

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

Mount Vernon School District No. 320
Skagit County

Audit Period
September 1, 2012 through August 31, 2013

Report No. 1011708

Issue Date
April 28, 2014



WASHINGTON
TROY KELLEY
STATE AUDITOR



Washington State Auditor Troy Kelley

April 28, 2014

Board of Directors
Mount Vernon School District No. 320
Mount Vernon, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Mount Vernon School District No. 320'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

Table of Contents

**Mount Vernon School District No. 320
Skagit County
September 1, 2012 through August 31, 2013**

Federal Summary	1
Schedule of Prior Federal Audit Findings	3
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 <i>Government Auditing Standards</i>	4
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.....	6
Independent Auditor's Report on Financial Statements	9
Financial Section.....	12

Federal Summary

**Mount Vernon School District No. 320
Skagit County
September 1, 2012 through August 31, 2013**

The results of our audit of Mount Vernon School District No. 320 are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unmodified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

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

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

FEDERAL AWARDS

Internal Control Over Major Programs:

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

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

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

Identification of Major Programs:

The following were major programs during the period under audit:

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

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

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

Schedule of Prior Federal Audit Findings

**Mount Vernon School District No. 320
Skagit County
September 1, 2012 through August 31, 2013**

This schedule presents the status of federal findings reported in prior audit periods. The status listed below is the representation of Mount Vernon School District No. 320. The State Auditor's Office has reviewed the status as presented by the District.

Audit Period: September 1, 2011 to August 31, 2012	Report Reference No: 1009703	Finding Reference No: 1	CFDA Number(s): 84.010
Federal Program Name and Granting Agency: Title I Grants to Local Educational Agencies, U.S. Department of Education		Pass-Through Agency Name: Office of Superintendent of Public Instruction	
Finding Caption: The District's internal controls are not adequate to ensure the accuracy of unexcused absence rates, which could affect whether a school is meeting adequate yearly progress requirements.			
Background: The objective of the Title I program is to improve the teaching and learning of children who are at risk of not meeting state academic standards and who reside in areas with high concentrations of children from low-income families. During fiscal year 2012, the District spent \$1,767,482 in Title I grant funding. The Office of Superintendent of Public Instruction (OSPI) and school districts annually review schools served under Title I to determine whether they have made adequate yearly progress. Districts must identify for improvement any school that fails to make adequate yearly progress, as defined by OSPI, for two consecutive years. To make adequate yearly progress, a district must meet state benchmarks including an unexcused absence rate of 1 percent or less at elementary and middle schools (grades first through eighth). Schools are responsible for ensuring they report accurate unexcused absence data to OSPI.			
Status of Corrective Action: (check one) <input type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input checked="" type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>Not applicable due to the U.S. Department of Education's recent approval of Washington State's ESEA Flexibility Request, Adequate Yearly Progress (AYP) and AYP sanctions are no longer applicable.</i>			

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*

**Mount Vernon School District No. 320
Skagit County
September 1, 2012 through August 31, 2013**

Board of Directors
Mount Vernon School District No. 320
Mount Vernon, 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 Mount Vernon School District No. 320, Skagit 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 18, 2014.

We issued an unmodified opinion on the fair presentation of the District's financial statements in accordance with its regulatory basis of accounting. We issued a qualified opinion on the fair presentation of certain funds with regard to accounting principles generally accepted in the United States of America (U.S. GAAP) because the financial statements are prepared by the District using accounting practices prescribed or permitted by Washington State statutes and the *Accounting Manual for Public School Districts in the State of Washington* (Accounting Manual) described in Note 1, which is a basis of accounting other than U.S. GAAP.

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.

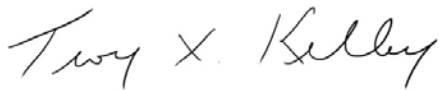
COMPLIANCE AND OTHER MATTERS

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 18, 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

**Mount Vernon School District No. 320
Skagit County
September 1, 2012 through August 31, 2013**

Board of Directors
Mount Vernon School District No. 320
Mount Vernon, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Mount Vernon School District No. 320, Skagit 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.

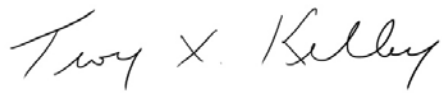
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 18, 2014

Independent Auditor's Report on Financial Statements

Mount Vernon School District No. 320 Skagit County September 1, 2012 through August 31, 2013

Board of Directors
Mount Vernon School District No. 320
Mount Vernon, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Mount Vernon School District No. 320, Skagit 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 12.

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 Mount Vernon School District No. 320, 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.

Basis for Qualified Opinion on the Fiduciary Funds Based on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The Accounting Manual does not require school districts to apply the provisions of Governmental Accounting Standards Board Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* in the presentation of the net position of fiduciary funds at the end of the year. The District's financial statements present the fiduciary fund's ending position as net assets assigned to fund purposes, instead of reporting all of the net position as being held in trust for the purpose for which the trust was established.

Qualified Opinion on the Fiduciary Funds Based on U.S. GAAP

In our opinion, except for the matters described in the "Basis for Qualified Opinion on the Fiduciary Funds Based on U.S. GAAP" paragraph above, the financial statements referred to above present fairly, in all material respects, the financial position of the fiduciary 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.

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 and Transportation Vehicle 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

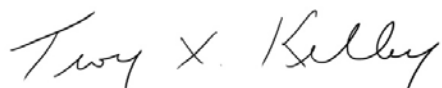
Supplementary and Other Information

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 18, 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 18, 2014

Financial Section

**Mount Vernon School District No. 320
Skagit County
September 1, 2012 through August 31, 2013**

FINANCIAL STATEMENTS

Balance Sheet – Governmental Funds – 2013
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2013
Statement of Fiduciary Net Assets – Fiduciary Funds – 2013
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds – 2013
Notes to Financial Statements – 2013

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Long-Term Liabilities – 2013
Schedule of Expenditures of Federal Awards – 2013
Notes to the Schedule of Expenditures of Federal Awards – 2013

Mount Vernon School District No. 320

Balance Sheet

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	2,077,895.96	23,432.58	14,345.14	181,829.11	421.94	0.00	2,297,924.73
Minus Warrants Outstanding	-1,981,548.06	-10,324.81	0.00	-70,118.42	0.00	0.00	-2,061,991.29
Taxes Receivable	6,365,830.27		2,940,646.35	612,813.53	0.00		9,919,290.15
Due From Other Funds	314,858.14	0.00	0.00	0.00	0.00	0.00	314,858.14
Due From Other Governmental Units	801,616.06	0.00	0.00	0.00	0.00	0.00	801,616.06
Accounts Receivable	86,144.96	1,570.10	0.00	0.00	0.00	0.00	87,715.06
Interfund Loans Receivable	0.00		0.00	0.00			0.00
Accrued Interest Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	418,145.96	5,367.85					423,513.81
Prepaid Items	8,035.56	23,495.74		37,861.88	0.00	0.00	69,393.18
Investments	4,139,752.18	398,458.89	3,073,043.65	1,229,923.77	1,396,840.65	0.00	10,238,019.14
Investments/Cash With Trustee	0.00		0.00	0.00	0.00	0.00	0.00
Investments-Deferred Compensation	0.00			0.00			0.00
Self-Insurance Security Deposit	0.00						0.00
TOTAL ASSETS	12,230,731.03	442,000.35	6,028,035.14	1,992,309.87	1,397,262.59	0.00	22,090,338.98
LIABILITIES:							
Accounts Payable	903,705.32	44,702.72	0.00	29,791.24	0.00	0.00	978,199.28
Contracts Payable Current	0.00	0.00		0.00	0.00		0.00
Accrued Interest Payable			485,408.92				485,408.92
Accrued Salaries	53,045.86	0.00		0.00			53,045.86
Revenue Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00
Payroll Deductions and Taxes Payable	25,464.97	0.00		0.00			25,464.97
Due To Other Governmental Units	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Compensation Payable	0.00			0.00			0.00
Estimated Employee Benefits Payable	0.00						0.00
Due To Other Funds	0.00	6,087.81	0.00	308,770.33	0.00	0.00	314,858.14

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

Mount Vernon School District No. 320

Balance Sheet

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	6,387,923.36	20,850.00	2,940,646.35	612,813.53	0.00	0.00	9,962,233.24
TOTAL LIABILITIES	7,370,139.51	71,640.53	3,426,055.27	951,375.10	0.00	0.00	11,819,210.41
FUND BALANCE:							
Nonspendable Fund Balance	426,181.52	28,863.59	0.00	0.00	0.00	0.00	455,045.11
Restricted Fund Balance	284,402.84	341,496.23	2,601,979.87	697,629.37	1,397,262.59	0.00	5,322,770.90
Committed Fund Balance	3,289,124.40	0.00	0.00	0.00	0.00	0.00	3,289,124.40
Assigned Fund Balance	320,710.00	0.00	0.00	343,305.40	0.00	0.00	664,015.40
Unassigned Fund Balance	540,172.76	0.00	0.00	0.00	0.00	0.00	540,172.76
TOTAL FUND BALANCE	4,860,591.52	370,359.82	2,601,979.87	1,040,934.77	1,397,262.59	0.00	10,271,128.57
TOTAL LIABILITIES AND FUND BALANCE	12,230,731.03	442,000.35	6,028,035.14	1,992,309.87	1,397,262.59	0.00	22,090,338.98

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

Mount Vernon School District No. 320

Statement of Revenues, Expenditures, and Changes in Fund Balance

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	13,538,359.72	454,278.94	5,804,686.12	1,674,741.09	2,251.94		21,474,317.81
State	44,254,751.22		0.00	1,546,415.64	390,270.91		46,191,437.77
Federal	7,037,103.48		0.00	0.00	0.00		7,037,103.48
Federal Stimulus	0.00						0.00
Other	218,841.77			0.00	0.00	0.00	218,841.77
TOTAL REVENUES	65,049,056.19	454,278.94	5,804,686.12	3,221,156.73	392,522.85	0.00	74,921,700.83
EXPENDITURES:							
CURRENT:							
Regular Instruction	33,291,054.52						33,291,054.52
Federal Stimulus	0.00						0.00
Special Education	10,040,048.57						10,040,048.57
Vocational Education	1,927,885.87						1,927,885.87
Skills Center	1,250,466.13						1,250,466.13
Compensatory Programs	5,655,918.72						5,655,918.72
Other Instructional Programs	642,068.83						642,068.83
Community Services	67,887.75						67,887.75
Support Services	12,884,435.60						12,884,435.60
Student Activities/Other		501,496.79				0.00	501,496.79
CAPITAL OUTLAY:							
Sites				3,512.50			3,512.50
Building				1,667,317.78			1,667,317.78
Equipment				1,235,155.47			1,235,155.47
Instructional Technology				0.00		0.00	0.00
Energy				0.00		0.00	0.00
Transportation Equipment					392,122.16		392,122.16
Sales and Lease						0.00	0.00
Other	22,722.00						22,722.00
DEBT SERVICE:							
Principal	0.00		4,155,024.02	0.00	0.00		4,155,024.02
Interest and Other Charges	0.00		1,786,167.26	0.00	0.00		1,786,167.26
Bond/Levy Issuance				0.00	0.00		0.00
TOTAL EXPENDITURES	65,782,487.99	501,496.79	5,941,191.28	2,905,985.75	392,122.16	0.00	75,523,283.97

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

Mount Vernon School District No. 320

Statement of Revenues, Expenditures, and Changes in Fund Balance

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	-733,431.80	-47,217.85	-136,505.16	315,170.98	400.69	0.00	-601,583.14
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		500,259.14	0.00	0.00		500,259.14
Transfers Out (GL 536)	-64,616.28		0.00	-435,642.86	0.00	0.00	-500,259.14
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)	-64,616.28		500,259.14	-435,642.86	0.00	0.00	0.00
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-798,048.08	-47,217.85	363,753.98	-120,471.88	400.69	0.00	-601,583.14
BEGINNING TOTAL FUND BALANCE	5,658,639.60	417,577.67	2,238,225.89	1,161,406.65	1,396,861.90	0.00	10,872,711.71
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ENDING TOTAL FUND BALANCE	4,860,591.52	370,359.82	2,601,979.87	1,040,934.77	1,397,262.59	0.00	10,271,128.57

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

Mount Vernon School District No. 320
Statement Of Fiduciary Net Assets
Fiduciary Funds
August 31, 2013

	Private Purpose Trust	Other Trust
ASSETS:		
Imprest Cash	0.00	0.00
Cash On Hand	0.00	0.00
Cash On Deposit with Cty Treas	3,370.56	0.00
Minus Warrants Outstanding	-2,626.66	0.00
Due From Other Funds	0.00	0.00
Accounts Receivable	0.00	0.00
Accrued Interest Receivable	0.00	0.00
Investments	27,628.37	0.00
Investments/Cash With Trustee	0.00	0.00
Other Assets	0.00	
Capital Assets, Land	0.00	
Capital Assets, Buildings	0.00	
Capital Assets, Equipment	0.00	0.00
Accum Depreciation, Buildings	0.00	
Accum Depreciation, Equipment	0.00	0.00
TOTAL ASSETS	28,372.27	0.00
LIABILITIES:		
Accounts Payable	0.00	0.00
Due To Other Funds	0.00	0.00
TOTAL LIABILITIES	0.00	0.00
NET ASSETS:		
Net assets held in trust for:		
Restricted for Other Items	0.00	0.00
Restricted for Self Insurance		0.00
Restricted for Uninsured Risks		0.00
Nonspendable -- Trust Principal	0.00	0.00
Committed to Other Purposes	0.00	0.00
Assigned to Fund Purposes	28,372.27	0.00
Unassigned Fund Balance	0.00	0.00
TOTAL NET ASSETS	28,372.27	0.00

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

Mount Vernon School District No. 320

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

For the Year Ended August 31, 2013

	Private Purpose Trust	Other Trust
ADDITIONS:		
Contributions:		
Private Donations	7,753.31	0.00
Employer		0.00
Members		0.00
Other	0.00	0.00
TOTAL CONTRIBUTIONS	7,753.31	0.00
Investment Income:		
Net Appreciation (Depreciation) in Fair Value	0.00	0.00
Interest and Dividends	63.49	0.00
Less Investment Expenses	0.00	0.00
Net Investment Income	63.49	0.00
Other Additions:		
Rent or Lease Revenue	0.00	0.00
Total Other Additions	0.00	0.00
TOTAL ADDITIONS	7,816.80	0.00
DEDUCTIONS:		
Benefits		0.00
Refund of Contributions	0.00	0.00
Administrative Expenses		0.00
Scholarships	16,304.86	
Other	0.00	0.00
TOTAL DEDUCTIONS	16,304.86	0.00
Net Increase (Decrease)	-8,488.06	0.00
Net Assets--Beginning	36,860.33	0.00
Prior Year(s) Corrections or Restatements	0.00	0.00
NET ASSETS--ENDING	28,372.27	0.00

MOUNT VERNON SCHOOL DISTRICT NO. 320

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

The District presents governmental fund financial statements and related notes on the 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 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.

Pension (and Other Employee Benefit) Trust Fund

This fund is used to account for resources to be held for the members and beneficiaries of a pension plan or other employee benefit plans.

Agency Funds

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

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 amounts are expended.

The government's fund balance classifications policies and procedures.

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

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

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

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

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

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

The Executive Director of Finance is the only person (persons) who have the authority to create Assignments of fund balance.

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

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

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

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.

Receivables and Payables

The only receivables and payables not expected to be collected within one year are \$0.00.

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 Skagit 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.

The District's investments as of August 31, 2013, are as follows:

	Number of Securities	Carrying Amount	Market Value
Certificates of Deposit or Other Time Deposits			\$767,907.99
Repurchase Agreements			
Bankers' Acceptance			
Obligations of the U.S. Government or Its Subsidiary Corporations			
Investments Held by Broker-Dealers Under Reverse Repurchase Agreements: U.S. Government Securities U.S. Instrumentality Securities			
State Treasurer's Investment Pool			\$9,497,739.52
County Treasurer's Investment Pool			
Total Investments			\$10,265,647.51

NOTE 3: SIGNIFICANT CONTINGENT LIABILITIES

There were none at the balance sheet date.

Litigation

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

NOTE 4: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

There were no events after the balance sheet date that would have a material impact on the next or future fiscal 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*.

Membership by retirement system program as of June 30, 2011:

Program	Active Members	Inactive Vested Members	Retired Members
TRS	66,203	9,204	41,709
PERS	152,417	29,925	79,363
SERS	52,332	10,262	6,428

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

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

Plan 3 under the TRS and SERS programs are defined benefit, defined contribution pension plans whose members joined on or after July 1, 1996, or September 1, 2000, for TRS and SERS, respectively. Members are eligible to retire with full benefits 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.

Contributions

Employee contribution rates effective September 1, 2012 through 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	5.00%(minimum), 15%(maximum)

Plan 3 TRS and SERS: Member-selected rate between five percent and fifteen percent, depending on plan options.

Employer contribution rates effective September 1, 2012 through August 31, 2013:

		09/01/12-06/30/13	07/01/13-08/31/2013
Plan 1 TRS 8.05%	Plan 1 PERS	7.21%	9.19%
Plan 2 TRS 8.05%	Plan 2 SERS	7.59%	7.59%
Plan 3 TRS 8.05%	Plan 3 SERS	7.59%	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):

<u>Plan</u>	<u>FY 12-13</u>	<u>FY 11-12</u>	<u>FY 10-11</u>
Plan 1 TRS	\$ 65,411.20	\$ 79,862.52	\$ 70,871.18
Plan 2 TRS	\$ 414,683.14	\$ 380,764.56	\$ 255,284.23
Plan 3 TRS	\$1,654,375.51	\$1,623,031.60	\$1,226,992.53
Plan 1 PERS	\$ 26,570.22	\$ 28,729.47	\$ 19,572.67
Plan 2 SERS	\$ 378,056.64	\$ 357,684.76	\$ 261,416.82
Plan 3 SERS	\$ 426,821.95	\$ 416,034.86	\$ 312,596.72

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, 2012, 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 2012-13, the District was required to pay the HCA \$65.17 per month per full-time equivalent employee to support the program, for a total payment of \$511,656.48. 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: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS, INCLUDING ENCUMBRANCES, IF APPROPRIATE

Construction in progress is composed of:

Project	Project Authorization Amount	Expended as of 8/31/2013	Additional Local Funds Committed	Additional State Funds Committed
Construction of MVHS Gym	8,238,391.13	8,211,258.93	1,985.54	25,146.66
Architect	668,294.53	662,747.75	5,546.78	0
Commissioning	27,763.00	25,108.30	0	2,654.70
Equipment	427,670.76	383,526.09	0	44,144.07
Total	9,362,119.42	9,282,641.07	7,532.32	71,945.43

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	\$0
ASB Fund	\$0
Capital Projects Fund	\$0
Transportation Vehicle Fund	\$0

NOTE 8: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The District's capital assets are insured in the amount of \$135,764,513 for Fiscal Year 2012-13. In the opinion of the District's insurance consultant, the amount is sufficient to adequately fund replacement of the District's assets.

NOTE 9: REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES

Long-Term Debt

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

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
2005 Refunded 2001	\$ 22,330,000	\$155,000- \$2,805,000	12/2019	3.00%-5.25%	\$ 21,925,000.00
2006 Refunded 1996	\$ 21,585,000	\$375,000- \$3,445,000	12/2014	4.25%-4.50%	\$ 6,630,000.00
2010 Refunded 2002	\$ 7,695,000	\$30,000- \$2,820,000	12/2019	2.00%-4.50%	\$ 7,055,000.00
QZAB	\$ 1,500,000	\$107,143	06/2020	0%	\$ 1,500,000.00
QZAB	\$ 3,942,000	\$328,500	06/2023	0%	\$ 3,285,000.00
LOCAL Program	\$ 550,000	\$ 64,616.28	12/2019	3.148%	\$ 377,154.59
Total General Obligation Bonds					\$ 40,772,154.59

The following is a summary of general obligation long-term debt transactions of the District for the fiscal year(s) ended August 31, 2013:

Long-Term Debt Payable at 9/1/2012	\$44,927,178.61
New Issues	
Debt Retired	\$ 4,415,024.02
Long-Term Debt Payable at 8/31/2013	\$40,772,154.59

The following is a schedule of annual requirements to amortize debt at August 31, 2013:

Years Ending August 31	Principal	Interest	Total
2014	\$ 4,431,658.74	\$ 1,629,195.04	\$ 6,060,853.78
2015	\$ 4,718,345.31	\$ 1,455,495.97	\$ 6,173,841.28
2016	\$ 5,215,085.40	\$ 1,249,312.13	\$ 6,464,397.53
2017	\$ 5,576,880.70	\$ 1,000,179.33	\$ 6,577,060.03
2018	\$ 5,973,732.96	\$ 724,827.07	\$ 6,698,560.03
2019-2023	\$ 14,856,451.48	\$ 566,460.44	\$15,422,911.92
Total	\$ 40,772,154.59	\$ 6,625,469.98	\$47,397,624.57

At August 31, 2013, the District had \$2,323,043.63 available in the Debt Service Fund to service the general obligation bonds.

NOTE 10: ENTITY RISK MANAGEMENT ACTIVITIES

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

In September 1986, the District joined together with other school districts in the state to form Washington Schools Risk Management Pool, a public entity risk pool currently operating as a common risk management. The District pays an annual premium to the pool for its general insurance coverage. The agreement for formation of the Washington Schools Risk Management Pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$10,000,000.00 for each insured event.

NOTE 11: 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 12: 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 dated June 19, 1974, and has remained in the joint venture ever since. The District's current equity of \$59,406.74 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 13: 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 and Prepaid Items	\$ 426,181.52	\$ 28,863.59			
Restricted Fund Balance					
Carryover of Restricted Revenues	\$ 284,402.84				
Debt Service	\$		\$	\$2,601,979.87	\$
Arbitrage Rebate	\$		\$	\$	\$
Uninsured Risks	\$	\$	\$		\$
Other Items	\$	\$341,496.23	\$697,629.37	\$	\$1,397,262.59
Committed Fund Balance					
Minimum Fund Balance Policy	\$3,289,124.40				
Other Commitments	\$	\$	\$	\$	\$
Assigned Fund Balance					
Contingencies	\$				
Other Capital Projects	\$				
Other Purposes	\$ 320,710.00				
Fund Purposes			\$343,305.40	\$	\$
Unassigned Fund Balance	\$ 540,172.76				

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	\$
Committed from Levy Proceeds	\$(69,798.95)
Restricted from State Proceeds	\$
Restricted from Federal Proceeds	\$
Restricted from Other Proceeds	\$
Restricted from Impact Fee Proceeds	\$767,428.32
Restricted from Mitigation Fee Proceeds	\$
Restricted from Undistributed Proceeds	\$

The board of directors has established a minimum fund balance policy for the General Fund to provide for financial stability and contingencies within the District. The policy is that the District shall maintain 5% of total expenditures for the Fiscal Year 2012-13. Portions of fund balance that are set aside for the purpose of meeting this policy are recorded on the financial statements as a part of Committed fund balance.

NOTE 14: POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS—BOTH IN SEPARATELY ISSUED PLAN FINANCIAL STATEMENTS AND EMPLOYER STATEMENTS

457 Plan – Deferred Compensation Plan

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

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

The District offers a tax deferred annuity plan for its employees. The plan permits participants to defer a portion of their salary until future years under one type of deferrals: elective deferrals (employee contribution).

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 CPI Qualified Plan Consultants Inc. The plan assets are assets of the District employees, not the school district, and are therefore not reflected on these financial statements. For the year ended August 31, 2013, the District made \$0.00 in employer contributions to the plan.

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.

NOTE 16: OTHER DISCLOSURES

The District is the host district for the Northwest Career & Technical Academy Skills Center, a regional program designed to provide career and technical education opportunities to students in participating districts. The purpose of a Skills Center is to enhance the career and technical education course offerings among districts by avoiding unnecessary duplication of courses.

The Northwest Career & Technical Academy Skills Center was created through an agreement of the 6 member districts. The Skills Center is governed by an Administrative Council, comprised of the superintendents, or their appointed representatives, of all member districts. The Skills Center administration is handled through a director, employed by the District.

As host district, the District has the following responsibilities:

1. Employ staff of the Skills Center.
2. Act as fiscal agent for the Skills Center and maintain separate accounts and fund balances for each fund.
3. Review and adopt the Skills Center budget as a part of the District's overall budget.
4. Provide such services as may be mutually agreed upon by the District and the Skills Center.

Sources of Funding

The Skills Center is primarily funded by state apportionment, based on the number of students who attend the Skills Center. Other sources of income include federal grants from the Carl D. Perkins program, tuition and fees, and payments from member districts.

Capital Improvements

The District collects an annual fee from all participating districts for the Capital Projects Maintenance Fund. These funds are used for the maintenance and related capital improvements of Skills Center facilities. Fees are collected from each member district in accordance with the interlocal agreement signed by all member districts. Any amounts collected that have not been expended for capital purposes are recorded as a restriction of the District's Capital Projects Fund balance.

Unspent Funds

Any funds remaining at the end of the year from Skills Center operations are recorded as a restriction of the District's General Fund balance, and are to be used for financing future operations of the Skills Center. Member districts do not have claim to any unspent funds of the Skills Center.

The following districts are member districts of the Skills Center:

Anacortes School District
Burlington Edison School District
Concrete School District
LaConner School District
Mount Vernon School District
Sedro Woolley School District

The Meridian School District operates a satellite campus of the Northwest Career & Technical Academy Skills Center. A satellite campus is not eligible to claim those students who attend for purposes of receiving direct funding from the state. The Meridian School District is required to provide the staffing for the satellite campus programs. As the fiscal agent for the Skills Center, the Mount Vernon School District reimburses the satellite district for their costs through the interlocal agreement.

Mount Vernon School District No. 320
 Schedule of Long-Term Liabilities
 For the Year Ended August 31, 2013

Description	Beginning Outstanding Debt September 1, 2012	Amount Issued/Increased	Amount Redeemed/Decreased	Ending Outstanding Debt August 31, 2013
Total Voted Bonds	39,385,000.00	0.00	3,775,000.00	35,610,000.00
Total Non-Voted Notes/Bonds	428,678.61	0.00	51,524.02	377,154.59
Qualified Zone Academy Bonds (QZAB)	5,113,500.00	0.00	328,500.00	4,785,000.00
Qualified School Construction Bonds(QSCB)	0.00	0.00	0.00	0.00
Other Long-Term Debt				
Capital Leases	0.00	0.00	0.00	0.00
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	1,159,000.46	304,403.80	0.00	1,463,404.26
Other Long-Term Liabilities	0.00	0.00	0.00	0.00
Total Other Long-Term Liabilities	1,159,000.46	304,403.80	0.00	1,463,404.26
TOTAL LONG-TERM LIABILITIES	46,086,179.07	304,403.80	4,155,024.02	42,235,558.85

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

Mount Vernon School District No. 320
 Schedule of Expenditures of Federal Awards
 For the Year Ending August 31, 2013

Federal Agency Name	Pass Thru Agency	Federal Program Title	CFDA Number	Other ID Number	From Direct Awards	From Pass Thru Awards	Total	Foot Note
Dept of Agriculture	OSPI	School Breakfast Program (A)	10.553	29320		466,361	466,361	
	OSPI	Nat'l School Lunch Program (A) - Cash Assistance	10.555	29320		1,648,577	1,648,577	
	OSPI	Nat'l School Lunch Program (A) - non-cash Assistance - Commodities	10.555	29320		100,081	100,081	3
	OSPI	Child and Adult Care Food Program (A)	10.558	29320		13,409	13,409	
	OSPI	Summer Food Service Program for Children	10.559	29320		29,023	29,023	
	OSPI	Fresh Fruits and Vegetables Program	10.582	29320		42,878	42,878	
	OSPI	School & Roads Grants to State	10.665	n/a		101,846	101,846	
Dept of Agriculture Subtotal					0	2,402,175	2,402,175	
Dept of Education	OSPI	Title 1 Grants To Local Educational Agencies	84.010A	0228560/0228566/0228554/ 0201230/0222443		1,516,445	1,516,445	2
	OSPI	Migrant Education - State Grant Program	84.011A	0281040/0290715		342,713	342,713	
	OSPI	Special Education - Grants To States	84.027A	0304340/0337513		1,518,763	1,518,763	
	OSPI	Career and Technical Education - Basic Grants To States	84.048	0172630/0172592		86,578	86,578	
	OSPI	Special Education - Preschool Grants	84.173A	364340		56,610	56,610	
	OSPI	Twenty-First Century Community Learning Centers	84.287	0993875		163,430	163,430	
	UW/OSPI	Gaining Early Awareness And Readiness for Undergraduate Programs	84.334	745318/733587		275,788	275,788	
	OSPI	English Language Acquisition State Grants	84.365	0401713		267,468	267,468	
	ESD	Mathematics and Science Partnerships	84.366	NA		2,587	2,587	
	OSPI	Improving Teacher Quality State Grants (A)	84.367A	0523066		231,474	231,474	
Dept of Education Subtotal					0	4,461,856	4,461,856	
Dept of DSHS	DSHS	Medical Assistance Program	93.778	n/a		69,462	69,462	
Department of Health and Human Services					0	69,462	69,462	
Totals					0	6,933,493	6,933,493	

**Notes to the Schedule of Expenditures of Federal Awards
Mount Vernon School District No. 320
2012-2013**

NOTE 1 – BASIS OF ACCOUNTING

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

NOTE 2 – SCHOOLWIDE PROGRAMS

The District operates a "schoolwide program" in 6 elementary buildings and 2 middle school buildings. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to certain targeted students. The following federal program amounts were expended by the District in its schoolwide programs: Title 1 (84.010) - \$1,192,770.30

NOTE 3 – NON CASH AWARDS – FOOD COMMODITIES

The amount of food commodities reported on the schedule is the market value of the commodities distributed by the district during the current year and priced as prescribed by USDA.



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.

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

State Auditor
Chief of Staff
Director of Performance and State Audit
Director of Local Audit
Deputy Director of State Audit
Deputy Director of Local Audit
Deputy Director of Local Audit
Deputy Director of Performance Audit
Deputy Director of Quality Assurance
Deputy Director of Communications
Local Government Liaison
Public Records Officer
Main number
Toll-free Citizen Hotline

Troy Kelley
Doug Cochran
Chuck Pfeil, CPA
Kelly Collins, CPA
Jan M. Jutte, CPA, CGFM
Sadie Armijo
Mark Rapozo, CPA
Lou Adams, CPA
Barb Hinton
Thomas Shapley
Mike Murphy
Mary Leider
(360) 902-0370
(866) 902-3900

Website
Subscription Service

www.sao.wa.gov
portal.sao.wa.gov/saoportal/Login.aspx