



# Shorewood

SCHOOL DISTRICT

## Operational Expectations Monitoring Document OE-5 Financial Planning

**Certification of the Superintendent:** *With respect to Operational Expectation 6 (Financial Administration), taken as a whole, the superintendent certifies that the proceeding information is accurate and complete, and is:*

☒ In Compliance  
☐ In Compliance with Noted Exceptions  
☐ Not in Compliance

Signed: Byron D., Superintendent Date: 10/8/18

### Executive Summary

#### Highlights:

- The District implemented "Impact Statements" during the preliminary budget planning process. The impact statement allows for budget recommendations to be discussed based on:
  - o Alignment with Operational Expectations or Results policies
  - o Programmatic impact
  - o Implementation plan
  - o Fiscal impact based on implementation impact and ongoing impact
  - o Annual process for evaluation

#### Analysis:

- The attachment OE.5.C shows projected budget deficits for the next 4 years. This is a product of the budget development process followed by the State of Wisconsin. We will not know the projected two year financial support for K-12 public education until mid to late January of 2019. The final budget is not expected to pass until late May-June of 2019. This attachment indicates that if there is no increase in funding for K-12 public schools, we will be in a budget shortfall, and will need to consider budget reduction measures.

**Disposition of the Board:** *With respect to Operational Expectation 6 (Financial Administration), the Board:*

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

#### Summary statement/motion of the Board:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Signed: \_\_\_\_\_, Board President Date: \_\_\_\_\_

The board values the financial support it receives through State and Federal aids, as well as local support through property taxes and other local sources of revenue. To that end, the Superintendent shall develop and maintain 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.

Superintendent Interpretation

- **Multi-year financial plan** shall mean a budget that balances revenues and expenditures over two years consisting of the current and subsequent year.
- **Related directly** shall mean that the financial plan shall reflect the priorities and goals outlined in the Board's Results and OE policies.
- **Long-term** shall mean a period of two years consisting of the current and subsequent year.
- **Fiscal jeopardy** shall mean inability to meet financial obligations.

OE-5.1 The Superintendent will develop a budget that 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.	<u>Superintendent</u>	<u>Board</u>
	Compliant	Compliant
	Compliant with Exceptions	Compliant with Exceptions
	Not Compliant	Not Compliant

Superintendent Interpretation:

- **Summary format understandable to the Board . . .** shall mean the budget will be presented to the board prior to adoption in sections that are clear and laid out simply. The budget will include an executive summary that will outline the key aspects of the budget.
- **Board to understand relationship between the budget and Results priorities and Operational Expectations** shall mean the inclusion of a section that will outline the expenditures related to District goals and selected Operational Expectations. This section will demonstrate how the budget is allocated to achieve the board's priorities for student achievement and how monies will address goals identified to be addressed in the strategic plan.

Board Indicator 1: The District business office delivers a budget development summary, segregated by fund and object, which clearly indicates the source of each revenue, and the purpose of each expense.	<u>Superintendent</u>	<u>Board</u>
	Compliant	Compliant
	Not Compliant	Not Compliant

Evidence: The District's budget, segregated by source, object and function, was delivered in the Annual Meeting on 28 August 2018. A copy of the "Annual Meeting Packet" is attached to this report as exhibit OE.5.B

Board Indicator 2: The board will be able to tie expenses to the board's Operational Expectations and Results priorities on a summary level.	<u>Superintendent</u>	<u>Board</u>
	Compliant	Compliant
	Not Compliant	Not Compliant

Evidence: The District's budget, aligned to Operational Expectations and Results is summarized graphically in this report in exhibit OE.5.D

Board Comments:



OE-5.2 The Superintendent will develop a budget that credibly describes revenues and expenditures.	<u>Superintendent</u>	<u>Board</u>
	Compliant	Compliant
	Compliant with Exceptions	Compliant with Exceptions
	Not Compliant	Not Compliant

Superintendent Interpretation:

- ***Credibly describes revenue and expenditures*** shall mean in a manner that is accurate and can verify all monies received and spent by the District.

Board Indicator 1: The District business office will deliver a budget for approval, summarizing expenses by source and expenses by object and function, as required by the Wisconsin Department of Public Instruction and applicable state statutes, and that summarizes how the budget supports the board's established Operational Expectations and Results Priorities for the District.	<u>Superintendent</u>	<u>Board</u>
	Compliant	Compliant
	Not Compliant	Not Compliant

Evidence: The District's preliminary budget summary (Exhibit OE.5.A) and a graphical summary of the alignment of Results and Operational Expectations (Exhibit OE.5.D) are included in this report.

Board Comments:

	<u>Superintendent</u>	<u>Board</u>
OE-5.3 The Superintendent will develop a budget that 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.	Compliant  Compliant with Exceptions  Not Compliant	Compliant  Compliant with Exceptions  Not Compliant

Superintendent Interpretation:

- **Budget** shall mean planned revenues and expenditures over a two-year period of time and actual revenues over the most recently completed fiscal year.
- **Category** shall mean by fund, program (as needed) and object.
- **Most recently completed fiscal year** shall mean the period of time from July 1, 2014 to June 30, 2015.
- **Current fiscal year** shall mean the period of time from July 1, 2015 to June 30, 2016.
- **Next fiscal year** shall mean the period of time from July 1, 2016 to June 30, 2017.

	<u>Superintendent</u>	<u>Board</u>
<b>Board Indicator 1:</b> The District business office delivers a budget for approval in the format required by the Wisconsin Department of Public Instruction. This format reports three years of activity, the prior year audited activity, the current year "unaudited", and the upcoming "projected" fiscal year budget.	Compliant  Not Compliant	Compliant  Not Compliant

Evidence: The budget prepared for the Shorewood School District Annual meeting described budget activity for the two prior years, and the projected budget for the current fiscal year, and is included in this report in Exhibit OE.5.B

Board Comments:

	<u>Superintendent</u>	<u>Board</u>
<b>OE-5.4 The Superintendent will develop a budget that discloses budget-planning assumptions.</b>	<b>Compliant</b>	<b>Compliant</b>
	<b>Compliant with Exceptions</b>	<b>Compliant with Exceptions</b>
	<b>Not Compliant</b>	<b>Not Compliant</b>

Superintendent Interpretation:

- **Budget planning assumptions** shall mean factors considered and assumed in order to compile the budget.

	<u>Superintendent</u>	<u>Board</u>
<b>Board Indicator 1:</b> As the budget is developed for the upcoming fiscal year, the administrative team will compile a list of all assumptions used in the budget development, which will be detailed in an impact statement, which will detail how the assumption impacts the budget and is related to the operational expectations of the district.	<b>Compliant</b>	<b>Compliant</b>
	<b>Not Compliant</b>	<b>Not Compliant</b>

Evidence: The District utilized impact statements in the development of the current fiscal budget. An impact statement summary was part of the preliminary budget presentation, and is included in Exhibit OE.5.A

	<u>Superintendent</u>	<u>Board</u>
<b>Board Indicator 2:</b> Assumptions will be part of the preliminary budget presentation, and included in the annual budget presentation.	<b>Compliant</b>	<b>Compliant</b>
	<b>Not Compliant</b>	<b>Not Compliant</b>

Evidence: The District did not present the impact statements in the presentation of the preliminary budget for the 2018-19 fiscal year. This summary was not included in the 2018-19 Annual Meeting packet, but were referenced in the 2018-19 Annual Meeting presentation.

Board Comments:



	<u>Superintendent</u>	<u>Board</u>
<b>OE-5.5 The Superintendent will develop a budget that assures fiscal soundness in future years.</b>	<b>Compliant</b>	<b>Compliant</b>
	<b>Compliant with Exceptions</b>	<b>Compliant with Exceptions</b>
	<b>Not Compliant</b>	<b>Not Compliant</b>

Superintendent Interpretation:

- **Fiscal soundness** shall mean the ability of the District to meet cash flow requirements on a daily basis without incurring excessive short term financing or debt.
- **Future years** shall mean the current and subsequent fiscal year.

	<u>Superintendent</u>	<u>Board</u>
<b>Board Indicator 1:</b> Budgets that are submitted to the board for approval will be balanced budgets, unless approved by recommendation of the Superintendent or his designee, and approved by board action.	<b>Compliant</b>	<b>Compliant</b>
	<b>Not Compliant</b>	<b>Not Compliant</b>

Evidence: Budgets submitted to the Board by the Superintendent reflected a balanced budget for the 17-18 fiscal year.

	<u>Superintendent</u>	<u>Board</u>
<b>Board Indicator 2:</b> Budget will be managed in a fashion to maintain an audited fiscal fund balance of no less than 12% of the general fund budget, and no greater than 15% of the general fund balance.	<b>Compliant</b>	<b>Compliant</b>
	<b>Not Compliant</b>	<b>Not Compliant</b>

Evidence: The projected fund balance after the final audit of the 17-18 fiscal year indicated a fund balance of \$2,745,746, which is 12.67% of the general fund budget, less the operating transfer for Special Education. The final audit is not presented to the Board for approval until December of each fiscal year.

	<u>Superintendent</u>	<u>Board</u>
<b>Board Indicator 3:</b> The District business office will provide the board with budget projections for the current fiscal year, and four subsequent years.	<b>Compliant</b>	<b>Compliant</b>
	<b>Not Compliant</b>	<b>Not Compliant</b>

Evidence: Budget projections for the next four fiscal years are included in this report as exhibit OE.5.C.

Board Comments:

	<u>Superintendent</u>	<u>Board</u>
<b>OE-5.6</b> The Superintendent will develop a budget that reflects anticipated changes in employee compensation, including inflationary adjustments, step and lane increases and benefits.	<b>Compliant</b>	<b>Compliant</b>
	<b>Compliant with Exceptions</b>	<b>Compliant with Exceptions</b>
	<b>Not Compliant</b>	<b>Not Compliant</b>

Superintendent Interpretation:

- **Reflects anticipated changes** shall mean considers fixed factors and variances concerning employee compensation and related benefits.
- **Step and lane increases** shall mean for employees on the District salary schedule.
- **Benefits** shall mean insurance and post-retirement benefits used by employees.

	<u>Superintendent</u>	<u>Board</u>
<b>Board Indicator 1:</b> The budget that is produced by the administrative team, and presented to the board, indicates the assumptions used to account for any increases in employee compensation and benefits.	<b>Compliant</b>	<b>Compliant</b>
	<b>Not Compliant</b>	<b>Not Compliant</b>

Evidence: The preliminary budget presented to the Board on indicated the increases planned for increases in employee compensation and benefits, as well as indicating the timetable for future information variables impacting the budget. The preliminary budget presentation is included as attachment OE.5.A.

	<u>Superintendent</u>	<u>Board</u>
<b>Board Indicator 2:</b> Future inflationary components are included in the 5 year budget projection included in this report as exhibit OE-5.C	<b>Compliant</b>	<b>Compliant</b>
	<b>Not Compliant</b>	<b>Not Compliant</b>

Evidence: Future inflationary components are included in the 5 year budget projection included in this report as exhibit OE.5.C.

Board Comments:



	<u>Superintendent</u>	<u>Board</u>
<b>OE-5.8</b> The Superintendent may not develop a budget that plans for the expenditure in any fiscal years of more funds than are conservatively projected to be available during the year.	<b>Compliant</b>	<b>Compliant</b>
	<b>Compliant with Exceptions</b>	<b>Compliant with Exceptions</b>
	<b>Not Compliant</b>	<b>Not Compliant</b>

Superintendent Interpretation:

- **Conservatively projected** shall mean the estimate of the projected amount of money remaining in the general fund and fund balance after the fiscal year's high expenditures are subtracted from the low total revenue.

	<u>Superintendent</u>	<u>Board</u>
<b>Board Indicator 1:</b> The budget included in this report as exhibit OE.5.B indicates the assumptions for local, state and federal sources.	<b>Compliant</b>	<b>Compliant</b>
	<b>Not Compliant</b>	<b>Not Compliant</b>
Evidence: OE.5.B		

	<u>Superintendent</u>	<u>Board</u>
<b>Board Indicator 2:</b> The budget included in this report as exhibit OE.5.B indicates a balanced budget.	<b>Compliant</b>	<b>Compliant</b>
	<b>Not Compliant</b>	<b>Not Compliant</b>
Evidence: OE.5.B		

	<u>Superintendent</u>	<u>Board</u>
<b>Board Indicator 3:</b> Exhibit OE-5.D indicates the alignment of the proposed 18-19 budget to District Operational Expectation and Results policies	<b>Compliant</b>	<b>Compliant</b>
	<b>Not Compliant</b>	<b>Not Compliant</b>
Evidence: OE.5.D		

Board Comments:
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	<u>Superintendent</u>	<u>Board</u>
OE-5.9 The Superintendent may not develop a budget that is anticipated to be unbalanced.	<b>Compliant</b>	Compliant
	Compliant with Exceptions	Compliant with Exceptions
	Not Compliant	Not Compliant

Superintendent Interpretation:

- ***Anticipated to be unbalanced*** shall mean expenditures being more than the revenue.

	<u>Superintendent</u>	<u>Board</u>
<b>Board Indicator 1:</b> The budgeted expenditures presented to the board for approval does not exceed the conservative revenue estimates for any given fiscal year.	<b>Compliant</b>	Compliant
	Not Compliant	Not Compliant

Evidence: The budget included in this report as exhibit OE.5.B indicates a budget that does not exceed the conservative estimates for the upcoming fiscal year.

Board Comments: