Management Report

for

Independent School District No. 273
Edina, Minnesota

June 30, 2024

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MMKR
CERTIFIED PUBLIC ACCOUNTANTS

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

We have prepared this management report in conjunction with our audit of Independent School District No. 273, Edina, Minnesota's (the District) financial statements for the year ended June 30, 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 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 23, 2024

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

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

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA, *GOVERNMENT AUDITING STANDARDS*, AND TITLE 2 U.S. CODE OF FEDERAL REGULATIONS PART 200, *UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS* (UNIFORM GUIDANCE)

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 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. Our report included a paragraph emphasizing the District's implementation of new Governmental Accounting Standards Board (GASB) authoritative literature, which changed the requirements for accounting for groups of similar capital assets during the year. Our opinion was not modified with respect to this matter.

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

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

- We reported 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 one deficiency in the District's internal controls over compliance that we considered to be a significant deficiency with the types of compliance requirements that could have a direct and material effect on each of its major federal programs:

    - The District did not have sufficient controls in place to assure that it was not contracting for goods or services with parties that are suspended or debarred, or whose principals are suspended or debarred within its special education cluster federal programs.

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

    - For three of forty claims tested, the District did not pay the claim within thirty-five days of receiving the goods or services or the invoice for goods or services, as required by Minnesota Statutes.

    - Five payroll checks outstanding for over a year had not been reported to the state as unclaimed property and delivered to the state Commissioner of Commerce as required by Minnesota Statutes.

    - For five of six contracts tested involving subrecipients, the contracts between the District and the prime contractor did not include statutorily required language related to the prompt payment of subcontractors.

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. 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 new GASB guidance related to capital assets during the fiscal year ended June 30, 2024, which requires governments to capitalize groups of similar assets if significant, even when individually they are below the government's capitalization threshold. This change resulted in a restatement, which increased government-wide beginning net position by $988,139 in the current year.

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

ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS

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

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

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

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

The District has recorded activity for pension benefits and other post-employment benefits (OPEB). These obligations are calculated using actuarial methodologies primarily described in GASB Statement Nos. 68, 73, and 75. These actuarial calculations include significant assumptions, including projected changes, healthcare insurance costs, investment returns, retirement ages, proportionate share, and employee turnover.

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

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

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements With Management

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

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter dated December 23, 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 supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information accompanying the financial statements, and the separately issued Schedule of Expenditures of Federal Awards and Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table, which are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

FINANCIAL TRENDS IN PUBLIC EDUCATION IN MINNESOTA

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

BASIC GENERAL EDUCATION REVENUE

The largest single funding source for Minnesota school districts is basic general education aid. Each year, the Legislature sets a basic formula allowance. Total basic general education revenue is calculated by multiplying the formula allowance by the number of pupil units for which a district is entitled to aid. Pupil units are calculated using a legislatively determined weighting system applied to average daily membership (ADM). Over the years, various modifications have been made to this calculation, including changes in weighting and special consideration for declining enrollment districts.

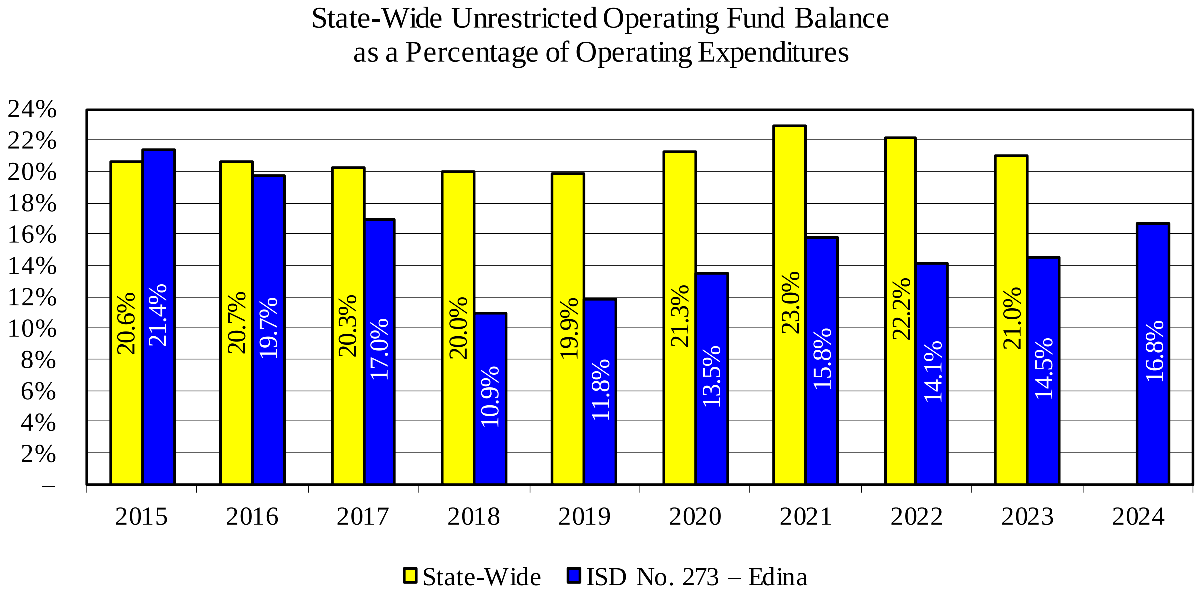
The table below presents a summary of the formula allowance for the past decade and as approved for the next fiscal year. The Legislature approved a per pupil increase of $143 for fiscal 2025. The amount of the formula allowance and the percentage change from year-to-year excludes temporary funding changes, 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.



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.

Based on this calculation, the District’s unrestricted operating fund balance as a percentage of operating expenditures was 16.8 percent at the end of the current year, as compared to 14.5 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 Fund. Other financing sources, such as proceeds from sales of capital assets, insurance recoveries, bond sales, loans, and interfund transfers, are also excluded.

Governmental Funds Revenue per Student (ADM) Served

	State-Wide		Metro Area		ISD No. 273 – Edina		
	2022	2023	2022	2023	2022	2023	2024
General Fund							
Property taxes	$ 2,645	$ 2,760	$ 3,506	$ 3,704	$ 5,348	$ 5,379	$ 6,246
Other local sources	571	742	446	595	475	739	855
State	10,504	10,771	10,536	10,792	9,808	10,172	11,379
Federal	1,335	1,344	1,397	1,441	498	339	281
Total General Fund	15,055	15,617	15,885	16,532	16,129	16,629	18,761
Special revenue funds							
Food Service	803	676	770	649	491	424	576
Community Service	731	795	836	919	1,071	1,261	1,435
Debt Service Fund	1,508	1,579	1,537	1,595	1,793	1,746	1,684
Total revenue	$ 18,097	$ 18,667	$ 19,028	$ 19,695	$ 19,484	$ 20,060	$ 22,456
ADM served per MDE School District Profiles Report (current year estimated)					8,406	8,627	8,576

Note: Excludes the Capital Projects – Building Construction Fund.

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

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

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

The District received approximately $192.6 million in the governmental funds reflected above in fiscal 2024, an increase of $19.5 million (11.3 percent), or $2,396 per ADM, from the prior year with declining enrollment. Increases in revenue from the approved property tax levy, improved funding for general education and special education state aids, and improved investment earnings, contributed to an overall increase of $2,132 per ADM in General Fund revenue. Federal sources in the General Fund were down with less pandemic-related funding entitlements available in the current year. Food service revenues were up $152 per ADM with the new state funded Free School Meals for Kids program. Increased programming and participation contributed to a $174 per ADM revenue increase in community service revenues. Debt service revenues were down $62 per ADM, compared to the prior year, due to a decrease in the property tax levy for 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 Fund. Other financing uses, such as bond refundings and transfers, are also excluded.

Governmental Funds Expenditures per Student (ADM) Served

	State-Wide		Metro Area		ISD No. 273 – Edina		
	2022	2023	2022	2023	2022	2023	2024
General Fund							
Administration and district support	$ 1,249	$ 1,300	$ 1,300	$ 1,320	$ 800	$ 690	$ 885
Elementary and secondary regular instruction	6,494	6,646	6,838	7,019	6,959	7,027	7,687
Vocational education instruction	210	224	191	198	50	53	90
Special education instruction	2,724	2,892	2,883	3,059	2,922	3,034	3,104
Instructional support services	816	861	939	1,030	1,316	1,405	1,239
Pupil support services	1,429	1,553	1,558	1,712	1,434	1,377	1,555
Sites, buildings, and other	1,113	1,201	1,076	1,171	1,495	1,417	1,724
Total General Fund – noncapital	14,035	14,677	14,785	15,509	14,976	15,003	16,284
General Fund capital expenditures	876	960	897	959	803	1,304	1,221
Total General Fund	14,911	15,637	15,682	16,468	15,779	16,307	17,505
Special revenue funds							
Food Service	670	706	659	693	446	439	472
Community Service	689	763	774	865	961	1,250	1,369
Debt Service Fund	1,599	1,626	1,561	1,652	1,776	1,766	1,705
Total expenditures	$ 17,869	$ 18,732	$ 18,676	$ 19,678	$ 18,962	$ 19,762	$ 21,051
ADM served per MDE School District Profiles Report (current year estimated)					8,406	8,627	8,576

Note: Excludes the Capital Projects – Building Construction Fund.

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

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

The District spent approximately $180.5 million in the governmental funds reflected above in fiscal 2024, an increase of $10.0 million (5.9 percent), or $1,289 per ADM, with declining enrollment. General Fund noncapital expenditures increased $1,281 per ADM from the prior year. Increases in elementary and secondary regular instruction personnel costs, administrative retirement costs, and purchased services for transportation and building maintenance contributed to the overall increase. Food service and community service spending increased $33 and $119 per ADM from the prior year, respectively, both due to increased program participation. Debt service expenditures were down $61 per ADM, compared to the prior year, due to decreases in scheduled bond principal and interest payments.

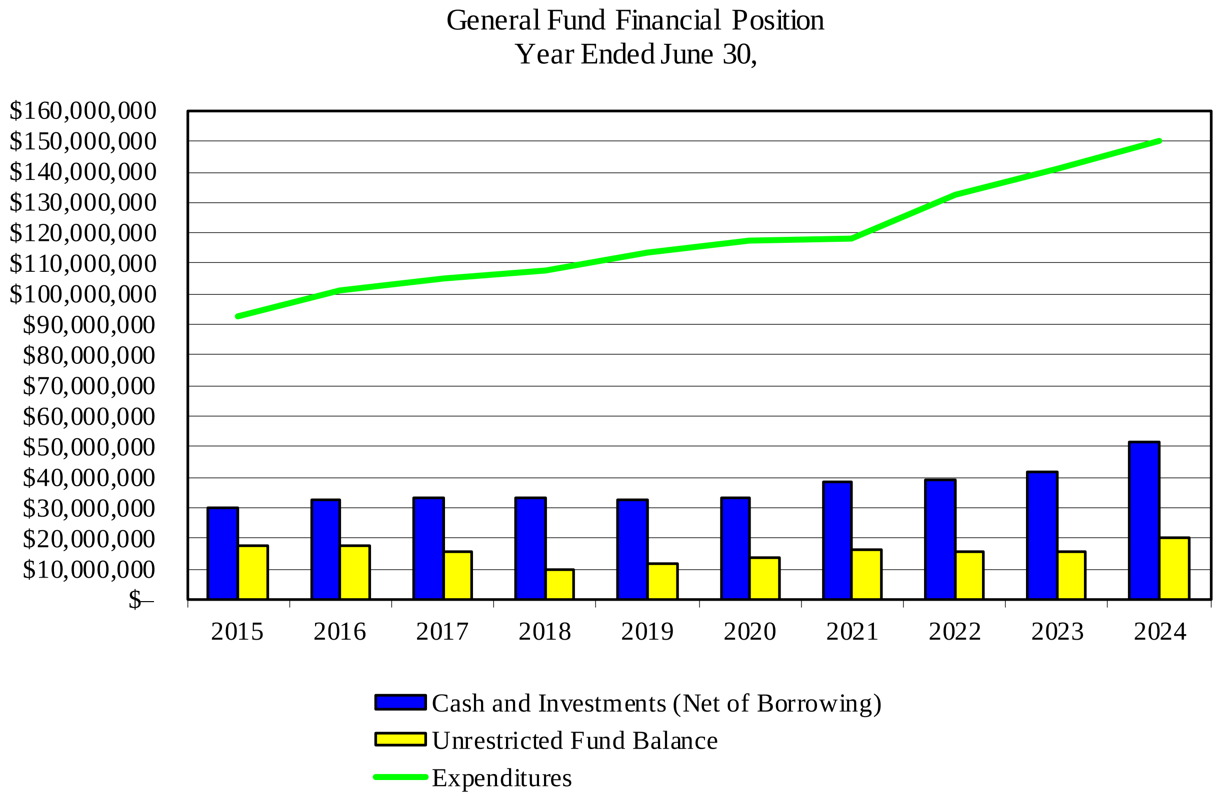
SUMMARY

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.



The District ended fiscal year 2024 with a General Fund cash balance (net of any interfund receivables and payables) of $51,854,157, an increase of $10,277,446 from the previous year.

Total fund balance at year-end was $26,609,520, an increase of $6,017,935, compared to a fund balance increase of $1,223,067 projected in the final budget. Unrestricted fund balances, as pictured above (consisting of committed, assigned, and unassigned fund balances), at year-end were $20,331,185, an increase of $4,474,977.

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

	June 30, 2020	2021	2022	2023	2024
Nonspendable fund balances	$ –	$ –	$ 2,925	$ 392,982	$ 29,623
Restricted fund balances (1)	1,459,232	1,333,034	2,833,640	4,342,395	6,248,712
Unrestricted fund balances					
Committed	1,068,409	1,074,602	1,098,955	2,322,850	2,484,388
Assigned	3,752,941	6,094,910	5,995,361	5,519,524	8,644,524
Unassigned	8,613,512	9,061,060	8,191,141	8,013,834	9,202,273
Total fund balance	$ 14,894,094	$ 17,563,606	$ 18,122,022	$ 20,591,585	$ 26,609,520
Unrestricted fund balances as a percentage of expenditures	11.4%	13.7%	11.5%	11.3%	13.5%
Unassigned fund balances as a percentage of expenditures	7.3%	7.6%	6.2%	5.7%	6.1%

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

The table above reflects unrestricted and unassigned fund balances as percentages of total General Fund expenditures for the last five fiscal years, which differs from those used in the previous discussion of state-wide fund balances, which are based on a state formula.

The resources represented by this fund balance are critical to a district's ability to maintain adequate cash flow throughout the year, to retain its programs, and to cushion against the impact of unexpected costs or funding shortfalls.

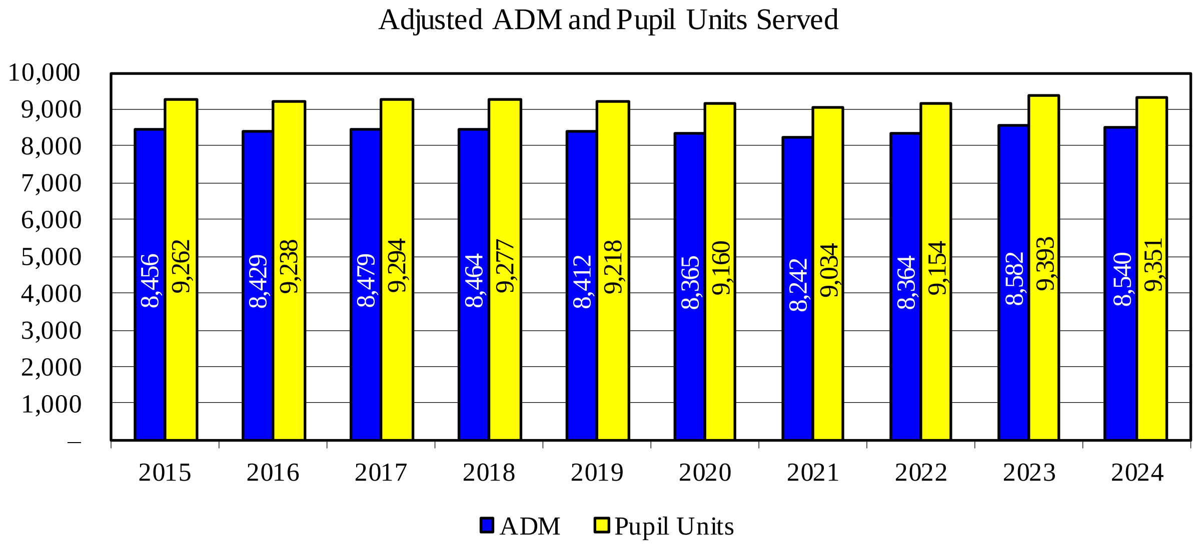
Minimum Fund Balance Policy

The District's fund balance policy sets a goal of maintaining an unassigned fund balance in the General Fund of 6.0–10.0 percent of the subsequent year's budgeted unassigned expenditures. The unassigned fund balance of the General Fund at June 30, 2024 was equal to 7.4 percent of budgeted unassigned expenditures for fiscal 2025.

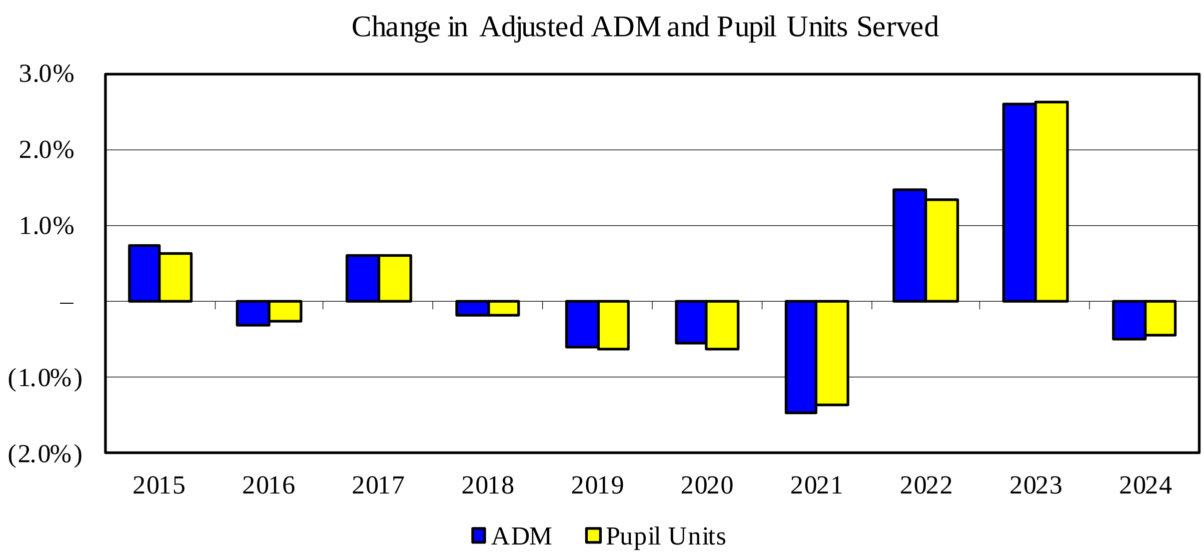
By policy, the District also maintains an additional 2.0 percent of the subsequent year's budgeted unassigned expenditures as a committed fund balance to provide adequate cash flow.

AVERAGE DAILY MEMBERSHIP (ADM) AND PUPIL UNITS

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



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



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

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

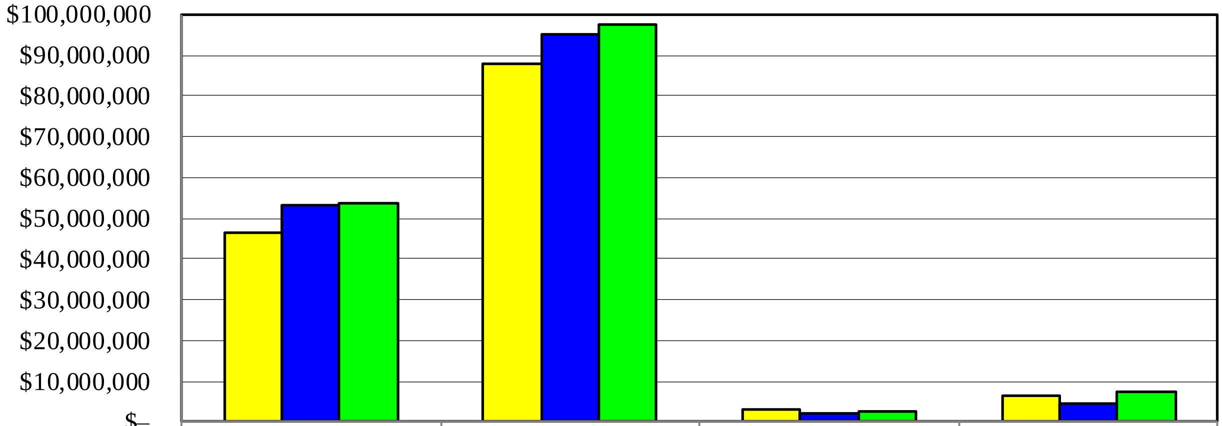
Adjusted ADM served by the District decreased 42 from the prior year to 8,540 for fiscal 2024.

The number of pupil units served by the District for aid in fiscal 2024 was 9,351, also a decrease of 42 from the prior year.

GENERAL FUND REVENUES

The following graph summarizes the District's General Fund revenue for 2024:

General Fund Revenue



	Property Taxes	State Sources	Federal Sources	Other
Prior Year	$46,405,452	$87,753,124	$2,923,062	$6,377,765
Budget	$53,290,711	$95,111,257	$2,285,697	$4,725,949
Actual	$53,561,813	$97,586,832	$2,413,802	$7,329,082

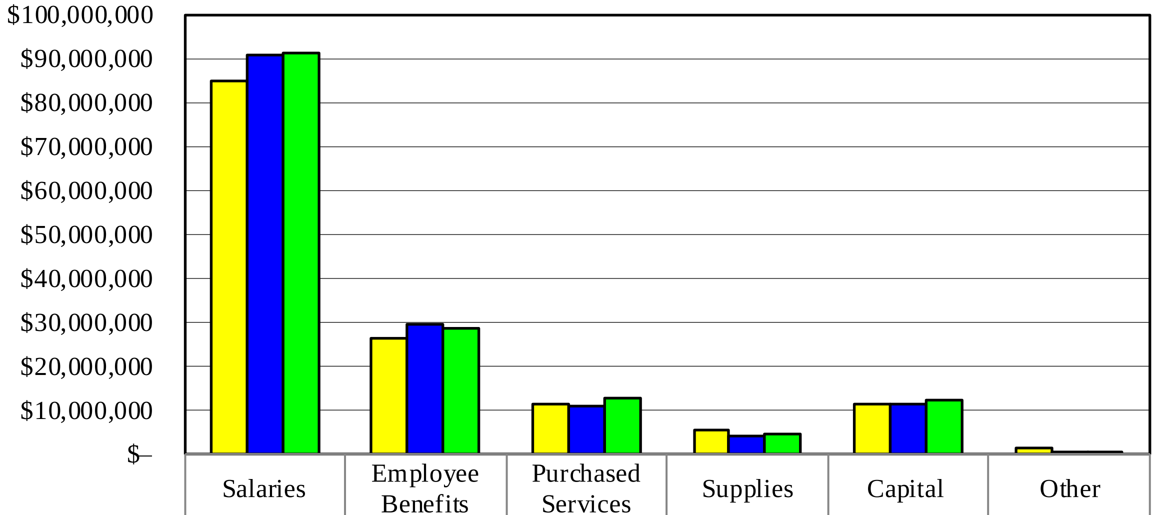
Total General Fund revenues were $160,891,529 for the year ended June 30, 2024, which was $5,477,915 (3.5 percent) over the final budget. Property tax revenue was over budget by $271,102, mainly due to an unexpected positive adjustment in the unemployment levy recognized through the tax shift. Revenue from state sources was $2,475,575 over budget, mainly from special education aid. Revenues from other local sources (including student fees, admissions, gifts, donations, tuition, rental, and investment income) were $2,603,133 over budget, due to improved interest rates and investment market conditions, along with conservative budgeting for these highly variable revenue sources.

General Fund total revenues were $17,432,126 (12.2 percent) more than the previous year. Property taxes were $7,156,361 more than last year, due to an increase in the approved levy. Revenue from state sources was $9,833,708 higher than the previous year, mainly from legislative increases to general education and special education state aids. Revenue from federal grants decreased $509,260, due to a decrease in COVID-19-related funding utilized compared to the previous year. Revenues from other sources, as shown above, increased $951,317 from last year, due to increased investment earnings.

GENERAL FUND EXPENDITURES

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

General Fund Expenditures



	Salaries	Employee Benefits	Purchased Services	Supplies	Capital	Other
Prior Year	$85,143,560	$26,453,634	$11,339,733	$5,332,589	$11,253,645	$1,160,112
Budget	$91,062,342	$29,457,752	$11,077,674	$4,242,555	$11,504,446	$508,462
Actual	$91,327,676	$28,475,744	$12,943,625	$4,473,488	$12,323,745	$572,405

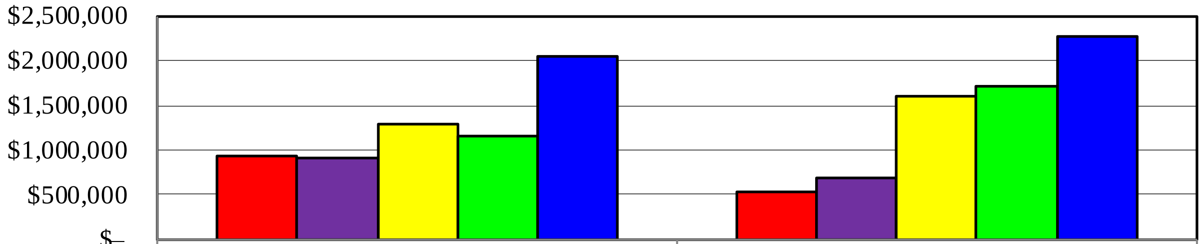
Total General Fund expenditures were $150,116,683 for the year ended June 30, 2024, which was $2,263,452 (1.5 percent) over the final budget. Personnel expenditures (salaries and benefits) were under budget by a combined $716,674, mainly due to the District's inability to fill all budgeted positions in a challenging labor market. Purchased services expenditures were over budget by $1,865,951, mainly in special education instruction, pupil support services (transportation), and sites and buildings. Capital outlay expenditures were over budget by $819,299, with more improvement projects accounted for in the General Fund than anticipated, which resulted in a smaller transfer to the Capital Projects – Building Construction Fund for long-term facilities maintenance (LTFM) projects than budgeted.

Total General Fund expenditures were $9,433,410 (6.7 percent) more than the prior year. Salaries and benefits were $8,206,226 (7.4 percent) higher than last year, due to contractual wage increases and an increase in staffing to meet higher enrollment needs, along with higher administrative retirement costs. Purchased services costs were $1,603,892 higher than last year, primarily in transportation services. Capital outlay expenditures increased $1,070,100 from the prior year, due to the District completing more maintenance projects in the General Fund than last year.

OTHER FUNDS OF THE DISTRICT

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

Other Operating Funds
Total Fund Balances



	Food Service Special Revenue	Community Service Special Revenue
2020	$927,125	$528,055
2021	$921,842	$688,972
2022	$1,299,309	$1,612,330
2023	$1,166,019	$1,710,124
2024	$2,052,423	$2,274,773

Food Service Special Revenue Fund

The District's Food Service Special Revenue Fund ended fiscal 2024 with a fund balance increase of $886,404, compared to a budgeted increase of $42,677. Revenue was $4,935,862, which was more than budget by $486,662, mainly in state and federal sources. Expenditures of $4,049,458 were under budget by $357,065, mainly in purchased services. The ending fund balance of $2,052,423 in this fund represents 50.7 percent of current year expenditures.

Community Service Special Revenue Fund

The District's Community Service Special Revenue Fund ended fiscal 2024 with a fund balance increase of $564,649, compared to a budgeted increase of $276,488. Revenues were $12,302,679, which was $312,108 more than budget, mainly due to higher program fees and tuition and investment earnings. Expenditures of $11,738,030 were over budget by $23,947, primarily in purchased services. The $2,274,773 year-end fund balance represents 19.4 percent of current year expenditures.

Capital Projects – Building Construction Fund

Total fund balance in the Capital Projects – Building Construction Fund decreased $13,032,230 in fiscal 2024, compared to a planned decrease of $8,855,949. Revenue from investment earnings was under budget by $342,478, as available cash for investing was less than anticipated due to the pace of improvement project spending. Expenditures exceeded budget by $2,271,036, due to the timing of projects. The year-end fund balance of $3,280,083 includes: $2,347,798 restricted for LTFM projects, and $932,285 restricted for general capital projects.

Debt Service Fund

The funding of debt service is controlled in accordance with each outstanding debt issue's financing plan. At June 30, 2024, a fund balance of $3,277,220 is available for future debt service needs.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

	June 30, 2024	June 30, 2023	Change
Net position – governmental activities			
Total fund balances – governmental funds	$ 37,494,019	$ 43,233,946	$ (5,739,927)
Total capital assets, net of depreciation	294,254,416	285,952,272	8,302,144
Bonds, certificates, financed purchases, and other	(201,468,671)	(211,995,795)	10,527,124
Pension and OPEB liabilities and deferrals	(115,117,791)	(121,724,060)	6,606,269
Other adjustments	(2,515,822)	(2,875,573)	359,751
Total net position – governmental activities	$ 12,646,151	$ (7,409,210)	$ 20,055,361
Net position			
Net investment in capital assets	$ 93,666,891	$ 81,404,498	$ 12,262,393
Restricted	13,371,713	16,384,478	(3,012,765)
Unrestricted	(94,392,453)	(105,198,186)	10,805,733
Total net position	$ 12,646,151	$ (7,409,210)	$ 20,055,361

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

Total net position increased $19,067,222 during fiscal 2024, not including the $988,139 change in accounting principle discussed previously.

Net investment in capital assets, which increased by $12,262,393, is typically determined by the relationship between the depreciation of capital assets and the repayment of the debt issued to construct or acquire the assets. The current year change was also impacted by capital asset additions financed through tax levies or other non-debt-related resources, as well as the change in accounting principle.

Restricted net position decreased $3,012,765, mainly in amounts restricted for capital asset acquisition.

Unrestricted net position increased $10,805,733, with positive operating results in the General Fund and the changes in the funding levels of the state-wide Public Employees Retirement Association and Teachers Retirement Association pension plans, as well as the District's single-employer pension and OPEB plans.

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ACCOUNTING AND AUDITING UPDATES

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

GASB STATEMENT NO. 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 (MD&A)
- 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.