

**“FINANCIAL CONDITION AND ACTIVITIES” POLICY MONITORING REPORT**

TO: The Board of Directors  
FROM: Tabatha Mires, Superintendent  
RE: INTERNAL MONITORING REPORT – FINANCIAL CONDITION AND ACTIVITIES  
Yearly Monitoring on Policy II-2d: Financial Condition and Activities

I hereby present my monitoring report on your Executive Limitations Policy 2d “Financial Condition and Activities” in accordance with the monitoring schedule set forth in board policy. I certify that the information contained in this report is true.

Signed \_\_\_\_\_ Superintendent Date: \_\_\_\_\_

**BROADEST POLICY PROVISION**

<i>With respect to the actual, ongoing financial condition and activities, the Superintendent will not cause or allow the development of fiscal jeopardy or material deviation of actual expenditures from Board priorities established in Ends policies.</i>	<b>Not In Compliance</b>
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SUPERINTENDENT’S INTERPRETATION: The Superintendent is responsible for all fiscal operations and must insure that appropriate safeguards are in place and being followed. Appropriate internal controls are implemented and supervised by our Business Manager. Our administrative team works to insure efficient and responsible use of district funds.

During the fall of 2023 it has become clear that the system of safeguards in place for fiscal security are in need of refinement. One area that has been adjusted includes a full training on budgeting and processes for our administrative team. In addition, several changes have been made to the fiscal report made to the board each month. Finally, adjustments in areas including time sheeting of extra time, approval processes for requisitions, bid and estimate processes, and more have been made.

<b>POLICY PROVISION #1: “The Superintendent will not: Fail to settle payroll and debts in a timely manner.”</b>	<b>In Compliance</b>
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SUPERINTENDENT’S INTERPRETATION: Payroll and accounts payable must meet its obligations on the last day of each month. I interpret “timely” to mean paid at the end of each month for bills received by the 15th of each month. All county, state and federal reports and payments must be made in a timely and accurate manner so as not to jeopardize any funding due to the timeliness or accuracy of those reports or filings.

REPORT: 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 buildings and departments and by employees are audited by the Payroll Department and building/program administrators to ensure accuracy and authorization. The payroll process is completed at least seven 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 timelines.

Debts: Payments to vendors are processed monthly in order to ensure timely payment and eligibility for discounts. All invoices are reviewed and audited to verify receipt of goods or services. We utilize a digital requisition and purchase order process for most payments.

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.

<b><i>POLICY PROVISION #2 “The Superintendent will not: Allow tax payments or other government ordered payments or filings to be overdue or inaccurately filed.”</i></b>	<b>In Compliance</b>
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SUPERINTENDENT’S INTERPRETATION: All tax and governmentally required payments or report filings must be made in a timely and accurate manner.

REPORT: The district has numerous, county, state and federal reports, grant applications or payments to process. The business 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 timelines or accuracy of these reports. Following is a list of the major required reports or grant applications:

- Budget (F195)
- Annual Financial Statement (F196)
- Monthly Financial Reports to Board
- Enrollment reporting for funding
- State, federal and private grant applications/claims
- Payroll reports for taxes and benefits
- Accident and claim reports for insurance purposes

<b><i>POLICY PROVISION #3: “The Superintendent will not: Expend more funds than have been approved in the annual budget.”</i></b>	<b>Not In Compliance</b>
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SUPERINTENDENT’S INTREPETATION: This policy requires that year-to-date expenses not exceed corresponding revenues. Exceptions are subject to debt guidelines stated in this policy, provision #4.

REPORT: See F-196 Financial Statement (**attachment A**).

<b><i>POLICY PROVISION #4: “The Superintendent will not: Incur debt in an amount greater than can be repaid by certain, otherwise unencumbered revenues within the current fiscal year, except long-term lease/purchase agreements and service contracts that may extend up to five years.”</i></b>	<b>In Compliance</b>
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SUPERINTENDENT’S INTREPRETATION: I interpret this to mean that I may not borrow funds or use district assets as security for any purchased contracts. I also interpret regular use of credit cards for meals and incidental expenses to be a reasonable exception.

REPORT: The District has the following debt obligations:

- As of August 31, 2023 the School District had no outstanding property debt obligations.

<b><i>POLICY PROVISION #5: “The Superintendent will not: Use any board established reserve funds other than as directed by the board or provided in the budget.”</i></b>	<b>In Compliance</b>
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SUPERINTENDENT’S INTREPRETATION: Use of Board’s designated reserve funds is not at my disposal. Utilization of those funds is at the sole discretion of the Board of Directors.

REPORT: The General Fund balance at the end of the 22-23 fiscal year was \$595,729 representing a decrease of \$437,592 in reserve funds.

<b><i>POLICY PROVISION #6: “The Superintendent will not: Conduct inter-fund activities in amounts that will place the originating fund in a negative cash position and, if applicable, greater than can be repaid by the end of the fiscal year.”</i></b>	<b>In Compliance</b>
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SUPERINTENDENT’S INTREPRETATION: The Superintendent and fiscal officer have authority to make interfund loans as long as they can be repaid by the end of the fiscal year.

REPORT: No interfund loans were made in the 22-23 fiscal year.

<b><i>POLICY PROVISION #7: “The Superintendent will not: Acquire, encumber or dispose of real property.”</i></b>	<b>In Compliance</b>
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SUPERINTENDENT’S INTREPRETATION: All decisions regarding the purchase, lease, or sale of land, buildings, are considered to be at the discretion of the board.

REPORT: The District did not acquire or dispose of real property during the 22-23 fiscal year.

<b><i>POLICY PROVISION #8: “The Superintendent will not: Fail to aggressively pursue receivables after a reasonable grace period.</i></b>	<b>In Compliance</b>
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SUPERINTENDENT’S INTREPRETATION: The organization must be vigilant regarding collections. I interpret “receivables” when collected, to be of greater value than the cost of collection (including staff time). I interpret “aggressively” to mean that we turn over the receivables to a collection agency when invoices and phone calls fail to produce results.

REPORT: The district maintains a collection practice to minimize the write off of uncollected accounts. Customers are contacted immediately when the account becomes past due and arrangements are made for payment.

In the past, the District’s most common “collection” was via food service accounts. Since the implementation of CEP, students are no longer required to pay for school meals, therefore we have eliminated the need for collections on food service debt.

<b><i>POLICY PROVISION #9: “The Superintendent will not: Fail to maintain a fund balance of at least 5% of the District’s annual operational expenditures. The goal will be to maintain a fund balance of one month’s operational expenditures.”</i></b>	<b>In Compliance</b>
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SUPERINTENDENT’S INTREPRETATION: This policy requires that we maintain liquid investments at or above 5%. Additionally, I am challenged to meet an unrestricted reserve balance of one month of operation expenditures which is a figure that changes from year to year.

REPORT: The Board has established a budget guideline that requires the district to maintain a reserve of 5% of the general fund budget. The Board also set a goal to maintain a fund balance equal to one month’s operation expenditures and to set aside reserves to meet major facility repairs and equipment purchases.

This past year the District saw several factors that affected our current financial condition. In addition to the loss of several grants, including ESSER funding, we also invested funds into additional staffing, necessary facility repairs and upgrades, and instructional materials. Because of this loss of funding and additional expenditures, the District’s ending fund balance was \$595,729 or 4.5% of the general fund budget. This does not meet our ending fund balance policy and will likely result in an audit recommendation from the Washington State Auditor’s Office.

We are aware of the current financial health of the district and have actively made changes into the 2023-2024 fiscal year to ensure the district remains solvent. We can expect the District’s fund balance to decrease at the end of 2023-2024 year with the intention to recover substantially by the end of the 2025-2026 fiscal year.

The District has been in frequent communication with district staff, union stakeholders, and the Manson community at large to ensure transparency with our financial condition and the actions we are taking to resolve it.

Ending general fund balance for fiscal years:

2012/13	\$ 375,870
2013/14	\$ 493,014
2014/15	\$ 637,899
2015/16	\$ 485,554
2016/17	\$ 466,413
2017/18	\$ 423,500
2018/19	\$ 637,341
2019/20	\$ 1,094,082
2020/21	\$ 997,142
2021/22	\$ 1,033,321
2022/23	\$ 595,729

Revised 12/23