

Minutes

Locally Elected Auditor Working Session

May 24, 2023, 1:00 p.m.

Rivendell Interstate School District, District Offices, Orford, NH

LEAs Present: Mark Burger, Christopher Crowley

Invited Participants: Nancy Murphy (Business Manager), Barrett Williams (Superintendent), Steven Hier (Assistant to the Business Manager)

- 1 Chris Crowley called the meeting to order at 1:00 pm.
- 2 Approval of Minutes from the March 3, 2023 LEA working meeting on the topic of Reconciliation calculations was tabled until the next meeting.
- 3 Topic: Review the procedure to include the VT CTE Tuition “on behalf” direct payment to the VT Technical Centers in Budgeting and VT Billing
 - a. The group reviewed spreadsheets prepared by the LEAs showing the effect on the FY24 Budget of omitting the anticipated \$100,277 of the “on behalf” tuition payment from the Budget. For the RISD Budget, this anticipated amount must always be included in the RISD Budget Expenditures, where it is part of the “all other expenses” shared by ADM% between the VT and NH Members per the Articles of Agreement. It must NOT be included as a corresponding line item in the VT State Revenues in the RISD Budget, because it is not received by RISD. Nancy Murphy reported that a miscommunication with the previous Business Manager accidentally led to the omission of the amount from the Expenditures for FY23 and FY24. The group agreed on the correct procedure for the RISD Budget allocations as described above, which effectively includes VT’s share of the “on behalf” payment in the VT Member Net Assessment.
 - b. The group discussed that – due to the cost-sharing structure between VT and NH in RISD – the effective amount of this “on behalf” Expenditure in the RISD Budget is each Member’s ADM% of the “on behalf” amount. For the billing of the VT Member Net Assessment, however, the VT AOE Budget Data Collection form requires the full amount of the “on behalf” payment be displayed as a separate line item, rather than the VT ADM% share only. This creates a disconnect between the RISD Budget and VT Budget data collection sheet numbers, which requires adjusting the VT remaining balances for Expenditures and Revenues so that the totals make up the difference.
 - c. Because the “on behalf” payment was omitted from the FY24 Budget, the group discussed the possibility of modifying the VT Budget Data Collection submission (due June 2023) to add the omitted VT share of the “on behalf” payment. Nancy Murphy will follow up with VT AOE to explore that possibility.

4 Topic: Integrated Spreadsheet Workbook for Annual Reconciliation Calculations

a. Chris Crowley presented a suggested Workbook that could be used for annual Reconciliation calculations. The Workbook includes worksheets for: **Audit Results** (like Schedule 5 of the Audit Reports, less the Student Activities column), **a Revenue breakout** (which allots all of the Revenue items in the Audit Report to categories consistent with the Article-F-Compliant allocation methodology), **a breakout for two member-specific Expenditure items** (the allocation of Expenditures for New Construction Debt Service and Transportation to/from classes), **an Article-F-compliant allocation of actual Member Net Assessments owed and paid for FY22**, and **a summary ledger of annual Reconciliation calculation results** (for annual Net Changes in Balance and cumulative Balances for RISD and each Member). The group agreed that this spreadsheet tool could be the standard for the required Reconciliation calculations. The group agreed on small details that: showing the CTE Tuition Expenditure as a separate line item was useful to have and that consolidating all Federal Revenue into one total number allocated by ADM% was a valid simplification for the purpose of the Reconciliation calculations. (The latter is different than the Budget allocation calculations.)

b. In the spreadsheet presented, preliminary results for the FY22 Reconciliation calculations were displayed. Chris Crowley explained that most of the \$208K Net Change in Balance was credited to the VT Member because VT State Revenues were about \$140K greater than Budgeted, and the FY22 SPED correction in the Budget (\$48K) was rescinded as being redundant to the overall Reconciliation process adopted by the Board last fall. The LEAs asked the Business Manager representatives for clarification of two new Revenue items listed on Schedule 5 of the FY22 Audit Report. One was \$17,861 of Revenues under the Contingency Fund. Nancy Murphy explained that this amount was a grant for reimbursement of expenses for upgrading the IT infrastructure, a project performed as part of the Contingency Fund. This confirmed that the Revenue should be shared by ADM%. The second was \$27,912 identified in Trial Balance details of the Audit Report as "Other NH Grants". Nancy Murphy explained that this was actually a miscellaneous grant that benefitted both NH and VT students and therefore should be considered as a Private Source Grant shared by ADM%. The LEAs also requested guidance about which of many Transportation items listed in the Audit Report Trial Balance details should be considered the "Transportation to/from school", to be allocated by mileage percentage. (In a follow-up e-mail Nancy Murphy confirmed that the \$340,487 amount was the one to use. The amount was less than Budgeted due to some remote-learning days due to COVID still affecting in-person attendance.) Chris Crowley agreed to finalize the FY22 Reconciliation Calculations based upon these clarifications.

5 Discuss the Management of RISD Fund Balance

a. The LEAs provided a suggested outline for a Policy document on this topic that might be considered by the District. Chris Crowley noted that, in general, it would be useful for any decision to have two summary tables: one the Summary Ledger of Reconciliation Calculations and another that summarizes any Fund Restrictions. The first would provide information about the current Net Balances for each Member and the percentages of the Cumulative Net Balance which resulted from the financial activities associated with each Member. The second would provide an amount of the Unassigned Fund Balance in the total Net Balance, similar to Schedule C-1 in the Audit Reports. This information would be useful to the Board of Directors in deciding about possible use of the Unassigned Fund Balance in the case of surplus funds, or if a Member needs to make up a deficit.

b. The LEAs discussed that their information search turned up Government Finance Officer's Association (GFOA) recommendations at the national and state levels that an Unassigned Fund Balance equal to about one-month (8%) to two-months (17%) of annual General Fund Revenues or Expenditures should be retained as standard practice to ensure sufficient operating capital. The minimum was 5%. School Districts in several states have Policies that follow these recommendations. The group agreed that setting some target amount for the minimum was prudent business practice.

c. The group discussed the simple calculation that, with a FY24 Budget of about \$15M, the minimum recommendation of 5% would suggest that a minimum Unassigned Fund Balance no less than \$750,000 ought to be retained by RISD. This was compared with the end-of-FY22 Unassigned Fund Balance of \$796,000. Following the GFOA recommendations would leave little Unassigned Fund Balance to be used to reduce anticipated Net Assessments for the Members in the near future.

d. The group discussed that it would be useful for the district to identify clearly what authorizations are required to implement a use of Unassigned Fund Balance, whether it is a Board decision only, or requires voter approval. Chris Crowley noted that for the past several years the District has made additional transfers between the General Fund (i.e. the Unassigned Fund Balance) and the Food Service Program (a Restricted Fund Balance) beyond those voted by the taxpayers. He requested that the District seek clarification whether voter authority is required for such transfers.

e. The Superintendent and the Business Manager representatives agreed to draft a Policy document on this topic for review by the LEAs, prior to anticipated submission to the Board of Directors for consideration.

6 No topics of further business were put forward.

7 Chris Crowley made a motion to adjourn, seconded by Mark Burger, and the meeting was adjourned at 3:00 pm.