

THESE MINUTES ARE SUBJECT TO BOARD APPROVAL
REGIONAL SCHOOL DISTRICT NO. 4 Board of Education

September 25, 2019

A Regional School District No. 4 Board of Education workshop was held on Wednesday, September 25, 2019, in the John Winthrop Middle School Library with the following Board members in attendance: Jennifer Clark, Jane Cavanaugh, Rick Daniels, Lori Ann Clymas, Trisha Brookhart, and DG Fitton

Also in attendance:

Administrators: Superintendent Brian J. White, Assistant Superintendent Dr. Kristina Martineau, Business Manager Kim Allen

Audience of Citizens: ~ 17 citizens

CALL TO ORDER

Chair Clark called the meeting to order at approx. 6:08 p.m.

She asked the Board if they would object to asking John Stack, currently a Chester BOE member who will be joining the Region 4 Board in November, to sit at the table with the Board. Upon hearing no objection Mr. Stack was invited to sit at the workshop table.

Superintendent White introduced former business manager Charles “Chip” Ward, who recently retired from West Hartford Schools. Mr. Ward recently completed a review of the Region 4 Capital Fund and the medical services account.

Mr. Ward reviewed with the Board the origin of the deficit in the capital fund that was reported in past audits. He reviewed a summary handout of his work (see attached). He took questions from the Board following each section.

Mr. Ward presented options for resolving the reported deficit within FY 2018. The Board could choose to not return the anticipated surplus of approx.\$160,000 (numbers not finalized until the audit report is complete) and instead use it to reduce the deficit of approx. \$190,000 down to \$30,000, or the Board could return the anticipated surplus to the towns, but then increase the levy on the towns in the next year’s budget to pay down the deficit. The best approach is something to be decided internally by the Board. Mr. Ward took questions from the Board.

Mr. Ward discussed best practices relative to managing capital funds. He shared West Hartford’s practice of developing a long term capital plan and including appropriations, within their yearly budget, to designated categories within their non-lapsing fund, based on the needs within their capital plan. Their Board does not vote on individual projects that fall within those categories, the administration just informs the Board as projects are undertaken or completed using already appropriated funds. Mr. Ward took questions from the Board.

Superintendent White shared his idea of assembling a task force that would be composed of a few Region 4 BOE members, a representative from each local Board of Finance, and each town’s First Selectperson, or

their designee. The charge of the task force would be to examine current statutes, policies; and best practices regarding the management of capital funds, processes regarding large capital expenditures, and district policies regarding money transfers; and to come back to the Region 4 BOE with recommendations for the Board to adopt so that all stakeholders will feel comfortable and informed going forward. It would then be the job of the administration to ensure consistency in following the procedures adopted by the Board. He asked if the Board would be comfortable with that process. The consensus was overwhelmingly positive. It was decided that the composition of the task force will be added as an agenda item to the Region 4 only meeting portion at the end of the Oct. 3rd Joint BOE meeting. Other items requested for the agenda included the following: an update from Superintendent White regarding a discussion he will have with the current auditors about completing the audit by an earlier date and a review and update of the capital fund spreadsheet created by Director of Facilities, Leigh Rankin.

Board member Rick Daniels asked the audience of citizens if any of them had a question they would like to ask.

Virginia Carmany asked Mr. Ward to provide clarification regarding the status of “due to” amounts in the capital account depending on what action the Board decides to take with regards to the deficit.

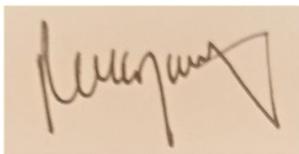
Mike Hammond asked if there was any evidence that the capital or sinking fund had been set up in accordance with State Statute?

Superintendent White reported that his staff reviewed past minutes and could find no evidence of a vote establishing the fund.

Mr. Hammond suggested the Board ensure that a resolution is passed in accordance with the proper statute 10-51(d) officially establishing the fund and that the Board ensure proper compliance when making future appropriations and/or authorizations.

On motion duly made and seconded the Board unanimously VOTED to adjourn at 7:30 p.m.

Respectfully submitted:

A handwritten signature in brown ink on a light brown background. The signature is cursive and appears to read 'R. Daniels'.

R. Daniels, BOE Secretary
J. Bryan, BOE Clerk

Capital Sinking Fund Balance History

Period	Summary
FY 2001 – FY 2006	<p>The Board of Education, on May 10, 2001, appropriated \$41,860,000 for system-wide school improvements. The improvements were financed with the issuance of bonds and notes which began in FY 2002. Approximately 30% of the project was funded by school construction grants from the State of Connecticut. Expenditures for construction were substantially complete by the end of FY 2006.</p>
June 30, 2006 to June 30, 2016	<p>The Capital Sinking Fund Balance was a negative \$5,515,743 on June 30, 2006 mostly reflecting unreimbursed and ineligible costs for the large construction projects that had been substantially completed.</p> <p>Then in FY 2008 and FY2011 the fund looks to have received State of CT Construction Grant reimbursements of \$1.8 and \$1.6 million. Also in FY 2011, a \$1.5 million bond was floated. These \$4.9 million contributions along with a net infusion of \$600,000 from a variety of other sources resulted in the capital fund balance being reduced to \$32,839 on June 30, 2016</p>
June 30, 2016	<p>At this point in the time the Capital Sinking Fund had cash in bank of \$459,370 offset a by a \$492,209 due to Region 4's General Fund with a net capital fund deficit of \$32,839. So the Sinking Fund was essentially balanced another \$32,839 contribution from a General Fund Appropriation or allocation of a surplus would wipe the deficit out.</p>
July 1, 2016 to June 30, 2017	<p>The original Financial Statement showed no change in the deficit in FY2017. However the 2018 Financial Statement showed the actual fund balance in the Capital Sinking Fund at the end of June 2017 should have been a positive \$116,684. (Assuming that the 6/30/2017 Cash was correct – if so then the Due To amount should have been \$342,964). I would need for more details to confirm this.</p>
July 1, 2017 to June 30, 2018	<p>The major transaction here was the purchase of land for \$379,916 in August of 2018. There appear to have been no appropriation for this purchase. The funds for the purchase came from the Cash on hand plus Region 4 General Fund contributed \$123,732 from 16-17 surplus, \$78,523 from the 15-16 surplus, \$26,675 from 14-15 surplus plus \$15,000 from the 17-18 operating budget. That totals \$243,930 of the \$379,916 land purchase – the difference was made up by the cash balance in the fund.</p>
June 30, 2018	<p>So while the Capital Sinking Fund paid \$379,916 for the land, there was no recording of the purchase in the asset listing of the Capital Fund. The land purchase was recorded in the General Fund assets (See Page 10). That increase in assets possibly should have been offset by a \$379,916 reduction in the Due to Other Funds in the Capital Sinking Fund which would change the balance in the Capital Sinking Fund from –a \$199,261 deficit to a \$180,655 surplus. It would also mean the General Fund would drop from a \$36,393 surplus to a \$343,523 deficit.</p> <p>This just changes the where the deficit shows. The total deficit across the General Fund, Capital Sinking Fund, Education Grants Fund, and School Cafeteria Fund of \$341,733 as shown on page 10 of the 2017-18 Financial Statements is unchanged by this action.</p>

Capital Sinking Fund History														
														Corrected
Date	6/30/2006	6/30/2007	6/30/2008	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2017	6/30/2018
Assets														
Cash & Equivalents	889,558	719,371	636,425	59,430	56,725	1,482,372	85,074	507,753	458,911	459,140	459,370	459,648	459,648	324,614
Investments	53,604	83,889	86,995	87,839	88,049	61,890	0	0	0	0	0	0	0	0
Grant receivables from CT	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Due from Other Funds	0	0	34,817	40,000	17,952	0	0	0	0	0	0	0	0	0
Inventories	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	177,250	0	0	0	0	0	0	0	0	0	0	0	0
Total	943,162	980,510	758,237	187,269	162,726	1,544,262	85,074	507,753	458,911	459,140	459,370	459,648	459,648	324,614
Liabilities														
Accounts Payable	1,332,589	846,771	558,810	0	1,137	172,613	7,500	0	0	0	0	0	0	0
Accrued Payroll and benefits	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Due to member Towns	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Due to Other Funds	0	0	0	0	0	44,811	577,061	969,740	815,013	612,578	492,209	492,487	342,964	523,875
Deferred Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0
BAN	5,126,316	5,816,066	4,000,000	4,000,000	3,890,000	2,223,000	0	0	0	0	0	0	0	0
Total	6,458,905	6,662,837	4,558,810	4,000,000	3,891,137	2,440,424	584,561	969,740	815,013	612,578	492,209	492,487	342,964	523,875
Unreserved Fund Balance (Deficit)	(5,515,743)	(5,682,327)	(3,800,573)	(3,812,731)	(3,728,411)	(896,162)	(499,487)	(461,987)	(356,102)	(153,438)	(32,839)	(32,839)	116,684	(199,261)
Total	943,162	980,510	758,237	187,269	162,726	1,544,262	85,074	507,753	458,911	459,140	459,370	459,648	459,648	324,614
Period Endings	6/30/2006	6/30/2007	6/30/2008	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017		6/30/2018
Revenues														
Intergovernmental	453,998	0	1,817,597	0	0	1,612,790	36,991	0	4,885	141,622	5,262	0	0	0
Interest Income	54,909	33,302	62,059	2,144	0	0	0	0	0	0	0	0	0	0
Other	0	177,250	13,598	0	0	204,161	204,161	0	0	0	0	0	0	0
Total	508,907	210,552	1,893,254	2,144	0	1,816,951	241,152	0	4,885	141,622	5,262	0	0	0
Expenditures														
Capital Outlays	3,597,553	128,345	17,557	52,897	38,112	609,456	26,970	7,500	0	0	0	0	0	379,916
Other	0	276,360	24,690	0	18,595	0	0	0	0	39,958	12,338	0	0	0
Total	3,597,553	404,705	42,247	52,897	56,707	609,456	26,970	7,500	0	39,958	12,338	0	0	379,916
Net Revenue	(3,088,646)	(194,153)	1,851,007	(50,753)	(56,707)	1,207,495	214,182	(7,500)	4,885	101,664	(7,076)	0	0	(379,916)
Other Financing Uses														
Funds from (Repayment) of BAN	(4,000,000)					1,472,000	0	0	0	0	0	0	0	0
Transfer In		27,569	20,000	20,000	125,000	135,000	130,210	45,000	101,000	101,000	127,675	0	0	63,971
Bond Premium			10,747	18,595	16,027	17,754	52,283							
Other												0		
Net Change in Fund Balance	(7,088,646)	(166,584)	1,881,754	(12,158)	84,320	2,832,249	396,675	37,500	105,885	202,664	120,599	0	0	(315,945)
Fund Balance - Start	1,572,903	(5,515,743)	(5,682,327)	(3,800,573)	(3,812,731)	(3,728,411)	(896,162)	(499,487)	(461,987)	(356,102)	(153,438)	(32,839)	116,684	116,684
Fund Balance End	(5,515,743)	(5,682,327)	(3,800,573)	(3,812,731)	(3,728,411)	(896,162)	(499,487)	(461,987)	(356,102)	(153,438)	(32,839)	(32,839)	116,684	(199,261)

Review of Medical Services Fund

- 1) The Medical Services Fund is a self-funded plan with a \$150,000 stop loss. Region 4 is jointly in a group including Town of Chester Board of Education, Town of Deep River (including Board of Education), Town of Essex (including Board of Education) and the Regional Supervision District Board of Education. All transactions were run through the Region 4 checking account and the cash was comingled with Region 4 cash – until recently.
- 2) There was a claims problem in FY2009 and the Medical Services Fund set up a note payable of \$780,780 to pay off part of the deficit. The Medical fund ended the year with a \$1.5 million deficit. Part of the problem appears to have been with BC/BS and their drawdown system.
- 3) From FY10 through FY 15, the medical services fund ran a cumulative surplus of \$2.7 million which wiped out the deficit and resulted in a cash surplus of \$1.6 million. The cash was noted in the General Fund and the GF owed the medical service fund \$1.6 million at the end of FY2015 and noted in the financial statements.
- 4) In FY 2016, the fund ran a \$939,000 deficit with claims spiking. Claims returned to more normal levels in FY 17 and 18. The cash surplus dropped by \$939,000 as seen in the decrease in the due from other funds of \$1,625,171 in FY 205 to \$654,402 in FY2016.
- 5) Since then things are operating normally.

Medical Service Fund History													
	Fiscal Year												
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
ASSETS													
Current Assets													
Cash	695,313	214,358		14									414,857
Receivables	0	0	231,845	80,985	35,509	18,942	19,033	870	16,322	21,417	189,882	148,413	61,940
Due from other Funds	0	107,179	107,179	6,727	25,000	38,230	287,517	1,077,523	1,512,056	1,625,171	654,402	707,871	328,861
Total assets	695,313	321,537	339,024	87,726	60,509	57,172	306,550	1,078,393	1,528,378	1,646,588	844,284	856,284	805,658
LIABILITIES													
Current Liabilities													
Accounts payable	372,627	429,282	652,539	481,752	447,052	428,726	8,773						42,993
Unearned Revenue									12,764				
Due to other funds				294,245	668,636	410,193							
Note Payable				789,780	526,520	263,260							
Claims payable	0	0	0	0	0	0	384,255	339,015	341,472	367,526	504,637	516,296	496,755
Total liabilities	372,627	429,282	652,539	1,565,777	1,642,208	1,102,179	393,028	339,015	354,236	367,526	504,637	516,296	539,748
NET POSITION													
Unrestricted													
Total net position	322,686	-107,745	-313,515	-1,478,051	-1,581,699	-1,045,007	-86,478	739,378	1,174,142	1,279,062	339,647	339,988	265,910
OPERATING REVENUES													
Charges for services	4,202,746	4,188,030	4,423,842	4,927,045	5,447,359	6,182,462	6,708,139	6,456,185	6,211,724	6,088,525	6,136,588	6,331,194	6,343,362
Interest Income	4,810	19,683	473	188									
OPERATING EXPENSES													
Claims, Admin, Premiums, Payments	4,062,428	4,638,144	4,630,085	6,091,769	5,551,007	5,645,770	5,749,610	5,630,329	5,776,960	5,983,605	7,076,003	6,330,853	6,417,440
Operating gain/(loss)	145,128	-430,431	-205,770	-1,164,536	-103,648	536,692	958,529	825,856	434,764	104,920	-939,415	341	-74,078
Net position - beginning	177,558	322,686	-107,745	-313,515	-1,478,051	-1,581,699	-1,045,007	-86,478	739,378	1,174,142	1,279,062	339,647	339,988
Net position - end	322,686	-107,745	-313,515	-1,478,051	-1,581,699	-1,045,007	-86,478	739,378	1,174,142	1,279,062	339,647	339,988	265,910

Resolution of FY 2018 Deficit

Per Discussion with Kim Allen, preliminary FY19 year end balances are as follows

General Fund	\$160,000
Education Grants Fund	\$0
Capital Sinking Fund	-\$190,000
School Cafeteria Fund	\$0
Total	-\$30,000

So most of the total deficit of \$341,733 that Region 4 had at the end of FY2018 was eliminated in FY 2019. So in April 2020 when the numbers are final, the Board can transfer the General Fund surplus to offset most of the Capital Sinking Fund deficit. Assuming similar surpluses are run in FY2020, the deficit will be wiped out by the end of FY2020.