

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

**Mary Walker School District No. 207**  
**Stevens County**  
**September 1, 2013 through August 31, 2014**

**2014-001 The District's financial condition puts it at risk of being unable to meet financial obligations and maintain current service levels.**

### *Description of Condition*

The District's General Fund ending fund balance since fiscal year 2011 is shown below:

Fiscal Year	General Fund Ending Fund Balance
2011	\$ 216,988
2012	\$ 372,690
2013	\$ 303,736
2014	\$ 84,293

The 2014 general fund ending fund balance includes approximately \$65,000 committed for specific purposes that is not available to spend on general operations.

The general fund ending balance as of March 31, 2015, was a deficit of approximately \$189,800. In addition, in fiscal year 2015 the General Fund borrowed \$170,000 from the Capital Projects fund in order to meet immediate cash needs.

### *Cause of Condition*

In fiscal year 2014 the District suffered an unexpected decline in enrollment of almost 10 percent from the numbers used to develop the budget and determine staffing levels. Since enrollment is a significant state apportionment funding driver, revenues declined while expenditures remained the same, resulting in a decline in the District's financial condition.

While the District has an informal strategy for addressing this concern, it has not established a formal, comprehensive financial management plan or contacted OSPI for assistance in managing its position. The District's informal strategy has not been effective in improving the District's financial condition.

### ***Effect of Condition***

District revenues have not kept pace with the District's operating expenses. The District has had to liquidate General Fund investments and borrow from restricted funds in order to meet General Fund cash needs. If the District's financial condition continues to decline, it may be unable to meet its debt obligations or continue operations at their current level.

### ***Recommendation***

- We recommend the District work closely with the Education Service District and the Office of the Superintendent of Public Instruction to improve its fund balance and to create financial stability.

We also recommend the District Board Members take action to:

- Assess its financial operations and make necessary adjustments to expenditures and/or services.
- Establish a written comprehensive plan to address its financial condition and to ensure its expenditures do not exceed revenues.
- Monitor and evaluate the District's financial condition to ensure the plan is followed and the desired results are achieved. The plan should be revised as needed to resolve financial issues.

### ***District's Response***

*The Mary Walker School District concurs that it continues to have a low fund balance. The District will implement a plan of action to increase their fund balance within two years. The District will continue to monitor accounts payable and payroll. The District will continue to cut in both areas while still providing a quality education. The District will continue its work with ESD 101 on monitoring the District's finances.*

### ***Auditor's Remarks***

We appreciate the District's commitment to resolving the issues noted and will follow up during the next audit.