

Washington State Auditor

May 21, 2015

Board of Directors Newport Consolidated Joint School District No. 56-415 Newport, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Newport Consolidated Joint School District No. 56-415'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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TODOTRAL SUMMARY

Newport Consolidated Joint School District No. 56-415 Pend Oreille County September 1, 2013 through August 31, 2014

The results of our audit of Newport Consolidated Joint School District No. 56-415 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 deficiencies that we consider to be material weaknesses.

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

We reported findings that are required to be disclosed under section 510(a) of OMB Circular A 133.

Identification of Major Programs:

The following were major programs during the period under audit:

CFDA No.	Program Title
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
84.215	Fund for the Improvement of Education

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

SCHEDULE OF FEDERAL AUDIT FINDINGS AND QUESTIONED COSTS

Newport Consolidated Joint School District No. 56-415 Pend Oreille County September 1, 2013 through August 31, 2014

2014-001 Newport Consolidated Joint School District No. 56-415 does not have adequate internal controls over Paid Lunch Equity requirements for its National School Lunch Program grant.

CFDA Number and Title:

10.553 - School Breakfast Program

10.555 - National School Lunch

Program

10.559 - Summer Food Service

Program for Children

Federal Grantor Name:

U.S. Department of Agriculture

Federal Award/Contract Number:

NA

Pass-through Entity Name:

Office of the Superintendent of Public

Instruction

Pass-through Award/Contract

Number:

NA

Ouestioned Cost Amount:

\$0

Background

The District participates in the National School Lunch, Breakfast and Summer Food Service programs. It received a total of \$365,217 for these programs in the 2013-2014 school year. This program provides funding for free and reduced-priced meals for low-income students.

The interim rule entitled "National School Lunch Program: School Food Service Account Revenue Amendments Related to the Healthy, Hunger-Free Kids Act of 2010" requires districts to ensure sufficient funds are provided to the nonprofit school food service account for meals served to students not eligible for free or reduced-price meals (paid lunches). A district currently charging less for a paid lunch than the difference between the federal reimbursement rate for such a lunch and that for a free lunch is required to comply. This is known as "equity."

The U.S. Department of Agriculture (USDA) released the Paid Lunch Equity (PLE) Tool for the school year 2013-2014 and additional guidance in USDA Memorandum SP 25-2013. The Office of Superintendent of Public Instruction provided the PLE tool to all school districts to ensure compliance with the grant requirement.

Description of Condition

The District did not have the necessary controls in place to ensure the paid lunch equity grant requirements were met. The District did not calculate its weighted average paid lunch price using the PLE Tool.

We consider this control deficiency to be a material weakness.

Cause of Condition

The District was unaware of the grant requirement to use and retain the PLE tool until it received an onsite review from the Office of the Superintendent of Public Instruction during our audit period.

Effect of Condition and Questioned Costs

Since the District was not aware of the PLE requirements there was an increased likelihood of material noncompliance with regard to charging appropriate lunch rates. While the District did not use the PLE tool as required, it complied with the grant requirement because it increased school lunch prices to meet the equity requirement.

Recommendation

We recommend the District develop internal controls over the PLE process, such as implementing a review of the PLE tool calculation, to ensure the District is in compliance with federal grant requirements.

School District's Response

The District agrees with the recommendation. We have now completed the PLE for 2013-2014. Our Food Service Director is retiring in June 2015 and her replacement is familiar with the PLE from her current district and has already looked at our PLE for 2013-2014. The PLE will be reviewed and be used for our recommendation to our School Board for lunch prices we do every June for the next school year.

Auditor's Remarks

We thank District management and staff for their assistance during the audit. We will follow up on the status of the issue during our next scheduled 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 the 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.

Government Auditing Standards, December 2011 Revision, paragraph 4.23 states:

4.23 When performing GAGAS financial audits, auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and (4) abuse that has a material effect on the audit.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 935, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows:

Deficiency in 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 on a timely basis. A deficiency in *design* exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control

operates as designed, the control objective would not be met. A deficiency in *operation* exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Material weakness in internal control over compliance. A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of the event is either reasonably possible or probable as defined as follows:

Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.

Remote. The chance of the future event or events occurring is slight.

Probable. The future event or events are likely to occur.

Significant deficiency in internal control over compliance. A deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Washington State Office of the Superintendent of Public Instruction CNR Update, Paid Lunch Equity School Year 2013-14 states, in part:

The United States Department of Agriculture (USDA) has released the Paid Lunch Equity (PLE) Tool for school year 2013-14 and additional guidance in USDA Memorandum SP 25-2013.

All local education agencies (LEA) are required to calculate their weighted average paid lunch price using the PLE Tool. If the weighted average paid lunch price is greater than \$2.59, no further action is required. All LEAs must keep a copy of the tool, showing the calculations, either electronic or paper, on file. Ensuring that all LEAs have made this calculation will be part of future administrative reviews.

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

Newport Consolidated Joint School District No. 56-415 Pend Oreille County September 1, 2013 through August 31, 2014

Board of Directors Newport Consolidated Joint School District No. 56-415 Newport, 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 Newport Consolidated Joint School District No. 56-415, Pend Oreille 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. As discussed in Note 1 to the financial statements, during the year ended August 31, 2014, the District implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

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,

Washington State Auditor's Office Page 10

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.

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

Newport Consolidated Joint School District No. 56-415 Pend Oreille County September 1, 2013 through August 31, 2014

Board of Directors Newport Consolidated Joint School District No. 56-415 Newport, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Newport Consolidated Joint School District No. 56-415, Pend Oreille 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. Our opinion on each major federal program is not modified with respect to these matters.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 2014-001 to be a material weakness.

District's Response to Findings

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

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of 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.

JAN M. JUTTE, CPA, CGFM

Jan M Jatte

ACTING STATE AUDITOR

OLYMPIA, WA

May 5, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Newport Consolidated Joint School District No. 56-415 Pend Oreille County September 1, 2013 through August 31, 2014

Board of Directors Newport Consolidated Joint School District No. 56-415 Newport, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Newport Consolidated Joint School District No. 56-415, Pend Oreille 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, as listed on page 19.

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 account estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified Opinion on Regulatory Basis of Accounting (Accounting Manual)

As described in Note 1, the District has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the Accounting Manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The difference in these accounting practices is also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Newport Consolidated Joint School District No. 56-415, as of August 31, 2014, and the changes in financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinions on the Governmental and Fiduciary Funds Based on U.S. GAAP

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General, ASB, Debt Service, Capital Project, Transportation Vehicle and Fiduciary funds as of August 31, 2014, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

May 5, 2015

PHNANCIAL SECTION

Newport Consolidated Joint School District No. 56-415 Pend Oreille County September 1, 2013 through August 31, 2014

FINANCIAL STATEMENTS

Balance Sheet – Governmental Funds – 2014 Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds – 2014

Statement of Fiduciary Net Position – Fiduciary Funds – 2014
Statement of Changes in Fiduciary Net Position – Fiduciary 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 rict No. 056 Newport Schoo?

Balan, neet

Governmental Funds

August 31, 2014

	General Fund	ASB	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
ASSETS:							1
Cash and Cash Equivalents	576,446.21	7,784.35	1,804.54	0.23	0.12	00.00	586,035.45
Minus Warrants Outstanding	-563,537.78	-2,383.28	-385.00	0.00	00.00	0.00	-566,306.06
Taylor Base Base	691,155,61		250,002.48	0.00	00.00		941,158.09
Take Received	0.00	0.00	00.00	60,000.00	00.00	0.00	60,000.00
Due From Other Governmental	46,520.11	0.00	00.00	0.00	00.0	0.00	46,520.11
Units				,	e e	6	CO 34 6 C 3
Accounts Receivable	150,745.00	00.0	00.0	0.00	0.00	0.00	150,745.00
Interfund Loans Receivable	00.00			0.00			00.00
Accrued Interest Receivable	00.00	0.00	00.00	0.00	00.00	0.00	00.00
Inventorv	3,904.34	0.00					3,904.34
Prepaid Items	00.00	0.00		0.00	00.00	0.00	0.00
Tryactments	151,961,99	103,027.0C	405,615.00	40,493.00	2.00	0.00	701,098.99
Investments/Cash With Trustee	70,349.40		00.00	0.00	00.00	0.00	70,349.40
	00			0.00			00.00
investments-beteired Compensation	•						c c
Self-Insurance Security Deposit	0.00						00.0
TOTAL ASSETS	1,127,544.88	108,428.07	657,037.02	100,493.23	2.12	00.00	1,993,505.32
LIABILITIES:						6	() () () () () () () () () ()
Accounts Payable	66,129.78	269.19	0.00	0.00	00.00	0.00	66,398.91
Contracts Payable Current	00.00	0.00		0.00	00.00	0.00	0.00
Accrued Interest Payable			0.00				0.00
Accrued Salaries	00.00	0.00		0.00			00.00
Anticipation Notes Payable	00.00		00.00	00.00	00.0		0.00
Payroll Deductions and Taxes Payable	00.0	0.00		30.0			3
Due To Other Governmental Units	00.00	0.00		0.00	00.00	0.00	0.00
Deferred Compensation Payable	00.00			0.00			0.00
Estimated Employee Benefits Payable	00.00						
Due To Other Funds	60,000.00	0.00	0.00	0.00	00.00	0.00	90,000,00

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

Newport Schoo? :ict No. 056

Balance sheet

Governmental Funds

August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total.
LIABILITIES:							C
Interfund Loans Payable	0.00		0.00	00.0	00.00		> .
Denoait Ranceit	00.00	00.00		00.00			0.00
Sevenie Revenie	0.00	0.00	0.00	00.00	00.00		0.00
Matured Bonds Paveble			0.00				00.00
Metirod Bood Taterest Davable			0.00				0.00
Macuted Dolla American regards	0,00		0.00	00.00	00.00		0.00
TOTAL LIABILITIES	126,129.78	269.19	0.00	00.00	00.00	0.00	126,398.97
DEFERRED INFLOWS OF							
KESOCKCESS.	0.00	0.00	0.00	00.00	0.00	0.00	00.00
Unavailable Revenue - Taxes	691,155.61		250,002.48	00.00	00.00		941,158.09
Receivable			4	· ·	c	0	941 158 09
TOTAL DEFERRED INFLOWS OF RESOURCES	691,155.61	0.00	250,002.48	20.0			
FUND BALANCE:						•	÷
Nonspendable Fund Balance	3,904.34	0.00	0.00	00.00	00.00	0.00	3,904.34
TOO A DOOR TO	23,000.00	108,158.88	407,034.54	00.00	2.12	0.00	538,195.54
Contract First Daller	70,349,40	0.00	0.00	00.00	00.00	00.00	70,349.40
Commerced Fair Janes Co	0.00	0.00	0.00	100,493.23	0.00	0.00	100,493.23
Assigned fund balance	213.005.75	0.00	0.00	00.00	0.00	0.00	213,005.75
TOTAL FUND BALANCE	310,259.49	108,158.88	407,034.54	100,493.23	2.12	00.00	925,948.26
TOTAL LIABILLTIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	1,127,544.88	108,428.07	657,037.02	100,493.23	2.12	0.00	1,993,505.32
			s seroges year of this financial statement.	of this financ	in statement.		

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

Newport 1 District No. 056

Statement of Revenues, Exp. ditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2014

		!	Debt		Transportation	Dermanent	
	General Fund	Fund	Fund	Fund	Fund	Fund	Total
REVENUES:				,	< *		20 520 630 6
(C)	2,575,764.91	165,774.46	526,328.09	0.00	20.0		05.100,102,0
	8.020.389.04		0.00	0.00	0.00		8,020,389.04
orace	1 798 670 69		45,009.50	0.00	00.00		1,843,680.19
rederal	30.000						0.00
Federal Stimulus	30.00			14.985.00	0.00	0.00	39,465.00
Other	24,480.00			22 1		6	12 171 401 69
TOTAL REVENUES	12,419,304.64	165,774.46	571,337.59	14,985.00	0.00	9	10: +0F '+' + '01
EXPENDITURES:							
CORRENT	230 050						5,242,063.57
Regular Instruction	10.000,242,0						0.00
Federal Stimulus	30.0						1 381 640.95
Special Education	1,381,640.95						26.0.2 V 27.2 AC
Vocational Education	652,477.4C						0000
Skill Center	0.00						
Compensatory Programs	985,389.51						985, 389.51
Orher Instructional Programs	10,576.83						10,576.83
	0.00						0.00
Communicy services	3 907 085 7C						3,907,085.70
Support Services						0.00	193,999.42
Student Activities/Other		193, 999.44					
CAPITAL OUTLAY:				ć			0.00
Sites				30.0			60 100 63
Building				62,197.63			00.00
Equipment				0.00			
Trattines Technology				0.00			0.00
				0.00			0.00
Energy					0.00		0.00
Transportation Equipment				0 0			0.00
Sales and Lease)) •			212.881.25
Other	212,881.25)
DEBT SERVICE:	6		164 379 30	0.00	0.00		464,379.3C
Principal	00.0		09 020 000	000			202,830.69
Interest and Other Charges	00.0		60.000,202	30.0			0.00
Bond/Levy Issuance				>		•	6
TOTAL EXPENDITURES	12,392,115.21	193,999.42	667,209.99	62,197.63	00.0	0.0	73, 545, 946, 45

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

Newport 1 District No. 056

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2014

	General	Debt ASB	Capi tal Service	Transportation Projects Tund	ion Vehicle Fund	Permanent Fund	Total
	puna	Tarin 4	nin a	ļ ;			
DEBT SERVICE: REVENIES OVER (UNDER) EXPENDITURES	27,189.43	-28,224.96	-95,872.4C	-47,212.63	0.00	0.00	-144,120.56
OTHER FINANCING SOURCES (USES):							
	0.00		0.00	0.00	0.00		0.00
DOING COLEGE & NOTWING DOING COLOGE TO THE TAXABLE	0.00			0.00	0.00		0.00
LONG-TELM FINANCING	0.00		108,760.01	0.00	00.00		108,760.01
TEGISTER III	-108.760.01		0.00	0.00	0.00	0.00	-108,760.01
If district of the column of t	0.00		0.00	0.00	0.00		0.00
Office Financing core (or core)	0.00		0.00	0.00	0.00		0.00
TOTAL OTHER FINANCING SOURCES (USES)	-108,760.01		108,760.01	00.0	00.0	0.00	0.00
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-81,570.58	-28,224.96	12,887.61	-47,212.63	00.0	0.00	-144,120.56
PEGINATE HOWAL FIRM BALANCE	321,480.67	136,383.84	394,146.93	147,705.86	2.12	0.00	999,719.42
Prior Year(s) Corrections or	70,349.40	0.00	0.00	00.00	00.0	0.00	70,349.40
Restatements ENDING TOTAL FUND BALANCE	310,259.49	108,158.88	407,034.54	100,493.23	2.12	0.00	925,948.26

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

Statement Of Fiduciary Net Position

Fiduciary Funds

August 31, 2014

· omano ·	Private Purpose Trust	Other Trust
	0.00	0.00
Liliprest Casil	00.00	00.0
Cash On Hand	1,818.06	0.00
cash on Deposit with Ccy ireas	-1,816,93	00.0
Minus Warrants Outstalluting	00.0	00.00
Due From Ocher Funds	00.0	0.00
Accounts Recelvable	00.0	00.00
Totastmants	912,445.37	00.00
Investments/Cash With Trustee	00.00	00.0
Other Assets	00.00	
Capital Assets, Land	00.0	
Capital Assets, Buildings	00.00	
Capital Assets, Equipment	00.0	00.00
Accum Depreciation, Buildings	00.0	
	00.00	00.0
	912,446.50	0.00
LIABILITIES:		
Accounts Payable	4,619.26	00.0
Due To Other Funds	00.0	0.00
TOTAL LIABILITIES	4,619.26	00.0
NET POSITION:		
Held in trust for:		
Restricted for Other Items	00.00	00.0
Restricted for Self Insurance		00.0
Restricted for Uninsured Risks		00.0
Nonspendable Trust Principal	00.00	00.00
	00.0	0.00
Held In Trust For Private Purposes	909,827.24	
Assigned to Fund Purposes	00.00	00.0
Held In Trust For Pension And Other Employee Benefits		00.0
Unassigned Fund Balance	-2,000.00	0.00
TOTAL NET POSITION	907,827.24	00.0

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

Wewpor ol District No. 056

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended August 31, 2014

ADDITIONS:	Private Purpose	
Contributions:	Trust	Other Trust
Private Donations	5,645.00	0.00
Employer		00.0
w change in a chan		00.0
Other	422.56	00.0
TOTAL CONTRIBUTIONS	6,067.56	00.0
Investment Income:		
Net Appreciation (Depreciation) in Fair Value	00.00	00.0
Interest and Dividends	52,707.85	00.00
Less Investment Expenses	0.00	00.0
Net Investment Income	52,707.85	00.0
Other Additions:		
Rent or Lease Revenue	0.00	00.0
Total Other Additions	00.00	00.0
TOTAL ADDITIONS	58,775.41	00.0
DEDUCTIONS:		•
Benefits		00.0
Refund of Contributions	00.00	00.0
Administrative Expenses	00.0	00.0
Scholarships	26,950.00	
Other	21,317,35	0.00
TOTAL DEDUCTIONS	48,267.35	00.00
Net Increase (Decrease)	10,508.06	00.00
Net PositionBeginning	897,319.18	00.0
Prior Year(s) Corrections or Restatements	00.0	00.0
NET POSITIONENDING	907,827.24	00.00

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

NEWPORT SCHOOL DISTRICT #56-415 Notes to the Financial Statements

September 1, 2013 through August 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Newport School District #56-415 (District) is a municipal corporation organized pursuant to Title 28A of the Revised Code of Washington (RCW) for the purposes of providing public school services to students in grades K-12. Oversight responsibility for the District's operations is vested with the independently elected board of directors. Management of the District is appointed by and is accountable to the board of directors. Fiscal responsibility, including budget authority and the power to set fees, levy property taxes, and issue debt consistent with provisions of state statutes, also rests with the board of directors.

The District presents governmental fund financial statements and related notes on the modified accrual basis of accounting in accordance with the Accounting Manual for Public School Districts in the State of Washington, issued jointly by the State Auditor's Office and the Superintendent of Public Instruction by the authority of RCW 43.09.200, RCW 28A.505.140, RCW 28A.505.010(1), and RCW 28A.505.020. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- (1) Districtwide statements, as defined in GAAP, are not presented.
- (2) A Schedule of Long-Term Liabilities is presented as supplementary information.
- (3) Supplementary information required by GAAP is not presented.

Fund Accounting

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

Governmental Funds

General Fund

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

Capital Projects Funds

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

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

<u>Transportation Vehicle Fund</u>. 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.

Permanent Funds

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

Fiduciary Funds

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

Private-Purpose Trust Fund

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

Agency Funds

These funds are used to account for assets that the District holds for other agencies in a purely custodial capacity.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Revenues are recognized as soon as they are measurable and available. Revenues are considered "measurable" if the amount of the transaction can be readily determined. Revenues are considered "available" when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after year-end. Property taxes receivable are measurable but not available and are, therefore, not accrued. Categorical program claims and inter-district billings are measurable and available and are, therefore, accrued.

Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for un-matured principal and interest on long-term debt which are recorded when due. Purchases of capital assets are expensed during the year of acquisition. For federal grants, the recognition of expenditures is dependent on the obligation date. (Obligation means a purchase order has been issued, contracts have been awarded, or goods and/or services have been received.)

Effective for the 2013-2014 school year, the district implemented GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*. As a result, deferred property taxes were reclassified from liabilities to deferred inflows of resources.

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 legal authority for expenditures at that level. Appropriations lapse at the end of the fiscal period.

Budgets are adopted on the same modified accrual basis as used for financial reporting. Fund balance is budgeted as available resources and, under statute, may not be negative, unless the District enters into binding conditions with state oversight pursuant to RCW 28A.505.110.

The government's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The District receives state funding for specific categorical education-related programs. Amounts that are received for these programs that are not used in the current fiscal year may be carried forward into the subsequent fiscal year, where they may be used only for the same purpose as they were originally received. When the District has such carryover, those funds are expended before any amounts received in the current year are expended.

Additionally, the District has other restrictions placed on its financial resources. When expenditures are recorded for purposes for which a restriction or commitment of fund balance is available, those funds that are restricted or committed to that purpose are considered first before any unrestricted or unassigned amounts are expended.

The government's fund balance classifications policies and procedures.

The District classifies ending fund balance for its governmental funds into five categories.

Non-spendable Fund Balance. The amounts reported as Non-spendable 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.

<u>Committed Fund Balance</u>. 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 an

established policy of the board. 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.

<u>Unassigned Fund Balance</u>. In the General Fund, amounts that are reported as Unassigned are those net spendable resources of the District that are not otherwise Restricted, Committed, or Assigned, and may be used for any purpose within the General Fund.

In other governmental funds, Unassigned fund balance represents a deficit ending spendable fund balance once all restrictions and commitments are considered.

A negative Unassigned fund balance means that the legal restrictions and formal commitments of the District exceed its currently available resources.

Cash and Cash Equivalents

All of the District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Inventory

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

NOTE 2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

The Pend Oreille County Treasurer is the *ex officio* treasurer for the District and holds all accounts of the District except \$70,349 held by ESD101 as of December 31, 2013 for future unemployment insurance claims. 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 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	Market
	Amount	Value
County Treasurer's Investment Pool	\$1,613,544	\$1,613,544
Total Investments	\$1,613,544	\$1,613,544

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

The District had an ALE audit finding – Potential exposure \$685,521.00. The District has resolved its prior ALE audit finding with a final recovery of \$155,881 to be paid as follows: \$52,000 in July 2014, \$52,000 in July 2015, and \$51,881 in July 2016.

NOTE 5: ANNUAL PENSION COST AND NET PENSION OBLIGATIONS

General Information

Substantially all District full-time and qualifying part-time employees participate in one of the following three contributory, multi-employers, 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 program was as follows.

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

<u>Program</u>	Active Members	Inactive Vested Members	Retired Members
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>	Active Members	Inactive Vested Members	Retired Members
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. Non-certificated 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, respectively. Members of TRS and SERS are eligible to retire with full benefits after five year 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 after 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 members, 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's 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 Plans 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>	FY2011-2012	FY2012-2013	FY2013-2014
Plan 1 TRS	\$ <u>3,586</u>	<u>\$ 4,803 </u>	\$ <u>6,313</u>
Plan 2 TRS	\$ <u>2</u> 2,396	<u>\$ 43,981</u>	\$ <u>53,663</u>
Plan 3 TRS	\$332,497	<u>\$295,942</u>	\$ <u>390,619 </u>
Plan 1 PERS	\$ <u>761</u>	<u>\$ 1,043</u>	\$ <u>1,365</u>
Plan 2 SERS	\$_23,597	<u>\$ 46,686</u>	\$ <u>67,484</u>
Plan 3 SERS	\$ <u>50,357</u>	<u>\$ 60,102</u>	\$ <u>71,059</u>

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, 2014, 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/(employees are) was required to pay the HCA \$64.40 per month per full-time equivalent employee to support the program, for a total payment of \$87,428.06. 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 AND CAPITAL LEASES

For the fiscal year August 31, 2014, the District has continuing long-term debt as follows:

1. The District entered into a lease to purchase agreement with De Lage Landen Financial Services, Inc. to purchase custodial equipment:

iScrub 20, 10061250001717 iScrub 20, 10061330002044 Aquaclean 18FLX, 4000027722 Pacesetter 20HS, 3000068168

This is a 3 year lease culminating in November 2014. The monthly lease payment is \$525.34, including principal and interest, for 36 months. The District will have the option to purchase the above equipment at the end of the lease for \$1.00 each.

- 2. The District entered into a lease agreement with De Lage Landen Financial Services for copiers:
- 1 Ricoh MP 8000SP B/W Digital Copier/Printer/Scanner
- 6 Ricoh MP 6500SP B/W Digital Copier/Printer/Scanner

This is a 5 year lease culminating in August 2016. The monthly lease payment is \$668 for 60 months. There is a purchase option based on current market values at the end of the lease.

3. The District entered into an operating lease agreement with Neopost for rental of our postage meter in January 2010. The monthly rental payment is \$265 for 63 months, which is paid quarterly.

*The beginning balance includes interest that should have been included in the previously audited Notes to the Financial Statement.

	Priginal Amount	Annual Installment *Includes Interest	Final Installment Date	Balance	
Lease-Purchase Commi	tments				
De Lage Landen Financial Services, Inc.	\$18,912.24	\$6,304.08	11/07/2014	\$ 1,576.02	
De Lage Landen Financial Services, Inc	\$43,126.20	\$8,625.32	08/31/2016	\$17,250.48	
Total Lease-Purchase C	\$18,826.50				
Operating Leases					
Neopost	\$16,695.00	\$3,180.00	05/01/2015	\$ 2,120.00	
Total Operating Leases \$ 2,120.00					

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

The District had continuing construction in progress is composed of:

Project	Project Authorization Amount	Expended as of 8/31/14	Additional Local Funds Committed	Additional State Funds Committed
New Roof at Elementary	\$1,000,000.00	\$1,000,000.00		
Total	\$1,000,000.00	\$1,000,000.00		

Encumbrances

Encumbrance accounting is employed in governmental funds. Purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve a portion of the applicable appropriation. Encumbrances lapse at the end of the fiscal year and may be re-encumbered the following year. Encumbrances in the amount of \$_0.00___\ within the General Fund were re-encumbered on September 1, 2014.

NOTE 9: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The District's capital assets are insured in the amount of \$49,667,862 for fiscal year 2013-2014. 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:

	Amount	Annual	Final	Interest	Amount
Issue Name	Authorized	Installments	Maturity	Rate(s)	Outstanding
General	\$6,640,000	\$50,000 -	12/01/2023	3.0 –	\$4,585,000.00
Obligation Bonds		\$550,000		4.25%	
QSCB Loan	\$1,000,000	\$65,000 -	12/01/2025	4.8%	\$ 870,000.00
		\$82,000			
Sale of Non-	\$ 312,786.72*	\$41,000 -	06/01/2023	1.92697%	\$ 287,082.42*
Voted Bonds		\$45,000			
Total General	\$7,952,786.72				\$5,742,082.42
Obligation Bonds					

^{*}The Office of the State Treasurer financed a loan to the Newport School District for Energy Efficiency Equipment. The lease amount financed is \$312,786.72 and net to the District \$364,730.00 in the Capital projects fund.

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	\$6,192,786.72
New Issues	\$ 0.00
Debt Retired	\$ 450,704.30
Long-Term Debt Payable at 8/31/2014	\$5,742,082.42

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

Years Ending August 31	Principal	Interest	Total
2015	\$471,356.70	\$193,535.25	\$664,891.95
2016	\$482,298.01	\$177,847.35	\$660,145.36
2017	\$512,557.92	\$182,265.88	\$694,823.80
2018	\$526,022.42	\$162,532.98	\$688,555.40
2019	\$544,562.04	\$142,446.36	\$687,008.40
2020	\$568,180.60	\$121,594.76	\$689,775.36
2021	\$591,882.17	\$ 99,899.24	\$691,781.41 <u></u>
2022	\$610,671.00	\$ 74,930.62	\$685,601.62
2023	\$644,551.56	\$ 49,034.58	\$693,586.14
2024	\$628,000.00	\$ 24,631.20	\$652,631.20
2025	\$ 80,000.00	\$ 9,943.00	\$ 89,943.00
2026	\$ 82,000.00	\$ 3,341.50	\$ 85,341.50
Total	\$5,742,082.72	\$1,242,002.72	\$6,984,085.14

At August 31, 2014, the District had \$407,034.54 available in the Debt Service Fund to service the general obligation bonds.

NOTE 11: RISK MANAGEMENT

The Newport School 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.

WORKERS COMPENSATION COOPERATIVE

The Newport School District is a member of the Northeast Washington Workers' Compensation Trust Fund. Membership is established by execution of an agreement between the District and Northeast Washington Educational Service District 101. Chapter 51.14 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 Trust arrangement was mad pursuant to the provisions of Chapter 39.34 RCW, the Inter-local Cooperation Act. The pool was formed on July 1, 1983 when school districts and an educational service district in the State of Washington joined together by signing and Inter-local Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of June 30, 2012, fifty-nine (59) school districts and an educational service district were members of the Trust.

The Trust provides industrial injury accident insurance coverage for its membership. The Trust is fully funded by its member participants. Member contributions are calculated based on the members' hours worked. The Trust retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by its excess insurance contracts. The Trust acquires insurance from unrelated underwriters. The Trust's per-occurrence retention limit is \$350,000.00 and the annual aggregate retention is \$3,243,995.00. Since the Trust is a cooperative

program, there is a joint liability among participating members. The financial statements of the Trust may be obtained by contacting Northeast Washington Educational Service District 101.

The pool allows members to establish a plan for the collection of worker's compensation payroll taxes and the payment of associated benefit claims, Department of labor and Industries assessments, reinsurer, and administrative expenses. Member contributions are made for the districts' benefit in lieu of having to make monthly premium payments to the State of Washington for industrial insurance. This practice enables districts to pay industrial insurance benefits as they occur and minimizes the districts' costs of the program. Reinsurance is provided at all times by the cooperative to protect its members' liability.

Members of the cooperative contract to remain in the Trust. The term of agreement is a calendar year from January 1 through December 31; and is automatically renewed from year to year unless the district provides written notice to the cooperative's account trustee at least thirty (30) days prior to midnight December 31 of any year. Even after termination a member is still responsible for any unresolved, unreported, and in-process claims for the period they were a signatory to this Inter-local Governmental Agreement. The pool is governed by a board of directors (Cooperative Advisory Board) which is comprised of one designated representative from each participating member district. A seven member Executive Board is elected by the Cooperative Advisory Board and is responsible for the business affairs of the Trust. The Cooperative Executive Advisory Board is responsible for, but not limited to, periodic meetings, cooperative membership, administration, cost control and annual district assessment rates.

In fiscal year 2013-2014 the District made payments of \$74,820.71 to the industrial insurance pool this is administered by Educational Service District No. 101 on behalf of several local school districts. These funds are operated for the districts in-lieu-of the district having to make monthly premium payments to the State of Washington for industrial insurance beneficiaries as they occur and minimizes the district's cost for the program. The industrial insurance pool is organized so that no member district retains a vested interest. The value of the vested interest in the unemployment pool does not show on the district's financial statement.

UNEMPLOYMENT COOPERATIVE

The Newport School District is a member of cooperative Unemployment Compensation Insurance Pool administered by Northeast Washington Educational Service District 101. The pool is organized pursuant to RCW 50.44 for the purpose of managing unemployment compensation payroll taxes and employee claims. Membership is established by execution of an agreement between the District and Northeast Washington Educational Service District 101.

The pool provides unemployment compensation coverage for member of the Pool arising from previous employees. The pool is fully funded by its member participants. Member districts pay a percentage of their employee's wages. These contributions plus investment earnings pay for unemployment claims and for the administration of the fund. There is provision that members can be additionally assessed if the Pool needs additional funding. In fiscal year 2013-14 the Newport School District made payments of \$0.00 to the Pool. The financial statements of the pool may be obtained by contacting Educational Service District 101.

For fiscal year 2013-2014, there were 51 members in the pool. A Board comprised of one designated representative from each participating member and a seven member Executive Board governs the Trust.

CASUALTY INSURANCE

The Newport School District 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 Interlocal 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-insure 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, claim administration, etc. Sexual abuse and School Board Legal Liability coverage are on an "occurrence basis". The program provides the following forms of group purchased insurance coverage for its members: Property, General Liability, Automobile Liability, School Board Legal 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, while the program is responsible for the remaining \$100,000 self-insured retention. Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the program is a cooperative program, this is a joint liability among the participating members towards the sharing of the \$100,000 self-insured retention. 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, while the program is responsible for the \$100,000 self-insured retention.

Boiler and machinery 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 terminated 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 of this arrangement for the year ending 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 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 property taxes due on October 31 are recorded as deferred revenue.

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 <u>8-78-79</u> dated <u>January 15, 1979</u>, and has remained in the joint venture ever since. The District's current equity of \$2,729.43 is the accumulation of the annual assignment of KCDA's operating surplus based upon the percentage derived from KCDA's total sales to the District compared to all other districts applied against paid administrative fees. The District may withdraw from the joint venture and will receive its equity in ten annual allocations of merchandise or 15 annual payments.)

NOTE 14: FUND BALANCE CLASSIFICATION DETAILS

The District's financial statements include the following amounts presented in the aggregate:

The District's financial st	General	ASB Fund	Capital Projects	Debt Service	Transportation	Fiduciary
	Fund	A3D ; unu	Fund	Fund	Vehicle Fund	Fund
₁•onspendable Fund Balance						
Inventory and Prepaid Items	\$3,904.34					
Restricted Fund Balance						
Carryover of School Bld. Budgets	\$23,000.00					
Debt Service				\$407,034.54		
Arbitrage Rebate						
Uninsured Risks						
Fund Purpose		\$108,158.88			\$2.12	
Held in trust for Private Purpose						\$909,827.24
Committed Fund Balance						
Minimum Fund Balance Policy						
Other Commitments	\$70,349.40					
Assigned Fund Balance						
Contingencies						
Other Capital Projects						
Other Purposes				·		
Fund Purposes			\$100,493.23			
Unassigned Fund Balance	\$213,005.75			<u> </u>	<u> 1 </u>	1

NOTE 15: 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 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.

Newport achool District No. 056

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	33,755.74	00.00	14.929.40	18,826.34	14,929.40
Contracts Pavable	00.00	0.00	00.0	0.00	0.00
Non-Cancellable Operating Leases	0.00	0.00	00.00	0.00	0.00
Attended to the control of the contr	0.00	0.00	00.00	0.00	0.00
Currence to describe	320,445.57	0.00	16,393.83	304,051.74	74,503.28
Company and the control of the contr	00.00	0.00	0.00	00.00	0.00
Dong retin Notes Payable	0.00	00.00	0.00	00.00	0.00
Tive of Credit	30.0	00.00	0.00	00.00	0.00
Other Non-Voted Debt	00.0	00.00	0.00	00.0	30.0
Other Liabilities	4		c c	00	0 0
Non-Voted Notes Not Recorded as Debt	0.00	0.00	30.0		•
Total Long-Term Liabilities	354,201.47	0.00	31,323.23	322,878.24	89,432.68

Newport achool District No. 056

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
<pre>voted Debt Voted Bonds LOCAL Program Proceeds Issued in Lieu of Bonds</pre>	4,945,000.00	30.0	360,000.00	4,585,000.00	380,000.00
Non-Voted Debt Non-Voted Bonds LOCAL Program Proceeds	1,247,786.72	0.00	90,704.30	1,157,082.42	91,356.70
Total Long-Term Liabilities	6,192,786.72	0.00	450,704.30	5,742,082.42	471,356.70

Newport School District SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ending August 31, 2014

1	2	3	4	5	\$	6	\$	7	\$	8	9
								Expendit	ures	\$	
Federal Agency Name	Pass Through Agency	Federal Program Title	CFDA Number	Other Identificatio n Number		m Direct wards	Т	om Pass hrough Awards		Total	Footnote
US Dept of Agriculture	WA OSPI	School Breakfast Program	10.553	N/A			\$	129,035	\$	129,035	5, 7
US Dept of Agriculture	WA OSPI	National School Lunch Program-Cash Assistance	10.555	N/A			\$	224,929	\$	224,929	5, 7
	MA OCT	National School Lunch Program-Non Cash assistance	10.555	N/A			\$	8,881	\$	8,881	3, 5, 7
	WA OSPI	(Commodities)	Total 10.555	INA	·		9 \$	233,810	\$	233,810	3, 3, 7
	WA OSPI	Summer Food Service Program for Children	10.559	N/A			\$	2,372	\$	2,372	5, 7
	WA-OSPI	School and Roads Grants to State	10.665	N/A			\$	271,449	\$	271,449	5, 7
		Department	of Agric	ulture Total			\$	636,666	\$	636,666	
US Dept. of Education	WA-OSPI	Title I - Grants to LEA's	84.010	200787			\$	393,470	\$	393,470	4, 6
	WA-OSPI	Special Education - Grants to States (IDEA, Part B)	84.027	304032			\$	249,637	\$	249,637	
	WA-OSPI	Career and Technical Education - Basic Grants to States	84.048	172437			\$	12,468	\$	12,468	
	WA-OSPI	Special Education - Preschool Grants (IDEA Preschool)	84.173	364030			\$	32,212	\$	32,212	
		Fund for the Improvement of Education	84.215	S215F1300 22	\$	342,031			\$	342,031	
	WA-OSPI	Rural Education Improving Teacher	84.358	461264			\$	20,270	\$	20,270	6
	WA-OSPI	Quality State Grants	84.367	522109		242.004	\$	53,661	\$	53,661	
	.	Departmer	nt of Edu	cation Total	 \$	342,031	 *	761,718	 \$	1,103,749	
US Dept. of											
Health and Human Services	WA-DSHS	Medical Assistance Program	93.778	N/A	_		\$	2,231	\$	2,231	5
	WA-DSHS	Medical Assistance Program	93.778	<u> </u>			\$	56,024	•	56,024	<u>E</u>
	Dep	artment of Health and H	uman Se	ervices Total			\$	58,255	\$	58,255	÷
		Total F	ederal E	xpenditures	\$	342,031	\$	1,456,639	 \$	1,798,670	

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1-BASIS OF ACCOUNTING

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

NOTE 2-PROGRAM COSTS/MATCHING CONTRIBUTIONS

The amounts shown as current year expenses represent only the <u>federal</u> grant portion of the program costs. Entire program costs, including the Newport School District's portion, may be more than shown

NOTE 3-NONCASH AWARDS

The amount of *commodities* reported on the schedule is the value of commodities distributed by the Newport School District during the current year and priced as prescribed by the Superintendant of Public Instruction.

Note 4 - SCHOOLWIDE PROGRAMS

The Newport School District operates a "schoolwide program" in the Middle and Elementary Schools. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limit service to certain targeted students. The following federal program amounts were expended by the Newport School District in its schoolwide program.

Title I (84.010) (\$393,470.)

NOTE 5-NOT AVAILABLE (N/A)

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

NOTE 6-FEDERAL INDIRECT RATE

The Newport School District used the federal restricted rate of 3.10 percent for this program.

NOTE 7 - AMOUNTS PASSED THROUGH TO SUBRECIPIENTS

Of the amount shown for this program, \$__0__ was passed-through to subrecipients.

The District does not pass through any funds to subrecipients.

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

Newport Consolidated Joint School District No. 56-415 Pend Oreille 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 Newport Consolidated Joint School District No. 56-415.

	Finding caption:
2014-001	Newport Consolidated Joint School District No. 56-415 does not have
	adequate internal controls over Paid Lunch Equity requirements for its
	National School Lunch Program grant.

Name, address, and telephone of auditee contact person:

Tom Crouch

P.O. Box 70

Newport, WA 99156

(509) 447-3167

Corrective action the auditee plans to take in response to the finding:

Until this audit, the PLE report has not been checked before by anyone. OSPI does not require that the report be sent in. Our Food Service Department did the report in 2012-2013, but not 2013-2014. During this year's audit, the PLE report for 2013-2014 has been completed and will be completed in the future. Our Food Service Director is retiring in June 2015. Our new Food Service Director has been doing the report in her current district and will be doing the report in the future.

Anticipated date to complete the corrective action: Already completed

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

The results of our work are widely distributed through a variety of reports, which are available on our <u>website</u> and through our free, electronic <u>subscription</u> service.

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

Contact information for the State A	uditor's Office
Deputy Director for Communications	Thomas Shapley
	Thomas.Shapley@sao.wa.gov
	(360) 902-0367
Public Records requests	(360) 725-5617
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov

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Management Letter Newport Consolidated Joint School District No. 56-415 September 1, 2013 through August 31, 2014

Nutrition Cluster

The District spent \$365,217 in the National School Lunch and Summer Food Service Programs to provide funding for free and reduced-priced meals for low-income students. Families must meet income guidelines to be eligible for these programs.

Our audit of the District's Nutrition program identified the following concerns:

Federal procurement

To meet program objectives, the District purchased supplies and goods totaling \$32,886 to serve and provide meals to eligible students. Federal grant recipients must follow the more restrictive of state or federal procurement requirements when purchasing food, equipment and supplies with federal funds.

- State law is more restrictive for larger purchases and requires the District to obtain formal bids for purchases exceeding \$75,000.
- Federal law is more restrictive for small purchases and requires the District to obtain quotes for purchases that, individually or in aggregate, are less than the \$75,000 formal bid threshold.

When District employees purchased these supplies and goods using Nutrition program funds, they were operating on guidance previously given that stipulated that state law should be followed for purchases of food, equipment and supplies which only required school districts to competitively procure purchases that exceeded \$40,000. Therefore, the District did not obtain quotes and cannot be sure it received the best price for the goods purchased with federal funds.

We recommend the District ensure future compliance by following the more restrictive of federal and state procurement requirements when making purchases of goods with federal funds. In addition, if the District adopts its own procurement policy that is more restrictive than state or federal requirements it should be followed,

School Accounts

To meet program objectives, federal reimbursement payments should be promptly credited to the school food service account. Typically, reimbursement payments credited to the account within 30 days of the receipt would be considered timely.

We identified six of 10 reimbursement requests posted to the school food service account between 41 and 112 days after the receipt of the funds. Not posting these payments timely limits the District's ability to monitor food service activity to ensure an unreasonable profit is not being earned. However, our review did not find inappropriate use of these funds and the District's food service program is not operating at a profit.

Greda

We recommend the District ensure federal reimbursements are promptly credited to the school food service account.

Verification

Districts are required to verify the eligibility of households for free and reduced-price meals. Households are selected from a sample of free and reduced-price meals on file as of October 1st. The verification process must be completed by November 15th. This means that all applications have been verified and letters of adverse actions have been sent. According to Office of Superintendent of Public Instruction Bulletin 043-13, "The verification process must be completed by November 15. The results of verification must be entered online by February 1st. These dates are mandated by USDA. If one or both of these dates fall on a weekend or holiday, you must plan to complete the assigned task <u>prior</u> to the required date."

Based on the District's sample selection, three files were required for verification. One of the three applications selected for verification was non-responsive. The letter of adverse action was not sent to the non-responsive household until November 18th. The actual termination of benefits resulting from income verification did not take place immediately after the 10-day advance notice period. According to District staff, this delay was due to holidays and weekends. Benefits were not terminated until December 2nd. The District did not complete the verification process timely as required.

We recommend the District ensure that the verification process, including sending letters of adverse action, is completed by the November 15th deadline and benefits are terminated immediately following the 10-day advance notice period.

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Exit Items

We have provided exit recommendations for management's consideration. Exit items address control deficiencies or non-compliance with laws or regulation that have an insignificant or immaterial effect on the entity, or errors with an immaterial effect on the financial statements. Exit items are not referenced in the audit report.

Concluding Comments

Report Publication

Audit reports are published on our website and distributed via e-mail in an electronic .pdf file. We also offer a subscription service that allows you to be notified by email when audit reports are released or posted to our website. You can sign up for this convenient service at: https://portal.sao.wa.gov/saoportal/Login.aspx

Audit Cost

At the entrance conference, we estimated the cost of the audit to be \$16,100 and actual audit costs will be more than this amount due to the 24 hour budget increase was necessary for the completion of work related to the District's new PEP grant program, and the writing of the federal finding and management letter in the Nutrition grant.

Customer Service Survey

When your report is released you will receive a customer service survey from us. We value your opinions on our audit services and hope you provide feedback.

Your Next Scheduled Audit

Your next audit is scheduled to be conducted in 2016 and will cover the following general areas:

- Accountability for Public Resources (school years 2013-2014 and 2014-2015)
- Financial Statement (school year 2014-2015)
- Federal Programs (school year 2014-2015)

The estimated cost for the next audit based is \$22,500 plus travel expenses. This preliminary estimate is provided as a budgeting tool and not a guarantee of final cost.

Emerging Issues

Compensated Absences

Districts should ensure its compensated absences liability is accurately calculated and includes salary-related payments such as employer payroll taxes and retirement contributions as prescribed by Appendix C of the Schools' Accounting Manual.

Sole Source Considerations

Many types of technology products can potentially be used by a school district to meet its technology needs. As such, there is not sufficient justification to consider the Apple vendor as a sole source vendor and a competitive process should be used to purchase technology products. Many school district purchase Apple technology products from a state contract that provides an educational discount to all governments. Districts should be aware that this pricing agreement is not competitively bid or negotiated through the State Purchasing Agency.



Newport Consolidated Joint School District No 56-415 Exit Conference For the Year ended August 31, 2014

Exit recommendations not included in the Audit Reports

We have provided exit recommendations for management's consideration. They are not referenced in the audit report. We may review the status of the following exit items in our next audit.

Financial Statement Audit

Financial Statement Preparation

The District should put appropriate practices in place to ensure:

- Fund balances are properly titled and classified in the financial statements and notes to the financial statements.
- Operating leases are not included in the Schedule of Long-Term Liabilities.
- Amounts presented in the notes to the financial statements are mathematically accurate and agree to the financial statements.
- The Schedule of Expenditures of Federal Awards is prepared in accordance with schools manual guidance, with correct CFDA titles and numbers.

Federal Single Audit

PEP grant compliance

The District should ensure it retains all records to support compliance with grant requirements including the evaluation of vendors when selected the most eligible vendor for curriculum.

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

Newport Consolidated Joint School District No. 56-415 Pend Oreille 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 Newport Joint Consolidated School District No. 56-415.

Finding ref number:

Finding caption:

2014-01

Newport Consolidated Joint School District No. 56-415 does not have adequate internal controls over Paid Lunch Equity requirements for its National School Lunch Program grant.

Name, address, and telephone of auditee contact person: Tom Crouch; PO Box 70 Newport, WA 99156; 509-447-3167

Corrective action the auditee plans to take in response to the finding:

(If the auditee does not concur with the finding, the auditee must list the reasons for non-concurrence).

Until this audit, the PLE report has not been checked before by anyone. OSPI does not require that the report be sent in. Our Food Service Department did the report in 12-13, but not in 13-14. During this year's audit, the PLE report for 2013-14 has been completed and will be completed in the future. Our Food Service Director is retiring in June, 2015. Our new Food Service Director has been doing the report in her current district and will be doing the report in the future.

Anticipated date to complete the corrective action:

P.O. Box 70 1380 W. 5th Street Newport, WA 99156 Phone: (509) 447-3167 Fax: (509) 447-2553 Web: www.newport.wednet.edu

May 5, 2015

Debbie Pennick, CPA WSU Research Park Bldg 2 Suite 200 1610 NE Eastgate Blvd Pullman, WA 99163

To the Washington State Auditor's Office:

We are providing this letter in connection with your audit of Newport Consolidated Joint School District No. 56-415 for the period from September 1, 2013 through August 31, 2014. Representations are in relation to matters existing during or subsequent to the audit period up to the date of this letter.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve a weakness, omission or misstatement of information that, in the light of surrounding circumstances, make it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the weakness, omission or misstatement.

We confirm, to the best of our knowledge and belief, having made appropriate inquires to be able to provide our representations, the following representations made to you during your audit. If we subsequently discover information that would change our representations related to this period, we will notify you in a timely manner.

General Representations:

- 1. We have provided you with unrestricted access to people you wished to speak with and made available all requested and relevant information of which we are aware, including:
 - a. Financial records and related data.
 - b. Minutes of the meetings of the governing body or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - c. Other internal or external audits, examinations, investigations or studies that might concern the objectives of the audit and the corrective action taken to address significant findings and recommendations.
 - d. Communications from regulatory agencies, government representatives or others concerning possible material noncompliance, deficiencies in internal control or other matters that might concern the objectives of the audit.
 - e. Related party relationships and transactions.
 - f. Results of our internal assessment of business risks and risks related to financial reporting, compliance and fraud.

P.O. Box 70 1380 W. 5th Street Newport, WA 99156 Phone: (509) 447-3167 Fax: (509) 447-2553 Web: www.newport.wednet.edu

- 2. We acknowledge our responsibility for compliance with requirements related to confidentiality of certain information, such as HIPAA requirements, and have notified your whenever records or data containing information subject to any confidentiality requirements were made available.
- 3. We acknowledge our responsibility for compliance with applicable laws, regulations, contracts and grant agreements.
- 4. We have identified and disclosed all laws, regulations, contracts and grant agreements that could have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- 5. We have complied with all material aspects of laws, regulations, contracts and grant agreements.
- 6. We acknowledge our responsibility for establishing and maintaining controls to ensure compliance with applicable laws and regulations and safeguard public resources, including controls to prevent and detect fraud.
- 7. We have established adequate procedures and controls to safeguard public resources and ensure compliance with applicable laws and regulations.
- 8. We have no knowledge of any fraud, allegations of fraud or suspected fraud involving management, employees or others.
- 9. All material transactions have been properly recorded in the financial records.

Additional representations related to the financial statements:

- 10. We acknowledge our responsibility for fair presentation of the financial statements, and believe financial statements are fairly presented in accordance with the *Accounting Manual for Public Schools in the State of Washington* (Schools Manual), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.
- 11. The notes to the financial statements accurately describe differences between the District's presentation in accordance with the Schools Manual and accounting principles generally accepted in the United States of America.
- 12. We acknowledge our responsibility for establishing and maintaining effective internal control over financial reporting.

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- 13. Revenues are appropriately classified by fund and account in accordance with the Schools Manual.
- 14. Expenditures are appropriately classified by fund, program, activity and object in accordance with the Schools Manual.
- 15. Fund balance components (non-spendable, restricted, committed, assigned and unassigned) are properly classified in accordance with the Schools Manual.
- 16. Significant assumptions we used in making accounting estimates are reasonable.
- 17. The following have been properly classified, reported and disclosed in the financial statements, as applicable:
 - a. Interfund, internal, and intra-entity activity and balances.
 - b. Related-party transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - c. Joint ventures and other related organizations.
 - d. Guarantees under which the District is contingently liable.
 - e. All events occurring subsequent to the fiscal year end through the date of this letter that would require adjustment to, or disclosure in, the financial statements.
 - f. Effects of all known actual or possible litigation, claims or assessments and other loss contingencies.
- 18. There are no violations or possible violations of laws, regulations, contracts and grant agreements with effects that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
- 19. We have accurately disclosed to you all known actual or possible pending or threatened litigation, claims or assessments whose effects should be considered when preparing the financial statements. We have also accurately disclosed to you the nature and extent of our consultation with outside attorneys concerning litigation, claims and assessments.
- 20. We acknowledge our responsibility to include all necessary and applicable disclosures required by the Schools Manual, including:
 - a. Description of the basis of accounting, summary of significant accounting policies and how this differs from Generally Accepted Accounting Principles (GAAP).
 - b. Disclosures similar to those required by GAAP to the extent they are applicable to items reported in the financial statements.
 - c. Any additional disclosures beyond those specifically required by the Schools Manual that may be necessary for the statements to be fairly presented.

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- We acknowledge our responsibility for reporting, and have prepared, the Schedule of Long Term Liabilities in accordance with the Schools Manual and believe the Schedule is fairly presented, in both form and content, in accordance with those requirements.
- 22. We have disclosed to you all significant changes to the methods of measurement and presentation of the Schedule of Long Term Liabilities, reasons for any changes and all significant assumptions or interpretations underlying the measurement or presentation of the Schedule.
- 23. We believe the effects of uncorrected financial statement misstatements summarized below are not material, both individually and in the aggregate, to the financial statements taken as a whole.

Statement / Schedule	Description
Balance Sheet	Error in reporting current liabilities by at least \$2,200 as outstanding unemployment claims were not reported in the financial statements. (understatement)

We acknowledge our responsibility not to publish any document containing the audit report with any change in the financial statements, supplementary and other information referenced in the auditor's report. We will contact the auditor if we have any needs for publishing the audit report with different content included.

Additional representations related to expenditures under federal grant programs:

- We acknowledge our responsibility for complying, and have complied, with the requirements of Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.
- With regards to your audit of federal grant programs, we have made available all relevant and requested information of which we are aware, including:
 - a. All contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies or pass-through agencies related to federal awards.
 - b. All information regarding management decisions or follow-up work performed by federal or pass-through agencies on any findings reported in the past.
 - c. All documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.

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- d. Any contracts or other agreements with any service organizations and any communications from our service organizations relating to noncompliance with federal laws and regulations at the service organization.
- We have prepared the Schedule of Expenditures of Federal Awards (SEFA) in accordance with OMB Circular A-133 and included all expenditures from federal agencies and pass-through agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance. We believe that the Schedule, including its form and content, is fairly presented in accordance with OMB Circular A-133.
- 28. We disclosed to you all significant changes to the methods of measurement and presentation of the SEFA, reasons for any changes and all significant assumptions or interpretations underlying the measurement or presentation of the SEFA.
- We have identified the requirements of laws, regulations, contracts and grant agreements related to each of our federal awards.
- 30. We have complied, in all material respects, with the compliance requirements related to our federal awards.
- We have discussed with you any federal compliance requirements that vary from federal or pass-through agency interpretations.
- 32. We have maintained internal control over federal programs sufficient to provide reasonable assurance that awards are managed in compliance with laws, regulations, contracts or grant agreements that could have a material effect on each of our federal awards.
- 33. We have disclosed whether any changes in internal controls over federal awards including any corrective action taken in response to findings has occurred subsequent to the audit period.
- We are not aware of any amounts questioned or known noncompliance with requirements of our federal awards occurring during or subsequent to the audit period. Further, we have made available to you the results of any other audits or program reviews.
- 35. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared, and are prepared on a basis consistent with that presented in the Schedule of Expenditures of Federal Awards.

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36. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to federal agencies or pass-through agencies.

Dave Smith Superintendent

Tom Crouch Business Manager

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

Newport Consolidated Joint School District No. 56-415 Pend Oreille 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 Newport Joint Consolidated School District No. 56-415.

Finding ref number: 2014-001

Finding caption:

Newport Consolidated Joint School District No. 56-415 does not have adequate internal controls over Paid Lunch Equity requirements for its

National School Lunch Program grant.

Name, address, and telephone of auditee contact person:

Tom Crouch PO Box 70 Newport, WA 99156 (509) 447-3167

Corrective action the auditee plans to take in response to the finding:

(If the auditee does not concur with the finding, the auditee must list the reasons for non-concurrence).

Until this audit, the PLE report has not been checked before by anyone. OSPI does not require that the report be sent in. Our Food Service Department did the report in 12-13, but not 13-14. During this year's audit, the PLE report for 2013-14 has been completed and will be completed in the future. Our Food Service Director is retiring in June, 2015. Our new Food Service Director has been doing the report in her current district and will be doing the report in the future.

Anticipated date to complete the corrective action: already completed



Marianne Nichols

Pend Oreille County

Office of the Auditor

PO Box 5015, Newport, WA 99156 (509) 447-3185 FAX (509) 447-2475

To:

Newport School District #56

January 23, 2015

Re:

Election Information for 2015

Candidate filing week is the second week in May; May 11 through May 15, 2015. Please remind incumbents of filing week dates.

Our records show the following **(bolded)** positions/incumbents will be up for election in 2015. Please notify me of any changes to incumbents or if a salary is paid for any of these positions:

<u>Position</u>	Incumbent	Term	TermYrs -	Annual
	<u>Name</u>	<u>Expires</u>	<u>Run for</u>	<u>Salary</u>
Director District 1 Director District 2 Director District 3 Director District 4 Director District 5	Paul Wilson Mitch Stratton April Owen Keith Cordes Jim Brewster	11/30/2017 11/30/2015 11/30/2015	4 4 4 4	

2015 deadline for submission of a resolutions are as follows if applicable:

Deadline for Resolutions:	Election Date:
March 13, 2015	April 28, 2015 (Special)
May 8, 2015	August 4, 2015 (Primary)
August 4, 2015	November 4, 2015 (General)

Please contact me with questions at (509) 447-6472 or lkrizenesky@pendoreille.org. A full election calendar can be found at www.secstate.wa.gov/elections or visit our website for all election information http://www.pendoreilleco.org/county/elections.asp.

Thank you,

Elízabeth Krízenesky Election Supervisor

Newport School ict No. 056

RUN: 12/30/2014 2:37

Schedule of Long-Term Lit. Lities: GENERAL FUND

For the Year Ended August 31, 2014

COUNTY: 26 Pend Oreille

101

E.S.D.

REPORT F196

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	33,755.74	1 0 000	14,929.40	18,826.34	14,929.40
0.000 0.000	0.00	00.00	0.00		
Non-Cancellable Operating Leases	0.00		00.0		
Claims & Jidgements	0.00	00.00	00.0	00.0	00.0
	320,445.57	00.00	16,393.83	304,051.74	74,503.28
	0.00	00.00	00.00	0.00	00.0
LONG-TELM NOTES	0.00	00.00	0.00	0.00	00.00
Anticipation Notes Fayable	00.0	00.00	00.00	00.00	00.0
Lines of Create Other Non-Voted Debt	00.00		00.00	00.00	00.0
Other Liabilities Non-Voted Notes Not Recorded as Debt	00.0	0.00	00.00	00.00	0.00
Total Long-Term Liabilities	354,201.47	00.00	31,323.23	322,878.24	89,432.68

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

Total	\$5,742,082.72	\$1,242,002.72	\$6,984,085.14
2026	\$ 82,000.00	\$ 3,341.50	\$ 85,341.50
2025	\$ 80,000.00	\$ 9,943.00	\$ 89,943.00
2024	\$628,000.00	\$ 24,631.20	\$652,631.20
2023	\$644,551.56	\$ 49,034.58	\$693,586.14
2022	\$610,671.00	\$ 74,930.62	\$685,601.62
2021	\$591,882.17	\$ 99,899.24	\$691,781.41
2020	\$568,180.60	\$121,594.76	\$689,775.36
2019	\$544,562.04	\$142,446.36	\$687,008.40
2018	\$526,022.42	\$162,532.98	\$688,555.40
2017	\$512,557.92	\$182,265.88	\$694,823.80
2016	\$482,298.01	\$177,847.35	\$660,145.36
2015	\$471,356.70	\$193,535.25	\$664,891.95
Years Ending August 31	Principal	Interest	Total

At August 31, 2014, the District had \$407,034.54 available in the Debt Service Fund to service the general obligation bonds.

NOTE 11: RISK MANAGEMENT

The Newport School 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.

WORKERS COMPENSATION COOPERATIVE

The Newport School District is a member of the Northeast Washington Workers' Compensation Trust Fund. Membership is established by execution of an agreement between the District and Northeast Washington Educational Service District 101. Chapter 51.14 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 Trust arrangement was mad pursuant to the provisions of Chapter 39.34 RCW, the Inter-local Cooperation Act. The pool was formed on July 1, 1983 when school districts and an educational service district in the State of Washington joined together by signing and Inter-local Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of June 30, 2012, fifty-nine (59) school districts and an educational service district were members of the Trust.

The Trust provides industrial injury accident insurance coverage for its membership. The Trust is fully funded by its member participants. Member contributions are calculated based on the members' hours worked. The Trust retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by its excess insurance contracts. The Trust acquires insurance from unrelated underwriters. The Trust's per-occurrence retention limit is \$350,000.00 and the annual aggregate retention is \$3,243,995.00. Since the Trust is a cooperative program, there is a joint liability among participating members. The financial statements of the Trust may be obtained by contacting Northeast Washington Educational Service District 101.

The pool allows members to establish a plan for the collection of worker's compensation payroll taxes and the payment of associated benefit claims, Department of labor and Industries assessments, reinsurer, and administrative expenses. Member contributions are made for the districts' benefit in lieu of having to make monthly premium payments to the State of Washington for industrial insurance. This practice enables districts to pay industrial insurance benefits as they occur and minimizes the districts' costs of the program. Reinsurance is provided at all times by the cooperative to protect its members' liability.

Members of the cooperative contract to remain in the Trust. The term of agreement is a calendar year from January 1 through December 31; and is automatically renewed from year to year unless the district provides written notice to the cooperative's account trustee at least thirty (30) days prior to midnight December 31 of any year. Even after termination a member is still responsible for any unresolved, unreported, and in-process claims for the period they were a signatory to this Inter-local Governmental Agreement. The pool is governed by a board of directors (Cooperative Advisory Board) which is comprised of one designated representative from each participating member district. A seven member Executive Board is elected by the Cooperative Advisory Board and is responsible for the business affairs of the Trust. The Cooperative Executive Advisory Board is responsible for, but not limited to, periodic meetings, cooperative membership, administration, cost control and annual district assessment rates.

In fiscal year 2013-2014 the District made payments of \$74,820.71 to the industrial insurance pool this is administered by Educational Service District No. 101 on behalf of several local school districts. These funds are operated for the districts in-lieu-of the district having to make monthly premium payments to the State of Washington for industrial insurance beneficiaries as they occur and minimizes the district's cost for the program. The industrial insurance pool is organized so that no member district retains a vested interest. The value of the vested interest in the unemployment pool does not show on the district's financial statement.

UNEMPLOYMENT COOPERATIVE

The Newport School District is a member of cooperative Unemployment Compensation Insurance Pool administered by Northeast Washington Educational Service District 101. The pool is organized pursuant to RCW 50.44 for the purpose of managing unemployment compensation payroll taxes and employee claims. Membership is established by execution of an agreement between the District and Northeast Washington Educational Service District 101.

The pool provides unemployment compensation coverage for member of the Pool arising from previous employees. The pool is fully funded by its member participants. Member districts pay a percentage of their employee's wages. These contributions plus investment earnings pay for unemployment claims and for the administration of the fund. There is provision that members can be additionally assessed if the Pool needs additional funding. In fiscal year 2013-14 the Newport School District made payments of \$0.00 to the Pool. The financial statements of the pool may be obtained by contacting Educational Service District 101.

For fiscal year 2013-2014, there were 51 members in the pool. A Board comprised of one designated representative from each participating member and a seven member Executive Board governs the Trust.

CASUALTY INSURANCE

The Newport School District 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

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 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 property taxes due on October 31 are recorded as deferred revenue.

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 8-78-79 dated January 15, 1979, and has remained in the joint venture ever since. The District's current equity of \$2,729.43 is the accumulation of the annual assignment of KCDA's operating surplus based upon the percentage derived from KCDA's total sales to the District compared to all other districts applied against paid administrative fees. The District may withdraw from the joint venture and will receive its equity in ten annual allocations of merchandise or 15 annual payments.)

NOTE 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	Fiduciary Fund
Nonspendable Fund Balance						
Inventory and Prepaid Items	\$3,904.34					
Restricted Fund Balance						
Carryover of School Bld. Budgets	\$23,000.00					
Debt Service				\$407,034.54		
Arbitrage Rebate						
Uninsured Risks						
Fund Purpose		\$108,158.88			\$2.12	
Held in trust for Private Purpose						\$909,827.24
Committed Fund Balance	\$70,349.40					
Minimum Fund Balance Policy						
Other Commitments						
Assigned Fund Balance						
Contingencies						
Other Capital Projects						
Other Purposes						
Fund Purposes			\$100,493.23			
'nassigned Fund Balance	\$213,005.75					

Newport School r ct No. 056

Schedule of Long-Term Liable. Les: DEBT SERVICE FUND

For the Year Ended August 31, 2014

Outstanding Debt September 1, Amount Issued 2013 Increased 4,945,000.00 0.00	Beginning Outstanding D September 1 2013 4,945,000
1,247,786.72 0.00	
6,192,786.72	