

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

Grandview School District No. 200
Yakima County

Audit Period
September 1, 2007 through August 31, 2008

Report No. 1002147

Issue Date
September 21, 2009



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

September 21, 2009

Board of Directors
Grandview School District No. 200
Grandview, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Grandview School District No. 200'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.

In addition to this work, we look at other areas of our audit client's operations for compliance with state laws and regulations. The results of that audit will be included in a separately issued accountability report.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

Table of Contents

**Grandview School District No. 200
Yakima County
September 1, 2007 through August 31, 2008**

Federal Summary.....	1
Schedule of Federal Audit Findings and Questioned Costs	2
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with <i>Government Auditing Standards</i>	5
Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.....	7
Independent Auditor's Report on Financial Statements	9
Financial Section	11

Federal Summary

Grandview School District No. 200 Yakima County September 1, 2007 through August 31, 2008

The results of our audit of Grandview School District No. 200 are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unqualified 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 significant 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 identified deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- **Material Weaknesses:** We identified significant deficiencies that we consider to be material weaknesses.

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

We reported findings that are required to be disclosed under 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>
10.553/555/559	Child Nutrition Cluster
93.778	Title XIX Medicaid Assistance Program (Medicaid)

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

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

Schedule of Federal Audit Findings and Questioned Costs

Grandview School District No. 200 Yakima County September 1, 2007 through August 31, 2008

- 1. Grandview School District No. 200 does not have adequate internal controls in place to ensure compliance with federal verification requirements.**

CFDA Number and Title:	CFDA 10.553/555/559 Child Nutrition Cluster
Federal Grantor Name:	U.S. Department of Agriculture
Federal Award/Contract Number:	NA
Pass-through Entity Name:	Office of the Superintendent of Public Instruction
Pass-through Award/Contract Number:	NA
Questioned Cost Amount:	\$0

Background

The objective of the U.S. Department of Agriculture Child Nutrition Cluster programs is to assist states and schools to provide healthy and nutritious meals to eligible children. We audited the School Breakfast, National School Lunch and Summer Food Service programs.

Depending on family income, students can qualify to receive meals for free or at a reduced price. School districts report the number of meals they serve to eligible students to the state Office of Superintendent of Public Instruction (OSPI), and are reimbursed for those meals by OSPI.

In fiscal year 2008, the District received \$241,871 for the School Breakfast Program, \$888,548 for the National School Lunch Program and \$12,753 for the Summer Food Service Program. The District is required to verify the income families report on their applications for the nutrition programs. In fiscal year 2008, the District verified reported incomes through a sampling method prescribed by OSPI.

Description of Condition

The District did not use the correct sampling method prescribed by OSPI. Because the District had a non-response rate greater than 20 percent during the fiscal year 2007 income verification, OSPI required the District to use the 3 percent focused sampling method for fiscal year 2008. This method requires the District to select "error-prone" applications for verification, defined as all applications in which the reported family income is within \$100 of the monthly income limits to qualify for free or reduced-price meals. The District received 33 applications that met the criteria for being error-prone. Because the District used the 3 percent random sampling method for verification, it selected only one error-prone application.

Cause of Condition

In previous years, the District was not required to select error-prone applications for verification. Although the District was aware of sampling requirements, staff did not ensure the appropriate sampling method was used to perform the verification. Additionally, the District did not sufficiently review the verification process to ensure it was performed in accordance with OSPI and federal requirements.

Effect of Condition

The District did not verify error-prone applications to ensure that only eligible students received free and reduced-price meals and therefore did not comply with federal verification requirements.

Recommendation

We recommend the District establish internal controls over the verification process to ensure compliance with requirements.

District's Response

The District acknowledges that the incorrect verification method was used. This was the first year that the 3% focused sampling method was required in over ten years.

The district has taken actions to correct this problem by developing a check off sheet titled "Procedures for Verification of Free and Reduced Applications". It requires two staff members initial that the proper procedures are being followed.

Internal controls are strengthened by requiring the two staff members to sign off that the correct method for sampling is being followed, thereby ensuring accuracy.

Auditor's Remarks

We appreciate the steps the District is taking to resolve this issue. We will review the District's progress during our next regularly scheduled audit.

Applicable laws and Regulations

U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Section 300, states in part:

The auditee shall:

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

(c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its federal programs.

Washington Office of Superintendent of Public Instruction, Bulletin No. 086-07 – Annual Verification Requirements, states in part:

LEAs that had a 20% or greater non-response rate when completing verification in SY 2006-07 must use the 3% Focused Verification sampling method

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

**Grandview School District No. 200
Yakima County
September 1, 2007 through August 31, 2008**

Board of Directors
Grandview School District No. 200
Grandview, Washington

We have audited the financial statements of Grandview School District No. 200, Yakima County, Washington, as of and for the year ended August 31, 2008, and have issued our report thereon dated July 14, 2009.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

COMPLIANCE AND OTHER MATTERS

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

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

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

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

July 14, 2009

Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

**Grandview School District No. 200
Yakima County
September 1, 2007 through August 31, 2008**

Board of Directors
Grandview School District No. 200
Grandview, Washington

COMPLIANCE

We have audited the compliance of Grandview School District No. 200, Yakima 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 are applicable to its major federal programs for the year ended August 31, 2008. The District's major federal programs are identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended August 31, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 1.

INTERNAL CONTROL OVER COMPLIANCE

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program

in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 1 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Federal Audit Findings and Questioned Costs, we consider Finding 1 to be a material weakness.

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

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



BRIAN SONNTAG, CGFM
STATE AUDITOR

July 14, 2009

Independent Auditor's Report on Financial Statements

Grandview School District No. 200 Yakima County September 1, 2007 through August 31, 2008

Board of Directors
Grandview School District No. 200
Grandview, Washington

We have audited the accompanying financial statements of Grandview School District No. 200, Yakima County, Washington, as of and for the year ended August 31, 2008, as listed on page 11. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the District prepares its financial statements using accounting practices prescribed by Washington State statutes and the *Accounting Manual for Public Schools in the State of Washington*, which demonstrates compliance with the regulatory basis of accounting which differs from accounting principles generally accepted in the United States of America. The differences between the regulatory basis of accounting and the accounting principles generally accepted in the United States of America are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grandview School District No. 200, as of August 31, 2008, and the changes in financial position thereof for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 Debt 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 has been

subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended for the information and use of the governing body and management of the District. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

July 14, 2009

Financial Section

**Grandview School District No. 200
Yakima County
September 1, 2007 through August 31, 2008**

FINANCIAL STATEMENTS

Balance Sheet – Governmental Funds – 2008
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds –
2008
Notes to Financial Statements – 2008

SUPPLEMENTAL INFORMATION

Schedule of Long-Term Debt – 2008
Schedule of Expenditures of Federal Awards – 2008
Notes to the Schedule of Expenditures of Federal Awards – 2008

GRANDVIEW SCHOOL DISTRICT NO. 200

	Balance Sheet					Total
	Governmental Funds	ASB	Debt	Capital	Transportation	
	August 31, 2008	Fund	Service	Projects	Vehicle	Permanent
	General	Fund	Fund	Fund	Fund	Fund
	Fund					
ASSETS:						
Cash & Cash Equivalent	2,491,366.43	11,164.31	9,941.09	195,448.63	0.44	2,707,920.90
Minus Outstanding Warrant	2,468,720.39	799.04		195,448.26		2,664,967.69
Taxes Receivable	410,248.28		719,107.30			1,129,355.58
Due From Other Funds						
Due From Other Gov Units	417,878.14					417,878.14
Accounts Receivable	101,489.66					101,489.66
Intfd Loans Receivable						
Accrued Int Receivable						
Inventory						
Prepaid Items	69,697.07	18,384.58				88,081.65
Investments	2,902,308.00	124,486.00	845,766.00	250,822.00	65,434.00	4,188,816.00
Invest/Cash W/Trustee						
Invest/Deferd Comp						
Slf-Insur Secu Deposit						
TOTAL ASSETS	3,924,267.19	153,235.85	1574,814.39	250,822.37	65,434.44	5,968,574.24
LIABILITIES:						
Accounts Payable	347,342.78	18,807.93		34,624.43		400,775.14
Contracts Pay. Current						
Accrued Int Payable						
Accrued Salaries	1,117.69					1,117.69
Rev Anticipation Notes						
Payroll Ded/Taxes Paya						
Due to Other Gov Units						
Deferred Compensation	4,609.75					4,609.75
Est Employee Benefits						
Due to Other Funds						
Intfd Loans Payable						
Deposits	6,271.00					6,271.00
Matured Bonds Payable						
Matured Bond Interest						
Arbitrg Rebate Payable						
Deferred Revenue	416,848.28	23,030.62	719,107.30			1,158,986.20
TOTAL LIABILITIES	776,189.50	41,838.55	719,107.30	34,624.43		1,571,759.78
FUND BALANCE:						
Reserve of Fund Balanc	515,463.20					515,463.20
Unres Desig Fnd Balanc	153,480.97					153,480.97
Unres Undesig Fnd Balanc	2,479,133.52	111,397.30	855,707.09	216,197.94	65,434.44	3,727,870.29
TOTAL FUND BALANCE	3,148,077.69	111,397.30	855,707.09	216,197.94	65,434.44	4,396,814.46
TOTAL LIAB/FUND BALANC	3,924,267.19	153,235.85	1574,814.39	250,822.37	65,434.44	5,968,574.24

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

GRANDVIEW SCHOOL DISTRICT NO. 200
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Governmental Funds
 For The Year Ended August 31, 2008

	General Fund	Assoc. Student Body	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
REVENUES:							
Local	1,477,894.42			24,781.64	2,403.60		3,369,771.93
State	23,794,968.86		1,639,765.50	78,665.69	106,648.49		23,980,283.04
Federal	4,474,538.40		706.15				4,475,244.55
Other	32,534.07						32,534.07
TOTAL REVENUES	29,779,935.75	224,926.77	1,640,471.65	103,447.33	109,052.09		31,857,833.59
EXPENDITURES:							
CURRENT:							
Regular Instruction	13,850,323.89						13,850,323.89
Special Education	2,610,341.94						2,610,341.94
Vocational Education	1,181,432.04						1,181,432.04
Skills Center							
Compensatory Program	4,613,516.15						4,613,516.15
Other Instruct. Prog	189,377.70						189,377.70
Community Services	12,753.11						12,753.11
Support Services	6,174,513.87						6,174,513.87
Stu. Activities/Othe		232,632.61					232,632.61
CAPITAL OUTLAY:							
Sites				381,151.81			381,151.81
Building				114,213.08			114,213.08
Equipment					98,603.50		98,603.50
Energy							
Transportation Equip	292,700.03						292,700.03
Other							
DEBT SERVICE:							
Principal			865,000.00				865,000.00
Int. & Other Charges			662,428.75				662,428.75
TOTAL EXPENDITURES	28,924,958.73	232,632.61	1,527,428.75	495,364.89	98,603.50		31,278,988.48
REVS OVER (UNDER) EX	854,977.02	7,705.84-	113,042.90	391,917.56-	10,448.59		578,845.11
OTHER FIN SRCS(USES							
Bond Sls & Ref Bond				240,000.00			240,000.00
Long-Term Financing					35,000.00		35,000.00
Transfers In							
Trans Out (GL 536)							
Oth Fin Use (GL 535)	275,000.00-				4,000.00		4,000.00
Other							
TOTAL OTHER FINANCE SOURCES (USES)	275,000.00-			240,000.00	39,000.00		4,000.00
EXCESS OF REVS & OTH FIN SRCS OVER (UNDER EXP & OTHER FIN USES	579,977.02	7,705.84-	113,042.90	151,917.56-	49,448.59		582,845.11
BEG TOT FUND BALANCE	2,568,100.67	119,103.14	742,664.19	368,115.50	15,985.85		3,813,969.35
Prior Year(s) Correc or Restatements							
END TOT FUND BALANCE	3,148,077.69	111,397.30	855,707.09	216,197.94	65,434.44		4,396,814.46

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

Grandview School District #200
NOTES TO FINANCIAL STATEMENTS
September 1, 2007 through August 31, 2008

The following notes are an integral part of the accompanying financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

B. Basis of Presentation - Fund Accounting

The Grandview 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. However, the district elects to not present district wide financial statements, and management's discussion and analysis, which are departures from GAAP. Long-term debt is reported on a required supplementary schedule. The accounts of the district are organized on the basis of funds each of which is considered a separate accounting entity. The regulatory agencies require all funds be presented as major funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures as appropriate. The various funds in the report are grouped into governmental funds as follows:

GOVERNMENTAL FUNDS

General Fund

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

Capital Projects Funds

These funds account for financial resources to be used for the construction and acquisition of major capital assets. The capital projects fund type consists of 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 capital assets.

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

Debt Service Fund

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

Special Revenue Funds

These funds account for the proceeds of specific revenue sources that are legally restricted for specific purposes. The Associated Student Body Program Fund (ASB Fund) is the only fund of this type. This fund is accounted for as a special revenue fund since the financial resources legally belong to the district.

C. Basis of Accounting

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

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

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

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

All governmental funds reporting focus 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.

D. Budgetary Data

General Budgetary Policies

Chapter 28A.505 RCW and Chapter 392-123 *Washington Administrative Code* (WAC) mandate school district budget policies and procedures. The 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, pursuant to law, the budgeted ending fund balance cannot be negative.

Encumbrances

Encumbrance accounting is employed in governmental funds. Purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve a portion of the applicable appropriation. Encumbrances are closed at the end of the fiscal year and reopened the following year. The General Fund had encumbrances of \$8,384.22 and Capital Projects Fund had encumbrances of \$52,470.19 that were closed on August 31, 2008. These amounts were re-encumbered on September 1, 2008.

E. 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.

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

The district's year-end investments are as follows at August 31, 2008:

August 31, 2005	Number of Securities	Carrying Amount	Market Value
Certificates of Deposit or Other Time Deposits			
Repurchase Agreements			
Banker's 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			
State Treasurer's Investment Pool			
County Treasurer's Investment Pool		\$4,188,816	\$4,188,816
Total Investments		\$4,188,816	\$4,188,816

Inventory

Expendable supplies held for consumption are not inventoried. The cost of these supplies is recorded as an expenditure at the time the individual inventory items are purchased. Donated USDA commodity inventory is valued according to USDA price lists using the FIFO method and consists of expendable food supplies held for consumption.

F. Revenue and Expenditure Recognition

Debt Service

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

Property Taxes

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

Compensated Absences

Employees earn sick leave at a rate of one day per month with a minimum of 10 days and a maximum 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 (1) day for each four (4) days of accrued leave, limited to 180 accrued days. This chapter also provides for an annual buy-back of an amount up to maximum annual accumulation of twelve (12) days. For buy back purposes employees may accumulate such leave to a maximum of 192 days, including the annual accumulation, as of December 31 of each year.

Full-time, year-round employees earn vacation days that vary from 12 to 30 days depending upon length of service. Vested sick leave for employees eligible for retirement and unpaid vacation leave are recorded as liabilities in the Schedule of Long-Term Debt. These expenditures are recorded when paid, except termination sick leave that is accrued upon death or retirement. Vested sick leave was computed using the age required to retire method, which included employees older than 54 and had sick leave balances.

NOTE 2 - CAPITAL ASSETS

The district's capital assets are insured in the amount of \$89,938,687 for Fiscal year 2008. In the opinion of the district's insurance consultant, this amount is sufficient to adequately fund replacement of the district's assets.

NOTE 3 - PENSIONS

A. General Information

Substantially all Grandview 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 the Washington State Department of Retirement Systems (DRS): Teachers' Retirement System (TRS), Public Employees' Retirement System (PERS) and School Employees' Retirement System (SERS). Participation in the programs was as follows:

Membership by retirement system program as of June 30, 2007:

<u>Program</u>	<u>Active Members</u>	<u>Inactive Vested Members</u>	<u>Retired Members</u>
TRS	64,939	9,428	38,091
PERS	158,022	26,583	71,244
SERS	50,825	7,674	3,141

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

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

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

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

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

The retirement allowance of Plan 1 TRS and PERS members is the AFC multiplied by 2 percent per year of service capped at 60 percent with 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 advice from the Office of the State Actuary. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at 6 percent and does not vary from year to year. The employer rate is the same for all plans in a system. The methods used to determine the contribution requirements are established under chapters 41.40 41.32 and 41.35 RCW for PERS, TRS and SERS respectively.

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

B. Contributions

Employee contribution rates as of July 1, 2008:

Plan 1 TRS	6.00 %	Plan 1 PERS	6.00 %
Plan 2 TRS	2.90 %	Plan 2 SERS	3.90 %
Plan 3 TRS and SERS	5.00% (minimum), 15.00% (maximum)		

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

Employer contribution rates as of July 1, 2008:

Plan 1 TRS	5.82 %*	Plan 1 PERS	8.31 %*
Plan 2 TRS	5.82 %*	Plan 2 SERS	5.88 %*
Plan 3 TRS	5.82 %*	Plan 3 SERS	5.88 %*

* Includes DRS Administrative Expense Rate of 0.16%

Under current law the employer must contribute 100 percent of the employer-required contribution. Employer required contributions in dollars are reported on the fiscal year September through August:

<u>Plan</u>	<u>FY 2008</u>	<u>FY 2007</u>	<u>FY 2006</u>
Plan 1 TRS	\$ 80,095.02	\$ 72,258.83	\$ 46,999.24
Plan 2 TRS	\$ 99,357.90	\$ 60,253.54	\$ 34,901.90
Plan 3 TRS	\$472,061.96	\$388,778.27	\$210,471.29
Plan 1 PERS	\$ 27,262.03	\$ 20,878.72	\$ 10,355.56
Plan 2 SERS	\$115,625.66	\$ 94,110.54	\$ 53,000.23
Plan 3 SERS	\$144,334.88	\$105,528.50	\$ 58,810.32

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, 2008, 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 4 – DEFERRED COMPENSATION PLAN

District employees have the option of participating in an IRC, Section 457, deferred compensation plan administered by a state retirement system or another governmental entity.

NOTE 5 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

The following buildings have been modernized or are new within the last six years:

<u>School</u>	<u>Description</u>	<u>Placed in Service</u>
Grandview Middle School	Modernization and new	March 2002
Harriet Thompson Elementary	New	August 2002
McClure Elementary	New	August 2003

NOTE 6 - RISK MANAGEMENT

The Grandview School District is a member of the United Schools Insurance Program. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The pool was formed on September 1, 1985 when 29 school districts in the State of Washington joined together by signing a Joint Purchasing Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Two hundred and thirty-three schools have joined the pool.

The pool allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Coverage for educators legal 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, liability, automobile liability, boiler and machinery, crime, excess liability and educators legal liability.

The pool acquires liability insurance from unrelated underwriters that are subject to a per-occurrence deductible of \$100,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$99,000. Insurance carriers cover insured losses over \$100,000 to the limits of each policy. Since the pool is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$99,000 portion of the deductible. The pool, however, purchases a stop loss policy in the amount of \$2,800,000 to reduce risk to its members.

Property insurance is subject to a per-occurrence deductible of \$50,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$49,000.

Boiler and machinery insurance is subject to a per-occurrence deductible of \$2,500. Members are responsible for the deductible amount of each claim.

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

The pool is fully funded by its member participants. Claims are filed by members with Canfield & Associates, which has been contracted to perform pool administration, claims adjustment and administration and loss prevention for the pool. Fees paid to the third party administrator under this arrangement for the year ended August 31, 2007 and 2008 were \$1,043,510 and \$1,153,442, respectively.

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

In Fiscal 2008 the district made payments totaling \$186,079.84 to the industrial insurance pool and zero to the unemployment insurance pool that is administered by Educational Service District No. 105 on behalf of several local school districts. These funds are operated for the district's benefit in-lieu-of the district having to make monthly premium payments to the state of Washington for unemployment and industrial insurance beneficiaries as they occur and minimizes the district's cost for the two programs.

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. The district carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three Fiscal Years.

NOTE 7 - LONG-TERM DEBT

Bonds payable at August 31, 2008, are comprised of the following individual issues:

Issue Name	Issue Date	Amount Amortized	Annual Installments	Final Maturity	Interest Rates	Amount Outstanding
General Obligation Bonds	5/1/1999	\$ 17,900,000	20*	12/1/08	3.85% - 5.25%	\$ 770,000
	7/1/2005	\$ 14,085,000	13	12/1/18	3.00% - 5.25%	\$ 13,915,000
Total General Obligation Bonds						\$ 14,685,000

* The number of Annual Installments listed is the original installments required at the time of sale of the bonds. The Bonds were partially refunded so the Final Maturity date and Amount Outstanding reflects the non-defeased bonds. (See Prior Year Defeasance of Debt below)

The following is a summary of general obligation long-term debt transactions of the district for the year ended August 31, 2008.

Long-term Debt Payable at 9/1/2007	\$ 15,550,000.00
New Issues	
Debt Retired	\$ 865,000.00
Long-term Debt Payable at 8/31/2008	\$ 14,685,000.00

The following is a schedule of annual requirements to amortize long-term debt at August 31, 2008.

Year Ending August 31	Principal	Interest	Total
2009	\$ 940,000	\$ 623,618	\$ 1,563,618
2010	\$ 1,000,000	\$ 588,050	\$ 1,588,050
2011	\$ 1,070,000	\$ 553,075	\$ 1,623,075
2012	\$ 1,140,000	\$ 512,975	\$ 1,652,975
2013-2017	\$ 6,985,000	\$ 1,799,138	\$ 8,784,138
2018	\$ 1,710,000	\$ 141,488	\$ 1,851,488
2019	\$ 1,840,000	\$ 48,300	\$ 1,888,300
TOTAL *	\$ 14,685,000	\$ 4,266,644	\$ 18,951,644

At August 31, 2008, the district had \$855,707.09 available in the Debt Service Fund to service the general obligation bonds.

Prior Year Defeasance of Debt

In prior years, the district defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly the trust account assets and the liability for the defeased bonds are not included in the district's financial statements. At August 31, 2008, \$14,065,000 of bonds are considered defeased.

NOTE 8 - SUMMARY OF SIGNIFICANT CONTINGENCIES

Litigation

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

NOTE 9 - OTHER DISCLOSURES

The district is a member of the King County Director's Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. The district's current equity as of December 31, 2007 was \$33,838.24, which 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 10 annual allocations of merchandise or 15 annual payments.

NOTE 10 - SUBSEQUENT EVENTS

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

GRANDVIEW SCHOOL DISTRICT NO. 200
 Schedule of Long-Term Debt
 For The Year Ended August 31, 2008

Description	Beginning Outstanding Debt 9/1/2007 (1)	Amount Issued/ Increased (2)	Amount Redeemed/ Decreased (3)	Ending Outstanding Debt 8/31/2008 (1)+(2)-(3)
Total Voted Bonds	15,550,000.00		865,000.00	14,685,000.00
Total Non-Voted Notes/Bonds				
Qualified Zone Academy Bonds				
Other Long-Term Debt:				
Capital Leases				
Contracts Payable (GL 603)				
NonCancellable Operating Leases	510,335.90	68,557.34		578,893.24
Claims & Judgements				
Compensated Absences	510,335.90	68,557.34		578,893.24
Other Long-Term Debt				
Total Other Long-Term Debt	16,060,335.90	68,557.34	865,000.00	15,263,893.24
Total Long-Term Debt				

Grandview School District #200
Yakima County
EIN: 91-6001612
Schedule of Expenditure of Federal Awards
For Fiscal Year Ending August 31, 2008

Federal Agency Name	Pass Through Agency	Federal Program Title	CFDA		Pass Through		Total	Foot note Ref
			Number	Other Identification Number	Award	Direct Award		
Dept of Agriculture								
WA OSPI		Food Distribution	10.550	N/A	85,860		85,860	3
WA OSPI		School Breakfast Program (A)	10.553	N/A	241,871		241,871	2
WA OSPI		Nat'l School Lunch Program (A)	10.555	N/A	888,548		888,548	2
WA OSPI		Summer Food Service Program	10.559	N/A	12,753		12,753	2
Office of State Treasurer		School & Roads Grants to State	10.665	N/A	107,007		107,007	4
Dept of Agriculture Subtotal					1,336,040	0	1,336,040	
Dept of Education								
WA OSPI		Title 1 Grants to LEAs	84.010	221566, 229263	1,016,712		1,016,712	5
WA OSPI		Migrant Ed - Basic State	84.011	280468, 280478	277,155		277,155	
WA OSPI		Special Ed - State Grants	84.027	302159	595,027		595,027	
WA OSPI		Voc Ed Basic Grants to States	84.048	171194	37,641		37,641	
WA OSPI		Special Ed - Preschool Grants	84.173	365455	25,186		25,186	
ESD 105		Safe & Drug Free Schools & Comm - St Gr	84.186	9007000055, 9007000096	5,215		5,215	
YVFWC		21st Century Community Learning Center	84.287	N/A	27,430		27,430	
WA OSPI		Innovative Ed Program Strategies	84.298	501066	6,071		6,071	
WA OSPI		Technology Literacy Challenge Funds	84.318	72114, 730509, 730506, 730507, 730508	53,565		53,565	
U of W		Early Awareness/Readiness	84.334	446557, 462217, 400431	225,536		225,536	
WA OSPI		Reading First	84.357	921105, 920106	325,000		325,000	
WA OSPI		Title III	84.365	400589	128,267		128,267	
WA OSPI		REAP, Teacher Principal Quality	84.367	521085	230,681		230,681	
Dept of Education Subtotal					2,953,486	0	2,953,486	
Health/Human Services Dept								
DSHS		Medicaid-Medical Assist Program	93.778	0765-19187	139,049		139,049	4
ESD 105		Substance Abuse Block Grant	93.959	9007000037	28,827		28,827	
Health/Human Services Dept Subtotal					167,876	0	167,876	
Total Federal Awards Expended					\$ 4,457,401	\$ -	\$ 4,457,401	

Grandview School District No. 200
Schedule of Expenditures of Federal Awards
For the Year Ending August 31, 2008

NOTES TO THE SCHEDULE

NOTE 1 – BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting. Expenditures represent only the federally funded portions of the program. District records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE 2 – UNIT COST CONTRACTS

Under certain programs, the district receives a fixed amount for the activity, regardless of the district's expenditures. Expenditures for these programs are listed as the amount received from the grantor.

NOTE 3 – NON CASH AWARDS – FOOD COMMODITIES

The amount of food commodities reported on the schedule is the market value of commodities used by the School District during the current year. The value is determined by the USDA.

NOTE 4 – UNRESTRICTED EXPENDITURES

Administrative Match and Federal Forest Yield are recorded at the amount of revenue received. These expenditures are unrestricted and are not tracked separately.

NOTE 5 – SCHOOLWIDE PROGRAMS

The District operates a "schoolwide program" in three elementary buildings and the middle school. 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 programs: Title I (84.010) - \$844,252.



ABOUT THE STATE AUDITOR'S OFFICE

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

Our mission is to work in cooperation 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 our services effectively and efficiently.

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

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service. We continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

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 Chief of Staff
Chief Policy Advisor
Director of Audit
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