

**School Board Meeting:**

**April 27, 2026**

**Subject:**

**2025-26 Final Revised  
Budget Adjustments**

**Presenter:**

**Ryan L. Tangen, Director  
Finance and Operations**

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**SUGGESTED SCHOOL BOARD ACTION:**

Recommend board approval.

**DESCRIPTION:**

The district budget is updated twice after its formal adoption in June 2025. The first revision happens in January in preparation of the financial projection and only includes the General Fund. The second or "Final Revised Budget" includes all district funds.

**GENERAL FUND REVENUE**

General Fund revenues increased by \$2,525,699 from the original budget to the final revised budget. The increase is driven primarily by higher state aid resulting from increased enrollment (APU), along with additional federal and local revenue adjustments, partially offset by a slight decrease in property tax revenue.

General Fund revenues are adjusted for changes in enrollment, property taxes, state formula aid entitlements, special education aid, federal program allocations, and local revenue sources. The updated enrollment forecast and prior-year entitlement changes account for the majority of the change in state funding.

Adjusted pupil units (APU) are the primary driver of district revenue under Minnesota's school finance system and significantly influence both revenue and expenditure budgets. The original budget projected APU at 5,393 for the 2025–26 school year. Based on the November 2025 enrollment projection, APU was revised to 5,465. Monthly enrollment has remained consistent with prior-year trends, and those totals were used for the final revision. This increase of 72 APU results in higher revenue across APU-driven funding streams, including General Education Formula Aid, Operating Capital Revenue, Long-Term Facilities Maintenance Revenue, and Integration Revenue.

State aid adjustments also reflect changes in Special Education Aid, which is projected to be higher than originally budgeted due to tuition billing and higher fiscal year 2025 qualifying expenditures, along with updates to new aid categories, the state endowment fund, grants, and prior-year adjustments.

Overall, revenue from state sources increased by \$1,550,445 in the final revision. Of this increase, \$101,450 is attributable to prior-year adjustments, which are considered one-time funding.

Federal revenue adjustments consist of updated entitlements for title, special education, and grant revisions. These changes increased our revenue from Federal Sources by \$282,865 for the final revision.

Other revenue budget adjustments included higher-than-expected interest income, Erate funding, tuition billing, donations, advertising, and student activities. These increases resulted in an overall increase of revenue from Other sources by \$704,496 for the final revision.

Local Property Taxes were adjusted for additional revenue related to Apportionment, early recognition of certain levies, miscellaneous collections, and other levy adjustments. The net decrease in Local Property Taxes was \$12,107.

Overall, the General Fund revenues increased by \$2,525,699 from the original budget to the final revised budget.

## **GENERAL FUND EXPENDITURES**

General Fund expenditures increased by \$750,316 from the original budget to the final revised budget. Changes are primarily related to salaries and benefits, purchased services, and supply budgets, with offsets in capital outlay and other areas.

General Fund expenditures are adjusted for changes in staffing, contractual obligations, program needs, grant activity, and student participation. Updated purchased services and supplies expenditures account for the majority of the changes in the final revised budget.

Salaries and benefits are adjusted twice per year—first with the mid-year update in December and again with the final budget revision. When employee group contracts are unsettled, projections are used for overall increases. This method is generally accurate at the aggregate level but may vary by individual, as not all employees qualify for step or lane changes. During the year, all contingency positions were allocated. Some vacancies were filled later than anticipated or remained unfilled, and when combined with retirements and resignations, these factors contributed to the overall adjustments in salaries and benefits.

The benefits category includes health, dental, life, and long-term disability insurance, as well as payroll taxes, Minnesota Paid Family Leave, state pension contributions, unemployment, severance, and workers' compensation. Overall, the Salaries and Employee Benefits budget increased by \$59,254.

The Purchased Services budget reflects decreased expenditures in transportation, utilities, repair and maintenance, and capital projects, offset by increases in snow removal, special education contracted services, tuition agreements with other districts, and student activities. Overall, the Purchased Services budget increased by \$309,857.

The Supply budget reflects adjustments across several areas, including technology, special education, title programs, and student activities. Overall, the Supply budget increased by \$383,966.

Changes in the Capital Outlay category are primarily due to revised Long-Term Facilities Maintenance (LTFM) projects, capital project timing, technology purchases, and grant-related expenditures. Overall, the Capital Outlay budget increased by \$52,754.

The Other category experienced various increases and decreases for student activities, and limited English proficiency (LEP) programs resulting in a decrease of \$55,515.

## **GENERAL FUND BALANCE – NONSPENDABLE & UNASSIGNED**

The final revised 2025–26 budget projects a decrease of \$726,179 in the Nonspendable & Unassigned Fund Balance, with an ending balance of \$12,733,247 or 15.31% of expenditures.

The original 2025–26 budget projected a decrease of \$2,522,300, resulting in a balance of \$8,931,120 or 10.84% of expenditures. This projection was based on an estimated 2024–25 year-end fund balance; however, the audited 2024–25 Nonspendable & Unassigned Fund Balance was \$2,006,006 higher than projected, ending at \$13,459,426 or 16.81%. Using the audited results as a starting point, the revised original projection increased to \$10,937,126 or 13.27% of expenditures.

The midyear revised 2025–26 budget projected a decrease of \$782,556, with an ending balance of \$12,676,870 or 15.39% of expenditures. The final revised budget reflects a slightly smaller decrease and a stable fund balance position relative to the midyear update.

## **FUND 02 – FOOD SERVICE FUND**

The free meals for all students program has continued to produce strong participation in our breakfast and lunch programs and has not curtailed a la carte sales. The revised meal participation projection for 2025–26 is 950,529, which is only 240 fewer meals than the original budget and 17,523 fewer meals than were served in 2024–25.

State reimbursement rates were higher than projected but were offset by slightly lower federal rates. In addition, a la carte and adult meal sales exceeded original projections. The net positive change in reimbursement rates, combined with stable participation and increased non-program meal sales, resulted in higher overall revenue.

Salaries and benefits increased by \$71,567 due to updated projections and additional staffing. Purchased Services increased by \$28,153 due to utility cost adjustments. Supplies increased by \$54,525 based on participation levels in both program and non-program meals. Capital Outlay remained at a high level to support equipment replacement and kitchen upgrades.

Overall, the Food Service Fund deficit increased by \$17,839 to \$177,123, with a projected year-end fund balance of \$3,211,831.

#### **FUND 04 – COMMUNITY EDUCATION FUND**

Overall, revenue decreased primarily due to revisions in other revenue sources. Revenue generated from tuition, fees, and rentals is projected to be \$91,818 less than the original budget. Total revenues are projected to be \$87,708 less than originally budgeted.

Expenditures for salaries and benefits were adjusted to current projections generating a net increase of \$11,375. Purchased Services decreased by \$27,000 due to lower contracted service costs. Supplies remained relatively stable. Capital Outlay increased by \$32,000 due to the purchase of a replacement driver's education vehicle. Overall, expenditures increased by \$11,375.

These changes resulted in a decrease in fund balance of \$43,044, with a projected year-end balance of \$891,605.

#### **FUND 06 – BUILDING CONSTRUCTION FUND**

The Building Construction Fund accounts for construction activity resulting from the 2023 building bond referendum. Bond proceeds were deposited in 2023–24, so revenue in 2025–26 consists of interest income earned on remaining balances. The decrease in interest income is due to project timing, which reduced available funds for investment.

Expenditure changes reflect project bidding and timeline adjustments. The fund is projected to decrease by \$18,402,379, with a year-end fund balance of \$16,335,953.

#### **FUNDS 07 – DEBT SERVICE FUND**

Revenue and expenditure budgets for the Debt Service Funds are primarily driven by property taxes, bond issuances, interest income, and state credits. The revenue budget was adjusted to reflect changes in fiscal disparity, equalization aid, and interest income. No significant revisions were required for expenditures.

The fund balance is projected to increase by \$207,166, with a year-end balance of \$2,831,247.

#### **FUND 18 – HRA TRUST FUND**

Although these funds are expenditures of the General Fund, they are held in a trust for the future benefit of active employees. These benefits were negotiated in place of other post-employment benefits included in several employee contracts. Funds vest over time and revert to district control if vesting requirements are not met.

Changes reflect updated district contributions, offset by forfeitures and estimated interest earnings. The HRA Trust Fund is projected to increase by \$386,400, with a year-end fund balance of \$4,858,523.

#### **FUND 45 – OPEB TRUST FUND**

Revenue for the OPEB Trust was adjusted to more accurately reflect expected net appreciation in the investment portfolio and retiree premium contributions.

The OPEB Trust Fund is projected to increase by \$169,325, with a year-end fund balance of \$14,582,146.

#### **ATTACHMENT(S):**

- BHM Schools Final Revised Budget 2025-26 Presentation
- BHM Schools Final Revised Budget 2025-26 General Fund Balance Detail
- BHM Schools Final Revised Budget 2025-26 Projection by Fund