YOUNG SCHOOL DISTRICT #5
P. O. Box 390 - 46878 Highway 288
Young, Arizona 85554
Phone: (928) 222-4080
Fax: (928) 222-4079
Dr. Chad Knippen, Superintendent

October 28, 2026

To: The Young Community
From: Chad Knippen, Superintendent
RE: Tax Levy

When I was hired in July of 2024 as the superintendent of Young School District, I was tasked with some very large and urgent projects. One was to collect outstanding funds owed to the school district from past School Facilities Board Projects and multiple out of compliance grants. The district was also under two corrective action plans from the Auditor General with 59 corrective actions. Another task was to address a very large cash deficit to our budget (which was reported to be over $350,000) and puts us in serious risk of State intervention.

The 24/25 school year (SY) we worked and collected over $120,000 from the School Facilities Board and from multiple grants that were out of compliance. We also focused on many of the items in the Corrective Action Plans.

During the 25/26 SY, we were able to comply with all Auditor General performance requirements and became in compliance with one of the Corrective Action Plans and we reduced the number of corrective actions to 33.

This school year (26/27) our corrective actions have been reduced to 15 and should be found in compliance after the Auditor General's audit in the next couple of months when the final corrections are reviewed. However, we still need to address the cash deficit. For the cash deficit we had an outside accountant complete all of our reconciliations with the county (that were several years behind) and they were able to research and determine why we have this cash deficit. The accountant was able to go back as far as the 14/15 SY as this is when the deficit started to build. During this school year, not enough taxes were collected to cover the assessed value of property, which led the school district to have a deficit of $97,000. The following three years were further deficits of $83,500, $82,500 and $116,000, for a total of $379,000 of uncollected taxes from these four years. The following years, the uncollected amounts started to decrease and ranged from $0 to $35,000 per year, but totaled close to another $80,000. There was no finding of over spending from the district over the past 10 years. However, the

carry forward (approximately $500,000) that should be there, isn't actually there due to property taxes not being paid and the district not receiving the funds. As part of the accountant's investigation, they found this had totaled up to $519,000 as of the end of the 24/25 SY.

There were two years, 2020/2021 and 2021/2022 where the budget was cut severely to try and recuperate some of this cash deficit, but it was also a trigger for the corrective actions because the staff could not maintain compliance requirements. These two years of cuts also affected the tax rate for the Young School District. The tax rate went from an average of 6.6% to an average of 5.6%. The result, the amount of funds the district receives from, Approximately 1.2 million for the year, hasn't increased in recent years. We received the same 1.2 million in school year 24/25 as we did in school year 14/15. We have the same number of students and needs and our costs have increased over the 10 years, but our funding has not increased.

To address the cash deficit for the 25/26 SY budget, we cut as much as we could and also held a Truth in Taxation Hearing to increase the tax rate about .3%. As a result of these changes we should not see an increase in the deficit, unless there is a year with a large amount of taxes not collected. We will know more after the completion of the AFR for FY26.

The end result is, we must do something about the $519,000 deficit. This is either further cuts to the school or the district needs to collect additional taxes to fill in for the taxes we never received.

So why did I see a big increase in my property taxes this year?

Our accountant suggested going to the County Board of Supervisors with a special request to help reduce our cash deficit. This process started in April 2026 after we presented the deficit to the school board. The goal was to ask for a tax levy in smaller amounts over multiple years to get rid of our deficit. I was onboard (and kept the board informed) and our accountant and I started the process with a request to the Gila County School Superintendent. He supported the plan and we went to the Gila County Board of Supervisors for approval. A request for $175,000 tax levy was approved in June.

When the tax bills came out in September, I was asked by a school board member about a large tax increase for the schools. After a few calls and some research, I learned that the tax levy was only on the Young Community. As this went to the County Board of Supervisors and did not follow the Truth in Taxation process, I thought this was a tax levy throughout the entire county. This was not taken to the school board for a special approval as this was at the county level and again I thought it was funded county wide. I realized my misunderstanding only after the tax bills came out. Please note this was not a School Board mistake, this was my mistake. I realize this will have a financial impact on most residents. I greatly apologize for my lack of knowledge in this particular process and how the results

affect you. This truly was beyond normal school district procedures for a tax levy request and I should have gathered more information prior to moving forward. Following I will give some details about the increase.

The proposal was a tax levy ($175,000) over 3 years to reduce this deficit. This should correlate to about a **13% increase from 25/26 to 26/27 on your tax bill for the school district. On most tax bills it will be closer to 18% as property value increases resulted in an increase of approximately 5% for most line items on your bill.** The tax rate for the school district increased from 5.899% to 6.431%. This rate falls within historical tax rates over the past 10 years. *Note, every tax bill is unique and could have different percentages than what I have listed. Property values could increase or decrease and affect your assessed property value. I will be happy to meet with anyone to review your tax bill regarding school district taxes or to answer any other questions you may have.

Only one year was approved and if it is not requested each year the tax levy will be removed from your tax assessment the following year. I don't see us moving forward with this process and it directly affects the community and we need community input.

We do need to recuperate the remaining funds ($344,000) as part of the Auditor General findings, so the school board and I will be reaching out in the upcoming months with a plan moving forward.

Again I offer my sincere apologies for any financial struggle this caused and lack of communication.

Best Regards,

Dr. Knippen