



Washington State Auditor's Office

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Financial Statements and Federal Single Audit Report

Grandview School District No. 200

Yakima County

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

Published May 28, 2015

Report No. 1014354





Washington State Auditor

May 28, 2015

Board of Directors
Grandview School District No. 200
Grandview, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Grandview School District No. 200's financial statements and compliance with federal laws and regulations.

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

Sincerely,

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

TABLE OF CONTENTS

Federal Summary	4
Schedule Of Federal Audit Findings And Questioned Costs.....	6
Independent Auditor’s Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards	12
Independent Auditor’s Report On Compliance For Each Major Federal Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133.....	14
Independent Auditor’s Report On Financial Statements	17
Financial Section.....	20
Corrective Action Plan For Findings Reported Under OMB Circular A-133	44
About The State Auditor’s Office.....	45

FEDERAL SUMMARY

Grandview School District No. 200 Yakima County September 1, 2013 through August 31, 2014

The results of our audit of Grandview School District No. 200 are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

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

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

Federal Awards

Internal Control Over Major Programs:

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

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

We reported findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
10.553	Child Nutrition Cluster - School Breakfast Program
10.555	Child Nutrition Cluster - National School Lunch Program
10.559	Child Nutrition Cluster - Summer Food Service Program
84.027	Special Education Cluster (IDEA) - Special Education - Grants to States (IDEA, Part B)
84.173	Special Education Cluster (IDEA) - Special Education - Preschool Grants (IDEA Preschool)

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

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

**SCHEDULE OF FEDERAL AUDIT FINDINGS AND
QUESTIONED COSTS**

**Grandview School District No. 200
Yakima County
September 1, 2013 through August 31, 2014**

2014-001 Grandview School District does not have adequate internal controls over its federal child nutrition verification process, resulting in inaccurate reporting of verification results.

CFDA Number and Title: 10.553 School Breakfast Program
10.555 National School Lunch Program
10.559 Summer Food Service Program for Children

Federal Grantor Name: U.S. Department of Agriculture

Federal Award/Contract Number: NA

Pass-through Entity Name: Office of Superintendent of Public Instruction

Pass-through Award/Contract Number: NA

Questioned Cost Amount: \$0

Description of Condition

The District participates in the School Breakfast and National School Lunch programs. It received \$1,552,083 during fiscal year 2014. This program provides funding for free and reduced-price meals for low-income students. Families must meet income guidelines to be eligible for these programs.

Each year, districts must select a sample of applications and verify that family income information reported to the District is correct. The Office of Superintendent of Public Instruction (OSPI) provides instructions to school districts on how to verify program eligibility.

The District was required to verify 20 applications for program eligibility. During our review of the District's verification of free, reduced-price and paid meal applications, we found the District did not follow-up with households to receive all income verification. The District only used what it initially received, resulting

in incomplete verifications for three out of ten applications verified. We also noted the District did not change non-responsive households to a paid status.

While the District does have a process in place to perform the verification process, internal controls are not effective to ensure the eligibility status of the applicants is correct. We consider this control deficiency to be a material weakness.

Cause of Condition

The Food Service Supervisor did not perform follow-up with households during the verification process as required. The District was in the Non-Pricing Program for fiscal year 2014 and did not believe these to be issues because all students receive free lunches.

Effect of Condition

A lack of proper internal controls over the verification process increases the risk that free or reduced-priced meals could be provided to children who were not eligible to receive them.

The District used the Non-Pricing Program in fiscal year 2014 and has subsequently qualified for other Provisions that allow the District to provide free lunches to all students. The verification process helps to determine if the District qualifies for these programs. A lack of proper internal controls over the verification process increases the risk that the District uses a program that it does not qualify for.

Recommendation

We recommend the District establish internal controls to ensure the District accurately performs the verification process.

District's Response

Grandview School District understands the importance of performing accurate wage verifications. The process that is in place had worked previous years, however with the district electing to participate in the non-pricing program the Food Service Supervisor did not believe it would have an impact on the program. The District realizes the importance of this function and will assign two employees to complete the verifications. They will verify the data by running reports after completion to verify all eligibility status. The results will then be reviewed by the Assistant Superintendent for Finance and Operations before submitting the annual report, if we are required to complete in the future. The District is currently part of the Community Eligibility Program and is not

required to complete the verification as the program only relies upon Directly Certified students through state and federal agencies, such as, DSHS.

Auditor's Remarks

We appreciate the District's commitment to resolve this finding and thank the District for its cooperation and assistance during the audit. We will review the corrective action taken during our next audit.

Applicable Laws and Regulations

U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Section 300 states in part:

The auditee shall:

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

(c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

Government Auditing Standards, December 2011 Revision, paragraph 4.23 states:

4.23 When performing GAGAS financial audits, auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and (4) abuse that has a material effect on the audit.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows:

Deficiency in 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 on a timely basis. A deficiency in *design* exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in *operation* exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively . . .

Material weakness in internal control over compliance. A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of the event is either reasonably possible or probable as defined as follows:

Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.

Remote. The chance of the future event or events occurring is slight.

Probable. The future event or events are likely to occur.

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

7 CFR §245.6 Application, eligibility and certification of children for free and reduced price meals and free milk, states in part:

(c) *Determination of eligibility*— (1) *Duration of eligibility*. Except as otherwise specified in paragraph (c)(3) of this section, eligibility for free or reduced price meals, as determined through an approved application or by direct certification, must remain in effect for the entire school year and for up to 30 operating days into the subsequent school year. The local educational agency must determine household eligibility for free or reduced price meals either through direct certification or the application process at or about the beginning of the school year. The local educational agency must determine eligibility for free or reduced price meals when a household submits an application or, if feasible, through direct certification, at any time during the school year.

(4) *Calculating income*. The local educational agency must use the income information provided by the household on the application to calculate the household's total current income. When a household submits an application containing complete documentation, as defined in § 245.2, and the household's total current income is at or below the eligibility limits specified in the Income Eligibility Guidelines as defined in § 245.2, the children in that household must be approved for free or reduced price benefits, as applicable.

Title 7 Code of Federal Regulations, Section 245.6a (j) Adverse Action, states in part:

If verification activities fail to confirm eligibility for free or reduced price benefits or should the household fail to cooperate with verification efforts, the school or local educational agency shall reduce or terminate benefits, as applicable, as follows: Ten days advance notification shall be provided to households that are to receive a reduction or termination of benefits, prior to the actual reduction or termination. The first day of the 10 day advance notice period shall be the day the notice is sent. The notice shall advise the household of:

- (1) The change
- (2) The reasons for the change
- (3) Notification of the right to appeal and when the appeal must be filed to ensure continued benefits while awaiting a hearing and decision

(4) Instructions on how to appeal; and

(5) The right to reapply at any time during the school year. The reasons for ineligibility shall be properly documented and retained on file at the local educational agency.

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

**Grandview School District No. 200
Yakima County
September 1, 2013 through August 31, 2014**

Board of Directors
Grandview School District No. 200
Grandview, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Grandview School District No. 200, Yakima County, Washington, as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated May 21, 2015. As discussed in Note 1 to the financial statements, during the year ended August 31, 2014, the District implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

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



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

May 21, 2015

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

**Grandview School District No. 200
Yakima County
September 1, 2013 through August 31, 2014**

Board of Directors
Grandview School District No. 200
Grandview, Washington

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

We have audited the compliance of Grandview School District No. 200, Yakima County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014. The District's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

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

Auditor's Responsibility

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

occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 2014-001 to be a material weakness.

District's Response to Findings

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

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



JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

May 21, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Grandview School District No. 200 Yakima County September 1, 2013 through August 31, 2014

Board of Directors
Grandview School District No. 200
Grandview, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Grandview School District No. 200, Yakima County, Washington, as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 20.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Unmodified Opinion on Regulatory Basis of Accounting (Accounting Manual)

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grandview School District No. 200, as of August 31, 2014, and the changes in financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

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

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

Matters of Emphasis

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

Other Matters

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



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

May 21, 2015

FINANCIAL SECTION

Grandview School District No. 200
Yakima County
September 1, 2013 through August 31, 2014

FINANCIAL STATEMENTS

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

SUPPLEMENTARY AND OTHER INFORMATION

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

Grandview School District No. 200

Balance Sheet

Governmental Funds

August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
ASSETS:							
Cash and Cash Equivalents	1,241,221.01	17,615.98	7,408.06	42,086.26	0.19	0.00	1,308,331.50
Minus Warrants Outstanding	-1,218,821.65	-10,560.39	0.00	-42,085.32	0.00	0.00	-1,271,467.36
Taxes Receivable	579,355.68		813,532.70	0.00	0.00	0.00	1,392,888.38
Due From Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due From Other Governmental Units	414,597.98	0.00	0.00	0.00	0.00	0.00	414,597.98
Accounts Receivable	66,782.62	0.00	0.00	0.00	0.00	0.00	66,782.62
Interfund Loans Receivable	0.00			0.00			0.00
Accrued Interest Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	0.00	0.00					0.00
Prepaid Items	34,511.05	0.00		0.00	0.00	0.00	34,511.05
Investments	5,857,754.00	162,760.00	1,075,013.00	1,306,666.00	229,693.00	0.00	8,631,886.00
Investments/Cash With Trustee	123,829.46		0.00	0.00	0.00	0.00	123,829.46
Investments-Deferred Compensation	0.00			0.00			0.00
Self-Insurance Security Deposit	0.00						0.00
TOTAL ASSETS	7,099,230.15	169,815.59	1,895,953.76	1,306,666.94	229,693.19	0.00	10,701,359.63
LIABILITIES:							
Accounts Payable	542,588.28	462.76	0.00	0.00	0.00	0.00	543,051.04
Contracts Payable Current	0.00	0.00		0.00	0.00	0.00	0.00
Accrued Interest Payable			0.00				0.00
Accrued Salaries	92,985.66	0.00		0.00			92,985.66
Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00
Payroll Deductions and Taxes Payable	16,692.79	0.00		0.00			16,692.79
Due To Other Governmental Units	585.33	0.00		0.00	0.00	0.00	585.33
Deferred Compensation Payable	0.00			0.00			0.00
Estimated Employee Benefits Payable	0.00						0.00
Due To Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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

Grandview School District No. 200

Balance Sheet

Governmental Funds

August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
LIABILITIES:							
Interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	0.00	0.00		0.00			0.00
Unearned Revenue	0.00	0.00	0.00	0.00	0.00		0.00
Matured Bonds Payable			0.00				0.00
Matured Bond Interest Payable			0.00				0.00
Arbitrage Rebate Payable	0.00		0.00	0.00	0.00		0.00
TOTAL LIABILITIES	652,852.06	462.76	0.00	0.00	0.00	0.00	653,314.82
DEFERRED INFLOWS OF RESOURCES:							
Unavailable Revenue	0.00	11,110.00	0.00	0.00	0.00	0.00	11,110.00
Unavailable Revenue - Taxes Receivable	579,355.68		813,532.70	0.00	0.00		1,392,888.38
TOTAL DEFERRED INFLOWS OF RESOURCES	579,355.68	11,110.00	813,532.70	0.00	0.00	0.00	1,403,998.38
FUND BALANCE:							
Nonspendable Fund Balance	6,000.00	0.00	0.00	0.00	0.00	0.00	6,000.00
Restricted Fund Balance	18,229.10	158,242.83	1,082,421.06	0.00	229,693.19	0.00	1,488,586.18
Committed Fund Balance	123,829.46	0.00	0.00	0.00	0.00	0.00	123,829.46
Assigned Fund Balance	1,147,146.25	0.00	0.00	1,306,666.94	0.00	0.00	2,453,813.19
Unassigned Fund Balance	4,571,817.60	0.00	0.00	0.00	0.00	0.00	4,571,817.60
TOTAL FUND BALANCE	5,867,022.41	158,242.83	1,082,421.06	1,306,666.94	229,693.19	0.00	8,644,046.43
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	7,099,230.15	169,815.59	1,895,953.76	1,306,666.94	229,693.19	0.00	10,701,359.63

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

Grandview School District No. 200

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
REVENUES:							
Local	1,686,899.46	248,311.93	1,807,472.70	57,806.19	1,204.96		3,801,695.24
State	27,874,858.10		0.00	0.00	138,499.85		28,013,357.95
Federal	5,122,063.94		0.00	0.00	0.00		5,122,063.94
Federal Stimulus	40,829.00						40,829.00
Other	3,970.28			0.00	0.00	0.00	3,970.28
TOTAL REVENUES	34,728,620.78	248,311.93	1,807,472.70	57,806.19	139,704.81	0.00	36,981,916.41
EXPENDITURES:							
CURRENT:							
Regular Instruction	16,033,931.13						16,033,931.13
Federal Stimulus	38,708.00						38,708.00
Special Education	3,399,818.26						3,399,818.26
Vocational Education	1,313,092.09						1,313,092.09
Skill Center	0.00						0.00
Compensatory Programs	4,488,802.57						4,488,802.57
Other Instructional Programs	276,684.85						276,684.85
Community Services	55,613.55						55,613.55
Support Services	8,330,994.57						8,330,994.57
Student Activities/Other		242,679.33				0.00	242,679.33
CAPITAL OUTLAY:							
Sites				301,063.64			301,063.64
Building				118,969.93			118,969.93
Equipment				0.00			0.00
Instructional Technology				0.00			0.00
Energy				135,858.65			135,858.65
Transportation Equipment					111,916.05		111,916.05
Sales and Lease						0.00	0.00
Other	856,476.60						856,476.60
DEBT SERVICE:							
Principal	0.00		1,300,000.00	0.00	0.00		1,300,000.00
Interest and Other Charges	0.00		423,651.75	0.00	0.00		423,651.75
Bond/Levy Issuance				0.00	0.00		0.00
TOTAL EXPENDITURES	34,794,121.62	242,679.33	1,723,651.75	555,892.22	111,916.05	0.00	37,428,260.97

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

Grandview School District No. 200

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
DEBT SERVICE:							
REVENUES OVER (UNDER) EXPENDITURES	-65,500.84	5,632.60	83,820.95	-498,086.03	27,788.76	0.00	-446,344.56
OTHER FINANCING SOURCES (USES):							
Bond Sales & Refunding Bond Sales	0.00		0.00	0.00	0.00		0.00
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	0.00		0.00	1,000,000.00	60,000.00		1,060,000.00
Transfers Out (GL 536)	-1,060,000.00		0.00	0.00	0.00	0.00	-1,060,000.00
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	0.00		0.00	0.00	0.00		0.00
TOTAL OTHER FINANCING SOURCES (USES)	-1,060,000.00		0.00	1,000,000.00	60,000.00	0.00	0.00
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-1,125,500.84	5,632.60	83,820.95	501,913.97	87,788.76	0.00	-446,344.56
BEGINNING TOTAL FUND BALANCE	6,890,674.42	152,610.23	998,600.11	804,752.97	141,904.43	0.00	8,988,542.16
Prior Year(s) Corrections or Restatements	101,848.83	0.00	0.00	0.00	0.00	0.00	101,848.83
ENDING TOTAL FUND BALANCE	5,867,022.41	158,242.83	1,082,421.06	1,306,666.94	229,693.19	0.00	8,644,046.43

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

Grandview School District No. 200
Statement Of Fiduciary Net Position
Fiduciary Funds
August 31, 2014

	Private Purpose Trust	Other Trust
ASSETS:		
Imprest Cash	0.00	0.00
Cash On Hand	0.00	0.00
Cash On Deposit with Cty Treas	0.76	0.00
Minus Warrants Outstanding	0.00	0.00
Due From Other Funds	0.00	0.00
Accounts Receivable	0.00	0.00
Accrued Interest Receivable	0.00	0.00
Investments	510,305.00	0.00
Investments/Cash With Trustee	0.00	0.00
Other Assets	0.00	
Capital Assets, Land	0.00	
Capital Assets, Buildings	0.00	
Capital Assets, Equipment	0.00	0.00
Accum Depreciation, Buildings	0.00	
Accum Depreciation, Equipment	0.00	0.00
TOTAL ASSETS	510,305.76	0.00
LIABILITIES:		
Accounts Payable	0.00	0.00
Due To Other Funds	0.00	0.00
TOTAL LIABILITIES	0.00	0.00
NET POSITION:		
Held in trust for:		
Restricted for Other Items	0.00	0.00
Restricted for Self Insurance		0.00
Restricted for Uninsured Risks		0.00
Nonspendable -- Trust Principal	0.00	0.00
Committed to Other Purposes	0.00	0.00
Held In Trust For Private Purposes	510,305.76	
Assigned to Fund Purposes	0.00	0.00
Held In Trust For Pension And Other Employee Benefits		0.00
Unassigned Fund Balance	0.00	0.00
TOTAL NET POSITION	510,305.76	0.00

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

Grandview School District No. 200
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended August 31, 2014

ADDITIONS:			
Contributions:			
Private Donations	507,995.71	0.00	0.00
Employer		0.00	0.00
Members		0.00	0.00
Other	0.00	0.00	0.00
TOTAL CONTRIBUTIONS	507,995.71	0.00	0.00
Investment Income:			
Net Appreciation (Depreciation) in Fair Value	0.00	0.00	0.00
Interest and Dividends	2,310.05	0.00	0.00
Less Investment Expenses	0.00	0.00	0.00
Net Investment Income	2,310.05	0.00	0.00
Other Additions:			
Rent or Lease Revenue	0.00	0.00	0.00
Total Other Additions	0.00	0.00	0.00
TOTAL ADDITIONS	510,305.76	0.00	0.00
DEDUCTIONS:			
Benefits		0.00	0.00
Refund of Contributions	0.00	0.00	0.00
Administrative Expenses	0.00	0.00	0.00
Scholarships	0.00	0.00	0.00
Other	0.00	0.00	0.00
TOTAL DEDUCTIONS	0.00	0.00	0.00
Net Increase (Decrease)	510,305.76	0.00	0.00
Net Position--Beginning	0.00	0.00	0.00
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00
NET POSITION--ENDING	510,305.76	0.00	0.00

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (SSAP)

Description of the government-wide financial statements.

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

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

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

Fund Accounting.

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

Governmental Funds

General Fund

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

Capital Projects Funds

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

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

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

Debt Service Fund

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

Special Revenue Fund

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

Permanent Funds

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

Fiduciary Funds

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

Private-Purpose Trust Fund

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

Measurement focus and basis of accounting and fund financial statement presentation.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered "measurable" if the amount of the transaction can be readily determined. Revenues are considered "available" when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after year-end. Property taxes receivable are measurable but not available and are, therefore, not accrued. Categorical program claims and interdistrict billings are measurable and available and are, therefore, accrued.

Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for unmatured principal and interest on long-term debt which are recorded

when due. Purchases of capital assets are expensed during the year of acquisition. For federal grants, the recognition of expenditures is dependent on the obligation date. (Obligation means a purchase order has been issued, contracts have been awarded, or goods and/or services have been received.)

Budgets

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

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

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

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

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

The government's fund balance classifications policies and procedures.

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

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

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

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

Assigned Fund Balance. In the General Fund, amounts that are reported as Assigned are those resources that the District has set aside for specific purposes. These accounts reflect tentative

management plans for future financial resource use such as the replacement of equipment or the assignment of resources for contingencies. Assignments reduce the amount reported as Unassigned Fund Balance, but may not reduce that balance below zero.

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

The Superintendent and Assistant Superintendent for Finance and Operations are the only persons who have the authority to create Assignments of fund balance.

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

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

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

Cash and Cash Equivalents

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

Inventory

A portion of fund balance, representing inventory, is considered Nonspendable. Such reserves for inventory indicate that a portion of net current assets is set aside to replace or increase the inventory. Expendable supplies held for consumption are not inventoried. The cost of these supplies are recorded as an expenditure at the time the individual inventory items are purchased. Donated commodities by the United States Department of Agriculture (USDA) is valued according to USDA prices paid by the USDA for the commodities.

Accounting and Reporting Changes for 2013-2014

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

NOTE 2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

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

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

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

	Number of Securities	Carrying Amount	Market Value
Certificates of Deposit or Other Time Deposits			
Repurchase Agreements			
Bankers' Acceptance			
Obligations of the U.S. Government or Its Subsidiary Corporations			
Investments Held by Broker-Dealers Under Reverse Repurchase Agreements: U.S. Government Securities U.S. Instrumentality Securities			
State Treasurer's Investment Pool			
County Treasurer's Investment Pool		\$8,631,886	\$8,631,886
Total Investments		\$8,631,886	\$8,631,886

NOTE 3: SIGNIFICANT CONTINGENT LIABILITIES

Litigation

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

NOTE 4: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

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

NOTE 5: ANNUAL PENSION COST AND NET PENSION OBLIGATIONS

A. General Information

Substantially all District full-time and qualifying part-time employees participate in one or the following three contributory, multi-employer, cost-sharing statewide retirement systems managed by the Washington State Department of Retirement Systems (DRS): Teachers' Retirement System (TRS), Public Employees' Retirement System (PERS) and School Employees' Retirement System (SERS). Participation in the programs was as follows:

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

<u>Program</u>	<u>Active Members</u>	<u>Inactive Vested Members</u>	<u>Retired Members</u>
TRS	65,357	9,545	42,918

PERS	150,590	30,515	82,242
SERS	51,558	10,920	7,651

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

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

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

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

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

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

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

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

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

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

B. Contributions

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

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

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

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

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

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

<u>Plan</u>	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2012</u>
Plan 1 TRS	\$ 32,041.10	\$ 33,058.23	\$ 37,740.93
Plan 2 TRS	\$345,653.58	\$264,143.18	\$141,165.14
Plan 3 TRS	\$990,317.76	\$726,383.44	\$696,306.92
Plan 1 PERS	\$ 14,542.40	\$ 13,727.32	\$ 15,402.34
Plan 2 SERS	\$246,910.01	\$179,381.57	\$103,376.89
Plan 3 SERS	\$237,618.43	\$179,417.62	\$148,074.84

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

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

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

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

Employers participating in the plan include the State of Washington (which includes general government agencies and higher education institutions), 57 of the state's K-12 school districts and educational service districts (ESDs), and 206 political subdivisions and tribal governments.

Additionally, the PEBB plan is available to the retirees of the remaining 247 K–12 school districts and ESDs. The District’s retirees are eligible to participate in the PEBB plan under this arrangement.

According to state law, the Washington State Treasurer collects a fee from all school district entities which have employees that are not current active members of the state Health Care Authority but participate in the state retirement system. The purpose of this fee is to cover the impact of the subsidized rate of health care benefits for school retirees that elect to purchase their health care benefits through the state Health Care Authority. For the fiscal year 2013-14, the District was required to pay the HCA \$64.40 per month per full-time equivalent employee to support the program, for a total payment of \$289,609.00. This assessment to the District is set forth in the State’s operating budget and is subject to change on an annual basis. This amount is not actuarially determined and is not placed in a trust to pay the obligations for post-employment health care benefits.

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

NOTE 7: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS, INCLUDING ENCUMBRANCES, IF APPROPRIATE

Encumbrances

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

Fund	Amount
General	\$793,181.38
ASB Fund	\$ 8,428.32
Capital Projects Fund	\$208,312.57

NOTE 8: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The District’s capital assets are insured in the amount of \$116,742.329 for fiscal year 2014. In the opinion of the District’s insurance consultant, the amount is sufficient to adequately fund replacement of the District’s assets.

NOTE 9: REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES

Long-Term Debt

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

Issue Name	Issue Date	Amount Amortized	Annual Installments	Final Maturity	Interest Rates	Amount Outstanding
General Obligation Bonds	7/1/2005	\$ 14,085,000	13	12/1/18	3.00% - 5.25%	\$ 8,015,000
Total General Obligation Bonds						\$ 8,015,000

The following is a summary of general obligation long-term debt transactions of the District for the **fiscal year(s) ended August 31, 2014:**

Long-term Debt Payable at 9/1/2013	\$ 9,315,000.00
New Issues	
Debt Retired	\$ 1,300,000.00
Long-term Debt Payable at 8/31/2014	\$ 8,015,000.00

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

Year Ending August 31	Principal	Interest	Total
2014	\$ -	\$ -	\$ -
2015	\$ 1,400,000	\$ 371,600	\$ 1,771,600
2016	\$ 1,475,000	\$ 306,725	\$ 1,781,725
2017	\$ 1,590,000	\$ 228,113	\$ 1,818,113
2018	\$ 1,710,000	\$ 141,488	\$ 1,851,488
2019	\$ 1,840,000	\$ 48,300	\$ 1,888,300
TOTAL	\$ 8,015,000	\$ 1,096,226	\$ 9,111,226

At August 31, 2014, the District had \$1,082,421.06 available in the Debt Service Fund to service the general obligation bonds.

NOTE 10: ENTITY RISK MANAGEMENT ACTIVITIES

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

The Grandview School District is a member of the United Schools Insurance Program. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1985 when 29 school districts in the State of Washington joined together by signing a Joint Purchasing Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Current membership includes 155 full school districts.

The program allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Sexual abuse and school board legal liability coverage is on a “claims made basis.” All other coverages are on an “occurrence basis.” The program provides the following forms of group purchased insurance coverage for its members: Property, general liability, automobile liability, school board legal liability, and crime.

Liability insurance is subject to a self-insured retention of \$100,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the program is responsible for the remaining \$100,000 self-insured retention. Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the program, is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 self-insured retention. The program also purchases a stop loss policy with an attachment point of \$995,000 as an additional layer of protection for its members.

Property insurance is subject to a per-occurrence deductible of \$100,000. Members are responsible for \$1,000 deductible for each claim, while the program is responsible for the \$100,000 self-insured retention.

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

Each new member now pays the program an admittance fee. This amount covers the member's share of unrestricted reserves. Members contract to remain in the program for a minimum of one year, and must give notice before August 31 before terminating participation the following September 1. The Interlocal Agreement is renewed automatically each year. Even after termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Joint Purchasing Agreement.

The program is fully funded by its member participants. Claims are filed by members with Canfield, which has been contracted to perform program administration, claims adjustment and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ended August 31, 2014 was \$1,514,980.35.

A Board of Directors of nine members is selected by the membership from six areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program. The Board of Directors has contracted with Canfield to perform day-to-day administration of the program. This program has no employees.

NOTE 11: PROPERTY TAXES

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

NOTE 12: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

The District is a member of the King County Director's Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. The board authorized joining the association by signing the Article of Agreement on June 20, 1972, and has remained in the joint venture ever since. The District's current equity of \$29,849.87 is the accumulation of the annual

assignment of KCDA's operating surplus based upon the percentage derived from KCDA's total sales to the District compared to all other districts applied against paid administrative fees. The District may withdraw from the joint venture and will receive its equity in ten annual allocations of merchandise or 15 annual payments.

NOTE 13: FUND BALANCE CLASSIFICATION DETAILS

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

	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund	Transportation Vehicle Fund
Non-spendable Fund Balance					
Inventory and Prepaid Items	\$6,000				
Restricted Fund Balance					
Carryover of Restricted Revenues	\$18,229.10				
Debt Service				\$1,082,421.06	
Other Items		\$158,242.83			\$229,693.19
Committed Fund Balance					
Other Purposes	\$123,829.46				
Assigned Fund Balance					
Contingencies	\$919,000.00				
Other Capital Projects					
Other Purposes	\$228,146.25				
Fund Purposes			\$1,306,666.94		
Unassigned Fund Balance	\$4,571,817.60				

On December 15, 2014, the board of directors took an action to commit \$123,829.46 of the district's ending balance towards the ESD 105 cooperative Unemployment Compensation Pool. The amount of the fund balance that has been set aside may only be used for that purpose. It cannot be used for any other purpose of the District.

NOTE 14: POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS—BOTH IN SEPARATELY ISSUED PLAN FINANCIAL STATEMENTS AND EMPLOYER STATEMENTS

457 Plan – Deferred Compensation Plan

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

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

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

The District complies with IRS regulations that require school districts to have a written plan to include participating investment companies, types of investments, loans, transfers, and various requirements. The plan is administered by TSA Consulting Group, Inc. The plan assets are assets of the District employees, not the school district, and are therefore not reflected on these financial statements.

NOTE 15: TERMINATION BENEFITS

Compensated Absences

Employees earn sick leave at a rate of one day per month with a minimum of 10 days and a maximum of 12 days per year up to a maximum of one contract year.

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

These expenditures are recorded when paid, except termination sick leave that is accrued upon death, retirement or upon termination provided the employee is at least 55 years of age and has sufficient years of service. Vested sick leave was computed using the age required to retire method, which included employees older than 54 and had sick leave balances.

Full-time, year-round employees earn vacation days that vary from 12 to 30 days depending upon length of service. Vested sick leave for employees eligible for retirement and unpaid vacation leave are recorded as liabilities in the Schedule of Long-Term Debt.

NOTE 16: PRIOR YEAR ADJUSTMENT

The district is a member of the Educational Service District No. 105(ESD105) Unemployment Compensation Pool. This pool was created in 1988 to form a risk sharing pool as defined by the Governmental Accounting Standards Board (GASB) for the purposes of reimbursing the Washington State Department of Employment Security for unemployment compensation benefits which are a liability of the District. The district remits funds to ESD105 necessary to fund the district's obligation for unemployment compensation in accordance with the Unemployment Pool's Account Agreement. Under this cooperative agreement, ESD105 holds the district's funds and remits payments to the Washington State Department of Employment Security on behalf of the district.

GASB Statement No. 10 Accounting and Financial Reporting for Risk Financing and Related Insurance Issues requires the district to include the funds held by ESD105 in the financial statements. These funds were omitted from the financial statements in the prior period. The prior period adjustment for the September 1, 2013 adds \$101,848.83 to Investments/ Cash held with Trustee and \$101,848.83 to Fund Balance Committed to Other Purposes to the opening balances.

NOTE 17: OTHER DISCLOSURES

The district established a Private Purpose Trust fund on November 24, 2009 with one contribution of \$422,537.77 to be distributed for scholarships. The Private Purpose Trust Fund balance was transferred to the Yakima Valley Community Foundation (YVCF) as approved by the Board of Directors at their August 9, 2010, Board meeting. The agreement and transfer of all funds to the YVCF occurred in October 2010. The Board of Directors remained in control of the distribution of

funds at all times. Subsequently the District was informed that the funds need to be held by the Yakima County Treasurer. On December 17, 2013, the YVCF transferred the balance in the amount of \$507,995.71 to the district where the funds are held in the Private Purpose Trust Fund.

The Grandview School District had a Special Education student request a Due Process hearing in 2010. The Due Process Hearing took place in August 2010. On October 13, 2010 the Administrative Law Judge ruled in favor of the student and ordered the School District to sign a six year agreement to educate the student at an annual cost of \$240,042. The District appealed the decision and on August 30, 2013, the Yakima County Superior Court reduced the compensatory plan to four years. The annual cost for the next year is \$216,000 per year and ends November 04, 2015. Subsequently the courts ruled on February 24, 2014, that the District must pay \$471,632.51 to the Attorneys Representing the Plaintiff in the due Process Hearing. The District is appealing the decision and may owe less depending upon the outcome of the appeal. The District does not believe this amount to be material to the financial statements at this time.

Grandview School District No. 200
 Schedule of Long-Term Liabilities: GENERAL FUND
 For the Year Ended August 31, 2014

Description	Beginning Outstanding Debt September 1, 2013	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2014	Amount Due Within One Year
Non-Voted Debt and Liabilities					
Capital Leases	0.00	0.00	0.00	0.00	0.00
Contracts Payable	0.00	0.00	0.00	0.00	0.00
Non-Cancellable Operating Leases	0.00	0.00	0.00	0.00	0.00
Claims & Judgements	0.00	0.00	0.00	0.00	0.00
Compensated Absences	551,895.39	26,485.90	0.00	578,381.29	95,049.39
Long-Term Notes	0.00	0.00	0.00	0.00	0.00
Anticipation Notes Payable	0.00	0.00	0.00	0.00	0.00
Lines of Credit	0.00	0.00	0.00	0.00	0.00
Other Non-Voted Debt	0.00	0.00	0.00	0.00	0.00
Other Liabilities					
Non-Voted Notes Not Recorded as Debt	0.00	0.00	0.00	0.00	0.00
Total Long-Term Liabilities	551,895.39	26,485.90	0.00	578,381.29	95,049.39

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

Grandview School District No. 200
 Schedule of Long-Term Liabilities: DEBT SERVICE FUND
 For the Year Ended August 31, 2014

Description	Beginning Outstanding Debt September 1, 2013	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2014	Amount Due Within One Year
Voted Debt					
Voted Bonds	9,315,000.00	0.00	1,300,000.00	8,015,000.00	1,400,000.00
LOCAL Program Proceeds Issued in Lieu of Bonds	0.00	0.00	0.00	0.00	0.00
Non-Voted Debt					
Non-Voted Bonds	0.00	0.00	0.00	0.00	0.00
LOCAL Program Proceeds	0.00	0.00	0.00	0.00	0.00
Total Long-Term Liabilities	9,315,000.00	0.00	1,300,000.00	8,015,000.00	1,400,000.00

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

Grandview School District #200
 Yakima County
 EIN: 91-6001612
 Schedule of Expenditure of Federal Awards
 For Fiscal Year Ending August 31, 2014

Federal Agency Name	Pass Through Agency	Federal Program Title	CFDA Number	Other Identification Number	Pass Through Award	Direct Award	Total	Foot note Ref
Department of Agriculture								
WA OSPI		School Breakfast Program	10.553	N/A	267,473		267,473	2
WA OSPI		National School Lunch Program	10.555	N/A	1,149,286		1,149,286	2
WA OSPI		Food Distribution Non Cash Assistance Food Commodities	10.555	N/A	86,381		86,381	3
WA OSPI		Summer Food Service Program for Children	10.559	N/A	48,943		48,943	2
WA OSPI		Fresh Fruit & Vegetable Program	10.582	N/A	88,150		88,150	
Office of State Treasurer		School & Roads Grants to State	10.665	N/A	47,433		47,433	4
Department of Agriculture Subtotal					1,687,665	0	1,687,665	
Department of Education								
WA OSPI		Title 1 Grants to Local Education Agencies	84.010	201512	1,365,160		1,365,160	5, 6
WA OSPI		Title 1 Grants to Local Education Agencies	84.010	224547	23,000		23,000	5,6
WA OSPI		Title 1 Grants to Local Education Agencies	84.010	228623	20,000		20,000	5,6
WA OSPI		Title 1 Grants to Local Education Agencies	84.010	228323	30,000		30,000	5, 6
WA OSPI		Migrant Education - State Grant Program	84.011	282033	243,848		243,848	6
WA OSPI		Migrant Education - State Grant Program	84.011	290742	78,264		78,264	6
WA OSPI		Special Education - Grants to States	84.027	337628	173,821		173,821	
WA OSPI		Special Education - Grants to States	84.027	304816	620,249		620,249	6
WA OSPI		Special Education - Grants to States	84.027	329046	15,000		15,000	6
WA OSPI		Career and Technical Education	84.048	173135	35,564		35,564	6
WA OSPI		Special Education - Preschool Grants	84.173	364817	30,829		30,829	6
YVFWC		Twenty-First Century Community Learning Centers	84.287	N/A	9,002		9,002	
YVFWC		Twenty-First Century Community Learning Centers	84.287	N/A	8,940		8,940	
U of W		Gaining Early Awareness and Readiness for Undergraduate	84.334	745306	15,781		15,781	6
U of W		Gaining Early Awareness and Readiness for Undergraduate	84.334	755106	240,097		240,097	6
WA OSPI		English Language Acquisition Grants	84.365	401839	187,026		187,026	6
WA OSPI		Improving Teacher Quality State Grants	84.367	523321	191,314		191,314	6
WA OSPI		ARRA School Improvement Grants, Recovery Act	84.388	225031	40,829		40,829	7
Department of Education Subtotal					3,328,725	0	3,328,725	
Health/Human Services Department								
DSHS		Medicaid-Medical Assistance Program	93.778	0765-19187	145,725		145,725	4
Health/Human Services Dept Subtotal					145,725	0	145,725	
Total Federal Awards Expended					\$ 5,162,115	\$ -	\$ 5,162,115	

Revised

Grandview School District No. 200
Schedule of Expenditures of Federal Awards
For the Year Ending August 31, 2014

NOTES TO THE SCHEDULE

NOTE 1 – BASIS OF ACCOUNTING

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

NOTE 2 – UNIT COST CONTRACTS

Under certain programs, the district receives a fixed amount for the activity, regardless of the district's expenditures. Expenditures for these programs are listed as the amount received from the grantor.

NOTE 3 – NONCASH AWARDS

Food Commodities - The amount of food commodities reported on the schedule is the market value of commodities used by the School District during the current year. The value is determined by the USDA.

NOTE 4 – UNRESTRICTED EXPENDITURES

Administrative Match and Federal Forest Yield are recorded at the amount of revenue received. These expenditures are unrestricted and are not tracked separately. Administrative Match amounts are for claims from the prior fiscal year, but received this fiscal year. The current fiscal year revenue for Administrative Match is unknown.

NOTE 5 – SCHOOLWIDE PROGRAMS

The District operates a "schoolwide program" in three elementary buildings and the middle school. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to certain targeted students. The following federal program amounts were expended by the District in its schoolwide programs: Title I (84.010) \$827,663.87.

NOTE 6 – FEDERAL INDIRECT RATE

The Grandview School District used the allowable federal restricted rate of 5.48% or 6.22% depending upon the start date of the grant. The Career and Technical Education Grant only allowed for a 5.00% rate and the English Language Acquisition Grant only allowed for a 2.00% rate.

NOTE 7 – AMERICAN RECOVERY AND INVESTMENT ACT (ARRA)

The funding for this program was provided by the American Recovery and Reinvestment Act (ARRA) of 2009.

**CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED
UNDER OMB CIRCULAR A-133**

**Grandview School District No. 200
Yakima County
September 1, 2013 through August 31, 2014**

This schedule presents the corrective action planned by the auditee for findings reported in this report in accordance with OMB Circular A-133. The information in this schedule is the representation of the Grandview School District No. 200.

Finding ref number: 2014-001	Finding caption: Grandview School District does not have adequate internal controls over its federal child nutrition verification process, resulting in inaccurate reporting of verification results.
Name, address, and telephone of auditee contact person: Brad Shreeve, Assistant Superintendent 913 W. Second Street Grandview, WA 98930 509-882-8510	
Corrective action the auditee plans to take in response to the finding: <i>The District is currently part of the Community Eligibility Program for the 2014-2015 school year and is not required to complete the verification as the program only relies upon Directly Certified students through state and federal agencies such as, DSHS.</i> <i>Starting immediately, the District will assign two employees to complete the verifications if the district no longer participates in the CEP Program. They will verify the data by running reports after completion to verify all eligibility status. The results will then be reviewed by the Assistant Superintendent for Finance and Operations before submitting the annual report, if we are required to complete in the future.</i>	
Anticipated date to complete the corrective action: May 21, 2015	

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