

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

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**Oakville School District No. 400**  
**Grays Harbor County**

Audit Period  
**September 1, 2003 through August 31, 2005**

**Report No. 71326**

Issue Date  
**September 1, 2006**



Washington \_\_\_\_\_  
***State Auditor***  
\_\_\_\_\_  
Brian Sonntag



**Washington State Auditor  
Brian Sonntag**

September 1, 2006

Board of Directors  
Oakville School District No. 400  
Oakville, Washington

***Report on Financial Statements and Federal Single Audit***

Please find attached our report on Oakville School District No. 400'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.

In addition to this work, we look at other areas of our audit client's operations for compliance with state laws and regulations. The results of that audit will be included in a separately issued accountability report.

Sincerely,

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

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Grays Harbor County  
September 1, 2003 through August 31, 2005**

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# Federal Summary

## Oakville School District No. 400 Grays Harbor County September 1, 2003 through August 31, 2004

The results of our audit of Oakville School District No. 400 are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

- An unqualified opinion was issued on the District's financial statements.
- We noted no instances of noncompliance that were material to the financial statements of the District.
- We noted significant deficiencies in the design or operation of internal control over major federal programs that we consider to be reportable conditions.
- We issued an unqualified opinion on the District's compliance with requirements applicable to its major federal program.
- We reported findings, which are required to be disclosed under OMB Circular A-133.
- We noted in our Independent Auditor's Report on Financial Statements that the Schedule of Expenditures of Federal Awards was fairly presented.
- 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.
- The following was a major program during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
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84.041	Impact Aid
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# Schedule of Federal Audit Findings

## Oakville School District No. 400 Grays Harbor County September 1, 2003 through August 31, 2004

- 1. Oakville School District No. 400 did not have adequate controls in place over the preparation of its Schedule of Expenditures of Federal Awards to ensure compliance with federal requirements.**

### **Description of Condition**

Federal regulations require local governments to arrange for a single audit when their federal expenditures exceed \$500,000 in any fiscal year.

The District spent \$725,368 in federal money in fiscal year 2004, but did not notify the State Auditor's Office that a single audit was required.

### **Cause of Condition**

Due to inexperienced District staff and the lack of an independent review, the Schedule of Expenditures of Federal Awards contained errors, which led the Business Manager to believe that a single audit was not required.

### **Effect of Condition**

Without an audit, grantors have less assurance that grant funds are being used for authorized purposes and in compliance with federal regulations. In addition, future federal awards could be reduced or cancelled when audits are not completed as required.

### **Recommendation**

We recommend the District establish controls to ensure proper reporting of the Schedule of Expenditures of Federal Awards and notify the State Auditor's Office when a federal single audit is required.

### **District's Response**

*Inexperience of new administration staff in reporting the Schedule of Expenditures of Federal Awards led to the misunderstanding of reporting federal funds received (double payment received in one fiscal year instead of two). The situation has been corrected with a better understanding of the process.*

### **Auditor's Remarks**

We appreciate the steps the District is taking to resolve this issue. We will review the condition during our next audit.

## Applicable Laws and Regulations

OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Subpart C, Section 300 outlines the local government's responsibilities:

(e) Ensure that the audits required by this part are properly performed and submitted when due.

OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Subpart B - Audits, Section 200, Audit requirements, states in part:

(a) Audit required. Non-Federal entities that expend \$300,000 (*\$500,000 for fiscal years ending after December 31, 2003*) or more in a year in Federal awards shall have a single or program-specific audit conducted for that year in accordance with the provisions of this part. Guidance on determining Federal awards expended is provided in section 205.

OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Subpart B - Audits, Section 320, Report Submission, states in part:

(a) General. The audit shall be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section shall be submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

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

## Oakville School District No. 400 Grays Harbor County September 1, 2003 through August 31, 2005

Board of Directors  
Oakville School District No. 400  
Oakville, Washington

We have audited the financial statements of Oakville School District No. 400, Grays Harbor County, Washington, as of and for the years ended August 31, 2005 and 2004, and have issued our report thereon dated August 2, 2006.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

### **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, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. 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 herein 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". The signature is fluid and cursive, with the first name "Brian" written in a larger, more prominent script than the last name "Sonntag".

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

August 2, 2006



# Independent Auditor's Report on Compliance with Requirements Applicable to its Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

## Oakville School District No. 400 Grays Harbor County September 1, 2003 through August 31, 2004

Board of Directors  
Oakville School District No. 400  
Oakville, Washington

### **COMPLIANCE**

We have audited the compliance of Oakville School District No. 400, Grays Harbor 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 are applicable to its major federal program for the year ended August 31, 2004. The District's major federal program is identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program 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 the 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 requirements referred to above that are applicable to its major federal program for the year ended August 31, 2004. 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 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 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.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Federal Audit Findings as Finding 1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

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.



**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

August 2, 2006

# Independent Auditor's Report on Financial Statements

## **Oakville School District No. 400 Grays Harbor County September 1, 2003 through August 31, 2005**

Board of Directors  
Oakville School District No. 400  
Oakville, Washington

We have audited the accompanying financial statements of Oakville School District No. 400, Grays Harbor County, Washington, for the years ended August 31, 2005 and 2004. 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 on 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 comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of Oakville School District No. 400, for the years ended August 31, 2005 and 2004, 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 Schedules of Long-Term Debt are 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 has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

August 2, 2006

# Financial Section

**Oakville School District No. 400  
Grays Harbor County  
September 1, 2003 through August 31, 2005**

## ***FINANCIAL STATEMENTS***

Statement of Revenues, Expenditures and Changes in Fund Balance – 2005  
Statement of Revenues, Expenditures and Changes in Fund Balance – 2004  
Statement of Changes in Fiduciary Net Assets – Other Trust and Agency Funds – 2005  
Statement of Changes in Fiduciary Net Assets – Other Trust and Agency Funds – 2004  
Notes to Financial Statements – 2005 and 2004

## ***SUPPLEMENTAL INFORMATION***

Schedule of Long-Term Debt – 2005  
Schedule of Long-Term Debt – 2004  
Schedule of Expenditures of Federal Awards – 2004  
Notes to the Schedule of Expenditures of Federal Awards – 2004

	General Fund	Assoc. Student Body	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund
Permanent					
Fund					
REVENUES:					
Local	296,278.52				
State	2,096,574.20	52,268.00	6.99-		22,381.55
Federal	512,220.06				
Other	17,615.61				
TOTAL REVENUES	2,922,688.39	52,268.00	6.99-		22,381.55
EXPENDITURES:					
CURRENT:					
Regular Instruction	1,413,910.59				
Special Education	339,686.81				
Vocational Education	188,738.42				
Skills Center					
Compensatory Programs	318,684.44				
Other Instructional Progs	46,239.00				
Community Services					
Support Services					
Student Activities/Other	719,283.47	44,696.74			
CAPITAL OUTLAY:					
Sites				2,262.70	
Building					
Equipment					
Energy					
Transportation Equipment					12,514.22
Other	1,907.83				
DEBT SERVICE:					
Principal					
Interest and Other Charges					
TOTAL EXPENDITURES	3,028,450.56	44,696.74		2,262.70	12,514.22
REVENUES OVER (UNDER) EXP:	105,762.17-	7,571.26	6.99-	2,262.70-	9,867.33
OTHER FINANCING SOURCES(USES):					
Bond Sales & Refund Bond Sales					
Long-Term Financing					
Transfers In	79,000.00				
Transfers Out					
Other Financing Uses (GL 535)				79,000.00-	
Other					
TOTAL OTHER FINANCING SOURCES (USES)	79,000.00			79,000.00-	
EXCESS OF REVS & OTHER FIN SOURCES OVER (UNDER) EXP AND OTHER FIN USES	26,762.17-	7,571.26	6.99-	81,262.70-	9,867.33
BEGINNING TOTAL FUND BALANCE	181,799.67	21,728.46	70,705.60	81,595.87	2,303.70
Prior Year(s) Corrections or Restatements					
ENDING TOTAL FUND BALANCE	155,037.50	29,299.72	70,698.61	333.17	12,171.03

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

	General Fund	Assoc. Student Body	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund
Permanent					
Fund					
REVENUES:					
Local	231,384.59				
State	2,126,079.50	42,807.35	7.58		15,775.53
Federal	642,932.91				
Other	10,185.34				
TOTAL REVENUES	3,010,582.34	42,807.35	7.58		15,775.53
EXPENDITURES:					
CURRENT:					
Regular Instruction	1,409,151.35				
Special Education	287,962.15				
Vocational Education	174,291.44				
Skills Center					
Compensatory Programs	323,086.38				
Other Instructional Progs	61,545.26				
Community Services					
Support Services	786,603.81	56,104.16			
Student Activities/Other					
CAPITAL OUTLAY:					
Sites					
Building					
Equipment					
Energy					
Transportation Equipment					76,972.23
Other	11,173.59				
DEBT SERVICE:					
Principal					
Interest and Other Charges					
TOTAL EXPENDITURES	3,053,813.98	56,104.16			76,972.23
REVENUES OVER (UNDER) EXP:	43,231.64-	13,296.81-	7.58		61,196.70-
OTHER FINANCING SOURCES(USES):					
Bond Sales & Refund Bond Sales					
Long-Term Financing					
Transfers In					
Transfers Out					
Other Financing Uses (GL 535)					
Other					
TOTAL OTHER FINANCING SOURCES (USES)					23,878.63
EXCESS OF REVS & OTHER FIN SOURCES OVER (UNDER) EXP AND OTHER FIN USES	43,231.64-	13,296.81-	7.58		37,318.07-
BEGINNING TOTAL FUND BALANCE	225,031.31	35,025.27	70,698.02	81,595.87	39,621.77
Prior Year(s) Corrections or Restatements					
ENDING TOTAL FUND BALANCE	181,799.67	21,728.46	70,705.60	81,595.87	2,303.70

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

REPORT F196  
E.S.D. 113  
COUNTY: 14 GRAYS HARBOR

OAKVILLE SCHOOL DISTRICT NO. 400  
Statement of Changes in Fiduciary Net Assets  
Other Trust & Agency Funds  
For The Year Ended August 31, 2005

PAGE: 10  
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Private  
Purpose  
Trust  
Other  
Trust

ADDITIONS:  
Contributions:  
Private Donations  
Employer  
Members  
Other  
Total Contributions  
Investment Earnings:  
Net Increase (Decrease) in  
Fair Value of Investments  
Interest  
Dividends  
Total Investment Earnings  
Less Investment Expense  
Net Investment Earnings  
Rent or Lease Revenue  
Total Additions

DEDUCTIONS:  
Benefits  
Refund of Contributions  
Administrative Expenses  
Scholarships  
Other  
Total Deductions  
Changes in Net Assets  
Net Assets--Beginning of Year  
Prior Year(s) Corrections or Restatements  
Net Assets--End of Year

7,492.37  
7,492.37

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



Private Purpose Trust      Other Trust

ADDITIONS:  
 Contributions:  
   Private Donations  
   Employer Members  
   Other  
 Total Contributions  
 Investment Earnings:  
 Net Increase (Decrease) in Fair Value of Investments  
 Interest  
 Dividends  
 Total Investment Earnings  
 Less Investment Expense  
 Net Investment Earnings  
 Rent or Lease Revenue  
 Total Additions

DEDUCTIONS:  
 Benefits  
 Refund of Contributions  
 Administrative Expenses  
 Scholarships  
 Other  
 Total Deductions  
 Changes in Net Assets  
 Net Assets--Beginning of Year  
 Prior Year(s) Corrections or Restatements  
 Net Assets--End of Year

84.35  
 84.35  
 4,622.09  
 2,954.63  
 7,492.37

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

**OAKVILLE SCHOOL DISTRICT NO. 400  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 1, 2003 THROUGH AUGUST 31, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The Oakville 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 Oakville School District includes all funds, and organizations 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, 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 district reports on cash basis of accounting pursuant to RCW 28A.505.020 permits districts with less than one thousand full time equivalent students for the preceding fiscal year to make a uniform election of cash basis accounting for all funds, except debt service. The accounts of the district are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its fund equity, revenues, and expenditures. The various funds in the report are grouped into governmental funds as follows:

GOVERNMENTAL FUNDS

General Fund

This fund is the general operating fund of the district. It accounts for all expendable financial resources, except those required to be accounted for in another fund.

Capital Projects Fund

This fund type accounts for financial resources to be used for the construction or purchase of major capital assets, it consists of the Capital Projects Fund and the Transportation Vehicle Fund.

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 general long-term debt principal, interest, and related expenditures.

### Special Revenue Funds

This fund type accounts for the proceeds of specific revenue sources legally restricted for specific purposes. The Associated Student Body Fund (ASB) 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.

#### c. Basis of Accounting

The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

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 for cash basis districts. The publication was 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 practices that differ from generally accepted accounting principles in the following manner:

- (1) Revenues are recognized when they are received in cash, rather than when measurable and available. Expenditures are recognized when warrants are issued rather than when expenditures are incurred.
- (2) The cost of supplies and material is recorded as an expenditure at the time the inventory item is purchased rather than when consumed.
- (3) District wide statements are not presented.
- (4) The financial statements do not report capital assets.
- (5) 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.
- (6) The original budget is not presented but is available at the Office of Superintendent of Public Instruction.
- (7) Management Discussion and Analysis is not presented.

#### 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 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 a cash basis as allowed in law for all governmental funds. Fund balance is budgeted as available resources and pursuant to law; the budgeted ending fund balance should not be negative.

e. Deposits and Investments

The county treasurer is the ex-officio treasurer for the district. In this capacity, the county treasurer receives deposits and transacts investments per the district's instruction.

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.

The district's deposits are covered entirely by federal depository insurance or by collateral held by the district's custodial banks in the district's name. The district's cash on deposit balance with the county was \$439,478.53 as of August 31, 2004 and \$430,307.00 as of August 31, 2005. This balance includes all funds.

Statutes authorize the district to invest in (1) securities, certificates, notes, bonds, short-term securities, or other obligations of the United States, and (2) deposits in any state bank or trust company, national banking association, stock saving bank, mutual savings bank, savings and loan association, and any branch bank engaged in banking in the state in accordance with RCW 30.04.300 if the institution has been approved by the Public Deposit Protection Commission to hold public deposits and has segregated eligible collateral having a value of not less than its maximum liability. The county treasurer had \$158,103.80 invested for the district as of August 31, 2004 and \$87,871.64 invested for the district as of August 31, 2005. These investments include all funds.

f. Inventory

The cost of supplies and materials is recorded as an expenditure at the time the inventory item is purchased. For donated USDA commodities inventory a beginning and ending inventory is kept to meet federal requirements. The district USDA ending inventory is valued at \$-0- as of August 31, 2004 and \$-0- as of August 31, 2005.

g. 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.

h. 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 Chapter 28A.400.210 RCW, 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. The statute also provides for an annual buy-out of an amount up to the maximum annual accumulation of 12 days. For buy-out purposes employees may accumulate sick leave to a maximum of 192 days, i.e., 12 buy-out days and a maximum leave accrual of 180 days, as of December 31 of each year.

District obligation for vested sick leave at August 31, 2004 amounts to \$63,762.62 and at August 31, 2005 amounts to \$62,723.82.

Vested sick leave for employees eligible for retirement is recorded as long term debt liabilities. These expenditures are recorded when paid, except termination sick leave that is accrued upon death or retirement. Vested sick leave was computed using the termination payment method.

Unpaid vacation leave liability at August 31, 2004 amounts to \$27,480.52 and at August 31, 2005 amounts to \$33,876.77.

NOTE 2 - CAPITAL ASSETS

The district's capital assets are insured in the amount of \$11,662,617 for both fiscal years 2003-04 and 2004-05. 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 Oakville 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:

Membership by retirement system program as of September 30, 2005:

Program	Active Members Vested	Active Members Not-Vested	Retired Members Receiving Benefits
TRs	36,431	30,203	36,292
PERS	103,039	53,217	66,896
SERS	26,940	22,914	1,578

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 SERS and TRS, 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 Plan 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 41.35 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.

B. Contributions

Employee contribution rates as of August 31, 2005:

Plan 1 TRS - 6.0%	Plan 1 PERS - 6.0%
Plan 2 TRS - 0.87%	Plan 2 PERS - .85%
Plan 3 TRS and SERS 5.00% (minimum) 15.00% (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, 2004:

Plan 1 TRS - 1.39%	Plan 1 PERS - 1.40%
Plan 2 TRS - 1.39%	Plan 2 SERS - 1.07%
Plan 3 TRS - 1.39%*	Plan 3 SERS - 1.07 %*

\*Defined benefit portion only.

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 September 30, 2005:

<u>Plan</u>	<u>FY 2005</u>	<u>FY 2004</u>	<u>FY 2003</u>	<u>FY 2002</u>
Plan 1 TRS	\$ 7,440.51	\$ 10,985.72	\$ 10,451.71	\$ 19,989.22
Plan 2 TRS	\$ 5,640.43	\$ 5,475.94	\$ 5,128.03	\$ 8,416.45
Plan 3 TRS	\$ 18,445.42	\$ 21,679.73	\$ 20,800.86	\$ 36,317.02
Plan 1 PERS	\$ 921.20	\$ 2,070.21	\$ 2,030.29	\$ 2,335.53
Plan 2 SERS	\$ 6,157.26	\$ 5,502.61	\$ 6,497.03	\$ 8,331.64
Plan 3 SERS	\$ 2,666.31	\$ 3,231.29	\$ 3,794.75	\$ 4,249.20

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 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- CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

There were no significant construction projects or commitments for the Oakville School District during the 2004-05 fiscal years.

#### NOTE 5 - RISK MANAGEMENT

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 Oakville School District is a member of the United Schools Insurance Program. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The pool was formed 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. One hundred and sixty-five schools have joined the Pool.

The pool allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Coverage for Public Officials Liability is on a "claims made basis". All other coverages are on an "occurrence basis". The pool provides the following forms of group purchased insurance coverage for its members: Property, liability, vehicle liability, other mobile equipment, boiler and machinery, bonds of various types, excess liability and public official liability.

The pool acquires liability insurance from unrelated underwriters that are 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, however, purchases a stop loss policy in the amount of \$1,727,677 to eliminate any risk to members and, in addition, fully funds the stop loss through the budget and unreserved equity.

Property insurance is subject to a per-occurrence deductible of \$50,000. Members are responsible for the \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$49,000.

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, 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 fiscal year ending August 31, 2004 was \$40,498.00 for ending for fiscal year August 31, 2005 was \$46,772.00.

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 to perform day-to-day administration of the pool. This pool has no employees.

#### NOTE 6 – DEBT AND LEASE OBLIGATIONS

The Oakville School District had debt in the amount of \$24,814.10 with Key Bank for purchase of a school bus. This loan was paid in full within two payments (November 2004 \$12,514.22 and the last payment December 2005 for \$12,299.88).

#### NOTE 7 - SUMMARY OF SIGNIFICANT CONTINGENCIES

##### Litigation

The District has no legal obligations in the fiscal years 2004-05 and no known other legal or future obligations which would materially impact the financial position of the district.

#### NOTE 8 - OTHER DISCLOSURES

The 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 district's current equity of \$10,288.77 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 9 - SUBSEQUENT EVENTS

No significant events have happened after August 31, 2005 that could have a material impact on the district in the current and future years.

The district's financial plan for the 2006-2007 fiscal year includes revenues from levy monies collectible in spring 2007. Fall of 2008 the district will collect remainder of levy monies.



Description	(1) Beginning Outstanding Debt 9/1/2004	(2) Amount Issued/ Increased	(3) Amount Redeemed/ Decreased	(4) Ending Outstanding Debt 8/31/2005 (1)+(2)-(3)
Total Voted Bonds				
Total Non-Voted Notes/Bonds				
Qualified Zone Academy Bonds				
Other Long-Term Debt:				
Capital Leases				
Contracts Payable (GL 603)				
NonCancelable Operating Leases				
Claims & Judgements				
Compensated Absences				
Other Long-Term Debt	91,243.14	5,357.45	12,514.22	96,600.59
	24,814.10			12,299.88
Total Other Long-Term Debt	116,057.24	5,357.45	12,514.22	108,900.47
Total Long-Term Debt	116,057.24	5,357.45	12,514.22	108,900.47

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**OAKVILLE SCHOOL DISTRICT NO. 400**  
 Schedule of Long-Term Debt  
 For The Year Ended August 31, 2004

	(1) Beginning Outstanding Debt 9/1/2003	(2) Amount Issued/ Increased	(3) Amount Redeemed/ Decreased	(4) Ending Outstanding Debt 8/31/2004 (1)+(2)-(3)
Description				
Total Voted Bonds				
Total Non-Voted Notes/Bonds				
Other Long-Term Debt:				
Capital Leases				
Contracts Payable (GL 603)				
NonCancellable Operating Leases				
Claims & Judgements				
Compensated Absences	68,163.15	23,079.99		91,243.14
OZAB				
Other Long-Term Debt		24,814.10		24,814.10
Total Other Long-Term Debt	68,163.15	47,894.09		116,057.24
Total Long-Term Debt	68,163.15	47,894.09		116,057.24

**Oakville School District #400**  
**Schedule of Expenditures of Federal Awards For the Year Ending August 31, 2004**

CFDA NO.	FEDERAL GRANTOR	PROGRAM TITLE	PASS-THRU AGENCY	PASS-THRU AWARDS EXP.	DIRECT AWARDS EXP.	TOTAL EXPEND	OTHER ID NO.	Foot Note Reference
10.555	US DOA	SCHOOL LUNCH PROG.	WA OSPI	\$ 69,647.13	\$ -	\$ 69,647		
10.553	US DOA	SCHOOL BREAKFAST PROG.	WA OSPI	\$ 19,199.65	\$ -	\$ 19,200		
10.550	US DOA	FOOD DIST. (COMMODITIES)	WA OSPI	\$ 7,293.80	\$ -	\$ 7,294		2
10.665	US DOA	FEDERAL FORESTS	WA OSPI	\$ 6,407.56	\$ -	\$ 6,408		
84.048	US DOE	C. PERKINS/VOC ED	WA OSPI	\$ 4,344.79	\$ -	\$ 4,345	170146	
84.010	US DOE	TITLE 1 (REG)	WA OSPI	\$ 142,623.62	\$ -	\$ 142,624	220105	3
84.027	US DOE	IDEA B (FLOW THOUGHT)	WA OSPI	\$ 34,151.83	\$ -	\$ 34,152	300199	
84.367	US DOE	TPQ	WA OSPI	\$ 21,026.65	\$ -	\$ 21,027	55077	
84.298	US DOE	TITLE V (INNOVATIVE)	WA OSPI	\$ 2,901.55	\$ -	\$ 2,902	552071	
84.318	US DOE	ED THRU TECH (E2T2FL)	WA OSPI	\$ 3,910.00	\$ -	\$ 3,910	720177	
84.318	US DOE	ED THRU TECH (E2T2CG)	WA OSPI	\$ 42,250.59	\$ -	\$ 42,251	730043	
84.287	US DOE	21ST CENTURY	ESD 113	\$ 14,221.53	\$ -	\$ 14,222		
84.334A	US DOE	GEAR-UP	EVERGREEN	\$ 27,420.13	\$ -	\$ 27,420		
84.358A	US DOE	SMALL RURAL ACHIEVEMENT		\$ -	\$ 1,547.62	\$ 1,548	S358A034268	
84.041	US DOE	IMPACT AID		\$ -	\$ 301,065.45	\$ 301,065		
84.060A	US DOE	INDIAN EDUCATION		\$ -	\$ 17,182.48	\$ 17,182		
93.778	US HHS	MEDICAID ADMIN. MATCH	WA DSHS	\$ 10,173.67	\$ -	\$ 10,174		
				<b>\$ 405,572.50</b>	<b>\$ 319,795.55</b>	<b>\$ 725,368.05</b>		

**Oakville School District #400**  
**Notes to the Schedule of Expenditures of Federal Awards**

**FOOT NOTE 1 - BASIS OF ACCOUNTING**

The Schedule of Expenditures of Federal Awards is prepared on the cash 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.

**FOOT NOTE 2 - NON CASH AWARDS - FOOD COMMODITIES**

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

**FOOT NOTE 3 - SCHOOLWIDE PROGRAMS**

The District operates a "schoolwide program" in all 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 District in its schoolwide programs: Title I (84.010) - \$142,624.