

**BEMIDJI AREA SCHOOLS  
BEMIDJI, MINNESOTA**

**DATE: DECEMBER 20, 2021**  
**TO: BOARD OF EDUCATION, BEMIDJI ISD #31**  
**FROM: KRISI L. FENNER, CPA, DIRECTOR OF BUSINESS SERVICES**  
**SUBJECT: ANNUAL AUDIT – FY 2020-2021**

**COMMENTS:**

The annual audit for FY 2020-2021 is complete and was presented earlier this evening by the accounting firm of Miller McDonald, Inc. of Bemidji.

**ENROLLMENT**

The most significant factor in operating a school district is enrollment. Enrollment drives most of the funding formulas, staffing allocations and building space needs. For FY 2021 our Average Daily Membership (ADM) was 4,765 (Page 5) which is a decrease of 349 from the prior year. Prior to the COVID 19 pandemic the district experienced stable enrollment. The pandemic has had a significant negative impact on enrollment and the long term impacts are as yet unknown.

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

Our General Fund had operating revenues of \$74,875,598 (P59) compared to \$70,672,592 from the prior year. This increase can be attributed to Federal COVID relief funding which totaled over \$5M in FY2020-2021. Looking at revenue sources (P14) we see that 12% comes from Federal Sources and 75% from state sources vs 5% from Federal Sources and 82% from state sources in the prior year.

We had General Fund expenses of \$71,001,958 (P59) compared to \$71,979,934 from the prior year. This overall decrease in expenses is a combination payroll cost savings achieved through attrition and a temporary hiring freeze, an intentional postponement of curriculum and school bus cycle purchases to address the budget deficit, and a decrease in contracted services due to the impact of the COVID-19 pandemic. We had an operating surplus of \$3,873,640. Looking at expenses by program (P15) we see that 82% was direct instruction and pupil support while the remaining 18% included building overhead and maintenance and administration and support. Looking at expenses another way (P14), they are 82% salary and benefits and 18% other. This is typical of a school district as we are a people/services driven operation and our main function is to provide services to students.

**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 breakdowns: Non-Spendable, Restricted, Committed, Assigned and Unassigned. (P20)

Our Unassigned, Assigned, and Committed fund balances total \$5,335,812 or 8.8 % of related expenses compared to the 10% target set by School Board policy (P32). This is up from 3.3% last year and 5.4% two years ago.

The “Non-spendable” fund balance of \$362,660 is made up of pre-bought inventory in the warehouse and prepaid health insurance premiums for the month of July. Since these amounts are not available to be re-directed in the next year they are classified as non-spendable fund balance.

“Restricted Funds” are those whose purpose is directed by statute. Examples include Staff Development, Deferred Maintenance, Operating Capital, Alternative Programs, Gifted and Talented and Safe Schools. Our restricted fund balance total is \$6,057,426. (P20) This is up from the prior year by \$537,922.

The Total of all General Fund balances is \$11,755,898 compared to \$7,882,258 the prior year and \$9,010,419 two years ago. The influx of COVID relief funds has given our fund balance a much needed boost, however, this funding is a temporary patch. the budget will need to be balanced going forward to prevent deficit spending and restore and maintain our fund balance in line with the 10% board target.

#### **FOOD SERVICE FUND (02)**

The Food Service Fund had an operating deficit of \$0 based on revenues of \$2,997,200 and expenses of \$2,997,200. (P75) This is a result of using \$107,921 of Federal COVID relief funding to offset lost revenue and what would have otherwise been an operating deficit resulting in a negative fund balance and a required operating transfer from the General Fund. Prior to the pandemic the Food Service fund was experiencing an ongoing district wide shift from Free to Reduced price meal counts resulting in a lower federal reimbursement. We also continue to support a free breakfast program at the K-5 levels. A meal price increase was approved for the FY21 school year but continued budget balancing steps will need to be taken in the future, post pandemic.

#### **COMMUNITY SERVICE FUND (04)**

The Community Service Fund had an operating surplus of \$58,238 based on revenues of \$2,296,933 and expenses of \$2,238,695. (P75) This increase in the Community Service Fund balance is a result of using \$148,743 of Federal COVID relief funds to offset lost program revenue. The Community Service Fund continues to take budget balancing steps in order to remain self-sustaining, post pandemic.

#### **CONSTRUCTION FUND (06)**

The construction fund had revenues of \$79 and expenses of \$211,973 for an ending fund balance of \$29,896. (P75) The fund will be fully spent and finalized in the current school year.

#### **DEBT SERVICE (07)**

Our debt service fund had revenues of \$2,938,084 and expenses of \$2,993,900. (P22) Our ending fund balance stands at \$937,268.

#### **ACTION:**

The motion was offered by \_\_\_\_\_, seconded by \_\_\_\_\_ and the vote was \_\_\_\_\_ to approve the FY 2020-2021 annual audit as presented.