



Washington State Auditor's Office

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Financial Statements Audit Report

Asotin-Anatone School District No. 420

Asotin County

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

Published May 28, 2015

Report No. 1014388





Washington State Auditor

May 28, 2015

Board of Directors
Asotin-Anatone School District No. 420
Asotin, Washington

Report on Financial Statements

Please find attached our report on Asotin-Anatone School District No. 420's financial statements.

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

Sincerely,

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**

**Asotin-Anatone School District No. 420
Asotin County
September 1, 2013 through August 31, 2014**

Board of Directors
Asotin-Anatone School District No. 420
Asotin, 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 Asotin-Anatone School District No. 420, Asotin 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 April 14, 2015.

We issued an unmodified opinion on the fair presentation of the District's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the District using accounting practices prescribed by Washington State statutes and the *Accounting Manual for Public School Districts in the State of Washington* (Accounting Manual) described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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

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

April 14, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Asotin-Anatone School District No. 420 **Asotin County** **September 1, 2013 through August 31, 2014**

Board of Directors
Asotin-Anatone School District No. 420
Asotin, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Asotin-Anatone School District No. 420, Asotin County, Washington, 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 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 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

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

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

Unmodified Opinion on Regulatory Basis of Accounting (Accounting Manual)

As described in Note 1, Asotin-Anatone School District No. 420 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 differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of Asotin-Anatone School District No. 420, for the year ended August 31, 2014, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the District used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Asotin-Anatone School District No. 420, as of August 31,

2014, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

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 Long-Term Liabilities is presented for purposes of additional analysis, as required by the prescribed Accounting Manual. This schedule is 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 14, 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 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.

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

April 14, 2015

FINANCIAL SECTION

Asotin-Anatone School District No. 420
Asotin County
September 1, 2013 through August 31, 2014

FINANCIAL STATEMENTS

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2014
Notes to the Financial Statements – 2014

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Long-Term Liabilities – -2014

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 | 1,494,427.01 | 170,006.28 | 0.00 | 486.85 | 1,274.32 | | 1,666,194.46 |
| State | 4,585,432.42 | | 0.00 | 140,373.00 | 83,895.80 | | 4,809,701.22 |
| Federal | 449,499.81 | | 0.00 | 0.00 | 0.00 | | 449,499.81 |
| Federal Stimulus | 0.00 | | | | | | 0.00 |
| Other | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 |
| TOTAL REVENUES | 6,529,359.24 | 170,006.28 | 0.00 | 140,859.85 | 85,170.12 | 0.00 | 6,925,395.49 |
| EXPENDITURES: | | | | | | | |
| CURRENT: | | | | | | | |
| Regular Instruction | 3,288,758.25 | | | | | | 3,288,758.25 |
| Federal Stimulus | 0.00 | | | | | | 0.00 |
| Special Education | 641,283.18 | | | | | | 641,283.18 |
| Vocational Education | 308,021.17 | | | | | | 308,021.17 |
| Skill Center | 0.00 | | | | | | 0.00 |
| Compensatory Programs | 226,505.42 | | | | | | 226,505.42 |
| Other Instructional Programs | 31,219.96 | | | | | | 31,219.96 |
| Community Services | 52,980.08 | | | | | | 52,980.08 |
| Support Services | 1,769,711.40 | | | | | | 1,769,711.40 |
| Student Activities/Other | | 175,182.29 | | | | 0.00 | 175,182.29 |
| CAPITAL OUTLAY: | | | | | | | |
| Sites | | | | 0.00 | | | 0.00 |
| Building | | | | 0.00 | | | 0.00 |
| Equipment | | | | 0.00 | | | 0.00 |
| Instructional Technology | | | | 0.00 | | | 0.00 |
| Energy | | | | 140,372.00 | | | 140,372.00 |
| Transportation Equipment | | | | | 114,709.39 | | 114,709.39 |
| Sales and Lease | | | | 0.00 | | | 0.00 |
| Other | 4,574.57 | | | | | | 4,574.57 |
| DEBT SERVICE: | | | | | | | |
| Principal | 0.00 | | 0.00 | 0.00 | 0.00 | | 0.00 |
| Interest and Other Charges | 0.00 | | 0.00 | 0.00 | 0.00 | | 0.00 |
| Bond/Levy Issuance | | | 0.00 | 0.00 | 0.00 | | 0.00 |
| TOTAL EXPENDITURES | 6,323,054.03 | 175,182.29 | 0.00 | 140,372.00 | 114,709.39 | 0.00 | 6,753,317.71 |

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 | 206,305.21 | -5,176.01 | 0.00 | 487.85 | -29,539.27 | 0.00 | 172,077.78 |
| 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 | | 0.00 |
| Transfers In | 0.00 | | 0.00 | 0.00 | 0.00 | | 0.00 |
| Transfers Out (GL 536) | 0.00 | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 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) | 0.00 | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | 206,305.21 | -5,176.01 | 0.00 | 487.85 | -29,539.27 | 0.00 | 172,077.78 |
| BEGINNING TOTAL FUND BALANCE | 755,735.28 | 39,647.59 | 0.00 | 5,396.24 | 181,113.53 | 0.00 | 981,892.64 |
| Prior Year(s) Corrections or Restatements | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| ENDING TOTAL FUND BALANCE | 962,040.49 | 34,471.58 | 0.00 | 5,884.09 | 151,574.26 | 0.00 | 1,153,970.42 |

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

Asotin-Anatone School District

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Asotin-Anatone 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 cash basis of accounting, except for the Debt Service Fund which is reported 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) Financial transactions are recognized on a cash basis of accounting as described below.
- (2) Districtwide statements, as defined in GAAP, are not presented.
- (3) A Schedule of Long-Term Liabilities is presented as supplementary information.
- (4) 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 (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.

Permanent Funds

These funds are used to report resources that are legally restricted such that only earnings, and not principal, may be expended. Amounts in the Permanent Fund may only be spent in support of the District's programs and may not be used to the benefit of any individual.

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.

Pension (and Other Employee Benefit) Trust Fund

This fund is used to account for resources to be held for the members and beneficiaries of a pension plan or other employee benefit plans.

Agency Funds

These funds are used to account for assets that the District holds for other agencies in a purely custodial capacity.

Proprietary Funds

School districts in the State of Washington are not allowed to utilize proprietary fund types, which is a departure from GAAP.

Measurement focus, basis of accounting and fund financial statement presentation

Governmental fund financial statements are reported using the cash basis of accounting and measurement focus. Revenues are recognized when they are received in cash and expenditures are recognized when warrants are issued. Purchases of capital assets are expensed during the year of acquisition.

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 cash basis as used for financial reporting, except for the Debt Service Fund which is accounted for on the modified accrual basis of accounting. 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 or Finance/Business Director, at the superintendent's request are the only persons who have 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.

Assets, Liabilities, and Fund Equity

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

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: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

The Asotin 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 for all funds were \$1,019,079.

NOTE 3: SIGNIFICANT CONTINGENT LIABILITIES

Litigation

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

Arbitrage Rebate

The District had no bond issues as of August 31, 2014.

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 | 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, 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 PERS | 4.92% |
| Plan 3 TRS & SERS | 5% (minimum), 15% (maximum) | Plan 2 SERS | 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, 2013 through August 31, 2014:

| | | | |
|------------|--------|-------------|--------|
| Plan 1 TRS | 10.39% | Plan 1 PERS | 9.21% |
| Plan 2 TRS | 10.39% | Plan 2 PERS | 9.21 % |
| Plan 3 TRS | 10.39% | Plan 2 SERS | 9.82% |
| | | 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):

| <u>Plan</u> | <u>FY 2013-14</u> | <u>FY 2012-13</u> | <u>FY 2011-12</u> |
|-------------|-------------------|-------------------|-------------------|
| Plan 1 TRS | \$6,318.36 | \$ 9,281.47 | \$ 24,466.77 |
| Plan 2 TRS | \$61,560.10 | \$ 34,065.26 | \$ 31,416.58 |
| Plan 3 TRS | \$200,445.49 | \$155,910.06 | \$155,741.79 |
| Plan 1 PERS | \$388.47 | \$0 | \$0 |
| Plan 2 SERS | \$32,433.79 | \$ 22,364.85 | \$ 20,046.48 |
| Plan 3 SERS | \$54,678.41 | \$ 40,209.92 | \$ 41,499.68 |

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 2013-14, the District was required to pay the HCA an average of \$64.40 per month per full-time equivalent employee to support the program, for a total payment of \$53,179.28. 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: COMMITMENTS UNDER NONCAPITALIZED (OPERATING) LEASES

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

Konica-Copy Machines

| Location | Lease | Amount | Annual | Final Installment Date | Interest | Balance |
|--------------------|----------|--------|---------|------------------------|----------|---------|
| Elementary Office | 60 Month | 157.54 | 1890.48 | 7/25/2017 | 0 | 5513.90 |
| High School Office | 36 Month | 136.00 | 1632.00 | 7/16/2015 | 0 | 1496.00 |
| Middle School Lab | 60 Month | 70.72 | 848.64 | 11/5/2014 | 0 | 212.16 |
| High School Lab | 60 Month | 106.64 | 1279.68 | 11/9/2014 | 0 | 319.92 |
| Student Services | 60 Month | 42.72 | 512.64 | 10/14/18 | 0 | 2093.28 |
| | | | | | | 7541.98 |

NOTE 8: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS, INCLUDING ENCUMBRANCES, IF APPROPRIATE

The District had no construction or other significant commitments as of August 31st, 2014

As of August 31,2014, the District had an outstanding loan with Twin River National Bank in the amount of \$152,773.80 to cover the additional costs of its Energy Grant Improvement Project in 2013-14.

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 district did not have any outstanding encumbrances for year ending August 31, 2014.

NOTE 9: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The District’s capital assets are insured in the amount of \$26,269,922 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.

The District leased a bus to the Asotin County Fair Board to transport the public from downtown Asotin to the fairgrounds which was less than ½ mile per trip. Lease payment was \$10.00 per day for three days. The Asotin County Fair board paid bus driver salaries directly to the driver and pay for all fuel costs.

NOTE 10: REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES

Long-Term Debt

The District had no obligation bonds at year ending August 31, 2014.

Bonds Authorized But Unissued

The District had no authorized but unissued bonds at year ending August 31, 2014.

Refunded Debt

The District had no Refunded Debt at year ending August 31, 2014.

Short-Term Debt

As of August 31, 2014, the District had a loan at Twin River National Bank in the amount of \$152,773.80 to cover the additional cost of its Energy Grant Improvement Project.

Prior-Year Defeasance of Debt

The District had no Prior-Year Defeasance of Debt at year ending August 31, 2014.

Sinking Fund

The District had no Qualified School Construction Bonds at year ending August 31, 2014.

NOTE 11: INTERFUND BALANCES AND TRANSFERS

The District had no outstanding interfund balances as of August 31, 2014.

NOTE 12: 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.

The District is a member of 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 program 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 school districts.**

The program allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Coverage for Wrongful Act Liability and Employee Benefit Liability is on a claims-made basis. All other coverages are on an occurrence basis. The program provides the following forms of group purchased insurance coverage for its members: Property, General Liability, Automotive Liability, Wrongful Acts Liability, and Crime.

Liability insurance is subject to a self-insured retention of \$100,000. Members are responsible for a \$1,000 deductible for each claim (member deductibles may vary), while the program is responsible for the \$100,000 self-insured retention (SIR). 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 SIR. The program also purchases a stop loss policy with an **attachment point of \$995,000**, 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 \$1,000 deductible for each claim (Member deductibles may vary), while the program is responsible for the \$100,000 SIR.

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

NOTE 13: 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 of property taxes will be recorded as revenue in the 2013-14 school year, consistent with the cash basis of accounting.

NOTE 14: 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 2006-1 dated February 27, 2006, and has remained in the joint venture ever since. The District’s current equity of \$1,399.04 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 15: FUND BALANCE CLASSIFICATION DETAILS

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 | \$0 | \$0 | | | |
| Restricted Fund Balance | | | | | |
| Carryover of Restricted Revenues | \$6975.92 | \$34,471.58 | | | 151,574.26 |
| Debt Service | \$0 | | \$0 | | \$0 |
| Arbitrage Rebate | \$0 | | \$0 | \$0 | \$0 |
| Uninsured Risks | \$0 | \$0 | \$0 | | \$0 |
| Other Items | \$0 | \$0 | \$0 | \$0 | \$0 |
| Committed Fund Balance | | | | | |
| Minimum Fund Balance Policy | \$0 | | | | |
| Other Commitments | \$0 | \$0 | \$0 | \$0 | \$0 |
| Assigned Fund Balance | | | 5884.09 | \$0 | \$0 |
| Contingencies | \$0 | | | | |
| Other Capital Projects | \$0 | | | | |
| Other Purposes | \$0 | | | | |
| Fund Purposes | | \$0 | \$0 | \$0 | \$0 |

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

| | |
|---|-----|
| Restricted from Bond Proceeds | \$0 |
| Committed from Levy Proceeds | \$0 |
| Restricted from State Proceeds | \$0 |
| Restricted from Federal Proceeds | \$0 |
| Restricted from Other Proceeds | \$0 |
| Restricted from Impact Fee Proceeds | \$0 |
| Restricted from Mitigation Fee Proceeds | \$0 |
| Restricted from Undistributed Proceeds | \$0 |

NOTE 16: POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS—BOTH IN SEPARATELY ISSUED PLAN FINANCIAL STATEMENTS AND EMPLOYER STATEMENTS □

457 Plan – Deferred Compensation Plan

For fiscal year ending August 31, 2014, the District offered a 457 Deferred Compensation Plan through the Department of Retirement at no cost to 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 the employee contribution. The District makes no employer contributions to this plan.

The District complies with IRS regulation 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 Envoy. The plan assets are assets of the District employees, not the school district, and are therefore not reflected on these financial statements.

NOTE 17: TERMINATION BENEFITS

Compensated Absences

Employees earn sick leave at a rate of 12 days per year up to a maximum of one contract year for certificated, administrators and full time classified employees. Other Classified employees earn sick leave at the rate of 1 day per month that they work 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}.

Vested vacation and sick leave for employees eligible for retirement and annual cash-out, including benefits, that is expected to be liquidated with expendable available financial resources is reported as expenditures and a fund liability of the governmental fund that will pay it.

NOTE 18: CONDITIONS AND EVENTS GIVING RISE TO SUBSTANTIAL DOUBT ABOUT THE GOVERNMENT'S ABILITY TO CONTINUE AS A GOING CONCERN

The District is not in any binding conditions with the state.

NOTE 19: OTHER DISCLOSURES

WORKERS' COMPENSATION

Workers' Compensation

In fiscal year 1985, school districts within Educational Service District (ESD) #123 joined together to form the Southeast Washington Workers Compensation Cooperative Trust, a public entity risk pool currently operating as a common risk management and insurance program for industrial insurance. For fiscal year 2013-2014, there are nineteen school districts, including ESD #123, in the pool. The pool allows members to pool their self-insured losses and jointly purchases insurance and administrative services, such as risk management, claims administration, etc. Coverage is on an "occurrence" basis. The district pays an annual contribution to the fund based on their total payroll hours and claims history for the past three years. The pool is fully funded by its member participants. The pool acquires insurance from unrelated underwriters. The pool's per-occurrence retention limit is \$400,000 and the bi-annual aggregate retention is \$5,533,482. The maximum coverage under the excess insurance contract is \$5,533,482. Since the pool is a cooperative program, there is a joint liability among the participating members. The financial statements of the pool may be obtained by contacting Educational Service District No. 123.

A Cooperative Board that is comprised of one designated representative from each participating member and a six member Executive Board governs the Pool. The Executive Board has five members elected by the Cooperative Board and the ESD Superintendent. ESD #123 is responsible for conducting the business affairs of the Pool.

Asotin-Anatone School District No. 420

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 | 206,932.00 | 0.00 | 74,594.41 | 132,337.59 | 28,000.00 |
| 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 | 206,932.00 | 0.00 | 74,594.41 | 132,337.59 | 28,000.00 |

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.

| 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 |