



## Office of the Washington State Auditor Pat McCarthy

Thank you for contacting the State Auditor's Office Citizen Hotline with your concerns regarding South Kitsap School District No. 402. We recently examined your concerns as part of our audit of the District, and we would like to share the results with you:

- *Concern 1:* The District's declining enrollment and increased costs put the District at risk of being unable to pay future obligations. Additionally, the District has approved deficit budgets the last two school years.

*Results:* We reviewed the District's financial ratios based on actual financial results through the 2020-2021 school year, as well as budgeted revenues and expenditures for the 2021-2022 school year. Although some ratios declined, we did not note any significant risk indicators based on actual financial results. We do not make recommendations based on budgeted amounts, as they are future estimates that are subject to change. However, we will continue to review the District's financial condition in future audits.

We also evaluated the District as a going concern as defined by Governmental Accounting Standards Board Statement No. 56 and determined there is no substantial doubt about the District's ability to continue operations for 15 months past August 31, 2021.

Finally, RCW 28A.505.130 allows school districts to approve deficit budgets as long as the budgeted deficit does not exceed the available fund balance. We reviewed the budget for the 2021-2022 school year and found the District's available fund balance of \$16.2 million, of which \$9.2 million was unassigned, exceeded the budgeted deficit of \$854,058.

- *Concern 2:* The District did not perform an adequate investigation of missing ASB funds at the high school that were recently identified and resulted in the transfer of personnel.

*Results:* We confirmed the District did not identify any missing ASB funds during the period from September 1, 2020 to present, therefore no investigation was performed. Additionally, the work history for the employee in question confirmed they worked at the high school for the 2014-2015 school year, but relocated to one of the elementary schools at the start of the 2015-2016 school year. The employee has worked in the same role at the elementary since this relocation. The District's Human Resources staff confirmed the employee requested the relocation and it was not the result of an investigation.

- *Concern 3:* The District does not have an adequate receipting and review process for invoices from vendors, such as Franz Bakery.

- *Results:* We gained an understanding of the District's food services procedures for receiving and reviewing orders and invoices, and we did not identify any concerns. We also reviewed invoices from the District's three main food services vendors and found staff reviewed and approved them in accordance with District procedures.

Thank you for taking the time to submit your concerns. If you have any questions, please contact me at (360) 845-1476.

Sincerely,

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

Amy Strzalka, CPA  
Audit Manager, Team Port Orchard

H-21-350  
H-21-383  
H-21-463  
H-22-090  
H-22-135