

CHAPTER VII: BUDGETING RECEIVABLES

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BUDGETING RECEIVABLES

STATUTORY CITATION: RCW 28A.505.110, WAC 392-123-060 and 392-123-065

PURPOSE AND BACKGROUND: When a school district is unable to prepare a budget or budget extension in which the estimated revenues for the budgeted fiscal year plus the estimated fund balance at the beginning of the budgeted fiscal year less the ending reserved fund balance for the budgeted fiscal year do not at least equal the estimated expenditures for the budgeted fiscal year, the school district board may petition in writing to OSPI requesting permission to include receivables collectible in future years.

When it becomes necessary for a district to budget receivables, the school district must deliver a petition in writing to OSPI (refer to the sample resolution in Section 1 of this chapter) at least 20 days before the budget or budget extension is scheduled for adoption by the district board of directors.

If the request for budgeting receivables is approved by OSPI, the approval will contain binding conditions placed on the district by OSPI (please see the sample in Section 2 of this chapter) to ensure improvement in the district's financial condition.

If a district fails to comply with the binding conditions, the allocation of state funds for support of the district may be withheld, pending further investigation into the reason(s) for such noncompliance.

In the continual effort to monitor school districts' financial condition, OSPI School Financial Services (SFS) in cooperation with the ESD fiscal officers encourages and provides for the review and sharing of school district financial operations information.

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SAMPLE SCHOOL DISTRICT RESOLUTION

PETITION TO BUDGET RECEIVABLES

WHEREAS, it will be necessary for _____ School District to prepare a general fund budget extension for the 200X-0Y current fiscal year; and

WHEREAS, WAC 392-123-060 requires the school district to have a balanced budget for the general fund; and

WHEREAS, the total resources available for the 200X-0Y fiscal year will be approximately _____ thousand dollars \$ _____ less than the total expenditures for the 200X-0Y fiscal year; and

WHEREAS, the _____ School District has receivables collectible in the amount of \$ _____ for the 200X-0Y fiscal year, said receivables being in the form of local taxes approved by voters for the 200X and 200Y calendar years; and

WHEREAS, the General Fund budget for ensuing fiscal year 200Y-0Z will be balanced without the use of the receivables; and

WHEREAS, WAC 392-123-060 allows the Board of Directors of _____ School District to submit to the Office of Superintendent of Public Instruction a petition requesting permission to include receivables collectible in 200Y-0Z in the 200X-0Y general fund budget extension in order to balance said extension.

NOW THEREFORE BE IT RESOLVED that the Board of Directors of _____ School District does hereby petition the Office of Superintendent of Public Instruction with the request to include _____ thousand dollars \$ _____ of taxes receivable in 200Y-0Z in the 200X-0Y general fund budget extension to be considered by said board on _____, 200X.

APPROVED by the Board of Directors of _____ School District, _____ County, Washington, in a special meeting thereof held on the _____ day of _____, 200X.

(_____, Chairperson)

(_____, Director)

(_____, Director)

(_____, Director)

(_____, Director)

Attest

(_____, Secretary)

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SAMPLE OSPI RESPONSE

Month Day, 200X

Dr./Mr./Ms. _____, Superintendent
_____ School District No. _____
Street Address
City, WA Zip

Dear Dr./ Mr./Ms. _____:

The petition by the _____ School District Board of Directors to include receivables collectible in future periods in the FY 200X-0Y _____ Fund Budget is hereby approved.

The general financial condition of the school district has been reviewed. We view the current financial position of the school district as serious. The budgeted expenditures for FY 200X-0Y will exceed the current year's revenues and consume all of the school district's fund balance, plus \$_____ of FY 200Y-0Z receivables. When a local school district balances its budget by including receivables from a future year, the school district's finances are subject to ongoing scrutiny and binding conditions until the financial difficulties are resolved.

Therefore, the responsibilities for administering the binding conditions as set forth below are assigned to Mr./Ms. _____, Title, Educational Service District (ESD) _____, or his/her successor, hereafter referred to as the "Administrator". This responsibility will be in place until the binding conditions set forth below including restoration of a reasonable and prudent fund balance are met. To enforce this authority, if the Administrator reports to the OSPI that the school district is not fulfilling any of the below conditions, OSPI reserves the right to withhold apportionment payments until such conditions are satisfactorily addressed.

In accordance with RCW 28A.505.110, the following binding conditions are placed upon the _____ School District and shall remain in place until such time as the OSPI provides a written release to the school district.

Conditions Limiting Use of Fund Balance

1. While the school district remains under binding conditions:
 - a. Every effort must be made to limit expenditures to the revenues available. As a result, the actual ending _____ Fund balance should not be negative by more than the ending fund balance projected in the adopted budget for that year.
 - b. Annually, in September or November, if the actual student enrollment does not equal or exceed the level assumed in the adopted budget, immediate action will be taken to further reduce the expenditures.
 - c. Annually, in October based upon the school district's prior year Annual Financial Statement (a.k.a., F-196) as filed with this office, if the ending fund balance does not equal or exceed the beginning fund balance assumed in the adopted budget, immediate action will be taken as prescribed in WAC 392-123 to accurately reflect the school district's opening fund balance.
 - d. Annually, in January, if the actual staff mix factor does not equal or exceed the factor assumed in the adopted budget, immediate action will be taken to further reduce the expenditures.
 - e. Annually and no later than April 15, the school district shall develop and submit a plan to ESD and OSPI which outlines a method by which the school district will eliminate the existing deficit fund balance and reach a positive and prudent fund balance.

Conditions Which Establish Sound Expenditure Controls

2. Beginning September 200X and while under binding conditions, the school district will establish and administer an effective system to control purchasing as follows:
 - a. The school district shall use an encumbrance method for all purchase orders. All purchase orders will be encumbered at the time they are submitted.
 - b. Based on a submitted purchase order, a determination will be made as to whether or not budget capacity exists and whether the proposed purchase meets the prioritized needs of the district.
 - c. Board of directors' policies regarding making purchases without a purchase order should be reviewed, and communicated to staff and vendors.

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3. Beginning September 200X and while under binding conditions, the school district shall establish and administer an effective system to manage account payables as follows:
 - a. The school district shall enter all invoices and “commit” all financial activities into the WSIPC system upon receipt in the appropriate month.
 - b. The school district shall establish and adhere to monthly deadlines for receipt and processing of transactions, such as travel vouchers.
4. Beginning September 200X and while under binding conditions, the school district shall use and maintain a payroll encumbrance accounting method throughout the fiscal year which includes contract and non-contract personnel. In addition:
 - a. The school district shall not issue contracts, to include hourly personnel and supplemental contracts, beyond those established in the adopted budget without prior board approval and input from the Administrator.
 - b. Each month the school district will produce the Personnel Budget Status Report described in WAC 392-123-125 and provide a copy to the board of directors and also submit one copy to the Administrator.
 - c. A staffing report by program, name, FTE, and total pay shall be provided annually to the Administrator no later than September 1.
5. Beginning September 2007 and while under binding conditions, the school district shall establish and administer an effective system to manage payroll processes as follows:
 - a. The school district shall balance payroll quarterly.
 - b. The school district shall establish and adhere to deadlines for payroll processes, such as ACH transmittals, federal 941s, W2s, and 1099s.
6. Beginning September 200X and while under binding conditions, the school district shall establish and administer an effective system to manage the _____ Fund budget utilizing the “current” budget (e.g., BUD-C) tool of the WSIPC system as follows:
 - a. The “current” budget shall reflect actual awards and updated revenue estimates; ongoing estimates of planned annual expenditures; and shall contain no capacity amounts.
 - b. Updates to revenue and expenditure estimates shall be made monthly using the most current information available.
 - c. Expenditure reports to building and program administrators shall show “current” budget amounts so that administrators know actual amounts remaining for the year and can monitor their budgets accordingly.
 - d. The appropriation in the current budget tool shall at no time exceed the board approved appropriation.
7. Monthly within 7 calendar days of receipt, the school district shall reconcile the general ledger trial balance to the County Treasurer’s statement.

Internal Review and Communication Conditions

8. The school district superintendent shall conduct monthly budget meetings with school district building administrators and the school district finance officer with the purpose of reviewing the current budget and maintaining control of expenditures.
9. The school district should review for significant deviations from the budget plan by program, activity or object, and if appropriate, a budget revision be done immediately. This requires the school district’s business office to monitor budget to actual expenditures on an ongoing basis and report any variances to the school district superintendent, board, and ESD _.
10. Financial reports are to be presented to the board of directors and ESD on or before the regular board meeting of each month. Additional reports as are necessary to fulfill this plan and its stewardship must be made to both the board of directors and ESD.

Reporting and Monitoring Conditions

11. Monthly, the school district shall submit the following reports to the ESD:
 - a. A monthly cash flow statement to the board of directors, on the form provided by the ESD.
 - b. Monthly budget status reports and other financial reports shared with the board of directors.
 - c. A copy of the reconciliation to the County Treasurer.
12. The school district shall make no interfund loans or equity transfers without prior ESD approval.

13. The school district shall participate in any periodic reviews of all accounting and financial records as deemed necessary by ESD _____.
14. Any proposed increases in _____ Fund budgetary authority for must be reviewed and approved by the Administrator and incorporated in an approved _____ Fund budget extension. As a reminder, budget extensions must be approved by the board of directors and ESD before incurring expenditures in excess of the current appropriation level.
15. The school district administration and board of directors shall utilize the services and advice of the Administrator in administering this plan and implementing any new or revised financial and administrative policies, systems, and procedures that are necessary to fulfill the objectives of this plan.

All questions and interpretations of the terms established in this letter will be made by the Administrator. Appeals of his interpretations may be made in writing to the Director, School Apportionment and Financial Services, OSPI.

A copy of this letter must be included with the school district's adopted budget and any extensions thereto must include a reference to this request to budget receivables.

In closing, in addition to the binding conditions stated above, we would also reiterate that good accounting practices are also essential for the school district to ensure future financial stability. They should include:

- The school district following the Accounting Manual for Public School Districts in the State of Washington, published by the Office of Superintendent of Public Instruction.
- The school district should enter invoices and "commit" all financial activities into the WSIPC computer file upon receipt in the appropriate month.
- The school district should review for significant deviations from the original budget plan by program, activity, or object, and if appropriate, a budget revision be done immediately. This would require the school district's business office to monitor budget to actual expenditures on an ongoing basis and report any variances to the school district superintendent, board and the Administrator.

Sincerely,

Mr./Ms. _____
Director, School Apportionment and Financial Services
Office of Superintendent of Public Instruction

XXX: xx

cc: Mr./Ms. _____, Chairperson
Board of Directors

Mr./Ms. _____, Assistant Superintendent
Educational Service District _____

Mr./Ms. _____, Assistant Superintendent
Office of Superintendent of Public Instruction

Mr./Ms. _____, Supervisor
Office of Superintendent of Public Instruction

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SAMPLE OSPI RELEASE

Month Day, 2XXX

Dr./Mr./Ms. _____, Superintendent

_____ School District No. _____

Street Address

City, State Zip

Dear Dr./Mr./Ms. _____:

It appears all of the binding conditions placed on the _____ School District have been met and we are therefore releasing the district from the binding conditions as set forth in our letter of Month Day, 2XXX.

Based on a review of your FY 2XXX-2YYY Annual Financial Report, it appears the district has met the binding conditions established to assist the district in eliminating the deficit general fund balance, cash flow problems and is on a course to bring continued financial stability back to the district. Please continue to work with Educational Service District (ESD) _____ as new issues are identified or current issues change which would impact or place additional financial requirements on the district.

The district board, administrators, staff, community, and ESD ___ are to be commended for your dedication and efforts in bringing financial stability to the district, while maintaining your commitment to student learning.

Sincerely,

Director, School Financial Services
Office of Superintendent of Public Instruction

cc: Dr./Mr./Ms. _____, Chairperson
Board of Directors

Dr./Mr./Ms. _____, Fiscal Officer
Educational Service District _____

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