

**Washington State Auditor's Office**  
**Financial Statements Audit Report**

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**Coulee-Hartline School District No. 151**  
**Grant County**

Audit Period  
**September 1, 2009 through August 31, 2012**

**Report No. 1010649**

Issue Date  
**October 21, 2013**



WASHINGTON  
**TROY KELLEY**  
STATE AUDITOR



**Washington State Auditor  
Troy Kelley**

October 21, 2013

Board of Directors  
Coulee-Hartline School District No. 151  
Coulee City, Washington

***Report on Financial Statements***

Please find attached our report on Coulee-Hartline School District No. 151's financial statements.

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

Sincerely,

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

**TROY KELLEY**  
STATE AUDITOR

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**Grant County**  
**September 1, 2009 through August 31, 2012**

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# Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

**Coulee-Hartline School District No. 151  
Grant County  
September 1, 2009 through August 31, 2012**

Board of Directors  
Coulee-Hartline School District No. 151  
Coulee City, 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 Coulee-Hartline School District No. 151, Grant County, Washington, as of and for the years ended August 31, 2012, 2011 and 2010, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated July 1, 2013.

## ***INTERNAL CONTROL OVER FINANCIAL REPORTING***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be

material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

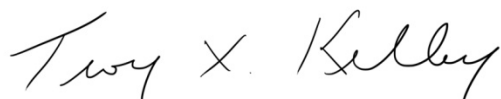
## **COMPLIANCE AND OTHER MATTERS**

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

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

## **PURPOSE OF THIS REPORT**

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



**TROY KELLEY**  
STATE AUDITOR

July 1, 2013

# Independent Auditor's Report on Financial Statements

## **Coulee-Hartline School District No. 151 Grant County September 1, 2009 through August 31, 2012**

Board of Directors  
Coulee-Hartline School District No. 151  
Coulee City, Washington

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

We have audited the accompanying financial statements of Coulee-Hartline School District No. 151, Grant County, Washington, for the years ended August 31, 2012, 2011 and 2010, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 6.

#### ***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 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 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 opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of Coulee-Hartline School District No. 151, for the years ended August 31, 2012, 2011 and 2010, on the basis of accounting 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 State of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Supplementary and Other Information***

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Long-Term Liabilities and Schedules of Long-Term Debt are 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***

The report is intended for the information and use of the management and the Board of Directors 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 dated July 1, 2013 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.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

**TROY KELLEY**  
STATE AUDITOR

July 1, 2013

# Financial Section

**Coulee-Hartline School District No. 151  
Grant County  
September 1, 2009 through August 31, 2012**

## ***FINANCIAL STATEMENTS***

Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental  
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Coulee-Hartline School District No. 151  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds

For the Year Ended August 31, 2012

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>REVENUES:</b>							
Local	490,825.50	108,628.14	358,259.52	1,767.96	2,512.01		961,993.13
State	2,092,689.48		0.00	0.00	63,540.12		2,156,229.60
Federal	224,423.26		153.12	0.00	0.00		224,576.38
Federal Stimulus	2,128.95						2,128.95
Other	180,523.79			0.00	0.00	0.00	180,523.79
<b>TOTAL REVENUES</b>	<b>2,990,590.98</b>	<b>108,628.14</b>	<b>358,412.64</b>	<b>1,767.96</b>	<b>66,052.13</b>	<b>0.00</b>	<b>3,525,451.85</b>
<b>EXPENDITURES:</b>							
<b>CURRENT:</b>							
Regular Instruction	1,455,825.48						1,455,825.48
Federal Stimulus	1,039.00						1,039.00
Special Education	199,977.62						199,977.62
Vocational Education	154,556.41						154,556.41
Skills Center	0.00						0.00
Compensatory Programs	129,199.35						129,199.35
Other Instructional Programs	0.00						0.00
Community Services	0.00						0.00
Support Services	848,006.31						848,006.31
Student Activities/Other		102,097.89				0.00	102,097.89
<b>CAPITAL OUTLAY:</b>							
Sites				0.00			0.00
Building				48,121.44			48,121.44
Equipment				0.00			0.00
Instructional Technology				0.00			0.00
Energy				0.00			0.00
Transportation Equipment					97,391.51		97,391.51
Sales and Lease					10,500.00		10,500.00
Other	0.00						0.00
<b>DEBT SERVICE:</b>							
Principal	0.00		285,000.00	0.00	0.00		285,000.00
Interest and Other Charges	0.00		58,291.32	0.00	0.00		58,291.32
Bond/Levy Issuance				0.00	0.00		0.00
<b>TOTAL EXPENDITURES</b>	<b>2,788,604.17</b>	<b>102,097.89</b>	<b>343,291.32</b>	<b>58,621.44</b>	<b>97,391.51</b>	<b>0.00</b>	<b>3,390,006.33</b>

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

Coulee-Hartline School District No. 151  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds

For the Year Ended August 31, 2012

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>DEBT SERVICE:</b>							
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	201,986.81	6,530.25	15,121.32	-56,853.48	-31,339.38	0.00	135,445.52
<b>OTHER FINANCING SOURCES (USES):</b>							
Bond Sales & Refunding Bond Sales	0.00		0.00	0.00	0.00		0.00
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	0.00		0.00	120,500.00	0.00		120,500.00
Transfers Out (GL 536)	-120,500.00		0.00	0.00	0.00	0.00	-120,500.00
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	52.53		0.00	0.00	947.00		999.53
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-120,447.47</b>		<b>0.00</b>	<b>120,500.00</b>	<b>947.00</b>	<b>0.00</b>	<b>999.53</b>
<b>EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	81,539.34	6,530.25	15,121.32	63,646.52	-30,392.38	0.00	136,445.05
<b>BEGINNING TOTAL FUND BALANCE</b>	<b>926,228.51</b>	<b>51,234.40</b>	<b>234,278.85</b>	<b>23,989.20</b>	<b>122,112.16</b>	<b>0.00</b>	<b>1,357,843.12</b>
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>ENDING TOTAL FUND BALANCE</b>	<b>1,007,767.85</b>	<b>57,764.65</b>	<b>249,400.17</b>	<b>87,635.72</b>	<b>91,719.78</b>	<b>0.00</b>	<b>1,494,288.17</b>

Coulee-Hartline School District No. 151

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2011

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>REVENUES:</b>							
Local	477,795.47	122,370.44	368,076.12	824.06	2,897.72		971,963.81
State	2,022,783.02		0.00	0.00	39,289.45		2,062,072.47
Federal	186,207.52		49.84	0.00	0.00		186,257.36
Federal Stimulus	92,306.34						92,306.34
Other	159,923.00			0.00	0.00	0.00	159,923.00
<b>TOTAL REVENUES</b>	<b>2,939,015.35</b>	<b>122,370.44</b>	<b>368,125.96</b>	<b>824.06</b>	<b>42,187.17</b>	<b>0.00</b>	<b>3,472,522.98</b>
<b>EXPENDITURES:</b>							
<b>CURRENT:</b>							
Regular Instruction	1,312,317.80						1,312,317.80
Federal Stimulus	83,479.83						83,479.83
Special Education	185,142.09						185,142.09
Vocational Education	155,286.53						155,286.53
Skills Center	0.00						0.00
Compensatory Programs	126,411.82						126,411.82
Other Instructional Programs	0.00						0.00
Community Services	0.00						0.00
Support Services	825,628.33						825,628.33
Student Activities/Other		120,445.14				0.00	120,445.14

**CAPITAL OUTLAY:**

Sites				0.00			0.00
Building				16,634.70			16,634.70
Equipment				0.00			0.00
Energy				0.00			0.00
Transportation Equipment					0.00		0.00
Other	0.00						0.00

**DEBT SERVICE:**

Principal	0.00		265,000.00	0.00	0.00		265,000.00
Interest and Other Charges	0.00		70,290.69	10,500.00	0.00		80,790.69
<b>TOTAL EXPENDITURES</b>	<b>2,688,266.40</b>	<b>120,445.14</b>	<b>335,290.69</b>	<b>27,134.70</b>	<b>0.00</b>	<b>0.00</b>	<b>3,171,136.93</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	250,748.95	1,925.30	32,835.27	-26,310.64	42,187.17	0.00	301,386.05

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

Coulee-Hartline School District No. 151

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2011

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>OTHER FINANCING SOURCES (USES) :</b>							
Bond Sales & Refunding Bond Sales	0.00		0.00	0.00	0.00		0.00
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	0.00		0.00	20,000.00	0.00		20,000.00
Transfers Out (GL 536)	-20,000.00		0.00	0.00	0.00	0.00	-20,000.00
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	0.00		0.00	0.00	150.00		150.00
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-20,000.00</b>		<b>0.00</b>	<b>20,000.00</b>	<b>150.00</b>	<b>0.00</b>	<b>150.00</b>
<b>EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>230,748.95</b>	<b>1,925.30</b>	<b>32,835.27</b>	<b>-6,310.64</b>	<b>42,337.17</b>	<b>0.00</b>	<b>301,536.05</b>
<b>BEGINNING TOTAL FUND BALANCE</b>	<b>695,479.56</b>	<b>49,309.10</b>	<b>201,443.58</b>	<b>30,299.84</b>	<b>79,774.99</b>	<b>0.00</b>	<b>1,056,307.07</b>
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>ENDING TOTAL FUND BALANCE</b>	<b>926,228.51</b>	<b>51,234.40</b>	<b>234,278.85</b>	<b>23,989.20</b>	<b>122,112.16</b>	<b>0.00</b>	<b>1,357,843.12</b>

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

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2010

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>REVENUES:</b>							
Local	433,888.00	115,654.46	351,092.29	9,473.59	2,551.28		912,659.62
State	1,965,024.02		0.00	2,420.16	63,528.81		2,030,972.99
Federal	173,423.44		244.76	0.00	0.00		173,668.20
Federal Stimulus	120,391.71						120,391.71
Other	167,205.42			0.00	0.00	0.00	167,205.42
<b>TOTAL REVENUES</b>	<b>2,859,932.59</b>	<b>115,654.46</b>	<b>351,337.05</b>	<b>11,893.75</b>	<b>66,080.09</b>	<b>0.00</b>	<b>3,404,897.94</b>
<b>EXPENDITURES:</b>							
<b>CURRENT:</b>							
Regular Instruction	1,231,664.84						1,231,664.84
Federal Stimulus	130,789.32						130,789.32
Special Education	158,451.36						158,451.36
Vocational Education	161,081.68						161,081.68
Skills Center	0.00						0.00
Compensatory Programs	124,049.86						124,049.86
Other Instructional Programs	0.00						0.00
Community Services	0.00						0.00
Support Services	829,770.55						829,770.55
Student Activities/Other		102,245.59				0.00	102,245.59
<b>CAPITAL OUTLAY:</b>							
Sites				0.00			0.00
Building				71,750.78			71,750.78
Equipment				0.00			0.00
Energy				0.00			0.00
Transportation Equipment					86,472.99		86,472.99
Other	0.00						0.00
<b>DEBT SERVICE:</b>							
Principal	0.00		270,000.00	0.00	0.00		270,000.00
Interest and Other Charges	0.00		84,340.77	75,000.00	0.00		159,340.77
<b>TOTAL EXPENDITURES</b>	<b>2,635,807.61</b>	<b>102,245.59</b>	<b>354,340.77</b>	<b>146,750.78</b>	<b>86,472.99</b>	<b>0.00</b>	<b>3,325,617.74</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>224,124.98</b>	<b>13,408.87</b>	<b>-3,003.72</b>	<b>-134,857.03</b>	<b>-20,392.90</b>	<b>0.00</b>	<b>79,280.20</b>

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

## Statement of Revenues, Expenditures, and Changes in Fund Balance

## Governmental Funds

For the Year Ended August 31, 2010

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>OTHER FINANCING SOURCES (USES):</b>							
Bond Sales & Refunding Bond Sales	0.00		0.00	0.00	0.00		0.00
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	0.00		70,137.50	0.00	0.00		70,137.50
Transfers Out (GL 536)	0.00		0.00	-70,137.50	0.00	0.00	-70,137.50
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	0.00		0.00	26,704.94	0.00		26,704.94
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>0.00</b>		<b>70,137.50</b>	<b>-43,432.56</b>	<b>0.00</b>	<b>0.00</b>	<b>26,704.94</b>
<b>EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>224,124.98</b>	<b>13,408.87</b>	<b>67,133.78</b>	<b>-178,289.59</b>	<b>-20,392.90</b>	<b>0.00</b>	<b>105,985.14</b>
<b>BEGINNING TOTAL FUND BALANCE</b>	<b>471,354.58</b>	<b>35,900.23</b>	<b>134,309.80</b>	<b>208,589.43</b>	<b>100,167.89</b>	<b>0.00</b>	<b>950,321.93</b>
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>ENDING TOTAL FUND BALANCE</b>	<b>695,479.56</b>	<b>49,309.10</b>	<b>201,443.58</b>	<b>30,299.84</b>	<b>79,774.99</b>	<b>0.00</b>	<b>1,056,307.07</b>

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

# COULEE-HARTLINE SCHOOL DISTRICT

## Notes to the Financial Statements

September 1, 2009 through August 31, 2012

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

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

The District presents governmental fund financial statements and related notes on the cash basis of accounting as prescribed by generally accepted accounting principles (GAAP), except for the Debt Service Fund which is reported on the modified accrual basis of accounting, and as allowed by its regulatory agencies, the Office of Superintendent of Public Instruction and the State Auditor's Office. The District's accounting policies, as reflected in the accompanying financial statements, conform to the *Accounting Manual for Public School Districts in the State of Washington*, issued jointly by the State Auditor's Office and the Superintendent of Public Instruction by the authority of RCW 43.09.200, RCW 28A.505.140, RCW 28A.505.010(1), and RCW 28A.505.020. This manual allows for a practice that differs from generally accepted accounting principles in the following manner:

- (1) Districtwide statements are not presented.
- (2) The financial statements do not report capital assets.
- (3) Debt is not reported on the face of the financial statements. It is reported on the notes to the financial statements and on the Schedule of Long-Term Liabilities and Schedules of Long-Term Debt. The Schedule of Long-Term Liabilities and Schedules of Long-Term Debt are required supplemental information.
- (4) The original budget is not presented. This information is available through the Office of Superintendent of Public Instruction.
- (5) The Management Discussion and Analysis is not required.
- (6) The financial statements do not report a liability for Other Post-Employment Benefits (GASB Statement 45).
- (7) Other departures from GAAP that are material in nature are indicated throughout the Notes.

The District presents financial information on the basis of funds, each of which is considered a separate accounting entity. The regulatory agencies require all funds be presented as major funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures (or expenses) as appropriate. The various funds in the report are grouped into governmental (and fiduciary) funds as follows:

## ***Governmental Funds***

### General Fund

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

### Capital Projects Funds

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

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

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

### Debt Service Fund

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

### Special Revenue 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.

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

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

Revenues are recognized when they are received in cash, rather than when measurable and available.

Expenditures are recognized when warrants are issued to pay for goods or services received, rather than when the expenditures are incurred.

## ***Budgetary Data***

### General Budgetary Policies

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

### Budgetary Basis of Accounting

For budget and accounting purposes, revenues and expenditures are accounted for on the cash basis as allowed in law for all governmental funds, 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 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 District classifies ending fund balance for its governmental funds into five categories.

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

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

Committed Fund Balance. Amounts that are reported as Committed are those resources of the District that have had a limitation placed upon their usage by formal action of the District's board of directors. Commitments are made either through a formal adopted board resolution or are related to an established policy of the board. 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. The board of directors has established a minimum fund balance policy for the General Fund to provide for financial stability and contingencies within the district. The policy is that the District shall maintain five percent of the current year's expenditures to address potential General Fund needs and to continue to maintain an acceptable and adequate minimum fund balance for district operations. For the 2011-12 year, the amount committed to this minimum fund balance is \$149,694 which is included in the amount reported as Committed Fund Balance on the financial statements.

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

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

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

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

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

## **Assets, Liabilities, and Fund Equity**

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

## **Inventory**

The cost of supplies and materials is recorded as expenditure at the time the inventory item is purchased. USDA commodity inventory consists of food donated by the United States Department of Agriculture. It is valued at the prices paid by the USDA for the commodities. The district uses all USDA commodity items by the end of each school year and does not have an ending inventory.

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

The Grant County Treasurer is the *ex officio* treasurer for the District and holds all accounts of the District. In this capacity, the County Treasurer receives deposits and transacts investments on the district's behalf.

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.

The District's deposits are guaranteed up to \$1 million entirely by federal depository insurance. The District's cash on deposit balance with the county was \$273,868.37, \$206,619.00, and \$217,306.92 as of August 31, 2012, August 31, 2011, and August 31, 2010, respectively.

RCW 28A.320.320 authorizes District funds to be invested 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 savings 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. The County Treasurer had \$1,457,776.59, \$1,348,655.29, and \$1,027,536.06, invested on behalf of the District as of August 31, 2012, August 31, 2011, and August 31, 2010, respectively.

All of the District's investments (except for investments of deferred compensation plans) during the year and at year-end were insured or registered and held by the District or its agent in the District's name.

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

There are no known significant contingent liabilities of the District as this time that would materially impact the financial position of the District.

### **Litigation**

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

### **NOTE 4: RISK MANAGEMENT**

The Coulee-Hartline 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 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 full member school districts.

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

Liability insurance is subject to a self-insured retention of \$100,000. Members are responsible for \$1,000 deductible amount for each claim, while the program is responsible for the remaining \$100,000 self-insured retention. Insurance carriers cover insured losses over \$101,000 to 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 of the self-insured retention. The program 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 \$1,000 deductible for each claim, while the program is responsible for the \$100,000 self-insured retention.

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

Each new member now pays the program an admittance fee. This amount covers the member's share of unrestricted reserves. Members contract to remain in the program for a minimum of one year, and must give notice before August 31 before terminating participation the following September 1. 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 Canfield, which has been contracted to perform program administration, claims adjustment, and loss prevent for the program. Fees paid to third party administrator under this arrangement for the years ending August 31, 2012; August 31, 2011, and August 31, 2010 was \$1,517,756; \$2,317,810, and \$1,805,908, respectively.

#### **NOTE 5: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS**

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

#### **NOTE 6: ANNUAL PENSION COST AND NET PENSION OBLIGATIONS**

##### **General Information**

##### **A. General Information**

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

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

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

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

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

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

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

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

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

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

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

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

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

## B. Contributions

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

Plan 1 TRS	6.00%	Plan 1 PERS	6.00%
Plan 2 TRS	4.69%	Plan 2 SERS	4.09%
Plan 3 TRS and SERS	5.00% (minimum),	15.00% (maximum)	

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

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

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

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

<u>Plan</u>	<u>FY 11-12</u>	<u>FY 10-11</u>	<u>FY 09-10</u>
Plan 1 TRS	\$ 5,195.82	\$ 3,984.05	\$ 4,030.80
Plan 2 TRS	\$13,658.55	\$ 9,725.70	\$10,497.20
Plan 3 TRS	\$68,132.85	\$52,002.47	\$51,153.60
Plan 1 PERS	\$0	\$0	\$ 909.13
Plan 2 SERS	\$ 8,409.84	\$ 3,873.36	\$ 2,979.04
Plan 3 SERS	\$21,988.66	\$17,543.18	\$18,433.28

Historical trend information showing TRS, PERS and SERS progress in accumulating sufficient assets to pay benefits when due is presented in the state of Washington's June 30, 2012, comprehensive annual financial report. Refer to this report for detailed trend information. It is available from:

State of Washington  
Office of Financial Management  
300 Insurance Building  
PO BOX 431  
Olympia, WA 98504-3113

## **NOTE 7: ANNUAL OTHER POST-EMPLOYMENT BENEFIT COST AND NET OPEB OBLIGATIONS**

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

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

According to state law, the Washington State Treasurer collects a fee from all school district entities which have employees that are not current active members of the state Health Care Authority but participate in the state retirement system. The purpose of this fee is to cover the impact of the subsidized rate of health care benefits for school retirees who elect to purchase their health care benefits through the state Health Care Authority

Substantially all Coulee-Hartline School District full-time and qualifying part-time employees participate in the Public Employees Benefits Board through the Washington State Health Care Authority for medical, dental, life insurance and long-term disability insurance. Since the District is a participant in PEBB, the monthly HCA retiree subsidiary assessment is included in the monthly premium and is not a separate assessment.

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

#### **NOTE 8: COMMITMENTS UNDER NONCAPITALIZED (OPERATING) LEASES**

In March 2010 the District entered into a property use agreement with Grant County Port District #5 under the provisions of the Intergovernmental Disposition of Property Act – RCW 39.33. The agreement transferred surplus real property to the Grant County Port District #5 and granted the right to use athletic fields located at the site to the school district until the 2017-18 school year. The school district can extend the use agreement after expiration of the original agreement.

The school district agreed to pay \$159,000 to the port district in nine payments for the use of the fields.

For the fiscal year ended August 31, 2010, the District had incurred additional long-term debt as follows:

Lessor	Amount	Annual Installment	Final Installment Date	Interest Rate	Balance
Other Long-Term Commitments – <i>Property use agreement</i>					
Grant County Port District #5	\$159,000	\$75,000	04-01-2010	5%	\$84,000
		\$10,500	11-01-2010		\$73,500
		\$10,500	11-01-2011		\$63,000
		\$10,500	11-01-2012		\$52,500
		\$10,500	11-01-2013		\$42,000
		\$10,500	11-01-2014		\$31,500
		\$10,500	11-01-2015		\$21,000
		\$10,500	11-01-2016		\$10,500
		\$10,500	11-01-2017		\$-0-
<i>Total Other Long-Term Commitments</i>					\$-0-

## **NOTE 9: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS INCLUDING ENCUMBRANCES, IF APPROPRIATE**

### **Encumbrances**

Encumbrance accounting is employed in governmental funds. Purchase orders, contracts, and other commitments for the expenditure of moneys are recorded to reserve a portion of the applicable appropriation. Encumbrances lapse at the end of the fiscal year and are not re-encumbered the following year.

## **NOTE 10: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS**

The District's capital assets are insured in the amount of \$16,103,207; \$16,193,768, and \$14,538,265 for fiscal years 2012, 2011, and 2010, respectively. In the opinion of the District's insurance consultant, the amount is sufficient to adequately fund replacement of the District's assets.

## **NOTE 11: REQUIRED DISCLOSURES ABOUT LONG TERM LIABILITIES**

### **Long-Term Debt**

The District sold Unlimited Tax General Obligation Bonds, 1999, on December 1, 1999, in the amount of \$2,700,000 to remodel an elementary school building. The bonds were registered in the name of Cede & Co., as bond owner and nominee for The Depository Company. The interest rates varied from 4.5% to 5.75%. The first interest payment was made June 1, 2000 and the first principal payment was made December 1, 2000 with the final payment due December 1, 2015.

On April 7, 2009, the amount of \$1,390,000 was refinanced with the transactions handled by Foster Pepper PLLC, D.A. Davidson & Co., and U.S. Bank National Association with interest rates varying from 3.00% to 4.00%. The first interest payment was made June 1, 2009 and the first principal payment was made December 1, 2009. The last payment is due December 1, 2016.

<b>Year Ended August 31</b>	<b>UTGO Bonds 1999</b>		<b>UTGOR Bonds 2009</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2010	\$165,000	\$14,163	\$ 30,000	\$ 48,250
2011	\$175,000	\$ 4,813	\$ 10,000	\$ 47,650
2012			\$ 200,000	\$ 44,500
2013-2016			\$1,150,000	\$109,550
Total	\$340,000	\$18,976	\$1,390,000	\$249,950

The District received a non-voted Limited General Obligation Bond for \$525,000 on August 15, 2007, from Sterling Savings Bank with an interest rate of 4.95%. The first interest payment was made February 1, 2008 and the first principal payment was made February 1, 2009. The bond will be repaid on August 1, 2015.

<b>Year Ended August 31</b>	<b>Limited General Obligation Bond</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ 75,000	\$21,285	\$ 96,285
2011	\$ 80,000	\$17,573	\$ 97,573
2012	\$ 85,000	\$13,489	\$ 98,489
2013-2015	\$210,000	\$14,726	\$224,726
Total	\$450,000	\$67,073	\$517,073

<b>Year Ended August 31</b>	<b>Limited General Obligation Bond</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$ 80,000	\$17,573	\$ 97,573
2012	\$ 85,000	\$13,489	\$ 98,489
2013	\$ 90,000	\$ 9,281	\$ 99,281
2014	\$ 95,000	\$ 4,703	\$ 99,703
2015	\$ 25,000	\$ 742	\$ 25,742
Total	\$375,000	\$45,789	\$420,788

<b>Year Ended August 31</b>	<b>Limited General Obligation Bond</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 85,000	\$13,489	\$ 98,489
2013	\$ 90,000	\$ 9,281	\$ 99,281
2014	\$ 95,000	\$ 4,703	\$ 99,703
2015	\$ 25,000	\$ 742	\$ 25,742
Total	\$295,000	\$28,215	\$323,215

On October 16, 2006, the District entered into a donor pledge agreement with the Paul Lauzier Charitable Foundation to receive \$100,000 annually for ten years. Six of the annual donations have been received as of August 31, 2012. The District uses the annual donation to make principal and interest payments on the non-voted limited obligation bond. A lease-use agreement with Grant County Port District #5 is covered under Note 7.

For fiscal years ending August 31, 2012; August 31, 2011, and August 21, 2010, the District had \$249,400.17; \$234,278.85, and \$201,443.58, respectively, available in the Debt Service Fund to service the general obligation bonds.

#### **NOTE 12: ENTITY RISK MANAGEMENT ACTIVITIES**

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 self-insuring to the same extent that they may individually self-insure. Separate agreements to form a workers' compensation pool were made pursuant to the provisions of Chapter 39.34 RCW, the Inter Local Cooperation Act. The North Central Washington Workers' Compensation Pool was formed on April 1, 1984, when school districts and North Central Education Service District in the state of Washington joined together by signing an Inter Local Governmental Agreement to pool their self-insured losses. Twenty-nine school districts and North Central ESD have joined the workers' compensation pool.

The pool is operated for the Coulee-Hartline School District's benefit in lieu of the district having to make monthly premium payments to the state of Washington for industrial insurance. Membership automatically renews each year. Even after termination, members are still responsible for contributions for unresolved claims occurring during a period when the district was a member of the pool.

The pool is governed by a board of directors which is comprised of one designated representative from each participating member. An executive committee is elected for conducting the business affairs of the pool.

Each member's contributions to the pool are determined by a rate-making formula based on claims cost and other expenses paid. In fiscal years ending August 31, 2012; August 31, 2011, and August 31, 2010, Coulee-Hartline School District made payments totaling \$25,344.56; \$23,298.03, and \$20,409.42, respectively.

#### **NOTE 13: PROPERTY TAXES**

Property tax revenues are collected as the result of special levies passed by the voters in the District. Taxes are levied on January 1. The taxpayer has the 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 2012-13 school year, consistent with the cash basis of accounting.

#### **NOTE 14: JOINT VENTURES AND JOINTLY-GOVERNED ORGANIZATIONS**

The District is a member of the King County Director's Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. The board authorized joining the association by passing Resolution #4A-93-94 dated March 15, 1994, and has remained in the joint venture ever since. The District's current equity of \$1,503.02 is the accumulation of the annual assignment of KCDA's operating surplus based upon the percentage derived from KCDA's total sales to the District compared to all other districts applied against paid administrative fees. The District may withdraw from the joint venture and will receive its equity in ten annual allocations of merchandise or 15 annual payments.

## **NOTE 15: 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 an IRC, Section 457, deferred compensation plan administered by the State of Washington Deferred Compensation Program (DCP).

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

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

The District complies with IRS 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 Security Financial Resources. The plan assets are assets of the District employees, not the school district, and are therefore not reflected on these financial statements.

## **NOTE 16: TERMINATION BENEFITS**

### **Compensated Absences**

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

## **NOTE 17: OTHER DISCLOSURES**

The Coulee-Hartline School District entered into a legal cooperative agreement with the Almira School District effective at the beginning of the 1991-92 school year and, on August 24, 2006, extended the agreement for ten years. Either board of directors may terminate participation in the cooperative by notifying the other board in writing.

The Coulee-Hartline School District and the Almira School District continue to operate as independent entities. The districts have agreed to a cost-sharing agreement for educational and extracurricular expenses and combined their high school associated student body funds (ASB) to create a single ASB Fund. The transactions for this fund are reported in the financial statements of the Coulee-Hartline School District.

## **NOTE 18: SUBSEQUENT EVENTS**

No events occurred after August 31, 2012, that would have a material impact on the next or future years.

Coulee-Hartline School District No. 151  
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	1,350,000.00	0.00	200,000.00	1,150,000.00
Total Non-Voted Notes/Bonds	295,000.00	0.00	85,000.00	210,000.00
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
<b>Other Long-Term Debt</b>				
Capital Leases	0.00	0.00	0.00	0.00
Contracts Payable (GL 603)	0.00	0.00	0.00	0.00
NonCancellable Operating Leases	0.00	0.00	0.00	0.00
Claims & Judgments	0.00	0.00	0.00	0.00
Compensated Absences	0.00	0.00	0.00	0.00
Other Long-Term Liabilities	0.00	0.00	0.00	0.00
Total Other Long-Term Liabilities	0.00	0.00	0.00	0.00
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>1,645,000.00</b>	<b>0.00</b>	<b>285,000.00</b>	<b>1,360,000.00</b>

Coulee-Hartline School District No. 151

Schedule of Long-Term Debt

For the Year Ended August 31, 2011

Description	Beginning Outstanding Debt September 1, 2010	Amount		Ending Outstanding Debt August 31, 2011
		Issued/Increased	Redeemed/Decreased	
Total Voted Bonds	1,535,000.00	0.00	185,000.00	1,350,000.00
Total Non-Voted Notes/Bonds	375,000.00	0.00	80,000.00	295,000.00
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
<b>Other Long-Term Debt:</b>				
Capital Leases	0.00	0.00	0.00	0.00
Contracts Payable (GL 603)	0.00	0.00	0.00	0.00
NonCancellable Operating Leases	0.00	0.00	0.00	0.00
Claims & Judgments	0.00	0.00	0.00	0.00
Compensated Absences	0.00	0.00	0.00	0.00
Other Long-Term Debt	0.00	0.00	0.00	0.00
Total Other Long-Term Debt	0.00	0.00	0.00	0.00
<b>TOTAL LONG-TERM DEBT</b>	1,910,000.00	0.00	265,000.00	1,645,000.00

## Schedule of Long-Term Debt

For the Year Ended August 31, 2010

Description	Beginning	Amount	Amount	Ending
	Outstanding Debt September 1, 2009	Issued/Increased	Redeemed/Decreased	Outstanding Debt August 31, 2010
Total Voted Bonds	1,730,000.00	0.00	195,000.00	1,535,000.00
Total Non-Voted Notes/Bonds	450,000.00	0.00	75,000.00	375,000.00
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
<b>Other Long-Term Debt :</b>				
Capital Leases	0.00	0.00	0.00	0.00
Contracts Payable (GL 603)	0.00	0.00	0.00	0.00
NonCancellable Operating Leases	0.00	0.00	0.00	0.00
Claims & Judgments	0.00	0.00	0.00	0.00
Compensated Absences	0.00	0.00	0.00	0.00
Other Long-Term Debt	0.00	0.00	0.00	0.00
Total Other Long-Term Debt	0.00	0.00	0.00	0.00
<b>TOTAL LONG-TERM DEBT</b>	2,180,000.00	0.00	270,000.00	1,910,000.00



## **ABOUT THE STATE AUDITOR'S OFFICE**

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

**Troy Kelley**  
**Doug Cochran**  
**Chuck Pfeil, CPA**  
**Kelly Collins, CPA**  
**Jan M. Jutte, CPA, CGFM**  
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