

## 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, State 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 General Fund Budget is hereby approved.

The general financial condition of the school district has been reviewed. We view the current financial position of the district as serious. The budgeted expenditures for FY 200X-0Y will exceed the current year's revenues and consume all of the 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 district's finances are subject to ongoing scrutiny and binding conditions until the financial difficulties are resolved. Therefore, the responsibility for administering the binding conditions as set forth below are assigned to Mr./Ms. \_\_\_\_\_, Fiscal Officer, Educational Service District \_\_\_\_\_. This responsibility will be in place through August 31, 200Y and may be extended should the district fail to adhere to the binding conditions set forth below. As well, if the district should end FY 200X-0Y with a positive fund balance, the binding conditions will be removed.

To enforce this authority, if Mr./Ms. \_\_\_\_\_ of Educational Service District \_\_\_\_ reports to the Office of Superintendent of Public Instruction (OSPI) that the 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:

## Fund Balance:

1. For FY 200X-0Y, the total General Fund fund balance cannot be negative by more than \$ \_\_\_\_\_, which includes the recorded long-term liability for the previous Superintendent's contract buy-out.
2. Fund balance reserves (including the reserve for inventory) are to be maintained at the appropriated amounts. The total amount of actual revenue received from the county treasurer in Revenue Account 3600 – State Forest for the months of July and August 200Y must be classified as a reservation of fund balance, in General Ledger Account 810 – Reserved for Other Items, as reported on the district's Annual Financial Statements at August 31, 200Y.

## Deferred Revenue:

The total amount of actual revenue received from the county treasurer in Revenue Account 3600 – State Forest, for the months of July and August 200Y, must be classified as a General Fund Liability, in the General Ledger Account 750 – Deferred Revenue, as reported on the district's Annual Financial Statements at August 31, 200Y.

Cash Management:

1. An emergency advance of apportionment may be requested, if necessary, by school board resolution for fiscal years starting September 1, 200X and September 1, 200Y.
2. The district must manage all finances in such a way as to maintain positive cash balances and not require an emergency advance of apportionment for FY 200X-0Y.
3. The district shall reconcile monthly to the County Treasurer's statement, using the general ledger trial balance, within 7 calendar days of receipt of the statement.
4. The district will not commit any accounts payable, payroll, or other obligations for payment to the County Treasurer without prior ESD \_\_\_\_\_ approval.

Budget Control:

1. The district shall make no interfund loans or equity transfers without prior ESD \_\_\_\_\_ approval.
2. If the actual student enrollment in September 200X does not equal or exceed the level assumed in the budget, immediate action will be taken to further reduce the expenditures in FY 200X-0Y.
3. Any increases in budgetary authority for FY 200X-XY (as set forth in the General Fund Budget) must be reviewed and approved by Mr./Ms. \_\_\_\_\_ of Educational Service District \_\_\_\_\_ and incorporated in an approved General Fund Budget Extension. As a reminder, Budget Extensions must be approved by the school board and ESD before incurring expenditures in excess of the current appropriation level.
4. The district superintendent shall conduct monthly budget meetings with district building administrators and the district finance officer.
5. The district superintendent shall be notified of and approve all budget and financial adjustments.

Reporting:

1. Financial reports are to be presented to the board of directors and ESD \_\_\_\_\_ on or before the 15<sup>th</sup> of each month. Additional reports must be made to the school board and ESD \_\_\_\_\_ as may be necessary to fulfill this plan and its stewardship.
2. The district shall provide monthly cash flow statements to the board of directors, ESD \_\_\_\_\_ and the \_\_\_\_\_ County Treasurer, immediately accounting for any type of funding arrangements, on or before the 12<sup>th</sup> and 25<sup>th</sup> of each month.
3. The district shall comply with all timelines for financial and other required reports per laws, rules and regulations.

Purchasing:

The district will establish and administer an effective system to control purchasing; to wit:

1. The district shall use an encumbrance method beginning September 200X for all purchase orders. All purchase orders will be encumbered at the time they are submitted.
2. 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.

Staffing:

1. The district shall not issue staff contracts, to include hourly personnel and supplemental contracts, without prior board approval and ESD \_\_\_\_\_ input.
2. Each month the 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 Mr./Ms. \_\_\_\_\_ of Educational Service District \_\_\_\_\_.
3. The district shall use and maintain, during the fiscal year, a payroll encumbrance accounting method, to include contract and non-contract personnel, beginning September 200X.
4. A staffing report by program, name, FTE and total pay shall be provided to ESD \_\_\_\_\_ no later than \_\_\_\_\_, 200X.  
(Month) (Day)

Monitoring, Consulting, and Interpretation:

1. The district shall develop and submit a plan to ESD \_\_\_\_\_ and OSPI which portrays how the district will eliminate the existing deficit fund balance and cash flow problems. This plan shall be submitted no later than \_\_\_\_\_, 200X.  
(Month) (Day)
2. The school district administration and board of directors shall utilize the services and advice of Mr./Ms. \_\_\_\_\_ 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.
3. The district shall participate in periodic on-site reviews of all accounting and financial records by ESD \_\_\_\_\_ and/or OSPI. This shall include monthly or more frequent meetings to review the district's financial status in conjunction with at least the district's business manager.
4. The District shall submit agendas for all board meetings and workshops to ESD \_\_\_\_\_ in advance of the meetings.
5. All questions and interpretations of the terms established in this letter will be made by Mr./Ms. \_\_\_\_\_ of \_\_\_\_\_ Educational Service District. Appeals of his/her interpretations will be made in writing to the Director, School Financial Services, OSPI.

A copy of this letter must be included with the district's FY 200X-0Y 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 district to ensure future financial stability. They should include:

- The district following the Accounting Manual for Public School Districts in the State of Washington, published by the Office of Superintendent of Public Instruction.
- The district should enter invoices and "commit" all financial activities into the WSIPC computer file upon receipt in the appropriate month.
- The 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 district's business office to monitor budget to actual expenditures on an ongoing basis and report any variances to the district superintendent, board and ESD \_\_\_\_\_.

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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