

MINUTES

Council Rock School District Finance Committee Thursday, October 25, 2012, at 7:00 p.m.

The Chancellor Center, Historic Classroom 1

I. Introduction of New Independent Auditors

Mr. Reinhart introduced Mr. Carl Hogan, the audit manager for BBD, Certified Public Accountants, the district's independent audits. Mr. Hogan explained that they have been in the District for the past few weeks conducting the examination of the District's financial statements. He added that the audit was substantially complete with major field work to be completed by the end of the week. The audit report will be issued later in the year.

Mr. Reinhart also introduced Mrs. Gail Klohe, the District's new Assistant Business Administrator. He explained that Mrs. Klohe has been working very closely with the auditors to answer questions, provide needed information and financial schedules and completing the Annual Financial Report form that is required to be submitted to the Pennsylvania Department of Education.

II. Preliminary Review of Financial Results for the Fiscal Year Ended June 30, 2012

Mr. Reinhart reviewed a PowerPoint presentation that highlighted the results of operation for the year ending June 30, 2012. He began by showing the table below:

	Current Budget	Actual	Variance Positive (Negative)
Revenues:	\$ 194,549,686	\$ 195,467,590	\$ 917,904
Expenditures:	198,563,627	193,974,693	4,588,934
Change in Fund Balance	<u>\$ (4,013,941)</u>	<u>\$ 1,492,897</u>	<u>\$ 5,506,838</u>

He explained that the District financial results were very positive. The District actual revenues exceeded the budgeted revenues by \$917,904. As expected, the District received approximately \$650,000 more in Basic Education Subsidy than was in the budget. You may recall that the District budget was adopted prior to the Commonwealth budget being passed. The final Commonwealth budget included this increased revenue.

The actual expenditures were lower than the budget by \$4,588,934. He provided the following list of expenditure categories that had the most impact on the budget:

Budgetary Reserve	\$	965,500
Employee Benefits		826,776
Special Education Contracted Services and Tuition		795,405
Largest Areas of Under Expenditure	<u>\$</u>	<u>2,587,681</u>

As the table above indicates the general fund, fund balance increased by \$1,492,897 for the year ended. The following table shows the results of this this change to our fund balance accounts:

	July 1, 2011	Changes in Fund Balance	June 30, 2012
Nonspendable:			
Prepaid expenditures	\$ 264,487	\$ (18,984)	\$ 245,503
Inventory	72,677	(19,607)	53,070
Committed:			
PSERS retirement rate increase	7,477,408		7,477,408
Self-insured health insurance	3,889,000		3,889,000
Offset tax increases (Melsky)	3,127,924	1,000,000	4,127,924
Assigned:			
Funding for next year's budget	4,000,000	(1,649,546)	2,350,454
Outstanding encumbrances	13,940	867,725	881,665
Unassigned			
	9,091,202	1,313,309	10,404,511
	<u>\$ 27,936,638</u>	<u>\$ 1,492,897</u>	<u>\$ 29,429,535</u>

The final item discussed regarding the financial condition of the District for the year ending June 30, 2012 was the establishment of the Healthcare Self Insurance Fund. The creation of self-insurance fund was discussed over the past year. He made the following points regarding the need for this fund:

- GAAP allows you to classify the Healthcare Self Insurance Fund as an Internal Services Fund.
- This fund is designed to measure the full cost of providing the self-insurance program for the purpose of fully recovering that cost through fees or charges.
- This provides transparency of the self-insurance program to all stakeholders including the bargaining units and the public.

The following table summarizes the results of the self-insurance funds operations:

<u>Revenues</u>	
Employer Premium Payments	\$ 18,209,493
Payroll Withholdings	2,654,105
Payments Paid By Retirees	1,129,531
COBRA Payments	82,804
Total Revenues	<u>22,075,933</u>
<u>Expenses</u>	
Payments Made to IBC	15,638,320
Payments Made to Keystone Health	7,243
Payments Made to Express Scripts	4,773,764
Payments Made to Sun Life	631,465
Consultant Fees	144,439
Total Expenses	<u>21,195,231</u>
Revenues in Excess of Expenses	<u>\$ 880,702</u>

III. Discussion Relating to the Need to Change Banking Relationship

Mr. Reinhart explained that the District is in the process of changing our banking relationship with Citizens Bank. Last year Citizens made a determination that they were no longer going to collateralize public funds as required by state law. Instead, all public funds were transferred into a non-interest bearing account where, according to Federal law passed during the 2008 financial crisis, the FDIC would insure all deposits in these accounts. This Federal law is scheduled to sunset on December 31, 2012. After that date, should Citizen not begin to collateralize these funds, they could be unsecured.