

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

Sequim School District No. 323
Clallam County

Audit Period
September 1, 2010 through August 31, 2011

Report No. 1007789

Issue Date
May 29, 2012



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

May 29, 2012

Superintendent and Board of Directors
Sequim School District No. 323
Sequim, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Sequim School District No. 323's financial statements and compliance with federal laws and regulations.

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

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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

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Federal Summary

Sequim School District No. 323 Clallam County September 1, 2010 through August 31, 2011

The results of our audit of Sequim School District No. 323 are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unqualified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

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

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

FEDERAL AWARDS

Internal Control Over Major Programs:

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

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

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

Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
10.553	Child Nutrition Cluster - School Breakfast Program
10.555	Child Nutrition Cluster - National School Lunch Program
84.010	Title I Part A
84.027	Special Education Cluster - Grants to States (IDEA, Part B)
84.410	Education Jobs Fund

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

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

Schedule of Federal Audit Findings and Questioned Costs

**Sequim School District No. 323
Clallam County
September 1, 2010 through August 31, 2011**

1. **The District did not adequately monitor Title I grant expenditures to ensure compliance with federal allowable cost requirements, resulting in questioned costs of more than \$18,658.**

CFDA Number and Title:	84.389 ARRA - Title I Part A
Federal Grantor Name:	U.S. Department of Education
Federal Award/Contract Number:	NA
Pass-through Entity Name:	Office of Superintendent of Public Instruction
Pass-through Award/Contract Number:	0200647 Title I; 0240637 ARRA - Title I
Questioned Cost Amount:	\$18,658

Description of Condition

The District spent \$642,260 in federal Title I grant funds in 2011, \$153,214 of which was paid from the American Recovery and Reinvestment Act. The objective of the Title I program is to improve the teaching and learning of children who are at risk of not meeting state academic standards and who reside in areas with high concentrations of low-income families.

We reviewed teacher salaries and benefits charged to the Title I grant program to determine whether the costs were supported by federally required time and effort documentation. Depending on the number and type of activities an employee works on, time and effort documentation can be a semi-annual certification or a monthly personnel activity report, such as a time sheet. Grantees may develop an alternative system in lieu of preparing certifications or time sheets.

We reviewed time and effort records for all 15 employees whose salaries and benefits were charged to the Title I grant. We found one teacher charged to the Title I program who did not work on it.

Cause of Condition

During the year, the District's Title I Program Director notified the District Business Manager that the salary and benefits were incorrectly charged to the grant. The error was not corrected.

Effect of Condition and questioned costs

A non-Title I teacher's salary and benefits were improperly charged to the grant, resulting in questioned costs totaling \$18,658.

Recommendation

We recommend the District establish and follow internal controls to ensure it meets all requirements for the Title I grant. Controls should ensure that when an error is found, the correction is made promptly and communicated to those charged with monitoring the program.

We also recommend the District consult with OSPI about repayment of questioned costs.

District's Response

We concur with the results of the finding and will initiate corrective action as laid out in the corrective action plan.

Auditor's Remarks

We appreciate the District's commitment to resolve this finding and thank the District for its cooperation and assistance during the audit. We will review the corrective action taken during our next audit.

Applicable Laws and Regulations

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

The auditee shall:

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

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

U.S. Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* (2 CFR 225), states in part:

Appendix A

C. Basic Guidelines

1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

b. Be allocable to Federal awards under the provisions of 2 CFR part 225.

Appendix B, Section 8(h):

(1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.

(2) No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.

(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection

(5) Personnel activity reports or equivalent documentation must meet the following standards:

(a) They must reflect an after-the-fact distribution of the actual activity of each employee,

(b) They must account for the total activity for which each employee is compensated,

(c) They must be prepared at least monthly and must coincide with one or more pay periods, and

(d) They must be signed by the employee.

(e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:

(i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;

(ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and

(iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstance.

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

Sequim School District No. 323
Clallam County
September 1, 2010 through August 31, 2011

Superintendent and Board of Directors
Sequim School District No. 323
Sequim, Washington

We have audited the financial statements of Sequim School District No. 323, Clallam County, Washington, as of and for the year ended August 31, 2011, and have issued our report thereon dated April 12, 2012.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

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

This report is intended for the information and use of management, the Superintendent and 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 a large initial "B" and "S".

BRIAN SONNTAG, CGFM
STATE AUDITOR

April 12, 2012

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

**Sequim School District No. 323
Clallam County
September 1, 2010 through August 31, 2011**

Superintendent and Board of Directors
Sequim School District No. 323
Sequim, Washington

COMPLIANCE

We have audited the compliance of Sequim School District No. 323, Clallam County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2011. The District's major federal programs are identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2011.

INTERNAL CONTROL OVER COMPLIANCE

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and 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 compliance that we consider to be material weaknesses, as defined above.

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

This report is intended for the information of management, the Superintendent and 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

April 12, 2012

Independent Auditor's Report on Financial Statements

Sequim School District No. 323 Clallam County September 1, 2010 through August 31, 2011

Superintendent and Board of Directors
Sequim School District No. 323
Sequim, Washington

We have audited the accompanying financial statements of Sequim School District No. 323, Clallam County, Washington, as of and for the year ended August 31, 2011, as listed on page 13. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sequim School District No. 323, as of August 31, 2011, and the changes in financial position thereof for the year then ended on the basis of accounting described in Note 1.

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

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedule of Long-Term Debt is also presented for purposes of additional analysis as required by the prescribed accounting manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

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

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with a large initial "B" and "S".

BRIAN SONNTAG, CGFM
STATE AUDITOR

April 12, 2012

Financial Section

**Sequim School District No. 323
Clallam County
September 1, 2010 through August 31, 2011**

FINANCIAL STATEMENTS

Balance Sheet – Governmental Funds – 2011
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Sequim School District No. 323

Balance Sheet

Governmental Funds

August 31, 2011

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
ASSETS:							
Cash and Cash Equivalents	4,424.08	127,341.17	0.00	0.00	0.00	0.00	131,765.25
Minus Warrants Outstanding	-606,568.53	-1,453.80	0.00	-3,987.12	0.00	0.00	-612,009.45
Taxes Receivable	1,869,945.70		1,199,780.10	0.00	0.00	0.00	3,069,725.80
Due From Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due From Other Governmental Units	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interfund Loans Receivable	0.00			0.00			0.00
Accrued Interest Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	189,052.27	0.00					189,052.27
Prepaid Items	0.00	0.00		0.00	0.00	0.00	0.00
Investments	3,265,594.85	335,875.61	1,712,499.48	255,379.01	32,652.93	0.00	5,602,001.88
Investments/Cash With Trustee	0.00		0.00	0.00	0.00	0.00	0.00
Investments-Deferred	0.00			0.00			0.00
Compensation				0.00			0.00
Self-Insurance Security Deposit	0.00						0.00
TOTAL ASSETS	4,722,448.37	461,762.98	2,912,279.58	251,391.89	32,652.93	0.00	8,380,535.75
LIABILITIES:							
Accounts Payable	122,029.02	2,055.39	0.00	57,502.65	0.00	0.00	181,587.06
Contracts Payable Current	0.00	0.00		0.00	0.00	0.00	0.00
Accrued Interest Payable			0.00				0.00
Accrued Salaries	0.00	0.00		0.00			0.00
Revenue Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00
Payroll Deductions and Taxes Payable	4,818.43			0.00			4,818.43
Due To Other Governmental Units	0.00	0.00		0.00	0.00	0.00	0.00
Deferred Compensation Payable	0.00			0.00			0.00
Estimated Employee Benefits Payable	0.00			0.00			0.00
Due To Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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

Sequim School District No. 323

Balance sheet

Governmental Funds

August 31, 2011

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
LIABILITIES:							
Interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	0.00	0.00					0.00
Matured Bonds Payable			0.00				0.00
Matured Bond Interest Payable			0.00				0.00
Arbitrage Rebate Payable	0.00		0.00	0.00	0.00		0.00
Deferred Revenue	1,907,718.08	104,791.51	1,199,780.10	0.00	0.00	0.00	3,212,289.69
TOTAL LIABILITIES	2,034,565.53	106,846.90	1,199,780.10	57,502.65	0.00	0.00	3,398,695.18
FUND BALANCE:							
Nonspendable Fund Balance	189,029.02	0.00	0.00	0.00	0.00	0.00	189,029.02
Restricted Fund Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Committed Fund Balance	159,064.26	0.00	0.00	0.00	0.00	0.00	159,064.26
Assigned Fund Balance	0.00	354,916.08	1,712,499.48	193,889.24	32,652.93	0.00	2,293,957.73
Unassigned Fund Balance	2,339,789.56	0.00	0.00	0.00	0.00	0.00	2,339,789.56
TOTAL FUND BALANCE	2,687,882.84	354,916.08	1,712,499.48	193,889.24	32,652.93	0.00	4,981,840.57
TOTAL LIABILITIES AND FUND BALANCE	4,722,448.37	461,762.98	2,912,279.58	251,391.89	32,652.93	0.00	8,380,535.75

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

Sequim School District No. 323

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2011

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
REVENUES:							
Local	4,366,059.75	497,355.46	2,546,336.07	1,487.81	215.15		7,411,454.24
State	16,725,183.23		97,552.30	425,000.00	125,092.52		17,372,828.05
Federal	2,046,025.41		0.00	0.00	0.00		2,046,025.41
Federal Stimulus	1,011,812.47						1,011,812.47
Other	130,731.55			0.00	20,000.00	0.00	150,731.55
TOTAL REVENUES	24,279,812.41	497,355.46	2,643,888.37	426,487.81	145,307.67	0.00	27,992,851.72
EXPENDITURES:							
CURRENT:							
Regular Instruction	12,298,241.30						12,298,241.30
Federal Stimulus	1,032,177.91						1,032,177.91
Special Education	2,840,191.69						2,840,191.69
Vocational Education	1,155,756.97						1,155,756.97
Skills Center	0.00						0.00
Compensatory Programs	1,310,725.46						1,310,725.46
Other Instructional Programs	58,718.64						58,718.64
Community Services	27,683.77						27,683.77
Support Services	5,009,178.34						5,009,178.34
Student Activities/Other		435,752.27				0.00	435,752.27
CAPITAL OUTLAY:							
Sites				0.00			0.00
Building				867,495.63			867,495.63
Equipment				0.00			0.00
Energy				0.00			0.00
Transportation Equipment					102,551.00		102,551.00
Other	376,298.06						376,298.06
DEBT SERVICE:							
Principal	0.00		2,331,723.01	0.00	0.00		2,331,723.01
Interest and Other Charges	0.00		326,963.67	0.00	0.00		326,963.67
TOTAL EXPENDITURES	24,108,972.14	435,752.27	2,658,686.68	867,495.63	102,551.00	0.00	28,173,457.72
REVENUES OVER (UNDER) EXPENDITURES	170,840.27	61,603.19	-14,798.31	-441,007.82	42,756.67	0.00	-180,606.00

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

	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	0.00
Long-Term Financing	0.00			0.00	0.00	0.00	0.00
Transfers In	0.00		107,396.21	0.00	0.00		107,396.21
Transfers Out (GL 536)	-483,225.23		0.00	0.00	-49,170.99	0.00	-532,396.22
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00	0.00	0.00
Other	0.00		0.00	0.00	0.00	0.00	0.00
TOTAL OTHER FINANCING SOURCES (USES)	-483,225.23		107,396.21	0.00	-49,170.99	0.00	-425,000.01
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-312,384.96	61,603.19	92,597.90	-441,007.82	-6,414.32	0.00	-605,606.01
BEGINNING TOTAL FUND BALANCE	3,000,267.80	293,312.89	1,619,901.58	635,460.06	39,067.75	0.00	5,588,010.08
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	-563.00	0.00	0.00	-563.00
ENDING TOTAL FUND BALANCE	2,687,882.84	354,916.08	1,712,499.48	193,889.24	32,653.43	0.00	4,981,841.07

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

OTHER COMPREHENSIVE BASIS OF ACCOUNTING MODIFIED ACCRUAL BASIS (F-196)

Sequim School District No. 323
Notes to Financial Statements
September 1, 2010 through August 31, 2011

Note 1 Summary of Significant Accounting Policies

a. Reporting Entity

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

b. Basis of Presentation—Fund Accounting

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

GOVERNMENTAL FUNDS

General Fund

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

Capital Projects Funds

These funds account for financial resources to be used for the construction or acquisition of major capital assets. The capital projects fund type consists of the Capital Projects Fund and the Transportation Vehicle Fund.

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

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

Debt Service Fund

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

Special Revenue Funds

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

Permanent Funds

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

c. Basis of Accounting

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

- (1) Districtwide 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 Debt. The Schedule of Long-Term Debt is required supplemental information.
- (4) The original budget is not presented. This information is available through the Office of Superintendent of Public Instruction.
- (5) The Management Discussion and Analysis is not required.

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

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

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

d. Budgetary Data

General Budgetary Policies

Chapter 28A.505 RCW and Chapter 392-123 *Washington Administrative Code* (WAC) mandate school district budget policies and procedures. The 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 modified accrual basis as prescribed in law for all governmental funds. Fund balance is budgeted as available resources and, pursuant to law, the budgeted ending fund balance cannot be negative.

e. Assets, Liabilities, and Fund Equity

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

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

The district's 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	1	5,602,002	5,602,002
County Treasurer's Investment Pool			
Total Investments	1	5,602,002	5,602,002

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. Management may reserve a portion of fund balance in any amount as a budgetary technique to ensure the availability of resources at the appropriate time. (Such reserves for inventory indicate that a portion of net current assets is set aside to replace or increase the inventory.)

f. Revenue and Expenditure Recognition

Debt Service

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

Property Taxes

Property tax revenues are collected as the result of special levies passed by the voters in the district. Taxes are levied on January 1. The taxpayer has the option of paying all taxes on April 30 or one-half then and one-half on October 31. Typically, slightly more than half of the collections are made on the April 30 date. The October 31 collection is not available in time to cover liabilities for the fiscal period ended August 31. Therefore, the fall portion of property taxes is not accrued as revenue. Instead, the taxes due on October 31 are recorded as deferred revenue.

Compensated Absences

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

Under the provisions of RCW 28A.400.210, sick leave accumulated by district employees is reimbursed at death or retirement at the rate of one day for each four days of accrued leave,

limited to 180 accrued days. This chapter also provides for an annual buy out of an amount up to the maximum annual accumulation of 12 days. For buy out purposes employees may accumulate such leave to a maximum of 192 days, including the annual accumulation, as of December 31 of each year.

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

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

No unrecorded liability exists for other employee benefits.

- g. Fund Balance – May contain restrictions, commitments, or assignments.

Restrictions are legal restrictions placed on spending of the fund balance of a district based upon statute, WAC or other legal requirements beyond the discretion of the board of directors of the district. Examples include anticipated carryover or recovery of revenues previously received and restricted as to usage.

Commitments represent formal actions taken by the board of directors to commit funds for specific purposes. Funds that have been committed cannot be used for another purpose unless the board of directors takes a specific action to end the commitment.

Note 2 Capital Assets

The district’s capital assets are insured in the amount of \$67,157,108 for fiscal year 2010-2011. In the opinion of the district’s insurance consultant, this amount is sufficient to adequately fund replacement of the district’s assets.

Note 3 Pensions

A. General Information

Substantially all Sequim 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 June 30, 2009:

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

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

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

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

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

Average final compensation (AFC) of Plan 1 TRS and PERS members is the highest average salary during any two consecutive years. For Plan 2 and 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 effective September 1, 2010 through August 31, 2011:

Plan 1 TRS	6.0%	Plan 1 PERS	6.0%
Plan 2 TRS	3.36%	Plan 2 SERS	3.15%
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 effective 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	5.45%
Plan 3 TRS	6.14%	Plan 3 SERS	5.45%

[†]Rate effective July 1, 2011 through August 31, 2011.. From September 1, 2010 through June 30, 2011, the rate was 5.31%.

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):

Plan	Fiscal Year		
	2008-2009	2009-2010	2010-2011
TRS 1	\$97,127	\$53,599	\$37,516
TRS 2	\$114,661	\$95,723	\$98,146
TRS 3	\$692,493	\$532,206	\$512,211
PERS 1	\$6,915	\$4,275	\$2,196
SERS 2	\$90,413	\$63,295	\$64,429
SERS 3	\$152,331	\$113,021	\$115,150
Total	\$1,153,939	\$862,119	\$829,648

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, 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 Risk Management

The Sequim School District is a member of the Schools Insurance Association of Washington. 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, 1995, when seven mid-sized school districts in the State of Washington joined together by signing an Interlocal Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Presently, the SIAW pool has 44 member districts.

The pool allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Coverage for Wrongful Act Liability and Employee Benefit 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, earthquake, liability, automobile liability, equipment breakdown, crime, employee benefits and wrongful act 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 \$2,500 of the deductible amount of each claim, while the pool is responsible for the remaining \$97,500. Insurance carriers cover insured losses over \$100,000 to the limits of each policy. Since the pool is a cooperative program, there is a joining liability among the participating members towards the sharing of the \$97,500 portion of the deductible. The pool also purchases a stop loss policy in the amount \$3,465,000 to reduce risk to its members.

Property insurance is subject to a per-occurrence deductible of \$250,000. Members are responsible for the first \$10,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$250,000.

Equipment breakdown insurance is subject to a per-occurrence deductible of \$1,000. Members are responsible for the deductible amount of each claim.

Members contract to remain in the pool for one year and must give notice before December 31 before terminating participation the following September 1. Renewal of the Interlocal Agreement occurs 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 Interlocal Agreement.

The pool is fully funded by its member participants. Claims are filled 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 year ended August 31, 2011 were \$3,146,313.

A governing board is selected by the membership 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. The pool has no employees.

Note 5 Debt

Long-Term Debt

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

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
General Obligation Bonds					
6/1/2003	9,935,000	218,063-2,038,950	12/1/13	2.0 – 3.5	5,295,000
4/21/2008	4,290,000	197,582-918,500	12/1/14	3.5	2,805,000
Total Gen Obligation Bonds	14,225,000				8,100,000

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

Long-Term Debt Payable at 9/1/2010	10,345,000
New Issues	0
Debt Retired	2,245,000
Long-Term Debt Payable at 8/31/2011	8,100,000

Non-voted bonds payable at August 31, 2011, are comprised of the following individual issues:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
Non-Voted Bonds					
9/1/2002 Bus Purchase	131,417	15,758	12/1/13	3.79	15,321
6/15/2004 Bus Purchase	136,159	13,796	6/1/17	4.34	72,182
9/10/2004 Bus Purchase	72,648	7,086	6/1/17	3.86	37,627
8/10/2010 Equipment	475,000	58,970-59,970	8/1/20	4.25	431,074
Total Non-Voted Bonds	815,224				556,204

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

Non-Voted Debt Payable at 9/1/2010	642,927
New Issues	0
Debt Retired	86,723
Non Voted Debt Payable at 8/31/2011	556,204

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

Years Ending August 31	Principal	Interest	Total
2012	2,386,784	238,418	2,625,202
2013	2,537,158	158,605	2,695,763
2014	2,742,882	68,187	2,811,069
2015-2017	557,305	13,088	570,393
Total	8,224,129	478,298	8,702,427

At August 31, 2011, the district had \$1,712,499 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, 2009 \$4,185,000 of bonds outstanding are considered defeased.

Note 6 Deferred Compensation Plans

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 as an elective deferrals (employee contribution).

The district complies with IRS regulations that require school districts to have a written plan to include participating investment companies, types of investments, loans, transfers, and various requirements. The plan is administered by Security Benefit Corporation.

Note 7 Lease Obligations and Conditional Sales Contract Obligations

The district initiated a lease agreement beginning May, 2009 for the lease of a garbage compactor. Lease payments are made from the district's General Fund. For the fiscal year ended August 31, 2011, the district had incurred additional long-term debt in the form of a lease for the compactor as follows:

Lessor	Amount	Annual Installment	Final Installment Date	Interest Rate	Balance Due
1 st Source Bank	\$39,453	\$10,020	4/15/2014	5.25%	\$29,433

Note 8 Summaries of Significant Contingencies

The Sequim School District has a known legal obligation that would materially impact the financial position of the district. The district was named as a co-defendant in the legal action *Primo Construction Inc v. Trane Inc*. Beginning in October 2010, the district began a construction project at Helen Haller Elementary to install a new HVAC system. Trane was the general contractor and Primo was a subcontractor. Trane subsequently dismissed Primo during the project. Primo's lawsuit alleges that Trane owes Primo for work completed and materials delivered. Primo alleges that the balance due to it is \$48,572.97. The district is represented by counsel and legal proceedings continue at the end of the 2010-2011 fiscal year.

Note 9 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 \$26,843 is the accumulation of the annual assignment of KCDA's operating surplus based upon the percentage derived from KCDA's total sales to the district compared to all other districts applied against paid administrative fees. The district may withdraw from the joint venture and will receive its equity in ten annual allocations of merchandise or 15 annual payments.

Note 10 Construction and Other Significant Commitments

As of August 31, 2011, the district had no outstanding construction or other significant commitments.

Note 11 Subsequent Events

There were no other events other than that disclosed in Note 7 after the balance sheet date that would have a material impact on the next or future years.

Sequim School District No. 323
 Schedule of Long-Term Debt
 For the Year Ended August 31, 2011

Description	Beginning	Amount	Amount	Ending
	Outstanding Debt September 1, 2010	Issued/Increased	Redeemed/Decreased	Outstanding Debt August 31, 2011
Total Voted Bonds	10,345,000.00	0.00	2,245,000.00	8,100,000.00
Total Non-Voted Notes/Bonds	642,927.20	0.00	86,723.01	556,204.19
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	39,453.00	0.00	10,020.00	29,433.00
Contracts Payable (GL 603)	0.00	0.00	0.00	0.00
NonCancellable Operating Leases	0.00	0.00	0.00	0.00
Claims & Judgments	0.00	0.00	0.00	0.00
Compensated Absences	219,159.01	2,715.30	0.00	221,874.31
Other Long-Term Debt	0.00	0.00	0.00	0.00
Total Other Long-Term Debt	258,612.01	2,715.30	0.00	251,307.31
TOTAL LONG-TERM DEBT	11,246,539.21	2,715.30	2,341,743.01	8,907,511.50

SEQUIM SCHOOL DISTRICT NO. 323
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the year ending August 31, 2011

1	2	3	4	5	6	7	8	9
Federal Agency Name	Pass Through Agency	Federal Program Title	CFDA Number	Other Identification Number	From Direct Awards	From Pass Through Awards	Total	Footnote
USDA	WA OSPI	SCHOOL BREAKFAST PROGRAM	10.553			122,800.26	122,800.26	
USDA	WA OSPI	NATIONAL SCHOOL LUNCH-CASH ASSISTANCE	10.555			408,319.88	408,319.88	
USDA	WA OSPI	NATIONAL SCHOOL LUNCH-NON CASH ASSISTANCE FOOD COMMODITIES	10.555			58,365.65	58,365.65	4
USDA	WA OSPI	SCHOOLS AND ROADS-GRANTS	10.665			185,419.35	185,419.35	3
USDEd	ESD 189	ENGLISH LANGUAGE ACQUISITION	84.365			1,059.66	1,059.66	
USDEd	OESD 114	TITLE IIB MATH SCIENCE	84.366			23,230.83	23,230.83	
USDEd	WA OSPI	TITLE I GRANTS TO LEA'S	84.010	iGrant 0200647		489,045.16	489,045.16	5
USDEd	WA OSPI	SPECIAL EDUCATION GRANTS	84.027	iGrant 0303794		503,683.35	503,683.35	5
USDEd	WA OSPI	CAREER AND TECHNICAL EDUCATION	84.048	iGrant 0172206		11,001.64	11,001.64	5
USDEd	WA OSPI	SPECIAL EDUCATION - PRESCHOOL GRANT	84.173	iGrant 0366484		11,857.00	11,857.00	5
USDEd	WA OSPI	ARRA - IDEA-B FLOW THROUGH	84.391	iGrant 0310427		269,942.19	269,942.19	2.5
USDEd	WA OSPI	IMPROVING TEACHER/PRINCIPAL QUALITY	84.367	iGrant 0520137		156,951.40	156,951.40	5
USDEd	WA OSPI	ARRA - TEACHING AND LEARNING 21ST CENTURY	84.386	iGrant 0727349, 0727348		8,257.90	8,257.90	2.5
USDEd	WA OSPI	ARRA - ED FOR HOMELESS	84.387			238.32	238.32	2
USDEd	WA OSPI	ARRA- TITLE I	84.389	iGrant 0240637		153,214.42	153,214.42	2.5
USDEd	WA OSPI	EDUCATION JOBS FUND	84.410	iGrant 0960275		579,540.00	579,540.00	
USDEd	WA OSPI	LEARN AND SERVE AMERICA	94.004	iGrant 0970544		12,383.30	12,383.30	5
USDEd		INDIAN EDUCATION-GRANTS TO LEA'S	84.060			30,647.00	30,647.00	5
USHHS	WA DSHS	MEDICAID ADMIN MATCH	93.778			86,311.49	86,311.49	3
		Totals			30,647.00	3,081,621.80	3,112,268.80	

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1—BASIS OF ACCOUNTING

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

NOTE 2—AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) of 2009

Of the amount shown for this program, 100% was paid from ARRA funds.

NOTE 3—PROGRAM COSTS/MATCHING CONTRIBUTIONS

The amounts shown as current year expenses represent only the federal grant portion of the program costs. Entire program costs, including the Sequim School District's portion, may be more than shown.

NOTE 4—NONCASH AWARDS

The amount of commodities reported on the schedule is the value of commodities distributed by the Sequim School District during the current year and priced as prescribed by WA OSPI's Child Nutrition Program.

NOTE 5—FEDERAL INDIRECT RATE

The Sequim School District used the federal restricted rate of 2.47 percent for this program.



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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Deputy Chief of Staff
Chief Policy Advisor
Director of Audit
Director of Performance Audit
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Main number
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