

Management Report

for

Independent School District No. 622  
North St. Paul – Maplewood – Oakdale,  
Minnesota

June 30, 2025



Certified Public Accountants Business Consultants

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To the School Board and Management of  
Independent School District No. 622  
North St. Paul – Maplewood – Oakdale, Minnesota

We have prepared this management report in conjunction with our audit of Independent School District No. 622, North St. Paul – Maplewood – Oakdale, Minnesota's (the District) financial statements for the year ended June 30, 2025. We have organized this report into the following sections:

- Audit Summary
- Funding 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 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,

A handwritten signature in cursive script that reads 'LB Carlson, LLP'.

LB CARLSON, LLP  
Minneapolis, Minnesota

May 18, 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, *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, 2025. 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 previously discussed and coordinated in order to obtain sufficient audit evidence. The District's internal controls over financial reporting were not adequate to ensure that the District's financial records and year-end closing process were completed in a timely manner. As a result, completion of the District's audit was delayed, and the District was unable to comply with state and federal deadlines for the submission of audited financial data and annual financial statements.

### **AUDIT OPINIONS AND FINDINGS**

Based on our audit of the District's basic financial statements for the year ended June 30, 2025:

- We have issued unmodified opinions on the District's basic financial statements.
- We reported five material weaknesses involving the District's internal controls over financial reporting:

#### **Segregation of Duties**

Due to the limited size of the District's office staff, the District has limited segregation of duties in several areas.

#### **Timeliness and Accuracy of Reconciliations**

During our audit, we noted that the monthly cash and investment reconciliations, self-insurance reconciliations, and payroll liability reconciliations prepared by the District's staff were not being performed in a timely manner and contained discrepancies when compared to the District's general ledger and underlying records. The effectiveness of some internal controls were diminished, due to a lack of accuracy in completing these important control procedures.

## **Material Audit Adjustments**

During our audit, we proposed necessary audit adjustments to the District that were considered material to the financial statements, which had not been recorded properly in accordance with accounting principles generally accepted in the United States of America, prior to our audit procedures detecting the misstatements. Auditing standards consider the identification by the auditor of a potentially material misstatement in the financial statements to be a material weakness in the related internal controls.

## **Internal Controls Over Journal Entries**

During our audit, we noted various journal entries the District recorded that were inaccurate, did not have proper supporting documentation, and were not properly reviewed and approved. Due to a lack of completion of these important procedures, the District's prescribed controls over journal entries were ineffective.

## **Regulatory Reporting Deadlines**

For the year ended June 30, 2025, the District's internal controls over financial reporting were not adequate to ensure that the District's financial records and year-end closing process were completed in a timely manner. As a result, the District was unable to comply with state and federal deadlines for the submission of audited financial data and annual financial statements.

- The results of our testing disclosed no instances of noncompliance that are 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.
- 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 instance of noncompliance as reported in the Other Matters paragraph in our report in accordance with the Uniform Guidance:

## **Federal Reporting Deadline**

Federal reporting standards require the District's audited Schedule of Expenditures of Federal Awards and federal reporting package to be submitted to the federal audit clearinghouse within the earlier of 30 calendar days after the receipt of the auditor's report(s), or 9 months after the end of the audit period. These submissions were not completed on a timely basis.

- We reported three findings based on our testing of the District’s compliance with Minnesota laws and regulations:

### **Payment of Invoices**

Minnesota Statutes § 471.425, requires prompt payment of local government bills within a standard payment period of 35 days from receipt for governing boards that meet at least once a month. During our audit, 2 of 40 disbursements tested were not paid within the statutory time requirement and interest was not paid on the unpaid obligations.

### **Broker Certifications**

Minnesota Statutes § 118A.04, Subd. 9 requires that annually, prior to completing an initial investment transaction with each broker, districts provide to that broker a written statement of investment restrictions and that the broker acknowledge receipt of the investment restrictions and agree to handle the District’s account in accordance with the restrictions. The District did not obtain such certifications from five of its investment brokers in fiscal year 2025.

### **Timely Submission of Audited Financial Statements**

Minnesota Statutes require that the District submit audited fund balance, revenue, and expenditure data to the Minnesota Department of Education (MDE) annually by November 30 and audited financial statements by December 31. The District did not meet the deadlines for submitting audited financial data and statements to the MDE for the fiscal year ended June 30, 2025.

## **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, 2025, we performed procedures to follow-up on any findings or recommendations that resulted from our prior year audit. We reported the following finding that was corrected by the District based on current year testing:

- 2024-005 – Material Weakness in Internal Control Over Financial Reporting – Internal Controls Over the District Budget

## **OTHER OBSERVATIONS AND RECOMMENDATIONS**

### **Uniform Guidance Written Procedures**

The Uniform Guidance requires the District to have written procedures. During our audit, we noted that the District had developed and adopted written federal grant procedures; however, these did not fully address procedures specific to subrecipient monitoring as it relates to federal awards.

Federal Uniform Guidance requires nonfederal entities to have and use documented subrecipient monitoring and management procedures consistent with 2 CFR § 200.331-333 for disbursements of federal funds determined to be a federal subaward. A subaward is an agreement between the District and an outside party for the purpose of carrying out a portion of a federal award, which creates a federal assistance relationship with the subrecipient. The Uniform Guidance requirements for pass-through entities include, but are not limited to:

- Providing the subrecipient with the best information available to describe the key identifiers and terms of the federal award and subaward;
- A written risk assessment evaluating each subrecipient’s risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring;

- Written documentation of monitoring activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with federal statutes, regulations, and the terms and conditions of the subaward, and that the subaward performance goals are achieved; and
- Written procedures verifying that every subrecipient is audited as required by the Uniform Guidance Subpart F when it is expected that the subrecipient's federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in 2 CFR § 200.501.

### **Uniform Guidance Revisions**

In April 2024, the U.S. Office of Management and Budget (OMB) issued the 2024 revised *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), aiming to streamline grant management and reduce grantor agency and recipient burden. The revised guidance is effective for new federal grant entitlements awarded on or after October 1, 2024. Recipients and subrecipients will need to determine the relevant Uniform Guidance criteria based on the award date. Districts may have grants awarded under the previous Uniform Guidance and others awarded under the revised Uniform Guidance in the same fiscal year, and will need to work with grantor or pass-through agencies to ensure each award is in compliance with the applicable requirements.

The revision includes a number of significant changes to the federal Single Audit process, including: an increase in dollar threshold for requiring a Single Audit from \$750,000 to \$1,000,000; changes to the thresholds and process used for determining major programs; an increase in the threshold for the disposition of equipment and remitting unused supplies from \$5,000 to \$10,000; and an increase in the de minimis cost rate from 10 percent to 15 percent. Key changes to written policy requirements for recipients include enhancement of cybersecurity controls, inclusion of veteran-owned businesses to the group of entities for procurement preference, and a broadened scope for reporting of mandatory disclosures. The revised audit requirements will be effective for fiscal year 2026 district audits.

We recommend the District review its current federal grant procedures to ensure they include and are consistent with the Uniform Guidance requirements.

### **Uniform Financial Accounting and Reporting Standards (UFARS) Coding**

During our audit, we noted instances of revenues and expenditures that were not properly classified in accordance with UFARS codes, as defined by the MDE. This was primarily caused by turnover of key district personnel within the District's finance department. We did not consider this to be pervasive enough to warrant a finding, however, we wanted to bring this condition to your attention. We recommend that the District ensure that its personnel are adequately trained to properly record revenues and expenditures in accordance with UFARS.

### **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, 2025. However, the District implemented the following governmental accounting standard during the year:

As described in Note 1 of the notes to basic financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, during fiscal year ended June 30, 2025. This standard changed the recognition and measurement of the compensated absence liability reported by the District. This change resulted in a restatement, which decreased beginning net position in the government-wide Statement of Activities by \$8,279,917.

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 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 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, 73, 74, 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 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.

## **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.

## **DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT**

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

## **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 May 18, 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 and the 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 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 section and other district information, 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.

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## FUNDING PUBLIC EDUCATION IN MINNESOTA

This section provides selected state-wide funding and financial trends in public education in Minnesota.

### 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 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.

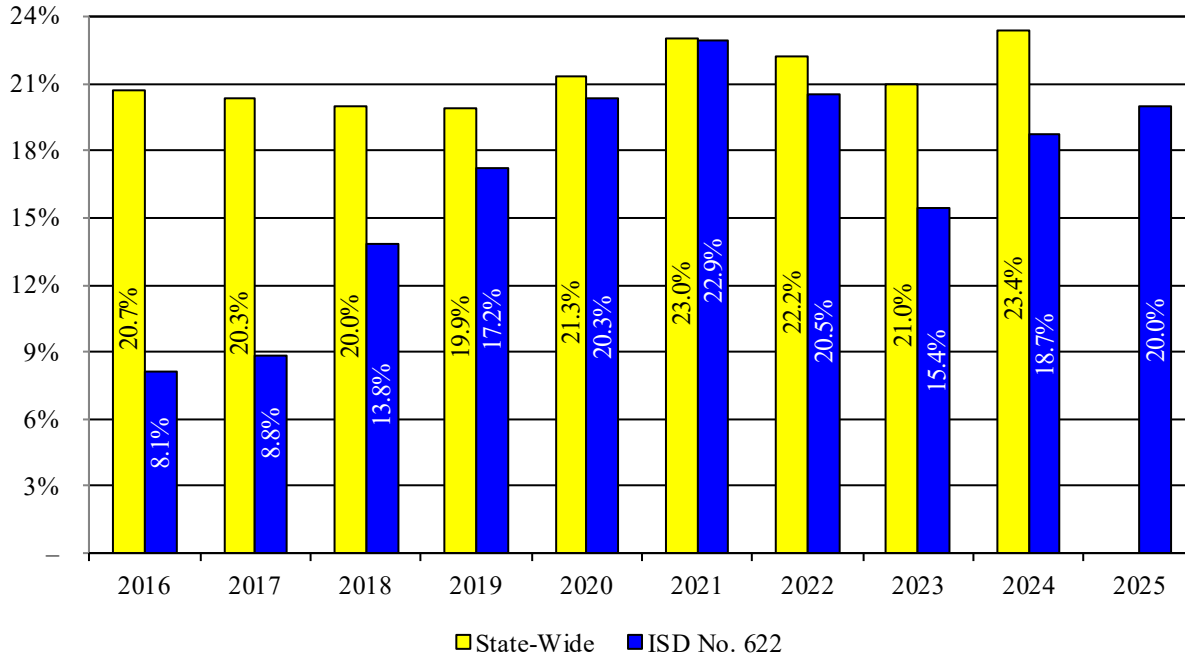
For fiscal 2026 and beyond, the annual formula increase will be adjusted for inflation, using a formula based on the Consumer Price Index-Urban (CPI-U) average inflation rate for the fourth calendar quarter of the immediately prior fiscal year compared to the average for the fourth calendar quarter of 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.

Fiscal Year Ended June 30,	Formula Allowance	
	Amount	Percent Increase
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 %
2026	\$ 7,481	2.75 %

## 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 2025.

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 risen in recent years, fluctuating 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 20.0 percent at the end of the current year, as compared to 18.7 percent at June 30, 2024.

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.

## GOVERNMENTAL FUNDS REVENUE

The table below shows a comparison of governmental funds 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 and Post-Employment Benefits Debt Service Funds. Other financing sources, such as proceeds from sales of capital assets, insurance recoveries, bond sales, loans, and interfund transfers, are also excluded.

<b>Governmental Funds Revenue per Student (ADM) Served</b>							
	State-Wide		Metro Area		ISD No. 622 – N. St. Paul		
	2023	2024	2023	2024	2023	2024	2025
<b>General Fund</b>							
Property taxes	\$ 2,760	\$ 2,966	\$ 3,704	\$ 3,976	\$ 2,953	\$ 3,131	\$ 3,350
Other local sources	742	895	595	744	410	486	515
State	10,771	12,149	10,792	12,186	11,412	12,968	13,971
Federal	1,344	1,124	1,441	1,257	1,270	1,059	930
<b>Total General Fund</b>	<b>15,617</b>	<b>17,134</b>	<b>16,532</b>	<b>18,163</b>	<b>16,045</b>	<b>17,644</b>	<b>18,766</b>
<b>Special revenue funds</b>							
Food Service	676	847	649	822	721	877	943
Community Service	795	835	919	964	1,124	1,134	1,254
Debt Service Fund	1,579	1,669	1,595	1,625	2,180	2,330	2,570
<b>Total revenue</b>	<b>\$ 18,667</b>	<b>\$ 20,485</b>	<b>\$ 19,695</b>	<b>\$ 21,574</b>	<b>\$ 20,070</b>	<b>\$ 21,985</b>	<b>\$ 23,533</b>
ADM served per MDE School District Profiles Report (current year estimated)					<b>10,539</b>	<b>10,734</b>	<b>10,559</b>
<p>Note: Excludes the Capital Projects – Building Construction and Post-Employment Benefits Debt Service Funds.</p> <p>Source of state-wide and metro area data: School District Profiles Report published by the MDE</p>							

ADM used in the table above and on the next page are based on enrollments 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 \$248.5 million in the governmental funds reflected above in fiscal 2025, an increase of \$12.5 million (5.3 percent) from the prior year. On a per student basis, this represents an increase of \$1,548. Total General Fund revenue increased \$1,122 per ADM, mainly in state sources, due to the growth in the basic formula allowance, along with added funding for special education programming. Property taxes were up as approved through the annual tax levy process. Federal revenues in the General Fund were down with the final spending and the end of several COVID-19 pandemic-related entitlements. Increased programming and participation contributed to the additional funding in the Food Service and Community Service Special Revenue Funds. Debt Service Fund revenue per capita was up in the current year, due to an increase in property taxes to support debt financing of regular debt service.

## GOVERNMENTAL FUNDS EXPENDITURES

The following table reflects similar comparative data available from the MDE for all governmental funds expenditures, excluding the Capital Projects – Building Construction and Post-Employment Benefits Debt Service Funds. 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. 622 – N. St. Paul			
	2023	2024	2023	2024	2023	2024	2025	
<b>General Fund</b>								
District and school administration	\$ 1,300	\$ 1,372	\$ 1,320	\$ 1,410	\$ 1,367	\$ 1,219	\$ 1,371	
Elementary and secondary regular instruction	6,646	7,034	7,019	7,466	6,952	6,999	7,210	
Vocational education instruction	224	243	198	215	339	361	388	
Special education instruction	2,892	3,158	3,059	3,346	3,525	3,890	4,315	
Community education instruction	–	–	–	–	–	1	1	
Instructional support services	861	874	1,030	1,032	855	938	947	
Pupil support services	1,553	1,707	1,712	1,916	1,477	1,624	1,584	
Sites and buildings and other	1,201	1,192	1,171	1,160	1,651	1,594	1,723	
Total General Fund – noncapital	14,677	15,580	15,509	16,545	16,166	16,626	17,539	
General Fund capital expenditures	960	996	959	1,052	920	549	643	
Total General Fund	15,637	16,576	16,468	17,597	17,086	17,175	18,182	
<b>Special revenue funds</b>								
Food Service	706	801	693	780	732	807	939	
Community Service	763	818	865	929	1,075	1,137	1,304	
Debt Service Fund	1,626	1,737	1,652	1,596	2,123	2,236	2,484	
Total expenditures	\$ 18,732	\$ 19,932	\$ 19,678	\$ 20,902	\$ 21,016	\$ 21,355	\$ 22,909	
ADM served per MDE School District Profiles Report (current year estimated)					10,539	10,734	10,559	
Note: Excludes the Capital Projects – Building Construction and Post-Employment Benefits Debt Service Funds.								
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, and even methods of allocating costs.

The District spent approximately \$241.9 million in the governmental funds reflected above in fiscal 2025, an increase of \$12.7 million (5.5 percent) from the prior year. On a per student basis, this represents an increase of \$1,554. General Fund expenditures, excluding capital, increased \$913 per ADM, mainly in special education instruction (\$425 per ADM) and elementary and secondary regular instruction (\$211 per ADM), due to increased personnel and contractual services costs. District and school administration expenditures were up \$152 per ADM, mainly in personnel and purchased services costs. Sites, buildings, and other increased \$129 per ADM, mainly with increased long-term facilities maintenance projects. Food Service and Community Service costs were up consistent with the revenue increase discussed on the previous page. Debt service increased as anticipated in approved debt financing plans.

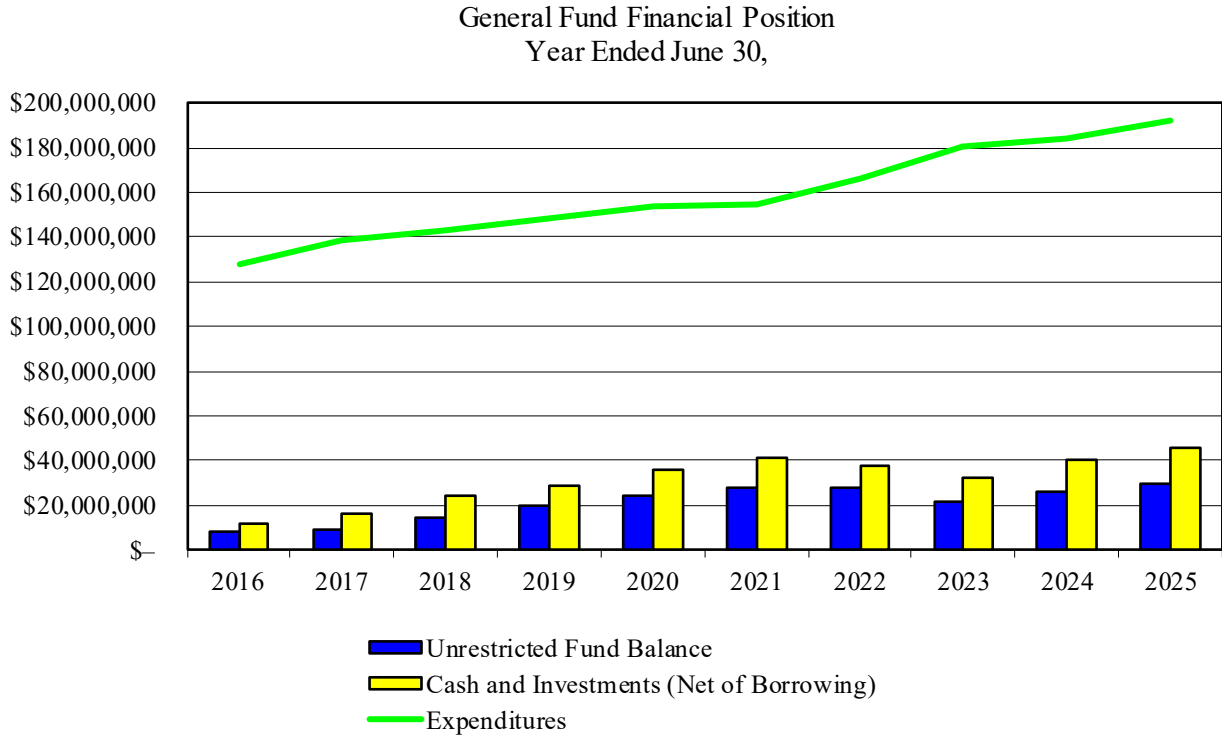
## SUMMARY

District school boards and administrators continue to face significant financial challenges as they strive to provide a safe and effective learning environment for their students. Factors such as the sunset of large pandemic-related federal funding programs, state legislative funding changes and mandates, increasing demand for special education services, shifting student populations, tight labor markets, heightened safety concerns, increasing transportation costs, and other inflationary pressures continue to make it difficult to allocate limited resources amongst many competing demands.

## 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 2025 with a General Fund cash and investments balance (net of borrowing) of \$45,752,861, an increase of \$5,684,385 from the previous year.

Total fund balance at year-end was \$47,726,018, an increase of \$6,304,395, as compared to a budgeted increase of \$1,228,063. The year-end unassigned fund balance (excluding restricted account deficits) was \$27,021,581.

## GENERAL FUND COMPONENTS OF FUND BALANCE

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

	Year Ended June 30,				
	2021	2022	2023	2024	2025
Nonspendable fund balances	\$ 205,978	\$ 312,786	\$ 552,842	\$ 1,253,077	\$ 869,348
Restricted fund balances (1)	14,954,208	14,345,135	14,307,138	14,361,537	16,850,115
Unrestricted fund balances					
Assigned	2,889,954	6,622,438	144,144	2,723,056	2,984,974
Unassigned	25,369,015	21,414,341	21,359,850	23,083,953	27,021,581
<b>Total fund balance</b>	<b>\$ 43,419,155</b>	<b>\$ 42,694,700</b>	<b>\$ 36,363,974</b>	<b>\$ 41,421,623</b>	<b>\$ 47,726,018</b>
Unrestricted fund balances as a percentage of expenditures	<u>18.2%</u>	<u>16.9%</u>	<u>11.9%</u>	<u>14.0%</u>	<u>15.6%</u>
Unassigned fund balances as a percentage of expenditures	<u>16.4%</u>	<u>12.9%</u>	<u>11.9%</u>	<u>12.5%</u>	<u>14.1%</u>
(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 unrestricted and unassigned 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.

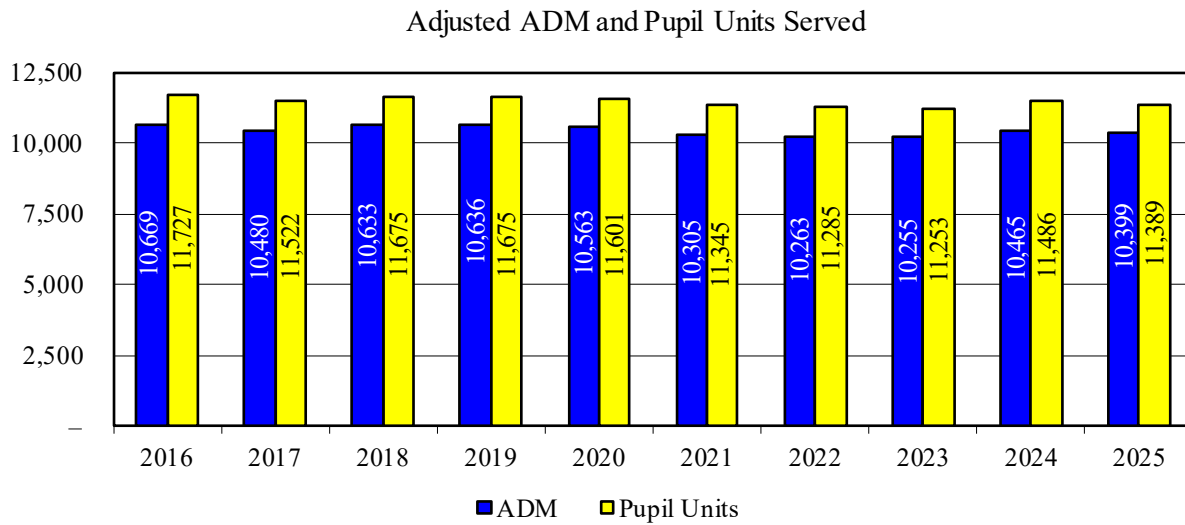
Through legislative changes in funding, public school districts have become extremely dependent on state revenues to finance operations. Considering the demands placed on the state's limited resources, we believe it is particularly important to maintain an adequate level of fund balance. We want to emphasize the importance of maintaining an adequate fund balance and the importance of reviewing these fund balance levels on a continuing basis.

### Minimum Fund Balance Policy

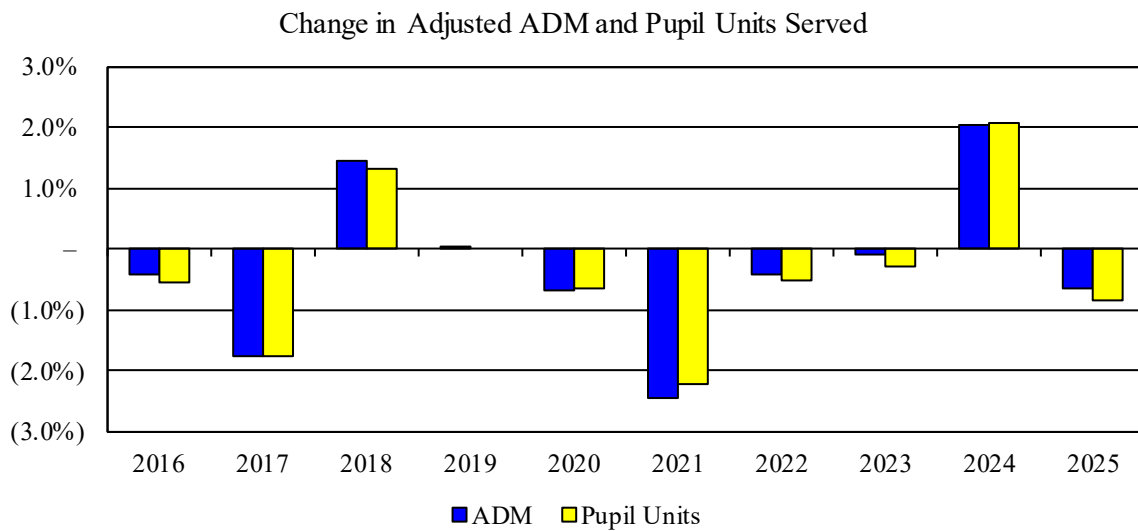
The District adopted a fund balance policy that suggests the District maintain a minimum unassigned fund balance in the General Fund of 8.0 percent to 10.0 percent of the District's General Fund operating budget. At June 30, 2025, the District's unassigned fund balance (excluding restricted account deficits) as a percentage of the current year operating budget was 14.2 percent.

## 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:

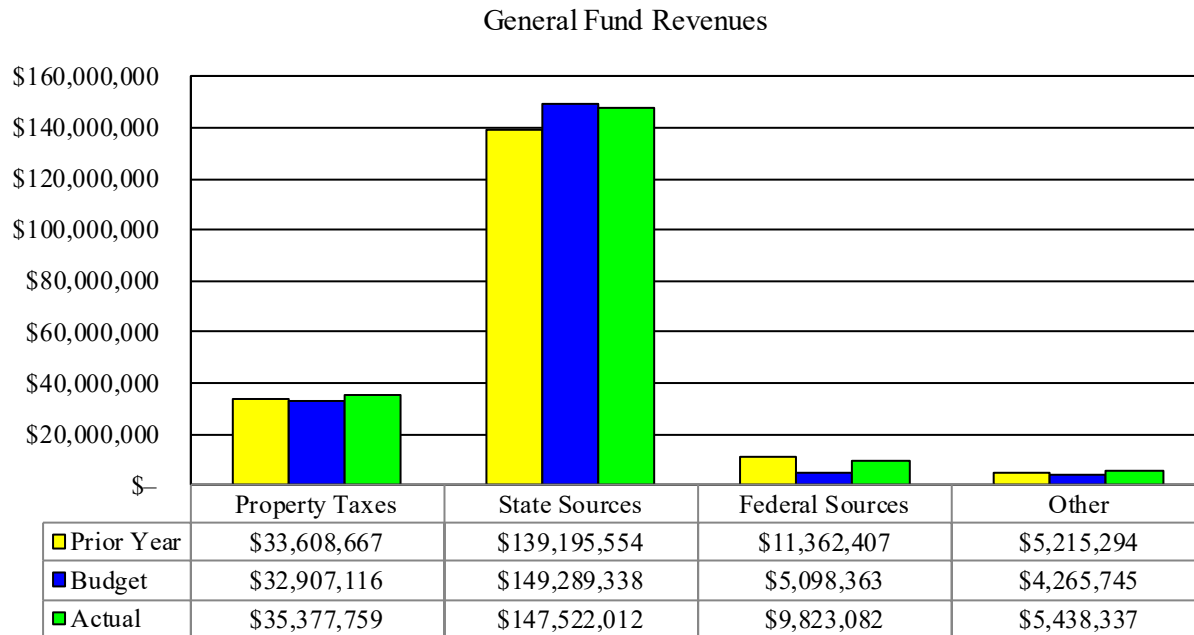


ADM is a measure of students attending class, which is then converted to pupil units (the base for determining revenue) using a statutory formula. Not only is the original budget based on ADM estimates, the final audited financial statements are based on updated, but still estimated ADM, since the counts 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 10,399 in 2025, a decrease of 66 ADM (0.6 percent) from the previous year. The resulting pupil units served by the District decreased by 97 (0.8 percent) to 11,389.

## GENERAL FUND REVENUES

The following graph presents the District's General Fund revenues for 2025:



Total General Fund revenues were \$198.2 million for the year ended June 30, 2025, which was \$6.6 million (3.4 percent) over the final budget. The variance to budget was mainly in federal sources, property taxes, and other. Favorable variances were largely due to conservative budgeting and the District spending carryover funds from federal programs that were not budgeted in the current year. Other sources were over budget largely due to conservative budgeting for investment earnings and other local sources. These variances were offset by state sources, which was under budget mainly in general education aid.

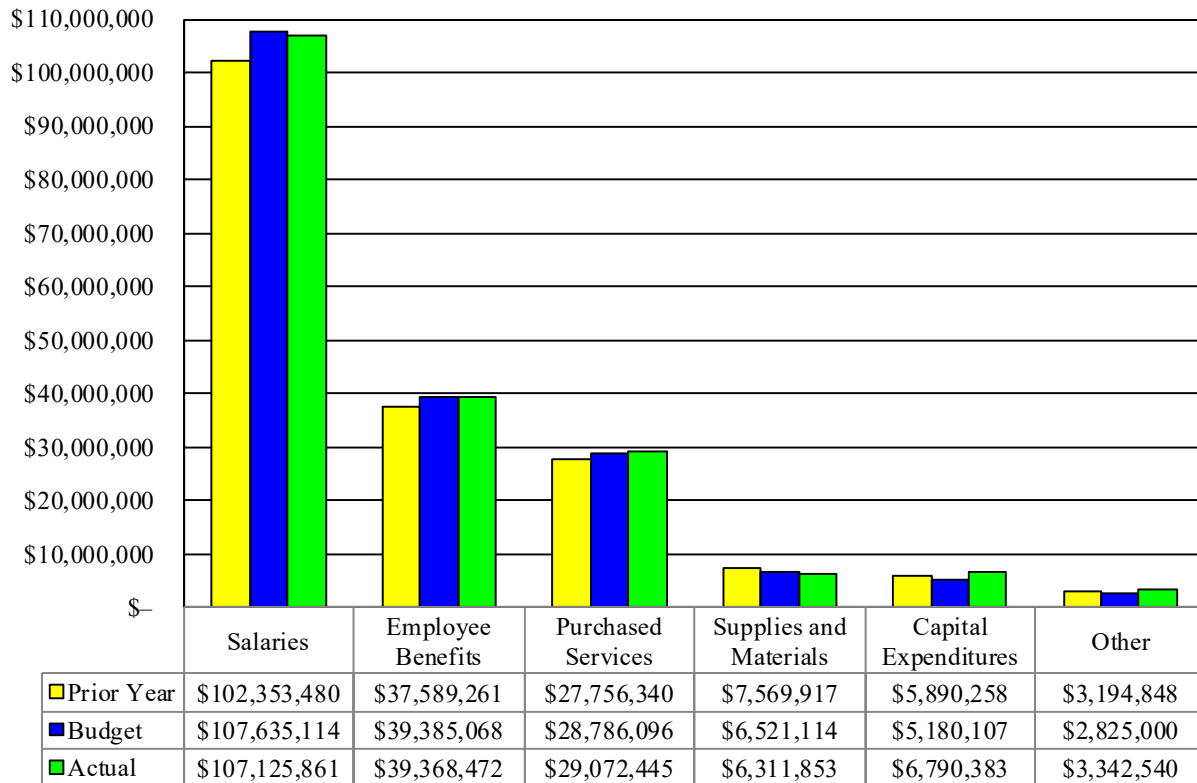
General Fund total revenues were \$8.8 million (4.6 percent) higher than the previous year. Revenue from state sources was \$8.3 million higher than the prior year, due to funding improvements in general education and special education funding formulas, along with new state sources as legislatively approved. Property taxes were up as anticipated with the approved levy in the current year. Federal revenues were down as anticipated in the budget with the final spending and the end of several COVID-19 pandemic-related entitlements.

The graph above reflects the concentration of state sources (74.4 percent), followed by property taxes (17.9 percent) recognized to finance General Fund operations.

## GENERAL FUND EXPENDITURES

The following graph presents the District's General Fund expenditures for 2025:

General Fund Expenditures

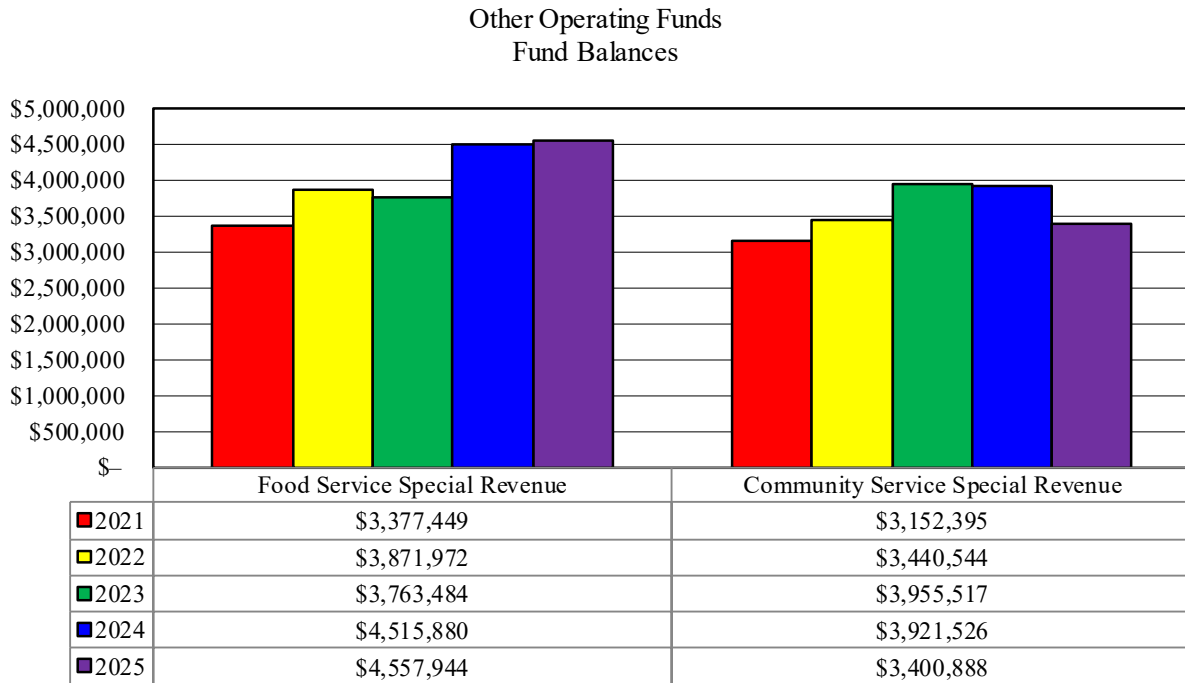


Total General Fund expenditures were \$192.0 million for the year ended June 30, 2025, which were \$1.7 million (0.9 percent) over the final budget. The variance to budget was mainly in capital expenditures, which was \$1.6 million over budget, due to the timing of long-term facilities maintenance projects.

Total General Fund expenditures were \$7.7 million (4.2 percent) more than the prior year. Salaries and benefits increased \$6.6 million, due to contractual salary and benefit increases. Purchased services expenditures increased \$1.3 million, mainly in special education instruction with increased contractual services costs directly related to vacant positions and in sites and buildings with increased long-term facilities maintenance projects. Supplies and materials decreased \$1.3 million, mainly in elementary and secondary regular instruction as anticipated in the budget.

## 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.



### Food Service Special Revenue Fund

The District's Food Service Special Revenue Fund ended fiscal 2025 with a total fund balance of \$4,557,944, an increase of \$42,064, compared to a budgeted decrease of \$351,417. Food service revenue was \$9,960,279, which was over budget by \$820,637, primarily in state sources due to more participation than projected. Expenditures of \$9,918,215 were over budget by \$427,156, mainly in supplies and materials, capital outlay, and purchased services directly related to more participation than anticipated. The ending fund balance of \$4,557,944 in this fund represents 46.0 percent of current year expenditures.

This operation has maintained a healthy fund balance for several years and has also been able to assist in funding a portion of several capital improvements to food service facilities in recent years. The District should review upcoming capital needs of the child nutrition operation and incorporate that information in establishing an optimal level of fund balance that is also within state and federal fund balance limits.

### Community Service Special Revenue Fund

The District's Community Service Special Revenue Fund ended fiscal 2025 with a total fund balance of \$3,400,888, a decrease of \$520,638, compared to a budgeted increase of \$108,643. Revenues were \$13,245,790, which were over budget by \$338,890, mainly in state sources and investment earnings due to conservative budgeting. Expenditures of \$13,766,428 were over budget by \$968,171, mainly in purchased services and salaries. The ending fund balance of \$3,400,888 in this fund represents 24.7 percent of current year expenditures.

## **Capital Projects – Building Construction Fund**

The activity of this fund is largely controlled by various debt issues used for the acquisition or construction of major capital facilities and the long-term facilities maintenance levy program. At June 30, 2025, the District had a fund balance of \$35,175,247, a decrease of \$27,852,660, due to the spend down of prior year bond issues. At year-end, the District reported \$489,557 restricted for long-term facilities maintenance and \$34,685,690 restricted for capital projects for future construction in accordance with the District-Wide Facilities Plan.

## **Debt Service Fund**

The funding of debt service is controlled in accordance with each outstanding debt issue's financing plan. It is important to remember that resources of the Debt Service Fund are dedicated to payment of outstanding debt obligations of the District.

Total fund balance in the Debt Service Fund increased by \$962,750 in the current year, to a year-end balance of \$6,815,408 available for future debt service payments.

## **Internal Service Fund**

Internal service funds are used to account for the financing of goods and services provided by one department or agency of a government to other departments or agencies on a cost-reimbursement basis. The District maintains two internal service funds. These funds are used to account for the health and dental insurance plans offered by the District to its employees as self-insured plans.

The net position for the internal service funds as of June 30, 2025 was \$4,071,648, which represents a decrease of \$147,243 from the prior year, mainly due to medical claims, including fees and stop loss being higher than insurance premiums charged to the District's governmental funds and employees in the current year. The ending net position represents 15.8 percent of operating expenses.

## **Post-Employment Benefits Trust Fund – Fiduciary Fund**

In 2009, the District established a Post-Employment Benefits Trust Fund to account for an irrevocable trust account established to finance the District's liability for post-employment healthcare benefits. The District issued \$30,000,000 of general obligation taxable OPEB bonds, the proceeds of which were contributed into the trust. At year-end, trust net position of \$14,902,100 is available to pay these benefits.

## 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,		Change
	2025	2024	
Net position – governmental activities			
Total fund balances – governmental funds	\$ 97,675,505	\$ 118,739,594	\$ (21,064,089)
Total capital assets, net of depreciation/amortization	490,838,899	465,548,481	25,290,418
Pension adjustments	(92,732,606)	(96,560,981)	3,828,375
OPEB adjustments	(23,371,119)	(24,637,059)	1,265,940
Other long-term liabilities	(441,883,055)	(455,856,554)	13,973,499
Other adjustments	(665,185)	(1,242,855)	577,670
Total net position – governmental activities	<u>\$ 29,862,439</u>	<u>\$ 5,990,626</u>	<u>\$ 23,871,813</u>
Net position			
Net investment in capital assets	\$ 102,267,941	\$ 82,919,169	\$ 19,348,772
Restricted	26,814,603	23,125,298	3,689,305
Unrestricted	<u>(99,220,105)</u>	<u>(100,053,841)</u>	<u>833,736</u>
Total net position	<u>\$ 29,862,439</u>	<u>\$ 5,990,626</u>	<u>\$ 23,871,813</u>

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 liabilities/obligations, such as compensated absences payable, pension, and net OPEB obligations.

Total net position increased \$32,151,730 during fiscal 2025. The District's net investment in capital assets increased \$19,348,772. The change in this category of net position is due to the District repaying debt at a faster rate than the assets being depreciated/amortized and capital assets financed with the "pay-as-you-go" long-term facilities maintenance levy.

Increases in net position restricted for capital asset acquisition, debt service, food service, and other state funding restrictions contributed to the growth in the restricted portion of net position. The change in unrestricted net position includes changes in the District's proportionate share of the Public Employees Retirement Association and the Teachers Retirement Association pension plan liabilities and related deferrals. Positive operations in the General Fund also contributed to the increase in unrestricted net position. This was partially offset by the change in accounting principle for compensated absences in the current year.

## 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. 103, *FINANCIAL REPORTING MODEL IMPROVEMENTS***

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

This statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI). This statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. Furthermore, this statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. In addition, this statement continues the requirement that information included in MD&A distinguish between that of the primary government and its discretely presented component units.

This statement defines unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence, and requires governments to display the inflows and outflows related to each unusual or infrequent item separately.

This statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this statement requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses.

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

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

The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

## **GASB STATEMENT NO. 104, *DISCLOSURE OF CERTAIN CAPITAL ASSETS***

The objective of this statement is to provide users of government financial statements with essential information about certain types of capital assets.

This statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by GASB Statement No. 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this statement requires intangible assets other than those three types to be disclosed separately by major class.

This statement also requires additional disclosures for capital assets held for sale. A capital asset is considered held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. Capital assets held for sale are required to be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset.

The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.