Management Report

for

Independent School District No. 832
Mahtomedi, Minnesota

June 30, 2024

THIS PAGE INTENTIONALLY LEFT BLANK

MMKR
CERTIFIED PUBLIC ACCOUNTANTS

PRINCIPALS
Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA/CMA
Jaclyn M. Huegel, CPA
Kalen T. Karnowski, CPA

To the School Board and Management of
Independent School District No. 832
Mahtomedi, Minnesota

We have prepared this management report in conjunction with our audit of Independent School District No. 832's (the District) financial statements for the year ended June 30, 2024. 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 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.

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

Minneapolis, Minnesota
December 31, 2024

Malloy, Montague, Karnowski, Radosevich & Co., P.A.
5353 Wayzata Boulevard • Suite 410 • Minneapolis, MN 55416 • Phone: 952-545-0424 • Fax: 952-545-0569 • www.mmkr.com

THIS PAGE INTENTIONALLY LEFT BLANK

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, 2024. 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, 2024:

- We have issued unmodified opinions on the District's basic financial statements.
- We reported one matter involving the District's internal control over financial reporting that we consider to be a significant deficiency:
  - The District has limited segregation of duties in several areas, including the processing of general disbursements and payroll transactions, which we considered to be a significant deficiency. The limited segregation of duties is primarily caused by the limited size of the District's business office staff.
- 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 two findings based on our testing of the District's compliance with Minnesota laws and regulations.

    - For one construction project tested the District did not obtain a withholding affidavit before making final payment to the contractor. This finding is further detailed in the Schedule of Findings and Questioned Costs as finding 2024-002.

    - The District did not file an unclaimed property report for checks outstanding for greater than three years. This finding is further detailed in the Schedule of Findings and Questioned Costs as finding 2024-003.

OTHER OBSERVATIONS AND RECOMMENDATIONS

Budget Documentation

During our audit, we noted the trial balance provided by the District did not match the revised and original budget documents received by the administration as approved by the School Board.

We recommend in the future the trial balance of the District be reconciled to the School Board approved budget to ensure the amounts agree to the School Board approved budget documents.

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, 2024.

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

ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

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

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

The District has recorded a liability in the Statement of Net Position for 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 other post-employment benefits (OPEB) and pension benefits. These obligations are calculated using actuarial methodologies, primarily described in Governmental Accounting Standards Board Statement Nos. 68, 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 on the 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 31, 2024.

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 statistical section, 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 some 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 Legislature approved a per pupil increase of $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.

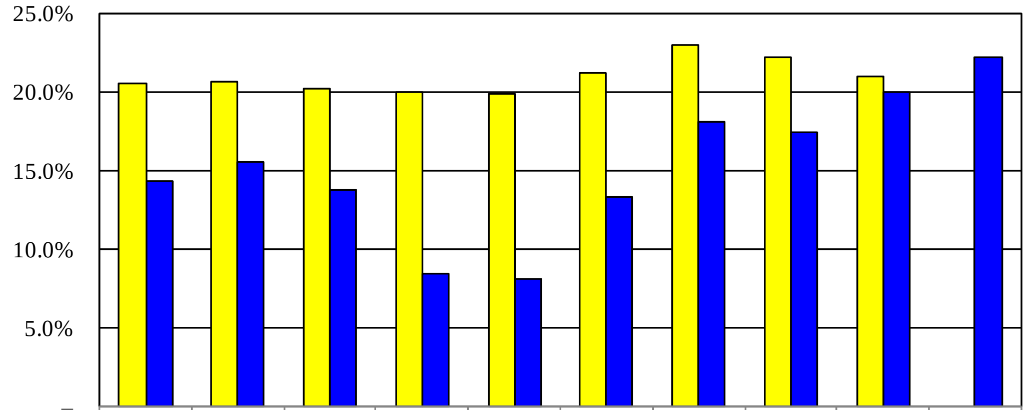
	Formula Allowance	
Fiscal Year Ended June 30,	Amount	Percent Increase
2015	$ 5,831	2.00 %
2016	$ 5,948	2.00 %
2017	$ 6,067	2.00 %
2018	$ 6,188	2.00 %
2019	$ 6,312	2.00 %
2020	$ 6,438	2.00 %
2021	$ 6,567	2.00 %
2022	$ 6,728	2.45 %
2023	$ 6,863	2.00 %
2024	$ 7,138	4.00 %
2025	$ 7,281	2.00 %

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



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
State-Wide	20.6%	20.7%	20.3%	20.0%	19.9%	21.3%	23.0%	22.2%	21.0%	N/A
ISD No. 832 – Mahtomedi	14.4%	15.6%	13.8%	8.5%	8.1%	13.4%	18.1%	17.5%	20.0%	22.3%

Note: State-wide information is not available for fiscal 2024.

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 has been relatively stable over the last decade, ranging from 20.6 percent at the end of fiscal 2015 to 21.0 percent at the end of fiscal 2023, with a slight uptick during the fiscal years impacted by the COVID-19 pandemic.

The District's unrestricted operating fund balance as a percentage of operating expenditures was 22.3 percent at the end of the current year, as compared to 20.0 percent at June 30, 2023.

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.

Governmental Funds Revenue per Student (ADM) Served

	State-Wide		Metro Area		ISD No. 832 – Mahtomedi		
	2022	2023	2022	2023	2022	2023	2024
General Fund							
Property taxes	$ 2,645	$ 2,760	$ 3,506	$ 3,704	$ 3,159	$ 3,405	$ 3,320
Other local sources	571	742	446	595	417	627	744
State	10,504	10,771	10,536	10,792	9,989	10,157	11,157
Federal	1,335	1,344	1,397	1,441	431	473	582
Total General Fund	15,055	15,617	15,885	16,532	13,996	14,662	15,803
Special revenue funds							
Food Service	803	676	770	649	679	516	756
Community Service	731	795	836	919	792	870	945
Debt Service Fund	1,508	1,579	1,537	1,595	1,490	1,582	1,611
Total revenue	$ 18,097	$ 18,667	$ 19,028	$ 19,695	$ 16,957	$ 17,630	$ 19,115
ADM served per MDE School District Profiles Report (current year estimated)					3,180	3,146	3,173

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

ADM used in the table above and on the following 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's revenues per ADM have been below both the metro area and state-wide averages in recent years.

The District earned $60,652,104 in the governmental funds reflected above in fiscal 2024, an increase of $5,183,156 (9.3 percent) from the prior year. Total revenue per ADM served increased by $1,485 per student. State revenue increased $1,000 per student in the General Fund, due to increases in the basic formula allowance and special education state aids. Food Service Special Revenue Fund revenue increased by $240, mostly from more state dollars available to the food service program.

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. 832 – Mahtomedi		
	2022	2023	2022	2023	2022	2023	2024
General Fund							
Administration and district support	$ 1,249	$ 1,300	$ 1,300	$ 1,320	$ 1,040	$ 1,181	$ 1,216
Elementary and secondary regular instruction	6,494	6,646	6,838	7,019	6,783	6,502	7,142
Vocational education instruction	210	224	191	198	236	312	316
Special education instruction	2,724	2,892	2,883	3,059	2,400	2,539	2,688
Instructional support services	816	861	939	1,030	597	685	1,062
Pupil support services	1,429	1,553	1,558	1,712	1,199	1,406	1,478
Sites and buildings and other	1,113	1,201	1,076	1,171	1,133	1,129	1,197
Total General Fund – noncapital	14,035	14,677	14,785	15,509	13,388	13,754	15,099
General Fund capital expenditures	876	960	897	959	552	552	534
Total General Fund	14,911	15,637	15,682	16,468	13,940	14,306	15,633
Special revenue funds							
Food Service	670	706	659	693	479	537	734
Community Service	689	763	774	865	696	905	936
Debt Service Fund	1,599	1,626	1,561	1,652	1,495	1,495	1,598
Total expenditures	$ 17,869	$ 18,732	$ 18,676	$ 19,678	$ 16,610	$ 17,243	$ 18,901
ADM served per MDE School District Profiles Report (current year estimated)					3,180	3,146	3,173

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's expenditures per ADM have also been below the metro area averages in recent years.

The District spent $60,046,201 in the governmental funds reflected above in fiscal 2024, an increase of $4,687,302 (8.5 percent) from the prior year. General Fund noncapital expenditures increased $1,345 per student. The largest change was in elementary and secondary regular instruction, which increased by $640 per ADM, mainly due to contract increases, increased employee benefit costs, increased grant spending, and curriculum purchases. Instructional support services increased $377 per student, mainly related to contact increases, increased benefit costs, and purchases of instructional equipment. Expenditures per student increased in the Food Service Special Revenue Fund with increased program participation related to state funded programs in the current year.

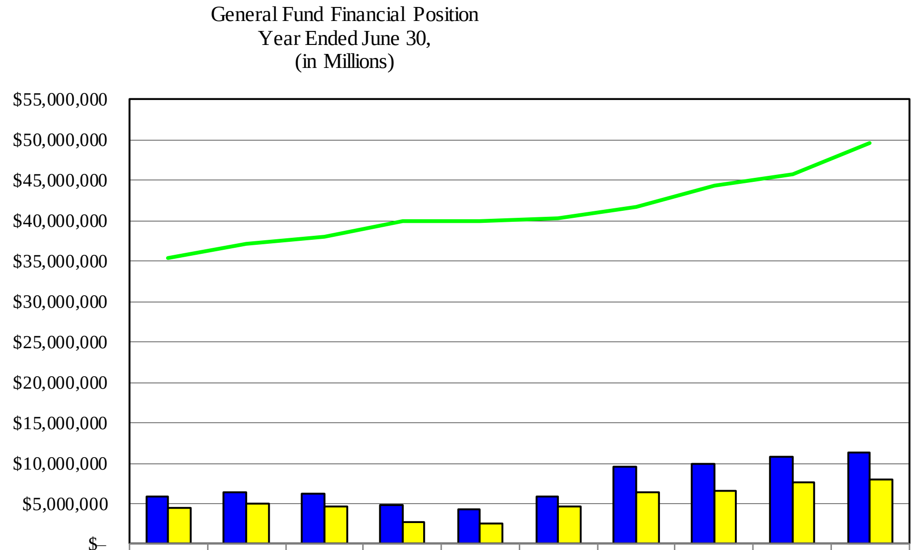
SUMMARY

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, 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.



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Cash and Investments (Net of Borrowing)	$5.8	$6.5	$6.2	$4.8	$4.3	$5.9	$9.5	$10.0	$10.7	$11.4
Unrestricted Fund Balance	$4.4	$5.0	$4.6	$2.8	$2.6	$4.6	$6.3	$6.6	$7.7	$8.0
Expenditures	$35.3	$37.1	$38.1	$39.9	$40.0	$40.4	$41.8	$44.3	$45.8	$49.6

The District ended fiscal year 2024 with a General Fund cash balance (net of borrowing and interfund receivables and payables) of $11,405,959, an increase of $659,032 from the previous year. Unrestricted fund balance at year-end was $8,918,344, an increase of $1,207,848.

The District's General Fund total fund balance increased $655,413. This compares to a decrease in fund balance of $157,282 projected in the District's final budget.

GENERAL FUND COMPONENTS OF FUND BALANCE

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

	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023	June 30, 2024
Nonspendable fund balances	$ 17,859	$ 17,800	$ 53,918	$ 21,835	$ 491,115
Restricted fund balances (1)	481,548	703,596	641,689	381,674	(640,041)
Unrestricted fund balances					
Assigned	1,133,443	1,885,158	1,315,543	1,811,189	2,863,245
Unassigned	3,434,646	4,460,187	5,303,962	5,899,307	6,055,099
Total fund balances	$ 5,067,496	$ 7,066,741	$ 7,315,112	$ 8,114,005	$ 8,769,418
Unrestricted fund balances as a percentage of total expenditures	11.3%	15.2%	14.9%	16.8%	18.0%
Unassigned fund balances as a percentage of total expenditures	8.5%	10.7%	12.0%	12.9%	12.2%

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

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

Fund Balance Policy

The School Board formally adopted a fund balance policy. This policy states that the School Board will strive to maintain a minimum unassigned General Fund balance (excluding restricted account deficits) of 8.0 percent of total General Fund expenditures. At June 30, 2024, the unassigned fund balance of the General Fund was 12.2 percent of the total General Fund expenditures, which is above the 8.0 percent minimum.

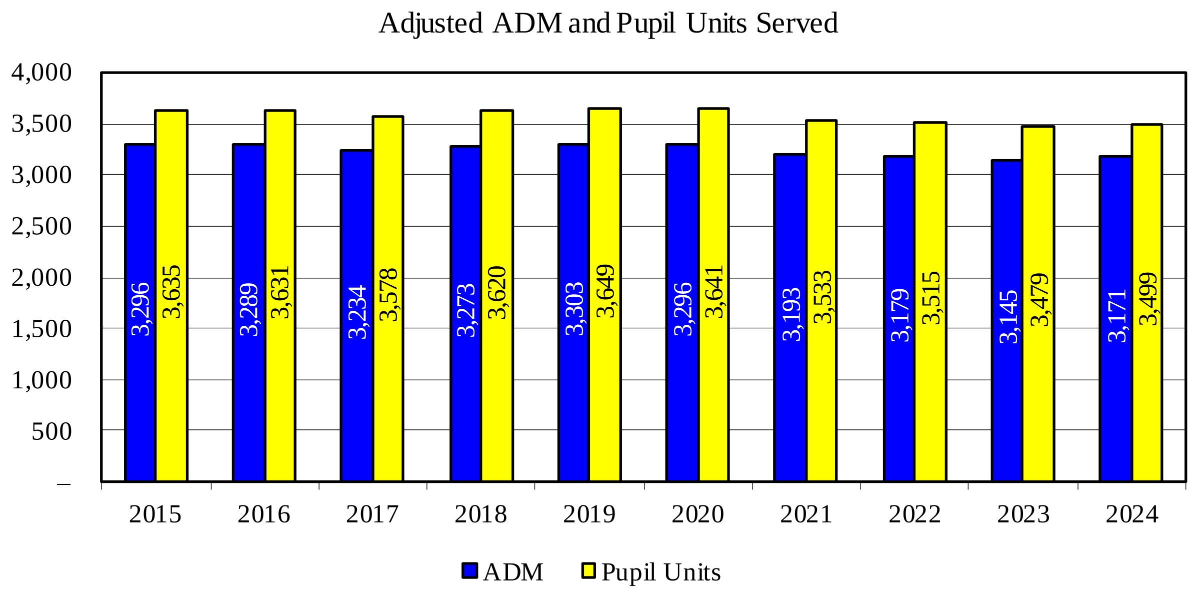
If the fund balance falls below 8.0 percent, the School Board shall implement a procedure to stabilize the District's financial position. This shall involve:

1. No new programs will be added at the District level unless matched by a like revenue source;
2. Allocations such as textbooks, supplies, etc., shall be frozen; and
3. The District will review other measures, which shall not immediately affect delivery of programs, but could have a cost savings. An example might be areas where expenditures have historically been lower than budgeted levels.

If the fund balance is projected to fall below 7.0 percent, the District shall take measures to either generate additional revenues or to reduce expenditures through budget cuts, or a combination of both.

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:



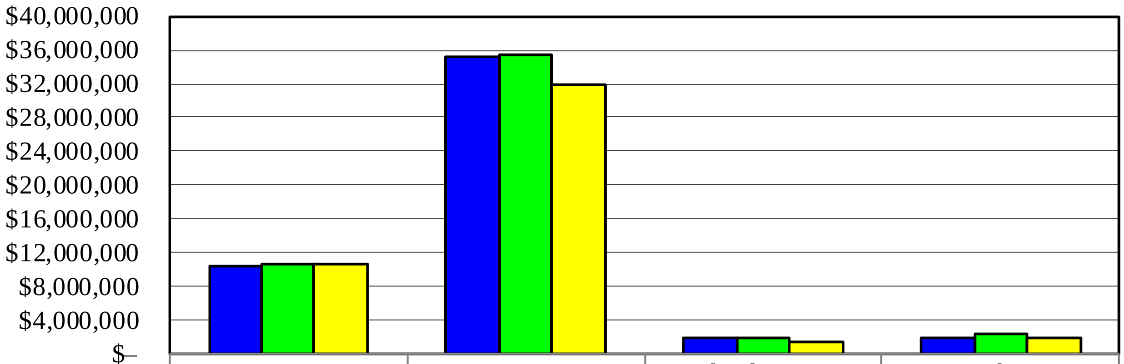
ADM is a measure of students attending class, which is then converted to pupil units (the base for determining revenue) using a statutory formula. Not only is the original budget based on ADM estimates, the final audited financial statements are based on updated, but still estimated, ADM since the counts 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 ADM of 3,171 in 2024, an increase of 26 ADM (about 0.8 percent) from the prior year.

GENERAL FUND REVENUES

The following graph presents the District's General Fund revenues for 2024:

General Fund Revenue



	Property Taxes	State Sources	Federal Sources	Other
Budget	$10,341,400	$35,089,550	$1,879,874	$1,848,768
Actual	$10,535,259	$35,401,822	$1,847,904	$2,360,261
Prior Year	$10,713,595	$31,954,713	$1,487,777	$1,972,594

Total General Fund revenues were $51,145,246 for the year ended June 30, 2024, which was $985,654 (2.0 percent) over the final budget and $4,016,567 (8.7 percent) more than the prior year.

The largest revenue variance to budget occurred in investment earnings, which was $410,167 more than projected, due to improved market conditions. State aid revenue was $312,272 more than budgeted mainly in state special education aid.

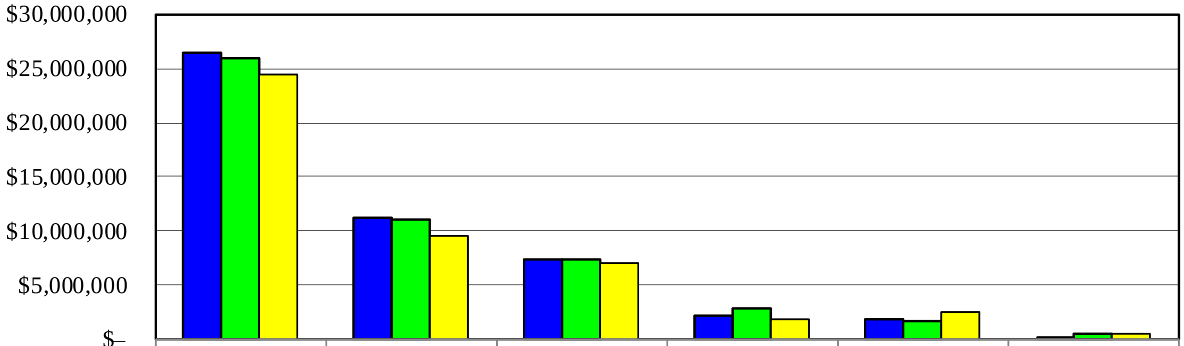
The increase from prior year was mainly in state aids of $3,447,109 due to increases in state aids for general education and special education.

The graph above reflects the concentration of state sources (70.6 percent), followed by property taxes (21.0 percent) recognized to finance General Fund operations.

GENERAL FUND EXPENDITURES

The following graph presents the District's General Fund expenditures for 2024:

General Fund Expenditures



	Salaries	Employee Benefits	Purchased Services	Supplies and Materials	Capital Expenditures	Other Expenditures
Budget	$26,494,341	$11,293,304	$7,337,844	$2,249,373	$1,794,120	$147,892
Actual	$26,016,063	$11,135,280	$7,422,042	$2,838,885	$1,692,832	$495,360
Prior Year	$24,375,707	$9,507,574	$7,114,457	$1,783,957	$2,529,439	$483,832

Total General Fund expenditures were $40,600,462 for the year ended June 30, 2024, which was $283,588 (0.6 percent) over the final budget, and $3,805,496 (8.3 percent) more than the prior year.

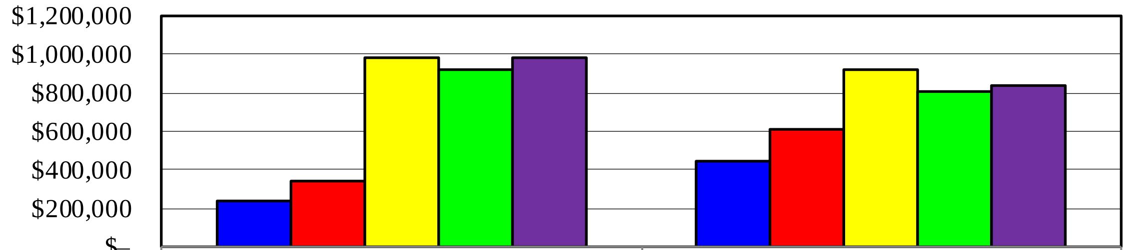
Supplies and materials were higher than budget by $589,512 mainly for Smartboard purchases not included in the original budget.

Elementary and secondary regular instruction salaries increased $923,564 the result of contract improvements and additional staffing. Special education salaries increased $208,519 for similar reasons. Employee benefits increased $1,627,706 the result of increases to salaries, health insurance costs, contractual improvements to employee benefits, and additional contributions to employee health savings accounts. Supplies and materials were $1,054,928 higher than the prior year, mainly from Smartboard purchases that occurred in the current 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
2020	$243,798	$446,659
2021	$346,256	$611,808
2022	$981,833	$919,090
2023	$917,745	$807,444
2024	$988,555	$836,386

Food Service Special Revenue Fund

The District's Food Service Special Revenue Fund ended fiscal 2024 with a fund balance increase of $70,810, compared to a budgeted increase of $269,394. Food service revenue of $2,399,160 was over budget by $175,462, mainly in state sources. Expenditures of $2,328,350 were over budget by $374,046, mainly in purchased services and supplies and materials. The Food Service Special Revenue Fund had a year-end fund balance of $988,555, representing 42.5 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 capital improvements to food service facilities in recent years. The District should continue reviewing upcoming capital needs of the 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 Community Service Special Revenue Fund ended fiscal 2024 with a fund balance increase of $28,942, compared to a budgeted deficit of $182,240. Revenues of $2,997,546 were $672,845 over budget, mainly in tuition and fees. Expenditures were over budget by $461,663 with the most significant variance being in purchased services. The Community Service Special Revenue Fund had a year-end fund balance of $836,386, representing 28.2 percent of current year expenditures.

The Community Service Special Revenue Fund, like the Food Service Special Revenue Fund, needs to be self-sustaining. In addition to cost controls, financial analysis of the costs of providing programs, including overhead, is important. Fees and tuition charges should be sufficient to cover these costs, as well as potential funding shortfalls from state, federal, or property tax sources.

Capital Projects – Building Construction Fund

The Capital Projects –Building Construction Fund ended fiscal 2024 with a fund balance decrease of $1,700,950. The expenditures in this fund relate to spending of previous bond issues. The District also completed a district-wide roofing project in the current year contributing to the overall decrease in the fund balance. These expenditures were offset by an extraordinary item related to insurance recoveries totaling $5,141,106, related to storm damage on district buildings in the prior year. The year-end fund balance of $2,072,930 is restricted for long-term facilities maintenance projects and building construction.

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 the payment of outstanding debt obligations of the District. As of June 30, 2024, the District has $1,125,628 available for the payment of debt.

Proprietary Fund – Dental Self-Insurance Internal Service Fund

The District uses an Internal Service Fund to account for dental insurance benefits offered by the District to its employees as a self-insured plan. At June 30, 2024, this fund ended the year with a net position of $213,522, which was a decrease of $29,353 from the prior year. In fiscal 2023, the health benefits portion of this plan closed. The residual balance of this portion of the fund was transferred out in the current year.

Post-Employment Benefits Trust Fund

The District has 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. At year-end, trust net position of $214,468 is available for future OPEB payments.

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,		
	2024	2023	Change
Net position – governmental activities			
Total fund balances – governmental funds	$ 13,792,917	$ 14,775,850	$ (982,933)
Total capital assets, net of depreciation/amortization	79,720,580	73,908,704	5,811,876
Net pension-related obligations	(25,195,205)	(28,303,402)	3,108,197
Net OPEB-related obligations	(2,104,466)	(2,171,070)	66,604
Total long-term liabilities, excluding net pension and OPEB liabilities	(43,905,041)	(48,680,040)	4,774,999
Other adjustments	(288,052)	(415,273)	127,221
Total net position – governmental activities	$ 22,020,733	$ 9,114,769	$ 12,905,964
Net position			
Net investment in capital assets	$ 38,125,994	$ 29,525,125	$ 8,600,869
Restricted	2,743,383	2,550,874	192,509
Unrestricted	(18,848,644)	(22,961,230)	4,112,586
Total net position	$ 22,020,733	$ 9,114,769	$ 12,905,964

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

The increase in the General Fund balances and the change in the District's share of the Public Employees Retirement Association and the Teachers Retirement Association pension plans contributed to the increase in unrestricted net position. Total net position also increased due to insurance recoveries used for related building improvements.

The increase in capital assets, net of depreciation/amortization relates to building improvements made in the current year. A portion of these building improvements were financed by $5.1 million of insurance recoveries previously mentioned.

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. 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.

GASB STATEMENT NO. 102, *CERTAIN RISK DISCLOSURES*

State and local governments face a variety of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. The objective of this statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

This new guidance defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. This statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosures should include actions by the government to mitigate the risk. The requirements of this statement will improve financial reporting by providing users of financial statements with essential information that currently is not often provided.

The requirements of this statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 103, *Financial Reporting Model Improvements*

This statement establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following:

- Management's discussion and analysis
- Unusual or infrequent items
- Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position
- Information about major component units in basic financial statements
- Budgetary comparison information
- Financial trends information in the statistical section

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

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