

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

Seattle School District No. 1
King County

Audit Period
September 1, 2010 through August 31, 2011

Report No. 1007652

Issue Date
May 21, 2012



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

May 21, 2012

Board of Directors
Seattle School District No. 1
Seattle, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Seattle School District No. 1'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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Federal Summary

Seattle School District No. 1 King County September 1, 2010 through August 31, 2011

The results of our audit of Seattle School District No. 1 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 identified 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 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 Cluster, Part A
84.027	Special Education Cluster - Grants to States (IDEA, Part B)
84.173	Special Education Cluster - Preschool Grants (IDEA Preschool)
84.215	Fund for the Improvement of Education
84.318	Education Technology State Grants Cluster
84.386	ARRA - Education Technology State Grants Cluster (Recovery Act)
84.389	ARRA - Title I Cluster, Part A (Recovery Act)
84.391	ARRA - Special Education Cluster, IDEA Part B (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 \$2,047,362.

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

Schedule of Federal Audit Findings and Questioned Costs

**Seattle School District No. 1
King County
September 1, 2010 through August 31, 2011**

- 1. The District's internal controls continue to be inadequate to ensure compliance with eligibility requirements for its Indian Education program.**

CFDA Number and Title:	84.060 Indian Education Grants to Local Educational Agencies
Federal Grantor Name:	U.S. Department of Education
Federal Award/Contract Number:	S060A100393
Pass-through Entity Name:	NA
Pass-through Award/Contract Number:	NA
Questioned Cost Amount:	\$6,530

Background

The Indian Education grant funds the education and culturally related academic needs of Indian students who need assistance meeting state academic standards. Districts receive funding based on the number of eligible students. Districts must have a signed eligibility form indicating the student is a member of an eligible tribe and the student was enrolled in the District during the enrollment count period.

Federal regulations require recipients of federal grants to establish and follow internal controls to ensure compliance with program requirements. These controls include knowledge of grant requirements and monitoring program activities.

In our 2008-2009 audit, we notified District management of these requirements and reported noncompliance with federal eligibility requirements and questioned costs of \$153,703. In our 2009-2010 audit, we reported noncompliance with federal eligibility requirements and questioned costs of \$168,223. These conditions have not been resolved.

Description of Condition

During our current audit, we followed up to see if the condition had been resolved. We found the District's 2010-2011 grant application claimed 385 eligible students. The District could provide support for the eligibility of only 352 students. Reasons for ineligibility included:

- Eligibility forms for counted students were not completed.
- Enrollment data did not support counted students.

- The name of the tribe, band or group was ineligible.
- The signature date was after the last day of the count period.
- One form did not have a parent signature.

We are questioning costs for students for whom the District could not provide enrollment records or a valid eligibility form. This represents 33 students, or \$6,530 in questioned costs.

Cause of Condition

The District has not put into effect recommendations from prior audits. The District did not retain sufficient documentation in accordance with program guidance to demonstrate compliance with eligibility requirements.

Effect of Condition

The District's continued noncompliance with grant requirements could jeopardize future federal funding and require the District to return federal funds to the grantor. We are questioning costs for 33 students or \$6,530.

Recommendation

We recommend the District maintain records to support the number of students included on the grant application. Each student claimed should have a properly completed eligibility form and be enrolled in the District during the enrollment count period. We further recommend the District consult with the Office of Indian Education about repayment of questioned costs.

District's Response

The district concurs with this finding.

This finding, a repeat from prior audits, shows that the district has not yet fully resolved issues around student eligibility. While the degree of non-compliance is significantly less than prior audits, the district recognizes the need to be fully compliant.

The district will evaluate the process improvements put in place over the last several years and adjust as needed.

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 regular audit.

Applicable Laws and Regulations

U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, Subpart C, section 300 – Auditee responsibilities, 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 the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

The Elementary and Secondary Education Act of 1965, as amended by the No Child Left Behind Act of 2001, states:

SEC. 7117. STUDENT ELIGIBILITY FORMS.

(a) IN GENERAL – The Secretary shall require that, as part of an application for a grant under this subpart, each applicant shall maintain a file, with respect to each Indian child for whom the local education agency provides a free public education, that contains a form that sets forth information establishing the status of the child as an Indian child eligible for assistance under this subpart, and that otherwise meets the requirements of subsection (b).

(b) FORMS – The form described in subsection (a) shall include –

(1) Either –

(A)(i) the name of the tribe or band of Indians (as defined in section 7151) with respect to which the child claims membership;

(ii) the enrollment number establishing the membership of the child (if readily available); and

(iii) the name and address of the organization that maintains updated and accurate membership data for such tribe or band of Indians; or

(B) the name, the enrollment number (if readily available), and the name and address of the organization responsible for maintaining updated and accurate membership data, of any parent or grandparent of the child from whom the child claims eligibility under this subpart, if the child is not a member of the tribe or band of Indians (as so defined);

(2) A statement of whether the tribe or band of Indians (as so defined), with respect to which the child, or parent or grandparent of the child, claims membership is federally recognized;

(3) The name and address of the parent or legal guardian of the child;

(4) A signature of the parent or legal guardian of the child that verifies the accuracy of the information supplied; and

(5) Any other information that the Secretary considers necessary to provide an accurate program profile . . .

(f) MONITORING AND EVALUATION REVIEW

2) FALSE INFORMATION – Any local educational agency that provides false information in an application for a grant under this subpart shall –

(A) be ineligible to apply for any other grant under this subpart; and

(B) be liable to the United States for any funds from the grant that have not been expended . . .

(h) TIMING OF CHILD COUNTS – For purposes of determining the number of children to be counted in calculating the amount of a local educational agency’s grant under this subpart (other than in the case described in subsection (g)(1)), the local educational agency shall –

(1) establish a date on, or a period not longer than 31 consecutive days during, which the agency counts those children, if that date or period occurs before the deadline established by the Secretary for submitting an application under section 7114; and determine that each such child was enrolled, and receiving a free public education, in a school of the agency on that date or during that period, as the case may be.

Schedule of Federal Audit Findings and Questioned Costs

**Seattle School District No. 1
King County
September 1, 2010 through August 31, 2011**

2. **The District did not comply with federal requirements for time and effort documentation related to its Special Education, Title I, Fund for the Improvement of Education and Education Technology State Grants programs.**

CFDA Number and Title:	84.027 Special Education Grants to States 84.173 Special Education Preschool Grants 84.391 ARRA Special Education Grants to States 84.392 ARRA Special Education Preschool Grants 84.010 Title I Grants to Local Educational Agencies 84.389 ARRA Title I Grants to Local Educational Agencies 84.215 Fund for the Improvement of Education 84.318 Education Technology State Grants 84.386 ARRA Education Technology State Grants
Federal Grantor Name:	U.S. Department of Education U215X070264
Federal Award/Contract Numbers:	U215J080192-10 U215K09007 U215K100046
Pass-through Entity Name:	Office of Superintendent of Public Instruction
Pass-through Award/Contract Number:	NA
Questioned Cost Amount:	\$0

Background

The Seattle School District received \$68,245,410 in federal money through 41 grants in fiscal year 2011.

When federal grants pay for employee payroll costs, the employees who work on only one grant or cost objective must support salaries and wages with time and effort certifications at least twice a year. Either the employee or the supervisor with firsthand knowledge of the work performed must sign the certifications.

We notified District management of this requirement in our 2007, 2008 and 2009 audits. We reported non-compliance with the requirement in our audit of fiscal year 2010. This condition has not been resolved.

Description of Condition

Special Education

The former Executive Director of Special Education did not sign the semi-annual time and effort certifications for 117 employees in a timely manner. These certifications covered September 2010 through February 2011, and March 2011 through June 2011. The former Executive Director signed the certifications on September 6, 2011, two to six months after the end of the respective periods. These employees charged \$4,678,708 to Special Education, which is 40 percent of the total salaries and benefits costs and 33 percent of the total program costs. The salary costs were for allowable purposes, therefore; we are not questioning these costs.

Title I (low-income student assistance)

District staff responsible for certifying semi-annual time and effort certifications did not sign the certifications in a timely manner for 34 of 35 employees we examined. These certifications covered September 2010 through February 2011, and March 2011 through June 2011. The staff signed the certifications one to nine months after the end of the respective periods. These 34 employees charged \$2,007,347 to Title I, which is 14 percent of the total salaries and benefits costs, or 11 percent of the total program costs. The salary costs tested were for allowable purposes, therefore; we are not questioning these costs.

Fund for the Improvement of Education

Principals responsible for certifying semi-annual time and effort certifications did not sign the certifications for four of five employees we examined in a timely manner. A Principal signed one employee's certifications for September 2010 through February 2011, and March 2011 through June 2011, 11 and seven months after the end of the respective periods. Moreover, the Principal signed these certifications on January 10, 2012, after we notified the District of the programs selected for audit but prior to the auditor's request for the documents. Another Principal signed the certifications for the other three employees nine and two months after the end of the period. These four employees charged \$95,156 to the Fund for the Improvement of Education, which is 29 percent of total salaries and benefits costs, or 11 percent of the total program costs. The salary costs were for allowable purposes, therefore; we are not questioning these costs.

Education Technology State Grants Cluster

The District uses Education Technology State Grant Cluster funds to pay employees to attend technology-training classes. Time and effort documentation is required for these charges to Federal awards. The Program Manager responsible for certifying semi-annual time and effort certifications did not sign the certifications in a timely manner for 88 employees tested. These certifications covered September 2010 through February 2011, and March 2011 through June 2011. The Program Manager signed the certifications one to three months after the end of the respective periods. These 88 employees charged \$138,573 to the Education Technology State Grants Cluster, which is 98 percent of total salaries and benefits costs, or 35 percent of the total program costs. The salary costs were for allowable purposes, therefore; we are not questioning these costs.

Cause of Condition

Special Education

The former Executive Director of Special Education did not respond to repeated requests from Central Accounting to review and approve semi-annual time and effort certifications.

Title I

Staff responsible for certifying the time and effort did not respond to repeated requests from Central Accounting to review and approve semi-annual time and effort certifications.

Fund for the Improvement of Education

Principals responsible for certifying the time and effort of teachers in their schools did not respond to repeated requests from Central Accounting to review and approve time and effort certifications.

Education Technology State Grants Cluster

The Program Manager responsible for certifying the time and effort of teachers did not respond to repeated requests from Central Accounting to review and approve semi-annual time and effort certifications.

Effect of Condition

Federal grantors cannot assure salaries and benefits charged to their programs are accurate and valid without adequate time and effort documentation. Noncompliance with grant requirements may require the District to return federal funding and jeopardizes future federal funding.

Recommendation

We recommend the District obtain properly authorized semiannual time and effort certifications in a timely manner. Moreover, the District should hold individuals accountable for not complying, or for causing noncompliance.

District's Response

The district concurs with this finding.

The district implemented an electronic certification process in early 2011. This process, designed to respond to prior audit findings, helped improve internal controls in this area. Full implementation and acceptance of this process is continuing. Starting this fiscal year, the Accounting department is producing a list of delinquent reports for senior district leadership review and action.

The district will continue training and emphasis on the requirements associated with Time and Effort reporting.

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 regular audit.

Applicable Laws and Regulations

U.S. Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* (2 CFR Part 225), Appendix B, Section 8(h), states in part:

- (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 government 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 semiannually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

Schedule of Federal Audit Findings and Questioned Costs

**Seattle School District No. 1
King County
September 1, 2010 through August 31, 2011**

3. The District did not have adequate internal controls to ensure compliance with federal earmarking requirements related to its Title I program.

CFDA	84.010 Title I Grants to Local Educational Agencies 84.389 ARRA Title I Grants to Local Educational Agencies
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:	NA
Questioned Cost Amount:	\$0

Background

School districts must set aside an amount equal to 20 percent of their Title I, Part A allocation for public school choice and supplemental educational services if they have schools in "school improvement" status. The State Office of Superintendent of Public Instruction identifies districts and schools as in "improvement status" based on their lack of progress in meeting state academic standards in reading and/or mathematics.

Seattle School District had schools in school improvement status in the 2010-2011 school year and, therefore; had to meet certain criteria to spend less than the 20 percent allocated for public school choice and supplemental educational services. This criteria includes providing a minimum of two enrollment periods during the school year that are of sufficient length so parents of eligible students can make informed decisions about requesting supplemental educational services and selecting a provider.

Description of Condition

The District allocated 20 percent, or \$2,497,949, of its Title I, Part A funding for transportation choice and supplemental educational services as required. However, the District only spent \$1,459,269 of this amount. It provided only one of the two required enrollment periods.

Cause of Condition

The District did not have adequate controls to ensure two enrollment periods were provided during the school year.

Effect of Condition

The District did not comply with federal earmarking requirements. Of the \$2,497,949 allocated to transportation choice and supplemental educational services, the District only spent \$1,459,269, leaving \$1,038,680 available for use. By not holding a second enrollment window, the District did not allow all parents with eligible students the opportunity to request the use of these available funds for supplemental educational services.

Moreover, the District did not serve 224 eligible students who applied for supplemental educational services. Noncompliance with grant requirements may require the District to return federal funding and jeopardizes future federal funding.

Recommendation

We recommend the District spend the total allocated for transportation choice and supplemental educational services on eligible students who request these services. We further recommend if the District does not spend the total amount allocated for these services it holds two enrollment windows as required.

District's Response

The district concurs with this finding.

In spring of 2011, in an effort to make the SES program more accountable and compliant, the SES program was restructured with the SES Coordinator position becoming full time. In addition, the position was moved to the Office of School and Community Partnerships where there would be a better connection with the providers of the supplemental education services.

The district is committed to holding additional enrollment windows as necessary in the future.

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 regular audit.

Applicable Laws and Regulations

Title 34, Code of Federal Regulations, Section 200.48, Funding for Choice-related transportation and supplemental education services, states in part:

(C)(d)(ii)

The LEA must spend the unexpended amount under paragraph (d)(1)(i) of this section in addition to the amount it is required to spend to meet its 20 percent obligation in the subsequent school year. (2) To spend less than the amount need to meet its 20 percent obligation, an LEA must

- (i) Meet, at a minimum, the following criteria:
 - (A) Partner, to the extent practicable, with outside groups, such as faith-based organizations, other community-based organizations, and business groups, to help inform eligible students and their families of the opportunities to transfer or to receive supplemental educational services.
 - (B) Ensure that eligible students and their parents have a genuine opportunity to sign up to transfer or to obtain supplemental educational services, including by -
 - (1) Providing timely, accurate notice as required in Sec. Sec. 200.36 and 200.37;
 - (2) Ensuring that sign up forms for supplemental educational services are distributed directly to all eligible students and their parents and are made widely available and accessible through broad means of dissemination, such as the Internet, other media, and communication through public agencies serving eligible students and their families; and
 - (3) Providing a minimum of two enrollment “windows,” at separate points in the school year, that are sufficient length to enable parents of eligible students to make informed decisions about requesting supplemental educational services and selecting a provider.
 - (C) Ensure that eligible supplemental educational services providers are given access to school facilities, using a fair, open, and objective process, on the same basis and terms as available to other groups that seek access to school facilities;

Schedule of Prior Federal Audit Findings

Seattle School District No. 1 King County September 1, 2010 through August 31, 2011

This schedule presents the status of federal findings reported in prior audit periods. The status listed below is the representation of Seattle School District No. 1. The State Auditor's Office has reviewed the status as presented by the District.

Audit Period: 2010	Report Reference No: 1005698	Finding Reference No: 1	CFDA Number(s): 84.060
Federal Program Name and Granting Agency: Indian Education Grants to Local Educational Agencies – U.S. Department of Education		Pass-Through Agency Name: NA	
Finding Caption: The District does not have adequate internal controls to ensure compliance with eligibility requirements for its Indian Education program.			
<p>Background: The Indian Education grant is designed to help schools address education and culturally related academic needs of Indian students who need assistance meeting state academic standards. Districts receive money based on the number of eligible students. Districts must have a signed eligibility form indicating the student is a member of an eligible tribe and the student must be enrolled in the District at the time enrollment is counted. The District claimed 1,100 students on its 2009-2010 grant application and received \$229,596 or approximately \$208 per eligible student.</p> <p>Federal regulations require recipients of federal money to establish and follow internal controls to ensure compliance with program requirements. These controls include knowledge of grant requirements and monitoring program activities.</p> <p>In our 2008-2009 audit, we notified District management of these requirements and reported noncompliance with federal eligibility requirements and questioned costs of \$153,703.</p> <p>During our previous audit, we found the number of eligibility forms on file did not support the number of students counted for funding. The District subsequently contacted the Office of Indian Education and refunded the 2008-2009 questioned costs, and notified the Office that the 2009-2010 grant application also over-reported the total number of eligible students. The District attempted to refund the 2009-2010 ineligible amount, however; the refund calculation was based on inaccurate eligible student count information.</p> <p>During our current audit, we followed up to see if the condition had been resolved. We found the District's 2009-2010 grant application claimed 1,100 eligible students, 294 of which were found to be eligible for inclusion in the count. Common reasons for ineligibility included:</p> <ul style="list-style-type: none"> • Forms were not dated by the parents. • The forms were completed after the last day of the count period listed on the application. • Duplicate eligibility forms. 			

We are questioning costs for students claimed for whom the District could not provide enrollment records and eligibility forms. This represents 806 students or \$168,228 in questioned costs.

Status of Corrective Action: (check one)

- Fully Corrected
 Partially Corrected
 No Corrective Action Taken
 Finding is considered no longer valid

Corrective Action Taken: *Training was provided and procedures developed, however the eligibility issue is not yet fully resolved. The process improvements put in place will be reviewed, evaluated and adjusted as needed to assure compliance.*

Audit Period: 2010	Report Reference No: 1005698	Finding Reference No: 2	CFDA Number(s): 84.060
Federal Program Name and Granting Agency: Indian Education Grants to Local Educational Agencies – U.S. Department of Education		Pass-Through Agency Name: NA	
Finding Caption: The District does not have adequate internal controls to ensure that the required parent committee was established for its Indian Education program.			
<p>Background: The Indian Education grant is designed to help schools address education and culturally related academic needs of Indian students who need assistance to meet state academic standards.</p> <p>In order to receive this money, Districts are required to develop specific programs with the participation and written approval of a committee composed of:</p> <ul style="list-style-type: none"> • A majority of parents of eligible Indian children in the District’s schools. • Teachers. • An eligible Indian student in a secondary school. <p>The committee must have at least five members, operate under District-approved bylaws and keep minutes of its meetings.</p> <p>In our previous audit, we notified District management of these requirements, and reported noncompliance with federal eligibility requirements. These conditions have been partially resolved.</p> <p>Seattle School District received \$229,596 through this program in 2009-2010.</p> <p>In our previous audit, the District could not demonstrate it had a Parent Committee. During our current audit, we followed up to see if the condition was resolved. We reviewed documentation and found the Parent Committee was established on April 27, 2010, eight months after the school year had begun. Therefore, the Parent Committee did not approve the grant application, proposed budget, or conduct regular open meetings as required.</p> <p>Additionally, the Parent Committee was composed of seven members - five parents, one teacher and one student. However, the District was unable to demonstrate that a majority of parent members had eligible Indian students attending the District. Moreover, the District was unable to show the student member was an eligible Indian student.</p>			

Status of Corrective Action: (check one)			
<input checked="" type="checkbox"/> Fully Corrected	<input type="checkbox"/> Partially Corrected	<input type="checkbox"/> No Corrective Action Taken	<input type="checkbox"/> Finding is considered no longer valid
Corrective Action Taken: <i>Training was provided and procedures were put in place to establish the appropriate parent committee on a timely basis.</i>			

Audit Period: 2010	Report Reference No: 1005698	Finding Reference No: 3	CFDA Number(s): 84.060, 84.027, 84.173, 84.391, 94.392
Federal Program Name and Granting Agency: Indian Education Grant to Local Educational Agencies, Special Education IDEA Part B, Special Education Preschool Grants, ARRA Special Education IDEA Part B, ARRA Special Education Preschool Grants – U.S. Department of Education		Pass-Through Agency Name: Office of Superintendent of Public Instruction	
Finding Caption: The District did not comply with federal requirements for time and effort documentation related to its Indian Education program and Special Education programs.			
Background:			
<u>Indian Education</u>			
<p>The Indian Education grant is designed to help schools address education and culturally related academic needs of Indian students who need assistance in meeting state academic standards. The District's total grant expenditures for the 2009-2010 school year were \$209,912. Of this amount, \$173,932 was paid for employee salaries and benefits.</p>			
<u>Special Education</u>			
<p>The Special Education grant is designed to ensure a free, appropriate public education for children with disabilities that emphasize special education and related services designed to meet their needs; to assist states, localities, educational service agencies and federal agencies to provide for this education; and to assess and ensure the effectiveness of these efforts. The District's grant expenditures for the 2009-2010 school year were \$21,212,584. Of this, \$18,353,691 was paid for employee salaries and benefits.</p>			
<u>Indian Education</u>			
<p>We reviewed payroll to determine whether salaries charged to federal grants were supported by adequate time and effort documentation as required by federal grant regulations. Depending on the number of activities an employee works on, documentation can be provided in the form of a semiannual certification or a monthly time sheet. The District's grant accounting department sends out reminders to the employees' direct supervisor to ensure time and effort documentation is certified timely. We examined payroll expenditures charged to the grant for four employees during the 2009-2010 school year. We found the District did not obtain time and effort documentation in a timely manner for one employee. Specifically, we noted that the employee's monthly time sheets for regular salaries and benefits totaling \$47,172 between September 1, 2009 through August 31, 2010, were not signed and approved until after this program was selected for audit.</p>			

Special Education

We examined 20 time and effort semiannual certifications that corresponded to the payroll of 95 employees charged to the grant. We found 11 were not signed and approved until after they were selected for our audit. Total salary and benefits of those 11 certifications was \$3,035,449.

Status of Corrective Action: (check one)

- Fully Corrected Partially Corrected No Corrective Action Taken Finding is considered no longer valid

Corrective Action Taken: *An electronic certification process was put in place during the previous year to address internal control issues on time and effort reporting. Implementation and acceptance of the system is not yet fully completed. Training will continue with emphasis on timeliness. Reports have been developed and are now sent to upper management to increase accountability of all employees required to submit time and effort reporting.*

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

Seattle School District No. 1
King County
September 1, 2010 through August 31, 2011

Board of Directors
Seattle School District No. 1
Seattle, Washington

We have audited the financial statements of Seattle School District No. 1, King County, Washington, as of and for the year ended August 31, 2011, and have issued our report thereon dated May 16, 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 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

May 16, 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**

Seattle School District No. 1
King County
September 1, 2010 through August 31, 2011

Board of Directors
Seattle School District No. 1
Seattle, Washington

COMPLIANCE

We have audited the compliance of Seattle School District No. 1, King 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. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Findings 2 and 3. The results of

our auditing procedures also disclosed material noncompliance with applicable requirements in a program that was not audited as a major program which, are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as finding 1.

INTERNAL CONTROL OVER COMPLIANCE

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with 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 as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Federal Audit findings and Questioned Costs as Finding 3. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 Board of Directors, federal awarding agencies and pass-through entities. However, this report is a matter of public record

and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" written in a larger, more prominent script than the last name "Sonntag".

BRIAN SONNTAG, CGFM
STATE AUDITOR

May 16, 2012

Independent Auditor's Report on Financial Statements

Seattle School District No. 1 King County September 1, 2010 through August 31, 2011

Board of Directors
Seattle School District No. 1
Seattle, Washington

We have audited the accompanying financial statements of Seattle School District No. 1, King County, Washington, as of and for the year ended August 31, 2011, as listed on page 25. 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 Seattle School District No. 1, 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.

The Schedule of Families and Education Levy and Notes to the Schedule of Families and Education levy are not required part of the financial statements but are supplementary information presented for purposes of additional analysis. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 the first name "Brian" and last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

May 16, 2012

Financial Section

**Seattle School District No. 1
King County
September 1, 2010 through August 31, 2011**

FINANCIAL STATEMENTS

Balance Sheet – Governmental Funds – 2011
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2011
Statement of Fiduciary Net Assets – Fiduciary Funds – 2011
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SUPPLEMENTARY INFORMATION

Schedule of Long-Term Debt – 2011
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Schedule of Families and Education Levy – 2011
Notes to Schedule of Families and Education Levy – 2011

Seattle Public Schools No. 001

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	90,391,424.59	2,397,557.11	7,104,748.82	135,436,225.40	0.00	0.00	235,329,955.92
Minus Warrants Outstanding	-7,099,728.53	-28,999.68	0.00	-3,736,937.81	0.00	0.00	-10,865,666.02
Taxes Receivable	74,825,928.02		40,117,176.16	21,977,509.38	0.00		136,920,613.56
Due From Other Funds	743,329.03	0.00	0.00	0.00	0.00	0.00	743,329.03
Due From Other Governmental Units	9,682,321.29	0.00	0.00	4,795,679.26	0.00	0.00	14,478,000.55
Accounts Receivable	906,256.98	0.00	0.00	0.00	0.00	0.00	906,256.98
Interfund Loans Receivable	0.00			0.00			0.00
Accrued Interest Receivable	35,002.76	1,294.25	4,012.20	74,542.81	0.00	0.00	114,852.02
Inventory	834,594.96	0.00					834,594.96
Prepaid Items	0.00	0.00		0.00	0.00	0.00	0.00
Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investments/Cash With Trustee	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	170,319,129.10	2,369,851.68	47,225,937.18	158,547,019.04	0.00	0.00	378,461,937.00
LIABILITIES:							
Accounts Payable	11,769,012.50	169,592.97	0.00	23,573,066.00	0.00	0.00	35,511,671.47
Contracts Payable Current	0.00	0.00		0.00			0.00
Accrued Interest Payable				0.00			0.00
Accrued Salaries	21,023,497.34	0.00		0.00			21,023,497.34
Revenue Anticipation Notes Payable	0.00			0.00			0.00
Payroll Deductions and Taxes Payable	7,001,430.86	0.00		0.00			7,001,430.86
Due To Other Governmental Units	0.00	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	3,671,608.52						3,671,608.52
Due To Other Funds	0.00	13,602.01	0.00	730,074.07	0.00	0.00	743,676.08

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

Seattle Public Schools No. 001

Balance Sheet

Governmental Funds

August 31, 2011

Debt Service Fund

Capital Projects Fund

Transportation Vehicle Fund

Permanent Fund

Total

LIABILITIES:					
Interfund Loans Payable	0.00				0.00
Deposits	78,371.96	0.00	11,654,620.84		11,732,992.80
Matured Bonds Payable		0.00			0.00
Matured Bond Interest Payable		0.00			0.00
Arbitrage Rebate Payable	0.00				0.00
Deferred Revenue	75,545,658.93	11,791.37	40,142,823.86	22,420,854.22	0.00 138,121,128.38
TOTAL LIABILITIES	119,089,580.11	194,986.35	40,142,823.86	58,378,615.13	0.00 217,806,005.45
FUND BALANCE:					
Nonspendable Fund Balance	834,594.96	0.00	0.00	0.00	0.00 834,594.96
Restricted Fund Balance	4,258,091.38	0.00	3,700,871.98	90,255,790.00	0.00 98,214,753.36
Committed Fund Balance	16,200,000.00	0.00	0.00	0.00	0.00 16,200,000.00
Assigned Fund Balance	26,480,635.00	2,174,865.33	3,382,241.34	9,912,613.91	0.00 41,950,355.58
Unassigned Fund Balance	3,456,227.65	0.00	0.00	0.00	0.00 3,456,227.65
TOTAL FUND BALANCE	51,229,548.99	2,174,865.33	7,083,113.32	100,168,403.91	0.00 160,655,931.55
TOTAL LIABILITIES AND FUND BALANCE	170,319,129.10	2,369,851.68	47,225,937.18	158,547,019.04	0.00 378,461,937.00

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

Seattle Public Schools No. 001

Statement of Revenues, Expenditures, and Changes in Fund Balance

	Governmental Funds					Total
	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund
REVENUES:						
Local	168,444,236.86	4,262,506.25	81,002,488.82	39,697,849.39	0.00	293,407,081.32
State	283,355,215.70		0.00	24,373,622.74	0.00	307,728,838.44
Federal	45,003,429.41		259,072.91	0.00	0.00	45,262,502.32
Federal Stimulus	23,588,446.71					23,588,446.71
Other	6,696,252.02			136,176.01	0.00	6,832,428.03
TOTAL REVENUES	527,087,580.70	4,262,506.25	81,261,561.73	64,207,648.14	0.00	676,819,296.82
EXPENDITURES:						
CURRENT:						
Regular Instruction	239,702,176.27					239,702,176.27
Federal Stimulus	23,486,195.63					23,486,195.63
Special Education	67,107,186.32					67,107,186.32
Vocational Education	8,057,272.09					8,057,272.09
Skills Center	0.00					0.00
Compensatory Programs	44,592,415.78					44,592,415.78
Other Instructional Programs	23,227,778.26					23,227,778.26
Community Services	1,094,880.73					1,094,880.73
Support Services	121,962,308.98					121,962,308.98
Student Activities/Other		4,322,883.75				4,322,883.75
CAPITAL OUTLAY:						
Sites				0.00		0.00
Building				109,371,764.60		109,371,764.60
Equipment				16,651,973.54		16,651,973.54
Energy				7,552,374.95		7,552,374.95
Transportation Equipment					0.00	0.00
Other	410,115.99					410,115.99
DEBT SERVICE:						
Principal	0.00		72,570,000.00	0.00	0.00	72,570,000.00
Interest and Other Charges	0.00		12,736,461.75	0.00	0.00	12,736,461.75
TOTAL EXPENDITURES	529,640,330.05	4,322,883.75	85,306,461.75	133,576,113.09	0.00	0.00 752,845,788.64
REVENUES OVER (UNDER) EXPENDITURES	-2,552,749.35	-60,377.50	-4,044,900.02	-69,368,464.95	0.00	0.00 -76,026,491.82

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

Seattle Public Schools No. 001

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	17,462,375.00	0.00		17,462,375.00
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	2,441,709.71		2,439,744.91	0.00	0.00		4,881,454.62
Transfers Out (GL 536)	0.00		0.00	-4,881,454.62	0.00	0.00	-4,881,454.62
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	7,348.83		0.00	2,397,400.69	0.00		2,404,749.52
TOTAL OTHER FINANCING SOURCES (USES)	2,449,058.54		2,439,744.91	14,978,321.07	0.00	0.00	19,867,124.52
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-103,690.81	-60,377.50	-1,605,155.11	-54,390,143.88	0.00	0.00	-56,159,367.30
BEGINNING TOTAL FUND BALANCE	51,333,239.80	2,235,242.83	8,688,268.43	154,558,547.79	0.00	0.00	216,815,298.85
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ENDING TOTAL FUND BALANCE	51,229,548.99	2,174,865.33	7,083,113.32	100,168,403.91	0.00	0.00	160,655,931.55

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

Seattle Public Schools No. 001
Statement of Fiduciary Net Assets
Fiduciary Funds
August 31, 2011

	Private Purpose Trust	Other Trust
ASSETS:		
Imprest Cash	27,767.44	0.00
Cash On Hand	0.00	0.00
Cash On Deposit with Cty Treas	1,944,115.00	0.00
Minus Warrants Outstanding	-12,710.00	0.00
Due From Other Funds	347.05	0.00
Accounts Receivable	0.00	0.00
Accrued Interest Receivable	1,348.30	0.00
Investments	0.00	0.00
Investments/Cash With Trustee	0.00	0.00
Other Assets	0.00	0.00
Capital Assets, Land	0.00	0.00
Capital Assets, Buildings	0.00	0.00
Capital Assets, Equipment	0.00	0.00
Accum Depreciation, Buildings	0.00	0.00
Accum Depreciation, Equipment	0.00	0.00
TOTAL ASSETS	1,960,867.79	0.00
LIABILITIES:		
Accounts Payable	9,730.33	0.00
Due To Other Funds	0.00	0.00
TOTAL LIABILITIES	9,730.33	0.00
NET ASSETS:		
Net assets held in trust for:		
Restricted for Other Items	0.00	0.00
Restricted for Self Insurance		0.00
Restricted for Uninsured Risks		0.00
Nonspendable -- Trust Principal	165,750.00	0.00
Committed to Other Purposes	0.00	0.00
Assigned to Fund Purposes	1,785,387.46	0.00
Unassigned Fund Balance	0.00	0.00
TOTAL NET ASSETS	1,951,137.46	0.00

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

Seattle Public Schools No. 001
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended August 31, 2011

	Private Purpose Trust	Other Trust
ADDITIONS:		
Contributions:		
Private Donations	74,653.43	0.00
Employer Members		0.00
Other	0.00	0.00
TOTAL CONTRIBUTIONS	74,653.43	0.00
Investment Income:		
Net Appreciation (Depreciation) in Fair Value	0.00	0.00
Interest and Dividends	12,922.62	0.00
Less Investment Expenses	0.00	0.00
Net Investment Income	12,922.62	0.00
Other Additions:		
Rent or Lease Revenue	0.00	0.00
Total Other Additions	0.00	0.00
TOTAL ADDITIONS	87,576.05	0.00
DEDUCTIONS:		
Benefits		0.00
Refund of Contributions	0.00	0.00
Administrative Expenses	0.00	0.00
Scholarships	66,000.00	
Other	57,154.57	0.00
TOTAL DEDUCTIONS	123,154.57	0.00
Net Increase (Decrease)	-35,578.52	0.00
Net Assets--Beginning	1,986,715.98	0.00
Prior Year(s) Corrections or Restatements	0.00	0.00
NET ASSETS--ENDING	1,951,137.46	0.00

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Seattle 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 Seattle 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 Seattle 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 and fiduciary funds as follows:

1. Governmental Funds

a. 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.

September 1, 2010 Through August 31, 2011

b. Capital Projects Fund

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 purchase, major repair, rebuilding, and debt service expenditures related to pupil transportation equipment. This fund is not used by the Seattle School District; pupil transportation is a contracted service.

c. Debt Service Fund

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

d. 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. This fund accounts for the extracurricular fees and resources collected in fund raising events for students. Disbursements require the joint approval of the appropriate student body organization and the school principals.

2. Fiduciary Funds

Trust funds are used to account for assets held by the district in a trustee and agency capacity. Fiduciary funds in the District include only private purpose trust funds.

a. Private Purpose Trust Funds

These funds are used to account for resources legally held in trust where principal and income benefit individuals, private organizations, or other governments.

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:

September 1, 2010 Through August 31, 2011

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 in 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 purchase order issued, contract 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.

September 1, 2010 Through August 31, 2011

Encumbrances

Encumbrance accounting is employed in governmental funds. Purchase orders, contracts, and other commitments for the expenditures 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 in the following year.

E. Assets, Liabilities and Fund Equity

Cash and Cash Equivalents

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.

Investments

All of the district's investments during the year and at year-end were insured or registered and held by the district or its agent in the district's name.

As of August 31, 2011, the investment balances are as follows:

<u>Investment Type</u>	<u>Fund</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
County Treasurer's Investment Pool	General	90,684,051	90,085,425
	Capital Projects	126,504,518	124,349,999
	Debt Service	7,250,113	7,104,749
	Associated Student Body	<u>2,290,049</u>	<u>2,267,447</u>
	Subtotal	<u>226,728,731</u>	<u>223,807,620</u>
	Private Purpose Trust	<u>1,956,940</u>	<u>1,944,115</u>
	Total	<u><u>228,685,671</u></u>	<u><u>225,751,735</u></u>

Impaired Investments

As of 8/31/11, the vast majority of the remaining amount in the impaired pool of the King County Investment Pool was associated with one impaired investment, Victoria. The associated assets were transferred to a new company, entitled VFNC Trust. Monthly distribution continues to be received by VFNC Trust and is anticipated to continue for 4-6 more years. The current recovery rate is 52% and it is estimated to reach as high as 76%, and potentially higher.

September 1, 2010 Through August 31, 2011

Receivables

The account receivables represent amounts due for services rendered by the district and are expected to be collected within one year. The district considers receivables collected within 60 days after year-end to be available and recognizes them as revenues of the current year.

Inventory

Inventory consists of expendable supplies held for consumption and is valued at cost using the weighted average method perpetual inventory system. The consumption method of inventory is used, which charges inventory as an expenditures when it is consumed. Management has reserved a portion of fund balance as a budgetary technique to ensure the availability of resources at the appropriate time. USDA commodity inventory consists of food donated by the United States Department of Agriculture and is valued at the prices paid by the USDA for the commodities.

F. Revenue and Expenditure Recognition

Debt Service

Principal and interest on 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.

Deferred Revenues

Deferred revenues consist of amounts collected before revenue recognition criteria are met, and receivables, which, under the modified accrual basis of accounting, are measurable but not available.

Compensated Absences

a. Vacation Leave

Employees earn vacation leave monthly, at various rates, (from thirteen to twenty-eight days per year), based on the number of years employed. Non-represented employees and school principals may carry over no more than thirty days of vacation leave from one fiscal year to the next. Other represented employees may carry over annual leave as outlined in their collective bargaining agreement. No employee may cash out more than 240 hours of annual leave at the time of separation from the District. Vacation pay, including benefits, is reported as expenditures, and payroll liability.

b. Sick Leave

Employees earn sick leave at the rate of one day per month. 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 (4) 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.

Expenditures for sick leave are recognized 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 is based on 25% of per diem value of all accumulated sick leave of the employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments, plus related Security and Medicare taxes.

G. Fund Balance

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.

The board of directors has established a minimum fund balance policy for the general fund to provide for financial stability and contingencies within the district. The policy is that the district shall maintain a committed fund balance at least equal to between 3 percent and 5 percent of the district's budgeted non-grant General fund expenditures. The policy also states that the board of directors shall annually adopt a specific reserve percentage for the upcoming fiscal year. For the

September 1, 2010 Through August 31, 2011

2011-2012 fiscal year, the amount Committed to this minimum fund policy is \$16,200,000, which is included in the amount reported as Committed Fund Balance on the financial statements.

NOTE 2 PENSIONS

A. General Information

Substantially all Seattle School District full-time and qualifying part-time employees participate in one of the following three (3) 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).

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

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

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

Plan 1 under the TRS and PERS program are defined benefit pension plans whose members joined the system on or before September 30, 1977. Plan 1 members are eligible to retire with adjusted 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 and SERS programs, respectively. Members of TRS and SERS are eligible to retire with full benefits after five years 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, or 30 years of credited service and receive either a reduced benefit or stricter return-to-work rules.

Plan 3 under the TRS and SERS program 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 at age 65, or they may retire at age 55 with at least ten service years with a reduced benefit amount, or they may retire at age 55 with

September 1, 2010 Through August 31, 2011

at least 30 service years and receive either a reduced benefit or stricter return-to-service work rules.

Average final compensation (AFC) of Plan 1 TRS and PERS members is the highest average salary during any two (2) 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 SERS 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 (Plan 1, 2 and 3) and the TRS and SERS Plan 2 employee contribution rates are established by the Pension Funding Council based upon rates set by the Legislature. The employee contribution rate for Plan 1 for 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 option rates range begins at 5 percent and increase to a maximum of 15 percent.

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%.

September 1, 2010 Through August 31, 2011

Under current law, the employer must contribute 100 percent of the employer-required contribution. Employer's required contributions in dollars:

<u>Plan</u>	<u>FY 10-11</u>	<u>FY 09-10</u>	<u>FY 08-09</u>
Plan 1 TRS	\$1,050,131	\$1,284,309	\$1,934,514
Plan 2 TRS	\$2,952,308	\$2,809,612	\$3,677,996
Plan 3 TRS	\$10,102,002	\$10,003,012	\$12,989,507
Plan 1 PERS	\$385,064	\$418,434	\$624,482
Plan 2 SERS	\$2,240,468	\$2,226,562	\$2,740,977
Plan 3 SERS	\$2,381,240	\$2,389,276	\$3,072,728

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 Bldg.
 PO Box 43113
 Olympia, WA 98504-3113

NOTE 3 CONSTRUCTION COMMITMENTS

The District adopted a Facilities Master Plan (the "Plan") in 1992 that provides direction for the strategic use of all District facilities through 2010 and is the basis for developing its capital improvement program. The Plan was most recently updated in March 2008 expanding the period covered through 2020.

The Plan identifies facility requirements based on student enrollment and demographics, projected space requirements, community use, and a facilities inventory. Planning is accomplished through a community-based approach, including input from the City, community organizations, parents, and District staff, as well as consideration of requirements relating to historical and landmark buildings.

Since 1995, the District has obtained voter approval for a series of major capital levies, divided between two purposes, the Building Excellence Levies (BEX) and the Buildings, Technologies and Athletics Levies (BTA), to further the goals of the Plan. The BTA program focuses on

September 1, 2010 Through August 31, 2011

deferred maintenance, code requirements, seismic upgrades, and modernization of athletic facilities, classroom technology and management information systems.

BEX Levies. In February 1995, Seattle voters approved a six-year, \$330 million BEX property tax levy to fund renovation and/or construction of 19 school buildings throughout the District. The levy enabled the District to completely renovate West Seattle High School and Ballard High School, among other buildings.

In February 2001, Seattle voters approved a six-year \$398 million BEX II property tax levy to fund renovation and/or new construction in 17 school buildings throughout the District. The levy enables the District to completely renovate three aging high schools, namely Roosevelt, Cleveland, and Garfield, as well as Madison Middle School. The levy also increased capacity at elementary and middle schools in the southeast part of the City, and improved technology support.

In February 2007, Seattle voters approved a six-year \$490 million BEX III Capital Bond (of which the Bonds are a portion), which will help pay for projects divided into three categories: Building Projects, Infrastructure Improvements, and Technology Improvements. The Building Projects component includes the renovations or replacement of seven school facilities and continues the District's long-range plan for renewing aging school buildings throughout the District. The Infrastructure Improvements component includes health and safety upgrades such as replacement or repair of plumbing to ensure drinking water quality, interior upgrades to improve indoor air quality, and replacement and renovation of athletic fields. The Technology Improvements component includes replacement of outdated classroom computers, expansion of a website that keeps families informed of student progress; and improvements to business and academic systems. This levy replaces an expiring capital levy.

BTA Levies: In February 1998, the voters of Seattle passed a six-year \$150 million BTA I Levy to fund the District's Buildings, Technology and Athletic Facilities program. There are four components to the BTA I levy: Building Reinvestment (\$60 million), Technology (\$40 million), Athletic Facilities (\$40 million), and Science and Performing Arts (\$10 million). In total, the levy financed more than 465 facility improvement projects at every school.

In February 2004, Seattle voters continued the work of BTA I by approving a six-year \$178 million capital levy ("BTA II"), which pays for nearly 700 projects, improving every school in the District. The BTA II levy contains three major components: Buildings (\$95.5 million), Technology (\$42.75 million), and Academics (\$39.75 million).

BTA III was approved by voters in February 2010. This is a six-year \$270M capital levy that provides funds for projects that will benefit every school in the district and to open five buildings to meet growing student enrollment. There are three components to the BTA III levy: Building Construction (\$140.5M), Academics (\$94.6M) and Technology (\$34.9M).

September 1, 2010 Through August 31, 2011

<u>Project</u>	<u>Project Authorized Amount</u>	<u>Accumulated Revenue to 8/31/11</u>	<u>Accumulated Expenditure to 8/31/11</u>
BEX II			
Building Construction	407,000,000		409,815,051
Technology	26,000,000		25,718,312
BEX II total	433,000,000	436,103,748	435,533,363
BTA I			
Building Reinvestment	60,000,000		54,114,704
Athletic Fields	40,000,000		38,221,722
Science and Arts	6,000,000		6,273,788
Technology	40,000,000		40,977,072
BTA I total	146,000,000	154,075,543	139,587,286
BTA II			
Building Reinvestment	95,500,000		84,794,886
Academics	36,620,000		30,009,024
Technology	39,880,000		35,346,613
BTA II total	172,000,000	181,226,804	150,150,523
BEX III			
Building Construction	383,000,000		359,962,483
Infrastructure	26,000,000		16,262,316
Technology	42,000,000		34,771,730
BEX III total	451,000,000	468,997,407	410,996,529
BTA III			
Building Construction	140,500,000		3,220,941
Academics	94,600,000		29,118,403
Technology	34,900,000		940,097
BTA III total	270,000,000	47,668,678	33,279,441

Revenue includes other operating sources.

NOTE 4 RISK MANAGEMENT

The Seattle School 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.

In September 2001, the district joined the Washington Schools Risk Management Pool, a public entity risk pool currently operating as a common risk management and insurance program for much of its general and property risks. The district pays an annual premium to the pool for its insurance coverage. The agreement for formation of the Washington Risk Management Pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for property claims in excess of \$1,000,000 and liability claims in excess of \$3,000,000 for each insured event. For excess worker compensation and employer’s liability coverage, the district acquires the coverage directly from a commercial insurer.

The insurance schedule is as follows:

Self Insured Retention

Property	\$100,000 per occurrence
Earthquake	5% of affected values subject to \$100,000 minimum and \$1,000,000 Maximum per occurrence
Flood	\$100,000 per location subject to a Pool-wide Minimum loss of \$1,000,000
Automobile and Bus	Physical damage \$1,000 per occurrence
General Liability	\$1,000,000 per occurrence
Money, Security, Employee Dishonesty	\$5,000 per occurrence
Employment Practices Liability	\$1,000,000 per occurrence
Errors and Omissions Liability	\$1,000,000 per occurrence
Workers Compensation	\$600,000 per occurrence

Insurance Coverage Limits

Type of Coverage	2010-11
General Liability	\$20,000,000 per occurrence
Sexual Abuse Liability	20,000,000 per occurrence 20,000,000 aggregate
Automobile Liability	20,000,000 per occurrence
Property	500,000,000 per occurrence
Earthquake	25,000,000 Pool wide aggregate
Flood	100,000,000 Pool wide aggregate
Workers Compensation	Statutory
Employers’ Liability	1,000,000 per occurrence
Boiler & Machinery	50,000,000 per occurrence
Commercial Crime – Money & Securities	50,000 per occurrence

September 1, 2010 Through August 31, 2011

Commercial Crime – Employee Dishonesty	500,000 per occurrence
Employment Practices Liability	20,000,000 per claim & aggregate
Errors and Omissions Liability	20,000,000 per occurrence

The District self-insures for some of these claim risks in general liability and industrial insurance liability out of its General Fund. It reports all of its risk management activities in its General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

Changes in the District’s current claims liability amounts, estimated based on available information at August 31, 2011, and 2010 respectively are as follows:

	Beginning of Year Balance	Claims & Changes In Estimates	Claims Payments	End of Year Balance
Industrial Insurance Liabilities				
2009-10	\$ 3,896,020	\$ 4,155,912	\$ (3,826,090)	\$ 4,225,842
2010-11	\$ 4,225,842	\$ 3,150,693	\$ (4,251,535)	\$ 3,125,000

NOTE 5 LEASE OBLIGATIONS

The District has several operating leases for the facilities used for the New Center School, warehouses for capital programs and maintenance, science materials center and copiers. The minimum lease payments for each of the next five years for non cancelable leases are:

<u>Year Ended August 31</u>	
2012	\$ 1,302,033
2013	1,085,449
2014	206,011
2015	104,978
2016	70,643
Total	<u>\$ 2,769,114</u>

NOTE 6 DEBT

A. General Obligation Bonds

In June 2007, the District issued the Building Excellence (“BEX III”) Series A & B bonds which voters approved in February 2007. The bonds sold at a premium resulting

September 1, 2010 Through August 31, 2011

in gross proceeds of \$419,989,425 and will be used for the capital projects in the BEX III program. The bonds mature between 2008 and 2013 and the principal and interest will be serviced from funds collected from the voter-approved tax levy revenues collected over the same period.

In May 2010, the District issued refinancing bonds of \$33,080,000 for the majority of the 2001 Series A Bonds. The 2001 Bonds maturing on and after December 1, 2012 could be called for redemption prior to their scheduled maturities and were refunded. Bonds maturing before December 1, 2012 were not refunded, but redeemed when due. One remaining payment on the original Series A Bonds will be made in 2012.

The District issued \$17,500,000 Limited General Obligation Bonds, 2010 (Taxable Qualified School Construction Bonds – Direct Payment to Issuer). This was in accordance with a Board Resolution passed in October 2010. The bond interest rate is 2.55% (fully refundable by the Federal Government), and the maturity date is June 1, 2017.

Bonds payable at 8/31/11, are comprised of the following individual issues:

<u>Name and Purpose of Issue</u>	<u>Rates</u>	<u>Amount Authorized</u>	<u>9/1/2010 Beg. Bal.</u>	<u>Additions</u>	<u>Reductions</u>	<u>8/31/2011 Balance</u>
<i>Limited Tax General Obligation Bonds - Voter Approved</i>						
2007 BEX III Series A & B	4.25 – 5.00%	\$ 412,415,000	\$259,755,000		\$70,170,000	189,585,000
<i>Limited General Obligation Bonds - Non Voted</i>						
2000 Qualified Zone Academy Bond - improvements to schools	0%	2,178,880	1,075,000		1,075,000	-
2001 Qualified Zone Academy Bond - improvements to schools	0%	1,325,900	1,125,900		25,000	1,100,900
2001 School Support Center Bond- Series A	5.25%	1,145,000	1,145,000		510,000	635,000
2003 Qualified Zone Academy Bond - improvements to schools	0%	3,057,000	3,057,000			3,057,000
2010 Refunding Bonds	2-4%	33,080,000	33,080,000		790,000	32,290,000
2010 Qualified School Construction Bond	2.55% *	17,500,000	-	17,500,000	-	17,500,000
Total LTGO & LGO Bonds		470,701,780	\$ 299,237,900	\$ 17,500,000	\$72,570,000	\$ 244,167,900

*Interest is 100% refundable by the Federal government

September 1, 2010 Through August 31, 2011

At August 31, 2011, the District had \$7,083,113 available in Debt Service Fund to service the general obligation bonds.

B. Changes in Long-term Debt

	Long-Term Debt Payable 9/1/2010	Debt Inc/(Decr)	Long-Term Debt Payable 8/31/2011
Limited Tax General Obligation Bonds	\$ 259,755,000	\$ (70,170,000)	\$ 189,585,000
General Obligation Bonds	\$ 39,482,900	\$ 15,100,000	\$ 54,582,900
Estimated Vacation Leave	\$ 5,686,072	\$ (100,888)	\$ 5,585,184
Estimated Sick Leave	\$ 17,443,116	\$ (129,007)	\$ 17,314,109
Claims & Judgments	\$ 1,450,077	\$ 1,818,923	\$ 3,269,000
Total	<u>\$ 323,817,165</u>	<u>\$ (53,480,972)</u>	<u>\$ 270,336,193</u>

C. Debt Service Requirements to Maturity

Principal and interest payment requirements to retire all the limited general obligation bonds and limited tax general obligation bonds are as follows:

<u>Fiscal Year</u> <u>Ending August 31</u>	Principal	Interest	Total
2012	75,350,900	9,955,632	85,306,532
2013	77,830,000	6,353,325	84,183,325
2014	43,547,000	2,441,675	45,988,675
2015	1,240,000	1,433,600	2,673,600
2016	1,375,000	1,407,450	2,782,450
2017 - 2021	26,875,000	4,535,425	31,410,425
2022 - 2026	17,950,000	2,254,238	20,204,238
	<u>244,167,900</u>	<u>28,381,344</u>	<u>272,549,244</u>

NOTE 7 INTERFUND TRANSACTIONS

Interfund transactions consist of: 1) reimbursement due to the General Fund for salary, inventory issues, and work-order expenditures budgeted, and properly chargeable to other funds, recorded

September 1, 2010 Through August 31, 2011

as reductions in expenditures to the General Fund, and expenditures in the reimbursing fund; 2) transfers to Debt Service Fund for debt payments and 3) other interfund transfers as authorized.

Interfund Receivables and Payable as of August 31, 2011:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General	\$ 743,329	\$ -
Capital Projects	-	730,074
Debt Service	-	-
Transportation	-	-
		13,602
ASB	-	-
Subtotal	<u>743,329</u>	<u>743,676</u>
Fiduciary Funds	12,347	12,000
Total	<u>\$ 755,676</u>	<u>\$ 755,676</u>

NOTE 8 SUMMARIES OF SIGNIFICANT CONTINGENCIES

Litigation

The Seattle School District has no known legal obligation that would materially impact the financial position of the District.

Arbitrage Rebate

The Tax Reform Act of 1986 requires the district to rebate to the federal government the earnings on the investment of tax-exempt bond in excess of their yield. This requirement is effective for the district's 2007 BEX (III) Series A bonds issued in June 2007. Ninety percent of the arbitrage earnings are due and payable five years from the date the bonds were issued and at five-year intervals thereafter. The remaining 10 percent is payable 60 days after the debt is retired. Because positive arbitrage can be offset against negative arbitrage, the rebated amount fluctuates each year and may or may not be owed at the payment intervals. As of 8/31/11, the District estimates there will not be any arbitrage liability and therefore has not set aside any amount in reserved fund balance.

NOTE 9 OTHER DISCLOSURES

Alliance For Education

The Alliance For Education is an independent nonprofit organization which acts as a constructive partner to the Seattle School District to engage the greater community in public

September 1, 2010 Through August 31, 2011

education. The Alliance for Education pursues its mission of helping every child in Seattle Public Schools achieve academic success by securing seed capital for innovations in learning and by fostering city-wide support for excellence in schools. The Board of Directors of the Alliance For Education is a broad-based group of civic, business, education and community leaders and includes the Superintendent of the District, as well as the President of the School Board.

A Memorandum of Understanding provides a framework for a variety of collaborative efforts, including grant funded work at the District, community engagement efforts, fundraising initiatives and various technical and professional supports. In March of 2009, the District and the Alliance announced more than \$9 million dollars in grant awards to support implementation of the District's five-year strategic plan, Excellence For All. These multi-year grants are from local and national foundations and include the Bill & Melinda Gates Foundation (\$6.5 million), the Eli & Edythe Broad Foundation (\$0.6 million), The Boeing Company (\$317,000), and The Stuart Foundation (\$784,000). At the close of the district's fiscal year 2010-2011, the funds remaining from these awards are \$0.7 million dollars. The District is the subrecipient and accounts for these as reimbursable grants. The district is also subrecipient through the Alliance for fourteen (14) other grant awards totaling \$3.1 million dollars for various periods beginning in 2003 and extending through 2012.

Impaired Investments

As of August 31, 2011, all impaired commercial paper investments have completed enforcement events. The King County impaired investment pool (Impaired Pool) held one commercial paper asset where the Impaired Pool accepted an exchange offer and is receiving the cash flows from the investment's underlying securities; and the residual investments in four commercial paper assets that were part of completed enforcement events, where the Impaired Pool accepted the cash out option.

The District's share of the impaired investment pool principle is \$4,176,490 and the district's fair value of these investments is \$2,195,130.

Interest Rate Risk: As of August 31, 2011 the Pool's average duration was 0.66 years. As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity, or weighted average life, no longer than five years. While the Pool's market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology.

Credit Risk: As of August 31, 2011, the district's investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, Pool policies authorize investments in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1" by two NRSROs), certificates of deposits issued by qualified public depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office. The County has completed several restructurings, and will reevaluate the decision regarding pursuit of a new

Seattle School District No. 1
Notes to Financial Statements
September 1, 2010 Through August 31, 2011

pool rating after it establishes a credit review process and completes the installation of the new investment system software. This is expected to occur in the first half of 2012.

NOTE 10 SUBSEQUENT EVENTS

In January 2012, the District began a nationwide search for a superintendent. Dr. Susan Enfield, the current Interim Superintendent, will leave the District at the end of her contract in June 2012. Also in January 2012, Duggan Harman was appointed Assistant Superintendent for Business and Finance, succeeding Robert Boesche', who served as Interim in that position from April 2011.

The District has approved (January 25, 2012) a short term capacity management plan that addresses expected enrollment growth. The plan includes reopening a school in West Seattle as K-5 option school, installation of portables at various school sites district-wide, boundary adjustments for several school and modifications to Geographic Priority Zones for three schools. Funds will be allocated from the existing capital budgets to implement the actions needed 2012-2013.

On January 5, 2012, the Washington State Supreme Court ruled that the state is not meeting its constitutional obligation to fully fund basic education. In addition to this ruling, the Court endorsed the reform work that has been already begun through the K-12 working groups, and stated that the court will "retain jurisdiction" over the case to ensure that the Legislature amply funds K-12 basic education by 2018, as outlined in SHB 2261 (2009). This means that the Court will continue to stay aware of the reforms and their subsequent development, and how the funding process works as outlined in SHB 2776 (2010).

Seattle Public Schools No. 001
 Schedule of Long-Term Debt
 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	259,755,000.00	0.00	70,170,000.00	189,585,000.00
Total Non-Voted Notes/Bonds	34,225,000.00	0.00	1,300,000.00	32,925,000.00
Qualified Zone Academy Bonds (QZAB)	5,257,900.00	0.00	1,100,000.00	4,157,900.00
Qualified School Construction Bonds (QSCB)	0.00	17,500,000.00	0.00	17,500,000.00
Other Long-Term Debt:				
Capital Leases	0.00	0.00	0.00	0.00
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	1,450,077.00	1,818,923.00	0.00	3,269,000.00
Compensated Absences	23,129,188.00	0.00	229,895.00	22,899,293.00
Other Long-Term Debt	0.00	0.00	0.00	0.00
Total Other Long-Term Debt	24,579,265.00	1,818,923.00	229,895.00	26,168,293.00
TOTAL LONG-TERM DEBT	323,817,165.00	19,318,923.00	72,799,895.00	270,336,193.00

SEATTLE PUBLIC SCHOOLS
KING COUNTY
EIN: 916001541
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR FISCAL YEAR ENDING AUGUST 31, 2011

Federal Agency Name	Pass Through Agency	Federal Program Title	CFDA No.	Other Identification Number		Expenditures			Foot note	
				Fund	Contract No.	Direct Awards	Pass-Through Awards	Total		
Department of Agriculture	OSPI	School Breakfast Program	10.553	1010			\$ 1,947,159.34	\$ 1,947,159.34	4	
	OSPI	National School Lunch Program	10.555	1010			\$ 6,874,413.94	\$ 6,874,413.94	4	
	OSPI	National School Lunch Program - Area Eligible Snack	10.555	1010			\$ 103,654.80	\$ 103,654.80	4	
	OSPI	National School Lunch Program - Non Cash Asst. Food Commodities	10.555	1010			\$ 488,222.04	\$ 488,222.04	2	
	OSPI	Child and Adult Care Food Program	10.558	1A04-10	17-03-0321		\$ 19,538.64	\$ 19,538.64	4	
	OSPI	Child and Adult Care Food Program	10.558	1A04-11	17-03-0321		\$ 203,353.91	\$ 203,353.91	4	
	OSPI	Fresh Fruit and Vegetable Program	10.582	1H06-11	LOA		\$ 19,122.77	\$ 19,122.77		
	OSPI	Fresh Fruit and Vegetable Program	10.582	1H55-11	LOA		\$ 20,615.17	\$ 20,615.17		
	OSPI	Fresh Fruit and Vegetable Program	10.582	1H56-11	LOA		\$ 33,949.43	\$ 33,949.43		
	OSPI	Fresh Fruit and Vegetable Program	10.582	1K81-11	LOA		\$ 18,802.99	\$ 18,802.99		
	OSPI	Fresh Fruit and Vegetable Program	10.582	1K82-11	LOA		\$ 15,005.43	\$ 15,005.43		
	Office of State Treasurer		Schools and Roads - Grants to States	10.665	1000			\$ -	\$ -	4
	Subtotal of Department of Agriculture						\$ -	\$ 9,743,838.46	\$ 9,743,838.46	
	Department of Commerce		Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	11.427	1C70-08	NA07NMF4720363		\$ 9,210.00	\$ 9,210.00	
		Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	11.427	1H49-08	AB133F-08-SE-2241		\$ 11,982.81	\$ 11,982.81		
Subtotal of Department of Commerce						\$ 21,192.81	\$ -	\$ 21,192.81		
Department of Defense	National Security Agency	Mathematical Sciences Grants Program	12.901	1G61-11	H98230-10-1-0017		\$ 8,735.67	\$ 8,735.67		
	National Security Agency	Mathematical Sciences Grants Program	12.901	1G61-12			\$ 110,650.90	\$ 110,650.90		
Subtotal of Department of Defense						\$ -	\$ 119,386.57	\$ 119,386.57		
Institute Of Museum And Library Services	OSOS	Grants to States	45.310	1L10-11	G-11/019		\$ 3,752.29	\$ 3,752.29		
	OSOS	Grants to States	45.310	1L11-11	G-11/019		\$ 1,935.22	\$ 1,935.22		
Subtotal of Institute Of Museum And Library Services						\$ -	\$ 5,687.51	\$ 5,687.51		
National Science Foundation	Seattle Pacific University	Education and Human Resources	47.076	1F48-11	LOA & E-mail		\$ 107,491.85	\$ 107,491.85		
		Education and Human	47.076	1G13-09	DRL-0554651		\$ 212,030.39	\$ 212,030.39		
Subtotal of National Science Foundation						\$ 212,030.39	\$ 107,491.85	\$ 319,522.24		
Department of Education	OSPI	Title I Grants to Local Educational Agencies	84.010	1C01-11	GR0200495		\$ 9,009,450.34	\$ 9,009,450.34		
	OSPI	Title I Grants to Local Educational Agencies	84.010	1C01-10	GR0200275		\$ 117,618.83	\$ 117,618.83		
	OSPI	Title I Grants to Local Educational Agencies	84.010	1C03-10	GR0222361		\$ 109.31	\$ 109.31		
	OSPI	Title I Grants to Local Educational Agencies	84.010	1C03-11	GR0222377		\$ 315,675.63	\$ 315,675.63		
	OSPI	Title I Grants to Local Educational Agencies	84.010	1K54-11	GR0226013		\$ 2,260.86	\$ 2,260.86		
	OSPI	Title I Grants to Local Educational Agencies	84.010	1K76-10	GR0224304		\$ 130.03	\$ 130.03		
	OSPI	Title I Grants to Local Educational Agencies	84.010	1L38-12	GR0250201		\$ 518.30	\$ 518.30		

The Notes to the Schedule of Expenditures of Federal Awards is an integral part of this statement.

SEATTLE PUBLIC SCHOOLS
KING COUNTY
EIN: 916001541
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR FISCAL YEAR ENDING AUGUST 31, 2011

Federal Agency Name	Pass Through Agency	Federal Program Title	CFDA No.	Other Identification Number		Expenditures			Foot note
				Fund	Contract No.	Direct Awards	Pass-Through Awards	Total	
	OSPI	Migrant Education_State Grant Program	84.011	1C02-10	GR0280737		\$ 2,778.82	\$ 2,778.82	
	OSPI	Migrant Education_State Grant Program	84.011	1C02-11	GR0280815		\$ 170,452.29	\$ 170,452.29	
	OSPI	Migrant Education_State Grant Program	84.011	1F78-10	GR0290636		\$ (2,782.35)	\$ (2,782.35)	
	OSPI	Migrant Education_State Grant Program	84.011	1F78-11	GR0290667		\$ 11,059.08	\$ 11,059.08	
	OSPI	Title I Program for Neglected and Delinquent Children	84.013	1C04-10	GR0223253		\$ 775.25	\$ 775.25	
	OSPI	Title I Program for Neglected and Delinquent Children	84.013	1C04-11	GR0223274		\$ 362,007.96	\$ 362,007.96	
	OSPI	Special Education_Grants to States	84.027	1A48-10	GR0303466		\$ 2,816.55	\$ 2,816.55	
	OSPI	Special Education_Grants to States	84.027	1A48-11	GR0303840		\$ 9,754,780.28	\$ 9,754,780.28	
	OSPI	Career and Technical Education - Basic Grants to States	84.048	1A03-10	GR0171700		\$ 3,218.84	\$ 3,218.84	
	OSPI	Career and Technical Education - Basic Grants to States	84.048	1A03-11	GR0172054		\$ 380,894.01	\$ 380,894.01	
	OSPI	Career and Technical Education - Basic Grants to States	84.048	1K72-10	GR0189023		\$ (36.57)	\$ (36.57)	
		Indian Education_Grants to Local Educational Agencies	84.060	1C27-11	S060A100393	\$ 56,903.21		\$ 56,903.21	
		Indian Education_Grants to Local Educational Agencies	84.060	1C27-12	S060A100393	\$ 964.33		\$ 964.33	
	OSPI	Special Education_Preschool Grants	84.173	1A46-11	GR0366526		\$ 241,791.36	\$ 241,791.36	
	OSPI	Special Education_Preschool Grants	84.173	1G28-11	GR0337350		\$ 707,425.00	\$ 707,425.00	
	OSPI	Special Education_Preschool Grants	84.173	1L23-11	GR0385260		\$ 22,979.00	\$ 22,979.00	
		Safe and Drug-Free Schools and Communities_National	84.184	1H51-09	Q184E080238	\$ 276,016.05		\$ 276,016.05	
	OSPI	Safe and Drug-Free Schools and Communities_State Grants	84.186	1C24-11	GR0950608		\$ 1,209.65	\$ 1,209.65	
		Safe and Drug-Free Schools and Communities_State Grants	84.186	1H65-10	1H79SP014932-02	\$ 7,953.56		\$ 7,953.56	
		Safe and Drug-Free Schools and Communities_State Grants	84.186	1H65-11	1H79SP014932-03	\$ 123,245.70		\$ 123,245.70	
	DSHS	Safe and Drug-Free Schools and Communities_State Grants	84.186	1L40-11	474451		\$ 1,000.00	\$ 1,000.00	
		Fund for the Improvement of Education	84.215	1G88-08	U215X070264	\$ 234,884.68		\$ 234,884.68	
		Fund for the Improvement of Education	84.215	1H60-11	U215J080192-10	\$ 400,162.44		\$ 400,162.44	
		Fund for the Improvement of Education	84.215	1K29-10	U215K090007	\$ 4,745.17		\$ 4,745.17	
		Fund for the Improvement of Education	84.215	1K62-11	U215K100046	\$ 192,297.14		\$ 192,297.14	
		Foreign Language Assistance	84.293	1G46-09	T293B060055	\$ 6,900.47		\$ 6,900.47	
		Foreign Language Assistance	84.293	1K87-11	T293A100215	\$ 214,799.72		\$ 214,799.72	
	OSPI	Education Technology State Grants	84.318	1C20-10	GR0721598		\$ 539.66	\$ 539.66	
	OSPI	Education Technology State Grants	84.318	1C20-11	GR0721739		\$ 44,077.53	\$ 44,077.53	
	OSPI	Education Technology State Grants	84.318	1H02-11	GR0731198		\$ 6,707.81	\$ 6,707.81	
	OSPI	Education Technology State Grants	84.318	1H43-11	GR0731196		\$ 4,548.32	\$ 4,548.32	
	OSPI	Education Technology State Grants	84.318	1K38-11	GR0731197		\$ 5,231.42	\$ 5,231.42	
	OSPI	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330	1C88-10	GR0887287		\$ 9,154.00	\$ 9,154.00	

The Notes to the Schedule of Expenditures of Federal Awards is an integral part of this statement.

SEATTLE PUBLIC SCHOOLS
KING COUNTY
EIN: 916001541
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR FISCAL YEAR ENDING AUGUST 31, 2011

Federal Agency Name	Pass Through Agency	Federal Program Title	CFDA No.	Other Identification Number		Expenditures			Foot note
				Fund	Contract No.	Direct Awards	Pass-Through Awards	Total	
	OSPI	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330	1D91-09	GR0887268		\$ (2,623.73)	\$ (2,623.73)	
	OSPI	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330	1D91-10	GR0887283		\$ 5,874.00	\$ 5,874.00	
		Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330	1K19-11	S330C090065	\$ 794,767.09		\$ 794,767.09	
		Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330	1K19-12	S330C090065-11	\$ 17,808.48		\$ 17,808.48	
	Puget Sound ESD	Arts in Education	84.351	1K13-10	06456		\$ 4,815.47	\$ 4,815.47	
	Puget Sound ESD	Arts in Education	84.351	1K13-11	06853		\$ 20,994.08	\$ 20,994.08	
	Puget Sound ESD	Arts in Education	84.351	1L45-12	07182		\$ 26,983.67	\$ 26,983.67	
	OSPI	Reading First State Grants	84.357	1H54-10	GR0920208		\$ 182.40	\$ 182.40	
	City of Seattle	Early Reading First	84.359	1C93-11	DA10-7674		\$ 70,168.94	\$ 70,168.94	
		High School Graduation	84.360	1K98-11	S360A100166	\$ 321,918.61		\$ 321,918.61	
	OSPI	English Language Acquisition Grants	84.365	1C21-10	GR0401050		\$ 3,371.92	\$ 3,371.92	
	OSPI	English Language Acquisition Grants	84.365	1C21-11	GR0401268		\$ 872,459.66	\$ 872,459.66	
	OSPI	Mathematics and Science Partnerships	84.366	1G78-10	GR0555312		\$ 38,708.02	\$ 38,708.02	
	OSPI	Mathematics and Science Partnerships	84.366	1G78-11	GR0555328		\$ 226,652.72	\$ 226,652.72	
	OSPI	Improving Teacher Quality State Grants	84.367	1C17-10	GR0529176		\$ 9,037.88	\$ 9,037.88	
	OSPI	Improving Teacher Quality State Grants	84.367	1C17-11	GR0520183		\$ 2,809,271.32	\$ 2,809,271.32	
		Teacher Incentive Fund	84.374	1K99-11	S374A100044	\$ 1,101,640.10		\$ 1,101,640.10	
	OSPI	ARRA-Education Technology State Grants, Recovery Act	84.386	1K04-11	GR0724366		\$ 271,863.57	\$ 271,863.57	
	OSPI	ARRA-Education Technology State Grants, Recovery Act	84.386	1K32-11	GR0727275		\$ 23,291.18	\$ 23,291.18	
	OSPI	ARRA-Education Technology State Grants, Recovery Act	84.386	1K33-11	GR0727276		\$ 3,860.41	\$ 3,860.41	
	OSPI	ARRA-Education Technology State Grants, Recovery Act	84.386	1K34-11	GR0727278		\$ 5,416.56	\$ 5,416.56	
	OSPI	ARRA-Education Technology State Grants, Recovery Act	84.386	1K35-11	GR0727279		\$ 3,557.12	\$ 3,557.12	
	OSPI	ARRA-Education Technology State Grants, Recovery Act	84.386	1K36-11	GR0727280		\$ 8,023.89	\$ 8,023.89	
	OSPI	ARRA-Education Technology State Grants, Recovery Act	84.386	1K37-11	GR0727277		\$ 3,625.85	\$ 3,625.85	
	OSPI	ARRA-Education Technology State Grants, Recovery Act	84.386	1K39-11	GR0734302		\$ 37.20	\$ 37.20	
	OSPI	ARRA-Education Technology State Grants, Recovery Act	84.386	1K40-11	GR0734301		\$ 3,490.59	\$ 3,490.59	
	OSPI	ARRA-Education Technology State Grants, Recovery Act	84.386	1K41-11	GR0734300		\$ 757.52	\$ 757.52	
	OSPI	ARRA-Education Technology State Grants, Recovery Act	84.386	1K84-11	GR0727281		\$ 7,422.57	\$ 7,422.57	
	OSPI	ARRA- Education for Homeless Children and Youth, Recovery Act	84.387	1K25-10	GR0457021		\$ (19,655.50)	\$ (19,655.50)	
	OSPI	ARRA- Education for Homeless Children and Youth, Recovery Act	84.387	1K25-11	GR0457236		\$ 20,445.35	\$ 20,445.35	
	OSPI	ARRA-School Improvement Grants, Recovery Act	84.388	1K74-10	GR0225002		\$ 1,811,303.24	\$ 1,811,303.24	

The Notes to the Schedule of Expenditures of Federal Awards is an integral part of this statement.

SEATTLE PUBLIC SCHOOLS
KING COUNTY
EIN: 916001541
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR FISCAL YEAR ENDING AUGUST 31, 2011

Federal Agency Name	Pass Through Agency	Federal Program Title	CFDA No.	Other Identification Number		Expenditures			Foot note
				Fund	Contract No.	Direct Awards	Pass-Through Awards	Total	
	OSPI	ARRA-School Improvement Grants, Recovery Act	84.388	1K74-12	GR0225015		\$ 107,767.13	\$ 107,767.13	
	OSPI	ARRA-Title I Grants to Local Educational Agencies, Recovery Act	84.389	1K02-10	GR0240273		\$ 96,489.82	\$ 96,489.82	
	OSPI	ARRA-Title I Grants to Local Educational Agencies, Recovery Act	84.389	1K02-11	GR0240459		\$ 8,873,176.82	\$ 8,873,176.82	
	OSPI	ARRA-Special Education Grants to States, Recovery Act	84.391	1K03-10	GR0310152		\$ 6,834.00	\$ 6,834.00	
	OSPI	ARRA-Special Education Grants to States, Recovery Act	84.391	1K03-11	GR0310487		\$ 3,392,152.66	\$ 3,392,152.66	
	OSPI	Education Jobs Fund	84.410	1L18-11	GR0960092		\$ 9,174,109.00	\$ 9,174,109.00	
Subtotal of Department of Education						\$ 3,755,006.75	\$ 49,056,256.54	\$ 52,811,263.29	
Department of Health and Human Services	DSHS	Substance Abuse and Mental Health Services_Protects of Regional and National Significance	93.243	1G11-10	email		\$ 3,736.10	\$ 3,736.10	
		Substance Abuse and Mental Health Services_Protects of Regional and National Significance	93.243	1K96-11	1U79SM060300-01	\$ 13,400.14		\$ 13,400.14	
		Improving Health & Educational Outcomes of Young People	93.293	1H31-08	1U87DP001257-01	\$ (41,947.74)		\$ (41,947.74)	
		Improving Health & Educational Outcomes of Young People	93.293	1H31-09	1U87DP001257-02	\$ 40,872.24		\$ 40,872.24	
		Improving Health & Educational Outcomes of Young People	93.293	1H31-10	5U87DP001257-03	\$ 152,055.60		\$ 152,055.60	
		Improving Health & Educational Outcomes of Young People	93.293	1H31-11	5U87DP001257-04	\$ 136,816.95		\$ 136,816.95	
	YWCA (School Out of WA)	Refugee and Entrant Assistance_Discretionary Grants	93.576	1D76-11			\$ 179,721.25	\$ 179,721.25	
		Head Start	93.600	1B60-08	10CH0166/11	\$ 863.87		\$ 863.87	
		Head Start	93.600	1B60-09	10CH0166/12	\$ 200.00		\$ 200.00	
		Head Start	93.600	1B60-10	10CH0166/13	\$ 890,943.78		\$ 890,943.78	
		Head Start	93.600	1B60-11	10CH0166/14	\$ 3,166,637.28		\$ 3,166,637.28	
	University of Washington	ARRA-TRANS-NIH RECOVERY ACT RESEARCH SUPPORT	93.701	1L17-11	702560Z		\$ 13,432.85	\$ 13,432.85	
		ARRA - HEAD START	93.708	1K26-10	10SE0166/01	\$ 7,854.36		\$ 7,854.36	
	King County	ARRA - Prevention and Wellness - Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)	93.724	1K85-11	LOA		\$ 140,664.43	\$ 140,664.43	
	King County	ARRA - Prevention and Wellness - Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)	93.724	1K92-10	D40429D		\$ 5,366.91	\$ 5,366.91	
	King County	ARRA - Prevention and Wellness - Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)	93.724	1K92-11	D40429D		\$ 15,428.07	\$ 15,428.07	
	City of Seattle - Dept of Neighborhoods	Medical Assistance Program	93.778	1A16-11	DA10FE010		\$ 217,527.00	\$ 217,527.00	
	OSPI	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	1F35-11	GR		\$ 10,854.79	\$ 10,854.79	
Subtotal of Department of Health and Human Services						\$ 4,367,696.48	\$ 586,731.40	\$ 4,954,427.88	

The Notes to the Schedule of Expenditures of Federal Awards is an integral part of this statement.

SEATTLE PUBLIC SCHOOLS
KING COUNTY
EIN: 916001541
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR FISCAL YEAR ENDING AUGUST 31, 2011

Federal Agency Name	Pass Through Agency	Federal Program Title	CFDA No.	Other Identification Number		Expenditures			Foot note
				Fund	Contract No.	Direct Awards	Pass-Through Awards	Total	
Corporation for National Service	OSPI	Learn and Serve America School and Community Based Programs	94.004	1A76-11	GR0970543		\$ 15,000.37	\$ 15,000.37	
	OSPI	Learn and Serve America School and Community	94.004	1K30-11	GR0970542		\$ 11,347.28	\$ 11,347.28	
	OSPI	Learn and Serve America School and Community	94.004	1K90-11	GR0970550		\$ 6,000.37	\$ 6,000.37	
		Learn and Serve America Innovative Community-Based Service-Learning Programs	94.018	1L01-11	10LYPWA001	\$ 237,743.59		\$ 237,743.59	
Subtotal of Corporation for National Service						\$ 237,743.59	\$ 32,348.02	\$ 270,091.61	
TOTAL FEDERAL AWARDS EXPENDED						\$ 8,593,670.02	\$ 59,651,740.35	\$ 68,245,410.37	

The Notes to the Schedule of Expenditures of Federal Awards is an integral part of this statement.

Notes to the Schedule

Note 1 - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on 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 - NON CASH AWARDS - FOOD COMMODITIES

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

Note 3 - SCHOOLWIDE PROGRAMS

The district operates a "schoolwide program" in 27 buildings. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to certain targeted students. The following federal program amounts were expended by the District in its schoolwide programs:

Title I Grants to Local Educational Agencies	84.010	\$ 5,286,782.70
ARRA-Title I Grants to Local Educational Agencies, Recovery Act	84.389	\$ 1,559,872.28
Total		\$ 6,846,654.98

Note 4 - UNIT COST CONTRACTS

Under certain programs, the district receives a fixed amount for the activity, regardless of the district's expenditures. Expenditures for these programs are listed as the amount received from the grantor.

Note 5 - FEDERAL INDIRECT RATE

Seattle School District's Federal Restricted rates are as follows:

FY 2009/2010	3.45%
FY 2010/2011	3.33%
FY 2011/2012	3.66%

SEATTLE SCHOOL DISTRICT NO. 1
Schedule of Families and Education Levy
For the Fiscal Year Ended August 31, 2011

Fund Code	Rev Acct No.	St. PG	Program Names	Other Identification Number	Total Award Amount	Expenditures
King County						
Seattle-King County Department of Public Health						
1F52-10	R8100	79	School Nurses - FEL	D39456D	727,582.00	10,891.48
1F52-11	R8100	79	School Nurses - FEL	D40468D	738,496.00	738,496.00
Total of Seattle-King County Department of Public Health					1,466,078.00	749,387.48
City of Seattle						
Department of Parks and Recreation						
1F69-11	R8100	79	MS After School Activities	005N	547,000.00	524,258.93
Total of Department of Parks and Recreation					547,000.00	524,258.93
City of Seattle						
Department of Human Services						
1G38-11	R8100	79	Step Ahead Preschool @ The New School	DA10-1402	155,475.00	155,475.00
Total of Department of Parks and Recreation					155,475.00	155,475.00
City of Seattle						
Department of Neighborhoods						
1F61-11	R8100	79	Family Support Worker -FEL	DA10FE010	2,540,009.00	2,492,880.31
1F68-11	R8100	79	Middle School Support Program	DA10FE012	1,275,186.00	1,205,052.00
1H48-10	R8100	79	High School Achievement Program	DA09FE005	1,214,000.00	229,342.58
1H48-11	R8100	79	High School Achievement Program	DA10FE011	1,158,135.00	991,827.96
1K80-11	R8100	99	Crossing Guards	DA10FE014	150,000.00	148,603.87
1K86-10	R8100	79	Summer College Project	DA10FE015	7,141.50	15.37
Total of Department of Neighborhoods					6,344,471.50	5,067,722.09
TOTAL FAMILIES AND EDUCATION LEVY FUNDS					8,513,024.50	6,496,843.50

The accompanying notes to the Schedule of Families and Education are an integral part of this schedule

SEATTLE SCHOOL DISTRICT NO. 1
Notes to Schedule of Families and Education Levy
For the Fiscal Year Ended August 31, 2011

Note A. Basis of Accounting

The Schedule of Families and Education Levy is prepared on the same basis of accounting as the school district's financial statements. Program expenditures are presented according to amounts paid to the district under the city award. Since many awards do not fully fund programs, program expenditures disclosed on this schedule are incomplete. District records should be consulted to determine total program expenditures.



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
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Jerry Pugnetti
Chuck Pfeil, CPA
Larisa Benson
Jim Brittain, CPA
Jan Jutte, CPA, CGFM
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