

Finance Committee Meeting

January 10, 2019

This Evening's Agenda

Discussion Items:

- Review of June 30, 2019 Audited Financial Statements
 - Mr. Carl Hogan and Mr. Mike Mood, BBD, CPA
- Review of 2019 Capital Financing Plan
 - Mr. Zach Williard, PFM
- Review of 2019-2020 Budget
 - PDE 2028 – Proposed Preliminary General Fund Budget

Board Agenda:

- Appointment of Northampton Township Tax Collector



Council Rock School District

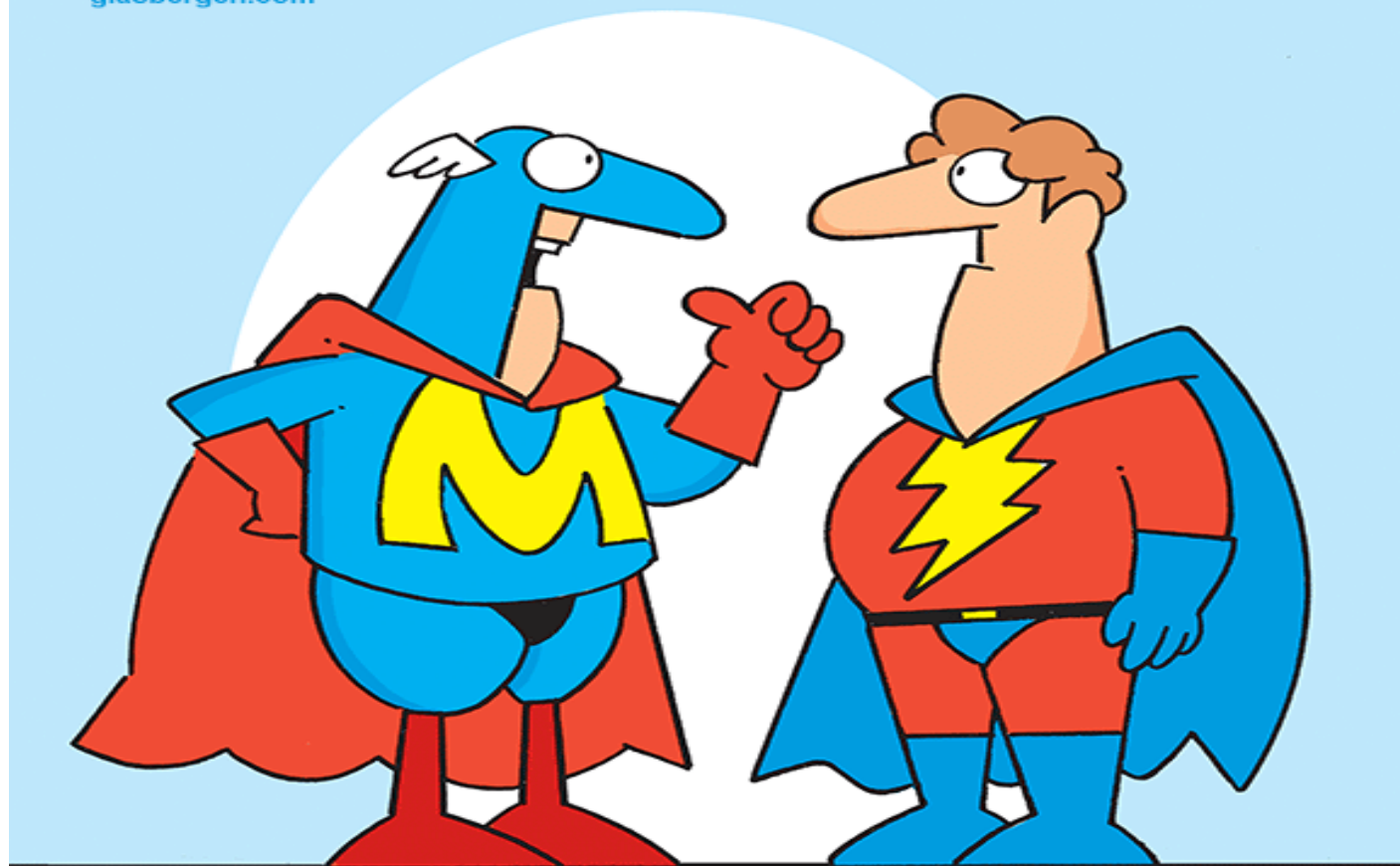
Audit Summary

For the Year Ended June 30, 2018



1835 Market Street, 3rd Floor
Philadelphia, PA 19103

215/567-7770 | bbdcpa.com



**“I’m Meeting Man. My superpower is the ability
to keep people awake during PowerPoints!”**

Independent Auditor's Report

- Report on the Financial Statements - outlines the scope of the audit and identifying each opinion unit.
- Management's Responsibility - to prepare the financial statements in accordance with generally accepted accounting principles.
- Auditor's Responsibility - express opinions on each opinion unit.
 - Conduct the audit in accordance with generally accepted auditing standards
 - Conduct the audit in accordance with government auditing standards
- Opinions - unmodified, which means that the financial statements are fairly presented, in all material respects, in accordance with accounting principles generally accepted in the United States of America.
- Change in Accounting Principle – addresses implementation of GASB 75
- Required Supplementary Information - which is to perform limited procedures, such as comparing with financial statements, but not to provide an opinion.
- Supplementary Information – discusses the schedule of expenditures of federal awards which was included in our audit of the basic financial statements and are fairly presented.
- Other Reporting - references our report on internal control and compliance based on an audit conducted in accordance with government auditing standards

General Fund Budget vs Actual

	Budget	Actual	Variance
Revenues	\$ 229,132,916	\$ 232,458,600	\$ 3,325,684
Expenditures	\$(233,333,635)	\$(231,911,058)	\$ 1,422,577
Other Financing Uses	<u>\$(-)</u>	<u>\$(3,249,132)</u>	<u>\$(3,249,132)</u>
Change in Fund Balance	<u>\$(4,200,719)</u>	<u>\$(2,701,590)</u>	<u>\$ 1,499,129</u>
Fund Balance, Beginning		<u>\$ 24,086,668</u>	
Fund Balance, Ending		\$ 21,385,078	

- Summarized from page 51 of financial statements.
- Total General Fund revenues were \$3,325,684 or 1.45% more than budgeted amounts and total General Fund expenditures and other financing uses were \$1,242,700 or 0.78% more than budgeted amounts.

General Fund Budget vs Actual Analysis

- Total local source revenues were \$2,211,163 more than budgeted due to collections for real estate and earned income taxes being more than anticipated, which are indicators of an improving local economy.
- Total expenditures were \$1,422,577 less than budgeted primarily due to expenditures within the instructional staff services, operation and maintenance of plant services and student transportation services functions being less than anticipated which was offset by expenditures being over budget within the special education, vocational education, pupil support and pupil health functions.
- Total other financing uses were \$3,249,132 more than budgeted. In accordance with School Board policy No. 620, the District made an operating transfer totaling \$3,000,000, which represented General Fund unassigned fund balance in excess of 5% of the following year's expenditure budget. The District made an additional \$255,553 to the Food Service fund. These operating transfers were not included in the original General Fund budget.

General Fund – Fund Balance

June 30, 2018

Non-spendable	\$ 31,336
Committed	
Future education initiatives	\$ 2,630,018
Self-insured health insurance	\$ 3,889,000
Balance 2018-2019 budget	\$ 4,091,477
Unassigned*	<u>\$ 10,743,247</u>
	<u>\$ 21,385,078</u>

*Represents 4.46% of the \$240,679,101 2018-2019 expenditure budget which is within 8% allowed by PDE and School Board policy.

Capital Projects Fund

– Fund Balance June 30, 2018

Capital Projects Fund	
Balance June 30, 2017	\$ 47,693,286
2018 Change in Fund Balance	\$ 1,500,095
Balance June 30, 2018	\$ 49,193,381
Capital Reserve Fund	
Balance June 30, 2017	\$ 8,082,554
2018 Change in Fund Balance	\$ 1,392,555
Balance June 30, 2018	\$ 9,475,109
Total Available for Future Capital Expenditures June 30, 2018	\$ 58,668,490

Notes: Major capital additions for the current year consisted of renovations to the Newtown and Holland Middle Schools.

Issued GOB Series of 2018 totaling \$43,000,000 for proceeds to be used for renovations of school buildings.

PSERS Net Pension Liability Update

Effective 2014-2015, the District was required to comply with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The major impact of GASB Statement No. 68 is to present, on the Statement of Financial Position, certain items related to the District's proportionate liability from its participation in the Commonwealth's Public School Employees Retirement System ("**PSERS**").

Effective 2017-2018, the District was required to comply with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The major impact of GASB Statement No. 75 is to present, on the Statement of Financial Position, certain items related to the District's proportionate liability from its participation in the Commonwealth's Public School Employees Retirement System ("**PSERS**") healthcare insurance premium assistance program, which was not required to be presented in the prior years.

The liability for both the pension and OPEB components totaled \$417,681,000 as of June 30, 2018, representing a decrease of \$9,864,000.

Employer Contribution Rates to "PSERS"

2016 - 2017	30.03%
2017 - 2018	32.57%
2018 - 2019	33.43%
2019 - 2020	34.29%
2020 - 2021	34.77% *
2021 - 2022	35.19% *
2022 - 2023	35.84% *
2023 - 2024	36.30% *

* Projected, not yet certified

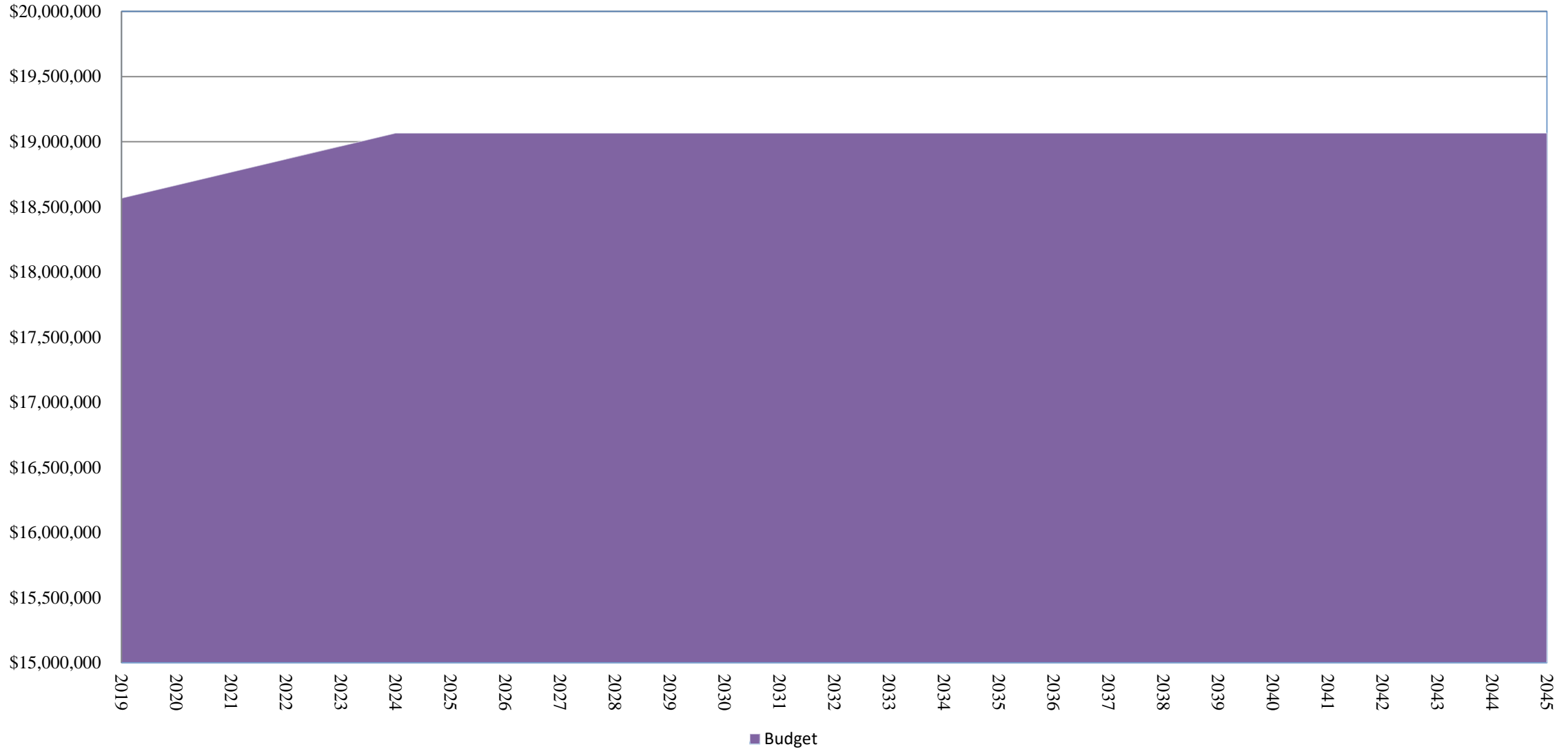
Schedule of Findings and Questioned Costs and Other Filing Deadlines

- No findings to report on internal control over financial reporting and on compliance
- No management letter comments
- Since the District spent more than \$750,000 in federal funds, a Single Audit was required
 - The major program tested was IDEA.
- Unmodified opinion on compliance
- Internal controls over compliance were also evaluated
- PDE Annual Audit and Financial report was filed by October 31st
- Financial Statements were posted to EMMA within 180 days of year end (December 27th)
- Single Audit was filed with Audit Clearinghouse by 9 months of year end (March 31st)

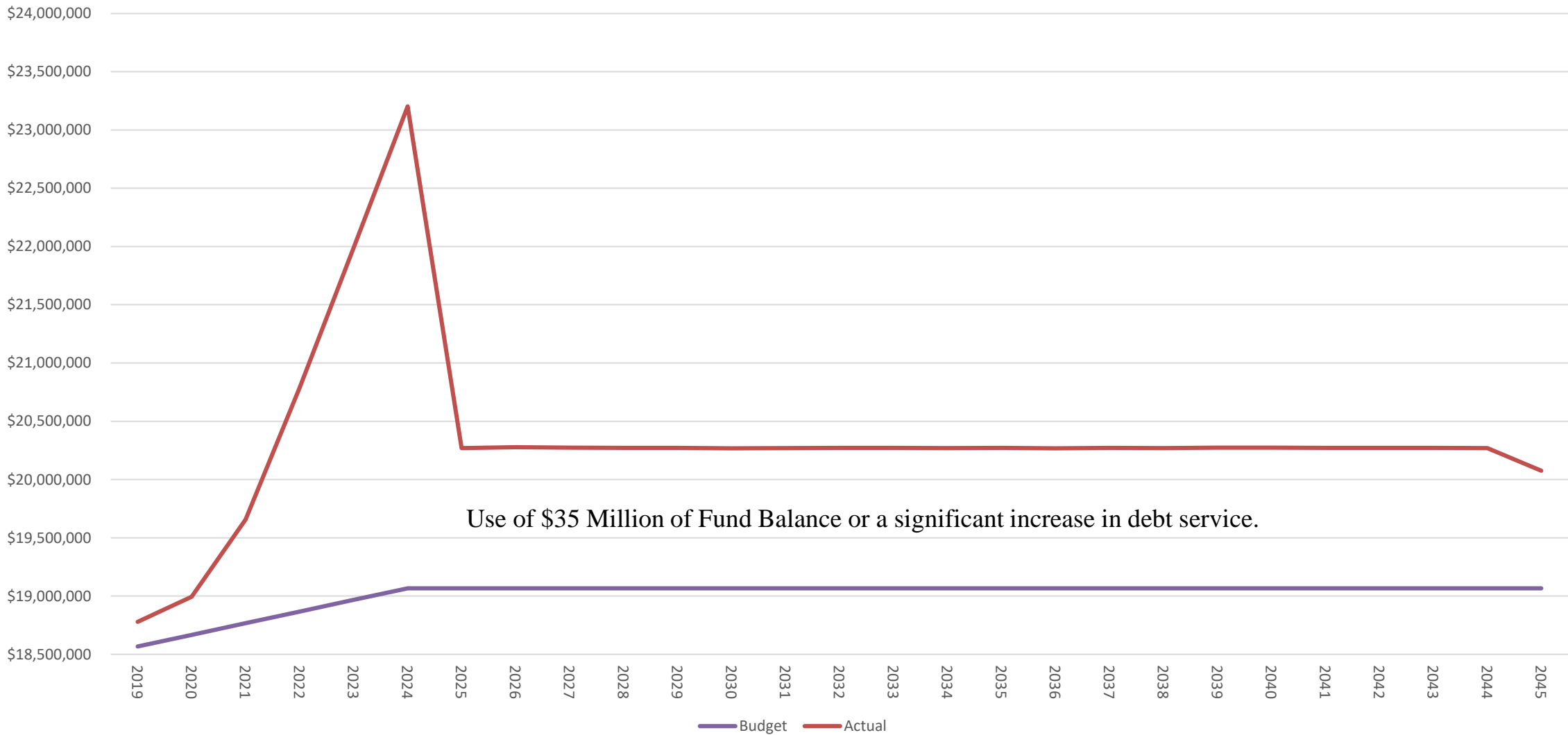
2019 Capital Financing Plan Review

- Review of November Capital Plan Discussion
- Discuss current bond market:
 - Recent changes in interest rates.
 - Opportunities in borrowing “New” money for projects.
 - Refinancing opportunities.
- Decisions:
 - “New” Money Transaction**
 - Amount
 - Timing of “Parameters Resolution”
 - Refinancing Transaction**
 - Savings Threshold
 - Timing of “Parameters Resolution”

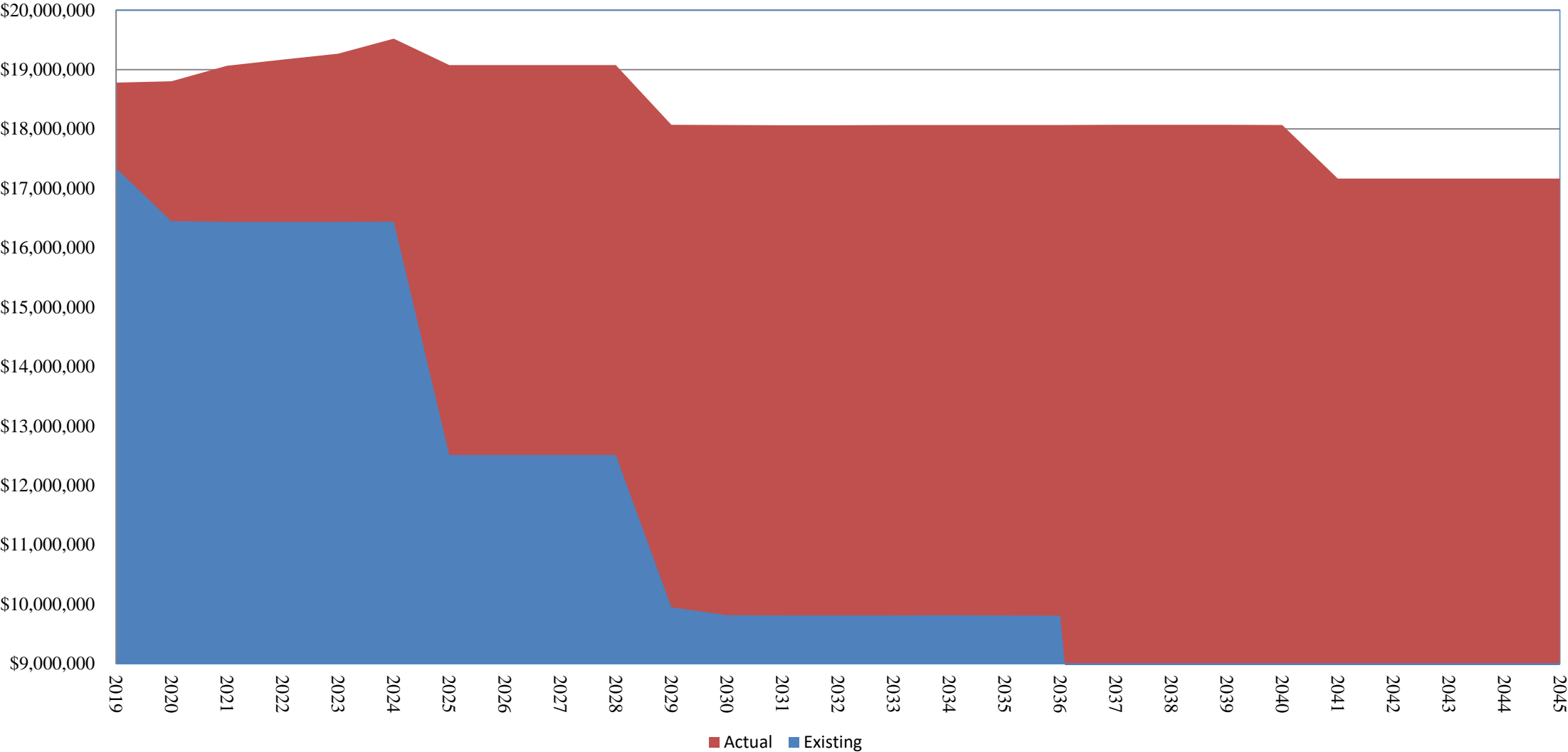
Planning the Financing of Future Capital Projects – Increase of Budget



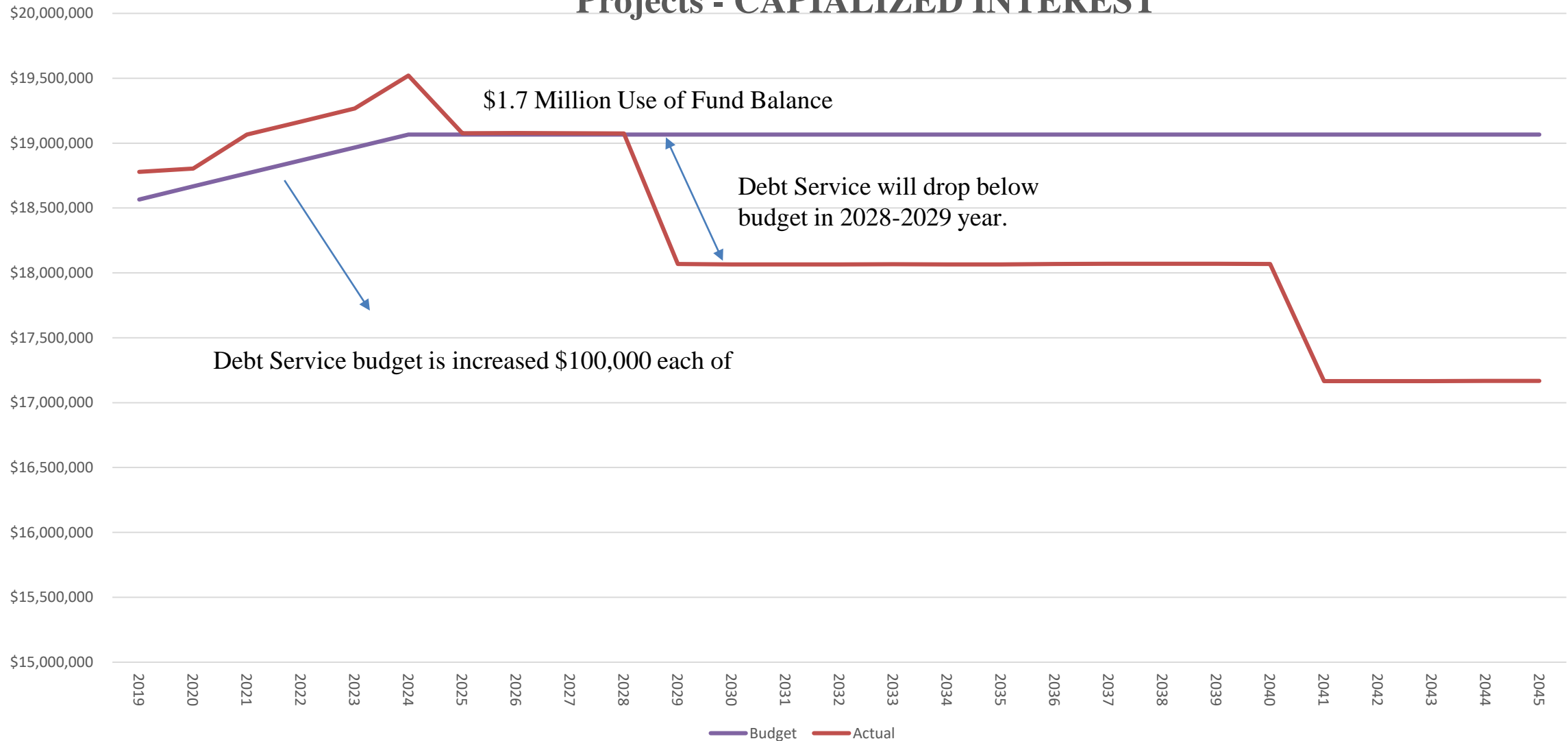
Planning the Financing of Future Capital Projects - Issuance of Debt to Finance Projects - First Look



Planning the Financing of Future Capital Projects - Issuance of Debt to Finance Projects – Capitalized Interest

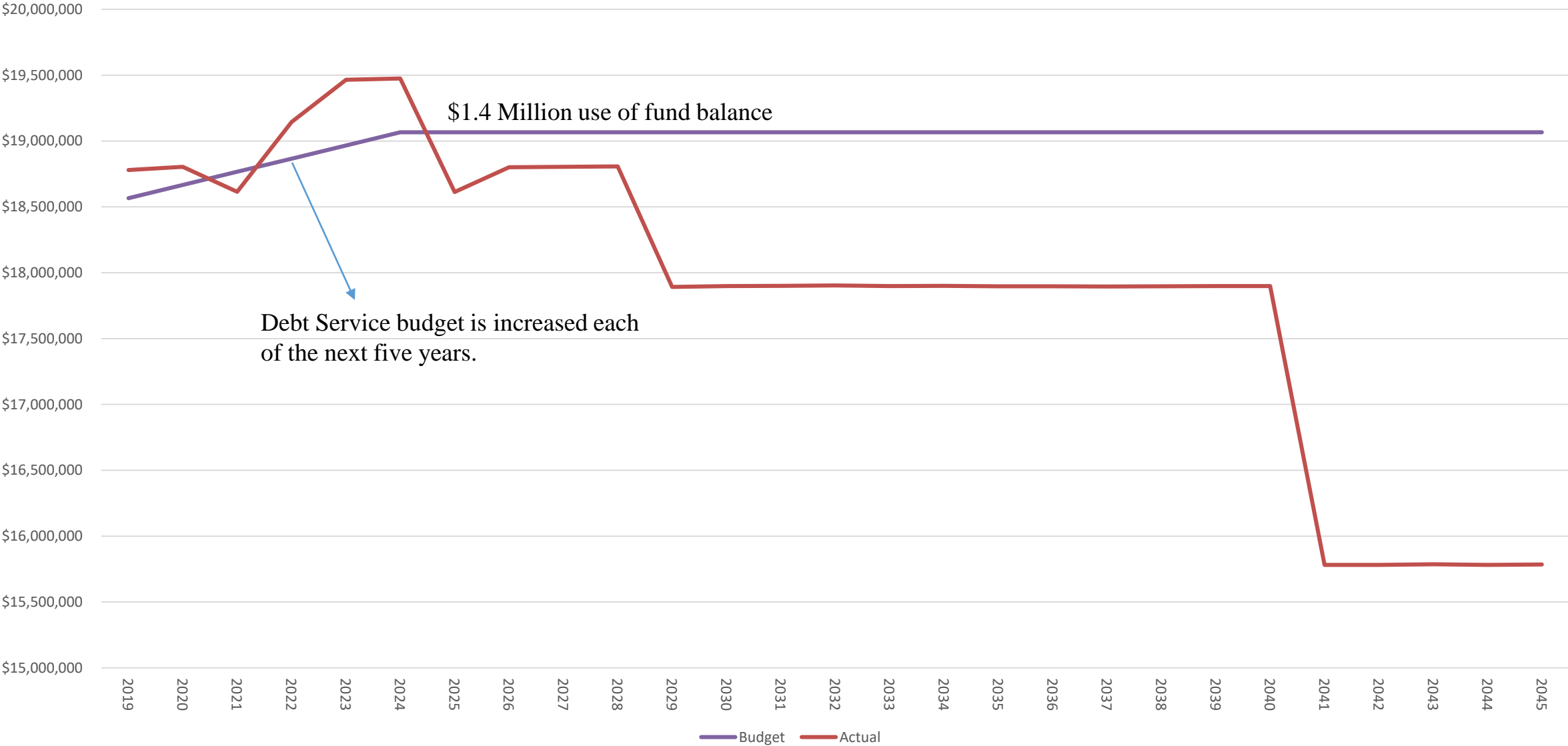


Planning the Financing of Future Capital Projects - Issuance of Debt to Finance Projects - CAPITALIZED INTEREST



Planning the Financing of Future Capital Projects - Issuance of Debt to Finance Projects

DELAY PROJECTS

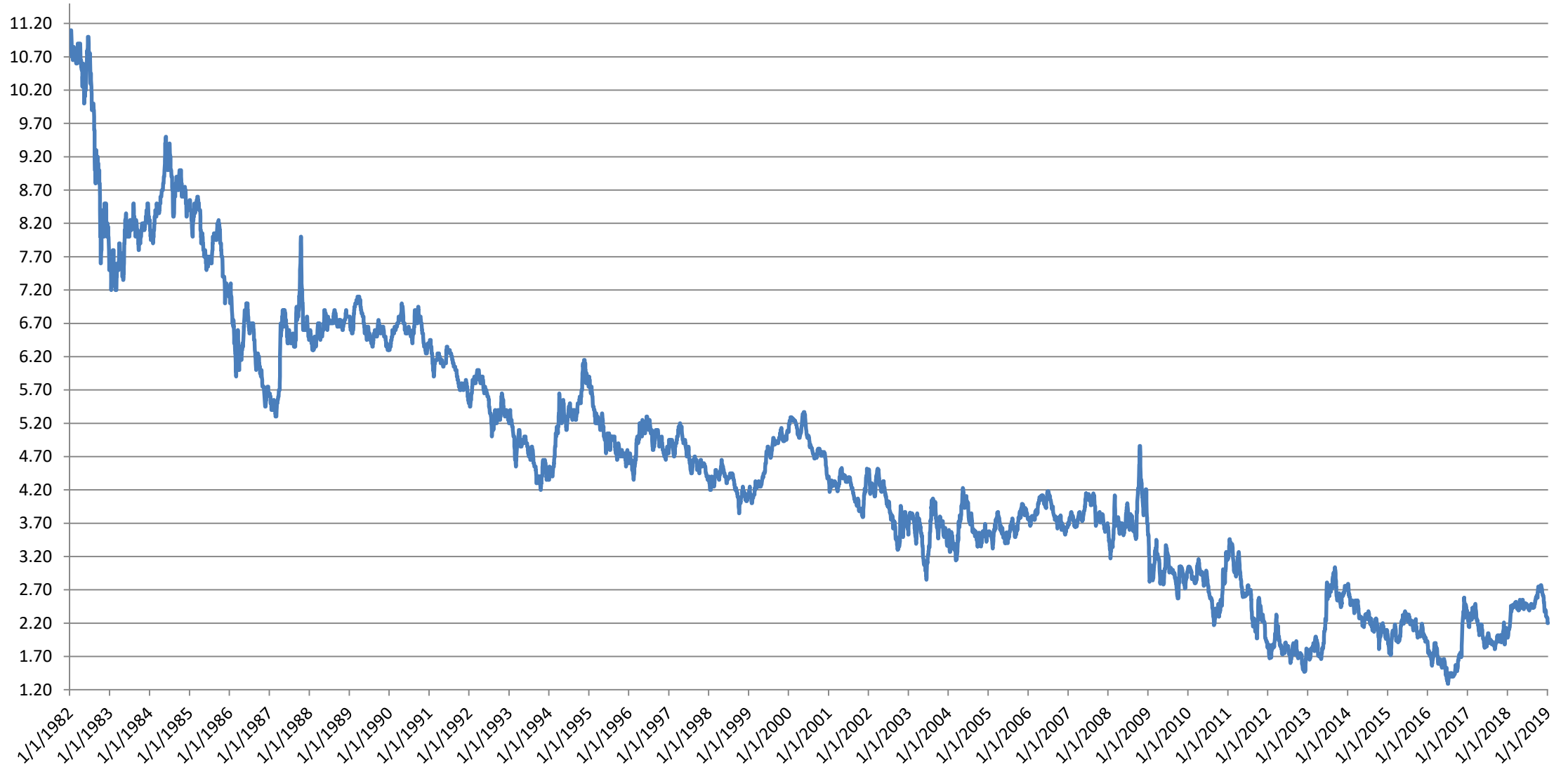


Capital Planning Financing Plan

- Two Options Provided:
 - Option 1: Use of Capitalized Interest to expedite the schedule of projects The 2019 borrowing does not involve the use of Capitalized Interest.
 - Option 2: Delay of financing projects to meet the constraints.

Oct 18 th FACCOM				OPTION 1: Use of Capitalized Interest				OPTION 2: Financing Projects Only			
	Begin	End	Base Cost	Begin	End	Delay (Years)	Projected Increases	Begin	End	Delay (Years)	Projected Increases
Turf Field @ South	9/1/2019	11/1/2020	\$ 2,694,062	9/1/2019	11/1/2020	-	\$ -	9/1/2019	11/1/2020	-	\$ -
Achieve	12/1/2018	7/1/2021	12,748,185	12/1/2018	7/1/2021	-	-	12/1/2019	7/1/2022	1	509,927
Sol Feinstone	12/1/2018	8/1/2022	27,978,439	12/1/2019	7/1/2023	1	1,119,137	12/1/2021	7/1/2025	3	3,493,499
Hillcrest	12/1/2019	8/1/2023	25,903,886	12/1/2021	7/1/2025	2	2,113,757	12/1/2022	7/1/2026	3	3,234,462
Richboro	12/1/2020	8/1/2024	26,940,041	12/1/2021	7/1/2025	1	1,077,602	12/1/2022	7/1/2026	2	2,198,307
Newtown Elem.	12/1/2021	8/1/2025									
							<u>\$ 4,310,496</u>				

10 Year MMD (AAA Fixed Rate Bond Rates)
1/1/1982 - 1/8/2019



10 Year MMD (AAA Fixed Rate Bond Rates)
1/1/2016 - 1/8/2019



New Money Issue

- Capital Planning Presentation reviewed during November 8, 2018 Finance Committee Meeting
- We anticipate borrowing approximately \$17.75 million of New Money in 2019.
 - \$9.5 million will be used to complete funding of Rolling Hills Elementary School project.
 - \$8.25 million will be used for initial funding of the other new projects.

Refinancing Issue

- Partial Refunding of Series of 2014 and D of 2014.
- Total Bonds to be refunded
 - \$13,985,000
- Estimated Savings
 - \$305,803 or 2.19% of refunded bonds

Financing Decisions

New Money:

- Parameters Resolution to authorize the administration and PFM to issue the New Money Bond Issue during January 17th Board Meeting.
- Final Amount of to be financed.

Refinancing Issue:

- Resolution to authorize the administration and PFM to issue the New Money Bond Issue during February 21st Board Meeting.
- Parameters Resolution will require at least 2% savings based on the amount of bonds refunded.

2019-2020 Budget Decision

- 2019-2020 Act 1 – Timeline

- District must choose between the following by January 31, 2019:

- ☐ Adopt a Resolution stating that the District's millage increase will not exceed the Act 1 Index of 2.30%;

- ✓ make 2019-2020 **Proposed Preliminary Budget** on form PDE-2028 available for public inspection (public display) pursuant to resolution.

Act 1 Exception Update

- Special Education Exception - \$989,211
- Retirement Contribution Exception
 - Original Contribution Rate 34.79% - \$295,879
 - Certified Contribution Rate 34.29% - \$ -
- Revised Exceptions

PSERS Contribution Increase Over the Act 1 Index	\$ -
Increase in Special Education Costs over Act 1 Index	<u>989,211</u>
Total Act 1 Exceptions	<u>989,874</u>

Property Tax Increase

Proposed Preliminary Budget With Ability to Use Exceptions

Revenue Generated from Mil Increase to Act 1 Limit	\$ 3,797,338
---	--------------

Estimated Act 1 Exceptions:

PSERS Contribution Increase Over the Act 1 Index	\$ -
--	------

Increase in Special Education Costs over Act 1 Index	989,211
--	---------

Total Act 1 Exceptions	<u>989,211</u>
-------------------------------	----------------

Estimated Maximum Revenue Generated Through Use of Exceptions	<u><u>\$ 4,786,549</u></u>
--	----------------------------

Exception Additional Mils	0.7881
---------------------------	--------

Act 1 Index Mils (2.30%)	<u>2.8429</u>
--------------------------	---------------

Total Mils Available to Increase	<u><u>3.6310</u></u>
---	----------------------

% Increase in Mils Due to Exceptions	<u>0.64%</u>
--------------------------------------	--------------

Total % Increase	<u><u>2.94%</u></u>
-------------------------	---------------------

2019-2020 Proposed Preliminary Budget

	2018-2019 Final Budget	2019-2020 Proposed Preliminary Budget	Increase (Decrease)	Percent
REVENUES AND OTHER FINANCING SOURCES:				
Revenues:				
Local Sources	\$ 187,869,701	\$ 193,053,250	\$ 5,183,549	2.69%
State Sources	47,277,923	48,378,095	1,100,172	2.27%
Federal Sources	1,440,000	1,440,000	-	0.00%
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>236,587,624</u>	<u>242,871,345</u>	<u>6,283,721</u>	2.59%
EXPENDITURES AND OTHER FINANCING USES:				
Expenditures:				
Instruction	154,731,940	158,521,833	3,789,893	2.39%
Support Services	63,570,907	65,037,742	1,466,835	2.26%
Non Instructional Services	3,809,853	3,892,661	82,808	2.13%
Total Expenditures	<u>222,112,700</u>	<u>227,452,236</u>	<u>5,339,536</u>	2.35%
Other Financing Uses				
Debt Service	18,566,401	18,666,401	100,000	0.54%
Fund Transfers	-	-	-	N/A
Total Other Financing Uses	<u>18,566,401</u>	<u>18,666,401</u>	<u>100,000</u>	0.54%
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>240,679,101</u>	<u>246,118,637</u>	<u>5,439,536</u>	2.26%
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES				
	<u>\$ (4,091,477)</u>	<u>\$ (3,247,292)</u>	<u>844,185</u>	

Summary of 2019-2020 Proposed Preliminary Estimated Revenues

SELECTED REVENUES

	2018-2019 Final Budget	2019-2020 Proposed Preliminary Budget	Increase (Decrease)	Percent
Local Revenues:				
Current Real Estate Tax	\$ 154,920,741	\$ 159,707,290	\$ 4,786,549	3.09%
Public Utility Tax	189,000	186,000	(3,000)	-1.59%
Occupation Assessment Tax	4,300,000	4,200,000	(100,000)	-2.33%
Earnings on Investments	1,250,000	1,750,000	500,000	40.00%
			<u>\$ 5,183,549</u>	
State Revenues:				
Basic Education Subsidy	14,600,000	14,700,000	100,000	0.68%
Transportation Subsidy	1,800,000	1,700,000	(100,000)	-5.56%
State Social Security Reimbursement	4,093,492	4,154,890	61,398	1.50%
State Retirement Reimbursement	18,732,669	19,771,443	1,038,774	5.55%
			<u>1,100,172</u>	
Total Revenue Variances			<u><u>\$ 6,283,721</u></u>	

Summary of 2019-2020 Proposed Preliminary Budgeted Appropriations

	2018-2019 Final Budget	2019-2020 Proposed Preliminary	Variance	% Increase (Decrease)
Salaries and Wages	\$ 111,981,919	\$ 113,661,646	\$ 1,679,727	1.50%
Employee Benefits:				
Healthcare	23,641,971	24,824,085	1,182,114	5.00%
Dental	1,570,112	1,585,808	15,696	1.00%
Life Insurance	140,881	142,991	2,110	1.50%
Disability	101,707	103,226	1,519	1.49%
Vision	107,731	108,807	1,076	1.00%
Social Security	8,186,983	8,309,779	122,796	1.50%
Retirement	37,465,334	38,974,576	1,509,242	4.03%
Unemployment	280,133	284,328	4,195	1.50%
Worker's Compensation	560,945	625,140	64,195	11.44%
Other Benefits	233,335	233,335	-	0.00%
Total Employee Benefits	<u>72,289,132</u>	<u>75,192,075</u>	<u>2,902,943</u>	<u>4.02%</u>
Total Employment Costs	<u>184,271,051</u>	<u>188,853,721</u>	<u>4,582,670</u>	<u>2.49%</u>
300-800 Objects	37,841,649	38,598,515	756,866	2.00%
Debt Services	18,566,401	18,666,401	100,000	0.54%
Total Budget	<u>240,679,101</u>	<u>246,118,637</u>	<u>5,439,536</u>	<u>2.26%</u>

2019-20 Budget Timeline Calendar

Date	Topic	Administrative Liaison
11/8/2018	<i>Finance Committee Meeting</i> Five Year Fund Balance Forecast	Bob Reinhart
12/13/2018	<i>Finance Committee Meeting : 2019-2020 Discussion on Preliminary Budget Approval</i>	Bob Reinhart
12/20/2018	Board Meeting: Approval of Act 1 Resolution limiting the increase in the tax increase to no more than 2.30%	Bob Reinhart
2/7/2018	<i>Finance Committee Meeting</i> Budget Update	Bob Reinhart
3/14/2019	<i>Finance Committee Meeting</i> Update on Governor's State Budget Proposal <ul style="list-style-type: none"> • Published 2019-2020 Budget Document • Budget Presentation – Revenues and Expenditures 	Bob Reinhart/Bill Stone
4/11/2019	<i>Finance Committee Meeting</i> Budget Update Review of Personnel	Bill Stone/Christine Taylor
4/18/2019	Board Meeting-Preliminary Budget Adoption	
5/10/2018	<i>Budget Forum/Prior to Board Meeting</i>	Bill Stone
5/10/2018	<i>Finance Committee Meeting</i> <ul style="list-style-type: none"> • Update of Budget 	Bill Stone
5/16/2018	Board Meeting-Final Budget Adoption	

Board Agenda

- Appointment of New Northampton Township Tax Collector
 - Mr. Bob Borkowski resigned from position effective January 7, 2019.
 - Northampton Township appointed Mr. Vince Dion effective January 8, 2019.
 - Mr. Cox, District solicitor recommends the Board to also appoint Mr. Vince Dion.