



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

**Financial Statements and Federal Single Audit
Report**

Pasco School District No. 1

Franklin County

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

Published May 4, 2015

Report No. 1014155





Washington State Auditor
Troy Kelley

May 4, 2015

Board of Directors
Pasco School District No. 1
Pasco, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Pasco School District No. 1'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
OLYMPIA, WA

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FEDERAL SUMMARY

Pasco School District No. 1 Franklin County September 1, 2013 through August 31, 2014

The results of our audit of Pasco School District No. 1 are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

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

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

Federal Awards

Internal Control Over Major Programs:

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

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

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

Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
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

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$508,489.

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

STATUS OF PRIOR FEDERA; AUDIT FINDINGS

Pasco School District No. 1 Franklin County September 1, 2013 through August 31, 2014

This schedule presents the status of federal findings reported in prior audit periods. The status listed below is the representation of the Pasco School District No. 1. The State Auditor's Office has reviewed the status as presented by the District.

Audit Period: Fiscal Year 2013	Report Ref. No.: 1011851	Finding Ref. No.: 1	CFDA Number(s): 84.367
Federal Program Name and Granting Agency: Improving Teacher Quality State 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 Improving Teacher Quality state grant program.			
Background: During fiscal year 2013, the District spent \$597,759 in Improving Teacher Quality program funds. We audited the District's internal controls over payroll to determine whether salaries and benefits charged to the grant were supported by time and effort documentation as required by federal regulations. Depending on the number and type of activities employees work, time and effort documentation can be documented on a semi-annual certification or monthly personnel activity report, such as a timesheet. Our audit found the District did not obtain monthly time and effort documentation for one employee whose position was partially paid from the grant.			
Status of Corrective Action: (check one) <input checked="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			
Corrective Action Taken: <i>Upon notice that there was a problem with Time/Effort reporting in the Improving Teacher Quality Grant, the district took immediate action removing the administrator out of funding for the 2013-2014 school year, revising the 2013-2014 budget for this grant and only charging employees that are 100 percent funded out of the grant while properly doing semiannual certifications on these employees.</i>			

**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**

**Pasco School District No. 1
Franklin County
September 1, 2013 through August 31, 2014**

Board of Directors
Pasco School District No. 1
Pasco, 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 Pasco School District No. 1, Franklin County, Washington, as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated April 28, 2015. As discussed in Note 1 to the financial statements, during the year ended August 31, 2014, the District implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

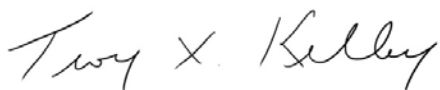
COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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



TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

April 28, 2015

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

**Pasco School District No. 1
Franklin County
September 1, 2013 through August 31, 2014**

Board of Directors
Pasco School District No. 1
Pasco, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM**

We have audited the compliance of Pasco School District No. 1, Franklin County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014. The District's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program 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, 2014.

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 cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

April 28, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Pasco School District No. 1 Franklin County September 1, 2013 through August 31, 2014

Board of Directors
Pasco School District No. 1
Pasco, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Pasco School District No. 1, Franklin County, Washington, as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 15.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Unmodified Opinion on Regulatory Basis of Accounting (Accounting Manual)

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pasco School District No. 1, as of August 31, 2014, and the changes in financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

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

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

Matters of Emphasis

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

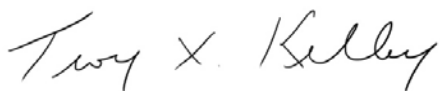
Other Matters

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

April 28, 2015

FINANCIAL SECTION

**Pasco School District No. 1
Franklin County
September 1, 2013 through August 31, 2014**

FINANCIAL STATEMENTS

Balance Sheet – Governmental Funds – 2014
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2014
Statement of Fiduciary Net Position – Fiduciary Funds – 2014
Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2014
Notes to Financial Statements – 2014

SUPPLEMENTARY AND OTHER INFORMATION

Schedules of Long-Term Liabilities – 2014
Schedule of Expenditures of Federal Awards – 2014
Notes to the Schedule of Expenditures of Federal Awards – 2014

Governmental Funds

August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
ASSETS:							
Cash and Cash Equivalents	5,310,396.94	110,271.57	73,637.70	126,689.94	19.16	0.00	5,621,015.31
Minus Warrants Outstanding	-4,524,100.80	-7,012.68	0.00	-126,669.77	0.00	0.00	-4,657,783.25
Taxes Receivable	9,668,196.75		5,631,554.97	0.00	0.00	0.00	15,299,751.72
Due From Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due From Other Governmental Units	2,416,396.50	0.00	0.00	0.00	0.00	0.00	2,416,396.50
Accounts Receivable	193,545.94	0.00	0.00	0.00	0.00	0.00	193,545.94
Interfund Loans Receivable	4,500,000.00			0.00			4,500,000.00
Accrued Interest Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	124,680.47	0.00					124,680.47
Prepaid Items	0.00	0.00		0.00	0.00	0.00	0.00
Investments	32,288,719.36	1,125,374.57	3,480,215.47	32,577,372.04	502,446.53	0.00	69,974,127.97
Investments/Cash With Trustee	0.00		0.00	0.00	0.00	0.00	0.00
Investments-Deferred Compensation	0.00			0.00			0.00
Self-Insurance Security Deposit	0.00						0.00
TOTAL ASSETS	49,977,835.16	1,228,633.46	9,185,408.14	32,577,392.21	502,465.69	0.00	93,471,734.66
LIABILITIES:							
Accounts Payable	1,857,360.08	31,098.08	0.00	1,203,887.66	0.00	0.00	3,092,345.82
Contracts Payable Current	0.00	0.00		0.00	0.00	0.00	0.00
Accrued Interest Payable			0.00				0.00
Accrued Salaries	559,025.71	0.00		0.00			559,025.71
Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00
Payroll Deductions and Taxes Payable	117,287.29	0.00		0.00			117,287.29
Due To Other Governmental Units	0.00	0.00		0.00	0.00	0.00	0.00
Deferred Compensation Payable	0.00			0.00			0.00
Estimated Employee Benefits Payable	0.00						0.00
Due To Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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

Balance Sheet

Governmental Funds

August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
LIABILITIES:							
Interfund Loans Payable	0.00		0.00	4,500,000.00	0.00		4,500,000.00
Deposits	0.00	0.00		0.00			0.00
Unearned Revenue	0.00	0.00	0.00	0.00	0.00		0.00
Matured Bonds Payable			0.00				0.00
Matured Bond Interest Payable			8,245.00				8,245.00
Arbitrage Rebate Payable	0.00		0.00	0.00	0.00		0.00
TOTAL LIABILITIES	2,533,673.08	31,098.08	8,245.00	5,703,887.66	0.00	0.00	8,276,903.82
DEFERRED INFLOWS OF RESOURCES:							
Unavailable Revenue	193,545.94	0.00	0.00	0.00	0.00	0.00	193,545.94
Unavailable Revenue - Taxes Receivable	9,668,196.75		5,631,554.97	0.00	0.00		15,299,751.72
TOTAL DEFERRED INFLOWS OF RESOURCES	9,861,742.69	0.00	5,631,554.97	0.00	0.00	0.00	15,493,297.66
FUND BALANCE:							
Nonspendable Fund Balance	124,680.00	0.00	0.00	0.00	0.00	0.00	124,680.00
Restricted Fund Balance	2,513,253.00	1,197,535.38	3,545,608.17	24,331,393.94	502,465.69	0.00	32,090,256.18
Committed Fund Balance	4,500,000.00	0.00	0.00	0.00	0.00	0.00	4,500,000.00
Assigned Fund Balance	22,193,539.00	0.00	0.00	2,542,110.61	0.00	0.00	24,735,649.61
Unassigned Fund Balance	8,250,947.39	0.00	0.00	0.00	0.00	0.00	8,250,947.39
TOTAL FUND BALANCE	37,582,419.39	1,197,535.38	3,545,608.17	26,873,504.55	502,465.69	0.00	69,701,533.18
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	49,977,835.16	1,228,633.46	9,185,408.14	32,577,392.21	502,465.69	0.00	93,471,734.66

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

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
REVENUES:							
Local	22,299,341.93	1,647,877.79	11,052,581.55	1,344,779.82	104,509.20		36,449,090.29
State	125,164,942.36		0.00	1,861,204.01	567,875.30		127,594,021.67
Federal	17,010,912.10		0.00	0.00	0.00		17,010,912.10
Federal Stimulus	0.00						0.00
Other	531,811.91			0.00	0.00	0.00	531,811.91
TOTAL REVENUES	165,007,008.30	1,647,877.79	11,052,581.55	3,205,983.83	672,384.50	0.00	181,585,835.97
EXPENDITURES:							
CURRENT:							
Regular Instruction	87,567,209.10						87,567,209.10
Federal Stimulus	0.00						0.00
Special Education	16,392,739.17						16,392,739.17
Vocational Education	4,034,834.17						4,034,834.17
Skill Center	0.00						0.00
Compensatory Programs	16,421,105.65						16,421,105.65
Other Instructional Programs	780,641.38						780,641.38
Community Services	234,611.22						234,611.22
Support Services	33,713,561.51						33,713,561.51
Student Activities/Other		1,511,581.98				0.00	1,511,581.98
CAPITAL OUTLAY:							
Sites				557,087.65			557,087.65
Building				21,650,519.57			21,650,519.57
Equipment				2,918,607.14			2,918,607.14
Instructional Technology				0.00			0.00
Energy				312,351.70			312,351.70
Transportation Equipment					2,333,567.83		2,333,567.83
Sales and Lease							0.00
Other	1,439,179.96			0.00			1,439,179.96
DEBT SERVICE:							
Principal	0.00		11,781,520.44	0.00	0.00		11,781,520.44
Interest and Other Charges	0.00		0.00	0.00	0.00		0.00
Bond/Levy Issuance				0.00	0.00		0.00
TOTAL EXPENDITURES	160,583,882.16	1,511,581.98	11,781,520.44	25,438,566.06	2,333,567.83	0.00	201,649,118.47

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

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
DEBT SERVICE:							
REVENUES OVER (UNDER) EXPENDITURES	4,423,126.14	136,295.81	-728,938.89	-22,232,582.23	-1,661,183.33	0.00	-20,063,282.50
OTHER FINANCING SOURCES (USES):							
Bond Sales & Refunding Bond Sales	0.00		0.00	0.00	0.00		0.00
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	0.00		0.00	3,271,000.00	1,260,000.00		4,531,000.00
Transfers Out (GL 536)	-4,531,000.00		0.00	0.00	0.00	0.00	-4,531,000.00
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	0.00		0.00	0.00	0.00		0.00
TOTAL OTHER FINANCING SOURCES (USES)	-4,531,000.00		0.00	3,271,000.00	1,260,000.00	0.00	0.00
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-107,873.86	136,295.81	-728,938.89	-18,961,582.23	-401,183.33	0.00	-20,063,282.50
BEGINNING TOTAL FUND BALANCE	37,690,293.25	1,061,239.57	4,274,547.06	45,835,086.78	903,649.02	0.00	89,764,815.68
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ENDING TOTAL FUND BALANCE	37,582,419.39	1,197,535.38	3,545,608.17	26,873,504.55	502,465.69	0.00	69,701,533.18

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

Pasco School District No. 001
Statement Of Fiduciary Net Position
Fiduciary Funds
August 31, 2014

	Private	Other Trust
ASSETS:	Purpose Trust	
Imprest Cash	0.00	0.00
Cash On Hand	0.00	0.00
Cash On Deposit with Cty Treas	0.00	0.00
Minus Warrants Outstanding	0.00	0.00
Due From Other Funds	0.00	0.00
Accounts Receivable	0.00	0.00
Accrued Interest Receivable	0.00	0.00
Investments	0.00	0.00
Investments/Cash With Trustee	13,298.79	0.00
Other Assets	0.00	
Capital Assets, Land	0.00	
Capital Assets, Buildings	0.00	
Capital Assets, Equipment	0.00	0.00
Accum Depreciation, Buildings	0.00	
Accum Depreciation, Equipment	0.00	0.00
TOTAL ASSETS	13,298.79	0.00
LIABILITIES:		
Accounts Payable	0.00	0.00
Due To Other Funds	0.00	0.00
TOTAL LIABILITIES	0.00	0.00
NET POSITION:		
Held in trust for:		
Restricted for Other Items	0.00	0.00
Restricted for Self Insurance		0.00
Restricted for Uninsured Risks		0.00
Nonspendable -- Trust Principal	10,590.00	0.00
Committed to Other Purposes	0.00	0.00
Held In Trust For Private Purposes	0.00	
Assigned to Fund Purposes	2,708.79	0.00
Held In Trust For Pension And Other Employee Benefits		0.00
Unassigned Fund Balance	0.00	0.00
TOTAL NET POSITION	13,298.79	0.00

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

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended August 31, 2014

		Private Purpose Trust	Other Trust
ADDITIONS:			
Contributions:			
Private Donations		0.00	0.00
Employer			0.00
Members			0.00
Other		0.00	0.00
TOTAL CONTRIBUTIONS		0.00	0.00
Investment Income:			
Net Appreciation (Depreciation) in Fair Value		0.00	0.00
Interest and Dividends		13.86	0.00
Less Investment Expenses		0.00	0.00
Net Investment Income		13.86	0.00
Other Additions:			
Rent or Lease Revenue		0.00	0.00
Total Other Additions		0.00	0.00
TOTAL ADDITIONS		13.86	0.00
DEDUCTIONS:			
Benefits			0.00
Refund of Contributions		0.00	0.00
Administrative Expenses		0.00	0.00
Scholarships		0.00	
Other		0.00	0.00
TOTAL DEDUCTIONS		0.00	0.00
Net Increase (Decrease)		13.86	0.00
Net Position--Beginning		13,284.93	0.00
Prior Year(s) Corrections or Restatements		0.00	0.00
NET POSITION--ENDING		13,298.79	0.00

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

PASCO SCHOOL DISTRICT NO. 1
Notes to the Financial Statements
September 1, 2013 through August 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (SSAP)

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

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

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

Fund Accounting

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

Governmental Funds

General Fund

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

Capital Projects Funds

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

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

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

Debt Service Fund

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

Special Revenue Fund

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

Permanent Funds

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

Fiduciary Funds

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

Private-Purpose Trust Fund

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

Pension (and Other Employee Benefit) Trust Fund

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

Agency Funds

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

Measurement focus, basis of accounting and fund financial statement presentation

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered "measurable" if the amount of the transaction can be readily determined. Revenues are considered "available" when they are collectible

within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after year-end. Property taxes receivable are measurable but not available and are, therefore, not accrued. Categorical program claims and interdistrict billings are measurable and available and are, therefore, accrued.

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

Budgets

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

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

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

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

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

The government's fund balance classifications policies and procedures.

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

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

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

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

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

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

The Superintendent of Pasco School District No. 1 or her designee are the only people who have the authority to create Assignments of fund balance.

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

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

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

Cash and Cash Equivalents

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

Assets, Liabilities, and Fund Equity

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

Receivables and Payables

There are no receivables reported that are not expected to be collected within one year.

Inventory

Inventory is valued at cost using the first-in, first-out (FIFO) method *(or weighted average)*. The consumption method of inventory is used, which charges inventory as an expenditure when it is consumed. A portion of fund balance, representing inventory, is considered Nonspendable. *(Such reserves for inventory indicate that a portion of net current assets is set aside to replace or increase the inventory.)* USDA commodity inventory consists of food donated by the United States Department of Agriculture. It is valued at the prices paid by the USDA for the commodities.

Accounting and Reporting Changes for 2013–2014

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

NOTE 2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

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

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

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

	Number of Securities	Carrying Amount	Market Value
Certificates of Deposit or Other Time Deposits			
Repurchase Agreements			
Bankers' Acceptance			
Obligations of the U.S. Government or Its Subsidiary Corporations			
Investments Held by Broker-Dealers Under Reverse Repurchase Agreements: U.S. Government Securities U.S. Instrumentality Securities			
State Treasurer's Investment Pool			
County Treasurer's Investment Pool	1	\$75,595,143.28	\$75,595,143.28
Total Investments	1	\$75,595,143.28	\$75,595,143.28

NOTE 3: SIGNIFICANT CONTINGENT LIABILITIES

Litigation

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

NOTE 4: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

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

Note 5: Annual Pension Cost and Net Pension Obligations

A. General Information

Substantially all District full-time and qualifying part-time employees participate in one of the following three contributory, multi-employer, cost-sharing statewide retirement systems managed by the

Washington State Department of Retirement Systems (DRS): Teachers' Retirement System (TRS), Public Employees' Retirement System (PERS) and School Employees' Retirement System (SERS). Participation in the programs was as follows:

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

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

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

<u>Program</u>	<u>Active Members</u>	<u>Inactive Vested Members</u>	<u>Retired Members</u>
TRS	65,935	9,823	44,220
PERS	150,706	31,047	85,328
SERS	52,295	11,588	9,079

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

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

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

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

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

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

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

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

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

B. Contributions

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

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

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

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

Plan 1 TRS	10.39%	Plan 1 PERS	9.21%
Plan 2 TRS	10.39%	Plan 2 SERS	9.82%
Plan 3 TRS	10.39%	Plan 3 SERS	9.82%

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

<u>Plan</u>	<u>FY13/14</u>	<u>FY12/13</u>	<u>FY 11/12</u>
Plan 1 TRS	\$ 242,766.01	\$ 262,651.41	\$ 326,260.30
Plan 2 TRS	\$2,301,428.74	\$1,690,419.82	\$ 1,420,583.37
Plan 3 TRS	\$8,553,696.26	\$6,844,095.11	\$ 6,650,457.53
Plan 1 PERS	\$ 66,341.68	\$ 62,766.72	\$ 63,559.50
Plan 2 SERS	\$1,290,482.11	\$ 980,724.49	\$ 934,031.44
Plan 3 SERS	\$1,992,127.15	\$1,593,416.42	\$ 1,479,783.33

Historical trend information showing TRS, PERS and SERS progress in accumulating sufficient assets to pay benefits when due is presented in the state of Washington's June 30, 2014, comprehensive annual financial report. Refer to this report for detailed trend information. It is available from:

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

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

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

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

According to state law, the Washington State Treasurer collects a fee from all school district entities which have employees that are not current active members of the state Health Care Authority but participate in the state retirement system. The purpose of this fee is to cover the impact of the subsidized rate of health care benefits for school retirees that elect to purchase their health care benefits through the state Health Care Authority. For the fiscal year 2012-13, the District was required to pay the HCA \$65.17 per month per full-time equivalent employee to support the program, for a total payment of \$1,318,554.94. This assessment to the District is set forth in the State's operating budget and is subject to change on an annual basis. This amount is not actuarially determined and is not placed in a trust to pay the obligations for post-employment health care benefits.

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

NOTE 7: COMMITMENTS UNDER NONCAPITALIZED (OPERATING) LEASES

For the fiscal year ended August 31, 2013, the District had incurred additional long-term debt as follows:

Lessor	9/1/13 Amount	Annual Installment	Final Installment Date	Interest Rate	8/31/13 Balance
Lease-Purchase Commitments					
Pitney Bowes (Bldg 210)	5,879.70	4,703.76	9/2014	None	1,175.94
OCE (Booth Bldg)	1,435.00	0.00	3/2015	None	1,435.00
Xerox ((PHS Office)	11,942.16	5,971.08	12/2014	None	5,971.08
Fungoman Baseball Machine	13,860.00	0.00	8/2017	None	13,860.00
Canon	5,734.00	1,911.04	8/2016	None	3,822.96
Xerox (Print Shop)	77,699.00	1,294.09	7/2019	None	76,404.91
Xerox (Print Shop)	77,699.00	1,294.09	7/2019	None	76,404.91
Xerox (Print Shop)	82,708.80	0.00	7/2019	None	82,708.80
Xerox (Print Shop)	81,949.80	0.00	7/2019	None	81,949.80
OCE (Print Shop)	41,972.00	4,497	10/2016	None	37,475.00
Total Lease-Purchase Commitments					381,208.40
Conditional Sales Contracts					
None					
Total Conditional Sales Contracts					-0-
Other Long-Term Commitments					
None					
Total Other Long-Term Commitments					-0-

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

Construction in progress composed of:

In a Special Election on February 12, 2013, Franklin County voters approved the issuance, by the Pasco School District, of unlimited tax general obligation bonds in the amount of \$46,864,000 for the purpose of: (1) construction of two elementary schools (2) construction of an early learning center (3) relocation of New Horizons High School (4) additional science labs at Pasco High School (5) improvements at Stevens Middle School (6) redesign bus loop at Mark Twain Elementary School.

Project	Authorization Amount	Expended As of 8/31/2014	Local Funds Committed	State Funds Committed
Franklin Elementary (open fall 2014)	\$10,800,000	\$18,248,353	-0-	\$14,100,000
McClintock Early Learning Center (open fall 2015)	\$9,800,000	\$1,264,961	-0-	\$10,500,000
Curie Elementary (open fall 2015)	\$11,700,000	\$1,579,946	-0-	\$13,500,000
NHHS Relocation	\$4,000,000	\$0	-0-	-0-
Stevens Site Improvement	\$3,300,000	\$284,305	-0-	-0-
PHS Entrance/offices/science labs	\$3,500,000	\$0	-0-	-0-
Land Purchases	\$2,000,000	\$11,391	-0-	-0-
Portables 2014-16	\$1,200,000	\$1,700,607	-500,000-	-0-
Twain Pick up and Drop Off	\$564,000	\$0	-0-	-0-
Booth Building Remodel	-0-	\$290,925	-0-	-0-
Energy Grant	-0-	\$312,352	-0-	-0-
Portables 2013	-0-	\$919,863	-1,000,000-	-0-
Delta High School	-0-	\$552,375	0	-0-
Chiawana Press Box	-0-	\$80,845	0	-0-
Markham Upgrades	-0-	\$173,375	-0-	-0-
	-0-	\$	-0-	-0-
	-0-	\$	-0-	-0-
	-0-	\$	-0-	-0-
Total	\$46,864,000	\$25,418,298	-1,500,000-	\$38,100,000

Encumbrances

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

Fund	Amount
General	\$359,641
ASB Fund	\$0
Capital Projects Fund	\$0
Transportation Vehicle Fund	\$0

NOTE 9: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The District's capital assets are insured in the amount of \$267,952,057 for fiscal year 2013-14. In the opinion of the District's insurance consultant, the amount is sufficient to adequately fund replacement of the District's assets.

NOTE 10: REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES

Long-Term Debt

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

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
General Obligation Bonds					
12-15-03	1,930,000	640,000-690,000	12-01-15	3.75-3.9%	1,330,000
01-01-04	145,000	145,000	12-01-13	3.75%	-0-
03-15-04	3,295,000	795,000-1,765,000	06-01-16	5.0%	2,560,000
12-28-06	15,555,000	1,730,000-4,360,000	12-01-18	4.0-5.0%	13,960,000
10-11-07	63,150,000	445,000-14,385,000	12-01-26	4.0-5.0%	62,840,000
08-10-10	15,910,000	650,000-6,515,000	12-1-20	2.38-4.0%	14,720,000
03-06-12	22,065,000	55,000-8,255,000	12-1-22	2.00%	22,010,000
05-16-13	40,140,000	50,000-17,050,000	12-1-29	3.0-5.0%	40,140,000
Total General Obligation Bonds	162,190,000	50,000-17,050,000	12-01-29	2.0-5.0%	157,560,000

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

Long-Term Debt Payable at 9/1/2012	\$162,190,000
New Issues	\$ 0
Debt Retired	(\$ 4,630,000)
Long-Term Debt Payable at 8/31/2013	\$157,560,000

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

Years Ending August 31	Principal	Interest	Total
2015	5,045,000	6,901,385	11,946,385
2016	6,510,000	6,701,743	13,211,743
2017	4,285,000	6,445,538	10,730,538
2018	6,600,000	6,224,747	12,824,747
2019	7,270,000	5,931,538	13,201,538
2020	8,020,000	5,612,444	13,632,444
2021-2025	52,230,000	21,936,228	74,166,228
2026-2030	67,600,000	6,943,662	74,543,662
Total	157,560,000	66,697,285	224,257,285

At August 31, 2014, the district had \$3,553,853 available in the Debt Service Fund to service the general obligation bonds.

NOTE 11: INTERFUND BALANCES AND TRANSFERS

There were two interfund transfers made by the District between September 1, 2013 and August 31, 2014. The first one was a \$1,260,000 transfer from the general fund to the transportation vehicle fund to purchase more busses for the 2013-14 school year. The second one was based on a State Auditor recommendation to transfer portable and other construction expenses to the capital projects fund from the general fund. This directly resulted in a \$3,271,000 transfer from the general fund to the capital projects fund. In addition to this, a \$4,500,000 interfund loan was made from the general fund to the capital projects fund to be utilized to begin building Delta High School to be ready for opening in the fall of 2015 before the state funding and other funding sources are received.

NOTE 12: ENTITY RISK MANAGEMENT ACTIVITIES

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

Workers' Compensation

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

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

Unemployment

In fiscal year 1978, school districts within Educational Service District (ESD) #123 joined together to form the Cooperative Unemployment Compensation Insurance Pool, a public entity risk pool currently operating as a common risk management and insurance program for unemployment compensation. Seventeen district, including ESD #123, have joined the Pool. Members pool their self-insured losses and administrative services and have established a plan of self-insurance and related services, such as risk management, claims administration, etc. Coverage is on an "occurrence" basis. Members make a contributions to the fund based on their total gross payroll and unemployment history during the preceding year. The pool is fully funded by its member participants. The financial statements of the pool may be obtained by contacting Educational Service District No. 123.

The Pool is governed by a Cooperative Board, which is comprised of one designated representative from each participating members and a six member Executive Board. Five members elected by the Cooperative Board and the ESD Superintendent comprise the Executive Board. ESD #123 is responsible for conducting the business affairs of the Pool.

Risk Management

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 into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed 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 coverages 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 a 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 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.

NOTE 13: PROPERTY TAXES

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

NOTE 14: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

The district is a member of the King County Directors Association, a purchasing cooperative consisting of more than 270 school districts. The district's equity in this cooperative totaled \$39,085.70. As of December 31, 2013, the district has the right to withdraw its equity, subject to certain restrictions, over a period of up to 15 years.

The District purchases electric power from Big Bend Electric, a cooperative headquartered in Ritzville, WA. District patronage credits, held by the cooperative, totaled \$50,225.33 on December 31, 2013.

NOTE 15: FUND BALANCE CLASSIFICATION DETAILS

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

	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund	Transportation Vehicle Fund
Nonspendable Fund Balance					
Inventory and Prepaid Items	\$ 124,680				
Restricted Fund Balance					
Fund Purposes		\$1,197,535			\$ 502,466
Carryover of Restricted Revenues	\$ 1,649,784				
Food Service	\$ 863,469				
Debt Service				\$3,545,608	
Arbitrage Rebate					
Uninsured Risks					
Bond Proceeds			\$24,331,394		
Other Items					
Committed Fund Balance					
Minimum Fund Balance Policy					
Other Commitments	\$ 4,500,000				
Assigned Fund Balance					
Contingencies					
Other Capital Projects					
Other Purposes	\$22,193,539				
Fund Purposes			\$ 2,542,111		
Unassigned Fund Balance	\$ 8,250,947				

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

Restricted from Bond Proceeds	-0-
Restricted from Levy Proceeds	-0-
Restricted from State Proceeds	-0-
Restricted from Federal Proceeds	-0-
Restricted from Other Proceeds	-0-
Restricted from Impact Fee Proceeds	\$2,044,329
Restricted from Mitigation Fee Proceeds	-0-
Restricted from Undistributed Proceeds	-0-

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

457 Plan – Deferred Compensation Plan

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

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

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

The District complies with IRS regulations that require school districts to have a written plan to include participating investment companies, types of investments, loans, transfers, and various requirements. The plan is administered by Carruth Compliance Consulting, Inc. The plan assets are assets of the District employees, not the school district, and are therefore not reflected on these financial statements. For the year ended August 31, 2014, the District made \$14,237 in discretionary employer contributions to the plan.

NOTE 17: TERMINATION BENEFITS

Compensated Absences

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

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

These expenditures are recorded when paid, except termination sick leave that is accrued upon death, retirement, or upon termination provided the employee is at least 55 years of age and has sufficient years of service.

Unpaid vacation leave was recorded as a liability on the schedule of long-term debt this year. It is estimated that the unpaid vacation leave balance is \$680,687 as of August 31, 2014.

NOTE 18: OTHER DISCLOSURES

Self-Insurance—Security Deposit

On October 1, 2003, Pasco School District initiated a Dental Self-Insured plan through the Fortis/Assurant Insurance Company. The money for this account has been collected through employee premiums. The costs of the dental care provided were paid from the premiums collected. A reserve fund of 2.5 months of claims and expenses has been established. The target reserve for the plan as of August 31, 2014 was \$478,699. The actual dental reserve as of August 31, 2014 was \$646,198.

On October 1, 2006, Pasco School District initiated a Vision Self-Insured plan through the Guardian Insurance Company. The money for this account has been collected through employee premiums. The costs of the vision care provided were paid from the premiums collected. A reserve fund of 2.5 months of claims and expenses has been established. The target reserve for the plan as of August 31, 2014 was \$148,013. The actual vision reserve as of August 31, 2014 was \$89,720.

Impact Fees

On March 13, 2012, the District entered into an interlocal agreement with the City of Pasco to collect impact fees effective April 16, 2012. As required by RCW 82.02.070 the District has established and maintains a School Impact Fee account. The funds collected are required to be used for public facilities improvements per RCW 82.02.050(4) and RCW 82.02.070(2).

Tri-Tech Skills Center

The district participates in the Tri-Tech Skills Center in cooperation with five neighboring districts for the purpose of training students in all six districts in certain vocational skills. All revenues and expenditures are reported by the Kennewick School District.

Delta High School

In 2009 the district entered into an inter-cooperative agreement with Richland and Kennewick School Districts to establish Delta High School. The school opened for the 2009/2010 school year offering students a Science, Technology, Engineering, and Mathematics (STEM) focused curriculum. The school is scheduled to enroll 100 students each year for a target capacity of 400 students. Each of the three participating districts is allotted a share of student seats to fill. The school operates out of facilities owned by Columbia Basin College located within the Richland School District. Educational Service District 123 serves as the fiscal agent for the program.

During late winter 2012/early spring 2013, a mutual agreement within the cooperative was made to find and obtain property in Pasco for the new Delta High School construction. On May 1, 2013, the cooperative bought this land in West Pasco. Also during this timeframe, the cooperative obtained a \$5.4 million dollar commitment from the Washington State Legislature to assist in the project. Total project cost is estimated at \$17 million dollars with additional funding coming from the school construction assistance program – state match (\$9.6M) and the member districts (\$2M). Delta High School is scheduled to be opened in the fall of 2015 with Pasco School District serving as the fiscal agent along with managing the project until completion.

Pasco School District No. 001
Schedule of Long-Term Liabilities: GENERAL FUND
For the Year Ended August 31, 2014

Description	Beginning Outstanding Debt September 1, 2013	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2014	Amount Due Within One Year
Non-Voted Debt and Liabilities					
Capital Leases	0.00	0.00	0.00	0.00	0.00
Contracts Payable	146,253.37	370,223.84	135,268.81	381,208.40	99,410.98
Non-Cancellable Operating Leases	0.00	0.00	0.00	0.00	0.00
Claims & Judgements	0.00	0.00	0.00	0.00	0.00
Compensated Absences	650,040.27	30,646.45	0.00	680,686.72	136,137.00
Long-Term Notes	0.00	0.00	0.00	0.00	0.00
Anticipation Notes Payable	0.00	0.00	0.00	0.00	0.00
Lines of Credit	0.00	0.00	0.00	0.00	0.00
Other Non-Voted Debt	0.00	0.00	0.00	0.00	0.00
Other Liabilities					
Non-Voted Notes Not Recorded as Debt	0.00	0.00	0.00	0.00	0.00
Total Long-Term Liabilities	796,293.64	400,870.29	135,268.81	1,061,895.12	235,547.98

Schedule of Long-Term Liabilities: DEBT SERVICE FUND

For the Year Ended August 31, 2014

Description	Beginning Outstanding Debt September 1, 2013	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2014	Amount Due Within One Year
Voted Debt					
Voted Bonds	162,190,000.00	0.00	4,630,000.00	157,560,000.00	5,045,000.00
LOCAL Program Proceeds Issued in Lieu of Bonds	0.00	0.00	0.00	0.00	0.00
Non-Voted Debt					
Non-Voted Bonds	0.00	0.00	0.00	0.00	0.00
LOCAL Program Proceeds	0.00	0.00	0.00	0.00	0.00
Total Long-Term Liabilities	162,190,000.00	0.00	4,630,000.00	157,560,000.00	5,045,000.00

Pasco School District No. 1
EIN: 91-6001752
Schedule of Expenditure of Federal Awards
For Fiscal Year Ending August 31, 2014

Federal Agency Name	Pass-Through Agency	Federal Program Title	Federal CFDA Number	Other Identification Number	EXPENDITURES			Foot Note				
					From Direct Awards	From Pass-Through Awards	Total					
USDA	WA OSPI	School Severe Need Breakfast Program	10.553	N/A		2,124,390	2,124,390					
	WA OSPI	National School Lunch Program	10.555	N/A		3,900,849	3,900,849					
	WA OSPI	Summer Food Service Prog for Children	10.559	N/A		110,534	110,534					
	WA OSPI	National School Lunch - Non Cash Assistance -										
	WA OSPI	Food Commodities	10.555	N/A		482,082	482,082	3				
	WA OSPI	Fresh Fruits & Veggie Program	10.582	N/A		214,917	214,917					
	Dept of Agriculture Subtotal					\$	-	\$	6,832,771	\$	6,832,771	
Dept of Education	WA OSPI	Title I to Local Educational Agencies	84.010A	201227		7,119	7,119	4, 5				
	WA OSPI	Title I to Local Educational Agencies	84.010A	201518		5,312,024	5,312,024	4, 5				
	WA OSPI	Longfellow School Success Urban	84.010A	228327		18,300	18,300	5				
	WA OSPI	Whittier School Success Urban	84.010A	228330		15,117	15,117	5				
	WA OSPI	Chess School Success Urban	84.010A	228328		32,773	32,773	5				
	WA OSPI	Robinson School Success Urban	84.010A	228329		35,099	35,099	5				
	WA OSPI	McLoughlin School Success Urban	84.010A	228602		25,101	25,101	5				
	WA OSPI	Stevens School Success Urban	84.010A	228603		25,534	25,534	5				
	WA OSPI	Ochoa School Success Urban	84.010A	228601		29,440	29,440	5				
	WA OSPI	Pasco High School Success Urban	84.010A	228605		28,093	28,093	5				
	WA OSPI	Chiawana School Success Urban	84.010A	228604		13,798	13,798	5				
	WA OSPI	Emerson School Success Urban	84.010A	228326		39,780	39,780	5				
	WA OSPI	Migrant Education-State Grant Program	84.011A	281001		187	187	5				
	WA OSPI	Migrant Education-State Grant Program	84.011A	282047		333,256	333,256	5				
	WA OSPI	Spec. Ed.-IDEA B Flow Thru	84.027A	304735		2,485,427	2,485,427	5				
	WA OSPI	Career and Technical Ed-Basic Grants to States	84.048	173175		176,400	176,400	5				
	WA OSPI	Spec. Ed. Preschool Grants	84.173A	364733		60,606	60,606	5				
	WA OSPI	English Language Acquisitions State Gr - Title III	84.365A	401630		1,800	1,800	6				
	WA OSPI	English Language Acquisitions State Gr - Title III	84.365A	401909		738,663	738,663	6				
	WA OSPI	Improving Teacher Quality State Gr - Title II	84.367	523035		1,389	1,389	5				
	WA OSPI	Improving Teacher Quality State Gr - Title II	84.367	523219		476,926	476,926	5				
Dept of Education Subtotal					\$	-	\$	9,856,835	\$	9,856,835		
												-
U.S. Dept of Health & Human Services	DSHS	Medical Assistance Program	93.778	N/A		18,529	18,529					
		Health/Human Services Dept Subtotal					\$	-	\$	18,529	\$	18,529
Corp for Nat'l and Community Service	WA Comm for Community Service	AmeriCorps	94.006	N/A		241,485	241,485	7				
		Corporation for National and Community Service					\$	-	\$	241,485	\$	241,485
TOTAL FEDERAL AWARDS EXPENDED					\$	-	\$	16,949,620	\$	16,949,620		

The Notes to the Schedule of Expenditures of Federal Awards is an integral part of this statement.

Pasco School District No. 1
EIN: 91-6001752
Notes to the Schedule of Expenditure of Federal Awards
For Fiscal Year Ending August 31, 2014

NOTE 1 - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the Pasco School District's financial statements. The Pasco School District 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, including the Pasco School District's local matching share, may be more than shown.

NOTE 3 - NONCASH AWARDS

The amount of food commodities reported on the schedule is the value of commodities distributed by the Pasco School District during the current year and priced as determined by the USDA.

NOTE 4 - SCHOOLWIDE PROGRAMS

The Pasco School District operates a "schoolwide program" in twelve elementary buildings, three middle schools, two high schools and one alternative middle/high school. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within high poverty schools for all students as well as target services to high need students. The following federal program amounts were expended by the District in its schoolwide programs: Title I to Local Educational Agencies (84.010) - \$5,319,143

NOTE 5 - FEDERAL INDIRECT RATE

The Pasco School District used the federal restricted rate of 4.1% for FY 12-13 and 3.69% for FY 13-14.

NOTE 6 - FEDERAL INDIRECT RATE

The Pasco School District used the federal restricted rate of 2% .

NOTE 7 - FEDERAL INDIRECT RATE

The Pasco School District used the federal restricted rate of 5.26% .

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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