



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements and Federal Single Audit Report

Puyallup School District No. 3

Pierce County

For the period September 1, 2013 through August 31, 2014

Published May 26, 2015

Report No. 1014313





Washington State Auditor

May 26, 2015

Board of Directors
Puyallup School District No. 3
Puyallup, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Puyallup School District No. 3's financial statements and compliance with federal laws and regulations.

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

Sincerely,

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

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

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FEDERAL SUMMARY

Puyallup School District No. 3
Pierce County

The results of our audit of Puyallup School District No. 3 are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

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

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

Federal Awards

Internal Control Over Major Programs:

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

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

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

Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
84.010	Title I, Part A Cluster - Title I Grants to Local Educational Agencies
84.048	Career and Technical Education
84.365	English Language Acquisition Grants
84.367	Improving Teacher Quality - Title II

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

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

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

Puyallup School District No. 3
Pierce County
September 1, 2013 through August 31, 2014

Board of Directors
Puyallup School District No. 3
Puyallup, 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 Puyallup School District No. 3, Pierce County, Washington, as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated May 6, 2015. As discussed in Note 2 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 audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Jan M Jetté

OLYMPIA, WA

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

Puyallup School District No. 3
Pierce County
September 1, 2013 through August 31, 2014

Board of Directors
Puyallup School District No. 3
Puyallup, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Puyallup School District No. 3, Pierce County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014. The District's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

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

Auditor's Responsibility

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

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

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014.

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

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

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control that might be material weaknesses or significant deficiencies. We did not identify any/ deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



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

May 6, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Puyallup School District No. 3 Pierce County September 1, 2013 through August 31, 2014

Board of Directors
Puyallup School District No. 3
Puyallup, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Puyallup School District No. 3, Pierce County, Washington, as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 15.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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.

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

Matters of Emphasis

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Other Matters

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 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

May 6, 2015

FINANCIAL SECTION

Puyallup School District No. 3

Pierce County

September 1, 2013 through August 31, 2014

FINANCIAL STATEMENTS

Balance Sheet – Governmental Funds – 2014

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2014

Statement of Net Position – Fiduciary Funds – 2014

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2014

Notes to Financial Statements – 2014

SUPPLEMENTARY AND OTHER INFORMATION

Schedules of Long-Term Liabilities – 2014

Schedule of Expenditures of Federal Awards – 2014

Notes to the Schedule of Expenditures of Federal Awards – 2014

Puyallup School District No. 003

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	6,137,560.09	219,541.47	75,674.30	238,382.46	477,988.31	0.00	7,149,146.63
Minus Warrants Outstanding	-5,999,035.74	-46,702.97	0.00	-32,426.07	0.00	0.00	-6,078,164.78
Taxes Receivable	21,958,362.78		9,853,453.77	11.56	13.49		31,811,841.60
Due From Other Funds	4,081.30	23,894.48	0.00	1,300,586.42	0.00	0.00	1,328,562.20
Due From Other Governmental Units	1,430,535.70	0.00	0.00	0.00	0.00	0.00	1,430,535.70
Accounts Receivable	60,034.48	0.00	0.00	0.00	0.00	0.00	60,034.48
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	646,941.72	0.00					646,941.72
Prepaid Items	1,422,520.12	203,567.60		0.00	0.00	0.00	1,626,087.72
Investments	27,807,000.00	1,320,000.00	4,338,000.00	11,530,000.00	794,000.00	0.00	45,789,000.00
Investments/Cash With Trustee	588,294.84		0.00	0.00	0.00	0.00	588,294.84
Investments-Deferred Compensation	0.00			0.00			0.00
Self-Insurance Security Deposit	0.00						0.00
TOTAL ASSETS	54,056,295.29	1,720,300.58	14,267,128.07	13,036,554.37	1,272,001.80	0.00	84,352,280.11
LIABILITIES:							
Accounts Payable	3,327,497.86	156,075.92	0.00	1,831,857.46	581,857.70	0.00	5,897,288.94
Contracts Payable Current	0.00	0.00		0.00	0.00	0.00	0.00
Accrued Interest Payable			0.00				0.00
Accrued Salaries	1,000.53	0.00		0.00			1,000.53
Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00
Payroll Deductions and Taxes Payable	632,378.38	0.00		0.00			632,378.38
Due To Other Governmental Units	238,796.58	0.00		0.00	0.00	0.00	238,796.58
Deferred Compensation Payable	0.00			0.00			0.00
Estimated Employee Benefits Payable	0.00						0.00
Due To Other Funds	1,324,480.90	4,081.30	0.00	0.00	0.00	0.00	1,328,562.20

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

Puyallup School District No. 003

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	5,524,154.25	160,157.22	0.00	1,831,857.46	581,857.70	0.00	8,098,026.63
DEFERRED INFLOWS OF RESOURCES:							
Unavailable Revenue	36,812.67	324,221.16	0.00	0.00	0.00	0.00	361,033.83
Unavailable Revenue - Taxes Receivable	21,958,362.78		9,853,453.77	11.56	13.49		31,811,841.60
TOTAL DEFERRED INFLOWS OF RESOURCES	21,995,175.45	324,221.16	9,853,453.77	11.56	13.49	0.00	32,172,875.43
FUND BALANCE:							
Nonspendable Fund Balance	2,069,461.84	203,567.60	0.00	0.00	0.00	0.00	2,273,029.44
Restricted Fund Balance	1,721,435.00	1,032,354.60	4,413,674.30	11,204,685.35	690,130.61	0.00	19,062,279.86
Committed Fund Balance	11,429,348.00	0.00	0.00	0.00	0.00	0.00	11,429,348.00
Assigned Fund Balance	6,862,602.00	0.00	0.00	0.00	0.00	0.00	6,862,602.00
Unassigned Fund Balance	4,454,118.75	0.00	0.00	0.00	0.00	0.00	4,454,118.75
TOTAL FUND BALANCE	26,536,965.59	1,235,922.20	4,413,674.30	11,204,685.35	690,130.61	0.00	44,081,378.05
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	54,056,295.29	1,720,300.58	14,267,128.07	13,036,554.37	1,272,001.80	0.00	84,352,280.11

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

Puyallup School District No. 003

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	49,009,470.21	3,117,450.97	20,835,775.31	1,542,287.22	1,173.35		74,506,157.06
State	147,568,128.20		0.00	44,142.00	679,031.04		148,291,301.24
Federal	9,382,770.75		0.00	0.00	0.00		9,382,770.75
Federal Stimulus	0.00						0.00
Other	970,722.67			0.00	0.00	0.00	970,722.67
TOTAL REVENUES	206,931,091.83	3,117,450.97	20,835,775.31	1,586,429.22	680,204.39	0.00	233,150,951.72
EXPENDITURES:							
CURRENT:							
Regular Instruction	114,942,477.82						114,942,477.82
Federal Stimulus	0.00					0.00	0.00
Special Education	26,180,803.88						26,180,803.88
Vocational Education	8,345,784.43						8,345,784.43
Skill Center	0.00					0.00	0.00
Compensatory Programs	7,549,411.41						7,549,411.41
Other Instructional Programs	429,974.38						429,974.38
Community Services	961,117.67						961,117.67
Support Services	44,642,769.44						44,642,769.44
Student Activities/Other		3,016,133.04				0.00	3,016,133.04
CAPITAL OUTLAY:							
Sites				2,982,309.53			2,982,309.53
Building				3,456,643.12			3,456,643.12
Equipment				308,888.71			308,888.71
Instructional Technology				0.00			0.00
Energy				0.00			0.00
Transportation Equipment					4,140,875.33		4,140,875.33
Sales and Lease							0.00
Other	667,508.58			0.00			667,508.58
DEBT SERVICE:							
Principal	0.00		12,040,000.00	0.00	0.00		12,040,000.00
Interest and Other Charges	0.00		8,564,712.75	0.00	0.00		8,564,712.75
Bond/Levy Issuance				0.00	0.00		0.00
TOTAL EXPENDITURES	203,719,847.61	3,016,133.04	20,604,712.75	6,747,841.36	4,140,875.33	0.00	238,229,410.09

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

Puyallup School District No. 003
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	3,211,244.22	101,317.93	231,062.56	-5,161,412.14	-3,460,670.94	0.00	-5,078,458.37
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		0.00	1,219,422.00	3,050,000.00		4,269,422.00
Transfers Out (GL 536)	-4,269,422.00		0.00	0.00	0.00	0.00	-4,269,422.00
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	18,091.14		0.00	2,900.00	18,538.17		39,529.31
TOTAL OTHER FINANCING SOURCES (USES)	-4,251,330.86		0.00	1,222,322.00	3,068,538.17	0.00	39,529.31
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-1,040,086.64	101,317.93	231,062.56	-3,939,090.14	-392,132.77	0.00	-5,038,929.06
BEGINNING TOTAL FUND BALANCE	27,577,052.23	1,134,604.27	4,182,611.74	15,143,775.49	1,082,263.38	0.00	49,120,307.11
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ENDING TOTAL FUND BALANCE	26,536,965.59	1,235,922.20	4,413,674.30	11,204,685.35	690,130.61	0.00	44,081,378.05

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

Puyallup School District No. 003
Statement Of Fiduciary Net Position
Fiduciary Funds
August 31, 2014

ASSETS:	Private Purpose Trust	Other Trust
Imprest Cash	12,434.22	0.00
Cash On Hand	0.00	0.00
Cash On Deposit with Cty Treas	4,348.85	0.00
Minus Warrants Outstanding	-3,855.00	0.00
Due From Other Funds	0.00	0.00
Accounts Receivable	0.00	0.00
Accrued Interest Receivable	0.00	0.00
Investments	689,000.00	0.00
Investments/Cash With Trustee	0.00	0.00
Other Assets	0.00	
Capital Assets, Land	0.00	
Capital Assets, Buildings	0.00	
Capital Assets, Equipment	0.00	0.00
Accum Depreciation, Buildings	0.00	
Accum Depreciation, Equipment	0.00	0.00
TOTAL ASSETS	701,928.07	0.00
LIABILITIES:		
Accounts Payable	0.00	0.00
Due To Other Funds	0.00	0.00
TOTAL LIABILITIES	0.00	0.00
NET POSITION:		
Held in trust for:		
Restricted for Other Items	0.00	0.00
Restricted for Self Insurance		0.00
Restricted for Uninsured Risks		0.00
Nonspendable -- Trust Principal	499,392.84	0.00
Committed to Other Purposes	0.00	0.00
Held In Trust For Private Purposes	202,535.23	
Assigned to Fund Purposes	0.00	0.00
Held In Trust For Pension And Other Employee Benefits		0.00
Unassigned Fund Balance	0.00	0.00
TOTAL NET POSITION	701,928.07	0.00

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

Puyallup School District No. 003
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended August 31, 2014

ADDITIONS:			
Contributions:			
Private Donations	53,295.55	0.00	
Employer		0.00	
Members		0.00	
Other	0.00	0.00	
TOTAL CONTRIBUTIONS	53,295.55	0.00	
Investment Income:			
Net Appreciation (Depreciation) in Fair Value	0.00	0.00	
Interest and Dividends	736.62	0.00	
Less Investment Expenses	0.00	0.00	
Net Investment Income	736.62	0.00	
Other Additions:			
Rent or Lease Revenue	0.00	0.00	
Total Other Additions	0.00	0.00	
TOTAL ADDITIONS	54,032.17	0.00	
DEDUCTIONS:			
Benefits		0.00	
Refund of Contributions	0.00	0.00	
Administrative Expenses	0.00	0.00	
Scholarships	66,215.16		
Other	0.00	0.00	
TOTAL DEDUCTIONS	66,215.16	0.00	
Net Increase (Decrease)	-12,182.99	0.00	
Net Position--Beginning	714,111.06	0.00	
Prior Year(s) Corrections or Restatements	0.00	0.00	
NET POSITION--ENDING	701,928.07	0.00	

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

PUYALLUP SCHOOL DISTRICT
Notes to the Financial Statements
September 1, 2013 through August 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Puyallup School District (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 (or expenses) as appropriate. All funds are considered major funds. The various funds in the report are grouped into governmental (and fiduciary) 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.

Fiduciary Funds

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

Private-Purpose Trust Fund

This fund is used to account for resources that are legally held in trust by the District. The trust agreement details whether principal and interest may both be spent, or whether only interest may be spent. Money from a Private-Purpose Trust Fund may not be used to support the District's programs, and may be used to benefit individuals, private organizations, or other governments.

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.

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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 Chief Financial Officer along with the Director of Business Services creates the assignment of fund balance and the Superintendent is the person who has the authority to approve 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.

Receivables and Payables

The district expects to collect on all receivables in all funds within one year.

Inventory

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

NOTE 2: ACCOUNTING AND REPORTING CHANGES

Effective for the 2013-2014 school year, the Puyallup School 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 3: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

The Pierce 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, 2014, are as follows:

	Number of Securities	Carrying Amount	Market Value
Certificates of Deposit or Other Time Deposits	47,066,295	\$47,066,295	\$47,066,295
Total Investments	47,066,295	\$47,066,295	\$47,066,295

NOTE 4: ANNUAL PENSION COST AND NET PENSION OBLIGATIONS

A. General Information

Substantially all Puyallup School District's 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, 2013:

<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	85,328
SERS	52,295	11,588	9,079

Data is as of last actuarial valuation date of June 30, 2013.

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, 2013 through August 31, 2014:

Plan 1 TRS	6.00%	Plan 1 PERS	6.00%
Plan 2 TRS	4.96%	Plan 2 SERS	4.64%
Plan 3 TRS and SERS	5.00% (minimum),	15.00% (maximum)	

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

Employer contribution rates effective September 1, 2013 through August 31, 2014:

Plan 1 TRS	10.39%	Plan 1 PERS	9.21%
Plan 2 TRS	10.39%	Plan 2 SERS	9.82%
Plan 3 TRS	10.39%	Plan 3 SERS	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	2013-14	2012-13	2011-12
Plan 1 TRS	\$322,673.85	\$286,709.78	\$371,400.04
Plan 2 TRS	1,359,343.14	937,558.53	848,838.19
Plan 3 TRS	7,371,759.62	5,614,189.86	5,497,579.25
Plan 1 PERS	130,725.44	29,241.34	36,939.81
Plan 2 SERS	1,246,919.97	887,426.19	903,926.29
Plan 3 SERS	1,741,173.17	1,450,511.04	1,453,509.42

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

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

NOTE 5: COMMITMENTS UNDER NONCAPITALIZED (OPERATING) LEASES

For the fiscal year ended August 31, 2014, the Puyallup District had incurred additional long-term debt as follows:

Lessor	Amount	Annual Installment	Final Installment Date	Interest Rate	Balance
<i>Other Long-Term Commitments</i>					
<i>Capital Leases:</i>					
Pitney Bowes	\$90,398	\$18,080	May 2016		\$31,639
Ricoh Business Systems	819,288	203,904	December 2015 & July 2015		270,342
<i>Operating Leases:</i>					
Nordstrom Qualified Trust	22,047	22,047	May 2015		16,817
Puget Sound Energy Stewart Substation	16,250	1,850	April 2015		1,850
East Main Attractions	142,179	7,277	October 2014		7,277
East-West Investment Co	555,000	100,000	August 2018		460,000
<i>Total Other Long-Term Commitments</i>					\$787,925

NOTE 6: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS, INCLUDING ENCUMBRANCES, IF APPROPRIATE

Construction and other significant projects in progress are composed of:

Projects	Project Authorization Amount	Expended as of 8/31/14	Additional Local Funds Committed	Additional State Funds Committed
All Day Kindergarten Expansion	3,488,800	1,172,814		
Rogers HS Field Improvements	2,920,320	2,077,638		
Facilities Portable Relocation	150,000	609,541	459,541	
Puyallup HS Property Acquisition Services	405,000	396,578		
Karshner Museum Remodel	1,109,200	391,673		
Total	\$8,073,320	\$4,648,243	\$459,541	

Encumbrances

Encumbrance accounting is employed in governmental funds. Purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve a portion of the applicable appropriation. Encumbrances lapse at the end of the fiscal year and may be re-encumbered the following year. The following encumbrance amounts were re-encumbered by fund on September 1, 2014:

Fund	Amount
Capital Projects Fund	\$2,079,673
Transportation Vehicle Fund	\$361,105

NOTE 7: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The District's capital assets are insured in the amount of \$410,308,528 for fiscal year 2014. In the opinion of the District's insurance consultant, the amount is sufficient to adequately fund replacement of the District's assets.

NOTE 8: REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES

Long-Term Debt

Bonds payable at August 31, 2014, are comprised of the following individual issues:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
<i>General Obligation Bonds</i>					
2004 Refunding	53,880,000	300,000 – 9,840,000	06/01/16	2.0 -5.0%	18,760,000
2005 (2004 2 nd Issue)	113,500,000	1,300,000-23,500,000	12/01/15	3.5 – 5.0%	4,700,000
2012 Refunding (2004 Issue)	73,945,000	1,255,000-15,785,000	12/01/23	2.0 – 5.0%	72,690,000
2012 Refunding (2005 Issue)	78,595,000	600,000-22,250,000	12/01/25	4.0 – 5.0%	77,995,000
Total General Obligation Bonds					\$174,145,000

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 9/1/2013	\$186,185,000
New Issues	0
Debt Retired	12,040,000
Long-Term Debt Payable at 8/31/2014	\$174,145,000

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

Years Ending August 31	Principal	Interest	Total
2015	\$11,320,000	\$8,018,738	\$19,338,738
2016	12,140,000	7,460,375	19,600,375
2017	2,595,000	6,847,875	9,442,875
2018	11,280,000	6,557,400	17,837,400
2019	12,630,000	6,016,050	18,646,050
2020-2024	81,125,000	20,272,650	101,397,650
2025-2026	43,055,000	2,188,875	45,243,875
Total	\$174,145,000	57,361,963	231,506,963

At August 31, 2014, the District had \$4,413,674 available in the Debt Service Fund to service the general obligation bonds.

NOTE 9: ENTITY RISK MANAGEMENT ACTIVITIES

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

In August 1986, the district joined together with other school districts in the state to form the Washington Schools Risk Management 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 Washington Schools Risk Management Pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1 million for each insured event.

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 Directors' Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. The board authorized joining the Association by passing a resolution many years ago, and has remained in the joint venture ever since. The district's current equity of \$157,651.94 is the accumulation for the annual assignment of KCDA's operating surplus based upon the percentage derived from KCDA's total sales to the district compared to all other districts applied against paid administrative fees. The district may withdraw from the joint venture and will receive its equity in 10 annual allocations of merchandise or 15 annual payments.

On September 1, 1996, the district entered into a contractual agreement with the Chief Leschi Schools to pass through State basic education funding for their students enrolled in grades K-12. As part of this contractual agreement, \$132,000 has been withheld from the amount owed for the Chief Leschi students and has been set aside as a reserved fund balance item in the general fund. This contract is renewable

annually by agreement between the district's board of directors and the directors of the Chief Leschi Schools. /

The District is a member of the Puget Sound Educational Service District Unemployment Pool. This fund is operated for the district's benefit in lieu of the district having to make monthly premium payments to the State of Washington for unemployment insurance. This practice enables the district to pay unemployment benefits as they occur and minimizes the district's costs for the program. The following is a summary of activity:

Equity, September 1, 2013	\$730,473
Contributions & Interest	3,498
Claims & Related Expenditures	103,415
Equity, August 31, 2014	\$630,557

Beginning in August 2012, the Puyallup School District joined the Compensated Absences Liability Pool. The Compensated Absences Liability Pool is organized under the provisions of Chapter 39.34 Interlocal Cooperation Act for the purpose of managing leave payouts. Membership is established by execution of an agreement between the District and the Puget Sound ESD. The Pool allows member districts to accumulate dedicated funds for payment of leave related to sick leave and vacation leave cash out at retirement and certain other instances. Coverage is on an "occurrence" basis. Expenditures of leave taken during employment continue to be recorded when paid. Changes for the fiscal year are summarized below:

Beginning Balance September 1, 2013	\$580,000
Payments to Pool	0
Withdrawals from Pool	0
Other Increases (Decreases)	8,295
Ending Balance August 31, 2014	\$588,295

NOTE 12: FUND BALANCE CLASSIFICATION DETAILS

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

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund
Nonspendable Fund Balance					
Inventory and Prepaid Items	\$2,069,462	\$203,568			
Restricted Fund Balance					
State Proceeds				\$10,524,053	
Restricted from Other Proceeds				680,632	
Fund Purposes		1,032,354			\$690,131
Carryover of Restricted Revenues	794,413				
Debt Service	301,981		\$4,413,674		
Uninsured Risks	350,000				
Other Items	275,041				
Committed Fund Balance					
Minimum Fund Balance Policy	10,841,053				
Other Commitments	588,295				
Assigned Fund Balance					
Contingencies	1,000,000				
Other Purposes	5,862,602				
Unassigned Fund Balance					
Unassigned	4,454,119				
Total Fund Balance	\$26,536,966	\$1,235,922	\$4,413,674	\$11,204,685	\$690,131

The board of directors has established a minimum fund balance policy for the general fund to provide for financial stability and contingencies within the District. The policy is that the District shall maintain a fund balance in the general fund of between 4% and 6% of budgeted expenditures. Portions of fund balance that are set aside for the purpose of meeting this policy are recorded on the financial statements as a part of Committed fund balance

In the General fund, the district has a fund balance reservation in the Restricted for Other Items category for the following:

\$143,041 - Karshner Museum. The intent of this endowment was for the investment interest to offset the operating costs of the museum.

\$132,000 - Chief Leschi contract withholding (see further disclosure under Note 10).

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 an IRC, Section 457, deferred compensation plan which is owned and administered by the State of Washington Department of Retirement Systems.

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 plan assets are assets of the school district employees, not the school district, and are therefore not reflected on these financial statements.

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 method ratio approach.

Vacation and personal leave pay, including benefits that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the governmental fund that will pay it.

No unrecorded liability exists for other employee benefits.

Puyallup School District No. 003
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	523,964.79	0.00	221,983.56	301,981.23	221,677.56
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	4,365,246.97	1,911,061.42	1,497,533.39	4,778,775.00	1,311,089.91
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	4,889,211.76	1,911,061.42	1,719,516.95	5,080,756.23	1,532,767.47

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

Puyallup School District No. 003
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	186,185,000.00	0.00	12,040,000.00	174,145,000.00	11,320,000.00
LOCAL Program Proceeds Issued in Lieu of Bonds	0.00	0.00	0.00	0.00	0.00
Non-Voted Debt					
Non-Voted Bonds	0.00	0.00	0.00	0.00	0.00
LOCAL Program Proceeds	0.00	0.00	0.00	0.00	0.00
Total Long-Term Liabilities	186,185,000.00	0.00	12,040,000.00	174,145,000.00	11,320,000.00

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

Puyallup School District No. 3
Schedule of Expenditure of Federal Awards
For Fiscal Year Ending August 31, 2014

Federal CFDA Number	Federal Agency Name	Federal Program Title	Other ID Number	Pass-Through Agency	Expenditures			Foot- Note Ref.
					From Pass Through Awards	From Direct Awards	Total	
U.S. Dept of Agriculture								
10.553		School Breakfast Program	6198	WA OSPI	229,142		229,142	
10.555		Nat'l School Lunch Program - Cash Assistance	6198	WA OSPI	2,231,865		2,231,865	
10.555		Nat'l School Lunch Program - Non-Cash Assistance	6998	WA OSPI	330,053		330,053	2
10.559		Summer Food Service Program for Children	6189	WA OSPI			0	
10.665		Schools & Roads - Grants to States	5500			17,702	17,702	
U.S. Dept of Agriculture Subtotal					2,791,060	17,702	2,808,762	
U.S. Dept of Interior								
15.130		Indian Education - Assistance to Schools	GTP00X90701			387	387	
U.S. Dept of Interior Subtotal					0	387	387	
U.S. Dept of Education								
84.010		Title I Grants to Local Educational Agencies	0201150	WA OSPI	1,597,079		1,597,079	3
84.027		Special Education - Grants to States	0304434	WA OSPI	3,764,606		3,764,606	
84.041		Impact Aid	0108			13,194	13,194	
84.048		Career and Technical Education -- Basic Grants to States	0172770	WA OSPI	104,013		104,013	
84.060		Indian Education - Grants to Local Educational Agencies (LEAs)	6800			43,475	43,475	
84.173A		Special Education - Preschool Grants	0364431	WA OSPI	123,917		123,917	
84.196		Education for Homeless Children and Youth	0456142	WA OSPI	24,000		24,000	
84.365		English Language Acquisition Grants	0401677	WA OSPI	156,385		156,385	
84.367		Improving Teacher Quality State Grants	0523051	WA OSPI	492,290		492,290	
U.S. Dept of Education Subtotal					6,262,290	56,669	6,318,959	
U.S. Dept of Health and Human Services								
93.778		Medical Assistance Program	0103	DSHS	150,152		150,152	
U.S. Dept of of Health and Human Services Subtotal					150,152	0	150,152	
Total Federal Awards Expended					9,203,502	74,758	9,278,260	

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Puyallup School District No. 3
Notes to the Schedule of Expenditures of Federal Awards
For Fiscal Year Ending August 31, 2014

NOTE 1 – BASIS OF ACCOUNTING

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

NOTE 2 – NONCASH AWARDS - FOOD COMMODITIES

The \$330,053 of commodities reported on the schedule for CFDA #10.555 is the market value of commodities received by the District during the current year. The value is determined by the USDA.

NOTE 3 – SCHOOLWIDE PROGRAMS

The District operates a “schoolwide program” in eight elementary buildings. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to certain targeted students. The following federal program amount was expended by the District in its schoolwide program: Title 1 (84.010) - \$1,246,013.73.

NOTE 4 - FEDERAL INDIRECT RATE

The District used the federal restricted rate of 3.84%.

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

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

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

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

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

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