MINUTES
Committee of the Whole
November 3, 2003

The Penn Manor School Board met as a Committee of the Whole at 7:04 p.m. in the Board Room of the Manor Middle School. Present were Mr. Anderson, Dr. Frerichs, Mr. C. Willis Herr, Mr. H. Thomas Herr, Mr. Kline, Mr. Kreider, Mr. Lyon, Mrs. Wert, and Mrs. Withum. Present from the administrative staff were Mr. Stewart, Mr. Skrocki, and Mrs. Griffis. Also in attendance were Penn Manor residents, Millersville University students, Mrs. Rhoades, Mrs. Howard, and Mrs. Warfel.

Mr. Willis Herr asked if there were any Citizen's Comments. There were none at this time.

Mr. Willis Herr asked the committee whether there were any additions or corrections to the Minutes of the October 13, 2003, Committee of the Whole Meeting. Hearing none, on a motion by Mrs. Withum, a second by Mr. Thomas Herr, and a unanimous voice vote, the Minutes were approved as printed.

Mr. Skrocki introduced Mrs. Patricia Herr and Mr. Donald Mowery auditors from Trout, Ebersole & Groff for their Audit Report for the fiscal year ending June 30, 2003. He stated that the presentation they were about to make would reflect changes that occurred due to the fact that the district was required to implement GASB 34. Mr. Skrocki stated that the implementation of GASB 34 resulted in many additional work hours on the part of not only the business office staff but also the auditors. He thanked Mrs. Herr and Mr. Mowery for their efforts in conducting the audit. Mr. Skrocki informed the board that he could arrange a separate meeting with the auditors for them in early December that would provide additional details regarding the financial statements if they would like. Mrs. Herr informed the board that the information packet provided them was a draft that was being provided for discussion purposes only. She stated that the final draft would be provided when the MD&A Report is submitted. Mrs. Herr reviewed GASB 34 requirements and the extra time required to meet these requirements. She stated that the purpose of GASB 34 is to bring district financial statements more in line with the financial statements in the private sector. Mr. Mowery gave a brief overview of the following areas of the audit. He reviewed the highlights of the financial statements. He reviewed the Balance Sheet as of June 30, 2003 that reflected total assets amounting to $16,354,460, total liabilities amounting to $6,978,044, and a total fund balance of $9,374,416 in the General Fund. Mr. Mowery also reviewed the capital reserve fund, debt service, other funds, and total governmental funds information. He stated that a modified accrual system was used which was similar to what was used in the past. Mr. Mowery reviewed the Special Revenue as cited in Athletic Fund, Capital Projects, and Total Governmental Funds shown on the Combining Balance Sheet – Non-major Governmental Funds. He also reviewed the Combining Statement of Revenues, Expenditures, and Changes in Fund Balance for Non-major Governmental Funds. Mr. Mowery referred board members to the Notes to Financial Statements that focused on the General Fund. He reviewed taxes receivable and deferred taxes and changes in Capital Assets that were up approximately 1 million dollars from last year. Mr. Mowery reviewed the Statement of Net Assets that listed total net assets of $27,099,821 that reflects a change in the net assets of $5,020,516. The Statement of Activities was reviewed. This statement reflected program revenues (expenses, charges for services, operating grants and contributions, capital grants and contributions) and net (expense) revenue and changes in net assets (governmental activities, business type activities). The statement of activities indicates a total primary government loss of $34,218,944. Mr. Mowery reviewed revenues, expenditures and fund balance figures as they relate to the General Fund. He also reviewed the Statement of Net Assets for the Proprietary Fund (Fund Services) that indicated total net assets and liabilities of $283,406. Mr. Mowery stated that the cafeteria is now required to record compensated absences as a result of GASB 34. Statement of Revenues, expenses, and changes in fund net assets for the cafeteria were reviewed. Operating expenses of $1,902,470 which included a 4% increase in salaries and additional $57,000 in health benefit costs, an operating loss of $550,194, and total non-operating revenues of $477,960 were indicated resulting in a loss in change in net assets of $72,234. Mr. Mowery reviewed the Statement of Net Assets – Fiduciary Funds and Statement of Changes in Fiduciary Net Assets for the Fiduciary Funds. Board members were made aware of the Notes to the Financial Statements that provide information regarding the numbers reflected on the financial statements. Mrs. Herr reviewed Trout, Ebersole, & Groff's Report on Compliance and on Internal Control over Financial

Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and their Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133. She also reviewed the Schedule of Finding and Questioned Costs for the year ending June 30, 2003. Mrs. Herr stated that no reportable conditions relating to the audit of the financial statements are reported, no instances of noncompliance material to the financial statement of Penn Manor School District were disclosed, and no reportable conditions relating to the audit of the major federal programs are reported. She commended the school district for the excellent job they did implementing GASB 34. She stated that the district records were in excellent shape and commended Mr. Skrocki, Mr. Johnston, and Mr. Peart for their efforts. Mr. Skrocki again thanked Mrs. Herr and Mr. Mowery for all of their hard work involved with conducting the audit. It was determined that this item would not be approved for placement on the November School Board Meeting Agenda since the MD&A Report was not completed. Approval of the Audit for placement on a board meeting agenda was tabled until this report is submitted. Mr. Willis Herr thanked Mrs. Herr and Mr. Mowery for their presentations.

Mr. Skrocki requested approval for placement of a transfer of $1,834,174.07 to the Capital Reserve Fund. This money could be used for building projects and capital improvement projects. He stated that the transfer is possible because the district came in under the amount expected relating to expenses. The fund balance would be approximately 18% after this transfer. Mr. Skrocki reminded the board that the district has a fund balance of $9,374,416. He stated that he anticipates asking the board to designate a portion of that money for retirement costs at a later date. Approval for placement of this item on the November School Board Meeting Agenda was approved on a motion by Mrs. Withum, a second by Mr. Anderson, and a unanimous voice vote.

Mr. Skrocki updated the board with regard to the State Education Budget. He stated that an education budget has not yet been adopted. Mr. Skrocki informed the board that the House passed two bills HB200 and HB113. He reviewed what each bill would mean to the district. Both bills now need senate approval. He stated that approval of the bills could take place by November 27. Mr. Skrocki stated that school districts have not received their anticipated basic instructional and special education subsidy for two months and that districts without a healthy fund balance could be in serious financial trouble if a budget is not adopted soon. Mr. Skrocki stated that Penn Manor could operate for an entire fiscal year without subsidy if necessary due to the fund balance. Mr. Stewart informed board members that Ms. Vickie Phillips, PA Secretary of Education, would be addressing the I.U. Superintendents in the near future.

Mr. Skrocki reviewed the 2004 Assessment Appeals. He stated that these appeals have been filed since 1996 resulting in approximately 1 million dollars in cumulative revenue income. Penn Manor School district is the only district in the I.U. filing assessment appeals in a similar manner. Mr. Skrocki said appeals are filed if there is a large discrepancy between the sale price and the assessed value of a property. Mr. Skrocki informed the board that sixteen 2004 appeals were filed resulting in an increased assessment amount of $1,728,400 and an increased tax amount of $26,356 per year. In every case the assessed value was increased. Mr. Skrocki stated that the cost to the district for filing these appeals was less than $5,000. Mr. Kreider asked why one of the appeals indicated a "rollback figure" of $198,800. Mr. Skrocki stated that this is a "Clean and Green" property and explained why appeals are filed on properties with this designation. He stated that a rollback figure is available for 7 years if the property in question comes under Clean and Green. Although the district does not gain anything at the time of the appeal since the property is under Clean and Green, the district could gain tax income from it if the property comes out of Clean and Green in the future. He stated that Clean and Green properties have the largest discrepancy between the rollback figure and assessed value.

Mr. Stewart reviewed a proposed Staff Evaluation Grid. He stated that changing from the currently used 5-tiered system to the proposed system would mean a procedural change in evaluation but also a cultural change. Mr. Willis Herr asked why this change in evaluation system is being considered. Mr. Stewart stated that the current evaluation system is not tied to an increase in salary; however, the proposed evaluation system would determine an individual's pay increase. Mr. Stewart stated that principals and supervisors who would be evaluating building aides, cafeteria and maintenance employees, and secretarial staff reconsidered the 5-tiered system and opted to use the proposed staff evaluation grid. He stated that approval is being requested for the grid so that training of individuals using the new system can be conducted and evaluations can be conducted in March using this system. Approval for placement of the proposed Staff Evaluation Grid on the November School Board Meeting Agenda was granted on a motion by Mr. Lyon, a second by Mr. Kline, and a unanimous voice vote.

Mr. Skrocki reviewed the classified staff compensation plan being requested for approval as prepared by Capraro Associates. He stated that this plan ties into the evaluation grid approved by the board for placement on the November School Board Meeting Agenda. There are 250 classified staff members who would fall under this plan. It will be a completely new way of thinking on how staff is evaluated and will require a different mind set for both the employee and the evaluator. Mr. Skrocki requested approval for placement of this item on the November School Board Meeting Agenda. Approval was granted for placement of this item on the November School Board Meeting Agenda on a motion by Mrs. Withum, a second by Mr. Lyon, and a unanimous voice vote.

Mr. Skrocki reviewed Student Activities and Athletic Fund Accounts. He stated that the Student Activity Fund has a balance of approximately $93,000 and the Athletic Account has a balance of approximately $88,000. Mr. Skrocki reminded board members that detailed information regarding these accounts could be found on the Penn Manor web page.

Mr. Stewart asked the board for permission to have Gilbert Architect prepare a Maintenance Facility Study for Comet Field. He stated that he was requesting permission for this study so that he could talk with the board in terms of “real” costs for a maintenance facility project with regard to upcoming budget figures. He stated that he would propose proceeding with this project in the 2004/2005 school year. Mr. Stewart reviewed previous recommendations of the Fields Committee and the fact that the renovation/upgrade of the current Comet Field House hinged on the sale of the commercial triangle at Comet Field. He stated that the sale of this property does not appear to be imminent. The Fields Committee has asked him to discuss with the board the possibility of building a maintenance facility at Comet Field that would free up the bottom of the current Comet Field House for additional space for use by the sports teams and provide a separate facility for the maintenance department. Mr. Stewart reminded board members that the Comet Field House is currently used by both athletes (on the upper level) and the maintenance department (lower level). He stated that the facility does not provide adequate space for either group. Mr. Stewart said he would like to have a maintenance facility available that would provide space for the new Turf Manager and possibly Mr. Coleman and his secretary. Mr. Anderson asked if a 1 million dollar figure had not been discussed in the past in regard to a similar project. Mr. Stewart said the 1 million dollar figure discussed in the past related to bringing water and sewer to Comet Field and to add new structures on the east and west side of the building. Mr. Thomas Herr asked if a location for the proposed maintenance facility has been discussed. He said he would ask Gilbert Architects for their recommendation but felt an appropriate location might be near the bus parking area. He stated that Eschbach Transportation has indicated a desire to form a partnership with the district regarding use of the building for bus washing, etc. Dr. Frerichs asked how much the proposed facility would cost. Mr. Stewart stated that he hoped to have proposed costs after the facility study is completed by Gilbert Architects. He stated that the structure of the building being considered at this time is metal rather than brick and an estimated cost would be $250,000. Mr. Anderson asked if grant money could be used for this project. Mr. Stewart said the grant money is earmarked for bringing irrigation to Comet Field. Mrs. Withum asked if this would be a bad time to consider a new project at Comet Field taking into consideration everything else going on there. Mrs. Withum asked if there could be a potential drainage area problem in that location. Mr. Stewart said that would be determined by the study. He asked for board approval to ascertain the cost of the feasibility study. He stated he would get back to the board at the December meeting with these costs if approval was granted for him to proceed. The board approved his contacting Gilbert Architect regarding the cost of such a study.

Mr. Stewart addressed the board with regard to payment of tuition to Penn Manor by families who live outside of the school district but wish their children in grades K-12 to attend Penn Manor schools. He provided information from other districts regarding their policy on this topic and in cases where tuition students are permitted he provided the number attending per year. Dr. Frerichs asked if the notation "Reg. Ed." Following the number of tuition students enrolled in one of the districts means they do not accept special education students. Mr. Stewart indicated he did not know the answer to that question but would find out. Dr. Frerichs asked if he could obtain a copy of the tuition student policy from that district. Mr. Stewart said he would. Also provided were policies relating to the eligibility of non-resident students to attend three school districts on a tuition basis. Mrs. Wert asked how tuition rates for districts are determined. Mr. Stewart explained the formula used by PDE to establish tuition rates for elementary and secondary students. Tuition rates for Penn Manor versus rates charged by parochial/non-public schools for student enrollment were discussed. Discussion ensued regarding potential problems with discrimination charges when decisions are made regarding permission for one student to attend on a tuition basis and denial for another student to attend on a tuition basis. Mr. Stewart said the solicitor, George Brubaker, stated you couldn't discriminate against a protected group (race, religion, etc.). Mrs. Withum stated that Penn Manor has a reputation for their excellent special education program and questioned what would stop parents with special needs students from wanting to pay tuition for their children to be enrolled in Penn Manor in order to be included in the special education programs. Mr. Stewart said the solicitor stated that the district could discriminate with regard to exceptional costs to educate students. Mr. Kline indicated he felt tuition costs would limit the number of students who will be enrolled as tuition students. Mrs. Wert expressed concern regarding equality of decision-making with regard to enrolling students. Board members questioned whether there could be legal concerns relating to this topic. Mr. Stewart said there could be. He stated that he could ask the solicitor to meet with the board and discuss this topic and answer questions the board might have. Mr. Willis Herr suggested this item be tabled. Board members agreed to table this item for discussion at a later date.

Mr. Stewart reviewed a letter from the Lancaster-Lebanon Joint Authority requesting that the Board of Directors appoint a representative to the Joint Authority to serve a five-year term beginning January 1, 2004. This appointment is necessary due to the fact that the current representative's term is expiring. Mr. Stewart stated that the authority typically meets two or three times a year. Mr. Willis Herr asked for volunteers from board members leaving the board in December. Mr. Kline indicated he would be willing to fill this position. Board members approved Mr. Kline's appointment to the Joint Authority effective January 1, 2004.

Mrs. Withum informed fellow board members that she attended the Legislative Leadership Conference in Hershey and had a packet of information available if anyone wanted to review it.

The Committee of the Whole adjourned at 8:31 p.m. on a motion by Mr. Thomas Herr, a second by Dr. Frerichs, and a unanimous voice vote.