

# **MINUTES**

## **Council Rock School District Finance Committee Wednesday, March 20, 2013, at 6:00 p.m.**

**The Chancellor Center, Historic Classroom 1**

### **I. Presentation on the Independent Audit for the Year Ended June 30, 2012**

Mr. Carl Hogan of BBD reviewed the audited financial statements of the school district. He explained that the report contains a “Clean” opinion. This means the financial statements are fairly stated in all material respects. He focused on the following portions of the report:

- The Budgetary Comparison Schedule
- The Balance Sheet for Governmental Funds
- The Management’s Discussion and Analysis

He explained that a Management Letter was issued that contained the following three recommendations:

- Capital Asset Accounting
  - Update the School Board Policy relating to capital asset accounting.
  - Obtain a new Fixed Asset Appraisal that provides the Estimated Historical Costs in accordance with the District’s Updated Board Policy.
- Checks issued after year-end were posted to the previous year’s financial records. These payments must be recorded in the proper accounting period and the appropriate liability is recorded in the year the expenditure should be recognized.
- The following Board Policies contain outdated language and need to be updated with the appropriate language:
  - Budget
  - Tax Collections
  - Fund Balance

## II. Presentation on the 2013-2014 General Fund Budget

Mr. Reinhart presented the First Look at the 2013-2014 Budget. He provided the following summary of the General Fund budget:

<b>Revenues:</b>	<b>2012-2013</b>	<b>2013-2014</b>	<b>Increase (Decrease)</b>	<b>%</b>
Local Sources	\$ 157,485,653	\$ 158,717,841 <sup>(1)</sup>	\$ 1,232,188	0.78%
State Sources	40,089,080	43,023,486	2,934,406	7.32%
Federal Sources	1,841,517	1,806,599	(34,918)	-1.90%
Other Financing Sources	76,000	75,000	(1,000)	-1.32%
<b>Total Revenues</b>	<b>199,492,250</b>	<b>203,622,926</b>	<b>4,130,676</b>	<b>2.07%</b>
<b>Appropriations:</b>				
Salaries and Wages	105,464,708	108,481,153	2,927,722	2.78%
Employee Benefits	41,782,797	47,040,929	4,428,152	10.60%
Contracted Services	7,164,801	5,544,860	(1,619,941)	-22.61%
Purchased Property Services	7,378,802	7,659,016	280,214	3.80%
Other Purchased Services	15,969,496	15,287,493	(682,003)	-4.27%
Supplies	4,199,535	4,754,722	555,187	13.22%
Property	1,524,947	2,077,399	552,452	36.23%
Other Objects	6,487,618	6,181,441	(306,177)	-4.72%
Other Uses of Funds	11,120,000	11,937,266	817,266	7.35%
Budgetary Reserve	750,000	1,000,000	250,000	33.33%
<b>Total Appropriations</b>	<b>201,842,704</b>	<b>209,964,279</b>	<b>7,202,872</b>	<b>3.57%</b>
<b>Increase (Decrease) in Fund Balance</b>	<b>\$ (2,350,454)</b>	<b>\$ (6,341,353)</b>	<b>\$ (3,072,196)</b>	

(1) Local Revenue assumes no increase in Real Estate Millage rate.

He made the following point concerning the 2013-2014 Estimated Revenues:

- Estimated Earned Income Taxes Increased from \$13.1 million to \$14.0 million
- Estimated Realty Transfer taxes Increased from \$2.1 million to \$2.3 million
- Estimated Real Estate Taxes Revenues increased by \$192,590 due to increases in Assessed Values.
- Basic Instructional Subsidy increased by \$165,902
- Transportation Subsidy Increased by \$108,000
- Special Education Subsidy reduced by (\$119,854)
- State Share of Social Security Increased by \$131,284
- State Share of Retirement Increased by \$2,649,073

He made the following point regarding the 2013-2014 Appropriations:

- Salaries and Wages have increased \$2.9 million or 2.78%
  - \$1.33 million of the increase is caused by taking over the Speech program previously operated with the Intermediate Unit
  - Five additional staff members increased salaries by \$248,228
  - Contractual Increases account for the remaining amount.
- Healthcare costs will continue to be analyzed to determine proper funding of costs.
- Increase in Salaries Offset By Reduction in Contracted Services by \$1.6 million

## **II. Presentation on the 2013-2014 General Fund Budget (Continued)**

- Retirement Costs have increased by \$5.1 million- one half is paid by the Commonwealth and included as an increase in revenue.

Mr. Reinhart explained that the Governor's Budget Proposal maintained education funding at past levels with just a small increase in Basic Education Subsidy. He explained that the most important and dramatic proposals involved reforming the retirement system. He provided the following points regarding this proposal:

- Employer Contribution Collar Decreased from 4.5% to 2.25%.
- Effective July 1, 2015:
  - New Employees will be enrolled in defined contribution retirement system.
  - Pensionable income will be limited to social security income limit – currently \$113,700
  - Annual Multiplier will be reduced from 2.5% to 2.0%

He reminded the Board of the next steps in moving forward in the 2013-2014 Budget process:

- Continue to Analyze Revenue Collection Trends
- Review Staffing:
  - Next Year Staffing Needs
  - Impact of Staff Retirements
- Analyze Self Insurance Costs
- Monitor State Budget Deliberations
  - Retirement Reforms
  - Legislative Proposals
- Prepare Detailed Budget Document