

**BEMIDJI AREA SCHOOLS
BEMIDJI, MINNESOTA**

DATE: FEBRUARY 22, 2016

TO: BOARD OF EDUCATION, BEMIDJI ISD #31

FROM: CHRIS J. LEINEN, DIRECTOR OF BUSINESS SERVICES

SUBJECT: ANNUAL AUDIT – FY 2014-2015

COMMENTS:

The annual audit for FY 2014-2015 is complete and is being presented by Sandy Nelson and Jim Aylesworth with the firm of Miller McDonald, Inc. of Bemidji.

ENROLLMENT

The most significant factor in operating a school district is enrollment as it drives most of the funding formulas staffing allocations and building space needs. For FY 2015 our Average Weighted Average Daily Membership (ADM) was 4,967.50 which is a decrease of 102.69 from the prior year. This decrease is attributed to a smaller birth year reaching kindergarten plus the addition of all day kindergarten funding at the state level. For next year, kindergarten is expected to be larger due to more births, however, the effects of statewide all day kindergarten are yet to be a predictable factor.

GENERAL FUND (01) (Excludes Food Service, Community Ed, and Debt Service)

Our General Fund had operating revenues of \$58,570,384 compared to \$55,099,429 from the prior year. We had General Fund expenses of \$59,563,102 compared to \$57,207,504 from the prior year. This resulted in an operating deficit of \$992,718 down from the prior year operating deficit of \$2,108,075. This patterned spenddown of fund balance was planned and has been largely reversed for the coming year. Looking at expenses by program we see that 81% was direct instruction and pupil support while the remaining 29% included bussing, building maintenance and overhead and administration.

FUND BALANCES

The Governmental Accounting Standards Board Statement #54 (GASB #54) has been adopted by the Bemidji School Board. (SBR #300-90-1) This policy recognizes various levels restricting or committing our General Fund Balance dollars. The authority and/or requirement to set aside funds comes from state and/or federal statutes and school board resolutions. The practice of restricting and committing funds recognizes that these dollars are not available to spend in an unrestricted fashion and that a school district should budget accordingly. The Bemidji School District has the following fund balance descriptions: Non-Spendable, Restricted, Committed, Assigned and Unassigned.

Our "Unassigned Fund Balance" stands at \$1,845,234.49 and when combined with our "Committed" FB of \$577,793.00 and Assigned FB of \$0 we have \$2,423,027.49 or 4.8% of expenses compared to the 10% target set by School Board policy.

The "Non-spendable" fund balance is \$692,593.13 and is largely made up of pre-bought inventory in the warehouse and prepaid health insurance premiums for the month of August. Since these amounts are not available to be re-directed in the next year they are non-spendable.

“Restricted Funds” are those whose purpose is directed by statute. Examples include Staff Development, Deferred Maintenance, Health & Safety, Operating Capital, Alternative Programs, Gifted and Talented and Safe Schools. Our restricted fund balance is \$2,907,411.61.

The Total of all General Fund balances is \$6,023,032.23.

FOOD SERVICE FUND (02)

The Food Service Fund had an operating deficit of \$432,173 due to the remodel of the Northern Elementary School kitchen. Without this remodel the food service program would have had a balanced budget. The Food Service Fund had revenues of \$3,175,552 and expenses of \$3,607,725 resulting in an ending fund balance of \$434,071.85. This is continuing good news because in some previous years the Food Service fund has run an operational deficit that has been made up out of General Fund dollars.

COMMUNITY SERVICE FUND (04)

The Community Service Fund had an operating surplus of \$66,624.00 based on revenues of \$2,205,831.00 and expenses of \$2,139,207.00. This resulted in an increase in the Community Service Fund balance to \$218,030.43.

CONSTRUCTION FUND (06)

The ending balance for the Construction Fund is a negative \$1,629,591. This is part of a strategy to move forward with our construction projects prior to the closing of our bond sale. This amount has since been reimbursed from bond proceeds pursuant to our Bond Reimbursement Resolution approved January 25, 2015.

DEBT SERVICE (07)

Our debt service fund had dedicated revenues of \$3,389,379 and expenses of \$3,472,725.00 resulting in an ending balance of \$1,106,407.44. The annual volatility in the debt service fund is due to the requirement that we levy more than our anticipated bond payments in order to cover possible shortfalls from delinquent tax receipts. If taxes are paid on time and our ending fund balance grows, the excess is subtracted from the following years levy authority.

STUDENT ACTIVITIES ACCOUNTS (Separate Audit)

Student activity accounts had combined revenues of \$523,181 and expenses of \$487,412. This resulted in an ending balance of \$393,528. Annual variations can result from funds being raised in one fiscal year and spent in another.

Student activities transactions are defined as extracurricular programs conducted for the motivation and enjoyment of students. These programs are not offered for school credits nor are they required for graduation.

Student activities are to be self sustaining with all expenses paid by dues, admissions, or other student fund raising events.

ACTION:

The motion was offered by _____, seconded by _____ and the vote was _____ to approve the FY 2014-2015 annual audits as presented.