

**Issaquah School District
Executive Limitations Monitoring Report**

**EL-4 FINANCIAL PLANNING AND BUDGETING
(Internal Annual Report)
August 2013**

***The Superintendent certifies that the District is in compliance with EL-4
with no exceptions.***

Financial planning for any fiscal year or the remaining part of any fiscal year shall not deviate materially from the Board's Ends priorities, risk fiscal jeopardy, or fail to be derived from a multi-year plan.

Interpretation

I interpret adequate financial planning to mean a Board-adopted budget that incorporates the following major elements:

- [Board's Budget Parameters](#)
- Multi-year financial planning ([4 year levies](#), 8 year Capital Bonds, 3 to 4 year collective bargaining agreements, review of 2 year biennial legislative budgets as available)
- [Five-year enrollment projections \(See Page 26\)](#)
- Compensation and benefits built on [negotiated agreements](#) and enacted [legislative Budgets](#)

Evidence of Compliance

I certify that the above-named documents were enacted by the Board, provided to the Board/community, and are fully incorporated into the current (2012-13) and the [Draft 2013-14 Budget](#).

1. ...the Superintendent shall not allow budgeting that risks incurring those situations or condition described as unacceptable in the Board policy entitled "Financial Conditions and Activities.

Interpretation

I interpret this to mean that the adopted budget must provide adequate resources to:

- Settle District obligations
- Collect funds owed the District
- Maintain reserves as set forth by the Board, and
- Ensure sufficient funding to complete building projects in progress.

Evidence of Compliance

I certify that inspection of all relevant documents from July 1, 2012—June 30, 2013 continues to show compliance with these requirements. Additionally compliance is demonstrated [by monthly financial reports](#) provided to the Board, as provided in the [Draft 2013-14 Budget](#) and the [most recent year-end financial statements](#).

2. ...the Superintendent shall not allow budgeting that omits credible projection of revenues and expenses, separation of capital and operational items, cash flow and disclosure of planning assumptions.

Interpretation

I interpret this to mean that the budget must be based on reliable planning assumptions that are made transparent to the Board and general public; cash flow must be appropriately managed for timely response to District needs, and the integrity of capital and operational budgets must be maintained.

Evidence of Compliance

The budget development process contains numerous systems to guarantee reliable revenue/expenditure projections and communicates these to the public. The following documents and processes fulfill this requirement in annual cycles. Projected/actual dates are noted:

- Five-Year enrollment projection ([completed November, 2012, See Page 26](#))
- Revenue projections based on enrollment projections (Completed May 2013)
- Compensation and benefit budgets built on [current negotiated agreements](#) (Actual June 2013)
- Distribution of building budgets based on enrollment projections (Will be adjusted to actual enrollment on October 1, 2013)
- [Survey](#) and public hearings conducted to confirm community values and priorities (Ongoing)
- Adoption and implementation of [Board Budget Guidelines](#) (Actual February 2012)
- Historical cash flow analysis and projection with monthly reporting (ongoing reports)
- Separation of operational funds from debt service, capital projects, and ASB funds (ongoing reports)
- Maintenance of an unrestricted reserve fund of 3-5% ([Audited Year-end financial Statements](#))
- Maintenance of reserves to cover start-up operating costs associated with opening new schools ([certified in year-end financial report – August 31, 2012 and ongoing reports](#))
- Continuous monitoring of enrollment, revenue and expenditure budgets in order to manage any fluctuations from projections ([ongoing reports](#))

- Work with Legislators, administrators, staff, and community to create an understanding of the District processes outlined above (ongoing)
- Continued expansion of online presence regarding the [budget, finances, and opportunities for community involvement](#)

3. ...the Superintendent shall not allow budgeting that provides less for Board prerogatives during the year than is set forth in the Board-developed budget for Cost of Governance.

Interpretation

I interpret this to mean that the budget established by the Board must be incorporated into the adopted budget.

Evidence of Compliance

The Board via discussion and governance policy has provided guidance to the administration regarding a Board Operating Budget for 2013-14. I certify that these identified requirements have been incorporated into the District budget. There may also be physical inspection by the Board of its budget, [\(See Activity 11 Budget Page 205\)](#) upon request.

4. ... the Superintendent shall not allow budgeting that fails to show the amount spent in each budget category for the most recently completed fiscal year and the amount budgeted for each category for the current fiscal year.

Interpretation

I interpret this to mean that the budget [\(Proposed 2013-14 F-195\)](#) submitted to the Board must show this information in the following categories:

- Summary of Budget (All Funds)
- Summary of Revenues (All Funds)
- Summary of Expenditures by Program (General Fund)
- Summary of Expenditures by Activity (General Fund)
- Summary of Expenditures by Object (General Fund)

Evidence of Compliance

I certify that these comparisons are provided in the [2013-14 Budget](#) submitted for adoption.

5. ...the Superintendent shall not allow budgeting that plans for the expenditure in any fiscal year of more funds than are conservatively projected to be available during the year.

Interpretation

I interpret this to mean that the budget submitted to the Board must balance revenues and expenditures in a way that meets the Board’s targeted goals for reserves.

Evidence of Compliance

The proposed 2013-14 General Fund operating Budget targets an unassigned (unreserved) ending fund balance of 4.46% (of budgeted expenditures); additionally, the budget sets aside \$1.5 million for pension liability and \$2,000,000 for curriculum/assessment/TPEP investments. \$750,000 is reserved for unexpended and obligated building funds, Board emergency contingency to \$1,000,000, reserves \$88,220 for district imprest accounts, \$400,000 is also designated for uninsured risk and inventory and finally the budget sets aside \$250,000 for other contingencies.

6. ...the Superintendent shall not allow budgeting that fails to reflect anticipated changes in employee compensation, including inflationary adjustments, step increases, performance increases and benefits.

Interpretation

I interpret this to mean that the budget submitted to the Board must include all anticipated employee compensation costs including any changes resulting from:

- Legislative COLA/Salary Schedule Restoration (N/A this year)
- Local bargaining
- Step increases for education and/or experience
- Performance/Market increases, if applicable
- Health insurance contributions
- Pension contribution costs

Evidence of Compliance

I certify that the budget that will be submitted to the Board for adoption on August 28, 2013 includes all anticipated costs associated with employee compensation.

7. ...the Superintendent shall not allow budgeting that is not 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 Ends priorities for the year.

Interpretation

I interpret this to mean that the budget document for any fiscal year will be summarized for ease of understanding and will specifically support the Board's Ends priorities.

Evidence of Compliance

Along with the 2013-14 annual budget (to be submitted for approval on August 28, 2013), the Administration provided [*A Guide to Understanding the 2013-14 Budget*](#). This summary of the budget is a straightforward narrative in nature and includes pie charts and simple tables. These documents directly tie the budget to the [*Board's Ends priorities for the District*](#).