

Hutchinson Public Schools
Operational Expectations Monitoring Report
OE 5 – Fiscal Planning
September 11, 2017

SUPERINTENDENT CERTIFICATION:

With respect to OE-5-Fiscal Planning, the Superintendent certifies that proceeding information is accurate and complete, and that the District is:

In Compliance

In Compliance, with noted exception(s):

Not in Compliance

Signed: _____ Date: _____
Superintendent of Schools

BOARD ACTION

With respect to OE-5-Fiscal Planning, the Board finds that the District and the Superintendent:

Are fully compliant

Are compliant with noted exception(s)

Are non-compliant

Comments and findings:

Date for re-monitoring: _____

Signed: _____ Date: _____
Board President

Hutchinson Public Schools
Board Monitoring Report

Re: Monitoring Report on OE-5: Fiscal Planning
 From: Gary Price, Superintendent
 Julie Stucky, Exec. Director of Fiscal Management & Business Operations

Monitoring of operational expectations policies is part of the ongoing process of superintendent evaluation. This operational expectation policy addresses several aspects of the superintendent’s responsibility district assets.

OE -5: Fiscal Planning	Superintendent			Board		
<p>The Superintendent shall develop and maintain a multi-year financial plan that is related directly to the Board’s <i>Results</i> priorities and <i>Operational Expectations</i> goals, and that avoids long-term fiscal jeopardy to the district.</p>	Compliant	Not Compliant	Compliant with Exceptions	Compliant	Not Compliant	Compliant with Exceptions
	X			X		

Superintendent Interpretation: *The board expects the superintendent to prepare an annual budget designed to provide long-term funding stability while providing good stewardship of taxpayer dollars. The board further expects the superintendent to seek community input while designing a budget to achieve the district mission man Results Policies.*

- *Financial plan –form 150/151*
- *Multi-year two or more years*
- *Fiscal jeopardy – a state where expenditures exceed the long-term projected revenue requiring substantial increases in tax levies and/or reductions of staff, programs, or services.*

OE -5: Fiscal Planning	Superintendent			Board		
<p>The Superintendent will develop a budget that:</p> <p>5.1 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.</p>	Compliant	Not Compliant	Compliant with Exceptions	Compliant	Not Compliant	Compliant with Exceptions
	X			X		

Superintendent Interpretation: *The board expects the superintendent to present financial information in a clear and concise manner that illustrates how spending increases or decreases will impact the board's Results and Operational Policies.*

a) *Summary format – budget profile information, budget-at-a-glance, forms and codes, and budget workshop information.*

Compliance:

<p>Indicator 1: We know we are compliant when the District has completed a balanced budget process each year which includes working with the administration and staff.</p>	<p>Compliant</p>
<p>Evidence: Numerous meetings were held between Administrators and staff to determine budget necessities for 2017-18.</p>	
<p>Indicator 2: We know we are compliant when the budget is prepared within the funding allocations and other financial changes approved by the legislature.</p>	<p>Compliant</p>
<p>Evidence: The FY 17.18. budget document was completed and balanced and complies with the current legislative funding and regulations. The District has completed a Budget at a Glance, Budget Profile, State Codes and Forms. Once final, all of the budget documents are located on the District's web page under business services as well as at each board of education meeting. The items below reflect the changes in the budget from the previous year.</p> <ol style="list-style-type: none"> a. Supplemental General, and Capital Outlay state aid are no longer posted to the General fund and transferred to the respective funds. This change causes the general fund legal max to show a decrease in expenditures from the previous year. b. The LOB mill levy increased due to the lowering of the general fund budget authority. c. The District assessed valuation is estimated to be flat for the general assessed valuation and all other funds' assessed valuation d. The District has not settled negotiations yet. The budget does reflect the district's negotiating position. e. Overall mill levy is estimated to decrease .17 mills to 54.998 compared to 55.168. 	

<p>Indicator 3: We know we are compliant when the District has summarized the Budget at a budget workshop held prior to the adoption of the budget.</p>	<p>Compliant</p>
<p>Evidence: The district held a budget workshop on August 14th during the Board of Education meeting.</p>	
<p>Indicator 4: We know we are compliant when a public hearing is held prior to the board of education adopting the budget.</p>	<p>Compliant</p>
<p>Evidence: The district held a public hearing on August 28th.</p>	
<p>Indicator 5: We know we are compliant when the District's budget is filed at the Reno County Courthouse prior to August 25th.</p>	<p>Compliant</p>
<p>Evidence: The District will file the budget at the Reno County Courthouse prior to August 29th. An extension was given by the county due to the lateness of the budget document to school districts.</p>	

OE -5: Fiscal Planning	Superintendent			Board		
The Superintendent will develop a budget that: 5.2. Credibly describes revenues and expenditures.	Compliant	Not Compliant	Compliant with Exceptions	Compliant	Not Compliant	Compliant with Exceptions
	X			X		

Superintendent Interpretation: *The board expects the superintendent to develop a budget based upon conservative funding estimates and reasonable costs.*

- *Credibly – relying on sufficient documentation and rationale to instill confidence in the average district resident*
- *Revenues – funds generated from levies on assessed valuation: state funding generated by student enrollment and weighting; grants; federal programs; or other funding sources*
- *Expenditures – salaries, benefits, bond and interest payments, capital outlay projects, and other operating expenses of the district*

Compliance:

<p>Indicator 1: We know we are compliant when the District indicates what state and local property tax revenue is to be received in each of the District funds by estimating student enrollment, weighted enrollment, and percent of poverty, property tax valuations and mill rates. The District each year will provide a history of trends in all these areas which will aid in the credibility and reasonableness of the projections in these areas.</p>	Compliant
<p>Evidence: The Budget at a Glance shared during the budget workshop and posted on the district webpage includes enrollment, student counts, percent of poverty, tax valuation, and mill rates included. The one-page summary is posted on the District's web page. The District has a spreadsheet available in the Director of Finance office that shows trends in enrollment, weightings, percent of poverty, property tax and mill rates.</p>	
<p>Indicator 2: We know we are compliant when the District's budgeted amounts for revenue are projected conservatively in all areas and explained to the board and public in detail during the annual budget workshop.</p>	Compliant
<p>Evidence: The District's budget compares two years of actual revenues and expenditures to the budget which shows no shortfalls of revenues or overages in expenditures.</p>	
<p>Indicator 3: We will be compliant if the annual audit reveals no evidence of insufficient budget revenues.</p>	Compliant
<p>Evidence: The District CPA firm found no evidence of insufficient budgeted revenues and the expenditures within the published budget.</p>	

<p>Indicator 4: We know we are compliant when the District indicates what federal revenue is to be received in each of the District funds by estimating the Title and Head Start allocations as well as the amount of free and/or reduced lunches in the District.</p>	<p>Compliant</p>
<p>Evidence: Code 07 in the budget document has the federal revenue to be received in each of the district's federal funds. Free and Reduced Lunch data can be found on the Budget at a Glance</p>	
<p>Indicator 5: We know we are complaint when the District has estimated the amount of revenue received for parent paid fees, other education entities tuition, donations and interest. The District each year will provide a history</p>	<p>Compliant</p>
<p>Evidence: The District budget does have operating reserves which can be located in control lines within the budget and summarized at the budget workshop each year for any unforeseen revenue circumstances.</p>	
<p>Indicator 6: We know we are compliant when the audit reveals no purchases made without prior budget authority.</p>	<p>Compliant</p>
<p>Evidence: The CPA audit did not find any expenditures that were not credible. The District's security levels in the Skyward software program allow the District's Director of Finance to monitor control over approvals and spending.</p>	
<p>Indicator 7: We will know we are compliant when the audit reveals no purchases over \$20,000 made without board approval or superintendent designated as emergency as per legal definition and no purchases were made over \$1,000 without three informal quotes.</p>	<p>Compliant</p>
<p>Evidence: The District CPA firm found no evidence of any insufficient purchases according to District purchasing guidelines.</p>	

OE -5: Fiscal Planning	Superintendent			Board		
<p>The Superintendent will develop a budget that:</p> <p>5.3 Shows the amount spent in each budget category for the last two fiscal years and the amount budgeted for the next fiscal year.</p>	Compliant	Not Compliant	Compliant with Exceptions	Compliant	Not Compliant	Compliant with Exceptions
	X			X		

Superintendent Interpretation: *The board expects to be able to see expenditure patterns and trends over time.*

Compliance:

<p>Indicator 1: We know we are compliant when the District by law prepares the KSDE budget, Budget at a Glance and Budget Profile which trends two years of actual expenditures compared to the current year budget.</p>	Compliant
<p>Evidence: Budget at a Glance, Budget Profile, Forms and Codes for every fund shows two years of spending trends.</p>	
<p>Indicator 2: We know we are compliant when the District prepares comparisons of expenditures and future plans for spending for the capital outlay fund.</p>	Compliant
<p>Evidence: Spreadsheet showing the capital outlay expenses and future plans for the remainder of the current capital outlay resolution. The capital outlay report has been projected out 10 years.</p>	
<p>Indicator 3: We know we are compliant when the District prepares comparisons of expenditures and future plans for spending for the bond and interest funds.</p>	Compliant
<p>Evidence: Bond and Interest Debt Schedule along with the mill levy projections and debt payments for the District's bond debt fund.</p>	

OE -5: Fiscal Planning	Superintendent			Board		
The Superintendent will develop a budget that: 5.4 Discloses budget-planning assumptions.	Compliant	Not Compliant	Compliant with Exceptions	Compliant	Not Compliant	Compliant with Exceptions
	X			X		

Superintendent Interpretation: *The board expects the superintendent to share the thinking and rationale behind budget decisions, especially those impacting mill levy trends, cash balances, and revenue and expense projections.*

- *Discloses – shares and explains*
- *Assumptions – things believed to be true about the current or future financial state of the district*

Compliance:

<p>Indicator 1: We know we are compliant when throughout the budget process each year administration discloses to the board information regarding budget assumptions related to District’s strategic plan, current legislation, changes in enrollment and weightings, class sizes, personnel, mill levies, cash balances, fixed cost increases, salaries, debt schedules, and capital projects.</p>	<p>Compliant</p>
<p>Evidence: The Districts final results of the budget process which include several documents showing the new revenue gain/losses based on legislation, estimated enrollments, expense imperatives (fixed costs, payroll assumptions), needed budget reductions, use of cash balance, estimated mill levies and the community budget recommendations are all incorporated into the final budget documents.</p>	

OE -5: Fiscal Planning	Superintendent			Board		
The Superintendent will develop a budget that: 5.5- Assures fiscal soundness in future years.	Compliant	Not Compliant	Compliant with Exceptions	Compliant	Not Compliant	Compliant with Exceptions
	X			X		

Superintendent Interpretation: *The board expects that the superintendent will not knowingly recommend a budget to the board which will create fiscal difficulties in the subsequent years. The board will be advised of how any calculated reductions in cash balances will impact the long-term financial position of the district.*

- *Soundness – safe and stable*

Compliance:

Indicator 1: We know we are compliant when two-months or greater operating cash reserves exist in the budget.	Compliant
<p>Evidence: The District’s budget is fiscally sound when reserves in the contingency fund, operational contingencies are built into the budget along with budget reserves built into the transfer funds. These will be presented each year as part of the budget presentation. They are also located in the District Annual Budget Document. The District reserves local option budget authority for a necessary additional revenue source for future years. The Board of Education will review monthly the cash balances and annually review the fiscal year end cash balances to average expenditures noting two-months or greater operating cash reserves.</p>	

OE -5: Fiscal Planning	Superintendent			Board		
The Superintendent will develop a budget that: 5.6 Reflects anticipated changes in employee compensation, including inflationary adjustments, step increases, performance increases and benefits	Compliant	Not Compliant	Compliant with Exceptions	Compliant	Not Compliant	Compliant with Exceptions
	X			X		

Superintendent Interpretation: *The board expects to be presented a budget that plans for changes in benefits and/or compensation schedules agreed to by the board for all employee groups for each subsequent fiscal year. Furthermore, the board expects to be fully advised on long-term implications of any additional salary and benefit commitments.*

- *Anticipated – calculated from board-approved salary schedules*

Compliance:

<p>Indicator 1: We know we are compliant when the District includes increases in health benefits, additional or reduced staff positions, employment fixed costs (social security, unemployment and workers’ compensation) and retirement benefits as “budget priorities/imperative” or “budget reductions” throughout all budget documents.</p>	<p>Compliant</p>
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Evidence: All budget options presented through the community budget process and the board of education reflected funds needed for anticipated changes to employment costs.

OE -5: Fiscal Planning	Superintendent			Board		
The Superintendent will develop a budget that: 5.7 Maintains the projected year-end fund balances.	Compliant	Not Compliant	Compliant with Exceptions	Compliant	Not Compliant	Compliant with Exceptions
	X			X		

Superintendent Interpretation: *The board expects that cash balances and contingency funds will be maintained to cover cash flow interruptions caused by late revenue payments, mid-year funding reductions, and catastrophic loss or equipment failure. A minimum of two-months of expenses will be budgeted as cash reserve to meet cash flow needs.*

Compliance:

<p>Indicator 1: We know we are compliant when the board of education receives a cash balance report within the budget document each year. Each fund shows the beginning and ending actual unencumbered cash for two years.</p>	<p>Compliant</p>
<p>Evidence: The District completes a Cash Balance Report and each fund code within the budget document showing unencumbered cash balances.</p>	
<p>Indicator 2: We know we are compliant when the budget projections will show the cash balances are not below the minimum of two-months of current average expenses.</p>	<p>Compliant</p>
<p>Evidence: The District prepares an all fund and operating fund cash balance report at the first July meeting each year showing how much cash reserve the district has compared to average monthly expenditures. The district has board approval for any budget actions which drop the operating cash reserve balance below the two-month minimum. (Note: future operating cash reserve balance to average monthly expenditure is estimated to drop below the two-month minimum with the current budget projections shared with the board of education.)</p>	
<p>Indicator 3: We know we are complaint when the board of education receives a monthly treasurer’s report listing cash balances by fund reconciled to the banks.</p>	<p>Compliant</p>
<p>Evidence: The board receives a Monthly Treasurer’s report at the second board meeting each month which shows all cash balances.</p>	

OE -5: Fiscal Planning	Superintendent			Board		
The Superintendent will not develop a budget that: 5.8- Plans for the expenditure in any fiscal year of more funds than are conservatively projected to be available during the year.	Compliant	Not Compliant	Compliant with Exceptions	Compliant	Not Compliant	Compliant with Exceptions
	X			X		

Superintendent Interpretation: *The superintendent will carefully explain to the board any plans to “deficit spend” by reducing cash balances or contingency reserves of the district. In tough economic times, the board expects the superintendent to balance the use of cash reserves with increase tax levies to meet the financial shortfall of the district. When deficit spending must occur, the superintendent will keep the board informed regarding the “life expectance” of the district’s cash balances and contingency reserves.*

Compliance:

Indicator 1: We know we are compliant when the budget presented is a balanced budget.	Compliant
Evidence: The FY 17.18 published District budget shows a balanced budget.	
Indicator 2: We know we are compliant when there are no major findings by auditor indicating that budgets have not been balanced.	Compliant
Evidence: The District audit each year audits for compliance with expenditures within the budget authorities and that there is cash in the fund. There have been no findings of a budget or cash basis violation by the District auditors.	
Indicator 3: We know we are complaint if funds are spent within the budget and cash on hand.	Compliant
Evidence: The treasurer’s report each month shows spending to be within cash and published budgets for each fund.	
Indicator 4: We know we are complaint if necessary adjustments are made to the budget mid-year if enrollment or legislative actions change the amount of the budget after publication. (a reduction in base state aid per pupil, enrollment or weighting adjustments; special education teacher entitlement, SB155 funds) Or any increases to fixed costs cause budgeted reserves to be used.	Compliant
Evidence: The legal max letter from the state department reflects any changes made throughout the year which adjusts the budget authority for the district. The District’s CPA firm found no budgetary violations.	