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Masconomet Regional School District Review

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I. Introduction

The Massachusetts Education Reform Act (MERA) of 1993 has three major goals: to increase student achievement; to achieve adequate funding for all local and regional school districts over a seven-year period; and to bring equity to local taxation efforts based on a community's ability to pay. In February 1997, the Governor issued Executive Order 393 to evaluate the education reform program that was nearing the end of its fourth year. In FY99, Massachusetts General Laws (M.G.L.) Ch. 70 state aid for education reached $2.6 billion. With an investment of this magnitude in the Commonwealth's schools, it is critical to "review, investigate and report on the expenditures of funds by school districts, including regional school districts, consistent with the goals of improving student achievement." To that end, Executive Order 393 established the Educational Management Accountability Board (EMAB).

The Secretary of Administration and Finance selected a team of auditors from the Department of Revenue's (DOR) Division of Local Services (DLS) to conduct the school district reviews. DOR's Director of Accounts is the chief investigator with authority to examine municipal and school department accounts and transactions pursuant to M.G.L. Ch. 44, §§45 and 46A. The reviews are conducted in consultation with the State Auditor and the Commissioner of Education (COE).

The audit team began and completed the review of Masconomet Regional School District (MRSD) in August 2000. School officials cooperated fully with the audit team.

The Executive Summary includes some of the more significant observations and findings of the review of MRSD's operations. The report discusses all results, deficiencies and recommendations in greater detail in the "General Conditions and Findings" section.

II. Executive Summary

Masconomet has reasonable operational controls in place and conducts its business effectively. Demographic characteristics place the district among the top of all regional districts statewide. MRSD academically has achieved good to excellent MCAS scores over the first two administrations of the test and its member towns per capita incomes exceed to far exceed the state average. Community support is evidenced by a $54 million school construction program. Financially, the system appears sound.

Boxford, Middleton and Topsfield comprise MRSD. In FY99, the district had a student population of 1,638 and $13.9 million in total district expenditures. In recent years, the district has exceeded both foundation budget and net school spending, but key area spending targets have generally not been met. In FY99, the minimum spending requirements for school building and professional development were budgeted for and met. From FY97 to FY99, per pupil spending for day programs increased by about 6.4 percent as enrollment increased by about

11 percent, or about three-and-one-half times the state average. In FY99, per pupil spending decreased to slightly below the state average.

The district is in financial managerial transition. It recently hired its first business manager since before education reform began. Currently, due to a small central office and school based management staff, the Superintendent, assistant business manager and assistant to the superintendent all have multi roles in a working team model. The Superintendent has filled the role of business manager since she became Superintendent in August of 1995. Over the last year, the district requested and received recommendations from two certified public accounting firms regarding cash reconciliation and cash control procedures. Although a regional agreement apportions costs among the towns that comprise the district, actual apportionment of costs are not made in accordance with the agreement. The district should review and implement these recommendations, along with recommendations found in this audit, to strengthen and improve district procedures.

OVERVIEW [Section 1]

- Per capita income reported as of 1990 for each of the three member towns exceeded or far exceeded the state average of $17,224.
- The district treasurer, appointed annually by the school committee, is a part-time volunteer and is responsible to pay bills, invest cash and provide reports to the school committee.
- FY97 school choice revenues of $325,000 accounted for 24 percent of all revenues excluding assessments and state aid. School choice was eliminated in school year 1999/00 due to the lack of available space.
- In 1997 the school committee applied for a waiver from time and learning regulations for the high school. The high school is not in full compliance with time and learning requirements. The school committee has made full compliance one of their goals for the upcoming year.

DISTRICT MANAGEMENT [Section 2]

- The Superintendent was hired in August of 1995. She has been handling most business manager tasks and superintendent duties since. A priority since being hired has been to hire a business manager. Her efforts resulted in the hiring of a business manager that will allow her to concentrate on educational issues such as curriculum.
- Because of cash reconciliation problems the Superintendent replaced the bookkeeper four years ago, changed to a new accounting system and changed firms that audit the district.

REGIONAL SCHOOL DISTRICT AGREEMENT [Section 3]

- The regional school district agreement was entered into in 1956 pursuant to M.G.L. Ch.71 by and between the towns of Boxford, Middleton and Topsfield. The agreement has been amended several times through the years.
- The agreement identifies costs as capital or operating and indicates that costs be apportioned on the basis of each member town's pupil enrollment. The agreement indicates that capital costs are to be apportioned on the basis of a modified pupil enrollment.
- The audit team reviewed the district form used in FY00 to calculate the member town's apportionment and found that the apportionment of costs are not made in accordance with the district agreement.

ENROLLMENT [Section 4]

- MRSD headcount increased from 1,260 in school year 1992/93 to 1,704 in school year 1999/00, or 35.2 percent. This increase exceeded the state average by almost three times.
- In verifying enrollment accuracy, the audit team determined that the district incorrectly included certain students on the Individual School Reports submitted to DOE since at least school year 1997. The district inaccurately represented at least two students from member towns as being from out-of-district on section 2 of the same report.
- The district does not maintain sufficient detailed documentation to support enrollment data on DOE's Individual School Report forms.
- MRSD foundation enrollment increased from 1,109 in FY93 to 1,644 in FY00, or by 48.2 percent. Statewide, foundation enrollment during this time period increased by 15.7 percent.
- In verifying foundation enrollment accuracy, the audit team determined that the district included tuitioned in students on the October 1 foundation enrollment report for certain school years between 1996/97 and 1999/00.
- The district does not maintain sufficient detailed documentation to support enrollment data on DOE's Foundation Enrollment Report forms.

SCHOOL BUDGET REVIEW PROCESS [Section 5]

- The school committee decides on a budget priority list in the fall for the ensuing fiscal year. Budget meetings are held which include the regional school committee, MRSD administrators and local officials from the member towns.
- MRSD budgets an amount greater than foundation and net school spending. Key area foundation budget categories are not considered during the budget process. It was indicated to the audit team that the regional school committee is aware of and budgets at least to meet the professional development minimum spending requirement and the school building maintenance spending requirement.

- It was indicated to the audit team that the regional school committee reviews the budget on a program basis as opposed to reviewing by line item and that the school committee does not attempt to micro-manage the budget.

TOTAL SCHOOL DISTRICT EXPENDITURES [Section 6]

- Total school district expenditures for FY99 were 13.9 million, or 32.2 percent higher than in FY97.
- Overall the audit team was satisfied that the expenditure reports were generally an accurate representation of MRSD expenditures except where noted in the section.
- The district could not provide budget detail on technology spending submitted with the 5-year technology plan. It was indicated to the audit team that in the first three years, ending FY00, the district spent $1.2 million, or 32 percent of the projected five-year total of $3,826,000. The district projects to spend in excess of the difference in the fourth and fifth years of the plan to equip the new school facility.
- End-of-year reports show an increase in tuition's to non-public schools and to collaboratives of 74 percent from FY97 to FY99. Reports also show that no expenditures were charged to extraordinary maintenance from FY97 to FY99.
- MRSD per pupil spending, as a percentage of the state average, has been generally declining since FY97. Out of 54 statewide academic regional school districts reported by DOE, MRSD's total day program per pupil spending ranked 24th in FY99, 18th in FY98 and 24th in FY97.

MAINTENANCE AND CAPITAL IMPROVEMENT [Section 7]

- Although sections of the building were still under repair before school was in session, the audit team observed in a follow-up visit after the school year began that the corridors and rooms selected for inspection appeared clean and orderly. The grounds, except for the areas of construction, were generally well kept. The audit team also observed that the facility was in need of some minor repairs.
- In September of 2000, the Boxford Fire Department inspected the school facility and cited the school district for several safety violations including non-functioning magnets on fire doors, unlit exit and ceiling lights, two unclean rooms, and abandoned machinery and parts which needed to be removed.
- The district is in the first phase of a three-phase, $54 million project to build a new school, renovate a small part of the existing facility, demolish the balance of the existing facility, and add a new septic treatment plant.
- According to DOE, MRSD met the school building-spending requirement in FY99.

COMPLIANCE WITH SPENDING REQUIREMENTS [Section 8]

- MRSD exceeded the foundation budget from FY97 to FY99. Budgeted FY00 net school spending is 119.3 percent of the FY00 foundation budget.
- The state's contribution to actual net school spending increased from 19.7 percent in FY97 to a budgeted 31.9 percent in FY00. MRSD's actual local contribution percentage decreased from 17 percentage points above the statewide average in FY97 to 9 percentage points above in FY00.
- Expenditures did not reach foundation budget for any of the key areas from FY97 to FY99 except for books and equipment in FY98 and professional development in FY99. MRSD met the professional development minimum-spending requirement for these three fiscal years.
- MRSD exceeded the required net school-spending requirement in every fiscal year from FY97 to FY99. Budgeted FY00 also exceeds the FY00 requirement.

ACCOUNTING AND REPORTING [Section 9]

- The October 1999 audit by a CPA firm indicated a need for improvement in cash reconciliation and cash control procedures.
- According to district revenue and expenditure reports ending 6/30/00, the district maintains interest income in its capital project fund.
- According to revenue and expenditure reports ending 6/30/00, both the health insurance and the food service accounts will close in the negative for FY00 by approximately $154,000 and $20,000 respectively.

REVIEW OF EXPENDITURES AND CASH CONTROLS [Section 10]

- The audit team noted an inconsistent methodology for approving payment vouchers.
- The athletic, cafeteria and student activity funds have not been audited in recent years.

Audit Recommendations

1. The district should review its apportionment methodology to determine whether it is in compliance with the district agreement or with any understanding the district may already have with its members.
2. The district should implement procedures to ensure that instructions for the Individual School Report are adhered to annually.
3. The district should implement procedures to ensure that detailed documentation to support enrollment data on DOE's Individual School Report form submitted to DOE is maintained.
4. The district should implement procedures to ensure that instructions for the Foundation Enrollment Report are adhered to annually.

5. The district should implement procedures to ensure that detailed supporting documentation on the completion of the Foundation Enrollment Report form submitted to DOE is maintained.
6. The district should file a report with the Commissioner of Education's office as required by law stating its reasons for not meeting the foundation budget target levels in four key areas.
7. The district should continue to implement internal accounting procedures noted by their CPA firms.
8. The district should annually close interest income earned on borrowed funds to the general fund.
9. The district should review the activity in the health insurance and food activity accounts to determine whether the level of general fund subsidy and/or revenue generated is sufficient.
10. The district should initiate a voucher approval system where a higher authority than the one incurring the expense approves the voucher.
11. Procedures for the athletic, cafeteria and student activity funds should be written and these accounts should be audited on a regular basis.

Auditee's Response

The audit team held an exit conference with the Superintendent and her administrative staff on January 4 2001. The team invited MRSD to suggest specific technical corrections and make a formal written response. A response has been received and is included in this report.

Review Scope

While on site, the audit team interviewed officials including, but not limited to the Superintendent, administrative assistant for business, administrative assistant to the Superintendent, district bookkeeper and the chairman of the school committee. Documents reviewed included vendor and personnel contracts, invoices, payroll data, statistics on students and teachers as well as reports submitted to DOE.

The school district review was designed to determine whether or not basic financial goals related to education reform have been met. However, this report does not intend to present a definitive opinion regarding the quality of education in MRSD, or its successes or failures in meeting particular education reform goals. Rather, it is intended to present a relevant summary of data for evaluation and comparison purposes.

The focus of this review was on operational and financial issues. It did not encompass all of the tests that are normally part of a year-end financial audit such as: review of internal controls; cash reconciliation of accounts; testing compliance with purchasing and expenditure laws and regulations; and generally accepted accounting principles. The audit team tested financial transactions on a limited basis only. The audit team also excluded federal and state grants except for Equal Education Opportunity (EEO) and Per Pupil Education aid. The audit

team did not test statistical data relating to enrollment, test scores and other measures of achievement. This report is a matter of public record and its distribution is not limited.

III. General Conditions and Findings

1. Overview

MRSD was formed in 1956 by M.G.L. Ch.71, as amended and supplemented, and by agreement among the towns of Boxford, Middleton and Topsfield. The district provides services for grades 7 through 12. All three towns have their own K - 6 facilities with a shared Superintendent. The MRSD school facility is located about 25 miles north of Boston in the town of Boxford. In May of 2000, the junior high became a middle school for grades 7 and 8.

Per capita income reported as of 1990 for each of the three member towns was $30,634 for Boxford, $19,933 for Middleton and $27,375 for Topsfield, all above the state average of $17,224.

The Superintendent has served in this capacity for the last five years. A business manager for the district was appointed during the course of the audit. The district treasurer, appointed annually by the school committee, is a part-time volunteer and is responsible to pay bills, invest cash and provide reports to the school committee.

Like many Massachusetts school districts, MRSD faced budgetary pressures in the early 1990's as a result of an economic recession, the associated decline in municipal state aid for education and in financial contributions to schools. In an effort to supplement revenues, the district adopted school choice. FY97 school choice revenues of $325,000 accounted for 3 percent of all revenues and 24 percent of all revenues excluding assessments and state aid. The district school committee began to phase out school choice in school year 1994/95 and eliminated it as of school year 1999/00 due to a lack of available space.

In 1997 the school committee applied for a waiver from time and learning regulations for the high school. The high school is not in full compliance with time and learning requirements. The school committee has made full compliance one of their goals for the upcoming year.

Chart 1-1 shows some key statistics for MRSD.

Chart 1-1

Masconomet Regional School District
1998 and 1999 Data

1999	MRSD	State	1998	MRSD	State
Race / Ethnicity:					
White	97.5%	77.1%	Students per Teacher	16.4	18.0
Minority	2.5%	22.9%	High School Drop-Out Rate	1.6%	3.4%
Grade 8 MCAS - English	247	238	Grade 8 MCAS - English	242	237
Grade 10 MCAS - English	240	229	Grade 10 MCAS - English	243	230
Grade 8 MCAS - Math	237	226	Grade 8 MCAS - Math	237	227
Grade 10 MCAS - Math	239	222	Grade 10 MCAS - Math	236	222
Limited English Proficiency	0.0%	4.7%	Plan of Graduates:		
Special Education	18.0%	16.6%	4 Year College	83.3%	53.2%
Eligible for Free/Reduced			2 Year College	5.1%	18.6%
Priced Lunch	2.6%	25.8%	Work	6.5%	16.2%

Note: Data provided by DOE. Special Education data as of October 1998.

2. District Management

The Superintendent was hired in August of 1995. She has been handling most business manager tasks and superintendent duties since. A priority since being hired has been to hire a business manager. Her efforts resulted in the hiring of a business manager that will allow her to concentrate on educational issues such as curriculum.

One of her main objectives was to shift decision making to appropriate levels. Interviews revealed that she has a collaborative approach to managing the district and believes in participatory decision making within the context of respective job descriptions.

Because of cash reconciliation problems the Superintendent replaced the bookkeeper four years ago, changed to a new accounting system and changed firms that audit the district. She was instrumental in negotiating a teacher evaluation instrument with teacher suspension or discharge language and brought three towns together on a fifty four million dollar building project. She also instituted a committee of peers that reviews all professional development requests.

Evaluations of the Superintendent and principals are goal oriented. However, the Superintendent and principals' contracts are rollover contracts where raises are predicated on teacher negotiated raises. The Superintendent's contract does not contain a goal setting evaluation section. Further, the two principal contracts do not contain an evaluation section that has standards for evaluation.

The teachers' contract is for three years, expiring in 2002, and has percentage raises of 3%, 3.75%, and 3.25%. The contract includes time and learning language for extending the school year not more than one and one half days to meet requirements and a goal setting evaluation piece that begins with goal setting conferences held in September. The section provides for four teaching classifications: without professional status, with professional status, associate master teacher and master teacher. Associate and master teacher status receive a stipend and both must serve on an ad hoc committee while the master teacher must also provide thirty hours of curriculum work.

The regional school committee consists of 13 members, 4 from each of the towns of Middleton and Topsfield and 5 from the town of Boxford. Committee members are elected for a term of 3 years on a staggered basis. No elected member is able to serve on the school committee while at the same time serving as a member of a local school committee. Also, to serve on the school committee, a person must be a registered voter from the town where he or she is elected or appointed. The committee reviews apportionment every 3 years beginning 1999 to be completed by October 1. They use official census figures as of January 1 of that calendar year. If the apportionment changes, the committee sends a proposal to change the membership to the boards of selectmen of each member town to become a town meeting warrant. Some of its subcommittees include budget process and capital projects subcommittees. The committee appoints finance committee liaisons to each of the towns in the region. Budgeting and the Superintendent evaluation are treated as a year round process. The district school committee appoints the Treasurer.

3. Regional School District Agreement

This section reviews provisions of the regional school agreement especially with regard to assumption and apportionment of costs, and whether agreement provisions concur or conflict with the requirements of education reform.

Agreement Provisions

The regional school district agreement was entered into in 1956 pursuant to M.G.L. Ch.71 by and between the towns of Boxford, Middleton and Topsfield. The agreement has been amended several times through the years. The amendment procedure, detailed in the agreement, can be initiated by majority vote of all members of the regional school district committee or by petition signed by 10 percent of the registered voters of any one of the member towns. The amendment must then be approved at town meeting by all member towns by majority vote. Admission into the district is allowed through the amendment procedure. Withdrawal is allowed by majority vote of town meeting provided the town gives a one year notice of intention to withdraw to the district, pays to the district any outstanding assessment costs and remains liable for its share of indebtedness as if it had not withdrawn.

Apportionment of Costs

The agreement divides costs into capital and operating. Capital costs are defined by the agreement as those "in the nature of capital outlay" including principal and interest on bonds or other obligations issued by the district to finance capital costs. Operating costs are defined as not capital and incurred in the day-to-day operation of the school building including interest on temporary notes in anticipation of revenue.

The agreement as amended indicates that both capital and operating costs be apportioned according to the respective pupil enrollments as of the preceding October 1, except that certain special education and county agricultural students be excluded from the enrollment count for the capital apportionment.

Expected payments by each member town are as follows:

- Pay by September 1 at least 25% of annual share
- Pay by December 1 at least 50% of annual share
- Pay by March 1 at least 75% of annual share
- Pay by June 1 at least 100% of annual share.

The audit team reviewed the district form used in FY00 to calculate the member town's apportionment and found that:

- Operating costs, for the most part, were apportioned on the basis of the net school spending provision of education reform.
- Additional spending above net school spending was apportioned on the basis of October 1 foundation enrollment. Foundation enrollment, not specified in the agreement, includes tuitioned out special education, out-of-district charter and school choice students and excludes tuitioned in students.
- Capital costs were apportioned on the basis of a percent that mixed the net school spending percent with the foundation enrollment percent.

Finding

The apportionment of costs are not made in accordance with the district agreement.
With respect to apportioning operating costs, the audit team believes that the net school spending provision of education reform supercedes any district agreement calculation based on enrollment. It was indicated to the audit team that this apportionment difference to the agreement was discussed between the administration and the school committee.

With respect to apportioning capital costs, there ought to be no similar apportionment difference. The Superintendent indicated to the audit team that this difference was discussed with the school committee. The current Superintendent has continued the apportionment methodology of her predecessor.

Recommendation

MRSD should review its apportionment methodology to determine whether it is in compliance with the district agreement or with any understanding the district may already have with its members.

Chart 3-1 illustrates the recent history of total assessments to the member towns. These assessments were obtained from the district treasurer's certification.

Chart 3-1

Masconomet Regional School District
Assessment to Member Towns
(in thousands of dollars)

Member	FY97	% of Total	FY98	FY99	FY00	FY01	% of Total
Boxford	$3,220	43.4%	$3,523	$ 4,067	$ 5,145	$ 5,157	43.0%
Middleton	$1,959	26.4%	$2,245	$ 2,552	$ 3,338	$ 3,384	28.2%
Topsfield	$2,241	30.2%	$2,448	$ 2,776	$ 3,488	$ 3,446	28.7%

Note: Data obtained from MRSD

4. Enrollment

Several measures may be used to report actual student enrollment. This audit uses actual and projected student headcount and also foundation enrollment, both as of October 1. Actual and projected enrollment is reviewed by the audit team to determine accuracy in the apportionment of costs, reasonableness in methodology and use in school construction or in academic decision making. Foundation enrollment is reviewed to determine accuracy in the distribution of Chapter 70 state aid.

Headcount: Actual and Projected

Headcount is based upon students enrolled at each school as annually reported to DOE on the Individual School Reports. Projected enrollments in this section are prepared for the district by the New England School Development Council (NESDEC), are used as part of the capital program and were substantiated in a separate enrollment projection.

Chart 4-1 illustrates MRSD's actual and projected student enrollment as well as percentage distribution by grade level for selected school years from October 1, 1992 to October 1, 2004. *Chart 4-1* indicates that:

- despite the end of school choice, total enrollment is projected to increase.
- MRSD's total enrollment percentage increase between school year 1992/93 and 1999/00 exceeded the state average by almost three times.

Chart 4-1

Masconomet Regional School District
Actual/Projected Student Enrollment and Percentage Distribution

	Jr. High School *		High School		Total Enrollment
Selected School Year	Grades 7 - 8	%	Grades 9 - 12	%	Grades 7 - 12
1992/93	474	38%	786	62%	1,260
1996/97	529	36%	944	64%	1,473
1999/00	656	38%	1,048	62%	1,704
2000/01	684	39%	1,076	61%	1,760
2004/05	818	39%	1,253	61%	2,071
MRSD SY92/93-99/00 % Change	38.4%		33.3%		35.2%
State SY92/93-99/00 % Change	19.1%		14.5%		12.8%
MRSD SY99/00-04/05 % Change	24.7%		19.6%		21.5%

Note: Data obtained from DOE. Actual and projected enrollments separated by double line. * Masconomet converted from Jr. High to Middle school in school year 2000.

Chart 4-2 details the actual and projected student enrollments and percentage changes by member community. The projection for FY05 is based upon an educational consultant's enrollment study ordered by the district. Note that although Boxford increased less in percentage than Middleton from FY93 – FY00, Boxford's actual enrollment increased by 49 more students than did Middleton during this time period. Projected enrollment also shows less percentage increase for Boxford but 27 more students than Middleton does.

Chart 4-2

Masconomet Regional School District
Actual/Projected Student Enrollment By Member Community

Member	FY93	FY00	FY05	FY93 - FY00 % Incr./ (Decr.)	FY00 - FY05 % Incr./ (Decr.)
Boxford	462	721	979	56.1%	35.8%
Middleton	281	472	703	68.0%	48.9%
Topsfield	343	504	656	46.9%	30.2%

Note: Data obtained from MRSD

Finding

In verifying enrollment accuracy, the audit team determined that the district included tuitioned out special education students in the Individual School Reports submitted to DOE since at least school year 1997. In addition, certain Individual School Report forms inaccurately represented at least two students from member towns as being from out-of-district on section 2 of the Individual School Report form.

Recommendation

The Individual School Report is a DOE report form that should be completed as instructed. DOE indicated to the audit team that tuitioned out students should not be included in this report. The district should implement procedures to ensure that instructions for this report are adhered to annually. The district may contact DOE if additional clarification is needed on the completion of the form.

In addition, due to the way in which DOE uses section 2 data for a regional school district, an inaccurate count in section 2 may result in an inaccurate distribution of foundation enrollment among the member towns. Given the district's use of foundation enrollment in the apportionment calculation, an inaccurate foundation enrollment will yield an inaccurate apportionment. Foundation enrollment is discussed below.

Finding

The district does not maintain sufficient detailed documentation to support enrollment data on DOE's Individual School Report forms.

Recommendation

The district should implement procedures to ensure that detailed documentation to support enrollment data on DOE's Individual School Report form submitted to DOE is maintained.

Foundation Enrollment

Foundation enrollment is based upon students for whom the district is financially responsible. It is used in the calculation of each district's required spending on its own students and amount of Chapter 70 state aid each district receives to assist with the cost. Foundation enrollment is reported as of October 1 annually by each district. In a regional school district, DOE attributes foundation enrollment per member community using information found on the Individual School Report.

MRSD foundation enrollment increased from 1,109 in FY93 to 1,644 in FY00, or by 48.2 percent. Statewide, foundation enrollment during this time period increased by 15.7 percent.

Finding

In verifying foundation enrollment accuracy, the audit team determined that the district included tuitioned in students on the October 1 foundation enrollment report for certain school years between 1996/97 and 1999/00. In dollar terms, these inclusions resulted in a cumulative excess distribution of state aid to the district in minimum aid alone of approximately $9,000 from FY97 to FY00. These errors carry forward because MRSD is a minimum aid district and minimum aid, which is based on foundation enrollment, becomes a factor in the following fiscal year's base aid.

The audit team cannot accurately determine the extent of excess distribution of state aid to the district and/or of an incorrect apportionment caused by an inaccurate foundation enrollment due to the complexity and interaction of certain factors in the calculation formula. Foundation enrollment is used in other state aid calculations that affect the district such as foundation aid, excess debt and the foundation budget target and is also used by the district in the apportionment of costs to the members.

Recommendation

The district should implement procedures to ensure that instructions for the Foundation Enrollment Report are adhered to annually.

Finding

The district does not maintain sufficient detailed documentation to support enrollment data on DOE's Foundation Enrollment Report forms.

Recommendation

The district should implement procedures to ensure that detailed supporting documentation on the completion of the Foundation Enrollment Report form submitted to DOE is maintained.

5. School Budget Review Process

This section examines the regional school committee's budget review process to determine how financial and educational decisions are made and how some of the goals and objectives of education reform are considered.

Regional School Committee's Role

The school committee decides on a budget priority list in the fall for the ensuing fiscal year. Budget meetings are held which include the regional school committee, MRSD administrators and local officials from the member towns. The Superintendent's maintenance and operating budget for the ensuing fiscal year is presented to the regional school committee in early winter. The school committee meets during the winter months with department heads to listen to budget presentations.

It was indicated to the audit team that the regional school committee reviews the budget on a program basis as opposed to reviewing by line item and that the school committee does not attempt to micro-manage the budget.

Pursuant to M.G.L. Ch. 71 §16B and the school district agreement, the school committee must present an approved budget to the member towns 45 days before the earliest town meeting held by any one of the member towns. Topsfield's meeting is in mid-March. Apportioned sums must be appropriated by a majority vote of town meeting in two-thirds of the member towns. Otherwise, the regional school committee will have 30 days to reconsider and submit an amended budget. Within 45 days of the amended budget's adoption by the regional school committee, each member town will hold a meeting to act on the amended budget. If more than one-third of the members disapproved the amended budget, the budget is resubmitted to the regional school committee for revision. Otherwise, the budget is considered approved.

The regional school committee's expectation is that the excess and deficiency fund should be no less than $150,000 annually. This fund, commonly called "E and D", has been certified by DLS' Bureau of Accounts for the last three fiscal years in the following amounts: 1999 - $257,041, 1998 - $156,452, and 1997 - $150,000.

Certain Goals and Objectives

MRSD budgets an amount greater than foundation and net school spending. Key area foundation budget categories are not considered during the budget process. The audit team has found that not providing for foundation in the key areas is not uncommon in districts throughout the state. The foundation budget and net school spending are discussed in section 8 of this audit. It was indicated to the audit team that the MRSD committee is aware

of and budgets at least to meet the professional development minimum spending requirement and the school building maintenance spending requirement. For FY99, both of these requirements were met.

6. Total School District Expenditures

Total school district expenditures include expenditures by the school committee as reported in the DOE end-of-year report. This section reviews spending by function, by program and by per pupil. One measure of per pupil spending calculated and reported by DOE is presented for comparison purposes. The audit team reviewed spending factors but not student FTEs or methodologies used in DOE's calculations.

The audit team traced a sample of expenditures reported to DOE to MRSD accounting and budget records of the administrative assistant for business. Overall, the audit team was satisfied that the expenditure reports were generally an accurate representation of MRSD expenditures except where noted in this section.

Spending By Function

Chart 6-1 illustrates in summary total school district expenditures by function and by percentage distribution for selected fiscal years. *Appendix A-1* provides the detail for this chart. The chart indicates that in FY99, instructional services made up less as a percentage of total expenditures than in FY97. According to *Appendix A-1*, this is due in large part to an increase in asset acquisition and improvement expenditures representing the first payment of principal and interest on bonds for architectural services to support the planned new school facility. Not including this expenditure, total school district expenditures in FY99 increased by only about half as much as in FY97.

Chart 6-1

Masconomet Regional School

Total School District Expenditures By Function (in millions of dollars) and By Percentage Distribution

		% of		% of		% of	FY97 - FY99	
	FY97	Total	FY98	Total	FY99	Total	$ Diff.	% Diff.
Instructional Services	$6.2	63.7%	$7.4	67.2%	$8.2	59.0%	$2.0	32.2%
Other Services	$3.5	36.3%	$3.6	32.8%	$5.7	41.0%	$2.2	61.4%
Total School District:	**$9.8**	**100.0%**	**$11.0**	**100.0%**	**$13.9**	**100.0%**	**$4.2**	**42.8%**

Note: Data provided by MRSD. Percentages may not add due to rounding.

Appendix A-1 also shows that:

- supervisory expenditures increased substantially between FY97 and FY00 due to reporting errors in FY97 and FY98 in which department head salaries were reported as teaching salaries.
- no expenditures were charged to extraordinary maintenance from FY97 to FY99.
- employee benefits and insurance expenditures decreased by 9.5 percent from FY97 to FY99.

Further details within the end-of-year reports indicate:

- an increase in textbook expenditures of 73 percent from FY97 to FY99
- a reduction in school choice revenues from $325,162 in FY97 to $65,433 in FY99.

In FY98, MRSD received a three-year, no interest loan for $163,109 from a state fund to support school districts facing extraordinary and unanticipated special education costs in FY98. The first principal payment was scheduled for FY99.

Although district reports show that principal payments were made in FY99 and FY00, the audit team noted that the principal payments were never budgeted for and were not apportioned on a capital basis. DOE indicated to the audit team that this cost should be reported as a capital expense. MRSD reported this cost correctly on the FY99 end-of-year report submitted to DOE.

DOE approved the district's five-year technology plan in September of 1997. The district could not provide the audit team with a detailed 5-year estimated budget on technology spending. It was indicated to the audit team that after the first three years of the plan, the district spent $1.2 million, or 32 percent of the projected five-year total of $3,826,000. Currently the plan is in its fourth year. The district projects to spend in excess of the difference in the fourth and fifth years of the plan to equip the new building.

Spending By Program

Chart 6-2 illustrates in summary total school district expenditures by program and percentage distribution for selected fiscal years. *Appendix A-2* provides the detail for this chart. The chart indicates that in FY99, undistributed expenditures, considered not reported by program, made up more as a percentage of total expenditures than in FY97. This is due in large part to the increase in asset acquisition and improvement expenditures noted above. Not including this expenditure, FY99 undistributed expenditures would have remained about the same as in FY98 and FY97.

Chart 6-2

Masconomet Regional School District

Total School District Expenditures By Program (in millions of dollars) and By Percentage Distribution

	$ FY97	% FY97	$ FY98	% FY98	$ FY99	% FY99	FY97 - FY99 $ Diff.	FY97 - FY99 % Diff.
Regular Day	$5.1	52.3%	$6.1	55.0%	$6.8	49.1%	$1.7	34.1%
Special Education	$1.3	13.0%	$1.6	14.2%	$1.8	12.6%	$0.5	39.0%
Undistributed	$3.4	34.7%	$3.4	30.8%	$5.3	38.2%	$1.9	57.3%
Total School District:	**$9.8**	**100.0%**	**$11.0**	**100.0%**	**$13.9**	**100.0%**	**$4.2**	**42.8%**

Note: Data provided by MRSD. Percentages may not add due to rounding.

Further data within the end-of-year reports shows:

- an increase in tuitions to non-public schools and to collaboratives of 74 percent from FY97 to FY99.

Per Pupil Spending

DOE annually calculates per pupil spending based upon programmatic costs and total average membership in FTEs reported on the end-of-year reports. Certain expenditures and school choice tuitions are excluded. Regular day programs are those where students receive a general course of instruction. Special education programs are for students whose educational needs cannot be satisfied in a regular day program. Total day costs are the sum of all programmatic costs.

Chart 6-3 shows DOE's calculation per pupil spending for regular, special education and total day programs. Note that MRSD per pupil spending, as a percentage of the state average, has been generally declining since FY97. Out of 54 statewide academic regional school districts reported by DOE, MRSD's total day program per pupil spending ranked 24th in FY99, 18th in FY98 and 24th in FY97.

Chart 6-3

Masconomet Regional School District
Per Pupil Spending - Day Program

	Regular Day			Special Education			Total Day		
Fiscal Year	MRSD	State Avg.	MRSD % of State Avg.	MRSD	State Avg.	MRSD % of State Avg.	MRSD	State Avg.	MRSD % of State Avg.
FY97	$5,641	$4,933	114.4%	$8,333	$9,391	88.7%	$6,253	$6,015	104.0%
FY98	$6,087	$5,221	116.6%	$8,651	$9,873	87.6%	$6,712	$6,361	105.5%
FY99	$6,041	$5,481	110.2%	$8,236	$10,502	78.4%	$6,654	$6,684	99.6%

Note: Data provided by DOE

7. Maintenance and Capital Improvement

The purpose of this section is to review how MRSD maintains its facilities to ensure a safe, healthy educational environment and how the district plans for future facility needs. In this review, the audit team visited the facility that houses both the middle and high schools.

Maintenance and Site Visits

The district has its own maintenance crew and custodial staff to maintain the building and grounds. Currently, there are 3.5 full time equivalents (FTEs) in maintenance and 8.5 FTEs in custodial. The original building was built in 1959. Two additions were built in 1963 and 1972.

Although sections of the building were still under repair before school was in session, the audit team observed in a follow-up visit after school was in session that the corridors and rooms selected for inspection appeared clean and orderly. The grounds, except for the areas of construction, were generally well kept.

The audit team also observed that the facility was in need of some minor repairs. The team noted water damage to some ceiling tiles in the gymnasium, missing electrical outlet covers, and lights that needed to be replaced. A MRSD official indicated to the audit team that the district withheld maintenance funding pending completion of the new school facilities.

In September of 2000, the Boxford Fire Department inspected the school facility and cited the school district for several safety violations. Violations included non-functioning magnets on fire doors, unlit exit and ceiling lights, two unclean rooms, and abandoned machinery and parts which needed to be removed. The fire chief indicated to the audit team that several violations recurred over several inspections and that not enough attention has been paid to safety issues over this time. With regard to the prior year's inspection, an MRSD official indicated to the audit team that the maintenance crew would correct the violations but were constrained by the maintenance budget.

Capital Improvements

Based on enrollment projections from 1996, it was determined that future space needs would be inadequate. In 1997, the school committee appointed a twenty-nine-member school building committee composed of 17 voting and 12 non-voting members. The voting members are representatives from the member communities. The non-voting members have an interest in the project but either do not live in the district or may be employed by the district. The committee was charged with presenting a capital improvement plan to the school committee and approving bills regarding the school construction project.

The district is in the first phase of a three-phase, $54 million project to build a new school, renovate a small part of the existing facility, demolish the balance of the existing facility, add a septic treatment plant and redesign the septic system. The first phase included the lease of 6 portable classrooms for 2 years. The new facility to be built during this phase, which will house the high school, is scheduled for completion in September of 2001. The second phase to be completed in September 2003 includes completion of the library and the field house. The final phase, scheduled for completion in 2004, includes the demolition of the unrenovated portion of the existing structure. It was indicated to the audit team that the project is on schedule and is projected to be completed $4 million under budget. The district qualifies for 62 percent reimbursement from DOE's school building assistance program.

Chapter 194 §241 of the acts of 1998 established school building spending requirements. Each school district's compliance with the requirement is based on the district's actual spending as reported on the end-of-year report. Any district not meeting the requirement has an opportunity to request a waiver based on unanticipated or extraordinary changes in maintenance spending. The waiver must be approved by the Commissioner of Education and by the Deputy Commissioner of DLS. Districts that do not meet the requirement and do not qualify for a waiver must work with DOE and DOR to develop a remediation plan. If appropriate action is not taken, school building assistance funds will be jeopardized. According to DOE, MRSD met the spending requirement in FY99.

8. Compliance with Spending Requirements

Pursuant to education reform, DOE determines a required school spending target, or foundation budget, and an annual school spending requirement, or net school spending, for each school district. In addition, the law requires action on the part of a district when certain spending amounts are not met. This section determines compliance with these requirements. One measure of per pupil spending reported by DOE is presented for comparison purposes.

The foundation budget is a target level of spending designed to ensure a quality level of education in each school district. DOE determines a foundation budget by using several

factors and by including an annual adjustment for inflation. All school districts are expected to meet their total foundation budget by FY00.

Net school spending is the amount a school district must spend for the support of public education including certain expenditures made by the municipality on behalf of the local school district. It does not include expenditures for certain classes of long-term debt service, school lunches, community services, fixed assets and student transportation. It also does not include tuition revenue.

Foundation Budget

According to *Chart 8-1*, MRSD exceeded the foundation budget for the fiscal years shown. Note that the percent actual net school spending is of the foundation budget has been declining. In FY97, actual net school spending as a percent of foundation exceeded the statewide percent amount by 19 percentage points. The FY00 budgeted actual net school spending for MRSD exceeds the statewide percent by 6 percentage points.

Chart 8-1

Masconomet Regional School District
Meeting Total Foundation Budget Target
(in millions of dollars)

	FY97	FY98	FY99	FY00
Foundation Budget Target	$7.2	$8.0	$9.3	$10.0
Required NSS as % of Foundation	114.8%	110.0%	102.7%	101.4%
Actual NSS as % of Foundation	124.6%	128.5%	120.4%	119.3%

Note: Data obtained from DOE. FY00 actual NSS is budgeted.

Local and State Contribution to Actual Net School Spending

A district's net school spending requirement is the sum of the school district's minimum local contribution and chapter 70-state aid. Local and regional school districts must provide at least 95 percent of the net school spending requirement. According to *Chart 8-2*, MRSD's local contribution to actual net school spending increased by $900,000 from FY97 to budgeted FY00 while state aid increased by $2 million. The increase was mainly due to FY00 supplemental chapter 70 aid that replaced what would otherwise have been a reduction to the local contribution due to excess debt. MRSD's actual local contribution percentage decreased from 17 percentage points above the statewide average in FY97 to 9 percentage points above in FY00.

Chart 8-2

Masconomet Regional School District
Local and State Contributions to Actual Net School Spending
(in millions of dollars)

	FY97	FY98	FY99	FY00
Actual Net School Spending	$9.0	$10.3	$11.3	$11.9
Actual Local Contribution $	$7.2	$8.4	$9.2	$8.1
State Contribution $	$1.8	$1.9	$2.0	$3.8
Actual Local Contribution %	80.3%	81.8%	81.9%	68.1%
State Contribution %	19.7%	18.2%	18.1%	31.9%

Note: Data obtained from DOE. FY00 actual NSS is budgeted.

Foundation Budget Target: Key Area Spending

The foundation budget also establishes spending targets by grade and program. These targets are intended as guidelines only and are not binding on school districts. To encourage an appropriate level of spending, M.G.L. Ch.70, §9 requires the Superintendent to report to the Commissioner of Education when the district has either:

- failed to meet the spending target in any one of four key functional areas: professional development, books and instructional equipment, expanded programs and extraordinary maintenance and/or
- exceeded the spending target for administrative expenses.

The Superintendent must explain the reasons for the shortfall or additional costs.

Finding

As shown in *Chart 8-3*, expenditures reached foundation budget only for books and equipment in FY98 and professional development in FY99 for the fiscal years shown. The Superintendent did not file a report with the Commissioner's office as required by law for these fiscal years stating the reasons for not meeting these levels nor did DOE direct MRSD to submit such report.

Chart 8-3

Masconomet Regional School District

Foundation Budget Target for Key Areas (by percentage)

	FY97	FY98	FY99
Professional Development	93.0%	84.7%	128.5%
Books and Equipment	94.6%	138.0%	83.0%
Expanded Program	0.0%	0.0%	0.0%
Extraordinary Maintenance	0.0%	0.0%	0.0%
Administrative Expenses	50.1%	43.3%	63.1%

Note: Data obtained from MRSD and DOE

Recommendation

In the future MRSD should file a report with the Commissioner of Education's office as required by law stating its reasons for not meeting the foundation budget target levels in any of the four key areas noted in the chart above.

Professional Development Minimum Spending

DOE requires school districts to spend a minimum dollar amount per student on professional development. The requirement was $50 per pupil for FY97, $75 for FY98 and $100 for FY99. *Chart 8-4* illustrates MRSD's spending for professional development.

Chart 8-4

Masconomet Regional School District

Expenditures for Professional Development (in whole dollars)

	Professional Development	Minimum Spending Requirement	Total Spent as % of Requirement
FY97	$104,372	$66,150	157.8%
FY98	$106,373	$104,250	102.0%
FY99	$188,858	$153,700	122.9%

Note: Data obtained from MRSD

Net School Spending

According to *Chart 8-5*, MRSD exceeded actual net school spending from FY97 to FY99. The statewide percentage of actual to required net school spending was about 106 percent from FY97 to FY00.

Chart 8-5

Masconomet Regional School District

Meeting Net School Spending
(in millions of dollars)

	FY97	FY98	FY99	FY00
Required Net School Spending	$8.3	$8.8	$9.6	$10.1
Actual Net School Spending	$9.0	$10.3	$11.3	$11.9
Actual as Percentage of Required	108.6%	116.7%	117.2%	117.6%

Note: Data obtained from DOE. FY00 actual NSS is budgeted.

Per Pupil Actual Net School Spending

Chart 8-6 illustrates MRSD's and the state's actual net school spending in actual and constant (1996) dollars on a per student basis. Actual net school spending is calculated by DOE.

Chart 8-6

Masconomet Regional School District

Actual Net School Spending Per Student
Actual and Constant (1996=100) Dollars

		FY97	FY98	FY99	FY00	FY97 to FY00 Change
MRSD	in Actual $	$6,814	$7,429	$7,322	$7,244	6.3%
	in 1996 $	$6,674	$7,150	$6,875	$6,636	-0.6%
State	in Actual $	$6,359	$6,666	$7,006	$7,306	14.9%
	in 1996 $	$6,228	$6,416	$6,578	$6,693	7.5%

Note: Data obtained from DOE. FY00 actual NSS is budgeted.

9. Accounting and Reporting

The purpose of this section is to review the annual CPA audit or any other information complimentary or critical of the district's accounting or reporting system.

Finding

The October 1999 audit by the district's certified public accounting (CPA) firm indicated needed improvements, especially in the areas of cash reconciliation and cash controls. The district hired a second CPA firm for assistance in the cash reconciliation process and in internal controls of both the Treasury function and the school construction project. The second firm's report was dated May of 2000.

Recommendation

Whereas the October 1999 audit found no material weaknesses in the district's internal accounting control system and whereas efforts to implement the procedures suggested by both CPA firms were noted, the audit team recommends that the district continue to implement these procedures.

Finding

According to district revenue and expenditure reports ending 6/30/00, the district maintains interest income in its capital project fund. It was indicated to the audit team that this was done pursuant to district's bond finance committee's direction.

Recommendation

Interest income earned on borrowed funds should be closed annually to the general fund.

Finding

According to revenue and expenditure reports ending 6/30/00, both the health insurance and the food service accounts will close in the negative for FY00 by approximately $154,000 and $20,000 respectively.

MRSD indicated to the audit team that it was unclear as to whether the district had a trust fund for health claims or not. The audit team noted that the May 2000 CPA report indicated that the district does not have a health claims trust fund.

Recommendation

The audit team recommends that the district review the activity in both of these accounts to determine whether the level of general fund subsidy and/or revenue generated is sufficient and take steps to eliminate the deficit. Deficits in either or both of these accounts will reduce the district's E and D as discussed in section 5 of this audit.

With specific regard to the health insurance account, the district should determine whether a trust fund exists and act appropriately. If no trust fund exists, any deficiency should be provided for within the current school budget and/or by appropriation from the district's E and D fund.

Pursuant to school committee policy, responsibility over all district funds belongs to the district Treasurer. The Treasurer's duties include paying bills, investing cash and reporting monthly to the school committee. The Treasurer is supposed to work in cooperation with the Superintendent while reporting directly to the school committee. The position is appointed annually by the school committee and is currently filled on a part-time basis by a volunteer.

The audit team noted that staff carried out daily Treasury functions. Because of the several cash related concerns outlined in this section, the audit team questions whether proper cash control results were achieved by someone in a part-time capacity. The audit team did not have an opportunity to speak with the Treasurer.

10. Review of Expenditures and Cash Controls

The purpose of auditing this section is to review one fiscal year of invoices and evaluate cash control procedures.

The audit team completed a review of all paid invoices for FY00. Interviews were conducted with the Superintendent, administrative assistant for business, administrative assistant to the Superintendent, and the district bookkeeper.

The school department provides a monthly expenditure and revenue report to the regional school district committee. The report details budget to actual amounts by account and by fund.

Finding

In the review of invoices, the audit team noted an inconsistent methodology for approving payment vouchers. Vouchers were at times approved by the business office and at times not.

In addition, the audit team noted that payment vouchers were sometimes submitted and approved solely by the individual being reimbursed.

Recommendation

A voucher approval system should be written and initiated where a person of higher authority than the one incurring the expense approves vouchers. This system should designate the responsibility to someone in the business office to review all bills for legal and mathematical correctness.
The audit team also noted that the school committee and school building subcommittee, during the summer months, authorized the Superintendent to approve warrants for payroll and accounts payable.

Finding

In review of control procedures for the athletic, cafeteria and student activity funds, the audit team determined that there were no written procedures detailing the handling of cash. In addition, it was indicated to the audit team that these accounts hadn't been audited in recent years.

Recommendation

Procedures for the athletic, cafeteria and student activity funds should be written and these accounts should be audited. The audit team found sufficient offsetting controls to mitigate the potential of inappropriate expenditure of funds including the Superintendent's sign-off and the town accountant's review. By law, the school committee has fiscal oversight responsibility.

VI. Appendix

Appendix A-1	Total School District Expenditures by Function
Appendix A-2	Total School District Expenditures by Program and by Percentage Distribution
Appendix B-1	Net School Spending by Foundation Budget Categories FY97-FY99 – Table
Appendix B-2, B-3	Net School Spending by Foundation Budget Categories FY97-FY99 – Graph
Appendix C	Auditee's Response

Masconomet Regional School District Appendix A-1

Total School District Expenditures By Function
(in thousands of dollars)

	FY97	FY98	FY99	FY99 % of Total	FY97 - FY99 $ Diff.	FY97 - FY99 % Diff.
Instructional Services:						
Supervisory	$72	$75	$699	5%	$627	873.9%
Principal	$395	$365	$349	3%	-$46	-11.6%
Principal Technology	$0	$0	$0	0%	$0	N/A
Teaching	$4,862	$5,724	$5,928	43%	$1,067	21.9%
Professional Development	$104	$106	$189	1%	$84	80.9%
Textbooks & Inst. Equipment	$107	$244	$208	1%	$101	93.8%
Instructional Technology	$21	$215	$17	0%	-$4	-20.3%
Educational Media	$151	$208	$226	2%	$75	49.7%
Guidance & Psychological	$501	$477	$598	4%	$98	19.5%
Subtotal:	**$6,213**	**$7,414**	**$8,215**	**59%**	**$2,002**	**32.2%**
Other Services:						
General Administration	$343	$254	$370	3%	$27	7.7%
Administrative Support	$0	$0	$0	0%	$0	N/A
Administrative Technology	$0	$0	$108	1%	$108	N/A
Attendance	$0	$0	$0	0%	$0	N/A
Health	$23	$50	$43	0%	$20	84.8%
Pupil Transportation	$454	$558	$541	4%	$88	19.4%
Food Service	$6	$0	$0	0%	-$6	-100.0%
Athletics	$187	$187	$139	1%	-$48	-25.5%
Other Student Body Activities	$55	$57	$40	0%	-$15	-27.6%
Operations and Maintenance	$719	$713	$722	5%	$3	0.4%
Extraordinary Maintenance	$0	$0	$0	0%	$0	N/A
Networking & Telecomm.	$16	$11	$10	0%	-$6	-35.1%
Employee Benefits & Ins.	$1,201	$1,127	$1,087	8%	-$114	-9.5%
Rent. Lease, Int.,Fixed Chgs.	$0	$0	$0	0%	$0	N/A
Asset Acq. & Improvement	$0	$0	$1,970	14%	$1,970	N/A
Debt Service	$161	$103	$54	0%	-$107	-66.3%
Payments To Other Districts	$376	$559	$632	5%	$256	68.2%
Subtotal:	**$3,542**	**$3,620**	**$5,717**	**41%**	**$2,174**	**61.4%**
Total School Committee Expenditures By Function:	**$9,755**	**$11,035**	**$13,931**	**100%**	**$4,176**	**42.8%**

Note: Data provided by DOE. Percentages may not add due to rounding. Health and Pupil Transportation include non-Public. N/A indicates no category in that fiscal year or dividing by "0". Certain lines omitted due to no dollar entry.

Masconomet Regional School District

Total School District Expenditures
By Program (in thousands of dollars) and By Percentage Distribution

	$ FY97	% FY97	$ FY98	% FY98	$ FY99	% FY99	FY97 - FY99 $ Diff	FY97 - FY99 % Diff
Instructional:								
Regular Day	$4,708	48.3%	$5,617	50.9%	$6,435	46.2%	$1,726	36.7%
Special Education	$833	8.5%	$902	8.2%	$999	7.2%	$166	19.9%
Undistributed	$671	6.9%	$895	8.1%	$781	5.6%	$109	16.3%
Subtotal Instructional:	**$6,213**	**63.7%**	**$7,414**	**67.2%**	**$8,215**	**59.0%**	**$2,002**	**32.2%**
Other Services:								
Regular Day	$395	4.0%	$449	4.1%	$411	2.9%	$16	4.1%
Special Education	$435	4.5%	$668	6.0%	$763	5.5%	$328	75.5%
Undistributed	$2,713	27.8%	$2,504	22.7%	$4,543	32.6%	$1,830	67.5%
Subtotal Other Services:	**$3,542**	**36.3%**	**$3,620**	**32.8%**	**$5,717**	**41.0%**	**$2,174**	**61.4%**
Total School Expenditures:								
Regular Day	$5,103	52.3%	$6,067	55.0%	$6,845	49.1%	$1,742	34.1%
Special Education	$1,268	13.0%	$1,570	14.2%	$1,762	12.6%	$494	39.0%
Undistributed	$3,384	34.7%	$3,398	30.8%	$5,324	38.2%	$1,940	57.3%
Total:	**$9,755**	**100.0%**	**$11,035**	**100.0%**	**$13,931**	**100.0%**	**$4,176**	**42.8%**

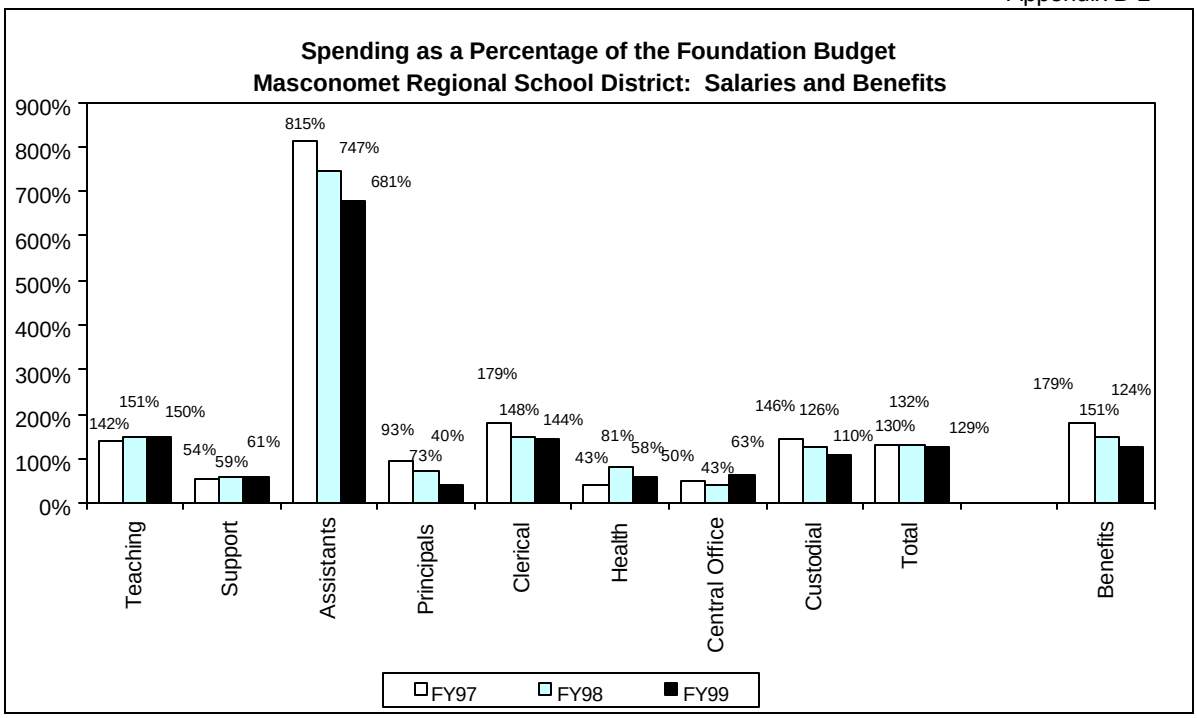
Note: Data provided by DOE

Masconomet Regional School District
Net School Spending According to Foundation Budget Categories
(in thousands of dollars)

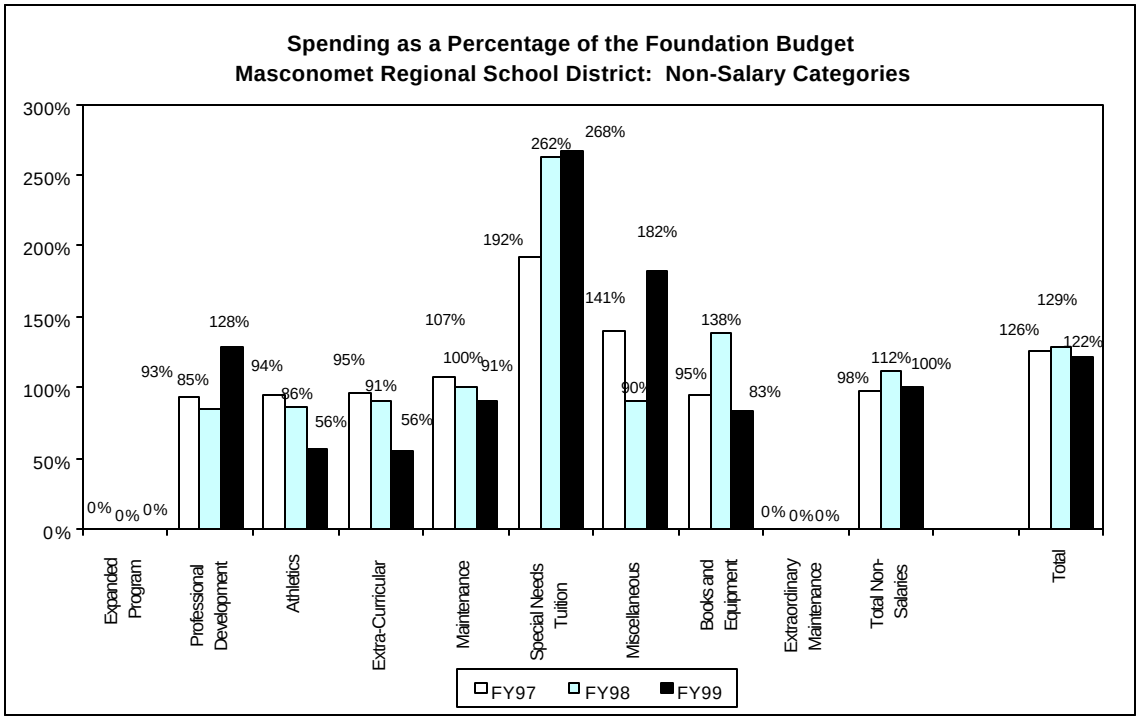
	Reported Expenditures			Foundation Budget			Over (under) Foundation		
	FY97	FY98	FY99	FY97	FY98	FY99	FY97	FY98	FY99
Teaching Salaries	$4,181	$5,024	$5,810	$2,947	$3,327	$3,865	$1,234	$1,698	$1,945
Support Salaries	$427	$508	$627	$793	$859	$1,035	-$367	-$351	-$407
Assistants' Salaries	$567	$582	$626	$70	$78	$92	$498	$504	$534
Principals' Salaries	$277	$241	$158	$298	$331	$391	-$21	-$91	-$233
Clerical Salaries	$291	$268	$306	$163	$181	$213	$129	$87	$93
Health Salaries	$22	$46	$39	$52	$57	$68	-$30	-$11	-$28
Central Office Salaries	$131	$126	$217	$262	$292	$344	-$130	-$166	-$127
Custodial Salaries	$359	$347	$355	$246	$275	$322	$113	$72	$33
Total Salaries	$6,256	$7,142	$8,140	$4,830	$5,401	$6,330	$1,425	$1,742	$1,810
Benefits	$1,162	$1,093	$1,050	$649	$724	$846	$513	$369	$204
Expanded Program	$0	$0	$0	$12	$6	$6	-$12	-$6	-$6
Professional Development	$104	$106	$189	$112	$126	$147	-$8	-$19	$42
Athletics	$187	$187	$139	$198	$218	$247	-$11	-$31	-$108
Extra-Curricular	$55	$57	$40	$58	$63	$72	-$3	-$6	-$32
Maintenance	$360	$366	$377	$335	$366	$414	$25	$0	-$37
Special Needs Tuition	$361	$545	$619	$188	$208	$231	$173	$337	$388
Miscellaneous	$191	$132	$306	$136	$147	$169	$55	-$14	$138
Books and Equipment	$465	$745	$506	$491	$540	$610	-$27	$205	-$104
Extraordinary Maintenance	$0	$0	$0	$223	$242	$276	-$223	-$242	-$276
Total Non-Salaries	$1,723	$2,139	$2,176	$1,754	$1,915	$2,171	-$31	$224	$5
Total	$9,140	$10,374	$11,366	$7,233	$8,040	$9,347	$1,907	$2,334	$2,019
Revenues	$48						$48	$0	$0
Net School Spending	$9,092	$10,374	$11,366	$7,233	$8,040	$9,347	$1,859	$2,334	$2,019

Note: Data obtained from DOE. Totals may not add due to rounding.

Appendix B-2


Spending as a Percentage of the Foundation Budget
Masconomet Regional School District: Salaries and Benefits
900%
800%
700%
600%
500%
400%
300%
200%
100%
0%
142%
151%
150%
54%
59%
61%
815%
747%
681%
93%
73%
40%
179%
148%
144%
43%
81%
58%
50%
43%
63%
146%
126%
110%
130%
132%
129%
179%
151%
124%
Teaching
Support
Assistants
Principals
Clerical
Health
Central Office
Custodial
Total
Benefits
FY97
FY98
FY99

Appendix B-3


Spending as a Percentage of the Foundation Budget
Masconomet Regional School District: Non-Salary Categories
300%
250%
200%
150%
100%
50%
0%
0% 0% 0%
93% 85% 128%
94% 86% 56%
95% 91% 56%
107% 100% 91%
192% 262% 268%
141% 90% 182%
95% 138% 83%
0% 0% 0%
98% 112% 100%
126% 129% 122%
Expanded Program
Professional Development
Athletics
Extra-Curricular
Maintenance
Special Needs Tuition
Miscellaneous
Books and Equipment
Extraordinary Maintenance
Total Non-Salaries
Total
FY97
FY98
FY99

Appendix C

January 8, 2001

Mr. Robert Taylor
Department of Revenue
Division of Local Services
Education Audit Bureau
51 Sleeper Street, 5`h Floor
Boston, MA 02210

Dear Bob:

Thank you for taking the time to meet with us on Friday, January 5, 2001 to review the report documenting the results of the DOR audit in August, 2000. Overall, I found your recommendations reasonable, helpful, and accurate. Your findings dovetail nicely with the findings of our own auditors.

We have already addressed, or arc in the process of addressing each of the recommendations made by the audit team. The actions we have taken include the reorganization of the business office and the further separation of duties among business office personnel. Our chart of accounts has been reorganized consistent with DOE and DOR reporting requirements. have submitted to the School Committee a budget, which includes the money to replace our volunteer treasurer with a paid treasurer. Our proposed budget also addresses areas in which you found we should be spending more money, such as building maintenance and professional development.

The audit process was a very helpful one for us. The audit staff was professional, thorough, and fair, and completed their work without disrupting the normal school routine. You have provided us with a valuable roadmap for implementing the financial accountability requirements included in Education Reform, and we intend to make maximum use of that document.

Sincerely,

Kathleen M. Lynch, Ph.D.
Superintendent of Schools
Masconomet Regional School District

Appendix C

January 8, 2001

Mr. Robert Taylor
Department of Revenue
Division of Local Services
Education Audit Bureau
51 Sleeper Street, 5th Floor
Boston, MA 02210

Dear Mr. Taylor:

I appreciate the opportunity to meet with you in August and last week to discuss certain areas of your audit of the Masconomet Regional School District. Over the summer, we covered the areas of finance, budget and School Committee/Superintendent relations. The Preliminary Draft of the report is very informative and will be helpful to the District as we continue to strive to provide educational excellence to the students of Boxford, Middleton and Topsfield.

However, I was disappointed that there was no note in the report of our discussions concerning relations between School Committee members themselves and also with Dr. Kathleen Lynch, our Superintendent. Your excellent, introspective, open ended questions in August afforded me a chance to reflect on that area. I think the Committee members may sometimes take for granted the amicable relationships present at Masconomet Regional School District. Realizing how well we all get along was only half of our equation. The more interesting question is why. I am aware that many other school committees and superintendents do not enjoy this type of relationship. Personally, I feel one major reason is the mutual respect everyone has for each other. As I said again Thursday, I feel all the present members and Dr. Lynch are fully invested in providing fiscally responsible, quality education at Masconomet Regional School District. I'm sure there are other reasons also, but this common goal and atmosphere of mutual respect seems key.

Please include this letter as part of the final audit report as I am very proud of the School Committee relationships at Masconomet. I thank you for your insight in this area and affording me the opportunity to examine those relationships.

Best regards,

Originally Signed

Lynne Nechtem, Chairperson
Masconomet Regional School Committee