



**Office of the Washington State Auditor**  
**Pat McCarthy**

## **Financial Statements and Federal Single Audit Report**

# **Wahluke School District No. 73**

**Grant County**

**For the period September 1, 2016 through August 31, 2017**

**Published May 24, 2018**

**Report No. 1021397**





## Office of the Washington State Auditor

**Pat McCarthy**

May 24, 2018

Board of Directors  
Wahluke School District No. 73  
Mattawa, Washington

### **Report on Financial Statements and Federal Single Audit**

Please find attached our report on Wahluke School District No. 73'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,

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy  
State Auditor  
Olympia, WA

## TABLE OF CONTENTS

Schedule of Findings and Questioned Costs.....	4
Schedule of Federal Award Findings and Questioned Costs.....	6
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.....	13
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance .....	16
Independent Auditor's Report on Financial Statements.....	20
Financial Section.....	24
Corrective Action Plan for Findings Reported Under Uniform Guidance .....	54
About the State Auditor's Office.....	56

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Wahluke School District No. 73**  
**Grant County**  
**September 1, 2016 through August 31, 2017**

### SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of Wahluke School District No. 73 are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### Financial Statements

We issued an unmodified opinion on the fair presentation of the District’s financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation of all funds with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

##### 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 no 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 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, with the exception of the 84.010 - Title I Grants to Local Educational Agencies program on which we issued a qualified opinion on compliance with applicable requirements.

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

## **Identification of Major Federal Programs:**

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster 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 for Children
84.010	Title I Grants to Local Educational Agencies

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The District did not qualify as a low-risk auditee under the Uniform Guidance.

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

See finding 2017-001.

## SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### Wahluke School District No. 73 Grant County September 1, 2016 through August 31, 2017

**2017-001    The District did not have adequate internal controls to ensure compliance with federal Title I requirements for procurement and suspension and debarment, earmarking and eligibility.**

**CFDA Number and Title:** 84.010 Title I, Part A, Grants to Local Educational Agencies

**Federal Grantor Name:** Department of Education

**Federal Award/Contract Number:** NA

**Pass-through Entity Name:** Office of Superintendent of Public Instruction

**Pass-through Award/Contract Number:** 0202562, 0263114, 0261127, 0261108

**Questioned Cost Amount:** \$0

#### ***Background***

The Title I program's objective is to improve the teaching and learning of children who are at risk of not meeting academic standards who reside in areas with high concentrations of children from low-income families. During the fiscal year that ended August 31, 2017, the District spent \$788,962 in Title I program funds.

Federal regulations required recipients of federal funds to establish and follow internal controls to ensure compliance with program requirements. These controls include knowledge of grant requirements and monitoring of program controls.

#### ***Description of Conditions***

We found the District's internal controls were not adequate to ensure compliance with the procurement, suspension and debarment, earmarking and eligibility requirements.

### *Procurement, suspension and debarment*

The District must use a competitive process to procure federally funded goods and services to ensure it receives the best price. The District is required, at minimum, to obtain quotes for purchases between \$3,500 and \$75,000. The District must solicit formal bids for purchases greater than \$75,000. Further, federal requirements prohibit grant recipients from contracting with or making subawards to parties suspended or debarred from doing business with the federal government. The District must verify that all contractors receiving \$25,000 or more have not been suspended or debarred. This verification may be accomplished by obtaining a written certification from the contractor or inserting a clause in the contract where the contractor states it is not suspended or debarred. Alternatively, the District may review the federal Excluded Parties List (EPLS) issued by the U.S. General Services Administration. This requirement must be met before entering into a contract.

The District's internal controls were not adequate to ensure compliance with procurement and suspension and debarment reporting requirements. District policy establishes procurement guidelines for purchases over \$75,000 but does not address purchases under that threshold. Further, the District does not have policies or procedures in place to ensure compliance with the suspension and debarment requirements.

We consider these internal control deficiencies to be a material weakness.

These issues were not reported as a finding in the prior audit.

### *Earmarking*

As part of the grant application, the District must reserve funds from its Title I entitlement for homeless and neglected children, professional development (for schools in improvement) and for parent and family engagement. For the fiscal year that ended August 31, 2017, the District was required to set aside \$5,800 for homeless and neglected children, \$71,012 for professional development and \$7,100 for parent and family engagement.

For the period under audit, the District did not adequately monitor and track expenditures spent on each earmark to ensure the funds were spent for the intended purpose.

We consider this internal control deficiency to be a material weakness.

This issue was not reported as a finding in the prior audit.

### *Eligibility*

The District must allocate grant funds to each attendance area or school in rank order based on the total number of children from low-income families residing in the area or attending the school. The District may not allocate a higher amount per low-income child to areas or schools with lower percentages of poverty than areas with higher percentages.

The District was unable to demonstrate there was an adequate internal control process in place to ensure its allocation of grant funds to schools complied with these regulations. The District based its allocation of Title I funding to three elementary schools, two middle schools, and one high school for fiscal year 2017 on poverty information that was neither accurate nor supported.

The District re-created a report from its financial system during the audit; however, the low-income counts for each school building did not agree to the counts it used to determine its allocation of program funding to its school buildings.

We consider this internal control deficiency to be a material weakness.

This issue was not reported as a finding in the prior audit.

### *Cause of Conditions*

The District had turnover in key staff responsible for monitoring program controls, and current staff were unable to locate supporting records to show grant requirements were met.

### *Effect of Conditions and Questioned Costs*

#### *Procurement, suspension and debarment*

The District cannot ensure it obtained the best services for the most competitive price and cannot show that its contractor was the only source available to provide the service. Further, the District cannot ensure it paid federal funds to contractors that were eligible to participate in the federal programs. Any payments made to a suspended or debarred party are unallowable and would be subject to recovery by the funding agency.

The District paid one contractor \$50,395 for curriculum and did not retain sufficient documentation to determine whether at least three quotes were obtained or that the District verified the contractor was not suspended or debarred. Further, the District paid three service contractors a total of \$36,310 without retaining evidence that it followed a competitive procurement process.



We are not questioning the costs it paid these contractors because confirmed the contractors were not suspended nor debarred.

### *Earmarking*

Without adequate controls and support for the allocation of expenditures, the District cannot ensure it used its federal funds for the intended purposes. The District could identify expenditures of only \$4,251 out of the \$83,912 in required set asides, consisting of \$84 for homeless and neglected children and \$4,167 for parent and family engagement. The District was unable to determine whether the remaining \$79,661 charged to the program were related to the required set asides.

Although our audit found the District did not use these funds to meet the program's earmarking requirements, the District did use the funds for purposes allowable under the program. Therefore, we are not questioning these costs.

### *Eligibility*

Without adequate internal controls in place to ensure funds are properly allocated based on accurate percentage of poverty values, the type and nature of services provided at schools with higher percentages of poverty might be unfairly limited.

The District ranked all six of its school buildings as having a poverty rate over 75 percent; however, based on the District's re-created report, only two buildings had a poverty rate above 75 percent. The remaining four buildings had poverty rates between 64 percent and 74 percent, and were not ranked properly.

## ***Recommendations***

We recommend the District strengthen and follow policies and procedures and ensure staff responsible for compliance are knowledgeable of federal requirements. We also recommend the District design and follow controls to ensure it:

- Procures goods and services using the required competitive process and verifies that contractors are not suspended or debarred before awarding contracts
- Tracks and monitors earmarked funds to ensure they are used for the required purposes
- Properly allocates funds to school attendance areas based on accurate and supported poverty percentages

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

*The Wahluke School District concurs with the audit finding. We recognize the inadequate internal controls regarding procurement, suspension and debarment, earmarking and eligibility.*

*There have been significant changes already in place as corrective action through the hiring of new administrative staff, key to Title I compliance and grant administration.*

*The district hired a new superintendent in June 2017 who immediately recognized the need for more knowledgeable business office management. The district hired a new business manager in March 2018 who has prior business management experience and is knowledgeable in the area of school finance. The district also hired a new Title I Coordinator as of May 2018.*

*Below are the corrective actions for moving forward in each category addressed in the audit finding:*

### *1) Procurement*

*The Wahluke School District will review board policy and district procedures and update both to address state and federal purchasing laws and best practices.*

*The Wahluke School District provided purchasing training on April 16 and April 23, 2018 to the district's principals and secretaries. The training included requirements for the purchasing process including information on state and federal procurement requirements.*

*The Wahluke School District Business Manager attended further purchasing and federal grant requirement training at the WASBO Annual Conference held May 9 – May 11, 2018.*

*The Wahluke School District will also create a document that will assist purchasing authorities to ensure state and federal procurement laws will be met.*

### *2) Suspension and Debarment*

*The Wahluke School District will begin verifying all vendors' suspension and debarment status when adding the vendor into the vendor database. The district will also maintain a spreadsheet to verify each vendors' status every fiscal year, and maintain the most recent verification through printing the results from the suspension and debarment status search from the SAM.gov site.*

*The district will review contract language with vendors, and will consider adding a clause through which the vendor will state their suspension and debarment status.*

*The Wahluke School District Business Manager attended further purchasing and federal grant requirement training at the WASBO Annual Conference held May 9 – May 11, 2018.*

3) *Earmarking*

*The Wahluke School District established new account codes in the 2017-18 budget year to allow proper tracking of all set-aside expenditures. Carryover amounts will be included in new budget cycles.*

*Building administrators will be empowered to appropriately spend the funds earmarked to their specific building. Budget reports will be generated monthly and be reviewed by building administrators and the Title I Coordinator to ensure earmarking compliance.*

*The district's Title I Coordinator will attend federal grant trainings as they become available.*

4) *Eligibility*

*The district will be reviewing the process to determine eligibility as it had been done in the past and restructure for more accurate capture of the percentages of poverty. The Wahluke School District will ensure that school ranking will be calculated by staff who are trained and knowledgeable in the rules of Title I. We will utilize our account code structure to budget and track the amounts based on respective rankings. Budget reports will be generated monthly and be reviewed by the Title I Coordinator to ensure eligibility compliance.*

*The district's Title I Coordinator will attend federal grant trainings as they become available.*

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

We appreciate the District's commitment to resolve this finding and thank the District for its cooperation and assistance during the audit. We will review the corrective action taken during the next audit.

### ***Applicable Laws and Regulations***

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

Title 2 CFR Part 200, Uniform Guidance, section 318, General procurement standards, establishes requirements for management of Federal awards to non-Federal entities.

Title 2 CFR Part 200, Uniform Guidance, Section 78, Allocation of funds to school attendance areas and schools, describes requirements of Title I funds to be disbursed on rank order based on applicable Poverty Rate Metrics.

Elementary and Secondary Education Act (ESEA) of 1965, as amended, Title I, Part A; 20 United States Code 6301-6339, 6571-6578; Section 1118 Parental Involvement, (a) Local Agency Policy, describes the requirements for Districts to reserve and spend one percent of its allocation for the purpose of parent and family engagement related activities.

ESEA, as amended, Title I, Part A; Section 1113 Eligible School Attendance Areas, (c) Allocations, describes the requirements for Districts to reserve and spend funds as are necessary to serve homeless and neglected children.

ESEA, as amended, Title I, Part A; Section 1116 Academic Assessment and Local Agency and School Improvement, (b) School Improvement, describes the requirements for Districts with schools in improvement status in 2015-2016 to reserve and spend a minimum of 10 percent of its funds for professional development.

**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**

**Wahluke School District No. 73  
Grant County  
September 1, 2016 through August 31, 2017**

Board of Directors  
Wahluke School District No. 73  
Mattawa, 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 Wahluke School District No. 73, Grant County, Washington, as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated May 15, 2018.

We issued an unmodified opinion on the fair presentation of the District's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because, as described in Note 1, the *Accounting Manual for Public School Districts in the State of Washington* does not require the District to prepare the government-wide statements presenting the financial position and changes in financial position of its governmental activities as required by GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

## **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.

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.

Our consideration of internal control 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## 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*.

## 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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized "P" and "M".

Pat McCarthy

State Auditor

Olympia, WA

May 15, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH THE UNIFORM GUIDANCE**

**Wahluke School District No. 73  
Grant County  
September 1, 2016 through August 31, 2017**

Board of Directors  
Wahluke School District No. 73  
Mattawa, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM**

We have audited the compliance of Wahluke School District No. 73, Grant County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2017. The District's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.

### **Basis for Qualified Opinion on 84.010 - Title I Grants to Local Educational Agencies**

As described in Finding 2017-001 in the accompanying Schedule of Federal Award Findings and Questioned Costs, the District did not comply with requirements regarding its 84.010 - Title I Grants to Local Educational Agencies program for eligibility, procurement and suspension and debarment and earmarking. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to the program.

### **Qualified Opinion on 84.010 - Title I Grants to Local Educational Agencies**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 its 84.010 - Title I Grants to Local Educational Agencies program for the year ended August 31, 2017.

### **Unmodified Opinion on Each of the Other Major Federal Programs**

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 other major federal programs identified in the accompanying Schedule of Findings and Questioned Costs for the year ended August 31, 2017.

### **District's Response to Findings**

The District's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## 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 the Uniform Guidance, 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 over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2017-001 to be a material weakness.

### District's Response to Findings

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **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 the Uniform Guidance. 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 black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy  
State Auditor  
Olympia, WA

May 15, 2018

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Wahluke School District No. 73 Grant County September 1, 2016 through August 31, 2017**

Board of Directors  
Wahluke School District No. 73  
Mattawa, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of Wahluke School District No. 73, Grant County, Washington, as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 24.

#### **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 opinions 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 to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by 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 Wahluke School District No. 73, as of August 31, 2017, and the changes in financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

### **Basis for Adverse Opinion on U.S. GAAP**

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. GAAP requires presentation of government-wide financial statements to display the financial position and changes in financial position of its governmental activities.

As described in Note 1, the Accounting Manual does not require the District to prepare the government-wide financial statements, and consequently such amounts have not been determined or presented. We are therefore required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

## **Adverse Opinion on U.S. GAAP**

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Wahluke School District No. 73, as of August 31, 2017, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

## **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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Long-Term Liabilities is 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 15, 2018 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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

May 15, 2018

## **FINANCIAL SECTION**

**Wahluke School District No. 73**  
**Grant County**  
**September 1, 2016 through August 31, 2017**

### **FINANCIAL STATEMENTS**

Balance Sheet – Governmental Funds – 2017  
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Funds – 2017  
Notes to the Financial Statements – 2017

### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Long-Term Liabilities – 2017  
Schedule of Expenditures of Federal Awards – 2017  
Notes to the Schedule of Expenditures of Federal Awards – 2017



Wahluke School District No. 073

Balance Sheet

Governmental Funds

August 31, 2017

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>ASSETS:</b>							
Cash and Cash Equivalents	1,100,275.86	5,165.11	3,633.59	2,306.66	0.00	0.00	1,111,381.22
Minus Warrants Outstanding	-1,103,030.41	-1,221.10	0.00	0.00	0.00	0.00	-1,104,251.51
Taxes Receivable	812,133.51		461,140.62	0.00	0.00	0.00	1,273,274.13
Due From Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due From Other Governmental Units	366,919.75	0.00	0.00	0.00	0.00	0.00	366,919.75
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	15,822.35	0.00	0.00	0.00			15,822.35
Prepaid Items	0.00	0.00			0.00	0.00	0.00
Investments	4,681,855.99	154,303.32	830,627.90	64,718.71	255,942.05	0.00	5,987,447.97
Investments/Cash With Trustee	124,594.83		0.00	0.00	0.00	0.00	124,594.83
Investments-Deferred Compensation	0.00			0.00			0.00
Self-Insurance Security Deposit	0.00						0.00
<b>TOTAL ASSETS</b>	<b>5,998,571.88</b>	<b>158,247.33</b>	<b>1,295,402.11</b>	<b>67,025.37</b>	<b>255,942.05</b>	<b>0.00</b>	<b>7,775,188.74</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>							
Deferred Outflows of Resources - Other	0.00		0.00	0.00	0.00		0.00
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<b>5,998,571.88</b>	<b>158,247.33</b>	<b>1,295,402.11</b>	<b>67,025.37</b>	<b>255,942.05</b>	<b>0.00</b>	<b>7,775,188.74</b>
<b>LIABILITIES:</b>							
Accounts Payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Contracts Payable Current	0.00	0.00		0.00	0.00	0.00	0.00
Accrued Interest Payable			0.00				0.00
Accrued Salaries	0.00	0.00		0.00			0.00
Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00

The accompanying notes are an integral part of this financial statement.

Wahluke School District No. 073

Balance Sheet

Governmental Funds

August 31, 2017

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>LIABILITIES:</b>							
Payroll Deductions and Taxes Payable	0.00	0.00		0.00			0.00
Due To Other Governmental Units	280,584.77	0.00		0.00	0.00	0.00	280,584.77
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
interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	0.00	0.00		0.00			0.00
Unearned Revenue	13,842.00	0.00	0.00	0.00	0.00		13,842.00
Matured Bonds Payable			0.00				0.00
Matured Bond interest Payable			0.00				0.00
Arbitrage Rebate Payable	0.00		0.00	0.00	0.00		0.00
<b>TOTAL LIABILITIES</b>	<b>294,426.77</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>294,426.77</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>							
Unavailable Revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unavailable Revenue - Taxes Receivable	812,133.51		461,140.62	0.00	0.00		1,273,274.13
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>812,133.51</b>	<b>0.00</b>	<b>461,140.62</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1,273,274.13</b>
<b>FUND BALANCE:</b>							
Nonspendable Fund Balance	15,822.35	0.00	0.00	0.00	0.00	0.00	15,822.35
Restricted Fund Balance	570,346.81	158,247.33	834,261.49	80.00	255,942.05	0.00	1,818,877.68
Committed Fund Balance	124,594.84	0.00	0.00	0.00	0.00	0.00	124,594.84
Assigned Fund Balance	0.00	0.00	0.00	66,945.37	0.00	0.00	66,945.37
Unassigned Fund Balance	4,181,247.60	0.00	0.00	0.00	0.00	0.00	4,181,247.60
<b>TOTAL FUND BALANCE</b>	<b>4,892,011.60</b>	<b>158,247.33</b>	<b>834,261.49</b>	<b>67,025.37</b>	<b>255,942.05</b>	<b>0.00</b>	<b>6,207,487.84</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE</b>	<b>5,998,571.88</b>	<b>158,247.33</b>	<b>1,295,402.11</b>	<b>67,025.37</b>	<b>255,942.05</b>	<b>0.00</b>	<b>7,775,188.74</b>

The accompanying notes are an integral part of this financial statement.

Wahluke School District No. 073

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2017

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>REVENUES:</b>							
Local	1,890,315.27	343,059.35	941,389.20	3,678.68	2,250.03		3,180,692.53
State	23,406,960.05		0.00	80.00	108,360.57		23,515,400.62
Federal	4,274,948.60		0.00	0.00	0.00		4,274,948.60
Federal Stimulus	0.00						0.00
Other	19,520.00			0.00	0.00	0.00	19,520.00
<b>TOTAL REVENUES</b>	<b>29,591,743.92</b>	<b>343,059.35</b>	<b>941,389.20</b>	<b>3,758.68</b>	<b>110,610.60</b>	<b>0.00</b>	<b>30,990,561.75</b>
<b>EXPENDITURES:</b>							
<b>CURRENT:</b>							
Regular Instruction	12,453,221.36						12,453,221.36
Federal Stimulus	0.00						0.00
Special Education	2,383,363.81						2,383,363.81
Vocational Education	1,791,099.07						1,791,099.07
Skill Center	0.00						0.00
Compensatory Programs	4,266,877.10						4,266,877.10
Other Instructional Programs	166,440.45						166,440.45
Community Services	140,329.14						140,329.14
Support Services	6,361,242.84						6,361,242.84
Student Activities/Other		311,837.87				0.00	311,837.87
<b>CAPITAL OUTLAY:</b>							
Sites				0.00			0.00
Building				40,188.43			40,188.43
Equipment				5,312.25			5,312.25
Instructional Technology				0.00			0.00
Energy				0.00			0.00
Transportation Equipment					0.00		0.00
Sales and Lease				326,000.00			326,000.00
Other	42,199.69						42,199.69
<b>DEBT SERVICE:</b>							
Principal	0.00		955,000.00	0.00	0.00		955,000.00
Interest and Other Charges	0.00		101,625.00	0.00	0.00		101,625.00
Bond/Levy Issuance				0.00	0.00		0.00
<b>TOTAL EXPENDITURES</b>	<b>27,604,773.46</b>	<b>311,837.87</b>	<b>1,056,625.00</b>	<b>371,500.68</b>	<b>0.00</b>	<b>0.00</b>	<b>29,344,737.01</b>

The accompanying notes are an integral part of this financial statement.

Wahluke School District No. 073

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds							
	For the Year Ended August 31, 2017						
	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
DEBT SERVICE:							
REVENUES OVER (UNDER) EXPENDITURES	1,986,970.46	31,221.48	-115,235.80	-367,742.00	110,610.60	0.00	1,645,824.74
OTHER FINANCING SOURCES (USES):							
Bond Sales & Refunding Bond Sales	0.00		0.00	0.00	0.00		0.00
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	0.00		0.00	330,000.00	0.00		330,000.00
Transfers Out (GL 536)	-330,000.00		0.00	0.00	0.00	0.00	-330,000.00
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	0.00		0.00	0.00	0.00		0.00
TOTAL OTHER FINANCING SOURCES (USES)	-330,000.00		0.00	330,000.00	0.00	0.00	0.00
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	1,656,970.46	31,221.48	-115,235.80	-37,742.00	110,610.60	0.00	1,645,824.74
BEGINNING TOTAL FUND BALANCE	3,326,373.12	127,025.85	949,497.29	104,767.37	145,331.45	0.00	4,652,995.08
Prior Year(s) Corrections or Restatements	-91,331.98	0.00	0.00	0.00	0.00	0.00	-91,331.98
ENDING TOTAL FUND BALANCE	4,892,011.60	158,247.33	834,261.49	67,025.37	255,942.05	0.00	6,207,487.84

The accompanying notes are an integral part of this financial statement.

# **WAHLUKE SCHOOL DISTRICT NO. 073**

## **Notes to the Financial Statements**

### **September 1, 2016 through August 31, 2017**

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Wahluke 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 in accordance with 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 prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- (1) Districtwide statements, as defined in GAAP, are not presented.
- (2) A Schedule of Long-Term Liabilities is presented as supplementary information.
- (3) Supplementary information required by GAAP is not presented.
- (4) Property Taxes collected after the end of the fiscal period are not considered available for revenue accrual as described below.

#### **Fund Accounting**

Financial transactions of the District are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures (or expenses) as appropriate. All funds are considered major funds. 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.

# **WAHLUKE SCHOOL DISTRICT NO. 073**

## **Notes to the Financial Statements**

### **September 1, 2016 through August 31, 2017**

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 principal 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.

#### Permanent Funds

These funds are used to report resources that are legally restricted such that only earnings, and not principal, may be expended. Amounts in the Permanent Fund may only be spent in support of the District's programs and may not be used to the benefit of any individual.

### **Measurement focus, basis of accounting, and fund financial statement presentation**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered "measurable" if the amount of the transaction can be readily determined. Revenues are considered "available" when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after year-end. Categorical program claims and interdistrict billings are measurable and available and are accrued. Property taxes not collected by the fiscal year end are measurable and recorded as a receivable, however the receivable is not considered available of revenue accrual, but is recorded as a deferred inflow of resources.

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. Purchases of capital assets are expensed during the year of acquisition. 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.)

# **WAHLUKE SCHOOL DISTRICT NO. 073**

## **Notes to the Financial Statements**

### **September 1, 2016 through August 31, 2017**

#### **Budgets**

Chapter 28A.505 RCW and Chapter 392-123 Washington Administrative Code (WAC) mandate school district budget policies and procedures. The board adopts annual appropriated budgets for all governmental funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Appropriations lapse at the end of the fiscal period.

Budgets are adopted on the same modified accrual basis as used for financial reporting. 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 a school board policy. 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.

# **WAHLUKE SCHOOL DISTRICT NO. 073**

## **Notes to the Financial Statements**

### **September 1, 2016 through August 31, 2017**

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.

The Superintendent is the only person who have the authority to create Assignments of fund balance.

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.

### **Cash and Cash Equivalents**

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.

### **Inventory**

Inventory is valued at cost using the first-in, first-out (FIFO) method. The consumption method of inventory is used, which charges inventory as an expenditure when it is consumed. A portion of fund balance, representing inventory, is considered Nonspendable. *(Such reserves for inventory indicate that a portion of net current assets is set aside to replace or increase the inventory.)* USDA commodity inventory consists of food donated by the United States Department of Agriculture. It is valued at the prices paid by the USDA for the commodities.

### **Summary of Significant Accounting Policies Changes for 2016–2017**

Property Taxes – For purposes of revenue recognition, property taxes received after the fiscal year end are not considered available for revenue accrual as defined by GASBS 33 and Interpretation 5. Amounts outstanding are recognized as a deferred inflow of resources on the financial statements.



**WAHLUKE SCHOOL DISTRICT NO. 073**  
**Notes to the Financial Statements**  
**September 1, 2016 through August 31, 2017**

Tax Abatements – The Wahluke School District (District) implemented provisions of GASB Statement 77, Tax Abatement Disclosure. Information about tax abatements entered into by other government entities that affect the district's levy rates will be disclosed in a schedule in the Property Taxes note, as applicable.

Nongovernmental Pension Plans – The Wahluke School District (District) implemented provisions of GASB Statement 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Plans. Information about nongovernmental pension plans will be included in a separate note disclosure, as applicable.

**NOTE 2: DEPOSITS AND INVESTMENTS**

The Grant 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.

The district's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All of the District's investments during the year and at year-end were insured or registered and held by the District or its agent in the District's name.

Washington State statutes authorize the district to invest in the following types of securities:

- Certificates, notes, or bonds of the United States, its agencies, or any corporation wholly owned by the government of the United States,
- Obligations of government-sponsored corporations which are eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System,
- Bankers' acceptances purchased on the secondary market,
- Repurchase agreements for securities listed in the three items above, provided that the transaction is structured so that the public treasurer obtains control over the underlying securities,
- Investment deposits with qualified public depositories,
- Washington State Local Government Investment Pool, and
- County Treasurer Investment Pools.

**WAHLUKE SCHOOL DISTRICT NO. 073**  
**Notes to the Financial Statements**  
**September 1, 2016 through August 31, 2017**

The District's investments as of August 31, 2017, are as follows:

Type of Investment	Total
County Treasurer's Investment Pool	\$5,987,447.97

The district's participation in the Grant County Investment Pool is voluntary and the pool is not rated by a nationally recognized statistical rating organization (NRSRO). The fair value of the district's investment in the pool is measured using a net asset value (NAV) as determined by the pool. The pool maintains a (duration/weighted average maturity) of 1689 days.

**NOTE 3: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS**

As part of the adoption of the fiscal year 2017-18 budget, the board approved the transfer of \$400,000 of apportionment from the General Fund to the Capital Projects Fund in the amount of \$350,000 for the purpose of a portable building and making renovations to the current transportation building, and to the Transportation Vehicle Fund in the amount of \$50,000 for the purpose of purchasing a bus. This transfer was completed in September 2017.

*As of January 9, 2018 there are no additional subsequent events. (update or removed after last day of state auditor's examination).*

**NOTE 4: PENSION PLANS**

**General Information**

The Washington State Department of Retirement Systems (DRS), a department within the primary government of the state of Washington, prepares a stand-alone comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each pension plan. The pension plan's basic financial statement is accounted for using the accrual basis of accounting. The measurement date of the pension plans is June 30. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The school district is reporting the net pension liability in the notes and on the Schedule of Long-term Liabilities calculated as the district's proportionate allocation percentage multiplied by the total plan collective net pension liability.

Detailed information about the pension plans' fiduciary net position is available in the separately issued DRS CAFR. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, P.O. Box 48380, Olympia, WA 98504-8380; or online at <http://www.drs.wa.gov/administrations/annual-report>.

# WAHLUKE SCHOOL DISTRICT NO. 073

## Notes to the Financial Statements

### September 1, 2016 through August 31, 2017

#### Membership Participation

Substantially all school 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 DRS: Teachers' Retirement System (TRS), Public Employees' Retirement System (PERS) and School Employees' Retirement System (SERS).

Membership participation by retirement plan as of June 30, 2017, was as follows:

Plan	Retirees and Beneficiaries Receiving Benefits	Inactive Plan Members Entitled to but not yet Receiving Benefits	Active Plan Members
PERS 1	48,268	663	2,593
SERS 2	8,229	5,880	27,011
SERS 3	7,735	8,330	33,890
TRS 1	34,225	188	697
TRS 2	5,076	2,532	19,133
TRS 3	10,289	8,568	54,487

#### Membership & Plan Benefits

Certificated employees are members of TRS. Classified 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. TRS 1 and PERS 1 are closed to new entrants.

TRS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component. TRS eligibility for membership requires service as a certificated public school employee working in an instructional, administrative or supervisory capacity.

TRS is comprised of three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

TRS Plan 1 provides retirement, disability and death benefits. TRS 1 members were vested after the completion of five years of eligible service. Retirement benefits are determined as two percent of the average final compensation (AFC), for each year of service credit, up to a maximum of 60 percent, divided by twelve. The AFC is the total earnable compensation for the

**WAHLUKE SCHOOL DISTRICT NO. 073**  
**Notes to the Financial Statements**  
**September 1, 2016 through August 31, 2017**

two consecutive highest-paid fiscal years, divided by two. Members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. Other benefits include temporary and permanent disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

TRS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) per year of service for Plan 2 members and one percent of AFC for Plan 3 members. The AFC is the monthly average of the 60 consecutive highest-paid service credit months. There is no cap on years of service credit. Members are eligible for normal retirement at the age of 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. TRS Plan 2/3 members, who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a reduced benefit.

The benefit is reduced by a factor that varies according to age, for each year before age 65. TRS Plan 2/3 members who have 30 or more years of service credit, were hired prior to May 1, 2013, and are at least 55 years old, can retire under one of two provisions: With a benefit that is reduced by three percent for each year before age 65; or with a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

TRS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service. TRS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit.

Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the Consumer Price Index), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

PERS Plan 1 provides retirement, disability and death benefits. PERS 1 members were vested after the completion of five years of eligible service. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service.

Members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

SERS is a cost-sharing multiple-employer retirement system comprised of two separate plans for membership purposes. SERS Plan 2 is a defined benefit plan and SERS Plan 3 is a defined

# **WAHLUKE SCHOOL DISTRICT NO. 073**

## **Notes to the Financial Statements**

### **September 1, 2016 through August 31, 2017**

benefit plan with a defined contribution component. SERS members include classified employees of school districts and educational service districts.

SERS is reported as two separate plans for accounting purposes: Plan 2/3 and Plan 3. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

SERS provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and one percent of AFC for Plan 3. The AFC is the monthly average of the member's 60 highest-paid consecutive service months before retirement, termination or death. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. SERS members, who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a reduced benefit.

The benefit is reduced by a factor that varies according to age, for each year before age 65. SERS members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 2, 2013: With a benefit that is reduced by three percent for each year before age 65; or with a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

SERS members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service. SERS retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the Consumer Price Index), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

### **Plan Contributions**

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 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. Employers do not contribute to the defined contribution portions of TRS Plan 3 or SERS Plan 3. Under current law the employer must contribute 100 percent of the employer-required contribution. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at six percent and does not vary from year to year.

**WAHLUKE SCHOOL DISTRICT NO. 073**  
**Notes to the Financial Statements**  
**September 1, 2016 through August 31, 2017**

The employer and employee contribution rates for the PERS plan are effective as of July 1. SERS and TRS contribution rates are effective as of September 1. The pension plan contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

<b>Pension Rates</b>			
	7/1/17 Rate	7/1/16 Rate	
<b>PERS 1</b>			
Member Contribution Rate	.0600	.0600	
Employer Contribution Rate	.1270	.1118	
<b>Pension Rates</b>			
	9/1/17 Rate	9/1/16 Rate	
<b>TRS 1</b>			
Member Contribution Rate	.0600	.0600	
Employer Contribution Rate	.1520	.1313	
<b>TRS 2</b>			
Member Contribution Rate	.0706	.0595	
Employer Contribution Rate	.1520	.1313	
<b>TRS 3</b>			
Member Contribution Rate	*	*	
Employer Contribution Rate	.1520	.1313	**
<b>SERS 2</b>			
Member Contribution Rate	.0727	.0563	
Employer Contribution Rate	.1348	.1158	
<b>SERS 3</b>			
Member Contribution Rate	*	*	
Employer Contribution Rate	.1348	.1158	**
<i>Note: The DRS administrative rate of .0018 is included in the employer rate.</i>			
* = Variable from 5% to 15% based on rate selected by the member.			
** = Defined benefit portion only.			

# WAHLUKE SCHOOL DISTRICT NO. 073

## Notes to the Financial Statements

### September 1, 2016 through August 31, 2017

#### The Collective Net Pension Liability

The collective net pension liabilities for the pension plans districts participated in are reported in the following table.

The Collective Net Pension Liability as of June 30, 2017:				
Dollars in Thousands	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Total Pension Liability	12,241,998	5,357,035	8,782,761	13,446,531
Plan fiduciary net position	(7,496,920)	(4,863,560)	(5,759,493)	(12,523,588)
Participating employers' net pension liability	4,745,078	493,475	3,023,268	922,943
Plan fiduciary net position as a percentage of the total pension liability	61.24%	90.79%	65.58%	93.14%

#### The School District's Proportionate Share of the Net Pension Liability (NPL)

At June 30, 2017, the school district reported a total liability of **\$9,960,361** for its proportionate shares of the individual plans' collective net pension liability. Proportions of net pension liability is based on annual contributions for each of the employers participating in the DRS administered plans. At June 30, 2017, the district's proportionate share of each plan's net pension liability is reported below:

June 30, 2017	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District's Annual Contributions	210,960	285,238	639,864	690,207
Proportionate Share of the Net Pension Liability	1,664,135	1,039,210	5,528,095	1,782,921

At **June 30, 2017**, the school district's percentage of the proportionate share of the collective net pension liability was as follows and the change in the allocation percentage from the prior period is illustrated below.

Change in Proportionate Shares	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share of the Net Pension Liability	0.035071%	0.210590%	0.182852%	0.187327%
Prior year proportionate share of the Net Pension Liability	0.030572%	0.195709%	0.184147%	0.190186%
Net difference percentage	0.004499%	0.014881%	-0.001295%	-0.002859%



# **WAHLUKE SCHOOL DISTRICT NO. 073**

## **Notes to the Financial Statements**

### **September 1, 2016 through August 31, 2017**

#### **Actuarial Assumptions**

Capital Market Assumptions (CMAs) and expected rates of return by asset class provided by the Washington State Investment Board. The Office of the State Actuary relied on the CMAs in the selection of the long-term expected rate of return for reporting purposes.

The total pension liabilities for TRS 1, TRS 2/3, PERS 1 and SERS 2/3 were determined by actuarial valuation as of June 30, 2016, with the results rolled forward to June 30, 2017, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	3.0% total economic inflation, 3.75% salary inflation
Salary increases	In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
Investment rate of return	7.50%

#### **Mortality Rates**

Mortality rates used in the plans were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime. The actuarial assumptions used in the June 30, 2016, valuation were based on the results of the 2007–2012 Experience Study Report and the 2015 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report.

#### **Long-term Expected Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best-estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the Washington State Investment Board (WSIB). Those expected returns make up one component of WSIB's CMAs. The CMAs contain three pieces of information for each class of assets the WSIB currently invest in:

- Expected annual return
- Standard deviation of the annual return
- Correlations between the annual returns of each asset class with every other asset class

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The long-term expected rate of return of 7.50 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, increased slightly to remove WSIB's implicit and small short-term downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a ten to fifteen-year period, becomes amplified over a fifty-year measurement period.



**WAHLUKE SCHOOL DISTRICT NO. 073**  
**Notes to the Financial Statements**  
**September 1, 2016 through August 31, 2017**

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2017, are summarized in the following table:

TRS 1, TRS 2/3, PERS 1, and SERS 2/3		
Asset Class	Target Allocation	% Long-term Expected Real Rate of Return
Fixed Income	20.00%	1.70%
Tangible Assets	5.00%	4.90%
Real Estate	15.00%	5.80%
Global Equity	37.00%	6.30%
Private Equity	23.00%	9.30%

The inflation component used to create the above table is 2.20 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

### **Discount Rate**

The discount rate used to measure the total pension liability was 7.50 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contributions rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Therefore, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to determine the total pension liability.

### **Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the Wahluke School District's proportionate share of the collective net pension liability (NPL) calculated using the discount rate of 7.5 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.5 percent) or one percentage-point higher (8.5 percent) than the current rate. Amounts are calculated using the school district's specific allocation percentage, by plan, to determine the proportionate share of the collective net pension liability.

**WAHLUKE SCHOOL DISTRICT NO. 073**  
**Notes to the Financial Statements**  
**September 1, 2016 through August 31, 2017**

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
<b>PERS 1 NPL</b>	\$5,780,412,000	\$4,745,078,000	\$3,848,257,000
Allocation Percentage	0.035071%	0.035071%	0.035071%
Proportionate Share of Collective NPL	\$2,027,234	\$1,664,135	\$1,349,613
<b>SERS 2/3 NPL</b>	\$1,278,921,000	\$493,475,000	(\$153,665,000)
Allocation Percentage	0.210590%	0.210590%	0.210590%
Proportionate Share of Collective NPL	\$2,683,283	\$1,039,210	(\$323,603)
<b>TRS 1 NPL</b>	\$3,759,368,000	\$3,023,268,000	\$2,386,123,000
Allocation Percentage	0.182852%	0.182852%	0.182852%
Proportionate Share of Collective NPL	\$6,874,066	\$5,528,095	\$4,363,065
<b>TRS 2/3 NPL</b>	\$3,134,647,000	\$922,943,000	(\$873,375,000)
Allocation Percentage	0.187327%	0.187327%	0.187327%
Proportionate Share of Collective NPL	\$5,872,040	\$1,728,921	(\$1,636,067)

**NOTE 5: 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), 60 of the state's K–12 school districts and educational service districts (ESDs), and 221 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 237 K–12 school districts and ESDs. The District's retirees are eligible to participate in the PEBB plan under this arrangement.

# WAHLUKE SCHOOL DISTRICT NO. 073

## Notes to the Financial Statements

### September 1, 2016 through August 31, 2017

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 2016-17, the District was required to pay the HCA \$64.39 per month per full-time equivalent employee to support the program, for a total payment of \$150,221.87. 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.

#### **NOTE 6: COMMITMENTS UNDER LEASES NONCAPITALIZED (OPERATING) LEASES**

For the fiscal year ended August 31, 2017, the District had incurred additional long-term debt as follows:

##### **Apple Equipment Lease**

On May 17, 2017, Wahluke School District entered into a cancellable operating lease with Apple, Inc. for personal computers electronic devices, servings and networking equipment with a value not to exceed \$212,693.35. Interest rate is 3.39% with the final installment date of 3/28/2020.

Date	Amount	Annual Installment	Interest 3.39%	Principal	Balance
3/28/2017	\$208,753.65				\$208,753.65
3/28/2017		\$54,826.47	0.00	\$54,826.47	\$153,927.18
3/28/2018		\$54,826.47	\$5,218.14	\$49,608.33	\$104,318.85
3/28/2019		\$54,826.47	\$3,536.41	\$51,290.06	\$53,028.79
3/28/2020		\$54,826.47	\$1,797.68	\$53,028.79	\$0.00
Total	\$208,753.65	\$219,305.88	\$10,552.23	\$208,753.65	

##### **ECAP Preschool Office Building Lease**

On December 29, 2016, Wahluke School District entered into a non-cancelable operating lease with Modern Building Systems, Inc. for an 14x66 (924 sq. ft) office building. The initial term of the lease terminates at midnight on December 29, 2018. The district is required to pay 24 monthly rental payments of \$560.00, for a total amount of \$13,440.00.

**WAHLUKE SCHOOL DISTRICT NO. 073**  
**Notes to the Financial Statements**  
**September 1, 2016 through August 31, 2017**

Date	Amount	Annual Installment	Balance
12/29/2016-08/31/2017	13,440.00	4,480.00	9,000.00
09/01/2017-08/31/2018	9,000.00	6,720.00	2,280.00
09/01/2018-12/31/2018	2,280.00	2,240.00	0.00

**Sentinel Tech Building Lease**

On July 7, 2014, Wahluke School District entered into a 2000 square foot building, formerly known as the Incubator Bay building, from Port District No. 3 of Grant County, Washington. The initial term of the lease terminates at midnight on July 31, 2019. The district is required to pay monthly rental payments of \$1,100. The Wahluke School District is using the building for the Sentinel Tech campus.

**Residential Lease**

On June 16, 2017, Wahluke School District entered into a one-year lease for a residential dwelling at 424 Edgewater Way, Mattawa, Washington for the purpose of providing housing for staff. The district pays \$1,200 per month for the house and subleases to qualified staff at a rate sufficient to offset the district's cost.

**Copier Lease**

On October 5, 2012, the Wahluke School District entered into a 60-month, cancellable operating lease with Xerox for 13 copiers. In subsequent years, the district entered into various other operating leases listed below with Xerox.

Date	Lessor	Description	Annual Installments	Final Installment Date
10/05/2012	Xerox	13 copiers	\$47,030.64	10/05/2017
12/20/2013	Xerox	1 copier WJH	\$2,230.68	12/20/2018
10/13/2014	Xerox	1 copier Sen Tech	\$599.76	10/13/2019
6/10/2015	Xerox	1 copier WHS	\$7,731.84	6/10/2020
7/25/2016	Abadon	17 copiers	\$45,563.28	7/25/2021

On July 25, 2016, the district entered into a 60-month copier lease agreement with Abadan for seventeen copiers. This new lease arrangement with Abadan superseded the Xerox leases initiated in 2012 and 2013. The Adadon agreement included a payment stream revenue of \$71,233.19 for remaining payments on 14 Xerox copiers which Abadan stored until their terms end in December 2017. In addition to the monthly installment, Abadon lease includes .005 per copy for black & white and \$.04 per copy for color.

**WAHLUKE SCHOOL DISTRICT NO. 073**  
**Notes to the Financial Statements**  
**September 1, 2016 through August 31, 2017**

**NOTE 7: OTHER SIGNIFICANT COMMITMENTS**

**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, 2017:

Fund	Amount
General	\$0.00
ASB Fund	\$0.00
Capital Projects Fund	\$0.00
Transportation Vehicle Fund	\$148,597

**NOTE 8: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS**

The District's capital assets are insured in the amount of \$85,660,226 for fiscal year 2016-17. In the opinion of the District's insurance consultant, the amount is sufficient to adequately fund replacement of the District's assets.

**Capital Lease to Outside Organization**

**Agriculture Land** located at the NW ¼ of the SW ¼ and the N ½ of the SW ¼ of Section 36, Township 15N, Range 23, E.W.M., Grant County, Washington. The Wahluke District leases out 19 acres for irrigated agriculture land. The current lease was entered into with Jef Gallacci, Agri-Management, Inc. on May 21, 2014. The lease term is for two years, starting April 15, 2014, and was to expire on December 1, 2016, but has remained in force. Rental income is based on \$300 per planted acre of row crops (alfalfa, corn, peas, beans, buckwheat, etc.). Rental income averages \$7,500 per year. The district is currently in discussion with Mr. Gallacci regarding a new lease agreement.

**NOTE 9: REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES**

**Long-Term Debt**

Bonds payable at August 31, 2017, are comprised of the following individual issues:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
2012 Refunding	\$6,130,000	\$1,015,000-\$1,190,000	12/1/2019	2% - 4%	\$3,335,000

The following is a summary of general obligation long-term debt transactions of the District for the fiscal year(s) ended August 31, 2017:

**WAHLUKE SCHOOL DISTRICT NO. 073**  
**Notes to the Financial Statements**  
**September 1, 2016 through August 31, 2017**

Long-Term Debt Payable at 9/1/2016	\$4,290,000
New Issues	0.00
Debt Retired	955,000
Long-Term Debt Payable at 8/31/2017	\$3,335,000

The following is a schedule of annual requirements to amortize debt at August 31, 2017:

Years Ending August 31, 2017	Principal	Interest	Total
2018	\$1,015,000	\$66,700	\$1,081,700
2019	1,130,000	35,100	1,165,100
2020	1,190,000	11,900	1,201,900
Total	\$3,335,000	\$113,700	\$3,448,700

At August 31, 2017, the District had \$834,261.49 available in the Debt Service Fund to service the general obligation bonds.

**NOTE 10: INTERFUND BALANCES AND TRANSFERS**

The following table depicts interfund transfer activity:

Transferred From (Fund) 535 or 536	Transferred To (Fund) 965 9900	Amount	Description
General Fund	Capital Projects	\$330,000	Land Purchase

**NOTE 11: 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.

**Insurance Pool**

The Wahluke School District is a member of United Schools Insurance Program. 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 hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insurance, or hire or 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, 1985, with 29 school districts in the state of Washington joined together by signing a Joint Purchasing Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Current membership includes 154 school districts.

**WAHLUKE SCHOOL DISTRICT NO. 073**  
**Notes to the Financial Statements**  
**September 1, 2016 through August 31, 2017**

The program allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Coverage for Wrongful Acts Liability and Employee Benefit Liability is on a claims-made basis. All other coverages are on an occurrence basis. The program provides the following forms of group purchased insurance coverage for its members: Property, General Liability, Automotive Liability, Wrongful Acts Liability and Crime.

Liability insurance is subject to a self-insured retention of \$100,000. Members are responsible for a \$1,000 deductible for each claim (member deductibles may vary), while the program is responsible for the \$100,000 self-insured retention (SIR). Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability amount the participating members toward the sharing of the \$100,000 SIR. The program also purchases a stop loss policy with an attachment point of \$994,680, as an additional layer of protection for its members.

Property insurance is subject to a per-occurrence deductible of \$100,000. Members are responsible for a \$1,000 deductible for each claim (member deductibles may vary), while the program is responsible for the \$100,000 SIR.

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 a minimum of one year, and must give notice before August 31 to terminate participation the following September 1. The Interlocal Agreement is renewed 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 Joint Purchasing Agreement.

The program is fully funded by its member participants. Claims are filed by members with Clear Risk Solutions, which has been contracted to perform program administration claims adjustments, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending August 31, 2017, were \$1,675,950.37.

A board of directors, consisting of nine members, is selected by the membership from six areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program. The Board of Directors has contracted with clear risk Solutions to perform day-to-day administration of the program. This program has no employees.

### **Unemployment Insurance**

The Wahluke School District remits funds to Educational Service District No. 105 (ESD105) for payment of the district's unemployment compensation benefits which are a liability of the district. ESD105 is the trustee of a non-risk sharing unemployment compensation pool formed in 1988. Twenty school districts participate in the pool which is governed by a cooperative pool agreement. According to the cooperative pool agreement, only upon dissolution of the pool would the district be entitled to its equitable share of the assets remaining in the pool after all liabilities of each district have been paid. Payments totaling \$0.00 were



**WAHLUKE SCHOOL DISTRICT NO. 073**  
**Notes to the Financial Statements**  
**September 1, 2016 through August 31, 2017**

made to the unemployment compensation pool this fiscal year. At August 31, 2017, the district has a balance of \$124,594.84 currently held by ESD105 before all liabilities of the pool have been paid. The funds held by ESD105 are not considered readily available to the district.

**NOTE 12: PRIOR PERIOD CORRECTIONS**

A prior year adjustment has been reported on the Statement of Revenues, Expenditures and Changes in Fund Balance for the fiscal year ended August 31, 2017 of \$91,331.98. This adjustment resulted in a reduction to the asset, Due from Other Governmental Units, and a reduction to fund balance. The error occurred at the beginning of fiscal year 2014-2015 when a grant revenue accrual was not reversed, causing the asset to be carried forward into subsequent fiscal years.

**NOTE 13: 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 tax collections occurring after the end of the fiscal period are unavailable for revenue accrual. Therefore, the fall portion of property taxes is not accrued as revenue. Instead, the property taxes due after the end of the fiscal period are recorded as a deferred inflow of resources.

**NOTE 14: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS**

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 on February 8, 1978 and has remained in the joint venture ever since. District's current equity of \$15,992.85 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.



**WAHLUKE SCHOOL DISTRICT NO. 073**  
**Notes to the Financial Statements**  
**September 1, 2016 through August 31, 2017**

**NOTE 15: 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
Nonspendable Fund Balance					
Inventory and Prepaid Items	\$15,822				
Restricted Fund Balance					
For Other Items					
For Fund Purpose		\$158,247			\$255,942
For Carryover of Restricted Revenues	\$296,248				
For Carryover of Food Service Revenue	\$274,099				
For Debt Service				\$834,261	
Restricted from Bond Proceeds					
Committed from Levy Proceeds					
Restricted from State Proceeds			\$80		
Committed Fund Balance					
Other Commitments	\$124,595				
Assigned Fund Balance					
Fund Purposes			\$66,945.		
Unassigned Fund Balance	\$4,181,248				

**NOTE 16: POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS—BOTH IN SEPARATELY ISSUED PLAN FINANCIAL STATEMENTS AND EMPLOYER STATEMENTS**

**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.

**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 two types of deferrals: elective deferrals (employee contribution) and non-elective contribution (employer matching).

**WAHLUKE SCHOOL DISTRICT NO. 073**  
**Notes to the Financial Statements**  
**September 1, 2016 through August 31, 2017**

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 Omni. The plan assets are assets of the District employees, not the school district, and are therefore not reflected on these financial statements.

**NOTE 17: 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 buyout 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 vesting method.

**NOTE 18: VIOLATION OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS**

The Wahluke School District exceeded the authorized budgeted appropriations for the General Fund in the 2016-17 school year. The District expended a total amount of \$27,604,773, exceeding the authorized appropriation of \$27,422,837 by \$181,936, representing excess expenditures of 1% over budget.

The District had a change in two key staffing positions in July and August of the school year. The Business Manager position experienced two staff-turnovers. One result of the vacancy in the business office was the lack of adequate over-sight in the business office during the final months of the 2016-17 school year.

During the 2016-17 budget development a conservative estimate of available grant funds was projected. The actual amount of grant funding exceeded budgeted expectations. A timely budget revision would have allowed the District to utilize the grant funding without exceeding authorized budget capacity.

The District will implement measures to ensure future spending is within the authorized appropriated amount for all funds. The District intends to hire a qualified Business Manager to guide its fiscal operations to ensure future compliance in all aspects of the business office.

Wahluke School District No. 073  
Schedule of Long-Term Liabilities  
For the Year Ended August 31, 2017

Description	Beginning Outstanding Debt September 1, 2016	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2017	Amount Due Within One Year
<b>Voted Debt</b>					
Voted Bonds	4,290,000.00	0.00	955,000.00	3,335,000.00	1,015,000.00
LOCAL Program Proceeds Issued in Lieu of Bonds	0.00	0.00	0.00	0.00	0.00
<b>Non-Voted Debt and Liabilities</b>					
Non-Voted Bonds	0.00	0.00	0.00	0.00	0.00
LOCAL Program Proceeds	0.00	0.00	0.00	0.00	0.00
Capital Leases	0.00	0.00	0.00	0.00	0.00
Contracts Payable	0.00	0.00	0.00	0.00	0.00
Non-Cancellable Operating Leases	0.00	0.00	0.00	0.00	0.00
Claims & Judgements	0.00	0.00	0.00	0.00	0.00
Compensated Absences	187,103.14	43,571.99	14,889.32	215,785.81	10,000.00
Long-Term Notes	0.00	0.00	0.00	0.00	0.00
Anticipation Notes Payable	0.00	0.00	0.00	0.00	0.00
Lines of Credit	0.00	0.00	0.00	0.00	0.00
Other Non-Voted Debt	0.00	0.00	0.00	0.00	0.00
<b>Other Liabilities</b>					
<b>Non-Voted Notes Not Recorded as Debt</b>					
Net Pension Liabilities:	0.00	0.00	0.00	0.00	0.00
Net Pension Liabilities TRS 1	6,287,215.00	0.00	759,120.00	5,528,095.00	
Net Pension Liabilities TRS 2/3	2,611,812.00	0.00	882,891.00	1,728,921.00	
Net Pension Liabilities SERS 2/3	1,285,354.00	0.00	246,143.00	1,039,211.00	
Net Pension Liabilities PERS 1	1,641,851.00	22,284.00	0.00	1,664,135.00	
<b>Total Long-Term Liabilities</b>	16,303,335.14	65,855.99	2,858,043.32	13,511,147.81	1,025,000.00

WAHLUKE SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ending August 31, 2017

1	2	3	4	5	6	7	8	9	10
Federal Agency Name	Pass Through Agency	Federal Program Title	CFDA Number	Other Identification Number/Award Number	From Direct Awards	From Pass Through Awards	Total	Passed Through to Subrecipients	Foot note
		Child Nutrition Cluster:							
Department of Agriculture	WA OSPI	School Breakfast Program	10.553	N/A		295,178.60	295,178.60		3
		National School Lunch Program	10.555	N/A		1,078,567.78	1,078,567.78		3
		Natl School Lunch Prog-Commodities	10.555	N/A		76,450.17	76,450.17		3.2
		Summer Food Service Program for Children	10.559	N/A		34,631.19	34,631.19		
		Subtotal Child Nutrition Cluster				1,484,827.74	1,484,827.74		
		Fresh Fruits and Vegetables Program	10.582	N/A		22,558.72	22,558.72		3
		Total US Department of Agriculture				1,507,386.46	1,507,386.46		
		Title I Grants:							
US Department of Education	WA OSPI	Title I Grants to Local Educational Agencies	84.010A	0202562		710,116.00	710,116.00		4
		Title I Grants to Local Educational Agencies	84.010A	0263114		20,000.00	20,000.00		4.5
		Title I Grants to Local Educational Agencies	84.010A	0261127		30,000.00	30,000.00		4.5
		Title I Grants to Local Educational Agencies	84.010A	0261108		28,845.97	28,845.97		4.5
		Subtotal Title I Grants				788,961.97	788,961.97		
		Special Education Cluster:							
		Special Education Grants to States	84.027A	0305850		308,788.57	308,788.57		5
		Special Education Preschool Grants	84.173A	0363844		15,727.00	15,727.00		5
		Subtotal Special Education Cluster				324,515.57	324,515.57		
		Migrant Education State Grant Program	84.011A	0282259		425,747.74	425,747.74		5
		Migrant Education State Grant Program	84.011A	0290848		64,424.76	64,424.76		5
		Career and Technical Ed Basic Grants to States	84.048	0173867		14,299.60	14,299.60		5
		Rural Education	84.358B	0461495		45,825.77	45,825.77		5
		English Language Acquisition State Grants	84.365A	0402412		346,998.70	346,998.70		5
		Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367A	0524174		127,567.69	127,567.69		5
		Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	N/A	128,024.24		128,024.24		5
	Unv of Wash	Total US Department of Education			128,024.24	2,138,341.80	2,266,366.04		
		TOTAL FEDERAL AWARDS EXPENDED			128,024.24	3,645,728.26	3,773,752.50		

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

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

## **Wahluke School District**

### Schedule of Expenditures of Federal Awards

For the Year Ending August 31, 2017

#### Notes to the Schedule

##### **NOTE 1—BASIS OF ACCOUNTING**

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the Wahluke School District's financial statements. The Wahluke School District uses 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—NONCASH AWARDS**

The amount of food commodities reported on the schedule is the value of commodities distributed by the Wahluke School District during the current year and priced as prescribed by the Value of Commodities Shipped Report (Report ID: FDP032).

##### **NOTE 3—NOT AVAILABLE (N/A)**

The Wahluke School District was unable to obtain other identification number.

##### **NOTE 4—SCHOOLWIDE PROGRAMS**

The Wahluke School District operates a “schoolwide program” in three elementary buildings and three secondary 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 Wahluke School District in its schoolwide program: Title I & ESEA (84.010) \$555,217; and Title I Focus 84.010A \$78,845.97.

##### **NOTE 5—FEDERAL INDIRECT RATE**

The Wahluke School District used the federal restricted rate of 0.0168%. The Wahluke has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



# WAHLUKE SCHOOL DISTRICT NO. 73

411 E. Saddle Mountain Drive, P.O. Box 907, Mattawa, WA  
99349

Phone (509) 932-4565 Fax (509) 932-4571  
www.wsd73.wednet.edu

## CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

**Wahluke School District No. 73**  
**Grant County**

**September 1, 2016 through August 31, 2017**

This schedule presents the corrective action planned by the District for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

<b>Finding ref number:</b> 2017-001	<b>Finding caption:</b> The District did not have adequate internal controls to ensure compliance with federal Title I requirements for procurement and suspension and debarment, earmarking and eligibility
<b>Name, address, and telephone of District contact person:</b> Travis Belisle, Director of Finance and Operations, 509-932-4565 ext 3031 411 Saddle Mountain Drive P.O. Box 907 Mattawa, WA 99349	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>The Wahluke School District concurs with the audit finding. We recognize the inadequate internal controls regarding procurement, suspension and debarment, earmarking and eligibility.</i> <i>There have been significant changes already in place as corrective action through the hiring of new administrative staff, key to Title I compliance and grant administration.</i> <i>The District hired a new superintendent in June 2017 who immediately recognized the need for more knowledgeable business office management. The District hired a new business manager in March 2018 who has prior business management experience and is knowledgeable in the area of school finance. The District also hired a new Title I Coordinator as of May 2018.</i>	

*Below are the corrective actions for moving forward in each category addressed in the audit finding:*

**1) Procurement**

*The Wahluke School District will review board policy and district procedures and update both to address state and federal purchasing laws and best practices.*

*The Wahluke School District provided purchasing training on April 16 and April 23, 2018 to the District's principals and secretaries. The training included requirements for the purchasing process including information on state and federal procurement requirements.*

*The Wahluke School District Business Manager attended further purchasing and federal grant requirement training at the WASBO Annual Conference held May 9 – May 11, 2018.*

*The Wahluke School District will also create a document that will assist purchasing authorities to ensure state and federal procurement laws will be met.*

**2) Suspension and Debarment**

*The Wahluke School District will begin verifying all vendors' suspension and debarment status when adding the vendor into the vendor database. The district will also maintain a spreadsheet to verify each vendors' status every fiscal year, and maintain the most recent verification through printing the results from the suspension and debarment status search from the SAM.gov site.*

*The District will review contract language with vendors, and will consider adding a clause through which the vendor will state their suspension and debarment status.*

*The Wahluke School District Business Manager attended further purchasing and federal grant requirement training at the WASBO Annual Conference held May 9 – May 11, 2018.*

**3) Earmarking**

*The Wahluke School District established new account codes in the 2017-18 budget year to allow proper tracking of all set-aside expenditures. Carryover amounts will be included in new budget cycles.*

*Building administrators will be empowered to appropriately spend the funds earmarked to their specific building. Budget reports will be generated monthly and be reviewed by building administrators and the Title I Coordinator to ensure earmarking compliance.*

*The District's Title I Coordinator will attend federal grant trainings as they become available.*

**4) Eligibility**

*The District will be reviewing the process to determine eligibility as it had been done in the past and restructure for more accurate capture of the percentages of poverty. The Wahluke School District will ensure that school ranking will be calculated by staff who are trained and knowledgeable in the rules of Title I. We will utilize our account code structure to budget and track the amounts based on respective rankings. Budget reports will be generated monthly and be reviewed by the Title I Coordinator to ensure eligibility compliance.*

*The District's Title I Coordinator will attend federal grant trainings as they become available.*

**Anticipated date to complete the corrective action: May 31, 2019**

## 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 to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

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.

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 as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

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

Contact information for the State Auditor's Office	
Public Records requests	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>