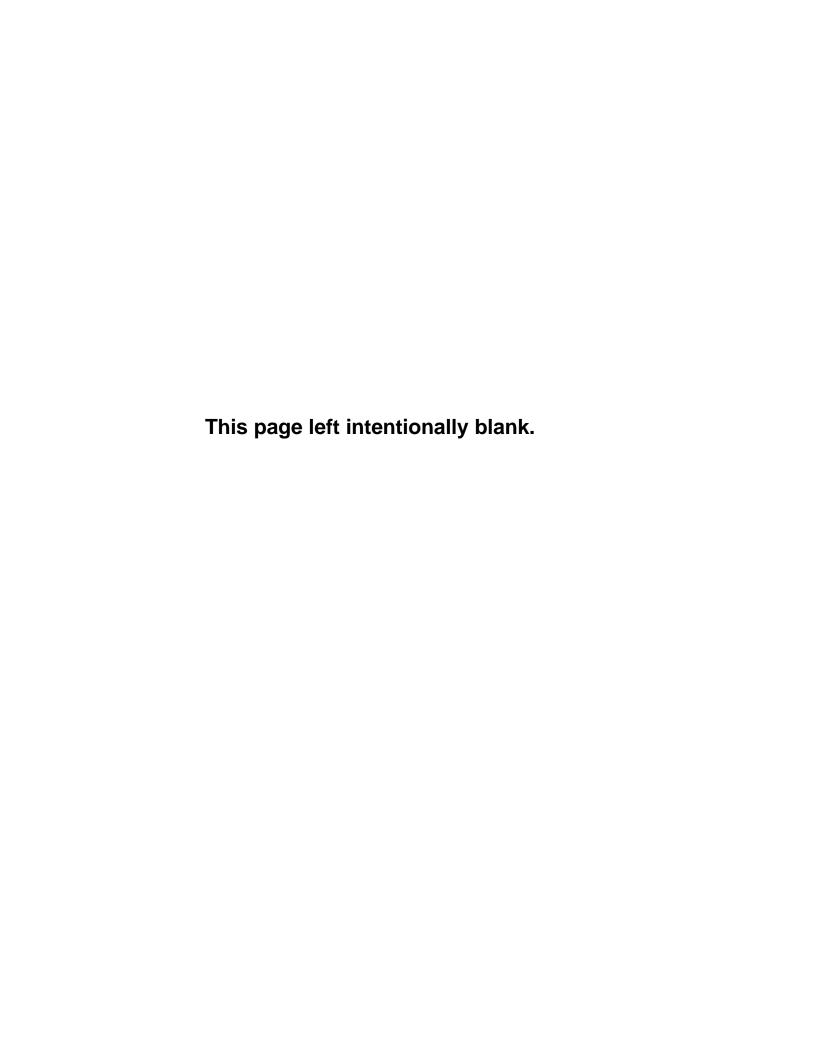
CHAPTER VII: BUDGETING RECEIVABLES

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BUDGETING RECEIVABLES

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

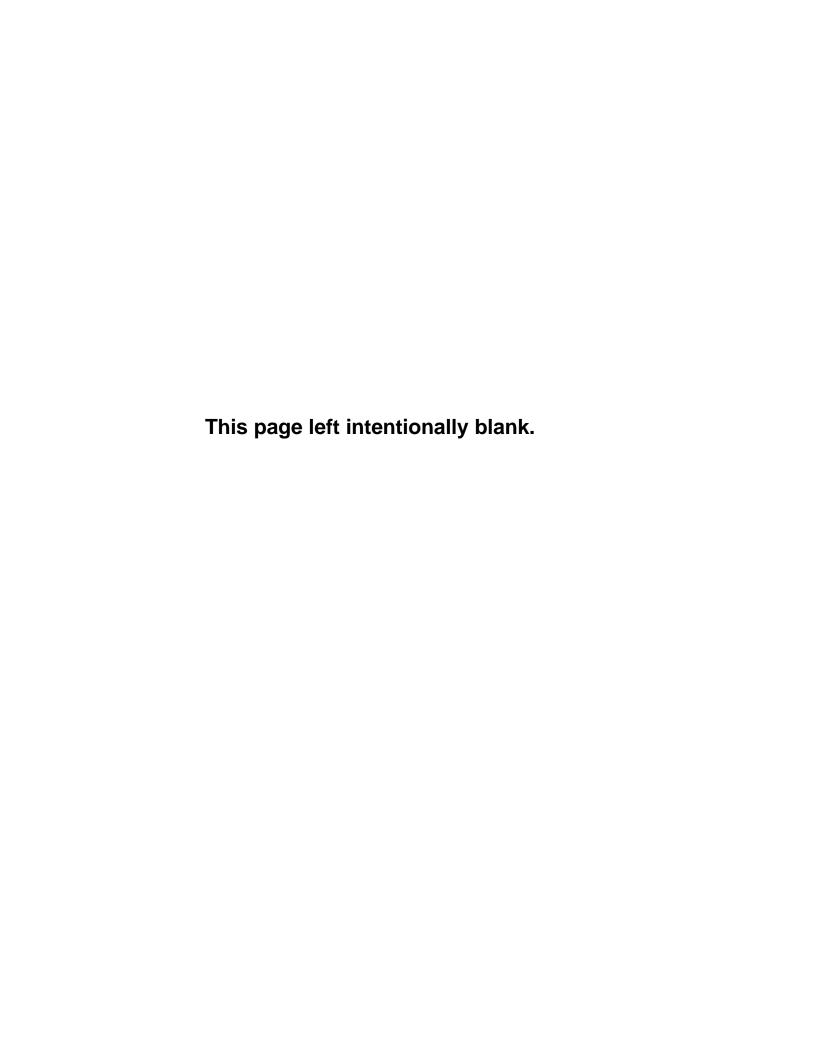
<u>PURPOSE AND BACKGROUND</u>: When a school district is unable to prepare a budget or budget extension in which the estimated revenues for the budgeted fiscal year plus the estimated fund balance at the beginning of the budgeted fiscal year less the ending reserved fund balance for the budgeted fiscal 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.

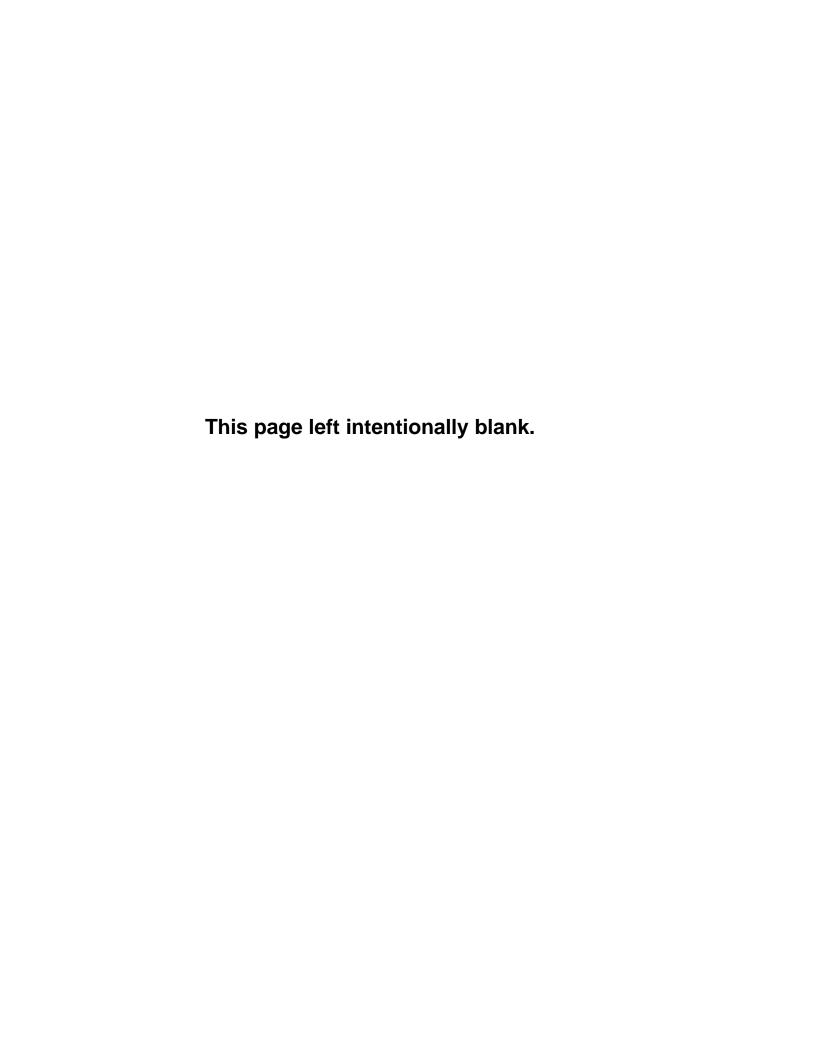
In the continual effort to monitor school districts' financial condition, OSPI School Financial Services (SFS) in cooperation with the ESD fiscal officers encourages and provides for the review and sharing of school district financial operations information.



SAMPLE SCHOOL DISTRICT RESOLUTION

PETITION TO BUDGET RECEIVABLES

WHEREAS,	it will be necessary for budget extension for the				are a general fund	
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 bud the receivables; and	get for ensuing	រ fiscal year 200Y-0Z	will be balanc	ed without the use of	
WHEREAS,	EAS, 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 THEREF	ORE BE IT RESOLVED does hereby petition the include the 200X-0Y general for 200X.	ne Office of Su thousand do	perintendent of Publ ollars \$	ic Instruction w of taxes received	vith the request to vable in 200Y-0Z in	
APPROVED by	the Board of Directors County, Washington, i 200X.	of n a special me	eting thereof held or	School Distric	t, day of,	
(, Chairperson)			(, Director)	
(, Director)			(, Director)	
(, Director)		Attest	(, Secretary)	
Effective Dat 9/1/02	<u>e Supersedes</u> 9/1/95	<u>Form</u>	<u>Chapter</u> BUD REC	Section 1	<u>Page</u> 1	



SAMPLE OSPI RESPONSE

Month Day, 200X	
Dr./Mr./Ms Street Address City, WA Zip	, Superintendent _ School District No
Dear Dr./ Mr./Ms	
The petition by th	School District Board of Directors to include receivables collectible in future periods in Fund Budget is hereby approved.
district as serious the school distric balances its budg	ncial condition of the school district has been reviewed. We view the current financial position of the school is. The budgeted expenditures for FY 200X-0Y will exceed the current year's revenues and consume all of t's fund balance, plus \$ of FY 200Y-0Z receivables. When a local school district get by including receivables from a future year, the school district's finances are subject to ongoing scrutiny litions until the financial difficulties are resolved.
, Title, E "Administrator". T reasonable and p school district is r	sponsibilities for administering the binding conditions as set forth below are assigned to Mr./Ms ducational Service District (ESD), or his/her successor, hereafter referred to as the This responsibility will be in place until the binding conditions set forth below including restoration of a brudent fund balance are met. To enforce this authority, if the Administrator reports to the OSPI that the not fulfilling any of the below conditions, OSPI reserves the right to withhold apportionment payments until are satisfactorily addressed.
	th RCW 28A.505.110, the following binding conditions are placed upon the School District in place until such time as the OSPI provides a written release to the school district.
Conditions Limi	iting Use of Fund Balance
a. b. c.	Le school district remains under binding conditions: 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. 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. 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. Annually, in January, if the actual staff mix factor does not equal or exceed the factor assumed in the
e.	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. 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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Month Day, 200X
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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.
 - 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.
- 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.

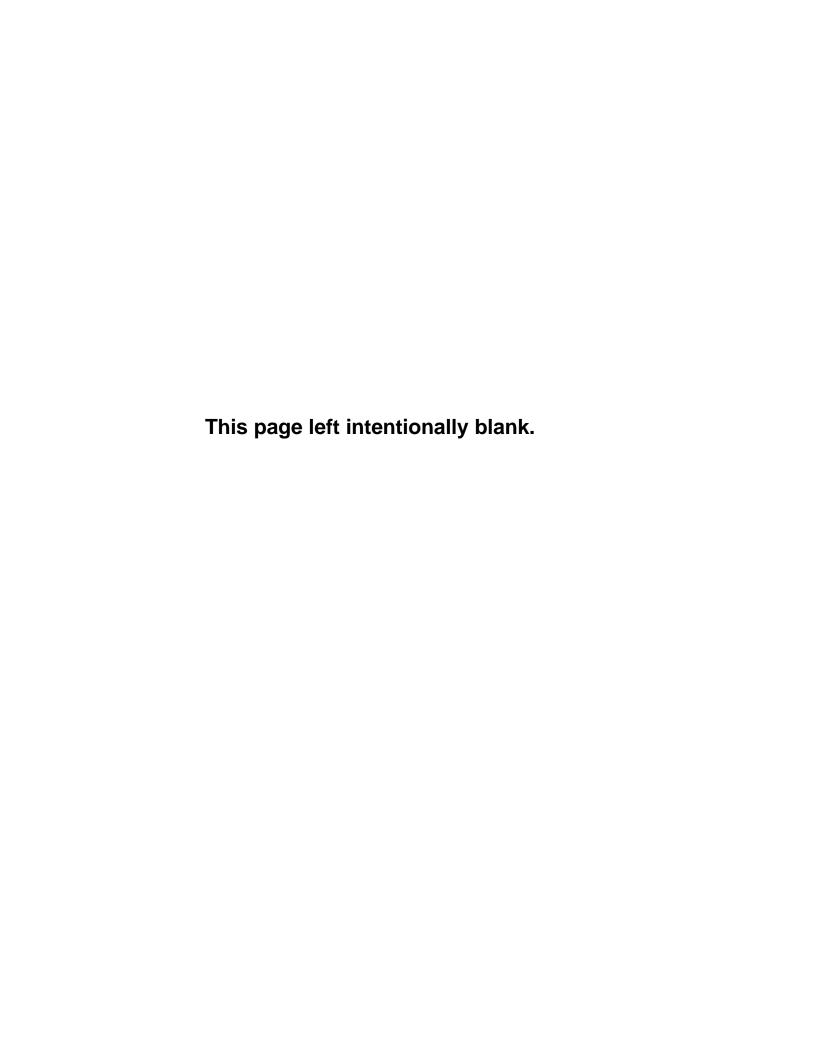
Reporting and Monitoring Conditions

- 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.

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s	School District No
Month D Page 3 o	ay, 200X
rage 3 (
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.
	tions and interpretations of the terms established in this letter will be made by the Administrator. Appeals of his ations may be made in writing to the Director, School Apportionment and Financial Services, OSPI.
	of this letter must be included with the school district's adopted budget and any extensions thereto must include a se to this request to budget receivables.
	g, in addition to the binding conditions stated above, we would also reiterate that good accounting practices are also I 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.
Sincerel	y,
	, School Apportionment and Financial Services f 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, S School District N	perintendent
Street	Address	··
	State Zip	
Dear [Dr./Mr./Ms	<u></u> :
It appeare the	ears all of the binding condition erefore releasing the district fi	ns placed on the School District have been met and we om the binding conditions as set forth in our letter of Month Day, 2XXX.
conditi and is Educa	ions established to assist the on a course to bring continue	2YYY Annual Financial Report, it appears the district has met the binding district in eliminating the deficit general fund balance, cash flow problems difinancial stability back to the district. Please continue to work with as new issues are identified or current issues change which would requirements on the district.
		aff, community, and ESD are to be commended for your dedication and the district, while maintaining your commitment to student learning.
Sincer	rely,	
	or, School Financial Services of Superintendent of Public II	struction
cc:	Dr./Mr./Ms Board of Directors	, Chairperson
	Dr./Mr./MsEducational Service District	

