

**BEMIDJI AREA SCHOOLS
BEMIDJI, MINNESOTA**

DATE: JANUARY 23, 2016

TO: BOARD OF EDUCATION, BEMIDJI ISD #31

FROM: CHRIS J. LEINEN, DIRECTOR OF BUSINESS SERVICES

SUBJECT: ANNUAL AUDIT – FY 2015-2016

COMMENTS:

The annual audit for FY 2015-2016 is complete and is being presented by 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 2016 our Average Weighted Average Daily Membership (ADM) was 5,537.43 which is an increase of 142.97 from the prior year. This increase is attributed to a larger birth year reaching kindergarten combined with a smaller attrition rate from the beginning to the end of the school year. Gradual growth is projected to continue for several years as larger kindergarten classes replace smaller graduating classes.

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

Our General Fund had operating revenues of \$59,817,943 compared to \$58,570,384 from the prior year. We had General Fund expenses of \$59,032,502 compared to \$59,563,102 from the prior year. This resulted in an operating surplus of \$785,441 up from a prior year deficit of \$992,718. Our planned spenddown of fund balance has stabilized after several years of deficits. Looking at expenses by program we see that 80% was direct instruction and pupil support while the remaining 30% included bussing, building maintenance and overhead and administration. Our operating expenses are 82% salary and benefits and 18% other. This is typical of a school district as our main function is to provide a service 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 descriptions: Non-Spendable, Restricted, Committed, Assigned and Unassigned.

Our “Unassigned Fund Balance” stands at \$2,668,777 and when combined with our “Committed” FB of \$577,793 and Assigned FB of \$0 we have \$3,246,571 or 6.5% of expenses compared to the 10% target set by School Board policy. This is up from 4.8% from the prior year.

The “Non-spendable” fund balance is \$722,276 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 \$2,839,665.

The Total of all General Fund balances is \$6,808,511 compared to \$6,023,032.23 the prior year.

FOOD SERVICE FUND (02)

The Food Service Fund had an operating surplus of \$8,270 based on revenues of \$3,474,701 and expenses of \$3,466,431 resulting in an ending fund balance of \$442,342.85. This is continuing good news because in many school districts the Food Service fund runs an operational deficit that has to be made up out of General Fund dollars.

COMMUNITY SERVICE FUND (04)

The Community Service Fund had an operating surplus of \$341,733 based on revenues of \$2,305,561.00 and expenses of \$1,963,828. This resulted in an increase in the Community Service Fund balance to \$559,763.

CONSTRUCTION FUND (06)

The ending balance for the Construction Fund is a negative \$1,629,591. This is due to a lag in time between expenses made and funds drawn down from the bond proceeds. This deficit has since been received.

DEBT SERVICE (07)

Our debt service fund had dedicated revenues of \$3,435,648 and expenses of \$3,476,325 plus a transfer of \$4,721,036 from the bond issue resulting in an ending balance of \$5,786,766. The transfer in from the bond issue is for the capitalized interest payment on the new bonds. This will occur for four years until our old bonds are retired and the new bonds are serviced by our annual debt service levy.

STUDENT ACTIVITIES ACCOUNTS (Separate Audit)

Student activity accounts had combined revenues of \$665,363 and expenses of \$606,415. This resulted in an ending balance of \$452,476. 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 2015-2016 annual audits as presented.