

**Washington State Auditor's Office**  
**Financial Statements and Federal Single Audit Report**

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**Walla Walla School District No. 140**  
**Walla Walla County**

Audit Period  
**September 1, 2009 through August 31, 2010**

**Report No. 1005716**

Issue Date  
**May 23, 2011**



WASHINGTON  
**BRIAN SONNTAG**  
STATE AUDITOR



**Washington State Auditor  
Brian Sonntag**

May 23, 2011

Board of Directors  
Walla Walla School District No. 140  
Walla Walla, Washington

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

Please find attached our report on Walla Walla School District No. 140'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,

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

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Walla Walla County  
September 1, 2009 through August 31, 2010**

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# Federal Summary

## Walla Walla School District No. 140 Walla Walla County September 1, 2009 through August 31, 2010

The results of our audit of Walla Walla School District No. 140 are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

### **FINANCIAL STATEMENTS**

An unqualified 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 unqualified opinion on the District's compliance with requirements applicable to each of its major federal programs.

We reported one finding that is 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>
84.010	Title I Part A
84.027	Special Education Cluster - Grants to States (IDEA, Part B)
84.173	Special Education Cluster - Preschool Grants (IDEA Preschool)"
84.389	ARRA - Title I Cluster, Part A (Recovery Act)
84.391	ARRA - Special Education Cluster, IDEA Part B (Recovery Act)
84.392	ARRA - Special Education Cluster, Preschool Grants (Recovery Act)
84.394	ARRA - State Fiscal Stabilization Fund - Education State Grants (Recovery Act)
93.600	Head Start
93.708	ARRA - Head Start (Recovery Act)

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$337,607.

The District qualified as a low-risk auditee under OMB Circular A-133.

# **Schedule of Federal Audit Findings and Questioned Costs**

**Walla Walla School District No. 140  
Walla Walla County  
September 1, 2009 through August 31, 2010**

- 1. Walla Walla School District did not comply with time and effort recordkeeping requirements to support payroll costs it charged to the Title I federal grant program.**

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

**Federal Award Number:** NA

**Questioned Cost Amount:** \$0

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

## **Background**

We reviewed Walla Walla School District's internal controls and compliance with regulations over its Title I grant programs. The objective of the program is to improve the teaching and learning of children who are at risk of not meeting state academic standards and who reside in areas with high concentrations of children from low-income families. During fiscal year 2010, the District spent \$2,100,466 in Title I grant funding, including \$1,830,665 on employees' salaries and benefits.

## **Description of Condition**

We reviewed payroll transactions to determine whether salaries and benefits the District charged to the grant were supported by adequate time and effort documentation as required by federal regulations. For employees who work for multiple programs, time and effort documentation should be provided in the form of a monthly personnel activity report, such as a timesheet. Employees who work on a single program can submit a semi-annual certification.

We examined the time and effort documentation for 12 employees whose salary and benefits the District charged to the Title I program. We found the District had no time and effort documentation for six employees.

## **Cause of Condition**

The District indicated that after a change in accounting systems and payroll processes, staff responsible for time and effort documentation did not realize the records requirements were not being met and had not obtained the necessary certifications for employees whose time is charged the Title I program.

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

Without adequate time and effort documentation, federal grantors cannot be assured the salaries and benefits Districts charge to their programs are accurate and valid. Noncompliance with grant requirements can jeopardize future federal funding and require the District to return federal funds to the grantor. Because the District obtained the required certifications from staff during the audit, we are not questioning these costs.

## **Recommendation**

We recommend the District review its internal controls for maintaining time and effort documentation to ensure it can comply with federal regulations.

## **District's Response**

*In the past Walla Walla School District had controls in place to comply with Time and Effort reporting. The only reason the process broke down in 2009-2010 was due to the conversion to the WESPaC system for payroll and fiscal processing wherein we no longer needed monthly timesheets. The timesheets that employees signed included a statement verifying federal program activities for the month. When the timesheet went away, so did the required certification. We have now adjusted our process to ensure compliance with Time and Effort reporting.*

*We are very careful with expenditures in federal programs, and even though the Time and Effort reporting was not perfect, the expenditures were in compliance with the parameters of the Title I program. The only omission was that we failed to ask some of our employees to sign a certification stating that they were performing their job duties in concert with the budgets from which they were paid.*

## **Auditor's Remarks**

We thank the District for their response and attention to this issue. We look forward to reviewing the District's Time and Effort procedures in our next audit.

## **Applicable laws and Regulations**

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section 300, states in part:

The auditee shall: (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. (c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

U.S. Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* (2 CFR Part 225), Appendix B, Section 8(h), states:

(1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in

accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.

(2) No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.

(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5)... unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity.

(5) Personnel activity reports or equivalent documentation must meet the following standards:

(a) They must reflect an after the fact distribution of the actual activity of each employee,

(b) They must account for the total activity for which each employee is compensated,

(c) They must be prepared at least monthly and must coincide with one or more pay periods, and

(d) They must be signed by the employee.

(e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:

(i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;

(ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity

reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent;

and

(iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

**Independent Auditor's Report on Internal  
Control over Financial Reporting and on  
Compliance and Other Matters in Accordance  
with *Government Auditing Standards***

Walla Walla School District No. 140  
Walla Walla County  
September 1, 2009 through August 31, 2010

Board of Directors  
Walla Walla School District No. 140  
Walla Walla, Washington

We have audited the financial statements of Walla Walla School District No. 140, Walla Walla County, Washington, as of and for the year ended August 31, 2010, and have issued our report thereon dated April 29, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***INTERNAL CONTROL OVER FINANCIAL REPORTING***

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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*.

This report is intended for the information and use of management, the Board of Directors, federal awarding agencies and pass-through entities. 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 "Brian Sonntag". The signature is fluid and cursive, with a large initial "B" and "S".

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

April 29, 2011

# **Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

**Walla Walla School District No. 140  
Walla Walla County  
September 1, 2009 through August 31, 2010**

Board of Directors  
Walla Walla School District No. 140  
Walla Walla, Washington

## **COMPLIANCE**

We have audited the compliance of Walla Walla School District No. 140, Walla Walla 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, 2010. The District's major federal programs are identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the 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. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the 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, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 1.

## **INTERNAL CONTROL OVER COMPLIANCE**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The District's response to the finding identified in our audit is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended for the information of management, the Board of Directors, federal awarding agencies and pass-through entities. 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.



**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

April 29, 2011

# **Independent Auditor's Report on Financial Statements**

## **Walla Walla School District No. 140 Walla Walla County September 1, 2009 through August 31, 2010**

Board of Directors  
Walla Walla School District No. 140  
Walla Walla, Washington

We have audited the accompanying financial statements of Walla Walla School District No. 140, Walla Walla County, Washington, as of and for the year ended August 31, 2010, as listed on page 13. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the District prepares its financial statements using accounting practices prescribed by Washington State statutes and the *Accounting Manual for Public Schools in the State of Washington*, which demonstrates compliance with the regulatory basis of accounting which differs from accounting principles generally accepted in the United States of America. The differences between the regulatory basis of accounting and the accounting principles generally accepted in the United States of America are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Walla Walla School District No. 140, as of August 31, 2010, and the changes in financial position thereof for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report 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* and should be considered in assessing the results of our audit.

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 Schedule of Long-Term Debt 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 has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended for the information and use of the governing body and management of the District. 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 "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

April 29, 2011

# **Financial Section**

**Walla Walla School District No. 140  
Walla Walla County  
September 1, 2009 through August 31, 2010**

## ***FINANCIAL STATEMENTS***

Balance Sheet – Governmental Funds – 2010  
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Funds – 2010  
Statement of Fiduciary Net Assets – Fiduciary Funds – 2010  
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds – 2010  
Notes to Financial Statements – 2010

## ***SUPPLEMENTAL INFORMATION***

Schedule of Long-Term Debt – 2010  
Schedule of Expenditures of Federal Awards – 2010  
Notes to the Schedule of Expenditures of Federal Awards – 2010

Balance Sheet

Governmental Funds

August 31, 2010

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>ASSETS:</b>							
Cash and Cash Equivalents	1,589,385.79	122,000.00	0.00	25,399.50	0.00	0.00	1,736,785.29
Minus Warrants Outstanding	-1,461,326.36	0.00	0.00	-25,399.50	0.00	0.00	-1,486,725.86
Taxes Receivable	4,277,198.62		1,588,935.59	0.00	0.00	0.00	5,866,134.21
Due From Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due From Other Governmental Units	2,268,447.55	0.00	0.00	189,953.30	0.00	0.00	2,458,400.85
Accounts Receivable	173,340.43	0.00	0.00	0.00	0.00	0.00	173,340.43
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	0.00	0.00					0.00
Prepaid Items	224,558.18			0.00	0.00	0.00	224,558.18
Investments	5,726,698.03	569,446.74	2,671,524.29	3,695,723.61	180,633.46	0.00	12,844,026.13
Investments/Cash With Trustee	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>12,798,302.24</b>	<b>691,446.74</b>	<b>4,260,459.88</b>	<b>3,885,676.91</b>	<b>180,633.46</b>	<b>0.00</b>	<b>21,816,519.23</b>
<b>LIABILITIES:</b>							
Accounts Payable	591,863.72	0.00	0.00	431,495.15	0.00	0.00	1,023,358.87
Contracts Payable Current	0.00	0.00		0.00	0.00	0.00	0.00
Accrued Interest Payable			0.00				0.00
Accrued Salaries	0.00	0.00		0.00			0.00
Revenue Anticipation Notes Payable	0.00		0.00	0.00	0.00	0.00	0.00
Payroll Deductions and Taxes Payable	-921.05	0.00		0.00			-921.05
Due To Other Governmental Units	0.00	0.00		0.00	0.00	0.00	0.00
Deferred Compensation Payable	0.00			0.00			0.00
Estimated Employee Benefits Payable	0.00						0.00
Due To Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Walla Walla Public Schools No. 140

Balance Sheet

Governmental Funds

August 31, 2010

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>LIABILITIES:</b>							
Interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	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
Deferred Revenue	4,277,198.62		1,588,935.59	0.00	0.00	0.00	5,866,134.21
<b>TOTAL LIABILITIES</b>	<b>4,868,141.29</b>	<b>0.00</b>	<b>1,588,935.59</b>	<b>431,495.15</b>	<b>0.00</b>	<b>0.00</b>	<b>6,888,572.03</b>
<b>FUND BALANCE:</b>							
Reservation Of Fund Balance	881,091.00	0.00	0.00	3,406,046.70	180,633.46	0.00	4,467,771.16
Unreserved, Designated Fund Balance	1,589,492.00	0.00		0.00		0.00	1,589,492.00
Unreserved, Undesignated Fund Balance	5,459,577.95	691,446.74	2,671,524.29	48,135.06	0.00	0.00	8,870,684.04
<b>TOTAL FUND BALANCE</b>	<b>7,930,160.95</b>	<b>691,446.74</b>	<b>2,671,524.29</b>	<b>3,454,181.76</b>	<b>180,633.46</b>	<b>0.00</b>	<b>14,927,947.20</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>12,798,302.24</b>	<b>691,446.74</b>	<b>4,260,459.88</b>	<b>3,885,676.91</b>	<b>180,633.46</b>	<b>0.00</b>	<b>21,816,519.23</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, 2010

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>REVENUES:</b>							
Local	9,578,796.23	881,714.74	3,204,568.36	46,572.53	2,456.53		13,714,108.39
State	39,733,594.84		0.00	4,916,763.92	282,503.77		44,932,862.53
Federal	7,910,334.02		0.00	0.00	0.00		7,910,334.02
Federal Stimulus	3,463,503.84						3,463,503.84
Other	678,356.27			0.00	0.00	0.00	678,356.27
<b>TOTAL REVENUES</b>	<b>61,364,585.20</b>	<b>881,714.74</b>	<b>3,204,568.36</b>	<b>4,963,336.45</b>	<b>284,960.30</b>	<b>0.00</b>	<b>70,699,165.05</b>
<b>EXPENDITURES:</b>							
<b>CURRENT:</b>							
Regular Instruction	29,071,800.40						29,071,800.40
Federal Stimulus	2,983,231.18						2,983,231.18
Special Education	6,342,295.12						6,342,295.12
Vocational Education	1,809,403.67						1,809,403.67
Skills Center	0.00						0.00
Compensatory Programs	5,628,135.80						5,628,135.80
Other Instructional Programs	1,304,305.93						1,304,305.93
Community Services	54,057.06						54,057.06
Support Services	11,305,247.88						11,305,247.88
Student Activities/Other		804,350.82				0.00	804,350.82
<b>CAPITAL OUTLAY:</b>							
Sites				254,205.05			254,205.05
Building				6,404,743.17			6,404,743.17
Equipment				636,273.81			636,273.81
Energy				0.00			0.00
Transportation Equipment					212,519.96		212,519.96
Other	736,400.00						736,400.00
<b>DEBT SERVICE:</b>							
Principal	0.00		2,430,000.00	0.00	0.00		2,430,000.00
Interest and Other Charges	0.00		1,253,695.50	0.00	0.00		1,253,695.50
<b>TOTAL EXPENDITURES</b>	<b>59,234,877.04</b>	<b>804,350.82</b>	<b>3,683,695.50</b>	<b>7,295,222.03</b>	<b>212,519.96</b>	<b>0.00</b>	<b>71,230,665.35</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>2,129,708.16</b>	<b>77,363.92</b>	<b>-479,127.14</b>	<b>-2,331,885.58</b>	<b>72,440.34</b>	<b>0.00</b>	<b>-531,500.30</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, 2010

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>OTHER FINANCING SOURCES (USES) :</b>							
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		147,500.00	0.00	0.00		147,500.00
Transfers Out (GL 536)	-147,500.00		0.00	0.00	0.00	0.00	-147,500.00
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
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-147,500.00</b>		<b>147,500.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	1,982,208.16	77,363.92	-331,627.14	-2,331,885.58	72,440.34	0.00	-531,500.30
<b>BEGINNING TOTAL FUND BALANCE</b>	<b>5,947,952.79</b>	<b>614,082.82</b>	<b>3,003,151.43</b>	<b>5,786,067.34</b>	<b>108,193.12</b>	<b>0.00</b>	<b>15,459,447.50</b>
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>ENDING TOTAL FUND BALANCE</b>	<b>7,930,160.95</b>	<b>691,446.74</b>	<b>2,671,524.29</b>	<b>3,454,181.76</b>	<b>180,633.46</b>	<b>0.00</b>	<b>14,927,947.20</b>

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

Walla Walla Public Schools No. 140  
Statement Of Fiduciary Net Assets  
Fiduciary Funds  
August 31, 2010

	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	0.00	0.00
Minus Warrants Outstanding	0.00	0.00
Due From Other Funds	0.00	0.00
Accounts Receivable	0.00	0.00
Accrued Interest Receivable	0.00	0.00
Investments	8,920.81	543,411.35
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>8,920.81</b>	<b>543,411.35</b>
<b>LIABILITIES:</b>		
Accounts Payable	0.00	0.00
Due To Other Funds	0.00	0.00
<b>TOTAL LIABILITIES</b>	<b>0.00</b>	<b>0.00</b>
<b>NET ASSETS:</b>		
<b>Net assets held in trust for:</b>		
Reserved for Other Items	0.00	0.00
Reserved for Self Insured Risk		0.00
Reserved for Trust Principal	7,550.00	0.00
Unreserved, Designated for Other Items	0.00	0.00
Unreserved, Undesignated Fund Balance	1,370.81	543,411.35
<b>TOTAL NET ASSETS</b>	<b>8,920.81</b>	<b>543,411.35</b>

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

Walla Walla Public Schools No. 140  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

For the Year Ended August 31, 2010

<b>ADDITIONS:</b>			
<b>Contributions:</b>			
Private Donations	380.53	Other Trust	0.00
Employer			0.00
Members			0.00
Other	0.00		0.00
<b>TOTAL CONTRIBUTIONS</b>	<b>380.53</b>		<b>0.00</b>
<b>Investment Income:</b>			
Net Appreciation (Depreciation) in Fair Value	0.00		0.00
Interest and Dividends	107.45		6,344.11
Less Investment Expenses	0.00		0.00
Net Investment Income	107.45		6,344.11
<b>Other Additions:</b>			
Rent or Lease Revenue	0.00		0.00
Total Other Additions	0.00		0.00
<b>TOTAL ADDITIONS</b>	<b>487.98</b>		<b>6,344.11</b>
<b>DEDUCTIONS:</b>			
Benefits			0.00
Refund of Contributions	0.00		0.00
Administrative Expenses	0.00		0.00
Scholarships	471.78		
Other	399.15		25,013.00
<b>TOTAL DEDUCTIONS</b>	<b>870.93</b>		<b>25,013.00</b>
Net Increase (Decrease)	-382.95		-18,668.89
Net Assets--Beginning	9,303.76		562,080.24
Prior Year(s) Corrections or Restatements	0.00		0.00
<b>NET ASSETS--ENDING</b>	<b>8,920.81</b>		<b>543,411.35</b>

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

**Walla Walla School District**  
**Notes to Financial Statements**  
**September 1, 2009 through August 31, 2010**

**Note 1 Summary of Significant Accounting Policies**

a. Reporting Entity

The Walla Walla School District is a municipal corporation organized pursuant to Title 28A *Revised Code of Washington* (RCW) for the purpose 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.

For financial reporting purposes, the Walla Walla School District includes all funds and organizations that are controlled by or dependent on the district’s board of directors. Control by or dependence on the district was determined on the basis of budget adoption, taxing authority, outstanding debt secured by the general credit of the district, obligation of the district to finance any deficits that may occur, or receipt of significant subsidies from the district.

b. Basis of Presentation—Fund Accounting

The Walla Walla School District presents governmental fund financial statements and related notes on the modified accrual basis of accounting as prescribed by generally accepted accounting principles (GAAP) and required by its regulatory agencies, the Office of Superintendent of Public Instruction and the State Auditor’s Office. However, the district elects to not present districtwide financial statements, and management’s discussion and analysis, which are departures from GAAP. Long-term debt is reported on a required supplementary schedule. The accounts of the district are organized on the basis of funds, each of which is considered a separate accounting entity. The regulatory agencies require all funds be presented as major funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures (or expenses), as appropriate. 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 those required to be accounted for in another fund. In keeping with the principle of as few funds as necessary, food services, maintenance, data processing, printing, and transportation activities are included in the fund.

Capital Projects Funds

These funds account for financial resources to be used for the construction or acquisition of major capital assets. The capital projects fund type consists of 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 capital assets.

Transportation Vehicle Fund. This fund is used to account for the purchase, major repair, rebuilding, and debt service expenditures related 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, interest, and related expenditures.

### Special Revenue Funds

These funds account for the proceeds of specific revenue sources that are legally restricted for specific purposes. The Associated Student Body Fund (ASB Fund) is the only fund of this type. This fund is accounted for as a special revenue fund since the financial resources legally belong to the district.

### Permanent Funds

These funds are used to report resources legally restricted such that only earnings, and not principal, may be used to support the district's programs.

### FIDUCIARY FUNDS

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

Private-Purpose Trust Fund. This fund is used to account for resources legally held in trust where principal and income benefit individuals, private organizations, or other governments.

Pension (and Other Employee Benefit) Trust Fund. This fund is used to account for resources to be held for the members and beneficiaries of a pension plan or other employee benefit plans.

Agency Funds. These funds are used to account for assets that the district holds for others agencies in a custodial capacity.

### c. Basis of Accounting

The district's accounting policies, as reflected in the accompanying financial statements, conform to the *Accounting Manual for Public School Districts in the State of Washington*, issued jointly by the State Auditor 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 allows for a practice that differs from generally accepted accounting principles in the following manner:

- (1) Districtwide statements are not presented.
- (2) The financial statements do not report capital assets.
- (3) Debt is not reported on the face of the financial statements. It is reported on the notes to the financial statements and on the Schedule of Long-Term Debt. The Schedule of Long-Term Debt is required supplemental information.
- (4) The original budget is not presented. This information is available through the Office of Superintendent of Public Instruction.
- (5) The Management Discussion and Analysis is not required.

The modified accrual basis of accounting is used for all governmental funds. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and the district considers all revenues available if they are collected within 60 days after year end to pay liabilities of the current period. Property taxes receivable are measurable but not available and therefore are not accrued as revenue. However, categorical program claims and inter-district billings are measurable and available and therefore are accrued.

Expenditures are recognized under the modified 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. The fund liability is incurred when the goods or services have been received. For federal grants, the recognition of expenditures is dependent on the obligation date, (obligations means purchased order issued, contracts awarded, or goods and services received).

All governmental funds' reporting focuses primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. This means that only current assets and current liabilities are included on their balance sheets.

d. Budgetary Data

General Budgetary Policies

Chapter 28A.505 RCW and Chapter 392-123 *Washington Administrative Code* (WAC) mandate school district budget policies and procedures. The board adopts the budget after a public hearing. An appropriation is a prerequisite to expenditure. Appropriations lapse at the end of the fiscal period.

Budgetary Basis of Accounting

For budget and accounting purposes, revenues and expenditures are accounted for on the modified accrual basis as prescribed in law for all governmental funds. 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.

e. Assets, Liabilities, and Fund Equity

In accordance with state investment laws, the district has entered into a formal interlocal agreement with the district's ex officio treasurer, Walla Walla County, to have all of its funds not required for immediate expenditure to be invested in the Walla Walla County Investment Pool (Pool). The County, in turn, may utilize the State's Local Government Investment Pool.

As of August 31, 2010, the district had the following investments:

<b>Investment Type</b>	<b>Carrying Amount</b>	<b>Market Value</b>
State Treasurer's Investment Pool	\$1,400,000	\$1,400,000
County Treasurer's Investment Pool	<u>\$11,444,026</u>	<u>\$11,444,026</u>
Total Investments	\$12,844,026	\$12,844,026

All imprest accounts are carried at Baker Boyer Bank and Bank of America.

Inventory

Inventory is valued at cost using the first-in, first-out (FIFO) method. The consumption method of inventory is used, which charges inventory as an expenditure when it is consumed. Management may reserve a portion of fund balance in any amount as a budgetary technique to ensure the availability of resources at the appropriate time. (Such reserves for inventory indicate that a portion of net current assets is set aside to replace or increase the inventory.) USDA commodity inventory consists of food donated by the United States Department of Agriculture. It is valued at the prices paid by the USDA for the commodities.

f. Revenue and Expenditure Recognition

Debt Service

Principal and interest on general long-term debt is recognized only when due.

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 option 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 is not available in time to cover liabilities for the fiscal period ended August 31. Therefore, the fall portion of property taxes is not accrued as revenue. Instead, the taxes due on October 31 are recorded as deferred revenue.

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 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.

g. Fund Balance – May contain designation or reserves.

Reservation is a legal restriction on spending of the fund balance of a district based upon statute, WAC or other legal requirements beyond the discretion of the board of directors of the district. Examples include anticipated carryover or recovery of revenues previously received and restricted as to usage.

Unreserved, Designated is used to set aside financial resources 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.

**Note 2 Capital Assets**

The district's capital assets are insured in the amount of \$150,000,000 for fiscal 2010. In the opinion of the district's insurance consultant, this amount is sufficient to adequately fund replacement of the district's assets.

### Note 3 Pensions

a. General Information

Substantially all Walla Walla 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 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, 2009:

Program	Active Members	Inactive Vested Members	Retired Members
TRS	67,388	8,660	39,927
PERS	159,235	28,074	74,857
SERS	52,474	9,193	4,629

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 or after 20 years of credited service and attainment of age 55 with the benefit actuarially reduced from age 65.

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 after five years of credited service and attainment of age 60 or after ten years of credited service and attainment of age 55 with the benefit actuarially reduced from age 65.

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 advice from the Office of the State Actuary. 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 as of July 1, 2010:

Plan 1 TRS	6.00%	Plan 1 PERS	6.00%
Plan 2 TRS	3.36%	Plan 2 SERS	3.14%
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 as of July 1, 2010:

Plan 1 TRS	6.14%	Plan 1 PERS	5.31%
Plan 2 TRS	6.14%	Plan 2 SERS	5.44%
Plan 3 TRS	6.14%	Plan 3 SERS	5.44%

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 2009-2010</u>	<u>FY2008-2009</u>	<u>FY 2007-2008</u>
Plan 1 TRS	\$129,738.94	\$206,433	\$154,939
Plan 2 TRS	\$287,665.21	\$378,608	\$235,103
Plan 3 TRS	\$1,146,763.00	\$1,560,468	\$1,004,726
Plan 1 PERS	\$15,108.12	\$24,097	\$25,551
Plan 2 SERS	\$197,857.15	\$260,749	\$179,201
Plan 3 SERS	\$271,826.21	\$362,657	\$288,894

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, 2009, 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 4 Construction and Other Significant Commitments**

Construction in progress is composed of:

Project	Project Budget	Expended as of 8/31/2010	Balance
Edison Elementary	18,055,343	18,034,044	21,299
Support Services New Facility	4,508,615	2,626,790	1,881,825
SE Washington Transportation Coop	5,047,562	4,999,801	47,761
Prospect Point Bus Lane	213,862	213,862	0
Tri-Tech Skills Center	100,000	100,000	0
WaHi Special Programs Portable	45,897	45,897	0
Garrison/Pioneer/Lincoln Security Cameras	66,208	66,208	0
Blue Ridge Radon Mitigation	500,000	17,561	482,439
Admin Building Parking Lot Stormwater	44,213	2113	42,100
<b>Total</b>	<b>28,581,700</b>	<b>26,106,276</b>	<b>2,475,424</b>

## **Note 5 Deferred Compensation Plans**

### **457 Plan – Deferred Compensation Plan**

District employees have the option of participating in an IRC, Section 457, deferred compensation plan administered by the state deferred compensation plan.

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

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

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 a third party administrator. The plan assets are assets of the school district employees, not the school district, and are therefore not reflected on these financial statements. For the year ended August 31, 2010, the school district made \$0 in discretionary employer contributions to the plan.

## **Note 6 Risk Management**

### **a. Workers' Compensation**

In fiscal year 1985, school districts within Educational Service District (ESD) #123 joined together to form the Southeast Washington Workers Compensation Cooperative Trust, a public entity risk pool currently operating as a common risk management and insurance program for industrial insurance. For fiscal year 2009-2010, there are nineteen school districts, including ESD #123, in the pool. The pool allows members to pool their self-insured losses and jointly purchases insurance and administrative services, such as risk management, claims administration, etc. Coverage is on an "occurrence" basis. The district pays an annual contribution to the fund based on their total payroll hours and claims history for the past three years. The pool is fully funded by its member participants. The pool acquires insurance from unrelated underwriters. The pool's per-occurrence retention limit is \$350,000 and the annual aggregate retention is \$2,775,910. The maximum coverage under the excess insurance contract is \$2,775,910. Since the pool is a cooperative program, there is a joint liability among the participating members.

A Cooperative Board that is comprised of one designated representative from each participating member and a six member Executive Board governs the Pool. The Executive Board has five members elected by the Cooperative Board and the ESD Superintendent. ESD #123 is responsible for conducting the business affairs of the Pool.

### **b. Unemployment**

In fiscal year 1978, school districts within Educational Service District (ESD) #123 joined together to form the Cooperative Unemployment Compensation Insurance Pool, a public entity risk pool currently operating as a common risk management and insurance program for unemployment compensation. Seventeen district, including ESD #123, have joined the Pool. Members pool their self-insured losses and administrative services and have established a plan of self-insurance and related services, such as risk management, claims administration, etc. Coverage is on an "occurrence" basis. Members make a contributions to the fund based on their total gross payroll and unemployment history during the preceding year. The pool is fully funded by its member participants.

The Pool is governed by a Cooperative Board, which is comprised of one designated representative from each participating members and a six member Executive Board. Five members elected by the Cooperative Board and the ESD Superintendent comprise the Executive Board. ESD #123 is responsible for conducting the business affairs of the Pool.

c. Liability Insurance

The Walla Walla School District is a member of the Schools Insurance Association of Washington. 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 Interlocal Cooperation Act. The pool 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 pool has 45 member districts.

The pool 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 pool provides the following forms of group purchased insurance coverage for its members: property, earthquake, liability, automobile liability, equipment breakdown, crime, employee benefits, and wrongful act liability.

The pool acquires liability insurance from unrelated underwriters that are subject to a per-occurrence deductible of \$100,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$99,000. Insurance carriers cover insured losses over \$100,000 to the limits of each policy. Since the pool is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$99,000 portion of the deductible. The pool also purchases a Stop Loss Policy in the amount of \$3,200,000, which it fully funds in its annual budget.

Property insurance is subject to a per-occurrence deductible of \$25,000. Members are responsible for the first \$5,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$20,000.

Equipment breakdown insurance is subject to a per-occurrence deductible of \$5,000. Members are responsible for the deductible amount of each claim.

Members contract to remain in the pool for one year and must give notice before December 31 before terminating 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 pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

The pool is fully funded by its member participants. Claims are filed by members with Canfield & Associates, which has been contracted to perform pool administration, claims adjustment and administration and loss prevention for the pool. Fees paid to the third party administrator under this arrangement for the year ended August 31, 2010 were \$3,098,672.

A governing board is selected by the membership and is responsible for conducting the business affairs of the pool. The Board of Directors has contracted with Canfield & Associates to perform day-to-day administration of the pool. This pool has no employees.

**Note 7 Debt**

Long-Term Debt

Bonds payable at August 31, 2010, are comprised of the following individual issues:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
<b>General Obligation Bonds</b>					
2000 Sharpstein	3,000,000	15,000	12/1/12	5.20	2,840,000
2001 Buses	1,020,000	110,000	4/1/14	5.25	355,000
2007 Edison	19,500,000	0	12/1/18	4.00	19,500,000
2008 Refunding	7,510,000	2,305,000	12/1/11	4.00	5,045,000
<b>Total General Obligation Bonds</b>					<b>27,740,000</b>

The following is a summary of general obligation long-term debt transactions of the district for the fiscal year(s) ended August 31, 2010:

Long-Term Debt Payable at 9/1/2009	30,170,000
New Issues	0
Debt Retired	2,430,000
Long-Term Debt Payable at 8/31/2010	27,740,000

The following is a schedule of annual requirements to amortize long-term debt at August 31, 2010:

Years Ending August 31,	Principal	Interest	Total
2011	2,585,000.00	1,150,806.25	3,735,806.25
2012	2,745,000.00	1,042,525.00	3,787,525.00
2013	2,870,000.00	904,931.25	3,774,931.25
2014	2,755,000.00	767,762.50	3,522,762.50
2015-2019	16,785,000.00	1,907,156.25	18,692,156.25
<b>Total</b>	<b>27,740,000.00</b>	<b>5,773,181.25</b>	<b>33,513,181.25</b>

At August 31, 2010 the district had \$2,671,524.29 available in the Debt Service Fund to service the general obligation bonds.

The District entered into a loan in January 1997, with PacifiCorp for energy enhancements installed in its Garrison Middle School Project. The loan is being paid in part or fully by lower utility costs caused by installing the energy enhancements and currently has a balance of \$34,308.21 and extends for 2 years.

**Note 8 Summaries of Significant Contingencies**

Litigation

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

### **Note 9 Other Disclosures**

The district is a member of the King County Directors' Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. The board authorized joining the association in May 1974, and has remained in the joint venture ever since. The district's current equity of \$20,800 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 Eastern Washington School Dental Trust was formed in December 1975. The current Trust Agreement includes four school districts in southeastern Washington. The purpose of the Eastern Washington School Dental Trust is to provide for group dental benefits for certain classes of employees of the employers and their eligible family members. Walla Walla School District holds the insurance reserves in a Trust Fund with the County Treasurer and is indicated under "Other Trust" on the District's financial statements.

### **Note 10 Subsequent Events**

On September 2, 2010 the District refunded the Unlimited Tax General Obligation Bonds, Series 2000 maturing on December 1 of 2011 and 2012 in the amount of \$2,815,000. The District issued \$2,850,000 in refunding bonds, resulting in a savings of 240,156.94.

Walla Walla Public Schools No. 140  
 Schedule of Long-Term Debt  
 For the Year Ended August 31, 2010

Description	Beginning Outstanding Debt September 1, 2009	Amount Issued/Increased	Amount Redeemed/Decreased	Ending Outstanding Debt August 31, 2010
Total Voted Bonds	29,705,000.00	0.00	2,320,000.00	27,385,000.00
Total Non-Voted Notes/Bonds	465,000.00	0.00	110,000.00	355,000.00
Qualified Zone Academy Bonds (QZAB)	0.00	0.00	0.00	0.00
Qualified School Construction Bonds (QSCB)	0.00	0.00	0.00	0.00
<b>Other Long-Term Debt:</b>				
Capital Leases	0.00	0.00	0.00	0.00
Contracts Payable (GL 603)	51,810.70	0.00	17,502.49	34,308.21
NonCancellable Operating Leases	0.00	0.00	0.00	0.00
Claims & Judgments	0.00	0.00	0.00	0.00
Compensated Absences	3,444,251.00	0.00	112,610.37	3,331,640.63
Other Long-Term Debt	0.00	0.00	0.00	0.00
Total Other Long-Term Debt	3,496,061.70	0.00	130,112.86	3,365,948.84
<b>TOTAL LONG-TERM DEBT</b>	<b>33,666,061.70</b>	<b>0.00</b>	<b>2,560,112.86</b>	<b>31,105,948.84</b>

**Walla Walla School District No. 140**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ending August 31, 2010

1	2	3	4	5	6	7	8	9
Federal Agency Name	Pass Through Agency	Federal Program Title	CFDA Number	Other Identification Number	From Direct Awards	Expenditures From Pass Through Awards	Total	Foot note
USDA	WA OSPI	School Breakfast program	10.553	na	\$	\$ 395,219	\$ 395,219	1
	WA OSPI	National School Lunch Program	10.555	na	\$	\$ 1,234,547	\$ 1,234,547	1
	WA OSPI	NSLP Noncash Asst. Food Commodities	10.555	na	\$	\$ 169,414	\$ 169,414	4
	WA OSPI	Child and Adult Care Food Program	10.558	na	\$	\$ 17,904	\$ 17,904	1
	Office of State Treasurer	Federal Forests	10.665	na	\$	\$ 1,930	\$ 1,930	1
		<b>Subtotal US Department of Agriculture</b>			\$ -	\$ 1,819,013	\$ 1,819,013	
Dept. of Defense		ROTC	12.999	na	\$	\$ 64,909	\$ 64,909	5
		<b>Subtotal US Department of Defense</b>			\$ 64,909	\$ -	\$ 64,909	
U.S. Dept. of Labor	Blue Mountain Action Council	WIA Youth Activities	17.259	79-0718	\$	\$ 40,700	\$ 40,700	5
		<b>Subtotal US Department of Labor</b>			\$ -	\$ 40,700	\$ 40,700	
U.S. Dept. of Ed	WA OSPI	Title I Grants to Local Educational Agencies	84.010	200379	\$	\$ 1,733,802	\$ 1,733,802	3
	WA OSPI	IDEA Special Education-Grants to States	84.027	303376	\$	\$ 1,170,864	\$ 1,170,864	1
	WA OSPI	Career and Technical Education -- Basic Grants to States	84.048	171683	\$	\$ 79,138	\$ 79,138	1
	DSHS	Vocational Rehabilitation Grants to States	84.126a	na	\$	\$ 6,920	\$ 6,920	5
	WA OSPI	Special Education-Preschool Grants	84.173	365074	\$	\$ 29,470	\$ 29,470	1
	ESD 123	Safe and Drug-Free Schools and Communities_National Programs	84.184	na	\$	\$ 3,000	\$ 3,000	1
	WA OSPI	ARRA Education for Homeless	84.196	457118	\$	\$ 4,953	\$ 4,953	2
	WA OSPI	Twenty-First Century Community Learning Centers	84.287	993609	\$	\$ 407,446	\$ 407,446	1
	WA OSPI	Education Technology - State Grants	84.318	721611	\$	\$ 17,913	\$ 17,913	1
	WA OSPI	Special Education-State Personnel Development	84.323	340117	\$	\$ 62,589	\$ 62,589	1
	WA OSPI	English Language Acquisition Grants	84.365	401078	\$	\$ 148,173	\$ 148,173	1
	WA OSPI	Improving Teacher Quality State Grants	84.367	na	\$	\$ 248,258	\$ 248,258	1
		5 awards: 727092,093,09						
	WA OSPI	ARRA TL 21st Century Technology	84.386	4,095,096	\$	\$ 66,174	\$ 66,174	2
	WA OSPI	ARRA Title IA Basic	84.389	240371	\$	\$ 366,664	\$ 366,664	2
	WA OSPI	ARRA IDEA-B	84.391	310164	\$	\$ 683,874	\$ 683,874	2
	WA OSPI	ARRA Special Education Preschool	84.392	370355	\$	\$ 44,059	\$ 44,059	2
	WA OSPI	ARRA-State Fiscal Stabilization Funds	84.394	995637	\$	\$ 2,297,077	\$ 2,297,077	2
		<b>Subtotal US Department of Education</b>			\$ -	\$ 7,370,374	\$ 7,370,374	
U.S. Dept. of Health and Human Services		Head Start	93.600	10CH0091	\$	\$ 1,015,012	\$ 1,015,012	1
		ARRA/COLA Q I Head Start	93.708	10SE0091	\$	\$ 98,309	\$ 98,309	2
	DSHS	Medical Assistance Program	93.778	na	\$	\$ 845,242	\$ 845,242	1
		<b>Subtotal US Department of Health &amp; Human Services</b>			\$ 1,113,321	\$ 845,242	\$ 1,958,563	
		<b>TOTAL FEDERAL AWARDS EXPENDED</b>			\$ 1,178,230	\$ 10,075,330	\$ 11,253,559	

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

## **Notes to the Schedule**

### **NOTE 1 - BASIS OF ACCOUNTING**

The Schedule of Expenditures of Federal Awards is prepared on 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 - AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009**

The total amount shown for this program was paid from ARRA funds.

### **NOTE 3 - SCHOOLWIDE PROGRAMS**

The District operates a "schoolwide program" in four elementary buildings and one middle school. 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 amount was expended by the District in its schoolwide programs: Title I (84.010) \$1,299,671

### **NOTE 4 - NON CASH AWARDS - FOOD COMMODITIES**

The amount of food commodities reported on the schedule is the market value of commodities distributed by the School District during the current year. The value is determined by the USDA.

### **NOTE 5 - PROGRAM COSTS/MATCHING CONTRIBUTION**

The amounts shown as current year expenses represent only the federal grant position of the program costs. Entire program costs, including the district's local matching share, may be more than shown.



## **ABOUT THE STATE AUDITOR'S OFFICE**

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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.

Our mission is to work in cooperation with our audit clients and citizens as an advocate for government accountability. 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.

The State Auditor's Office employees are located around the state to deliver our services effectively and efficiently.

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 and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service. We continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

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

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**Deputy Chief of Staff**  
**Chief Policy Advisor**  
**Director of Audit**  
**Director of Special Investigations**  
**Director for Legal Affairs**  
**Director of Quality Assurance**  
**Local Government Liaison**  
**Communications Director**  
**Public Records Officer**  
**Main number**  
**Toll-free Citizen Hotline**

**Brian Sonntag, CGFM**  
**Ted Rutt**  
**Doug Cochran**  
**Jerry Pugnetti**  
**Chuck Pfeil, CPA**  
**Jim Brittain, CPA**  
**Jan Jutte, CPA, CGFM**  
**Ivan Dansereau**  
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