EVERETT SCHOOL EMPLOYEE BENEFIT TRUST

INDEPENDENT AUDITOR'S REPORT
and
FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Everett School Employee Benefit Trust

We have audited the accompanying statement of benefit obligations (modified cash basis) and net assets available of the Everett School Employee Benefit Trust as of June 30, 2013, and the related statements of activities for the year then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, the financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principals.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Everett School Employee Benefit Trust as of June 30, 2013, and the results of its operations for the year then ended on the basis of accounting described in Note 2.

TOYER, DIETRICH & ASSOCIATES CPAs

September 10, 2013

EVERETT SCHOOL EMPLOYEE BENEFIT TRUST

Statement of Benefit Obligations
and Net Assets Available for Benefits - Modified Cash Basis
As of June 30, 2013

Assets

		June 30, 2013
BENEFIT OBLIGATIONS		
Estimated Claims Payable		$ 25,000
NET ASSETS AVAILABLE FOR BENEFITS		
Assets		
Investments at fair value		
Government Obligations	$ 1,939,544	
Corporate Obligations	2,990,900	
Total Investments at fair value		4,930,444
Cash and Cash Equivalents		3,056,320
Prepaid Expense		-
Net assets available for benefits		7,986,764
EXCESS OF NET ASSETS AVAILABLE FOR BENEFITS OVER BENEFIT OBLIGATIONS		$ 7,961,764

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

EVERETT SCHOOL EMPLOYEE BENEFIT TRUST

Statement of Changes in Benefit Obligations
and Net Assets Available for Benefits - Modified Cash Basis
As of June 30, 2013

NET (INCREASE)/DECREASE IN BENEFIT OBLIGATIONS		
(Increase)Decrease during year attributable to:		
Estimated Claims Payable		$ 195,578
NET INCREASE/(DECREASE) IN NET ASSETS AVAILABLE FOR BENEFITS		
Increase		
Contributions		
Employer	$ 17,074,225	
Participants	4,365,034	
Total Contributions	21,439,259	
Wellness Grant	-	
Investment income		
Interest and Dividends	83,790	
Appreciation of plan assets	(59,602)	
Increase in investments	24,188	
Total additions		21,463,447
(Decrease)		
Insurance premiums paid for benefits	(21,284,947)	
Claims paid for benefits	(44,746)	
	(21,329,693)	
Administrative expenses	(366,096)	
Total deductions		(21,695,789)
INCREASE/(DECREASE) IN NET ASSETS AVAILABLE FOR BENEFITS OVER BENEFIT OBLIGATIONS		(36,764)
EXCESS OF NET ASSETS AVAILABLE FOR BENEFITS OVER BENEFIT OBLIGATIONS		
Beginning of Year		7,998,528
End of Year		$ 7,961,764

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

EVERETT SCHOOL EMPLOYEE BENEFIT TRUST

Statement of Activities - Modified Cash Basis

For the Year ended June 30, 2013

	June 30, 2013	
	Amount	% of Revenue
Revenues:		
Employer Contributions	$ 17,074,225	79.55
Employee Contributions	4,365,034	20.34
Wellness Grant	-	-
Investment Earnings	83,790	0.39
Net Appreciation in Market Value	(59,602)	(0.28)
Total Revenues Collected	21,463,447	100.00
Cost of Benefits Provided:		
Claims	44,792	0.21
Premiums	21,284,947	99.17
Prescriptions paid	(46)	-
Adjustment to IBNP Claims	(195,578)	(0.91)
Total Cost of Benefits Provided	21,134,115	98.47
Administrative Expenses:		
Administrative	19,630	0.09
Audit Fee	9,128	0.04
Regulatory Fees	-	-
Bank Fees	4,819	0.02
Investment Fees	8,396	0.04
Legal Fees	45,314	0.21
Liability Insurance	7,822	0.04
Miscellaneous Expenses	-	-
Office and Printing Expenses	427	-
Wellness Program Salary	84,969	0.40
Wellness Program Expenses	112,415	0.52
Consultant Fees (Net)	54,277	0.25
Investment Consultant Fee	18,899	0.09
Trustee Expense	-	-
Total Administrative Expenses Paid	366,096	1.71
Change in Net Assets	(36,764)	(0.17)
Net Assets Beginning of Year	7,998,528	
Net Assets, end of year	$ 7,961,764	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

NOTE 1: NATURE OF ORGANIZATION

Description of the Plan

The following description of the Everett School District Employee Benefit Trust (Trust) provides only general information. Participants should refer to the Plan Agreement for a complete description of the Plan's provisions.

General

The Trust provides health and death benefits covering substantially all active employees. The Trust is an agreement with the Everett Education Association and the Everett School District. The Trust is a governmental plan and is not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Benefits

The Trust provides medical, pharmacy, vision and dental benefits to eligible employees and their covered dependents as specified by the Trust. The Trust also offers life, accidental death and dismemberment, voluntary term life, long-term disability, short-term disability, long-term care and an employee assistance program. The trust has also incorporated a comprehensive wellness program to promote healthy lifestyles and reduce medical plan costs.

District employees who work a full-time equivalency (FTE) of .33 or greater and their dependents are eligible for medical and dental benefits. Until December 31, 2011 substantially all medical benefits provided under the Trust were self-funded through the trust and benefit claims were administered by Healthcare Management Administrators. The Plan paid premiums to Sun Life, an insurance provider to provide stop-loss coverage for medical claims incurred which exceed specified benefit amounts. At their option, participants may alternatively elect medical coverage under group insurance contracts with Group Health Cooperative of Puget Sound or United Healthcare. Beginning January 1, 2012 the Trustees elected to discontinue self-funding of medical benefits and selected plans through the Washington Education Association insured by Premera Blue Cross to provide participants with a selection of medical insurance plans. Dental benefits are currently underwritten by Washington Dental Service and Willamette Dental. Long-term care benefits, underwritten by Unum, and other voluntary benefits are available to employees on a self-pay basis.

Life insurance benefits are provided under group insurance contracts with Metropolitan Life and are available to any eligible employee who works at least 17 ½ hours per week. Long-term disability benefits are currently underwritten by Standard Insurance and are available to all employees with an FTE of .75 or greater.

Contributions

Public school districts receive designated funds from the State to be used for employee health care benefits. These designated funds are determined as an amount as specified by the state per month per FTE for employees that meet the states' specific definition. The Everett Public School District contribution to the Trust each month is the same specified amount per month per FTE for all employees of the district for that month.

Employees contribute specified amounts depending on their choices of coverage and dependent elections. The contributions are determined annually by the trustees for full-time and less than full-time status employees.

Trust termination

The trust agreement shall continue in existence until such time as it is terminated by the District, Association, or both, upon written notice delivered to the Trustees and the other party. The Trustees, upon receipt of any direction from the District and Association upon termination, shall be under no duty to inquire into the propriety or validity thereof. Unless sooner terminated as provided above, the trust agreement and the Trust created hereby shall continue for such time as the benefits hereunder are to be provided and as long thereafter as may be necessary for liquidation and distribution of the assets of the Fund. Upon termination of the Trust for any reason, the Trustees shall make such distributions as they deem appropriate, after reserving from the assets of the Fund such amount as they reasonably shall deem necessary to provide for any sums chargeable against the Fund for which Trustees may be liable, or for payment of expenses in connection with the settlement of their accounts or otherwise, except the assets of the Fund upon such termination shall be used solely for providing benefits to participants and their dependents and beneficiaries and no part of the net earnings of the Fund shall inure, other than by payment of benefits, to the benefit of any private shareholder or individual.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The financial statements of the Trust are prepared on the modified cash basis of accounting. Under this method, contributions and realized investment gains and losses are recognized when received and expenses are recognized when paid. Unrealized changes in the market value of investments are recognized when the Trust is valued at the end of any period. A benefit obligation is recorded to recognize the estimated liability for claims incurred but not reported, as determined by the Trust's actuary based on prior claim data and recent enrollment patterns. Under generally accepted accounting principles, contributions and investment earnings would be recognized when earned and expenses would be recognized when the resources are used and a liability is incurred. Accordingly, the accompanying financial statements are not intended to present the financial position and results in conformity with accounting principles generally accepted in the United States of America.

The Trust's investments are stated at fair value. Securities traded on the national securities exchange are valued at the last reported sales price on the last business day of the Trust year. Listed securities for which no sale was reported on that date are valued at the average of the last reported bid and asked prices.

Trust benefits

Post retirement benefits to retirees and their beneficiaries and dependents are provided by the State, consequently, no liability related to such estimated future benefits are provided in these financial statements.

Use of Estimates

The preparation of financial statements in conformity with modified cash basis requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, benefit obligations and changes therein, IBNP, claims payable, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Estimated Claims Payable

This note still to be prepared.

NOTE 3: TAX STATUS

The trust established under the Plan to hold the Trust's assets is qualified pursuant to Section 501(c)(9) of the Internal Revenue Code, and accordingly, the Trust's net investment income is exempt from income taxes. The District obtained a favorable tax determination letter from the Internal Revenue Service and the District believes that the Trust, as amended, continues to qualify and to operate as designated.

NOTE 4: CONCENTRATIONS OF RISK

The Trust's assets consist primarily of financial instruments including U.S. government and agency securities and certificates of deposit. The financial instruments may subject the Plan to concentrations of risk as, from time to time, cash balances exceed amounts insured by Federal Deposit Insurance Corporation, market value of securities are dependent on the ability of the issuer to honor its contractual commitments, and the investments are subject to change in market values.

NOTE 5: PARTIES IN INTEREST

Everett School District employees provide certain accounting and administrative services to the Plan for which nominal fees are charged.

NOTE 6: SUBSEQUENT EVENTS

In accordance with ASC 855, the Everett School Benefit Trust evaluated subsequent events through September 30, 2013, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.