

**Washington State Auditor's Office**  
**Accountability Audit Report**

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**Lake Quinault School District No. 97**  
**Grays Harbor County**

Report Date  
**May 1, 2014**

**Report No. 1011778**

Issued **May 8, 2014**  
Reissued **May 12, 2014**



Washington State Auditor  
**Troy Kelley**

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Independence • Respect • Integrity



# Washington State Auditor Troy Kelley

May 12, 2014

Board of Directors  
Lake Quinault School District No. 97  
Amanda Park, Washington

## *Report on Accountability*

We appreciate the opportunity to work in cooperation with your District to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role to advocate for government accountability and transparency and to promote positive change.

Please find attached our report on Lake Quinault School District No. 97's accountability and compliance with state laws and regulations and its own policies and procedures. Thank you for working with us to ensure the efficient and effective use of public resources.

Sincerely,

**TROY KELLEY**  
STATE AUDITOR

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**Grays Harbor County**  
**May 1, 2014**

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# Audit Summary

## Lake Quinault School District No. 97 Grays Harbor County May 1, 2014

### ***ABOUT THE AUDIT***

This report contains the results of our independent accountability audit of Lake Quinault School District No. 97 from September 1, 2012 through August 31, 2013.

We evaluated internal controls and performed audit procedures on the activities of the District. We also determined whether the District complied with state laws and regulations and its own policies and procedures.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. The following areas were examined during this audit period:

- Open public meetings
- General revenue/expenditures
- Key system controls over cash receipting, disbursements and payroll
- Teacher education and experience (staff mix) reporting
- Associated Student Body
- Student enrollment reporting
- Student transportation reporting
- Financial condition
- Citizen concern
- General disbursements

### ***RESULTS***

In most areas, the District complied with state laws and regulations and its own policies and procedures.

However, we identified a condition significant enough to report as a finding:

- The District's financial condition puts it at risk of not being able to meet financial obligations and maintain current service levels.

We also noted certain matters that we communicated to District management. We appreciate the District's commitment to resolving those matters.

## **Description of the District**

### **Lake Quinault School District No. 97 Grays Harbor County May 1, 2014**

#### ***ABOUT THE DISTRICT***

Lake Quinault School District No. 97 provides educational services to approximately 156 students in kindergarten through the 12th grade in Grays Harbor County. The District consists of one high school, middle school and elementary school housed in one building. The District provides basic education, supplemental programs and learning opportunities for students, such as special education, food services and transportation services.

An elected, five-member Board of Directors governs the District. Board Members are elected to staggered, four-year terms. The Board appoints a Superintendent to oversee the District's day-to-day operations as well as its 16 certified and 16 classified employees. The District operates on an annual budget of \$3 million.

#### ***ELECTED OFFICIALS***

These officials served during the audit period:

Board of Directors:

Jon Neeland  
Dave Christiansen  
Brenda Sansom  
Michael Kenney (through October 2012)  
Dave Hughes (effective January 2013)  
Annette Penn

#### ***APPOINTED OFFICIALS***

Superintendent

Richard DuBois

## ***DISTRICT CONTACT INFORMATION***

Address: Lake Quinault School District No. 97  
P.O. Box 38  
Amanda Park, WA 98526

Phone: 360-288-2260

Website: [www.lakequinaultschools.org](http://www.lakequinaultschools.org)

## ***AUDIT HISTORY***

We typically audit the District every year. The 2006-2008 audit reported a finding for its financial condition. The 2009 audit reported a finding for its financial condition as well as a finding for procurement of a public works project. The 2010 and 2011 audits were free of findings. The 2012 audit and current audit reported a finding for its financial condition.

# Schedule of Audit Findings and Responses

## Lake Quinault School District No. 97 Grays Harbor County May 1, 2014

### 1. The District's financial condition puts it at risk of not being able to meet financial obligations and maintain current service levels.

#### Background

We reported concerns relating to the District's financial condition in the past several audits. The District's overall financial condition has continued to decline.

#### Description of Condition

The District's General Fund ending cash balance since fiscal year 2010 is shown below:

Fiscal Year	General Funding Ending Balance
2010	\$86,224
2011	\$142,484
2012	\$66,405
2013	\$45,701

The general fund ending balance as of March 31, 2014, was \$37,620. The District was issued approximately \$327,000 in interest-bearing warrants through the Grays Harbor County Treasurer's Office for fiscal year 2013 and \$131,000 in fiscal year 2014. This resulted in the District incurring interest payments of \$444.

#### Cause of Condition

Although the District has reduced expenditures, its revenue is still not sufficient to cover operational expenses.

In addition, the District has not established a formal, comprehensive financial management plan.

#### Effect of Condition

The District has not had enough revenue to cover operating expenses and has had to rely on the County for interest-bearing warrants. The interest on this debt is an additional cost to the District.

## **Recommendation**

We recommend the District continue to work closely with the Education Service District on ways to improve its fund balance and to create financial stability.

We also recommend the District Board Members take immediate action to:

- Assess its financial operations and make necessary adjustments to expenditures and/or services.
- Establish a written comprehensive plan to address its financial condition and to ensure its expenditures do not exceed revenues.
- Monitor and evaluate the District's financial condition to ensure the plan is followed and the desired results are achieved. The plan should be revised as needed to resolve financial issues.

## **District's Response**

*Lake Quinault School District concurs that it continues to have a low fund balance. OSPI and the District will implement a plan of action to establish a positive cash position within two years. ESD 113 will monitor and concur with all expenditures by the District. The District continues to contract with ESD 113 to provide business manager support. ESD 113 and the District plan to save over \$100,000 in personnel cost each year.*

## **Auditor's Remarks**

We appreciate the District's commitment to resolving the issues noted and will follow up during the next audit.

# Status of Prior Audit Findings

## Lake Quinault School District No. 97 Grays Harbor County May 1, 2014

The status of findings contained in the prior years' audit reports of Lake Quinault School District No. 97 is provided below:

**1. The District has not effectively controlled costs, resulting in continued decline in its financial position.**

Report No. 1009879 dated June 3, 2013

### **Background**

In prior audits we have communicated to the District the declining financial position in the general fund. The current audit found this trend continuing. As shown in the following table, the general fund has decreased by more than \$77,000 since the 2011 audit.

Fiscal Year	General Funding Ending Balance
2008-2009	\$115,939
2009-2010	\$86,224
2010-2011	\$142,484
2011-2012	\$66,405

The general fund ending balance as of March 31, 2013 was negative \$109,285. Due to the negative general fund balance, the District was issued approximately \$327,000 in interest-bearing warrants through the Grays Harbor County Treasurer's Office for the 2012-2013 school year. This resulted in the District incurring interest payments of \$379. The District does not have a Board-approved plan to improve its financial condition.

### **Status**

The District continued to have financial condition issues in the current audit; therefore, we repeated our recommendation in an audit finding.



## **ABOUT THE STATE AUDITOR'S OFFICE**

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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.

We 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 Director of Quality Assurance**  
**Deputy Director of Communications**  
**Local Government Liaison**  
**Public Records Officer**  
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