

**BEMIDJI AREA SCHOOLS  
BEMIDJI, MINNESOTA**

**DATE: FEBRUARY 23, 2016**

**TO: BOARD OF EDUCATION, ISD #31**

**FROM: CHRIS J. LEINEN, DIRECTOR OF BUSINESS SERVICES**

**SUBJECT: BUDGET PROJECTIONS FOR 2016**

**COMMENTS:**

Attached please find the following:

Financial Planning Model from School Finances.com.  
Five year History of General fund Revenue, Expenses and Fund Balances.  
SBR 300-90-1 Finance – Fund Balance Policy

FPM BUDGET PROJECTION LINE BY LINE

State per pupil payments to increase by 2% for 2016 and projected at 3% into the future.

Referendum Per pupil increases from \$300 to \$480 due to voter approved levy.

Adjusted Pupil Unit changes projected to increase for 3 years then flat for next 2 years.

Referendum dollars generated increases by \$1 million due to voter approved levy.

Salaries and Wages increase by 2.6% and 3.0% reflecting contract settlements.

Non-Salary & Non-Benefits dropped after 2015 due to one-time reductions (Textbooks, parking lots) and is added back for 2017.

The variance between Revenue and Expenses is 2015 (\$992,758), 2016 (\$149,571), 2017 (\$350,096).

The recommended reduction for 2017 is \$1,012,236 based on a target fund balance of 5%. If we are to pursue our Fund Balance Policy mandate of 10% we must stop deficit spending and start to replenish the Fund Balance.

FIVE YEAR GENERAL FUND REVENUE, EXPENSE AND FUND BALANCE

Over the past five years our expenses have increased by approximately 17% while our revenues have increased by only 11%. This has resulted in operating deficits of \$992,718 and \$2,108,075 in the past two years.

These deficits have depleted our total fund balance by over \$4 million or 78%. This is not sustainable.

Enrollment (ADM) has grown over the past five years but staffing expenses have grown faster.

### FUND BALANCE POLICY

Our Fund Balance Policy sets a goal of 10% of expenditures. We currently have less than 5%. (2% if the Health and Safety “under levy” is not levied or spent, rather than used to shore up the negative fund balance)

Having a Fund Balance Policy is a good financial tool to help manage a school district. However, if the policy is not followed the indications have a negative effect on the school district’s credit rating.

The FB policy directs the district to initiate the following measures if the balance falls below 10%:

1. Reduce expenses
2. Increase revenue
3. Ask voters for additional referendum revenue
4. Combination of the above

# Financial Planning Model Version XXI - SchoolFinances.Com

## SUMMARY WORKSHEET

BEMIDJI 31

		Budget Year						
INPUT WORKSHEET		2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Pupil Unit Value	3.00% Change		\$5,948	\$6,067	\$6,249	\$6,436	\$6,630	\$6,828
Percent of Fall WADM to EOY WADM			100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Referendum per APU			300.00	480.00	480.00	480.00	480.00	319.69
ENROLLMENT WORKSHEET		2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Pre K, Handicapped, K, Grade 1-6 Enrollment		2,891	2,910	2,996	3,022	3,021	2,997	2,945
Grades 7 - 12 Enrollment		2,135	2,162	2,159	2,172	2,170	2,198	2,270
EC & Kindergarten - Grade 12 Enrollment		4,966	5,008	5,088	5,128	5,128	5,132	5,152
Enrollment change from Previous Year			42	80	40	0	4	20
APU's FY15		4,965.86	5,008.36	5,087.88	5,128.06	5,128.31	5,131.98	5,152.23
Beginning of Year APU CHANGES			42.50	79.52	40.18	0.25	3.67	20.24
REVENUE WORKSHEET		2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Estimated Adjusted Pupil Units		5,392.79	5,430.40	5,509.13	5,551.91	5,551.86	5,561.08	5,595.51
BASIC			\$32,300,019	\$33,423,688	\$34,693,719	\$35,734,216	\$36,867,365	\$38,208,505
DECLINING ENROLLMENT			\$0	\$0	\$0	\$88	\$0	\$0
GIFTED AND TALENTED			\$70,595	\$73,767	\$76,570	\$78,867	\$81,368	\$84,328
ALTERNATE ATT ADJ.			\$209,061	\$212,092	\$213,739	\$213,737	\$214,092	\$215,418
REFERENDUM			\$1,629,120	\$2,644,384	\$2,664,917	\$2,664,894	\$2,669,319	\$1,788,830
Other Formula Revenue	See Revenue Worksheet		\$10,074,434	\$10,172,134	\$10,220,517	\$10,198,656	\$10,191,634	\$10,266,921
Total Projected Non-Formula Revenue			\$15,723,647	\$15,732,348	\$15,732,348	\$15,732,348	\$15,732,348	\$15,732,348
Tuition Variation Adjustment to Fund 01	-		\$0	\$0	\$0	\$0	\$0	\$0
Percentage Based Revenue Adjustments(if used)			\$0	\$0	\$0	\$0	\$0	\$0
TOTAL Rev. (Gen/Trans/Capital)		\$58,570,384	\$60,006,876	\$62,258,414	\$63,601,811	\$64,622,806	\$65,756,125	\$66,296,349
EXPENDITURE WORKSHEET		2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Salaries and Wages		\$36,093,247	\$37,047,445	\$38,158,868	\$39,303,634	\$40,482,743	\$41,697,226	\$42,948,143
Employee Benefits		\$12,572,879	\$12,846,121	\$13,231,505	\$13,628,450	\$14,037,303	\$14,458,422	\$14,892,175
Non-Salary and Non-Benefits		\$10,897,016	\$10,262,881	\$11,218,138	\$11,442,500	\$11,671,350	\$11,904,777	\$12,142,873
Staffing Worksheet Teacher Salary Changes			\$0	\$0	\$0	\$0	\$0	\$0
Staffing Worksheet Non-Teacher Salary Changes			\$0	\$0	\$0	\$0	\$0	\$0
Unspecified Dollar Amount Expenditure Changes			\$0	\$0	\$0	\$0	\$0	\$0
Percentage Based Expenditure Changes(if used)			\$0	\$0	\$0	\$0	\$0	\$0
Total Expenditures		\$59,563,142	\$60,156,447	\$62,608,511	\$64,374,585	\$66,191,397	\$68,060,425	\$69,983,190
STAFFING WORKSHEET		2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Instructional Staffing Summary Only								
Annual Ratio Staffing Changes				0.00	0.00	0.00	0.00	0.00
Cumulative Ratio Staffing Changes				0.00	0.00	0.00	0.00	0.00
Total Teaching Staff Based on PLAN			0.00	0.00	0.00	0.00	0.00	0.00
Total Staff 'Teacher' Salary Changes Based on PLAN				\$0	\$0	\$0	\$0	\$0
Total 'non-teacher' Salary Changes Based on Plan				\$0	\$0	\$0	\$0	\$0
RESERVE WORKSHEET		2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
TOTAL BEGINNING FUND EQUITY		\$7,015,790	\$6,023,032	\$5,873,461	\$5,523,365	\$4,750,591	\$3,182,000	\$877,700
VARIANCE = ( REVENUES - EXP. )		-\$992,758	-\$149,571	-\$350,096	-\$772,774	-\$1,568,591	-\$2,304,300	-\$3,686,842
TOTAL EOY FUND EQUITY & RESERVES		\$6,023,032	\$5,873,461	\$5,523,365	\$4,750,591	\$3,182,000	\$877,700	-\$2,809,142
TOTAL RESTRICTED AMOUNTS		\$4,177,798	\$3,638,977	\$3,405,175	\$3,180,175	\$3,255,175	\$2,955,175	\$2,905,175
Variation in Reserves from Prior Year			-\$538,821	-\$233,802	-\$225,000	\$75,000	-\$300,000	-\$50,000
UNASSIGNED		\$1,845,234	\$2,234,484	\$2,118,190	\$1,570,416	-\$73,175	-\$2,077,475	-\$5,714,317
Unrestricted/EOY APU		\$342.17	\$411.48	\$384.49	\$282.86	-\$13.18	-\$373.57	-\$1,021.23
S.O.D. Reserve Amount		\$1,845,234	\$2,234,484	\$2,118,190	\$1,570,416	-\$73,175	-\$2,077,475	-\$5,714,317
S.O.D. Reserve %		3.10%	3.71%	3.38%	2.44%	-0.11%	-3.05%	-8.17%
-2.5% or less is S.O.D.		O.K.	O.K.	O.K.	O.K.	O.K.	S.O.D.	S.O.D.
GOAL RESERVE AMOUNT		\$2,978,157	\$3,007,822	\$3,130,426	\$3,218,729	\$3,309,570	\$3,403,021	\$3,499,160
GOAL ACHIEVED		NO	NO	NO	NO	NO	NO	NO
PLAN CHANGES NEEDED F/GOAL		-\$1,132,923	-\$773,338	-\$1,012,236	-\$1,648,313	-\$3,382,745	-\$5,480,497	-\$9,213,477

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FISCAL YEAR END	2015	2014	2013	2012	2011
<b>GENERAL FUND</b>					
REVENUE	\$ 58,570,384.00	\$ 55,099,429.00	\$ 54,433,299.00	\$ 53,368,652.00	\$ 52,917,975.00
EXPENSE	\$ 59,563,102.00	\$ 57,407,504.00	\$ 54,453,505.00	\$ 53,258,612.00	\$ 49,540,597.00
NET	\$ (992,718.00)	\$ (2,108,075.00)	\$ (20,206.00)	\$ 110,040.00	\$ 3,377,378.00
<b>FUND BALANCES</b>					
<u>Non-Spendable</u>	\$ 692,593.00	\$ 918,931.00	\$ 1,038,633.00	\$ 917,170.00	\$ 388,836.00
<u>Restricted</u>					
Staff Dev	\$ 319,911.00	\$ 203,248.00	\$ 17,159.00	\$ 54,046.00	\$ 80,166.00
Deferred Maint	\$ 109,976.00	\$ 310,988.00	\$ 324,634.00	\$ 175,974.00	\$ 281,682.00
Operating Capital	\$ 2,464,814.00	\$ 1,817,333.00	\$ 1,677,614.00	\$ 1,502,587.00	\$ 1,962,663.00
Alt Programs	\$ 597,065.00	\$ 575,590.00	\$ 559,687.00	\$ 405,393.00	\$ 268,902.00
Gifted & Talented	\$ 94,288.00	\$ 95,496.00	\$ 128,507.00	\$ 142,808.00	\$ 166,034.00
Teacher Dev & Eval	\$ 117,624.00				
Basic Skills	\$ 174,957.00	\$ 184,307.00			
Safe Schools	\$ 309,789.00	\$ 295,058.00	\$ 226,432.00	\$ 180,566.00	\$ 122,910.00
Pre-Kindergarten			\$ 989.00		
<u>Committed</u>	\$ 577,793.00	\$ 577,793.00	\$ 577,793.00	\$ 634,576.00	\$ 938,843.00
<u>Assigned</u>	\$ -	\$ -	\$ 402,955.00	\$ 236,948.00	\$ 106,750.00
<u>Unassigned</u>	\$ 564,261.00	\$ 2,037,045.00	\$ 4,169,461.00	\$ 4,769,841.00	\$ 4,593,084.00
TOTAL FB	\$ 6,023,071.00	\$ 7,015,789.00	\$ 8,720,909.00	\$ 8,782,961.00	\$ 8,803,120.00

TOTAL POLICY FB	\$ 1,142,054.00	\$ 2,614,838.00	\$ 5,150,209.00	\$ 5,641,365.00	\$ 5,638,677.00
C + A + U	2%	5%	10%	11%	
ADM	4967.31	5071.18	5024.78	4928.81	4886.09

\* FUND BALANCE = \$ Actually Received AND \*  
FINANCE - FUND BALANCE Not Spent.

## I. PURPOSE

The purpose of this policy is to ensure the financial stability of the District, to provide a sound basis to justify a strong financial rating, and to provide a reserve enabling the District to deal with unforeseen budget expenditures and revenue shortfalls.

## II. GENERAL STATEMENT OF POLICY

The policy of the school district is to classify its fund balances based on the nature of the particular net resources reported in the separate funds of the district. Fund Balance categories will be identified according to the guidelines in Governmental Accounting Standards Board (GASB) Statement No. 54. Fund Balance categories will include Nonspendable, Restricted, Committed, Assigned and Unassigned. To ensure the financial strength and stability of the District, the Board will endeavor to maintain at least 10% of the District's General Fund operating budget, excluding those accounts associated within the Restricted category, in the combined total of the General Fund Committed, Assigned and Unassigned fund balances.

## III. DEFINITIONS

- No Board Control*
- A. Nonspendable fund balance – Represents amounts that cannot be spent due to form such as inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned).
- B. Restricted fund balance – Represents amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
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- YES Board Control*
- C. Committed fund balance – represents amounts constrained for a specific purposes determined by the School District Board of Directors. It requires formal action by the same group to remove or change the constraints placed on resources.
- D. Assigned fund balance – represents amounts constrained by the school district's intent to be used for a specific purpose, but are not restricted or committed. The School Board has delegated the authority to assign amounts to the district finance director and superintendent. Assigned amounts or changes to Assigned amounts will be presented to the school board for review.
- E. Unassigned fund balance - Represents resources available to meet current and future years' expenditures.

## IV. GUIDELINES

The school board hereby establishes the following order for resource use: Non-spendable fund balance, Restricted fund balance, Committed fund balance, Assigned fund balance, and Unassigned fund balance. Journal entries at the end of the fiscal year may be used to accomplish this.

When the combined total of the General Fund Committed, Assigned and Unassigned fund balance falls below 10% the district shall initiate the following measures:

1. Reduce expenditures through implementation of cost containment measures.
2. Seek opportunities to increase revenue. Consider fee increases where appropriate.  
Examine options to increase enrollment.
3. If permitted by state law, request from voters additional revenue through an increase in the operating referendum or other financial options.
4. A combination of the above.