Washington State Auditor's Office

Financial Statements and Federal Single Audit Report

Shelton School District No. 309 Mason County

Audit Period
September 1, 2012 through August 31, 2013

Report No. 1011830

Issue Date
May 12, 2014





Washington State Auditor Troy Kelley

May 12, 2014

Board of Directors Shelton School District No. 309 Shelton, Washington

Twy X Kelley

Report on Financial Statements and Federal Single Audit

Please find attached our report on Shelton School District No. 309's financial statements and compliance with federal laws and regulations.

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

Sincerely,

TROY KELLEY
STATE AUDITOR

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Federal Summary

Shelton School District No. 309 Mason County September 1, 2012 through August 31, 2013

The results of our audit of Shelton School District No. 309 are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unmodified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

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

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

FEDERAL AWARDS

Internal Control Over Major Programs:

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

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

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

Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No</u> .	<u>Program Title</u>
10.553	Child Nutrition Cluster - School Breakfast Program
10.555	Child Nutrition Cluster - National School Lunch Program
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs

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

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

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*

Shelton School District No. 309 Mason County September 1, 2012 through August 31, 2013

Board of Directors Shelton School District No. 309 Shelton, 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 Shelton School District No. 309, Mason County, Washington, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated May 7, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

Twy X Kelley

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

TROY KELLEY STATE AUDITOR

May 7, 2014

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Shelton School District No. 309 Mason County September 1, 2012 through August 31, 2013

Board of Directors Shelton School District No. 309 Shelton, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Shelton School District No. 309, Mason County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013. The District's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

TROY KELLEY
STATE AUDITOR

Twy X Kelley

May 7, 2014

Independent Auditor's Report on Financial Statements

Shelton School District No. 309 Mason County September 1, 2012 through August 31, 2013

Board of Directors Shelton School District No. 309 Shelton, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Shelton School District No. 309, Mason County, Washington, as of and for the year ended August 31, 2013, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

appropriateness of accounting policies used and the reasonableness of significant account estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Unmodified Opinion on Regulatory Basis of Accounting (Accounting Manual)

As described in Note 1, the District has prepared these financial statements using accounting practices prescribed or permitted by Washington State statutes and 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 Shelton School District No. 309, as of August 31, 2013, and the changes in financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

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

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

Other Matters

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2014 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.

TROY KELLEY

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STATE AUDITOR

May 7, 2014

Financial Section

Shelton School District No. 309 Mason County September 1, 2012 through August 31, 2013

FINANCIAL STATEMENTS

Balance Sheet – Governmental Funds – 2013
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2013
Statement of Fiduciary Net Position – Fiduciary Funds – 2013
Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2013
Notes to Financial Statements – 2013

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Long-Term Liabilities – 2013 Schedule of Expenditures of Federal Awards – 2013 Notes to the Schedule of Expenditures of Federal Awards – 2013

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E.S.D. 113 COUNTY: 23 Mason

Shelton School District No. 309 Balance Sheet Governmental Funds August 31, 2013

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
ASSETS:							
Cash and Cash Equivalents	2,228,857.48	54,952.29	35,894.00	00.00	152,606.06	00.00	2,472,309.83
Minus Warrants Outstanding	-1,954,792.56	-21,481.41	00.00	00.00	00.0	00.00	-1,976,273.97
Taxes Receivable	3,424,337.72		1,365,943.37	00.00	00.00		4,790,281.09
Due From Other Funds	00.00	00.00	00.00	00.00	00.0	00.00	00.00
Due From Other Governmental Units	621,959.56	00.0	00.00	00.00	00.0	00.00	621,959.56
Accounts Receivable	977.47	00.00	00.00	00.00	00.00	00.00	977.47
Interfund Loans Receivable	00.00			00.00			00.00
Accrued Interest Receivable	00.00	00.0	00.00	00.00	00.0	00.00	00.00
Inventory	219,374.58	00.00					219,374.58
Prepaid Items	00.0	00.0		00.00	00.0	00.00	00.00
Investments	865,439.34	263,648.32	1,539,238.90	13.64	21,464.46	00.00	2,689,804.66
Investments/Cash With Trustee	00.0		00.00	00.00	00.0	00.00	00.00
Investments-Deferred Compensation	00.00			00.00			00.00
Self-Insurance Security Deposit	00.00						0.00
TOTAL ASSETS	5,406,153.59	297,119.20	2,941,076.27	13.64	174,070.52	00.0	8,818,433.22
LIABILITIES:							
Accounts Payable	368,367.77	810.38	00.00	00.00	00.0	00.00	369,178.15
Contracts Payable Current	00.00	00.0		00.00	00.0	00.0	00.0
Accrued Interest Payable			00.00				00.00
Accrued Salaries	52,476.87	00.00		00.00			52,476.87
Revenue Anticipation Notes Payable	00.00		00.0	00.00	00.0		0.00
Payroll Deductions and Taxes Payable	12,006.09	00.0		00.00			12,006.09
Due To Other Governmental Units	00.00	00.0		00.00	00.0	00.00	0.00
Deferred Compensation Payable	00.00			00.00			00.0
Estimated Employee Benefits Payable	42,115.40						42,115.40
Due To Other Funds	0.00	00.0	00.00	00.00	00.0	00.00	00.00

The accompanying notes are an integral part of this statement

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Shelton School District No. 309	Balance Sheet	Governmental Funds
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	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
LIABILITIES:							
Interfund Loans Payable	00.00		00.0	00.00	0.00		00.00
Deposits	500.00	00.00		00.00			500.00
Matured Bonds Payable			00.00				00.00
Matured Bond Interest Payable			00.00				00.00
Arbitrage Rebate Payable	00.00		00.0	00.00	0.00		00.00
Deferred Revenue	3,433,342.72	00.00	1,365,943.37	00.00	0.00	00.00	4,799,286.09
TOTAL LIABILITIES	3,908,808.85	810.38	1,365,943.37	00.00	00.0	00.00	5,275,562.60
FUND BALANCE:							
Nonspendable Fund Balance	219,374.58	00.0	00.0	00.00	0.00	00.00	219,374.58
Restricted Fund Balance	514,190.81	296,308.82	1,575,132.90	00.00	174,070.52	00.00	2,559,703.05
Committed Fund Balance	00.00	00.00	00.0	00.00	0.00	00.00	00.00
Assigned Fund Balance	00.00	00.00	00.00	13.64	00.0	00.00	13.64
Unassigned Fund Balance	763,779.35	00.00	00.00	00.00	0.00	00.00	763,779.35
TOTAL FUND BALANCE	1,497,344.74	296,308.82	1,575,132.90	13.64	174,070.52	00.0	3,542,870.62
TOTAL LIABILITIES AND FUND BALANCE	5,406,153.59	297,119.20	2,941,076.27	13.64	174,070.52	00.00	8,818,433.22

The accompanying notes are an integral part of this statement

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Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

Mason

COUNTY: 23

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E.S.D.

REPORT F196

For the Year Ended August 31, 2013

	FOI CITE	1001	Filded August 31, 2013				
	General	ASB	Debt Service	Capital Projects	Transportation Vehicle	Permanent	
	Fund	Fund	Fund	Fund	Fund	Fund	Total
REVENUES:							
Local	7,359,330.45	523,413.76	2,738,360.87	00.00	101.66		10,621,206.74
State	28,151,834.48		00.00	00.00	152,601.92		28,304,436.40
Federal	4,500,370.46		00.00	00.00	00.00		4,500,370.46
Federal Stimulus	00.00						00.00
Other	1,956,098.16			00.00	00.00	00.00	1,956,098.16
TOTAL REVENUES	41,967,633.55	523,413.76	2,738,360.87	00.00	152,703.58	00.0	45,382,111.76
EXPENDITURES: CURRENT:							
Regular Instruction	20,754,021.88						20,754,021.88
Federal Stimulus	00.00						00.0
Special Education	5,219,308.06						5,219,308.06
Vocational Education	2,068,354.22						2,068,354.22
Skills Center	00.00						00.0
Compensatory Programs	2,719,998.46						2,719,998.46
Other Instructional Programs	765,541.11						765,541.11
Community Services	642,054.42						642,054.42
Support Services	9,138,032.94						9,138,032.94
Student Activities/Other		519,052.89				00.00	519,052.89
CAPITAL OUTLAY:							
Sites				00.00			00.00
Building				00.00			00.00
Equipment				00.00			00.00
Instructional Technology				00.00			00.00
Energy				00.00			00.00
Transportation Equipment					113,353.01		113,353.01
Sales and Lease				00.00			00.00
Other	66,854.43						66,854.43
DEBT SERVICE:							
Principal	00.00		1,804,099.89	00.00	00.00		1,804,099.89
Interest and Other Charges	00.00		1,034,939.29	0.00	00.00		1,034,939.29
Bond/Levy Issuance				00.00	00.00		00.00
TOTAL EXPENDITURES	41,374,165.52	519,052.89	2,839,039.18	00.0	113,353.01	00.0	44,845,610.60

The accompanying notes are an integral part of this statement

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Statement of Revenues, Expenditures, and Changes in Fund Balance

For the Year Ended August 31, 2013

Governmental Funds

Mason

23

COUNTY: E.S.D.

113

REPORT F196

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
DEBT SERVICE:							
REVENUES OVER (UNDER) EXPENDITURES	593,468.03	4,360.87	-100,678.31	00.00	39,350.57	00.00	536,501.16
OTHER FINANCING SOURCES (USES):							
Bond Sales & Refunding Bond Sales	00.0		00.00	00.00	00.0		00.00
Long-Term Financing	00.00			00.00	00.00		00.00
Transfers In	00.0		208,087.14	00.00	00.0		208,087.14
Transfers Out (GL 536)	-158,241.45		00.00	00.00	-49,845.69	00.00	-208,087.14
Other Financing Uses (GL 535)	00.00		00.00	00.00	00.0		00.00
Other	00.00		00.00	00.00	00.0		00.00
TOTAL OTHER FINANCING SOURCES (USES)	-158,241.45		208,087.14	00.0	-49,845.69	00.0	00.00
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	435,226.58	4,360.87	107,408.83	00.00	-10,495.12	0.00	536,501.16
BEGINNING TOTAL FUND BALANCE	1,062,118.16	291,947.95	1,467,724.07	13.64	184,565.64	00.00	3,006,369.46
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	00.00	00.00	0.00	00.00
ENDING TOTAL FUND BALANCE	1,497,344.74	296,308.82	1,575,132.90	13.64	174,070.52	00.00	3,542,870.62

The accompanying notes are an integral part of this statement

Statement of Fiduciary Net Position

Fiduciary Funds

COUNTY: 23 Mason

REPORT F196 E.S.D. 113 August 31, 2013

	Private	
ASSETS:	Purpose Trust	Other Trust
Imprest Cash	00.00	0.00
Cash On Hand	00.00	00.00
Cash On Deposit with Cty Treas	41.42	0.00
Minus Warrants Outstanding	00.00	00.00
Due From Other Funds	00.00	00.00
Accounts Receivable	00.00	0.00
Accrued Interest Receivable	00.00	00.00
Investments	213,820.65	0.00
Investments/Cash With Trustee	00.00	00.00
Other Assets	00.0	
Capital Assets, Land	00.00	
Capital Assets, Buildings	00.00	
Capital Assets, Equipment	00.00	00.00
Accum Depreciation, Buildings	00.00	
Accum Depreciation, Equipment	00.00	00.00
TOTAL ASSETS	213,862.07	00.0
LIABILITIES:		
Accounts Payable	00.00	00.00
Due To Other Funds	00.00	00.00
TOTAL LIABILITIES	00.0	00.0
NET POSITION:		
Held in trust for Private Purpose:	213,862.07	00.0
TOTAL NET POSITION	213,862.07	00.0

The accompanying notes are an integral part of this statement $% \left(1\right) =\left\{ 1\right\}$

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Shelton School District No. 309

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

COUNTY: 23 Mason 113

REPORT F196

E.S.D.

For the Year Ended August 31, 2013

ADDITIONS:	Private Purpose	
Contributions:	Trust	Other Trust
Private Donations	1,399.53	00.0
Employer		00.00
Members		00.00
Other	00.00	00.00
TOTAL CONTRIBUTIONS	1,399.53	00.0
Investment Income:		
Net Appreciation (Depreciation) in Fair Value	00.00	00.00
Interest and Dividends	344.02	00.00
Less Investment Expenses	00.0	00.00
Net Investment Income	344.02	00.0
Other Additions:		
Rent or Lease Revenue	00.00	00.00
Total Other Additions	00.0	00.00
TOTAL ADDITIONS	1,743.55	00.0
DEDUCTIONS:		
Benefits		00.00
Refund of Contributions	00.00	00.00
Administrative Expenses	00.00	00.00
Scholarships	1,500.00	
Other	00.00	00.00
TOTAL DEDUCTIONS	1,500.00	00.0
Net Increase (Decrease)	243.55	00.0
Net PositionBeginning	213,618.52	00.0
Prior Year(s) Corrections or Restatements	00.00	00.0
NET POSITIONENDING	213,862.07	00.0

The accompanying notes are an integral part of this statement

SHELTON SCHOOL DISTRICT #309 Notes to Financial Statements

September 1, 2012 through August 31, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (SSAP)

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

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

- (1) District-wide statements are not presented.
- (2) The financial statements do not report capital assets.
- (3) Debt is not reported on the face of the financial statements. It is reported on the notes to the financial statements and on the Schedule of Long-Term Debt. The Schedule of Long-Term Debt is required supplemental information.
- (4) The budgetary comparison schedule compares the district's actual results with the final budgeted amounts. The original budget document is available through the Office of Superintendent of Public Instruction.
- (5) The Management Discussion and Analysis is optional.
- (6) The financial statements do not report a liability for Other Post-Employment Benefits (GASB Statement 45).
- (7) Other departures from GAAP that are material in nature are indicated throughout the Notes.

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

GOVERNMENTAL FUNDS

General Fund

This fund is used to account for all expendable financial resources, except those that are required to be accounted for in another fund. In keeping with the principle of having as few funds as 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.

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

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

Debt Service Fund

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

Special Revenue Fund

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

Permanent Funds

These funds are used to report resources legally restricted such that only earnings, and not principle, 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 benefits of any individual.

FIDUCIARY FUNDS

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

Private-Purpose Trust Fund

This fund is used to account for resources 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 organization, or other governments.

Pension (and Other Employee Benefit) Trust Fund

This fund is used to account for resources to be held for the members and beneficiaries of a pension plan or other employee benefit plans.

Agency Funds

These funds are used to account for assets that the district holds for other agencies in a purely custodial capacity.

PROPRIETARY FUNDS

School districts in the State of Washington are not allowed to utilize proprietary fund types, which is a departure from GAAP.

The measurement focus and basis of accounting used in the government-wide statements.

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

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

Revenues are recognized as soon as they are measurable and available. "Measureable" means the amount of the transaction can be readily determined. Revenues are considered "available" if they are collected within 60 days after year-end to pay liabilities of the current period. Property taxes receivable are measurable but not available and are, therefore, not accrued. Categorical program claims and interdistrict billings are measurable and available and are, therefore, accrued.

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

Budgetary Data

General Budgetary Policies

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

Budgetary Basis of Accounting

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

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

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

Additionally, the District has other restrictions places 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 classification 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.

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

<u>Assigned Fund Balance</u>. 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 the 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.

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

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

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

Assets, Liabilities, and Fund Equity

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

Inventory

Inventory is valued at cost using the first-in, first-out (FIFO) method. The consumption method of inventory is used, which charges inventory as an expenditure when it is consumed. A portion of fund balance, representing inventory, is considered Nonspendable. USDA commodity inventory consists of food donated by the United States Department of Agriculture. It is valued at the prices paid by the USDA for the commodities.

NOTE 2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

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

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

The District's investments as of August 31, 2013, are as follows:

	Number of Securities	Carrying Amount	Market Value
Operation of Demonstrate Other Times Demonstra	Securities	Amount	value
Certificates of Deposit or Other Time Deposits			
Repurchase Agreements			
Bankers' Acceptance			
Obligations of the U.S. Government or Its Subsidiary			
Corporations			
Investments Held by Broker-Dealers Under Reverse			
Repurchase Agreements:			
U.S. Government Securities			
U.S. Instrumentality Securities			
State Treasurer's Investment Pool			
County Treasurer's Investment Pool		2,903,625.31	2,903,625.31
Total Investments		2,903,625.31	2,903,625.31

NOTE 3: SIGNIFICANT CONTINGENT LIABILITIES

Litigation

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

Arbitrage Rebate

The Tax Reform Act of 1986 requires the District to rebate the earnings on the investment of bond and revenue anticipation note proceeds, in excess of their yield, to the federal government. This requirement is effective for the District's 2001, 2002, 2003 bond issue(s) after September 1, 1986, currently totaling \$30,965,000. Of the rebate, 90 percent is due and payable five years from the date bonds were issued and at five-year intervals thereafter. The remaining 10 percent is payable 60 days after they are retired. Because positive arbitrage can be offset against negative arbitrage, the rebated amount fluctuates each year and may or may not be owed at the payment intervals. Because of the uncertainty of having to make this payment, the District is contingently liable for arbitrage rebate currently computed to total \$0.00 as of August 31, 2012.

NOTE 4: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

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

NOTE 5: ANNUAL PENSION COST AND NET PENSION OBLIGATIONS

General Information

Substantially all District full-time and qualifying part-time employees participate in one or the following statewide retirement systems managed by the Washington State Department of Retirement Systems (DRS), under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statements No. 27, Accounting for Pensions by State and Local Government Employers and No. 50, Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27.

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

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

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

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

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

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

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

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

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

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

Contributions

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

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

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

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

	9/1/12-8/31/13		9/1/12-6/30/13	7/1/13-8/31/13
Plan 1 TRS	8.05%	Plan 1 PERS	7.21%	9.19%
Plan 2 TRS	8.05%	Plan 2 SERS	7.59%	7.59%
Plan 3 TRS	8.05%	Plan 3 SERS	7.59%	7.59%

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

PLAN #	<u>FY 12-13</u>	<u>FY 11-12</u>	<u>FY 10-11</u>
Plan 1 TRS	\$67,773	\$67,933	\$52,898
Plan 2 TRS	\$233,669	\$216,595	\$162,574
Plan 3 TRS	\$1,094,666	\$1,055,581	\$856,862
Plan 1 PERS	\$12,383	\$10,397	\$11,033
Plan 2 SERS	\$187,446	\$144,212	\$121,372
Plan 3 SERS	\$320,291	\$264,034	\$235,238

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

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

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

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

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

According to state law, the Washington State Treasurer collects a fee from all school district entities which have employees that are not current active members of the state Health Care Authority but participate in the state retirement system. The purpose of this fee is to cover the impact of the subsidized rate of health care benefits for school retirees that elect to purchase their health care benefits through the state Health Care Authority. For the fiscal year 2012-13, the District was required to pay the HCA \$65.17 per month per full-time equivalent employee to support the program, for a total payment of \$399,222. This assessment to the District is set forth in the State's operating budget and is subject to change on an annual basis. This amount is not actuarially determined and is not placed in a trust to pay the obligations for post-employment health care benefits.

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

NOTE 7: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The District's capital assets are insured in the amount of \$133,818,212 for fiscal year 2013. In the opinion of the District's insurance consultant, the amount is sufficient to adequately fund replacement of the District's assets.

NOTE 8: REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES

Long-Term Debt

Bonds payable at August 31, 2013, are comprised of the following individual issues:

General Obligation Bonds

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
2006R	\$ 9,410,000.00	394,235 - 3,202,015	12/1/2021	3.90 - 4.00%	\$ 9,145,000.00
2007R	\$13,180,000.00	647,000 - 2,351,125	12/1/2018	4.00 - 5.00%	\$11,480,000.00
2011R	\$1,790,000.00	68,913 – 216,162	12/1/2022	2.00 - 3.00%	\$1,770,000.00
2011unR	\$335,000.00	168,000 - 190,000	12/1/2013	4.00 - 5.00%	\$160,000.00
Total	\$24,715,000.00	1,023,256 - 3,228,528			\$22,555,000.00

The following is a summary of general obligation long-term debt transactions of the district for the fiscal year ended August 31, 2013:

Long-Term Debt Payable at 9/1/2012	\$24,180,000
New Issues	0
Debt Retired	1,625,000
Long-Term Debt Payable at 8/31/2013	\$22,555,000

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

Fiscal Year Ending	Total Annual Principal	Total Annual Interest	Total Installment
2014	1,750,000	929,197.50	2,679,197.50
2015	1,895,000	840,472.50	2,735,472.50
2016	2,035,000	755,022.50	2,790,022.50
2017	2,170,000	662,297.50	2,832,297.50
2018	2,345,000	552,320.00	2,897,320.00
2019-2023	12,360,000	1,063,986.25	13,423,986.25
Total	22,555,000	4,803,296.25	27,358,296.25

At August 31, 2013, the district had \$1,575,132.90 available in the Debt Service Fund to service the general obligation bonds.

NOTE 9: ENTITY RISK MANAGEMENT ACTIVITIES

The district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Workers' Compensation Insurance

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

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

The Trust provides industrial injury accident insurance coverage for its membership. The Trust is fully funded by its member participants. Member contributions are calculated based on the members' hours worked and the members experience rated contribution factor. The Trust retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by its excess insurance contracts the Trust acquires insurance from unrelated underwriters. The Trust's per-occurrence retention limit is \$350,000 and the annual aggregate retention is \$5,526,769 minimum.

Unemployment Compensation Insurance

The district self-insures unemployment compensation for all of its employees. Actual employee claims are paid by the Washington State Department of Employment Security and then reimbursed by the district. This self-insurance program costs the district less than full participation in the state unemployment compensation program. The district made unemployment compensation payments totaling \$964.48 for fiscal 2013.

Property and Liability Insurance

For property and casualty coverage the Shelton School District is a member of the Schools Insurance Association of Washington. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1995, when seven mid-sized 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. Presently, the SIAW pool has 42 member districts.

The program allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Coverage for Wrongful Act Liability and Employee Benefit Liability is on a claims-made basis. All other coverages are on an occurrence basis. The pool provides the following forms of group purchased insurance coverage for its members: Property, earthquake, liability, automobile liability, equipment breakdown, crime, employee benefits, and wrongful act liability.

The program acquires liability insurance through their Administrator, Canfield, that is subject to a peroccurrence of \$100,000. Members are responsible for the first \$2,500 of the deductible amount of each claim, while the program is responsible for the \$100,000 self-insured retention. Insurance carriers cover insured losses over \$102,500 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 of the self-insured retention. The program also purchases a Stop Loss Policy with an attachment point of \$3,946,800, which it fully funds in its annual budget.

Property insurance is subject to a per-occurrence self-insured retention of \$250,000. Members are responsible for a \$10,000 deductible amount of each claim. The program is responsible for the remaining \$250,000 self-insured retention. Equipment Breakdown insurance is subject to a per-occurrence deductible of \$10,000. Members are responsible for the deductible amount of each claim.

Members contract to remain in the pool for one year and must give notice before December 31 to terminate participation the following September 1. Renewal of the Interlocal Agreement occurs automatically each year. Even after termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

The program is fully funded by its member participants. Claims are filed by members with Canfield, which has been contracted to perform program administration, claims adjustment and administration and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ended August 31, 2013, were \$3,198,671.88.

A board of directors of eight members is selected by the membership from the east and west side of the state and is responsible for conducting the business affairs of the program. The Board of Directors has contracted with Canfield to perform day-to-day administration of the pool. This program has no employees.

NOTE 10: PROPERTY TAXES

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

NOTE 11: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

Mason County Transportation Cooperative

Operation of a proportionally larger cooperative program to transport the District's students and those of two neighboring Districts are included in these financial statements. For fiscal year 2013, these cooperative revenues totaled \$346,800, as compared to the preceding year's revenues of \$413,188. Expenditures related to the cooperative totaled \$346,800, as compared to the preceding year's expenditures of \$413,188.

Special Services Cooperative

The district has two (2) interdistrict cooperative agreements with other county districts to provide administrative, assessment, and educational services to handicapped students. The financial operations of these cooperatives are included in this financial statement.

The first of these cooperatives is to provide special education administration, assessment, and specialized services to three of the county's school districts with Shelton as the serving district. The services are mostly provided in the outlying district's facility by Shelton staff. The revenues for fiscal year 2013 totaled \$1,605,970 as compared to the preceding year revenues of \$1,630,716. Expenditures for this cooperative for fiscal 2013 totaled \$1,605,970 compared to the preceding year of \$1,630,716.

The other special education cooperative is comprised of two other districts with Shelton as the serving district. This cooperative provides special education instructional programs with students from outlying districts at Shelton's facility. The revenues for fiscal year 2013 totaled \$172,138 as compared to the preceding year revenues of \$90,677. Expenditures totaled \$172,138 for fiscal year 2013, compared to the preceding year's expenditures of \$90,677.

King County Director's Association

The District is a member of the King County Director's Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. The District's current equity of \$38,057.37 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 12: FUND BALANCE CLASSIFICATION DETAILS

The District's financial statements include the following amounts presented in the aggregate. 9

	0		Capital	Debt Service	Transportation
	General	ACD Fund	Projects	Fund	Vehicle
	Fund	ASB Fund	Fund		Fund
Nonspendable Fund					
Balance					
Inventory and	\$219,374.58				
Prepaid Items					
Restricted Fund Balance					
Carryover of	\$514,190.81	\$296,308.82			
Restricted					
Revenues					
Debt Service					
Arbitrage Rebate					
Uninsured Risks					
Other Items				\$1,575,132.90	\$174,070.52
Committed Fund Balance					
Minimum Fund					
Balance Policy					
Other Commitments					
Assigned Fund Balance					
Contingencies					
Other Capital					
Projects					
Other Purposes					
Fund Purposes			\$13.64		
Unassigned Fund Balance	\$763,779.35				

The board of directors has established a board policy for the general fund to provide for financial stability and contingencies within the District. The policy is that the District shall have a goal to maintain a cash reserve at the end of each fiscal year of 5% of that year's expenditures.

NOTE 13: POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS – BOTH IN SEPARATELY ISSUED PLAN FINANCIAL STATEMENTS AND EMPLOYER STATEMENTS

457 Plan – Deferred Compensation Plan

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

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 one type of deferral, which is elective deferrals (employee contribution)

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

NOTE 14: TERMINATION BENEFITS

Compensated Absences

Beginning in 2006-07, the district joined the Educational Service District 113 Capital Compensated Absences Pool Cooperative (Coop). The Coop, is organized under the provisions of Chapter 39.34 Interlocal Cooperation Act for the purpose of managing leave payouts. Membership is established by execution of an agreement between the ESD and each local school district.

For fiscal year 2013, there are 16 member school districts in the Fund including the ESD. The Fund allows members to accumulate dedicated funds for payment of leave related to sick leave and vacation leave buy out at retirement and certain other instances. Payroll contributions are made to the Fund at the time leave is earned to reserve assets for expenditures. Coverage is on an "occurrence" basis. Expenditures of leave taken during employment continue to be recorded when paid.

The pool allows member districts to accumulate funds for payments of accrued sick and/or annual leave due to annual cash out, long-term medical leave, retirement and/or death of employees.

The following is the pool activity for the district for fiscal year 2013:

Beginning unfunded liability September 1, 2012	189,754.40
Payments to the Compensated Absences Pool	131,980.29
Withdrawals from the Compensated Absences Pool	184,070.53
Other increases (decreases) to amount of liability	958.81
Ending unfunded liability August 31, 2013	138,622.97

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

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

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

No unrecorded liability exists for other employee benefits.

ω <u>m</u>		ct No. 309 Liabilities	RUN: 12/11/2013	.1/2013 8:05:34 PM
COUNTY: 23 Mason	FOI The rear Ended August Beginning	usc 31, 2013		Ending
Description	Outstanding Debt September 1, 2012	Amount Issued/Increased	Amount Redeemed/Decreased	Outstanding Debt August 31, 2013
Total Voted Bonds	24,180,000.00	00.00	1,625,000.00	22,555,000.00
Total Non-Voted Notes/Bonds	995,982.01	00.00	194,419.89	801,562.12
Qualified Zone Academy Bonds (QZAB)	00.00	00.00	00.0	00.0
Qualified School Construction Bonds(QSCB)	00.0	00.00	00.00	00.00
Other Long-Term Debt				
Capital Leases	00.00	00.00	00.0	00.00
Contracts Payable (GL 603)	00.00	00.00	00.0	00.0
NonCancellable Operating Leases	00.00	00.00	00.00	00.0
Claims & Judgments	00.00	00.00	00.00	00.0
Compensated Absences	1,127,053.36	176,735.56	138,330.21	1,165,458.71
Other Long-Term Liabilities	0.00	00.00	00.00	00.00
Total Other Long-Term Liabilities	1,127,053.36	176,735.56	138,330.21	1,165,458.71
TOTAL LONG-TERM LIABILITIES	26,303,035.37	176,735.56	1,957,750.10	24,522,020.83

Shelton School District #309 Schedule of Expenditures of Federal Awards For the Year Ending August 31, 2013

U.S. Dept. of Agriculture Summer Marine		:::::::::		Federat	Other	. 6	grangraphing:	Ехр	enditures	58.5		
U.S. Dept. of Agriculture WA OSPI USA National School Lunch 10.553 WA 23-309 251,337	Federal	Pass Thru	Federal Program Title	Catalog	Identification			Di	rect Fund	Tot	al Funds	Foot
WA OSP School Breakfast Program 10.533 WA 23-309 251,337 251,337 WA OSP USDA National School Lunch (commodities) 10.555 WA 23-309 338,622 338,623 33				Number	Number		Amount		Amount	Ex	pended	Note
WA OSP USDA National School Lunch 10.555 WA 23-309 938,622 938,622 73,792 73,7	U.S. Dept. of A											
WA OSP WA OSP Fresh Fruit and Vegetable Program 10.555 WA 23-309 73,792 73,792 73,792 73,792 73,792 73,792 73,792 73,792 73,792 73,792 73,792 73,792 73,793 73,792 73,792 73,792 73,792 73,792 73,792 73,793 73,792 73,79			_									
WA OSP Fresh Fruit and Vegetable Program 10.582 WA 23-309 27,300 27,300 27,300 27,300 3,000												2
WA OSP U.S. Dept. of Agriculture Subtotal 10.655 WA 23-309 14,111 14,11			· · · · · · · · · · · · · · · · · · ·				•				,	3
U.S. Dept. of Agriculture Subtotal U.S. Dept. of Agriculture Subtotal U.S. Dept. of Defense Dept. of Education U.S. Dept. of Defense Subtotal U.S. Dept. of Health/Human Svs Subtotal U.S. Dep												
Dept. of Defense Defe			Summer Food Service Flogram for Children	10.559	WA 23-309		14,111				14,111	
Dept. of Defense DEPT OF DEFENSE DEPT. of Education Dept. of Education WA OSPI Title Grants to Local Agencies *84.010 201105 \$972,725 972,725 4,			Schools and Roads - Grants to States	10.665	N/A		104,859				104,859	
DEPT OF DEFENSE U.S. Dept. of Defense Subtotal S 73,239 73,239 73,239 20	5 . (5		U.S. Dept. of Agriculture Subtotal			\$	1,410,022			\$ 1	,410,022	- -
DEFENSE NIKOTC 12.999 IROTCOJSS 73,239	Dept. of D											
Dept. of Education			NJROTC	12.999	JROTC093S				73,239		73,239	2
WA OSP Title Grants to Local Agencies			U.S. Dept. of Defense Subtotal					\$	73,239	\$	73,239	-
WA OSP Title Prog for Neglected & Delinquent Children 84.010 222436 \$ 32,404 32,404 4,	Dept. of Ed	ucation										-
WA OSPI Special Education_Grants to States *84.027 304479 \$ 789,820 790,633 790,63		WA OSPI	Title I Grants to Local Agencies	*84.010	201105	\$	972,725				972,725	4,7
WA OSP Vocational Education_Basic Grants to States 84.048 172620 \$40,062 40,062 70,633 70,633 2		WA OSPI	Title I Prog for Neglected & Delinquent Children	84.010	222436	\$	32,404				32,404	4,7
DEPT OF ED Indian Education 84.060 S060A 120970 70,633 70,633 2		WA OSPI	Special Education_Grants to States	*84.027	304479	\$	789,820				789,820	
Red			Vocational Education_Basic Grants to States	84.048	172620	\$	40,062				40,062	7
WA OSP Education for Homeless Children and Youth 84.196 456128 \$ 31,412 31,412 7			Indian Education	84.060	S060A 120970				70,633		70,633	2
WA OSP Improving Teacher Quality State Grant 84.367 540228 \$1,000 1,000 79,759		WA OSPI	Special Education_Preschool Grants	84.173	364478	\$	36,473				36,473	
WA OSPI Rural Education 84.358 461320 \$ 79,759 79,759 79,759 WA OSPI English Language Acquisition Grant 84.365 401690 \$ 62,252 62,252 79,759 79,		WA OSPI	Education for Homeless Children and Youth	84.196	456128	\$	31,412				31,412	7
WA OSPI English Language Acquisition Grant 84.365 401690 \$62,252 62,252 7 7 7 7 7 7 7 7 7		WA OSPI	Improving Teacher Quality State Grant	84.367	540228	\$	1,000				1,000	7
WA OSP Improving Teacher Quality State Grant		WA OSPI	Rural Education	84.358	461320	\$	79,759				79,759	
WSAC Gaining Early Awareness and Readiness for Undergraduate Programs 84.334 13-IA167 164,304		WA OSPI	English Language Acquisition Grant	84.365	401690	\$	62,252				62,252	7
Undergraduate Programs S4.334 13-IA167 164,304		WA OSPI	Improving Teacher Quality State Grant	84.367	523037	\$	186,973				186,973	7
Undergraduate Programs		WSAC		84.334	13-IA167				164,304		164,304	
U.S. Dept. of Education Subtotal \$ 2,232,879 \$ 333,813 \$ 2,566,692		WSAC		84.334	13-IA168				98,876		98,876	
Dept of Health/ Human Svs. WA DSHS Medical Assistance Program 93.778 7442155 \$ 5,244 5,244 5,244						<u> </u>	2 222 270	ć	222 212	\$ 2	566 692	-
Svs. WA DSHS Medical Assistance Program 93.778 7442155 \$ 5,244 5,244 WA DSHS Medical Assistance Program 93.778 0765-19251 \$ 445,172 - 445,172 2 U.S. Dept. of Health/Human Svs Subtotal \$ 450,416 \$ - \$ 450,416	Dept of Health	/ Human	o.o. Depti of Education Subtotal			7	2,232,013	7	333,013	y 2,	,500,052	-
WA DSHS Medical Assistance Program 93.778 0765-19251 \$ 445,172 - 445,172 - 445,172 2 U.S. Dept. of Health/Human Svs Subtotal \$ 450,416 \$ - \$ 450,416												
WA DSHS Medical Assistance Program 93.778 0765-19251 \$ 445,172 - 445,172 2 U.S. Dept. of Health/Human Svs Subtotal \$ 450,416 \$ - \$ 450,416		WA DSHS	Medical Assistance Program	93.778	7442155	\$	5,244				5,244	
			-	93.778	0765-19251				-			2
Total Federal Awards Expended \$ 4,093,318 \$ 407,052 \$ 4,500,370			U.S. Dept. of Health/Human Svs Subtotal			\$	450,416	\$	-	\$	450,416	- -
			Total Federal Awards Expended			\$	4,093,318	\$	407,052	\$ 4	,500,370	- =

The Accompanying Notes to the Schedule of Expenditures of Federal Awards are an Integral Part of this Schedule

Shelton School District #309 Notes to the Schedule of Expenditures of Federal Awards For the Year Ending August 31, 2013

NOTE 1 - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the Shelton School District's financial statements. The Shelton School District uses the accrual basis of accounting. Expenditures represent only the federally funded portions of the program. District records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE 2 - PROGRAM COSTS / MATCHING CONTRIBUTIONS

The amounts shown as current year expenses represent only the federal grant portion of the program costs. The entire program costs, including the district's local matching share, my be more than shown.

NOTE 3 - NONCASH AWARDS

The amount of commodities reported on the schedule is the value of commodities distributed by the Shelton School District during the current year and priced as prescribed by OSPI on the Annual Statement of USDA Commodities Shipped Report (#078).

NOTE 4 - SCHOOLWIDE PROGRAMS

The District operates a "schoolwide program" in three elementary buildings. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to certain targeted students. The following federal program amounts were expended by the District in its schoolwide program: Title 1 - A (84.010) = \$1,030,501; Title 1 - D (84.010) = \$24,353.

NOTE 7 - FEDERAL INDIRECT RATE

The Shelton School District used the federal restricted rate of 2.09%.

NOTE 8 - AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)

The funding for this program was provided by the American Recovery and Reinvestment Act (ARRA) of 2009. Of the amount shown, \$0 was paid to subrecipients.



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

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

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

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

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Deputy Director of Local Audit
Deputy Director of Local Audit
Deputy Director of Performance Audit
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