

SITUATION REPORT BETHEL SD/WNWSU MARCH 2011

A situation report is an effective tool to inform citizens and management of issues in order to foster forward progress. It is not intended to place fault, blame or guilt. A Situation Report is not an audit; the report gathers information in order to identify issues relevant to the questions presented. Ultimately, it is the stakeholders of the entity's responsibility to address the issues. This report is a tool to improve effectiveness and efficiency. "If we improve government performance we will improve the lives of Vermonters." – State Auditor Thomas M. Salmon, CPA

Citizens Summary

Issue 1: In 2010, Bethel voters approved borrowing to fund a deficit. In 2011, an additional deficit was found and addressed. The cause of these deficits was the disregard for prior year deficits. Each year the actual expense exceeded revenue by a small amount, over time this built up to a significant amount. If this had been addressed each year, in accordance with statute, borrowing would not have been necessary. The problem has been addressed and a plan is in place to eliminate the deficit. Also, action has been taken to help the district comply more closely with the annual budget.

Issue 2: At the same time as Issue 1 was discovered in Bethel, what appeared to be a significant deficit was found in the general fund at the supervisory union. Concerns about accounting issues at the supervisory union and in the town of Rochester had been raised previously by Rochester citizens. Upon investigation, it was found that the reconciling assessment for FY 2009 was not done correctly and when this was fixed in FY 2010 the reconciling assessment was quite large.

Issue 3: These problems were not found to be supervisory union-wide.

Issue 4: The constant turnover of business managers along with audits that did not follow up on the findings from the prior year helped create the deficit problem in Bethel.

Issue 5: Due to inconsistent business leadership, inadequate board monitoring and the characteristics of the state reporting system, the issue in Bethel remained undiscovered until it became a significant problem.

Issue 6: There is a plan in place and working for the Bethel School District that will eliminate the deficit-related debt. In addition, we know that Bethel has not been overspending their budget.

Issue 7: The SU administration and the Bethel School Board have made fundamental changes to ensure that there is never a repeat of this situation.

Issue 8: There was a vote in 2010 for Bethel and Rochester to withdraw from the supervisory union. At this time, the decision concerning the future of the WNWSU and the timetable for those changes is being considered by the State Board of Education.

Issue 9: Educational activities and planning continue as before.

Authority

This exercise was conducted pursuant to the State Auditor’s (SAO) authority contained in 32 VSA § 163 which permits the State Auditor: *“In his or her discretion, conduct a continuing post audit of all disbursements made through the office of the commissioner of finance and management or the office of the state treasurer, including disbursements to a municipality, school supervisory union, school district, or county.”*

History

The Bethel School District issue was brought to the attention of the State Auditor’s Office in March 2010 when a member of the community contacted our office regarding a deficit of \$480,000. Our office had heard concerns about the Rochester School District and the Windsor Northwest Supervisory Union (WNWSU) in 2009. These concerns intensified when we were told that the superintendent and business manager had been fired and an administrative assistant had left.

The specific concerns about the Bethel School District were the seemingly unending stream of deficits and that Tax Anticipation Notes (TAN) were being used to fund these financial shortfalls.

The review of specific concerns about the Rochester School District is continuing.

Concerns about WNWSU and its districts involved both financial and other types of management.

We conducted interviews with the interim superintendent and school business consultant. Additionally, we interviewed citizens who had made contact with our office expressing various concerns. We have attended public meetings in order to hear directly the concerns of the citizens. We have reviewed the financial statements of the independent auditor for the past several years.

Background

Windsor Northwest Supervisory Union (WNWSU) provides services to the following school districts: Bethel, Rochester, Pittsfield, Stockbridge, Granville, and Hancock.

There have been a series of business managers over the past few years, some staying a year; others as short as a few months. This frequency of transition seems to correlate to financial issues. High-quality financial management requires consistent attention to detail.

The situation at the time of this review is that the interim superintendent has been in place for a year; the business manager is a consultant who works part time. Both are experienced in the business of education with histories of troubleshooting and remedying school districts’ financial problems.

Interim Superintendent John Poljacik was asked to be the interim superintendent on the morning of Town Meeting Day 2010.

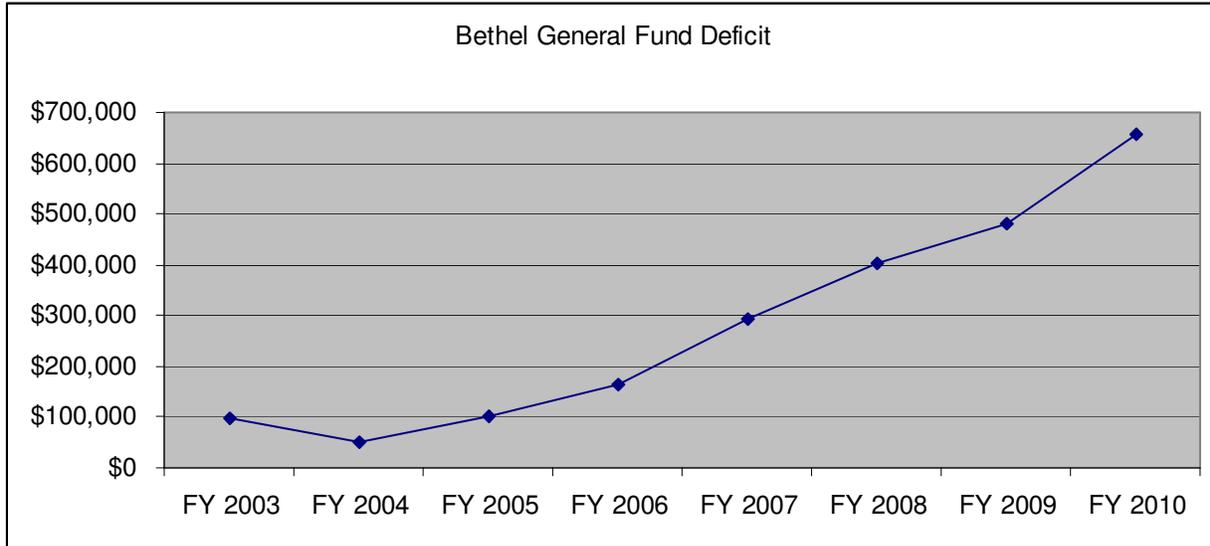
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He found himself without a business manager so he contracted with Norm Andrews, school business consultant, on a project-by-project basis. Because Mr. Andrews' tasks were specific to uncovering the financial situation, Mr. Poljacik hired another retired superintendent and former business manager, Dick Stewart, to serve as interim business manager. A CPA was hired to replace Mr. Stewart and Mr. Andrews, but left shortly after taking the job. Mr. Andrews consented to finish the year as a contractor on specific tasks as needed and assigned by Mr. Poljacik.

The WNWSU situation that Superintendent Poljacik took over in March 2010 was dire. The accounting software had just been replaced and no training on the new system was provided; errors were very common. There was no assigned payroll person. Invoices were paid without formal review and approval. The "warrant" or "board orders" process was not being used. They had about \$500,000 worth of checks that had been written but did not have the funds in the bank to cover these checks. They found there were no "checks and balances" built into the system.

Issue 1 – Bethel School District General Fund Deficits

When a school district spends more than it receives in a fiscal year, it is considered deficit spending. It is not uncommon and according to state statute, the deficit is to be addressed in the year following the year the deficit is discovered. Bethel School District created general fund deficits in every fiscal year between FY 2003 and FY 2010 except for FY 2004. These chronic deficits were not addressed and therefore became cumulative as shown in this graph.



This accumulating deficit totaled \$481,826 as of the end of FY 2009. This was information that on Town Meeting Day 2010 led the school district to borrow \$480,000 to retire this deficit over three years, with equal payment of \$160,000 in each year.

The situation got worse. School operations for FY 2010 resulted in a deficit of about \$128,000 and the resulting cumulative deficit reached \$621,933.

Table 1: Bethel School District major Governmental Fund Types: General, Special Revenue and Capital Projects Fund and their Fund Balance between FY03 – FY10:

	A	B	C	D	E	F	G	H	I	J
Government Fund Type	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10 *	FY10-FY03	
1 Year End Fund Balance										
2 General Fund	(96,428)	(50,701)	(99,997)	(163,224)	(292,334)	(402,229)	(481,826)	(621,933)	(525,505)	
3 Special Revenue Fund	(7,210)	(7,210)	(49,742)	(9,439)	34,774	0	(17,429)	(18,214)	(11,004)	
4 Capital Projects Fund	47,213	(3,157)	71,028	105,246	20,812	23,592	26,699	15,364	(31,849)	
5 Change to Fund Balance										Sum of changes
6 General Fund **		45,727	(49,296)	(63,227)	(129,110)	(109,895)	(79,597)	(140,107)	(525,505)	
7 Special Revenue Fund **		0	(42,532)	40,303	44,213	(34,774)	(17,429)	(785)	(11,004)	
8 Capital Projects Fund **		(50,370)	74,185	34,218	(84,434)	2,780	3,107	(11,335)	(31,849)	

* Draft Financial Statements

** Includes Prior Period Adjustments when applicable

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Between FY 2003 and FY 2010, the Special Revenue Fund decreased by \$11,004 (Table 1, Column J) while the Capital Projects Fund decreased by \$31,849 (Table 1, Column J, Row 4). Compared to the Special Revenue and Capital Projects fund, the general fund sustained the larger and more repetitive deficits.

So how did this go on without it being evident?

How did the financial troubles not show up in terms of bills and staff not being paid? The simple answer is borrowing.

A Tax Anticipation Note (TAN) is a short-term loan used by schools and other local government agencies to cover the cash flow needs in anticipation of collecting taxes. It is how the government works before the periodic taxes are collected. Usually these are paid off at the time that taxes are collected and no later than the end of each fiscal year. Normally TAN are repaid so that at the end of the fiscal year their balance is zero.

During FY 2011, Bethel School District had two outstanding TANs (notes payable) from FY 2010 for a total of \$900,000. One loan was in the amount of \$400,000 and the other for \$500,000. A third one for \$200,000 had been cancelled. In addition, the school district had a significant amount of cash on hand; however, not enough to pay off the loans. Bank officials were willing to help set up a payment schedule to help the school district repay the loans in a more flexible time period than had originally been agreed.

Table 2: Bethel School District Cash Balance and Notes Payable at FY 2003 – FY 2010:

	A	B	C	D	E	F	G	H	I	J
		FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	Growth
1	Cash	\$69,632	\$52,613	\$79,729	\$114,743	\$422,746	\$231,033	\$900,737	\$382,497	\$312,865
2	Notes Payable	\$100,000	\$75,000	\$250,000	\$350,000	\$800,000	\$700,000	\$1,200,000	\$900,000	\$800,000

By FY 2010, Bethel’s note payable balance was \$900,000, which represents an \$800,000 increase since FY 2003 while cash on hand increased by \$312,865.

It appears the growth in the balance of note payables have been caused by two factors: the continued operating general fund deficits, which now approximate \$621,933 (Table 1, Column I, Row 2) and the increased cash position of approximately \$312,865 (Table 2, Colum J, Row 1). These loans have been the primary financing mechanism for the chronic general fund deficits.

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What is the correct way to handle deficits and what did Bethel do?

We know that Bethel town officials allowed the TAN to “roll over” to fund their deficits. Vermont State statutes allow for three choices regarding how a supervisory union or district should address budget deficits. The choices include carrying forward the general fund deficits for a given year to the subsequent budget, which will be voted on by the taxpayers.

24 VSA § 1523 (b) When a school district at the end of the fiscal year contemplated by section 1683 of this title has a deficit, unless the voters have voted to borrow funds to repay the deficit over a term of three years or less, or unless the deficit has been refunded pursuant to chapter 53 of this title, the school board shall add an amount sufficient to pay the deficit to its next adopted budget and report the total to the commissioner of education for purposes of calculating education spending.

We reviewed the audited financial statements for FY 2003- FY 2010. According to the audited financial statements, the negative fund balances were either not brought forward or were the incorrect amount.

Table 3: Budget verses Appropriate Deficit Reduction amounts.

Budget Year	Budgeted to Fund Deficit	Amount that should have been budgeted	Comment
FY 04	\$20,000	\$28,501	The amount for each year should reflect the fund balance for two years earlier.
FY 05	(\$200,743)	\$96,428	The large negative amount seems to reflect an expected prior year adjustment.
FY 06	\$23,275	\$50,701	
FY 07	\$43,275	\$99,997	This appears to reflect the single-year deficit for FY 2005 that was \$49,296.
FY 08	\$65,000	\$163,224	This seems to reflect the single-year deficit for FY 2006 amounted to \$63,227.
FY 09	0	\$292,334	
FY 10	0	\$402,229	

It appears that in a couple of these years the school district did consider the individual increase to the deficit for the year that had just closed when the budget was being created. This seems to be true in FY 2007 and FY 2008. In FY 2005, the budget shows that the board knew about an adjustment to the prior year and budgeted accordingly. In FY 2009 and FY 2010, it appears that the school district ignored prior deficits altogether. In no year in this schedule did the school district consider the accumulating deficit.

The annual audited fund balance was not often available when the succeeding budget was created, however, this does not excuse the fact that no allowance was made for the building deficit or that an estimate from management was not used to address the deficit. This error is especially egregious in the development of the FY 2009 and FY 2010 budgets. These plans were created during the fall and winter (October – January) of calendar years 2007-2008 and 2008-2009.

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Table 4 Bethel History

	Budget Revenue	Expense and transfers	Carry forward	Actual Revenue	Expense	Revenue minus Expens	Transfers/ Adjustments	Change to Fund Balance
FY 2003	\$3,839,660	\$3,817,660	\$22,000	\$3,920,720	\$3,988,647	(\$67,927)	\$0	(\$67,927)
FY 2004	\$3,954,289	\$3,934,289	\$20,000	\$4,050,428	\$3,992,194	\$58,234	(\$12,507)	\$45,727
FY 2005	\$4,296,500	\$4,497,243	(\$200,743)	\$4,435,480	\$4,227,875	\$207,605	(\$256,901)	(\$49,296)
FY 2006	\$4,570,246	\$4,546,971	\$23,275	\$4,571,667	\$4,675,152	(\$103,485)	\$40,258	(\$63,227)
FY 2007	\$4,448,542	\$4,404,566	\$43,976	\$4,496,709	\$4,625,819	(\$129,110)	\$0	(\$129,110)
FY 2008	\$4,615,472	\$4,550,472	\$65,000	\$4,647,148	\$4,757,043	(\$109,895)	\$0	(\$109,895)
FY 2009	\$4,697,782	\$4,697,782	\$0	\$4,551,408	\$4,602,543	(\$51,135)	(\$28,462)	(\$79,597)
FY 2010	\$4,641,510	\$4,641,510	\$0	\$4,794,630	\$4,923,562	(\$128,932)	(\$11,175)	(\$140,107)

	Audited Fund Balance General Fund	Change to GF Bal	Special Revenue	Capital Projects	Debt Service	Expendable Trust	Total of All Fund Balances
FY 2003	(\$96,428)		(\$7,210)	\$47,213		\$1,717	(\$54,708)
FY 2004	(\$50,701)	\$45,727	(\$7,210)	(\$3,157)		\$1,717	(\$59,351)
FY 2005	(\$99,997)	(\$49,296)	(\$49,742)	\$71,028		\$31,203	(\$47,508)
FY 2006	(\$163,224)	(\$63,227)	(\$9,439)	\$105,246		\$31,440	(\$35,977)
FY 2007	(\$292,334)	(\$129,110)	\$34,774	\$20,812		\$32,550	(\$204,198)
FY 2008	(\$402,229)	(\$109,895)	\$0	\$23,592		\$29,614	(\$349,023)
FY 2009	(\$481,826)	(\$79,597)	(\$17,429)	\$26,699		\$31,389	(\$441,167)
FY 2010	(\$621,933)	(\$140,107)	(\$18,214)	\$15,364		\$31,943	(\$592,840)
		(\$525,505)					

Carry Forward.

A negative number in the "Carry Forward" column means that the District is planning to use some of the Fund Balance to pay for the budget for that fiscal year. A positive number would indicate that the budget

From this table you can see that the audited fund balance for the general fund has been negative for the entire period of this report.

How did this go unnoticed by the Board?

This information was apparently not provided to the board. The following is an excerpt from a Q&A document presented at the budget information meeting on February 21, 2011. A school board member wrote this, documenting that the school board was unaware of the cumulative deficits. This correlates with the fact that in the most recent school budgets – FY 2009 and FY 2010 – the board did not act to decrease the deficit.

From the Bethel Budget Information Q & A handout:

1) Why is Bethel the school with the worst financial problems, if the problems stemmed from the SU?

As was pointed out at numerous public meetings last year prior to the Town's vote last May to pay off the \$480,000 in accumulated deficits, there are numerous factors that have contributed to this situation. Part of the answer is that the Bethel School Board was not exercising a sufficient degree of monitoring and oversight over the Supervisory Union, and was not sufficiently questioning the information that was being provided, or in some cases, that was not being provided.

For example, the SU's interim superintendent and interim business manager informed us last year that several years worth of external audits of Bethel's finances had been delivered to the SU, but were never shared with the Bethel Board; they were in boxes, unopened, at the SU office. Prior to this, the Bethel Board had been told that

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the financial audits were behind schedule by a number of years, but were catching up. Thus, a history of audits not being available had been established for years.

Given that the Bethel School Board is made up of people who are not involved in finance or accounting-oriented professions, its members necessarily rely on advice and counsel of the SU superintendent and business manager. Given the huge volume of financial information Board members must review and try to understand, the Board relies on the SU administration to point out areas that require our attention, either by statute or as a matter of fiscal responsibility to the taxpayers who fund the school.

The board has taken action to ensure that this does not happen again. It has formed a finance committee as a sub-committee of the board to review and monitor the financial operations of the school district.

- Board was trusting, but was not monitoring.
- Audits were not delivered.
- Boards need to become educated on expectations and understanding results.

These three objectives can easily be achieved by the finance committee. This sub-committee of the board can focus on these issues and inform the greater board.

The formation of the finance committee addresses each of these issues. This committee is critical to the long-term positive management of the school district's finances.

The school board described this committee's charge as follows in the annual report presented at Town Meeting in 2011:

- **Financial Committee:** This committee will handle various issues that come up between regular school board meetings in order to ensure that urgent issues can be tracked and monitored more than just once per month. Its responsibilities will include the following tasks, which it will then report to the full board:
 - To monitor any debt the school has, as well as to keep an eye on how the budget is working.
 - To provide ongoing board contact with the school administration and SU throughout the budget process.
 - To address strategic direction of, and financial resources required for, building and property issues, including maintenance and construction.

So what is the plan to address this deficit?

At the school district meeting on Town Meeting Day 2010, the voters approved borrowing to eliminate the amount of the deficit that was known at the time. That was a loan in the amount of \$480,000 to be paid over three years with payments of \$160,000 per year. That covered the deficit as of the end of FY 2009. There was also a deficit created during FY 2010. There is no projected deficit for FY 2011.

The interim superintendent and school business consultant have a plan to retire all deficit-related debt and regain a course toward positive end-of-year fund balance by the end of FY 2013. Management actions have included implementing a FY 2011 budget freeze and they are currently projecting neither a surplus nor deficit for FY 2011. Additionally, and in accordance with Vermont law, the FY 2010 deficit was included in the FY 2012 budget that was approved

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by the voters on Town Meeting Day on March 1, 2011. These actions would result the following payoff schedule:

Table 5: Bethel School District Deficit Payoff Schedule through FY 2013

Opening deficit FY 2009	(\$481,826)	
Prior Period Adjustment made during FY 2010	(\$11,175)	(\$493,001)
Operating deficit FY 2010 6/30/2010	(\$128,932)	(\$621,933)
Payment from Note authorized at Town Meeting 2010 (FY11)	\$160,000	(\$461,933)
No surplus or deficit from FY 2011	\$0	(\$461,933) 6/30/11
Present FY2010 deficit to voters as part of FY2012 budget (<i>Included in budget approved 3/1/11</i>)	\$123,199	(\$338,734)
Payment from note authorized at Town Meeting 2010 (FY12) (<i>Included in Budget approved 3/1/11</i>)	\$160,000	(\$178,734) 6/30/12
Payment from note authorized at Town Meeting 2010 (FY13)	\$160,000	(\$18,734) 6/30/13

This payment schedule to reduce the deficit by FY 2013 to the amount of \$18,734 assumes:

- A balanced of revenue/expenses in FY 2011.
- The voters approving repayment of deficits as part of the budgets at Town Meeting in March 2012.
- A balanced budget for FY 2012 and FY 2013.

These assumptions are a change in the trend of chronic deficits in each fiscal year except 2004 as documented above but if realized would result in Bethel reducing the negative fund balance by the end of FY 2013 to \$18,734, which is less than one-half of 1 percent of the budget that was approved on March 1, 2011.

Was the school district over spending its budget?

Not really. They did over spend the budget in FY 2010 by about 6.08 percent, at the same time they received 3.30 percent more in revenue than expected. This is a net difference of 2.69 percent. Compared to a household with an income of \$50,000, this is about the same as \$1,345 over the course of a year or about \$112 per month.

During the period studied, (FY 2003- FY 2010) the school district on average spent 2.05 percent more than the budget and received 1.22 percent more than expected. Overall it averaged 0.87 percent (less than one percent) deficit each year. Compared to a household with an income of \$50,000, this is about the same as \$435 per month.

So the problem is not excessive overspending but rather incrementally smaller overspending accumulating over a long period.

Summary of the Bethel deficit situation:

- The school district had ignored a growing deficit.
- The problem has existed since at least FY 2003.
- The problem was exposed and presented to the public in March 2010.
- The problem is not excessive expenditures but rather a lack of monitoring the accumulation of deficit.
- New administrative team is addressing the core issues.
- School board has new awareness (finance committee) of the problems and how to monitor the situation more effectively.
- The interim superintendent and school business consultant have taken corrective action to ensure that this mistake is not repeated.

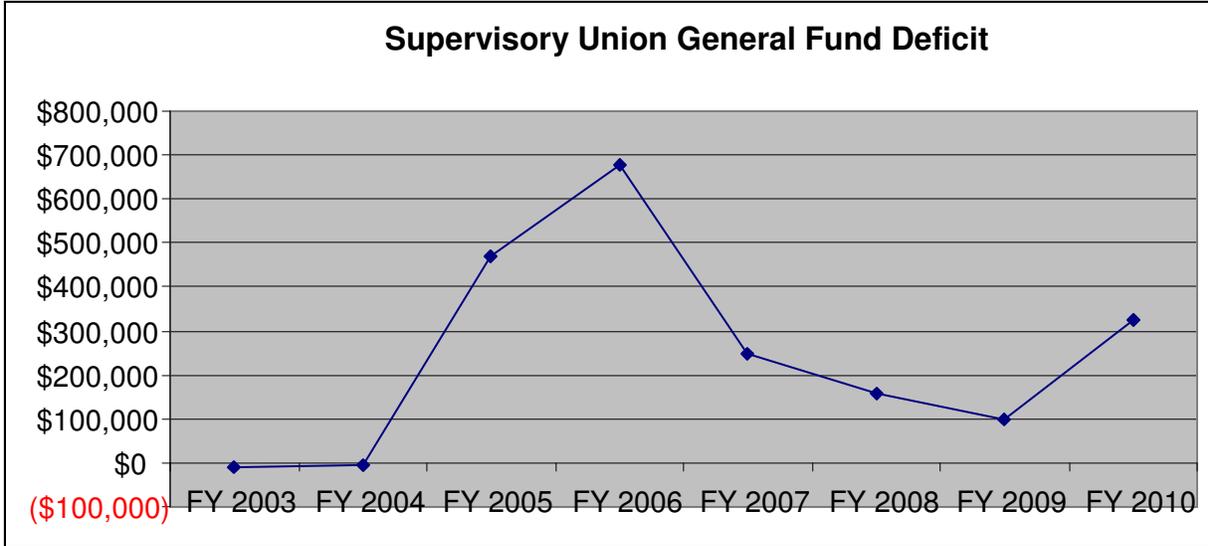
Issue 2 – WNWSU General Fund Deficit

Supervisory unions are different from school districts; the major revenues are assessments and grants rather than the collection of taxes.

Ideally, grant revenue plus district assessments should add up to the budget of the supervisory union. However, in reality, once the budget year is finalized a “reconciling” assessment is needed to adjust for what actually happened compared to the budget. In terms of a timeline, the SU budget is developed and approved by the member school district boards early enough so that each board knows its share of the assessment as each prepares its individual school district budget. During the year, the assessments are paid from the school districts to the SU. At the end of the year, the accounts are audited, the difference between what was collected, and what was spent is apportioned to each school district. The reconciling assessment takes place after the audit of the SU is completed. It is not uncommon to have a prior year assessment paid to the SU from each town. In rare cases, this could mean a payment from the SU to the towns.

In the case of WNWSU, all Special Education services are provided by the SU and the cost is assessed the member districts based upon an agreed formula. Actual Special Education costs are often not finalized until well after the close of the fiscal year. This is caused by the timing of billing from service providers and the reimbursement by the state. The final reimbursement from the state is after all towns have submitted their final Special Education Expense Report (SEER). The Special Education model of WNWSU almost ensures that following the end of the school year, an assessment will be paid by each member district to the SU. This is because the Special Education services and associated expenses take place at the SU. The state reimbursement is paid to each town. Since the reimbursement is intended to be about 50 percent of the expenditure, there will usually be a case where the towns owe money to the SU at the end of the year. The only way to avoid this is for the SU to inflate the assessment during the school year in anticipation of an estimated Special Education reimbursement. The prior year assessment is a reasonable model if all parties agree.

The reconciling assessment described here should be equal to the general fund deficit for the year that just ended. Based on a review of annual audits from FY 2003 to the present, the prior year assessments have varied substantially as shown in this graph.

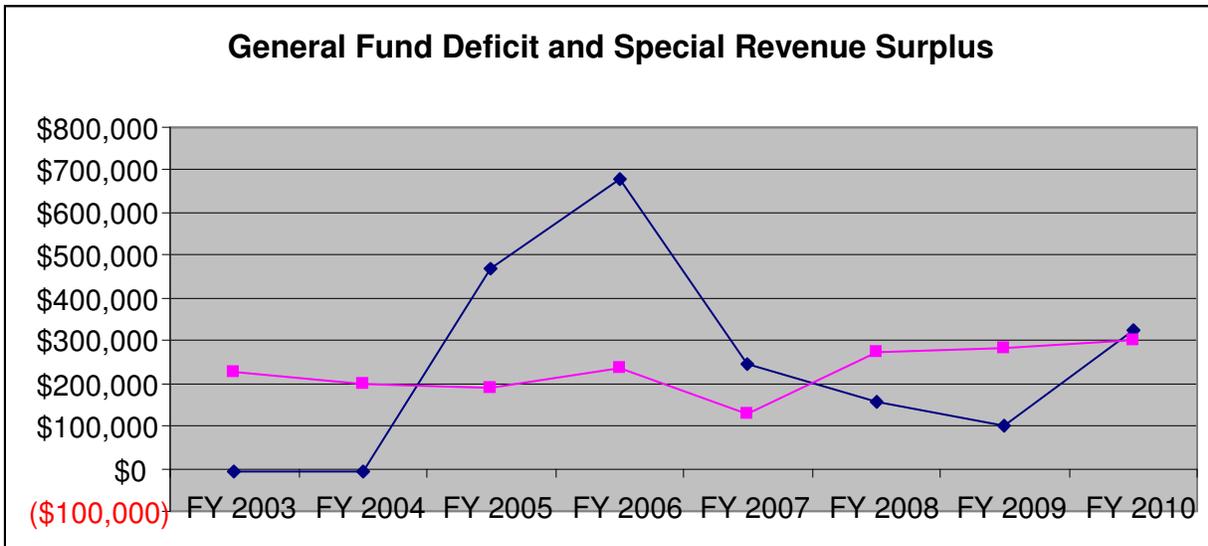


WNWSU operates two basic funds. The general fund is made up of the central office accounts, the Special Education accounts, the Early Essential Education account group, and the special revenue fund, which consists of the grant accounts.

Therefore, the SU has a fund balance for the general fund and the special revenue fund. In our review of the annual audits, we found a consistent surplus in the special revenue fund balance.

The special revenue fund, usually consisting of grants, can be used solely for the purposes for which they were intended.

This graph shows the general fund deficit overlaid with the special revenue surplus. It demonstrates that the financial performance of the SU was not as negative as the graph above would seem to indicate.



Because the special revenue fund balance was usually more positive than the general fund was negative, it looked like the SU's finances had no problems.

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Based on the independent audit done for FY 2010, it was discovered that the appropriate adjusting or reconciliation audit was not correct for FY 2009. This became apparent at about the same time as the FY 2010 deficit was found for the Bethel School District. Therefore the reconciliation assessment for FY 2010 is larger than normal.

This seemed like a double whammy to the citizens of Bethel. They saw a deficit from their own school district and one from the SU during a relatively short time period.

Table 6 The General Fund Reconciliation Assessment.

School District	FY 2010 Reconciliation Assessment
Bethel	\$145,430.37
Granville	\$26,010.84
Hancock	\$22,665.90
Pittsfield	\$24,452.02
Rochester	\$66,787.38
Stockbridge	\$38,523.22
Total	\$323,869.73

Table 7 – Supervisory Union History.

	Budget			Actual		Revenue minus Expenses	Transfers/ Adjustments	Change to Fund Balance
	Revenue	Expense	Carry forward	Revenue	Expense			
FY 2003	\$1,830,366	\$1,830,366	\$0	\$1,904,517	\$1,990,600	(\$86,083)		(\$86,083)
FY 2004	\$0	\$1,941,974	(\$1,941,974)	\$2,205,520	\$2,207,124	(\$1,604)	(\$2,000)	(\$3,604)
FY 2005	\$0	\$2,305,303	(\$2,305,303)	\$2,358,540	\$2,806,739	(\$448,199)	(\$24,554)	(\$472,753)
FY 2006	\$2,435,976	\$2,435,976	\$0	\$2,997,046	\$3,206,504	(\$209,458)		(\$209,458)
FY 2007	\$2,769,387	\$2,769,387	\$0	\$3,497,216	\$3,066,110	\$431,106		\$431,106
FY 2008	\$2,872,550	\$2,963,649	(\$91,099)	\$3,254,652	\$3,166,449	\$88,203		\$88,203
FY 2009	\$3,029,115	\$3,008,776	\$20,339	\$3,202,554	\$3,131,861	\$70,693	(\$11,105)	\$59,588
FY 2010	\$495,031	\$3,200,095	(\$2,705,064)	\$3,954,023	\$4,182,894	(\$228,871)	\$3,382	(\$225,489)
Audited Fund Balance				Special Revenue	Capital Projects	Debt Service	Expendable Trust	Total
FY 2003	\$8,538			\$227,445				\$235,983
FY 2004	\$4,934	(\$3,604)		\$200,249				\$205,183
FY 2005	(\$467,819)	(\$472,753)		\$190,287				(\$277,532)
FY 2006	(\$677,278)	(\$209,459)		\$236,294				(\$440,984)
FY 2007	(\$246,171)	\$431,107		\$126,855				(\$119,316)
FY 2008	(\$157,968)	\$88,203		\$273,090				\$115,122
FY 2009	(\$98,380)	\$59,588		\$280,477				\$182,097
FY 2010	(\$323,869)	(\$225,489)		\$299,084				(\$24,785)

Carry Forward.

A negative number in the "Carry Forward" column means that the District is planning to use some of the Fund Balance to pay for the budget for that fiscal year. A positive number would indicate that the budget will be funding a deficit from a prior year, or fund a transfer such as debt service or enterprise fund (Food Service).

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During this time the “due to other funds” amount between the general fund and special revenues had been the financing mechanism of the operating deficit.

Based on our review, we cannot determine why the financial statement showed a zero budget for FY 2004 and FY 2005 and an obviously too low budget for FY 2010. The data presented is from the independent auditor’s report for each year.

Summary of the WNWSU deficit situation:

- The SU has two funds:
 - General fund for the operations of the central office, Special Education and Early Essential Education.
 - Special revenue fund for the various grants such as the Federal Consolidated Grant and other specified revenue.
- The general fund is supported by assessment from the member school districts.
- The special revenue fund has had a positive fund balance for each year of this period.
- Special Education reimbursement flows from the state to the member school districts and by assessment to the SU.
- Because of the timing of the Special Education reimbursement and the assessment, it is normal to have a reconciliation assessment following the fiscal year end and after the audits for that year are complete.
- The reconciliation assessment for FY 2009 was not correctly applied.
- In order to correct the FY 2009 reconciliation assessment, the FY 2010 reconciliation assessment was larger than expected.
- The interim superintendent and school business consultant have taken corrective action to ensure that this mistake is not repeated.

Issue 3 – Are these problems supervisory union-wide?

The short answer is “no.”

Attached to this report is a 9-page report entitled “Information from Independent Auditors Reports.” There is one sheet for each budget entity. Tables 4, 7 and 8 are excerpts from these reports.

Ideally, the fund balance at the end of each fiscal year would be zero. This condition is theoretically possible but very rare. The board needs to understand what the fund balance is from the prior year as it creates the budget for the upcoming year. The fund balance should be reflected in the budget as soon as the audit is completed. For example, if the fund balance at the end of FY 2008 is \$100,000, then the budget for FY 2010 should show a balance brought forward of \$100,000.

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Table 8 – Audited Fund Balances for each District along with the Average Fund Balances

General Fund Audited Fund Balances								
	Supervisory Union	Bethel	Rochester	Stockbridge	Granville-Hancock	Hancock	Granville	Pittsfield
FY 2003	\$8,538	(\$96,428)	\$175,737	\$16,839		\$14,865	\$41,515	\$41,830
FY 2004	\$4,934	(\$50,701)	\$48,605	\$62,468		(\$12,714)	\$99,196	\$58,122
FY 2005	(\$467,819)	(\$99,997)	(\$16,172)	\$132,896	(\$2,283)	\$49,433	\$160,839	(\$43,086)
FY 2006	(\$677,278)	(\$163,224)	(\$155,843)	\$123,668	(\$9,656)	\$89,361	\$142,539	(\$31,987)
FY 2007	(\$246,171)	(\$292,334)	(\$60,981)	\$45,638	\$28,195	\$52,196	(\$88,586)	(\$5,173)
FY 2008	(\$157,968)	(\$402,229)	\$282,191	(\$12,963)	\$25,228	\$17,499	(\$6,362)	(\$4,879)
FY 2009	(\$98,380)	(\$481,826)	\$175,812	\$3,716	\$108,416	(\$50,357)	\$116,903	\$74,585
FY 2010	(\$323,869)	(\$621,933)	(\$3,474)	(\$7,444)		\$22,436	\$240,202	
Average Fund Balance								
	(\$244,752)	(\$276,084)	\$55,734	\$45,602	\$29,980	\$22,840	\$88,281	\$12,773

In the chart above, the “Average Fund Balance” column for the general fund of each district helps us determine if the chronic deficit is a supervisory union-wide problem. The two entities with a negative average fund balance are the SU and Bethel School District.

The fund balance for the supervisory union is addressed by reconciliation assessment in the year following the auditor’s determination of the deficit. Since this is an assessment, the fund balance for the SU will normally be a deficit. The only way to avoid this would be to make estimated assessment payments between the SDs and SU before the end of the fiscal year. Therefore, the deficit fund balance at the SU is not a problematic issue. One could consider this a loan from the special revenue fund to operate the SU office until the reconciling assessments are made in the following year.

Conclusion:

It is fair to conclude that the deficit problems that have plagued the Bethel School District are not systemic to the rest of the supervisory union.

Issue 4 – What caused the problem of chronic deficits in the Bethel School District?

Inconsistent Business Operations Leadership

In my opinion, attention to detail at WNWSU has suffered due to the numerous and rapidly changing business managers. This table shows that over a span of eight years, 10 different individuals have been involved in a leadership position responsible for the fiscal operations of the district.

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Table 9 – Parade of Business Manager and Consultants in Business Activities

Time Period*	Business Manager	Comment
8/04 to 8/06	Pat Regan	Business Manager
9/06 to 2/07	Dick Stewart Tim Mock	Consultant Superintendent/Business manager
3/07 to 6/08	Ollie Jakob	He left for a couple months and then returned during this period. When he was gone, Tonia Mears filled in with Tim Mock, superintendent, overseeing her work.
7/08 to 9/08	Tonia Mears	Filled in as business manager with Tim Mock, superintendent, overseeing all business functions.
8/08 to 10/09	David Allen	Business Manager
10/09 to 5/10	Tonia Mears	Again she filled in as business manager with Tim Mock, superintendent, overseeing her work.
5/10 to 9/10	Richard Stewart	Consultant
8/10 to 12/10	Kevin Coleman	Business manager
12/10	Norm Andrews Richard Stewart John Poljacik	Consultant on specific task basis. John Poljacik, interim superintendent, works with Norm Andrews and Richard Stewart on business functions.

* The dates given are estimates, not from a review of employment records. They are presented to illustrate the number of people and the short tenure of the people involved.

The role of the business manager is not clearly defined. In general, we expect the business manager to lead in the financial operations of the supervisory union. The individual defines how that leadership is carried out. It has been estimated that the first year of the tenure of a business manager is spent learning what needs to be done and when. There are guidelines from the state, but they are in the form of when reports are due and what content each report requires. They are not detailed. The process of board orders, for example, is explained in general in statute; monthly financial reports and debt review are not.

What is clear from the auditor’s report and comments made throughout this review is that the checks and balances (internal controls) built into the financial operations of a school district were not being followed in Bethel.

- Board orders or warrants were not used.
- Coding for expenditures were not consistent nor were they checked for accuracy.
- There was no monthly financial reporting to the board.
- There was no periodic review of debt.
- There was an apparent disconnect between the school board and the business office.
- The fund balance and prior year deficit were not considered in the development of the succeeding year’s budget.

These issues are the collateral damage, in this case, of the “parade” of business managers. With the lack of consistent leadership in the business manager role, these types of issues should be expected. The good news is that Bethel was not excessively over-spending its budgets.

Internal Controls and the Independent Auditor’s Report

Internal controls are those policies and procedures that are in place to ensure that the operations of the school district are consistent, properly documented, and reduce the change that fraud or malfeasance can go undetected. Some might call them “best practices” for the business office. State law requires that an independent accountant, in accordance with some designated criteria, review the internal controls of the district. In other words, the school district administration cannot direct which areas to review or which areas to ignore.

TITLE 16 VSA §563 (17)

17) “... the school board shall employ a public accountant annually to audit the financial statements of the school district pursuant to that section. Audits performed by public accountants shall be conducted in accordance with generally accepted government auditing standards, including the issuance of a report of internal controls over financial reporting that shall be provided to recipients of the financial statements....”

This report is done annually. If the auditor finds areas of concern, they are reported. Some concerns are minor and result in recommendations. Some concerns are more significant and rise to the level of material weakness.

A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity’s internal controls.

One measure of a school district’s intention to improve its financial operations is to see if the same issues continue to be reported from one year to the next. If a concern is repeated in the auditor’s report, it is likely that the issue is not being addressed appropriately. We read the management finding in the audit reports and for the most part, they are not repeated.

We found these audits unusual in that they did not address “prior year findings” as a separate topic. That type of paragraph would follow management’s report on what has been done to rectify the situation pointed out in the previous report. This follow-up is a helpful work list for the business manager. It would be extremely helpful, almost a critical necessity, when there are a number of people filling the role of business manager.

Conclusion:

The significant error in Bethel was not attending to the deficit fund balance from prior years. The most apparent cause seems to be a turnover of business managers over a relatively short period of time. If, on the other hand, the independent auditor’s report had consistently followed up on issues, some of this could have been avoided. But if, as reported, these audit reports were not distributed but remained in boxes in the SU office, their content would be moot.

Issue 5 – What safeguards that should have been in place failed and how?

Part of the answer is the rotation of business managers. Given the short time each was involved, they could not effectively and efficiently pass on the details that would have prevented these events.

Another part of the answer is change in software without the required training and planned transition.

A third component is the board's involvement. This was detailed earlier in this report.

The Vermont Department of Education may have been able to alert the school district to these problems. Each year, the school district files a statistical report, which includes the financial transactions of the district recorded in accordance with federal account codes. The staff at DOE is limited and investigates from year to year only when changes in any specific code is made. A flag or limit is determined by the specific code and amount. For example, if salaries went up or down by 20 percent that might be a flag. No flags appeared for Bethel.

Conclusion:

The "normal" safeguards did not catch the issue of the accumulating deficit in Bethel either because of their design (state) or because of transition (management) or by lack of knowledge (board).

The Bethel board and the SU have established controls to address the deficit issue.

Issue 6 – What is being done right now to fix the deficit?

A three-year plan, described in Issue 1 above will address the current deficit so that by the end of FY 2013 the deficit will be at less than one-half of 1 percent of the budget approved on March 1, 2011.

Given the aggressive nature of this plan, and barring any major financial catastrophes, this plan will be successful.

We believe the Bethel School District will maintain a watchful eye over its budget. In fact, as pointed out above, they are spending well within normal variations of the budget; they are not spending excessively.

Table 10 – Percent over Budget for Bethel by year:

Fiscal Year	Revenue	Expenses	Total
FY 2003	2.11%	4.48%	1.73%
FY 2004	2.43%	1.47%	-1.44%
FY 2005	3.23%	-5.99%	-4.68%
FY 2006	0.03%	2.82%	2.26%
FY 2007	1.08%	5.02%	2.87%
FY 2008	0.69%	4.54%	2.36%
FY 2009	-3.12%	-2.03%	1.12%
FY 2010	3.30%	6.08%	2.69%
	1.22%	2.05%	0.87%

Bethel’s financial operations were almost always within 5 percent of the budget.

Conclusion:

It is reasonable to expect Bethel School District to continue to follow its budget. Given the three-year plan, it is also reasonable to expect it to have a deficit fund balance of less than one-half of 1 percent by the end of FY 2013.

Issue 7 – What fundamental changes are being made to ensure that this situation does not occur again?

Town Meeting Day 2010 was a “wake-up call” for Bethel School District. Two events happened that day that changed this school district.

- They hired John Poljacik as the interim superintendent.
- They borrowed \$480,000 over three years to address a deficit that had been building for almost eight years.

Management action:

- Under Superintendent Poljacik’s leadership, they have “turned the ship around.” He hired Norm Andrews as school business consultant to work on a task-by-task basis.
- Norm Andrews has introduced, with John Poljacik’s approval, a number of tools to ensure that history does not repeat in Bethel School District and WNWSU.

At the beginning of this review, we had a conversation with one of the former business managers. He described a situation that did not have much structure in terms of financial internal controls. He talked about not using board orders, a lack of consistency in terms of account coding, no consistent hiring processes, checks being issued based on verbal directives and other practices that are inconsistent with good internal controls.

Therefore, as we started our review we requested that Mr. Andrews complete an internal control self checklist. This checklist is a good evaluation of best practices. Our evaluation of this checklist shows a supervisory union is operating well and with good financial control practices.

- This checklist is included as an attachment to this report.

We asked about steps Mr. Andrews has taken to ensure that corrections he has implemented will remain after his contract work is complete. How does WNWSU and Bethel School District

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ensure that the business management tasks are all remembered and that they are done on time? Mr. Andrews has created a Critical Task List detailing what tasks are required each month.

- The WNWSU Critical Task List is an attachment to this report.

In a previous employment situation, Mr. Andrews created a work schedule to accomplish required reporting. This document clearly shows who in the office is responsible for each of the various end-of-year reports.

- Attached to this report is a copy of this work schedule as it was developed for the South Burlington School District. This is simply a template and is easily redefined to any district. As the fiscal year end approaches, Mr. Andrews will adjust this to WNWSU.

Management has taken some planning steps to ensure that the deficits are not repeated and that the workflow in the business office remains uninterrupted in the event of future transitions of business leadership.

Board Action:

The Board has taken several steps to ensure that these events are not repeated.

- **Invoice approvals:** At least three board members must review all bills being paid by the supervisory union on Bethel's behalf, and the three members must sign these warrants before they can be paid.
- **Expenditure/revenue reports:** The supervisory union must provide all board members with a monthly expenditures and revenues report prior to the board's monthly meeting, so they have a chance to review it and request clarifications during the meeting.
- **Debt review:** The supervisory union must provide all board members with a quarterly review of any and all debt instruments for which Bethel schools is liable (since these do not always show up on expenditures/revenues reports).
- **Budgeting:** The board, with the help of the superintendent, has implemented a rigorous budgeting process.
- **Committees:** In order to ensure solid governance, as well as community involvement and awareness, the school board formed committees to address several important aspects of the school's oversight, operations, and strategic direction. These committees include members of the public, teachers, and board members.
- **Financial Committee:** This committee will handle various issues that come up between regular school board meetings in order to ensure that urgent issues can be tracked and monitored more than just once a month. Its responsibilities will include the following tasks, which will then be reported to the full board:
 - To monitor any debt the school has, as well as to keep an eye on how the budget is working.
 - To provide ongoing board contact with the school administration and SU throughout the budget process.
 - To address strategic direction of, and financial resources required for, building and property issues, including maintenance and construction.
- **Future Focus Committee:** To gather information, consolidate options, and provide recommendations to the full board regarding progress on any issues deemed critical to optimizing the future of Bethel schools and its ability to provide a cost-effective, high-

quality education to the community's students . The issues are many and varied, but likely would include:

- Withdrawal from WNWSU.
- Strategic direction.
- Efficiencies/cost-savings.
- Curriculum enhancement/adjustment.
- Future options for the school's governance and structure.
 - Tuitioning students to other schools.
 - School choice.
 - Regional education districts.
 - Any other ideas.

Conclusion:

Both the board and management have taken steps to ensure that the problems that created the large deficit in Bethel are not repeated and that best practices in the supervisory union are incorporated in the normal operations.

Issue 8 – Consolidation.

At the annual meetings in March 2010, voters in the town school districts of Bethel and Rochester voted to withdraw from the Windsor Northwest Supervisory Union.

Review of the situation at the time of the vote and changes that have occurred since, indicate that this vote was a reaction to the problems of the supervisory union office at the time of the vote. The business manager had been fired shortly before that town meeting and the interim superintendent was appointed in the morning of Town Meeting Day. The problems in the SU office had extended throughout the districts. These problems include invoices not being paid in timely manner, employee wages not correct, and various deficits from town to town. So dissatisfaction with the SU was reasonable and could be expected. The changes implemented by Interim Superintendent John Poljacik, and implemented by the team he has assembled have addressed the problems and the dissatisfaction seems to have abated.

However, the votes by these two towns express the desires of the voters and have put into action a series of events that may change the future of the WNWSU.

Vermont State law places the future of WNWSU into the hands to the State Board of Education:

**16 V.S.A. § 261. Organization and adjustment of supervisory unions
§ 261.**

- (a) *The state board shall review on its own initiative or when requested as per subsection*
- (b) *of this section and may regroup the supervisory unions of the state or create new supervisory unions in such manner as to afford increased efficiency or greater convenience and economy and to facilitate K-12 curriculum planning and coordination as changed conditions may seem to require.*

(b) Any school district which has so voted at its annual school district meeting, if said meeting has been properly warned regarding such a vote, may apply to the state board of education for adjustment of the existing supervisory union of which it is a component district. The state board shall give timely consideration to such requests and may regroup the school districts of the area so as to ensure reasonable supervision of all public schools therein.

(c) The state board may designate any school district, including a unified union district, as a supervisory district if it will offer schools in grades K-12 and is large enough to support the planning and administrative functions of a supervisory union.

Once the vote is taken, the State Board of Education will make a decision based on the following rules:

**State Board of Education Manual of Rules and Practices
SCHOOL DISTRICT ORGANIZATION**

3100 Statement of Purpose

The State Board of Education firmly believes that the school districts of Vermont should be organized so as to provide the maximum educational opportunities for pupils in grades K-12 or 1-12 consistent with administrative and financial effectiveness and efficiency.

3200 Supervisory Unions

3221.3 Following a request to adjust, the petitioning district shall conduct a needs assessment which should indicate what educational services are presently provided and what educational services would be provided under the proposed adjustment.

3221.5 The State Board of Education will consider action on a request following receipt of the above information.

3221.6 In no case will adjustments occur within supervisory unions until July 1 following the annual supervisory union meeting following State Board of Education action.

In accordance with BOE rule 3221.3, Interim Superintendent John Poljacik submitted the Needs Assessment for the BOE meeting of August 17, 2010.

Four options were presented:

- Status quo: Keeping the SU as is.
- Unified union: Create a single district out of the SU.
- Unified destinations: Shift all six school districts into one existing SU.
- Split destinations: Shift the six school districts into various existing SUs.

In December 2010, Mr. Poljacik sent a letter to the commissioner of Education documenting and summarizing the public meetings held at each town in the supervisory union.

- A copy of that letter is included as an attachment to this report.

The State Board of Education will make a determination about the future and the timeline for changes to WNWSU when they take this matter up on their agenda.

Issue 9 – Strategic Planning and future concerns

Planning:

Educational activities and curriculum planning continue under the current governance structure.

In each of the town meetings and public discussions about the future of the SU, the local towns have concentrated on the impact to their own towns.

The Bethel School District has formed the Future Focus Committee to continue the strategic planning process and to stay current and ahead of developments. This is the charge for this committee in the Bethel School District:

- **Future Focus Committee:** To gather information, consolidate options, and provide recommendations to the full board regarding progress on any issues deemed critical to optimizing the future of Bethel schools and its ability to provide a cost-effective, high-quality education to the community's youth. The issues are many and varied, but likely would include:
 - Withdrawal from WNWSU.
 - Strategic direction.
 - Efficiencies/cost-savings.
 - Curriculum enhancement/adjustment.
 - Future options for the school's governance and structure.
 - Tuitioning out.
 - School choice.
 - Regional education districts.
 - Any other ideas.

Legal Action:

There is a pending legal action against the WNWSU in Windsor Superior Court filed by former Business Manager David Allen. This action has the potential of presenting an unexpected expense/liability to the SU. This report intentionally does not comment on this case.

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Attachments to this report:

1. Information from independent auditor reports: Nine-page summary of the financial activities for all SU budget entities.
2. Internal controls self review: Eight-page review completed by Norm Andrews of the internal controls for the SU business office. This creates a checklist of best practices.
3. WNWSU critical task list: Four-page calendar-based task list for the business office. This is a tool to help future business leadership understand what needs to be completed and when.
4. Burlington School District's work schedule: This one-page task list is a template of a reminder of which reports are required from the business office. This is another tool for future business leadership to encourage continuity.
5. Report of Bethel School District budget information night: Four-page description (not minutes) of the meeting on February 21, 2011.
6. Bethel School Board Q&A: Five-page handout for the February 21st budget information meeting for Bethel School District. This helps explain, from the board's perspective, what happened and what steps are needed in the future.
7. Letter from Bethel School Board for citizens: Pages 63 through 66 of the annual school district report. This gives the board's view of the future.
8. Letter from the interim superintendent to the citizens: Pages 89 and 90 of the annual school district report. This describes the interim superintendent's state of the SU report.
9. Letter from the financial consultant to the citizens: Page 91 of the annual school district report. This describes the financial status of the school district.
10. Report of the Bethel School District's annual meeting: Six-page description (not minutes) of the BSD annual meeting on March 1, 2011.
11. Minutes of the Bethel Town School District meeting March 2, 2010. This page shows the motion to withdraw from the supervisory union.
12. Letter from the supervisory union board to the citizens of all the towns. This four-page letter describes the current status of the consolidation of school districts within this SU.
13. Letter from Interim Superintendent Poljacik to Commissioner Armando Vilaseca concerning consolidation of WNWSU. This is part of the process detailed in Vermont Statute following a vote to withdraw from an SU.

Attachments

Information from Independent Auditors Reports WNWSU Fund Balances

General Fund Audited Fund Balances	Bethel	Rochester	Stockbridge	Granville-Hancock	Hancock	Granville	Pittsfield
FY 2003	\$8,538	\$175,737	\$16,839		\$14,865	\$41,515	\$41,830
FY 2004	\$4,934	\$48,605	\$62,468		(\$12,714)	\$99,196	\$58,122
FY 2005	(\$467,819)	(\$16,172)	\$132,896	(\$2,283)	\$49,433	\$160,839	(\$43,086)
FY 2006	(\$677,278)	(\$155,843)	\$123,668	(\$9,656)	\$89,361	\$142,539	(\$31,987)
FY 2007	(\$246,171)	(\$60,981)	\$45,638	\$28,195	\$52,196	(\$88,586)	(\$5,173)
FY 2008	(\$157,968)	\$282,191	(\$12,963)	\$25,228	\$17,499	(\$6,362)	(\$4,879)
FY 2009	(\$98,380)	(\$481,826)	\$3,716	\$108,416	(\$50,357)	\$116,903	\$74,585
FY 2010	(\$323,869)	(\$621,933)	(\$7,444)		\$22,436	\$240,202	
Average Fund Balance	(\$244,752)	(\$276,084)	\$55,734	\$29,980	\$22,840	\$88,281	\$12,773

Because of the method and timing of Reconciliation Assessments, a deficit (Negative) Fund Balance for the SU is "normal".

	Budget	Expense	Difference	Actual	Revenue	Expense	Revenue	Revenue	minus	Revenue	Transfers/	Change to
	Revenue			Revenue			Revenue	Expense	Expense	Adjustments	Fund Balance	
FY 2003	\$1,830,366	\$1,830,366	\$0	\$1,904,517	\$1,990,600	(\$86,083)					(\$86,083)	
FY 2004	\$0	\$1,941,974	(\$1,941,974)	\$2,205,520	\$2,207,124	(\$1,604)				(\$2,000)	(\$3,604)	
FY 2005	\$0	\$2,305,303	(\$2,305,303)	\$2,358,540	\$2,806,739	(\$448,199)				(\$24,554)	(\$472,753)	
FY 2006	\$2,435,976	\$2,435,976	\$0	\$2,997,046	\$3,206,504	(\$209,458)					(\$209,458)	
FY 2007	\$2,769,387	\$2,769,387	\$0	\$3,497,216	\$3,066,110	\$431,106					\$431,106	
FY 2008	\$2,872,550	\$2,963,649	(\$91,099)	\$3,254,652	\$3,166,449	\$88,203					\$88,203	
FY 2009	\$3,029,115	\$3,008,776	\$20,339	\$3,202,554	\$3,131,861	\$70,693				(\$11,105)	\$59,588	
FY 2010	\$495,031	\$3,200,095	(\$2,705,064)	\$3,954,023	\$4,182,894	(\$228,871)				\$3,382	(\$225,489)	
Audited Fund Balance												
	General Fund			Special	Capital	Debt	Expendable			Trust	Total	
FY 2003	\$8,538			Revenue	Projects	Service						
FY 2004	\$4,934			\$227,445							\$235,983	
FY 2005	(\$467,819)	(\$3,604)		\$200,249							\$205,183	
FY 2006	(\$677,278)	(\$472,753)		\$190,287							(\$277,532)	
FY 2007	(\$246,171)	(\$209,459)		\$236,294							(\$440,984)	
FY 2008	(\$157,968)	\$431,107		\$126,855							(\$119,316)	
FY 2009	(\$98,380)	\$88,203		\$273,090							\$115,122	
FY 2010	(\$323,869)	\$59,588		\$280,477							\$182,097	
		(\$225,489)		\$299,084							(\$24,785)	

Carry Forward does not apply the same for the SU as the School Districts because of reconciliation assessments.

	Budget Revenue	Expense and transfers	Carry forward	Actual Revenue	Expense	Revenue minus Expense	Transfers/ Adjustments	Change to Fund Balance
FY 2003	\$3,839,660	\$3,817,660	\$22,000	\$3,920,720	\$3,988,647	(\$67,927)	\$0	(\$67,927)
FY 2004	\$3,954,289	\$3,934,289	\$20,000	\$4,050,428	\$3,992,194	\$58,234	(\$12,507)	\$45,727
FY 2005	\$4,296,500	\$4,497,243	(\$200,743)	\$4,435,480	\$4,227,875	\$207,605	(\$256,901)	(\$49,296)
FY 2006	\$4,570,246	\$4,546,971	\$23,275	\$4,571,667	\$4,675,152	(\$103,485)	\$40,258	(\$63,227)
FY 2007	\$4,448,542	\$4,404,566	\$43,976	\$4,496,709	\$4,625,819	(\$129,110)	\$0	(\$129,110)
FY 2008	\$4,615,472	\$4,550,472	\$65,000	\$4,647,148	\$4,757,043	(\$109,895)	\$0	(\$109,895)
FY 2009	\$4,697,782	\$4,697,782	\$0	\$4,551,408	\$4,602,543	(\$51,135)	(\$28,462)	(\$79,597)
FY 2010	\$4,641,510	\$4,641,510	\$0	\$4,794,630	\$4,923,562	(\$128,932)	(\$11,175)	(\$140,107)
Audited Fund Balance		Change to GF Bal		Special Revenue	Capital Projects	Debt Service	Expendable Trust	Total of All Fund Balances
FY 2003	(\$96,428)			(\$7,210)	\$47,213		\$1,717	(\$54,708)
FY 2004	(\$50,701)	\$45,727		(\$7,210)	(\$3,157)		\$1,717	(\$59,351)
FY 2005	(\$99,997)	(\$49,296)		(\$49,742)	\$71,028		\$31,203	(\$47,508)
FY 2006	(\$163,224)	(\$63,227)		(\$9,439)	\$105,246		\$31,440	(\$35,977)
FY 2007	(\$292,334)	(\$129,110)		\$34,774	\$20,812		\$32,550	(\$204,198)
FY 2008	(\$402,229)	(\$109,895)		\$0	\$23,592		\$29,614	(\$349,023)
FY 2009	(\$481,826)	(\$79,597)		(\$17,429)	\$26,699		\$31,389	(\$441,167)
FY 2010	(\$621,933)	(\$140,107)		(\$18,214)	\$15,364		\$31,943	(\$592,840)
		(\$525,505)						

Carry Forward.

A negative number in the "Carry Forward" column means that the District is planning to use some of the Fund Balance to pay for the budget for that fiscal year. A positive number would indicate that the budget will be funding a deficit from a prior year, or fund a transfer such as debt service or enterprise fund (Food Service).

	Budget	Expense	Carry forward	Actual	Expense	Revenue minus Expense	Transfers/ Adjustments	Change to Fund Balance
FY 2003	\$951,264	\$951,264	\$0	\$1,128,018	\$1,104,520	\$23,498	\$0	\$23,498
FY 2004	\$997,978	\$997,978	\$0	\$1,236,582	\$1,190,953	\$45,629	\$0	\$45,629
FY 2005	\$1,211,697	\$1,171,317	\$40,380	\$1,228,264	\$1,157,836	\$70,428	\$0	\$70,428
FY 2006	\$1,193,271	\$1,223,271	(\$30,000)	\$1,238,119	\$1,247,347	(\$9,228)	\$0	(\$9,228)
FY 2007	\$1,320,382	\$1,345,382	(\$25,000)	\$1,312,838	\$1,390,868	(\$78,030)	\$0	(\$78,030)
FY 2008	\$1,375,586	\$1,435,586	(\$60,000)	\$1,423,909	\$1,482,510	(\$58,601)	\$0	(\$58,601)
FY 2009	\$1,592,406	\$1,578,044	\$14,362	\$1,571,990	\$1,555,311	\$16,679	\$0	\$16,679
FY 2010	\$1,631,275	\$1,644,312	(\$13,037)	\$1,663,757	\$1,681,553	(\$17,796)	\$6,636	(\$11,160)
Audited Fund Balance								
General Fund	\$16,839			Special Revenue	Capital Projects	Debt Service		Total of All Fund Balances
FY 2003	\$62,468	\$45,629			\$4,100			\$20,939
FY 2004	\$132,896	\$70,428			\$44			\$62,512
FY 2005	\$123,668	(\$9,228)			\$44			\$132,940
FY 2006	\$45,638	(\$78,030)			\$44			\$123,712
FY 2007	(\$12,963)	(\$58,601)			\$44			\$45,682
FY 2008	\$3,716	\$16,679			\$44			(\$13,325)
FY 2009	(\$7,444)	(\$11,160)			\$44			\$2,231
FY 2010					\$44			(\$33,320)

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	Budget Revenue	Expense	Carry forward	Actual Revenue	Expense	Revenue minus Expense	Transfers/ Adjustments	Change to Fund Balance
FY 2005	\$391,147	\$391,147	\$0	\$401,723	\$404,006	(\$2,283)	\$0	(\$2,283)
FY 2006	\$407,351	\$407,351	\$0	\$417,171	\$424,544	(\$7,373)	\$0	(\$7,373)
FY 2007	\$445,755	\$445,755	\$0	\$462,363	\$424,512	\$37,851	\$0	\$37,851
FY 2008	\$389,360	\$389,360	\$0	\$425,240	\$428,207	(\$2,967)	\$0	(\$2,967)
FY 2009	\$392,621	\$420,816	(\$28,195)	\$403,859	\$320,671	\$83,188	\$0	\$83,188
FY 2010			\$0					\$0
Audited Fund Balance				Special Revenue	Capital Projects	Debt Service		Total of All Fund Balances
FY 2005	General Fund							(\$2,283)
FY 2006								(\$9,656)
FY 2007								\$28,195
FY 2008								\$25,228
FY 2009								\$108,416
FY 2010								\$0

Carry Forward.

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	Budget	Actual	Revenue	Expense	Carry forward	Revenue	Expense	Revenue	minus	Transfers/	Change to
	Revenue	Revenue	Revenue	Expense	Carry forward	Revenue	Expense	Revenue	Expense	Adjustments	Fund Balance
FY 2003	\$500,357	\$486,169	\$534,357	\$564,712	(\$34,000)	\$486,169	\$564,712	\$486,169	(\$78,543)	\$0	(\$78,543)
FY 2004	\$494,888	\$517,419	\$538,675	\$544,998	(\$43,787)	\$517,419	\$544,998	\$517,419	(\$27,579)	\$0	(\$27,579)
FY 2005	\$631,543	\$649,451	\$632,493	\$587,304	(\$950)	\$649,451	\$587,304	\$649,451	\$62,147	\$0	\$62,147
FY 2006	\$601,271	\$644,536	\$621,271	\$604,610	(\$20,000)	\$644,536	\$604,610	\$644,536	\$39,926	\$2	\$39,928
FY 2007	\$609,611	\$660,563	\$669,611	\$697,728	(\$60,000)	\$660,563	\$697,728	\$660,563	(\$37,165)		(\$37,165)
FY 2008	\$731,088	\$789,366	\$760,835	\$824,063	(\$29,747)	\$789,366	\$824,063	\$789,366	(\$34,697)		(\$34,697)
FY 2009	\$751,381	\$846,735	\$811,000	\$871,860	(\$59,619)	\$846,735	\$871,860	\$846,735	(\$25,125)	(\$42,731)	(\$67,856)
FY 2010	\$726,876	\$855,567	\$726,876	\$782,774	\$0	\$855,567	\$782,774	\$855,567	\$72,793		\$72,793
Audited Fund Balance											
	General Fund	Special	Capital	Debt		Revenue	Projects	Service			Total of All
FY 2003	\$14,865										Fund Balances
FY 2004	(\$12,714)										\$13,600
FY 2005	\$49,433										(\$12,714)
FY 2006	\$89,361										\$49,433
FY 2007	\$52,196										\$89,361
FY 2008	\$17,499										\$52,196
FY 2009	(\$50,357)										\$17,499
FY 2010	\$22,436										(\$50,357)
											\$22,436

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	Budget	Carry forward	Actual	Revenue	Expense	Revenue	minus	Transfers/	Change to
	Revenue	Expense	Revenue	Expense	Revenue	Expense	Adjustments	Fund Balance	
FY 2003	\$699,741	\$719,741	\$731,624	\$719,922	\$11,702	\$0	\$0	\$11,702	
FY 2004	\$759,964	\$759,964	\$777,005	\$719,324	\$57,681	\$0	\$0	\$57,681	
FY 2005	\$846,925	\$844,129	\$877,048	\$815,405	\$61,643	\$0	\$0	\$61,643	
FY 2006	\$795,436	\$810,436	\$816,593	\$834,893	(\$18,300)	\$0	\$0	(\$18,300)	
FY 2007	\$667,895	\$797,895	\$713,524	\$944,649	(\$231,125)	\$0	\$0	(\$231,125)	
FY 2008	\$748,762	\$760,000	\$786,229	\$704,005	\$82,224	\$0	\$0	\$82,224	
FY 2009	\$921,311	\$832,725	\$961,121	\$837,856	\$123,265	\$0	\$0	\$123,265	
FY 2010	\$788,880	\$789,380	\$897,872	\$774,573	\$123,299	\$0	\$0	\$123,299	
Audited Fund Balance									
General Fund									
FY 2003	\$41,515			\$100,700				\$142,215	
FY 2004	\$99,196			\$25,434				\$124,630	
FY 2005	\$160,839			(\$24,566)				\$136,273	
FY 2006	\$142,539							\$142,539	
FY 2007	(\$88,586)							(\$88,586)	
FY 2008	(\$6,362)							(\$6,362)	
FY 2009	\$116,903							\$116,903	
FY 2010	\$240,202							\$240,202	
Total of All									
Fund Balances									

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Pittsfield

Information from Independent Auditors Reports WNWSU

	Budget	Actual	Revenue	Expense	Carry forward	Revenue	Expense	Revenue	minus Expense	Transfers/ Adjustments	Change to Fund Balance
FY 2003	Revenue \$538,749	Revenue \$537,922	\$537,020	Expense \$558,749	Carry forward (\$20,000)	\$537,020	\$537,020	\$902	\$902	\$0	\$902
FY 2004	\$592,298	\$790,010	\$773,718	\$602,298	(\$10,000)	\$773,718	\$773,718	\$16,292	\$16,292	\$0	\$16,292
FY 2005	\$533,106	\$540,907	\$642,115	\$583,106	(\$50,000)	\$642,115	(\$101,208)	(\$101,208)	(\$101,208)	\$0	(\$101,208)
FY 2006	\$609,731	\$593,840	\$582,741	\$583,731	\$26,000	\$582,741	\$582,741	\$11,099	\$11,099	\$0	\$11,099
FY 2007	\$669,085	\$677,178	\$650,364	\$648,947	\$20,138	\$650,364	\$650,364	\$26,814	\$26,814	\$0	\$26,814
FY 2008	\$774,354	\$796,254	\$795,960	\$772,354	\$2,000	\$795,960	\$795,960	\$294	\$294	\$0	\$294
FY 2009	\$803,986	\$846,694	\$767,230	\$778,986	\$25,000	\$767,230	\$767,230	\$79,464	\$79,464	\$0	\$79,464
FY 2010			\$0		\$0			\$0	\$0	\$0	\$0

Audited Fund Balance

FY 2003	\$41,830
FY 2004	\$58,122
FY 2005	(\$43,086)
FY 2006	(\$31,987)
FY 2007	(\$5,173)
FY 2008	(\$4,879)
FY 2009	\$74,585
FY 2010	

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* If the answer Yes or No differs between Member Districts or the Supervisory Union than please note. Otherwise we will assume the answer pertains to all.	YES	NO	Comments
GENERAL:			
1 Is management aware that internal control is their responsibility?	X		
2 Does management show commitment to establishing and maintaining controls?	X		
3 Does the entity have an organizational chart defining the activities and persons responsible for them?		X	
4 Are the duties of officials and employees clearly defined and assigned?	X		We use a critical task list showing each persons responsibilities each month
5 Does management consistently exhibit high ethical and professional standards in its conduct, setting the standard for the entire organization?	X		
6 Are personnel involved in accounting functions required to take an annual vacation?		X	There is written requirement but you can be sure that they all use their vacation
7 Are accounting functions performed by other personnel during the vacation of primary accounting personnel?	X		
8 Is other staff trained in accounting functions to provide backup in the case of vacation or other absence of the primary bookkeeping employee(s)?	X		But those folks need expended understanding of why things get done in certain ways
9 Is responsibility for accounting duties ever rotated among staff?		X	
10 Is the school district in compliance with the School Board member terms of office in accordance with 16 VSA § 423, 424, 425 and 426?	X		
11 Does the School District's business office have frequent interaction with the Town Officials designated in 16 VSA § 425 and 426, specifically the Town Clerk and the Town Treasurer?	X		Generally it the School District Clerk who is often the same person
12 Is there a current, accurate and accessible policy and procedures manual in place, including an official code of conduct or an official set of policies governing employee conduct?		X	Under Construction. We have financial policies
13 Are the policies governing employee conduct communicated in an effective way to all staff and reviewed with them periodically?		X	
14 Is confidential or sensitive material (e.g. payroll records and taxes) maintained separately from non-confidential records?	X		
15 Is insurance coverage reviewed periodically by qualified individuals to determine adequacy?	X		

* If the answer Yes or No differs between Member Districts or the Supervisory Union than please note. Otherwise we will assume the answer pertains to all.	YES	NO	Comments
16 Does the comprehensive liability policy include liability coverage for all officials and employees?	X		
17 Is a budget systems (including monthly or quarterly budget reports) used for watching income and expenses?	X		
18 Are cash projections made and periodically compared by management to the operational accounting information?	X		
19 Do surety and/or performance bonds cover all employees/officials who handle school funds?	X		
20 Are surety bonds of a sufficient amount, as prescribed and approved by the select board? (24 VSA 832)	X		
21 Are authorizations for all bank accounts and check signers updated annually and at the time of any change in assignment of any incumbent signers?	X		
FINANCIAL RECORDS			
22 Is any single individual able to a) authorize a transaction, b) record the transaction in the accounting records and c) maintain custody of the assets resulting from the transaction?		X	
23 Is an accounting system in use that allows management to record financial transactions, view the data by category, and create timely reports to maintain accountability for the government's assets?	X		
24 Are detailed cash receipts journals maintained?	X		
25 Are detailed cash disbursement journals maintained?	X		
26 Are school board records (if separate records other than orders are kept) reconciled with treasurer's records monthly?	X		
27 Are the general ledger and its subsidiary ledgers kept up to date and reconciled monthly?	X		
28 Is a chart of accounts as described in <i>Handbook For Financial Accounting For Vermont School Systems</i> (Handbook II) used?	X		
29 Are records properly guarded from fire, theft and manipulation?	X		
30 Is computerized data backed up daily and source documents retained until backup?	X		

* If the answer Yes or No differs between Member Districts or the Supervisory Union than please note. Otherwise we will assume the answer pertains to all.	YES	NO	Comments
31 Is a copy of electronic data properly stored off-site?	X		
32 Are all financial recording documents (receipts, purchase orders) sequentially prenumbered, retained, and accounted for, including spoiled or voided forms?		X	Numbers are assigned by the system a the time of creation
33 Are automatic duplicates of certain forms (receipts & purchase orders) provided to individuals (e.g. vendors, taxpayers, etc.)?	X		
34 Is the person who does the bank reconciliation authorized to sign checks?		X	
35 Is the bank reconciliation procedure documented?	X		
36 Are bank statements reconciled monthly, preferably within 15 days after the statement date?	X		
37 Does a responsible official, other than preparer, review completed bank reconciliations?	X		
38 Is the completed bank reconciliation initialed and dated by both the preparer and the reviewer?		X	
39 Are the following monthly procedures currently performed:			
Reconcile cash accounts?	X		
Reconcile accounts receivable to the detail invoices?	X		
Reconcile payroll withholdings to the payroll reports?	X		
Reconcile accounts payable subsidiary ledger to actual invoices?	X		
40 Are all adjusting entries to the financial statements approved in writing by management?		X	We are working on this
CASH RECEIPTS			
41 Is receipt of currency adequately controlled until deposited or remitted to the treasurer?	X		

* If the answer Yes or No differs between Member Districts or the Supervisory Union than please note. Otherwise we will assume the answer pertains to all.	YES	NO	Comments
42 Have safeguards been provided to prevent officials or employees from cashing checks payable to the Supervisory Union or Member Districts?	X		
43 Are monies received by one employee, documented and then deposited by another employee?	X		
44 Are all monies received by the town turned over intact daily to the person who makes the bank deposit?	X		
45 Does the person who handles cash (receipts, bank deposits, purchases) keep the cashbooks / accounting records?	X		
46 Are funds received over the counter controlled by sequentially numbered counter receipts?	N/A		
PURCHASING			
47 Are Supervisory Union or Member District's board orders:			
Required for all purchases?	X		Some small purchases are made without P/O and reoccurring bills like utilities etc
Signed by a majority of the board and dated?	X		Board Orders
48 Does the treasurer keep a book recording all pay orders (outstanding payables) that are not paid?	X		
49 Are the functions of purchasing goods, receipt of goods, and cash payment for goods performed by separate employees?	X		
50 Are:			
Checks pre-numbered?	X		Check stock is blank, but system assigns check numbers in sequence
Unused checks controlled?	X		
Checks prepared and signed by the bookkeeper?		X	
Checks ever written to "Cash"?		X	

* If the answer Yes or No differs between Member Districts or the Supervisory Union than please note. Otherwise we will assume the answer pertains to all.	YES	NO	Comments
51. Are there adequate procedures for controlling the receipt of all goods and services purchased?		X	Needs work
52. Are materials and supplies inspected for condition and counted when received?		X	Needs work
53. Does invoice processing include a mathematical check of footings, extensions and discounts?	X		
CASH DISBURSEMENTS			
54. Are all cash disbursements, except petty cash items, made by check?	X		
55. Are pre-numbered checks used?	X		see #50
56. If checks are produced manually, is a controlled, mechanical check protector used?	N/A		
57. Are checks produced on an automated financial system?	X		
58. Is all investment activity by the treasurer approved by the school board and documented?		X	Need Work
59. Is petty cash handled through a fixed amount account?	N/a		

* If the answer Yes or No differs between Member Districts or the Supervisory Union than please note. Otherwise we will assume the answer pertains to all.	YES	NO	Comments
PAYROLL			
60. Are personnel records (including wages, salaries and deductions) maintained for all employees?	X		
61. Are salary and wage rates formally approved in the board minutes?	X		Contracts are approved and signed by the Board
62. Are methods of accumulating time and recording absences satisfactory?	X		
63. Are payroll deductions properly approved and controlled?	X		
64. Are withholding taxes remitted properly?	X		
PROPERTY AND EQUIPMENT			
65. Are schedules of fixed assets and depreciation maintained?		X	
66. Are periodic inventories taken and compared with the schedules of fixed assets?		X	
67. Is all property and equipment purchased or leased by the Supervisory Union or Member Districts held in the name of the Supervisory Union or Member District?	X		
68. Are invoices maintained to support the purchase or lease of equipment?	X		
NOTES & INVESTMENTS			
69. Are schedules maintained of all borrowing and investing activities?	X		
70. Is there an investment policy? If so, are there any known violations of the approved investment policy?	N/A		
71. Are all borrowings approved by a majority of the board?	X		
SPECIAL REVENUE FUNDS			

* If the answer Yes or No differs between Member Districts or the Supervisory Union than please note. Otherwise we will assume the answer pertains to all.	YES	NO	Comments
72 Do accounting for special revenue funds follow prescribed accounting practices for those funds?	X		
PERSONNEL			
73 Are personnel hiring, terminations, promotion and any other related action the result of Board action, and recorded in the minutes of School Board Meeting?	X		
74 Are all personnel benefits, wages, and any other compensation established by either Master Agreement, School Board Policy or other documented schedule?	X		
75 Are any personnel compensation packages negotiated individually?		X	
76 Is all personnel information protected in accordance with 1 VSA § 317 (c) (7)?	X		
77 Is the process for filling vacant positions documented and followed consistently?	X		
78 Are personnel routinely reminded of their reporting responsibility regarding child abuse and child endangerment situations?	X		
SPECIAL EDUCATION			
79 Is the Special Education Service Plan prepared in coordination with the Business Office?	X		
80 Is the Special Education Service Plan included in the proposed budget as it is presented to the State?	X		
81 Are the salary and benefit expenses included in the Special Education Expenditure Report (SEER) prorated in accordance with the duties assigned to the various personnel?	X		
82 Is the Special Education Expenditure Report (SEER) reviewed by management before submission to the State?	X		
83 In the most recent Fiscal Year were the Special Education Expenditure Reports (SEER) filed on time and accurately?	X		
STATE REPORTS			
84 During the most recent calendar year were the following reports filed on time and accurately?			

* If the answer Yes or No differs between Member Districts or the Supervisory Union than please note. Otherwise we will assume the answer pertains to all.	YES	NO	Comments
Announced Tuition	X		
Preliminary Budget	X		I am not familiar with the report so I have to check but I know all reports get filed timely
Educator Census	X		
June Budget	X		
Combined Incident Reporting Software (CIRS)	X		
Spring Census	X		
Annual Statistical Report (Statbook)	X		
Special Education Service Plan	X		
Independent Student Census	X		
Fall Census	X		
Teacher/Staff Survey	x		
Child Count	X		
85 Is there document reconciliation between the General Ledger and the Statbook filed each year?	X		
86 Are any findings from the Annual Independent Audit been addressed?	X		responses to the audit are made at the time of issue not directly to the state. Not all findings are correct

WNWSU Critical Task List

Department	July	August	September	October	November	December
Business Mgr	Tax Liabilities Received From DOE Balance Tax Receipts with Town Open New Fiscal Year Review Old FY Accounting Records Review Accrual Decisions Finalize Old Fiscal Year Summer Activities Begin Risk Management Cash Management Planning Final SDE 1.1 Board Financial Rpts	Annual DOE Statistical Reports Final Sped Reports Risk Management Final Encumbrance Review Cash Management Planning Board Financial Rpts	Budget Development Guidelines Special Ed Service Plans Risk Management School Budget Development Begins Cash Management Planning Board Financial Rpts	Special Ed Budget Development School District Budget Development SDE 1.1 Submitted October 1 Enrollments Submitted Validate Staffing of Budget vs Actual Risk Management Board Financial Rpts Cash Management Planning	ADM Reports Submitted Year End Estimates Review Grants Received vs Budget Validate Voc FTE Data Special Ed Report Submitted Board Financial Rpts Cash Management Planning	Prelim Equalized Pupil Data Prelim Voc FTE Data Budget Revenue Projections Finalized SPED Tuition/Excess Costs Board Financial Rpts Cash Management Planning
Business Mgr	Annual Reports Compiled Budgets to Printers Review First Six Month Period Year End Estimates Discussed SDE 1.1 Submitted Tuition Announced Board Financial Rpt Cash Management Planning	Budget Information Meetings Year End Estimates Process Tuition Bills Board Financial Rpts Cash Management Planning	Town Meetings Annual RFP's Distributed 3 rd Qtr Review - Year End Estimates Special Ed Report Submitted Board Financial Rpts Cash Management Planning	Periodic RFP's Distributed Annual Bids Awarded Year End Estimates SDE 1.1 Submitted Board Financial Rpts Cash Management Planning	Pre-Purchase Authority Secured PO Cut-Off Announced SPED Year End Estimates TAN RFP's Distributed ACT 60 Budget Developed Summer RFP's Distributed Board Financial Rpts Cash Management Planning	Tax Liabilities Received TAN's Awarded School Ends TAN's Repaid Pre-Paid Processed Close Books Review Encumbrances Board Financial Rpts Cash Management Planning

Department	July	August	September	October	November	December
Payroll Services	Vt Qtrly Tax Report Qtrly Unemployment Rpts Qtrly Teacher retirement rpt Retirement Payrolls Biweekly Payrolls Pay payroll taxes and withholdings liabilities Reconcile Health/Life and LTD Premiums and Annuities Time Benefit Tracking	First Teachers Payroll Biweekly Payrolls Pay payroll taxes and withholdings liabilities Reconcile Health/Life and LTD Premiums and Annuities Time Benefit Tracking	Biweekly Payrolls Pay payroll taxes and withholdings liabilities Reconcile Health/Life and LTD Premiums and Annuities Time Benefit Tracking	Vt Qtrly Tax Report Qtrly Unemployment Rpts Qtrly Teacher Retirement rpt US EEOC Salary Rpt Biweekly Payrolls Pay payroll taxes and withholdings liabilities Reconcile Health/Life and LTD Premiums and Annuities Time Benefit Tracking	Biweekly Payrolls Pay payroll taxes and withholdings liabilities Reconcile Health/Life and LTD Premiums and Annuities Time Benefit Tracking	Biweekly Payrolls W-2 Processing Pay payroll taxes and withholdings liabilities Reconcile Health/Life and LTD Premiums and Annuities Time Benefit Tracking
Department	January	February	March	April	May	June
Payroll Services	W-2 Processing Vt Qtrly Tax Report Qtrly Unemployment Rpts Qtrly Teacher Retirement Rpt Retirement Payrolls Pay payroll taxes and withholdings liabilities Reconcile Health/Life and LTD Premiums and Annuities Time Benefit Tracking	Biweekly Payrolls Pay payroll taxes and withholdings liabilities Reconcile Health/Life and LTD Premiums and Annuities Time Benefit Tracking	Biweekly Payrolls Pay payroll taxes and withholdings liabilities Reconcile Health/Life and LTD Premiums and Annuities Time Benefit Tracking	Vt Qtrly Tax Report Qtrly Unemployment Rpts Qtrly Teacher Retirement Rpt Biweekly Payrolls Pay payroll taxes and withholdings liabilities Reconcile Health/Life and LTD Premiums and Annuities Time Benefit Tracking	Spt Staff 403B Retirement March Biweekly Payrolls Pay payroll taxes and withholdings liabilities Reconcile Health/Life and LTD Premiums and Annuities Time Benefit Tracking	Biweekly Payrolls Pay payroll taxes and withholdings liabilities Reconcile Health/Life and LTD Premiums and Annuities Time Benefit Tracking
Department	July	August	September	October	November	December
Accountant	Open New Fiscal Year Activate Tax Anticipation Notes Reconcile Checking Accounts Post revenues Process Budget adjustments Monitor cash flow requirements	Reconcile Checking Accounts Post revenues Process Budget adjustments Monitor cash flow requirements Post payable batches	Reconcile Checking Accounts Post revenues Process Budget adjustments Monitor cash flow requirements Post payable batches Process DOE Grants reimbursements	Reconcile Checking Accounts Post revenues Process Budget adjustments Monitor cash flow requirements Post payable batches Process DOE Grants reimbursements	Reconcile Checking Accounts Post revenues Process Budget adjustments Monitor cash flow requirements Post payable batches Audit Prep	Reconcile Checking Accounts Post revenues Process Budget adjustments Monitor cash flow requirements Post payable batches Prepare 1099 data

	Post payable batches		documents (SDE 1.1) Audit Prep			
Accountant	January Reconcile Checking Accounts Post revenues Process Budget adjustments Monitor cash flow requirements Post payable batches Process DOE Grants reimbursements documents (SDE 1.1) 1099 Processing	February Reconcile Checking Accounts Post revenues Process Budget adjustments Monitor cash flow requirements Post payable batches	March Reconcile Checking Accounts Post revenues Process Budget adjustments Monitor cash flow requirements Post payable batches	April Reconcile Checking Accounts Post revenues Process Budget adjustments Monitor cash flow requirements Post payable batches Process DOE Grants reimbursements documents (SDE 1.1)	May Reconcile Checking Accounts Post revenues Process Budget adjustments Monitor cash flow requirements Post payable batches	June Reconcile Checking Accounts Post revenues Process Budget adjustments Monitor cash flow requirements Post payable batches
Department Assistant	July Purchase Orders ordering and matching invoices Payables Processing As Backup only Assist with Biweekly Payrolls Assist with Revenue Posting	August Purchase Order sordering and matching invoices Payables Processing As Backup only Assist with Biweekly Payrolls Assist with Revenue Posting	September Purchase Orders ordering and matching invoices Payables Processing As Backup only Assist with Biweekly Payrolls Assist with Revenue Posting	October Purchase Orders ordering and matching invoices Payables Processing As Backup only Assist with Biweekly Payrolls Assist with Revenue Posting	November Purchase Orders ordering and matching invoices Payables Processing As Backup only Assist with Biweekly Payrolls Assist with Revenue Posting	December Purchase Orders ordering and matching invoices Payables Processing As Backup only Assist with Biweekly Payrolls Assist with Revenue Posting
Assistant	January Purchase Orders ordering and matching invoices Payables Processing As Backup only Assist with Biweekly Payrolls	February Purchase Orders ordering and matching invoices Payables Processing As Backup only Assist with Biweekly Payrolls	March Purchase Orders ordering and matching invoices Payables Processing As Backup only Assist with Biweekly Payrolls	April Purchase Orders ordering and matching invoices Payables Processing As Backup only Assist with Biweekly Payrolls	May Purchase Orders ordering and matching invoices Payables Processing As Backup only Assist with Biweekly Payrolls	June Purchase Orders ordering and matching invoices Payables Processing As Backup only Assist with Biweekly Payrolls

	Assist with Revenue Posting	Assist with Revenue Posting	Assist with Revenue Posting	Assist with Revenue Posting	Assist with Revenue Posting	Assist with Revenue Posting
Department	July	August	September	October	November	December
Admin Asst to Supt	Monitor All RFP Relationships Place Employment Ads	General Info. Guide, Contact Information Process Tuition Bills Monitor All RFP Relationships Update General Information Guide Place Employment Ads	Bill School Choice Process Tuition Bills Monitor All RFP Relationships Place Employment Ads	Send out verification of residency to Supervisory Unions by Oct. 20 th Update Budget Packet Spt Staff Retirement Census Assist w/School District Budget Development Monitor All RFP Relationships Place Employment Ads	School Census Report due Nov. 15 th Bill Tuition Monitor All RFP Relationships Place Employment Ads	Allowable Tuition Letters out by the 15 th Monitor All RFP Relationships Place Employment Ads
Admin Asst to Supt	January	February	March	April	May	June
	Announced Tuition Due by Feb. 1 Monitor All RFP Relationships Place Employment Ads	Monitor All RFP Relationships Place Employment Ads	Tuition Billing Out Monitor All RFP Relationships Place Employment Ads	License Renewal Update Tuition Summary Sheet Mail Bids Out End of Month – Paper, Snow, Rubbish, Bus, Office/Art and Foodservice Prepare Issue Teacher Contracts Monitor All RFP Relationships Place Employment Ads	Compile Bids and Complete Board Memos for Approval Prepare and Issue Spt Staff Contracts Monitor All RFP Relationships Place Employment Ads	Accounts Receivable - Billing, - End of Year Billing & Outstanding Invoice Report Tuition Summary Report Prepare and Issue Spt Staff Contracts Monitor All RFP Relationships Place Employment Ads

South Burlington School District

Work Schedule to accomplish Required Reporting

Topic	Due Date	Staff Work Schedule	Description	Responsible Person	Date Completed
Master Reporting Deadlines	7/15/2007	W/E 06/15/07	Determine Materiality Limits	RD/NA	
SDE 1.1's	7/31/2007	W/E 06/22/07	Prove all Grant Revenue to Grant Award Letters	AD/NA	
SEER Report	8/15/2007		Review All Revenue Accounts (Except Grants) - Prove to Source Doc.	AD/RD	
STAT Report	10/31-11/3 2007				
Audit Date					
Notification to Stakeholders of Due Dates	6/8/2007	W/E 06/29/07	Review and Adjust all Encumbrances Make all Grant Revenue Accrual Entries	AD/KD/MB AD/NA	
Establish Cut-Off Dates for Field Purchase Orders	6/29/2007	W/E 07/06/07	Make JE redistributions of Grant Monies including Balance Sheet Prove all Due to/Froms between	AD/RD SS/RD	
Contracted Services	7/6/2007		Prove all Special Education cash advances be sure of PY reclass	AD/SS/NA	
Grant Invoicing	7/6/2007	W/E 07/13/07	Complete and Prepare all SDE 1.1's and file (go to local Pub)	AD/SS	
Special Education	7/11/2007	7/16/2007	Make all Special Ed. Expenditure Entries and Balance Sheet ADJ Close General Ledger	AD/RD SS/AD	
General Invoicing					
Ledger Closing Date		W/E 07/20/07	Review and document all Balance Sheets Begin building SEER packages	AD/RD AD/RD	
Payroll	7/13/2007				
General Ledger	7/13/2007	W/E 07/27/07	Make final Special Education Revenue JE Make all remaining A/P entries from General Invoicing	SS/NA AD/RD/NA	
Accounts Payable - Tracking	Separate Entry	7/31/2007	Make any and all AJE for Balance Sheet accounts Complete and File SEER (go to local Pub)	AD	
Revenue Proofs		W/E 08/03/07	Begin building Spreadsheets for Preparation of STAT Report Build and document allocation %'s for STAT (where necessary)	AD/RD AD/RD	
Grants	6/22/2007				
Special Education	6/22/2007				
All Others	6/29/2007	W/E 06/10/07	Enter STAT info.	AD	
Accrual Entries		Thru 08/15/07	Finish up remaining STAT (go away to non-local Pub overnight)	AD	
Grants	6/29/2007				
Special Education	7/10/2007	8/20/2007	Once you are back to work from overnight non-local Pub you will need to establish a schedule to develop and build the Lead Schedules for Audit		
General	7/31/2007				

Items requiring Special Attention and Planning
 Bank Reconciliations, Due to/From, Clearings - Sue Spear Complete by 7/16/07
 Outstanding PO's Missy & Norm
 Schedules for Year End and STAT Report - Christal/Roger
 Fixed Assets - Sue Spear/Nancy Info available as of 7/16
 Student Activities WE 8/17

Remember:
 Once you make your final JE to Grants on 6/29 and Special Education on 7/13 you cannot make further entries to those Funds

If you are going to have a problem meeting assigned timelines please notify Amadee, Roger, or Norm well in advance so that we can reassign work or responsibilities

Report on the Bethel School District Budget Information Night

Report on the Bethel School District Budget Information Night February 21, 2011
By John C. Gifford, School Business Management Consultant, SAO

I attended the Regular School Board Meeting of February 21, 2011 which included as part of the agenda the public meeting 2011-2012 SCHOOL BUDGET Information Night

Attending were: 4 School Board Members, Interim Superintendent, School Business Consultant, 2 principals, Curriculum Coordinator and 14 citizens including me.

This was a great reminder of the quality of our small Public Schools and their tremendous connection to the community.

Interim Superintendent John Poljacik reported on the status on the consolidation of the Supervisory Union. He announced the hearing with the State Board of Education scheduled for March 15 in Montpelier and encouraged people to attend. The timetable for consolidations will be discussed and possibly decided at that meeting. He went on to say that every option being considered has some challenges. He talked about the constraints of the geography (mountains between school districts), population, the resulting number of school districts in an SU and the commonality of the school districts that would be joined together in an SU. He pointed out that there was no pre-determined answer and citizen input is important in the process.

School Business Consultant Norm Andrews told the Board that that very afternoon he had received the "Final Draft" of the SU audit report from Angolano & Company, the independent audit firm. This would complete the audits from all the Districts and enable presentations to the SU board and the individual School Boards. The next step in the process is his written response to the report concerning the financial reports as well as specifically responses to any findings (Material Weaknesses, Reportable Conditions and Recommendations).

School Board member and chair of the newly formed "Finance Committee" reported they had met once (first meeting) and they had discussed the draft audit for the Bethel School District (not the SU) and had discussed each of the "findings" in that report.

There was a question of billing back for the Allowable Tuition. Apparently the announced tuition (which is what was collected) was significantly lower than the Allowable Tuition. The question to the Board was; "Do we bill the sending towns for this money?" The amount that would be billed is about \$44,000. Board members were concerned that this happened; "How could we have been so far off, in terms of the amount projected and the actual costs?" and "How do we make sure this does not happen again?"

There were other "normal" operating issues presented to the School Board; such as the NECAP results, some student trip requests and some parents questioned the board about child on child bullying. This was a good example of how School Board life goes on even during the financial crisis.

Report on the Bethel School District Budget Information Night

The physical location of the meeting changed to a larger room for the Budget Information meeting.

The same people were in attendance.

Interim Superintendent John Poljacik opened this session with a history of the past year. He was asked to be the Interim Superintendent during the morning of Town Meeting Day last year (2010).

He found himself without a Business Manager so he contracted with Norm Andrews on a project by project basis. Because Norm's tasks were specific to uncovering the financial situation, he hired another retired Superintendent and former Business Manager Dick Stewart. They set about finding and hiring a formal Business Manager, they found a candidate who was a CPA and seemed very promising. Shortly Dick Stewart returned to his retired life in Florida and Norm's contracts were completed and the new Business Manager stood alone. In a short time he felt overwhelmed and convinced that this was not the job for him so he resigned. Norm Andrews was willing to come back and has finished the year as the School Business Consultant. Superintendent Poljacik pointed out that Norm is a contractor on specific tasks as needed and assigned by the Superintendent. He is not the formal Business Manager.

The situation that Superintendent Poljacik took over last year was dire. He explained the accounting software had just been changed and no training was provided, errors were very common. There was no assigned payroll person. Invoices were paid without formal review and approval. The "warrant" or "board orders" process was not being used. They had about \$500,000 worth of checks that had been written but did not have the funds in the bank to make these checks good. They found there were no "Checks and Balances" that are suppose to be built into the system. He said that it seemed that every rock they turned over found significant problems.

He and Norm found that in Bethel there was a deficit of about \$480,000 that needed to be resolved. At Town Meeting 2010 (so this is just after he had taken over the job) the town voted to pay this deficit off over three years at a rate of \$160,000 per year. They explained that this was not the result of one year's over spending but rather the accumulation of deficit over some period of time. Members of the community questioned why Bethel had this issue and the other member district of the SU did not. Nether John or Norm could answer this other than to explain that each year the other districts had recognized their carry forward or deficit from the year prior. Bethel did not. So basically Bethel treated each year as if they were starting from zero and built the budget accordingly. This ignores any deficit from the prior year. Since there were deficits each year, this accumulated into the problem they were facing.

The people attending this meeting seemed to be fully aware of the deficit and the debt situation. These issues were not a surprise to anyone there. There was only a few and very brief questions about placing blame and guilt, but this was quickly redirected to the subject of ensuring that this does not happen again. It was pointed out that the former

Report on the Bethel School District Budget Information Night

Superintendent and Business Manager are no longer in place and that the team in place is implementing process and procedures that do not allow for this to happen again.

One person questioned the Board accountability regarding their lack of knowledge of the situation. It was made clear that the Board members are not financial experts and they relied too heavily on the advice and direction of the "Professionals". The Board has formed a Finance Committee to ensure that this does not happen again. This committee has met one time so far. That meeting occurred last week, at that meeting they reviewed the draft independent auditor's report.

There was a community question about an apparent disconnect (in terms of oversight) by the State and the SU that allowed this to happen to Bethel. Since the SU leadership team that was in place when this happened was no longer in place, they could not answer this question. *(My investigation of the Stat' Repts showed that there was no "Red Flag" in the reports received by the State that would lead to intervention. A cursory review shows the Stat' Reports are significantly different from the audited financial statements.)*

The other overarching question (this was asked in various forms by different attendees) was basically: "So what do we do from here?" Mr. Poljacik explained that he is an Interim Superintendent and that the SU Board has asked him to stay on for the next year. He agreed on the condition that his team remains as it is. This is referring to Norm Andrews and the SU staff. Since the existence of the SU is in question projecting further out is simply guessing. If the SU does remain as is there will be a need for a long term Superintendent and Business Manager. If the SU does not remain as is hiring long term personal would be inappropriate. He is willing to stay for a while (he throws his retirement plans over his shoulder). The role of the Business Manager is different. As long as Mr. Poljacik remains it is his plan to NOT hire a Business Manager but rather to retain the services of School Business Consultant Norm Andrews. In the alternative he has had some conversation with neighboring SUs about shared services for the Business Office. This plan is simply a conversation at this point. The critical task at this point is to build trust in the SU administration and that is accomplished by ensuring accountability.

There was one question about the status of the Situation Report from SAO. I replied that I expected that I would have something done by the end of March. I told them that we were working on it and that visiting and observing this meeting was part of the process. I was invited to the Annual Meeting. It was intimated that other opinions might be expressed there and more people would be attending. I will attend the Annual Meeting.

A "Question and Answer" sheet was passed out. That document is attached.

There were no questions about specifics in the 2012 Budget.

Mr. Poljacik explained that the tax rate would increase by about 7¢. He explained that as presented the budget includes the \$160,000 payment toward the money borrowed last year to address the deficit at that time (\$480,000) and it includes \$123,199, the deficit

Report on the Bethel School District Budget Information Night

from FY2010. He was questioned about the needed \$145,000 assessment that was recently found. He explained that as the budget is presented that the assessment would create deficit spending during FY2011 (current year), he hopes that with the very careful spending restraints that amount can be found this year.

Superintendent Poljacik told those gathered that he had some good news. He could not share what that was at this point because it was appropriate for it to go to the SU board first before going to the individual districts. He did not elaborate but said it relieved some of the stress felt by those who understood the situation.

One person asked about how this budget compares to the budgets of the surrounding communities. Mr. Poljacik explained that at least one other town had a tax rate increase of 19¢ last year but reduced that by 15¢ this year; a second town would have an increase of 11¢ this year due to increased tuition and SU assessment, other than those it was a mixed bag of tax rate adjustments.

Bethel School Board Q&A**Bethel School Board Q&A**

Budget informational meeting: Feb. 21, 2011

- 1) Why is Bethel the school with the worst financial problems, if the problems stemmed from the SU?

As was pointed out at numerous public meetings last year prior to the Town's vote last May to pay off the \$480,000 in accumulated deficits, there are numerous factors that have contributed to this situation. Part of the answer is that the Bethel School Board was not exercising a sufficient degree of monitoring and oversight over the Supervisory Union, and was not sufficiently questioning the information that was being provided, or in some cases, that was not being provided.

For example, the SU's interim superintendent and interim business manager informed us last year that several years worth of external audits of Bethel's finances had been delivered to the SU, but were never shared with the Bethel Board; they were in boxes, unopened, at the SU office. Prior to this, the Bethel Board had been told that the financial audits were behind schedule by a number of years, but were catching up. Thus, a history of audits not being available had been established for years.

Given that the Bethel School Board is made up of people who are not involved in finance or accounting-oriented professions, its members necessarily rely on advice and counsel of the SU superintendent and business manager. Given the huge volume of financial information Board members must review and try to understand, the Board relies on the SU administration to point out areas that require our attention, either by statute or as a matter of fiscal responsibility to the taxpayers who fund the school.

- 2) Who at the SU is to blame for the problems we have been facing for so long?

If there is any indication of intentional wrongdoing that emerges from an audit or the State Auditor's situational assessment, then it will naturally be turned over to the relevant authorities. However, in the absence of such wrongdoing, pointing fingers would accomplish nothing more than exposing Bethel taxpayers to further costs through having to defend against lawsuits. This is an especially important consideration given that the SU, which Bethel helps to fund, is currently being sued by a former business manager.

- 3) If we have had experts looking at our finances for over a year since the resignations of the past superintendent and business manager, why are problems still showing up?

This situation speaks to the deep problems that characterized the SU prior to the interim superintendent and business office staff taking over. The problems were years in the making, and sifting through the complexities of school finances, which are tied up with federal, state, and local dollars, mandates, rules, and laws, is extraordinarily difficult even

Bethel School Board Q&A

for experts with literally decades of experience in such matters. We cannot, in fact, rule out the possibility of further unpleasant surprises.

- 4) If there is a deficit from the past schoolyear that we have to pay, how can you reasonably expect that your proposed budget, which is lower, won't end up with an even larger deficit?

Despite the fact that we faced unexpected expenses this schoolyear, Principal Kevin Dirth has kept a close eye on expenses and has done a stellar job of ensuring that we end the year as close to even as possible. We have every confidence that he will do the same next year, and for many years to come, especially given what we have seen so far of his frugal approach to budgeting.

- 5) What policies and procedures have you put in place to make sure the school's finances don't fall into the same problems again?

Steps we have taken include:

- **Invoice approvals:** At least three Board members must review all bills being paid by the Supervisory Union on Bethel's behalf, and the three members must sign these warrants before they can be paid.
- **Expenditure/revenue reports:** The Supervisory Union must provide all Board members with a monthly expenditures and revenues report prior to the Board's monthly meeting, so we have a chance to review it and request clarifications during the meeting.
- **Debt review:** The Supervisory Union must provide all Board members with a quarterly review of any and all debt instruments for which Bethel Schools is liable (since these do not always show up on expenditures/revenues reports).
- **Budgeting:** The Board, with the help of the Superintendent, has implemented a rigorous budgeting process.
- **Committees:** In order to ensure solid governance, as well as community involvement and awareness, the School Board formed committees to address several important aspects of the school's oversight, operations, and strategic direction. These committees include members of the public, teachers, and board members:

Financial Committee: This Committee will handle various issues that come up between regular School Board meetings in order to ensure that urgent issues can be tracked and monitored more than just once per month. Its responsibilities will include the following tasks, which it will then report to the full Board:

- To monitor any debt the school has, as well as to keep an eye on how the budget is working.

Bethel School Board Q&A

- To provide ongoing Board contact with the school administration and SU throughout the budget process.
- To address strategic direction of, and financial resources required for, building and property issues, including maintenance and construction.

Future Focus Committee: To gather information, consolidate options, and provide recommendations to the full Board regarding progress on any issues deemed critical to optimizing the future of Bethel Schools and its ability to provide a cost-effective, high-quality education to the community's kids. The issues are many and varied, but likely would include:

- Withdrawal from WNWSU
- Strategic direction.
- Efficiencies/cost-savings
- Curriculum enhancement/adjustment
- Future options for the school's governance and structure
 - Tuitioning out
 - School choice
 - RED
 - Other?

6) What are the current debts taxpayers are liable for through the Bethel Schools?

- **Accumulated deficit pay-down:** In May 2010, Bethel voters approved payment of \$480,000 of accumulated deficits from past years, to be paid-off in three payments of \$160,000. We have made one of those payments already, and the next one is scheduled for this coming summer.
- **Cash management program:** The school board in December 2010 approved a line of credit in the amount of approximately \$1 million. This line of credit is designed to meet the cash-flow needs of the school, because bills and payroll needs don't generally match when tax dollars are provided to the school. This cash management program, therefore, helps to meet cash needs and will be paid off before the end of the fiscal year.

Bethel School Board Q&A

- **Last year's operating deficit:** Technically, this is not a debt, but we are highlighting it so that taxpayers are fully informed about it. We ended last schoolyear with a \$123,199 deficit, and we are paying off that deficit by taking it out of our revenues for the coming schoolyear.
- **Gym floor payments:** A bond for gym improvements was issued in June of 2004 in the amount of \$135,000, and is being repaid at \$15,000 per year, plus interest. Balance due is \$45,000 as of the end of last Fiscal Year (June 30, 2010).
- **QZAB Bond:** This was issued July 2001 for \$255,000. It is interest-free and being retired at \$25,500 per year, with the last payment due this year.

7) What is the status of the Situation Report being compiled by the State Auditor's office?

The report is not yet finalized, and nobody from the school or the SU has seen a draft of it. However, the Bethel School Board expects that the report will confirm information that the Interim Superintendent, Interim Business Manager and financial consultant have determined on their own, and have been sharing with the School Board and community for several months.

8) Aside from unexpected surprises that may still be lurking in the SU's financial system, are there any upcoming financial problems or challenges you *know* about?

Building maintenance: The community has let it be known at more than one of our meetings that the school building itself is a community asset that they want to preserve. At the same time, however, the School Board is under tremendous pressure to keep school budget increases low. Thus far, the School Board has put off maintenance and other building-related issues that need to be addressed, but these issues have now reached a point at which we must perform needed improvements and repairs, or face potentially costly remediation measures.

Toward addressing this, the School Board has requested research from John Hubble, the school's building foreman, regarding a prioritized list of the most critical issues we must address, and he has done some preliminary work to determine the least costly ways of addressing these issues. Once we have a clear picture of how best to approach the repairs and maintenance, and their total cost, we will approach the voters with a proposal to bond for these expenditures.

SU current-year deficit: WNWSU is facing an operating deficit that will have to be paid for out of this year's budgets by the SU's various schools. Bethel's share of this deficit will be \$ _____. We have been aware of this deficit for several months, although the amount of Bethel's share has not been clear until recently. In conjunction with Principal Kevin Dirth keeping a close eye on expenditures, we are hoping to be able to absorb this deficit payment without ending the schoolyear with a deficit of our own.

Bethel School Board Q&A

Dr. Dirth has already identified several areas of the school's operation where we might be able to end the year with surpluses, which could then be applied to the SU deficit. How this situation unfolds will be revealed at upcoming School Board meetings, which we encourage voters to attend as often as possible.

Dear friends and neighbors,

As we approach the 2011 Town Meeting Day, the Bethel School District Board of Directors is able to report significant progress toward overcoming the district's financial difficulties, engaging the community in the school's strategic direction, and working with other school districts on potential collaborations that will accrue benefits to Bethel's students and taxpayers.

Strategic planning and community engagement

The School Board has been actively involved in looking for ways to maximize the cost-effectiveness of the education we provide while also committing to maintaining its quality. Toward that goal, members of the Board have liaised with school board members and Supervisory Union officials from surrounding towns to discuss the many issues that will have to be overcome in order to foster cooperation and lead to efficient collaborations between schools and/or Supervisory Unions. The form these collaborations might take are as-yet undetermined, although the state legislature has outlined procedures that allow school districts to join together in Regional Education Districts (REDs), and offers tax and financial incentives for doing so.

The School Board held a community forum in late October, 2010, at which the Bethel community expressed a wide variety of opinions regarding the strategic direction of the school, ranging from closure of the high school and implementation of school choice, to preservation of the school more or less as-is. One of the recurring themes in the discussion was an oft-repeated desire to see the school continue to exist as a primary center of gravity in the community as a Kindergarten-through-twelfth-grade institution. In order to accomplish this, community members suggested several possible courses of action, such as:

- Detailed exploration of the pros and cons of forming a Regional Educational District (RED) with one or more neighboring school districts.
- Developing and implementing a specialized or "magnet" curriculum to attract students from other districts, and to attract families to the Bethel district.
- Looking into any and all other options for cost-reduction and quality-enhancement, including efficiencies that may be realized through Supervisory Union-level changes.

Concerns and doubts expressed by community members included several issues to be addressed, including that the school's reputation may not make it feasible to attract significant numbers of students, that the high school should be closed in favor of school choice, that a RED governance structure would involve Bethel losing a degree of control over its school as part of a RED board, and that property appraisals would have to be adjusted to reflect the new tax structure of a new RED.

The School Board has taken the community's sentiments to heart, and will proceed with investigating the possibilities that make the most sense for our community. The difficulty, as always, is balancing the ideal scenario with its cost, and the School Board is committed to achieving this balance with the continued input from the taxpaying public.

Similarly, the School Board and the Supervisory Union have continued to pursue the withdrawal of Bethel from the WNWSU by going through the state-prescribed steps required for doing so legally.

New Principal

Given that Bethel's part-time Principal John Poljacik last year took the reins at the WNWSU as interim superintendent, it became necessary for the School Board to hire a principal to replace him. The Board formed a search committee that included members of the community, teachers, and school board. The search committee examined several applicants and narrowed the field down to a few highly qualified candidates that were interviewed before selecting Dr. Kevin Dirth.

Dr. Dirth brings a wealth of administrative experience, as well as a penchant for engaging the community in the school, and engaging the school in the community. His short tenure has already yielded dividends in a variety of ways, and the School Board is optimistic that the school will flourish under his leadership.

Putting finances in order

Over the past several months, we have worked with the interim WNWSU Superintendent and Bethel Schools administration to overcome financial problems that stem from WNWSU's handling of school finances in the past. Since last May, when voters approved the paying of \$480,000 in accumulated deficits over three years, the Bethel School Board has implemented measures to more closely monitor the WNWSU's handling of Bethel's finances. These measures are designed to meet community expectations of sound oversight and governance, as well as to address audit items identified by third-party auditors of the school district's finances. The audit items highlighted several areas in which improvement is necessary, and the School Board, school administration, and SU administration have worked to ensure that the audit items from the 2009 audit do not persist. Steps we have taken include:

- **Invoice approvals:** At least three Board members must review all bills being paid by the Supervisory Union on Bethel's behalf, and the three members must sign these warrants before they can be paid.
- **Expenditure/revenue reports:** The Supervisory Union must provide all Board members with a monthly expenditures and revenues report prior to the Board's monthly meeting, so we have a chance to review it and request clarifications during the meeting.
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 - School choice
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 - Other?

Deficit handling

One of the problems the School Board has worked to overcome was the fact that deficits from past school years were being rolled over rather than paid off, which necessitated last May's Town vote to pay off \$480,000 in accumulated deficits over three years (in payments of \$160,000 each).

Since that time, the School Board has dedicated itself to working toward deficit-free operation of the school, as closely as is practical. Since any given budget is essentially an educated guess, there is of course a margin of error, which is generally agreed to be anywhere from two percent to five percent. Last year's budget, ending June 30, 2010, fell into the low end of this margin of error: our deficit for last year was \$123,199. This deficit was due primarily to unexpected expenditures such as:

- Two medical leaves: These are expensive because they require the hiring of replacements, as well as benefits paid to those who take the leaves.
- Extensive mold remediation: This required testing and construction to remedy the health hazard associated with mold inside some of the school's walls.
- Transportation budgeting errors: These errors – amounting to tens of thousands of dollars – stemmed from erroneous budget planning by the WNWSU two years ago under its previous administration.

The School Board, along with the Principal, is keeping track of this year's expenditures with an eye to ending the year without a deficit, and hopefully with a surplus that can be applied toward reducing last year's deficit.

The proposed budget for 2011-2012

The School Board and the Administration have formulated a budget of \$4,518,580, which is less than last year's by approximately two percent. This two percent reduction is primarily due to a reduction in our assessment to WNWSU, but also includes very careful budgeting for items such as supplies.

Despite this reduction, this proposed budget will increase the tax rate by seven cents, bringing the rate to \$1.43 per \$100 of valuation from the current rate of \$1.36 per \$100. This is primarily due to two factors:

- Bethel's Average Daily Membership (ADM) is down. The ADM is a calculation formulated by the state to determine how many students we are educating, and it's based on two-year rolling averages. Therefore, even though our student-count will actually be higher next school year, we'll be paid based on the loss of about seven students, which translates into roughly a \$60,000 reduction in money from the state.
- Bethel's revenue is reduced by two factors. First is the \$160,000 that will be the second installment of our three-payment plan to eliminate \$480,000 in accumulated deficits from past years. And second is the \$123,000 deficit from last year's operations.

The School Board, like all taxpayers, is disappointed that the reduction in the budget does not also translate into a reduction in the tax rate, and therefore considered other options for reducing the budget in order to lessen the burden on the Town's taxpayers. We decided that the budget we propose to you in this report is the most responsible one possible based on the below factors:

1. Reducing the number of teachers is not an option. Bethel Elementary's student-to-teacher ratio next year is predicted to be almost 16 to 1. In grades 7-12, that ratio is predicted to be about 17 to 1. This compares to a statewide average of about 11 to 1, and places Bethel among the most efficient in the state when it comes to students per teacher. Further cuts, however, could jeopardize the quality of education, which the Board is unwilling to do.
2. Bethel Principal Dr. Kevin Dirth and the teaching and administrative staff have wrung savings from many categories across the board, and the Board does not feel it can recommend further cuts without sacrificing the quality of education. As you look through the budget line-by-line (which we encourage you to do), you'll notice some categories with double-digit percentage reductions in their budgeted amounts, and others with only tiny increases. In short, the areas that can be cut, have been cut.

For those voters who wish to have a high-level look at the budget rather than delving into the line-by-line detail, below is a summary of the broad categories of this year's expenditures, with dollar amounts rounded to approximate values. The exact dollar amount for this year's budget is \$4,518,580. The amount appears differently on the below table due to the rounding.

Category	Current year (2010-11) budgeted	Next year (2011-12) proposed
Salaries and Benefits	2,700,000	2,800,000
Special Education & EEE	1,130,000	975,000
Vocational Tuition	116,000	116,000
Transportation fixed costs	73,000	92,000
Utilities & Maintenance	155,000	169,000
All other	470,000	364,000
TOTAL	4,644,000	4,516,000

And for a closer look at the enrollment figures that inform our student-to-teacher ratio:

Grade	2010-2011	2011-2012
Pre-K	29	30
K	21	18
1-2	30	45

2010-2011 WNWSU Report of the Interim Superintendent of Schools

During the week of Town Meeting in March of 2010, The Supervisory Union Board of School Directors appointed an interim Superintendent with a term through June 30, 2011. This action was preceded with written approval from the Commissioner of Education. In conjunction with this change, an interim executive secretary and interim payroll clerk were also appointed. The immediate tasks were related to resolving payroll issues and bringing closure to the master agreement between the Teachers' Association and the School Boards of Windsor Northwest Supervisory Union. As these problems were being addressed, a district-wide strategic plan was developed and approved by the Supervisory Union Board; the plan addresses goals in management, business operations, and academics.

Consolidation: As you are aware, the Rochester and Bethel communities voted to withdraw from the supervisory union in March of 2010. The events associated with these votes are most easily recognized in meetings with the Commissioner of Education and testimony before the State Board of Education. A third meeting before the State Board was scheduled for January 18 during which time the State Board will receive a presentation on the findings of each community with respect to consolidation efforts. In summary however, the attention to withdrawing from the supervisory union lost momentum and each community began discussions about the future of their respective schools. Yet, the focus remains on finding a solution for the consolidation and/or long-term management of the supervisory union as cost effectiveness must remain in perspective given the declining and/or low enrollments of the schools.

Business Office: Establishing trust and confidence in the operations of the business office improved due to the employment of a short term experienced business manager who concluded work with WNW in September and with a financial consultant/analyst with whom we continue to work. Please read the finance report (following).

Leadership: WNW is currently operating with a collegial effort which engages all of the district administrators with responsibilities beyond their own local districts. Building principals lead curriculum councils, oversee grants, and assist closely with the development and management of the local budgets. Thus there is more ownership in how each of these entities impacts the school districts. Please read the reports on curriculum, Special Education, the Royal Windsor Academy, and ExCEL for additional information on various programs of the districts.

WNWSU Integrity: There have been numerous changes within the Supervisory Union, most of which you may occasionally learn about at the meetings of School Directors or the local media. In short, I believe that the School Directors are better informed on all aspects of school operations and finances and therefore have more ownership in decision-making. The Supervisory Union Board of School Directors have instituted financial policies, and anticipated audits are scheduled appropriately and studied closely. Grants are submitted in a timely manner to assure adequate funding of Title Programs and local school improvement activities. The

finances of the school districts are managed and monitored closely. All administrators are trained in the supervision and evaluation of staff, and administrators meet weekly to address the needs of students, programs, budgets, and any other issues of the districts.

Thank you for your support and continued interest in improving the schools and all aspects of teaching, learning, and leadership.

Respectfully Submitted,

John R. Poljacik, Interim Superintendent of Schools



2010-2011 WNWSU Financial and Business Report

From the standpoint of business operations and fulfilling our mission of support, the fiscal year ending June 30, 2010 and the months following have provided both challenges and opportunities for significant growth within the Supervisory Union.

The challenges resulted from the lack of knowledgeable and supportive leadership over long periods of time which was manifested in the inability of the business office to meet the needs of the various constituency groups. The opportunities are the result of new leadership at the Superintendent level and improved technical assistance for Supervisory Union staff from interim support.

In the spring of 2010 the Leadership established new expectations of service levels, and since that time the Supervisory Union Board has adopted financial policies, implemented a new accounting system, implemented a purchase order system, re-instituted the Board Order/Warrant system, and established monthly reconciling and reporting requirements for all the individual Boards within the District. At the local Board level Audits from prior years have been reviewed with Directors, and where appropriate, changes to current existing systems if necessary, have been instituted.

Over the course of the last few months the District has undergone not less than four Audits/Reviews by various agencies and departments including our annual outside audit. The Leadership has been very proactive in reviewing the results of these reports. The Boards have instituted appropriate changes where necessary to reflect "best practices". Although we have not received the results of the Annual Audit or the "Situation Report" from the State Auditor, those reports also will be reviewed with the appropriate Boards and changes made as necessary.

The last adjourned session of the Legislature established the "Challenge for Change" to all levels of State Government and Vermont School Districts. The "Challenge" for School Districts was to reduce "Education Spending" statewide by \$ 23.3 million, and the Vermont Department of Education established target amounts for each of the 63 Supervisory Unions in the State. Windsor Northwest Supervisory Union was one of only 14 Supervisory Unions in the State to achieve the targets. These savings will reduce property tax rates throughout the district.

As of the writing of this report, and with a full understanding of the impacts of declining enrollments on the cost structure of the Supervisory Union, we are moving forward with renewed optimism in our ability to meet the needs of the various constituency groups within the Supervisory Union and at both the State and Federal reporting levels.

Our Audit reports are not available in final form as of the deadline for printing the annual report but will be received prior to annual meeting and made available for your review.

Respectfully submitted,

Norman Andrews
Financial Consultant

Report on the Bethel Town School District Annual Meeting

Report on the Bethel Town School District Annual Meeting March 1, 2011
By John C. Gifford, School Business Management Consultant, SAO

I attended the Annual Meeting of the Bethel Town School District on March 1, 2011 held at the Whitcomb High School Gym in Bethel.

Attending were: 5 School Board Members, Interim Superintendent, School Business Consultant, 2 principals, Curriculum Coordinator and about 125 other citizens.

This meeting was held in the traditional "Town Meeting" style with the citizens speaking at a microphone at the center of the gathering.

There were seven articles to discuss. Articles 1,2,3,5 & 6 involved electing School District Officials, the Moderator, the Treasurer, the Agent and two School Board Members. These were all filled by the incumbent and passed quickly without discussion.

Article 4: The School Budget article: *"To vote to authorize the selectman, upon receipt of the grant list of the current year, to set a tax rate which will provide for the Town School District expenses in the amount of \$4,518,580."*

School Board Chair Kristin LaFromboise opened the discussion by describing the changes to the School District in terms of financial management since the meeting last year. She described the reinstatement of Board Orders, the monthly financial report, a quarterly review of the school district's debt as changes that have been implemented and/or restored during the past year. She described the budget building process as "Zero Based" with input from staff and the effort to maintain the current staff. She described two committees that are new this year.

Finance Committee:

This committee is reviewing and improving the communications between the Board and the Administrators specifically concerning financial issues.

Futures Committee:

This committee is working on issues concerning the future of the School District. Specifically:

- Working on the steps to withdraw from the Supervisory Union.
- Determining the appropriate approach toward a Regional Education District (RED) and the requirements of Act 153.
- Basically this group is working on the plans for the future of the Bethel School District.

She announced that the Futures Committee is working on a survey to collect input from all citizens about their desires for the future of the School District. She said that they will take that type of information in any way that they could collect it.

She announced the next meeting of the Futures Committee is scheduled for Thursday and all are welcome.

The Moderator asks if there were any questions from the citizens.

Report on the Bethel Town School District Annual Meeting

The first gentleman that spoke took the group on (his term) "A Magic Mystery Tour" of the budget.

- First he compared the Receipts and Disbursements from last year (FY 09) to the budget amount requested for next year (FY 12) and assured the group that there was something hidden.
- Next he described the difference between the Student enrollment estimated for FY 2012 (306) and the State Equalized Pupils for the tax rate calculations (267.3).
- He questioned several lines on the "boring" spreadsheet that is included in the annual report. The specific spreadsheet he was referring to is the "Three Prior Years Comparison – Format as Provided by DOI:" state required tax rate estimate calculation form. He stated that: "By the convolution of numbers the School District can hide a deficit."
- He then commended the School Board on the hard work in developing the budget.
- He went on and talked about the low number of students driving a reduction in the number of teachers and this causes a reduction in the resources available for the students.

The next speaker appreciated the hard work of the Board but wanted the budget voted down so that the Board can come back to the voters with a report on how to close the schools. He wants a bigger bang for his (tax) buck. He said "we are on the edge" meaning any further cuts will hurt the education of the students. He encouraged that we "Keep K-6 and tuition out 7-12."

Interim Superintendent John Poljacik talked about the eventful year in the SU and more specifically Bethel School Board's active role in improving the district and the SU. He told the crowd that the Board did not "Rubber Stamp" initiatives, but asked critical questions and is improving budget process and the management of the school district. "This year better than last, and next year will be better yet."

As an example of responding to public comment he described the budget building process for the SU budget. He described the 8 meetings beginning in October, and that the SU budget and associated assessments are included in the School District Annual report.

He talked about the position of Business Manager and that Norm Andrews is a School Business Consultant contracted on a task by task basis. He then described the task of reviewing the Special Education Expenditure Reports from the past four years that Norm has corrected. These corrections lead to some "Good News".

Good News.

- There is an assessment for the SU that will cost Bethel about \$145K
- Based on the SPED corrections that Norm found will gain the Bethel SD \$89K
- There is a tuition bill back that while unpopular will return about \$44K to Bethel.
- Based on correction to the Medicaid Billing correction there will be a return of \$58K to Bethel. He did mention that the Administration will need to explain how they will invest these funds.

(Based on my calculation, not made at the meeting, this adds to a net return to Bethel of about \$46K, some of which is limited in terms of how it is used (Medicaid)).

Report on the Bethel Town School District Annual Meeting

He went on to explain that while a lot of progress has been made, we have a long way to go. We are not done, and it would be wrong to promise "Smooth Sailing." Each rock we turn over seems to provide a surprise, recently there has been good news but that does not mean it will always be that way.

He told the crowd that the budget was built based on keeping the current staff and there is a teacher in every classroom.

The next citizen suggested that they vote the budget down and discuss what should happen next. They went on to say that we cannot go on like this too few students to function and a larger education system would give students better options. This person wanted to force the discussion about the future of the school district by not passing the proposed budget.

The next person came to the microphone and asked: "Where have you been?" She explained that these issues have been discussed at meeting after meeting and very few people have shown up to participate in those meetings.

A motion was made and seconded to postpone the budget vote until a date no later than May 11th in order for the School Board to come back with a plan for the future of the school district.

Joan Wood explained that she did not support the motion. She commends the School Board for all the work on the budget and wants the people to allow the school to operate while these issues are discussed.

One of the previous speakers responded that no one was complaining about the budget but we should vote to postpone it anyway.

School Board Chair Kristin LaFromboise asked that the crowd not "Hold the budget hostage" for this issue. She explained that the Futures Committee was working on just this issue.

Interim Superintendent John Poljacik asked the crowd to separate the two issues. The budget is the current thing and the future is a different issue. He said that the citizens need to do something about the future, it's not tonight, it's not the budget, it is your school and its future.

The motion to postpone the budget vote was withdrawn.

The next speaker talked about the disenfranchised citizen's vote counts just as much as any one who has attended all these meetings. He encouraged the Board to get information out in as many ways as possible.

A citizen came forward and asked that the School Board propose 3 or 4 options for the future such as tuitioning out all the students, privatizing the schools, and keeping the status quo.

A parent came forward and told the crowd that she appreciated the small schools and her children were doing well in this system.

Report on the Bethel Town School District Annual Meeting

The next person told the folks about a web site with news about Bethel and encouraged the School Board to post information on this web site routinely.

The question was called for the Budget vote. It was decided to do this by ballot. The budget passed 130 votes cast, 85 yes and 45 no votes.

There were NO questions about the content of the budget.

Article 7: The every thing else article. *"To do any other necessary and proper business in connection with the foregoing articles."*

School Board Chair Kristin LaFromboise read most of a letter being composed from the Windsor Northwest Supervisory Union Board to the communities that make up the SU. Parts of this letter will be included in a letter to the State Board of Education. The letter to the State Board will convey five primary messages:

1. First, the School Districts of Windsor Northwest will continue to explore the viable options for merging with another SU.
2. Second, because there are five areas of operation that are critical to our decision about how to proceed, we will ask the State Board of Education to let us know the current status of our neighboring supervisory unions in those five areas. The six areas we'll be asking about are:
 - Special Education Services that are required to be delivered at the SU level
 - Whether the SU's use a Multi-District Master Agreement and Collective Bargaining for professional and support staff
 - How they coordinate their K-through-12 curriculum
 - What their transportation initiatives are, and
 - Their level of compliance with Act 146 "Challenges for Change" (It should be noted that the Windsor Northwest school districts met the requirements of Challenges for Change this past year).
 - Will school choice continue for those school systems that currently have that option and will the State Board guarantee this will not change in the future.
3. The third major message in our letter to the State Board of Education and the Commissioner will be our request to the State Board for information about the financial resources that will be available to all districts to assist with transferring our responsibilities and obligations to another supervisory union.
4. Fourth, we will request the State Board of Education to provide information about professional guidance and human resources that will be provided by the State of Vermont and Department of Education to assist in our withdrawal from the SU.
5. And our last message in this letter to the state will be a request that the State Board of Education and the School Boards of Windsor Northwest schools meet to discuss a timeline and process for the dissolution of the Windsor Northwest Supervisory Union, and a transition of all its school districts to neighboring SU's. We'll request this meeting to take place prior to June 30, 2012.

Report on the Bethel Town School District Annual Meeting

Interim Superintendent John Poljacik talked about the complexity of closing down a Supervisory Union.

He said that the momentum has slowed down because of low involvement by citizens in Bethel. He explained that attendance at Rochester, a smaller community has over 100 people attend while in Bethel only about 40 people showed up.

He explained that at all the town meetings almost no time was spent of the dissolution of the SU but rather that future of each school district themselves.

Then he went on to describe the conversations held between individuals district and neighboring Supervisory Unions. For example Granville SD had a conversation with SU42 but that union would result in Granville students losing the School Choice options that they currently enjoy.

He talked about the other obstacles and most specifically:

- Special Education in WNWSU is handled at the SU rather than by the local districts.
- WNWSU provided SU wide curriculum coordination, this is not the case in other SUs
- There is only one Teacher Master Agreement in our SU other's have many.

He continued to explain that the options for SU closure are governance issues and required two willing partners. The State Board of Education can set a date but right now we don't have a "Dance" partner.

Finally Interim Superintendent John Poljacik explained that the State had provided no help in the study of changing the SU. We have spent an estimated \$10k on this so far and should not spend any more until the state steps up to help. He told the crowd how to access the communications on the State DOE web site concerning this subject.

One student came to the microphone and described her high school experience and the options she had to take college courses while she attended high school. She described the relationships that she has with her teachers that she is sure would not be available in a large high school.

The last citizen to talk thanked the Superintendent for his efforts for the school district and for his transparency. He pointed out that taxes are going up and that the two school districts with high schools are the only two that voted to leave the SU.

That was the last citizen who spoke and the moderator asked for a motion to adjourn. The meeting ended.

Report on the Bethel Town School District Annual Meeting

SUMMARY:

There was no comment about the history specifically nor any comment about the deficit issues that lead to this Situation Report.

There were not questions about the content of the budget.

The focus of the comments was more about the future. They are not as upset about the budget but rather the size of the student population and the effect that small population has on the education of those students.

The School Board has made significant effort in getting input from the citizens about the future of the school. They are committed to continuing this work with a Futures Committee and using survey and any other data collection methods they can so that they can present reasonable options to the voters in the near future.

BETHEL TOWN SCHOOL DISTRICT ANNUAL MEETING
MARCH 2, 2010

Pursuant to the warning recorded on the previous page, the annual Bethel Town School Dist. Meeting was called to order by Moderator, Carroll F. Ketchum at 7:05 pm with 177 voters checking in. The Pledge of Allegiance was given.

Art. 1 Eric Benson was elected Moderator for the ensuing year

Art. 2 Jean Burnham was elected School Treasurer for the ensuing year

Art. 3 Elected Debra Leahy as agent to prosecute and defend suits in which the Town School District is engaged

Art. 4 Postponed the vote to authorized for the purpose of retiring the deficit in the 2005-2009 school years to borrow in an amount not to exceed \$480,000 to be finance over a period not to exceed 3 years. Each yearly payment will not exceed \$160,000.

A motion was made by Debra Leahy and seconded by Charlene Bostrom that we postpone the vote on Art. 4 until no later than May 11, until we can get further information. This was passed by a voice vote.

Art. 5 Voted to postpone the vote, until no later than May 11 on authorizing the selectmen, upon receipt of the Grand List of the current year, to set a tax rate which will provide for the Town School District expenses in the amount of \$4,643,631. Motion made by Greg Timmons and seconded by Donald Hyde.

Total votes cast were: YES 130 NO 38 SPOILED 2

Passed as amended.

Art. 6 Elected Joan Wortman as School Board Director to a 2 year term beginning March 2010 and ending March 2012 ballot.

Art. 7 Elected Jose Lazo as School Board Director to complete a 3 year term beginning March 2010 and ending March 2013.

Art. 8 Other business. Comments made about public audit and maybe tuitioning out all but K-6 students.

Art. 9 Voted to withdraw from the Windsor Northwest Supervisory Union. Motion made by Paul Feeney and seconded by Peter Nikolaidis. This was passed by a voice vote.

Many spoke on the reason for this article. Some of the concerns were, that they are the center of the problem with the increasing budgets, their lack of good management, their poor accounting practices, which many felt was the cause of Bethel's deficit of \$480,000, and their not applying for reimbursements that the school should be getting for special education.

Meeting was adjourned at 9:40 pm.

Respectfully submitted,
Jean Burnham, Town Clerk

To: The Communities of Bethel, Rochester, Stockbridge, Pittsfield, Granville, Hancock

From: The Windsor Northwest Supervisory Union Board of School Directors

Re: Rochester and Bethel withdrawal from the SU/consolidation/regrouping

Date: Town Meeting – 2011

The Windsor Northwest Supervisory Union Board and local school districts have been working over the past 12 months to respond to the wishes of Bethel and Rochester voters to withdraw from the SU. Several school meetings and community forums have been conducted to determine the best way to accomplish the will of these communities. The Interim Superintendent, school administrators, representatives of all district School Boards, and some community members have attended State Board of Education meetings that have addressed this initiative.

To determine new assignments for the school districts, the Commissioner has asked the school districts of our SU to locate their preferred destinations and plan a timetable for that relocation effort.

The effort to locate other SU's as possible destinations for our school districts has taken place through conversations among the various superintendents and school directors during forums. So far, there are no clear and reasonable destinations that can be determined that allow us to make the changes required by the voters, while also adhering to Act 153, enacted by the state legislature last year. Our efforts are also complicated by the fact that neighboring school districts and SU representatives are reluctant to accept additional school districts under their responsibility. They are all focused on meeting new requirements for SU's that are due in 2012, as well as determining the futures of their community school systems.

The next step for the Windsor Northwest Supervisory Union Board of Directors will be to send a letter to the State Board of Education and the Commissioner of Education. This letter will convey five primary messages:

1. First, the School Districts of Windsor Northwest will continue to explore the viable options for merging with another SU.
2. Second, because there are at least six areas of operation that are critical to our decision about how to proceed, we will ask the State

Board of Education to let us know the current status of our neighboring supervisory unions in those five areas. The areas we'll be asking about are:

- Special Education Services that are required to be delivered at the SU level,
 - Whether the SU's use a Multi-District Master Agreement and Collective Bargaining for professional and support staff,
 - How they coordinate their K-through-12 curriculum,
 - What their transportation initiatives are,
 - Their level of compliance with Act 146 "Challenges for Change" (It should be noted that the Windsor Northwest school districts met the requirements of Challenges for Change this past year) and,
 - Will school choice continue for those districts currently exercising this option and will the State Board of Education guarantee this option?
3. The third major message in our letter to the State Board of Education and the Commissioner will be our request to the State Board for information about the financial resources that will be available to all

districts to assist with transferring our responsibilities and obligations to another supervisory union.

4. Fourth, we will request the State Board of Education to provide information about professional guidance and human resources that will be provided by the State of Vermont and Department of Education to assist in our withdrawal from the SU.
5. And our last message in this letter to the state will be a request that the State Board of Education and the School Boards of Windsor Northwest schools meet to discuss a timeline and process for the dissolution of the Windsor Northwest Supervisory Union, and a transition of all its school districts to neighboring SU's. We'll request this meeting to take place prior to June 30, 2012.

WINDSOR NORTHWEST SUPERVISORY UNION

Bethel, Granville, Hancock, Pittsfield, Rochester, Stockbridge
PO Box 830 - Pittsfield, Vermont 05762
(802)746-7974 (802)746-8647(fax)

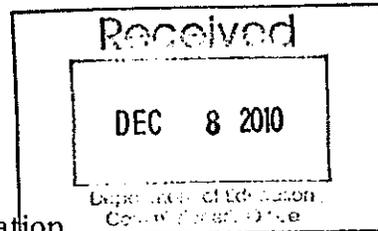
John R. Poljacik
Interim Superintendent of Schools

Kevin Coleman
Business Manager

Deborah A. Matthews, C.A.G.S.
Director of Special Education

December 2, 2010

Mr. Armando Vilaseca, Commissioner of Education
Department of Education
120 State Street
Montpelier, Vermont 05602-2501



RE: Windsor Northwest Supervisory Union - Consolidation

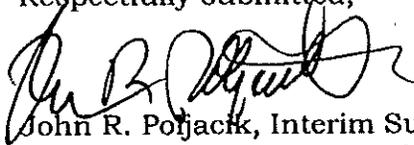
Dear Commissioner Vilaseca:

The Windsor Northwest Supervisory Union communities have explored numerous issues associated with consolidating the supervisory union to/with a neighboring supervisory union. The final chapters of the WNW study now include the minutes and summaries of the community forums.

Ironically, since the votes of Town Meeting day when the larger communities of Rochester and Bethel initiated this move, the WNW Board of School Directors has made the appropriate corrections to continue to lead the districts responsibly in the areas of teaching, learning and finance. Whereas the supervisory union has still been unable to resolve the issue of securing a business manager to oversee the finances of the districts, the accessibility of a highly skilled business consultant has kept the supervisory union in good standing with respect to financial management. However, it seems that the issue of consolidation has lost momentum and the local issues of discussing the future of the community schools is now the priority. Rightly so. As interim superintendent of schools, I believe it my responsibility to continue the quest of consolidation. My plan is to discuss merger, in part that is, at least trying to consolidate business operations. To do so, a neighboring SU will need to agree to include the daily financial operations of the WNW school districts. The advantages of such a merger might be that a business manager would oversee all, and that WNW would provide the administrative assistant employee personnel to carry out the directives of the business manager. Whereas I do not necessarily see financial savings, the issue is more about fiscal leadership.

I respectfully request the support of the Commissioner and the State Board of Education in pursuit of this endeavor. Further, I believe, that such a merger would be a correct step toward consolidation of the districts of the WNWSU. At some time in the very near future, it would seem that a Superintendent, with additional leadership assistance, would be quite capable of managing the larger SU comprised of additional school districts. The other option, so it seems, would be to merge the school districts with adjacent supervisory unions.

Respectfully submitted,



John R. Poljack, Interim Superintendent of Schools
Windsor Northwest Supervisory Union

Attachments: Forum Summaries

1. Pittsfield, November 9, 2010
2. Bethel, October 28, 2010
3. Stockbridge, October 20, 2010
4. Rochester, October 18, 2010

Pittsfield

At its publicly warned November 9 meeting, the Pittsfield School Board discussed consolidation relative to Act 153. Present were John Poljacik, WNWSU superintendent; Kevin Coleman, WNWSU business manager; Kris Sperber and Ray Rice from the PSB; and Angelique Lee. Kris Sperber attended an informational meeting of members from OWSU and WNWSU boards on November 4; Ray Rice has been following the discussions at WNWSU board meetings and at the state Board of Education; AJ has also attended state Board of Education meetings. Reports on these various meetings, and discussion specific to Pittsfield's situation (including recent governance study), SPED costs, WNWSU management, and SU consolidation obstacles followed. Unfortunately AJ could not be present, and so the discussion will continue at the December 14 school board meeting. At this point, the consensus is that Pittsfield thoroughly studied school district consolidation as part of the governance study that concluded in March 2010, and sees more benefit in sharing SU services than in a change in district governance.

Bethel

community forum summary

Jamal Kheiry [jamal.kheiry@clarity-stratcomms.com]

Sent: Thursday, November 18, 2010 3:32 PM

To: John Poljackik

Cc: Kevin Dirth; Kristin LaFromboise

Hi John,

Below is a brief summary of the community's input from the Oct. 28th forum. It's around 230 words.

Regards,
Jamal

Bethel community forum – 10/28/10

Summary

The Bethel community forum elicited a wide variety of opinions regarding the strategic direction of the school, ranging from closure of the high school and implementation of school choice, to preservation of the school more or less as-is. One of the recurring themes in the discussion was an oft-repeated desire to see the school continue to exist as a primary center of gravity for the community as a K-12 institution. In order to accomplish this, community members suggested several possible courses of action, such as:

- Detailed exploration of the pros and cons of forming a Regional Educational District (RED) with one or more neighboring school districts.
- Developing and implementing a specialized or "magnet" curriculum to attract students from other districts, and to attract families to the Bethel district.
- Looking into any and all other options for cost-reduction and quality-enhancement, including efficiencies that may be realized through SU-level changes.

Concerns and minority opinions expressed by community members included several issues to be addressed, including that the school's reputation may not make it feasible to attract significant numbers of students, that the high school should be closed in favor of school choice, that a RED governance structure would involve Bethel losing a degree of control over its school as part of a RED board, and that property appraisals would have to be adjusted to reflect the new tax structure of a new RED.

Community Forum Notes – Oct. 28, 2010

Below are notes of community input from the community forum that took place on Oct. 28, 2010 regarding the strategic direction of the Bethel Schools District. These notes do not mention who presented which comments, suggestions or questions; rather, the focus is on the ideas themselves.

- SU complaints are nothing new: that they are costly, not valuable.
 - Are there different ways Bethel can be represented on the SU? Can governance be adjusted in that regard?
 - Special ed costs are an issue, and no matter what we do, they'll continue. Could even rise, depending on how we proceed.
- Regarding costs: has an estimate been made regarding the various options being considered?
 - Answer: Yes – some numbers available, although preliminary. Also, cost is not the sole criterion.
- At HS level, there are lots of educational models elsewhere (Big Picture, Sharon, others). If we scrapped the conventional one here and move to a cognitive/divergent thinking model, that could draw students and positively affect costs. Also could bring in ADHD students and accommodate their needs. If we make it unique, creative, we could draw more students.
 - Response: At last Board meeting, the Board created committees to address this type of question.
- If we can't get along as an SU, this (withdrawing from WNWSU and/or joining other districts in Regional Educational Districts) does not seem like a good solution; how would we be able to work out the tax rates issue w/other districts?
 - Solution for this SU might be for everyone to go their own way (akin to split destination). Stockbridge and Pittsfield are protective of school choice. We're fortunate to be located w/in driving distance of several other schools, incl. vocational.
 - And [tuitioning out] perhaps a more palatable solution to our neighbors.
 - Challenges for Change is a blunt instrument, and unfortunately excludes SUs.
- We should close the HS. We're shortchanging kids, can't offer what they need. Coming up with a plan to lure more tuition is a great idea, but we're starting way behind in terms of reputation. SoRo and Randolph are ahead in this regard and offer great opportunities to our kids. Cost is not the sole criterion; quality is important. We'd be better served by surrounding schools competing for our kids rather than joining the competition.
 - WNWSU all together doesn't even comprise a big school. I don't advocate joining other SUs; would like to be like tuitioning-out towns.
- I went to Bethel and Sharon. Community is one of most important factors; if we were to close HS, we'd lose a core of the community. We should research revamping before considering closing the HS; we owe it to our kids, community to make it the best we can.
- Wholehearted agreement w/previous comment. What kids need is what they're getting now – a great education. What kids need more nowadays is community and belonging. Some sports can be played in other schools while still attending Bethel.
- Share most of views expressed; don't want to shortchange kids, but community is very important. Bringing in new people can revitalize the school. We should try to keep the school and generate new ideas and interest, and make it sustainable financially.
- From an outsider's perspective, the community is extremely welcoming, and I've learned a lot about the community and the kids. This community needs a school as a center-point. Bethel won't be the same if the school is closed. There is a renaissance in Bethel going on right now (Town Hall, recreation, new business), and it's exciting; it would be counterproductive to close the school.
- Agrees with maintaining the school as the center of gravity of the community. State Board of Education's report on the future of education in Vermont notes that opportunities for cost-savings will