



**School Administrative Unit #31
Newmarket School District**
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Patricia Wons
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Janna Mellon
Business Administrator

Erica MacNeil
Student Services

Date: September 1, 2023
To: Todd Allen, Superintendent
cc: Newmarket School Board
Subject: FY 2022-2023 Quarter 4 Financial Report of the Business Administrator

FY 2022-2023: Quarter 4, Financial Reports:

Financial reports for Quarter 4 of the 2022-2023 fiscal year are attached for your review. These reports have been presented to you by expenditure category with notes to explain variances.

Expenditures-General Fund: Below, please find a summary of expenditures for 2022-2023. Please reference the notes that accompany our financial statements for more detailed information about variances by expenditure category. Overall, our total FY 23 expenditures in our General Fund were the result of variances in the following significant areas:

Category	Budgeted Amount Unexpended	Notes
Salaries	\$435,342	These are primarily as a result of hiring challenges and a necessary shift to outsourcing in several areas of operations.
Benefits	\$ 65,070	This variance is due to unexpended benefits on salaries as noted above.
Operations	\$281,201	These funds consist primarily of expenditures for professional services and utilities.
Total	\$781,613	

Revenues: A more detailed report is included later in the report, but presented below is a brief summary of revenue highlights.

Local Revenues: Overall, local revenues were \$377K (2%) higher than budgeted. Significant elements of this unanticipated increase were: a Health Insurance Premium Holiday for 22-23 (\$144K); significant positive variance in interest earned on our bank accounts (\$91K), higher-than-expected food service sales revenue (\$84K) and tuition paid by another local school district to place two out-of-district students in Newmarket schools during the 22-23 school year (\$50K).

State Revenues: State Revenues were 10% higher than budgeted due primarily to a positive variance in Special Education Aid of \$343K and a positive variance in **Other State Aid** due to the one-time 22-23 NHRS contribution for teachers (\$128K).

Federal Revenues: Federal Revenues were 9% higher than budgeted in 22-23, primarily due to unanticipated COVID-related FEMA revenues received under FEMA DR-4516 (\$103K) and higher-than-anticipated federal child nutrition revenues (\$25K).

DOE-25 and Fund Balance to Reduce Taxes:

As required by RSA 198:4-f, the Newmarket School District has completed the DOE-25 and the MS-25 reports as required by the NH Department of Revenue and the NH Department of Education. As you know, these informational reports from the School District are instrumental in setting the tax rate for the residents of Newmarket and also provide necessary data to the NH DOE. Therefore, we wanted to share the following information regarding the estimate of the unassigned fund balance that can be used to reduce taxes as this information informs many decisions at the local level both for the School District and the Town of Newmarket. We have also recently completed our annual financial audit for FY 23 and as a result of this audit, we have received preliminary audited figures that align with the amounts submitted on the NH DOE-25 and MS-25, including the unassigned fund balance for FY 23.

This Unassigned Fund Balance is calculated using aggregated information from all funds, including the General Fund. It is the difference between district assets (cash, amounts receivables) and district liabilities (amounts payable at the close of the FY), with certain required accounting adjustments. In a nutshell, the unassigned fund balance can be viewed as “what is left over after all bills related to the fiscal year have been paid.” The unassigned fund balance has many components, and these components are shown below in more detail.

Calculating the Unassigned Fund Balance: A primary component of the Unassigned Fund Balance is the unexpended budgeted amount in the General Fund. Other components of the Unassigned Fund Balance include Excess Revenues in the General Fund (\$890K) and changes in Assigned Fund Balances in other funds and certain required auditing adjustments (\$403K). Finally, encumbrances voted for the subsequent year (-\$403K) and Retained Fund Balance voted for Contingency (-\$689K) are deducted from the remaining amounts to arrive at our Unrestricted Fund Balance to Reduce Taxes. Details of this calculation are shown below.

Component	Amount
Unexpended Balance of Appropriations-General Fund Only	\$ 781,613
Excess (deficit) Revenues-General Fund Only**	\$ 890,357
Amounts Encumbered to Subsequent Year (Purchase Orders and Other Obligations)	(\$ 402,717)
Reserve for Amounts Voted (Warrant Articles 4 & 5)	(\$ 212,110)
Net Changes in Assigned Fund Balances-All Funds and Auditing Adjustments	\$ 403,173
Unassigned Balance Before Adjustment for Retained Fund Balance	\$1,460,315
Less: Fund Balance Retained (3.5%)	(\$688,718)
Preliminary-Unassigned Fund Balance to Reduce Taxes	\$ 771,598

This figure varies from the one shown on page 6 because our revenues report **does include Food Service Revenues and Federal Grant revenues (not just General Fund revenues).

Food Service Fund Summary: As of 6/30/23, the Newmarket Food Service Fund ended the year with a positive fund balance of \$121K. At the end of FY 22 (the prior year), we had a positive Food Service Fund Balance of \$131K which was entirely due to the USDA COVID-19 waiver program that was in place for FY 21 and FY 22. As of 6/30/23, the Food Service Fund Balance has been reduced by our FY 23 net operating loss of \$10K, leaving us with a positive fund balance of \$121K as of 6/30/23. Positive Food Service fund balances are restricted and cannot be returned to reduce taxes; they can only be used to offset future losses in our Food Service fund.

FY 2023-2024-Preview of Coming Attractions:

Adequacy Aid Increase FY 23-24: Consistent with NH State statutes, the NHED conducted an adequacy estimate in November 2022 which was used as the State revenue estimates for local school budgets for FY 2024. Since that estimate was conducted in November 2022, the Adequacy Formula has been substantially amended. In total, the Adequacy Grant has increased by \$102.9 million; we were advised on August 21, 2023 that Newmarket School District will receive an additional \$307K in total Adequacy Grant and State-Wide Education Property Tax (SWEPT) beyond what was estimated at the time we planned our FY 23-24 budget.

Districts have an option to increase their appropriations for FY 2024 and expend allowable additional adequacy funding (for Newmarket, this amount is calculated to be \$229,895), however under RSA 197:3-a, in order to expend these funds, a district must hold a special meeting of the legislative body (voters). If a special meeting is not held, any increase in Adequacy funding for FY 24 will automatically go to reduce the tax levy for the upcoming tax rate setting season. The decision to pursue a special meeting to allow the district to expend additional adequacy aid funding rests with the Newmarket School Board, not district Administration.

Please see Exhibit A of this report to review the NHDOE's detailed explanation of the two options that are available for school districts with regard to this additional funding.

However, given the short time remaining before the tax rate is set, the meeting posting requirement timelines and the relatively small amount of additional revenues that could be expended if approved by voters, it is our recommendation to allow the additional adequacy funding to be used to offset the tax levy in the upcoming tax rate setting season.

Respectfully Submitted, Janna Mellon, Business Administrator

Newmarket School District Financial Statements as of 6/30/23

Expenditures by Category- General Fund	Original Total Budget, as Voted	Adjustments for Encumbrances and Unanticipated Revenues*	Total Budget	YTD Activity	Encumbrances	Variance Favorable (Unfavorable)	% Remaining
Salaries							
Administrator	\$1,400,650	\$60,796	\$1,461,446	\$1,546,802	\$0	-\$85,356	
Administrative Support	\$531,710	\$0	\$531,710	\$537,560	\$0	-\$5,850	
Professional	\$7,126,183	\$279,469	\$7,405,652	\$7,305,630	\$0	\$100,022	
Paraprofessionals, Tutors & Monitors	\$1,338,414	\$0	\$1,338,414	\$1,029,319	\$0	\$309,094	
Other Educational	\$293,437	\$0	\$293,437	\$174,119	\$0	\$119,317	
Facilities	\$242,635	\$0	\$242,635	\$200,883	\$0	\$41,752	
Other Non-Instructional	\$225,288	\$0	\$225,288	\$268,926	\$0	-\$43,638	
Total Salaries	\$11,158,316	\$340,265	\$11,498,582	\$11,063,240	\$0	\$435,342	3.79%
Benefits							
FICA	\$874,070	\$26,030	\$900,101	\$820,775	\$0	\$79,325	
NHRS	\$1,936,169	\$71,053	\$2,007,221	\$2,000,038	\$0	\$7,183	
Health/Dental Insurance	\$2,219,182	\$0	\$2,219,182	\$2,319,585	\$0	-\$100,402	
Other Benefits	\$299,131	\$578	\$299,709	\$220,746	\$0	\$78,963	
Total Benefits	\$5,328,552	\$97,661	\$5,426,213	\$5,361,144	\$0	\$65,070	1.20%
Operations							
Supplies	\$254,727	\$1,917	\$256,644	\$223,010	\$0	\$33,634	
Professional Services	\$2,693,996	\$51,460	\$2,745,456	\$2,631,086	\$0	\$114,370	
Software	\$227,511	\$0	\$227,511	\$217,314	\$0	\$10,197	
Textbooks	\$50,022	\$0	\$50,022	\$52,531	\$0	-\$2,509	
Printing/Postage	\$48,042	\$0	\$48,042	\$27,001	\$0	\$21,041	
Equipment	\$224,938	\$720	\$225,658	\$249,332	\$0	-\$23,675	
Furniture	\$33,542	\$60,972	\$94,514	\$78,783	\$0	\$15,732	
Tuition	\$833,924	\$0	\$833,924	\$878,579	\$0	-\$44,656	
Repairs & Maintenance	\$302,347	\$4,735	\$307,083	\$428,833	\$0	-\$121,750	
Professional Development	\$172,245	\$0	\$172,245	\$99,916	\$0	\$72,329	
Utilities/Fuel	\$432,470	\$0	\$432,470	\$402,831	\$0	\$29,639	
Professional Dues & Fees	\$61,333	\$0	\$61,333	\$47,612	\$0	\$13,721	
Phones/Internet	\$37,440	\$0	\$37,440	\$36,209	\$0	\$1,231	
Insurances and Other Operational Expenses	\$173,530	\$158,418	\$331,948	\$170,052	\$0	\$161,897	
Debt Service	\$2,099,013	\$0	\$2,099,013	\$2,099,013	\$0	\$0	
Total Operations	\$7,645,080	\$278,222	\$7,923,302	\$7,642,101	\$0	\$281,201	3.55%
Total Expenditures	\$24,131,948	\$716,149	\$24,848,097	\$24,066,484	\$0	\$781,613	3.15%

Note: Budget adjustments increased for SAFE Grant in the amount of \$39,820 approved by NSB 11/3/2022 in Public Hearing.

Newmarket School District Financial Statements as of 6/30/23

Variations Shown Above:

Category	Variance	Notes
Salaries-Administrator Salaries-Professional Salaries-Paraprofessionals/Tutors Salaries- Other Educational Salaries-Facilities Salaries-Other Non-Instructional	(\$ 85,356) \$ 100,022 \$ 309,094 \$ 119,317 \$ 41,752 (\$ 43,638)	Variations in Administrator and Professional Salaries stem from “breakage” due to staff turnover and the shift of Athletic Director and ELO Coordinator positions from Professional to Administration. The positive variations in Paraprofessionals/Tutors, Other Educational and Facilities stem from unfilled positions during 22-23 and our difficulty in hiring substitutes. The overage in Other Non-Instructional stems primarily from salary adjustments made based on our revised salary scale in 22-23, as well as a reallocation of funds originally budgeted for IT outsourced Contracted Services, to allow us to convert a part-time IT position to a full-time position.
Benefits-FICA Benefits-Health/Dental Benefits-Other	\$ 79,325 (\$100,402) \$ 78,963	With lower salary expenditures, associated benefits cost typically decrease as well; the positive variance in our salaries correlates to the positive variations in FICA and NHRS. The negative variance in Health and Dental is primarily due to an unanticipated 2.3% increase in health insurance premiums announced after we had set our 22-23 budget.
Professional Services	\$114,370	While we have incurred unanticipated costs for professional services in certain operational areas, overall we have a positive variance for professional services. This amount primarily stems from two areas: our new custodial model where we are increasingly performing repairs and maintenance services using our own staff rather than outsourcing to contractors, and our inability to hire an athletic trainer for the first part of the school year.
Equipment	(\$23,675)	This negative variance stems from the replacement of several failed hot water heaters at NJSHS. These were new tanks installed as part of the construction project, and we were able to recoup warranty costs for the failed equipment, but labor was not covered.
Tuition	(\$44,656)	This negative variance stems from an increase in OUT-OF-DISTRICT Special Education tuition as required by students’ IEPs as well as an increased utilization of, and higher tuition rates for, SST vocational programs.
Repairs and Maintenance	(\$121,750)	This negative variance stems from Capital Improvements that have been reimbursed to the district from our Capital Reserve Funds. These expenditures are more than offset by a Transfer from Capital Reserves in the amount of \$161,069. Please see the Other Revenues section on page 6.
Professional Development	\$72,329	Due to COVID-19, many professional development activities have been either postponed or modified.
Utilities/Fuel	\$26,639	Due to overall increased energy costs and a need to increase the percentage of outside air intake with our HVAC systems in both buildings in response to new COVID-19 protocols, we had budgeted for an increase in both electricity and propane. However, we have been able to implement some energy saving measures such as lighting dimming fixtures at the NJSHS, as well as utilizing our building automation system to schedule our HVAC systems to operate more cost-effectively.
Insurances and Other Operational Expenditures	\$161,897	This variance is due to lower than anticipated insurance costs for Worker’s Compensation and Unemployment insurances in FY 23, as well as a FY 22 encumbered obligation in the amount of \$108K that was not expended in FY 23. When an encumbrance is voted from end-of-year fund balance, if unexpended, it must be returned as part of the unrestricted fund balance as the funds cannot be used for any other purpose than originally intended.

Newmarket School District

Financial Statements as of 6/30/23

Revenues as of 6/30/23		Total Budget	YTD Activity	Variance (Negative Variance)	% Budgeted Revenues Received as of 6/30/23
Local Revenues					
District Assessment	\$	18,270,622	\$ 18,270,622	\$ -	100%
Tuition From Others	\$	5,000	\$ 54,998	\$ 49,998	1100%
Earnings on Investments-GF	\$	2,500	\$ 93,963	\$ 91,463	3759%
Other Local Revenue **	\$	25,000	\$ 177,022	\$ 152,022	708%
Food Service Revenues	\$	180,000	\$ 263,773	\$ 83,773	147%
Total Local Revenues	\$	18,483,122	\$ 18,860,378	\$ 377,256	102%
State Revenues					
Adequacy Aid	\$	3,067,716	\$ 3,067,797	\$ 82	100%
State Education Tax	\$	1,407,023	\$ 1,407,023	\$ 0	100%
Other State Aid	\$	9,000	\$ 144,620	\$ 135,620	1607%
Vocational Transportation Aid	\$	9,500	\$ 14,326	\$ 4,826	151%
Special Education Aid	\$	162,950	\$ 505,960	\$ 343,010	310%
SAFE Grant	\$	39,820	\$ 39,820	\$ -	100%
Child Nutrition-State Breakfast	\$	5,000	\$ 6,184	\$ 1,184	124%
Total State Revenues	\$	4,701,009	\$ 5,185,730	\$ 484,722	110%
Federal Revenues					
Federal Grants					
Title IA	\$	155,657	\$ 155,657	\$ -	100%
Title IIA	\$	26,094	\$ 26,094	\$ -	100%
IDEA and Preschool	\$	331,157	\$ 331,157	\$ -	100%
Title IVA	\$	29,638	\$ 29,638	\$ -	100%
ESSER CARES	\$	675,886	\$ 675,886	\$ -	100%
FEMA	\$	-	\$ 103,373	\$ 103,372.90	
Federal-Child Nutrition	\$	130,000.00	\$ 155,250.41	\$ 25,250.41	119%
Federal-NSLP Equipment Grant	\$	1,161.00	\$ 1,161.00	\$ -	100%
Federal-Supply Chain Grant-Food Service	\$	21,415.53	\$ 21,415.53	\$ -	100%
Federal-Medicaid	\$	110,000.00	\$ 115,441.14	\$ 5,441.14	105%
Federal-ERATE	\$	-	\$ 4,522.66	\$ 4,522.66	
Total Federal Revenues	\$	1,481,008	\$ 1,619,595	\$ 138,587	109%
Total Revenues		\$ 24,665,139	\$ 25,665,703	\$ 1,000,564	104%
Other Revenues					
		Total Budget 7/1/2022	YTD Activity	Variance (Negative Variance)	% Budgeted Revenues Received as of 6/30/23
Transfer to Trust Funds from GF (WA #4)	\$	50,000	\$ 50,000	\$ -	100%
Transfer from Trust Funds-NES Improvements			\$ 161,069		
Transfer from Bond Fund-Interest	\$	-	\$ 162,110		
Local Grants	\$	-	\$ 70,806		
Interest Trust Funds	\$	-	\$ 1,585		
Interest Bond Fund	\$	-	\$ 6,251		
Total Revenues-All Funds		\$ 24,715,139	\$ 26,117,525	\$ 1,000,564	

Newmarket School District Food Service Summary as of 6/30/23

Food Service Expenditures	Total Budget*	YTD Activity	Encumbrances	Variance Favorable (Unfavorable)	% Remaining
Salaries					
Salaries	\$ 99,968	\$ -		\$ 99,968	100.0%
Total Salaries	\$ 99,968	\$ -	\$ -	\$ 99,968	100.0%
Benefits					
FICA	\$ 7,670	\$ -		\$ 7,670	100.0%
NHRS	\$ 1,000	\$ -		\$ 1,000	100.0%
Health/Dental Insurance	\$ 6,586	\$ -		\$ 6,586	100%
Other Benefits	\$ 444	\$ -		\$ 444	100.0%
Total Benefits	\$ 15,701	\$ -	\$ -	\$ 15,701	100.00%
Operations					
Supplies	\$ 4,300	\$ (253)		\$ 4,553	105.9%
Food	\$ 94,043	\$ 25,185		\$ 68,858	
Printing/Postage	\$ 6,803	\$ 2,577		\$ 4,226	62.1%
Repairs & Maintenance	\$ 191,038	\$ 425,885		\$ (234,847)	-122.9%
Professional Services	\$ 250	\$ -		\$ 250	100.0%
Professional Development	\$ 2,284	\$ 5,281		\$ (2,998)	-131.3%
Equipment	\$ 1,000	\$ -		\$ 1,000	100.0%
Professional Dues & Fees	\$ 9,975	\$ -		\$ 9,975	100.0%
Total Operations	\$ 309,692	\$ 458,675	\$ -	\$ (148,983)	-48.11%
Total Expenditures as of 6/30/2022	\$ 425,361	\$ 458,675	\$ -	\$ (33,314)	-7.8%
*Note: Since originally adopted, the Food Service budget has been increased to allow for grant-funded expenditures: SCA grant, NE Dairy Equipment Grant and NSLP Equipment Grant. The total Increase to the Budget was \$23,316.					
Food Service Revenues:					
Local Food Service Revenues FY 23				\$ 263,773	
Federal/State Food Service Revenues				\$ 161,434	
New England Dairy Grant				\$ 884	
Supply Chain Assistance Grant				\$ 21,416	
NSLP Equipment Grant				\$ 1,161	
Total Food Service Revenues FY 22				\$ 448,668	105.5%
Food Service Operating Profit (Loss)				\$ (10,007)	

Newmarket School District Food Service Summary as of 6/30/23

Exhibit A:

New Hampshire Department of Education
Division of Education Analytics and Resources
Bureau of School Finance

<u>Two Options Available For School Districts</u>		
When State Adequacy Statute Changes Result In A Revenue Increase After The Budget Was Finalized		
FAQ	Option 1 Call A Special Meeting For Change In Education Funding Under RSA 197:3-a	Option 2 Apply The Revenue As A Credit During Local Tax Rate Setting Process
What Is The Purpose Or Outcome Of This Option?	Allows School Districts to appropriate and spend the increased State funding, if approved by voters, while using a more streamlined process.	As a default outcome, not pursuing RSA 197:3-a will automatically reduce the tax assessment for the upcoming tax year.
Which School Districts Can Use This Option?	Any school district can use this option. However, it is intended for districts that have to go to their voters for appropriation authority. For example, City School Districts already have a more streamlined processes to increase appropriations.	Any school district can use this option. In fact, this is the default option if no action is taken by the school district.
What Is The Process A School District Needs To Follow?	The exact details of the process are outlined in RSA 197:3-a. Unlike the normal special meeting process under RSA 197:3, school districts <u>do not</u> have to either achieve at least 50 percent voter turnout or petition the superior court to appropriate and spend these funds.	No specific process is necessary, school districts will end up reporting the increased State revenue on the DOE-25. NHDRA will utilize all of this revenue when setting tax rates.
Timing Consideration	The tax rate setting process starts in the Fall of 2023. Therefore, districts need to use RSA 197:3-a before tax rates are set, otherwise Option 2 will be selected by default.	
Any Other Considerations A School District Should Know When Implementing An Option?	School districts that meet using the official ballot form of town meeting under RSA 40:13 ("SB2") the Board may elect to deliberate and vote on the same day ("traditional meeting") in accordance to RSA 197:3-a, I.	Applying a large increase in State revenue against the tax assessment, may create a temporary decrease in the tax rate which could be followed by a "spike" in the tax rate, if controlling for all variables. Keep in mind, a change in State revenue is only one factor among many that may need consideration in managing a tax rate.
<u>Disclaimer: School Districts Should Seek Legal Counsel When Determining Their Statutory Authority Or Following A Statutorily Defined Process.</u> This document is a basic explanation of options and considerations and is in no way intended to be exhaustive or comprehensive.		

Newmarket School District

Food Service Summary as of 6/30/23

New Hampshire Department of Education
Division of Education Analytics and Resources
Bureau of School Finance

197:3-a Special Meeting for Change in Education Funding. –

In response to statutory changes resulting in reductions or increases in distribution of state revenues for education pursuant to RSA 198:41 to school districts which would take effect after the adoption of a new school district budget and would apply in the fiscal year covered by the new budget, the governing body of a school district may, after consultation with the budget committee, call a special meeting of the legislative body to consider a reduction, rescission, or increase of appropriations made at an annual meeting, subject to the following:

I. The governing body of a school district that has adopted the official ballot referendum form of meeting under RSA 40:13 may elect to hold and conduct the meeting in accordance with the provisions of this section in a single session for deliberating and voting, and without regard to the provisions of RSA 40:13.

II. A special meeting under this section shall not be petitioned under RSA 197:2, and no petitioned warrant articles shall be inserted in the warrant.

III. The governing body's warrant shall specify, in one or more articles, the amounts of appropriations proposed for reduction, rescission, or increase from the operating budget or separate warrant articles, or both, adopted at the annual meeting.

IV. The governing body shall hold a public hearing on the proposed reductions, rescissions, or increase at least 14 days prior to the meeting. Notice of the time, place, and subject of such hearing shall be posted in at least 2 public places within the school district, one of which shall be on the school district's website, if such exists, at least 7 days prior to the hearing.

V. The governing body of such school district shall post a notice of the meeting, which shall include the warrant, in at least 2 public places within the school district, one of which shall be on the school district's website, if such exists, at least 7 days prior to the meeting. Additional notice shall be published in a newspaper of local or regional circulation in the school district, provided that if there is no newspaper of local or regional circulation in which notice can be published at least 7 days before the date of the meeting, public notice shall be posted in at least one additional place within the school district.

VI. The meeting shall be conducted in accordance with the provisions of this section. The most recently updated checklist shall be used.

VII. The legislative body may approve or disapprove any proposed reduction, rescission, or increase of appropriations, or may approve lesser reductions. The legislative body shall not approve greater reductions than what is in the warrant, or reduce or rescind an appropriation not specified in the warrant, or act on any other business at the meeting.

VIII. Except as provided in this section, the provisions of the following chapters, as they apply to special meetings of the legislative body of a school district, shall not be required for special meetings held pursuant to this paragraph: RSA 32, RSA 39, RSA 49-D, RSA 197, RSA 654, RSA 669, RSA 670, and RSA 671.

Source. 2013, 197:1, eff. Sept. 7, 2013.