

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

Okanogan School District No. 105
Okanogan County

Audit Period
September 1, 2010 through August 31, 2011

Report No. 1007847

Issue Date
May 29, 2012



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

May 29, 2012

Board of Directors
Okanogan School District No. 105
Okanogan, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Okanogan School District No. 105'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,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Okanogan County
September 1, 2010 through August 31, 2011**

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Federal Summary

Okanogan School District No. 105 Okanogan County September 1, 2010 through August 31, 2011

The results of our audit of Okanogan School District No. 105 are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unqualified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

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

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

FEDERAL AWARDS

Internal Control Over Major Programs:

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

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

We reported findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
84.010	Title I Cluster, Part A
84.027	Special Education Cluster - Grants to States (IDEA, Part B)
84.173	Special Education Cluster - Preschool Grants (IDEA Preschool)
84.389	ARRA - Title I Cluster, Part A (Recovery Act)
84.391	ARRA - Special Education Cluster, IDEA Part B (Recovery Act)
84.392	ARRA - Special Education Cluster, Preschool Grants (Recovery Act)

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

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

Schedule of Federal Audit Findings and Questioned Costs

Okanogan School District No. 105 Okanogan County September 1, 2010 through August 31, 2011

- 1. Okanogan School District does not have adequate internal controls to ensure compliance with federal requirements for Highly Qualified Teachers, resulting in questioned costs of more than \$78,000.**

CFDA Number and Title:	84.010 Title I, Part A 84.389 ARRA - Title I, Part A
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:	200674 and 240484
Questioned Cost Amount:	\$78,222 (84.389 ARRA Title I)

Description of Condition

The Title I program is designed to improve the teaching and learning of children who are at risk of not meeting state academic standards and who reside in areas with high concentrations of children from low-income families. In fiscal year 2011, the District spent \$846,280 in Title I funding.

The grant requires each teacher who works on the program to meet specific qualifications. A teacher is considered highly qualified if he or she has earned at least a bachelor's degree, holds full state certification and can demonstrate subject matter knowledge and teaching skill in each core academic subject assigned to teach.

During our audit, we found one teacher whose salary and benefits of \$78,222 were charged to the Title I grant that did not meet the highly qualified teacher requirements for fiscal year 2011.

The grant also requires districts, at the beginning of the school year, to notify parents of children enrolled in schools that receive these funds that they can request the following information regarding instructional staff who work with their children: whether the teacher has met state certification for the grades and subjects s/he is teaching; whether the teacher is working with an emergency or conditional certificate when state certification criteria has been waived; the teacher's baccalaureate degree majors; and any other graduate certification or degree held, including field of discipline of the certificate or degree. If the child receives instructional services from a paraprofessional, the districts must provide his or her qualifications.

The District did not notify parents of their options for requesting this information.

Cause of Condition

The District was not aware it could not use Title I money to pay teachers who are not highly qualified.

Effect of Condition and Questioned Costs

Title I students were instructed by a teacher that did not meet federal highly qualified standards. We are questioning costs of \$78,222 charged to this program. In addition, lack of compliance with grant requirements could result in the loss of future federal funding or participation in the programs.

Recommendation

We recommend the District provide adequate training for staff and develop internal controls to ensure compliance with federal highly qualified teacher requirements. We also recommend the District consult with OSPI about repayment of questioned costs.

District's Response

The purpose of this notice is to inform you I am appealing your decision of producing a "finding" on the Okanogan School District (OKSD) because the district used Title 1 funds to pay a teacher who was not highly qualified (HQ). The district agrees that when guidelines were developed under the second Bush administration Title 1 funds could only be used to pay salaries if the teacher was deemed HQ; i.e. endorsed in their area. In later years, under the Obama administration, teachers who were not HQ were given a new avenue to become temporarily highly qualified. This process included, among other things, following Title 1 Section 1119 "Qualifications for Teachers and Paraprofessionals Verification of Compliance – Principal Attestations." This document is attached and shows the district meeting all requirements for a temporary HQ teacher. Consequently, the district hired the temporary HQ teacher to teach Title 1 Math and paid the Title teacher out of Title 1 funds.

The Auditor Office is now stating that even though the district followed the federal and state guidelines and submitted all required paperwork, OKSD was wrong in paying the Title 1 teacher out of Title 1 funds. Neither I nor my Title 1 Director has ever received any wording from the federal government or the state government, that a district cannot use Title 1 funds to pay a title 1 teacher who has received a temporary HQ status. Furthermore, as the attachments show, this unique decision in not paying a Title 1 teacher out of Title 1 funds was a complete surprise to OSPI's Title 2 Director (please see attachment), the local ESD Title 1 Director did not have a definitive answer (please see attachment) and OKSD's Title 1 Director was also very surprised with the auditor's response. Obviously, a serious miscommunication occurred at the state level.

Since receiving your unique decision, my people have diligently looked through past emails, documents passed out at workshops and conferences and even spoke to many other Title 1 Directors in the state and none could ever recall being told that a Title 1 teacher, who has a temporary HQ status, cannot be paid using Title 1 funds.

It begs the question, why would the federal and state governments set up a process to help teachers become temporary HQ so they can teach Title classes and then turn

around and not allow them to use Title funds to pay them? It would be like the State Department of Licensing issuing a Temporary driver's permit only to have a policeman give the driver a ticket because the driver is driving without an official driver's license. It simply does not make sense; consequently, the mass confusion in the state over this new interpretation.

Therefore, with OSPI, ESD and local Title 1 Directors being surprised at your finding, and with no documentation from the federal or state governments that temporary HQ teachers cannot be paid out of Title 1 funds, it only makes sense to reverse your finding.

Auditor's Remarks

The District received communication from OSPI which lead to confusion about whether it was allowable to pay the salary of a teacher that was not highly qualified at the time of placement with Title I funding. However, OSPI did verify that Title I funds cannot be spent to pay the salary of a teacher not highly qualified at the time of placement. In addition, the District is responsible to understand the federal compliance requirements for the programs it receives funding from and the A-133 provides clear guidance for Title I and the highly qualified requirements.

We thank the District for its cooperation and assistance during our audit and look forward to reviewing its corrective action during the next audit.

Applicable laws and Regulations

Title 34, Code of Federal Regulation, section 200.56 – Definition of “highly qualified teacher”, states in part:

A teacher described in §200.55(a) and (b)(1) is a “highly qualified teacher” if the teacher meets the requirements in paragraph (a) and paragraph (b), (c), or (d) of this section.

(a) In general. (1) Except as provided in paragraph (a)(3) of this section, a teacher covered under Sec. 200.55 must—

(i) Have obtained full State certification as a teacher, which may include certification obtained through alternative routes to certification; or

(ii)(A) Have passed the State teacher licensing examination; and

(B) Hold a license to teach in the State.

(2) A teacher meets the requirement in paragraph (a)(1) of this section if the teacher—

(i) Has fulfilled the State's certification and licensure requirements applicable to the years of experience the teacher possesses; or

(ii) Is participating in an alternative route to certification program under which--

(A) The teacher--

(1) Receives high-quality professional development that is sustained, intensive, and classroom-focused in order to have a positive and lasting impact on classroom instruction, before and while teaching;

(2) Participates in a program of intensive supervision that consists of structured guidance and regular ongoing support for teachers or a teacher mentoring program;

(3) Assumes functions as a teacher only for a specified period of time not to exceed three years; and

(4) Demonstrates satisfactory progress toward full certification as prescribed by the State; and

(B) The State ensures, through its certification and licensure process, that the provisions in paragraph (a)(2)(ii) of this section are met.

(3) A teacher teaching in a public charter school in a State must meet the certification and licensure requirements, if any, contained in the State's charter school law.

(4) If a teacher has had certification or licensure requirements waived on an emergency, temporary, or provisional basis, the teacher is not highly qualified.

(b) Teachers new to the profession. A teacher covered under Sec. 200.55 who is new to the profession also must--

(1) Hold at least a bachelor's degree; and

(2) At the public elementary school level, demonstrate, by passing a rigorous State test (which may consist of passing a State certification or licensing test), subject knowledge and teaching skills in reading/language arts, writing, mathematics, and other areas of the basic elementary school curriculum; or

(3) At the public middle and high school levels, demonstrate a high level of competency by--

(i) Passing a rigorous State test in each academic subject in which the teacher teaches (which may consist of passing a State certification or licensing test in each of these subjects); or

(ii) Successfully completing in each academic subject in which the teacher teaches--

- (A) An undergraduate major;
- (B) A graduate degree;
- (C) Coursework equivalent to an undergraduate major; or
- (D) Advanced certification or credentialing.

(c) Teachers not new to the profession. A teacher covered under Sec. 200.55 who is not new to the profession also must--

(1) Hold at least a bachelor's degree; and

(2)(i) Meet the applicable requirements in paragraph (b)(2) or (3) of this section; or

(ii) Based on a high, objective, uniform State standard of evaluation in accordance with section 9101(23)(C)(ii) of the ESEA, demonstrate competency in each academic subject in which the teacher teaches.

Title 20 United States Code Section 6319, QUALIFICATIONS FOR TEACHERS AND PARAPROFESSIONALS, states in part:

(a) TEACHER QUALIFICATIONS AND MEASURABLE OBJECTIVES-

(1) IN GENERAL- Beginning with the first day of the first school year after the date of enactment of the No Child Left Behind Act of 2001, each local educational agency receiving assistance under this part shall ensure that all teachers hired after such day and teaching in a program supported with funds under this part are highly qualified.

(3) LOCAL PLAN- As part of the plan described in section 1112, each local educational agency receiving assistance under this part shall develop a plan to ensure that all teachers teaching within the school district served by the local educational agency are highly qualified not later than the end of the 2005-2006 school year.

[Auditor Note: this deadline was extended to the end of the 2007 school year]

Title 20 United States Code Section 6311, STATE PLANS, states in part:

(h) REPORTS-

(6) PARENTS RIGHT-TO-KNOW-

(A) QUALIFICATIONS- At the beginning of each school year, a local educational agency that receives funds under this part shall notify the parents of each student attending any school receiving funds under this part that the parents may request, and the agency will provide the parents on request (and in a timely manner), information regarding the professional qualifications of the student's classroom teachers, including, at a minimum, the following:

(i) Whether the teacher has met State qualification and licensing criteria for the grade levels and subject areas in which the teacher provides instruction.

(ii) Whether the teacher is teaching under emergency or other provisional status through which State qualification or licensing criteria have been waived.

(iii) The baccalaureate degree major of the teacher and any other graduate certification or degree held by the teacher, and the field of discipline of the certification or degree.

(iv) Whether the child is provided services by paraprofessionals and, if so, their qualifications.

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section 300, states in part:

The auditee shall:

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

(c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

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

Okanogan School District No. 105
Okanogan County
September 1, 2010 through August 31, 2011

Board of Directors
Okanogan School District No. 105
Okanogan, Washington

We have audited the financial statements of Okanogan School District No. 105, Okanogan County, Washington, as of and for the year ended August 31, 2011, and have issued our report thereon dated April 24, 2012.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

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

A handwritten signature in black ink, appearing to read "Brian Sonntag", written in a cursive style.

BRIAN SONNTAG, CGFM
STATE AUDITOR

April 24, 2012

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

Okanogan School District No. 105
Okanogan County
September 1, 2010 through August 31, 2011

Board of Directors
Okanogan School District No. 105
Okanogan, Washington

COMPLIANCE

We have audited the compliance of Okanogan School District No. 105, Okanogan County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2011. The District's major federal programs are identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 1.

INTERNAL CONTROL OVER COMPLIANCE

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 1. *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.

The District's response to the finding identified in our audit is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended for the information of management, the Board of Directors, federal awarding agencies and pass-through entities. However, this report is a matter of public record

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

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

April 24, 2012

Independent Auditor's Report on Financial Statements

Okanogan School District No. 105 Okanogan County September 1, 2010 through August 31, 2011

Board of Directors
Okanogan School District No. 105
Okanogan, Washington

We have audited the accompanying financial statements of Okanogan School District No. 105, Okanogan County, Washington, as of and for the year ended August 31, 2011, as listed on page 16. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in Note 1 to the financial statements, the District prepares its financial statements using accounting practices prescribed by Washington State statutes and the *Accounting Manual for Public Schools in the State of Washington*, which demonstrates compliance with the regulatory basis of accounting which differs from accounting principles generally accepted in the United States of America. The differences between the regulatory basis of accounting and the accounting principles generally accepted in the United States of America are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Okanogan School District No. 105, as of August 31, 2011, and the changes in financial position thereof for the year then ended on the basis of accounting described in Note 1.

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

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedule of Long-Term Debt 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.

This report is intended for the information and use of the governing body and management of the District. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Brian Sonntag", with a stylized, flowing script.

BRIAN SONNTAG, CGFM
STATE AUDITOR

April 24, 2012

Financial Section

**Okanogan School District No. 105
Okanogan County
September 1, 2010 through August 31, 2011**

FINANCIAL STATEMENTS

Balance Sheet – Governmental Funds – 2011
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental
Funds – 2011
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SUPPLEMENTARY INFORMATION

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Schedule of Expenditures of Federal Awards – 2011
Notes to the Schedule of Expenditures of Federal Awards – 2011

Okanogan School District No. 105

Balance Sheet

Governmental Funds

August 31, 2011

ASSETS:	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Cash and Cash Equivalents	805,467.03	22,979.53	1,776.45	8,327.95	3.51	0.00	838,554.47
Minus Warrants Outstanding	-792,468.09	-7,762.74	0.00	-7,549.62	0.00	0.00	-807,780.45
Taxes Receivable	384,642.86		244,943.10	116,061.50	0.00		745,647.46
Due From Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due From Other Governmental Units	247,594.38	0.00	0.00	0.00	0.00	0.00	247,594.38
Accounts Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
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	3,237.32	0.00					3,237.32
Prepaid Items	0.00	0.00		0.00	0.00	0.00	0.00
Investments	1,184,375.00	115,915.00	553,700.00	72,365.00	28,345.00	0.00	1,954,700.00
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	0.00						0.00
Deposit							
TOTAL ASSETS	1,832,848.50	131,131.79	800,419.55	189,204.83	28,348.51	0.00	2,981,953.18
LIABILITIES:							
Accounts Payable	11,042.57	32.52	0.00	15,772.01	0.00	0.00	26,847.10
Contracts Payable Current	0.00	0.00		0.00	0.00	0.00	0.00
Accrued Interest Payable			0.00				0.00
Accrued Salaries	1,014.42	0.00		0.00			1,014.42
Revenue Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00
Payroll Deductions and Taxes Payable	254.95	0.00		0.00			254.95
Due To Other Governmental Units	0.00	0.00		0.00	0.00	0.00	0.00
Deferred Compensation Payable	0.00			0.00			0.00
Estimated Employee Benefits Payable	0.00						0.00
Due To Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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

Okanogan School District No. 105

Balance Sheet

Governmental Funds

August 31, 2011

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
LIABILITIES:							
Interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	50.00	0.00		0.00			50.00
Matured Bonds Payable			0.00				0.00
Matured Bond Interest Payable			0.00				0.00
Arbitrage Rebate Payable	0.00		0.00	0.00	0.00		0.00
Deferred Revenue	386,267.96	1,215.58	244,943.10	116,061.50	0.00	0.00	748,488.14
TOTAL LIABILITIES	398,629.90	1,248.10	244,943.10	131,833.51	0.00	0.00	776,654.61
FUND BALANCE:							
Nonspendable Fund Balance	3,237.32	0.00	0.00	0.00	0.00	0.00	3,237.32
Restricted Fund Balance	55,496.85	0.00	0.00	25,148.75	0.00	0.00	80,645.60
Committed Fund Balance	507,108.15	0.00	0.00	0.00	0.00	0.00	507,108.15
Assigned Fund Balance	168,033.56	129,883.69	555,476.45	32,222.57	28,348.51	0.00	913,964.78
Unassigned Fund Balance	700,342.72	0.00	0.00	0.00	0.00	0.00	700,342.72
TOTAL FUND BALANCE	1,434,218.60	129,883.69	555,476.45	57,371.32	28,348.51	0.00	2,205,298.57
TOTAL LIABILITIES AND FUND BALANCE	1,832,848.50	131,131.79	800,419.55	189,204.83	28,348.51	0.00	2,981,953.18

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

Okanogan School District No. 105

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2011

REVENUES:	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Local	967,484.16	182,915.70	514,379.94	155,827.41	69.53		1,820,676.74
State	7,568,713.48		10,871.93	4,567.42	61,080.85		7,645,233.68
Federal	1,647,992.59		0.00	0.00	0.00		1,647,992.59
Federal Stimulus	622,542.66						622,542.66
Other	111,619.33			0.00	0.00	0.00	111,619.33
TOTAL REVENUES	10,918,352.22	182,915.70	525,251.87	160,394.83	61,150.38	0.00	11,848,065.00
EXPENDITURES:							
CURRENT:							
Regular Instruction	4,489,498.46						4,489,498.46
Federal Stimulus	605,479.20						605,479.20
Special Education	1,107,506.18						1,107,506.18
Vocational Education	417,689.50						417,689.50
Skills Center	0.00						0.00
Compensatory Programs	1,379,279.50						1,379,279.50
Other Instructional Programs	106,529.88						106,529.88
Community Services	0.00						0.00
Support Services	1,942,220.22						1,942,220.22
Student Activities/Other		171,047.65				0.00	171,047.65
CAPITAL OUTLAY:							
Sites				0.00			0.00
Building				4,334.94			4,334.94
Equipment				162,855.06			162,855.06
Energy				0.00			0.00
Transportation Equipment					132,117.24		132,117.24
Other	0.00						0.00
DEBT SERVICE:							
Principal	0.00		649,472.27	0.00	0.00		649,472.27
Interest and Other Charges	0.00		303,452.64	0.00	0.00		303,452.64
TOTAL EXPENDITURES	10,048,202.94	171,047.65	952,924.91	167,190.00	132,117.24	0.00	11,471,482.74
REVENUES OVER (UNDER) EXPENDITURES	870,149.28	11,868.05	-427,673.04	-6,795.17	-70,966.86	0.00	376,582.26

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

Statement of Revenues, Expenditures, and Changes in Fund Balance

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

Okanogan School District No. 105

Statement Of Fiduciary Net Assets

Fiduciary Funds

August 31, 2011

ASSETS:	Private Purpose Trust	Other Trust
Imprest Cash	0.00	0.00
Cash On Hand	0.00	0.00
Cash On Deposit with Cty Treas	0.82	0.00
Minus Warrants Outstanding	0.00	0.00
	0.00	0.00
Due From Other Funds	21,730.00	0.00
Accounts Receivable	0.00	0.00
Accrued Interest Receivable		
Investments		
Investments/Cash With Trustee		
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	21,730.82	0.00
LIABILITIES:		
Accounts Payable	0.00	0.00
Due To Other Funds	0.00	0.00
TOTAL LIABILITIES	0.00	0.00
NET ASSETS:		
Net assets held in trust for:		
Restricted for Other Items	0.00	0.00
Restricted for Self Insurance		0.00
Restricted for Uninsured Risks		0.00
Nonspendable -- Trust Principal	0.00	0.00
Committed to Other Purposes	0.00	0.00
Assigned to Fund Purposes	21,730.82	0.00
Unassigned Fund Balance	0.00	0.00
TOTAL NET ASSETS	21,730.82	0.00

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

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

For the Year Ended August 31, 2011

	Private Purpose Trust	Other Trust
ADDITIONS:		
Contributions:		
Private Donations	2,595.25	0.00
Other	2,774.54	Employer 0.00 Members 0.00 0.00
TOTAL CONTRIBUTIONS	5,369.79	0.00
Investment Income:		
Net Appreciation (Depreciation) in Fair Value	0.00	0.00
Interest and Dividends	45.40	0.00
Less Investment Expenses	0.00	0.00
Net Investment Income	45.40	0.00
Other Additions:		
Rent or Lease Revenue	0.00	0.00
Total Other Additions	0.00	0.00
TOTAL ADDITIONS	5,415.19	0.00
DEDUCTIONS:		
Benefits		0.00
Refund of Contributions	0.00	0.00
Administrative Expenses	0.00	0.00
Scholarships	2,000.00	
Other	3,029.64	0.00
TOTAL DEDUCTIONS	5,029.64	0.00
Net Increase (Decrease)	385.55	0.00
Net Assets--Beginning	21,345.27	0.00
Prior Year(s) Corrections or Restatements	0.00	0.00
NET ASSETS--ENDING	21,730.82	0.00

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

Okanogan School District
Notes to Financial Statements
September 1, 2010 through August 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Okanogan School District is a municipal corporation organized pursuant to Title 28A *Revised Code of Washington* (RCW) for the purpose 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.

For financial reporting purposes, the Okanogan School District includes all funds and organizations that are controlled by or dependent on the district's board of directors. Control by or dependence on the district was determined on the basis of budget adoption, taxing authority, outstanding debt secured by the general credit of the district, obligation of the district to finance any deficits that may occur, or receipt of significant subsidies from the district.

b. Basis of Presentation - Fund Accounting

The Okanogan School District presents governmental fund financial statements and related notes on the modified accrual basis of accounting as prescribed by generally accepted account principles (GAAP), and required by its regulatory agencies, the Office of Superintendent of Public Instruction and the State Auditor's Office. However, the district elects to not present district-wide financial statements, and management's discussion and analysis, which are departures from GAAP. Long-term debt is reported on a required supplementary schedule. The accounts of the district are organized on the basis of funds, each of which is considered a separate accounting entity. The regulatory agencies require all funds be presented as major funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, as appropriate. The various funds in the report are grouped into governmental and fiduciary funds as follows:

GOVERNMENTAL FUNDS

General Fund

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

Capital Projects Funds

These funds account for financial resources to be used for the construction or acquisition of major capital assets. The capital projects fund type consists of 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 capital assets.

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

Debt Service Fund

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

Special Revenue Funds

These funds account for the proceeds of specific revenue sources that are legally restricted for specific purposes. The Associated Student Body Program Fund (ASB Fund) is the only fund of this type. This fund is accounted for as a special revenue fund since the financial resources legally belong to the district.

Permanent Funds

These funds are used to report resources legally restricted such that only earnings, and not principle, may be used to support the district's programs.

FIDUCIARY FUNDS

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

Private-Purpose Trust Fund. This fund is used to account for resources legally held in trust where principal and income benefit individuals, private organizations, or other governments.

Pension (and Other Employee Benefit) Trust Fund. This fund is used to account for resources to be held for the members and beneficiaries of a pension plan or other employee benefit plans.

Agency Funds. These funds are used to account for assets that the district holds for other agencies in a custodial.

c. Basis of Accounting

The district's accounting policies, as reflected in the accompanying financial statements, conform to the *Accounting Manual for Public School Districts in the State of Washington*, issued jointly by the State Auditor and the Superintendent of Public Instruction, by the authority of RCW 43.09.200, RCW 28A.505.140, RCW 28A.505.010(1), and RCW 28A.505.020. This manual allows for a practice that differs from generally accepted accounting principles in the following manner:

- (1) District-wide statements are not presented.
- (2) The financial statements do not report capital assets.
- (3) Debt is not reported on the face of the financial statements. It is reported in the notes to the financial statements and on the Schedules of Long-Term Debt. The schedule of Long-Term Debt is required supplemental information.
- (4) The original budget is not presented. This information is available through the Office of Superintendent of Public Instruction.
- (5) The Management Discussion and Analysis is not required.

The modified accrual basis of accounting is used for all governmental funds. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and the district considers all revenues available if they are collected within 60 days after year end to pay liabilities of the current period. Property taxes receivables are measurable but not available and are, therefore, not accrued. However, categorical program claims and inter-district billings are measurable and available and are, therefore, accrued.

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

All governmental funds reporting focus primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. This means that only current assets and current liabilities are included on their balance sheets.

d. Budgetary Data

General Budgetary Policies

Chapter 28A.505 RCW and Chapter 392-123 *Washington Administrative Code* (WAC) mandate school district budget policies and procedures. The budget is adopted by the board after a public hearing. An appropriation is a prerequisite to expenditure. Appropriations lapse at the end of the fiscal period.

Budgetary Basis of Accounting

For budget and accounting purposes, revenues and expenditures are accounted for on the modified accrual basis as prescribed in law for all governmental funds. Fund balance is budgeted as available resources and, pursuant to law the budgeted ending fund balance cannot be negative.

e. Assets, Liabilities, And Fund Equity

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

All of the district's investments (except for investments of deferred compensation plans) during the year and at year end were insured or registered and held by the district or its agent in the district's name.

The district's year-end investments as of August 31, 2011 are as follows:

	Number of Securities	Carrying Amount	Market Value
Certificates of Deposit or Other Time Deposits			
Repurchase Agreements			
Banker's Acceptance			
Obligations of the U.S. Government or its Subsidiary Corporations			
Investments Held by Broker-Dealers Under Reverse Repurchase Agreements: U.S. Government Securities U.S. Instrumentality Securities			
State Treasurer's Investment Pool			
County Treasurer's Investment Pool-8/31/11		\$ 1,954,700.00	
Total Investments		\$ 1,954,700.00	

Inventory

Inventory is valued at cost using the first-in, first-out FIFO method (or weighted average). The consumption method of inventory is used, which charges inventory as an expenditure when it is consumed. Management may reserve a portion of fund balance in any amount as a budgetary technique to insure the availability of resources at the appropriate time. 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.

f. Revenue and Expenditure Recognition

Debt Service

Principal and interest on general long-term debt is recognized only when due.

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 option of paying all taxes on April 30 or one-half then and one-half on October 31. Typically, slightly more than half of the collections are made on the April 30 date. The October 31 collection is not available in time to cover liabilities for the fiscal period ended August 31. Therefore, the fall portion of property taxes is not accrued as revenue. Instead, the taxes due on October 31 are recorded as deferred revenue.

Compensated Absences

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

Under the provisions of RCW 28A.400.210, sick leave accumulated by district employees is reimbursed at death or retirement at the rate of one day for each four days of accrued leave, limited to 180 accrued days. This chapter also provides for an annual buy-back of an amount up to the maximum annual accumulation of 12 days. For buy-back purposes employees may accumulate sick 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 vesting method.

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

The Okanogan School District joined the North Central Educational Service District Compensated Absences Pool on June 30, 2003. The pool allows member districts to accumulate funds for payments of accrued sick leave and/or annual leave due to annual cash out, long-term medical leave, retirement and/or death of employees.

Payroll contributions are made to the Pool at the time leave is earned to reserve assets for expenditures related to sick leave and vacation leave buy out at retirement and certain other instances. Expenditures of leave taken during employment continue to be recorded when paid. In fiscal year ending August 31, 2011, Okanogan School District began with a balance of \$121,079.41 in the North Central Compensated Absences Liability Pool. They made payments totaling \$26,572.91, collected \$305.68 in interest earnings, and made claims totaling \$0.00 to bring the fund balance to \$147,858.10.

NOTE 2 – CAPITAL ASSETS

The district's fixed assets are insured in the amount of \$28,773,077 for fiscal 2011. In the opinion of the district's insurance consultant, this amount is sufficient to adequately fund replacement of the district's assets.

NOTE 3 - PENSIONS

A: General Information

Substantially all Okanogan 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 the Washington State Department of Retirement Systems (DRS): Teachers' Retirement System (TRS), Public Employees' Retirement System (PERS) and School Employees' Retirement System (SERS). Participation in the programs was as follows:

Program	Active Members	Inactive Vested Members	Retired Members
TRS	67,388	8,660	39,927
PERS	159,235	28,074	74,857
SERS	52,474	9,193	4,629

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

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

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

Plan 3 under the TRS and SERS programs are defined benefit, defined contribution pension plans whose members joined on or after July 1, 1996, or September 1, 2000, for TRS and SERS, respectively. Members are eligible to retire with full benefits after five years of credited service and attainment of age 60 or after ten years of credited service and attainment of age 55 with the benefit actuarially reduced from age 65.

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

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

The employer contribution rates for PERS, TRS, and SERS (Plans 1, 2, and 3) and the TRS and SERS Plan 2 employee contribution rates are established by the Pension Funding Council based upon advice from the Office of the State Actuary. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at 6 percent and does not vary from year to year. The employer rate is the same for all plans in a system. The methods used to determine the contribution requirements are established under chapters 41.40, 41.32, and 41.25 RCW for PERS, TRS, and SERS respectively.

B. Contributions:

Employee Contribution rates as of August 31, 2011:

Plan 1 TRS <u>6.00</u> %	Plan 1 PERS <u>6.00</u> %
Plan 2 TRS <u>3.36</u> %	Plan 2 SERS <u>3.15</u> %
Plan 3 TRS and SERS <u>5.00</u> % (Minimum),	<u>15.00</u> % (Maximum)

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

Employer contribution rates as of August 31, 2011

Plan 1 TRS <u>6.14</u> %*	Plan 1 PERS <u>7.07</u> %*
Plan 2 TRS <u>6.14</u> %*	Plan 2 SERS <u>5.45</u> %*
Plan 3 TRS <u>6.14</u> %*	Plan 3 SERS <u>5.45</u> %*

*Includes DRS Administrative Expense Rate of .19%.

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

PLAN	FY 08-09	FY 09-10	FY 10-11
Plan 1 TRS	\$30,405.57	\$17,346.29	\$13,007.43
Plan 2 TRS	\$22,507.60	\$15,449.76	\$15,713.02
Plan 3 TRS	\$287,316.81	\$209,090.34	\$215,145.73
Plan 1 PERS	\$16,430.96	\$11,242.50	\$11,762.16
Plan 2 SERS	\$67,696.43	\$50,728.70	\$50,056.53
Plan 3 SERS	\$58,237.09	\$43,555.21	\$42,387.11

Historical trend information showing TRS, PERS, and SERS progress in accumulating sufficient assets to pay benefits when due is presented in the state of Washington's June 30, 2008, comprehensive annual financial report. Refer to this report for detailed trend information. It is available from:

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

NOTE 4 DEFERRED COMPENSATION PLAN

457 Plan – Deferred Compensation Plan

District employees have the option of participating in an IRC, Section 457, deferred compensation plan administered by the state deferred compensation plan.

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

NOTE 5 - RISK MANAGEMENT

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 self-insuring to the same extent that they may individually self-insure.. Separate agreement to form an unemployment pool and workers' compensation pool were made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The North Central Unemployment Pool was formed on July 1, 1988 and the North Central Washington Workers' Compensation Pool was formed on April 1, 1984, when school districts and North Central Educational Service District in the State of Washington joined together by signing a Interlocal Governmental Agreement to pool their self-insured losses. Twenty-four school districts and NCESD have joined the unemployment pool; twenty-nine school districts and NCESD have joined the workers' compensation pool.

These funds are operated for the Okanogan School District's benefit in lieu of the district having to make monthly premium payments to the State of Washington for unemployment and industrial insurance. Membership automatically renews each year. Even after termination, members are still responsible for contributions for unresolved claims occurring during a period when the district was a member of the pool.

The pools are governed by a board of directors of each pool which is comprised of one designated representative from each participating member. Executive committees are elected for each pool and are responsible for conducting the business affairs of each pool.

Each member's contributions to the pools are determined by a rate-making formula based on claims cost and other expenses paid. In fiscal year ending August 31, 2011, Okanogan School District made payments totaling \$4,890.35 to the unemployment insurance pool and \$78,012.09 to the industrial insurance pool.

The Okanogan School District is a member of the United Schools Insurance Program. The pool was formed on September 1, 1985 when 29 school districts in the State of Washington joined together by signing a Joint Purchasing Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Current membership includes 151 full member school districts. The pool allows members to jointly purchase insurance coverage and provide related services, such as administration risk management, claims administration, etc. Sexual abuse and school board legal liability coverage is on a "claims made basis". All other coverages are on an "occurrence basis". The pool provides the following forms of group purchases insurance coverage for its members: property, general liability, automobile liability, school board legal liability, and crime. The pool acquires insurance from Munich Reinsurance America, Inc. Liability insurance is subject to a per-occurrence deductible of \$100,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$99,000. Insurance carriers cover insured losses over \$100,000 to the limits of each policy. Since the pool is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$99,000 portion of the deductible. The pool purchases a stop loss policy in the amount of \$1,275,000 as an additional layer of protection for its members..

Property insurance is subject to a per-occurrence deductible of \$25,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$24,000.

Boiler and machinery insurance is subject to a per-occurrence deductible of \$2,500. Members are responsible for the deductible amount of each claim.

Each new member now pays the pool an admittance fee. This amount covers the member's share of unrestricted reserves. Members contract to remain in the pool for a minimum of one year, and must give notice before August 31 before terminating participation the following September 1. The Joint Purchasing Agreement is renewed automatically each year. Even after termination, a member is still responsible for contributions to the pool for any unresolved, unreported, and in process claims for the period they were a signatory to the Joint Purchasing Agreement.

The pool is fully funded by its member participants. Claims are filed by members with Canfield & Associates, Inc., which has been contracted to perform pool administration, claims adjustment and administration and loss prevention for the pool. Fees paid to the third party administrator under this arrangement for the years ended August 31, 2011 was \$2,317,810.

A Board of Directors of nine members is selected by the membership from six areas of the state on a staggered term basis and is responsible for conducting the business affairs of the pool. The Board of Directors has contracted with Canfield & Associates, Inc. to perform day to day administration of the pool. This pool has no employees.

NOTE 6 - LEASE OBLIGATIONS AND CONDITIONAL SALES CONTRACT OBLIGATIONS

On August 31, 2011 the Okanogan School District had the following copier leases.

Lessor	Total Contract Amount	Annual Installment	Final Installment Date	Interest Rate	Balance Due 08/31/2011
Lease-Purchase Commitments					
Ricoh MS/HS/Copy Rm	28,925.40	5785.08	Feb. 2016		\$25,550.77
Ricoh VG	41700.00	8340.00	Nov. 2012		\$11,366.56
Ricoh Dist. Office	11514.60	2302.92	Feb. 2016		\$10,171.23
Ricoh FEP/MS/HS/Library/MS Lounge	22,259.40	4451.88	Nov. 2013		\$10,921.82
Total Lease-Purchase Commitment					\$58,010.38
Total Conditional Sales Contracts					.00
Total Other Long-Term Commitments					.00

NOTE 7 - LONG-TERM DEBT

Bonds payable at August 31, 2011 are comprised of the following individual issues:

	Amount	Annual	Final	Interest	Amount
Issue Name	Authorized	Installment	Maturity	Rate	Outstanding
General Obligation Bonds					
2008 Issue	\$410,000.00	\$25,527. -\$56,137	01/01/2019	6.10	\$.00
2005 Issue	\$7,453,529.00	\$203,529-\$610,000	12/01/2025	3.00-4.40	\$6,350,000.00
1999 Issue	\$ 235,000.00	\$ 5,000 - 25,000	12/1/2013	4.25-5.70	\$ 75,000.00
Total General Obligation Bonds					\$6,425,000.00

The following is a summary of general obligation long-term debt transactions of the district for the year ending August 31, 2011.

	Ending Balance 8/31/11
Long-Term Debt Payable at 9/1/10	\$7,074,472.27
New Issues	\$ 0.00
Debt Retired	\$ 649,472.27
Long-Term Debt Payable at 8/31/11	\$6,425,000.00

The following is a schedule of annual requirements to amortize long-term debt at August 31, 2011:

Year Ending August 31, 2011	Principal	Interest	Total
2012	\$ 280,000.00	\$270,729.38	\$550,729.38
2013	\$295,000.00	\$259,332.50	\$554,332.50
2014	\$315,000.00	\$246,757.50	\$561,757.50
2015	\$330,000.00	\$233,670.00	\$563,670.00
2016	\$350,000.00	\$220,070.00	\$570,070.00
2017-2021	\$2,095,000.00	\$840,687.50	\$2,935,687.50
2022-2026	\$2,760,000.00	\$311,797.50	\$3,071,797.50
Total	\$6,425,000.00	\$2,383,044.38	\$8,808,044.38

At August 31, 2011 the district had \$555,476.45 available in the Debt Service Fund to service the general obligation bonds.

On August 31, 2011 the district's balance in the Compensated Absence Pool was \$147,858.10 to pay the sick leave and vacation leave liability.

NOTE 8 - SUMMARY OF SIGNIFICANT CONTINGENCIES

The Okanogan School District has no known contingencies at balance sheet date.

Litigation

The Okanogan School District is not involved in any known litigation as of August 31, 2011.

NOTE 9 - OTHER DISCLOSURES

The Okanogan School District is a member of the King County Directors' Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. The board authorized joining the Association on June 18, 1975, and has remained in the joint venture ever since. The district's current equity on December 31, 2010 of \$14,965.76 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 10 annual allocations of merchandise or 15 annual payments.

NOTE 10 - SUBSEQUENT EVENTS

No events occurred after August 31, 2011 which would have a material impact on the next or future years.

Okanogan School District No. 105

Schedule of Long-Term Debt

For the Year Ended August 31, 2011

Description	Beginning		Amount		Amount	Ending
	Outstanding Debt	September 1, 2010	Issued/Increased	Redeemed/Decreased		Outstanding Debt
						August 31, 2011
Total Voted Bonds		6,690,000.00	0.00		265,000.00	6,425,000.00
Total Non-Voted Notes/Bonds		384,472.27	0.00		384,472.27	0.00
Qualified Zone Academy Bonds (QZAB)		0.00	0.00		0.00	0.00
Qualified School Construction Bonds (QSCB)		0.00	0.00		0.00	0.00
Other Long-Term Debt:						
Capital Leases		60,803.38	40,440.00		43,233.00	58,010.38
Contracts Payable (GL 603)		0.00	0.00		0.00	0.00
NonCancellable Operating Leases		0.00	0.00		0.00	0.00
Claims & Judgments		0.00	0.00		0.00	0.00
Compensated Absences		114,306.56	53,727.00		0.00	168,033.56
Other Long-Term Debt		0.00	0.00		0.00	0.00
Total Other Long-Term Debt		175,109.94	94,167.00		43,233.00	226,043.94
TOTAL LONG-TERM DEBT		7,249,582.21	94,167.00		692,705.27	6,651,043.94

OKANOGAN SCHOOL DISTRICT NO. 105
OKANOGAN COUNTY
EIN: 91-0957540
Schedule of Expenditures of Federal Awards
For the Year Ending August 31, 2011

Federal Agency Name	Pass-Through Agency	Federal Program Title	Federal CFDA Number	Other Identification Number	Expenditures			Footnote Ref.
					Pass-Through Awards	From Direct	Total	
Dept of Agriculture	WA OSPI	Non-Cash Assistance (Commodities)	10.555		21,780		21,780	2
	WA OSPI	School Breakfast Program (A)	10.553		62,222		62,222	
	WAOSPI	Nat'l School Lunch Program (A)	10.555		192,934		192,934	
	Office of State Treasurer	School & Roads Grants to State	10.665		101,938		101,938	
		Dept of Agriculture Subtotal			378,874	0	378,874	
Bureau of Indian Affairs	Colville Confederated Tribes	Johnson O'Malley	15.130			6,410	6,410	
		Bureau of Indian Affairs Subtotal				6,410	6,410	
Dept of Education	WA OSPI	Title 1 Grants to LEAs	84.010	200674	529,563			3
	WA OSPI	Title 1 Part D Subpart 2 Neglected or Delinquent	84.010	222367	27,485		557,048	
	WA OSPI	Title X Part C Homeless Children	84.196	456079	27,390		27,390	
	WA OSPI	Migrant Education-State Grant Program	84.011	280791	22,347		22,347	
	WA OSPI	Special Education-Grants to States	84.027	303751/337351	253,197		253,197	
		Impact Aid	84.041	57-WA-2011-0961		167,785	167,785	
	WA OSPI	Career & Technical Education	84.048	172075	11,736		11,736	
		Native American Education	84.06	S060A101043		29,402	29,402	
	WA OSPI	Special Ed-PreSchool 619 Flow Thru	84.173	366459	9,629		9,629	
	WA OSPI	Rural & Low Income Schools	84.358	461213	10,043		10,043	
	WA OSPI	English Language Acquisition Grants	84.365	401279	10,990		10,990	
	WA OSPI	Title II Education Technology	84.318	721717	4,962		4,962	
	WA OSPI	Title II Improving Teacher Quality	84.367	520169	79,895		79,895	
	WA HECB	GEAR UP	84.334	11-CS204	105,000		105,000	
	WA OSPI	ARRA Title II Part D Recovery	84.386	724355	5,391		5,391	
	WA OSPI	Teaching & Learning In the 21st Century	84.386	727215	4,301		4,301	
	WA OSPI	Teaching & Learning In the 21st Century	84.386	727227	3,614		3,614	
	WA OSPI	ARRA Title 1 Part A	84.389	240484	289,232		289,232	
	WA OSPI	ARRA Special Ed IDEA B Recovery	84.391	310358	113,293		113,293	
	WA OSPI	ARRA SpecialED Section 619 Recovery	84.392	370539	4,252		4,252	
	WA OSPI	The Education Jobs Fund	84.410	960165	202,604		202,604	
		Dept of Education Subtotal			1,714,924	197,187	1,912,111	
Total Federal Awards Expended					2,093,797	203,597	2,297,394	

OKANOGAN SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF FEDERAL AWARDS
SEPTEMBER 1, 2010 THROUGH AUGUST 31, 2011

NOTE 1 - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on 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 - NON CASH AWARDS - FOOD COMMODITIES

The amount of food commodities reported on the schedule is the market value of commodities distributed by the district during the current year. The value is determined by the USDA.

NOTE 3 - SCHOOL WIDE PROGRAMS

The Okanogan School District operates a "schoolwide program" in their elementary and middle school 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 Okanogan School District in its schoolwide program: Title 1 (84.010) \$529,563.



ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

Our mission is to work with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

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

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments and fraud, whistleblower and citizen hotline investigations.

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

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

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