



Racine Unified School District
Operational Expectations Monitoring Report

OE-6 (FINANCIAL ADMINISTRATION-EXTERNAL)
SUMMARY OF COMPLIANCE STATUS

Date: December 21, 2015

SUPERINTENDENT CERTIFICATION

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

XX In Compliance
In Compliance, with Exception (as noted in the evidence)
Not in Compliance

Executive Summary:

This report monitors OE-6 (Financial Administration-External) policy for July 1, 2014-June 30, 2015 and is brought to the Board of Education upon completion of the annual financial audit following the closure of the fiscal year. The External Audit for the 2014-15 fiscal year was performed by Schenck CPAs and the audit opinion was "unmodified" which under accounting terms is considered a "clean" opinion. There were also no material weaknesses and no internal control findings. The "Management Letter" also had no findings or corrective action suggestions.

All sections are in compliance except:

- 1) 6.8: Two financial reports due to the Wisconsin Department of Public Instruction were not filed on time.

Signed: [Signature] Superintendent

Date: December 10, 2015

BOARD OF EDUCATION ACTION

With respect to Operational Expectation 6 (Financial Administration-External), the Board:

XXX 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: Dr. Frontier moved, Ms. Plache seconded to adopt the Operational Expectations-6 (Financial Administration-External) Monitoring Report as being compliant with exception. (See Section 6.8). All were in favor.

Signed: [Signature] Board President

Date: 1/7/2014



Racine Unified School District
Operational Expectations Monitoring Report
DATE: December 7, 2015

OE-6 (FINANCIAL ADMINISTRATION-EXTERNAL)

The superintendent shall not cause or allow any financial activity or condition that materially deviates from the budget adopted by the Board; cause or allow any fiscal condition that is inconsistent with achieving the Board's *Results* or meeting any *Operational Expectations* goals; or place the long-term financial health of the District in jeopardy.

Interpretation for External OE-6.1 to 6.10: The Board of Education expects the superintendent to cooperate with the Board's financial auditor, file timely reports with the Department of Public Instruction, maintain financial records in accordance with Generally Accepted Accounting Principles, publish annual financial reports, and take corrective action to address audit findings. In addition, the superintendent cannot allow deficit spending, expend reserve funds, transfer monies from one fund to another, and expend funds that significantly differs from the Board approved budget without the approval of the Board of Education.

- Financial activity: Any sanctioned action conducted on behalf of the District by a District employee that causes a monetary impact, including the purchase of goods and services, payment of liabilities to employees or vendors, incurring debt and the receipt or management of funds.
- Materially deviates from the budget: Causing the District to expend significantly more in a category than the budget approved by the Board of Education or as approved by the Board of Education through a subsequent action.
- Fiscal condition: The availability of funds needed to meet financial obligations.
- Long-term fiscal health: The ability of the District to meet planned or anticipated expenditures for the current fiscal year and maintaining adequate balances for the District to meet financial obligations for the next 1 - 3 fiscal years.

6.1 The superintendent will: Coordinate and cooperate with the Board's appointed financial auditor for an annual audit of all District funds and accounts.	<i>In Compliance</i>
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Interpretation: The Board of Education expects the superintendent to provide the auditors with all requested information, access to District's financial systems and support as the auditors perform the annual financial audit.

- Coordinate and cooperate with: Provides all requested information to the auditors to enable the completion of the Annual Financial Report.
- All District funds and accounts: All financial data, records and information maintained in accordance with the account structure prescribed by the Wisconsin Uniform Financial Accounting Requirements.

Indicator: Audit report indicates District cooperation.	In Compliance
Evidence: The auditor's statement in the Management Letter indicates cooperation. <i>(See page 3 of the auditor's Management Communications - Appendix A)</i>	

6.2 The superintendent will: Keep complete and accurate financial records by funds and accounts in accordance with generally recognized principles of governmental accounting.	<i>In Compliance</i>
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Interpretation: The Board of Education expects the superintendent to keep all financial records compliant with Generally Accepted Accounting Principles (GAAP).

- Keep complete and accurate financial records: Account for financial resources and expenditures utilizing account structures in accordance with GAAP.
- Generally Accepted Accounting Principles: Guidelines and standards for financial reporting promulgated by the Federal Accounting Standards Board.

Indicator: The Auditor’s opinion indicates compliance with accounting principles.	In Compliance
Evidence: The auditor’s statement in the Annual Financial Report indicates compliance with accounting principles. <i>(See page 2 of the Annual Financial Report)</i>	

6.3 The superintendent will: Publish a financial condition statement annually.	<i>In Compliance</i>
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Interpretation: The Board of Education expects the superintendent to publish the official audited financial report prepared each fiscal year and make it available on the District website.

- Financial Condition Statement: An annual financial report that includes a statement of net assets, statement of activities, balance sheet and reconciliation of the governmental funds consistent with generally accepted accounting standards completed by the independent firm of certified public accountants.
- Publish: The financial report is made available to the public on the District website and a printed copy is provided to the Board of Education.

Indicator 1: Annual audit report is presented to the Board for acceptance and submitted to DPI by December 1 st of each year.	In Compliance
Evidence 1: The audit report was accepted by the Board on November 16, 2015.	
Evidence 2: The Audited Financial Statement was submitted to DPI on November 13, 2015. <i>(See Appendix B)</i>	
Indicator 2: Audit report is published on the District’s website by December 1 of each year.	In Compliance
Evidence: The audit report was published on November 17, 2015.	

6.4 The superintendent will: Include in the monitoring report the action plan and timeline of the auditor recommendations in the annual report.	<i>In Compliance</i>
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Interpretation: The Board of Education expects the superintendent to act on Auditor recommendations to bring the findings or recommendations into compliance.

- Auditor recommendations: Courses of action suggested by the auditor in accordance with the objectives of the audit and included in Financial Statement findings or the management letter.

Indicator 1: No auditor recommendations for FY 2014-15	In Compliance
Evidence 1: The Management Letter of the auditor does not include recommendations.	
Evidence 2: The Board has historically accepted the Financial Statement finding related to the internal preparation of the Annual Financial Report by having the auditing firm complete the report due to cost and qualifications of current internal staff. <i>(See page 71 of the Annual Financial Report).</i>	

Note: The auditor's Management Letter included observations related to the improvement of the management of financial operations of the District.

<p>6.5 The superintendent may not: Expend more funds than have been received in the fiscal year unless revenues are made available through other legal means, including the use of fund balances, the authorized transfer of funds from reserve funds, and tax anticipation notes.</p>	<p><i>In Compliance</i></p>
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Interpretation: The Board of Education expects the superintendent to disallow deficit spending in the General Fund (Fund 10, the District’s operating fund).

- Expend more funds than have been received: Expenditures exceeding revenue sources. Revenue sources can include Board authorized use of fund balance and Board authorized debt.

<p>Indicator: Funds that were expended over what had been received in which fund balances were used were approved and authorized by the Board.</p>	<p>In Compliance</p>
<p>Evidence 1: The General Fund (Fund 10) operating revenue balance on June 30, 2015 was \$263,583,242. The General Fund (Fund 10) operating expense and fund transfers was \$264,199,624 which is a difference of -\$616,382 or .23%. (See page 16 of the Annual Financial Report. BOE approval of use of reserve funds – Original Budget, October 28, 2014)</p>	

6.6 The superintendent may not: Expend monies from reserve funds.	<i>In Compliance</i>
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Interpretation: The Board of Education expects the superintendent to disallow spending fund balances without Board approval. This approval may be through a specific Board action or by the Board approving the annual budget that includes use of reserve funds.

- Reserve funds: Fund balances that are restricted, committed, unassigned and not authorized by Board action or policy.

Indicator 1: Fund 10 fund balance at 6/30/2015 is less than the previous 6/30 fund balance with Board authorized fund balance use.	In Compliance
<p>Evidence: The Fund 10 balance on June 30, 2015, is \$616,382 less than on June 30, 2014. The Board approved the use of \$3,606,303 in reserves on October 28, 2014. <i>(See page 16 of the Annual Financial Report)</i></p> <ul style="list-style-type: none"> • 6/30/15 Fund 10 balance equals \$40,704,545 • 6/30/14 Fund 10 balance equals \$41,320,927 	
Indicator 2: Capital Projects Funds on 6/30/15 are more than the previous 6/30 fund balance with any use of fund balance authorized by the Board.	In Compliance
<p>Evidence: The Capital Projects fund balance on June 30, 2015 is \$7,071,215 greater than on June 30, 2014. <i>(See page 16 of the Annual Financial Report)</i></p> <ul style="list-style-type: none"> • 6/30/15 Capital fund balance equals \$7,609,513 • 6/30/14 Capital fund balance equals \$538,308 	
Indicator 3: Other Government Funds on 6/30/15 are more than the previous 6/30 fund balance with any use of fund balance authorized by the Board.	In Compliance
<p>Evidence: The Other Government fund balance on June 30, 2015 is \$3,081,226 greater than on June 30, 2014. <i>(See page 16 of the Annual Financial Report)</i></p> <ul style="list-style-type: none"> • 6/30/15 Other Government fund balance equals \$4,343,240 • 6/30/14 Other Government fund balance equals \$1,262,004 <p>Note: The gain in Other Governmental Fund balance is largely due to the reassignment of the Food Service fund from a proprietary fund to Other Governmental Funds.</p>	
Indicator 4: Fiduciary Funds on 6/30/15 are more than the previous 6/30 fund balance with any use of fund balance authorized by the Board.	In Compliance
<p>Evidence: The Fiduciary Fund balance on June 30, 2015 is \$668,942 greater than on June 30, 2014. <i>(See pages 21-22 of the Annual Financial Report)</i></p> <ul style="list-style-type: none"> • 6/30/15 Fiduciary fund balance equals \$8,269,915 • 6/30/14 Fiduciary fund balance equals \$7,600,973 	

6.7 The superintendent may not: Permanently transfer money from one fund to another.	<i>In Compliance</i>
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Interpretation: The Board of Education expects the superintendent to seek Board approval prior to implementing a permanent transfer between funds, except to the Special Education Funds (Fund 27) as required by state statute or as part of grant indirect cost proceeds.

- Permanently transfer: A transfer that is not held as a liability by the receiving fund or there is no ability or intent to repay.

Indicator: Any fund transfer indicated in the audit report was approved by the Board of Education, except as required for special education fund or as part of grant indirect cost proceeds.	In Compliance
Evidence 1: The Fund 10 to Fund 27 required transfer was \$33,032,222. <i>(See page 53 of Annual Financial Report)</i>	
Evidence 2: Interfund transfers, other than for the Special Education Fund, amounted to \$5,907,672 <i>(See page 34 of the Annual Financial Report)</i> . Those transfers were approved by the Board of Education as part of budget adjustments approved May 18, 2015. The transfers were as follows: <ol style="list-style-type: none"> 1. \$5,000,000 to the non-referendum debt service fund (Fund 38) for short-term borrowing debt defeasance. The proceeds for the original short-term borrowing were allocated to the capital projects fund for new school construction (Fund 45). 2. \$900,000 to the non-referendum debt service fund (Fund 38) to restore fund balance. 3. \$5,000 to the long-term capital projects fund (Fund 46) as part of the initial deposit to the fund. 4. \$2,672 were transferred from the special projects fund to the general fund as part of grant indirect cost proceeds. 	

6.8 The superintendent may not: Allow any required reports to be overdue or inaccurately filed.	<i>Not In Compliance</i>
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Interpretation: The Board of Education expects the superintendent to file all financial reports with DPI in a correct manner and within required due dates including authorized extensions.

- Overdue or inaccurately filed: Deadlines will be met or extension requested and reports will be filed as accurately as possible with the most current information and knowledge available.

Indicator: 100% of DPI Status and Due Dates report show compliance and accuracy.	Not In Compliance
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Evidence: Several finance reports indicated in the DPI Status and Due Dates table were submitted past the designated due date. (See Appendix B)

1. The PI-1505-AC Aid Certification report was ready to submit on the August 28th due date. However, the DPI server was down that afternoon preventing submission.
2. The Transfer of Service report was submitted on time to DPI despite what was indicated on the table.
3. The PI-1542 Intra-District Transfer Program aid report was submitted over two weeks late.
4. The PI-1506-FB and PI-1506-AC reports were submitted to DPI by the District's auditor one week late. As per DPI, those reports cannot be approved by DPI until the PI-1505 Annual Report is submitted by the District without error. All those reports were submitted September 18th. DPI had indicated to auditors to wait to submit reports until information was complete and accurate.

6.9 The superintendent may not: Receive, process or disburse funds under controls that are insufficient under generally accepted accounting procedures or statute.	<i>In Compliance</i>
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Interpretation: The Board of Education expects the superintendent to ensure that controls are in place to assure compliance to accounting rules and that when audited, the controls have no material weaknesses.

- Controls that are insufficient: The absence of providing processes or procedures to safeguard resources against loss due to waste, abuse, mismanagement, errors and fraud.

Indicator 1: Management report identifies no material weaknesses or deficiencies related to internal control.	In Compliance
Evidence: No material weaknesses or deficiencies were identified. (See pages 61 to 64 of the Annual Financial Report; and page 2 of the Management Communication Appendix A)	

6.10 The superintendent may not: Commit to expenditures from an account without adequate appropriation and/or budget transfer to accommodate the expenditure.	<i>In Compliance</i>
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Interpretation: The Board of Education expects the superintendent to stay within the approved budget and bring significant budget adjustments to the Board for approval and publication per DPI requirements.

- Significant budget changes: Function account changes of \$500,000 or more.

Indicator 1: Significant budget adjustments were submitted to the Board of Education for approval.	In Compliance
Evidence: Budget adjustments of approximately \$3.9 million in revenues, \$12 million in expenditures and \$23 million in other financing sources were brought to the Board for approval. <i>(See Budget Adjustments 2014-15 May 18, 2015)</i>	
Indicator 2: The annual financial report finds no material violations due to budgetary procedures used by the District.	In Compliance
Evidence: The annual financial report found no material violations related to budget procedures. <i>(See page 54 of the Annual Financial Report)</i>	

Action Plan to Improve/Enhance OE-6 (Financial Administration-External):

Through the Office of the Chief Financial Officer, the superintendent will continue to address areas of non-compliance in OE-6 (Financial Administration-External). The 2015-16 action plan includes:

6.8: Formal processes will be implemented to complete monthly, quarterly and annual reconciliations. In addition, formal month-end closing processes will also be identified and implemented. This will allow the Finance Office to assure financial records are accurate throughout the year and allow for a more timely completion of the trial balance and other reports at the end of the year. With these processes in place, reports to DPI can be completed and submitted by the deadlines indicated.

NOTE: The Superintendent requests that the Governance Committee consider deleting OE 6.5 since OE 6.6 provides more detailed evidence of the same information related to Board approval of the use of reserve funds.