



OE-5 Financial Administration
Policy Type: Operational Expectation

Annual Monitoring Report for School Year 2025-2026 – August 27, 2026

The Board believes in strong financial controls and in providing the community with an accurate, full and transparent accounting of how taxpayer dollars are spent in support of the Issaquah School District.

The Superintendent certifies that the district is in compliance with OE-5 with no exceptions.

The Superintendent shall not cause or allow any financial activity or condition that materially deviates from the budget adopted by the Board, cause or allow any fiscal condition that is inconsistent with achieving the Board’s Results priorities or meeting any Operational Expectations goals, or places the long-term financial health of the district in jeopardy.

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:

The Board has been provided electronic copies of the [2024-25 Financial Statement and Federal Single Audit Report](#). The report states the district is accountable for public resources and has complied with applicable state laws, regulations and its own policies, and provided adequate controls over the safeguarding of public assets.

The [2024-25 Accountability Audit Report](#) was released on May 14th, 2026. The report states the district is accountable for public resources and has complied with applicable state laws, regulations and its own policies, and provided adequate controls over the safeguarding of public assets.

The Superintendent will:

5.1 Settle payroll and legitimate 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 regulation and negotiated agreements.

Evidence of Compliance:

All payroll obligations, including payroll taxes and benefits were processed and paid in a timely manner during the period of July 1, 2025 to June 30, 2026.

Additional Information:

Payroll is processed on a monthly basis and employees are paid on the last “banking day” of the month. Contracts and timesheets submitted by the Human Resources Department and by employees are audited by the Payroll Department to ensure accuracy and appropriate 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-nine 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 to ensure timeliness.

Payments to vendors are processed weekly 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 to maintain separation of capital and operational items.

Procedures have been established to ensure compliance with generally accepted accounting principles, district regulation 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 Washington State Fiscal Agent, currently U.S. Bank Trust Company, National Association in the months of December and June.

5.2 Follow aggressive bidding procedures which maximize value to the District.**Interpretation:**

I interpret this to mean that the district will strictly follow state law and district regulation regarding purchasing bidding.

Evidence of Compliance:

The district maintained strict compliance with state law and district regulation regarding purchasing and bidding during the period of July 1, 2025 to June 30, 2026.

Additional Information:

The district maintains an aggressive bidding and purchasing program. The district utilizes competitive procurement methods whenever required by law or when determined to be in the district's best interest to maximize value, promote transparency, and encourage fair competition.

State law and district regulations require obtaining quotations from at least three vendors for supplies and equipment purchases between \$40,000 and \$75,000. Supplies and equipment purchases exceeding \$75,000 require public notice and competitive solicitation, as appropriate. Public works contracts are procured using the Small Works Roster or formal competitive bidding, as authorized by Washington law and district policy. The district also utilizes competitively awarded purchasing cooperatives and intergovernmental agreements, including KCDA, the Washington State Department of Enterprise Services (DES), OMNIA Partners, and other authorized cooperative purchasing programs to ensure compliance with applicable state bid law while leveraging competitive pricing, reducing administrative costs, and obtaining the best overall value for the district.

Both quotation and bid processes allow vendors to propose products from different manufacturers, provided they meet or exceed the district's specifications and quality standards. The Purchasing Department and Capital Projects Department (for construction-related projects) work collaboratively to develop specifications that promote fair competition while considering quality, functionality, durability, and long-term value when appropriate. The district works with architects, engineers, consultants, and other subject matter experts to develop specifications and evaluate technical requirements when doing so provides long-term value and cost-effectiveness for the district.

The Purchasing Department maintains procurement controls designed to promote fairness, transparency, accountability, and compliance with state law and district policy, including safeguards against conflicts of interest. Staff participating in procurement decisions may not have a personal financial interest or other conflict of interest in the award of contracts for materials, equipment, or services.

The following are examples of commodities, equipment, services, and construction projects that are routinely procured through competitive solicitations or competitively awarded cooperative purchasing contracts, as appropriate:

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

5.3 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 makes a reasonable amount of attempts to set-up payment arrangements with a parent or business before turning over to a collection agency.

Evidence of Compliance:

The district maintained a very prudent collection practice during the time period of July 1, 2025 to June 30, 2026. 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 December of 2025, the district via [Resolution 1256](#) removed \$19,802 of uncollectible debt. This is 0.13% of all invoiced revenue, \$15,654,969 for fiscal year 2024-25.

Additional Information:

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

The major area generating accounts receivable issues is School Age Care. The uncollectible accounts receivable trend for School Age Care is as follows:

	19-20	20-21	21-22	22-23	23-24	24-25
Uncollectible Amount	\$ 18,632	\$ 8,652	\$ 10,837	\$ 8,703	\$ 11,540	\$7,003
Revenue	\$ 7,251,997	\$ 3,115,767	\$ 7,489,102	\$ 8,065,183	\$ 9,689,416	\$10,396,404
% of Revenue	0.26%	0.28%	0.14%	0.11%	0.12%	.068%

5.4 Maintain an unrestricted reserve fund within the range of 3-7% of the general fund budget.

Interpretation:

I interpret this to mean that the district will maintain an unrestricted reserve fund within the range of 3-7% of the general fund budget.

Evidence of Compliance:

[Actual Ending 2024-25](#)

The district's actual total fund balance at the end of fiscal year 2024-25 was [\\$45,901,205](#) with the following *unrestricted (unassigned)* reserve:

- \$18,584,709 (4.54% of the 2024-25 general fund budget of \$409,230,859)

5.5 Coordinate and cooperate with the financial auditor for an annual audit of all district funds and accounts.

Interpretation:

I interpret this to mean that the district will ensure full cooperation and transparency with the auditors by providing timely access to all necessary documentation, records, and personnel to facilitate a thorough and accurate audit of all district funds and accounts. The district will also work to address any findings or recommendations from the audit to maintain compliance with state laws, regulations, and best practices.

Evidence of Compliance:

The district has successfully completed the [2024-25 annual financial audit](#) conducted by the state auditor's office, as documented in the Financial Statement & Federal Single Audit and [Accountability Audit Report](#). Regular communication and meetings were held between the district's finance team and the auditors to ensure all inquiries and audit procedures were properly handled. The required financial records, reports, and supporting documentation were provided to the auditors within the prescribed deadlines to facilitate a smooth and timely audit process.

During 2024-25, changes in Finance Department staffing and responsibilities provided an opportunity to further formalize financial reporting processes. The district implemented additional quality-control review procedures and detailed tracking tools to support the accuracy, completeness and timely reconciliation of financial records. These practices provide clear accountability for key financial processes and multiple levels of review for significant financial reporting activities.

The district received the audit report on May 14, 2026, which confirmed that the district complied with state laws and regulations regarding financial management. The report states the district is accountable for public resources and has complied with applicable state laws, regulations and its own policies, and provided adequate controls over the safeguarding of public assets.

5.6 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:

In alignment with this interpretation, the district has maintained a designated fund balance to support start-up operating costs for new schools. The district reserved \$6,000,000 in 2023–24 and 2024–25 for future school facilities. In 2025–26, the district reserved \$20,000,000 for future school facilities. For 2026–27, the Board reduced the designated reserve to \$5,000,000 because major capital projects are substantially underway, key project costs have been established through design-build contracts, and the district's more immediate financial risks warranted increasing the unreserved fund balance. The reserved

amount will continue to be reviewed annually through the Board budget development guidelines, while maintaining alignment with Policy 5.4 and the Board's target unrestricted General Fund reserve range of 3% to 7%.

5.7 Assure that any purchase is based upon prudent judgment and sound financial practice, including:

- a. Precaution against conflict of interest**
- b. Comparative prices based on items of similar quality**
- c. Balance between long-term quality and cost**

Interpretation:

I interpret this to mean that the district will make all purchasing decisions by prioritizing transparency, fairness, and financial responsibility. This includes:

- Ensuring that there are safeguards in place to avoid any potential conflicts of interest in procurement decisions.
- Comparing prices for goods and services from different vendors to ensure the district receives the best value for money, while also ensuring that items of similar quality are assessed.
- Considering not only the immediate cost of purchases but also their long-term value and quality to ensure sustainability and cost-effectiveness over time.

Evidence of Compliance:

The district administered its procurement activities in accordance with Regulation 6220, which governs purchasing, bids, and contracts, and applicable state law and district regulations. The Purchasing Department maintained procurement controls designed to promote fairness, transparency, accountability, and compliance with state law and district policy, including safeguards against conflicts of interest. Staff participating in procurement decisions may not have a personal financial interest or other conflict of interest in the award of contracts for materials, equipment, or services.

The district utilized competitively awarded purchasing cooperatives like KCDA, OMNIA, and the Washington State Department of Enterprise Services (DES) to leverage competitive pricing and administrative efficiencies in the procurement of supplies, equipment, and services.

5.8 Keep complete and accurate financial records by funds and accounts in accordance with generally accepted accounting principles.

Interpretation:

I interpret this to mean that the district will maintain financial records that are complete, accurate, and organized according to the Washington Office of Superintendent of Public Instruction (OSPI) Accounting Manual for Public School Districts in the State of Washington. This includes ensuring that all financial transactions are properly documented, classified by the appropriate fund or account, and regularly reviewed to ensure compliance with state laws, regulations, and financial reporting standards.

Evidence of Compliance:

The Washington State Auditor issued an unmodified opinion of the fair presentation of the district's [2024-25 financial statements](#) in accordance with its regulatory basis of accounting in the 2024-25 Financial Statement Audit.

5.9 Publish a financial condition statement annually.**Interpretation:**

I interpret this to mean the district's financial condition is assessed annually and reported upon to provide a clear picture of the district's fiscal health.

Evidence of Compliance:

The Washington State Auditor examined the district's financial condition during the [2024-25 Accountability Audit](#) and reviewed the district for indications of financial distress. The audit did not note any indications of financial distress.

The Superintendent will not:**5.10 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:

All government payments and reports were processed and/or paid in a timely manner during the period of July 1, 2025 to June 30, 2026.

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

5.11 Use the Board-designated \$1,500,000 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 \$1,500,000 for the purposes of this monitoring period; unless otherwise authorized by the Board.

Evidence of Compliance:

The district emergency reserve fund is \$1,500,000, as demonstrated by the [2025-26 Budget](#).

5.12 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:

All current building projects have sufficient available funding to complete the projects. Current projects and resources are reflected in the most recent financial report.

Additional Information:

Funding for all projects is determined prior to a bid award. The Board receives monthly [Budget Status Reports](#) detailing current projects and resources. In instances where the district anticipates available funding is inadequate, additional funding is acquired or a plan is put in place prior to a bid award. The new choice high school is being constructed within the funding currently available for the project. The district continues to monitor project costs and available resources throughout construction to ensure the project remains within available funding.

5.13 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 Board 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 #5.4 of this delineation.

Evidence of Compliance:

[Actual Ending 2024-25](#)

Unrestricted, undesignated (unassigned) reserves at fiscal year-end 2024-25 were within the 3% to 7% target set by the Board and parameters established in #5.4 of this delineation. The district finished the year with fund balance as a percentage of [2024-25 operating budget](#) (\$409,230,859) as follows:

Unreserved/Unassigned Fund Balance	\$ 18,584,709 , 4.54%
Restricted for Carryover of Food Service Revenue, Other	\$ 569,637 , 0.14%
Emergency Board Reserve	\$ 1,500,000 , 0.37%
Restricted for Inventory/Prepays	\$ 3,138,139 , 0.77%
Building Carryover	\$ 1,000,000 , 0.24%
Reserve for Uninsured Risks	\$ 500,000 , 0.12%
Reserve for Facility Assessments, Future Schools, Other	\$ 20,500,000 , 5.01%
Imprest Cash Reserve	\$ 108,720 , 0.03%
Total Fund Balance	\$ 45,901,205 , 11.22%

Note: All reservations of fund balance are evaluated on an ongoing basis, depending on financial volatility and district needs assessment. Equity reserves are adjusted at fiscal year-end pursuant to the approved budget and final financial statement amounts.

5.14 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 undesignated fund balance below 3%.

Evidence of Compliance:

During the 2025-26 fiscal year, all district obligations were forecasted to be met within the parameters of projected revenues. The district did not enter into contracts or other obligations that would have reduced the unrestricted, undesignated fund balance below the parameters established by the Board. All current obligations can be met within parameters of projected revenues.

5.15 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:

The district administration has not transferred unencumbered money from one fund to another that exceeds the amount authorized by the Board in the annual budget.

5.16 Receive, process or disburse funds under controls that are insufficient under generally accepted accounting principles.

Interpretation:

I interpret this to mean that the district will implement and maintain internal controls that ensure all funds received, processed, or disbursed are managed in accordance with its regulatory basis of accounting. This includes proper documentation, authorization, segregation of duties, and regular reviews to prevent errors, fraud, or mismanagement of district resources.

Evidence of Compliance:

The district received an unmodified opinion on the fair presentation of the district's [Financial Statements](#) in accordance with its regulatory basis of accounting, according to the Washington Office of Superintendent of Public Instruction (OSPI) Accounting Manual for Public School Districts in the State of Washington, for the 2024-25 Financial Statement Audit. This includes ensuring that all financial transactions are properly documented, classified by the appropriate fund or account, and regularly reviewed to ensure compliance with state laws, regulations, and financial reporting standards.

Board acceptance: 8/27/2026