



EL 2.5 Financial Planning and Budgeting

Policy Quadrant: Executive Limitations

- Monitoring Time Frame: July 2024 - June 2025
- Date of School Board Monitoring: November 24, 2025

Board Policy Monitoring Motions:

- Operational Interpretation is/is not reasonable
- Board does/does not accept the Superintendent's assertion of compliance/non-compliance

Global Constraint:

The Superintendent shall not cause or allow financial planning and budgeting for any fiscal year or the remaining part of any fiscal year to deviate materially from the School Board's Ends priorities, risk financial jeopardy, or fail to be derived from a multi-year plan.

OPERATIONAL INTERPRETATION:

I interpret this policy to mean that the District's financial planning and budgeting processes must be aligned with the School Board's Ends priorities, avoid placing the District at financial risk, and be grounded in multi-year financial forecasting.

I interpret "Material deviation" from the Board's Ends to include budget decisions that do not align with strategic priorities as outlined in the District Strategic Plan. I further interpret "Financial jeopardy" to include conditions resulting in fund balance that does not meet School District Policy 714.



A “multi-year plan” refers to a financial forecast that projects general fund revenues, expenditures, and fund balance over a three to five-year period. It is appropriate to review multi-year financial projections driven by and aligned with the Strategic Plan in order to anticipate opportunities and barriers that may arise in future budget cycles.

JUSTIFICATION:

Multi-year financial planning is considered best practice by both the Government Finance Officers Association (GFOA) and the Association of School Business Officials International (ASBO). While not required by Minnesota statute, long-range forecasting is essential for managing financial risk, maintaining programmatic stability, and supporting strategic priorities over time.

MEASUREMENT PLAN:

Compliance with this policy will be demonstrated when:

1. Child policies 2.5.1 through 2.5.4 are in compliance
 2. The District maintains and annually updates a multi-year financial plan (minimum of three years), projecting general fund revenues, expenditures, and fund balance.
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EVIDENCE:

1. Child Policies 2.5.1 through 2.5.4 are in compliance.
 2. The five-year general fund financial forecast was updated and shared with the School Board on January 6, 2025, and again on May 27, 2025.
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STATEMENT OF ASSERTION:

EL 2.5 is reasonable and in compliance.

BOARD NOTES:

2.5.1 Furthermore, there will be no financial plan that: Risks incurring those situations or conditions described as unacceptable in the School Board policy “Financial Condition and Activities.”

OPERATIONAL INTERPRETATION:

I interpret this policy to mean that the proposed budget for the upcoming fiscal year meets the reasonable requirements as interpreted in EL.2.6 Financial Condition and Activities. Executive Limitations Policy 2.6 Financial Conditions and Activities delineates School Board determined restrictions of selected financial activities in order to protect the District from adverse financial risk, as well as involve the School Board in certain decision-making processes that they have determined to be “their work.”

JUSTIFICATION:

MEASUREMENT PLAN:

Compliance with this policy will be demonstrated when:

1. The School Board deems Executive Limitation 2.6 as reasonable and accepts the Superintendent's assertion of compliance.
 2. The School Board approves the District Budget.
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EVIDENCE:

1. The School Board deemed Executive Limitation 2.6 as reasonable and accepted the Superintendent's assertion of compliance at the September 22, 2025 meeting.
 2. The district budget was presented to the School Board at its May 27, 2025 meeting and was approved by the School Board at its June 23, 2025 meeting.
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STATEMENT OF ASSERTION:

EL 2.5.1 is reasonable and in compliance.

BOARD NOTES:



2.5.2

Neglects to present, no later than the third quarter of the current fiscal year, the assumptions, any material reinvestment of unbudgeted revenues or savings, and a timeline for the next annual budget.

OPERATIONAL INTERPRETATION:

I interpret this policy to mean that no later than the third quarter of the fiscal year (January – March), the Administration will present and enact “Budget Assumptions,” any material reinvestment of unbudgeted revenues or savings, and a timeline for action when building the next annual budget.

I interpret an *assumption* as “something accepted as likely to occur” and used to inform financial projections without “absolute proof”. When creating a budget, assumptions are foundational expectations, most often related to revenue and expenditure forecasts. Examples include changes in student enrollment, managerial decisions aligned to the strategic plan, and anticipated legislative actions.

I further interpret a published *timeline* to mean a clear sequence of planning steps, deadlines, and decision points made available to the School Board and broader community. This framework provides transparency and clarity in the budget process.

JUSTIFICATION:

MEASUREMENT PLAN:

Compliance with this policy will be demonstrated when:

1. Presentation to the Board of the assumptions, material reinvestment of unbudgeted revenues or savings, and timeline by the third quarter of the fiscal year.
2. School Board approval of the School District Budget.



EVIDENCE:

1. The 2025-2026 budget timeline and 2025-2026 budget assumptions were presented to the School Board at its January 27, 2025 meeting and finalized at its March 24, 2025-Board meeting.
2. The district budget was presented to the School Board at its May 27, 2025 meeting and was approved by the School Board at its June 23, 2025 meeting.

STATEMENT OF ASSERTION:

EL 2.5.2 is reasonable and in compliance.

BOARD NOTES:



2.5.3

Furthermore, there will be no financial plan that: Allows the fiscal year-end unassigned general fund balance to fall below 8% of expenditures.

OPERATIONAL INTERPRETATION:

I interpret this policy to mean that the District must maintain an unassigned general fund balance equal to or greater than 8% when developing and managing the annual budget. This threshold is established by School District Policy 714 and serves as a safeguard for managing cash flow, mitigating financial risk, and ensuring operational continuity during periods of economic uncertainty or delayed aid payments.

This interpretation is consistent with recommendations from the Government Finance Officers Association (GFOA), which advises maintaining a minimum fund balance between 8% and 16% for districts of our size and complexity. Maintaining this floor preserves the District's fiscal credibility, limits reliance on short-term borrowing, and supports long-term programmatic and fiscal stability.

JUSTIFICATION:

MEASUREMENT PLAN:

Compliance with this policy will be demonstrated when:

1. The projected general fund unassigned fund balance presented as part of the annual budget process demonstrates a balance of >8% of projected expenditures,
2. The external audit confirms the general fund balance of >8% of reported expenditures at the conclusion of the fiscal year audited.



EVIDENCE:

1. The 2024-25 mid-year budget update projected an unassigned General Fund balance of 14.4% (greater than 8%) for the fiscal year ending June 30, 2025.
2. The Executive Audit Summary was presented by the auditing firm of LB Carlson, LLP at the November 24, 2025 meeting of the School Board confirmed a June 30, 2025 year-end unassigned fund balance of 11.8% (greater than 8%). This calculation of unassigned fund balance percentage includes, in the denominator, expenditures for operating capital. For consistency purposes, the district excludes operating capital expenditures from its internal calculation of unassigned fund balance, which remains in a restricted and self-contained fund. The district's internal calculation of unassigned fund balance was 14.7%.

STATEMENT OF ASSERTION:

EL 2.5.3 is reasonable and in compliance.

BOARD NOTES:



2.5.4

Furthermore, there will be no financial plan that: Does not collect appropriate input from various sources.

OPERATIONAL INTERPRETATION:

I interpret this policy to mean that as the annual budget is developed, the Administration collects input from reputable sources as a function of the budget development process. These sources are internal and external to the District. External sources may consist of, but are not limited to, the federal government, the Minnesota Department of Education, Minnesota Statute and Rule, local community advisory committees, and parents. District employees are considered internal sources.

The term *appropriate* in this context refers to being “suitable or proper” to the circumstance. The Superintendent must weigh all of these factors when recommending a budget for approval. While all points of view and corresponding input may not be included in the recommended budget, it is still important to solicit and consider various perspectives and recommendations in the budget process.

This interpretation reflects best practices from the Government Finance Officers Association (GFOA) and Minnesota Department of Education, both of which emphasize inclusive, cross-functional planning. Internal and external inputs enhance the accuracy of forecasts, improve operational alignment with the strategic plan, and enhance clarity of the financial plan.

JUSTIFICATION:

MEASUREMENT PLAN:

Compliance with this policy will be demonstrated when:



1. Stakeholder input from internal and external sources is actively gathered during the budget development process and documented in the adopted budget book.
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EVIDENCE:

1. The Introductory Section of the 2024-2025 Budget Book included the following information regarding the collection of input:

Collecting Input

School Board Executive Limitation 2.5.4 states “There will be no financial plan that does not collect appropriate input from various sources.” The process to build the proposed 2024-25 budget included the following input opportunities:

1. *School Board – The first official action that begins the process of budget development was the approval of the payable 2024 tax levy, which occurred on December 11, 2023. This levy accounts for 22.6% of General Fund revenue. The board also provided guidance and input to the budget development process as follows:*
 - *January 8, 2024 – Board workshop on 5-year financial model*
 - *January 22, 2024 – Mid-Year 2023-24 budget update, review budget timeline, discuss preliminary 2024-25 budget assumptions*
 - *March 25, 2024 – Review final 2024-25 budget assumptions, review proposed 2024-25 preliminary capital budget*
 - *April 22, 2024 – Review proposed 2024-25 School Board budget and approve 2024-25 capital budget*
 2. *Citizen Finance Advisory Committee – This committee of community members and staff reviews the assumptions included in the financial projection model. These assumptions and committee discussion provide important input into the budget development process.*
 3. *Principals and Department Directors – This group of leaders is essential to the budget development process. They provide input and shared decision making for budget adjustments, staffing and program needs.*
 4. *Community – The district website, email list and publications contain continuous updates regarding the budget development process including timeline, assumptions, and proposed adjustments. Community feedback is an essential part of assessing the final budget recommendation.*
 5. *Superintendent’s Cabinet – This group meets weekly. Some part of the budget development process, including discussion of staff and community feedback, is on the agenda each week.*
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STATEMENT OF ASSERTION:

EL 2.5.4 is reasonable and in compliance.



BOARD NOTES: