



**Office of the Washington State Auditor**  
**Pat McCarthy**

## **Financial Statements Audit Report**

# **Washington State School Directors' Association**

**Thurston County**

**For the period January 1, 2014 through December 31, 2015**

**Published May 22, 2017**

**Report No. 1019101**





**Office of the Washington State Auditor**  
**Pat McCarthy**

May 22, 2017

Executive Director  
Washington State School Directors' Association  
Olympia, Washington

**Report on Financial Statements**

Please find attached our report on the Washington State School Directors' Association's financial statements.

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

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

## TABLE OF CONTENTS

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 .....	4
Independent Auditor's Report On Financial Statements .....	7
Financial Section.....	10
About The State Auditor's Office.....	59

**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**

**Washington State School Directors' Association  
Thurston County  
January 1, 2014 through December 31, 2015**

Executive Director  
Washington State School Directors' Association  
Olympia, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Washington State School Directors' Association, Thurston County, Washington, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and have issued our report thereon dated May 9, 2017. As discussed in Note 7 to the financial statements, during the year ended December 31, 2015, the Association implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the Association's financial statements are free from material misstatement, we performed tests of the Association'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 Association'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 Association'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 that reads "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy

State Auditor

Olympia, WA

May 9, 2017

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Washington State School Directors' Association Thurston County January 1, 2014 through December 31, 2015**

Executive Director  
Washington State School Directors' Association  
Olympia, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Washington State School Directors' Association, Thurston County, Washington, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed on page 10.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our 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 Association'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 Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Washington State School Directors' Association, as of December 31, 2015 and 2014, and the changes in financial position thereof, and the budgetary comparison for the General fund for fiscal year 2014 only, 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 7 to the financial statements, in 2015, the Association adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 25, budgetary comparison information for 2015 on page 56 and pension plan information on pages 57 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards

generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2017 on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

May 9, 2017

## **FINANCIAL SECTION**

### **Washington State School Directors' Association Thurston County January 1, 2014 through December 31, 2015**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2015  
Management's Discussion and Analysis – 2014

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2015  
Statement of Net Position – 2014  
Statement of Activities – 2015  
Statement of Activities – 2014  
Governmental Funds Balance Sheet Reconciliation to the Statement of Net Position –  
2015  
Governmental Funds Balance Sheet Reconciliation to the Statement of Net Position –  
2014  
Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances  
and Reconciliation to the Statement of Activities – 2015  
Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances  
and Reconciliation to the Statement of Activities – 2014  
Budgetary Comparison of General Fund – 2014  
Notes to Financial Statements – 2015  
Notes to Financial Statements – 2014

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Budgetary Comparison Schedule – General Fund – 2015  
Schedule of Proportionate Share of the Net Pension Liability – PERS 1 – PERS 2/3 –  
TRS 1 – 2015  
Schedule of Employer Contributions – PERS 1 – PERS 2/3 – TRS 1 – 2015

# Washington State School Directors' Association

## Management's Discussion and Analysis

### For the Year Ended December 31, 2015

As management of the Washington State School Directors' Association (WSSDA), we offer this narrative overview and analysis of the financial activities of WSSDA for the year that ended December 31, 2015.

#### Financial Highlights

- Long-term mortgage debt decreased by \$80,000. The decrease is the result of a principal payment during the year.
- WSSDA increased net position by \$480,976 before recording its share of future unfunded pension obligations of \$827,746 as a result of implementing new pension accounting standards (discussed below).
- The 2015 Annual Conference was held in Seattle and provided revenue of \$607,920 that was \$47,920 greater than budget.
- Annual dues were the same as the previous year at \$1,742,875.
- Policy and Legal Services total revenues (including other income) were \$96,999 over budget due to revenue increases in BoardDocs, Policy and Legal News, Model Policy On-Line, and Policy Consultation Fees.
- Total expenses were \$209,185 under budget largely due to not needing any of the \$50,000 Capital Projects budget, several staff vacancies during 2015, legal policy consultants coming in at \$53,119 under budget, and other efficiencies throughout the organization.

WSSDA has six programs that constitute the overall operations as shown on the Statement of Activities. They are Association Services, Policy and Legal Services, Government Relations, Leadership Development Services, Annual Conference, and Communications and Marketing.

The largest revenue item for WSSDA is from annual dues from the 295 public school districts throughout the state of Washington. The voting directors at the annual Delegate Assembly determine the dues amount within the limits provided by law. The Board may approve additional revenue activities as permitted by WSSDA's enabling act. Several additional revenue activities contribute to the total revenue stream including Policy and Legal News, Policy Consulting, Model Policy On-line, On Call, Annual Conference, Leadership Development Training Workshops, BoardDocs, Legislative Assembly, Legislative Conference, and others.

Included in the Required Supplementary Information is the *Budgetary Comparison Schedule - General Fund*, which shows actual resources by program and charges to program budgets for 2015 as compared to the approved budget. This schedule also shows that WSSDA's final 2015 Budgetary (Unassigned) Fund Balance for the General Fund exceeded budget projections by \$332,965.

WSSDA implemented Governmental Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions* and Statement No. 71 *Pension Transition for Contributions Made subsequent to the Measurement Date* for calendar year 2015 financial reporting which resulted in a decrease in the beginning balance of net position of \$1,026,094 in Governmental Activities. The implementation of these two new pension accounting standards reduced 2015 ending net position by \$827,746. These new accounting standards are discussed further in Note 2 of the notes to the financial statements on page 23 of this report.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to WSSDA's financial statements, which include three components: 1) government-wide financial statements, 2) governmental fund financial statements, and 3) notes to the financial statements. The focus is on both WSSDA as a whole (government-wide) and the governmental fund (General Fund). The dual perspectives allow the reader to address relevant questions, broaden a basis for comparison (year-to-year or government-to government), and enhance WSSDA's accountability.

### Government-Wide Financial Statements

The *Statement of Net Position* and the *Statement of Activities* are the primary reporting instruments of WSSDA.

The *Statement of Net Position* presents information on all of WSSDA's assets and liabilities, with the difference between the two reported as net position. The net position category is classified as Net Investment in Capital Assets, Restricted funds (if any), and Unrestricted funds. It provides a broad overview of WSSDA's finances in a manner similar to private sector business. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of WSSDA is improving or deteriorating.

The *Statement of Activities* presents information showing how WSSDA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future years (e.g., earned but unused vacation leave and mortgage payable).

The *Statement of Activities* is focused on WSSDA revenue and expense activity, with the difference between the two reported as excess or deficiency of revenues over expenses.

Expenses on the *Statement of Activities* are recognized under the accrual basis of accounting when the related fund liability is incurred. The fund liability is incurred when the goods and services have been received.

### Governmental Fund Financial Statements

WSSDA uses and reports only one type of governmental fund, the General Fund. The General Fund is WSSDA's operating fund and accounts for all the financial resources of WSSDA.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on fund balances at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the *Governmental Fund Balance Sheet* and the *Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and governmental fund financial statements.

The notes to the financial statements can be found on pages 17-31 of this report.

### **Other Information**

In addition to this discussion and analysis, this report also presents required supplementary information on budgetary comparisons and pension plans.

Required supplementary information can be found on pages 33-35 of this report.

## Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of WSSDA's financial position. WSSDA's net position, before reflecting the impact of implementing GASB Statement Nos. 68 and 71, was \$3,878,997 at the end of 2015 compared to \$3,398,021 for 2014. This is an increase of \$480,976 or 14%. After recording the effects of the new pension accounting standards, a negative adjustment of \$827,746 to net position at the end of 2015 resulted in an ending balance of \$3,051,251.

A condensed summary of WSSDA's net position at December 31 is shown below:

	<b><u>Governmental Activities</u></b>		<b>Amount</b>
	<b>2015</b>	<b>2014</b>	<b>Increase (Decrease)</b>
<b>Assets</b>			
Current Assets	\$3,141,597	\$2,665,255	\$476,342
Capital Assets, net of accum. depr.	<u>1,190,564</u>	<u>1,206,706</u>	<u>(16,142)</u>
<b>Total Assets</b>	<b><u>4,332,161</u></b>	<b><u>3,871,961</u></b>	<b><u>460,200</u></b>
<b>Deferred Outflows of Resources (Pensions)</b>	<b><u>87,929</u></b>	<b><u>-</u></b>	<b><u>87,929</u></b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u>\$4,420,090</u></b>	<b><u>\$3,871,961</u></b>	<b><u>\$548,129</u></b>
<b>Liabilities</b>			
Current Liabilities	\$ 152,105	\$ 104,401	\$ 47,704
Long-Term Liabilities	<u>1,089,243</u>	<u>369,539</u>	<u>719,704</u>
<b>Total Liabilities</b>	<b><u>1,241,348</u></b>	<b><u>473,940</u></b>	<b><u>767,408</u></b>
<b>Deferred Inflows of Resources (Pensions)</b>	<b><u>127,491</u></b>	<b><u>-</u></b>	<b><u>127,491</u></b>
<b>Net Position</b>			
Net Investment in Capital Assets	1,010,564	946,706	63,858
Unrestricted	<u>2,040,687</u>	<u>2,451,315</u>	<u>(410,628)</u>
<b>Total Net Position</b>	<b><u>3,051,251</u></b>	<b><u>3,398,021</u></b>	<b><u>(346,770)</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b><u>\$4,420,090</u></b>	<b><u>\$3,871,961</u></b>	<b><u>\$548,129</u></b>

WSSDA's revenues for 2015 total \$3,335,574, which was an increase of \$240,356 over the previous year. This was mostly due to increases from the following sources: sales of subscriptions and services in Policy and Legal Services of \$125,996, BoardDocs commissions of \$77,575, and Annual Conference of \$49,757.

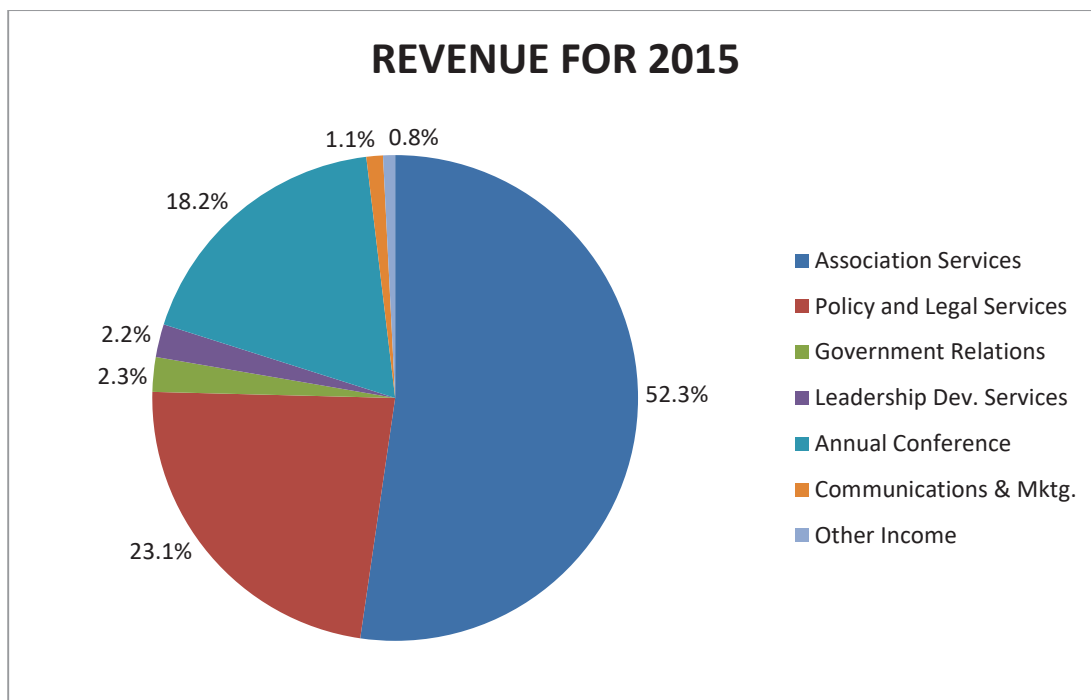
Program expenses were \$2,656,250 in 2015 which was an increase of \$79,613 over the previous year. Significant increases in expenses were in Annual Conference of \$127,821 and the BoardDocs contract of \$68,328.

A condensed summary of WSSDA's changes in net position for the year ended December 31 is shown below:

	<b>Governmental Activities</b>		<b>Amount</b>
	<b>2015</b>	<b>2014</b>	<b>Increase (Decrease)</b>
<b>Program Revenues</b>			
Charges for Services:			
Membership Dues	\$1,742,875	\$1,742,874	\$ 1
Annual Conference	607,920	558,163	49,757
Policy and Legal Services	770,999	567,428	203,571
Legislative Conference	51,931	50,097	1,834
Legislative Assembly	24,610	22,385	2,225
Leadership Development Services	74,084	90,707	(16,623)
On Call	35,621	38,058	(2,437)
Other Services	1,714	3,633	(1,919)
<b>General Revenues:</b>			
Interest Income	15,920	12,973	2,947
Other Income	<u>9,900</u>	<u>8,900</u>	<u>1,000</u>
<b>Total Revenues</b>	<b><u>3,335,574</u></b>	<b><u>3,095,218</u></b>	<b><u>240,356</u></b>
<b>Expenses</b>			
General and Administrative	1,839,126	1,928,876	(89,750)
Annual Conference	525,895	398,074	127,821
Operations and Maintenance	241,404	242,717	(1,313)
Depreciation	38,305	35,637	2,668
Incr. (Decr.) in Compensated Absences	<u>11,520</u>	<u>(28,667)</u>	<u>40,187</u>
<b>Total Expenses</b>	<b><u>2,656,250</u></b>	<b><u>2,576,637</u></b>	<b><u>79,613</u></b>
<b>Excess (Deficiency) of Revenues over Expenses – Increase (Decrease) in Net Position</b>	<b>679,324</b>	<b>518,581</b>	<b>160,743</b>
Net Position, Beginning, as restated	<u>2,371,927*</u>	<u>2,879,440</u>	<u>(507,513)</u>
<b>Net Position, Ending</b>	<b><u>\$3,051,251</u></b>	<b><u>\$3,398,021</u></b>	<b><u>\$(346,770)</u></b>

\*Reduced by \$1,026,094 as a result of implementing GASB Statement No. 68.

The following chart shows WSSDA's revenues by program for the year ended December 31, 2015:



A summary of program expenses for the year ended December 31, 2015, and the amount and percentage change in relation to the prior year amounts, is shown below.

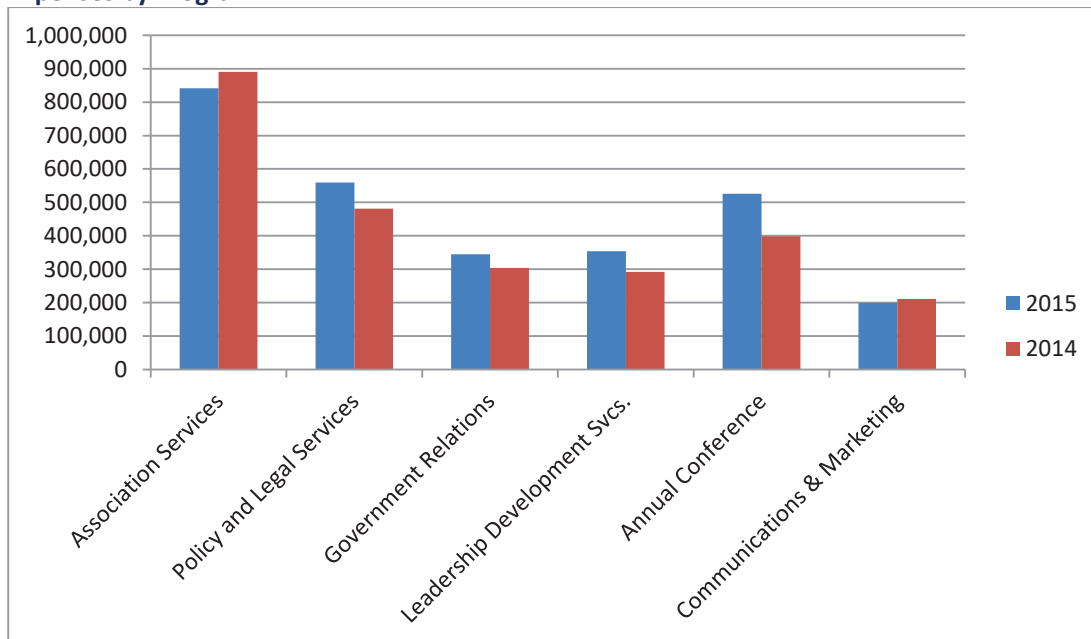
Expenses by Program	2015	2014	Amount Increase (Decrease)	Percent Increase (Decrease)
Association Services	\$ 671,613	\$ 890,436	\$(218,823)	(24.6%)
Policy and Legal Services	559,649	480,904	78,745	16.4%
Government Relations	345,299	304,078	41,221	13.6%
Leadership Development Services	354,124	291,891	62,233	21.3%
Annual Conference	525,895	398,074	127,821	32.1%
Communications and Marketing	199,670	211,254	(11,584)	(5.5%)
<b>Total Expenses</b>	<b>\$2,656,250</b>	<b>\$2,576,637</b>	<b>\$ 79,613</b>	<b>3.1%</b>

Program expenses increased by \$79,613 in 2015 compared to 2014 expenses. The 2015 Annual Conference had a \$127,821 increase of expense over 2014 resulting from higher attendance and the higher cost of the Bellevue venue as compared to Spokane in 2014. \$68,328 of Policy and Legal Services' overall expenses increase of \$78,745 was for the BoardDocs contract – this was more than offset by additional BoardDocs revenue. \$49,205 of the \$62,233 increase in Leadership Development Services' expenses is for employee salaries and benefits due to a position being vacant for most of 2014. The same applies to \$30,360 of the \$41,221 increase in Government Relations' expenses.

Programs with less cost in 2015 compared to 2014 are Association Services with \$48,679 and Communications & Marketing with \$11,584 due to an accumulation of many smaller items.

The following chart shows WSSDA's expenses by program for the years ending December 31, 2015 compared to 2014:

**Expenses by Program**



## Financial Analysis of the WSSDA General Fund

### Balance Sheet – Governmental Fund

The *Balance Sheet* is an analysis of WSSDA's General Fund current assets, current liabilities, and fund balance. Overall during 2015, total fund balance increased by \$428,638. \$371,710, or 87%, of this increase was in cash and investments.

As of the end of 2015, the WSSDA Board of Directors' has authorized \$284,602 as fund balance committed for capital improvements to the building, major maintenance, and insurance deductibles.

### Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund

The focus of WSSDA's General Fund is providing information on near-term inflows, outflows, and fund balance. In particular, the total fund balance is a useful measure of WSSDA's net resources available at the end of the fiscal year and available (within limits by policy) for the operations in the following year. For 2015, WSSDA's General Fund ending fund balance was \$2,989,492, or \$428,638 more than the end of 2014's balance of \$2,560,854. The 2015 excess of revenues over expenditures was almost the same as 2014's excess of \$429,872.

### Budgetary Comparison Schedule – General Fund

General Fund resources for 2015 were greater than budgeted estimates by \$135,300. This was mostly due to larger than expected revenues from the following sources: Annual Conference of \$47,920, sales of subscriptions and services in Policy and Legal Services of \$24,475, and BoardDocs commissions of \$78,479.

Charges to the General Fund program budgets were \$2,906,936 in 2015 which was \$209,185 under budget. Budgetary savings in the following departments contributed to the overall favorable variance: \$188,066 in Association Services and \$30,896 in Communications and Marketing.

The greater than expected resources and fewer than expected program charges resulted in a General Fund budgetary surplus of \$344,485 in 2015.

## Capital Asset and Debt Administration

### Capital Assets

WSSDA's investment in capital assets for its governmental activities as of December 31, 2015, totaled \$1,190,564 (net of accumulated depreciation). This investment in capital assets includes land, building, improvements, furnishings, and equipment.

During 2015, WSSDA's investment in capital assets, net of current year depreciation, decreased overall by \$16,142 from the previous year-end. Three new computers totaling \$5,416 and a new telephone system for \$16,747 were purchased and capitalized in 2015. Also during 2015, two computers, a printer, and the old telephone system, all originally costing \$35,213, were disposed of and deleted from inventory. These items were fully depreciated.

Additional information on WSSDA's capital assets can be found in Note 5 on page 24 of this report.

A summary of WSSDA's capital assets for the years ended December 31, 2015, and 2014, and the amount of change in relation to the prior year amounts, is shown below.

	<u>Governmental Activities</u>		<u>Amount</u>
<u>Capital Assets, Net of Depreciation</u>	<u>2015</u>	<u>2014</u>	<u>Increase</u> <u>(Decrease)</u>
Land	\$ 368,700	\$ 368,700	\$ -
Building and Improvements, net	788,058	815,876	(27,818)
Furnishings and Equipment, net	<u>33,806</u>	<u>22,130</u>	<u>11,676</u>
<b>Total Capital Assets, Net</b>	<b>\$1,190,564</b>	<b>\$1,206,706</b>	<b>\$(16,142)</b>

### Long-Term Debt

Long-term debt represents the mortgage obligation for financing the land and building at 221 College Street NE, Olympia, Washington. The outstanding balance at the end of 2015 is \$180,000. The debt will be paid in full on July 1, 2017.

Additional information on WSSDA's mortgage debt obligation is presented in Note 6 on page 25 of this report.

A summary of WSSDA's long-term debt for the years ended December 31, 2015, and 2014, and the amount of change in relation to the prior year amounts, is shown below.

	<u>Governmental Activities</u>		<u>Amount</u>
<u>Long-Term Debt</u>	<u>2015</u>	<u>2014</u>	<u>Increase</u> <u>(Decrease)</u>
Mortgage due within one year	\$ 85,000	\$ 80,000	\$ 5,000
Mortgage due after one year	<u>95,000</u>	<u>180,000</u>	<u>(85,000)</u>
<b>Total Long-Term Debt</b>	<b>\$180,000</b>	<b>\$260,000</b>	<b>\$(80,000)</b>

## Requests for Information

This financial report is designed to provide a general overview of WSSDA's finances for the year 2015. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Christopher W. Carlile, CPA, CGFM  
Director of Finance and Operations  
Washington State School Directors' Association  
221 College Street NE  
Olympia, Washington 98516  
(360) 252-3003

# Management's Discussion and Analysis

As management of the Washington State School Directors' Association (WSSDA), we offer a narrative overview and analysis of the financial activities of WSSDA for the year ending December 31, 2014.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to WSSDA's financial statements, which include three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The financial statements are a systematic and convenient presentation of the financial position and operating performance of WSSDA. The Statement of Net Position and a Statement of Activities are the primary reporting instruments of WSSDA.

The Statement of Net Position presents information on all of WSSDA's assets and liabilities, with the difference between the two reported as net position. The net position category is classified as Net Investment in Capital Assets and Unrestricted funds. It provides a broad overview of the WSSDA finances in a manner similar to private sector business. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of WSSDA is improving or deteriorating.

The *Statement of Activities* presents information showing how WSSDA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future years (e.g., earned but unused vacation leave and mortgage payable).

The Statement of Activities is focused on WSSDA revenue and expense activity, with the difference between the two reported as excess or deficiency of revenues over expenses.

WSSDA reports only one type of governmental fund, the General Fund. The General Fund is WSSDA's operating fund and accounts for all the financial resources of WSSDA.

Expenses on the *Statement of Activities* are recognized under the accrual basis of accounting when the related fund liability is incurred. The fund liability is incurred when the goods and services have been received.

## Financial Highlights

- Long-term mortgage debt decreased by \$80,000. The decrease is the result of principal payments during the year.
- WSSDA increased reserves \$518,581.
- The annual conference was held in Spokane and provided revenue of \$558,163 that was \$73,163 greater than budget.
- Annual dues were the same as the previous year, \$1,742,874.
- Policy and Legal service revenue increased \$39,428 over budget due to revenue increases in BoardDocs, Policy and Legal News, and Model Policy On-Line.
- Strategic planning revenue increased \$21,241 over the budget.
- Total expenses were \$369,954 less than budget that was largely due to not incurring anticipated expense for an Executive Director search and fewer staff during 2014.

Six programs constitute the overall operations involving the Statement of Activities. They are Association Services, Policy and Legal Services, Governmental Relations, Leadership Development, Annual Conference, and Communications.

The largest revenue item for WSSDA is annual dues revenue. The voting directors at the annual Delegate Assembly determine the dues amount within the limits provided by law. The Board may approve additional revenue activities as permitted by WSSDA's enabling act. Several additional revenue activities contribute to the total revenue stream including Policy & Legal News, Policy Consulting, Model Policy On-line, On Call, Annual Conference, Leadership Development Training Workshops, BoardDocs, Legislative Assembly, Legislative Conference, and others.

Included in the statements is the *Budgetary Comparison Schedule*, which shows the revenues and expenditures for 2014, compared to the budget. The WSSDA Statement of Activities Unrestricted Fund balance exceed the budget projections \$518,581.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of WSSDA's financial position. WSSDA's net position is \$3,398,021 in 2014 compared to \$2,879,440 in 2013. This is an increase of \$518,581 or 18%.

The WSSDA Board of Directors' has authorized \$284,602 as a committed fund designated for insurance, maintenance and building reserve.

### Condensed Comparative Financial Data

A condensed summary of WSSDA's net position at December 31 is shown below:

	2014	2013	Amount Increase (Decrease)
<b>Assets</b>			
Current Assets	\$2,665,255	\$2,197,356	\$467,899
Capital Assets Net of Depreciation	<u>1,206,706</u>	<u>1,226,664</u>	<u>(19,958)</u>
<b>Total Assets</b>	<b>\$3,871,961</b>	<b>\$3,424,020</b>	<b>\$447,941</b>
<b>Liabilities</b>			
Current Liabilities	184,401	146,374	38,026
Long-Term Liabilities:			
Compensated Absences	109,539	138,206	(28,667)
Mortgage Due after One Year	<u>180,000</u>	<u>260,000</u>	<u>(80,000)</u>
<b>Total Liabilities</b>	<b>473,940</b>	<b>544,580</b>	<b>(70,641)</b>
<b>Net Position</b>			
Net Investment in Capital Assets	866,706	886,665	(19,959)
Unassigned	<u>2,531,315</u>	<u>1,992,775</u>	<u>538,540</u>
<b>Total Net Position</b>	<b>\$3,398,021</b>	<b>\$ 2,879,440</b>	<b>\$ 518,581</b>

## Results of Operations

A condensed summary of revenues for the year ended December 31 is shown below:

	2014	2013	Amount Increase (Decrease)
<b>Operating Revenues</b>			
<b>Charges for Services</b>			
Membership Dues	1,742,874	1,742,874	-
Annual Conference	558,163	559,015	(852)
Policy and Legal Services	567,428	534,978	32,450
Legislative Conference	50,097	68,050	(17,953)
Legislative Assembly	22,385	26,445	(4,060)
Leadership Development	90,707	108,334	(17,627)
On Call	38,058	29,700	8,358
Other Services	3,633	1,656	1,977
			-
<b>General Revenue</b>			-
Interest Income	12,973	9,508	3,465
Other Income	8,900	13,825	(4,925)
<b>Total Revenues</b>	<b>3,095,218</b>	<b>3,094,385</b>	<b>833</b>
			-
<b>Expenses</b>			-
General and Administrative	1,928,876	1,900,698	28,178
Annual Conference	398,074	433,494	(35,420)
Operations and Maintenance	242,717	234,198	8,519
Depreciation	35,637	36,965	(1,328)
Decrease in Compensated Absences	(28,667)	17,004	(45,671)
<b>Total Expense</b>	<b>2,576,637</b>	<b>2,622,359</b>	<b>(45,722)</b>
<b>Total Change in Net Position</b>	<b>518,581</b>	<b>472,026</b>	<b>46,555</b>
<b>Net Position: Beginning of the Year</b>	<b>2,879,440</b>	<b>2,407,414</b>	<b>472,026</b>
<b>Net Position: End of Year</b>	<b>3,398,021</b>	<b>2,879,440</b>	<b>518,581</b>

## Statement of Activities

WSSDA revenue for 2014 was \$3,095,218 and exceeded budget by \$150,644 due to \$73,163 larger than expected revenue from conference registrations, increased sales of subscriptions in policy and legal services of \$39,428, and a revenue increase of \$23,006 in governmental relations for the legislative assembly and legislative conference.

Expenses were \$2,665,346 in 2014 and \$369,950 less than budget. The decrease in expense compared to the budget is the result of \$294,341 less expense in association services; \$16,510 less in governmental relations; \$66,600 less in leadership development; and \$10,128 less in communications.

## FINANCIAL ANALYSIS OF THE WSSDA GENERAL FUND

As noted earlier WSSDA uses one fund, the General Fund, and it is a governmental type of fund.

### Balance Sheet – Governmental Fund

The Balance Sheet is an analysis of WSSDA's General Fund, assets and liabilities as of the budget projection for the 2014 included funding for the recruitment and moving expense of a new executive director that did not have to be used. Payroll expense for WSSDA was less because of changes in personnel that were not anticipated when the budget was built. Maintenance and operations budget included \$50,000 in capital improvements that were not used.

The expense decreases to budget are the result of the following: payroll and benefits (\$176,190); board and officers (\$21,277); committees and task forces (\$10,518); maintenance and operations (\$71,582); staff travel (\$19,129); preconference (\$10,878); and contracted services of \$64,582. The focus of WSSDA's General Fund is providing information on near-term inflows, outflows, and balances of funds. In particular, the total fund balance is a useful measure of WSSDA's net resources available at the end of the fiscal year and available (within limits by policy) for the operations in the following year. As of December 31, 2014 WSSDA's General Fund budgetary comparison reported a fund balance of \$2,560,854 compared to the prior year of \$2,130,984.

### Budgetary Comparison Schedule

The 2014 revenue projections were greater than projected by \$150,644. Expenditures were under the projection by \$369,950. The net result is a fund balance increase over budget of \$520,594.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

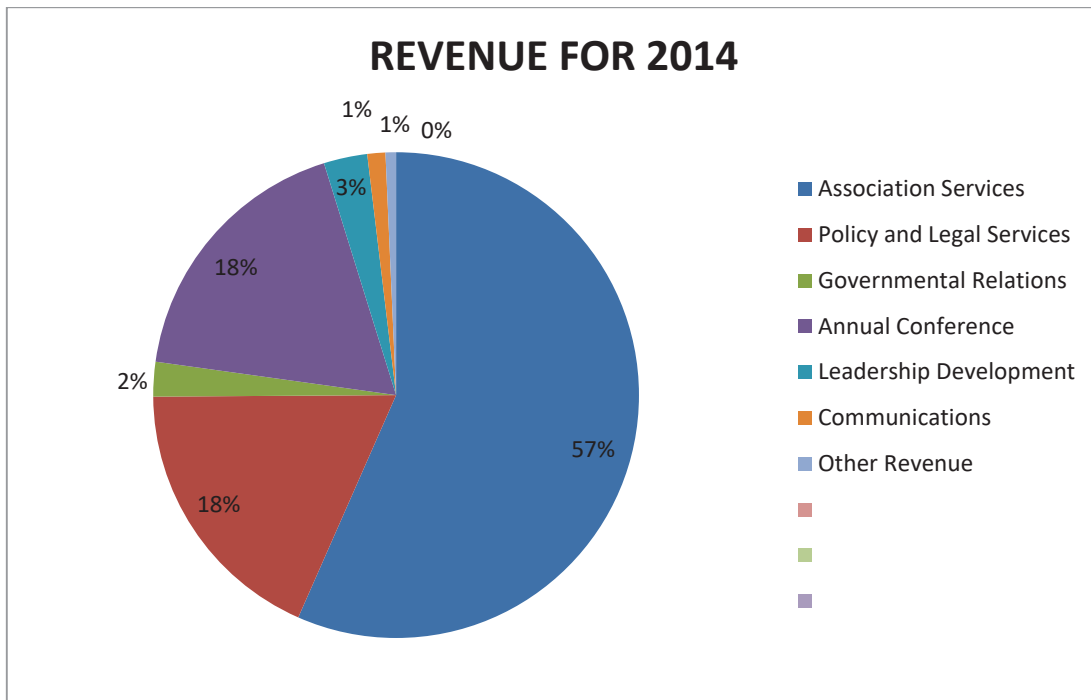
Computers totaling \$17,473 were purchased and capitalized in 2014. (Note 2)

### Long-Term Debt

Long-term debt represents the Mortgage obligation for the financing of the land and building at 221 College Street NE, Olympia, Washington. The balance outstanding at the end of 2014 is \$260,000. The debt will be paid in full on July 1, 2017. (Note 3)

Below are graphs providing comparisons of the association's revenue and expenses for the year ended December 31, 2014.

The following chart shows revenues by program for the year ended December 31, 2014.



A summary of program expenses for the year ended December 31, 2014, and the amount and percentage change in relation to the prior year amounts, is shown below.

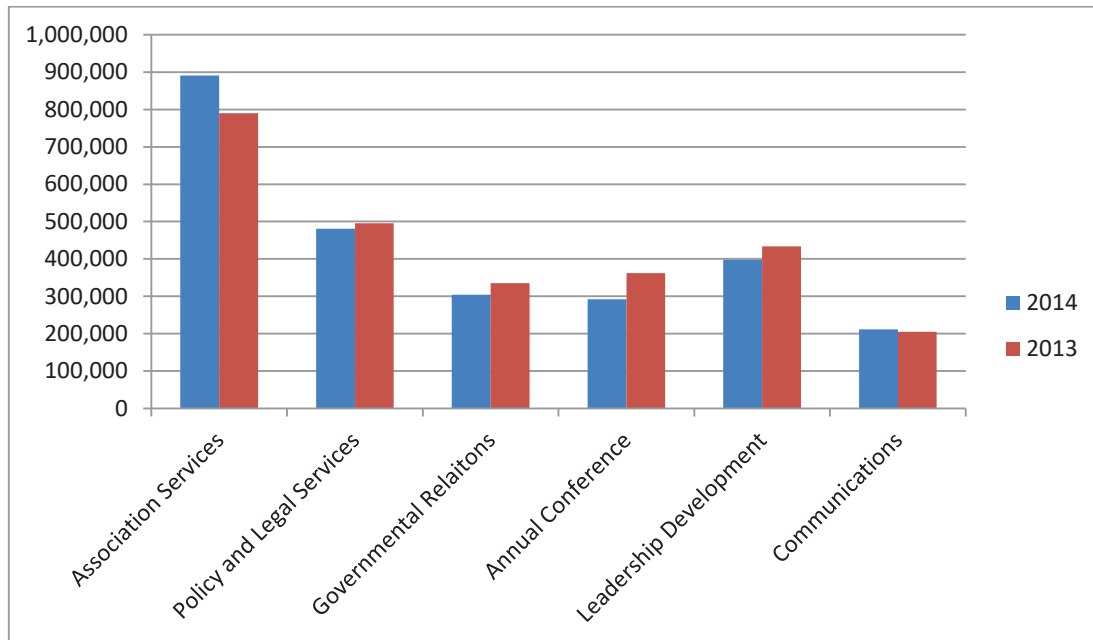
	2014	2013	Amount Increase (Decrease)	Percent Increase (Decrease)
<b>Program Expense</b>				
Association Services	890,436	790,341	100,095	12.7%
Policy & Legal Services	480,904	495,464	(14,560)	-2.9%
Governmental Relations	304,078	335,532	(31,454)	-9.4%
Leadership Development	291,891	362,074	(70,183)	-19.4%
Annual Conference	398,074	433,494	(35,420)	-8.2%
Communications	211,254	205,454	5,800	2.8%
<b>Total Expense</b>	<b>2,576,637</b>	<b>2,622,359</b>	<b>(45,722)</b>	<b>-1.7%</b>

Program expense decreased \$45,722 in 2014 compared to the 2013 expense. Association Services had an increase of expense over 2013 resulting from the termination and the payout of benefits of the Executive Director and the replacement by an acting executive director (this was all projected in the budget).

Programs with less cost in 2014 compared to 2013 are Policy and Legal Services (\$14,560) due to less payroll; Governmental Relations (\$31,454) due to less cost for committees and conferences; Leadership Development (\$70,183) due to less payroll expense resulting from a resignation of an employee; and the Annual Conference (\$35,420) due to less cost of the conference in Spokane compared to Bellevue in 2013.

The following chart shows expenses by service type for the years ending December 31, 2014 compared to 2013.

### WSSDA Service Expense



### Requests for Information

The financial report is designed to provide a general overview of WSSDA's finances for the year 2014. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Harry Frost  
Director of Finance  
Washington State School Directors' Association  
221 College Street NE, Olympia, WA 98516  
360-252-3003

# Washington State School Directors' Association

## Statement of Net Position

### December 31, 2015

#### Governmental Activities

#### Assets

##### Current Assets:

Cash and Cash Equivalents (Note 3)	\$ 100,930
Investments (Note 3)	2,815,635
Accounts Receivable (Note 4)	186,248
Prepaid Items (Note 1.D.3)	<u>38,784</u>
Total Current Assets	<u>3,141,597</u>

##### Capital Assets (Note 5):

Non-Depreciable Assets	368,700
Depreciable Assets (Net of Accumulated Depreciation)	<u>821,864</u>
Total Capital Assets	<u>1,190,564</u>

**Total Assets** **4,332,161**

#### Deferred Outflows of Resources

Deferred Outflows on Pensions (Note 7)	<u>87,929</u>
--	---------------

**Total Assets and Deferred Outflows of Resources** **\$4,420,090**

#### Liabilities

##### Current Liabilities:

Accounts Payable	\$ 137,292
Sales Tax Payable	4,015
Benefits Payable	3,020
Unearned Revenues (Note 4)	<u>7,778</u>
Total Current Liabilities	<u>152,105</u>

##### Long-Term Liabilities (Note 6):

Compensated Absences	121,059
Mortgage Due Within One Year	85,000
Mortgage Due After One Year	95,000
Net Pension Liability (Note 7)	<u>788,184</u>
Total Long-Term Liabilities	<u>1,089,243</u>

**Total Liabilities** **1,241,348**

#### Deferred Inflows of Resources

Deferred Inflows on Pensions (Note 7)	<u>127,491</u>
---------------------------------------	----------------

#### Net Position (Note 1.D.9)

Net Investment in Capital Assets	1,010,564
Unrestricted	<u>2,040,687</u>
<b>Total Net Position</b>	<b><u>3,051,251</u></b>

**Total Liabilities, Deferred Inflows of Resources, and Net Position** **\$4,420,090**

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

## Statement of Net Position

<b>Assets</b>	<b>Governmental Activities 2014</b>
Cash and Cash Equivalents <i>(Note 4)</i>	\$63,140
Investments <i>(Note 4)</i>	2,481,715
Accounts Receivable	102,580
Prepaid Expenses	11,229
Prepaid Interest	<u>6,591</u>
<b>Total Current Assets</b>	<b>2,665,255</b>
Capital Assets <i>(Note 2)</i>	368,700
Non-Depreciable Assets	<u>838,006</u>
<b>Total Capital Assets</b>	<b>1,206,706</b>
<b>Total Assets</b>	<b>3,871,961</b>
<b>Liabilities</b>	
Accounts Payable	88,241
Sales Tax Payable	2,433
Benefits Payable	3,067
Unearned Revenue <i>(Note 6)</i>	<u>10,660</u>
Total Current Liabilities	104,401
Long-Term Liabilities <i>(Note 3)</i> :	
Compensated Absences	109,539
Mortgage Due within One Year	80,000
Mortgage Due After One Year	<u>180,000</u>
Total Long-Term Liabilities	369,539
<b>Total Liabilities</b>	<b>473,940</b>
<b>Net Position</b>	
Net Investment in Capital Assets	946,706
Unrestricted	<u>2,451,315</u>
<b>Total Net Position</b>	<b>\$3,398,021</b>

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

**Washington State School Directors' Association**  
**Statement of Activities**  
**For the Year Ended December 31, 2015**

	<u><b>Governmental Activities</b></u>
<b>Expenses (by Program)</b>	
Association Services	\$ 922,299
Less Pension Obligation Expense Adjustment	(198,348)
Less Capital Outlays	(22,163)
Less Principal Payment on Mortgage	(80,000)
Plus Depreciation Expense	38,305
Plus Increase in Compensated Absences Liability	<u>11,520</u>
Total Association Services	671,613
Policy and Legal Services	559,649
Government Relations	360,365
Leadership Development Services	339,058
Annual Conference	525,895
Communications and Marketing	<u>199,670</u>
<b>Total Expenses</b>	<u><b>2,656,250</b></u>
<b>Program Revenues</b>	
Charges for Services:	
Association Services	1,744,589
Policy and Legal Services	770,999
Government Relations	76,541
Leadership Development Services	74,084
Annual Conference	607,920
Communications and Marketing	<u>35,621</u>
<b>Total Program Revenues</b>	<u><b>3,309,754</b></u>
<b>General Revenues</b>	
Interest Income	15,920
Other Income	<u>9,900</u>
<b>Total General Revenues</b>	<u><b>25,820</b></u>
<b>Total Revenues</b>	<u><b>3,335,574</b></u>
<b>Excess (Deficiency) of Revenues over Expenses - Increase (Decrease) in Net Position</b>	  <b>679,324</b>
Net Position - Beginning, as restated (Note 2)	<u>2,371,927</u>
<b>Net Position - Ending</b>	<u><b>\$3,051,251</b></u>

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

# Statement of Activities

## Governmental Activities 2014

### Expenses (Current by Program)

Association Services	\$979,145
Less Capital Asset Outlays	(17,474)
Less Principal Payment on Mortgage	(80,000)
Plus Disposals (net book value)	(554)
Plus Depreciation Expense	37,986
Decrease in Compensated Absences Liability	<u>(28,667)</u>
<b>Total Association Services</b>	<b>890,436</b>

Policy & Legal Services	480,904
Governmental Relations	304,078
Leadership Development	291,891
Annual Conference	398,074
Communications and Marketing	<u>211,254</u>
<b>Total Expenses</b>	<b>2,576,637</b>

### Program Revenues

Charges for Services:	
Association Services	1,746,483
Policy & Legal Services	567,428
Governmental Relations	72,506
Leadership Development	90,707
Annual Conference	558,163
Communications and Marketing	<u>38,058</u>
<b>Total Program Revenue</b>	<b>3,073,345</b>

<b>Grant Revenue</b>	<b>0</b>
----------------------	----------

### General Revenue

Interest Income	12,973
Other Income	<u>8,900</u>
<b>Total General Revenue</b>	<b>21,873</b>

<b>Total Revenue</b>	<b>3,095,218</b>
----------------------	------------------

Excess (Deficiency) of Revenues over Expenses	518,581
---	---------

### Changes in Net Position

Beginning	2,879,440
<b>Ending</b>	<b>\$3,398,021</b>

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

**Washington State School Directors' Association  
Governmental Fund Balance Sheet and  
Reconciliation to the Statement of Net Position  
December 31, 2015**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>Assets</b>			
Cash and Investments (Note 3)	\$2,916,565	-	\$2,916,565
Accounts Receivable (Note 4)	186,248	-	186,248
Prepaid Items (Note 1.D.3)	38,784	-	38,784
Capital Assets, Net of			
Accumulated Depreciation (Note 5)	-	1,190,564	<u>1,190,564</u>
<b>Total Assets</b>	<u><b>\$3,141,597</b></u>		<u><b>4,332,161</b></u>
<b>Deferred Outflows of Resources</b>			
Deferred Outflows on Pensions (Note 7)	-	87,929	<u><b>87,929</b></u>
<b>Total Assets and Deferred Outflows of Resources</b>			<u><b>\$4,420,090</b></u>
<b>Liabilities</b>			
Accounts Payable	\$ 137,292	-	\$ 137,292
Sales Tax Payable	4,015	-	4,015
Benefits Payable	3,020	-	3,020
Unearned Revenues (Note 4)	7,778	-	7,778
Long Term Liabilities (Note 6):			
Compensated Absences	-	121,059	121,059
Mortgage Due Within One Year	-	85,000	85,000
Mortgage Due After One Year	-	95,000	95,000
Net Pension Liability (Note 7)	-	788,184	<u>788,184</u>
<b>Total Liabilities</b>	<u><b>152,105</b></u>		<u><b>1,241,348</b></u>
<b>Deferred Inflows of Resources</b>			
Deferred Inflows on Pensions (Note 7)	-	127,491	<u><b>127,491</b></u>
<b>Fund Balance/Net Position (Note 1.D.9)</b>			
<b>Fund Balance:</b>			
Committed:			
Capital Improvements (Building)	200,000	(200,000)	
Major Maintenance	74,602	(74,602)	
Insurance Deductibles	10,000	(10,000)	
Unassigned	<u>2,704,890</u>	(2,704,890)	
<b>Total Fund Balance</b>	<u><b>2,989,492</b></u>		
<b>Total Liabilities and Fund Balance</b>	<u><b>\$3,141,597</b></u>		
<b>Net Position:</b>			
Net Investment in Capital Assets		1,010,564	1,010,564
Unrestricted		2,040,687	<u>2,040,687</u>
<b>Total Net Position</b>			<u><b>3,051,251</b></u>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>			<u><b>\$4,420,090</b></u>

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

# Governmental Fund Balance Sheet and Reconciliation to the Statement of Net Position

	<u>General Fund</u>	<u>Adjustments</u>	Statement of <u>Net Assets</u>
<b>Assets</b>			
Cash and Investments (Note 4)	\$2,544,855	0	\$2,544,855
Accounts Receivable	102,580	0	102,580
Prepaid Expenses	11,229	0	11,229
Prepaid Interest	6,591	0	6,591
Capital Assets, Net of Accumulated Depreciation (Note 2)			
		1,206,706	1,206,706
<b>TOTAL ASSETS</b>	<b>\$2,665,255</b>	<b>1,206,706</b>	<b>\$3,871,961</b>
<b>Liabilities</b>			
Accounts Payable	88,241		88,241
Sales Tax Payable	2,433		2,433
Benefits Payable	3,067		3,067
Unearned Revenue (Note 6)	10,660		10,660
Long Term Liabilities (Note 3):			
Compensated Absences		109,539	109,539
Mortgage due within one year		80,000	80,000
Mortgage due after one year		180,000	180,000
<b>TOTAL LIABILITIES</b>	<b>104,401</b>	<b>369,539</b>	<b>473,940</b>
<b>Fund Balance/Net Position</b>			
Fund Balances:			
Committed (Note 1)			
Insurance	10,000	(10,000)	
Maintenance Reserve	74,602	(74,602)	
Building Reserve	200,000	(200,000)	
Unassigned (Note 1)	2,276,252	(2,276,252)	
<b>TOTAL FUND BALANCES</b>	<b>2,560,854</b>	<b>(2,560,854)</b>	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$2,665,255</b>		
<b>Net Position:</b>			
Net Investment in Capitol Assets		946,706	946,706
Unrestricted		2,451,315	2,451,315
<b>TOTAL NET POSITION</b>		<b>\$3,398,021</b>	<b>\$3,398,021</b>

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

**Washington State School Directors' Association  
Governmental Fund Statement of Revenues, Expenditures,  
and Changes in Fund Balance and  
Reconciliation to the Statement of Activities  
For the Year Ended December 31, 2015**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues</b>			
Charges for Services (by Program):			
Association Services	\$1,744,589	-	\$1,744,589
Policy and Legal Services	770,999	-	770,999
Government Relations	76,541	-	76,541
Leadership Development Services	74,084	-	74,084
Annual Conference	607,920	-	607,920
Communications and Marketing	35,621	-	35,621
General Revenues:			
Interest Income	15,920	-	15,920
Other Income	<u>9,900</u>	-	<u>9,900</u>
<b>Total Revenues</b>	<b><u>3,335,574</u></b>		<b><u>3,335,574</u></b>
<b>Expenditures/Expenses</b>			
Current Program Operating Expenditures	2,813,861	-	2,813,861
Less: Pension Obligation Expense Adjustment	-	(198,348)	(198,348)
Capital Outlays	-	(22,163)	(22,163)
Less: Depreciation Expense	-	38,305	38,305
Debt Service:			
Principal Payment on Mortgage	80,000	(80,000)	-
Interest Payment on Mortgage	13,075	-	13,075
Increase in Compensated Absences Liability	<u>-</u>	11,520	<u>11,520</u>
<b>Total Expenditures/Expenses</b>	<b><u>2,906,936</u></b>		<b><u>2,656,250</u></b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>428,638</b>		<b>679,324</b>
<b>Fund Balance/Net Position</b>			
Beginning of the Year	<u>2,560,854</u>		<u>2,371,927*</u>
<b>End of the Year</b>	<b><u>\$2,989,492</u></b>		<b><u>\$3,051,251</u></b>

\*As restated (Note 2)

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

# Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and Reconciliation to the Statement of Activities

	<i>General Fund</i>	<i>Adjustments</i>	<i>Statement of Activities</i>
<b>Expenditures/expenses</b>			
Association Services			
Operations	\$2,559,539		\$2,559,539
Depreciation expense	(37,986)	37,986	
Compensated absences	28,667	(28,667)	
Capital asset disposals	554	(554)	
Capital outlays	17,474	(17,474)	
Debt service:			
Principal	80,000	(80,000)	
Interest	<u>17,098</u>		<u>17,098</u>
<b>TOTAL EXPENDITURE/EXPENSES</b>	<b>\$2,665,346</b>	<b>\$(88,709)</b>	<b>\$2,576,637</b>
<b>Program revenues</b>			
Charges for services			
Association Services	1,746,483		1,746,483
Policy & Legal Services	567,428		567,428
Governmental Relations	72,506		72,506
Leadership Development	90,707		90,707
Annual Conference	558,163		558,163
Communications and Marketing	<u>38,058</u>		<u>38,058</u>
<b>TOTAL PROGRAM REVENUES</b>	<b>3,073,345</b>		<b>3,073,345</b>
<b>Net program revenue</b>			<b>496,708</b>
<b>General revenue</b>			
Interest income	12,973		12,973
Other income	<u>8,900</u>		<u>8,900</u>
<b>TOTAL GENERAL REVENUES</b>	<b>21,873</b>		<b>21,873</b>
<b>TOTAL REVENUES</b>	<b>3,095,218</b>		<b>3,095,218</b>
Excess (deficiency) of Revenue over expense	429,872	88,709	518,581
<b>Fund balance/net position</b>			
Beginning of the year	2,130,982		2,879,440
<b>End of the year</b>	<b>2,560,855</b>		<b>3,398,021</b>

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

## Budgetary Comparison Statement of General Fund

	Original & Final <u>Budget 2014</u>	<u>Actual</u>	<u>Variance</u>
Budgetary Fund Balance, January 1	\$2,130,982	\$2,130,982	\$0
<b>Resources (by program)</b>			
Charges for Services:			
Association Services	1,744,374	1,746,483	2,109
Policy and Legal Services	528,000	567,428	39,428
Governmental Relations	49,500	72,506	23,006
Leadership Development	81,300	90,707	9,407
Annual Conference	485,000	558,163	73,163
Communications & Marketing	<u>37,500</u>	<u>38,058</u>	<u>558</u>
TOTAL PROGRAM REVENUES	2,925,674	3,073,345	147,671
<b>General Revenue</b>			
Interest Income	10,000	12,973	2,973
Rental Income	0	0	0
Other Income	<u>8,900</u>	<u>8,900</u>	<u>0</u>
TOTAL GENERAL REVENUE	18,900	21,873	2,973
TOTAL RESOURCES (BY PROGRAM)	2,944,574	3,095,218	150,644
<b>Expenditures (by program)</b>			
Association Services	1,273,486	979,145	-294,341
Policy & Legal Services	465,433	480,904	15,471
Governmental Relations	320,588	304,078	-16,510
Leadership Development	358,491	291,891	-66,600
Annual Conference	395,916	398,074	2,158
Communications & Marketing	<u>221,382</u>	<u>211,254</u>	<u>-10,128</u>
TOTAL EXPENDITURES (BY PROGRAM)	3,035,296	2,665,346	-369,950
<b>Budgetary Fund Balance, December 31</b>	2,130,982	2,560,854	429,872
<b>Fund Balance Increase (decrease) over budget</b>	(\$90,722)	\$429,872	\$520,594

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

# Washington State School Directors' Association

## Notes to the Financial Statements

### For the Year Ended December 31, 2015

#### Note 1 – Summary of Significant Accounting Policies

The financial statements of the Washington State School Directors' Association (WSSDA) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

##### 1.A. Reporting Entity

WSSDA is a self-governed and self-funded state agency organized pursuant to Chapter 28A.345 Revised Code of Washington (RCW) for the purpose of providing leadership for the continual improvement of the public school system to assure effective learning for all students and that school board members develop their skills and acquire the knowledge necessary to fulfill their responsibilities. Oversight responsibility for WSSDA's operation is vested with the independently elected Board of Directors. Fiscal responsibility, including budget authority, also rests with the Board of Directors.

For financial reporting purposes, WSSDA includes all funds, account groups, and organizations that are controlled by or dependent on WSSDA's Board of Directors. Control by or dependence on WSSDA was determined on the basis of budget adoption. The Board of Directors' adopted budget shows the financial position and condition through variance comparison between budgeted and actual amounts prepared in accordance with GAAP.

##### 1.B. Government-wide and Fund Financial Statements

###### Government-wide Financial Statements

WSSDA presents two basic government-wide financial statements: the *Statement of Net Position* and the *Statement of Activities*. These government-wide financial statements report information on all activities of WSSDA. WSSDA has governmental activities only, no business-type activities.

**Statement of Net Position.** The *Statement of Net Position* presents WSSDA's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

**Statement of Activities.** The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Our policy is to allocate indirect costs to each specific function. Program revenues include: 1) membership dues charged to school districts in accordance with Chapter 28A.345 RCW; 2) subscription services purchased for direct use; 3) conference fees, workshops, and purchases of special goods or services; and 4) grants that are restricted to meeting the operational and capital requirements or particular function.

## Fund Financial Statements

WSSDA's accounts are organized on the basis of its General Fund and subsidiary accounts, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures as appropriate. The General Fund and subsidiary accounts in the report are grouped as follows:

### **Governmental Funds:**

**General Fund** is used to account for all expendable financial resources for the operations of WSSDA.

### **Subsidiary Accounts:**

**General Capital Assets** subsidiary account establishes accounting control over all the recorded capital assets used in general governmental operations.

**General Long-Term Obligations** subsidiary account reflects the outstanding principal debt of WSSDA and liabilities for compensated absences and unfunded future pension costs.

## **1.C. Measurement Focus and Basis of Accounting**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With the current financial resources measurement focus, generally only current assets, current liabilities, and deferred inflows/outflows of resources are included on the governmental funds balance sheet. Operating statements for these funds present inflows (i.e., revenues and other financing sources) and outflows (i.e., expenditures and other financing uses) of expendable financial resources. Under the modified accrual basis of accounting, revenues are recognized as soon as they become both measurable and available. "Measurable" means the amount of the transaction can be reasonably estimated. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, WSSDA considers accrued revenues to be available if they are collected within 12 months of the end of the current fiscal period. Expenditures are recognized when the related liability is incurred. However, unmatured interest on general long-term obligations is recognized when due, and compensated absences and unfunded future pension costs are recognized when the obligations are expected to be liquidated with available spendable financial resources.

## **1.D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

**1.D.1. Cash and investments** of WSSDA are reported on the accompanying *Statement of Net Position and Balance Sheet* as "Cash and Investments." WSSDA invests cash balances where funds can be disbursed at any time without prior notice or penalty. Additional disclosure describing investments is provided in Note 3.

**1.D.2. Receivables** are amounts owed to WSSDA consisting of outstanding invoices for school districts for membership dues, conference fees, workshops, and purchases of goods and services. Receivables are recorded when either the asset or revenue recognition criteria (refer to Note 1.C) have been met. All receivables are reported net of an allowance for accounts estimated to be uncollectible.

**1.D.3. Prepaid items** are those certain types of supplies and/or services (not inventory) that are acquired or purchased during an accounting period but not used or consumed during that accounting period. The portion of supplies or services consumed or used during a period is recorded as an expense. The balance that remains is reported as an asset until consumed or used.

**1.D.4. Capital Assets** are defined by WSSDA as assets with an initial individual cost of \$1,000 or more and an estimated useful life of greater than one year. Such assets are recorded at historical cost if purchase or constructed, or estimated historical cost if actual cost is unknown. Maintenance, repairs, and minor renewals are accounted for as expenditures when incurred.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

The costs for normal maintenance and repairs are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

- Land.....Not depreciated
- Building.....50 years
- Building components.....10-25 years
- Furniture and fixtures.....10 years
- Computer equipment.....4 years
- Machinery and equipment.....6-7 years

#### **1.D.5. Deferred Outflows/Inflows of Resources**

In addition to assets, the *Statement of Net Position* reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of fund equity that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The category of deferred outflow of resources reported in the government-wide *Statement of Net Position* relates to pensions.

Deferred outflows on pensions are recorded when actual earnings on pension plan investments exceed projected earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred outflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in WSSDA's proportionate share of the state's net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan. WSSDA's contributions to pension plans made subsequent to the measurement date are also deferred and reduce net pension liability in the subsequent year.

In addition to liabilities, the *Statement of Net Position* reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of fund equity that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources reported by WSSDA relate to pensions.

Deferred inflows on pensions are recorded when projected earnings on pension plan investments exceed actual earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred inflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in WSSDA's proportionate share of the state's net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan.

**1.D.6. Compensated Absences** is the cash value of the staff accrued vacation leave, accrued compensatory time, and accrued sick leave. The amount of the compensated absences liability is based on each employee's salary at the financial statement date.

- **Vacation Leave** – Employees accrue vested vacation leave at a variable rate based on years of service. In general, accrued vacation leave cannot exceed 240 hours at the employee's anniversary date. Employee vacation accrual is payable upon resignation, retirement, or death. Actual compensation is based upon the employee's salary at the time of separation.
- **Compensatory Time** – Employees not exempt from the Fair Labor Standards Act (FLSA) who work more than 40 hours in a week shall be paid at the rate of time and one-half. At the employee's election, compensatory time may be awarded in lieu of time and one-half pay.
- **Sick Leave** – Employees accrue sick leave at the rate of one day per month without limitation on the amount that can be accumulated. Sick leave is not vested, i.e., WSSDA does not pay employees for unused sick leave upon termination except upon the employee's death or retirement. At death or retirement, WSSDA is liable for 25 percent of the employee's accumulated sick leave. In addition, WSSDA has a sick leave buyout option in which, each January, employees who accumulate sick leave in excess of 480 hours may redeem sick leave earned but not taken during the previous year at the rate of one day's pay in exchange for each four days of sick leave.

For government-wide reporting purposes, WSSDA reports compensated absences obligations as liabilities on the *Statement of Net Position*. For governmental fund statement reporting purposes, WSSDA recognizes an expenditure for annual, compensatory, and sick leave when it is payable, i.e., upon the employee's use, resignation, or retirement.

#### **1.D.7. Long-Term Liabilities**

In the government-wide financial statements, long-term obligations of WSSDA are reported as liabilities on the *Statement of Net Position*.

For governmental fund financial reporting, since the focus is on near-term inflows and outflows of spendable resources, long-term liabilities are not reporting on the *Balance Sheet*.

#### **1.D.8. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### **1.D.9. Fund Equity**

In governmental fund type accounts, fund equity is called "fund balance." Fund balance is reported in classifications which reflect the extent to which WSSDA is bound to honor constraints on the purposes for which the amounts can be spent. In 2012, WSSDA implemented GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* into its financial statements. Per the statement, classifications include:

- **Nonspendable** fund balance represents amounts that are either not in a spendable form or are legally or contractually required to remain intact. WSSDA currently has no funds under this classification.

- **Restricted** fund balance represents amounts having constraints placed on its use that are either: 1. externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or 2. imposed by law through constitutional provisions or enabling legislation. WSSDA currently has no funds under this classification.
- **Committed** fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by WSSDA bylaws as adopted by the WSSDA Board of Directors before the December 31 year-end. The commitment remains in place until the Board changes or eliminates the constraints. The funds reported as Committed (\$284,602) were approved by the Board in 2012 and prior.
- **Assigned** fund balance represents amounts that are intended to be used by WSSDA management for specific purposes but do not meet the criteria to be classified as restricted or committed. WSSDA currently has no funds under this classification.
- **Unassigned** fund balance is the residual classification for WSSDA's General Fund and includes all spendable amounts not contained in the other classifications.

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

For government-wide reporting, fund equity is called "net position." Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- **Net investment in capital assets** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.
- **Restricted** net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation. WSSDA currently has no funds under this classification.
- **Unrestricted** net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

When both restricted and unrestricted resources are available for use, it is WSSDA's policy to use restricted resources first and then use unrestricted resources as they are needed.

## 1.E. Other Information

**Risk Management.** WSSDA is insured to cover losses, and such coverage is required by the Association's bylaws and operating policies. Insurance coverage includes the following:

- Surety Bonds for personnel designated to handle the funds of the Association.
- Liability insurance that supplements the self-insurance protection available through the state's insurance revolving fund.
- Insurance to cover the Board of Directors, officers, or employees related to the performance of or failure of performance of such director, officer or employee.
- Property insurance for loss or damage to its real and personal property.

There have been no material claims made against WSSDA this past year.

## Note 2 – Accounting, Reporting, and Entity Changes

**Reporting Changes.** Effective for 2015 reporting, WSSDA adopted the following new standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 68 *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 requires governmental employers with employees participating in defined benefit pension plans that are administered through trusts or equivalent arrangements to report their proportionate share of the net pension liability (or net assets, if the plan net position exceeds the total pension liability) on the face of their accrual based financial statements.

Statement No. 71 *Pension Transition for Contributions Made subsequent to the Measurement Date*. GASB Statement No. 71 addresses an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

**Prior Period Adjustment.** WSSDA recorded a \$1,026,094 reduction to the beginning net position balance on the government-wide financial statements as a result of implementing GASB Statement No. 68.

## Note 3 – Deposits and Investments

WSSDA's deposits and investments, as required by state law, are invested in accounts at WSSDA's custodial bank entirely covered by the Federal Deposit Insurance Corporation (FDIC) and held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission. This amount is classified as Cash, Cash Equivalents, and Investments on the *Statement of Net Position*, and as Cash and Investments on the *Balance Sheet*.

All deposits and investments are insured, registered, and held in WSSDA's name. The interest from the investments is reported as Interest Income under the General Revenues category on the *Statement of Activities* and the *Statement of Revenues, Expenditures, and Changes in Fund Balance*.

As of December 31, 2015, WSSDA had the following deposits and investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity Less than 1 Year</u>
Bank Checking Account	\$ 100,930	\$ 100,930
Money Market Account	<u>2,815,635</u>	<u>2,815,635</u>
<b>Total Deposits and Investments</b>	<b><u>\$2,916,565</u></b>	<b><u>\$2,916,565</u></b>

## Note 4 – Receivables and Unearned Revenues

### 4.A. Receivables

Receivables at December 31 consisted of the following:

<b>Receivables</b>	<b>2015</b>	<b>2014</b>	<b>Amount Increase (Decrease)</b>
Annual Conference	\$ 78,330	\$ 64,203	\$14,127
Other Receivables	<u>107,918</u>	<u>38,377</u>	<u>69,541</u>
<b>Total Receivables</b>	<b><u>\$186,248</u></b>	<b><u>\$102,580</u></b>	<b><u>\$83,668</u></b>

### 4.A. Unearned Revenues

The Unearned Revenues amount of \$7,778 represents \$893 in revenue received but not earned in 2015 and \$6,885 in grants.

The Grants account is the amount received in the form of grants that are to be expended. This is the liability remaining for services to be performed on the grants. There is no expiration date on the outstanding grant.

A breakdown of Unearned Revenues at December 31 is as follows:

<b>Unearned Revenues</b>	<b>2015</b>	<b>2014</b>	<b>Amount Increase (Decrease)</b>
Grant	\$6,885	\$ 6,885	\$ -
Prepaid subscription service	893	-	893
Prepaid sponsorship funds	<u>-</u>	<u>3,775</u>	<u>(3,775)</u>
<b>Total Unearned Revenues</b>	<b><u>\$7,778</u></b>	<b><u>\$10,660</u></b>	<b><u>\$(2,882)</u></b>

## Note 5 – Capital Assets

Capital assets are reported by WSSDA within Governmental Activities.

The following is a summary of governmental capital asset activity for the year ended December 31, 2015:

<b>Capital Assets</b>	<b>Balances Jan. 1, 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balances Dec. 31, 2015</b>
<b>Capital Assets, not being depreciated:</b>				
Land (221 College St. NE)	<u>\$ 368,700</u>	\$ -	\$ -	<u>\$ 368,700</u>
<b>Capital Assets, being depreciated:</b>				
Building (221 College St. NE)	1,245,738	-	-	1,245,738
Accumulated Depreciation	<u>(429,862)</u>	(27,818)	-	<u>(457,680)</u>
Net Building	<u>815,876</u>			<u>788,058</u>
Furnishings and Equipment	122,890	22,163	(35,213)	109,840
Accumulated Depreciation	<u>(100,760)</u>	(10,487)	35,213	<u>(76,034)</u>
Net Furnishings and Equipment	<u>22,130</u>			<u>33,806</u>
<b>Total Capital Assets, being depreciated, net</b>	<b><u>838,006</u></b>			<b><u>821,864</u></b>
<b>Governmental Activities</b>				
<b>Capital Assets, Net</b>	<b><u>\$1,206,706</u></b>			<b><u>\$1,190,564</u></b>

## Note 6 – Long-Term Liabilities

### 6.A. Mortgage Payable

Mortgage payable as of December 31, 2015, represents the debt obligation for financing the land and building located at 221 College Street NE in Olympia, Washington. These properties of WSSDA were originally obtained through a bond in September 1992 for \$890,000. The bond had an interest rate of 8.25% and would have ended in July, 2012. On April 30, 2003, the mortgage obligation was refinanced and the bond was refunded on July 1, 2003. The mortgage refinance agreement is with Bank of America for \$945,000 for fifteen years at an interest rate of 4.97%. In addition to refunding the remaining amount owed on the bond, the Board of Directors elected to borrow an additional \$351,550 to remodel the buildings of WSSDA.

Scheduled principal and interest repayments on the mortgage obligation are as follows:

During the Years Ending December 31:	Governmental Activities		
	Principal	Interest	Totals
2016	\$ 85,000	\$ 9,076	\$ 94,076
2017	<u>95,000</u>	<u>4,778</u>	<u>99,778</u>
<b>Totals</b>	<b>\$180,000</b>	<b>\$13,854</b>	<b>\$193,854</b>

### 6.B. Long-Term Liability Activity

Long-term liability activity at December 31, 2015, is reported by WSSDA within governmental activities. Long-term liability activity for governmental activities for the year 2015 is as follows:

Governmental Activities	Beginning Balance Jan. 1, 2015	Additions	Reductions	Ending Balance Dec. 31, 2015	Amounts Due Within One Year
<b>Long-Term Debt:</b>					
Mortgage Payable	<u>\$ 260,000</u>	<u>\$ -</u>	<u>\$ 80,000</u>	<u>\$ 180,000</u>	<u>\$85,000</u>
<b>Other Liabilities:</b>					
Compensated Absences	109,539	127,045	115,525	121,059	-
Net Pension Liability*	<u>647,789</u>	<u>370,953</u>	<u>230,558</u>	<u>788,184</u>	-
<b>Total Other Liabilities</b>	<u>757,328</u>	<u>497,998</u>	<u>346,083</u>	<u>909,243</u>	-
<b>Total Long-Term Debt</b>	<b>\$1,017,328</b>	<b>\$497,998</b>	<b>\$426,083</b>	<b>\$1,089,243</b>	<b>\$85,000</b>

\* The beginning balance has been adjusted by a \$647,789 increase to Net Pension Liability as a result of implementing GASB Statement No. 68.

## Note 7 – Retirement Plans

### 7.A. General

WSSDA implemented the Governmental Accounting Standards Board (GASB) Statement No. 68 for the year ended December 31, 2015. The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions*, for the year 2015:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$788,184
Pension assets	\$ -
Deferred outflows of resources related to pensions	\$ 87,929
Deferred inflows of resources related to pensions	\$127,491
Pension Expense/Expenditures	\$146,968

### 7.B. State Sponsored Pension Plans

Substantially all WSSDA full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the state of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

### Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS Plans 1 and 2 are defined benefit plans, and PERS Plan 3 is a defined benefit plan with a defined contribution component.

**PERS Plan 1** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS Plan 1 members were vested after the completion of five years of eligible service. Plan 1 was closed to new entrants on September 30, 1977.

### Contributions

The **PERS Plan 1** member contribution rate is established by state statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee
January through June 2015	9.21%	6.00%
July through December 2015	11.18%	6.00%

WSSDA's actual contributions to the plan were \$6,360 for the year ended December 31, 2015.

**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments; a cost-of-living allowance (based on the CPI), capped at three percent annually; and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

**PERS Plan 3** defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

### Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL) and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 2/3			
Actual Contribution Rates:	Employer 2/3	Employee 2	Employee 3
January through June 2015	9.21%	4.92%	varies
July through December 2015	11.18%	6.12%	Varies

WSSDA's actual contributions to the plan were \$87,204 for the year ended December 31, 2015.

### Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2014, to June 30, 2015, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were minor changes in methods and assumptions since the last valuation.

- The OSA updated demographic assumptions, consistent with the changes from the *2007-2012 Experience Study Report*, used when valuing the PERS 1 Basic Minimum COLA.
- The OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.
- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, the OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.
- The OSA changed the way it applies salary limits, as described in the *2007-2012 Experience Study Report*.

### Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of

return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3 employers, whose rates include a component for the PERS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

### Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

### Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	<b>100%</b>	

### Sensitivity of NPL

The table below presents WSSDA's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what WSSDA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

Plan	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$547,260	\$449,494	\$ 365,424
PERS 2/3	\$990,347	\$338,690	\$(160,259)

### Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

## Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, WSSDA reported a total pension liability of \$788,184 for its proportionate share of the net pension liabilities as follows:

Plan	Liability
PERS 1	\$449,494
PERS 2/3	\$338,690

At June 30, 2015, WSSDA's proportionate share of the collective net pension liabilities was as follows:

Plan	Proportionate Share 6/30/2014	Proportionate Share 6/30/2015	Change in Proportion
PERS 1	0.008900%	0.008593%	-0.000307%
PERS 2/3	0.009867%	0.009479%	-0.000388%
TRS 1	0.004379%	0.000000%	-0.004379%

Employer contribution transmittals received and processed by DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans.

The collective net pension liability (asset) was measured as of June 30, 2015, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2014, with update procedures used to roll forward the total pension liability to the measurement date.

### Pension Expense

For the year ended December 31, 2015, WSSDA recognized pension expense as follows:

Plan	Pension Expense
PERS 1	\$ (27,322)
PERS 2/3	32,159
TRS 1	(151,805)
TOTAL	\$(146,968)

### Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2015, WSSDA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$24,592
Contributions subsequent to the measurement date	3,470	-
TOTAL	\$3,470	\$24,592

<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$36,003	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	90,414
Changes of assumptions	546	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	12,485
Contributions subsequent to the measurement date	47,910	-
<b>TOTAL</b>	<b>\$84,459</b>	<b>\$102,899</b>

<b>Total of All Plans</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$36,003	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	115,006
Changes of assumptions	546	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	12,485
Contributions subsequent to the measurement date	51,380	-
<b>TOTAL</b>	<b>\$87,929</b>	<b>\$127,491</b>

Deferred outflows of resources related to pensions resulting from WSSDA's contributions subsequent to the measurement date in the amount of \$51,380 will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	<b>PERS 1</b>	<b>PERS 2/3</b>
2016	\$ (9,531)	\$(28,220)
2017	(9,531)	(28,220)
2018	(9,531)	(28,220)
2019	4,001	18,309
<b>Total</b>	<b>\$(24,592)</b>	<b>\$(66,350)</b>

## **Note 8 – Contingencies**

**Pending Litigation.** There are no known legal obligations that would materially impact the financial position of WSSDA.

## **Note 9 – Subsequent Events**

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

## Notes to the Financial Statements

### Note 1 – Summary of Significant Accounting Policies

The financial statements of the Washington State School Directors' Association (WSSDA) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

#### A. Financial Reporting Entity

WSSDA is a self-governing state agency organized pursuant to Title 28A.3435 Revised Code of Washington (RCW) for the purpose of providing leadership for the continual improvement of a public education system to assure effective learning for all students and that school board members develop their skills and acquire the knowledge necessary to fulfill their responsibilities. Oversight responsibility for the WSSDA's operation is vested with the independently elected Board of Directors. Fiscal responsibility, including budget authority, also rests with the Board of Directors.

For financial reporting purposes, WSSDA includes all funds, account groups, and organizations that are controlled by or dependent on the WSSDA's Board of Directors. Control by or dependence on WSSDA was determined on the basis of budget adoption. The Board of Directors' adopted budget shows the financial position and condition through variance comparison between actual and budgeted amounts prepared in accordance to GAAP.

#### B. Basis of Presentation – Fund Accounting

The WSSDA accounting policies as reflected in the accompanying financial statements conform to generally accepted accounting principles. The accounts of WSSDA are organized on the basis of its General Fund and subsidiary accounts, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures as appropriate. The General Fund and subsidiary accounts in the report are grouped as follows:

##### Governmental Fund

###### General Fund

Used to account for all expendable financial resources for the operations of WSSDA. In keeping with the principle of as few funds as necessary, data processing and printing are included in this fund.

###### Subsidiary Accounts

###### General Capital Assets

This subsidiary account establishes accounting control over all the recorded capital assets used in general governmental operations.

###### General Long-Term Debt

This subsidiary account reflects the outstanding principal debt of WSSDA and the liability for compensated absences. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Our policy is to allocate indirect costs to a specific function. Program revenues include 1) membership dues charged to school districts in accordance with Chapter 28A.345 RCW and 2) subscription services purchased for direct use and 3) conference fees, workshops, and purchases of special goods or services 4) grants that are restricted to meeting the operational and capital requirements or particular function.

### C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With the current financial resources measurement focus, generally only current assets and current liabilities are included on the governmental funds balance sheet. Operating statements for these funds present inflows (i.e., revenues and other financing sources) and outflows (i.e., expenditures and other financing uses) of expendable financial resources. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. “Measurable” means the amount of the transaction can be reasonably estimated. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, WSSDA considers accrued revenues to be available if they are collected within 12 months of the end of the current fiscal period. Expenditures are recognized when the related liability is incurred. Exceptions to the general modified accrual expenditure recognition criteria include unmatured interest on general long-term debt which is recognized when due, and compensated absences which are recognized when the obligations are expected to be liquidated with available expendable financial resources.

### D. Assets, Liabilities, and Fund Equity

**Cash and Cash Equivalents** of WSSDA are invested in accounts entirely covered by federal depository insurance (FDIC) and held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission. This amount is classified as Cash and Cash Equivalents on the Balance Sheet.

**Investments**, as required by state law, are in an account at WSSDA’s custodial bank and protected by the Washington Public Deposit Protection Commission.

All investments are categorized as Category 1 per GASB Statement 3 as they are insured and registered under WSSDA’s name. The interest from the investments is recorded as Other Income on the Statement of Revenues, Expenditures, and Changes in Fund Balance.

**Receivables** are amounts owed to WSSDA consisting of outstanding invoices for school districts for membership dues, conference fees, workshops, and purchases of goods and services.

**Capital Assets** include property, plant, and equipment. Capital assets are defined by WSSDA as assets with an initial individual cost of more than \$1,000 and an estimated useful life of greater than one year. Such assets are recorded at historical cost if purchase or constructed, or estimated historical cost if actual cost is unknown. Maintenance, repairs, and minor renewals are accounted for as expenditures when incurred.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

The costs for normal maintenance and repairs are not capitalized.

**Property, plant, and equipment** are depreciated using the straight-line method over the following estimated useful lives:

- Land.....Not depreciated
- Building.....50 years
- Furniture and fixtures.....10 years
- Computer equipment.....4 years
- Automobile.....5 years
- Capital lease equipment.....5 years
- Machinery and equipment.....6 years

**Compensated Absences** is the cash value of the staff accrued vacation leave, accrued compensatory time, and accrued sick leave.

**Vacation Pay** – Employee vacation accrual, which may be accumulated up to 240 hours, is payable upon resignation, retirement, or death. Compensation is based upon the employee’s salary at the time of separation.

**Sick Leave** – Employees who separate from the association due to retirement or death are compensated for their accrued sick leave at the rate of 25%. Compensation is based upon the employee’s salary at the time of separation. Retirement does not include “vested out-of-service” employees who leave funds on deposit with the Department of Retirement Systems (DRS).

**Fund Balance Classification** – Fund equity is recognized as fund balance in governmental funds. In 2012 the Association implemented GASB Statement No. 54 into its financial statements. Per the statement, there are two fund balance classifications. They are as follows: Committed and Unassigned.

In relation to this statement, the association has adopted the following policies and procedures:

- The board has the authority to set aside governmental funds for a specific purpose. Committed funds set aside for any purpose, must have a formal resolution approved by the Board before the December 31<sup>st</sup> year-end. The funds reported as Committed (\$284,602) were approved by the Board in 2012 and prior. The same action is required by the Board to remove a commitment of fund balance.
- The unassigned funds in 2014 (\$2,451,315), total the residual amount in the general fund.

## Note 2 – Changes in Capital Assets

	<u>01/01/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/13</u>
Year 2013				
Land (221 College St)	\$ 368,700	\$	\$	\$ 368,700
Building (221 College St)	1,255,038			1,255,038
Office Furniture & Equipment	152,716	8,197	44,406	116,507
Capital Lease Equipment				
TOTALS	<u>1,776,454</u>			<u>1,740,245</u>
Less Accumulated Depreciation	(520,568)	36,965	43,953	(513,580)
Capital Assets, Net	\$ 1,255,886			\$ 1,226,665

(Continued)

	<u>01/01/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/14</u>
Year 2014				
Land (221 College St)	\$ 368,700			\$ 368,700
Building (221 College St)	1,255,038		9,300	1,245,738
Office Furniture & Equipment	116,507	17,473	11,090	122,890
Capital Lease Equipment				
TOTALS	<u>1,740,245</u>			<u>1,737,328</u>
Less Accumulated Depreciation	(513,580)	37,986	20,944	(530,622)
Capital Assets, Net	1,226,665			1,206,706

### Note 3 – Long-Term Liabilities

Long-term debt represents the mortgage obligation for the financing of the land and building at 221 College Street N.E., Olympia, WA. The properties of WSSDA were originally obtained through a bond in September of 1992 for \$890,000. The bond had an interest rate of 8.25% and would have ended in July, 2012. On April 30, 2003, the mortgage obligation was refinanced and the bond was refunded on July 1, 2003. The mortgage refinance agreement is with Bank of America for \$945,000 for fifteen years at an interest rate of 4.97%. In addition to refunding the remaining amount owed on the bond, the Board of Directors elected to borrow an additional \$351,550 to remodel the buildings of WSSDA.

Long-term liability activity at December 31, 2014, is reported by WSSDA within governmental activities. Long-term liability activity for governmental activities for the year 2014 is as follows:

	Beginning Balance Jan. 1, 2014	Additions	Reductions	Ending Balance Dec. 31, 2014	Amounts Due Within One Year
<u>Governmental Activities</u>					
Long-Term Debt:					
Mortgage Payable	\$340,000	\$ -	\$ 80,000	\$260,000	\$80,000
Other Liabilities:					
Compensated Absences	<u>138,206</u>	<u>82,946</u>	<u>111,613</u>	<u>109,539</u>	<u>-</u>
<u>Total Long-Term Debt</u>	<u>\$478,206</u>	<u>\$82,946</u>	<u>\$191,613</u>	<u>\$369,539</u>	<u>\$80,000</u>

Scheduled principal and interest repayments on long-term debt obligations are as follows:

	<u>Mortgage Payable</u>		
Years Ending December 31:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	80,000	13,075	93,075
2016	85,000	9,076	94,076
2017	95,000	4,778	99,778
Totals	\$260,000	\$26,929	\$286,929

### Note 4 – Deposits and Investments

WSSDA deposits and certificates of deposit are entirely covered by Federal Depository Insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

As of December 31, 2014, WSSDA had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Total</u>
Cash and Equivalents		\$2,544,855	\$2,544,855

#### **Note 5 – Pension Plans**

Employees of WSSDA are members of the Washington State Public Retirement System (PERS). PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plan 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component. PERS participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977, and by February 28, 2002, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state employees, have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3.

Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live. PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The annual pension is 2 percent of the average final compensation per year of service, capped at 60 percent. The average final compensation is based on the greatest compensation during any 24 eligible consecutive compensation months. If qualified, after reaching the age of 66 a cost-of-living allowance was granted based on years of service credit and is capped at 3 percent annually. The benefit was eliminated by the Legislature, effective July 1, 2011. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped annually. To offset the cost of this annual adjustment, the benefit is reduced. Plan 1 members can receive credit for military service. Plan 1 members may purchase up to 24 months of service credit lost because of an on-the-job injury.

Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service with an allowance of 2 percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Plan 2 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Effective June 7, 2006, Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan. Vested Plan 3 members are eligible to retire with full benefits at age 65, or at age 55 with 10 years of service. Retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at

least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and Plan 3 provides the same cost-of-living allowance as Plan 2. The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Employee Retirement Benefits Board.

### Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies employees. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent, based on member choice. Two of the options are graduated rates dependent on the employee's age. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

Required contribution rates as expressed as a percentage of current-year covered payroll, as of December 31, 2014 were as follows:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer	9.2%	9.2%	9.2%
Employee	6.00%	4.92%	-----

\*The employer rates include the employer administrative expense fee currently set at 0.16%.

\*\*Plan 3 defined benefit portion only.

\*\*\*Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

WSSDA and the employees made the required contributions. WSSDA's contributions for the year ending December 31, 2014 are:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
2014	\$ 7,031	\$43,706	\$31,050
2013	\$17,684	\$35,426	\$32,547
2012	\$16,406	\$31,228	\$22,460

### Note 6 – Current Liabilities

The Unearned Revenue amount of \$10,660 is sponsorship funds of \$3,775 and \$6,885 in grants.

The Grants account is the amount received in the form of grants that are to be expended. This is the liability remaining for services to be performed on the grants.

A breakdown of Unearned Revenues at December 31 is as follows:

	2014	2013	Amount Increase (Decrease)
Unearned Revenues			
Grant	\$ 6,885	\$ 6,885	\$ -
Prepaid sponsorship funds	<u>3,775</u>	<u>3,775</u>	<u>-</u>
Total Unearned Revenues	<u>\$10,660</u>	<u>\$10,660</u>	<u>\$ -</u>

There are no expiration dates on any of the above grants.

**Note 7 - Litigation**

There are no known legal obligations that would materially impact the financial position of the WSSDA.

**Note 8 – Risk Management**

WSSDA is insured to cover losses and is required by the Association bylaws. Insurance coverage includes the following:

- Surety Bonds for personnel designated to handle the funds of the Association.
- Liability insurance that supplements the self-insurance protection available through the state's insurance revolving fund.
- Insurance to cover the Board of Directors, officer, or employee related to the performance of or failure of performance of such director, officer or employee.
- Property insurance for damage to its real and personal property.

There have been no material claims made against WSSDA this past year.

**Note 9 – Subsequent Events**

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

**Washington State School Directors' Association  
Budgetary Comparison Schedule - General Fund  
For the Year Ended December 31, 2015**

	<u>Original and Final Budgets</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Unassigned Fund Balance, January 1</b>	<b><u>\$2,287,772</u></b>	<b><u>\$2,287,772</u></b>	<b><u>\$ -</u></b>
<b>Resources</b>			
Charges for Services (by Program):			
Association Services	1,745,374	1,744,589	(785)
Policy and Legal Services	674,000	770,999	96,999
Government Relations	78,000	76,541	(1,459)
Leadership Development Services	82,000	74,084	(7,916)
Annual Conference	560,000	607,920	47,920
Communications and Marketing	37,000	35,621	(1,379)
Interest Income	13,000	15,920	2,920
Other Income	<u>10,900</u>	<u>9,900</u>	<u>(1,000)</u>
<b>Total Resources</b>	<b><u>3,200,274</u></b>	<b><u>3,335,574</u></b>	<b><u>135,300</u></b>
<b>Charges to Program Budgets</b>			
Association Services	1,110,365	922,299	(188,066)
Policy and Legal Services	565,210	559,649	(5,561)
Government Relations	362,815	360,365	(2,450)
Leadership Development Services	349,293	339,058	(10,235)
Annual Conference	497,872	525,895	28,023
Communications and Marketing	<u>230,566</u>	<u>199,670</u>	<u>(30,896)</u>
<b>Total Charges to Program Budgets</b>	<b><u>3,116,121</u></b>	<b><u>2,906,936</u></b>	<b><u>(209,185)</u></b>
<b>Excess Resources Available for Budget Over (Under) Charges to Program Budgets</b>	<b>84,153</b>	<b>428,638</b>	<b>344,485</b>
<b>Reconciling Items</b>			
Increase in Compensated Absences Liability	<u>-</u>	<u>(11,520)</u>	<u>(11,520)</u>
<b>Unassigned Fund Balance, December 31</b>	<b><u>\$2,371,925</u></b>	<b><u>2,704,890</u></b>	<b><u>\$332,965</u></b>
Committed Fund Balance, December 31		<u>284,602</u>	
<b>Total Fund Balance, December 31</b>		<b><u>\$2,989,492</u></b>	

**Washington State School Directors' Association**  
**Pension Plan Information**  
**Schedule of Proportionate Share of the Net Pension Liability**

**Public Employees' Retirement System (PERS) Plan 1**  
**Measurement Date of June 30\***

	<u>2015</u>
WSSDA's proportion of the net pension liability	0.008593%
WSSDA 's proportionate share of the net pension liability	\$449,494
WSSDA 's covered-employee payroll	\$904,984
WSSDA 's proportionate share of the net pension liability as a percentage of covered-employee payroll	49.67%
Plan fiduciary net position as a percentage of the total pension liability	59.10%

**Public Employees' Retirement System (PERS) Plan 2/3**  
**Measurement Date of June 30\***

	<u>2015</u>
WSSDA 's proportion of the net pension liability	0.009479%
WSSDA 's proportionate share of the net pension liability	\$338,690
WSSDA 's covered-employee payroll	\$840,948
WSSDA 's proportionate share of the net pension liability as a percentage of covered-employee payroll	40.27%
Plan fiduciary net position as a percentage of the total pension liability	89.20%

**Teachers' Retirement System (TRS) Plan 1**  
**Measurement Date of June 30\***

	<u>2015</u>
WSSDA 's proportion of the net pension liability	0.000000%
WSSDA 's proportionate share of the net pension liability	\$ -
WSSDA 's covered-employee payroll	\$ -
WSSDA 's proportionate share of the net pension liability as a percentage of covered-employee payroll	0.00%
Plan fiduciary net position as a percentage of the total pension liability	65.70%

\* These schedules are to be built prospectively until they contain ten years of data.

**Washington State School Directors' Association**  
**Pension Plan Information**  
**Schedule of Employer Contributions**

**Public Employees' Retirement System (PERS) Plan 1**  
**Fiscal Year Ended December 31, 2015 \***

	<u>2015</u>
WSSDA's contractually required contributions	\$6,360
WSSDA's contributions in relation to the contractually required contributions	<u>6,360</u>
WSSDA's contribution deficiency (excess)	<u>\$ -</u>
WSSDA's covered-employee payroll	\$924,796
WSSDA's contributions as a percentage of covered-employee payroll	0.68%

**Public Employees' Retirement System (PERS) Plan 2/3**  
**Fiscal Year Ended December 31, 2015 \***

	<u>2015</u>
WSSDA's contractually required contributions	\$87,204
WSSDA's contributions in relation to the contractually required contributions	<u>87,204</u>
WSSDA's contribution deficiency (excess)	<u>\$ -</u>
WSSDA's covered-employee payroll	\$861,915
WSSDA's contributions as a percentage of covered-employee payroll	10.12%

**Teachers' Retirement System (TRS) Plan 1**  
**Fiscal Year Ended December 31, 2015 \***

	<u>2015</u>
WSSDA's contractually required contributions	\$ -
WSSDA's contributions in relation to the contractually required contributions	<u>-</u>
WSSDA's contribution deficiency (excess)	<u>\$ -</u>
WSSDA's covered-employee payroll	\$ -
WSSDA's contributions as a percentage of covered-employee payroll	0.00%

\* These schedules are to be built prospectively until they contain ten years of data.

## 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.

Contact information for the State Auditor's Office	
Public Records requests	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>