

Washington State Auditor's Office
Financial Statements and Federal Single Audit Report

Toppenish School District No. 202
Yakima County

Audit Period
September 1, 2012 through August 31, 2013

Report No. 1012008

Issue Date
May 29, 2014



Washington State Auditor
Troy Kelley

Independence • Respect • Integrity



**Washington State Auditor
Troy Kelley**

May 29, 2014

Board of Directors
Toppenish School District No. 202
Toppenish, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Toppenish School District No. 202's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the District's financial condition.

Sincerely,

TROY KELLEY
STATE AUDITOR

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Yakima County
September 1, 2012 through August 31, 2013**

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Federal Summary

Toppenish School District No. 202 Yakima County September 1, 2012 through August 31, 2013

The results of our audit of Toppenish School District No. 202 are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unmodified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

- ***Significant Deficiencies:*** We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- ***Material Weaknesses:*** We identified deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the District.

FEDERAL AWARDS

Internal Control Over Major Programs:

- ***Significant Deficiencies:*** We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the District's compliance with requirements applicable to each of its major federal programs.

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
10.553	Child Nutrition Cluster - School Breakfast Program
10.555	Child Nutrition Cluster - National School Lunch Program
10.559	Child Nutrition Cluster - Summer Food Service Program
84.027	Special Education Cluster (IDEA) - Special Education - Grants to States (IDEA, Part B)
84.173	Special Education Cluster (IDEA) - Special Education - Preschool Grants (IDEA Preschool)
84.365	English Language Acquisition Grants
84.377	School Improvement Grants Cluster - School Improvement Grants
93.778	Medicaid Cluster - Medical Assistance Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The District did not qualify as a low-risk auditee under OMB Circular A-133.

Schedule of Audit Findings and Responses

Toppenish School District No. 202 Yakima County September 1, 2012 through August 31, 2013

1. The District should improve internal controls over accounting and financial statement preparation to ensure accurate and complete reporting.

District management is responsible for designing and following internal controls that provide reasonable assurance regarding the reliability of financial reporting. Our audit identified weaknesses in controls that affect the District's ability to produce reliable financial statements.

Description of Condition

During our audit, we identified the following weaknesses in internal controls over financial reporting that, when taken together, are considered a material weakness:

- The District's review of its monthly reconciliations to the County Treasurer's information is incomplete. The District's review focuses on ending cash and investment balances and does not ensure all transactions, including monthly revenues and expenditure transactions, are recorded accurately.
- District staff did not adequately research or seek technical guidance in the prescribed *Accounting Manual for Public School Districts in the State of Washington* (Accounting Manual) on correctly recording a journal entry for the refinancing of long-term debt, a significant and infrequent transaction to the District. The journal entry made by the District only recorded the net change in cash in the District's account, not the details of the bond issuance and repayment transactions, including the amounts received and paid, and associated fees.
- The District's review of its journal entries is not performed in sufficient detail to ensure every transaction is recorded in accordance with the Accounting Manual. The journal entry for the debt refunding did not include any documentary support for the sources of the funds or how the funds would be applied by the County Treasurer, the escrow agent, or the insurer. For bond transactions, the sources and uses include the premiums and discounts on new debt, underwriting fees, repayment of old debt and net cash to settle the debt. We also found no evidence that the reviewer sought any additional guidance from the Accounting Manual for such a complex transaction to determine if the correct entries were made. The District's journal entry only recorded the net cash of \$2,511 provided to settle the transaction.

- The District's overall review process for its financial statements, notes and schedules was not effective in identifying and correcting errors. The District does not use a checklist or other tool when reviewing the financial statements, notes and schedules. We also found no evidence that the review ensured that all significant transactions such as the debt refunding, were taken into consideration and properly and accurately presented in the statements, notes and schedules.

Cause of Condition

The District experienced turnover in the Director of Accounting position, which was responsible for the creation of the financial statements. Further, District management and staff did not dedicate the necessary resources, including time reviewing or researching accounting guidance, and staff training, to ensure its financial statements were accurate.

Effect of Condition

We identified the following errors in the District's financial statements during our audit:

- The District's financial records do not accurately reflect transactions related to a major debt refinancing. As a result, the District's financial statements understated both income and expenditures from the receipt of bond proceeds and arrangements for the payoff of another bond by approximately \$9.3 million.
- The District incorrectly reported information in its notes to the financial statements. The general obligation long term debt roll forward schedule in the notes was not updated from the prior year, and did not have correct beginning or ending balances, or reflect the \$9.3 million bond issuance and refunding activity.
- The District understated the debt amounts increased and decreased on its required Schedule of Long-Term Liabilities by approximately \$9.3 million for the refunding activity.
- The District did not report \$7,482 of cash held in trust for a private organization in its Statement of Fiduciary Net Position.
- The District's Schedule of Expenditures of Federal Awards, prepared under federal grant requirements:
 - Under reported federal expenses by \$84,605 for its Impact Aid program.
 - Over reported federal expenses by \$27,147 for its Gaining Early Awareness/Readiness for Undergraduate Programs award.

The District corrected the errors we identified and, as a result, our opinion on the District's financial statements is unmodified.

Recommendation

We recommend the District establish and follow internal control procedures to ensure:

- A more detailed review is performed of the monthly reconciliation between the District's general ledger and the County Treasurer's Reports, including a detailed review of expenditures and revenues.
- All journal entries are thoroughly reviewed to ensure they are accurate, and in accordance with the Accounting Manual.
- Adequately research and technical guidance is sought when determine the proper reporting or accounting treatment for unique transactions.
- The review of the financial statements, notes and supplementary schedules is performed at a level appropriate to detect significant errors. The District should consider using a checklist or other tool when reviewing the financial statements, notes and schedules

District's Response

We strongly disagree with the State Auditors assessment of our internal control system. We believe many of the assertions made in this report are false and a gross misrepresentation of the facts. All financial transactions are required by law to run through the Yakima County Treasurer Office. Not only does the district reconcile cash and investment's to the Yakima County Treasurers information every month, but also reconciles assets, liabilities, fund balances, cash receipts and cash disbursements which includes warrants payables and taxes receivables to the county treasurer's reports and other supporting documentation. In addition, a trial balance is also reviewed to ensure all debits and credits are in balance. Further, all purchase orders, credit card charges and miscellaneous revolving disbursements are reviewed and approved for proper coding and legal compliance by each departments head, the Accounts Payable Officer, and the Business Manager or Accounting Director. Each month budget status reports are published and reviewed comparing budgeted revenues, expenditures and fund balance to actual any unusual items are reviewed for accuracy. Each month building and departmental budgets are printed and reviewed by all principals and directors. Each month all credit cards statements are reviewed and approved by each credit card holder as well as the Accounts Payable Officer and the Business Manager. Each month all receipts and revenues are reviewed for proper coding and posting. Each month the Accounting Director bills and monitors all grants expenditures. Each month all journal entries are reviewed and approved by the Business Manager. The Skyward/ Wespac accounting software also has many controls and review processes built into the systems for self-checking coding and balancing all transactions. All the above controls were somehow missed by the State Auditor's Office in their evaluation.

Toppenish School District uses F-196 checklist and sample school notes for preparing our financial statements which is the exact same checklist that all Washington State School district use. This also was missed by the State Auditors in their review.

The only material issue here is one transaction that was incorrectly netted when it was recorded. The 9.3 million dollar transaction was an external refunding or exchange of money done through our fiscal agent banks that nets to zero, but reduces our interest rate on our outstanding bonds saving our taxpayer over \$500,000 in interest.

The State Auditor's Office continually references this as an understatement of revenues, income and expenditures. Per Generally Accepted Accounting Principles "Other Financing Sources and Uses" are not revenues, income or expenditures; they are transfers which have no effect on revenues, income or expenditures. We can only assume that if we did record them as revenues and expenditures we would be severely criticized for a material misstatement and a material internal control weakness.

The Saul Hass fund referenced in this finding has passed audit for the past 30 years as immaterial. We will include the Saul Hass in our trust funds in the future.

The minor misstatements in the 8.5 million dollar Schedule of Federal Financial Assistance were due to the fact that our Director of Accounting was new and unaware that Impact Aid was split between Special Education and Debt Service. In addition, the over reporting of \$27,147 was a billing that was denied for reimbursement and not corrected on the schedule.

We believe our controls are adequate to detect any material misstatement in our ending balances that have an effect on the users of our financial statements. We concur that GAAP requires the recording of this transaction as Other Financing Sources and Uses and we will include in our review all external transactions that require disclosure in the future. This was only one transaction netted to zero and had no effect on any beginning and ending balance in any financial statement. We totally disagree that there is any material weakness in our system or internal controls.

We believe that the State Auditor's Office has misapplied the meaning of a material misstatement as set forth in professional standards. A material weakness is significant to the users of the financial statements such that the misstatement could be so large, that it would cause the user to make a financial decision that they would not have otherwise made.

The omission of the in and out transfer between our fiscal agent banks that nets to zero would not meet that standard as noted in the next paragraph. In addition, all bond holders were notified of the bond refunding and disclosures are made each year through the Municipal Securities Rulemaking Board (MSRB) and the new bond debt was clearly and correctly noted in the financial statements and notes.

We question the State Auditor's Office uniform application of a material weakness, since we know of at least one other school district audited by the same audit team that had a 18 million dollar refunding error that was not recorded in their long term debt statement or their notes to financial statements, but in that case the Washington State Auditor's Office felt it was immaterial and was not mentioned in their audit report or exit conference notes.

We believe the Audit Team Supervisor violated professional ethics and lacks independence in regards to her unwarranted personal request to remove our Business Manager from the audit.

For the reasons listed above we believe we are being targeted and we are requesting and outside independent review of our concerns expressed above.

Auditor's Remarks

Based on our audit work, we concluded the District's internal controls were not effective or sufficient to prevent or detect the errors that occurred in its financial reporting and were subsequently detected during the audit. We re-affirm the finding and our confidence in the professionalism and independence of our audit team.

We acknowledge the District's disagreement with our conclusion and appreciate the District's agreement on, and correction of, the financial statement errors listed in the finding. We will review the District's internal controls over financial accounting and reporting again during our next audit.

Our Office has a multi-level internal review process for proposed audit findings to ensure fair and consistent reporting at a statewide level. In this case, the Office's Quality Assurance team has also reviewed the audit finding and the District's assertions (stated above) as they relate to applicable Office policies and auditing, accounting and ethics standards.

Further, the Office of Superintendent of Public Instruction will review the audit report and finding as part of its grant oversight and audit resolution process. In addition, this report will be submitted to the Federal Audit Clearinghouse, which performs review activities in conjunction with report acceptance and will make the report available for federal agency review.

Finally, it's our understanding the District has asked the National State Auditors Association to have this audit reviewed during the next scheduled external peer review of the State Auditor's Office. We would welcome that review.

Applicable Laws and Regulations

Government Auditing Standards, December 2011 Revision – Paragraph 4.23 states:

4.23 When performing GAGAS financial audits, auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; (3) noncompliance with provisions of

contracts or grant agreements that has a material effect on the audit; and
(4) abuse that has a material effect on the audit.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards, section 265*, as follows:

.07 For purposes of generally accepted auditing standards, the following terms have the meanings attributed as follows . . .

Material weakness. A deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

The *Accounting Manual for Public School Districts in the State of Washington, (FY2012-2013)* contains guidance and examples for recording bond transactions in Chapter 7. The section titled “Bond Issue and Bond Refunding Journal Entries” and states the following on page 7-50:

GAAP require that the proceeds of current or advance refunding be reported as an Other Financing Uses (Budget and Actual) in GL 535. However, in an advance refunding, if an additional amount is required to be placed in an escrow together with the proceeds of the new debt (refunding debt), the additional amount must be reported as a debt service expenditure (GL 530).

WAC 392-123-010 - The accounting manual.

The superintendent of public instruction and the office of the state auditor shall publish and distribute to each school district an accounting manual which shall be referred to as *The Accounting Manual for Public School Districts of the State of Washington*. Such accounting manual, as now or hereafter amended, shall govern the accounting procedures of each school district and is hereby incorporated into this chapter by this reference. Prior to any revision thereof, the superintendent of public instruction shall publish notice of such proposed action and shall hold at least one public hearing.

Schedule of Prior Federal Audit Findings

Toppenish School District No. 202 Yakima County September 1, 2012 through August 31, 2013

This schedule presents the status of federal findings reported in prior audit periods. The status listed below is the representation of Toppenish School District No. 202. The State Auditor's Office has reviewed the status as presented by the District.

Audit Period: 9/1/2011 - 8/31/2012	Report Ref. No.: 1009925	Finding Ref. No.: 1	CFDA Number(s): 84.027, 84.173
Federal Program Name and Granting Agency: Special Education Cluster (IDEA) - Special Education - Grants to States (IDEA, Part B), Special Education Cluster (IDEA) - Special Education - Preschool Grants (IDEA Preschool) U.S. Department of Education		Pass-Through Agency Name: Office of the Superintendent of Public Instruction	
Finding Caption: Toppenish School District did not have adequate internal controls to ensure compliance with time and effort requirements to support payroll costs charged to the Special Education program.			
Background: In fiscal year 2012, the District spent \$999,447 in federal funding through its Special Education program. Of this amount, \$910,272 was used on salaries and benefits. We reviewed payroll transactions to determine whether salaries and benefits charged to federal grants were supported by adequate time and effort documentation as required by federal regulations. Depending on the number and type of activities an employee works on, documentation can be a semi-annual certification or a monthly personnel activity report, such as a timesheet. The District was unable to provide the required time and effort documentation for four employees that were fully funded through this program. The total amount charged to the grant for these four employees was \$70,785.			
Status of Corrective Action: (check one) <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>The District disagrees that we did not have adequate internal controls. The four employees noted were reported to SAO by the District, and the District was aware they did not return the semiannual form, but we knew they were full time Special Education staff and recorded correctly. Sometimes it is very difficult to get employees to return forms they feel are not part of teaching. The District has hired a new Director of Accounting. He is aware of the federal requirements over time and effort tracking and reporting and has direct experience overseeing</i>			

compliance with other agencies receiving federal grants. Time and effort records are received on a monthly basis and two people work on comparing forms received to the list of employees subject to the time reporting requirements. The Director of Accounting has been directed to go directly to staff that have not returned the forms and retrieve them. The Director of Accounting has direct responsibility to adjust payroll charges when the actual percentage of time worked on specific programs varies from the estimates used to process payroll.

Audit Period: 9/1/2011 - 8/31/2012	Report Ref. No.: 1009925	Finding Ref. No.: 2	CFDA Number(s): 84.377
Federal Program Name and Granting Agency: School Improvement Grants - Cluster U.S. Department of Education		Pass-Through Agency Name: Office of the Superintendent of Public Instruction	
Finding Caption: Toppenish School District did not have adequate internal controls to ensure compliance with federal requirements over its School Improvement Grant.			
Background: Toppenish School District spent \$735,445 in federal School Improvement Grant funds during fiscal year 2012. Recipients of this grant must have internal controls in place to ensure compliance with federal requirements. We found the following concerns:			
<p>Cost Principles</p> <p>We reviewed payroll transactions to determine whether salaries and benefits charged to federal grants were supported by adequate time and effort documentation as required by federal regulations. Depending on the number and type of activities an employee works on, documentation can be a semi-annual certification or a monthly personnel activity report, such as a timesheet.</p> <p>The District was unable to provide the required time and effort documentation for the two employees that were fully funded through this program. Additionally, the District spent \$29,774 in federal funds for optional “Deemed Done Days.” These optional days are for time worked beyond the contracted work day for all teaching certificated staff in the District. The District did not have appropriate time and effort documentation to support the hours charged to the federal program.</p> <p>Level of Effort</p> <p>The School Improvement Grant contains a provision that prohibits Districts from using federal program funds to supplant (replace) funds that were previously paid through non-federal sources.</p> <p>In prior years the District funded most of its optional “Deemed Done Days” with non-federal, basic education funds. In fiscal year 2012 the District continued this practice. Near the end of the year the District transferred \$28,745 of basic education expenses to this federal grant using a journal entry. We determined that non-federal funds were replaced by federal funds. Therefore, we are questioning these costs that appear to have been supplanted.</p> <p>Procurement</p>			

For purchases not covered under state law, such as professional services, grantees must follow federal procurement regulations. Federal grant recipients are required to obtain price or rate quotations from an adequate number of qualified sources for purchases up to \$100,000 and formal bids for contracts exceeding \$100,000. A grantee may solicit services from only one vendor if it determines the services are available from a single source or if they determine competition is inadequate. Grantees must keep documentation to show how they reached this conclusion.

We noted two instances in which the District did not comply with federal procurement requirements. The District did not obtain quotes or document the sole source justification for two professional service agreements totaling \$77,794. The District cannot ensure it obtained the best services at the most competitive price.

Status of Corrective Action: (check one)

Fully Corrected Partially Corrected No Corrective Action Taken Finding is considered no longer valid

Corrective Action Taken:

Regarding “Cost Principals” we agree with the auditor’s conclusion that two individuals who were full time SIG staff did not turn in their time and effort forms as of the time of the auditors’ fieldwork. As stated in the corrective action section of finding No. 1, we have instituted stronger internal controls to assure the time and effort documents are completed and turned in on time.

Regarding “Level of Effort” (Supplanting) finding, this is the second year in a row in which the Washington State Auditor’s Office has written a federal finding which was found to be incorrect and subsequently overturned by the Office of Superintendent of Public Instruction (OSPI).

Regarding “Procurement” the contractors referenced were required by OSPI for training purpose and it was our understanding that no other contractors would be accepted. In the future we will receive bids to comply with procurement requirements.

Status of Prior Audit Findings

Toppenish School District No. 202
Yakima County
May 20, 2014

The status of findings contained in the prior years' audit reports of the District is provided below:

- 1. The District processed warrants for State Special Education project expenditures totaling \$284,674 before all work was complete and reported the entire amount in its financial statements when only the portion completed should have been reported.**

Report No. 1009925, dated May 31, 2013

Background

The following conditions were reported as a result of insufficient internal controls:

- Expenditures were not accurately recorded and reported on the financial statements.
- Vendor invoices were approved for payment prior to services being rendered.
- Standard practices were not followed for recording retainage in the accounting system.
- Written contracts were not used for all construction or remodeling services.
- Vendors were monitored for timely compliance with state prevailing wage requirements.

Status

The District has partially resolved this issue. Internal control weaknesses in financial statement preparation and review process still exist and resulted in material errors in the District's fiscal year 2013 financial statements, which were subsequently corrected by the District. We will review the District's progress during our next audit.

**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

**Toppenish School District No. 202
Yakima County
September 1, 2012 through August 31, 2013**

Board of Directors
Toppenish School District No. 202
Toppenish, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Toppenish School District No. 202, Yakima County, Washington, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated May 20, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency,

or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 1 to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

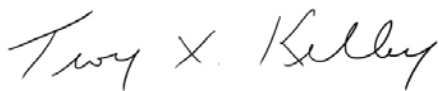
The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

DISTRICT'S RESPONSE TO FINDINGS

The District's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



TROY KELLEY
STATE AUDITOR

May 20, 2014

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

**Toppenish School District No. 202
Yakima County
September 1, 2012 through August 31, 2013**

Board of Directors
Toppenish School District No. 202
Toppenish, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Toppenish School District No. 202, Yakima County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013. The District's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

May 20, 2014

Independent Auditor's Report on Financial Statements

Toppenish School District No. 202 Yakima County September 1, 2012 through August 31, 2013

Board of Directors
Toppenish School District No. 202
Toppenish, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Toppenish School District No. 202, Yakima County, Washington, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 21.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Accounting Manual for Public School Districts in the State of Washington* (Accounting Manual) described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the

appropriateness of accounting policies used and the reasonableness of significant account estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified Opinion on Regulatory Basis of Accounting (Accounting Manual)

As described in Note 1, the District has prepared these financial statements using accounting practices prescribed or permitted by Washington State statutes and the Accounting Manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The difference in these accounting practices is also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Toppenish School District No. 202, as of August 31, 2013, and the changes in financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinions on the Governmental and Fiduciary Funds Based on U.S. GAAP

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General, ASB, Debt Service, Capital Project, Transportation Vehicle, Permanent and Fiduciary funds as of August 31, 2013, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

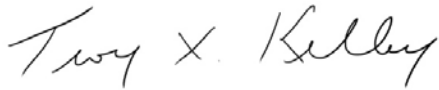
Other Matters

Supplementary and Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedule of Long-Term Liabilities is also presented for purposes of additional analysis as required by the prescribed Accounting Manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



TROY KELLEY
STATE AUDITOR

May 20, 2014

Financial Section

**Toppenish School District No. 202
Yakima County
September 1, 2012 through August 31, 2013**

FINANCIAL STATEMENTS

Balance Sheet – Governmental Funds – 2013
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2013
Statement of Fiduciary Net Position – Fiduciary Funds – 2013
Statement of Changes in Fiduciary Net Position– Fiduciary Funds – 2013
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SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Long-Term Liabilities – 2013
Schedule of Expenditures of Federal Awards – 2013
Notes to the Schedule of Expenditures of Federal Awards – 2013

Balance Sheet

Governmental Funds

August 31, 2013

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
ASSETS:							
Cash and Cash Equivalents	1,567,520.58	25,319.60	5,366.89	34,342.06	0.91	7,482.26	1,640,032.03
Minus Warrants Outstanding	-1,458,589.21	-10,180.36	0.00	-34,341.66	0.00	0.00	-1,503,111.23
Taxes Receivable	554,110.12		275,927.04	0.00	0.00	0.00	830,037.16
Due From Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due From Other Governmental Units	605,269.17	0.00	0.00	13,440.00	0.00	0.00	618,709.17
Accounts Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interfund Loans Receivable	0.00			0.00			0.00
Accrued Interest Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	0.00	0.00					0.00
Prepaid Items	0.00	0.00					0.00
Investments	6,223,238.00	107,067.00	550,020.00	593,599.00	287,313.00	0.00	7,761,237.00
Investments/Cash With Trustee	0.00		0.00	0.00	0.00	0.00	0.00
Investments-Deferred Compensation	0.00			0.00			0.00
Self-Insurance Security Deposit	0.00						0.00
TOTAL ASSETS	7,491,548.66	122,206.24	831,313.93	607,039.40	287,313.91	7,482.26	9,346,904.40
LIABILITIES:							
Accounts Payable	918,035.06	4,493.63	0.00	163,975.40	0.00	0.00	1,086,504.09
Contracts Payable Current	0.00	0.00		0.00	0.00	0.00	0.00
Accrued Interest Payable			0.00				0.00
Accrued Salaries	130,314.17	0.00		0.00			130,314.17
Revenue Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00
Payroll Deductions and Taxes Payable	0.00	0.00		0.00			0.00
Due To Other Governmental Units	0.00	0.00		0.00	0.00	0.00	0.00
Deferred Compensation Payable	0.00			0.00			0.00
Estimated Employee Benefits Payable	0.00						0.00
Due To Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00

E.S.D. 105 Balance Sheet

COUNTY: 39 Yakima Governmental Funds

August 31, 2013

	General Fund	ASB Fund	Debt service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
LIABILITIES:							
Interfund Loans Payable	0.00			0.00	0.00		0.00
Deposits	0.00		0.00		0.00		0.00
Matured Bonds Payable				0.00			0.00
Matured Bond Interest Payable				0.00			0.00
Arbitrage Rebate Payable	0.00			0.00			0.00
Deferred Revenue	554,110.12		0.00	275,927.04	0.00		830,037.16
TOTAL LIABILITIES	1,602,459.35		4,493.63	275,927.04	163,975.40	0.00	2,046,855.42
FUND BALANCE:							
Nonspendable Fund Balance	0.00		0.00	0.00	0.00		0.00
Restricted Fund Balance	0.00	117,712.61	555,386.89	0.00	0.00	7,482.26	680,581.76
Committed Fund Balance	1,899,248.00		0.00	0.00	0.00		1,899,248.00
Assigned Fund Balance	719,020.00		0.00	0.00	287,313.91		1,006,333.91
Unassigned Fund Balance	3,270,821.31		0.00	0.00	443,064.00		3,713,885.31
TOTAL FUND BALANCE	5,889,089.31	117,712.61	555,386.89	443,064.00	287,313.91	7,482.26	7,300,048.98
TOTAL LIABILITIES AND FUND BALANCE	7,491,548.66	122,206.24	831,313.93	607,039.40	287,313.91	7,482.26	9,346,904.40

The accompanying notes are an integral part of this financial statement

Statement of Revenues, Expenditures, and Changes in Fund Balance

E.S.D. 105

COUNTY: 39 Yakima

Governmental Funds

For the Year Ended August 31, 2013

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
REVENUES:							
Local	1,524,368.51	207,088.54	558,284.86	39,856.89	1,426.49		2,331,025.29
State	28,377,263.24	0.00	0.00	0.00	97,558.18		28,474,821.42
Federal	8,308,512.87	374,125.62	0.00	0.00	0.00		8,682,638.49
Federal Stimulus	0.00						0.00
Other	82,366.44	0.00	0.00	0.00	0.00	5,354.60	87,721.04
TOTAL REVENUES	38,292,511.06	207,088.54	932,410.48	39,856.89	98,984.67	5,354.60	39,576,206.24
EXPENDITURES:							
CURRENT:							
Regular Instruction	16,945,384.39						16,945,384.39
Federal Stimulus	0.00						0.00
Special Education	3,123,633.03						3,123,633.03
Vocational Education	1,076,870.62						1,076,870.62
Skills Center	0.00						0.00
Compensatory Programs	6,700,095.69						6,700,095.69
Other Instructional Programs	159,475.54						159,475.54
Community Services	2,134.79						2,134.79
Support Services	9,890,063.80						9,890,063.80
Student Activities/Other		176,966.34					176,966.34
CAPITAL OUTLAY:							
Sites				212,103.35			212,103.35
Building				241,998.43			241,998.43
Equipment				0.00			0.00
Instructional Technology				0.00			0.00
Energy				0.00			0.00
Transportation Equipment				0.00			0.00
Sales and Lease				0.00			0.00
Other	84,611.63						84,611.63
DEBT SERVICE:							
Principal	0.00		860,000.00	0.00			860,000.00
Interest and Other Charges	0.00		640,067.36	0.00			640,067.36
Bond/Levy Issuance				1,503.72			1,503.72
TOTAL EXPENDITURES	37,982,269.49	176,966.34	1,500,067.36	455,605.50	0.00	1,204.31	40,116,113.00

E.S.D. 105 Statement of Revenues, Expenditures, and Changes in Fund Balance

COUNTY: 39 Yakima Governmental Funds

For the Year Ended August 31, 2013

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
DEBT SERVICE:							
REVENUES OVER (UNDER) EXPENDITURES	310,241.57	30,122.20	-567,656.88	-415,748.61	98,984.67	4,150.29	-539,906.76
OTHER FINANCING SOURCES (USES):							
Bond Sales & Refunding Bond Sales	0.00	9,996,218.86	0.00	0.00	0.00	0.00	9,996,218.86
Long-Term Financing	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transfers In	0.00	500,000.00	500,000.00	0.00	0.00	0.00	1,000,000.00
Transfers Out (GL 536)	-1,000,000.00	0.00	0.00	0.00	0.00	0.00	-1,000,000.00
Other Financing Uses (GL 535)	0.00	-9,993,708.00	0.00	0.00	0.00	0.00	-9,993,708.00
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL OTHER FINANCING SOURCES (USES)	-1,000,000.00	502,510.86	500,000.00	500,000.00	0.00	0.00	2,510.86

EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-689,758.43	30,122.20	-65,146.02	84,251.39	98,984.67	4,150.29	-537,395.90
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BEGINNING TOTAL FUND BALANCE	6,578,847.74	87,590.41	620,532.91	358,812.61	188,329.24	3,331.97	7,837,444.88
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ENDING TOTAL FUND BALANCE	5,889,089.31	117,712.61	555,386.89	443,064.00	287,313.91	7,482.26	7,300,048.98

The accompanying notes are an integral part of this financial statement

Fiduciary Funds
August 31, 2013

	Private Purpose Trust	Other Trust
ASSETS:		
Imprest Cash	0.00	0.00
Cash On Hand	7,482.26	0.00
Cash On Deposit with Cty Treas	0.00	0.00
Minus Warrants Outstanding	0.00	0.00
Due From Other Funds	0.00	0.00
Accounts Receivable	0.00	0.00
Accrued Interest Receivable	0.00	0.00
Investments	0.00	0.00
Investments/Cash With Trustee	0.00	0.00
Other Assets	0.00	0.00
Capital Assets, Land	0.00	0.00
Capital Assets, Buildings	0.00	0.00
Capital Assets, Equipment	0.00	0.00
Accum Depreciation, Buildings	0.00	0.00
Accum Depreciation, Equipment	0.00	0.00
TOTAL ASSETS	7,482.26	0.00
LIABILITIES:		
Accounts Payable	0.00	0.00
Due To Other Funds	0.00	0.00
TOTAL LIABILITIES	0.00	0.00
NET POSITION:		
Net position held in trust for:		
Restricted for Other Items	7,482.26	0.00
Restricted for Self Insurance	0.00	0.00
Restricted for Uninsured Risks	0.00	0.00
Nonspendable -- Trust Principal	0.00	0.00
Committed to Other Purposes	0.00	0.00
Assigned to Fund Purposes	0.00	0.00
Unassigned Fund Balance	0.00	0.00
TOTAL NET POSITION	7,482.26	0.00

The accompanying notes are an integral part of this financial statement

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended August 31, 2013

ADDITIONS:			
Contributions:			
Private Donations	5,354.60		0.00
Employer			0.00
Members			0.00
Other	0.00		0.00
TOTAL CONTRIBUTIONS	0.00		0.00
Investment Income:			
Net Appreciation (Depreciation) in Fair Value	0.00		0.00
Interest and Dividends	0.00		0.00
Less Investment Expenses	0.00		0.00
Net Investment Income	0.00		0.00
Other Additions:			
Rent or Lease Revenue	0.00		0.00
Total Other Additions	0.00		0.00
TOTAL ADDITIONS	5,354.60		0.00
DEDUCTIONS:			
Benefits			0.00
Refund of Contributions	0.00		0.00
Administrative Expenses	0.00		0.00
Scholarships	0.00		0.00
Other	0.00		0.00
TOTAL DEDUCTIONS	1,204.31		0.00
Net Increase (Decrease)	4,150.29		0.00
Net Position-Beginning	3,331.97		0.00
Prior Year(s) Corrections or Restatements	0.00		0.00
NET POSITION-ENDING	7,482.26		0.00

The accompanying notes are an integral part of this financial statement

TOPPENISH SCHOOL DISTRICT # 202
Notes to the Financial Statements
September 1, 2012 Through August 31, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (SSAP)

Description of the government-wide financial statements, noting that neither fiduciary funds nor component units that are fiduciary in nature are included.

The Toppenish School District (District) is a municipal corporation organized pursuant to Title 28A of the Revised Code of Washington (RCW) for the purposes of providing public school services to students in Grades K–12. Oversight responsibility for the District's operations is vested with the independently elected board of directors. Management of the District is appointed by and is accountable to the board of directors. Fiscal responsibility, including budget authority and the power to set fees, levy property taxes, and issue debt consistent with provisions of state statutes, also rests with the board of directors.

The District presents governmental fund financial statements and related notes on the modified accrual basis of accounting as prescribed by generally accepted accounting principles (GAAP) and required by its regulatory agencies, the Office of Superintendent of Public Instruction and the State Auditor's Office. The District's accounting policies, as reflected in the accompanying financial statements, conform to the *Accounting Manual for Public School Districts in the State of Washington*, issued jointly by the State Auditor's Office and the Superintendent of Public Instruction by the authority of RCW 43.09.200, RCW 28A.505.140, RCW 28A.505.010(1), and RCW 28A.505.020. This manual allows for a practice that differs from generally accepted accounting principles in the following manner:

- (1) Districtwide statements are not presented.
- (2) The financial statements do not report capital assets.
- (3) Debt is not reported on the face of the financial statements. It is reported in the notes to the financial statements and on the Schedule of Long-Term Debt. The Schedule of Long-Term Debt is required supplemental information.
- (4) The original budget is not presented. This information is available through the Office of Superintendent of Public Instruction.
- (5) The Management Discussion and Analysis is not required.
- (6) The financial statements do not report a liability for Other Post-Employment Benefits (GASB Statement 45).
- (7) Other departures from GAAP that are material in nature are indicated throughout the Notes.

Description of the activities accounted for in each of the following funds presented in the basic financial statements.

The District presents financial information on the basis of funds, each of which is considered a separate accounting entity. The regulatory agencies require all funds be presented as major funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures (or expenses) as appropriate.

The various funds in the report are grouped into governmental (and fiduciary) funds as follows:

Governmental Funds

General Fund

This fund is used to account for all expendable financial resources, except for those that are required to be accounted for in another fund. In keeping with the principle of having as few funds as are necessary, activities such as food services, maintenance, data processing, printing, and student transportation are included in the General Fund.

Capital Projects Funds

These funds account for financial resources that are to be used for the construction or acquisition of major capital assets. There are two funds that are considered to be of the capital projects fund type: the Capital Projects Fund and the Transportation Vehicle Fund.

Capital Projects Fund. This fund is used to account for resources set aside for the acquisition and construction of major capital assets such as land and buildings.

Transportation Vehicle Fund. This fund is used to account for the purchase, major repair, rebuilding, and debt service expenditures that relate to pupil transportation equipment.

Debt Service Fund

This fund is used to account for the accumulation of resources for and the payment of matured general long-term debt principle and interest.

Special Revenue Fund

In Washington State, the only allowable special revenue fund for school districts is the Associated Student Body (ASB) Fund. This fund is accounted for in the District's financial statements as the financial resources legally belong to the District. As a special revenue fund, amounts within the ASB Fund may only be used for those purposes that relate to the operation of the Associated Student Body of the District.

Proprietary Funds

School districts in the State of Washington are not allowed to utilize proprietary fund types, which is a departure from GAAP.

The measurement focus and basis of accounting used in the government-wide statements.

The District's accounting policies conform to the *Accounting Manual for Public School Districts in the State of Washington*, issued jointly by the State Auditor and the Superintendent of Public Instruction. The District's financial statements are presented in conformity with that publication.

The measurement focus for the District's funds is the modified accrual basis and the current financial resources focus. This basis of accounting focuses primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. This means that only current assets and current liabilities are included on their balance sheets.

Revenues are recognized as soon as they are measurable and available. “Measurable” means the amount of the transaction can be readily determined. Revenues are considered “available” if they are collected within 60 days after year-end to pay liabilities of the current period. Property taxes receivable are measurable but not available and are, therefore, not accrued. Categorical program claims and interdistrict billings are measurable and available and are, therefore, accrued.

Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for unmatured principal and interest on long-term debt which are recorded when due. The fund liability is incurred when the goods or services have been received. For federal grants, the recognition of expenditures is dependent on the obligation date. (Obligation means a purchase order has been issued, contracts have been awarded, or goods and/or services have been received.)

Budgetary Data

General Budgetary Policies

Chapter 28A.505 RCW and Chapter 392-123 Washington Administrative Code (WAC) mandate school district budget policies and procedures. The board adopts the budget after a public hearing. An appropriation is a prerequisite to expenditure. Appropriations lapse at the end of the fiscal period.

Budgetary Basis of Accounting

For budget and accounting purposes, revenues and expenditures are accounted for on the modified accrual basis as prescribed in law for all governmental funds. Fund balance is budgeted as available resources and, under statute, may not be negative, unless the District enters into binding conditions with state oversight pursuant to RCW 28A.505.110.

The government’s policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The District receives state funding for specific categorical education-related programs. Amounts that are received for these programs that are not used in the current fiscal year may be carried forward into the subsequent fiscal year, where they may be used only for the same purpose as they were originally received. When the District has such carryover, those funds are expended before any amounts received in the current year are expended.

Additionally, the District has other restrictions placed on its financial resources. When expenditures are recorded for purposes for which a restriction or commitment of fund balance is available, those funds that are restricted or committed to that purpose are considered first before any unrestricted or unassigned amounts are expended.

The government’s fund balance classifications policies and procedures.

The District classifies ending fund balance for its governmental funds into five categories.

Nonspendable Fund Balance. The amounts reported as Nonspendable are resources of the District that are not in spendable format. They are either non-liquid resources such as inventory or prepaid items, or the resources are legally or contractually required to be maintained intact.

Restricted Fund Balance. Amounts that are reported as Restricted are those resources of the District that have had a legal restriction placed on their use either from statute, WAC, or other legal requirements that are beyond the control of the board of directors. Restricted fund balance includes anticipated recovery of revenues that have been received but are restricted as to their usage.

Committed Fund Balance. Amounts that are reported as Committed are those resources of the District that have had a limitation placed upon their usage by formal action of the District's board of directors. Commitments are made either through a formal adopted board resolution or are related to an established policy of the board. Commitments may only be changed when the resources are used for the intended purpose or the limitation is removed by a subsequent formal action of the board of directors.

Assigned Fund Balance. In the General Fund, amounts that are reported as Assigned are those resources that the District has set aside for specific purposes. These accounts reflect tentative management plans for future financial resource use such as the replacement of equipment or the assignment of resources for contingencies. Assignments reduce the amount reported as Unassigned Fund Balance, but may not reduce that balance below zero.

In other governmental funds, Assigned fund balance represents a positive ending spendable fund balance once all restrictions and commitments are considered. These resources are only available for expenditure in that fund and may not be used in any other fund without formal action by the District's board of directors and as allowed by statute.

Unassigned Fund Balance. In the General Fund, amounts that are reported as Unassigned are those net spendable resources of the District that are not otherwise Restricted, Committed, or Assigned, and may be used for any purpose within the General Fund.

In other governmental funds, Unassigned fund balance represents a deficit ending spendable fund balance once all restrictions and commitments are considered.

A negative Unassigned fund balance means that the legal restrictions and formal commitments of the District exceed its currently available resources.

Assets, Liabilities, and Fund Equity

All of the District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables and Payables

All receivables and payables are expected to be collected within one year.

Inventory

All supplies are recorded as expended in the year purchased. No Inventory was on hand to be recorded at year-end.

NOTE 2: Cash deposits with financial institutions

The Yakima County Treasurer is the *ex officio* treasurer for the District and holds all accounts of the District. The District directs the County Treasurer to invest those financial resources of the District that the District has determined are not needed to meet the current financial obligations of the District.

All of the District's investments (except for investments of deferred compensation plans) during the year and at year-end were insured or registered and held by the District or its agent in the District's name.

The District's investments as of August 31, 2013, are as follows:

	Number of Securities	Carrying Amount	Market Value
State Treasurer's Investment Pool	N/A	\$7,761,237	\$7,761,237
Total Investments		\$7,761,237	\$7,761,237

NOTE 3: SIGNIFICANT CONTINGENT LIABILITIES

Litigation

The District has no known legal obligations that would materially impact the financial position of the District. Any current Litigation would be covered by current insurance coverage.

NOTE 4: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

There were no events after the balance sheet date that would have a material impact on the next or future fiscal years.

NOTE 5: ANNUAL PENSION COST AND NET PENSION OBLIGATIONS

General Information

Substantially all District full-time and qualifying part-time employees participate in one of the following three contributory, multi-employer, cost-sharing statewide retirement systems managed by the Washington State Department of Retirement Systems (DRS): Teachers' Retirement System (TRS), Public Employees' Retirement System (PERS) and School Employees' Retirement System (SERS). Participation in the programs was as follows:

Membership by retirement system program as of June 30, 2011:

<u>Program</u>	<u>Active Members</u>	<u>Inactive Vested Members</u>	<u>Retired Members</u>
TRS	66,203	9,204	41,570
PERS	152,417	29,925	79,363
SERS	52,332	10,262	6,428

Membership by retirement system program as of June 30, 2012:

<u>Program</u>	<u>Active Members</u>	<u>Inactive Vested Members</u>	<u>Retired Members</u>
TRS	65,357	9,545	42,918
PERS	150,590	30,515	82,242
SERS	51,558	10,920	6,651

Data is as of last actuarial valuation date of June 30, 2012.

Certificated public employees are members of TRS. Noncertificated public employees are members of PERS (if Plan 1) or SERS.

Plan 1 under the TRS and PERS programs are defined benefit pension plans whose members joined the system on or before September 30, 1977. Plan 1 members are eligible to retire with full benefits after five years of credited service and attainment of age 60, after 25 years of credited service and attainment of age 55, or after 30 years of credited service.

Plan 2 under the TRS or SERS programs are defined benefit pension plans whose members joined on or after October 1, 1977, but before June 30, 1996 or August 31, 2000, for TRS or SERS programs, respectively. Members of TRS and SERS are eligible to retire with full benefits after five years of credited service and attainment of age 65, after 20 years of credited service and attainment of age 55 with the benefit actuarially reduced from age 65, or 30 years of credited service and receive either a reduced benefit or stricter return-to-work rules.

Plan 3 under the TRS and SERS programs are defined benefit, defined contribution pension plans whose members joined on or after July 1, 1996, or September 1, 2000, for TRS and SERS, respectively. Members are eligible to retire with full benefits at age 65, or they may retire at age 55 with at least ten service years with a reduced benefit amount, or they may retire at age 55 with at least 30 service years and receive either a reduced benefit or stricter return-to-work rules.

Average final compensation (AFC) of Plan 1 TRS and PERS members is the highest average salary during any two consecutive years. For Plan 2 and Plan 3 TRS and SERS members, it is the highest average salary during any five consecutive years.

The retirement allowance of Plan 1 TRS and PERS members is the AFC multiplied by 2 percent per year of service capped at 60 percent with a cost-of-living adjustment. For Plan 2 TRS and SERS members, it is the AFC multiplied by 2 percent per year of service with provision for a cost-of-living adjustment. For the defined benefit portion of Plan 3 TRS and SERS it is the AFC multiplied by 1 percent per year of service with a cost-of-living adjustment.

The employer contribution rates for PERS, TRS, and SERS (Plans 1, 2, and 3) and the TRS and SERS Plan 2 employee contribution rates are established by the Pension Funding Council based upon the rates set by the Legislature. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at 6 percent and does not vary from year to year. The employer rate is the same for all plans in a system. The methods used to determine the contribution requirements are established under chapters 41.40, 41.32, and 41.35 RCW for PERS, TRS and SERS respectively.

The district contribution represents its full liability under both systems, except that future rates may be adjusted to meet the system needs.

B. Contributions

Employee contribution rates effective September 1, 2012 through August 31, 2013:

Plan 1 TRS	6.00%	Plan 1 PERS	6.00%
Plan 2 TRS	4.69%	Plan 2 SERS	4.09%
Plan 3 TRS and SERS	5.00% (minimum), 15.00% (maximum)		

For Plan 3 TRS and SERS, rates adjusted based upon age may be chosen. The optional rates range begins at 5 percent and increase to a maximum of 15 percent.

Employer contribution rates effective September 1, 2012 through August 31, 2013:

	9/1/11-8/31/12		9/1/12-6/31/13		7/1/13-8/31/13
Plan 1 TRS	8.05%	Plan 1 PERS	7.21%		9.19%
Plan 2 TRS	8.05%	Plan 2 SERS	7.59%		7.59%
Plan 3 TRS	8.05%	Plan 3 SERS	7.59%		7.59%

Under current law the employer must contribute 100 percent of the employer-required contribution. Employer required contributions in dollars (Participant information for all plans is as of August 31):

<u>Plan</u>	<u>FY 12 -13</u>	<u>FY 11-12</u>	<u>FY 10-11</u>
Plan 1 TRS	\$ 47,771	\$ 57,919	\$ 48,951
Plan 2 TRS	\$ 198,142	\$ 156,162	\$ 108,746
Plan 3 TRS	\$ 856,058	\$ 833,725	\$ 631,772
Plan 1 PERS	\$ 26,295	\$ 26,105	\$ 26,819
Plan 2 SERS	\$ 135,897	\$ 129,549	\$ 90,679
Plan 3 SERS	\$ 227,066	\$ 221,063	\$ 154,605

Historical trend information showing TRS, PERS and SERS progress in accumulating sufficient assets to pay benefits when due is presented in the state of Washington's June 30, 2013, comprehensive annual financial report. Refer to this report for detailed trend information. It is available from:

State of Washington
 Office of Financial Management
 300 Insurance Building
 PO BOX 43113
 Olympia, WA 98504-3113

NOTE 6: ANNUAL OTHER POST-EMPLOYMENT BENEFIT COST AND NET OPEB OBLIGATIONS

The State, through the Health Care Authority (HCA), administers an agent multi-employer Other Post-Employment Benefit plan. The Public Employees Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. Programs include (medical, dental, life insurance and long-term disability insurance)

Employers participating in the plan include the State of Washington (which includes general government agencies and higher education institutions), 57 of the state's K-12 school districts and educational service districts (ESDs), and 206 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 247 K-12 school districts and ESDs. The District's retirees are eligible to participate in the PEBB plan under this arrangement.

According to state law, the Washington State Treasurer collects a fee from all school district entities which have employees that are not current active members of the state Health Care Authority but participate in the state retirement system. The purpose of this fee is to cover the impact of the subsidized rate of health care benefits for school retirees that elect to purchase their health care benefits through the state Health Care Authority. For the fiscal year 2012-13, the District was required to pay the HCA \$65.17 per month per full-time equivalent employee to support the program, for a total payment of \$327,218.63. This assessment to the District is set forth in the State's operating budget and is subject to change on an annual basis. This amount is not actuarially determined and is not placed in a trust to pay the obligations for post-employment health care benefits.

The District has no control over the benefits offered to retirees, the rates charged to retirees, nor the fee paid to the Health Care Authority. The District does not determine its Annual Required Contribution nor the Net Other Post-Employment Benefit obligation associated with this plan. Accordingly, these amounts are not shown on the financial statements. This is a departure from GAAP.

NOTE 7: ENCUMBRANCES

Encumbrance accounting is employed in governmental funds. Purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve a portion of the applicable appropriation. Encumbrances lapse at the end of the fiscal year and may be re-encumbered the following year. The following encumbrance amounts were re-encumbered by fund on September 1, 2013:

General Fund	\$ 93,053
ASB Fund	\$86
Capital Projects Fund	\$ 51,871
Transportation Vehicle Fund	\$231,717

NOTE 8: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The District's capital assets are insured in the following amount for amount fiscal year 2013.

Property	\$150,000,000
Flood	25,000,000
General Liability	31,000,000
Auto	25,000,000
Crime	1,000,000

In the opinion of the District's insurance consultant, the amount is sufficient to adequately fund replacement of the District's assets.

NOTE 9: REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES

Long-Term Debt

Bonds payable at August 31, 2013 are comprised of the following individual issues:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
General Obligation Bonds					
UTGOR	\$6,485,000	\$50-960,000	12/1/18	2.4-4.0%	4,965,000
LGO	1,400,000	100-120,000	12/1/18	3.8-4.5%	650,000
UTGO	9,800,000	90,000-1.630 Million	12/1/25	4.1-4.5%	705,000
UTGO	1,000,000	1 @ \$1 Million	12/1/19	5.95%	1,000,000
UTGOR	9,295,000	323,086-1.648 Million	12/1/25	1.0-3.0%	9,295,000
Total General Obligation Bonds					16,615,000

The following is a summary of general obligation long-term debt transactions of the District for the fiscal year(s) ended August 31, 2013:

Long-Term Debt Payable at 9/1/2012	\$16,790,000
New Issues	9,295,000
Debt Retired	9,470,000
Long-Term Debt Payable at 8/31/2013	\$16,615,000

The following is a schedule of annual requirements to amortize debt at August 31, 2013:

Years Ending August 31	Principal	Interest	Total
2014	980,000	546,635	1,526,635
2015	1,020,000	507,985	1,527,985
2016	1,075,000	469,422	1,544,422
2017	1,125,000	428,810	1,553,810
2018	1,180,000	348,378	1,564,378
2019-2023	6,590,000	1,178,680	7,768,680
2024-2026	4,645,000	189,000	4,834,000
Total	16,615,000	3,704,910	20,319,910

At August 31, 2013, the District had \$ 555,387 available in the Debt Service Fund to service the general obligation bonds.

Refunded Debt

On March 13, 2008, the District issued \$6.485 million in general obligation bonds with an average interest rate of 3.49 percent to advance refund \$6.340 million of outstanding 1999 series bonds with an average interest rate of 4.65 percent. The net proceeds of \$ 6.613 million after payment of \$33,446 in underwriting fees, insurance, and other issuance costs were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1999 series bonds. As a result, the 1999 series bonds are considered defeased.

On October 24, 2012, the District issued \$9.295 million in general obligation bonds with an average interest rate of 1.98 percent to advance refund \$8.610 million of outstanding 2006A series bonds with an average interest rate of 4.40 percent. The net proceeds of \$ 9.930 million after payment of \$63,835 in underwriting fees, insurance, and other issuance costs were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2006A series bonds. As a result, the 2006A series bonds are considered defeased. The District advance refunded the above mentioned bonds to reduce its total debt service payments over the next 13 years by \$ 1.068 million.

Prior-Year Defeasance of Debt

In prior years, the District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements.

NOTE 10: ENTITY RISK MANAGEMENT ACTIVITIES

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In July 1984, the District joined together with other school districts in the state to form the ESD 105 Workers' Compensation Pool, a public entity risk pool currently operating as a common risk management and insurance program for (unemployment insurance, unemployment compensation). The District pays an annual premium to the pool for its general insurance coverage. The agreement for formation of the E.S.D 105 Workers' Compensation Pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$350,000 for each insured event.

The Toppenish School District is a member of the Schools Insurance Association of Washington. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure or hire contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1995, when seven mid-sized school districts in the state of Washington joined together by signing an Interlocal Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Presently, the SIAW program has 42 member districts.

The program allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Coverage for Wrongful Act Liability and Employee Benefit Liability is on a claims-made basis. All other coverage's are on an occurrence basis. The program provides the following forms of group purchased insurance coverage for its members: property, earthquake, liability, automotive liability, equipment breakdown, crime, employee benefits, and wrongful act liability.

The program acquires liability insurance through their Administrator, Canfield, which is subject to a per-occurrence of \$100,000. Members are responsible for a \$2,500 deductible for each claim, while the program is responsible for the \$100,000 self-insured retention. Insurance carriers cover insured losses over \$102,500 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 self-insured retention. The program also purchases a Stop Loss Policy with an attachment point of \$3,946,800, which it fully funds in its annual budget.

Property insurance is subject to a per-occurrence self-insured retention of \$250,000. Members are responsible for a \$10,000 deductible for each claim. The program is responsible for the remaining \$250,000 self-insured retention. Equipment breakdown insurance is subject to a per-occurrence deductible of \$10,000. Members are responsible for the deductible amount of each claim.

Members contract to remain in the program for one year and must give notice before December 31 before terminating participation the following September 1. Renewal of the Interlocal Agreement occurs automatically each year. Even after termination, a member is still responsible for contributions to the program for *any* unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

The program is fully funded by its member participants. Claims are filed by members with Canfield, which has been contracted to perform program administration, claims adjustment and administration and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ended August 31, 2013, were \$3,198,672.

A Board of Directors of eight members is selected by the membership from the east and west side of the state and is responsible for conducting the business affairs of the program. The Board of Directors has contracted with Canfield to perform day-to-day administration of the pool. This program has no employees.

NOTE 11: PROPERTY TAXES

Property tax revenues are collected as the result of special levies passed by the voters in the District. Taxes are levied on January 1. The taxpayer has the obligation of paying all taxes on April 30 or one-half then and one-half on October 31. Typically, slightly more than half of the collections are made on the April 30 date. The October 31 collection is not available in time to cover liabilities for the fiscal period ended August 31. Therefore, the fall portion of property taxes is not accrued as revenue. Instead, the property taxes due on October 31 are recorded as deferred revenue.

NOTE 12: FUND BALANCE CLASSIFICATION DETAILS

The District's financial statements include the following amounts presented in the aggregate.

	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund	Transportation Vehicle Fund	Permanent Fund
Restricted Fund Balance						
Carryover of Restricted Revenues		\$117,713				
Debt Service Other purposes				\$555,387		7,482
Committed Fund Balance						
Minimum Fund Balance Policy	\$1,899,248					
Other Commitments						
Assigned Fund Balance						
Fund Purposes	\$719,020				\$287,314	

NOTE 13: POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS—BOTH IN SEPARATELY ISSUED PLAN FINANCIAL STATEMENTS AND EMPLOYER STATEMENTS^⑤

457 Plan – Deferred Compensation Plan

(District employees have the option of participating in a deferred compensation plan as defined in §457 of the Internal Revenue Code that is administered by the state deferred compensation plan, or the District.)

403(b) Plan – Tax Sheltered Annuity (TSA)

The District offers a tax deferred annuity plan for its employees. The plan permits participants to defer a portion of their salary until future years under elective deferrals (employee contribution) .

The District complies with IRS regulations that require school districts to have a written plan to include participating investment companies, types of investments, loans, transfers, and various requirements. The plan is administered by a third party administrator. The plan assets are assets of the District employees, not the school district, and are therefore not reflected on these financial statements.

NOTE 14: TERMINATION BENEFITS

Compensated Absences

Employees earn sick leave at a rate of 12 days per year up to a maximum of one contract year.

Under the provisions of RCW 28A.400.210, sick leave accumulated by District employees is reimbursed at death or retirement at the rate of one day for each four days of accrued leave, limited to 180 accrued days. This chapter also provides for an annual buy out of an amount up to the maximum annual accumulation of 12 days. For buyout purposes, employees may accumulate such leave to a maximum of 192 days, including the annual accumulation, as of December 31 of each year.

These expenditures are recorded when paid, except termination sick leave that is accrued upon death, retirement, or upon termination provided the employee is at least 55 years of age and has sufficient years of service. Vested sick leave was computed using the termination payment method/vesting method.

NOTE 15: OTHER DISCLOSURES

KCDA

The District is a member of the King County Director's Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. The board authorized joining the association in 1986, and has remained in the joint venture ever since. The District's current equity of \$26,467 is the accumulation of the annual assignment of KCDA's operating surplus based upon the percentage derived from KCDA's total sales to the District compared to all other districts applied against paid administrative fees. The District may withdraw from the joint venture and will receive its equity in ten annual allocations of merchandise or 15 annual payments.

There were no events after the balance sheet date that would have a material impact on the next or future years.

ESD 105 Unemployment Pool

The District is a member of the ESD 105 Unemployment Pool, participating with the ESD and 18 other school districts. The District pays into this pool to cover potential payouts for unemployment benefits from District employees who might submit claims. As of August 31, 2013, the total fund balance of this pool was \$1,545,021. Fund balance attributed to Toppenish School District was \$172,150.

The ESD 105's unemployment administrator classifies the District's liabilities by the following classifications and amounts:

Potential Liability	\$193,159
Savings	\$ 94,794
Charges to Date	\$ 21,912
Liability Remaining	\$ 76,453

The District believes Toppenish School District's ownership interest in this pool is sufficient to cover potential payouts.

For the Year Ended August 31, 2013

Description	September 1, 2012		August 31, 2013	
	Beginning Outstanding Debt Amount	Issued/Increased Amount	Redeemed/Decreased Amount	Ending Outstanding Debt
Total Voted Bonds	16,050,000.00	9,295,000.00	9,380,000.00	15,965,000.00
Total Non-Voted Notes/Bonds	740,000.00	0.00	90,000.00	650,000.00
Qualified Zone Academy Bonds (QZAB)	0.00	0.00	0.00	0.00
Qualified School Construction Bonds(QSCB)	0.00	0.00	0.00	0.00
Other Long-Term Debt				
Capital Leases	0.00	0.00	0.00	0.00
Contracts Payable (GL 603)	0.00	0.00	0.00	0.00
NonCancellable Operating Leases	0.00	0.00	0.00	0.00
Claims & Judgments	0.00	0.00	0.00	0.00
Compensated Absences	1,085,836.74	516,140.00	0.00	1,601,976.74
Other Long-Term Liabilities	0.00	0.00	0.00	0.00
Total Other Long-Term Liabilities	1,085,836.74	516,140.00	0.00	1,601,976.74
TOTAL LONG-TERM LIABILITIES	17,875,836.74	9,811,140.00	9,470,000.00	18,216,976.74

Toppenish School District No. 202
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2013

Federal Agency Name	Pass-Through Agency	Federal Program Title	CFDA Number	Other ID Number	Expenditures			Foot Note
					From Direct Awards	From Pass Through Awards	Total	
U.S. Dept of Agriculture								
	WA OSPI	School Breakfast Program	10.553			490,990	490,990	
	WA OSPI	National School Lunch Program - Cash	10.555			1,439,292	1,439,292	
	WA OSPI	Non cash Assistance - Commodities	10.555			148,024	148,024	3
	WA OSPI	Summer Food Service Program	10.559			24,874	24,874	
	WA OSPI	Fresh Fruit & Vegetable Program	10.582			90,849	90,849	
	Office State Treasurer	School & Roads- Grants to States	10.665			47,920	47,920	
Subtotal US Department of Agriculture						2,241,949	2,241,949	
U.S. Dept of Interior								
	Yakama Nation	Indian Ed.- Assistance to Schools-JOM	15.130	N/A		23,061	23,061	
Subtotal US Dept of Interior						23,061	23,061	
U. S. Dept of Education								
	WA OSPI	Title I Grants to Local Educational Agencies	84.010A	Various		2,043,306	2,043,306	2
	WA OSPI	Migrant Ed.-State Grant Program	84.011A	281026, 290712		460,310	460,310	
	WA OSPI	Special Ed - Grants to States	84.027A	304392		762,611	762,611	
		Impact Aid	84.041	N/A	458,731		458,731	
	WA OSPI	Career & Technical Education-Basic Grants to States	84.048	172745		40,563	40,563	
		Indian Ed.-Grants to LEAs	84.060	S060A120722	153,716		153,716	
	WA OSPI	Special Ed- Preschool Grants	84.173A	364392		26,213	26,213	
	Univ of Wash	Gaining Early Awareness/Readiness	84.334A	Various		403,464	403,464	4
	WA OSPI	English Language Acquisition Grants	84.365A	401461		332,974	332,974	2
	WA OSPI	Improving Teacher Quality State Grants	84.367	523033		298,559	298,559	2
	WA OSPI	School Improvement Grants	84.377A	225327		755,485	755,485	
Subtotal US Dept of Education						612,447	5,123,485	5,735,932
U.S. Dept. of Health & Human Services								
		Drug Free Communities Support Program Grants	93.276	5H79SP015829-03	86,348		86,348	
	WA DSHS	Medical Assistance Program	93.778	0765-19261		567,169	567,169	
	ESD 105	Block Grant for Prevent and Treat Substance Abuse	93.959	9001000011		14,459	14,459	
Subtotal US Dept of Health/Human Services						86,348	581,628	667,976
Total Federal Awards Expended						\$698,795	\$7,970,123	\$8,668,918

The Accompanying Notes to the Schedule of Expenditures of Federal Awards are in Integral Part of this Schedule

Toppenish School District No. 202

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2013

NOTE 1 – BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting. Expenditures represent only the federally funded portions of the program. District records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE 2 – SCHOOLWIDE PROGRAMS

The District operates a “schoolwide program” in all buildings. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to certain targeted students. The following federal program amounts were expended by the District in its schoolwide programs: Title I (84.010) - \$2,043,306; Title II (84.367) - \$298,559; Title III (84.365) - \$332,974.

NOTE 3 - NONCASH AWARDS

The amount of commodities reported on the schedule is the value of commodities distributed by the District during the current year and priced as prescribed by the Office of Superintendent of Public Instruction.

NOTE 4- PROGRAM COSTS/MATCHING CONTRIBUTIONS

The amounts shown as current year expenses represent only the federal grant portion of the program costs. The entire program costs, including the district’s local matching share, are more than shown.

NOTE 5- FEDERAL INDIRECT RATES

The District claimed indirect costs using its federal restricted rate.



ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

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Director of Performance and State Audit
Director of Local Audit
Deputy Director of State Audit
Deputy Director of Local Audit
Deputy Director of Local Audit
Deputy Director of Performance Audit
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