

# Town of East Haven, Connecticut

## Report on Review of East Haven Public Schools Budget Status as of February 28, 2017

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**PKF  
O'CONNOR  
DAVIES**

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AUDIT | TAX | CONSULTING

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## **Scope of Project**

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## **SCOPE AND RESULTS OF PROCEDURES**

We were engaged to review the current status of the East Haven Public Schools general fund budget and grant activity. This will include but not be limited to the following procedures:

- Review of the Board of Education general fund and grants fund general ledger balances, revenue status and expenditure budget and actual to identify any adjustments that should be made
- Review the details of certain expenditure and revenue accounts with management to identify accounts that should be closely monitored
- Review bank reconciliations for the general fund and grants fund
- Provide recommendations based upon the procedures performed

The results of the procedures performed were as follows:

1. We performed a review of the East Haven Public Schools' general fund and grants fund general ledger balances, revenue status and expenditure budget and actual to identify any adjustments that should be made. The types of adjustments we reviewed were based on our previous experience with District, review of the current financial status reports to identify accounts that should be adjusted, and discussions with District Departments.

After the adjustments identified were made, the budget status report as of February 28, 2017 was used as starting point to develop the projection to June 30, 2017.

The process to develop the projection was focused on the areas that had the greatest potential to be over expended at amounts that would cause the District to over spend its total appropriation: These area were as follows:

- a. Salaries
- b. Employee benefits, most significantly, health insurance
- c. Special Education cost
- d. Transportation
- e. Utilities
- f. Retirement sick and vacation payouts

For each of these lines, the current status was reviewed to determine the timing of payments included in the February 28, 2017 reports and then to obtain information to develop estimates of the amounts that are expected to be expended for the period March 1, 2017 through June 30, 2017.

## SCOPE AND RESULTS OF PROCEDURES

The budget projection was developed based upon known information and/or average monthly cost to date or other reasonable methodology.

For each significant area, a meeting was held with the selected Department to review the current status of the budget line items related to their responsibilities and to obtain the most current information to develop the amount of expected expenditures for the final 4 months of the fiscal year.

The following assumptions were used to complete the projections:

- All salary accounts, unless identified as a vacancy, will be fully expended
- All non-salary budget lines not reviewed in detail as noted above, will be fully spent, unless there is specific information that it will not.
- Certain budget lines (as identified) that are fully spent as of February 28, 2017 will not have any additional expenditures
- No grants will be overspent as of June 30, 2017
- No new positions will be added for the remainder of the fiscal year and the current positions that are vacant will not be filled by June 30, 2017
- No new students with special education needs will be added for the remainder of the year
- Estimate amounts to be collected to offset expenditures will be received by the Town (Excess cost grant, State Teacher retirement payments for medical insurance, and retiree payments for medical insurance)
- 2016 Alliance grant was formally approved for carryover by the State
- All information provided by Departments was complete

Based upon the procedures performed and the assumptions described above, the projected budget status for East Haven Public Schools at June 30, 2017 is approximately **\$169,000 positive** (under spent) balance

As noted above, if any of the assumptions change, or additional information becomes available, the budget projection must be recalculated using the updated information.

## **SCOPE AND RESULTS OF PROCEDURES**

2. We reviewed the bank reconciliations as of February 28, 2017 for both the General Fund and the Grants Fund to insure that the accounts were properly reconciled and all activity was included in the February 28, 2017 status reports used as the starting point for the budget projection.

Both accounts were reconciled to the general ledger as of February 28, 2017.

The procedures that we performed as described above are not audit procedures. We did not perform testing of the East Haven Public Schools detailed revenues, expenditures or the bank reconciliations for the General Fund and the Grants Fund. Our procedures as described above were performed for the purpose of assisting East Haven Public Schools in developing a budget projection for the fiscal year ending June 30, 2017. We managed the process of developing the projection which relied on information provided by various District Departments and staff. The information provided by the District was included in our analysis and calculation of the budget projection without verification to supporting documentation.

The information provided and included in this analysis was the best information available at the time of inquiry and review. As new information becomes available, it must be incorporated into the analysis and to update the budget projection.

No amounts presented in this report should not be considered audited in accordance with generally accepted accounting principles

It is important to understand that there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The budget projection and this report are intended solely for the information and use of the Town of East Haven and East Haven Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

***PKF O'Conner Davies  
Wethersfield, CT***

April 13, 2017

## **RECOMMENDATIONS**

### **RECOMMENDATION:**

We recommend that, at a minimum on a quarterly basis, that East Haven Public Schools complete a similar process that was completed to develop this report. This will ensure the general ledger balances are correct and then be the basis to develop the budget projection.

### **RECOMMENDATION:**

We recommend that for known adjustments to projections or purchase orders that cause a line item to be over spent, that a transfer request be developed by the Business Manager and submitted to the Board for approval.

The transfer request should include the source of funds for the transfer (other budget line). Once approved the budget transfer should be recorded in the budget status report to prevent budget lines from being over expended

### **RECOMMENDATION:**

We noted the Business Office and Personnel Department have developed and implemented a new form to communicate, approve and document the funding source for new positions.

We recommend that the form be the basis for a transfer requested to be developed by the Business Manager and submitted to the Board for approval to ensure the most current budget amounts are reflected in the status report and reporting to the Board.

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**Summary of  
East Haven Public  
Schools  
June 30, 2016 Final  
Budget Status**

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## **EAST HAVEN PUBLIC SCHOOLS FINAL BUDGET STATUS REPORT** **FOR THE YEAR ENDED JUNE 30, 2016**

We prepared a summary of the East Haven Public School final budget status report for the fiscal year ended June 30, 2016, by major area in order to provide a perspective of the budget line items that resulted in the over expenditure of the budget.

The summary is presented as **EXHIBIT A**.

- The Exhibit shows that the budget line over spent by the most significant amount is the medical insurance line, totaling \$1,309,975.
- The other category that was significantly overspent were the special education lines, totaling \$485,136.
- The under expenditures in the other lines were used to offset these amounts with the net over expenditure totaling \$918,675.

### **Transaction Timeline**

- For the fiscal year ended June 30, 2016, the Town transferred to East Haven Public Schools bank accounts the amount of the approved budget \$47,159,449.
- There were no additional appropriations approved to the Board of Education budget and therefore the Town did not transfer any additional monies to the Board of Education for the June 30, 2016 fiscal year.
- At July 1, 2016, the Town began transferring monies from the fiscal year 2017 appropriation upon request from East Haven Public Schools to fund payroll and vendor payments.
- Some of the payments requests were related to the June 30, 2016 fiscal year and therefore, monies transferred by the Town to East Haven Public schools from the fiscal year 2017 Education appropriation were used to pay amounts that resulted in the over expenditure of fiscal year 2016 appropriation.



# Exhibit A

## East Haven Board of Education Analysis of 2015-2016 Budget vs Actual

| Category                                     | Original<br>Budget   | Transfers   | Adjusted<br>Budget   | Actual<br>Expenditures | Variance            |
|--|----------------------|-------------|----------------------|------------------------|---------------------|
| Certified Salaries                           | \$ 21,519,583        | \$ (36,686) | \$ 21,482,898        | \$ 21,264,189          | \$ 218,709          |
| Non Certified Salaries                       | 4,240,706            | 25,551      | 4,266,257            | 3,949,701              | 316,556             |
| Other Certified Salaries                     | 416,216              | (41,365)    | 374,850              | 333,746                | 41,104              |
| Health Insurance                             | 6,818,685            | -           | 6,818,685            | 8,128,660              | (1,309,975)         |
| Retiree health Insurance                     | 826,000              | -           | 826,000              | 900,438                | (74,438)            |
| Life Insurance                               | 287,000              | -           | 287,000              | 321,894                | (34,894)            |
| Medicare/FICA                                | 367,000              | -           | 367,000              | 403,165                | (36,165)            |
| Workers Compensation                         | 829,140              | 62,101      | 891,241              | 861,369                | 29,872              |
| Unemployment                                 | 46,000               | -           | 46,000               | 60,059                 | (14,059)            |
| Purchased Services - Special Education       | 502,267              | 42,418      | 544,685              | 664,829                | (120,144)           |
| Transportation - Special Education           | 1,276,242            | 85,554      | 1,361,796            | 1,295,028              | 66,768              |
| Tuition Non Public                           | 2,907,502            | -           | 2,907,502            | 2,628,702              | 278,800             |
| Other Purchased Services - Special Education | 84,262               | (2,500)     | 81,762               | 464,339                | (382,577)           |
| Tuition Public Schools                       | 610,000              | -           | 610,000              | 937,982                | (327,982)           |
| Transportation - Regular                     | 1,646,403            | 35,807      | 1,682,210            | 1,575,603              | 106,608             |
| All Other                                    | 4,782,444            | (170,880)   | 4,611,564            | 4,288,421              | 323,143             |
| <b>Total</b>                                 | <b>\$ 47,159,449</b> | <b>\$ -</b> | <b>\$ 47,159,449</b> | <b>\$ 48,078,124</b>   | <b>\$ (918,675)</b> |

Notes: (1) The largest line over expended was the Medical Insurance line. It was over expended by \$1,309,975.

(2) Special Education costs are the next largest type of expenditure overspent, totaling \$485,136.