

Internal Monitoring Report
December 12, 2017

Policy: Financial Condition and Activities
Policy Type: Executive Limitation
Policy No.: EL 2.3
Period Monitored: November 2016 — November 2017

This report monitors the Board of Education's Executive Limitation Policy:

The Superintendent shall neither cause nor allow the development of fiscal jeopardy or a material deviation of actual expenditures from Board priorities established in District Ends policies.

Among other things, the Superintendent shall not cause or allow the District to:

1. *Expend more funds than have been received in the fiscal year to date unless the debt guideline below is met.*
2. *Indebt the organization in an amount greater than can be repaid by certain, otherwise unencumbered revenues by the end of the fiscal year.*
3. *(a) Allow fund reserves to be unreasonably low or (b) use Board-designated or long-term reserves.*
4. *Cause or allow a financially illiquid condition.*
5. *Expend funds for any purpose other than to achieve District Ends, unless required to comply with Executive Limitations.*
6. *Conduct inter-fund shifting in amounts greater than can be restored to a condition of discrete fund balances by certain, otherwise unencumbered revenues by the end of the fiscal year.*
7. *Acquire, lease, encumber or dispose of real property.*
8. *Sell any significant portion of the organization's assets.*
9. *Substantially change the principal educational purpose of a school by closing or repurposing it, or by consolidating or combining it with another school.*

Internal Monitoring Report (Continued)
December 12, 2017

Policy: Financial Condition and Activities
Policy Type: Executive Limitation
Policy No.: EL 2.3
Period Monitored: November 2016 — November 2017

10. *Cause or allow a material amount of undisputed accounts payable to be substantially overdue.*
11. *Violate any provision of any bond debt, lease or other obligation.*
12. *Achieve compliance with these provisions by endangering future capacity to achieve District Ends.*
13. *Fail to settle payroll, accounts, debts and other fiscal obligations in a timely manner.*
14. *Fail to make tax payments and other government ordered payments and filings timely and accurately.*
15. *Fail to aggressively pursue receivables after a reasonable grace period.*
16. *Fail to prudently dispose of surplus assets, as long as the guideline for selling significant portions of the organization's assets is not violated.*
17. *Fail to establish prudent reserves for contingent obligations.*

This report is presented in accordance with the Board's monitoring schedule. I certify that the information is true and complete.

Sandra Smyser, Ph.D.
Superintendent of Schools

December 12, 2017

Executive Summary:

The main emphasis of this Policy relates to the District's ability to manage financial resources. This is measured by assessing the District's performance relative to the following activities:

- Accurately projecting and monitoring fiscal year revenues and expenditures to ensure that funds are not used beyond what is received unless the use of reserves/fund balance/net position has been planned
- Maintaining adequate reserves or fund balances/net position to provide for unforeseen circumstances as well as for specific purposes
- Maintaining enough cash on hand to meet obligations in a timely manner (planning for cash flow fluctuations)
- Handling daily financial transactions in an efficient, effective manner, while complying with legal and other provisions as well as District-established policies and procedures.

The timing of this Internal Monitoring Report coincides with the completion of the District's external audit and issuance of actual financial statements for the 2017 fiscal year; therefore audited information for the 2017 fiscal year has been incorporated into the Evidence sections presented in this report. This Evidence includes information supporting the following statements.

- Historically, the District's actual financial results compare favorably with budgeted amounts.
- Audited results for the 2017 fiscal year show a positive net change in fund balance for the Bond Redemption Fund. Although audited results for the 2017 fiscal year show a negative net change in fund balance/net position for the District's General, Capital Projects, Public School Activities, Food Service, Employee Self-Insurance, and Warehouse Funds, the use of fund balance was anticipated and considered in developing the 2017 fiscal year budgets.
- During the 2017 fiscal year, the District did not incur external debt to meet short-term cash flow obligations.
- The District maintains reserves and appropriately classifies the reserves in order to understand what resources are required, committed, assigned or unassigned at the end of the fiscal year. Additionally, the District has taken steps to ensure the minimum unassigned reserve balance of 3% is restored by the end of fiscal year 2018.
- Cash flow projections were used to predict cash flow needs, and the District was able to make payments when due.
- Daily transactions were managed in an efficient, effective manner.

Policy Wording:

The Superintendent shall neither cause nor allow the development of fiscal jeopardy or a material deviation of actual expenditures from Board priorities established in District Ends policies.

Among other things, the Superintendent shall not cause or allow the District to:

Interpretation:

The District interprets *shall neither cause nor allow the development of* to mean shall not bring about or permit the occurrence.

The District interprets *fiscal jeopardy* to mean authorizing payments when the source of income to fund the payments has not been determined or not having the cash on hand to make payments when they are due.

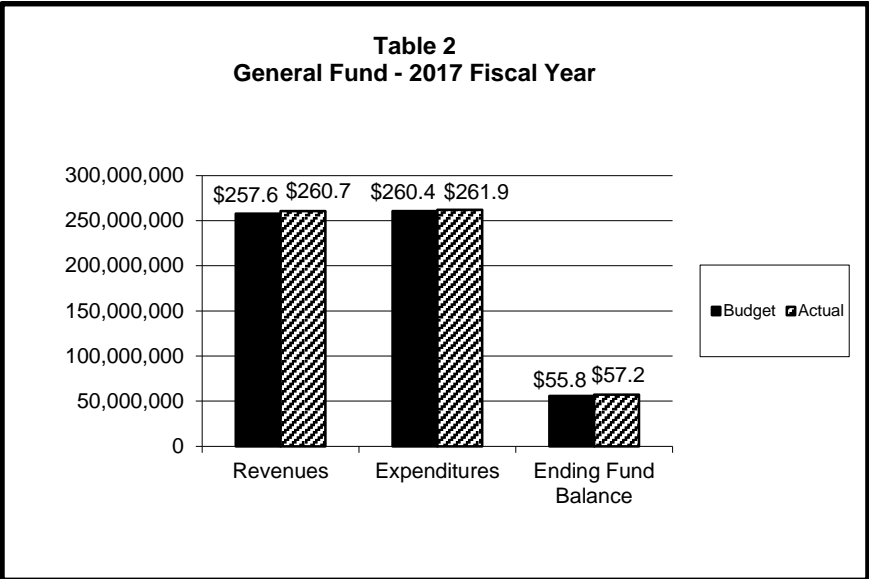
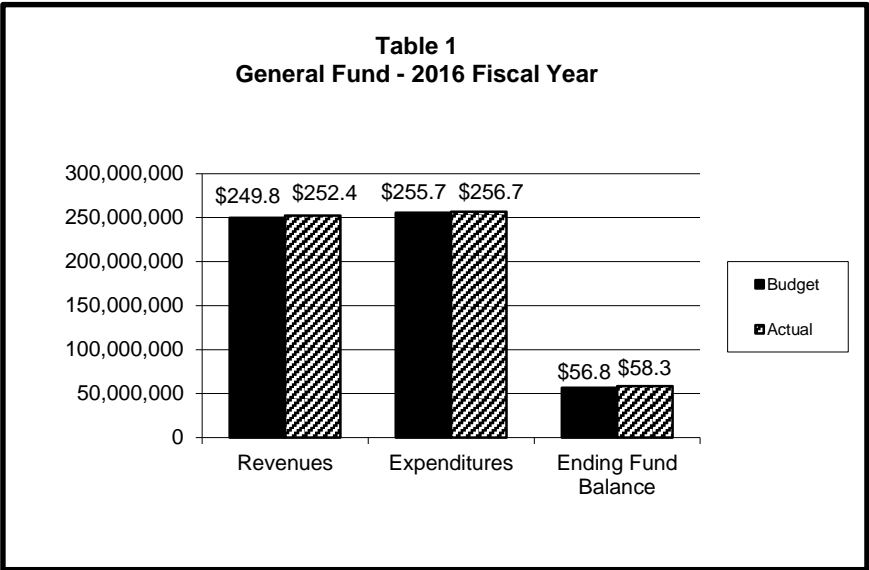
The District interprets *a material deviation of actual expenditures from Board priorities established in District Ends policies* to mean that the actual expenditures of the District would not be questioned by an informed person about whether District Ends priorities are being considered.

The District interprets *among other things, the Superintendent shall not cause or allow the District to* mean that although not inclusive of all that should be considered in relation to Financial Conditions and Activities, what follows in the Executive Limitation shall not be brought about or permitted to occur by the Superintendent.

Evidence:

Financial planning and budgeting is executed in a manner that reduces the possibility of fiscal jeopardy and which is consistent with priorities identified by the Board in District Ends. Therefore, comparing actual expenditures to projected, or budgeted, expenditures will indicate whether either fiscal jeopardy or a material deviation from Board priorities has occurred.

The following charts show budgeted revenue, expenditures and ending fund balance, for the District's General Fund on a budgetary basis compared to actual results for the 2016 and 2017 fiscal years.



As shown in Table 1 and 2, the 2017 fiscal year actual results are similar to the 2016 fiscal year. It should be noted that actual results for revenues, expenditures, and fund balances all slightly exceeded budgeted amounts in both years. However, since expenditure amounts include the use of prior year carryovers the District has not materially deviated from the approved budget. Based on this evidence, the District has met the expectations outlined in Executive Limitation (EL) 2.3.

Policy Wording:

Executive Limitation 2.3.1—Expend more funds than have been received in the fiscal year to date unless the debt guideline below is met.

Interpretation:

The District interprets *expend more funds than have been received* to mean making payments in excess of the amount that has been collected.

The District interprets *in the fiscal year to date* to mean at no time during the fiscal year, July 1 to June 30 of each year.

The District interprets *unless the debt guideline below is met* to mean if the criteria described in Executive Limitation 2.3.2 has been considered, the District may expend more funds than have been received. Furthermore, the District interprets that if the Board has authorized through a resolution using beginning fund balance/net position for a fiscal year, this limitation is superseded according to the specifics included in the Board resolution.

Evidence:

Since expenditures are generally higher than revenues for the District's General Fund during the first eight months of the fiscal year, more funds than received must be expended during these months. This monthly cash flow variation occurs because the majority of property tax revenues are received in the latter part of a fiscal year while the majority of the expenditures, employee compensation, are fairly consistent from one month to another. Since it is necessary for the District to spend more funds than have been received during a portion of the fiscal year, the debt guideline explained in Executive Limitation 2.3.2 needs to be considered. This guideline provides for using revenues received by the end of the fiscal year to repay amounts owed. This means that as long as the amount received by the end of the fiscal year satisfies the obligations of the District, the District has met the expectations outlined in Executive Limitation 2.3.1.

If revenues were not adequate during the course of a fiscal year to provide for expenditures, and the District must use accumulated fund balance/net position to meet the obligations, state statute requires the Board to authorize such use of the beginning fund balance/net position in the form of a resolution. A review of net changes, revenues under or over expenditures, at the end of a fiscal year for each fund will determine the funds for which this type of resolution is mandatory. The table below summarizes the audited net change, revenues under or over expenditures, of each of the District's funds for the 2017 fiscal year:

Table 3 - 2017 Fiscal Year Net Change	
Fund	Amount
Bond Redemption	\$2,221,270
Capital Projects	(\$9,587,777)
Employee Self-Insurance	(\$287,630)
Food Service	(\$97,095)
General	(\$1,474,372)
Public School Activities	(\$486,136)
Warehouse	(\$45,876)

The resolution authorizing the use of beginning fund balance/net position explains each fund's decrease and why the decrease will not lead to an ongoing deficit in the fund. This resolution was presented to the Board at the meeting held on June 14, 2016 for the 2017 fiscal year and on June 13, 2017 for the 2018 fiscal year. A negative net change in any given fiscal year needs to be considered in relation to the fund's overall fund balance/net position trends.

The reduction of fund balance in the General Fund of \$1.5 million was primarily the result of funded pupil count coming in significantly under budgeted amounts. The District's adopted budget anticipated a funded pupil count (fpc) increase of 384.4 fpc, while the actual increase came in at 62.4 fpc. The fund balance decrease would have been larger had the District not implemented budget reduction measures. These measures consisted of sweeping excess carryover and ongoing budget reductions. These changes helped mitigate the fund balance decrease that was observed. The reduction of fund balance in the Capital Projects Fund was the result of the ongoing use of 2010 bond proceeds and as expected due to the nature of this fund. Other fund changes were minimal and will continue to be monitored.

Based on the identified evidence, the District has reasonably met the expectations outlined in Executive Limitation 2.3.1.

Policy Wording:

Executive Limitation 2.3.2—Indebt the organization in an amount greater than can be repaid by certain, otherwise unencumbered revenues by the end of the fiscal year.

Interpretation:

The District interprets *indebt the organization in an amount greater than can be repaid by certain, otherwise unencumbered revenues* to mean agreeing to pay for goods or services that have not been budgeted for; the source of funds for the payments has not been identified.

The District interprets *by the end of the fiscal year* to mean by June 30 of each year.

Evidence:

All funds of the District ended the 2017 fiscal year with a positive fund balance or net position amount. This is evidence that Executive Limitation 2.3.2 was successfully

administered. Fund balance or net position represents the fund's total assets minus its liabilities (what a fund owns minus what it owes). Furthermore, it was not necessary during the 2017 fiscal year for the District to borrow any funds from an outside agency through a Tax Anticipation Note or the State's Interest Free Loan Program. It is important to note however, that the District is currently participating in the Interest Free Loan Program in fiscal year 2018. The need to participate in this program going forward is primarily due to increased reliance on local property tax over state equalization. It is anticipated that the District will need to continue participation in this program in the foreseeable future.

Based on the evidence, the District has met the expectations outlined in Executive Limitation (EL) 2.3.2.

Policy Wording:

Executive Limitation 2.3.3—(a) Allow fund reserves to be unreasonably low or (b) use any Board-designated or long-term reserves.

Interpretation:

The District interprets *allow fund reserves to be unreasonably low* to mean to permit the occurrence of the accumulated fund balance or net position, revenues in excess of expenditures, available at the end of a fiscal year which carry to the next fiscal year to be too small to be considered reliable for providing funds for unforeseen circumstances or events that create the need to use these resources.

The District interprets *use any Board-designated or long-term reserves* to mean funding an expenditure from an accumulated resource that has already been identified for a specific purpose per Board approval or an accumulated resource that has been identified as a source for a specified future use of funds. The District interprets this to mean that within the District's General Fund, unavailable resources should be classified as nonspendable, restricted, committed or assigned fund balance.

Evidence:

Board-approved Policy DBAA – General Fund Balances provides formal guidance related to the appropriate levels of fund balances of the District's General Fund. This policy emphasizes that the District shall strive to maintain appropriate fund balances within the General Fund to maximize resources in support of student education while at the same time complying with the requirements of governing law, mitigating financial risk and ensuring the District's financial stability. Furthermore, the policy specifies fund balance levels that are intended to: (a) provide sufficient cash flow for daily financial needs; (b) secure and maintain investment grade bond ratings; (c) offset significant economic downturns or revenue shortfalls; and (d) provide funds for unforeseen expenditures related to emergencies.

Policy DBAA – General Fund Balances also specifies fund balance categories and definitions consistent with Governmental Accounting Standards Board ("GASB") Statement No. 54. This statement provides for five separate categories of fund balance,

based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts can be spent: nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance.

Finally, the Policy specifies prioritization of fund balance usage as well as maintaining an unassigned fund balance appropriated reserve within the range of 3 to 5 percent of each fiscal year's expenditures and other financing uses with stipulations for replenishing shortages as well as use of funds in excess of 5 percent.

As indicated in the Interpretation above, the District strives to maintain an unassigned fund balance appropriated reserve between 3 and 5 percent of General Fund expenditures and other financing uses. The unassigned reserve for the 2017 fiscal year represents approximately 1.6 percent of General Fund expenditures and other financing uses of approximately \$244.6 million on a budgetary basis. This is the second consecutive year that this reserve has been below required levels and where Policy DBAA calls for "shortages resulting in a reserve amount of 1% up to but not including 3% shall be replenished over a period of time not to exceed two years.", therefore the District has not meet the requirements of this policy nor expectations under this Executive Limitation.

The Board has been made aware of this situation taking the following actions to swiftly correct this deficiency: (a) In FY2016-17 the District swept reserves from schools and departments, (b) identified \$2.6 million from the 2016 Mill Levy Override election that will be unspent and retained as reserves, and (c) a modification to the Board contingency reserve from 2% to 1%. While reserve levels at June 30, 2017 did not meet the policy requirements, the steps taken above should bring the current fiscal year 2018 estimate of 3.9% will exceed the required 3 percent minimum by June 30, 2018, barring any material unforeseen events.

Based on the evidence, the District has not met the expectations outlined in Executive Limitation (EL) 2.3.3.

Policy Wording:

Executive Limitation 2.3.4—Cause or allow a financially illiquid condition.

Interpretation:

The District interprets *cause or allow a financially illiquid condition* to mean to bring about or permit the occurrence of a situation where the cash on hand is not adequate to make payments when due.

Evidence:

By analyzing the District's cash flow, the District projects how much money will be in the bank at a given point in time. This allows the District to predict shortfalls in cash balances before they occur and respond accordingly. Since the majority of the District's revenues and expenditures are generally predictable, the District can ensure that the

cash balance on hand is adequate to make payments when due. During the 2017 fiscal year, the District did not borrow any money during the year to be able to pay expenses. The combined cash and investments of the District were sufficient to cover the temporary cash deficit in the General Fund due to timing of revenues and expenditures. Expenditures are higher than revenues during the first eight months of the fiscal year because the majority of property tax revenues are received in the latter part of a fiscal year.

Based on the evidence, the District has met the expectations outlined in Executive Limitation (EL) 2.3.4.

Policy Wording:

Executive Limitation 2.3.5—Expend funds for any purpose other than to achieve District Ends, unless required to comply with Executive Limitations.

Interpretation:

The District interprets *expend funds for any purpose other than to achieve District Ends* to mean use money for reasons that conflict with the objectives outlined by the Board of Education in the District Ends policy.

The District interprets *unless required to comply with Executive Limitations* to mean that any expenditures necessary to the operations of the District supported in Executive Limitations policies should be permitted.

Evidence:

The District utilizes a budget development process to identify the use of available District funds in consideration of priorities established in District Ends and Executive Limitations, which are the District’s core instructional, guiding and supporting processes. This budget process is explained in the Internal Monitoring Report dated January 10, 2017 for Executive Limitation 2.4—Financial Planning and Monitoring. Since actual expenditures as reported were not materially different from budgeted amounts, it is reasonable to conclude the District is in compliance with this limitation.

Based on the evidence, the District has met the expectations outlined in Executive Limitation (EL) 2.3.5.

Policy Wording:

Executive Limitation 2.3.6—Conduct inter-fund shifting in amounts greater than can be restored to a condition of discrete fund balances by certain, otherwise unencumbered revenues by the end of the fiscal year.

Interpretation:

The District interprets *conduct inter-fund shifting* to mean transfer money from one of the District's funds to another of the District's funds.

The District interprets *in amounts greater than can be restored* to mean in quantities more than can be returned to the original fund by the borrowing fund.

The District interprets *to a condition of discrete fund balances* to mean to a position where each fund balance or net position of the District funds, revenues over or under expenditures, is isolated to that fund's financial transactions.

The District interprets *by certain, otherwise unencumbered revenues by the end of the fiscal year* to mean projected sources of income in a fund that haven't been identified as a source for another purpose and which can be used by a borrowing fund to repay the amount borrowed.

Evidence:

It is sometimes necessary during a fiscal year for one fund to borrow money from another fund due to timing of revenues and expenditures. Audited results for the 2017 fiscal year show the amounts owed from one fund to another at June 30, 2017; the amount reflected is an amount due to the General Fund from the Designated Special Purpose Grants Fund and the Food Service Fund for \$3,873,013. This occurred for two reasons. First, as a result of General Fund covering payments on behalf of the Designated Special Purpose Grants Fund for grants that provide funds on a reimbursement-only basis as is the case with many of the federal grant funds, i.e., Title I, IDEA, Head Start and Early Head Start. Second, as a result of indirect costs charged to the Food Service Fund after the end of the fiscal year. Both of these transactions were appropriately accounted for in the CAFR. Such amounts are generally repaid within 90 days of the fiscal year end.

Based on the evidence, the District has met the expectations outlined in Executive Limitation (EL) 2.3.6.

Policy Wording:

Executive Limitation 2.3.7—Acquire, lease, encumber or dispose of real property.

Interpretation:

The District interprets *acquire, lease, encumber or dispose* to mean to obtain by purchase, gift or bequest; to obligate current or future revenues for the use or purchase; or to give, sell or transfer property.

The District interprets *real property* to mean land, permanent buildings, and items attached or affixed to the land such as site improvements.

Furthermore, the District interprets that if the Board has approved the transaction, this limitation has been superseded.

Evidence:

Any additions or disposals of real property are accounted for in the District's fixed asset database and are reported in the District's annual financial statements. For the 2017 fiscal year, based on the annual reporting, the District controls were effective as no situations are noted where the Board did not approve a purchase or disposal related to real property.

The Board did approve one transaction during the 2017 fiscal year associated with real property of the District:

- In June 2017, the Board approved an option contract to purchase land in Wellington for the new High School site. At this time, this purchase has not been finalized.

Additionally, no other transactions associated with real property occurred without the Board's consent.

Based on the evidence, the District has met the expectations outlined in Executive Limitation (EL) 2.3.7.

Policy Wording:

Executive Limitation 2.3.8—Sell any significant portion of the organization's assets.

Interpretation:

The District interprets *sell any significant portion of the organization's assets* to mean to exchange or deliver for money any substantial component of the District's property. The District interprets a substantial component to be a single asset with a value equal to or greater than \$250,000 and/or consisting of real property.

Furthermore, the District interprets that if the Board has approved the transaction, this limitation has been superseded.

Evidence:

During the 2017 fiscal year, the District did not sell any single asset with a value equal to or greater than \$250,000 and/or consisting of real property. The Board did authorize a transaction related to real property as described in the Evidence section of this report for Executive Limitation 2.3.7.

Based on the evidence, the District has met the expectations outlined in Executive Limitation (EL) 2.3.8.

Policy Wording:

Executive Limitation 2.3.9—Substantially change the principal educational purpose of a school by closing or repurposing it, or by consolidating or combining it with another school.

Interpretation:

The District interprets *substantially change the principal educational purpose of a school* to mean to alter the use of one of the District’s schools.

The District interprets *by closing or repurposing it* to mean eliminating the use of a District school building for any District purpose or using a District school building for a purpose not associated with a school.

The District interprets *or by consolidating or combining it with another school* to mean moving one school into another school’s building and eliminating one of the schools affected or moving one school into another school’s building and changing the individual schools affected.

Evidence:

During the time period evaluated for inclusion in this Monitoring Report, no instances of closing, repurposing, consolidating or combining a school occurred.

Based on the evidence, the District has met the expectations outlined in Executive Limitation (EL) 2.3.9.

Policy Wording:

Executive Limitation 2.3.10—Cause or allow a material amount of undisputed accounts payable to be substantially overdue.

Interpretation:

The District interprets *cause or allow a material amount of undisputed accounts payable* to mean to bring about or permit owing a significant number of vendors or owing a significant amount of money to a single vendor for property delivered or services provided for which no additional evidence is required to determine the validity of the amount owed.

The District interprets *to be substantially overdue* to mean to be considerably late in relation to the due date of vendor invoices remitted to the District for goods received and/or services provided.

Evidence:

Payments to vendors are normally processed in a weekly check run in order to ensure timely payment. All invoices are reviewed to verify receipt of goods and/or services as they are received, within a few days of receipt. If no further evidence is necessary to determine the validity of the amount owed, the invoice is paid in the upcoming weekly

check run. Additionally, if necessary, Finance Department staff can provide a check outside of the normal weekly check run. The ability to do this ensures that any undisputed accounts payable that are overdue and brought to the attention of the Finance Department will be immediately resolved. Additionally, at times invoices are received that lack evidence of receipt of goods or services provided. These invoices are not paid until evidence is provided that supports receipt of the goods or services. The process described in this section was followed throughout the time period covered in this monitoring report.

Based on the evidence, the District has met the expectations outlined in Executive Limitation (EL) 2.3.10.

Policy Wording:

Executive Limitation 2.3.11—Violate any provision of any bond debt, lease or other obligation.

Interpretation:

The District interprets *violate any provision* to mean to disregard requirements such as laws, rules, contracts or promises.

The District interprets *of any bond debt, lease or other obligation* to mean of any agreement to use District funds to a) repay borrowed funds, b) pay for the use of goods and/or services, or c) pay for certain goods received by the District and/or services provided to the District.

Evidence:

The District has an experienced accounting staff that monitors compliance with provisions included in bond debt, lease or other obligations. Furthermore, the District is subject to an annual external audit. The auditors evaluate compliance with certain provisions of debt, lease and other obligations that they are aware of, and they have indicated no violation issues. The District has not been made aware of any violations that have occurred.

Based on the evidence, the District has met the expectations outlined in Executive Limitation (EL) 2.3.11.

Policy Wording:

Executive Limitation 2.3.12—Achieve compliance with these provisions by endangering future capacity to achieve District Ends.

Interpretation:

The District interprets *achieve compliance with these provisions* to mean to successfully meet any requirements provided for in agreements to use District funds to make payments.

The District interprets *by endangering future capacity to achieve District Ends* to mean by putting at risk the ability to meet the objectives identified and adopted by the Board in the District Ends policy.

Evidence:

As explained in the monitoring report for Executive Limitation 2.4, the District's financial planning and budgeting are derived from a multi-year plan. Professional staff is responsible for analyzing primary factors which impact projected revenues and expenditures and effectively determining ongoing versus one-time revenues and costs. Considering multi-year impacts in the budgeting process helps reduce the risk that current compliance with provisions related to bond debt, lease or other obligations would jeopardize future ability to meet priorities established in District Ends.

Based on the multi-year plans, the District has met the expectations outlined in Executive Limitation (EL) 2.3.12.

Policy Wording:

Executive Limitation 2.3.13—Fail to settle payroll, accounts, debts and other fiscal obligations in a timely manner.

Interpretation:

The District interprets *fail to settle payroll, accounts, debts and other fiscal obligations* to mean inaction by staff to provide funds for all amounts rightfully owed by the District including, but not limited to, paying employees for services, paying external vendors for goods and/or services, and paying entities for repayment of borrowed funds.

The District interprets *in a timely manner* to mean using a method that provides for payment on or before a specified due date if applicable, or if a due date is not specified, provides for payment in a reasonable and appropriate amount of time.

Evidence:

Payroll is processed on a monthly basis and employees are paid on the last working day of the month. Weekly check runs provide payments to external vendors. Accountants use debt schedules to ensure that payments are made on time. When staff becomes aware of an issue related to a fiscal obligation that has not been settled in a timely manner, they work to resolve it. The District maintains staff in the Payroll and Finance Departments to ensure that payroll, accounts, debts and other obligations are paid in a timely manner. The process described in this section was followed throughout the time period covered in this monitoring report and believes obligations have been met in a timely manner.

Based on the evidence that the obligations have been met in the timeliness prescribed, the District has met the expectations outlined in Executive Limitation (EL) 2.3.13.

Policy Wording:

Executive Limitation 2.3.14—Fail to make tax payments and other government ordered payments and filings timely and accurately.

Interpretation:

The District interprets *fail to make tax payments and other government ordered payments and filings* to mean inaction by staff to remit amounts owed to the government including, but not limited to, federal, state and Medicare taxes deducted from employees' gross pay amounts, Medicare contributions charged to the District, and unemployment claims.

The District interprets *timely and accurately* to mean payment of the correct amount on or before a specified due date if applicable, or if a due date is not specified, payment in a reasonable and appropriate amount of time.

Evidence:

Any and all tax payments for other government ordered payments and filings that the District is aware of have been made. As part of the monthly payroll process, the income taxes withheld from employees' gross pay amounts and PERA employer and employee contributions are remitted to the appropriate entities. Since these amounts are normally remitted only monthly, at the end of the month, the District advances some money to the governments to ensure that a sufficient amount is on hand to cover any liabilities that occurred throughout the month. The District has a history of receiving refunds from quarterly and annual filings providing evidence that correct amounts have been paid. The District has made all current payments and is not currently aware of any issues that would fail to meet the expectation related to this limitation.

Based on proper payments, the District has met the expectations outlined in Executive Limitation (EL) 2.3.14.

Policy Wording:

Executive Limitation 2.3.15—Fail to aggressively pursue receivables after a reasonable grace period.

Interpretation:

The District interprets *fail to aggressively pursue receivables* to mean inaction by staff to systematically and forcefully seek payment of monies due and owed to the District.

The District interprets *after a reasonable grace period* to mean initiating proceedings for collecting money owed to the District subsequent to a realistic amount of time after the date the amount owed to the District was due. The District interprets a period of 30-60 days as reasonable depending on the type of receivable.

Evidence:

Timing of receipt of the majority of the District's revenues is fairly predictable. The District monitors actual revenues and responds to situations where it appears that an expected source of revenue is not being remitted to the District in a timely manner. Finance Department staff does use an effective and systematic procedure to track and pursue miscellaneous accounts receivable such as all-day kindergarten tuition, building rental revenue, etc. If the grace period has lapsed for a particular receivable, and it is identified as significant, it is forwarded to a collection agency. Only approximately \$4.2 million of the District's \$360.0 million in revenues is actually invoiced as accounts receivable (around 1.2 percent). The process described in this section was followed throughout the time period covered in this monitoring report.

Based on the evidence, the District has met the expectations outlined in Executive Limitation (EL) 2.3.15.

Policy Wording:

Executive Limitation 2.3.16—Fail to prudently dispose of surplus assets, as long as the guideline for selling significant portions of the organization's assets is not violated.

Interpretation:

The District interprets *fail to prudently dispose of surplus assets* to mean inaction by staff to carefully arrange for the removal of property which the District owns but no longer has a use in the District.

The District interprets *as long as the guideline for selling significant portions of the organization's assets is not violated* to mean unless a considerable part of the District's property is being exchanged or delivered for money.

Evidence:

The District utilizes a number of methods to sell excess and unwanted items. During the 2017 fiscal year, the District used the websites publicsurplus.com and govdeals.com to dispose of these items. These web-driven auction sites are an effective way for governmental agencies to dispose of property that is considered obsolete. Additionally, the District has a contract with Dell for the disposal of retired computers. During the 2017 fiscal year, the District received \$27,606 from the sale of fixed assets and \$76,243 from the sale of non-fixed assets. District Purchasing and Warehouse staff is involved in determining whether an item meets District criteria for being obsolete. They also ensure that each individual item does not exceed a value of \$250,000 or is considered real property. Any sale of individual items of \$250,000 or consisting of real property would require Board approval. The process described in this section was followed throughout the time period covered in this monitoring report.

Based on the evidence, the District has met the expectations outlined in Executive Limitation (EL) 2.3.16.

Policy Wording:

Executive Limitation 2.3.17—Fail to establish prudent reserves for contingent obligations.

Interpretation:

The District interprets *fail to establish prudent reserves* to mean inaction by staff to maintain an adequate and practical amount of fund balance, accumulated revenues in excess of expenditures, that are unassigned at the end of a fiscal year for the following fiscal year in the District's General Fund. As mentioned earlier in the report, the District's Board of Education revised Policy DBAA – General Fund Balances in June 2014 that specifies a target unassigned fund balance of 3 to 5 percent of each fiscal year's expenditures and other financing uses.

The District interprets *for contingent obligations* to mean for unforeseen circumstances that would create the need to use District funds.

Evidence:

The District strives to maintain an adequate reserve to cover contingent obligations as specified in Policy DBAA – General Fund Balances. June 2017 unassigned appropriated reserve is approximately 1.6 percent of General Fund expenditures and other financing uses. Since this reserve amount is below 3%, the District is currently working to raise reserve levels back to an acceptable level. This is anticipated to occur in fiscal year 2018. See EL 2.3.3 for additional information.

Based on the evidence, the District has not met the expectations outlined in Executive Limitation (EL) 2.3.17.