

**Washington State Auditor's Office**  
**Financial Statements and Federal Single Audit Report**

---

**South Whidbey School District No. 206**  
**Island County**

Audit Period  
**September 1, 2011 through August 31, 2012**

**Report No. 1009608**

Issue Date  
**May 6, 2013**



WASHINGTON  
**TROY KELLEY**  
STATE AUDITOR



**Washington State Auditor  
Troy Kelley**

May 6, 2013

Board of Directors  
South Whidbey School District No. 206  
Langley, Washington

***Report on Financial Statements and Federal Single Audit***

Please find attached our report on South Whidbey School District No. 206's financial statements and compliance with federal laws and regulations.

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

Sincerely,

A handwritten signature in black ink that reads "Troy X. Kelley".

**TROY KELLEY**  
STATE AUDITOR

# Table of Contents

**South Whidbey School District No. 206**  
**Island County**  
**September 1, 2011 through August 31, 2012**

Federal Summary .....	1
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with <i>Government Auditing Standards</i> .....	3
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 .....	5
Independent Auditor's Report on Financial Statements .....	7
Financial Section.....	10

# Federal Summary

## South Whidbey School District No. 206 Island County September 1, 2011 through August 31, 2012

The results of our audit of South Whidbey School District No. 206 are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

### **FINANCIAL STATEMENTS**

An unmodified opinion was issued on the financial statements.

#### ***Internal Control Over Financial Reporting:***

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

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

### **FEDERAL AWARDS**

#### ***Internal Control Over Major Programs:***

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

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

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

***Identification of Major Programs:***

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
84.027	Special Education Cluster (IDEA) - Special Education - Grants to States (IDEA, Part B)
84.173	Special Education Cluster (IDEA) - Special Education - Preschool Grants (IDEA Preschool)

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

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

# Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with *Government Auditing Standards*

## South Whidbey School District No. 206 Island County September 1, 2011 through August 31, 2012

Board of Directors  
South Whidbey School District No. 206  
Langley, Washington

We have audited the financial statements of South Whidbey School District No. 206, Island County, Washington, as of and for the year ended August 31, 2012, and have issued our report thereon dated April 11, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## **COMPLIANCE AND OTHER MATTERS**

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

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

This report is intended for the information and use of management, the Board of Directors, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in cursive script that reads "Troy X. Kelley".

**TROY KELLEY**  
STATE AUDITOR

April 11, 2013

# Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

## **South Whidbey School District No. 206 Island County September 1, 2011 through August 31, 2012**

Board of Directors  
South Whidbey School District No. 206  
Langley, Washington

### **COMPLIANCE**

We have audited the compliance of South Whidbey School District No. 206, Island County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2012. The District's major federal programs are identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2012.

## **INTERNAL CONTROL OVER COMPLIANCE**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of management, the Board of Directors, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



**TROY KELLEY**  
STATE AUDITOR

April 11, 2013

# Independent Auditor's Report on Financial Statements

## **South Whidbey School District No. 206 Island County September 1, 2011 through August 31, 2012**

Board of Directors  
South Whidbey School District No. 206  
Langley, Washington

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

We have audited the accompanying financial statements of South Whidbey School District No. 206, Island County, Washington, as of and for the year ended August 31, 2012, 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 the basis of accounting that demonstrates compliance with the Washington State statutes and the *Accounting Manual for Public Schools in the State of Washington* described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Whidbey School District No. 206, as of August 31, 2012, and the changes in financial position thereof for the year then ended on the basis of accounting that demonstrates compliance with Washington State statutes and the *Accounting Manual for Public Schools in the State of Washington* described in Note 1.

### ***Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. As described in Note 1 to the financial statements, the financial statements are prepared in accordance with the basis of accounting that demonstrates compliance with Washington State statutes and the *Accounting Manual for Public Schools in the State of Washington*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

### ***Purpose of this Report***

This report is intended for the information and use of management, the Board of Directors, federal awarding agencies and pass-through entities of the District. 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.

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

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

integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive style with a large "X" in the middle.

**TROY KELLEY**  
STATE AUDITOR

April 11, 2013

# Financial Section

**South Whidbey School District No. 206  
Island County  
September 1, 2011 through August 31, 2012**

## ***FINANCIAL STATEMENTS***

Balance Sheet – Governmental Funds – 2012  
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Funds – 2012  
Statement of Fiduciary Net Assets – Fiduciary Funds – 2012  
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds – 2012  
Notes to Financial Statements – 2012

## ***SUPPLEMENTARY INFORMATION***

Schedule of Long-Term Liabilities – 2012  
Schedule of Expenditures of Federal Awards – 2012  
Notes to the Schedule of Expenditures of Federal Awards – 2012

South Whidbey School District No. 206

Balance Sheet

Governmental Funds

August 31, 2012

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>ASSETS:</b>							
Cash and Cash Equivalents	1,831,279.50	190,678.57	272,952.05	914,145.90	417,202.20	0.00	3,626,258.22
Minus Warrants Outstanding	-1,002,047.80	-14,294.25	0.00	-205,661.00	0.00	0.00	-1,222,003.05
Taxes Receivable	1,967,215.07		53,772.60	478,108.98	1,062.46		2,500,159.11
Due From Other Funds	268,364.91	2,881.31	0.00	0.00	0.00	0.00	271,246.22
Due From Other Governmental Units	77,581.87	0.00	0.00	900,000.00	0.00	0.00	977,581.87
Accounts Receivable	15,125.28	0.00	0.00	0.00	0.00	0.00	15,125.28
Interfund Loans Receivable	0.00			0.00			0.00
Accrued Interest Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	9,775.25	0.00					9,775.25
Prepaid Items	0.00	0.00		0.00	0.00	0.00	0.00
Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investments/Cash With Trustee	0.00		0.00	0.00	0.00	0.00	0.00
Investments-Deferred Compensation	0.00		0.00	0.00	0.00	0.00	0.00
Self-Insurance Security Deposit	0.00						0.00
<b>TOTAL ASSETS</b>	<b>3,167,294.08</b>	<b>179,265.63</b>	<b>326,724.65</b>	<b>2,086,593.88</b>	<b>418,264.66</b>	<b>0.00</b>	<b>6,178,142.90</b>
<b>LIABILITIES:</b>							
Accounts Payable	118.64	0.00	0.00	0.00	0.00	0.00	118.64
Contracts Payable Current	0.00	0.00		0.00	0.00	0.00	0.00
Accrued Interest Payable			0.00				0.00
Accrued Salaries	0.00	0.00		0.00			0.00
Revenue Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00
Payroll Deductions and Taxes Payable	4,007.08	0.00		0.00			4,007.08
Due To Other Governmental Units	0.00	0.00		0.00	0.00	0.00	0.00
Deferred Compensation Payable	0.00			0.00			0.00
Estimated Employee Benefits Payable	0.00						0.00
Due To Other Funds	2,881.31	0.00	0.00	268,364.91	0.00	0.00	271,246.22

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

South Whidbey School District No. 206

Balance Sheet

Governmental Funds

August 31, 2012

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>LIABILITIES:</b>							
Interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	0.00	0.00		0.00			0.00
Matured Bonds Payable			0.00				0.00
Matured Bond Interest Payable			0.00				0.00
Arbitrage Rebate Payable	0.00		0.00	0.00	0.00		0.00
Deferred Revenue	1,967,215.07	0.00	53,772.60	478,108.98	1,062.46	0.00	2,500,159.11
<b>TOTAL LIABILITIES</b>	<b>1,974,222.10</b>	<b>0.00</b>	<b>53,772.60</b>	<b>746,473.89</b>	<b>1,062.46</b>	<b>0.00</b>	<b>2,775,531.05</b>
<b>FUND BALANCE:</b>							
Nondisposable Fund Balance	9,775.25	0.00	0.00	0.00	0.00	0.00	9,775.25
Restricted Fund Balance	0.00	179,265.63	272,952.05	1,340,119.99	0.00	0.00	1,792,337.67
Committed Fund Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Assigned Fund Balance	0.00	0.00	0.00	0.00	417,202.20	0.00	417,202.20
Unassigned Fund Balance	1,183,296.73	0.00	0.00	0.00	0.00	0.00	1,183,296.73
<b>TOTAL FUND BALANCE</b>	<b>1,193,071.98</b>	<b>179,265.63</b>	<b>272,952.05</b>	<b>1,340,119.99</b>	<b>417,202.20</b>	<b>0.00</b>	<b>3,402,611.85</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>3,167,294.08</b>	<b>179,265.63</b>	<b>326,724.65</b>	<b>2,086,593.88</b>	<b>418,264.66</b>	<b>0.00</b>	<b>6,178,142.90</b>

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

South Whidbey School District No. 206

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2012

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>REVENUES:</b>							
Local	4,266,141.24	181,532.10	42,707.02	949,445.49	1,609.21		5,441,435.06
State	9,931,818.24		0.00	0.00	162,810.56		10,094,628.80
Federal	928,603.49		0.00	0.00	0.00		928,603.49
Federal Stimulus	5,125.00						5,125.00
Other	3,958.09			0.00	0.00	0.00	3,958.09
<b>TOTAL REVENUES</b>	<b>15,135,646.06</b>	<b>181,532.10</b>	<b>42,707.02</b>	<b>949,445.49</b>	<b>164,419.77</b>	<b>0.00</b>	<b>16,473,750.44</b>
<b>EXPENDITURES:</b>							
<b>CURRENT:</b>							
Regular Instruction	8,073,240.51						8,073,240.51
Federal Stimulus	5,125.00						5,125.00
Special Education	1,840,536.70						1,840,536.70
Vocational Education	523,923.27						523,923.27
Skills Center	0.00						0.00
Compensatory Programs	576,771.84						576,771.84
Other Instructional Programs	78,701.59						78,701.59
Community Services	38,523.86						38,523.86
Support Services	4,243,429.14						4,243,429.14
Student Activities/Other		202,481.07				0.00	202,481.07
<b>CAPITAL OUTLAY:</b>							
Sites				0.00			0.00
Building				170,096.69			170,096.69
Equipment				782,241.93			782,241.93
Instructional Technology				0.00			0.00
Energy				0.00			0.00
Transportation Equipment					0.00		0.00
Sales and Lease				0.00			0.00
Other	0.00						0.00
<b>DEBT SERVICE:</b>							
Principal	0.00		0.00	0.00	0.00		0.00
Interest and Other Charges	0.00		0.00	0.00	0.00		0.00
Bond/Levy Issuance				15,448.67	0.00		15,448.67
<b>TOTAL EXPENDITURES</b>	<b>15,380,251.91</b>	<b>202,481.07</b>	<b>0.00</b>	<b>967,787.29</b>	<b>0.00</b>	<b>0.00</b>	<b>16,550,520.27</b>

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

South Whidbey School District No. 206

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2012

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>DEBT SERVICE:</b>							
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	-244,605.85	-20,948.97	42,707.02	-18,341.80	164,419.77	0.00	-76,769.83
<b>OTHER FINANCING SOURCES (USES):</b>							
Bond Sales & Refunding Bond Sales	0.00		0.00	915,698.30	0.00		915,698.30
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	0.00		0.00	0.00	0.00		0.00
Transfers Out (GL 536)	0.00		0.00	0.00	0.00	0.00	0.00
Other Financing Uses (GL 535)	0.00		0.00	-249.63	0.00		-249.63
Other	0.00		0.00	0.00	0.00		0.00
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>0.00</b>		<b>0.00</b>	<b>915,448.67</b>	<b>0.00</b>	<b>0.00</b>	<b>915,448.67</b>
<b>EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	-244,605.85	-20,948.97	42,707.02	897,106.87	164,419.77	0.00	838,678.84
<b>BEGINNING TOTAL FUND BALANCE</b>	<b>1,437,677.83</b>	<b>200,214.60</b>	<b>230,245.03</b>	<b>443,013.12</b>	<b>252,782.43</b>	<b>0.00</b>	<b>2,563,933.01</b>
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>ENDING TOTAL FUND BALANCE</b>	<b>1,193,071.98</b>	<b>179,265.63</b>	<b>272,952.05</b>	<b>1,340,119.99</b>	<b>417,202.20</b>	<b>0.00</b>	<b>3,402,611.85</b>

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

Statement Of Fiduciary Net Assets

Fiduciary Funds

August 31, 2012

	Private Purpose Trust	Other Trust
<b>ASSETS:</b>		
Imprest Cash	0.00	0.00
Cash On Hand	13,302.01	0.00
Cash On Deposit with Cty Treas	489,124.68	0.00
Minus Warrants Outstanding	-900.00	0.00
Due From Other Funds	0.00	0.00
Accounts Receivable	0.00	0.00
Accrued Interest Receivable	0.00	0.00
Investments	0.00	0.00
Investments/Cash With Trustee	0.00	0.00
Other Assets	0.00	
Capital Assets, Land	0.00	
Capital Assets, Buildings	0.00	
Capital Assets, Equipment	0.00	0.00
Accum Depreciation, Buildings	0.00	
Accum Depreciation, Equipment	0.00	0.00
<b>TOTAL ASSETS</b>	<b>501,526.69</b>	<b>0.00</b>
<b>LIABILITIES:</b>		
Accounts Payable	0.00	0.00
Due To Other Funds	0.00	0.00
<b>TOTAL LIABILITIES</b>	<b>0.00</b>	<b>0.00</b>
<b>NET ASSETS:</b>		
<b>Net assets held in trust for:</b>		
Restricted for Other Items	0.00	0.00
Restricted for Self Insurance		0.00
Restricted for Uninsured Risks		0.00
Nonspendable -- Trust Principal	0.00	0.00
Committed to Other Purposes	0.00	0.00
Assigned to Fund Purposes	501,526.69	0.00
Unassigned Fund Balance	0.00	0.00
<b>TOTAL NET ASSETS</b>	<b>501,526.69</b>	<b>0.00</b>

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

South Whidbey School District No. 206

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

For the Year Ended August 31, 2012

	Private Purpose Trust	Other Trust
<b>ADDITIONS:</b>		
Contributions:		
Private Donations	6,898.00	0.00
Employer		0.00
Members		0.00
Other	0.00	0.00
<b>TOTAL CONTRIBUTIONS</b>	<b>6,898.00</b>	<b>0.00</b>
<b>Investment Income:</b>		
Net Appreciation (Depreciation) in Fair Value	0.00	0.00
Interest and Dividends	448.23	0.00
Less Investment Expenses	0.00	0.00
Net Investment Income	448.23	0.00
<b>Other Additions:</b>		
Rent or Lease Revenue	0.00	0.00
Total Other Additions	0.00	0.00
<b>TOTAL ADDITIONS</b>	<b>7,346.23</b>	<b>0.00</b>
<b>DEDUCTIONS:</b>		
Benefits		0.00
Refund of Contributions	0.00	0.00
Administrative Expenses	5.00	0.00
Scholarships	6,888.42	
Other	2,639.21	0.00
<b>TOTAL DEDUCTIONS</b>	<b>9,532.63</b>	<b>0.00</b>
Net Increase (Decrease)	-2,186.40	0.00
Net Assets--Beginning	503,713.09	0.00
Prior Year(s) Corrections or Restatements	0.00	0.00
<b>NET ASSETS--ENDING</b>	<b>501,526.69</b>	<b>0.00</b>

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

## **SOUTH WHIDBEY SCHOOL DISTRICT NO. 206**

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

September 1, 2011 Through August 31, 2012

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** **(SSAP)**

**Description of the government-wide financial statements, noting that neither fiduciary funds nor component units that are fiduciary in nature are included.**

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

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

- (1) Districtwide statements are not presented.
- (2) The financial statements do not report capital assets.
- (3) Debt is not reported on the face of the financial statements. It is reported on the notes to the financial statements and on the Schedule of Long-Term Debt. The Schedule of Long-Term Debt is required supplemental information.
- (4) The original budget is not presented. This information is available through the Office of Superintendent of Public Instruction.
- (5) The Management Discussion and Analysis is not required.
- (6) The financial statements do not report a liability for Other Post-Employment Benefits (GASB Statement 45).
- (7) Other departures from GAAP that are material in nature are indicated throughout the Notes.

**Description of the activities accounted for in each of the following columns—major funds, internal service funds, and fiduciary fund types—presented in the basic financial statements.**

The District presents financial information on the basis of funds, each of which is considered a separate accounting entity. The regulatory agencies require all funds be presented as major

funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures (or expenses) as appropriate. The various funds in the report are grouped into governmental and fiduciary funds as follows:

### ***Governmental Funds***

#### General Fund

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

#### Capital Projects Funds

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

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

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

#### Debt Service Fund

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

#### Special Revenue Fund

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

#### Permanent Funds

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

## ***Fiduciary Funds***

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

### **Private-Purpose Trust Fund**

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

## ***Proprietary Funds***

School districts in the State of Washington are not allowed to utilize proprietary fund types, which is a departure from GAAP.

## **The measurement focus and basis of accounting used in the government-wide statements.**

The District's accounting policies conform to the *Accounting Manual for Public School Districts in the State of Washington*, issued jointly by the State Auditor and the Superintendent of Public Instruction. The District's financial statements are presented in conformity with that publication.

The measurement focus for the District's funds is the modified accrual basis and the current financial resources focus. This basis of accounting focuses primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. This means that only current assets and current liabilities are included on their balance sheets.

Revenues are recognized as soon as they are measurable and available. "Measurable" means the amount of the transaction can be readily determined. Revenues are considered "available" if they are collected within 60 days after year-end to pay liabilities of the current period. Property taxes receivable are measurable but not available and are, therefore, not accrued. Categorical program claims and interdistrict billings are measurable and available and are, therefore, accrued.

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

## ***Budgetary Data***

### **General Budgetary Policies**

Chapter 28A.505 RCW and Chapter 392-123 Washington Administrative Code (WAC) mandate school district budget policies and procedures. The board adopts the budget after

a public hearing. An appropriation is a prerequisite to expenditure. Appropriations lapse at the end of the fiscal period.

#### Budgetary Basis of Accounting

For budget and accounting purposes, revenues and expenditures are accounted for on the modified accrual basis as prescribed in law for all governmental funds. Fund balance is budgeted as available resources and, under statute, may not be negative, unless the District enters into binding conditions with state oversight pursuant to RCW 28A.505.110.

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

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

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

### **The government's fund balance classifications policies and procedures.**

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

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

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

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

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

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

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

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

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

### **Assets, Liabilities, and Fund Equity**

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

### **Receivables and Payables**

All receivables are expected to be collected within one year.

### **Inventory**

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

## **NOTE 2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS**

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

All of the District's investments during the year and at year-end were insured or registered and held by the District or its agent in the District's name.

The District's investments as of August 31, 2012, are as follows:

	Number of Securities	Carrying Amount	Market Value
County Treasurer's Investment Pool	-0-	-0-	-0-
Total Investments	-0-	-0-	-0-

### **NOTE 3: SIGNIFICANT CONTINGENT LIABILITIES**

#### **Litigation**

The District has received a tort claim. The outcome of this claim is currently not known.

#### **Arbitrage Rebate**

There is no contingent liability for arbitrage rebate for the fiscal year ending August 31, 2012.

### **NOTE 4: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS**

The South Whidbey School District received a management letter related to the reporting of Alternative Education enrollment at the Bayview School. OSPI will contact the district to determine the next step in this process.

### **NOTE 5: ANNUAL PENSION COST AND NET PENSION OBLIGATIONS**

#### **A. General Information**

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

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

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

*Data is as of last actuarial valuation date of June 30, 2011.*

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

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

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

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

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

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

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

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

## B. Contributions

Employee contribution rates effective September 1, 2011 through August 31, 2012:

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

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

Employer contribution rates effective September 1, 2011 through August 31, 2012:

	9/1/11-8/31/12		9/1/11-3/31/12	4/1/12-6/30/12	7/1/12-8/31/12
Plan 1 TRS	8.04%	Plan 1 PERS	7.25%	7.08%	7.21%
Plan 2 TRS	8.04%	Plan 2 SERS	7.59%	7.58%	7.58%
Plan 3 TRS	8.04%	Plan 3 SERS	7.59%	7.58%	7.58%

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

<u>Plan</u>	<u>FY 12</u>		<u>FY 11</u>		<u>FY 10</u>
Plan 1 TRS	25,130.26	\$	34,893.10	\$	35,231.83
Plan 2 TRS	\$ 37,047.25	\$	32,364.05	\$	79,404.01
Plan 3 TRS	\$ 467,348.50	\$	339,060.97	\$	376,956.02
Plan 1 PERS	\$ 10,767.38	\$	8,091.38	\$	10,651.69
Plan 2 SERS	\$ 58,479.82	\$	47,683.16	\$	97,066.72
Plan 3 SERS	\$ 98,753.32	\$	74,597.00	\$	89,259.08

Historical trend information showing TRS, PERS and SERS progress in accumulating sufficient assets to pay benefits when due is presented in the state of Washington's June 30, 2011, comprehensive annual financial report. Refer to this report for detailed trend information. It is available from:

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

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

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

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

According to state law, the Washington State Treasurer collects a fee from all school district entities which have employees that are not current active members of the state Health Care Authority but participate in the state retirement system. The purpose of this fee is to cover the impact of the subsidized rate of health care benefits for school retirees that elect to purchase their health care benefits through the state Health Care Authority. For the fiscal year 2011-12, the District was required to pay the HCA \$66.01 per month per full-time equivalent employee to support the program, for a total payment of \$131,119.24. This assessment to the District is set forth in the State's operating budget and is subject to change on an annual basis. This amount is not actuarially determined and is not placed in a trust to pay the obligations for post-employment health care benefits.

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

## **NOTE 7: COMMITMENTS UNDER NONCAPITALIZED (OPERATING) LEASES**

For the fiscal year ended August 31, 2012, the District had incurred additional long-term debt as follows:

Lessor	Amount	Annual Installment	Final Installment Date	Interest Rate	Balance
<b>Lease-Purchase Commitments</b>					
SHARP	22,860.00	4,572.00	11/30/2013		5,715.00
US BANK	19,813.00	3,962.40	07/31/2016		15,520.40
<i>Total Lease-Purchase Commitments</i>					21,235.40

## **NOTE 8: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS**

The District's capital assets are insured in the amount of \$500 million for fiscal year 2012. In the opinion of the District's insurance consultant, the amount is sufficient to adequately fund replacement of the District's assets.

## **NOTE 9: REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES**

### **Long-Term Debt**

Bonds payable at August 31, 2012, are comprised of the following individual issues:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
State LOCAL Program	900,249.63	80,115-89,250	06/01/2024	2.33226%	900,249.63
Total General Obligation Bonds	900,249.63				900,249.63

The following is a summary of general obligation long-term debt transactions of the District for the fiscal year(s) ended August 31, 2012:

Long-Term Debt Payable at 9/1/2011	-0-
New Issues	900,249.63
Debt Retired	-0-
Long-Term Debt Payable at 8/31/2012	900,249.63

The following is a schedule of annual requirements to amortize debt at August 31, 2012:

Years Ending August 31	Principal	Interest	Total
2013	50,000	30,115.56	80,115.56
2014	55,000	33,700	88,700
2015	55,000	32,050	87,050
2016	55,000	29,850	84,850
2017	60,000	27,650	87,650
2018-22	340,000	93,700	433,700
2023-24	165,000	12,500	177,500
Total	780,000	259,565.56	1,039,565.56

At August 31, 2012, the District had \$272,952.05 available in the Debt Service Fund to service the general obligation bonds.

## **NOTE 10: ENTITY RISK MANAGEMENT ACTIVITIES**

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

The District is a member of the Washington Schools Risk Management pool, a public entity risk pool currently operating as a common risk management and insurance program for property & liability insurance. The District pays an annual premium to the pool for its general insurance coverage. The agreement for formation of the Washington Schools Risk Management pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000,000 for each insured event.

## **NOTE 11: PROPERTY TAXES**

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

## **NOTE 12: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS**

The District is a member of the King County Director's Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. The board authorized joining the association by passing Resolution dated June 19, 1974, and has remained in the joint venture ever since. The District's current equity of \$26,081.91 is the accumulation of the annual assignment of KCDA's operating surplus based upon the percentage derived from KCDA's total sales to the District compared to all other districts applied against paid administrative fees. The District may withdraw from the joint venture and will receive its equity in ten annual allocations of merchandise or 15 annual payments.

In fiscal year 2011-2012 the district made payments totaling \$ 177,749.29 to the unemployment insurance pool that is administered by Northwest Educational Service District 189 on behalf of several local school districts. The district joined this cooperative on July 1, 1978. These funds are operated for the districts' benefit in lieu-of the district making monthly premium payments to the state of Washington for unemployment beneficiaries as they occur and minimizes the district's cost for the program.

## **NOTE 13: FUND BALANCE CLASSIFICATION DETAILS**

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

	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund	Transportation Vehicle Fund
<b>Nonspendable Fund Balance</b>					
Inventory	\$9,775.25				
<b>Assigned Fund Balance</b>					
Fund Purposes		\$179,265.63	\$0.00	\$272,952.05	\$417,202.20

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

Restricted from Bond Proceeds	\$900,000.00
Restricted from Levy Proceeds	\$440,119.99

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

### **457 Plan – Deferred Compensation Plan**

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

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

The District offers a tax deferred annuity plan for its employees. The plan permits participants to defer a portion of their salary until future years under elective deferrals (employee contribution).

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

## **NOTE 15: TERMINATION BENEFITS**

### **Compensated Absences**

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

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

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

Vacation pay, including benefits, that is expected to be liquidated with expendable available financial resources is reported as expenditures and a fund liability of the governmental fund that will pay it.

No unrecorded liability exists for other employee benefits.

South Whidbey School District No. 206  
Schedule of Long-Term Liabilities  
For the Year Ended August 31, 2012

Description	Beginning Outstanding Debt September 1, 2011	Amount Issued/Increased	Amount Redeemed/Decreased	Ending Outstanding Debt August 31, 2012
Total Voted Bonds	0.00	0.00	0.00	0.00
Total Non-Voted Notes/Bonds	0.00	900,249.63	0.00	900,249.63
Qualified Zone Academy Bonds (QZAB)	0.00	0.00	0.00	0.00
Qualified School Construction Bonds(QSCB)	0.00	0.00	0.00	0.00
<b>Other Long-Term Debt</b>				
Capital Leases	0.00	0.00	0.00	0.00
Contracts Payable (GL 603)	0.00	0.00	0.00	0.00
NonCancellable Operating Leases	37,428.91	0.00	16,193.51	21,235.40
Claims & Judgments	0.00	0.00	0.00	0.00
Compensated Absences	74,024.65	120,811.89	0.00	194,836.54
Other Long-Term Liabilities	0.00	0.00	0.00	0.00
Total Other Long-Term Liabilities	111,453.56	120,811.89	16,193.51	216,071.94
<b>TOTAL LONG-TERM LIABILITIES</b>	111,453.56	1,021,061.52	16,193.51	1,116,321.57

**SOUTH WHIDBEY SCHOOL DISTRICT # 206**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ending August 31, 2012

1	2	3	4	5	6	7	8	9
					Expenditures			
Federal Agency Name	Pass Through Agency	Federal Program Title	CFDA Number	Other Identification Number	From Direct Awards	From Pass Through Awards	Total	Foot note
USDA	WA OSPI	National School Lunch	10.555	N/A				
		- Cash Assistance				\$165,228	\$165,228	
		- Non Cash Asst. - Food Commodities				\$8,085	\$8,085	3
<b>Subtotal US Department of Agriculture</b>						<b>\$173,313</b>	<b>\$173,313</b>	
U.S. Dept of Education	WA OSPI	Title I Grants to Local Educational Agencies	84.010	200641		\$204,171	\$204,171	4
	WA OSPI	Education for Homeless Children and Youth	84.196	0455065		\$42,520	\$42,520	4
	WA OSPI	Special Education_Grants to States	84.027	303678		\$366,402	\$366,402	4
	WA OSPI	Special Education_Preschool Grants	84.173	365386		\$10,636	\$10,636	4
	WA OSPI	Career and Technical Education_Basic Grants to States	84.048	0172473		\$9,156	\$9,156	4
	WA OSPI	Improving Teacher Quality State Grants	84.367	0522101		\$77,794	\$77,794	4
	WA OSPI	Education Jobs Fund	84.410	0960041		\$5,125	\$5,125	2
<b>Subtotal US Dept of Education</b>						<b>\$715,804</b>	<b>\$715,804</b>	
Dept of Transportation (FHWA)	WA OSPI	Highway Planning and Construction RECOVERY	20.205	750026		\$26,494	\$26,494	5
<b>Subtotal Dept of Transportation</b>						<b>\$26,494</b>	<b>\$26,494</b>	
Corporation for National Services	WA OSPI	Learn & Serve America_School and Community Based Programs	94.004	0970566		\$15,116	\$15,116	4
<b>Subtotal Corporation for National Services</b>						<b>\$15,116</b>	<b>\$15,116</b>	
<b>TOTAL FEDERAL AWARDS EXPENDED</b>						<b>\$930,727</b>	<b>\$930,727</b>	

*The Accompanying Notes to the Schedule of Expenditures of Federal Awards are an Integral Part of this Schedule.*

SOUTH WHIDBEY SCHOOL DISTRICT #206

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDING August 31, 2012

**NOTE 1 - BASIS OF ACCOUNTING**

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the district's financial statements. The South Whidbey School District uses the modified accrual basis of accounting. Expenditures represent only the federally funded portions of the program. District records should be consulted to determine amounts expended or matched from non-federal sources.

**NOTE 2 - AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) of 2009**

Of the amount shown for this program, 100% was paid from ARRA funds.

**NOTE 3 - NONCASH AWARDS**

The amount of commodities reported on the schedule is the value of commodities distributed by the South Whidbey School District during the current year and priced as prescribed by the USDA.

**NOTE 4 - FEDERAL INDIRECT RATE**

The South Whidbey School District used the federal restricted rate of 4.73 percent for this program.

**NOTE 5 - FEDERAL INDIRECT RATE**

The South Whidbey School District used the federal unrestricted rate of 20.25 percent for this program.



## **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.

Our mission is to work with our audit clients and citizens as an advocate for government accountability. 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.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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 and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

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

**State Auditor  
Chief of Staff  
Director of State and Local Audit  
Director of Performance Audit  
Deputy Director of State and Local Audit  
Deputy Director of State and Local Audit  
Deputy Director of State and Local Audit  
Deputy Director of Quality Assurance  
Local Government Liaison  
Public Records Officer  
Main number  
Toll-free Citizen Hotline**

**Troy Kelley  
Doug Cochran  
Chuck Pfeil, CPA  
Larisa Benson  
Kelly Collins, CPA  
Jan M. Jutte, CPA, CGFM  
Sadie Armijo  
Barb Hinton  
Mike Murphy  
Mary Leider  
(360) 902-0370  
(866) 902-3900**

**Website  
Subscription Service**

**[www.sao.wa.gov](http://www.sao.wa.gov)  
<https://www.sao.wa.gov/EN/News/Subscriptions>**