

Leadership Orientation

Responsibilities of Boards



Prepared For:
Curran-Gardner
Public Water Dist.



Purpose of Board Orientation

- There are literally millions of Boards in the US.
- The average number of members is 19 for NFP Boards while quasi governmental agencies usually number 3 – 7 members!
- About 26 million people serve on Boards
- Training tends to be “*on the job*”
- Focus on strategic direction, mission and goals of your company/association
- Manage risks associated with leadership

Responsibility 1

Determine the Mission, Vision and Purpose

- **Principle:** All Board members should be familiar with and support the current mission statement
- **Principle:** The Board policy decisions and the company/association services reflect the vision and mission.

Vision Statement

- Defines the desired or intended future state of an organization or enterprise in terms of its fundamental objective and/or strategic direction
- Vision is a **long-term** view, sometimes describing how the organization would like the world to be in which it operates
 - C-G Vision could be: *“to supply its members with a reliable and continuous supply of potable water at the best possible price”*

Vision Statement (cont.)

IRWA Vision:

To be the recognized leader of rural water and wastewater utilities in the state.

Mission Statement

- A mission statement provides details of what is done and answers the question: "*What do we do?*"
 - C-G Mission statement could be: "*...expand its system to serve areas of interest and need*"

Mission Statement (cont.)

IRWA Mission Statement:

"Protecting and preserving the water and wastewater resources of rural Illinois through education, representation and on-site technical assistance"



Financial Planning & Measuring Your Progress Towards Success

Responsibility 2

Ensure Adequate Resources

- **PRINCIPLE:** The board understands the funding strategy for the organization
- **PRINCIPLE:** Board members *actively* participate in ensuring funding is stable, secure and adequate for future needs

Financial Responsibilities

- The board should carefully review all financial reports
- The CSO, with staff assistance, should prepare and propose an annual budget
- The CSO and CFO will present a financial report for the previous period at each meeting
- An annual audit be performed by a certified public accountant



Responsibility 3

Provide Effective Fiscal Oversight

- **PRINCIPLE:** The board thoroughly discusses the annual budget before approving it
- **PRINCIPLE:** The board ensures that the budget reflects the priorities established in the strategic plan
- **PRINCIPLE:** The board receives monthly financial reports that enables them to make informed and prudent decisions
- **PRINCIPLE:** The board requires an annual audit and considers all recommendations made in the independent auditor's report and management letter

How do you measure success?



Financial Statements

What Do They Tell Us?

- Statement of Financial Position (Balance Sheet)
 - A snapshot of your company at a given time
 - Shows what's currently owed to you
 - Shows what you currently owe

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02/04/11

Accrual Basis

Moecherville Water District
Balance Sheet
As of January 31, 2011

	<u>Jan 31, 11</u>
ASSETS	
Current Assets	
Checking/Savings	
Deposit Account 731-430	7,342.00
Operations Account - 731-422	28,496.95
Total Checking/Savings	<u>35,838.95</u>
Total Current Assets	<u>35,838.95</u>
TOTAL ASSETS	<u>35,838.95</u>
LIABILITIES & EQUITY	
Equity	
Opening Balance Equity	4,220.88
Unrestricted Net Assets	22,161.33
Net Income	9,456.74
Total Equity	<u>35,838.95</u>
TOTAL LIABILITIES & EQUITY	<u>35,838.95</u>

Financial Statements

What Do They Tell Us?

- Statement of Activities (Income Statement)
 - Reports for a given time period
 - Shows where you are receiving your income
 - Shows how you are spending your income
 - Look at variances between Actual and Budget

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02/04/11
Accrual Basis

Moecherville Water District
Profit & Loss
January 2011

	<u>Jan 11</u>
Income	
Income	
Other	423.42
User Fees	21,634.89
Total Income	<u>22,058.31</u>
Total Income	22,058.31
Expense	
Contract Services	
Legal Fees	1,062.23
Operator Services	3,000.00
Receivership	
Clerical	180.00
Collection	900.00
Hearings & Meetings	385.50
Water Billing	270.00
Total Receivership	<u>1,735.50</u>
Total Contract Services	5,797.73
Operations	
Chemicals	497.71
Lab Fees	54.00
Maintenance	2,913.50
Postage, Mailing Service	41.70
Telephone, Telecommunications	50.00
Utilities	
Electric	1,580.21
Gas	133.39
Total Utilities	<u>1,713.60</u>
Total Operations	5,270.51
Other Types of Expenses	
Insurance - Liability, D and O	1,305.75
Total Other Types of Expenses	<u>1,305.75</u>
Payroll Expenses	<u>227.58</u>
Total Expense	<u>12,601.57</u>
Net Income	<u><u>9,456.74</u></u>

					<u>May 14</u>	<u>Budget</u>	<u>Jul '13 - May 14</u>	<u>YTD Budget</u>	<u>Annual Budget</u>
Ordinary Income/Expense									
Income									
Income									
Water Sales - Tapping Fees					0.00	2,333.33	14,530.50	25,666.67	28,000.00
Water Sales - Bulk					3,609.72	3,166.00	37,439.43	34,826.00	37,992.00
Water Sales - Late Fees					873.03	700.00	8,269.37	7,700.00	8,400.00
Water Sales - Residential					18,434.67	17,920.00	199,226.32	197,120.00	215,040.00
Membership Dues(Supporting) 13/14					842.54	824.00	9,115.37	9,064.00	9,888.00
Goods Sold					140.00	50.00	337.12	550.00	600.00
Interest					631.21	500.00	9,029.32	5,500.00	6,000.00
Other Income					1,206.17		15,689.27		
Total Income					25,737.34	25,493.33	293,636.70	280,426.67	305,920.00
Total Income					25,737.34	25,493.33	293,636.70	280,426.67	305,920.00
Gross Profit					25,737.34	25,493.33	293,636.70	280,426.67	305,920.00

	May 14	Budget	Jul '13 - May 14	YTD Budget	Annual Budget
Storage Garage Depreciation	322.61	325.00	3,548.71	3,575.00	3,900.00
Total Storage Garage Expense	322.61	325.00	3,548.71	3,575.00	3,900.00
Vehicle Expenses					
Vehicle FICA	0.00		646.16	720.00	720.00
Vehicle Depreciation	2,994.48	3,166.66	30,399.88	34,833.34	38,000.00
Vehicle Insurance	372.87	400.00	3,534.95	4,400.00	4,800.00
Maintenance & Fuel	1,294.93	1,833.33	19,621.23	20,166.63	22,000.00
Total Vehicle Expenses	4,662.28	5,399.99	54,202.22	60,119.97	65,520.00
Direct Exp - Employee Benefits					
Salary	7,016.98	7,020.00	77,769.14	77,220.00	84,240.00
401k	524.32	526.00	5,797.75	5,786.00	6,312.00
Employer Fica	536.80	540.00	6,015.30	5,940.00	6,480.00
FUTA	0.00		52.50	480.00	480.00
SUTA	0.00		952.16	360.00	360.00
Insurance					
Health	1,533.56	1,485.00	17,006.64	16,335.00	17,820.00
Life and AD & D	57.30	166.00	819.23	1,826.00	1,932.00
Total Insurance	1,590.86	1,651.00	17,825.87	18,161.00	19,812.00
Total Direct Exp - Employee Benefits	9,668.96	9,737.00	108,412.72	107,947.00	117,684.00
Equipment					
Equipment Lease	49.82	60.00	548.12	660.00	720.00
Equipment Maintenance	960.00	100.00	3,511.04	1,100.00	1,200.00
Equipment Purch	24.38	500.00	5,008.55	5,500.00	6,000.00
Equipment Depreciation	2,272.37	2,275.00	24,996.07	25,025.00	27,300.00
Total Equipment	3,306.57	2,935.00	34,063.78	32,285.00	35,220.00
Other Office Expense					
Building Exp - Maint	0.00	250.00	1,478.72	2,750.00	3,000.00
Donations	0.00	100.00	529.00	1,100.00	1,200.00
Flowers/Memorials	0.00	55.00	267.71	605.00	660.00
Interest Expense/Service Chrg	165.00	100.00	1,724.97	1,100.00	1,200.00
Legal Fees	0.00		1,395.56	2,000.00	2,000.00
Miscellaneous	99.18	100.00	-3,109.85	1,100.00	1,200.00
Office Postage	1,893.48	460.00	4,734.57	5,060.00	5,520.00
Office Supplies	94.02	333.33	1,986.64	3,666.67	4,000.00
Phone Expense	214.29	100.00	1,029.50	1,100.00	1,200.00
Training	85.00	100.00	995.00	1,100.00	1,200.00
Total Other Office Expense	2,550.97	1,598.33	11,031.82	19,581.67	21,180.00
Total Expense	20,511.39	19,995.32	211,259.25	223,508.64	243,504.00
Net Ordinary Income	5,225.95	5,498.01	82,377.45	56,918.03	62,416.00
Net Income	5,225.95	5,498.01	82,377.45	56,918.03	62,416.00

To Ensure Success

- Make sure your company/governmental body remains financially strong and solvent
- Insure financial integrity within your management team
- Review the financials periodically
- Ask yourself these questions
 - Financial statements
 - Budget items
 - Audit

Budgets – What is their purpose?

- A guide or road map for your income and expenses
- Not a Bible or law
- Monitoring tool for the board
- Tool for management
- Can be used to determine how well policies are being followed

How can you depend on your financial statements?

- Annual audit
- Looking at them with common sense
 - Look at the variances
 - Ask yourself questions
 - Are they reasonable
 - Are they consistent
 - Compare to previous statements

Annual Audit- What is Its Use?

- Provides an *independent* view of your financial condition
 - Examines financial accounts
 - Management Letter - Reports to you, the Board:
 - If adequate accounting policies
 - If adequate internal controls
 - If local, state, and federal requirements are being complied with
 - Overall financial health

Role of the Auditor

- Works for the board, **not** the CSO or staff
- Reports to the board
- Presents the audit at the board meeting and the annual membership meeting
- Board hires the auditor
- When awarding the contract, you can ask the auditor to focus on any area of concerns

What to be aware of:

- Management Letter
 - Addressed to the board
- Reportable conditions
 - Listed following the Findings and Questioned Costs
 - Are there any re-occurring findings or questioned costs from previous years

Definition

- **Unmodified Opinion** - An auditor's opinion which states that the financial statements present fairly, in all material respects, financial position, results of operations, and cash flows in conformity with generally accepted accounting principles (GAAP).
- NOTE: This does not mean there were no reportable conditions!

Definition

- **Reportable Conditions** - Matters coming to the auditor's attention that, in his or her judgment, should be communicated to the board because they represent significant deficiencies in internal control, which could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with assertions of management in the financial statements.

Definition

- **Modified Opinion** - A modified opinion is not a good thing. Auditors that deem audits as modified opinions are advising whoever is reading the document that the information within the audit is not complete or that the accounting methods used by the company do not follow GAAP.

Responsibility 4

Organize Itself So that the Board Operates Efficiently

- **PRINCIPLE:** The board has clearly defined its roles and responsibilities.
- **PRINCIPLE:** Board meetings focus on long-term strategic issues rather than short-term administrative matters.
- **PRINCIPLE:** Board members receive clear and succinct agendas and supporting written materials sufficiently prior to board and committee meetings.
- **PRINCIPLE:** All board members have reviewed board material and come prepared for informed discussion.
- **PRINCIPLE:** Board members have adequate opportunities to discuss and ask questions.

Responsibility 4 (cont.)

Organize Itself So that the Board Operates Efficiently

- **PRINCIPLE:** Although each board member brings different perspectives to the board, *all* directors primarily represent the interest of the entity, the members and the professional community – not any single or specific constituency.
- **PRINCIPLE:** Each committee has a stated purpose and plan of work.
- **PRINCIPLE:** Committees have adequate support to carry out their work.

The Governing Documents



The Tools of Governance

- State Statutes
- Ordinances
- Policies & Procedures
- Budget for Current Year
- Strategic Plan or Goals
- Position Statements or Platform (if involved in legislative efforts)
- Employee Handbook
- Board Governance Manual

Board Responsibilities

- What are your responsibilities as a board member?
 - Determine and understand the organization's mission and purposes
 - Select the CSO
 - Support the CSO
 - Assess his or her performance
 - Ensure organizational planning and goal setting

Board Responsibilities (cont.)

- Manage the organization's resources.
- Determine, monitor and strengthen programs and services for members/constituents.
- Promote the organization's image.
- Ensure legal and ethical integrity in the organization.
- Help recruit new leaders.
- Assess and measure organizational performance.

Practical Steps for Board Service

- Attend all board meetings.
- Start and end meetings on time.
- Study and understand the mission statement, laws, policies and goals.
- Prepare for meetings by reviewing the agenda and supporting documents.
- Treat Executive Session information and discussions as “confidential.”

Practical Steps for Board Service (cont.)

- Promote the organization to others.
- Recruit future leaders to help govern the organization.
- Stay current on issues and trends impacting the organization and the membership.
- Get involved in committee work.

Practical Steps for Board Service (cont.)

- Refrain from going around the CSO and making special requests of the staff.
- Readily communicate with the CSO for needed information and assistance.

Officers

- The officers should have special duties described in state statute or local ordinances.
- In many instances, the officers make up an “Executive Committee.”

Role of the President

- Serves as chief elected officer of the organization.
- Presides over all meetings or designates a person to do so.
- Interfaces with the chief staff officer.
- Leads performance reviews of (1) board and (2) chief staff officer.
- Appoints committees in accordance with ordinances and special needs.

Role of the Vice President

- Serves in the absence of the president.
- Performs such duties as identified in the ordinances or assigned by the president.

Role of the Secretary

- Performs such duties as identified in the ordinances or assigned by the president.

Role of the Treasurer

- Performs such duties as identified in the ordinances or assigned by the president.

Responsibility 5

Select and Support the Chief Staff Officer (CSO)

- **PRINCIPLE:** A written job description clearly spells out the responsibilities of the CSO.
- **PRINCIPLE:** The board assesses the CSO's performance in a systematic and fair way on a regular basis with performance evaluations.
- **PRINCIPLE:** The process of determining the compensation of the CSO is objective and adequate.

The Board - Staff Relationship

- **Two Elements, One Team**
- Board focuses on governance; being visionaries; strategically moving forward.
- Staff manages the day to day operations.
- Consider it a partnership, alliance, collaboration between board and staff to achieve the goals of the organization.
- **Avoid micromanagement.**

Responsibility 6

Understanding The Relationship Between Board and Staff

- **PRINCIPLE:** The roles of the board and CSO are clearly defined and understood.
- **PRINCIPLE:** A climate of mutual trust and respect exists between the board and CSO.
- **PRINCIPLE:** The board gives the CSO enough authority and responsibility to lead and manage.
- **PRINCIPLE:** The board is legally responsible for all staff

Responsibility 6 (cont.)

Understanding The Relationship Between Board and Staff

- **PRINCIPLE:** Mutual responsibilities of board committees, CSO, and staff assigned to assist each committee are clearly understood.

- **PRINCIPLE:** Board members refrain from directing the work of staff members.

QUESTIONS:

- 1) Would you ever want to meet without your Chief Staff Officer?
- 2) What are the pros and cons?

Never Meet without the CSO

- Meetings without the CSO
 - Quickly destroys a sense of teamwork
 - Doesn't allow the CSO to provide explanations he/she is directly responsible for
 - Ignores your most valuable in-house resource of information

CSO Duties and Responsibilities

What are the duties of the CSO?



CSO Duties and Responsibilities (cont.)

- Manage staff and make personnel decisions
- Make day-to-day operating decisions
- Complete short-term objectives based on the Strategic Plan
- Work with the board for the association's betterment
- Develop a budget and manage spending after approval
- Maintain adequate personnel records
- Personnel Cross-Training if Appropriate

Who Works for Whom?

An employee has requested to meet with the board of directors to discuss his pay raise.

QUESTION:

What should the board do?

Who Works for Whom? (cont.)

The board has one employee

“The CSO”

Trust - Verify

Who Works for Whom? (cont.)

- What is the board's role in working with their employee, the CSO?
 - Hire, evaluate and fire
 - Job description
 - Evaluation process
 - Use a form
 - Evaluate professional performance only?
 - Include the CSO in the process
 - Evaluate your method of evaluation

Who Works for Whom? (cont.)

- Who serves the people you represent?
 - The staff
- Who manages the staff?
 - The CSO
- Who manages the CSO?
 - The Board
- Who manages the board?
 - The President

Responsibility 7

Engage in Strategic Planning

- **PRINCIPLE:** The board has a planned vision of how the system should be evolving over the next three to five years.
- **PRINCIPLE:** The board periodically engages in the planning process that helps it consider how the system should meet new opportunities and challenges.
- **PRINCIPLE:** The board follows its Strategic Plan.

Goal Setting

- Limit the number of goals so that resources are not exhausted and success in achieving them is more likely.
- Within the goals should be strategies as to how the goals will be achieved.
- Within the goals and strategies, tasks should be simplified and assigned.

Strategic Planning

- Strategic planning is a one to five year process.
- Plans should be simple, clear, understandable.
- Plans should be measurable.
- Plans must be reasonable.
- Plans should clearly state the end results.

Goals Set in a Strategic Plan

- Organizations should have a strategic plan that can be used as a road map by the leadership and staff.
- Strategic plans should be updated annually.
- The strategic plan must be member oriented and supported.

The Strategic Planning Process

- Determine the value of creating a plan or updating an existing plan.
- Use an experienced facilitator in the planning process.
- Include key stakeholders in the planning process, in addition to the board and staff.
- Conduct a member survey to determine strengths, weaknesses opportunities and threats.

The Strategic Planning Process (cont.)

- Set aside a day or two specifically for planning; use a retreat setting.
- Draft the plan and circulate it for additional input from key stakeholders.
- Formally adopt the plan and promote it as the future direction and services of the organization.
- Promote and implement the finished product.

Thank You for Serving!

- The board experience should be a positive one.
- The board is the caretaker of the organization.
- The board speaks as a whole, no board member should have more input or authority than others.
- Always ask questions as they arise.
- **Thank you for serving on the board!**