



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

**Financial Statements and Federal Single Audit  
Report**

**Longview School District No. 122**

**Cowlitz County**

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

**Published May 24, 2018**

**Report No. 1021404**





## Office of the Washington State Auditor

**Pat McCarthy**

May 24, 2018

Superintendent and Board of Directors  
Longview School District No. 122  
Longview, Washington

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

Please find attached our report on Longview School District No. 122'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,

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
Summary Schedule of Prior Audit Findings .....	11
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.....	12
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance .....	15
Independent Auditor's Report on Financial Statements.....	19
Financial Section.....	23
Corrective Action Plan for Findings Reported Under Uniform Guidance .....	57
About the State Auditor's Office.....	59

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Longview School District No. 122**  
**Cowlitz County**  
**September 1, 2016 through August 31, 2017**

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

The results of our audit of Longview School District No. 122 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.

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

**Longview School District No. 122**

**Cowlitz County**

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

**2017-001    The District's internal controls over its federal child nutrition program did not ensure it tracked and monitored equipment purchased in accordance with federal requirements.**

<b>CFDA Number and Title:</b>	10.553 – School Breakfast Program 10.555 – National School Lunch Program 10.559 – Summer Food Service Program
<b>Federal Grantor Name:</b>	U.S. Department of Agriculture
<b>Federal Award/Contract Number:</b>	NA
<b>Pass-through Entity Name:</b>	Office of Superintendent of Public Instruction
<b>Pass-through Award/Contract Number:</b>	NA
<b>Questioned Cost Amount:</b>	\$0

### ***Background***

The District participates in the National School Lunch, Breakfast and Summer Food Service programs, which provide funding for free and reduced-priced meals for low-income students. It received \$2,280,395 for these programs in the 2016-2017 school year. The District uses a nonprofit school food service account called "program 98" to account for its expenditure of all program funds. All expenditures from program 98 are subject to the Federal requirements.

During the audit period, the District purchased equipment totaling \$568,190 with program funds from its program 98 account. Federal equipment regulations require the District to maintain records identifying equipment purchased with federal funds, perform a physical inventory that is reconciled to the District's property records, at least once every two years, and ensure the equipment is adequately maintained and safeguarded from damage, theft or loss. Upon disposal of equipment, proceeds may be required to be returned to the grantor.

### ***Description of Condition***

The District did not have adequate controls to ensure it tracked and monitored equipment it purchased with program funds in compliance with federal requirements. Specifically, the property records the District maintained did not include all of the attributes it was required to track. In addition, the District did not have a process to ensure it performed a physical inventory of the equipment purchased and reconciled it with the District's property records at least once every two years.

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 Condition***

The District was not aware it was required to manage equipment it purchased from the program 98 account in compliance with federal requirements. The District believed the purchases were made with non-federal funds contributed to program 98 that would not be subject to these requirements.

### ***Effect of Condition and Questioned Costs***

When equipment records do not include the attributes required, it increases the risk the District would not be timely in detecting, investigating and reporting equipment losses, misappropriations or use of the equipment for unallowable purposes. In addition, the District might not have the instruction or necessary documentation to determine how the grantor agency expects it to dispose of the equipment, or if it is required to reimburse the grantor agency proceeds from the sale.

Our audit found the District could account for the equipment it acquired under this program during the audit period and the equipment was being used for purposes allowable under the program.

### ***Recommendation***

We recommend the District ensure equipment is properly identified and tracked in compliance with federal requirements.

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

*The Longview School District takes compliance issues seriously, and will use the information provided to evaluate the tracking and monitoring procedures for equipment. The District has strong internal controls in place to protect and safeguard all assets, including capital assets. This includes assets purchased with funds from all sources, including local funds, state funds, and federal grants.*

*The District believes that it followed the State Accounting Manual, which prescribes the treatment of all expenditures within Program 98 Nutrition Services. The District purchased equipment using local assigned resources as part of a facility improvement plan. Under the guidance of the Accounting Manual, the District recorded the expenditures to Program 98 Nutrition Services.*

*The Longview School District establishes a local funds reserve for the replacement of major district equipment as the equipment's useful life expires, and assigns part of the fund balance (non-federal) for this purpose. This assignment is clearly delineated in the fund balance and becomes part of our official financial statements as audited and published. In all previous audits, the set-aside of fund balance for Food Service Equipment has not been called into question.*

*In the 2016-17 school year the District purchased food service equipment to replace aged and failing equipment, using the aforementioned assigned local non-operating funds.*

*As required by OSPI and the State Accounting Manual, we accounted for these purchases in Program 98 Food Services. They were not purchased with federal grant funds, but rather were purchased with fund balance carried forward from previous years which had been properly set aside for this use and clearly identified as an Assignment of Fund Balance.*

*We disagree with the finding because it is a misstatement to say that the District's internal controls did not ensure it tracked and monitored equipment purchased in accordance with federal requirements. The District followed the State Accounting Manual, as required. The State Auditor's Office asserts by following the State Accounting Manual we created a condition where we were out of compliance with federal guidelines.*

*As a corrective action, we will request a review by the School District Accounting Advisory Committee (SDAAC) to provide proper guidance for our District and other Districts statewide to clarify treatment of expenditures to purchase kitchen equipment with local non-operating funds.*

*In addition, we will modify our capital asset tracking records to include data fields identifying the source of funding for the property (including FAIN), who holds title, and the percentage of Federal participation in the project costs for the Federal award under which the property was required, to satisfy federal requirements.*

*We will also more robustly document the annual inventory and inspection records to mirror a more typical physical inventory, to satisfy federal requirements.*



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

We thank the District for its cooperation and assistance during the audit and appreciate the actions of the District, as noted above, to satisfy the applicable federal requirements. We will review the corrective action during our 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, 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 313, Equipment, states in part:

*Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.

(4) Adequate maintenance procedures must be developed to keep the property in good condition.

(5) If the non-Federal entity is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

(e) *Disposition.* When original or replacement equipment acquired under a Federal award is no longer needed for the original project or program or for other activities currently or previously supported by a Federal awarding agency, except as otherwise provided in Federal statutes, regulations, or Federal awarding agency disposition instructions, the non-Federal entity must request disposition instructions from the Federal awarding agency if required by the terms and conditions of the Federal award.



## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**Longview School District No. 122**

**Cowlitz County**

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

This schedule presents the status of federal findings reported in prior audit periods. The status listed below is the representation of the Longview School District No. 122. The State Auditor's Office has reviewed the status as presented by the District.

<b>Audit Period:</b> 9/1/2015-8/31/2016	<b>Report Ref. No.:</b> 1019000	<b>Finding Ref. No.:</b> 2016-001	<b>CFDA Number(s):</b> 84.010
<b>Federal Program Name and Granting Agency:</b> Title I Grants to Local Educational Agencies, U.S. Department of Education		<b>Pass-Through Agency Name:</b> Office of Superintendent of Public Instruction	
<b>Finding Caption:</b> The District did not have adequate internal controls to ensure compliance with federal eligibility and earmarking requirements related to its Title I program.			
<b>Background:</b> The District did not notify all eligible students of available supplemental educational services (SES) as required by the program. Additionally, the District did not check the eligibility status of students when approving applications for SES to ensure only eligible students were served.			
<b>Status of Corrective Action: (check one)</b> <input checked="checked" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid			
<b>Corrective Action Taken:</b> <i>The District agrees with the State Auditor that one student who was approved for SES did not meet the low-income requirement. We have communicate with OSPI and repaid the questioned costs of \$1,050. We also agreed that more low-income students should have been notified of their eligibility for SES.</i>  <i>Please note, SES was discontinued as an element of Title I after the 2015-16 fiscal year. However, to strengthen our internal controls and ensure that the requirements of all grants are being followed, we have evaluated and modified our processes to provide for a more thorough review and monitoring of grant programs.</i>			

**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**

**Longview School District No. 122  
Cowlitz County  
September 1, 2016 through August 31, 2017**

Superintendent and Board of Directors  
Longview School District No. 122  
Longview, 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 Longview School District No. 122, Cowlitz 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 17, 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.

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Pat McCarthy

State Auditor

Olympia, WA

May 17, 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**

**Longview School District No. 122  
Cowlitz County  
September 1, 2016 through August 31, 2017**

Superintendent and Board of Directors  
Longview School District No. 122  
Longview, Washington

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

We have audited the compliance of Longview School District No. 122, Cowlitz 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.

### **Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2017.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2017-001. Our opinion on each major federal program is not modified with respect to these matters.

### **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 17, 2018

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Longview School District No. 122 Cowlitz County September 1, 2016 through August 31, 2017**

Superintendent and Board of Directors  
Longview School District No. 122  
Longview, Washington

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

We have audited the accompanying financial statements of Longview School District No. 122, Cowlitz 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 23.

### **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 Longview School District No. 122, 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 Longview School District No. 122, 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 also presented for purposes of additional analysis, as required by the prescribed Accounting Manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 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.

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Pat McCarthy

State Auditor

Olympia, WA

May 17, 2018

## **FINANCIAL SECTION**

**Longview School District No. 122**  
**Cowlitz 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  
Statement of Fiduciary Net Position – Fiduciary Funds – 2017  
Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2017  
Notes to 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

Longview School District No. 122

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	2,934,091.83	39,890.77	37,389.71	201,314.91	553,170.99	0.00	3,765,858.21
Minus Warrants Outstanding	-2,820,374.73	-5,172.41	0.00	-189,297.64	-549,744.06	0.00	-3,564,588.84
Taxes Receivable	7,063,580.64		2,042,952.31	681,167.37	0.00	0.00	9,787,700.32
Due From Other Funds	2,977.97	129.00	0.00	2,030.40	0.00	0.00	5,137.37
Due From Other Governmental Units	674,306.47	0.00	0.00	0.00	0.00	0.00	674,306.47
Accounts Receivable	34,183.09	34.21	0.00	0.00	0.00	0.00	34,217.30
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	166,294.31	0.00		0.00			166,294.31
Prepaid Items	1,172,595.99	46,193.71			549,744.06	0.00	1,768,533.76
Investments	9,873,094.81	122,609.13	3,162,418.22	2,952,255.64	106,248.79	0.00	16,216,626.59
Investments/Cash With Trustee	0.00		0.00	0.00	0.00	0.00	0.00
Investments-Deferred Compensation	0.00			0.00			0.00
Self-Insurance Security Deposit	0.00						0.00
<b>TOTAL ASSETS</b>	<b>19,100,750.38</b>	<b>203,684.41</b>	<b>5,242,760.24</b>	<b>3,647,470.68</b>	<b>659,419.78</b>	<b>0.00</b>	<b>28,854,085.49</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>19,100,750.38</b>	<b>203,684.41</b>	<b>5,242,760.24</b>	<b>3,647,470.68</b>	<b>659,419.78</b>	<b>0.00</b>	<b>28,854,085.49</b>
<b>LIABILITIES:</b>							
Accounts Payable	955,254.62	14,875.83	0.00	607,735.54	0.00	0.00	1,577,865.99
Contracts Payable Current	14,514.66	0.00		247,143.93	0.00	0.00	261,658.59
Accrued Interest Payable			0.00				0.00
Accrued Salaries	258,835.16	0.00		0.00			258,835.16
Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00

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



Longview School District No. 122

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	66,520.00	0.00		0.00	0.00	0.00	66,520.00
Deferred Compensation Payable	0.00			0.00			0.00
Estimated Employee Benefits Payable	0.00						0.00
Due To Other Funds	2,030.40	2,674.73	0.00	303.24	0.00	0.00	5,008.37
interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	0.00	0.00		0.00			0.00
Unearned Revenue	0.00	0.00	0.00	0.00	0.00		0.00
Matured Bonds Payable			0.00				0.00
Matured Bond interest Payable			0.00				0.00
Arbitrage Rebate Payable	0.00		0.00	0.00	0.00		0.00
<b>TOTAL LIABILITIES</b>	<b>1,297,154.84</b>	<b>17,550.56</b>	<b>0.00</b>	<b>855,182.71</b>	<b>0.00</b>	<b>0.00</b>	<b>2,169,888.11</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>							
Unavailable Revenue	21,096.50	56,075.52	0.00	0.00	0.00	0.00	77,172.02
Unavailable Revenue - Taxes Receivable	7,063,580.64		2,042,952.31	681,167.37	0.00		9,787,700.32
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>7,084,677.14</b>	<b>56,075.52</b>	<b>2,042,952.31</b>	<b>681,167.37</b>	<b>0.00</b>	<b>0.00</b>	<b>9,864,872.34</b>
<b>FUND BALANCE:</b>							
Nonspendable Fund Balance	1,338,890.30	46,193.71	0.00	0.00	0.00	0.00	1,385,084.01
Restricted Fund Balance	147,633.31	83,864.62	3,199,807.93	879,317.62	659,419.78	0.00	4,970,043.26
Committed Fund Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Assigned Fund Balance	1,323,531.32	0.00	0.00	1,231,802.98	0.00	0.00	2,555,334.30
Unassigned Fund Balance	7,908,863.47	0.00	0.00	0.00	0.00	0.00	7,908,863.47
<b>TOTAL FUND BALANCE</b>	<b>10,718,918.40</b>	<b>130,058.33</b>	<b>3,199,807.93</b>	<b>2,111,120.60</b>	<b>659,419.78</b>	<b>0.00</b>	<b>16,819,325.04</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE</b>	<b>19,100,750.38</b>	<b>203,684.41</b>	<b>5,242,760.24</b>	<b>3,647,470.68</b>	<b>659,419.78</b>	<b>0.00</b>	<b>28,854,085.49</b>

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

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	15,646,912.73	667,326.95	4,252,409.05	1,531,601.73	3,781.13		22,102,031.59
State	57,221,947.90		6,853.81	2,311.63	310,118.02		57,541,231.36
Federal	6,630,649.74		282.05	94.93	0.00		6,631,026.72
Federal Stimulus	0.00						0.00
Other	158,835.54			0.00	0.00	0.00	158,835.54
<b>TOTAL REVENUES</b>	<b>79,658,345.91</b>	<b>667,326.95</b>	<b>4,259,544.91</b>	<b>1,534,008.29</b>	<b>313,899.15</b>	<b>0.00</b>	<b>86,433,125.21</b>
<b>EXPENDITURES:</b>							
<b>CURRENT:</b>							
Regular Instruction	41,816,888.83						41,816,888.83
Federal Stimulus	0.00						0.00
Special Education	11,084,501.69						11,084,501.69
Vocational Education	2,288,371.13						2,288,371.13
Skill Center	0.00						0.00
Compensatory Programs	5,095,151.84						5,095,151.84
Other Instructional Programs	195,095.57						195,095.57
Community Services	7,476.73						7,476.73
Support Services	17,959,778.32						17,959,778.32
Student Activities/Other		684,104.30				0.00	684,104.30
<b>CAPITAL OUTLAY:</b>							
Sites				74,396.30			74,396.30
Building				1,132,720.43			1,132,720.43
Equipment				177,265.44			177,265.44
Instructional Technology				503,974.98			503,974.98
Energy				134,932.03			134,932.03
Transportation Equipment					419,954.10		419,954.10
Sales and Lease							
Other	510,742.09			0.00		0.00	510,742.09
<b>DEBT SERVICE:</b>							
Principal	0.00		3,523,928.15	0.00	0.00		3,523,928.15
Interest and Other Charges	0.00		926,223.58	0.00	0.00		926,223.58
Bond/Levy Issuance				0.00	0.00		0.00
<b>TOTAL EXPENDITURES</b>	<b>78,958,006.20</b>	<b>684,104.30</b>	<b>4,450,151.73</b>	<b>2,023,289.18</b>	<b>419,954.10</b>	<b>0.00</b>	<b>86,535,505.51</b>

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

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>DEBT SERVICE:</b>							
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	700,339.71	-16,777.35	-190,606.82	-489,280.89	-106,054.95	0.00	-102,380.30
<b>OTHER FINANCING SOURCES (USES):</b>							
Bond Sales & Refunding Bond Sales	0.00		14,293,937.21	0.00	0.00		14,293,937.21
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	0.00		107,866.45	500,000.00	0.00		607,866.45
Transfers Out (GL 536)	-500,000.00		0.00	-107,866.45	0.00	0.00	-607,866.45
Other Financing Uses (GL 535)	0.00		-14,159,881.14	0.00	0.00		-14,159,881.14
Other	2,000.00		0.00	0.00	15,000.00		17,000.00
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-498,000.00</b>		<b>241,922.52</b>	<b>392,133.55</b>	<b>15,000.00</b>	<b>0.00</b>	<b>151,056.07</b>
<b>EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING TOTAL FUND BALANCE</b>	202,339.71	-16,777.35	51,315.70	-97,147.34	-91,054.95	0.00	48,675.77
Prior Year(s) Corrections or Restatements	10,516,578.69	146,835.68	3,148,492.23	2,208,267.94	750,474.73	0.00	16,770,649.27
<b>BEGINNING TOTAL FUND BALANCE</b>	<b>10,718,918.40</b>	<b>130,058.33</b>	<b>3,199,807.93</b>	<b>2,111,120.60</b>	<b>659,419.78</b>	<b>0.00</b>	<b>16,819,325.04</b>

END

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

Statement Of Fiduciary Net Position

Fiduciary Funds

August 31, 2017

	Private Purpose Trust	Other Trust
<b>ASSETS:</b>		
Imprest Cash	0.00	0.00
Cash On Hand	0.00	0.00
Cash On Deposit with Cty Treas	7,112.36	0.00
Minus Warrants Outstanding	-3,006.49	0.00
Due From Other Funds	0.00	0.00
Accounts Receivable	0.00	0.00
Accrued Interest Receivable	0.00	0.00
Investments	235,268.68	0.00
Investments/Cash With Trustee	0.00	0.00
Other Assets	0.00	
Capital Assets, Land	0.00	
Capital Assets, Buildings	0.00	
Capital Assets, Equipment	0.00	0.00
Accum Depreciation, Buildings	0.00	
Accum Depreciation, Equipment	0.00	0.00
<b>TOTAL ASSETS</b>	<b>239,374.55</b>	<b>0.00</b>
<b>LIABILITIES:</b>		
Accounts Payable	47.25	0.00
Due To Other Funds	129.00	0.00
<b>TOTAL LIABILITIES</b>	<b>176.25</b>	<b>0.00</b>
<b>NET POSITION:</b>		
<b>Held in trust for:</b>		
Held In Trust For Intact Trust Principal	13,417.94	0.00
Held In Trust For Private Purposes	225,780.36	
Held In Trust For Pension Or Other Post-Employment Benefits		0.00
Held In Trust For Other Purposes	0.00	0.00
<b>TOTAL NET POSITION</b>	<b>239,198.30</b>	<b>0.00</b>

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

Longview School District No. 122

Statement of Changes in Fiduciary Net Position  
Fiduciary Funds

For the Year Ended August 31, 2017

<b>ADDITIONS:</b>			
<b>Contributions:</b>			
Private Donations	Private Purpose Trust	Other Trust	
Employer Members	0.00	0.00	
Other	82,679.65	0.00	
<b>TOTAL CONTRIBUTIONS</b>	<b>82,679.65</b>	<b>0.00</b>	
<b>Investment Income:</b>			
Net Appreciation (Depreciation) in Fair Value	0.00	0.00	
Interest and Dividends	0.00	0.00	
Less Investment Expenses	0.00	0.00	
Net Investment Income	0.00	0.00	
<b>Other Additions:</b>			
Rent or Lease Revenue	0.00	0.00	
Total Other Additions	0.00	0.00	
<b>TOTAL ADDITIONS</b>	<b>82,679.65</b>	<b>0.00</b>	
<b>DEDUCTIONS:</b>			
Benefits		0.00	
Refund of Contributions	0.00	0.00	
Administrative Expenses	0.00	0.00	
Scholarships	48,566.29		
Other	4,353.62	0.00	
<b>TOTAL DEDUCTIONS</b>	<b>52,919.91</b>	<b>0.00</b>	
Net Increase (Decrease)	29,759.74	0.00	
Net Position--Prior Year August Beginning	209,438.56	0.00	
Prior Year F-196 Manual Revision	0.00	0.00	
Net Position - Total	209,438.56	0.00	
Prior Year(s) Corrections or Restatements	0.00	0.00	
<b>NET POSITION--ENDING</b>	<b>239,198.30</b>	<b>0.00</b>	

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

**LONGVIEW SCHOOL DISTRICT NO. 122**  
**Notes to the Financial Statements**  
**September 1, 2016 Through August 31, 2017**

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

The Longview 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.

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.

### ***Fiduciary Funds***

Fiduciary funds include pension and other employee benefit trust funds, private-purpose trust funds, and agency funds, and are used to account for assets that are held in trust by the District in a trustee and agency capacity.

### Private-Purpose Trust Fund

This fund is used to account for resources that are legally held in trust by the District. The trust agreement details whether principal and interest may both be spent, or whether only interest may be spent. Money from a Private-Purpose Trust Fund may not be used to support the District's programs, and may be used to benefit individuals, private organizations, or other governments.

## **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.

## **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.

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 and Business Manager are the only persons 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.

## **Receivables and Payables**

The District has no receivables or payables that are not expected to be collected within one year.

## **Inventory**

Inventory is valued at cost using a system of price averaging. 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.

The District has no USDA commodity inventory.

## **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.

## **NOTE 2: DEPOSITS AND INVESTMENTS**

The Cowlitz 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.

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

Type of Investment	Longview's own investments	Investments held by Longview as an agent for other organizations	Total
State Treasurer's Investment Pool	\$16,216,626.59	\$235,268.68	\$16,451,895.27
Total	\$16,216,626.59	\$235,268.68	\$16,451,895.27

The Washington State Local Government Investment Pool (LGIP) is operated by the Washington State Treasurer and is managed in a manner generally consistent with SEC regulated Rule 2a-7 money market funds. Participation in the pool is voluntary and the pool is not rated by a nationally recognized statistical rating organization (NRSRO). Fair value of the district's investment in the pool is measured using a net asset value (NAV) calculation based on the amortized cost of all securities held such that the securities will be valued at their acquisition cost, plus accrued income, amortized daily. The pool maintains a Weighted Average Maturity (WAM) of 60 days or shorter.

### **NOTE 3: SIGNIFICANT CONTINGENT LIABILITIES**

In December 2017 the Dropout Reengagement program performed a self-audit of its 2016-17 enrollment records. Several non-qualifying student records were found. OSPI was notified immediately, and enrollment revisions were processed in January 2018. The estimated recovery due to OSPI for overpayment of apportionment is estimated to be approximately \$14,000.00, which is offset by the reimbursement to the District of the fees paid to the contracted service provider, \$13,053.79.

### **NOTE 4: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS**

On August 14, 2017, the Board of Directors adopted Resolution 758 providing for the issuance and sale of new bonds to refund outstanding 2007 bonds. This resolution delegated to the Superintendent the authority to determine the structure, interest rates, maturity dates and principal maturities for the bonds within the parameters set forth in the resolution. On September 27, 2017, the Superintendent approved the sale of \$4,760,000 in bonds with interest rates ranging from 3.00% to 5.00%. The new bonds mature from December 1, 2017 through December 1, 2021. The refunding resulted in a net present value savings of \$414,690, which represents 7.92% of the refunded bonds.

### **NOTE 5: 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>.

## 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 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 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 41.34 and 41.40 RCW for PERS, 41.34 and 41.35 RCW for SERS, and 41.32 and 41.34 RCW for TRS. 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.

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	6.00%	6.00%	
Employer Contribution Rate	12.70%	11.18%	
<b>Pension Rates</b>			
	9/1/17 Rate	9/1/16 Rate	
<b>TRS 1</b>			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	15.20%	13.13%	
<b>TRS 2</b>			
Member Contribution Rate	7.06%	5.95%	
Employer Contribution Rate	15.20%	13.13%	
<b>TRS 3</b>			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	15.20%	13.13%	**
<b>SERS 2</b>			
Member Contribution Rate	7.27%	5.63%	
Employer Contribution Rate	13.48%	11.58%	
<b>SERS 3</b>			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	13.48%	11.58%	**
<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.			

## The Collective Net Pension Liability

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



The 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 \$29,794,851 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	589,778	793,822	1,979,832	2,054,177
Proportionate Share of the Net Pension Liability	4,652,412	2,892,137	17,104,727	5,145,576

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	0.098047%	0.586076%	0.565769%	0.557518%
Prior year proportionate share of the Net Pension Liability	0.093839%	0.597966%	0.593886%	0.586398%
Net difference percentage	0.004208%	-0.011891%	-0.028117%	-0.028880%

### 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.

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 Longview School District's proportionate share of the collective net pension liability (NPL) calculated using the discount rate of 7.50 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 (6.50 percent) or one percentage-point higher (8.50 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.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
<b>PERS 1 NPL</b>	\$5,780,412,000	\$4,745,078,000	\$3,848,257,000
Allocation Percentage	0.098047%	0.098047%	0.098047%
Proportionate Share of Collective NPL	\$5,667,527	\$4,652,412	\$3,773,105
<b>SERS 2/3 NPL</b>	\$1,278,921,000	\$493,475,000	(\$153,665,000)
Allocation Percentage	0.586076%	0.586076%	0.586076%
Proportionate Share of Collective NPL	\$7,495,445	\$2,892,137	(\$900,593)
<b>TRS 1 NPL</b>	\$3,759,368,000	\$3,023,268,000	\$2,386,123,000
Allocation Percentage	0.565769%	0.565769%	0.565769%
Proportionate Share of Collective NPL	\$21,269,355	\$17,104,727	\$13,499,955
<b>TRS 2/3 NPL</b>	\$3,134,647,000	\$922,943,000	(\$873,375,000)
Allocation Percentage	0.557518%	0.557518%	0.557518%
Proportionate Share of Collective NPL	\$17,476,230	\$5,145,576	(\$4,869,225)

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

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

Employers participating in the plan include the state of Washington (which includes general government agencies and higher education institutions), 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.

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 \$550,930.67. 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 7: COMMITMENTS UNDER LEASES**

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

Lessor	Original Amount	Annual Installment	Final Installment Date	Interest Rate	Balance
<b>Other Long-Term Commitments</b>					
Mail Finance, Inc.	\$38,144.40 (plus tax and related fees)	20 quarterly installments of \$1,907.22 (plus tax)	December 2019		\$17,164.98
<i>Total Other Long-Term Commitments</i>					\$17,164.98

Future minimum lease payments as of August 31, 2017 are as follows:

Year	Amount
2017-18	\$7,628.88
2018-19	\$7,628.88
2019-20	\$1,907.22
Totals	\$17,164.98

## **NOTE 8: OTHER SIGNIFICANT COMMITMENTS**

The District has active construction projects as of August 31, 2017:

Project	Project Authorization Amount	Expended as of 8/31/17	Additional Local Funds Committed	Additional State Funds Committed
Mark Morris Exterior Wall	\$59,784.71	\$52,684.68	\$7,100.03	\$0.00
Cable System Upgrade	\$8,148.73	\$4,819.30	\$3,329.43	\$0.00
Fire Alarm Robert Gray	\$185,340.67	\$159,995.50	\$25,345.17	\$0.00
Robert Gray HVAC	\$312,472.31	\$138,708.41	\$173,763.90	\$0.00
Reroof Bus Garage	\$71,378.43	\$66,232.05	\$5,146.38	\$0.00
Reroof RA Long Gym	\$15,566.40	\$14,444.06	\$1,122.34	\$0.00
Reroof Mark Morris Robotics	\$53,455.45	\$49,601.31	\$3,854.14	\$0.00
Total	\$706,146.70	\$486,485.31	\$219,661.39	\$0.00

## 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	\$ 64,728.26
ASB Fund	\$ 0.00
Capital Projects Fund	\$373,870.08
Transportation Vehicle Fund	\$ 0.00

## **NOTE 9: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS**

The District's capital assets are insured in the amount of \$150,000,000 for fiscal year 2017. In the opinion of the District's insurance consultant, the amount is sufficient to adequately fund replacement of the District's assets.

## **NOTE 10: 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	16-17 Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
2007 GO Refunding Bonds	\$ 7,525,000	\$160,000	2021	4.0%	5,235,000
2011 GO Refunding Bonds	\$ 5,930,000	\$165,000	2022	4.75-5.0%	5,175,000
2016 GO Refunding Bonds	\$13,425,000	\$395,000	2020	1.01%	\$13,030,000
<b>Total General Obligation Bonds</b>	<b>\$26,880,000</b>	<b>\$720,000</b>			<b>\$23,440,000</b>
Nonvoted LOCAL Program Debt	\$ 834,698	\$68,928	2025	2.0957%	\$709,838
<b>Total Long Term Debt</b>	<b>\$27,714,698</b>	<b>\$788,928</b>			<b>\$24,149,838</b>

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

Long-Term Debt Payable at 9/1/2016	\$28,078,766
New Issues	\$13,425,000
Debt Retired	\$17,353,928
Long-Term Debt Payable at 8/31/2017	\$24,149,838

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

Years Ending August 31	Principal	Interest	Total
2018	\$3,746,052.67	\$782,041.90	\$4,528,094.57
2019	\$3,488,767.28	\$654,889.26	\$4,143,656.54
2020	\$3,646,204.90	\$512,375.90	\$4,158,580.80
2021	\$3,793,368.63	\$389,265.66	\$4,182,634.29
2022	\$4,495,591.45	\$247,972.22	\$4,743,563.67
2023-2025	\$4,979,853.05	\$101,459.70	\$5,081,312.75
Total	\$24,149,837.98	\$2,688,004.64	\$26,837,842.62

At August 31, 2017, the District had \$3,199,807.93 available in the Debt Service Fund to service the general obligation bonds.

### Bonds Authorized But Unissued

The District has no authorized but unissued bonds at this time.

### Refunded Debt

On August 17, 2016 the district approved the issuance of \$13,425,000 in general obligation bonds with a true interest cost ("TIC") of 1.01% to refund \$13,830,000 of the District's outstanding 2004 and 2006 series bonds with an average interest rate of 4.93%. The net proceeds of \$14,159,881, after payment of \$127,159 in underwriting fees and issuance costs and depositing an additional \$6,895 to the Debt Service Fund, were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded 2004 and 2006 series bonds. As a result, the refunded portion of the 2004 and 2006 series bonds are considered defeased.

The district advance refunded a portion of the 2004 and 2006 series bonds to reduce its total debt service payments in years 2016 through 2020 by \$1,310,304 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,277,594.

<b>Cash Flows Difference</b>		
Old Debt Service Cash Flows	\$ 15,907,606	
New Debt Service Cash Flows		\$14,604,197
Less: Contribution to the Debt Service Fund		(6,895)
Total	\$ 15,907,606	\$14,604,197
Cash Flow Savings		\$ 1,303,409
<b>Economic Gain</b>		
Present Value of Cash Flows Savings		\$1,277,594

### Short-Term Debt

The District has no short-term debt during the year ending August 31, 2017.

## **NOTE 11: INTERFUND BALANCES AND TRANSFERS**

The District had no interfund Loans during the year ending August 31, 2017.

The following table depicts interfund transfer activity:

Transferred From (Fund) 535 or 536	Transferred To (Fund) 965 9900	Amount	Description
Capital Projects Fund	Debt Service Fund	\$107,866.45	For the purpose of servicing the debt
General Fund	Capital Projects Fund	\$500,000.00	For the purpose of funding Preservation, Renovation and Modernization

## **NOTE 12: 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.

### **Unemployment Compensation Insurance**

The district is a member of the SW Washington Unemployment Compensation Pool administered by Educational Service District No. 112. The purpose of this pool is to share the risk of unemployment compensation claims arising from previous employees of the members. The Pool is fully funded by its member participants. Member districts pay a percentage of their employee's wages. These contributions plus investment earnings pay for unemployment claims and for the administration of the fund. There is provision that members can be additionally assessed if the Pool needs additional funding. The financial statements of the Pool may be obtained by contacting Educational Service District No. 112.

### **Workers' Compensation Insurance**

The district is a member of the Worker's Compensation Trust administered by Educational Service District No. 112. This Trust provides industrial injury accident insurance coverage for its membership. The Trust is fully funded by its member participants. Member contributions are calculated based on the members' hours worked. The Trust retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by its excess insurance contracts. The Trust acquires insurance from unrelated underwriters. The Trust's per-occurrence retention limit is \$450,000 and the annual aggregate retention is \$5,170,685. Since the Trust is a cooperative program, there is a joint liability among participating members. The financial statements of the Trust may be obtained by contacting Educational Service District No. 112.

### **Property and Casualty Insurance**

The Longview School District is a member of Schools Insurance Association of Washington (SIAW). Chapter 48.62 RCW authorizes the governing body of any one or



more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1995, when seven mid-sized school districts in the state of Washington joined together by signing an Interlocal Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Presently, the SIAW program has **37** member districts.

The program allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Coverage for Wrongful 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, Earthquake, General Liability, Automotive Liability, Equipment Breakdown, Crime, and Wrongful Acts Liability.

The program acquires Liability insurance through their administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention (SIR) of \$100,000. Members are responsible for a standard deductible of \$2,500 for each claim (some member deductibles vary), while the program is responsible for the \$100,000 SIR. Insurance carriers cover insured losses over \$102,500 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 SIR. The program also purchases a Stop Loss Policy with an **attachment point of \$3,036,316**, which it fully funds in its annual budget.

Property insurance is subject to a per-occurrence SIR of \$250,000. Members are responsible for a \$10,000 deductible for each claim (some member deductibles vary), while the program is responsible for the \$250,000 SIR. Insurance carriers cover insured losses over \$260,000 to the limits of each policy. Equipment Breakdown insurance is subject to a per-occurrence deductible of \$10,000. Members are responsible for the deductible amount of each claim.

Members contract to remain in the program for one year and must give notice before December 31 to terminate participation the following September 1. Renewal of the Interlocal Agreement occurs automatically each year. Even after termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement. The program is fully funded by its member participants. Claims are filed by members with Clear Risk Solutions, which has been contracted to perform program administration, claims adjustment and administration, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending **August 31, 2017, were \$3,233,172.27.**

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

### **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 by ratifying the terms of Amended Articles of Agreement during its meeting on July 30, 1974, and has remained in the joint venture ever since. The District's current equity of \$7,775.00 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.

## **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	\$1,338,890	\$46,194			
Restricted Fund Balance					
For Other Items					
For Fund Purpose		\$83,865			\$659,420
For Carryover of Restricted Revenues	\$132,633				
For Debt Service			\$879,318	\$3,199,808	
For Self-Insurance	\$15,000				
Committed Fund Balance					
For Economic Stabilization					
Other Commitments					
Assigned Fund Balance					
Contingencies					
Other Capital Projects					
Other Purposes	\$1,323,531				
Fund Purposes			\$1,231,803		
Unassigned Fund Balance	\$7,908,863				

The Board of Directors has established a minimum fund balance policy for the general fund to provide for financial stability and contingencies within the District. The policy is that the District shall maintain 5% of actual expenditures plus transfers out. Portions of fund balance that are set aside for the purpose of meeting this policy are recorded on the financial statements as a part of Unassigned fund balance.

## **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, or the District.

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

The District offers a tax deferred annuity plan for its employees. The plan permits participants to defer a portion of their salary until future years under two types of deferrals: elective deferrals (employee contribution) and non-elective contribution (employer matching).

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 The Omni Group. 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.

Vacation pay, including benefits, that is expected to be liquidated with expendable available financial resources is reported as expenditures and a fund liability of the governmental fund that will pay it.

No unrecorded liability exists for other employee benefits.

## **NOTE 18: SELF-INSURANCE**

The district has varied threshold requirements for participation in a self-insured vision plan determined by bargaining group.

For the 12 months period between 9/1/2016 and 8/31/2017, the plan had total contributions, refunds and interest of \$153,057. For the same time period total plan expenses including claims and administration fees were \$156,423.

The district covers all claims out of its General Fund. The district currently reports all of its risk management activities in its General Fund. The district contracts with a third party administrator to manage its insurance claims. Claims expenditures and liabilities are reported when reimbursed. These claims are reimbursed on a monthly basis by the district to its program administrator.

On August 31, 2017, the district maintained a balance of \$79,094 consisting of \$64,094 in the liability account and \$15,000 in the fund balance account to cover current and future liabilities.

Longview School District No. 122  
Schedule of Long-Term Liabilities  
For the Year Ended August 31, 2017

Description	Beginning				Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2017	Amount Due Within One Year
	Outstanding Debt September 1, 2016	Amount Issued / Increased					
<b>Voted Debt</b>							
Voted Bonds	27,300,000.00	13,425,000.00		17,285,000.00	23,440,000.00	3,670,000.00	
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	0.00
LOCAL Program Proceeds	778,766.13	0.00		68,928.15	709,837.98	111,544.57	
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	1,844,209.14	437,595.02		391,720.90	1,890,083.26	328,002.76	
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
Net Pension Liabilities TRS 1	20,276,685.00	0.00		3,171,958.00	17,104,727.00		
Net Pension Liabilities TRS 2/3	8,052,993.00	0.00		2,907,417.00	5,145,576.00		
Net Pension Liabilities SERS 2/3	3,927,246.00	0.00		1,035,109.00	2,892,137.00		
Net Pension Liabilities PERS 1	5,039,588.00	0.00		387,176.00	4,652,412.00		
<b>Total Long-Term Liabilities</b>	67,219,487.27	13,862,595.02		25,247,309.05	55,834,773.24	4,109,547.33	

**LONGVIEW SCHOOL DISTRICT NO. 122**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ending August 31, 2017

Federal Agency Name	Pass Through Agency	Federal Program Title	CFDA Number	Other Identification Number	Expenditures			Footnote
					From Direct Awards	From Pass Through Awards	Total	
U.S. Dept. of Agriculture	WA OSPI	School Breakfast Program	10.553	N/A		\$480,883.15	\$480,883.15	Note 2
		National School Lunch Program - Food Donations (CLOC)	10.555	N/A	\$193,466.00		\$193,466.00	Note 2
	WA OSPI	National School Lunch Program	10.555	N/A		\$1,595,498.70	\$1,595,498.70	Note 2
	WA OSPI	Summer Food Service Program for Children	10.559	N/A		\$10,547.38	\$10,547.38	Note 2
		<b>Subtotal Child Nutrition Cluster</b>			\$193,466.00	\$2,086,929.23	\$2,280,395.23	\$0.00
U.S. Dept. of Education	WA OSPI	Child and Adult Care Food Program	10.558	N/A		\$5,232.05	\$5,232.05	Note 2
	WA OSPI	Fresh Fruit and Vegetable Program	10.582	N/A		\$43,537.26	\$43,537.26	Note 2
		<b>Total U.S. Department of Agriculture</b>			<b>\$193,466.00</b>	<b>\$2,135,698.54</b>	<b>\$2,329,164.54</b>	<b>\$0.00</b>
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	202421		\$1,944,237.61	\$1,944,237.61	Note 4/5
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	261088		\$24,164.48	\$24,164.48	Note 4/5
U.S. Dept. of Education	WA OSPI	Title I Grants to Local Educational Agencies	84.010	263184		\$19,551.08	\$19,551.08	Note 4/5
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	263169		\$14,709.52	\$14,709.52	Note 4/5
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	263180		\$12,134.96	\$12,134.96	Note 4/5
		<b>Special Education Cluster (IDEA):</b>						
	WA OSPI	Special Education-Grants to States	84.027	305669		\$1,440,085.96	\$1,440,085.96	Note 5
U.S. Dept. of Education	WA OSPI	Special Education-Grants to States (Federal Safety Net)	84.027	337945		\$134,220.00	\$134,220.00	Note 5
	WA OSPI	Special Education-Preschool Grants	84.173	363666		\$99,106.00	\$99,106.00	Note 5
		<b>Subtotal Special Education Cluster (IDEA)</b>			\$0.00	\$1,673,411.96	\$1,673,411.96	\$0.00
	WA OSPI	Career and Technical Education - Basic Grants to States	84.048	173846		\$74,853.58	\$74,853.58	Note 5
	WA OSPI	Indian Education-Grants to Local Educational Agencies	84.080	S060A160643	\$55,778.99		\$55,778.99	Note 5
U.S. Dept. of Education	WA OSPI	English Language Acquisition State Grants	84.365	402365		\$58,329.69	\$58,329.69	Note 5
	WA OSPI	Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	84.367	524055		\$354,300.00	\$354,300.00	Note 5
		<b>Total U.S. Department of Education</b>			\$55,778.99	\$4,175,692.88	\$4,231,471.87	\$0.00
		<b>TOTAL FEDERAL AWARDS EXPENDED</b>			<b>\$249,244.99</b>	<b>\$6,311,391.42</b>	<b>\$6,560,636.41</b>	<b>\$0.00</b>

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

# NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ending August 31, 2017

## NOTE 1—BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the Longview School District's financial statements. The Longview 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—PROGRAM COSTS/MATCHING CONTRIBUTIONS

The amounts shown as current year expenses represent only the federal grant portion of the program costs. Entire program costs, including the Longview School District's local matching share, may be more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

## NOTE 3—NONCASH AWARDS - FOOD COMMODITIES

No food commodities were received or distributed by the district this year.

## NOTE 4—SCHOOLWIDE PROGRAMS

The Longview School District operates a "schoolwide program" in eight elementary 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 Longview School District in its schoolwide program: Title I (84.010) \$2,014,797.65.

## NOTE 5—FEDERAL INDIRECT RATE

The Longview School District used the federal restricted rate of 5.62%. The Longview School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.





## CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

**Longview School District No. 122**

**Cowlitz 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's internal controls over its federal child nutrition program did not ensure it tracked and monitored equipment purchased in accordance with federal requirements.
<b>Name, address, and telephone of District contact person:</b> Patti Bowen, Director of Business Services 2715 Lilac Street Longview, WA 98632 360-575-7020	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>The Longview School District takes compliance issues seriously, and will use the information provided to evaluate the tracking and monitoring procedures for equipment. The District has strong internal controls in place to protect and safeguard all assets, including capital assets. This includes assets purchased with funds from all sources, including local funds, state funds, and federal grants.</i>  <i>The District believes that it followed the State Accounting Manual, which prescribes the treatment of all expenditures within Program 98 Nutrition Services. The District purchased equipment using local assigned resources as part of a facility improvement plan. Under the guidance of the Accounting Manual, the District recorded the expenditures to Program 98 Nutrition Services.</i>	

*The Longview School District establishes a local funds reserve for the replacement of major district equipment as the equipment's useful life expires, and assigns part of the fund balance (non-federal) for this purpose. This assignment is clearly delineated in the fund balance and becomes part of our official financial statements as audited and published. In all previous audits, the set-aside of fund balance for Food Service Equipment has not been called into question.*

*In the 2016-17 school year the District purchased food service equipment to replace aged and failing equipment, using the aforementioned assigned local non-operating funds.*

*As required by OSPI and the State Accounting Manual, we accounted for these purchases in Program 98 Food Services. They were not purchased with federal grant funds, but rather were purchased with fund balance carried forward from previous years which had been properly set aside for this use and clearly identified as an Assignment of Fund Balance.*

*We disagree with the finding because it is a misstatement to say that the District's internal controls did not ensure it tracked and monitored equipment purchased in accordance with federal requirements. The District followed the State Accounting Manual, as required. The State Auditor's Office asserts by following the State Accounting Manual we created a condition where we were out of compliance with federal guidelines.*

*As a corrective action, we will request a review by the School District Accounting Advisory Committee (SDAAC) to provide proper guidance for our District and other Districts statewide to clarify treatment of expenditures to purchase kitchen equipment with local non-operating funds.*

*In addition, we will modify our capital asset tracking records to include data fields identifying the source of funding for the property (including FAIN), who holds title, and the percentage of Federal participation in the project costs for the Federal award under which the property was required, to satisfy federal requirements.*

*We will also more robustly document the annual inventory and inspection records to mirror a more typical physical inventory, to satisfy federal requirements.*

**Anticipated date to complete the corrective action:** June 30, 2018

## 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.

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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>