

Lake Washington School District Executive Limitation Monitoring Report

EL-11 Financial Administration August 8, 2016

Executive Limitation: With respect to the actual, ongoing administration of the district’s financial assets, the CEO shall ensure no material deviation from the annual budget or budget policy adopted by the board, nor cause or allow any fiscal condition that is inconsistent with achieving the Board’s End Results, or places the long-term financial health of the district in jeopardy.

Accordingly, the CEO shall:

1. Expend less funds than have been received in the fiscal year unless revenues are made available through other legal means, including the use of fund balances, the authorized transfer of reserve funds, and tax anticipation notes.	In Compliance	◀ ▶
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Evidence

- In 2015-16, budgeted expenditures were \$301,353,491. Expenditures were funded through budgeted revenues of \$303,517,290 and \$0 use of fund balance.
- In 2014-15, actual expenditures were \$261,496,344. Expenditures were funded through actual revenues of \$267,924,641 and \$0 use of fund balance.

2. Settle payroll and debts in a timely manner.	In Compliance	◀ ▶
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Evidence

The district processes payroll monthly with the actual payday occurring on the last working day of the calendar month. All employee data is input on an annualized contract basis, except subs, which are paid on actual time worked. Schools/departments report exceptions, such as vacation and sick leave. The actual payroll is processed at least three days in advance of payday to facilitate the electronic direct deposit payment. Payroll taxes, retirement obligations, and other benefit/payroll obligations are paid when due by either bank electronic transfers or by district warrants.

Accounts payable are paid on a weekly basis by warrants or by credit card. Vendor invoices are carefully reviewed to ensure that goods or services have been received in accordance with purchase order requirements, receipt has been verified, and the proper sales tax is paid. Discounts are taken when offered and accounts are kept current to avoid interest penalties. Emergency payments, which cannot wait for the weekly distributions, are paid by the district revolving fund.

A summary of payments by fund for payroll and accounts payable is submitted monthly to the Board for approval.

When due, interest maturing from the district issued general obligation bonds is paid out of the debt service fund to the fiscal agent directly by King County.

EL-11, Financial Administration

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<p>3. Ensure that purchases are made:</p> <ul style="list-style-type: none"> a. exercising reasonable precaution against conflict of interest; b. considering comparative prices based on items of similar quality; c. considering a balance between long-term quality and cost; and, d. using competitive procurement procedure as required by law. 	<p>In Compliance</p>	<p>◀ ▶</p>
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Evidence

The following procedures are in place to ensure purchases are made in accordance with state law and district policies and procedures:

- a. An audit is conducted annually by state auditors and has found our processes to be in compliance. Purchase requisitions are reviewed to ensure they do not represent a conflict of interest.
- b. Language used in bid and quotation documents allows vendors to bid items of a certain brand or one of equal quality. The purchasing department also researches items ordered to ensure the lowest price with similar quality.
- c. Consideration of long-term quality and costs is a joint responsibility between departments and purchasing staff. For example, when purchasing major new equipment, testing and evaluation of equipment is completed prior to making purchase decisions. Advice from consultants, such as architects, is also used to help evaluate the quality/cost benefit.
- d. State auditors review completed bids and contract awards on an annual basis to ensure compliance. No discrepancies were found in this area in the latest audit. When the cost of any furniture, supplies, or equipment exceeds \$75,000, formal bids shall be called for by issuing a public notice in the newspaper. When the cost of any furniture, supplies, or equipment exceeds \$40,000 but is less than \$75,000, quotations from at least three different sources are required. When the cost of public works (building improvements or repairs) exceeds \$100,000 (except when the district uses the small works roster process), the formal bid process is followed. When the cost of public works exceeds \$75,000 but is less than \$100,000, informal bids are solicited from licensed contractors who appear on the district’s small works roster.

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4. Ensure reports or filings required by any state or federal agency are timely and accurately filed.

In Compliance



Evidence

Major reports that affect district finances are as follows:

- P223 – monthly enrollment reporting
- P103 – ethnic enrollment reporting
- F-195 – Annual Budget
- F-196 – Year End Financial Statements
- S275 – Certificated and Classified Staff, Basic Ed Compliance
- Grant reports

The business services department monitors due dates and financial records to ensure that these are reported in a timely and accurate manner.

There are large numbers of other reports required by the state, federal, or other governmental agencies. Each department is responsible for filing these reports by the due dates and ensuring their accuracy.

- During the past year, no funds have been lost due to untimely or inaccurate reports.

5. Aggressively pursue receivables after a reasonable grace period.

In Compliance



Evidence

The district minimizes delinquent accounts receivable by using the bank ACH (Automated Clearing House) process whereby the district is able to withdraw monies directly from families’ bank accounts for funds owed the district for some fee-based programs.

For other accounts receivable that are billed on a district invoice and are difficult to collect, contact is made with customers through verbal and written correspondence.

For school building fines/fees, cash register software tracks outstanding fines/fees and provides the ability to communicate with parents through School Messenger. The district has a fine/fee collection process that is implemented with school buildings during the year to ensure timely collection of outstanding fines.

If after a reasonable period attempts to collect fail, then, with proper notification, the account is turned over to a professional collection agency. For those accounts not successfully collected, on an annual basis, a report is sent to the superintendent requesting that those accounts receivables be written-off.

- For 2014-15 the accounts that were written off were valued at \$3,146. This included write offs from both 2013-14 and 2014-15. The district is also continuing to clean-up old fines/fees recorded by buildings which were not recorded as receivables and do not affect financial records. A total of \$98,340.67 related to inactive students was identified from 2011-2014 school years.

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6. Invest funds in securities that are authorized by law.

In
Compliance



Evidence

All funds were invested through the county treasurer and in accordance with RCW 36.29.020, which restricts the treasurer to investments in: 1) savings or time accounts in designated qualified public depositories; 2) certificates, notes, or bonds of the United States; 3) other obligations of the United States or its agencies; or, 4) any corporation wholly owned by the government of the United States.

7. Receive Board authorization before issuance of any debt.

In
Compliance



Evidence

No debt has been issued without Board authorization, as required by law.

- In June 2016, the Board approved the sale of unlimited general obligation bonds totaling \$165,000,000 as part of the April 2016 voter approved authorization to sell \$398 million of general obligation bonds.

8. Receive Board authorization before expending any funds from the fund reserve balance.

In
Compliance



Evidence

Board policy requires the district to maintain a fund balance reserve of at least 5% in the general fund.

- The 2015-16 budgeted ending fund balance was \$30,891,011, representing 10.2% of budgeted revenues. No spending is planned from the 5% fund reserve balance.
- For the 2014-15 fiscal year, the actual ending fund balance was \$32,564,975, representing 12.5% of actual revenues. None of the fund reserve balance was expended.

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9. Receive Board authorization as allowed by law before permanently transferring unencumbered monies from one fund to another.	In Compliance	◀ ▶
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Evidence

New legislation, effective with the 2008-09 school year, expanded the uses of capital funds for technology. The law requires school districts to transfer dollars from the capital projects fund to the general fund when capital funds are used for ongoing web-based fees, subscriptions, or software licenses, and ongoing training related to the installation and integration of technology. In addition, the district sold non-voted Limited General Obligation bonds in 2012 and is using the 2011 six-year capital facility levy to pay back the bonds. This requires the district to transfer dollars from the capital projects fund to the debt service fund. Dollars for both these transfers are reflected in the Board approved budget each year.

10. Ensure funds are received, processed, and disbursed under controls that are sufficient under generally accepted accounting procedures.	In Compliance	◀ ▶
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Evidence

The State audits accounting records on an annual basis and issues an opinion on financial reports, compliance and internal controls.

- The 2014-15 audit was completed May 2015. The district received one audit finding related to the Federal Title I program. This finding related to lack of documentation to validate that four vendors were not suspended or debarred from receiving federal funds. While documentation was not available for audit, no district vendors were found to be suspended or debarred.

Internal controls include proper separation of duties, timely depositing/processing, adequate supporting documentation, and efficient review/supervision. These procedures were established to ensure compliance with generally accepted accounting principles, district policies, and state laws.

The district’s internal controls accountant audits the various schools/departments on a cyclical basis to ensure that these controls and procedures are in place and operating efficiently and effectively.

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11. Keep complete and accurate financial records by funds and accounts in accordance with generally recognized principles of governmental accounting.

In Compliance



Evidence

The state auditor examines our financial records and reports and issues an independent opinion as to whether our reports are in accordance with generally accepted principles.

Our financial/accounting software system, through Washington School Information Processing Cooperative (WSIPC), tracks financial records by fund and in accordance with generally accepted accounting principles.

On a monthly basis the Board receives a report by fund. These reports are closely reviewed by staff to ensure accuracy and proper reporting.

- In 2014-15, the state auditor issued an unmodified opinion stating that the financial statements present fairly, in all material respects, the financial position of the school district.

12. Publish and post a financial condition statement annually.

In Compliance



Evidence

The district is required to annually submit the F-196 report to the Office of the Superintendent of Public Instruction by October 25 of each year. This report presents governmental fund financial statements detailing the district’s major funds.

The district has elected to implement the new financial reporting requirements of Governmental Accounting Standards Board (GASB) Statement No. 34 in order to comply with generally accepted accounting principles. The district is therefore required to provide government-wide financial statements along with a management discussion and analysis statement.

The district also prepares a financial and statistical report, which includes more detailed reporting by fund and statistical information, as well as the annual audited financial report. This report is published in July of each year.

I certify the above to be correct as of August 8, 2016.

Traci Pierce, Superintendent