



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Oak Harbor School District No. 201

Island County

For the period September 1, 2016 through August 31, 2017

Published March 12, 2018

Report No. 1020901





Office of the Washington State Auditor

Pat McCarthy

March 12, 2018

Board of Directors
Oak Harbor School District No. 201
Oak Harbor, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Oak Harbor School District No. 201's financial statements and compliance with federal laws and regulations.

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

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Oak Harbor School District No. 201
Island County
September 1, 2016 through August 31, 2017

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of Oak Harbor School District No. 201 are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the District’s financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation of all funds with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

- *Material Weaknesses:* We identified deficiencies that we consider to be material weaknesses.

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

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs:

The following programs were selected major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
84.010	Title I Grants to Local Educational Agencies
84.027	Special Education Cluster – Special Education Grants to State
84.173	Special Education Cluster – Special Education Preschool Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The District qualified as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See finding 2017-001.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Oak Harbor School District No. 201

Island County

September 1, 2016 through August 31, 2017

2017-001 **The District did not have adequate internal controls in place to ensure it complied with Title I grant requirements for highly qualified paraprofessionals.**

CFDA Number and Title:	84.010 – Title I Grants to States
Federal Grantor Name:	U.S. Department of Education
Federal Award/Contract Number:	NA
Pass-through Entity Name:	Office of Superintendent of Public Instruction
Pass-through Award/Contract Number:	202461
Questioned Cost Amount:	NA

Description of Condition

The Title I program's objective is to improve the teaching of and learning of children who are at risk of not meeting state academic standards and who reside in areas with a high concentration of low-income families. The District spent \$994,075 in Title I grant funds during fiscal year 2017.

Federal regulations require recipients of federal money to establish and follow internal controls to ensure compliance with program requirements. These controls include knowledge of grant requirements and monitoring of program controls.

To meet requirements for "highly qualified" classification, all Title 1 paraprofessionals must have a high school diploma or its recognized equivalent and meet one of the following requirements:

- Have completed at least two years of study at a higher education institution
- Have obtained an associate's or higher college degree
- Have met a rigorous standard of quality and can demonstrate, through a formal state or local academic assessment, knowledge of and the ability to

assist in instructing, reading, writing and mathematics, or reading readiness, writing readiness and mathematics readiness

The District is responsible for ensuring all Title I paraprofessionals meet the requirements and maintain documentation to support highly qualified status. The District did not obtain or maintain documentation demonstrating requirements for highly qualified status were met by all paraprofessionals charged to the Title I program.

Also, each school year the District must report the number of qualified paraprofessionals at Title I funded buildings on the Educator Equity Data Collection Tool and submit this information to the Office of Superintendent of Public Instruction (OSPI). The District did not submit this information as required for the 2016-2017 school year.

We consider this internal control deficiency to be a material weakness.

This issue was not reported as a finding in the prior audit.

Cause of Condition

District employees responsible for confirming the highly qualified status of paraprofessionals were not aware of federal requirements for the District to obtain a copy of the high school diploma or equivalent to support that the paraprofessionals met this requirement. The District relied on the employees' assertion that they had graduated from high school and did not obtain the required documentation.

Also, because of a miscommunication about who was responsible to complete the Educator Equity Data Collection Tool, the paraprofessional information was not completed or submitted to OSPI as required.

Effect of Condition and Questioned Costs

Without adequate controls in place, the District cannot demonstrate that all costs charged to the grant were allowable.

Our audit found:

- Eight of 16 paraprofessionals tested did not have a high school diploma on file at the District.
- Two of 16 paraprofessionals tested did not have documentation to demonstrate they met one of the three additional requirements for highly qualified status.

However, during the audit, the District was able to obtain evidence of high school diplomas and additional documentation to demonstrate highly qualified status for all but one of the paraprofessionals tested. The District charged \$10,188 in salaries and benefits to its Title I program for this paraprofessional and could not demonstrate the paraprofessional met one of the three additional requirements to be highly qualified.

In addition, the District did not complete or submit the annual Educator Equity Data Collection Tool to OSPI as required. Not submitting paraprofessional information to OSPI limits decisions that can be made at the local, state and federal levels.

Recommendation

We recommend the District establish and follow internal controls and maintain supporting documentation to demonstrate all paraprofessionals meet the federal requirements for highly qualified status.

District's Response

The district concurs with the audit finding in that one of its Title I para-educators did not meet all of the requirements for being “highly-qualified” as defined by federal law as it existed in 2016-17. In December 2015, the highly-qualified requirement was eliminated from federal law with the passage of the Every Student Succeed Act. However, this provision had not been fully implemented during the audited time frame.

Nevertheless, the district has implemented steps to remedy this issue. Those steps include reviewing all paraprofessional personnel files for completeness and scheduling the paraprofessional test for those that still require further documentation to meet the definition of highly-qualified as it existed in the prior law.

It is worth noting that, under ESHB 1115, Washington State is phasing in its own paraeducator standards beginning with the 2018-19 school year. These will replace the eliminated federal standards. The district will ensure compliance with the new standards when implemented.

Auditor's Remarks

We thank the District for its commitment to resolving the issues identified above. We will follow-up on the status of this finding during our next audit.

Applicable Laws and Regulations

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516 Audit findings, establishes reporting requirements for audit findings.

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 303 Internal controls, establishes requirements for management of Federal awards to non-Federal entities.

Title 34, *U.S. Code of Federal Regulations* (CFR) Part 200, *Title I – Improving the Academic Achievement of the Disadvantaged*, section 58 – Qualifications of paraprofessionals, establishes requirements to ensure paraprofessionals working in Title I programs are highly qualified.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**Oak Harbor School District No. 201
Island County
September 1, 2016 through August 31, 2017**

Board of Directors
Oak Harbor School District No. 201
Oak Harbor, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Oak Harbor School District No. 201, Island County, Washington, as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated February 28, 2018.

We issued an unmodified opinion on the fair presentation of the District's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because, as described in Note 1, the *Accounting Manual for Public School Districts in the State of Washington* does not require the District to prepare the government-wide statements presenting the financial position and changes in financial position of its governmental activities as required by GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

COMPLIANCE AND OTHER MATTERS

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

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

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However,

this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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Pat McCarthy

State Auditor

Olympia, WA

February 28, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

**Oak Harbor School District No. 201
Island County
September 1, 2016 through August 31, 2017**

Board of Directors
Oak Harbor School District No. 201
Oak Harbor, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM**

We have audited the compliance of Oak Harbor School District No. 201, Island County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2017. The District's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal 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 audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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 federal programs for the year ended August 31, 2017.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the 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 the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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 federal 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2017-001 to be a material weakness.

District's Response to Findings

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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Pat McCarthy

State Auditor

Olympia, WA

February 28, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Oak Harbor School District No. 201 Island County September 1, 2016 through August 31, 2017

Board of Directors
Oak Harbor School District No. 201
Oak Harbor, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Oak Harbor School District No. 201, Island County, Washington, as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 20.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Accounting Manual for Public School Districts in the State of Washington* (Accounting Manual) described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant account estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Unmodified Opinion on Regulatory Basis of Accounting (Accounting Manual)

As described in Note 1, the District has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the Accounting Manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The difference in these accounting practices is also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oak Harbor School District No. 201, as of August 31, 2017, and the changes in financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. GAAP requires presentation of government-wide financial statements to display the financial position and changes in financial position of its governmental activities.

As described in Note 1, the Accounting Manual does not require the District to prepare the government-wide financial statements, and consequently such amounts have not been determined or presented. We are therefore required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Oak Harbor School District No. 201, as of August 31, 2017, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

Other Matters

Supplementary and Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Long-Term Liabilities is also presented for purposes of additional analysis, as required by the prescribed Accounting Manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2018 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report

is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

February 28, 2018

FINANCIAL SECTION

Oak Harbor School District No. 201
Island County
September 1, 2016 through August 31, 2017

FINANCIAL STATEMENTS

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Oak Harbor School District No. 201

Balance Sheet

Governmental Funds

August 31, 2017

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
ASSETS:							
Cash and Cash Equivalents	1,808,540.11	47,943.61	38,688.05	6,137.05	298,837.03	0.00	2,200,145.85
Minus Warrants Outstanding	-1,737,802.59	-15,391.99	0.00	-4,576.66	0.00	0.00	-1,757,771.24
Taxes Receivable	3,695,436.18		3,137,131.96	0.00	0.00	0.00	6,832,568.14
Due From Other Funds	2,428.00	0.00	0.00	0.00	0.00	0.00	2,428.00
Due From Other Governmental Units	483,723.31	0.00	0.00	95,123.90	0.00	0.00	578,847.21
Accounts Receivable	13,914.59	0.00	0.00	0.00	0.00	0.00	13,914.59
Interfund Loans Receivable	0.00			0.00			0.00
Accrued Interest Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	87,307.26	0.00		0.00			87,307.26
Prepaid Items	237,267.10	0.00			0.00		237,267.10
Investments	3,623,000.00	475,000.00	3,515,000.00	657,000.00	202,000.00	0.00	8,472,000.00
Investments/Cash With Trustee	0.00		0.00	0.00	0.00	0.00	0.00
Investments-Deferred Compensation	0.00			0.00			0.00
Self-Insurance Security Deposit	0.00						0.00
TOTAL ASSETS	8,213,813.96	507,551.62	6,690,820.01	753,684.29	500,837.03	0.00	16,666,706.91
DEFERRED OUTFLOWS OF RESOURCES:							
Deferred Outflows of Resources - Other	0.00		0.00	0.00	0.00		0.00
TOTAL DEFERRED OUTFLOWS OF RESOURCES	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	8,213,813.96	507,551.62	6,690,820.01	753,684.29	500,837.03	0.00	16,666,706.91
LIABILITIES:							
Accounts Payable	250,282.27	3,407.33	0.00	228,871.40	0.00	0.00	482,561.00
Contracts Payable Current	0.00	0.00		0.00	0.00	0.00	0.00
Accrued Interest Payable			0.00				0.00
Accrued Salaries	58,593.84	0.00		0.00			58,593.84
Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00

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

Oak Harbor School District No. 201

Balance Sheet

Governmental Funds

August 31, 2017

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
LIABILITIES:							
Payroll Deductions and Taxes Payable	39,640.86	11.12		0.00			39,651.98
Due To Other Governmental Units	0.00	0.00		0.00	0.00		0.00
Deferred Compensation Payable	0.00			0.00			0.00
Estimated Employee Benefits Payable	0.00						0.00
Due To Other Funds	0.00	2,428.00	0.00	0.00	0.00	0.00	2,428.00
interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	0.00	0.00		0.00			0.00
Unearned Revenue	0.00	0.00	0.00	0.00	0.00		0.00
Matured Bonds Payable			0.00				0.00
Matured Bond interest Payable			0.00				0.00
Arbitrage Rebate Payable	0.00		0.00	0.00	0.00		0.00
TOTAL LIABILITIES	348,516.97	5,846.45	0.00	228,871.40	0.00	0.00	583,234.82
DEFERRED INFLOWS OF RESOURCES:							
Unavailable Revenue	97,302.95	11,740.00	0.00	0.00	0.00	0.00	109,042.95
Unavailable Revenue - Taxes Receivable	3,695,436.18		3,137,131.96	0.00	0.00		6,832,568.14
TOTAL DEFERRED INFLOWS OF RESOURCES	3,792,739.13	11,740.00	3,137,131.96	0.00	0.00	0.00	6,941,611.09
FUND BALANCE:							
Nonspendable Fund Balance	324,574.36	0.00	0.00	0.00	0.00	0.00	324,574.36
Restricted Fund Balance	62,667.61	489,965.17	3,553,688.05	0.00	500,837.03	0.00	4,607,157.86
Committed Fund Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Assigned Fund Balance	580,433.53	0.00	0.00	524,812.89	0.00	0.00	1,105,246.42
Unassigned Fund Balance	3,104,882.36	0.00	0.00	0.00	0.00	0.00	3,104,882.36
TOTAL FUND BALANCE	4,072,557.86	489,965.17	3,553,688.05	524,812.89	500,837.03	0.00	9,141,861.00
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	8,213,813.96	507,551.62	6,690,820.01	753,684.29	500,837.03	0.00	16,666,706.91

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

Oak Harbor School District No. 201

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2017

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
REVENUES:							
Local	9,256,800.64	546,596.85	6,631,958.19	4,462.03	1,638.33		16,441,456.04
State	48,826,067.42		0.00	194,000.00	297,279.06		49,317,346.48
Federal	9,090,865.99		0.00	0.00	0.00		9,090,865.99
Federal Stimulus	0.00						0.00
Other	206,975.86			0.00	0.00	0.00	206,975.86
TOTAL REVENUES	67,380,709.91	546,596.85	6,631,958.19	198,462.03	298,917.39	0.00	75,056,644.37
EXPENDITURES:							
CURRENT:							
Regular Instruction	35,927,213.23						35,927,213.23
Federal Stimulus	0.00						0.00
Special Education	9,423,970.45						9,423,970.45
Vocational Education	2,023,187.37						2,023,187.37
Skill Center	0.00						0.00
Compensatory Programs	2,612,347.92						2,612,347.92
Other Instructional Programs	269,605.20						269,605.20
Community Services	150,735.17						150,735.17
Support Services	13,710,367.36						13,710,367.36
Student Activities/Other		560,982.89				0.00	560,982.89
CAPITAL OUTLAY:							
Sites				913,843.58			913,843.58
Building				2,387,864.93			2,387,864.93
Equipment				0.00			0.00
Instructional Technology				0.00			0.00
Energy				0.00			0.00
Transportation Equipment					399,863.95		399,863.95
Sales and Lease				0.00			0.00
Other	93,248.87						93,248.87
DEBT SERVICE:							
Principal	0.00		5,103,074.41	0.00	0.00		5,103,074.41
Interest and Other Charges	0.00		1,618,549.61	0.00	0.00		1,618,549.61
Bond/Levy Issuance				0.00	1,064.31		1,064.31
TOTAL EXPENDITURES	64,210,675.57	560,982.89	6,721,624.02	3,301,708.51	400,928.26	0.00	75,195,919.25

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

Oak Harbor School District No. 201

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2017

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
DEBT SERVICE:							
REVENUES OVER (UNDER) EXPENDITURES	3,170,034.34	-14,386.04	-89,665.83	-3,103,246.48	-102,010.87	0.00	-139,274.88
OTHER FINANCING SOURCES (USES):							
Bond Sales & Refunding Bond Sales	0.00		0.00	0.00	399,969.83		399,969.83
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	0.00		256,961.52	2,186,675.70	0.00		2,443,637.22
Transfers Out (GL 536)	-2,186,675.70		0.00	0.00	-256,961.52	0.00	-2,443,637.22
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	0.00		0.00	0.00	133,476.33		133,476.33
TOTAL OTHER FINANCING SOURCES (USES)	-2,186,675.70		256,961.52	2,186,675.70	276,484.64	0.00	533,446.16
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	983,358.64	-14,386.04	167,295.69	-916,570.78	174,473.77	0.00	394,171.28
BEGINNING TOTAL FUND BALANCE	3,089,199.22	504,351.21	3,386,392.36	1,441,383.67	326,363.26	0.00	8,747,689.72
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ENDING TOTAL FUND BALANCE	4,072,557.86	489,965.17	3,553,688.05	524,812.89	500,837.03	0.00	9,141,861.00

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

Oak Harbor School District No. 201
Statement Of Fiduciary Net Position

Fiduciary Funds
August 31, 2017

	Private Purpose Trust	Other Trust
ASSETS:		
Imprest Cash	0.00	0.00
Cash On Hand	0.00	0.00
Cash On Deposit with Cty Treas	10,150.21	0.00
Minus Warrants Outstanding	-775.00	0.00
Due From Other Funds	0.00	0.00
Accounts Receivable	0.00	0.00
Accrued Interest Receivable	0.00	0.00
Investments	0.00	0.00
Investments/Cash With Trustee	0.00	0.00
Other Assets	0.00	
Capital Assets, Land	0.00	
Capital Assets, Buildings	0.00	
Capital Assets, Equipment	0.00	0.00
Accum Depreciation, Buildings	0.00	
Accum Depreciation, Equipment	0.00	0.00
TOTAL ASSETS	9,375.21	0.00
LIABILITIES:		
Accounts Payable	0.00	0.00
Due To Other Funds	0.00	0.00
TOTAL LIABILITIES	0.00	0.00
NET POSITION:		
Held in trust for:		
Held In Trust For Intact Trust Principal	0.00	0.00
Held In Trust For Private Purposes	9,375.21	
Held In Trust For Pension Or Other Post-Employment Benefits		0.00
Held In Trust For Other Purposes	0.00	0.00
TOTAL NET POSITION	9,375.21	0.00

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

Oak Harbor School District No. 201

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended August 31, 2017

	Private Purpose Trust	Other Trust
ADDITIONS:		
Contributions:		
Private Donations	2,500.74	0.00
Employer		0.00
Members		0.00
Other	0.00	0.00
TOTAL CONTRIBUTIONS	2,500.74	0.00
Investment Income:		
Net Appreciation (Depreciation) in Fair Value	0.00	0.00
Interest and Dividends	0.00	0.00
Less Investment Expenses	0.00	0.00
Net Investment Income	0.00	0.00
Other Additions:		
Rent or Lease Revenue	0.00	0.00
Total Other Additions	0.00	0.00
TOTAL ADDITIONS	2,500.74	0.00
DEDUCTIONS:		
Benefits		0.00
Refund of Contributions	0.00	0.00
Administrative Expenses	0.00	0.00
Scholarships	5,839.80	
Other	0.00	0.00
TOTAL DEDUCTIONS	5,839.80	0.00
Net Increase (Decrease)	-3,339.06	0.00
Net Position--Prior Year August Beginning	12,714.27	0.00
Prior Year F-196 Manual Revision	0.00	0.00
Net Position - Total	12,714.27	0.00
Prior Year(s) Corrections or Restatements	0.00	0.00
NET POSITION--ENDING	9,375.21	0.00

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

OAK HARBOR SCHOOL DISTRICT NO 201
Notes to the Financial Statements
September 1, 2016 Through August 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The District presents governmental fund financial statements and related notes on the modified accrual basis of accounting in accordance with the *Accounting Manual for Public School Districts in the State of Washington*, issued jointly by the State Auditor's Office and the Superintendent of Public Instruction by the authority of RCW 43.09.200, RCW 28A.505.140, RCW 28A.505.010(1) and RCW 28A.505.020. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- (1) Districtwide statements, as defined in GAAP, are not presented.
- (2) A Schedule of Long-Term Liabilities is presented as supplementary information.
- (3) Supplementary information required by GAAP is not presented.
- (4) Property Taxes collected after the end of the fiscal period are not considered available for revenue accrual as described below.

Fund Accounting

Financial transactions of the District are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures (or expenses) as appropriate. All funds are considered major funds. The various funds in the report are grouped into governmental (and fiduciary) funds as follows:

Governmental Funds

General Fund

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

Capital Projects Funds

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

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

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

Debt Service Fund

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

Special Revenue Fund

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

Permanent Funds

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

Fiduciary Funds

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

Private-Purpose Trust Fund

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

Measurement focus, basis of accounting, and fund financial statement presentation

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered “measurable” if the amount of the transaction can be readily determined. Revenues are considered “available” when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after year-end. Categorical program claims and interdistrict billings are measurable and available and are accrued. Property taxes not collected by the fiscal year end are measurable and recorded as a receivable, however the receivable is not considered available of revenue accrual, but is recorded as a deferred inflow of resources.

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

Budgets

Chapter 28A.505 RCW and Chapter 392-123 Washington Administrative Code (WAC) mandate school district budget policies and procedures. The board adopts annual appropriated budgets for all governmental funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Appropriations lapse at the end of the fiscal period.

Budgets are adopted on the same modified accrual basis as used for financial reporting. Fund balance is budgeted as available resources and, under statute, may not be negative, unless the District enters into binding conditions with state oversight pursuant to RCW 28A.505.110.

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

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

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

The government's fund balance classifications policies and procedures.

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

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

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

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

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

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

The Superintendent or Director of Business Services are the only persons who have the authority to create Assignments of fund balance.

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

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

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

Cash and Cash Equivalents

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

Inventory

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

Summary of Significant Accounting Policies Changes for 2016–2017

Property Taxes – For purposes of revenue recognition, property taxes received after the fiscal year end are not considered available for revenue accrual as defined by GASBS 33 and Interpretation 5. Amounts outstanding are recognized as a deferred inflow of resources on the financial statements.

Tax Abatements – The Oak Harbor School District (District) implemented provisions of GASB Statement 77, Tax Abatement Disclosure. Information about tax abatements entered into by other government entities that affect the district's levy rates will be disclosed in a schedule in the Property Taxes note, as applicable.

Nongovernmental Pension Plans – The Oak Harbor School District (District) implemented provisions of GASB Statement 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Plans. Information about nongovernmental pension plans will be included in a separate note disclosure, as applicable.

NOTE 2: DEPOSITS AND INVESTMENTS

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

The district's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

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

Washington State statutes authorize the district to invest in the following types of securities:

- Certificates, notes, or bonds of the United States, its agencies, or any corporation wholly owned by the government of the United States,
- Obligations of government-sponsored corporations which are eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System,
- Bankers' acceptances purchased on the secondary market,
- Repurchase agreements for securities listed in the three items above, provided that the transaction is structured so that the public treasurer obtains control over the underlying securities,
- Investment deposits with qualified public depositories,
- Washington State Local Government Investment Pool, and
- County Treasurer Investment Pools.

The District's investments as of August 31, 2017, are as follows:

Type of Investment	(District's) own investments	Investments held by (district) as an agent for other organizations	Total
State Treasurer's Investment Pool	\$8,472,000		\$8,472,000
County Treasurer's Investment Pool			
Other:			
Total	\$8,472,000		\$8,472,000

The Washington State Local Government Investment Pool (LGIP) is operated by the Washington State Treasurer and is managed in a manner generally consistent with SEC regulated Rule 2a-7 money market funds. Participation in the pool is voluntary and the pool is not rated by a nationally recognized statistical rating organization (NRSRO). Fair value of the district's investment in the pool is measured using a net asset value (NAV) calculation based on the amortized cost of all securities held such that the securities will be valued at their acquisition cost, plus accrued income, amortized daily. The pool maintains a Weighted Average Maturity (WAM) of 60 days or shorter.

NOTE 3: PENSION PLANS

General Information

The Washington State Department of Retirement Systems (DRS), a department within the primary government of the state of Washington, prepares a stand-alone comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each pension plan. The pension plan's basic financial statement is accounted for using the accrual basis of accounting. The measurement date of the pension plans is June 30.

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.

The school district is reporting the net pension liability in the notes and on the Schedule of Long-term Liabilities calculated as the district's proportionate allocation percentage multiplied by the total plan collective net pension liability.

Detailed information about the pension plans' fiduciary net position is available in the separately issued DRS CAFR. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, P.O. Box 48380, Olympia, WA 98504-8380; or online at <http://www.drs.wa.gov/administrations/annual-report>.

Membership Participation

Substantially all school district full-time and qualifying part-time employees participate in one of the following three contributory, multi-employer, cost-sharing statewide retirement systems managed by DRS: Teachers' Retirement System (TRS), Public Employees' Retirement System (PERS) and School Employees' Retirement System (SERS).

Membership participation by retirement plan as of June 30, 2017, was as follows:

Plan	Retirees and Beneficiaries Receiving Benefits	Inactive Plan Members Entitled to but not yet Receiving Benefits	Active Plan Members
PERS 1	48,268	663	2,593
SERS 2	8,229	5,880	27,011
SERS 3	7,735	8,330	33,890
TRS 1	34,225	188	697
TRS 2	5,076	2,532	19,133
TRS 3	10,289	8,568	54,487

Membership & Plan Benefits

Certificated employees are members of TRS. Classified employees are members of PERS (if Plan 1) or SERS. Plan 1 under the TRS and PERS programs are defined benefit pension plans whose members joined the system on or before September 30, 1977. TRS 1 and PERS 1 are closed to new entrants.

TRS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component. TRS eligibility for membership requires service as a certificated public school employee working in an instructional, administrative or supervisory capacity.

TRS is comprised of three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2

and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

TRS Plan 1 provides retirement, disability and death benefits. TRS 1 members were vested after the completion of five years of eligible service. Retirement benefits are determined as two percent of the average final compensation (AFC), for each year of service credit, up to a maximum of 60 percent, divided by twelve. The AFC is the total earnable compensation for the two consecutive highest-paid fiscal years, divided by two. Members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. Other benefits include temporary and permanent disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

TRS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) per year of service for Plan 2 members and one percent of AFC for Plan 3 members. The AFC is the monthly average of the 60 consecutive highest-paid service credit months. There is no cap on years of service credit. Members are eligible for normal retirement at the age of 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. TRS Plan 2/3 members, who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a reduced benefit.

The benefit is reduced by a factor that varies according to age, for each year before age 65. TRS Plan 2/3 members who have 30 or more years of service credit, were hired prior to May 1, 2013, and are at least 55 years old, can retire under one of two provisions: With a benefit that is reduced by three percent for each year before age 65; or with a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

TRS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service. TRS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit.

Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the Consumer Price Index), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

PERS Plan 1 provides retirement, disability and death benefits. PERS 1 members were vested after the completion of five years of eligible service. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service.

Members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-

of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

SERS is a cost-sharing multiple-employer retirement system comprised of two separate plans for membership purposes. SERS Plan 2 is a defined benefit plan and SERS Plan 3 is a defined benefit plan with a defined contribution component. SERS members include classified employees of school districts and educational service districts.

SERS is reported as two separate plans for accounting purposes: Plan 2/3 and Plan 3. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

SERS provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and one percent of AFC for Plan 3. The AFC is the monthly average of the member's 60 highest-paid consecutive service months before retirement, termination or death. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. SERS members, who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a reduced benefit.

The benefit is reduced by a factor that varies according to age, for each year before age 65. SERS members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 2, 2013: With a benefit that is reduced by three percent for each year before age 65; or with a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

SERS members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service. SERS retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the Consumer Price Index), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

Plan Contributions

The employer contribution rates for PERS, TRS, and SERS (Plans 1, 2, and 3) and the TRS and SERS Plan 2 employee contribution rates are established by the Pension Funding Council based upon the rates set by the Legislature. The methods used to determine the contribution requirements are established under chapters 41.34 and 41.40 RCW for PERS, 41.34 and 41.35 RCW for SERS, and 41.32 and 41.34 RCW for TRS. Employers do not contribute to the defined contribution portions of TRS Plan 3 or SERS Plan 3. Under current law the employer must contribute 100 percent of the employer-required contribution. The employee contribution

rate for Plan 1 in PERS and TRS is set by statute at six percent and does not vary from year to year.

The Employer and employee contribution rates for the PERS plan are effective as of July 1. SERS and TRS contribution rates are effective as of September 1. The pension plan contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

Pension Rates			
	7/1/17 Rate	7/1/16 Rate	
PERS 1			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	12.70%	11.18%	
Pension Rates			
	9/1/17 Rate	9/1/16 Rate	
TRS 1			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	15.20%	13.13%	
TRS 2			
Member Contribution Rate	7.06%	5.95%	
Employer Contribution Rate	15.20%	13.13%	
TRS 3			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	15.20%	13.13%	**
SERS 2			
Member Contribution Rate	7.27%	5.63%	
Employer Contribution Rate	13.48%	11.58%	
SERS 3			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	13.48%	11.58%	**
<i>Note: The DRS administrative rate of .0018 is included in the employer rate.</i>			
* = Variable from 5% to 15% based on rate selected by the member.			
** = Defined benefit portion only.			

The Collective Net Pension Liability

The collective net pension liabilities for the pension plans districts participated in are reported in the following tables.

The Net Pension Liability as of June 30, 2017:				
Dollars in Thousands	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Total Pension Liability	\$12,241,998	\$5,357,035	\$8,782,761	\$13,446,531
Plan fiduciary net position	(\$7,496,920)	(\$4,863,560)	(\$5,759,493)	(\$12,523,588)
Participating employers' net pension liability	\$4,745,078	\$493,475	\$3,023,268	\$922,943
Plan fiduciary net position as a percentage of the total pension liability	61.24%	90.79%	65.58%	93.14%

The School District's Proportionate Share of the Net Pension Liability (NPL)

At June 30, 2017, the school district reported a total liability of \$25,171,495 for its proportionate shares of the individual plans' collective net pension liability. Proportion of net pension liability is based on annual contributions for each of the employers participating in the DRS administered plans. At June 30, 2017, the district's proportionate share of each plan's net pension liability is reported below:

June 30, 2017	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District's Annual Contributions	\$484,732	\$659,106	\$1,671,329	\$1,799,244
Proportionate Share of the Net Pension Liability	\$3,823,760	\$2,401,323	\$14,439,425	\$4,506,987

At June 30, 2017, the school district's percentage of the proportionate share of the collective net pension liability was as follows and the change in the allocation percentage from the prior period is illustrated below.

Allocation percentages	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share of the Net Pension Liability	0.080584%	0.486615%	0.477610%	0.488328%
Prior year proportionate share of the Net Pension Liability	0.078355%	0.504084%	0.487760%	0.494995%
Net difference percentage	0.002229%	-0.017470%	-0.010150%	-0.006667%

Actuarial Assumptions

Capital Market Assumptions (CMAs) and expected rates of return by asset class provided by the Washington State Investment Board. The Office of the State Actuary relied on the CMAs in the selection of the long-term expected rate of return for reporting purposes.

The total pension liabilities for TRS 1, TRS 2/3, PERS 1 and SERS 2/3 were determined by actuarial valuation as of June 30, 2016, with the results rolled forward to June 30, 2017, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	3.0% total economic inflation, 3.75% salary inflation
Salary increases	In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
Investment rate of return	7.50%

Mortality Rates

Mortality rates used in the plans were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime. The actuarial assumptions used in the June 30, 2016, valuation were based on the results of the *2007–2012 Experience Study Report and the 2015 Economic Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best-estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the Washington State Investment Board (WSIB). Those expected returns make up one component of WSIB's CMAs. The CMAs contain three pieces of information for each class of assets the WSIB currently invest in:

- Expected annual return
- Standard deviation of the annual return
- Correlations between the annual returns of each asset class with every other asset class

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The long-term expected rate of return of 7.50% percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, increased slightly to remove WSIB's implicit and small short-term downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a ten to fifteen-year period, becomes amplified over a fifty-year measurement period.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2017, are summarized in the following table:

TRS 1, TRS 2/3, PERS 1, and SERS 2/3		
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20.00%	1.70%
Tangible Assets	5.00%	4.90%
Real Estate	15.00%	5.80%
Global Equity	37.00%	6.30%
Private Equity	23.00%	9.30%

The inflation component used to create the above table is 2.20 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contributions rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Therefore, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Oak Harbor School District's proportionate share of the collective net pension liability (NPL) calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.50 percent) or one percentage-point higher (8.50 percent) than the current rate. Amounts are calculated using the school district's specific allocation percentage, by plan, to determine the proportionate share of the collective net pension liability.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
PERS 1 NPL	\$5,780,412,000	\$4,745,078,000	\$3,848,257,000
Allocation Percentage	0.080584%	0.080584%	0.080584%
Proportionate Share of Collective NPL	\$4,658,071	\$3,823,760	\$3,101,069
SERS 2/3 NPL	\$1,278,921,000	\$493,475,000	(\$153,665,000)
Allocation Percentage	0.486615%	0.486615%	0.486615%
Proportionate Share of Collective NPL	\$6,223,420	\$2,401,323	(\$747,757)
TRS 1 NPL	\$3,759,368,000	\$3,023,268,000	\$2,386,123,000
Allocation Percentage	0.477610%	0.477610%	0.477610%
Proportionate Share of Collective NPL	\$17,955,111	\$14,439,425	\$11,396,358
TRS 2/3 NPL	\$3,134,647,000	\$922,943,000	(\$873,375,000)
Allocation Percentage	0.488328%	0.488328%	0.488328%
Proportionate Share of Collective NPL	\$15,307,350	\$4,506,987	(\$4,264,932)

NOTE 4: ANNUAL OTHER POST-EMPLOYMENT BENEFIT COST AND NET OPEB OBLIGATIONS

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

Employers participating in the plan include the state of Washington (which includes general government agencies and higher education institutions), 60 of the state's K–12 school districts and educational service districts (ESDs), and 221 political subdivisions and tribal governments.

Additionally, the PEBB plan is available to the retirees of the remaining 237 K–12 school districts and ESDs. The District's retirees are eligible to participate in the PEBB plan under this arrangement.

According to state law, the Washington State Treasurer collects a fee from all school district entities which have employees that are not current active members of the state Health Care Authority but participate in the state retirement system. The purpose of this fee is to cover the impact of the subsidized rate of health care benefits for school retirees that elect to purchase their health care benefits through the state Health Care Authority. For the fiscal year 2016-17, the District was required to pay the HCA \$65.25 per month per full-time equivalent employee to support the program, for a total payment of \$526,428.04. This assessment to the District is set forth in the state's operating budget and is subject to change on an annual basis. This amount is not actuarially determined and is not placed in a trust to pay the obligations for post-employment health care benefits.

The District has no control over the benefits offered to retirees, the rates charged to retirees, nor the fee paid to the Health Care Authority. The District does not determine its annual required contribution nor the net other post-employment benefit obligation associated with this plan. Accordingly, these amounts are not shown on the financial statements.

NOTE 5: COMMITMENTS UNDER LEASES

For the fiscal year ended August 31, 2017, the District had incurred additional long-term debt as follows:

The district enters into five (5) year operating leases for copiers. The current lease began August 17, 2015 and will end August 17, 2020. Copiers covered under this lease are located at Oak Harbor Elementary, Crescent Harbor Elementary, Broad View Elementary, Olympic View Elementary, Hillcrest Elementary, Oak Harbor Middle, North Whidbey Middle, the Administrative Service Center, and three (3) at Oak Harbor High.

Annual lease payments total \$41,861 with a five year total of \$209,305.

NOTE 6: OTHER SIGNIFICANT COMMITMENTS

The District has active construction projects as of August 31, 2017:

Project	Project Authorization Amount	Expended as of 8/31/17	Additional Local Funds Committed	Additional State Funds Committed
14-15 Asphalt	\$195,000	\$182,203		
15-16 Mechanical Upgrades	219,912	219,913		
15-16 Paving	674,166	674,166		
15-16 Electrical Upgrades	117,091	117,091		
15-16 Property Upgrades	51,258	51,222		
15-16 Security Upgrades	114,407	114,407		
15-16 Flooring	89,179	89,179		
15-16 Roofing Upgrades	46,290	46,290		
15-16 Portables	1,600,592	1,600,592		
16-17 Portables	766,000	657,154		
16-17 Interior Remodels	72,842	8,643		
16-17 Security Upgrades	35,000	6,755		
16-17 Property Upgrades	481,935	481,935		
16-17 Healthy Kids Grant	300,000	250,932		
Total	\$4,753,736	\$4,500,482		

Encumbrances

Encumbrance accounting is employed in governmental funds. Purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve a portion of the applicable appropriation. Encumbrances lapse at the end of the fiscal year and may be re-encumbered the following year. The following encumbrance amounts were re-encumbered by fund on September 1, 2017:

Fund	Amount
General	\$232,672
ASB Fund	19,776
Capital Projects Fund	394,168

NOTE 7: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The District's capital assets are insured in the amount of \$174,659,799 for fiscal year 2016-17. In the opinion of the District's insurance consultant, the amount is sufficient to adequately fund replacement of the District's assets.

NOTE 8: REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES

Long-Term Debt

Bonds payable at August 31, 2017, are comprised of the following individual issues:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
General Obligation Bonds					
February 2008 Issue Refunded February 2015	\$3,890,000	\$630,000	2017	3.875%	\$630,000
August 2012 Partial Refunding of August 2006 Issue	8,965,000	100,000	2022	2.0%	8,470,000
February 2013 Partial Refunding of August 2006 Issue	22,875,000	0	2022	3.0%	22,605,000
June 2014 Partial Refunding of December 2005 Issue	3,265,000	650,000	2020	2.0%	2,670,000
February 2015 Partial Refunding of February 2008 Issue	5,765,000	0	2021	2.0%	5,685,000
Total General Obligation Bonds	\$44,760,000	\$1,380,000			\$40,060,000
Limited General Obligation Bonds					
March 2013 Issue	\$160,266	\$34,882	2018	1.0037%	\$34,882
March 2014 Issue	215,652	45,229	2019	1.1786%	92,778
September 2015 Issue	234,121	45,059	2020	1.4643%	194,211
March 2016 Issue	304,932	58,723	2021	1.3164%	251,254
March 2017 Issue	359,240	60,382	2022	1.68388%	359,240
Total Limited General Obligation Bonds	\$1,274,211	\$244,275			\$932,365

The following is a summary of general obligation long-term debt transactions of the District for the fiscal year ended August 31, 2017:

Long-Term Debt Payable at 9/1/2016	\$45,736,199
New Issues	359,240
Debt Retired	5,103,074
Long-Term Debt Payable at 8/31/2017	\$40,992,365

The following is a schedule of annual requirements to amortize debt at August 31, 2017:

Years Ending August 31	Principal	Interest	Total
2018	\$5,624,276	\$1,413,723	\$7,037,999
2019	6,070,272	1,165,172	7,235,444
2020	6,466,609	887,649	7,354,258
2021	7,070,940	659,656	7,730,596
2022	7,190,268	417,788	7,608,056
2023	8,570,000	128,425	8,698,425
Total	\$40,992,365	\$4,672,413	\$45,664,778

At August 31, 2017, the District had \$3,515,000 available in the Debt Service Fund to service the general obligation bonds.

Prior-Year Defeasance of Debt

In prior years, the District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At August 31, 2017, \$36.295 million of bonds outstanding were considered defeased.

NOTE 9: ENTITY RISK MANAGEMENT ACTIVITIES

The district is a member of the Washington Schools Risk Management Pool (Pool). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in 1986 when educational service districts and school districts in the state of Washington joined together by signing the Cooperative Risk Management Pool Account Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Over 90 school and educational service districts have joined the Pool.

The Pool allows members to jointly purchase insurance coverage, establish a plan of self-insurance, and provide related services, such as risk management. The Pool provides the following coverages for its members: property, liability, vehicle, public official liability, crime, employment practices, machinery breakdown, and network security.

Members make an annual contribution to fund the Pool. The Pool acquires reinsurance from unrelated underwriters that are subject to a per-occurrence self-insured retention of \$1 million risk shared by the Pool. Members are responsible for varied deductibles for both liability and property claims. Insurance carriers cover losses over \$1 million to the maximum limits of each policy. Since the Pool is a cooperative program, there is a joint liability among the participating members.

Members contract to remain in the Pool for a minimum of three years and must give notice two and one-half years before terminating participation. The Cooperative Risk Management Pool Account Agreement is renewed automatically each year after the initial three-year period. Even after termination, a member is still responsible for their share of contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Cooperative Risk Management Pool Account Agreement.

The Pool is governed by a board of directors which is comprised of one designated representative from each participating member. An executive board is elected at the annual meeting, and is responsible for overseeing the business affairs of the Pool.

NOTE 10: PROPERTY TAXES

Property tax revenues are collected as the result of special levies passed by the voters in the District. Taxes are levied on January 1. The taxpayer has the obligation of paying all taxes on April 30 or one-half then and one-half on October 31. Typically, slightly more than half of the collections are made on the April 30 date. The tax collections occurring after the end of the fiscal period are unavailable for revenue accrual. Therefore, the fall portion of property taxes is not accrued as revenue. Instead, the property taxes due after the end of the fiscal period are recorded as a deferred inflow of resources.

NOTE 11: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

The District is a member of the King County Director's Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. The board authorized joining the association in June 1974, and has remained in the joint venture ever since. The District's current equity of \$54,494 is the accumulation of the annual assignment of KCDA's operating surplus based upon the percentage derived from KCDA's total sales to the District compared to all other districts applied against paid administrative fees. The District may withdraw from the joint venture and will receive its equity in ten annual allocations of merchandise or 15 annual payments.

NOTE 12: FUND BALANCE CLASSIFICATION DETAILS

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

	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund	Transportation Vehicle Fund
Nonspendable Fund Balance					
Inventory and Prepaid Items	\$324,574				
Restricted Fund Balance					
For Other Items					
For Fund Purpose		\$489,965			\$500,837
For Carryover of Restricted Revenues	62,668				
For Skill Centers					
For Carryover of Food Service Revenue					
For Debt Service				\$3,553,688	
For Arbitrage Rebate					
For Self-Insurance					
For Uninsured Risks					
Restricted from Bond Proceeds					
Committed from Levy Proceeds					
Restricted from State Proceeds					
Restricted from Federal Proceeds					
Restricted from Other Proceeds					
Restricted from Impact Fee Proceeds					
Restricted from Mitigation Fee Proceeds					
Restricted from Undistributed Proceeds					
Committed Fund Balance					
For Economic Stabilization					
Other Commitments					
Assigned Fund Balance					
Contingencies					
Other Capital Projects					
Other Purposes	580,434				
Fund Purposes			\$524,813		
Unassigned Fund Balance					
Minimum per Board Policy	3,104,882				

The board of directors has established a minimum fund balance policy for the general fund to provide for financial stability and contingencies within the District. The policy is that the District shall maintain between 3% to 5% as a percentage of general fund expenditures. Portions of

fund balance that are set aside for the purpose of meeting this policy are recorded on the financial statements as a part of Unassigned fund balance.

NOTE 13: POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS—BOTH IN SEPARATELY ISSUED PLAN FINANCIAL STATEMENTS AND EMPLOYER STATEMENTS

457 Plan – Deferred Compensation Plan

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

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

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

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

NOTE 14: TERMINATION BENEFITS

Compensated Absences

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

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

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

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

Oak Harbor School District No. 201
Schedule of Long-Term Liabilities
For the Year Ended August 31, 2017

Description	Beginning Outstanding Debt September 1, 2016	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2017	Amount Due Within One Year
Voted Debt					
Voted Bonds	44,945,000.00	0.00	4,885,000.00	40,060,000.00	5,380,000.00
LOCAL Program Proceeds Issued in Lieu of Bonds	0.00	0.00	0.00	0.00	0.00
Non-Voted Debt and Liabilities					
Non-Voted Bonds	0.00	0.00	0.00	0.00	0.00
LOCAL Program Proceeds	791,199.02	359,240.44	218,074.41	932,365.05	244,275.73
Capital Leases	125,424.19	0.00	41,860.68	83,563.51	41,860.68
Contracts Payable	0.00	0.00	0.00	0.00	0.00
Non-Cancellable Operating Leases	0.00	0.00	0.00	0.00	0.00
Claims & Judgements	0.00	0.00	0.00	0.00	0.00
Compensated Absences	1,151,029.00	0.00	147,655.10	1,003,373.90	92,992.73
Long-Term Notes	0.00	0.00	0.00	0.00	0.00
Anticipation Notes Payable	0.00	0.00	0.00	0.00	0.00
Lines of Credit	0.00	0.00	0.00	0.00	0.00
Other Non-Voted Debt	0.00	0.00	0.00	0.00	0.00
Other Liabilities					
Non-Voted Notes Not Recorded as Debt	0.00	0.00	0.00	0.00	0.00
Net Pension Liabilities:					
Net Pension Liabilities TRS 1	16,653,266.00	0.00	2,213,841.00	14,439,425.00	
Net Pension Liabilities TRS 2/3	6,797,751.00	0.00	2,290,764.00	4,506,987.00	
Net Pension Liabilities SERS 2/3	3,310,660.00	0.00	909,337.00	2,401,323.00	
Net Pension Liabilities PERS 1	4,208,030.00	0.00	384,270.00	3,823,760.00	
Total Long-Term Liabilities	77,982,359.21	359,240.44	11,090,802.19	67,250,797.46	5,759,129.14

OAK HARBOR SCHOOL DISTRICT #201
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ending August 31, 2017

1	2	3	4	5	6	7	8	9	10	
					Expenditures					
Federal Agency Name	Pass Through Agency	Federal Program Title	CFDA Number	Other Identification Number/Award Number	From Direct Awards	From Pass Through Awards	Total	Passed Through to Subrecipients	Footnote	
US Dept of Agriculture	Child Nutrition Cluster:									
	WA OSPI	School Breakfast Program	10.553	9800-61-0004		\$ 220,410	\$ 220,410			
	WA OSPI	National School Lunch Program (Cash Assistance)	10.555	9800-61		\$ 913,653	\$ 913,653			
	WA OSPI	Nat'l School Lunch (Non Cash Assistance-Food Commodities)	10.555	9800-69		\$ 117,194	\$ 117,194		3	
	WA OSPI	Summer Food Service Program for Children	10.559	9800-61-0003		\$ 41,608	\$ 41,608			
	Subtotal Child Nutrition Cluster					\$ 1,292,865	\$ 1,292,865			
		Subtotal US Dept of Agriculture			\$ -	\$ 1,292,865	\$ 1,292,865			
US Dept of Defense	-	Dept of Defense Impact Aid	12.558	0000-52	\$ 403,827	\$ 403,827	\$ 403,827			
	-	NJROTC	12.N96682	7997-62	\$ 88,479	\$ 88,479	\$ 88,479			
	-	Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools	12.556	7694-62-DoDEA	\$ 90,706	\$ 90,706	\$ 90,706		2	
	Subtotal US Dept of Defense				\$ 583,012	\$ -	\$ 583,012			
US Dept of Education	WA OSPI	Title I Grants to Local Educational Agencies	84.010	5100-T1A #202461	\$ 994,075	\$ 994,075	\$ 994,075		4,5	
	Special Education Cluster:									
	WA OSPI	Special Education-Grants to States	84.027	2440-IDEA B #305682	\$ 1,103,448	\$ 1,103,448	\$ 1,103,448			
	WA OSPI	Special Education Preschool Grants	84.173	2441-Preschool #363681	\$ 59,919	\$ 59,919	\$ 59,919			
	Subtotal Special Education Cluster				\$ 1,163,367	\$ 1,163,367	\$ 1,163,367			
	-	Impact Aid	84.041	0000-5300	\$ 4,800,897	\$ 4,800,897	\$ 4,800,897			
	WA OSPI	Career & Technical Education-Basic Grants to States	84.048	3800-Perkins #173740	\$ 38,248	\$ 38,248	\$ 38,248			
	WA OSPI	Education for Homeless Children & Youth	84.196	5128-Ed/Hmlss Chld #456221	\$ 22,257	\$ 22,257	\$ 22,257		5	
	WA OSPI	English Language Acquisition State Grants	84.365	6400-T3 LEP #402388	\$ 41,852	\$ 41,852	\$ 41,852			
	WA OSPI	Supporting Effective Instruction State Grant	84.367	5220-T2A TPQ #524074	\$ 138,736	\$ 138,736	\$ 138,736		5	
Subtotal US Dept of Education				\$ 4,800,897	\$ 2,398,535	\$ 7,199,432				
TOTAL FEDERAL AWARDS EXPENDED				\$ 5,383,909	\$ 3,691,400	\$ 9,075,309				
The Accompanying Notes to the Schedule of Expenditures of Federal Awards are an Integral Part of this Schedule.										

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

OAK HARBOR SCHOOL DISTRICT #201
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ending August 31, 2017

NOTE 1—BASIS OF ACCOUNTING

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

NOTE 2—PROGRAM COSTS/MATCHING CONTRIBUTIONS

The amounts shown as current year expenses represent only the federal grant portion of the program costs. Entire program costs, including the Oak Harbor School District's local matching share, may be more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3—NONCASH AWARDS

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

NOTE 4—SCHOOLWIDE PROGRAMS

The Oak Harbor School District operates a "schoolwide program" in three elementary buildings. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to certain targeted students. The following federal program amounts were expended by the Oak Harbor School District in its schoolwide program. Title I (84.010) (\$481,779.58).

NOTE 5—FEDERAL INDIRECT RATE

The Oak Harbor School District used the federal restricted rate of 3.67 percent for this program. The Oak Harbor School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



**CORRECTIVE ACTION PLAN
FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE
Oak Harbor School District No. 201
Island County
September 1, 2016 through August 31, 2017**

This schedule presents the corrective action planned by the District for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Finding ref number: 2017-001	Finding caption: The District did not have adequate internal controls in place to ensure it complied with Title 1 grant requirements for highly qualified paraprofessional.
Name, address, and telephone of District contact person: Oak Harbor School District No. 201 350 S. Oak Harbor Street, Oak Harbor WA 98277 360-279-5009 Business Director Vicki Williams	
Corrective action the auditee plans to take in response to the finding: (If the auditee does not concur with the finding, the auditee must list the reasons for non-concurrence). <i>In response to the State Auditor's questioned costs, the Human Resource Department in the Oak Harbor School District has taken the following steps to ensure compliance in response to this finding:</i> <ol style="list-style-type: none"> 1. Reviewed all current paraprofessionals' files and communicated as needed about documentation of high school diploma or GED documentation. (completed) 2. Reviewed all current paraprofessionals' files and communicated as needed about documentation of additional transcripts or other documentation. (completed) 3. Established internal controls and identified the staff member who will complete the annual Educator Equity Data Collection Tool in June each year. (completed) 4. Required all paraprofessional applicants to upload a copy of their GED or high school diploma and documentation of qualifications. (completed) 5. Reviewed all current paraprofessionals and identified and scheduled testing for those who need to take the paraprofessional test. (in progress) <p><i>The District is confident that these steps will clarify roles and will also re-establish the necessary internal controls and accountability.</i></p>	
Anticipated date to complete the corrective action: July 1, 2018	

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