

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

Peninsula School District No. 401
Pierce County

Audit Period
September 1, 2012 through August 31, 2013

Report No. 1011642

Issue Date
April 21, 2014



Washington State Auditor
Troy Kelley

Independence • Respect • Integrity



Washington State Auditor Troy Kelley

April 21, 2014

Board of Directors
Peninsula School District No. 401
Gig Harbor, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Peninsula School District No. 401'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,

TROY KELLEY
STATE AUDITOR

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Pierce County
September 1, 2012 through August 31, 2013**

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Federal Summary

**Peninsula School District No. 401
Pierce County
September 1, 2012 through August 31, 2013**

The results of our audit of Peninsula School District No. 401 are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unmodified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

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

We noted no instances of noncompliance that were material to the financial statements of the District.

FEDERAL AWARDS

Internal Control Over Major Programs:

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

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

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

Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
10.553	Child Nutrition Cluster - School Breakfast Program
10.555	Child Nutrition Cluster - National School Lunch Program

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.

**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***

**Peninsula School District No. 401
Pierce County
September 1, 2012 through August 31, 2013**

Board of Directors
Peninsula School District No. 401
Gig Harbor, 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 Peninsula School District No. 401, Pierce County, Washington, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated April 8, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



TROY KELLEY
STATE AUDITOR

April 8, 2014

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

**Peninsula School District No. 401
Pierce County
September 1, 2012 through August 31, 2013**

Board of Directors
Peninsula School District No. 401
Gig Harbor, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Peninsula School District No. 401, Pierce 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, 2013. 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, 2013.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

April 8, 2014

Independent Auditor's Report on Financial Statements

Peninsula School District No. 401 Pierce County September 1, 2012 through August 31, 2013

Board of Directors
Peninsula School District No. 401
Gig Harbor, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Peninsula School District No. 401, Pierce County, Washington, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 11.

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 using accounting practices prescribed or permitted by Washington State statutes and 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 Peninsula School District No. 401, as of August 31, 2013, 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 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 Permanent funds as of August 31, 2013, 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.

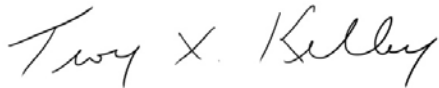
Other Matters

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 Schedule of Long-Term Liabilities is also presented for purposes of additional analysis as required by the prescribed Accounting Manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2014 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.



TROY KELLEY
STATE AUDITOR

April 8, 2014

Financial Section

**Peninsula School District No. 401
Pierce County
September 1, 2012 through August 31, 2013**

FINANCIAL STATEMENTS

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E.S.D. 121

Balance Sheet

COUNTY: 27 Pierce

Governmental Funds

August 31, 2013

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
ASSETS:							
Cash and Cash Equivalents	1,809,831.17	169,069.80	29,966.96	40,340.71	440.15	0.00	2,049,648.79
Minus Warrants Outstanding	-1,572,171.63	-31,412.59	0.00	-4,158.79	0.00	0.00	-1,607,743.01
Taxes Receivable	10,024,253.55		1,967,627.39	0.00	0.00	0.00	11,991,880.94
Due From Other Funds	37,714.01	0.00	0.00	0.00	0.00	0.00	37,714.01
Due From Other Governmental Units	494,371.75	0.00	0.00	33,360.00	0.00	0.00	527,731.75
Accounts Receivable	48,326.46	530.92	0.00	0.00	0.00	0.00	48,857.38
Interfund Loans Receivable	0.00			0.00			0.00
Accrued Interest Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	631,453.66	0.00					631,453.66
Prepaid Items	76,466.59	0.00					76,466.59
Investments	8,165,000.00	637,000.00	2,395,000.00	7,217,000.00	755,000.00	0.00	19,169,000.00
Investments/Cash With Trustee	0.00		0.00	0.00	0.00	0.00	0.00
Investments-Deferred Compensation	7,677.40			0.00			7,677.40
Self-Insurance Security Deposit	92,118.00						92,118.00
TOTAL ASSETS	19,815,040.96	775,188.13	4,392,594.35	7,286,541.92	755,440.15	0.00	33,024,805.51
LIABILITIES:							
Accounts Payable	970,851.76	21,082.97	0.00	22,184.95	0.00	0.00	1,014,119.68
Contracts Payable Current	0.00	0.00		0.00	0.00	0.00	0.00
Accrued Interest Payable			0.00				0.00
Accrued Salaries	100,863.35	0.00		0.00			100,863.35
Revenue Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00
Payroll Deductions and Taxes Payable	42,868.88	0.00		0.00			42,868.88
Due To Other Governmental Units	0.00	0.00		0.00	0.00	0.00	0.00
Deferred Compensation Payable	7,677.40			0.00			7,677.40
Estimated Employee Benefits Payable	1,287,565.02						1,287,565.02
Due To Other Funds	0.00	37,714.01	0.00	0.00	0.00	0.00	37,714.01

E.S.D. 121 Balance Sheet

COUNTY: 27 Pierce Governmental Funds

August 31, 2013

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
LIABILITIES:							
Interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	0.00	0.00		0.00			0.00
Matured Bonds Payable			0.00				0.00
Matured Bond Interest Payable			0.00				0.00
Arbitrage Rebate Payable	0.00		0.00	0.00	0.00		0.00
Deferred Revenue	10,128,867.43	221,778.04	1,967,627.39	0.00	0.00	0.00	12,318,272.86
TOTAL LIABILITIES	12,538,693.84	280,575.02	1,967,627.39	22,184.95	0.00	0.00	14,809,081.20
FUND BALANCE:							
Nonspendable Fund Balance	633,200.86	0.00	0.00	0.00	0.00	0.00	633,200.86
Restricted Fund Balance	184,881.26	494,613.11	2,424,966.96	3,917,574.03	0.00	0.00	7,022,035.36
Committed Fund Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Assigned Fund Balance	2,407,130.72	0.00	0.00	3,346,782.94	755,440.15	0.00	6,509,353.81
Unassigned Fund Balance	4,051,134.28	0.00	0.00	0.00	0.00	0.00	4,051,134.28
TOTAL FUND BALANCE	7,276,347.12	494,613.11	2,424,966.96	7,264,356.97	755,440.15	0.00	18,215,724.31
TOTAL LIABILITIES AND FUND BALANCE	19,815,040.96	775,188.13	4,392,594.35	7,286,541.92	755,440.15	0.00	33,024,805.51

The accompanying notes are an integral part of this financial statement

E.S.D. 121 Statement of Revenues, Expenditures, and Changes in Fund Balance

COUNTY: 27 Pierce

Governmental Funds

For the Year Ended August 31, 2013

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
REVENUES:							
Local	22,409,214.13	1,147,251.97	3,951,052.51	1,284,805.21	355.48		28,792,679.30
State	54,994,397.75		0.00	0.00	747,326.77		55,741,724.52
Federal	4,476,573.81		0.00	0.00	0.00		4,476,573.81
Federal Stimulus	0.00						0.00
Other	122,802.59		0.00	0.00	0.00	0.00	122,802.59
TOTAL REVENUES	82,002,988.28	1,147,251.97	3,951,052.51	1,284,805.21	747,682.25	0.00	89,133,780.22
EXPENDITURES:							
CURRENT:							
Regular Instruction	46,739,649.10						46,739,649.10
Federal Stimulus	0.00						0.00
Special Education	10,934,849.91						10,934,849.91
Vocational Education	3,308,614.18						3,308,614.18
Skills Center	0.00						0.00
Compensatory Programs	2,728,313.43						2,728,313.43
Other Instructional Programs	261,755.99						261,755.99
Community Services	589,413.11						589,413.11
Support Services	17,766,144.18						17,766,144.18
Student Activities/Other		1,219,744.43				0.00	1,219,744.43
CAPITAL OUTLAY:							
Sites				43,504.49			43,504.49
Building				15,647.73			15,647.73
Equipment				0.00			0.00
Instructional Technology				0.00			0.00
Energy				606,145.61			606,145.61
Transportation Equipment					566,687.68		566,687.68
Sales and Lease							0.00
Other	131,661.51			0.00			131,661.51
DEBT SERVICE:							
Principal	93,933.96		2,780,000.00	0.00	0.00		2,873,933.96
Interest and Other Charges	8,739.12		1,050,524.43	0.00	0.00		1,059,263.55
Bond/Levy Issuance				0.00	0.00		0.00
TOTAL EXPENDITURES	82,563,074.49	1,219,744.43	3,830,524.43	665,297.83	566,687.68	0.00	88,845,328.86

E.S.D. 121 Statement of Revenues, Expenditures, and Changes in Fund Balance

COUNTY: 27 Pierce

Governmental Funds

For the Year Ended August 31, 2013

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
DEBT SERVICE:							
REVENUES OVER (UNDER) EXPENDITURES	-560,086.21	-72,492.46	120,528.08	619,507.38	180,994.57	0.00	288,451.36
OTHER FINANCING SOURCES (USES):							
Bond Sales & Refunding Bond Sales	0.00		0.00	0.00	0.00		0.00
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	0.00		0.00	0.00	107,391.00		107,391.00
Transfers Out (GL 536)	-107,391.00		0.00	0.00	0.00	0.00	-107,391.00
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	0.00		0.00	0.00	0.00		0.00
TOTAL OTHER FINANCING SOURCES (USES)	-107,391.00		0.00	0.00	107,391.00	0.00	0.00
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-667,477.21	-72,492.46	120,528.08	619,507.38	288,385.57	0.00	288,451.36
BEGINNING TOTAL FUND BALANCE	7,943,824.33	567,105.57	2,304,438.88	6,644,849.59	467,054.58	0.00	17,927,272.95
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ENDING TOTAL FUND BALANCE	7,276,347.12	494,613.11	2,424,966.96	7,264,356.97	755,440.15	0.00	18,215,724.31

The accompanying notes are an integral part of this financial statement

**PENINSULA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
September 1, 2012 through August 31, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (SSAP)

Description of the government-wide financial statements.

The Peninsula School District (District) is a municipal corporation organized pursuant to Title 28A Revised Code of Washington (RCW) for the purpose of providing public school services to students in grades K-12. Oversight responsibility for the District's operation 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 Peninsula School District presents governmental fund financial statements and related notes on the modified accrual basis of accounting as prescribed by generally accepted accounting principles (GAAP) and required by its regulatory agencies, the Office of Superintendent of Public Instruction and the State Auditor's Office. The District's accounting policies, as reflected in the accompanying financial statements, conform to the *Accounting Manual for Public School Districts in the State of Washington*, issued jointly by the State Auditor'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 allows for a practice that differs from generally accepted accounting principles in the following manner:

- (1) Districtwide statements, as defined in GAAP, are not presented.
- (2) The financial statements do not report capital assets.
- (3) Debt is not reported on the face of the financial statements. It is reported on the notes to the financial statements and on the Schedule of Long-Term Liabilities. The Schedule of Long-Term Liabilities is required supplemental information.
- (4) The budgetary comparison schedule compares the district's actual results with the final budgeted amounts. The original budget document is available through the Office of Superintendent of Public Instruction.
- (5) The Management Discussion and Analysis is optional.
- (6) The financial statements do not report a liability for Other Post-Employment Benefits (GASB Statement 45).
- (7) Other departures from GAAP that are material in nature are indicated throughout the Notes.

Description of the activities accounted for in each of the following funds presented in the basic financial statements.

The District presents financial information on the basis of funds, each of which is considered a separate accounting entity. The regulatory agencies require all funds be presented as major funds. The operations of each fund are accounted for with a separate set of self-

balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures (or expenses) as appropriate. The various funds in the report are grouped into governmental (and fiduciary) funds as follows:

Governmental Funds

General Fund

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

Capital Projects Funds

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

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

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

Debt Service Fund

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

Special Revenue Funds

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.

Proprietary Funds

School districts in the State of Washington are not allowed to utilize proprietary fund types, which is a departure from GAAP.

The measurement focus and basis of accounting used in the government-wide statements.

The District's accounting policies conform to the *Accounting Manual for Public School Districts in the State of Washington*, issued jointly by the State Auditor and the Superintendent of Public Instruction. The District's financial statements are presented in conformity with that publication.

The measurement focus for the District's funds is the modified accrual basis and the current financial resources focus. This basis of accounting focuses primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. This means that only current assets and current liabilities are included on their balance sheets.

Revenues are recognized as soon as they are measurable and available. "Measurable" means the amount of the transaction can be readily determined. Revenues are considered "available" if they are collected within 60 days after year-end to pay liabilities of the current period. Property taxes receivable are measurable but not available and are, therefore, not accrued. Categorical program claims and interdistrict 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 unmatured principal and interest on long-term debt which are recorded when due. The fund liability is incurred when the goods or services have been received. For federal grants, the recognition of expenditures is dependent on the obligation date. (Obligation means a purchase order has been issued, contracts have been awarded, or goods and/or services have been received.)

Budgetary Data

General Budgetary Policies

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

Budgetary Basis of Accounting

For budget and accounting purposes, revenues and expenditures are accounted for on the modified accrual basis as prescribed in law for all governmental funds. Fund balance is budgeted as available resources and, under statute, may not be negative, unless the District enters into binding conditions with state oversight pursuant to RCW 28A.505.110.

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 amount are expended.

The government's fund balance classification policies and procedures.

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

Nonspendable Fund Balance: The amounts reported as Nonspendable are resources of the District that are not in spendable format. They are either non-liquid resources such as inventory or prepaid items, or the resources are legally or contractually required to be maintained intact.

Restricted Fund Balance: Amounts that are reported as Restricted are those resources of the District that have had a legal restriction placed on their use either from statute, WAC, or other legal requirements that are beyond the control of the board of directors. Restricted fund balance includes anticipated recovery of revenues that have been received but are restricted as to their usage.

Committed Fund Balance: Amounts that are reported as Committed are those resources of the District that have had a limitation placed upon their usage by formal action of the District's board of directors. Commitments are made either through a formal adopted board resolution or are related to a school board policy. Commitments may only be changed when the resources are used for the intended purpose or the limitation is removed by a subsequent formal action of the board of directors.

Assigned Fund Balance: In the General Fund, amounts that are reported as Assigned are those resources that the District has set aside for specific purposes. These accounts reflect tentative management plans for future financial resource use such as the replacement of equipment or the assignment of resources for contingencies. Assignments reduce the amount reported as Unassigned Fund Balance, but may not reduce that balance below zero.

In other governmental funds, Assigned fund balance represents a positive ending spendable fund balance once all restrictions and commitments are considered. These resources are only available for expenditure in that fund and may not be used in any other fund without formal action by the District's board of directors and as allowed by statute.

The Superintendent and Chief Financial Officer are the only persons who have the authority to create Assignments of fund balance with guidance from the State Accounting Manual.

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

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

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

Assets, Liabilities, and Fund Equity

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.

NOTE 2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

The Pierce County Treasurer is the *ex-officio* treasurer for the District and holds all accounts of the District. The District directs the County Treasurer to invest those financial resources of the District that the District has determined are not needed to meet the current financial obligations of the District.

All of the District's investments (except for investments of deferred compensation plans) during the year and at year-end were insured or registered and held by the District or its agent in the District's name. Investment timing has changed to insure that remaining funds available at month and year end are reinvested to maximize earnings.

The District's cash and investments deposited with the County Treasurer as of August 31, 2013 are as follows:

	August 31, 2013	August 31, 2012
Cash with County Treasurer	\$ 1,818,907	\$ 21,396,708
County Treasurer Investment Pool	\$ 19,169,000	\$ 0
Total Cash & Investments	\$ 20,987,907	\$ 21,396,708

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

On December 6, 2013, Peninsula School District purchased property located at Harbor Hill in the amount of \$4,361,812 utilizing impact fees and unassigned fund balance from the Capital Projects Fund. There were no other events after the balance sheet date that would have a material impact on the next or future years.

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 statewide retirement systems managed by the Washington State Department of Retirement Systems (DRS), under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statements No. 27, *Accounting for Pensions by State and Local Government Employers* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

Statewide membership by retirement system program as of June 30, 2012:

Program	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

Data is as of the last actuarial valuation date of June 30, 2012.

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

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

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

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

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

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

Contributions

Employee contribution rates as of August 31, 2013:

Plan 1 TRS	6.00%	Plan 1 PERS	6.00%
Plan 2 TRS	4.69%	Plan 2 SERS	4.09%
Plan 3 TRS and SERS: Member-selected rate between five percent and fifteen percent, depending on plan options			

Employer contribution rates as of August 31, 2013:

Plan 1 TRS	8.05%	Plan 1 PERS	9.19%
Plan 2 TRS	8.05%	Plan 2 SERS	7.59%
Plan 3 TRS	8.05%	Plan 3 SERS	7.59%

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):

Plan	2012-13	2011-12	2010-11
Plan 1 TRS	\$ 116,134	\$ 175,851	\$ 198,369
Plan 2 TRS	\$ 496,255	\$ 418,031	\$ 300,834
Plan 3 TRS	\$ 2,282,205	\$ 2,318,493	\$ 1,800,472
Plan 1 PERS	\$ 30,353	\$ 28,980	\$ 27,913
Plan 2 SERS	\$ 333,924	\$ 323,542	\$ 223,836
Plan 3 SERS	\$ 492,288	\$ 495,563	\$ 364,178
Totals	\$ 3,751,159	\$ 3,760,460	\$ 2,915,602

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

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

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

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

Employers participating in the plan include the State of Washington (which includes general government agencies and higher education institutes), 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 2012-2013, the District was required to pay the HCA \$65.17 per month per full-time employee to support the program, for a total payment of \$663,197. This assessment to the District is set forth in the State's operating budget and is subject to change on an annual

basis. This amount is not actuarially determined and is not placed in a trust to pay the obligations for post-employment health care benefits.

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

NOTE 7: COMMITMENTS UNDER NONCAPITALIZED (OPERATING) LEASES

For the fiscal year ended August 31, 2013, the Peninsula School District had additional long-term debt as follows:

Lessor	Amount	Annual Payments	Final Payment Date	Interest Rate	Balance Due
US Bancorp Government Leasing & Finance	\$389,846.20	\$102,673.08	7/20/2016	2.58%	\$288,192.95
Total Lease-Purchase Commitments					\$288,192.95

On July 20, 2012, Peninsula School District entered into a Master Tax-Exempt Installment Purchase Agreement with U.S. Bancorp Government Leasing and Finance Inc. This capital lease was for the purchase of LAN Equipment for the Technology summer projects scheduled for the Peninsula High School, Purdy Elementary and ESC campuses. The terms of the agreement call for 48 monthly payments of \$8,556.09 per month starting on August 20, 2012. Total amount financed was \$389,846.20.

NOTE 8: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

The District did not have any major construction projects in progress as of August 31, 2013. Other significant commitments as of August 31, 2013 related to property evaluation contracted services and the purchase of property located at Harbor Hill. The total property evaluation and purchase has been budgeted for \$4,500,000 of which \$78,697 has been spent as of August 31, 2013 for property evaluation.

Encumbrances

Encumbrance accounting is employed in governmental funds. Purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve a portion of the applicable appropriation. Encumbrances lapse at the end of the fiscal year and may be re-encumbered the following year. The following encumbrance amounts were re-encumbered by fund on September 1, 2013:

Fund	Amount
General	\$ 63,024.44
ASB Fund	\$ 12,626.47
Capital Projects Fund	\$ 37,903.24
Transportation Vehicle Fund	\$ 0.00

NOTE 9: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The District's capital assets are insured in the amount of \$156,426,884 for fiscal year 2012-2013. In the opinion of the District's insurance consultant, the amount was sufficient to adequately fund replacement of the District's assets.

NOTE 10: REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES

Long-Term Debt

Bonds payable as of August 31, 2013, are comprised of the following individual issues:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
General Obligation Bonds as of 8/31/2013					
2003 & 2004 UTGO Refunding	\$21,525,000	\$35,000-4.1M	12/01/19	1.89%	\$21,135,000
2003 UTGO (Refunding 2011)	\$ 4,695,000	\$2.8M	12/01/13	5.00%	\$ 2,800,000
2004 UTGO (Refunding 2011)	\$ 2,950,000	\$100K-600K	12/01/14	5.25%	\$ 700,000
Sub-total GO Bonds	\$29,170,000				\$24,635,000
Non-Voted Debt as of 8/31/13	\$ 0				\$ 0
Total All Bonds as of 8/31/13	\$29,170,000				\$24,635,000

The following is a summary of general obligation long-term debt transactions for the year ending August 31, 2013.

Long-term debt payable at 9/1/12	\$ 27,415,000
New Issues	\$ 0
Less Debt retired	\$ 2,780,000
Long-term debt payable at 8/31/13	\$ 24,635,000

The following is a schedule of annual requirements to amortize long-term debt as of August 31, 2013.

Calendar Years Ending December 31,	Principal	Interest	Total
2013	\$ 2,935,000	\$ 499,700	\$ 3,434,700
2014	\$ 3,135,000	\$ 889,350	\$ 4,024,350
2015	\$ 3,320,000	\$ 763,950	\$ 4,083,950
2016	\$ 3,480,000	\$ 631,650	\$ 4,111,650
2017	\$ 3,640,000	\$ 492,450	\$ 4,132,450
2018	\$ 3,990,000	\$ 359,850	\$ 4,349,850
2019	\$ 4,135,000	\$ 200,250	\$ 4,335,250
Totals	\$ 24,635,000	\$ 3,837,200	\$ 28,472,200

At August 31, 2013, the District had \$2,424,967 available in the Debt Service Fund to service the general obligation bonds.

Prior-Year Defeasance of Debt

In prior years, the district defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the district's financial statements. At August 31, 2013, \$21,200,000 of bonds outstanding are considered defeased.

NOTE 11: ENTITY BALANCES AND TRANSFERS

The district did not have any interfund loans as of August 31, 2013.

NOTE 12: ENTITY RISK MANAGEMENT ACTIVITIES

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

General Property and Liability Insurance

Peninsula School District is one of over 80 school and educational service district members of the Washington Schools Risk Management Pool which was formed on August 30, 1986 pursuant to Chapter 48.62 of the Revised Code of Washington. The purpose of the Pool is to join together in a cooperative manner to provide its members the capability and authority to jointly purchase property and liability insurance, establish and maintain a reserve to pay for self-insurance coverage, provide a plan of self-insurance, and provide related services, including a cooperative program of risk management. The District made payments in the amount of \$621,810 for the 2012-2013 fiscal year to the Washington Schools Risk Management Pool, which is administered by Educational Service District No. 121. For the period 9/1/12 to 8/31/13, the Pool provided liability limits of \$20 million per occurrence and property limits of \$500 million per occurrence (for covered claims). The Pool purchases excess insurance to provide for property claims in excess of \$1 million per occurrence.

Pool underwriting and rate setting policies have been established by the Pool Executive Board after consultation with actuaries. Pool members are subject to supplemental assessment in the event of deficiencies. There is no limit on the amount of annual premium contribution increases. If the assets of the Pool were to be exhausted, members would be responsible for the Pool's liabilities. The allocation of the liabilities would be determined by the Executive Board. If the Pool were dissolved, the members would receive the net assets. The allocation would be in proportion to each member's contribution less obligations (including incurred but not reported claims).

The Washington Schools Risk Management Pool has published its own financial report for the year ended August 31, 2013, which can be obtained from Puget Sound Risk Management Pool, P. O. Box 88700, Tukwila, WA 98138-2700.

Worker's Compensation Trust

Peninsula School District is a member of the Puget Sound Educational Service District Worker's Compensation Trust which is a self-insured pool providing insurance for on-the-job related injuries for participating school districts. For the fiscal year 2012-2013, the district made payments of \$651,318 to this industrial insurance pool, which is administered by the Puget Sound Education Service District on behalf of the member districts. This fund is operated for the district's benefit in-lieu-of the district having to make monthly premium payments to the State of Washington for industrial insurance. This practice enables the district to pay industrial insurance beneficiaries as they become eligible and minimizes the district's costs for the program.

Unemployment Compensation Self-Insurance

Peninsula School District is a member of the Puget Sound Educational Service District Unemployment Pool, a cooperative of over 15 Puget Sound School Districts. The Pool provides administrative services and reviews all unemployment claims and is operated for the District's benefit in-lieu-of the District making monthly premium payments to the State of Washington. Actual employee claims are paid to the State Employment Security Department by the Puget Sound Educational Service District Unemployment Pool. The amount of District payments to the Pool's fund is dependent on the amount of unemployment claims and the amount of the District's share in the Pool's reserve fund. During the 2012-2013 fiscal year, the District made contributions of \$95,764 to the pool. The District's portion of the pool's reserve as of August 31, 2013 met the minimum pool requirement and was sufficient to manage all district claims during the fiscal year.

At year-end, the ending balance in the District's Estimated Unemployment Benefits Payable account is \$101,817. This is separate and independent of the Unemployment Pool reserve.

Vision Self-Insurance

In October 2007, the Peninsula School District implemented an employee health benefit self-insurance program to provide vision coverage for district employees and their families as authorized by RCW 48.62. Northwest Administrators, Inc. acts as the third party administrator for the vision insurance program. An initial payment of \$50,000 was made to

establish a reserve for claim payments. Actual claims paid by the TPA are reimbursed on a monthly basis in order to maintain a \$50,000 balance. This balance is adequate to provide for three to four months of run out claims. For the 2012-2013 fiscal year, the District made contributions to the reserve account totaling \$211,910. Actual claims paid and reimbursed to Northwest Administrators amounted to \$216,035. Incurred But Not Reported (IBNR) reserves and additional contingency liability reserves are held by the District for the explicit purpose of funding the employee benefit claim liabilities. As of August 31, 2013, the ending balance in the district's Estimated Other Employee Insurance Claims Payable account was \$1.185 million.

NOTE 13: PROPERTY TAXES

Property tax revenues are collected as the result of special levies passed by the voters in the District. Taxes are levied on January 1. The taxpayer has the option of paying all taxes on April 30 or one-half then, and one-half on October 31. Typically, slightly more than half of the collections are made on the April 30 date. The October 31 collection is not available in time to cover liabilities for the fiscal period ended August 31. Therefore, the fall portion of property taxes is not accrued as revenue. Instead, the property taxes due on October 31 are recorded as deferred revenue.

NOTE 14: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

The District is a member of the King County Director's Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. The District's equity of \$106,404.17 is the accumulation of the annual assignment of KCDA's operating surplus based upon the percentage derived from KCDA's total sales to the District compared to all other districts applied against paid administrative fees. The District may withdraw from the joint venture and will receive its equity in ten annual allocations of merchandise or 15 annual payments.

NOTE 15: FUND BALANCE CLASSIFICATION DETAILS

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

	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund	Transportation Vehicle Fund
Nonspendable Fund Balance					
Inventory & Prepaid Items	\$ 633,201				
Restricted Fund Balance					
Carryover of Restricted Revenues	\$ 92,763				
Debt Service				\$2,424,967	
Arbitrage Rebate					
Uninsured Risks	\$ 92,118				
Other Items		\$494,613	\$3,917,574		
Committed Fund Balance					
Minimum Fund Balance Policy					
Other Commitments					
Assigned Fund Balance					
Contingencies	\$ 310,553				
Other Capital Projects					
Other Purposes	\$2,096,578				
Fund Purposes			\$3,346,783		\$755,440
Unassigned Fund Balance	\$4,051,134				

In addition, the Capital Projects Fund has the following amounts in Restricted and Committed Fund Balance, based on the source of the revenues:

Restricted from Bond Proceeds	\$ 0
Committed from Levy Proceeds	\$ 0
Restricted from State Proceeds	\$ 0
Restricted from Federal Proceeds	\$ 0
Restricted from Other Proceeds – Pierce County Impact Fees	\$ 2,417,631
Restricted from Impact Fee Proceeds – City of Gig Harbor	\$ 1,499,943
Restricted from Mitigation Fee Proceeds	\$ 0
Restricted from Undistributed Proceeds	\$ 0

NOTE 16: POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS – BOTH IN SEPARATELY ISSUED PLAN FINANCIAL STATEMENTS AND EMPLOYER STATEMENTS

457 Plans – Deferred Compensation Plans

District employees have the option of participating in a deferred compensation plan as defined in Section 457 of the Internal Revenue Code that is administered by the state deferred compensation plan.

The District also administers an IRC, Section 457, Deferred Compensation plan for which there are neither current employees nor contributions being made. The District retains a right of legal access to the plan assets (valued at market) until paid or made available to the employees, subject only to the claims of the district's general creditor. The ending investment balance as of June 30, 2013 was \$7,677.40.

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

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

The District complies with IRS regulations that require school districts to have a written plan to include participating investment companies, types of investments, loans, transfers, and various requirements. The plan is administered by National Benefit Services, LLC for the District. The plan assets are assets of the District employees, not the school district, and are therefore not reflected on these financial statements. The District does not make any discretionary or matching employer contributions to the plan. Only elective deferral employee contributions were made to the plan during 2012-2013.

NOTE 17: TERMINATION BENEFITS

Compensated Absences

Employees earn sick leave at a rate of one day for each contract month worked up to a maximum of one contract year. Year-round employees earn 12 sick leave days per contract year and non year-round employees earn up to 11 sick leave days per 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. At the time of separation from District employment

an eligible employee or the employee's estate shall receive remuneration at a rate equal to one day's current compensation of the employee for every four days of accrued sick leave.

Vacation leave is earned in accordance with District bargaining agreements for employees qualifying for vacation benefits. Employees may accrue up to 30 days of annual leave. Vacation cash-out options are offered every August to employees within qualifying bargaining groups that have vacation buyback language that specifies the maximum number of unused vacation days that can be converted into compensation. All vacation days used for cash-out compensation are deducted from the employee's accumulated vacation leave balance. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as expenditure and a fund liability of the governmental fund that will pay it.

Description	Beginning Outstanding Debt September 1, 2012	Amount		Ending Outstanding Debt August 31, 2013
		Issued/Increased	Redeemed/Decreased	
Total Voted Bonds	27,415,000.00	0.00	2,780,000.00	24,635,000.00
Total Non-Voted Notes/Bonds	0.00	0.00	0.00	0.00
Qualified Zone Academy Bonds (QZAB)	0.00	0.00	0.00	0.00
Qualified School Construction Bonds(QSCB)	0.00	0.00	0.00	0.00
Other Long-Term Debt				
Capital Leases	382,126.92	0.00	93,933.97	288,192.95
Contracts Payable (GL 603)	0.00	0.00	0.00	0.00
NonCancellable Operating Leases	0.00	0.00	0.00	0.00
Claims & Judgments	0.00	0.00	0.00	0.00
Compensated Absences	2,452,693.24	133,002.66	105,476.09	2,480,219.81
Other Long-Term Liabilities	0.00	0.00	0.00	0.00
Total Other Long-Term Liabilities	2,834,820.16	133,002.66	199,410.06	2,768,412.76
TOTAL LONG-TERM LIABILITIES	30,249,820.16	133,002.66	2,979,410.06	27,403,412.76

PENINSULA SCHOOL DISTRICT #401
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ending August 31, 2013

1	2	3	4	5	6	7	8	9	
					Expenditures				
Federal Agency Name	Pass Through Agency	Federal Program Title	CFDA No.	Other Id Number	From Direct Awards	From Pass Through Awards	Total	Footnote	
USDA	WA OSPI	School Breakfast Program	10.553		\$ -	\$ 247,066.00	\$ 247,066.00		
	WA OSPI	National School Lunch Program Cash Assistance	10.555		\$ -	\$ 862,105.22	\$ 862,105.22		
	WA OSPI	National School Lunch Program Non Cash Asst - Commodities	10.555		\$ -	\$ 93,123.04	\$ 93,123.04	2	
	WA State Treasurer	Schools and Roads - Grants to States	10.665		\$ -	\$ 7,736.92	\$ 7,736.92		
Subtotal US Department of Agriculture					\$ -	\$ 1,210,031.18	\$ 1,210,031.18		
Dept of Land Mgmt	Pierce Co Treasurer	Federal In-Lieu of Taxes	15.226			\$ 17,115.37	\$ 17,115.37		
Subtotal US Department of Land Management					\$ -	\$ 17,115.37	\$ 17,115.37		
Dept of Trans	PSESD 121	Job Access And Reverse Commute Program	20.516			\$ 12,024.57	\$ 12,024.57		
Subtotal US Department of Transportation Federal Transit Administration (FTA)					\$ -	\$ 12,024.57	\$ 12,024.57		
Dept of Education	WA OSPI	Title I Grants to LEAs	84.010		\$ -	\$ 707,337.24	\$ 707,337.24	3A	
	WA OSPI	Special Ed - State Grants	84.027A		\$ -	\$ 1,889,700.00	\$ 1,889,700.00	3A	
	WA OSPI	Voc Ed Basic Grants to States	84.048		\$ -	\$ 40,824.44	\$ 40,824.44	3A	
			Indian Education - Grants to LEAs	84.060A		\$ 244,615.00	\$ -	\$ 244,615.00	3A, 4
	WA OSPI	Special Ed - Preschool Grants	84.173		\$ -	\$ 65,747.00	\$ 65,747.00	3A	
	WA OSPI	Title III LEP - English Language Acquisition Grants	84.365		\$ -	\$ 14,252.00	\$ 14,252.00	3B	
	WA OSPI	Title II - Improving Teacher Quality State Grants	84.367		\$ -	\$ 248,970.21	\$ 248,970.21	3A	
	PSESD 121	Race to the Top – Early Learning Challenge	84.412		\$ -	\$ 1,024.92	\$ 1,024.92		
Subtotal US Department of Education					\$ 244,615.00	\$ 2,967,855.81	\$ 3,212,470.81		
Totals					\$ 244,615.00	\$ 4,207,026.93	\$ 4,451,641.93		

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

PENINSULA SCHOOL DISTRICT NO. 401

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 Peninsula School District's financial statements. The 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—NONCASH AWARDS

The amount of food commodities reported on the schedule is the market value of commodities distributed to the school district during the current fiscal year. The value is determined by the USDA.

NOTE 3—FEDERAL INDIRECT RATE

- (A) The district used the federal restricted rate of 2.621 percent for this program.
- (B) The district used the federal restricted rate of 2.000 percent for this program.

NOTE 4—AMOUNTS PASSED THROUGH TO SUBRECIPIENTS

Of the amount shown for this program, \$242,251 was passed-through to subrecipients.



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

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

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

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

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