

OE-5 FINANCIAL PLANNING  
SUMMARY OF COMPLIANCE STATUS  
SEPTEMBER 2023

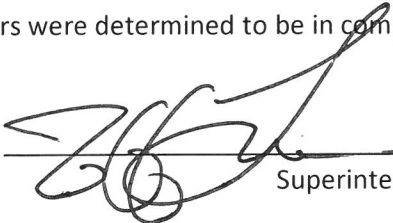
**SUPERINTENDENT CERTIFICATION**

With respect to OE-5 *Financial Planning* taken as a whole, the superintendent certifies that the proceeding information is accurate and complete, and the district is:

- In Compliance
- In Compliance, with Exception (as noted in the evidence)
- Not in Compliance

**Summary Statement by Administration**

Monitoring of operational expectations policies is part of the ongoing process of district performance evaluation and superintendent evaluation. This report includes a Data Analysis on page 2 presenting an administrative summary of the data and a Capacity Building/Recommendations section on the last page outlining new practice or protocol to be utilized for the next reporting timeframe. The Capacity Building/Recommendations section also documents suggested changes to Operational Expectations or Results policies and/or indicators and interpretations. This report addresses 12 indicators of the superintendent's responsibility regarding business and operations. All 12 indicators were determined to be in compliance. Reporting dates for this report are July 1, 2022 – June 30, 2023.

Signed:  \_\_\_\_\_  
Superintendent

Date: 9/25/2023

**SCHOOL BOARD ACTION**

With respect to OE-5 *Financial Planning*, the Board:

- Accepts the report as fully compliant
- Accepts the report as compliant with noted exceptions
- Finds the district to be noncompliant

**Summary Statement/Motion of the Board**

Motion by Mr. Lee to accept the OE-5 *Financial Planning* Monitoring Report as In Compliance, seconded by Ms. Peterson. Motion carried.

Signed:  \_\_\_\_\_  
Board President

Date: 9/25/2023

**Data Analysis**

Financial Planning is key to maintaining and improving any business. BPS uses the following items to improve financial planning and transparency.

- Financial Analytics
- Financial Forecasts
- Monthly and Annual Reports for Transparency
- On-time Reporting for Buildings/Departments
- Long-Range Financial Plan

Budget documents are designed to be understandable and to provide assumptions used in creating the budget for the district. BPS conducts an annual Board workshop to address any questions, concerns, or comments the Board may have concerning the budget.

The budget balances revenues, expenditures to adequately operate the district. Employees were compensated at a fair rate that the budget supports.

Board Member Josh Hager (Operational Excellence Portfolio holder) and Darin Scherr developed a variance report and budget impact report to improve the budgeting process.

**OE-5 Financial Planning**

**The Superintendent shall develop and present to the Board a multi-year financial plan that is related directly to the Board’s Results priorities and Operational Expectations goals, and that avoids long-term fiscal jeopardy to the district.**

**The Superintendent Shall Develop a Budget That:**

<p><b>5.1</b> Is in a summary format understandable to the Board and presented in a manner that allows the Board to understand the relationship between the budget and the Results priorities and any Operational Expectations goals for the year.</p>	<p><b>In Compliance</b></p>
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**Superintendent Interpretation:** Even though the North Dakota finance formula and budget documents are complex, the board expects to receive information that is clear and comprehensible, and that illustrates alignment between proposed expenditures and the board’s results policies and the strategic/operational plan each year.

<p><b>Indicator 1:</b> The budget documents are summarized by fund and contain notes of explanation.</p>	<p><b>In Compliance</b></p>
<p><b>Evidence 1:</b> The budget provided to the board on September 26, 2022, was summarized by revenue source.</p>	
<p><b>Evidence 2:</b> Explanations of assumptions used to develop the budget and notes outlining important aspects of the budgets were included in the provided budget documents.</p>	

<p><b>Indicator 2:</b> The budget is constructed in alignment with the strategic and operational plan, which support compliance with Operational Expectations policies, and achievement of Results Policies and the board is shown alignment of key initiatives from the operational plan to the budget.</p>	<p><b>In Compliance</b></p>
<p><b>Evidence:</b> The Strategic Plan and Long-Range Financial Plan have been completed. All strategic initiatives follow guidance as outlined in the Long-Range Financial Plan.</p>	

**The Superintendent Shall Develop a Budget That:**

<p><b>5.2</b> Credibly describes revenues and expenditures.</p>	<p><b>In Compliance</b></p>
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**Superintendent Interpretation:**

- **Credibly** means that for projected revenues there is sufficient documentation and rationale to instill confidence that the revenue can be depended upon. On the other hand, the superintendent should not be held accountable for not foreseeing revenue-reducing circumstances that could not reasonably have been projected. The board also expects that expenditure projections are based upon credible needs and strong rationale.

<p><b>Indicator 1:</b> The budget document summarizes revenues and expenditures by source for each budget section.</p>	<p><b>In Compliance</b></p>
<p><b>Evidence 1:</b> The budget documents provided to the board on September 26, 2022, contained revenue by each source for each fund. Expenditures were by object.</p>	
<p><b>Evidence 2:</b> The business manager’s reporting structure conforms to the reporting requirements of the ND Department of Public Instruction and illustrates actual revenues and expenditures.</p>	

**The Superintendent Shall Develop a Budget That:**

<p><b>5.3</b> Shows the amount spent in each budget category for the most recently completed fiscal year, the amount budgeted for the current fiscal year, and the amount budgeted for the next fiscal year.</p>	<p><b>In Compliance</b></p>
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**Superintendent Interpretation:** The board expects to be able to discern and to be able to question or explain trends in expenditures over time.

<p><b>Indicator 1:</b> The budget document summarizes revenue and expenditure by object for each fund and reports on prior year, current year, and proposed budget year.</p>	<p><b>In Compliance</b></p>
<p><b>Evidence:</b> The budget documents provided to the board on September 26, 2022, summarize revenue by source and expenditure by object for each fund and reports budget on prior year and proposed budget year and actuals on prior year.</p>	

**The Superintendent Shall Develop a Budget That:**

<p><b>5.4</b> Discloses budget-planning assumptions.</p>	<p><b>In Compliance</b></p>
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**Superintendent Interpretation:** Budgets are plans which often must be based upon assumptions on how certain variables may change in the upcoming year. To be accurate, these assumptions should utilize all available known facts that define these variables. As the board is responsible for approving the budget, the Board should also be knowledgeable of the assumptions used in constructing the budget.

<p><b>Indicator 1:</b> The budget documents include a list of budget assumptions and major budget variances over the prior year, with explanations. The assumptions include impacts from student enrollment changes, state and federal law and policies including changes to state and federal funding, district property valuations, and other legislative actions affecting revenue or expenditures.</p>	<p><b>In Compliance</b></p>
<p><b>Evidence:</b> The budget document approved by the board on September 26, 2022, includes a list of budget assumptions and major variances over the prior year, with explanations. The assumptions include impacts from student enrollment changes, state and federal law, and policies including changes to state and federal funding, district property evaluations, and other legislative actions affecting revenue or expenditures.</p>	

**The Superintendent Shall Develop a Budget That:**

<p><b>5.5</b> Assures fiscal soundness in future years.</p>	<p><b>In Compliance</b></p>
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**Superintendent Interpretation:** In business terms, the school district is a “going concern.” This implies the district must always plan for both the present and future operations and programs.

<p><b>Indicator 1:</b> A multi-year financial forecast is presented to the board to illustrate and assess fiscal soundness for future years.</p>	<p><b>In Compliance</b></p>
<p><b>Evidence:</b> A multi-year forecast was presented to the board on November 28, 2022 and May 8, 2023.</p>	

<b>Indicator 2:</b> The district’s long-term bond rating is adequate to support district need to bond for projects at an affordable rate.	<b>In Compliance</b>
<b>Evidence:</b> The district maintained a strong bond rating, which has resulted in a very favorable bond sale (refinancing) in 2019-20.	

<b>Indicator 3:</b> The budget submitted to the board maintains sufficient fund balances to meet financial obligations.	<b>In Compliance</b>
<p><b>Evidence:</b> The budget approved by the board reflects fund balances sufficient to meet financial obligations; the projected general fund balance is below established policy. The board approved the budget as required by this policy.</p> <p>The General Fund Ending Balance for the period ending June 30, 2023, was 7.7%.</p> <p>In addition to the general fund, other funds typically also carry a fund balance. Examples follow:</p> <p>Self-Funded Insurance – Fund 11 has a recommended balance equal to 3 months of claims for health insurance. Our actual fund balance was \$5,208,637 which equates to a little over 2 months. While this is below the recommendation, revenues did exceed expenditures last year. Premiums were increased by 5% (2.5% for the fiscal year). Debt Service – Fund 04 carries a balance that includes the amount necessary to make the first interest payments in the new fiscal year prior to receiving property taxes. Fund 04 has a total fund balance of \$5,031,773 for all bond issues. Child Nutrition – Fund 05 has a maximum allowable limit of 3 months of average expenditures. For 2022 - 2023, that limit was \$3,154,056. Our actual balance exceeds this amount. Child Nutrition continues to work on equipment replacement.</p>	

**The Superintendent Shall Develop a Budget That:**

<b>5.6</b> Reflects anticipated changes in employee compensation, including inflationary adjustments, step increases, performance increases and benefits.	<b>In Compliance</b>
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**Superintendent Interpretation:** The budget should accurately account for and reflect all changes in compensation dictated by the negotiated agreement with teachers and changes in benefits and/or compensation agreed to by the board for all employee groups for each subsequent fiscal year. Furthermore, the staff should carefully advise the board prior to making such agreements or commitments regarding the fiscal impact of these decisions on the subsequent budget.

<b>Indicator 1:</b> The budget reflects anticipated personnel costs for pay and benefits that are consistent with the negotiated agreement and within the district’s means to pay.	<b>In Compliance</b>
<b>Evidence:</b> The budget includes sufficient funding of agreed-to increases for teachers and classified staff and increases in benefit costs.	

**The Superintendent Shall Develop a Budget That:**

<p><b>5.7</b> Includes such amounts as the Board determines to be necessary for its own governing function, including board member training, consultation, attendance at professional conferences and events, and other matters identified by the Board.</p>	<p><b>In Compliance</b></p>
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**Superintendent Interpretation:** The School Board provides a critical function in the support of school operations and improvement. Good leadership does not randomly occur but must be cultivated and developed. As such, the normal operations and professional development of the Board must be included as part of the annual operating budget. The superintendent will solicit and incorporate Board input in the development of the Board’s annual budget.

<p><b>Indicator 1:</b> The budget contains funding for anticipated school board activities, including attendance at state and national conventions, training/professional development, legislative advocacy and linkages.</p>	<p><b>In Compliance</b></p>
<p><b>Evidence:</b> The preliminary budget presented contains adequate money to attend local, state, and national conferences or training regarding board business.</p>	

**The Superintendent Shall Not Develop a Budget That:**

<p><b>5.8</b> Plans for the expenditure in any fiscal year of more funds than are conservatively projected to be available during the year.</p>	<p><b>In Compliance</b></p>
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**Superintendent Interpretation:** The proposed budget presented to the Board for approval shall reasonably project for expenditures that are less than anticipated revenue unless the ending fund balance remaining from the previous year is in excess of 10% and plans are presented to utilize those excess funds while still projecting an ending fund balance of no less than 10%.

<p><b>Indicator 1:</b> The budget presented to the board reflects greater revenue than expenditure, or if not, board action authorizes an expenditure budget greater than projected revenue.</p>	<p><b>In Compliance</b></p>
<p><b>Evidence:</b> The board-approved budget shows expenditures greater than revenues by \$5,707,144.</p>	

**The Superintendent Shall Not Develop a Budget That:**

<p><b>5.9</b> Provides for an anticipated year-end fund balance of less than 10% of the general fund budget.</p>	<p><b>In Compliance</b></p>
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**Superintendent Interpretation:** The proposed budget presented to the board for approval shall reasonably project for an ending fund balance of 10% of general fund expenditures.

<p><b>Indicator 1:</b> The budget presented to the board reflects an ending fund balance of 10% of general fund expenditures.</p>	<p><b>In Compliance</b></p>
<p><b>Evidence:</b> A budget was presented with an ending fund balance of 10%. The board approved the FY23 Budget with an ending fund balance of 5.0%. The actual ending fund balance was 7.7%.</p>	

**Capacity Building/Recommendations**

**Capacity Building**

An area for continued improvement would be to develop a better system to align the Strategic Plan to the Long-Range Financial Plan.

**Recommendations**

Continue to refine reports for the Board and public.