



**Racine Unified School District
Operational Expectations Monitoring Report**

**OE-5 (FINANCIAL PLANNING)
SUMMARY OF COMPLIANCE STATUS**

Date: February 16, 2015

SUPERINTENDENT CERTIFICATION

With respect to Operational Expectations 5 (Financial Planning), taken as a whole, the Superintendent certifies that the proceeding information is accurate and complete, and is:


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

Executive Summary:

This report monitors OE-5 policy for November 1, 2013-October 31, 2014. This monitoring report is in compliance with exceptions.

All Operational Expectations were met with the exception of OE 5.1.2. The District is preparing for the Board clear and comprehensive budget documents. The District is also using sound and accurate financial planning practices and fiscal procedures to maintain reliable budget forecasts and takes care to preserve the financial stability of the organization into the future. The District financial planning and expenditure of the budget assures sufficient reserves and funds and accounts for anticipated increases in employee costs, enrollment adjustments and other forecasting considerations. The District has demonstrated sound fiscal monitoring and management of the public's money toward providing a quality education for the children of the District.

OE 5.1.2: The Board expects that budget expenditures are specifically linked to the Board's Operational Expectations and Results Priorities. Beginning with the 2015-16 budget, all expenditures will include a notation to identify the specific *Results* and *Operational Expectations* budget expenditures support.

Signed: 
Superintendent

Date: February 3, 2015

BOARD OF EDUCATION ACTION

With respect to Operational Expectations 5 (Financial Planning), the Board:

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

Summary statement/motion of the Board Ms. Handrow moved, Pastor Hargrove seconded, to approve the Operational Expectations-5 (Financial Planning) Monitoring Report as being in compliance with exception in OE-5.1.2 as noted in evidence. All were in favor.

OE-5.1.2: The Board expects that budget expenditures are specifically linked to the Board's Operational Expectations and Results policies. Beginning with the 2015-16 budget, all expenditures will include a notation to identify the specific Results and Operational Expectations budget expenditures support.

Signed: 
Board President

Date: 2-2-15



Racine Unified School District
Operational Expectations Monitoring Report
DATE: February 16, 2015

OE-5 (FINANCIAL PLANNING)

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.

Interpretation: The Board of Education expects the Superintendent to manage the current year budget and develop a budget plan for the subsequent year that manages revenues, expenditures, and maintains necessary cash balances in order to obtain a high credit worthiness and meet the financial obligations of the District. Financial planning for the District must be prepared for up to five years in the future. Plans need to identify the means by which the budget supports for the Board's *Results* and *Operational Expectations* policies.

- Multi-year financial plan: To anticipate events or conditions for five years into the future that impact District operations as reflected in the budget, the five year financial forecast, District financial procedures, and the implementation of the District's educational programs and operations.
- Long-term fiscal jeopardy: The inability of the District to meet planned or anticipated expenditures for at least three years as reflected by negative fund balances, a credit worthiness that is determined to be less than very strong as shown by debt costs/bond ratings, or the inability of the District to meet financial obligations through adequate cash balances.
- Related directly: Financial plan to identify the funds of the District to support specific Results Priorities and Operational Expectation goals.

<p>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 <i>Results</i> priorities and any <i>Operational Expectations</i> goals for the year.</p>	<p><i>Not In Compliance</i></p>
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Interpretation: The Board of Education expects the Superintendent to assure that the budget will be presented to the Board in clearly defined sections and reported in a condensed format for clarity. The budget will include clear explanations for important aspects of the budget in its entirety and for the provided sections. The budget presentation will outline key initiatives and expenditures related to certain Operational Expectations and Results priorities, including how budget allocations achieve the Board’s educational and operational mission of the District.

- Summary format understandable to the Board: Budget documents and information will be presented to the Board in clearly defined sections and in a condensed format. Defined sections include budget assumptions and operational funds. Executive summaries and notes of explanation will be included to clarify and highlight important aspects of the budget and outline links to Results priorities and Operational Expectations.

<p>Indicator 1: The budget documents are summarized by fund and contain notes of explanation.</p>	<p>In Compliance</p>
<p>Evidence 1: The 2014-15 Interim Budget documents provided to the Board on June 16, 2014, and the 2014-15 Original Budget documents provided to the Board on October 28, 2014 were summarized by fund.</p>	
<p>Evidence 2: Explanations of assumptions used to develop the budget and notes outlining important aspects of the budgets were included in provided sections of the budget.</p>	
<p>Indicator 2: The budget document outlines initiatives and expenditures related to certain Operational Expectations and the Board’s Results Priorities.</p>	<p>Not In Compliance</p>
<p>Evidence 1: The 2014-15 budget document and presentation outlined key initiatives and how the budget allocations addressed educational and operational needs of the District. The FY15 Interim Budget presentation on June 16, 2014 highlighted initiatives categorized by whether they focused on the three <i>Raising Racine</i> priorities: (1) raising student achievement particularly in reading and math, (2) closing the achievement gaps for students of color and special education, and (3) creating a positive learning environment in all schools.</p>	
<p>Evidence 2: The 2014-15 budget documents and presentations did <u>not</u> reference how key budget allocations related to Operational Expectations or Results priorities.</p>	

5.2 The Superintendent will develop a budget that: Credibly describes revenues and expenditures.	<i>In Compliance</i>
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Interpretation: The Board of Education expects the Superintendent to assure that the budget documents report monies received and expended in the District in an accurate and verifiable manner.

- Credibly describes revenues and expenditures: In each section reported in documents to the Board, all budgeted revenues will be reported by local, state, or federal source and all budgeted expenditures will be reported by instructional or non-instructional functional area as outlined by state accounting structures.

Indicator 1: The budget document summarizes revenues by source and expenditures by function for each budget section.	In Compliance
Evidence: The 2014-15 Interim Budget documents provided to the Board on June 16, 2014, and 2014-15 Original Budget documents provided to the Board on October 28, 2014, summarized revenues and expenditures for the total budget and all reported funds.	
Indicator 2: The budget reporting structure conforms to reporting requirements outlined by the Wisconsin Department of Public Instruction.	In Compliance
Evidence: The 2014-15 budget documents included tables utilizing the budget reporting structure outlined by the Wisconsin Department of Public Instruction and used for the required newspaper publication for the annual budget hearing (<i>FY15 Original Budget, Page 48</i>). Required 2014-15 budget reports were also filed with the state.	

<p>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 each category for the current fiscal year and the amount budgeted for the next fiscal year.</p>	<p><i>In Compliance</i></p>
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Interpretation: The Board of Education expects the Superintendent to assure that planned expenditures for each fund are reported by functional area and object as outlined by the Wisconsin Uniform Financial Accounting Requirements by major funds (General Fund 10 and Special Education Fund 27).

- Budget category: By operating fund, functional area, and object as outlined by the Wisconsin Uniform Financial Accounting Requirements (WUFAR).
- Most recently completed fiscal year: The period of time from July 1, 2012, until June 30, 2013.
- Current fiscal year: The period of time from July 1, 2013, until June 30, 2014.
- Next fiscal year: The period of time from July 1, 2014, until June 30, 2015.

<p>Indicator 1: The budget document summarizes expenditures by function for each fund and by object for major funds and reports on prior year, current year, and proposed budget year.</p>	<p>In Compliance</p>
<p>Evidence 1: The 2014-15 Interim Budget documents provided to the Board on June 16, 2014 and the 2014-15 Original Budget documents provided to the Board on October 28, 2014, summarized expenditures for the total budget and all reported funds by functional area.</p>	
<p>Evidence 2: More detailed amounts for revenues and expenditures are reported for the general fund (<i>FY15 Original Budget, Pages 19-24</i>) and special education fund (<i>FY15 Original Budget, Pages 28-30</i>).</p>	
<p>Indicator 2: The budget document reports prior year, current year, and proposed budget year amounts by category.</p>	<p>In Compliance</p>
<p>Evidence 1: The 2014-15 Interim Budget documents provided to the Board on June 16, 2014 and the 2014-15 Original Budget documents provided to the Board on October 28, 2014, included financial information for 2011-12; the most recently completed fiscal year of 2012-13; current year 2013-14; and the proposed budget for the next year of 2014-15. (<i>See 2014-15 Interim Budget and 2014-15 Original Budget</i>)</p>	
<p>Indicator 3: The budget reporting structure conforms to the Wisconsin Uniform Financial Accounting Requirements (WUFAR).</p>	<p>In Compliance</p>
<p>Evidence: The 2014-15 budget documents (<i>FY15 Original Budget, Pages 19-24, 28-30, & 48</i>) included tables utilizing the budget reporting structure outlined by the Wisconsin Department of Public Instruction. Required 2014-15 budget reports were also filed with the state utilizing WUFAR.</p>	

5.4 The Superintendent will develop a budget that: Discloses budget-planning assumptions.	<i>In Compliance</i>
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Interpretation: The Board of Education expects the Superintendent to assure that all factors are considered and assumed when developing and compiling the budget.

- Budget-planning assumptions: Factors used and assumed in order to create the budget, including changes to law, student enrollment, localized issues, and planned expenditure changes.

Indicator: The budget documents include a list of budget assumptions and major budget variances over the prior year. The assumptions include impacts from student enrollment, state and federal law and policies including the state revenue limit, changes to state and federal funding, District property valuations, and other legislative actions.	In Compliance
<p>Evidence: The 2014-15 Interim Budget documents provided to the Board on June 16, 2014 and the 2014-15 Original Budget documents provided to the Board on October 28, 2014, contain the following:</p> <ul style="list-style-type: none"> • a list of budget assumptions used to prepare the budget (<i>FY15 Original Budget, Page 2</i>); • budget assumptions for: <ul style="list-style-type: none"> - state revenue limit (<i>FY15 Original Budget, Page 50</i>), - state general aid (<i>FY15 Original Budget, Page 51</i>), - changes to state and federal funding (<i>FY15 Original Budget, Page 2</i>); • student enrollment estimates (<i>FY15 Original Budget document, Page 4</i>); • projected District equalized property valuation changes and the resulting tax levy impact (<i>FY15 Original Budget, Pages 2, 5</i>); • budget impacts from state or federal policies (<i>FY15 Original Budget, Page 2, and by reported fund</i>); • CPI figures and other estimates used to determine employee compensation costs (<i>FY15 Original Budget, Page 2</i>). 	

5.5 The Superintendent will develop a budget that: Assures fiscal soundness in future years.	<i>In Compliance</i>
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Interpretation: The Board of Education expects the Superintendent to assure the ability of the District to meet planned or anticipated expenditures as reflected by positive fund balances, high credit worthiness as shown by very strong bond ratings, and the ability of the District to meet financial obligations through adequate cash balances.

- Fiscal soundness: The ability of the District to maintain high credit worthiness, a cash flow to meet financial obligations, and sufficient fund balances.
- Future years: A three to five-year period.

Indicator 1: A five-year financial forecast is presented to the Board to assess fiscal soundness in future years.	In Compliance
Evidence: A five-year financial forecast using the Baird Budget Forecast Model was completed and presented to the Board on April 7, 2014.	
Indicator 2: A budget is submitted to the Board that maintains sufficient fund balances to meet financial obligations.	In Compliance
Evidence: The 2014-15 budget documents include tables summarizing balances in each fund (<i>FY15 Original Budget document, Page 11</i>).	
Indicator 3: The District’s long-term bond rating is Aa3 or higher and the District’s short term bond rating is MIG 1.	In Compliance
Evidence: A July 16, 2014, bond rating by Moody’s Investors Service maintained the District’s bond rating as Aa3 which is considered very strong credit worthiness. The same analysis by Moody’s gave RUSD a MIG 1 rating for short term debt.	
Indicator 4: The District’s cash flow for meeting financial obligations was maintained with minimized use of short-term borrowing.	In Compliance
Evidence: The District maintained cash flow throughout the fiscal year without any short-term cash flow borrowing.	

<p>5.6 The Superintendent will develop a budget that: Reflects anticipated changes in employee compensation, including inflationary adjustments, step increases, performance increases and benefits.</p>	<i>In Compliance</i>
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Interpretation: The Board of Education expects the Superintendent to assure the personnel budget includes specific changes in employee compensation and benefit costs for all employees.

- Employee compensation: All pay and benefits provided to employees.
- Step and performance increases: Pay provided to employees as supplemental compensation.
- Benefits: Eligible employee costs that include WRS State retirement contributions, FICA, health and dental coverage, life insurance, long-term disability coverage, and workers compensation insurance costs.

<p>Indicator: The budget reflects anticipated personnel costs for pay and benefits that are consistent with labor agreements, employee handbook provisions, and pay rates set by the Office of Human Capital.</p>	In Compliance
<p>Evidence: The 2014-15 Interim Budget documents provided to the Board on June 16, 2014 and the 2014-15 Original Budget documents provided to the Board on October 28, 2014, summarized assumptions related to budgeting for employee compensation costs and included benefit cost changes. The Board approved inflationary and salary schedule adjustments and health cost estimates (<i>FY15 Original Budget, Page 2</i>). Health, OPEB, and dental benefit costs are based on figures provided by District insurance consultants.</p>	

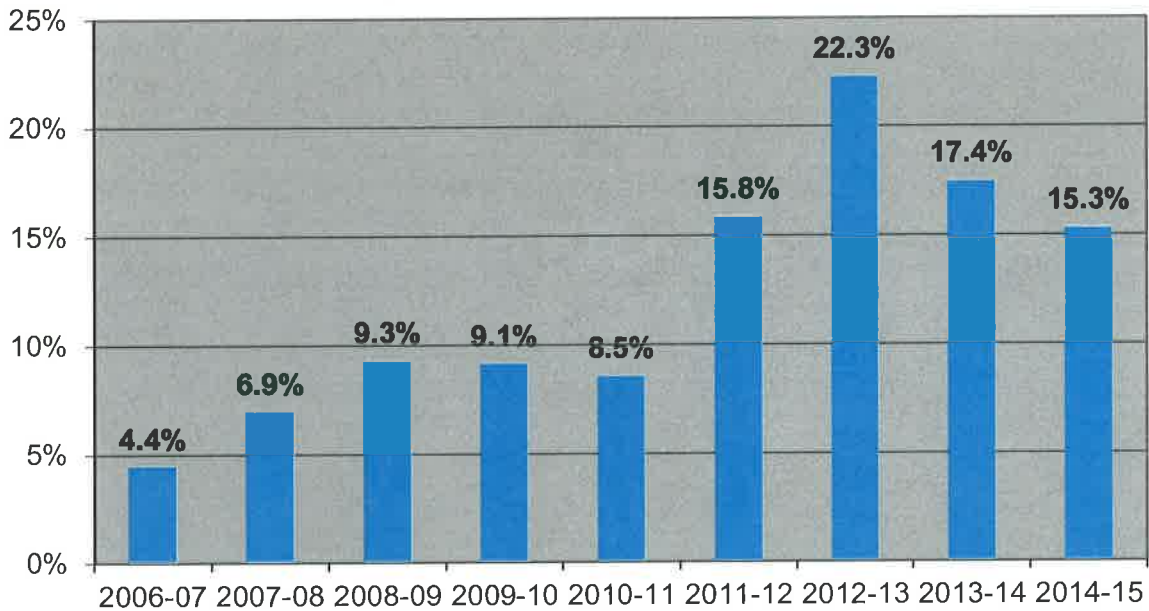
<p>5.7 The Superintendent will develop a budget that: Maintains the General Fund (Fund 10) balance in a range of 15% to 20% of the annual General Fund (Fund 10) and Special Education Fund (Fund 27) budgeted expenditures.</p>	<p><i>In Compliance</i></p>
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Interpretation: The Board of Education expects the Superintendent to assure that the general fund balance is 15-20% of the budgeted expenditures and that variances are approved by the Board.

- Fund balance: The amount of money remaining in the general fund at the end of the fiscal year.

<p>Indicator: Year-end financial statements reflect calculations of ending fund balances and maintaining an amount in a range of 15% to 20% of annual General Fund expenditures and the General Fund transfer to the Special Education Fund. Any variance from the expectation requires approval from the Board of Education.</p>	<p>In Compliance</p>
<p>Evidence: Year-end 2013-14 financial statements reflect calculated ending fund balances to be an estimated 17.4% of annual General Fund expenditures and the General Fund transfer to the Special Education Fund. The FY15 Original budget also estimates an ending fund balance of 15.3%.</p>	

**RUSD General Fund Balance
FY07 through FY15**



Note: The percentage for 2014-15 is the estimated ending fund balance as part of the approved fiscal year budget.

5.8 The Superintendent will develop a budget that: Reports the planned impact on staffing patterns due to budgetary decisions.	<i>In Compliance</i>
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Interpretation: The Board of Education expects the Superintendent to assure that staffing patterns are considered and assumed when developing and compiling the personnel budget.

- Staffing patterns: The differences in Full-Time-Equivalency (FTE) positions held by employees by employee group compared to prior years.

Indicator 1: The budget document summarizes staffing patterns by employee groups for the current and prior fiscal years.	In Compliance
Evidence: The 2014-15 Interim Budget documents provided to the Board on June 16, 2014 and the 2014-15 Original Budget documents provided to the Board on October 28, 2014, included a table outlining the differences in FTE by employee group for the current fiscal year and prior fiscal year. <i>(See FY15 Original Budget document pages 8 & 9)</i>	
Indicator 2: Explanations are included in the budget to report on the factors that may have caused changes to staffing patterns.	In Compliance
Evidence: Notations are provided in the FY15 Original Budget that explain FTE changes <i>(Page 10)</i> .	

Action Plan to Improve/Enhance OE-5:

Through the office of the Chief Financial Officer, the Superintendent will continue to address areas of non-compliance in OE-5. The 2014-15 action plan includes:

5.1.2: Beginning with the 2015-16 Budget, expenditure categories will include a notation to identify the specific *Results* and *Operational Expectations* to which the expenditure supports. Due to the magnitude of this changeover, we anticipate a 2-3 year phase-in of this expectation. The Superintendent will seek Board input on these changes and level of detail needed.

Capacity Building – Funding/Staffing:

No changes are deemed necessary.