



Monitoring Report

Policy Title: 2.3 Financial Condition and Activities

This is the annual report on compliance with the School Board's Executive Limitation policy 2.3 Financial Conditions and Activities for the FY16 School Year. I certify that the information contained in this report is true and validated by Senior Director of Finance.

Yaw Obeng, Superintendent

December 11, 2017

Policy Statement:

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 budgeted.
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 interfund shifting in amounts greater than can be restored to a condition of discrete fund balances by certain otherwise unencumbered revenues within thirty days.
5. Allow payroll and debts to be settled in an untimely manner.
6. Allow tax payments or other government-ordered payments or filings to be overdue or inaccurately filed.
7. Spend any surplus revenues.
8. Make a single unbudgeted purchase or commitment of greater than \$25,000. Splitting orders to avoid this limit is not acceptable.
9. Allow receivables to be unpursued after a reasonable grace period.

Limitation:	1. Expend more funds than have been budgeted.
Status:	In Compliance

Interpretation: The Superintendent shall not allow the expenditure of more funds than have been received in the fiscal year unless revenues are available through legal means.

Evidence: An independent audit of Fiscal Year 2016 financial transactions in all funds confirmed that total expenditures did not not exceed total revenues and that the District produced an operating surplus. The Fiscal Year 2017 audit is also expected to show that the district spent within its means and produced an operating surplus.

The [audited financial statements](#) and accompanying [management letter](#) are available on the BSD website and were presented to the School Board on December 13, 2016. The Finance Committee also received monthly reports on the status of revenue and spending from the General Fund; at no time did these reports indicate spending in excess of anticipated revenues.

The District does not receive all of its budgeted revenue at the start of the fiscal year. Revenues are received throughout the year. The state Education Fund, the District’s largest source of revenues, makes periodic payments to the District on a predetermined schedule. Therefore, at various times during the year, actual expenditures exceed actual revenues; however, total spending did not exceed estimated total revenue at any point.

Certain revenues, such as grant funds, are difficult to budget precisely and result in actual revenues that differ from estimates formulated during the budget development process. Despite these variances, the District works to ensure that spending from these sources does not exceed the anticipated revenues.

Limitation:	2. Incur debt in an amount greater than can be repaid by certain otherwise unencumbered revenues within sixty days.
Status:	In Compliance

Interpretation: The Superintendent shall not permit short-term borrowing of monies without a budgetary plan to repay such debt within 60 days.

Evidence: The Finance Committee received routine cash flow reports (see [BoardDocs](#) for the reports or Finance Committee [minutes](#) for associated discussion, if any). In FY17, short term borrowing occurred on one occasion, and the borrowed funds were repaid in five days, upon receipt of state Education Fund revenues. The borrowing was precautionary and actual cash on hand (less the borrowed funds) remained in positive territory.

The District typically only incurs short term debt in order to maintain the cash flow necessary to meet payroll obligations and pay bills in a timely manner. Because the District does not receive all of its budgeted revenue at the start of the fiscal year, and because state Education Fund payments are intermittent, there are periods when available cash approaches zero. The Director of Finance is responsible for ensuring the District borrows funds during these periods. Repayment occurs as soon as possible to minimize borrowing costs.

Limitation:	3. Use any long-term reserves.
Status:	In Compliance

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. Reserves must be created by the electorate and the use must be approved by voters.

Evidence: The Burlington School District does not currently have any established reserves. No reserves are reported in the [FY16 audit](#).

Limitation:	4. Conduct interfund shifting in amounts greater than can be restored to a condition of discrete fund balances by certain otherwise unencumbered revenues within thirty days.
Status:	In Compliance

Interpretation: The Superintendent shall not permit unbudgeted transfers of monies between funds if such transfers would produce a fund balance deficit unless those monies can be restored to the originating fund within 30 days.

Evidence: Interfund transfers only occur when budgeted or required by law. For example, in FY17, a fund transfer was made from the General Fund to the Food Service enterprise fund. This transfer was budgeted and required by law to reimburse the Food Service fund for the write-off of unpaid meal debts.

Limitation:	5. Allow payroll and debts to be settled in an untimely manner.
Status:	In Compliance

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

Evidence: Payroll is processed 8 to 10 times per month over 5 different payroll groups, 10 bargaining units, and nonunion employees.. In the event that errors or omissions are identified, a special payment is issued to the affected employee; these instances are rare. The fiscal year 2016 [audited financial statements](#) and accompanying [management letter](#) did not identify any concerns with current practice. Payments to vendors are typically timely, but operational improvements and increased training are being considered to ensure all vendors are paid within 30 days of the invoice date. As required by statute, the entire Board later approves each warrant by Board resolution on the monthly consent agenda (see [BoardDocs](#) for the monthly warrants).

Capital debt is paid periodically throughout the year. Because it is the City of Burlington’s general obligation to repay this debt to bondholders, the City has assumed responsibility for making these payments in a timely manner. The Burlington School District’s responsibility is to transfer funds to the City. The District works with the City to ensure the timing and amount of each transfer is accurate, and no complaints have been received regarding this arrangement.

Limitation:	6. Allow tax payments or other government-ordered payments or filings to be overdue or inaccurately filed.
Status:	In Compliance

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

Evidence: The [FY16 audit](#) did not note any instances of late payments. Other than payroll taxes, which are remitted to the IRS immediately upon the issuance of each payroll, the District does not make tax payments. There were no other instances of government-ordered payments. In rare instances, the District could be required to repay grant revenues received in excess of expenditures. These repayments are made upon request; however, many grantors allow the funds to be retained until spent. State-required financial reports are typically filed on a timely basis to ensure related revenue payments are not delayed.

Limitation:	7. Spend any surplus revenue
Status:	In Compliance

Interpretation: The Superintendent shall not spend surplus revenue unless permitted by law and Board action.

Evidence: State law requires surplus revenues to be carried forward as revenues into the new year unless other permitted uses are authorized by voters ([16 V.S.A. § 567](#)). Surplus funds were spent in FY17 as budgeted and in accordance with this law. The FY18 budget also utilized surplus funds from FY16 in accordance with state law. The use of these funds was presented to the Board during the budget development process (see the December 20 Finance Committee [presentation](#), and the January 8 School Board meeting [presentation](#)) and disclosure of the use of these funds was part of the [Comprehensive Budget Document](#) (see page 10). Grant revenues and other special fund revenues are received and expended in accordance with the terms and conditions of the grant, and doing so is not a violation of this limitation.

Limitation:	8. Make a single unbudgeted purchase or commitment of greater than \$25,000. Splitting orders to avoid this limit is not acceptable.
Status:	In Compliance

Interpretation: The Superintendent shall not allow unbudgeted purchases in an amount exceeding \$25,000. 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. Purchases are made in accordance with state bid law ([16 V.S.A. § 559](#)) and federal regulations (when applicable). Splitting of orders is not permitted and the requisition process includes review by the Business Office.

Limitation:	9. Allow receivables to be unpursued after a reasonable grace period.
Status:	In Compliance

Interpretation: The Superintendent shall ensure that all receivables are pursued in an effective and efficient manner, with receipt in a reasonable amount of time.

Evidence: The FY16 [management letter](#) did not note any issues with the timing or pursuit of receivables (money owed to the District), with one significant exception: receivables due from the IRS related to bond rebates. The timing of this receivable has been and continues to be delayed. The District has utilized our auditor to pursue this receivable, and some of the monies owed to the District were subsequently received in FY17. This process is ongoing.

The District pursues other receivables (such as overdue fees or repayments) as promptly as possible, while taking into consideration the amount of the receivable and the cause of the delay. When necessary, the District may utilize legal services to pursue receivables.

The Food Service Fund, at any point in time, will have relatively immaterial unpaid charges owed by students' families and by staff members. Food Service continually pursues these receivables, but does not limit student access to meals as a result of unpaid charges.