Lakeville Area Public Schools
Finance Advisory Council
Tuesday, February 9, 2016
Crystal Lake Education Center, Media Center 4:00 PM

1. **Attendance**
   - Community Members
     1. Patrick Arling, Provincial Bank
     2. Erika Knips
     3. Jill Cochrane, AVP Shared Services, MetLife
     4. Kelly Hendricks, Asst Controller, General Security System Corp
     5. Rochelle Lockwood, Ameriprise
     6. Ben Osborn, Community Observer
   - Board of Education Members
     7. Director Robert Erickson, Treasurer
     8. Director Judy Keliher
   - ISD 194 Staff
     9. Michael Baumann, Executive Director of Business Services
     10. Jaber Alsiddiqui, Controller
     11. Marilynn Smith, Principal, Orchard Lake Elementary
     12. Todd Mooney, LEAF President
     13. Jason Molesky, Executive Director of Technology and Data Services
     14. Emily Herman, Human Resources/Business Office Coordinator

2. **Welcome** – M. Baumann
   i. **March 8th** – need for a Fund Balance Policy meeting for your feedback. Meet from 4:00 PM – 5:00 PM. Agenda with materials to follow.
3. **New Member Solicitation** – M. Baumann
   i. Tom Minneman resigned due to job relocation
   ii. Application available online at http://isd194.org/?p=4675
   iii. Information posted on website, social media and press release
   iv. Applications due February 28th
   v. Send recommendations to emily.herman@isd194.org
      a. Visitor in attendance, viewing to see if interested
4. **Quarter 2 Budget Update** – J. Alsiddiqui
   i. Presentation for Quarter 1 focused on General Fund (GF), this one will focus on all funds. I'll zip through GF because not a lot of changes to GF since last update
   ii. Slide 6 – review of the actual, projected and the difference. Not a lot of changes in revenue, expenditure – looking at an over expenditures. Most change in the salary and the benefits. Result of the contract negotiations
   iii. Slide 7 – enrollment determines revenue. We were very close with our projection. Only 22 off from my estimate. What does that mean? Not a lot of

difference in revenue. The 22 from decrease in secondary but increase in elementary. Doesn't see a lot changes in the revenue. Revenue is within $100k. Most related to charge-back: Community and Student Nutrition. Change accounting procedures around it. Title I budget from federal budget. The difference between the two changes is about $100k. Self imposed is 2% variance. Fund Balance is looking good

iv. Slide 8 – looking good. Started with higher Fund Balance. We are still projecting more Fund Balance than originally projected. Unassigned Fund Balance is like equity in the business world – like your rainy day money. It is 10.1% of budget. Policy is between 4-8%. It's what Baumann is talking about for our next meeting to discuss Fund Balance Policy. Nothing in the policy about what if we are over or under the policy. We need to talk about. Some of the best practices say you should have at least 2 months in expenditures. $11.4 million of Fund Balance.
    a. Dir. Keliher – BOE looking at revisiting Fund Balance policy
    b. J. Alsiddiqui – we want committee's feedback. Fund Balance is a common measurement for determination of the health of the district.

v. (Jump to Slide 11) – Review of the history of the GF. Higher than BOE policy

vi. Slide 10 – nonspendable = accounting for inventory that we have to put aside. Assigned = admin put it aside, use for this year to balance the budget, for example. Unassigned = carry-over from school. Many around school fundraising. Restricted = driven by source of revenue – if you don't spend in that fiscal year you are restricted for future use of that fund. Assigned for Carry-Over = for next year – projecting that we are going to use next year. We are in the early stages of Budget Development for next year.

vii. Slide 9 – Enrollment Trend – leveling off. With all new buildings and new permits, hoping to see more students coming into the district.
    a. Dir. Erickson – inward vs. outward migration
        i. J. Alsiddiqui – for example, open enrollment becomes a student of Lakeville Area Public Schools, money follows the student. Last year was the first year we have more students coming in than students leaving Lakeville Area Public Schools. Considering the overall school age children population is down in the district and gaining more from other district = good news

viii. Slide 12 Revenue Projection of Food Service Fund – Revenue less by about $100k. Ala Carte – smart snack program, healthy food, saw a decrease. Increase in student meals – Kid Zone program participation. Most revenue comes from fees. Federal Aid is almost ¼ of revenue.

ix. Slide 13 – pretty close to budget except salary and benefits. Driven by performance pay. As part of contract, if funds comes in and deposited, some of it goes back to the staff.

a. M. Baumann – tied to a series of metrics driven to enhance the overall performance of the teams.
b. E. Knips – is Student Nutrition self-funding? Point?
c. J. Alsiddiqui – yes, you get some fees, state aid, and federal aid. You can't have too much Fund Balance due to regulations. Guideline says 3 months expenditures. Federal gov't gives money, not to make money off of it. You can't have too much.
   i. M. Baumann – you also don't want to be a district that cross-subsidy with General Fund dollars
d. Dir. Erickson – one could assume you could charge less per meal based on these numbers but Federal gov't doesn't allow that
   i. J. Alsiddiqui – yes, there are guidelines. Have to spend excess - you want to put into one time expenditures, like equipment purchases.

x. Slide 14 – excess fund to bring it down. Don't know what the consequences are if don't. Asked but didn't get a clear answer.
   a. J. Cochrane – Kid Zone we have to pay separately for meals? Is that to split it out to go into the right budget code?
      i. J. Alsiddiqui – it is, one reason we have an increase
   b. J. Cochrane – Wonder Zone is not?
      i. J. Alsiddiqui – Wonder Zone is a program fee

xi. Slide 15 - Community Service Fund – all of the activities that take place outside of the K-12. You can see looking at the revenue not a lot of changes. These numbers flex, state revenue driven by the School Readiness program. Wonder Zone the reduction – see the decline in the fees. Program not sustaining itself. Internal conversation around what to do. You have programs like ECFE, etc then you have the General Community Ed. You can take money from General Community Ed and put into Wonder Zone for example but can't go the other way around.

xii. Slide 16 - Projection of Community Service Fund – expenditure over budget

xiii. Slide 17 - Community Service Fund Summary – need to look at Wonder Zone program and look at the numbers. Fund Balance is all restricted. You can't take from Community Service and move into the General Fund. Community Ed benefits from overhead cost like custodial, lights, etc, you could charge Community services for that but can't transfer
   a. P. Arling – what is the reserve for severance
      i. J. Alsiddiqui – term used in Community Ed. Money set aside for anticipated severance. Internal, not a requirement. Really just anticipated for retirement in Community Service Fund.
         1. P. Arling – difference between severance and retirement?

            a. J. Alsiddiqui – when someone chooses to leave, depending on sick leave or years of service
        2. Dir. Erickson – most often it is retirement
            a. J. Alsiddiqui – accounting term from GASB for how we treat severance. Treated differently for sick leave or years of service. When we say retirement we think pension but that is completely different than this.

xiv. Slide 18 – Do not anticipate any new bonds issuance this fiscal year. Bonds reported in Building Construction Fund as well. Recorded in fiscal year then sits in Fund Balance. Interest earned for the revenue

xv. Slide 19– projects for FY17. Balance of $476k. Some projects cross different fiscal years. Some of it is ear-marked for projects in the plan. This is to do additional projects.

- a. M. Baumann – Plan for the $837k, roster for the projects. Going to meet with the group to move that along.
- b. Dir. Erickson – we anticipate a budget then bids are move favorable resulting in balance. Then, we can consider projects this year that we couldn't previously schedule
    - i. J. Alsiddiqui – yes, we budget for projects. Then, savings on bids allow us to carry-over and work on the outstanding list based on priority.
- c. E. Knips – any bonds in FY17? Are we not spending in FY17?
    - i. M. Baumann – we will be spending that balance.
    - ii. J. Alsiddiqui – we are not issuing bonds. Two refunds but not bonds
    - iii. M. Baumann – it is a two year bond cycle. Meeting with Ehlers next week to work that out.
- d. P. Arling – to continue construction projects?
    - i. M. Baumann – we look at what projects are being done, what need to be done in order to sustain our deferred maintenance. We are in the 2nd year of the 2 year cycle. The difference creates the waitlist/punch list of the items that need to get done. We consult with the BOE to determine what the priority should be. One of the things that have changed in that is how we levy for that. We levy for the bond on that. We are in a 2 y ear bond cycle and we are coming around
    - ii. K. Hendricks – do we earmark for Capital?

iii. M. Baumann – roughly $300k/yr for Capital for sustainment. Principal send list of things, review list, prioritize the list. We do not go out for bond for those things. We try to build into the budget and service as many as we possibly can. Try to pick up projects throughout the year.

iv. J. Keliher – not all projects can be funded by Alt Fac. so we have to put in Capital

v. Jaber – General Fund can pay for all projects, but numbers so high. General Fund Capital for items like computers, textbooks. We might issue a bond at anytime during the year

xvi. Slide 21 – principal and interest of all of our outstanding bond issues. Revenue/subsidy from government will be less than we projected.

xvii. Slide 22 – always enough in balance to pay debts

xviii. Slide 24 – three separate programs

a. Flex Spending – medical/dependant

b. SORLA – professional development program

i. SY14 program was in the hole. Put a plan into place and turned that around. Cancelled programs with low attendance. Back to self sustaining.

c. Scholarship

i. E. Knips – did we anticipate a big?

1. J. Alsiddiqui – different amounts based on different donations but some long-term scholarships. Staff scholarship stopped

ii. E. Knips – what is the reason for the difference?

1. J. Alsiddiqui – we anticipate a net of $300

xix. Slide 25 – programs self sustaining

xx. Slide 26 – Trust and Agency Fund Summary

a. E. Knips – Flex spending - grows every year? What do you do with that?

i. J. Alsiddiqui – just stays there

b. E. Knips – some point going to have it? Are you going to use it?

i. J. Alsiddiqui – have to look at regulation to see how we can use that, if we can

xxi. Slide 27 – Dental. Premium from District and Employee goes into this fund. Programs that we are experiencing a decline in the fund balance. Don't know last time the premium change. Expenditures are exceeding so we are keeping an eye on that. What do we do about it if it continues? Increases from last year clear in specific age groups. Tracking it for this year. Working close with Delta Dental. Use to be ahead but things changing.

xxii. Questions?

a. J. Cochrane - Can we get PPT in advance next time?

i. J. Alsiddiqui – Yes

b. Dir. Erickson –under the leadership of Baumann and Alsiddiqui the BOE has received budget updates with line item details along with a narrative. We appreciate the narratives that goes along with that

5. **Budget Development Timeline** – J. Alsiddiqui

i. Past

ii. Future – here we are today, review of the timeline items coming up.

iii. Questions? (None)

6. **Audit Summary and CAP** – J. Alsiddiqui

1. Slide 33 - Review of the process, selected CLA

a. E. Knips – why did you switch?

i. Dir. Keliher – time for an RFP process

ii. J. Alsiddiqui – looking at 5 yrs or so cycle. First 2-3 years relationship. Good business practice

2. Slide 34 - Audit Subcommittee with BOE members – early in the stage, BOE members point out items they want the auditors to review

3. Slide 35 - Audit schedule – needed more visits because they need more information. They need more information when it is a new vendor

a. Plan to get it done in October next year

4. Slide 36 - Summary of Auditors Results

5. Slide 37 - Audit Findings – Material Weakness

a. Material Weakness – highest level. Review of PPT information. Invoice received in July but work done in June – should be charged to June, not July.

b. Time and Effort – extra hours needed to complete this report

6. Slide 38 - Audit findings – Significant Deficiencies

a. Review of the process. Need to do a physical inventory.

b. Two of us to do Journal Entry – someone else needs to review

7. Slide 39 - Audit Findings – Significant Deficiencies

a. Special Education review of SAM. We do it but we didn't document proof. Print and show the date

b. Student Nutrition – mistake in reporting for October. There was a cross between the two months

8. Slide 40 - Audit Findings – Legal Findings

a. Inactive accounts need to be closed, plan to take the money and distribute it back

b. Cash receipts – wasn't receipt for every cash receipt. Even though all tied out, they didn't have a pre-numbered receipt. We implemented that this year. All moneys have to be receipted. Control that would be 100%, no – how much money do you want to spend to control? We need to do our best with our resources

9. Management Comments – not findings
    a. TIES access needs to be disengaged
    b. Wire Transfers need to be reviewed/confirmation to someone else. So now it goes to Michael Baumann. Big one for the Payroll. Payroll does the transaction. Accountant does the account, I do the transfer. Confirmation goes to Michael
        i. E. Knips – do you regret change?
            1. J. Alsiddiqui – we are happy with them. I don't feel bad about getting findings. It helps us strengthen our protocols
        ii. P. Arling – cost savings by switching?
            1. M. Baumann – don't have the exact numbers on me.
            2. Dir. Keliher – soft cost
        iii. Dir. Erickson – PPT available?
            1. M. Baumann - online

7. **Technology Levy Update** – Jason Molesky
    i. Brief update on Technology planning. In process for finalizing plans. Focus on technology component
    ii. Largest portion to capital technology
    iii. Strategic plan – call out for use of digital tools
    iv. Built our technology vision. Increase access – not goal to be 1:1 or on devices all day. Want to support a more balanced approach. Traditional education + Technology
    v. Thanks to this group for the planning and feedback was invaluable. Helped us frame the plan.
    vi. Digital Tools for Learning – three key ideas. Increase student access, replace/update core technology, support and maintenance.
    vii. Keep promise to community
    viii. Replace/update core technology – first and foremost. Current is static lab environment. Move toward a more mobile environment – mobile Chromebooks/iPads Labs. Reduce static and adding mobile labs. Looking at refresh to see if static labs will be needed in the future.
    ix. Purchase itself – mix of Apple iMacs, Dell Optiplex, and Chromebook iPad Air. Replacement this summer of 700 units, 200 units, and 840 units
        a. J. Cochrance – different operating system work with budget?
        b. J. Moleksy: Yes current PC about 200, current PC operating on same operating system

x. Mobile side Dell Chrome Dellboard – cost efficient and sturdy, iPad Air 2. March will be a new Apple product. We will be watching to determine our buying power.
xi. Student access – individual school based funding lead to inequitable environment. More access for all, not device for all. Base level of support in all schools
    a. Six sets per school in Elementary, mix between iPads and Chromebook, use will be determined by schools needs
        i. Schools can still fundraise but lock them into those two options for support and purchase power
    b. Secondary – more request for Chromebooks with some iPads Air 2. Use lots of Chromebooks due to items like Google Education Apps.

2. Initial Deployment – providing flexibility
3. Support and Maintenance (3rd component)
    a. Refresh cycles, support, and budget
4. Looking at 1.5 M/yr. Future allocations per category may vary due to changes in available technologies and transitioning school needs. Adding 1-2 FTE in District support team to manage.
    a. Dir. Erickson – that was shared with the community
        i. J. Molesky – yes. We were going to look at coaches but we are now redefining our media specialist role
5. Looking at asset management tools. Clear accounting of all items that we deploy. Manage our fleet.
6. Looking forward numbers are just place holders at this point. 3 yrs out we don't know what the needs will be. We will remain flexible. We don't know what will exist in 4-5 years for technology. We will continue to re-evaluate and will perform a needs assessment. Keep focus on student access.
7. Planned phase 1 – Lab refresh – hope to get items early and defer payment. Getting early would help staff prepare tech for deployment.
8. Phase 2 – print management needs, look at it from systematic needs and projection needs
9. More detail in late March/early April to the BOE
    a. Dir. Erickson – the FAC recommendation for the coaching change in plan, kept the levy cost down, City residents supported.

8. **Adjourn** – 5:14 PM