

MEMORANDUM

To: Burlington Board of School Commissioners

From: Tom Flanagan, Superintendent

CC: Nate Lavery, Executive Director of Finance

Date: March 2, 2022

Subject: Monitoring Report - Policy Title: 2.3 Financial Condition and Activities

Status: In Compliance

Statement: The following document presents the District's progress toward and compliance with **Policy Title: 2.3 Financial Condition and Activities**

Recommended Motion: *I move to approve the recommendation that the Superintendent is in compliance with Policy Title 2.3*

Monitoring Report - Policy Title: 2.3 Financial Condition and Activities

Submitted by: Tom Flanagan, Superintendent

Date Submitted: March 2, 2022

Status: In Compliance

Overview

This is the annual report on compliance with the School Board's Executive Limitation policy 2.3 Financial Condition and Activities for Fiscal Year 2021. I certify that the information contained in this report is true and validated by the Executive Director of Finance and Operations, Nathan Lavery.

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.

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 for Fiscal Year 2021](#) and the accompanying [management letter](#) are available on the [BSD website](#). During the course of Fiscal Year 2021, the School Board received monthly reports on the status of revenue and spending from the General Fund (example of [monthly variance report](#)). The audit confirms that General Fund expenditures were within budgeted amounts (Page 79, Schedule 1) and that BSD produced an operating surplus.

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 as grant awards are not typically available in time to be incorporated into the budget development process. Despite these variances, the District works to ensure that spending from these sources does not exceed the anticipated revenues.

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](#) each month, which are available on [BoardDocs](#).

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 BSD 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 can potentially approach zero. The Executive Director of Finance and Operations is responsible for ensuring the District borrows funds during these periods. Repayment occurs as soon as possible to minimize borrowing costs. In FY21, no such short-term borrowing occurred.

In FY21, short-term borrowing did occur via a bond anticipation note (BAN) issued by the City of Burlington on behalf of Burlington School District to support capital investments. The City elected to utilize a BAN based on market conditions at the time of borrowing. The \$22 million BAN was issued to provide \$20 million of funds to support the BHS Re-Envisioning project and \$2 million to support the District capital plan. The BAN was paid in full on October 19, 2021 by returning the unspent \$20 million and converting the remaining \$2 million to long term debt as planned. (See Note 10, Page 46 of the [FY21 audit](#) for more information.)

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 [FY21 audit](#).

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 occur when budgeted, required by law, or in order to eliminate fund balance deficits in restricted, committed, or assigned funds. In some cases, inter-fund transfers are used for payment for

services between different school operations. In FY21, \$298,646 was transferred from the General Fund to other District funds as a payment for services (See Pages 9 and 23 of the [FY21 audit](#).)

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 eight to 10 times per month over five 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. BSD's FY 2021 [management letter](#) did not identify any concerns with current practice. Payments to vendors are typically timely, with the vast majority of invoices being paid within 30 days of receipt. While not common, any instances of delayed vendor payments typically happen during summer break, when certain staff are not working and therefore unable to submit or approve invoices. As required by statute, the entire Board also approves each warrant by Board resolution on the monthly consent agenda (see [BoardDocs](#) for [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. 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.

Interpretation

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

Evidence

The [FY21 audit](#) and [management letter](#) 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. In some 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.

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 FY21 as budgeted and in accordance with this law. The use of these funds was [presented](#) to the Board on January 14, 2020 (See slide 5) and was included in the Board-approved FY21 budget (Slide 11, [Board Adopted Budget presentation](#)). Grant revenues and other special fund revenues are received and expended in accordance with the terms and conditions of the grant, as permitted by state law, and doing so is not a violation of this limitation.

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 proposals (RFP's), or quotes are solicited for large commitments unless procurement through State contracts is possible or choice is limited due to 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.

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 District pursues 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, may have 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. Annually, the Business Offices determines the degree to which unpaid charges are likely to be recovered and writes off a portion of the unpaid charges as unrecoverable.