

**Portage Public Schools
Monitoring Report**

Policy Type: Executive Limitation
Policy Title: (2.4) Financial Planning/Budgeting

Global Board Policy

Financial planning for any fiscal year or the remaining part of any fiscal year shall not deviate materially from the Board's Ends priorities, risk fiscal jeopardy, or fail to be derived from a multi-year plan. It is the policy of the Board of Education to comply with all applicable laws, regulations, and the provisions of federal and state grant agreements in the conduct of its financial operations. The Board of Education instructs the Superintendent to develop appropriate operating procedures to ensure such compliance.

Certification

I hereby present my monitoring report on Executive Limitation, 2.4, "Financial Planning/Budgeting" in accordance with the monitoring schedule established by the Board. I certify that the information provided in this report is true as of February 9, 2015.



Signature

1.30.2015

Date

Interpretation

I submit that the Board's Policy is comprehensively interpreted in the succeeding five sections. My interpretations of those sections, the report, and conclusion statements are presented below.

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2.4.1 POLICY LANGUAGE

The Superintendent shall not risk the organization incurring those situations or conditions described as unacceptable in the Board's policy Financial Condition and Activities.

Interpretation

I interpret this to mean that our financial planning must adhere to the following:

- The proposed budget for the fiscal year (July 1 – June 30) does not anticipate an excess of expenditures over revenue that would result on a fund balance level below 7% of expenditures, based on identified assumptions.
- There is no planned borrowing from outside sources to provide revenue to create a balanced budget.
- Monthly cash flow plans are in place to meet payroll and vendor account obligations.

Report

The Board approved 2014/15 budget disclosed planning assumptions and resulted in a balanced budget. There is no planned borrowing for the current fiscal year nor was there in the preceding year (ending June 30, 2014). All payroll obligations have been met as scheduled. Vendor payments are typically made within a 30-day time period.

Executive Limitation Policy (2.5) Financial Condition and Activities, which contains the conditions described above was presented and approved by the Board in October 2014.

Conclusion Statement

The organization met expectations.

2.4.2 POLICY LANGUAGE

The Superintendent shall not develop a budget without conducting a formal process for planning for the future of the organization.

Interpretation

I interpret this to mean that protocols are in place to collect and analyze viable data in the development of the Board-adopted annual budget as required by law.

Report

Administration conducts a planning process which includes but is not limited to a review of existing and anticipated instructional and operational programs needed to meet the Board's Ends in a cost effective manner. Enrollment projections are forecasted as are anticipated financial revenues.

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The planning process coincides with the State's financial planning process for school districts, and includes a minimum of two amendments to the initial budget adopted in June of each year. Significant adjustments to the budget plan are documented during the amendment process. During the 2013/14 school year, amendments occurred in February and June, 2014.

Conclusion Statement

The organization met expectations.

2.4.3 POLICY LANGUAGE

The Superintendent shall not plan the expenditure in any fiscal year that causes annual unassigned fund balances to fall below 7%. (The Board of Education authorizes the Superintendent to establish any standards and procedures which may be necessary for its implementation.)

Interpretation

I interpret this to mean that in planning the annual budget, the anticipated end-of-year unassigned fund balance is 7% or greater.

Report

The 2013/14 budget, which was developed and approved prior to me being hired, ended with an unassigned fund balance of 8.5%. The 2014/15 budget approved by the Board in June 2014 anticipated an end-of-year unassigned fund balance of 7.51%. It should be noted, however, that this budget was developed and approved prior to the completion of negotiations with the District's largest bargaining unit (Portage Education Association). Amendments to the budget will likely cause changes to the anticipated amount, but still above the 7% threshold.

Conclusion Statement

The organization met expectations.

2.4.4 POLICY LANGUAGE

The Superintendent shall not develop a budget without employing credible projections of revenues and expenses, separation of capital and operational items, cash flow, and disclosure of planning assumptions.

- A. Develop a budget which does not include "full costing" to include all sources of revenue and expense whether or not they are revenues, gifts, or grants.

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Interpretation

I interpret this as follows:

- The credible projections of revenues will come from substantiated resources such as: House and Senate Fiscal Agency; Citizen Research Council; Michigan School Business Officials; MASA/MAISA and the Governor's Office.
- That credible projections of expenditures are defensible based on prior years' experience, and/or which reflect analysis of effective practices, services and programs.
- That full costing takes into consideration all financial aspects of District programs and operations.
- That planning assumptions – the key determining factors used in establishing estimates of revenues and expenditures – are disclosed in writing.
- That there are separate operating and capital budgets.

Report

During the budget development process and at the time of the adoption of the budget, projected revenues are based on credible sources that are documented. [Examples include: Governor's Office; Stanfred enrollment projections; House and Senate Fiscal Agency Reports; Citizens Research Council; MSBO; MASA; MPSERS; Health Insurance Carriers.] This detail is documented in the budget plan adopted by the Board in June 2014. Additional information was also shared with the Board at work sessions and regular meetings leading up to budget adoption.

Staffing projections are determined conservatively according to formulas and standards that have been developed by the District. District programs and services are reviewed on a regular basis and costs associated with those programs and services are analyzed during budget planning process. Various negotiated agreements are also reviewed with contractual obligations factored into budget projections. Beginning in January of each year, central office administrators meet frequently with the Business Office to provide input into budget planning.

The budget clearly separates capital revenues and expenses from operating revenues and expenses. The District budget is comprised of five different and separate funds; General Operating Fund, Debt Retirement Fund, Food Service Fund, Building and Site Sinking Fund, and the combined Debt Services Fund. Of these, the Building and Site Sinking Fund is dedicated to capital revenues and expenditures. A portion of the General Operating Fund is dedicated to capital outlay expenditures which are specifically delineated in the budget.

Appropriate documentation exists and effective procedures are in place to assure that payroll and vendor obligations are met.

Conclusion Statement

The organization met expectations.

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2.4.5 POLICY LANGUAGE

The Superintendent shall not provide less for board prerogatives during the year than is set forth in the Cost of Governance policy.

Interpretation

I interpret this to mean that the annual budget will consider costs associated with:

- Board Member Stipends
- Annual Financial Audit
- Board Member Professional Development
- Board Member Conference/Workshop Attendance and Travel
- Ownership Linkage Activities
- Board Meeting Costs
- Board Legal Expenses
- Other activities as referenced in Policy 3.10

Report

The annual budget allows for Board expenditures as outlined in Policy 3.10, Cost of Governance and in the Board's By-laws.

Among Board prerogatives this past year were:

- Policy Governance Professional Development
- Facilitation of Ends, Mission, Vision Review
- Financial Audit
- MASB Conference and Workshop Attendance
- Participation in KCSOA Events
- Legal Costs

Conclusion Statement

The organization met expectations.