

SOUTHEAST ISLAND SCHOOL DISTRICT

Basic Financial Statements, Required Supplementary  
Information, Additional Supplementary Information  
and Compliance Reports

Year Ended June 30, 2017

SOUTHEAST ISLAND SCHOOL DISTRICT

Basic Financial Statements, Required Supplementary  
Information, Additional Supplementary Information  
and Compliance Reports

Year Ended June 30, 2017

# SOUTHEAST ISLAND SCHOOL DISTRICT

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## **Independent Auditor's Report**

Members of the School Board  
Southeast Island School District  
Thorne Bay, Alaska

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Southeast Island School District (District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***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 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 entity'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 entity'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.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Southeast Island School District as of June 30, 2017, the respective changes in financial position thereof, and the respective budgetary comparison for the School Operating Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

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

Accounting principles generally accepted in the United States of America require that the schedules of the District's proportionate share of the net pension liability and schedules of the District's contributions on pages 41 to 44 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.

Management has omitted the Management, Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Southeast Island School District's basic financial statements. The schedules of revenues, expenditures and changes in fund balance – budget to actual for major funds, and the combining and individual non-major fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of State Financial Assistance is presented for purposes of additional analysis as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, and is also not a required part of the basic financial statements.

Members of the School Board  
Southeast Island School District

The schedules of revenues, expenditures and changes in fund balance – budget to actual for major funds, and the combining and individual nonmajor fund financial statements and the schedule of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of revenues, expenditures and changes in fund balance – budget to actual for major funds and the combining and individual nonmajor fund financial statements and the schedule of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2017, on our consideration of Southeast Island School 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 effectiveness of Southeast Island School District's 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 Southeast Island School District's internal control over financial reporting and compliance.



Anchorage, Alaska  
October 20, 2017



## SOUTHEAST ISLAND SCHOOL DISTRICT

## Statement of Net Position

June 30, 2017

<u>Assets and Deferred Outflows of Resources</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current:			
Cash and cash equivalents	\$ 90,365	304,402	394,767
Accounts receivables	397,285	-	397,285
Inventory	72,959	-	72,959
Internal balances	467,564	(467,564)	-
Total current	<u>1,028,173</u>	<u>(163,162)</u>	<u>865,011</u>
Non-current:			
Capital assets	33,514,590	63,784	33,578,374
Accumulated depreciation	(16,114,184)	(6,378)	(16,120,562)
Total non-current	<u>17,400,406</u>	<u>57,406</u>	<u>17,457,812</u>
Deferred outflows of resources-			
Pension deferrals	<u>961,751</u>	<u>-</u>	<u>961,751</u>
Total assets and deferred outflows of resources	<u>19,390,330</u>	<u>(105,756)</u>	<u>19,284,574</u>
<u>Liabilities and Deferred Inflows of Resources</u>			
Current liabilities:			
Unearned revenue	<u>310,829</u>	<u>-</u>	<u>310,829</u>
Total current liabilities	<u>310,829</u>	<u>-</u>	<u>310,829</u>
Long-term liabilities:			
Due within one year - accrued leave	10,324	-	10,324
Due in more than one year - net pension liability	<u>4,339,411</u>	<u>-</u>	<u>4,339,411</u>
Total long term liabilities	<u>4,349,735</u>	<u>-</u>	<u>4,349,735</u>
Deferred inflows of resources -			
Pension deferrals	<u>612,312</u>	<u>-</u>	<u>612,312</u>
Total liabilities and deferred inflows of resources	<u>5,272,876</u>	<u>-</u>	<u>5,272,876</u>
<u>Net Position</u>			
Net investment in capital assets	17,400,406	57,406	17,457,812
Unrestricted (deficit)	(3,282,952)	(163,162)	(3,446,114)
Total net position	<u>\$ 14,117,454</u>	<u>(105,756)</u>	<u>14,011,698</u>

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

## SOUTHEAST ISLAND SCHOOL DISTRICT

## Statement of Activities

Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position (Deficit)		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total Governmental Activities
Governmental Activities:							
Instruction	\$ 3,001,616	-	464,742	-	(2,536,874)	-	(2,536,874)
Special education instruction	802,844	-	96,854	-	(705,990)	-	(705,990)
Support services - students	153,112	-	126,962	-	(26,150)	-	(26,150)
Support services - instruction	1,858,041	-	861	-	(1,857,180)	-	(1,857,180)
School administration	643,101	-	63,970	-	(579,131)	-	(579,131)
School administration support services	57,316	-	959	-	(56,357)	-	(56,357)
District administration	349,833	-	18,047	-	(331,786)	-	(331,786)
District administration support services	490,918	-	72,262	-	(418,656)	-	(418,656)
Operations and maintenance of plant	1,918,408	-	100,302	-	(1,818,106)	-	(1,818,106)
Student activities	259,013	-	6,800	-	(252,213)	-	(252,213)
Student transportation	227,459	-	214,043	-	(13,416)	-	(13,416)
Food service	246,140	4,183	148,428	-	(93,529)	-	(93,529)
Community services	4,000	-	4,000	-	-	-	-
Construction and facilities acquisition	81,188	-	10,439	188,389	117,640	-	117,640
Total governmental activities	\$ 10,092,989	4,183	1,328,669	188,389	(8,571,748)	-	(8,571,748)
Business-type Activities							
Thorne Bay Restaurant	181,411	127,277	-	-	-	(54,134)	(54,134)
Total	\$ 10,274,400	131,460	1,328,669	188,389	(8,571,748)	(54,134)	(8,625,882)
General revenues:							
E-Rate					\$ 1,264,463	-	1,264,463
Grants not restricted to specific programs					5,340,529	-	5,340,529
Other					179,645	-	179,645
Total general revenues					6,784,637	-	6,784,637
Change in net position					(1,787,111)	(54,134)	(1,841,245)
Net position - beginning					15,904,565	(51,622)	15,852,943
Net position - ending					\$ 14,117,454	(105,756)	14,011,698

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

## SOUTHEAST ISLAND SCHOOL DISTRICT

## Balance Sheet - Governmental Funds

June 30, 2017

	School Operating Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 90,365	-	-	90,365
Accounts receivable	4,767	130,993	261,525	397,285
Due from other funds	951,486	365,846	285,684	1,603,016
Inventory	53,339	-	19,620	72,959
Total assets	<u>\$ 1,099,957</u>	<u>496,839</u>	<u>566,829</u>	<u>2,163,625</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Unearned revenue	101,470	185,376	23,983	310,829
Due to other funds	651,530	248,384	235,538	1,135,452
Total liabilities	<u>753,000</u>	<u>433,760</u>	<u>259,521</u>	<u>1,446,281</u>
Fund Balances:				
Nonspendable	53,339	-	19,620	72,959
Committed	-	52,519	-	52,519
Assigned	-	10,560	287,688	298,248
Unassigned	293,618	-	-	293,618
Total fund balances	<u>346,957</u>	<u>63,079</u>	<u>307,308</u>	<u>717,344</u>
Total liabilities and fund equity	<u>\$ 1,099,957</u>	<u>496,839</u>	<u>566,829</u>	
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and are not reported in the funds.				17,400,406
Long-term liabilities are not due and payable in the current period and therefore are not reported as fund liabilities. Long-term liabilities reported in these statements consist of:				
Accrued leave				(10,324)
Proportionate share of the collective net pension liability:				
PERS			(1,846,762)	
TRS			(2,492,649)	(4,339,411)
Deferred inflows and outflows of resources are the results of timing differences in the actuarial report.				
Pension related assets in the current fiscal year are presented as deferred outflows of resources:				
PERS			349,411	
TRS			612,340	961,751
Pension related liabilities in the current fiscal year are presented as deferred inflows of resources:				
PERS			(580,176)	
TRS			(32,136)	(612,312)
Net position of governmental activities	\$			<u>14,117,454</u>

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

## SOUTHEAST ISLAND SCHOOL DISTRICT

## Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2017

	School Operating Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Local sources:				
Charges for services	\$ -	-	4,183	4,183
E-rate	1,264,463	-	-	1,264,463
Other	179,645	-	123,446	303,091
Intergovernmental:				
State of Alaska	5,649,083	188,389	223,696	6,061,168
Federal sources	-	-	597,080	597,080
Total revenues	<u>7,093,191</u>	<u>188,389</u>	<u>948,405</u>	<u>8,229,985</u>
Expenditures:				
Current:				
Instruction	2,044,845	-	233,827	2,278,672
Special education instruction	587,337	-	50,008	637,345
Support services - students	20,325	-	126,962	147,287
Support services - instruction	1,848,642	-	-	1,848,642
School administration	505,906	-	-	505,906
School administration support services	41,456	-	-	41,456
District administration	275,293	-	-	275,293
District administration support services	367,852	-	67,792	435,644
Operation and maintenance of plant	1,149,347	25,619	59,338	1,234,304
Student activities	228,758	-	678	229,436
Student transportation	-	-	257,639	257,639
Food service	-	-	240,283	240,283
Community services	-	-	4,000	4,000
Construction and facilities acquisition	-	259,138	10,439	269,577
Total expenditures	<u>7,069,761</u>	<u>284,757</u>	<u>1,050,966</u>	<u>8,405,484</u>
Excess of revenues over expenditures	<u>23,430</u>	<u>(96,368)</u>	<u>(102,561)</u>	<u>(175,499)</u>
Other financing sources (Uses):				
Transfers in	-	96,368	78,696	175,064
Transfers out	<u>(175,064)</u>	<u>-</u>	<u>-</u>	<u>(175,064)</u>
Total other financing sources (uses):	<u>(175,064)</u>	<u>96,368</u>	<u>78,696</u>	<u>-</u>
Net change in fund balance	(151,634)	-	(23,865)	(175,499)
Fund balances, beginning of year	<u>498,591</u>	<u>63,079</u>	<u>331,173</u>	<u>892,843</u>
Fund balances, end of year	<u>\$ <u>346,957</u></u>	<u><u>63,079</u></u>	<u><u>307,308</u></u>	<u><u>717,344</u></u>

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

## SOUTHEAST ISLAND SCHOOL DISTRICT

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

Year Ended June 30, 2017

Net change in fund balances - total governmental funds	\$	(175,499)
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Amounts reported for *governmental activities* in the statement of activities are different because:

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in the unfunded net pension liability		
PERS	839,665	
TRS	<u>(820,977)</u>	18,688

Changes in deferred inflow and outflow of resources are the results of timing differences in the actuarial report.

Contributions to the pension plan in the current fiscal year are included in the fund financial statements and are presented as changes in deferred inflows and outflow of resources in the government-wide statements.

Change in deferred outflows		
PERS	(662,007)	
TRS	<u>230,068</u>	(431,939)

Change in deferred inflows		
PERS	(532,615)	
TRS	<u>(4,895)</u>	(537,510)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives.

This is the amount by which depreciation exceeded capital outlay in the current period:		
Capital outlay	231,389	
Depreciation expense	<u>(907,885)</u>	(676,496)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in the governmental funds. This is the decrease in accrued leave.

15,645

Change in net position of governmental activities	\$	<u><u>(1,787,111)</u></u>
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The notes to the financial statements are an integral part of this statement.

## SOUTHEAST ISLAND SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual - School Operating Fund

Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Positive (Negative)
Revenues:				
Local sources:				
E-rate	\$ 1,357,299	1,357,299	1,264,463	(92,836)
Other	102,000	102,000	179,645	77,645
Intergovernmental:				
State of Alaska	5,480,352	5,480,352	5,649,083	168,731
Total revenues	<u>6,939,651</u>	<u>6,939,651</u>	<u>7,093,191</u>	<u>153,540</u>
Expenditures:				
Current:				
Instruction	2,206,843	2,176,250	2,044,845	131,405
Special education instruction	388,214	415,039	587,337	(172,298)
Special education support services - students	61,880	61,880	20,325	41,555
Support services - instruction	2,178,742	2,179,242	1,848,642	330,600
School administration	471,284	493,519	505,906	(12,387)
School administration support services	34,669	34,669	41,456	(6,787)
District administration	292,611	291,611	275,293	16,318
District administration support services	431,110	426,070	367,852	58,218
Operations and maintenance of plant	1,135,725	1,121,425	1,149,347	(27,922)
Student activities	142,381	147,048	228,758	(81,710)
Total expenditures	<u>7,343,459</u>	<u>7,346,753</u>	<u>7,069,761</u>	<u>276,992</u>
Excess of revenues over expenditures	<u>(403,808)</u>	<u>(407,102)</u>	<u>23,430</u>	<u>430,532</u>
Other financing sources (Uses):				
Transfers in (out):				
Other funds	-	-	(3,947)	3,947
Capital projects fund	(300,904)	(300,904)	(96,368)	(204,536)
Food service special revenue fund	-	-	(74,749)	74,749
Net other financing sources (uses)	<u>(300,904)</u>	<u>(300,904)</u>	<u>(175,064)</u>	<u>(125,840)</u>
Net change in fund balance	\$ <u>(704,712)</u>	<u>(708,006)</u>	<u>(151,634)</u>	<u>304,692</u>
Fund balance, beginning of year			<u>498,591</u>	
Fund balance, end of year			\$ <u>346,957</u>	

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

## SOUTHEAST ISLAND SCHOOL DISTRICT

## Thorne Bay Enterprise Fund

## Statement of Net Position

June 30, 2017

<u>Assets</u>	
Current assets:	
Cash and investments	\$ <u>304,402</u>
Property, plant and equipment:	
Plant and improvements	63,784
Accumulated depreciation	<u>(6,378)</u>
Net property, plant and equipment	<u>57,406</u>
Total assets	\$ <u><u>361,808</u></u>
<u>Liabilities and Net Position (Deficit)</u>	
Current liabilities:	
Due to other funds	<u>467,564</u>
Net position (Deficit):	
Net investment in capital assets	57,406
Unrestricted (deficit)	<u>(163,162)</u>
Total net position (Deficit)	<u>(105,756)</u>
Total liabilities and net position	\$ <u><u>361,808</u></u>

See accompanying notes to basic financial statements.

## SOUTHEAST ISLAND SCHOOL DISTRICT

## Thorne Bay Enterprise Fund

## Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2017

Revenues		
Other local revenues	\$	<u>127,277</u>
Expenditures		
Support services - instruction		
Supplies, materials and media		<u>386</u>
Operations and maintenance of plant:		
Non-certificated salaries		2,604
Employee benefits		1,425
Utility services		3,438
Energy		10,011
Other purchased services		6,650
Supplies, materials, and media		<u>2,309</u>
Total operations and maintenance of plant		<u>26,437</u>
Student activities:		
Non-certificated salaries		55,770
Employee benefits		3,321
Professional and technical services		19,400
Utility services		1,834
Other purchased services		699
Supplies, materials and media		65,635
Other expenditures		<u>7,349</u>
Total student activities		<u>154,008</u>
Construction and facilities acquisition -		
Supplies, materials and media		<u>580</u>
Total Expenditures		<u>181,411</u>
Change in net position		(54,134)
Beginning net position		<u>(51,622)</u>
Ending net position (Deficit), end of year	\$	<u><u>(105,756)</u></u>

See accompanying notes to basic financial statements.



## SOUTHEAST ISLAND SCHOOL DISTRICT

## Thorne Bay Restraunt Enterprise Fund

## Statement of Cash Flows

Year Ended June 30, 2017

Cash flows from (for) operating activities:	
Receipts from customers and users	\$ 127,277
Payments to suppliers	(115,102)
Payments to employees	(63,120)
Net cash flows from (for) operating activities	<u>(50,945)</u>
Cash flows from financing activities - loan from general fund (due to)	<u>178,224</u>
Net increase (decrease) in cash and cash equivalents	127,279
Beginning cash and cash equivalents	<u>177,123</u>
Ending cash and cash equivalents	\$ <u><u>304,402</u></u>
Reconciliation of income (loss) from operations to net cash from (for) operating activities:	
Change in net position (deficit)	\$ (54,134)
Adjustments to reconcile income (loss) from operations to cash flows from operating activities:	
Depreciation	<u>3,189</u>
Net cash flows from (for) operating activities	\$ <u><u>(50,945)</u></u>

See accompanying notes to basic financial statements.

SOUTHEAST ISLAND SCHOOL DISTRICT

Statement of Fiduciary Assets and Liabilities

Student Activity Agency Fund

June 30, 2017

Assets

Cash and cash equivalents	\$ <u>122,994</u>
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Liabilities

Due to student groups	\$ <u>122,994</u>
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The notes to the financial statements are an integral part of this statement.

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# SOUTHEAST ISLAND SCHOOL DISTRICT

## Notes to Basic Financial Statements

June 30, 2017

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

The financial statements of the Southeast Island School District (hereafter referred to as the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

On July 1, 1976 the Legislature of the State of Alaska established Southeast Island School District (hereafter referred to as the District). At that time assets were turned over to the District by the State of Alaska through direct transfer and use permits. The District has 8 attendance centers. The District is operated under the exclusive oversight management and control of a locally elected five-member School Board. The School Board, pursuant to Alaska Statute Title 29.43.030, has the responsibility of establishing, maintaining, and operating a system of public schools for any community within its boundaries that is not provided for by any other public school district. Therefore, the District constitutes an independent local government reporting entity and has no oversight over any other component unit.

#### B. Government-Wide and Fund Financial Statements

The Government-Wide Financial Statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operations or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

Deferred inflows of resources are the acquisition of Fund Balance/Net Position by the District that are applicable to a future reporting period. Deferred outflows of resources are the consumption of Fund Balance/Net Position by the District that are applicable to a future reporting period.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the Government-Wide Financial Statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

## SOUTHEAST ISLAND SCHOOL DISTRICT

### Notes to Basic Financial Statements, Continued

#### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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 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*. Revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. There are three categories of funds: governmental, proprietary and fiduciary. The district maintains all three of these types of funds.

The District reports the following major governmental funds:

The *School Operating Fund* is the primary operating fund of the School. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Capital Projects Special Revenue Fund* accounts for all revenue received and expenditures made for the structural repairs for the Thorne Bay K-12 school, the wood fire boiler, school vehicles, teacher housing, and other major repairs and renovations. Revenue is derived primarily from the state.

Additionally, the District reports a Fiduciary Fund and a Proprietary Fund is used to account for Thorne Bay Restaurant on a for-profit basis.

The *Student Activity Agency Fund* is custodial in nature and does not present results of operations or have a measurement focus. This fund is used to account for assets that the District holds for students in an agency capacity.

The District follows the Uniform Chart of Accounts for School Districts as required by the State of Alaska, Department of Education and Early Development. This manual sets guidelines for financial reporting and requirements for basic accounting systems, which are uniform throughout Alaska.

SOUTHEAST ISLAND SCHOOL DISTRICT  
Notes to Basic Financial Statements, Continued

Summarized below are the major sources of revenue and the applicable recognition policies.

Intergovernmental Revenue

State of Alaska foundation and pupil transportation revenues, and federal aid for the school lunch program are susceptible to accrual and are recorded in the year to which they relate. State of Alaska and Federal government cost reimbursable grants and contracts are recorded to the extent of allowable expenditures in the period in which the expenditures were incurred. On-behalf payments from the State of Alaska are recognized in the year to which they relate.

Local Revenue

Proceeds from the sale of lunches and other miscellaneous revenues are recognized in the year received.

The District's policy is when available, to utilize restricted revenues before unrestricted revenues.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

Indirect Costs

The State of Alaska, Department of Education and Early Development annually establish an approved indirect rate for each District based on audited financial statements. The rate is based on expenditures recorded per requirements in the Uniform Chart of Accounts for School Districts and as such there is no indirect cost pool. Indirect costs and indirect cost recovery is recorded in the District Administration Support Services function.

**D. Assets, Liabilities and Equity**

**1. Cash and Cash Equivalents**

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. There are no statutory limitations on the type of investment allowed. In addition, the District maintains accounts for specific purposes such as the Student Activity accounts.

## SOUTHEAST ISLAND SCHOOL DISTRICT

### Notes to Basic Financial Statements, Continued

#### **2. Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet of the Fund Financial Statements and are eliminated in the preparation of the Government-Wide Financial Statements.

#### **3. Inventories and Prepaid Items**

Teaching and maintenance supplies are recorded as expenditures when purchased rather than as consumed. Accounting for inventory of heating fuel and food supplies is on the consumption method. The consumption method records the expenditure when consumed rather than when purchased. Inventories are valued at the lesser of cost or market using the first-in, first-out (FIFO) method. Reported inventories are equally offset by a portion of fund balance classified as nonspendable in the Fund Financial Statements, which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

Payments made to vendors for services that are applicable to future accounting periods are recorded as prepaid items. Prepaid items in governmental funds are based on the consumption method. The prepaid assets recorded in the governmental fund types do not reflect current available resources, and thus, an equivalent portion of fund balance is classified as nonspendable in the Fund Financial Statements.

#### **4. Capital Assets**

Capital assets are recorded in the Government-Wide Financial Statements at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation. Capital assets are capitalized over \$5,000. Maintenance and operational costs are borne by the District. Capital assets in the Government-Wide Financial Statements are depreciated on the straight-line method over useful life of the asset, generally 5 to 30 years for equipment and vehicles and 15 to 30 years for buildings.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized in the Government-Wide Financial Statements and are considered operations and maintenance costs.

#### **5. Unearned Revenue**

Unearned revenue in Special Revenue Funds represent amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

## SOUTHEAST ISLAND SCHOOL DISTRICT

### Notes to Basic Financial Statements, Continued

#### **6. Compensated Absences**

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave. Unused vacation leave is accrued utilizing current salary cost as earned by the employee and recorded as a liability in the government-wide financial statement of net position. No accrued leave liability is recorded in the fund financial statements.

#### **7. 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 the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) and additions to/from PERS and TRS's fiduciary net position have been determined on the same basis as they are reported by PERS and TRS. 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.

#### **8. Net Position**

In the Government-Wide Financial Statements, net position is divided into three components:

- Net investment in capital assets – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted net position – consists of assets that are restricted by the District's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted – all other net position is reported in this category.

#### **9. Fund Balance**

In the fund financial statements, fund balance includes five classifications as follows:

Nonspendable fund balance – amounts that are legally or contractually required to be maintained intact (such as the corpus of an endowment fund) or amounts that are not in a spendable form (such as inventory, prepaid items, supplies, and long-term receivables). Such constraint is binding until the legal or contractual requirement is repealed or the amounts become spendable.



## SOUTHEAST ISLAND SCHOOL DISTRICT

### Notes to Basic Financial Statements, Continued

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors and higher levels of government), through constitutional provisions, or by enabling legislation. Such constraint is binding unless modified or rescinded by external body, laws, or regulation.

Committed fund balance – amounts that can be used only for the specific purposes determined by a formal action of the School Board. Commitments may be changed or lifted by the Board taking the same formal action that imposed the constraint originally.

Assigned fund balance – amounts intended to be used by the District for specific purposes: intent can be expressed by the School Board or Superintendent or designee. Such constraint is binding unless modified or eliminated by the Board or Superintendent. In governmental funds other than the School Operating Fund, assigned fund balance represents the amount that is not restricted or committed.

Unassigned fund balance – amounts not contained in the other classifications and available for any purpose. Positive unassigned amounts will be reported only in the School Operating Fund. If another governmental fund, other than the School Operating Fund, has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund.

The order of spending, regarding the restricted and unrestricted fund balance when an expenditure is incurred for which both restricted and unrestricted fund balance is available should first reduce restricted fund balance and then unrestricted fund balance. The order of spending regarding unrestricted fund balance is that committed amounts should be reduced first, followed by the assigned amounts, and then the unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The District Special Revenue Funds are used to account for educational, food service, operations and maintenance programs that are restricted or committed.

#### **10. Fair Value of Financial Instruments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following financial instruments are recorded at fair value or at amounts that approximate fair value: (1) cash and cash equivalents, (2) receivables, net, (3) certain other current assets, (4) accounts payable, and (5) other current liabilities. The carrying amounts reported in the balance sheet and Statement of Net Position for the above financial instruments closely approximates their fair value due to the short-term nature of these assets and liabilities.

SOUTHEAST ISLAND SCHOOL DISTRICT  
Notes to Basic Financial Statements, Continued

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental fund types except capital project funds, which adopt project-length budgets. All annual appropriations lapse at fiscal year end. Unexpended balances of grants from the state and federal governments for the Special Revenue Funds lapse at June 30 with the exception of certain federal programs which lapse at various month ends of July, August, and September.

District policy in establishing budgetary data reflected in the financial statements are as follows:

Annual budgets for operation are adopted by the School Board for all operating revenues, expenditures, and interfund transfers. Budgets are prepared and presented on the modified accrual basis of accounting.

The adopted School Operating Fund budget is submitted to the State of Alaska, Department of Education and Early Development for review to determine compliance with Alaska statutes and Department regulations.

The School Board authorizes formal budget revisions several times each year to adjust the revenues and expenditures to available resources and program needs. The originally adopted budget and the final revised and approved budget are presented in these financial statements. Expenditure authority for the School Operating Fund is limited to the total approved budget and functional areas of expenditures are not to be overspent. Annual appropriations for the School Operating Fund lapse at fiscal year end.

Annual budgets of the various Special Revenue Funds are prepared in connection with the application for special programs grant application and are reviewed and approved by the School Board. Expenditure authority for Special Revenue Fund programs is limited to the actual combined revenues and transfers from other funds.

Project budgets are adopted for the various construction funds based on the lives of the construction projects. Expenditure authority is limited to the actual combined revenue and transfers from other funds.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the School Operating Fund and Special Revenue Funds. The amount of encumbrances, if significant, is disclosed in the notes to the Basic Financial Statements as commitments. As of June 30, 2017, the District did not have any encumbrances.

SOUTHEAST ISLAND SCHOOL DISTRICT  
Notes to Basic Financial Statements, Continued

**B. Excess of Expenditure over Appropriations / Deficit in Fund Balance**

For the year ended June 30, 2017, expenditures exceeded appropriations in the following funds:

School Operating Fund:	\$	
Special education instruction		(172,298)
School administration		(12,387)
School administration support services		(6,787)
Operations and maintenance of plant		(27,922)
Student activities		(87,710)
Pupil Transportation Fund:		
Student transportation		(39,495)
Staff Development Fund:		
Instruction		(50)
Food service Fund:		
Food services		(27,709)
NSLP Equipment Assistance Fund:		
Food service		(3,947)
Title II-A Teacher and Principal Training Fund:		
Instruction		(405)
CARE Fund:		
Support services – students	\$	(9,362)

None of the funds had a deficit fund balance at June 30, 2017.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The District maintains a cash pool that is available for use by all funds. Each fund's portion of this pool is reported on the balance sheet of the fund financial statements as "Cash and cash equivalents" or amounts "Due from/to other funds".

All deposits are carried at cost plus accrued interest. The District has a deposit and investment policy. The District has the following deposits and investments:

The District bank balances are insured by Federal Depository Insurance (FDIC) to a maximum of \$250,000 with the following exceptions:

Custodial Credit Risk – Custodial Credit Risk is the risk that in the event of a bank failure, the District's deposits will not be returned to the District. At June 30, 2017, the District's bank balances totaled \$576,704. Deposits in each financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of June 30, 2017, the District's uninsured bank balances consisted of \$326,704.

SOUTHEAST ISLAND SCHOOL DISTRICT  
Notes to Basic Financial Statements, Continued

**B. Receivables**

Receivables as of year end for the Other Governmental Funds are as follows:

	School Operating Fund	Capital Projects Funds	Other Governmental Funds	Total
Grants	\$ -	-	261,525	261,525
Miscellaneous	4,767	130,993	-	135,760
Total	<u>\$ 4,767</u>	<u>130,993</u>	<u>261,525</u>	<u>397,285</u>

Management has determined that all receivables are collectible, therefore no allowance for doubtful accounts has been established.

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Assets not being depreciated:				
Land	\$ 862,812	-	-	862,812
Construction in progress	415,225	188,389	(51,190)	552,424
Total assets not being depreciated	<u>1,278,037</u>	<u>188,389</u>	<u>(51,190)</u>	<u>1,415,236</u>
Assets being depreciated:				
Buildings	29,540,312	51,190	-	29,591,501
Machinery and equipment	1,800,480	-	-	1,800,480
Vehicles	664,373	43,000	-	707,373
Total assets being depreciated	32,005,165	94,190	-	32,099,354
Less accumulated depreciation	(15,206,299)	(907,885)	-	(16,114,184)
Total assets being depreciated, net	<u>\$ 16,798,866</u>	<u>(813,695)</u>	<u>-</u>	<u>15,985,170</u>
Total Government Capital Assets Net of Accumulated Depreciation	<u>18,076,902</u>	<u>(625,306)</u>	<u>(51,190)</u>	<u>17,400,406</u>
<b>Business-type activities:</b>				
Assets being depreciated - buildings	63,784	-	-	63,784
Accumulated depreciation	(3,189)	(3,189)	-	(6,378)
Total Business-type Capital Assets Net of Accumulated Depreciation	<u>\$ 60,595</u>	<u>(3,189)</u>	<u>-</u>	<u>57,406</u>

# SOUTHEAST ISLAND SCHOOL DISTRICT

## Notes to Basic Financial Statements, Continued

Equipment of the District is depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Machinery and equipment	5-30
Vehicles	5-30
Building	15-30

Depreciation expense was charged to functions of the District as follows:

Instruction	\$	257,131
Special Education Instruction		16,606
Support services students		5,825
School administration		13,693
School administration support services		5,390
District administration		14,563
District administration support services		15,690
Operation and maintenance of plant		555,501
Student activities		4,105
Student transportation		13,522
Food service		5,857
Total depreciation expense per function – governmental	\$	<u>907,885</u>

### D. Interfund Receivables and Payables

Interfund receivables and payables are shown as “Due To Other Funds” and “Due From Other Funds” in each of the individual funds. These balances at June 30, 2017, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	School Operating Fund	\$ 285,684
School Operating Fund	Thorne Bay Café Enterprise Fund	467,564
School Operating Fund	Other Governmental Funds	235,538
Capital Project Fund	School Operating Fund	365,846
School Operating Fund	Capital Project Fund	248,384
		<u>\$ 1,603,016</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
School Operating Fund	Other Governmental Funds	\$ 96,368
School Operating Fund	Capital Projects Funds	78,696
Total		<u>\$ 175,064</u>

# SOUTHEAST ISLAND SCHOOL DISTRICT

## Notes to Basic Financial Statements, Continued

Transfers are used to (a) use unrestricted revenues collected in the School Operating Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations or (b) use unrestricted revenues collected in the School Operating Fund to meet local match requirements on State and Federal grants.

### E. Long-term Obligations

Accrued leave of governmental activities are also accounted for by the School District. Leave is generally liquidated by the General Fund. Changes in these obligations for the year ended June 30, 2017 are as follows

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due within One Year
Accrued Leave	\$ 25,969	29,556	45,201	10,324	10,324

### F. Fund Balances

Fund balances, reported for the major funds and nonmajor funds in the aggregate on the governmental funds balance sheet are subject to the following constraints:

	School Operating Fund	Capital Projects Fund	Nonmajor Funds	Totals
Nonspendable –				
Inventory	\$ 53,339	-	19,620	72,959
Committed –				
Maintenance of building	-	52,519	-	52,519
Assigned:				
Food service	-	-	28,326	28,326
Student transportation	-	-	101,553	101,553
Teacher housing	-	-	157,809	157,809
Maintenance of buildings	-	10,560	-	10,560
Total assigned		10,560	287,688	298,248
Unassigned	293,618	-	-	293,618
Total Fund Balances	\$ 346,957	63,079	307,308	717,344

## IV. OTHER INFORMATION

### A. Risk Management

The District is exposed to various risks of loss related to worker's compensation, torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The District mitigates significant risk of loss through the acquisition of commercial insurance policies. With the exception of fire, earthquake and flood insurance the deductibles are minimal. There were no outstanding claims or liabilities at the end of the current period. The District's employee health costs are covered through commercial insurance policies.

## SOUTHEAST ISLAND SCHOOL DISTRICT

### Notes to Basic Financial Statements, Continued

The District has elected the reimbursable method of accounting for Employment Security Compensation (ESC). Under this method, the actual costs of ESC are reimbursed to the State of Alaska, Department of Labor. The District records the liability for the accrued unpaid portion of these claims.

#### **B. Contingent Liabilities**

Amounts received or receivable from grant or agencies are subject to audit and adjustment by the grantor agencies, principally the federal and State governments. Any disallowed claims, including amounts already collected, may constitute a liability of the School Operating Fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

#### **C. Employee Retirement Systems and Plans**

The District follows *Governmental Accounting Standards Board (GASB) Codification P20*, Accounting for Pensions by State and Local Governmental Employees and *GASB Codification P50*, Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions. *GASB Codification P20* and *GASB Codification P50* establish uniform standards for the measurement, recognition and display of pension and other post-employment benefits other than pensions (healthcare) expenditures/expense and related liabilities, assets, note disclosure and applicable required supplementary information in the financial reports of state and local governmental employers.

All full-time employees and certain permanent part-time employees of the District participate in either the State of Alaska Public Employees' Retirement System (PERS) or the State of Alaska Teachers' Retirement System (TRS). In addition to the pension plan both systems also administer other post-employment benefit plans.

The system is governed by the Alaska Retirement Management Board. The benefit and contribution provisions are established by State law and may be amended only by the State legislature. The Administrator of the Plan is the Commissioner of Administration or the Commissioner's designee.

*Summary of Significant Accounting Policies.* The financial statements for PERS and TRS are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The District's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value.

# SOUTHEAST ISLAND SCHOOL DISTRICT

## Notes to Basic Financial Statements, Continued

PERS and TRS act as the common investment and administrative agencies for the following multiple-employer plans:

Plan Name	Type of Plan
Defined Benefit Pension Plan (DB)	Cost-sharing, Defined Benefit Pension
Defined Contribution Pension Plan (DC)	Defined Contribution Pension
Defined Benefit Other Postemployment Benefits (DB)	
Occupational Death and Disability Plan	Cost-sharing, Defined Benefits OPEB
Alaska Retiree Healthcare Trust Plan	Cost-sharing, Defined Benefits OPEB
Retiree Medical Plan	Cost-sharing, Defined Benefits OPEB
Defined Contribution Other Postemployment Benefits (DC)	
Healthcare Reimbursement Arrangement Plan	Defined Contribution OPEB

### Other Postemployment Benefit Plans (OPBP)

#### *Occupational Death and Disability Plan (DB)*

The Occupational Death and Disability Plan provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within the System.

#### *Alaska Retiree Healthcare Trust Plan (DB)*

Beginning July 1, 2007, the Alaska Retiree Healthcare Trust Plan (ARHCT), a Healthcare Trust Fund of the State, was established. The ARHCT is self-funded and provides major medical coverage to retirees of the System. The System retains the risk of loss of allowable claims for eligible members. The ARHCT began paying member healthcare claims on March 1, 2008. Prior to that, healthcare claims were paid for by the Retiree Health Fund (RHF).

#### *Healthcare Reimbursement Arrangement Plan (DC)*

The Healthcare Reimbursement Arrangement Plan was established to allow medical expenses to be reimbursed from individual savings accounts established for eligible participants.

### ***Alaska Public Employee Retirement System (PERS) – Defined Benefit Plan (DB)***

***Plan Description.*** The School District participates in the Alaska Public Employees' Retirement System (PERS), a cost sharing multiple employer defined benefit pension plan. PERS provides retirement benefits, disability and death benefits, and post-employment healthcare to plan members and beneficiaries. The Plan was established and is administered by the State of Alaska, Department of Administration. The Public Employee's Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PERS. This report may be obtained from the system at Pouch C, Juneau, Alaska 99811 or online at <http://doa.alaska.gov/drb/pers>.



## SOUTHEAST ISLAND SCHOOL DISTRICT

### Notes to Basic Financial Statements, Continued

*Pension Benefits.* All tier employee benefits vest with five years of credited service. There are three tiers of employees based on entry date. Tier I employees enrolled prior to July 1, 1986 with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age 55 or early retirement age 50. For tier II and III employees enrolled after June 30, 1986, but before July 1, 2006, the normal and early retirement ages are 60 and 55, respectively. All tier employees with 30 or more years of credited service may retire at any age and receive a normal benefit.

The PERS defined benefit is closed to new hires enrolled on or after July 1, 2006. New hires after this date participate in the PERS defined contribution plan (DC) described later in these notes.

Currently there are 155 employers participating in PERS, including the State of Alaska and 154 political subdivisions and public organizations.

Retirement benefits are calculated by multiplying the average monthly compensation (AMC) times credited PERS service times the percentage multiplier. The AMC is determined by averaging the salaries earned during the five highest (three highest for Police/Fire members or members hired prior to July 1, 1996) consecutive payroll years. Members must earn at least 115 days of credit in the last year worked to include it in the AMC calculation. The PERS pays a minimum benefit of \$25 per month for each year of service when the calculated benefit is less.

The percentage multipliers for police/fire personnel are 2% for the first ten years of service and 2.5% for all service over 10 years. The percentage multipliers for all other participants are 2% for the first ten years, 2.25% for the next ten years, and 2.5% for all remaining service earned on or after July 1, 1986. All service before that date is calculated at 2%.

Post-employment healthcare benefits are provided without cost to all members first enrolled before July 1, 1986. Members first enrolled after June 30, 1986, but before July 1, 2006 and who have not reached age 60 may elect to pay for major medical benefits.

*Post Retirement Pension Adjustments.* Post retirement pension adjustments (PRPAs) are granted annually to eligible benefit recipients when the consumer price index (CPI) increases during the preceding calendar year. PRPAs are calculated by multiplying the recipient's base benefit, including past PRPAs, times:

- (a) 75% of the CPI increase in the preceding calendar year or 9%, whichever is less, if the recipient is at least 65 or on PERS disability; or
- (b) 50% of the CPI increase in the preceding calendar year or 6%, whichever is less, if the recipient is at least 60, or has been receiving benefits for at least five years.

Ad hoc PRPAs, up to a maximum of 4%, may be granted to eligible recipients who first entered the PERS before July 1, 1986, if the CPI increases and the financial condition of the fund will permit an increase. In a year where an ad hoc PRPA is granted, eligible recipients will receive the higher of the two calculations.

## SOUTHEAST ISLAND SCHOOL DISTRICT

### Notes to Basic Financial Statements, Continued

*Funding Policy.* In April 2008 the Alaska Legislature passed legislation which statutorily capped the employer contribution, established a state funded “on-behalf” contribution, and required that employer contributions be calculated against all PERS eligible wages, including wages paid to participants of the PERS Tier IV defined contribution plan (DC) described later in these footnotes. The state legislature capped the rate at 22%, with the State contributing an on-behalf payment for the difference between the actuarial contribution and the cap.

*Salary Floor.* During the 25<sup>th</sup> legislation session, Senate Bill 125 passed, which established a June 30, 2008 salary floor under AS 39.35.255(a)(2). The salary floor is the total base salaries paid by an employer to active employees of the system as of the fiscal year ending June 30, 2008. The statute requires the Division of Retirement and Benefits (Division) to collect employer contributions at a minimum based on FY 2008 base salaries.

*Termination Costs.* If the District decides to terminate coverage for a department, group, or other classification of members, even if that termination results from the decision to divest of a particular District function, all affected employees in that department, group or other classification of members become immediately vested in the plan. The District must pay to have a termination study completed. The purpose of the study is to calculate the District’s one-time termination costs. The costs represent the amount necessary to fully fund the costs of plan members who become vested through this process and for other changes in actuarial assumptions, such as, earlier than expected retirement, that arise from the act of termination of coverage. The District must pay a lump sum within 60 days of termination or arrange a payment plan that is acceptable to the PERS Administrator. For fiscal year 2017 the past service rate is 16.02%.

*Employee Contribution Rate.* The District PERS active members are required to contribute 6.75% (4.59% pension costs and 2.16% OPEB) and non-teacher school district employees are required to contribute 9.60% (6.53% pension and 3.07% OPEB) of their annual covered salary.

*Employer and Other Contribution Rates.* There are several contribution rates associated with the pension and healthcare contributions and related liabilities. These amounts are calculated on an annual basis.

*Employer Effective Rate:* This is the actual employer pay-in rate. Under current legislation, this rate is statutorily capped at 22% (14.96% pension costs and 7.04% OPEB) of eligible wages, subject to the salary floor, and other termination costs as described above. This 22% rate is calculated on all PERS participating wages, including those wages attributable to employees in the defined benefit plan.

*ARM Board Adopted Rate:* This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. This rate is 26.14% (17.78% pension and 8.36% OPEB). Prior to July 1, 2015, there were no constraints or restrictions on the actuarial cost method or other assumptions used in the ARM Board valuation. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term which ends in 2039. This will result in lower ARM Board Rates in future years.

# SOUTHEAST ISLAND SCHOOL DISTRICT

## Notes to Basic Financial Statements, Continued

**On-behalf Contribution Rate:** This is the rate paid in by the State as an on-behalf payment as mandated under current statute. Under state law, subject to annual appropriation, the state will contribute an on-behalf payment into the plan in an amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. As a result, the On-behalf Contribution Rate for 2017 is 4.14% (2.82% pension and 1.32% OPEB). On-behalf contribution amounts have been recognized in these financial statements as both revenue and expenditures.

**GASB Rate:** This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes. Certain actuarial methods and assumptions for this rate calculation are mandated by the *Governmental Accounting Standards Board* (GASB). Medicare Part D subsidies are not reflected in this rate. The rate uses an 8% pension discount rate and a 4.30% healthcare discount rate. The current rate is 83.90% (27.26% pension and 56.64% OPEB).

Employer contributions for the years ended June 30, 2017, 2016 and 2015 are as follows:

		Pensions (DB)	Other Post-Employment Benefits (DB)	Total
2017	\$	52,521	24,758	77,279
2016		50,181	33,150	83,331
2015		39,963	30,148	70,111

The defined benefit unfunded liability (DBUL) presented under the defined contribution plan includes employer contributions of \$36,798 (pension) and \$17,317 (OPEB).

For the year ended June 30, 2017 the State of Alaska contributed \$41,058 (100% pension cost) on-behalf of the District, which has been recorded in the fund financial statement under the modified-accrual basis of accounting. In the government-wide financial statements the on-behalf contribution has been adjusted as of the measurement date June 30, 2016 to a total of \$31,658 , to represent the pension expense attributable to the State under the full accrual basis of accounting.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** At June 30, 2017, the District reported a liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$	1,846,762
State's proportionate share of the net pension liability		<u>234,848</u>
Total	\$	<u>2,081,610</u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the present value of contributions for FY2018 through FY2039, as determined by projections based on the June 30, 2016 valuation. At June 30, 2017, the District's proportion was 0.0330%, which is a decrease of 0.0224% from June 30, 2016.

# SOUTHEAST ISLAND SCHOOL DISTRICT

## Notes to Basic Financial Statements, Continued

Based on the measurement date of June 30, 2016, the District recognized pension expense of \$226,990 for the year ended June 30, 2017. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 170	(20,586)
Changes of assumptions	8,518	-
Net difference between projected and actual earnings on pension plan investments	181,528	-
Changes in proportion and differences between District contributions and proportionate share of contributions	69,876	(559,590)
District contributions subsequent to the measurement date	89,319	-
Total	<u>\$ 349,411</u>	<u>(580,176)</u>

\$89,319 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2018	\$ (419,169)
2019	(23,044)
2020	74,209
2021	47,919
Total	<u>\$ (320,085)</u>

For the year ended June 30, 2017, the District recognized \$195,332 of amortization of the net deferred outflows and inflows of resources.

*Actuarial Assumptions:* The total pension liability in the June 30, 2016 (latest available) actuarial valuation was determined by an actuarial valuation as of June 30, 2015, which was rolled forward to June 30, 2016.

Investment return / discount rate	8% per year (geometric), compounded annually, net of expenses
Salary scale	Inflation – 3.12% per year Productivity – 0.50% per year
Payroll growth	3.62% per year (inflation + productivity)

## SOUTHEAST ISLAND SCHOOL DISTRICT

### Notes to Basic Financial Statements, Continued

Total inflation	Total inflation as measured by the Consumer Price Index for urban and clerical workers from Anchorage is assumed to increase 3.12% annually.
Mortality (Pre-termination)	Based upon 2010-2013 actual mortality experience. 60% of male rates and 65% of female rates of post termination mortality rates. Deaths are assumed to be occupational 70% of the time for peace officers, and firefighters, 50% of the time for others.
Mortality (Post-termination)	96% of all rates of the RP-2000 combined mortality table, 2000 base year projected to 2018.
Total turnover	Based upon the 2010-2013 actual withdrawal experience.
Disability	Incidence rates based on 2010-2013 actual experience. Post-disability mortality in accordance with the RP-2000 Disabled Retiree Mortality Table. Disabilities are assumed to be occupational 70% of the time for peace officers / firefighters, 50% of the time for others.
Retirement	Retirement rates based upon the 2010-2013 actual experience. Deferred vested members are assumed to retire at their earliest unreduced retirement date for others. For peace officers/firefighters, Tier 1 deferred vested members are assumed to retire at age 55 and Tiers 2 and 3 deferred vested members are assumed to retire at age 60.
Marriage and age difference	Wives are assumed to be three years younger than husbands. For others, 75% of male members and 70% of female members are assumed to be married. For peace officers/firefighters, 85% of male members and 60% female members are assumed to be married.

# SOUTHEAST ISLAND SCHOOL DISTRICT

## Notes to Basic Financial Statements, Continued

The long-term expected rate of return on pension plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class are summarized below:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	5.35%
Global Equity (non-U.S.)	5.55%
Private Equity	6.25%
Fixed Income	0.80%
Real Estate	3.65%
Alternative Equity	4.70%

*Discount Rate:* The discount rate used to measure the total pension liability was 8.00%. The projection of the cash flows used to determine the discount rate assumed that Employer and State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the pension plan's fiduciary net pension was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate:* The following presents the net pension liability of the plan calculated using the discount rate of 8%, as well as what the Plans' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	<u>1% Decrease (7%)</u>	<u>Current Rate (8%)</u>	<u>1% Increase (9%)</u>
Net pension liability	\$ <u>2,378,536</u>	<u>1,846,762</u>	<u>1,398,235</u>

### Alaska Public Employee Retirement System (PERS) – Defined Contribution Plan (DC)

*Plan Description and Funding Requirements.* School Districts and Public Employers in the State of Alaska have a defined contribution retirement plan (PERS Tier IV) for new hires first enrolled on or after July 1, 2006. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the defined benefit plan noted above. The Administrator of the Plan is the Commissioner of Administration or the Commissioner's designee. Plan members make mandatory contributions of 8% of gross eligible compensation. This amount goes directly to the individual's account. State statutes require the employer to contribute 5% of employees' eligible compensation. Additionally, employers are required to contribute to OPEB (DB): 1.18% for the retiree medical plan (DB), 0.17% for occupational and death and disability benefits (DB) and 3% of employers' average annual employee compensation to the health reimbursement arrangement (HRA DC). The effective employer contribution is 22%. Plan members are 100% vested with their contributions.

# SOUTHEAST ISLAND SCHOOL DISTRICT

## Notes to Basic Financial Statements, Continued

Members become vested in employers' contributions as follows:

- 2 years of service – 25%
- 3 years of service – 50%
- 4 years of service – 75%
- 5 years of service – 100%

Plan provisions and contribution requirements and amendments are established by the Alaska Retirement Management Board (ARMB). Total contributions for the year ended June 30, 2017 are as follows:

	Employer	Employee
Defined contribution (DC)	\$ 27,834	44,534
Other post-employment benefits (DB):		
Retiree medical plan	6,569	-
Occupational death and disability benefits	947	-
Other post-employment benefits (DC) –		
Health reimbursement agreement (HRA)	33,232	-
Defined benefit unfunded liability (DBUL)	54,114	-
	<u>\$ 122,696</u>	<u>44,534</u>

Actual contributions were equal to the annual required contributions. The Defined Benefit Unfunded Liability (DBUL) is computed as the difference between the statutory employer contribution rate less employer contributions for the defined contribution, major medical, occupational death and disability and the health reimbursement arrangement. The DBUL calculation is allocated 68% pension and 32% OPEB.

Employer contributions for the years ended June 30, 2017, 2016 and 2015 are as follows:

	Contributions / Pensions	Other Post-Employment Benefits	Total
2017	\$ 64,633	58,063	122,696
2016	53,017	61,008	114,025
2015	49,020	56,831	105,851

### **Teachers Retirement System (TRS) – Defined Benefit Plan (DB)**

**Plan Description.** The School District participates in the Teacher's Retirement System (TRS), a cost sharing multiple-employer defined benefit plan. Currently, there are 57 employers participating in TRS, including 53 school districts. TRS provides retirement benefits, disability and death benefits, and post-employment healthcare to plan members and beneficiaries. The system is governed by the Alaska Retirement Board. The Administrator of the Plan is the Commissioner of Administration or the Commissioner's designee. The benefit and contribution provisions are established by State law and may be amended only by the State legislature. The Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for TRS. This report may be obtained from the system at Pouch C, Juneau, Alaska 99811 or online at <http://doa.alaska.gov/dr/bs/trs>

## SOUTHEAST ISLAND SCHOOL DISTRICT

### Notes to Basic Financial Statements, Continued

***Pension Benefits.*** Employees hired prior to July 1, 1990, are entitled to annual pension benefits beginning at normal retirement age 55, or early retirement age 50. For employees hired after June 30, 1990 but before July 1, 2006, the normal and early retirement ages are 60 and 55, respectively. Employees may also retire at any age and receive a normal benefit when they accumulate the required credited service. The benefit related to all years of credited service prior to July 1, 1990 and for years of service through a total of 20 years is equal to 2% of their highest three-year average annual compensation for each year of service. The benefit for each year over 20 years of service subsequent to June 30, 1990, is equal to 2.5% of their highest three-year average annual compensation for each year of service. Employees may elect to receive their pension benefits in the form of a joint or survivor annuity. Effective January 1, 1987, a married member who retires must receive his or her benefit in the form of a joint and survivor annuity unless the member's spouse consents to another form of benefit.

Minimum benefits for employees eligible for retirement are \$25 per month for each year of credited service.

***Post Retirement Pension Adjustments.*** Effective in fiscal year 1991, automatic post retirement pension adjustment (PRPA) was granted to all current and future retirees. The PRPA amount may not exceed the lesser of (a) the actual cost of living increase (percentage) from the date of retirement until the effective date of the PRPA; or (b) 4.00% of the base benefits for each full year that the member has been retired and a prorated percentage for each partial year. However, the PRPA percentage is offset by the percentage of all prior PRPAs that have been granted. TRS members receiving a retirement, disability or survivor benefit, who remain in Alaska, are eligible for an additional allowance equal to 10.00% of the base benefit.

***Termination Costs.*** If the District decides to terminate coverage for a department, group, or other classification of members, even if that termination results from the decision to divest of a particular District function, all affected employees in that department, group or other classification of members become immediately vested in the plan. The District must pay to have a termination study completed. The purpose of the study is to calculate the District's one-time termination costs. The costs represent the amount necessary to fully fund the costs of plan members who become vested through this process and for other changes in actuarial assumptions, such as, earlier than expected retirement, that arise from the act of termination of coverage. The District must pay a lump sum within 60 days of termination or arrange a payment plan that is acceptable to the TRS Administrator. For fiscal year 2017 the past service rate is 16.02%.

***Employee Contribution Rate.*** The District's active TRS members are required to contribute 8.65% (5.22% pension costs and 3.43% OPEB) and non-teacher school district employees are required to contribute 9.60% (5.79% pension and 3.81% OPEB) of their annual covered salary.

***Employer and Other Contribution Rates.*** There are several contribution rates associated with the pension and healthcare contributions and related liabilities. These amounts are calculated on an annual basis.



# SOUTHEAST ISLAND SCHOOL DISTRICT

## Notes to Basic Financial Statements, Continued

**Employer Effective Rate:** This is the actual employer pay-in rate. Under current legislation, this rate is statutorily capped at 12.56% (7.58% pension costs and 4.98% OPEB) of eligible wages, subject to the salary floor, and other termination costs as described above. This 12.56% rate is calculated on all TRS participating wages, including those wages attributable to employees in the defined benefit plan.

**ARM Board Adopted Rate:** This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. This rate is 28.02% (22.40% pension and 5.62% OPEB). Prior to July 1, 2015, there were no constraints or restrictions on the actuarial cost method or other assumptions used in the ARM Board valuation. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term which ends in 2039. This will result in lower ARM Board Rates in future years.

**On-behalf Contribution Rate:** This is the rate paid in by the State as an on-behalf payment as mandated under current statute. Under state law, subject to annual appropriation, the state will contribute on on-behalf payment into the plan in an amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. The On-behalf Contribution Rate for 2017 is 15.46% (100% pension costs). On-behalf contribution amounts have been recognized in these financial statements as both revenue and expenditures.

**GASB Rate:** This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes. Certain actuarial methods and assumptions for this rate calculation are mandated by the *Governmental Accounting Standards Board* (GASB). Medicare Part D subsidies are not reflected in this rate. The rate uses an 8% pension discount rate and a 4.43% healthcare discount rate. The current rate is 112.67% (47.95% pension and 64.72% OPEB).

Employer contributions for the years ended June 30, 2017, 2016 and 2015 are as follows:

		Pensions (DB)	Other Post-Employment Benefits (DB)	Total
2017	\$	42,549	27,955	70,504
2016		50,180	17,895	68,075
2015		72,465	53,597	126,062

The defined benefit unfunded liability (DBUL) presented under the defined contribution includes employer contributions of \$11,626 (pension) and \$7,635 (OPEB).

For the year ended June 30, 2017 the State of Alaska contributed \$267,496 or 15.46% (100% pension cost) on-behalf of the District, which has been recorded in the fund financial statement under the modified-accrual basis of accounting. In the government-wide financial statements the on-behalf contribution has been adjusted as of the measurement date to a total of \$352,789, to represent the pension expense attributable to the State under the full accrual basis of accounting.

SOUTHEAST ISLAND SCHOOL DISTRICT

Notes to Basic Financial Statements, Continued

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:* At June 30, 2017, the District reported a liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 2,492,649
State's proportionate share of the net pension liability	<u>2,962,960</u>
Total	\$ <u>5,455,609</u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the present value of contributions for FY2018 through FY2039, as determined by projections based on the June 30, 2016 valuation. At June 30, 2017, the District's proportion was 0.1092%, which is an increase of 0.0193% from June 30, 2016.

Based on the measurement date of June 30, 2016, the District recognized pension expense of \$705,978 for the year ended June 30, 2017. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	(32,136)
Changes of assumptions	8,154	
Net difference between projected and actual earnings on pension plan investments	380,887	-
Changes in proportion and differences between District contributions and proportionate share of contributions	169,124	-
District contribution subsequent to the measurement date	<u>54,175</u>	<u>-</u>
Total	\$ <u>612,340</u>	<u>(32,136)</u>

\$54,175 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2018	\$ 205,139
2019	81,046
2020	143,593
2021	<u>96,250</u>
Total	\$ <u>526,028</u>

# SOUTHEAST ISLAND SCHOOL DISTRICT

## Notes to Basic Financial Statements, Continued

For the year ended June 30, 2017, the District recognized \$ 353,189 of amortization of the deferred inflows of resources.

*Actuarial Assumptions:* The total pension liability in the June 30, 2016 (latest available) actuarial valuation was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016.

Investment return / discount rate	8% per year (geometric), compounded annually, net of expenses
Salary scale	Inflation – 3.12% per year Productivity – 0.50% per year
Payroll growth	3.62% per year (inflation + productivity)
Total inflation	Total inflation as measured by the Consumer Price Index for urban and clerical workers from Anchorage is assumed to increase 3.12% annually.
Mortality (Pre-termination)	Based upon 2010-2013 actual mortality experience. 60% of male rates and 65% of female rates of post termination mortality rates. Deaths are assumed to be occupational 70% of the time for peace officers, and firefighters, 50% of the time for others.
Mortality (Post-termination)	96% of all rates of the RP-2000 combined mortality table, 2000 base year projected to 2018.
Total turnover	Based upon the 2010-2013 actual withdrawal experience.
Disability	Incidence rates based on 2010-2013 actual experience. Post-disability mortality in accordance with the RP-2000 Disabled Retiree Mortality Table. Disabilities are assumed to be occupational 70% of the time for peace officers/firefighters, 50% of the time for others.

SOUTHEAST ISLAND SCHOOL DISTRICT  
Notes to Basic Financial Statements, Continued

Retirement	Retirement rates based upon the 2010-2013 actual experience. Deferred vested members are assumed to retire at their earliest unreduced retirement date for others. For peace officers/firefighters, Tier 1 deferred vested members are assumed to retire at age 55 and Tiers 2 and 3 deferred vested members are assumed to retire at age 60.
Marriage and age difference	Wives are assumed to be three years younger than husbands. For others, 75% of male members and 70% of female members are assumed to be married. For peace officers/firefighters, 85% of male members and 60% of female members are assumed to be married.

The long-term expected rate of return on pension plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class are summarized below:

<b><u>Asset Class</u></b>	<b><u>Long-Term Expected Real Rate of Return</u></b>
Domestic Equity	5.35%
Global Equity (non-U.S.)	5.55%
Private Equity	6.25%
Fixed Income	0.80%
Real Estate	3.65%
Alternative Equity	4.70%

*Discount Rate:* The discount rate used to measure the total pension liability was 8%. The projection of the cash flows used to determine the discount rate assumed that employer and non-employer State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the pension plan's fiduciary net pension was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# SOUTHEAST ISLAND SCHOOL DISTRICT

## Notes to Basic Financial Statements, Continued

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate:* The following presents the net pension liability of the Plan calculated using the discount rate of 8%, as well as what the Plans' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate:

		<b>1% Decrease (7%)</b>	<b>Current Rate (8%)</b>	<b>1% Increase (9%)</b>
Net pension liability	\$	<b><u>3,396,543</u></b>	<b><u>2,492,649</u></b>	<b><u>1,734,812</u></b>

### ***Teachers Retirement System (TRS) – Defined Contribution Plan (DC)***

*Plan Description and Funding Requirements.* School Districts and Public Employers in the State of Alaska have a defined contribution retirement plan for new hires first enrolled on or after July 1, 2006. The Administrator of the Plan is the Commissioner of Administration or the Commissioner's designee. Plan members make mandatory contributions of 8% of gross eligible compensation. State statutes require the employer to contribute 7% of employees' eligible compensation. Additionally, employers are required to contribute to other post-employment benefits (DB): 1.05% for the retiree medical plan, 0% for occupational death and disability, and 3% of employers' average annual employee compensation to the health reimbursement arrangement (HRA DC). The employer effective contribution rate is 12.56%. Plan members are 100% vested with their contributions.

Members become vested in employers' contributions as follows:

- 2 years of service – 25%
- 3 years of service – 50%
- 4 years of service – 75%
- 5 years of service – 100%

Plan provisions and contribution requirements and amendments are established by the Alaska Retirement Management Board (ARMB). Total contributions for the year ended June 30, 2016 are as follows:

	<u>Employer</u>	<u>Employee</u>
Defined contribution (DC):	\$ 84,784	96,896
Other post-employment benefits (DB):		
Retiree medical plan	12,718	-
Other post-employment benefits (DC)		
Health reimbursement agreement (HRA DC)	35,522	-
Defined benefit unfunded liability (DBUL)	19,261	-
	<b><u>\$ 152,285</u></b>	<b><u>96,896</u></b>

# SOUTHEAST ISLAND SCHOOL DISTRICT

## Notes to Basic Financial Statements, Continued

Actual contributions were equal to the annual required contributions. The Defined Benefit Unfunded Liability (DBUL) is computed as the difference between statutory employer contribution rate less employer contributions for the defined contribution, major medical, occupational death and disability and the health reimbursement arrangement. The DBUL calculation is allocated 60% pension and 40% OPEB.

Employer contribution between pension and other post-employment benefits for the years ended June 30, 2017, 2016 and 2015 are as follows:

		Contributions / Pensions	Other Post-Employment Benefits	Total
2017	\$	96,410	55,875	152,285
2016		82,906	59,652	142,558
2015		87,933	65,113	153,046

### D. Subsequent Accounting Pronouncements

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates covering several topics as follows:

- GASB 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Effective for fiscal years beginning after June 15, 2017.
- GASB 81 *Irrevocable Split-Interest Agreements*. Effective for fiscal years beginning after December 15, 2016.
- GASB 83 *Certain Retirement Obligations*. Effective for fiscal years beginning after June 15, 2018.
- GASB 84 *Fiduciary Activities*. Effective for fiscal years beginning after December 15, 2018.
- GASB 85 *Omnibus 2017*. Effective for fiscal years beginning after June 15, 2017.
- GASB 86 *Certain Debt Extinguishment Issues*. Effective for fiscal years beginning after June 15, 2017.
- GASB 87 *Leases*. Effective for fiscal years beginning after December 15, 2019.

Statements, 81, 83, and 84 are not expected to have any significant impact on the financial statements of the District.

## SOUTHEAST ISLAND SCHOOL DISTRICT

### Notes to Basic Financial Statements, Continued

GASB Statements No. 75, the primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. In addition, this statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

GASB Statement No. 85, the objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

GASB Statement No. 86, the primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

GASB Statement No. 87, the objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

## **REQUIRED SUPPLEMENTARY INFORMATION**



Southeast Island School District  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Public Employees' Retirement System (PERS)  
June 30, 2017

<u>Years Ended June 30,</u>	<u>District's Proportion of the Net Pension Liability</u>	<u>District's Proportionate Share of the Net Pension Liability</u>	<u>State of Alaska Proportionate Share of the Net Pension Liability</u>	<u>Total Net Pension Liability</u>	<u>District's Covered Employee Payroll</u>	<u>District's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2015	1.5385%	\$ 717,565	\$ 736,222	\$ 1,453,787	\$ 734,602	98%	62.37%
2016	0.0554%	\$ 2,686,427	\$ 717,377	\$ 3,403,804	\$ 988,932	272%	63.96%
2017	0.0330%	\$ 1,846,762	\$ 234,848	\$ 2,081,610	\$ 1,101,563	168%	59.55%

**Notes to Schedule:**

1. Information presented for 2017 is based upon Plan measurement date June 30, 2016.
2. Measurement is one year prior to fiscal year end for all years presented.
3. In fiscal year 2017 the District implemented GASB 82, which required a retroactive change in covered payroll.
4. This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.

Southeast Island School District  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Teachers' Retirement System (TRS)  
June 30, 2017

Years Ended June 30,	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	District's Covered Employee Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.03156%	\$ 946,423	\$ 6,950,421	\$ 7,896,844	\$ 2,087,865	45.33%	55.70%
2016	0.08985%	\$ 1,671,672	\$ 2,672,087	\$ 4,343,759	\$ 2,267,494	73.72%	73.82%
2017	0.10917%	\$ 2,492,649	\$ 2,962,960	\$ 5,455,609	\$ 2,104,089	118.47%	68.40%

**Notes to Schedule:**

- Information presented for 2017 is based upon Plan measurement date June 30, 2016.
- Measurement is one year prior to fiscal year end for all years presented.
- In fiscal year 2017 the District implemented GASB 82, which required a retroactive change in covered payroll.
- This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.

Southeast Island School District  
Schedule of the District's Contributions  
Public Employees' Retirement System (PERS)  
Year Ended June 30, 2017

Years Ended June 30,	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	District's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	\$ 63,677	\$ (63,677)	\$ -	\$ 988,932	6.44%
2016	\$ 77,283	\$ (77,283)	\$ -	\$ 1,101,563	7.02%
2017	\$ 89,319	\$ (89,319)	\$ -	\$ 1,154,761	7.73%

Notes to schedule

1. Valuation date: June 30, 2015, which was rolled forward to June 30, 2016.

2. Actuarially determined contribution rates are calculated as of June 30th, two years prior to the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

3. Actuarial cost method: Entry Age Normal - level percentage of payroll.

4. Amortization method: Level dollar, closed.

5. Amortization period: 25 years, as a level of percentage of payroll.

6. Equivalent single amortization period: 17 years.

7. Asset valuation method: The actuarial asset value was reinitialized to equal fair value of assets as of June 30, 2014. Beginning in FY2015, the assets value method recognizes 20% of the gain or loss each year, for a period of 5 years, all assets are valued at fair value.

8. Inflation: 3.12% per annum.

9. Salary increases: Ranges from 6.36% to 4.92% based on service for Peace Officer/Firefighter. Ranges from 8.35% to 4.34% based on age and service for All Others.

10. Investment rate of return: 8%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.

11. Retirement age: An age-related assumption is used for participants not yet receiving payments.

12. Mortality: Pre-termination mortality rates were based upon the 2010-2013. Actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for Peace Officers / Firefighters, 95% of all rates of the RP - 2000 Table Base Year provided to 2018 with projected scale BB.

13. In fiscal year 2017 the District implemented GASB 82, which required a retroactive change in covered payroll.

14. This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.

Southeast Island School District  
Schedule of the District's Contributions  
Teachers' Retirement System (TRS)  
Year Ended June 30, 2017

Years Ended June 30,	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	District's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	\$ 75,736	\$ (75,736)	\$ -	\$ 2,267,494	3.34%
2016	\$ 67,932	\$ (67,932)	\$ -	\$ 2,104,089	3.23%
2017	\$ 54,175	\$ (54,175)	\$ -	\$ 1,927,170	2.81%

Notes to schedule

1. Valuation date: June 30, 2015, which was rolled forward to June 30, 2016.

2. Actuarially determined contribution rates are calculated as of June 30th, two years prior to the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

3. Actuarial cost method: Entry Age Normal - level percentage of payroll.
4. Amortization method: Level dollar, closed.
5. Amortization period: 25 years, as a level of percentage of payroll.
6. Equivalent single amortization period: 17 years.
7. Asset valuation method: The actuarial asset value was reinitialized to equal fair value of assets as of June 30, 2014. Beginning in FY2015, the assets value method recognizes 20% of the gain or loss each year, for a period of 5 years, all assets are valued at fair value.
8. Inflation: 3.12% per annum.
9. Salary increases: Ranges from 6.36% to 4.92% based on service for Peace Officer/Firefighter. Ranges from 8.35% to 4.34% based on age and service for All Others.
10. Investment rate of return: 8%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
11. Retirement age: An age-related assumption is used for participants not yet receiving payments.
12. Mortality: Pre-termination mortality rates were based upon the 2010-2013. Actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for Peace Officers / Firefighters, 95% of all rates of the RP - 2000 Table Base Year provided to 2018 with projected scale BB.
13. In fiscal year 2017 the District implemented GASB 82, which required a retroactive change in covered payroll.
14. This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.

## **ADDITIONAL SUPPLEMENTARY INFORMATION**

## SOUTHEAST ISLAND SCHOOL DISTRICT

## School Operating Fund

Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual

Year Ended June 30, 2017

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Local sources:			
E-rate	\$ 1,357,299	1,264,463	(92,836)
Other	102,000	179,645	77,645
	<u>1,459,299</u>	<u>1,444,108</u>	<u>(15,191)</u>
State sources:			
Foundation program	5,188,452	5,310,078	121,626
Quality Schools	-	14,327	14,327
AK Broadband assistance	11,440	11,441	1
TRS on-behalf payment	280,460	267,496	(12,964)
PERS on-behalf payment	-	41,058	41,058
Other	-	4,683	4,683
Total state sources	<u>5,480,352</u>	<u>5,649,083</u>	<u>168,731</u>
Total revenues	<u>6,939,651</u>	<u>7,093,191</u>	<u>153,540</u>
Expenditures:			
Current:			
Instruction:			
Certificated salaries	1,075,610	1,027,724	47,886
Non-certificated salaries	46,494	65,387	(18,893)
Employee benefits	770,983	666,309	104,674
Housing allowance	91,746	89,916	1,830
Transportation allowance	-	7,376	(7,376)
Professional and technical services	41,250	63,718	(22,468)
Staff travel	8,675	8,526	149
Student travel	14,434	5,626	8,808
Utility services	23,585	23,496	89
Other purchased services	-	4,221	(4,221)
Supplies, materials and media	103,223	77,152	26,071
Other expenses	250	5,394	(5,144)
Total instruction	<u>2,176,250</u>	<u>2,044,845</u>	<u>131,405</u>
Special education instruction:			
Certificated salaries	166,566	181,244	(14,678)
Non-certificated salaries	99,407	192,874	(93,467)
Employee benefits	133,266	197,657	(64,391)
Housing allowance	13,500	14,418	(918)
Professional and technical services	-	409	(409)
Staff travel	2,000	154	1,846
Supplies, materials and media	300	581	(281)
Total special education instruction	<u>415,039</u>	<u>587,337</u>	<u>(172,298)</u>

(continued)

## SOUTHEAST ISLAND SCHOOL DISTRICT

## School Operating Fund

Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual, continued

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Expenditures, continued:			
Current:			
Special education support services - students:			
Professional and technical services	61,880	20,284	41,596
Staff travel	-	41	(41)
Total support services - students	61,880	20,325	41,555
Support services - instruction:			
Non-certificated salaries	25,983	25,547	436
Employee benefits	12,137	8,909	3,228
Professional and technical services	74,100	66,353	7,747
Staff travel	5,000	4,765	235
Utility services	1,869,972	1,592,743	277,229
Other purchased services	85,500	16,902	68,598
Supplies, materials and media	91,100	125,199	(34,099)
Other expenses	15,450	8,224	7,226
Total support services - instruction	2,179,242	1,848,642	330,600
School administration:			
Certificated salaries	334,065	287,414	46,651
Employee benefits	140,954	174,597	(33,643)
Housing allowance	10,800	14,180	(3,380)
Professional and technical services	-	17,455	(17,455)
Staff travel	5,000	10,080	(5,080)
Utility services	1,200	301	899
Supplies, materials and media	1,500	1,879	(379)
Total school administration	493,519	505,906	(12,387)
School administration support services:			
Non-certificated salaries	25,054	28,414	(3,360)
Employee benefits	9,615	13,042	(3,427)
Total school administration support services	34,669	41,456	(6,787)
District administration:			
Certificated salaries	58,288	67,967	(9,679)
Non-certificated salaries	71,151	86,515	(15,364)
Employee benefits	54,637	69,348	(14,711)
Professional and technical services	48,950	17,694	31,256
Staff travel	20,400	2,612	17,788
Student travel	300	67	233
Utility services	1,500	1,940	(440)
Supplies, materials and media	12,585	16,270	(3,685)
Tuition and stipends	11,000	5,900	5,100
Other expenses	12,800	6,980	5,820
Total district administration	291,611	275,293	16,318

(continued)

## SOUTHEAST ISLAND SCHOOL DISTRICT

## School Operating Fund

Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual, continued

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Expenditures, continued:			
Current:			
District administration support services:			
Non-certificated salaries	117,979	132,543	(14,564)
Employee benefits	103,266	76,776	26,490
Professional and technical services	145,000	118,120	26,880
Staff travel	3,500	1,522	1,978
Utilities Services	9,960	7,656	2,304
Other purchased services	2,500	10,021	(7,521)
Insurance and bond premiums	100,589	64,338	36,251
Supplies, materials and media	10,000	7,589	2,411
Other expenses	16,000	17,081	(1,081)
Indirect costs	<u>(82,724)</u>	<u>(67,794)</u>	<u>(14,930)</u>
Total district administration support services	<u>426,070</u>	<u>367,852</u>	<u>58,218</u>
Operations and maintenance of plant:			
Non-certificated salaries	307,426	362,082	(54,656)
Employee benefits	128,174	171,804	(43,630)
Professional and technical services	-	938	(938)
Staff travel	4,000	4,314	(314)
Utility services	41,940	29,745	12,195
Energy	336,350	265,890	70,460
Other purchased services	77,300	73,700	3,600
Insurance and bond premiums	107,585	115,000	(7,415)
Supplies, materials and media	118,650	123,974	(5,324)
Other expenses	<u>-</u>	<u>1,900</u>	<u>(1,900)</u>
Total operations and maintenance of plant	<u>1,121,425</u>	<u>1,149,347</u>	<u>(27,922)</u>
Student activities:			
Certificated salaries	-	20,679	(20,679)
Non-certificated salaries	61,100	45,024	16,076
Employee benefits	17,031	20,804	(3,773)
Staff travel	13,500	7,798	5,702
Student travel	49,917	79,913	(29,996)
Utility services	-	80	(80)
Other purchased services	-	10,585	(10,585)
Supplies, materials and media	2,400	26,202	(23,802)
Other expenses	<u>3,100</u>	<u>17,673</u>	<u>(14,573)</u>
Total student activities	<u>147,048</u>	<u>228,758</u>	<u>(81,710)</u>
Total expenditures	<u>7,346,753</u>	<u>7,069,761</u>	<u>276,992</u>
Excess of revenues over expenditures	<u>(407,102)</u>	<u>23,430</u>	<u>430,532</u>
Other financing sources (Uses):			
Transfers in (out):			
Other funds	-	(3,947)	3,947
Capital projects fund	(300,904)	(96,368)	(204,536)
Food service special revenue fund	-	(74,749)	74,749
Net other financing sources (uses)	<u>(300,904)</u>	<u>(175,064)</u>	<u>(125,840)</u>
Net change in fund balance	\$ <u>(708,006)</u>	<u>(151,634)</u>	<u>304,692</u>
Fund balance, beginning of year		<u>498,591</u>	
Fund balance, end of year		\$ <u>346,957</u>	



## SOUTHEAST ISLAND SCHOOL DISTRICT

## Capital Projects Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance

Year Ended June 30, 2017

## Revenues:

## Intergovernmental:

State of Alaska

188,389

## Expenditures:

## Operations and maintenance of plant:

Non-certificated salaries

1,117

Employee benefits

314

Professional and technical services

2,392

Other purchased services

1,296

Supplies, materials and media

20,500

Total operations and maintenance of plant

25,619

## Construction and facilities acquisition:

Non-certificated salaries

28,187

Employee benefits

14,515

Other purchased services

106,071

Supplies, materials and media

110,365

Total construction and facilities acquisition

259,138

Total expenditures

284,757

Excess (deficiency) of revenues over expenditures

(96,368)

## Other financing sources:

Transfers in - School Operating Fund

96,368

Net change in fund balance

-

Fund balance, beginning of year

63,079

Fund balance, end of year

\$ 63,079

## SOUTHEAST ISLAND SCHOOL DISTRICT

## Other Governmental Funds

## Combining Balance Sheet

June 30, 2017

	Special Revenue Funds						
			SEARHC				
<u>Assets</u>	<u>Pupil Transportation</u>	<u>AASB Art Assets</u>	<u>School Gardens Kasaan</u>	<u>Food Service</u>	<u>Fresh Fruit &amp; Vegetable</u>	<u>Nutritional Alaskan Foods</u>	<u>Title I-A Basic</u>
Accounts receivable	\$ -	-	-	28,892	444	-	30,628
Due from School Operating Fund	101,553	2,812	1,117	-	-	4,100	-
Inventory	-	-	-	19,620	-	-	-
	<u>\$ 101,553</u>	<u>2,812</u>	<u>1,117</u>	<u>48,512</u>	<u>444</u>	<u>4,100</u>	<u>30,628</u>
<u>Liabilities and Fund Balances (Deficits)</u>							
Liabilities:							
Unearned revenue	-	2,812	1,117	-	-	4,100	-
Due to School Operating Fund	-	-	-	566	444	-	30,628
Total liabilities	<u>-</u>	<u>2,812</u>	<u>1,117</u>	<u>566</u>	<u>444</u>	<u>4,100</u>	<u>30,628</u>
Fund balances (deficits):							
Assigned	101,553	-	-	28,326	-	-	-
Nonspendable	-	-	-	19,620	-	-	-
Total fund balances	<u>101,553</u>	<u>-</u>	<u>-</u>	<u>47,946</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 101,553</u>	<u>2,812</u>	<u>1,117</u>	<u>48,512</u>	<u>444</u>	<u>4,100</u>	<u>30,628</u>

## SOUTHEAST ISLAND SCHOOL DISTRICT

## Other Governmental Funds

## Combining Balance Sheet, continued

June 30, 2017

	Special Revenue Funds						
	Title I-C Migrant Education	Migrant Book	Migrant DATA	Title II-A P & T R & R	Title VI-B IDEA	Title VI-B Preschool Disabled	Carl Perkins
<u>Assets</u>							
Accounts receivable	\$ 19,269	364	925	12,858	6,260	1,792	10,097
Due from School Operating Fund	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-
	<u>\$ 19,269</u>	<u>364</u>	<u>925</u>	<u>12,858</u>	<u>6,260</u>	<u>1,792</u>	<u>10,097</u>
<u>Liabilities and Fund Balances (Deficits)</u>							
Liabilities:							
Unearned revenue	-	-	-	-	-	-	-
Due to School Operating Fund	<u>19,269</u>	<u>364</u>	<u>925</u>	<u>12,858</u>	<u>6,260</u>	<u>1,792</u>	<u>10,097</u>
Total liabilities	<u>19,269</u>	<u>364</u>	<u>925</u>	<u>12,858</u>	<u>6,260</u>	<u>1,792</u>	<u>10,097</u>
Fund balances (deficits):							
Assigned	-	-	-	-	-	-	-
Nonspendable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 19,269</u>	<u>364</u>	<u>925</u>	<u>12,858</u>	<u>6,260</u>	<u>1,792</u>	<u>10,097</u>

## SOUTHEAST ISLAND SCHOOL DISTRICT

## Other Governmental Funds

## Combining Balance Sheet, continued

June 30, 2017

<u>Assets</u>	<u>Special Revenue Funds</u>						
	<u>Prosper</u>	<u>CARE</u>	<u>Indian Education</u>	<u>SEARHC Steps</u>	<u>Rural CAP Community Gardens</u>	<u>AK SEA - UAF Grant</u>	<u>Teacher Housing</u>
Accounts receivable	\$ 21,765	93,139	-	-	-	2,035	-
Due from School Operating Fund	-	-	1,329	1,822	210	-	157,809
Inventory	-	-	-	-	-	-	-
	<u>\$ 21,765</u>	<u>93,139</u>	<u>1,329</u>	<u>1,822</u>	<u>210</u>	<u>2,035</u>	<u>157,809</u>
<u>Liabilities and Fund Balances (Deficits)</u>							
Liabilities:							
Unearned revenue	-	-	1,329	1,822	210	-	-
Due to School Operating Fund	<u>21,765</u>	<u>93,139</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,035</u>	<u>-</u>
Total liabilities	<u>21,765</u>	<u>93,139</u>	<u>1,329</u>	<u>1,822</u>	<u>210</u>	<u>2,035</u>	<u>-</u>
Fund balances (deficits):							
Assigned	-	-	-	-	-	-	157,809
Nonspendable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>157,809</u>
Total liabilities and fund balances	<u>\$ 21,765</u>	<u>93,139</u>	<u>1,329</u>	<u>1,822</u>	<u>210</u>	<u>2,035</u>	<u>157,809</u>

## SOUTHEAST ISLAND SCHOOL DISTRICT

## Other Governmental Funds

## Combining Balance Sheet, continued

	Special Revenue Funds						Total Special Revenue Funds
	CIS CEO	USDA NIFA	CFAITC	Peacehealth Get out and Play	Southeast Island Youth Advocate	NEA Alaska	
<u>Assets</u>							
Accounts receivable	\$ -	33,057	-	-	-	-	261,525
Due from School Operating Fund	1,320	-	1,019	8,600	1,993	2,000	285,684
Inventory	-	-	-	-	-	-	19,620
	<u>\$ 1,320</u>	<u>33,057</u>	<u>1,019</u>	<u>8,600</u>	<u>1,993</u>	<u>2,000</u>	<u>566,829</u>
<u>Liabilities and Fund Balances (Deficits)</u>							
Liabilities:							
Unearned revenue	-	-	-	8,600	1,993	2,000	23,983
Due to School Operating Fund	1,320	33,057	1,019	-	-	-	235,538
Total liabilities	<u>1,320</u>	<u>33,057</u>	<u>1,019</u>	<u>8,600</u>	<u>1,993</u>	<u>2,000</u>	<u>259,521</u>
Fund balances (deficits):							
Assigned	-	-	-	-	-	-	287,688
Nonspendable	-	-	-	-	-	-	19,620
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>307,308</u>
Total liabilities and fund balances	<u>\$ 1,320</u>	<u>33,057</u>	<u>1,019</u>	<u>8,600</u>	<u>1,993</u>	<u>2,000</u>	<u>566,829</u>

## SOUTHEAST ISLAND SCHOOL DISTRICT

## Other Governmental Funds

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 2017

	Special Revenue Funds								
	Pupil Transportation	Staff Development	Teacher Retention Moore Settlement	Farm to School	SEARHC School Gardens	Community Gardens Howard Valentine	Food Service	Fresh Fruit and Vegetables	NSLP Equipment Assistance
Revenues:									
Local sources:									
Charges for services	\$ -	-	-	-	-	-	4,183	-	-
Other	-	-	-	486	52	4,000	-	-	-
Intergovernmental:									
State of Alaska	214,043	2,714	6,939	-	-	-	-	-	-
Federal sources:									
Passed through the State of Alaska	-	-	-	-	-	-	127,963	5,465	15,000
Direct	-	-	-	-	-	-	-	-	-
Total revenues	<u>214,043</u>	<u>2,714</u>	<u>6,939</u>	<u>486</u>	<u>52</u>	<u>4,000</u>	<u>132,146</u>	<u>5,465</u>	<u>15,000</u>
Expenditures:									
Current:									
Instruction	-	2,764	-	-	-	-	-	-	-
Special education instruction	-	-	-	-	-	-	-	-	-
Support services - students	-	-	-	-	-	-	-	-	-
District administration support services	-	-	-	-	-	-	-	-	-
Operations and maintenance of plants	-	-	-	-	-	-	-	-	-
Student activities	-	-	-	486	52	-	-	-	-
Student transportation	257,639	-	-	-	-	-	-	-	-
Food service	-	-	-	-	-	-	215,871	5,465	18,947
Community services	-	-	-	-	-	4,000	-	-	-
Construction and facilities acquisition	-	-	6,939	-	-	-	-	-	-
Total expenditures	<u>257,639</u>	<u>2,764</u>	<u>6,939</u>	<u>486</u>	<u>52</u>	<u>4,000</u>	<u>215,871</u>	<u>5,465</u>	<u>18,947</u>
Excess (deficiency) of revenues over expenditures	<u>(43,596)</u>	<u>(50)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(83,725)</u>	<u>-</u>	<u>(3,947)</u>
Other financing sources:									
Transfers in - School Operating Fund	-	-	-	-	-	-	74,749	-	3,947
Net change in fund balance	<u>(43,596)</u>	<u>(50)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,976)</u>	<u>-</u>	<u>-</u>
Fund balances, beginning of year	<u>145,149</u>	<u>50</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,922</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 101,553</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,946</u>	<u>-</u>	<u>-</u>

(continued)

## SOUTHEAST ISLAND SCHOOL DISTRICT

## Other Governmental Funds

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances, continued

	Special Revenue Funds								
	Title I-A Basic	Title I-C Migrant Education	Migrant Book	Migrant Data	Title II-A Teacher & Principal Training	Title VI-B IDEA	Title VI-B Preschool Disabled	Carl Perkins	Timber Receipts Title III
Revenues:									
Local sources:									
Charges for services	\$ -	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Intergovernmental:									
State of Alaska	-	-	-	-	-	-	-	-	-
Federal sources:									
Passed through the State of Alaska	71,746	31,541	2,254	925	37,689	51,597	1,792	17,480	-
Direct	-	-	-	-	-	-	-	-	-
Total revenues	<u>71,746</u>	<u>31,541</u>	<u>2,254</u>	<u>925</u>	<u>37,689</u>	<u>51,597</u>	<u>1,792</u>	<u>17,480</u>	<u>-</u>
Expenditures:									
Current:									
Instruction	67,309	29,554	2,254	925	35,303	-	-	16,648	-
Special education instruction	-	-	-	-	-	48,330	1,678	-	-
Support services - students	-	-	-	-	-	-	-	-	-
District administration support services	4,437	1,987	-	-	2,386	3,267	114	832	-
Operations and maintenance of plants	-	-	-	-	-	-	-	-	366
Student activities	-	-	-	-	-	-	-	-	-
Student transportation	-	-	-	-	-	-	-	-	-
Food service	-	-	-	-	-	-	-	-	-
Community services	-	-	-	-	-	-	-	-	-
Construction and facilities acquisition	-	-	-	-	-	-	-	-	-
Total expenditures	<u>71,746</u>	<u>31,541</u>	<u>2,254</u>	<u>925</u>	<u>37,689</u>	<u>51,597</u>	<u>1,792</u>	<u>17,480</u>	<u>366</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(366)</u>
Other financing sources:									
Transfers in - School Operating Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(366)</u>
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>366</u>
Fund balances, end of year	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(continued)

## SOUTHEAST ISLAND SCHOOL DISTRICT

## Other Governmental Funds

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits), continued

	Special Revenue Funds								Total Special Revenue Funds
	Prosper	CARE	Indian Education	AK SEA UAF	Crossett	Teacher Housing	Rasmussen Coffman Cove Greenhouse	USDA NIFA	
Revenues:									
Local sources:									
Charges for services	\$ -	-	-	-	-	-	-	-	4,183
Other	23,597	-	-	2,035	1,541	91,595	140	-	123,446
Intergovernmental:									
State of Alaska	-	-	-	-	-	-	-	-	223,696
Federal sources:									
Passed through the State of Alaska	-	-	-	-	-	-	-	-	363,452
Direct	-	181,297	6,860	-	-	-	-	45,471	233,628
Total revenues	23,597	181,297	6,860	2,035	1,541	91,595	140	45,471	948,405
Expenditures:									
Current:									
Instruction	23,597	-	6,426	2,035	1,541	-	-	45,471	233,827
Special education instruction	-	-	-	-	-	-	-	-	50,008
Support services - students	-	126,962	-	-	-	-	-	-	126,962
District administration support services	-	54,335	434	-	-	-	-	-	67,792
Operations and maintenance of plants	-	-	-	-	-	58,972	-	-	59,338
Student activities	-	-	-	-	-	-	140	-	678
Student transportation	-	-	-	-	-	-	-	-	257,639
Food service	-	-	-	-	-	-	-	-	240,283
Community services	-	-	-	-	-	-	-	-	4,000
Construction and facilities acquisition	-	-	-	-	-	3,500	-	-	10,439
Total expenditures	23,597	181,297	6,860	2,035	1,541	62,472	140	45,471	1,050,966
Excess (deficiency) of revenues over expenditures	-	-	-	-	-	29,123	-	-	(102,561)
Other financing sources:									
Transfers in - School Operating Fund	-	-	-	-	-	-	-	-	78,696
Net change in fund balance	-	-	-	-	-	29,123	-	-	(23,865)
Fund balances (deficits), beginning of year	-	-	-	-	-	128,686	-	-	331,173
Fund balances, end of year	\$ -	-	-	-	-	157,809	-	-	307,308



## SOUTHEAST ISLAND SCHOOL DISTRICT

## Pupil Transportation Special Revenue Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual

Year Ended June 30, 2017

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
State sources	\$ 236,760	214,043	(22,717)
Expenditures - current:			
Student transportation:			
Non-certificated salaries	96,534	115,992	(19,458)
Employee benefits	60,660	56,996	3,664
Professional and technical services	1,200	771	429
Staff travel	250	3,334	(3,084)
Student travel	-	187	(187)
Utility services	-	132	(132)
Other purchased services	1,600	2,331	(731)
Supplies, materials and media	14,750	33,773	(19,023)
Tuition and stipends	-	500	(500)
Other expenses	150	623	(473)
Equipment	43,000	43,000	-
Total expenditures	218,144	257,639	(39,495)
Excess of revenues over expenditures	\$ 18,616	(43,596)	(62,212)
Fund balance, beginning of year		145,149	
Fund balance, end of year		\$ 101,553	

## SOUTHEAST ISLAND SCHOOL DISTRICT

## Staff Development Special Revenue Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual

Year Ended June 30, 2017

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
State sources	\$ 2,714	2,714	-
Expenditures - current:			
Instruction:			
Staff travel	2,714	2,764	(50)
Excess of revenues over expenditures	\$ -	(50)	(50)
Fund balance, beginning of year		50	
Fund balance, end of year		\$ -	

## SOUTHEAST ISLAND SCHOOL DISTRICT

## Teacher Retention Moore Settlement Special Revenue Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual

Year Ended June 30, 2017

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
State sources	\$ 6,939	6,939	-
Expenditures - current:			
Construction and facilities acquisition:			
Other purchased services	6,939	1,040	5,899
Supplies, materials and media	-	5,899	(5,899)
Total expenditures	6,939	6,939	-
Excess (deficiency) of revenues over expenditures	\$ -	-	-
Fund balance, beginning of year		-	
Fund balance, end of year		\$ -	

## SOUTHEAST ISLAND SCHOOL DISTRICT

## Farm to School Special Revenue Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual

Year Ended June 30, 2017

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
Other local sources	\$ 486	486	-
Expenditures - current:			
Student activities:			
Supplies, materials and media	486	486	-
Excess of revenues over expenditures	\$ -	-	-
Fund balance, beginning of year		-	
Fund balance, end of year		\$ -	

## SOUTHEAST ISLAND SCHOOL DISTRICT

## SEARHC School Gardens Special Revenue Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual

Year Ended June 30, 2017

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
Other local sources	\$ 1,169	52	(1,117)
Expenditures - current:			
Student activities:			
Supplies, materials and media	1,169	52	1,117
Excess of revenues over expenditures	\$ -	-	-
Fund balance, beginning of year		-	
Fund balance, end of year		\$ -	

## SOUTHEAST ISLAND SCHOOL DISTRICT

## Community Gardens Howard Valentine Special Revenue Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual

Year Ended June 30, 2017

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
Other local sources	\$ 4,000	4,000	-
Expenditures - current:			
Community services:			
Supplies, materials and media	4,000	4,000	-
Excess of revenues over expenditures	\$ -	-	-
Fund balance, beginning of year		-	
Fund balance, end of year		\$ -	

## SOUTHEAST ISLAND SCHOOL DISTRICT

## Food Service Special Revenue Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual

Year Ended June 30, 2017

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
Local sources:			
Charges for services	\$ 6,000	4,183	(1,817)
Intergovernmental:			
Federal sources - passed through the State of Alaska	118,850	127,963	9,113
Total revenues	124,850	132,146	7,296
Expenditures - current:			
Food services:			
Staff travel	3,000	1,305	1,695
Non-certificated salaries	72,306	70,104	2,202
Employee benefits	25,656	13,894	11,762
Other purchased services	-	634	(634)
Supplies, materials and media	86,600	129,542	(42,942)
Other expenses	600	392	208
Total expenditures	188,162	215,871	(27,709)
Excess (deficiency) of revenues over expenditures	(63,312)	(83,725)	(20,413)
Other financing sources:			
Transfers in - School Operating Fund	-	74,749	74,749
Net change in fund balance	\$ (63,312)	(8,976)	54,336
Fund balance, beginning of year		56,922	
Fund balance, end of year		\$ 47,946	

## SOUTHEAST ISLAND SCHOOL DISTRICT

## Fresh Fruit and Vegetable Special Revenue Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual

Year Ended June 30, 2017

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal sources - passed through the State of Alaska	\$ 6,050	5,465	(585)
Expenditures - current:			
Food services:			
Supplies, materials and media	6,050	5,465	585
Excess of revenues over expenditures	\$ -	-	-
Fund balance, beginning of year		-	
Fund balance, end of year		\$ -	



## SOUTHEAST ISLAND SCHOOL DISTRICT

Exhibit I-11

## NSLP Equipment Assistance Special Revenue Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual

Year Ended June 30, 2017

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal sources - passed through the State of Alaska	\$ 15,000	15,000	-
Expenditures - current:			
Food services:			
Other purchased services	-	4,250	(4,250)
Supplies, materials and media	15,000	14,430	570
Other expenses	-	267	(267)
Total expenditures	15,000	18,947	(3,947)
Excess of revenues over expenditures	-	(3,947)	(3,947)
Other financing sources:			
Transfers in - School Operating Fund	-	3,947	3,947
Net change in fund balance	\$ -	-	-
Fund balance, beginning of year		-	
Fund balance, end of year		\$ -	

## SOUTHEAST ISLAND SCHOOL DISTRICT

Exhibit I-12

## Title I-A Basic Special Revenue Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual

Year Ended June 30, 2017

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal sources - passed through the State of Alaska	\$ 84,577	71,746	(12,831)
Expenditures - current:			
Instruction:			
Certificated salaries	15,197	9,416	5,781
Non-certificated salaries	25,288	25,287	1
Employee benefits	12,906	11,706	1,200
Student travel	8,014	3,000	5,014
Supplies, materials and media	15,934	15,931	3
Tuition and stipends	1,689	1,670	19
Other expenses	300	299	1
Total instruction	79,328	67,309	12,019
District administration support services:			
Indirect costs	5,249	4,437	812
Total expenditures	84,577	71,746	12,831
Excess of revenues over expenditures	\$ -	-	-
Fund balance, beginning of year		-	
Fund balance, end of year		\$ -	

## SOUTHEAST ISLAND SCHOOL DISTRICT

Exhibit I-13

## Title I-C Migrant Education Special Revenue Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual

Year Ended June 30, 2017

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal sources - passed through the State of Alaska	\$ 32,379	31,541	(838)
Expenditures - current:			
Instruction:			
Certificated salaries	9,877	9,885	(8)
Non-certificated salaries	8,344	8,320	24
Employee benefits	4,711	4,611	100
Housing allowance/subsidy	-	36	(36)
Professional and technical services	3,000	3,000	-
Staff travel	602	602	-
Student travel	101	72	29
Supplies, materials and media	2,897	2,874	23
Tuition and stipends	850	154	696
Total instruction	30,382	29,554	828
District administration support services:			
Indirect costs	1,997	1,987	10
Total expenditures	32,379	31,541	838
Excess of revenues over expenditures	\$ -	-	-
Fund balance, beginning of year		-	
Fund balance, end of year		\$ -	

## SOUTHEAST ISLAND SCHOOL DISTRICT

## Migrant Book Special Revenue Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual

Year Ended June 30, 2017

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal sources - passed through the State of Alaska	\$ 2,280	2,254	(26)
Expenditures - current:			
Instruction:			
Supplies, materials and media	2,280	2,254	26
Excess of revenues over expenditures	\$ -	-	-
Fund balance, beginning of year		-	
Fund balance, end of year		\$ -	

## SOUTHEAST ISLAND SCHOOL DISTRICT

## Migrant DATA Special Revenue Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual

Year Ended June 30, 2017

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal sources - passed through the State of Alaska	\$ 925	925	-
Expenditures - current:			
Instruction:			
Supplies, materials and media	925	925	-
Excess of revenues over expenditures	\$ -	-	-
Fund balance, beginning of year		-	
Fund balance, end of year		\$ -	

## SOUTHEAST ISLAND SCHOOL DISTRICT

Exhibit I-16

## Title II-A Teacher and Principal Training Special Revenue Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual

Year Ended June 30, 2017

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal sources - passed through the State of Alaska	\$ 37,812	37,689	(123)
Expenditures - current:			
Instruction:			
Certificated salaries	2,600	1,599	1,001
Non-certificated salaries	800	400	400
Employee benefits	1,080	859	221
Transportation allowance	5,550	5,550	-
Professional and technical services	-	139	(139)
Staff travel	16,918	17,862	(944)
Supplies, materials and media	-	700	(700)
Other expenses	7,950	8,194	(244)
Total instruction	34,898	35,303	(405)
District administration support services:			
Indirect costs	2,914	2,386	528
Total expenditures	37,812	37,689	123
Excess of revenues over expenditures	\$ -	-	-
Fund balance, beginning of year		-	
Fund balance, end of year		\$ -	

## SOUTHEAST ISLAND SCHOOL DISTRICT

Exhibit I-17

## Title VI-B IDEA

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual

Year Ended June 30, 2017

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal sources - passed through the State of Alaska	\$ 54,318	51,597	(2,721)
Expenditures - current:			
Special education instruction:			
Professional and technical services	43,879	42,872	1,007
Staff travel	3,950	2,437	1,513
Supplies, materials and media	3,050	3,021	29
Total instruction	50,879	48,330	2,549
District administration support services:			
Indirect costs	3,439	3,267	172
Total expenditures	54,318	51,597	2,721
Excess of revenues over expenditures	\$ -	-	-
Fund balance, beginning of year		-	
Fund balance, end of year		\$ -	

## SOUTHEAST ISLAND SCHOOL DISTRICT

Exhibit I-18

## Title VI-B Preschool Disabled Special Revenue Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual

Year Ended June 30, 2017

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal sources - passed through the State of Alaska	\$ 2,044	1,792	(252)
Expenditures - current:			
Special education instruction:			
Professional and technical services	1,315	1,314	1
Supplies, materials and media	600	364	236
Total instruction	1,915	1,678	237
District administration support services:			
Indirect costs	129	114	15
Total expenditures	2,044	1,792	252
Excess of revenues over expenditures	\$ -	-	-
Fund balance, beginning of year		-	
Fund balance, end of year		\$ -	



## SOUTHEAST ISLAND SCHOOL DISTRICT

Exhibit I-19

## Carl Perkins Special Revenue Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual

Year Ended June 30, 2017

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal sources - passed through the State of Alaska	\$ 18,000	17,480	(520)
Expenditures - current:			
Instruction:			
Certificated salaries	1,381	800	581
Employee benefits	145	145	-
Staff travel	1,352	1,404	(52)
Student travel	392	426	(34)
Supplies, materials and media	13,873	13,873	-
Total instruction	17,143	16,648	495
District administration support services:			
Indirect costs	857	832	25
Total expenditures	18,000	17,480	520
Excess of revenues over expenditures	\$ -	-	-
Fund balance, beginning of year		-	
Fund balance, end of year		\$ -	

## SOUTHEAST ISLAND SCHOOL DISTRICT

Exhibit I-20

## Timber Receipts Title III Special Revenue Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual

Year Ended June 30, 2017

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:	\$ -	-	-
Expenditures - current:			
Operations and maintenance of plant:			
Supplies, materials and media	366	366	-
Total expenditures	366	366	-
Excess of revenues over expenditures	\$ (366)	(366)	-
Fund balance, beginning of year		366	
Fund balance, end of year		\$ -	

## SOUTHEAST ISLAND SCHOOL DISTRICT

## Prosper Special Revenue Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual

Year Ended June 30, 2017

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
Other local sources	\$ 23,597	23,597	-
Expenditures - current:			
Instruction:			
Certificated salaries	2,000	2,000	-
Non-certificated salaries	3,646	3,646	-
Employee benefits	1,053	1,053	-
Staff travel	1,339	1,339	-
Student travel	14,047	14,047	-
Supplies, materials and media	1,167	1,167	-
Other expenses	345	345	-
	23,597	23,597	-
Excess of revenues over expenditures	\$ -	-	-
Fund balance, beginning of year		-	
Fund balance, end of year		\$ -	

## SOUTHEAST ISLAND SCHOOL DISTRICT

## CARE Special Revenue Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual

Year Ended June 30, 2017

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
Federal sources - direct	\$ 187,092	181,297	(5,795)
Expenditures - current:			
Support services - students:			
Certificated salaries	78,700	85,155	(6,455)
Employee benefits	38,900	36,407	2,493
Housing allowance/subsidy	-	5,400	(5,400)
Total support services - students	117,600	126,962	(9,362)
District administration support services:			
Indirect costs	69,492	54,335	15,157
Total expenditures	187,092	181,297	5,795
Excess of revenues over expenditures	\$ -	-	-
Fund balance, beginning of year		-	
Fund balance, end of year		\$ -	

## SOUTHEAST ISLAND SCHOOL DISTRICT

Exhibit I-23

## Indian Education Special Revenue Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance (Deficit) - Budget and Actual

Year Ended June 30, 2017

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
Federal sources - Direct	\$ 6,860	6,860	-
Expenditures - current:			
Instruction:			
Certificated salaries	1,399	1,273	126
Non-certificated salaries	-	57	(57)
Employee benefits	281	217	64
Professional and technical services	600	1,286	(686)
Staff travel	1,470	612	858
Student travel	-	826	(826)
Supplies, materials and media	2,676	2,155	521
Total instruction	6,426	6,426	-
District administration support services:			
Indirect costs	434	434	-
Total expenditures	6,860	6,860	-
Excess (deficiency) of revenues over expenditures	\$ -	-	-
Fund balance (deficit), beginning of year		-	
Fund balance, end of year		\$ -	

## SOUTHEAST ISLAND SCHOOL DISTRICT

## AK SEA - UAF Special Revenue Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual

Year Ended June 30, 2017

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
Other local sources	\$ 6,578	2,035	(4,543)
Expenditures - current:			
Instruction:			
Professional and technical services	2,500	1,660	840
Supplies, materials and media	4,078	375	3,703
Total expenditures	6,578	2,035	4,543
Excess of revenues over expenditures	\$ -	-	-
Fund balance, beginning of year		-	
Fund balance , end of year		\$ -	

## SOUTHEAST ISLAND SCHOOL DISTRICT

## Crossett Special Revenue Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual

Year Ended June 30, 2017

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
Other local sources	\$ 1,541	1,541	-
Expenditures - current:			
Instruction:			
Supplies, materials and media	1,541	1,541	-
Excess (deficiency) of revenues over expenditures	\$ -	-	-
Fund balance, beginning of year		-	
Fund balance, end of year		\$ -	

## SOUTHEAST ISLAND SCHOOL DISTRICT

Exhibit I-26

## Teacher Housing Special Revenue Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual

Year Ended June 30, 2017

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
Other local sources	\$ 81,090	91,595	10,505
Expenditures			
Operations and maintenance of plant:			
Utility services	3,200	4,036	(836)
Energy	5,000	9,688	(4,688)
Other purchased services	1,700	6,967	(5,267)
Supplies, materials and media	89,500	37,231	52,269
Other expenses	600	1,050	(450)
Total operations and maintenance of plant	100,000	58,972	41,028
Construction and facilities acquisition:			
Capital outlay	-	3,500	(3,500)
Total expenditures	100,000	62,472	37,528
Excess (deficiency) of revenues over expenditures	\$ (18,910)	29,123	48,033
Fund balance, beginning of year		128,686	
Fund balance, end of year		\$ 157,809	



## SOUTHEAST ISLAND SCHOOL DISTRICT

Exhibit I-27

## Rasmussen Grant Coffman Cove Greenhouse Special Revenue Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual

Year Ended June 30, 2017

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
Other local sources	\$ 140	140	-
Expenditures - current:			
Student Activities:			
Supplies, materials and media	140	140	-
Excess of revenues over expenditures	\$ -	-	-
Fund balance, beginning of year		-	
Fund balance, end of year		\$ -	

## SOUTHEAST ISLAND SCHOOL DISTRICT

Exhibit I-28

## USDA - NIFA Special Revenue Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual

Year Ended June 30, 2017

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
Federal sources - Direct	\$ 45,471	45,471	-
Expenditures - current:			
Instruction:			
Certificated salaries	35,000	34,481	519
Employee benefits	10,471	10,990	(519)
Total expenditures	45,471	45,471	-
Excess of revenues over expenditures	\$ -	-	-
Fund balance, beginning of year		-	
Fund balance, end of year		\$ -	

## SOUTHEAST ISLAND SCHOOL DISTRICT

## Student Activity Agency Fund

## Schedule of Changes in Assets and Liabilities

Year Ended June 30, 2017

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
<u>Assets</u>				
Cash and cash equivalents	\$ 118,337	13,244	8,587	122,994
<u>Liabilities</u>				
Due to student groups	\$ 118,337	13,244	8,587	122,994

## SOUTHEAST ISLAND SCHOOL DISTRICT

## Schedule of State Financial Assistance

Year Ended June 30, 2017

<u>Grant Title</u>	<u>Grant Number</u>	<u>Total Grant Award</u>	<u>Total State Expended</u>
Department of Education and Early Development:			
Direct programs:			
* Public School Foundation Program	FY17	\$ 5,310,078	5,310,078
School Broadband Assistance Grant	SBG 17 SISS.01	11,441	11,441
Safe Children's Act	SC 17 SISS.01	1,683	1,683
* Student Transportation	FY17	214,043	214,043
Teacher Retention Grant	WQ 17.SISS.01	6,939	6,939
Southeast Island Mini Grant	FY17CC/ACC-06	1,000	1,000
Hyder School Mini Grant	FY17CC/EXCUR-23	1,000	1,000
Port Alexander School Mini Grant	FY17CC/EXCUR-22	1,000	1,000
Quality Schools	FY17	14,327	14,327
Total Department of Education and Early Development		5,561,511	5,561,511
Department of Commerce, Community, and Economic Development:			
* Southeast School District Wood Boilers	7081147	832,635	188,389
Department of Administration:			
* TRS in-kind payment	None	267,496	267,496
PERS in-kind payment	None	41,058	41,058
Total Department of Administration		308,554	308,554
Total State Expenditures		\$ 6,702,700	6,058,454

## Notes to the Schedule:

- Reconciliation to Basic Financial Statements:
 

Expended from Schedule of State Financial Assistance	\$ 6,058,454
State of Alaska Professional Service Ccontracts:	
Staff Development	2,714
Total Revenue from State of Alaska in Exhibit D-1	<u>6,061,168</u>
- The accompanying schedule of state financial assistance (the "Schedule") includes the state award activity of Southeast Island School District under programs of the State of Alaska for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the Schedule presents only a selected portion of the operations of Southeast Island School District, it is not intended to and does not present the basic financial statements of Southeast Island School District.
- \* Denotes a major program for compliance audit purposes.
- This schedule was prepared on the modified accrual basis of accounting.
- No state awards were passed through to subrecipients.

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with Government Auditing Standards**

**Independent Auditor's Report**

Members of the School Board  
Southeast Island School District  
Thorne Bay, Alaska

We have audited, in accordance with the 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, the business-type activities, each major fund, and the aggregate remaining fund information of Southeast Island School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Southeast Island School District's basic financial statements, and have issued our report thereon dated October 20, 2017.

**Internal Control over Financial Reporting**

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

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

Members of the School Board  
Southeast Island School District

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Southeast Island School District's financial statements are free from material misstatement, we performed tests of its 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Altman, Rogers & Co.*

Anchorage, Alaska  
October 20, 2017

**Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance Required by the State of Alaska Audit Guide and Compliance Supplement for State Single Audits**

**Independent Auditor's Report**

Members of the School Board  
Southeast Island School District  
Thorne Bay, Alaska

**Report on Compliance for Each Major State Program**

We have audited Southeast Island School District's compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of Southeast Island School District's major state programs for the year ended June 30, 2017. Southeast Island School District's major state programs are identified in the accompanying schedule of state financial assistance.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Southeast Island School District's major state programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* 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 state program occurred. An audit includes examining, on a test basis, evidence about Southeast Island School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However our audit does not provide a legal determination of Southeast Island School District's compliance.

### Opinion on Each Major State Program

In our opinion, Southeast Island School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2017.

### Report on Internal Control over Compliance

Management of Southeast Island School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Southeast Island School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, 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 Southeast Island School 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 state 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 state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Accordingly, this report is not suitable for any other purpose.



Anchorage, Alaska  
October 20, 2017



SOUTHEAST ISLAND SCHOOL DISTRICT

State Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

**Section I – Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	<u>      </u> Yes	<u>  X  </u> No	
Significant deficiency(ies) identified?	<u>      </u> Yes	<u>  X  </u> No	
Noncompliance material to financial statements noted?	<u>      </u> Yes	<u>  X  </u> No	

State Awards

Internal control over major programs:			
Material weakness(es) identified?	<u>      </u> Yes	<u>  X  </u> No	
Significant deficiency(ies) identified?	<u>      </u> Yes	<u>  X  </u> No	
Type of auditors' report issued on compliance for major program:	<u>Unmodified</u>		
Dollar threshold used to distinguish a state major program:	\$ <u>100,000</u>		

**Section II – Financial Statement Findings**

Southeast Island School District did not have any findings related to the financial statements.

**Section III – State Award Findings and Questioned Costs**

Southeast Island School District did not have any findings related to the state awards.

**Section IV – Prior Audit Findings**

Southeast Island School District did not have any prior year findings.

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**Report on Statement of Compliance with AS 14.14.020 and Other State Requirements**

**Independent Auditor's Report**

Members of the School Board  
Southeast Island School District  
Thorne Bay, Alaska

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southeast Island School District as of and for the year ended June 30, 2017, which collectively comprise Southeast Island School District's basic financial statements and have issued our report thereon dated October 20, 2017.

**Report on Statement of Compliance with AS 14.14.020 and Other State Requirements**

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 entity'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 entity'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.

In connection with our audit, nothing came to our attention which caused us to believe that:

- (a) The statements of revenues and expenditures of the Special Revenue Funds do not present fairly the allowable funds expended within the limits of the project budgets.

Members of the School Board  
Southeast Island School District

- (b) Southeast Island School District has not complied with the *Uniform Chart of Accounts* for school districts as required by the State of Alaska, Department of Education and Early Development.
- (c) Southeast Island School District has not complied with the bonding requirements of AS 14.14.020.
- (d) Southeast Island School District's basic financial statements do not reflect the minimum accounting and reporting requirements of the Department of Education and Early Development.

However, it should be noted that our audit was not directed primarily toward obtaining knowledge of noncompliance with the foregoing requirements.

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

The purpose of this report is solely to describe the scope of our testing of compliance with AS 14.14.020 and other State requirements and the results of that testing, and not to provide an opinion on compliance with AS 14.14.020 and other State requirements. Accordingly, this communication is not suitable for any other purpose.



Anchorage, Alaska  
October 20, 2017

**Report on Statement of Compliance with AS 14.17.505**

**Independent Auditor's Report**

Members of the School Board  
Southeast Island School District  
Southeast Island, Alaska

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southeast Island School District as of and for the year ended June 30, 2017, which collectively comprise Southeast Island School District's basic financial statements, and have issued our report thereon dated October 20, 2017.

**Report on Statement of Compliance with AS 14.17.505**

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 entity'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 entity'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.

In connection with our audit, as presented in the Statement of Compliance with AS 14.17.505, nothing came to our attention that caused us to believe that the Southeast Island School District had failed to comply with the accumulated fund balance restriction in AS 14.17.505 as interpreted by the State of Alaska, Department of Education and Early Development. However, it should be noted that our audit was not directed primarily toward obtaining knowledge of noncompliance with such requirements.

Members of the School Board  
Southeast Island School District

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of compliance with AS 14.17.505 and the results of that testing, and not to provide an opinion on compliance with AS 14.17.505. Accordingly, this communication is not suitable for any other purpose.

*Altman, Rogers & Co.*

Anchorage, Alaska  
October 20, 2017

SOUTHEAST ISLAND SCHOOL DISTRICT

Statement of Compliance - AS 14.17.505

June 30, 2017

	School Operating Fund		
	Reserved Fund Balance	Unreserved Fund Balance	Total
Reserved:			
Inventory	\$ 53,339	-	53,339
Unreserved	-	293,618	293,618
	<u>\$ 53,339</u>	<u>293,618</u>	<u>346,957</u>

Unreserved fund balance as a percentage of current year expenditures:

$$\frac{\text{Unreserved fund balance}}{\text{Current year expenditures}} = \frac{293,618}{7,069,761} = \underline{\underline{4.15\%}}$$

This Statement of Compliance is prepared in accordance with the regulation specified in AS 14.17.505 which is another basis of accounting other than generally accepted accounting principles.