Management Report

for

Special School District No. 6
South St. Paul, Minnesota

June 30, 2024

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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
Special School District No. 6
South St. Paul, Minnesota

We have prepared this management report in conjunction with our audit of Special School District No. 6'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
October 22, 2024

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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 this year. Our opinion was not modified with respect to this matter.

- We reported one deficiency in the District's internal control over financial reporting that we considered to be a material weakness:

    - Due to the limited size of the office staff, the District has limited segregation of duties in several areas. An ideal system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from inception to completion. While we recognize that your organization may not be large enough to permit adequate segregation of duties in all respects, it is important that you are aware of this condition. This finding is further detailed in the Schedule of Findings and Questioned Costs as finding 2024-001.

- 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 one finding based on our testing of the District's compliance with Minnesota laws and regulations.

    - One of twenty-five disbursements we tested was not paid within thirty-five days from the receipt of goods or services as required by Minnesota Statutes. This finding is further detailed in the Schedule of Findings and Questioned Costs as finding 2024-002.

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 GASB guidance change 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. This new guidance 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 beginning net position in the government-wide financial statements by $154,440 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 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 activity for other post-employment benefits (OPEB) and pension benefits. These obligations are calculated using actuarial methodologies, primarily described in GASB Statement Nos. 68 and 75. These actuarial calculations include significant assumptions, including projected changes, healthcare insurance costs, investment returns, retirement ages, proportionate share, and employee turnover.

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

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

We evaluated the key factors and assumptions used by management to develop the estimates discussed above and on the previous page 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 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 October 22, 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, the Schedule of Expenditures of Federal Awards, and the Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table accompanying the financial statements, which are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

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.

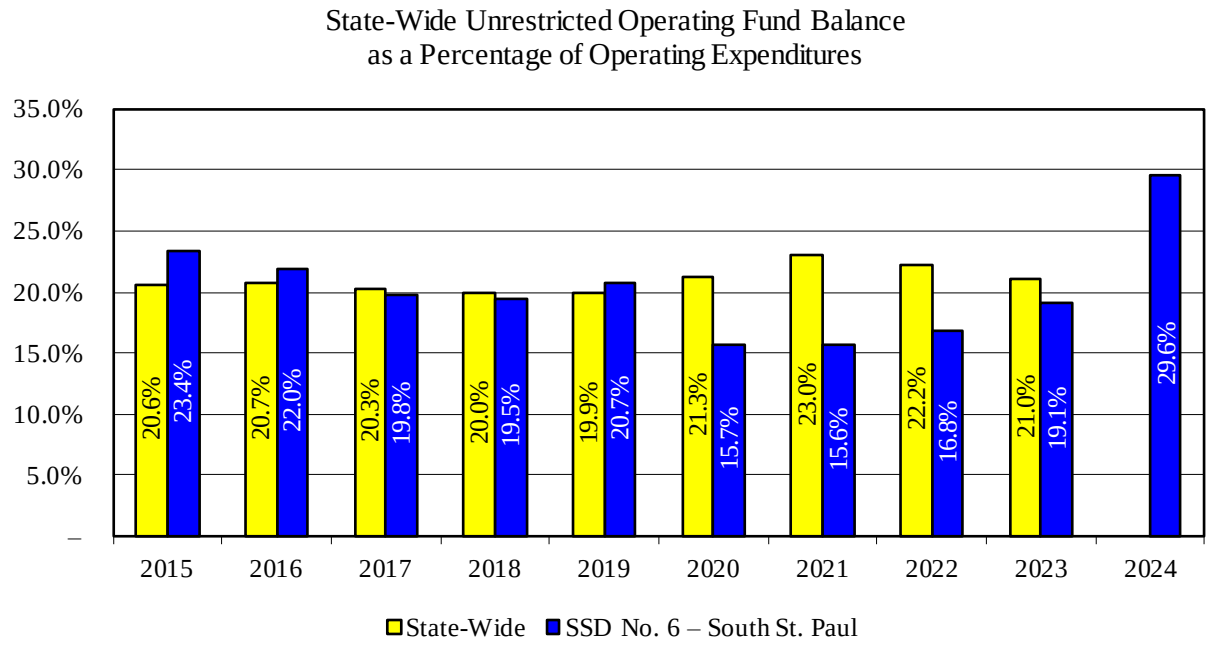
The table below presents a summary of the formula allowance for the past decade and as approved for the next fiscal year. The Legislature approved a per pupil increase of $143 for fiscal 2025. The amount of the formula allowance and the percentage change from year-to-year excludes temporary funding changes,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



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 29.6 percent at the end of the current year, as compared to 19.1 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 fund 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		SSD No. 6 – South St. Paul		
	2022	2023	2022	2023	2022	2023	2024
General Fund							
Property taxes	$ 2,645	$ 2,760	$ 3,506	$ 3,704	$ 2,507	$ 2,660	$ 3,971
Other local sources	571	742	446	595	328	519	737
State	10,504	10,771	10,536	10,792	10,861	11,424	13,085
Federal	1,335	1,344	1,397	1,441	1,400	1,323	1,107
Total General Fund	15,055	15,617	15,885	16,532	15,096	15,926	18,900
Special revenue funds							
Food Service	803	676	770	649	779	704	876
Community Service	731	795	836	919	762	805	813
Debt Service Fund	1,508	1,579	1,537	1,595	970	1,062	1,163
Total revenue	$ 18,097	$ 18,667	$ 19,028	$ 19,695	$ 17,607	$ 18,497	$ 21,752
ADM served per MDE School District Profiles Report (current year estimated)					3,094	2,972	2,888

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 $62,822,272 in the governmental funds reflected above in fiscal 2024, an increase of $7,847,209 (14.3 percent) from the prior year. Total revenue per ADM served increased by $3,255 (17.6 percent) per student, with declining enrollment. The increase was spread across most sources presented in the above table. Property taxes were up as approved through the annual tax levy process and with added community support of the annual operating referendum. Other local sources increased over the prior year, largely due to more investment earnings. State sources were up with growth in the basic formula allowance, along with added funding for basic skills and special education programming. Federal revenues in the General Fund were down with the final spending and the end of several COVID-19 pandemic-related entitlements. Food service revenues were up with state legislative changes effective in the current year to provide free meals for all students. Increased programming and participation contributed to the additional funding in the Community Service Special Revenue Fund. Debt Service Fund revenue per capita was up in the current year, due to an increase in property taxes to support debt financing.

GOVERNMENTAL FUNDS EXPENDITURES

The following table reflects similar comparative data available from the MDE for all governmental fund 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		SSD No. 6 – South St. Paul		
	2022	2023	2022	2023	2022	2023	2024
General Fund							
Administration and district support	$ 1,249	$ 1,300	$ 1,300	$ 1,320	$ 1,288	$ 1,318	$ 1,448
Elementary and secondary regular instruction	6,494	6,646	6,838	7,019	6,564	6,714	7,357
Vocational education instruction	210	224	191	198	58	67	77
Special education instruction	2,724	2,892	2,883	3,059	2,804	3,129	3,583
Instructional support services	816	861	939	1,030	1,120	1,135	1,272
Pupil support services	1,429	1,553	1,558	1,712	1,043	1,137	1,449
Sites, buildings, and other	1,113	1,201	1,076	1,171	1,432	1,548	1,638
Total General Fund – noncapital	14,035	14,677	14,785	15,509	14,309	15,048	16,824
General Fund capital expenditures	876	960	897	959	429	401	580
Total General Fund	14,911	15,637	15,682	16,468	14,738	15,449	17,404
Special revenue funds							
Food Service	670	706	659	693	683	689	745
Community Service	689	763	774	865	689	745	756
Debt Service Fund	1,599	1,626	1,561	1,652	1,000	1,052	1,170
Total expenditures	$17,869	$18,732	$18,676	$19,678	$17,110	$17,935	$20,075
ADM served per MDE School District Profiles Report (current year estimated)					3,094	2,972	2,888

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 averages presented above in recent years.

The District spent $57,979,899 in the governmental funds reflected above in fiscal 2024, an increase of $4,676,822 (8.8 percent) from the prior year. On a per student basis, with declining enrollment, this represents an increase of $2,140 (11.9 percent). Spending was up in each category presented in the above table, with the largest increases in elementary and secondary regular instruction ($643 per student) and special education instruction ($454 per pupil). Spending was up as planned in the budget with inflationary increases, additional needs for contracted services, and more program participation in special revenue funds. Debt service increased as planned in approved debt financing plans.

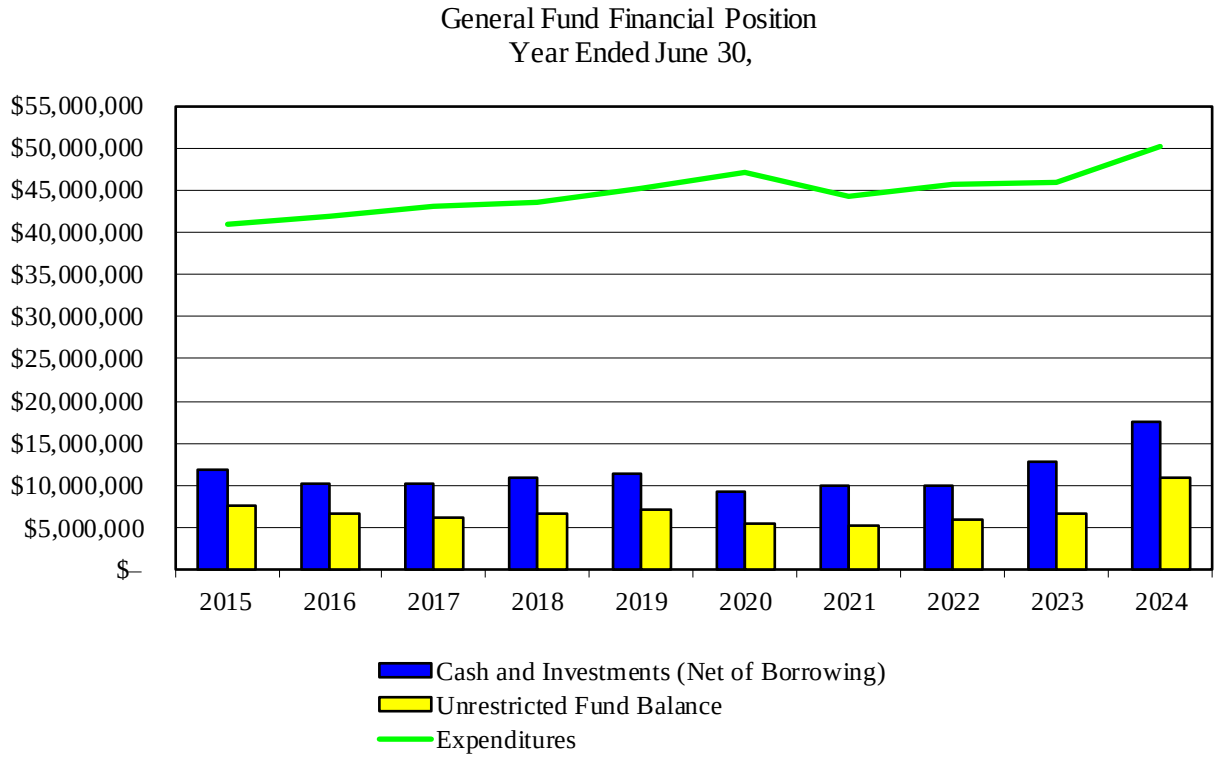
SUMMARY

District school boards and administrators continue to face significant financial challenges as they strive to provide a safe and effective learning environment for their students. Factors such as the sunset of large pandemic-related federal funding programs, state legislative funding changes and mandates, 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 and investment balances of $17,547,474 (net of borrowing), an increase of $4,659,006 from the previous year.

Unrestricted fund balance (consisting of any assigned and unassigned fund balances, but excluding restricted account deficits) at year-end totaled $10,893,248, an increase of $4,211,512.

Total fund balance of the General Fund increased by $4,362,193, compared to an increase of $2,884,864 approved in the 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	2021	2022	2023	2024
Nonspendable fund balances	$ –	$ –	$ –	$ –	$ 103,663
Restricted fund balances (1)	505,727	870,719	2,390,529	3,007,734	3,054,752
Unrestricted fund balances					
Assigned	2,213,778	1,345,563	1,047,952	1,814,872	2,778,601
Unassigned	3,258,226	3,924,141	4,830,115	4,866,864	8,114,647
Total fund balances	$ 5,977,731	$ 6,140,423	$ 8,268,596	$ 9,689,470	$ 14,051,663
Unrestricted fund balances as a percentage of total expenditures	11.6%	11.9%	12.9%	14.6%	21.7%
Unassigned fund balances as a percentage of total expenditures	6.9%	8.9%	10.6%	10.6%	16.1%

(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 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.

Minimum Fund Balance Policy

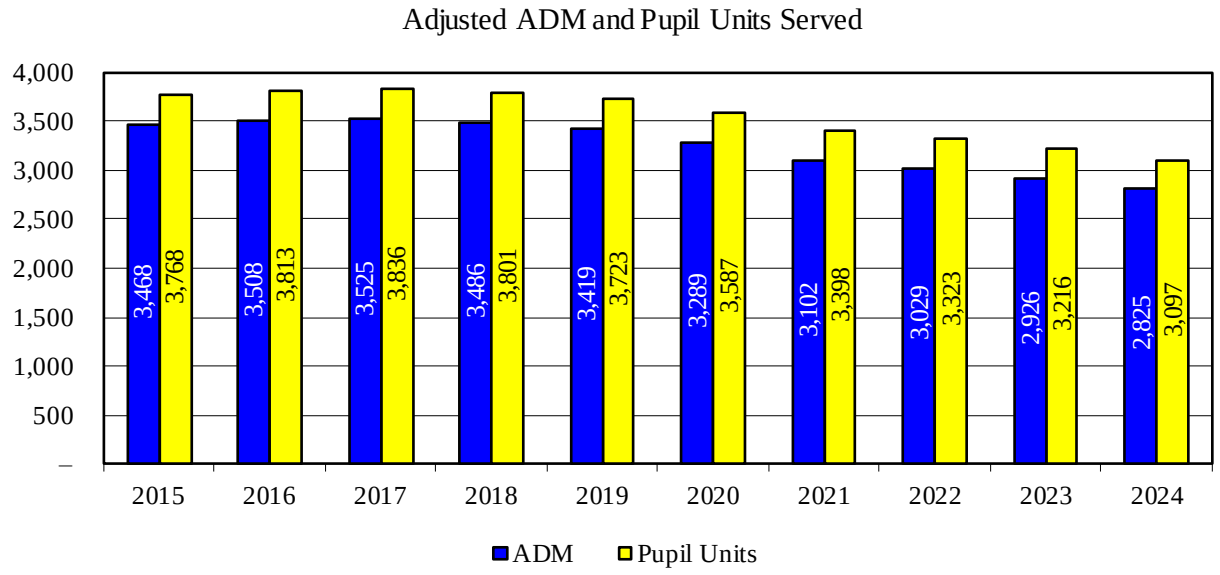
The School Board has formally adopted a fund balance policy regarding maintaining a minimum fund balance for the General Fund. The policy states that the District will strive to maintain a minimum General Fund unassigned balance (excluding restricted deficits) of 8.0 percent of the annual budget.

At June 30, 2024, the total unassigned fund balance of the General Fund was 16.1 percent of the fiscal 2024 General Fund expenditures.

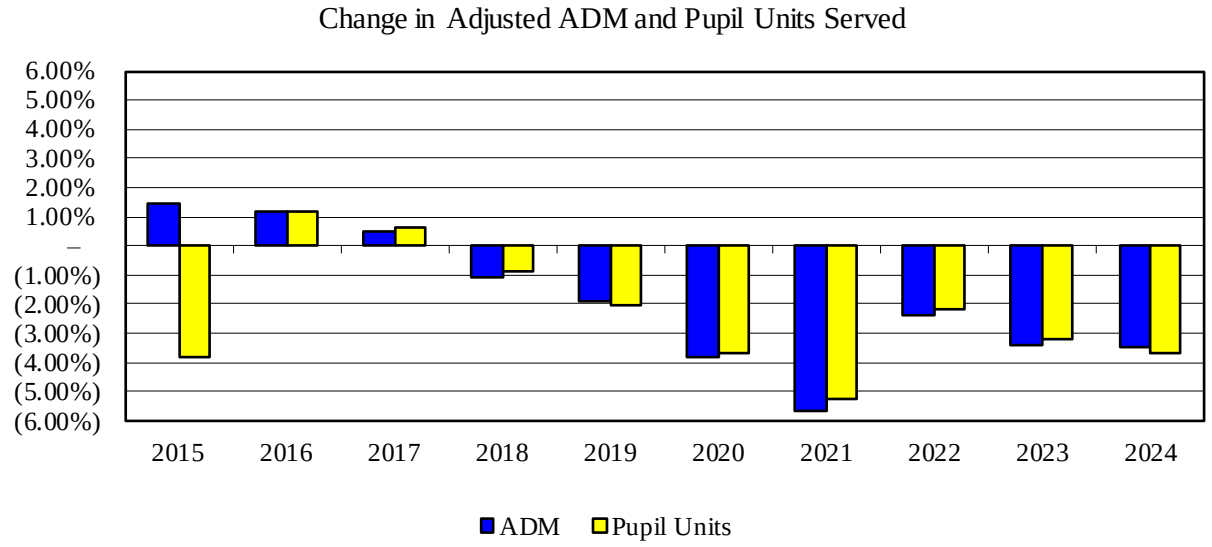
At June 30, 2024, unrestricted fund balance in the General Fund represented 21.7 percent of annual expenditures, or approximately 11 weeks of operations, assuming level spending throughout the year.

AVERAGE DAILY MEMBERSHIP (ADM) AND PUPIL UNITS

The following graph presents the District's adjusted ADM and pupil units 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:



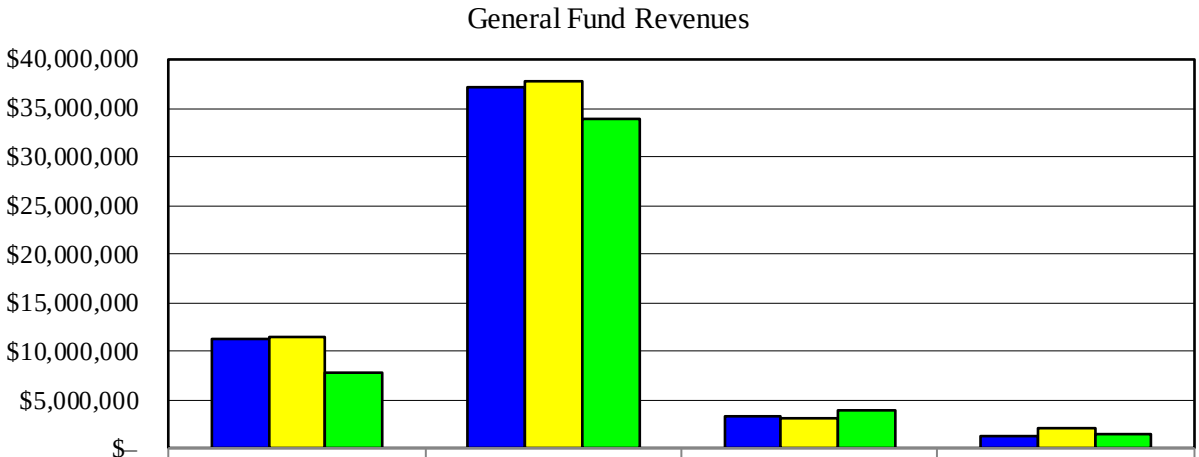
Note: The change in pupil units for 2015 includes the effect of legislative reductions to pupil units.

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

The District served an estimated ADM of 2,825 in 2024, a decrease of 101 ADM (about 3.5 percent) from the prior year. The resulting pupil units served by the District decreased by 119 to 3,097.

GENERAL FUND REVENUES

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



	Property Taxes	State Sources	Federal Sources	Other
Budget	$11,336,382	$37,223,113	$3,362,866	$1,238,832
Actual	$11,468,447	$37,789,940	$3,198,331	$2,129,867
Prior Year	$7,905,472	$33,952,732	$3,931,927	$1,542,717

For 2024, revenues of $54,586,585 were over budget by $1,425,392, or 2.7 percent, and were $7,253,737, or 15.3 percent, more than the prior year.

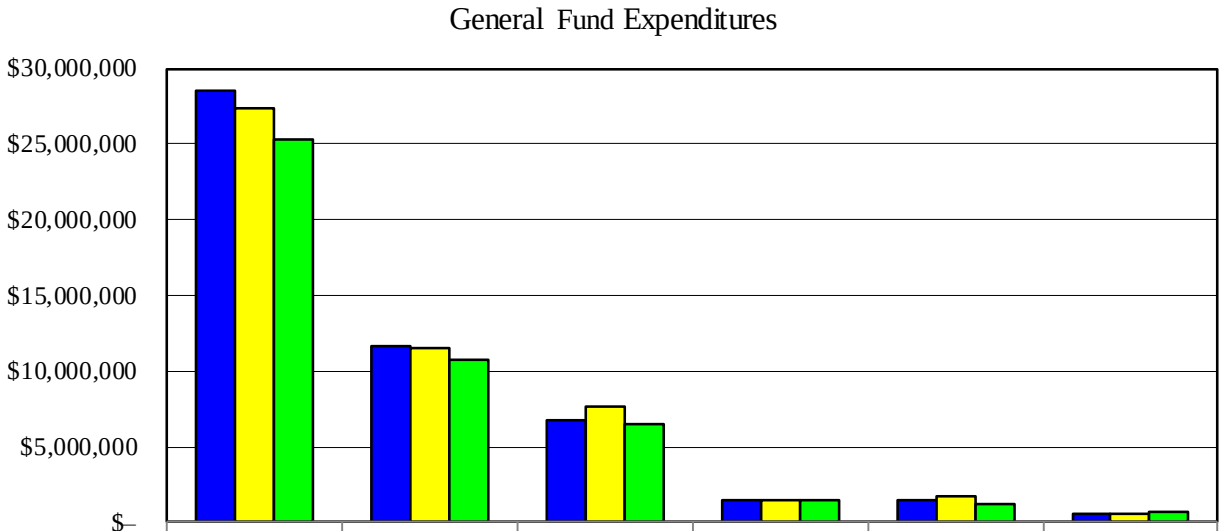
Revenues were better than anticipated in the budget for property taxes, state sources, and other local sources. Favorable variances, largely due to conservative budgeting, more than offset the slight shortfall in projected amounts in federal sources.

The District reported revenue increases over the prior year in property taxes, state, and other local sources. An increase in the School Board-approved levy contributed to the growth in property taxes in the current year. State sources were up due to funding improvements in basic skills and special education funding formulas. The increase in other revenues was directly related to the improved investment earnings recognized by the District in fiscal 2024. Federal revenues were down as anticipated in the budget with the final spending and the end of several COVID-19 pandemic-related entitlements.

The graph above reflects the concentration of state sources (69.2 percent), followed by property taxes (21.0 percent), to finance General Fund operations.

GENERAL FUND EXPENDITURES

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



	Salaries	Employee Benefits	Purchased Services	Supplies and Materials	Capital Expenditures	Other Expenditures
Budget	$28,466,945	$11,586,428	$6,714,146	$1,483,027	$1,449,266	$576,517
Actual	$27,399,282	$11,519,143	$7,603,554	$1,510,991	$1,675,818	$556,847
Prior Year	$25,331,902	$10,759,868	$6,514,848	$1,407,196	$1,190,701	$707,459

In 2024, expenditures of $50,265,635 were $10,694 under the final budget and were $4,353,661, or 9.5 percent, more than the prior year.

Salary and benefit-related charges, which account for 77.4 percent of General Fund expenditures, increased by $2,826,655 (7.8 percent) and were $1,134,948 (2.8 percent) under amounts planned in the budget. Spending for salaries and employee benefits was more than the prior year as anticipated with an increase in staffing and as approved in contracts. Conservative budgeting, attrition, and difficulty filling open positions contributed to salaries and benefits ending the year less than projected.

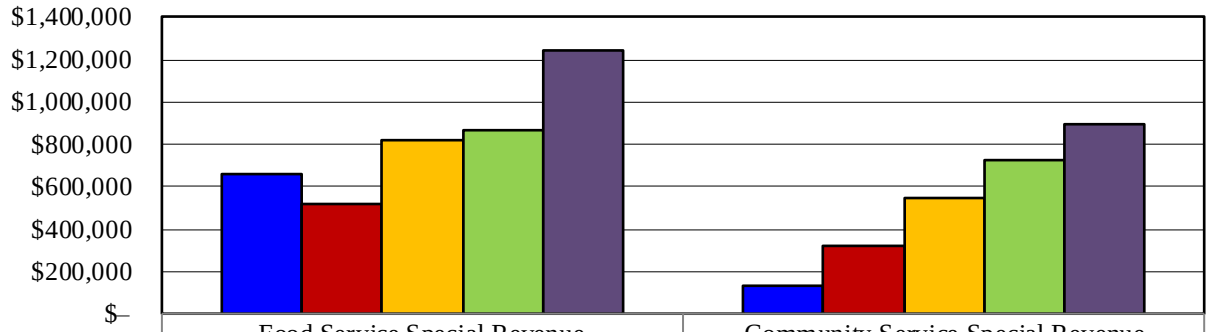
Spending shifted in the current year with more expenditures in purchased services, due to the need to contract for services due to difficulty in filling open positions.

Capital expenditures exceeded prior year spending and was over budget largely due to the timing of projects in the current year within the function for sites and buildings.

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	$657,171	$134,009
2021	$523,334	$321,789
2022	$822,309	$549,213
2023	$864,943	$728,068
2024	$1,243,211	$892,098

Food Service Special Revenue Fund

The District's Food Service Special Revenue Fund reported a fund balance increase of $378,268 over the prior year, compared to a budgeted decrease of $88,010. Food Service Special Revenue Fund revenue sources were $590,932 over budget, while expenditures were over budget by $124,654. The Food Service Special Revenue Fund had a year-end fund balance of $1,243,211, representing 57.8 percent of annual expenditures. Revenues and expenditures were over budget, largely due to conservative budgeting of participation levels with changes approved by the State Legislature to provide free meals to all students.

Community Service Special Revenue Fund

The District's Community Service Special Revenue Fund reported an increase in fund balance of $164,030 over the prior year, compared to a budgeted decrease of $64,853. Revenues were $335,999 over budget, while expenditures were over budget by $107,116. The Community Service Special Revenue Fund had a year-end fund balance of $892,098, representing 40.9 percent of annual expenditures. Conservative budgeting and increased program participation contributed to the variances to projected amounts.

It is critical that Food Service and Community Service Special Revenue Funds be self-sustaining, so as not to place additional burden on General Fund operations. As the graph above indicates, the District has been successful in maintaining the fiscal health of these two funds, which have also assisted in funding several capital improvements to the respective programs in recent years. The District should review upcoming capital needs of the child nutrition and community service operations and incorporate that information in establishing an optimal level of fund balance that is also within state and federal fund balance limits.

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 restricted to the payment of outstanding debt obligations of the District. As of June 30, 2024, the District has $820,156 restricted for debt service.

Proprietary Funds – Internal Service Funds

Dental Self-Insurance

The District established an internal service fund to account for the District's self-insured dental plan. As of June 30, 2024, net position totaled $319,188, an increase of $37,281 over the prior year.

Medical Self-Insurance

The District established an internal service fund to account for the District's self-insured medical plan. As of June 30, 2024, net position totaled $9,760,035, an increase of $732,279 over the prior year.

Other Post-Employment Benefits

In fiscal year 2010, the District established an internal service fund to finance the costs of retiree health OPEB as they accrue. The proceeds of the District's $5.4 million OPEB bonds were contributed into this fund from the District's governmental funds. The assets in this fund are being held in a revocable trust account the District established to finance its OPEB liabilities, and can only be used to pay OPEB costs. However, because the District elected to make the trust revocable (meaning that under certain specific and very restrictive circumstances, the District may take the assets back out of the trust and use them for other purposes), these assets must be accounted for in an internal service fund, which is included in the District's government-wide financial statements.

The District's Other Post-Employment Benefits Internal Service Fund ended the year with cash and investments of $5,086,663 available to pay future OPEB benefits. Net position improved from the prior year deficit balance of $4,381,554, to a net position deficit of $3,505,058 at the end of the current year. This is an increase of $876,496 from current year activity.

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	$ 17,007,128	$ 12,123,512	$ 4,883,616
Total capital assets, net of depreciation/amortization	39,141,609	39,692,675	(551,066)
Bonds payable and certificates of participation (including unamortized premium/discount)	(24,640,075)	(27,601,718)	2,961,643
Financed purchase payable	–	(85,201)	85,201
Pension adjustments	(28,124,525)	(32,535,078)	4,410,553
Other adjustments	6,083,732	4,331,749	1,751,983
Total net position – governmental activities	$ 9,467,869	$ (4,074,061)	$ 13,541,930
Net position			
Net investment in capital assets	$ 14,501,534	$ 12,090,957	$ 2,410,577
Restricted	5,776,074	4,990,571	785,503
Unrestricted	(10,809,739)	(21,155,589)	10,345,850
Total net position	$ 9,467,869	$ (4,074,061)	$ 13,541,930

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, net pension, and net OPEB liabilities.

Total net position increased by $13,541,930 during fiscal 2024. This change includes an increase of $154,440 for the change in accounting principle, as previously discussed. The District's net investment in capital assets increased $2,410,577 this year. The change in this category of net position typically depends on the relationship of the rate at which the District is adding additional capital assets, the rate capital assets are being depreciated and amortized, and how that relates to the rate at which the District is repaying the debt issued to purchase or construct those assets. The change in restricted net position was due to an increase in amounts restricted for debt service, food service, community service, and state funding restrictions. The change in unrestricted net position is due, in part, to adjustments in the District's proportionate share of the Public Employees Retirement Association and the Teachers Retirement Association pension plan liabilities and related deferments. The financial operations of the General Fund and internal service funds, as previously discussed, also contributed to the change in unrestricted net position.

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.