



**New Hope-Solebury School District
Finance Committee Meeting Minutes
December 14, 2016
6:00PM— Upper Elementary School LGI**

Per Policy 006.2, all public meetings of the Board of School Directors, including committees, are audio recorded.

Agenda Items

Attendance:

- **School Board** – Mark Cowell, Neale Dougherty, Maria Povacz
- **Administration** - Andrew Lechman, Dr. Steven Yanni, Chuck Malone, Mike McKenna
- **Committee Members** – Rich Hepp, Jeff Kearney, Allison Kingsley, Stan Marcus, John O’Hara, Marcus Peckman, Ellen Stiefel
- **Public** - Bill Hamilton and Karianne Tomosky – Mayer Hoffman McCann P.C.

Mr. Dougherty called the meeting to order at 6:00PM.

Mr. Dougherty reminded the committee that per policy 006.2, all committee meetings are now being audio recorded.

The committee approved the minutes from the November 9, 2016 meeting with a motion made by Mrs. Stiefel and seconded by Mr. Cowell with the following amendment to the first item under New Business:

- Marcus Peckman requested that the Finance Committee discuss developing and proposing to the Board a written policy whereby all vendor contracts above a certain dollar amount require Administration to solicit, receive and consider at least two vendor proposals. The committee agreed that such a policy is considered a best practice and finalizing a policy recommendation should be an agenda item at an upcoming committee meeting.

Old Business

- None

New Business

- Mrs. Povacz informed the committee that she has stepped down as the chair of the committee due to work commitments. She thanked the committee for their work during the year she served as the chair of the Finance Committee.

➤ Presentation of Audit Report

- Bill Hamilton & Karianne Tomosky of Mayer Hoffman McCann P.C. provided the committee with a presentation summarizing the highlights of the audited financial statements for the year ended June 30, 2016. The audit process was much more efficient this year after the significant transition in business office staff from the prior year. The audit report was issued the beginning of November whereas last year wasn't completed until December. They have issued an unmodified opinion which is a clean audit or the financial statements are free from material misstatements. The presentation covered the sections of the audit report along with dialogue between the committee and the auditors. The most significant amount of questions arose around the internal control letter issued to the Board of School Directors. During the audit planning meeting Mr. Lechman requested that the audit cover a more in depth review of the district's capital asset records. This work identified 24 of 47 assets that could not be located. The majority of the assets that could not be located were very old and were fully depreciated. An example given was a wrestling mat from 1975. All current items were identified as per the district records. There was one material item that made up the majority of the \$500,000 in net book value of assets that were not identified. This item was entered prior to 1990 and the only information in the district's records was parking lot lights. After research and discussion with the Director of Operations the district could not identify what this asset referred to and believe it may have been entered in error many years ago. Due to the materiality of the item this a recommendation was made to management and the Board of School Directors to perform a full physical inventory of capital assets. A number of questions and comments were provided in relation to this item:

- Request of auditors to reconsider the language in the internal control letter identifying this as a material weakness.
- Have the auditors reviewed capital asset records in the past which they described they review the annual changes which include additions and disposals. They confirmed that they do not ask annually if a physically inventory has been completed.
- Questions arose about if there is an issue with assets going unaccounted. Mr. Lechman confirmed that from the work that was done it appears to be an issue with the record keeping from many years ago. All current capital assets were accounted for.
- Mr. Lechman will bring information to next month's meeting confirming when the last physical inventory was completed.

Other Questions/Requests from this conversation included:

- Restricted Fund Balance – This was identified as an anonymous donation that was provided to the district to be used for a specific purpose during the 16-17 school year.
- Food Service – Status at a future meeting on the current status of the department and the breakfast program.

- 2016 – 2017 Budget
 - Fiscal Dashboard – Mr. Lechman provided a brief summary of the fiscal dashboard for the 2016-17 year. YTD revenue is trending in line to slightly better than the same period in the prior year. YTD expenditures are also in line with the prior year at 34% of budget used.
 - Budget Transfers – No budget transfers were presented this month.

- 2017 – 2018 Preliminary Budget Presentation – Mr. Lechman provided an overview of the preliminary budget. The recommendation will be made to the Board of Directors at the board meeting on Monday December 19 to approve a resolution authorizing a proposed preliminary budget display and advertising. The preliminary budget reflects a tax increase of 4.0% which will require applying for referendum exceptions for expenditure increases in the area of special education and PSERS. The preliminary budget does not set a tax rate, but it is the only time in the process to apply for the opportunity to raise property taxes beyond the approved Act 1 index. The final budget can be approved with a tax increase up to the Act 1 index plus approved exceptions. Mr. Lechman reviewed, in detail, the changes from the first look of the budget which are all included in the budget packet provided to the committee. The preliminary budget is generating \$40,051,994 in revenue to fund \$40,967,905 in expenditures and utilizes \$915,911 of fund balance. This leaves a total fund balance of \$2,710,039 or 6.62% of expenditures. The multi-year projection is showing that the increase in expenditures continue to outpace the increase in revenues which is the work of the administration and the committee over the next six months toward the approval of a final budget in June.
 - Discussion included the following topics
 - Act 153 – Land preservation frozen millage for eligible properties. This is estimated to be \$120,000 in lost revenue for the district in 17-18 and will continue to grow into the future as millage increases and more properties are approved. The committee agreed that there is interest in learning more about this agreement, its benefits and the process to eliminate this if the Board so desires to do. Mr. Lechman will work with Mr. Marcus to secure a member of the Land Preservation Committee to attend a future Finance Committee meeting to discuss this item.
 - The committee discussed the plan to close the growing gap between expenditures and revenues to get back to a structurally balanced budget.
 - Dr. Yanni provided a high level overview of the items that the district is currently working on regarding expense management.
 - Mr. Peckman suggested identifying strategic initiatives as ideas to supplement the tactical expense management items.
 - Legislators, tax assessors as examples.
 - Reassessment of property at time of sale
 - Mr. Dougherty discussed the issue of hold harmless related to state funding.

- EDR Data – Form for Data Collection – Dr. Yanni provided an update on the process of EDR data collection.
 - Discussion confirmed that we will begin to collect data on attendance, gate receipts, etc.
- Contracts
 - New
 - Dr. Yanni provided an overview of the Sweet, Stevens, Katz and Williams contract to be utilized for Special Education Services. Currently spending a lot of money on out of state tuitions and associated transportation costs. Current legal counsel special education lawyers have not been providing services to our satisfaction. Recommending this firm for their expertise in special education arena and at a lower hourly rate than our current solicitor.
 - Renew
 - BCIU – Homestead Notice Mailings – Part of the annual Act 1 Budget timeline includes the responsibility of a school district to send a mailing to all eligible homeowners for the homestead/farmstead exemption by December 31. All Bucks County school districts utilize the Bucks County Intermediate Unit to complete this task. They have a process set up to receive the data from the county and then print and mail these notices. NHSD has 1,286 eligible properties and based on the fee schedule the total costs will be \$805.

Public Comment

- Public comments were made throughout the meeting and captured as part of the write-up for each agenda item.
- Update on borough permit fees – Dr. Yanni
- Facilities usage fee recommendation to the board. This will generate some additional revenue, but the primary goal is to level the playing field for all organizations that use our facilities.
- Accepting F1 Visa students – We have one potential student.
- Transportation – Reduce busing which we accomplished with a reduction of 2 buses. Needed to add the buses back in for homeless students required by the McKinney Vento Act.

Adjournment

- A motion was made to adjourn the meeting at 8:10pm and was unanimously approved.

Respectfully submitted,

Andrew Lechman
Business Administrator