



**Office of the Washington State Auditor**  
**Pat McCarthy**

## **Financial Statements Audit Report**

# **Kalama School District No. 402**

**Cowlitz County**

**For the period September 1, 2015 through August 31, 2017**

**Published April 19, 2018**

**Report No. 1021163**





## Office of the Washington State Auditor

**Pat McCarthy**

April 19, 2018

Board of Directors  
Kalama School District No. 402  
Kalama, Washington

### **Report on Financial Statements**

Please find attached our report on Kalama School District No. 402'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 "Pat McCarthy". The signature is written in a cursive style with a large, stylized "P" and "M".

Pat McCarthy  
State Auditor  
Olympia, WA

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**Kalama School District No. 402  
Cowlitz County  
September 1, 2015 through August 31, 2017**

Board of Directors  
Kalama School District No. 402  
Kalama, 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 Kalama School District No. 402, Cowlitz County, Washington, as of and for the years ended August 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated April 13, 2018.

We issued an unmodified opinion on the fair presentation of the District's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because, as described in Note 1, the *Accounting Manual for Public School Districts in the State of Washington* does not require the District to prepare the government-wide statements presenting the financial position and changes in financial position of its governmental activities as required by GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of 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.

In addition, we noted certain matters that we have reported to the management of the District in a separate letter dated April 13, 2018.

## **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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy  
State Auditor  
Olympia, WA

April 13, 2018

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Kalama School District No. 402 Cowlitz County September 1, 2015 through August 31, 2017**

Board of Directors  
Kalama School District No. 402  
Kalama, Washington

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

We have audited the accompanying financial statements of Kalama School District No. 402, Cowlitz County, Washington, as of and for the years ended August 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 11.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kalama School District No. 402, as of August 31, 2017 and 2016, and the changes in financial position thereof for the years then ended in accordance with the basis of accounting described in Note 1.

### **Basis for Adverse Opinion on U.S. GAAP**

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. GAAP requires presentation of government-wide financial statements to display the financial position and changes in financial position of its governmental activities.

As described in Note 1, the Accounting Manual does not require the District to prepare the government-wide financial statements, and consequently such amounts have not been determined or presented. We are therefore required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.



## **Adverse Opinion on U.S. GAAP**

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Kalama School District No. 402, as of August 31, 2017 and 2016, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

## **Other 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 Schedules of Long-Term Liabilities 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.

The pension plan information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2018 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral

part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

April 13, 2018

## **FINANCIAL SECTION**

**Kalama School District No. 402**  
**Cowlitz County**  
**September 1, 2015 through August 31, 2017**

### **FINANCIAL STATEMENTS**

Balance Sheet – Governmental Funds – 2017 and 2016  
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Funds – 2017 and 2016  
Statement of Fiduciary Net Position – Fiduciary Funds – 2017 and 2016  
Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2017 and 2016  
Notes to Financial Statements – 2017 and 2016

### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedules of Long-Term Liabilities – 2017 and 2016

Kalama School District No. 402

Balance Sheet

Governmental Funds

August 31, 2017

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>ASSETS:</b>							
Cash and Cash Equivalents	376,153.51	19,163.31	0.00	63,238.09	5.26	0.00	458,560.17
Minus Warrants Outstanding	-371,897.73	-4,904.77	0.00	-61,727.10	0.00	0.00	-438,529.60
Taxes Receivable	983,120.03		982.07	220,606.72	62.81		1,204,771.63
Due From Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due From Other Governmental Units	11,096.01	0.00	0.00	0.00	0.00	0.00	11,096.01
Accounts Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interfund Loans Receivable	0.00			0.00			0.00
Accrued Interest Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	4,404.41	0.00		0.00			4,404.41
Prepaid Items	93,861.00	0.00			0.00	0.00	93,861.00
Investments	1,424,429.80	77,670.00	54,741.08	141,615.32	1,510.00	0.00	1,699,966.20
Investments/Cash With Trustee	0.00		0.00	0.00	0.00	0.00	0.00
Investments-Deferred Compensation	0.00			0.00			0.00
Self-Insurance Security Deposit	0.00						0.00
<b>TOTAL ASSETS</b>	<b>2,521,167.03</b>	<b>91,928.54</b>	<b>55,723.15</b>	<b>363,733.03</b>	<b>1,578.07</b>	<b>0.00</b>	<b>3,034,129.82</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>							
Deferred Outflows of Resources - Other	0.00		0.00	0.00	0.00		0.00
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<b>2,521,167.03</b>	<b>91,928.54</b>	<b>55,723.15</b>	<b>363,733.03</b>	<b>1,578.07</b>	<b>0.00</b>	<b>3,034,129.82</b>
<b>LIABILITIES:</b>							
Accounts Payable	89,254.74	5,678.32	0.00	0.00	0.00	0.00	94,933.06
Contracts Payable Current	0.00	0.00		0.00	0.00	0.00	0.00
Accrued Interest Payable			0.00				0.00
Accrued Salaries	506.31	0.00		0.00			506.31
Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00

The accompanying notes are an integral part of these statements

Kalama School District No. 402

Balance Sheet

Governmental Funds

August 31, 2017

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>LIABILITIES:</b>							
Payroll Deductions and Taxes Payable	0.00	0.00		0.00			0.00
Due To Other Governmental Units	0.00	0.00		0.00	0.00	0.00	0.00
Deferred Compensation Payable	0.00			0.00			0.00
Estimated Employee Benefits Payable	0.00						0.00
Due To Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	0.00	0.00		0.00			0.00
Unearned Revenue	8,539.87	4,310.00	0.00	0.00	0.00		12,849.87
Matured Bonds Payable			0.00				0.00
Matured Bond Interest Payable			0.00				0.00
Arbitrage Rebate Payable	0.00		0.00	0.00	0.00		0.00
<b>TOTAL LIABILITIES</b>	<b>98,300.92</b>	<b>9,988.32</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>108,289.24</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>							
Unavailable Revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unavailable Revenue - Taxes Receivable	983,120.03		982.07	220,606.72	62.81		1,204,771.63
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>983,120.03</b>	<b>0.00</b>	<b>982.07</b>	<b>220,606.72</b>	<b>62.81</b>	<b>0.00</b>	<b>1,204,771.63</b>
<b>FUND BALANCE:</b>							
Nonspendable Fund Balance	98,265.41	0.00	0.00	0.00	0.00	0.00	98,265.41
Restricted Fund Balance	0.00	81,940.22	54,741.08	143,126.31	1,515.26	0.00	281,322.87
Committed Fund Balance	0.00	0.00	0.00		0.00	0.00	0.00
Assigned Fund Balance	23,357.00	0.00	0.00	0.00	0.00	0.00	23,357.00
Unassigned Fund Balance	1,318,123.67	0.00	0.00	0.00	0.00	0.00	1,318,123.67
<b>TOTAL FUND BALANCE</b>	<b>1,439,746.08</b>	<b>81,940.22</b>	<b>54,741.08</b>	<b>143,126.31</b>	<b>1,515.26</b>	<b>0.00</b>	<b>1,721,068.95</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE</b>	<b>2,521,167.03</b>	<b>91,928.54</b>	<b>55,723.15</b>	<b>363,733.03</b>	<b>1,578.07</b>	<b>0.00</b>	<b>3,034,129.82</b>

The accompanying notes are an integral part of these statements

Kalama School District No. 402

Balance Sheet

Governmental Funds

August 31, 2016

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>ASSETS:</b>							
Cash and Cash Equivalents	438,173.67	20,002.56	0.00	39,101.09	5.53	0.00	497,282.85
Minus Warrants Outstanding	-375,358.34	-11,502.11	0.00	-22,138.30	0.00	0.00	-408,998.75
Taxes Receivable	953,680.64		982.07	219,419.87	62.81		1,174,145.39
Due From Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due From Other Governmental Units	451.44	0.00	0.00	0.00	0.00	0.00	451.44
Accounts Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interfund Loans Receivable	0.00			0.00			0.00
Accrued Interest Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	5,800.00	0.00		0.00			5,800.00
Prepaid Items	97,204.57	5,402.17			0.00	0.00	102,606.74
Investments	1,337,433.00	34,079.00	54,388.75	288,248.00	1,500.00	0.00	1,715,648.75
Investments/Cash With Trustee	0.00		0.00	0.00	0.00	0.00	0.00
Investments-Deferred Compensation	0.00			0.00			0.00
Self-Insurance Security Deposit	0.00						0.00
<b>TOTAL ASSETS</b>	<b>2,457,384.98</b>	<b>47,981.62</b>	<b>55,370.82</b>	<b>524,630.66</b>	<b>1,568.34</b>	<b>0.00</b>	<b>3,086,936.42</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>							
Deferred Outflows of Resources - Other	0.00		0.00	0.00	0.00		0.00
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<b>2,457,384.98</b>	<b>47,981.62</b>	<b>55,370.82</b>	<b>524,630.66</b>	<b>1,568.34</b>	<b>0.00</b>	<b>3,086,936.42</b>
<b>LIABILITIES:</b>							
Accounts Payable	59,126.30	0.00	0.00	18,349.51	0.00	0.00	77,475.81
Contracts Payable Current	0.00	0.00		0.00	0.00	0.00	0.00
Accrued Interest Payable			0.00				0.00
Accrued Salaries	8,415.21	0.00		0.00			8,415.21
Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00

The accompanying notes are an integral part of these statements

Kalama School District No. 402

Balance Sheet

Governmental Funds

August 31, 2016

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>LIABILITIES:</b>							
Payroll Deductions and Taxes Payable	0.00	0.00		0.00			0.00
Due To Other Governmental Units	0.00	0.00		0.00	0.00	0.00	0.00
Deferred Compensation Payable	0.00			0.00			0.00
Estimated Employee Benefits Payable	0.00						0.00
Due To Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	0.00	0.00		0.00			0.00
Unearned Revenue	0.00	0.00	0.00	0.00	0.00		0.00
Matured Bonds Payable			0.00				0.00
Matured Bond Interest Payable			0.00				0.00
Arbitrage Rebate Payable	0.00		0.00	0.00	0.00		0.00
<b>TOTAL LIABILITIES</b>	<b>67,541.51</b>	<b>0.00</b>	<b>0.00</b>	<b>18,349.51</b>	<b>0.00</b>	<b>0.00</b>	<b>85,891.02</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>							
Unavailable Revenue	2,000.00	0.00	0.00	0.00	0.00	0.00	2,000.00
Unavailable Revenue - Taxes Receivable	953,680.64		982.07	219,419.87	62.81		1,174,145.39
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>955,680.64</b>	<b>0.00</b>	<b>982.07</b>	<b>219,419.87</b>	<b>62.81</b>	<b>0.00</b>	<b>1,176,145.39</b>
<b>FUND BALANCE:</b>							
Nonspendable Fund Balance	103,004.57	5,402.17	0.00	0.00	0.00	0.00	108,406.74
Restricted Fund Balance	0.00	42,579.45	54,388.75	286,861.28	1,505.53	0.00	385,335.01
Committed Fund Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Assigned Fund Balance	21,362.50	0.00	0.00	0.00	0.00	0.00	21,362.50
Unassigned Fund Balance	1,309,795.76	0.00	0.00	0.00	0.00	0.00	1,309,795.76
<b>TOTAL FUND BALANCE</b>	<b>1,434,162.83</b>	<b>47,981.62</b>	<b>54,388.75</b>	<b>286,861.28</b>	<b>1,505.53</b>	<b>0.00</b>	<b>1,824,900.01</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE</b>	<b>2,457,384.98</b>	<b>47,981.62</b>	<b>55,370.82</b>	<b>524,630.66</b>	<b>1,568.34</b>	<b>0.00</b>	<b>3,086,936.42</b>

The accompanying notes are an integral part of these statements

Kalama School District No. 402

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2017

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>REVENUES:</b>							
Local	2,328,241.63	195,731.57	352.33	500,250.53	9.73		3,024,585.79
State	7,413,050.24		0.00	3.60	0.00		7,413,053.84
Federal	319,959.35		0.00	0.00	0.00		319,959.35
Federal Stimulus	0.00						0.00
Other	42,634.94			0.00	0.00	0.00	42,634.94
<b>TOTAL REVENUES</b>	<b>10,103,886.16</b>	<b>195,731.57</b>	<b>352.33</b>	<b>500,254.13</b>	<b>9.73</b>	<b>0.00</b>	<b>10,800,233.92</b>
<b>EXPENDITURES:</b>							
<b>CURRENT:</b>							
Regular Instruction	5,900,714.17						5,900,714.17
Federal Stimulus	0.00						0.00
Special Education	1,018,337.21						1,018,337.21
Vocational Education	164,327.95						164,327.95
Skill Center	0.00						0.00
Compensatory Programs	305,059.14						305,059.14
Other Instructional Programs	13,269.64						13,269.64
Community Services	0.00						0.00
Support Services							
Student Activities/Other	2,107,648.62						2,107,648.62
		161,772.97				0.00	161,772.97
<b>CAPITAL OUTLAY:</b>							
Sites				413,473.85			413,473.85
Building				0.00			0.00
Equipment				0.00			0.00
Instructional Technology				64,728.01			64,728.01
Energy				44,787.24			44,787.24
Transportation Equipment					0.00		0.00
Sales and Lease				0.00			0.00
Other	164,345.10						164,345.10
<b>DEBT SERVICE:</b>							
Principal	24,873.24		495,000.00	0.00	0.00		519,873.24
Interest and Other Charges	5,909.09		19,818.75	0.00	0.00		25,727.84
Bond/Levy Issuance				0.00	0.00		0.00
<b>TOTAL EXPENDITURES</b>	<b>9,704,484.16</b>	<b>161,772.97</b>	<b>514,818.75</b>	<b>522,989.10</b>	<b>0.00</b>	<b>0.00</b>	<b>10,904,064.98</b>

The accompanying notes are an integral part of these statements



Kalama School District No. 402

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2017

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>DEBT SERVICE:</b>							
REVENUES OVER (UNDER) EXPENDITURES	399,402.00	33,958.60	-514,466.42	-22,734.97	9.73	0.00	-103,831.06
<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		514,818.75	393,818.75	0.00		908,637.50
Transfers Out (GL 536)	-393,818.75		0.00	-514,818.75	0.00	0.00	-908,637.50
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	0.00		0.00	0.00	0.00		0.00
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-393,818.75</b>		<b>514,818.75</b>	<b>-121,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>5,583.25</b>	<b>33,958.60</b>	<b>352.33</b>	<b>-143,734.97</b>	<b>9.73</b>	<b>0.00</b>	<b>-103,831.06</b>
<b>BEGINNING TOTAL FUND BALANCE</b>	<b>1,434,162.83</b>	<b>47,981.62</b>	<b>54,388.75</b>	<b>286,861.28</b>	<b>1,505.53</b>	<b>0.00</b>	<b>1,824,900.01</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>1,439,746.08</b>	<b>81,940.22</b>	<b>54,741.08</b>	<b>143,126.31</b>	<b>1,515.26</b>	<b>0.00</b>	<b>1,721,068.95</b>

The accompanying notes are an integral part of these statements

Kalama School District No. 402

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2016

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>DEBT SERVICE:</b>							
REVENUES OVER (UNDER) EXPENDITURES	464,371.45	-4,505.96	-413,248.57	241,868.67	3.44	0.00	
	288,489.03						
<b>OTHER FINANCING SOURCES (USES):</b>							
Bond Sales & Refunding Bond Sales	0.00		0.00	0.00	0.00		
	0.00						
Long-Term Financing	37,111.20			0.00	0.00		
	37,111.20						
Transfers In	0.00		413,377.35	25,416.35	0.00		
	438,793.70						
Transfers Out (GL 536)	-25,416.35		0.00	-413,377.35	0.00	0.00	-
438,793.70							
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		
	0.00						
Other	1,399.00		0.00	0.00	0.00		
	1,399.00						
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>13,093.85</b>		<b>413,377.35</b>	<b>-387,961.00</b>	<b>0.00</b>	<b>0.00</b>	
	<b>38,510.20</b>						
<b>EXCESS OF REVENUES/OTHER FINANCING SOURCES</b>	<b>477,465.30</b>	<b>-4,505.96</b>	<b>128.78</b>	<b>-146,092.33</b>	<b>3.44</b>	<b>0.00</b>	
	<b>326,999.23</b>						
<b>OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>							
<b>BEGINNING TOTAL FUND BALANCE</b>	<b>956,697.53</b>	<b>52,487.58</b>	<b>54,259.97</b>	<b>432,953.61</b>	<b>1,502.09</b>	<b>0.00</b>	
	<b>1,497,900.78</b>						
Prior Year(s) Corrections or	0.00	0.00	0.00	0.00	0.00	0.00	
Restatements	0.00						
<b>ENDING TOTAL FUND BALANCE</b>	<b>1,434,162.83</b>	<b>47,981.62</b>	<b>54,388.75</b>	<b>286,861.28</b>	<b>1,505.53</b>	<b>0.00</b>	
	<b>1,824,900.01</b>						

The accompanying notes are an integral part of these statements

Kalama School District No. 402

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2016

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>REVENUES:</b>							
Local	2,214,480.81	174,290.75	128.78	405,205.46	3.44		2,794,109.24
State	6,940,189.01		0.00	2.23	0.00		6,940,191.24
Federal	359,020.42		0.00	0.00	0.00		359,020.42
Federal Stimulus	0.00						0.00
Other	37,824.54			0.00	0.00	0.00	37,824.54
<b>TOTAL REVENUES</b>	<b>9,551,514.78</b>	<b>174,290.75</b>	<b>128.78</b>	<b>405,207.69</b>	<b>3.44</b>	<b>0.00</b>	<b>10,131,145.44</b>
<b>EXPENDITURES:</b>							
<b>CURRENT:</b>							
Regular Instruction	5,452,434.83						5,452,434.83
Federal Stimulus	0.00						0.00
Special Education	831,965.37						831,965.37
Vocational Education	133,919.83						133,919.83
Skill Center	0.00						0.00
Compensatory Programs	396,417.55						396,417.55
Other Instructional Programs	8,651.23						8,651.23
Community Services	0.00						0.00
Support Services							
Student Activities/Other		178,796.71				0.00	2,074,568.00
<b>CAPITAL OUTLAY:</b>							
Sites				0.00			0.00
Building				127,960.27			127,960.27
Equipment				14,872.99			14,872.99
Instructional Technology				20,505.76			20,505.76
Energy				0.00			0.00
Transportation Equipment					0.00		0.00
Sales and Lease				0.00			0.00
Other	158,798.75						158,798.75
<b>DEBT SERVICE:</b>							
Principal	30,387.77		387,961.00	0.00	0.00		418,348.77
Interest and Other Charges	0.00		25,416.35	0.00	0.00		25,416.35
Bond/Levy Issuance				0.00	0.00		0.00
<b>TOTAL EXPENDITURES</b>	<b>9,087,143.33</b>	<b>178,796.71</b>	<b>413,377.35</b>	<b>163,339.02</b>	<b>0.00</b>	<b>0.00</b>	<b>9,842,656.41</b>

The accompanying notes are an integral part of these statements

Kalama School District No. 402  
Statement Of Fiduciary Net Position

Fiduciary Funds  
August 31, 2017

	Private Purpose Trust	Other Trust
<b>ASSETS:</b>		
Imprest Cash	661.17	0.00
Cash On Hand	0.00	0.00
Cash On Deposit with Cty Treas	1,181.94	0.00
Minus Warrants Outstanding	-500.00	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
<b>TOTAL ASSETS</b>	<b>1,343.11</b>	<b>0.00</b>
<b>LIABILITIES:</b>		
Accounts Payable	0.00	0.00
Due To Other Funds	0.00	0.00
<b>TOTAL LIABILITIES</b>	<b>0.00</b>	<b>0.00</b>
<b>NET POSITION:</b>		
<b>Held in trust for:</b>		
Held In Trust For Intact Trust Principal	0.00	0.00
Held In Trust For Private Purposes	0.00	
Held In Trust For Pension Or Other Post-Employment Benefits		0.00
Held In Trust For Other Purposes	1,343.11	0.00
<b>TOTAL NET POSITION</b>	<b>1,343.11</b>	<b>0.00</b>

The accompanying notes are an integral part of these statements

Kalama School District No. 402  
Statement Of Fiduciary Net Position

Fiduciary Funds  
August 31, 2016

	Private Purpose Trust	Other Purpose Trust
<b>ASSETS:</b>		
Imprest Cash	661.17	0.00
Cash On Hand	0.00	0.00
Cash On Deposit with Cty Treas	1,260.12	0.00
Minus Warrants Outstanding		
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	0.00
Capital Assets, Land	0.00	
Capital Assets, Buildings	0.00	
Capital Assets, Equipment	0.00	0.00
Accum Depreciation, Buildings	0.00	
Accum Depreciation, Equipment	0.00	0.00
<b>TOTAL ASSETS</b>	<b>1,921.29</b>	<b>0.00</b>
<b>LIABILITIES:</b>		
Accounts Payable	0.00	0.00
Due To Other Funds	0.00	0.00
<b>TOTAL LIABILITIES</b>	<b>0.00</b>	<b>0.00</b>
<b>NET POSITION:</b>		
<b>Held in trust for:</b>		
Held In Trust For Intact Trust Principal	0.00	0.00
Held In Trust For Private Purposes	0.00	
Held In Trust For Pension Or Other Post-Employment Benefits		0.00
Held In Trust For Other Purposes	1,921.29	0.00
<b>TOTAL NET POSITION</b>	<b>1,921.29</b>	<b>0.00</b>

The accompanying notes are an integral part of these statements

Kalama School District No. 402

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended August 31, 2017

	Private Purpose Trust	Other Trust
<b>ADDITIONS:</b>		
<b>Contributions:</b>		
Private Donations	1,633.75	0.00
Employer		0.00
Members		0.00
Other	0.00	0.00
<b>TOTAL CONTRIBUTIONS</b>	<b>1,633.75</b>	<b>0.00</b>
<b>Investment Income:</b>		
Net Appreciation (Depreciation) in Fair Value	0.00	0.00
Interest and Dividends	0.00	0.00
Less Investment Expenses	0.00	0.00
Net Investment Income	0.00	0.00
<b>Other Additions:</b>		
Rent or Lease Revenue	0.00	0.00
Total Other Additions	0.00	0.00
<b>TOTAL ADDITIONS</b>	<b>1,633.75</b>	<b>0.00</b>
<b>DEDUCTIONS:</b>		
Benefits		0.00
Refund of Contributions	0.00	0.00
Administrative Expenses	0.00	0.00
Scholarships	1,500.00	
Other	711.93	0.00
<b>TOTAL DEDUCTIONS</b>	<b>2,211.93</b>	<b>0.00</b>
Net Increase (Decrease)	-578.18	0.00
Net Position--Prior Year August Beginning	1,921.29	0.00
Prior Year F-196 Manual Revision	0.00	0.00
Net Position - Total	1,921.29	0.00
Prior Year(s) Corrections or Restatements	0.00	0.00
<b>NET POSITION--ENDING</b>	<b>1,343.11</b>	<b>0.00</b>

The accompanying notes are an integral part of these statements

Kalama School District No. 402

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended August 31, 2016

<b>ADDITIONS:</b>			
<b>Contributions:</b>			
Private Donations	Private Purpose Trust	Other Trust	
Employer Members	1,400.00	0.00	0.00
Other	0.00	0.00	0.00
<b>TOTAL CONTRIBUTIONS</b>	<b>1,400.00</b>	<b>0.00</b>	
<b>Investment Income:</b>			
Net Appreciation (Depreciation) in Fair Value	0.00	0.00	0.00
Interest and Dividends	0.00	0.00	0.00
Less Investment Expenses	0.00	0.00	0.00
Net Investment Income	0.00	0.00	0.00
<b>Other Additions:</b>			
Rent or Lease Revenue	0.00	0.00	0.00
Total Other Additions	0.00	0.00	0.00
<b>TOTAL ADDITIONS</b>	<b>1,400.00</b>	<b>0.00</b>	
<b>DEDUCTIONS:</b>			
Benefits		0.00	0.00
Refund of Contributions	0.00	0.00	0.00
Administrative Expenses	0.00	0.00	0.00
Scholarships	1,000.00		
Other	88.83	0.00	0.00
<b>TOTAL DEDUCTIONS</b>	<b>1,088.83</b>	<b>0.00</b>	
Net Increase (Decrease)	311.17	0.00	0.00
Net Position--Prior Year August Beginning	1,610.12	0.00	0.00
Prior Year F-196 Manual Revision	0.00	0.00	0.00
Net Position - Total	1,610.12	0.00	0.00
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00
<b>NET POSITION--ENDING</b>	<b>1,921.29</b>	<b>0.00</b>	

The accompanying notes are an integral part of these statements

**Kalama School District No. 402**  
**Notes to Financial Statements**  
**September 1, 2015 – August 31, 2017**

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

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

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

1. Districtwide statements, as defined in GAAP, are not presented.
2. A Schedule of Long-Term Liabilities is presented as supplementary information.
3. Supplementary information required by GAAP is not presented.
4. Property Taxes collected after the end of the fiscal period are not considered available for revenue accrual as described below.

**Fund Accounting**

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

**Governmental Funds**

**General Fund**

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

**Capital Projects Funds**

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

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

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

**Debt Service Fund**

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



### Special Revenue Funds

In Washington State, the only allowable special revenue fund for school districts is the Associated Student Body (ASB) Fund. This fund is accounted for in the District's financial statements as the financial resources legally belong to the District. As a special revenue fund, amounts within the ASB Fund may only be used for those purposes that relate to the operation of the Associated Student Body of the District.

### Permanent Funds

These funds are used to report resources that are legally restricted such that only earnings, and not principal, may be expended. Amounts in the Permanent Fund may only be spent in support of the District's programs and may not be used to the benefit of any individual. The district does not have any activity in this fund.

### ***Fiduciary Funds***

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

### Private-Purpose Trust Fund

This fund is used to account for resources that are legally held in trust by the District. The trust agreement details whether principal and interest may both be spent, or whether only interest may be spent. Money from a Private-Purpose Trust Fund may not be used to support the District's programs, and may be used to benefit individuals, private organizations, or other governments.

InVest Ed Funds: At year end on August 31 2017, cash balance was \$181.91; August 31, 2016 cash balance was \$ 760.12. Reporting of this account had been completed by the Business Manager and final year-end reporting to the InVest Ed Foundation takes place in June of each year.

During the 2004-05 school year the Kalama Elementary established a fund called the Children's Medical Fund. This account is funded by a group in Longview known as the Children's Community Resources to assist in the unmet medical costs of elementary students who are in poverty, uninsured, etc. The current balance as of August 31, 2017 and August 31, 2016, is \$661.17.

During the 2013-14 school year a scholarship fund was also set up to fund an individual students for \$1,000 per year from CCI Solutions; which is affiliated with Microsoft and Certiport. \$500.00 each was issued to two students in 2015-2016, also in 2016-17.

Also during the 2014-15 school year a scholarship fund was set up by Chartwell's Food Service Management Company. The current funding is \$500.00.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered "measurable" if the amount of the transaction can be readily determined. Revenues are considered "available" when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after year-end. Categorical program claims and interdistrict billings are measurable and available and are accrued. Property taxes not collected by the fiscal year end are measurable and recorded as a receivable, however the receivable is not considered available of revenue accrual, but is recorded as a deferred inflow of resources.

Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for unmatured principal and interest on long-term debt which are recorded when due. Purchases of capital assets are expensed during the year of acquisition. For federal grants, the recognition of expenditures is dependent on the obligation date. (Obligation means a purchase order has been issued, contracts have been awarded, or goods and/or services have been received.)

## Budgets

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

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

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

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

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

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

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

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

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

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

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

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

The Superintendent is the only person who has the authority to create Assignments of fund balance.

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

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

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

### **Cash and Cash Equivalents**

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

### **Receivables and Payables**

All receivables are expected to be collected within one year.

### **Inventory**

Inventory is valued at cost using the first-in, first-out (FIFO) method. The consumption method of inventory is used, which charges inventory as an expenditure when it is consumed. A portion of fund balance, representing inventory, is considered Nonspendable. *(Such reserves for inventory indicate that a portion of net current assets is set aside to replace or increase the inventory.)* USDA commodity inventory consists of food donated by the United States Department of Agriculture. It is valued at the prices paid by the USDA for the commodities.

### **Summary of Significant Accounting Policies Changes for 2016-2017**

Property Taxes – For purposes of revenue recognition, property taxes received after the fiscal year end are not considered available for revenue accrual as defined by GASB 33 and Interpretation 5. Amounts outstanding are recognized as a deferred inflow of resources on the financial statements.

### **NOTE 2: DEPOSITS AND INVESTMENTS**

The Cowlitz County Treasurer is the *ex officio* treasurer for the District and holds all accounts of the District. The District directs the County Treasurer to invest those financial resources of the District that the District has determined are not needed to meet the current financial obligations of the District.

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

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

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

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

The District's investments as of August 31, 2017, are as follows.

<i>General Fund</i>	State Investment Pool	Certificate of Deposit	\$1,424,429.80
<i>Capital Projects Fund</i>	State Investment Pool	Certificate of Deposit	\$141,615.32
<i>ASB Fund</i>	State Investment Pool	Certificate of Deposit	\$77,670.00
<i>Transportation Vehicle Fund</i>	State Investment Pool	Certificate of Deposit	\$1,510.00
<i>Debt Service Fund</i>	State Investment Pool	PB Pass Book	\$54,741.08
Total District Invested Deposits Ending August 31, 2017			\$1,699,966.20
Note: The carrying value is equal to the market value.			

The District's investments as of August 31, 2016, are as follows.

Fund	Type of Investment		Total
General Fund	State Investment Pool	Certificate of Deposit	\$ 1,337,433.00
Capital Projects Fund	State Investment Pool	Certificate of Deposit	\$288,248.00
ASB Fund	State Investment Pool	Certificate of Deposit	\$34,079.00
Transportation Vehicle Fund	State Investment Pool	Certificate of Deposit	\$1,500.00
Debt Service Fund	State Investment Pool	PB Pass Book	\$54,388.75
Total District Invested Deposits Ending August 31, 2016			\$1,715,648.75
Note: The carrying value is equal to the market value.			

The District does not have a policy that addresses a specific type of risk. Policy #6120 addresses Investment of Funds.

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

The Kalama School District had no known legal obligations which would impact the financial position of the Kalama School District for the year ended August 31, 2017 or year ending August 31, 2016.

### **Litigation**

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

### **NOTE 4: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS**

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

#### **NOTE 5: PENSION PLANS**

##### **General Information**

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

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

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

##### **Membership Participation**

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

Membership participation by retirement plan as of June 30, 2017, was as follows:

Plan	Retirees and Beneficiaries Receiving Benefits	Inactive Plan Members Entitled to but not yet Receiving Benefits	Active Plan Members
PERS 1	48,268	663	2,593
SERS 2	8,229	5,880	27,011
SERS 3	7,735	8,330	33,890
TRS 1	34,225	188	697
TRS 2	5,076	2,532	19,133
TRS 3	10,289	8,568	54,487

##### **Membership & Plan Benefits**

Certificated employees are members of TRS. Classified employees are members of PERS (if Plan 1) or SERS. Plan 1 under the TRS and PERS programs are defined benefit pension plans whose members joined the system on or before September 30, 1977. TRS 1 and PERS 1 are closed to new entrants.

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

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

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

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

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

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

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

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

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

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

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

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

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

SERS members, who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a reduced benefit.

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

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

### Plan Contributions

The employer contribution rates for PERS, TRS, and SERS (Plans 1, 2, and 3) and the TRS and SERS Plan 2 employee contribution rates are established by the Pension Funding Council based upon the rates set by the Legislature. The methods used to determine the contribution requirements are established under chapters 41.34 and 41.40, RCW for PERS, 41.34 and 41.35 RCW for SERS, and 41.32 and 41.34 RCW for TRS. Employers do not contribute to the defined contribution portions of TRS Plan 3 or SERS Plan 3. Under current law the employer must contribute 100 percent of the employer-required contribution. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at six percent and does not vary from year to year.

The Employer and employee contribution rates for the PERS plan are effective as of July 1. SERS and TRS contribution rates are effective as of September 1. The pension plan contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

Pension Rates			
	07/01/17 Rate	07/01/16 Rate	
<b>PERS 1</b>			
Member Contribution Rate	6.00 %	6.00%	
Employer Contribution Rate	12.70%	11.18%	
<b>Pension Rates</b>			
<b>TRS 1</b>			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	15.20%	13.13%	
<b>TRS 2</b>			
Member Contribution Rate	7.06%	5.95%	
Employer Contribution Rate	15.20%	13.13%	
<b>TRS 3</b>			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	15.20%	13.13%	**
<b>SERS 2</b>			
Member Contribution Rate	7.27%	5.63%	
Employer Contribution Rate	13.48%	11.58%	
<b>SERS 3</b>			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	13.48%	11.58%	**
<i>Note: The DRS administrative rate of .0018 is included in the employer rate.</i>			
<i>*=Variable from 5% to 15% based on rate selected by the member.</i>			
<i>**=Defined benefit portion only.</i>			

### The Collective Net Pension Liability



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

The Collective Net Pension Liability as of June 30, 2017				
Dollars inThousands	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Total Pension Liability	\$12,241,998	\$5,357,035	\$8,782,761	\$13,446,531
Plan fiduciary net Position	(\$7,496,920)	(\$4,863,560)	(5,759,493)	(\$12,523,588)
Participating employers' net pension liability	\$4,745,078	\$493,475	\$3,023,268	\$922,943
Plan fiduciary net position as a percentage of the total pension liability	61.24%	90.79%	65.58%	93.14%

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

At June 30, 2017, the school district reported a total liability of \$2,923,460 for its proportionate shares of the individual plans' collective net pension liability. Proportion of net pension liability is based on annual contributions for each of the employers participating in the DRS administered plans. At June 30, 2017, the district's proportionate share of each plan's net pension liability is reported below:

June 30, 2017	PERS 1	SERS 2/3	TRS1	TRS 2/3
District's Annual Contributions	42,523	45,263	213,650	230,460
Proportionate Share of the Net Pension Liability	335,442	164,908	1,845,824	577,286

At June 30, 2017, the school district's percentage of the proportionate share of the collective net pension liability was as follows and the change in the allocation percentage from the prior period is illustrated below.

Allocation percentages	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share of the Net Pension Liability	0.007069%	0.033418%	0.061054%	0.065875%
Prior year proportionate share of the Net pension Liability	0.007158%	0.034961%	0.064174%	0.065875%
Net difference percentage	-0.000088%	-0.001543%	-0.003120%	-0.003324%

#### The District's Sensitivity of the Net Pension Liability to changes in the Discount Rate

Source: DRS CAFR 6/30/2017

Sensitivity of the net pension liability to changes in the discount rate:
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Participating Plans for TRS, PERS, and SERS			
	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
PERS1	\$5,780,412,000	\$4,745,078,000	\$3,848,257,000
%NPL	0.007069%	0.007069%	0.007069%
District's PERS1	\$ 408,632	\$ 335,442	\$ 272,043
SERS2/3	\$1,278,921,000	\$493,475,000	(\$153,665,000)
%NPL	0.033418%	0.033418%	0.033418%
District's SERS2/3	\$ 427,387	\$ 164,908	\$ (51,351)
TRS1	\$3,759,368,000	\$3,023,268,000	\$2,386,123,000
%NPL	0.061054%	0.061054%	0.061054%
District's TRS1	\$ 2,295,242	\$ 1,845,824	\$ 1,456,822
TRS2/3	\$3,134,647,000	\$922,943,000	(\$873,375,000)
%NPL	0.062548%	0.062548%	0.062548%
District's TRS2/3	\$ 1,960,671	\$ 577,286	\$ (546,282)

### Actuarial Assumptions

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

The total pension liabilities for TRS 1, TRS 2/3, PERS 1 and SERS 2/3 were determined by actuarial valuation as of June 30, 2016, with the results rolled forward to June 30, 2017, using the following actuarial assumptions, applied to all prior periods included in the measurement:

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

### Mortality Rates

Mortality rates used in the plans were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime. The actuarial assumptions used in the June 30, 2016,

valuation were based on the results of the 2007-2012 Experience Study and the 2015 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report.

### Long-term Expected Rate of Return

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

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

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

The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, increased slightly to remove WSIB's implicit and small short-term downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a ten to fifteen-year period, becomes amplified over a fifty-year measurement period.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2017, are summarized in the following table:

TRS 1, TRS 2/3, PERS 1, and SERS 2/3		
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20.00%	1.70%
Tangible Assets	5.00%	4.40%
Real Estate	15.00%	5.80%
Global Equity	37.00%	6.30%
Private Equity	23.00%	9.60%

The inflation component used to create the above table is 7.5 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

### Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contributions rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

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

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

The following table presents the Kalama School District's proportionate share of the collective net pension liability (NPL) calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.50 percent) or one percentage-point higher

(8.50 percent) than the current rate. Amounts are calculated using the school district's specific allocation percentage, by plan, to determine the proportionate share of the collective net pension liability.

	1% Decrease (6.5%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
<b>PERS 1 NPL</b>	\$5,780,412,000	\$4,75,078,000	\$43,848,257,000
Allocation Percentage	0.007035%	0.007035%	0.007035%
Proportionate Share of Collective NPL	\$448,051	\$368,008	\$299,179
<b>SERS 2/3 NPL</b>	\$1,278,921,000	\$493,475,000	(\$153,665,000)
Allocation Percentage	0.036966%	0.036966%	0.036966%
Proportionate Share of Collective NPL	\$473,921	\$150,139	(\$101,093)
<b>TRS 1 NPL</b>	\$3,759,368,000	\$3,023,268,000	\$2,386,123,000
Allocation Percentage	0.061209%	0.061209%	0.061209%
Proportionate Share of Collective NPL	\$2,437,695	\$1,939,190	\$1,510,518
<b>TRS 2/3 NPL</b>	\$3,134,647,000	\$922,943,000	(\$873,375,000)
Allocation Percentage	0.064597%	0.064597%	0.064597%
Proportionate Share of Collective NPL	\$2,306,252	\$545,069	(\$764,222)

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

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

Employers participating in the plan include the State of Washington (which includes general government agencies and higher education institutions), 60 of the state's K-12 school districts and educational service districts (ESDs), and 221 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 237 K-12 school districts and ESDs. The District's retirees are eligible to participate in the PEBB plan under this arrangement.

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

For the fiscal year 2016-17, the District was required to pay the HCA \$64.07 per month per full-time equivalent employee to support the program, for a total payment of \$63,488.54

For the fiscal year 2015-2016, the District was required to pay the HCA \$64.39 per month per full-time equivalent employee to support the program, for a total payment of \$63,815.70.

This assessment to the District is set forth in the State's operating budget and is subject to change on an annual basis. This amount is not actuarially determined and is not placed in a trust to pay the obligations for post-employment health care benefits.

The District has no control over the benefits offered to retirees, the rates charged to retirees, nor the fee paid to the Health Care Authority. The District does not determine its annual required contribution nor the net other post-employment benefit obligation associated with this plan. Accordingly, these amounts are not shown on the financial statements.

#### **NOTE 7: COMMITMENTS UNDER LEASES**

For the fiscal years ended August 31, 2017, the Kalama School District had incurred additional long-term debt as follows:

<b>2015-2016</b>					
Lease-Purchase Commitments	Amount	Principal Annual Installment	Final Installment Date	% Interest Rate	Balance Due 8/31/16
Konica C754 Copier-Elem	\$ 55,620.00	\$ 11,124.00	08/16/2018	0.00	22,248.00
Konica 754S Copier - HS	33,075.00	6,300.00	08/31/2016	0.00	0
Security Cameras– Updates	19,440.00	6,480.00	08/16/2016	0.00	0
Ricoh Copier - District	9,196.80	1,839.36	04/29/2019	0.00	4,904.96
Konica K951 – Copier – HS	37,111.20	0	09/30/2021	0	37,111.20
<b>Total – Lease Purchase</b>	<b>154,443.00</b>	<b>25,743.36</b>			<b>64,264.16</b>

<b>2016-2017</b>					
Lease-Purchase Commitments	Amount	Principal Annual Installment	Final Installment Date	% Interest Rate	Balance Due 8/31/17
Konica C754 Copier-Elem	\$ 55,620.00	\$ 11,124.00	08/16/2018	0.00	11,124.00
Konica K951 Copier-HS	37,111.20	37,111.20	0	0.00	0
Ricoh Copier - District	9,196.80	1,839.36	04/29/2019	0.00	3,065.60
CTX/US Bank	114,912.62	0	08/31/2022	0.00	114,912.62
<b>Total - Lease Purchase</b>	<b>216,840.62</b>	<b>50,074.56</b>			<b>129,102.22</b>

Plans were put into place to have all copiers and printers on one contract. Our IT Director solicited phone quotes to combine all of our printer costs and copier costs/charges into one lease arrangement. Beginning with the 2017-18 school year we have one lease agreement with CTX, officially licensed dealer of Xerox. This lease was effective on 8/23/17. CTX Xerox included the cost of the Konica K951 Copier-HS in their lease of \$114,912.62.

#### **NOTE 8: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS, INCLUDING ENCUMBRANCES**

On February 10, 2015, we ran and it was approved a 2015 Capital Projects Levy in the amount of \$1,500,000; which has been partially used as per items listed on the Resolution #2014/15-03.

Funds have been carried over into the 2016-2017 school year to continue levy fund commitments and to begin work on planning for future building renovations and construction.

#### **NOTE 9: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS**

In 2015 the district's capital assets were insured in the amount of \$22,757,404 with an annual premium of \$70,526.00.

In 2016 the district's capital assets were insured in the amount of \$22,757,404, with an annual premium of \$68,802.00.

In 2017 the district's capital assets were insured in the amount of \$22,757.404, with an annual premium of \$66,209.00.

In the opinion of the district's insurance consultant, this amount is sufficient to adequately fund replacement of the district's assets.

**NOTE 10: REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES**

Limited General Obligation Bonds payable at August 31, 2017, are comprised of the following individual issues:

Issue Name	Amount Authorized	Annual Installment	Final Maturity	Interest Rate(s)	Amount Outstanding
LGO Bond, 2012	840,000	142,961	2015	1.690%	\$0
LGO Bond, 2015	1,500,000	495,000	2018	1.750%	760,000
<b>Total Limited General Obligation Bonds</b>	<b>\$2,340,000</b>	<b>\$637,961</b>			<b>\$760,000</b>

The following is a summary of limited general obligation long-term debt transactions of the district for the year ending August 31, 2017.

Long-Term Debt Payable at 9/1/16	\$1,255,000
New Issues	0
Debt Retired	495,000
Long-Term Debt Payable at 8/31/16	\$760,000

The following is a schedule of annual requirements to amortize general long-term debt outstanding as of August 31, 2017:

Years Ending August 31,	Principal	Interest	Total
2017-18	505,000	11,113	516,113
2018-19	255,000	2,232	257,232
<b>TOTAL</b>	<b>\$760,000</b>	<b>\$13,345</b>	<b>\$ 773,345</b>

At August 31, 2017, the district had \$ 54,741.08 available in the debt service fund to service the limited general obligation bonds.

**NOTE 11: INTERFUND BALANCES AND TRANSFERS**

The following table depicts interfund transfer activity:⑥

2015-2016:

Transferred From (Fund) 535 or 536	Transferred To (Fund) 965 9900	Amount	Description
General Fund	Capital Projects	\$ 25,418	Interest on 2012 LGO Bond & 2015 LGO Bond
Capital Projects Fund	Debt Service	\$ 413,379	Debt Principal Payment & Interest

2016-2017:

Transferred From (Fund) 535 or 536	Transferred To (Fund) 965 9900	Amount	Description
General Fund	Capital Projects	\$ 19,819.00	Interest on 2015 LGO Bond

Capital Projects Fund	Debt Service	\$ 514,818.75	Debt Principal Payment & Interest
General Fund	Capital Projects	\$ 373,067.90	Land Purchase

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

### **Unemployment Compensation Insurance**

The District is a member of the SW Washington Unemployment Compensation Pool administered by Educational Service District No. 112. The purpose of this pool is to share the risk of unemployment compensation claims arising from previous employees of the members. The Pool is fully funded by its member participants. Member districts pay a percentage of their employee's wages. These contributions plus investment earnings pay for unemployment claims and for the administration of the fund. There is provision that members can be additionally assessed if the Pool needs additional funding. The financial statements of the Pool may be obtained by contacting Educational Service District No. 112.

### **Workers' Compensation Insurance**

The District is a member of the Worker's Compensation Trust administered by Educational Service District No. 112. This Trust provides industrial injury accident insurance coverage for its membership. The Trust is fully funded by its member participants. Member contributions are calculated based on the members' hours worked. The Trust retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by its excess insurance contracts. The Trust acquires insurance from unrelated underwriters. The Trust's per-occurrence retention limit is \$450,000 and the annual aggregate retention is \$5,170,685. Since the Trust is a cooperative program, there is a joint liability among participating members. The financial statements of the Trust may be obtained by contacting Educational Service District No. 112.

### **Property and Casualty Insurance**

The District is a member of the Southwest Washington Risk Management Insurance Cooperative (Cooperative) administered by Educational Service District No. 112. This cooperative provides property and casualty insurance coverage for its membership as authorized by Chapter 48.62 RCW. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Cooperative was formed in September 1986, when 25 school districts in the State of Washington joined together by signing an Interlocal Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. The members of the Cooperative include 28 school districts, one transportation cooperative, one school information processing cooperative, one educational service district, one workers' compensation trust and one unemployment compensation pool.

The Cooperative purchases excess insurance coverage and provides related services, such as administration, risk management and claims administration. All coverage is on an occurrence basis. The Cooperative provides the following forms of group purchased insurance coverage for its members: Property, including owned buildings, automobiles and equipment, Equipment Breakdown, Commercial Crime, General Liability, Errors and Omissions Liability and Employment Practices Liability. Members are responsible for the first \$1,000 of all property claims and the Cooperative is responsible for the next \$250,000. There is no member deductible for liability claims. Excess insurance covers insured losses over \$250,000 up to the limits of each policy. The Cooperative is a member of Washington Schools Risk Management Pool to obtain this excess insurance.

The Cooperative also purchases crime coverage as well as required Public Official Bonds. The Commercial Crime coverage is subject to a per-occurrence deductible of \$5,000. Members are responsible for \$1,000 of that deductible amount for each claim. The Cooperative provides privacy and network liability coverage with a \$1,000,000 limit subject to a \$1,000 member deductible, along with Terrorism/Bioterrorism coverage.

Cooperative members contract to automatically renew from year to year unless the member gives written notice of its election to terminate at least 180 days prior to August 31 of any year. Termination occurs on August 31. Even after termination, a member is still responsible for contributions to the Cooperative for any unresolved, unreported, and in-

process claims for the period they were a signatory to the interlocal governmental agreement. The Cooperative is fully funded by its member participants.

The Cooperative is governed by a board of directors which is comprised of one designated representative from each participating member. A five member executive committee is responsible for conducting the business affairs of the Cooperative. The financial statements of the Cooperative may be obtained by contacting Educational Service District No. 112.

#### **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 tax collections occurring after the end of the fiscal period are unavailable for revenue accrual. Therefore, the fall portion of property taxes is not accrued as revenue. Instead, the property taxes due after the end of the fiscal period are recorded as a deferred inflow of resources.

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

The Kalama School District is a member of the KWRL (Kalama/Woodland/Ridgefield/LaCenter) Transportation Co-op and has been a member since the inception of the Co-op in 1979. All Co-op revenues and expenditures are included in the financial statements of the Woodland School District. The four school districts split all co-op unfunded costs, administrative costs and utility costs. Unfunded costs are calculated by comparing total to/from expenditures to state transportation allocation funding and other miscellaneous revenues. Kalama's percentage of ownership of the Co-op for the year ending August 31, 2016 is 11.64%, and year ending August 31, 2017 is 11.47%. This percentage is used to determine Kalama's share of unfunded costs.

Total KWRL Unfunded Costs for 2015-2016	\$ 263,375	
Kalama's Share @ 11.64%	\$ 29,206	
Total KWRL To/From Expenditures for 2015-2016	\$3,558,266	
Kalama's Share @ 11.64%	\$ 414,182	
Total State Revenues	\$3,558,266	
Kalama's Share @ 11.64%	\$ 414,182	
Total KWRL Administrative Fee	\$ 65,050	not included in program 99
Kalama's Share @ 11.64%	\$ 6,121	
Total KWRL Utility Expenditures	\$ 40,082	not included in program 99
Kalama's Share @ 11.64%	\$ 4,666	
Total KWRL Unfunded Costs for 2016-2017	\$ 433,468	
Kalama's Share @ 10.25%	\$ 44,430	
Total KWRL To/From Expenditures for 2016-2017	\$4,032,532	
Kalama's Share @ 10.25%	\$ 413,334	
Total State Revenues	\$3,599,064	
Kalama's Share @ 10.25%	\$ 368,904	
Total KWRL Administrative Fee	\$ 66,679	not included in program 99
Kalama's Share @ 10.25%	\$ 7,645	
Total KWRL Utility Expenditures	\$ 34,984	not included in program 99
Kalama's Share @ 10.25%	\$ 3,586	

For 2015-2016 the total expenditures were \$3,460,753 with Kalama's portion at 9.41%, is \$325,656.86; It was reported as 325,656.86. The revenues of \$3,365,475 + 30,778 miscellaneous revenue for a total of \$3,396,253; with Kalama's portion being \$319,587.41. This left the district with 15-16 unfunded share costs of \$6,069.45.



The KWRL Transportation Co-op provides transportation services to the students of the Kalama, Woodland, Ridgefield, and La Center School Districts. The Woodland School District handles all financial and state/federal reports. The Kalama School District's portion of cooperative expenditures for fiscal year 2015-2016 was \$30,011.24; 2016-2017 totaled \$56,875. There was also an overpayment in this amount of approximately \$21,188, which will be applied to the 2017-18 payments. This payment is in addition to funding listed above that is transmitted directly from the state to the cooperative.

The Kalama School District is a member of the King County Directors' Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. The District's current equity as of September 30, 2016 is \$4,172.37, September 30, 2017, is \$4,384.07, and is the accumulation of the annual assignment of KCDA's operating surplus based upon the percentage derived from KCDA's total sales to the District compared to all other districts applied against paid administrative fees. The District may withdraw from the joint venture and will receive its equity in ten annual allocations of merchandise or 15 annual payments.

**NOTE 15: FUND BALANCE CLASSIFICATION DETAILS**

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

2016	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund	Transportation Vehicle Fund
Nonspendable Fund Balance					
Inventory and Prepaid Items	\$ 103,004.57	5,402.17			
Restricted Fund Balance					
For Other Items		\$42,579.45	286,861.28	\$54,388.75	\$1,505.53
Committed Fund Balance					
Assigned Fund Balance					
Contingencies					
Other Capital Projects					
Other Purposes	\$21,362.50				
Fund Purposes					
Unassigned	\$1,309,795.76				

2017	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund	Transportation Vehicle Fund
Nonspendable Fund Balance					
Inventory and Prepaid Items	\$ 98,265.41				
Restricted Fund Balance					
For Other Items		81,940.22	143,126.31	\$54,741.08	\$1,515.26
Committed Fund Balance					
Assigned Fund Balance					
Contingencies					
Other Capital Projects					
Other Purposes	\$23,357.00				
Fund Purposes					
Unassigned	\$1,318,123.67				

The Board of Directors has established a minimum fund balance policy for the general fund to provide for financial stability and contingencies within the District. The policy is that the District shall maintain a 5% of general fund revenues. Portions of fund balance that are set aside for the purpose of meeting this policy are recorded on the financial statements as a part of Unassigned fund balance.



**NOTE 16: POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS – BOTH IN SEPARATELY ISSUED PLAN FINANCIAL STATEMENTS AND EMPLOYER STATEMENTS**

**457 Plan – Deferred Compensation Plan**

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

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

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

The District complies with IRS regulations that require school districts to have a written plan to include participating investment companies, types of investments, loans, transfers, and various requirements. The plan is administered by a third party administrator, OMNI Qualified Plan Consultants, Inc. The plan assets are assets of the District employees, not the school district, and are therefore not reflected on these financial statements.

**NOTE 17: TERMINATION BENEFITS**

**Compensated Absences**

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

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

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

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

No unrecorded liability exists for other employee benefits.

**NOTE 18: OTHER DISCLOSURES**

Kalama's E-rate application for 2016 was approved.

Service Provider:	Kalama Telephone Company
Total Pre-Discount Charges:	\$12,849.60
Discount Rate:	30.00%
Committed Amount:	\$3,854.88

**Participation in Inter-local Cooperatives**

The district is a member of the following cooperatives which are administered by Educational Service District 112:

Best Grant – Participate in Beginning Educator Support Team.

Certification Services – Provides certification services to help improve student learning and achievement

Clock Hour Services – the district pays for the fee for teachers to register clock hours on the ESD transcripts.

Cooperative Information Management - provides data processing services/workshops for business operations and provides WSIPC student services reporting for the building offices.

Digital Media Cooperative Services – provide and coordinate access to online digital media.

Integrated Delivery Services - provides courier services between school districts within ESD 112.

K-12 network support – no fee to the district.

School Announcement Network – inclement weather notification to radio and television stations and emergency services.

Southwest Washington STEM Learning Network Partnership – Support of the STEM cooperative to further STEM learning and innovation

STEM - Science/Materials Co-op – provides training and materials for the science curriculum in the elementary and high school.

School Nursing – provides nursing services to the district weekly.

Special Education Program Agreement – provides direct and indirect special education services to the district by ESD 112.

Telephone 800 Fee - cooperative among districts with ESD 112 to call there toll free.

The ESD charges member districts on an annual assessment based upon their student full-time enrollment.

#### **NOTE 19: SUBSEQUENT**

On February 13, 2018, the Kalama School District ran a Bond to Construct and Improve School Facilities, which would authorize Kalama School District to issue \$63,405,000 of bonds to: (1) construct a new elementary school, on a site behind the existing maintenance building, that will include: classrooms for science, technology, engineering and mathematics ("STEM"); cafeteria; art and music/drama rooms; kitchen; commons; library; multipurpose room; full sized gymnasium; parking and traffic circulation; removal of the existing elementary school and relocation of existing athletic fields; (2) construct a new middle school addition adjacent to Kalama High School that will include: middle and high school classrooms (including STEM and vocational classrooms); kitchen; cafeteria; commons; library; weight room (subject to sufficient Bond proceeds); and (3) acquire and install air conditioning at Kalama High School.

Kalama School District No. 402  
Schedule of Long-Term Liabilities  
For the Year Ended August 31, 2017

Description	Beginning Outstanding Debt September 1, 2016	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2017	Amount Due Within One Year
<b>Voted Debt</b>					
Voted Bonds	0.00	0.00	0.00	0.00	0.00
LOCAL Program Proceeds Issued in Lieu of Bonds	0.00	0.00	0.00	0.00	0.00
<b>Non-Voted Debt and Liabilities</b>					
Non-Voted Bonds	1,255,000.00	0.00	495,000.00	760,000.00	505,000.00
LOCAL Program Proceeds	0.00	0.00	0.00	0.00	0.00
Capital Leases	0.00	0.00	0.00	0.00	0.00
Contracts Payable	64,264.16	114,912.62	50,074.56	129,102.22	35,945.88
Non-Cancellable Operating Leases	0.00	0.00	0.00	0.00	0.00
Claims & Judgements	0.00	0.00	0.00	0.00	0.00
Compensated Absences	34,533.47	0.00	8,751.72	25,781.75	25,781.75
Long-Term Notes	0.00	0.00	0.00	0.00	0.00
Anticipation Notes Payable	0.00	0.00	0.00	0.00	0.00
Lines of Credit	0.00	0.00	0.00	0.00	0.00
Other Non-Voted Debt	0.00	0.00	0.00	0.00	0.00
<b>Other Liabilities</b>					
<b>Non-Voted Notes Not Recorded as Debt</b>					
Net Pension Liabilities:	0.00	0.00	0.00	0.00	0.00
Net Pension Liabilities TRS 1	2,191,052.00	0.00	345,228.00	1,845,824.00	
Net Pension Liabilities TRS 2/3	904,620.00	0.00	327,334.00	577,286.00	
Net Pension Liabilities SPERS 2/3	229,613.00	0.00	64,705.00	164,908.00	
Net Pension Liabilities PPERS 1	384,393.00	0.00	48,951.00	335,442.00	
<b>Total Long-Term Liabilities</b>	5,063,475.63	114,912.62	1,340,044.28	3,838,343.97	566,727.63

Kalama School District No. 402

Schedule of Long-Term Liabilities

For the Year Ended August 31, 2016

Description	Beginning Outstanding Debt September 1, 2015	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2016	Amount Due Within One Year
<b>Voted Debt</b>					
Voted Bonds	0.00	0.00	0.00	0.00	0.00
LOCAL Program Proceeds Issued in Lieu of Bonds	0.00	0.00	0.00	0.00	0.00
<b>Non-Voted Debt and Liabilities</b>					
Non-Voted Bonds	1,642,961.00	0.00	387,961.00	1,255,000.00	495,000.00
LOCAL Program Proceeds	0.00	0.00	0.00	0.00	0.00
Capital Leases	0.00	0.00	0.00	0.00	0.00
Contracts Payable	66,547.00	37,111.20	39,394.04	64,264.16	19,767.08
Non-Cancellable Operating Leases	0.00	0.00	0.00	0.00	0.00
Claims & Judgements	0.00	0.00	0.00	0.00	0.00
Compensated Absences	165,309.33	0.00	130,775.86	34,533.47	28,721.64
Long-Term Notes	0.00	0.00	0.00	0.00	0.00
Anticipation Notes Payable	0.00	0.00	0.00	0.00	0.00
Lines of Credit	0.00	0.00	0.00	0.00	0.00
Other Non-Voted Debt	0.00	0.00	0.00	0.00	0.00
<b>Other Liabilities</b>					
<b>Non-Voted Notes Not Recorded as Debt</b>	0.00	0.00	0.00	0.00	0.00
Net Pension Liabilities:					
Net Pension Liabilities TRS 1	1,939,190.00	251,862.00	0.00	2,191,052.00	
Net Pension Liabilities TRS 2/3	545,069.00	359,551.00	0.00	904,620.00	
Net Pension Liabilities SERS 2/3	150,139.00	79,474.00	0.00	229,613.00	
Net Pension Liabilities PERS 1	368,008.00	16,385.00	0.00	384,393.00	
<b>Total Long-Term Liabilities</b>	4,877,223.33	744,383.20	558,130.90	5,063,475.63	543,488.72

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
Public Records requests	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>