

VASHON ISLAND SCHOOL DISTRICT No. 402

Fiscal Year-End Report & F-196 2013-2014



“To equip every student to engage, thrive, and contribute within an ever-changing world.”

Presented to the Vashon Island School District
Board of Directors on October 23rd, 2014

October 23rd, 2014

The Honorable Board of Directors
Vashon Island School District #402
9309 SW Cemetery Road
Vashon Island, WA 98070

Dear School Board Members:

The Vashon Island School District Annual Financial Statements for fiscal year 2013-2014 are attached. The District Superintendent and the Executive Director of Business Services assume responsibility for data accuracy and completeness. These Annual Financial Statements present the District's unaudited financial results as of August 31, 2014 along with all necessary disclosures.

The development and review of the 2013-2014 General Fund, Capital Fund, Debt Service Fund, ASB Fund, and Transportation Vehicle Fund annual financial statements were completed with a detailed review of revenue and expenditure items within the context of the District's goals. Information on each fund's annual financial statement is provided in this document.

We are proud to publish and disseminate this annual financial statement information to you as School Board members and to the community. We welcome the opportunity to present and discuss results and related financial impacts with all interested parties. Interaction among interested groups consistently leads to operational and educational improvements for students in the Vashon Island School District.

Our goal via this document, our Fiscal Year-End Report, is to improve the quality of information to our community about the educational programs and services for fiscal year 2013-2014. We believe this document fulfills the requirement to improve the presentation of our annual financial statements and help make them more understandable, transparent, and reader friendly. The state required F-196 Annual Financial Report document remains the same and all pages of the F-196 report are contained.



Michael Soltman
Superintendent of Schools



Matt Sullivan
Executive Director of Business Services

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Executive Summary

Preparation of the 2013 – 2014 budget began in December 2012 with the development of the student enrollment forecast for the 2013 – 2014 fiscal-year. In January 2013, the Board acknowledged the pupil enrollment forecast and was informed of the budget process. From February to May 2013 District staff and budget managers met to formulate budget recommendations for Board approval. A preliminary budget was presented in June 2013, with a final budget approved by the Board in July 2013. Implementation of the budget commenced on September 1, 2013. Adjustments were made to budgeted values throughout the year in order to react to changing program needs, such as student enrollment.

Expenditures

The Vashon Island School District operates five (5) individual funds, allowed by state law: General, Capital Projects, Debt Service, Associated Student Body (ASB), and Transportation.

General Fund

Accounts for the day-to-day operation of the District. Included are all the normal and recurring financial activities of the District that are not accounted for in other funds. Expenditures include salaries and benefit costs, and non-salary costs, such as supplies and materials, books and other instructional materials, utilities, purchased services and equipment, which can be referred to as MSOC (Materials Supplies and Operating Costs). Revenues for the General Fund includes local, state, and federal funds.

Associated Student Body Fund (ASB)

Accounts for the student extracurricular activities in each school. These funds are public monies raised on behalf and by students, and are used for optional, extra-curricular events of a cultural, athletic, recreational, or social nature (CARS).

Debt Service Fund

Provides for the redemption and payment of interest on voted bonds. Each year an amount is levied which provides for redemption of bonds currently due, interest payments on bonds outstanding and related costs.

Capital Projects Fund

Accounts for the financing and expenditures of capital projects. It can include modernization, new construction and replacement of systems, equipping of new facilities, site improvements, major renovations, and technology systems. Revenues for the Capital Projects Fund include state matching funds, investment earnings, impact fees, Cap/Tech levy, and bonds.

Transportation Vehicle Fund

Accounts for the purchase of pupil transportation vehicles and major repairs, with OSPI approval. Revenue for this fund can include State depreciation funds, transportation vehicle levy funds, and investment income.

The following chart presents a comparison of the proposed budget vs. actual expenditures for fiscal year 2013-14 for all Governmental Funds as well as 2012-13 actual expenditures.

Total Expenditures for All District Funds				
Fund	Actual 2012-2013	Budgeted 2013-2014	Actual 2013-2014	% Change*
General	\$15,323,672	\$16,646,918	\$16,265,459	+6.1%
Capital Projects	\$27,555,436	\$17,360,397	\$12,471,568	-54.7%
Debt Service	\$5,150,677	\$4,370,988	\$4,370,242	-15.1%
ASB	\$239,380	\$445,134	\$321,623	+34.3%
Transportation	\$0	\$35,000	\$0	0%

**Percent change is between 2012-2013 Actual and 2013-2014 Actual*

Total Expenditures for All District Funds Analysis

General Fund - 6.1% increase from 2012-2013 to 2013-2014 due to an increase in student FTE population, hence corresponding expenditures and increased revenue. Also included was the negotiated and Board approved salary increases of 3%.

Capital Projects - 54.7% decrease from 2012-2013 to 2013-2014 due to the final phases of the new high school capital project.

Debt Service - 15.1% decrease from 2012-2013 to 2013-2014 due to the final phases of the new high school capital project, less monies coming in, hence less debt service needed.

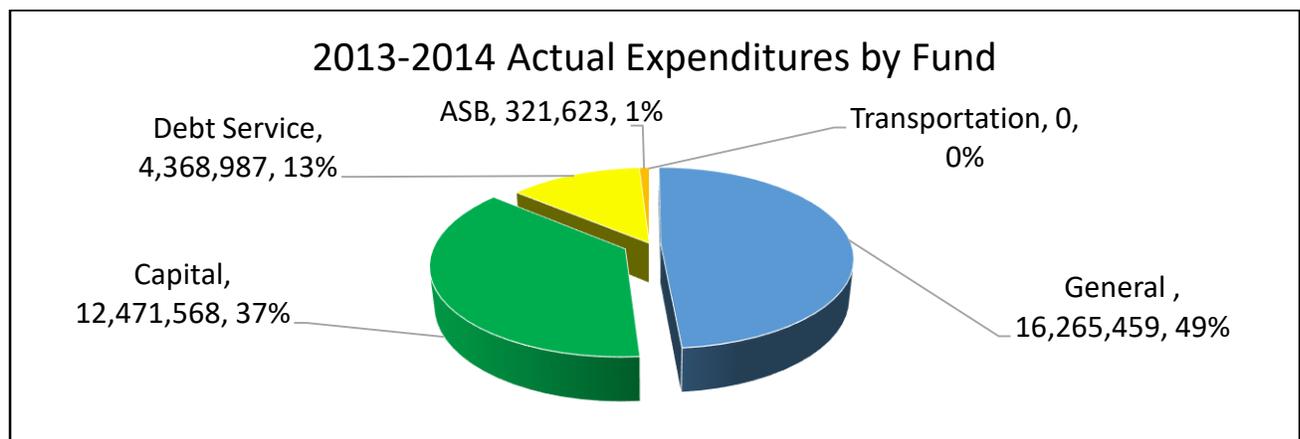
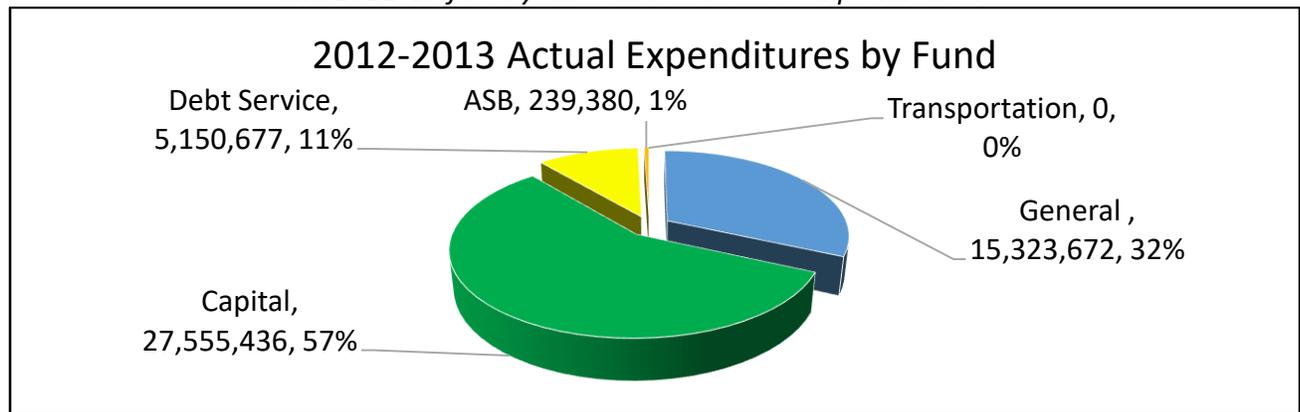
ASB – 34.3% increase from 2012-2013 to 2013-2014 due to the Spanish Club trip to Central America.

Transportation – no change.

Education of students is a labor-intensive enterprise, as reflected in personnel costs. The workforce of the District is determined by the staffing guidelines and collective bargaining agreements in relation to projected student enrollment and curriculum requirements.

For the 2013-14 fiscal-year, salaries and benefits constituted 79% of all General Fund expenditures. In 2012-2013, salaries and benefits constituted 78% of all General Fund expenditures. The District has held steady with no reductions in staffing levels; this fiscal year did see a salary increase via negotiated agreements, which combined with increases in the District health benefit share and medical benefits, resulted in a 1% increase in salary/benefit costs to the General Fund. It should be duly noted that the State provides only a portion of the necessary funds to cover these costs.

The following pie charts provide a comparison of expenditures by fund for the 2013-14 and 2012-13 fiscal years based on actual expenditures.



Revenues

Financial support for District-operated programs and services is substantially and increasingly derived from local sources of revenue, such as the Maintenance/Operation (M&O) and Cap/Tech Levies, paid by local property taxes, and generous donations from civic/education support organizations.

The national and local economic stagnation continued this past year, though there were signs of improvement; we saw local, and state funding increase slightly and federal funding rise, due mainly to the Federal Department of Education being shielded somewhat from automatic federal fund reductions (sequestration).

The following chart presents a comparison of the proposed budget vs. actual revenues for fiscal year 2013-14 for all Governmental Funds as well as 2012-13 actual revenues.

Total Revenues for All District Funds				
Fund	Actual 2012-2013	Budgeted 2013-2014	Actual 2013-2014	% Change*
General	\$15,303,019	\$16,355,622	\$16,173,960	+5.7%
Capital	\$1,105,841	\$4,356,458	\$3,517,217	+218%
Debt Service	\$4,319,289	\$4,377,540	\$4,432,791	+2.6%
ASB	\$240,328	\$453,920	\$322,062	+34.0%
Transportation	\$16,816	\$180	\$17,090	+1.6%

**Percent change is between 2012-2013 Actual and 2013-2014 Actual*

Total Revenues for All District Funds Analysis

General Fund - 5.7% increase from 2012-2013 to 2013-2014 due to an increase in student FTE population, hence corresponding increased revenues and expenditures. In addition, State apportionment, local taxes, and special education funding went up slightly.

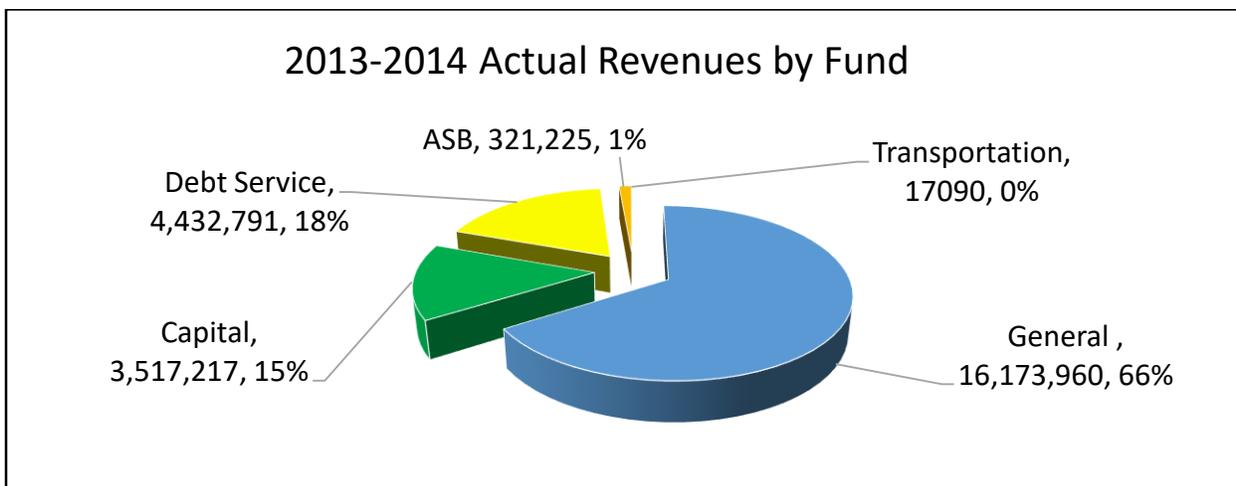
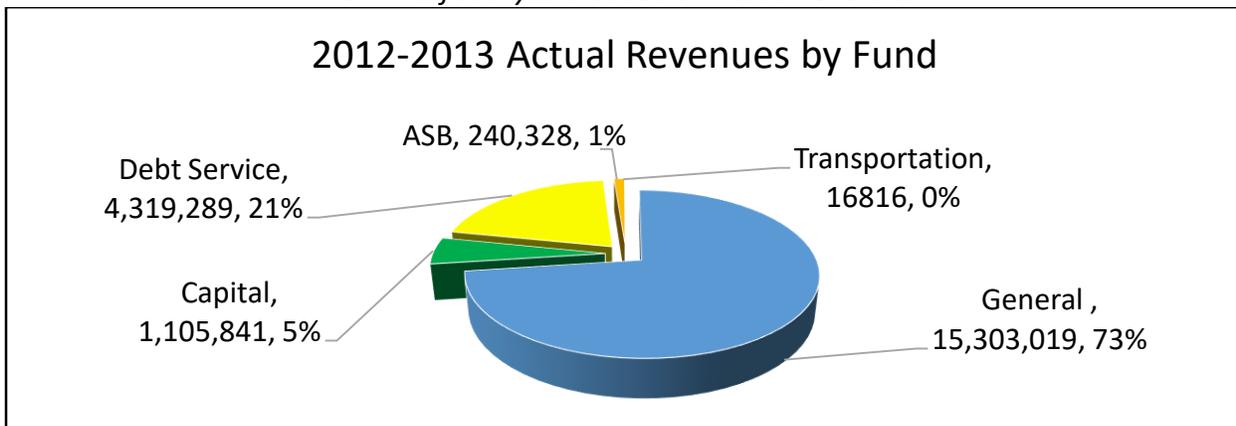
Capital Projects - 218% increase from 2012-2013 to 2013-2014 due to State matching funds being realized/received, an additional \$2+ million.

Debt Service - 2.6% increase from 2012-2013 to 2013-2014 due to the final phases of the new high school capital project, revenue via local taxes.

ASB – 34.0% increase from 2012-2013 to 2013-2014 mainly due to the Spanish Club trip to Central America.

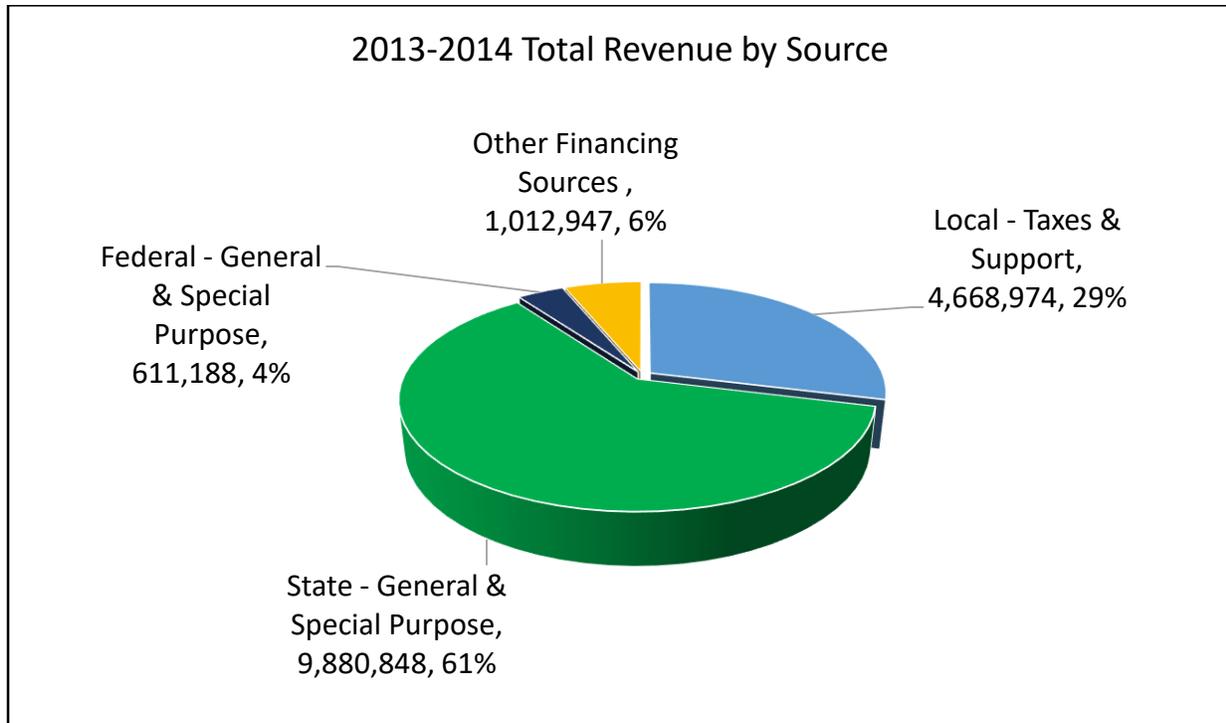
Transportation – 1.6% increase from 2012-2013 to 2013-2014 due to State transportation funding.

The following pie charts provide a comparison of revenues by fund for the 2013-14 and 2012-13 fiscal years based on actual revenues.



Total Revenue by Source

Where Does the Revenue Come From?



Local - Taxes & Support – 29% - This funding source includes local property tax, levies, timber excise tax, tuition and fees, investment earnings, and private donations.

State – General & Special Purpose – 61% - This is the largest revenue source for the District, which includes apportionment. The amount of apportionment is driven by the number of full-time equivalent students (FTE) in the District, and a series of other formulas driven by both the number of full-time equivalent students (FTE) and rates set by the legislature. The current amount per student FTE is an estimated \$5,500.00. State – General & Special Purpose funding also includes Special Education (SPED), Career and Technical Education (CTE), Learning Assistance Program (LAP), Transitional Bilingual, Food Services, Highly Capable, and Traffic Safety.

Federal – General & Special Purpose – 4% - This funding source includes Special Education (SPED) reimbursements (Medicaid), Title I - Disadvantaged, Nutrition Support, and Grants.

Other Financing Sources – 6% - This funding source includes, sale of real property and equipment, facility use fees, and levy transfers.

Fund Balance

The District maintains a positive balance in each of the five funds, which provides a “savings” and future spending flexibility. The Fund Balance is “cash-in-the-bank.” The District currently maintains a minimum of 5% General Fund fund balance per District policy.

The General Fund Balance consists mainly of committed reserves, restricted funds, assigned contingencies and unassigned reserves.

The Capital Projects Fund Balance consists of revenue from the bond for construction of the new high school.

The Debt Service Fund Balance consists of collected taxes that have yet to be used for bond principal/interest payments.

The Associated Student Body (ASB) Fund Balance accounts for the student extracurricular activities in each school.

The Transportation Vehicle Fund Balance accounts for the purchase and major repairs of pupil transportation vehicles (buses).

The table below shows the 2013-2014 ending fund balances (budgeted amount and actual) and the 2012-2013 actual amount.

Ending Fund Balance for All Funds				
Fund	Actual 2012-2013	Budgeted 2013-2014	Actual 2013-2014	% Change*
General Fund	\$1,557,924	\$1,578,577	\$1,466,425	-5.8%
Capital Projects	\$39,385,798	\$14,379,827	\$2,210,792	-94.3%
Debt Service	\$2,398,766	\$1,546,725	\$1,629,926	-32.0%
ASB	\$179,418	\$195,428	\$180,804	+7.7%
Transportation	\$34,489	\$35,230	\$68,396	+98.3%

**Percent change is between 2012-2013 Actual and 2013-2014 Actual*

Ending Fund Balance for All Funds Analysis

General Fund - **5.8%** decrease from 2012-2013 to 2013-2014 due to large curriculum purchases.

Capital Projects - **94%** decrease from 2012-2013 to 2013-2014 due to the final phases of the new high school capital project.

Debt Service – **32.0%** decrease from 2012-2013 to 2013-2014 due to the final phases of the new high school capital project debt payments.

ASB - **.77%** increase from 2012-2013 to 2013-2014 due to slightly increased revenue.

Transportation – **98.3%** increase from 2012-2013 to 2013-2014 due to State transportation funding and not purchasing a (new) used bus.



General Fund Summary

The General Fund accounts for the day-to-day operation of the District. Included are all the normal and recurring financial activities of the District that are not accounted for in other funds. Expenditures include salaries and benefit costs, and non-salary costs, such as supplies and materials, books and other instructional materials, utilities, purchased services and equipment, which is referred to as MSOC (Materials Supplies and Operating Costs). Revenues for the General Fund include local, state, federal funds, and other funds.

Total Expenditures for the General Fund

The table below shows the 2013-2014 ending Object balances (budgeted amount and actual) and the 2012-2013 actual amount.

Total Expenditures by Object – General Fund					
Object	Description	Actual 2012-2013	Budgeted 2013-2014	Actual 2013-2014	% Change*
2	Salaries-Certified	\$6,459,225	\$6,775,860	\$6,935,070	+7.3%
3	Salaries-Classified	\$2,359,783	\$2,375,323	\$2,534,865	+7.4%
4	Benefits	\$3,073,798	\$3,387,614	\$3,452,588	+12.3%
5	Supplies & Materials	\$998,381	\$1,428,697	\$1,047,462	+4.9%
7	Purchased Services	\$2,227,485	\$2,446,594	\$2,071,239	-7.0%
8	Travel	\$12,471	\$9,574	\$10,247	-17.8%
9	Capital Outlay**	\$192,528	\$223,104	\$213,482	+10.8%

**Percent change is between 2012-2013 Actual and 2013-2014 Actual*

***\$900k annual funding via Cap/Tech Levy*

Total Expenditures by Object – General Fund Analysis

Salaries – Certified – 7.3%, +\$475,845 - increase was due to the negotiated and Board approved salary increases of 3%. Also due to extra-time spent on professional development, supplemental pay/stipends, and step increases.

Salaries – Classified – 7.4%, +\$175,082 – increase was due to the Board approved salary increases of 3%. Also due to classroom para-educator hours and libraries.

Benefits – 12.3%, +378,790 – increase was due to medical benefits, retirement contributions, and retiree health care costs. It should be duly noted that the State does not cover the total amount of the benefit rate increases. The State provided revenue covering benefits costs has remained static for three years. The District must use General Fund revenue to bridge the gap.

Supplies & Materials – 4.9%, +49,081 - increase was due to general increase in the cost of supplies and materials. As well as an increase in student enrollment.

Purchased Services – 7.0%, -\$156,246 – decrease was due to less contract work and General Fund monies being charged back to the bond due to the final phases of the new high school project.

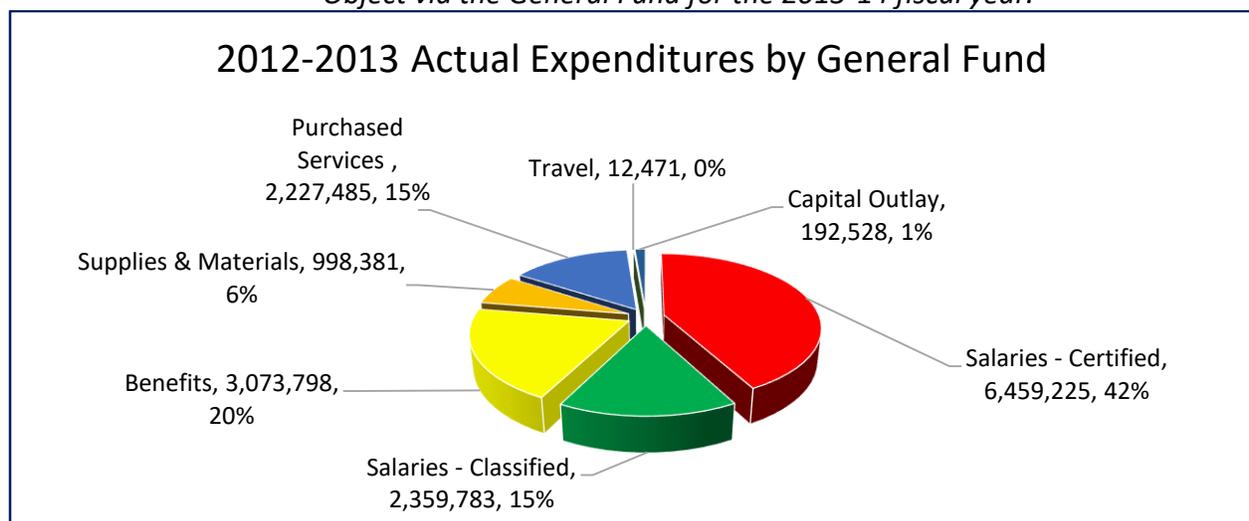
Travel – 17.8%, -\$2,224 – decrease was due to less travel off island for professional staff.

Capital Outlay – 10.8%, +\$20,954 – increase was due to device replacement such as Chromebooks and laptops, funded from Cap/Tech levy monies.

2013-2014 NET CHANGE = +\$941,282

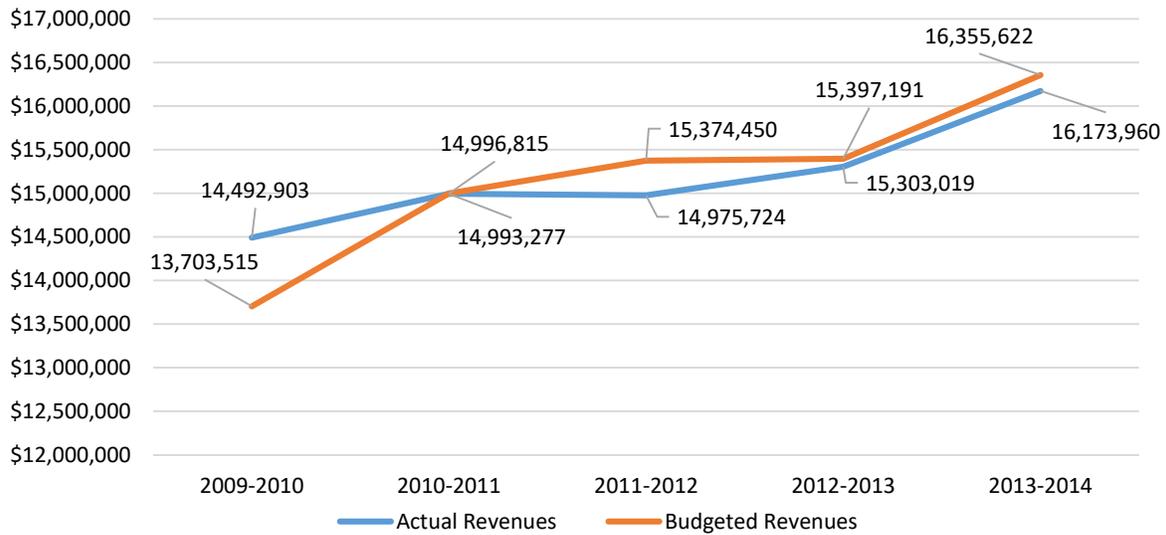
(2012-2013 NET CHANGE = +\$772,792)

The following pie charts provide a comparison of expenditures by Object via the General Fund for the 2013-14 fiscal year.

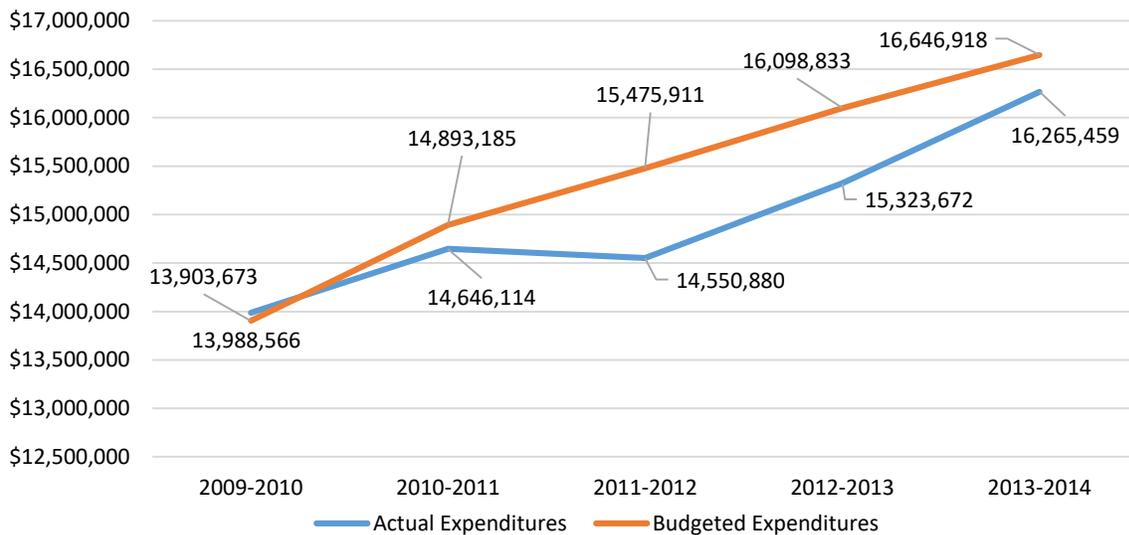


Historical General Fund Revenues & Expenditures

Historical General Fund Actual Revenues vs. Budget



Historical General Fund Actual Expenditures vs. Budget



Other Funds

Capital Projects Fund

The Capital Projects Fund provides resources to construct or perform significant remodel/restoration of facilities owned by the District. The District receives revenue for the Capital Projects Fund through long-term leases, land sales, State capital project grant reimbursements, investment earnings, and local capital levies or bond elections. As you know, in February of 2011, a capital bond election was put forth to our voters, and achieved the required super-majority (60%) to successfully pass. A four year Capital Projects levy for technology and maintenance passed in February 2012 for collection in calendar years 2013 thru 2016.

Fund Balance	Actual 12-13	Budget 13-14	Actual 13-14
Capital Projects	\$1,557,924	\$1,578,577	\$2,210,792

Debt Service Fund

The Debt Service Fund is used to pay off outstanding long-term debt authorized by the Board and approved by the District voters. The District pays interest on its debt twice a year and principal once a year. Property taxes are collected by King County on behalf of the District. The county invests the taxes received in order to maximize return and maintain as small a tax rate as possible.

The balance of the Debt Service Fund has decreased over this past year, which is attributed to implementing our debt service payment schedule. The use of a Debt Service Fund balance allows for property taxes to remain stable over long periods of time. The Debt Service Fund is closely monitored to ensure it stays at a level that allows payment of our long-term debt.

Fund Balance	Actual 12-13	Budget 13-14	Actual 13-14
Debt Service	\$2,398,766	\$1,546,725	\$1,629,926

Associated Student Body (ASB) Fund

The ASB Fund is run by the students at each school under the supervision of a faculty advisor. Each school's ASB accounts remain separate from all of the other school funds. The students raise money in a variety of ways including dues for an ASB card and athletic/club fees and various fund-raising activities. The end of year balance target for the ASB Fund is typically \$150,000 to \$200,000, but can increase/decrease due to major events/activities. This allows for sufficient reserves to cover unexpected events at any of the schools.

Fund Balance	Actual 12-13	Budget 13-14	Actual 13-14
ASB	\$179,418	\$195,428	\$180,804

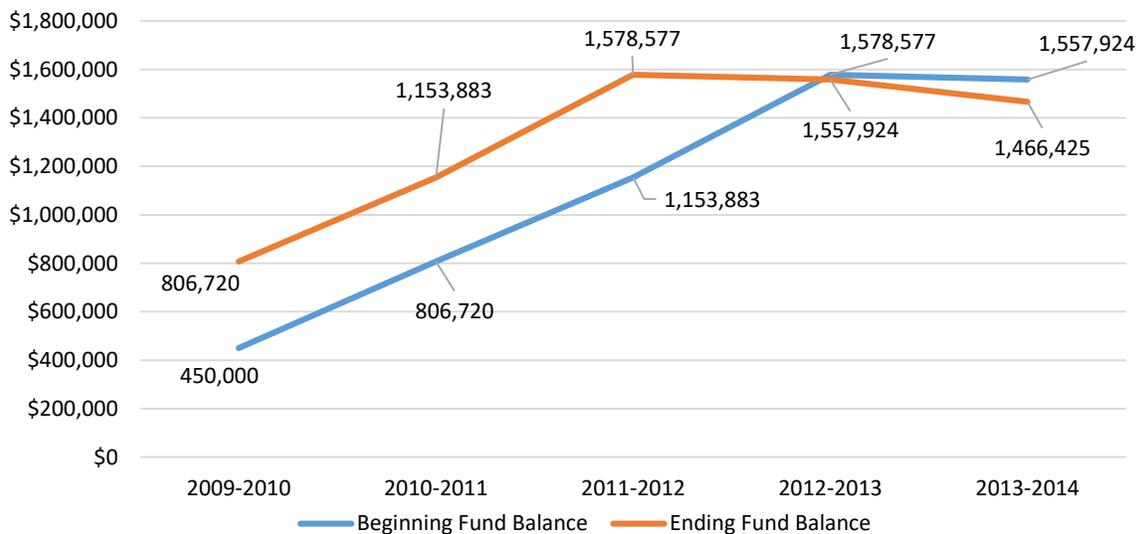
Transportation Vehicle Fund

The Transportation Vehicle Fund receives funds from the State in the form of school bus depreciation for District owned buses. The fund also invests its reserves and thus earns interest. The District contracts with First Student for its transportation operation needs and thus incurs few (if any) expenses in this fund. The District continues to replace its older “large” buses in inventory, by adding smaller buses for flexibility in transporting our sports teams and students on fieldtrips. We currently own and operate two, eighty-four passenger buses and one, thirty passenger bus.

Fund Balance	Actual 12-13	Budget 13-14	Actual 13-14
Transportation	\$34,489	\$35,230	\$68,396

Historical Fund Balance

Historical Fund Balance Beginning vs. Ending



2013-2014 Fund Balance Allocation

Description	Allocation
Carryover – Allocated & Unallocated	\$384,337.10
Unemployment Insurance	\$30,000.00
Lockbox	\$40,000.00
Curriculum/Professional Development	\$100,000.00
5% Minimum Fund Balance	\$766,183.00
Benefit Liability	\$145,905.76
TOTAL	\$1,466,425.86

District-Wide Information

Assets

Most of the District's financial activity occurs in the General Fund. The King County Treasurer acts as our primary banking institution (@ US Bank). The District maintains a small amount of cash to cover outstanding warrants (checks). In more recent years, the King County Investment Pool has been more aggressive in managing the cash reserves, ensuring that the District receives the maximum investment return on its available cash. For several years now, an oversight board consisting of representatives of the various institutions required to be a part of the investment pool (school districts, water districts, sewer districts, etc.) was established to lend oversight to the Pool as a result of the losses the Investment Pool experienced in several commercial paper investments.

Receivables are monitored and accounts reconciled on a monthly basis and when accounts become more than thirty days past due, we communicate with the organizations or individuals who owe us money. On rare occasions, accounts may require the use of a collection agency.

Liabilities and Fund Balance

The District pays bills after an invoice is received and the materials/services are confirmed to be acceptable. Paying bills twice a month allows the District to maintain an average weighted age of accounts payable (AP) at less than thirty days. To cover urgent needs, the District operates a number of imprest (checking) accounts that are frequently monitored and have limited access with small balances approved by the Board.

Fund balance consists of reserves that are committed, restricted, and/or assigned for particular items. These include student fees collected for programmatic needs, donation carryover, self-insured unemployment, and commitments for curriculum adoptions and long-term debt. Another portion of fund balance is committed to a target minimum end of year balance equivalent to 5% of the year's budgeted expenditures. This minimum fund balance is set by Board policy.

Physical Assets

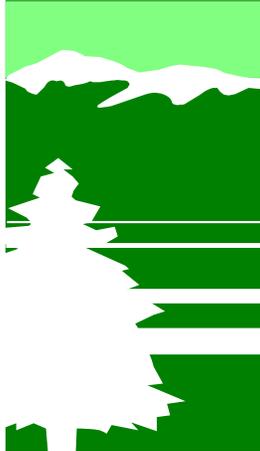
The District operates the following schools and facilities:

- 1 elementary school – Chautauqua Elementary
- 1 middle school – McMurray Middle School
- 1 high school – Vashon High School
- 1 alternative high school – Student Link
- 1 home school resource center – Family Link
- 1 technology office
- 1 maintenance office and warehouse building
- 1 transportation facility – “The Bus Barn”

The District also has two closed elementary school sites (Burton and Vashon Elementary) and a raw land site (Vashon Heights). The land total is nearly 154 acres and total District value of buildings and equipment is \$55,931,807 million.

Since the District is not required to maintain fixed assets or depreciate them, it becomes important to provide the Board and community with a listing of those assets along with an approximate dollar value. The dollar value represents the insurance coverage carried by the District. Building values are based on a construction cost per square foot that is updated annually by our insurance carrier, the Washington Schools Risk Management Pool (WSRMP). This organization is a cooperative between 75 school districts whose risk history is among the best in the State of Washington. Equipment values represent a factor applied to the costs of construction and then modified by District input in order to cover special equipment, etc.

2013 - 2014 Enrollment



F-196 Report

