

Present Laurie Hunter, John Flaherty, Robert Grom, Melissa McMorrow

The meeting was called to order at 12:15.

Dr. Hunter and John Flaherty presented the attached presentation regarding school district budgeting.

Linda Miller inquired regarding specific budget items such as the special education circuit breaker program as well as the teacher contracts.

The group discussed the pros and cons of a special education stabilization fund. The pro being that there is a contingency fund for unexpected events (e.g., move ins), the con being that it might not encourage prudent budget planning.

Melissa McMorrow motioned to adjourn and Robert Grom seconded the motion.

The meeting was adjourned at approximately 1:20.

Approved.



You've got the basics: now what?

MASC Summer Institute

July 29, 2017



Powers and Responsibilities of the School Committee

“The School Committee in each city and town and each regional school district shall have the power to select and to terminate the Superintendent, shall review and approve budgets for public education in the district and shall establish educational goals and policies for the schools in the district consistent with the requirements of law and statewide goals and standards established by the board of education.”

M.G.L. Chapter 71, Section 37

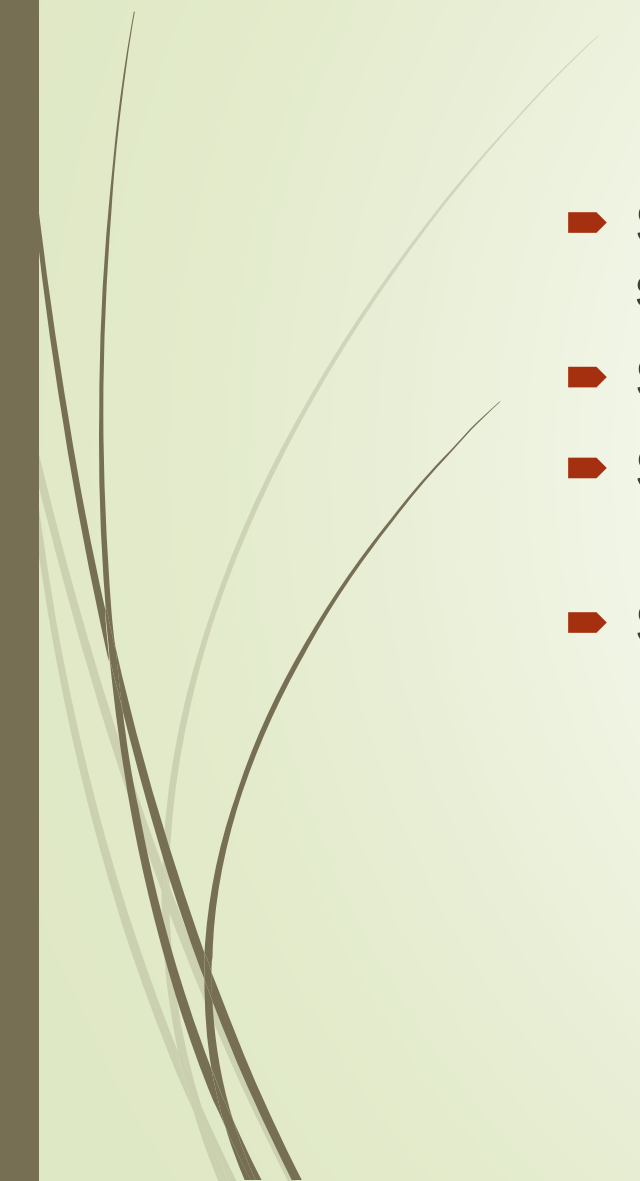


School Committee Financial Roles

- Review and Approve Budgets
- Review and Adopt Financial Policies
- Monitor Status of Budget
- Accept Grants, Gifts & Other Donations
- Review and Approve Warrants
- Approve Revolving Funds (as allowed by law)
- Employer of record for collective bargaining purposes



Your budget is a policy document.

- Supports goals by starting or expanding programs/cutting or shrinking them.
 - Supports goals through acceptance of grants.
 - Supports personnel policy through collective bargaining agreements and other contracts.
 - Supports student policy through fees and related decisions.
- 



Budget Development

- Integral to achieving the goals of the organization.
- Quantifies priorities in a fiscal plan.
- Statement of the fiscal requirements for achieving individual, departmental and organizational goals.

“Don’t tell me what you value; show me your budget and I’ll tell you what you value.”

~ Joe Biden

Budget Cycle

Warrants,
quarterly
reports, other
updates



Long term changes in enrollment and in programming should be part of your long-term budget planning process.

Note that this must include at least one public hearing



Implementation of the Spending Plan

- All funds and accounts are assigned to a Principal or Director to monitor and control during the year
- Site based School Principals/Directors control accounts associated with their building/program
- The School Business Manager maintains control over all salary, utility, district-wide accounts and revolving funds
- The Director of Student Service is responsible for all special education funds
- The Assistant Superintendent for Teaching and Learning is responsible for all district-wide instructional services including professional development, grants, and curriculum related non-salary accounts



Implementation of the Spending Plan (cont'd)

- Staff requisitions supplies and services using the purchase order system.
- Requisitions are approved by the appropriate Administrator(s) and then submitted to the School Business Administrator.
- School Business Manager verifies the account number, ensures that the paperwork is in order and confirms that there are sufficient funds in the line to process the transaction.
- School Administrators are expected to review financial reports once a month including expenditures, transfers, and encumbrances to date.
- School Administrators are not allowed to process purchase orders which would create a negative balance in an account unless a transfer request precedes the purchase order requisition.
- The School Business Manager prepares a comprehensive review of all accounts and funds for submission to the School Committee on a quarterly basis.



Auditing and State Reporting Requirements

- When the fiscal year closes, all accounts and funds are audited for compliance with the laws of the Commonwealth and GAAP
- The End of the Year (EOY) Pupil and Financial Report, is compiled and submitted to the Massachusetts Department of Elementary and Secondary Education (DESE) in the fall of each year
- The EOY Report is subject to an independent audit to confirm that the information submitted ties to the information in the accounting system
- If the district receives more than \$500,000 in federal grant money, it must undergo an additional audit that is required by the Single Audit Act



Fund Accounting

- There are three different categories of Funds that exist in a municipal environment
 - General Fund
 - Special Revenue Funds
 - Trust and Agency Funds
- Some funds are for a specific purpose and some are to support the general operation of the district
- There are laws that govern the manner in which the monies are received by the district and accessed for spending



General Fund

- All monies received by the District, except as otherwise provided for by statute, are deposited into the General Fund of the town to support general operations
- Expenditures from this fund are subject to an appropriation by appropriate governing body
- The budget, once approved, serves as the appropriation for expenditures from the General Fund



Special Revenue Funds

- Established for a **specific purpose**
- Three types of special revenue funds
 - Revolving funds
 - Gift accounts
 - Grants



Revolving Funds

- Can only be established for **specific purposes noted by statute**
- Generally the revenue derived from fees charged for a non-mandated service or activity (pre-school, athletics, building usage, etc.)
- The budgets not subject to the annual approval process
- Expenditures must be specifically related to the purpose for which the fund was established
- Any money left in the fund at the year end carries forward into the next year
- Fund remains open unless or until revenue generating activity ceases to exist



Gift Accounts

- Gift accounts revenue comes from charitable foundations, private corporations or individuals must be accepted by the School Committee
- Money from these accounts **can only be expended for the intended fund purpose (as articulated by donor)**
- Subject to acceptance by the School Committee
- The account closes when the funds are fully expended or the purpose has been fulfilled

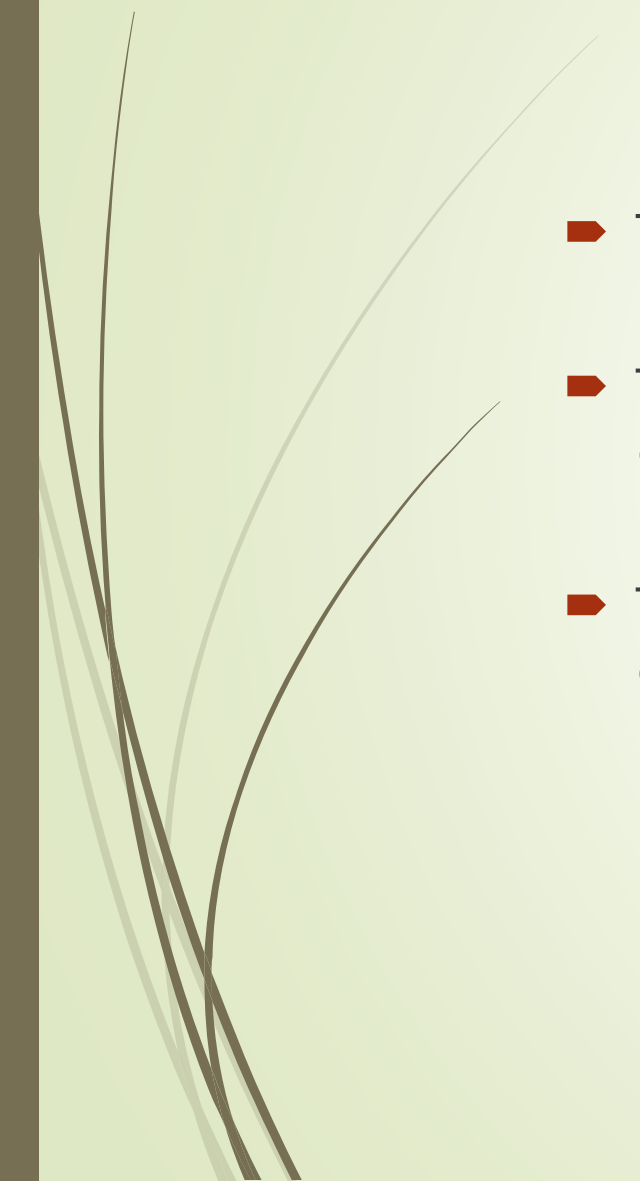


Grants

- State and Federal grants are subject to legislative approval and are either competitive or entitlements
- Grants may also be received from private sources
- A grant application, approved by the School Committee, must be submitted to, and approved by, the appropriate grant awarding agency
- Grant funds are intended to supplement (not supplant) funding from local appropriations for specific target areas
- Because these funds are awarded on an annual basis, any funds not expended must be returned to the awarding agency unless otherwise stated at the time of the award



Trust and Agency Funds



- Trust and Agency Funds are fiduciary funds which are funds that are held by the governmental unit for a specific purpose
- They are held on behalf of a private organization, individual (s) or other agency with the governmental unit acting in a trustee capacity or as an agent
- There are two types of fiduciary funds that the school district encounters
 - non-expendable trust funds (endowments, scholarships)
 - agency funds (student activity funds)



Special Education Stabilization Funds

- Section 24 of Chapter 218 of the Acts of 2016 provides for the establishment of a Special Education Stabilization fund (codified as MGL Chapter 40, Section 13E)
- Enables municipal and regional districts to establish a reserve fund that can be used in future years for unanticipated or unbudgeted costs of special education, out of district tuition or transportation
- Requires a majority vote by both the School Committee and local legislative body
- The balance in the reserve fund cannot exceed two percent of the annual required net school spending of the school district
- Funds in the reserve fund can only be expended or transferred out after a majority vote of both the School Committee and Selectmen or City Council or in the case of regional school districts, a majority vote of the boards of selectmen or city councils of a majority of the member communities of the district



Special Education Stabilization Funds Sidebar

- Prior to 2016, Special Education Stabilization Funds could be created pursuant to MGL Chapter 40, Section 5B
- Requirements differ from those established under Section 24 of Chapter 218 of the Acts of 2016
 - All transfers out must be approved by a **two-thirds vote** of Annual or Special Town Meeting or City Council (versus majority vote of School Committee and BOS/CC)
- Some districts have voted to create new funds pursuant to MGL Chapter 40, section 13E and have moved funds from prior Stabilization Fund to new Stabilization Fund



Financial Reporting

- Used to monitor the implementation of the budget
- Quarterly financial reports
 - Prepared at the end of each fiscal quarter to facilitate the review of all funds and accounts
 - Revenue and expenditure projections are compared against what actually occurred
 - Budget adjustments are recommended to reflect the changes that occurred or are anticipated to occur
- Monthly expenditure reports
 - Provides information on year-to-date expenditures and encumbrances
 - Compares expenditures and encumbrances to the amount budgeted for in each account



Quarterly Financial Report

Key Elements

- Historical context (prior year budgeted and/or prior year actual)
- Current year budgeted (original and/or revised)
- Current year expended, encumbered, and available
- Projected remaining expense (note assumptions where appropriate)
- Projected surplus / deficit
- Include grant and revolving fund YTD expense, revenue, and projected EOY balances
- By program, cost center, and/or location (versus line item detail)



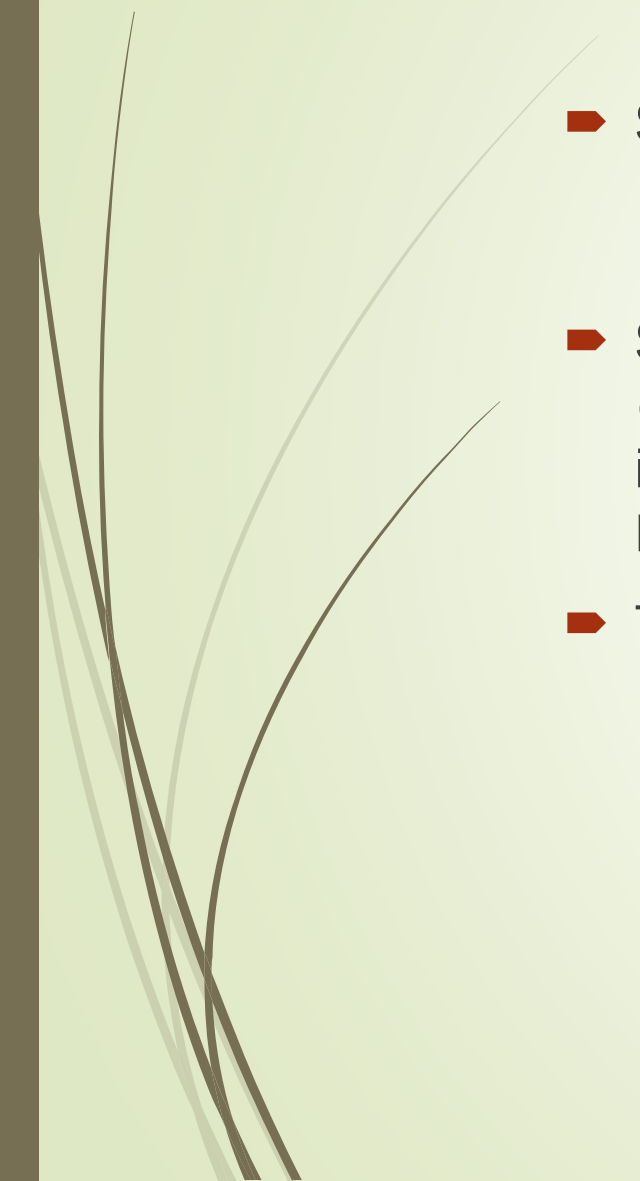
Monthly Expenditure Reports

Key Elements

- ▶ Contains all of the elements of a quarterly report, except:
 - No expenditure projections; only actual and encumbered
 - No projection of surplus / deficit; only amount and % available
 - Typically no detail on grants and revolving accounts



Financial Monitoring Responsibilities

- School Business Office prepares and disseminates financial reports, processes revenue and expenditure transactions, executes transfers and analyzes and reconciles accounts and funds
 - School administrators, directors and department heads review expenditure reports on a monthly basis and provide necessary information on the financial position of the cost center to the Business Office
 - The School Committee approves all new funding sources, examines and approves all expenditures through the warrant signing process and reviews quarterly and annual financial reports
- 



Budget Transfers

- Transfers are an important part of maintaining financial control over the budget
- Expenditures cannot be made against an account that does not have a sufficient balance to cover its cost
- In order to process a purchase request against an account with an insufficient balance, a transfer must be executed to move money into that line item from another line item
- Level of budget transfer authority should be explicitly addressed
- Approval at the line item level is extremely cumbersome operationally
- DOR advisory states that cost centers can be established and are an appropriate level for transfer authority
 - Budget should then be voted at the cost center level by the School Committee



Striking a balance

School Committees and Superintendents should define the appropriate level of monitoring and reporting such that:

- Administrators have the flexibility to adjust spending without changing district policy **while also**
- The School Committee is assured that funds are spent appropriately to carry out goals and district policy



Financial Policies

- School Committee establishes broad oversight through policy leaving the implementation details to the Superintendent through development of procedures
- Under the National Education Policy Network system of policy organization, Section D is “Fiscal Management”
- Section D Policies include:
 - Annual Budget
 - School Budget Calendar
 - Budget Transfer Authority
 - Authorized Signatures
 - Fiscal Accounting and Reporting
 - Purchasing



Warrants

- “The selectmen and all boards, committees, heads of departments and officers authorized to expend money shall approve and transmit to the town accountant as often as once each month all bills, drafts, orders and pay rolls chargeable to the respective appropriations of which they have the expenditure.” MGL Ch.41, Sec.56



Warrants

- “Such approval shall be given only after an examination to determine that the charges are correct and that the goods, materials or services charged for were ordered and that such goods and materials were delivered and that the services were actually rendered to or for the town as the case may be” MGL Ch.41, Sec.41



Warrants

- Ed Reform had no impact on this responsibility. Per DOR opinion 93-983 (issued in 1994), “The School Committee remains the head of the school department for the purposes of approving bills and payrolls” under MGL Ch.41, sec.41 and 56.



Warrants

- Thus, School Committee members who are signing warrants can and in fact SHOULD ask questions before/as they are doing so.

Public transparency of public spending comes through the School Committee.



Municipal Modernization Act's impact on Warrant Approvals

“For purposes of this section, ... any ... board, committee ... consisting of more than 1 member authorized to expend money, may designate any 1 of its members to approve all bills, drafts, orders and payrolls; provided, however, that the member shall make available to the board, committee ..., at the first meeting following such action, a record of such actions. This provision shall not limit the responsibility of each member of the board in the event of a noncompliance with this section. ” MGL Ch.41, Sec. 56



It's all about trust

- Transparency helps to build the public trust, but ...
- Equally important is a trusting relationship between the School Committee, Superintendent, and School Business Official
- Lack of trust can lead to attempts to conceal errors, shortfalls, or compliance concerns
- Internal trust fosters external trust

“Trust is the glue of life. It’s the most essential ingredient to effective communication. It’s the foundational principle that holds all relationships”

~ Stephen R. Covey





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