

MONITORING REPORT: Policy OE-5 (Financial Planning)

PHASE ONE: Interpretation and Monitoring Indicators

DATE: August 2018

Policy

The Superintendent will develop and present to the Board 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

We interpret “develop and maintain a multi-year financial plan” to mean that we will provide financial information to the School Board and stakeholders at regularly scheduled reporting periods. This financial information will include Adopted and Interim Reports on the state of the District budget as well as such debt service instruments as Certificates of Participation, General Obligation Bonds, and/or Tax Revenue and Anticipation Notes. The financial information we present to the Board will also include options for maintaining a balanced budget during the upcoming fiscal year.

We interpret “directly related to the Board's Results priorities and Operational Expectations goals” to mean that our budget reports to the School Board and stakeholders will show how funds are being allocated in support of the District's strategic plan for the coming year as well as for the next three years.

Monitoring Indicator(s)

Provided below for each component part of OE-5

The Superintendent will:

- 1. 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 Results priorities and any Operational Expectations goals for the year.**

Interpretation

We understand this component requires that the key components of the Annual Adopted Budget will be condensed and presented to the Board in a “user friendly” format. The Washington State standardized format we are required to use for the Annual Adopted Budget is detailed and voluminous, making the information it contains difficult to access by the average lay person. Since the Board places a high value on transparency, we understand they expect the Chief Business Officer or

designee to create a summarized version of the budget that explains (1) the total General Fund revenues and expenditures; (2) the main type of anticipated expenditures within the General Fund; and (3) the assumptions underlying the estimated revenues and expenditures. We further understand that we need to demonstrate the relationship between the budget and the Results priorities and Operational Expectations goals by showing the percentage of funds allocated to such priorities and goals.

Monitoring Indicator(s)

We will know we are in compliance with this component when we can show:

- A PowerPoint presentation delivered at the Annual Adopted Budget Board meeting which includes the information outlined in the interpretation above;
- OSPI-generated budget documents presented at the Annual Adopted Budget Board meeting; and
- Evidence from Board meetings showing the assumptions and allocations that led to the approval of the Annual Adopted Budget have been shared.

2. Credibly describes revenues and expenditures.

Interpretation

We understand this component requires that the Annual Adopted Budget will follow the Washington State required standardized format for documenting the various revenues the District expects to receive and the funds the District expects to expend during the period beginning September 1st of the following year and running through August 31st. We further understand the Board expects us to base our projected revenues and expenditures on realistic assumptions and the best information known at the time. Finally, we understand the Board expects us to submit our Annual Adopted Budget, along with all required supporting documentation, to the Educational Service District and/or OSPI for review in order to ensure our assumptions and predictions are valid and reasonable.

Monitoring Indicator(s)

We will know we are in compliance with this component when we can show:

- The Annual Adopted Budget is available on the District's website;
- The results of the District's most recent financial audit verify that our budgeting methods are realistic and predictably attainable; and
- Notification from the Educational Service District and/or OSPI that they have received and reviewed the district's Annual Adopted Budget.

3. Shows the amount spent in each budget category for the most recently completed fiscal year, the amount budgeted for the current fiscal year, and the amount budgeted for the next fiscal year.

Interpretation

We understand this component requires that we regularly report to the Board a summary of General Fund budgeted and actual expenditures by major object code over a period of four years.

For this purpose, we will use the four-column General Fund format as defined by the Washington State School Accounting Manual: The first column will include actual expenditures from the prior year; the second column will include budgeted expenditures for the current year; the third and fourth columns will include two years of projected budgeted expenditures.

We will also use major object codes defined by the Washington State School Accounting Manual, which are: Certificated Salaries, Classified Salaries, Employee Benefits, Materials, Supplies and Other Costs (MSOC), Contractual Services, Capital Outlay, and Travel.

Monitoring Indicator(s)

We will know we are in compliance with this component when we can show:

- An Annual Adopted Budget that includes all of the data outlined in the interpretation above; and
- Interim Financial Reports that include the data outlined in the interpretation above.

4. Discloses budget-planning assumptions.

Interpretation

We understand this component requires us to share with the Board in public meeting(s) the major assumptions we have used to determine projected revenues and expenditures. Such assumptions will reflect factors such as (1) changes in the revenue limit funding as determined by the State, (2) increases or decreases in State and Federal funding, (3) significant changes in negotiated compensation agreements (with “significant” defined as impacting the majority of the bargaining unit), (4) anticipated changes in student enrollment, and/or (5) anticipated cost increases in required commodities like insurance and utilities.

Monitoring Indicator(s)

We will know we are in compliance with this component when we can show:

- Evidence from public Board meetings showing we have made presentation on the budgeting process, assumptions underlying that process, and research supporting our assumptions; and
- Evidence that Annual Adopted Budget documents for the upcoming year, as required by the State of Washington, have been presented to the Board.

5. Assures fiscal soundness in future years.

Interpretation

We understand “fiscal soundness” means that the Annual Adopted Budget we present to the Board will show a positive General Fund ending fund balance. We further understand that “fiscal soundness” means the Required Reserve for Economic Uncertainties will be no less than the minimum percentage set by the Board unless an exception to that percentage has been specifically approved by the Board.

Monitoring Indicator(s)

We will know we are in compliance with this component when we can show:

- Unaudited Actuals for the prior year with a positive ending fund balance; and
- An Annual Adopted Budget and Interim Reports reflecting, at a minimum, the Board required percentage in the Reserve for Economic Uncertainties (also known as the Undesignated/Unreserved Fund Balance), or an agenda item showing the Board has taken official action to approve a reduction in the Reserve.

6. Reflects anticipated changes in employee compensation, including inflationary adjustments, step increases, performance increases, and benefits.

Interpretation

We understand this component means the Annual Adopted Budget and Interim Reports need to reflect current and projected compensation agreements with each of the District’s bargaining groups, up-to-date information on anticipated step and column increases, and changes in health insurance premiums or any other benefits.

Monitoring Indicator(s)

We will know we are in compliance with this component when we can show:

- Summary information has been provided to the Board prior to ratification of any negotiated agreement with the District’s bargaining units;
- Budget projections specifically identify increased costs for employee compensation;
- Budget preparation documents reflect negotiated settlement information; and
- Interim Reports reflect the impacts of negotiated settlement information that was not available at the time of budget adoption.

7. Includes such amounts as the Board determines to be necessary for its own governing function, including Board member training, consultation, attendance at professional conferences and events, and other matters identified by the Board.

Interpretation

We understand this component requires us to develop and maintain a Budget Responsibility Center (BRC) within the District budget that provides for the operating expenses of the Board. To this end, the Board will present the Superintendent with a budget submission for the upcoming year so that it can be included in the District’s budget development process.

Monitoring Indicator(s)

We will know we are in compliance with this component when we can show:

- Budget preparation documents that include the Board’s BRC and budget submission for the upcoming year;
- The inclusion of the Board’s BRC in the District’s adopted budget; and
- Interim Reports to the Board with updated status of their actual expenditures compared to their budget.

The Superintendent may not develop a budget that:

8. Plans for the expenditure in any fiscal year of more funds than are conservatively projected to be available during the year.

Interpretation

We understand this component prohibits us from developing a budget that projects spending to be higher than anticipated revenue plus available fund balance in any fiscal year. Furthermore, we understand the Board expects anticipated revenues for the year to be based on factual information wherever possible and to be estimated conservatively wherever factual information is not available. By “conservatively,” we believe the Board means that, when there might be a range of possible revenue from a particular source, our estimate will be from the low end of the range.

Monitoring Indicator(s)

We will know we are in compliance with this component when we can show:

- Evidence in the Annual Adopted Budget and Interim Reports that expenditures have not exceeded the total of budgeted revenues plus the portion of beginning fund balance that State law, accounting standards, and/or Board direction have deemed available for specified expenditures; and
- A positive financial health ranking from OSPI, signifying that the District is not insolvent or in binding conditions.

9. Provides for an anticipated year-end fund balance of less than four percent (4%).

Interpretation

We understand this component requires us to create a budget that has at least 4% of the total General Fund in reserves at the end of the fiscal year. In other words, the Board expects us to set aside sufficient funds to protect the District from unforeseen circumstances, delayed apportionment payments, and/or any other emergencies that could put the District in financial jeopardy.

Monitoring Indicator(s)

We will know we are in compliance with this component when we can show:

- Evidence in the Annual Adopted Budget and Interim Reports that the reserve accounts have balances that are sufficiently high enough to comply with this policy;
- The District’s credit rating has remained above average; and

- The year-end financial reports and financial statements reflect a cash balance that is in compliance with this policy.