



Washington State Auditor's Office

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Financial Statements and Federal Single Audit Report

Mary Walker School District No. 207

Stevens County

For the period September 1, 2013 through August 31, 2014

Published May 21, 2015

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Washington State Auditor

May 21, 2015

Board of Directors
Mary Walker School District No. 207
Springdale, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Mary Walker School District No. 207'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,

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

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

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

Description of Condition

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

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

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

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

Cause of Condition

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

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

Effect of Condition

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

Recommendation

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

We also recommend the District Board Members take action to:

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

District's Response

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

Auditor's Remarks

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

**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**

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

Board of Directors
Mary Walker School District No. 207
Springdale, 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 Mary Walker School District No. 207, Stevens County, Washington, as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated May 5, 2015.

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 the financial statements are prepared by the District using accounting practices prescribed by Washington State statutes and the *Accounting Manual for Public School Districts in the State of Washington* (Accounting Manual) described in Note 1, which is a basis of accounting other than 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.

Our report also includes information about the status of the District's financial condition. This information is more fully described in Finding 2014-001 in the Schedule of Audit Findings and Responses. The District's response to the finding was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit

performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Jan M. Jutte". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

May 5, 2015

MARY WALKER SCHOOL DISTRICT NO. 207
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
September 1, 2013 through August 31, 2014

NOTE 1—BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the Mary Walker School District's financial statements. Mary Walker School District uses the cash basis of accounting. Expenditures represent only the federally funded portions of the program. Mary Walker School District records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE 2—AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) of 2009

N/A

NOTE 3—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 Mary Walker School District's portion, may be more than shown.

NOTE 4—NONCASH AWARDS

The amount of food commodities reported on the schedule is the value of food commodities distributed by the Mary Walker School District during the current year and priced as prescribed by the USDA.

NOTE 5—SCHOOLWIDE PROGRAMS

The Mary Walker School District operates a "school wide program" in the elementary and middle school buildings. Using federal funding, school wide 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 Mary Walker School District in its school wide program. Title I (84.010) \$253,002.70; Rural Education (84.358) \$0; Impact Aid (84.041) \$36,586.54.

NOTE 6—TRANSFERABILITY

N/A

NOTE 7—SMALL RURAL SCHOOLS ACHIEVEMENT (SRSA)

N/A

NOTE 8—NOT AVAILABLE (N/A)

The Mary Walker School District was unable to obtain other identification number.

NOTE 9—FEDERAL INDIRECT RESTRICTED RATE

The Mary Walker School District used the federal restricted rate of 5.9% percent for this program.

NOTE 10—FEDERAL INDIRECT UNRESTRICTED RATE

The Mary Walker School District used the federal unrestricted rate of 25.36% percent for this program.

NOTE 11—AMOUNTS PASSED THROUGH TO SUBRECIPIENTS

Of the amount shown for this program, \$0 was passed-through to subrecipients.

**CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED
UNDER OMB CIRCULAR A-133**

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

This schedule presents the corrective action planned by the auditee for findings reported in this report in accordance with OMB Circular A-133. The information in this schedule is the representation of the Mary Walker School District No. 207.

Finding ref number: 2014-001	Finding caption: The District's financial condition puts it at risk of being unable to meet financial obligations and maintain current service levels.
Name, address, and telephone of auditee contact person: Kevin Jacka 500 N. Fourth Springdale, WA 99173	
Corrective action the auditee plans to take in response to the finding: <i>The Mary Walker School District concurs that it continues to have a low fund balance. The District will implement a plan of action to increase their fund balance within two years. The District will continue to monitor accounts payable and payroll. The District will continue to cut in both areas while still providing a quality education. The District will continue its work with ESD 101 on monitoring the District's finances.</i>	
Anticipated date to complete the corrective action: on-going	

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

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

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

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

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