

Board Special Meeting
State Auditor Exit Conference; Budget Work Session
Tuesday, May 29, 2018,
Board Office Conference Room, John Stanford Center
2445 – 3rd Avenue South, Seattle WA 98134



Minutes

Call to Order

Call to Order

This meeting was called to order at 4:30 pm. Mack, Harris, Patu, Geary and Pinkham were present. Director Burke arrived at 4:37pm.

This meeting was staffed by Assistant Superintendent for Business & Finance JoLynn Berge.

The Washington State Auditor Office (SAO) exit conference was presented by Assistant State Auditor Rae Estelle, Audit Manager Joe Simmons, and Assistant Audit Manager Sherry Chang. Ms. Estelle explained what the purpose of the audit was. She reviewed the federal audit findings and explained the included letter.

Director Mack asked if the SAO is following national standards. Mr. Simmons explained the SAO reports for the District are in compliance with State requirements. School districts, per the State Accounting Manual may report on an Other Comprehensive Basis of Accounting.

Director Mack asked how many States are not following GAAP. Mr. Simmons did not have an exact number but explained some States do not follow the GAAP. Ms. Berge added Washington State does not require following a full GAAP. And we are in compliance with our accounting manual, that was developed with Office of Superintendent of Public Instruction guidelines.

Ms. Estelle spoke about an unmodified notation on federal awards. For the Special education grant, the district did not have proper controls over contracts and summarized the recommendation. Ms. Berge explained we are now in compliance with federal procurement rules. The updates were completed during the year under audit.. And she believes the District does have a best practice in place. SAO concurred.

Ms. Estelle explained the additional report on internal control over financial and compliance that can be found within the report. Ms. Estelle spoke about the eight areas that were reviewed this year by the SAO. It was found that in most areas there were no concerns, however two areas had issues and she explained one area that a finding was listed. Ms. Estelle spoke about the management letter that was issued. She reviewed the letter and recommendations. SAO staff stated the District has already taken steps to correct these areas.

Director Harris asked what the scope of concern is for the management letter. Ms. Estelle explained how procurements can piggyback off another contract in another stated, but the district must confirm our state law and policy was being followed and following the district requirements. She stated the District had begun working on this issue prior to the audit beginning.

Director Mack asked if this process requires a legal review. Ms. Berge explained this is something the purchasing and contracting department will track and maintain. If they have any questions they will reach out to our legal department

Ms. Estelle reviewed the accountability report. She summarized that in the 2015-16 school year the district reported two separate losses. She explained the management letters were given to the management and steps to strengthen the processes have been made.

Director Mack asked how much was reported. Ms. Estelle gave an approximate total amount \$6,500 for the two combined.

Director Geary asked when and how do you decide what to audit the following year. Ms. Estelle explained they select the audits on a risk based approach.

Director Harris asked how is staffing determined. Ms. Estelle the SAO does try to keep the same auditor in charge for five years.

Adjourned at 5:12pm

Reconvened at 5:30pm

Assistant Superintendent of Business and Finance JoLynn Berge introduced Capital Project Financial Manager Melissa Coan. Ms. Berge summarized the agenda and outcomes for this meeting. Ms. Berge explained the public hearing for the budget will be on June 27th. She spoke about the operation levy, she explained the budget was built for the maximum amount to be approved. She reviewed the recommendation for the levy be at \$2,500 per pupil, with capacity to collect more if the legislature again changes the levy rules and gives districts the ability to collect additional levy dollars. She reviewed the importance of capacity.

Director Mack asked how is enrollment being projected. Ms. Berge explained a three and five year average of growth. She spoke about how 5% enrollment growth per year will likely be the percent. The District has to make sure the estimate is big enough, because we are only allowed to collect for what the actual amount is, this amount factors in potential legislative changes and enrollment changes.

Director Harris asked if the District will have the opportunity to ask for less money in November. Ms. Berge explained it may be able to adjust our resolution, but we will have already went to OSPI with that amount. Deputy Superintendent Stephen Nielsen explained the cost of the ballot depends on who else is running an item. Ms. Berge spoke about additional due dates for items to OSPI. Mr. Nielsen spoke about the November board meetings dates and when the items are due to the King County.

Director Mack asked if a chart has been developed for voters. Ms. Berge spoke about the chart available in the budget book that shows what funding percentages and where each percent goes. She spoke about the consulting company Strategies 360 who will be developing a recommendation. The polling questions will be going out in the next few days and she gave additional examples of items to come from them.

Ms. Berge asked for the board consensus of the maximum levy amount, which is currently \$2,500 per pupil. All directors concurred.

Ms. Berge reviewed the budget outlook summary for school years 2019 to 2022. She explained this will be the information going out to OSPI. She added other school districts will have similar four-year projections. The Legislature has made changes and improvements but they have not come far enough yet. Ms. Berge reviewed the four-year forecast by fund. She explained the numbers line up with the surplus and deficit.

Director Harris asked if other districts that are bargaining for 18%. Ms. Berge explained she was unaware of any district asking for 18%, SPS we have a 3% increase we plan for that on total expenditures.

Ms. Berge spoke about the Associated Student Body (ASB) and debt service fund budget. She reviewed the adopted budget that will be presented for ASB. She spoke about the debt service fund. She explained the district will be making a payment for that John Stanford Building bond. Director Geary asked what is a typical debt service for most school districts. Ms. Berge explained for a district this size it is a very small bond. We have very little debt for any district. Director Pinkham asked if we have found a replacement for funds with candy being removed from buildings. Ms. Berge explained no, when the rules for healthy foods were changes that is considered funds lost.

Director Geary asked what is our current bond rate. Ms. Berge explained we have the highest rate that a school can receive in Washington State.

Director Patu asked when a fund is left from an exiting class, what happens? Ms. Berge explained the class will decide prior to leaving. They can leave it to class behind them, or buy a gift to school.

Ms. Coan spoke about the actual, current and recommended budget for the capital fund. She noted we have a built-in budget capacity for the fund.

Director Harris asked if a visual item is available to show the transfers. Ms. Coan explained where it can be found in the budget book.

Ms. Coan reviewed the capital project funding sources and the available non-levy state funding sources. Ms. Coan spoke about the activity by program. She reviewed where funds remain and what each ending balance is estimated at. She explained the major funds for the capital project expenditures.

Director Mack asked if we have an overview of which buildings are an area of concern for having a seismic project. Director of Capital Projects & Planning Richard Best explained all but two schools will be seismic ready.

Director Harris asked if volunteer projects include surplus property sales. Ms. Coan explained self-help have been funded \$30K and approximately for \$70K in grants. Ms. Coan summarized the recommended total use of capital funds.

Ms. Berge gave an update on the current waitlists.

Director Mack asked what meeting will be having capacity and waitlist discussions. Ms. Berge explained we do not have a meeting scheduled. And unless some other policy vehicle is given we will be following the currently approved student assignment plan.

Director Harris asked is the Ingham waitlist divided by grade according to policy. Ms. Berge explained very few kids are past 9th grade and she will speak with Director of Enrollment & Planning Services, Ashley Davies to confirm.

Director Mack asked if the executive committee should lead a conversation on what schools have waitlists. Mr. Best reminded the board the work session will cover capacity and waitlists was cancelled.

Director Harris asked the board members to come to a consensus to add an hour to an upcoming work session to cover capacity and waitlists. All directors agree to have this meeting added.

Adjourned at 6:52pm