



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements Audit Report

Pateros School District No. 122-70J

Okanogan County

For the period September 1, 2011 through August 31, 2014

Published May 28, 2015

Report No. 1014180





Washington State Auditor

May 28, 2015

Board of Directors
Pateros School District No. 122-70J
Pateros, Washington

Report on Financial Statements

Please find attached our report on Pateros School District No. 122-70J's financial statements.

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

Sincerely,

A handwritten signature in black ink, reading "Jan M. Jutte".

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

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

**Pateros School District No. 122-70J
Okanogan County
September 1, 2011 through August 31, 2014**

Board of Directors
Pateros School District No. 122-70J
Pateros, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Pateros School District No. 122-70J, Okanogan County, Washington, as of and for the years ended August 31, 2014, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated April 30, 2015. As discussed in Note 1 to the financial statements, during the year ended August 31, 2014, the District implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

In addition, we noted certain matters that we have reported to the management of the District in a separate letter dated May 6, 2015.

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

A handwritten signature in black ink, reading "Jan M. Jutte". The signature is fluid and cursive, with a long horizontal stroke extending from the end of the name.

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

April 30, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Pateros School District No. 122-70J Okanogan County September 1, 2011 through August 31, 2014

Board of Directors
Pateros School District No. 122-70J
Pateros, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Pateros School District No. 122-70J, Okanogan County, Washington, as of and for the years ended August 31, 2014, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 10.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's

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

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

Unmodified Opinion on Regulatory Basis of Accounting (Accounting Manual)

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pateros School District No. 122-70J, as of August 31, 2014, 2013 and 2012, and the changes in financial position thereof for the years then ended in accordance with the basis of accounting described in Note 1.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General, ASB, Debt Service, Capital Project and Transportation Vehicle funds as of August 31, 2014, 2013 and 2012, and the changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of Long-Term Liabilities are presented for purposes of additional analysis, as required by the prescribed Accounting Manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

April 30, 2015

FINANCIAL SECTION

Pateros School District No. 122-70J
Okanogan County
September 1, 2011 through August 31, 2014

FINANCIAL STATEMENTS

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Balance Sheet

Governmental Funds

August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
ASSETS:							
Cash and Cash Equivalents	427,647.27	2,159.54	67,605.57	0.59	0.19	0.00	497,413.16
Minus Warrants Outstanding	-424,436.00	-8.94	0.00	0.00	0.00	0.00	-424,444.94
Taxes Receivable	360,120.32		97,641.79	0.00	0.00		457,762.11
Due From Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due From Other Governmental Units	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interfund Loans Receivable	0.00			0.00			0.00
Accrued Interest Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	0.00	0.00					0.00
Prepaid Items	0.00	0.00		0.00	0.00	0.00	0.00
Investments	249,078.00	23,247.00	83,891.00	53,195.00	149,078.00	0.00	558,489.00
Investments/Cash With Trustee	77,094.70		0.00	0.00	0.00	0.00	77,094.70
Investments-Deferred Compensation	0.00		0.00				0.00
Self-Insurance Security Deposit	0.00						0.00
TOTAL ASSETS	689,504.29	25,397.60	249,138.36	53,195.59	149,078.19	0.00	1,166,314.03
LIABILITIES:							
Accounts Payable	51,809.77	0.00	0.00	0.00	0.00	0.00	51,809.77
Contracts Payable Current	0.00	0.00		0.00	0.00	0.00	0.00
Accrued Interest Payable			0.00				0.00
Accrued Salaries	0.00	0.00		0.00			0.00
Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00
Payroll Deductions and Taxes Payable	0.00	0.00		0.00			0.00
Due To Other Governmental Units	0.00	0.00		0.00	0.00	0.00	0.00
Deferred Compensation Payable	0.00			0.00			0.00
Estimated Employee Benefits Payable	0.00						0.00
Due To Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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

Balance Sheet

Governmental Funds

August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
LIABILITIES:							
Interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	0.00	0.00		0.00			0.00
Unearned Revenue	0.00	0.00	0.00	0.00	0.00		0.00
Matured Bonds Payable			0.00				0.00
Matured Bond Interest Payable			0.00				0.00
Arbitrage Rebate Payable	0.00		0.00	0.00	0.00		0.00
TOTAL LIABILITIES	51,809.77	0.00	0.00	0.00	0.00	0.00	51,809.77
DEFERRED INFLOWS OF RESOURCES:							
Unavailable Revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unavailable Revenue - Taxes Receivable	360,120.32		97,641.79	0.00	0.00		457,762.11
TOTAL DEFERRED INFLOWS OF RESOURCES	360,120.32	0.00	97,641.79	0.00	0.00	0.00	457,762.11
FUND BALANCE:							
Nonspendable Fund Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Restricted Fund Balance	17,993.83	25,397.60	151,496.57	39,228.35	149,078.19	0.00	383,194.54
Committed Fund Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Assigned Fund Balance	0.00	0.00	0.00	13,967.24	0.00	0.00	13,967.24
Unassigned Fund Balance	259,580.37	0.00	0.00	0.00	0.00	0.00	259,580.37
TOTAL FUND BALANCE	277,574.20	25,397.60	151,496.57	53,195.59	149,078.19	0.00	656,742.15
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	689,504.29	25,397.60	249,138.36	53,195.59	149,078.19	0.00	1,166,314.03

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

Balance Sheet

Governmental Funds

August 31, 2013

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
ASSETS:							
Cash and Cash Equivalents	296,999.51	4,484.03	20,750.24	0.01	45,470.38	0.00	367,704.17
Minus Warrants Outstanding	-271,200.04	-2,333.70	0.00	0.00	0.00	0.00	-273,533.74
Taxes Receivable	335,596.08		116,463.27	0.00	0.00		452,059.35
Due From Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due From Other Governmental Units	25,609.05	0.00	0.00	0.00	0.00	0.00	25,609.05
Accounts Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interfund Loans Receivable	0.00			0.00			0.00
Accrued Interest Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	0.00	0.00					0.00
Prepaid Items	0.00	0.00		0.00	0.00	0.00	0.00
Investments	212,833.00	15,218.00	116,510.00	47,152.00	56,687.00	0.00	448,400.00
Investments/Cash With Trustee	0.00		0.00	0.00	0.00	0.00	0.00
Investments-Deferred Compensation	0.00			0.00			0.00
Self-Insurance Security Deposit	0.00						0.00
TOTAL ASSETS	599,837.60	17,368.33	253,723.51	47,152.01	102,157.38	0.00	1,020,238.83
LIABILITIES:							
Accounts Payable	17,402.33	0.00	0.00	0.00	0.00	0.00	17,402.33
Contracts Payable Current	0.00	0.00		0.00	0.00	0.00	0.00
Accrued Interest Payable			0.00				0.00
Accrued Salaries	50,000.00	0.00		0.00			50,000.00
Revenue Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00
Payroll Deductions and Taxes Payable	0.00	0.00		0.00			0.00
Due To Other Governmental Units	0.00	0.00		0.00	0.00	0.00	0.00
Deferred Compensation Payable	0.00			0.00			0.00
Estimated Employee Benefits Payable	0.00						0.00
Due To Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00

The accompanying notes are an integral part of this financial statement

Balance Sheet

Governmental Funds

August 31, 2013

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
LIABILITIES:							
Interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	0.00	0.00		0.00			0.00
Matured Bonds Payable			0.00				0.00
Matured Bond Interest Payable			0.00				0.00
Arbitrage Rebate Payable	0.00		0.00	0.00	0.00		0.00
Deferred Revenue	335,596.08	0.00	116,463.27	0.00	0.00	0.00	452,059.35
TOTAL LIABILITIES	402,998.41	0.00	116,463.27	0.00	0.00	0.00	519,461.68
FUND BALANCE:							
Nonspendable Fund Balance	5,100.00	0.00	0.00	0.00	0.00	0.00	5,100.00
Restricted Fund Balance	1,796.61	17,368.33	137,260.24	39,228.35	0.00	0.00	195,653.53
Committed Fund Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Assigned Fund Balance	66,148.00	0.00	0.00	7,923.66	102,157.38	0.00	176,229.04
Unassigned Fund Balance	123,794.58	0.00	0.00	0.00	0.00	0.00	123,794.58
TOTAL FUND BALANCE	196,839.19	17,368.33	137,260.24	47,152.01	102,157.38	0.00	500,777.15
TOTAL LIABILITIES AND FUND BALANCE	599,837.60	17,368.33	253,723.51	47,152.01	102,157.38	0.00	1,020,238.83

The accompanying notes are an integral part of this financial statement

Pateros School District No. 122

Balance Sheet

Governmental Funds

August 31, 2012

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
ASSETS:							
Cash and Cash Equivalents	351,157.37	5,399.29	567.50	9199.78	0.37	0.00	366,324.31
Minus Warrants Outstanding	-297,549.46	-3,248.48	0.00	-9,199.45	0.00	0.00	-309,997.39
Taxes Receivable	292,300.72		107,409.02	0.00	0.00		399,709.74
Due From Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due From Other Governmental Units	17,580.64	0.00	0.00	15,059.94	0.00	0.00	32,640.58
Accounts Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interfund Loans Receivable	0.00			0.00			0.00
Accrued Interest Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	0.00	0.00					0.00
Prepaid Items	0.00	0.00		0.00	0.00	0.00	0.00
Investments	227,571.00	22,853.00	90,883.00	60,827.00	84,128.00	0.00	486,262.00
Investments/Cash With Trustee	0.00		0.00	0.00	0.00	0.00	0.00
Investments-Deferred Compensation	0.00			0.00			0.00
Self-Insurance Security Deposit	0.00						0.00
TOTAL ASSETS	591,060.27	25,003.81	198,859.52	75,887.27	84,128.37	0.00	974,939.24
LIABILITIES:							
Accounts Payable	18,011.34	0.00	0.00	0.00	0.00	0.00	18,011.34
Contracts Payable Current	0.00	0.00		0.00	0.00	0.00	0.00
Accrued Interest Payable			0.00				0.00
Accrued Salaries	50,000.00	0.00		0.00			50,000.00
Revenue Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00
Payroll Deductions and Taxes Payable	-1,185.26	0.00		0.00			-1,185.26
Due To Other Governmental Units	0.00	0.00		0.00	0.00	0.00	0.00
Deferred Compensation Payable	0.00			0.00			0.00
Estimated Employee Benefits Payable	0.00						0.00
Due To Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Balance Sheet

Governmental Funds

August 31, 2012

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
LIABILITIES:							
Interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	0.00	0.00		0.00			0.00
Matured Bonds Payable			0.00				0.00
Matured Bond Interest Payable			0.00				0.00
Arbitrage Rebate Payable	0.00		0.00	0.00	0.00		0.00
Deferred Revenue	292,300.72	0.00	107,409.02	0.00	0.00	0.00	399,709.74
TOTAL LIABILITIES	359,126.80	0.00	107,409.02	0.00	0.00	0.00	466,535.82
FUND BALANCE:							
Nonspendable Fund Balance	5,100.00	0.00	0.00	0.00	0.00	0.00	5,100.00
Restricted Fund Balance	81,900.00	25,003.81	91,450.50	18,094.94	0.00	0.00	216,449.25
Committed Fund Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Assigned Fund Balance	51,409.00	0.00	0.00	57,792.33	84,128.37	0.00	193,329.70
Unassigned Fund Balance	93,524.47	0.00	0.00	0.00	0.00	0.00	93,524.47
TOTAL FUND BALANCE	231,933.47	25,003.81	91,450.50	75,887.27	84,128.37	0.00	508,403.42
TOTAL LIABILITIES AND FUND BALANCE	591,060.27	25,003.81	198,859.52	75,887.27	84,128.37	0.00	974,939.24

The accompanying notes are an integral part of this financial statement

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
REVENUES:							
Local	838,230.19	61,095.71	175,560.43	9,923.60	133.67		1,084,943.60
State	2,808,197.76		1,408.64	0.00	46,787.14		2,856,393.54
Federal	342,485.53		0.00	0.00	0.00		342,485.53
Federal Stimulus	0.00						0.00
Other	45,205.29			0.00	0.00	0.00	45,205.29
TOTAL REVENUES	4,034,118.77	61,095.71	176,969.07	9,923.60	46,920.81	0.00	4,329,027.96
EXPENDITURES:							
CURRENT:							
Regular Instruction	1,777,332.90						1,777,332.90
Federal Stimulus	0.00						0.00
Special Education	211,653.34						211,653.34
Vocational Education	167,769.62						167,769.62
Skill Center	0.00						0.00
Compensatory Programs	369,201.52						369,201.52
Other Instructional Programs	78,284.06						78,284.06
Community Services	0.00						0.00
Support Services	1,372,979.74						1,372,979.74
Student Activities/Other		53,066.44				0.00	53,066.44
CAPITAL OUTLAY:							
Sites				0.00			0.00
Building				3,880.02			3,880.02
Equipment				0.00			0.00
Instructional Technology				0.00			0.00
Energy				0.00			0.00
Transportation Equipment					0.00		0.00
Sales and Lease							0.00
Other	13,056.32			0.00			13,056.32
DEBT SERVICE:							
Principal	0.00		130,914.22	0.00	0.00		130,914.22
Interest and Other Charges	0.00		55,871.48	0.00	0.00		55,871.48
Bond/Levy Issuance				0.00	0.00		0.00
TOTAL EXPENDITURES	3,990,277.50	53,066.44	186,785.70	3,880.02	0.00	0.00	4,234,009.66

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

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
DEBT SERVICE:							
REVENUES OVER (UNDER) EXPENDITURES	43,841.27	8,029.27	-9,816.63	6,043.58	46,920.81	0.00	95,018.30
OTHER FINANCING SOURCES (USES):							
Bond Sales & Refunding Bond Sales	0.00		0.00	0.00	0.00		0.00
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	0.00		24,052.96	0.00	0.00		24,052.96
Transfers Out (GL 536)	-24,052.96		0.00	0.00	0.00	0.00	-24,052.96
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	0.00		0.00	0.00	0.00		0.00
TOTAL OTHER FINANCING SOURCES (USES)	-24,052.96		24,052.96	0.00	0.00	0.00	0.00
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	19,788.31	8,029.27	14,236.33	6,043.58	46,920.81	0.00	95,018.30
BEGINNING TOTAL FUND BALANCE	196,839.19	17,368.33	137,260.24	47,152.01	102,157.38	0.00	500,777.15
Prior Year(s) Corrections or Restatements	60,946.70	0.00	0.00	0.00	0.00	0.00	60,946.70
ENDING TOTAL FUND BALANCE	277,574.20	25,397.60	151,496.57	53,195.59	149,078.19	0.00	656,742.15

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

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2013

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
REVENUES:							
Local	606,955.49	44,065.15	188,275.53	1,695.60	92.90		841,084.67
State	2,604,901.66		1,540.46	23,757.01	45,470.35		2,675,669.48
Federal	339,365.58		0.00	0.00	0.00		339,365.58
Federal Stimulus	0.00						0.00
Other	31,399.33			0.00	0.00	0.00	31,399.33
TOTAL REVENUES	3,582,622.06	44,065.15	189,815.99	25,452.61	45,563.25	0.00	3,887,519.06
EXPENDITURES:							
CURRENT:							
Regular Instruction	1,764,893.51						1,764,893.51
Federal Stimulus	0.00						0.00
Special Education	195,327.78						195,327.78
Vocational Education	187,903.51						187,903.51
Skills Center	0.00						0.00
Compensatory Programs	278,890.64						278,890.64
Other Instructional Programs	76,530.88						76,530.88
Community Services	0.00						0.00
Support Services	1,115,697.28						1,115,697.28
Student Activities/Other		51,700.63				0.00	51,700.63
CAPITAL OUTLAY:							
Sites				0.00			0.00
Building				103,353.26			103,353.26
Equipment				0.00			0.00
Instructional Technology				0.00			0.00
Energy				49,634.61			49,634.61
Transportation Equipment					0.00		0.00
Sales and Lease				0.00			0.00
Other	0.00						0.00
DEBT SERVICE:							
Principal	0.00		124,758.61	0.00	0.00		124,758.61
Interest and Other Charges	0.00		58,808.36	0.00	0.00		58,808.36
Bond/Levy Issuance				0.00	0.00		0.00
TOTAL EXPENDITURES	3,619,243.60	51,700.63	183,566.97	152,987.87	0.00	0.00	4,007,499.07

The accompanying notes are an integral part of this financial statement

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2013

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
DEBT SERVICE:							
REVENUES OVER (UNDER) EXPENDITURES	-36,621.54	-7,635.48	6,249.02	-127,535.26	45,563.25	0.00	-119,980.01
OTHER FINANCING SOURCES (USES):							
Bond Sales & Refunding Bond Sales	0.00		0.00	98,800.00	0.00		98,800.00
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	0.00		39,560.72	0.00	0.00		39,560.72
Transfers Out (GL 536)	-12,026.48		0.00	0.00	-27,534.24	0.00	-39,560.72
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	0.00		0.00	0.00	0.00		0.00
TOTAL OTHER FINANCING SOURCES (USES)	-12,026.48		39,560.72	98,800.00	-27,534.24	0.00	98,800.00
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-48,648.02	-7,635.48	45,809.74	-28,735.26	18,029.01	0.00	-21,180.01
BEGINNING TOTAL FUND BALANCE	231,933.47	25,003.81	91,450.50	75,877.27	84,128.37	0.00	508,403.42
Prior Year(s) Corrections or Restatements	13,553.74	0.00	0.00	0.00	0.00	0.00	13,553.74
ENDING TOTAL FUND BALANCE	196,839.19	17,368.33	137,260.24	47,152.01	102,157.38	0.00	500,777.15

The accompanying notes are an integral part of this financial statement

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2012

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
REVENUES:							
Local	608,824.71	57,519.08	168,617.13	15,111.66	87.84		850,160.42
State	2,656,492.60		1,441.31	66,698.05	44,984.07		2,702,917.98
Federal	415,043.89		0.00	0.00	0.00		415,043.89
Federal Stimulus	0.00						0.00
Other	17,063.74			0.00	0.00	0.00	17,063.74
TOTAL REVENUES	3,697,424.94	57,519.08	170,058.44	81,809.71	45,071.91	0.00	4,051,884.08
EXPENDITURES:							
CURRENT:							
Regular Instruction	1,819,189.64						1,819,189.64
Federal Stimulus	0.00						0.00
Special Education	232,201.44						232,201.44
Vocational Education	196,134.71						196,134.71
Skills Center	0.00						0.00
Compensatory Programs	300,241.44						300,241.44
Other Instructional Programs	70,430.31						70,430.31
Community Services	0.00						0.00
Support Services	1,129,200.54						1,129,200.54
Student Activities/Other		58,850.11				0.00	58,850.11
CAPITAL OUTLAY:							
Sites				0.00			0.00
Building				122,008.63			122,008.63
Equipment				0.00			0.00
Instructional Technology				0.00			0.00
Energy				1,594.48			1,594.48
Transportation Equipment					0.00		0.00
Sales and Lease				0.00			0.00
Other	0.00						0.00
DEBT SERVICE:							
Principal	0.00		151,459.56	0.00	0.00		151,459.56
Interest and Other Charges	0.00		61,933.24	0.00	0.00		61,933.24
Bond/Levy Issuance				0.00	0.00		0.00
TOTAL EXPENDITURES	3,747,398.08	58,850.11	213,392.80	123,603.11	0.00	0.00	4,143,244.10

The accompanying notes are an integral part of this financial statement

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2012

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
DEBT SERVICE:							
REVENUES OVER (UNDER) EXPENDITURES	-49,973.14	-1,331.03	-43,334.36	-41,793.40	45,071.91	0.00	-91,360.02
OTHER FINANCING SOURCES (USES):							
Bond Sales & Refunding Bond Sales	0.00		0.00	0.00	0.00	0.00	0.00
Long-Term Financing	0.00			0.00	0.00	0.00	0.00
Transfers In	0.00		49,309.85	42,000.00	0.00		91,309.85
Transfers Out (GL 536)	-91,309.85		0.00	0.00	0.00	0.00	-91,309.85
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00	0.00	0.00
Other	0.00		0.00	0.00	0.00	0.00	0.00
TOTAL OTHER FINANCING SOURCES (USES)	-91,309.85		49,309.85	42,000.00	0.00	0.00	0.00
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-141,282.99	-1,331.03	5,975.49	206.60	45,071.91	0.00	-91,360.02
BEGINNING TOTAL FUND BALANCE	321,807.46	26,334.84	85,475.01	75,680.67	39,056.46	0.00	548,354.44
Prior Year(s) Corrections Restatements	51,409.00	0.00	0.00	0.00	0.00	0.00	51,409.00
ENDING TOTAL FUND BALANCE	231,933.47	25,003.81	91,450.50	75,887.27	84,128.37	0.00	508,403.42

The accompanying notes are an integral part of this financial statement

PATEROS SCHOOL DISTRICT 122-70J
Notes to the Financial Statements
September 1, 2011 through August 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

- (1) Districtwide statements, as defined in GAAP, are not presented.
- (2) A Schedule of Long-Term Liabilities is presented as supplementary information.
- (3) Supplementary information required by GAAP is not presented.

Fund Accounting

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

Governmental Funds

General Fund

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

Capital Projects Funds

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

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

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

Debt Service Fund

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

Special Revenue Fund

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

Measurement focus, basis of accounting and fund financial statement presentation

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

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

Budgets

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

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

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

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

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

The government's fund balance classifications policies and procedures.

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

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

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

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

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

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

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

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

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

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

Cash and Cash Equivalents

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

Inventory

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

Accounting and Reporting Changes for 2013-2014

Effective for the 2013-2014 school year, the district implemented provisions of GASB Statement No. 65 Items Previously Reported as Assets and Liabilities. As a result, deferred property taxes were reclassified from liabilities to deferred inflows of resources.

NOTE 2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

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

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

The District's investments as of August 31, 2011, 2012, and 2014 are as follows:

	Market Value
County Treasurer's Investment Pool - 2012	486,262.00
County Treasurer's Investment Pool - 2013	448,400.00
County Treasurer's Investment Pool - 2014	558,489.00

NOTE 3: SIGNIFICANT CONTINGENT LIABILITIES

Litigation

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

NOTE 4: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

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

NOTE 5: ANNUAL PENSION COST AND NET PENSION OBLIGATIONS

A. General Information

Substantially all District full-time and qualifying part-time employees participate in one of the following three contributory, multi-employer, cost-sharing statewide retirement systems managed by the Washington State Department of Retirement Systems (DRS): Teachers' Retirement System (TRS), Public Employees' Retirement System (PERS) and School Employees' Retirement System (SERS). Participation in the programs was as follows:

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

<u>Program</u>	<u>Active Members</u>	<u>Inactive Vested Members</u>	<u>Retired Members</u>
TRS	66,203	9,204	41,709
PERS	152,417	29,925	79,363
SERS	52,332	10,262	6,428

Membership by retirement system program as of June 30, 2013:

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

Membership by retirement system program as of June 30, 2014:

<u>Program</u>	<u>Active Members</u>	<u>Inactive Vested Members</u>	<u>Retired Members</u>
TRS	65,935	9,823	44,220
PERS	150,706	31,047	85,238
SERS	52,295	11,588	9,079

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

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

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

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

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

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

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

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

B. Contributions

Employee contribution rates effective September 1, 2011 through August 31, 2014:

2012	2013	2014
Plan 1 TRS 6.00%	6.00%	6.00%
Plan 2 TRS 4.69%	4.69%	4.69%
Plan 3 TRS & SERS 5.00% (Min.) 15.00% (Max.)	5.00%(Min.) 15.00% (Max.)	5.00% (Min.) 15.00% (Max.)
Plan 2 SERS 4.09%	4.09%	4.64%

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

Employer contribution rates effective September 1, 20xy through August 31, 20xz:

2012	2013	2014
Plan 1 TRS 8.04%	8.05%	10.39%
Plan 2 TRS 8.04%	8.05%	10.39%
Plan 3 TRS 8.04%	8.05%	10.39%
Plan 2 SERS 7.59%	7.59%	9.82%
Plan 3 SERS 7.59%	7.59%	9.82%

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

PLAN	2011-12	2012-13	2013-14
Plan 1 TRS	15,271.14	11,666.58	15,835.85
Plan 2 TRS	43,548.96	54,183.36	72,131.12
Plan 3 TRS	59,497.36	48,581.64	65,773.09
Plan 2 SERS	25,233.92	28,922.84	38,497.93
Plan 3 SERS	13,545.80	10,242.30	9,915.88

Historical trend information showing TRS, PERS and SERS progress in accumulating sufficient assets to pay benefits when due is presented in the state of Washington's June 30, 20XZ, comprehensive annual financial report. Refer to this report for detailed trend information. It is available from:

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

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

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

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

According to state law, the Washington State Treasurer collects a fee from all school district entities which have employees that are not current active members of the state Health Care Authority but participate in the state retirement system. The purpose of this fee is to cover the impact of the subsidized rate of health care benefits for school retirees that elect to purchase their health care benefits through the state Health Care Authority. For the fiscal year's 2012, 2013 and 2014 the District was required to pay the HCA \$66.01, \$65.17 and \$64.40 respectively per month per full-time equivalent employee to support the program, for a total payment of \$29,598.91, \$31,283.65 and \$28,036.85 respectively. This assessment to the District is set forth in the State's operating budget and is subject to change on an annual basis. This amount is not actuarially determined and is not placed in a trust to pay the obligations for post-employment health care benefits.

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

NOTE 7: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The District's capital assets are insured in the amount of \$14,316,523, \$14,683,156 and \$21,972,309 for fiscal year's 2012, 2013, and 2014 respectively. In the opinion of the District's insurance consultant, the amount is sufficient to adequately fund replacement of the District's assets.

NOTE 8: REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES

Long-Term Debt

The District has issued a Limited Obligation Bond for the amount of \$300,000 on July 26, 2007. For the purpose of paying costs of acquiring and installing personal property, modernizing existing school facilities and carrying out other purposes authorized by RCW 28A.530.080. Term of loan is ten years. First payment due is 12/01/07, with final payment due 12/01/17.

The District also passed a Health and Safety Bond for the amount of \$1,397,550 on March 10, 2009. For the purpose of new heating, ventilation, and air quality system, lighting, kitchen equipment, elementary bathrooms to code, security/fire alarm system, district communication system, transportation building to code, and pay a portion of the LGO used for capital projects, and carrying out other purposes authorized by RCW 39.46.070. Term of Bond is fifteen years. First payment due is 12/01/2009, with final payment 12/01/2023.

The District has a Limited Obligation Bond for the amount of \$130,000 on August 11, 2010. For the purpose of paying costs of acquiring school buses, and carrying out other purposes authorized by RCW 28A.530.080. Term of loan is four years. First payment due is 10/01/10, with final payment due 10/01/14.

The District has a Limited Obligation Bond for the amount of \$100,000 on November 21, 2012. For the purpose of a new portable classroom and carrying out other purposes authorized by RCW 28A.530.080. Term of loan is 10 years. First payment due is 06/01/13, with final payment due of 12/01/22.

Bonds payable at August 31, 2012, 2013 and 2014 respectively, are comprised of the following individual issues:

August 31, 2012

ISSUE NAME	AMOUNT AUTHORIZED	ANNUAL INSTALLMENTS	FINAL MATURITY	INTEREST RATE	AMOUNT OUTSTANDING
LGO – 7/26/07	300,000	12,519.70	12-01-17	4.98%	59,591
LGO – 8/11/10	130,000	27,534.30	10-14-14	2.75%	78,260
TOTAL	430,000	40,054.00			137,851
H & S BOND	1,397,550	134,425.00	12-01-23	3.0 to 5.0%	1,280,050
TOTAL	1,827,550	180,245.30			1,417,901

August 31, 2013

ISSUE NAME	AMOUNT AUTHORIZED	ANNUAL INSTALLMENTS	FINAL MATURITY	INTEREST RATE	AMOUNT OUTSTANDING
LGO – 7/26/07	300,000	12,519.70	12-01-17	4.98%	49,920
LGO – 8/11/10	130,000	27,534.30	10-14-14	2.75%	52,877
LGO – 11/21/12	100,000	5,766.30	12-01-22	2.801%	95,289
TOTAL	530,000	45,820.30			198,086
H & S BOND	1,397,550	134,425.00	12-01-23	3.0 to 5.0%	1,195,050
TOTAL	1,927,550	180,245.30			1,393,136

August 31, 2014

ISSUE NAME	AMOUNT AUTHORIZED	ANNUAL INSTALLMENTS	FINAL MATURITY	INTEREST RATE	AMOUNT OUTSTANDING
LGO – 7/26/07	300,000	12,519.70	12-01-17	4.98%	39,762
LGO – 8/11/10	130,000	27,534.30	10-14-14	2.75%	26,798
LGO – 11/21/12	100,000	5,766.30	12-01-22	2.801%	85,615
TOTAL	530,000	45,820.30			152,175
H & S BOND	1,397,550	134,425.00	12-01-23	3.0 to 5.0%	1,110,050
TOTAL	1,927,550	180,245.30			1,262,225

The following is a summary of general obligation long-term debt transactions of the District for the fiscal year's ended August 31, 2014.

LONG-TERM DEBT PAYABLE AT 8-31-2013	1,393,137
NEW ISSUES	-0-
DEBT RETIRED	130,914
TOTAL	1,262,223

The following is a schedule of annual requirements to amortize long-term debt at August 31, 2014:

FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL PAYMENT
FY 2015	\$137,338.00	\$50,824.00	\$188,162.00
FY 2016	\$115,870.00	\$46,520.00	\$162,390.00
FY 2017	\$121,299.00	\$42,678.00	\$163,977.00
FY 2018	\$115,936.00	\$38,282.00	\$154,217.00
FY 2019	\$114,837.00	\$34,533.00	\$149,370.00
FY 2020-2024	\$656,893.00	\$84,721.00	\$741,614.00
TOTAL	\$1,262,173.00	\$297,558.00	\$1,559,730.00

At August 31, 2012, 2013 and 2014 the district had \$91,450.50, \$137,260.24 and \$151,496.57 respectively, available in the Debt Service Fund to service the general obligation bonds.

NOTE 9: ENTITY RISK MANAGEMENT ACTIVITIES^⑤

In July 1, 1988, the District joined together with the North Central Educational Service District to form The North Central Unemployment Pool. In April 1, 1984 the District joined together with the North Central Educational Service District to form the North Central Washington Worker's Compensation Pool, a public entity risk pool currently operating as a common risk management and insurance program. The District pays an annual premium to the pool for its general insurance coverage. The agreement for formation of the North Central Unemployment Pool and the North Central Washington Worker's Compensation Pool provides that the pool will be self-sustaining through member premiums.

The Pateros School District is a member of the United Schools Insurance Program. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The pool was formed on September 1, 1985 when 29 school districts in the State of Washington joined together by signing a Joint Purchasing Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Current membership includes 155 full member school districts.

The pool allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Sexual abuse and school board legal liability coverage is on a "claims made basis". All other coverage's are on an "occurrence basis". The program provides the following forms of group purchased insurance coverage for its members: property, general liability, automobile liability, school board legal liability, and crime.

Liability Insurance is subject to self insured retention of \$100,000. Members are responsible for \$1,000 deductible amount for each claim, while the program is responsible for the remaining \$100,000 self-insured retention. Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 of the self-insured retention. The program also purchases a stop loss policy with an attachment point of \$941,250 as an additional layer of protection for its members.

Property insurance is subject to a per-occurrence deductible of \$100,000. Members are responsible for the first \$1,000 deductible for each claim, while the program is responsible for the \$100,000 self-insured retention.

Boiler and machinery insurance is subject to a per-occurrence deductible of \$10,000. Members are responsible for the deductible amount of each claim.

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

The program is fully funded by its member participants. Claims are filed by members with Canfield, which has been contracted to perform program administration, claims adjustment and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the years ended August 31, 2012, 2013 and 2014 were \$1,517,756, 1,667,756 and 1,514,980 respectively.

NOTE 10: PROPERTY TAXES

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

NOTE 11: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

The District is a member of the King County Director's Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. The board authorized joining the association by passing Resolution 49 dated June 28th, 1983 and has remained in the joint venture ever since. The District's current equity of \$5,427.60 is the accumulation of the annual assignment of KCDA's operating surplus based upon the percentage derived from KCDA's total sales to the District compared to all other districts applied against paid administrative fees. The District may withdraw from the joint venture and will receive its equity in ten annual allocations of merchandise or 15 annual payments.)

NOTE 12: FUND BALANCE CLASSIFICATION DETAIL

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

	GENERAL FUND	ASB FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TRANSPORTATION VEHICLE FUND
Nonspendable Fund Balance					
Inventory and Prepaid Items					
8-31-12	5100.00	-0-	-0-	-0-	-0-
8-31-13	5100.00	-0-	-0-	-0-	-0-
8-31-14	-0-	-0-	-0-	-0-	-0-
Restricted Fund Balance					
Carryover of	-0-	-0-	-0-	-0-	-0-
8-31-12	1,796.61	-0-	-0-	-0-	-0-
8-31-13	17,993.83	-0-	-0-	-0-	-0-
8-31-14					
Restricted Revenues					
Debt Service				151,496.57	
Arbitrage Rebate					
Uninsured Risks					
Other Items	81,900.00	25,003.81	18,094.94	91,450.00	-0-
8-31-12	-0-	17,368.33	39,228.35	137,260.24	-0-
8-31-13	-0-	25,397.60	39,228.35	151,496.57	149,078.19
8-31-14					
Committed Fund Balance					
Minimum Fund Balance Policy					
Other Commitments					
Assigned Fund Balance					
Contingencies					
Other Capital Projects					
Other Purposes					
Fund Purposes	51,409.00		57,792.33		84,128.37
08-31-12	66,148.00		7,923.66		102,157.38
08-31-13	-0-		13,967.24		-0-
08-31-14					
Unassigned Fund Balance					
8-31-12	93,524.47	-0-	-0-	-0-	-0-
8-31-13	123,794.58	-0-	-0-	-0-	-0-
8-31-14	259,580.37	-0-	-0-	-0-	-0-

In addition, the Capital Projects Fund has the following amounts in Restricted and Committed Fund Balance, based on the source of the revenues:

Restricted from Bond Proceeds	8-31-12	18,094.94
	8-31-13	-0-
	8-31-14	-0-
Restricted from State Proceeds	8-31-12	-0-
	8-31-13	39,228.35
	8-31-14	39,228.35

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

457 Plan – Deferred Compensation Plan

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

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

The District offers a tax deferred annuity plan for its employees. The plan permits participants to defer a portion of their salary until future years under two types of deferrals: elective deferrals (employee contribution) and non-elective contribution (employer matching).

The District complies with IRS regulations that require school districts to have a written plan to include participating investment companies, types of investments, loans, transfers, and various requirements. The plan is administered by {a third party administrator/the District}. The plan assets are assets of the District employees, not the school district, and are therefore not reflected on these financial statements. For the year ended August 31, 2014, the District made \$ -0- in employer contributions to the plan.

NOTE 14: TERMINATION BENEFITS

Compensated Absences

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

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

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

NOTE 15: OTHER DISCLOSURES

Litigation

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

Subsequent Events

The Pateros School District passed a Maintenance & Operations Levy in February, 2012. For collection year 2013, will be \$555,000 and for 2014, \$595,000.

The Pateros School District also passed a four year Maintenance & Operations Levy in February, 2014. For collection years, 2015, 16, 17 and 2018 in the amount of \$664,000 for each of the above years.

Prior Period Adjustment

The District recorded a prior period adjustment in the General Fund of \$51,409, \$13,554, and \$10,947 for the years, 2012, 2013, and 2014 respectively, for the balances in the Compensated Absence and Unemployment Compensation pools held at the North Central Educational Service District.

The District recorded another prior period adjustment in the General Fund for \$50,000.00 in the year 2014. To remove a liability for Compensated Absences that is no longer required.

Pateros School District No. 122
Schedule of Long-Term Liabilities: GENERAL FUND
For the Year Ended August 31, 2014

Description	Beginning Outstanding Debt September 1, 2013	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2014	Amount Due Within One Year
Non-Voted Debt and Liabilities					
Capital Leases	0.00	0.00	0.00	0.00	0.00
Contracts Payable	0.00	0.00	0.00	0.00	0.00
Non-Cancellable Operating Leases	0.00	0.00	0.00	0.00	0.00
Claims & Judgements	0.00	0.00	0.00	0.00	0.00
Compensated Absences	49,344.00	80,307.19	100.00	129,551.19	62,001.87
Long-Term Notes	0.00	0.00	0.00	0.00	0.00
Anticipation Notes Payable	0.00	0.00	0.00	0.00	0.00
Lines of Credit	0.00	0.00	0.00	0.00	0.00
Other Non-Voted Debt	0.00	0.00	0.00	0.00	0.00
Other Liabilities					
Non-Voted Notes Not Recorded as Debt	0.00	0.00	0.00	0.00	0.00
Total Long-Term Liabilities	49,344.00	80,307.19	100.00	129,551.19	62,001.87

Pateros School District No. 122
Schedule of Long-Term Liabilities: DEBT SERVICE FUND
For the Year Ended August 31, 2014

Description	Beginning Outstanding Debt September 1, 2013	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2014	Amount Due Within One Year
Voted Debt					
Voted Bonds	1,195,050.00	0.00	85,000.00	1,110,050.00	90,000.00
LOCAL Program Proceeds Issued in Lieu of Bonds	0.00	0.00	0.00	0.00	0.00
Non-Voted Debt					
Non-Voted Bonds	198,086.76	0.00	45,913.66	152,173.10	47,337.52
LOCAL Program Proceeds	0.00	0.00	0.00	0.00	0.00
Total Long-Term Liabilities	1,393,136.76	0.00	130,913.66	1,262,223.10	137,337.52

Pateros School District No. 122
Schedule of Long-Term Liabilities
For the Year Ended August 31, 2013

Description	Beginning Outstanding Debt September 1, 2012	Amount Issued/Increased	Amount Redeemed/Decreased	Ending Outstanding Debt August 31, 2013
Total Voted Bonds	1,280,050.00	0.00	85,000.00	1,195,050.00
Total Non-Voted Notes/Bonds	137,850.59	100,000.00	39,763.83	198,086.76
Qualified Zone Academy Bonds (QZAB)	0.00	0.00	0.00	0.00
Qualified School Construction Bonds(QSCB)	0.00	0.00	0.00	0.00
Other Long-Term Debt				
Capital Leases	0.00	0.00	0.00	0.00
Contracts Payable (GL 603)	0.00	0.00	0.00	0.00
NonCancellable Operating Leases	0.00	0.00	0.00	0.00
Claims & Judgments	0.00	0.00	0.00	0.00
Compensated Absences	45,753.00	3,591.00	0.00	49,344.00
Other Long-Term Liabilities	0.00	0.00	0.00	0.00
Total Other Long-Term Liabilities	45,753.00	3,591.00	0.00	49,344.00
TOTAL LONG-TERM LIABILITIES	1,463,653.59	103,591.00	124,763.83	1,442,480.76

Pateros School District No. 122
Schedule of Long-Term Liabilities
For the Year Ended August 31, 2012

Description	Beginning Outstanding Debt September 1, 2011	Amount Issued/Increased	Amount Redeemed/Decreased	Ending Outstanding Debt August 31, 2012
Total Voted Bonds	1,397,550.00	0.00	117,500.00	1,280,050.00
Total Non-Voted Notes/Bonds	171,760.15	0.00	33,909.56	137,850.59
Qualified Zone Academy Bonds (QZAB)	0.00	0.00	0.00	0.00
Qualified School Construction Bonds(QSCB)	0.00	0.00	0.00	0.00
Other Long-Term Debt				
Capital Leases	0.00	0.00	0.00	0.00
Contracts Payable (GL 603)	0.00	0.00	0.00	0.00
NonCancellable Operating Leases	0.00	0.00	0.00	0.00
Claims & Judgments	0.00	0.00	0.00	0.00
Compensated Absences	45,753.00	0.00	0.00	45,753.00
Other Long-Term Liabilities	0.00	0.00	0.00	0.00
Total Other Long-Term Liabilities	45,753.00	0.00	0.00	45,753.00
TOTAL LONG-TERM LIABILITIES	1,615,063.15	0.00	151,409.56	1,463,653.59

ABOUT THE STATE AUDITOR'S OFFICE

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

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Contact information for the State Auditor's Office	
Deputy Director for Communications	Thomas Shapley Thomas.Shapley@sao.wa.gov (360) 902-0367
Public Records requests	(360) 725-5617
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov