

**EAST HAVEN PUBLIC SCHOOLS
FINANCE/GRANTS
SUBCOMMITTEE MEETING
EAST HAVEN HIGH SCHOOL BOARDROOM
35 WHEELBARROW LANE
EAST HAVEN, CONNECTICUT 06513**

**THURSDAY, NOVEMBER 4, 2010
6:00 P.M.**

PRESENT: Mrs. Maisano, Mr. DeNuzzo, Mr. Hennessey, Mrs. Kluth,
Mr. Palladino and Mr. Scalesse

ARRIVED LATE: Mr. Pompano (6:10 p.m.)
Mrs. DePalma (6:24 p.m.)
Mrs. Vineyard (6:50 p.m.)

ALSO PRESENT: Mr. Serio, Superintendent of Schools
Mrs. Forti, Assist. Supt. of Curriculum & Instruction
Mrs. Acquarulo, Director of Pupil Services
Mr. Lathrop, Business Administrator
Mrs. Lewis, Finance Manager

1. OPEN MEETING

Mrs. Maisano called the Finance Subcommittee meeting to order at 6:08 p.m. in the Boardroom at East Haven High School. Mrs. Maisano stated she would like to keep the meeting time to about two hours.

2. Discussion of the Financial Summary for June 30, 2010

Mr. Lathrop gave a rundown of the fiscal year summary analysis for 2009-10. They had finished the fiscal year 2009-10 with an unexpended balance of \$50,154. The surplus was based upon revenues of \$4,161,272 which were netted out against warrant-based expenses of \$45,014,216 plus non-warrant expenses of \$172,500. The non-warrant expenses included a one-time adjustment of \$60,000, which represented the change of the status of a loan to

the food service fund to a general fund expense and a one-time adjustment of \$112,500 for the settlement of a worker's compensation case.

The largest portion of revenues was for medical premium cost shares for retirees, active teachers and all active employees in the amount of \$1.7 million. Pathway tuitions from surrounding towns totaled about \$687,000 which was down approximately \$300,000 from the prior year. Special Education Excess Cost revenues totaled \$680,000 with an additional \$140,000 that was transferred to the Town by the State of CT, but not credited to the Board of Education despite repeated requests. After the audit, these revenues will most likely increase the Board of Education's surplus position.

Mr. Lathrop then went through the expenses for accounts payable and for payroll. Accounts payable warrants for the 2009-10 fiscal year totaled \$23,109,063. These expenses included over \$8 million for payments to the Town Worker's Compensation Self-Insurance Fund and the Town Medical Self-Insurance Fund. The general fund payroll totaled \$21,905,182 for the fiscal year with \$2,676,984 of expenses that would have been charged to the general fund picked up by the ARRA grant.

Mr. Lathrop spoke about the \$60,000 that was converted to an expense based upon the fact that the food service fund, when including benefits, currently operates in a deficit. Given that fact, there would be no expectation of repayment and the receivable would be uncollectible.

Mr. Lathrop spoke about the \$112,500 expense to the BOE account and being torn in relation to booking this as an expense or not. He felt the choice was up to the Town to choose what they wanted to do with this. It was a difficult position for the Board and Town to be in because the Board had been underfunding the self-insurance and worker's comp fund.

Mrs. Maisano wanted to know if Mr. Lathrop had checked with our auditors on that. Mr. Lathrop had disclosed to the auditors the potential for two adjusted entries which were the \$112,500 expense and the \$140,000 grant amount that was supposed to be made to the Board of Education but wasn't. The correct accounting methodology would be not to leave it as an expense but to leave it as an unexpended balance. The Board members could not understand how when the Board pays into Worker's Compensation why they would then have to pay this amount as well. Mr. Lathrop explained that the \$112,500 would show that the Board had under-expended by that amount.

Mr. Lathrop explained that the auditors had wanted a functioning general ledger with a trial and balance which was completed over the weekend and delivered to the Town and the auditors. This was for the 2009-10 period and the starting balances were the auditor's entries. There was discussion on how the Town had said it was going to take a lot more work. Mr. Lathrop explained what process had taken place to get the information to the auditors by October 31st and it was sent on November 1st. Mrs. Maisano wanted to know if our trial and balance tied into Mr. Thompson's trial and balance. Mr. Lathrop responded that the Board of Ed was fully expended. He had spent three days going over stuff with him and right now it was in Mr. Thompson's hands. He had all of the Board of Ed's balances and bank reconciliations. Mrs. Maisano wondered why his opening balances would be different than their own. Mr. Lathrop stated he would defer to Mr. Thompson. Mr. Lathrop explained he had asked Mr. Thompson several times to print out the Board cash balances and felt it was a process Mr. Thompson need to go through.

Mrs. Maisano wanted to know where the Board was as far as being tied out to the Town and whether they were in agreement or not. Were they off or way off, did he know or he didn't know? Mr. Lathrop explained he had been there six times in the last few weeks. It was in his hands. The Town and the Board both had us fully expended. Mrs. Maisano asked if the trial balances matched the accounts he has on his books? Mr. Lathrop responded he would have to defer to Mr. Thompson. Mr. Thompson does not know where the Town is compared to us. Until that is tied out, he is not transferring any money. Mrs. Maisano stated the only thing that is apples here are the beginning balances. Mr. Lathrop said Mr. Thompson needed to go through his process and he had offered him and the Mayor's office his help.

Mr. Hennessey asked if they only do reconciliations once a year and Mr. Lathrop responded no, that the last total reconciliation was through 5/19. He explained what had been done and provided and that it was now in Mr. Thompson's hands. Mr. DeNuzzo asked Mr. Lathrop if he had done any of this in writing. Mr. Lathrop responded yes, when he transferred information to him and asked him what he could do to help. He had been there physically four or five times and he had met with Mr. Hongo as well.

Mrs. DePalma stated that he had not been at the Board of Finance meetings in a while and Mr. Lathrop responded this had been addressed at the last Board meeting and he did not feel the Board would want him reporting information to the Board of Finance prior to presenting it to the Board of Ed. Mrs. Kluth

thought he had done the right thing. Mr. Lathrop had spoken to Mr. Thompson and Mr. Hongo and explained to them why he was not there.

Mrs. Maisano felt that they should make a policy at some point that any type of correspondence that goes back and forth to the Town, whoever it may be, that the Board receives a copy of that. This way the Board would know what he was doing and what he was supposed to be doing. From the Board's perspective, there was \$140,000 sitting out there. Mr. Thompson says one thing and we say another. If he was going to that level to camp out there, then she could support him when Mr. Thompson approaches her and says, "How come this is not done?"

Mr. Palladino said he knows the Board of Finance wants Mr. Lathrop to go to meetings. But what reports, by law, were they supposed to give them. Mr. Lathrop stated none, it was out of courtesy. **Mrs. Maisano thought that they were required to give some type of report. Mr. Lathrop would check the Charter.**

Mr. Hennessey stated he felt lost in this whole process and did not feel they needed to report to anyone. They receive \$43 million; they spend \$43 million. Mr. Lathrop responded that they take in revenues and need to report those revenues to the Town. **Mr. Palladino stated they would check the Charter.**

There was further discussion on whether the Board should report anything to the Town. Mr. Pompano stated that he thought Mr. Hennessey was 100% right about this was the amount of money they get and it was theirs to do with as they choose. But they needed to remember that this was a professional courtesy they have back and forth. They were on the same team. Mrs. DePalma stated that they should not forget the financial person used to be the same person on both sides.

Mr. Pompano asked Mrs. Lewis how long she had been working for them and she responded three years. He asked Mr. Lathrop the same question and he responded 15 months. Mr. Pompano asked Mrs. Lewis from the time she arrived here until now, even though he knew they were far from where they needed to be, were they heading in the right direction. Mrs. Lewis stated that for next year they were right on target fiscally. Things were better with procedures and they were moving in the right direction with what everyone needs to see. As they had stated in the past, they would be getting a monthly report on the 15th for all of the funds.

Mrs. Maisano asked what she contributed that change to. Mrs. Lewis stated there had been a lot of turnover in the office and everyone has their own style. She and Mr. Lathrop had worked together and put in the hours to do it. There was discussion on the software that was used in the Business Office through IMG. Mr. Palladino stated they spent a lot of money on their technology department and they should be able to get a lot of training from these people. Mr. Lathrop stated that sometime in January they would be looking to probably change over their payroll software to a new one. Mr. Palladino felt they should not have any problems with all of the money they spend on technology. Either they had the wrong people or we don't need these people.

Mrs. DePalma stated they were technology people for education not financial. The software they were using was about 13 years old which was considered ancient. Mrs. Lewis stated that the technology was for the school computers and they were involved in the finance part of things. Mrs. Forti explained that they replace the hardware and they purchase the software but the company usually has professional development or a training component to it.

Mrs. DePalma wanted to be very candid with Mr. Lathrop about him being everywhere with his job responsibilities. She wanted to know if he was able to focus on the finance office and train his people and really focus on that part of things. Mr. Lathrop explained that this year he was planning to be a lot more focused on the financial aspects of things. With all of the changes this year, he spent a lot of time working with everyone on trying to support those changes. If he had to do it over again, he would have told them to find someone else and he would have focused on the financial end of things more. Mrs. DePalma appreciated his honesty regarding that.

Mr. Serio stated he had refocused the Business Department from the opening day of school and he had redirected Mr. Lathrop back. The principals would have to handle issues at their level or he would do it. Mr. Serio stated he had been very aggressive and they were on the timetable they needed to be on. Mr. Serio informed the Board that Mr. Thompson had told him that he knew he was holding us up at this point and not knowing the pieces made him (Mr. Serio) very uncomfortable. Mr. Serio stated that last year his involvement was more after the fact and he was not in the loop. This caused a lot of the issues that happened last year. He was going to make sure it did not happen this year.

Mrs. Maisano stated that to end this report or recap -- we have an excess of \$50,000, correct? The answer was yes. The intentions of with that money were to do what? It was stated that it would remain unexpended with a Board

appropriation expenditure that's less than the appropriation. Mr. Hennessey asked why they would do that. Mrs. DePalma stated they had had this conversation and they keep coming back to this. Mr. Hennessey stated they had this conversation but no answer. Until they get an answer, he was going to keep having this conversation. He specifically remembered asking back a couple of months ago, if they were going to return \$50,000. Jason has said, "no way, we are not doing that." Why would we do that? Mr. Palladino stated perhaps to clean up some of their dirty laundry such as worker's comp and medical insurance. Mr. Lathrop said if the Town wanted to make that accounting adjustment on our part and show them we are under-expended by \$50,000.

Mr. Lathrop explained how the reasons they had gotten to this point and how he did not want to jeopardize the Board of Ed's position. Mrs. DePalma asked if the Board had made that decision to send it back and the answer was no. There was discussion on how this had been done the past three years and Mrs. Maisano stated she did not believe they ever gave back \$50,000.

Mr. Serio explained where they had been over the past few years and explained how the payroll error had taken place in 2007-08. He would rather be in this situation now and he hoped it would hold true right through the end of the audit rather than being over-expended. Mr. Hennessey did not think it was that complex. If they couldn't get within a few dollars on a budget, they were doing something wrong.

There was further discussion on the issue of the \$50,000. Mr. DeNuzzo suggested that they decide what they were going to do with that \$50,000. Mrs. DePalma asked if it had gone back. Mr. Hennessey said that these books had not been closed out.

Mr. Palladino was hesitant to give it back for worker's comp because they still did not have an answer from the Town regarding that settlement. He said we pay into the fund every month. We get a claim and they want us to pay for it. They still did not have an answer and they still didn't have any actuaries. **He did not want to put a penny towards worker's comp until their questions were answered by the Town.** There was discussion on getting their own insurance and Mr. Hennessey explained they had asked this during teacher negotiations and they were told that that fund was so depleted that you would have to pay \$10 million to it if you left it. There was no way to break away from it because it had been underfunded for so many years. **Mr. Palladino stated he wanted an answer on the worker's comp.** Mr. Lathrop stated he would do whatever they wanted to adjust that money by \$50,000.

Mr. Pompano wanted to keep a good working relationship as they were right around the corner to asking for \$45-46 million. It was a good sign if they do it and a nice gesture on their part. Mrs. DePalma asked if he really thought he was going to be rewarded.

Mrs. Maisano stated it was a huge issue and she completely did not understand the whole Whitson's thing. Mrs. DePalma asked why they don't pay Whitson's. Mr. Lathrop stated we do pay them, but they were typically 90 days in arrears. They were currently 60 days in arrears. The State reimbursement was delayed by the State by two months. They were their cash flow for two months instead of three.

Mrs. Maisano stated that they needed to put on the November 9th agenda, Discussion and possible approval of what to do with the excess of \$50,000. There were bills they owed and things they could do with that money. Mr. Palladino stated they could add it to the agenda.

4. Discussion of Grants Report 2009-10

Mr. Lathrop started to explain the grants to the Board and the first question the Board wanted to know was why the dates of the grants were not on the report. Mr. Lathrop explained he had left those off because they reuse the grant codes each year. As he continued on with explaining the grants, Mrs. DePalma stated that they needed dates. Mr. Lathrop explained that the blue and green grant reports were and how they could follow the carryover from the blue report to the green report based on the number of years left in any particular grant. He then proceeded to go through each of the grants.

Mrs. Maisano asked who maintained the grants in his office. Mr. Lathrop stated the clerk handled the grants, Little Jackets, Adult Ed and he had been reviewing the grants with Mrs. Lewis.

There was discussion on the Adult Ed grants and the GED and EDP programs. In each program, the students received an East Haven High School Diploma. There was further discussion on the EDP Program. Mr. Palladino asked what percentage of people that start this program actually finished it and Mr. Ferraiolo explained it was 90%. Mr. Pompano stated he had an issue with it being an East Haven High School diploma. Mrs. DePalma explained it was a rigorous program for those 25 and older and you had to have a job. You had to be a resident of the Town of East Haven. It was a different way of getting your high school diploma. **There was discussion about having a subcommittee meeting to get further information on this program. A**

Curriculum & Instruction Subcommittee meeting would be set up to discuss the EDP Program.

Mr. Hennessey stated that the grants were \$9 million and they get \$43 million in their budget so they were really spending \$52 million. He stated he never understood that. That's why their budget was always "screwed up" because this money was on top of our budget.

At this point, the Board decided to discuss the Little Jackets Fund.

3. Discussion of Little Jackets Fund

There were several questions the Board had asked at their last meeting regarding the Little Jacket Program. One of the questions the Board had was regarding Care for Kids. The amount in the budget was approximately \$50,000 a year. The revenue was taken in bi-monthly. There was discussion on the Intergovernmental funds and Mr. Lathrop explained that this amount was deposited in the account and accounted for in their budget. It was reported in the audit this way also. **Mrs. Maisano would like to see the Intergovernmental Fund amounts split out so they could see it.**

The next question was regarding the high payroll in the month of December. This was because there were three payrolls that were done in this month. The program was open during the month of December.

Mr. Palladino left the meeting at 7:50 p.m.

Enrollment in the program was approximately 166 kids that were spread out across the school district. There was some discussion on the expenses at the schools. The hourly rates paid to the employees were based on experience and the position they held. Mrs. Finkle explained the difference between caregivers, assistant caregivers, and head caregivers and what each needed as far as education. Rates for hours and days were discussed and it was explained why there were variations of such. Children eligible for Intergovernmental Funds was strictly left up to the State and the families. There were currently about 25 kids on Care for Kids. Mrs. Finkle's office was at Tuttle School along with her assistant Roberta. There were a lot of reports and also Power School. Assistant caregivers and high school kids after school usually earned minimum wage which was \$8.25 an hour. They received no benefits and no sick days.

Mrs. Maisano requested the Board receive a monthly report regarding the Little Jackets and enrollment. She would also like the amount for Intergovernmental to be changed and listed separately from the other revenue.

Mrs. Kluth stated they also need to get this type of report from the FRC Program and hear from them as well.

At this point, the Board went back to discussing the grants for 2009-10.

Mrs. DePalma asked about employees being paid out of grants v. the regular operating budget. Mr. Lathrop explained that when the ARRA monies run out then it moves back into the IDEA 611 Grant without any extra cost to the Board.

Mrs. Maisano stated she would like to pick up on this and have their starting point be Title I at their next Finance Subcommittee meeting.

Mr. DeNuzzo stated he saw \$7.3 million in grants. How much of that would be in jeopardy roughly? Mr. Lathrop responded \$2.6 million was in jeopardy. It would depend on what grants were cut.

There was discussion on the Federal Stimulus monies which were \$1,097,000. Mrs. Maisano would like to see a reporting of that on a monthly basis to see where they were with it. She knows they had already dipped into it a bit. She would like to have a Special Meeting to set up a plan on how they want to expend that money at some point.

Mr. Serio stated this would tie into where we want to be next year. We would try to put dollars to what we are trying to do. The money was good until 2012. The ARRA money could not be used for salaries.

There was discussion on the State's ECS Grant monies and how it use to come straight to the Board of Education. If the monies were not coming straight to the Board of Education as an appropriation from the Town, the Town would have a hole in its budget of \$2.6 million.

Mrs. Maisano recapped the items they needed to address which were:

- **Little Jacket reports on a monthly basis**
- **Grant updates on a monthly basis**

- **Finish the grant update for 2009-10**
- **Track the stimulus money and set up a plan to see where the Board stands with this and have a Special Board meeting at another point**

Mrs. DePalma stated they also needed to have a goal setting session for the Board to keep them in compliance. They needed their own goals as a Board of where they wanted to go and also the Superintendent's goals.

Mr. Serio stated he could show them his goals from last year and this year and have discussion to coordinate that with the same mission and same goals as a Board as to where they want to go.

Mr. Scalesse's Policy & Bylaws Subcommittee would be held on November 23, 2010.

5. Discussion of Current Grants Report for 2010-11

There was no discussion on this item this evening.

6. Any other business that might rightfully come before this subcommittee.

There was no other business this evening.

7. ADJOURNMENT

Motion to adjourn was made by Mrs. Vineyard and seconded by Mr. Hennessey. Motion carries. Meeting adjourned at 8:17 p.m.

RESPECTFULLY SUBMITTED,

**MRS. CHRISTINE MAISANO, CHAIRPERSON
FINANCE/GRANT SUBCOMMITTEE**