



## EL 2.6 Financial Management and Operations

### **Policy Quadrant:** Executive Limitations

- Monitoring Time Frame: ~~July 2023–June 2024~~ July 2024 – June 2025
- Date of School Board Monitoring: ~~September 23, 2024~~ September 22, 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 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.

- ~~1. I interpret this to mean that the budget approved by the Board reflects the priorities established in the Ends policies and the Strategic Plan. Managing the district finances within the budget is adequate and reflects reasonable alignment with the Ends Policies and Strategic Plan. Adhering to the limitations set forth in this policy reflects the avoidance of financial jeopardy. That includes managing fund balance appropriately, meeting statutory obligations, and adhering to the child policies in which the board has further defined or clarified the global policy.~~
- ~~2. I further interpret "material deviation of actual expenditures from the current budget" to mean that the expenditures incurred will be in support of the Board's Ends Policies and the District Strategic Plan.~~

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### 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.

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### MEASUREMENT PLAN:

Compliance with this policy will be demonstrated when: ~~Compliance will be demonstrated by:~~

- ~~1. The superintendent being in compliance with all child policies 2.6.1–2.6.7~~ Child Policies 2.6.1 through 2.6.7 are in compliance;
2. The districts 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.

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### EVIDENCE:

1. ~~The superintendent has asserted and the board has determined EL 2.6.1–2.6.7 are in compliance~~ Child Policies 2.7.1 through 2.7.12 are in compliance.
2. For Fiscal Year (FY) ~~2022–23~~ 2023–24, the district ~~did not have a negative Net~~ had an audited Unreserved General Fund Balance of 15.2%. At the conclusion of the Fiscal Year (FY) 2023–2024 audit field work, preliminary figures indicate that the district will have a positive fund balance in excess of the board minimum of 8 percent; and The Revised Budget for (FY) 2024–25, as approved by the Board on January 27, 2025, projects a budgeted Unreserved General Fund Balance of 14.4%.
3. For Fiscal Year (FY) ~~2022–23~~ 2023–24 the district received the School Finance Award.
4. For Fiscal Year (FY) ~~2021–2022~~ 2022–23 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.

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### 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.

~~I interpret this to mean the superintendent shall not permit debts to be settled in an untimely manner. The payment of school district debts in a timely manner is a key component of effective and efficient fiscal management. Late payments may realize significant additional costs to school districts (late fees and penalties) and, therefore, implementing and maintaining strict debt processing procedures and timelines is critical. In looking at industry practices 35 days is the practice for payment of an invoice upon receipt.~~

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### JUSTIFICATION:

~~Minnesota Statutes, section 471.425 sets a standard for government entities of 35 days for payment from the receipt of an invoice.~~

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### MEASUREMENT PLAN:

Compliance with this policy will be demonstrated when:

1. The Annual Audit Report, which outlines legal compliance issues including untimely payments, ~~are~~ **is** furnished to the Board annually.
2. ~~An annual internal review ensures that the number of days from each invoice date of receipt to its paid date does not exceed thirty-five (35) days per Minnesota Statutes, section 471.425.~~ **The District conducts an annual internal review of accounts payable practices to assess timeliness of payments, delinquent invoices, and late payment charges from vendors.**

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### EVIDENCE:

1. **The Annual Audit Report was furnished to the Board on November 25, 2024.**
  - a. There were ~~two~~ **five** disbursements identified by the independent audit firm for FY ~~2022-2023~~ **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.**
2. There were no delinquency reports or late payment charges from vendors during the fiscal year.



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**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.

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**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.

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**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.



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**EVIDENCE:**

1. The Annual Audit Report was furnished to the Board on November 25, 2024. 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) 2022–23 2023–24.
3. ~~Furthermore, there were neither reports of delinquency nor late payment charges incurred during the fiscal year.~~

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**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.

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**JUSTIFICATION:**

~~The rationale for this provision is self-evident.~~

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**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 ~~2023-24~~ 2024-25 was \$100,000, of which ~~\$76,160~~ \$0 was spent on ~~8 individual expenditures~~.
  - b. The capital fund contingency for FY ~~2023-24~~ 2024-25 was \$100,000, of which ~~\$76,682.91~~ \$48,570 was spent on ~~3-1~~ individual expenditures.
  - c. The staffing contingency for FY ~~2023-24~~ 2024-25 was \$250,000, of which all \$250,000 was spent to address class size and staffing needs at school sites with no individual expenditure exceeding \$100,000. ~~or staffing issues through the hiring of additional teachers.~~

## 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.



- ~~1. I interpret this to mean the Superintendent shall not purchase, agree to purchase, or sell any real property belonging to Eden Prairie Schools without board approval.~~
  - ~~a. "Real Property" is defined as "A building or structure shall include the building or structure itself, together with all improvements or fixtures annexed to the building or structure, which are integrated with and of permanent benefit to the building or structure, regardless of the present use of the building, and which cannot be removed without substantial damage to itself or to the building or structure." (Minnesota Statutes, section 272.03.b.)~~

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## JUSTIFICATION:

The school board is the governing body of the school district. As such, the school board has the responsibility for the care, management, and control over public schools in the school district. The school board shall have the general charge of the business of the school district, its facilities and property, and of the interest of the schools.

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## MEASUREMENT PLAN:

Compliance with this policy will be demonstrated when:

- ~~1. This policy shall be measured by the avoidance of the limitations set forth in this policy.~~ 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.

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## EVIDENCE:

1. No acquisitions, encumbrances, or sales of real property occurred during FY 2024-25.
2. No transactions involving real property occurred during FY 2024-25.
3. No real estate transactions were initiated by administration during FY 2024-25.
- ~~4. The District purchased a property located at 11840 Valley View Road (formerly referred to as the UNFI Building) with board approval to close on June 27, 2024.~~





- ~~a. September 11, 2023 approved and directed the Superintendent and Executive Director of Business Services to pursue the purchase of the property.~~
- ~~b. January 22, 2024 approved COPs for the purchase.~~
- ~~c. June 24, 2024 approved the sale of the COP's supporting the purchase of the property.~~

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## 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.

- ~~1. I interpret this to mean the Superintendent shall not lease or remodel real property without board approval.~~



- ~~a. Districts may levy for leased facilities when the leased facility would be economically advantageous. The facilities must be used for instructional purposes. The district may also lease space for purposes other than instruction, including but not limited to office or storage space (Minnesota Statutes, section 126C.40).~~
- ~~b. Remodel is often broadly used to describe any kind of significant physical change to the character or use of a space.~~
- ~~c. "Real Property" is defined as "A building or structure shall include the building or structure itself, together with all improvements or fixtures annexed to the building or structure, which are integrated with and of permanent benefit to the building or structure, regardless of the present use of the building, and which cannot be removed without substantial damage to itself or to the building or structure." (Minnesota Statutes, section 272.03.b.)~~

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### JUSTIFICATION:

~~The school board is the governing body of the school district. As such, the school board has the responsibility for the care, management, and control over public schools in the school district. The school board shall have the general charge of the business of the school district, its facilities and property, and of the interest of the schools.~~

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### 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.
- 4. ~~This policy shall be measured by the avoidance of the limitations set forth in this policy.~~

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### EVIDENCE:

- 1. There were no new lease agreements for real property entered in during FY 2024-25.
- 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.
- 3. ~~No new leases were entered into during FY 2023-24.~~ 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.

e. ~~A public arena appropriate for graduation that does not require ticketing so we maximize access and participation by our families and community.~~

4. ~~The City of Eden Prairie and district terminated the lease of the City Center for the TASSEL program effective July 2024. The TASSEL program was relocated to the new property located at 11840 Valley View Road, Eden Prairie.~~

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## 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).

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## JUSTIFICATION:

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## 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.

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## EVIDENCE:

1. Receivables are reviewed monthly for collection and as of June 30, ~~2024~~ 2025 there are ~~14~~ 40 receivables on the ledger aged over 18 months, totalling ~~\$26,172.35~~ \$82,597.96. 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.

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## 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.

- ~~1. I interpret this to mean that the Superintendent shall monitor fee-based relationships to the extent to which the District expends amounts in excess of \$175,000 per year during any three-year period.~~
- ~~2. Furthermore, if fee-based relationship monitoring indicates that the annual expenditure or sharing of dividends exceeded \$175,000 per year for three consecutive years, the Superintendent will initiate a formal review of the business relationship to include the analysis of contract fees and overall financial performance.~~

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### JUSTIFICATION:

The \$175,000 threshold ~~was established when it mirrored~~ mirrors Minnesota Statutes, section 471.345 Uniform Municipal Contracting Law.

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### 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.

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### 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 Agency \(MMA\) on June 11, 2025 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 to conduct the annual review.](#)
- ~~e. Banking~~
  - ~~i. Every 3 years the district evaluates the banking relationships and performance to determine if changes are needed. The school district primarily uses MNTrust for banking services and the terms are largely predetermined by a joint powers agreement and governing board of school district representatives.~~
- d. 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 to conduct the annual review.](#)
- e. 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 to conduct the 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 project.](#)

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### STATEMENT OF ASSERTION:

EL 2.6.7 is reasonable and in compliance.

BOARD NOTES:
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