

**Spectrum High School Finance Committee Minutes**

Date: January 17, 2020  
 Scheduled Time: 9:00 a.m.

<b>Position</b>	<b>Committee Member</b>	<b>Attendance</b>
Kathy Reed	Board Treasurer	Present
Annalise Marberg	Parent Committee Member	Present
Nick Taintor	BerganKDV/Financial Advisor	Present
Tyler Dehne	BerganKDV	Present
Dan DeBruyn	Executive Director	Present
Dawn Sorenson	Exec. Administrative 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. 2019-2020 Finance Committee Goals

- **Work with administration to monitor the transition of fundraising efforts and oversight to FoS, Inc.**

Mr. DeBruyn provided an update for the Committee on the work of the Friends of Spectrum, Inc. (FoSI) Board. He shared that the Board met on January 14, 2020 regarding next steps in the process of getting the organization up and running. He reported that the FoSI bank account at US Bank is all set up and ready to accept funds, and that the Sting Swing golf tournament PayPal account is directly linked to the account. Administration shared with the Board the fees involved in running the organization and that 10% of all funds raised will need to be placed into an administrative account to pay for things such as annual tax filings, audits, QuickBooks software fees, bank fees, checks, postage/envelopes, Directors Insurance (Errors and Omissions/E&O), and other ancillary items. Mr. DeBruyn stated that these fees have always been present; however, in the past, they've been absorbed by Spectrum. Now, though, the organization itself will need to be responsible for the fees and therefore the reason for the 10% allocation. Ms. Reed inquired about the communication plan for educating others as to the need/reason for the 10% holdback. Mr. DeBruyn stated that a communication plan is being developed with the plan to disseminate it sometime late May or early June. Ms. Marberg asked whether or not a delineation document had been developed to show what expenses are anticipated to be covered by Spectrum vs. FoSI. Mr. DeBruyn stated that this item is in process, but not yet complete.

- **Work with administration to explore options to contain or lower the deficit in the school lunch program.**  
 No report at this time.
- **Work with administration and Bergan KDV to create, input (into Skyward), and implement a detailed internal budget plan.**  
 No report at this time.

#### **IV. New Business**

##### **A. December Financials**

Mr. Taintor presented the Executive Summary of the December financials. He stated that the school is currently budgeting 775 Average Daily Membership (ADM). Actual membership as of December 20<sup>th</sup>, 2019 was 784, with a current ADM of 786, which includes full time PSEO students attending other institutions for which the school does not get reimbursed from the State.

Mr. Taintor went on to note that the working budget 2019-2020 now projects an annual surplus (revenues to exceed expenditures) in all funds in the amount of \$20,125, with a projected cumulative fund balance of \$2,152,846, or 22% of total budgeted expenditures. Overall, the school is right on track with 44% of expenditures spent year to date as compared to 50% of the fiscal year completed. The projected Days Cash on Hand is 59 days (minimum requirement is 30 days) with a projected Debt Service Coverage of 1.10x (minimum requirement is 1.10x).

Due from the Building Company, in the amount of \$229,238, represents funds that have been paid for by the school on behalf of the Building Company. A portion of this amount will be paid back to the school this fiscal year. Mr. Taintor went on to share that the State holdback for the 2019-2020 fiscal year is estimated to be a receivable of \$415,807 and that this amount is approximately 10% of total state aids. The remaining holdback amount will be paid back to the school in fiscal year 2021.

It was noted that updates to the budget have been made by Mr. DeBruyn and those changes are reflected in the working budget column of the FY20 budget.

Following discussion, the Committee recommended approval of the December financials.

##### **B. December Management Report**

The Committee reviewed the December Management Report. A permanent notation has been added to the report to clarify sequencing skips, if any.

Following discussion, the Committee recommended approval of the December Management Report by the Board as presented.

##### **C. December Contracted Services Report**

The Committee reviewed the December Contracted Services Report.

##### **D. December Food Service Report**

The Committee reviewed the December Food Services Report.

##### **E. Revised Mid-Year FY20 Budget**

The Committee reviewed the revised mid-year FY20 budget in detail. Mr. DeBruyn went line by line to explain increases and decreases in the various budget items. Those include the following:

- Salaries and wages – actual costs reflect some money moved to Q-Comp as well as actual costs for both salaries and benefits.
- Contracted services –Significant savings in the area of Contracted Services, including a \$90,000 savings in cost for PSEO/concurrent enrollment and a \$2,000 savings in anticipated legal fees.
- Staff development and training – Increase by \$14,700 to account for summer curriculum development opportunities.
- Curriculum materials decreased by \$23,000 to reflect actual costs and needs

- Pupil transportation vehicles – added \$40,000. In need of two vans to replaced current school vans that are exceeding their allowable life (10 years) for transporting students
- Technology equipment – Reducing by \$5,000 based on projected needs
- Transfer from food service – Increased by \$18,605 to \$30,000 similar to FY19.

In all, the budget was adjusted such that instead of projecting a (\$3,976) deficit, the school will be able to add approximately \$100,000 to its fund balance, and with an increase in fund balance comes an increase in Days Cash on Hand as well as an increased Debt Service Coverage Ratio calculation.

#### **F. On-going Finance Training**

Mr. Taintor took the Committee through a detailed training on how to interpret the annual audit report, as well as a review of the Days Cash on Hand and Debt Service Coverage calculations.

In the area of interpreting the annual audit report, Mr. Taintor explained the difference between Government-Wide Financial Statements vs. Fund Financial Statements. He shared the major differences between the two, noting that Government-Wide reporting combines all funds (general fund, food service fund, building company fund, etc.) into one. The report accounts for Pension Liability (Teachers Retirement Account & Public Employee Retirement Account), capitalized assets and depreciation, as well as for bond debt as a long-term liability on the balance sheet.

Within the Fund Financial Statement, the report presents the funds separately (general fund, food service fund, building company fund, etc.) and does not include the accounting for the Pension Liability, long-term assets, which are capital assets, and long-term liabilities. These statements focus more on the annual operating of the school and are more related to the monthly statements, which are presented to the Board each month.

Then, Mr. Taintor went on to the Days Cash on Hand Report. He noted that there are two main financial related covenants required by the school to follow. One of these is Days Cash on Hand. This calculation takes into consideration the amount of cash on hand that is in reserve to meet the school's obligations. It is required that Spectrum have at least 30 days cash on hand, which is calculated on June 30<sup>th</sup> of each year. The calculation is determined by taking the amount of cash per the audit report, divided by the quotient of operating expenses for the fiscal year ended June 30<sup>th</sup>, and dividing by 365. At the end of June 30, 2019, the school had 68 days cash on hand.

Mr. Taintor then trained on the Debt Service Coverage calculation and how it is derived. He shared that this calculation takes into consideration the amount of coverage (annual surplus) to cover the annual debt payments (principal and interest on the bonds). He stated that it is more of a snapshot of the annual results, whereas, the Days Cash on Hand takes into account reserved built up over time. Spectrum is required to have at least 1.0 times coverage, calculated on June 30<sup>th</sup> of each year. Below a 1.0 times is considered to be in technical default and bondholders could foreclose on the property. The calculation is made by taking the annual surplus (or deficit), adding back the debt payments for that year, adding back capital outlay (from the audit report) and dividing by the Debt Service on the 2017 bonds (debt payments for that year). At the end of June 30, 2019, Spectrum had a 1.26 times coverage and met the requirement.

#### **V. Old Business**

None

#### **VI. Previously Tabled Items**

None



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**VII. Miscellaneous**

The Committee briefly reviewed whether or not it would be feasible to move the date of the February Finance Committee meeting should the date of the February Board meeting need to change. However, upon review, it was determined to keep the originally planned meeting date/time, and therefore the Finance Committee will meet on Friday, February 21, 2019.

**VIII. Next Meeting Agenda Input – Friday, February 21, 2020 at 9:00 a.m.**

**IX. Adjournment**

The meeting was adjourned at

Respectfully submitted,  
Dawn Sorenson