MERCER ISLAND SCHOOL DISTRICT No. 400

Fiscal Year-End Report
2025-2026



"Students are the Priority"

Presented to the Mercer Island School District Board of Directors
on November 12th, 2026

Table of Contents

Table of Contents 1

Letter of Introduction 2

Executive Summary 3-9
- Expenditures 3-5
- Revenues 6-7
- Fund Balance 8-9

General Fund Summary 10-15
- Total General Fund Revenue by Source 10-11
- Total Expenditures for the General Fund 11
- Analysis of Total Expenditures by Object – General Fund 11-12
- Historical General Fund Revenues & Expenditures Graphs 13
- Historical General Fund - Fund Balance Graphs 14
- Year-End General Fund – Ending Fund Balance Allocation 15

Other Funds – Fund Summaries 15-16
- Capital Projects Fund 15
- Debt Service Fund 15
- Associated Student Body Fund (ASB) 16
- Transportation Fund 16

District Wide Information 17-18
- Assets 17
- Liabilities and Fund Balance 17
- Physical Assets 18

2025-2026 Student Enrollment – OSPI Year-End Report 1251 19

November 12th, 2026

Board of Directors
Mercer Island School District #400
4160 86th Ave SE
Mercer Island, WA 98040

Dear School Board Members:

The Mercer Island School District Annual Financial Statements (F-196) for fiscal year 2025-2026 are attached along with this report. The Superintendent and the Assistant Superintendent of Finance & Operations assume responsibility for data accuracy and completeness. These annual financial statements present the District's unaudited financial results as of August 31st, 2026.

The development and review of the 2025-2026 General Fund, Capital Fund, Debt Service Fund, Associated Student Body (ASB) Fund, and the Transportation Fund. Annual financial statements were completed with a comprehensive review of revenues and expenditures. Information on each fund's annual financial statement is provided in this document. The State of Washington required F-196 - Annual Financial Report has also been completed and submitted to the PSESD (Puget Sound Educational Service District) and OSPI (Office of the Superintendent of Public Instruction) per WAC 392-117-035.

We are pleased to publish and disseminate this annual financial statement summary to you and the community. We welcome the opportunity to present and discuss results and related financial outcomes with all interested parties. We believe that constructive, positive interaction amongst interested and objective groups consistently leads to operational and educational improvements for students in the Mercer Island School District.

Our goal with this document, our Fiscal Year-End Report, is to provide reliable and easily understood financial information to our community about the educational programs and services for fiscal year-end 2025-2026. We believe this document fulfills our promise to strengthen the presentation of our annual financial statements and to help make them more transparent and reader friendly.

Dr. Fred Rundle
Superintendent

Matt Sullivan
Assistant Superintendent - Finance & Operations

Executive Summary

A preliminary budget was presented in May, with a final budget approved by the Board in late June. Implementation of the budget commenced on September 1, 2025 with its conclusion on August 31st, 2026.

Expenditures

The Mercer Island School District operates six (6) individual funds, allowed by state law, specifically RCW 28A.320.330, they are as follows: **General, Capital Projects, Debt Service, Associated Student Body (ASB), Transportation and a (minor) Benefit Trust Fund.**

General Fund -
Accounts for the day-to-day operation of the District. Included are all the normal and recurring financial activities that are not accounted for in other funds. Expenditures include salaries and benefit costs, non-salary costs such as supplies and materials, books and other instructional materials, utilities, purchased services and equipment, which is referred to as MSOC (Materials Supplies and Operating Costs). Revenue for the General Fund includes local, state, and federal funds.

Capital Projects Fund -
Accounts for financing and expenditure of capital projects. It can include modernization, new construction, replacement of systems, equipping of new facilities, site improvements, major renovations, technology systems, and personnel associated with capital projects and technology. Revenue for the Capital Projects Fund can include state matching funds, investment earnings, the Cap/Tech levy, and bonds.

Debt Service Fund -
Provides for the redemption (principal payments) and payment of interest on voted bonds. Each year an amount is levied which provides for redemption of bonds currently due, interest payments and related costs.

Associated Student Body Fund (ASB) -
Accounts for the student extracurricular activities in each school. These funds *are* public monies raised by students for students, governed by students and are used for optional, extra-curricular events of a cultural, athletic, recreational, or social nature (CARS).

Transportation Fund -
Accounts for the purchase of buses and major bus repairs, though major repairs are allowed only with OSPI approval. Revenue for this fund can include state depreciation funds, transportation levy funds, and interest income.

Expenditures

The following chart presents a comparison of the proposed budget vs. actual expenditures for fiscal year 2024-2025 for all funds as well as 2025-2026 actual expenditures.

Total Expenditures for All District Funds				
Fund	**Actual 2024-2025**	**Budgeted 2025-2026**	**Actual 2025-2026**	**% Change***
General	79,090,155	80,597,928	79,265,592	+0.2%
Capital Projects	11,627,717	14,221,540	12,167,210	+4.6%
Debt Service	10,113,823	9,465,400	9,081,100	-10.2%
ASB	1,337,931	1,981,750	1,173,126	-12.3%
Transportation	16,054	950,000	684,436	+4,163.3%

**Percent change is between 2024-2025 Actual and 2025-2026 Actual*

Analysis of Total Expenditures for All District Funds

General Fund, +0.2% increase, is minimal due to a decrease in staffing and supplies vs. an increase in salaries.

Capital Projects Fund, **+4.6%** increase, due to two conditional sales (leases for computers), which state accounting rules require the District to show the full expenditure cost in the year that the contract is signed. A budget revision was done on this fund, Resolution 759 in August.

Debt Service Fund, **-10.2%** decrease, due to the amortization schedule for bond payments.

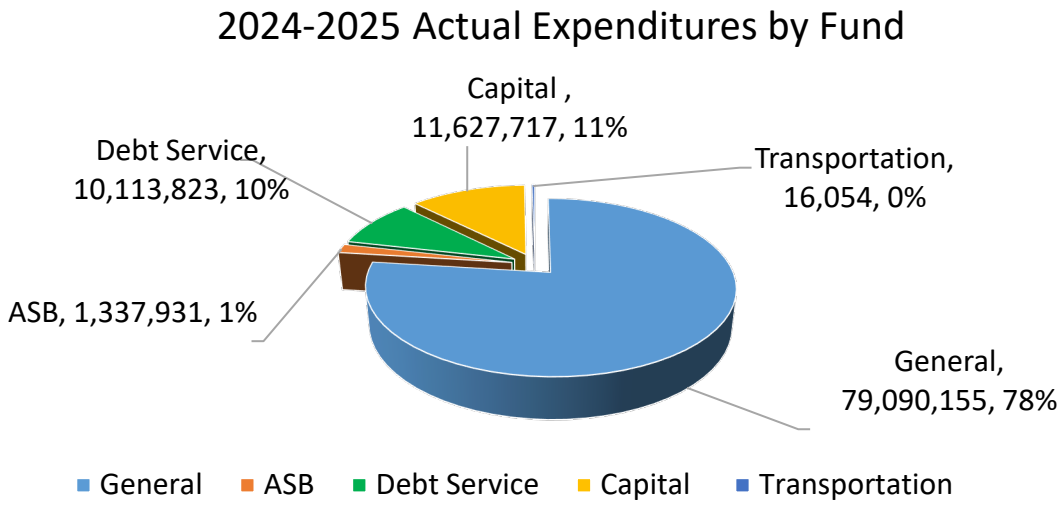
Associated Student Body Fund (ASB) -12.3% decrease, due to international travel being accounted for by a 3rd party vendor, not processed through the District.

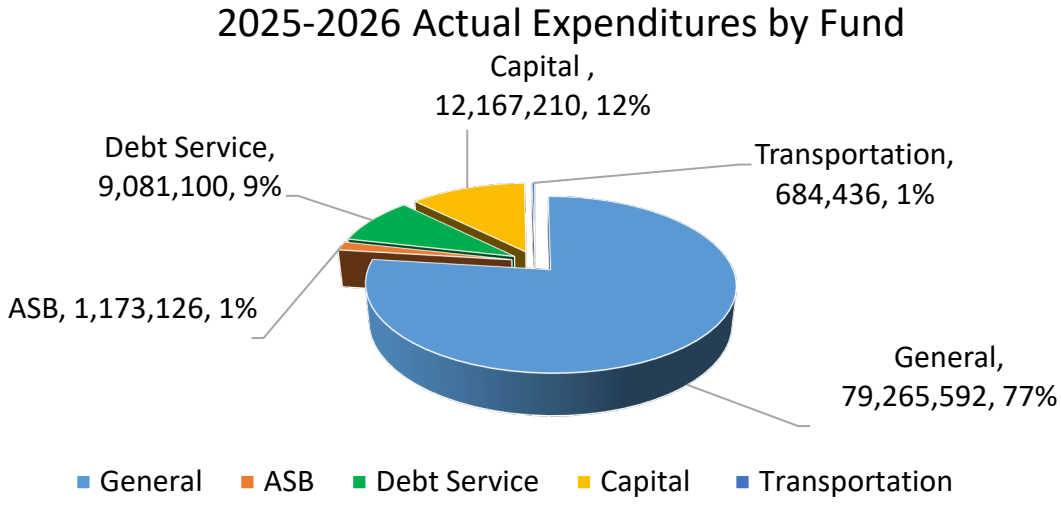
Transportation Fund, +4,163.3% increase, due to new bus purchases, three little buses. A budget revision was done on this fund, Resolution 751, in February, due to a delayed delivery of buses.

The education of students and the operation of a school district is a labor-intensive enterprise, as reflected in personnel costs. The workforce of the District is determined by staffing guidelines and collective bargaining agreements (CBA's) in relation to projected student enrollment, curriculum, state and grant requirements.

In the General Fund, for fiscal year 2025-2026, salaries and benefits made up 84.9%. For comparison, fiscal year 2024-2025 salaries and benefits made up 84.6%. In fiscal year 2023-2024 salaries and benefits made up 82.7%. For fiscal year 2022-2023, salaries and benefits constituted 81.6% of all General Fund expenditures.

The following pie charts provide a comparison of actual expenditures by fund for the 2024-2025 and 2025-2026 fiscal years based on actual expenditures.





Revenues

Financial support for district operated programs and services is mainly derived from state apportionment, but more and more it's supported by local sources of revenue, such as the Educational Programs & Operations (EP&O) levy and the Technology and Capital Projects (Cap/Tech) Levy, which is funded by local property taxes, and from generous donations from civic and educational support organizations, such as the Mercer Island Schools Foundation.

The following chart presents a comparison of the proposed budget vs. actual revenues for fiscal year 2024-2025 for all funds as well as 2025-2026 actual revenues.

Total Revenues for All District Funds				
Fund	**Actual 2024-2025**	**Budgeted 2025-2026**	**Actual 2025-2026**	**% Change***
General	79,455,208	80,597,928	79,044,311	-0.5%
Capital	9,131,400	12,746,110	11,687,957	+28.0%
Debt Service	9,146,012	9,330,400	9,357,690	+2.3%
ASB	1,436,245	1,760,744	1,197,856	-16.6%
Transportation	699,122	705,000	537,988	-23.0%

**Percent change is between 2024-2025 Actual and 2025-2026 Actual*

Analysis of Total Revenues for All District Funds

General Fund, -0.5% decrease, due to declining enrollment.

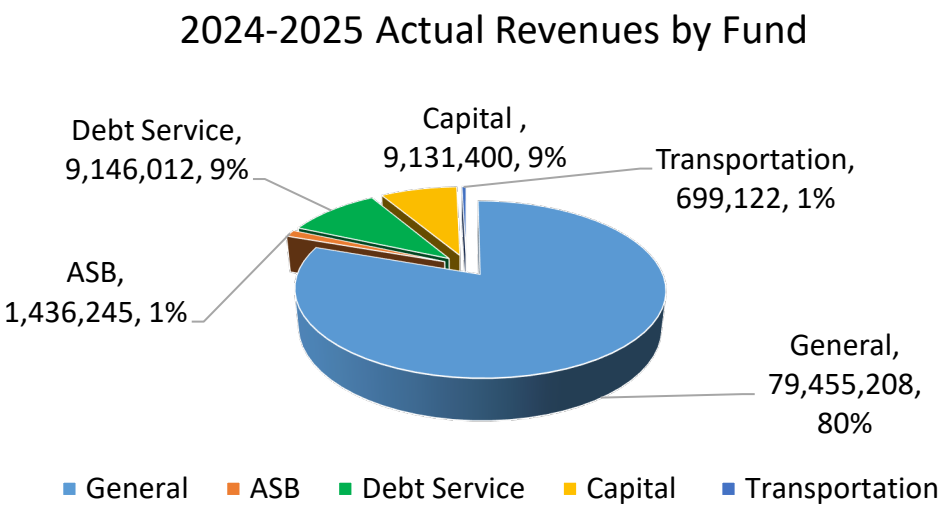
Capital Projects Fund, **+28.0%** increase, due to two conditional sales (leases for computers) and the State accounting requirements to reflect the principal value with an offsetting entry of revenue. A budget revision was done on this fund, Resolution 759 in August.

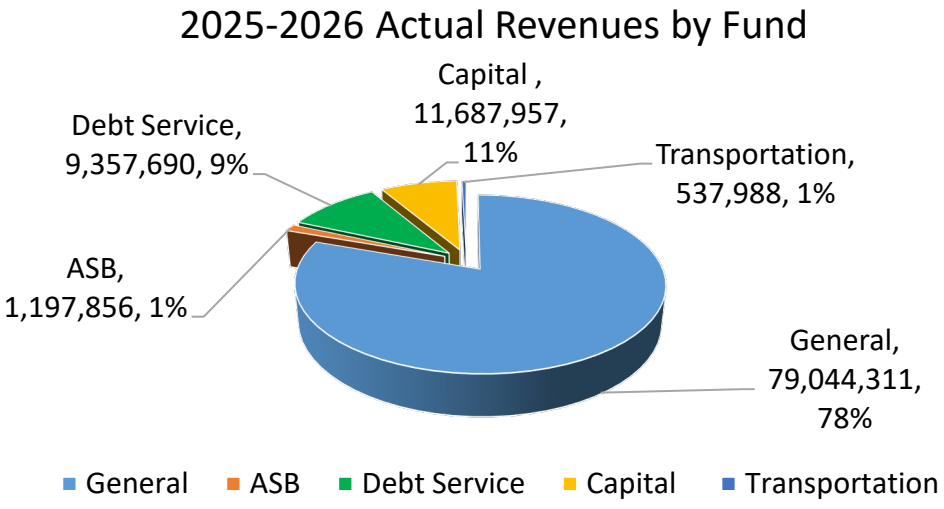
Debt Service Fund, **+2.3%** increase, due to the amortization schedule for bond payments.

Associated Student Body Fund (ASB), -16.6% decrease, was due to students raising less funds for events, activities, and trips.

Transportation Fund, **-23.0%** decrease, due to change in depreciation funding. It should be noted that the State of Washington during the 2026 legislative session retroactively (back to September) changed the way school bus deprecation is calculated and deducted it from our August apportionment.

The following pie charts provide a comparison of revenues by fund for the 2024-2025 and 2025-2026 fiscal years based on actual revenues.





Fund Balance

The District maintains a positive balance in each of the five major funds, which provides savings and future spending flexibility. The District's fund balance declined by $221,281. The decline was due to decreased enrollment and an unanticipated out-of-state placement. The District implemented cost saving measures to lessen the impact on the fund balance.

General Fund, Fund Balance consists mainly of committed reserves, restricted funds, assigned contingencies and unassigned reserves. The Fund Balance percent is calculated by dividing the year end actual amount (numerator) by the total annual expenditure (denominator).

Capital Projects Fund Balance consists of designated capital fund reserves and collected bond and Cap/Tech Levy funds.

Debt Service Fund Balance consists of local taxes that have yet to be used for bond principal and interest payments. These payments occur in December and June/July.

Associated Student Body Fund (ASB) Balance accounts for student extracurricular activities in each school.

Transportation Fund Balance accounts for the purchase and major repair of buses.

The table below shows the 2024-2025 ending fund balances (budgeted amount and actual) and the 2025-2026 actual amount.

Ending Fund Balance for All Funds			
Fund	**Actual 2024-2025**	**Actual 2025-2026**	**% Change**
General Fund	3,145,891	2,924,610	-7.0%
Capital Projects	1,671,632	1,192,379	-28.7%
Debt Service	5,619,059	5,895,650	+4.9%
ASB	405,270	430,000	+6.1%
Transportation	1,704,790	1,558,342	-8.6%

Analysis of Ending Fund Balance for All Funds

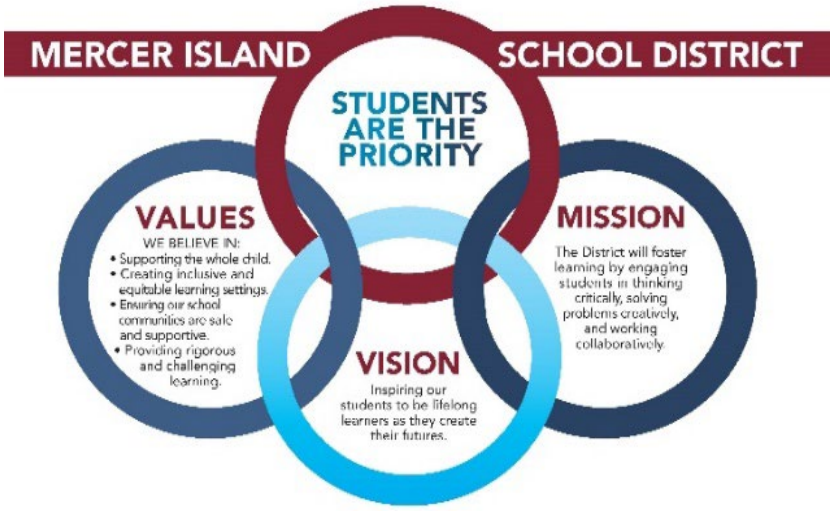
General Fund, **-7.0 %** decrease, due to student enrollment was lower than projected.

Capital Projects Fund, -28.7% decrease, due to completion of the Mary Wayte Pool project and other major projects, during the prior year.

Debt Service Fund, **+4.9%** increase, was due to continued payments on the bond as determined by the amortization schedule.

Associated Student Body Fund (ASB), +6.1% increase, due to additional fund raising and fees collected on trips sports, travel, and equipment/events.

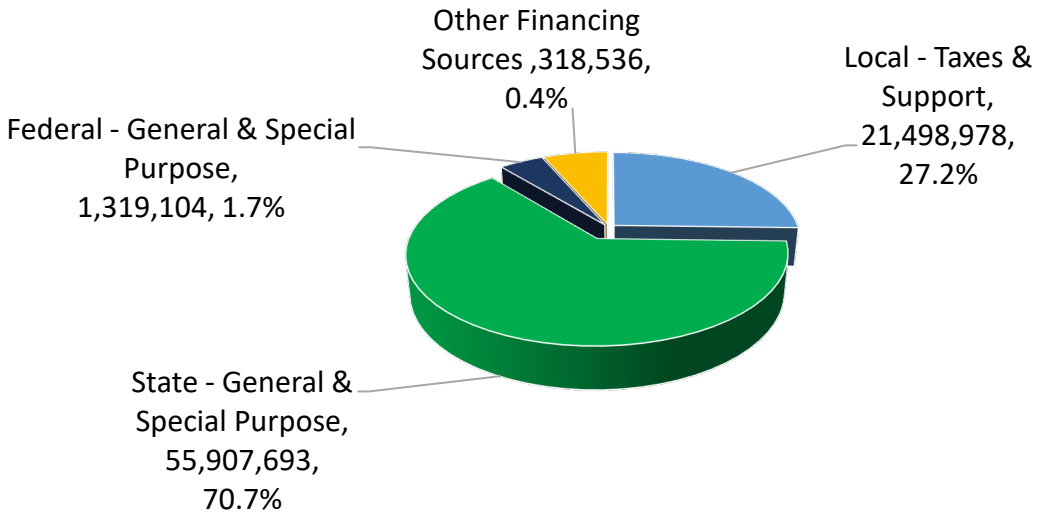
Transportation Fund, -8.6% decrease, due the purchase of new (larger) buses the prior year.



General Fund Summary

The General Fund accounts for the day-to-day operations of the District. Included are all the normal and recurring financial activities that are not accounted for in other funds. Expenditures include salary and benefit costs and non-salary costs such as supplies, materials, books and instructional materials, utilities, insurance, purchased services/contracts and equipment, which is called MSOC (Materials Supplies and Operating Costs). Revenue for the General Fund includes local and state taxes, federal grants, and other monies.

Total General Fund Revenue by Source



Local - Taxes & Support, 27.2% - This funding source includes local property taxes – the EP&O levy, Cap/Tech levy, tuition and student fees, investment earnings, and private donations from individuals and community support, such as the Mercer Island Schools Foundation.

State – General & Special Purpose, 70.7% - This is the largest revenue source for the District, which includes state apportionment. The amount of apportionment is driven by the number of full-time equivalent students (FTE) in the District, and a series of other formulas driven by both the number of full-time equivalent students (FTE) and operational rates set by the Legislature.

The 2025-2026 ending state allocation per student FTE was $11,535. The 2024-2025 ending state allocation per student FTE was $11,294. In 2023-2024 the ending state allocation per student FTE was $10,770. The ending 2022-2023 state allocation per student FTE was $10,407. State General and Special Purpose funding also includes Special Education, Career and Technical Education (CTE), Learning Assistance Program (LAP), Alternative Learning Experience (ALE/CREST), Transitional Bilingual, Food Services, and Highly Capable.

Federal – General & Special Purpose, 1.7% - This funding source includes Special Education grants, Title I - Disadvantaged, Title II – Professional Development, Title III – Bilingual, Title IV – Supplemental to Title I & II, Nutrition Support, and other numerous grants.

Other Financing Sources, .4% - This funding source includes the sale of surplus real property, equipment, and facility use fees.

Total Expenditures for the General Fund

The table below shows the 2024-2025 year-end Object balances (budgeted amount and actual) and the 2025-2026 actual amount.

Total Expenditures by Object – General Fund					
Object	**Description**	**Actual 2024-2025**	**Budgeted 2025-2026**	**Actual 2025-2026**	**% Change***
2	Salaries-Certified	35,325,203	35,838,062	35,779,789	+1.3%
3	Salaries-Classified	15,000,612	14,991,854	15,260,641	+1.7%
4	Benefits	16,577,669	16,265,977	16,240,384	-2.0%
5	Supplies & Materials	1,601,175	1,837,345	1,477,320	-7.7%
7	Purchased Services	10,379,311	11,565,508	10,465,581	+0.8%
8	Travel	137,236	69,182	41,877	-69.5%
9	Capital Purchases	68,949	30,000	0	-100%

**Percent change is between 2024-2025 Actual and 2025-2026 Actual*

Analysis of Total Expenditures by Object – General Fund

Salaries – Certified, +1.3% increase, due to certified staff salary/step increases.

Salaries – Classified, +1.7% increase, due to classified salary/step increases.

Benefits, -2.0% decrease, due to a decrease in staffing.

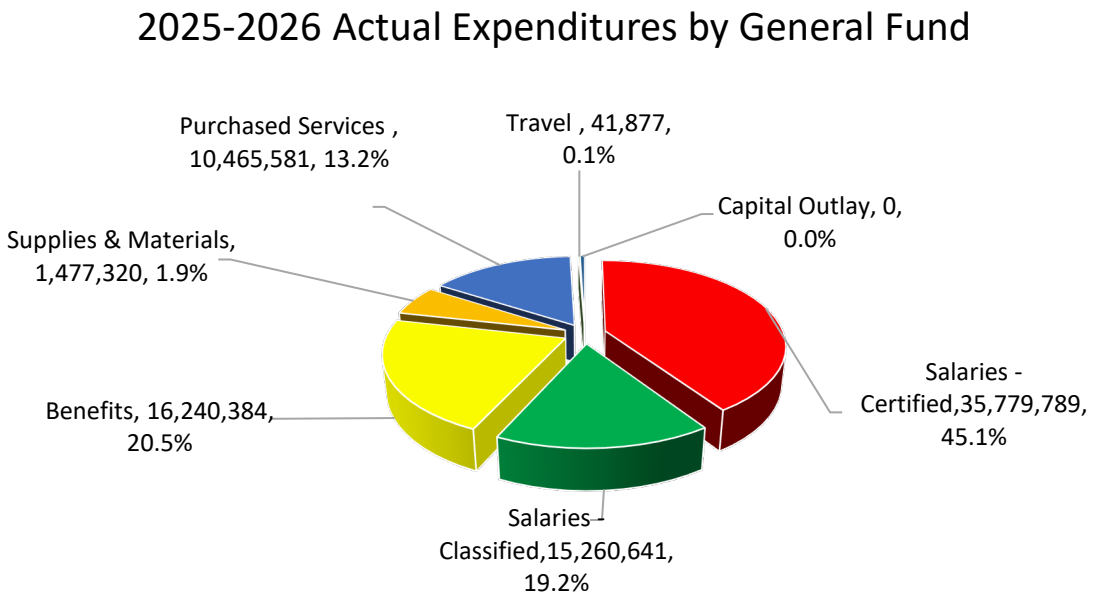
Supplies & Materials, -7.7% decrease, due to the reduction in supply budgets.
(Supplies & Materials are items such as: postage, accessories, and parts, building and hardware supplies, copy supplies, custodial supplies, tools, office and library supplies, forms, paper products, workbooks and kits, and fuel, etc.)

Purchased Services +0.8% increase, due to rising cost of services provided to the District. (*Purchased Services are items such as: election fees, legal services, audit costs, NWRDC – financial and student software, insurance, Food Service vendor contract (Chartwells), personal service contracts, and utilities, etc.)*

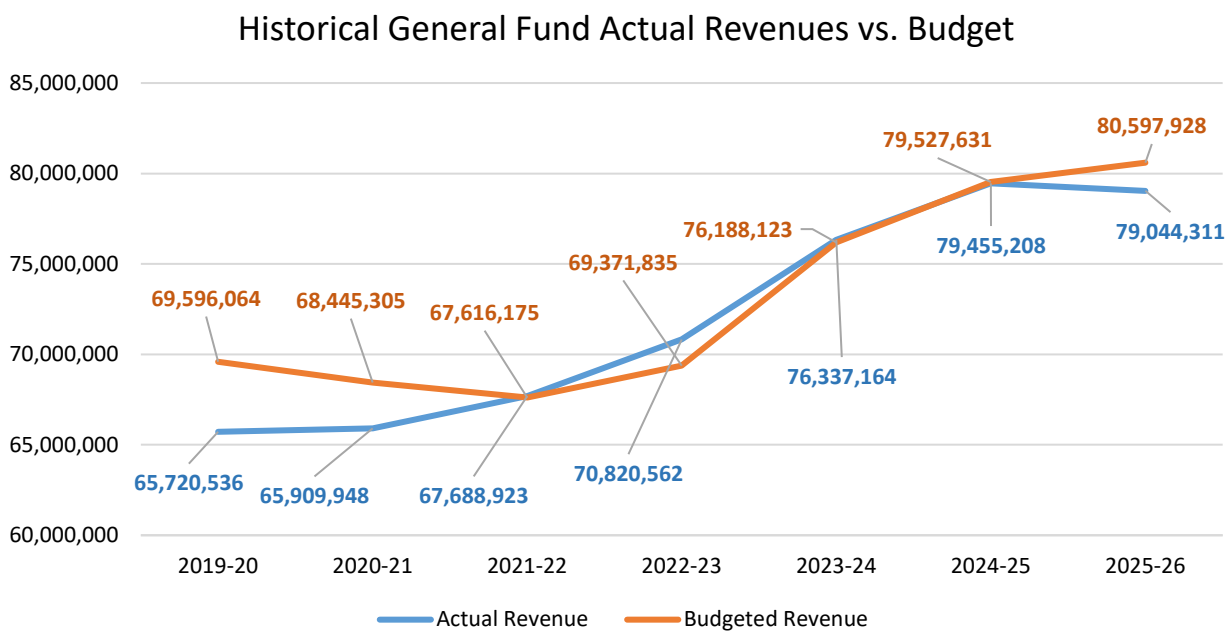
Travel -69.5% – decrease, due to less travel for professional development.

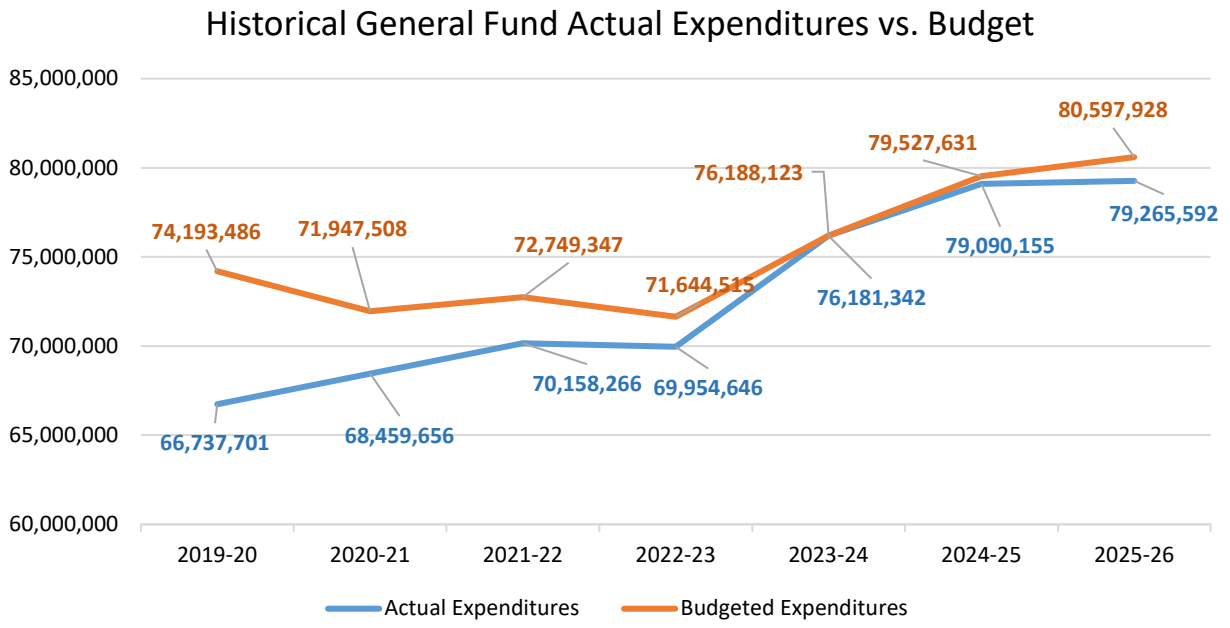
Capital Outlay, -100% - decrease, due to threshold increase by State to qualify for capital outlay; adjusted up to $10k from $5k. There were no General Fund capital purchases over the newly created $10k threshold.

The following pie chart provides a comparison of expenditures by Object via the General Fund for the 2025-2026 fiscal year.

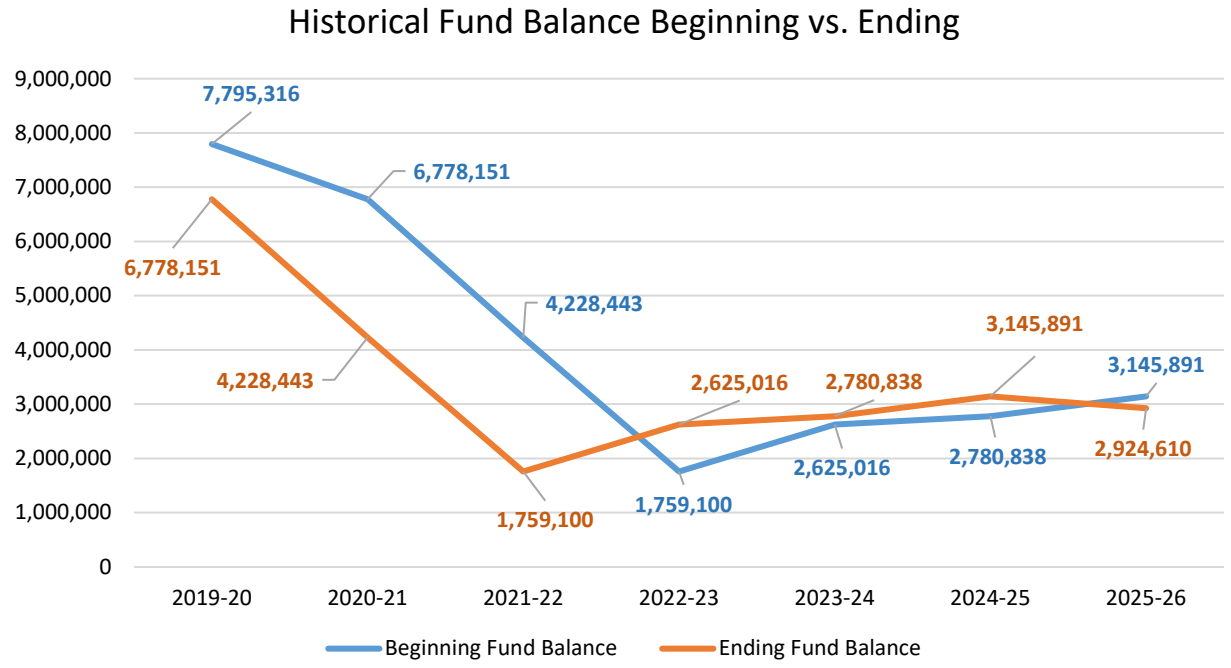


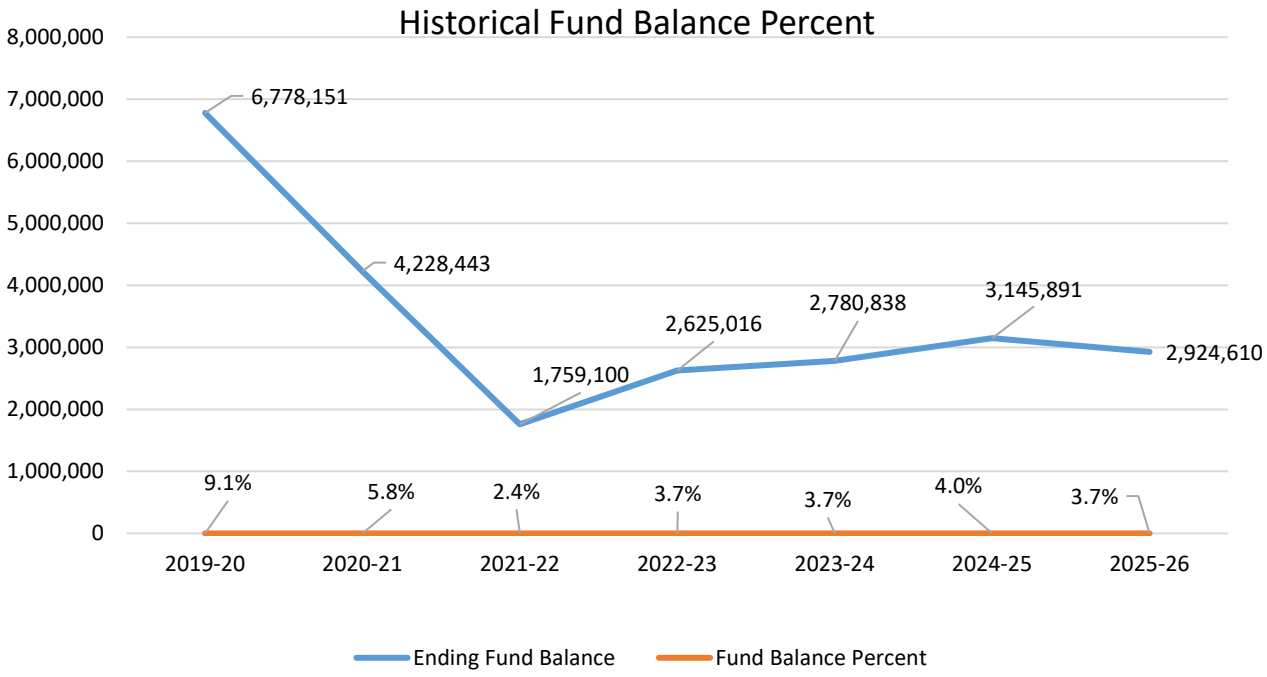
Historical General Fund Revenues & Expenditures





Historical General Fund - Fund Balance





Year-End 2025-2026 General Fund – Ending Fund Balance Allocation

Description	2024-2025 Ending Allocation	2025-2026 Ending Allocation
Nonspendable - Carryover	94,178	50,119
Restricted	582,326	477,104
Unassigned Minimum Fund Balance Policy	2,469,387	2,397,387
ACTUAL YEAR-END TOTAL	**3,145,891**	**2,924,610**

It should be noted that the fund balance is a critical reserve, "savings" if you will, which is needed to pay salaries and benefits during the lean months, typically February, March and April, when local taxes are not remitted to the District from King County until the end of April.

Other Funds – Fund Summaries

Capital Projects Fund

The Capital Projects Fund provides resources to construct or perform significant remodels and/or restoration of facilities. The District receives revenue for the Capital Projects Fund through long-term leases, land sales, state capital project grant reimbursements, investment earnings, and local capital levies and/or bond elections.

Fund	Actual 2024-25	Budget 2025-26	Actual 2025-26
Capital Projects	1,671,632	1,570,212	1,192,379

Debt Service Fund

The Debt Service Fund is used to pay off outstanding long-term bond debt authorized by the Board and approved by the voters. The District pays interest on its debt twice a year (December and June) and principal once a year (December). Property taxes are collected by King County on behalf of the District. King County invests the taxes received to maximize return and maintain as small a tax rate as possible. Investment earnings are an estimated $250k per year.

The use of a Debt Service Fund allows property taxes to remain stable over long periods of time. The Debt Service Fund is closely monitored by multiple agencies, King County, our bank (US Bank) and our "bond agent" (Piper-Sandler) to ensure it stays at a level that allows payment of our long-term debt. Interest earned is used to pay down the debt quicker as approved by the Board via Resolution No. 610.

Fund	Actual 2024-25	Budget 2025-26	Actual 2025-26
Debt Service	5,619,059	5,365,421	5,895,650

Associated Student Body Fund (ASB)

The ASB Fund is run by students, for students under the supervision of a faculty advisor. Each school's ASB account is separate from all other school funds. The students raise money in a variety of ways including dues from ASB cards, athletic and club fees and various fund-raising activities. The year-end balance for the ASB Fund for all schools is typically around $400k, but can increase and/or decrease due to major events and activities, specifically out-of-state or out-of-country trips/travel. This allows for sufficient reserves to cover unexpected events at any of the schools.

Fund	Actual 2024-25	Budget 2025-26	Actual 2025-26
ASB	405,270	177,079	430,000

Transportation Fund

The Transportation Fund receives revenue from the State of Washington in the form of school bus depreciation for district owned buses, typically in one lump sum, at the end of August via State Apportionment. The fund also invests its reserves and thus earns interest via King County. The District currently owns and operates twenty-three (23) eighty-four passenger buses and seventeen (17) smaller, twenty (20) passenger, special services buses.

It should be noted that the State of Washington during the 2026 legislative session retroactively changed the way school bus deprecation is calculated. Specifically, the State extended the depreciation schedule for school bus replacements:

- Type A (smaller) buses: Increased from **8 years to 10 years**.
- Type C and D (larger) buses: Increased from **13 years to 15 years.**

This seemingly minor change reduced the amount of depreciation the District received from the budgeted and scheduled $757,367.84 in 2025-26 to $405,058.18. In 2026-27 we will receive an estimated $463,952.19. This will be a loss of roughly $750,000 +/- in just two years.

Fund	Actual 2024-25	Budget 2025-26	Actual 2025-26
Transportation	1,704,790	1,173,878	1,558,342



District-Wide Information

Assets

Most of the district's financial activity occurs in the General Fund. The King County Treasurer acts as our *Ex Officio Treasurer* in conjunction with our banking institution (US Bank).

The District maintains a small amount of cash to cover urgent warrants (checks), roughly $20,000, known as the "imprest account." The King County Investment Pool invests cash reserves for all county agencies and approximately 100+ special purpose districts and other public entities. It is one of the largest investment pools in the State of Washington, with an average asset balance of nearly $5 billion.

An oversight board, the Investment Pool Advisory Committee (IPAC), consisting of representatives of various institutions required to be part of the investment pool (county agencies, school districts, water districts, fire districts, sewer districts, etc.) was established to lend oversight to the King County Investment Pool. Reappointed as of April 30th, 2024, the Assistant Superintendent - Finance & Operations serves on the board, as appointed by former King County Executive Dow Constantine.

In addition, receivables are monitored and accounts are reconciled monthly and when accounts become more than thirty days past due, we communicate with the organizations or individuals who owe us money.

Liabilities and Fund Balance

The District pays bills after an invoice is received and the materials/services are confirmed to be acceptable. Paying bills twice a month per RCW 42.24.180, allows the District to maintain an average weighted age of accounts payable (AP) of thirty days. As noted above, to cover urgent needs, the District operates an imprest (checking) account, per Resolution No. 719, that is monitored daily and reconciled monthly with a $20,000 limit as approved by the Board.

Fund balance consists of reserves that are committed, restricted, unassigned and/or assigned for items. These include student fees collected for programmatic needs, donations, carryover and commitments for curriculum adoptions and long-term debt. Another, and the largest portion of fund balance, is unassigned as the minimum fund balance. This minimum fund balance is set by Board **OE-7 – Operational Expectations**, which states that the District shall, "***maintain annual budget reserves of at least 8%, with a target of 10%, for the prior fiscal year ended as of August 31st, that are adequate to be consistent with best financial practices for public school districts*.**"**

In addition, **"*During the period of economic recovery and state funding shortfalls (2025-2026 and beyond), the Superintendent will make adequate progress toward restoration by increasing the fund balance by 1% for fiscal year 2026-2027, 2% in 2027-2028 and 2% in 2028-2029.*"**

Physical Assets

The District owns and operates the following schools and facilities:

- 4 elementary schools – **West Mercer / Northwood / Island Park / Lakeridge**
- 1 middle school – **Islander Middle School**
- 1 high school – **Mercer Island High School**
- 1 alternative learning experience (ALE) school – **Crest Learning Center**
- 1 maintenance, operations, & transportation building – **"MOT"**
- 1 administration building
- 1 maintenance shop
- 1 transportation garage
- 1 Pool – **Mary Wayte Pool**
- **South Mercer Playfield (SMP)**

The total land owned by the District is 98.12 acres with a total insurable value (TIV) of buildings and equipment at $301,535,638 million as estimated by our insurance provider as of the beginning 2025-2026 school year. The TIV is reviewed every seven (7) years by our insurance provider, The Washington Schools Risk Management Pool (WSRMP).

Since the District is not required to maintain fixed assets or depreciate them, it becomes important to provide the Board and community with a listing of those assets along with the TIV. The TIV represents the insurance coverage carried by the District. Building values (as noted above) are based on a construction cost per square foot estimated by the Washington Schools Risk Management Pool (WSRMP). This organization is a cooperative between 90+ school districts whose risk history is among the best in the State of Washington. Equipment value represents a factor applied to the costs of construction and then modified to cover items such as special equipment, etc.



"Herbert the Snail" – The Unofficial Mascot of Mercer Island High School

2025-2026 Student Enrollment

	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	AVERAGE
KINDERGARTEN	187.68	192.68	193.68	195.68	195.68	195.68	194.68	194.68	193.68	194.68	193.88
FIRST	240.02	237.01	236.52	238.52	239.57	240.57	242.57	242.57	241.57	242.58	240.15
SECOND	227.00	227.00	225.95	226.00	227.00	227.00	228.00	227.00	227.99	228.99	227.19
THIRD	289.00	290.00	292.00	292.00	291.00	291.00	291.00	291.02	292.09	290.09	290.92
FOURTH	293.39	297.37	296.15	298.15	297.15	297.15	300.15	299.43	300.43	299.43	297.88
FIFTH	284.32	285.20	285.17	283.14	282.14	283.14	284.28	284.05	283.99	283.99	283.94
SIXTH	289.64	288.99	291.00	293.00	292.64	291.39	292.00	292.00	290.00	290.00	291.07
SEVENTH	291.93	292.93	291.93	293.91	291.91	294.91	291.55	291.05	289.12	289.48	291.87
EIGHTH	338.74	340.74	340.61	339.45	336.38	338.38	338.38	336.89	336.86	336.86	338.33
NINTH	346.68	349.33	349.33	349.18	349.02	347.10	347.58	347.09	346.40	344.07	347.58
TENTH	342.82	342.56	342.56	342.56	341.56	344.63	343.62	341.93	343.42	343.58	342.92
ELEVENTH	330.51	332.47	332.79	333.37	332.90	331.63	329.65	327.17	326.02	325.03	330.15
TWELFTH	348.54	349.03	349.45	349.02	347.02	343.35	342.98	343.13	341.97	341.82	345.63
*** TOTALS	3,810.27	3,825.31	3,827.14	3,833.98	3,823.97	3,825.93	3,826.44	3,818.01	3,813.54	3,810.60	3,821.52

Total K-12 Basic Education Enrollment - By Grade Span - including ALE

	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	AVERAGE
KINDERGARTEN	187.68	192.68	193.68	195.68	195.68	195.68	194.68	194.68	193.68	194.68	193.88
GRADES 1-3	756.02	754.01	754.47	756.52	757.57	758.57	761.57	760.59	761.65	761.66	758.26
GRADE 4	293.39	297.37	296.15	298.15	297.15	297.15	300.15	299.43	300.43	299.43	297.88
GRADES 5-6	573.96	574.19	576.17	576.14	574.78	574.53	576.28	576.05	573.99	573.99	575.01
GRADES 7-8	630.67	633.67	632.54	633.36	628.29	633.29	629.93	627.94	625.98	626.34	630.20
GRADES 9-12	1,368.55	1,373.39	1,374.13	1,374.13	1,370.50	1,366.71	1,363.83	1,359.32	1,357.81	1,354.50	1,366.29
*** TOTALS	3,810.27	3,825.31	3,827.14	3,833.98	3,823.97	3,825.93	3,826.44	3,818.01	3,813.54	3,810.60	3,821.52

(Year-end enrollment actuals via the State of Washington – OSPI report 1251)