

WASHINGTON UNIFIED SCHOOL DISTRICT

**COUNTY OF YOLO
WEST SACRAMENTO, CALIFORNIA**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED JUNE 30, 2014

WASHINGTON UNIFIED SCHOOL DISTRICT

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WASHINGTON UNIFIED SCHOOL DISTRICT

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James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting and Tax

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Washington Unified School District
West Sacramento, California

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 Washington Unified School District (the "District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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.

Opinions

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 the Washington Unified School District (the "District"), as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

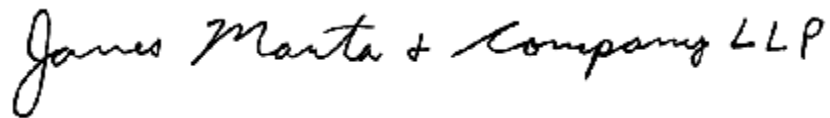
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the Schedule of Other Postemployment Benefit (OPEB) Funding Progress on pages 4-10 and 40-41 be presented to supplement the basic financial 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying supplemental information as listed in the table of contents, including the schedule of expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133 are presented for purposes of additional analysis and are 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 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 as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 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 District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
November 17, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Washington Unified School District's annual financial report presents District management's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2014. Please read it in conjunction with the District's financial statements, which immediately follow this section.

INTRODUCTION

Washington Unified School District, founded in 1957, is located in the City of West Sacramento. The city covers a 23 square mile area in eastern Yolo County along the west bank of the Sacramento River, opposite the City of Sacramento. The District serves an ethnically diverse and growing population of approximately 7,444 students. The District has six (6) K-8 schools, one (1) K-5 school, one (1) comprehensive high school, a continuation high school, an independent study program and an adult education program. We believe in our motto: Together We Can Make a Difference.

FINANCIAL HIGHLIGHTS

- The Adopted Budget Unrestricted General Fund projected a surplus of \$62,515 and the Adopted Budget Restricted General Fund projected a deficit of \$555,340. The year ended with an Unrestricted General Fund deficit of \$510,868 and a Restricted General Fund Surplus of \$920,940.
- Contributions to restricted programs were \$110,906 or 2.35% less than projected at the second financial reporting period for fiscal 2013-2014.
- The General Fund ended the year with a fund balance of \$12,654,163. This is a decrease of 177,510 compared to the prior fiscal year.
- In November of 2012, the District received approval from the Internal Revenue Service to modify its original application for Clean Renewable Energy Bonds. This approval allowed the District to issue 7,306,260 of net bond proceeds in 2012-2013. The bond proceeds funded the Solar Power Phase #2 project which was completed in October 2013.
- Capital outlay expenditures were \$6,527,307. The majority of these expenditures are attributable to the completion of Solar Power Phase #2 project.
- All governmental funds ended with positive ending fund balances, and the District's cash position in the General Fund was positive.
- The District Administration continues to be proactive with the board, bargaining units, and community stakeholders to convey the District's fiscal position in a very transparent manner. The District maintains a positive certification with its fiscal oversight agent while acknowledging that continued fiscal solvency will require prudent action(s) in the coming fiscal years; even in an improving economy. With the passage of the Local Control Funding Formula, new funding for schools has materialized. However, the "rules" that govern how LCFF dollars are spent are still being developed and caution is being advised as California begins a recovery that is slower than the rest of the nation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: (1) management's discussion and analysis (this section), (2) the basic financial statements, (3) required supplementary information and (4) supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The *governmental funds* statements tell how basic services like regular and special education are financed in the short term as well as what remains for future spending.
- *Proprietary funds* statements offer short- and long-term financial information about the activities the District operates like businesses.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

REPORTING THE DISTRICT AS A WHOLE

The *Statement of Net Assets* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is 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 assets and changes in them. Net assets are the difference between assets and liabilities, one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating.

The relationship between revenues and expenses is the District's operating results. Since it is the responsibility of the Board to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be important components in this evaluation.

In the *Statement of Net Assets* and the *Statement of Activities*, District activities are defined as follows:

- *Governmental activities* - Most of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

The *Fund Financial Statements* provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and some by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the California Department of Education, the U.S. Department of Education, local funds, and external borrowings.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental funds - Most 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 remaining 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 fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

THE DISTRICT AS TRUSTEE

The District is the trustee, or fiduciary, for funds held on behalf of others, like our funds for associated student body activities and foundation private-purpose trust funds. The District's fiduciary activities are reported in separate *Statements of Fiduciary Net Assets*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Position

The District's net positions were \$125.5 million for the fiscal year ended June 30, 2014. Of this amount, \$17.8 million was unrestricted. Restricted net positions are reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. Table 1 below focuses on the net assets of the District's governmental activities.

Table 1

(Amounts in millions)	2014	2013	2012
	Governmental Activities	Governmental Activities	Governmental Activities
Current and other assets	\$ 45.7	\$ 49.2	\$ 49.3
Capital Assets	247.1	246.5	242.8
Total Assets	292.8	295.7	292.1
Deferred Outflows of Resources	1.3	1.5	
Current liabilities	15.4	14.1	6.6
Long-term liabilities	150.9	152.7	150.7
Total Liabilities	166.3	166.8	157.3
Deferred Inflows of Resources	2.3	2.5	
Net position			
Invested in capital assets, net of related debt	95.5	92.4	93.3
Restricted	12.2	16.0	9.1
Unrestricted	17.8	19.3	32.4
Total Net Position	\$ 125.5	\$ 127.7	\$ 134.8

MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. Table 2 focuses on the change in net position of the District's governmental activities by taking the information from the Statement, rounds off the numbers, and rearranges them slightly so that total revenues for the year can be seen.

Table 2

(Amounts in millions)	2014	2013	2012
	<u>Governmental Activities</u>	<u>Governmental Activities</u>	<u>Governmental Activities</u>
Revenues			
Program revenues:			
Charges for services	\$ 0.9	\$ 0.9	\$ 0.5
Operating grants and contributions	15.3	17.3	13.8
Capital grants and contributions	-	-	-
General revenues:			
State revenue limit sources	40.0	31.5	35.8
Property taxes	15.5	16.6	12.0
Other general revenues	2.6	0.2	1.4
Total Revenues	<u>74.3</u>	<u>66.5</u>	<u>63.5</u>
Expenses			
Instruction and instruction-related activities	41.7	40.8	41.4
Student support services	8.4	8.4	7.9
Administration	5.9	5.1	4.7
Plant services	13.5	13.7	12.4
Other	7.1	5.2	2.7
Total Expenses	<u>76.6</u>	<u>73.2</u>	<u>69.1</u>
Change in Net Position	\$ (2.3)	\$ (6.7)	\$ (5.6)

Governmental Activities

As reported in the *Statement of Activities*, the cost of all our governmental activities this year was \$60.3 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$16 million because the cost was paid by those who benefited from the programs (\$145 thousand) or by other governments and organizations who subsidized certain programs with grants and contributions (\$2.6 million). We paid for the remaining "public benefit" portion of our governmental activities with \$40 million in State funds and with other revenues, like interest and general entitlements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

In Table 3, we have presented the cost of each of the District's five largest functions: Instruction and instruction related activities, Pupil services, General administration, Plant services, and other, as well as each program's net cost (total cost less revenues generated by the activities). As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

(Amounts in millions)	2014		2013		2012	
	Total	Net	Total	Net	Total	Net
	Cost of Svcs.		Cost of Svcs.		Cost of Svcs.	
Instruction and instruction related activities	\$ 41.7	\$ 33.0	\$ 40.8	\$ 30.6	\$ 42.0	\$ 28.3
Pupil services	8.4	3.8	8.3	3.1	7.1	2.3
General administration	5.9	5.0	5.1	4.1	4.3	3.2
Plant services	13.5	13.4	13.7	13.7	12.4	11.6
Other	7.1	5.1	5.2	3.5	7.6	6.6
Totals	\$ 76.6	\$ 60.3	\$ 73.1	\$ 55.0	\$ 73.4	\$ 51.9

THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds. The Fund Balances shown on the Governmental Funds Balance Sheet are largely cash and cash equivalents, and do not show Capital Facilities Assets.

The General Fund is the District's principal operating fund. The fund balance in the General Fund decreased from \$12.8 million to \$12.6 million primarily due to the carryover of Common Core State Standard implementation funds. In addition, with this being the first year of the Local Control Funding Formula, the District restricted locally funds that had been identified for specific programmatic purposes.

Capital Facilities Fund expenditures exceeded revenues by \$6.2 million as the District completed the Solar Power Phase #2 project and other smaller modernization or maintenance projects.

The District's Other Non-Major Governmental Funds remained stable from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The fiscal 2013-2014 budget continued the practice of conservative budgeting. There were no revenue streams associated with future growth, no assumption for future funding of COLA, and no predictions of the outcomes of future budget policy changes at the State level. However, the implementation of the Local Control Funding Formula (LCFF) helped to increase revenues by \$4.0M.

As such, the Board of Education directed the Administration to develop and implement a budget plan that would address deficit spending, restore services that had been reduced in previous years, and provide and increase in salary and/or benefits to District staff. The Administration brought forth a plan that reduced deficit spending by 50%, restored \$750,000 worth of ongoing services, and provided compensation/benefits increase that averaged 3.5%.

In addition, the District began the development of the Local Control Accountability Plan that would be implemented in fiscal 2014-2015 to ensure that an increase in services would be provided to those students that were identified as being of poverty, English language learners, and/or foster youth.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The multi-year projection shows increases in funding for at least the next two years. It is anticipated that the increase will allow the district to eliminate deficit spending, provide increases in services and or new service as well as additional employee compensation.

Federal Funds

Federal funding saw a reduction with the implementation of the Federal Sequestration of roughly 5%. As such, the District's Administration continues to be conservative with the allocation of these resources and the associated expenditures. As with prior years, the objective of the use of Federal Funds is to spend current year dollars on current year students.

Cash Flow

The concern over potential cash flow shortages compared to prior years has been significantly mitigated. For the year ending June 30, 2014, the District had its strongest ending cash position.

Capital Assets

At June 30, 2014, the District had \$247.1 million in a broad range of capital assets net of accumulated depreciation, including land, buildings, vehicles, and furniture and equipment.

Table 4

(Amounts in millions)	2014	2013	2012
	Governmental	Governmental	Governmental
	Activities	Activities	Activities
Land and construction in progress	\$ 29.5	\$ 42.0	\$ 33.4
Buildings and Improvements	215.1	201.2	205.7
Equipment	2.5	3.2	3.6
Totals	\$ 247.1	\$ 246.4	\$ 242.7

We present more detailed information about our capital assets in Note 4 to the basic financial statements.

Long-term Liabilities

No long-term Liabilities were issued.

Table 5

(Amounts in millions)	2014	2013	2012
	Governmental	Governmental	Governmental
	Activities	Activities	Activities
General Obligation bonds	\$ 70.0	\$ 72.1	\$ 72.3
Certificates of participation	65.3	66.7	68.0
Compensated absences and retirement incentives	0.2	0.2	0.2
Capital leases	16.3	16.3	9.0
Totals	\$ 151.8	\$ 155.3	\$ 149.5

We present more detailed information regarding our long-term liabilities in Note 5 to the basic financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Revenue limit funding for fiscal year 2013-2014 was calculated for the first time using the new Local Control Funding Formula (LCFF). The LCCF model brought up much needed revenues and beginning with fiscal 2014-2015 will have additional “rules” that will be in play. The LCCF has a target for each school district that the State hopes to achieve within an eight year implementation window. For the District, year two of the implementation will see an increase in funding of \$5.9 million.

Recognizing that the new revenues for fiscal 2014-2015 would continue to be a focal point of stakeholders within the District, the Board of Education moved cautiously and directed the Administration to continue with the implementation of a multi-year budget plan that eliminated the structural deficit, allowed restoration of some programs that had been reduced in prior years, allowed for an increase in new programs that during years of enrollment growth and State cuts were not added, and provided for increase(s) to employee salaries and benefits.

In addition, the District must develop a plan to implement the new LCCF through a document titled the Local Control Accountability Plan (LCAP). The plan is to be comprehensive in nature and inclusive of a variety of the District’s stakeholders which include, but are not limited to, students, parents, community leaders, administrators, and collective bargaining units. The plan will be must be approved by the Board of Education in conjunction with the approval of the budget for fiscal 2014-2015.

Funding for the implementation of the new Common Core State Standard (CCSS) will be provided to Districts during the 2013-2014 fiscal year. The funding must be entirely spent before the end of the 2014-2015 fiscal year and can be used in three major categories to support the implementation of the CCSS: professional development, technology to support on-line testing, and supplemental instructional materials.

Overall, the District's fiscal position remains stable. The most recent Legislative Analyst's Office forecast shows the potential for positive years for the State over the next several years. The Administration remains cautiously optimistic that the economic indicators will hold true; however fiduciary responsibility dictates that the District continue to stay ahead of any potential funding or expense cliff(s) with the expiration of short term sales taxes and the increased cost of funding the CalSTRS and CalPERS retirement systems.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT TEAM

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it received. If you have questions about this report or need any additional financial information, contact the Business Office, Washington Unified School District, 930 Westacre Road, West Sacramento, California 95691 or call 916-375-7600.

BASIC FINANCIAL STATEMENTS

WASHINGTON UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 30,464,637
Receivables	15,175,736
Prepaid expenses	950
Stores inventory	88,206
Capital assets, net of accumulated depreciation	<u>247,056,745</u>
Total Assets	<u>292,786,274</u>
DEFERRED OUTFLOW OF RESOURCES	
Deferred loss on refunding on bonds	1,328,745
LIABILITIES	
Accounts payable and other current liabilities	12,749,412
Deferred revenue	2,672,534
Long-term liabilities:	
Due within one year	3,470,673
Due in more than one year	<u>147,464,838</u>
Total Liabilities	<u>166,357,457</u>
DEFERRED INFLOW OF RESOURCES	
Deferred bond premium current interest	2,264,185
NET POSITION	
Invested in capital assets, net of related debt	95,465,634
Restricted	12,227,104
Unrestricted	<u>17,800,639</u>
Total Net Position	<u>\$ 125,493,377</u>

WASHINGTON UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenues and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Position</u>
					<u>Governmental</u>
					<u>Activities</u>
Governmental Activities					
Instruction	\$ 36,490,050	\$ 59,157	\$ 7,652,270	\$ -	\$ (28,778,623)
Instruction - related services:					
Supervision of instruction	1,303,940	-	516,270	-	(787,670)
Instructional library, media and technology	203,739				(203,739)
School site administration	3,717,310	17,950	479,789	-	(3,219,571)
Pupil Services:					
Home-to-school transportation	1,985,559	-	-	-	(1,985,559)
Food services	4,083,513	812,811	3,099,847	-	(170,855)
All other pupil services	2,354,038	4,219	658,199	-	(1,691,620)
General administration:					
Data processing	1,649,608	-	4,005	-	(1,645,603)
All other general administration	4,204,424	49,617	804,306	-	(3,350,501)
Plant services	13,488,895	1,780	88,577	-	(13,398,538)
Ancillary services	301,336	-	-	-	(301,336)
Community services	2,228	-	-	-	(2,228)
Interest on long-term debt	4,966,449	-	-	-	(4,966,449)
Other outgo	1,819,760	-	1,993,045	-	173,285
Total governmental activities	<u>76,570,849</u>	<u>945,534</u>	<u>15,296,308</u>	<u>-</u>	<u>(60,329,007)</u>
General Revenues					
Taxes and subventions:					
Taxes levied for general purposes					10,277,865
Taxes levied for debt service					3,866,216
Taxes levied for other specific purposes					1,335,880
Federal and state aid not restricted to specific purposes					40,044,607
Interest and investment earnings					80,249
Interagency revenues					102,030
Miscellaneous					<u>2,400,072</u>
Total general revenues					<u>58,106,919</u>
Change in net position					(2,222,088)
Net position - beginning					<u>127,715,465</u>
Net position - ending					<u>\$ 125,493,377</u>

WASHINGTON UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2014

	<u>General Fund</u>	<u>Capital Facilities Fund</u>	<u>All Non-Major Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	9,839,235	\$ 13,240,934	\$ 7,384,468	\$ 30,464,637
Accounts receivable	13,838,948	71,041	1,265,747	15,175,736
Due from other funds	92,962	1	42,321	135,284
Stores inventory	23,366	-	64,840	88,206
	<u>23,366</u>	<u>-</u>	<u>64,840</u>	<u>88,206</u>
Total assets	<u>\$ 23,795,461</u>	<u>\$ 13,311,976</u>	<u>\$ 8,757,376</u>	<u>\$ 45,864,813</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 10,690,628	\$ 55,545	\$ 97,012	\$ 10,843,185
Unearned revenue	408,349	-	-	408,349
Due to other funds	42,321	-	92,963	135,284
	<u>42,321</u>	<u>-</u>	<u>92,963</u>	<u>135,284</u>
Total Liabilities	11,141,298	55,545	189,975	11,386,818
Fund balances				
Nonspendable	73,011	-	64,840	137,851
Restricted	2,907,503	1,737,078	7,582,523	12,227,104
Committed	-	-	20,038	20,038
Assigned	1,500,000	10,855,955	900,000	13,255,955
Unassigned	8,173,649	663,398	-	8,837,047
	<u>8,173,649</u>	<u>663,398</u>	<u>-</u>	<u>8,837,047</u>
Fund balances	<u>12,654,163</u>	<u>13,256,431</u>	<u>8,567,401</u>	<u>34,477,995</u>
Total liabilities and fund balances	<u>\$ 23,795,461</u>	<u>\$ 13,311,976</u>	<u>\$ 8,757,376</u>	<u>\$ 45,864,813</u>

WASHINGTON UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

JUNE 30, 2014

Total fund balances - governmental funds \$ 34,477,995

Amounts reported for assets and liabilities for governmental activities in the statement of net assets are different from amounts reported in governmental funds because:

Capital assets: In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost:	\$ 296,878,836	
Accumulated depreciation:	<u>(49,822,091)</u>	
Net Capital Assets:		247,056,745

Unamortized costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in prepaid expense on the statement of net assets are:

Deferred loss on refunding of bonds		1,328,745
Deferred bond premium current interest		(2,264,185)

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unamatured interest owing at the end of the period was:

(1,906,227)

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

General obligation bonds payable	\$ 70,033,417	
Other post-employment benefits	1,413,113	
Compensated absences payable	195,472	
Certificates of participation payable	65,260,000	
Capitalized lease obligations	<u>16,297,694</u>	
		<u>(153,199,696)</u>

Total net position, governmental activities: \$ 125,493,377

WASHINGTON UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>General Fund</u>	<u>Capital Facilities Fund</u>	<u>All Non-Major Funds</u>	<u>Total</u>
REVENUES				
LCFF sources:				
State apportionment	\$ 37,572,697	\$ -	\$ 93,381	\$ 37,666,078
Local sources	10,184,483	-	-	10,184,483
Total LCFF revenue	47,757,180	-	93,381	47,850,561
Federal revenue	3,835,261	-	3,139,698	6,974,959
Other state revenues	4,289,631	1,241,820	1,184,432	6,715,883
Other local revenues	2,786,749	4,387,027	5,633,583	12,807,359
Total revenues	<u>58,668,821</u>	<u>5,628,847</u>	<u>10,051,094</u>	<u>74,348,762</u>
EXPENDITURES				
Certificated salaries	27,388,605	-	567,585	27,956,190
Classified salaries	8,961,700	78,006	1,676,780	10,716,486
Employee benefits	10,236,153	26,905	702,312	10,965,370
Books and supplies	2,547,761	6,241	2,030,241	4,584,243
Services and other operating expenditures	7,565,305	825,696	665,924	9,056,925
Capital outlay	327,113	6,145,363	54,831	6,527,307
Other outgo	(42,530)	-	81,963	39,433
Debt service expenditures	-	4,757,888	4,559,415	9,317,303
Total expenditures	<u>56,984,107</u>	<u>11,840,099</u>	<u>10,339,051</u>	<u>79,163,257</u>
Excess(deficiency) of revenues over expenditures	<u>1,684,714</u>	<u>(6,211,252)</u>	<u>(287,957)</u>	<u>(4,814,495)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	1,862,224	1,862,224
Operating transfers out	(1,862,224)	-	-	(1,862,224)
Total other financing sources (uses)	<u>(1,862,224)</u>	<u>-</u>	<u>1,862,224</u>	<u>-</u>
Net change in fund balances	(177,510)	(6,211,252)	1,574,267	(4,814,495)
Fund balances, July 1, 2013	<u>12,831,673</u>	<u>19,467,683</u>	<u>6,993,134</u>	<u>39,292,490</u>
Fund balances, June 30, 2014	<u>\$ 12,654,163</u>	<u>\$ 13,256,431</u>	<u>\$ 8,567,401</u>	<u>\$ 34,477,995</u>

The accompanying notes are an integral part of these financial statements.

WASHINGTON UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Total net change in fund balances - governmental funds \$ (4,814,495)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$7,170,261	
Depreciation expense:	<u>(6,553,356)</u>	
Net		616,905

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 2,436,680

Amortization: In governmental funds, debt issue costs and bond refunding losses are recognized in the period they are incurred. In the government-wide statements, issue costs and refunding losses are amortized over the life of the debt. The difference between debt issue costs and refunding losses recognized in the current period and issue costs amortized over the period is:

Deferred loss on refunding of bonds	(150,478)
Deferred bond premium current interest	277,516

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was: (221,099)

Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain is: (21,620)

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was: (42,425)

Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. The difference between OPEB costs and actual employer contributions was: (303,072)

Total change in net position - governmental activities \$ (2,222,088)

WASHINGTON UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
TRUST AND AGENCY FUNDS

JUNE 30, 2014

	<u>Foundation Trust Fund</u>	<u>Student Body</u>	<u>Total</u>
ASSETS			
Cash and investments:			
Cash in County Treasury	\$ 4,492	\$ -	\$ 4,492
Cash on hand and in banks	-	203,551	203,551
Investments	40,000	-	40,000
Accounts Receivable	3	-	3
	<u>44,495</u>	<u>203,551</u>	<u>248,046</u>
LIABILITIES			
Due to student groups	<u>-</u>	<u>203,551</u>	<u>203,551</u>
NET POSITION			
Restricted	<u>\$ 44,495</u>	<u>\$ -</u>	<u>\$ 44,495</u>

WASHINGTON UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
NET POSITION – FIDUCIARY FUNDS
TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Foundation Trust Fund
Revenues	
Interest	\$ 258
Other local revenues	
Total Revenues	258
Expenses	
Contract services	1,300
Change in Net Position	(1,042)
Net Position, July 1, 2013	45,537
Net Position, June 30, 2014	\$ 44,495

WASHINGTON UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Washington Unified School District (the “District”) accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education’s *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The following is a summary of the more significant policies:

Reporting Entity

The Governing Board is the level of government which has governance responsibilities over all activities related to public school education in the District. The Board is not included in any other governmental “reporting entity” as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

Basis of Presentation - Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the District. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

The government-wide statement of net assets presents information on all of the District’s assets and liabilities, with the difference between the two presented as net assets. Net assets are reported as one of three categories: invested in capital assets, net of related debt; restricted; or unrestricted.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District’s governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense function. Interest on long-term liabilities is considered an indirect expense and is reported separately in the Statement of Activities.

Basis of Presentation - Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

WASHINGTON UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

Basis of Presentation - Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be 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 or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's funds are as follows:

A – Governmental Fund Types

1 – General Fund

The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District, not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

2 – Special Revenues Funds

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. This classification includes the Adult Education, Child Development, Cafeteria, Deferred Maintenance and Special Reserve Funds.

3 – Capital Projects Funds

The Capital Projects Funds are used to account for resources used for the acquisition or construction of major capital facilities and equipment. This classification includes the Capital Facilities and County School Facilities Funds.

4 – Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. This classification includes the Bond Interest and Redemption Fund.

B –Fiduciary Fund Types

1 – Trust Fund

The Trust Funds are used to account for assets held by the District as trustee. This classification consists of the Scholarship Trust Fund.

2 – Agency Fund

The Agency Funds are used to account for assets of others for which the District has an agency relationship with the activity of the fund. This classification consists of the Student Body Fund.

WASHINGTON UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

Measurement Focus and Basis of Accounting - Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met. Expenses are recorded when liabilities are incurred.

Measurement Focus and Basis of Accounting - Governmental Fund Financial Statements

Governmental fund financial statements (i.e., balance sheet and statement of revenues, expenditures, and changes in fund balances) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and postemployment benefits other than pensions, are recorded only when payment is due.

Budgets and Budgetary Accounting

By state law, the Board of Education must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Governing Board complied with these requirements.

The District employs budgetary control by major object code and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object code. The budgets are revised during the year by the Governing Board to provide for unanticipated revenues and expenditures, and to provide for revised priorities. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information.

Capital Assets

Capital assets are those purchased or acquired with an original cost of \$5,000 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using the straight-line basis over 2-50 years depending on the asset type.

Unearned Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that the qualified expenditures have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

WASHINGTON UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

Compensated Absences

All vacation pay plus related payroll taxes are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Accumulated Sick Leave

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Long-term Obligations

The District reports long-term debt of governmental funds at face value in the government-wide statements. In the governmental fund financial statements, bond premiums, discounts, refunding losses, and issuance costs are recognized during the current period.

Restricted Net Assets

Restrictions of the ending net assets indicate the portions of net assets not appropriate for expenditure or amounts legally segregated for specific future use.

Fund Balance

Beginning with fiscal year 2010/2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent.

The classifications used in the governmental fund financial statements are as follows:

- § Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified its revolving cash account, prepaid expenses, stores inventory, and sinking fund as being nonspendable as they are required to be maintained intact or are not expected to be converted to cash within the next year.
- § Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

WASHINGTON UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

Fund Balance (Continued)

- § Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Governing Board. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. The District committed the fund balances for the Adult Education Fund, the Deferred Maintenance Fund, and the Special Reserve Fund.
- § Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Governing Board or through the Governing Board delegating this responsibility to the District's management through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- § Unassigned: This classification includes the residual fund balance for the General Fund and includes funds designated for economic uncertainties.

The District would typically use Restricted Fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Investment Valuation and Income Recognition

In accordance with *Education Code* Section 41001, the District maintains substantially all its cash in the Yolo County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is credited to each fund. Any investment losses are proportionately shared by all funds in the pool.

Local Control Funding Formula/Property Tax

The District's local control funding formula is received from a combination of local property taxes, state apportionments, and other local sources.

Secured property taxes are levied as an enforceable lien on property as of January 1. Taxes are payable in two installments, on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Yolo bills and collects the taxes for the District. Tax revenues are recognized by the District when received.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local control funding formula (LCFF) sources by the District.

The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the State General Fund, and is known as the state apportionment.

WASHINGTON UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2014 consisted of the following:

	Governmental Activities	Fiduciary Activities
Deposits:		
Cash in revolving fund	\$ 25,000	\$ -
Cash on hand and in banks	-	203,551
Cash with Fiscal Agent	5,032,438	-
Pooled Funds:		
Cash in County Treasury	25,407,199	4,492
Local Agency Investment Fund	-	40,000
 Total Cash and Investments	 \$ 30,464,637	 \$ 248,043

Cash in Bank and Revolving Funds

Cash balances held in banks and in revolving funds are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC).

Cash with Fiscal Agent

Cash with Fiscal Agent represents fund amounts held in the District's name by third party custodians. The amount held in the General Fund and the Capital Facilities Fund is generally related to long-term liabilities.

Pooled Funds - Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Yolo County Treasury as part of the common investment pool. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to the participating funds. Any investment losses are proportionally shared by all funds in the pool.

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

Because the District’s deposits are maintained in a recognized pooled investment fund under the care of a third party and the District’s share of the Treasurer’s Pooled Investment Fund does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2014, District’s cash in county treasury is invested in a portfolio consisting of 44% in cash and short-term investments in government investment pools such as the Local Agency Investment Fund (LAIF) and the California Asset Management Program (CAMP). LAIF has a weighted average maturity of 232 days while CAMP has a weighted average maturity of less than 90 days. The rest of the County Treasurer’s Pool is invested in an actively managed pool with a weighted average days to maturity of 572 days.

Pooled Funds - Local Agency Investment Fund

LAIF is administered by the State Treasurer. LAIF investments are audited annually by the Pooled Money Investment Board and the State Controller’s Office. Copies of this audit may be obtained from the State Treasurer’s Office - 915 Capitol Mall, Sacramento, California 95814. The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity, and yield are not jeopardized.

3. INTERFUND TRANSACTIONS

Transactions between funds of the District are recorded as interfund transfers. The unpaid balances at year-end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables

Individual receivable and payable balances at June 30, 2014, were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General Fund	\$ 92,962	\$ 42,321
Capital Facilities Fund	1	-
Nonmajor Funds:		
Child Development Fund	34,997	63,463
Cafeteria Fund	6,524	29,500
Debt Service Fund	800	-
	<u>800</u>	<u>-</u>
Total	<u>\$ 135,284</u>	<u>\$ 135,284</u>

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund transfers for the 2013-2014 fiscal year are presented below.

WASHINGTON UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

Interfund Transfers (Continued)

Transfer from General Fund to Debt Service Fund for QSCB payment	927,228
Transfer from General Fund to Child Development Fund to cover cash deficit.	334,996
Transfer from General Fund to Cafeteria Fund to cover cash deficit.	<u>600,000</u>
Total transfers	<u>\$ 1,862,224</u>

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 is shown below:

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Non-depreciable assets:				
Land	\$ 29,155,759	\$ -	\$ -	\$ 29,155,759
Work in Progress	12,848,295	6,113,573	(18,650,029)	311,839
	<u>42,004,054</u>	<u>6,113,573</u>	<u>(18,650,029)</u>	<u>29,467,598</u>
Depreciable assets:				
Buildings	200,217,210	19,374,202	-	219,591,412
Improvement of Sites	37,576,553	60,332	-	37,636,885
Equipment	9,947,821	272,183	(37,063)	10,182,941
	<u>247,741,584</u>	<u>19,706,717</u>	<u>(37,063)</u>	<u>267,411,238</u>
Totals, at cost	<u>289,745,638</u>	<u>25,820,290</u>	<u>(18,687,092)</u>	<u>296,878,836</u>
Accumulated depreciation:				
Buildings	(31,407,475)	(4,734,884)	-	(36,142,359)
Improvement of Sites	(5,154,851)	(791,053)	-	(5,945,904)
Equipment	(6,721,852)	(1,027,419)	15,443	(7,733,828)
	<u>(43,284,178)</u>	<u>(6,553,356)</u>	<u>15,443</u>	<u>(49,822,091)</u>
Depreciable assets, net	<u>204,457,406</u>	<u>13,153,361</u>	<u>(21,620)</u>	<u>217,589,147</u>
Capital Assets, net	<u>\$ 246,461,460</u>	<u>\$ 19,266,934</u>	<u>\$(18,671,649)</u>	<u>\$ 247,056,745</u>

Depreciation expense was charged to the governmental activities as follows:

Instruction	\$ 510,293
Pupil Transportation	93,563
Food Services	10,397
Other Pupil Services	3,493
Other General Administration	1,821
Centralized Data Processing	219,982
Plant Maintenance and Operations	<u>5,713,807</u>
Total depreciation expense	<u>\$ 6,553,356</u>

WASHINGTON UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

5. LONG-TERM LIABILITIES

General Obligation Refunding Bonds

On November 30, 2010, the District issued General Obligation Refunding Bonds in the aggregate principal amount of \$9,510,000 for the purpose of refunding \$8,740,000 of its 1999 General Obligation Bonds, Series A. The reacquisition price exceeded the net carrying amount of the old debt by \$549,425. This amount is being netted against the new debt and amortized over the life of the new debt issued.

The Bonds are payable from the proceeds of ad valorem property taxes which the Board of Supervisors of the County of Solano and the Board of Supervisors of the County of Yolo are obligated to levy and collect on all taxable property in the District for the payment of interest, principal, and premium, if any. The bonds consist of serial bonds bearing various fixed interest rates from 2% to 4% and mature in staggered amounts each year starting in August 1, 2011 up through August 1, 2025.

The annual requirements to amortize the refunding bonds as of June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 465,000	\$ 281,750	\$ 746,750
2016	495,000	272,150	767,150
2017	535,000	259,175	794,175
2018	570,000	242,600	812,600
2019	615,000	224,825	839,825
2020-2023	2,925,000	679,100	3,604,100
2024-2026	2,805,000	173,500	2,978,500
Total	<u>\$ 8,410,000</u>	<u>\$ 2,133,100</u>	<u>\$ 10,543,100</u>

On October 2, 2012, the District issued 2012 General Obligation Refunding Bonds, consisting of \$21,150,000 Serial Bonds. The proceeds are to be used solely to refund that portion of the District's Election of 2004 General Obligation Bonds, Series A (the "Refunded Bonds") described below.

Series	Principal Issued	Dated	Principal Refunded	Maturities Refunded	Redeemed Current Year	Redemption Price
2004	\$ 39,999,040	August 1, 2004	\$22,480,000	8/1/14 to 8/1/22	8/1/13	100%

Repayment of the refunding bonds is made from the ad valorem property tax levied in connection with this bond issue. The current interest bonds bear interest rates from 2.0% to 4.0% and are scheduled to mature through 2022.

WASHINGTON UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

General Obligation Refunding Bonds (Continued)

The annual requirements to amortize the bonds as of June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 1,620,000	\$ 819,750	\$ 2,439,750
2016	1,705,000	792,100	2,497,100
2017	1,755,000	733,700	2,488,700
2018	1,970,000	664,500	2,634,500
2019	2,205,000	590,000	2,795,000
2020-2023	11,560,000	1,490,500	13,050,500
Total	<u>\$ 20,815,000</u>	<u>\$ 5,090,550</u>	<u>\$ 25,905,550</u>

The outstanding bonds as of June 30, 2014 are as follows:

Total Bond Principal	\$ 70,033,417
Add Premiums	2,264,185
Less Deferred Loss	<u>(1,328,745)</u>
Bonds Payable	<u>\$ 73,626,347</u>

General Obligation Bonds

On February 23, 2007, the District issued 1999 General Obligation Bonds, Series "B" totaling \$7,469,422. Repayment of the Bonds is made from ad valorem property taxes levied and collected by Yolo County. The Current Interest and Capital Appreciation Bonds bear interest rates from 4.0% to 7.51% and are scheduled to mature through 2032.

The annual requirements to amortize the bonds as of June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 135,000	\$ 155,419	\$ 290,419
2016	170,000	149,319	319,319
2017	200,000	141,919	341,919
2018	245,000	133,019	378,019
2019	285,000	122,419	407,419
2020-2024	2,235,000	383,339	2,618,339
2025	645,000	13,303	658,303
Total	<u>\$ 3,915,000</u>	<u>\$ 1,098,737</u>	<u>\$ 5,013,737</u>

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

On November 1, 2006, the District issued 2004 General Obligation Bonds, Series "B" totaling \$12,000,433. Repayment of the Bonds is made from ad valorem property taxes levied and collected by Yolo County. The Current Interest and Capital Appreciation Bonds bear interest rates from 4.0% to 5.4% and are scheduled to mature through 2023.

The annual requirements to amortize the bonds as of June 30, 2014 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 325,000	\$ 155,175	\$ 480,175
2016	370,000	141,275	511,275
2017	410,000	125,675	535,675
2018	465,000	108,175	573,175
2019	515,000	88,575	603,575
2020-2022	1,915,000	123,494	2,038,494
Total	<u>\$ 4,000,000</u>	<u>\$ 742,369</u>	<u>\$ 4,742,369</u>

Certificates of Participation

In June 2007, the District issued Certificates of Participation (COPs) in the amount of \$70,645,000 with an interest rate of 4.75%. The annual requirements to amortize the COPs as of June 30, 2014 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,490,000	\$ 3,230,513	\$ 4,720,513
2016	1,560,000	3,165,700	4,725,700
2017	1,625,000	3,098,019	4,723,019
2018	1,690,000	3,021,238	4,711,238
2019	1,785,000	2,934,363	4,719,363
2020-2024	10,315,000	13,210,815	23,525,815
2025-2029	13,165,000	10,288,815	23,453,815
2030-2034	16,815,000	6,539,423	23,354,423
2035-2037	16,815,000	1,777,478	18,592,478
Total	<u>65,260,000</u>	<u>47,266,364</u>	<u>112,526,364</u>

WASHINGTON UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

Capitalized Lease Obligations

On April 9, 2010, the District received \$8,885,432 financing in the form of Qualified School Construction Bonds to provide resources for the implementation of a district-wide energy efficiency projects including the solar project at the River City High School. Under the lease, the principal components of the lease payments to be paid by the District are to be accumulated in a sinking fund and are to be paid in a lump sum on March 15, 2026, the maturity date of the lease. As of June 30, 2014, \$2,221,358 was held by a fiscal agent in the sinking fund. The bonds bear interest at 1.42% payable quarterly.

On October 23, 2012, the District issued \$7,306,260 of Clean Renewable Energy Bonds at an interest rate of 5.09%, to fund solar projects. The District receives a Federal interest subsidy. The full value of the subsidy rate is 3.01%. The amount of the Federal subsidy has an in the past, and may in the future, be decreased.

The District also leases modular computer lab buildings and equipment under agreements which provide for title to pass upon expiration of the lease period.

Future yearly payments on the capitalized lease obligations are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 980,225	\$ 498,062	\$ 1,478,287
2016	988,328	478,234	1,466,562
2017	996,602	457,993	1,454,595
2018	969,710	437,331	1,407,041
2019	978,328	416,240	1,394,568
2020-2024	5,027,332	1,749,149	6,776,481
2025-2029	3,605,322	2,715,445	6,320,767
2030	2,751,847	80,455	2,832,302
Total	<u>\$ 16,297,694</u>	<u>\$ 6,832,909</u>	<u>\$ 23,130,603</u>

WASHINGTON UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

Capital Appreciation Bonds

The outstanding obligation for the capital appreciation bonds issued in 2004 at June 30, 2014, is as follows:

Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue	Outstanding June 30, 2013	Interest Current Year	Redeemed Current Year	Outstanding June 30, 2014
2004	5.41%	2023	\$ 1,554,539	\$ 2,508,964	\$ 144,889	-	\$ 2,653,854
2004	5.50%	2024	1,534,463	2,492,856	143,018	-	2,635,874
2004	5.58%	2025	1,516,593	2,478,227	141,353	-	2,619,580
2004	5.65%	2026	1,497,828	2,460,077	139,604	-	2,599,681
2004	5.70%	2027	1,486,159	2,449,818	138,516	-	2,588,334
2004	5.72%	2028	1,482,523	2,447,387	138,177	-	2,585,565
2004	5.73%	2029	1,481,936	2,448,201	138,122	-	2,586,323
			\$ 10,554,040	\$ 17,285,530	\$ 983,680	\$ -	\$ 18,269,210

The annual requirements to amortize the capital appreciation bonds issued in 2004 at June 30, 2014 are as follows:

Year Ended June 30	Principal	Interest	Outstanding Balance
2015	\$ -	\$ -	\$ -
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020-2024	1,554,539	2,725,461	4,280,000
2025-2029	7,517,565	18,057,435	25,575,000
2030	1,481,936	4,593,065	6,075,000
Totals	\$ 10,554,040	\$ 25,375,960	\$ 35,930,000

The outstanding obligation for the capital appreciation bonds issued in 2006 at June 30, 2014, is as follows:

Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue	Outstanding June 30, 2013	Interest Current Year	Redeemed Current Year	Outstanding June 30, 2014
2006	4.51%	2022	\$ 384,625	\$ 519,794	\$ 25,797	-	\$ 545,590
2006	4.54%	2023	387,311	524,254	25,977	-	550,230
2006	4.56%	2024	393,776	533,568	26,410	-	559,979
2006	4.58%	2025	396,474	537,791	26,591	-	564,382
2006	4.60%	2026	399,909	543,024	26,822	-	569,845
2006	4.62%	2027	401,942	546,362	26,958	-	573,320
2006	4.64%	2028	406,384	552,983	27,256	-	580,239
2006	4.65%	2029	410,185	558,450	27,511	-	585,960
2006	4.68%	2030	2,011,989	2,743,581	134,943	-	2,878,523
2006	5.40%	2031	1,712,840	2,426,071	114,879	-	2,540,950
			\$ 6,905,433	9,485,876	\$ 463,143	\$ -	\$ 9,949,019

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

The annual requirements to amortize the capital appreciation bonds issued in 2006 at June 30, 2014 are as follows:

Year Ended June 30	Principal	Interest	Outstanding Balance
2015	\$ -	\$ -	\$ -
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020-2024	771,935	823,065	1,595,000
2025-2029	1,998,485	2,916,515	4,915,000
2030-2032	4,135,013	9,444,987	13,580,000
Totals	\$ 6,905,433	\$ 13,184,567	\$ 20,090,000

The outstanding obligation for the capital appreciation bonds issued in 2007 at June 30, 2014, is as follows:

Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue	Outstanding June 30, 2013	Interest Current Year	Redeemed Current Year	Outstanding June 30, 2014
2007	4.56%	2025	\$ 316,492	\$ 423,202	\$ 21,333	-	\$ 444,536
2007	4.58%	2026	525,873	703,882	35,447	-	739,329
2007	4.60%	2027	530,278	710,486	35,744	-	746,230
2007	4.62%	2028	536,598	719,670	36,170	-	755,840
2007	4.63%	2029	542,030	727,318	36,536	-	763,854
2007	4.64%	2030	547,392	734,879	36,898	-	771,777
2007	7.51%	2031	280,760	434,697	18,925	-	453,622
			\$ 3,279,422	\$ 4,454,134	\$ 221,053	\$ -	\$ 4,675,187

The annual requirements to amortize the capital appreciation bonds issued in 2007 at June 30, 2014 are as follows:

Year Ended June 30	Principal	Interest	Outstanding Balance
2015	\$ -	\$ -	\$ -
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020-2024	-	-	-
2025-2029	1,909,241	2,845,759	4,755,000
2030-2032	1,370,181	3,434,819	4,805,000
Totals	\$ 3,279,422	\$ 6,280,578	\$ 9,560,000

WASHINGTON UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year
General Obligation Bonds	\$ 71,004,764	\$ 188,653	\$ 1,160,000	\$ 70,033,417	\$ 925,000
Certificates of Participation	66,690,000	-	1,430,000	65,260,000	1,490,000
Capitalized Lease Obligations	16,333,027	555,340	590,673	16,297,694	980,225
Compensated Absences	153,047	42,425	-	195,472	42,425
Other Postemployment Benefits	1,110,041	303,072	-	1,413,113	-
	<u>\$ 155,290,879</u>	<u>\$ 1,089,490</u>	<u>\$ 3,180,673</u>	<u>\$ 153,199,696</u>	<u>\$ 3,437,650</u>

A liability for unmatured interest amounting to \$1,905,277 as of June 30, 2014 was recognized as part of accounts payable in the government-wide financial statements.

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the Certificates of Participation and capitalized lease obligations are made from the General Fund and the Capital Facilities Fund. Payments on the compensated absences are made from the Fund for which the related employee worked.

WASHINGTON UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

6. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

The District provides the cost of medical and dental benefits up to the District cap to its employees. In order to be eligible, classified employees must retire from the District on or after attaining the age of 55 while in service with at least 10 years of service to the District. Certificated employees must retire from the District on or after attaining the age of 52 and have attained step 11 in the Certificated Employees' Salary Schedule. The coverage ends once the retiree reaches age 65.

Funding Policy

The District's Governing Board will not be funding the plan in the current year. The Board will review the funding requirements and policy annually.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Annual OPEB Cost and Net OPEB Obligation (Continued)

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 obligation:

Annual Required Contribution	\$ 973,576
Interest on net OPEB obligation	52,727
Adjustment to annual required contribution	<u>(47,082)</u>
Annual OPEB cost (expense)	979,221
Contributions Made	<u>(676,149)</u>
Increase in Net OPEB Obligation	303,072
Beginning Balance	<u>1,110,041</u>
Ending Balance	<u><u>\$ 1,413,113</u></u>

WASHINGTON UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and preceding fiscal year were as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage</u> <u>of Annual</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
June 30, 2012	\$ 829,063	44.3%	\$ 1,132,763
June 30, 2013	\$ 846,641	102.7%	\$ 1,110,041
June 30, 2014	\$ 979,221	69.0%	\$ 1,413,113

Funding Status and Funding Progress

As of the valuation date of April 1, 2014, the actuarial accrued liability (AAL) for benefits was \$6,601,634, \$1,413,113 of which was unfunded.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. 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, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

In the April 1, 2014 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.75 percent investment rate (net of administrative expenses), which is a blended rate of the expected long-term investments returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 4 percent. Both rates included a 2.75 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014, was 26 years.

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

7. FUND BALANCE

As of these financial statements, the District has adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. The following schedule is a summary of the components of the ending fund balance by fund type at June 30, 2014:

	General Fund	Capital Facilities	Non-Major Funds	Total
Nonspendable:				
Revolving cash	\$ 25,000	\$ -	\$ -	\$ 25,000
Stores Inventory	23,366	-	64,840	88,206
Prepaid Expenses	24,645	-	-	24,645
	<u>73,011</u>	<u>-</u>	<u>64,840</u>	<u>137,851</u>
Restricted for:				
Medi-Cal Billing Option	392,468	-	-	392,468
Quality Education Investment Act	354,159	-	-	354,159
Common Core State Standards Implement:	1,130,704	-	-	1,130,704
Ongoing maintenance	1,008,477	-	-	1,008,477
Child Nutrition: School Programs	-	-	196,501	196,501
Child Nutrition: Child Care Food Program	-	-	47,470	47,470
Other restricted local	21,695	1,737,078	7,338,552	9,097,325
	<u>2,907,503</u>	<u>1,737,078</u>	<u>7,582,523</u>	<u>12,227,104</u>
Committed to:				
Other commitments	-	-	20,038	20,038
	<u>-</u>	<u>-</u>	<u>20,038</u>	<u>20,038</u>
Assigned to:				
Deferred Maintenance reserve	1,500,000	-	-	1,500,000
Other assignments	-	10,855,955	900,000	11,755,955
	<u>1,500,000</u>	<u>10,855,955</u>	<u>900,000</u>	<u>13,255,955</u>
Unassigned:				
Economic uncertainties	3,665,774	-	-	3,665,774
Other unassigned	4,506,925	663,398	-	5,170,323
	<u>8,172,699</u>	<u>663,398</u>	<u>-</u>	<u>8,836,097</u>
Total	<u>\$ 12,653,213</u>	<u>\$ 13,256,431</u>	<u>\$ 8,567,401</u>	<u>\$ 34,477,045</u>

WASHINGTON UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

8. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS), and classified employees are members of the Public Employees' Retirement System (PERS).

A. California Public Employees' Retirement System (CalPERS)

Plan Description

The Washington Unified School District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7.0% of their salary, and the Washington Unified School District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-2014 was 11.442% of annual payroll. The contribution requirements of the plan members are established by the state statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2014, 2013, and 2012 were \$1,141,799, \$1,093,219 and \$1,342,555 respectively, and equal 100% of the required contributions for each year.

B. State Teachers' Retirement System (STRS)

Plan Description

The Washington Unified School District contributes to the State Teachers' Retirement System (STRS), a cost-sharing, multiple-employer, public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 100 Waterfront Place, West Sacramento, CA 95605.

WASHINGTON UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

Funding Policy

Active plan members are required to contribute 8% of their salary and the Washington Unified School District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-2014 was 8.25% of annual payroll. The contribution requirements of the plan members are established by the state statute. The District's contributions to STRS for the fiscal year ending June 30, 2014, 2013 and 2012 were \$2,255,229, \$2,006,566, and \$2,171,861, respectively, and equal 100% of the required contributions for each year.

9. JOINT POWERS AGREEMENTS

The Washington Unified School District participates in five joint ventures under joint powers agreements (JPAs) with the North Valley Schools Insurance Group (NVSIG), School Project for Utility Rate Reduction (SPURR), School Excess Liability Fund (SELF), Northern California Regional Liability Excess Fund (ReLief), and The Protected Insurance Program for Schools (PIPS). The relationship between the District and the JPAs is such that the JPAs are not a component unit of the District for financial reporting purposes. A full set of Financial Statements for each of the entities listed below can be obtained by contacting the entities management.

North Valley Schools Insurance Group

The District is a member with other school districts of a Joint Powers Authority, North Valley Schools Insurance Group (NVSIG), for the operation of a common risk management and insurance program for workers' compensation coverage.

School Project for Utility Rate Reduction

The District is also a member of a Joint Powers Authority, School Project for Utility Rate Reduction (SPURR), for the direct purchase of gas, electricity and other utility services. SPURR also provides advisory services relative to utilities.

Schools Excess Liability Fund

The District is also a member with other school districts of a Joint Powers Authority, School Excess Liability Fund (SELF), for the purpose of providing excess insurance coverage.

Northern California Regional Liability Excess Fund

The District is also a member with other school districts of a Joint Powers Authority, Northern California Regional Liability Excess Fund (NorCal ReLIEF), for the purpose of providing excess insurance coverage.

The Protected Insurance Program For Schools

The District is also a member with other school districts of a Joint Powers Authority, Protected Insurance Program for Schools (PIPS), for the purpose of providing an alternative for workers' compensation coverage normally provided utilizing traditional self-insurance.

WASHINGTON UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

The most recent condensed financial information available for the year ended June 30 is as follows:

	2014 NVSIG (Audited)	2013* SPURR (Audited)	2014 SELF (Audited)	2013* ReLiEF (Audited)	2013* PIPS (Audited)
Total Assets	\$ 3,022,400	\$ 11,359,666	\$ 162,662,237	\$ 68,154,000	\$ 93,631,244
Total Liabilities	1,448,227	5,324,009	118,772,271	43,117,190	77,229,529
Net Assets	1,574,173	6,035,657	43,889,966	25,036,810	16,401,715
Total Liabilities and Net Assets	\$ 3,022,400	\$ 11,359,666	\$ 162,662,237	\$ 68,154,000	\$ 93,631,244
Total Revenues	10,329,745	30,256,938	11,930,299	16,785,404	188,291,191
Total Expenditures	9,996,043	30,640,698	4,320,259	21,795,973	194,883,085
Net Increase (Decrease) in Net Assets	\$ 333,702	\$ (383,760)	\$ 7,610,040	\$ (5,010,569)	\$ (6,591,894)

* Most recent report available

11. COMMITMENTS AND CONTINGENCIES

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursement subsequently determined will not have a material effect on the District's financial position.

12. SUBSEQUENT EVENT

The District's management evaluated its June 30, 2014 financial statements for subsequent events through November 17, 2014, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WASHINGTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET (NON-GAAP) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
LCFF sources:				
State apportionment	\$ 31,251,791	\$ 39,814,354	\$ 37,572,697	\$ (2,241,657)
Local sources	<u>7,331,783</u>	<u>7,380,409</u>	<u>10,184,483</u>	<u>2,804,074</u>
Total LCFF revenue	<u>38,583,574</u>	<u>47,194,763</u>	<u>47,757,180</u>	<u>562,417</u>
Federal revenue	3,976,952	4,345,237	3,835,261	(509,976)
Other state revenues	9,687,780	4,235,429	4,289,631	54,202
Other local revenues	<u>2,631,273</u>	<u>2,715,581</u>	<u>2,786,749</u>	<u>71,168</u>
Total revenues	<u>54,879,579</u>	<u>58,491,010</u>	<u>58,668,821</u>	<u>177,811</u>
EXPENDITURES				
Certificated salaries	26,756,518	27,892,393	27,388,605	503,788
Classified salaries	8,725,634	8,942,276	8,961,700	(19,424)
Employee benefits	9,807,271	9,636,467	10,236,153	(599,686)
Books and supplies	1,925,106	3,400,270	2,547,761	852,509
Services and other operating expenditures	7,098,295	8,871,334	7,565,305	1,306,029
Capital outlay	759,623	490,769	327,113	163,656
Other outgoing	<u>(255,383)</u>	<u>(140,148)</u>	<u>(42,530)</u>	<u>(97,618)</u>
Total expenditures	<u>54,817,064</u>	<u>59,093,361</u>	<u>56,984,107</u>	<u>2,109,254</u>
Excess (deficiency) of revenues over expenditures	62,515	(602,351)	1,684,714	2,287,065
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-
Operating transfers out	<u>(555,340)</u>	<u>(927,229)</u>	<u>(1,862,224)</u>	<u>(934,995)</u>
Total other financing sources (uses)	<u>(555,340)</u>	<u>(927,229)</u>	<u>(1,862,224)</u>	<u>(934,995)</u>
Net change in fund balances	(492,825)	(1,529,580)	(177,510)	1,352,070
Fund balances, July 1, 2013	<u>12,831,673</u>	<u>12,831,673</u>	<u>12,831,673</u>	<u>-</u>
Fund balances, June 30, 2014	<u>\$ 12,338,848</u>	<u>\$ 11,302,093</u>	<u>\$ 12,654,163</u>	<u>\$ 1,352,070</u>

WASHINGTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
April 01, 2014		\$ 6,601,634	\$ 4,921,772	25%	38,672,676	12.7%
April 01, 2012	-	5,936,468	4,918,257	17%	37,604,096	13.1%

WASHINGTON UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

Excess of expenditures over appropriations for the year ended June 30, 2014 were as follows:

	<u>Excess Expenditures</u>
General Fund	
Classified salaries	\$ 19,424
Employee benefits	599,686

The excess is not in accordance with Education Code 42600.

B - Schedule of Funding Progress - Other Postemployment Benefits

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

SUPPLEMENTARY INFORMATION

WASHINGTON UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

JUNE 30, 2014

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Bond Interest and Redemption Fund	Debit Service Fund	Total
ASSETS						
Cash and cash equivalents	\$ 2,966	\$ 40,106	\$ 43,222	\$ 4,505,192	\$ 2,792,982	\$ 7,384,468
Accounts receivable	6,886	372,863	832,429	-	53,569.00	1,265,747
Due from other funds	-	34,997	6,524	-	800	42,321
Stores inventory	-	-	64,840	-	-	64,840
Total assets	<u>\$ 9,852</u>	<u>\$ 447,966</u>	<u>\$ 947,015</u>	<u>\$ 4,505,192</u>	<u>\$ 2,847,351</u>	<u>\$ 8,757,376</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 3,805	\$ 84,503	\$ 8,704	\$ -	\$ -	\$ 97,012
Due to other funds	-	63,463	29,500	-	-	92,963
Total Liabilities	<u>3,805</u>	<u>147,966</u>	<u>38,204</u>	<u>-</u>	<u>-</u>	<u>189,975</u>
Fund balances						
Nonspendable	-	-	64,840	-	-	64,840
Restricted	-	-	243,971	4,505,192	2,833,360	7,582,523
Committed	6,047	-	-	-	13,991	20,038
Assigned	-	300,000	600,000	-	-	900,000
Total Fund Balance	<u>6,047</u>	<u>300,000</u>	<u>908,811</u>	<u>4,505,192</u>	<u>2,847,351</u>	<u>8,567,401</u>
Total liabilities and fund balances	<u>\$ 9,852</u>	<u>\$ 447,966</u>	<u>\$ 947,015</u>	<u>\$ 4,505,192</u>	<u>\$ 2,847,351</u>	<u>\$ 8,757,376</u>

WASHINGTON UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL NON-MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Bond Interest and Redemption Fund	Debit Service Fund	Total
REVENUES						
LCFF sources:						
State apportionment	\$ 93,381	\$ -	\$ -	\$ -	\$ -	\$ 93,381
Total LCFF revenue	93,381	-	-	-	-	93,381
Federal revenue	10,522	100,574	3,028,602	-	-	3,139,698
Other state revenues	-	920,454	229,555	34,423	-	1,184,432
Other local revenues	4,228	354,743	862,263	3,849,529	562,820	5,633,583
Total revenues	108,131	1,375,771	4,120,420	3,883,952	562,820	10,051,094
EXPENDITURES						
Certificated salaries	107,583	460,002	-	-	-	567,585
Classified salaries	3,774	457,962	1,215,044	-	-	1,676,780
Employee benefits	15,803	289,653	396,856	-	-	702,312
Books and supplies	34,622	27,101	1,968,518	-	-	2,030,241
Services and other						-
operating expenditures	5,157	169,468	491,299	-	-	665,924
Capital outlay	-	54,831	-	-	-	54,831
Other outgo	-	81,963	-	-	-	81,963
Debt service expenditures	-	-	216,209	3,845,144	498,062	4,559,415
Total expenditures	166,939	1,540,980	4,287,926	3,845,144	498,062	10,339,051
Excess(deficiency) of revenues over expenditures	(58,808)	(165,209)	(167,506)	38,808	64,758	(287,957)
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	334,996	600,000	-	927,228	1,862,224
Total other financing sources (uses)	-	334,996	600,000	-	927,228	1,862,224
Net change in fund balances	(58,808)	169,787	432,494	38,808	991,986	1,574,267
Fund balances, July 1, 2013	64,855	130,213	476,317	4,466,384	1,855,365	6,993,134
Fund balances, June 30, 2014	\$ 6,047	\$ 300,000	\$ 908,811	\$ 4,505,192	\$ 2,847,351	\$ 8,567,401

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
Assets:				
Cash on hand and in banks				
Bridgeway Island Elementary School	\$ 18,470	\$ 61,895	\$ 66,146	\$ 14,219
River City High School	137,375	406,293	373,957	169,711
Riverbank Elementary School	742	-	623	119
Stonegate Elementary School	18,850	42,742	49,852	11,740
Westmore Oaks Elementary School	4,338	16,845	16,262	4,921
Yolo High School	<u>2,835</u>	<u>1,771</u>	<u>1,765</u>	<u>2,841</u>
Total Assets	<u>\$ 182,610</u>	<u>\$ 529,546</u>	<u>\$ 508,605</u>	<u>\$ 203,551</u>
Liabilities:				
Due to student groups	<u>182,610</u>	<u>\$ 529,546</u>	<u>\$ 508,605</u>	<u>\$ 203,551</u>
Total Liabilities	<u>\$ 182,610</u>	<u>\$ 529,546</u>	<u>\$ 508,605</u>	<u>\$ 203,551</u>

WASHINGTON UNIFIED SCHOOL DISTRICT

ORGANIZATION

JUNE 30, 2014

Washington Unified School District was established on July 1, 1957 and comprises an area of approximately 23 square miles located in Yolo County. The District operates seven elementary schools, one high school, a continuation high school, an independent study program, several preschool programs, and an adult education program. There were no changes in the boundaries of the District during the current year.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires December</u>
Adam Menke	President	2014
Alicia Cruz	Vice President	2016
Sarah Kirby-Gonzalez	Clerk	2014
Mary Leland	Trustee	2016
Katie Villegas	Trustee	2016

ADMINISTRATION

Dayton Gilleland, Ed.D
Superintendent

Scott Lantsberger
Assistant Superintendent
Business Services

Rebecca Gillespie, Ed.D
Assistant Superintendent
Human Resources

William Spalding
Assistant Superintendent
Educational Services

WASHINGTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Second Period Report	Annual Report
	<u> </u>	<u> </u>
Elementary:		
Transitional Kindergarten through 3	2,349	2,350
Grades 4 through 6	1,645	1,648
Grades 7 through 8	1,066	1,066
Special Education	6	7
Extended Year	4	4
	<u> </u>	<u> </u>
Total Elementary	5,071	5,075
	<u> </u>	<u> </u>
High School		
Regular Classes	2,040	2,017
Special Education	6	7
Extended Year	2	2
	<u> </u>	<u> </u>
Total Secondary	2,047	2,026
	<u> </u>	<u> </u>
Total all grades	7,118	7,100
	<u> </u>	<u> </u>

WASHINGTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Grade Level	Standard Minutes Requirement	Reduced Minutes Requirement	2013-14 Actual Minutes	Instructional Days	Status
Kindergarten	36,000	35,000	36,000	180	In compliance
Grade 1	50,400	49,000	51,150	180	In compliance
Grade 2	50,400	49,000	51,150	180	In compliance
Grade 3	50,400	49,000	51,150	180	In compliance
Grade 4	54,000	52,500	54,600	180	In compliance
Grade 5	54,000	52,500	54,600	180	In compliance
Grade 6	54,000	52,500	54,480	180	In compliance
Grade 7	54,000	52,500	54,480	180	In compliance
Grade 8	54,000	52,500	54,480	180	In compliance
Grade 9	64,800	63,000	66,304	180	In compliance
Grade 10	64,800	63,000	66,304	180	In compliance
Grade 11	64,800	63,000	66,304	180	In compliance
Grade 12	64,800	63,000	66,304	180	In compliance

WASHINGTON UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

FOR FISCAL YEAR ENDED JUNE 30, 2014

<u>Charter Schools Chartered by District</u>	<u>Included in District Financial Statements, or Separate Report</u>
West Sacramento Early College Prep Charter School	Separate Report
Sacramento Valley Charter School	Separate Report

WASHINGTON UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT WITH AUDITED
FINANCIAL STATEMENTS**

FOR FISCAL YEAR ENDED JUNE 30, 2014

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	<u>General</u>	<u>Capital Facilities</u>	<u>Non-Major</u>	<u>Foundation</u>
FUND BALANCE				
Balance, June 30, 2014, Unaudited Actuals	\$ 13,020,324	\$ 12,593,032	\$ 8,567,401	44,495
Increase in:				
Cash in banks	-	-	-	-
Accounts Receivable	-	-	-	-
Accounts Payable	(367,111)	-	-	-
Decrease in:				
Cash in banks	-	-	-	-
Accounts Payable	-	663,399	-	-
Balance, June 30, 2014, Audited Financial Statement	<u>\$ 12,653,213</u>	<u>\$ 13,256,431</u>	<u>\$ 8,567,401</u>	<u>\$ 44,495</u>

WASHINGTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<u>Federal CFDA Number</u>	<u>Grantor and Program Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<i>Passed through California Department of Education</i>			
<u>U.S. Department of Education</u>			
84.010	NCLB: Title I - Basic Grants	14329	\$ 1,662,533
Special Education Cluster			
84.027	Special Education: IDEA Basic Local Assistance	13379	1,157,526
84.027	Special Education: Part B Private School ISPs	10115	8,848
84.027A	Special Education: IDEA Preschool Local Entitlement, Part B	13682	76,036
84.173	Special Education: IDEA Preschool Grants, Part B	13430	30,609
84.173A	Special Education: IDEA Preschool Staff Development, Part B	13431	776
84.027A	Special Education: IDEA, Mental Health Services	14468	63,788
84.323	Special Education: State Improvement Grant, Imp. Sp. Ed. System	14920	4,052
Subtotal Special Education Cluster			<u>1,341,635</u>
84.002	Adult Secondary Education & GED	13978	3,600
84.002A	Adult Basic Education & ESL	14508	6,922
84.048	Vocational Education, Carl Perkins Act	14894	68,105
84.060	Indian Education	10011	6,164
84.367	NCLB: Title II, Part A, Teacher Quality	14341	306,752
84.365	NCLB : Title III, Limited English Proficient (LEP) Student Program	14346	157,649
Total U.S. Department of Education			<u>3,553,360</u>
<u>U.S. Department of Agriculture</u>			
10.555	Child Nutrition: National School Lunch Program	13396	2,589,380
10.558	Child Nutrition: Centers and Family Day Care Homes	13529	439,222
Total U.S. Department of Agriculture			<u>3,028,602</u>
<u>U.S. Department of Health and Human Services</u>			
93.596	Child Development: Federal General and State Preschool	13609	68,391
93.575	Child Development: Center-Based CCTR/CSPP/CFCC	15136	32,183
93.778	Medi-Cal Billing Option (DHS)	10013	292,423
Total U.S. Department of Health and Human Services			<u>392,997</u>
Total Federal Programs			<u>\$ 6,974,959</u>

WASHINGTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Adopted Budget 2014/2015	Actuals 2013/2014	Actuals 2012/2013	Actuals 2011/2012
<u>General Fund</u>				
Revenues and Other Financial Sources	\$ 62,958,524	\$ 58,668,821	\$ 54,582,800	\$ 56,772,772
Expenditures	61,894,236	56,985,057	55,321,687	55,086,281
Other Uses and Transfers Out	617,995	1,862,224	1,628,748	92,180
Total Outgo	62,512,231	58,847,281	56,950,435	55,178,461
Change in Fund Balance	446,293	(178,460)	(2,367,635)	1,594,311
Ending Fund Balance	\$ 13,099,506	\$ 12,653,213	\$ 12,831,673	\$ 15,199,308
Available Reserves *	\$ 9,239,742	\$ 8,539,810	\$ 8,907,780	\$ 9,004,669
Designated for Economic Uncertainties	\$ 4,023,125	\$ 3,665,774	\$ 3,595,910	\$ 3,286,874
Undesignated Fund Balance	\$ 5,580,248	\$ 4,874,036	\$ 5,311,870	\$ 5,717,795
Available Reserves as a Percentage of Total Outgo	14.8%	14.5%	15.6%	16.3%
<u>All Funds</u>				
Total Long-Term Debt	\$ 148,184,471	\$ 153,199,696	\$ 155,290,879	\$ 150,731,814
Average Daily Attendance at P-2	7,118	7,118	6,939	6,987

*Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund

The General Fund balance has decreased by \$2,546,095 over the past two years. The District projects an increase of \$446,293 for the fiscal year ending June 30, 2015. For a district this size, the state requires available reserves of at least three percent of total General Fund Expenditures, transfers out, and other uses. The District has met this requirement.

The District has incurred operating surpluses in two of the past three years, and anticipates an operating surplus during the 2014-15 fiscal year.

Total long-term liabilities have increased by \$2,467,882 over the past two years.

Average daily attendance excluding classes for adults, has increased by 131 over the past two years. There is no projected increase in ADA for the 2014-15 fiscal year.

WASHINGTON UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION

JUNE 30, 2014

1. PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206. Districts must maintain their instructional minutes in accordance with the State's standard requirement as required by Education Code Section 46201(b).

The District participated in the Longer Day incentives and met or exceeded its target funding.

Schedule of Charter Schools

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides information necessary to reconcile the Unaudited Actual Fund Financial Reports to the audited financial statements.

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards includes federal grant activity of Washington Unified School District and is presented under the modified accrual basis of accounting. OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with Circular A-133 and state requirements. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the general purpose financial statements.

Schedule of Financial Trends And Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

WASHINGTON UNIFIED SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

JUNE 30, 2014

2. EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14503 requires certain disclosures in the financial statements of districts which adopt Early Retirement Incentive Program pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2013, the District did not offer an Early Retirement Incentive Program pursuant to Education Code Sections 22714 and 44929.

OTHER INDEPENDENT AUDITOR'S REPORTS



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
 WITH STATE LAWS AND REGULATIONS**

Board of Trustees
 Washington Unified School District
 West Sacramento, California

Report on Compliance for Each State Program

We have audited the compliance of Washington Unified School District (the "District") with the types of compliance requirements described in the State of California's *Standards and Procedures for Audits of California K-12 Local Education Agencies* (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2014.

Management's Responsibility

Compliance with the requirements of state laws and regulations is the responsibility of District's management.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit.

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 the State of California's *Standards and Procedures for Audits of California K-12 Local Education Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed below 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. Our audit does not provide a legal determination of the District's compliance with those requirements.

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No, see below
Continuation Education	10	Yes
Instructional Time for School Districts	10	Yes
Instructional Materials		
General Requirements	8	Yes
Ratio of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	No, see below
Gann Limit Calculation	1	Yes

Description	Audit Guide Procedures	Procedures Performed
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	No, see below
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	No, see below
After Schools Education and Safety Program		
General requirements	4	Yes
After School	5	Yes
Before School	6	Yes
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Contemporaneous Records of Attendance,		
for Charter Schools	8	No, see below
Mode of Instruction, for Charter Schools	1	No, see below
Nonclassroom-Based Instruction/Independent Study,		
for Charter Schools	15	No, see below
Determination of Funding for Nonclassroom-Based		
Instruction, for Charter Schools	3	No, see below
Annual Instructional Minutes - Classroom Based,		
for Charter Schools	4	No, see below
Charter School Facility Grant Program	1	No, see below

We did not perform any procedures related to Independent Study because it was below materiality to perform testing procedures.

We did not perform any procedures related to California Clean Energy Jobs Act because the district did not have any expenditures in the program.

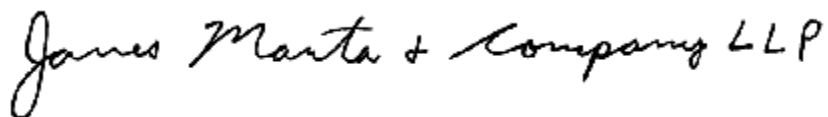
We did not perform any procedures related to Early Retirement Incentive Program because the District did not offer this program.

We did not perform any procedures related to Juvenile Court Schools because the District did not have any Juvenile Court Schools.

We did not perform any procedures related to Contemporaneous Records of Attendance for Charter Schools, Mode of Instruction for Charter Schools, Nonclassroom-Based Instruction/Independent Study for Charter Schools, Determination of Funding for Nonclassroom-Based Instruction for Charter Schools, and Annual Instructional Minutes-Classroom-Based for Charter Schools, Charter School Facility Grant Program because the District did not have any charter schools.

Opinion on Compliance with State Laws and Regulations

In our opinion, Washington Unified School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2014.



James Marta & Company LLP
 Certified Public Accountants
 Sacramento, California
 November 17, 2014



James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting and Tax

**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**

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Washington Unified School District
West Sacramento, California

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 Washington Unified School District (the "District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 17, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies: **2014-1** and **2014-2**.

Compliance and Other Matters

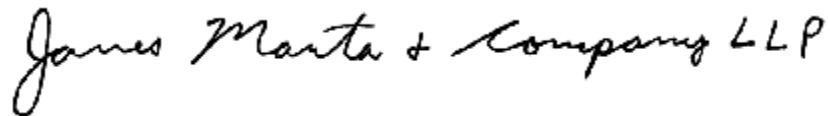
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

Washington Unified School District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
November 17, 2014



James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting and Tax

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Washington Unified School District
West Sacramento, California

Report on Compliance for Each Major Federal Program

We have audited Washington Unified School District's (the "District") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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. However, our audit does not provide a legal determination of 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 June 30, 2014.

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 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.

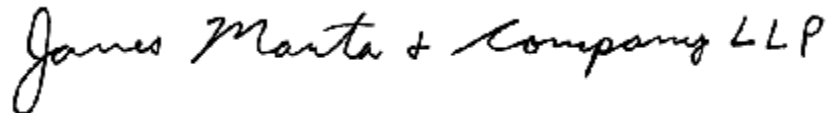
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 over compliance 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.

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.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated November 17, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and 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 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
November 17, 2014

FINDINGS AND RECOMMENDATIONS

WASHINGTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified not
 considered to be material weakness(es)? X Yes _____ None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified not
 considered to be material weaknesses? _____ Yes X None reported

Type of auditor’s report issued on compliance
 for major programs: Unmodified

Any audit findings disclosed that are required to
 be reported in accordance with OMB Circular
 A-133, Section .510(a)? _____ Yes X No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.555, 10.553, 10.556	National School
Lunch Programs	

Dollar threshold used to distinguish between
 Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

State Awards

Internal control over state programs:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified not
 considered to be material weaknesses? _____ Yes X None reported

Type of auditor’s report issued on compliance
 for state programs: Unmodified

WASHINGTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Section II – Financial Statement Findings

2014-1 30000 – INTERNAL CONTROL

Criteria:

The internal controls over the financial reporting of the Associated Student Body (ASB) accounts should include properly documentation, monitoring and overseeing the money used in the organization. Bank statements should be reconciled to the general ledger balance on a monthly basis and a Profit & Loss statement should also be prepared on a monthly basis to assist in preparing the reconciliations.

Condition:

While performing the walk-through procedures of the ASB we noted account reconciliations for Westmore Oaks K-8 School are not being performed and documented on a monthly basis. Also, during our interim fieldwork, we noted that profit & loss statements for River City High School student funds are not being prepared, instead bank statements are being used to prepare financial information.

Cause:

The policies and procedures for account and cash handling procedures, as outlined by the District, were not properly implemented by school site personnel.

Effect:

The amount of cash reported at year end may be misstated as bank balances will not include any possible deposits in transit or checks outstanding.

Recommendation:

All ASB cash accounts should be reconciled between the cash balance per bank and per books. This can be easily tracked by using a reconciliation template. Reconciliations should be completed monthly and reviewed for accuracy and approval by a second person, such as the Principal, and kept intact with the monthly bank statements.

Management's Response:

Management will ensure that the school sites are preparing bank reconciliations and Profit & Loss statements and that the reconciliations are being reviewed by a qualified district employee.

Corrective Action Plan:

The District will implement oversight over the Associate Student Body financial records going forward to ensure they are prepared on a monthly basis and are accurate.

WASHINGTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Section II – Financial Statement Findings

2014-2 30000 – INTERNAL CONTROL

Criteria:

Accounts Payable balance as of the fiscal year-end should include all payables associated with expenses in the fiscal year.

Condition:

The district's accounts payable did not include multiple billings for costs incurred during the 2013-14 school year that total \$663,398.

Cause:

Adequate cutoff procedures were not in place to ensure proper cut off to avoid understatement of accounts payable. Various departments within the district are ordering items throughout the year and are not forwarding invoices to the business office in a timely manner causing them to understate AP.

Effect:

Accounts payable balance was understated by \$663,398.

Recommendation:

To ensure the completeness of financial data, we recommend that all invoices be recorded on a timely basis. Once the invoices are entered, payment should not be made until the invoices are approved by the appropriate personnel. Internal controls would be substantially strengthened as a result of this process because the accuracy of accounts payable and related expenses would be much better than under the current system. Once implemented, the related reporting of results operations would be significantly enhanced as a result of this practice.

Management's Response:

Management will have procedures in place to ensure proper cutoff of accounts payable going forward. During 2013-14 the district created a position and hired an employee to oversee the various departments that are making purchases throughout the year.

Corrective Action Plan:

The Administration will work closer with the districts department's to ensure timely submission of required documentation needed to record accounts payable at year end.

WASHINGTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Section III – Federal Award Findings

No matters were reported.

WASHINGTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Section IV – State Award Findings and Questioned Costs

No matters were reported.

WASHINGTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

2013-1 30000 – INTERNAL CONTROL

Finding:

The district's cafeteria fund "cash in banks" balance as of 6/30/13 did not reconcile to the bank statement due to an oversight by personnel when booking entries and preparing reconciliations. Upon further inspection, it was noted the beginning book balance was misstated due to this oversight.

Recommendation:

Bank reconciliations should be reviewed for accuracy by personnel other than preparer to avoid misstatements of cash.

Status:

Implemented

WASHINGTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

2013-2 30000 – INTERNAL CONTROL

Finding:

The calculated accrual for vacation includes employees with more than 40 hours or 5 days of vacation.

Recommendation:

The District should develop a plan to reduce the overages and determine if it is required to enforce the carryover limitations in accordance with the collective bargaining agreement.

Status:

In process

WASHINGTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

2013-3 30000 – INTERNAL CONTROL

Finding:

The district's capital facilities fund accounts payable did not include a material billing for the Riverbank Elementary K-8 Conversion for costs incurred through June 30, 2013.

Recommendation:

Although general accounts payable accrual processes appear sufficient, special attention and review needs to be made for the accrual of significant building projects in process. This could include reviewing that status and incurred amounts with the facilities manager, project manager, architect or specific known vendors. For large project expenses if actual final billing has not been received, the accounting department should work with the project manager to accrue the best estimate of the amounts incurred through the fiscal year end.

Status:

Not implemented, See 2014-2

WASHINGTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

2013-4 30000 – LONG-TERM DEBT OBLIGATIONS – MATERIAL WEAKNESS

Finding:

Long-term Debt did not reflect the general obligation refunding transaction. The general obligation refunding transactions that were executed through a fiscal agent were not recorded on the district books during the year. The District relies on the County Auditor Controller to enter debt transactions; however, the County Auditor Controller did not enter the sources and uses of the general obligation refunding bond transactions for the current fiscal year.

Recommendation:

Management should be responsible for reconciling long-term liabilities and ensure that transactions executed through the Fiscal Agent are properly recorded.

Status:

Implemented