

Washington State Auditor's Office
Financial Statements Audit Report

Rosalia School District No. 320
Whitman County

Audit Period
September 1, 2009 through August 31, 2012

Report No. 1009952

Issue Date
June 17, 2013



WASHINGTON
TROY KELLEY
STATE AUDITOR



**Washington State Auditor
Troy Kelley**

June 17, 2013

Board of Directors
Rosalia School District No. 320
Rosalia, Washington

Report on Financial Statements

Please find attached our report on Rosalia School District No. 320's financial statements.

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

Sincerely,

TROY KELLEY
STATE AUDITOR

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Whitman County
September 1, 2009 through August 31, 2012

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

**Rosalia School District No. 320
Whitman County
September 1, 2009 through August 31, 2012**

Board of Directors
Rosalia School District No. 320
Rosalia, Washington

We have audited the financial statements of Rosalia School District No. 320, Whitman County, Washington, as of and for the years ended August 31, 2012, 2011 and 2010, and have issued our report thereon dated May 17, 2013.

We conducted our audits 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 audits, 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 and the Board of Directors. 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 cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

May 17, 2013

Independent Auditor's Report on Financial Statements

Rosalia School District No. 320 Whitman County September 1, 2009 through August 31, 2012

Board of Directors
Rosalia School District No. 320
Rosalia, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Rosalia School District No. 320, Whitman County, Washington, for the years ended August 31, 2012, 2011 and 2010 as listed on page 6.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting that demonstrates compliance with Washington State statutes and the *Accounting Manual for Public Schools in the State of Washington* 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 an opinion on these financial statements based on our audits. We conducted our audits 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 accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of Rosalia School District No. 320, for the years ended August 31, 2012, 2011 and 2010, on the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. As described in Note 1 to the financial statements, the financial statements are prepared in accordance with the basis of accounting that demonstrates compliance with Washington State statutes and the *Accounting Manual for Public Schools in the State of Washington*, which is a basis of accounting other than accounting principles generally accepted in the United State of America. Our opinion is not modified with respect to this matter.

Other Matters

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Long-Term Liabilities and Schedules of Long-Term Debt are 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.

Purpose of this Report

The report is intended for the information and use of the management and the Board of Directors 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

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 audits.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR

May 17, 2013

Financial Section

**Rosalia School District No. 320
Whitman County
September 1, 2009 through August 31, 2012**

FINANCIAL STATEMENTS

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Rosalia School District No. 320

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2012

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
REVENUES:							
Local	646,903.12	84,701.26	359,222.48	10,278.40	61.54		1,101,166.80
State	2,364,245.93		0.00	0.00	33,399.61		2,397,645.54
Federal	296,017.52		0.00	0.00	0.00		296,017.52
Federal Stimulus	8,956.86						8,956.86
Other	51.84			0.00	0.00	0.00	51.84
TOTAL REVENUES	3,316,175.27	84,701.26	359,222.48	10,278.40	33,461.15	0.00	3,803,838.56
EXPENDITURES:							
CURRENT:							
Regular Instruction	1,634,340.98						1,634,340.98
Federal Stimulus	0.00						0.00
Special Education	150,462.91						150,462.91
Vocational Education	155,773.34						155,773.34
Skills Center	0.00						0.00
Compensatory Programs	142,920.51						142,920.51
Other Instructional Programs	102,317.23						102,317.23
Community Services	0.00						0.00
Support Services	975,395.57						975,395.57
Student Activities/Other		83,396.94				0.00	83,396.94
CAPITAL OUTLAY:							
Sites				0.00			0.00
Building				75,100.00			75,100.00
Equipment				1,689.38			1,689.38
Instructional Technology				0.00			0.00
Energy				0.00			0.00
Transportation Equipment					109,220.16		109,220.16
Sales and Lease				0.00			0.00
Other	26,183.44						26,183.44
DEBT SERVICE:							
Principal	0.00		245,000.00	16,839.42	0.00		261,839.42
Interest and Other Charges	0.00		82,407.50	6,535.20	0.00		88,942.70
Bond/Levy Issuance				0.00	0.00		0.00
TOTAL EXPENDITURES	3,187,393.98	83,396.94	327,407.50	100,164.00	109,220.16	0.00	3,807,582.58

Rosalia School District No. 320

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2012

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
DEBT SERVICE:							
REVENUES OVER (UNDER) EXPENDITURES	128,781.29	1,304.32	31,814.98	-89,885.60	-75,759.01	0.00	-3,744.02
OTHER FINANCING SOURCES (USES):							
Bond Sales & Refunding Bond Sales	0.00		0.00	0.00	0.00		0.00
Long-Term Financing	0.00			75,100.00	0.00		75,100.00
Transfers In	0.00		0.00	21,300.00	0.00		21,300.00
Transfers Out (GL 536)	-21,300.00		0.00	0.00	0.00	0.00	-21,300.00
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	0.00		0.00	0.00	0.00		0.00
TOTAL OTHER FINANCING SOURCES (USES)	-21,300.00		0.00	96,400.00	0.00	0.00	75,100.00
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	107,481.29	1,304.32	31,814.98	6,514.40	-75,759.01	0.00	71,355.98
BEGINNING TOTAL FUND BALANCE	529,764.71	87,826.24	282,128.80	7,458.45	94,533.37	0.00	1,001,711.57
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ENDING TOTAL FUND BALANCE	637,246.00	89,130.56	313,943.78	13,972.85	18,774.36	0.00	1,073,067.55

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

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	567,713.33	106,964.24	351,868.87	1,137.79	484.39		1,028,168.62
State	2,323,076.61		0.00	0.00	34,916.45		2,357,993.06
Federal	259,549.72		0.00	0.00	0.00		259,549.72
Federal Stimulus	107,327.41						107,327.41
Other	10,863.90			0.00	0.00	0.00	10,863.90
TOTAL REVENUES	3,268,530.97	106,964.24	351,868.87	1,137.79	35,400.84	0.00	3,763,902.71
EXPENDITURES:							
CURRENT:							
Regular Instruction	1,470,668.68						1,470,668.68
Federal Stimulus	95,384.28						95,384.28
Special Education	159,600.15						159,600.15
Vocational Education	187,558.70						187,558.70
Skills Center	0.00						0.00
Compensatory Programs	151,180.52						151,180.52
Other Instructional Programs	107,094.00						107,094.00
Community Services	0.00						0.00
Support Services	955,667.78						955,667.78
Student Activities/Other		101,340.16				0.00	101,340.16
CAPITAL OUTLAY:							
Sites				0.00			0.00
Building				0.00			0.00
Equipment				0.00			0.00
Energy				0.00			0.00
Transportation Equipment					0.00		0.00
Other	23,264.43						23,264.43
DEBT SERVICE:							
Principal	0.00		230,000.00	25,577.55	0.00		255,577.55
Interest and Other Charges	0.00		95,470.00	5,819.07	0.00		101,289.07
TOTAL EXPENDITURES	3,150,418.54	101,340.16	325,470.00	31,396.62	0.00	0.00	3,608,625.32
REVENUES OVER (UNDER) EXPENDITURES	118,112.43	5,624.08	26,398.87	-30,258.83	35,400.84	0.00	155,277.39

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

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2011

OTHER FINANCING SOURCES (USES):

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Bond Sales & Refunding Bond Sales	0.00		0.00	0.00	0.00		0.00
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	0.00		0.00	31,926.00	0.00		31,926.00
Transfers Out (GL 536)	-31,926.00		0.00	0.00	0.00	0.00	-31,926.00
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	0.00		0.00	0.00	0.00		0.00
TOTAL OTHER FINANCING SOURCES (USES)	-31,926.00		0.00	31,926.00	0.00	0.00	0.00
EXCESS OF REVENUES/OTHER FINANCING SOURCES	86,186.43	5,624.08	26,398.87	1,667.17	35,400.84	0.00	155,277.39
OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES							
BEGINNING TOTAL FUND BALANCE	443,578.28	82,202.16	255,729.93	5,791.28	59,132.53	0.00	846,434.18
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ENDING TOTAL FUND BALANCE	529,764.71	87,826.24	282,128.80	7,458.45	94,533.37	0.00	1,001,711.57

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

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2010

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
REVENUES:							
Local	615,284.95	92,248.74	334,397.24	1,636.55	452.58		1,044,020.06
State	2,315,575.99		0.00	0.00	45,199.19		2,360,775.18
Federal	221,061.39		0.00	0.00	0.00		221,061.39
Federal Stimulus	210,338.01						210,338.01
Other	103.51			0.00	0.00	0.00	103.51
TOTAL REVENUES	3,362,363.85	92,248.74	334,397.24	1,636.55	45,651.77	0.00	3,836,298.15
EXPENDITURES:							
CURRENT:							
Regular Instruction	1,249,446.16						1,249,446.16
Federal Stimulus	195,671.48						195,671.48
Special Education	159,668.03						159,668.03
Vocational Education	182,045.61						182,045.61
Skills Center	0.00						0.00
Compensatory Programs	183,242.19						183,242.19
Other Instructional Programs	120,495.62						120,495.62
Community Services	77,270.37						77,270.37
Support Services	928,011.91						928,011.91
Student Activities/Other		89,591.46				0.00	89,591.46
CAPITAL OUTLAY:							
Sites				0.00			0.00
Building				0.00			0.00
Equipment				0.00			0.00
Energy				0.00			0.00
Transportation Equipment					0.00		0.00
Other	45,117.84						45,117.84
DEBT SERVICE:							
Principal	0.00		215,000.00	25,987.48	0.00		240,987.48
Interest and Other Charges	0.00		107,707.50	6,774.44	0.00		114,481.94
TOTAL EXPENDITURES	3,140,969.21	89,591.46	322,707.50	32,761.92	0.00	0.00	3,586,030.09
REVENUES OVER (UNDER) EXPENDITURES	221,394.64	2,657.28	11,689.74	-31,125.37	45,651.77	0.00	250,268.06

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

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2010

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
OTHER FINANCING SOURCES (USES):							
Bond Sales & Refunding Bond Sales	0.00		0.00	0.00	0.00		0.00
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	0.00		0.00	31,180.00	0.00		31,180.00
Transfers Out (GL 536)	-31,180.00		0.00	0.00	0.00	0.00	-31,180.00
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	0.00		0.00	0.00	0.00		0.00
TOTAL OTHER FINANCING SOURCES (USES)	-31,180.00		0.00	31,180.00	0.00	0.00	0.00
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	190,214.64	2,657.28	11,689.74	54.63	45,651.77	0.00	250,268.06
BEGINNING TOTAL FUND BALANCE	253,363.64	79,544.88	244,040.19	5,736.65	13,480.76	0.00	596,166.12
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ENDING TOTAL FUND BALANCE	443,578.28	82,202.16	255,729.93	5,791.28	59,132.53	0.00	846,434.18

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, 2012

	Private Purpose Trust	Other Trust
ADDITIONS:		
Contributions:		
Private Donations	0.00	0.00
Employer		0.00
Members		0.00
Other	0.00	0.00
TOTAL CONTRIBUTIONS	0.00	0.00
Investment Income:		
Net Appreciation (Depreciation) in Fair Value	0.00	0.00
Interest and Dividends	16.52	0.00
Less Investment Expenses	0.00	0.00
Net Investment Income	16.52	0.00
Other Additions:		
Rent or Lease Revenue	0.00	0.00
Total Other Additions	0.00	0.00
TOTAL ADDITIONS	16.52	0.00
DEDUCTIONS:		
Benefits		0.00
Refund of Contributions	0.00	0.00
Administrative Expenses	0.00	0.00
Scholarships	600.00	
Other	0.00	0.00
TOTAL DEDUCTIONS	600.00	0.00
Net Increase (Decrease)	-583.48	0.00
Net Assets--Beginning	51,333.17	0.00
Prior Year(s) Corrections or Restatements	0.00	0.00
NET ASSETS--ENDING	50,749.69	0.00

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

E.S.D. 101

Statement of Changes in Fiduciary Net Assets

COUNTY: 38 Whitman

Fiduciary Funds

For the Year Ended August 31, 2011

ADDITIONS:		Private Purpose	Other Trust
Contributions:		Trust	
Private Donations		0.00	0.00
			Employer 0.00
			Members 0.00
Other		0.00	0.00
TOTAL CONTRIBUTIONS		0.00	0.00
Investment Income:			
Net Appreciation (Depreciation) in Fair Value		0.00	0.00
Interest and Dividends		252.17	0.00
Less Investment Expenses		0.00	0.00
Net Investment Income		252.17	0.00
Other Additions:			
Rent or Lease Revenue		0.00	0.00
Total Other Additions		0.00	0.00
TOTAL ADDITIONS		252.17	0.00
DEDUCTIONS:			
Benefits			0.00
Refund of Contributions		0.00	0.00
Administrative Expenses		0.00	0.00
Scholarships		0.00	
Other		0.00	0.00
TOTAL DEDUCTIONS		0.00	0.00
Net Increase (Decrease)		252.17	0.00
Net Assets--Beginning		51,081.00	0.00
Prior Year(s) Corrections or Restatements		0.00	0.00
NET ASSETS--ENDING		51,333.17	0.00

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

Rosalia School District No. 320
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended August 31, 2010

ADDITIONS:			
Contributions:			
Private Donations	0.00	Other Trust	0.00
Employer			0.00
Members			0.00
Other	0.00		0.00
TOTAL CONTRIBUTIONS	0.00		0.00
Investment Income:			
Net Appreciation (Depreciation) in Fair Value	0.00		0.00
Interest and Dividends	266.73		0.00
Less Investment Expenses	0.00		0.00
Net Investment Income	266.73		0.00
Other Additions:			
Rent or Lease Revenue	0.00		0.00
Total Other Additions	0.00		0.00
TOTAL ADDITIONS	266.73		0.00
DEDUCTIONS:			
Benefits			0.00
Refund of Contributions	0.00		0.00
Administrative Expenses	0.00		0.00
Scholarships	500.00		
Other	0.00		0.00
TOTAL DEDUCTIONS	500.00		0.00
Net Increase (Decrease)	-233.27		0.00
Net Assets--Beginning	51,314.27		0.00
Prior Year(s) Corrections or Restatements	0.00		0.00
NET ASSETS---ENDING	51,081.00		0.00

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

ROSALIA SCHOOL DISTRICT No. 320
NOTES TO FINANCIAL STATEMENTS
September 1, 2009 through August 31, 2012

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (SSAP)

Description of the government-wide financial statements, noting that neither fiduciary funds nor component units that are fiduciary in nature are included.

The Rosalia School District is a municipal corporation organized pursuant the Title 28A of the Revised Code of Washington (RCW) for the purpose of providing public school services to students in Grades K-12. Oversight responsibility for the District 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 cash basis of accounting as prescribed by generally accepted accounting principles (GAAP) except for the Debt Service Fund which is reported on the modified accrual basis of accounting, and as allowed by its regulatory agencies, the Office of Superintendent of Public Instruction and the State Auditor's Office. 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'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 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 on the notes to the financial statements and on the Schedule of Long-Term Liabilities (Debt). The Schedule of Long-Term Liabilities (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.
6. The financial statements do not report a liability for other post-employment benefits (GASB Statement 45).
7. Other departures from GAAP that are material in nature are indicated throughout the Notes.

Description of the activities accounted for in each of the following columns—major funds, internal service funds and fiduciary fund types—presented in the basic financial statements.

The District presents financial information 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 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 foodservices, maintenance, data processing, printing, and student transportation are included in the General Fund.

Capital Project 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 related 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 principle 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.

Fiduciary Funds

Trust funds are used to account for assets held by the district in a trustee or agency capacity. Fiduciary funds for the district include private-purpose trust funds.

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.

Proprietary Funds

School districts in the State of Washington are not allowed to utilize proprietary fund types, which is a departure from GAAP.

The measurement focus and basis of accounting used in the government-wide statements.

The District's accounting policies 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. The District's financial statements are presented in conformity with that publication.

The measurement focus for the District's funds is the cash basis, except for the Debt Service Fund, which is measured on the modified accrual basis, and the current financial resources focus. This basis of accounting focuses 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.

Revenues are recognized when they are received in cash, rather than when measurable and available.

Expenditures are recognized when warrants are issued to pay for goods or services received, rather than when the expenditures are incurred.

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 board adopts the budget 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 cash basis as allowed in law for all governmental funds, except for the Debt Service Fund which is accounted for on the modified accrual basis of accounting. 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 an established policy of the board. 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.

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.

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.

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. 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.

NOTE 2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

The district's deposits are guaranteed up to \$1 million entirely by federal depository insurance. The district's cash on deposit balance with the county was \$177,861.72, 240,255.92, and 99,468.81, as of August 31, 2010, August 31, 2011, and August 31, 2012, respectively.

The Whitman 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.

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 investments as of August 31, 2010, are as follows:

	Number of Securities	Carrying Amount	Market Value
Certificates of Deposit or Other Time Deposits			
Repurchase Agreements			
Bankers' 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			\$893,478.10
Total Investments			\$893,478.10

The District's 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			
Bankers' 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			\$988,080.10
Total Investments			\$988,080.10

The District's investments as of August 31, 2012, are as follows:

	Number of Securities	Carrying Amount	Market Value
Certificates of Deposit or Other Time Deposits			
Repurchase Agreements			
Bankers' 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			\$1,114,857.00
Total Investments			\$1,114,857.00

NOTE 3: SIGNIFICANT CONTINGENT LIABILITIES

The Rosalia School District has no known legal obligations that would materially impact the financial position of the district.

NOTE 4: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

There were no events after the balance sheet date that would have a material impact on the next or future fiscal years.

NOTE 5: ANNUAL PENSION COST AND NET PENSION OBLIGATIONS

General Information

Substantially all District full-time and qualifying part-time employees participate in one or the following statewide retirement systems managed by the Washington State Department of Retirement Systems (DRS), under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statements No. 27, *Accounting for Pensions by State and Local Government Employers* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

Membership by retirement system program as of June 30, 2009:

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

Membership by retirement system program as of June 30, 2010:

Program	Active Members	Inactive Vested Members	Retired Members
TRS	66,325	8,950	40,570
PERS	156,526	28,860	76,899
SERS	52,339	9,700	5,384

Membership by retirement system program as of June 30, 2011:

Program	Active Members	Inactive Vested Members	Retired Members
TRS	66,203	9,204	41,709
PERS	152,417	29,925	79,363
SERS	52,332	10,262	6,428

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

Plan one under the TRS and PERS programs are defined benefit pension plans whose members joined the system on or before September 30, 1977. Plan one 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 two 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, after 20 years of credited service and attainment of age 55 with the benefit actuarially reduced from age 65, or 30 years of credited service and receive either a reduced benefit or stricter return-to-work rules.

Plan three 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 at age 65, or they may retire at age 55 with at least ten service years with a reduced benefit amount, or they may retire at age 55 with at least 30 service years and receive either a reduced benefit or stricter return-to-work rules.

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

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

The employer contribution rates for PERS, TRS, and SERS (Plans one, two, and three) and the TRS and SERS Plan two, employee contribution rates are established by the Pension Funding Council based upon rates set by the Legislature. The employee contribution rate for Plan one in PERS and TRS is set by statute at six 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 41.35 RCW for PERS, TRS, and SERS respectively.

The district contribution represents its full liability under both systems, except that future rates may be adjusted to meet the system needs.

A. Contributions

Employee contribution rates as of July 1, 2010:

Plan 1 TRS	6.00%	Plan 1 PERS	6.00%
Plan 2 TRS	3.36%	Plan 2 PERS	3.15%

Plan 3 TRS and SERS: Member-selected rate between five percent and fifteen percent, depending on plan options.

Employee contribution rates as of September 1, 2010 through August 31, 2011

Plan 1 TRS	6.00%	Plan 1 PERS	6.00%
Plan 2 TRS	3.36%	Plan 2 SERS	3.15%
Plan 3 TRS and SERS: Member-selected rate between five percent and fifteen percent, depending on plan options.			

Employee contribution rates as of September 1, 2011 through August 31, 2012:

Plan 1 TRS	6.00%	Plan 1 PERS	6.00%
Plan 2 TRS	4.69%	Plan 2 PERS	3.89%
Plan 2 SERS	4.09%		
Plan 3 TRS and SERS: Member-selected rate between five percent and fifteen percent, depending on plan options.			

Employer contribution rates as of July 1, 2010:

Plan 1 TRS	6.14%	Plan 1-3 PERS	5.31%
Plan 2 TRS	6.14%	Plan 2 SERS	5.44%
Plan 3 TRS	6.14%	Plan 3 SERS	5.44%

Employer contribution rates as of September 1, 2010 through August 31, 2011:

Plan 1 TRS	6.14%	Plan 1 PERS	7.07%
Plan 2 TRS	6.14%	Plan 2 SERS	5.44%
Plan 3 TRS	6.14%	Plan 3 SERS	5.44%

*Plan 1 PRS rate was effective July 1, 2011 through August 31, 2011. From September 1, 2010, through June 30, 2011, the rate was 5.31 percent.

Employer contribution rates as of September 1, 2011 through August 31, 2012:

			9/11-3/31/12	4/12-6/30/12	7/12-8/31/12
Plan 1 TRS	8.04%	Plan 1 PERS	5.29%	7.08%	7.21%
Plan 2 TRS	8.04%	Plan 2 SERS	7.59%	7.58%	7.58%
Plan 3 TRS	8.04%	Plan 3 SERS	7.59%	7.58%	7.58%

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):

<u>Plan</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>
Plan One TRS	\$ 4,160.22	\$ 4,931.88	\$ 1,380.80
Plan Two TRS	\$ 9,381.61	\$ 7,150.69	\$ 7,933.96
Plan Three TRS	\$ 60,581.17	\$ 65,889.88	\$ 97,308.50
Plan One PERS	\$ 2,947.03	\$ 3,096.64	\$ 3,883.06
Plan Two SERS	\$ 108.56	\$ -0-	\$ -0-
Plan Three SERS	\$ 24,586.82	\$ 22,040.28	\$ 27,519.52

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, 2010, June 30, 2011, and June 30, 2012, comprehensive annual financial reports. Refer to this report for detailed trend information. It is available from:

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

NOTE 6: 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), 57 of the state's K-12 school districts and educational service districts (ESDs), and 206 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 247 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 2010, 2011, and 2012 the District was required to pay the HCA \$59.59, 62.48, and 66.01, respectively per month per full-time equivalent employee to support the program, for a total payment for 2010, 2011, and 2012 of \$27,415.29, \$28,770.38 and \$27,611.03 respectively. 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. This is a departure from GAAP.

NOTE 7: COMMITMENTS UNDER NONCAPITALIZED (OPERATING) LEASES

For the fiscal year(s) ended August 31, 2010, 2011, 2012, the District had incurred additional long-term debt as follows:

The district entered into a 60 month lease for two copy machines in January, 2010. The district also established a bank loan for a light retro-fit project on October, 2006. The maturity date of the light-retro fit loan was August, 2011.

The district established a bank loan on September 16, 2008, for HVAC units in the High School portion of the building. In February, 2012, the district purchased a transportation building for \$75,100.00 and added the amount to the existing HVAC loan with the principal amount of \$126,176.27 for a total loan amount of \$201,276.27.

Lessor	Amount	Annual Installment	Final Installment Date	Interest Rate	Date	Balance
Lease-Purchase Commitments						
Ricoh Americas Corp- (copiers)	\$29,383	\$3,918			8/31/10	\$25,465
		\$5,876			8/31/11	\$19,588
		\$5,876			8/31/12	\$13,712
		\$5,876			8/31/13	\$ 7,835
		\$5,876			8/31/14	\$ 1,958
		\$1,958	12/31/2014		8/31/15	-0-
<i>Total Lease-Purchase Commitments</i>					8/31/12	\$13,712
Other Long-term Commitments						
Bank of Whitman (light retro-fit)	\$9,322	\$9,322	08/30/2011	variable	08/31/2011	-0-
Bank of Ffld (HVAC)	\$149,154	\$21,926		4.00	08/31/2010	\$149,154
		\$21,926		4.00	08/31/2011	\$132,896
		\$ 6,720				\$126,176
		\$126,176	02/28/2012			-0-
Bank of FFld Trans. Bldg & HVAC (combined)	\$201,276	\$12,204	01/29/2017	4.00	08/31/2012	\$192,635
		\$24,409		4.00	08/31/2013	\$174,140
		\$24,409		4.00	08/31/2014	\$156,373
		\$24,409		4.00	08/31/2015	\$137,883
		\$24,409		4.00	08/31/2016	\$118,653
		\$120,587	(balloon pymt)		01/31/2017	-0-
<i>Total Long-term Commitments</i>					08/31/2012	\$192,635

NOTE 8: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS, INCLUDING ENCUMBRANCES, IF APPROPRIATE

There were not any significant construction projects for the school years 2010, 2011, 2012.

Encumbrances

The district does not use encumbrance accounting.

NOTE 9: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The district's capital assets are insured in the amount of \$1,133,397.00 for fiscal years 2010, 2011, and 2012, respectively. In the opinion of the district's insurance consultant, this amount is sufficient to adequately fund replacement of the district's assets.

NOTE 10: REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES

Long-Term Debt

Bonds payable at August 31, 2012, are comprised of the following individual issues:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
General Obligation Bonds	\$2,380,000		12/1/2014	5.5	\$840,000
(new addition to building)					
Total General Obligation Bonds					\$840,000

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
General Obligation Bonds					
(roof)	\$ 700,000		12/01/2017	4.32	\$700,000
Total General Obligation Bonds					\$700,000

The following is a summary of general obligation long-term debt transactions of the District for the fiscal year(s) ended August 31, 2010, 2011, and 2012:

Long-Term Debt Payable at 9/1/2009	\$2,230,000
New Issues	-0-
Debt Retired	\$ 215,000
Long-Term Debt Payable at 8/31/2010	\$2,015,000

The following is a summary of general obligation long-term debt transactions of the District for the fiscal year(s) ended August 31, 2011:

Long-Term Debt Payable at 9/1/2010	\$2,315,000
New Issues	\$ -0-
Debt Retired	\$ 230,000
Long-Term Debt Payable at 8/31/2011	\$1,785,000

The following is a summary of general obligation long-term debt transactions of the District for the fiscal year(s) ended August 31, 2012:

Long-Term Debt Payable at 9/1/2011	\$1,785,000
New Issues	\$ -0-
Debt Retired	\$ 245,000
Long-Term Debt Payable at 8/31/2012	\$1,540,000

The following is a schedule of annual requirements to amortize debt at August 31, 2012:

Years Ending August 31	Principal	Interest	Total
2013	\$265,000	\$ 38,912	\$303,912
2014	\$280,000	\$ 23,924	\$303,924
2015	\$295,000	\$ 8,112	\$303,112
Total	\$840,000	\$ 70,948	\$910,948

The following is a schedule of annual requirements to amortize debt at August 31, 2012:

Years Ending August 31	Principal	Interest	Total
2013		\$ 14,735	\$ 14,735
2014	\$164,000	\$ 29,470	\$193,470
2015	\$171,000	\$ 22,564	\$193,564
2016	\$179,000	\$ 15,366	\$194,366
2017	\$186,000	\$ 7,830	\$193,830
Total	\$700,000	\$ 89,965	\$789,965

At August 31, 2010, 2011, and 2012, the District had \$255,729.93, \$282,128.80, and \$313,943.78 respectively, 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, 1994, \$2,185,000, of bonds outstanding were considered defeased.

NOTE 11: INTERFUND TRANSFERS

The following tables depict interfund transfer activity for 2010, 2011, and 2012:

Debtor Fund	Due To	Balance at 9/1/2009	Transfer Activity		Balance at 9/1/2010
			Transfers	Payments	
General Fund	Capital Proj Fund	-0-	\$31,180	\$31,180	
Totals			\$31,180	\$31,180	-0-

Debtor Fund	Due To	Balance at 9/1/2010	Transfer Activity		Balance at 9/1/2011
			Transfers	Payments	
General Fund	Capital Proj Fund	-0-	\$31,926	\$31,926	
Totals			\$31,926	\$31,296	-0-

Debtor Fund	Due To	Balance at 9/1/2011	Transfer Activity		Balance at 9/1/2012
			Transfers	Payments	
General Fund	Capital Proj Fund	-0-	\$21,300	\$21,300	
Totals			\$21,300	\$21,300	-0-

NOTE 12: ENTITY RISK MANAGEMENT ACTIVITIES

The district is exposed to various risks of loss related to: torts, theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters.

The district made payments totaling \$25,505.94, \$27,466.82, and \$27,881.26, for fiscal year 2010, 2011, and 2012, respectively to the industrial insurance pool and \$0.00 to the unemployment insurance pool for fiscal year 2010, 2011, and 2012. Both of these pools are administered by the Educational Service District #101 on behalf of several local school districts. These funds are operated for district's benefit in-lieu-of the district having to make monthly premium payments to the State of Washington for unemployment and industrial beneficiaries as they occur and minimizes the district's cost for the two programs.

The district joined with other school districts in the State to form the United Schools Insurance Program, a public entity risk pool currently operating as a common risk management and insurance coverage. The pool provides the following forms of group purchased insurance coverage for its members: property, general liability, automobile liability, School Board legal liability, and crime. The agreement for formation of the United Schools Insurance Program provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$100,000 to the limits of each policy

NOTE 13: 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 October 31 collection of property taxes will be recorded as revenue in the 2012-13 school year, consistent with the cash basis of accounting.

NOTE 14: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

The school district is a member of the King County Directors' Association (KCDA). KCDA is a purchasing co-op designed to pool the member district's purchasing power. The Board authorized joining the association by passing a resolution dated December 16, 1999. The district's current equity of \$765.82, 514.42, and 182.06, for 2010, 2011, and 2012, respectively, 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 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 fifteen annual payments.

NOTE 15: FUND BALANCE CLASSIFICATION DETAILS

Fund balance classification did not affect the District's financial statements until 2011. 2010's Reserved and Unreserved fund balances were \$133,980 and \$846,434 respectively.

The District's financial statements include the following amounts presented in the aggregate for 2011:

	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund	Transportation Vehicle Fund
Nonspendable Fund Balance					
Inventory and Prepaid Items					
Restricted Fund Balance					
Carryover of Restricted Revenues					
Debt Service					
Arbitrage Rebate					
Uninsured Risks					
Other Items	134,033.71	87,826.24		282128.80	
Committed Fund Balance					
Minimum Fund Balance Policy					
Other Commitments					
Assigned Fund Balance					
Contingencies					
Other Capital Projects					
Other Purposes					
Fund Purposes			7,458.45		94,533.37

The District's financial statements include the following amounts presented in the aggregate for 2012:

	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund	Transportation Vehicle Fund
Nonspendable Fund Balance					
Inventory and Prepaid Items					
Restricted Fund Balance					
Carryover of Restricted Revenues					
Debt Service					
Arbitrage Rebate					
Uninsured Risks					
Other Items	133,930.35	89,130.56		313,943.78	
Committed Fund Balance					
Minimum Fund Balance Policy					
Other Commitments					
Assigned Fund Balance					
Contingencies					
Other Capital Projects					
Other Purposes					
Fund Purposes			13,972.85		18,774.36

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 a minimum of \$130,000.00 in General Fund Ledger account 810, Restricted Fund Balance, for the school years 2009-10, 2010-11, 2011-12. In addition to the \$130,000.00 in account 810 is the carryover of LAP Funds of \$3,925.61, \$4,033.71, and \$3,930.35 for the school years 2009-10, 2010-11, and 2011-12.

NOTE 16: POST-EMPLOYMENT BENEFIT PLANS ORTHER THAN PENSION PLANS—BOTH IN SEPARATELY ISSUED PLAN FINANCIAL STATEMENTS AND OTHER EMPLOYER STATEMENTS

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 two types of deferrals: elective deferrals (employee contribution) and non-elective contribution (employer matching).

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, Great American Plan Administrators. The plan assets are assets of the school district employees, not the school district, and are therefore not reflected on these financial statements. For the years ended August 31, 2010, 2011, and 2012, the school district made \$3,339.12, \$3,000.00, and \$3,000.00, in discretionary employer contributions to the plan.

NOTE 17: TERMINATION BENEFITS

Compensated Absences

Employees earn sick leave at a rate of twelve 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 out 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.

District obligation for vested sick leave at August 31, 2010, August 31, 2011, and August 31, 2012, amounts to \$45,754.11, \$54,494.68, and \$46,188.82, respectively.

Unpaid vacation leave liability at August 31, 2010, August 31, 2011, and August 31, 2012, amounts to \$6,454.36, \$5,326.43, and \$6,058.22, respectively.

NOTE 18: CONDITIONS AND EVENTS GIVING RISE TO SUBSTANTIAL DOUBT ABOUT THE GOVERNMENT'S ABILITY TO CONTINUE AS A GOING CONCERN

The District has not been placed into binding financial conditions with the State.

NOTE 19: OTHER DISCLOSURES

The district is not self-insured and the district does not operate a Skills Center.

Rosalia School District No. 320
Schedule of Long-Term Liabilities
For the Year Ended August 31, 2012

Description	Beginning Outstanding Debt September 1, 2011	Amount Issued/Increased	Amount Redeemed/Decreased	Ending Outstanding Debt August 31, 2012
Total Voted Bonds	1,785,000.00	0.00	245,000.00	1,540,000.00
Total Non-Voted Notes/Bonds	0.00	0.00	0.00	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	18,625.48	0.00	5,451.36	13,174.12
Contracts Payable (GL 603)	132,896.31	59,739.35	0.00	192,635.66
NonCancellable Operating Leases	0.00	0.00	0.00	0.00
Claims & Judgments	0.00	0.00	0.00	0.00
Compensated Absences	59,821.11	0.00	7,574.07	52,247.04
Other Long-Term Liabilities	0.00	0.00	0.00	0.00
Total Other Long-Term Liabilities	211,342.90	59,739.35	13,025.43	258,056.82
TOTAL LONG-TERM LIABILITIES	1,996,342.90	59,739.35	258,025.43	1,798,056.82

Rosalia School District No. 320

Schedule of Long-Term Debt

For the Year Ended August 31, 2011

Description	Beginning Outstanding Debt September 1, 2010	Amount Issued/Increased	Amount Redeemed/Decreased	Ending Outstanding Debt August 31, 2011
Total Voted Bonds	2,015,000.00	0.00	230,000.00	1,785,000.00
Total Non-Voted Notes/Bonds	0.00	0.00	0.00	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	25,464.92	0.00	6,839.44	18,625.48
Contracts Payable (GL 603)	158,476.34	0.00	25,580.03	132,896.31
NonCancellable Operating Leases	0.00	0.00	0.00	0.00
Claims & Judgments	0.00	0.00	0.00	0.00
Compensated Absences	52,208.47	7,612.64	0.00	59,821.11
Other Long-Term Debt	0.00	0.00	0.00	0.00
Total Other Long-Term Debt	236,149.73	7,612.64	32,419.47	211,342.90
TOTAL LONG-TERM DEBT	2,251,149.73	7,612.64	262,419.47	1,996,342.90

Rosalia School District No. 320

Schedule of Long-Term Debt

For the Year Ended August 31, 2010

Description	Beginning Outstanding Debt September 1, 2009	Amount Issued/Increased	Amount Redeemed/Decreased	Ending Outstanding Debt August 31, 2010
Total Voted Bonds	2,230,000.00	0.00	215,000.00	2,015,000.00
Total Non-Voted Notes/Bonds	0.00	0.00	0.00	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	0.00	25,464.92	0.00	25,464.92
Contracts Payable (GL 603)	187,331.27	0.00	28,854.93	158,476.34
NonCancellable Operating Leases	0.00	0.00	0.00	0.00
Claims & Judgments	0.00	0.00	0.00	0.00
Compensated Absences	48,619.03	3,589.44	0.00	52,208.47
Other Long-Term Debt	0.00	0.00	0.00	0.00
Total Other Long-Term Debt	235,950.30	29,054.36	28,854.93	236,149.73
TOTAL LONG-TERM DEBT	2,465,950.30	29,054.36	243,854.93	2,251,149.73



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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