

LNSU/LNMUUSD Finance/Bond/Budget/IT/Facilities Committee

Minutes of Meeting

April 15, 2019

Those in Attendance: Mark Stebbins, Bart Bezio, Lisa Barry, Angela Lamell, Patti Hayford, Sue Prescott (arrived at 6:46 p.m.), Deb Clark, Dylan Laflam, Andy Bachand from Kittell Branagan & Sargent
Minute Taker: Sue Trainor

Call to Order, Approval of Agenda and Public Comment: Stebbins called the meeting to order at 6:01 p.m. The agenda was not amended and there was no public comment.

Routine Business: Consent Agenda Items. There were no items discussed.

Receive FY2018 Audit Reports from Kittell Branagan & Sargent: Andy Bachand was present to explain the various sections and details of the audit report and to answer any questions. Bachand reported that both the LNSU and LNMUUSD had received clean opinions. There were no material misstatements. Both had single audits, which was required if an entity received more than \$750,000 in federal funds. Bachand stated that Report #1 of the audit provided detail on all of the federal funds received and expended. Report #2 and #3 were the internal control and compliance reports. Bachand was happy to report there with no non-compliance findings and no significant deficiencies in internal controls. New in the financial statements this year was information for GASB 75, which reported on other postemployment benefits.

There were no other major findings or issues. There was one journal entry item in the MUUSD reporting that was reported on. There had been a bill from the Village of Hyde Park for electrical services used during school construction, of which \$23,000 should have been booked in FY18. For the fund financial statements this didn't result in a budget to actual variance because it wasn't for normal school day operations. It was determined this was not materially misleading to the financial statement as a whole. The same item would be reported in the FY19 audit as well because of the work being done over two fiscal years.

Bachand noted that because the District was not consolidated, single audits were required for both the LNSU and LNMUUSD and were redundant, as a lot of the funds were the same. Bachand then went on to explain how to read the District-wide financial statements. He noted District-wide financial statements were on the full accrual basis of accounting and reported what the total long-term and short-term assets were, as well as the total long-term and short-term liabilities. This method was different than the fund financial statements, which the District used in budgeting. Fund financial statements were on a modified accrual basis of accounting. The big difference between the two types of statements was long-term assets and long-term liabilities and how they were treated when recording the expenditures. Bachand outlined an example of how these were recorded differently in Page 1 and Page 3 of the audit. A reconciliation of the two statements could be found on Page 4 of the audit. Page 2 and Page 5, both income statements, also reflected the differences between a full accrual and a fund financial statement. A reconciliation of the two income statements could be found on Page 6.

Bachand then explained that the fund balance information could be found at the bottom of Page 3. There were four fund balances: a non-spendable fund balance, which included inventory and prepaid expenses; a restricted fund balance; committed fund balance; and the remainder was the unassigned fund balance. Footnote #22 on Page 44 provided detail of what the commitments and restrictions were on the fund balances. The net unassigned fund balance was \$439,000 at the end of June, which was reflected at the bottom of Page 3.

In Bachand's opinion, the most important schedule to Boards was the budget-to-actual comparison and that began on Page 49. Page 52 stated there was an excess of revenues over expenditures of about

\$38,000 but there were transfers out of \$684,000. The net change in fund balance was -\$644,000. Clark explained those transfers out were fund balances applied and not actual operations. Bachand explained that \$270,000 was budgeted for those transfers. The rest of the funds were transfers related to the Capital Projects Fund and Bachand confirmed that this was reflected on Page 5 of the audit. Bachand informed the Board that the unassigned fund balance for Lamoille North was \$195,000.

Bezio asked if there were any new accounting pronouncements that would impact next year's accounting statements. The auditor didn't think there were any for governmental entities.

Bachand then explained that the Management Discussion and Analysis section was the summary of the financial statements and informed the reader of what had happened over the course of the year. Clark stated it was a format that had been used each year and was the Board's message about the financial statements. Clark suggested that the Committee read through it to see if they wanted to add information. Clark reminded the Committee that they could contact the auditors any time they had questions.

FY2019 Projection Reports: Clark informed the Board that the SU had a \$307,000 surplus, however, \$320,000 of that were reserves that had been applied. The funds that were unpredictable at this time were special education funds. Revenues were projected to be higher than budgeted, but expenditures were projected to be lower than budgeted. Clark stated that the SU building was going to need some work, so the 2021 budget may have some reserve funds available. Because special education was centralized, if an employee worked part of their time in special education all of their payroll came to the SU and schools were charged back for the non-special education portion. When building the FY19 budget there were two Pre-K employees, one in Waterville and one in Hyde Park, who split their time so the budget was built at the SU with their pre-K non-special education budget at the SU. Those employees had since stopped doing special education so there may be a slight adjustment for those two employees.

The projection reports included all the updated information provided by the administrators. It appeared there could be some healthy surpluses. At the elementary level, there was a surplus of \$160,000. \$92,000 of that were reserves that had been applied. Hyde Park and Johnson had been on a budget freeze, so Clark said they could consider shifting some of the funds in order to purchase equipment or pursue initiatives they had been unable to finance previously. The high school and middle school were coming in where they should, however, that included \$57,000 of surplus. Backing that amount out, there was a deficit of \$28,000. GMTCC had a healthy surplus and had some plans to spend the funds. There were some capital issues that the funds could be used on. GMTCC had applied \$198,000 of FY17 surplus and revenue to hold down expenditures.

Facilities:

Bond Projects & Balances Updates:

Hyde Park: Laflam stated there was less than \$10,000 left in the bond. Those remaining funds would go to Bill Root, the Clerk of the Works. That project was on budget.

Eden: Laflam stated there was \$72,707 that remained in an open bond. The original garage storage project had been budgeted at \$80,000 and they were able to do the project for half the cost. \$38,000 had been budgeted for insulation but it appeared there was enough insulation already. Storage continued to be a high priority so Laflam would be requesting to move those available funds from the insulation project to build an addition off the gymnasium for storage. That would cost between \$60,000-\$65,000.

Johnson: \$28,035 remained in the bond and Laflam wanted to apply this to the HVAC line item for mini splits. Work could begin on installing the mini splits before the end of the school year. The cost of that would be \$28,000.

Future Bond Project Discussion: Several years ago Laflam had been asked to review the possibility of building a 2,000 square foot performance art space. The cost was estimated to be approximately \$350,000. Laflam explained that if several items were pulled from the \$2.7 million bond currently being considered, it was possible to add this project to the bond. Laflam said that Lussier had suggested pulling the CEC line item out of the bond and GMTCC could fund the projector, bringing the total to \$2.6 million. Adding the performance art center would bring the bond to \$2,960,612. That amount would cover a complete overhaul of the gymnasium, new roofs over many parts of the school, a new stage floor for the auditorium, resurfacing of all the parking lots, a kitchen line remodel, and ceiling tiles in the kitchen. The kitchen items totaled \$152,000, of which \$90,000 was for the line remodel and \$60,000 was for the lighting and the ceiling tiles.

Laflam and Clark then discussed the timing of a bond vote. Factors to be considered included the 30-45 days required to warn the bond vote, the 30 days required after the vote for reconsideration, three months of design work, and the fact that December was the best time for contractors to bid on projects. The bond vote would need to take place in June and the decision to move forward would need to be made at the next Board meeting. Stebbins noted the Board would be touring the building at the next Board meeting. Laflam asked for the Committee's thoughts on including the performance art space in the bond. Stebbins stated he thought the Board could review the entire package and make that determination. Stebbins noted there was competition for a fine arts type of room in the building. Barry was concerned with the bond vote being in June, noting it was a very busy time of year filled with graduations and vacations.

The Committee discussed the priorities if the Board didn't approve the total package. Stebbins noted that it was important to maintain and repair buildings, which this bond would do. Prescott noted that it was possible to determine the tolerance of the voters by putting the full scope of work to a vote. Stebbins stated that considering the amount of work that was being done and the amount of the building that was being updated, it was a surprise that the cost was under \$3 million. The Committee agreed to move this item forward to the Board.

Discuss Committee Name: The Committee decided to change the name of the Finance/Bond/Budget/IT/Facilities Committee to the Finance and Capital Committee.

Other Business: Laflam informed the Committee that they had been trying to determine where a sewer/septic smell was coming from at the Hyde Park Elementary School. The smell had been occurring randomly on and off since the fall. Someone had called the State complaining of unsanitary conditions and a plumbing inspector came last week. Wright and Morrissey and Thomas Mechanical inspected all of their work and a great deal had been done by Laflam and Bill Root to determine where the smell might be coming from. Following extensive inspections, it had been determined that the smell was not coming from inside the building and, therefore, not construction based. The smell appeared to occur more often at night. Laflam would continue to investigate.

Laflam then discussed the space use analysis. Colin Lindberg's office now had the blueprints for all buildings except Cambridge. There had been tours of Eden, Belvidere, and Waterville and it was clear that these schools were very cramped. Laflam outlined the tour schedule of the remaining buildings. Robtoy Farm would not be included as part of the review because the District did not own the building. The first presentation by Lindberg would probably be at the beginning of June.

Adjourn: Barry made a motion, seconded by Lamell, to adjourn the meeting at 7:20 p.m. The motion passed unanimously.