

**Issaquah School District
Executive Limitations Monitoring Report**

**EL-4 FINANCIAL PLANNING AND BUDGETING
(Internal Annual Report)
August 24, 2023**

***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 Development Guidelines \(adopted on 2-9-23\)](#)
- Multi-year financial planning ([4 year levies](#)), multi-year [Capital Bonds](#), 3 to 4 year collective bargaining agreements, review of 2 year biennial legislative budgets as available
- Five-year enrollment projections, [Guide to Understanding the Budget 2023-24](#)
- 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 (2022-23) and the Draft 2023-24 Budget, which includes a Four-Year Outlook.

1. ...the Superintendent shall not allow budgeting that risks incurring those situations or conditions 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 known District obligations (payroll and operating),
- 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, 2022—June 30, 2023 continue to show compliance with these requirements. Additionally, compliance is [demonstrated by monthly financial reports](#) provided to the Board, as provided in the Draft [2023-24 Budget](#) and the [most recent year-end financial statements](#). The board approved use of the board reserve for an emergency capital repair \$400,000 at Issaquah High School during the [May 23 2023 board meeting](#). The emergency reserve is replenished during the budget and year-end procedures.

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 ([Demographer presentation](#), [Guide to Understanding the Budget, 2023-24](#))
- Revenue projections based on enrollment ([Guide to Understanding the Budget, 2023-24](#))
- Compensation and benefit budgets built on [current negotiated agreements](#)
- Distribution of building budgets based on enrollment projections (will be adjusted to actual enrollment on October 1, 2023)
- [Survey](#) and public hearings conducted to confirm community values and priorities. A community listening session on March 2nd, 2023. ([ongoing](#))
- Adoption and implementation of Board Budget Guidelines (February 2023)
- Historical fund balance analysis with monthly reporting ([ongoing reports](#))
- Separation of operational funds from debt service, capital projects, and ASB funds (ongoing reports)
- Maintenance of reserves to cover start-up operating costs associated with opening new schools (as needed) ([certified in year-end financial report – August 31, 2022 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 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 2023-24. 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, 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 2023-24 F-195 Budget) 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 [2023-24 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 2023-24 General Fund Operating Budget targets an unassigned (unreserved) ending fund balance of 5.66% of budgeted expenditures. The budget sets aside, \$6,000,000 for future school facilities, \$1,500,000 reserved for unexpended and obligated building funds, \$500,000 restricted for food service carryover, committed amount of \$108,170 for petty cash accounts, \$4,000,000 designated for uninsured risk/inventory pre-paid items (required in accounting standards), \$1,000,000 reserved for curriculum, and \$500,000 for other contingencies. The Board emergency reserve is replenished to \$1,000,000 for an emergency facility repair. Total equity reserves will remain relatively flat with an estimated beginning fund balance of \$36,500,000 (9.82% of 2022-23 expenses) to an estimated \$36,500,000 (9.43% of 2023-24 operating expenses).

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 Action for FY 2023-24
- 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 submitted to the Board for adoption on August 24, 2023 includes all anticipated costs associated with employee compensation. The administration followed the Board’s budget development parameters and incorporated the guidelines into the 2023-24 budget. The administration held board retreats, board meeting budget presentations, a community listening session, Financial Advisory Core Team meetings, and a [public hearing](#).

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 [2023-24 annual budget](#) (to be submitted for approval on August 24, 2023), the Administration provided A [Guide to Understanding the 2023-24 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](#). The District held a work study with the Board on Oct. 13, 2022 to review the newly revised monthly financial report and incorporated the feedback into the report. Starting with the release of the July 2022 financial report, the District adopted the expanded report. The District also held a Capital Projects work study with the Board on March 9th, 2023 to present more information and receive feedback on reports, enrollment projections, new High school, and the website.

Board Approval: