



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements Audit Report

San Juan Island School District

No. 149

San Juan County

For the period September 1, 2012 through August 31, 2014

Published May 26, 2015

Report No. 1014281





Washington State Auditor

May 26, 2015

Board of Directors
San Juan Island School District No. 149
Friday Harbor, Washington

Report on Financial Statements

Please find attached our report on San Juan Island School District No. 149's financial statements.

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

Sincerely,

A handwritten signature in black ink, reading "Jan M. Jutte".

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

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

**San Juan Island School District No. 149
San Juan County
September 1, 2012 through August 31, 2014**

Board of Directors
San Juan Island School District No. 149
Friday Harbor, 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 San Juan Island School District No. 149, San Juan County, Washington, as of and for the years ended August 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated May 7, 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*.

We issued unmodified opinions on the fair presentation of the District's financial statements in accordance with its regulatory basis of accounting. We issued an unmodified opinion on the fair presentation of the District's financial statements for the year ended August 31, 2014, and a qualified opinion on the fair presentation of certain funds for the year ended August 31, 2013 with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the District using accounting practices prescribed or permitted by Washington State statutes and the *Accounting Manual for Public School Districts in the State of Washington* (Accounting Manual) described in Note 1, which is a basis of accounting other than GAAP.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits 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.

In addition, we noted certain matters that we have reported to the management of the District in a separate letter dated May 7, 2015.

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other

purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, reading "Jan M. Jutte". The signature is fluid and cursive, with a long horizontal stroke extending from the end.

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

May 7, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

San Juan Island School District No. 149 San Juan County September 1, 2012 through August 31, 2014

Board of Directors
San Juan Island School District No. 149
Friday Harbor, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of San Juan Island School District No. 149, San Juan County, Washington, as of and for the years ended August 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 11.

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

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

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

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

Unmodified Opinion on Regulatory Basis of Accounting (Accounting Manual)

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Juan Island School District No. 149, as of August 31, 2014 and 2013, and the changes in financial position thereof for the years then ended in accordance with the basis of accounting described in Note 1.

Basis for Qualified Opinion on the Fiduciary Funds Based on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The Accounting Manual did not require school districts to apply the provisions of Governmental Accounting Standards Board Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* in the presentation of the net position of fiduciary funds at the end of fiscal year 2013. The District's financial statements as of and for the year ended August 31, 2013 present the fiduciary fund's ending position as net assets divided between nonspendable trust principal and assigned to fund purposes, instead of reporting all of the net position as being held in trust for the purpose for which the trust was established.

Qualified Opinion on the Fiduciary Funds Based on U.S. GAAP

In our opinion, except for the matters described in the “Basis for Qualified Opinion on the Fiduciary Funds Based on U.S. GAAP” paragraph above, the financial statements referred to above present fairly, in all material respects, the financial position of the fiduciary funds as of August 31, 2013, and the changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 and Transportation Vehicle funds as of August 31, 2014 and 2013, and the Fiduciary Funds as of August 31, 2014, and the changes in financial position thereof for the years 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 audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of Long-Term Liabilities are 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 7, 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.

A handwritten signature in black ink, appearing to read "Jan M. Jutte", with a stylized flourish at the end.

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

May 7, 2015

FINANCIAL SECTION

San Juan Island School District No. 149
San Juan County
September 1, 2012 through August 31, 2014

FINANCIAL STATEMENTS

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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	566,307.39	7,072.57	5,549.67	361,052.26	59,608.82	0.00	999,590.71
Minus Warrants Outstanding	-208,343.22	-249.75	0.00	0.00	0.00	0.00	-208,592.97
Taxes Receivable	869,962.58		1,771.76	410,403.21	0.00		1,282,137.55
Due From Other Funds	95,667.04	0.00	0.00	48,638.35	0.00	0.00	144,305.39
Due From Other Governmental Units	170,767.99	0.00	0.00	224,350.63	0.00	0.00	395,118.62
Accounts Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
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	8,740.00	0.00					8,740.00
Prepaid Items	0.00	0.00		0.00	0.00	0.00	0.00
Investments	159,000.00	42,500.00	0.00	761,000.00	89,900.00	0.00	1,052,400.00
Investments/Cash With Trustee	0.00		0.00	0.00	0.00	0.00	0.00
Investments-Deferred Compensation	0.00			0.00			0.00
Self-Insurance Security Deposit	0.00						0.00
TOTAL ASSETS	1,662,101.78	49,322.82	7,321.43	1,805,444.45	149,508.82	0.00	3,673,699.30
LIABILITIES:							
Accounts Payable	126,093.98	5,802.71	0.00	197,547.15	0.00	0.00	329,443.84
Contracts Payable Current	-25.20	0.00		0.00	0.00	0.00	-25.20
Accrued Interest Payable			0.00				0.00
Accrued Salaries	4,362.90	0.00		0.00			4,362.90
Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00
Payroll Deductions and Taxes Payable	1,653.88	0.00		0.00			1,653.88
Due To Other Governmental Units	0.00	0.00		0.00	0.00	0.00	0.00
Deferred Compensation Payable	0.00			0.00			0.00
Estimated Employee Benefits Payable	0.00						0.00
Due To Other Funds	48,638.35	0.00	0.00	95,667.04	0.00	0.00	144,305.39

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

Balance Sheet

Governmental Funds

August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
LIABILITIES:							
Interfund Loans Payable	0.00		0.00	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	180,723.91	5,802.71	0.00	293,214.19	0.00	0.00	479,740.81
DEFERRED INFLOWS OF RESOURCES:							
Unavailable Revenue	0.00	1,525.00	0.00	0.00	0.00	0.00	1,525.00
Unavailable Revenue - Taxes Receivable	869,962.58		1,771.76	410,403.21	0.00		1,282,137.55
TOTAL DEFERRED INFLOWS OF RESOURCES	869,962.58	1,525.00	1,771.76	410,403.21	0.00	0.00	1,283,662.55
FUND BALANCE:							
Nonspendable Fund Balance	8,740.00	0.00	0.00	0.00	0.00	0.00	8,740.00
Restricted Fund Balance	11,943.06	41,995.11	5,549.67	0.00	149,508.82	0.00	208,996.66
Committed Fund Balance	0.00	0.00	0.00	558,113.00	0.00	0.00	558,113.00
Assigned Fund Balance	73,321.24	0.00	0.00	543,714.05	0.00	0.00	617,035.29
Unassigned Fund Balance	517,410.99	0.00	0.00	0.00	0.00	0.00	517,410.99
TOTAL FUND BALANCE	611,415.29	41,995.11	5,549.67	1,101,827.05	149,508.82	0.00	1,910,295.94
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	1,662,101.78	49,322.82	7,321.43	1,805,444.45	149,508.82	0.00	3,673,699.30

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

Balance Sheet

Governmental Funds

August 31, 2013

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
ASSETS:							
Cash and Cash Equivalents	591,442.37	2,586.09	2,126.34	-86,326.00	53,948.10	0.00	563,776.90
Minus Warrants Outstanding	-506,246.41	-165.00	0.00	-154,395.08	0.00	0.00	-660,806.49
Taxes Receivable	876,508.33		1,932.96	412,828.32	0.00		1,291,269.61
Due From Other Funds	32,517.62	0.00	0.00	8,910.27	0.00	0.00	41,427.89
Due From Other Governmental Units	222,835.63	0.00	0.00	0.00	0.00	0.00	222,835.63
Accounts Receivable	1,206.17	0.00	0.00	3,193.86	0.00	0.00	4,400.03
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	5,922.86	0.00					5,922.86
Prepaid Items	19,389.54	0.00		0.00	0.00	0.00	19,389.54
Investments	309,000.00	45,000.00	0.00	1,151,000.00	39,900.00	0.00	1,544,900.00
Investments/Cash With Trustee	0.00		0.00	0.00	0.00	0.00	0.00
Investments-Deferred Compensation	0.00			0.00			0.00
Self-Insurance Security Deposit	0.00						0.00
TOTAL ASSETS	1,552,576.11	47,421.09	4,059.30	1,335,211.37	93,848.10	0.00	3,033,115.97
LIABILITIES:							
Accounts Payable	148,737.87	87.50	0.00	40,549.30	0.00	0.00	189,374.67
Contracts Payable Current	15.88	0.00		0.00	0.00	0.00	15.88
Accrued Interest Payable			0.00				0.00
Accrued Salaries	0.00	0.00		0.00			0.00
Revenue Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00
Payroll Deductions and Taxes Payable	0.00	0.00		0.00			0.00
Due To Other Governmental Units	7,878.94	0.00		0.00	0.00	0.00	7,878.94
Deferred Compensation Payable	0.00			0.00			0.00
Estimated Employee Benefits Payable	0.00						0.00
Due To Other Funds	8,910.27	0.00	0.00	32,517.62	0.00	0.00	41,427.89

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

Balance Sheet

Governmental Funds

August 31, 2013

	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
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
Deferred Revenue	893,470.48	1,525.00	1,932.96	412,828.32	0.00	0.00	1,309,756.76
TOTAL LIABILITIES	1,059,013.44	1,612.50	1,932.96	485,895.24	0.00	0.00	1,548,454.14
FUND BALANCE:							
Nonspendable Fund Balance	25,312.40	0.00	0.00	0.00	0.00	0.00	25,312.40
Restricted Fund Balance	14,843.17	45,808.59	2,126.34	849,316.13	93,848.10	0.00	1,005,942.33
Committed Fund Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Assigned Fund Balance	61,893.83	0.00	0.00	0.00	0.00	0.00	61,893.83
Unassigned Fund Balance	391,513.27	0.00	0.00	0.00	0.00	0.00	391,513.27
TOTAL FUND BALANCE	493,562.67	45,808.59	2,126.34	849,316.13	93,848.10	0.00	1,484,661.83
TOTAL LIABILITIES AND FUND BALANCE	1,552,576.11	47,421.09	4,059.30	1,335,211.37	93,848.10	0.00	3,033,115.97

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

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
REVENUES:							
Local	2,630,438.89	65,115.84	3,725.08	949,381.09	91.44		3,648,752.34
State	5,223,226.09		0.00	475,154.73	55,569.28		5,753,950.10
Federal	429,975.99		0.00	0.00	0.00		429,975.99
Federal Stimulus	0.00						0.00
Other	328,829.44			0.00	0.00	0.00	328,829.44
TOTAL REVENUES	8,612,470.41	65,115.84	3,725.08	1,424,535.82	55,660.72	0.00	10,161,507.87
EXPENDITURES:							
CURRENT:							
Regular Instruction	4,649,273.96						4,649,273.96
Federal Stimulus	0.00						0.00
Special Education	1,109,689.73						1,109,689.73
Vocational Education	141,879.12						141,879.12
Skill Center	0.00						0.00
Compensatory Programs	344,296.75						344,296.75
Other Instructional Programs	20,859.28						20,859.28
Community Services	0.00						0.00
Support Services	2,309,085.99						2,309,085.99
Student Activities/Other		68,929.32				0.00	68,929.32
CAPITAL OUTLAY:							
Sites				35,691.09			35,691.09
Building				547,156.81			547,156.81
Equipment				183,509.96			183,509.96
Instructional Technology				0.00			0.00
Energy				0.00			0.00
Transportation Equipment					0.00		0.00
Sales and Lease				0.00			0.00
Other	0.00						0.00
DEBT SERVICE:							
Principal	0.00		310,000.00	0.00	0.00		310,000.00
Interest and Other Charges	0.00		15,501.75	0.00	0.00		15,501.75
Bond/Levy Issuance				0.00	0.00		0.00
TOTAL EXPENDITURES	8,575,084.83	68,929.32	325,501.75	766,357.86	0.00	0.00	9,735,873.76

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

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
DEBT SERVICE:							
REVENUES OVER (UNDER) EXPENDITURES	37,385.58	-3,813.48	-321,776.67	658,177.96	55,660.72	0.00	425,634.11
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	95,667.04		325,200.00	0.00	0.00		420,867.04
Transfers Out (GL 536)	-15,200.00		0.00	-405,667.04	0.00	0.00	-420,867.04
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)	80,467.04		325,200.00	-405,667.04	0.00	0.00	0.00
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	117,852.62	-3,813.48	3,423.33	252,510.92	55,660.72	0.00	425,634.11
BEGINNING TOTAL FUND BALANCE	493,562.67	45,808.59	2,126.34	849,316.13	93,848.10	0.00	1,484,661.83
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ENDING TOTAL FUND BALANCE	611,415.29	41,995.11	5,549.67	1,101,827.05	149,508.82	0.00	1,910,295.94

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

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2013

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
REVENUES:							
Local	2,551,446.32	59,223.21	4,482.07	762,956.03	63.90		3,378,171.53
State	5,040,238.05		0.00	15,743.97	53,842.45		5,109,824.47
Federal	479,148.11		0.00	0.00	0.00		479,148.11
Federal Stimulus	0.00						0.00
Other	368,975.92			0.00	0.00	0.00	368,975.92
TOTAL REVENUES	8,439,808.40	59,223.21	4,482.07	778,700.00	53,906.35	0.00	9,336,120.03
EXPENDITURES:							
CURRENT:							
Regular Instruction	4,857,186.81						4,857,186.81
Federal Stimulus	0.00						0.00
Special Education	1,183,030.54						1,183,030.54
Vocational Education	138,460.86						138,460.86
Skills Center	0.00						0.00
Compensatory Programs	310,461.69						310,461.69
Other Instructional Programs	9,121.12						9,121.12
Community Services	459.50						459.50
Support Services	2,246,829.07						2,246,829.07
Student Activities/Other		66,401.45				0.00	66,401.45
CAPITAL OUTLAY:							
Sites				217,103.26			217,103.26
Building				500,323.15			500,323.15
Equipment				257,880.83			257,880.83
Instructional Technology				0.00			0.00
Energy				22,849.83			22,849.83
Transportation Equipment					0.00		0.00
Sales and Lease				33,839.11			33,839.11
Other	0.00						0.00
DEBT SERVICE:							
Principal	0.00		0.00	0.00	0.00		0.00
Interest and Other Charges	0.00		18,400.23	0.00	0.00		18,400.23
Bond/Levy Issuance				0.00	0.00		0.00
TOTAL EXPENDITURES	8,745,549.59	66,401.45	18,400.23	1,031,996.18	0.00	0.00	9,862,347.45

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

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2013

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
DEBT SERVICE:							
REVENUES OVER (UNDER) EXPENDITURES	-305,741.19	-7,178.24	-13,918.16	-253,296.18	53,906.35	0.00	-526,227.42
OTHER FINANCING SOURCES (USES):							
Bond Sales & Refunding Bond Sales	0.00		0.00	0.00	0.00	0.00	0.00
Long-Term Financing	0.00			0.00	0.00	0.00	0.00
Transfers In	32,517.62		9,724.31	0.00	0.00		42,241.93
Transfers Out (GL 536)	-9,724.31		0.00	-32,517.62	0.00	0.00	-42,241.93
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00	0.00	0.00
Other	0.00		0.00	0.00	0.00	0.00	0.00
TOTAL OTHER FINANCING SOURCES (USES)	22,793.31		9,724.31	-32,517.62	0.00	0.00	0.00
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-282,947.88	-7,178.24	-4,193.85	-285,813.80	53,906.35	0.00	-526,227.42
BEGINNING TOTAL FUND BALANCE	776,510.55	52,986.83	6,320.19	1,135,129.93	39,941.75	0.00	2,010,889.25
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ENDING TOTAL FUND BALANCE	493,562.67	45,808.59	2,126.34	849,316.13	93,848.10	0.00	1,484,661.83

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

Statement Of Fiduciary Net Position

Fiduciary Funds

August 31, 2014

ASSETS:	Private Purpose Trust	Other Trust
Imprest Cash	0.00	0.00
Cash On Hand	0.00	0.00
Cash On Deposit with Cty Treas	5,453.75	0.00
Minus Warrants Outstanding	-10,469.28	0.00
Due From Other Funds	0.00	0.00
Accounts Receivable	0.00	0.00
Accrued Interest Receivable	0.00	0.00
Investments	202,500.00	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	197,484.47	0.00
LIABILITIES:		
Accounts Payable	1,200.00	0.00
Due To Other Funds	0.00	0.00
TOTAL LIABILITIES	1,200.00	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	196,284.47	0.00
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	196,284.47	0.00

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

Statement Of Fiduciary Net Assets

Fiduciary Funds

August 31, 2013

ASSETS:	Private Purpose Trust	Other Trust
Imprest Cash	0.00	0.00
Cash On Hand	15.00	0.00
Cash On Deposit with Cty Treas	-3,115.26	0.00
Minus Warrants Outstanding	-1,416.28	0.00
Due From Other Funds	0.00	0.00
Accounts Receivable	0.00	0.00
Accrued Interest Receivable	0.00	0.00
Investments	212,000.00	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	207,483.46	0.00
LIABILITIES:		
Accounts Payable	500.00	0.00
Due To Other Funds	0.00	0.00
TOTAL LIABILITIES	500.00	0.00
NET ASSETS:		
Net assets 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
Assigned to Fund Purposes	206,983.46	0.00
Unassigned Fund Balance	0.00	0.00
TOTAL NET ASSETS	206,983.46	0.00

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended August 31, 2014

		Private Purpose Trust	Other Trust
ADDITIONS:			
Contributions:			
Private Donations	4,642.50	0.00	
Employer		0.00	
Members		0.00	
Other	0.00	0.00	
TOTAL CONTRIBUTIONS	4,642.50	0.00	
Investment Income:			
Net Appreciation (Depreciation) in Fair Value	0.00	0.00	
Interest and Dividends	257.51	0.00	
Less Investment Expenses	0.00	0.00	
Net Investment Income	257.51	0.00	
Other Additions:			
Rent or Lease Revenue	0.00	0.00	
Total Other Additions	0.00	0.00	
TOTAL ADDITIONS	4,900.01	0.00	
DEDUCTIONS:			
Benefits		0.00	
Refund of Contributions	0.00	0.00	
Administrative Expenses	0.00	0.00	
Scholarships	14,000.00		
Other	1,584.00	0.00	
TOTAL DEDUCTIONS	15,584.00	0.00	
Net Increase (Decrease)	-10,683.99	0.00	
Net Position--Beginning	206,983.46	0.00	
Prior Year(s) Corrections or Restatements	-15.00	0.00	
NET POSITION--ENDING	196,284.47	0.00	

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

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

For the Year Ended August 31, 2013

ADDITIONS:			
Contributions:			
Private Donations	2,220.45	Private Purpose Trust	Other Trust
Employer			0.00
Members			0.00
Other	0.00		0.00
TOTAL CONTRIBUTIONS	2,220.45		0.00
Investment Income:			
Net Appreciation (Depreciation) in Fair Value	0.00		0.00
Interest and Dividends	330.71		0.00
Less Investment Expenses	0.00		0.00
Net Investment Income	330.71		0.00
Other Additions:			
Rent or Lease Revenue	0.00		0.00
Total Other Additions	0.00		0.00
TOTAL ADDITIONS	2,551.16		0.00
DEDUCTIONS:			
Benefits			0.00
Refund of Contributions	0.00		0.00
Administrative Expenses	0.00		0.00
Scholarships	16,081.75		
Other	3,076.17		0.00
TOTAL DEDUCTIONS	19,157.92		0.00
Net Increase (Decrease)	-16,606.76		0.00
Net Assets--Beginning	223,590.22		0.00
Prior Year(s) Corrections or Restatements	0.00		0.00
NET ASSETS--ENDING	206,983.46		0.00

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

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

The District presents governmental fund financial statements and related notes on the 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. 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, 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.

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.

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 Business Manager 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.

Receivables and Payables

The District expects to collect outstanding receivables within one year and pay any non-long term debt within one year.

Inventory

Inventory is valued at cost using the first-in, first-out (FIFO) method. The consumption method of inventory is used, which charges inventory as an expenditure when it is consumed. A portion of fund balance, representing inventory, is considered Nonspendable. USDA commodity inventory consists of food donated by the United States Department of Agriculture. It is valued at the prices paid by the USDA for the commodities.

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 San Juan 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, 2013, are as follows:

	Number of Securities	Carrying Amount	Market Value
County Treasurer's Investment Pool			\$1,254,900

NOTE 3: SIGNIFICANT CONTINGENT LIABILITIES

Litigation

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

NOTE 4: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

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

NOTE 5: ANNUAL PENSION COST AND NET PENSION OBLIGATIONS

A. General Information

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

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

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

Data is as of last actuarial valuation date of June 30, 2012.

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

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

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

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

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

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

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

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

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

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

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

B. Contributions

Employee contribution rates effective September 1, 2013:

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

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

Employer contribution rates effective September 1, 2013:

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>13/14</u>	<u>12/13</u>	<u>11/12</u>
TRS 1	-	5,812	11,254
TRS 2	88,504	56,613	51,388
TRS 3	251,103	215,149	213,712
PERS 1	12,370	12,138	11,563
SERS 2	45,446	23,373	22,965
SERS 3	76,485	62,747	61,396

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 \$66.64 per month per full-time equivalent employee to support the program, for a total payment of \$66,464.42. This assessment to the District is set forth in the State's operating budget and is subject to change on an annual basis. This amount is not actuarially determined and is not placed in a trust to pay the obligations for post-employment health care benefits.

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

NOTE 7: COMMITMENTS UNDER NONCAPITALIZED (OPERATING) LEASES

For the fiscal year ended August 31, 2014, the District had entered into a lease for 300 Chromebooks with HP Financial Services.

Lessor	Amount	Annual Installment	Final Installment Date	Interest rate	Balance
	\$ 115,124.40				
HP Financial Services	+ tax	3,455.23	4/20/2014	-	\$100,202

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

Construction in Progress is composed of:

Project	Authorization Amount	Expended as of 8/31/14	Additional Local Funds Committed	Additional State Funds Committed
STEM Building Renovation	\$ 1,000,000	\$ 475,155		\$ 1,000,000

The District accepted a bid from JMG Constructors in May 2014 for the renovation of the High School's Vocational building in the amount of \$799,000 (+ WA State sales tax) funded by an appropriation of \$1,000,000 from the State Building Construction Account, contract # 91000027.

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. Encumbrances in the amount of \$ 0.00 within the General Fund were re-encumbered on September 1, 2014.

NOTE 9: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The District's capital assets are insured in the amount of \$43,627,382 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 10: REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES

Long-Term Debt

Bonds payable at August 31, 2014, is comprised of the following individual issue:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
May 2012 Limited General Obligation Bonds	\$1,270,000	4	12/1/2016	1-2%	\$960,000

The following is a summary of general obligation long-term debt transactions of the District for the fiscal years ended August 31, 2013 and August 31, 2014:

Long-Term Debt Payable at 9/1/2012	\$1,270,000		Long-Term Debt Payable at 9/1/2013	\$ 1,270,000
New Issues	-		New Issues	-
Debt Retired	-		Debt Retired	310,000
Long-Term Debt Payable at 8/31/13	\$1,270,000		Long-Term Debt Payable at 8/31/14	\$ 960,000

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

Years Ending August 31	Principal	Interest	Total
2014	\$ 310,000	15,200	\$ 325,200
2015	\$ 315,000	12,075	\$ 327,075
2016	\$ 320,000	8,500	\$ 328,500
2017	\$ 325,000	3,250	\$ 328,250

At August 31, 2014, the District had \$5,550 available in the Debt Service Fund to service the general obligation bonds.

NOTE 11: INTERFUND BALANCES AND TRANSFERS

The District did not partake in any Inter-fund loan activity.

NOTE 12: ENTITY RISK MANAGEMENT ACTIVITIES

The San Juan Island 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 pool was formed on September 1, 1985 when 29 school districts in the State of Washington joined together by signing a Joint Purchasing Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Current membership includes 155 school district.

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

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

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

Equipment Breakdown is subject to a per-occurrence deductible of \$10,000. Members are responsible for the deductible 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 pool administration, claims adjustment, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending August 31, 2014 were \$1,514,980.35

In the Fiscal Year Ending August 31, 2014 the District paid \$82,839 in United Schools Insurance Program premiums.

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 pool. This program has no employees.

NOTE 13: PROPERTY TAXES

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

NOTE 14: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

The District is a member of the King County Director's Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. The board authorized joining the association via board action dated November 25, 1970 and has remained in the joint venture ever since. The District's current equity of \$14,957.52 is the accumulation of the annual assignment of KCDA's operating surplus based upon the percentage derived from KCDA's total sales to the District compared to all other districts applied against paid administrative fees. The District may withdraw from the joint venture and will receive its equity in ten annual allocations of merchandise or 15 annual payments.

NOTE 15: FUND BALANCE CLASSIFICATION DETAILS

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

	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund	Transportation Vehicle Fund
Nonspendable Fund Balance					
Inventory and Prepaid Items	\$8,740				
Restricted Fund Balance					
Carryover of Restricted Revenues	\$11,943				
Debt Service				\$5,550	
Arbitrage Rebate					
Uninsured Risks					
Other Items		\$41,995			\$149,509
Committed Fund Balance					
Minimum Fund Balance Policy					
Other Commitments			\$558,113		
Assigned Fund Balance					
Contingencies					
Other Capital Projects					
Other Purposes	\$73,321				
Fund Purposes			\$543,714		
Unassigned Fund Balance	\$517,411				

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

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

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

457 Plan – Deferred Compensation Plan

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., a third party administrator. The plan assets are assets of the District employees, not the school district, and are therefore not reflected on these financial statements. For the year ended August 31, 2014, the District made \$-0- in employer contributions to the plan.

NOTE 17: TERMINATION BENEFITS

Compensated Absences

Employees earn sick leave at a rate of 12 days per year up to a maximum of one contract year. Under the provisions of RCW 28A.400.210, sick leave accumulated by District employees is reimbursed at death or retirement at the rate of one day for each four days of accrued leave, or upon termination provided the employee is at least 55 years of age and has sufficient years of service, 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.

There are two methods by which the Compensated Absences Liability can be calculated.

1. Termination Payments Method: Under this approach, a district calculates the amount of sick leave to be paid upon termination based upon past experience in making such payments.

2. Vesting Method: Under this approach, a district estimates the liability for sick leave payouts by calculating the amount of sick leave expected to become eligible for payout at termination.

For the school year ending 8/31/13, the liability was computed using the termination payment method. For the year ending 8/31/14, the liability was computed based on the vested method with the annual buy out liability based on balances as of 8/31/14.

The Compensated Absences liability as of 8/31/14 is \$ 102,294.

San Juan Island School District
Notes to the Financial Statements
September 1, 2012 through August 31, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (SSAP)

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

The District presents governmental fund financial statements and related notes on the 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 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. 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 Business Manager 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.

Receivables and Payables

The District expects to collect outstanding receivables within one year and pay any non-long term debt within one year.

Inventory

Inventory is valued at cost using the first-in, first-out (FIFO) method. The consumption method of inventory is used, which charges inventory as an expenditure when it is consumed. A portion of fund balance, representing inventory, is considered Nonspendable. USDA commodity inventory consists of food donated by the United States Department of Agriculture. It is valued at the prices paid by the USDA for the commodities.

NOTE 2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

The San Juan 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, 2013, are as follows:

	Number of Securities	Carrying Amount	Market Value
County Treasurer's Investment Pool			\$1,756,900

NOTE 3: SIGNIFICANT CONTINGENT LIABILITIES

Litigation

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

NOTE 4: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

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

NOTE 5: ANNUAL PENSION COST AND NET PENSION OBLIGATIONS

A. General Information

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

Membership by retirement system program as of June 30, 2011:

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

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

<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

Data is as of last actuarial valuation date of June 30, 2012.

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

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

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

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

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

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

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

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

B. Contributions

Employee contribution rates effective September 1, 2012 through August 31, 2013:

Plan 1 TRS	6.00%	Plan 1 PERS	6.00%
Plan 2 TRS	4.69%	Plan 2 SERS	4.09%
Plan 3 TRS and SERS	5.00% (minimum),	15.00% (maximum)	

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

Employer contribution rates effective September 1, 2012 through August 31, 2013:

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

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

<u>Plan</u>	<u>12/13</u>	<u>11/12</u>	<u>10/11</u>
TRS 1	\$ 5,811.61	\$ 11,254.12	\$ 9,558.60
TRS 2	\$ 56,612.85	\$ 51,388.22	\$ 35,440.00
TRS 3	\$ 215,148.68	\$ 213,711.97	\$ 164,528.38
PERS 1	\$ 12,138.24	\$ 11,562.96	\$ 8,584.59
SERS 2	\$ 23,372.99	\$ 22,964.77	\$ 16,937.52
SERS 3	\$ 62,747.40	\$ 61,396.15	\$ 45,210.54

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, 2013, comprehensive annual financial report. Refer to this report for detailed trend information. It is available from:

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

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

The State, through the Health Care Authority (HCA), administers an agent multi-employer Other Post-Employment Benefit plan. The Public Employees Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. Programs include (medical, dental, life insurance and long-term disability insurance)⁽⁵⁾.

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

According to state law, the Washington State Treasurer collects a fee from all school district entities which have employees that are not current active members of the state Health Care Authority but participate in the state retirement system. The purpose of this fee is to cover the impact of the subsidized rate of health care benefits for school retirees that elect to purchase their health care benefits through the state Health Care Authority. For the fiscal year 2012-13, the District was required to pay the HCA \$65.17 per month per full-time equivalent employee to support the program, for a total payment of \$69,188.98. This assessment to the District is set forth in the State's operating budget and

is subject to change on an annual basis. This amount is not actuarially determined and is not placed in a trust to pay the obligations for post-employment health care benefits.

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

NOTE 7: COMMITMENTS UNDER NONCAPITALIZED (OPERATING) LEASES

For the fiscal year ended August 31, 2013, the District did not incur additional long-term debt.

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

The District did not have any significant construction commitments in progress.

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. Encumbrances in the amount of \$ 0.00 within the General Fund were re-encumbered on September 1, 2013.

NOTE 9: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The District's capital assets are insured in the amount of \$34,870,229 for fiscal year 2013. In the opinion of the District's insurance consultant, the amount is sufficient to adequately fund replacement of the District's assets.

NOTE 10: REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES

Long-Term Debt

Bonds payable at August 31, 2013, are comprised of the following individual issue:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
May 2012 Limited General Obligation Bonds	\$1,270,000	4	12/1/2016	1-2%	\$1,270,000

The following is a summary of general obligation long-term debt transactions of the District for the fiscal years ending August 31, 2013 and August 31, 2014:

Long-Term Debt Payable at 9/1/2012	\$1,270,000	Long-Term Debt Payable at 9/1/2013	\$ 1,270,000
New Issues	-	New Issues	-
Debt Retired	-	Debt Retired	310,000
Long-Term Debt Payable at 8/31/13	\$1,270,000	Long-Term Debt Payable at 8/31/14	\$ 960,000

The following is a schedule of annual requirements to amortize debt at August 31, 2013:

Years Ending August 31	Principal	Interest	Total
2013	\$ 0.00	0.00	\$ 0.00
2014	\$ 310,000	15,200	\$ 325,200
2015	\$ 315,000	12,075	\$ 327,075
2016	\$ 320,000	8,500	\$ 328,500
2017	\$ 325,000	3,250	\$ 328,250

At August 31, 2013, the District had \$2,126.34 available in the Debt Service Fund to service the general obligation bonds.

NOTE 11: INTERFUND BALANCES AND TRANSFERS

The District did not partake in any Inter-fund loan activity.

NOTE 12: ENTITY RISK MANAGEMENT ACTIVITIES

The San Juan Island 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 pool 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 member school districts and 91 associate member independent schools.

The pool 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 coverage's are on an "occurrence basis." The pool provides the following forms of group purchased insurance coverage for its members: property, general liability, automobile liability, school board legal liability, and crime.

The pool acquires liability insurance from Munich Reinsurance America, Inc. Liability insurance is subject to a per-occurrence deductible of \$100,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the pool 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 pool is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 of the self-insured retention. The pool also purchases a stop loss policy in the amount of \$941,250 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 the first \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$100,000.

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

The pool is fully funded by its member participants. Claims are filed by members with Canfield, which has been contracted to perform pool administration, claims adjustment, and loss prevention for the pool.

In the Fiscal Years Ending August 31, 2012 the District paid \$78,531.66 in United Schools Insurance Program premiums.

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

NOTE 13: PROPERTY TAXES

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

NOTE 14: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

The District is a member of the King County Director's Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. The board authorized joining the association via board action dated November 25, 1970 and has remained in the joint venture ever since. The District's current equity of \$14,762.25 is the accumulation of the annual assignment of KCDA's operating surplus based upon the percentage derived from KCDA's total sales to the District compared to all other districts applied against paid administrative fees. The District may withdraw from the joint venture and will receive its equity in ten annual allocations of merchandise or 15 annual payments.

NOTE 15: FUND BALANCE CLASSIFICATION DETAILS

The District's financial statements include the following amounts presented in the aggregate.⑤

	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund	Transportation Vehicle Fund
Nonspendable Fund Balance					
Inventory and Prepaid Items	\$25,312.40				
Restricted Fund Balance					
Carryover of Restricted Revenues	\$14,843.17				
Debt Service				\$2,126.34	
Arbitrage Rebate					
Uninsured Risks					
Other Items		\$45,808.59	\$849,316.13		\$93,848.10
Committed Fund Balance					
Minimum Fund Balance Policy					
Other Commitments					
Assigned Fund Balance					
Contingencies					
Other Capital Projects					
Other Purposes	\$61,893.83				
Fund Purposes					
Unassigned Fund Balance	\$391,513.27				

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

Restricted from Bond Proceeds	\$-0-
Committed from Levy Proceeds	\$849,316.13
Restricted from State Proceeds	\$-0-
Restricted from Federal Proceeds	\$-0-
Restricted from Other Proceeds	\$-0-
Restricted from Impact Fee Proceeds	\$-0-
Restricted from Mitigation Fee Proceeds	\$-0-
Restricted from Undistributed Proceeds	\$-0-

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

457 Plan – Deferred Compensation Plan

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., a third party administrator. The plan assets are assets of the District employees, not the school district, and are therefore not reflected on these financial statements. For the year ended August 31, 2013, the District made \$-0- in employer contributions to the plan.

NOTE 17: TERMINATION BENEFITS

Compensated Absences

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

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

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

San Juan Island School District No. 149
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	91,973.34	10,320.66	0.00	102,294	24,273.11
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	91,973.34	10,320.66	0.00	102,294	24,273.11

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	0.00	0.00	0.00	0.00	0.00
LOCAL Program Proceeds Issued in Lieu of Bonds	0.00	0.00	0.00	0.00	0.00
Non-Voted Debt					
Non-Voted Bonds	1,270,000.00	0.00	310,000.00	960,000.00	315,000.00
LOCAL Program Proceeds	0.00	0.00	0.00	0.00	0.00
Total Long-Term Liabilities	1,270,000.00	0.00	310,000.00	960,000.00	315,000.00

Schedule of Long-Term Liabilities

For the Year Ended August 31, 2013

Description	Beginning Outstanding Debt September 1, 2012	Amount Issued/Increased	Amount Redeemed/Decreased	Ending	
				Outstanding Debt August 31, 2013	Outstanding Debt August 31, 2013
Total Voted Bonds	0.00	0.00	0.00		0.00
Total Non-Voted Notes/Bonds	1,270,000.00	0.00	0.00		1,270,000.00
Qualified Zone Academy Bonds (QZAB)	0.00	0.00	0.00		0.00
Qualified School Construction Bonds(QSCB)	0.00	0.00	0.00		0.00
Other Long-Term Debt					
Capital Leases	0.00	0.00	0.00		0.00
Contracts Payable (GL 603)	0.00	0.00	0.00		0.00
NonCancellable Operating Leases	0.00	0.00	0.00		0.00
Claims & Judgments	0.00	0.00	0.00		0.00
Compensated Absences	135,319.47	0.00	43,346.13		91,973.34
Other Long-Term Liabilities	0.00	0.00	0.00		0.00
Total Other Long-Term Liabilities	135,319.47	0.00	43,346.13		91,973.34
TOTAL LONG-TERM LIABILITIES	1,405,319.47	0.00	43,346.13		1,361,973.34

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

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