



## EL 2.5 Financial Planning and Budgeting

### Policy Quadrant: Executive Limitations

- Monitoring Time Frame: ~~July 2023 – June 2024~~ July 2024 – June 2025
- Date of School Board Monitoring: ~~December 9, 2024~~ 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.

- ~~1. The Board’s Ends policy was created to address the question of “what good” the organization creates as a result of our work. The Ends priorities provide the framework upon which the Superintendent bases action. Board expectations are communicated to the Superintendent via the Ends policy, and the Superintendent is empowered to implement the “Means” to accomplish the “Ends.” The strategic plan is a five-year plan to accomplish the means. Failing to substantially address or change the specific ideals set forth in Board Policy would result in a material deviation from the Ends.~~
- ~~2. A multi-year plan projects expected revenue and expenditure across a three to five-year period. School district budgets are largely based upon projections of revenue and anticipated expenditures. It is appropriate to review multi-year financial projections and strategic plan in order to anticipate the opportunities and barriers presented in future budgets.~~

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### 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.

- ~~1. There is no requirement in statute, but best practice based on World’s Best Workforce (still in place during the monitoring period) and school finance practices would suggest aligning budget resources to strategic high yield instructional strategies and maintaining projections to provide for future planning is prudent practice.~~
- ~~2. The State adopts its budget on a biennium schedule. That drives a large portion of our general fund resources. Predicting what the legislative body might do beyond a 5-year time span is not a practice that is dependable. Although a rolling 3-5 year~~



~~prediction is not always accurate; it is a commonly accepted practice within the field as it typically provides a reasonable outlook.~~

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### 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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- ~~1. Compliance with this policy shall be evidenced by the School Board Ends Monitoring Reports results including specific budget limitations during any required reports subsequent to evidence being found as not making reasonable progress.~~
  - ~~2. A multi-year plan showing projected revenues and expenditures shall be a component of annual budget planning and execution.~~
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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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- ~~3. Ends policy monitoring reports have not disclosed budget allocations or financial resources as a barrier to reaching the Ends during the monitoring period. Resources and strategies have been applied to positively impact the outcomes of the Ends policies and the board has heard those at meetings and approved budgets supporting the means. The superintendent also has shared 5 year projection information and design throughout the monitoring period as it relates to revenue, efficiencies, and fund balance which are all required to maintain fiscal stability of services in place to support student learning and programs that support students and families.~~
  - ~~4. The district used a multi-year financing plan provided by our financial advisor, Ehlers & Associates, during 2023-24 2024-25. The district business office also creates a multi-year financial projection model which is studied by the Superintendent's Cabinet and~~
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~~the Citizen's Finance Advisory Committee. The summarized financial projections from the plan are disclosed in the Informational Overview section of the 2024-25 2025-2026 Annual Budget Book and was presented to the school board in January 2024 January 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."](#)

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## JUSTIFICATION:

~~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."~~

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## 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.
3. ~~Compliance with this policy shall be evidenced by School Board approval of the School 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 28, 2024~~ May 27, 2025 meeting and was approved by the School Board at its ~~June 24, 2024~~ 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.

- ~~1. 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.~~
- ~~2. An assumption is a “thing that is accepted as true or certain to happen without proof.” When creating a budget, assumptions are expectations that provide a starting point for the process. Assumptions are most often relative to revenue and expenditure forecasts. They also can be expressed as managerial decisions, anticipated legislative actions, and changes to student enrollment.~~
- ~~3. To fully disclose and make clear the budget must reflect the conditions and expectations in which it was created and also anticipate those that may be in effect during its implementation.~~
- ~~4. A published timeline of discrete actions to be performed provides a framework for budget work to be completed and also provides transparency to the process.~~



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## JUSTIFICATION:

~~The district budget must adhere to financial realities. In order to conform with the “means” and “ends” expressed via the Policy Governance structure, it is important to promote understanding of the budgeting process as well as the tenets or “assumptions” used to create the annual financial plan or budget for the District.~~

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## MEASUREMENT PLAN:

Compliance with this policy will be demonstrated when:

~~Compliance to this policy shall be evidenced by:~~

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.
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## EVIDENCE:

1. The ~~2024-25~~ **2025-2026** budget timeline and ~~2024-25~~ **2025-2026** budget assumptions were presented to the School Board at its ~~January 22, 2024~~ **January 27, 2025** meeting and finalized at its ~~March 25, 2024~~ **March 24, 2025** Board meeting.
  2. The district budget was presented to the School Board at its ~~May 28, 2024~~ **May 27, 2025** meeting and was approved by the School Board at its ~~June 24, 2024~~ **June 23, 2025** meeting.
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## 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.

~~I interpret this to mean that upon the completion of the annual financial audit, the general fund shall demonstrate a minimum of 8% of annual expenditures within the unassigned portion of the district's fund balance.~~

#### **JUSTIFICATION:**

- ~~1. External independent auditors generally recommend a minimum fund balance equaling one month of expenditures, or approximately two payroll periods.~~
- ~~2. A comparison of neighboring district fund balance policies and recommendations places 8% in a reasonable or comparable range.~~
- ~~3. The State of Minnesota requires school districts to undergo a financial audit each fiscal year.~~



## MEASUREMENT PLAN:

Compliance with this policy will be demonstrated when:

~~Compliance shall be demonstrated by:~~

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

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## EVIDENCE:

1. The ~~2023-24~~ **2024-25** mid-year budget update projected an unassigned General Fund balance of ~~15.5%~~ **14.4%** (greater than 8%) for the fiscal year ending ~~June 30, 2023~~ **June 30, 2025**.
2. The Executive Audit Summary was presented by the auditing firm of ~~MMKR & Co, P.A~~ **LB Carlson, LLP** at the ~~November 25, 2024~~ **November 24, 2025** meeting of the School Board confirmed a ~~June 30, 2024~~ **June 30, 2025** year-end unassigned fund balance of ~~12.8%~~ **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 ~~15.2%~~ **14.7%**.

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## 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.

~~1. 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 could be either external or internal 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 (as defined in EL 2.3). District employees are considered internal sources.~~

~~Public schools are local governmental entities, and therefore function as representatives of the community, state, and nation. The “public good” requires a budget process that is relatively transparent and seeks input from its customers and employees...each of whom have varying interests and values. With that said, it is important to note that the professionals hired by the District are highly trained and knowledgeable in their occupational craft.~~



- ~~2. 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 find their way into the recommended budget, it is still important to acknowledge that various positions and recommendations brought forth were considered for inclusion.~~
- ~~3. Collection of *input* for the purposes of informing budget development must come from reputable sources with knowledge of the process and needs of the District. Generally, *appropriate input* is regarded as “advisory” in nature. The Superintendent is ultimately responsible for the budget, and therefore retains the authority to determine the appropriate level of input collected during the budget development process.~~

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### JUSTIFICATION:

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### 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.

The Superintendent shall note and recognize the contributions of internal and external sources as part of the annual budget adoption process in the annual Budget Book.

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### EVIDENCE:

Evidence:



1. The Introductory Section of the ~~2023-24~~ 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.*

## Collecting Input

~~School Board Executive Limitation 2.5.4 states that “There will be no financial plan that does not collect appropriate input from various sources”. The process to build the proposed 2023-24 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 2023-2024 tax levy, which occurred on December 12, 2022. This levy includes approximately 23.5% of General Fund revenue. The board also provided guidance and input to the budget development process as follows:~~
  - ~~• January 9, 2023 – Board workshop on 5-year financial model~~
  - ~~• January 23, 2023 – Review budget timeline, discuss preliminary 2022-23 budget assumptions, 2021-22 Mid-year budget approval~~
  - ~~• March 27, 2023 – Approved final 2022-23 budget assumptions, review proposed 2022-23 preliminary capital budget~~
  - ~~• April 24, 2023 – Review proposed 2021-22 School Board budget~~



- ~~April 24, 2023 – Approved 2022-23 capital budget~~
  - 2. ~~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 – 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 contained 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: