

Financial Responsibilities of the Board
A Foreword from the Illinois Association of School Boards
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It is essential to recognize that the financial responsibilities of the board of trustees differ markedly from those of the administrative staff. Financial management is staff work, not board work.

The board's responsibilities for the district's financial performance can be outlined as follows:

1. Establish clear expectations for maintenance of the district's "financial health."
The district's financial health should reflect values of the board and community. Board intentions reflected in policy should clarify such issues as:

- Does the board insist on fund balances or is it willing to carry or accumulate debt in order to provide desired services? Are there limits on fund balances or amount of debt?
- Does the board require minimal levels of cash flow so that obligations can be met in a timely manner?
- On what kinds of expenditures is the board willing to use its reserves, if any exist, or engage in short-term borrowing?
- Does the board require standards beyond those required by law for such matters as financial reporting, auditing or protection of assets?

2. Establish desired outcomes and priorities that need to be reflected in the budget.
The board is the "voice of the community" in determining who gets what benefits and at what cost. The board should satisfy itself that the budget it adopts reflects its expectations for the district to the extent feasible.

3. Establish related expectations of the administration in its construction of the budget.
Ask the president to explain the following:

- What are the assumptions on which revenue and expense projections are based? Do they seem reasonable?

- Does the proposed budget produce the balance – surplus or deficit – that the board intends or finds acceptable?
- Does the spending plan serve the priorities and objectives of the district?

4. Establish policies and limitations on staff authority governing budget preparation, purchasing, protection of assets and related business procedures.

The board needs to be assured that:

- Its policies adequately govern district financial and business management procedures, including budgeting, purchasing and bid letting, payment of bills, investing of funds, and other standard fiscal practices necessary to safeguard school district monies.
- Procedures are in place requiring the segregation of duties of district personnel so as to establish checks and balances in the receiving, banking and recording of funds and in requesting, making and recording of payments.
- The district is in compliance with board policies and administrative procedures.

5. Monitor month-to-month financial performance – income and expense – in relation to the financial plan represented in the budget.

Ask the president to provide the following information each month:

- A summary of income and expense in comparison with budgeted amounts, along with an assessment of whether the district will end the year where the board expected it to be.
- An updated balance sheet to show how the district's financial status is being affected by current financial activity. Is the district increasing or decreasing its funds balances and how does this relate to the district's financial health?
- Evidence that cash flow is adequate and the district is paying its bills in a timely way.

6. Monitor the district's financial health, both current and long-term.

Ask the president at least once each year to provide more in-depth information reflecting the district's financial health, including:

- Cash flows trends
- Accumulation of deficits or surpluses

- Long-term projections of income and expenditures, five years or more, to show where the district might be headed.

7. Stay abreast of other financial issues affecting the district.

Members of the board need to understand a variety of issues that can become issues in the district's financial health from time to time.

- Trends in enrollment and how they affect costs and income.
- Internal financial controls
- Tax increment financing districts and enterprise zones, existing and proposed
- State mandates and financial aid

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