

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

---

**Peninsula School District No. 401**  
**Pierce County**

Audit Period  
**September 1, 2010 through August 31, 2011**

**Report No. 1007384**

Issue Date  
**March 19, 2012**



WASHINGTON  
**BRIAN SONNTAG**  
STATE AUDITOR



**Washington State Auditor  
Brian Sonntag**

March 19, 2012

Board of Directors  
Peninsula School District No. 401  
Gig Harbor, Washington

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

Please find attached our report on Peninsula School District No. 401'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

# Table of Contents

**Peninsula School District No. 401  
Pierce County  
September 1, 2010 through August 31, 2011**

Federal Summary .....	1
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with <i>Government Auditing Standards</i> .....	3
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 .....	5
Independent Auditor's Report on Financial Statements.....	7
Financial Section.....	9

# Federal Summary

**Peninsula School District No. 401  
Pierce County  
September 1, 2010 through August 31, 2011**

The results of our audit of Peninsula School District No. 401 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 no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

***Identification of Major Programs:***

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
84.010	Title I Part A
84.389	ARRA - Title I Cluster, Part A (Recovery Act)
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.

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

**Peninsula School District No. 401  
Pierce County  
September 1, 2010 through August 31, 2011**

Board of Directors  
Peninsula School District No. 401  
Gig Harbor, Washington

We have audited the financial statements of Peninsula School District No. 401, Pierce County, Washington, as of and for the year ended August 31, 2011, and have issued our report thereon dated February 21, 2012.

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

## ***INTERNAL CONTROL OVER FINANCIAL REPORTING***

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

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

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

## **COMPLIANCE AND OTHER MATTERS**

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

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

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

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

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

February 21, 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**

Peninsula School District No. 401  
Pierce County  
September 1, 2010 through August 31, 2011

Board of Directors  
Peninsula School District No. 401  
Gig Harbor, Washington

**COMPLIANCE**

We have audited the compliance of Peninsula School District No. 401, Pierce 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.

This report is intended for the information of the audit committee, 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

February 21, 2012

# Independent Auditor's Report on Financial Statements

## Peninsula School District No. 401 Pierce County September 1, 2010 through August 31, 2011

Board of Directors  
Peninsula School District No. 401  
Gig Harbor, Washington

We have audited the accompanying financial statements of Peninsula School District No. 401, Pierce County, Washington, as of and for the year ended August 31, 2011, as listed on page 9. 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 Peninsula School District No. 401, 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 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

February 21, 2012

# **Financial Section**

**Peninsula School District No. 401  
Pierce County  
September 1, 2010 through August 31, 2011**

## ***FINANCIAL STATEMENTS***

Balance Sheet – Governmental Funds – 2011  
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental  
Funds – 2011  
Notes to Financial Statements – 2011

## ***SUPPLEMENTARY INFORMATION***

Schedule of Long-Term Debt – 2011  
Schedule of Expenditures of Federal Awards – 2011  
Notes to the Schedule of Expenditures of Federal Awards – 2011

E.S.D. 121

Balance Sheet

COUNTY: 27 Pierce

Governmental Funds

August 31, 2011

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>ASSETS:</b>							
Cash and Cash Equivalents	11,859,189.47	940,978.89	2,227,188.06	6,762,451.16	215,972.46	0.00	22,005,780.04
Minus Warrants Outstanding	-2,202,869.08	-18,771.29	0.00	-44,278.35	0.00	0.00	-2,265,918.72
Taxes Receivable	8,631,077.99		2,100,175.17	0.00	0.00	0.00	10,731,253.16
Due From Other Funds	32,952.37	0.00	0.00	0.00	0.00	0.00	32,952.37
Due From Other Governmental Units	520,932.92	0.00	0.00	0.00	0.00	0.00	520,932.92
Accounts Receivable	92,978.66	0.00	0.00	408,340.00	0.00	0.00	501,318.66
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	45,742.39	0.00					45,742.39
Prepaid Items	27,761.51	0.00					27,761.51
Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investments/Cash With Trustee	0.00						0.00
Investments-Deferred Compensation	24,418.87						24,418.87
Self-Insurance Security Deposit	92,118.00						92,118.00
<b>TOTAL ASSETS</b>	<b>19,124,303.10</b>	<b>922,207.60</b>	<b>4,327,363.23</b>	<b>7,126,512.81</b>	<b>215,972.46</b>	<b>0.00</b>	<b>31,716,359.20</b>
<b>LIABILITIES:</b>							
Accounts Payable	793,113.71	23,426.85	0.00	56,476.33	0.00	0.00	873,016.89
Contracts Payable Current	0.00	0.00					0.00
Accrued Interest Payable			0.00				0.00
Accrued Salaries	56,111.05	0.00					56,111.05
Revenue Anticipation Notes Payable	0.00		0.00				0.00
Payroll Deductions and Taxes Payable	21,891.34	0.00					21,891.34
Due To Other Governmental Units	0.00	0.00					0.00
Deferred Compensation Payable	24,418.87						24,418.87
Estimated Employee Benefits Payable	1,269,065.62						1,269,065.62
Due To Other Funds	0.00	32,952.37	0.00	0.00	0.00	0.00	32,952.37

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

E.S.D. 121

Balance Sheet

COUNTY: 27 Pierce

Governmental Funds

August 31, 2011

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>LIABILITIES:</b>							
Interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	0.00	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	8,727,076.73	205,151.60	2,100,175.17	0.00	0.00	0.00	11,032,403.50
<b>TOTAL LIABILITIES</b>	<b>10,891,677.32</b>	<b>261,530.82</b>	<b>2,100,175.17</b>	<b>56,476.33</b>	<b>0.00</b>	<b>0.00</b>	<b>13,309,859.64</b>
<b>FUND BALANCE:</b>							
Nonspendable Fund Balance	73,504.00	0.00	0.00	0.00	0.00	0.00	73,504.00
Restricted Fund Balance	549,953.00	0.00	0.00	3,631,057.33	0.00	0.00	4,181,010.33
Committed Fund Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Assigned Fund Balance	3,212,398.00	660,676.78	2,227,188.06	3,438,979.15	215,972.46	0.00	9,755,214.45
Unassigned Fund Balance	4,396,770.78	0.00	0.00	0.00	0.00	0.00	4,396,770.78
<b>TOTAL FUND BALANCE</b>	<b>8,232,625.78</b>	<b>660,676.78</b>	<b>2,227,188.06</b>	<b>7,070,036.48</b>	<b>215,972.46</b>	<b>0.00</b>	<b>18,406,499.56</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>19,124,303.10</b>	<b>922,207.60</b>	<b>4,327,363.23</b>	<b>7,126,512.81</b>	<b>215,972.46</b>	<b>0.00</b>	<b>31,716,359.20</b>

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

E.S.D. 121

Statement of Revenues, Expenditures, and Changes in Fund Balance

COUNTY: 27 Pierce

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
<b>REVENUES:</b>							
Local	19,672,162.88	1,063,430.37	5,766,581.98	689,104.82	612.95		27,191,893.00
State	53,821,242.37		0.00	0.00	456,412.89		54,277,655.26
Federal	4,463,268.54		0.00	0.00	0.00		4,463,268.54
Federal Stimulus	2,618,111.09						2,618,111.09
Other	40,359.41			0.00	0.00	0.00	40,359.41
<b>TOTAL REVENUES</b>	<b>80,615,144.29</b>	<b>1,063,430.37</b>	<b>5,766,581.98</b>	<b>689,104.82</b>	<b>457,025.84</b>	<b>0.00</b>	<b>88,591,287.30</b>
<b>EXPENDITURES:</b>							
<b>CURRENT:</b>							
Regular Instruction	44,388,059.11						44,388,059.11
Federal Stimulus	2,599,173.11						2,599,173.11
Special Education	10,455,741.60						10,455,741.60
Vocational Education	3,462,611.40						3,462,611.40
Skills Center	0.00						0.00
Compensatory Programs	2,826,536.50						2,826,536.50
Other Instructional Programs	288,731.70						288,731.70
Community Services	489,134.24						489,134.24
Support Services	15,976,917.24						15,976,917.24
Student Activities/Other		1,060,694.62				0.00	1,060,694.62
<b>CAPITAL OUTLAY:</b>							
Sites				1,664.15			1,664.15
Building				14,552.06			14,552.06
Equipment				0.00			0.00
Energy				1,174,727.96			1,174,727.96
Transportation Equipment					641,908.41		641,908.41
Other	154,217.45						154,217.45
<b>DEBT SERVICE:</b>							
Principal	0.00		6,060,000.00	0.00			6,060,000.00
Interest and Other Charges	0.00		1,429,862.60	750.00			1,430,612.60
<b>TOTAL EXPENDITURES</b>	<b>80,641,122.35</b>	<b>1,060,694.62</b>	<b>7,489,862.60</b>	<b>1,191,694.17</b>	<b>641,908.41</b>	<b>0.00</b>	<b>91,025,282.15</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-25,978.06</b>	<b>2,735.75</b>	<b>-1,723,280.62</b>	<b>-502,589.35</b>	<b>-184,882.57</b>	<b>0.00</b>	<b>-2,433,994.85</b>

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

E.S.D. 121

Statement of Revenues, Expenditures, and Changes in Fund Balance

COUNTY: 27 Pierce

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
<b>OTHER FINANCING SOURCES (USES) :</b>							
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
Transfers In	0.00		0.00	0.00	102,715.00		102,715.00
Transfers Out (GL 536)	-102,715.00		0.00	0.00	0.00	0.00	-102,715.00
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	0.00		0.00	0.00	2,365.00		2,365.00
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-102,715.00</b>		<b>0.00</b>	<b>0.00</b>	<b>105,080.00</b>	<b>0.00</b>	<b>2,365.00</b>
<b>EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>-128,693.06</b>	<b>2,735.75</b>	<b>-1,723,280.62</b>	<b>-502,589.35</b>	<b>-79,802.57</b>	<b>0.00</b>	<b>-2,431,629.85</b>
<b>BEGINNING TOTAL FUND BALANCE</b>	<b>8,361,318.84</b>	<b>657,941.03</b>	<b>3,950,468.68</b>	<b>7,572,625.83</b>	<b>295,775.03</b>	<b>0.00</b>	<b>20,838,129.41</b>
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>ENDING TOTAL FUND BALANCE</b>	<b>8,232,625.78</b>	<b>660,676.78</b>	<b>2,227,188.06</b>	<b>7,070,036.48</b>	<b>215,972.46</b>	<b>0.00</b>	<b>18,406,499.56</b>

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



**PENINSULA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 1, 2010 through August 31, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a. Reporting Entity

The Peninsula 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 operation 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 Peninsula 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, 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 Peninsula 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 this 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 any other 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.

### c. Basis of Accounting

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

1. District wide statements are not presented.
2. The financial statements do not report capital assets.
3. Debt is not reported on the face of the financial statements. It is reported 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, (obligation means purchase order issued, contracts awarded, or goods and services received).

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

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, under statute, may not be negative, unless the district enters into binding conditions with state oversight pursuant to RCW 28A.505.110.

Encumbrances

Encumbrance accounting is employed in governmental funds. Purchase orders, contract and other commitments for the expenditure of moneys are recorded in order to reserve a portion of the applicable appropriation. Encumbrances lapse at the end of the fiscal year and may be re-encumbered the following year. Encumbrances in the amounts of \$185,609 within the General Fund, \$73,398 within the Capital Projects Fund and \$30,383 within the Associated Student Body Fund were re-encumbered on September 1, 2011.

e. Assets, Liabilities, and Fund Equity

Deposits and Investments

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

The Pierce County Treasurer is the ex-officio treasurer for the district. In this capacity, the county receives, deposits and transacts investments on the district's behalf. 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.

All of the district's investments, except for investments of deferred compensation plans, during the year and at year-end are insured or registered and held by the district or its agent in the district's name. During the 2009-2010 fiscal year, the Pierce County Treasurer changed investment strategy to have shorter investment periods (monthly) in order to maximize investment earnings with low interest rates. District cash is invested at the beginning of each month with redemptions coming due on the last day of the month. With this change to investments, there are no investments recorded at the end of the month, nor the end of the fiscal year as of August 31. The district's cash and investments with the County Treasurer as of August 31 are as follows:

	August 31, 2011	August 31, 2010
Cash with County Treasurer	\$ 21,817,403	\$ 24,400,090
County Treasurer Investment Pool	\$ 0	\$ 0
Total Cash & Investments	\$ 21,817,403	\$ 24,400,090

Inventory

The "purchase method" of inventory is used, which charges inventory as an expenditure when goods are received. Management reserves a portion of fund balance 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 one day for each contract month worked up to a maximum of one contract year. Year-round employees earn 12 sick leave days per contract year and non year-round employees earn up to 11 sick leave days per contract year. In accordance with RCW 28A.400.300, sick leave not taken shall accumulate from year to year up to a maximum of one hundred eighty days for the purposes of RCW 28A.400.210 (Annual Sick Leave Buyback) and RCW 28A.400.220 (Employee salary or compensation limitations), and for leave purposes up to a maximum of the number of contract days agreed to in a given contract, but not greater than one year. Such accumulated time may be taken at any time during the school year or up to twelve days per year may be used for the purpose of payments for unused sick leave.

Under the provisions of RCW 28A.400.210, in January of the year following any year in which a minimum of sixty days of sick leave is accrued, any eligible employee may exercise an option to receive remuneration for unused sick leave accumulated, at a rate equal to one day's compensation for every four full days of accrued sick leave in excess of sixty days, not in excess of twelve days of compensation. Leave for which compensation has been received shall be deducted from accrued leave at the rate of four days for every one day of compensation.

At the time of separation from school district employment an eligible employee or the employee's estate shall receive remuneration at a rate equal to one day's current compensation of the employee for every four days of accrued sick leave. Eligible employees are employees who separate from employment due to retirement or death; or Plan 3 TRS and SERS employees who separate from employment and who are at least age fifty-five and have at least ten years of service; or Plan 2 TRS, SERS and PERS employees who separate from employment and who are at least age fifty-five and have at least fifteen years of service.

Vacation leave is earned in accordance with district bargaining agreements for employees qualifying for vacation benefits. Employees may accrue up to 30 days of annual leave. Vacation cash-out options are offered every August to employees within qualifying bargaining groups that have vacation buyback language that specifies the maximum number of unused vacation days that can be converted into compensation. All vacation days used for cashout compensation are deducted from the employee's accumulated vacation leave balance. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as expenditure and a fund liability of the governmental fund that will pay it.

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

Nonspendable fund balance amounts are those assets of the school district that are not in spendable format. These can be in the form of inventory items, or amounts that have been received that are legally or contractually required to be maintained intact.

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.

Assignments are used to set aside financial resources for specific purposes. These accounts reflect tentative management plans for future financial resource use such as the replacement of equipment or the assignment of resources for contingencies.

**NOTE 2 – SELF-INSURANCE – SECURITY DEPOSIT**

The District self-insures unemployment compensation for all of its employees. Peninsula School District is a member of the Puget Sound Educational Service District Unemployment Pool, a cooperative of over 15 Puget Sound School Districts. The initial security deposit was \$42,118.

The district also self-insures an employee health benefit for vision coverage for district employees and their families as authorized by RCW 48.62. The security deposit for this self-insurance was \$50,000.

The district has a corresponding fund balance reserve of \$92,118.

**NOTE 3 - CAPITAL ASSETS**

The district's capital assets were insured in the amount of \$155,801,810 for fiscal year 2010-2011. In the opinion of the district's insurance consultant, this amount was sufficient to adequately fund replacement of the district's assets.

**NOTE 4 - PENSIONS**

A. General Information

Substantially all Peninsula 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:

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

\* The figures in the table above reflect state-wide numbers for members.

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

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

\* The figures in the table above reflect state-wide numbers for members.

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 and 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 at age 65 with at least five years of credited service. Plan 2 members can retire early between the ages of 55 to 64 with at least 20 service credit years, or between ages 62 and 64 with 30 years of credited service and receive either a reduced benefit or stricter return-to-work rules.

Plan 3 under the TRS and SERS programs are defined benefit, and defined contribution pension plans whose members joined on or after July 1, 1996 or September 1, 2000 for TRS and SERS, respectively. Members are eligible to retire with full benefits at age 65, or they may retire at age 55 with at least ten service years with a reduced benefit, or they may retire at age 55 with at least 30 service years and receive either a reduced benefit or stricter return-to-work rules.

Effective September 1, 2007, new employees are given 90 days to choose between Plans 2 or 3, TRS and SERS programs. If there is no choice made within the 90 day period, the retirement default is Plan 3. This plan choice is permanent and cannot be changed.

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 the rates set by the legislature. 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 methods used to determine the contribution requirements are established under RCW 41.40, 41.32 and 41.35 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	6.00%	Plan 1 PERS	6.00%
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, members choose one of six rate options to determine contribution rates. Contribution rate options vary from a minimum of 5% to a maximum of 15%. The mandatory default rate is 5%. Two of the options provide 3 different rates that change with specified age ranges. Plan 3 SERS members cannot change their rate choice unless they change public sector employers. Plan 3 TRS members are allowed to change their rate choice during a contribution rate flexibility period each January or if they change public sector employers.

### Employer contribution rates 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 contribution in dollars (TRS: July 1-June 30, PERS: January 1-December 31, SERS: January 1-December 31):



Peninsula School District Employer Contributions			
PLAN	2010-11	2009-10	2008-09
Plan 1 TRS	\$ 205,303	\$ 265,956	\$ 388,466
Plan 2 TRS	\$ 299,430	\$ 305,062	\$ 362,640
Plan 3 TRS	\$ 1,803,128	\$ 1,901,074	\$ 2,328,587
Plan 1 PERS	\$ 26,800	\$ 40,309	\$ 38,911
Plan 2 SERS	\$ 204,569	\$ 289,943	\$ 259,751
Plan 3 SERS	\$ 347,147	\$ 500,709	\$ 455,796
<b>Totals</b>	<b>\$ 2,886,377</b>	<b>\$ 3,303,053</b>	<b>\$ 3,834,151</b>

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, 2011, 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  
P.O. Box 43113  
Olympia, WA 98504-3113

**NOTE 5 - CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

Construction projects in progress as of August 31, 2011:

Capital Facilities Projects	Projected Project Costs	Expended As Of 8/31/2011	Additional Local Funds Committed	Additional State Funds Committed
CTP Housing Project	\$ 856,448	\$ 14,552	\$ 180,976	\$0

**NOTE 6 - DEFERRED COMPENSATION PLAN**

457 Plans – Deferred Compensation Plans:

District employees have the option of participating in an IRC, Section 457, Deferred Compensation Plan administered by the state. The district does not retain any rights to legal access of the plan assets.

The district also administers an IRC, Section 457, Deferred Compensation plan for which there are neither current employees nor contributions being made. The district retains a right of legal access to the plan assets (valued at market) until paid or made available to the employees, subject only to the claims of the district's general creditor. The ending investment balance as of June 30, 2011 was \$24,418.87.

#### 403(b) Plan – Tax Sheltered Annuity (TSA):

The district offers a tax deferred annuity plan for its employees. The plan permits participants to defer a portion of their salary until future years under two types of deferrals: elective deferrals (employee contribution) and non-elective contribution (employer matching).

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

The plan assets are assets of the school district employees, not the school district, and therefore not reflected on these financial statements. The district does not make any discretionary or matching employer contributions to the plan. Only elective deferral employee contributions were made to the plan during 2010-2011.

#### **NOTE 7 - RISK MANAGEMENT**

General Property and Liabilities: The district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is one of 70 school districts, five educational service districts, and four interlocal cooperative members of the Washington Schools Risk Management Pool, which was formed on August 30, 1986 pursuant to Chapter 48.62 of the Revised Code of Washington. The purpose of the Pool is to join together in a cooperative manner to provide its members the capability and authority to jointly purchase property and liability insurance, establish and maintain a reserve to pay for self-insurance coverage, provide a plan of self-insurance, and provide related services, including a cooperative program of risk management.

The district made payments in the amount of \$635,997 for the 2010-2011 fiscal year to the Washington Schools Risk Management Pool, which is administered by Educational Service District No. 121. For the period 9/1/10 to 8/31/11, the Pool provided liability limits of \$15 million per occurrence and property limits of \$500 million per occurrence (for covered claims). The Pool purchases excess insurance to provide for property claims in excess of \$1 million per occurrence and for liability claims in excess of \$1.5 million per occurrence with a \$4 million loss corridor.

Pool underwriting and rate setting policies have been established by the Pool Executive Board after consultation with actuaries. Pool members are subject to supplemental assessment in the event of deficiencies. There is no limit on the amount of annual premium contribution increases. If the assets of the Pool were to be exhausted, members would be responsible for the Pool's liabilities. The allocation of the liabilities would be determined by the Executive Board. If the Pool were dissolved, the members would receive the net assets. The allocation would be in proportion to each member's contribution less obligations (including incurred but not reported claims).

The Washington Schools Risk Management Pool has published its own financial report for the year ended August 31, 2011, which can be obtained from Puget Sound Risk Management Pool, P. O. Box 88700, Tukwila, WA 98138-9712

Worker's Compensation Trust: The district is a member of the Puget Sound Educational Service District Worker's Compensation Trust which is a self-insured pool providing insurance for on-the-job related injuries for participating school districts. For the fiscal year 2010-2011, the district made payments of \$734,035 to this industrial insurance pool, which is administered by the Puget Sound Education Service District on behalf of the member districts. This fund is operated for the district's benefit in-lieu-of the district having to make monthly premium payments to the State of Washington for industrial insurance. This practice enables the district to pay industrial insurance beneficiaries as they become eligible and minimizes the district's costs for the program.

Unemployment Compensation Self-Insurance: Peninsula School District is a member of the Puget Sound Educational Service District Unemployment Pool, a cooperative of over 15 Puget Sound School Districts. The Pool provides administrative services and reviews all unemployment claims and is operated for the district's benefit in-lieu-of the district making monthly premium payments to the State of Washington. Actual employee claims are paid to the State Employment Security Department by the Puget Sound Educational Service District Unemployment Pool. The amount of district payments to the Pool's fund is dependent on the amount of unemployment claims and the amount of the district's share in the Pool's reserve fund. During the 2010-2011 fiscal year, the district made contributions of \$92,766 to the pool. The district's portion of the pool's reserve as of August 31, 2011 met the minimum pool requirement and was sufficient to manage all district claims during the fiscal year.

At year-end, the ending balance in the district's Estimated Unemployment Benefits Payable account is \$101,906. This is separate and independent of the Unemployment Pool reserve.

Vision Self-Insurance: In October 2007, the district implemented an employee health benefit self-insurance program to provide vision coverage for district employees and their families as authorized by RCW 48.62. Northwest Administrators, Inc. acts as the third party administrator for the vision insurance program. An initial payment of \$50,000 was made to establish a reserve for claim payments. Actual claims paid by the TPA are reimbursed on a monthly basis in order to maintain a \$50,000 balance. This balance is adequate to provide for three to four months of run out claims. For the 2010-2011 fiscal year, the district made contributions to the program totaling \$214,116. Actual claims paid and reimbursed to Northwest Administrators amounted to \$203,601. Incurred But Not Reported (IBNR) reserves and additional contingency liability reserves are held by the District for the explicit purpose of funding the employee benefit claim liabilities. As of August 31, 2011, the ending balance in the district's Estimated Other Employee Insurance Claims Payable account was \$1,167,160.

## **NOTE 8 - LEASE OBLIGATIONS AND CONDITIONAL SALES CONTRACT OBLIGATIONS**

For the fiscal year ended August 31, 2011, the district has an outstanding capital lease other long-term debt as follows:

Lessor	Amount	Annual Installment	Final Installment Date	Interest Rate	Balance Due
<b>Lease-Purchases</b>					
Dell Financial Services	\$50,882.81	\$12,720.70	2011-2012	0%	\$12,720.70
<b>Total Lease-Purchase Commitments</b>					<b>\$12,720.70</b>

### **NOTE 9 - LONG-TERM DEBT**

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

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
<b>General Obligation Bonds as of 8/31/2010</b>					
1999 Refunding (92A) Bonds	\$ 8,815,000	\$ 1,190,000	12/01/11	4.0-5.25%	\$1,160,000
2003 UTGO	\$30,000,000	\$ 0-3.4M	12/01/17	2.0-5.0%	\$14,695,000
2004 UTGO	\$15,000,000	\$50,000-4.2M	12/01/19	3.25-5.25	\$14,150,000
<b>Sub-total GO Bonds</b>	<b>\$ 53,815,000</b>				<b>\$30,005,000</b>
<b>Non-Voted Debt as of 8/31/11</b>	<b>\$ 0</b>				<b>\$ 0</b>
<b>Total All Bonds as of 8/31/11</b>	<b>\$ 53,815,000</b>				<b>\$30,005,000</b>

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

<b>Long-term debt payable at 9/1/10</b>	<b>\$ 36,065,000</b>
New Issues	\$ 0
Less Debt retired	\$ 6,060,000
<b>Long-term debt payable at 8/31/11</b>	<b>\$ 30,005,000</b>

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

Calendar Years Ending December 31,	Principal	Interest	Total
2011	\$ 2,560,000	\$ 701,120	\$ 3,261,120
2012	\$ 2,745,000	\$ 1,320,740	\$ 4,065,740
2013	\$ 2,900,000	\$ 1,221,000	\$ 4,121,000
2014	\$ 3,100,000	\$ 1,112,000	\$ 4,212,000
2015	\$ 3,300,000	\$ 963,000	\$ 4,263,000
2016	\$ 3,500,000	\$ 796,000	\$ 4,296,000
2017	\$ 3,700,000	\$ 618,500	\$ 4,318,500
2018	\$ 4,000,000	\$ 430,500	\$ 4,430,500
2019	\$ 4,200,000	\$ 220,500	\$ 4,420,500
<b>Totals</b>	<b>\$ 30,005,000</b>	<b>\$ 7,383,360</b>	<b>\$ 37,388,360</b>

In August 2011, the district initiated a refunding of the 2003 and 2004 bonds series. The refunding final date was September 14, 2011. Final refunding information will be provided in the 2011-2012 notes to the financial statements.

**NOTE 10 - INTERFUND LOANS**

The district did not have any interfund loans as of August 31, 2011.

**NOTE 11 - SUMMARY OF SIGNIFICANT CONTINGENCIES**

Litigation

The Peninsula School District has no knowledge of any impending or threatened litigation, claims or assessments, or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements as of August 31, 2011.

**NOTE 12 - OTHER DISCLOSURES**

The Peninsula School District is a member of the King County Director's Association, a purchasing cooperative consisting of more than 200 school districts throughout the state. The district's equity in this cooperative totaled \$115,861.64 as of December 31, 2010.

The district has the right to withdraw its equity, subject to certain restrictions, over a period of up to 15 years. During calendar year 2010 the district's purchases from this cooperative totaled \$1,050,239.56.

**NOTE 13 - SUBSEQUENT EVENTS**

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

E.S.D. 121

Schedule of Long-Term Debt

COUNTY: 27 Pierce

For the Year Ended August 31, 2011

Description	Beginning Outstanding Debt September 1, 2010	Amount Issued/Increased	Amount Redeemed/Decreased	Ending Outstanding Debt August 31, 2011
Total Voted Bonds	36,065,000.00	0.00	6,060,000.00	30,005,000.00
Total Non-Voted Notes/Bonds	0.00	0.00	0.00	0.00
Qualified Zone Academy Bonds (QZAB)	0.00	0.00	0.00	0.00
Qualified School Construction Bonds (QSCB)	0.00	0.00	0.00	0.00
<b>Other Long-Term Debt:</b>				
Capital Leases	25,441.41	0.00	12,720.70	12,720.71
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	1,735,363.95	672,538.98	6,809.96	2,401,092.97
Other Long-Term Debt	0.00	0.00	0.00	0.00
Total Other Long-Term Debt	1,760,805.36	672,538.98	19,530.66	2,413,813.68
<b>TOTAL LONG-TERM DEBT</b>	<b>37,825,805.36</b>	<b>672,538.98</b>	<b>6,079,530.66</b>	<b>32,418,813.68</b>

**PENINSULA SCHOOL DISTRICT #401**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ending August 31, 2011

1	2	3	4	5	6	7	8	9	
					Expenditures				
Federal Agency Name	Pass Through Agency	Federal Program Title	CFDA No.	Other Id Number	From Direct Awards	From Pass Through Awards	Total	Footnote	
<b>USDA</b>	WA OSPI	School Breakfast Program	10.553		\$ -	\$ 212,079.52	\$ 212,079.52		
	WA OSPI	National School Lunch Program Cash Assistance	10.555		\$ -	\$ 769,216.94	\$ 769,216.94		
	WA OSPI	National School Lunch Program Non Cash Asst - Commodities	10.555		\$ -	\$ 88,480.44	\$ 88,480.44	3	
	WA State Treasurer	Schools and Roads - Grants to States	10.665		\$ -	\$ 18,416.45	\$ 18,416.45		
<b>Subtotal US Department of Agriculture</b>					<b>\$ -</b>	<b>\$ 1,088,193.35</b>	<b>\$ 1,088,193.35</b>		
<b>Dept of Land Mgmt</b>	Pierce Co Treasurer	Federal In-Lieu of Taxes	15.226			\$ 344.94	\$ 344.94		
<b>Subtotal US Department of Land Management</b>					<b>\$ -</b>	<b>\$ 344.94</b>	<b>\$ 344.94</b>		
<b>Dept of Education</b>	WA OSPI	Title I Grants to LEAs	84.010	200457	\$ -	\$ 497,080.80	\$ 497,080.80	4	
	WA OSPI	Special Ed - State Grants	84.027	303812 337376	\$ -	\$ 2,019,616.00	\$ 2,019,616.00	4	
	WA OSPI	Voc Ed Basic Grants to States	84.048	172122	\$ -	\$ 39,061.00	\$ 39,061.00	4	
			Indian Education - Grants to LEAs	84.060	S060A102455	\$ 296,235.00	\$ -	\$ 296,235.00	4, 5
	WA OSPI	Special Ed - Preschool Grants	84.173	366497	\$ -	\$ 54,531.00	\$ 54,531.00	4	
	PSESD 121	Twenty-First Century Comm Learning Centers	84.287	A#06846	\$ -	\$ 27,980.01	\$ 27,980.01		
	WA OSPI	Title II Part D - Educational Technology State Grants	84.318	721741	\$ -	\$ 7,741.00	\$ 7,741.00	4	
	WA OSPI	Special Ed - State Personnel Development	84.323	340309	\$ -	\$ 500.00	\$ 500.00	4	
	WA OSPI	Title III LEP - English Language Acquisition Grants	84.365	401329	\$ -	\$ 10,122.00	\$ 10,122.00	4	
	Snoqualmie Valley SD	Title III LEP - English Language Acquisition Grants	84.365		\$ -	\$ 2,098.58	\$ 2,098.58		
	WA OSPI	Title II - Improving Teacher Quality State Grants	84.367	520152	\$ -	\$ 371,226.83	\$ 371,226.83	4	
	WA OSPI	ARRA - Title II Part D - Enhancing Education through Technology	84.386	724409	\$ -	\$ 119.00	\$ 119.00	2, 4	
	WA OSPI	ARRA - McKinney-Vento Homeless Children and Youth	84.387	457234	\$ -	\$ 2,582.09	\$ 2,582.09	2, 4	
	WA OSPI	ARRA - Title I Part A	84.389	240479	\$ -	\$ 324,806.00	\$ 324,806.00	2, 4	
	WA OSPI	ARRA - Special Ed IDEA B	84.391	310515	\$ -	\$ 449,006.00	\$ 449,006.00	2, 4	
WA OSPI	Education Jobs Fund	84.410	960170	\$ -	\$ 1,841,598.00	\$ 1,841,598.00			
<b>Subtotal US Department of Education</b>					<b>\$ 296,235.00</b>	<b>\$ 5,648,068.31</b>	<b>\$ 5,944,303.31</b>		
<b>Dept of Health &amp; Human Services</b>	PSESD 121	EPSDT Medicaid Admin Match/ECEAP	93.778		\$ -	\$ 2,065.40	\$ 2,065.40		
					\$ -	\$ -	\$ -		
<b>Subtotal US Department of Health/Human Services</b>					<b>\$ -</b>	<b>\$ 2,065.40</b>	<b>\$ 2,065.40</b>		
<b>Totals</b>					<b>\$ 296,235.00</b>	<b>\$ 6,738,672.00</b>	<b>\$ 7,034,907.00</b>		

*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 Peninsula 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, \$776,513.09 was paid from ARRA funds.

### **NOTE 3—NONCASH AWARDS**

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

### **NOTE 4—FEDERAL INDIRECT RATE**

The district used the federal restricted rate of 2.50 percent for this program.

### **NOTE 5—AMOUNTS PASSED THROUGH TO SUBRECIPIENTS**

Of the amount shown for this program, \$293,785 was passed-through to subrecipients.





## **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.

**State Auditor**  
**Chief of Staff**  
**Deputy Chief of Staff**  
**Chief Policy Advisor**  
**Director of Audit**  
**Director of Performance Audit**  
**Director of Special Investigations**  
**Director for Legal Affairs**  
**Director of Quality Assurance**  
**Local Government Liaison**  
**Communications Director**  
**Public Records Officer**  
**Main number**  
**Toll-free Citizen Hotline**

**Brian Sonntag, CGFM**  
**Ted Rutt**  
**Doug Cochran**  
**Jerry Pugnetti**  
**Chuck Pfeil, CPA**  
**Larisa Benson**  
**Jim Brittain, CPA**  
**Jan Jutte, CPA, CGFM**  
**Ivan Dansereau**  
**Mike Murphy**  
**Mindy Chambers**  
**Mary Leider**  
**(360) 902-0370**  
**(866) 902-3900**

**Website**  
**Subscription Service**

[www.sao.wa.gov](http://www.sao.wa.gov)  
<https://www.sao.wa.gov/EN/News/Subscriptions/>