

**MEETING MINUTES
COMMITTEE OF THE BOARD MEETING
January 7, 2020**

PRESENT: Board of Education: S. Marchese, J. Kopp, J. Brodrick, C. Allen, Z. Ellis

M. Xiong arrived at 4:32 p.m.

J. Foster arrived at 4:40 p.m.

Staff: Superintendent Gothard, M. Hoerth, K. McCarty, Y. Vang, B. Chan, J. Delich, S. Strong, D. Ginther, H. Kilgore, J. Turner, J. Engen, K. Thao, C. Long, D. Watkins, M. Schrul, K. Wilcox-Harris, C. Baker, K. Randall, E. Agbamu, K. Burns, M. Doud, A. Collins, S. Dahlke

Other: T. Lonetree, J. Verges, K. Smith, J. Huegal, A. Neilson, J. Schumacher

I. CALL TO ORDER

The meeting was called to order at 4:30 p.m.

II. AGENDA

A. Superintendent's Announcements

Superintendent Gothard began the meeting by welcoming everyone and a special welcome to Board Director Allen and Kopp. He shared that an email was sent to all staff about a pilot of SPPS Achieves 2A in Positive School and District Culture, that aims to collect regular feedback from students, families and staff regarding their SPPS experiences. We also held a professional learning session on customer service, and he is pleased with engagement and sharing of this session. Initiative 2A is defining Positive School and District Culture as belonging, engaged and empowered and leading courageously. He is excited for this work.

He also shared an update on the Special Education Advisory Committee report-out. It was a good meeting learning about progress the SEAC community has made. He made special mention of Assistant Superintendent Marcy Doud, who has worked to cultivate trust and leadership with team. One item to note was that what the committee is asking for is what SPPS Achieves is seeking as well and is in alignment to the plan. We can accomplish this work together and to involve many voices, including members of the district and partners as well. The report will be posted on the SEAC website, and will also be shared with members of the Board.

B. Audit Report – Year Ended June 30, 2019

Superintendent Gothard then introduced Chief Finance Officer, Marie Schrul and thanked her and her team for their work. Chief Schrul went on to introduce the results of the FY19 audit, year ending June 30, 2019, and introduced Jackie Huegel and Aaron Nielson from MMKR. The Board has been seeing quarterly reports over the year with updated throughout the year, and this is the final year end audit and results of whole FY18-19.

- Three reports were shared with the Board:
 - Annual Financial Statement
 - Special Purpose Report
 - Management Report

Auditor's Role

- Opinion on financial statements
 - District audit
- Internal controls and compliance
 - Financial Statement Audit
 - Federal "Single Audit"
 - State Law and Regulations

District Audit

- Unmodified Opinion on Basic Financial Statements
- Internal Control and Compliance Reports
 - 2019-001 – Internal Control Over Financial Reporting – Timeliness and Accuracy of General Ledger Reconciliations
 - 2019-002 Internal Control Over Compliance with Federal Allowable Costs Requirements
 - 2019-003 Internal Control Over Compliance with Federal Procurement Requirements
 - 2019-004 Claims and Disbursements
 - 2019-005 Withholding Affidavit
 - 2019-006 Unclaimed Property Report

General Education Aid – Basic Formula Allowance

- The General Education Aid basic formula allowed, which is the largest funding source for the District from the State of Minnesota, was reviewed. For 2019, there was a 2.0% increase in funding.

State-Wide Fund Balance

- The state-wide unrestricted operating fund balance as a percentage of operating expenditures for SPPS versus state-wide was reviewed, with SPPS at 14.7% for FY2019. For FY2018, SPPS was at 15.8% compared to 20.0% as the state-wide average.

General Fund Financial Position

- The cash and investments, unrestricted fund balance, and annual expenditures of the General Fund were also presented, as well as the financial statement. In FY2109, the cash and investments was at \$85.9M, unrestricted approximately \$63.2M. For the most recent years, it has been a steady calculation. Drivers to 2010, 2011, and 2012 cash balances were also discussed. The components of the General Fund fund balance for the past 5 years were also reviewed. There is \$37M in unassigned, which is 5.9% of the expenditures of the General Fund. It has been a steady around the same level, and compares to fund balance policy with goal of 5%.

Adjusted ADM and Pupil Units Served

- The Adjusted Daily Membership and pupil units served were shown and discussed, with the percentage change in ADM and pupil units served for the past ten years (estimated – not final for 2019 until well into the 2020 year). The estimated ADM is 35,938.

Change in Students Served

- The changes in ADM were also shown. The changes in 2015 were also discussed, there was a change in legislation in the weighting of students – there was not a loss of resources, but it was a mathematical calculation in how it occurred from 2014-2015.

Other Governmental Funds

- The other governmental funds for food service special revenue and community service special revenue funds were presented. Ending the 2019FY, the fund balance for the food service fund ended at 21%

and the community service fund at 12% - with a slight decrease in the food service fund noted for the past year including impacts from cold weather and snow days.

District-Wide Statement of Net Position

- A district-wide statement of net position was also presented. There are a few reconciliations. The top half trying to share from perspective of operating, individual funds and general fund – taken fund balances and how to compare to consolidated basis sin wrapping all together, and governmental fund accounting is different in that they don't include capital assets or long term obligations, and captures at entity wide presentation. This is the big picture conversation items to take from governmental funds with a top line of comparing FY18 to FY9 decrease of \$83m as anticipated with refunding bond, which reduced debt service fund, capital spending in construction fund, and those 2 areas are key changes. Also show other categories of conversation items. Changes in pensions and OPEB obligations which are driving unrestricted category were also noted and impacts to financial statements.
- Overall, the bottom line position change in increase \$65M on an entity-wide presentation.

Comments on financial statements and details on individual governmental funds were also shared.

Chief Schrul highlighted the pages that were highlighted in quarterly reports. The 5.9% was highlighted, and our projections were close with that throughout the year. It's about where we're projecting revenue and expenditures, and also enrollment and monitoring those key pieces to the budget. The findings have action plans in place for many of the items. Some of them – like late payments, mindful that school is not in session. We do our best to ensure payments are paid in timely manner, and those disputed have documentation.

QUESTIONS/DISCUSSION:

- There was clarification on the dollars within the unassigned fund balance, which is \$37M, and relates to 5.9% and where to find that information in the financial statements (page 18). The breakdown on the right side of the report, and focus on unassigned and that's the \$37M. The state does a different calculation, which can be confusing. The breakdown of those funds can be found in the financial statements.
- It was also highlighted that we have oscillated in eh same zone for the past few fiscal years.

RECOMMENDED MOTION: Mr. Marchese motions to accept the Audit Report for the Year Ended June 30, 2019 and related documents, and it was seconded by Ms. Xiong. It passed by acclaim.

III. ADJOURNMENT

It was motioned to adjourn the meeting at 4:56 p.m. The motion passed by acclaim.

IV. WORK SESSION

The Board then conducted a work session to discuss internal and external committee assignments, school area assignments, and the 2020 graduation schedule for board members.

Respectfully submitted,
Sarah Dahlke
Assistant Clerk