

Eden Prairie School District 272 Superintendent Monitoring Report		
Policy Name: <b>EL 2.6 Financial Management and Operations</b>	Monitoring Timeframe: July 1, 2018-June 30, 2019	<b>Policy Monitoring Column FOR BOARD USE ONLY</b> Compliance rating: <ul style="list-style-type: none"> <li>● OI is/is not reasonable</li> <li>● Data does/does not provide adequate evidence of compliance</li> </ul> <b><i>Include specific evidence for rating conclusion and recommendations.</i></b>
Policy Quadrant: Executive Limitations	Date of School Board Monitoring: September 23, 2019	
		Board member name:
<b><u>Global Constraint:</u></b> <b>The Superintendent shall not cause or allow the development of financial jeopardy. The Superintendent shall also not allow a material deviation of actual expenditures from the current budget without Board approval.</b>		(enter rating and reasoning when appropriate)
<u>Operational Interpretation:</u> 1. I interpret this to mean that the budget approved by the Board reflects the priorities established in the Ends policies and the Strategic Plan. Managing the district finances within the budget is adequate and reflects reasonable alignment with the Ends Policies and Strategic Plan. Adhering to the limitations set forth in this policy reflects the avoidance of financial jeopardy. 2. I further interpret “material deviation of actual expenditures from the current budget” to mean that the expenditures incurred will be in support of the Board’s Ends Policies and the District Strategic Plan. 3. I interpret compliance with the overall policy to mean that all six (6) policy provisions are in compliance.		
<u>Justification:</u> 1. School districts are required to comply with MN Statute 123B.83 -Expenditure Limitations, which requires that a district must limit its expenditures so that the calculated net unreserved general fund balance or operating debt as of June 30 does not constitute Statutory Operating Debt (SOD). A school district is in SOD when it reports a year-end negative Net Unreserved General Fund Balance (NUGFB) which exceeds 2.5 percent of its unreserved/undesignated operating expenditures. (Source: MDE)		

<p>2. The School Finance Award is given annually by the Minnesota Department of Education (MDE) Division of School Finance to recognize schools for meeting statutory deadlines for submission of audited financial data, as well as select policy, fiscal and financial reporting criteria.</p>	
<p><u>Measurement Plan:</u>          Compliance with all provisions of the policy.</p>	
<p><u>Evidence:</u></p> <ol style="list-style-type: none"> <li>1. For Fiscal Year (FY) 2017-18, the district did not have a negative Net Unreserved General Fund Balance. At the conclusion of the Fiscal Year (FY) 2018-19 audit field work, preliminary figures indicate that the district will have a positive fund balance in excess of the board minimum of 8 percent.</li> <li>2. For Fiscal Year (FY) 2017-18 the district received the School Finance Award.</li> </ol>	
<p><u>Statement of Compliance:</u>          Report is Reasonable and Evidence supports the Operational Interpretation</p>	
<p><b>2.6.1 Furthermore, the Superintendent shall not: Allow payroll or debts to be settled in an untimely manner.</b></p>	
<p><u>Operational Interpretation:</u>          I interpret this to mean the superintendent shall not permit debts to be settled in an untimely manner.</p>	
<p><u>Justification:</u>          The payment of school district debts in a timely manner is a key component of effective and efficient fiscal management. Late payments may realize significant additional costs to school districts (late fees and penalties) and, therefore, implementing and maintaining strict debt processing procedure and timelines is critical.</p>	
<p><u>Measurement Plan:</u></p> <ol style="list-style-type: none"> <li>1. The Annual Audit Report, which outlines legal compliance issues including untimely payments, are furnished to the Board annually</li> <li>2. An annual internal review ensures that the number of days from each invoice date to its paid date does not exceed thirty-five (35) days per M.S. 471.425.</li> </ol>	

<p><u>Evidence:</u></p> <ol style="list-style-type: none"> <li>1. There were two disbursements identified by the independent audit firm for FY 2017-18 that were not paid within the required timeframe. This was an oversight by school district personnel and departments were reminded of the importance of this requirement.</li> <li>2. The annual internal review of invoice payments shows a continued need for training and accountability for school district sites and departments. Furthermore, there were no delinquency reports or late payment charges from vendors during the fiscal year.</li> </ol>	
<p><u>Statement of Compliance:</u>                  Report is Reasonable and Evidence supports the Operational Interpretation</p>	
<p><b>2.6.2 Furthermore, the Superintendent shall not: Allow payments or other government-ordered payments or filings to be overdue or inaccurately filed.</b></p>	
<p><u>Operational Interpretation:</u>                  I interpret this to mean the superintendent shall ensure tax payments and other government-ordered payments or filings be completed accurately and in a timely manner.</p>	
<p><u>Justification:</u>                  The accurate and timely processing of tax and other government payments and filings is critical to preserve the fiscal integrity of the school district. Failure to do so could result in loss of funding, fiscal penalties, and consume significant employee time and resources.</p>	
<p><u>Measurement Plan:</u></p> <ol style="list-style-type: none"> <li>1. The Annual Audit Report, which outlines legal compliance issues including tax payments or government ordered filings, are furnished to the Board annually.</li> <li>2. An annual internal review of Sales &amp; Use and Payroll related taxes and filings ensures that all are filed and paid when due.</li> </ol>	
<p><u>Evidence:</u></p> <ol style="list-style-type: none"> <li>1. The annual internal review of sales &amp; use and payroll related taxes and filings revealed no exceptions for Fiscal Year (FY) 2018-19. Furthermore, there were neither reports of delinquency nor late payment charges incurred during the fiscal year.</li> </ol>	

<p><u>Statement of Compliance:</u>          Report is Reasonable and Evidence supports the Operational Interpretation</p>	
<p><b>2.6.3 Furthermore, the Superintendent shall not: Use contingency funds greater than \$100,000 without informing the Board.</b></p>	
<p><u>Operational Interpretation:</u>          I interpret this to mean the superintendent shall not expend contingency funds greater than \$100,000 without informing the Board.</p>	
<p><u>Justification:</u>          The rationale for this provision is self-evident.</p>	
<p><u>Measurement Plan:</u>          Any single use of contingency funds which exceed \$100,000 will be reported to the school board.</p>	
<p><u>Evidence:</u>          No single use of contingency funds in any account exceeded \$100,000.          1. The general fund contingency for FY 2018-19 was \$100,000, of which \$100,000 was spent on 15 individual expenditures.          2. The capital fund contingency for FY 2018-19 was \$100,000, of which \$100,000 was spent on 12 individual expenditures.          3. The staffing contingency for FY 2018-19 was \$250,000, of which no funds were needed to address class size or staffing issues.</p>	
<p><u>Statement of Compliance:</u>          Report is Reasonable and Evidence supports the Operational Interpretation</p>	
<p><b>2.6.4 Furthermore, the Superintendent shall not: Acquire, encumber, or dispose of real property without Board approval.</b></p>	
<p><u>Operational Interpretation:</u>          1. I interpret this to mean the Superintendent shall not purchase, agree to purchase, or sell any real property belonging to Eden Prairie Schools without board approval.</p>	

<p>a. “Real Property” is defined as “A building or structure shall include the building or structure itself, together with all improvements or fixtures annexed to the building or structure, which are integrated with and of permanent benefit to the building or structure, regardless of the present use of the building, and which cannot be removed without substantial damage to itself or to the building or structure.” (MN Statute 272.03.b.)</p>	
<p><u>Justification:</u>                  The school board is the governing body of the school district. As such, the school board has the responsibility for the care, management, and control over public schools in the school district. The school board shall have the general charge of the business of the school district, its facilities and property, and of the interest of the schools.</p>	
<p><u>Measurement Plan:</u>                  This policy shall be measured by the avoidance of the limitations set forth in this policy.</p>	
<p><u>Evidence:</u>                  The school district sold a small portion of land at Prairie View elementary to the City of Eden Prairie which will allow the City to make roadway improvements on Duck Lake Trail to benefit the families near this site. The School Board approved the transaction on October 22, 2018.</p>	
<p><u>Statement of Compliance:</u>                  Report is Reasonable and Evidence supports the Operational Interpretation</p>	
<p><b>2.6.5 Furthermore, the Superintendent shall not: Lease real property or remodel leased real property without School Board approval.</b></p>	
<p><u>Operational Interpretation:</u></p> <ol style="list-style-type: none"> <li>1. I interpret this to mean the Superintendent shall not lease or remodel real property without board approval.                     <ol style="list-style-type: none"> <li>a. Districts may levy for leased facilities when the leased facility would be economically advantageous. The facilities must be used for instructional purposes. The district may also lease space for purposes other than instruction, including but not limited to office or storage space (Minn. Stat. § 126C.40).</li> <li>b. Remodel is often broadly used to describe any kind of significant physical change to the character or use of a space.</li> </ol> </li> </ol>	

<p>c. "Real Property" is defined as "A building or structure shall include the building or structure itself, together with all improvements or fixtures annexed to the building or structure, which are integrated with and of permanent benefit to the building or structure, regardless of the present use of the building, and which cannot be removed without substantial damage to itself or to the building or structure." (MN Statute 272.03.b.)</p>	
<p><u>Justification:</u>          The school board is the governing body of the school district. As such, the school board has the responsibility for the care, management, and control over public schools in the school district. The school board shall have the general charge of the business of the school district, its facilities and property, and of the interest of the schools.</p>	
<p><u>Measurement Plan:</u>          This policy shall be measured by the avoidance of the limitations set forth in this policy.</p>	
<p><u>Evidence:</u>          No new leases were entered into during FY 2018-19. The district has existing leases including but not limited to:</p> <ol style="list-style-type: none"> <li>1. City of Eden Prairie located at the City Center houses the TASSEL program and Community Education.</li> <li>2. City of Eden Prairie located at the Community Center for the Ice Arena and Swimming Pools.</li> <li>3. Mariucci Arena for graduation.</li> </ol>	
<p><u>Statement of Compliance:</u>          Report is Reasonable and Evidence supports the Operational Interpretation</p>	
<p><b>2.6.6 Furthermore, the Superintendent shall not: Allow receivables to remain unpursued after a reasonable grace period.</b></p>	
<p><u>Operational Interpretation:</u>          I interpret this to mean the superintendent shall ensure district receivables are pursued in an effective and efficient manner.</p>	
<p><u>Justification:</u>          The collection of receivables is an important component of a healthy financial system in any school district. Timely attention to outstanding receivables improves the likelihood of successfully collecting the receivables, positively influences cash-flow, and ensures budgeted revenues are met (or exceeded).</p>	

<p><u>Measurement Plan:</u>                  Receivables which remain unpaid after 18 months are to be written off or pursued by a collection agency. However, receivables older than 18 months may remain on the ledger for an additional 12 months if the District and auditors deem them potentially collectable.</p>	
<p><u>Evidence:</u>                  1. Receivables are reviewed monthly for collection.                  2. As of June 30, 2019, there are no receivables on the ledger aged over 18 months.</p>	
<p><u>Statement of Compliance:</u>                  Report is Reasonable and Evidence supports the Operational Interpretation</p>	
<p><b>2.6.7 Furthermore, the Superintendent shall not: Allow fee-based relationships in excess of \$100,000 annually to continue beyond 3 years without a formal review that includes an analysis of contract fees and performance.</b></p>	
<p><u>Operational Interpretation:</u>                  1. I interpret this to mean that the Superintendent shall monitor fee-based relationships to the extent to which the District expends amounts in excess of \$100,000 per year during any three-year period.                  2. Furthermore, if fee-based relationship monitoring indicates that the annual expenditure or sharing of dividends exceeded \$100,000 per year for three consecutive years, the Superintendent will initiate a formal review of the business relationship to include the analysis of contract fees and overall financial performance.</p>	
<p><u>Justification:</u>                  The \$100,000 threshold was established when it mirrored Minnesota Statute 471.345 Uniform Municipal Contracting Law. The threshold changed in August 2018 to \$175,000.</p>	
<p><u>Measurement Plan:</u>                  Fee based relationships which meet or exceed these thresholds are identified annually and evaluated at least every 3 years using industry best practices.</p>	

<p><u>Evidence:</u> While all vendors are held to and meet high standards, the following fee-based relationships have been identified as subject to administrative review:</p> <ol style="list-style-type: none"><li>1. Insurance Consultants</li><li>2. OPEB Trustee</li><li>3. Banking</li><li>4. Architect</li></ol> <p>None of the fee-based agreements currently in place with the identified vendors exceeded \$100,000 threshold during the evaluation period.</p>	
<p><u>Statement of Compliance:</u> Report is Reasonable and Evidence support the Operational Interpretation</p>	
<p>Board member's summarizing comments:</p>	