Rivendell Review Committee Findings: Impact on Orford School Apportionment

Informational Report to the Selectboard
Town of Orford, NH

by
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6/12/2019
Background: How RISD Operates

**MYTH:** Rivendell is a **VERMONT** school district.

**FACT:** RISD is an **INDEPENDENT ENTITY** – governed by a VT-NH Interstate Compact & the RISD Articles of Agreement. [Billing & data reporting are separate to each State.]

**MYTH:** ALL financial aspects of RISD operation are Audited annually.

**FACT:** **Audited** -- Overall District financial operations *only*.

**NOT Audited** -- Allocations to individual members. *

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*A Rivendell Review Committee was commissioned in March 2017 with the charges to:

a.) Review the allocation of costs vs. the governing “rules” and
b.) Define the role of the Locally Elected Auditors

The Review Committee completed its work in May 2019.

6/10/2019
Background: Principles in RISD Allocation Methodology

1.) The bulk of the District Operating expense is allocated to VT & NH members in proportion to their percentage of students enrolled [ADM%]. [i.e. RISD is “one community”]

2.) Exceptions are made for allocating 2 operating expenses by alternate formulas. [Debt Service for New Construction & Transportation to/from School]

3.) Ensures that certain revenues are always shared by ADM%, independently of the route by which they arrive in District coffers. [e.g. Federal Grant $, Other Grant $, Tuition from Other Districts & any Internally-Generated Revenues]

4.) Exceptions are made for VT & NH State Aid revenues, which are credited to each member by State (i.e. not shared). [e.g. various VT SPED Aid, Transportation Aid, CTE Aid...etc.] [e.g. NH Adequacy Aid, Building Aid, CTE Aid...etc.]
Summary of RISD Impact on Orford (FY01-FY19)
(Total Orford Taxpayer Investment in Education: $44,919,965)

Poor Accounting Procedures

- Math Errors in Allocations (FY05-FY18)*
  - 4 FYs Wrong ADM% Applied
  - 2 FYs Mismatch in total SPED Grant $
  - 1 FY Mismatch in CTE Tuition Expense $
  - 3 FYs Miscalculated Debt Repayment Shares
    Impact: -$60,000 (saved)

- Member Shares of Expenses and
  Revenues Never Reconciled by
  Budget vs. Actual (FY01-19)
  Impact: $???

- Mismatch in Reporting to NH DRA (FY18 & 19)
  Impact: $0 (offsetting)


NOT In Compliance With the RISD Rules

- Wrong Period Used for ADM Count (FY??)
  Impact: $??? (small?)
  (Applied VT Rule to RISD, not Article F)

- Not Include Pre-K in ADM (FY02-16)
  Impact: Much (?) more than +$220,000 (FY12-FY16)
  (Applied VT Rule to RISD, not Article F)

- Treat CTE Tuition as Member-Specific Expense
  Without an Authorizing Article (FY01-FY19)
  Impact: +$176,000.
  (Did not follow Article F provisions)

- Not Treat Federal SPED Grants as Shared Revenue to
  District (FY06 to FY11 & FY19)
  Impact: +$145,000
  (Did not follow Article F methodology)

- Reset New Construction Debt Share % Annually,
  vs. Fixed % at Year Appropriation was Voted (FY01-19)
  Impact: +$1,200,000
  (Inconsistent with Interstate Compact)

☑ Issue verified by RRC as corrected by RISD as review began (FY18)
☑ Issue corrected by adopting Interim RRC & LEA recommendations (FY20)
☑ Issue pending RISD attention (needs legal opinion)

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What The Locally Elected Auditors Will Do

Continuing as In the Past

- Review the Annual Audit Report prepared by the Hired Auditors.
- Report findings to the taxpayers via the RISD Annual District Report.

New Responsibilities

- Review the Budget and the Member Allocation calculations prior to publication in the RISD Annual Report.
- Verify that annual revenue assessments by RISD to VT & NH match appropriations voted at the District Meeting.
- Compare Budgeted vs. Actual (Audited) Expenses to reconcile not only District fund balances, but shares of fund balances to each member.
What Orford Ought to Do

Suggestions for Orford Regarding RRC Findings

- Request that RISD perform an assessment of the financial impact of not counting Pre-K students in ADM between FY03 through FY16.  
  [NOT included in RRC recommendations to RISD Board]

  [Included in RRC recommendations to RISD Board]

- Monitor RISD progress in pursuing legal opinion regarding Debt Service payment.  
  [Included in RRC recommendations to RISD Board]

Recommendations for Orford

- Organize community meetings to discuss the above & get taxpayer input on directions.

- Institute an annual procedure to verify independently that the school Appropriation reported from the NH DRA portal agrees with that voted at the RISD Annual Meeting.

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What Orford Might Also Raise for Discussion...

- **Questions** (see § graph on the next page):
  - For FY20, why does a 5.1% increase in RISD operating budget result in a 9.5% allocation increase to NH and a 3.7% allocation increase to VT?
  - For FY04 to FY16, why did a 28% increase in RISD operating budget result in a 58% allocation increase to NH and 15% allocation increase to VT?

- **Answers** (see ADM graph on the next page):
  - For FY20, a 4.7% decrease in VT enrollment (ADM)
  - For FY04 to FY16, a 35% decrease in VT K through 12 enrollment (ADM)

- **Suggests raising for discussion the possibility of modifying the cost-sharing approach in RISD from ADM% to other options.**
  - Projections are for continued VT/Orange County enrollment decline (>7%) thru FY30
  - The Interstate Compact allows for cost-sharing by a.) ADM%, b.) fair market value of property, or c.) a hybrid of a. and b.
  - Requires a major effort to amend Articles of Agreement to implement
  - ...But Orford faces another decade of “more of the same” $ impact as in Q&A above
FY04-FY16: **Orford Budget Share Increase (58%)**
Outstrips RISD Budget Increase (28%)
Due to VT Enrollment Decline