EL 2.6 Financial Management and Operations

Policy Quadrant: Executive Limitations

- Monitoring Time Frame: ~~July 2024-June 2025~~ July 2025-June 2026
- Date of School Board Monitoring: ~~September 22, 2025~~ September 28, 2026

Board Policy Monitoring Motions:

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

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Global Constraint:

The Superintendent shall not cause or allow the development of financial jeopardy or a material deviation of actual expenditures from the current budget without School Board approval.

OPERATIONAL INTERPRETATION:

I interpret this policy to mean that the District must manage its financial operations in a way that avoids placing the organization in financial jeopardy and ensures that expenditures remain materially aligned with the current budget, unless otherwise approved by the Board.

In our operational context, "financial jeopardy" includes actions or decisions that could result in statutory operating debt, jeopardize the District's ability to meet payroll or debt obligations, or significantly deplete fund balance below Board established minimums.

I further interpret "material deviation" to mean any significant variance between actual expenditures and the Board approved budget

that is not aligned with the District's Ends Policies or Strategic Plan. Expenditures must reflect the priorities articulated in the Board's Ends Policies and be consistent with the financial parameters established during the annual budget development process.

JUSTIFICATION:

School districts are required to comply with Minnesota Statutes, section 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)

Additionally, the Association of School Business Officials International (ASBO), Government Finance Officers Association (GFOA), and Minnesota Department of Education (MDE) emphasize the importance of aligning financial planning and execution with board priorities, maintaining sufficient reserves, and avoiding deficits that would compromise operational stability. These standards reinforce the reasonableness of monitoring fund balance thresholds and ensuring actual expenditures remain aligned to board adopted budgets and Ends Policies.

MEASUREMENT PLAN:

Compliance with this policy will be demonstrated when:

1. Child Policies 2.6.1 through 2.6.7 are in compliance;
2. The district's fund balance meets or exceeds the board determined minimum of 8 percent;
3. The district is recognized by the Minnesota Department of Education (MDE) for meeting statutory deadlines for submission of audited financial data, as well as select policy, fiscal and financial reporting criteria with the School Finance Award.
4. The district is recognized by the Association of School Business Officials International (ASBO) and Government Finance Officers Association (GFOA) through their Excellence in Financial Reporting award program.

EVIDENCE:

1. Child Policies 2.7.1 through 2.7.12 are in compliance.
2. For Fiscal Year (FY) ~~2023-24~~ 2024-25, the district had an audited Unreserved General Fund Balance of ~~15.2%~~ 14.7%. The Revised Budget for (FY) ~~2024-25~~ 2025-26, as approved by the Board on ~~January 27, 2025~~ January 26, 2026, projects a budgeted Unreserved General Fund Balance of 14.4%.
3. For Fiscal Year (FY) ~~2023-24~~ 2024-25 the district received the School Finance Award.
4. For Fiscal Year (FY) ~~2023-24~~ 2024-25 the district received the Certificate of Excellence in Financial Reporting and the Certificate of Achievement for Excellence in Financial Reporting from ASBO and GFOA, respectively.

STATEMENT OF ASSERTION:

EL 2.6 is reasonable and in compliance.

BOARD NOTES:

2.6.1 Furthermore, the Superintendent shall not: Allow payroll or debts to be settled in an untimely manner.

OPERATIONAL INTERPRETATION:

I interpret this policy to mean that the District must have systems in place to ensure that payroll obligations and all valid financial debts are paid in a timely manner, consistent with Minnesota Statutes section 471.425, which requires government entities to pay invoices within 35 days of receipt unless otherwise agreed. Timely payment is critical to maintaining vendor trust, avoiding late fees or penalties, and demonstrating strong financial stewardship.

I further interpret that compliance with this policy is demonstrated when the District's payment systems and procedures are designed to meet statutory timelines, and when any exceptions are infrequent, promptly addressed, and not reflective of broader process deficiencies. An isolated or immaterial instance of delayed payment does not, in itself, indicate non-compliance unless it results in material financial harm, reflects a breakdown in internal controls, or fails to be addressed through corrective action.

JUSTIFICATION:

MEASUREMENT PLAN:

Compliance with this policy will be demonstrated when:

1. The Annual Audit Report, which outlines legal compliance issues including untimely payments, is furnished to the Board annually.

   The District conducts an annual internal review of accounts payable practices to assess timeliness of payments, delinquent invoices, and late payment charges from vendors.

EVIDENCE:

1. The Annual Audit Report was furnished to the Board on ~~November 25, 2024~~ November 24, 2025.
   a. ~~There were five disbursements identified by the independent audit firm for FY 2023-24 that were not paid within the required timeframe. The District did not receive the invoices in the accounting department in a timely fashion. The payment delay resulted in this finding. The issue was addressed through procedural clarification and additional training provided to involved sites/departments.~~ There were no untimely payment findings during the fiscal year.
2. There were no delinquency reports or late payment charges from vendors during the fiscal year.

STATEMENT OF ASSERTION:

EL 2.6.1 is reasonable and in compliance.

BOARD NOTES:

2.6.2	Furthermore, the Superintendent shall not: Allow payments or other government-ordered payments or filings to be overdue or inaccurately filed.

OPERATIONAL INTERPRETATION:

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.

JUSTIFICATION:

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.

MEASUREMENT PLAN:

Compliance with this policy will be demonstrated when:

1. The Annual Audit Report, which outlines legal compliance issues including tax payments or government ordered filings, are furnished to the Board annually.
2. An annual internal review of Sales & Use and Payroll related taxes and filings ensures that all are filed and paid when due.

EVIDENCE:

1. The Annual Audit Report was furnished to the Board on ~~November 25, 2024~~ November 24, 2025.. There were no findings over legal compliance related to tax payments or government ordered filings.
2. The annual internal review of sales & use and payroll related taxes and filings revealed no exceptions for Fiscal Year (FY) ~~2023-24~~ 2024-25.

STATEMENT OF ASSERTION:

EL 2.6.2 is reasonable and in compliance.

BOARD NOTES:

2.6.3 Furthermore, the Superintendent shall not: Use contingency funds greater than $100,000 without informing the School Board.

OPERATIONAL INTERPRETATION:

I interpret this to mean the superintendent shall not expend contingency funds greater than $100,000 without informing the Board.

JUSTIFICATION:

MEASUREMENT PLAN:

Compliance with this policy will be demonstrated when:

1. Any single use of contingency funds which exceed $100,000 will be reported to the school board.

EVIDENCE:

1. No single use of contingency funds in any account exceeded $100,000.
    a. The general fund contingency for FY ~~2024-25~~ 2025-26 was $100,000, of which~~$0~~ $1,000 was spent
    b. The capital fund contingency for FY ~~2024-25~~ 2025-26 was ~~$100,000~~ $150,000, of which ~~$48,570~~ $0 was spent ~~on 1 individual expenditure.~~
    c. The staffing contingency for FY ~~2024-25~~ 2025-26 was $250,000, of which all ~~$250,000~~ $247,500 was spent to address class size and staffing needs at school sites with no individual expenditure exceeding $100,000.

STATEMENT OF ASSERTION:

EL 2.6.3 is reasonable and in compliance.

BOARD NOTES:

2.6.4 Furthermore, the Superintendent shall not: Acquire, encumber, or dispose of real property without School Board approval.

OPERATIONAL INTERPRETATION:

I interpret this policy to mean that the District must not take any action to acquire, sell, or place a legal obligation on real property without prior approval from the School Board. Examples of such transactions include purchase agreements, long-term leases, or encumbrances such as Certificates of Participation (COPs).

In operational terms, "real property" includes land, buildings, and any permanent structures or improvements as defined by Minnesota Statute 272.03(b). To comply with this policy, all real estate related actions must be formally authorized by the Board through a public vote, with background information, financial implications, and rationale provided by the Superintendent or designee.

JUSTIFICATION:

MEASUREMENT PLAN:

Compliance with this policy will be demonstrated when:

1. All actions to acquire, encumber, or sell real property are presented and approved by the Board.
2. Board minutes and resolutions reflect authorization prior to any legal agreements or financial commitments involving real property.
3. No unapproved real estate related actions are initiated by administration.

EVIDENCE:

1. No acquisitions, encumbrances, or sales of real property occurred during FY ~~2024-25~~ 2025-26.
2. No transactions involving real property occurred during FY ~~2024-25~~ 2025-26.
3. No real estate transactions were initiated by administration during FY ~~2024-25~~ 2025-26.

STATEMENT OF ASSERTION:

EL 2.6.4 is reasonable and in compliance.

BOARD NOTES:

2.6.5 Furthermore, the Superintendent shall not: Lease real property or remodel leased real property without School Board approval.

OPERATIONAL INTERPRETATION:

I interpret this policy to mean that the District must not enter into a lease for real property or initiate substantial modifications to a leased facility without prior School Board approval.

In accordance with Minnesota Statute 272.03(b), "real property" includes land, buildings, and any improvements or fixtures attached to land. In this context, "remodeling" refers to any physical changes that materially alter the function, layout, or capacity of a leased space.

Leases may be pursued for instructional or operational purposes when aligned with educational needs and when financially advantageous, as permitted by Minnesota Statutes section 126C.40 (lease levy authority). Board approval is required prior to the execution of any new lease agreement or remodeling activity in a leased space that exceeds routine maintenance or tenant responsibilities.

JUSTIFICATION:

MEASUREMENT PLAN:

Compliance with this policy will be demonstrated when:

1. All new lease agreements for real property are presented and approved by the Board.
2. All remodeling projects of leased real property are presented and approved by the Board.
3. Existing lease arrangements are reviewed and approved through the annual lease levy process.

EVIDENCE:

1. There were no new lease agreements for real property entered in during FY ~~2024-25~~ 2025-26.
2. ~~The Board approved the renovation of the Valley View property on February 24, 2025.~~ There were no ~~other~~ remodeling of leased real property spaces proposed in FY ~~2024-25~~ 2025-26.
3. The board approves any leases through our lease levy annually. The district has existing leases including, but not limited to:
    a. City of Eden Prairie located at the Community Center for the Ice Arena, Locker Rooms, Coaches Room and Swimming Pools.
    b. Braemar Golf Course and Three Rivers Park District in support of District outdoor sports and activities.

STATEMENT OF ASSERTION:

EL 2.6.5 is reasonable and in compliance.

BOARD NOTES:

2.6.6 Furthermore, the Superintendent shall not: Allow receivables to remain unpursued after a reasonable grace period.

OPERATIONAL INTERPRETATION:

I interpret this to mean the superintendent shall ensure district receivables are pursued in an effective and efficient manner. 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).

JUSTIFICATION:

MEASUREMENT PLAN:

Compliance with this policy will be demonstrated when:

1. 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.

EVIDENCE:

1. Receivables are reviewed monthly for collection and as of ~~June 30, 2025~~ June 30, 2026 there are ~~40~~ 32 receivables on the ledger aged over 18 months, totalling ~~$82,597.96~~ $64,967.75. ~~The District engaged the State of Minnesota Debt Collection services to recoup these past due receivables.~~ The District follows facility rental procedures which include withholding approval of rentals to entities with outstanding balances until they have been paid in full.

STATEMENT OF ASSERTION:

EL 2.6.6 is reasonable and in compliance.

BOARD NOTES:

2.6.7 Furthermore, the Superintendent shall not: Allow fee-based relationships in excess of $175,000 annually to continue beyond 3 years without a formal review that includes an analysis of contract fees and performance.

OPERATIONAL INTERPRETATION:

I interpret this policy to mean that the District must have oversight systems in place to monitor all third-party vendors, including those who operate fee-based programs using District facilities or representing the District's name. These vendors may include providers of after-school activities, enrichment programs, athletic training, or similar services where fees are charged directly to families or participants.

In our operational context, "monitor" means that the District regularly reviews vendor contracts, collects relevant participation and performance data, verifies background checks and insurance requirements, and ensures the programs operate in alignment with District policies, safety standards, and community expectations. This oversight helps ensure program quality, equity of access, and alignment with Eden Prairie Schools' mission.

JUSTIFICATION:

The $175,000 threshold mirrors Minnesota Statutes, section 471.345 Uniform Municipal Contracting Law.

MEASUREMENT PLAN:

Compliance with this policy will be demonstrated when:

1. Fee based relationships which meet or exceed these thresholds are identified annually and evaluated at least every 3 years using industry best practices.

EVIDENCE:

1. While all vendors are held to and meet high standards, the following fee-based relationships have been identified as subject to administrative review:
    a. Insurance Consultants
        i. Annual meetings are held between administration and the property, liability and workers compensation insurance consultant to review terms and discuss performance expectations. Administration met with Marsh ~~McClellan~~ McLennan Agency (MMA) on ~~June 11, 2025~~ June 15, 2026 to conduct the annual review.
        ii. Annual meetings are held between administration and the medical and dental insurance consultant to review terms and discuss performance expectations. Administration met with One Digital on March 12, 2025 to conduct the annual review.
    b. Other Post Employment Benefits (OPEB) Trustee
        i. Annual meetings are held between administration and the OPEB Trustee to review terms and discuss performance expectations. Administration met with Wells Fargo representatives on ~~April 2, 2025~~ July 9, 2026 to conduct the annual review.
    c. Architect
        i. The financial terms of each project are reviewed between the administration and the architect. Upon completion of each project, the parties meet to discuss performance and review expectations. Administration met with DeVetter Design Group on ~~October 9, 2024~~ January 27, 2026 to conduct the annual review.
    d. Construction Management Company
        i. Since the construction of the Designing Pathways addition at Central Middle School, the district has employed a construction management company on a per project basis. The terms are reviewed prior to beginning each project. Upon completion, the parties meet to discuss performance and review expectations. Administration met with Knutson Construction on ~~February 4, 2025~~ January 20, 2026 to conduct the annual review ~~pre-bid walkthrough of the Valley View renovation and discuss performance and expectations.~~ Regular check-ins took place at bi-weekly project meetings during ~~the~~ all district projects.

STATEMENT OF ASSERTION:

EL 2.6.7 is reasonable and in compliance.

BOARD NOTES: