



August 20, 2024

Dear Families, Staff and Monona Grove Community Members,

A review of District finances by our new Superintendent and Assistant Superintendent has uncovered that the District has been operating in a deficit over the last three years and is nearing the depletion of its fund balance. Specifically, \$7.9 million of fund balance has been utilized, leaving a balance of \$2.5 million or about 4% of our operating budget.

We know this will be alarming to the community. In the interest of complete transparency, it is important that we provide you with the most up to date information. Recognizing that school finances are complex, detailed information on the timeline of events and immediate next steps we are taking to stabilize the situation are included in the fact sheet below. Budget and audit documents as well as Frequently Asked Questions (including an explanation of key terms), and other important information are on the [website](#). Our goal in this letter is to share our current standing, how we got here and immediate steps needed to stabilize as we approach the new school year.

While the analysis of records is still ongoing, it is evident that no single action brought us here. Instead, our current state is the culmination of multiple failures in policies and practices over several years. Importantly, there is no evidence that District money was diverted by anyone for personal gain. Although expenditures were in excess of budgeted amounts, they all appear to be investments intended to enhance District operations, safety and security, and performance.

The Board takes its fiscal duties very seriously, and we fully acknowledge and accept responsibility for the lack of appropriate checks and balances that may have prevented this serious situation. The Board is accountable for the District's fiscal health and will be making changes to improve the policy and procedures needed to ensure we never face this situation again. We see the community as an important partner in this work, but want to make one thing very clear: **We will not depend on a new referendum to fix these problems.**

Getting the fund balance back in compliance with [Board policy](#) will take time, requiring difficult decisions and an intentional effort to rebuild trust. We are confident that we have the right leaders in place to successfully lead us through these challenging times and put us on the right path forward. Although this will have operational impacts as we plan for a sustainable future, **our highest priority is and will always be ensuring a high-quality educational experience for our youth.**

As an immediate next step, the Board will be holding a Special Meeting on Thursday, August 22nd at 6 pm to provide additional information and hear from the community (the agenda will be available Wednesday, August 21). The Board will be extending the public appearances section beyond the standard 15 minutes to ensure the community has the opportunity to share concerns. At that meeting we also plan to approve a revised 2024-25 Preliminary

Budget reflective of 2023-24 actual expenditures, and consider possible approval of a resolution to obtain an operational loan to cover operating expenses in the coming months.

We understand you will have questions and feedback for the Board. Please address those to mgsd.board@mgschools.net to ensure your questions are received by the entire Board of Education. Please note that the Board president is the only Board member authorized to speak on behalf of the entire Board. Response from individual Board members may only represent their own perspectives and opinions. Additional opportunities for community feedback will be created as future plans come together.

Sincerely,



Elizabeth Cook, Ed.S
School Board President on behalf of the Monona Grove School Board

Fact Sheet

This document is the start of an accounting to our community from the School Board as to how this happened and what we are doing in response. The timeline below starts in the 2020-21 school year and takes us through to August 2024.

We recognize that the community supported two operational referenda during this period. Over the coming days, weeks, months, and perhaps years, we as a Board will have to reconcile the fact that many commitments that were made to the community when those referenda were proposed and passed may no longer be accurate. **We will not depend on a new referendum to fix these problems.**

While this news is extremely concerning, we want to acknowledge that our District has a new Superintendent and a new Assistant Superintendent responsible for District finances. They uncovered the severity of the situation and communicated the findings to Board leadership. They each have decades of experience in fiscal stewardship and have a proven track record of exemplary financial acumen. The Board is confident that we have the right leadership team in place as we collectively determine the path forward.

Timeline

In 2020-21, audit comments relating to account reconciliations in our Financial Statement first appeared. At that time, the District laid out a plan of response.

In 2021-22, a financial audit of the District found what is called a “material weakness” related to account reconciliations not being done in a timely manner. A material weakness is something that is pervasive and/or a significant dollar amount. The audit comments and subsequent plan of response from the 2020-21 audit were not resolved, which led to the 2021-22 financial audit including a “material weakness” related to the same comment in the 2020-21 audit. The deficit for the 2021-22 fiscal year was \$900,000.

In 2022-23, a financial audit again found a material weakness in account reconciliations. In addition, expenditures exceeded revenues by \$2.9 million. This action reduced the fund

balance to 12%, a level that was out of compliance with School Board policy requiring a minimum of 15%.

For 2023-24, the unaudited financials are showing a deficit of \$4.1 million. Once this is confirmed by audit, this would bring the fund balance down to \$2.5 million, or 4%.

Importantly, there is no evidence that District money was diverted by anyone for personal gain. Although expenditures were in excess of budgeted amounts, they all appear to be investments intended to enhance District operations, safety and security, and performance.

For example, we have found there were several annual expenditures that were simply not budgeted for, such as open enrollment tuition, the student information system, and other software. In addition, items such Fund 27 (Special Education) salaries and benefits, security, and technology expenditures exceeded budgeted amounts.

Although the Board was presented with and approved a balanced 2024-25 preliminary budget in June 2024, utilizing the data from our actual expenditures in the 2023-24 budget, administration is projecting a \$1.8 million deficit for the 2024-25 fiscal year.

When the new Assistant Superintendent joined our District on July 1, a comprehensive review of the District's 2023-24 fiscal year finances began. This process quickly raised alarms about the financial status of the District. As the investigation deepened, it became evident that the extent of the problem was significant, requiring additional time to fully understand its implications.

On July 19, preliminary findings were shared with Board leadership, indicating substantial financial challenges. The process of gathering conclusive data continued through August 12, with a final report presented to the board on August 14. It was shared with the community on August 20.

Further Impact

Our cash flow has been impacted considerably due to the reduction in fund balance. Many school districts in the state of Wisconsin have to engage in short-term borrowing to cover expenditures while waiting for property tax revenue in January. Property taxes are the biggest portion of revenue for most districts and the first installment is not received until six months after the start of the fiscal year (July 1).

The District borrowed \$12.2 million in fall 2023 to cover expenditures during periods of low cash flow. In order to short term borrow for the 2024-25 fiscal year, the District must pay off the \$12.2 million borrowed in the previous fiscal year. Unfortunately, due to the reduction in fund balance, the District does not have enough funds to pay the 2023-24 debt.

The condition of the District's fund balance has created the need for us to take additional steps to secure funding for operations through January 2025. An operational loan is necessary to pay off a portion of the outstanding debt, allowing the District to short-term borrow for the 2024-25 fiscal year. This loan will be considered by the Board at the August 22 meeting.

Next Steps

On August 22, the Board will meet to consider a resolution for an operational loan to pay off a portion of outstanding short-term debt. This is necessary to cover the District's

expenditures over the next several months. Additionally, the District is taking a number of initial steps to rebuild the financial health of the organization, including:

- Hiring a new financial advising firm and a new auditor
- Reducing expenditures to mission critical items for the 2024-25 Adjusted/Final Budget in October
- Conducting long term financial planning to outline our strategy to rebuild the fund balance in alignment with Board policy and provide future financial sustainability
- Implementing increased scrutiny and adherence to new and existing checks and balances
- Assuring quarterly budget reports to the Board take place

As a Board, our focus at this time is on decreasing the deficit as much as possible to bring a revised budget, including mission-critical items for the 2024-25 Adjusted/Final Budget in October.

Getting the fund balance back in compliance with Board policy and operating with a balanced budget will take time, requiring difficult decisions and an intentional effort to rebuild trust. We will need to think differently about how we use the resources we have available to us.

The first step is to continue the current examination, inspection, and analysis of records. The full scope of the path forward will come from a collaborative process involving residents, families, and staff. The Board cannot do that work in isolation and is committed to transparency and open communication to ensure all impacted parties have a voice in the process. Our number one priority is our students. Although we know we will have to change the way we do business, all financial decisions will be made with students at the center.

As part of these ongoing efforts, we will be providing an increased level of transparency that will include easily accessible financial statements, audits, budgets, and other relevant documents. This information can be found on this [website](#), along with frequently asked questions, both of which will be updated regularly.

We are committed to doing whatever it takes to address this situation while delivering an effective education in a caring, supportive environment to the students in the District. We understand that you will have questions and feedback for the Board. You can reach the entire Board at mgsd.board@mgschools.net.

The Board president is the only Board member authorized to speak on behalf of the entire Board. Although individual Board members can respond, they may only represent their own perspectives and opinions.