

**Issaquah School District
Executive Limitations Monitoring Report**

**EL-5 ACTUAL FINANCIAL CONDITION AND ACTIVITIES
(Internal Annual Report)
August 2009**

***The Superintendent certifies that the District is in compliance with EL-5
with no exceptions***

With respect to the actual, ongoing financial condition and activities of the District, the Superintendent shall not cause or allow the development of fiscal jeopardy or material deviation of actual expenditures from Board priorities established in Ends policies.

Interpretation

I interpret this to mean that we will manage the District’s program and budget to avoid any risk of fiscal jeopardy or material deviation of actual expenditures from the Board-adopted budget.

Evidence of Compliance

I certify that the District is not at risk of financial jeopardy as demonstrated by periodic financial reports and compliance with the following limitations contained in this policy.

The Board was previously provided copies of the [2007-08 Accountability Audit Report](#) and the [2007-08 Financial Statements and Federal Single Audit Report](#). These reports state that the District is accountable for public resources and has “complied with state laws and regulations and its own policies and procedures. Internal controls were adequate to safeguard public assets. We noted no instances of noncompliance that were material to the financial statements of the District.” The 2007-08 Annual Audit, was the seventh consecutive “Clean” audit, where no findings have been issued.

1. The Superintendent shall not fail to settle payroll and debts in a timely manner.

Interpretation

I interpret this to mean that all staff salaries, payroll taxes and benefits shall be processed and paid according to timelines established by law, District policy and negotiated agreements.

Evidence of Compliance

I certify that all payroll obligations, including payroll taxes and benefits were processed and paid in a timely manner during the period of July 1, 2008 to June 30, 2009.

ADDITIONAL INFORMATION

Payroll is processed on a monthly basis and employees are paid on the last working day of the month. Contracts and timesheets submitted by the Personnel Department and by employees are audited by the Payroll Department to ensure accuracy and authorization. The payroll process is completed at least three working days in advance of payday to ensure that all employees are paid in a timely manner. Ninety percent of employees are paid by electronic deposit directly to their bank accounts. For staff participating in this process, it has eliminated late payroll checks due to delayed delivery by the postal service. Payment of income tax deductions, social security taxes and retirement taxes are also submitted electronically in order to ensure timeliness.

Payments to vendors are processed weekly in order to ensure timely payment and eligibility for discounts. All invoices are reviewed and audited to verify receipt of goods or services. All payments are separated by General Fund, Capital Projects Fund, Transportation Fund or ASB Fund in order to maintain separation of capital and operational items.

Procedures have been established to ensure compliance with generally accepted accounting principles, District policy and governmental laws. Internal controls have been implemented to maintain separation of duties, timely depositing/processing, adequate supporting documentation, and adequate review/supervision.

Payments on principal for long-term debt along with accrued interest are processed directly by King County through the Bank of New York in the months of December and June.

The District has an excellent record of maintaining credible resource management and systems of internal control. The annual state audit summary concluded:

- The District complied with state laws and regulations and its own internal policies and procedures.
- We issued an unqualified opinion on the District's financial statements. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.
- We noted no instances of noncompliance that were material to the financial statements of the District.
- We issued an unqualified opinion on the District's compliance with requirements applicable to its major federal programs.

2. The Superintendent shall not allow tax payments or other government ordered payments or filings to be overdue or inaccurately filed.

Interpretation

I interpret this to mean that all government payments and reports shall be processed within the timelines prescribed.

Evidence of Compliance

I certify that all government payments and reports were processed and/or paid in a timely manner during the period of July 1, 2008 to June 30, 2009.

ADDITIONAL INFORMATION

The District has numerous city, county, state and federal reports, grant applications or payments to process. The Finance Department monitors reports and filings that are essential to District operations and/or have funding attached to them. During the last year the District has not lost or jeopardized any funding due to the timeliness or accuracy of these reports. Following is a list of the major required reports or grant applications:

- [Budget \(F195\)](#)
- [Annual Financial Statement \(F196\)](#)
- [Enrollment reporting for funding \(P223 and P223H\)](#)
- [State, federal and private grant applications/claims](#)
- Payroll reports for taxes and benefits
- Accident and claims reports for insurance purposes

3. The Superintendent shall not fail to follow aggressive bidding procedures which maximize value to the District.

Interpretation

I interpret this to mean that the District will strictly following state law and District policy in regard to purchasing bidding.

Evidence of Compliance

I certify that the District maintained strict compliance with state law and District policy regarding purchasing and bidding during the period of July 1, 2008 to June 30, 2009.

ADDITIONAL INFORMATION

The District maintains a very aggressive bidding and purchasing program. The vast majority of District purchases fall under the scope of items purchased under bid. State law and District policy require that, when the cost of supplies or equipment exceeds \$40,000 or a public works contract exceeds \$40,000, quotes or formal bids shall be called for. Between \$40,000 and \$75,000 quotations from three different sources are required. Purchases exceeding \$75,000 require public notice in a newspaper and formal bids.

Both quotation and bid processes allow vendors to bid items of different brands, but of equal quality. The Purchasing Department evaluates the writing of bid specifications to ensure that long-term quality is a criteria included when appropriate. The District works with architects and consultants for assistance in maintaining specifications for high quality and long life buildings and equipment when there is a cost benefit to doing so.

A major function of the Purchasing Department is to safeguard the District against conflict of interest. Staff making purchasing recommendations may not have a personal interest in recommending the award of a contract for materials or services.

Between 95% and 100% of items in the following list are purchased by bid process:

- Office supplies and equipment
- Classroom supplies and equipment
- Computers and peripheral equipment
- Vehicles
- School buses
- Fuel
- Tires
- Milk
- Bread
- Pizza
- Audio visual equipment
- Vending machine inventory
- Yearbooks
- Construction projects
- Major replacement or repairs of roofs, carpets, wall coverings, parking lots, sidewalks, HVAC, etc.

4. The Superintendent shall not fail to aggressively pursue receivables after a reasonable grace period.

Interpretation

I interpret this to mean that the District will promptly discontinue services being provided for tuition or fees when there is failure to pay. The District will turn receivables over to a collection agency after a reasonable attempt to collect the amount owed.

Evidence of Compliance

I certify that the District maintained a very aggressive collection practice during the time period of July 1, 2008 to June 30, 2009. Customers were contacted immediately when an account became past due. All accounts were turned over to a collection agency if an individual did not make arrangements for payment of the debt. The administration also brings forward uncollected receivables to the Board on an annual basis. In September of 2008, the District [via resolution 939](#) wrote off \$6,739.81 of uncollectible receivables. This is 0.13% of all invoiced revenue for the same time period.

ADDITIONAL INFORMATION

The District has nearly eliminated past due accounts in the Full Day Kindergarten program by implementing the bank ACH (Automatic Clearing House) process. Under this process the District is able to withdraw monies directly from the participating family's bank account for funds owed the

District. The District has also moved to several online payment platforms in the areas of [School Age Care](#), [Food Service](#), and building related fees.

The major areas generating accounts receivable issues are as follows:

- [Full Day Kindergarten](#)
- School Age Care
- Building Rentals
- Summer School

5. *The Superintendent shall not fail to maintain an unrestricted reserve fund within the range of 3-5% of the general fund budget.*

Interpretation

I interpret this to mean that the District will maintain an unrestricted reserve fund within the range of 3-5% of the general fund budget.

Evidence of Compliance

I certify that the District's total reserve ([\\$10,375,680](#)) was [6.85% of the 2008-09 General Fund Budget \(\\$151,578,433\) on September 1, 2008](#). The *unrestricted* reserve (\$7,578,735) was 5.0% of the 2008-09 General Fund Budget on September 1, 2008. Total ending fund balance for fiscal year 2007-08 as a percentage of actual expenditures was 7.7%.

ADDITIONAL INFORMATION

The [2009-10 General Fund operating Budget](#) targets an unrestricted ending fund balance between 3-5%; additionally, the budget provides \$1,800,000 for the 2010 opening Elementary #15 (the equivalent of 2 years of overhead costs), \$750,000 reserved for unexpended and obligated building funds, retains \$500,000 for the Board's emergency contingency, reserves \$71,945 for district imprest accounts and sets aside \$250,000 for curriculum priorities.

6. *The Superintendent shall not fail to maintain sufficient reserves for start-up operating costs associated with new schools.*

Interpretation

I interpret this to mean that the District will maintain sufficient reserves to cover the initial start-up costs of opening a new school. This cost continues on a prorated basis until the District gains a growth in enrollment equal to the housing capacity of the new school.

Evidence of Compliance

I certify that as of July 31, 2009 the District has maintained a reserve of \$1,800,000 for the opening of Elementary #15 in September, 2010. The 2009-10 Budget also continues this reservation in order to cover two full years of Elementary #15 operating overhead. This additional reservation of funds is needed to mitigate slowing enrollment growth district-wide.

7. The Superintendent shall not use the Board-designated \$500,000 emergency reserve fund for any purpose other than emergency capital equipment or facility repair/replacement needs, nor fail to maintain the fund at an adequate level.

Interpretation

I interpret this to mean that the District will maintain an emergency reserve fund of \$500,000.

Evidence of Compliance

I certify that the District emergency reserve fund is \$500,000, as demonstrated by our June 30th, 2009 financial report.

8. The Superintendent shall not undertake capital building projects without assurance of available funding.

Interpretation

I interpret this to mean that the administration will not recommend that the Board award a bid for a building project without assurance of available funding.

Evidence of Compliance

I certify that all current building projects have sufficient available funding to complete the projects. Funding for all projects is demonstrated in the June 30, 2009 financial report.

ADDITIONAL INFORMATION

The funding for all projects is determined prior to a bid award. The Board is given Budget Status reports reconciling all sources of funding with the District's Capital Facilities Plan. This reconciliation is also provided at the time of any major bid award.

9. The Superintendent shall 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 and the authorized transfer of funds from reserve funds.

Interpretation

I interpret this to mean that the administration will not manage the budget of the district in a manner that causes the depletion of fund balances and reserve funds to a greater degree than the parameters established in #5 of this delineation.

Evidence of Compliance

I certify that 3-5% reserve fund parameters established in #5 above are being implemented. The fund balance as a percentage of the 2008-09 annual operating Budget as of June 30, 2008 is detailed as follows:

- Unreserved Fund Balance \$8,930,152 (5.87%)
- Reserve for Elementary # 15 1,800,000 (1.19%)
- Emergency Board Reserve 500,000 (0.33%)
- Reserve for Inventory/Uninsured Risks 400,000 (0.26%)
- Building Carryover 750,000 (0.49%)
- Reserve for other contingencies 250,000 (0.16%)
- Imprest Fund Reserve 71,945 (0.05%)

Total Fund Balance as of 6/30/2009: \$12,702,097 (8.35%)

Note: All reservation of Fund Balance is reevaluated on an ongoing basis.

10. The Superintendent shall not indebt the organization or create obligations over a longer term than revenues can be safely projected or fail to establish provisions for modifying obligations in the event of revenue loss.

Interpretation

I interpret this to mean that the administration will not recommend approval of contracts or other obligations that would draw the District’s unrestricted fund balance below 3%.

Evidence of Compliance

I certify that all current obligations can be met within parameters of projected revenues.

11. The Superintendent shall not permanently transfer unencumbered monies from one fund to another.

Interpretation

The District budget is made up of five funds: General, Capital Projects, Debt Service, ASB, and Transportation. I interpret this to mean that, without Board action, the administration will not transfer money from one fund to another in an amount that exceeds the amount authorized in the annual budget.

Evidence of Compliance

I certify that the administration has not transferred unencumbered money from one fund to another that exceeds the amount authorized by the board in the annual budget.