

WASHINGTON UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2012

WASHINGTON UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Governing Board
Washington Unified School District
Fresno, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Washington Unified School District (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-12*, issued by the California Education Audit Appeals Panel as regulations. 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 opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Washington Unified School District, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes to the basic financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding requirements of the State of California to the K-12 educational community.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2012, 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.

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 4 through 11, budgetary comparison information and other postemployment benefits information on pages 47 and 48, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The Schedule of Expenditures of Federal Awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133)*, and other supplementary information listed in the table of contents are presented for purposes of additional analysis and 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 *supplementary information* is fairly stated in all material respects in relation to the financial statements as a whole.

Vannoy, Eric, Day & Co., LLP

Fresno, California
December 14, 2012

Washington Unified School District

2888 South Ivy Avenue Fresno, CA 93706
(559) 495-5600 FAX (559) 264-0805

This section of Washington Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2012. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The District was formed on July 1, 2011, from the unification of the American Union Elementary School District, the Washington Union High School District and the West Fresno Elementary School District. This is the first year of financial operations for the unified district.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental and fiduciary.

The *Governmental Funds* are prepared using the current financial resources measurement focus an modified accrual basis of accounting.

The *Fiduciary Funds* are agency funds, which only report a balance sheet and do not have a measurement focus.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Washington Unified School District.

WASHINGTON UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The *Statement of Net Assets* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether *its financial health is* improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Assets* and the *Statement of Activities*, we separate the District activities as follows:

Governmental Activities - All of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

WASHINGTON UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

Governmental Funds - All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

THE DISTRICT AS A TRUSTEE

Reporting the Districts Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities and scholarships. The District's fiduciary activities are reported in the *Statements of Fiduciary Net Assets*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL HIGHLIGHTS

The District's financial status continues to display itself as a regular operating school district during the 2011-12 fiscal year. Prudent budgeting techniques and strategic planning help the district maximize categorical funds. Staffing patterns continue to be reviewed as the district re-aligns after the unification of the three prior school districts with the focus on student achievement.

The three prior school district maintained reserves in excess of the 3% requirement. The new district maintained these reserves and had an excess of revenue over expenditures of \$22,887 in its first year of operation. The ending General Fund balance for 2011-12 is \$4,299,828. This represents a 17% reserve for the district. This reserve has also been very important to the district and has allowed the district to continue to meet its cash-flow needs during a time when the state is deferring substantial amounts of apportionment revenue.

WASHINGTON UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were 14,392,358 for the fiscal year ended June 30, 2012. Of this amount, \$2,251,161 was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use those net assets for day-to-day operations. Our analysis below, in summary form, focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities
	<u>2012</u>
Current and other assets	\$ 13,236,062
Capital assets	12,546,904
Total Assets	<u>25,782,966</u>
Current liabilities	5,244,966
Long-term obligations	6,145,642
Total Liabilities	<u>11,390,608</u>
Net assets	
Invested in capital assets, net of related debt	9,129,766
Restricted	3,011,431
Unrestricted	2,251,161
Total Net Assets	<u>\$ 14,392,358</u>

The \$2,251,161 in unrestricted net assets of governmental activities represents the accumulated results of the current year's operations.

WASHINGTON UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the *Statement of Activities*. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities
	<u>2012</u>
Revenues	
Program revenues:	
Charges for services	\$ 117,919
Operating grants and contributions	7,094,470
General revenues:	
Federal and State aid not restricted	17,276,991
Property taxes	2,547,587
Contributions from unifying districts	9,030,638
Transferred from unifying districts	6,076,865
Other general revenues	419,729
Total Revenues	<u>42,564,199</u>
Expenses	
Instruction related	17,575,185
Student support services	4,191,486
Administration	2,656,779
Maintenance and operations	2,691,945
Other	1,056,446
Total Expenses	<u>28,171,841</u>
Change in Net Assets	<u>\$ 14,392,358</u>

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was \$28,209,717. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$2,547,587 because the cost was paid by those who benefited from the programs (\$117,919) or by other governments and organizations who subsidized certain programs with grants and contributions (\$7,094,470). We paid for the remaining "public benefit" portion of our governmental activities with \$17,696,720 in Federal and State funds and other revenues, like interest and general entitlements. There were contributions from the unifying districts for \$15,107,503.

WASHINGTON UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction related services, student support services, general administration, maintenance and operations, and other. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Net Cost of Services
	<u>2012</u>
Instruction related	\$ 13,364,527
Pupil services	1,565,980
General administration	2,652,181
Maintenance and operations	2,524,057
Other	852,707
Total	<u><u>\$ 20,959,452</u></u>

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on March 7, 2012. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had \$12,546,904 in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. (Table 4).

WASHINGTON UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

Table 4

	Governmental Activities
	<u>2012</u>
Land	\$ 338,320
Construction in progress	1,271,848
Land improvements	1,461,874
Buildings and improvements	8,574,859
Equipment	900,003
Total	<u><u>\$ 12,546,904</u></u>

This year's additions to capital assets include additions for equipment and work in progress for construction projects that are in progress. No debt was issued for these additions.

Several capital projects are planned for the 2012-13 year. We anticipate capital additions to be approximately \$9 million for the 2012-13 year. We present more detailed information about our capital assets in the Notes to Financial Statements.

Long-Term Obligations

At the end of this year, the District had \$6,145,642 in obligations outstanding. Those obligations consisted of:

Table 5

	Governmental Activities
	<u>2012</u>
General obligation bonds	\$ 5,285,000
Compensated absences	188,344
Early retirement incentive	197,250
Early retirement incentive - CalSTRS	7,429
Capital leases	65,950
Other postemployment benefits	401,669
Total	<u><u>\$ 6,145,642</u></u>

The District's general obligation bond S&P rating is "S-1+".

We present more detailed information regarding our long-term obligations in the Notes to Financial Statements.

WASHINGTON UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2011-12 ARE NOTED BELOW:

Projects in progress include West Fresno Middle School Playfield Renovation, West Fresno Elementary Kindergarten Playground Improvements along with the continued Washington Union High School Modernization project which includes renovating classroom, school safety and access, technology and athletic facilities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2012-13 fiscal year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. The district is projecting additional trigger reductions to state apportionment aid of \$1,052,850 which is projected at \$440 per average daily attendance. This additional reduction to state aid is contingent upon the passage of Proposition 30. If Proposition 30 fails the trigger reductions will be made by the state if Prop0sition 30 passes then the district would receive flat funding.
2. Budgeted Base Revenue Limit after state deficit factor is applied is \$16,023,765
3. Interest earnings will remain flat as anticipated market interest rates are not projected to change.
4. Federal income was budgeted to remain at prior year levels.
5. State categorical income was budgeted to remain at prior year levels.

Expenditures are based on prior year spending levels. Staffing has been projected to remain the same during the new budget year with the district absorbing 7.5 FTE. Also the district has budgeted reductions in supplies and service and operating expenses. These reductions in expenditures have allowed the district budget to incorporate the projected revenue trigger reductions and to keep the District's budget balanced.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Washington Unified School District at 2888 S. Ivy Avenue, Fresno, California 93706.

*Chris Vaz, Chief Business Official
Washington Unified School District
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(559) 495-5603*

WASHINGTON UNIFIED SCHOOL DISTRICT

**STATEMENT OF NET ASSETS
JUNE 30, 2012**

	Governmental Activities
ASSETS	
Deposits and investments	\$ 5,810,427
Receivables	7,384,850
Stores inventories	40,785
Nondepreciable capital assets	1,610,168
Capital assets being depreciated	21,777,583
Accumulated depreciation	(10,840,847)
Total Assets	25,782,966
LIABILITIES	
Accounts payable	1,729,447
Deferred revenue	300,519
Current loans	3,215,000
Current portion of long-term obligations	538,674
Noncurrent portion of long-term obligations	5,606,968
Total Liabilities	11,390,608
NET ASSETS	
Invested in capital assets, net of related debt	9,129,766
Restricted for:	
Debt service	427,985
Capital projects	631,653
Educational programs	1,253,975
Other activities	697,818
Unrestricted	2,251,161
Total Net Assets	\$ 14,392,358

The accompanying notes are an integral part of these financial statements.

WASHINGTON UNIFIED SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
Governmental Activities:			
Instruction	\$ 14,274,674	\$ 112,173	\$ 3,275,628
Instruction-related activities:			
Supervision of instruction	1,211,888	-	543,527
Instructional library, media, and technology	218,916	-	166,435
School site administration	1,869,707	-	112,895
Pupil services:			
Home-to-school transportation	1,314,726	-	685,038
Food services	1,146,487	5,419	1,111,502
All other pupil services	1,730,273	-	823,547
Administration:			
Data processing	386,093	-	-
All other administration	2,270,686	242	4,356
Plant services	2,691,945	85	167,803
Ancillary services	534,066	-	32,189
Interest on long-term obligations	383,720	-	-
Other outgo	138,660	-	171,550
Total Governmental Activities	\$ 28,171,841	\$ 117,919	\$ 7,094,470

General revenues and subventions:

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Taxes levied for other specific purposes
- Federal and State aid not restricted to specific purposes
- Interest and investment earnings
- Contributions from unifying districts
- Transferred from unifying districts
- Miscellaneous

Subtotal, General Revenues

Change in Net Assets

- Net Assets - Beginning
- Net Assets - Ending

The accompanying notes are an integral part of these financial statements.

**Net (Expenses)
Revenues and
Changes in
Net Assets**

**Governmental
Activities**

\$ (10,886,873)

(668,361)

(52,481)

(1,756,812)

(629,688)

(29,566)

(906,726)

(386,093)

(2,266,088)

(2,524,057)

(501,877)

(383,720)

32,890

(20,959,452)

1,897,327

623,739

26,521

17,276,991

182,414

9,030,638

6,076,865

237,315

35,351,810

14,392,358

-

\$ 14,392,358

WASHINGTON UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012

	General Fund	Building Fund	Non-Major Governmental Funds
ASSETS			
Deposits and investments	\$ 2,417,969	\$ 1,951,188	\$ 1,441,270
Receivables	7,213,082	1,535	170,233
Due from other funds	89,998	-	313,019
Stores inventories	-	-	40,785
Total Assets	\$ 9,721,049	\$ 1,952,723	\$ 1,965,307
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,592,683	\$ 18,911	\$ 117,853
Due to other funds	313,019	-	89,998
Current loans	3,215,000	-	-
Deferred revenue	300,519	-	-
Total Liabilities	5,421,221	18,911	207,851
Fund Balances:			
Nonspendable	10,000	-	40,885
Restricted	1,253,975	1,933,812	1,712,661
Assigned	159,167	-	3,910
Unassigned	2,876,686	-	-
Total Fund Balances	4,299,828	1,933,812	1,757,456
Total Liabilities and Fund Balances	\$ 9,721,049	\$ 1,952,723	\$ 1,965,307

The accompanying notes are an integral part of these financial statements.

**Total
Governmental
Funds**

\$	5,810,427
	7,384,850
	403,017
	40,785
<u>\$</u>	<u>13,639,079</u>

\$	1,729,447
	403,017
	3,215,000
	300,519
<u>\$</u>	<u>5,647,983</u>

	50,885
	4,900,448
	163,077
	2,876,686
<u>\$</u>	<u>7,991,096</u>

<u>\$</u>	<u>13,639,079</u>
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WASHINGTON UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012**

Total Fund Balance - Governmental Funds		\$ 7,991,096
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 23,387,751	
Accumulated depreciation is	<u>(10,840,847)</u>	
Net Capital Assets		12,546,904
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
General obligation bonds	5,285,000	
Compensated absences	188,344	
Early retirement incentive	197,250	
Early retirement incentive - CalSTRS	7,429	
Capital leases	65,950	
Other postemployment benefits	<u>401,669</u>	
Total Long-Term Obligations		<u>(6,145,642)</u>
Total Net Assets - Governmental Activities		<u><u>\$ 14,392,358</u></u>

The accompanying notes are an integral part of these financial statements.

WASHINGTON UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012**

	General Fund	Building Fund
REVENUES		
Revenue limit sources	\$ 16,013,845	\$ -
Federal sources	2,970,769	-
Other State sources	5,055,017	-
Other local sources	1,197,223	29,759
Total Revenues	25,236,854	29,759
EXPENDITURES		
Current		
Instruction	13,478,324	-
Instruction-related activities:		
Supervision of instruction	1,102,578	-
Instructional library, media and technology	213,979	-
School site administration	1,821,725	-
Pupil services:		
Home-to-school transportation	1,229,301	-
Food services	9,894	-
All other pupil services	1,709,825	-
Administration:		
Data processing	386,093	-
All other administration	2,098,350	-
Plant services	2,485,713	-
Facility acquisition and construction	50,776	392,527
Ancillary services	531,492	-
Other outgo	138,660	-
Debt service		
Principal	14,527	-
Interest and other	67,643	-
Total Expenditures	25,338,880	392,527
Excess (Deficiency) of Revenues Over Expenditures	(102,026)	(362,768)
Other Financing Sources (Uses)		
Transfers in	-	-
Other sources-contributions from reorganized districts	4,413,957	2,296,580
Transfers out	(12,103)	-
Net Financing Sources (Uses)	4,401,854	2,296,580
NET CHANGE IN FUND BALANCES	4,299,828	1,933,812
Fund Balance - Beginning	-	-
Fund Balance - Ending	\$ 4,299,828	\$ 1,933,812

The accompanying notes are an integral part of these financial statements.

Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 16,013,845
1,074,887	4,045,656
445,093	5,500,110
670,103	1,897,085
<u>2,190,083</u>	<u>27,456,696</u>
215,170	13,693,494
101,097	1,203,675
-	213,979
440	1,822,165
-	1,229,301
1,078,522	1,088,416
779	1,710,604
-	386,093
48,996	2,147,346
99,143	2,584,856
468,184	911,487
-	531,492
-	138,660
435,000	449,527
317,500	385,143
<u>2,764,831</u>	<u>28,496,238</u>
<u>(574,748)</u>	<u>(1,039,542)</u>
12,103	12,103
2,320,101	9,030,638
-	(12,103)
<u>2,332,204</u>	<u>9,030,638</u>
1,757,456	7,991,096
-	-
<u>\$ 1,757,456</u>	<u>\$ 7,991,096</u>

WASHINGTON UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2012

Total Net Change in Fund Balances - Governmental Funds **\$ 7,991,096**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Assets and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

This is the amount by which capital outlays exceed depreciation in the period.

Capital outlays	\$ 911,487	
Depreciation expense	<u>(650,967)</u>	
Net Expense Adjustment		260,520

Capital assets were contributed from the unifying districts totaling: 12,286,384

In the Statement of Activities, compensated absences (vacations) are measured by the amounts earned during the year. Special termination benefits increased by \$38,237, STRS golden handshake was paid in the amount of \$10,182. In the governmental funds, however, these expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation earned was more than the amounts used by \$67,641. (95,696)

Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the Statement of Activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: (291,377)

Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Assets and does not affect the Statement of Activities:

General obligation bonds		410,000
Capital lease obligations		40,950

Long-term obligations were assumed from the unifying districts totaling: (6,209,519)

\$ 14,392,358

The accompanying notes are an integral part of these financial statements.

WASHINGTON UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2012**

	<u>Scholarship Trust</u>	<u>Agency Funds</u>
ASSETS		
Deposits and investments	\$ 63,970	\$ 187,356
Total Assets	<u>63,970</u>	<u>\$ 187,356</u>
 LIABILITIES		
Due to student groups	-	\$ 187,356
Total Liabilities	<u>-</u>	<u>\$ 187,356</u>
 NET ASSETS		
Reserved for scholarships	63,970	
Total Net Assets	<u>\$ 63,970</u>	

The accompanying notes are an integral part of these financial statements.

WASHINGTON UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012**

	Scholarship Trust
ADDITIONS	
Contributions from unifying districts	\$ 65,751
Interest	391
Total Additions	<u>66,142</u>
DEDUCTIONS	
Scholarships awarded	<u>2,172</u>
Total Deductions	<u>2,172</u>
Change in Net Assets	63,970
Net Assets - Beginning	-
Net Assets - Ending	<u><u>\$ 63,970</u></u>

The accompanying notes are an integral part of these financial statements.

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Washington Unified School District (the District) was formed on July 1, 2011, from the unification of the American Union Elementary School District, the Washington Union High School District, and the West Fresno Elementary School District, under the laws of the State of California. This is the first year of financial operations for the unified district. The District operates under a locally elected seven-member Board form of government and provides educational services to grades K - 12 as mandated by the State and/or Federal agencies. The District operates two elementary schools, one middle school, one high school, a continuation high school, a community day school, and an independent study site.

A reporting entity is comprised of the primary government and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Washington Unified School District, this includes general operations, food service, and student related activities of the District.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

One fund currently defined as special revenue funds in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Non-Capital Fund, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

In addition, under the flexibility provisions of current statute that allow certain formerly restricted revenues to be used for any educational purpose, Fund 11, Adult Education Fund, Fund 14, Deferred Maintenance Fund, and Fund 15, Pupil Transportation Equipment Fund do not currently meet the definition of special revenue funds as these funds are no longer primarily composed of restricted or committed revenue sources.

As the District has not taken formal action to commit the flexed revenues formerly restricted to these programs to the continued operation of the original programs, the revenues within these funds would be considered to be available for general educational purposes, resulting in Fund 11, Adult Education Fund, Fund 14, Deferred Maintenance Fund, and Fund 15, Pupil Transportation Equipment Fund being combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in assets, liabilities, fund balance, revenues and expenditures of \$156,014, \$178, \$155,836, \$1,366, and \$116,706, respectively.

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Child Development Fund The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Capital Project Funds The Capital Project funds are used to account for and report financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

Debt Service Funds The Debt Service funds are used to account for the accumulation of restricted, committed, or assigned resources for and the payment of principal and interest on general long-term obligations.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the district's own programs. The fiduciary fund category is split into two classifications: scholarship trust funds and agency funds.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District's trust fund is the scholarship trust. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function, and exclude fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities*, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other activities result from special revenue funds and the restrictions on their net asset use.

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Certain grants received before the eligibility requirements are met are recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Investments

Investments held at June 30, 2012, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county pools are determined by the county treasurer.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental funds when used.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net assets. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the Statement of Net Assets.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net assets as long-term obligations.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

Current Loans

Current loans consist of amounts outstanding at June 30, 2012, for Tax Revenue and Anticipation Notes and a start-up loan for the unification of the Districts. The Tax Revenue and Anticipation Notes were issued as short-term obligations to provide cash flow needs. This liability is offset with cash deposits in the County Treasurer, which have been set aside to repay the notes. See Note 8 for more information on the Tax Revenue and Anticipation Notes. The start-up loan initially totaled \$150,000 and \$75,000 was paid back in February 2012. The remaining balance is expected to be repaid in February 2013.

Fund Balances - Governmental Funds

As of June 30, 2012, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide financial statements report \$3,011,431 of restricted net assets.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1st of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Fresno bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Early implementation is encouraged.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*—an amendment of Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by State and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

Statement No. 67, *Financial Reporting for Pension Plans*, revises existing standards of financial reporting for most pension plans. This Statement and Statement No. 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of State and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.

Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

This Statement is effective for fiscal years beginning after June 15, 2014. Earlier implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2012, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 5,810,427
Fiduciary funds	<u>251,326</u>
Total Deposits and Investments	<u><u>\$ 6,061,753</u></u>

Deposits and investments as of June 30, 2012, consist of the following:

Cash on hand and in banks	\$ 251,326
Cash in revolving	10,100
Investments	<u>5,800,327</u>
Total Deposits and Investments	<u><u>\$ 6,061,753</u></u>

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

General Authorizations

Limitations as they relate to interest rate risk and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Pool and having the Pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Segmented Time Distribution

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following schedule that shows the distribution of the District's investments by maturity:

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
County Pool	\$ 5,800,327	\$ 5,800,327	\$ -	\$ -	\$ -

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the County Pool is not required to be rated, nor has it been rated as of June 30, 2012.

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year End		
			AAA	Aa	Unrated
County Pool	\$ 5,800,327	N/A	\$ -	\$ -	\$ 5,800,327

N/A - Not applicable

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. There were no investments in any one issuer that represent five percent or more of the total investments.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2012, the District's bank balance was not exposed to custodial credit risk because it was insured and collateralized with securities held by the pledging financial institution's trust department or agent.

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 3 - RECEIVABLES

Receivables at June 30, 2012, consisted of intergovernmental grants, entitlements, state apportionments, and local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government				
Categorical aid	\$ 391,540	\$ -	\$ 148,093	\$ 539,633
State Government				
Apportionment	6,181,406	-	-	6,181,406
Other State	453,387	-	12,499	465,886
Local Sources	186,749	1,535	9,641	197,925
Total	<u>\$ 7,213,082</u>	<u>\$ 1,535</u>	<u>\$ 170,233</u>	<u>\$ 7,384,850</u>

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Contributions From Unifying Districts	Additions	Balance June 30, 2012
Governmental Activities			
Capital Assets Not Being Depreciated			
Land	\$ 338,320	\$ -	\$ 338,320
Construction in process	560,617	711,231	1,271,848
Total Capital Assets Not Being Depreciated	<u>898,937</u>	<u>711,231</u>	<u>1,610,168</u>
Capital Assets Being Depreciated			
Land improvements	3,079,007	-	3,079,007
Buildings and improvements	15,614,115	41,084	15,655,199
Furniture and equipment	2,884,205	159,172	3,043,377
Total Capital Assets Being Depreciated	<u>21,577,327</u>	<u>200,256</u>	<u>21,777,583</u>
Less Accumulated Depreciation			
Land improvements	1,526,688	90,445	1,617,133
Buildings and improvements	6,694,898	385,442	7,080,340
Furniture and equipment	1,968,294	175,080	2,143,374
Total Accumulated Depreciation	<u>10,189,880</u>	<u>650,967</u>	<u>10,840,847</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,286,384</u>	<u>\$ 260,520</u>	<u>\$ 12,546,904</u>

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Depreciation expense was charged to functional expenses as follows:

Governmental Activities	
Instruction	\$ 403,600
School site administration	26,037
Home-to-school transportation	84,626
Food services	45,568
All other general administration	6,510
Plant services	84,626
Total Depreciation Expenses, Governmental Activities	<u>\$ 650,967</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2012, are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Fund		
General	\$ 89,998	\$ 313,019
Total Major Governmental Fund	<u>89,998</u>	<u>313,019</u>
Non-Major Governmental Funds		
Child Development	12,840	34,221
Cafeteria	179	55,777
Capital Facilities	300,000	-
Total Non-Major Governmental Funds	<u>313,019</u>	<u>89,998</u>
Total All Governmental Funds	<u>\$ 403,017</u>	<u>\$ 403,017</u>

The General Fund owes the Child Development Fund for CalPERS restoration.	\$ 737
The General Fund owes the Child Development Fund for an operating contribution.	12,103
The General Fund owes the Cafeteria Fund for CalPERS restoration.	179
The General Fund owes the Capital Facilities Fund for a cash flow loan.	300,000
The Child Development Fund owes the General Fund for a cash loan.	30,000
The Child Development Fund owes the General Fund for workers' compensation premiums.	4,221
The Cafeteria Fund owes the General Fund for CalPERS restoration.	604
The Cafeteria Fund owes the General Fund for workers' compensation premiums.	6,978
The Cafeteria Fund owes the General Fund for indirect costs.	48,195
Total	<u>\$ 403,017</u>

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Operating Transfers

Interfund transfers for the year ended June 30, 2012, consisted of the following:

The General Fund transferred to the Child Development Fund for operating expenses. \$ 12,103

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2012, consisted of the following:

	General Fund	Building Funds	Non-Major Governmental Fund	Total Governmental Activities
Vendor payables	\$ 654,430	\$ 18,911	\$ 89,783	\$ 763,124
Deferred payroll	617,988	-	-	617,988
Salaries and benefits	320,265	-	28,070	348,335
Total	<u>\$ 1,592,683</u>	<u>\$ 18,911</u>	<u>\$ 117,853</u>	<u>\$ 1,729,447</u>

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2012, consists of the following:

	General Fund
Federal financial assistance	\$ 123,339
State categorical aid	177,180
Total	<u>\$ 300,519</u>

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

At July 1, 2012, the District had outstanding Tax and Revenue Anticipation Notes in the amount of \$1,475,000, which matured on January 31, 2012. On July 1, 2011, the District issued \$625,000 Tax and Revenue Anticipation Notes bearing interest at 2.0 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on June 1, 2012. On February 9, 2012, the District issued \$3,140,000 Tax and Revenue Anticipation Notes bearing interest at 2.0 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on December 31, 2012. Repayment requirements are that 100 percent of principal and interest be set aside within the County Treasury and held in a restricted account by October 31, 2012. The District has recorded the cash available to make the principal and interest payments as Cash with Fiscal Agent and with the corresponding liability as a current loan.

Changes in the outstanding liabilities for the Tax and Revenue Anticipation Notes is as follows:

Issue Date	Rate	Maturity Date	Outstanding July 1, 2011	Additions	Payments	Outstanding June 30, 2012
April 14, 2011	2.50%	January 31, 2012	\$ 1,475,000	\$ -	\$ 1,475,000	\$ -
July 1, 2011	2.00%	June 1, 2012	-	625,000	625,000	-
February 9, 2012	2.00%	December 31, 2012	-	3,140,000	-	3,140,000
Total			<u>\$ 1,475,000</u>	<u>\$ 3,765,000</u>	<u>\$ 2,100,000</u>	<u>\$ 3,140,000</u>

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Contributions From Unifying Districts	Additions	Deductions	Balance June 30, 2012	Due in One Year
General obligation bonds	\$ 5,695,000	\$ -	\$ 410,000	\$ 5,285,000	\$ 430,000
Compensated absences - net	120,703	67,641	-	188,344	-
Early retirement incentive	159,013	82,110	43,873	197,250	60,295
Early retirement incentive - CalSTRS	17,611	-	10,182	7,429	7,429
Capital leases	106,900	-	40,950	65,950	40,950
Other postemployment benefits	110,292	674,643	383,266	401,669	-
Total	<u>\$ 6,209,519</u>	<u>\$ 824,394</u>	<u>\$ 888,271</u>	<u>\$ 6,145,642</u>	<u>\$ 538,674</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local tax revenues. The compensated absences, early retirement incentive, early retirement incentive-CalSTRS, and other postemployment benefits will be paid by the fund for which the employee worked. Payments for the capital leases are made by the General Fund and Child Development Fund.

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Bonded Debt

The outstanding general obligation bonded debt is as follows:

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Contributions From Unifying Districts</u>	<u>Redeemed</u>	<u>Bonds Outstanding June 30, 2012</u>
2/1/89	2/1/14	6.6-9.6%	\$ 3,000,000	\$ 830,000	\$ 260,000	\$ 570,000
5/4/10	5/1/2023	4.5-5.0%	2,365,000	2,365,000	150,000	2,215,000
5/4/10	5/1/35	6.6%	2,500,000	2,500,000	-	2,500,000
Total				<u>\$ 5,695,000</u>	<u>\$ 410,000</u>	<u>\$ 5,285,000</u>

Debt Service Requirements to Maturity

The bonds mature through 2014 as follows:

Washington Union 1999 Refunding

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2013	\$ 275,000	\$ 28,500	\$ 303,500
2014	295,000	14,750	309,750
Total	<u>\$ 570,000</u>	<u>\$ 43,250</u>	<u>\$ 613,250</u>

West Fresno 2010 Refunding

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2013	\$ 155,000	\$ 101,350	\$ 256,350
2014	180,000	93,600	273,600
2015	190,000	84,600	274,600
2016	200,000	76,050	276,050
2017	205,000	67,050	272,050
2018-2022	1,155,000	189,226	1,344,226
2023	130,000	5,850	135,850
Total	<u>\$ 2,215,000</u>	<u>\$ 617,726</u>	<u>\$ 2,832,726</u>

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

West Fresno 1997 Series C

Fiscal Year	Principal	Interest to Maturity	Total
2013	\$ -	\$ 165,000	\$ 165,000
2014	-	165,000	165,000
2015	-	165,000	165,000
2016	-	165,000	165,000
2017	-	165,000	165,000
2018-2022	-	825,000	825,000
2023-2027	625,000	766,920	1,391,920
2028-2032	1,055,000	488,730	1,543,730
2033-2035	820,000	110,550	930,550
Total	<u>\$ 2,500,000</u>	<u>\$ 3,016,200</u>	<u>\$ 5,516,200</u>

Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2012, amounted to \$188,344.

PARS Early Retirement Incentive

The District entered into an agreement with five employees where the employees would be given varying amounts per participant for five years. The outstanding liability for this plan's was \$197,250 at June 30, 2012.

The annual payments are as follows:

Year Ending June 30,	Payment
2013	\$ 60,295
2014	60,295
2015	43,816
2016	16,422
2017	16,422
Total	<u>\$ 197,250</u>

Capital Leases

The District has entered into agreements to lease various facilities and equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase is summarized below:

Contributions from unifying districts	\$ 106,900
Payments	40,950
Balance, June 30, 2012	<u>\$ 65,950</u>

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2012, was \$669,128, and contributions made by the District during the year were \$376,091 (includes factor of 1.1860 to adjust for the implicit rate subsidy). Interest on the net OPEB obligation and adjustments to the annual required contribution were \$5,515 and \$(7,175), respectively, which resulted in a increase to the net OPEB obligation of \$291,377. As of June 30, 2012, the net OPEB obligation was \$401,669. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 10,000	\$ -	\$ 100	\$ 10,100
Stores inventories	-	-	40,785	40,785
Prepaid expenditures	-	-	-	-
Total Nonspendable	<u>10,000</u>	<u>-</u>	<u>40,885</u>	<u>50,885</u>
Restricted				
Legally restricted programs	1,253,975	-	653,023	1,906,998
Capital projects	-	1,933,812	631,653	2,565,465
Debt services	-	-	427,985	427,985
Total Restricted	<u>1,253,975</u>	<u>1,933,812</u>	<u>1,712,661</u>	<u>4,900,448</u>
Assigned				
Adult education program	3,726	-	-	3,726
Deferred maintenance program	151,145	-	-	151,145
Pupil transportation	4,296	-	-	4,296
Other	-	-	3,910	3,910
Total Assigned	<u>159,167</u>	<u>-</u>	<u>3,910</u>	<u>163,077</u>
Unassigned	<u>2,876,686</u>	<u>-</u>	<u>-</u>	<u>2,876,686</u>
Total Unassigned	<u>2,876,686</u>	<u>-</u>	<u>-</u>	<u>2,876,686</u>
Total	<u><u>\$ 4,299,828</u></u>	<u><u>\$ 1,933,812</u></u>	<u><u>\$ 1,757,456</u></u>	<u><u>\$ 7,991,096</u></u>

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 11 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2012, the following District major fund exceeded the budgeted amounts as follows:

Fund	Expenditures and Other Uses		
	Budget	Actual	Excess
General			
Certificated salaries	\$ 10,431,328	\$ 10,503,727	\$ 72,399
Services and other operating expenses	\$ 4,162,866	\$ 4,434,100	\$ 271,234
Debt service - interest	\$ 30,831	\$ 67,643	\$ 36,812

NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefits Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Washington Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 38 retirees and beneficiaries currently receiving benefits and 216 active plan members.

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District, the Teachers Association, the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2011-12, the District contributed \$317,109 to the plan (excluding the implicit rate subsidy factor), all of which was used for current premiums. There are no contributions from plan members.

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 669,128
Interest on net OPEB obligation	5,515
Adjustment to annual required contribution	<u>(7,175)</u>
Annual OPEB cost (expense)	667,468
Contributions made	<u>(376,091)</u>
Increase in net OPEB obligation	291,377
Net OPEB obligation, beginning of year	<u>110,292</u>
Net OPEB obligation, end of year	<u><u>\$ 401,669</u></u>

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2012	\$ 667,468	\$ 376,091	56.35%	\$ 401,669

Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2012	\$ -	\$ 6,243,965	\$ 6,243,965	0%	\$ 13,401,336	46.59%

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a five percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates ranged from an initial five percent to an ultimate rate of eight percent. The cost trend rate used for the Dental and Vision programs was four percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2012, was 30 years.

NOTE 13 - RISK MANAGEMENT

Property and Liability

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. During fiscal year ending June 30, 2012, the District contracted with Organization of Self-Insured Schools for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Workers' Compensation

For fiscal year 2012, the District participated in the Fresno County Self-Insurance Group, an insurance purchasing pool. The intent of the Fresno County Self-Insurance Group is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Fresno County Self-Insurance Group. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the Fresno County Self-Insurance Group. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Fresno County Self-Insurance Group. Participation in the Fresno County Self-Insurance Group is limited to districts that can meet the Fresno County Self-Insurance Group selection criteria.

Employee Medical Benefits

The District has contracted with the California's Valued Trust (CVT) to provide employee health benefits. CVT is a shared risk pool. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating Districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

CalSTRS

Plan Description

The District contributes to the CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, California 95826.

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011-12 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal year ending June 30, 2012, was \$849,736 and equals 100 percent of the required contributions for the year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under the CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2011-12 was 10.923 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2012, was \$339,760 and equals 100 percent of the required contributions for the year.

Other Information

Under CalSTRS law, certain early retirement incentives require the employer to pay the present value of the additional benefit which may be paid on either a current or deferred basis. The District has obligations to CalSTRS totaling \$7,429 for the current year for early retirement incentives granted to terminated employees.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$439,494 (4.855 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted and actual amounts reported in the *General Fund - Budgetary Comparison Schedule*.

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2012.

Litigation

The District is not currently a party to any legal proceedings.

Construction Commitments

As of June 30, 2012, the District had the following commitments with respect to the unfinished capital projects:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
West Fresno Middle School playfield renovation	\$ 13,000	August 31, 2012
American Union Elementary School modernization	832,000	February 28, 2013
American Union Elementary School new construction	2,100,000	July 31, 2014
Washington Union High School modernization	11,500,000	July 31, 2015
Washington Union High School stadium and athletic facilities	10,500,000	July 31, 2016
Total	<u>\$ 24,945,000</u>	

NOTE 16 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Fresno County Self-Insurance Group (FCSIG), the Organization of Self-Insured Schools (OSIS) and the California's Valued Trust (CVT) public entity risk pools. The District pays an annual premium to each entity for its health, workers' compensation, and property liability coverage. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements.

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

The District has appointed no members to the governing board of FCSIG.

During the year ended June 30, 2012, the District made payment of \$335,150 to FCSIG for workers' compensation insurance.

The District has appointed no members to the governing board of OSIS.

During the year ended June 30, 2012, the District made payment of \$143,430 to OSIS for liability and property damage insurance.

The District has appointed one member to the governing board of CVT.

During the year ended June 30, 2012, the District made payment of \$3,247,927 to CVT for health coverage.

NOTE 17 - SUBSEQUENT EVENTS

The District issued \$1,630,000 of Tax and Revenue Anticipation Notes dated July 1, 2012. The notes mature on February 1, 2013, and yield two percent interest. The notes were sold to supplement cash flow. Repayment requirements are that 100 percent of total principal and interest are due at maturity to the County Treasurer beginning December 1, 2012 through and including January 31, 2013.

NOTE 18 - FISCAL ISSUES RELATING TO BUDGET REDUCTIONS

The State of California continues to suffer the effects of a recessionary economy. California school districts are reliant on the State of California to appropriate the funding necessary to continue the level of educational services expected by the State constituency. With the implementation of education trailer bill Senate Bill 70 (Chapter 7, Statutes of 2011), 39 percent of current year funding has now been deferred to a subsequent period, creating significant cash flow management issues for districts in addition to requiring substantial budget reductions, ultimately impacting the ability of California school districts to meet their goals for educational services.

REQUIRED SUPPLEMENTARY INFORMATION

WASHINGTON UNIFIED SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variances -
	Original	Final		Favorable
				(Unfavorable)
				Final to Actual
REVENUES				
Revenue limit sources	\$ 16,051,904	\$ 16,055,547	\$ 16,013,845	\$ (41,702)
Federal sources	3,005,145	3,173,124	2,970,769	(202,355)
Other State sources	4,364,999	5,082,428	4,618,705	(463,723)
Other local sources	862,980	984,115	1,197,223	213,108
Total Revenues ¹	<u>24,285,028</u>	<u>25,295,214</u>	<u>24,800,542</u>	<u>(494,672)</u>
EXPENDITURES				
Current				
Certificated salaries	10,100,642	10,431,328	10,503,727	(72,399)
Classified salaries	3,046,156	3,163,110	3,136,804	26,306
Employee benefits	5,910,447	5,641,631	5,487,558	154,073
Books and supplies	1,008,145	1,299,253	1,185,485	113,768
Services and operating expenditures	3,536,231	4,162,866	4,434,100	(271,234)
Other outgo	150,650	84,155	11,194	72,961
Capital outlay	-	293,815	61,530	232,285
Debt service - principal	14,527	14,527	14,527	-
Debt service - interest	1,423	30,831	67,643	(36,812)
Total Expenditures ¹	<u>23,768,221</u>	<u>25,121,516</u>	<u>24,902,568</u>	<u>218,948</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>516,807</u>	<u>173,698</u>	<u>(102,026)</u>	<u>(275,724)</u>
Other Financing Sources (Uses)				
Other sources-contributions from reorganized districts	-	4,087,263	4,413,957	326,694
Transfers out	(64,965)	(31,953)	(12,103)	19,850
Net Financing Sources (Uses)	<u>(64,965)</u>	<u>4,055,310</u>	<u>4,401,854</u>	<u>346,544</u>
NET CHANGE IN FUND BALANCES	<u>451,842</u>	<u>4,229,008</u>	<u>4,299,828</u>	<u>70,820</u>
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ 451,842</u>	<u>\$ 4,229,008</u>	<u>\$ 4,299,828</u>	<u>\$ 70,820</u>

¹ On behalf payments are not included in revenues and expenditures in this schedule. In addition, due to the consolidation of Fund 11, Adult Education Fund, Fund 14, Deferred Maintenance Fund, Fund 15, Pupil Transportation Equipment Fund, and Fund 17, Special Reserve Non-Capital Fund for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the actual revenues and expenditures, however, are not included in the original and final General Fund budgets.

WASHINGTON UNIFIED SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2012**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2012	\$ -	\$ 6,243,965	\$ 6,243,965	0%	\$ 13,401,336	46.59%

SUPPLEMENTARY INFORMATION

WASHINGTON UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through California Department of Education (CDE):			
No Child Left Behind			
Title I, Part A Cluster			
Title I, Part A - Basic	84.010	14329	\$ 1,746,863
ARRA: Title I, Part A - Basic	84.389	15005	42,881
Subtotal - Title I, Part A Cluster			<u>1,789,744</u>
Title I, Part C - Migrant Education, Regular	84.011	14326	163,988
Title I, Part C - Migrant Education, Summer	84.011	10005	15,390
Title I - Part G, Advanced Placement Test Fee	84.330	14831	5,043
Title II, part A - Teacher Quality	84.367	14341	204,083
Education Technology State Grants Cluster			
Title II - Part D, EETT - Formula Grants	84.318	14334	5,812
ARRA: Title II - Part D, EETT - Formula Grants	84.386	15019	21,750
Subtotal - Education Technology State Grants Cluster			<u>27,562</u>
Title III - Immigrant Education Program	84.365	15146	13,894
Title III - Limited English Proficiency	84.365	14346	109,141
Title IV - Safe and Drug Free Schools	84.186	14347	(3,070)
Title IV - 21st Century	84.287	14349	165,074
Title VI - REAP	84.358	14356	19,427
Education Jobs Fund	84.410	25152	7,450
Vocational Education - Applied Technology	84.048	14894	45,489
Special Education Cluster			
IDEA, Basic Local Assistance	84.027	13379	322,333
IDEA, Preschool Grants, Part B, Section 619	84.173	13430	1,367
Subtotal - Special Education Cluster			<u>323,700</u>
Total U.S. Department of Education			<u>2,886,915</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Health Care Services:			
Medi-Cal Administrative Activities	93.778	10060	83,854
Total U.S. Department of Health and Human Services			<u>83,854</u>

See accompanying note to supplementary information.

WASHINGTON UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through CDE:			
Child Nutrition Cluster			
National School Lunch	10.555	13391	\$ 795,573
Especially Needy Breakfast	10.553	13526	234,633
Meals Supplements - Snack	10.555	13391	44,681
Food Distribution	10.555	13391	101,306
Subtotal - Child Nutrition Cluster			<u>1,176,193</u>
Total U.S. Department of Agriculture			<u>1,176,193</u>
Total Expenditures of Federal Awards			<u><u>\$ 4,146,962</u></u>

See accompanying note to supplementary information.

WASHINGTON UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2012

ORGANIZATION

The Washington Unified School District was unified on July 1, 2011, and consists of an area comprising approximately 99 square miles. The District operates two elementary schools, one middle school, one high school, a continuation high school, a community day school, and an independent study site. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Jim Curtis	President	2016
Antonio Rodriguez, Jr.	Vice President	2016
Frank O. Butterfield, Jr.	Clerk	2016
Steven Barra	Member	2014
Chuck Freitas	Member	2014
Dr. Henry Hendrix	Member	2014
Jim Mattos	Member	2016

ADMINISTRATION

John Pectorich	District Superintendent
Joey Campbell	Assistant Superintendent
Jill Tafoya	Assistant Superintendent
Chriz Vaz	Chief Business Official

See accompanying note to supplementary information.

WASHINGTON UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Second Period Report</u>	<u>Annual Report</u>
ELEMENTARY		
Kindergarten	158.54	158.64
First through third	479.28	476.81
Fourth through sixth	367.75	366.45
Seventh and eighth	244.95	245.15
Special education	17.58	17.49
Total Elementary	<u>1,268.10</u>	<u>1,264.54</u>
SECONDARY		
Regular classes	1,059.29	1,061.33
Continuation education	19.85	18.91
Community day	10.08	9.37
Total Secondary	<u>1,089.22</u>	<u>1,089.61</u>
Total K-12	<u><u>2,357.32</u></u>	<u><u>2,354.15</u></u>

See accompanying note to supplementary information.

WASHINGTON UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2012**

Grade Level	1982-83	Reduced 1982-83	1986-87	Reduced 1986-87	2011-12	Number of Days		Status
	Actual Minutes	Actual Minutes	Minutes Requirement	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	[1]	[1]	36,000	33,600	43,800	180	N/A	Complied
Grades 1 - 3	[1]	[1]	50,400	47,040		180	N/A	
Grade 1					55,500	180	N/A	Complied
Grade 2					55,500	180	N/A	Complied
Grade 3					55,500	180	N/A	Complied
Grades 4 - 6	[1]	[1]	54,000	50,400		180	N/A	
Grade 4					59,500	180	N/A	Complied
Grade 5					59,500	180	N/A	Complied
Grade 6					61,300	180	N/A	Complied
Grades 7 - 8	[1]	[1]	54,000	50,400		180	N/A	
Grade 7					61,300	180	N/A	Complied
Grade 8					61,300	180	N/A	Complied
Grades 9 - 12	[1]	[1]	64,800	60,480		180	N/A	
Grade 9					61,635	180	N/A	Complied
Grade 10					61,635	180	N/A	Complied
Grade 11					61,635	180	N/A	Complied
Grade 12					61,635	180	N/A	Complied

[1] The Washington Union High School District, American Union Elementary School District and West Fresno Elementary School District unified on July 1, 2011.

See accompanying note to supplementary information.

WASHINGTON UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2012.

See accompanying note to supplementary information.

WASHINGTON UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

	(Budget) 2013 ^{1,4}	2012 ⁴
GENERAL FUND		
Revenues	\$ 23,978,296	\$ 24,811,986
Other sources and transfers in	-	4,152,862
Total Revenues and Other Sources ³	<u>23,978,296</u>	<u>28,964,848</u>
Expenditures	24,564,503	24,812,479
Other uses and transfers out	-	12,103
Total Expenditures and Other Uses ³	<u>24,564,503</u>	<u>24,824,582</u>
INCREASE/(DECREASE) IN FUND BALANCE	<u>\$ (586,207)</u>	<u>\$ 4,140,266</u>
ENDING FUND BALANCE	<u>\$ 3,554,059</u>	<u>\$ 4,140,266</u>
AVAILABLE RESERVES ²	<u>\$ 2,161,008</u>	<u>\$ 2,876,686</u>
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	<u>8.8%</u>	<u>11.6%</u>
LONG-TERM OBLIGATIONS	<u>Not Available</u>	<u>\$ 6,145,642</u>
AVERAGE DAILY ATTENDANCE AT P-2	<u>2,375</u>	<u>2,357</u>

The General Fund balance was \$4,140,265. For a district this size, the State recommends available reserves of at least 3.0 percent of total general fund expenditures, transfers out, and other uses (total outgo).

The District maintained the recommended reserve level and has incurred an operating surplus. Total long-term obligations are \$6,145,642.

Average daily attendance is 2,357. Additional growth of 18 ADA is anticipated for the 2012-13 fiscal year.

As of July 1, 2011, Washington Union High School District unified with American Union Elementary School District and West Fresno Elementary School District, therefore prior year information is not available.

¹ Budget 2013 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund.

³ On behalf payments have been excluded from reserves and expenditures, and the calculation of available resources in this schedule.

⁴ General Fund amounts do not include activity related to the consolidation of the Adult Education Fund, the Deferred Maintenance Fund, the Pupil Transportation Equipment Fund, and the Special Reserve Non-Capital Fund as required by GASB Statement No. 54.

See accompanying note to supplementary information.

WASHINGTON UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012**

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund
ASSETS			
Deposits and investments	\$ 31,144	\$ 577,019	\$ 273,413
Receivables	343	165,825	973
Due from other funds	12,840	179	300,000
Stores inventories	-	40,785	-
Total Assets	<u>\$ 44,327</u>	<u>\$ 783,808</u>	<u>\$ 574,386</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 10,106	\$ 30,213	\$ 77,534
Due to other funds	34,221	55,777	-
Total Liabilities	<u>44,327</u>	<u>85,990</u>	<u>77,534</u>
Fund Balances:			
Nonspendable	-	40,885	-
Restricted	-	653,023	496,852
Assigned	-	3,910	-
Total Fund Balances	<u>-</u>	<u>697,818</u>	<u>496,852</u>
Total Liabilities and Fund Balances	<u>\$ 44,327</u>	<u>\$ 783,808</u>	<u>\$ 574,386</u>

See accompanying note to supplementary information.

County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ 134,339	\$ 425,355	\$ 1,441,270
462	2,630	170,233
-	-	313,019
-	-	40,785
<u>\$ 134,801</u>	<u>\$ 427,985</u>	<u>\$ 1,965,307</u>
\$ -	\$ -	\$ 117,853
-	-	89,998
-	-	207,851
-	-	40,885
134,801	427,985	1,712,661
-	-	3,910
<u>134,801</u>	<u>427,985</u>	<u>1,757,456</u>
<u>\$ 134,801</u>	<u>\$ 427,985</u>	<u>\$ 1,965,307</u>

WASHINGTON UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012**

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund
REVENUES			
Federal sources	\$ -	\$ 1,074,887	\$ -
Other State sources	333,294	90,292	-
Other local sources	1,064	19,072	37,132
Total Revenues	334,358	1,184,251	37,132
EXPENDITURES			
Current			
Instruction	215,170	-	-
Instruction-related activities:			
Supervision of instruction	101,097	-	-
School site administration	440	-	-
Pupil services:			
Food services	-	1,078,522	-
All other pupil services	779	-	-
Administration:			
All other administration	-	48,195	801
Plant services	3,975	16,822	78,346
Facility acquisition and construction	-	-	465,660
Debt service			
Principal	25,000	-	-
Interest and other	-	-	-
Total Expenditures	346,461	1,143,539	544,807
Excess (Deficiency) of Revenues Over Expenditures	(12,103)	40,712	(507,675)
Other Financing Sources (Uses)			
Transfers in	12,103	-	-
Other sources-contributions from reorganized districts	-	657,106	1,004,527
Net Financing Sources (Uses)	12,103	657,106	1,004,527
NET CHANGE IN FUND BALANCES	-	697,818	496,852
Fund Balance - Beginning	-	-	-
Fund Balance - Ending	\$ -	\$ 697,818	\$ 496,852

See accompanying note to supplementary information.

County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ 1,074,887
-	21,507	445,093
2,412	610,423	670,103
<u>2,412</u>	<u>631,930</u>	<u>2,190,083</u>
-	-	215,170
-	-	101,097
-	-	440
-	-	1,078,522
-	-	779
-	-	48,996
-	-	99,143
2,524	-	468,184
-	410,000	435,000
-	317,500	317,500
<u>2,524</u>	<u>727,500</u>	<u>2,764,831</u>
<u>(112)</u>	<u>(95,570)</u>	<u>(574,748)</u>
-	-	12,103
134,913	523,555	2,320,101
<u>134,913</u>	<u>523,555</u>	<u>2,332,204</u>
134,801	427,985	1,757,456
-	-	-
<u>\$ 134,801</u>	<u>\$ 427,985</u>	<u>\$ 1,757,456</u>

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2012

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amount consists of fair market value of commodities which are not reported as revenues and expenditures in the financial statements.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 4,045,656
Reconciling items:		
Food Distribution	10.555	101,306
Total Schedule of Expenditures of Federal Awards		<u>\$ 4,146,962</u>

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by *Education Code* Section 46201.

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2012

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

INDEPENDENT AUDITORS' REPORTS



**INDEPENDENT AUDITORS' 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***

Governing Board
Washington Unified School District
Fresno, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Washington Unified School District as of and for the year ended June 30, 2012, which collectively comprise Washington Unified School District's basic financial statements and have issued our report thereon dated December 14, 2012. 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.

As discussed in the Notes to the basic financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding requirements of the State of California to the K-12 educational community.

Internal Control Over Financial Reporting

Management of Washington Unified School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Washington Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Washington Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Washington Unified School District's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Washington Unified School District's financial statements are free of material misstatement, we performed tests of its 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*.

We noted certain matters that we reported to management of Washington Unified School District in a separate letter dated December 14, 2012.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, and Federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Vannoy, Eric, Day & Co., LLP

Fresno, California
December 14, 2012



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Governing Board
Washington Unified School District
Fresno, California

Compliance

We have audited Washington Unified School District's compliance 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 Washington Unified School District's major Federal programs for the year ended June 30, 2012. Washington Unified School District's major Federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Washington Unified School District's management. Our responsibility is to express an opinion on Washington Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Washington Unified School 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 of Washington Unified School District's compliance with those requirements.

In our opinion, Washington Unified School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

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

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, and Federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Vannest, Eric, Day & Co., LLP

Fresno, California
December 14, 2012



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
 Washington Unified School District
 Fresno, California

We have audited Washington Unified School District's compliance with the requirements as identified in the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-12*, applicable to Washington Unified School District's government programs as noted below for the year ended June 30, 2012. Compliance with the requirements referred to above is the responsibility of Washington Unified School District's management. Our responsibility is to express an opinion on Washington Unified School District's compliance based on our audit.

We conducted our audit 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 the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-12* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Washington Unified School 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 opinions. Our audit does not provide a legal determination of Washington Unified School District's compliance with those requirements.

In our opinion, Washington Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2012.

In connection with the audit referred to above, we selected and tested transactions and records to determine the Washington Unified School District's compliance with the State laws and regulations applicable to the following items:

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten continuance	3	Yes
Independent study	23	Yes
Continuation education	10	No (see below)
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Instructional Materials:		
General requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes
Juvenile Court Schools	8	Not Applicable
Exclusion of Pupils - Pertussis Immunization	2	Yes
Class Size Reduction Program (including in charter schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not Applicable
Districts or charter schools with only one school serving K-3	4	Not Applicable
After School Education and Safety Program:		
General requirements	4	No (see below)
After school	5	Yes
Before school	6	Not Applicable
Charter Schools:		
Contemporaneous records of attendance	3	Not Applicable
Mode of instruction	1	Not Applicable
Non classroom-based instruction/independent study	15	Not Applicable
Determination of funding for non classroom-based instruction	3	Not Applicable
Annual instruction minutes classroom based	4	Not Applicable

We did not perform testing for continuation education because the for continuation education ADA was under the level that requires testing. Additionally, the General Requirements for the After School Education and Safety Program were not performed as the Fresno County Office of Education is the grantee agency and has its own independent audit of the general requirements of the grant.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, the California Department of Finance, and Federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Vannoy, Eric, Day & Co., LLP

Fresno, California
December 14, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WASHINGTON UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2012**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010, 84.389 (ARRA)</u>	<u>Title I, Part A Cluster (includes ARRA)</u>
<u>84.027, 84.173</u>	<u>Special Education Cluster</u>
<u>10.553, 10.555</u>	<u>Child Nutrition Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

Type of auditors' report issued on compliance for programs:	<u>Unqualified</u>
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WASHINGTON UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

None reported.

WASHINGTON UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

None reported.

WASHINGTON UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

None reported.

WASHINGTON UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

AMERICAN UNION ELEMENTARY SCHOOL DISTRICT

Federal Awards Findings and Questioned Costs

Finding Identification

2011 - 1 Federal - IASA Title I Program #50000

Federal Program Information

U.S. Department of Education

Award Year: 2010-11

Catalog Number: 84.010

Passed Through: California Department of Education

Criteria or Specific Requirement

Office of Management and Budget Circular A-133

Condition

The following conditions were noted:

- A Single Plan for Student Achievement was not fully completed and the approval by District's board was on the partially completed Single Plan for Student Achievement.
- Non-employee costs charged to Title I were not included in the Single Plan Budget, nor was the budget revised to include those costs.
- A \$1,200 fee for an Eagle Software (Aeries) conference for four district employees was charged to the program incorrectly.
- A combination Art and GATE instructor was improperly charged to the program and her salary and benefits were not part of the budgeted payroll costs.

Effect

IASA Title I requirements for allowable costs and having a complete, revised and approved comprehensive Single Plan for Student Achievement were not properly met.

Cause

The Single Plan for Student Achievement was not properly followed for the school year. Costs were charged to Title I that were not included in the Single Plan Budget, and salary costs were charged that were not allowable under the Title I program.

WASHINGTON UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

Questioned Costs

The failure to fully follow the Single Plan for Student Achievement results in potential questioned costs of \$17,027 charged to Title I. The composition of these costs is: \$4,698 for the unbudgeted materials and supplies and \$12,329 for salary and benefit costs.

Recommendation

The Project Director needs to work with the site council to ensure their understanding of the Title I requirements. Site council should be given a tentative site plan and budget for adoption and be sure they review and update it during the year. Listings of proposed materials and supplies purchases should be approved by the site council. The Site Council should be presented with properly revised budgets for their approval during the school year and those revised plans also need the approval of the District's Board.

Current Status

Implemented.

Finding Identification

2011 - 2 *National School Lunch Program (NSLP) - Single and Multi-Funded Employees #50000*

Federal Program Information

U.S. Department of Education

Award Year: 2010-11

Catalog Number: 10.555

Passed Through: California Department of Education

Criteria or Specific Requirement

California School Accounting Manual - Documenting Federally Funded Salaries and Wages, Proration of multi-funded positions and Office of Management and Budget (OMB) Circular A-87.

Condition

The District did not maintain the required time accounting reports to support the salaries of the tested classified employees being charged to the NSLP Program.

Effect

The District is not in compliance with the requirement for the documentation of both single funded and multi-funded employees.

WASHINGTON UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

Cause

District personnel did not maintain semi-annual certifications for employees charged to the single cost objective, and did not maintain monthly reports as required for multi-funded positions.

Questioned Costs

\$108,125 in salaries and benefits were charged to the National School Lunch Program for the employees tested. We are not able to determine what costs may be disallowed, if any.

Recommendation

The District is required to maintain semi-annual certification for employees charged to a single cost objective, and monthly time accounting reports to support the allocation of multi-funded employee salaries being funded from multiple funding sources.

Current Status

Implemented.

State Awards Findings and Questioned Costs

Finding Identification

2011 - 3 *Attendance - Records* #10000

Criteria or Specific Requirement

Education Code Section 46000

Condition

During our analysis of attendance records, we noted that Form Annual Report of Attendance was incorrectly prepared. The summary spreadsheet used to consolidate the information reported on the Annual Report did not properly calculate independent study average daily attendance (ADA) for Kindergarten.

Effect

This exception results in an increase of 0.02 ADA on the Annual Report of Attendance for Kindergarten.

Cause

The excel spreadsheet used to summarize the Annual attendance information incorrectly calculated the Kindergarten independent study ADA due to a formula error.

Questioned Costs

There are no questioned costs since the District is funded on their P-2 ADA.

WASHINGTON UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

Recommendation

District attendance personnel should update the spreadsheets used to ensure proper calculation of ADA.

Current Status

Implemented.

Finding Identification

2011 - 4 *Attendance - Class Size Reduction* #10000

Criteria or Specific Requirement

Education Code Section 52122

Condition

The class size reported on the Form J-7 CSR was incorrectly reported for one Grade Three class.

Effect

The District incorrectly reported one of the eight class sizes on the Form J-7 CSR.

Cause

The District incorrectly calculated the average for Grade Three, due to the combining of two classes. The District calculated two class averages although only one class existed as of April 15th. These class averages were added and reported as one class on the J-7 CSR Form. The District should have only included the class average for the class in existence on April 15th.

Questioned Costs

Total eligible pupils increased from 130 pupils originally reported to 135 pupils generating questioned costs of \$5,355 (\$1,071 x 5 pupils).

The schedule below displays the changes to the class size affected by this error:

Originally Reported

Section C: Grade Three

24.95 or greater pupils x 1 classes = 14

(30% Reduction: 20 x 30% = 6; 20-6 = 14)

Audited

Section C: Grade Three

19 pupils x 1 class = 19 pupils

WASHINGTON UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

Recommendation

We recommend a supplementary review of all attendance information submitted to California Department of Education (CDE) be implemented to help reduce clerical errors in the reporting process. The District should also review the instructions for preparing Form J-7 CSR and all supporting documentation prior to submission to CDE. The District should file a corrected report.

Current Status

Implemented.

WEST FRESNO ELEMENTARY SCHOOL DISTRICT

Financial Statement Findings

2011-01 DEFICIENCY - INTERNAL CONTROL - ASSOCIATED STUDENT BODY (30000)

Criteria

Education Code Section 48930 (and California Department of Education's "Accounting Procedures for Student Organizations Handbook") requires student body organizations to follow the regulations set by the Governing Board of the school district.

Condition

At West Fresno Middle School, there is no indication of review of the monthly bank reconciliation.

Effect

There exists the risk that ASB funds could potentially be misappropriated.

Cause

Adequate internal control procedures have not been implemented or enforced.

Fiscal Impact

Not applicable.

Recommendation

Processes indicating a formal review of the monthly bank reconciliation should be implemented.

WASHINGTON UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

Corrective Action Plan

The District has implemented processes to ensure bank reconciliations are formally reviewed in a timely manner.

Current Status

Implemented.

2011-02 DEFICIENCY - INTERNAL CONTROL - CASH IN COUNTY TREASURY (30000)

Criteria

Internal Controls - Safeguarding of Assets

Condition

Fresno County Office of Education reconciles the District's Cash in County Treasury balances. The District is notified of the reconciliations by a message when end-users log into the County's VPN. However, the reconciliations or other documentation to support the District's review of the reconciliation are not retained.

Effect

There exists the risk that funds could be misappropriated.

Cause

The District reviews the reconciliations online. However, after a determined period of time, the reconciliation is no longer available to review online. No other documentation or copies were retained by the District.

Fiscal Impact

Not applicable.

Recommendation

The District should implement a process to document who completed the review of the reconciliation and the timing of when the reconciliation was reviewed.

Corrective Action Plan

The District agrees with the finding and will implement a process of reconciliation of Cash in County Treasury Monthly. The District will work with the Fresno County Office of Education to determine how best to accomplish this objective.

WASHINGTON UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

Current Status

Implemented.

2011-03 DEFICIENCY - INTERNAL CONTROL - ACCRUED VACATION (30000)

Criteria

Internal Controls - Safeguarding of Assets

Condition

The District is not enforcing their accrued vacation maximum of 40 hours per employee.

Effect

The District has a liability for compensated absences that may continue to increase. Upon termination of employees, the District will have to pay this liability.

Cause

Adequate internal control procedures have not been implemented to ensure all employees adhere to District policy.

Fiscal Impact

Eight employees, have exceeded the 40 hour vacation accrual limit. This represents an additional accrual of \$18,000.

Recommendation

The District should implement a process to ensure employees do not exceed the maximum 40 hour vacation accrual. In addition, the District should encourage employees to reduce their vacation liability.

Corrective Action Plan

The District agrees with the finding and will work with employees to reduce the vacation liability

Current Status

Implemented.

WASHINGTON UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

State Awards Findings and Questioned Costs

2011-04 ATTENDANCE - REGULAR AND SPECIAL DAY CLASSES (10000)

Criteria

Attendance Accounting and Reporting in California Public Schools, Title 5, CCR, Sections 401 and 421 (b), and Education Code Section 44809 - Each LEA must develop and maintain accurate and adequate records to support the attendance reported to the State.

Condition

At West Fresno Elementary School, one student was improperly identified as present despite an absence note indicating the student was absent.

Effect

The extrapolated effect of the error is an overstatement of 0.92 ADA.

Cause

A clerical error related to the daily recording of attendance resulted in a misstatement of attendance.

Fiscal Impact

The extrapolated effect of the error is an overstatement of 0.92 ADA, representing approximately \$5,700 in Revenue Limit funding.

Recommendation

The District should revise the Second Period Report of Attendance.

Corrective Action Plan

The District will revise their Second Period Report of Attendance.

Current Status

Implemented.

2011-05 STATE COMPLIANCE - CLASSROOM TEACHER SALARIES (61000)

Criteria

Education Code Section 41372 requires elementary school districts to expend 60 percent of the District's current expense of education towards payment of salaries for classroom teachers.

WASHINGTON UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

Condition

The District did not comply with minimum expenditure amounts related to classroom salaries and benefits as a percentage of current costs of education. The District Adjusted Current Expense of Education (CEE) was \$8,377,613. For an elementary school district, the State requires a minimum of 60% of the CEE relate to classroom salaries and benefits. The District's classroom salaries and benefits were \$4,681,854 or 4% below the required minimum amount.

Effect

The District is not in compliance by 4% or \$344,714.

Cause

The District's expenditures related to salaries and benefits for classroom related activities did not comply with required minimums.

Fiscal Impact

The District is not in compliance by 4% or \$344,714.

Recommendation

The District should review the calculation during the budgeting process to ensure compliance with State requirements.

Corrective Action Plan

The District will implement procedures to review the calculation during the budgeting process.

Current Status

Implemented.



December 14, 2012

Governing Board
Washington Unified School District
Fresno, California

In planning and performing our audit of the financial statements of Washington Unified School District for the year ended June 30, 2012, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted a matter that is an opportunity for strengthening internal controls and operating efficiency. The following item represents a condition noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 14, 2012, on the financial statements of Washington Unified School District.

WASHINGTON UNION HIGH SCHOOL – ASSOCIATED STUDENT BODY (ASB)

Cash Receipts - Timely Deposits

Finding

During our audit of cash receipts, we noted that deposits are not made timely to the ASB bookkeeper. Specifically, the FFA club submitted a deposit on October 21, 2011 with sub-receipts dated September 14, 2011 and August 26, 2011. We also noted that cash logs did not contain the date of when the monies were received. With the date omitted, we could not determine the timeliness of the deposit.

Recommendation

At a minimum, deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high activity there may be a need to make more than one deposit. The District should establish guidelines for this procedure including the maximum cash on hand that should be maintained at the site. Additionally, the site should implement procedures that require all cash logs to be dated.

We will review the status of the current year comments during our next audit engagement.

Fresno, California
December 14, 2012