

News release



Everett Public Schools

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State auditor disagrees with district's capital fund expenditure cutoff date

First audit finding in nine years is about timing of expense recording and "on paper" value of district buildings

After nine years of audits with no findings, Everett Public Schools' May 14 state audit report includes a finding about the timing of some school construction expenses for the district capital fund.

"This is a finding about 'timing,'" Executive Director of Finance and Operations Jeff Moore explains. "The nature of the finding is clear when one understands three things about guidelines for school financial reporting:

1. Each school district fiscal year ends on Aug. 31. Each new fiscal year begins Sept. 1.
2. School districts and other state agencies follow *Generally Accepted Accounting Principles* (GAAP). GAAP sets guidelines for when different expenses in the district's five major funds should be reported – particularly when materials arrive and expenses are incurred very close to the end of one school year (Aug. 31) and the beginning of the next (Sept. 1).
3. GAAP reporting guidelines for the capital fund are not black and white. The district's decision to create clarity by establishing a consistent cutoff date for "last year" and "this year" expense reporting prompted the auditor's finding.

While we would have preferred to extend our 'no findings' status well into the future, receiving a finding is all part of continually improving the way we do business.

Jeff Moore, Executive Director of Finance and Operations

We set Sept. 9 as the cutoff date after carefully reviewing GAAP and the state accounting standards. We felt that this would be consistent and would give better information to our public," said Moore.

The auditor disagrees with the district's decision about Sept. 9. Instead, the auditor says the cutoff date should be Sept. 30, with some exceptions.

"We accept the auditor's direction about Sept. 30. Doing so accomplishes what we set out to do in the beginning – that is, make our financial reporting consistent from year to year," affirms Moore.

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The auditor also felt that the district's *on paper* value of school buildings was low by \$85,000. The auditor recommended that the district add that amount to the current \$462 million value of all district buildings, increasing the district's property "book" values by .018 percent.

"State auditors play an important role in public accountability. Everett Public Schools has not had an audit finding in the last nine years. While we would have preferred to extend our 'no findings' status well into the future, receiving a finding is all part of continually improving the way we do business," said Moore.

Director of State and Local Audit, Chuck Pfeil, was among the team who attended the audit exit meeting on Monday. In his closing comments he affirmed, "Over the last ten years, it has been clear that the district puts a lot of emphasis on doing things properly."

Audit Manager Casey Dwyer assured the board of directors that the district's "... financial statements are accurate; they accurately report your status ... This is a timing issue."

"We respect the role state auditors play in maintaining a high level of public trust in responsible accounting for public resources. We'll continue to follow their instructions, even when they differ from the advice of our own CPA who was once a state auditor," affirmed Superintendent Gary Cohn.

"Of course, we are all disappointed that this year's audit finding after nine years of audits with no findings. Nevertheless, our outstanding finance and facilities teams will continue to build exceptional schools and earn awards for exceptional financial responsibility and reporting as they have for the past two decades," Cohn added.

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Gary Cohn, Superintendent