personnel costs. The $1,710,124 year-end fund balance represents 15.9 percent of current year expenditures.

Capital Projects – Building Construction Fund

Total fund balance in the Capital Projects – Building Construction Fund increased $4,898,407 in fiscal 2023, compared to a budgeted increase of $5,562,814. Revenue and expenditures both exceeded budget, due to a significant increase in investment income and the timing of planned projects. The increase in fund balance was due to the District issuing certificates of participation (COPs) and long-term facilities maintenance (LTFM) bonds with total proceeds of $21.7 million (including premiums) during the year to finance projects that were begun in fiscal 2023, but will be completed in future years. The year-end fund balance of $16,312,313 includes: $6,280,935 restricted for projects financed with COPs, $8,545,571 restricted for LTFM projects, and $1,485,807 restricted for general capital projects.

Debt Service Fund

The funding of debt service is controlled in accordance with each outstanding debt issue's financing plan. At June 30, 2023, this fund had a fund balance of $3,453,905 available for future debt service needs.

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,		
	2023	2022	Change
Net position – governmental activities			
Total fund balances – governmental funds	$ 43,233,946	$ 35,898,872	$ 7,335,074
Total capital assets, net of depreciation	285,952,272	274,289,306	11,662,966
Bonds, certificates, financed purchases, and other	(211,995,795)	(199,689,431)	(12,306,364)
Pension and OPEB liabilities and deferrals	(121,724,060)	(141,879,896)	20,155,836
Other adjustments	(2,875,573)	(2,533,682)	(341,891)
Total net position – governmental activities	$ (7,409,210)	$ (33,914,831)	$ 26,505,621
Net position			
Net investment in capital assets	$ 81,404,498	$ 79,307,413	$ 2,097,085
Restricted	16,384,478	13,096,826	3,287,652
Unrestricted	(105,198,186)	(126,319,070)	21,120,884
Total net position	$ (7,409,210)	$ (33,914,831)	$ 26,505,621

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). The unrestricted category consists mainly of the General Fund unrestricted fund balances, offset against noncapital long-term obligations, such as pension, severance, and OPEB benefits payable.

Total net position increased $26,505,621 in fiscal 2023.

Net investment in capital assets, which increased by $2,097,085, is typically determined by the relationship between the depreciation of capital assets and the repayment of the debt issued to construct or acquire the assets. The current year increase was also impacted by capital asset additions financed through tax levies or other non-debt related resources. Restricted net position increased $3,287,652, mainly in amounts restricted for capital asset acquisition and community service. Unrestricted net position increased $21,120,884, mainly due to the changes in the funding levels of the state-wide Public Employees Retirement Association and Teachers Retirement Association pension plans, as well as the District's single-employer pension and OPEB plans.

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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. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*

The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

The requirements of this statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

The requirements of this statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences*

The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used, but not yet paid in cash, or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled.

This statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used, but not yet paid or settled, should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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