Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Willapa Valley School District No. 160

Pacific County

For the period September 1, 2013 through August 31, 2016

Published November 16, 2017

Report No. 1020190

Office of the Washington State Auditor
Pat McCarthy

November 16, 2017

Superintendent and Board of Directors
Willapa Valley School District No. 160
Menlo, Washington

Report on Financial Statements

Please find attached our report on Willapa Valley School District No. 160's financial statements.

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

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

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SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2016-001 The District lacked internal controls over financial statement accounting and reporting.

Background

District management, the state Legislature, state and federal agencies and bondholders rely on financial statement information to make decisions. District management is responsible for designing and following internal controls that provide reasonable assurance regarding the reliability of financial reporting.

Government Auditing Standards prescribed by the Comptroller General of the United States require the auditor to communicate a significant deficiency, as defined below in the Applicable Laws and Regulations section, as a finding.

Description of Condition

Our audit identified the following deficiencies in internal controls that, when taken together, represent a significant deficiency:

- The District lacked an effective review process to ensure the amounts reported on the financial statements agree to the general ledger.
- The District did not have procedures in place to ensure the year-end journal entries and month-end cash flow reconciliations are accurate.
- District staff responsible for preparing and reviewing the financial statements did not ensure the statements were prepared in accordance with the *Administrative Budgeting and Financial Reporting Handbook (ABFR) Handbook.*
- The District did not prepare journal entries to account for transactions to reflect a debt issuance in fiscal year 2015 or for a bond refunding in fiscal year 2016.

Cause of Condition

The District's final review of journal entries, monthly County Treasurer reconciliations and financial statements was insufficient to identify errors and provide accurate financial statements.

Also, bond refinancing activities occur infrequently and are not routine financial transactions reported in the financial statements, footnotes and supporting schedules. The District did not have an accounting procedure in place to give staff correct guidance on recording unique transactions, such as a bond refunding.

Effect of Condition

2013-2014 Financial Statements

The District did not record the issuance of debt. This caused the Debt Service Fund Other Financing Sources and Ending Fund Balance to be understated by $70,604. This fund balance error also affected the Debt Service Fund balance for fiscal years 2015 and 2016.

We were unable to reconcile the following line items within the tolerable limit of our expectations:

- General Fund Ending – Cash and Warrants Outstanding
- Capital Projects Fund – Ending Cash and Warrants Outstanding

2014-2015 Financial Statements

The District did not record the refunding of a bond. This caused the following errors:

- Debt Service Fund Other Financing Sources was understated by $4,215,154.
- Debt Service Fund Other Financing Uses was understated by $3,855,000.
- Debt Service Ending Fund Balance was understated by a total of $430,128. This fund balance error also effected the Debt Service Fund for fiscal year 2016.
- The Schedule of Long Term Liabilities Amount Issued/Increased and Amount Redeemed/Decreased both were understated by $3,855,000.

We were unable to reconcile the following items within the tolerable limit of our expectations:

- General Fund – Ending Cash and Warrants Outstanding
- Capital Projects Fund – Warrants Outstanding and Total Expenditures

2015-2016 Financial Statements

The District's general ledger did not match the financial statements for the Capital Projects Fund Total Revenues and Other Financing Sources, which had a difference of $200,000.

We were unable to reconcile the following items within the tolerable limit of our expectations:

- General Fund – Ending Cash and Warrants Outstanding
- Capital Projects Fund – Warrants Outstanding

Notes to the Financial Statements

During our review of the Notes to the Financial Statements, we found multiple instances of information and financial figures being omitted, incorrect or outdated.

Recommendation

We recommend the District:

- Implement a reconciliation process to ensure amounts reported on the financial statements agree to supporting accounting records
- Perform a secondary review of period-end journal entries and month-end cash flow reconciliations to ensure they are accurate and supported
- Train individuals responsible for preparing and reviewing financial statements, notes and schedules so they can effectively use the ABFR Handbook when preparing the District's annual financial report
- Ensure its financial statement review process includes a review of bond refinancing transactions to ensure they are correctly reported

District's Response

The recording of the bond refunding was misstated due to lack of knowledge on the appropriate way to report the most recent amount issued as well as the amount redeemed in the process of bond refunding. With bond refunding not being something that is done often, the district is now aware of what is needed if this process should happen again. If the business manager has additional questions they will reach out to the company performing the refunding process or to the ESD to make sure the transaction is recorded properly.

After the most recent audit the district has begun to initiate and discuss further ways to double check and discuss the following items monthly journal entries, correcting general journal entries, monthly account balancing as well as payroll *entries. There will be a second person in the office that will review and initial on what is entered. We believe these additional steps will add extra internal controls.*

There is a plan to have an additional person in the office to review and compare documents to what is being reported on the annual F-196 Year End Financial Statements.

Auditor's Remarks

We thank the District for its cooperation throughout the audit and the steps it is taking to address these concerns. We will review the status of the District's corrective action during our next audit

Applicable Laws and Regulations

WAC 392-123-010 The accounting manual.

> The superintendent of public instruction and the office of the state auditor shall publish and distribute to each school district and charter school an accounting manual which shall be referred to as *The Accounting Manual for Public School Districts of the State of Washington.* Such accounting manual, as now or hereafter amended, shall govern the accounting procedures of each school district and charter school and is hereby incorporated into this chapter by this reference. Prior to any revision thereof, the superintendent of public instruction shall publish notice of such proposed action and shall hold at least one public hearing.

Accounting Manual for School Districts, Chapter 3 Accounting Guidelines Internal Controls, states in part:

> Internal control is a management process to assist a school district in achieving the educational objectives adopted by the school board. This management control system should include procedures and policies to help ensure resources are guarded against waste, loss, and misuse; that reliable data is obtained, maintained, and fairly disclosed in financial statement and other reports; and resource use is consistent with laws, regulations, and policies.

Government Auditing Standards, July 2007 Revision – Section 5.11 states that auditors should report material weaknesses and significant deficiencies in internal control.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 265, as follows:

> Deficiency in internal control. A deficiency in internal control over financial reporting 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 deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.
>
> Material weakness. A deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonably possibility exists when the likelihood of an event occurring is either reasonably possible or probably as defined as follows:
>
> Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.
>
> Probable. The future event or events are likely to occur.
>
> Significant deficiency. A deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

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*

Willapa Valley School District No. 160
Pacific County
September 1, 2013 through August 31, 2016

Superintendent and Board of Directors
Willapa Valley School District No. 160
Menlo, 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 Willapa Valley School District No. 160, Pacific County, Washington, as of and for the years ended August 31, 2016, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated November 2, 2017.

We issued an unmodified opinion on the fair presentation of the District's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the District using accounting practices prescribed by Washington State statutes and the *Accounting Manual for Public School Districts in the State of Washington* (Accounting Manual) described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2016-001 that we consider to be significant deficiencies.

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*.

DISTRICT'S RESPONSE TO FINDINGS

The District's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Pat McCarthy

State Auditor

Olympia, WA

November 2, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Willapa Valley School District No. 160
Pacific County
September 1, 2013 through August 31, 2016

Superintendent and Board of Directors
Willapa Valley School District No. 160
Menlo, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Willapa Valley School District No. 160, Pacific County, Washington, for the years ended August 31, 2016, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 15.

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 opinions 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 accounting 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, Willapa Valley School District No. 160 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 differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of Willapa Valley School District No. 160, for the years ended August 31, 2016, 2015 and 2014, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the District used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Willapa Valley School District No. 160, as of August 31, 2016, 2015 and 2014, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2017 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 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.

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

November 2, 2017

FINANCIAL SECTION

Willapa Valley School District No. 160
Pacific County
September 1, 2013 through August 31, 2016

FINANCIAL STATEMENTS

SUPPLEMENTARY AND OTHER INFORMATION

Willapa Valley School District No. 160

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2016

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
REVENUES:							
Local	846,538.56	111,463.42	434,987.40	217.37	215.38		1,393,422.13
State	3,574,541.01		46,130.20	0.00	75,878.62		3,696,549.83
Federal	288,160.83		0.00	0.00	0.00		288,160.83
Federal Stimulus	0.00						0.00
Other	62,891.84			0.00	0.00	0.00	62,891.84
TOTAL REVENUES	**4,772,132.24**	**111,463.42**	**481,117.60**	**217.37**	**76,094.00**	**0.00**	**5,441,024.63**
EXPENDITURES:							
CURRENT:							
Regular Instruction	2,191,767.72						2,191,767.72
Federal Stimulus	0.00						0.00
Special Education	394,055.49						394,055.49
Vocational Education	169,537.05						169,537.05
Skill Center	0.00						0.00
Compensatory Programs	300,585.87						300,585.87
Other Instructional Programs	33,537.79						33,537.79
Community Services	56,981.86						56,981.86
Support Services	1,339,962.32						1,339,962.32
Student Activities/Other		98,782.38				0.00	98,782.38
CAPITAL OUTLAY:							
Sites				0.00			0.00
Building				0.00			0.00
Equipment				0.00			0.00
Instructional Technology				0.00			0.00
Energy				0.00			0.00
Transportation Equipment					111,836.28		111,836.28
Sales and Lease				0.00			0.00
Other	35,110.75						35,110.75
DEBT SERVICE:							
Principal	0.00		432,484.44	0.00	0.00		432,484.44
Interest and Other Charges	0.00		114,635.64	0.00	0.00		114,635.64
Bond/Levy Issuance				0.00	0.00		0.00
TOTAL EXPENDITURES	**4,521,538.85**	**98,782.38**	**547,120.08**	**0.00**	**111,836.28**	**0.00**	**5,279,277.59**

The accompanying notes are an integral part of this financial statements

Willapa Valley School District No. 160

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2016

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
DEBT SERVICE:							
REVENUES OVER (UNDER) EXPENDITURES	250,593.39	12,681.04	-66,002.48	217.37	-35,742.28	0.00	161,747.04
OTHER FINANCING SOURCES (USES):							
Bond Sales & Refunding Bond Sales	0.00		0.00	0.00	0.00		0.00
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	0.00		10,983.84	200,000.00	13,973.00		224,956.84
Transfers Out (GL 536)	-24,956.84		-200,000.00	0.00	0.00	0.00	-224,956.84
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	0.00		0.00	0.00	0.00		0.00
TOTAL OTHER FINANCING SOURCES (USES)	**-24,956.84**		**-189,016.16**	**200,000.00**	**13,973.00**	**0.00**	**0.00**
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	225,636.55	12,681.04	-255,018.64	200,217.37	-21,769.28	0.00	161,747.04
BEGINNING TOTAL FUND BALANCE	**1,687,967.50**	**91,936.58**	**1,833,138.55**	**54,664.98**	**100,090.24**	**0.00**	**3,767,797.85**
Prior Year(s) Corrections or Restatements	1,075.76	0.00	0.00	0.00	0.00	0.00	1,075.76
ENDING TOTAL FUND BALANCE	**1,914,679.81**	**104,617.62**	**1,578,119.91**	**254,882.35**	**78,320.96**	**0.00**	**3,930,620.65**

The accompanying notes are an integral part of this financial statements

Willapa Valley School District No. 160

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2015

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
REVENUES:							
Local	872,165.30	142,809.89	573,044.04	36.85	42.00		1,588,098.08
State	3,466,279.02		157,386.69	0.00	70,047.79		3,693,713.50
Federal	282,254.95		0.00	0.00	0.00		282,254.95
Federal Stimulus	0.00						0.00
Other	75,206.69			0.00	0.00	0.00	75,206.69
TOTAL REVENUES	**4,695,905.96**	**142,809.89**	**730,430.73**	**36.85**	**70,089.79**	**0.00**	**5,639,273.22**
EXPENDITURES:							
CURRENT:							
Regular Instruction	2,017,536.38						2,017,536.38
Federal Stimulus	0.00						0.00
Special Education	408,387.28						408,387.28
Vocational Education	217,114.11						217,114.11
Skill Center	0.00						0.00
Compensatory Programs	254,686.39						254,686.39
Other Instructional Programs	35,089.44						35,089.44
Community Services	56,426.22						56,426.22
Support Services	1,290,274.54						1,290,274.54
Student Activities/Other		138,176.69				0.00	138,176.69
CAPITAL OUTLAY:							
Sites				0.00			0.00
Building				44,486.90			44,486.90
Equipment				0.00			0.00
Instructional Technology				0.00			0.00
Energy				0.00			0.00
Transportation Equipment					0.00		0.00
Sales and Lease				0.00			0.00
Other	31,652.77						31,652.77
DEBT SERVICE:							
Principal	0.00		329,551.36	0.00	0.00		329,551.36
Interest and Other Charges	0.00		135,062.49	0.00	0.00		135,062.49
Bond/Levy Issuance				0.00	0.00		0.00
TOTAL EXPENDITURES	**4,311,167.13**	**138,176.69**	**464,613.85**	**44,486.90**	**0.00**	**0.00**	**4,958,444.57**

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

Willapa Valley School District No. 160

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2015

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
DEBT SERVICE:							
REVENUES OVER (UNDER) EXPENDITURES	384,738.83	4,633.20	265,816.88	-44,450.05	70,089.79	0.00	680,828.65
OTHER FINANCING SOURCES (USES):							
Bond Sales & Refunding Bond Sales	0.00		4,215,154.00	0.00	0.00		4,215,154.00
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	0.00		1,858.09	45,000.00	0.00		46,858.09
Transfers Out (GL 536)	0.00		-45,000.00	-1,858.09	0.00	0.00	-46,858.09
Other Financing Uses (GL 535)	0.00		-3,855,000.00	0.00	0.00		-3,855,000.00
Other	0.00		0.00	0.00	0.00		0.00
TOTAL OTHER FINANCING SOURCES (USES)	**0.00**		**317,012.09**	**43,141.91**	**0.00**	**0.00**	**360,154.00**
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	384,738.83	4,633.20	582,828.97	-1,308.14	70,089.79	0.00	1,040,982.65
BEGINNING TOTAL FUND BALANCE	**1,303,236.21**	**87,379.48**	**1,250,309.58**	**55,972.98**	**30,000.45**	**0.00**	**2,726,898.70**
Prior Year(s) Corrections or Restatements	-7.54	-76.10	0.00	0.00	0.00	0.00	-83.64
ENDING TOTAL FUND BALANCE	**1,687,967.50**	**91,936.58**	**1,833,138.55**	**54,664.98**	**100,090.24**	**0.00**	**3,767,797.85**

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

Willapa Valley School District No. 160

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
REVENUES:							
Local	845,041.76	168,473.18	652,130.69	45.34	87.85		1,665,778.82
State	3,298,083.03		406,132.26	47,054.11	69,283.66		3,820,553.06
Federal	331,589.70		0.00	0.00	0.00		331,589.70
Federal Stimulus	0.00						0.00
Other	9,259.19			0.00	0.00	0.00	9,259.19
TOTAL REVENUES	**4,483,973.68**	**168,473.18**	**1,058,262.95**	**47,099.45**	**69,371.51**	**0.00**	**5,827,180.77**
EXPENDITURES:							
CURRENT:							
Regular Instruction	1,876,683.62						1,876,683.62
Federal Stimulus	0.00						0.00
Special Education	389,909.22						389,909.22
Vocational Education	199,899.22						199,899.22
Skill Center	0.00						0.00
Compensatory Programs	198,122.50						198,122.50
Other Instructional Programs	25,593.43						25,593.43
Community Services	67,389.37						67,389.37
Support Services	1,332,656.41						1,332,656.41
Student Activities/Other		159,998.12				0.00	159,998.12
CAPITAL OUTLAY:							
Sites				0.00			0.00
Building				64,201.81			64,201.81
Equipment				0.00			0.00
Instructional Technology				0.00			0.00
Energy				34,969.29			34,969.29
Transportation Equipment					125,993.30		125,993.30
Sales and Lease				0.00			0.00
Other	1,924.09						1,924.09
DEBT SERVICE:							
Principal	0.00		302,047.49	0.00	0.00		302,047.49
Interest and Other Charges	0.00		233,739.22	0.00	0.00		233,739.22
Bond/Levy Issuance				0.00	0.00		0.00
TOTAL EXPENDITURES	**4,092,177.86**	**159,998.12**	**535,786.71**	**99,171.10**	**125,993.30**	**0.00**	**5,013,127.09**

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

Willapa Valley School District No. 160

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
DEBT SERVICE:							
REVENUES OVER (UNDER) EXPENDITURES	391,795.82	8,475.06	522,476.24	-52,071.65	-56,621.79	0.00	814,053.68
OTHER FINANCING SOURCES (USES):							
Bond Sales & Refunding Bond Sales	0.00		70,604.00	0.00	0.00		70,604.00
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	0.00		0.00	51,213.59	0.00		51,213.59
Transfers Out (GL 536)	0.00		-51,213.59	0.00	0.00	0.00	-51,213.59
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	0.00		0.00	0.00	0.00		0.00
TOTAL OTHER FINANCING SOURCES (USES)	**0.00**		**19,390.41**	**51,213.59**	**0.00**	**0.00**	**70,604.00**
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	391,795.82	8,475.06	541,866.65	-858.06	-56,621.79	0.00	884,657.68
BEGINNING TOTAL FUND BALANCE	**911,440.39**	**78,904.42**	**708,442.93**	**56,831.04**	**86,622.24**	**0.00**	**1,842,241.02**
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ENDING TOTAL FUND BALANCE	**1,303,236.21**	**87,379.48**	**1,250,309.58**	**55,972.98**	**30,000.45**	**0.00**	**2,726,898.70**

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

Willapa Valley School District No. 160

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended August 31, 2016

	Private Purpose Trust	Other Trust
ADDITIONS:		
Contributions:		
Private Donations	0.00	0.00
Employer		0.00
Members		0.00
Other	0.00	0.00
TOTAL CONTRIBUTIONS	**0.00**	**0.00**
Investment Income:		
Net Appreciation (Depreciation) in Fair Value	0.00	0.00
Interest and Dividends	995.96	0.00
Less Investment Expenses	0.00	0.00
Net Investment Income	995.96	0.00
Other Additions:		
Rent or Lease Revenue	0.00	0.00
Total Other Additions	0.00	0.00
TOTAL ADDITIONS	**995.96**	**0.00**
DEDUCTIONS:		
Benefits		0.00
Refund of Contributions	0.00	0.00
Administrative Expenses	0.00	0.00
Scholarships	1,000.00	
Other	0.00	0.00
TOTAL DEDUCTIONS	**1,000.00**	**0.00**
Net Increase (Decrease)	-4.04	0.00
Net Position--Prior Year August Beginning	296,409.47	0.00
Prior Year F-196 Manual Revision	0.00	0.00
Net Position - Total	296,409.47	0.00
Prior Year(s) Corrections or Restatements	0.00	0.00
NET POSITION--ENDING	**296,405.43**	**0.00**

The accompanying notes are an integral part of this financial statements

Willapa Valley School District No. 160

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended August 31, 2015

	Private Purpose Trust	Other Trust
ADDITIONS:		
Contributions:		
Private Donations	0.00	0.00
Employer		0.00
Members		0.00
Other	0.00	0.00
TOTAL CONTRIBUTIONS	**0.00**	**0.00**
Investment Income:		
Net Appreciation (Depreciation) in Fair Value	0.00	0.00
Interest and Dividends	375.06	0.00
Less Investment Expenses	0.00	0.00
Net Investment Income	375.06	0.00
Other Additions:		
Rent or Lease Revenue	0.00	0.00
Total Other Additions	0.00	0.00
TOTAL ADDITIONS	**375.06**	**0.00**
DEDUCTIONS:		
Benefits		0.00
Refund of Contributions	0.00	0.00
Administrative Expenses	0.00	0.00
Scholarships	1,000.00	
Other	0.00	0.00
TOTAL DEDUCTIONS	**1,000.00**	**0.00**
Net Increase (Decrease)	-624.94	0.00
Net Position--Beginning	297,034.41	0.00
Prior Year(s) Corrections or Restatements	0.00	0.00
NET POSITION--ENDING	**296,409.47**	**0.00**

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

Willapa Valley School District No. 160

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended August 31, 2014

	Private Purpose Trust	Other Trust
ADDITIONS:		
Contributions:		
Private Donations	0.00	0.00
Employer		0.00
Members		0.00
Other	0.00	0.00
TOTAL CONTRIBUTIONS	**0.00**	**0.00**
Investment Income:		
Net Appreciation (Depreciation) in Fair Value	0.00	0.00
Interest and Dividends	332.23	0.00
Less Investment Expenses	0.00	0.00
Net Investment Income	332.23	0.00
Other Additions:		
Rent or Lease Revenue	0.00	0.00
Total Other Additions	0.00	0.00
TOTAL ADDITIONS	**332.23**	**0.00**
DEDUCTIONS:		
Benefits		0.00
Refund of Contributions	0.00	0.00
Administrative Expenses	0.00	0.00
Scholarships	2,000.00	
Other	0.00	0.00
TOTAL DEDUCTIONS	**2,000.00**	**0.00**
Net Increase (Decrease)	-1,667.77	0.00
Net Position--Beginning	298,702.18	0.00
Prior Year(s) Corrections or Restatements	0.00	0.00
NET POSITION--ENDING	**297,034.41**	**0.00**

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

WILLAPA VALLEY SCHOOL DISTRICT
Notes to the Financial Statements
September 1, 2013 Through August 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Willapa Valley 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 cash basis of accounting, except for the Debt Service Fund which is reported 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) Financial transactions are recognized on a cash basis of accounting as described below.
(2) Districtwide statements, as defined in GAAP, are not presented.
(3) A Schedule of Long-Term Liabilities is presented as supplementary information.
(4) 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 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 principal 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 other agencies in a purely custodial capacity.

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

Governmental fund financial statements are reported using the cash basis of accounting and measurement focus. Revenues are recognized when they are received in cash and expenditures are recognized when warrants are issued. Purchases of capital assets are expensed during the year of acquisition.

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 cash basis as used for financial reporting, except for the Debt Service Fund which is accounted for on the modified accrual basis of accounting. 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.

<u>Nonspendable Fund Balance</u>. 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.

<u>Restricted Fund Balance</u>. 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 Business Manager & Superintendent 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.

Accounting and Reporting Changes for 2014–15

Effective for the 2014–15 school year, the district implemented provisions of GASB Statement No. 68 Accounting and Financial Reporting for Pensions. As a result, the Schedule of Long-Term Liabilities now includes the district's proportionate share of the net pension liability for the cost-sharing, multiple-employer plans in which the district participates.

NOTE 2: DEPOSITS AND INVESTMENTS

The Pacific 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.

The district's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All of the District's investments during the year and at year-end were insured or registered and held by the District or its agent in the District's name.

Washington State statutes authorize the district to invest in the following types of securities:

- Certificates, notes, or bonds of the United States, its agencies, or any corporation wholly owned by the government of the United States,
- Obligations of government-sponsored corporations which are eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System,
- Bankers' acceptances purchased on the secondary market,
- Repurchase agreements for securities listed in the three items above, provided that the transaction is structured so that the public treasurer obtains control over the underlying securities,
- Investment deposits with qualified public depositories,
- Washington State Local Government Investment Pool, and
- County Treasurer Investment Pools.

The District's investments as of August 31, 2014, are as follows:

Type of Investment	(District's) own investments	Investments held by (district) as an agent for other organizations	Total
State Treasurer's Investment Pool			
County Treasurer's Investment Pool	$2,924,184.07		$2,924,184.07
Total	$2,924,184.07		$2,924,184.07

The District's investments as of August 31, 2015, are as follows:

Type of Investment	(District's) own investments	Investments held by (district) as an agent for other organizations	Total
State Treasurer's Investment Pool			
County Treasurer's Investment Pool	$3,606,531.25		$3,606,531.25
Total	$3,606,531.25		$3,606,531.25

The District’s investments as of August 31, 2016, are as follows:

Type of Investment	(District’s) own investments	Investments held by (district) as an agent for other organizations	Total
State Treasurer’s Investment Pool			
County Treasurer’s Investment Pool	$3,776,536.54		$3,776,536.54
Total	$3,776,536.54		$3,776,536.54

NOTE 3: PENSION PLANS

General Information

The Washington State Department of Retirement Systems (DRS), a department within the primary government of the state of Washington, prepares a stand-alone comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each pension plan. The pension plan’s basic financial statement is accounted for using the accrual basis of accounting. The measurement date of the pension plans is June 30. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The school district is reporting the net pension liability in the notes and on the Schedule of Long-term Liabilities calculated as the district’s proportionate allocation percentage multiplied by the total plan collective net pension liability.

Detailed information about the pension plans’ fiduciary net position is available in the separately issued DRS CAFR. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, P.O. Box 48380, Olympia, WA 98504-8380; or online at http://www.drs.wa.gov./administrations/annual-report.

Membership Participation

Substantially all school district full-time and qualifying part-time employees participate in one of the following three contributory, multi-employer, cost-sharing statewide retirement systems managed by DRS: Teachers’ Retirement System (TRS), Public Employees’ Retirement System (PERS) and School Employees’ Retirement System (SERS).

Membership by retirement system program as of June 30, 2014:

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

Membership participation by retirement plan as of June 30, 2015, was as follows:

Plan	Active Members	Inactive Vested Members	Retired Members
PERS 1	4,782	1,178	51,070
SERS 2	22,950	5,357	5,796
SERS 3	30,832	6,963	4,825
TRS 1	1,824	323	35,639
TRS 2	13,632	2,357	3,894
TRS 3	51,837	7,655	6,094

Membership participation by retirement plan as of June 30, 2016, was as follows:

Plan	Retirees and Beneficiaries Receiving Benefits	Inactive Plan Members Entitled to but not yet Receiving Benefits	Active Plan Members
PERS 1	49,417	827	3,230
SERS 2	7,391	5,704	26,127
SERS 3	6,715	7,899	32,409
TRS 1	34,859	223	962
TRS 2	4,700	2,443	17,612
TRS 3	8,866	8,373	53,417

Membership & Plan Benefits

Certificated employees are members of TRS. Classified 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. TRS 1 and PERS 1 are closed to new entrants.

TRS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component. TRS eligibility for membership requires service as a certificated public school employee working in an instructional, administrative or supervisory capacity.

TRS is comprised of three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

TRS Plan 1 provides retirement, disability and death benefits. TRS 1 members were vested after the completion of five years of eligible service. Retirement benefits are determined as two percent of the average final compensation (AFC), for each year of service credit, up to a maximum of 60 percent, divided by twelve. The AFC is the total earnable compensation for the two consecutive highest-paid fiscal years, divided by two. Members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. Other benefits include temporary and permanent disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

TRS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) per year of service for Plan 2 members and one percent of AFC for Plan 3 members. The AFC is the monthly average of the 60 consecutive highest-paid service credit months. There is no cap on years of service credit. Members are eligible for normal retirement at the age of 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. TRS Plan 2/3 members, who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a reduced benefit.

The benefit is reduced by a factor that varies according to age, for each year before age 65. TRS Plan 2/3 members who have 30 or more years of service credit, were hired prior to May 1, 2013, and are at least 55 years old, can retire under one of two provisions: With a benefit that is reduced by three percent for each year before age 65; or with a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

TRS Plan 2/3 members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.
TRS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit.

Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the Consumer Price Index), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

PERS Plan 1 provides retirement, disability and death benefits. PERS 1 members were vested after the completion of five years of eligible service. Retirement benefits are determined as two percent of the member’s average final compensation (AFC) times the member’s years of service. The AFC is the average of the member’s 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service.

Members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

SERS is a cost-sharing multiple-employer retirement system comprised of two separate plans for membership purposes. SERS Plan 2 is a defined benefit plan and SERS Plan 3 is a defined benefit plan with a defined contribution component. SERS members include classified employees of school districts and educational service districts.

SERS is reported as two separate plans for accounting purposes: Plan 2/3 and Plan 3. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

SERS provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and one percent of AFC for Plan 3. The AFC is the monthly average of the member's 60 highest-paid consecutive service months before retirement, termination or death. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. SERS members, who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a reduced benefit.

The benefit is reduced by a factor that varies according to age, for each year before age 65. SERS members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 2, 2013: With a benefit that is reduced by three percent for each year before age 65; or with a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

SERS members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service. SERS retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost- of-living allowance (based on the Consumer Price Index), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

Plan Contributions

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 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. Employers do not contribute to the defined contribution portions of TRS Plan 3 or SERS Plan 3. Under current law the employer must contribute 100 percent of the employer-required contribution. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at six percent and does not vary from year to year.

The Employer and employee contribution rates for the PERS plan are effective as of July 1. SERS and TRS contribution rates are effective as of September 1. The pension plan contribution rates (expressed as a percentage of covered payroll) for 2014, 2015 and 2016 were as follows:

Pension Rates			
	7/1/16 Rate	**7/1/15 Rate**	**7/1/14 Rate**
PERS 1			
Member Contribution Rate	6.00%	6.00%	6.00%
Employer Contribution Rate	11.18%	11.18%	9.21%
Pension Rates			
	9/1/16 Rate	**9/1/15 Rate**	**7/1/14 Rate**
TRS 1			
Member Contribution Rate	6.00%	6.00%	6.00%
Employer Contribution Rate	13.13%	13.13%	10.39%
TRS 2			
Member Contribution Rate	5.95%	5.95%	4.96%
Employer Contribution Rate	13.13%	13.13%	10.39%
TRS 3			
Member Contribution Rate	*	*	varies*
Employer Contribution Rate	13.13%	13.13%	10.39%
SERS 2			
Member Contribution Rate	5.63%	5.63%	4.64%
Employer Contribution Rate	11.58%	11.58%	9.82%
SERS 3			
Member Contribution Rate	*	*	varies*
Employer Contribution Rate	11.58%	11.58%	9.82%
Note: The DRS administrative rate of .00XX is included in the employer rate.			
* = Variable from 5% to 15% based on rate selected by the member.			
** = Defined benefit portion only.			

GASB 68 was effective for FY 2015, FY 2014 does not have a proportionate share of NPL.
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):

Plan	2014	2015
Plan 1 TRS	$ 6,506.89	$ 7,172.61
Plan 2 TRS	$ 66,445.78	$ 67,081.66
Plan 3 TRS	$ 88,402.49	$ 99,200.76
Plan 1 PERS	$ 1,337.73	$ 1,318.77
Plan 2 SERS	$ 20,659.04	$ 26,058.61
Plan 3 SERS	$ 40,338.20	$ 37,993.78

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, 20XX, 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

The Collective Net Pension Liability

The collective net pension liabilities for the pension plans districts participated in are reported in the following tables.

The Net Pension Liability as of June 30, 2015:				
Dollars in Thousands	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Total Pension Liability	$12,789,242	$4,473,428	$9,237,730	$11,220,833
Plan fiduciary net position	($7,558,312)	($4,067,277)	($6,069,588)	($10,377,031)
Participating employers' net pension liability	$5,230,930	$406,151	$3,168,142	$843,802
Plan fiduciary net position as a percentage of the total pension liability	59.10%	90.92%	65.70%	92.48%

The Net Pension Liability as of June 30, 2016:				
Dollars in Thousands	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Total Pension Liability	$12,496,872	$4,870,806	$9,001,257	$12,172,222
Plan fiduciary net position	($7,126,401)	($4,214,039)	($5,587,020)	($10,798,925)
Participating employers' net pension liability	$5,370,471	$656,767	$3,414,237	$1,373,297
Plan fiduciary net position as a percentage of the total pension liability	57.03%	86.52%	62.07%	88.72%

The School District's Proportionate Share of the Net Pension Liability (NPL)

At June 30, 2015, the District reported a total liability of $2,010,309 for its proportionate shares of the individual plans' collective net pension liability. Proportions of net pension liability is based on annual contributions for each of the employers participating in the DRS administered plans. At June 30, 2015, the district's proportionate share of each plan's net pension liability is reported below:

June 30, 2015	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District's Annual Contributions	29,192	39,329	85,145	97,100
Proportionate Share of the Net Pension Liability	332,253	164,302	1,205,443	308,311

At **June 30,** 2015, the school district's percentage of the proportionate share of the collective net pension liability was as follows and the change in the allocation percentage from the prior period is illustrated below.

Change in Proportionate shares	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share of the Net Pension Liability	0.006352%	0.040453%	0.038049%	0.036538%
Prior year proportionate share of the Net Pension Liability	0.005142%	0.035798%	0.032232%	0.031230%
Net difference percentage	0.001210%	0.004655%	0.005817%	0.005308%

At June 30, 2016, the District reported a total liability of $1,926,532 for its proportionate shares of the individual plans' collective net pension liability. Proportions of net pension liability is based on annual contributions for each of the employers participating in the DRS administered plans. At June 30, 2016, the district's proportionate share of each plan's net pension liability is reported below:

June 30, 2016	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District's Annual Contributions	31,730	43,272	89,377	91,372
Proportionate Share of the Net Pension Liability	300,489	237,553	1,004,056	384,434

At **June 30,** 2016, the school district's percentage of the proportionate share of the collective net pension liability was as follows and the change in the allocation percentage from the prior period is illustrated below.

Change in Proportionate shares	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share of the Net Pension Liability	0.005595%	0.036170%	0.029408%	0.027994%
Prior year proportionate share of the Net Pension Liability	0.006352%	0.040453%	0.038049%	0.036538%
Net difference percentage	-0.000756%	-0.004283%	-0.008641%	-0.008545%

Actuarial Assumptions

Capital Market Assumptions (CMAs) and expected rates of return by asset class provided by the Washington State Investment Board. The Office of the State Actuary relied on the CMAs in the selection of the long-term expected rate of return for reporting purposes.

The 2015 total pension liabilities for TRS 1, TRS 2/3, PERS1 AND SERS 2/3 were determined by actuarial valuation as of June 30, 2014, with the results rolled forward to June 30, 2015. The 2016 total pension liabilities for TRS 1, TRS 2/3, PERS 1 AND SERS 2/3 were determined by actuarial valuation as of June 30, 2015, with the results rolled forward to June 30, 2016. Both years used the following actuarial assumptions, applied to all prior periods included in the measurement.

Inflation	3.0% total economic inflation, 3.75% salary inflation
Salary increases	In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
Investment rate of return	7.50%

Mortality Rates

Mortality rates used in the plans were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime. The actuarial assumptions used in the June 30, 2014 and June 30, 2015 valuation were based on the results of the 2007–2012 Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best-estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the Washington State Investment Board (WSIB). Those expected returns make up one component of WSIB's CMAs. The CMAs contain three pieces of information for each class of assets the WSIB currently invest in:

- Expected annual return
- Standard deviation of the annual return
- Correlations between the annual returns of each asset class with every other asset class

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The long-term expected rate of return of 7.50% percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, increased slightly to remove WSIB's implicit and small short-term downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a ten to fifteen-year period, becomes amplified over a fifty-year measurement period.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2015 and 2016 are summarized in the following table:

TRS 1, TRS 2/3, PERS 1, and SERS 2/3		
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20.00%	1.70%
Tangible Assets	5.00%	4.40%
Real Estate	15.00%	5.80%
Global Equity	37.00%	6.60%
Private Equity	23.00%	9.60%

The inflation component used to create the above table is 2.20 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contributions rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Therefore, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to determine the total pension liability

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Willapa Valley School District's proportionate share of the collective net pension liability (NPL) calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.50 percent) or one percentage-point higher (8.50 percent) than the current rate. Amounts are calculated using the school district's specific allocation percentage, by plan, to determine the proportionate share of the collective net pension liability.

2015	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
PERS1 NPL	$6,368,671,000	$5,230,930,000	$4,252,577,000
Allocation Percentage	0.006352%	0.006352%	0.006352%
Proportionate Share of Collective NPL	$404,519	$332,253	$270,111
SERS2/3 NPL	$1,282,039,000	$406,151,000	($273,474,000)
Allocation Percentage	0.040453%	0.040453%	0.040453%
Proportionate Share of Collective NPL	$518,628	$164,302	($110,630)
TRS1 NPL	$3,982,571,000	$3,168,142,000	$2,467,801,000
Allocation Percentage	0.038049%	0.038049%	0.038049%
Proportionate Share of Collective NPL	$1,515,325	$1,205,443	$938,971
TRS2/3 NPL	$3,570,229,000	$843,802,000	($1,183,066,000)
Allocation Percentage	0.036538%	0.036538%	0.036538%
Proportionate Share of Collective NPL	$1,304,502	$308,311	($432,273)

The following table presents the Willapa Valley School District's proportionate share of the collective net pension liability (NPL) calculated using the discount rate of 7.5 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.5 percent) or one percentage-point higher (8.5 percent) than the current rate. Amounts are calculated using the school district's specific allocation percentage, by plan, to determine the proportionate share of the collective net pension liability.

2016	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1 NPL	$6,476,248,000	$5,370,471,000	$4,418,882,000
Allocation Percentage	0.005595%	0.005595%	0.005595%
Proportionate Share of Collective NPL	$362,359	$300,489	$247,245
SERS 2/3 NPL	$1,600,665,000	$656,767,000	($75,324,000)
Allocation Percentage	0.036170%	0.036170%	0.036170%
Proportionate Share of Collective NPL	$578,960	$237,553	($27,245)
TRS 1 NPL	$4,197,137,000	$3,414,237,000	$2,739,882,000
Allocation Percentage	0.029408%	0.029408%	0.029408%
Proportionate Share of Collective NPL	$1,234,291	$1,004,056	$805,742
TRS 2/3 NPL	$3,107,958,000	$1,373,297,000	($1,595,357,000)
Allocation Percentage	0.027994%	0.027994%	0.027994%
Proportionate Share of Collective NPL	$870,027	$384,434	($446,597)

NOTE 4: 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)[(5).]

Employers participating in the plan include the state of Washington (which includes general government agencies and higher education institutions), 60 of the state's K–12 school districts and educational service districts (ESDs), and 221 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 237 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 2013-2014, 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 $36,421.26. Fiscal year 2014-2015, 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 $38,430.70. Fiscal year 2015–16, 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 $39,541.60. 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. The District reports on the cash basis and accordingly, these amounts are not shown on the financial statements.

NOTE 5: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The District's capital assets are insured in the amount of $20,517,378 for fiscal year 2014. The amount $20,517,378 for fiscal year 2015 and $20,667,378 for fiscal year 2016. In the opinion of the District's insurance consultant, the amount is sufficient to adequately fund replacement of the District's assets.

NOTE 6: REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES

Long-Term Debt

Bonds payable at August 31, 2016, are comprised of the following individual issues:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
UTGO Bonds, 2006	6,600,000	340,000	12/1/16	5.25	340,000
UTGO Refunding Bond, 2015	4,200,000	56,000-483,000	12/1/25	2.03	4,095,000
Total General Obligation Bonds	10,800,000				4,435,000

The following is a summary of general obligation long-term debt transactions of the District for the fiscal year(s) ended August 31, 2016:

Long-Term Debt Payable at 9/1/2014	4,820,000
New Issues	4,200,000
Debt Retired	4,585,000
Long-Term Debt Payable at 8/31/2016	4,435,000

The following is a schedule of annual requirements to amortize debt at August 31, 2016:

Years Ending August 31	Principal	Interest	Total
2017	396,000	91,485	487,485
2018	412,000	77,810	489,810
2019	419,000	69,375	488,375
2020	441,000	60,646	501,646
2021	437,000	51,735	488,735
2022-26	2,330,000	120,034	2,450,034
Total	4,435,000	471,085	4,906,085

Years Ending August 31 HVAC Energy Local Loan	Principal	Interest	Total
2017	7,484.44	3,499.38	10,983.82
2018	7,829.88	3,200.00	11,092.88
2019	8,231.41	2,808.52	11,039.93
2020	8,653.53	2,396.94	11,050.47
2021	9,097.31	1,964.26	11,061.57
2022-26	30,188.01	3,069.10	33,257.11
Total	71,484.58	16,938.20	88,422.78

At August 31, 2014, the District had $1,250,310 as if August 31, 2015, the District had $1,833,139 and as of August 31, 2016, the District had $1,578,120 available in the Debt Service Fund to service the general obligation bonds.

Refunded Debt

(On March 5, 2015, the District issued $4.2 million in general obligation bonds with an average interest rate of 2.030208 percent to advance refund $3.855 million of outstanding 2006 series bonds with an average interest rate of 4.5 percent. The net proceeds of $4,165,979.78 after payment of $34,020.22 in underwriting fees, other issuance costs plus contingency were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2006 series bonds. As a result, the 2006 series bonds are considered partially defeased.

The District advance refunded the 2006 series bonds to reduce its total debt service payments over the next 11 years by $352,778.13 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $316,001.09.)

Cash Flows Difference	
Old Debt Service Cash Flows	5,942,925.00
New Debt Service Cash Flows	4,766,721.87
Total	1,176,203.13
Economic Gain	
Present Value of Old Debt Service Cash Flows	4,515,370.87
Present Value of New Debt Service Cash Flows	4,199,369.78
Total	316,001.09

Prior-Year Defeasance of Debt

In prior years, the District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At August 31, 2016, $3.855 million of bonds outstanding were considered defeased.

NOTE 7: INTERFUND BALANCES AND TRANSFERS

The following table depicts interfund loan activity:

Debtor Fund	Due To	Balance at 9/1/16	Loan Activity		Balance at 8/31/16
			New Loans	Repayments	
TVF	General Fund	13,000			13,000

The following table depicts interfund transfer activity:

Transferred From (Fund) 535 or 536	Transferred To (Fund) 965 9900	Amount	Description
Debt Service	Capital Projects	296,213.59	CP plans for district
Capital Projects	Debt Service	1858.09	Interest on local loan

NOTE 8: 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.

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 $450,000 and the annual aggregate retention is $18,464,200 minimum for a two-year period FY 2015-18. Since the Trust is a cooperative program, there is joint liability among participating members.

For fiscal year 2016, 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 CR ESD 113's Superintendent.

The CR ESD 113 is responsible for conducting the business affairs of the Trust. As of August 31, 2016, the amount of claim liabilities totaled $7,470,000. This liability is the CR ESD 113's 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

	Beginning Balance 9/1/2014	Current Year Claims and Changes in Estimates	Ending Balance 8/31/2015
Incurred but not Reported	$ 5,749,000	$ 163,000	$ 5,912,000
Future L&I Assessments	$ 1,106,000	$ 96,000	$ 1,202,000
Estimated Unallocated Loss Adjustment	$ 385,000	$ 11,000	$ 396,000

	Beginning Balance 9/1/2015	Current Year Claims and Changes in Estimates	Ending Balance 8/31/2016
Incurred but not Reported	2,517,486	207,000	2,689,820
Open Claims	3,394,514		3,429,180
Future L&I Assessments	1,202,000	(261,000)	941,000
Estimated Unallocated Loss Adjustment	396,000	14,000	410,000

Willapa Valley School District is a member of 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 purchase insurance and administrative services. Current membership includes 155 school districts. The program allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Coverage for Wrongful Acts Liability and Employee Benefit Liability 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, Automotive Liability, Wrongful Acts 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 (member deductibles may vary), while the program is responsible for the $100,000 self-insured retention (SIR). Insurance carriers cover insured losses over $101,000 to the 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 SIR. The program also purchases a stop loss policy with an attachment point of $967,749, 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 a $1,000 deductible for each claim (Member deductibles may vary), while the program is responsible for the $100,000 SIR. Equipment Breakdown insurance is subject to a per-occurrence deductible of $10,000. Members are responsible for the deductible amount of each claim. -2- 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 members with Clear Risk Solutions, 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, 2014 were $1,514,980.35, August 31, 2015 were $1,678,247.63 and August 31, 2016, were $1,681,707.94. A board of directors consisting 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 Clear Risk Solutions to perform day-to-day administration of the program. This program has no employees.

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 of property taxes will be recorded as revenue in the 2015-2016 school year, consistent with the cash basis of accounting.

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 as of March 12, 1971, and has remained in the joint venture ever since. The District's current equity of $10,256.12 as of 2013, $10,442.40 as of 2014, $8,004.07 as of 2015 and 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.

8/2014	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund	Transportation Vehicle Fund
Nonspendable Fund Balance					
Inventory and Prepaid Items					
Restricted Fund Balance					
For Other Items	$389.68	$5,000.00	$55,972.98		
For Unequalized Deductible Revenue	$8,270.91				
For Fund Purpose		$82,303.38			$30,000.45
For Carryover of Restricted Revenues	$5,605.00				
For Skill Centers					
For Carryover of Food Service Revenue					
For Debt Service				$1,250,309.58	
For Arbitrage Rebate					
For Self-Insurance					
For Uninsured Risks					
Committed Fund Balance					
For Economic Stabilization					
Other Commitments					
Assigned Fund Balance					
Contingencies					
Other Capital Projects					
Other Purposes	$3,400.00				
Fund Purposes					
Unassigned Fund Balance	$1,285,563.08				

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

Restricted from Other Proceeds	$55,972.98

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

8/2015	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund	Transportation Vehicle Fund
Nonspendable Fund Balance					
Inventory and Prepaid Items					
Restricted Fund Balance					
For Other Items	$405.85	$5,000.00	$54,664.98		
For Unequalized Deductible Revenue	$18,431.50				
For Fund Purpose		$86,936.58			$100,090.24
For Carryover of Restricted Revenues	$5,947.09				
For Skill Centers					
For Carryover of Food Service Revenue					
For Debt Service				$1,833,138.55	
For Arbitrage Rebate					
For Self-Insurance					
For Uninsured Risks					
Committed Fund Balance					
For Economic Stabilization					
Other Commitments					
Assigned Fund Balance					
Contingencies					
Other Capital Projects					
Other Purposes	$3,400.00				
Fund Purposes					
Unassigned Fund Balance	$1,687,967.50				

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

Restricted from Other Proceeds	$54,664.98

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

8/2016	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund	Transportation Vehicle Fund
Nonspendable Fund Balance					
Inventory and Prepaid Items					
Restricted Fund Balance					
For Other Items		$5,000.00	$158,657.24		
For Unequalized Deductible Revenue	-$93,484.62				
For Fund Purpose		$99,617.62			$78,320.96
For Carryover of Restricted Revenues	$740.03				
For Skill Centers					
For Carryover of Food Service Revenue					
For Debt Service				$1,578,119.91	
For Arbitrage Rebate					
For Self-Insurance					
For Uninsured Risks					
Committed Fund Balance					
For Economic Stabilization					
Other Commitments					
Assigned Fund Balance					
Contingencies					
Other Capital Projects					
Other Purposes	$3,400.00				
Fund Purposes			$96,225.11		
Unassigned Fund Balance	$2,004,011.89				

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

Restricted from Other Proceeds	$158,657.24

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. Contributions were $34,800.00 for August 31, 2014, $40,750.00 for August 31, 2015 and $31,350.00 as of August 31, 2016.

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

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

The District complies with IRS regulation that require school districts to have a written plan to include participating investment companies, types of investments, loans, transfers, and various requirements. The plan is administered by a third party administrator/the District. 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 buyout 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.

District obligation for compensated absences as August 31, 2014 was $148,056.25, August 31, 2015 was $142,817.11 and August 31, 2016 was $135,206.41.

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 termination payment method/vesting method.

Willapa Valley School District No. 160

Schedule of Long-Term Liabilities

For the Year Ended August 31, 2016

Description	Beginning Outstanding Debt September 1, 2015	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2016	Amount Due Within One Year
Voted Debt					
Voted Bonds	4,860,000.00	0.00	425,000.00	4,435,000.00	396,000.00
LOCAL Program Proceeds Issued in Lieu of Bonds	0.00	0.00	0.00	0.00	0.00
Non-Voted Debt and Liabilities					
Non-Voted Bonds	0.00	0.00	0.00	0.00	0.00
LOCAL Program Proceeds	71,484.58	0.00	7,484.44	64,000.14	7,829.88
Capital Leases	0.00	0.00	0.00	0.00	0.00
Contracts Payable	22,119.62	0.00	13,954.08	8,165.54	8,165.54
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	142,817.11	20,707.48	28,318.18	135,206.41	0.00
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
Other Liabilities					
Non-Voted Notes Not Recorded as Debt	0.00	0.00	0.00	0.00	0.00
Net Pension Liabilities:					
Net Pension Liabilities TRS 1	1,205,443.00	0.00	201,387.00	1,004,056.00	
Net Pension Liabilities TRS 2/3	308,311.00	76,123.00	0.00	384,434.00	
Net Pension Liabilities SERS 2/3	164,302.00	73,251.00	0.00	237,553.00	
Net Pension Liabilities PERS 1	332,253.00	0.00	31,764.00	300,489.00	
Total Long-Term Liabilities	7,106,730.31	170,081.48	707,907.70	6,568,904.09	411,995.42

The accompanying notes are an integral part of this financial statements

Willapa Valley School District No. 160

Schedule of Long-Term Liabilities: GENERAL FUND

For the Year Ended August 31, 2015

Description	Beginning Outstanding Debt September 1, 2014	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2015	Amount Due Within One Year
Non-Voted Debt and Liabilities					
Capital Leases	0.00	0.00	0.00	0.00	0.00
Contracts Payable	36,060.81	0.00	13,941.19	22,119.62	13,941.19
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	148,056.25	19,645.67	24,884.81	142,817.11	44,530.00
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
Other Liabilities					
Non-Voted Notes Not Recorded as Debt	0.00	0.00	0.00	0.00	0.00
Net Pension Liabilities:					
Net Pension Liabilities TRS 1	0.00	1,205,443.00	0.00	1,205,443.00	
Net Pension Liabilities TRS 2/3	0.00	308,311.00	0.00	308,311.00	
Net Pension Liabilities SERS 2/3	0.00	164,302.00	0.00	164,302.00	
Net Pension Liabilities PERS 1	0.00	332,253.00	0.00	332,253.00	
Total Long-Term Liabilities	184,117.06	2,029,954.67	38,826.00	2,175,245.73	58,471.19

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

Willapa Valley School District No. 160

Schedule of Long-Term Liabilities: DEBT SERVICE FUND

For the Year Ended August 31, 2015

Description Year	**Beginning Outstanding Debt September 1, 2014**	**Amount Issued / Increased**	**Amount Redeemed / Decreased**	**Ending Outstanding Debt August 31, 2015**	**Amount Due Within One**
Voted Debt					
Voted Bonds	4,820,000.00	4,200,000.00	4,160,000.00	4,860,000.00	105,000.00
LOCAL Program Proceeds Issued in Lieu of Bonds	0.00	0.00	0.00	0.00	0.00
Non-Voted Debt					
Non-Voted Bonds	0.00	0.00	0.00	0.00	0.00
LOCAL Program Proceeds	63,556.73	15,154.21	7,226.36	71,484.58	7,484.44
Total Long-Term Liabilities	4,883,556.73	4,215,154.21	4,167,266.36	4,931,484.58	112,484.44

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

Willapa Valley School District No. 160

Schedule of Long-Term Liabilities: GENERAL FUND

For the Year Ended August 31, 2014

Description	Beginning Outstanding Debt September 1, 2013	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2014	Amount Due Within One Year
Non-Voted Debt and Liabilities					
Capital Leases	0.00	0.00	0.00	0.00	0.00
Contracts Payable	49,996.65	0.00	13,935.84	36,060.81	13,935.84
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	139,433.77	16,665.47	8,042.99	148,056.25	25,000.00
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
Other Liabilities					
Non-Voted Notes Not Recorded as Debt	0.00	0.00	0.00	0.00	0.00
Total Long-Term Liabilities	189,430.42	16,665.47	21,978.83	184,117.06	38,935.84

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

Willapa Valley School District No. 160

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
Voted Debt					
Voted Bonds	5,115,000.00	0.00	295,000.00	4,820,000.00	305,000.00
LOCAL Program Proceeds Issued in Lieu of Bonds	0.00	0.00	0.00	0.00	0.00
Non-Voted Debt					
Non-Voted Bonds	0.00	0.00	0.00	0.00	0.00
LOCAL Program Proceeds	0.00	70,604.22	7,047.49	63,556.73	7,226.36
Total Long-Term Liabilities	5,115,000.00	70,604.22	302,047.49	4,883,556.73	312,226.36

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

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.

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov