



Finance Committee Meeting

Friday, February 5, 2010, at 3:00 p.m. at LILA

Meeting called to order at 3:07 pm

Members in attendance were Chad Bloomberg via Skype at 3:12, Julie Lundgren, and Christine Thomas

- I. Reviewed the agenda. Added review of the 990 to the agenda. Member Thomas agreed to take the meeting minutes.
- II. Conflict of Interest Disclosure - Member Thomas offered a potential conflict of interest as she works for Patriot Bank Minnesota. Member Lundgren disclosed that we will be reviewing the budget and her salary is noted in there unchanged. After a review of the agenda it was discussed and determined no issue was apparent regarding the potential conflicts of interest.
- III. The January bank statement was reviewed. Discussed the two monthly payments received from the state and the lease payment which is described as CT Eticket in the amount of \$50,750.
- IV. Review of December financial reports
Reviewed the Dashboard
 - Regarding the ADM of 550 on Dec report –Member Lundgren will get updated enrollment information for Director Hedlund so the board has an accurate count.
 - Incorporated the maturity of the CD on the 2nd page in April. This is a truer picture of where we are and whether we will need a loan. Member Lundgren does not believe we will need a loan this fiscal year.

Reviewed the detailed income statement

- The benefit lines under expenditures have increased due to the actual increased use of benefits for medical, life and dental (claims).
- Substitute teacher usage is much reduced from what we thought we needed. We are looking at some savings here. There will be a couple parental leaves upcoming.

- Elementary education at 550% of budget is due to the Minnesota Planetarium event; they came in and gave a presentation for teachers using the Exploradome.
- Elementary instructional supplies is higher than budgeted.
- There are changes in coding with regards to special education expenses. Member Lundgren will work with Chris Pellant regarding this.
- DDH line -0 overall for state special education 52% is good, it's just the coding within the budget section. Student needs and state coding requirements have affected the coding of the actual spending. This would be true for federal too.
- Title funding is something the school usually doesn't see until the end of the year, so not unusual to be a bit behind on revenue for Title.
- Utilities expenses are significantly less than budgeted. We may have some savings. Member Lundgren will review last year's utility invoices to compare energy prices and adjust budget in budget revision 2. Member Lundgren will also talk to Mick to see what changed as far as building energy use reductions.
- March 30th is the end of the FLAP spending time. Member Lundgren will be sending reminders to those involved to get their spending requests in. About \$115,000 is left to spend as of a few days ago to cover January, February and March. About half of this will be used for salaries. Trying to think ahead to next year for media texts needs and include this in the planning. The report states we are over budget on traveling for FLAP as of right now, but we are done traveling with regards to the FLAP grant.

Reviewed the cash flow statement

- Increase on the April 16-30 line is the CD maturing.
- Payroll disbursements budget is divided equally for the rest of the year. It will continue looking the way it has been for the next few months, but in June it will increase due to end of year teacher merit pay.
- Even though our cash balance is going down, this does not affect our fund balance. The state holdback is considered in the fund balance.
- Estimate that we will be a little better than the cash balance in the right hand corner.
- Concern with cash flow is not June but July. If the legislature increases the holdback or has a long session this could result in no payment in July because of the state's economic forecast. At this point we are thinking beyond June 30th. We have some purchases that we can delay as well and we are holding off on these right now.

Reviewed the balance sheet and the payment register - no questions

V. Review draft of revision 2 of FY10 budget

- Revision 2 – Member Lundgren has gone through it once and started filling in the numbers.
- Elementary instructional supplies will go up a little bit.
- Regarding the lines for furniture, Member Lundgren will check with Director Hedlund and maybe wait until next fall to purchase.
- Right now the financial mode of the school is to make do and delay purchases while still maintaining our mission and doing what is best for kids. Member Lundgren is discussing needs with every program head and encouraging them to use what has been budgeted for their program. Most have a \$500-1000 supply budget. We don't want to grow the fund balance much higher than we already have. We are already at 29% as of FYE 2009. Administration feels we don't want to be above 30%. Anytime we have a surplus at the end of the year, we've added to our fund balance. Goal is to meet financial needs without borrowing. Spend down fund balance if the state decreases holdback in the future in order to meet the needs of our students and best meet our mission.
- Member Lundgren has been in contact with Charter School Capital and anticipates the results from our application to be sent around March 1st.
- Member Lundgren has updated John Milbauer at Patriot Bank Minnesota regarding our search for an authorizer.
- Northwood Children's Services from Duluth came here for a visit. This was a referral from John Cairns. They are a potential authorizer for LILA.
- The Department of Education guidance came out yesterday regarding authorizer application and responsibilities. This is what we have been waiting for and things should happen more quickly. The department has 60 business days after they receive the application from the potential authorizer to approve them. The authorizer then has 21 days to respond to the Department of Education with any additional requested information. The authorizer will then announce what schools they want to authorize and go through that process with the state.
- The first reading of the revised budget will be in March at the regular board meeting.

VI. Other Business

- Member Bloomberg brought forth a question from a parent, "Are we still having a Chinese program next year?" The answer was yes. He then asked for an update on possible grants. The STARTalk grant was not approved. Race to the Top will not happen this fiscal year. The state will find out in April if they will receive a RTTT

award. We have applied for a Sprint character grant. There's an arts in education grant that Kelley Dunbar is completing.

- Reviewed the 990. Member Lundgren reviews the return line by line with the audit in hand. Received an explanation of line 11b. - reimbursement of revenue was a donation from the building company to the school this was voted on by both boards
 - Line 16 this is the lease – building company 990 \$599,000 lease payments to the building company and the building company paid to the trustee, but there was another piece the school needed to pay, additional lease to pay the capital increase for the loan at Patriot Bank Minnesota. SBS did not code this and make the fund transfer and the auditors did not catch it either. The audit was closed. The school was paid lease aid correctly from the State based on the audited financials. Question was raised on how do we get the money back? Three options: 1) Reopen the FY09 audit if it is a material finding, 2) resubmit our FY10 lease aid application & get the lease aid adjusted this year, or 3) put in a future year. All options are available, but because it is not a material finding as per Dennis Hoogeveen from LarsonAllen, we are considering the third option. Member Lundgren is working closer than ever with SBS. She is insisting on seeing all things going to the auditors. Knowing that the building has some capital improvements that will need to be done – the roof and the boilers are original to the 1960's – the building company can raise the lease to the school to help pay for the capital improvements needed. We can build this in over time. Right now about \$24,000 a year is paid to the building company as part of the semi-annual disbursement from the trustee for capital improvements. This covers audit expenses and a small portion of improvements.
 - Member Lundgren will present the 990 to the board. The Charitable Organization Annual Report cannot be completed until the 990 is approved.

The next finance committee meeting is scheduled for February 26th, Friday, 2:30 pm at LILA.

The meeting adjourned at 4:14 p.m.