



The Essential Work of Vermont School Boards

Budgeting and Financial Oversight

**A Proprietary Platform of Best Practice for School Boards
and School Board Members Developed by VSBA**

November 7, 2019

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Executive Director
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The VSBA exists to achieve Vermont's vision for public education by supporting all school boards to serve as effective trustees for education on behalf of their communities and by providing a strong collective voice toward enhancing the cause of public education in Vermont.



VSBA: The Collective Voice for School Boards

Informs education policy decisions

- Agency of Education
- State Board
- General Assembly

Informs members about public policy deliberations

- Education Legislative Report
- Legislative Alerts
- Annual Legislative Update Webinar



VSBA Supports School Boards

Phone and Email Consultation

Ongoing Training and Conferences

- Live Workshops
- Webinars
- Regional Meetings
- Annual Conference

Meeting Planning and Facilitation

Regular Email Updates

Website

- www.vtvsba.org

Consultation Services

- Superintendent Search
- Superintendent Evaluation
- Strategic Planning
- Policy Governance
- District Consolidation Implementation
- Vermont Education Policy

Collective Bargaining Supports

- District negotiation website compilation
- Master Agreement Database
- Training and Consulting

Publications

- Vermont Education Law Book
- Member Newsletters



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VSBA Model Code of Ethics

As a member of my local school board, I will remember that my primary concerns must be the educational welfare of the students in my district and excellent return on investment for taxpayers. I agree to conduct myself in accordance with the following commitments. I will:

1. **Act within the scope of my official role**
2. **Act within the scope of my fiduciary role**
3. **Uphold the highest ethical standards**
4. **Respect my peers and constituents, and uphold confidentiality**



The Essential Work of School Boards Resources

Website Tool Kit at www.vtvsba.org

- | | |
|---|---|
|  Engage the Community & Establish a Vision |  Develop a Budget & Assure Financial Oversight |
|  Adopt Policy |  Monitor Progress |
|  Board & Superintendent Partnership |  Effective & Ethical Operations |

Essential Work of Vermont School Boards



VERMONT
SCHOOL BOARDS ASSOCIATION

Vermont School Board U

Role of the School Board in Financial Oversight

Accountability to Taxpayers

- A good return on their education investment
- Efficient, ethical operations of the school district

Budgeting

- Assure adequate resources

Monitoring

- Assure focused and responsible management of financial resources
- Assure adequate internal controls have been put in place by administration
- Conduct financial monitoring
- Be a good consumer of the annual audit

VERMONT
SCHOOL BOARDS ASSOCIATION

Vermont School Board U

Develop a Proposed Budget: The Board's Role

Establish Budgeting Policy

- VSBA Model Policy F30: Budgeting

Establish Guidelines

- Reflect community/district values
- Allocate resources to achieve desired student outcomes

Delegate to Administration

- Reflect priorities and board guidelines
 - Reasonableness of cost per student
 - Projected tax rates
 - Broad educational priorities
 - Broad financial guidelines

Finalize the Budget

Administration

- Develops a budget that meets the board's guidelines
- Fine-tuning revisions are expected

Board

- Determines district's needs are met
- Assures fiscal responsibility
- Assesses community acceptance
- Adopts budget
- Presents to community with connection to district priorities and vision

Electorate

- Analyzes board materials
- Accepts or rejects proposed budget

Financial Monitoring: The Board's Role

Ensure that resources are used as intended

- To accomplish the mission

Ensure financial health

- Review financial statements
- Compare financial statements to budget

Engage independent auditor

Financial Monitoring: The Board's Role

High level perspective

- Ensure resources are being used as intended to accomplish goals
 - Is district spending as budgeted and expected?
- Investigate large variances and resolutions

Ensure financial health

- Review financial reports
- Compare financial statements to budget

Recommended Policies

- Fiscal Management and General Financial Accounting
 - VSBA Model Policy F20
- Financial Reports and Statements
 - VSBA Model Policy F21

Understanding Financial Statements

Time Period

- Monthly, Quarterly, Annual
- YTD = Year to Date

Budget

- As adopted by board and approved by electorate

Actuals

- Reflect what is actually happening
- Compare to budget

Encumbrance

- Funds that cover future obligations with known amounts
 - Debt service
 - Insurance

Reporting

- In accordance with policy

Financial Statements: Key Questions

Time Period

- What's being measured?
- Frequency of review

Performance vs. budget

- Question large variances
- Identify unexpected trends
- Probe management plans for addressing variances

Format

- Are you getting the right information?
- What else do you need to know in order to perform your oversight role?

Internal Controls: Separation of Duties

School Board

- Approves expenditures

Administration

- Prepares warrants and checks

Treasurer

- Releases the funds

The Audit

Reviews district financial statements

- Reasonable assurance that financial statements are accurate

Reviews internal controls

- Defines the district's risk assessment
- Determines depth of auditing procedures

Board Duties

- Understand the scope of services provided by an audit
- Read and discuss the Auditor's Letter/Opinion and Management Discussion and Analysis
- Ask questions

Role of the Board: Authorizing Expenditures: 16 V.S.A. §563(8)

“Shall establish and maintain a system for receipt, deposit, disbursement, accounting, control, and reporting procedures . . . The school board may authorize a subcommittee, the superintendent of schools, or a designated employee of the school board to examine claims against the district for school expenses and draw orders for such as shall be allowed by it payable to the party entitled thereto. . . Such orders shall state definitely the purpose for which they are drawn and shall serve as full authority to the treasurer to make such payments.”

Role of the SU/SD Board: 16 V.S.A. §261a(7)

The board of each supervisory union shall:

“Employ a person or persons qualified to provide financial and student data management services for the supervisory union and the member districts.”

Role of the SU/SD Board: 16 V.S.A. §261a(8)

- Provide services for member districts in a manner that promotes the efficient use of financial and human resources, including:
 - A system to procure and distribute goods and operational services
 - Financial and student data management services
 - Negotiations with employees
 - Human resources support

Financial Oversight Case Study: Discussion Guide

- What direction would you recommend the board give to the administration?
- How are the board's priorities reflected in the budget?
- What's the balance between community priorities, district spending trends, and taxes?
- What should Andrea do? How can she access resources that would make her more comfortable with the financial statements?

Financial Oversight Case Study: Takeaways

How does a board respond to rising per pupil costs in the context of an ambitious agenda for children?

- Set tax rate growth targets
- Ask administration to think collaboratively and creatively to bring a budget/staffing model that meets the targets and considers:
 - Demographic Trends
 - Facility assets, needs and utilization
- Prioritize investments that are required and/or align with the district's goals
- Think long-term.
 - What structural/operational changes may be required in the next 5-10 years to maintain quality public education in your community?
 - How can you be proactive, rather than reactive?



CODE F30
(Policy to Consider)

Budgeting

Policy

The budget is a policy document that reflects the goals of the school district. It is the policy of the _____ School District to develop school budget(s) that reflect the district's goals in improving student achievement as outlined in its strategic and annual action plans and to ensure responsiveness to community needs.

Administrative Responsibility

1. The superintendent will develop an annual calendar for budget development. The calendar will provide sufficient time for:
 - o establishing budget priorities based on ongoing consultations with school employees, parents, students and other citizens;
 - o preparing budget requests by administrators and staff;
 - o budget proposal preparations by the board budget committee;
 - o public hearings and informational meetings prior to formal adoption of a budget proposal by the board.
2. The superintendent will prepare a draft budget based on the district's strategic and annual action plans and the input of school, community and board members.

Approval

The board will, after public hearings and/or informational meetings adopt a budget for consideration by the district's voters. The budget will be presented by the board for approval by the voters at the annual meeting of the district. Preparation of the board's budget presentation and other board strategies for explaining and supporting its budget will be a formal agenda item at a meeting of the board prior to the annual district meeting.

Presentation

The board will adopt a budget presentation format which:

1. reviews the accomplishments of the prior year with regard to student performance and budgetary effectiveness in addressing increased student performance;
2. clarifies budget priorities linked to student achievement adopted by the Board during the budget preparation process;
3. emphasizes cost-saving measures taken by the Board during the current budget period;
4. indicates anticipated amounts and sources of revenue from sources other than local taxation
5. compares costs and budget increases or decreases for specific programs over a period of time;
6. clearly indicates such key budgetary factors as cost per pupil, student-teacher ratios, tax rate, and state aid computations;

7. allows ample time for questions from voters;
8. explains in a clear way the relationship between the budget and the amount of taxes to be raised;
9. explains the relationship of the needed tax rate and the tax bills that individuals will receive using information developed by the State Agency of Education.

Date Warned:

Date Adopted:

Legal Reference(s): 16 V.S.A. §563 (Powers of boards)
16 V.S.A. §165 (a)(1) (Action plans)

Cross Reference: Fiscal Management and Financial Accountability
Financial Reports and Statements

CODE F20
(Recommended)

Fiscal Management and General Financial Accountability

Policy

It is the policy of the _____ School District to manage its financial affairs in a fair and open manner using acceptable financial practices and providing appropriate accountability.

Administrative Responsibilities

With the advice and consent of the auditor of accounts and the Vermont Commissioner of Education, the superintendent shall establish and maintain an accrual system of accounting for the proper control and reporting of school district finances and for stating the financial condition of the school district.

Guidelines

1. The approved budget will be the spending plan for the year. The superintendent or his or her designee is authorized to make commitments in accordance with the budget appropriations in amounts not to exceed \$_____. For expenditures in excess of that amount, or expenditures of over \$_____ not planned for in the budget, approval for purchases must be made by the board.
2. The superintendent shall have authority to transfer funds for planned expenses between two line items in the budget up to an amount not to exceed ____% of the lesser of the two.
3. The superintendent shall arrange an annual audit of accounts by a certified public accountant.
4. Employees handling large sums of money will be properly bonded.
5. Inventories of supplies, materials and instructional equipment will be maintained and reviewed on an annual basis.
6. The bidding requirements of 16 V.S.A. §559 will be followed by the board and its designees.
7. A system will be established for managing miscellaneous accounts such as fees, fines, penalties, book losses, breakage and sale of equipment and materials.
8. At the school level, the Principal will be responsible for overseeing all student accounts.

Date Warned:

Date Adopted:

Legal Reference(s): 16 V.S.A. §563 (3) (Powers of school boards)

16 V.S.A. §559 (Public bidding)

24 V.S.A. §832 (Bonding requirements)

16 V.S.A. §1756 (Indemnity and insurance)

Vt. State Board of Education Manual of Rules & Practices §3250

Cross Reference: Budgeting

Financial Reports and Statements

CODE F21
(Recommended)

Financial Reports and Statements

Policy

It is the policy of the _____ School District to create financial reports and statements in accordance with generally accepted accounting practices that will allow the administration to demonstrate accountability while providing the board with needed information.

Administrative Responsibilities

The superintendent (business manager, treasurer) shall be responsible for submitting financial reports for all funds to the board.

The treasurer's report shall be made monthly and include:

1. Cash on hand at the beginning of the month
2. Receipts by service
3. Disbursements during the month
4. Cash balance on hand at the end of the month
5. Reconciliation with bank statements

The financial report will be made monthly and include:

1. Appropriation Accounts
 - o Original appropriation
 - o Authorized transfers and adjustments
2. Revised appropriations
 - o Expenditures to date
 - o Outstanding encumbrances
 - o Unencumbered balance
3. Revenue Accounts
 - o Estimated revenues
 - o Amounts received to date
 - o Revenues estimated to be received during the balance of the fiscal year

Date Warned:

Date Adopted:

Legal Reference(s): 16 V.S.A. §563 (Powers of school boards)

Cross Reference: Fiscal Management and Financial Accountability
Budgeting

Sample Director of Finance Report to Board II

The full financial report consists of this narrative, a listing of budget transfers in excess of \$1,000 processed since the last report, a budget summary, and a detailed report by building/department of expenditures.

Two months into the year the main activity to date has been summer programming, capital projects, staff development, and supply purchases. Capital projects are nearing an end.

CAPITAL PROJECTS

Demolition:

The building is down. Debris and brush have been removed and the property has been mulched for erosion control. We have engaged the services of XYZ Engineering to help us determine the best options for the development of the property as well as the property in front of the school. It is our plan to work with the facility committee to bring a plan to the board in December or January and put a Request for Bid (RFB) out in early February for a spring start of construction.

Locker room:

This project has slowed down a little first as a result of the switch in exterior glass and now as we are nearing completion the scheduling of the tile, painting and flooring subs will delay the project until likely October 1". *John Smith and Dick Jones* are aware of this and are reworking schedules. The project is looking good and we expect to have a great final result.

Stair/Glass Bridge/Drainage:

After many hurdles we were able to open the new stairs and the courtyard on Tuesday, September 4" to great success and compliments. The project is not fully complete. We still have some final cleanup, punch list items and plantings which should not impact school operations.

Sign:

This project is moving very slowly. We have a meeting with the ZBA on Tuesday, September 11, 2018. I should be able to provide the results at the meeting verbally at the board meeting on the 17'h.

FINACIALS

Overall:

We have spent 28.35% of the budget year to date with all buildings/departments in the black.

Building A:

Showing a \$4K deficit in tuition reimbursement which should be able to be covered through salary and benefit breakage.

Building B:

All accounts are within budget or running surpluses, which not unusual for this time of year. RMS: Minor (<\$100) deficits in tuition reimbursements and guidance memberships which can easily be covered.

Building C:

Showing a \$2K deficit in tuition reimbursement which should be able to be covered through salary and benefit breakage.

Building D:

Showing a \$5K deficit in retirement as a result of budgeting for one retirement but ending up with two, a \$57K deficit in contracted speech services to cover and unexpected, and a \$16K deficit in Extended Year Summer Program (EYSP) for IEP students. We have not finished our new hire reconciliation therefore we have not yet identified how to cover these deficits.

Plant:

All accounts are within budget or running surpluses, which not unusual for this time of year. We need to provide a \$30K match to the \$91K state school safety grants we have been awarded. These grant opportunities did not exist when we developed the budget. We do have \$30K in savings in liability, property, and casualty insurance in our VSBIT insurance pool premiums.

Capital Plan:

All accounts are within budget or running surpluses, which not unusual for this time of year.

CO:

Showing an \$11K deficit in Sec 125 & 403 B Plans. We have not finished our new hire reconciliation therefore we have not yet identified how to cover this deficit.

Debt Service:

All accounts are within budget or running surpluses, which not unusual for this time of year.

DW Services:

Showing an \$11K deficit in Sick Day Payments as a result of under budgeting for unanticipated retirements, a \$1K deficit in unallocated funds, and a \$14K deficit in Employee Orientation as a result of a larger than anticipated and budgeted turnover in staff. We have not finished our new hire reconciliation therefore we have not yet identified how to cover these deficits, however there is \$81K in unallocated Funds — 1:1.

The budget includes \$ 106,065 for relocating the Central Office from Park Street. As we did last year, this money will be set aside and not spent pending developments on the possible sale and repurposing of the building.

Tech Center:

All accounts are within budget or running surpluses, which not unusual for this time of year.

Revenue:

It is too early in the year to report on any significant variances in expected revenue.

SCHOOL DISTRICT
July & August 2018 Budget Transfers

Budget Transfers over \$ 1,000:

Transfers without budgetary impact (simply moving money from one account to another or fixing errors):

- BT 15-1 moved \$1,822 from Building A to Building B custodial supplies to cover initial cost of bulk yearly order
- BT 22-5 moved \$1,495 from Building A supplies to travel & conference line to cover AP Conference expense.
- BT 39-3 moved \$1,670 custodial supplies and paint to cover cost of tables, vacuums and supplies at Buildings A & C
- BT 93-3 moved \$1,631 from curriculum consultants to travel & conference to cover the training cost of our PLN trainers
- BT 93-5 moved \$4,000 to cover nursing software for each building under the updated object code (340 to 650)
- BT 130-2 moved \$3,800 from HS departments to cover cost of the Jump Rope program
- BT 130-5 moved \$1,140 from custodial supplies to plumbing and heating to cover the cost of yearly air filter replacement

Transfers with budgetary impact (moving money either into our out of the Temporarily Unallocated Funds (TUF) line):

- BT 93-7 moved \$14,000 from TUF 1:1 line to cover the cost of SHS wireless upgrade

School District FY19 Budget Summary
August 31, 2018

BUILDING or DEPARTMENT	FY19 Budget	FY19 Spent	FY1 9 Committed	FY19 Balance	% budget already spent or committed
Building A	\$2,646,461	\$154,786	\$43,266	\$2,448,410	7.5
Building B	\$2,513,593	\$144,326	\$46,080	\$2,323,187	7.6
Building C	\$2,688,731	\$179,806	\$45,347	\$2,463,578	8.4
Building D	\$4,095,253	\$260,402	\$110,689	\$3,724,162	9.1
Special Education	\$7,230,453	\$ 351,763	\$1,804,517	\$ 5,074,173	29.8
Physical Plant	\$2,692,88 5	\$47 1,430	\$ 658,337	\$1,563,118	42.0
Capital Plan	\$ 500,150	\$0	\$27,704	\$472,446	5.5
Central Offices	\$1,21 2,805	\$261,726	\$94,964	\$8 56,115	29.4
Debt Service	\$1,929,124	\$0	\$1,929124	\$0	100.0
District Wide Services	\$1,979,723	\$ 241,349	\$865,385	\$872,989	55.9
Tech Center Obligation	\$918,476	\$0	\$ 361,241	\$557,235	39.3
TOTAL BUDGET	\$ 28,407,654	\$2,065,588	\$ 5,986, 654	\$ 20,355,413	28.35



Essential Work of School Boards Budgeting and Financial Oversight

November 7, 2019

Case Study: District Finances

During a board budget work session, Jenna Jones, the district business manager and Bob Bailey, superintendent, briefed the board on the North Hills School District budget. As was their practice, they compared the budget draft with the current year budget and anticipated year-end actuals. They told the board that the district is facing a dilemma moving forward. Student population in the district continues to decline at the rate of nearly 1% a year. As it was, the PreK-8 combined student body was already down to 265 students in the two elementary schools and the union middle school. It was the administration's position that the staff had to be reduced to keep pace with the student population trend. The budget they presented reflected a reduction of 2 teachers and 4 paraprofessionals.

At the same time, the administration proposed floating a bond to upgrade the facility at North Main School. The building was 65 years old and maintenance had been deferred for the last decade in response to pressure from the state to curtail spending increases. As a result, the school was no longer in compliance with safety requirements.

But the board had recently completed a series of public meetings and the community expressed the following priorities to improve student learning:

1. Start a dual language program at the elementary level
2. Increase technology at Mountain View Elementary to match the program at North Main Elementary school
3. Start innovative STEM programs in the middle school

Board member Andrea Andrews, who was elected last year, didn't have any background in finance. She was going through her first budget process and thought she was pretty clear on the board's and administration's roles based on the district's budgeting policy (attached). The conversation adhered to those policy guidelines.

But Andrea was insecure about her understanding of the financial statements and budget formatting. She had been swept along with the board review of the monthly reports but she didn't honestly grasp what the numbers meant. Now that she had to look toward the next budget, she wanted to make sure she knew what she was being asked to adopt.

Veteran school board member Mark Cole expressed concern about balancing the community's input with the realities of the statewide education funding formula that essentially ties local tax rates to the district's spending per pupil. He was up for re-election and was especially concerned about the potential public perception that the board doesn't listen to the community. On the other hand, it was hard to justify significant budget increases (and higher taxes) in light of declining student population.

NORTH HILLS SCHOOL DISTRICT

Budgeting

Policy

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8. explains in a clear way the relationship between the budget and the amount of taxes to be raised;
9. explains the relationship of the needed tax rate and the tax bills that individuals will receive using information developed by the State Agency of Education.

Date Warned: 1/26/2015

Date Adopted: 6/1/2015

Legal Reference(s): 16 V.S.A. §563 (Powers of boards)

16 V.S.A. §165 (a)(1) (Action plans)

Cross Reference: Fiscal Management and Financial Accountability

Financial Reports and Statements