

Administration, Budgeting and Financial Reporting Guidance (ABFR)

Budgeting Receivables and Binding Conditions

STATUTORY CITATION: RCW 28A.505.110

When a school district or charter school is unable to prepare a budget or budget extension in which the estimated revenues for the budgeted fiscal year plus the estimated beginning fund balance is less than the estimated expenditures for the budgeted fiscal year, the district board of directors must make a request (petition) by resolution to budget receivables, collectible in future years, in order to balance the proposed budget and be in compliance with WAC 392-123-060.

When it becomes necessary for a district to budget receivables, the school district must deliver the petition in writing to OSPI at least 20 days before the budget or budget extension is scheduled for adoption by the district board of directors. Forward the petition document to Shawn Lewis, Director of School Apportionment and Financial Services, OSPI: Shawn.Lewis@k12.wa.us.

Once this resolution has been passed it must be forwarded to the district's educational service district (ESD), or charter school authorizer; and to OSPI for processing.

If the request to budget receivables is approved, OSPI will provide the district with a document: *Approval of Request to Budget Future Receivables with Binding Conditions*. This document will outline the binding conditions placed on the district by OSPI to ensure improvement in the district's financial condition.

Binding conditions will require the district to work with its ESD or its charter authorizer and OSPI staff, on a regular basis, to review and monitor the district's financial condition. The [School District Budget Challenges and Financial Insolvency](#) webpage provides additional information on binding conditions. As the district shares the details of its ongoing financial operations, the collaboration provides the district with counseling and professional insight to maximize state funding by meeting certain requirements in law.

There are a variety of financial practices and milestones OSPI considers when developing a unique set of binding conditions placed upon a district. Examples of binding condition topics which may be utilized are described below. They include, but are not limited to:



Conditions Limiting Use of Fund Balance

- 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.

Conditions Which Establish Sound Expenditure Controls

- Beginning September 20XX and while under binding conditions, the school district will establish and administer an effective system to control purchasing. Before purchase orders are submitted for final approval, 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.

Internal Review and Communication Conditions

- The school district's business office should monitor budget to actual expenditures on an ongoing basis and report any variances to the school district superintendent, board of directors, and the ESD. If it is determined to be appropriate, significant deviations from the budget plan may require a budget revision be done immediately.

Reporting and Monitoring Conditions

- The school district shall submit the following reports to the board of directors and the ESD monthly:
 - A monthly cash flow statements delivered in a format approved by the ESD.
 - A monthly budget status reports and other financial reports.
 - A copy of the reconciliation to the County Treasurer.

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 accordance with WAC 392-123-065.

If the district is on binding conditions for two consecutive years and/or is unable to prepare a satisfactory financial plan, the district may enter Financial Oversight.

A sample board resolution document is illustrated below.

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 20XX-XY 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 20XX-XY fiscal year will be approximately _____ thousand dollars \$ _____ less than the total expenditures for the 20XX-XY fiscal year; and

WHEREAS, the _____ School District has receivables collectible in the amount of \$ _____ for the 20XX-XY fiscal year, said receivables being in the form of local taxes approved by voters for the 20XX and 20XY calendar years; and

WHEREAS, the General Fund budget for ensuing fiscal year 20XY-XZ 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 20XY-XZ in the 20XX-XY 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 20XY-XZ in the 20XX-XY general fund budget extension to be considered by said board on _____, 20XX.

APPROVED by the Board of Directors of _____ School District, _____ County, Washington, in a special meeting thereof held on the _____ day of _____, 20XX.

(_____, Chairperson)

(_____, Director)

(_____, Director)

(_____, Director)

(_____, Director)

Attest
(_____, Secretary)