

# Management Discussion and Analysis

## MSBO Financial Statement Preparation Workshop

June 2, 2026



*Presented by:*

**Christine Thomas-Hill**

**Assistant Superintendent of Finance and Operations**

**Traverse City Area Public Schools**

**(231) 933-1730**

**thomasch@tcaps.net**

# Management Discussion and Analysis (MD&A)

## A Key to Financial Transparency and Accountability

- Overview
  - What is the MD&A?
  - What is the purpose of the MD&A?
  - Highlights
- Key components
- Challenges, considerations, and summary
- Best Practices
- Resources available
  - Samples from other districts

# Overview – What is the MD&A?

## A Key to Financial Transparency and Accountability

- **Definition:**
  - An introductory narrative section within a government's annual financial report.
  - Provides an objective and easily readable analysis of the government's financial activities.
  
- **Placement:**
  - It is **Required Supplementary Information (RSI)** by the Governmental Accounting Standards Board (GASB).
  - It is presented *before* the basic financial statements.
  
- **Role:**
  - Serves as a "user's guide" to the complex financial statements and notes.
  - Offers management's unique perspective on financial performance and position.

# Overview - Purpose of the MD&A

- **GASB Statement 34 Mandate:** This is a mandatory element under [GASB Statement 34](#).

The financial managers of governments are knowledgeable about the transactions, events, and conditions that are reflected in the government's financial report and of the fiscal policies that govern its operations. Those financial managers will be asked to share their insights in a required management's discussion and analysis (referred to as MD&A) by giving readers an objective and easily readable analysis of the government's *financial* performance for the year. This analysis should provide users with the information they need to help them assess whether the government's financial position has improved or deteriorated as a result of the year's operations.

## Important Aspects of MD&A

MD&A should provide an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions. MD&A should include comparisons of the current year to the prior year based on the government-wide information. It should provide an analysis of the government's overall financial position and results of operations to assist users in assessing whether that financial position has improved or deteriorated as a result of the year's activities. In addition, it should provide an analysis of significant changes that occur in funds and significant budget variances. It should also describe capital asset and long-term debt activity during the year. MD&A should conclude with a description of currently known facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations.

# Overview - Highlights

- **Enhance Understanding:** Provides a narrative that complements numerical data, offering insights into significant events, trends, and financial indicators.
- **Interpret & Analyze:** Explains the "why" behind changes in financial position, revenues, expenditures, and fund balances.
- **Assess Financial Condition:** Helps users evaluate the government's ability to meet obligations, fund ongoing operations, and invest in necessary services.
- **Provide Forward-Looking Information:** Discusses currently known facts, decisions, or conditions expected to significantly affect future financial position or results of operations.
- **Promote Accountability:** Demonstrates management's stewardship of public resources and financial decisions.

# Key Components

- ❖ Discussion of Basic Financial Statements:
  - Explains the relationship between government-wide and fund financial statements.
  - Highlights significant differences in the information each statement provides.
  
- ❖ Condensed Comparative Financial Information:
  - Summarizes key data (total assets, liabilities, net position, revenues, expenses) from government-wide statements for the current and prior fiscal periods.
  - Analyzes whether the overall financial position has improved or deteriorated.
  
- ❖ Analysis of Overall Financial Position & Results of Operations:
  - Provides reasons for significant changes in financial position (beyond just size/percentage).
  - Separately analyzes governmental and business-type activities.
  
- ❖ Analysis of Individual Funds:
  - Discusses significant changes in fund balances or net positions.
  - Addresses any restrictions, commitments, or other limitations on fund resources.
  
- ❖ Budgetary Comparison Information:
  - Analyzes significant variances between the original budget, final amended budget, and actual amounts for the General Fund and major special revenue funds.
  - Explains why budgets changed and why actual results differed.

# Key Components (Continued)

- ❖ **Capital Asset and Long-Term Debt Activity:**
  - Describes significant changes in capital assets (new purchases, retirements, upgrades).
  - Discusses changes in long-term debt, including debt limitations or impacts on credit ratings.
  
- ❖ **Infrastructure Assets (if Modified Approach Used):**
  - Details significant changes in the condition levels of infrastructure assets and estimated maintenance expenses.
  
- ❖ **Currently Known Facts, Decisions, or Conditions:**
  - Addresses events or decisions that have occurred or been enacted and are expected to significantly impact future financial position or results of operations.
  - Examples: major grants, significant lawsuits, new agreements, natural disasters, renegotiated labor contracts.

# Challenges, Considerations, and Summary

## Challenges and considerations

- ❖ **Balancing Act:** Maintaining objectivity while also highlighting achievements.
- ❖ **Forward-Looking Data:** Providing useful future insights without being speculative.
- ❖ **Complexity:** Effectively summarizing diverse government operations and funding.
- ❖ **Consistency:** Ensuring MD&A information aligns perfectly with audited financial statements.
- ❖ **Timeliness:** Producing a comprehensive MD&A within reporting deadlines.

## Summary

- ❖ The MD&A is a critical component of a government's annual financial report.
- ❖ It serves as management's voice, offering context and analysis of financial performance.
- ❖ While not formally opined upon, it undergoes auditor scrutiny for consistency and material accuracy.
- ❖ A well-crafted MD&A significantly enhances transparency, accountability, and user understanding of government finances.

# Best Practices

- **Start Early:**
  - Draft explanations as financial results become available.
- **Focus on "Why":**
  - Explain the underlying causes of financial changes.
- **Be Objective & Balanced:**
  - Present both successes and challenges.
- **Use Visual Aids:**
  - Incorporate charts, graphs, and tables for clarity.
- **Be Concise & Readable:**
  - Write for a broad audience, avoiding excessive jargon.

# Resources

## General Overview

- **What is an MD&A?** A clear, narrative look at our financial activities and changes.
- **District-Wide vs. Fund Statements:**
  - **District-Wide:** Overall financial health.
  - **Fund-Based:** Specific area ("fund") performance.
- **District-Wide Analysis:** Overall financial position and changes.
  - **Net Position:** Assets, liabilities, and financial standing.
  - **Changes:** What caused net position to increase or decrease.
  - **Key Variances:** Explaining significant ups and downs.
- **Fund Financial Statements:** Performance of specific funds.
  - **Key Variances:** Explaining significant changes in fund results. *(Tables/Summaries possible)*
- **General Fund Budget:** How the main operating budget is managed.
  - **Budget Variances:** Why actual spending differed from planned. *(Tables/Summaries possible)*
- **Capital Assets & Debt:** Summary of buildings, equipment, and debt. *(Tables likely)*
- **Factors Bearing on the Future:** Key trends and uncertainties impacting the district.
  - **Your Story:** What could affect the finances.
  - **Your Assumptions:** How you think about the future (not predictions).

# Resources (continued)

- [GASB pronouncements webpage](#)
- [ASBO checklist](#)
- Review reports from other districts
  - Traverse City Area Public Schools
    - [Comprehensive Annual Financial Report FYE 6/30/2025](#)
  - Other Samples:
    - [Farmington Public Schools](#)
    - [Ann Arbor Public Schools](#)
    - [Lansing Public Schools](#)
- Use the Transparency Icon to find other districts' reports



# GASB Pronouncements & Impacts

- GASB 103 - Financial Reporting Model Improvements (Issued 04/24)
  - Effective for fiscal years beginning after June 15, 2025

The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

## Management's Discussion and Analysis

This Statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI). MD&A provides an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions and presents comparisons between the current year and the prior year. This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. Furthermore, this Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. This Statement emphasizes that the analysis provided in MD&A should avoid unnecessary duplication by not repeating explanations that may be relevant to multiple sections and that "boilerplate" discussions should be avoided by presenting only the most relevant information, focused on the primary government. In addition, this Statement continues the requirement that information included in MD&A distinguish between that of the primary government and its discretely presented component units.

# ASBO Checklist

## 2. MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

- A. Is an MD&A presented? (GASBS 34: 6; eGAAFR, chapter 33, page 634)
- B. Is the MD&A presented preceding the basic financial statements?  
(GASBS 34: 8; eGAAFR, chapter 31, page 605 & chapter 33, page 634)
- C. Does the MD&A describe the basic government-wide financial statements and the basic fundfinancial statements, as well as the difference in the kinds of information provided by each? (Cod. Sec. 2200.109b; eGAAFR, chapter 31, page 605)
- D. Does the MD&A provide condensed financial data extracted from the government-wide financial statements? If yes, does the condensed financial data include:  
(Cod. Sec. 2200.109b; eGAAFR, chapter 31 page 606)
1. Total assets (distinguishing between capital and other assets)?  
(Cod. Sec. 2200.109b(1); eGAAFR, chapter 31, page 606)
  2. Total deferred outflows of resources?  
(Cod. Sec. 2200.109b(2); eGAAFR, chapter 31, page 606)
  3. Total liabilities (distinguishing between long-term liabilities and other liabilities)?  
(Cod. Sec. 2200.109b(3); eGAAFR, chapter 31, page 606)
  4. Total deferred inflows of resources? (Cod. Sec. 2200.109b(4);  
eGAAFR, chapter 31, page 606)
  5. Total net position (distinguishing among the net investment in capital assets; restricted netposition; and unrestricted net position)?  
(Cod. Sec. 2200.109b(5); eGAAFR, chapter 31, page 606)
  6. Program revenues by major source?  
(Cod. Sec. 2200.109b(6); eGAAFR, chapter 31, page 606)
  7. General revenues by major source?  
(Cod. Sec. 2200.109b(7); eGAAFR, chapter 31, page 606)
  8. Total revenues? (Cod. Sec. 2200.109b(8); eGAAFR, chapter 31, page 606)
  9. Program expenses, at a minimum by function?  
(Cod. Sec. 2200.109b(9); eGAAFR, chapter 31, page 606)
  10. Total expenses? (Cod. Sec. 2200.109b(10); eGAAFR, chapter 31, page 606)
  11. Excess (deficiency) before contributions to term and permanent endowments orpermanent fund principal, special and extraordinary items, and transfers?  
(Cod. Sec. 200.109b(11); eGAAFR, chapter 31, page 606)

# ASBO Checklist

12. Contributions? (Cod. Sec. 200.109b(12); eGAAFR, chapter 31, page 606)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
13. Special and extraordinary items? (Cod. Sec. 200.109b(13); eGAAFR, chapter 31, page 606)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
14. Transfers? (Cod. Sec. 2200.109b(14); eGAAFR, chapter 31, page 606)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
15. Change in net position? (Cod. Sec. 2200.109b(15); eGAAFR, chapter 31, page 606)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
16. Ending net position? (Cod. Sec. 2200.109b(16); eGAAFR, chapter 31, page 606)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
E. Does the MD&A present condensed financial data for both the current fiscal period and the preceding fiscal period? (GASBS 34: 11b; eGAAFR, chapter 31, page 606)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
F. Does the MD&A provide an overall analysis of the school district's financial position and results of moperations? (GASBS 34: 11c; eGAAFR, chapter 31, page 606)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
G. Does the MD&A specifically address whether the school district's overall financial position has improved or deteriorated? (GASBS 34: 11c; eGAAFR, chapter 31, page 606)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
H. Does the MD&A address governmental activities separately from business-type activities? (GASBS 34: 11c; eGAAFR, chapter 31, page 606)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I. Does the MD&A provide an analysis of significant balances and transactions of individual major funds? (GASBS 34: 11d; eGAAFR, chapter 31, page 606)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
J. Does the MD&A address whether restrictions, commitments, or other limitations significantly affect the availability of fund resources for future use? (GASBS 34: 11d; eGAAFR, chapter 31, page 606)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
K. Does the MD&A provide an analysis of significant budgetary variations (both original budget versus final amended budget and final amended budget versus actual) for the general fund? (GASBS 34: 11e; eGAAFR, chapter 31, page 607)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
L. Does the MD&A describe significant capital asset and long-term debt activity during the year? (GASBS 34: 11f; eGAAFR, chapter 31, page 608)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
M. Does the discussion of capital asset and long-term debt activity refer readers interested in more detailed information to the notes to the financial statements? (GASBS 34: 11f, footnote 8; eGAAFR, chapter 31, page 607)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
N. Do amounts reported in the MD&A agree with related amounts in the basic financial statements?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
O. Has the school district refrained from addressing in the MD&A topics not specifically prescribed by GAAP? (GASBS 37: 4-5; eGAAFR, chapter 31, page 605)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Traverse City Area Public Schools

Management's Discussion and Analysis (MD&A)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

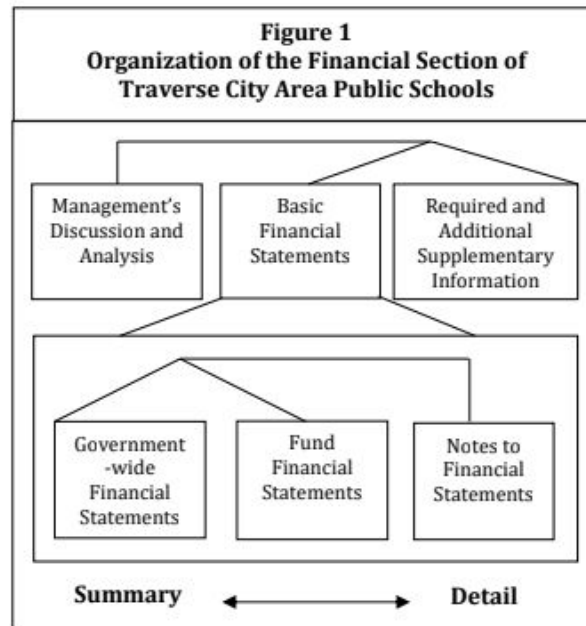
This section of the Annual Comprehensive Financial Report for Traverse City Area Public Schools (the District) presents our discussion and analysis of the District's financial performance during the year ended June 30, 2025. Please read it in conjunction with the transmittal letter found on pages 1 through 7 and the District's financial statements, which immediately follow this analysis.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required and additional supplementary information.

Government-wide and fund financial statements present two different views of the District:

- The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the government-wide statements.
- The *governmental funds* statements tell how *basic services* like regular and special education were financed in the *short-term* as well as what remains for future spending.



The notes to the financial statements explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year as well as required schedules related to net pension liability and net other postemployment benefits asset (OPEB). This section is followed by a section of additional supplementary information. **Figure 1** illustrates how the various parts of this annual report are arranged and relate to one another.

## Overview of Financial Statements

- This section introduces the reader to the basic financial statements. It explains that there are two main ways of looking at the district's finances: district-wide and fund-based.
- This part sets the stage for the rest of the MD&A. It's like providing a roadmap to understand the financial details that follow.
- **Key points to cover:**
  - Explain the purpose of the MD&A.
  - Describe the difference between district-wide and fund-based statements.
  - Briefly mention the three components of basic financial statements: government-wide financial statements, fund financial statements, and notes to the financial statements.

<b>Figure 2 Major Features of District-wide and Fund Financial Statements</b>		
Category	District-wide Statements	Fund Financial Statements
		Governmental Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as operational and capital activities
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term obligations included
Type of inflow-outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

**Figure 2** summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

### District-Wide Financial Statements

- This page displays the district's overall financial position and activities. It focuses on the big picture, using statements like the Statement of Net Position and the Statement of Activities.
- This section is like looking at the school district's finances as a whole.

## Fund Financial Statements

- This section provides a more detailed look at the district's funds, focusing on its most significant ones. Funds are used to track specific sources of funding and spending.
- This section zooms in on specific parts of the district's finances. It provides more detail than the district-wide statements.
- **Key points to cover:**
  - Define what a fund is.
  - Explain why funds are used.
  - Describe governmental funds.

## FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law and by bond covenants. The District establishes other funds to help it control and manage money for particular purposes (e.g., Child Care Fund, Student/School Activities Fund) or to show that it is properly using certain revenues (e.g., Food Services Fund).

The District has one kind of fund:

- **Governmental Funds** - All of the District's basic services are included in governmental funds, which generally focus on how cash (and assets that can be readily converted to cash) flow in and out and the balances left at year-end that are available for spending. These balances are reported using the modified accrual basis of accounting. The governmental fund statements provide a detailed short-term view of the operations of the District and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the school district's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information with the governmental fund statements that explains the relationship (or differences) between them.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Recall that the statement of net position provides the perspective of the school district as a whole. **Figure 3** provides a summary of the District's net position as of June 30, 2025 and 2024. The District's combined net position as of June 30, 2025 totaled 10,522,673 which was an improvement over the June 30, 2024 net position of (\$23,108,857).

**Figure 3**  
**Traverse City Area Public Schools' Net Position**

	2025	2024*	Change
Current and other assets	\$ 123,407,206	\$ 60,941,212	\$ 62,465,994
Net OPEB asset	25,530,710	3,389,184	22,141,526
Capital assets	223,165,234	209,045,403	14,119,831
<b>Total assets</b>	<b>372,103,150</b>	<b>273,375,799</b>	<b>98,727,351</b>
Deferred outflows of resources	51,950,911	72,639,609	(20,688,698)
Long-term liabilities outstanding	158,295,356	87,073,824	71,221,532
Other liabilities	25,493,943	26,556,459	(1,062,516)
Arbitrage liability	-	571,313	(571,313)
Net pension liability	146,193,247	194,300,099	(48,106,852)
<b>Total liabilities</b>	<b>329,982,546</b>	<b>308,501,695</b>	<b>21,480,851</b>
Deferred inflows of resources	83,548,842	60,622,570	22,926,272
Net position			
Net investment in capital assets	142,633,914	134,985,658	7,648,256
Restricted	27,403,178	5,020,467	22,382,711
Unrestricted	(159,514,419)	(163,114,982)	3,600,563
<b>Total net position</b>	<b>\$ 10,522,673</b>	<b>\$ (23,108,857)</b>	<b>\$ 33,631,530</b>

\*The 2024 numbers have not been updated for the adoption of GASB 101.

- A large portion of the District's net position reflects its investment in capital assets (e.g., land, buildings and improvements, furniture, and equipment, net of accumulated depreciation), less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to students and hence these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves are in use and are not available to liquidate these liabilities.
- An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used. This balance is restricted for debt service and other postemployment benefits asset (OPEB).
- The remaining balance of net position is unrestricted and may be used to meet the District's obligations for normal operations in its various funds.

### Financial Analysis of the District as a Whole

- This section presents an analysis of the district's financial position as a whole, using information from the government-wide statements.
- This section provides an analysis of the numbers presented in the government-wide statements.
  - The statement of net position provides the perspective of the school district as a whole.
  - Explain the information in the *Net Position* table.

# Financial Analysis of the District as a Whole

Total net position was 10,522,673 at June 30, 2025 which is a 145.54% increase from the June 30, 2024 balance of (\$23,108,857). The District is able to report positive balances in two of the three categories of net position. Net investment in capital assets increased \$7.65 million. This was primarily the result of the District paying down debt associated with those assets in excess of depreciation/amortization expense, the addition of capital assets from general funds (i.e., not "capital project funds") and investment earnings within the capital project funds. Restricted net position increased \$22.38 million as a result of the other postemployment benefits asset and property taxes exceeding debt payments in the debt service funds. The increase in the unrestricted net position of \$3.6 million was a result of an increase in fund balance for the general fund and a decrease in the net pension liability. This was partially offset by the change in deferred outflows and inflows and a net decrease in several nonmajor funds.

Figure 4 shows the change in net position resulting from the District's government-wide activities for both fiscal years:

**Figure 4**  
**Changes in Traverse City Area Public Schools Net Position**

	2025	2024*	Change
<b>Revenue</b>			
Program revenues			
Charges for services	\$ 6,025,733	\$ 5,906,244	\$ 119,489
Operating grants and contributions	20,669,879	22,839,230	(2,169,351)
General revenues			
Property taxes	74,732,794	67,537,572	7,195,222
State aid - unrestricted	57,602,296	64,417,575	(6,815,279)
Other	6,961,006	8,598,860	(1,637,854)
<b>Total revenues</b>	<b>165,991,708</b>	<b>169,299,481</b>	<b>(3,307,773)</b>
<b>Expenses</b>			
Instruction	56,945,400	64,850,755	(7,905,355)
Support services	49,776,019	55,013,028	(5,237,009)
Community services	3,929,662	4,155,856	(226,194)
Food services	6,088,851	6,376,481	(287,630)
Student/school activities	1,700,737	1,777,705	(76,968)
Intergovernmental expenditures	6,598,742	5,329,244	1,269,498
Interest on long-term debt	4,226,186	3,723,997	502,189
Unallocated depreciation/amortization	2,396,493	2,398,077	(1,584)
<b>Total expenses</b>	<b>131,662,090</b>	<b>143,625,143</b>	<b>(11,963,053)</b>
<b>Change in net position</b>	<b>\$ 34,329,618</b>	<b>\$ 25,674,338</b>	<b>\$ 8,655,280</b>
<b>Net position, end of year</b>	<b>\$ 10,522,673</b>	<b>\$ (23,108,857)</b>	

\*The 2024 numbers have not been updated for the adoption of GASB 101.

As shown in Figure 4 above, total revenues decreased by \$3,307,773 or approximately 1.95%, while total expenses increased by \$11,963,053 or approximately 8.33%. The decrease in total revenues is the result of decreases in all categories except charges for services and property taxes.

## Financial Analysis of the District as a Whole

- Explain the change in net position resulting from the District's government-wide activities for both fiscal years.
- Explain the information in the *Changes in Traverse City Area Public Schools Net Position* table.
- Explain the reasons for the increases/decreases in revenues and expenses.

Continued...

The increase in charges for services is the result of changes to participation fees in preschool, extended day care, and LEAP (Learning, Enrichment, and Athletic Program).

The decrease in operating grants and contributions is the result of funding from various Elementary and Secondary School Emergency Relief programs ending in fiscal year 2024.

The increase in property tax revenue is the result of increases in taxable value for the 2024 tax year (which is reflected in the 2025 fiscal year).

The decrease in state aid unrestricted revenue is the result of a larger portion of the per pupil foundation allowance being funded through local property tax revenue instead of state revenue.

The decrease in other revenue is attributed to several one-time items recorded in fiscal year 2024.

The \$11,963,053 decrease in total expenses is the result of a change in pension related items and changes in other postemployment benefit related items. These decreases were partially offset by an increase in the retirement cost paid by the District to the State retirement system, contract settlements and increased health insurance costs.

- Explain the reasons for the increases/decreases in revenues and expenses.

## DISTRICT GOVERNMENTAL ACTIVITIES

As noted earlier, the District uses funds to help control and manage money for particular purposes. Looking at funds helps the reader consider whether the District is being accountable for the resources the State, taxpayers, and others provide to it and may offer more insight into the District's overall financial health.

As the District completed this year, the governmental funds reported a combined fund balance of \$98.57 million, which is a \$64.82 million increase from the prior year. The increase is mainly the result of the issuance of the 2025 bond in the amount of \$90.32 million, offset by expenditures exceeding revenue in the 2025 and 2023 capital project funds by \$26.67 million. This was in addition to excess revenue over expenditures in the general fund of approximately \$442,000 as well as revenues exceeding expenditures in the other nonmajor governmental funds of approximately \$724,000. Further detail of these changes follows:

- The major capital project fund balances, in total, increased by \$63.65 million. This increase is the result of the issuance of the 2025 bond in the amount of \$90.32 million, investment income of \$1.38 million, which was offset by bond expenditures of \$28.05 million in the 2023 and 2025 capital projects funds. These capital projects are part of the District's long-range capital plan. The District collected approximately \$32.12 million from a 2023 fiscal year sale and approximately \$90.32 million from a 2025 fiscal year sale. These sales were authorized by bond proposal that appeared on a 2018 and 2024 election ballot. Projects completed or nearly completed over the past ten years with funds from bond sales include: construction of a new Montessori School, Eastern Elementary School, Trojan Athletic Complex, the athletic complex at West High School, renovations at Courtade Elementary School, Long Lake Elementary School, Traverse City High School, and East Middle School, site and/or building additions to: Blair Elementary School, Cherry Knoll Elementary School, Silver Lake Elementary School, Westwoods Elementary School, Willow Hill Elementary School, West Middle School, Central High School, and West High School, athletic field and site improvements, bus wash, district-wide security upgrades, district-wide HVAC and controls upgrades and the annual purchasing of buses, technology, instructional equipment, and operational equipment.
- The general fund balance increased by \$441,847. Although the final budget for the 2025 fiscal year had a projected decrease of \$2,969,162, after our normal expected positive variance was taken into account, the District was projecting a decrease to fund balance of approximately \$1.5 million. The main reason for the difference is related to items that will carry over into next year's budget.
- The nonmajor governmental fund balance saw an increase of approximately \$724,000. This occurred from a decrease of approximately \$368,000 in the special revenue funds, an increase of approximately \$1,327,000 in the debt service funds, and a decrease of approximately \$235,000 in the nonmajor capital projects funds. The decrease in the special revenue funds is the result of expenditures exceeding revenues in the child care program. The increase in the debt service fund is the result of property tax payments exceeding debt service payments. The decrease in the nonmajor capital funds was the result of spending on capital outlay exceeding contributions and donations.

## District Governmental Activities

- This section explains how the district uses funds to manage its money. It also analyzes the changes in fund balances.
- This section analyzes of the district's funds and how they changed from the prior year.
- **Key points to cover:**
  - Explain that funds help the reader understand the district's accountability for its resources.
  - Explain the significant changes in the fund balances.
  - Explain the major capital project fund balances.
  - Explain the general fund balance.
  - Explain the nonmajor governmental fund balance.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revises its budget as it deals with numerous changes in expected revenues and expenditures. Under normal circumstances, the District adjusts its budget to reflect changes in a wide variety of state and federal programs, many of which are not finalized until well after the District's original budget is required to be adopted. Additionally, the District aligns its budget with actual staffing and student numbers once they become known in the fall. Toward the end of the fiscal year, the District reviews the status of the budget, and a final amendment is adopted in the spring to reflect changes that may have occurred since the prior adopted budget. The District amended its budget on two occasions in the 2025 fiscal year.

A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements. Highlights of changes to the general fund original budget as compared to the final budget are as follows:

- Budgeted revenues were increased approximately \$6,576,000 which was largely the result of recognizing additional local, state, and federal program revenues, and recognizing the impact of 13 less student FTE over the original budget. The impact of these changes from our original budget to our amended budget is as follows:
  1. The local revenue increase of approximately \$4,993,000 is primarily the result of a \$5,196,000 adjustment for actual property tax values in relation to the state and local portions of the foundation allowance. This increase was supplemented with \$85,000 in miscellaneous revenue and was partially offset by a \$288,000 decrease in available local grants. The District's foundation allowance is comprised of state and local portions. For every increase and/or decrease in the local amount based on property values, there is an equal and opposite change in state revenues related to the foundation. As such, changes made to District revenues related to the per pupil foundation allowance are reflected in both state and local line items. Therefore, the amount per pupil, as well as estimated property values, contribute to the fluctuations that occur in these revenue sources.
  2. The state revenues increase of approximately \$829,000 is the result of an increase in state grants (i.e., GSRP and At Risk) of \$3,825,000 and recording an increase in state categorical funding of \$2,325,000. This was offset with a decrease of 13 student FTE from the original budget of \$125,000 along with the \$5,196,000 decrease for actual property tax values in relation to the state portion of the per pupil foundation allowance mentioned earlier.
  3. The federal revenue increase of approximately \$648,000 is the result of accounting for actual and carryover allocations in federal grants (i.e., Title I and Title II).
  4. The increase in intergovernmental revenues of approximately \$106,000 is due to higher funding from miscellaneous local grants.
- Budgeted expenditures were increased approximately \$5,693,000 from the original to the amended budget. This was predominantly the result of recognizing additional state and federal programs during the year, coupled with adjustments to other accounts throughout the District that aligned year-end expenditure expectations with the most current information available. As noted above, state, and federal restricted programs increased by approximately \$4,473,000 in total from the original to the final budget. Additional increases were the result accounting for the increase in the state categorical section 147g funding of \$1,131,000. The remaining increase of approximately \$89,000 was the result of minor adjustments across all accounts.

### General Fund Budgetary Highlights

- This section discusses the district's budget for the general fund and explains any changes made to it over the year.
- **Key points to cover:**
  - Explain that the District revises its budget over the course of the year.
  - Explain the highlights of changes to the general fund original budget as compared to the final budget.

## General Budgetary Highlights Continued

Highlights of the final amendment in comparison to actual results include the following:

- The \$2,667,392 negative revenue variance is the result of deferring approximately \$2,482,000 more than budgeted in local, state, and federal restricted revenues (i.e., grants). This variance is an expected outcome in that local grants, restricted state programs, and federal programs are budgeted in their full amounts and any remaining program budget is “carried over” to the next fiscal year. The remaining variance of approximately \$185,000 is primarily from not receiving funds budgeted from local sources.
- The \$6,428,199 positive variance in expenditures is the result of not spending all local, state, and federal program dollars (which, as stated above, are carried over to the next year), coupled with a positive general fund variance in general fund unrestricted expenditure line items. Specifically:
  1. Approximately \$2,482,000 of the positive variance is the result of local, state, and federal program carryover. These restricted grants are budgeted at their full amount during the fiscal year. Because most of these grants do not have the same fiscal year as the District, any amount remaining at June 30 is simply rolled over into the new fiscal year. Approximately \$1,808,000 of the fluctuation noted in instruction, pupil service support and instructional staff support functions is due to local, state, and federal programming carryover, while the remaining \$674,000 is spread throughout the various other line items.
  2. Additionally, there is approximately \$1,137,000 in other carryover items for staffing, vehicles, textbook, and curriculum purchases.
  3. The remaining positive budget variance of approximately \$2,809,000 represents approximately 2.14% of general fund budgeted expenditures. This variance is consistent with the District’s conservative spending practices. The District makes a concerted effort to maximize dollars throughout the year by spending only what is needed. This variance is also reflective of our adherence to the Michigan Uniform Budget and Accounting Act, which makes it a violation for school districts in Michigan to overspend their formally adopted budget.

Explain the highlights of the final amendment in comparison to actual results.

**Capital Assets**

As shown in **Figure 5**, as of June 30, 2025, the District had approximately \$407.62 million invested in a broad range of capital assets including land, buildings, furniture, and equipment. This amount represents a net increase (including additions less disposals) of approximately \$24.34 million, or 6.35% percent from last year and is the result of the District’s ongoing bond projects which are funded with proceeds from the 2023 and 2025 bond sales. An increase of \$10.22 million in accumulated depreciation/amortization offset the noted \$24.34 million increase in capital assets resulting in an increase in total capital assets of \$14.12 million, from approximately \$209.05 million to \$223.17 million (a 6.75% increase).

**Figure 5**  
**Changes in Traverse City Area Public Schools Capital Assets**

	2025		2024	
	Cost	Accumulated Depreciation/Amortization	Net Book Value	Net Book Value
Land	\$ 3,002,441	\$ -	\$ 3,002,441	\$ 3,003,941
Construction in progress	17,478,520	-	17,478,520	19,704,275
Land improvements	39,491,641	11,826,326	27,665,315	17,679,037
Building and additions	281,515,221	120,651,186	160,864,035	151,600,100
Right to use - subscriber-based IT	1,345,221	715,637	629,584	907,145
Machinery and equipment	54,203,000	43,170,123	11,032,877	13,771,472
Transportation equipment	10,586,026	8,093,564	2,492,462	2,379,433
<b>Total</b>	<b>\$ 407,622,070</b>	<b>\$ 184,456,836</b>	<b>\$ 223,165,234</b>	<b>\$ 209,045,403</b>

This year’s additions of approximately \$28.23 million include equipment, technology, building renovations and additions, land and site improvements, and vehicles. More detailed information regarding the District’s capital asset activity can be found in Note 3 to the basic financial statements.

**Long-term Debt**

At year-end, the District had \$155,510,567 in general obligation bonds and \$2,784,789 in other long-term debt outstanding. The combined total reflects an increase of \$70,523,411, or 80.35%, from the previous fiscal year. This change was the result of the District’s issuance of the 2025 bond as well as payments on prior bonds in the current year. The District has an aggressive paydown schedule on all bonds issued after 2001. All new bonds (exclusive of refunding bonds) issued since that time have been issued with maturities of ten years.

More detailed information about the District’s long-term liabilities is presented in Note 5 to the basic financial statements.

**Capital Asset and Debt Administration**

- This section provides information about the district’s capital assets (like buildings and equipment) and its long-term debt.
- **Key points to cover:**
  - Explain the changes in capital assets.
  - Explain the information in the *Changes in Traverse City Area Public Schools Capital Assets* table.
  - Explain the district's long-term debt.

## FACTORS BEARING ON THE DISTRICT'S FUTURE

The District's financial health and ability to provide a high-quality education will be shaped by shifts in our local population, evolving economic conditions, and the strategic direction set by our Board. The strategic plan represents a student-centered strategic initiative that focuses on improving academic achievement, fostering student connection to school, and promoting student well-being.

### Shifts in Population and Enrollment

Our student enrollment, and therefore our funding, is directly tied to the demographic makeup of our community. While Traverse City is growing overall, that growth isn't always from families with school-aged children.

- **Aging Population:** An increasing number of seniors are relocating to the area. This demographic shift can change community priorities and lead to fewer families with children attending our schools.
- **Family Migration:** While some families are drawn to the area for its quality of life, the high cost of housing presents a significant challenge. We must monitor whether new and existing families can afford to remain in the community, as this directly impacts our long-term enrollment trends.
- **Early Childhood Trends:** A sustained decline in birth rates requires us to carefully project future kindergarten class sizes and adapt our long-term planning accordingly. This also highlights the growing importance of early childhood education and the need to support the youngest members of our community, as their readiness for school is a key factor in future success.

### Economic Conditions and Funding

Our capacity to provide an excellent education is fundamentally linked to the health of the local, state, and national economies.

- **Local Economy:** Our tourism-based economy is stable but seasonal. A downturn could affect local tax revenue. However, the ongoing diversification of our economy into sectors like technology, manufacturing, and healthcare offers the potential for a more stable, year-round economic base.
- **Inflation:** Rising costs for salaries, benefits, and supplies mean our budget's purchasing power is diminishing. We must adopt a fiscally responsible approach and explore innovative strategies to address the cost of living for our staff to ensure we can attract and retain top talent.
- **State and Federal Funding:** Changes in state-level school funding formulas and federal priorities introduce significant fiscal uncertainty. These fluctuations, which are often tied to legislative and political shifts, can have a profound impact on our budget. We must maintain a robust advocacy presence to secure fair and stable funding.

### The Board's Strategic Plan and Academic Goals

In response to these challenges, the Board has adopted a new strategic plan to guide the District's direction for the next five years. This plan focuses on academic achievement and well-being.

- **Academic Achievement:** Focused on literacy and mathematics.
- **Student Well-Being:** Focused on connectedness, safety, and mental health support and services.
- **Positive Student Behaviors:** Focused on fostering positive student behaviors and effective responses to student behavior.
- **Post-Secondary Readiness:** Focused on graduation.
- **High-Quality Staffing:** Focused on recruiting, retaining, and developing staff.

### Conclusion

The district has a strong history of excellence, and its future will be guided by the new strategic plan. By addressing the challenges presented by demographic and economic shifts and focusing on a clear set of academic goals, we can ensure the district remains a strong and vibrant institution at the heart of the Traverse City community. The plan represents our proactive commitment to ensure the future success of all students.

## Factors Bearing on the District's Future

- This section discusses potential factors that could affect the district's financial health in the future, such as housing difficulties and loss of funding.
- Explain that this section is where the district discusses challenges and opportunities that could affect its future finances.
- **Key points to cover:**
  - Explain the key issues and potential solutions for each factor.
  - Explain the additional considerations.

# Questions?

- Contact:

Christine Thomas-Hill

Assistant Superintendent of Finance and Operations

Traverse City Area Public Schools

(231) 933-1730

[thomasch@tcaps.net](mailto:thomasch@tcaps.net)

**Figure 4**  
**Changes in Traverse City Area Public Schools Net Position**

	2025	2024*	Change
Revenue			
Program revenues			
Charges for services	\$ 6,025,733	\$ 5,906,244	\$ 119,489
Operating grants and contributions	20,669,879	22,839,230	(2,169,351)
General revenues			
Property taxes	74,732,794	67,537,572	7,195,222
State aid - unrestricted	57,602,296	64,417,575	(6,815,279)
Other	<u>6,961,006</u>	<u>8,598,860</u>	<u>(1,637,854)</u>
Total revenues	<u>165,991,708</u>	<u>169,299,481</u>	<u>(3,307,773)</u>
Expenses			
Instruction	56,945,400	64,850,755	(7,905,355)
Support services	49,776,019	55,013,028	(5,237,009)
Community services	3,929,662	4,155,856	(226,194)
Food services	6,088,851	6,376,481	(287,630)
Student/school activities	1,700,737	1,777,705	(76,968)
Intergovernmental expenditures	6,598,742	5,329,244	1,269,498
Interest on long-term debt	4,226,186	3,723,997	502,189
Unallocated depreciation/amortization	<u>2,396,493</u>	<u>2,398,077</u>	<u>(1,584)</u>
Total expenses	<u>131,662,090</u>	<u>143,625,143</u>	<u>(11,963,053)</u>
Change in net position	<u>\$ 34,329,618</u>	<u>\$ 25,674,338</u>	<u>\$ 8,655,280</u>
Net position, end of year	<u>\$ 10,522,673</u>	<u>\$ (23,108,857)</u>	

\*The 2024 numbers have not been updated for the adoption of GASB 101.

As shown in **Figure 4** above, total revenues decreased by \$3,307,773 or approximately 1.95%, while total expenses increased by \$11,963,053 or approximately 8.33%. The decrease in total revenues is the result of decreases in all categories except charges for services and property taxes.