

**Monitoring Report**  
**Policy Title: Executive Limitations 4**  
**Financial Conditions and Activities**

This is my annual monitoring report on Executive Limitations Policy 4 – Financial Conditions and Activities, presented in accordance with the School Board’s monitoring schedule. I certify that the information contained in this report is true.

Tom DeBalsi, Superintendent

Date: October 11, 2021

**With respect to the actual, ongoing financial condition and activities, the Superintendent shall not cause or allow the development of financial jeopardy or material deviation of actual expenditures from board priorities established in Ends policies.**

**Further, without limiting the scope of the foregoing by this enumeration, the Superintendent shall not:**

1. Expend more funds than have been received in the fiscal year to date unless the debt guideline (below) is met.
2. Incur debt in an amount greater than can be repaid by certain otherwise unencumbered revenues within sixty days.
3. Use any long-term reserves.
4. Conduct inter-fund shifting in amounts greater than can be restored to a condition of discrete fund balances by certain otherwise unencumbered revenues within thirty days.
5. Fail to settle payroll and debts in a timely manner.
6. Allow tax payments or other government-ordered payments or filings to be overdue or inaccurately filed.
7. Make a single unbudgeted purchase or commitment of greater than \$50,000. Splitting orders to avoid this limit is not acceptable.
8. Acquire, encumber, or dispose of real property.
9. Fail to aggressively pursue receivables after a reasonable grace period.

**Monitoring and Compliance Report for Policy EL 4 - Financial Condition and Activities**

Information is shown below regarding Business Office activities relative to the nine compliance indicators outlined in this policy. A number of these areas are addressed in the Business Office procedural manual.

1. **Expend more funds than have been received in the fiscal year to date unless the debt guideline (below) is met.**

**Interpretation: The Superintendent has the authority to expend the approved budget and can balance shortfalls in revenue with reductions in expenditures or by getting authorization from the school board for deficit spending.**

**Evidence:** An important indicator of compliance with this particular policy is the external, independent audit completed by RHR Smith and Company, Certified Public Accountants. This audit reviewed FY 20 financial transactions in all funds and concurred without exception in the District's calculation of the positive fund balance. The audit confirmed that expenditures did not exceed revenue. The auditors' financial statement and management letter are provided with this monitoring report. The analysis of General Fund balance shows the year ended with a surplus of \$???,??? based favorably upon the budget being underspent in revenue received in excess of the amount budgeted.

The General Fund expenditure budget can only be overspent with the authority of the school board. When additional spending is possible due to the availability of additional revenue becoming available, budget amendments identifying the amounts and sources of revenue are presented to the School Board for approval. Typical Board-approved amendments involve encumbrances carried forward from the prior year and the need to account for modest increases or decreases in grant funding. In essence, the Board gives the authority to proceed with new or changing initiatives.

The District does not receive all of its budgeted revenue at the start of the fiscal year, but rather in installments at State-determined schedules. Therefore, the district needs to have cash on hand to cover expenses, otherwise it would need to borrow funds to cover its commitments. The District does not expend more funds than it expects to receive by year-end. The Director of Finance and the Accountant monitor revenue received on a monthly basis, comparing actual receipts to anticipated receipts, and revise the full year estimate accordingly. If a significant shortfall in revenue is forecasted without offsetting excess revenue anticipated in other categories, a plan would be presented to either reduce expenditures in specific categories or to propose deficit spending, with Board approval in either case. The Director of Finance has kept a very close watch on both expenditures and revenue especially in the spring of the past few years. Unanticipated personnel costs due to students with high needs enrolling or more than anticipated staff retiring in a given year, additional special education services and tight revenue were the typical, major factors leading to concern. Therefore, administrative steps were taken to reduce expenditures for the remainder of the school year. This may be an area for the school board and superintendent to consider in the future for a more long term solution.

Using a calculation provided by the State Department of Education, the Town of Hartford forwards school taxes to the District in two equal installments in October and April. The State's remaining contribution from the Education Fund (the 40% not directly raised from taxpayers in the Town of Hartford) is paid to the District in equal thirds in September, December and April. Separate from the Education Fund, receipt of reimbursement for services related to the state and federal programs listed on our General Fund revenue reports occurs within 30 days of our filing expenditure reports. In some cases, amounts are advanced monthly to cover anticipated future expenses prior to the next quarterly actual expense filing.

#### I report compliance.

### **2. Incur debt in an amount greater than can be repaid by certain otherwise unencumbered revenues within sixty days.**

**Interpretation: The Superintendent shall not permit debt to be incurred without an approved budgetary plan to repay such obligations.**

**Evidence:** As confirmed by the external audit of FY20 transactions are demonstrated in monthly financial reports, the District's spending did not exceed budgeted limits. As explained below, the District typically would only incur debt for leases of equipment - specifically driver education vehicles and technology hardware.

Although not truly the typical definition of debt, leases of equipment obligate the District for payments spanning fiscal years, often for a three or five year period. Appropriations to pay the annual lease payments

are included in the budget.

I report compliance.

**3. Use any long-term reserves.**

**Interpretation: The Superintendent shall not permit the use of any long-term reserves for any purpose other than indicated at the time these specific reserves are created.**

**Evidence:** Our external auditors are required to designate remaining funds using the category titles outlined in a recent governmental accounting standard. These fund balance reporting requirements are appended to this policy. What the District would typically consider “fund balance” is technically called “assigned fund balance”. This is the General Fund balance which becomes revenue in the next budget developed by the District (FY21). An analysis of the general fund balance shows the year ended with a fund balance of \$???,???

The District’s long-term, voter-approved reserve “restricted” funds include the following:

Construction Reserve Fund	\$412,997
Fuel Reserve Fund	\$ 53,433
Systems Repair Reserve Fund	\$ 17,304
Technology Reserve Fund	\$ 22,469
Vehicle Replacement Reserve Fund	\$ 34,085
TOTAL	\$ 631,740

I report compliance.

**4. Conduct inter-fund shifting in amounts greater than can be restored to a condition of discrete fund balances by certain otherwise unencumbered revenues within thirty days.**

**Interpretation: The Superintendent shall not permit transfers of funds greater than \$10,000 between budget code categories in all funds without School Board approval. Also, the Superintendent shall not permit permanent transfers between funds without Board approval.**

**Evidence:** The District has four major governmental funds (General, Grants, Capitol Project, and Reserve) and one proprietary funds (Collaborative) which are all combined in the same multi-fund bank account, and the Capital Improvement (Bond Proceeds) which are held in a separate, interest-bearing account. Each fund is separately accounted for with separate ending balances. Capital Improvements funds are managed by the bond bank and funds are accessed based on expenditures that are within the bond scope.

I report compliance.

**5. Fail to settle payroll and debts in a timely manner.**

**Interpretation: The Superintendent shall ensure that material payroll and debt obligations shall be paid in accordance with standard legal procedures and obligations.**

**Evidence:** Payroll and debts are settled on a timely basis, as indicated by the fact that the District has not received complaints concerning timing from employees, governmental agencies, service providers or

vendors. The external audit of FY20 records conducted in August 2021 did not note any instances of late payments.

The District utilizes a bi-weekly payroll calendar. Each biweekly payroll is inclusive not only of employees' wages, but also employee income and FICA tax withholding sent to the IRS and State, employer FICA, employer and employee 403(b) retirement contributions, and employee health insurance co-pays. Payroll expense does not include employer portion of health insurance, dental, unemployment, and life / disability insurances or workers' compensation, all of which are paid through accounts payable.

The Business Office utilizes a *twice-monthly* schedule for paying accounts payable obligations. School building secretaries and principals approve payment of invoices in their particular areas after receipt of goods and services and send payment requests to the Accounts Payable Assistant, who also reviews each payment request and signs off as being an appropriate expenditure of District funds. As a final "check and balance" review prior to each and every payment transaction, the Director of Finance then reviews and approves each payment. The vast majority of payments are related to purchase orders previously reviewed and approved by the Director of Finance in his role as the District's Purchasing Agent.

Following payment of each warrant, one Board member is sent summary information by vendor, including payment amount and description of purpose. They have the opportunity to ask for further information regarding any transaction. The Board has authorized a member to sign for and on behalf of the Board.

Capital debt is the largest single category of our payments. All existing debt will be retired in seventeen years (FY 2037). The capital debt that remains a district liability is for the 2013 high school and HACTC physical plant upgrades, the 2014 middle school gym/cafeteria renovation and the fitness center building, the 2015 White River Elementary School bond payments, the 2018 Parking Lot and Campus Renovation and the 2019 Wilder School Renovation.

A complete bond amortization schedule is attached to this report.

#### I report compliance

- 6. Allow tax payments or other government-ordered payments or filings to be overdue or inaccurately filed.**

**Interpretation: The Superintendent will ensure that tax and other government payments and obligations shall be paid within the prescribed deadlines.**

**Evidence:** The external audit of FY20 transactions did not note any instances of late payments. Other than payroll taxes, which are paid when due, the District does not make tax payments. The only time government-ordered payments might be expected would be a rare instance when the District received more grant revenue than expended, which must then be repaid immediately. However, in some special revenue categories, the District is allowed to retain any excess revenue received until the funds are spent. State-required financial reports are filed on a timely basis to ensure related revenue payments are not delayed.

#### I report compliance.

- 7. Make a single unbudgeted purchase or commitment of greater than \$50,000. Splitting orders to avoid this limit is not acceptable.**

**Interpretation: The Superintendent is not authorized to make a purchase for more than \$50,000 that is not part of the school budget. The Superintendent will follow all Vermont Regulations regarding open bidding procedures for purchases in an amount exceeding**

**\$15,000. Purchases shall not be subdivided for the purpose of bid avoidance.**

**Evidence:** Bids, requests for proposal (RFP's), or quotes are solicited for large commitments unless procurement through State contracts is possible or choice is limited due specialized, sole- proprietor considerations. Steps for issuing and approving bids and RFP's are outlined in the Business Office procedures. The Director of Finance does not solely make decisions concerning the award of bids and RFP's, but rather reviews the results of the solicitation and arrives at a consensus with the Superintendent and affected staff members.

Quantity discounts are pursued where possible. The Director of Finance, who serves as the District's Purchasing Agent, does not split purchase orders to avoid requesting approval for budget transfers or to avoid the need to put items out to bid or seek competitive price quotes. In this current FY21 requests for proposals have been issued and approved for the recommended selection of the low bidders for facilities repairs and lawn mowing.

I report compliance.

**8. Acquire, encumber, or dispose of real property.**

**Interpretation: The Superintendent shall not permit property to be purchased without School Board approval. The Superintendent shall follow State statute when purchasing real property.**

**Evidence:** School districts do not acquire or dispose of real property without the approval of District voters and with the full knowledge of their school board. There have not been discussions in the past year to acquire or dispose of real property.

I report compliance.

**9. Fail to aggressively pursue receivables after a reasonable grace period.**

**Interpretation: The Superintendent shall insure that all receivables are pursued in an effective and efficient manner, with receipt in a reasonable amount of time (90 days).**

**Evidence:** The external audit of FY20 transactions conducted in August 2021 checked the timing of revenue deposits and thoroughly audited year-end receivables, which are noted in the audit on the balance sheet. The Business Office procedures outline steps to be taken with aging receivables. While cases of late receipts may differ, the District reserves the right to enlist legal assistance to insure that the District receives payment for services and goods rendered.

The bulk of the District's revenue is electronically deposited in the District's bank account on a scheduled basis from state and federal sources. Care is given to ensure that any required reports are submitted on a timely basis if needed to trigger payments of such funds to the District. Similar care is given to make certain necessary documentation is submitted in order to receive insurance or E-rate reimbursements.

The General Fund has more typical "receivables" mainly in two categories:

- (1) Medicaid revenue reimburses the District, with parental approval, for certain special education services provided to high need children.
- (2) Tuition for student attendance at the HACTC, RRC, HARP and Adult Education. Students in these programs who are special education eligible are also charged excess costs for specific allowable services that are provided.

I report compliance.

