

WASHINGTON UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2014

WASHINGTON UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Governing Board
Washington Unified School District
Fresno, California

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-2014*, 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above 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, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As discussed in Note 1 to the financial statements, the District has elected to change its method of accounting for cost of debt issuance as prescribed by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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 5 through 12, budgetary comparison information and other postemployment benefit information on pages 50 and 51, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Washington Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and 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*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2014, on our consideration of the Washington Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Washington Unified School District's internal control over financial reporting and compliance.

Vannink, Trine, Day & Co, LLP

Fresno, California
December 2, 2014



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, 2014. 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 third 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 two 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 trust and agency funds. Trust funds focus reporting on net position and changes in net position, and agency funds report only 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.

Board of Trustees

WASHINGTON UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* 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 position and changes in them. Net position is 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 position will serve as a useful indicator of whether the financial position of the District 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 Position* 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, 2014

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 *Statement of Fiduciary Net Position* and in the *Statement of Changes in Fiduciary Net Position*. 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 2013-2014 fiscal year. Prudent budgeting techniques and strategic planning help the district maximize supplemental 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 District maintained reserves in excess of the three percent requirement. The District maintained these reserves and had an excess of expenditures over revenue of \$40,220 in its second year of operation. The ending General Fund balance for 2013-2014 is \$4,330,988. This represents a 13.39 percent 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 years when the State is deferred substantial amounts of apportionment revenue.

WASHINGTON UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$14,109,795 for the fiscal year ended June 30, 2014. Of this amount, \$1,692,055 was restricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities		
	2014	2013 Restated	Variance
Assets			
Current and other assets	\$ 18,245,431	\$ 20,509,235	\$ (2,263,804)
Capital assets	31,660,235	19,358,537	12,301,698
Total Assets	<u>49,905,666</u>	<u>39,867,772</u>	<u>10,037,894</u>
Liabilities			
Current liabilities	4,241,011	6,280,874	(2,039,863)
Long-term obligations	31,554,860	18,961,596	12,593,264
Total Liabilities	<u>35,795,871</u>	<u>25,242,470</u>	<u>10,553,401</u>
Net Position			
Net investment in capital assets	10,357,248	9,837,693	519,555
Restricted	1,692,055	3,220,415	(1,528,360)
Unrestricted	2,060,492	1,567,194	493,298
Total Net Position	<u>\$ 14,109,795</u>	<u>\$ 14,625,302</u>	<u>\$ (515,507)</u>

The \$2,060,492 in unrestricted net position of governmental activities represents the accumulated results of the current year's operations.

WASHINGTON UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

Changes in Net Position

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		
	2014	2013	Variance
Revenues			
Program revenues:			
Charges for services	\$ 35,770	\$ 68,493	\$ (32,723)
Operating grants and contributions	5,180,672	7,737,147	(2,556,475)
Capital grants and contributions	-	832,410	(832,410)
General revenues:			
Federal and State aid not restricted	20,416,312	17,607,669	2,808,643
Property taxes, general purposes	2,415,388	2,216,367	199,021
Property taxes, debt service	1,033,016	798,302	234,714
Taxes, other specific purposes	49,267	48,961	306
Other general revenues	1,343,281	995,631	347,650
Total Revenues	<u>30,473,706</u>	<u>30,304,980</u>	<u>168,726</u>
Expenses			
Instruction related	18,930,734	19,086,210	(155,476)
Student support services	4,359,492	4,038,204	321,288
Administration	2,380,276	2,287,389	92,887
Maintenance and operations	2,944,955	2,875,799	69,156
Other	2,373,756	1,516,472	857,284
Total Expenses	<u>30,989,213</u>	<u>29,804,074</u>	<u>1,185,139</u>
Change in Net Position	<u>\$ (515,507)</u>	<u>\$ 500,906</u>	<u>\$ (1,016,413)</u>

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was \$30,989,213. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$3,497,671 because the cost was paid by those who benefited from the programs (\$35,770) or by other governments and organizations who subsidized certain programs with grants and contributions (\$5,180,672). We paid for the remaining "public benefit" portion of our governmental activities with \$21,759,593 in Federal and State funds and other revenues, like interest and general entitlements.

WASHINGTON UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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		
	2014	2013	Variance
Instruction related	\$ 15,527,506	\$ 13,507,897	\$ 2,019,609
Pupil services	2,978,480	1,378,515	1,599,965
General administration	2,155,186	2,089,896	65,290
Maintenance and operations	2,912,007	2,855,086	56,921
Other	2,199,592	1,334,630	864,962
Total	\$ 25,772,771	\$ 21,166,024	\$ 4,606,747

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 September 3, 2014. 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, 2014, the District had \$31,660,235 in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment (Table 4).

Table 4

	Governmental Activities		
	2014	2013	Variance
Land	\$ 2,432,571	\$ 458,583	\$ 1,973,988
Construction in progress	18,609,292	8,180,480	10,428,812
Land improvements	1,438,951	1,395,960	42,991
Buildings and improvements	7,997,896	8,218,326	(220,430)
Equipment	1,181,525	1,105,188	76,337
Total	\$ 31,660,235	\$ 19,358,537	\$ 12,225,361

WASHINGTON UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

This year's additions to capital assets include additions for land and work in progress for construction projects that are in progress.

Several capital projects are planned for the 2014-2015 year. We anticipate capital additions to be approximately \$11 million for the 2014-2015 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 \$31,554,860 in obligations outstanding. Those obligations consisted of:

Table 5

	Governmental Activities		
	2014	2013	Variance
General obligation bonds	\$ 16,880,378	\$ 17,497,224	\$ (616,846)
Certificates of participation	12,995,000	\$ -	12,995,000
Compensated absences	246,756	174,999	71,757
Early retirement incentive	628,952	584,225	44,727
Early retirement incentive - CalSTRS	1,995	4,712	(2,717)
Capital leases	56,727	94,612	(37,885)
Other postemployment benefits	745,052	605,824	139,228
Total	\$ 31,554,860	\$ 18,961,596	\$ 12,593,264

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.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2013-2014 ARE NOTED BELOW:

Projects in progress include the American Union modernization along with the Washington Union High School Modernization project which includes the athletic stadium, renovating classroom, school safety and access, technology and athletic facilities.

The District concluded the 2013-2014 negotiations for both the certificated and classified bargaining units, after combining all three prior district contracts and creating a new and equitable contract.

WASHINGTON UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2014-2015 fiscal year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are:

The enactment of the new Local Control Funding Formula (LCFF) and the pace of California's economic recovery are important factors affecting the District's future. At full implementation projected to be in the fiscal year 2020-2021, LCFF is anticipated to bring the District an additional \$6.5 million per year in state revenues as compared to 2012-2013 state funding levels. Full implementation is planned to span eight years but will vary depending on the pace of California's economic recovery.

Expenditures are based on prior year spending levels. Staffing costs are planned to increase or to remain the same during the new budget year, based on new revenue and addressing program needs. The District has budgeted supplies, services and operating expenses to remain the same as the prior year.

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
2888 S. Ivy Avenue, Fresno, CA. 93706
(559) 495-5600*

WASHINGTON UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2014

	Governmental Activities
ASSETS	
Deposits and investments	\$ 13,826,986
Receivables	4,418,445
Nondepreciable capital assets	21,041,863
Capital assets being depreciated	22,825,894
Accumulated depreciation	<u>(12,207,522)</u>
Total Assets	<u>49,905,666</u>
LIABILITIES	
Accounts payable	2,095,826
Unearned revenue	445,185
Current loans	1,700,000
Current portion of long-term obligations	609,114
Noncurrent portion of long-term obligations	<u>30,945,746</u>
Total Liabilities	<u>35,795,871</u>
NET POSITION	
Net investment in capital assets	10,357,248
Restricted for:	
Debt service	602,051
Capital projects	73,805
Educational programs	647,741
Other activities	368,458
Unrestricted	<u>2,060,492</u>
Total Net Position	<u>\$ 14,109,795</u>

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

WASHINGTON UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
Governmental Activities:				
Instruction	\$ 15,649,435	\$ 4,447	\$ 2,878,249	\$ (12,766,739)
Instruction-related activities:				
Supervision of instruction	1,014,546	5	285,636	(728,905)
Instructional library, media, and technology	251,252	-	227,995	(23,257)
School site administration	2,015,501	-	6,896	(2,008,605)
Pupil services:				
Home-to-school transportation	1,374,274	-	3,224	(1,371,050)
Food services	1,279,856	23,068	781,561	(475,227)
All other pupil services	1,705,362	-	573,159	(1,132,203)
Administration:				
Data processing	434,692	-	41,603	(393,089)
All other administration	1,945,584	1,248	182,239	(1,762,097)
Plant services	2,944,955	846	32,102	(2,912,007)
Ancillary services	746,651	-	41,907	(704,744)
Interest on long-term obligations	1,372,809	-	-	(1,372,809)
Other outgo	254,296	6,156	126,101	(122,039)
Total Governmental Activities	\$ 30,989,213	\$ 35,770	\$ 5,180,672	(25,772,771)
General revenues and subventions:				
Property taxes, levied for general purposes				2,415,388
Property taxes, levied for debt service				1,033,016
Taxes levied for other specific purposes				49,267
Federal and State aid not restricted to specific purposes				20,416,312
Interest and investment earnings				133,600
Miscellaneous				1,209,681
Subtotal, General Revenues				25,257,264
Change in Net Position				(515,507)
Net Position - Beginning as Restated				14,625,302
Net Position - Ending				\$ 14,109,795

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

WASHINGTON UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014

	General Fund	Building Fund	Non-Major Governmental Funds
ASSETS			
Deposits and investments	\$ 3,909,093	\$ 8,890,634	\$ 1,027,259
Receivables	4,145,855	13,741	258,849
Due from other funds	168,384	-	54,844
Total Assets	\$ 8,223,332	\$ 8,904,375	\$ 1,340,952
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,693,597	\$ 275,257	\$ 126,972
Due to other funds	54,844	-	168,384
Current loans	1,700,000	-	-
Unearned revenue	443,903	-	1,282
Total Liabilities	3,892,344	275,257	296,638
Fund Balances:			
Nonspendable	10,000	-	100
Restricted	647,741	8,629,118	946,730
Assigned	69,433	-	-
Unassigned	3,603,814	-	97,484
Total Fund Balances	4,330,988	8,629,118	1,044,314
Total Liabilities and Fund Balances	\$ 8,223,332	\$ 8,904,375	\$ 1,340,952

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

**Total
Governmental
Funds**

\$ 13,826,986
4,418,445
223,228

\$ 18,468,659

\$ 2,095,826
223,228
1,700,000
445,185

4,464,239

10,100
10,223,589
69,433
3,701,298

14,004,420

\$ 18,468,659

WASHINGTON UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Total Fund Balance - Governmental Funds		\$ 14,004,420
Amounts Reported for Governmental Activities in the Statement of Net Position 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	\$ 43,867,757	
Accumulated depreciation is	<u>(12,207,522)</u>	
Net Capital Assets		31,660,235
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.		
General obligation bonds	16,880,378	
Compensated absences	246,756	
Early retirement incentive	628,952	
Early retirement incentive - CalSTRS	1,995	
Capital leases	56,727	
Certificates of participation	12,995,000	
Other postemployment benefits	<u>745,052</u>	
Total Long-Term Obligations		<u>(31,554,860)</u>
Total Net Position - Governmental Activities		<u><u>\$ 14,109,795</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, 2014**

	General Fund	Building Fund
REVENUES		
Local Control Funding Formula	\$ 21,623,128	\$ -
Federal sources	2,274,018	-
Other State sources	2,254,219	-
Other local sources	1,453,313	51,835
Total Revenues	27,604,678	51,835
EXPENDITURES		
Current		
Instruction	14,878,389	-
Instruction-related activities:		
Supervision of instruction	952,777	-
Instructional library, media and technology	249,234	-
School site administration	1,960,722	-
Pupil services:		
Home-to-school transportation	1,283,698	-
Food services	43,013	-
All other pupil services	1,695,379	-
Administration:		
Data processing	454,948	-
All other administration	1,829,213	-
Plant services	2,817,504	28,542
Facility acquisition and construction	221,728	11,784,919
Ancillary services	751,641	-
Other outgo	269,482	-
Debt service		
Principal	12,885	-
Interest and other	90,283	675,248
Total Expenditures	27,510,896	12,488,709
Excess (Deficiency) of Revenues Over Expenditures	93,782	(12,436,874)
Other Financing Sources (Uses)		
Transfers in	-	-
Other sources	-	12,995,000
Transfers out	(53,562)	-
Net Financing Sources (Uses)	(53,562)	12,995,000
NET CHANGE IN FUND BALANCES	40,220	558,126
Fund Balance - Beginning	4,290,768	8,070,992
Fund Balance - Ending	\$ 4,330,988	\$ 8,629,118

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

Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 21,623,128
1,145,529	3,419,547
432,233	2,686,452
1,134,617	2,639,765
<u>2,712,379</u>	<u>30,368,892</u>
248,943	15,127,332
57,495	1,010,272
-	249,234
1,540	1,962,262
-	1,283,698
1,181,035	1,224,048
836	1,696,215
-	454,948
72,270	1,901,483
88,370	2,934,416
688,615	12,695,262
-	751,641
-	269,482
620,000	632,885
629,124	1,394,655
<u>3,588,228</u>	<u>43,587,833</u>
<u>(875,849)</u>	<u>(13,218,941)</u>
53,562	53,562
-	12,995,000
-	(53,562)
<u>53,562</u>	<u>12,995,000</u>
(822,287)	(223,941)
1,866,601	14,228,361
<u>\$ 1,044,314</u>	<u>\$ 14,004,420</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, 2014

Total Net Change in Fund Balances - Governmental Funds	\$ (223,941)
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 Position 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	\$ 12,996,022
Depreciation expense	<u>(694,324)</u>
Net Expense Adjustment	12,301,698
Proceeds received from the sale of certificates of participation is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.	(12,995,000)
In governmental funds, debt premiums are recognized as revenues. In the government-wide statements, premiums are amortized over the life of the debt.	21,846
In the Statement of Activities, compensated absences (vacations) are measured by the amounts earned during the year. Special termination benefits increased by \$44,727, CalSTRS golden handshake was paid in the amount of \$2,717. 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 \$71,757.	(113,767)
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:	(139,228)
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 Position and does not affect the Statement of Activities:	
General obligation bonds	595,000
Capital lease obligations	<u>37,885</u>
Change in Net Position of Governmental Activities	<u><u>\$ (515,507)</u></u>

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

WASHINGTON UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2014**

	<u>Scholarship Trust</u>	<u>Agency Funds</u>
ASSETS		
Deposits and investments	\$ 88,356	\$ 153,557
Total Assets	<u>88,356</u>	<u>153,557</u>
 LIABILITIES		
Due to student groups	-	\$ 153,557
Total Liabilities	<u>-</u>	<u>153,557</u>
 NET POSITION		
Reserved for scholarships	88,356	
Total Net Position	<u>\$ 88,356</u>	

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

WASHINGTON UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

	Scholarship Trust
ADDITIONS	
Private donations	\$ 16,460
Total Additions	<u>16,460</u>
DEDUCTIONS	
Scholarships awarded	6,700
Total Deductions	<u>6,700</u>
Change in Net Position	9,760
Net Position - Beginning	<u>78,596</u>
Net Position - Ending	<u><u>\$ 88,356</u></u>

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

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 a special revenue fund 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.

As a result, the General Fund reflects an increase in assets, fund balance, and revenues of \$405, \$405, and \$5, respectively.

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to expenditures for specified purposes 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 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).

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), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State Schools Facilities Fund (Proposition 1D) 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 debt.

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).

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

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 position should be reported as restricted when constraints placed on net position 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 position restricted for other activities result from special revenue funds and the restrictions on their use.

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.

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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.

Unearned Revenue Unearned 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 unearned revenue is removed from the balance sheet and revenue is recognized.

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

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2014, 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.

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 position. 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.

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 Position.

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 position as long-term obligations.

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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.

Accounts Payable and Long-Term Obligations

Accounts payable and long-term obligations are reported in the government-wide financial statements. In general, governmental fund accounts payable that are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Debt Premiums

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Debt premiums are amortized over the life of the bonds using the straight-line method.

In governmental fund financial statements, debt premiums are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources.

Current Loans

A current loan outstanding at June 30, 2014, is for a Tax Revenue and Anticipation Note. The Tax Revenue and Anticipation Note was issued as a short-term obligation to provide cash flow needs. This liability is offset with cash deposits in the County Treasurer, which have been set aside to repay the note. See Note 8 for more information on the Tax Revenue and Anticipation Notes.

Fund Balances - Governmental Funds

As of June 30, 2014, 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, 2014

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 Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets 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 position is 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 position is available. The government-wide financial statements report \$1,692,055 of restricted net position.

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, 2014

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 1 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.

Change in Accounting Principles

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

The District has implemented the provisions of this Statement for the year ended June 30, 2014.

As the result of implementing GASB Statement No. 65, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2013, by \$267,962. The decrease results from no longer deferring and amortizing bond issuance costs.

New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB 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.

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 non-employer 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.
- Pension plan assets are legally protected from the creditors of employers, non-employer 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.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

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

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2014, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 13,826,986
Fiduciary funds	241,913
Total Deposits and Investments	<u>\$ 14,068,899</u>

Deposits and investments as of June 30, 2014, consist of the following:

Cash on hand and in banks	\$ 6,302,266
Cash in revolving	10,100
Investments	7,756,533
Total Deposits and Investments	<u>\$ 14,068,899</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, 2014

General Authorizations

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

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool which purchases a combination of shorter term and longer term investments and which also times 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.

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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	\$ 6,033,313	\$ -	\$ -	\$ 6,033,313	\$ -
Guaranteed Investment Contracts	1,718,294	1,718,294	-	-	-
Certificate of Deposits	64,224	-	-	64,224	-
Mutual Funds	9,157	9,157	-	-	-
Total	<u>\$ 7,824,988</u>	<u>\$ 1,727,451</u>	<u>\$ -</u>	<u>\$ 6,097,537</u>	<u>\$ -</u>

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*. Investments in any one issuer that represent five percent or more of the total investments are as follows:

Issuer	Investment Type	Reported Amount
Piper Jaffray & Co.	Guaranteed Investment Contract	<u>\$ 1,718,294</u>

NOTE 3 - RECEIVABLES

Receivables at June 30, 2014, 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	\$ 357,204	\$ -	\$ 172,668	\$ 529,872
State Government				
State principal apportionment	3,464,998	-	-	3,464,998
Other State	306,548	-	56,927	363,475
Local Sources	17,105	13,741	29,254	60,100
Total	<u>\$ 4,145,855</u>	<u>\$ 13,741</u>	<u>\$ 258,849</u>	<u>\$ 4,418,445</u>

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Balance June 30, 2014
Governmental Activities			
Capital Assets Not Being Depreciated			
Land	\$ 458,583	\$ 1,973,988	\$ 2,432,571
Construction in process	8,180,480	10,428,812	18,609,292
Total Capital Assets Not Being Depreciated	<u>8,639,063</u>	<u>12,402,800</u>	<u>21,041,863</u>
Capital Assets Being Depreciated			
Land improvements	3,104,167	137,502	3,241,669
Buildings and improvements	15,684,849	170,003	15,854,852
Furniture and equipment	3,443,656	285,717	3,729,373
Total Capital Assets Being Depreciated	<u>22,232,672</u>	<u>593,222</u>	<u>22,825,894</u>
Less Accumulated Depreciation			
Land improvements	1,708,207	94,511	1,802,718
Buildings and improvements	7,466,523	390,433	7,856,956
Furniture and equipment	2,338,468	209,380	2,547,848
Total Accumulated Depreciation	<u>11,513,198</u>	<u>694,324</u>	<u>12,207,522</u>
Governmental Activities Capital Assets, Net	<u>\$ 19,358,537</u>	<u>\$ 12,301,698</u>	<u>\$ 31,660,235</u>

Depreciation expense was charged to functional expenses as follows:

Governmental Activities	
Instruction	\$ 430,481
School site administration	27,773
Home-to-school transportation	90,262
Food services	48,603
All other general administration	6,943
Plant services	90,262
Total Depreciation Expenses, Governmental Activities	<u>\$ 694,324</u>

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2014, are as follows:

	Interfund Receivables	Interfund Payables
Major Governmental Fund		
General	<u>\$ 168,384</u>	<u>\$ 54,844</u>
Non-Major Governmental Funds		
Child Development	1,282	99,579
Cafeteria	<u>53,562</u>	<u>68,805</u>
Total Non-Major Governmental Funds	<u>54,844</u>	<u>168,384</u>
Total All Governmental Funds	<u><u>\$ 223,228</u></u>	<u><u>\$ 223,228</u></u>

The General Fund owes the Child Development Fund for CalPERS adjustments.	\$ 1,282
The General Fund owes the Cafeteria Fund for contribution to capital outlay.	53,562
The Child Development Fund owes the General Fund for a temporary cash loan.	85,000
The Child Development Fund owes the General Fund for indirect costs.	10,578
The Child Development Fund owes the General Fund for workers' compensation premiums.	4,001
The Cafeteria Fund owes the General Fund for workers' compensation premiums.	7,113
The Cafeteria Fund owes the General Fund for indirect costs.	<u>61,692</u>
Total	<u><u>\$ 223,228</u></u>

Operating Transfers

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. Interfund transfers for the year ended June 30, 2014, consist of the following:

The General Fund transferred to the Cafeteria Fund to fund capital improvements.	<u><u>\$ 53,562</u></u>
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WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2014, consist of the following:

	General Fund	Building Funds	Non-Major Governmental Fund	Total Governmental Activities
Vendor payables	\$ 798,366	\$ 275,257	\$ 102,393	\$ 1,176,016
Deferred payroll	658,028	-	-	658,028
Salaries and benefits	237,203	-	24,579	261,782
Total	<u>\$ 1,693,597</u>	<u>\$ 275,257</u>	<u>\$ 126,972</u>	<u>\$ 2,095,826</u>

NOTE 7 - UNEARNED REVENUE

Unearned revenue at June 30, 2014, consists of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 428,493	\$ -	\$ 428,493
State categorical aid	15,410	1,282	16,692
Total	<u>\$ 443,903</u>	<u>\$ 1,282</u>	<u>\$ 445,185</u>

NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

At July 1, 2013, the District had outstanding Tax and Revenue Anticipation Notes in the amount of \$3,345,000, which matured on December 31, 2013. On July 15, 2013, the District issued \$625,000 of 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 2, 2014. On March 14, 2014 the District issued \$1,700,000 of Tax and Revenue Anticipation Notes bearing interest at 2.0 percent. The notes were issued to supplement cash flows. Interest and principal are due and payable on October 1, 2014. Repayment requirements are that 100 percent of the principal and interest be set aside within the County Treasury and held in a restricted account by July 31, 2014. The District has recorded the cash available to make the principal and interest payments within the County Pool and with the corresponding liability as a current loan.

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

Issue Date	Rate	Maturity Date	Outstanding July 1, 2013	Additions	Payments	Outstanding June 30, 2014
February 27, 2013	2.00%	December 31, 2013	\$ 3,345,000	\$ -	\$ 3,345,000	\$ -
July 15, 2013	2.00%	June 2, 2014	-	625,000	625,000	-
March 14, 2014	2.00%	October 1, 2014	-	1,700,000	-	1,700,000
Total			<u>\$ 3,345,000</u>	<u>\$ 2,325,000</u>	<u>\$ 3,970,000</u>	<u>\$ 1,700,000</u>

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due in One Year
General obligation bonds	\$ 16,820,000	\$ -	\$ 595,000	\$ 16,225,000	\$ 390,000
General obligation bonds premium	677,224	-	21,846	655,378	21,846
Certificates of participation	-	12,995,000	-	12,995,000	-
Compensated absences - net	174,999	71,757	-	246,756	-
Early retirement incentive - PARS	584,225	194,476	149,749	628,952	181,889
Early retirement incentive - CalSTRS	4,712	-	2,717	1,995	1,995
Capital leases	94,612	-	37,885	56,727	13,384
Other postemployment benefits	605,824	699,419	560,191	745,052	-
Total	<u>\$ 18,961,596</u>	<u>\$ 13,960,652</u>	<u>\$ 1,367,388</u>	<u>\$ 31,554,860</u>	<u>\$ 609,114</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local tax revenues. Payments on the certificates of participation are made by the Building Fund. 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, 2014

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>Bonds Outstanding July 1, 2013</u>	<u>Redeemed</u>	<u>Bonds Outstanding June 30, 2014</u>
2/1/89	2/1/2014	6.6-9.6%	\$ 3,000,000	\$ 295,000	\$ 295,000	\$ -
5/4/10	5/1/2023	4.5-5.0%	2,365,000	2,060,000	180,000	1,880,000
5/4/10	5/1/2035	6.6%	2,500,000	2,500,000	-	2,500,000
11/6/12	8/1/2028	2.0-5.0%	11,965,000	11,965,000	120,000	11,845,000
Total				<u>\$ 16,820,000</u>	<u>\$ 595,000</u>	<u>\$ 16,225,000</u>

Debt Service Requirements to Maturity

The bonds mature as follows:

West Fresno 2010 Refunding

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2015	\$ 190,000	\$ 84,600	\$ 274,600
2016	200,000	76,050	276,050
2017	205,000	67,050	272,050
2018	215,000	57,826	272,826
2019	220,000	48,150	268,150
2020-2023	850,000	89,100	939,100
Total	<u>\$ 1,880,000</u>	<u>\$ 422,776</u>	<u>\$ 2,302,776</u>

West Fresno 1997 Series C

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2015	\$ -	\$ 165,000	\$ 165,000
2016	-	165,000	165,000
2017	-	165,000	165,000
2018	-	165,000	165,000
2019	-	165,000	165,000
2020-2024	140,000	825,000	965,000
2025-2029	865,000	672,210	1,537,210
2030-2034	1,205,000	344,850	1,549,850
2035	290,000	19,140	309,140
Total	<u>\$ 2,500,000</u>	<u>\$ 2,686,200</u>	<u>\$ 5,186,200</u>

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Washington Unified 2012 Series A

Fiscal Year	Principal	Interest to Maturity	Total
2015	\$ 200,000	\$ 497,831	\$ 697,831
2016	220,000	493,831	713,831
2017	250,000	487,231	737,231
2018	245,000	479,731	724,731
2019	95,000	472,381	567,381
2020-2024	775,000	2,303,255	3,078,255
2025-2029	1,590,000	2,131,157	3,721,157
2030-2034	2,475,000	1,788,602	4,263,602
2035-2039	2,665,000	1,255,250	3,920,250
2040-2043	3,330,000	435,500	3,765,500
Total	<u>\$ 11,845,000</u>	<u>\$ 10,344,769</u>	<u>\$ 22,189,769</u>

Certificates of Participation

On October 1, 2103, the Washington Unified School District issued certificates of participation in the amount of \$12,995,000 with interest rates ranging from 2.0 to 5.3 percent. As of June 30, 2014, the principal balance outstanding was \$12,995,000.

The certificates mature through 2034 as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ -	\$ 536,213	\$ 536,213
2016	500,000	531,213	1,031,213
2017	510,000	521,113	1,031,113
2018	520,000	510,813	1,030,813
2019	535,000	497,588	1,032,588
2020-2024	2,925,000	2,217,256	5,142,256
2025-2029	3,535,000	1,569,591	5,104,591
2030-2034	4,470,000	602,544	5,072,544
Total	<u>\$ 12,995,000</u>	<u>\$ 6,986,331</u>	<u>\$ 19,981,331</u>

Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2014, amounted to \$246,756.

PARS Early Retirement Incentive

The District entered into an agreement with 18 employees where the employees would be given varying amounts per participant for five years. The outstanding liability for this plan was \$628,952 at June 30, 2014.

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

The annual payments are as follows:

Year Ending June 30,	Payment
2015	\$ 181,889
2016	154,495
2017	154,495
2018	138,073
Total	<u>\$ 628,952</u>

CalSTRS - Early Retirement Incentive

The remaining obligation for the CalSTRS early retirement is \$1,995, and will be repaid by June 30, 2015.

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:

Balance, July 1, 2013	\$ 94,612
Payments	37,885
Balance, June 30, 2014	<u>\$ 56,727</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2015	\$ 15,579
2016	15,579
2017	15,580
2018	15,580
Total	<u>62,318</u>
Less: Amount Representing Interest	5,591
Present Value of Minimum Lease Payments	<u>\$ 56,727</u>

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2014, was \$669,128, and contributions made by the District during the year were \$520,781 (includes factor of 1.19 to adjust for the implicit rate subsidy). Interest on the net OPEB obligation and adjustments to the annual required contribution were \$30,291 and \$(39,410), respectively, which resulted in an increase to the net OPEB obligation of \$139,228. As of June 30, 2014, the net OPEB obligation was \$745,052. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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
Total Nonspendable	<u>10,000</u>	<u>-</u>	<u>100</u>	<u>10,100</u>
Restricted				
Legally restricted programs	647,741	-	270,874	918,615
Capital projects	-	8,629,118	73,805	8,702,923
Debt services	-	-	602,051	602,051
Total Restricted	<u>647,741</u>	<u>8,629,118</u>	<u>946,730</u>	<u>10,223,589</u>
Assigned				
Deferred maintenance program	69,433	-	-	69,433
Total Assigned	<u>69,433</u>	<u>-</u>	<u>-</u>	<u>69,433</u>
Unassigned	3,603,814	-	97,484	3,701,298
Total	<u>\$ 4,330,988</u>	<u>\$ 8,629,118</u>	<u>\$ 1,044,314</u>	<u>\$ 14,004,420</u>

NOTE 11 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2014, the following District major fund exceeded the budgeted amounts in total as follows:

Fund	Expenditures and Other Uses		
	Budget	Actual	Excess
General			
Certificated salaries	\$ 10,862,808	\$ 11,163,299	\$ 300,491
Other outgo	\$ 64,747	\$ 109,623	\$ 44,876
Capital outlay	\$ 164,291	\$ 288,558	\$ 124,267
Debt Service - Principal	\$ 3,757	\$ 12,886	\$ 9,129
Debt Service - Interest	\$ 786	\$ 90,283	\$ 89,497

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 approximately 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 2013-2014, the District contributed \$432,837 to the plan (excluding the implicit rate subsidy factor), all of which was used for current premiums (approximately 90 percent of total premiums). Plan members receiving benefits contributed \$45,713, or approximately 10 percent of the total premiums.

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	30,291
Adjustment to annual required contribution	<u>(39,410)</u>
Annual OPEB cost (expense)	660,009
Contributions made	<u>(520,781)</u>
Increase in net OPEB obligation	139,228
Net OPEB obligation, beginning of year	605,824
Net OPEB obligation, end of year	<u><u>\$ 745,052</u></u>

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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
2014	\$ 660,009	\$ 520,781	78.91%	\$ 745,052
2013	663,082	458,927	69.21%	605,824
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 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%

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.

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2014, was 25 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, 2014, 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.

Workers' Compensation

For fiscal year 2014, 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.

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. 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, 100 Waterfront Place, West Sacramento, California 95605.

Funding Policy

Due to the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the required contribution rate for new members is 8.0 percent. "Classic" plan members are also required to contribute 8.0 percent of their salary. 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 2013-2014 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, 2014, 2013, and 2012, were \$923,006, \$880,960, and \$849,736, respectively, 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. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. 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.

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Funding Policy

As a result of the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the normal cost is 11.85 percent, which rounds to a 6.0 percent contribution rate. "Classic" plan members continue to contribute 7.0 percent. 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 2013-2014 was 11.442 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, 2014, 2013, 2012, were \$361,097, \$371,044 and \$339,760, respectively, 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 \$2,717 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 \$566,580 (5.541 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.

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, 2014.

Litigation

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

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Construction Commitments

As of June 30, 2014, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
American Union Elementary School new construction	\$ 2,278,627	January 31, 2015
Washington Union High School modernization	8,221,664	March 31, 2015
Washington Union High School stadium and athletic facilities	29,660	October 31, 2014
Washington Union High School portables	42,670	October 31, 2014
Washington Union High School re-painting	267,420	October 31, 2014
Washington Union High School Freezer	127,062	October 31, 2014
Total	\$ 10,967,103	

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 (OSS) 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.

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

During the year ended June 30, 2014, the District made payment of \$312,059 to FCSIG for workers' compensation insurance.

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

During the year ended June 30, 2014, the District made payment of \$150,742 to OSS for liability and property damage insurance.

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

During the year ended June 30, 2014, the District made payment of \$4,382,146 to CVT for health coverage.

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 17 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in the current year. As a result, the effect on the current fiscal year is as follows:

Statement of Net Position

Net Position - Beginning	\$ 14,893,264
Restatement/cost of issuance	<u>(267,962)</u>
Net Position - Beginning as Restated	<u><u>\$ 14,625,302</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

WASHINGTON UNIFIED SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variances -
	Original	Final		Favorable
				(Unfavorable)
				Final to Actual
REVENUES				
Local Control Funding Formula	\$ 17,316,636	\$ 21,282,105	\$ 21,623,128	\$ 341,023
Federal sources	2,988,378	2,796,055	2,274,018	(522,037)
Other State sources	4,989,234	1,748,922	1,687,639	(61,283)
Other local sources	917,263	1,207,639	1,453,313	245,674
Total Revenues ¹	<u>26,211,511</u>	<u>27,034,721</u>	<u>27,038,098</u>	<u>3,377</u>
EXPENDITURES				
Current				
Certificated salaries	10,548,180	10,862,808	11,163,299	(300,491)
Classified salaries	3,190,003	3,466,513	3,463,800	2,713
Employee benefits	6,312,871	6,435,419	6,273,852	161,567
Books and supplies	1,519,193	1,442,479	1,263,465	179,014
Services and operating expenditures	4,279,678	4,386,602	4,278,551	108,051
Other outgo	87,005	64,747	109,623	(44,876)
Capital outlay	72,275	164,291	288,558	(124,267)
Debt service - principal	3,757	3,757	12,885	(9,128)
Debt service - interest	786	786	90,283	(89,497)
Total Expenditures ¹	<u>26,013,748</u>	<u>26,827,402</u>	<u>26,944,316</u>	<u>(116,914)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>197,763</u>	<u>207,319</u>	<u>93,782</u>	<u>(113,537)</u>
Other Financing Sources (Uses)				
Transfers out	(53,562)	(53,562)	(53,562)	-
Net Financing Sources (Uses)	<u>(53,562)</u>	<u>(53,562)</u>	<u>(53,562)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	144,201	153,757	40,220	(113,537)
Fund Balance - Beginning	4,290,768	4,290,768	4,290,768	-
Fund Balance - Ending	<u>\$ 4,434,969</u>	<u>\$ 4,444,525</u>	<u>\$ 4,330,988</u>	<u>\$ (113,537)</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, 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, 2014**

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, 2014**

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, Basic	84.010	14329	\$ 1,529,727
Title I - Part C, Migrant Education, Regular	84.011	14326	69,993
Title I - Part G, Advanced Placement Test Fee	84.330	14831	4,680
Title III - Limited English Proficiency	84.365	14346	66,800
Title IV - 21st Century	84.287	14349	214,394
Vocational Education - Applied Technology	84.048	14894	52,082
IDEA, Basic Local Assistance	84.027	13379	336,343
Total U.S. Department of Education			<u>2,274,019</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through CDE:			
Child Nutrition Cluster			
National School Lunch	10.555	13391	849,436
Especially Needy Breakfast	10.553	13526	242,244
Meals Supplements - Snack	10.555	13391	53,848
Food Distribution - Commodities	10.555	13391	185,465
Subtotal - Child Nutrition Cluster			<u>1,330,993</u>
Total U.S. Department of Agriculture			<u>1,330,993</u>
Total Expenditures of Federal Awards			<u>\$ 3,605,012</u>

See accompanying note to supplementary information.

WASHINGTON UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2014

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
Steven Barra	President	2014
Antonio Rodriguez, Jr.	Vice President	2016
Frank O. Butterfield, Jr.	Clerk	2016
Jim Curtis	Member	2016
Chuck Freitas	Member	2014
Dr. Henry Hendrix	Member	2014
Eduardo Ruiz	Member	2014

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, 2014

	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	653.76	656.08
Fourth through sixth	427.84	428.43
Seventh and eighth	260.75	259.16
Ninth through twelfth	1,107.27	1,099.21
Total Regular ADA	<u>2,449.62</u>	<u>2,442.88</u>
Community Day School		
Ninth through twelfth	8.05	7.00
Total Community Day School	<u>8.05</u>	<u>7.00</u>
Total ADA	<u><u>2,457.67</u></u>	<u><u>2,449.88</u></u>

See accompanying note to supplementary information.

WASHINGTON UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2014**

Grade Level	1986-1987	Reduced	2013-2014 Actual Minutes	Number of Days		Status
	Minutes Requirement	1986-1987 Minutes Requirement		Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	35,000	55,515	180	N/A	Complied
Grades 1 - 3	50,400	49,000				
Grade 1			55,515	180	N/A	Complied
Grade 2			55,515	180	N/A	Complied
Grade 3			55,515	180	N/A	Complied
Grades 4 - 6	54,000	52,500				
Grade 4			60,520	180	N/A	Complied
Grade 5			60,520	180	N/A	Complied
Grade 6			61,449	180	N/A	
Grades 7 - 8	54,000	52,500				
Grade 7			61,449	180	N/A	Complied
Grade 8			61,449	180	N/A	Complied
Grades 9 - 12	64,800	63,000				
Grade 9			63,025	180	N/A	Complied
Grade 10			63,025	180	N/A	Complied
Grade 11			63,025	180	N/A	Complied
Grade 12			63,025	180	N/A	Complied

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, 2014**

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	<u>Cafeteria Fund</u>
FUND BALANCE	
Balance, June 30, 2014, Unaudited Actuals	\$ 270,974
Increase in:	
Accounts receivable	138,269
Decrease in:	
Stores inventory	(40,785)
Balance, June 30, 2014, Audited Financial Statement	<u>\$ 368,458</u>

See accompanying note to supplementary information.

WASHINGTON UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

	(Budget) 2015 ^{1,4}	2014	2013 ⁴	2012 ⁴
GENERAL FUND				
Revenues	\$ 28,664,545	\$ 27,035,732	\$ 26,161,198	\$ 24,811,986
Other sources and transfers in	-	-	6,769	4,152,862
Total Revenues and Other Sources ³	28,664,545	27,035,732	26,167,967	28,964,848
Expenditures	28,361,986	26,911,957	26,106,280	24,812,479
Other uses and transfers out	-	53,562	11,017	12,103
Total Expenditures and Other Uses ³	28,361,986	26,965,519	26,117,297	24,824,582
INCREASE/(DECREASE) IN FUND BALANCE	\$ 302,559	\$ 70,213	\$ 50,670	\$ 4,140,266
ENDING FUND BALANCE	\$ 4,493,495	\$ 4,261,149	\$ 4,190,936	\$ 4,140,266
AVAILABLE RESERVES²	\$ 3,267,074	\$ 3,603,814	\$ 2,819,500	\$ 2,876,686
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	11.5%	13.4%	10.8%	11.6%
LONG-TERM OBLIGATIONS	Not Available	\$ 31,554,860	\$ 18,961,596	\$ 6,145,642
AVERAGE DAILY ATTENDANCE AT P-2	2,458	2,458	2,429	2,357

The General Fund balance has increased by \$70,213 over the past year. The fiscal year 2014-2015 budget projects a further increase of \$302,559 (7.1 percent). 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 has incurred operating surpluses in each of the past three years and anticipates incurring an operating surplus during the 2014-2015 fiscal year. Total long-term obligations have increased by \$12,593,264 over the past year due to the issuance of certificates of participation.

Average daily attendance has increased by 29 over the past year. No change in ADA is anticipated during fiscal year 2014-2015.

¹ Budget 2015 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, and the Special Reserve Non-Capital Fund as required by GASB Statement No. 54.

See accompanying note to supplementary information.

WASHINGTON UNIFIED SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Name of Charter School</u>	<u>Included in Audit Report</u>
Anchor Academy Charter (Charter Number 1245)	No
W.E.B. DuBois Public Charter (Charter Number 0270)	No

See accompanying note to supplementary information.

WASHINGTON UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014**

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund
ASSETS			
Deposits and investments	\$ 50,673	\$ 293,252	\$ 66,200
Receivables	55,301	201,474	245
Due from other funds	1,282	53,562	-
Total Assets	\$ 107,256	\$ 548,288	\$ 66,445
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 6,395	\$ 111,025	\$ 1,871
Due to other funds	99,579	68,805	-
Unearned revenue	1,282	-	-
Total Liabilities	107,256	179,830	1,871
Fund Balances:			
Nonspendable	-	100	-
Restricted	-	270,874	64,574
Unassigned	-	97,484	-
Total Fund Balances	-	368,458	64,574
Total Liabilities and Fund Balances	\$ 107,256	\$ 548,288	\$ 66,445

See accompanying note to supplementary information.

County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ 16,846	\$ 600,288	\$ 1,027,259
66	1,763	258,849
-	-	54,844
<u>\$ 16,912</u>	<u>\$ 602,051</u>	<u>\$ 1,340,952</u>
\$ 7,681	\$ -	\$ 126,972
-	-	168,384
-	-	1,282
<u>7,681</u>	<u>-</u>	<u>296,638</u>
-	-	100
9,231	602,051	946,730
-	-	97,484
<u>9,231</u>	<u>602,051</u>	<u>1,044,314</u>
<u>\$ 16,912</u>	<u>\$ 602,051</u>	<u>\$ 1,340,952</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, 2014**

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund
REVENUES			
Federal sources	\$ -	\$ 1,145,529	\$ -
Other State sources	343,878	78,380	-
Other local sources	514	57,398	42,355
Total Revenues	344,392	1,281,307	42,355
EXPENDITURES			
Current			
Instruction	248,943	-	-
Instruction-related activities:			
Supervision of instruction	57,495	-	-
School site administration	1,540	-	-
Pupil services:			
Food services	-	1,181,035	-
All other pupil services	836	-	-
Administration:			
All other administration	10,578	61,692	-
Plant services	-	28,970	59,400
Facility acquisition and construction	-	389,985	43,712
Debt service			
Principal	25,000	-	-
Interest and other	-	-	-
Total Expenditures	344,392	1,661,682	103,112
Excess (Deficiency) of Revenues Over Expenditures	-	(380,375)	(60,757)
Other Financing Sources (Uses)			
Transfers in	-	53,562	-
Net Financing Sources (Uses)	-	53,562	-
NET CHANGE IN FUND BALANCES	-	(326,813)	(60,757)
Fund Balance - Beginning	-	695,271	125,331
Fund Balance - Ending	\$ -	\$ 368,458	\$ 64,574

See accompanying note to supplementary information.

County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ 1,145,529
-	9,975	432,233
1,940	1,032,410	1,134,617
<u>1,940</u>	<u>1,042,385</u>	<u>2,712,379</u>
-	-	248,943
-	-	57,495
-	-	1,540
-	-	1,181,035
-	-	836
-	-	72,270
-	-	88,370
254,918	-	688,615
-	595,000	620,000
-	629,124	629,124
<u>254,918</u>	<u>1,224,124</u>	<u>3,588,228</u>
<u>(252,978)</u>	<u>(181,739)</u>	<u>(875,849)</u>
-	-	53,562
-	-	53,562
<u>(252,978)</u>	<u>(181,739)</u>	<u>(822,287)</u>
262,209	783,790	1,866,601
<u>\$ 9,231</u>	<u>\$ 602,051</u>	<u>\$ 1,044,314</u>

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2014

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:		\$ 3,419,547
Reconciling items:		
Food Distribution - Commodities	10.555	<u>185,465</u>
Total Schedule of Expenditures of Federal Awards		<u><u>\$ 3,605,012</u></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. The District neither met nor exceeded its target funding. 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 the 1986-1987 requirements as required by *Education Code* Section 46201.

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2014

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 AUDITOR'S REPORTS



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

Governing Board
Washington Unified School District
Fresno, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Washington Unified School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Washington Unified School District's basic financial statements, and have issued our report thereon dated December 2, 2014.

Change in Accounting Principles

As discussed in Note 1 to the financial statements, the District has elected to change its method of accounting for cost of debt issuance as prescribed by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Washington Unified School District's financial statements are free from 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 2, 2014.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vannink, Trine, Day & Co., LLP

Fresno, California
December 2, 2014



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Governing Board
Washington Unified School District
Fresno, California

Report on Compliance for Each Major Federal Program

We have audited Washington Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Washington Unified School District's (the District) major Federal programs for the year ended June 30, 2014. Washington Unified School District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Washington Unified School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for each major Federal program. However, our audit does not provide a legal determination of Washington Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Washington Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Washington Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Washington Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Varrink, Trine, Day & Co, LLP

Fresno, California
December 2, 2014



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Washington Unified School District
Fresno, California

Report on State Compliance

We have audited Washington Unified School District's compliance with the types of compliance requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2013-2014* that could have a direct and material effect on each of the Washington Unified School District's State government programs as noted below for the year ended June 30, 2014.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Washington Unified School District's State programs based on our audit of the types of compliance requirements referred to above. 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 2013-2014*. These standards 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.

Unmodified Opinion

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, 2014.

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:

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
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	10	Yes
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
Juvenile Court Schools	8	Not Applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	No (see below)
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Not Applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Charter Schools:		
Contemporaneous Records of Attendance	8	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
Charter School Facility Grant Program	1	Not Applicable

We did not perform testing for continuation education because the continuation education ADA was under the level that requires testing. Additionally, we did not perform the recommended procedures for the California Clean Energy Jobs Act because the District did not expend any of the California Clean Energy Jobs Act funding received.

Vannink, Trine, Day & Co, LLP

Fresno, California
December 2, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WASHINGTON UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2014**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</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 Federal programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or 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>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for programs	<u>Unmodified</u>
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WASHINGTON UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

None reported.

WASHINGTON UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

None reported.

WASHINGTON UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

None reported.

WASHINGTON UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

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.

State Awards Findings and Questioned Costs

2013-1 70000

DISTRICT OFFICE

Instructional Materials Funding Realignment Program

Criteria

The Instructional Materials Funding Realignment Program (IMFRP) provides funding to districts for the purpose of purchasing standards-aligned textbooks. To receive the allowance from the state, the district's board must pass a resolution indicating whether or not each pupil has been provided with a standards-aligned textbook or basic instructional materials. Per the compliance requirement stated in *Education Code* Section 60119, a public hearing must be held on or before the eighth week from the first day pupils attended school for that year. For districts that operate on a multi-track year-round calendar, the hearing can be held on or before the eighth week from the first day pupils attended school for that year on any track that began in August or September.

Condition

During our audit of the IMFRP board resolution passed by the District's Board of Directors, we found that the District's hearing was held on October 3, 2012. This date is not within the required eight weeks from the first day pupils attended school. Additionally, we noted that the resolution does not include a written determination regarding sufficient textbooks for pupil enrolled in foreign language or health courses. It was also missing a required determination of availability of laboratory science equipment as applicable to science laboratory courses offered in grades nine through twelve.

Effect

The District was not eligible to receive an Instructional Materials Funding Realignment Program allowance for the fiscal year audited. The result is a questioned cost of the District's entire allowance for the 2012-2013 school year, \$136,074.

Cause

Due to improper scheduling, the Board hearing for the Instructional Materials Funding Realignment Program was held during the ninth week from the start of classes for students at the District. The resolution was also missing required language relating to health, foreign language and high school science classes.

WASHINGTON UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

Recommendation

The District should apply for a waiver from the Fresno County Office of Education for the questioned cost associated with this finding. The District should make sure that future hearings on the sufficiency of instructional materials are held within the eighth week of the start of classes for students as required by the California Department of Education. Also, the District must include the required language relating to health, foreign language, and high school science classes.

Current Status

Implemented.



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, 2014, 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 matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 2, 2014, on the government-wide financial statements of the District.

DISTRICT OFFICE - CAPITAL ASSETS

Observation

During our audit of the capital assets, we noted that the District did not have a system in place to track its capital assets. Without a tracking system, the District could not provide a completed inventory listing, record any new assets to the listing, or calculate the year's depreciation expense which includes any additions or disposal of assets.

Recommendation

The District should maintain a system which capitalizes and depreciates all fixed assets in accordance with their capitalization threshold and method for depreciation.

WEST FRESNO JUNIOR HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Segregation of Duties – ASB Bookkeeper a Signer on ASB Checking Accounts

Observation

We discovered that the ASB bookkeeper is performing the bank reconciliation, cash receipting, bank depositing, and check writing functions and is also an authorized signer on the ASB checking account. This represents an internal control weakness through a lack of segregation of duties.

Recommendation

The site should have a different district employee as the second signer on the ASB checking account to replace the ASB bookkeeper as long as the ASB bookkeeper is performing all other aspects of managing the ASB checking account. The ASB bookkeepers should be limited to informational access only on the account.

AMERICAN UNION ELEMENTARY - ASSOCIATED STUDENT BODY (ASB)

Cash Receipts

Observation

Prenumbered receipts or cash receipt logs should be issued for all cash collections by teachers, advisors and the site bookkeeper which would include a specific description of the source of the funds. A carbon of the receipts issued by the teachers and advisors should be forwarded with the cash to the bookkeeper as documentation that all monies collected have been turned in.

Recommendation

All cash collections by teachers/advisors for fundraisers and other similar activities should be receipted or logged. A carbon of these receipts issued or the log should be forwarded with the cash collected to the ASB bookkeeper as documentation that all monies collected have been turned in. The ASB bookkeeper should account for the receipt number sequences on all sub-receipt books to ensure that all collections are intact.

Bank Reconciliation

Observation

The ASB bank statements should be reconciled to the ASB general ledger monthly and that reconciliation should be reviewed by an independent person. Support for all deposits on the bank statement should be kept on file and readily available for observation.

Recommendation

The District should require bank reconciliations be done monthly and reviewed. If staff is not available at the site, the district office should take these tasks. All ASB deposits should have complete supporting documentation on file.

Revenue Potentials

Observation

The revenue potential form is a vital internal control tool for fundraising activities. It should be used to document revenues, expenditures, potential revenue and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential also indicates weak control areas in the fundraising procedures at the site, including lost or stolen merchandise, problems with collecting all moneys due and so forth.

Recommendation

The site should implement procedures in which all revenue potential forms are completed for all fundraisers.

Governing Board
Washington Unified School District

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

Vannink, Trine, Day & Co, LLP

Fresno, California
December 2, 2014