



# Washington State Auditor's Office

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## Financial Statements Audit Report

# Lake Quinault School District No. 97

Grays Harbor County

For the period September 1, 2011 through August 31, 2014

Published October 8, 2015

Report No. 1015051





## Washington State Auditor's Office

October 8, 2015

Superintendent and Board of Directors  
Lake Quinault School District No. 97  
Amanda Park, Washington

### Report on Financial Statements

Please find attached our report on Lake Quinault School District No. 97's financial statements.

We are issuing this report in order to provide information on the District's financial condition.

Sincerely,

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

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**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**

**Lake Quinault School District No. 97  
Grays Harbor County  
September 1, 2011 through August 31, 2014**

Superintendent and Board of Directors  
Lake Quinault School District No. 97  
Amanda Park, 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 Lake Quinault School District No. 97, Grays Harbor County, Washington, as of and for the years ended August 31, 2014, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated September 9, 2015. As discussed in Note 1 to the financial statements, during the year ended August 31, 2014, the District implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets*.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audits 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.



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

September 9, 2015

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Lake Quinault School District No. 97 Grays Harbor County September 1, 2011 through August 31, 2014**

Superintendent and Board of Directors  
Lake Quinault School District No. 97  
Amanda Park, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of Lake Quinault School District No. 97, Grays Harbor County, Washington, as of and for the years ended August 31, 2014, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 9.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's

judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant account estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Unmodified Opinion on Regulatory Basis of Accounting (Accounting Manual)**

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lake Quinault School District No. 97, as of August 31, 2014, 2013 and 2012, and the changes in financial position thereof for the years then ended in accordance with the basis of accounting described in Note 1.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General, ASB, Debt Service, Capital Project, Transportation Vehicle and Fiduciary funds as of August 31, 2014, 2013 and 2012, and the changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Matters of Emphasis**

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

## Other Matters

### *Supplementary and Other Information*

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of Long-Term Liabilities are presented for purposes of additional analysis, as required by the prescribed Accounting Manual. This schedule is 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 September 9, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



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

September 9, 2015

## FINANCIAL SECTION

### Lake Quinault School District No. 97 Grays Harbor County September 1, 2011 through August 31, 2014

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Lake Quinault School District No. 097

Balance Sheet

Governmental Funds

August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>ASSETS:</b>							
Cash and Cash Equivalents	160,754.63	15,314.92	5,985.67	121,709.10	44,739.82	0.00	348,504.14
Minus Warrants Outstanding	-130,517.64	-427.62	0.00	-43,676.79	0.00	0.00	-174,622.05
Taxes Receivable	155,544.47		109.04	28,376.14	0.00	0.00	184,029.65
Due From Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due From Other Governmental Units	32,434.57	0.00	0.00	0.00	0.00	0.00	32,434.57
Accounts Receivable	720.36	0.00	0.00	657.50	0.00	0.00	1,377.86
Interfund Loans Receivable	0.00			0.00			0.00
Accrued Interest Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	0.00	0.00					0.00
Prepaid Items	0.00	0.00					0.00
Investments	0.00	27,400.00	6,958.91	0.00	73,243.65	0.00	107,602.56
Investments/Cash With Trustee	3,488.08		0.00	0.00	0.00	0.00	3,488.08
Investments-Deferred Compensation	0.00			0.00			0.00
Self-Insurance Security Deposit	0.00						0.00
<b>TOTAL ASSETS</b>	<b>222,424.47</b>	<b>42,287.30</b>	<b>13,053.62</b>	<b>107,065.95</b>	<b>117,983.47</b>	<b>0.00</b>	<b>502,814.81</b>
<b>LIABILITIES:</b>							
Accounts Payable	12,386.51	0.00	0.00	0.00	0.00	0.00	12,386.51
Contracts Payable Current	0.00	0.00					0.00
Accrued Interest Payable			0.00				0.00
Accrued Salaries	0.00	0.00					0.00
Anticipation Notes Payable	0.00		0.00		0.00		0.00
Payroll Deductions and Taxes Payable	0.00	0.00					0.00
Due To Other Governmental Units	856.37	0.00		0.00	0.00	0.00	856.37
Deferred Compensation Payable	0.00			0.00			0.00
Estimated Employee Benefits Payable	0.00						0.00
Due To Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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

Lake Quinault School District No. 097

Balance sheet

Governmental Funds

August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>LIABILITIES:</b>							
Interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	0.00	0.00		0.00			0.00
Unearned Revenue	0.00	0.00	0.00	0.00	0.00		0.00
Matured Bonds Payable			5,841.01				5,841.01
Matured Bond Interest Payable			143.98				143.98
Arbitrage Rebate Payable	0.00		0.00	0.00	0.00		0.00
<b>TOTAL LIABILITIES</b>	<b>13,242.88</b>	<b>0.00</b>	<b>5,984.99</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>19,227.87</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>							
Unavailable Revenue	0.00	0.00	0.00	0.00	0.00		0.00
Unavailable Revenue - Taxes Receivable	155,544.47		109.04	28,376.14	0.00		184,029.65
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>155,544.47</b>	<b>0.00</b>	<b>109.04</b>	<b>28,376.14</b>	<b>0.00</b>	<b>0.00</b>	<b>184,029.65</b>
<b>FUND BALANCE:</b>							
Nonspendable Fund Balance	0.00	0.00	0.00	0.00	0.00		0.00
Restricted Fund Balance	0.00	42,287.30	6,959.59	27,767.44	117,983.47		194,997.80
Committed Fund Balance	0.00	0.00	0.00	13,588.03	0.00		13,588.03
Assigned Fund Balance	5,000.00	0.00	0.00	37,334.34	0.00		42,334.34
Unassigned Fund Balance	48,637.12	0.00	0.00	0.00	0.00		48,637.12
<b>TOTAL FUND BALANCE</b>	<b>53,637.12</b>	<b>42,287.30</b>	<b>6,959.59</b>	<b>78,689.81</b>	<b>117,983.47</b>	<b>0.00</b>	<b>299,557.29</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE</b>	<b>222,424.47</b>	<b>42,287.30</b>	<b>13,053.62</b>	<b>107,065.95</b>	<b>117,983.47</b>	<b>0.00</b>	<b>502,814.81</b>

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

Lake Quinault School District No. 097

Balance Sheet

Governmental Funds

August 31, 2013

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>ASSETS:</b>							
Cash and Cash Equivalents	336,920.68	11,633.51	-25.52	72,484.97	25,446.54	0.00	446,460.18
Minus Warrants Outstanding	-299,364.84	-427.62	0.00	-28,968.33	0.00	0.00	-328,760.79
Taxes Receivable	0.00		0.00	0.00	0.00	0.00	0.00
Due From Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due From Other Governmental Units	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interfund Loans Receivable	0.00			0.00			0.00
Accrued Interest Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	0.00	0.00					0.00
Prepaid Items	0.00	0.00		0.00	0.00	0.00	0.00
Investments	0.00	27,400.00	12,907.24	80,500.00	201,058.78	0.00	321,866.02
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
<b>TOTAL ASSETS</b>	<b>37,555.84</b>	<b>38,605.89</b>	<b>12,881.72</b>	<b>124,016.64</b>	<b>226,505.32</b>	<b>0.00</b>	<b>439,565.41</b>
<b>LIABILITIES:</b>							
Accounts Payable	-8,462.61	0.00	0.00	0.00	0.00	0.00	-8,462.61
Contracts Payable Current	0.00	0.00		0.00	0.00	0.00	0.00
Accrued Interest Payable			0.00				0.00
Accrued Salaries	163.06	0.00		0.00			163.06
Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00
Payroll Deductions and Taxes Payable	153.90	0.00		0.00			153.90
Due To Other Governmental Units	0.00	0.00		0.00	0.00	0.00	0.00
Deferred Compensation Payable	0.00			0.00			0.00
Estimated Employee Benefits Payable	0.00						0.00
Due To Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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

Lake Quinault School District No. 097

Balance sheet

Governmental Funds

August 31, 2013

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>LIABILITIES:</b>							
Interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	0.00	0.00		0.00			0.00
Unearned Revenue	0.00	0.00	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
<b>TOTAL LIABILITIES</b>	<b>-8,145.65</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>-8,145.65</b>
<b>FUND BALANCE:</b>							
Nonspendable Fund Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Restricted Fund Balance	0.00	38,605.89	12,881.72	100,727.00	0.00	0.00	152,214.61
Committed Fund Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Assigned Fund Balance	5,000.00	0.00	0.00	23,289.64	226,505.32	0.00	254,794.96
Unassigned Fund Balance	40,701.49	0.00	0.00	0.00	0.00	0.00	40,701.49
<b>TOTAL FUND BALANCE</b>	<b>45,701.49</b>	<b>38,605.89</b>	<b>12,881.72</b>	<b>124,016.64</b>	<b>226,505.32</b>	<b>0.00</b>	<b>447,711.06</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>							

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

Lake Quinault School District No. 097

Balance Sheet

Governmental Funds

August 31, 2012

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>ASSETS:</b>							
Cash and Cash Equivalents	233,455.74	7,568.70	14.99	11,641.63	28.58	0.00	252,709.64
Minus Warrants Outstanding	-182,093.79	-436.02	0.00	-15,043.35	0.00	0.00	-197,576.16
Taxes Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due From Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due From Other Governmental Units	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interfund Loans Receivable	0.00	0.00	0.00	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	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Prepaid Items	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investments	16,000.00	40,000.00	12,797.58	501,000.00	200,747.55	0.00	770,545.13
Investments/Cash With Trustee	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investments-Deferred Compensation	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Self-Insurance Security Deposit	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL ASSETS</b>	<b>67,361.95</b>	<b>47,132.68</b>	<b>12,812.57</b>	<b>497,595.28</b>	<b>200,776.13</b>	<b>0.00</b>	<b>825,678.61</b>
<b>LIABILITIES:</b>							
Accounts Payable	639.85	0.00	0.00	0.00	0.00	0.00	639.85
Contracts Payable Current	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accrued Interest Payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accrued Salaries	163.06	0.00	0.00	0.00	0.00	0.00	163.06
Anticipation Notes Payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Payroll Deductions and Taxes Payable	153.90	0.00	0.00	0.00	0.00	0.00	153.90
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	0.00	0.00	0.00	0.00
Estimated Employee Benefits Payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due To Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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

Lake Quinault School District No. 097

Balance Sheet

Governmental Funds

August 31, 2012

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>LIABILITIES:</b>							
Interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	0.00	0.00		0.00			0.00
Unearned Revenue	0.00	0.00	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
<b>TOTAL LIABILITIES</b>	<b>956.81</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>956.81</b>
<b>FUND BALANCE:</b>							
Nonspendable Fund Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Restricted Fund Balance	54,042.16	47,132.68	12,812.57	539,339.52	0.00	0.00	653,326.93
Committed Fund Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Assigned Fund Balance	0.00	0.00	0.00	-41,774.24	200,776.13	0.00	159,031.89
Unassigned Fund Balance	12,362.98	0.00	0.00	0.00	0.00	0.00	12,362.98
<b>TOTAL FUND BALANCE</b>	<b>66,405.14</b>	<b>47,132.68</b>	<b>12,812.57</b>	<b>497,595.28</b>	<b>200,776.13</b>	<b>0.00</b>	<b>824,721.80</b>
<b>TOTAL LIABILITIES FUND BALANCE</b>							

The accompanying notes are an integral part of this financial statement

Lake Quinault School District No. 097

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>REVENUES:</b>							
Local	509,944.61	29,791.54	32.86	189,314.46	142.72		729,226.19
State	2,180,753.36		0.00	0.00	44,728.95		2,225,482.31
Federal	493,198.86		0.00	0.00	0.00		493,198.86
Federal Stimulus	0.00						0.00
Other	33,132.40			0.00	0.00	0.00	33,132.40
<b>TOTAL REVENUES</b>	<b>3,217,029.23</b>	<b>29,791.54</b>	<b>32.86</b>	<b>189,314.46</b>	<b>44,871.67</b>	<b>0.00</b>	<b>3,481,039.76</b>
<b>EXPENDITURES:</b>							
<b>CURRENT:</b>							
Regular Instruction	1,248,620.93						1,248,620.93
Federal Stimulus	0.00						0.00
Special Education	135,128.77						135,128.77
Vocational Education	176,646.99						176,646.99
Skill Center	0.00						0.00
Compensatory Programs	354,906.54						354,906.54
Other Instructional Programs	58,035.24						58,035.24
Community Services	88,726.39						88,726.39
Support Services	1,127,789.43						1,127,789.43
Student Activities/Other		26,110.13				0.00	26,110.13
<b>CAPITAL OUTLAY:</b>							
Sites				16,656.90			16,656.90
Building				0.00			0.00
Equipment				161,946.21			161,946.21
Instructional Technology				0.00			0.00
Energy				0.00			0.00
Transportation Equipment					153,393.52		153,393.52
Sales and Lease							0.00
Other	4,500.00						4,500.00
<b>DEBT SERVICE:</b>							
Principal	0.00		76,410.12	0.00	0.00		76,410.12
Interest and Other Charges	272.42		9,523.01	0.00	0.00		9,795.43
Bond/Levy Issuance				0.00	0.00		0.00
<b>TOTAL EXPENDITURES</b>	<b>3,194,626.71</b>	<b>26,110.13</b>	<b>85,933.13</b>	<b>178,603.11</b>	<b>153,393.52</b>	<b>0.00</b>	<b>3,638,666.60</b>

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

Lake Quinault School District No. 097

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>DEBT SERVICE:</b>							
REVENUES OVER (UNDER) EXPENDITURES	22,402.52	3,681.41	-85,900.27	10,711.35	-108,521.85	0.00	-157,626.84
<b>OTHER FINANCING SOURCES (USES):</b>							
Bond Sales & Refunding Bond Sales	0.00		0.00	0.00	0.00		0.00
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	0.00		79,978.14	0.00	0.00		79,978.14
Transfers Out (GL 536)	-17,954.97		0.00	-56,038.18	0.00	0.00	-73,993.15
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	0.00		0.00	0.00	0.00		0.00
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-17,954.97</b>		<b>79,978.14</b>	<b>-56,038.18</b>	<b>0.00</b>	<b>0.00</b>	<b>5,984.99</b>
<b>EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>4,447.55</b>	<b>3,681.41</b>	<b>-5,922.13</b>	<b>-45,326.83</b>	<b>-108,521.85</b>	<b>0.00</b>	<b>-151,641.85</b>
<b>BEGINNING TOTAL FUND BALANCE</b>	<b>45,701.49</b>	<b>38,605.89</b>	<b>12,881.72</b>	<b>124,016.64</b>	<b>226,505.32</b>	<b>0.00</b>	<b>447,711.06</b>
Prior Year(s) Corrections or Restatements	3,488.08	0.00	0.00	0.00	0.00	0.00	3,488.08
<b>ENDING TOTAL FUND BALANCE</b>	<b>53,637.12</b>	<b>42,287.30</b>	<b>6,959.59</b>	<b>78,689.81</b>	<b>117,983.47</b>	<b>0.00</b>	<b>299,557.29</b>

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

Lake Quinault School District No. 097  
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
<b>REVENUES:</b>							
Local	504,397.54	43,191.45	99.15	110,537.30	321.39		658,546.83
State	2,080,455.94		0.00	244,953.00	25,407.80		2,350,816.74
Federal	484,166.50		0.00	222.65	0.00		484,389.15
Federal Stimulus	0.00						0.00
Other	19,834.50			0.00	0.00	0.00	19,834.50
<b>TOTAL REVENUES</b>	<b>3,088,854.48</b>	<b>43,191.45</b>	<b>99.15</b>	<b>355,712.95</b>	<b>25,729.19</b>	<b>0.00</b>	<b>3,513,587.22</b>
<b>EXPENDITURES:</b>							
<b>CURRENT:</b>							
Regular Instruction	1,256,592.29						1,256,592.29
Federal Stimulus	0.00						0.00
Special Education	132,532.93						132,532.93
Vocational Education	134,676.89						134,676.89
Skills Center	0.00						0.00
Compensatory Programs	349,089.73						349,089.73
Other Instructional Programs	54,689.56						54,689.56
Community Services	76,621.87						76,621.87
Support Services	1,074,268.98						1,074,268.98
Student Activities/Other		51,718.24				0.00	51,718.24
<b>CAPITAL OUTLAY:</b>							
Sites				11,242.64			11,242.64
Building				0.00			0.00
Equipment				50,099.66			50,099.66
Instructional Technology				0.00			0.00
Energy				611,911.11			611,911.11
Transportation Equipment					0.00		0.00
Sales and Lease				0.00			0.00
Other	806.49						806.49
<b>DEBT SERVICE:</b>							
Principal	0.00		74,743.03	0.00	0.00		74,743.03
Interest and Other Charges	354.44		11,250.10	0.00	0.00		11,604.54
Bond/Levy Issuance				0.00	0.00		0.00
<b>TOTAL EXPENDITURES</b>	<b>3,079,633.18</b>	<b>51,718.24</b>	<b>85,993.13</b>	<b>673,253.41</b>	<b>0.00</b>	<b>0.00</b>	<b>3,890,597.96</b>

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

Lake Quinault School District No. 097

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
<b>DEBT SERVICE:</b>							
REVENUES OVER (UNDER) EXPENDITURES	9,221.30	-8,526.79	-85,893.98	-317,540.46	25,729.19	0.00	-377,010.74
<b>OTHER FINANCING SOURCES (USES):</b>							
Bond Sales & Refunding Bond Sales	0.00		0.00	0.00	0.00		0.00
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	0.00		85,963.13	0.00	0.00		85,963.13
Transfers Out (GL 536)	-29,924.95		0.00	-56,038.18	0.00	0.00	-85,963.13
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	0.00		0.00	0.00	0.00		0.00
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-29,924.95</b>		<b>85,963.13</b>	<b>-56,038.18</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>-20,703.65</b>	<b>-8,526.79</b>	<b>69.15</b>	<b>-373,578.64</b>	<b>25,729.19</b>	<b>0.00</b>	<b>-377,010.74</b>
<b>BEGINNING TOTAL FUND BALANCE</b>	<b>66,405.14</b>	<b>47,130.68</b>	<b>12,812.13</b>	<b>497,595.28</b>	<b>200,776.10</b>	<b>0.00</b>	<b>824,719.33</b>
Prior Year(s) Corrections or Restatements	0.00	2.00	0.44	0.00	0.03	0.00	2.47
<b>ENDING TOTAL FUND BALANCE</b>	<b>45,701.49</b>	<b>38,605.89</b>	<b>12,881.72</b>	<b>124,016.64</b>	<b>226,505.32</b>	<b>0.00</b>	<b>447,711.06</b>

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

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2012

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>REVENUES:</b>							
Local	623,179.38	38,264.90	809.19	14,321.61	282.05		676,857.13
State	2,074,498.55		0.00	62,951.05	26,331.52		2,163,781.12
Federal	435,542.73		0.00	0.00	0.00		435,542.73
Federal Stimulus	3,350.74						3,350.74
Other	39,039.00			0.00	0.00	0.00	39,039.00
<b>TOTAL REVENUES</b>	<b>3,175,610.40</b>	<b>38,264.90</b>	<b>809.19</b>	<b>77,272.66</b>	<b>26,613.57</b>	<b>0.00</b>	<b>3,318,570.72</b>
<b>EXPENDITURES:</b>							
<b>CURRENT:</b>							
Regular Instruction	1,275,147.83						1,275,147.83
Federal Stimulus	0.00						0.00
Special Education	125,162.17						125,162.17
Vocational Education	142,376.22						142,376.22
Skills Center	0.00						0.00
Compensatory Programs	340,999.22						340,999.22
Other Instructional Programs	51,969.71						51,969.71
Community Services	57,206.96						57,206.96
Support Services	1,182,752.47						1,182,752.47
Student Activities/Other		35,574.65				0.00	35,574.65
<b>CAPITAL OUTLAY:</b>							
Sites				45,328.94			45,328.94
Building				23,035.00			23,035.00
Equipment				0.00			0.00
Instructional Technology				0.00			0.00
Energy				0.00			0.00
Transportation Equipment					15,931.13		15,931.13
Sales and Lease							0.00
Other	41,788.10						41,788.10
<b>DEBT SERVICE:</b>							
Principal	0.00		30,409.73	0.00	0.00		30,409.73
Interest and Other Charges	154.10		3,722.39	0.00	0.00		3,876.49
Bond/Levy Issuance				0.00	0.00		0.00
<b>TOTAL EXPENDITURES</b>	<b>3,217,556.78</b>	<b>35,574.65</b>	<b>34,132.12</b>	<b>68,363.94</b>	<b>15,931.13</b>	<b>0.00</b>	<b>3,371,558.62</b>

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

Lake Quinault School District No. 097

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2012

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>DEBT SERVICE:</b>							
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	-41,946.38	2,690.25	-33,322.93	8,908.72	10,682.44	0.00	-52,987.90
<b>OTHER FINANCING SOURCES (USES):</b>							
Bond Sales & Refunding Bond Sales	0.00		0.00	481,472.00	0.00		481,472.00
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	0.00		34,132.12	16,000.00	0.00		50,132.12
Transfers Out (GL 536)	-34,132.12		0.00	-16,000.00	0.00	0.00	-50,132.12
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	0.00		0.00	0.00	0.00		0.00
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-34,132.12</b>		<b>34,132.12</b>	<b>481,472.00</b>	<b>0.00</b>	<b>0.00</b>	<b>481,472.00</b>
<b>EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>-76,078.50</b>	<b>2,690.25</b>	<b>809.19</b>	<b>490,380.72</b>	<b>10,682.44</b>	<b>0.00</b>	<b>428,484.10</b>
<b>BEGINNING TOTAL FUND BALANCE</b>	<b>142,483.64</b>	<b>44,440.43</b>	<b>12,002.94</b>	<b>7,214.56</b>	<b>190,093.66</b>	<b>0.00</b>	<b>396,235.23</b>
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>ENDING TOTAL FUND BALANCE</b>	<b>66,405.14</b>	<b>47,130.68</b>	<b>12,812.13</b>	<b>497,595.28</b>	<b>200,776.10</b>	<b>0.00</b>	<b>824,719.33</b>

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

Lake Quinault School District No. 097  
Statement Of Fiduciary Net Position  
Fiduciary Funds  
August 31, 2014

	Private Purpose Trust	Other Trust
<b>ASSETS:</b>		
Imprest Cash	0.00	0.00
Cash On Hand	0.00	0.00
Cash On Deposit with Cty Treas	315.54	0.00
Minus Warrants Outstanding	0.00	0.00
Due From Other Funds	0.00	0.00
Accounts Receivable	0.00	0.00
Accrued Interest Receivable	0.00	0.00
Investments	0.00	0.00
Investments/Cash With Trustee	4,191.64	0.00
Other Assets	0.00	
Capital Assets, Land	0.00	
Capital Assets, Buildings	0.00	
Capital Assets, Equipment	0.00	0.00
Accum Depreciation, Buildings	0.00	
Accum Depreciation, Equipment	0.00	0.00
<b>TOTAL ASSETS</b>	<b>4,507.18</b>	<b>0.00</b>
<b>LIABILITIES:</b>		
Accounts Payable	0.00	0.00
Due To Other Funds	0.00	0.00
<b>TOTAL LIABILITIES</b>	<b>0.00</b>	<b>0.00</b>
<b>NET POSITION:</b>		
<b>Held in trust for:</b>		
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
Held In Trust For Private Purposes	4,507.18	
Assigned to Fund Purposes	0.00	0.00
Held In Trust For Pension And Other Employee Benefits		0.00
Unassigned Fund Balance	0.00	0.00
<b>TOTAL NET POSITION</b>	<b>4,507.18</b>	<b>0.00</b>

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

Lake Quinault School District No. 097  
Statement of Fiduciary Net Position  
Fiduciary Funds  
August 31, 2013

	Private Purpose Trust	Other Trust
<b>ASSETS:</b>		
Imprest Cash	0.00	0.00
Cash On Hand	0.00	0.00
Cash On Deposit with Cty Treas	311.11	0.00
Minus Warrants Outstanding	0.00	0.00
Due From Other Funds	0.00	0.00
Accounts Receivable	0.00	0.00
Accrued Interest Receivable	0.00	0.00
Investments	4,191.64	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
<b>TOTAL ASSETS</b>	<b>4,502.75</b>	<b>0.00</b>
<b>LIABILITIES:</b>		
Accounts Payable	0.00	0.00
Due To Other Funds	0.00	0.00
<b>TOTAL LIABILITIES</b>	<b>0.00</b>	<b>0.00</b>
<b>NET ASSETS:</b>		
<b>Net assets held in trust for:</b>		
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
Held in trust for private purposes.	4,502.75	0.00
Unassigned Fund Balance	0.00	0.00
<b>TOTAL Net position</b>	<b>4,502.75</b>	<b>0.00</b>

The accompanying notes are an integral part of

Lake Quinault School District No. 097

Statement of Fiduciary Net Assets

Fiduciary Funds

For the Year Ended August 31, 2012

	Private Purpose Trust	Other Trust
<b>ASSETS:</b>		
Imprest Cash	0.00	0.00
Cash On Hand		0.00
Cash On Deposit with Cty Tres.	304.39	0.00
Minus Warrants Outstanding	0.00	0.00
Due From Other funds	0.00	0.00
<b>Investments</b>	4,191.64	0.00
Investments/Cash With Trustee	0.00	0.00
Other Assets	5.77	0.00
Capital Assets, Land	0.00	0.00
Capital Assets, Buildings	5.77	0.00
Capital Assets, Equipment		
Accum Depreciation, Buildings	0.00	0.00
Accum Depreciation, Equipment	0.00	0.00
<b>TOTAL ASSETS</b>	<b>4,496.03</b>	<b>0.00</b>
<b>LIABILITIES:</b>		
Accounts Payable	0.00	0.00
Due to Other funds	0.00	0.00
<b>TOTAL LIABILITIES</b>	<b>0.00</b>	<b>0.00</b>
<b>NET ASSETS:</b>		
<b>Net assets held in trust for:</b>		
Restricted for Other Items	0.00	0.00
Restricted for Self Insurance	0.00	0.00
Restricted for Uninsured Risks	0.00	0.00
Nonsuspendable - Trust Principal	0.00	0.00
Committed to Other Purposes	0.00	0.00
Assigned to Fund Purposes	<b>4,496.03</b>	0.00
Unassigned Fund Balance	0.00	0.00
<b>Total Net Assets</b>	<b>4,496.03</b>	<b>0.00</b>

Lake Quinault School District No. 097  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For the Year Ended August 31, 2014

	Private Purpose Trust	Other Trust
<b>ADDITIONS:</b>		
<b>Contributions:</b>		
Private Donations	0.00	0.00
Employer		0.00
Members		0.00
Other	0.00	0.00
<b>TOTAL CONTRIBUTIONS</b>	<b>0.00</b>	<b>0.00</b>
<b>Investment Income:</b>		
Net Appreciation (Depreciation) in Fair Value	0.00	0.00
Interest and Dividends	4.43	0.00
Less Investment Expenses	0.00	0.00
Net Investment Income	4.43	0.00
<b>Other Additions:</b>		
Rent or Lease Revenue	0.00	0.00
Total Other Additions	0.00	0.00
<b>TOTAL ADDITIONS</b>	<b>4.43</b>	<b>0.00</b>
<b>DEDUCTIONS:</b>		
Benefits		0.00
Refund of Contributions	0.00	0.00
Administrative Expenses	0.00	0.00
Scholarships	0.00	
Other	0.00	0.00
<b>TOTAL DEDUCTIONS</b>	<b>0.00</b>	<b>0.00</b>
Net Increase (Decrease)	4.43	0.00
Net Position--Beginning	4,502.75	0.00
Prior Year(s) Corrections or Restatements	0.00	0.00
<b>NET POSITION--ENDING</b>	<b>4,507.18</b>	<b>0.00</b>

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

Lake Quinault School District No. 097  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds

For the Year Ended August 31, 2013

	Private Purpose Trust	Other Trust
<b>ADDITIONS:</b>		
<b>Contributions:</b>		
Private Donations	0.00	0.00
Employer		0.00
Members		0.00
Other	0.00	0.00
<b>TOTAL CONTRIBUTIONS</b>	<b>0.00</b>	<b>0.00</b>
<b>Investment Income:</b>		
Net Appreciation (Depreciation) in Fair Value	0.00	0.00
Interest and Dividends	6.72	0.00
Less Investment Expenses	0.00	0.00
Net Investment Income	6.72	0.00
<b>Other Additions:</b>		
Rent or Lease Revenue	0.00	0.00
Total Other Additions	0.00	0.00
<b>TOTAL ADDITIONS</b>	<b>6.72</b>	<b>0.00</b>
<b>DEDUCTIONS:</b>		
Benefits		0.00
Refund of Contributions	0.00	0.00
Administrative Expenses	0.00	0.00
Scholarships	0.00	
Other	0.00	0.00
<b>TOTAL DEDUCTIONS</b>	<b>0.00</b>	<b>0.00</b>
Net Increase (Decrease)	6.72	0.00
Beginning Net position-Beginning	4,496.03	0.00
Prior Year(s) Corrections or Restatements	0.00	0.00
<b>ENDING Net Position - ending</b>	<b>4,502.75</b>	<b>0.00</b>

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

Lake Quinault School District No. 097  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

For the Year Ended August 31, 2012

	Private Purpose Trust	Other Trust
<b>ADDITIONS:</b>		
<b>Contributions:</b>		
Private Donations	0.00	0.00
Employer		0.00
Members		0.00
Other	0.00	0.00
<b>TOTAL CONTRIBUTIONS</b>	<b>0.00</b>	<b>0.00</b>
<b>Investment Income:</b>		
Net Appreciation (Depreciation) in Fair Value	0.00	0.00
Interest and Dividends	5.77	0.00
Less Investment Expenses	0.00	0.00
Net Investment Income	5.77	0.00
<b>Other Additions:</b>		
Rent or Lease Revenue	0.00	0.00
Total Other Additions	0.00	0.00
<b>TOTAL ADDITIONS</b>	<b>5.77</b>	<b>0.00</b>
<b>DEDUCTIONS:</b>		
Benefits		0.00
Refund of Contributions	0.00	0.00
Administrative Expenses	0.00	0.00
Scholarships	0.00	
Other	0.00	0.00
<b>TOTAL DEDUCTIONS</b>	<b>0.00</b>	<b>0.00</b>
Net Increase (Decrease)	5.77	0.00
Net Assets--Beginning	4,490.26	0.00
Prior Year(s) Corrections or Restatements	0.00	0.00
<b>NET ASSETS --ENDING</b>	<b>4,496.03</b>	<b>0.00</b>

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

**Lake Quinault School District**  
**Notes to the Financial Statements**  
**September 1, 2013 Through August 31, 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The **Lake Quinault** 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 in accordance with the *Accounting Manual for Public School Districts in the State of Washington*, issued jointly by the State Auditor's Office and the Superintendent of Public Instruction by the authority of RCW 43.09.200, RCW 28A.505.140, RCW 28A.505.010(1) and RCW 28A.505.020. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

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

**Fund Accounting**

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

***Governmental Funds***

General Fund

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

Capital Projects Funds

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

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

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 on behalf of others in a purely custodial capacity.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered "measurable" if the amount of the transaction can be readily determined. Revenues are considered "available" when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after year-end. Property taxes receivable are measurable

but not available and are, therefore, not accrued. Categorical program claims and 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. Purchases of capital assets are expensed during the year of acquisition. For federal grants, the recognition of expenditures is dependent on the obligation date. (Obligation means a purchase order has been issued, contracts have been awarded, or goods and/or services have been received.)

## **Budgets**

Chapter 28A.505 RCW and Chapter 392-123 Washington Administrative Code (WAC) mandate school district budget policies and procedures. The board adopts annual appropriated budgets for all governmental funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Appropriations lapse at the end of the fiscal period.

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

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

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

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

### **The government's fund balance classifications policies and procedures.**

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

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 School Board are the only 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.

## **Cash and Cash Equivalents**

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

## **Cash with Trustee**

The district is a member of the CR ESD 113 Capital Compensated Absence Pool (Pool). This Pool was established to allow districts to set aside monies to meet the future payouts for accrued leave to employees upon termination or retirement. This Pool does not share risks among its members and therefore monies held by the CR ESD 113 under this arrangement are considered to cash with fiscal agent. As of August 31, 2014 the CR ESD 113 Pool holds \$ 3,488.08 on behalf of the district.

## **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. 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. The district USDA ending inventory is valued at \$5,887.22 as of August 31, 2014.

## **Accounting and Reporting Changes for 2013-2014**

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

**NOTE 2: Cash deposits with financial institutions**

The Grays Harbor 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, 2014, are as follows:

	Market Value
State Treasurer’s Investment Pool	\$ 115,282

**NOTE 3: SIGNIFICANT CONTINGENT LIABILITIES**

**ESD 113 Insurance Cooperative**

In August 2003, the District joined together with other school districts to form ESD 113 Insurance Cooperative, a public entity risk pool for property and casualty insurance.

On August 20, 2003, the ESD 113 Insurance Cooperative (EIC) Advisory Board voted to cease operation of the EIC. The EIC continues to be responsible for the resolution of all open claims and other liabilities arising from the time of operation of the EIC up to August 31, 2003. The EIC provided property and liability insurance to members. Provisions of the EIC agreement, Chapter 48.62 RCW, and Chapter 236-22 WAC require that only the remaining assets be distributed after all financial and legal obligations of the EIC have been resolved.

At August 31, 2014 there were no open claims against the EIC and the EIC records \$78,000 as a liability for future potential (IBNR) claims.

**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**

A. General Information

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

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

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

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

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

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

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

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

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

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

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

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

The employer contribution rates for PERS, TRS, and SERS (Plans 1, 2, and 3) and the TRS and SERS Plan 2 employee contribution rates are established by the Pension Funding Council based upon the rates set by the Legislature. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at 6 percent and

does not vary from year to year. The employer rate is the same for all plans in a system. The methods used to determine the contribution requirements are established under chapters 41.40, 41.32, and 41.35 RCW for PERS, TRS and SERS respectively.

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

**B. Contributions**

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

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

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

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

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

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

<u>Plan</u>	<u>FY 13-14</u>	<u>FY 12-13</u>	<u>FY11-12</u>
Plan 1 TRS	\$ 0	\$ 4,962.09	\$ 4,974.76
Plan 2 TRS	\$ 24,124.56	\$ 13,313.69	\$ 9,181.29
Plan 3 TRS	\$ 74,563.61	\$ 58,916.24	\$ 66,155.46
Plan 1 PERS	\$ 4,995.00	\$ 4,098.86	\$ 7,950.11
Plan 2 SERS	\$ 20,749.09	\$ 18,120.88	\$ 22,689.72
Plan 3 SERS	\$ 28,828.93	\$ 27,654.16	\$ 12,119.71

Historical trend information showing TRS, PERS and SERS progress in accumulating sufficient assets to pay benefits when due is presented in the state of Washington's June 30, 2014, comprehensive annual financial report. Refer to this report for detailed trend information. It is available from:

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

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

The State, through the Health Care Authority (HCA), administers an agent multi-employer Other Post-Employment Benefit plan. The Public Employees Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and

coverage, including establishment of eligibility criteria for both active and retired employees. Programs include (medical, dental, life insurance and long-term disability insurance)<sup>(5)</sup>.

Employers participating in the plan include the State of Washington (which includes general government agencies and higher education institutions), 57 of the state's K-12 school districts and educational service districts (ESDs), and 206 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 247 K-12 school districts and ESDs. The District's retirees are eligible to participate in the PEBB plan under this arrangement.

According to state law, the Washington State Treasurer collects a fee from all school district entities which have employees that are not current active members of the state Health Care Authority but participate in the state retirement system. The purpose of this fee is to cover the impact of the subsidized rate of health care benefits for school retirees that elect to purchase their health care benefits through the state Health Care Authority. For the fiscal year 2013-14, the District was required to pay the **HCA \$64.40** per month per full-time equivalent employee to support the program, for a total payment of **\$25,860.08**. 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**

Construction in progress is composed of: The Lake Quinault School District finished their project to upgrade windows, insulation, lighting and HVAC and controls of the building, for cost savings and to become more energy efficient. The project was funded by non-voted debt and an energy grant

Project	Project Authorization Amount	Expended as of 8/31/14	Additional Local Funds Committed	Additional State Funds Committed
Weatherization Upgrade	\$739,520.00	\$739,520.00	\$494,567.00	\$244,953.00
<b>Total</b>	<b>\$739,520.00</b>	<b>\$739,520.00</b>	<b>\$494,567.00</b>	<b>\$244,953.00</b>

**Encumbrances**

The district does not use encumbrance accounting.

**NOTE 8: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS**

The District's capital assets are insured in the amount of \$17,954,503.00 for the fiscal year 2014. 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, 2014, are comprised of the following individual issues:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
2012 Non-voted bond	\$487,000	\$56,038	06/01/2022	2.00	\$392,149
2004 Non-voted bond	\$192,000	\$23,940	10/27/2014		\$ 5,234
Total General Obligation Bonds	\$679,222	\$79,978			\$397,383

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

Long-Term Debt Payable at 9/1/2013	\$ 467,853.29
New Issues	0.00
Debt Retired	\$ 75,988.47
Long-Term Debt Payable at 8/31/2014	\$ 397,382.96

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

Years Ending August 31	Principal	Interest	Total
2015	\$ 59,511.36	\$ 7,788.73	\$ 67,300.09
2016	\$ 45,567.27	\$10,470.91	\$ 56,038.18
2017	\$ 47,013.94	\$ 9,024.24	\$ 56,038.18
2018	\$ 48,506.54	\$ 7,531.64	\$ 56,038.18
2019	\$ 48,506.54	\$ 7,531.64	\$ 56,038.18
2020-2022	\$155,370.17	\$12,744.23	\$168,114.40
Total	\$ 403,223.97	\$ 56,343.24	\$ 459,567.21

At August 31, 2014, the District had \$ 6,959.59 available in the Debt Service Fund to service the general obligation bonds.

**Short-Term Debt**

Short-term debt activity for the year ended August 31, 2014, was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Registered Warrants	0	\$130,000	\$130,000	0

**NOTE 10: INTERFUND BALANCES AND TRANSFERS**

The following table depicts interfund loan activity:

Debtor Fund	Due To	Balance at 9/1/13	Loan Activity		Balance at 8/31/14
			New Loans	Repayments	
General	Capital	\$0	\$70,000	\$70,000	\$0
Totals		\$0	\$70,000	\$70,000	\$0

**NOTE 11: ENTITY RISK MANAGEMENT ACTIVITIES**

**Workers Compensation**

In July 1983, the District joined the CR ESD 113 Workers’ Compensation Trust (Trust), a public entity risk pool.

The Trust is organized pursuant to Title 51.14 RCW for the purpose of managing workers’ compensation payroll taxes, employee claims, and safety programs. Membership is established by execution of an agreement between the CR ESD 113 and each local school district.

The Trust provides industrial injury accident insurance coverage for its 45 member districts. The Trust is fully funded by its member participants. Member contributions are calculated based on the members’ hours worked and the members’ experience rated contribution factor. The Trust retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by its excess insurance contracts that the Trust acquires insurance from unrelated underwriters. The Trust’s per-occurrence retention limit is \$400,000 and the annual aggregate retention is \$11,145,540 minimum for a two year period FY 2013-15. Since the Trust is a cooperative program, there is joint liability among participating members.

For fiscal year 2014, there are 45 members in the pool including 44 participating school districts. A Board comprised of one designated representative from each participating member and a six member Executive Board governs the Trust. The Executive Board has five members elected by the Board and the ESD Superintendent.

The CR ESD 113 is responsible for conducting the business affairs of the Trust. As of August 31, 2014, the amount of claim liabilities totaled \$7,240,000. This liability is the CR ESDs best estimate based on available information including actuarial reports. Changes in the reported liability since August 31, 2014, resulted in the following:

	Beginning Balance 9/1/2013	Current Year Claims and Changes in Estimates	Ending Balance 8/31/2014
Incurred but not Reported	\$6,011,000	\$(262,000)	\$5,749,000
Future L&I Assessments	1,294,000	(188,000)	1,106,000
Estimated Unallocated Loss Adjustment	403,000	(18,000)	385,000

**Unemployment Insurance**

In July 2005, the District joined together the Unemployment Compensation Pool (Pool). The Pool is organized pursuant to Title 50.44 RCW for the purpose of managing unemployment compensation payroll taxes and employee claims. Membership is established by execution of an agreement between the CR ESD 113 and each local school district.

The Pool provides unemployment compensation coverage for members of the Pool arising from former employees. The Pool is fully funded by its member participants. Member districts pay a percentage of their employee's wages. These contributions plus investment earnings pays for unemployment claims and for the administration of the Pool. There is provision that members can be additionally assessed if the Pool needs additional funding.

Effective September 1, 2012, the Pool began "pooling" the unemployment risks among members. This was a change from the historical "banking model" program whereby each member was essentially responsible for its own claims. This change to a pooling system required that the Pool had to develop an overall base rate, make individual adjustments to the base rate based upon member experience, and transition the prior bank balances to the capital position in the pooled system.

For fiscal year 2014, there are 38 school district members in the Pool in addition to the CR ESD. The Pool is governed by a Cooperative Board, which is comprised of one designated representative from each participating member and a six member Executive Board. Five members elected by the Cooperative Board and the CR ESD 113Superintendent comprise the Executive Board.

As of August 31, 2014, the amount of claim reserves totaled \$566,626. This liability is the CR ESDs best estimate based on available information. Changes in the reported liability since August 31, 2013, resulted in the following:

	<b>Beginning Balance 9/1/2013</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Ending Balance 8/31/2014</b>
Claims Reserves	\$972,706	\$ - 406,080	\$566,626

**NOTE 12: PROPERTY TAXES**

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

**NOTE 13: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS**

The District is a member of the King County Director's Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. The board authorized joining the association by passing resolution dated June 9, 1971, and has remained in the joint venture ever since. The District's current equity of \$ 8,822.30 is the accumulation of the annual assignment of KCDA's operating surplus based upon the percentage derived from KCDA's total sales to the District compared to all other districts applied against paid administrative fees. The District may withdraw from the joint venture and will receive its equity in ten annual allocations of merchandise or 15 annual payments.

**NOTE 14: FUND BALANCE CLASSIFICATION DETAILS**

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

	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund	Transportation Vehicle Fund
Restricted Fund Balance					
Debt Service	\$0	\$0	\$0	\$6,959.59	\$0
Fund Purposes	\$0	\$38,087.30	\$0	\$0	\$117,983.47
Other Items	\$0	\$4,200	\$27,767.44	\$0	\$0
Committed Fund Balance			\$13,588.03		
Assigned Fund Balance					
Other Purposes	\$5,000				
Fund Purposes		\$0	\$37,334.34	\$0	\$0
Unassigned Fund Balance	\$48,637.12				

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

Committed from Levy Proceeds	\$ 13,588.03
Restricted from Federal Proceeds	\$ 0.34
Restricted from Other Proceeds	\$ 27,767.10

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 a minimum fund balance of 8% of budgeted expenditures. 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 15: POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS—BOTH IN SEPARATELY ISSUED PLAN FINANCIAL STATEMENTS AND EMPLOYER STATEMENTS**

**457 Plan – Deferred Compensation Plan**

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

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

The District offers a tax deferred annuity plan for its employees. The plan permits participants to defer a portion of their salary until future years under two types 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 Great American Plan Administrator. The plan assets are assets of the District employees, not the school district, and are therefore not reflected on these financial statements.

## **NOTE 16: TERMINATION BENEFITS**

### **Compensated Absences**

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

Under the provisions of RCW 28A.400.210, sick leave accumulated by District employees is reimbursed at death or retirement at the rate of one day for each four days of accrued leave, limited to 180 accrued days. This chapter also provides for an annual buy out of an amount up to the maximum annual accumulation of 12 days. For buyout purposes, employees may accumulate such leave to a maximum of 192 days, including the annual accumulation, as of December 31 of each year.

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

No unrecorded liability exists for other employee benefits.

Employees earn sick leave at a rate of 12 days per year up to a maximum of one contract year. The District has not adopted the buyout provisions for sick leave as authorized under RCW 28A.400.210. As such, no liability exists for buy out of sick leave.

## **NOTE 17: CONDITIONS AND EVENTS GIVING RISE TO SUBSTANTIAL DOUBT ABOUT THE GOVERNMENT'S ABILITY TO CONTINUE AS A GOING CONCERN**

Starting on June 17, 2014, the District was placed onto binding conditions with the state pursuant to RCW 28A.505.110. Under binding conditions, the District is required to work with an administrator to help the District get back on solid financial footing. The administrator for the District's binding conditions is Calvin Brodie, Capital Region ESD 113, 360-464-6752.

The District will:

1. Maintain every effort to limit expenditures to revenues available.
2. Annually review enrollment and reduce expenditures if enrollment does not exceed or equal the adopted budget.
3. Annually in December review S-275 staff mix factor and reduce expenditures if the factor does not exceed or equal adopted budget.
4. Annually and no later than April 15, the District will develop and submit a plan to CR ESD 113 and OSPI which outlines a method by which the District will eliminate the existing deficit fund balance within the next three fiscal years and reach a positive and prudent fund balance adequate to meet the District's current adopted reserve policy. Lake Quinault's Policy No. 6022 establishes a minimum fund balance of 8% of budgeted expenditures.
5. As of September 1, 2014, the District will establish and administer a control purchasing system, an effective system to manage accounts payable, and a payroll encumbrance accounting method for contract and non-contact personnel.
6. Financial reports will be presented to the Board of Directors and CR ESD 113 on or before the regular board meeting each month.

## **NOTE 18: OTHER DISCLOSURES**

The Lake Quinault School District continues to be involved in a civil lawsuit with the Quinault Indian Tribe, on behalf of some of their members. The District's legal costs are based upon the services of the law firm defending us. There is no monetary penalty involved in the suit. If the Quinault Indian Tribe wins, the District

will go back to having a league and playing Taholah School District. If the District wins, they do not establish a league and each individual district can determine if they want to play Taholah School District or not.

In short the District is involved in a civil suit, but with no monetary penalties.

**Lake Quinault School District**  
**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 Lake Quinault 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.

## ***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 Superintendent and School Board are the only 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.

## 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. 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. The district USDA ending inventory is valued at \$5,887.22 as of August 21, 2013.

### **NOTE 2: Cash deposits with financial institutions**

The Grays Harbor 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:

	Market Value
State Treasurer's Investment Pool	\$ 321,866.02

### **NOTE 3: SIGNIFICANT CONTINGENT LIABILITIES**

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

#### **ESD 113 Insurance Cooperative**

In August 2003, the District joined the ESD 113 Insurance Cooperative, a public entity risk pool for property and casualty insurance.

On August 20, 2003, the ESD 113 Insurance Cooperative (EIC) Advisory Board voted to cease operation of the EIC. The EIC continues to be responsible for the resolution of all open claims and other liabilities arising from the time of operation of the EIC up to August 31, 2003. The EIC allowed districts to combine their purchasing power to obtain favorable and steady insurance rates for property and liability coverage. The EIC provided coverage for up to \$25,000 or each covered loss. Losses above \$25,000 were covered by traditional insurance policy purchased for members through the EIC. Provisions of the EIC agreement, Chapter 48.62 RCW, and Chapter 236-22 WAC require that only the remaining assets be distributed after all financial and legal obligations of the EIC have been resolved.

At August 31, 2013 there were no open claims against the EIC and the EIC records \$78,000 as a liability for future potential (IBNR) Claims.

### **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 three contributory, multi-employer, cost-sharing statewide retirement systems managed by the Washington State Department of Retirement Systems (DRS): Teachers' Retirement System (TRS), Public Employees' Retirement System (PERS) and School Employees' Retirement System (SERS). Participation in the programs was as follows:

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

<u>Program</u>	<u>Active Members</u>	<u>Inactive Vested Members</u>	<u>Retired Members</u>
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:

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

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

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

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

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

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

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

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

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

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

**B. Contributions**

Employee contribution rates effective September 1, 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), 15.00% (maximum)		

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

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

	9/1/12-8/31/13		9/1/12-6/30/13	7/1/13-8/31/13
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	\$ 4,962.09	\$ 4,974.76	\$ 15,567.35
Plan 2 TRS	\$ 13,313.69	\$ 9,181.29	\$ 59,000.10
Plan 3 TRS	\$ 58,916.24	\$ 66,155.46	\$ 120,568.14
Plan 1 PERS	\$ 4,098.86	\$ 7,950.11	\$ 6,193.76
Plan 2 SERS	\$ 18,120.88	\$ 22,689.72	\$ 15,044.08
Plan 3 SERS	\$ 27,654.16	\$ 12,119.71	\$ 42,565.28

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

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

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

The State, through the Health Care Authority (HCA), administers an agent multi-employer Other Post-Employment Benefit plan. The Public Employees Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. Programs include (medical, dental, life insurance and long-term disability insurance)<sup>(5)</sup>.

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 **\$26,424.33**. 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**

Construction in progress is composed of: The Lake Quinault School District continued their project to upgrade windows, insulation, lighting, HVAC and controls of the building, for cost savings and to become more energy efficient. The project was funded by non-voted debt and an energy grant.

Project	Project Authorization Amount	Expended as of 8/31/2013	Additional Local Funds Committed	Additional State Funds Committed
Weatherization Upgrade	\$739,520.00	\$729,291.59	\$494,567.00	\$244,953.00
Total	\$739,520.00	\$729,291.59	\$494,567.00	\$244,953.00

**NOTE 8: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS**

The District’s capital assets are insured in the amount of \$ 17,957,503 for fiscal year 2013. 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
2012 Non-voted bond	\$487,222	\$56,038	06/01/22	2.00	\$439,631
2004 Non-voted bond	\$192,000	\$23,940	10/27/14		\$ 28,223
Total Non-voted Bonds	\$679,222	\$79,978			\$467,854

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	\$542,596.32
New Issues	0.00
Debt Retired	\$ 74,743.03
Long-Term Debt Payable at 8/31/2013	\$467,853.29

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

Years Ending August 31	Principal	Interest	Total
2014	\$ 70,147.46	\$ 9,830.68	\$ 79,978.14
2015	\$ 59,511.36	\$ 7,788.73	\$ 67,300.09
2016	\$ 45,567.27	\$10,470.91	\$ 56,038.18
2017	\$ 47,013.94	\$ 9,024.24	\$ 56,038.18
2018	\$ 48,506.54	\$ 7,531.64	\$ 56,038.18
2019-2022	\$ 202,624.86	\$ 21,527.72	\$ 224,152.58
Total	\$ <b>473,371.43</b>	\$ <b>66,173.92</b>	\$ <b>539,545.35</b>

At August 31, 2013, the District had \$ **12,881.72** available in the Debt Service Fund to service the general obligation bonds..

### **Short-Term Debt**

Short-term debt activity for the year ended August 31, 2013, was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Registered Warrants	0	\$555,500	\$555,500	0

## **NOTE 10: ENTITY RISK MANAGEMENT ACTIVITIES**

The Lake Quinault School District is a member of the United Schools Insurance Program. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made

pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1985, when 29 school districts in the state of Washington joined together by signing a Joint Purchasing Agreement to pool their self-insured losses and jointly purchased insurance and administrative services. **Current membership includes 154 school districts.**

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

Liability insurance is subject to a self-insured retention of \$100,000. Members are responsible for a \$1,000 deductible for each claim, while the program is responsible for the remaining \$100,000 self-insured retention. Insurance carriers cover insured losses over \$101,000 to limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 self-insured retention. The program also purchases a stop policy with an **attachment point of \$941,250**, as an additional layer of protection for its members.

Property insurance is subject to a per-occurrence deductible of \$100,000. Members are responsible for \$1,000 deductible for each claim, while the program is responsible for the \$100,000 self-insured retention.

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

Each new member now pays the program an admittance fee. This amount covers the member's share of unrestricted reserves. Members contract to remain in the program for a minimum of one year, and must give notice before August 31 to terminate participation the following September 1. The Interlocal Agreement is renewed automatically each year. Even after termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Joint Purchasing Agreement.

The program is fully funded by its member participants. Claims are filed by member with Canfield, which has been contracted to perform program administration, claims adjustment, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending, **August 31, 2013, was \$1,667,756.04.**

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

### **Workers Compensation**

In July 1983, the District joined the Educational Service District 113 Workers' Compensation Trust (Trust), a public entity risk pool.

The Trust is organized pursuant to Title 51.14 RCW for the purpose of managing workers' compensation payroll taxes, employee claims, and safety programs. Membership is established by execution of an agreement between the ESD and each local school district.

The Trust provides industrial injury accident insurance coverage for its membership. The Trust is fully funded by its member participants. Member contributions are calculated based on the members' hours worked and the members experience rated contribution factor. The Trust retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by its excess

insurance contracts the Trust acquires insurance from unrelated underwriters. The Trust's per-occurrence retention limit is \$350,000 and the annual aggregate retention is \$5,526,769 minimum.

**Unemployment Insurance**

In July 2005, the District joined together the Unemployment Compensation Pool (Pool). The Pool is organized pursuant to Title 50.44 RCW for the purpose of managing unemployment compensation payroll taxes and employee claims. Membership is established by execution of an agreement between the ESD and each local school district.

The Pool provides unemployment compensation coverage for members of the Pool arising from previous employees. The Pool is fully funded by its member participants. Member districts pay a percentage of their employee's wages. These contributions plus investment earnings pays for unemployment claims and for the administration of the Pool. The agreement provides that members may be additionally assessed if the Pool needs additional funding.

Effective September 1, 2012 the Pool began "pooling" the unemployment risks among members. This was a change from the historical "banking model" program whereby each member was essentially responsible for its own claims. This change to a pooling system required that the Pool had to develop an overall base rate, make individual adjustments to the base rate based upon member experience, and transition the prior bank balances to the capital position in the pooled system.

**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 a resolution dated June 9, 1971, and has remained in the joint venture ever since. The District's current equity of \$ 8,747.90 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
Restricted Fund Balance					
Debt Service				\$12,881.72	
Other Items		\$38,605.89	\$100,727.00		
Assigned Fund Balance					
Other Purposes	\$ 5,000				
Fund Purposes			\$ 23,289.64		\$226,505.32
Unassigned Fund Balance	\$40,701.49				

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	\$ 47,455.00
Committed from Levy Proceeds	\$ 53,272.00
Restricted from Other Proceeds	\$ 23,289.64

**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, or the District.

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

The District offers a tax deferred annuity plan for its employees. The plan permits participants to defer a portion of their salary until future years under two types 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 Great American Plan Administrator. The plan assets are assets of the District employees, not the school district, and are therefore not reflected on these financial statements.

**NOTE 15: TERMINATION BENEFITS**

**Compensated Absences**

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

Under the provisions of RCW 28A.400.210, sick leave accumulated by District employees is reimbursed at death or retirement at the rate of one day for each four days of accrued leave, limited to 180 accrued days. This chapter also provides for an annual buy out of an amount up to the maximum annual accumulation of 12 days. For buyout purposes, employees may accumulate such leave to a maximum of 192 days, including the annual accumulation, as of December 31 of each year.

These expenditures are recorded when paid, except termination sick leave that is accrued upon death, retirement, or upon termination provided the employee is at least 55 years of age and has sufficient years of service. Vested sick leave was computed using the vesting method. Vacation pay, including benefits, that is expected to be liquidated with expendable available financial resources is reported as expenditures and a fund liability of the governmental fund that will pay it.

No unrecorded liability exists for other employee benefits.

Employees earn sick leave at a rate of 12 days per year up to a maximum of one contract year. The District has not adopted the buyout provisions for sick leave as authorized under RCW 28A.400.210. As such, no liability exists for buy out of sick leave.

**NOTE 16: OTHER DISCLOSURES**

The Lake Quinault School District is involved in a civil lawsuit with the Quinault Indian Tribe, on behalf of some of their members. The District's legal costs are based upon the services of the law firm defending us. There is no monetary penalty involved in the suit. If the Quinault Indian Tribe wins, the District will go back to having a league and playing Taholah School District. If the District wins, they do not establish a league and each individual district can determine if they want to play Taholah School District or not. It does look like we are going to mediation sometime in February to get this settle.

In short the District is involved in a civil suit, but with no monetary penalties.

**Lake Quinault School District  
Notes to the Financial Statements  
September 1, 2011 Through August 31, 2012**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (SSAP)**

**Description of the government-wide financial statements, noting that neither fiduciary funds nor component units that are fiduciary in nature are included.**

The **Lake Quinault** School 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 are not presented.
- (2) The financial statements do not report capital assets.
- (3) Debt is not reported on the face of the financial statements. It is reported on the notes to the financial statements and on the Schedule of Long-Term Debt. The Schedule of Long-Term Debt is required supplemental information.
- (4) The original budget is not presented. This information is available through the Office of Superintendent of Public Instruction.
- (5) The Management Discussion and Analysis is not required.
- (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 columns—major funds, internal service funds, and fiduciary fund types—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.

### ***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.

## ***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.

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.

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.

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.

## Inventory

The consumption method of inventory is used, which charges inventory as an expenditure when it is consumed. 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. The district USDA ending inventory is valued at \$ 7,581.63 as of August 31, 2012.

## **NOTE 2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS**

The Grays Harbor 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, 2012, are as follows:

	Market Value
State Treasurer's Investment Pool	\$774,737

## **NOTE 3: SIGNIFICANT CONTINGENT LIABILITIES**

### **ESD 113 Insurance Cooperative**

ESD 113 administers a self-insurance fund, begun in FY 1986-87, to self-insure against various types of liability and property damage claims filed against the member districts. As the administering agency, we provide a copy of year-end self-insurance fund financial reports to member districts. Forty school districts and ESD 113 have participated in the cooperative. Member districts paid a contribution based on their enrollment, number of vehicles, property valuation, and previous loss history. These contributions plus investment earnings paid for liability and property damage claims and for the administration of the fund.

On August 20, 2003, the Advisory Board voted to begin to close down the Cooperative. Closing down the Insurance Cooperative meant that the Cooperative would assume no new risks beginning September 1, 2003. The Cooperative continues, however, to be responsible for the resolution of all open claims as of August 31, 2003, and other liabilities arising from the time of operation of the Cooperative up to that date.

There are no open claims at this time. Potential future liabilities include incurred but not yet reported (IBNR) liabilities for the period 9/1/1986 – 8/31/2003. An example of an IBNR might be abuse of a student which occurred many years ago and is not claimed and reported until 2014. Students have until age 21 to assert a claim. For each claim, the Cooperative is liable for the single incident retention limit set by the insurance policy the Cooperative purchased in the year the claim occurred. For 2002-03 this amount was \$100,000. In 2001-02 the amount was \$75,000. Prior years had lesser amounts. All claim settlements will be paid out of Cooperative assets.

Provisions of the Cooperative agreement echoing Chapter 48.62 RCW and Chapter 236-22 WAC require that remaining assets only be distributed after all financial and legal obligations of the EIC have been resolved.

**NOTE 4: ANNUAL PENSION COST AND NET PENSION OBLIGATIONS**

A. General Information

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

Membership by retirement system program as of June 30, 2010:

<u>Program</u>	<u>Active Members</u>	<u>Inactive Vested Members</u>	<u>Retired Members</u>
TRS	66,325	8,950	40,570
PERS	156,526	28,860	76,899
SERS	52,339	9,700	5,384

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

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

*Data is as of last actuarial valuation date of June 30, 2011.*

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

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

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

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

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

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

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

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

## B. Contributions

Employee contribution rates effective September 1, 2011 through August 31, 2012:

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), 15.00% (maximum)		

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

Employer contribution rates effective September 1, 2011 through August 31, 2012:

	9/1/11-8/31/12		9/1/11-3/31/12	4/1/12-6/30/12	7/1/12-8/31/12
Plan 1 TRS	8.04%	Plan 1 PERS	7.25%	7.08%	7.21%
Plan 2 TRS	8.04%	Plan 2 SERS	7.59%	7.58%	7.58%
Plan 3 TRS	8.04%	Plan 3 SERS	7.59%	7.58%	7.58%

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 11-12</u>	<u>FY 10-11</u>	<u>FY 09-10</u>
Plan 1 TRS	\$ 4,974.76	\$ 15,567.35	\$ 2,959.54
Plan 2 TRS	\$ 9,181.29	\$ 59,000.10	\$ 12,502.04
Plan 3 TRS	\$ 66,155.46	\$120,568.14	\$ 51,867.16
Plan 1 PERS	\$ 7,950.11	\$ 6,193.76	\$ 5,883.35
Plan 2 SERS	\$ 22,689.72	\$ 15,044.08	\$ 18,453.30
Plan 3 SERS	\$ 12,119.71	\$ 42,565.28	\$ 10,518.91

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 5: 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)<sup>(5)</sup>.

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 2011-12, the District was required to pay the **HCA \$66.01** per month per full-time equivalent employee to support the program, for a total payment of **\$26,998.68**. 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 6: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS, INCLUDING ENCUMBRANCES**

Construction in progress is composed of: The Lake Quinault School District started a project to upgrade the windows, insulation, lighting, HVAC, and controls of the building, for cost savings and to become more energy efficient. The project will be funded by non-voted bonds and an energy grant.

Project	Project Authorization Amount	Expended as of 8/31/2012	Additional Local Funds Committed	Additional State Funds Committed
Weatherization Upgrade	\$739,520	0	\$494,567	\$244,953
Total	\$739,520	0	\$494,567	\$244,953

**Encumbrances**

The District does not use encumbrance accounting.

**NOTE 7: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS**

The District's capital assets are insured in the amount of \$12,729,547 for fiscal year 2012. In the opinion of the District's insurance consultant, the amount is sufficient to adequately fund replacement of the District's assets.

**NOTE 8: REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES**

**Long-Term Debt**

Bonds payable at August 31, 2012, are comprised of the following individual issues:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
General Obligation Bonds					
2012 Non-Voted Bond	487,222	0	06/01/22	2.00	487,222
2004 Non-Voted Bond	192,000	23,940	10/27/14		55,329
2002 Non-Voted Bond	85,000	10,192	06/01/12	3.7911	0.00
Total General Obligation Bonds					542,251

The following is a summary of general obligation long-term debt transactions of the District for the fiscal year(s) ended August 31, 2012:

Long-Term Debt Payable at 9/1/2011	85,784.05
New Issues	487,222.00
Debt Retired	30,409.73
Long-Term Debt Payable at 8/31/2012	542,596.32

The following is a schedule of annual requirements to amortize debt at August 31, 2012:

Years Ending August 31	Principal	Interest	Total
2013	69,179.68	10,798.46	79,978.14
2014	70,147.46	9,830.68	79,978.14
2015	59,511.36	7,788.73	67,300.09
2016	45,567.27	10,470.91	56,038.18
2017	47,013.94	9,024.24	56,038.18
2018-2022	251,131.40	29,059.36	280,190.76
Total	542,551.11	76,972.38	619,523.49

At August 31, 2012, the District had \$ 12,812.57 available in the Debt Service Fund to service the general obligation bonds.

### **NOTE 9: INTERFUND BALANCES AND TRANSFERS**

The following table depicts interfund loan activity:

Debtor Fund	Due To	Balance at 9/1/11	Loan Activity		Balance at 8/31/12
			New Loans	Repayments	
General	Capital Projects	0.00	16,000.00	16,000.00	0.00
Totals		0.00	16,000.00	16,000.00	0.00

### **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.

The District continues to carry commercial insurance for all other risks of loss, including earthquakes, floods, fires, etc. (United School Insurance Programs). Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Lake Quinault School District participates in an insurance pool.

### **ESD 113 Unemployment Cooperative**

In July 2005, the District joined together with other school districts in the state to form the ESD 113 Unemployment Insurance Fund, a public entity risk pool currently operating as a common risk management and insurance program for unemployment insurance. There are no annual premiums to the pool.

ESD 113 administers a self-insurance pool to pay beneficiaries for unemployment claims. As the administering agency, we provide a copy of year-end self-insurance pool financial reports to member districts.

The ESD 113 Unemployment Insurance Fund was formed on January 1, 1978, when school districts and ESD 113 joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses. Thirty-four school districts and ESD 113 are members of the cooperative.

The purpose of the Unemployment Cooperative is to share the risk of unemployment compensation claims arising from previous employees of the member districts. Member districts pay a percentage of their employee's wages up to a legally prescribed "base salary."

These contributions plus investment earnings pay for unemployment claims and for the administration of the fund. Effective for the 2011-12 school year the pool revised its structure from a banking model to a shared pool model. This change revised the districts' contribution methodology to be based upon a base rate time a district's claim experience factor.

The cooperative provides member districts with:

- maximized investment earnings by using the Thurston County investment pool;
- low-cost unemployment insurance coverage;
- advice on unemployment questions and issues;
- information on legal and appropriate means to reduce unemployment cost;
- reduced district reserves due to the strong fiscal condition of the pool.

### **ESD 113 Workers Compensation Trust**

ESD 113 administers a self-insurance pool to pay beneficiaries for workers compensation claims. As the administering agency, we provide a copy of year-end self-insurance pool financial reports to member districts.

At August 31, 2012, the amount of liabilities was \$0. This liability is the District's best estimate based on available information. There were no changes in the reported liability since August 31, 2011.

### **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 signed Articles of Agreement, joining the Association, dated June 9, 1971 and has remained in the joint venture ever since. The District's current equity of **\$9,306.54** 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
Restricted Fund Balance					
Other Items	\$54,042.16	\$47,132.68	\$539,339.52	\$12,812.57	\$0
Assigned Fund Balance					
Fund Purposes			\$-41,744.24		\$200,776.13

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

Restricted from State Proceeds	\$244,953.00
Restricted from Other Proceeds	\$252,642.28

**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, or the District.

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

The District offers a tax deferred annuity plan for its employees. The plan permits participants to defer a portion of their salary until future years under 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 Great American Plan Administrator. The plan assets are assets of the District employees, not the school district, and are therefore not reflected on these financial statements.

**NOTE 15: TERMINATION BENEFITS**  
**Compensated Absences**

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

Under the provisions of RCW 28A.400.210, sick leave accumulated by District employees is reimbursed at death or retirement at the rate of one day for each four days of accrued leave, limited to 180 accrued days. This chapter also provides for an annual buy out of an amount up to the maximum annual accumulation of 12 days. For buyout purposes, employees may accumulate such leave to a maximum of 192 days, including the annual accumulation, as of December 31 of each year.

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

Vacation pay, including benefits, that is expected to be liquidated with expendable available financial resources is reported as expenditures and a fund liability of the governmental fund that will pay it.

No unrecorded liability exists for other employee benefits.

Employees earn sick leave at a rate of 12 days per year up to a maximum of one contract year. The District has not adopted the buyout provisions for sick leave as authorized under RCW 28A.400.210. As such, no liability exists for buy out of sick leave.

Lake Quinault School District No. 097  
 Schedule of Long-Term Liabilities: GENERAL FUND  
 For the Year Ended August 31, 2014

Description	Beginning Outstanding Debt September 1, 2013	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2014	Amount Due Within One Year
<b>Non-Voted Debt and Liabilities</b>					
Capital Leases	0.00	0.00	0.00	0.00	0.00
Contracts Payable	0.00	0.00	0.00	0.00	0.00
Non-Cancellable Operating Leases	0.00	0.00	0.00	0.00	0.00
Claims & Judgements	0.00	0.00	0.00	0.00	0.00
Compensated Absences	127,769.45	-4,206.84	35,426.30	88,136.31	10,000.00
Long-Term Notes	0.00	0.00	0.00	0.00	0.00
Anticipation Notes Payable	0.00	0.00	0.00	0.00	0.00
Lines of Credit	0.00	0.00	0.00	0.00	0.00
Other Non-Voted Debt	0.00	0.00	0.00	0.00	0.00
<b>Other Liabilities</b>					
Non-Voted Notes Not Recorded as Debt	0.00	0.00	0.00	0.00	0.00
<b>Total Long-Term Liabilities</b>	<b>127,769.45</b>	<b>-4,206.84</b>	<b>35,426.30</b>	<b>88,136.31</b>	<b>10,000.00</b>

Lake Quinault School District No. 097  
 Schedule of Long-Term Liabilities: DEBT SERVICE FUND  
 For the Year Ended August 31, 2014

Description	Beginning Outstanding Debt September 1, 2013	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2014	Amount Due Within One Year
<b>Voted Debt</b>					
Voted Bonds	0.00	0.00	0.00	0.00	0.00
LOCAL Program Proceeds Issued in Lieu of Bonds	0.00	0.00	0.00	0.00	0.00
<b>Non-Voted Debt</b>					
Non-Voted Bonds	467,853.29	0.00	70,425.13	397,428.16	59,511.36
LOCAL Program Proceeds	0.00	0.00	0.00	0.00	0.00
<b>Total Long-Term Liabilities</b>	467,853.29	0.00	70,425.13	397,428.16	59,511.36

Lake Quinault School District No. 097  
 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	0.00	0.00	0.00	0.00
Total Non-Voted Notes/Bonds	542,596.32	0.00	74,743.03	467,853.29
Qualified Zone Academy Bonds (QZAB)	0.00	0.00	0.00	0.00
Qualified School Construction Bonds (QSCB)	0.00	0.00	0.00	0.00
<b>Other Long-Term Debt</b>				
Capital Leases	0.00	0.00	0.00	0.00
Contracts Payable (GL 603)	0.00	0.00	0.00	0.00
NonCancelable Operating Leases	0.00	0.00	0.00	0.00
Claims & Judgments	0.00	0.00	0.00	0.00
Compensated Absences	117,222.47	13,534.87	2,987.89	127,769.45
Other Long-Term Liabilities	0.00	0.00	0.00	0.00
Total Other Long-Term Liabilities	117,222.47	13,534.87	2,987.89	127,769.45
<b>TOTAL LONG-TERM LIABILITIES</b>	659,818.79	13,534.87	77,730.92	595,622.74

Lake Quinault School District No. 097  
 For the Year Ended August 31, 2012

Description	Beginning Outstanding Debt September 1, 2011	Amount Issued/Increased	Amount Redeemed/Decreased	Ending Outstanding Debt August 31, 2012
Total Voted Bonds	0.00	0.00	0.00	0.00
Total Non-Voted Notes/Bonds	85,784.05	487,222.00	30,409.73	542,596.32
Qualified Zone Academy Bonds (QZAB)	0.00	0.00	0.00	0.00
Qualified School Construction Bonds(QSCB)	0.00	0.00	0.00	0.00
<b>Other Long-Term Debt</b>				
Capital Leases	0.00	0.00	0.00	0.00
Contracts Payable (GL 603)	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	102,555.38	24,861.93	10,194.84	117,222.47
Other Long-Term Liabilities	0.00	0.00	0.00	0.00
Total Other Long-Term Liabilities	102,555.38	24,861.93	10,194.84	117,222.47
<b>TOTAL LONG-TERM LIABILITIES</b>	188,339.43	512,083.93	40,604.57	659,818.79

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

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

<b>Contact information for the State Auditor's Office</b>	
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<b>Toll-free Citizen Hotline</b>	(866) 902-3900
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