

**MINUTES OF BOARD OF EDUCATION FINANCE COMMITTEE MEETING HELD
MARCH 12, 2020 AT 6:30 P.M. AT HUMISTON BOARD ROOM**

Committee Members Present: Adam Grippo, Chair; Kathryn Hallen; Faith Ham

Other Board Members: Anthony Perugini, Timothy White

Administrators Present: Vincent Masciana, Chief Operating Officer; Mary Gadd, Principal-Cheshire High School; Michael Woods, Principal-Dodd Middle School; Scott Jeffrey, Principal-Highland Elementary School; Steve Trifone, Athletic Director

1. CALL TO ORDER – 6:30 P.M.

- A. Roll for Quorum. The roll was called and a quorum determined.
- B. Pledge of Allegiance to the Flag of the United States of America.
Mr. Grippo led the group in the Pledge of Allegiance to the Flag.

2. Pension Account Funding

Mr. Masciana reviewed the Town of Cheshire Pension documentation (on file) with the Committee including an email from Mr. Jim Jaskot, Finance Director for the Town of Cheshire, which outlined the number of employees who are in the Town Pension Plan. For the Board of Education, there are 296 participants; 115 are current employees, 54 are terminated and eligible but not yet collecting, and 127 are retired and actively collecting their pensions. He noted that in 2012 they discontinued the Pension Plan for all employees. There are fewer participants putting in than taking out. For the 127 Board of Education and 91 Town employees, there must be sufficient cash to make the payments. Next, Mr. Masciana reviewed documents that outlined the Town of Cheshire Pension Portfolio and a listing of investments. There is \$77,501,116 in the Town Pension Fund that includes the Board of Education members. Mr. Masciana shared an email from Michelle Boyles, the Consulting Pension Actuary, from Milliman, the pension consulting firm the Town uses. The actuary's recommendation is to lower the rate of return from 7.5% to 7%. The email includes scenarios that Mr. Masciana explained to the Committee.

Mr. Masciana reported that Town Manager, Sean Kimball advised him that the recommendation is to lower the rate of assumption to a 7% rate of return with a 25 year amortization period. The impact on the Board's budget is an additional \$157,000 over what was approved in the 2020-2021 budget. If it is spread over two years, it would be an additional \$148,000. The Town Manager built this into his budget recommendation for the Town's budget. This information will be supplied to the Town Council at the March 16th meeting.

The Committee discussed the fact that their budget request that was approved before this information was available is \$157,000 lower than what is needed. Mr. Masciana confirmed that Mr. Kimball did not include the Board's portion of this increase in his budget request to the Town Council. Mr. Masciana said we are obligated to fund the

pension amount. If the Council does not increase our budget, we will have to find the money elsewhere in the operating budget. Mr. Perugini said the Board will discuss this with the Town Council during the Board's budget presentation to the Council.

3. Overview of Student Accounts

Mr. Masciana reviewed that CGS 10-237, authorizes local and regional Boards of Education to create and maintain school activity funds. The funds may handle the school lunch program and any educational program not provided by town appropriations. The funds may handle funds of schools and school organizations, and the fund can include gifts and donations. School activity funds carry over from year to year. Each school fund is to be kept separate and the control of any school fund remains in the name of the respective school or organization and must be audited by the town auditor on the same basis as other town accounts.

Board of Education Policy #3453 outlines procedures that are different for Cheshire High School, Dodd Middle School, and the elementary schools. It states that monies disbursed shall be expended only through a written Requisition for Funds Form, and then it is processed by a written check. A minimum of two signatures is required on all student activity fund checks, and cash shall be deposited daily or held overnight in the school safe.

The accounts were audited by RSM, the Town's auditing firm on June 30, 2019. They review bank reconciliations, monthly reports, cash transaction registers, and pre-numbered cash receipts. Mr. Masciana summarized the balances in each of the school accounts as of that date. The largest account is Cheshire High School, then Dodd and Highland have the next largest funds and Darcey has the smallest fund out of all the elementary schools. The combined total ending balance of all of the accounts as of June 30, 2019, was \$736,086.40. Each of the principals present reviewed their student activity accounts and internal procedures.

Cheshire High School

- Account Type – Checking and Business Money Market Accounts
- Authorized signatories for checks – Three
- Number of Signatures required – Two
- Student Activity Software – Phoenix
- Opening and Closing Balances for 2018-19 – Opening, \$456,805.73; Closing, \$538,220.83
- Sub-Account Tracking (if used) – Yes, Phoenix Software
 - Top 6 Sub Accounts by Balance
 - Class of 2020 – 47,321.75
 - Theater – \$31,016.82
 - Chromebooks – \$25,288.17
 - Booster – \$21,930.28
 - Girls Swim – \$21,652.55

- Class of 2021 – \$20,411.25
- Specialty account examples – Turf Field, Chromebook Protection, Booster Club for Concession Stand, etc.

They discussed some of the sub accounts. Ms. Gadd explained that the nature of a student activity account is to collect student funds and then there is an expenditure for the item for which the funds were collected.

Mr. Grippo asked if the bookkeeper should also be signing the checks. Mr. Masciana said the Board can discuss this in policy, but the current policy is the reason two signatures are required, and it could be an issue in the smaller elementary schools where there is only a secretary and principal.

Mr. Perugini asked about the concession stand income. He inquired if it is run by the Booster Club, why does the money come into the student activity account. Mr. Masciana explained that they take in the funds from the sale of food, it is credited to their account, and then when they need to purchase more supplies, and it is paid out of that same account. Mr. Perugini asked why we have an account for them. Mr. Masciana answered that they do not have an account of their own. They do not have 5013c status. It is the same for the girl's swim team. The Band Parents and the Gridiron Clubs have their own accounts. Mr. Trifone shared the detail sheets for each of the sports clubs with the committee.

Ms. Hallen asked why they were discussing these accounts. Mr. Grippo and Mr. Perugini answered that it is a great deal of money and the Board should understand more about the accounts should questions arise.

Ms. Ham asked who establishes the accounting procedures for the student accounts and if it is the Comptroller for the State of Connecticut. She said the Board has not seen these audits and asked if they should. Mr. Masciana said the Board has the right to see whatever they wish. The Committee discussed gate proceeds, banner sales, ticket sales, and the turf field account.

Mr. Grippo asked if they should have these accounts and the policy procedures audited before they go to the Policy Committee. This policy has not been updated since 1996 and there may be new procedures that should now be in place. Mr. Masciana suggested that Mr. Grippo speak with RSM, the Town's outside auditor. Mr. Perugini suggested that each account be audited separately.

Dodd Middle School

- Account Type – Checking and Certificate of Deposit
- Authorized signatories for checks – 4
- Number of Signatures required – 2
- Student Activity Software – EPES Software

- Opening and Closing Balances for 2018-19 – \$69,032.89 / \$89,971.91
- Sub-Account Tracking (if used) – Yes, EPES Software
 - Top 5 Sub Accounts by Balance:
 - Drama Club - \$10,001.20
 - Washington, D.C. - \$6,813.12
 - Student Council - \$3,367.60
 - Athletic Director - \$1,574.61
 - Band - \$1,569.76
- Specialty accounts – Chromebook Protection (\$16,342.61), Scholarship Fund (\$3,113.03), Stage Renovation (\$1,422.00)

Mr. Woods, Principal at Dodd Middle School reviewed the student account, providing details for the sub-accounts.

Mr. Perugini asked who buys the wood for the Cheshire High School shop classes, Mrs. Gadd answered that expense is paid through the operating budget, same as supplies for any of the other classes. Mr. Perugini asked how many supplies are purchased by other means that should be going through the operating budget.

Highland Elementary School

- Account Type – Checking
- Authorized signatories for checks – Principal, Assistant Principal, and Principal’s Secretary
- Number of Signatures required – 2
- Student Activity Software – N/A
- Opening and Closing Balances for 2018-19 - \$30,473.82 / \$52,205.08
- Sub-Account Tracking (if used) – Yes, Excel spreadsheet columns
 - Top 5 Sub Accounts by Balance
 - Drama: \$20,094.22
 - Library: \$15,051.82
 - Nature’s Classroom: \$12,340.88
 - Music Repairs: \$1,879.69
 - Field Trips: \$979.33
- Specialty account examples – Exxon Grant Account \$424.11, Recycling Club \$279, Spirit Day Donations \$614.16, SPED Grant \$93.08

Mr. Jeffrey provided details regarding his student activity account and some of the subaccounts.

Mr. Grippo said when all of the accounts have balances at year end; do they get swept into one account? Mr. Woods answered no; they are carried over into the following year. Mr. Grippo then asked if those balances can ever be used to fund another account that is overdrawn. Ms. Gadd said no, the account cannot get overdrawn because they can’t

spend money that isn't there. Mr. Masciana explained that the money that is designated for a particular sub-account can only be used for that sub-account; it cannot be transferred to another sub-account.

4. Public Comment

Mr. White asked who does the internal audit. Mr. Masciana responded that it is Mr. Gibbons who does a review of the accounts internally; it is not an internal audit. Mr. White mentioned GASB 84 and his understanding is that they will need to review each of those accounts to determine if they are fiduciary funds or government funds. Mr. Masciana said we would rely on our outside auditor, which he believes it is already in the works.

Mr. White asked about collecting ticket sales. Mr. Trifone said that athletic directors have discussed how to collect gate fees without cash. He noted that they already use Venmo for the concession stand sales and everyone would love to get rid of all cash.

Ms. Ham asked if the student activity accounts could be part of the annual budget for transparency, possibly as an appendix. Mr. Masciana answered that it does not have to be part of the budget process; the Board can ask for this information at any time through any of the Board committees.

Mr. Grippo said he will speak with the Town Auditor to discuss an internal or external review and to see if GASB 84 applies. Mr. Masciana said he would contact the Town Auditors to let them know Mr. Grippo would be contacting them.

5. ADJOURNMENT

On a Motion by Ms. Ham and seconded by Mr. Grippo, the Committee voted unanimously to adjourn the meeting at 8:20 pm.

Respectfully submitted,

Adam Grippo

Adam Grippo, Finance Chair

Attest:

Carol Jesensky

Carol K. Jesensky, Board of Education Clerk

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