# Hempfield School District Finance Committee Minutes October 4, 2011, 4:30 pm

**Attendance:** Board: Bob Sauders, Barb Zimmerman, Charles Merris; Admin: Mary Lynne Kniley, Brenda Becker, Dan Forry

#### **Discussion items:**

### Review of audit status and financial update

o Mary Lynne provided information on **preliminary** financial results for 2010-11 based on where things stand with early results (preparations for the audit)

We have started the audit working on several of the smaller funds.

- Food Services: Profitable in 2010-11
  - Working on capitalizing equipment and updating depreciation expenses
  - Final analysis of Med/Dental gave them a credit back, improved profitability
  - They had stayed current on payments for payrolls through 6/30, so the General fund actually owes money back to them based on the adjustment for insurance!
  - Current estimate profit \$60-70k
- Hospitalization Fund: Goal to have essentially a break-even year, no further use of fund balance, but no significant add to fund balance
  - Activity included a significant number of catastrophic claims
    - o 10 cases beyond insured stop loss level \$125k
    - o 13 cases between \$62 125k, on "warning" list
    - Delays in stop loss checks from High Mark, but did receive largest in June; rec'd total stop loss reimbursement of \$780k
  - Have recorded an estimate of A/P for now, will update to actual when data is available
  - Operating transfer \$300k accrued to keep fund at break-even based on that A/P estimate
  - Cash flow \$12 million in claims and expenses paid, 6.5% increase overall on our net costs (after employee, retiree payments and stop loss)
    - o Employee payments higher (half-year impact)
    - o Have fewer lives in the plan due to spousal rule, should reduce risk over time
  - GF expense slightly over budget for the year; \$226k over or 2.3% over budget; total GF expense \$8.93 million medical, \$766 thousand dental
- Debt Service Fund: Lots of activity because of new bond issues, routine bond payments; significant disclosure items.
  - Grew slightly based on the recovery of \$114,548 (Attorney General recovery from 2001 legal action)
  - Fund has a balance of about \$4.8 million; this will be used to help pay higher years of debt service
- Interest only activity in reserves such as W/C, Unemployment, and Retirement Reserve; we have tentatively recorded the \$1.1 million transfer to Retirement Reserve, this item is open to discussion (recorded budget diff as transfer), pending approval by full board
- General Fund audit work will start in earnest next week
  - Still some revenue accruals to be recorded
  - Anticipate coming in around the "best case scenario" for revenues as shared at May Finance committee; revenue will be less than budget for the year, primarily because of large difference on retirement subsidy (budget 50% 8.22% rate, actual 5.64% rate); current estimate \$98.7 98.8 million revenues
  - Expenses are currently estimated at \$99 \$99.1 million; this is less than the budget, and would mean a small use of fund balance (\$300-400k depending on final numbers)
  - Expenses do include the budgeted transfer to Cap Reserve of \$350k, plus MSSG revenues of \$74k, and the Retirement reserve transfer \$1.1 million (pending approval of these transfers)

- Work on Capital Projects and Capital Reserve will be mid-October; significant transactions between funds, floors, house, and modular units last summer, architectural work and beginning of construction; no numbers yet
- o Preliminary discussion about potential year-end transfers (will refine in November and have on the November agenda for board approval)
  - There are two operating transfers that were needed between funds as things were wrapped up (Activities \$30,000 funds were not moved in June as intended, booked as accrual; Hospitalization \$300,000 to cover claims incurred in June but paid later, estimate for now and will approve when A/P number is final); will be on the list for approval/ratification
  - Large transfer from GF to Retirement Reserve, as mentioned above, \$1.1 million available based on budget plan vs. actual; has been recorded pending approval
  - Capital Reserve transfers (total \$424k) are critical to replenish from significant spending in the past 18 months, \$350 k from budget, also MSSG revenues for the year
  - Not recorded yet, but item of concern, is an accrual for the medical insurance premium discount for the early retirees. We estimate this will cost about \$400-500k (total over the next 5 years), and I would recommend moving funds to the Hospitalization Reserve, or accruing a liability in General Fund, to provide for those expenses as they occur. May want to consider reducing the Retirement transfer to do this?

## • Mary Lynne reviewed the anticipated Budget timeline for 2012-13 planning (see handout)

- o Timeline changes in Presidential election year because of PA Primary election date
- o Review timing of the budget process within Finance Committee
- o Discussion about overall process and input needed from Board members
- o Will take first look at revenue in November, expenditures in December

#### • LCCTC action items

- o Reviewed action steps/paperwork from KKAG for the LCCTC renovation transactions
- o There was no further discussion on this

### • Earned Income Tax (EIT) resolution

- o Update recommended by KKAG based on Act 32 changes to EIT collection; EIT will continue at 0.5% as it has always been; process required to have proper legal authority on the public record
- o Note that municipalities may have changes to their EIT structures; they have option for non-resident EIT, but districts cannot implement non-resident tax
- Mary Lynne will be doing short presentation at the board meeting to explain the need for the resolution, and what is happening with EIT collection

### • Investment and cash flow planning update

o Preliminary review done at May committee meeting; updated with current rates and trends, looked at cash flow summary page used for planning purposes

### • Other business, schedule

- o Full board will review financing plans in executive session and provide input at public meeting
- o Reviewed an outline of the primary agenda items planned for the revised schedule for Finance Committee, approved proposed calendar for the first Tuesday of the month for most meetings
- Future meeting dates (meetings scheduled at 4:30pm in board conference room unless otherwise noted):
  - o November 1, 2011
  - o December 6, 2011
  - o February 7, 2012
  - o March 6, 2012
  - o April 24, 2012
  - o June 5, 2012