

JOHNSON CREEK SCHOOL DISTRICT
FINANCE COMMITTEE MEETING
Thursday, December 19, 2013
District Office
6:15 p.m.

Board Member June McCaffery called the meeting to order.

Members Present: Duane Draeger, Andrew Swanson (arrived 6:30pm), June McCaffery and Superintendent Michael Garvey

Also Present: Board Member Carol O'Neil

Dr. Garvey verified that the meeting was properly posted.

Motion by Draeger/McCaffery to adopt the agenda as posted. Motion carried.

Dr. Garvey presented the proposed letter of engagement with Baker Tilly to serve as the District's independent auditor for the 2013-14, 2014-15, 2015-16 fiscal years. The Committee identified no concerns with the work that the auditors have done. The fees would remain the same as 2012-13 for the next three years.

Motion by McCaffery/Draeger to approve Baker Tilly as the District's auditors per the terms of the letter of engagement. Motion Carried.

Dr. Garvey presented information that less than \$25 remains in a special fund to support leadership and/or provide additional scholarships. His recommendation would be to transfer the remaining balance of the account to Fund 10 to help defray the cost of the NHS induction.

Motion by Draeger/McCaffery that the Board transfers the balance of the Max Alberts discretionary fund be transferred from Fund 70 to Fund 10 to help defray the costs of the NHS induction ceremony and to close the account. Motion Carried.

(Andrew Swanson arrived)

Dr. Garvey informed the Committee of an issue with the reporting and paying of social security and medicare on the WRS payments. When the law changed in 2011, the WRS payments which staff were then required to pay, were allowed to be exempt from tax (taken as pre-tax deductions). However, unlike other pre-tax deductions, are subject to social security tax and medicare tax. These latter taxes were not taken nor were either the employee or employer social security/medicare tax paid. This was discovered this school year after a new, more simplified, legal opinion was received. Dr. Garvey immediately directed the change in the accounting software settings and contacted our financial auditors for advice. Dr. Garvey has been working with Baker Tilly's IRS expert in Chicago to resolve the issue. Dr. Garvey reported that it seems as if there is an agreement with the IRS that the District can make the payments without any

penalty or interest. The final agreement is under review by the IRS legal counsel and is expected in January.

Dr. Garvey presented the payment schedule of the state trust fund loan. Mrs. McCaffery reminded the Committee that the reason that the District had not paid off the loan earlier was that the bargaining units would not accept it as part of the negotiations' costing of the QEO and that the District was concerned that the financial impact of one year could harm the financial status of the District. The interest rate is the same as our short term borrowing agreement so if the District found itself needing to borrow short term, the rate would be the same and most likely would be for a very short period of time, thus providing some savings. Without collective bargaining and the QEO, the concern over inclusion in negotiations is moot. There is also only one year left in the loan period.

Motion by McCaffery/Swanson to recommend that the Board make the additional payment in March to pay off the balance of the state trust fund loan one year early thus rendering the District completely debt free. The payment will be made using fund balance. Motion Carried.

Dr. Garvey will notify the Commissioner of Public Lands (managers of the state trust fund) that the District intends on paying off the loan in March.

Motion by McCaffery/Swanson to adjourn. Motion Carried.

Submitted By:

Michael P. Garvey, Ph.D.
Superintendent