

VASBO Meeting  
May 8, 2015  
VSBIT Office Building  
Berlin, VT

**Present:** See Attached.

Rick Pembroke called the meeting to order at 9:32am.

**Announcements**

None

**Secretary's Report**

There was no April minutes available as the Secretary was unable to attend, Bob and Cheryl both took notes and will be submitting minutes at the June meeting for approval.

**Treasurer's Report**

A motion was made and seconded. No discussion, motion carried by voice vote.

**Committee Reports**

**Certification** – Turn in your stuff very soon, final review for the year will be in Maine at Tri-State

**Survey Monkey (Bob M.)** - Smart Procure Request, Bob will be sending out the responses to this request.  
Pay for Play – Bob is looking for information

**Finance Committee** – Regarding the new chart of accounts from the AOE, Rick says that Aaron told him that the implementation would be 2 to 3 years out but there will be 18 month notice before implementation.

**Tri-State** – Is in 2 weeks, 170 attendees have signed up and a lot of vendors will be on site.

**UPDATES**

**Jeff Francis – VSA** - H. 361 Senate side passed by a vote of 27-3. Major provisions in the Bill: Single School districts, RED incentives have been retained until FY21 for voluntary consolidations. Small School grants have been restored by the Senate. If not complying with Act 153 there could be a 5% tax increase to schools that are not in compliance. To see a more detailed version of H361 go to the General Assembly Website and search H361.

**Steve Dale – VSBA** – Asked for feedback on the Essential work of School boards. A healthy discussion ensued w/ members giving plenty of suggestions. \*See attachment

**VSBIT**

**Laura Soares** – 1094 and 1095 forms for 2015 are due around W2 time – submit to the IRS. VEHI and Gallagher will be helping with this.

New plans could be available by next Feb 2016. They will be voted on then. JY plans WILL be closed.  
“Less Medicine/More Health” book by a Dartmouth doctor is recommended, it is a good read.

**AOE**

**Vaughn Altemus** – Took questions from the audience regarding action in the Legislature. Rick, Bob and Grant may draft an opinion letter regarding H361 in conference committee.

**Future Meeting agenda items:**

1. Teachers Retirement - clarification regarding what does and does not qualify (ie. Stipends, summer work, etc.)
2. Framework of discussion on internal financial controls checklist – 16 VSA 242a

Meeting was adjourned at 12:25pm

Respectfully submitted by Tonia Mears

Sign-in

May 8<sup>th</sup> 2015

STEVE HIER

Teresa Taylor

Randy Morton

DAVID LARCOMBE

Martha Wagner

Thomas Galt

Christopher Adams

Joni Blood

Howard Mansfield

BRECK FRANKLINSON

Grant Geisler

ROLER GEORGE

Amadee Denton

Keith Merrill

Heather Wright

Robin Hemminger

Kathryn Ducharme

MORGAN DANBORN

Edie Joe Cole

~~Michelle~~

Laura Nassau

Cheryl Seanzello

Michelle Baker

Miranda MacDonald

Frank Rucker

Ann Burt

C Rossi

Louis Milazzo

Janet Mitchell

Stan Pawlaczuk

Bob Mason

SPRINGFIELD

Hartford

Windham Central

ORLANS SW

FCSU

WINDHOL

TRSY

Blue Hill

ANESU

NCSU

CCSU

ESSEX TOWN

So Burlington

OESU

UCSU

OSU

St. Johnsbury

FNESU

W NESU

LMSU

CSSU

RCU

WWSU

BSD

WSESU 48

WCOM

MSD

RSWSU

OESU

RSSU

LESU



## ESSENTIAL WORK OF SCHOOL BOARDS

### E. Establish a Budget and Assure Sound Financial Oversight

#### E. ESTABLISH A BUDGET TO SUPPORT THE VISION AND ASSURE SOUND FINANCIAL OVERSIGHT

Financial resources support the delivery of education. Without adequate resources provided by the community, the mission of the education system cannot be fulfilled. Boards have an important role in assuring the education system has sufficient resources to achieve its mission and in providing high-level financial oversight to assure that resources are properly managed on behalf of taxpayers.

The Board has six major responsibilities relative to the finances of the district.

1. Assure focused and responsible management of financial resources both within the district and (if applicable) the supervisory union.
2. Establish policy related to budgeting and financial oversight.
3. Propose a budget and assure approval by the electorate.
4. Assure adequate internal controls have been put in place by the administration.
5. Conduct financial monitoring
6. Be a good consumer of the annual audit.

##### **E.1. Assure focused and responsible management of financial resources.**

The board must devote time each year to establishing the importance of its financial oversight responsibility and to conveying the importance of prudent management of resources by all staff in the district and supervisory union. The board must avoid micro-management while conveying unmistakably the importance of this issue. Managing financial resources responsibly is foundational to achieving the educational mission.

##### **E.2. Establish policy related to budgeting and financial oversight.**

The board establishes policy to provide guidance to itself and to the administration in the area of budgeting and financial oversight. A model policy is provided by the VSBA (Model Policy E1) on its website.

##### **E.3. Propose a budget and secure approval by the electorate.**

###### **E.3.1 Establishing Guidance for the Budget**



## ESSENTIAL WORK OF SCHOOL BOARDS

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Budgets reflect the values of the organization. Budgets should be focused on allocating the resources needed to achieve outcomes for students in the most cost-effective manner possible.

Budgeting is part of a year-round planning process in the district and SU. The budget should be an outgrowth of the district vision, mission and strategic plan, and should reflect the multi-year capital plan.

The board tasks the administration with proposing the best possible budget that is aligned with plans and priorities of the district, is within general budget guidelines that may be identified, and complies with law and regulation.

In establishing budget guidelines, a Board often addresses the following areas:

- The reasonableness of per-student costs in the context of the state and comparable-sized districts. This includes student/teacher ratios.
- Projected tax rates.
- Possible broad budget guidelines. The Board may choose to address the overall size of the budget directly. For example, the Board may set guidelines for an increase of “no more than the cost of inflation”, or a “level-funded budget”, or “an increase of no more than 3%”. This is done ahead of the budget development process so the administration does not spend time developing a budget that the Board would find unacceptable.

#### E.3.2. Finalizing a Budget Proposal

The administration is responsible for developing a budget that meets guidelines set by the Board. The board is responsible for assuring that the final product will meet the needs of the district, is fiscally responsible, and is defensible to the community. The budget is presented to the Board along with the rationale for how this budget complies with Board policies and district priorities. If the Board is satisfied and determines compliance, the budget is approved. If not, the board may adjust its initial guidelines based upon the information presented, or the administration needs to revise the budget to satisfy the Board.

#### E.3.3 Approval of the Electorate



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The Board and administration collaborate on the budget presentation to the community, making the connection between the budget and the vision, mission, and priorities of the district/SU. Vermont law prevents an active media campaign to advocate for affirmative votes and budget passage, but does allow for the dissemination of informational materials. The community has the ultimate responsibility for accepting or rejecting the proposed budget.

#### **E.4 Assure Internal Controls Exist**

Once the board has established its policies, the administration is responsible to establish procedures for internal controls to be certain that systems are well managed and that the chance for mistakes or malfeasance is minimized.

##### Internal Controls—Definition

- Internal controls are a system of checks and balances implemented to discover and correct errors in a timely fashion and to prevent improprieties.
- Internal controls consist of all of the related methods and measures adopted within a business to enhance the accuracy and reliability of its accounting records and electronic transactions by reducing the risk of errors and irregularities in the accounting process, and to safeguard assets from employee theft, robbery, and unauthorized use.

##### Regular Review—

- The board is required to annually discuss with the superintendent and business manager the state of internal controls. 16 V.S.A. section 242a states:  
(a) The superintendent or his or her designee shall annually, on or before December 31, complete and provide to the supervisory union board and to all member districts boards a copy of the document regarding internal financial controls made available by the auditor of accounts pursuant to 32 VSA section 163(11).
- A copy of the form is included in this manual and may be acquired from the website of the Auditor of Accounts.



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- The State Auditor's Financial Management Questionnaire must be completed and presented to each board for review and discussion. This is an excellent opportunity to review the broad areas of internal controls and policy compliance.
- Boards should be aware of the costs and benefits of various methods of internal control. In other words, the extent, complexity, and cost of the control method should have some proportionality to the overall financial resource being managed.

#### **E.5 Conduct Financial Monitoring**

Once the budget has been adopted, the board has an oversight responsibility, monitoring expenditures and revenues relative to the plan.

The board's ongoing monitoring is high level and should focus on whether the district and/or SU are financially where they were expected to be. If there are material variances from expectations, what is happening? What are the plans to address the variances?

Financial monitoring should be done no less than quarterly and should provide a revenue report and a report of expenditures against budget year-to-date. If the district or SU are anticipating a deficit or if there are substantial leadership staff transitions, the board may want to have more frequent reviews.

#### **E.6 Be a Good Consumer of the Annual Audit**

There are a variety of financial reviews and audits conducted around particular funds during the course of a year, some conducted on a multi-year cycle. The administration will keep the board informed of such reviews as they occur along with any concerns or findings that are identified by the reviewing authority.

The board has a responsibility for the formal annual audit called for in statute.

The auditor is hired to express an opinion on the District Financial Statements for the period audited. They are required to plan and perform the audit to obtain *reasonable assurance* about whether the financial statements are free from *material misstatement*. This includes sampling financial transactions to obtain audit evidence about the amounts and disclosures in the



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financial statements. These procedures selected are dependent on the auditor's judgment, including assessment of risks of material misstatements to the financial statements, whether due to fraud or error. An auditor considers the districts internal controls (systems of checks and balances) to define the district's risk assessment; higher risks results in more auditing procedures.

The board's responsibility/role with respect to the audit is:

- Hire the auditor.
- Understand the scope of services provided by the audit.
- Expect a report from the auditor and schedule a board discussion of the report. Read in full the Auditor's Letter/ Opinion and Management Discussion and Analysis as well as Notes.
- If board members have any questions, invite the auditor to meet with the board directly. Such a discussion can take place most efficiently in a supervisory union board meeting.

#### **Sample Questions for Auditor**

- Did the audit identify any areas of non-compliance with those sections of Board policy covered within the scope of the audit?
- What significant or elevated risks of financial statement misalignment did you identify during your audit?
- Were there any audit adjustments? If yes do any of these indicate a deficiency in our processes or weakness in internal control?
- Were there any audit adjustments that you passed on?
- What were your testing procedures on significant estimates?
- Were there any difficulties/ disagreements with the administration?
- Do you provide any other services to our organization? If yes, have you met your profession's independence requirements?
- Have auditor letter comments from prior years been resolved?
- Were there any areas of our processes that you did not deem significant deficiency or material weakness but thought we could gain efficiency on by re-tooling?



## **BUDGETING AND FINANCIAL OVERSIGHT**

### **Policy**

It is the policy of the \_\_\_\_\_ School District to manage its financial affairs using generally accepted accounting practices, providing appropriate accountability, and assuring compliance with guidelines published by the Agency of Education.

### **Guidelines**

- The approved budget will be the spending plan for the year. The Superintendent or his/her designee is authorized to make financial commitments on behalf of the organization. The Superintendent shall assure that the district does not materially deviate from the approved spending plan, and shall notify the Board of overages in spending or reductions in revenues that threaten adherence to the annual budget plan for the year.
- The Superintendent shall establish a system of appropriate internal controls for the handling of all financial obligations and all funds and accounts.
- The Superintendent shall provide regular information to the board regarding the status of the organization relative to expenses and revenues according to a schedule established by the Board.
- The Board shall, annually, authorize the Superintendent or his/her designee 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”.
- The Board shall assure that an audit is conducted annually and shall review and accept the audit report .