

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

Tenino School District No. 402
Thurston County

Audit Period
September 1, 2011 through August 31, 2012

Report No. 1009547

Issue Date
April 29, 2013



WASHINGTON
TROY KELLEY
STATE AUDITOR



**Washington State Auditor
Troy Kelley**

April 29, 2013

Superintendent and Board of Directors
Tenino School District No. 402
Tenino, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Tenino School District No. 402's financial statements and compliance with federal laws and regulations.

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

Sincerely,

TROY KELLEY
STATE AUDITOR

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Thurston County
September 1, 2011 through August 31, 2012**

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Federal Summary

Tenino School District No. 402 Thurston County September 1, 2011 through August 31, 2012

The results of our audit of Tenino School District No. 402 are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unmodified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

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

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

FEDERAL AWARDS

Internal Control Over Major Programs:

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

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

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

Identification of Major Programs:

The following were major programs during the period under audit:

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

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

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

Schedule of Audit Findings and Responses

Tenino School District No. 402 Thurston County September 1, 2011 through August 31, 2012

- 1. The District's internal controls over financial reporting were inadequate to ensure accurate grant reporting, resulting in an additional federal program audit.**

Background

It is the responsibility of District management to design and follow internal controls that provide reasonable assurance regarding the reliability of financial reporting. We identified significant deficiencies in controls that could adversely affect the District's ability to produce reliable financial statements.

Description of Condition

U.S. Office of Management and Budget Circular A-133 requires grantees that spend \$500,000 or more in federal money in a year to submit a completed Schedule of Expenditures of Federal Awards (SEFA) and to have a single audit conducted and audit report issued within nine months of fiscal year-end.

The District spent \$1,068,706 in federal grant funds in 2012. The Business Manager used the previous year's SEFA in preparing the current year SEFA and did not update one of the federal grant amounts from the prior year, resulting in a reporting error. Further, the District did not have an independent review process to ensure financial reports and schedules were complete and accurate.

Cause of Condition

The District experienced turnover in the Business Manager position. The new Business Manager lacked adequate training in financial statement preparation.

The District did not dedicate resources to ensure an independent review of the financial statements and schedules was performed.

Effect of Condition

Inaccurate financial reports limit access to financial information used by District officials, the public, state and federal agencies and other interested parties. Inaccurate financial statements also can delay or hinder the audit process and increase audit costs.

The District's SEFA was understated by \$81,872. The corrected SEFA identified an additional federal program to be audited.

Recommendation

We recommend the District:

- Provide training to personnel to ensure they have an adequate understanding of the financial reporting preparation process and requirements.
- Establish and follow internal controls that include an independent review of the financial statements after final preparation to ensure the accurate preparation and presentation of the financial statements and related schedules.

District's Response

The Tenino School District understands the importance of all internal controls and reporting procedures. As noted under the Cause of Condition section we would like to clarify that the Business Manager, being new, came into a complicated situation; replacing the newly hired Business Manager that had to be let go due to circumstances outside of Tenino School District issues. It would be important to also note that the current Business Manager disclosed the error to the auditor.

The Superintendent of the Tenino School District strongly supports appropriate training for the business staff of the district. The Tenino School District appreciates the professionalism of the auditing staff that worked in Tenino and we believe that the issue and recommendations are already in place to insure this type of error does not happen in the future.

Auditor's Remarks

We appreciate the District bringing the reporting error to our attention. The District is responsible for implementing internal controls, such as monitoring and oversight, to ensure accurate and complete federal grant reporting. This error was not discovered by the District until we were onsite performing the audit. We re-affirm our finding and will review the District's corrective action during the next audit.

Applicable Laws and Regulations

RCW 43.09.200 states in part:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.

Budget Accounting and Reporting System (BARS) Manual - Part 3, Accounting, Chapter 1. Accounting Principles and General Procedures, Section C. Internal Control, states in part:

Internal control is defined by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), in standards adopted by the American Institute of Certified Public Accountants and by the Federal Office of Management and Budget as follows:

Internal control is a process – affected by those charged with governance, management and other personnel designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Compliance with applicable laws and regulations
- Reliability of financial reporting

Management and the governing body are responsible for the government's performance, compliance and financial reporting. Therefore, the adequacy of internal control to provide reasonable assurance of achieving these objectives is also the responsibility of management and the governing body. The governing body has ultimate responsibility for ensuring adequate controls to achieve objectives, even though primary responsibility has been delegated to management.

Government Auditing Standards, July 2007 Revision – Section 5.11 provides that auditors should report material weaknesses and significant deficiencies in internal control, which it defines as:

- a. Significant deficiency: a deficiency in internal control or combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with GAAP such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.
- b. Material weakness: a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with *Government Auditing Standards*

**Tenino School District No. 402
Thurston County
September 1, 2011 through August 31, 2012**

Superintendent and Board of Directors
Tenino School District No. 402
Tenino, Washington

We have audited the financial statements of Tenino School District No. 402, Thurston County, Washington, as of and for the year ended August 31, 2012, and have issued our report thereon dated April 9, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Audit Findings and Responses as Finding 1, that we consider to be significant deficiencies in internal control over financial reporting. 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.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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*.

The District's response to the finding identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of management, the Superintendent and Board of Directors, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



TROY KELLEY
STATE AUDITOR

April 9, 2013

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

**Tenino School District No. 402
Thurston County
September 1, 2011 through August 31, 2012**

Superintendent and Board of Directors
Tenino School District No. 402
Tenino, Washington

COMPLIANCE

We have audited the compliance of Tenino School District No. 402, Thurston County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2012. The District's major federal programs are identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2012.

INTERNAL CONTROL OVER COMPLIANCE

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of management, the Superintendent and Board of Directors, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



TROY KELLEY
STATE AUDITOR

April 9, 2013

Independent Auditor's Report on Financial Statements

**Tenino School District No. 402
Thurston County
September 1, 2011 through August 31, 2012**

Superintendent and Board of Directors
Tenino School District No. 402
Tenino, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Tenino School District No. 402, Thurston County, Washington, as of and for the year ended August 31, 2012, as listed on page 13.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting that demonstrates compliance with the Washington State statutes and the *Accounting Manual for Public Schools in the State of Washington* described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tenino School District No. 402, as of August 31, 2012, and the changes in financial position thereof for the year then ended on the basis of accounting that demonstrates compliance with Washington State statutes and the *Accounting Manual for Public Schools in the State of Washington* described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. As described in Note 1 to the financial statements, the financial statements are prepared in accordance with the basis of accounting that demonstrates compliance with Washington State statutes and the *Accounting Manual for Public Schools in the State of Washington*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedule of Long-Term Liabilities is also presented for purposes of additional analysis as required by the prescribed accounting manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Purpose of this Report

This report is intended for the information and use of management, the Superintendent and Board of Directors, federal awarding agencies and pass-through entities of the District. 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide

an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

TROY KELLEY
STATE AUDITOR

April 9, 2013

Financial Section

**Tenino School District No. 402
Thurston County
September 1, 2011 through August 31, 2012**

FINANCIAL STATEMENTS

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Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
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Schedule of Expenditures of Federal Awards – 2012
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Tenino School District No. 402

Balance Sheet

Governmental Funds

August 31, 2012

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
ASSETS:							
Cash and Cash Equivalents	893,673.59	180,220.00	13,287.96	38,846.59	1,773.18	0.00	1,127,801.32
Minus Warrants Outstanding	-226,128.27	0.00	0.00	0.00	0.00	0.00	-226,128.27
Taxes Receivable	1,397,754.54		622.81	0.00	0.00		1,398,377.35
Due From Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due From Other Governmental Units	63,269.22	0.00	0.00	0.00	0.00	0.00	63,269.22
Accounts Receivable	19,250.01	4,279.00	0.00	0.00	0.00	0.00	23,529.01
Interfund Loans Receivable	0.00			0.00			0.00
Accrued Interest Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	0.00	0.00					0.00
Prepaid Items	35,044.07	0.00		0.00	0.00	0.00	35,044.07
Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investments/Cash With Trustee	0.00		0.00	0.00	0.00	0.00	0.00
Investments-Deferred Compensation	0.00		0.00	0.00	0.00	0.00	0.00
Self-Insurance Security Deposit	0.00			0.00			0.00
TOTAL ASSETS	2,182,863.16	184,499.00	13,910.77	38,846.59	1,773.18	0.00	2,421,892.70
LIABILITIES:							
Accounts Payable	62,368.67	9,434.43	0.00	0.00	0.00	0.00	71,803.10
Contracts Payable Current	0.00	0.00		0.00	0.00	0.00	0.00
Accrued Interest Payable			0.00				0.00
Accrued Salaries	4,220.20	0.00		0.00			4,220.20
Revenue Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00
Payroll Deductions and Taxes Payable	2,786.26	0.00		0.00			2,786.26
Due To Other Governmental Units	2,805.06	126.90		0.00	0.00	0.00	2,931.96
Deferred Compensation Payable	0.00			0.00			0.00
Estimated Employee Benefits Payable	0.00						0.00
Due To Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Tenino School District No. 402

Balance Sheet

Governmental Funds

August 31, 2012

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
LIABILITIES:							
Interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	0.00	0.00		0.00			0.00
Matured Bonds Payable			0.00				0.00
Matured Bond Interest Payable			0.00				0.00
Arbitrage Rebate Payable	0.00		0.00	0.00	0.00		0.00
Deferred Revenue	1,406,590.54	2,441.50	622.81	0.00	0.00	0.00	1,409,654.85
TOTAL LIABILITIES	1,478,770.73	12,002.83	622.81	0.00	0.00	0.00	1,491,396.37
FUND BALANCE:							
Nondisposable Fund Balance	35,044.07	0.00	0.00	0.00	0.00	0.00	35,044.07
Restricted Fund Balance	52,557.08	172,496.17	13,287.96	38,846.59	1,773.18	0.00	278,960.98
Committed Fund Balance	985,876.43	0.00	0.00	0.00	0.00	0.00	985,876.43
Assigned Fund Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unassigned Fund Balance	-369,385.15	0.00	0.00	0.00	0.00	0.00	-369,385.15
TOTAL FUND BALANCE	704,092.43	172,496.17	13,287.96	38,846.59	1,773.18	0.00	930,496.33
TOTAL LIABILITIES AND FUND BALANCE	2,182,863.16	184,499.00	13,910.77	38,846.59	1,773.18	0.00	2,421,892.70

See accompanying notes to financial statements.

Tenino School District No. 402

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2012

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
REVENUES:							
Local	3,035,300.97	177,956.40	665.84	16,960.01	16.95		3,230,900.17
State	8,036,168.02		0.00	0.00	0.00		8,036,168.02
Federal	1,054,229.26		0.00	0.00	0.00		1,054,229.26
Federal Stimulus	3,966.40						3,966.40
Other	2,000.00			0.00	0.00	0.00	2,000.00
TOTAL REVENUES	12,131,664.65	177,956.40	665.84	16,960.01	16.95	0.00	12,327,263.85
EXPENDITURES:							
CURRENT:							
Regular Instruction	6,124,877.97						6,124,877.97
Federal Stimulus	4,613.12						4,613.12
Special Education	1,400,168.99						1,400,168.99
Vocational Education	360,904.29						360,904.29
Skills Center	0.00						0.00
Compensatory Programs	547,686.95						547,686.95
Other Instructional Programs	65,152.86						65,152.86
Community Services	0.00						0.00
Support Services	3,321,993.58						3,321,993.58
Student Activities/Other		175,078.35				0.00	175,078.35
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					0.00		0.00
Sales and Lease				0.00			0.00
Other	5,119.33						5,119.33
DEBT SERVICE:							
Principal	0.00		0.00	0.00	0.00		0.00
Interest and Other Charges	0.00		0.00	0.00	0.00		0.00
Bond/Levy Issuance				0.00	0.00		0.00
TOTAL EXPENDITURES	11,830,517.09	175,078.35	0.00	0.00	0.00	0.00	12,005,595.44

Tenino School District No. 402

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2012

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
DEBT SERVICE:							
REVENUES OVER (UNDER) EXPENDITURES	301,147.56	2,878.05	665.84	16,960.01	16.95	0.00	321,668.41
OTHER FINANCING SOURCES (USES):							
Bond Sales & Refunding Bond Sales	0.00		0.00	0.00	0.00		0.00
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	0.00		0.00	0.00	0.00		0.00
Transfers Out (GL 536)	0.00		0.00	0.00	0.00	0.00	0.00
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	0.00		0.00	0.00	0.00		0.00
TOTAL OTHER FINANCING SOURCES (USES)	0.00		0.00	0.00	0.00	0.00	0.00
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	301,147.56	2,878.05	665.84	16,960.01	16.95	0.00	321,668.41
BEGINNING TOTAL FUND BALANCE	402,944.87	169,618.12	12,622.12	21,886.58	1,756.23	0.00	608,827.92
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ENDING TOTAL FUND BALANCE	704,092.43	172,496.17	13,287.96	38,846.59	1,773.18	0.00	930,496.33

See accompanying notes to financial statements.

Statement Of Fiduciary Net Assets

Fiduciary Funds

August 31, 2012

	Private Purpose Trust	Other Trust
ASSETS:		
Imprest Cash	0.00	0.00
Cash On Hand	0.00	0.00
Cash On Deposit with Cty Treas	10,049.41	0.00
Minus Warrants Outstanding	0.00	0.00
Due From Other Funds	0.00	0.00
Accounts Receivable	0.00	0.00
Accrued Interest Receivable	0.00	0.00
Investments	0.00	0.00
Investments/Cash With Trustee	0.00	0.00
Other Assets	0.00	
Capital Assets, Land	0.00	
Capital Assets, Buildings	0.00	
Capital Assets, Equipment	0.00	0.00
Accum Depreciation, Buildings	0.00	
Accum Depreciation, Equipment	0.00	0.00
TOTAL ASSETS	10,049.41	0.00
LIABILITIES:		
Accounts Payable	0.00	0.00
Due To Other Funds	0.00	0.00
TOTAL LIABILITIES	0.00	0.00
NET ASSETS:		
Net assets held in trust for:		
Restricted for Other Items	0.00	0.00
Restricted for Self Insurance		0.00
Restricted for Uninsured Risks		0.00
Nonspendable -- Trust Principal	10,000.00	0.00
Committed to Other Purposes	0.00	0.00
Assigned to Fund Purposes	49.41	0.00
Unassigned Fund Balance	0.00	0.00
TOTAL NET ASSETS	10,049.41	0.00

See accompanying notes to financial statements.

Tenino School District No. 402

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

For the Year Ended August 31, 2012

	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	96.29	0.00
Less Investment Expenses	0.00	0.00
Net Investment Income	96.29	0.00
Other Additions:		
Rent or Lease Revenue	0.00	0.00
Total Other Additions	0.00	0.00
TOTAL ADDITIONS	96.29	0.00
DEDUCTIONS:		
Benefits		0.00
Refund of Contributions	0.00	0.00
Administrative Expenses	0.00	0.00
Scholarships	100.00	
Other	0.00	0.00
TOTAL DEDUCTIONS	100.00	0.00
Net Increase (Decrease)	-3.71	0.00
Net Assets--Beginning	10,033.12	0.00
Prior Year(s) Corrections or Restatements	20.00	0.00
NET ASSETS--ENDING	10,049.41	0.00

See accompanying notes to financial statements.

TENINO SCHOOL DISTRICT NO. 402
Notes to Financial Statements
September 1, 2011 through August 31, 2012

Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

The Tenino School District is a municipal corporation organized pursuant to Title 28A *Revised Code of Washington* (RCW) for the purpose of providing public school services to students in grades K-12. Oversight responsibility for the district's 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.

For financial reporting purposes, the Tenino School District includes all funds, account groups, and organizations that are controlled by or dependent on the district's board of directors. Control by or dependence on the district was determined on the basis of budget adoption, taxing authority, outstanding debt secured by the general credit of the district, obligation of the district to finance any deficits that may occur, or receipt of significant subsidies from the district.

B. Basis of Presentation - Fund Accounting

The Tenino School District No. 402 presents governmental fund financial statements and related notes on the modified accrual basis of accounting as prescribed by generally accepted accounting principles (GAAP), and required by its regulatory agencies, the Office of Superintendent of Public Instruction and the State Auditor's Office. However, the district elects to not present district wide financial statements, and management's discussion and analysis, which are departures from GAAP. Long-term debt is reported on a required supplementary schedule. The accounts of the district are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The various funds in the report are grouped into governmental and fiduciary funds as follows:

Governmental Funds

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

Capital Projects Fund - These funds account for financial resources to be used for the construction or acquisition of major capital assets. The capital projects fund type consists of the Capital Projects Fund and the Transportation Vehicle Fund.

Capital Projects Funds - This fund is used to account for financial resources set aside for the acquisition and construction of capital assets.

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

Debt Service Fund - This fund is used to account for the accumulation of resources for the payment of matured general long-term debt principal, interest, and related expenditures.

Special Revenue Funds - These funds account for the proceeds of specific revenue sources that are legally restricted for specific purposes.

Associated Student Body Fund - The Associated Student Body Program Fund (ASB Fund) is the only fund of this type. This fund is accounted for as a special revenue fund since the financial resources legally belong to the district.

Permanent Funds – These funds are used to report resources legally restricted such that only earnings, and not principle, may be used to support the district’s programs.

Fiduciary Fund

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

Private-Purpose Trust Fund - This fund is used to account for resources legally held in trust where principal and income benefit individuals, private organizations, or other governments. The fund's principal must remain intact. Spending is limited to the fund's investment earnings. The Ellen Brach Memorial Scholarship is the only Private Purpose Trust Fund held in trust by the Tenino School District.

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.

C. Basis of Accounting

The district's accounting policies, as reflected in the accompanying financial statements, conform to the *Accounting Manual for Public School Districts in the State of Washington*, issued jointly by the State Auditor and the Superintendent of Public Instruction, by the authority of RCW 43.09.200, RCW 28A.505.140, RCW 28A.505.010(1), and RCW 28A.505.020. This manual allows for a practice which differs from generally accepted accounting principles in the following manner:

- (1) District-wide statements are not presented.
- (2) The financial statements do not report capital assets.
- (3) Debt is not reported on the face of the financial statements. It is reported in the notes to the financial statements and on the Schedule of Long-Term Liabilities. The schedule of Long-term Liabilities is required supplemental information.
- (4) The original budget is not presented. This information is available through the Office of Superintendent of Public Instruction.
- (5) The Management Discussion and Analysis is not required.

The modified accrual basis of accounting is used for all governmental funds. Revenues are recognized as soon as they are both measurable and available. “Measurable” means the amount of the transaction can be determined and the district considers all revenues available if they are collected within 60 days after year end to pay liabilities of the current period. Property taxes receivable are measurable but not available and are, therefore, not accrued. However, categorical program claims and interdistrict billings are measurable and available and are, therefore, accrued.

Expenditures are recognized under the modified basis of accounting when the related fund liability is incurred, except for unmatured principal and interest on long-term debt which are recorded when due. The fund liability is incurred when the goods or services have been received. For federal grants, the recognition of expenditures is dependent on the obligation date, (obligations means purchased order issued, contracts awarded, or goods and services received).

All governmental funds’ reporting focuses primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. This means that only current assets and current liabilities are included on their balance sheets.

The full accrual basis of accounting is used for all nonexpendable trust funds. Revenue is recognized when it is earned and expenses are recognized when incurred.

D. Budgetary Data

General Budgetary Policies

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

Budgetary Basis of Accounting

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

Encumbrances

Encumbrance accounting is employed in governmental funds. Purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve a portion of the applicable appropriation. Encumbrances are closed at the end of the fiscal year. There were no encumbrances outstanding on August 31, 2012.

E. Assets, Liabilities, and Fund Equity

Deposits and Investments

The county treasurer is the ex-officio treasurer for the district. In this capacity, the county treasurer receives deposits and transacts investments on the district's behalf.

The district's deposits are covered entirely by federal depository insurance or by collateral held by the district's custodial banks in the district's name.

Statutes authorize the district to invest in (1) securities, certificates, notes, bonds, short-term securities, or other obligations of the United States, and (2) deposits in any state bank or trust company, national banking association, stock saving bank, mutual savings bank, savings and loan association, and any branch bank engaged in banking in the state in accordance with RCW 30.04.300 if the institution has been approved by the Public Deposit Protection Commission to hold public deposits and has segregated eligible collateral having a value of not less than its maximum liability.

All temporary investments are stated at cost plus accrued interest which approximates market. Investments are shown on the combined balance sheet at cost, net of amortized premium or discount.

Reductions in market value are not reflected on the financial statements. Gains or losses on investments sold or exchanged are recognized at the time the transactions are completed.

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

The district's year-end, August 31, 2012, investments are as follows:

	Number of Securities	Carrying Amount 8/31/12
County Treasurer's Investment Pool		1,076,297.57
Total Investments		1,076,297.57

Inventory

Inventory is valued at cost using the first-in, first-out (FIFO) method. The "consumption method" of inventory is used, which charges inventory as an expenditure when it is consumed. Reservation of fund balance is not necessary. Management may reserve a portion of fund balance in any amount as a budgetary technique to insure the availability of resources at the appropriate time. Such reserves for inventory indicate that a portion of net current assets is set aside to replace or increase the inventory. USDA commodity inventory consists of food donated by the United States Department of Agriculture. It is valued at the prices paid by the USDA for the commodities.

F. Revenue and Expenditure Recognition

Debt Service

Principal and interest on general long-term debt is recognized only when due.

Property Taxes

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

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 Chapter 28A.405 RCW, sick leave accumulated by district employees is reimbursed at death or retirement at the rate of 1 day for each 4 days of accrued leave, limited to 180 accrued days. This chapter also provides for an annual buy-back of an amount up to the maximum annual accumulation of 12 days. For buy-back purposes employees may accumulate such leave to a maximum of 192 days, i.e., 12 buy-back days and a maximum leave accrual of 180 days, as of December 31 of each year.

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

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

No unrecorded liability exists for other employee benefits.

G. Fund Balance – May contain Nonspendable amounts, restrictions, Commitments, or Assignments

Nonspendable fund balance amounts are those assets of the school district that are not in spendable format. These can be in the form of inventory items, or amounts that have been received that are legally or contractually required to be maintained intact.

Restrictions are legal restrictions placed on spending of the fund balance of a district based upon statute, WAC or other legal requirements beyond the discretion of the board of directors of the district. Examples include anticipated carryover or recovery of revenues previously received and restricted as to usage.

Commitments represent formal actions taken by the board of directors to commit funds for specific purposes. Funds that have been committed cannot be used for another purpose unless the board of directors takes a specific action to end the commitment.

The board of directors has established a minimum fund balance policy for the General Fund to provide for financial stability and contingencies within the district. Board Policy 6050 establishes that a minimum ending fund balance of the General Fund should ordinarily be no less than one (1) to one and one-half (1½) month average expenditures based on the previous budget year average. For the 2011–12 fiscal year, the amount committed to this minimum fund balance policy is \$985,876.43, which is included in the amount reported as Committed Fund Balance on the financial statements

Assignments are used to set aside financial resources for the 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.

Note 2 - Capital Assets

The district's capital assets are insured in the amount of \$28,032,407 for the 2011-2012 fiscal year. In the opinion of the district's insurance consultant, this amount is sufficient to adequately fund replacement of the district's assets.

Note 3 - Pensions

A. General Information

Substantially all Tenino School District No. 402's full-time and qualifying part-time employees participate in one of the following three contributory, multi-employer, cost-sharing statewide retirement systems managed by the Washington State Department of Retirement Systems (DRS): Teachers' Retirement System (TRS), Public Employees' Retirement System (PERS), and School Employees' Retirement System (SERS). Participation in the programs was as follows:

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

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

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

<u>Program</u>	<u>Active Members</u>	<u>Inactive Vested Members</u>	<u>Retired Members</u>
TRS	66,203	9,204	41,709
PERS	152,420	29,925	79,363
SERS	52,332	10,262	6,428

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

Plan 1 under the TRS and PERS programs are defined benefit pension plans whose members joined the system on or before September 30, 1977. Plan 1 members are eligible to retire with full benefits after 5 years of credited service and attainment of age 60 or after 25 years of credited service and attainment of age 55, or after 30 years of credited service.

Plan 2 under the TRS and SERS programs are defined benefit pension plans whose members joined on or after October 1, 1977, but before June 30, 1996 or August 31, 2000 for TRS or SERS programs, respectively. Members of TRS and SERS are eligible to retire with full benefits after 5 years of credited service and attainment of age 65 or after 20 years of credited service and attainment of age 55 with the benefit actuarially reduced from age 65.

Plan 3 under the TRS and SERS programs are defined benefit, defined contribution pension plans whose members joined on or after July 1, 1996 or September 1, 2000 for TRS and SERS, respectively. Members are eligible to retire with full benefits after 5 years of credited service and attainment of age 60 or after 10 years of credited service and attainment of age 55 with benefit actuarially reduced from age 65.

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

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

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

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

B. Contributions

Employee contribution rates as of August 31, 2012:

Plan 1 TRS	6.00%	Plan 1 PERS	6.00%
Plan 2 TRS	4.69%	Plan 2 SERS	4.09%
Plan 3 TRS and SERS	5% (minimum), 15% (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 as of August 31, 2012:

Plan 1 TRS	8.04%	Plan 1 PERS	7.25%
Plan 2 TRS	8.04%	Plan 2 SERS	7.59%
Plan 3 TRS	8.04%	Plan 3 SERS	7.59%

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

<u>Plan</u>	<u>FY 09-10</u>	<u>FY 10-11</u>	<u>FY 11-12</u>
Plan 1 TRS	\$ 24,202.21	\$ 19,709.10	\$ 20,389.96
Plan 2 TRS	\$121,166.32	\$106,518.74	\$134,156.85
Plan 3 TRS	\$172,165.09	\$180,258.45	\$201,305.57
Plan 1 PERS	\$ 8,998.44	\$ 9,345.94	\$ 12,689.76
Plan 2 SERS	\$ 34,939.81	\$ 33,696.70	\$ 49,325.58
Plan 3 SERS	\$ 34,193.66	\$33,796.48	\$ 44,384.40

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, 2006, comprehensive annual financial report. Refer to said report for detailed trend information. It is available from: *State of Washington, Office of Financial Management, 300 Insurance Building, PO Box 43113, Olympia, WA 98504-3113*

Note 4 – Deferred Compensation Plan

District employees have the option of participating in an IRC, Section 457, deferred compensation plan administered by the district, a state retirement system, or another governmental entity. The district retains a right of legal access to the plan assets valued at market) until paid or made available to the employees, subject only to the claims of the district's general creditor.

Note 5 - Risk Management

A. Property and Liability Insurance

The Tenino School District is a member of the United Schools Insurance Program. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Inter-local Cooperation Act. The pool 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 full member school districts.

The pool allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Sexual abuse and school board legal liability coverage is on a "claims made basis". All other coverage is on an "occurrence basis". The pool provides the following forms of group purchased insurance coverage for its members: property, general liability, automobile liability, school board legal liability and crime.

The pool acquires liability insurance from Munich Reinsurance America, Inc. Liability insurance is subject to a per-occurrence deductible of \$100,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$100,000. Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the pool is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 portion of the deductible. The pool also purchases a stop loss policy with an attachment point of \$941,250 as an additional layer of protection for its members.

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

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

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

The pool is fully funded by its member participants. Claims are filed by members with Canfield, which has been contracted to perform pool administration, claims adjustment and administration and loss prevention for the pool. Fees paid to the third party administrator under this arrangement for the year ended August 31, 2012 was \$1,517,756.

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

B. Workers' Compensation Insurance Proprietary Fund

The ESD 113 Workers' Compensation Trust was formed in the spring of 1983 when school districts and ESD 113 joined together by signing an Inter-local Governmental Agreement to pool their self-insured losses. Forty-three school districts in the State of Washington and ESD 113 have joined the workers' compensation pool.

This fund is used to account for all the financial resources belonging to member districts participating in this self-insurance program. The purpose of this fund is to provide workers' compensation insurance benefits to employees injured in the course of their employment with the member school districts and ESD 113.

The program is financed by contributions made by the member districts on a monthly basis. Contributions are based on the number of worker hours reported for the month and the member districts' individual premium rates for the two reporting classes, 61-3 (certificated, administrative, and clerical) and 61-4 (classified, except administrative and clerical). The fund also collects the supplemental pension assessment which is forwarded in total to the Department of Labor and Industries each quarter. A district's premium rates are determined by historical claims data as well as by the total collection requirement of the fund.

The rate structure is determined by using a method prescribed in WAC 296-15-151. The first method is to collect based on the fund's total hours using the rates prescribed by the Department of Labor and Industries plus a 25% contingency. Since group self-insurers are required to purchase aggregate retention coverage, the second method is to fund to the level of the aggregate retention. This amount is estimated at the beginning of each coverage period and will vary from year to year. The aggregate retention represents the maximum liability for claims filed in each coverage period. With this method the fund must also provide adequate resources for future administrative costs of the program should the fund cease to exist.

In each year, except for FY 1984-85, method one was used as it resulted in lower premium rates for the member districts. Eventually the fund will be able to base its overall collections on the actual expected cost of its claims and

administrative expenses by determining an estimated liability amount for each claim. This estimated liability amount represents the expected cost of a given claim over its life (which is essentially endless due to the reopening rights currently allowed in Title 51 of the Revised Code of Washington).

The Trust's outstanding claim related obligations net of self-insured retention and aggregate stop-loss coverage as of August 31 each year is estimated by an independent third party actuarial firm. Beginning in 2004-05, the full undiscounted liability is carried on the Trust balance sheet. In prior years, the actuarial liability was discounted for future investment earnings as estimated by the actuarial firm.

Note 6 - Lease Obligations and Conditional Sales Contract Obligations

There are no outstanding lease purchase arrangements.

Note 7 - Long-Term Debt

With the final payment on the 2003 Bonds Obligation made December 2007, the district has no outstanding long-term debt to report.

Note 8 - Summary of Significant Contingencies

Litigation

The Tenino School District No. 402 has no known legal obligations which would materially impact the financial position of the district.

Note 9 - Other Disclosures

The district is a member of the King County Directors' Association (KCDA). KCDA is a purchasing cooperative designed to pool the member district's purchasing power. This was passed by Board Resolution, and has remained in the joint venture ever since. The district's current equity of \$25,985.95 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.

In 1971, Ellen Brach of Bucoda left in her will, \$10,000 to the Tenino High School to be used to establish a scholarship fund with the annual interest used to create a perpetual scholarship. The interest will be used for scholarships for the top scholars of each year's graduating senior class continuing their education at an accredited academic college or accredited vocational school. The principal of the scholarship fund is on deposit with the County Treasurer, which invests the money in a pool and pays interest monthly.

Note 10 - Subsequent Events

There were no events after the balance sheet date which would have a material impact on the next or future years.

Tenino School District No. 402
Schedule of Long-Term Liabilities
For the Year Ended August 31, 2012

Description	Beginning Outstanding Debt September 1, 2011	Amount Issued/Increased	Amount Redeemed/Decreased	Ending Outstanding Debt August 31, 2012
Total Voted Bonds	0.00	0.00	0.00	0.00
Total Non-Voted Notes/Bonds	0.00	0.00	0.00	0.00
Qualified Zone Academy Bonds (QZAB)	0.00	0.00	0.00	0.00
Qualified School Construction Bonds(QSCB)	0.00	0.00	0.00	0.00
Other Long-Term Debt				
Capital Leases	0.00	0.00	0.00	0.00
Contracts Payable (GL 603)	0.00	0.00	0.00	0.00
NonCancellable Operating Leases	0.00	0.00	0.00	0.00
Claims & Judgments	0.00	0.00	0.00	0.00
Compensated Absences	282,196.80	-9,924.70	38,611.14	233,660.96
Other Long-Term Liabilities	0.00	0.00	0.00	0.00
Total Other Long-Term Liabilities	282,196.80	-9,924.70	38,611.14	233,660.96
TOTAL LONG-TERM LIABILITIES	282,196.80	-9,924.70	38,611.14	233,660.96

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Washington State Auditor's Office
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NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1—BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the district's financial statements. The district uses the modified accrual basis of accounting.

Expenditures represent only the federally funded portions of the program. District records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE 4—NONCASH AWARDS

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

NOTE 5—SCHOOLWIDE PROGRAMS

The District operates a "schoolwide program" in two elementary buildings. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to certain targeted students. The following federal program amounts were expended by the district in its schoolwide program. Title I (84.010) \$340,514.45

NOTE 9—FEDERAL INDIRECT RATE

The District used the federal restricted rate of 3.30 percent for this program.



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.

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

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

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

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

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

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