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## **Feasibility of a Financial Warning System for Washington State School Districts**

Shawn Lewis, CPA

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**FEASIBILITY OF A FINANCIAL WARNING SYSTEM  
FOR WASHINGTON STATE SCHOOL DISTRICTS**

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EMPA 396  
Capstone Project  
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## **ABSTRACT**

An abstract of the thesis of Shawn Lewis for the Master of Public Administration presented December 19, 2007 at Golden Gate University.

**Title:** Feasibility of a Financial Warning System for Washington State School Districts.

In the past five years, several Washington State School Districts have experienced a financial crisis. In the summer of 2007, one school district was dissolved due to its inability to remain a going concern from a financial perspective. Current information provided to those who monitor the school districts is not predictive of such events and may only provide data that would detect a financial crisis that has been occurring for several months or longer. In addition, the current reporting system for Washington State School Districts is comprehensive, but the data and information provided by the system is neither intuitive nor easily understood by experienced users.

The purpose of the present study was to determine the feasibility of developing a financial warning or indicator system for Washington State School Districts.

This study also sought to answer the following questions: 1) Is there a perceived need for a financial warning system to be developed? (2) What are the greatest risks that should be addressed in a financial warning system or indicator system? and (3) Are there examples of financial indicator systems or financial warning systems in place in other States that Washington State School District's could adapt to meet the of its customers?

The research questions were addressed through the collection of survey data, interviews of key stakeholders, a review of applicable literature, and a review of systems in place in other State systems.

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## **INTRODUCTION**

In October 2002, in the midst of closing the financial books for the 2001-02 school year, Seattle School District officials noticed that something looked wrong. There was significantly less money on hand, fewer receivables, more payables and more expenditures than anticipated at the end of the year. In fact, the figures were not even close to what was expected. On December 19, 2002, only two months later, the Seattle Post-Intelligencer reported that "the Seattle School District took the unusual step yesterday of hiring an auditor, Seattle-based Moss Adams Advisory Services, to investigate its \$34 million budget shortfall and recommend ways to avoid similar problems in the future."

Several years later, a much smaller school district of only 89 students found itself in the midst of a financial crisis. Unlike the Seattle School District, which has significant flexibility in the use of its resources, the Vader School District did not hire an auditor and could not find a way out of the financial hole it had gotten itself into. The Vader School District could not find the resources to continue basic operations, including doing repairs to the school to ensure that children were warm, safe and dry while attending school. On June 23, 2007, the Longview Daily News reported that the district had taken a step even more unusual than the one taken by the Seattle School District several years earlier, "The Vader school board voted to dissolve in March after the third consecutive failed levy and bond. The board said the district simply didn't have enough money to keep operating and state officials said they wouldn't allow the district to continue on such shaky financial ground."

In the center of these two Districts, both geographically and in terms of size, lies the North Thurston Public Schools, considered large in the State of Washington. At 13,000 students it has not had significant financial problems since the late 1990's, when it was forced to borrow temporarily from the Capital Projects Fund to cover payroll expenses during the year. While the financial position of this district had improved steadily from the year 2000 until 2006, the District's fund balance began to decrease at an alarming rate thereafter. In October 2007, District officials reminded the School Board that its financial position was now at the absolute minimum level required to meet daily expenses, and below the level required to meet any emergency situation that may arise. Further, in the process of selling Bonds in October 2007, Moody's Investors Service noted that the District's reserves were significantly below its desired level – and Moody's indicated the District would be required to build its fund balance level if it wished to retain its A1 rating in the future.

These three Washington State school districts and their individual financial situations found similar questions asked by concerned citizens, the media and elected officials. The questions included: (1) How did the situation occur so suddenly?, (2) Why didn't the public know about the situation earlier? and, not surprisingly (3) Who was minding the store? While some would contend that these situations did not occur suddenly and that the public had ample opportunity to identify the situation before it rose to "crisis" level – those same individuals assume that the financial reporting systems of school districts are transparent and meaningful to those who are interested in the financial health of the systems.

Unfortunately, these individuals are misled. Financial systems of school districts in Washington State are so complex and the required reports are so voluminous, that clear and concise information about the financial health of a school district is difficult to find – even for a well-trained and experienced school administrator.

The research questions that will be addressed in this project surround the issues that are identified above. Specifically, the overarching research question is “What is the feasibility of creating and implementing a financial indicator or warning system for Washington State School Districts. As sub-questions, the following questions will be researched and addressed:

(1) Is there a perceived need for a financial indicator system or financial warning system in Washington State School Districts?

(2) What are the greatest risks that should be addressed in a financial warning system or indicator system, if one were developed?

(3) Are there examples of financial indicator systems or financial warning systems in place in other States that Washington State School District’s could adapt to meet the of its customers?

### **LITERATURE REVIEW**

The review of prior research and other literature related to the research questions fall into three primary categories. The first category relates to the financial reporting and internal control system within governments and school systems. The second category of literature relates directly to practices and predictors that are in place or recommended for school district reporting. Finally,

literature was reviewed associated with funding, concerns and risks associated specifically with Washington State School Districts.

### **Financial Reporting and Internal Controls**

The Committee of Sponsoring Organizations (COSO) of the Treadway Commission defined Internal control as “a process, effected by an entity’s board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations”

(Definition and other supporting concepts can be found online at [www.coso.org](http://www.coso.org)).

This definition has been almost universally accepted by all stakeholders including the federal government, external auditors, internal auditors, financial officers in governmental entities, and associations of elected officials. While this has been generally accepted as a definition, there has been a need for clarification by groups since its adoption.

Arguably the most influential document providing clarification on internal controls has been the “Yellow Book” – or the Generally Accepted Governmental Auditing Standards. While not widely read by stakeholder groups, the Yellow Book is the mandatory guidance that external auditors must follow when conducting audits. Through the establishment of auditing standards for all governmental audits for entities that receive federal funds (which includes all



public school districts within Washington State), the General Accounting Office has established a list of items which constitute internal control deficiencies within the definition provided by COSO. When these deficiencies exist, the Yellow Book requires auditors to report these deficiencies in the final audit report as findings. Current examples of internal control deficiencies in the Yellow Book include [Emphasis added]:

- a. Insufficient control consciousness within the organization, for example the tone at the top and the control environment.
- b. Ineffective oversight by those charged with governance of the entity's financial reporting, performance reporting, or internal control, or an ineffective overall governance structure.
- c. Control systems that did not prevent or detect material misstatements so that it was later necessary to restate previously issued financial statements or operational results.
- d. Control systems that did not prevent or detect material misstatements identified by the auditor.
- e. An ineffective internal audit function or risk assessment function at an entity for which such functions are important to the monitoring or risk assessment component of internal control,
- f. Identification of fraud of any magnitude on the part of senior management.

- g. Evidence of intentional override of internal control by those in authority to the detriment of the overall objectives of the system.
- h. Inadequate design of information systems general and application controls that prevent the information system from providing complete and accurate information consistent with financial or performance reporting objectives and other current needs.

(Comptroller General of the United States, p 175-6). This subset of examples from the Yellow Book is those which would be addressed in part by an effective monitoring system which may include a financial warning and indicator system.

A group at the forefront of internal control guidance and promotion has been the Institute of Internal Auditors. They routinely provide information to senior management and elected officials regarding internal controls – including one publication targeted directly at this audience entitled “Tone at the Top”. In one issue, the IIA states “monitoring confirms that all five components [of internal control systems] are in place, properly designed and functioning effectively. [Entities] can reduce the cost and effort of monitoring by building it into the process.....Furthermore, highly effective ongoing monitoring activities may offset the lack of separate evaluations”, made difficult by the lack of personnel in small entities. (Institute of Internal Auditors, p 3).

Another group that provides training on internal controls is the Association of Certified Fraud Examiners. This group was established by Joseph Wells, who

has done significant research on fraud and has documented methods to commit frauds and ways to prevent and detect these frauds. He indicates that "internal controls are only part of the answer to fraud detection." He makes the point that "internal controls can have a deterrent effect only when the employee perceives such a control exists and is for the purpose of uncovering fraud" (Wells, p 517). Wells further identifies that individual document review and sampling procedures may be less effective than horizontal and vertical analytical review. This is because many frauds are perpetrated by the elimination or falsification of individual documents. (Wells, p 520).

The Governmental Accounting Standards Board (GASB) has codified requirements for financial reporting in generally accepted accounting and reporting. Concept statements are codified and some of the concepts have been carried forward for decades. For instance, the GASB still refers to a 1970 statement on accountability in the Public Sector which identifies four parts of accountability: "financial resources, faithful compliance..., efficiency and economy in operations, and the results of government programs and activities" (GASB, p B-41). In its introduction to the sweeping financial reporting changes provided by GASB Statement Number 34, the GASB recognized "the citizenry, legislative and oversight bodies, and investors and creditors" as the primary users of financial statements and reports. Further, the GASB stated that "Accountability is the paramount objective of governmental financial reporting..." (GASB, p A-60).

If citizens, legislators, and oversight bodies are the targeted users of financial reports for accountability, then it follows that the information must be easily understood to be utilized for monitoring purposes or that these groups should have extensive training on how to utilize the comprehensive financial reporting that is provided currently. But how about investors and creditors? The Washington School Bond Manual indicates that rating agencies "review prior budgets and audited financial statements" but that ratings and analysis focus on "debt management and general fund balance reserves, as well as any other factors that drive general fund revenue, such as enrollment trends" (WSSDA, p 66). Further, "a rating agency evaluates a district's local economy and factors which could affect a district's ability to repay debt" (ibid), which are not included in the financial reporting system for Washington State School Districts. Despite the reliance on data that is outside the financial reporting system, every effort should be made to continue to provide financial and audit reports requested by municipal bond clearing houses. Failure to do so will impact a school district's bond rating and may reduce the number of potential buyers of its bonds on the open market, effectively driving up the interest rates and ultimately the cost of borrowing to taxpayers within the district (Flanigan, p 118).

### **Recommended Practices and Predictors for Financial Systems**

In developing a financial indicator or warning system, a review of recommended practices and predictors in financial systems is necessary.

The Fiscal Crisis and Management Assistance Team of California identified seven conditions that are consistently present in districts dealing with a fiscal crisis: "Leadership breakdown, ineffective communication, inadequate budget development, limited budget monitoring, poor position control, ineffective management information systems, and inattention to categorical programs" (FCMAT Predictors, p 1).

Another set of predictors identified in California School Districts includes "the collapse of the district's physical infrastructure". (Perry, p 24) In addition, the study identified enrollment trends, total revenue levels per student, and stability of the superintendent and business officer, as significant (Perry, p 46 – 60). When business officers were asked to identify issues that were beyond their control and were a significant risk, enrollment trends, special education costs, staff costs (primarily health care costs), and transportation costs were among the identified issues (Perry, p 77).

Ammar, Duncombe, Jump, and Wright identify four general components in an indicator system: short-run condition, student performance, economic measures and long-run financial condition (Ammar, p 22). While recognizing that student performance permeates every aspect of a school district, the other three areas are directly associated with a district's fiscal health. Within the short-run component: liquidity, tax capacity, and fund balance are major sub-components that are recommended for inclusion in a system. Within the long-run component: revenue sources and trends, debt, and again fund balance are recommended elements. Finally, economic measures include cost factors (such as poverty

factors, special education and limited English proficient student percentages), population and enrollment, and employment conditions. (Ammar, p 23-25).

Mead identifies several tools to analyze the financial condition of a school district. He states that comparisons with like-size school districts or "common size ratios) are important indicators that can provide a context for understanding financial statement information (Mead, p 60). He further identifies financial position and changes in financial position as important to identify where a district is now, liquidity ratios to identify short-run stability and solvency ratios (debt ratios) to determine long-term stability (Mead, p 60 – 69).

In "The Six Habits of Fiscally Responsible Public School Districts", Johnson and Moser recommend school districts adopt strategies to: minimize administrative costs, outsource non-instructional services (to reduce costs), manage employee health benefits effectively, structure capital costs (and associated debt) effectively, participate in school choice programs (specific to Michigan), and reform collective bargaining (Johnson, p 7 -8). While this paper does not provide indicators of financial stability, it does provide a subtle but direct recommendation on what areas are important to review.

The Rubenstein study also does not provide specific indicators, but instead makes a clear case that capturing cost data by function is a recommended practices. Further, the study indicates that this cost data may be best compared across districts and not within districts – for instance between schools within a district. The reason for this is the number of costs that are determined or assigned to at a District level, such as the determination of

salaries or the allocation of legal costs, audit costs, human resource costs and the like. "Cost functions may be particularly useful for evaluating performance and efficiency in school systems facing severe financial constraints....[but] are likely to impose the most prodigious data requirements and may be the least intuitive of the four methods [analyzed]" (Rubenstein, p 68).

Finally, in the study entitled "Strengthening the Financial Accountability of Illinois School Districts", the authors identify several areas of focus for policies to increase accountability. This also provides a view of important indicator areas through a different lens. The areas identified in this study are: debt capacity and management, capital asset management, fund balances and reserves, budget to actual monitoring, risk management, purchasing, vehicle acquisition and the use of fees and one-time revenues (Msall, p 7).

### **Washington State School District Financial Issues**

As this project intends to determine the feasibility of a financial indicator or warning system for school districts within Washington State, it would have been an oversight not to examine literature specific to Washington State School District funding and perceived risks and needs. There were several sources to draw from, as the funding of K-12 education has been the topic of concern and focus in the courts, in the legislature, and of course at the local level for the past several years.

In "An Evidenced-Based Approach to School Finance Adequacy in Washington", issues identified as detrimental to student performance include teacher salaries that are below regional and national labor markets, inadequate

resources for technology integration in the classroom, and teacher class sizes over 25. (Picus, p 3). The report indicates that more funding is needed, but it is the way that school districts allocate money that will make the largest impact. This indicates that some level of activity reporting is important to monitor.

Conley's Adequacy Study was much more direct in recommendations for additional resources. It recommends that funding be targeted directly at the school - based on the grade levels it serves. Further, it recommends the development of "better data reporting systems statewide that contain information on student outcomes, demographics, and enrollments that can be compared to fiscal expenditure patterns for individual schools" (Conley, p 4). This approach would require significantly more effort at the district level to allocate costs among and across schools – but if structured correctly, would not impact the feasibility of a fiscal warning or indicator system.

Aos, Miller and Mayfield have issued the first of many studies planned on the costs and benefits of certain Washington education policies. In this study, focused on class size and full-day kindergarten programs, the authors indicate that costs and benefits will be evaluated based on the expected monetary value against the costs of the program or policy. (Aos, p 4) Interestingly, Washington State School Districts currently have no reporting mechanisms that report data about actual class size or distinguish the costs of all-day kindergarten from half-day programs. As financial indicator systems are developed, detail level reporting must be maintained – and in this case, enhanced - to ensure that data



required by policy makers at the state and local levels are available to determine impacts of policy decisions.

Mertens reports that the Joint Task Force Created to Establish a New Basic Education Funding System for Washington State includes the requirement that “the task force recommendations must provide maximum transparency of the K-12 funding system so that parents, citizens, and school personnel understand how the system is funded; and, the funding structure must be linked to accountability for student outcomes and performance” (Mertens, p 3).

The article written by Hardy regarding the First Class Education movement may not appear to be specific to Washington State – and it is not. This organization has been working throughout the nation; proposing the requirement that 65% of all expenditures in a school district be spent “in the classroom”. This proposal has been floated at the legislative level in Washington State, and has gained some traction. The importance of this article in the review is to highlight the perceived importance of continuing to distinguish “classroom level” expenditures from other expenditures and how the classification of expenses becomes important in such a debate. For instance, Hardy points out that critics of First Class Education agree in principle with the intent to get more money into the classroom – “but would you want them at the expense of school counselors, nurses, librarians or diesel fuel for your buses?” (Hardy, p 1). In addition, this article points out that only measuring the monetary factor (expenditures) may not show that classrooms receive more services – only that

the services provided cost more. Without other information, efficiency and effectiveness go unmeasured (Hardy, p 2).

### **METHODOLOGY**

Determining the feasibility of a financial warning or indicator system began with the need to determine whether there was a perceived need for such a system by potential users of the system. The premise was that school district administrators would be resistant to implement such a system, if it was not perceived as desirable by School Board members, the public, or other interested parties. In addition, determining the perceived data needs of these users was significant in assessing the feasibility. The following information provides an overview on the development and methods used in the distribution of the survey document designed to answer these questions.

#### **Survey Development and Distribution**

An initial draft of the survey was created with the intent to address the research questions and provide demographic data for analysis purposes. The initial draft was shared with three school district finance directors, an Educational Service District business officer, and a budget official of Washington State accustomed to determining the needs of state officials and legislators. These individuals were asked to complete the draft survey and provide feedback about the survey document. The results of this test distribution were not included in the analysis, but the final survey was distributed to these individuals.

The result of the test distribution was the addition of several questions, creation of several additional options for consideration by survey respondents,

and the clarification of several questions. This second draft was then distributed to three business officials and a school board member for a final review. The draft was further forwarded to others and received wider distribution - and ultimately it was determined to utilize the second draft as the final. While it was originally planned to reduce the number of questions slightly, the number of survey results that had been collected were relatively substantial and no changes were identified that would have the potential to adversely impact the results of the study.

The survey (as shown with the results summarized in Appendix A) was distributed utilizing [www.surveymonkey.com](http://www.surveymonkey.com). This online survey collection system allowed for a link to the survey to be distributed to email addresses and further forwarded as users deemed appropriate. The initial group distribution of the survey was to a variety of email distribution lists including: Washington School Business Officials, Washington School Directors, Washington School Administrators, and Washington State Legislators. In addition, the survey was sent to the two largest Chamber of Commerce organizations in Washington State. The survey document was further emailed directly to individuals that were known to have an interest in school finance and reporting systems, including individuals within the Office of the Superintendent of Public Instruction and the State Board of Education. In addition to the use of email, surveys were provided in paper form to members of several classes at the Washington State School Directors Annual Conference – which helped to bolster the survey results for the primary target – potential users of financial information in school districts.

### **Personal Interviews and Discussions**

In addition to the survey document, additional information was collected through interviews with small groups and individuals after the survey results were collected. These groups included discussions with the House Appropriations Education Subcommittee, the Governor's Office Budget Director for K-12 education, and individual school business officials.

### **Selection of States for Review**

Another research question was to determine if other financial warning or indicator systems exist that could be adapted or replicated for use in Washington State School Districts. The review of other systems was limited to analyzing systems in other states focused on school district financial reporting.

In order to select States for review, the Google search engine was identify states which reported financial indicator or warning systems. In addition, individual State Boards of Education websites were searched to determine if references to financial indicator systems were present.

In addition to these steps, the Department of Education's ERIC research system was utilized to search for School District Financial Indicator Systems and variations of these key words. Both the documents that surfaced and the associated reference lists were reviewed to determine if additional sources were available. Based on all these methods, the systems that exist in the states of Illinois, California, Florida, Ohio and New York were selected for review.

### **Selection of School Districts for Review of Financial Data**

In order to address the research questions associated with the development of a financial indicator system and the adaptability and replicability of other systems, school districts in the State of Washington were selected to determine whether data already exists that could be utilized in such as system and whether the system would provide meaningful data for users. School districts were selected based on interviews with school business officials and utilizing selections that would represent a variety of school district types (small vs. large, rural vs. urban, in financial trouble vs. financially stable).

### **Limitations of Research**

It is recognized that the data collected from the survey and other results may not be representative for users of financial information from Eastern Washington. The results of the survey collections were extremely biased towards Western Washington, and interviews performed by the researcher were overwhelmingly from individuals residing and working in Western Washington. While one can draw overall conclusions based on the data collected, additional work will be required to determine if the results can be applied to school districts in Eastern Washington.

In addition, the number of survey responses received from Legislators and from "other users" is limited. While deemed sufficient for purposes of this study, additional work would be required to draw conclusions regarding the needs of the Washington State Legislature and the general public.

## **SURVEY FINDINGS**

### **Current System is Satisfies Majority of Respondents**

The responses received associated with the current system were not consistent with the perceptions of the researcher or with key informants assisting with the development of the survey. It was believed that users of the current system were generally unhappy with the current system: specifically, there is typically a recurring theme from School Administrators and School Board members and others regarding the lack of useful data that is provided in the current system and the timeliness of the reporting that is provided in the current system.

Interestingly, nearly two-thirds of all respondents either felt very satisfied or satisfied with the current financial reporting system utilized by their local school system. When disaggregated, Legislators and State Elected and Appointed Officials are the most satisfied with school administrators followed closely behind. Even though they trail other groups in terms of satisfaction, a super-majority (60%) of School Board members are satisfied with the information provided by the current system.

There are two noteworthy comments associated with this finding. First, the current financial system for nearly all school districts in Washington State provides a high level monthly budget vs. actual report and a comprehensive financial report at the end of each year. Typically, other information is only provided upon request or as deemed necessary by the Superintendent of each School District. It is understandable that Board members and other potential

users would feel satisfied with the current system if they did not perceive their district to be in danger of suffering a fiscal crisis. The second item of note relates to Districts that have undergone a fiscal crisis. It is not unusual that Administrators and Board members quickly move from satisfied to dissatisfied once they receive the year end report showing their District has moved into a fiscal crisis.

### **Development of A Financial Warning System is Necessary**

Even though they are satisfied with the current system, there was general agreement from survey respondents regarding the need to develop a financial indicator or warning system. This need was expressed by a large percentage of those who indicated satisfaction with the current reporting system. Further, the group that was the most satisfied with the current system (Legislators, Elected and Appointed Officials) also had the highest percentage of individuals indicating that the development of a financial indicator system was very important or important (81%). The next highest group in terms of importance was School Board members, where 75% of the group felt that the development of such a system was very important or important. This was followed by school administrators with 70%.

This question also generated several comments which provided valuable data. Specifically, several school board and legislative respondents indicated that they were happy with the current system – but felt that a more intuitive reporting system with only the “most important” data put “in context” would be helpful. One respondent referred to the possibility of having a “dashboard

system” – which would provide information like in a car. For instance, getting speed information is important data when driving a car – but other related information may be less important (such as number of tire rotations per minute). It was pointed out that even this data is only helpful if one knows both “the speed limit and if the speed limit happens to be the safe driving speed given current weather and road conditions.”

### **Significant Risks and Meaningful Information Identified**

Respondents were given two opportunities to identify risk areas and information that they believed would be relevant in a financial indicator or warning system. Interestingly, even though provided the opportunity to identify other items of interest or risk areas – no respondents provided an option that was not listed.

The most significant risk areas identified by respondents were in order of significance (1 = significant to 4 = not a risk): under-funding facility maintenance (1.62), inadequate financial resources for current year (liquidity) (1.8), inadequate cash flow (1.85), inadequate fund balance (also 1.85), and under-funding salaries compared to other districts (1.93). All other risk areas received are rating average over 2.0, meaning that they were perceived as less than a moderate risk.

When asked to identify important information for a financial indicator or warning system, over 90% of respondents identified: cash flow adequacy, budget compliance, enrollment trend information, fund balance adequacy, and information regarding capacity for future bargaining agreements. Two other



pieces of information captured more than 80% of respondents identifying the data as important, specifically: comparison of spending with benchmarks and information regarding capacity for continued school operations. Other items of information received less than an 80% rating, but only external rating information received less than a 70% importance rating.

### **Users Identified**

Respondents were asked to identify the most likely users of a financial warning system and for opinions regarding whether such a system would be utilized. School administrators and school board members were identified as the most likely user of the financial system. Of significant note, all school administrators and legislators identified school board members as a likely user of such a system – while just over 47% of school board members saw themselves as a likely user of the information. Likewise, just 31% of the legislators responding to the survey identified themselves as the primary user.

When asked whether a financial indicator or warning system would be used by interested parties, over two thirds (67%) indicated that it would. Nearly all other respondents were firmly on the fence, indicating that they were unsure. Only 4 respondents did not believe such a system would be utilized.

As an explanation of why users would not use a financial system, 57% of respondents indicated the information would be too complicated and just under half of those responding (48%) indicated that there is already too much information. One quarter of respondents indicated that interested parties do not take the time to do research, while only 5% believed the data would be

unreliable. This question generated the largest number of comments, mainly concerned with the tone of the question – those who commented were concerned that the options provided would bias responders and represented an unfair characterization of potential users and preparers of financial information.

### **Timeliness of Information**

Respondents reported that financial warning information should be provided quarterly or monthly (75%). Only 3% of respondents requested daily information, while 22% felt that the current annual reporting method was the appropriate timeframe. School Board members were consistent with the total population regarding while Legislators and school administrators tended to desire more frequent reporting.

### **Priorities Related to Providing Data**

Survey respondents were asked to prioritize five items in terms of the development of a financial warning system. By far, respondents felt that the ease of interpreting data is the most important aspect to consider in the development of a system. Following the ease of interpretation, cost of data collection and the comprehensiveness of data were the next highest priority items. Lower priority items were identified as the effort required to gather the data and the time lag that may occur to receive or report the data – typically these items are inter-related.

### **General Demographic Data**

Demographic data was clearly identified as optional on the survey. This was done to ensure that potential respondents were not dissuaded from

completing the survey. Very few respondents chose not to respond to demographic information. Most results were unremarkable: because a majority of school board members, school administrators, and state elected officials and legislators are male and between 40 and 65, our survey reflected the population. What was unexpected is that 92% of the survey respondents were from zip codes in Western Washington. This would inhibit any application of the survey results from being applied to Eastern Washington.

In terms of significance, the most significant response in terms of total population was in Board Members and State Legislators. Eight percent of all school board members in Washington State responded to this survey. Sixteen percent of all State Legislators from Washington State also responded.

## **RESEARCH RESULTS**

### **State of Illinois**

The State of Illinois has implemented a District Financial Profile System. This Illinois State Board of Education indicates that "the goal of the financial profile is to objectively assess the financial health of all school districts in order for the public to gain a better understanding of where their schools rank in comparison to others. This will be done through a process of benchmarking five indicators for school districts." (ISBE, p 2).

The five indicators that are utilized by Illinois are: Fund Balance to Revenue ratio, Expenditure to Revenue ratio, Days Cash on Hand, Percent of Short Term Borrowing Capacity Available, and Percent of Long-term Debt Margin Remaining.

The Fund Balance to Revenue ratio is year end fund balance amounts divided by annual revenue from the operating funds.

The Expenditure to Revenue ratio is total expenditures in the operating funds divided by revenue and unreserved, undedicated fund balances in operating funds. Fund balances are included to not penalize a district from utilizing fund balances to cover expenses over limited time periods.

Days Cash on Hand is a liquidity measure that is arrived at by dividing total cash and investments at year end by annual expenditures divided by 360. The objective of this measure is to determine how many days the district could make it with no additional revenue or cash being deposited.

The two remaining ratios are simply a determination of the amount of short and long term debt capacity that is remaining at year end.

All the factors utilized by the State of Illinois are year end numbers and calculations are therefore only available once per year. Each of the individual factors is given a specific weighting and the sum of the weighting shows the financial condition in the Profile System.

The result of the system is akin to a GPA for a student. If a student gets all As and one D in 6 courses, then the resulting average would be better than a B average – even if the student is in danger of failing English.

### **State of Florida**

“The 1997 Legislature created the Best Financial Management Practice Review for Florida school districts to: increase public confidence and support for districts that demonstrate good stewardship of public resources; encourage cost

savings; and improve school district management and use of resources

(OPPAGA, p 1).

Best practices are identified for 10 specific areas, including items such as Facilities Construction, Facilities Maintenance, Performance Accountability System, Student Transportation, Food Service Operations, and Cost Control Systems. Under each area, a list of best practices is identified. For instance, under the Performance Accountability System – one best practice is “the district uses appropriate performance and cost efficiency measures to evaluate its major educational and operational programs and uses these in management decision making” (OPPAGA, p 3). Another example of a best practice is “The district has a system to accurately project enrollment” (ibid).

The system in place in Florida allows a school district Board of Directors to vote for a review by the State of Florida, but only when a Board unanimously elects for a review and agrees to pay 50% of the costs to perform the review, does the State review a District’s progress toward best practices. In addition, if a District is found to be not using best practices, the OPPAGA two year action must be approved by the Board before it can be adopted by a District. Unless these conditions are in place, a district would typically be scheduled for a review once every five years. Any savings resulting from the implementation of best practices are required to be utilized “at the school and classroom levels for teacher salaries, teacher training, improved classroom facilities, student supplies, textbooks, classroom technology, and other direct student instruction activities” (Florida Title XLVIII, Section 1008.35 (19)).

It seems unlikely that a district in financial hardship or financial need would voluntarily enter this process. Even though there is not a significant incentive and best practices do not provide clear benchmarks or indicators, the best practice areas provide focus areas for use in the development of a financial indicator system.

### **State of Ohio**

The State of Ohio has implemented a system where school districts are evaluated annually based on financial data and set criteria. Based on the evaluation, districts may be identified in Fiscal Caution, Fiscal Watch, or Fiscal Emergency status. The following details are summaries of the Ohio Revised Code section 3316.

A district is deemed to be in Fiscal Caution status: if it fails to submit or update a five-year forecast; When there is a potential current year deficit with no acceptable plan in place to avoid the projected deficit; whenever any other "fiscal practices or conditions" that could lead to a declaration of Fiscal Watch or Emergency through the examination of a school district's five-year forecast required; when the Auditor of State certifies a deficit between 2% and 8% of prior year general fund revenue and elects not to place the district in Fiscal Watch; when the Auditor of State declares that a school district's financial records are unauditable; or when the Auditor of State identifies reportable conditions, material weaknesses, direct and material legal noncompliance or management letter comments which, in the opinion of the Auditor, the aggregate

effect of all such reported issues has an significant effect on the financial condition of the district.

A district will be in Fiscal Watch status if: an operating deficit has been certified for the current fiscal year by the Auditor of State, and the certified operating deficit exceeds 8% of the school district's general fund revenue for the preceding fiscal year; and the voters have not approved a levy that would raise enough money in the next fiscal year to eliminate the deficit. In addition, the a district may be placed in fiscal watch if all of the following conditions exist: (a) An operating deficit has been certified for the current fiscal year by the Auditor of State, and the certified operating deficit exceeds 2%, but does not exceed 8% of the school district's general fund revenue for the preceding fiscal year – and (b) the voters have not approved a levy that would raise enough money in the next fiscal year to eliminate the deficit - and (c) the Auditor of State determines there is no reasonable cause for the deficit or fiscal watch is necessary to prevent further fiscal decline.

A Fiscal Emergency exists when: an operating deficit has been certified for the current fiscal year by the Auditor of State, and the certified operating deficit exceeds 15% of the school district's general fund revenue for the preceding fiscal year; and the voters have not approved a levy that would raise enough money in the next fiscal year to eliminate the deficit. A fiscal emergency also exists if the State Superintendent reports to the Auditor of State that a district under fiscal watch is not complying with an original or updated recovery plan and the State Superintendent determines that fiscal emergency is necessary

to prevent further decline and the Auditor agrees.

In summary, Ohio determines financial health by evaluating the operating deficit in conjunction with voter approval to address the issue and debt management.

### **State of New York**

The New York Office of the State Comptroller has identified a Five-Point Plan for school financial accountability. Specifically, the Comptroller has indicated that school districts are not different from any business - sound fiscal practices should be instituted through "(1) developing sound financial checks and balances, (2) educating board members about their oversight roles and responsibilities, (3) ensuring audits are meaningful and accurate, and (4) facilitating the discovery and prevention of wrongdoing." (Office of State Comptroller, p 8). To that end, the Five-Point Plan focuses on the role of internal and external audits. Specifically, the plan calls for strengthening the internal claims auditor function, more rigorous external audit standards, new internal audit requirements, required audit committees, and finally school board member financial oversight training. In the detailed training manual, internal controls and indicators were vague in nature – just as in Florida. No specific indicators were identified.

### **State of California**

The State of California has a comprehensive fiscal oversight guide including specific criteria and standards for reviewing school district budgets.



Specifically, Appendix A of the Fiscal Oversight Guide provides the following criteria:

"Criterion Standard"

1. Average Daily Attendance

Funded average daily attendance (ADA) has not been overestimated in the first prior year or in two or more of the previous three years by more than the following percentage levels:

- 3.0% for districts with 0 - 300 ADA
- 2.0% for districts with 301 - 1,000 ADA
- 1.0% for districts with 1,001 - and over ADA

2. Enrollment

Projected enrollment has not been overestimated in the first prior year or in two or more of the previous three years by more than the following percentage levels:

- 3.0% for districts with 0 - 300 ADA
- 2.0% for districts with 301 - 1,000 ADA
- 1.0% for districts with 1,001 - and over ADA

3. ADA to Enrollment Ratio

Projected second period ADA to enrollment ratio for any of the budget year or two subsequent fiscal years has not increased by more than one half of one percent from the historical average ratio from the three prior fiscal years.

4. Revenue Limit

Projected revenue limit for any of the budget year or two subsequent fiscal years has not changed by more than one percent plus or minus the change in population growth and the funded cost-of-living adjustment from the prior year.

For basic aid districts, projected revenue limit has not changed by more than the percent increase in property tax revenues from the prior fiscal year.

For districts funded by necessary small school formulas, projected revenue limit has not changed by more than the prior year amount plus the funded cost-of-living adjustment.

5. Salaries and Benefits

Projected ratio of total salaries and benefits to total general fund expenditures (excluding transfers out and other financing uses) for any of the budget year or two subsequent fiscal years has not changed by more than two percent from the historical average ratio from the three prior fiscal years.

6. Other Revenues and Expenditures

Projected operating revenues and expenditures by major object category for any of the budget year or two subsequent fiscal years have not changed by more than five percent from the prior year amount.

7. Facilities Maintenance

Confirm that the annual contribution for facilities maintenance funding is not less than the amounts required pursuant to *Education Code* Section 17584, if applicable, and *Education Code* Section 17070.75.

8. Deficit Spending

Deficit spending (revenues plus transfers in and other financing sources, less expenditures, transfers out and other financing uses) resulting in a negative amount, as a percentage of total expenditures, transfers out and other financing uses, has not exceeded the following absolute percentage levels<sup>1</sup> in two out of three prior fiscal years:

- 1.7% for districts with 0 - 300 ADA
- 1.3% for districts with 301 - 1,000 ADA
- 1.0% for districts with 1,001 - 30,000 ADA
- 0.7% for districts with 30,001 - 400,000 ADA
- 0.3% for districts with 400,001 - and over ADA

9. Fund Balance

Budgeted beginning unrestricted general fund balance has not been overestimated for two out of three prior fiscal years by the following percentage levels:

- 1.7% for districts with 0 - 300 ADA
- 1.3% for districts with 301 - 1,000 ADA
- 1.0% for districts with 1,001 - 30,000 ADA
- 0.7% for districts with 30,001 - 400,000 ADA
- 0.3% for districts with 400,001 - and over ADA

10. Reserves

Available reserves for any of the budget year or two subsequent fiscal years are not less than the following percentages or amounts as applied to total expenditures, transfers out and other financing uses:

- the greater of 5% or \$50,000 for districts with 0 - 300 ADA
  - the greater of 4% or \$50,000 for districts with 301 - 1,000 ADA
  - 3% for districts with 1,001 - 30,000 ADA
  - 2% for districts with 30,001 - 400,000 ADA
  - 1% for districts with 400,001 - and over ADA"
- (FCMAT, Fiscal Oversight Guide, Appendix B).

The State of California also provides criteria and standards for school district interim reports, and while slightly different they are not significantly different than those used for budget review, so the information above will be utilized in evaluating replicability or adaptability for use in Washington State School Districts.

### **FINANCIAL INDICATOR AND WARNING SYSTEM DEVELOPMENT**

Based on the overall body of research conducted in this project, there are several components that should be included in a Washington State School District Financial Warning and Indicator System. These components include:

- (1) An Enrollment Indicator – as nearly all funding of Washington State School Districts is driven from a nine-month rolling average Full-Time-Equivalent formula;
- (2) A Liquidity Indicator – which will focus on cash and investments as the primary measure. This is due to most of the 295 school districts in Washington State still being “cash basis” entities;
- (3) A Facility Maintenance Indicator – a measure that should include the costs associated with maintenance and custodial care, as these classifications are sometimes “muddled” between districts;
- (4) A Fund Balance and Reserve Indicator – with a trend component included to determine changes in financial position;
- (5) A Budget vs. Actual Indicator – with particular attention paid to salary components and categorical programs;

- (6) Economic Conditions Indicators – with 17% of a school district's operating budget dependent on a popular vote, and with population changes impacting school programs, some economic indicators may serve as a predictor for upcoming fiscal issues;
- (7) A Debt Management Indicator – this may include both the remaining debt capacity and the current interest rate that was incurred by taxpayers on outstanding debt; and
- (8) Benchmark Indicators – focusing immediately on areas that are of public concern, but development of benchmarks and specifically what data is important should be a project for future research.

Based on the review of other State systems, it is evident that no single system will be perfect and that the systems currently employed in other states are not perfectly replicable for Washington State School Districts. However, each system has provided valuable indicators or recommendations that will be adapted for use in the indicator system developed as part of this project.

Also based on the research conducted, a Financial Indicator and Warning System would be more useful to users if it were easily understood and intuitive. To that end, the development of a "dashboard" system may improve the ability of Boards to provide regular monitoring and oversight over school district fiscal activities.

Appendix B includes fifteen school district sample reports utilizing the dashboard concept. Data was taken from the financial statements or other financial reports from the 2006-07 school year (fiscal year end 8/31/2007) of

each district. For study purposes Vader School District was included in the review for its final year as a school district prior to its dissolution. In addition, Shoreline School District has had significant financial issues. While Appendix B is not intended to be the final development of a Financial Warning and Indicator System, it is intended to provide an example of an indicator system that can be adapted and utilized for continued dialogue – as well as for a spring-board for system development.

## **CONCLUSIONS AND RECOMMENDATIONS**

### **Conclusions**

This research project was to address the feasibility of developing a financial warning and indicator system for Washington State School Districts. In summary, the research indicates that the development of such a system is feasible and warranted. There were three sub-questions that were posed as part of the research project and conclusions to each, based on the research conducted are provided below:

(1) Is there a perceived need for a financial indicator system or financial warning system in Washington State School Districts?

Conclusion: Survey respondents and the results of interviews indicate that there is a perceived need for a financial warning and indicator system. Surprisingly, most respondents indicated satisfaction with the current system but still felt that an indicator system was a worthy endeavor. Not surprisingly, policy makers and state level officials interviewed warned that such a system should supplement and not supplant the current financial reporting system in place.

Another surprise in the data was that less than half of school board members saw themselves as users of a financial indicator system and less than a third of local legislators saw themselves as users – yet the perceived need exists based on follow up conversations.

(2) What are the greatest risks that should be addressed in a financial warning system or indicator system, if one were developed?

Conclusion: The answer to this question is addressed in the previous section, indicating the eight components that should be included in a financial indicator system for Washington State School Districts. These individual indicators within these components may be adjusted and changed over the course of the development of an indicator system – but each component is important to allow the user to monitor the fiscal health of a school district.

(3) Are there examples of financial indicator systems or financial warning systems in place in other States that Washington State School District's could adapt to meet the of its customers?

Conclusion: The answer to this question is also addressed in the preceding section. Overall, it was important to review the systems in place in other states in determining the feasibility for such a system within the State of Washington. It was clear that each individual system and the benchmark indicators that were developed for each system is based on the individual funding methods utilized in the State – and it was equally clear that each system was a response to a perceived need within that State at a certain point in time. Each system had positive attributes that could be adapted for use within Washington

State, but no system reviewed was a perfect match for the funding and perceived needs in this State.

### **Policy Recommendations**

(a) Based on interviews with key stakeholder groups, it is recommended that **the development of a financial indicator system be sponsored by the Washington State School Directors Association or another association related to Washington State school districts.** Specifically, the Washington State School Directors Association, the Washington State School Business Officials, or the Washington Association of School Administrators could sponsor the development of an indicator system, but it is believed that the Washington State School Directors is positioned best to succeed in the implementation of a system by virtue of its position as a State Agency and the position of its members. It is important for the sponsor to work closely with the Washington State Auditor's Office and the Office of Superintendent of Public Instruction – to ensure that the data utilized in such a system continues to be required (or is developed) in the school accounting policies, which are jointly promulgated by those two agencies. Legislators, School Board members, and school administrators were cool to the idea of a legislative mandate regarding the development of an indicator system.

(b) Year-end data from common size school districts is reasonably available – but quarterly data is difficult, if not impossible to acquire. The state and regional systems could easily report key pieces of data quarterly, which would assist in the creation of benchmark data and common size comparisons

throughout the year. This would assist in the creation of an indicator system, but would also serve as a tool for school district officials to seek out best practices or solutions to issues in place in like-size school districts. It is recommended that the Office of Superintendent of Public Instruction and the nine educational service districts evaluate the feasibility of creating a quarterly reporting system of key benchmark indicators of fiscal health and stability.

(c) The Washington State Association of School Business Officials should develop guidelines and best practices for the creation of alternatives to the current monthly financial budget summaries provided to School Boards. Current reports provide little in the way of useful information. While easy to produce, there is no requirement that school business officials provide a monthly update utilizing the standard reports. Innovation would likely occur at a faster rate if there were some earlier implementers of a financial indicator system.

(d) Like nearly every other study reviewed on this topic, this researcher feels compelled to also recommend additional training for School Board members associated with monitoring school financial information. There is limited training provided in Washington State – and even that training has been cut back recently as School Board Members want more training on school reform efforts and are willing to reduce other training needs to address student achievement and performance. It is strongly recommended that the Washington State Legislature consider legislation that would require School Board Directors receive training in financial analysis and review



**processes.** The Washington State School Directors Association, the Washington State Auditor's Office, the Office of Superintendent of Public Instruction, and the Washington Association of School Business Officials could participate in the development of the learning objectives and appropriate assessments. The success of an indicator system, or any other financial reporting system, relies on the underlying assumption that Board members will monitor the data they are presented – and training is deemed necessary until 100% or Board members see themselves as users of financial information.

### **Possible Future Research**

There was little research identified that analyzed school districts that had implemented an indicator or warning system. One piece of research was noted regarding the Illinois system, and this focused on the perception of school Superintendents. A follow up to that study and to other systems could be to determine whether school districts actually are fiscally in better shape because a financial indicator system is put in place. Sub questions could include: Do districts in good financial health get better or does a financial indicator system only assist school districts in poor financial health? Do predictor systems reduce the number of districts that move into financial watch or warning designations?

A second area of future research that was identified surrounds the concept of School Board member training. This study makes the policy recommendation that additional training is necessary – but a topic worthy of research is to determine what impact Board Member experience and training has on the financial health of a School District. Anecdotal, it is clear that school

directors who have faced a real financial problem in the past, are more in tune with fiscal responsibility and the need for things like minimum fund balance levels – but this conclusion is not based on research. Further, it would be instructive to determine what types of training and experiences are perceived to make the most difference in improving the financial health of a school system.

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**APPENDIX A: SURVEY QUESTIONS AND SUMMARIZED RESULTS**

**Perception Survey of Washington State School District Stakeholders**  
**Shawn Lewis - EMPA 396 Capstone**  
**Golden Gate University**  
**Fall 2007**

**Q1. Please indicate below how you would rate the following risks in a Washington State School District:**

| Answer Options   | Significant Risk | Moderate Risk | May be a Risk in some Districts | Not considered a Risk | Rating Average | Response Count |
|--|------------------|---------------|---------------------------------|-----------------------|----------------|----------------|
| Inadequate Cash Flow                                   | 102              | 70            | 67                              | 0                     | 1.85           | 239            |
| Inadequate Financial Resources for current year        | 110              | 74            | 55                              | 0                     | 1.8            | 239            |
| Inadequate Fund Balance or Reserves                    | 100              | 80            | 56                              | 3                     | 1.85           | 239            |
| Underfunding salaries when compared to other Districts | 84               | 96            | 51                              | 8                     | 1.93           | 239            |
| Underfunding facility maintenance                      | 124              | 88            | 22                              | 5                     | 1.62           | 239            |
| Inadequate Property and Liability Insurance Coverage   | 34               | 52            | 113                             | 40                    | 2.65           | 239            |
| Inadequate Workers Compensation Insurance Coverage     | 41               | 43            | 95                              | 60                    | 2.73           | 239            |
| Lack of Public Confidence regarding use of resources   | 64               | 64            | 111                             | 0                     | 2.2            | 239            |

answered question 239

**Q2. How satisfied are you with the financial indicator system or financial reporting system that your local school district utilizes?**

| Answer Options  | Response Percent | Response Count |
|---|------------------|----------------|
| Very Satisfied - provides all information that I need   | 17.41%           | 39             |
| Satisfied - provides most information that I need   | 48.66%           | 109            |
| Somewhat Satisfied - provides some information that I need but other information that I need is unavailable | 29.02%           | 65             |
| Not Satisfied - provides little usable information  | 5.40%            | 11             |

answered question 224

**Q3. How important is it to create a statewide financial indicator system or reporting system that would provide consistent information regarding the financial risks of school districts and meaningful comparisons with other school districts?**

| Answer Options     | Response Percent | Response Count |
|--------------------|------------------|----------------|
| Very Important     | 38.22%           | 86             |
| Important          | 33.33%           | 75             |
| Somewhat Important | 21.78%           | 49             |
| Not Important      | 6.67%            | 15             |

answered question 225

**Q4. What information would be meaningful for you in a financial indicator or reporting system?**

| Answer Options   | Important | Not Sure | Not Important | Response Count |
|--|-----------|----------|---------------|----------------|
| Enrollment Trend Information                           | 209       | 8        | 8             | 225            |
| Budget vs Actual Warnings                              | 212       | 10       | 3             | 225            |
| Comparison of Spending by Category with Benchmark Data | 181       | 24       | 10            | 215            |
| Risk Exposure compared to Benchmark Data               | 148       | 52       | 7             | 207            |
| Fund Balance and Reserve Warnings                      | 215       | 6        | 4             | 225            |
| Cash Flow Information                                  | 208       | 10       | 3             | 221            |
| Ratings of the District by Outside Entities            | 83        | 85       | 36            | 204            |
| Funding available for Future Bargaining Agreements     | 181       | 36       | 2             | 219            |
| Funding available for Future School Operations         | 197       | 21       | 0             | 218            |
| Efficiency Information on Transportation Department    | 165       | 33       | 15            | 213            |
| Efficiency Information on Food Service Department      | 148       | 44       | 18            | 210            |

answered question 225

Comments

**Perception Survey of Washington State School District Stakeholders**  
**Shawn Lewis - EMPA 396 Capstone**  
**Golden Gate University**  
**Fall 2007**

**Q5. If a statewide financial indicator system were created, would it be utilized by interested parties?**

| Answer Options    | Response Percent | Response Count |
|-------------------|------------------|----------------|
| Yes               | 67.11%           | 151            |
| No                | 1.78%            | 4              |
| Unsure            | 31.11%           | 70             |
| answered question |                  | 225            |

**Q6. What do you believe are the primary reasons that such a system would not be utilized?**

| Answer Options  | Response Percent | Response Count |
|---|------------------|----------------|
| Interested parties generally do not take the time to do the research - they just make assumptions.  | 25.53%           | 48             |
| The information would be too complicated for the normal user to make decisions with.  | 57.45%           | 108            |
| The information would not be reliable because it is created by those who are responsible for the finances.  | 5.32%            | 10             |
| There is already too much information available about school district finances and it is not predictive - it only provides information about what has happened in the past. | 47.87%           | 90             |
| answered question   |                  | 188            |

**Q7. Who would be the most likely users of a well developed financial indicator or warning system?**

| Answer Options        | Response Percent | Response Count |
|-----------------------|------------------|----------------|
| School Board Members  | 64.00%           | 144            |
| Local Legislators     | 37.78%           | 85             |
| Researchers           | 28.44%           | 64             |
| Local Citizens/Voters | 16.44%           | 37             |
| School Administrators | 86.67%           | 195            |
| answered question     |                  | 225            |

**Q8. How often should financial warning information be updated in a financial indicator system for use by interested parties?**

| Answer Options    | Response Percent | Response Count |
|-------------------|------------------|----------------|
| Annually          | 22.22%           | 50             |
| Quarterly         | 43.56%           | 98             |
| Monthly           | 31.11%           | 70             |
| Daily             | 3.11%            | 7              |
| answered question |                  | 225            |

**Q9. Please prioritize the following related to development of a financial warning system:**

| Answer Options                         | High Priority | Medium Priority | Low Priority | Rating Average | Response Count |
|--|---------------|-----------------|--------------|----------------|----------------|
| Ease of Interpreting Data              | 206           | 16              | 0            | 1.07           | 222            |
| Comprehensiveness of Data Provided     | 160           | 62              | 0            | 1.26           | 222            |
| Speed (lower time lag) to Receive Data | 126           | 81              | 7            | 1.42           | 214            |
| Low Cost of Data Collection            | 161           | 49              | 4            | 1.28           | 214            |
| Low Effort to Collect Data             | 128           | 62              | 17           | 1.44           | 207            |



**Perception Survey of Washington State School District Stakeholders**  
**Shawn Lewis - EMPA 396 Capstone**  
**Golden Gate University**  
**Fall 2007**

answered  
question

222

**Q10. Which term best describes your role?**

| Answer Options                        | Response Percent | Response Count |
|---------------------------------------|------------------|----------------|
| School Board Member                   | 54.17%           | 117            |
| School Administrator (Central Office) | 18.98%           | 41             |
| School Principal                      | 3.24%            | 7              |
| Teacher                               | 0.00%            | 0              |
| Other School Staff                    | 2.31%            | 5              |
| State Legislator                      | 7.41%            | 16             |
| State Elected Official                | 1.85%            | 4              |
| State Appointed Official              | 2.78%            | 6              |
| State Employee                        | 6.48%            | 14             |
| Parent                                | 0.00%            | 0              |
| Interested Citizen                    | 2.78%            | 6              |

answered  
question 216

**Q11. What is your zip code?**

| Answer Options | Response Count |
|----------------|----------------|
|                | 216            |

answered question

216

**Q12. Demographic Data: Age Group**

| Answer Options | Response Percent | Response Count |
|----------------|------------------|----------------|
| Age 18-30      | 0.93%            | 2              |
| Age 31-40      | 4.63%            | 10             |
| Age 41-55      | 45.83%           | 99             |
| Age 55-63      | 48.15%           | 104            |
| Age 63-        | 0.46%            | 1              |

answered  
question 216

**Q13. Demographic Data: Gender**

| Answer Options | Response Percent | Response Count |
|----------------|------------------|----------------|
| Male           | 56.48%           | 122            |
| Female         | 43.52%           | 94             |

answered  
question 216

**Q14. If you would like survey results, please enter your email address here.**

| Answer Options    | Response Count |
|-------------------|----------------|
|                   | 112            |
| answered question | 112            |

**APPENDIX B: SAMPLE "DASHBOARD" WARNING AND INDICATOR  
SYSTEM FOR WASHINGTON STATE SCHOOL DISTRICTS**

NORTH THURSTON PUBLIC SCHOOLS  
AUBURN SCHOOL DISTRICT  
RENTON SCHOOL DISTRICT  
BATTLE GROUND SCHOOL DISTRICT  
SHORELINE SCHOOL DISTRICT  
SEATTLE SCHOOL DISTRICT  
BELLEVUE SCHOOL DISTRICT  
CLOVER PARK SCHOOL DISTRICT  
OLYMPIA SCHOOL DISTRICT  
TUMWATER SCHOOL DISTRICT  
VADER SCHOOL DISTRICT (PRIOR TO COLLAPSE)  
PUYALLUP SCHOOL DISTRICT  
NAPAVINE SCHOOL DISTRICT  
SELAH SCHOOL DISTRICT  
MABTON SCHOOL DISTRICT

**NORTH THURSTON PUBLIC SCHOOLS**  
**FINANCIAL INDICATORS**  
**2006-07 Year End**

| <b>Enrollment</b>                                 |                | <b>Budget vs. Actual Indicators</b>           |              |
|---|----------------|---|--------------|
| Enrollment Growth 2 yr average                    | 1.25%          | Special Education Budget vs Actual            | \$ (767,297) |
| Enrollment Growth 1 yr                            | 1.84%          | Other Categorical Programs B vs. A            | \$ (42,949)  |
| Enrollment Budget vs Actual                       | 35             | Salary and Benefits B vs. A                   | \$ (927,475) |
| <b>Liquidity</b>                                  |                | Total Budget B vs. A                          | \$ 18,530    |
| Quick Ratio                                       | 0.97           | <b>Local Economic/Demographic Information</b> |              |
| Current Ratio                                     | 1.17           | Special Education Percentage                  | 12.44%       |
| Days Cash on Hand                                 | 8.46           | Poverty Indicator (F/R Lunch)                 | 31.13%       |
| <b>Facility Maintenance</b>                       |                | One Year Growth % Assessed Valuation          | 17.52%       |
| Expenditure per pupil                             | \$ 444         | <b>Benchmark Indicators</b>                   |              |
| Expenditure % of Total Expenditures               | 5.23%          | % Budget Spent on Teaching                    | 60.71%       |
| <b>Fund Balance and Reserves</b>                  |                | Common Size School Districts                  | 60.70%       |
| Change in Fund Balance (Deficit)                  | \$ (963,676)   | % Budget Teaching, Library & Counselors       | 64.67%       |
| Change as a % of Expenditures                     | -0.9%          | Common Size School Districts                  | 64.60%       |
| % Change in Fund Balance                          | -33.7%         | % Budget Spent on Central Administration      | 2.74%        |
| Fund Balance as % of Total Expenditures           | 1.77%          | Common Size School Districts                  | 3.20%        |
| <b>Debt Management</b>                            |                | Fund Balance per pupil                        | \$ 150.18    |
| Amount of Bond Capacity Available                 | \$ 293,523,666 | Common Size School Districts                  | \$ 503.18    |
| % of Bond Capacity Available                      | 73.5%          |   |              |
| Amount of Short Term Borrowing Capacity Available | \$ 27,049,302  |   |              |
| % of Short Term Borrowing Capacity Available      | 90.3%          |   |              |
| True Interest Rate on Long Term Debt              | 4.76%          |   |              |

**AUBURN SCHOOL DISTRICT  
FINANCIAL INDICATORS  
2006-07 Year End**

| <b>Enrollment</b>                                 |                | <b>Budget vs. Actual Indicators</b>           |              |
|---|----------------|---|--------------|
| Enrollment Growth 2 yr average                    | 2.59%          | Special Education Budget vs Actual            | \$ (31,261)  |
| Enrollment Growth 1 yr                            | 2.88%          | Other Categorical Programs B vs. A            | \$ 1,023,611 |
| Enrollment Budget vs Actual                       | 13             | Salary and Benefits B vs. A                   | \$ 493,472   |
| <b>Liquidity</b>                                  |                | Total Budget B vs. A                          | \$ 2,586,295 |
| Quick Ratio                                       | 2.76           | <b>Local Economic/Demographic Information</b> |              |
| Current Ratio                                     | 1.39           | Special Education Percentage                  | 10.79%       |
| Days Cash on Hand                                 | 16.83          | Poverty Indicator (F/R Lunch)                 | 36.57%       |
| <b>Facility Maintenance</b>                       |                | One Year Growth % Assessed Valuation          | 3.37%        |
| Expenditure per pupil                             | \$ 508         | <b>Benchmark Indicators</b>                   |              |
| Expenditure % of Total Expenditures               | 6.16%          | % Budget Spent on Teaching                    | 58.78%       |
| <b>Fund Balance and Reserves</b>                  |                | Common Size School Districts                  | 60.70%       |
| Change in Fund Balance (Deficit)                  | \$ (399,221)   | % Budget Teaching, Library & Counselors       | 63.43%       |
| Change as a % of Expenditures                     | -0.4%          | Common Size School Districts                  | 64.60%       |
| % Change in Fund Balance                          | -7.7%          | % Budget Spent on Central Administration      | 2.66%        |
| Fund Balance as % of Total Expenditures           | 4.20%          | Common Size School Districts                  | 3.20%        |
| <b>Debt Management</b>                            |                | Fund Balance per pupil                        | \$ 346.79    |
| Amount of Bond Capacity Available                 | \$ 243,858,547 | Common Size School Districts                  | \$ 503.18    |
| % of Bond Capacity Available                      | 65.3%          |   |              |
| Amount of Short Term Borrowing Capacity Available | \$ 28,023,266  |   |              |
| % of Short Term Borrowing Capacity Available      | 100.0%         |   |              |
| True Interest Rate on Long Term Debt              | 4.96%          |   |              |

**RENTON SCHOOL DISTRICT  
FINANCIAL INDICATORS  
2006-07 Year End**

| Enrollment  |                | Budget vs. Actual Indicators             |                |
|---|----------------|--|----------------|
| Enrollment Growth 2 yr average                    | 1.28%          | Special Education Budget vs Actual       | \$ (158,435)   |
| Enrollment Growth 1 yr                            | 1.46%          | Other Categorical Programs B vs. A       | \$ 1,651,687   |
| Enrollment Budget vs Actual                       | 66             | Salary and Benefits B vs. A              | \$ (1,251,363) |
| Liquidity   |                | Total Budget B vs. A                     | \$ 854,930     |
| Quick Ratio                                       | 0.10           | Local Economic/Demographic Information   |                |
| Current Ratio                                     | 1.17           | Special Education Percentage             | 12.96%         |
| Days Cash on Hand                                 | 0.51           | Poverty Indicator (F/R Lunch)            | 42.82%         |
| Facility Maintenance                              |                | One Year Growth % Assessed Valuation     | 11.22%         |
| Expenditure per pupil                             | \$ 420         | Benchmark Indicators                     |                |
| Expenditure % of Total Expenditures               | 4.85%          | % Budget Spent on Teaching               | 60.99%         |
| Fund Balance and Reserves                         |                | Common Size School Districts             | 60.70%         |
| Change in Fund Balance (Deficit)                  | \$ (211,103)   | % Budget Teaching, Library & Counselors  | 65.27%         |
| Change as a % of Expenditures                     | -0.2%          | Common Size School Districts             | 64.60%         |
| % Change in Fund Balance                          | -9.5%          | % Budget Spent on Central Administration | 3.37%          |
| Fund Balance as % of Total Expenditures           | 1.82%          | Common Size School Districts             | 3.20%          |
| Debt Management                                   |                | Fund Balance per pupil                   | \$ 157.60      |
| Amount of Bond Capacity Available                 | \$ 492,500,339 | Common Size School Districts             | \$ 503.18      |
| % of Bond Capacity Available                      | 69.3%          |  |                |
| Amount of Short Term Borrowing Capacity Available | \$ 53,278,900  |  |                |
| % of Short Term Borrowing Capacity Available      | 100.0%         |  |                |
| True Interest Rate on Long Term Debt              | 5.26%          |  |                |

**BATTLE GROUND SCHOOL DISTRICT  
FINANCIAL INDICATORS  
2006-07 Year End**

| <b>Enrollment</b>                                 |                | <b>Budget vs. Actual Indicators</b>           |              |
|---|----------------|---|--------------|
| Enrollment Growth 2 yr average                    | 0.91%          | Special Education Budget vs Actual            | \$ (5,282)   |
| Enrollment Growth 1 yr                            | -0.36%         | Other Categorical Programs B vs. A            | \$ 998,781   |
| Enrollment Budget vs Actual                       | -214           | Salary and Benefits B vs. A                   | \$ (227,467) |
| <b>Liquidity</b>                                  |                | Total Budget B vs. A                          | \$ 3,465,776 |
| Quick Ratio                                       | 7.26           | <b>Local Economic/Demographic Information</b> |              |
| Current Ratio                                     | 7.01           | Special Education Percentage                  | 11.79%       |
| Days Cash on Hand                                 | 29.08          | Poverty Indicator (F/R Lunch)                 | 28.76%       |
| <b>Facility Maintenance</b>                       |                | One Year Growth % Assessed Valuation          | 27.40%       |
| Expenditure per pupil                             | \$ 385         | <b>Benchmark Indicators</b>                   |              |
| Expenditure % of Total Expenditures               | 5.41%          | % Budget Spent on Teaching                    | 60.27%       |
| <b>Fund Balance and Reserves</b>                  |                | Common Size School Districts                  | 60.70%       |
| Change in Fund Balance (Deficit)                  | \$ (291,839)   | % Budget Teaching, Library & Counselors       | 62.74%       |
| Change as a % of Expenditures                     | -0.3%          | Common Size School Districts                  | 64.60%       |
| % Change in Fund Balance                          | -4.0%          | % Budget Spent on Central Administration      | 2.92%        |
| Fund Balance as % of Total Expenditures           | 8.07%          | Common Size School Districts                  | 3.20%        |
| <b>Debt Management</b>                            |                | Fund Balance per pupil                        | \$ 575.34    |
| Amount of Bond Capacity Available                 | \$ 262,341,447 | Common Size School Districts                  | \$ 503.18    |
| % of Bond Capacity Available                      | 80.7%          |   |              |
| Amount of Short Term Borrowing Capacity Available | \$ 22,013,369  |   |              |
| % of Short Term Borrowing Capacity Available      | 90.3%          |   |              |
| True Interest Rate on Long Term Debt              | 5.27%          |   |              |

**SHORELINE SCHOOL DISTRICT  
FINANCIAL INDICATORS  
2006-07 Year End**

| <b>Enrollment</b>                                 |                | <b>Budget vs. Actual Indicators</b>           |              |
|---|----------------|---|--------------|
| Enrollment Growth 2 yr average                    | -2.52%         | Special Education Budget vs Actual            | \$ (147,492) |
| Enrollment Growth 1 yr                            | -4.67%         | Other Categorical Programs B vs. A            | \$ 997,453   |
| Enrollment Budget vs Actual                       | -360           | Salary and Benefits B vs. A                   | \$ 1,865,933 |
| <b>Liquidity</b>                                  |                | Total Budget B vs. A                          | \$ 3,095,538 |
| Quick Ratio                                       | 0.88           | <b>Local Economic/Demographic Information</b> |              |
| Current Ratio                                     | 0.98           | Special Education Percentage                  | 12.94%       |
| Days Cash on Hand                                 | 27.48          | Poverty Indicator (F/R Lunch)                 | 19.19%       |
| <b>Facility Maintenance</b>                       |                | One Year Growth % Assessed Valuation          | 8.65%        |
| Expenditure per pupil                             | \$ 509         | <b>Benchmark Indicators</b>                   |              |
| Expenditure % of Total Expenditures               | 5.60%          | % Budget Spent on Teaching                    | 56.18%       |
| <b>Fund Balance and Reserves</b>                  |                | Common Size School Districts                  | 60.70%       |
| Change in Fund Balance (Deficit)                  | \$ 2,225,130   | % Budget Teaching, Library & Counselors       | 61.63%       |
| Change as a % of Expenditures                     | 2.7%           | Common Size School Districts                  | 64.60%       |
| % Change in Fund Balance                          | 88.2%          | % Budget Spent on Central Administration      | 6.40%        |
| Fund Balance as % of Total Expenditures           | -0.37%         | Common Size School Districts                  | 3.20%        |
| <b>Debt Management</b>                            |                | Fund Balance per pupil                        | \$ (33.18)   |
| Amount of Bond Capacity Available                 | \$ 285,606,721 | Common Size School Districts                  | \$ 503.18    |
| % of Bond Capacity Available                      | 68.7%          |   |              |
| Amount of Short Term Borrowing Capacity Available | \$ 23,454,095  |   |              |
| % of Short Term Borrowing Capacity Available      | 75.3%          |   |              |
| True Interest Rate on Long Term Debt              | 5.19%          |   |              |

**SEATTLE SCHOOL DISTRICT  
FINANCIAL INDICATORS  
2006-07 Year End**

| Enrollment  |                  | Budget vs. Actual Indicators             |               |
|---|------------------|--|---------------|
| Enrollment Growth 2 yr average                    | -1.15%           | Special Education Budget vs Actual       | \$ 1,716,065  |
| Enrollment Growth 1 yr                            | -1.32%           | Other Categorical Programs B vs. A       | \$ 7,107,942  |
| Enrollment Budget vs Actual                       | -132             | Salary and Benefits B vs. A              | \$ 40,207,757 |
| Liquidity   |                  | Total Budget B vs. A                     | \$ 27,455,743 |
| Quick Ratio                                       | 1.87             | Local Economic/Demographic Information   |               |
| Current Ratio                                     | 1.53             |  |               |
| Days Cash on Hand                                 | 77.96            |  |               |
| Facility Maintenance                              |                  | Special Education Percentage             | 13.31%        |
| Expenditure per pupil                             | \$ 696           | Poverty Indicator (F/R Lunch)            | 40.11%        |
| Expenditure % of Total Expenditures               | 6.42%            | One Year Growth % Assessed Valuation     | 11.06%        |
| Fund Balance and Reserves                         |                  | Benchmark Indicators                     |               |
| Change in Fund Balance (Deficit)                  | \$ (2,421,922)   |  |               |
| Change as a % of Expenditures                     | -0.5%            |  |               |
| % Change in Fund Balance                          | -4.0%            |  |               |
| Fund Balance as % of Total Expenditures           | 12.68%           |  |               |
| Debt Management                                   |                  | % Budget Spent on Teaching               | 55.97%        |
| Amount of Bond Capacity Available                 | \$ 4,859,960,834 | Common Size School Districts             | 60.00%        |
| % of Bond Capacity Available                      | 92.2%            | % Budget Teaching, Library & Counselors  | 60.80%        |
| Amount of Short Term Borrowing Capacity Available | \$ 346,116,408   | Common Size School Districts             | 64.60%        |
| % of Short Term Borrowing Capacity Available      | 87.5%            | % Budget Spent on Central Administration | 3.69%         |
| True Interest Rate on Long Term Debt              | 4.87%            | Common Size School Districts             | 2.40%         |
|   |                  | Fund Balance per pupil                   | \$ 1,374.75   |
|   |                  | Common Size School Districts             | \$ 752.59     |



**BELLEVUE SCHOOL DISTRICT  
FINANCIAL INDICATORS  
2006-07 Year End**

| <b>Enrollment</b>                                 |                  | <b>Budget vs. Actual Indicators</b>           |                |
|---|------------------|---|----------------|
| Enrollment Growth 2 yr average                    | 2.21%            | Special Education Budget vs Actual            | \$ (1,075,979) |
| Enrollment Growth 1 yr                            | 1.19%            | Other Categorical Programs B vs. A            | \$ 3,395,185   |
| Enrollment Budget vs Actual                       | -229             | Salary and Benefits B vs. A                   | \$ 908,095     |
| <b>Liquidity</b>                                  |                  | Total Budget B vs. A                          | \$ 2,282,174   |
| Quick Ratio                                       | 1.17             | <b>Local Economic/Demographic Information</b> |                |
| Current Ratio                                     | 1.25             | Special Education Percentage                  | 10.90%         |
| Days Cash on Hand                                 | 21.18            | Poverty Indicator (F/R Lunch)                 | 17.54%         |
| <b>Facility Maintenance</b>                       |                  | One Year Growth % Assessed Valuation          | 10.85%         |
| Expenditure per pupil                             | 546              |   |                |
| Expenditure % of Total Expenditures               | 5.82%            |   |                |
| <b>Fund Balance and Reserves</b>                  |                  | <b>Benchmark Indicators</b>                   |                |
| Change in Fund Balance (Deficit)                  | \$ (2,093,340)   | % Budget Spent on Teaching                    | 60.63%         |
| Change as a % of Expenditures                     | -1.4%            | Common Size School Districts                  | 60.70%         |
| % Change in Fund Balance                          | -26.0%           | % Budget Teaching, Library & Counselors       | 65.88%         |
| Fund Balance as % of Total Expenditures           | 4.03%            | Common Size School Districts                  | 64.60%         |
| <b>Debt Management</b>                            |                  | % Budget Spent on Central Administration      | 3.23%          |
| Amount of Bond Capacity Available                 | \$ 1,304,363,938 | Common Size School Districts                  | 3.20%          |
| % of Bond Capacity Available                      | 82.6%            | Fund Balance per pupil                        | \$ 377.88      |
| Amount of Short Term Borrowing Capacity Available | \$ 118,451,170   | Common Size School Districts                  | \$ 503.18      |
| % of Short Term Borrowing Capacity Available      | 100.0%           |   |                |
| True Interest Rate on Long Term Debt              | 4.10%            |   |                |

**CLOVER PARK SCHOOL DISTRICT  
FINANCIAL INDICATORS  
2006-07 Year End**

| <b>Enrollment</b>                                 |                | <b>Budget vs. Actual Indicators</b>           |                |
|---|----------------|---|----------------|
| Enrollment Growth 2 yr average                    | -2.35%         | Special Education Budget vs Actual            | \$ 230,294     |
| Enrollment Growth 1 yr                            | -6.01%         | Other Categorical Programs B vs. A            | \$ 2,410,101   |
| Enrollment Budget vs Actual                       | -789.5         | Salary and Benefits B vs. A                   | \$ (2,454,123) |
| <b>Liquidity</b>                                  |                | Total Budget B vs. A                          | \$ 14,503,753  |
| Quick Ratio                                       | 2.42           | <b>Local Economic/Demographic Information</b> |                |
| Current Ratio                                     | 1.79           | Special Education Percentage                  | 13.53%         |
| Days Cash on Hand                                 | 51.85          | Poverty Indicator (F/R Lunch)                 | 61.86%         |
| <b>Facility Maintenance</b>                       |                | One Year Growth % Assessed Valuation          | 18.79%         |
| Expenditure per pupil                             | \$ 785         | <b>Benchmark Indicators</b>                   |                |
| Expenditure % of Total Expenditures               | 7.42%          | % Budget Spent on Teaching                    | 55.07%         |
| <b>Fund Balance and Reserves</b>                  |                | Common Size School Districts                  | 60.70%         |
| Change in Fund Balance (Deficit)                  | \$ 216,791     | % Budget Teaching, Library & Counselors       | 63.91%         |
| Change as a % of Expenditures                     | 0.2%           | Common Size School Districts                  | 64.60%         |
| % Change in Fund Balance                          | 1.8%           | % Budget Spent on Central Administration      | 3.99%          |
| Fund Balance as % of Total Expenditures           | 10.54%         | Common Size School Districts                  | 3.20%          |
| <b>Debt Management</b>                            |                | Fund Balance per pupil                        | \$ 1,115.43    |
| Amount of Bond Capacity Available                 | \$ 207,468,005 | Common Size School Districts                  | \$ 503.18      |
| % of Bond Capacity Available                      | 75.1%          |   |                |
| Amount of Short Term Borrowing Capacity Available | \$ 17,737,600  |   |                |
| % of Short Term Borrowing Capacity Available      | 85.7%          |   |                |
| True Interest Rate on Long Term Debt              | 5.00%          |   |                |

**OLYMPIA SCHOOL DISTRICT  
FINANCIAL INDICATORS  
2006-07 Year End**

| <b>Enrollment</b>                                 |                | <b>Budget vs. Actual Indicators</b>           |              |
|---|----------------|---|--------------|
| Enrollment Growth 2 yr average                    | 0.44%          | Special Education Budget vs Actual            | \$ (421,783) |
| Enrollment Growth 1 yr                            | -0.09%         | Other Categorical Programs B vs. A            | \$ 1,243,762 |
| Enrollment Budget vs Actual                       | -108.7         | Salary and Benefits B vs. A                   | \$ (48,456)  |
| <b>Liquidity</b>                                  |                | Total Budget B vs. A                          | \$ 688,524   |
| Quick Ratio                                       | 4.05           | <b>Local Economic/Demographic Information</b> |              |
| Current Ratio                                     | 1.58           | Special Education Percentage                  | 12.36%       |
| Days Cash on Hand                                 | 25.64          | Poverty Indicator (F/R Lunch)                 | 19.61%       |
| <b>Facility Maintenance</b>                       |                | One Year Growth % Assessed Valuation          | 17.10%       |
| Expenditure per pupil                             | \$ 566         | <b>Benchmark Indicators</b>                   |              |
| Expenditure % of Total Expenditures               | 6.51%          | % Budget Spent on Teaching                    | 59.90%       |
| <b>Fund Balance and Reserves</b>                  |                | Common Size School Districts                  | 59.70%       |
| Change in Fund Balance (Deficit)                  | \$ (872,977)   | % Budget Teaching, Library & Counselors       | 63.67%       |
| Change as a % of Expenditures                     | -1.2%          | Common Size School Districts                  | 63.70%       |
| % Change in Fund Balance                          | -15.8%         | % Budget Spent on Central Administration      | 2.50%        |
| Fund Balance as % of Total Expenditures           | 6.35%          | Common Size School Districts                  | 3.40%        |
| <b>Debt Management</b>                            |                | Fund Balance per pupil                        | \$ 552.48    |
| Amount of Bond Capacity Available                 | \$ 216,326,759 | Common Size School Districts                  | \$ 533.77    |
| % of Bond Capacity Available                      | 64.7%          |   |              |
| Amount of Short Term Borrowing Capacity Available | \$ 25,088,757  |   |              |
| % of Short Term Borrowing Capacity Available      | 100.0%         |   |              |
| True Interest Rate on Long Term Debt              | 4.71%          |   |              |

**TUMWATER SCHOOL DISTRICT  
FINANCIAL INDICATORS  
2006-07 Year End**

| <b>Enrollment</b>                                 |                | <b>Budget vs. Actual Indicators</b>           |              |
|---|----------------|---|--------------|
| Enrollment Growth 2 yr average                    | 1.05%          | Special Education Budget vs Actual            | \$ (107,819) |
| Enrollment Growth 1 yr                            | 0.64%          | Other Categorical Programs B vs. A            | \$ (21,760)  |
| Enrollment Budget vs Actual                       | 39             | Salary and Benefits B vs. A                   | \$ 3,020,528 |
| <b>Liquidity</b>                                  |                | Total Budget B vs. A                          | \$ 629,769   |
| Quick Ratio                                       | 2.48           | <b>Local Economic/Demographic Information</b> |              |
| Current Ratio                                     | 1.62           | Special Education Percentage                  | 13.07%       |
| Days Cash on Hand                                 | 28.76          | Poverty Indicator (F/R Lunch)                 | 26.32%       |
| <b>Facility Maintenance</b>                       |                | One Year Growth % Assessed Valuation          | 17.95%       |
| Expenditure per pupil                             | \$ 522         | <b>Benchmark Indicators</b>                   |              |
| Expenditure % of Total Expenditures               | 6.06%          | % Budget Spent on Teaching                    | 59.28%       |
| <b>Fund Balance and Reserves</b>                  |                | Common Size School Districts                  | 59.70%       |
| Change in Fund Balance (Deficit)                  | \$ 76,435      | % Budget Teaching, Library & Counselors       | 63.45%       |
| Change as a % of Expenditures                     | 0.1%           | Common Size School Districts                  | 63.70%       |
| % Change in Fund Balance                          | 2.0%           | % Budget Spent on Central Administration      | 3.01%        |
| Fund Balance as % of Total Expenditures           | 7.16%          | Common Size School Districts                  | 3.40%        |
| <b>Debt Management</b>                            |                | Fund Balance per pupil                        | \$ 616.88    |
| Amount of Bond Capacity Available                 | \$ 120,885,901 | Common Size School Districts                  | \$ 533.77    |
| % of Bond Capacity Available                      | 63.7%          |   |              |
| Amount of Short Term Borrowing Capacity Available | \$ 13,982,967  |   |              |
| % of Short Term Borrowing Capacity Available      | 98.2%          |   |              |
| True Interest Rate on Long Term Debt              | 5.78%          |   |              |

**VADER SCHOOL DISTRICT  
FINANCIAL INDICATORS  
2006-07 Year End**

| <b>Enrollment</b>                                 |              | <b>Budget vs. Actual Indicators</b>           |              |
|---|--------------|---|--------------|
| Enrollment Growth 2 yr average                    | 15.83%       | Special Education Budget vs Actual            | \$ (13,959)  |
| Enrollment Growth 1 yr                            | 21.54%       | Other Categorical Programs B vs. A            | \$ 60,360    |
| Enrollment Budget vs Actual                       | 0            | Salary and Benefits B vs. A                   | \$ (163,790) |
| <b>Liquidity</b>                                  |              | Total Budget B vs. A                          | \$ (59,483)  |
| Quick Ratio                                       | -            | <b>Local Economic/Demographic Information</b> |              |
| Current Ratio                                     | -            | Special Education Percentage                  | 33.69%       |
| Days Cash on Hand                                 | (1.08)       | Poverty Indicator (F/R Lunch)                 | 71.84%       |
| <b>Facility Maintenance</b>                       |              | One Year Growth % Assessed Valuation          | 2.38%        |
| Expenditure per pupil                             | 375          | <b>Benchmark Indicators</b>                   |              |
| Expenditure % of Total Expenditures               | 2.93%        | % Budget Spent on Teaching                    | 42.99%       |
| <b>Fund Balance and Reserves</b>                  |              | Common Size School Districts                  | 56.20%       |
| Change in Fund Balance (Deficit)                  | \$ 1,169     | % Budget Teaching, Library & Counselors       | 42.99%       |
| Change as a % of Expenditures                     | 0.1%         | Common Size School Districts                  | 58.10%       |
| % Change in Fund Balance                          | -27.8%       | % Budget Spent on Central Administration      | 26.10%       |
| Fund Balance as % of Total Expenditures           | -0.30%       | Common Size School Districts                  | 11.90%       |
| <b>Debt Management</b>                            |              | Fund Balance per pupil                        | \$ (38.33)   |
| Amount of Bond Capacity Available                 | \$ 4,870,115 | Common Size School Districts                  | \$ 5,108.95  |
| % of Bond Capacity Available                      | 100.0%       |   |              |
| Amount of Short Term Borrowing Capacity Available | \$ 353,555   |   |              |
| % of Short Term Borrowing Capacity Available      | 96.8%        |   |              |
| True Interest Rate on Long Term Debt              | 0.93%        |   |              |

**PUYALLUP SCHOOL DISTRICT  
FINANCIAL INDICATORS  
2006-07 Year End**

| <b>Enrollment</b>                                 |                | <b>Budget vs. Actual Indicators</b>           |              |
|---|----------------|---|--------------|
| Enrollment Growth 2 yr average                    | 2.00%          | Special Education Budget vs Actual            | \$ 64,422    |
| Enrollment Growth 1 yr                            | 1.21%          | Other Categorical Programs B vs. A            | \$ 3,774,105 |
| Enrollment Budget vs Actual                       | -108.55        | Salary and Benefits B vs. A                   | \$ 1,392,162 |
| <b>Liquidity</b>                                  |                | Total Budget B vs. A                          | \$ 8,341,040 |
| Quick Ratio                                       | 6.63           | <b>Local Economic/Demographic Information</b> |              |
| Current Ratio                                     | 1.93           | Special Education Percentage                  | 11.88%       |
| Days Cash on Hand                                 | 34.06          | Poverty Indicator (F/R Lunch)                 | 20.64%       |
| <b>Facility Maintenance</b>                       |                | One Year Growth % Assessed Valuation          | 22.50%       |
| Expenditure per pupil                             | \$ 445         | <b>Benchmark Indicators</b>                   |              |
| Expenditure % of Total Expenditures               | 5.46%          | % Budget Spent on Teaching                    | 59.72%       |
| <b>Fund Balance and Reserves</b>                  |                | Common Size School Districts                  | 60.70%       |
| Change in Fund Balance (Deficit)                  | \$ 2,515,335   | % Budget Teaching, Library & Counselors       | 64.44%       |
| Change as a % of Expenditures                     | 1.5%           | Common Size School Districts                  | 64.60%       |
| % Change in Fund Balance                          | 17.9%          | % Budget Spent on Central Administration      | 3.32%        |
| Fund Balance as % of Total Expenditures           | 9.92%          | Common Size School Districts                  | 3.20%        |
| <b>Debt Management</b>                            |                | Fund Balance per pupil                        | \$ 807.51    |
| Amount of Bond Capacity Available                 | \$ 350,756,405 | Common Size School Districts                  | \$ 503.18    |
| % of Bond Capacity Available                      | 59.7%          |   |              |
| Amount of Short Term Borrowing Capacity Available | \$ 43,218,142  |   |              |
| % of Short Term Borrowing Capacity Available      | 98.0%          |   |              |
| True Interest Rate on Long Term Debt              | 5.70%          |   |              |

**NAPAVINE SCHOOL DISTRICT  
FINANCIAL INDICATORS  
2006-07 Year End**

| <b>Enrollment</b>                                 |              | <b>Budget vs. Actual Indicators</b>           |             |
|---|--------------|---|-------------|
| Enrollment Growth 2 yr average                    | 3.49%        | Special Education Budget vs Actual            | \$ (14,699) |
| Enrollment Growth 1 yr                            | 4.14%        | Other Categorical Programs B vs. A            | \$ 151,367  |
| Enrollment Budget vs Actual                       | 7            | Salary and Benefits B vs. A                   | \$ (49,709) |
| <b>Liquidity</b>                                  |              | Total Budget B vs. A                          | \$ 48,620   |
| Quick Ratio                                       | Cash Basis   | <b>Local Economic/Demographic Information</b> |             |
| Current Ratio                                     | Cash Basis   | Special Education Percentage                  | 12.29%      |
| Days Cash on Hand                                 | 25.96        | Poverty Indicator (F/R Lunch)                 | 35.21%      |
| <b>Facility Maintenance</b>                       |              | One Year Growth % Assessed Valuation          | 2.65%       |
| Expenditure per pupil                             | \$ 498       | <b>Benchmark Indicators</b>                   |             |
| Expenditure % of Total Expenditures               | 6.12%        | % Budget Spent on Teaching                    | 59.11%      |
| <b>Fund Balance and Reserves</b>                  |              | Common Size School Districts                  | 59.00%      |
| Change in Fund Balance (Deficit)                  | \$ 103,432   | % Budget Teaching, Library & Counselors       | 62.10%      |
| Change as a % of Expenditures                     | 1.8%         | Common Size School Districts                  | 62.00%      |
| % Change in Fund Balance                          | 33.3%        | % Budget Spent on Central Administration      | 5.67%       |
| Fund Balance as % of Total Expenditures           | 7.21%        | Common Size School Districts                  | 4.10%       |
| <b>Debt Management</b>                            |              | Fund Balance per pupil                        | \$ 586.65   |
| Amount of Bond Capacity Available                 | \$ 8,641,099 | Common Size School Districts                  | \$ 675.69   |
| % of Bond Capacity Available                      | 71.6%        |   |             |
| Amount of Short Term Borrowing Capacity Available | \$ 843,847   |   |             |
| % of Short Term Borrowing Capacity Available      | 93.2%        |   |             |
| True Interest Rate on Long Term Debt              | 4.28%        |   |             |

**SELAH SCHOOL DISTRICT  
FINANCIAL INDICATORS  
2006-07 Year End**

| <b>Enrollment</b>                                 |               | <b>Budget vs. Actual Indicators</b>           |              |
|---|---------------|---|--------------|
| Enrollment Growth 2 yr average                    | -0.43%        | Special Education Budget vs Actual            | \$ (76,213)  |
| Enrollment Growth 1 yr                            | -1.00%        | Other Categorical Programs B vs. A            | \$ 270,784   |
| Enrollment Budget vs Actual                       | -14           | Salary and Benefits B vs. A                   | \$ (295,427) |
| <b>Liquidity</b>                                  |               | Total Budget B vs. A                          | \$ 307,412   |
| Quick Ratio                                       | 3.47          | <b>Local Economic/Demographic Information</b> |              |
| Current Ratio                                     | 1.90          | Special Education Percentage                  | 13.21%       |
| Days Cash on Hand                                 | 24.33         | Poverty Indicator (F/R Lunch)                 | 39.13%       |
| <b>Facility Maintenance</b>                       |               | One Year Growth % Assessed Valuation          | 7.44%        |
| Expenditure per pupil                             | \$ 469        | <b>Benchmark Indicators</b>                   |              |
| Expenditure % of Total Expenditures               | 5.48%         | % Budget Spent on Teaching                    | 58.87%       |
| <b>Fund Balance and Reserves</b>                  |               | Common Size School Districts                  | 57.60%       |
| Change in Fund Balance (Deficit)                  | \$ 52,853     | % Budget Teaching, Library & Counselors       | 63.90%       |
| Change as a % of Expenditures                     | 0.2%          | Common Size School Districts                  | 63.10%       |
| % Change in Fund Balance                          | 2.5%          | % Budget Spent on Central Administration      | 3.40%        |
| Fund Balance as % of Total Expenditures           | 7.63%         | Common Size School Districts                  | 3.50%        |
| <b>Debt Management</b>                            |               | Fund Balance per pupil                        | \$ 654.00    |
| Amount of Bond Capacity Available                 | \$ 48,185,411 | Common Size School Districts                  | \$ 512.19    |
| % of Bond Capacity Available                      | 83.1%         |   |              |
| Amount of Short Term Borrowing Capacity Available | \$ 4,348,156  |   |              |
| % of Short Term Borrowing Capacity Available      | 100.0%        |   |              |
| True Interest Rate on Long Term Debt              | 5.22%         |   |              |



**MABTON SCHOOL DISTRICT  
FINANCIAL INDICATORS  
2006-07 Year End**

| <b>Enrollment</b>                                 |              | <b>Budget vs. Actual Indicators</b>           |              |
|---|--------------|---|--------------|
| Enrollment Growth 2 yr average                    | 1.67%        | Special Education Budget vs Actual            | \$ 96,024    |
| Enrollment Growth 1 yr                            | 3.35%        | Other Categorical Programs Bud. vs. Act.      | \$ 1,171,100 |
| Enrollment Budget vs Actual                       | 31           | Salary and Benefits Bud. vs. Act.             | \$ 345,920   |
| <b>Liquidity</b>                                  |              | Total Budget vs. Actual                       | \$ 1,766,651 |
| Quick Ratio                                       | 24.53        | <b>Local Economic/Demographic Information</b> |              |
| Current Ratio                                     | 12.56        | Special Education Percentage                  | 10.29%       |
| Days Cash on Hand                                 | 91.64        | Poverty Indicator (F/R Lunch %)               | 88.21%       |
| <b>Facility Maintenance</b>                       |              | One Year Growth % Assessed Valuation          | 3.59%        |
| Expenditure per pupil                             | \$ 433       | <b>Benchmark Indicators</b>                   |              |
| Expenditure % of Total Expenditures               | 4.47%        | % Budget Spent on Teaching                    | 59.13%       |
| <b>Fund Balance and Reserves</b>                  |              | Common Size School Districts                  | 59.00%       |
| Change in Fund Balance (Deficit)                  | \$ 127,186   | % Budget Teaching, Library & Counselors       | 61.91%       |
| Change as a % of Expenditures                     | 1.5%         | Common Size School Districts                  | 62.00%       |
| % Change in Fund Balance                          | 5.9%         | % Budget Spent on Central Administration      | 7.70%        |
| Fund Balance as % of Total Expenditures           | 26.37%       | Common Size School Districts                  | 4.10%        |
| <b>Debt Management</b>                            |              | Fund Balance per pupil                        | \$ 2,553.06  |
| Amount of Bond Capacity Available                 | \$ 5,301,335 | Common Size School Districts                  | \$ 675.69    |
| % of Bond Capacity Available                      | 83.8%        |   |              |
| Amount of Short Term Borrowing Capacity Available | \$ 339,822   |   |              |
| % of Short Term Borrowing Capacity Available      | 71.6%        |   |              |
| True Interest Rate on Long Term Debt              | 5.33%        |   |              |

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