

Washington State Auditor's Office
Financial Statements and Federal Single Audit Report

Spokane School District No. 81
Spokane County

Audit Period
September 1, 2012 through August 31, 2013

Report No. 1011905

Issue Date
May 19, 2014



Washington State Auditor
Troy Kelley

Independence • Respect • Integrity



Washington State Auditor Troy Kelley

May 19, 2014

Board of Directors
Spokane School District No. 81
Spokane, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Spokane School District No. 81'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,

TROY KELLEY
STATE AUDITOR

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Spokane County
September 1, 2012 through August 31, 2013**

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Federal Summary

Spokane School District No. 81 Spokane County September 1, 2012 through August 31, 2013

The results of our audit of Spokane School District No. 81 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 of the governmental activities, each major fund and the aggregate remaining fund information.

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>
10.553	Child Nutrition Cluster - School Breakfast Program
10.555	Child Nutrition Cluster - National School Lunch Program
10.559	Child Nutrition Cluster - Summer Food Service Program
84.027	Special Education Cluster (IDEA) - Special Education - Grants to States (IDEA, Part B)
84.173	Special Education Cluster (IDEA) - Special Education - Preschool Grants (IDEA Preschool)
84.367	Improving Teacher Quality - Title II
84.377	School Improvement Grants Cluster - School Improvement Grants

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$1,028,446.

The District did not qualify as a low-risk auditee under OMB Circular A-133.

Schedule of Prior Federal Audit Findings

Spokane School District No. 81 Spokane County September 1, 2012 through August 31, 2013

This schedule presents the status of federal findings reported in prior audit periods. The status listed below is the representation of Spokane School District No. 81. The State Auditor's Office has reviewed the status as presented by the District.

Audit Period: September 1, 2011 - August 31, 2012	Report Reference No: 1009683	Finding Reference No: 1	CFDA Number(s): 84.377
Federal Program Name and Granting Agency: School Improvement Grant, U.S. Department of Education		Pass-Through Agency Name: Office of Superintendent of Public Instruction	
Finding Caption: The District did not comply with time and effort requirements for its School Improvement Grant program.			
Background: <p>During fiscal year 2012, the District spent \$1,461,996 in School Improvement Grant program funds. The District used the grant funds to improve student performance at one high school. Our audit found adequate support for approximately 125 employees required to prepare monthly time and effort documentation. However, semi-annual certifications were not completed for five employees whose payroll costs were paid solely from the grant for September 2011 through February 2012 and one employee whose payroll costs were paid solely from the grant for September 2011 through December 4, 2011. We did not question the payroll costs of \$184,368 for these employees, as we were able to obtain alternate documentation to support these costs.</p> <p>The District deviated from its normal control process and reassigned the responsibility to monitor time and effort reporting from the high school to the District's Special Programs Department. The Department was focused on establishing a method for monthly employee time and effort reporting for Office of Superintendent of Public Instruction approval and did not ensure semi-annual certifications were completed for the time periods identified above. The District corrected this oversight and obtained semi-annual certifications for the employees for March through August 2012.</p>			
Status of Corrective Action: (check one) <div style="display: flex; justify-content: space-between;"> <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid </div>			
Corrective Action Taken: <i>The District provided additional training to the school grant administrator with responsibility to verify that all semi-annual and monthly time and effort forms are completed and on file. In</i>			

addition, a central office employee reviewed to verify that copies of all required semi-annual and monthly time and effort forms were completed and on file.

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*

**Spokane School District No. 81
Spokane County
September 1, 2012 through August 31, 2013**

Board of Directors
Spokane School District No. 81
Spokane, 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 the governmental activities, each major fund and the aggregate remaining fund information of Spokane School District No. 81, Spokane County, Washington, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 25, 2014.

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 opinions 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.

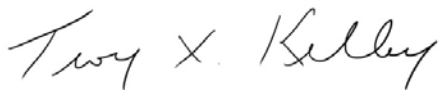
COMPLIANCE AND OTHER MATTERS

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.



TROY KELLEY
STATE AUDITOR

February 25, 2014

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

**Spokane School District No. 81
Spokane County
September 1, 2012 through August 31, 2013**

Board of Directors
Spokane School District No. 81
Spokane, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Spokane School District No. 81, Spokane 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, 2013. 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 occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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, 2013.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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.

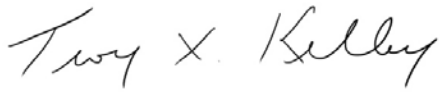
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR

April 7, 2014

Independent Auditor's Report on Financial Statements

Spokane School District No. 81 Spokane County September 1, 2012 through August 31, 2013

Board of Directors
Spokane School District No. 81
Spokane, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Spokane School District No. 81, Spokane County, Washington, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 13.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Spokane School District No. 81, as of August 31, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

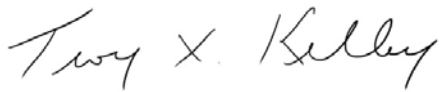
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 14 through 25, budgetary comparison information on pages 55 through 56 and information on postemployment benefits other than pensions on page 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. 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*. This schedule is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic 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 February 25, 2014 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.



TROY KELLEY
STATE AUDITOR

February 25, 2014

Financial Section

**Spokane School District No. 81
Spokane County
September 1, 2012 through August 31, 2013**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2013

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2013

Statement of Activities – 2013

Balance Sheet – Governmental Funds – 2013

Reconciliation – Balance Sheet/Statement of Net Position – 2013

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental
Funds – 2013

Reconciliation – Statement of Revenues, Expenditures, and Changes in Fund
Balance/Statement of Activities – 2013

Statement of Fiduciary Net Position – Fiduciary Funds – 2013

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2013

Notes to Basic Financial Statements – 2013

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and
Actual – General Fund – 2013

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and
Actual – Special Revenue Fund (Associated Student Body Fund) – 2013

Actuarial Valuation of Post-Employment Benefits Other Than Pension – Schedule of
Funding Progress – 2013

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2013

Notes to the Schedule of Expenditures of Federal Awards – 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Spokane Public School's financial performance provides an overview of the school district's financial activities for the fiscal year ended August 31, 2013. We encourage readers to consider the information presented here in conjunction with additional information presented in the financial statements and notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The district's total net position of governmental activities as of August 31, 2013, was \$219.1 million. During the year, the district had revenues of \$354.5 million and expenses of \$355.7 million incurred for all governmental activities, resulting in a decrease in the district's net position of \$1.2 million.
- The district's governmental funds as of August 31, 2013, reported a combined ending fund balance of \$117.4 million, an increase of \$12.6 million compared to the prior year.
- The General Fund total fund balance was \$27.6 million reflecting a decrease of \$.2 million. The General Fund balance represents 9.0% of General Fund expenditures. Of the \$27.6 million in fund balance, \$8.2 million is available for spending at the district's discretion (assigned and unassigned fund balance). The discretionary General Fund balance represents 2.7% of General Fund expenditures.
- The average student enrollment decreased by six full time equivalent (FTE) students as compared to the previous year.
- The district issued \$50 million in new debt.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The *statement of net position* and the *statement of activities* provide information about the activities of the district as a whole and present a longer-term view of the district's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The fund financial statement section also reports the district's operations in more detail than the government-wide statements by providing information about the district's most significant funds. The remaining statements (fiduciary funds) provide financial information about activities for which the district acts solely as a trustee or agent for the benefit of those outside of the government.

REPORTING THE SCHOOL DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

Our analysis of the school district as a whole begins in the *government-wide financial statement* section. Is the district as a whole better off or worse off as a result of the year's activities? The *statement of net position* and the *statement of activities* report information about the district as a whole and about its activities in a way that helps answer this question. The financial statements of the district present a reduced financial position as reflected in the *statement of net position*. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the district's net position and changes in the position. The district's net position (the difference between assets and liabilities) may be viewed as one way to measure the district's financial health. Over time increases or decreases in the district's net position are one indicator of whether its financial health is improving or deteriorating. Other non-financial factors must be considered in assessing the *overall health* of the district, such as changes in the district's property tax base and student enrollment.

In the *statement of net position* and the *statement of activities*, we present governmental activities. The district's basic services, including associated student body, debt service, and capital projects are reported here. Revenue from state and federal grants, property taxes, and other miscellaneous private sources finance most of these activities.

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Governmental Funds Financial Statements

Our analysis of the school district's major funds begins in the governmental funds financial statement section. The governmental funds financial statements provide detailed information about the most significant funds - not the district as a whole. Some funds, such as the Special Revenue Fund (Associated Student Body Fund), are required to be established by state law.

Governmental Funds – All of the district's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed *short-term* view of the district's general education and support operations and the basic services. Governmental funds information helps determine whether there are more or less financial resources that can be spent in the near future to finance the district's programs. We describe the relationship (or differences) between governmental activities (reported in the *statement of net position* and the *statement of activities*) and governmental funds in the reconciliation presented in exhibit 3A and exhibit 4A of the basic financial statements and in Note 12 of the financial statements.

THE SCHOOL DISTRICT AS TRUSTEE

Reporting the School District's Fiduciary Responsibilities

The district is the trustee, or fiduciary, for individuals, private organizations, and other governments for scholarships and other specific purposes. All of the district's fiduciary activities are reported in a separate *statement of fiduciary net position* and *changes in fiduciary net position* under the fiduciary financial statement section. We exclude these activities from the district's other financial statements because the district cannot use these assets to finance day-to-day operations. The district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

THE SCHOOL DISTRICT AS A WHOLE (Government-Wide Financial Statements)

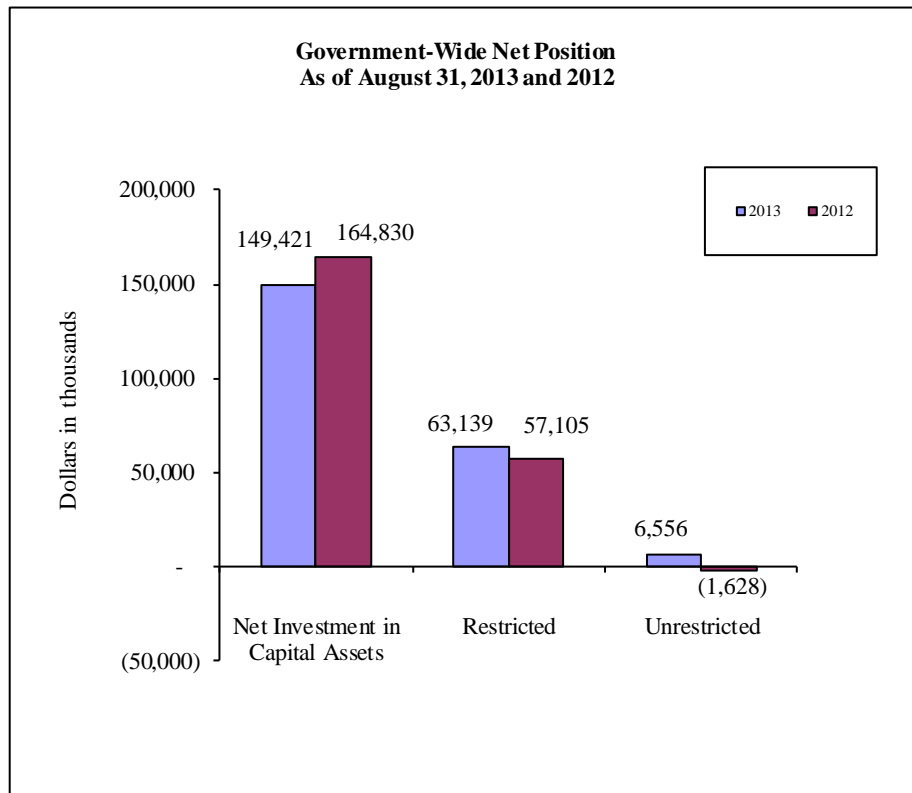
In 2012-2013 expenses exceeded revenues by \$1.2 million as compared to \$1.7 million in the prior year. Our analysis focuses on the net position and changes in net position of the district's governmental activities.

The net position of the district's governmental activities decreased by \$1.2 million, or .5% of the district's net position of \$219.1 million. The district increased capital assets by \$28.8 million net of depreciation. The capital additions were financed by long term debt with \$50 million in new debt issued during the fiscal year. The increase in debt for capital construction combined with increased liabilities for other post employment benefits and other employee benefits resulted in a \$40.1 million increase to long term liabilities (net of current year debt payments). In addition, unexpended bond proceeds contributed to the increase in district cash balances.

Unrestricted net position reflects funds that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. The unrestricted net position of the district is \$6.6 million. Net position of \$63.1 million is restricted under legal obligations (for capital equipment and facilities, debt payments and other contractual obligations) and \$149.4 million is invested in capital assets.

Government-Wide Net Position
As of August 31

	2013	2012
Current and Other Assets	\$ 193,783,941	\$ 182,828,578
Capital Assets	456,723,841	427,888,367
Total Assets	650,507,782	610,716,945
Other Liabilities	34,901,046	34,010,818
Long-Term Liabilities	396,490,883	356,398,709
Total Liabilities	431,391,929	390,409,527
Net Investment in Capital Assets	149,420,557	164,830,311
Restricted	63,139,393	57,104,791
Unrestricted	6,555,903	(1,627,684)
TOTAL NET POSITION	\$ 219,115,853	\$ 220,307,418



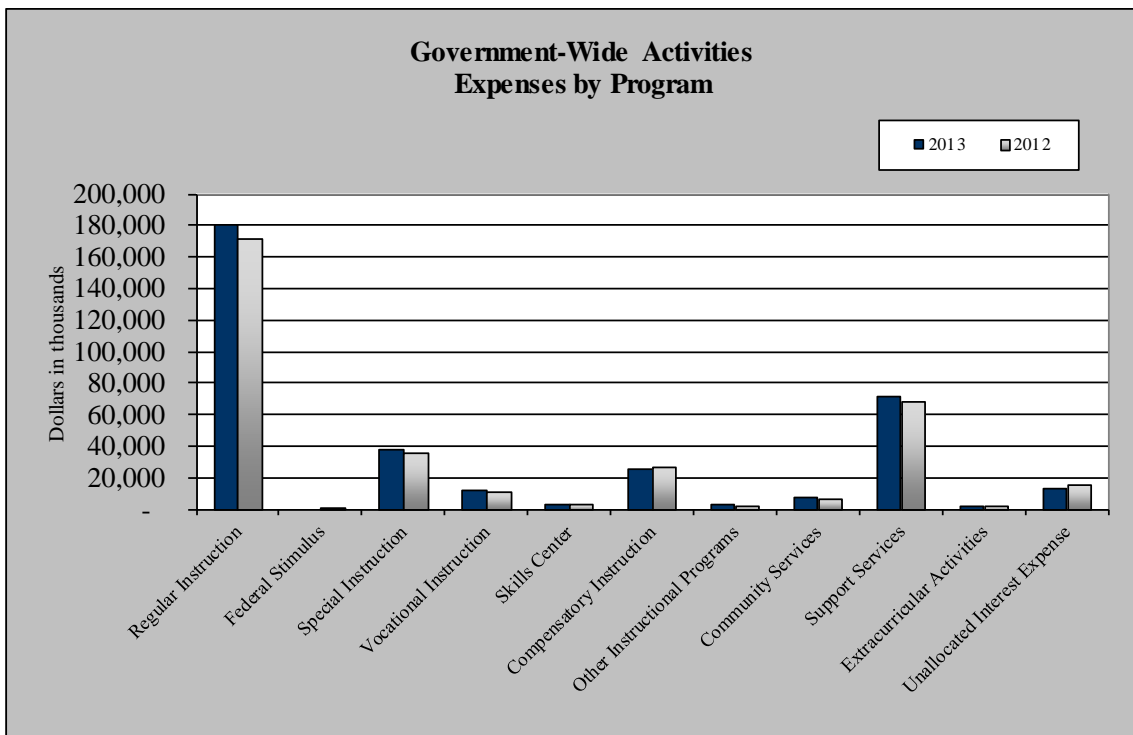
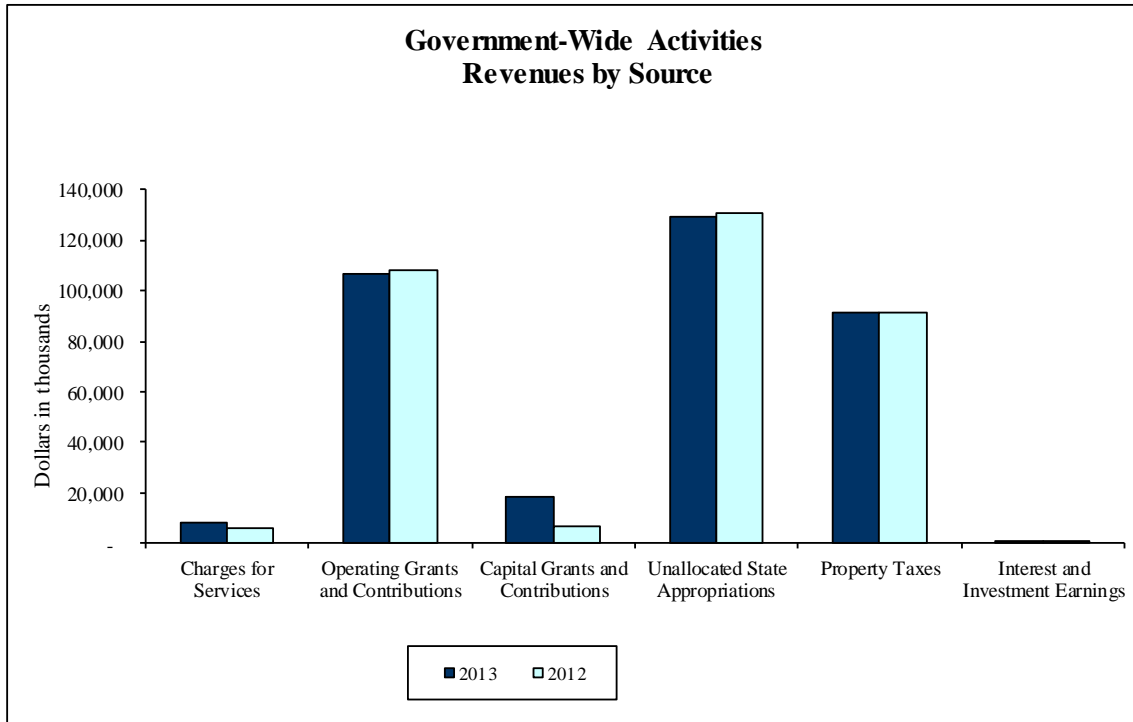
The 2012-2013 total expenses of \$355.7 million exceed total revenues of \$354.5 million by \$1.2 million. Total revenues were up due to the \$11.8 increase in program revenues, primarily in capital grants and contributions reflecting state funding for school construction projects. Expenses increased by \$9.6 million in 2012-13, primarily in instruction. The district negotiation with the bargaining units resulted in an increase of .5% for certificated staff and a 2% increase for classified staff. In addition, employee step increases and related employee benefit costs are reflected in the expenses below.

**Government-Wide Changes in Net Position
PRIMARY GOVERNMENT
For the Year Ended August 31**

	2013	2012
Program Revenues:		
Charges for Services	\$ 7,876,148	\$ 6,219,303
Operating Grants and Contributions	106,674,271	108,344,664
Capital Grants and Contributions	18,242,107	6,418,172
General Revenues:		
Property Taxes	91,620,560	91,431,766
Unallocated State Appropriations	129,113,872	130,724,251
Interest and Investment Earnings	1,014,079	1,284,732
TOTAL REVENUES	354,541,037	344,422,888
PROGRAM EXPENSES:		
Regular Instruction	\$ 180,046,442	\$ 171,894,617
Federal Stimulus	-	106,367
Special Instruction	37,533,327	35,906,332
Vocational Instruction	12,246,870	11,462,297
Skills Center	3,351,601	3,592,514
Compensatory Instruction	25,431,970	27,113,124
Other Instructional Programs	2,862,480	2,733,907
Community Services	7,713,199	7,266,317
Support Services	71,898,750	68,394,188
Extracurricular Activities	2,150,131	2,038,105
Unallocated Interest Expense	12,497,832	15,641,019
TOTAL EXPENSES	\$ 355,732,602	\$ 346,148,787
Increase (Decrease) in Net Position	(1,191,565)	(1,725,899)
Beginning Net Position	220,307,418	222,033,317
Ending Net Position	\$ 219,115,853	\$ 220,307,418

Government-Wide Activities

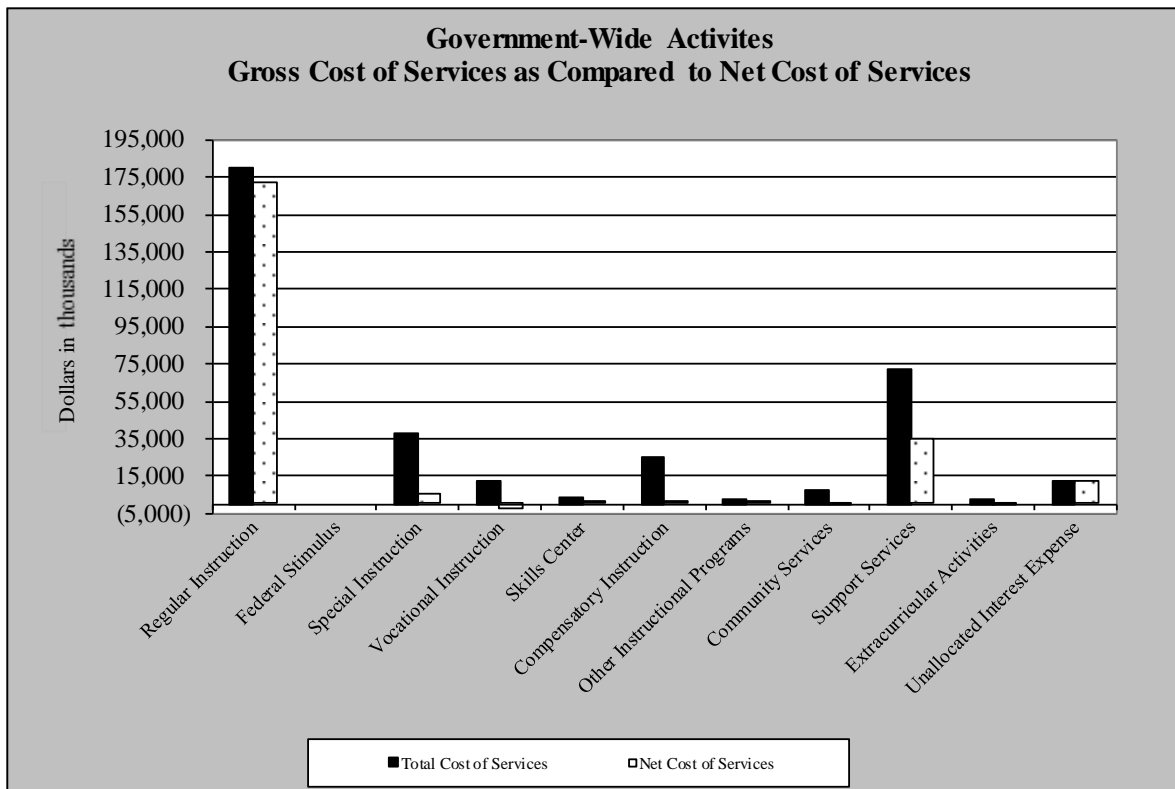
Revenues by source and the cost of the district's largest programs – regular instruction, special instruction, vocational instruction, compensatory instruction and support services are presented below. On the following page each program's net cost (total cost less revenues) is presented. The net cost shows the financial impact of these programs. The net cost of services is funded by the school district's revenue sources as presented below.



Government-Wide Activities Net Cost of Services

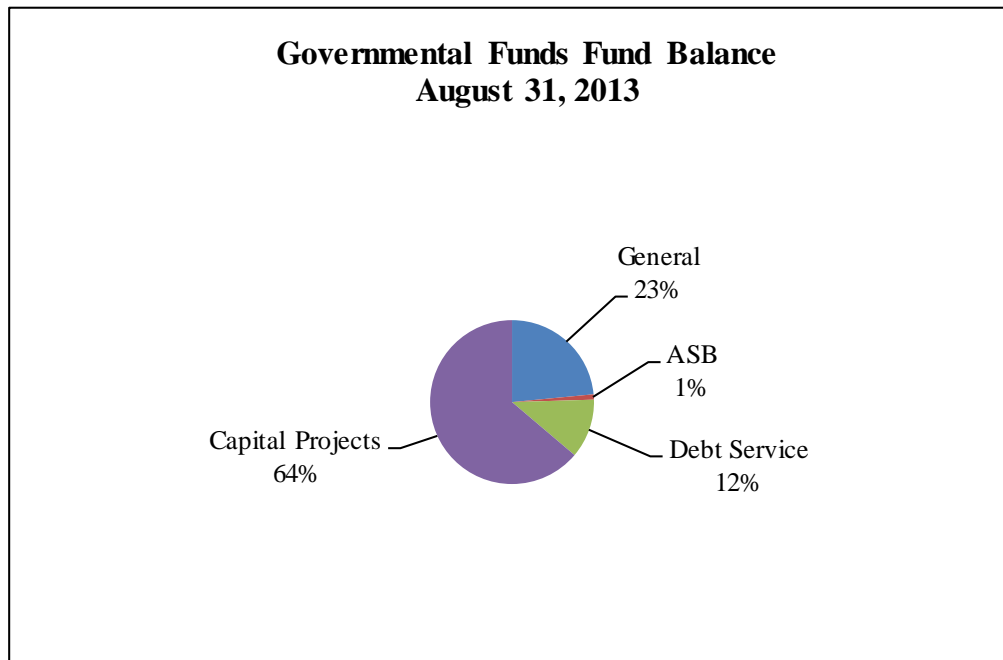
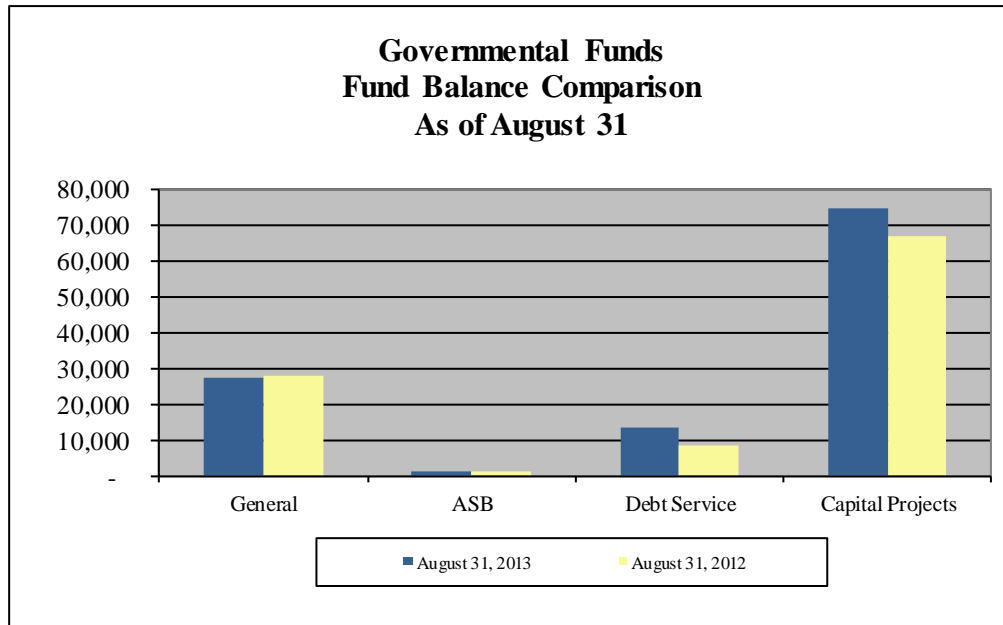
For the year ended August 31, 2013

	Program Revenues	Total Cost of Services	Net Cost of Services
Regular Instruction	\$ 8,500,230	\$ 180,046,442	\$ (171,546,212)
Federal Stimulus		-	-
Special Instruction	31,962,288	37,533,327	(5,571,039)
Vocational Instruction	15,406,460	12,246,870	3,159,590
Skills Center	3,275,209	3,351,601	(76,392)
Compensatory Instruction	24,067,263	25,431,970	(1,364,707)
Other Instructional Programs	1,710,139	2,862,480	(1,152,341)
Community Services	8,034,417	7,713,199	321,218
Support Services	36,961,303	71,898,750	(34,937,447)
Extracurricular Activities	2,169,077	2,150,131	18,946
Unallocated Interest Expense	706,140	12,497,832	(11,791,692)
Totals	\$ 132,792,526	\$ 355,732,602	\$ (222,940,076)



THE SCHOOL DISTRICT'S FUNDS (Fund Financial Statements)

At the end of the 2013 fiscal year, total governmental fund balance was \$117.4 million (as presented in the balance sheets under the governmental financial statement section), which is \$12.6 million more than last year's fund balance of \$104.7 million. This increase is primarily a result of unexpended bond proceeds from the November 2012 bond issue to fund construction of facilities. The fund financial statements recognize the bond sale as revenue rather than debt, resulting in an increase in the governmental funds fund balance. As presented in the bottom chart below, the Capital Projects Fund comprises 64% of total fund balance at August 31, 2013.



The table below presents a summary of the General Fund revenues and expenditures for fiscal years 2013 and 2012. The significant changes are explained below the table. A graphical presentation of revenues and expenditures follows.

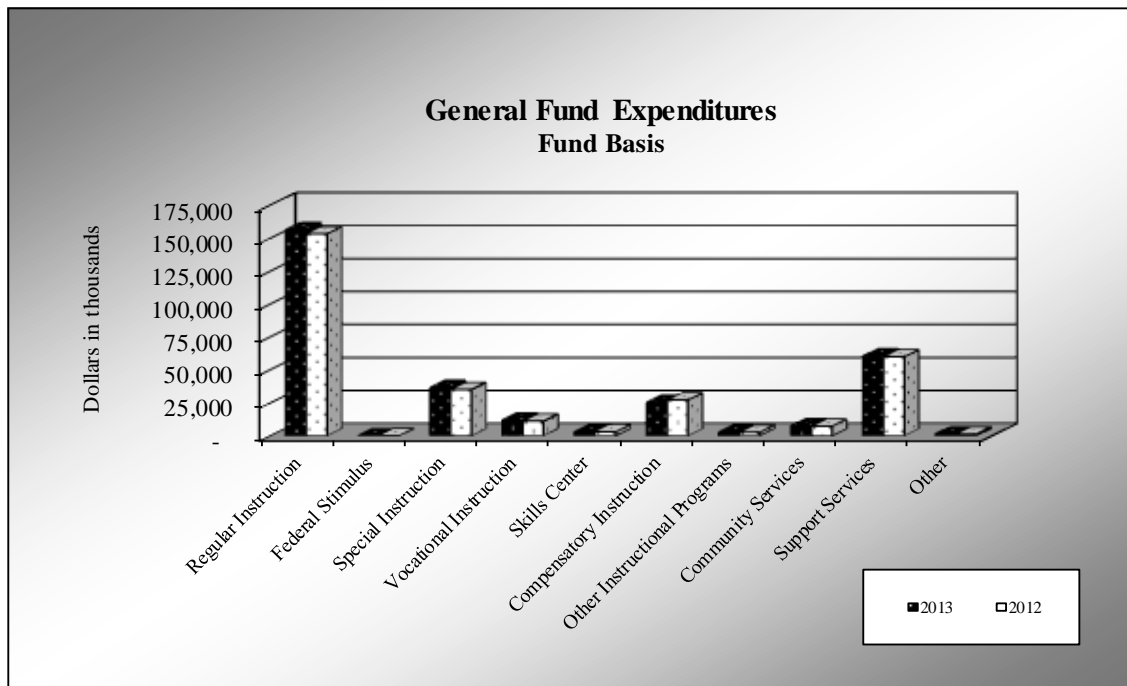
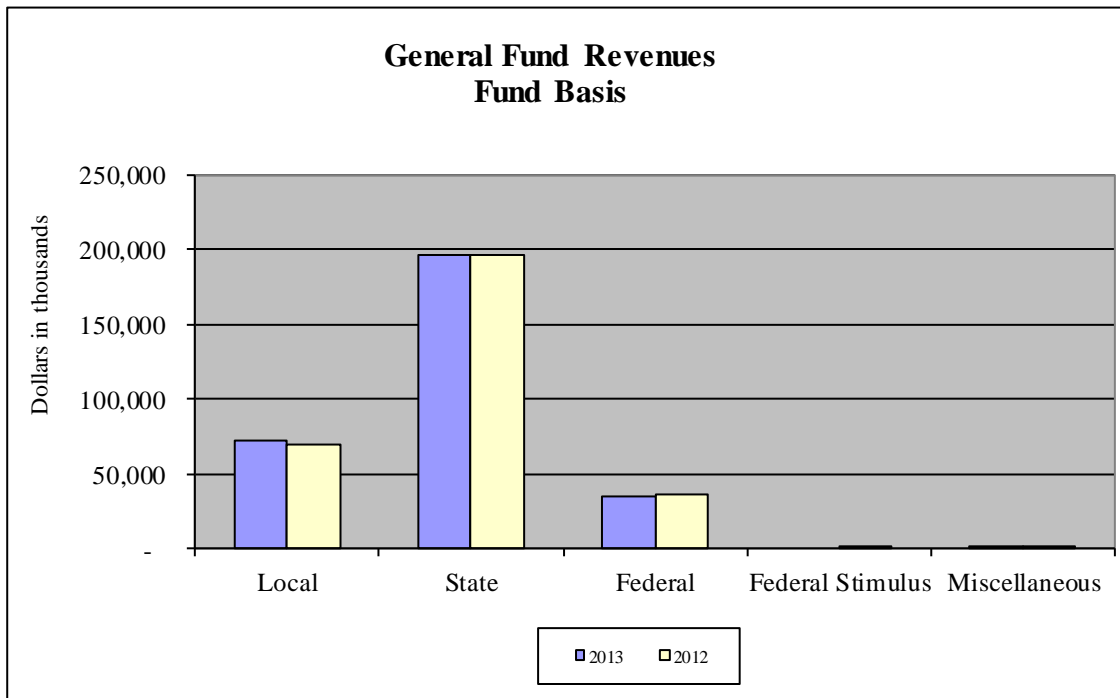
**General Fund
For the Year Ended August 31**

	2013	2012	Percent Change
Revenues			
Local	\$ 72,104,281	\$ 69,134,258	4.30%
State	196,510,057	195,666,800	0.43
Federal	34,756,072	36,595,359	(5.03)
Federal Stimulus	-	106,452	(100.00)
Miscellaneous	2,348,923	1,672,736	40.42
Total Revenues	\$ 305,719,333	\$ 303,175,605	0.84%
Expenditures			
Regular Instruction	156,154,057	153,128,475	1.98%
Federal Stimulus	-	106,367	(100.00)
Special Instruction	36,787,454	34,933,573	5.31
Vocational Instruction	12,075,024	11,066,658	9.11
Skills Center	2,945,247	3,155,841	(6.67)
Compensatory Instruction	25,431,970	27,113,124	(6.20)
Other Instructional Programs	2,862,480	2,733,907	4.70
Community Services	7,644,182	7,195,782	6.23
Support Services	60,546,608	59,919,602	1.05
Capital Outlay			
Other	1,266,234	1,237,317	2.34
Total Expenditures	\$ 305,713,256	\$ 300,590,646	1.70%

School district state and private grants, state apportionment and property tax revenue increased during the year. These revenue increases more than offset the decrease in federal stimulus funding.

The district expenditures reflect increases and decreases in programs to maintain programs within available resources. As the federal stimulus funding decreased, increases in state and other federal funding provided additional resources helping to maintain programs. Federal stimulus funding was used for some one-time only costs in the prior year, these expenditures were not budgeted for nor expended in 2013.

The capital outlay expenditures, though insignificant in dollar amount, represent the district's commitment to maintaining district facilities and equipment at an acceptable level. The district has been monitoring the budget very closely and has developed a process for requesting and prioritizing the purchases of capital equipment in the General Fund. The amount presented for each year reflects procurement of the highest priority items.



The table below presents a summary of the Capital Projects Fund. The district is currently in the second phase of the rolling 25-year capital improvement plan. Under this plan, the district continues to renovate or replace district facilities. During the current year the district sold \$50 million in bonds to fund construction of the projects approved by voters in 2009. Additional funding for projects has been provided through a state matching program, which increased this year due to new projects under construction.

Capital Projects Fund For the Year Ended August 31

	2013	2012	Percent Change
Revenues			
Local	\$ 790,683	\$ 1,143,566	-30.86%
State	16,657,616	7,256,397	129.56%
Federal	172,074	(1,509,966)	-111.40%
Total Revenues	<u>17,620,373</u>	<u>6,889,997</u>	<u>155.74%</u>
Expenditures			
Capital Outlay			
Other	61,564,052	66,662,239	-7.65%
Total Expenditures	<u>\$ 61,564,052</u>	<u>\$ 66,662,239</u>	<u>-7.65%</u>

Other Funds

The Debt Service Fund reflects the collection of property taxes used for payment of bonded debt. See Note 7 for a detail description of debt outstanding.

The Associated Student Body Fund reflects student body activity for the year. The activity is comparable with prior years resulting in an increase to fund balance of \$32,046.

Budgetary Highlights

Adopted budgeted expenditures are a prerequisite to expenditures in the governmental funds. The budgeted expenditures lapse at the end of the fiscal year. The Board may adopt a revised or supplemental expenditure budget after a public hearing anytime during the fiscal year. There were no board adopted budget revisions during 2012-2013.

The district budgets capacity for grant applications in the General Fund. The capacity is budgeted as revenues and expenditures. If a grant is not awarded, neither the expenditure nor the revenue is recognized. In the expenditure budget-to-actual schedules, there are under expenditures which represent grants that were budgeted but not awarded to the district. Corresponding variances are reflected in the revenue, budget-to-actual schedules. A detailed comparison of budget to actual for the General Fund is presented in Schedule A-1. The under budget amount reflected in instruction and compensatory education reflect the budgeted capacity to accept grant awards. The under budget in Support Services represents cost savings due to tight fiscal management.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2012-2013 fiscal year, the district had \$658.0 million invested in a broad range of capital assets, including technology, equipment and school buildings. This amount represents a net increase (including additions and deletions) of \$48.8 million or 8.0 percent.

The district has a 25-year rolling capital improvement plan that was adopted in 2003. The construction plan is financed with General Obligation Bonds. The first phase of the plan was approved by voters in 2003 with the projects substantially complete. The projects included the renovation of two high schools, replacement of three elementary schools, athletic facility improvements, technology, and infrastructure to support technology.

The second phase of the 25-year rolling capital improvement plan was started in 2009 when district voters approved a \$288 million dollar bond. \$230,160,000 of General Obligation Bonds have been sold to fund the second phase of projects. The district anticipates annual bond sales to fund the continuing construction. The second phase includes replacing or renovating four elementary schools, renovating one high school, replacing one middle school gymnasium, technology, infrastructure to support technology and a variety of smaller capital improvements across the district. The construction in progress of \$92.0 million as of August 31, 2013 consists of bond projects.

The district's fiscal year 2013-2014 capital projects budget is \$89.6 million. The budget will be used for construction of the second phase of bond projects and locally funded projects. Projects funded by bonds authorized by voters in 2009 are scheduled to continue through 2015.

Additional information on capital assets is included in the notes to the financial statements, Note 4.

Capital Assets As of August 31, 2013

	Historical Cost	Accumulated Depreciation	Net Capital Assets
Land	\$ 23,676,382	\$ -	\$ 23,676,382
Land Improvements	25,512,038	(7,470,847)	18,041,191
Buildings and Improvements	503,459,275	(182,921,186)	320,538,089
Other Equipment and Machinery	13,369,347	(10,925,396)	2,443,951
Construction in Progress	92,024,228	-	92,024,228
Total	\$ 658,041,270	\$ (201,317,429)	\$ 456,723,841

Debt

At year end, the district had \$318.6 million in unlimited tax general obligation bonds outstanding. Additional information on debt is included in the notes to the financial statements, Note 7.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The district serves the City of Spokane and some adjacent areas in Spokane County. The economic indicators for the region have stabilized but are not showing significant growth. Like the rest of the nation, Spokane has experienced a decline in retail and taxable sales and an increase in the unemployment rate; however, the Spokane community has not been impacted as dramatically as national averages. In addition, there are numerous construction projects - both government and private sector - that are in progress or anticipated to begin soon.

The economic recovery is being led by five major industries: manufacturing and aerospace; transportation and warehousing; health care; professional, scientific and technical services; and finance and insurance. The industries with the highest job gains are professional, scientific and technical service, financial services, manufacturing, and health care. Spokane will continue to be heavily invested in agricultural services, various types of wholesale trade, energy related, technology, military and higher education. As the population continues to grow, so too will the government and education sectors as they respond to rising service demands.

The 2013-2014 expenditures for governmental funds of the district are budgeted at over \$453.5 million. The 2013 property tax rate was \$6.07 per thousand dollar of assessed value for the amounts collected in both the General Fund and the Debt Service Fund. Of these collections, the property tax collections for the General Fund represent approximately 19% of fund revenues in the 2013-2014 budget.

The district budgeted for an increase in student enrollment for the 2013-2014 school year (378 students). The enrollment had been flat but is now growing, in part due to the expansion of all-day kindergarten programs. The district anticipates the enrollment to remain stable with slow growth expected over the next few years. Actual enrollment for the 2012-2013 school year came in 65 students lower than budget.

The district has taken a proactive approach to addressing flat enrollment and the economic impacts of a slow economy. Management held staff meetings and public forums to establish district priorities and strategies to increase enrollment. These priorities will be updated as necessary, and will inform future budget development.

The School Board and district management are committed to maintaining a minimum General Fund budgeted fund balance of 5.0% of budgeted General Fund expenditures. The 2013-2014 budget was adopted with a budgeted ending fund balance of 6.0% of budgeted General Fund expenditures. At the direction of the School Board, the budget contingency that had historically been included in the budget was removed from the 2013-2014 budget and established as a commitment of fund balance. The August 31, 2013 actual General Fund balance of \$27.6 million is 9.0% of actual expenditures. The School Board and district management will continue to keep staff and the community involved in the district's budget development process.

SPOKANE PUBLIC SCHOOLS
STATEMENT OF NET POSITION
August 31, 2013

	Note #	Primary Government	
		Governmental Activities	
ASSETS			
Cash and Cash Equivalents	1F, 2	\$	132,049,242
Cash with Fiscal Agent	1F		40,000
Property Tax Receivable	1F		44,177,743
Receivables, Net			836,960
Due from Other Governments			12,511,691
Inventories	1F		1,630,626
Prepaid Items			174,890
Unamortized Bond Issuance Costs	7		2,362,789
Capital Assets, Net of Accumulated Depreciation:			
Land	4		23,676,382
Land Improvements	4		18,041,191
Buildings & Improvements	4		320,538,089
Equipment	4		2,443,951
Construction-in-progress	5		92,024,228
TOTAL ASSETS			650,507,782
LIABILITIES			
Accounts Payable			31,315,003
Accrued Wages & Benefits Payable			2,830,182
Unearned Revenue	1I		755,861
Long-Term Liabilities	7, 8		
Due within one year			19,504,000
Due in more than one year			376,986,883
TOTAL LIABILITIES			431,391,929
NET POSITION			
Net Investment in Capital Assets			149,420,557
Restricted for:	1K		
Capital Projects			39,229,000
Debt Service			18,379,527
Legal Obligations			5,530,866
Unrestricted			6,555,903
TOTAL NET POSITION		\$	219,115,853

The notes to the basic financial statements are an integral part of this statement.

SPOKANE PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2013

					NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
PROGRAM REVENUES					PRIMARY GOVERNMENT
Functions/Programs	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
Regular Instruction	\$ 180,046,442	\$ 642,660	\$ 7,857,570	\$ -	\$ (171,546,212)
Federal Stimulus	-	-	-	-	-
Special Instruction	37,533,327	17,312	31,930,791	14,185	(5,571,039)
Vocational Instruction	12,246,870	100,880	15,293,026	12,554	3,159,590
Skills Center	3,351,601	110,500	3,141,144	23,565	(76,392)
Compensatory Education	25,431,970	58,503	24,008,760	-	(1,364,707)
Other Instructional Programs	2,862,480	325,614	1,384,525	-	(1,152,341)
Community Services	7,713,199	2,144,586	5,651,089	238,742	321,218
Support Services	71,898,750	2,773,981	16,234,261	17,953,061	(34,937,447)
Extracurricular Activities (ASB)	2,150,131	1,702,112	466,965	-	18,946
Unallocated Interest Expense	12,497,832	-	706,140	-	(11,791,692)
Total Governmental Activities	\$ 355,732,602	\$ 7,876,148	\$ 106,674,271	\$ 18,242,107	(222,940,076)

General Revenues:

Taxes:

Property Taxes, levies for maintenance and operations

61,973,154

Property Taxes, levies for debt service

29,647,406

Unallocated State Apportionment & Others

129,113,872

Interest and Investment Earnings

1,014,079

Total General Revenues**221,748,511****Changes in Net Position****(1,191,565)****Net Position - Beginning**

220,307,418

Net Position - Ending**\$ 219,115,853**

The notes to the basic financial statements are an integral part of this statement.

SPOKANE PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
August 31, 2013

	GENERAL FUND	SPECIAL REVENUE FUND (ASB)	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS:					
Cash and Cash Equivalents	\$ 39,339,738	\$ 1,235,707	\$ 12,546,475	\$ 78,927,322	\$ 132,049,242
Cash with Fiscal Agent	40,000	-	-	-	40,000
Property Tax Receivable	30,024,910	-	14,411,548	-	44,436,458
Accounts Receivable, Net	836,960	-	-	-	836,960
Due from Other Funds	-	167,967	-	69,978	237,945
Due from Other Government Units	3,255,358	-	-	9,081,773	12,337,131
Inventories at Cost	1,630,626	-	-	-	1,630,626
Prepaid items	174,890	-	-	-	174,890
TOTAL ASSETS	\$ 75,302,482	\$ 1,403,674	\$ 26,958,023	\$ 88,079,073	\$ 191,743,252
LIABILITIES:					
Accounts Payable	\$ 14,327,197	\$ 178,324	\$ -	\$ 13,177,943	\$ 27,683,464
Accrued Wages & Benefits Payable	4,781,932	-	-	9,482	4,791,414
Due to Other Funds	237,945	-	-	-	237,945
Deferred Revenue	28,389,811	-	13,266,496	-	41,656,307
TOTAL LIABILITIES	47,736,885	178,324	13,266,496	13,187,425	74,369,130
FUND BALANCES					
Non-spendable Inventory and Prepaids	1,805,516	-	-	-	1,805,516
Restricted for Debt Service	4,650,000	-	13,691,527	38,000	18,379,527
Restricted for Self Insurance	2,500,000	-	-	-	2,500,000
Restricted for Bond Proceeds	-	-	-	39,229,000	39,229,000
Restricted Special Revenue Funds	-	1,225,350	-	-	1,225,350
Committed to Other Items (See Note 13)	10,450,000	-	-	-	10,450,000
Assigned to Other Items (See Note 13)	1,081,000	-	-	-	1,081,000
Assigned to Fund Purpose	-	-	-	35,624,648	35,624,648
Unassigned Fund Balance	7,079,081	-	-	-	7,079,081
TOTAL FUND BALANCES	27,565,597	1,225,350	13,691,527	74,891,648	117,374,122
TOTAL LIABILITIES AND FUND BALANCES	\$ 75,302,482	\$ 1,403,674	\$ 26,958,023	\$ 88,079,073	\$ 191,743,252

The notes to the basic financial statements are an integral part of this statement.

SPOKANE PUBLIC SCHOOLS
RECONCILIATION
BALANCE SHEET/STATEMENT OF NET POSITION
August 31, 2013

	Total Governmental Funds	Long-Term Assets, Liabilities *	Reclassifications and Eliminations*	Statement of Net Position Totals
ASSETS				
Cash and Cash Equivalents	\$ 132,049,242	\$ -	- \$	132,049,242
Cash with Fiscal Agent	40,000	-	-	40,000
Property Tax Receivable	44,436,458	(258,715)	-	44,177,743
Receivables, Net	836,960	-	-	836,960
Due from Other Funds	237,945	-	(237,945)	-
Due from Other Governments	12,337,131	-	174,560	12,511,691
Inventories	1,630,626	-	-	1,630,626
Prepaid Items	174,890	-	-	174,890
Capital Assets, Net	-	456,723,841	-	456,723,841
Unamortized Issuance Costs	-	2,362,789	-	2,362,789
TOTAL ASSETS	\$ 191,743,252	\$ 458,827,915	\$ (63,385)	\$ 650,507,782
LIABILITIES				
Accounts Payable	\$ 27,683,464	\$ 3,631,539	\$ -	31,315,003
Wages, Benefits & Other Payables	4,791,414	-	(1,961,232)	2,830,182
Due to Other Funds	237,945	-	(237,945)	-
Deferred Revenue	41,656,307	(40,900,446)	-	755,861
Long-Term Liabilities	-	394,529,651	1,961,232	396,490,883
TOTAL LIABILITIES	74,369,130	357,260,744	(237,945)	431,391,929
FUND BALANCES/NET POSITION				
Total Fund Balances/Net Position	117,374,122	101,567,171	174,560	219,115,853
TOTAL LIABILITIES AND FUND BALANCES/NET POSITION	\$ 191,743,252	\$ 458,827,915	\$ (63,385)	\$ 650,507,782

The notes to the basic financial statements are an integral part of this statement.

* See Note 12

SPOKANE PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended August 31, 2013

	GENERAL FUND	SPECIAL REVENUE FUND (ASB)	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Local	\$ 72,104,281	\$ 2,182,177	\$ 30,870,931	\$ 790,683	\$ 105,948,072
State	196,510,057	-	-	16,657,616	213,167,673
Federal	34,756,072	-	719,683	172,074	35,647,829
Federal Stimulus	-	-	-	-	-
Miscellaneous	2,348,923	-	-	-	2,348,923
TOTAL REVENUES	305,719,333	2,182,177	31,590,614	17,620,373	357,112,497
EXPENDITURES					
Current Operating:					
Regular Instruction	156,154,057	-	-	-	156,154,057
Federal Stimulus	-	-	-	-	-
Special Instruction	36,787,454	-	-	-	36,787,454
Vocational Instruction	12,075,024	-	-	-	12,075,024
Skills Center	2,945,247	-	-	-	2,945,247
Compensatory Instruction	25,431,970	-	-	-	25,431,970
Other Instructional Programs	2,862,480	-	-	-	2,862,480
Community Services	7,644,182	-	-	-	7,644,182
Support Services	60,546,608	-	-	-	60,546,608
Student Activities	-	2,150,131	-	-	2,150,131
Debt Service:					
Principal	-	-	12,076,282	-	12,076,282
Interest and Other Charges	-	-	14,833,609	-	14,833,609
Capital Outlay:					
Other	1,266,234	-	-	61,564,052	62,830,286
TOTAL EXPENDITURES	305,713,256	2,150,131	26,909,891	61,564,052	396,337,330
Excess (Deficiency) of Revenues Over Expenditures	6,077	32,046	4,680,723	(43,943,679)	(39,224,833)
OTHER FINANCING SOURCES (USES)					
Issuance of Bonds	-	-	-	50,000,000	50,000,000
Issuance of Bonds Premium	-	-	4,580	827,090	831,670
Sale of Surplus Equipment & Property Transfers	37,967 (315,000)	-	-	1,003,535	1,041,502
TOTAL OTHER FINANCING SOURCES AND USES	(277,033)	-	319,580	51,830,625	51,873,172
NET CHANGE IN FUND BALANCE	(270,956)	32,046	5,000,303	7,886,946	12,648,339
Fund Balance - Beginning	27,836,553	1,193,304	8,691,224	67,004,702	104,725,783
Fund Balance - Ending	\$ 27,565,597	\$ 1,225,350	\$ 13,691,527	\$ 74,891,648	\$ 117,374,122

The notes to the basic financial statements are an integral part of this statement.

SPOKANE PUBLIC SCHOOLS
RECONCILIATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
August 31, 2013

	Total Governmental Funds	Long-Term Revenue, Expenses *	Capital Related Items *	Long-Term Debt Transactions *	Statement of Activities Totals
REVENUES AND OTHER SOURCES					
Property Taxes	\$ 94,178,477	\$ (2,557,917)	\$ -	\$ -	\$ 91,620,560
Local Non-Taxes	11,769,595	-	-	-	11,769,595
State	213,167,673	-	-	-	213,167,673
Federal	35,647,829	-	-	(13,543)	35,634,286
Federal Stimulus	-	-	-	-	-
Miscellaneous	2,348,923	-	-	-	2,348,923
Other Sources:					
Issuance of Bonds	50,000,000	-	-	(50,000,000)	-
Issuance of Bonds Premium	831,670	-	-	(831,670)	-
Sale of Equipment & Property	1,041,502	-	(1,041,502)	-	-
TOTAL EXPENDITURES/EXPENSES	408,985,669	(2,557,917)	(1,041,502)	(50,845,213)	354,541,037
Current:					
Regular Instruction	156,154,057	2,266,200	21,626,185	-	180,046,442
Federal Stimulus	-	-	-	-	-
Special Instruction	36,787,454	514,011	231,862	-	37,533,327
Vocational Instruction	12,075,024	169,004	2,842	-	12,246,870
Skills Center	2,945,247	35,632	370,722	-	3,351,601
Compensatory Education	25,431,970	-	-	-	25,431,970
Other Instructional Programs	2,862,480	-	-	-	2,862,480
Community Services	7,644,182	31,886	37,131	-	7,713,199
Support Services	60,546,608	1,050,874	2,892,030	-	64,489,512
Student Activities	2,150,131	-	-	-	2,150,131
Debt Service:					
Principal	12,076,282	-	-	(12,076,282)	-
Interest and Other Charges	14,833,609	-	-	(2,335,777)	12,497,832
Capital Outlay	62,830,286	-	(55,037,748)	(383,300)	7,409,238
TOTAL EXPENDITURES/EXPENSES	396,337,330	4,067,607	(29,876,976)	(14,795,359)	355,732,602
NET CHANGE FOR THE YEAR	\$ 12,648,339	\$ (6,625,524)	\$ 28,835,474	\$ (36,049,854)	(1,191,565)

The notes to the basic financial statements are an integral part of this statement.

* See Note 12

SPOKANE PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
PRIVATE PURPOSE TRUST FUNDS
August 31, 2013

	Private-Purpose Trusts
ASSETS	
Cash and Cash Equivalents	\$ 298,820
TOTAL ASSETS	<u><u>\$ 298,820</u></u>
LIABILITIES	
Accounts Payable	\$ -
TOTAL LIABILITIES	<u><u>-</u></u>
NET POSITION	
Held in Trusts for Scholarships	298,820
TOTAL NET POSITION	<u><u>\$ 298,820</u></u>

The notes to the basic financial statements are an integral part of this statement.

SPOKANE PUBLIC SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
FIDUCIARY FUNDS
For the Year Ended August 31, 2013

	Private-Purpose Trusts
ADDITIONS	
Donations	\$ 82,723
Investment Earnings	659
Total Additions	<u>83,382</u>
DEDUCTIONS	
Scholarships	\$ 92,316
Total Deductions	<u>92,316</u>
Change in Net Position	<u>(8,934)</u>
Net Position, Beginning of the Year	307,754
Net Position, End of the Year	<u><u>\$ 298,820</u></u>

The notes to the basic financial statements are an integral part of this statement.

SPOKANE SCHOOL DISTRICT NO. 81
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Spokane Public Schools (SPS) is a municipal corporation organized pursuant to Title 28A of the Revised Code of Washington (RCW) for the purpose of providing public school services to students in grades K-12. Oversight responsibility for the school district's operations is vested with the independently elected board of directors. Management of the school 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.

For financial reporting purposes, Spokane Public Schools includes all funds and organizations that are controlled by or dependent on the district's board of directors or administrative staff. Because the district has organizations that appear to be related to district operations, an evaluation of these related organizations for determination of component units was performed using the criteria established in GASB 39. Control by or dependence on the district was determined on the basis of budget adoption, taxing authority, outstanding debt secured by the general obligation of the district, obligation of the district to finance any deficits that may occur, or receipt of significant subsidies from the district. The total net position of and annual contribution from each related organization was evaluated for materiality to the district as a whole. The following related organizations were reviewed and determined not to be component units:

Related Organizations

Spokane Public Schools Foundation (SPS Foundation) was organized on June 21, 2006 in the state of Washington for the purpose of supporting Spokane Public Schools. The SPS Foundation is a legally separate entity managed by a board of eleven directors who are nominated by the foundation board. Spokane Public Schools is not responsible for management or finances of the SPS Foundation. Financial information for the SPS Foundation is not presented in the financial statements.

Friends of KSPS, a legally separate entity, was organized June 23, 1972, in the state of Washington, for the exclusive purpose of supporting the educational and cultural needs of the people of the Spokane area which can be served through public television. It is managed by a board of up to twenty-one members, who are nominated by a committee of its board and approved by its board. Spokane Public Schools is not responsible for the management or finances of the Friends of KSPS. Financial information for Friends of KSPS is not presented in the financial statements. Effective August 31, 2013 the license for and operation of KSPS TV was transferred to Friends of KSPS.

The Greater Spokane League, a legally separate entity, was organized for the exclusive purpose of supporting the high school activities programs for athletics and debate. It is managed by a board of ten members - the principal from each of the participating high schools, five of which are employees of Spokane Public Schools. Spokane Public Schools is not financially responsible for the Greater Spokane League. Financial information for the Greater Spokane League is not presented in the financial statements.

Various parent/teacher associations, organizations and/or groups (PTAs), all of which are legally separate entities, were organized for the purpose of increasing the opportunities for parents to be involved in the educational activities of their children. The boards of directors and/or officers of the PTAs are not appointed by the board of directors of Spokane Public Schools. Spokane Public Schools is not financially responsible for these parent/teacher associations, organizations and/or groups. Financial information for the PTAs is not presented in the financial statements.

B. Basis of Presentation

Spokane Public Schools' financial reports, as reflected by the accompanying financial statements, conform to Generally Accepted Accounting Principles. The accounts of the school district are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they

are to be spent and the means by which spending activities are controlled. The various funds in this report are grouped, in the financial statements in this report, into basic financial statements as follows:

Government-Wide Financial Statements

Overall governmental activities are reported here without displaying individual funds or fund types and display information about the district as a whole.

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. The government-wide financial statements consist of the following:

Statement of Net Position – The Statement of Net Position reports all financial and capital resources. Capital assets (land, land improvements, building, building improvements, vehicles and equipment) are reported at historical cost, net of accumulated depreciation.

Statement of Activities – The Statement of Activities demonstrates the degree to which the direct expenses of a given function/program are offset by program revenues. The expenses and revenues are reported as follows:

Expenses – Expenses are reported by function/program and include direct and indirect expenses. Depreciation expenses are allocated to direct expenses if they can be specifically identified with a function/program. Interest expenses may be considered direct (interest on long-term debt, when borrowing is essential to the creation or continuing existence of a program) or indirect expenses (interest on long-term liabilities).

Revenues – The revenues are divided into program revenues and general revenues. Program revenues consist of two major categories: charges for services and grants and contributions. Charges for services consist of customers, parents or students who purchase, use or directly benefit from goods or services. Examples of charges for services are payments for before and after school care and breakfast and lunch payments. The grants and contributions are restricted to meeting the operational or capital requirements of a particular function. All revenues not associated with a program are defined as general revenues. General revenues include general apportionment from the state of Washington, local property taxes, investment earnings and special items. Revenues are recognized when they are earned and measurable on a full accrual basis.

Fiduciary funds are not presented in the government-wide financial statements. They are presented separately in Exhibits 5 and 6.

Fund Financial Statements

The governmental fund reporting focuses primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. Governmental Fund reporting includes General, Special Revenue (Associated Student Body Fund), Capital Projects and Debt Service Funds. These funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. “Measurable” means the amount of the transaction can be determined and the district considers all revenues available if they are collected within 60 days after year-end to pay liabilities of the current period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditures are recorded when the related fund liability is incurred, except for the unmatured principal and interest, which are recorded when due. Financial resources usually are appropriated in other funds for transfer to a debt service fund in the period in which maturing debt principal and interest must be paid. Such amounts are not current liabilities of the debt services fund. Long-term liabilities are not recognized as governmental fund liabilities.

GOVERNMENTAL FUNDS

General Fund

This fund is the general operating fund of the district. It is used to account for all expendable financial resources, except those required to be accounted for in another fund. The revenues of the General Fund are derived primarily from the state of Washington, local property taxes and federal grants. In keeping with the principle of as few funds as necessary, food services, maintenance, data processing, printing, and transportation activities are included in this fund. These activities are statutorily assigned to the General Fund and also principally serve and receive their support from the General Fund.

Special Revenue Fund (Associated Student Body Fund)

This fund is used to account for the extracurricular fees collected from a variety of fund-raising events for students. Disbursements require the joint approval of the appropriate student body organization and the district's board of directors. This fund is accounted for as a special revenue fund since the financial resources legally belong to the school.

Debt Service Fund

This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related expenditures. Fund revenues are derived primarily from local property taxes.

Capital Projects Fund

This fund is used to account for resources set aside for the acquisition and construction of capital assets. It includes net rental income and net proceeds from the sale of real property. This fund must be used when projects are financed wholly or in part by bond issues, intergovernmental resources, major private donations, or insurance recoveries. Expenditures in this fund may also be for energy capital improvements to existing buildings and the purchase of certain initial equipment for existing buildings.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net positions and changes in net position. Trust funds are used by the district in its fiduciary capacity as trustee or agent for assets held for individuals, private organizations, and other governments. These funds include private-purpose trust funds. The entire income and principal of a private-purpose trust may be disbursed in the course of its operation.

The fiduciary funds consist of trust funds receiving donations from private individuals and foundations for student needs and scholarships.

MAJOR AND NONMAJOR FUNDS

The district considers all governmental funds presented as major funds.

C. Budgetary Data

General Budgetary Policies

School district accounting systems provide the basis for the budgetary control. RCW 28A.505 and Washington Administrative Code (WAC) Chapter 392-123 mandate school district budget policies and procedures. The budget is adopted by the board after a public hearing. The board adopted budget is a prerequisite to expenditures in the General, Special Revenue, Debt Service and Capital Projects Funds. Management is authorized to modify specific accounts within the overall fund budgeted expenditures. The board may adopt a revised or supplemental budget for expenditures after a public hearing anytime during the fiscal year. There were no budget revisions at the fund level during the fiscal year 2012-2013. If the local school district budget does not comply with the budget procedures established by RCW 28A.505, the superintendent of public instruction shall give written notice to the board of directors for the local school district that shall, within thirty days from the date the notice is issued, submit a revised budget which meets the requirements of RCW 28A.505.

Adopted budgeted expenditures lapse at the end of the fiscal period. In addition, pursuant to law, actual expenditures cannot exceed the adopted budget at the fund level.

Budgetary Basis of Accounting

For budget and accounting purposes, revenues and expenditures are recognized on the modified accrual basis of accounting as prescribed by law for all governmental and fiduciary funds. Fund balance is budgeted as an available resource and, pursuant to law, the budgeted ending fund balance cannot be negative. The basis of budgeting is the same as GAAP, therefore no reconciliation is included.

Encumbrances

Encumbrance accounting is employed in governmental funds. Purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve a portion of the applicable appropriation. Encumbrances are closed at the end of the fiscal year and reopened the following year. Encumbrances were closed on August 31, 2013, and were re-encumbered on September 1, 2013. See Note 10 for details.

D. Measurement Focus and Basis of Accounting

Measurement Focus

The government-wide financial statements measure and report all assets (both financial and capital), liabilities, revenues, expenses, gains and losses using the economic resources measurement. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), and financial position.

The governmental fund financial statements (General Fund, Special Revenue Fund, Debt Service Fund and Capital Projects Fund) utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

The private-purpose trust funds are used to account for resources legally held in trust for the benefit of specifically named organizations (not to support the district’s programs) or expenditures that are to assist the poor or infirm and are reported on the accrual basis of accounting.

The district does not have any proprietary funds.

Basis of Accounting

In the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this method, revenues are recognized when they become measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Property taxes receivable are measurable but not available; therefore property tax revenue is not accrued. However, categorical program claims and interdistrict billings are measurable and available and are therefore accrued. The district accrues property taxes collections for 30 days after the fiscal year end and revenues related to grants that have been and/or will be claimed.

Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred. The fund liability is incurred when the goods or services have been received. The one exception to this rule is the recognition of principal and interest on general long-term debt, which is recognized when due.

E. Eliminations and Reclassifications

In the process of aggregating data for the government-wide Statements of Net Position and the Statement of Activities, the interfund receivables and payables within governmental funds, except those with fiduciary funds, were eliminated. Interfund services are not eliminated from the government-wide presentation.

F. Assets, Liabilities and Net Position

Deposits and Investments

The county treasurer is the ex-officio treasurer for the school district. In this capacity, the county treasurer receives deposits and makes investment transactions in the district's behalf.

In the absence of district policy, the district follows applicable investment statutes which authorize the district to deposit or invest in (1) securities, certificates, notes, bonds, short-term securities, or other obligations of the United States, (2) any state bank or trust company, national banking association, stock savings bank, mutual savings bank, savings and loan association, and (3) any branch bank engaged in banking in this state in accordance with RCW 30.04.300 if the institution has been approved by the Washington Public Deposit Protection Commission to hold public deposits and has segregated eligible collateral having a value of not less than its maximum liability.

The district's deposits are held by qualified public depositories and are protected from loss by the Washington Public Deposit Protection Commission and the Federal Deposit Insurance Corporation.

The district uses the Bank of New York as its fiscal agent for bond principal and coupon redemption.

Property Taxes

Property tax revenues are collected as the result of special levies passed by the voters in the school district. In accordance with the RCW 84.60.020, the tax assessment date is January 1 of the calendar year of collection. The tax lien date is January 1 of the year of collection and taxes receivable are recognized as of that date. Current year taxes are due in full as of April 30, and are delinquent after that date. However, without incurring penalty, the taxpayer may elect to pay one-half of the taxes due by April 30, with the remaining one-half of the taxes due October 31 and delinquent after that date. Typically, a little more than half of taxes due are collected on the April 30 date. In governmental fund financial statements, property tax revenue which is measurable but not available (taxes that are not expected to be collected within 30 days after the current period) is recorded as a receivable and deferred revenue. In government-wide financial statements, property tax revenue, net of estimated uncollectible, is accrued at year-end.

Due From/To Other Funds

Interfund receivables and payables and the associated revenues and expenditures/expenses are recorded in the respective funds on governmental fund financial statements. Interfund receivables and payables are eliminated in government-wide financial statements, except those with fiduciary funds, which are reclassified as a third party receivable. The interfund balances are temporary and are regularly cleared by issuance of a warrant.

Due from Other Governments

This account represents receivables for federal, state and local grants. Grant revenues are recorded in the year in which the related expenditures are incurred.

Inventories

Inventories are valued at cost using the first-in, first-out (FIFO) method. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are offset by a nonspendable fund balance which is equal to the reported inventory level to indicate that a portion of the fund balance is not available for future expenditures. United States Department of Agriculture (USDA) commodity inventory, included in the inventory total, consists of food donated by the USDA. It is valued at the prices paid by the USDA for the commodities. A comparison to market value is not considered necessary.

Prepays

Prepaid assets are accounted under the consumption method. Assets are recorded as prepaid if the life of the asset extends past the fiscal year. The prepaid assets are amortized over the life of the asset. Reported prepaids are offset by a nonspendable fund balance which is equal to the reported prepaid balance to indicate that a portion of the fund balance is not available for future expenditures.

G. Bond Discount, Bond Premiums and Issuance Costs

In governmental funds, bond discounts, premium and issuance costs are recognized in the period of issuance. In government-wide financial statements, they are amortized using the straight-line method over the life of the bonds.

H. Capital Assets

Capital assets, which include property, buildings and improvements, and equipment, are reported in the applicable governmental activities in the government-wide financial statements. Assets acquired after 1980 are presented at historical cost. Assets acquired before 1980 are presented at estimated historical cost if actual was not available. The district defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized but are charged to expenditures in the current period. In governmental fund financial statements, there is no depreciation for capital assets. However, depreciation is charged to expense and allocated to various functions/programs in government-wide financial statements in compliance with GASB Statement #34. See Note 4 for details.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Site Improvements	15 years
Buildings	50 years
Building Improvements	20 years
Equipment and Vehicles	3-10 years

Land and construction in progress are not depreciated.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures upon acquisition.

I. Deferred Revenue

In governmental fund financial statements, deferred revenues consists of amounts collected before revenue recognition criteria are met, and receivables which, under the modified accrual basis of accounting, are measurable but not yet available, e.g. unearned property tax revenues, unearned revenues from federal, state and local grants, and unearned revenues on long-term receivables. In government-wide financial statements, property taxes less estimated uncollectibles are fully accrued; therefore there are no deferred property tax revenues in these statements.

J. Compensated Absences

Under the provisions of RCW 28A.400, up to 180 days of sick leave accumulated by district employees is reimbursed at retirement at the rate of one day for each four days of accrued leave. Employees earn sick leave at a rate of twelve days per year and may accumulate such leave to a maximum of 180 days. This statute also provides for an annual buyout of an amount up to the maximum annual accumulation of twelve days, cashed out at the same rate of one day for each four days of accrued sick leave earned and not used in the prior calendar year. For buyout purposes at retirement, employees may accumulate such leave to a maximum of 192 days, including the annual accumulation, as of December 31 of each year.

The accumulation of the maximum allowable vested sick leave at a ratio of one for four days and the unpaid vacation leave are reported under long-term liabilities in the Statement of Net Position. The current portion of compensated absences is reported as an expenditure in the fund financial statements. The current portion is an estimate based on historical usage. In the government-wide financial statements both the long term and the current portion of the compensated absences are reflected.

There are no unrecorded liabilities for employee benefits or other post-employment benefits

K. Net Position(Government-wide Financial Statements)

The "Net Investment in Capital Assets" component consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds (net of bond proceeds not expended), mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The "Restricted Net Position" component reports the assets where constraints are placed by external laws, regulations, or legislation. Therefore, they are available for disbursements only for specific purposes (i.e., debt service, capital projects and

others). The “Unrestricted Net Position” are assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

L. Fund Balances (Governmental Fund Financial Statements)

The fund balance designations for the governmental fund financial statements are as follows:

Nonspendable accounts represent those portions of fund balance that cannot be spent either because they are not in a spendable form (inventories and prepaids), or are legally required to be maintained intact.

Restricted fund balances are those amounts that are restricted for specific purposes. These restrictions may be either externally imposed by creditors, grantors, contributors, laws or regulations or imposed by law through constitutional provisions or enabling legislation. Included in this fund balance category are uninsured risk, unexpended bond proceeds, special revenue fund balance and debt service fund balance.

Committed fund balance are those amounts that can be used for specific purposes pursuant to constraints imposed by resolution of the board of directors. These committed fund balances cannot be used for any other purposes unless the board takes action to change or remove the original limitations. Commitments for curriculum adoption and budget contingency for 2013-2014 were approved by the school board in August 2013.

Assigned fund balance comprises amounts the district intends to use for a specific purpose. Authority for making these assignments rests with senior administration of the district. For funds other than the General Fund, the amount of residual fund balance that is spendable after all restrictions, commitments and other assignments have been made is classified as assigned. Carryover for school building budgets and contingencies for future operations are reported in this category.

Unassigned fund balance includes all resources not reported in the other four classifications and is only reported in the General Fund. These resources are the only ones on the balance sheet that are truly available for any purpose.

When resources meeting more than one of the classifications (excluding nonspendable) are comingled in an account, assuming that an expenditure meets the constraints of the classification, the assumed order of spending is restricted first, committed second and, finally assigned.

2. DEPOSITS AND INVESTMENTS

Deposits

The district’s cash and cash equivalents are considered to be cash on hand, demand deposits and investments in the Spokane County Investment Pool (SCIP).

At fiscal year-end, the carrying amount of the district's deposits was \$132,388,062. Of this amount \$132,359,677 was insured by federal depository insurance (FDIC and FSLIC) or by collateral held in a multiple financial institution collateral pool administered by the Public Deposit Protection Commission. These deposits are invested as part of the SCIP by the Spokane County treasurer for the benefit of the district. The SCIP has historically maintained a \$1 net asset value. The carrying amount of investments in the pool approximates fair value. The remaining \$28,385 of cash is retained at sites throughout the district for starting cash and petty cash transactions.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity to changes in market interest rates. The SCIP has a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The average maturity of an investment in the SCIP was 319 days as of December 2013. In addition, the investment portfolio is structured to meet the cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments that can be held by government agencies to safe high quality securities. The investments authorized under the investment policy are limited to federal government-backed securities, certificates of deposit, bankers' acceptance, repurchase agreements (under certain conditions), local and state government bonds (limited to one of the highest three credit ratings), registered warrants and the Washington State and Local Government Investment Pool. The SCIP limits the maximum percentage of the portfolio that may be invested in an individual class of investment requiring diversification to minimize credit risk.

The Washington State Auditor's Office and the Finance Committee of Spokane County provide regulatory guidance. The Pool is not registered with the SEC and has not obtained or provided any legally binding guarantees. A credit rating for the SCIP is not available. Additional information on the investment policies of the pool is available on the Spokane County website at <http://www.spokanecounty.org/data/treasurer/pdf/InvestmentPolicy.pdf>. Information about the SCIP is available in the Spokane County Comprehensive Annual Financial Report available on the Spokane County website at <http://www.spokanecounty.org/budget/>.

3. INTERFUND AND OTHER GOVERNMENT TRANSACTIONS

As of August 31, 2013, short-term interfund receivables and payables in governmental funds that resulted from general operating transactions in governmental fund financial statements were as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ -	\$ 237,945
Special Revenue Fund	167,967	-
Capital Projects Fund	69,978	-
Total	\$ 237,945	\$ 237,945

Interfund balances are a result of transactions that have occurred in one fund that have been reclassified to the appropriate fund.

Planned transfers between funds are included in the budgeting process. In 2012-13 there was a transfer from the General Fund to the Debt Service Fund for the principal payment of QZAB bonds (\$315,000).

As of August 31, 2013, receivables from other government consist of the following receivables related to grants and apportionment:

	General	Capital Projects
State of Washington	\$ 2,849,423	\$ 9,081,773
City of Spokane	231,238	-
Washington State University	46,923	-
Schools Out Washington	41,894	-
Mead School District	29,164	-
U.S. Department of Education	28,798	-
U.S. Department of Justice	19,607	-
U.S. Department of Defense	5,632	-
Seattle University	2,577	-
Community Colleges of Spokane	102	-
Total Due From Other Government	\$ 3,255,358	\$ 9,081,773

4. CHANGES IN CAPITAL ASSETS

Purchases of equipment with a unit cost in excess of \$5,000 are capitalized and depreciated in government-wide financial statements. The district's property valuation of buildings and contents for insurance purposes was \$626,672,136 on August 31, 2013. In the opinion of the district's insurance consultant, this amount is sufficient to adequately fund replacement of the district's assets. There have been no significant reductions to the insurance coverage.

	Balance 8/31/2012	Additions	Deletions	Balance 8/31/2013
Governmental Activities:				
Capital Assets - Not Depreciated:				
Land	\$ 22,707,361	\$ 971,201	\$ (2,180)	\$ 23,676,382
Construction in Progress	62,608,486	52,991,216	(23,575,474)	92,024,228
Total Capital Assets - Not Depreciated	85,315,847	53,962,417	(23,577,654)	115,700,610
Capital Assets - Depreciated:				
Land Improvements	21,627,244	4,488,329	(603,535)	25,512,038
Buildings	484,194,604	19,486,333	(221,662)	503,459,275
Other Equipment & Machinery	18,149,023	676,144	(5,455,820)	13,369,347
Total Capital Assets - Depreciated	523,970,871	24,650,806	(6,281,017)	542,340,660
Less Accumulated Depreciation:				
Land Improvements	(6,216,540)	(1,442,699)	188,392	(7,470,847)
Building and Improvements	(161,237,106)	(21,719,691)	35,611	(182,921,186)
Equipment	(13,944,705)	(1,365,858)	4,385,167	(10,925,396)
Total Accumulated Depreciation	(181,398,351)	(24,528,248)	4,609,170	(201,317,429)
Total Capital Assets - Depreciated, Net	342,572,520	122,558	(1,671,847)	341,023,231
Governmental Activities Capital Assets, Net	\$ 427,888,367	\$ 54,084,975	\$ (25,249,501)	\$ 456,723,841

Depreciation Expense was charged to governmental activities as follows:

Regular Instruction	\$21,626,185
Special Instruction	231,862
Vocational Instruction	2,842
Skills Center	370,722
Community Services	37,131
Support Services	2,259,506
Total	<u>\$24,528,428</u>

5. CONSTRUCTION IN PROGRESS

Construction in progress consists of annual capital improvement projects throughout the district funded by the 2009, 2010, 2011 and 2012 bond issues. The accumulated expenditures through August 31, 2013 were \$92,024,228. Encumbrances related to construction contracts are presented in Note 10.

6. PENSIONS AND POST EMPLOYMENT BENEFITS

A. General Information

Substantially all the 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, 2011:

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

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

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

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, 2012 through August 31, 2013:

Plan 1 TRS	6.00%	Plan 1 PERS	6.00%
Plan 2 TRS	4.69%	Plan 2 SERS	4.09%
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, 2012 through August 31, 2013:

	<i>9/1/12-8/31/13</i>		<i>9/1/12-6/30/013</i>	<i>7/1/13-8/31/13</i>
Plan 1 TRS	8.05%	Plan 1 PERS	7.21%	9.19%
Plan 2 TRS	8.05%	Plan 2 SERS	7.59%	7.59%
Plan 3 TRS	8.05%	Plan 3 SERS	7.59%	7.59%

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	FY12-13	FY 11-12	FY 10-11
Plan 1 TRS	\$ 340,325	\$ 441,426	\$ 428,312
Plan 2 TRS	1,665,742	1,588,399	1,219,928
Plan 3 TRS	9,238,094	8,915,377	6,838,548
Plan 1 PERS	139,333	148,171	131,693
Plan 2 SERS	1,209,833	1,153,416	848,855
Plan 3 SERS	2,011,648	1,985,285	1,448,873

Historical trend information showing TRS and PERS 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 (CAFR). 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

OTHER POST EMPLOYMENT BENEFITS (OPEB)

OPEB refers to post employment benefits provided to employees other than pension benefits. These benefits include but are not limited to healthcare coverage, life insurance and long term care. The Governmental Accounting Standards Board (GASB) has issued guidance for the recognition of OPEB liabilities and expenditures.

The district participates in an agent multiple-employer plan administered by the state of Washington.

Plan Description

District members are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits) under Plan 2 or 3 of TRS or SERS. Retirees with 5 years or more years of service who are age 65 or more and retirees with 20 years or more of service who are age 55 or older are eligible for Post Employment Benefits.

Former members who are entitled to a deferred vested pension benefit are not eligible to receive medical benefits and life insurance benefits after pension benefit commencement. Survivors of covered members who die are eligible for medical benefits.

Upon retirement, members are permitted to receive medical benefits. Retirees pay the following monthly rates for pre-65 Medical coverage for 2013:

	Type of Coverage		
	Employee Only	Employee & Spouse	Full Family
Group Health Classic	\$584.66	\$1,163.14	\$1,597.00
Group Health CHDP	513.77	1,018.14	1,353.13
Group Health Value	535.22	1,064.26	1,461.04
Kaiser Permanente Classic	567.06	1,127.94	1,548.60
Kaiser Permanente CHDP	498.95	988.26	1,311.50
Uniform Medical Plan Classic	545.83	1,085.48	1,490.22
Uniform Medical Plan CDHP	499.95	990.26	1,314.25

For 2013, after age 65 retired members receive a subsidy of 50% of their monthly medical premiums up to \$150.00. For 2013, retirees also receive an explicit subsidy of \$6.57/month toward life insurance premiums.

Funding Policy

The funding policy is based upon the pay-as-you-go financing requirements.

Annual OPEB Cost and Net OPEB Obligation

The district's OPEB cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortizes any unfunded actuarial accrued liabilities (UAAL) over a period of thirty years as of September 1, 2008. The following table shows the components of the district's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the district's net OPEB.

Determination of Annual Required Contribution	August 31, 2013	August 31, 2012	August 31, 2011
Normal Cost at Year End	\$ 4,197,214	\$ 4,197,214	\$ 7,212,238
Amortization of UAAL	4,247,823	4,247,823	6,104,278
Annual Required Contribution (ARC)	8,445,037	8,445,037	13,316,516
Annual Required Contribution	8,445,037	8,445,037	13,316,516
Interest on Prior Year Net OPEB Obligation	1,339,456	1,186,672	1,007,309
Adjustments to ARC	(1,428,753)	(1,217,100)	(829,061)
Annual OPEB Cost	8,355,740	8,414,609	13,494,764
Estimated Contribution Made *	3,618,906	4,340,371	4,206,767
Increase in Net OPEB Obligation	4,736,834	4,074,238	9,287,997
Net OPEB Obligation – End of Year	40,455,665	35,718,831	\$ 31,672,645

* Estimated based on retiree benefit amounts.

The district's annual OPEB cost, the percentage of OPEB cost contributed to the plan and the net OPEB obligation were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB	
		Cost Contributed	Net OPEB Obligation
August 31, 2011	\$ 13,494,764	31.17%	\$ 31,672,645
August 31, 2012	8,414,609	51.58%	35,718,831
August 31, 2013	8,355,740	43.31%	40,455,665

Funded Status and Funding Progress

As of August 31, 2012, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was \$110.4 million and the actuarial value of assets was \$0, resulting in a UAAL of \$ 110.4 million.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, included immediately following the notes in the Required Supplementary Information (Schedule A-3), presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The UAAL as of August 31, 2013, was \$110,443,389 which is 57% of the covered payroll of \$192,303,994.

Actuarial Methods and Assumptions

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

In the August 31, 2012 Actuarial Valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions used included: 3.75% discount rate, 3.75% investment yield, 3.75% inflation and 3.75% projected annual payroll increase for amortization of UAAL. Health and Life Insurance trend rates used were as follows:

Year Ending August 31,	Health Trend (1)	Life Trend (2)
2013	5.9%	4.0%
2014	6.7%	3.5%
2015	5.8%	3.5%
2016	5.5%	3.5%
2020	5.5%	3.5%
2030	5.4%	3.5%
2040	5.4%	3.5%
2089+	4.3%	3.5%

(1) Used to project annual increase to: total cost of pre-65 medical benefits; retiree contributions for pre-65 medical benefits; and explicit subsidy for post-65 after August 31, 2017. No increase in the Post-65 explicit subsidy is assumed or first five years after the valuation date.

(2) Used to project annual increase to explicit life insurance subsidy.

The UAAL is being amortized as a level percentage of pay on a closed basis at the assumed discount rate. The remaining amortization period at August 31, 2013 was 25 years.

For further information on the results the actuarial valuation of the employer provided subsidies associated with the state's PEBB plan, refer to: http://osa.leg.wa.gov/Actuarial_Services/OPEB/OPEB.htm. The plan does not issue a separate report; however, additional information is included in the State of Washington's CAFR, which is available at <http://www.ofm.wa.gov/cafr/>.

7. LONG-TERM DEBT

Bonds payable at August 31, 2013 consists of eight issues: General Obligation Bonds of 2005, and General Obligation Bonds of 2009, General Obligation Bonds of 2010, General Obligation Refunding Bonds of 2010, General Obligation Taxable Build America Bonds of 2010, General Obligation Bonds of 2011, General Obligation Refunding Bonds of 2012 and General Obligation Bonds of 2012. Principal and interest is payable on June 1 and December 1

In May 2005, the board issued \$65,349,765 in twenty-year property tax-supported general obligation bonds as the second phase of funding for the projects started in 2003. The funding was used for construction of various district projects, including the renovation of two high schools, replacement of three elementary schools, athletic facility improvements, technology, and infrastructure to support technology and various building improvements. Construction is complete. The bonds issued include deferred convertible bonds with interest deferred until December 1, 2008 and the interest distributed semi-annually thereafter. Interest rates on the general obligation bonds are fixed at 3.875 to 5.125 percent, depending on the year of maturity. These bonds were partially refunded in June 2012 as discussed under Refunding Bonds. The outstanding bonds will be retired on June 1, 2015.

In June 2009, the board issued \$47,085,000 in eighteen-year property tax-supported general obligation bonds as the first installment of funding for the projects authorized by voters in March 2009. The funding will be used for construction of various district projects, including the replacement or renovation of four elementary schools, modernization of one high school, replacement of a middle school gymnasium, high school field improvements, technology and infrastructure to support technology and various building improvements. Interest rates on the general obligation bonds are fixed at 2.000 to 5.000 percent, depending on the year of maturity. The bonds will be retired on December 1, 2026.

In November 2010, the board issued \$39,500,000 of nineteen-year tax-supported general obligation taxable build America bonds (2010C). The funding will be used for construction of various district projects, including the replacement or renovation of four elementary schools, modernization of one high school, replacement of a middle school gymnasium, high school field improvements, technology and infrastructure to support technology and various building improvements. Interest rates on the general obligation taxable build America bonds are fixed at 5.350 to 5.500 percent depending on the year of maturity. The general obligation taxable build America bonds will be retired on December 1, 2029.

In November 2010, the board issued \$80,960,000 of general obligation refunding bonds. The proceeds from these bonds were to refund the majority of the outstanding 2003 bond issue. Interest rates on the general obligation bonds are fixed at 5.000 percent. The bonds will be retired on December 1, 2022.

In November 2011, the board issued \$75,000,000 in nineteen-year property tax-supported general obligation bonds as the fifth installment of funding for the projects authorized by voters in March 2009. The funding will be used for construction of various district projects, including the replacement or renovation of four elementary schools, modernization of one high school, replacement of a middle school gymnasium, high school field improvements, technology and infrastructure to support technology and various building improvements. Interest rates on the general obligation bonds are fixed at 2.000 to 5.000 percent, depending on the year of maturity. The bonds will be retired on December 1, 2030.

In June 2012, the board issued \$38,310,000 of general obligation refunding bonds. The proceeds from these bonds were to refund the majority of the outstanding 2005 bond issue. Interest rates on the general obligation bonds are fixed at 2.000 percent to 5.250 percent depending on the year of maturity. The bonds will be retired on December 1, 2024.

In November 2012, the board issued \$50,000,000 in twenty-year property tax-supported general obligation bonds as the sixth installment of funding for the projects authorized by voters in March 2009. The funding will be used for construction of various district projects, including the replacement or renovation of four elementary schools, modernization of one high school, replacement of a middle school gymnasium, high school field improvements, technology and infrastructure to support technology and various building improvements. Interest rates on the general obligation bonds are fixed at 3.000 to 4.000 percent, depending on the year of maturity. The bonds will be retired on December 1, 2032.

Refunded Debt

On November 17, 2010, the district issued \$80,960,000 in unlimited tax general obligation bonds with an average interest rate of 5.00 percent to advance refund \$85,075,000 of outstanding 2003 UTGO Bonds with an average interest rate of 5.07 percent. The net proceeds of \$95,019,599 after payment of \$467,067 in underwriting fees, insurance, and other issuance costs were used to purchase state and local government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded 2003 UTGO Bonds. As a result, a portion of the 2003 bonds are considered to be defeased. The district advance refunded the 2003 Bonds to reduce its total debt service payments over the next 12 years by \$6,120,078 and to obtain a present value economic gain of \$5,170,850.

On June 5, 2012, the district issued \$38,310,000 in unlimited tax general obligation bonds with an average interest rate of 4.72 percent to advance refund \$33,539,223 of outstanding 2005 UTGO Bonds with an average interest rate of 5.06 percent. The net proceeds of \$45,778,117 after payment of \$219,389 in underwriting fees, insurance, and other issuance costs were used to purchase state and local government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded 2003 UTGO Bonds. As a result, a portion of the 2005 bonds are considered to be defeased. The district advance refunded the 2005 Bonds to reduce its total debt service payments over the next 13 years by \$4,059,688 and to obtain a present value economic gain of \$3,469,245.

The following is a summary of general obligation long-term debt transactions of the district for the year ended August 31, 2013:

	Balance 8/31/2012	Additions	Reductions	Balance 8/31/2013	Current Portion
Serial Bonds Payable	\$ 280,360,348	\$ 50,000,000	\$ 11,761,282	\$ 318,599,066	\$ 16,585,672
QZAB	315,000	-	315,000	-	-
Accreted Interest	1,219,652	-	663,718	555,934	259,328
Vacation Leave Payable	3,184,000	622,328	753,328	3,053,000	819,000
Sick Leave Payable	3,730,000	445,925	881,925	3,294,000	840,000
Workers Compensation	2,400,000	2,433,456	2,233,456	2,600,000	1,000,000
Net OPEB Obligation	35,718,831	4,736,834	-	40,455,665	-
Subtotal	326,927,831	58,238,543	16,608,709	368,557,665	19,504,000
Unamortized Premium	29,613,747	831,670	2,379,789	28,065,628	
Unamortized Discount	(142,869)	-	(10,459)	(132,410)	
Net Long -Term Debt	\$ 356,398,709	\$ 59,070,213	\$ 18,978,039	\$ 396,490,883	

Debt service requirements for bonds and accreted interest are funded out of the Debt Service Fund with the revenue sources being property taxes and investment income. Vacation, sick leave, workers compensation, and Net OPEB Obligation debt service requirements are funded out of the General Fund.

Annual Requirements to Amortize Bond and Interest Debt as of August 31, 2013:

Year Ending August 31	Principal	Interest	Total
2014	\$ 16,585,672	\$ 13,957,303	\$ 30,542,975
2015	6,228,394	13,458,706	19,687,100
2016	7,165,000	12,824,100	19,989,100
2017	6,505,000	12,474,100	18,979,100
2018	10,285,000	12,116,875	22,401,875
2019-2023	61,895,000	53,184,904	115,079,904
2024-2028	89,260,000	34,448,809	123,708,809
2029-2033	120,675,000	10,139,725	130,814,725
Total	\$ 318,599,066	\$ 162,604,522	\$ 481,203,588

Bonds Authorized but Unissued

There are \$57,840,000 of bonds that are authorized but unissued bonds as of August 31, 2013.

Bond Issuance Costs

Bond issuance costs are amortized over the life of the bonds using the straight-line method. The unamortized issuance costs as of August 31, 2013 are as follows:

Bond Series	Issuance Costs	Unamortized Issuance Costs
2012 Unlimited General Obligation Bonds	\$ 383,300	\$ 368,926
2012 Unlimited General Obligation Refunding Bonds	220,589	198,530
2011 Unlimited General Obligation Bonds	523,953	475,694
2010B Unlimited General Obligation Refunding Bonds	467,067	360,031
2010C Unlimited General Obligation Bonds	685,114	585,953
2009 Unlimited General Obligation Bonds	264,226	200,057
2005 Unlimited General Obligation Bonds	579,344	173,598
Total	<u>\$ 3,123,593</u>	<u>\$ 2,362,789</u>

Bond Premium and Discount

The premium on bonds is amortized over the life of the bonds using the straight-line method. The unamortized premium as of August 31, 2013 is as follows:

Bond Series	Premium	Unamortized Premium
2012 Unlimited General Obligation Bonds	\$ 831,670	\$ 800,482
2012 Unlimited General Obligation Refunding Bonds	7,690,009	7,382,408
2011 Unlimited General Obligation Bonds	5,284,432	4,867,240
2010B Unlimited General Obligation Refunding Bonds	14,526,954	11,197,860
2010C Unlimited General Obligation Bonds	705,380	603,286
2009 Unlimited General Obligation Bonds	3,179,188	2,907,001
2005 Unlimited General Obligation Bonds	1,120,769	307,351
Total	<u>\$ 33,338,402</u>	<u>\$ 28,065,628</u>

The discount on bonds is amortized over the life of the bonds using the straight-line method. The unamortized discount as of August 31, 2013 is as follows:

Bond Series	Discount	Unamortized Discount
2011 Unlimited General Obligation Bonds	\$ 46,080	\$ 42,038
2005 Unlimited General Obligation Bonds	157,315	90,372
Total	<u>\$ 203,395</u>	<u>\$ 132,410</u>

Debt Covenants

The district is in compliance with all debt covenants.

Arbitrage Rebate

The district has provided for no arbitrage liability related to the 2012, 2011, 2010, 2009, 2005 or 2003 bond issues. Arbitrage will be monitored at the calculation period prescribed by the Internal Revenue Service.

Capital Leases

The district has no capital leases.

Operating Leases

The district leases copiers under noncancellable operating leases. Total cost for the leases was \$64,280 for the year ended August 31, 2013. The leases are through a purchasing cooperative agreement and have no future minimum lease payments. The lease fees are based on the usage with no minimum fee.

Short-Term Debt

The district has no short-term debt.

8. RISK MANAGEMENT

Unemployment Insurance

The district has elected to maintain a self-insurance program for unemployment benefits in accordance with RCW 51.14.020. Actual employee benefits are paid by the Washington State Department of Employment Security and then reimbursed by the district. The following is a summary of activity for the fiscal year:

	2013	2012	2011
Beginning Balance	\$ 1,476,701	\$ 1,642,003	\$ 1,544,268
Amount Added to Reserve	313,945	306,490	320,032
	1,790,646	1,948,493	1,864,300
Amount Deducted from Reserve	(228,865)	(471,792)	(222,297)
Ending Balance	\$ 1,561,781	\$ 1,476,701	\$ 1,642,003

Industrial Insurance

The district has been self-insured since January 1, 1982. The district has historically purchased both per occurrence and aggregate stop-loss reinsurance protection. The district currently maintains a \$400,000 per occurrence self-insured retention.

The industrial insurance claims management has been assigned to Sedgwick CMS. The following is a summary of activity for the fiscal year:

	2013	2012	2011
Beginning Balance	\$ 506,718	\$ 501,374	\$ 445,181
Amount Added to Reserve	2,028,970	2,034,943	2,109,608
	2,535,688	2,536,317	2,554,789
Amount Deducted from Reserve	(2,233,457)	(2,029,599)	(2,053,415)
Ending Balance	\$ 302,231	\$ 506,718	\$ 501,374

In addition to the above balances, a restriction of fund balance in the amount of \$2,300,000 has been established in the General Fund to cover any loss for which an estimated liability has not been established or insurance coverage has not been secured. In the government-wide financial statements, an estimated liability, including case reserves and incurred but not reported of \$2,600,000 and \$2,400,000 as of August 31, 2013 and 2012 respectively is reported as a long-term liability. The estimate of ultimate loss, including incurred but not reported, loss development estimates and assessments, is calculated in an actuarial study prepared by a public accounting firm based on data from the preceding fiscal years.

Risk Management Pool

The district is a member of the Washington Schools Risk Management Pool (Pool). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in 1986 when educational service districts and school districts in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Over 80 school and educational service districts have joined the pool.

The Pool allows members to jointly purchase insurance coverage, establish a plan of self-insurance, and provide related services, such as risk management. The Pool provides the following coverage for its members: property, liability, vehicle, public official liability, crime, employment, practices, machinery breakdown and network security.

Members make an annual contribution to fund the Pool. The Pool acquires reinsurance from unrelated underwriters that are subject to a per-occurrence self-insured retention of \$1 million. Members are responsible for varied deductibles for both liability and property claims. Insurance carriers cover losses over \$1 million to the maximum limits of each policy. Since the Pool is a cooperative program, there is joint liability among the participating members.

Members contract to remain in the Pool for a minimum of three years and must give notice two and one half years before terminating participation. The Interlocal Governmental Agreement is renewed automatically each year after the initial three-year period. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in process claims for the period they were a signatory to the Interlocal Governmental Agreement if the assets of the Pool were exhausted.

The Pool is fully funded by its member participants. The district paid \$934,815 to the pool for the fiscal year ended August 31, 2013. Settled claims resulting from this risk have not exceeded insurance coverage in any of the past three fiscal years.

The Pool is governed by a board of directors which is comprised of one designated representative from each participating member. An executive board is elected at the annual meeting, and is responsible for overseeing the business affairs of the Pool.

9. JOINT VENTURE

The district operates a skill center serving seven neighboring districts for the purpose of training students of all seven districts in certain vocational skills. The district operates the facility, owns the facilities and equipment, and is the employer of the skill center staff. Neighboring districts provide some financial support for the general operation of the facility. Financial operations of this facility are included in these financial statements in the amount of revenues totaling \$3,299,437 and expenditures totaling \$3,099,660. Comparable revenues and expenditures totaled \$3,197,952 and expenditures totaling \$3,298,190, respectively, during the preceding year.

10. ENCUMBRANCES

Encumbrances represent contracts (including construction contracts), purchase orders, and other commitments to purchase which were fully liquidated and re-established for the remaining commitment balances in the next year. As of August 31, 2013, encumbrances of \$3,789,584, \$39,874,387 and \$0 were outstanding for the General Fund, Capital Projects Fund and ASB Fund, respectively.

11. CONTINGENT LIABILITIES

Spokane Public Schools participates in a number of federally assisted grant programs principally funded by the Department of Education, the Bureau of Indian Affairs, the Comprehensive Employment Training Act, and others. These programs are subject to program compliance audits by the grantors or their representatives. The audits of some of these programs for, or including, the year ended August 31, 2013, either have not yet been conducted or are still pending final

action and acceptance by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. Spokane Public Schools expects such amounts, if any, to be immaterial.

The district is aware of no material violations of contractual provisions or other finance related provisions.

12. RECONCILIATION BETWEEN GOVERNMENTAL FUND FINANCIAL STATEMENTS AND GOVERNMENT-WIDE FINANCIAL STATEMENTS

Balance Sheet/Statement of Net Position (Exhibit 3A)

- a. Property tax levies that will not be collected for several months after year-end are not considered “available” under the modified accrual basis of accounting. Therefore, taxes receivable are presented with corresponding deferred revenue in the fund financial statements. Since revenue for the taxes receivable is not recognized in the fund financial statements, an allowance for uncollectible accounts is also not recorded. Under full accrual accounting, taxes are considered “available” when levied. In the Statement of Activities, the deferred revenue for taxes receivable of **\$40,900,446** is recognized as revenue and a corresponding allowance for uncollectible accounts of **\$258,715** is recorded.
- b. When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets is reported as expenditures in governmental funds.

However, the Statement of Net Position includes those capital assets among the assets for the district as a whole.

Cost of Capital Assets	\$658,041,270
Accumulated Depreciation	(201,317,429)
Capital Assets Net of Depreciation	<u>\$456,723,841</u>

- c. Unamortized issuance costs related to the 2012, 2011, 2010, 2009, 2005 and 2003 bond issuances are not reflected in the fund financial statements. An asset for the unamortized issuance costs of **\$2,362,789** is recorded in the Statement of Net Position.
- d. Accrued interest payable on long-term debt is not reflected in fund financial statements. **\$3,631,539** of accrued interest on long-term debt is recorded in the Statement of Net Position.
- e. Long-term liabilities of **\$394,529,651** (of which \$19,504,000 is due within one year) applicable to the district’s governmental activities are not included in the fund financial statements. All liabilities, current and non-current, are included in the government-wide statements.
- f. In the fund financial statements, interfund payables and receivables are recorded as a result of general operations. In the conversion of fund financial statements to government-wide financial statements, all of the governmental funds are consolidated and presented as a total. Since they are consolidated into one fund for presentation, the interfund payables and receivables between governmental funds are eliminated. The interfund payables and receivables between governmental funds and fiduciary funds are reclassified to accounts payable and accounts receivable. **\$237,945** of interfund balances between governmental funds are eliminated.
- g. A receivable of **\$174,560** for accrued subsidy on the 2010C unlimited general obligation Build America Bonds is recorded. Due to the impact of federal sequestration, the current year accrual is less than the prior year accrual by \$13,543. This results in a revenue reduction of **\$13,543**.

Statement of Revenues, Expenditures, and Changes in Fund Balances/Statements of Activities (Exhibit 4A)

- h. Property tax levies that do not provide current financial resources are reported as deferred revenue in the fund financial statements, but as revenue in the government-wide financial statements. An increase of **\$2,557,917** of tax revenue is recorded in the conversion from fund financial statements to the statement of activities.
- i. The net amount of **\$4,067,607** represents the current year compensated absences, workers compensation and OPEB liability adjustments. The long-term portion of compensated absences and the full amount of workers compensation

liability (IBNR) were not reported as expenditures in governmental funds. However, it is reported in the statement of activities as an expense, allocated to various applicable programs. The current portion of compensated absences and workers compensation recorded in the fund statements of **\$1,961,232** is reclassified as current portion of long-term debt.

- j. Capital assets with a book value of **\$1,674,026** were sold. In the statement of activities, only the gain/(loss) on the sale of capital assets is reported, while in fund financial statements, the proceeds of the sale of capitalized assets increase financial resources and are reported as other financing sources. The loss of **\$632,524** was reclassified to support services expenses.
- k. When capital assets (land, buildings, and equipment) are purchased or constructed to be used in governmental activities, the cost of those assets is reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the district as a whole.

Capital Outlay	(\$55,037,748)
Depreciation Expense	<u>24,528,248</u>
Difference	<u>(\$30,509,500)</u>

- l. Proceeds from sale of bonds and the corresponding premiums of **\$50,000,000** and **\$831,670** respectively, are eliminated from the Statement of Activities since the long term debt is presented on the Statement of Net Position.
- m. Repayment of principal on debt of **\$12,076,282** was reported as an expenditure in the fund financial statements. In the statement of activities, the repayment of debt is not reflected, as it is a reduction of the debt presented in the Statement of Net Position.
- n. Bond issuance costs related to the 2012, 2011, 2010, 2009, 2005, 2003 bond issues are amortized over the life of the bonds. The current year amortization of bond issuance costs is **\$348,109**. In addition, premiums related to bond issues in 2012, 2011, 2010, 2009, 2005 and 2003 are also being amortized over the life of the bonds. The current year amortization of premium is **\$2,379,789**. Bond discounts related to bond issues in 2012, 2005 are amortized over the life of the bonds. The current year amortization of discount is **\$10,459**. Accrued interest payable is not recognized in the fund financial statements. The decrease in accrued interest payable as of August 31, 2013 of **\$314,555** is presented as a decrease to expenses.
- o. Bond issuance costs for the 2012 bond series in the amount of **\$383,300** were reclassified to the Statement of Net Position.

13. FUND EQUITY (GOVERNMENTAL FUNDS)

Fund balance as of August 31, 2013 is comprised of:

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund
Non-spendable inventory and prepaids	\$ 1,805,516	\$ -	\$ -	\$ -
Restricted - debt service	4,650,000	-	13,691,527	38,000
Restricted - self insurance	2,500,000	-	-	-
Restricted - bond proceeds	-	-	-	39,229,000
Restricted - Special Revenue Fund	-	1,225,350	-	-
Restricted Fund Balance	7,150,000	1,225,350	13,691,527	39,267,000
Committed - curriculum adoptions	2,550,000	-	-	-
Committed - budget contingency	3,000,000	-	-	-
Committed - 2013-2014 budget	4,900,000	-	-	-
Committed Fund Balance	10,450,000	-	-	-
Assigned - budget carryover	781,000	-	-	-
Assigned - fund purpose	-	-	-	35,624,648
Assigned - contingency	300,000	-	-	-
Assigned Fund Balance	1,081,000	-	-	35,624,648
Unassigned Fund Balance	7,079,081	-	-	-
Total Fund Balance	<u>\$ 27,565,597</u>	<u>\$ 1,225,350</u>	<u>\$ 13,691,527</u>	<u>\$ 74,891,648</u>

14. SUBSEQUENT EVENTS

In December 2013, the district sold \$30,000,000 of bonds authorized by the voters in March 2009. The district has \$27,580,000 of authorized but unissued bonds.

REQUIRED SUPPLEMENTARY INFORMATION
SPOKANE PUBLIC SCHOOLS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended August 31, 2013

	BUDGETED AMOUNTS		ACTUAL AMOUNT	FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Local	\$ 71,070,312	\$ 71,113,292	\$ 72,104,281	\$ 990,989
State	198,292,623	199,068,635	196,510,057	(2,558,578)
Federal	36,891,244	35,892,940	34,756,072	(1,136,868)
Federal Stimulus	-	-	-	-
Other	1,731,282	1,910,594	2,348,923	438,329
TOTAL REVENUES	307,985,461	307,985,461	305,719,333	(2,266,128)
EXPENDITURES				
CURRENT				
Regular Instruction	158,915,251	159,708,695	156,154,057	3,554,638
Special Instruction	37,015,672	37,043,103	36,787,454	255,649
Vocational Instruction	11,543,295	11,882,072	12,075,024	(192,952)
Skills Center	2,941,335	2,940,025	2,945,247	(5,222)
Compensatory Education	28,403,942	28,646,055	25,431,970	3,214,085
Other Instructional Programs	4,342,089	3,482,567	2,862,480	620,087
Community Services	7,662,813	7,817,857	7,644,182	173,675
Support Services	64,882,092	63,647,155	60,546,608	3,100,547
CAPITAL OUTLAY				
Other	707,961	1,246,921	1,266,234	(19,313)
TOTAL EXPENDITURES	316,414,450	316,414,450	305,713,256	10,701,194
Excess of Revenues Over/ (Under) Expenditures	(8,428,989)	(8,428,989)	6,077	8,435,066
OTHER FINANCING SOURCES/(USES)				
Sale of Equipment	25,000	25,000	37,967	12,967
Transfers	(315,000)	(315,000)	(315,000)	-
Total Other Financing Sources/(Uses)	(290,000)	(290,000)	(277,033)	12,967
Excess of Revenues & Other Financing Sources Over/(Under) Expenditures & Other Uses	(8,718,989)	(8,718,989)	(270,956)	8,448,033
FUND BALANCE - September 1	27,121,596	27,121,596	27,836,553	714,957
FUND BALANCE - August 31	\$ 18,402,607	\$ 18,402,607	\$ 27,565,597	\$ 9,162,990

The notes to the basic financial statements are an integral part of this schedule.

The basis of budgeting is the same as GAAP.

REQUIRED SUPPLEMENTARY INFORMATION
SPOKANE PUBLIC SCHOOLS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL REVENUE FUND (ASSOCIATED STUDENT BODY FUND)
For the Year Ended August 31, 2013

	BUDGETED AMOUNTS		ACTUAL AMOUNT	FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
General	\$ 580,000	\$ 580,000	\$ 765,423	\$ 185,423
Athletics	675,000	675,000	521,589	(153,411)
Classes	735,000	735,000	663,350	(71,650)
Clubs	270,000	270,000	231,815	(38,185)
Total Revenues	2,260,000	2,260,000	2,182,177	(77,823)
EXPENDITURE				
General	815,000	815,000	863,757	(48,757)
Athletics	875,000	875,000	413,874	461,126
Classes	705,000	705,000	666,592	38,408
Clubs	255,000	255,000	205,908	49,092
Total Expenditures	2,650,000	2,650,000	2,150,131	499,869
Excess of Revenues Over/ (Under) Expenditures	(390,000)	(390,000)	32,046	422,046
FUND BALANCE - September 1	1,100,000	1,100,000	1,193,304	93,304
FUND BALANCE - August 31	\$ 710,000	\$ 710,000	\$ 1,225,350	\$ 515,350

The notes to the basic financial statements are an integral part of this schedule.

The basis of budgeting is the same as GAAP.

REQUIRED SUPPLEMENTARY INFORMATION
SPOKANE PUBLIC SCHOOLS
ACTUARIAL VALUATION OF POST EMPLOYMENT BENEFITS
OTHER THAN PENSION
SCHEDULE OF FUNDING PROGRESS

Fiscal Year Ended August 31	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL As a Percentage of Covered Payroll
2008	August 31, 2008	\$ -	\$ 140,007,155	\$ 140,007,155	0%	\$ 168,086,907	83%
2009	August 31, 2008	-	140,007,155	140,007,155	0%	189,613,237	74%
2010	August 31, 2010	-	170,919,780	170,919,780	0%	189,546,964	90%
2011	August 31, 2010	-	170,919,780	170,919,780	0%	191,014,564	89%
2012	August 31, 2012	-	110,443,389	110,443,389	0%	188,326,224	59%
2013	August 31, 2012		110,443,389	110,443,389	0%	192,303,994	57%

GASBS 45 was implemented for the fiscal year ended August 31, 2008. No information prior to August 31, 2008 is available. Actuarial Study is performed every two years.

The notes to the basic financial statements are an integral part of this schedule.

Spokane Public Schools, District #81								
Spokane County								
EIN: 91-6001582								
Schedule of Expenditures of Federal Awards								
For Fiscal Year Ending August 31, 2013								
Federal Agency Name	Pass Thru Agency	Federal Program Title	Federal Catalog Number	Other Identification Number	----- Expenditures -----			Foot Note
					Direct Fund Amount	Pass Thru Amount	Total Funds Expended	
Dept of Agriculture	WA OSPI	School Breakfast Program (A)	10.553	1197_6198	-	2,075,478.10	2,075,478.10	
Dept of Agriculture	WA OSPI	Nat'l School Lunch Program (A) - Cash Assistance	10.555	1197_6198	-	6,901,955.95	6,901,955.95	
Dept of Agriculture	WA OSPI	Nat'l School Lunch Program (A) - Non Cash/Commodities	10.555	1777	-	821,350.84	821,350.84	3
				10.555 Total	-	7,723,306.79	7,723,306.79	
Dept of Agriculture	Community Colleges of Spokane	Child & Adult Care Food Program (A)	10.558	Agreement	-	82,518.81	82,518.81	
Dept of Agriculture	WA OSPI	Summer Food Service Program for Children - Cash Assistance	10.559	1197_6189	-	311,691.19	311,691.19	
Dept of Agriculture	WA OSPI	Summer Food Service Program for Children - Non Cash/Commodities	10.559	1777	-	1,761.06	1,761.06	3
				10.559 Total	-	313,452.25	313,452.25	
Dept of Agriculture	WA OSPI	Fresh Fruit & Vegetable Program	10.582	1197_619801	-	287,032.16	287,032.16	
		Dept of Agriculture Subtotal			-	10,481,788.11	10,481,788.11	
		Dept of Commerce Subtotal			-	-	-	
Dept of Defense		Air Force Junior ROTC	12.WA20001	WA 20001	63,976.99	-	63,976.99	8
		Dept of Defense Subtotal			63,976.99	-	63,976.99	
		Dept of Housing/Urban Dev Subtotal			-	-	-	
		Dept of Interior Subtotal			-	-	-	
Dept of Justice		Corrections Training and Staff Development	16.601	12AC02GKJ6	321,367.76	-	321,367.76	
Dept of Justice		Bulletproof Vest Partnership Program	16.607	916001582-13066725	1,102.09	-	1,102.09	
		Dept of Justice Subtotal			322,469.85	-	322,469.85	
		Dept of Labor Subtotal			-	-	-	
		Dept of Transportation Subtotal			-	-	-	
		Institute of Museum & Library Services Subtotal			-	-	-	
		Nat'l Science Foundation Subtotal			-	-	-	
		Dept of Veterans Affairs			-	-	-	
		Environmental Protection Subtotal			-	-	-	
		Dept of Energy Subtotal			-	-	-	
		Fed Emergency Mgmt Agy Subtotal			-	-	-	
Dept of Education	WA OSPI	Title I Grants to Local Education Agencies	84.010	Multiple	-	10,744,571.75	10,744,571.75	4, 7
Dept of Education	WA OSPI	Special Education - Grants to States	84.027	Multiple	-	6,196,475.16	6,196,475.16	7
Dept of Education	Area Colleges/Universities	Federal Work-Study Program	84.033	Multiple	-	27,011.70	27,011.70	
Dept of Education	WA OSPI	Career & Technical Education - Basic Grants to States	84.048	Multiple	-	298,909.00	298,909.00	7
Dept of Education		Indian Education - Grants to Local Education Agencies	84.060	Multiple	206,942.61	-	206,942.61	7
Dept of Education	WA OSPI	Special Education - Preschool Grants	84.173	0364399	-	194,740.00	194,740.00	7
Dept of Education	WA OSPI	Education for Homeless Children and Youth	84.196	0456136	-	42,615.00	42,615.00	7
Dept of Education	WA OSPI	21st Century Community Learning Center	84.287	0993782	-	400,002.16	400,002.16	7
Dept of Education	NEWESD #101	21st Century Community Learning Center	84.287	Multiple	-	100,000.00	100,000.00	7
				84.287 Total	-	500,002.16	500,002.16	
Dept of Education	WA Student Achievement Council	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	Multiple	-	537,437.76	537,437.76	7
Dept of Education	WA OSPI	English Language Acquisition State Grants	84.365	0401702	-	213,770.94	213,770.94	7
Dept of Education	Eastern Washington University	Math and Science Partnerships	84.366	Agreement/13-IA136	-	17,619.71	17,619.71	
Dept of Education	WA OSPI	Improving Teacher Quality State Grants	84.367	0523192	-	2,013,400.93	2,013,400.93	4, 7
Dept of Education	Eastern Washington University	Improving Teacher Quality State Grants	84.367	Agreement/13-IA136	-	17,619.71	17,619.71	
				84.367 Total	-	2,031,020.64	2,031,020.64	
Dept of Education	WA OSPI	School Improvement Grants	84.377	Multiple	-	1,276,618.03	1,276,618.03	4, 7
		Dept of Education Subtotal			206,942.61	22,080,791.85	22,287,734.46	
Health/Human Services Dept	Washington State University	Substance Abuse and Mental Health Services-Regional Significance	93.243	119528 G003166	-	6,712.81	6,712.81	7
Health/Human Services Dept	School's Out Washington/YWCA of King County	Child Care and Development Block Grant	93.575	Agreement	-	56,665.10	56,665.10	7
Health/Human Services Dept	School's Out Washington/YWCA of King County	Refugee and Entrant Assistance-Discretionary Grants	93.576	Agreement	-	65,000.00	65,000.00	7
Health/Human Services Dept	Spokane Co. Regional Support Network	Medical Assistance Program	93.778	Multiple	-	997,201.74	997,201.74	7
		Health/Human Services Dept Subtotal			-	1,125,579.65	1,125,579.65	
		Corp for National Service Subtotal			-	-	-	
		Dept of Homeland Security			-	-	-	
Total Federal Awards Expended					593,389.45	33,688,159.61	34,281,549.06	

Spokane Public Schools, District #81								
Spokane County								
EIN: 91-6001582								
Schedule of Expenditures of Federal Awards								
For Fiscal Year Ending August 31, 2013								
Federal Agency Name	Pass Thru Agency	Federal Program Title	Federal Catalog Number	Other Identification Number	Direct Fund Amount	----- Expenditures ----- Pass Thru Amount	Total Funds Expended	Foot Note
Notes to the Schedule								
NOTE 1 - BASIS OF ACCOUNTING								
The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the district's financial statements. Spokane Public Schools uses 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 - PROGRAM COSTS/MATCHING CONTRIBUTIONS								
The amounts shown as current year expenses represent only the federal grant portion of the program costs. Entire program costs for all grants, including the district's portion, may be more than shown.								
NOTE 3 - NON-CASH AWARDS - COMMODITIES								
The amount of commodities reported on the schedule is the market value of food and food products distributed by Spokane Public Schools during the current year. The value is determined by the United States Department of Agriculture.								
NOTE 4 - SCHOOLWIDE PROGRAMS								
Spokane Public Schools operates a "schoolwide program" in seventeen elementary schools, two middle schools and one high school. Using federal funding, schoolwide programs are designed to upgrade an entire educational program with a school for all students, rather than limit services to certain targeted students. The following federal program amounts were directly expended by the District in its schoolwide programs: Title I, Part A (84.010) - \$9,114,526.24; Title II, Part A, Improving Teacher Quality (84.367) - \$539,327.42; and School Improvement Grant (84.377) - \$1,236,115.25.								
NOTE 5 - TRANSFERABILITY								
Not applicable.								
NOTE 6 - SMALL RURAL SCHOOLS ACHIEVEMENT (SRSA)								
Not applicable.								
NOTE 7 -FEDERAL INDIRECT RATE								
The amount expended includes an indirect cost recovery using an approved indirect cost rate ranging from 2.00% - 15.06% depending on the maximum allowable rate for each respective grant. Overall, the district collected \$780,853.91 in indirect costs.								
NOTE 8 - CFDA # NOT AVAILABLE								
The district has been unsuccessful in obtaining a CFDA # for this funding source.								



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 as an advocate for government accountability. 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.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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 and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

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