

KENAI PENINSULA BOROUGH SCHOOL DISTRICT

148 North Binkley Street Soldotna, Alaska 99669-7553

Phone (907) 714-8888 Fax (907) 262-2309

www.kpbsd.k12.ak.us

SCHOOL BOARD COMMUNICATION

Title: **Establish Internal Service Fund for Health Care**

Date: **April 30, 2012**

Item Number:

Worksession &
11d.

Administrator: **Dave Jones, Assistant Superintendent**



Attachments: **Health Care Reserve Funds**

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Action Needed

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For Discussion

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Information

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Other: _____

BACKGROUND INFORMATION

Internal Service Funds are commonly established when a governmental entity wishes to account for a particular service or activity separately from the operating fund revenues and expenses. The district wishes to establish an Internal Service Fund for Health Care in order to be able to report the ongoing employer and employee contributions, expenses and fund balance available for health care costs.

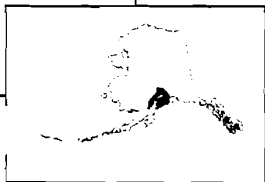
As you are aware, the district is self-insured, so employee and employer contributions are collected and used to pay health care costs. At the end of the fiscal year, the difference between the amount collected and the bills paid is retained as a Health Care Reserve. The district also records the amount of health care claims that have been Incurred But Not Received (IBNR) at the end of the fiscal year.

Reporting activity about the Internal Service Fund for Health Care in the financial report will include a Statement of Cash Flows and a Statement of Net Assets. These statements will show contributions by employees and employer as well as payment for services and the resulting changes to the IBNR and the amount available as a reserve for future costs.

Establishing this Internal Service Fund will be retroactive to the beginning of the fiscal year.

ADMINISTRATIVE RECOMMENDATION

The administration has given approval, approval by the Board of Education is recommended.



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Finance

Laurie Olson, Director

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DATE: March 6, 2012
TO: Health Care Plan Committee
THROUGH: Tim Peterson, Plan Administrator
FROM: Laurie Olson, Director of Finance
SUBJECT: Health Care Reserve Funds

At the end of Fiscal Year 2011 (FY11), there was a balance in the Health Care Reserve amounting to \$2,921,298. In prior years, the district had accounted for the remaining funds as a liability called "Health Care Reserve." Because of the size of the reserve at the end of FY11, the independent auditor advised that the district would not be able to carry that amount as a liability.

The auditor analyzed the fund and determined that the employee share was \$1,508,260 and the employer share was \$1,413,038. The division of the reserve does not correspond to the percentage contributions made during the year. The auditor's assumption is that the employer share is expended on costs at a higher rate than the employee share.

The employee share of \$1,508,260 was allowed to remain in the Health Care Reserve liability account. The employer share was split, with \$889,250 added to the Fund Balance for Health Care and \$523,788 added to the Incurred But Not Received (IBNR) liability account.

Health Care Reserve Liability	\$1,508,260
Fund Balance for Health Care	889,250
IBNR Liability	523,788
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Total Reserved for Health Care	\$2,921,298

The district is working with our auditor to move these funds into an Internal Service Fund for Health Care.