

**BEMIDJI AREA SCHOOLS
BEMIDJI, MINNESOTA**

DATE: MARCH 20, 2023
TO: BOARD OF EDUCATION, BEMIDJI ISD #31
FROM: DR. JEREMY OLSON, SUPERINTENDENT OF SCHOOLS
SUBJECT: ANNUAL AUDIT – FY 2021-2022

COMMENTS:

The annual audit for FY 2021-2022 is complete and was presented 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 2022 our Average Daily Membership (ADM) was 4,702 (Page 5) which is a decrease of 63 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 \$71,420,576 (P60) compared to \$74,875,598 from the prior year. This decrease can be attributed to a decrease in Federal COVID relief funding used in the current year. Looking at revenue sources (P14) we see that 10% comes from Federal Sources and 76% from state sources vs 12% from Federal Sources and 75% from state sources in the prior year.

We had General Fund expenses of \$69,173,706 (P60) compared to \$71,001,958 from the prior year. The resulting surplus is due to the to the Federal COVID relief funding that has been used to make up for lost enrollment related revenue, keep existing staff employed, and maintain continuity of operations. 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 85% salary and benefits and 15% 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 \$6,376,663 or 10.1 % of related expenses compared to the 10% target set by School Board policy (P32). This is up from 8.8% last year and 3.3% two years ago.

The “Non-spendable” fund balance of \$412,940 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 \$7,484,502. (P20) This is up from the prior year by \$1,427,076.

The Total of all General Fund balances is \$14,274,105 compared to \$11,755,898 the prior year and \$7,882,258 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 a surplus of \$738,452 based on revenues of \$4,581,272 and expenses of \$3,842,820 (P77) This surplus was a result of higher Federal meal reimbursement rates as part of Federal COVID relief funding. The District continues 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 \$363,890 based on revenues of \$2,506,191 and expenses of \$2,142,301. (P77) 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 \$5,307 and expenses of \$511,457 for an ending fund balance of \$2,015,069. (P77) This fund balance is from issuance of LTFM bonds for the Bemidji High School roof repair which is in its final stages at the time of this presentation. Expenditures for use of these funds will be seen in the 2022-2023 fiscal year.

DEBT SERVICE (07)

Our debt service fund had revenues of \$3,016,643 and expenses of \$2,998,200. (P22) Our ending fund balance stands at \$955,711.

ACTION:

The motion was offered by _____, seconded by _____ and the vote was _____ to approve the FY 2021-2022 annual audit as presented.