



Washington State Auditor's Office

Independence • Respect • Integrity

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

Report No. 1014225





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

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FEDERAL SUMMARY

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

The results of our audit of Mary Walker School District No. 207 are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

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

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

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

Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
10.553	Child Nutrition Cluster - School Breakfast Program
10.555	Child Nutrition Cluster - National School Lunch Program
10.559	Child Nutrition Cluster - Summer Food Service Program
84.010	Title I, Part A Cluster - Title I Grants to Local Educational Agencies

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

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

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

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.

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

May 5, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

**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

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

We have audited the compliance of Mary Walker School District No. 207, Stevens County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014. The District's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

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

Auditor's Responsibility

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

occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014.

Other Matters

We noted certain matters that we have reported to the management of the District in a separate letter dated May 13, 2015.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

May 5, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Mary Walker School District No. 207, Stevens County, Washington, for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 18.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting 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, Mary Walker School District No. 207 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 differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of Mary Walker School District No. 207, for the year ended August 31, 2014, on 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. The effects on the financial statements of the variances between GAAP and the accounting practices the District used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are 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 Mary Walker School District No. 207, as of August 31,

2014, 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.

Matters of Emphasis Regarding Fiscal Sustainability

As described in Finding 2014-001 in the Schedule of Audit Findings and Responses, the District’s declining general fund balance reflects cash flow challenges that affect the District’s operations. The District has had to borrow from restricted funds in order to pay for general government operations and to address cash flow shortages. The District’s cash flow constraints are expected to continue in the near future. As a result, there exists uncertainty about the District’s ability to maintain services at present levels under these conditions. Our opinion is not modified with respect to this matter.

Other Matters

District’s Response to Finding

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

Supplementary and Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedules of Long-Term Liabilities are 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 5, 2015 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Jan M. Jutte". The signature is written in black ink and is positioned above the printed name and title.

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

May 5, 2015

FINANCIAL SECTION

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

FINANCIAL STATEMENTS

Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental
Funds – 2014
Notes to the Financial Statements – 2014

SUPPLEMENTARY AND OTHER INFORMATION

Schedules of Long-Term Liabilities – 2014
Schedule of Expenditures of Federal Awards – 2014
Notes to the Schedule of Expenditures of Federal Awards – 2014

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
REVENUES:							
Local	389,898.77	70,082.99	195,054.43	113.83	158.53		655,308.55
State	4,622,087.24		0.00	0.00	55,836.14		4,677,923.38
Federal	753,998.78		0.00	0.00	0.00		753,998.78
Federal Stimulus	0.00						0.00
Other	52,633.98			0.00	0.00	0.00	52,633.98
TOTAL REVENUES	5,818,618.77	70,082.99	195,054.43	113.83	55,994.67	0.00	6,139,864.69
EXPENDITURES:							
CURRENT:							
Regular Instruction	2,557,139.66						2,557,139.66
Federal Stimulus	0.00						0.00
Special Education	692,732.62						692,732.62
Vocational Education	317,230.24						317,230.24
Skill Center	0.00						0.00
Compensatory Programs	690,756.71						690,756.71
Other Instructional Programs	390.94						390.94
Community Services	0.00						0.00
Support Services	1,833,868.56						1,833,868.56
Student Activities/Other		69,076.08				0.00	69,076.08
CAPITAL OUTLAY:							
Sites				12,831.46			12,831.46
Building				0.00			0.00
Equipment				45,107.36			45,107.36
Instructional Technology				0.00			0.00
Energy				0.00			0.00
Transportation Equipment					113,661.70		113,661.70
Sales and Lease				0.00			0.00
Other	12,185.70						12,185.70
DEBT SERVICE:							
Principal	0.00		163,000.00	0.00	0.00		163,000.00
Interest and Other Charges	0.00		18,200.00	0.00	0.00		18,200.00
Bond/Levy Issuance				0.00	0.00		0.00
TOTAL EXPENDITURES	6,104,304.43	69,076.08	181,200.00	57,938.82	113,661.70	0.00	6,526,181.03

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, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
DEBT SERVICE:							
REVENUES OVER (UNDER) EXPENDITURES	-285,685.66	1,006.91	13,854.43	-57,824.99	-57,667.03	0.00	-386,316.34
OTHER FINANCING SOURCES (USES):							
Bond Sales & Refunding Bond Sales	0.00		0.00	0.00	0.00		0.00
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	0.00		0.00	0.00	0.00		0.00
Transfers Out (GL 536)	0.00		0.00	0.00	0.00	0.00	0.00
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	0.00		0.00	0.00	0.00		0.00
TOTAL OTHER FINANCING SOURCES (USES)	0.00		0.00	0.00	0.00	0.00	0.00
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-285,685.66	1,006.91	13,854.43	-57,824.99	-57,667.03	0.00	-386,316.34
BEGINNING TOTAL FUND BALANCE	303,735.97	41,446.94	171,300.92	229,210.15	136,191.19	0.00	881,885.17
Prior Year(s) Corrections or Restatements	66,243.00	0.00	0.00	1,515.23	0.00	0.00	67,758.23
ENDING TOTAL FUND BALANCE	84,293.31	42,453.85	185,155.35	172,900.39	78,524.16	0.00	563,327.06

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

Mary Walker School District #207

Notes to the Financial Statements

September 1, 2013 through August 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Mary Walker 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 cash basis of accounting, except for the Debt Service Fund which is reported 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) Financial transactions are recognized on a cash basis of accounting as described below.
- (2) Districtwide statements, as defined in GAAP, are not presented.
- (3) A Schedule of Long-Term Liabilities is presented as supplementary information.
- (4) Supplementary information required by GAAP is not presented.

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 as appropriate. All funds are considered major funds. The various funds in the report are grouped into governmental funds as follows:

Governmental Funds

General Fund

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

Capital Projects Funds

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

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

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

Debt Service Fund

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

Special Revenue Fund

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

Measurement focus, basis of accounting and fund financial statement presentation

Governmental fund financial statements are reported using the cash basis of accounting and measurement focus. Revenues are recognized when they are received in cash and expenditures are recognized when warrants are issued. Purchases of capital assets are expensed during the year of acquisition.

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 cash basis as used for financial reporting, except for the Debt Service Fund which is accounted for on the modified accrual basis of accounting. 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 Board and the Superintendent are the only people 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.

NOTE 2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

The Stevens County Treasurer is the *ex officio* treasurer for the District and holds all accounts of the District, except for \$64,961 held by NEWESD 101. The District directs the County Treasurer to invest those financial resources of the District that the District has determined are not needed to meet the current financial obligations of the District.

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

The District's investments as of August 31, 2014, are as follows:

	Carrying Amount	Market Value
Stevens County Treasurer's Investment Pool - GF	0.00	\$0.00
Stevens County Treasurer's Investment Pool - CPF	\$143,021.27	\$143,021.27
Stevens County Treasurer's Investment Pool - DSF	\$172,397.88	\$172,397.88
Stevens County Treasurer's Investment Pool - ASB	\$37,441.02	\$37,441.02
Stevens County Treasurer's Investment Pool - TVF	\$22,645.86	\$22,645.86
NEWESD 101	\$64,961.00	\$64,961.00
Total Investments	\$440,467.03	\$440,467.03

NOTE 3: SIGNIFICANT CONTINGENT LIABILITIES

Litigation

The District has no known legal obligations that would materially impact the financial position of the District.

NOTE 4: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

There was one Title I finding in the amount of \$56,944 from the 2010-2011 school year. The District has arranged a payment schedule with OSPI to pay in July of each year for three years (2013, 2014, 2015). The total amount to be repaid (principal and interest) is \$57,513.45.

There was one Title I finding in the amount of \$15,681 from the 2011-2012 school year, and one ALE finding in the amount of \$1,752 from the 2009-2012 school years, which totaled \$17,433. The District arranged payment with OSPI to pay that amount in December 2013.

NOTE 5: ANNUAL PENSION COST AND NET PENSION OBLIGATIONS

A. General Information

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

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

<u>Program</u>	<u>Active Members</u>	<u>Inactive Vested Members</u>	<u>Retired Members</u>
TRS	65,357	9,545	42,918
PERS	150,590	30,515	82,242
SERS	51,558	10,920	7,651

Membership by retirement system program as of June 30, 2013:

<u>Program</u>	<u>Active Members</u>	<u>Inactive Vested Members</u>	<u>Retired Members</u>
TRS	65,935	9,823	44,220
PERS	150,706	31,047	85,328
SERS	52,295	11,588	9,079

Data is as of last actuarial valuation date of June 30, 2013.

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

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

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

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

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

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

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

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

B. Contributions

Employee contribution rates effective September 1, 2013 through August 31, 2014:

Plan 1 TRS	6.00%	Plan 1 PERS	6.00%
Plan 2 TRS	4.96%	Plan 2 SERS	4.64%
Plan 3 TRS and SERS	5.00% (minimum), 15.00% (maximum)		

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

Employer contribution rates effective September 1, 2013 through August 31, 2014:

Plan 1 TRS	10.39%	Plan 1 PERS	9.21%
Plan 2 TRS	10.39%	Plan 2 SERS	9.82%
Plan 3 TRS	10.39%	Plan 3 SERS	9.82%

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

<u>Plan</u>	<u>FY 13-14</u>	<u>FY 12-13</u>	<u>FY 11-12</u>
Plan 1 TRS	\$0.00	\$0.00	\$0.00
Plan 2 TRS	\$17,370.74	\$10,226.95	\$11,762.61
Plan 3 TRS	\$208,163.61	\$157,258.06	\$154,761.17
Plan 1 PERS	\$1,490.19	\$1,088.79	\$1,050.51
Plan 2 SERS	\$43,012.38	\$31,473.86	\$30,902.35
Plan 3 SERS	\$60,936.99	\$42,166.20	\$44,241.03

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

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

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

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

Employers participating in the plan include the State of Washington (which includes general government agencies and higher education institutions), 57 of the state's K-12 school districts and educational service districts (ESDs), and 206 political subdivisions and tribal governments. Additionally, the PEBB

plan is available to the retirees of the remaining 247 K–12 school districts and ESDs. The district's retirees are eligible to participate in the PEBB plan under this arrangement.

According to state law, the Washington State Treasurer collects a fee from all school district entities which have employees that are not current active members of the state Health Care Authority but participate in the state retirement system. The purpose of this fee is to cover the impact of the subsidized rate of health care benefits for school retirees that elect to purchase their health care benefits through the state Health Care Authority. For the fiscal year 2013–14, the District was required to pay the HCA \$64.40 per month per full-time equivalent employee to support the program, for a total payment of \$31,183.73. This assessment to the District is set forth in the State's operating budget and is subject to change on an annual basis. This amount is not actuarially determined and is not placed in a trust to pay the obligations for post-employment health care benefits.

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

NOTE 7: COMMITMENTS UNDER NONCAPITALIZED (OPERATING) LEASES

For the fiscal year ending August 31, 2014, the District incurred additional long-term debt as follows:

In January 2014, Mary Walker School District entered into a lease agreement with GreatAmerica Financial Services Corporation for a postage meter machine to include maintenance, rate guard and the meter machine. The lease agreement is a 63 month term with a monthly payment amount of \$110.00 plus tax.

<u>Lessor</u>	<u>2013-14 Payment</u>	<u>Final Installment Date</u>	<u>Balance Due</u>
GreatAmerica Financial Services	\$770.00	April 2019	\$6,160.00

In November 2013, Mary Walker School District entered into a lease agreement with Royal Business Systems, Inc. for 8 copy machines. The lease agreement is a 63 month term with a monthly payment amount of \$1,638.00 plus tax.

<u>Lessor</u>	<u>2013-14 Payment</u>	<u>Final Installment Date</u>	<u>Balance Due</u>
Royal Business Systems Inc.	\$14,742.00	February 2019	\$88,452.00

NOTE 8: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS, INCLUDING ENCUMBRANCES, IF APPROPRIATE

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, 2014:

Fund	Amount
General	\$32,241.45
ASB Fund	\$ 153.14
Capital Projects Fund	\$ 0.00
Transportation Vehicle Fund	\$ 0.00

NOTE 9: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The District's capital assets are insured in the amount of \$27,720,138 for fiscal year 2013-14. 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, 2014, are comprised of the following individual issues:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
UTGO Refunding Bonds 2012	2,220,000	Refer to Debt Service Schedule	12/19	3.66	8/31/14 1,136,000
Total General Obligation Bonds					1,136,000

The following is a summary of general obligation long-term debt transactions of the District for the fiscal year(s) ended August 31, 2014:

Long-Term Debt Payable at 9/1/2013	1,299,000
New Issues	\$0
Debt Retired	163,000
Long-Term Debt Payable at 8/31/2014	1,136,000

The following is a schedule of annual requirements to amortize debt at August 31, 2014:

Years Ending August 31	Principal	Interest	Total
2015	173,000	14,541.30	187,541.30
2016	179,000	12,945.35	191,945.35
2017	185,000	10,949.90	195,949.90
2018	191,000	8,492.75	199,492.75
2019	201,000	5,499.00	206,499.00
2020	207,000	1,935.45	208,935.45
Total	1,136,000	54,363.75	1,190,363.75

At August 31, 2014, the District had \$185,155.35 available in the Debt Service Fund to service the general obligation bonds.

NOTE 11: ENTITY RISK MANAGEMENT ACTIVITIES

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

In August 1985 the District joined together with other school districts in the state and the Educational Service District No. 101 in unemployment compensation insurance cooperative. The purpose of the cooperative is to provide unemployment compensation insurance to eligible employees in an efficient and effective manner, in compliance with state laws regarding unemployment compensation insurance. The district pays assessments and administration fees to the ESD for services related to this unemployment compensation insurance. The assessments and fees are calculated on an annual basis and approved by the cooperative's advisory board. The district made payments totaling \$9,495 to the unemployment compensation insurance cooperative in fiscal year 2013-14.

In December 1983 the district joined with other school districts and Educational Service District No. 101 to form Northeast Washington Workers' Compensation Cooperative, a public entity risk pool currently operation as a common risk management and insurance program for workers compensation insurance. The district pays an annual premium to the pool for its general insurance coverage. The agreement for formation of the Northeast Washington Workers' Compensation Cooperative provides that the pool will be self-sustaining through member premiums. Reinsurance, both specific and aggregate, is maintained. The district made payments totaling \$62,742.92 to the workers' compensation cooperative in fiscal year 2013-14.

The Mary Walker School District #207 is a member of the United Schools Insurance Program. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool 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 or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Inter-local Cooperation Act. The program was formed on September 1, 1985 when 29 school districts in the State of Washington joined together by signing a Joint Purchasing Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Current membership includes 155 school districts.

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

Liability insurance is subject to a self-insured retention of \$100,000. Members are responsible for a \$1,000 deductible for each claim (member deductibles may vary), while the program is responsible for the \$100,000 self-insured retention (SIR). Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability 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 \$995,000, as an additional layer of protection for its members.

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

Equipment Breakdown insurance is subject to a per-occurrence deductible of \$10,000. Members are responsible for the deductible amount of each claim.

Each new member now pays the program an admittance fee. This amount covers the member's share of unrestricted reserves. Members contract to remain in the program for a minimum of one year, and must give notice before August 31 to terminate participation the following September 1. The Interlocal

Agreement is renewed automatically each year. Even after termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Joint Purchasing Agreement.

The program is fully funded by its member participants. Claims are filed by members with Canfield, which has been contracted to perform program administration, claims adjustment and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ended August 31, 2014 was \$1,514,980.35.

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

NOTE 12: PROPERTY TAXES

Property tax revenues are collected as the result of special levies passed by the voters in the District. Taxes are levied on January 1. The taxpayer has the obligation of paying all taxes on April 30 or one-half then and one-half on October 31. Typically, slightly more than half of the collections are made on the April 30 date. The October 31 collection of property taxes will be recorded as revenue in the 2014-15 school year, consistent with the cash basis of accounting.

NOTE 13: 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 passing Resolution and has remained in the joint venture ever since. The District's current equity of \$1,248.42 (as of December 31, 2013) 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.

The school district is in an interlocal agreement with Spokane School District 81 for food items to take advantage of bulk-priced purchasing power.

The school district is in an interlocal agreement with VL Transport for bus fuel (diesel and gas) to take advantage of bulk-priced purchasing power.

NOTE 14: 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
Restricted Fund Balance					
Carryover of Restricted Revenues					
Debt Service				\$185,155.35	
Fund Purposes		\$42,453.85			\$78,524.16
Committed Fund Balance					
Minimum Fund Balance Policy					
Other Commitments	\$64,960.78				
Assigned Fund Balance					
Other Purposes					
Fund Purposes			\$172,900.39		

NOTE 15: 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 one type of deferral: elective deferrals (employee contribution).

The District complies with IRS regulation 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 16: TERMINATION BENEFITS

Compensated Absences

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

Under the provisions of RCW 28A.400.210, sick leave accumulated by District employees is reimbursed at death or retirement at the rate of one day for each four days of accrued leave, limited to 180 accrued

days. This chapter also provides for an annual buy out of an amount up to the maximum annual accumulation of 12 days. For buyout purposes, employees may accumulate such leave to a maximum of 192 days, including the annual accumulation, as of December 31 of each year.

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

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 15: OTHER DISCLOSURES

Prior period adjustment related to cash held by a trustee.

The ending Total Fund Balance for the General Fund on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds includes a Prior Year Adjustment of \$64,961. This adjustment was necessary to record the District's cash balance held by North East Washington Educational Service District 101 for the purpose of unemployment claims. This balance was not reported in prior years as it was not required by the School District Accounting manual. The balance reflected as the prior year adjustment is the 8/31/2014 cash balance for the Mary Walker School District unemployment fund.

Schedule of Long-Term Liabilities: GENERAL FUND

For the Year Ended August 31, 2014

Description	Beginning Outstanding Debt September 1, 2013	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2014	Amount Due Within One Year
Non-Voted Debt and Liabilities					
Capital Leases	36,155.29	0.00	36,155.29	0.00	0.00
Contracts Payable	0.00	0.00	0.00	0.00	0.00
Non-Cancellable Operating Leases	0.00	110,124.00	15,512.00	94,612.00	20,976.00
Claims & Judgements	0.00	0.00	0.00	0.00	0.00
Compensated Absences	130,667.06	5,714.83	0.00	136,361.89	23,265.95
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
Other Liabilities					
Non-Voted Notes Not Recorded as Debt	0.00	0.00	0.00	0.00	0.00
Total Long-Term Liabilities	166,822.35	115,838.83	51,667.29	230,993.89	44,241.95

Schedule of Long-Term Liabilities: DEBT SERVICE FUND

For the Year Ended August 31, 2014

Description	Beginning Outstanding Debt September 1, 2013	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2014	Amount Due Within One Year
Voted Debt					
Voted Bonds	1,299,000.00	0.00	163,000.00	1,136,000.00	173,000.00
LOCAL Program Proceeds Issued in Lieu of Bonds	0.00	0.00	0.00	0.00	0.00
Non-Voted Debt					
Non-Voted Bonds	0.00	0.00	0.00	0.00	0.00
LOCAL Program Proceeds	0.00	0.00	0.00	0.00	0.00
Total Long-Term Liabilities	1,299,000.00	0.00	163,000.00	1,136,000.00	173,000.00

	A	B	C	D	E	F	G	H	I	
1	Mary Walker School District No. 207									
2	SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS									
3	For the year ending August 31, 2014									
4										
5	1	2	3	4	5	6	7	8	9	
6	Expenditures									
7	Federal Agency Name	Pass Through Agency	Federal Program Title	CFDA Number	Other Identification Number	From Direct Awards	From Pass Through Awards	Total	Footnote	
8	U.S. DEPARTMENT OF AGRICULTURE									
9		WA OSPI	Severe Need Breakfast	10.553	N/A		\$ 62,843.75	\$ 62,843.75	8	
10		WA OSPI	National School Lunch-Cash Assist	10.555	N/A		\$ 149,655.13	\$ 149,655.13	8	
11		WA OSPI	National School Lunch-Non Cash Assist Commodities	10.555	N/A		\$ 22,749.97	\$ 22,749.97	4, 8	
12			<i>Subtotal 10.555</i>				\$ 172,405.10	\$ 172,405.10		
13		Office of State Treasurer	Federal Forest	10.665	N/A		\$ 17,868.75	\$ 17,868.75	8	
14										
15	U.S.D.A. Total							\$ 253,117.60	\$ 253,117.60	
16										
17	U.S. DEPARTMENT OF EDUCATION									
18			Impact Aid Maintenance Operations	84.041	N/A	\$ 36,586.54		\$ 36,586.54	5,8	
19		WA OSPI	Title I Grants to LEA	84.010	201390		\$ 249,197.00	\$ 249,197.00	5,9	
20		WA OSPI	Title I Grants to LEA Reallocation	84.010	224548		\$ 3,805.70	\$ 3,805.70	5,9	
21			<i>Subtotal 84.010</i>				\$ 253,002.70	\$ 253,002.70		
22		WA OSPI	Special Education Grants to States	84.027	304875		\$ 109,446.58	\$ 109,446.58	9	
23		WA OSPI	Career and Technical Education Basic Grant States	84.048	173038		\$ 7,210.00	\$ 7,210.00	9	
24		WA OSPI	Special Education-Preschool	84.173	364863		\$ 8,533.00	\$ 8,533.00	9	
25		NEWESD 101	Advanced Placement Incentive Program	84.330	S330C090049		\$ 944.97	\$ 944.97		
26		WA OSPI	Improving Teacher Quality State Grants	84.367	523251		\$ 39,256.00	\$ 39,256.00	9	
27								\$ -		
28								\$ -		
29	U.S.D.O.E. Total						\$ 36,586.54	\$ 418,393.25	\$ 454,979.79	
30										
31	HEALTH/HUMAN SERVICES DEPARTMENT									
32		WA DSHS	Medicaid-Medical Assist Program	93.778	N/A		\$ 31,136.63	\$ 31,136.63	8	
33										
34	H.H.S.D. Total						\$ 31,136.63	\$ 31,136.63		
35										
36										
37										
38	TOTAL FEDERAL AWARDS EXPENDED						\$ 36,586.54	\$ 702,647.48	\$ 739,234.02	
39										

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

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	

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