

**Portage Public Schools
Monitoring Report**

Policy Type: Executive Limitation
Policy Title: (2.5) Financial Condition and Activities

Global Board Policy

With respect to the actual, ongoing financial condition and activities, the Superintendent shall not cause or allow the development of fiscal jeopardy or a material deviation of actual expenditures from board priorities established in Ends policies.

Certification

I hereby present my monitoring report on Executive Limitation, 2.5, "Financial Condition and Activities" in accordance with the monitoring schedule established by the Board. I certify that the information provided in this report is true as of October 13, 2014.



Signature

10.8.14

Date

Please note that parts of this Policy are monitored by the Board by external reporting through the Districts auditing firm, Rehman Robson in the form of the Annual Audit. The report is expected to be presented to the Board in November 2014.

Interpretation

I submit that the Board's Policy is comprehensively interpreted in the succeeding 11 sections. My interpretations of those sections, the report, and conclusion statements are presented below.

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2.5.1 POLICY LANGUAGE

The Superintendent shall not expend more funds than have been received in the fiscal year to date unless the debt guideline (below) is met.

Interpretation

I interpret this to mean that the budget presented to the Board for adoption be a balanced budget and that any unassigned fund reserves used to balance the proposed budget will not allow the remaining unassigned fund balance to fall below 7% of expenditures at the conclusion of that fiscal year.

Report

The 2014/15 budget adopted by the Board includes the planned expenditures of \$122,995 above projected revenues for the 2014/15 school year. The estimated unassigned End of Year (June 30) fund balance, including the effect of the actual results from the 2013/14 Audit, is estimated to be \$6,660,444 or 7.96% of expenditures.

The latest External Audit for year ending June 30, 2013 indicates an unassigned fund balance of \$6,597,528 or 8.4% of expenditures.

The Board may wish to consider replacing “(below)” with language that specifies that this reference is to sub-point 3 and may want to further discuss the word “debt” vs. “fund balance”.

Conclusion Statement

The organization met expectations.

2.5.2 POLICY LANGUAGE

The Superintendent shall not indebt the organization in an amount greater than can be repaid by certain, otherwise unencumbered revenues.

Interpretation

I interpret this to mean that the District shall not make financial commitments that cannot be paid to its vendors or other entities in a timely manner – normally within 60 days.

Report

The Business Office operates on a 30-day payment schedule in order to maintain a positive business reputation and working relationship with vendors. Procedures are in place to investigate and reconcile situations whereby an invoice is received but no verification of approval to pay has been received by the Business Office. The Business Office has the ability to pay all invoices within 60 days.

Conclusion Statement

The organization met expectations.

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2.5.3 POLICY LANGUAGE

The Superintendent shall not allow 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 any conditions that would cause the General Operating Fund unassigned fund balance to fall below 7% at the end of the fiscal year (June 30th) would be brought to the Board's attention and reflected through the budget amendment process, which requires Board approval. The General Fund is the only fund in the District that has unassigned fund balance.

Report

There are no plans in 2014/15 to reduce the unassigned fund balance to below 7% of expenditures. It is important to maintain a sufficient reserve for cash flow purposes and to allow for unforeseen and emergency expenses. Insufficient reserves could cause the District to have to borrow funds to meet obligations. I am not aware of anytime during the past year when the unassigned fund balance was less than 7%.

Conclusion Statement

The organization met expectations.

2.5.4 POLICY LANGUAGE

The Superintendent shall not conduct inter-fund shifting in amounts greater than can be restored to a condition of discrete fund balances.

Interpretation

I interpret this to mean that there is no shifting of funds between the various funds to cover expenditures which cannot be paid within a reasonable time (normally 30 days) and keeping in compliance with the fund balance threshold of 7%.

Report

There have been no known deviations of this limitation. The June 30, 2013 Audit did not note any deviations. The 2014 Audit is not yet available.

Conclusion Statement

The organization met expectations.

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2.5.5 POLICY LANGUAGE

The Superintendent shall not allow payroll obligations to be unsettled or untimely.

Interpretation

I interpret this to mean that Portage Public School payroll will be executed on schedule as per negotiated agreements and individual contracts. Contracts will specify payroll obligations and time lines and are coordinated with the payroll office.

Report

There have been no disruptions to the payroll schedule. All District employees have been paid according to approved/agreed to schedules.

As of this report, a contract settlement with the Portage Education Association (PEA) has not been reached. However, any changes to the contract which may result in payroll adjustments will address the mutually agreed to effective date of such payroll adjustments.

The District contracts with PESG for contracted employees. This third-party contractor is responsible for the payroll schedules of their employees. The District works closely with this vendor to maintain similar payroll expectations.

Conclusion Statement

The organization met expectations.

2.5.6 POLICY LANGUAGE

The Superintendent shall not allow tax payments or other government ordered payments or filings to be overdue or inaccurately filed.

Interpretation

I interpret this wording to mean that all payments are made without incurring late payment fees in excess of \$1,000 aggregate amount for any fiscal year; further, reports and other required documents are submitted in accordance with Michigan Department of Education and Federal timelines. Tax payments related to payroll are settled pursuant to state and federal guidelines. This interpretation represents compliance with external requirements and the aggregate amount listed has minimal impact on our budget.

Report

There have been no known violations of this provision and none were noted in the Fiscal Year 2013 District Audit. None are expected in the Fiscal Year 2014 District Audit. Late payment fees are rare and miniscule at best.

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Conclusion Statement

The organization met expectations.

2.5.7 POLICY LANGUAGE

The Superintendent shall not make any contractual commitment for equipment, goods, or services in excess of \$100,000. Splitting orders to avoid these limits is not acceptable.

Interpretation

I interpret this to mean that all purchases for goods, equipment, or services in excess of \$100,000 be brought to the Board for approval; further, purchases involving a like product from the same vendor will not be split to avoid approval by the Board.

Report

There have been no known violations of this provision and none were noted in the Fiscal Year 2013 District Audit. None are expected in the Fiscal Year 2014 District Audit.

Executive Limitation 2.6.5 dovetails with this provision in that purchases in excess of \$100,000 receive substantial administrative review and are tracked by the Business Office to detect any splitting of orders.

Conclusion Statement

The organization met expectations.

2.5.8 POLICY LANGUAGE

The Superintendent shall not acquire, encumber or dispose of real property.

Interpretation

I interpret this to mean that the Superintendent shall not purchase, agree to purchase, or sell any real property belonging to Portage Public Schools without Board approval. I interpret real property to be any land, building or structure. Any long-term lease or requests for easement will be brought to the Board for approval.

Report

No real property was purchased or sold by the District during the past year.

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The District allows West Portage Little League (WPLL) the use of District-owned property at 12th Street Elementary. For several years the District has attempted to enter into an agreement with WPLL for the use of this property. The District is in the final stages of finalizing the agreement which will be submitted to the Board.

The District recently received two requests for an easement along District property... one at McCamley Field, the other at Angling Road Elementary. These requests are being processed through the Board's Facilities Committee.

Conclusion Statement

The organization met expectations.

2.5.9 POLICY LANGUAGE

The Superintendent shall not allow receivables to go uncollected beyond a reasonable period of time without aggressively pursuing their collection.

Interpretation

I interpret this to mean that the District will aggressively pursue uncollected revenue in a reasonable and timely manner.

Report

The major sources of receivables are from other units of government (KRESA, LEA's) for services provided through collaborative agreements. The District also bills for transportation services for non-school groups, facility rental, and other support services that may be requested from time to time.

The District also closely monitors timely payments for Curious Kids fees and lunch payments for students. These are handled primarily at the building/program level. Since going to an on-line credit card payment option, the number of insufficient funds incidents has been significantly reduced.

The District has not found it necessary to use a collection agency or small claims court to collect revenues.

Conclusion Statement

The organization met expectations.

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2.5.10 POLICY LANGUAGE

The Superintendent shall not commit expenditures from a flexible fund to cover expenses in a more restricted fund.

Interpretation

I interpret this to mean that of the three District funds: General, Building and Site Sinking, and Bond Construction, the General Fund is the least restrictive, whereas the other two have restrictions as approved by District voters. General Fund revenues should not be used if revenues from the other two funds can be charged.

Report

There have been no known violations of this provision. None were noted in the Fiscal Year 2013 District Audit, and none are expected in the Fiscal Year 2014 District Audit.

Conclusion Statement

The organization met expectations.

2.5.11 POLICY LANGUAGE

The Superintendent shall not make any adjustment to the salary or length of any administrator contract without prior approval by the Board of Education of these parameters for the administrative group in total.

Interpretation

I interpret this to mean that:

- a) Board approval is required to adjust the salary or length of any Administrator's contract;
- b) The length of Administrator contracts will be specified in the recommendation being made to the Board; and,
- c) The data pertaining to proposed increases in salary will be presented in aggregate for the total Administrative group.

Report

At the June 23, 2014, Regular Meeting of the Portage Public School Board of Education, the Board approved contract extensions and salary adjustments for District Administrators. Contract extensions not to extend beyond June 30, 2016, were approved. As part of the 2014/15 budget approval process, the Board approved a 1.2% increase to the aggregate amount paid to this group. Contracts reflecting these changes are in the process of being issued.

Conclusion Statement

The organization met expectations.