

October 9, 2025

To the Board of Education of the
Sweet Home Central School District:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sweet Home Central School District (the District) for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, 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 in our letter to you dated March 24, 2025. Professional standards also require that we communicate to you the following information related to our audit.

SIGNIFICANT AUDIT MATTERS

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 2 to the financial statements.

The District adopted GASB Statement No. 101, Compensated Absences. Statement No. 101 addresses and updates the accounting and financial reporting requirements for Compensated Absences for state and local governments.

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 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 District's financial statements were:

- ***Management's estimate of depreciation expense is based on the assignment of useful lives for each asset acquired or constructed by the District.***

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- ***Management's estimate of the net pension liability and related deferred inflows/outflows of resources is based on actuarial assumptions utilized by an actuary applied to the pension plans' census information.***
- ***Management's estimate of the total other postemployment benefits liability and related deferred inflows/outflows is based on an actuarial calculation from a third-party actuary.***
- ***Management's estimate of the liability for compensated absences is based on the time earned by employees and what will be paid out or taken as compensated absences in the future at pay rates in place at year-end.***

We evaluated the methods, assumptions, and data used to develop the estimates 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 most sensitive disclosures affecting the financial statements were:

- ***The disclosure of the District's pension plans in the financial statements describes the plans and the related pension asset or liability along with the deferred inflows/outflows of resources.***
- ***The disclosure of the District's total other postemployment benefits liability in the financial statements describes the obligation the district has at year-end.***

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.

The misstatements identified during the audit, and corrected by management are displayed on Exhibit A.

In connection with the implementation of GASB 101, the Districted calculated that the impact on the July 1, 2024 net position was a decrease of \$372,860, however, because it was deemed to not be material to the overall District-wide financial statements the adjustment was recorded in the current period as an increase to expense and liability.

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 as of the report date for the financial statements.

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.

These discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. Our retention for the current year was based on a competitive proposal process.

Other Matters

We applied certain limited procedures to the management discussion and analysis, schedule of revenue, expenditures, and changes in fund balance – budget and actual – general fund, the schedule of proportionate share of net pension liability (asset), schedule of contributions – pension plans, and the schedule of changes in the total OPEB liability and related ratios, which are 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 combining balance sheet - nonmajor governmental funds, combining statement of revenue, expenditures, and changes in fund balance - nonmajor governmental funds, and schedule of expenditures of federal awards, which accompany the financial statements but 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 schedule of change from original budget to revised budget and schedule of section 1318 of real property tax law limit calculation - general fund, schedule of project expenditures - capital projects fund, or schedule of net investment in capital assets, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information, and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the Board of Education and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Bonadio & Co., LLP

SWEET HOME CENTRAL SCHOOL DISTRICT**Exhibit A****Summary of Audit Adjustments
For the Year Ended June 30, 2025**

General Fund

Change in fund balance - unaudited	\$ (2,161,146)
Client adjustments:	
To record fringes and transportation salaries	596,158
To charge contracted transportation to special aid fund	170,385
To correct 20% interfund transfers	(375,077)
To record miscellaneous receivables at year end	100,000
To allocate indirect costs to school lunch fund from general fund	195,084
To properly record receivables from other school districts	181,896
To correct excess cost aid receivable	454,551
Miscellaneous	5,690
Audit adjustments:	
To correct close out of reserves posted directly to fund balance	(405,959)
To reconcile due to/due from balances	(523)
To correct receivables based on supporting documentation	(219,914)
To record GASB 87 lessor activity	<u>13,383</u>
Change in fund balance - audited	<u>\$ (1,445,472)</u>

Capital Projects Fund

Change in fund balance - unaudited	\$ 164,990
Client adjustments:	
To transfer funding for capital outlays per 24-25 budget	<u>100,000</u>
Change in fund balance - audited	<u>\$ 264,990</u>

Miscellaneous Special Revenue Fund

Change in fund balance - unaudited	\$ -
Audit adjustment:	
To record Extraclassroom activity	<u>136,072</u>
Change in fund balance - audited	<u>\$ 136,072</u>

SWEET HOME CENTRAL SCHOOL DISTRICT**Exhibit A****Summary of Audit Adjustments
For the Year Ended June 30, 2025**

School Lunch Fund

Change in fund balance - unaudited	\$ 1,156,196
Client adjustments:	
To allocate indirect costs to school lunch fund from general fund	(195,084)
Audit adjustments:	
To correct ending inventory	<u>9,748</u>
Change in fund balance - audited	<u>\$ 970,860</u>

Special Aid Fund

Change in fund balance - unaudited	\$ (5)
Audit adjustments:	
To roll forward fund balance	<u>5</u>
Change in fund balance - audited	<u>\$ -</u>