

BOARD OF EDUCATION  
(Official)

July 29, 2010  
Elizabeth, New Jersey

A special meeting of the Board of Education was called on July 29, 2010 at 7:00 p.m., in the Multi Purpose Room, Donald Stewart Center for Early Childhood Education, 544 Pennsylvania Avenue, Elizabeth, New Jersey.

Board President Carlos Trujillo presented the following statement at 8:00 p.m.

“Ladies and Gentlemen, good evening. This is a special meeting of the Board of Education. Pursuant to New Jersey Statutes and the rules adopted by the Board of Education, notice of this meeting was sent to The Star Ledger, The News Record and Cablevision of Elizabeth on Thursday, July 22, 2010. In addition, this notice is posted on the Bulletin Board in the lobby of 500 North Broad Street, and pursuant to this act, a copy has been filed with the City Clerk of Elizabeth.”

“I wish to extend a warm welcome to everyone present to this July 29, 2010 meeting of the Board of Education. We are here to govern, provide management oversight, and make policy for the district. The Superintendent manages the district. This is a meeting of the Board in public, not a meeting of the public.”

“This meeting is being recorded and will become part of the Elizabeth Board of Education permanent record. In order that the recording will adequately reflect the proceedings, please refrain from talking while others are speaking. I also ask that you silence the sound on your electronic devices. Since it is legally mandated that these proceedings be accurately recorded, I may have to ask for order periodically should noise begin to interfere with our recording capabilities. I am pleased that you have taken time this evening to join us. Thank you for your interest in the Elizabeth Public Schools.”

“There will be a public portion for citizens to address the Board. Participants for the public portion must sign in one hour prior to the advertised start of the meeting so that they may have the opportunity to speak. The sign-in sheet states the name, address, telephone number and reason that the person wants to comment, whether it is an agenda item or a general education comment.”

Present: Mrs. Castillo-Ospina, Mr. Donoso, Mrs. Munn, Messrs. Nazco, Perreira, Trujillo – 6

Absent: Pastor Burgos, Messrs. DaSilva, González – 3

Superintendent of Schools Pablo Muñoz, School Business Administrator/Board Secretary Harold E. Kennedy, Jr., Board Attorney Kirk Nelson, Esq., Assistant Superintendent for Schools Jennifer Barrett, Assistant Superintendent for Family and Community Outreach Jerome Dunn, Assistant Superintendent for Schools Aida Garcia, Assistant Superintendent for Teaching and Learning Olga Hugelmeyer, Assistant Board Secretary Donald Goncalves, Executive Director of Human Resources/Labor Attorney Karen Murray, Comptroller William Greene, and members of the public were in attendance.

Dr. Greene gave the invocation.  
Pledge of Allegiance  
National Anthem  
Pledge of Ethics  
Core Beliefs and Commitments

Personnel Report – Retirements, etc.

A motion was made by Mr. Nazco, seconded by Mrs. Munn, that the report be accepted.

The motion was carried by the following vote:

Affirmative: Mrs. Castillo-Ospina, Mr. Donoso, Mrs. Munn, Messrs. Nazco, Perreira, Trujillo – 6

Negative: None

Supplemental Personnel Report – Retirements, etc.

A motion was made by Mr. Perreira, seconded by Mrs. Munn, that the report be accepted.

The motion was carried by the following vote:

Affirmative: Mrs. Castillo-Ospina, Mr. Donoso, Mrs. Munn, Messrs. Nazco, Perreira, Trujillo – 6

Negative: None

Mr. Trujillo presented the following public participation statement.

“At this time, the microphones are open for public comment to those who have signed in prior to this session. I shall call individuals to the microphones based on the order of the sign-in. Each statement made by a participant shall be limited to three minutes in duration. The total time of public comment shall be limited to sixty minutes. No individual is able to yield their time to another individual. All statements shall be directed to the presiding officer; no participant may address or question Board members individually. The following rules for public participants shall apply: time limits will be strictly enforced, no personal attacks on individuals, no vulgar or indecent language, a person may address the Board no more than once during a single meeting, speakers should refrain from naming individuals, and comments or questions posed during public participation will not be debated. As a reminder, this is a meeting of the Board in public, not a meeting of the public.”

Since there were no citizens to address the Board, Mr. Trujillo declared this portion of the public meeting closed.

Mr. Kennedy, School Business Administrator/Board Secretary, stated that he appreciated the opportunity to come before the Board with members of the Business Office staff to present the second Management Oversight Finance Workshop. Mr. Kennedy stated that the first workshop showed a high level overview of the business operations including statistics, flow of work, and the different duties of each area, and that this workshop will focus on the areas of the comptroller and accounting including a review of the financial reports presented to the Board each month and how they relate to the controls of the accounting department. Mr. Kennedy introduced Comptroller Dr. William Greene who presented the workshop on the district’s financial operations.

Dr. Greene stated that this workshop will be a review of the financial reports presented to the Board each month and that the purpose of the workshop is to provide the Board with information about the district’s financial operations so that the Board has a better understanding of the district’s finances for the purpose of exercising effective management oversight. Dr. Greene stated that the goal of the workshop is for the Board to leave with a better understanding of the policies, processes and procedures used to effectively manage and provide fiscal management and oversight for the district’s financial resources.

Dr. Greene stated that the 2010-2011 district budget for the Elizabeth Public Schools is \$407,766,425., that \$329,280,407. is from State sources, \$48,673,323. is from the local tax levy, \$23,312,267. is from federal sources and \$6,500,428. is from local sources. Dr. Greene stated that the Board of Education will be spending 79.7% in instruction including Contribution to Whole School Reform and other programs for our students, that 3.5% of the budget is for administration, 8.2% for operation and maintenance of plant, and 8.6% for other including

community services, transportation, employee benefits, and capital outlay. Dr. Greene stated that the Board of Education has no debt service.

Dr. Greene explained the revenue history of the last five years and stated that in 2006-2007 the revenue from State sources was \$339,639,024. as compared to \$329,280,407. for 2010-2011 which is a decrease of more than \$10.3 million from State sources, that in 2006-2007 the local tax levy for the Board of Education was \$37,165,104. as compared to the State mandated \$48,673,323. tax levy for 2010-2011, that in 2006-2007 the revenue from Federal sources was \$21,424,282. as compared to \$23,312,267. for 2010-2011, that in 2006-2007 the revenue from local sources was \$14,670,000. as compared to \$6,500,428. for 2010-2011 and that the total revenue for 2006-2007 was \$412,898,410. as compared to \$407,766,425. for 2010-2011. Dr. Greene explained the chart showing the tax levy of the Elizabeth Public Schools as compared to the Elizabeth City Council for the years 2001 through 2010 and stated that the Elizabeth Board of Education over the last ten years has raised taxes \$10.9 million as compared to the City of Elizabeth which raised taxes over \$60.4 million over the same time period. Dr. Greene stated that the Union County Board of Taxation certified the schedule of the general tax levy and explained the total tax levy on which the tax rate is computed, that the total tax levy is \$191,917,830.74, that the Local Municipal for the City Government is \$110,291,832.60 which is 57%, that the percent for the District School Budget is 25%, that the Union County Taxes Apportioned is 16% and the County Open Space, Recreation and Historic Preservation is 1%. Dr. Greene stated that the percentage increase in the tax levy over the last ten years for the City of Elizabeth is 121.07% while the Board of Education increased by 28.92% over ten years. Dr. Greene explained a comparison chart showing that the Board of Education taxes are less than half of the taxes of City Government of Elizabeth.

Dr. Greene explained the organizational chart for the Office of the Comptroller including the Payroll Department which has a supervisor and nine secretaries, the Purchasing Department which has a supervisor, two purchasing specialists and one secretary, the Accounts Payable Department which has a supervisor position that is currently vacant and eight secretaries, that there are four accountants and two data analysts and introduced the members of the staff present.

Dr. Greene stated that the accounting system is the means by which financial data is - captured during the actual operation of the district, recorded in the books of account, and then analyzed to produce required reports. Dr. Greene stated that the classification of accounts and the State recommended reporting structure are in accordance with generally accepted accounting principles (GAAP) and that the State prescribes an account number structure, chart of accounts, and accounting guidelines which govern the recording of revenue, expenditures and other accounting transactions. Dr. Greene stated that the revenue and expenditures are accounted for using fund accounting principles, that a fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, that the funds are established to record specific activities categorized by special legislation, regulations or other restrictions and that the funds used follow the reporting structure required by Governmental Accounting Standards Board (GASB) 34. Dr. Greene stated that the General Fund includes Fund 11 General Current Expense for the expenditures providing district administrative and support services, Fund 12 Capital Outlay for expenditures for equipment costing \$2,000. or more and construction projects, Fund 13 Special Schools for expenditures for adult and community school programs, Fund 15 School Based Budgets for expenditures related to teaching and learning activities in the schools, Fund 20 Special Revenue Fund Accounts for the proceeds and expenditures of Federal, State, and local grants, Fund 30 Capital Projects Fund Accounts for financial resources used to acquire or construct major capital facilities and Schools Development Authority (SDA) funded projects which are managed by the district, Fund 40 Debt Service for the accumulation of resources for and the payment of long-term debt, principal and interest, Fund 50 Enterprise Fund for revenue and expenditures for food service operations, and Fund 60 Agency for resources held by the district in a purely custodial capacity that involve in the receipt and subsequent payment to the responsible governmental agency.

Dr. Greene explained the monthly accounting cycle closing process, that to provide the monthly financial status of the district the financial books must be closed, that cash deposits are

ended on the last work day of the month, that payroll and vendor invoice payments are ended on the last work day of the month, the revenue received during the month is recorded, interfund transactions during the month are recorded and financial reports are generated for further analysis and subsequent presentation to the Board. Dr. Greene explained the financial reports including the Treasurer Report which provides an analysis and reconciliation of the District's cash balances contained in the district's bank accounts and the Board Secretary Report which provides the District's financial status in comparison to revenue and budget as well as assets and liabilities. Dr. Greene stated that the Treasurer of School Moneys is required by New Jersey Statute Title 18A:17-31 and serves as the Custodian of School Moneys, that the Treasurer's Report is required by New Jersey Statute Title 18A:17-36 and is to be rendered to the Board monthly showing the receipts and disbursements of the district. Dr. Greene stated that the GAAP financial internal controls require separation of duties whereby a separate individual not responsible for other cash accounting responsibilities will account for the cash revenue and disbursement bank transactions to ensure against malfeasance. Dr. Greene explained the line items and entries on a sample Treasurer's Report including beginning balance, cash receipts, cash disbursements and ending cash balance, reconciliation of the Board Secretary's Report and the Treasurer's Report, and the reconciliation of Treasurer's Report to Bank Account Balances. Dr. Greene stated that the preparation of the Treasurer's Report requires reports to be sent monthly to the Treasurer including the Cash Activity Worksheet which records the revenue received and deposited into the bank accounts and disbursement of checks and electronic wire transactions made on behalf of the district out of the bank accounts, bank statements and check reconciliation reports, and trial balance and Board Secretary Reports. Dr. Greene explained the Board Secretary Report and that New Jersey Statute Title 18A:17-9 requires that the Board Secretary shall report to the Board at each regular meeting, but not more than once each month including the amount of total appropriations and cash receipts for each account, the amount for which warrants have been drawn against each account and the amounts of orders and contractual obligations incurred and chargeable against each account since the date of the last report. Dr. Greene explained the monthly certifications of the Budgetary Major Account/Fund Status and the Budgetary Line Item Status, that the Board Secretary Report contains the Balance Sheet, Summary Expenditure Report, Detailed Revenue/Source of Funds Report, and the Detail Expenditures Report. Dr. Greene stated that the financial reporting and control has governing law, regulations and Board policies including Local Funds Policy File Code No. 3210, State Funds Policy File Code No. 3220, Federal Funds Policy File Code No. 3230, Funds Management/Investing Policy File Code No. 3290, Depository Policy File Code No. 3293, Signatures/Facsimiles Policy File Code No. 3293.1, Accounts Policy File Code No. 3400, Financial Reports Policy File Code No. 3571, Annual Financial Statement Policy File Code No. 3571.3, and Audit Policy File Code No. 3571.4.

Dr. Greene stated that the next area would be on the audit compliance and internal controls and explained that the auditors sit with supervisors to gain an understanding of how the work is done, that they do a test and check the signatures on the papers and follow the procedure all the way through and then the auditors issue an opinion on what we do.

Dr. Greene stated that the financial reporting is according to New Jersey Public School Title 18A:22 Budgets and Appropriations, Title 18A:23 Audits and Auditors, and New Jersey Administrative Code Title 6A:23 Finance and Business Services. Dr. Greene stated that the audit of compliance and internal controls showed that there is an unqualified audit opinion on the Comprehensive Annual Financial Report, that the annual audit report did not disclose any instance of material weakness in internal control, that there was no disclosure in the annual audit report of material noncompliance, that the accounting system was maintained in accordance with GAAP, the monthly certifications of line-item appropriations and fund status were filed in accordance with N.J.A.C. 6A:23-2.11, the treasurer's records are maintained independently of the Board Secretary's records, that there are no credit cards utilized by Board members and employees, that there is a sequential purchase order system operative in the district, that the purchase order numbers are recorded in a central register, that there is an encumbrance system utilized in accordance with GAAP, that in the opinion of the auditor the books and records are not in unsatisfactory condition that comment and recommendation is made in the Auditor's

Management Report, and that the district did have full accreditation status in relation to financial management practices and that no monitor was assigned.

Mr. Nazco congratulated Mr. Kennedy and Dr. Greene on the presentation and commented that it cleared up a lot of questions. Mr. Nazco asked what the difference is between the local tax levy and the local source.

Dr. Greene explained that the local tax levy is \$48,673,323. which is the amount the City of Elizabeth will give to the district and that the revenue from the local sources is \$6,500,428. which is from interest, rental income, tuition, appropriated surplus and miscellaneous.

Mr. Nazco asked what percentage of the budget are administrative costs for other Boards and where we are in comparison.

Mr. Kennedy stated that every year the State has a Comparative Spending Guide, that the State sets a regional administrative guide and that we are below the regional administrative guide, that Elizabeth is quite a bit lower when grouped with the other 31 Abbott districts, that the two largest items for us in administrative costs are the telephone and the principals and vice principals.

Mr. Nazco requested a copy of the Comparative Spending Guide.

Mrs. Munn commented the presentation was great and asked what systems are used, what controls are in place and what accessibility each person has to the system.

Dr. Greene explained that the EDUMET system is used and that the accessibility for each individual user can be set to access certain areas, that the schools can only access certain information, that the staff in the Accounts Payable department can only access certain information, and that there are controls within the system that stop the process if someone tries to overspend a budget line item on a requisition.

Mrs. Munn asked who is the treasurer.

Dr. Greene explained that Patricia Grant, Accountant, handles the cash receipts.

Miss Grant stated that the reports are produced based on the cash receipts, that Gelcys Fernandez Del Cue, Accountant, works on the General Ledger and then the reports are sent to Ana Mortola, Treasurer.

Mr. Donoso asked what is included in the budget for \$35,046,389 Other Expenses.

Mr. Kennedy explained that the amount includes transportation, community services, employee benefits, and capital outlay.

Mr. Trujillo requested the budget packet showing the breakdown be given to the Board members.

Mrs. Munn asked what is the per pupil cost.

Mr. Kennedy responded that the per pupil cost is \$15,669.

Mr. Trujillo asked about the per pupil cost as compared to other districts.

Mr. Kennedy responded that it is close to the middle and that he will send the Comparative Spending Guide to the Board members.

Mr. Trujillo asked what is included in the capital outlay.

Dr. Greene responded that the capital outlay includes construction and equipment.

Mr. Trujillo congratulated Mr. Kennedy and Dr. Greene and commented that this was a great presentation, that we are entrusted with millions and millions of dollars for the taxpayers, and that all the money is accounted for, that we are fiscally responsible and that the financial operations is one of our strong points.

Mr. Muñoz stated that a few years ago the district applied for a grant opportunity from The Broad Foundation, that we were selected to participate in the training and consulting program under the Fourth Cohort of Reform Governance<sup>®</sup> in Action sponsored by the Center for Reform of School Systems (CRSS), that we created a Board policy on Board workshops and management oversight, and that the management is left to the Board's administrative team. Mr. Muñoz explained that there are at least four management oversight Board workshops each year, that the next Board workshop will be Transportation which is scheduled for August 12, 2010, that the Technology Board workshop will be held in September, and in the fourth quarter the Board workshop will be on the Theory of Action, Managed Instruction and Early Childhood. Mr. Muñoz commented that the public is welcome to sit in on the management oversight meetings. Mr. Muñoz thanked Mr. Kennedy and Dr. Greene for the time spent preparing this presentation in the middle of the day to day operations, external audit for the CAFR, and that it is a very busy time with the ordering, purchasing and paying for all the supplies for the schools.

Mr. Muñoz stated that the public is often told half of the information, that the facts are what they are, and that the facts are very clear. Mr. Muñoz stated that the Board of Education had to raise the tax levy by \$4.4 million but did not want to, that the Board of Education was mandated to increase the tax levy, and that the City Government increased their tax levy by \$4.4 million to \$110,291,833 without being told to do so which is an increase of 121.07% over the last ten years. Mr. Muñoz stated that the Union County Board of Taxation Certification shows that the bulk of the taxes, 57%, is for City Government, that the Board of Education share is 25% of the taxes, that Union County share is 17%. Mr. Muñoz commented that some of the taxpayers that get letters have been told otherwise but the truth is that the bulk of the total tax levy is for City Government.

Mr. Trujillo thanked the public for coming to this Board meeting on management oversight.

On a motion by Mrs. Munn, seconded by Mr. Nazco, the meeting was adjourned at 9:35 p.m.

The motion was carried by the following vote:  
Affirmative: Mrs. Castillo-Ospina, Mr. Donoso, Mrs. Munn, Messrs. Nazco, Perreira, Trujillo – 6  
Negative: None

Harold E. Kennedy, Jr.  
School Business Administrator/Board Secretary