



2024-2025 Budget Discussion

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The Facts of the Budget Shortfall

- ▶ The 2023-2024 operating budget was over-expended by almost \$616,000.
 - ▶ The prior administration did not communicate this information to the school board. The board was made aware on 2/13/25.
 - ▶ The prior administration did not report the operating budget over-expenditure accurately to the NH Department of Education and the NH Department of Revenue (FY 23-24 DOE-25 and MS-25 submissions).
- ▶ The district has engaged in the practice of “looping” or “lapping” for over 10 years.
 - ▶ Looping is when the expenses from one year are paid with funds from the upcoming school year.
 - ▶ Nearly \$1.1 million of the FY 24-25 budget revenue was used to pay for FY 23-24 expenditures. Included in this amount are:
 - ▶ \$450,000 in summer payroll and vendor payments
 - ▶ \$579,000 in NH Retirement System payments

The Result

- ▶ **There is serious concern that the district does not have the funds to meet all of the financial obligations for the 2024-2025 school year.**
 - ▶ There is a critical cash flow problem, though the causes of this has yet to be fully identified. The SAU office is holding vendor checks because we do not have enough funds to meet our financial obligations. We are only able to meet payroll.
 - ▶ It is unclear if the cash flow is less than needed because the tax rate was not set correctly, if the district's known over-expenditures caused the issue, or it's the combination of both issues or something else.
 - ▶ The prior SAU administration did not do a thorough job managing the revenue side of the budget.
 - ▶ We anticipate that the FY 2024-2025 operating budget will be at least \$1 million dollars short of being able to meet financial obligations.

How Did We Get Here?

▶ General Financial Mismanagement

- ▶ Poor utilization of the district's accounting software.
 - ▶ Some known expenditures were under-budgeted (i.e., health insurance costs)
 - ▶ Revenue is not tracked in the accounting system until after it is received. Budgets have not been built based on the available revenue.
- ▶ Federal grants mismanagement.
 - ▶ Activities were allowed to be implemented although the activities were not approved.
- ▶ Employment contracts contained many errors.
 - ▶ Some employees were overpaid because the salary figures on their contracts were inaccurate.
- ▶ USDA food reimbursement claims were not always submitted on time resulting in a loss of revenue.

How did we get here? (cont.)

- ▶ **Free/Reduced Meals approvals for families did not follow a standardized process.**
 - ▶ Some families were overcharged for meal prices and as a result, the school district did not receive the reimbursements expected.
- ▶ **Prior administration failed to follow established school board financial policies.**
 - ▶ Audits have not been regularly scheduled on an annual basis. The last completed audit was for the FY 21-22 school year. (Policy DIE)
 - ▶ The prior administration did not notify the board of over-expenditures. (Policy DBJ)
 - ▶ The prior administration did not provide financial reports and statements on quarterly basis showing the financial condition of the school district. (Policy DI)
 - ▶ The prior administration did not adhere to a clear “segregation of duties.” No one person should be responsible for “entire financial transactions” such as all aspects of managing federal grants, creating the operating budget without any involvement from the financial manager. (Policy DIH)

How did we get here? (cont.)

▶ Additional Factors:

- ▶ Continual turn-over in part-time superintendent, financial manager position, and SAU administrative assistant/Human Resources Coordinator.
- ▶ Lack of communication between the SAU office and the school board.
 - ▶ Lack of regular information about the status of the operating budget expenditures and revenues.
 - ▶ Prior administration provided financial information out of context from the entire budget situation.
- ▶ Unanticipated additional special education costs (i.e., out-of-district tuition and transportation, related-service providers cost more than having your own employees).

What have we done so far?

- ▶ Created a system to ensure that the food services claims are being submitted.
- ▶ Working on creating improvements in the free/reduced meals approvals.
- ▶ Contacted the NH Department of Revenue and the NH Department of Education for their procedural guidance.
- ▶ Increased communication in the SAU office. The prior administration did not communicate on a regular basis about budgetary and relevant personnel issues.
- ▶ Financial audit is near completion for the FY 22-23 school year. FY 23-24 financial audit has been started and we are on the list for the FY 24-25 audit to be started at the end of the fiscal year.
- ▶ We have started improving our grant reporting and grant management practices.
- ▶ Work closely with the school district's treasurer.

What have we done so far (cont.)

- ▶ **Improved oversight by the school board.**
 - ▶ School board is now receiving monthly balance sheet updates of district's expenditures and revenues.
 - ▶ Review of all financial policies.
 - ▶ Review of relevant personnel policies (i.e., Policy GB - Support Staff) to provide needed detail and clarity on hourly staff personnel.
- ▶ **Move forward with a more in-depth "forensic" audit of the financial records from the FY 23-24 school year.**
- ▶ **Work with the special education staff to ensure that Medicaid billing is being submitted with fidelity to capture all available revenue.**
- ▶ **Work with the Department of Education to determine the amount of special education aid the district is expected to receive in FY 25-26. This amount is based on certain expenses incurred by the school district in FY 24-25.**

Plan to Recover the Shortfall

- ▶ We believe that the FY 2024-2025 operating budget will be at least \$1 million short of revenue to meet the district's financial expenditures.
- ▶ To recover the shortfall:
 - ▶ Apply \$200,000 of the approved FY 2025-2026 operating budget as unanticipated revenue for the FY 2024-2025 budget.
 - ▶ To do this, we would only restore \$200,000 of the positions reduced.
 - ▶ The remaining \$200,000 would be transferred as unanticipated revenue for the FY 2024-2025 budget.
 - ▶ Transfer \$125,000 from the school district's special education reserve account to offset the additional special education expenses incurred.

Plan to recover the shortfall (cont.)

- ▶ **Other strategies we are investigating:**
 - ▶ Borrow against revenue for the FY 25-26 school year. Districts are allowed to borrow against their incoming special education aid and their adequacy aid. The debt can “roll” from year to year until it is paid off.
 - ▶ Hold a special school district meeting in September 2025 to ask the voters to raise and appropriate the additional funds needed to make the FY 2024-2025 “whole.”
- ▶ **With any of these procedures, the school district will work with the Department of Revenue and Plodzik and Sanderson, the district’s auditor to ensure that the district followed the correct procedures to rectify the debt.**

Questions/Discussion

Thank you for coming this evening!