

**BEMIDJI AREA SCHOOLS
BEMIDJI, MINNESOTA**

DATE: FEBRUARY 23, 2015

TO: BOARD OF EDUCATION, BEMIDJI SCHOOL DISTRICT #31

FROM: CHRIS J. LEINEN, DIRECTOR OF BUSINESS SERVICES

SUBJECT: BUDGET REPORT FEBRUARY 2015

COMMENTS:

Attached is a Budget Report entitled "Percent Extrapolation". This report compares General Fund expenses through a specific point in time (End of January) for the current budget year as well as the past two years. These amounts can then be converted to a percentage of our budget and projected forward to estimate year end amounts.

As of the end of January we have spent \$28,901,958 of our 2015 budgeted amount of \$58,510,660. This expense amount is ahead of last year at this same time by \$1,832,863.

We have currently spent 49.4% of our budget and had previously spent 47.3% in 2014 and 47.9% in 2013. This means we are ahead of the pace of the past two years and it reflects a structural imbalance in our current budget.

This past June we adopted a budget with a deficit of \$866,754 however this current report indicates that the deficit will be closer the range of \$1.5 to \$2.3 million.

Possible ramifications of this budget imbalance are as follows:

We will likely erode our general fund balance by \$2 million this year on top of the \$2 million from last year.

Our ability to "cash flow" the construction project out of the general fund is compromised and we will need to resort to traditional borrowing with associated fees and interest expenses.

Our decreased fund balance could have an adverse effect on our bond rating when it comes time to sell the bonds for the construction project. This could result in higher borrowing costs for the life of the bonds.

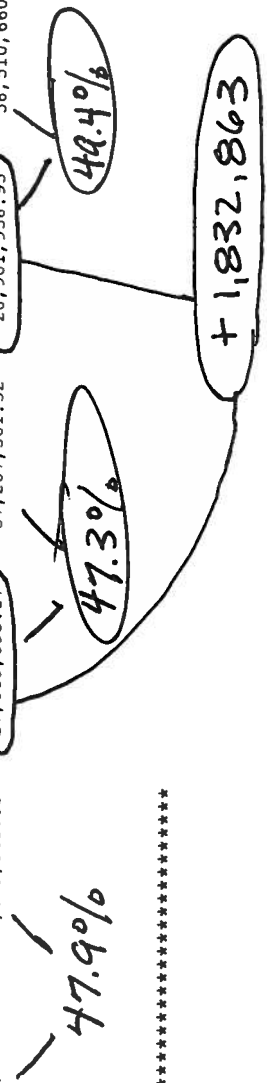
The "Rainy Day" protection of our fund balance has been significantly depleted.

Percent Extrapolation Date: (1/2015)

	2012-13	2013-14	2014-15	2014-15	2014-15
FD T ORG PRG CRS FIN	FYTD Activity	FY Activity	FYTD Activity	Revised Budget	FY Activity
01 - - - - -	20,496,587.27	43,407,219.64	21,336,142.69	45,616,670.58	23,376,413.54
03 - - - - -	1,965,668.14	4,423,685.66	2,148,629.48	4,846,974.02	2,077,666.44
05 - - - - -	1,127,696.32	1,405,353.63	1,145,141.74	1,679,973.21	1,802,451.00
10 - - - - -	741,526.12	1,638,321.88	698,738.87	1,565,947.88	713,096.88
20 - - - - -	1,708,524.40	3,454,765.02	1,740,442.39	3,497,935.63	1,656,941.56

Grand Expense Totals	26,040,002.25	54,329,345.83	27,069,095.17	57,207,501.32	28,901,958.93	58,510,660.94	28,919,311.86
----------------------	---------------	---------------	---------------	---------------	---------------	---------------	---------------

Number of Accounts: 10273



***** End of report *****

Extrapolation

$$\frac{27,069,095}{57,207,501} \times 28,901,958$$

X = 2015 Year End Projection
Based on Current Spending

$$X = 60,856,802$$