

Monitoring Report
Policy Title: Executive Limitations 5
Financial Planning and Budgeting

This is my report on your Executive Limitation Policy EL 5 - Financial Planning and Budgeting, presented in accordance with your monitoring schedule. I certify that the information contained in this report is true.

Tom DeBalsi, Superintendent

Date: December 14, 2016

EL 5 Financial Planning and Budgeting

The Superintendent of the Town of Hartford School District shall not cause or allow financial planning for any fiscal year or the remaining part of any fiscal year to deviate materially from the board's Ends priorities, risk financial jeopardy, or fail to be derived from a multiyear plan.

Further, without limiting the scope of the foregoing by this enumeration, there will be no financial plans that:

1. Risk incurring those situations or conditions described as unacceptable in the Board policy "EL 4 - Financial Condition and Activities"

Interpretation:

I interpret this to mean that the budget I present shall sufficiently allocate funds to meet known and anticipated expenses necessary to be in agreement with Board Ends priorities, the Superintendent's multi-year action plan, budget parameters set by the Board, and enrollment projections. Needs previously identified shall not be underfunded. Compensation and benefits shall be adequately funded based upon negotiated agreements and budgetary assumptions. In summary, the budget I present shall be properly developed so that more funds will not need to be added to the budget, that unplanned debt will not be incurred, that use of reserves are planned in advance, that known obligations (payroll and operating) are fully funded, and that appropriations are correctly coded to minimize the need to transfer funds during the year.

Evidence:

1. Instructional needs that become known or inadvertently develop after the new year budget has been set and therefore were not provided for in the budget are presented by the Superintendent to the Board with relevance tied to the Superintendent's multi-year plan that addresses the Board's Ends Policies. In FY15, for example, although an additional section of Kindergarten was budgeted, new-year enrollment did not justify having seven Kindergarten teachers like the year before. So, as the instructional need decreased, the Superintendent made the adjustment to not re-hire one teacher.

2. The list of items to possibly be funded from the multi-year Construction and Systems Repair Reserve Funds will require a discussion of building priorities and could be used to better inform budget development.
3. Special Education expense planning is done on a shorter time frame through the annual AOE Service Plan for Special Education and our internal allocation of para-educator support staff.
4. During the last number of years, our annual operations have not resulted in deficit spending, a condition generally indicative that sufficient funds were appropriated for planned instructional and operational needs. Typically, more funds are not expended than received in this District.
5. As appropriate, if unanticipated revenue becomes available, the Board is asked to approve budget amendments to increase both revenue and anticipated spending in specific areas.
6. If necessary, the Board will be asked to approve budgetary transfers greater than \$10,000 in monthly consent agendas if shifts between budget categories become necessary. Explanations of the needs will be presented.

As of December 14, 2016, I report policy compliance.

2. Omit credible projection of revenues and expenses, separation of capital and operational items, cash flow, and disclosure of planning assumptions.

Interpretation:

I interpret “credible projections” to mean that revenue and expense projections are based both on historical trends and plans for the new budget year. I interpret “separation of capital and operational items” to mean separate documentation of any major construction or purchases requiring funding outside the regular budget. I interpret “cash flow” to mean borrowing funds to bridge gaps between cash needs and the receipt of tax and other revenues. I interpret “disclosure of planning assumptions” to mean details about what is included in the budget, the impact of the budget on the educational program, and the variables related to tax considerations. I interpret “predicted financial impact” to mean the anticipated residential tax rate of the proposed budget with discussion of the tax variables not controlled by the school district.

Evidence:

1. **Revenue and expense projections:** Revenue and expenditure budget reports are reviewed monthly. The administration uses these reports to manage fluctuations from projections. Any expenditure or revenue problems would be highlighted for discussion. Recommendations would be made for dealing with severe expense or revenue issues. A multi-year revenue summary is available. Please note that revenue estimates are revised as necessary during budget planning to accurately reflect recent experience.
2. **Separation of capital and operational items:** The Construction and System Repair Reserve Fund segregates from our operating account those funds being held in reserve for capital purposes. When the Board approves expenditure of some of those funds for specific projects, money will be transferred to the General Fund, from where it will be expensed.

3. **Cash Flow:** The level of cash flow necessary for District operations is based primarily upon the timing of property tax payments from the Town, received in October and April, and the Education Fund payments from the State in September, December, and April.
4. **Disclosure of planning assumptions:** The presentation of the annual budget by the Superintendent to the Board and community included goals and assumptions, suggested changes in staff and programs to enhance student learning, and the financial implication of the budget. The Board viewed the variables making up the residential tax rate calculation and the values assumed by the District administration. The Board decided the homestead tax rate to use in preparing the budget to Hartford citizens after a discussion about the recommendation of the Superintendent and Director of Finance.
5. **Predicted financial impact:** During the development of the budget, the Board viewed the residential tax impact of different levels of spending. The District's Annual Report included this information for the Board-adopted budget. Leading up to the budget vote, the Board's formal agendas dealt with FY17 budgetary matters on several different dates from November through April.

As of December 14, 2016 I report policy compliance.

3. Provide less for Board prerogatives during the year than is set forth in the Governance Investment Policy.

Interpretation:

I interpret this to mean that the budget contains the level of resources requested by and necessary to support the Board for its operations and professional development.

Evidence:

The Board, through recently review their policy for Governance Investment and developed a budget to include the following priorities. The amounts shown are the appropriations included in the FY 17 budget. These amounts are identical to the FY16 appropriations.

GP 9 - 2A Training (Travel & Conference)	\$ 8,000.
GP 9 - 2B Audit and third-party monitoring	\$ 33,000.
GP 9 - 2C Community engagement, surveys, and meetings	\$ 300.
	\$ 41,300.

As of December 14, 2016 I report policy compliance.

4. **A. Fail to gain voter approval**
- B. Fail to not increase more than a percent established by the board annually**
- C. Include more funds than are available**

Interpretation:

I interpret this to mean that I have anticipated all potential impacts on the proposed budget and that the adopted budget includes all anticipated costs.

Evidence:

Audited Financial Statements include a careful review of the actuarial assessment of all district deferred retirement benefits.

Negotiated Agreements including salary and benefits costs for each employee group; teachers, administration and support staff.

Year-end Financial Statements with projections for surplus or deficit balances.

Review of buildings and grounds needs based on 30-year facilities plan.

Analysis of revenue projections from Act 62 (Prekindergarten) and Act 68 (Education finance)

Annual notice of Common Level of Appraisal

Notice of Base Education Amount

Notice of Anticipated Grant Awards

I report Compliance with Executive Limitations Policy 5 - Financial Planning and Budgeting