



Spectrum High School Finance Committee Minutes

Date: October 18, 2017

Scheduled Time: 9:00 a.m.

| Position | Committee Member | Attendance |
|----------------|-----------------------------|------------|
| Kathy Reed | Board Treasurer | Present |
| Nick Taintor | BerganKDV/Financial Advisor | Present |
| Dan DeBruyn | Executive Director | Present |
| Robin Schelske | Parent Member | Absent |
| Dawn Sorenson | Exec. Asst. | Present |

I. Call to Order

The meeting was called to order at 9:00 a.m.

II. Old Business

None

III. On-Going Business.

A. 2017-2018 Finance Committee Goals

- Develop a Federal Funds Procurement Policy and either amend the current Procurement Policy or Develop a new General Funds Procurement Policy
- Develop an all-encompassing Fundraising Policy
- Revise the Financial Policy as needed in response to implementation of more timely internal budgeting procedures.

The Committee noted that the Federal Funds Procurement Policy being addressed at today's meeting, is in keeping with the goals set for itself for the 17-18 school year.

IV. New Business

A. September, 2017 Financials

Mr. Taintor presented the Executive Summary for the September, 2017 financials. He stated that the working budget for 2017-2018 projects an annual surplus (revenues to exceed expenditures) in all funds in the amount of \$231,009. The School is currently budgeting 685 Average Daily Membership (ADM). Mr. DeBruyn asked that the projected budget be modified based on current enrollment to 680 students. Nick will be making the necessary changes. The Committee will address an amended FY18 budget at its November, 2017 meeting. Mr. Taintor went on to state that overall the school is right on track with 18% of expenditures spent year to date, compared to 25% of the fiscal year completed.

Mr. Taintor stated that the beginning balances shown on the Balance Sheet are based on the audited ending information as of June 30, 2017. Due from the Building Company, in the amount of \$79,154, of which a large portion is earnest money for the purchase of the new building, represents funds that have been paid for by the School on behalf of the Building Company.

State holdback for 2016-2017 fiscal year is a receivable of \$203,374 at the time of the report. The holdback amount will be paid to the school through the next several months. State holdback for 2017-2018 fiscal year

is currently estimated to be a receivable of \$182,574. The holdback amount is approximately 10% of total state aids. This amount will be paid back in fiscal year 2019.

Mr. Taintor then went on to comment on the Statement of Revenue and Expenditures, noting that the report shows the original budget approved, revised budget approved, the working budget, and year to date activity. Per review, the following points were worth noting:

- Repairs and Maintenance expense includes mainly bus repair and maintenance for the year. Mr. DeBruyn commented on the current bussing situation, noting that the school will continue to monitor options available for the purpose of discerning how to best serve students and families with reliable and convenient bus service in addition to ensuring the most economic option for the school. Mr. DeBruyn will continue to update the Committee as information becomes available.
- Tech Equipment is high for this time of the year; however, purchases are supported with e-rate funding, etc.

Again, school leadership will be looking at the current budget and will adjust as necessary.

Finally, Mr. Taintor reported that cash flow is excellent and there is nothing significant to report.

Mr. DeBruyn reported on a recent check fraud situation that was brought to the School's attention. He stated that the School learned of the fraudulent check last Friday, October 13th. A gentleman from another state contacted the School as his wife had received a check in the amount of a little over \$2,000 made out to her, but was from Spectrum High School, and he was suspicious. Upon investigation, the check was indeed fraudulent and the school notified the bank who put an immediate stop to all activity on the account. Then, on Monday, October 23rd, the bank closed the account in question and open a new account. The School is in the midst of transferring all ACH payments from the old account to the new. It is not known how the check was procured; however, a police report has been filed. Likewise, the man who called the school to report the check has turned the information over to the FBI. It is hoped that there will be no adverse effects from having to close the account and opening a new one, and the School will continue to keep the Committee and the Board apprised of any findings should they occur.

B. September, 2017 Management Report

The Committee reviewed the September, 2017 Management Report.

Following discussion, the Committee recommends the Board consider approval of the September, 2017 Financials and September, 2017 Management Report as presented.

C. FY17 Audit

The Committee reviewed in detail the draft FY17 Audit report. Mr. Taintor reported that the audit covers both Spectrum High School and the Spectrum Building Company. He shared that the auditors will be present at the Spectrum High School Board meeting on Thursday, October 26th to present the report to the Board.

Mr. Taintor reported that the report shows a clean unmodified opinion and no findings.

He went on to share that the report does note that there was a significant increase in long term liabilities of approximately \$8 million; however, this is due to the requirement of needing to report TRA (Teachers Retirement Association) and PERA (Professional Employee Retirement Association) contributions and disbursements. The report states that the school participates in cost-sharing multiple-employer defined

benefit pension plans administered by TRA and PERA. Governmental accounting standards require that the School's share of each plan's net pension liability be recorded on the Statement of Net Position. The portion attributable to the School is based on its contributions to each plan in comparison to contributions made by all plan participants.

The School's net pension liability, combined with pension related deferred outflows and inflows of resources, negatively impacted unrestricted net position by \$4,242,941 and \$2,628,751 for the years ended June 30, 2017 and 2016, respectively. The increased deficit was primarily due to changes in actuarial assumptions used to calculate the net pension liability, as well as lower than expected investment earning by each plan. The School continues to make its required contributions to each plan. Following discussion, the Finance Committee is recommending that the Board consider acceptance of the FY17 Audit Report as presented.

D. FY17 Audit Representation Letter

Mr. DeBruyn signed the FY17 Audit Representation Letter accepting the report to be presented to the Board. This was recommended in order to avoid potential delays in the bonding process.

E. Federal Funds Procurement Policy

The Committee reviewed the draft Federal Funds Procurement Policy in detail. Mr. DeBruyn shared that the revised policy is due to the Minnesota Department of Education no later than November 1st as a result of our FY17 Special Education audit. One of the findings of the audit is that the current Procurement Policy in place was not sufficient. The School contracts with Indigo for our Special Education Director. Indigo has developed an extensive procurement policy and has shared the template for the policy with the School. After discussion, committee members were asked to review the policy and forward any further comments by Monday, October 23, to be included in the final version. The final policy will be presented for the Board's consideration of approval at the October 26th meeting.

F. Group Health Insurance Purchasing Policy

Mr. DeBruyn presented the draft Group Health Insurance Purchasing Policy for the Committee. He shared that the policy is required by law and must be posted to the School's website. The purpose of the policy is to ensure that the contracted service provider, which in the School's case is Krause Anderson, is receiving initial secured bids as required by Minnesota Statutes, section 124E.12, Subdivision 5, in its pursuit of group health care options for the School's employees.

Following discussion, the Committee is recommending that the full Board consider approval of the Group Health Insurance Purchasing Policy as presented.

G. Chromebook Use Policy

Mr. DeBruyn presented a draft Chromebook Use Policy. He shared that Spectrum needs to take steps to ensure it is comparable to or exceeding surrounding school districts in its technology integration. This includes offering at 1:1 Chromebook program for its students. The policy is in the development stage, as is the program. He shared that the Chromebooks have been purchased and it is hoped that implementation of the program may begin second semester; however, no final decision has been made regarding the timeline. In order to effectively roll out the program, additional staffing will be needed in the area of technical support. The Committee discussed personnel and options.

Mr. DeBruyn then went on to explain the possible costs associated with the program, as well as potential cost to families. He stated that prior to rollout, a public hearing will need to take place of the Board's intent to charge families for the program.

Following discussion, the Committee recommends the full Board consider approval of the overall policy, noting that there is still administrative work yet to be done on the procedural details of the program.

H. Phase V Construction Project Update

Mr. DeBruyn provided an update on the overall bonding process and timeline. He noted that the School has not yet heard back from MDE on the status of the supplemental affidavit submitted on the School's behalf by Volunteers of America. He shared that MDE has until November 14th in which to officially notify the School of its initial decision. It is anticipated that the affidavit will be approved.

V. Previously Tabled Items

None

VI. Miscellaneous

None

VII. New Meeting Agenda Input

VIII. Adjournment

The meeting was adjourned at 10:55 am

Respectfully submitted,
Dawn Sorenson