

Discussion Regarding the Director of Finance & Budget Position

Waterford School District Board of
Education Study Session

January 14, 2019

Assistant Superintendent Business & Operations

Waterford Responsibilities:

- ▶ Finance & Budget
- ▶ Payroll & Benefits
- ▶ Purchasing
- ▶ Transportation
- ▶ Maintenance & Operations
- ▶ Food Service
- ▶ Capital Projects
- ▶ Senior Center
- ▶ Athletics
- ▶ School & Community Services
 - ▶ PFC, PAC, Comm. Ed, Comm. Relations, MiWorks
- ▶ Childcare
- ▶ Central Enrollment/Pupil Accounting
- ▶ Security & Risk Management

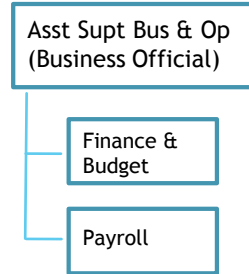
Traditional District Responsibilities*:

- ▶ Finance & Budget
- ▶ Payroll ~~& Benefits~~
- ▶ Purchasing
- ▶ Transportation
- ▶ Maintenance & Operations
- ▶ Food Service
- ▶ Capital Projects
- ~~▶ Senior Center~~
- ~~▶ Athletics~~
- ~~▶ School & Community Services~~
 - ~~▶ PFC, PAC, Comm. Ed, Comm. Relations, MiWorks~~
- ~~▶ Childcare~~
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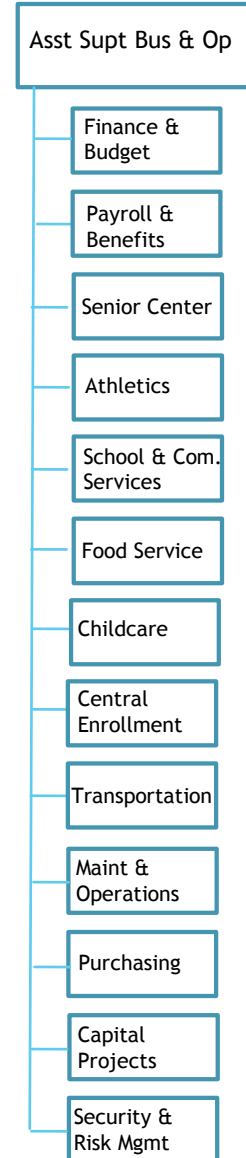
- In General. Trade-offs exist in that one departmental responsibilities may off-set lack of another.

Business Department Structure History

1990's Business Dept Structure

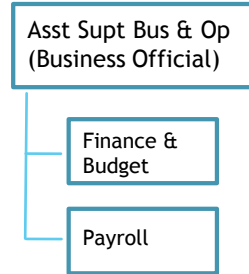


2019 Business Dept Structure

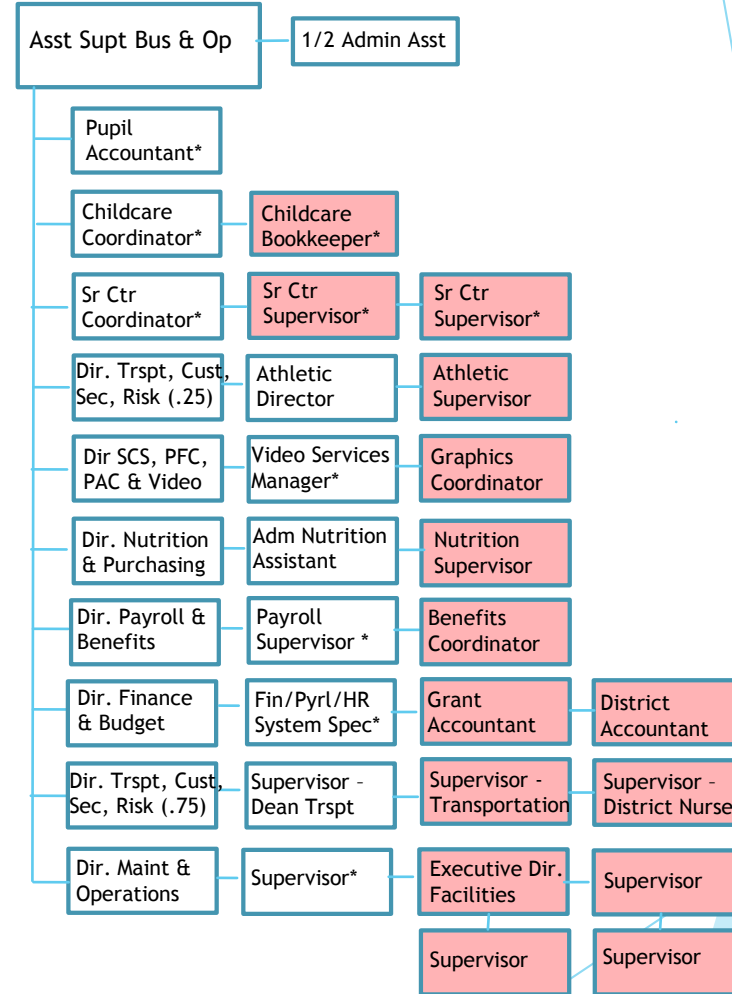


Business Department Structure History

1990's Business Dept Structure



2019 Business Dept Structure



* Non Administrative

Eliminated Position

Oakland County Districts that have two administrative staff over Finance & Budget:

District	District Size (Student FTE)	Asst Supt Bus & Op, Exc Dir, Bus Mgr, Etc	Finance Dir, Controller, Supervisor, Manager, Etc
Avondale	4,010	✓	✓
Berkley	5,805	✓	✓
Birmingham	8,086	✓	✓
Bloomfield Hills	5,609	✓	✓
Brandon	2,486	✓	✓
Clarenceville	1,765	✓	✓
Clarkston	8,354	✓	✓
Clawson	1,652	✓	✓
Farmington	9,669	✓	✓
Ferndale	2,997	✓	✓
Hazel Park	3,459	✓	✓
Holly	3,317	✓	✓
Huron Valley	9,124	✓	✓
Lake Orion	7,528	✓	✓
Lamphere	2,546	✓	✓
Madison	1,770	X	✓
Novi	6,632	✓	✓
Oak Park	5,158	✓	X
Oxford	6,173	✓	✓
Pontiac	4,221	✓	✓
Rochester	15,288	✓	✓
Royal Oak	5,104	✓	✓
South Lyon	8,413	✓	✓
Southfield	6,199	✓	✓
Troy	13,089	✓	✓
Walled Lake	13,989	✓	✓
Waterford	9,028	✓	?
West Bloomfield	5,553	✓	✓

Director of Finance & Budget Responsibilities

ESSENTIAL DUTIES:

- ▶ Oversees preparation of the budget and financial reports
- ▶ Prepare and submit the District's financial information annually through the Financial Information Database (FID)
- ▶ Supervises bookkeepers responsible for general bookkeeping, accounts receivable, grants and accounts payable
- ▶ Prepares and submits continuing bond disclosure information
- ▶ Participates with county and state organizations in staying abreast of school finance reform
- ▶ Maintains fixed asset records
- ▶ Reviews monthly bank reconciliations
- ▶ Prepares necessary information for website transparency reporting
- ▶ Prepares responses to notices received from the Michigan Department of Education or related offices
- ▶ Participates in negotiations

Director of Finance & Budget Responsibilities

ESSENTIAL DUTIES (Cont'd):

- ▶ Oversees the annual 1099 forms and submits to the IRS
- ▶ Approves and is responsible for check requests for proper account distribution
- ▶ Responsible for oversight of chart of accounts and compliance with applicable laws and regulations
- ▶ Support management of the District's accounting software with emphasis on maintaining and promoting internal controls, pursuing enhancements and system security
- ▶ Accumulates and prepares work papers for the year-end audit.
- ▶ Assists the outside auditors by providing the necessary information to complete the audit
- ▶ Prepares the year-end Financial Report
- ▶ Reviews the Schedule of Expenditures of Federal Awards for accuracy and compliance with Single Audit Guidelines
- ▶ Develops accounting policies, procedures and internal controls
- ▶ Supervises Finance staff
- ▶ Carries out supervisory responsibilities in accordance with the District's policies and applicable laws. Responsibilities include assisting the Assistant Superintendent, Business & Operations as requested and/or as needed; planning, coordinating, assigning and directing the work of employees; participating in the interviewing, hiring, training, evaluating and disciplining of employees; addressing anticipated needs as to avoid larger issues; responding to and addressing complaints and problems
- ▶ All other duties as assigned

Finance Department History

Since 2001:

▶ Eliminated:

- ▶ District Accountant - 1.0 FTE
- ▶ Bookkeeper/Grant Accountant - 1.0 FTE
- ▶ Payables Clerk - 1.0 FTE
- ▶ Part-time Office Aid - .5 FTE

Finance Department History

Financial Reporting:

2000-01 Fiscal Year:

- ▶ The Financial Statements were 29 pages
- ▶ FID (Financial Information Database) at the State level was a 2 page form that required reporting only at a summarized level in paper form not electronic

Today:

- ▶ Financial Statements are 86 pages and growing due to GASB 34 (MD&A, consolidation of all funds, and full accrual accounting) and subsequent governmental required disclosures such as the pension liability and OPEB
- ▶ Additional requirements now include the tracking and depreciation of almost \$300 million in fixed assets, and Continuing Disclosure filings for the \$144 million in debt bonds
- ▶ Transparency Reporting on the District website with 11 different sections
- ▶ FID electronic upload of 10,000 account numbers with a reconciliation to the financial statements and forms 4094 (SpEd Transpt), 4096 (SpEd Exp), and Section 24 (CVS)
- ▶ PA106 & 152 as well as the Affordable Care Act have created numerous compliance regulations and reporting requirements
- ▶ Financial statements and reporting requirements are now centered around international accounting standards requiring far more disclosure and finance staff with higher degrees/CPA licensing

Finance Department

Complementary Duties:

- ▶ District finances are too cumbersome for one employee
- ▶ The District processes over \$100,000,000 in transactions (technically \$200,000,000 with revenues coming in and expenditures going out), in some years expenditures exceed \$150,000,000 with all funds
- ▶ Checks and balances are an important aspect of the duties required of the Director of Finance & Budget and the Assistant Superintendent
- ▶ Approval of reports, reconciliations, wire transfers, etc, should have two high level finance staff members for proper controls
- ▶ During the budgetary process it is important to have two people reviewing each others projections for completeness and accuracy

Finance Department

- ▶ The role of the Assistant Superintendent and the Director of Finance & Budget has worked well for the District:
 - ▶ The District has taken many financial hits:
 - ▶ The District is down over 3,400 students in the last 20 years, this equates to an annual revenue loss of almost \$27,000,000
 - ▶ Funding from Lansing has been inadequate to say it mildly
 - ▶ Legacy costs (pension and healthcare) have increased dramatically over the years
 - ▶ However, the financial performance has been outstanding:
 - ▶ Fund balance is almost \$2,000,000 greater today than it was 20 years ago
 - ▶ Classroom has been protected with class size the same today as it was 20 years ago
 - ▶ Lay-offs have been kept to a minimum with less than 10 FTE (all employee groups combined) permanently laid-off at any one given time
 - ▶ The District has received clean audit opinions every single year
- ▶ Having two high level finance employees at the helm is critical to continue the financial performance the District has attained, especially during these challenging times

Why Districts Have a Finance & Budget Director

State of Michigan Department of Education and Treasury:

- ▶ The Uniform Budgeting and Accounting Act (UB&AA) establishes budgeting requirements for local units of government. It also establishes oversight requirements for the Michigan Department of Education (MDE) as well as the Michigan Attorney General. Questions they ask:
 - ▶ Does the District have reasonable procedures to detect, and subsequently help prevent, violations of the UB&AA?
 - ▶ Will the procedures prevent a violation?
 - ▶ Does District staff regularly monitor expenditures compared to budget?
 - ▶ Does District staff keep the Board informed of budget shortfalls and propose budget adjustments?
 - ▶ Does the Board adopt specific budget adjustments, give the administration the tools to make the adjustments and monitor the administration's implementation of the adjustments?
- ▶ In conjunction with UB&AA, the Revised School Code (MCL 388.1702) requires MDE to inform the Attorney General of a violation resulting in a deficit situation
- ▶ MCL 388.1761 - A school official or member of a board or other person who neglects or refuses to do or perform an act required by this act or who violates or knowingly permits or consents to the violation of this act is guilty of a misdemeanor, punishable by imprisonment for not more than 90 days, or a fine of not more than \$1,500, or both

Importance of a Director of Finance & Budget

- ▶ The Director of Finance & Budget has been an instrumental factor in navigating the District through the worst economic times
- ▶ Items to keep in mind for what is at stake:
 - ▶ The District has over 8,000 students
 - ▶ The District's size is in the top 10% of the 895 districts statewide
 - ▶ There are over 1,400 employees in the District (more employees than most districts have in students)
 - ▶ Over \$100,000,000 needs to be accounted for annually
 - ▶ Multiple regulatory agencies (Fed, MDE, ISD, Bond agencies) require in-depth District financial reporting and proper oversight

Importance of a Director of Finance & Budget

Concluding Thoughts:

- ▶ To understand the importance of finance, State law requires the Board of Education to pay a third party to provide audit evidence that the finance staff are performing their jobs, specifically:
 - ▶ 1.) The Assistant Superintendent Business & Operations
and
 - ▶ 2.) The Director of Finance & Budget
- ▶ No other department or employee (including the superintendent) is under this kind of regulatory scrutiny