

OFFICE OF THE SUPERINTENDENT

Millburn Public Schools

INFORMATION ITEM

November 3, 2010

To: Board of Education Members

From: Ellen E. Mauer, PhD

Subject: First Reading-Fund Balances-4:20

This policy is one Millburn has not previously had. It requires the superintendent to maintain fund balances to ensure the district's ability to maintain levels of service and to pay obligations promptly. It also requires the superintendent to inform the BOE whenever we draw upon our reserves or need to borrow money. The second paragraph suggests that year end fund balances be maintained at 25% of the annual expenditures, but the BOE is able to select any percentage or none, depending upon your comfort level. We selected 25% because it is a good goal and one that would allow us to be in the best financial shape, not have to rely upon TAWs for cash flow, and would allow us to have the best bond rating. This is a policy in which you may want to add language stating that you will run a balanced budget each year. If that is the case, I suggest that you add the wording: "The district shall pass a balanced budget each year." I have typed in that wording, but the BOE should feel free to discuss and change according to their philosophy.

We ask that you use this as your first reading period and then put this on the next BOE meeting agenda for a second reading and approval.

Operational Services

Fund Balances ¹

The Superintendent or designee shall maintain fund balances adequate to ensure the District's ability to maintain levels of service and pay its obligations in a prompt manner in spite of unforeseen events or unexpected expenses. The Superintendent or designee shall inform the Board whenever the District must draw upon its reserves or borrow money.

The School District seeks to maintain year-end fund balances no less than the range of 25 percent of the annual expenditures in each fund. ²

The School District shall pass a balanced budget each year.

CROSS REF.: 4:10 (Fiscal and Business Management), 4:80 (Accounting and Audits)

The footnotes are not intended to be part of the adopted policy; they should be removed before the policy is adopted.

¹ This optional policy is at the local board's discretion. Its intent is to help the board monitor the district's financial health and allows a board to clarify its expectations for maintaining fund balances. A board must modify the policy to reflect realistic targets after considering important financial and operational issues, such as current financial practices, long term projects, standards of fiscal health, and the current budget. A board facing a doubting and demanding employee union may want to obtain an objective opinion from an outside auditor before adopting this policy.

² The following alternative is for a district with fund balances deemed not currently adequate:

The School District will seek to establish year-end fund balances representing _____ percent of the annual expenditures for each fund by budgeting a surplus in each fund.

The board should ask the administration to prepare a multi-year cash flow projection to validate the sufficiency of the target figure.