

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

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**Seattle School District No. 1**  
**King County**

Audit Period  
**September 1, 2011 through August 31, 2012**

**Report No. 1009771**

Issue Date  
**May 28, 2013**



WASHINGTON  
**TROY KELLEY**  
STATE AUDITOR



**Washington State Auditor  
Troy Kelley**

May 28, 2013

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,

**TROY KELLEY**  
STATE AUDITOR

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# Federal Summary

## Seattle School District No. 1 King County September 1, 2011 through August 31, 2012

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 unmodified opinion was issued on the financial statements.

#### ***Internal Control Over Financial Reporting:***

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

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

### **FEDERAL AWARDS**

#### ***Internal Control Over Major Programs:***

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

We issued an unmodified opinion on the District's compliance with requirements applicable to each of its major federal programs, with the exception of the High School Graduation Initiative Program on which we issued a qualified opinion on compliance with applicable requirements.

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>
10.553	Child Nutrition Cluster - School Breakfast Program
10.555	Child Nutrition Cluster - National School Lunch Program
84.010	Title I, Part A Cluster - Title I Grants to Local Educational Agencies
84.027	Special Education Cluster (IDEA) - Special Education - Grants to States (IDEA, Part B)
84.173	Special Education Cluster (IDEA) - Special Education - Preschool Grants (IDEA Preschool)
84.360	High School Graduation Initiative
84.367	Improving Teacher Quality - Title II
84.374	Teacher Incentive Fund
84.388	ARRA–School Improvement Grants (Recovery Act)
84.389	ARRA–Title I Cluster, Part A (Recovery Act)
84.391	ARRA - Special Education Cluster (IDEA) - Special Education - Grants to States (IDEA, Part B) (Recovery Act)
93.724	ARRA–Prevention and Wellness (Recovery Act)

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$1,653,479.

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, 2011 through August 31, 2012**

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

<b>CFDA Number and Title:</b>	84.060 Indian Education Grants to Local Educational Agencies
<b>Federal Grantor Name:</b>	U.S. Department of Education
<b>Federal Award/Contract Number:</b>	S060A110393
<b>Pass-through Entity Name:</b>	NA
<b>Pass-through Award/Contract Number:</b>	NA
<b>Questioned Cost Amount:</b>	\$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.

The District has a long history of noncompliance with eligibility requirements for this program. In the past three audits, we reported findings and questioned costs for noncompliance.

In our 2008-2009 audit, we found the District could not substantiate the number of students counted for funding. The District claimed funding for 1,123 students and was able to provide 927 eligibility forms for the audit. After the review we found 377 forms eligible for inclusion in the count. We reported noncompliance with eligibility requirements and questioned costs of \$153,703 or 71 percent of the program total.

In our 2009-2010 audit, we followed up to see if the condition had been resolved. We found that out of 1,100 applications claimed for funding 294 were eligible for inclusion. We questioned cost of \$168,228 for 806 students.

In our 2010-2011 audit, we again reported noncompliance with eligibility requirements and question cost of \$6,530. 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 2011-2012 grant application claimed 430 eligible students and was able to provide 407 applications for the audit, 23 forms were missing. After the review we found 401 forms eligible for inclusion in the count. Common reasons for ineligibility included:

- The form was signed and dated after the last day of the count period.
- The student was not a member of an eligible tribe, band or group.
- The information included into the form contradicted to definition of "Indian" as provided in the form.

We are questioning costs for students for whom the District could not provide enrollment records or a valid eligibility form. This represents 29 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 and Questioned Costs

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 29 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 indicates that the District is not yet fully compliant. The District has refunded the questioned costs from previous years through the Office of Indian Education. For 2008-2009 and 2009-2010 questioned costs, the District refunded \$321,931. Additional training on eligibility and application requirements was provided, and the magnitude of questioned costs was greatly reduced. For 2010-2011 questioned costs, the District reduced the grant award for 2011-2012 by \$6,530.*

*Additional compliance training was provided during 2011-2012 and an internal review conducted, however the District is not yet fully compliant. The District is now planning management and program changes to ensure compliance with grant requirements.*

### **Auditor's Remarks**

We appreciate the District's commitment to resolving this issue. We will review the condition during our next 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 in part:

#### **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
- (2) 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, 2011 through August 31, 2012**

- 2. The District does not have adequate internal controls to ensure federal grant funds are used to pay only allowable costs.**

<b>CFDA Number and Title:</b>	84.360 High School Graduation Initiative
<b>Federal Grantor Name:</b>	U.S. Department of Education
<b>Federal Award/Contract Number:</b>	S360A100166
<b>Pass-through Entity Name:</b>	NA
<b>Pass-through Award/Contract Number:</b>	NA
<b>Questioned Cost Amount:</b>	\$483,862

## **Background**

In the 2011-2012 school year, the District received \$2.1 million, from the U.S. Department of Education's High School Graduation Initiative (HSGI) grant.

The five-year, \$12.5 million grant was awarded to the District in September 2010 to support school dropout prevention and reentry efforts. Such activities should raise standards and expectations for disadvantaged students traditionally underserved in schools in order to ensure school completion.

## **Description of Condition**

We examined the District's processes to ensure compliance with grant requirements. We found the District had deficiencies in internal controls over compliance with program requirements that collectively constitute a material weakness. This resulted in using grant funds to pay for unallowable costs, which represents material noncompliance with grant requirements.

The District used grant funds to pay for activities that were not allowed by the grant agreement or were not specifically approved by the federal grantor. Specifically:

- The grant allows for the cost of specifically described activities of the Communities That Cares (CTC) Mobilizer/Coordinator. However, four of the seven CTC Mobilizer/Coordinators performed activities that were not approved by the grant. The District inappropriately charged \$198,070 of their costs to the grant.
- The District claimed \$30,792 in costs for the Executive Director of School Operations that were not allowed by the grant.

- Two of the nine Truancy Specialists performed activities at schools that were not allowable. The District inappropriately charged \$37,664 of their costs to the grant.
- The District claimed \$16,072 in cost for the Executive Director of Systems Integrations for July and August of 2012. However, grant approved activities were not performed during this time period.
- The District also used \$201,264 grant funds to pay for a contract that was not allowed by the grant. The contract purchased software upgrades, site license fees, and computer license fees. This contract was not identified in the approved grant application and budget. The terms and conditions of the grant award require the grantor's prior approval of program changes and/or budget revisions; the District was unable to provide any such documentation.

### **Cause of Condition**

The District does not have adequate internal controls to ensure federal funds are used only for allowable costs and activities. Employees responsible for ensuring grant compliance lacked expertise in grant compliance requirements. District management did not provide adequate oversight of the program manager and program activities.

- The District does not have adequate procedures for reviewing and approving changes in funding sources of District staff that would ensure District staff activities are consistent with the grants allowable activities.
- Grant budgets and budget revisions were not processed through the District's Office of Grants and Fiscal Compliance.

### **Effect of Condition and Questioned Costs**

The District has significant internal control deficiencies in the administration of this grant resulting in material noncompliance with grant requirements for allowable activities and cost principles. The effect of noncompliance is \$483,862 in questioned costs, which could be subject to repayment to the grantor. As a result, we will be issuing a qualified opinion on the District's compliance with this grants requirements.

### **Recommendation**

We recommend the District establish adequate internal controls to ensure compliance with federal grant requirements. Specifically, the District should:

- Ensure District staff responsible for the administration of grants has an adequate understanding of grant compliance requirements.
- Ensure District management provides a level of oversight that is sufficient to ensure compliance.
- Establish procedures to ensure District staff activities are consistent with the allowable grant activities.

- Ensure grant budget revisions are processed through the District's Office of Grants and Fiscal Compliance.

### **District's Response**

*The district concurs with this finding. The District has reassigned supervision of the U.S. Department of Education's High School Graduation Initiative grant from operations to academics to improve management oversight and ensure activities are consistent with the approved grant application and budget. Internal controls will be enhanced through more stringent review and approval processes by the Office of Grants and Fiscal Compliance as well as Grants Accounting.*

*A position will be identified to manage the grant and staffed with a qualified person knowledgeable of federal grant compliance requirements. The district will perform a detailed analysis of costs assigned to the grant and make funding corrections as needed for 2012. The district will also review current year costs assigned to the HSGI grant and make midyear adjustments as necessary to maintain compliance.*

### **Auditor's Remarks**

We appreciate the District's commitment to resolving this issue. We will review the condition during our next audit.

### **Applicable laws and Regulations**

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

The auditee shall:

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

OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* (2 CFR 225); Appendix A - General Principles for Determining Allowable Costs; Section C - Basic Guidelines, state in part:

1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:
  - d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.

- e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- j. Be adequately documented.

Title 34, Code Federal Regulations, Section 80.30, states in part:

(c) *Budget changes*—

(1) *Nonconstruction projects.* Except as stated in other regulations or an award document, grantees or subgrantees shall obtain the prior approval of the awarding agency whenever any of the following changes is anticipated under a nonconstruction award:

(i) Any revision which would result in the need for additional funding.

(ii) Unless waived by the awarding agency, cumulative transfers among direct cost categories, or, if applicable, among separately budgeted programs, projects, functions, or activities which exceed or are expected to exceed ten percent of the current total approved budget, whenever the awarding agency's share exceeds \$100,000 . . .

(d) *Programmatic changes.* Grantees or subgrantees must obtain the prior approval of the awarding agency whenever any of the following actions is anticipated:

(1) Any revision of the scope or objectives of the project (regardless of whether there is an associated budget revision requiring prior approval).

(f) *Requesting prior approval.* (1) A request for prior approval of any budget revision will be in the same budget format the grantee used in its application and shall be accompanied by a narrative justification for the proposed revision.

(2) A request for a prior approval under the applicable Federal cost principles (see § 80.22) may be made by letter.

The Education Department General Administrative Regulations (EDGAR), §74.25 Revision of budget and program plans, states in part:

(b) Recipients are required to report deviations from budget and program plans, and request prior approvals for budget and program plan revisions, in accordance with this section.

(c) For nonconstruction awards, recipients shall request prior approvals from ED for one or more of the following program or budget related reasons:

(1) Change in the scope or the objective of the project or program (even if there is no associated budget revision requiring prior written approval).

(f) The Secretary may restrict the transfer of funds among direct cost categories or programs, functions and activities for awards in which the Federal share of the project exceeds \$100,000 and the cumulative amount of the transfers exceeds or is expected to exceed 10 percent of the total budget as last approved by the Secretary. The Secretary does not permit a transfer that would cause any Federal appropriation or part thereof to be used for purposes other than those consistent with the original intent of the appropriation.

(l) When requesting approval for budget revisions, recipients shall use the budget forms that were used in the application unless the Secretary indicates a letter of request suffices.

# Schedule of Prior Federal Audit Findings

## Seattle School District No. 1 King County September 1, 2011 through August 31, 2012

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.

<b>Audit Period:</b> 9/1/2010–8/31/2011	<b>Report Reference</b> <b>No:</b> 1007652	<b>Finding Reference</b> <b>No:</b> 1	<b>CFDA Number(s):</b> 84.060
<b>Federal Program Name and Granting Agency:</b> Indian Education Grants to Local Educational Agencies–U.S. Department of Education		<b>Pass-Through Agency Name:</b> NA	
<b>Finding Caption:</b> The District's internal controls continue to be inadequate to ensure compliance with eligibility requirements for its Indian Education program.			
<b>Background:</b> 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.  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:			
<ul style="list-style-type: none"> <li>• Eligibility forms for counted students were not completed.</li> <li>• Enrollment data did not support counted students.</li> <li>• The name of the tribe, band or group was ineligible.</li> <li>• The signature date was after the last day of the count period.</li> <li>• One form did not have a parent signature.</li> </ul>			
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.			
<b>Status of Corrective Action: (check one)</b>			

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

**Corrective Action Taken:**

*The District performed an internal review of the February 2011 and 2012 enrollment counts for this program and identified areas of improvement. The District worked with the Office of Indian Education under a recent program review clarifying requirements and the program manager has been trained of these requirements and will ensure that the required documentation be submitted prior to including the count for funding purposes. In addition, the District is working with the Office of Indian Education to potentially pay back any funds that were not supported by the required documentation for the last several years.*

<b>Audit Period:</b> 9/1/2010–8/31/2011	<b>Report Reference No:</b> 1007652	<b>Finding Reference No:</b> 2	<b>CFDA Number(s):</b> 84.027, 84.173, 84.391, 84.392, 84.010, 84.389, 84.215, 84.318, 84.386
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**Federal Program Name and Granting Agency:**  
Special Education Grants to States, Special Education Preschool Grants, ARRA Special Education Grants to States, ARRA Special Education Preschool Grants, Title I Grants to Local Educational Agencies, Fund for the Improvement of Education, Education Technology State Grants, ARRA Education Technology State 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 Special Education, Title I, Fund for the Improvement of Education and Education Technology State Grants programs.

**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.

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.

**Status of Corrective Action: (check one)**

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

**Corrective Action Taken:**

*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. The District continues to improve our certification process to make it easier to complete and submit. The District also continues to provide training on time and effort requirements to School Leaders as well as program managers who are responsible for federal funded programs. The requirements were also communicated via email all employees who are impacted by the certification process. In addition, the Accounting department is now producing a list of delinquent reports for senior district leadership review and action.*

<b>Audit Period:</b> 9/1/2010–8/31/2011	<b>Report Reference No:</b> 1007652	<b>Finding Reference No:</b> 3	<b>CFDA Number(s):</b> 84.010, 84.389
<b>Federal Program Name and Granting Agency:</b> Title I Grants to Local Educational Agencies, ARRA Title I Grants to Local Education Agencies–U.S. Department of Education		<b>Pass-Through Agency Name:</b> Office of Superintendent of Public Instruction	
<b>Finding Caption:</b> The District did not have adequate internal controls to ensure compliance with federal earmarking requirements related to its Title I program.			
<b>Background:</b> 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.  The 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 criterion 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.  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.			
<b>Status of Corrective Action: (check one)</b> <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			
<b>Corrective Action Taken:</b> <i>The district has made the necessary corrections for the 2011-2012 school year. Instead of having only one open enrollment period for the supplemental education services (SES) provision of Title I, Part A, we had three. In addition, the district created a full-time consulting teacher position to monitor the compliant use of these funds. The use of public school choice funds are driven by the number of students opting to change schools and requiring transportation.</i>			

# **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, 2011 through August 31, 2012

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, 2012, and have issued our report thereon dated May 22, 2013.

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.

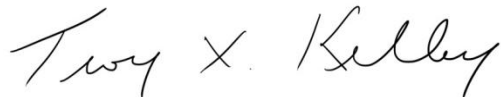
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify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



**TROY KELLEY**  
STATE AUDITOR

May 22, 2013

**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, 2011 through August 31, 2012

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, 2012. 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.

As described in Finding 2 in the accompanying Schedule of Federal Audit Findings and Questioned Costs, the District did not comply with requirements regarding activities allowed or unallowed and allowable costs/cost principles that are applicable to the High School Graduation Initiative program. Compliance with such requirements is necessary, in our opinion, for the District to comply with requirements applicable to the program.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2012. The results of our auditing procedures also disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 2 to be a material weakness.

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 that reads "Troy X. Kelley". The signature is written in a cursive style with a large, stylized "X" between the first and last names.

**TROY KELLEY**  
STATE AUDITOR

May 22, 2013

# **Independent Auditor's Report on Financial Statements**

**Seattle School District No. 1  
King County  
September 1, 2011 through August 31, 2012**

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

## ***REPORT ON THE FINANCIAL STATEMENTS***

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, 2012, as listed on page 24.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting that demonstrates compliance with the Washington State statutes and the *Accounting Manual for Public Schools in the State of Washington* described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant account estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

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, 2012, and the changes in financial position thereof for the year then ended on the basis of accounting that demonstrates compliance with Washington State statutes and the *Accounting Manual for Public Schools in the State of Washington* described in Note 1.

### **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. As described in Note 1 to the financial statements, the financial statements are prepared in accordance with the basis of accounting that demonstrates compliance with Washington State statutes and the *Accounting Manual for Public Schools in the State of Washington*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Other Matters**

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 Liabilities 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 a 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.

### **Purpose of this Report**

This report is intended for the information and use of management, the Board of Directors, federal awarding agencies and pass-through entities 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.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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.



**TROY KELLEY**  
STATE AUDITOR

May 22, 2013

# **Financial Section**

**Seattle School District No. 1  
King County  
September 1, 2011 through August 31, 2012**

## ***FINANCIAL STATEMENTS***

Balance Sheet—Governmental Funds—2012  
Statement of Revenues, Expenditures and Changes in Fund Balance—Governmental  
Funds—2012  
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## ***SUPPLEMENTARY INFORMATION***

Schedule of Long-Term Liabilities—2012  
Schedule of Expenditures of Federal Awards—2012  
Notes to the Schedule of Expenditures of Federal Awards—2012  
Schedule of Families and Education Levy—2012  
Notes to the Schedule of Families and Education Levy—2012

Seattle Public Schools No. 001

Balance Sheet

Governmental Funds

August 31, 2012

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>ASSETS:</b>							
Cash and Cash Equivalents	87,258,260.92	2,968,341.82	3,647,709.13	110,116,581.76	0.00	0.00	203,990,893.63
Minus Warrants Outstanding	-7,839,482.99	-87,548.44	0.00	-2,868,241.84	0.00	0.00	-10,795,273.27
Taxes Receivable	74,908,713.17		39,951,797.66	21,954,665.73	0.00	0.00	136,815,176.56
Due From Other Funds	6,908,565.73	0.00	1,955,818.75	0.00	0.00	0.00	8,864,384.48
Due From Other Governmental Units	7,530,898.65	0.00	0.00	3,574,924.71	0.00	0.00	11,105,823.36
Accounts Receivable	1,363,527.03	0.00	0.00	0.00	0.00	0.00	1,363,527.03
Interfund Loans Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accrued Interest Receivable	26,691.06	1,183.54	1,492.49	45,786.46	0.00	0.00	75,153.55
Inventory	933,015.86	0.00					933,015.86
Prepaid Items	10,103.12	0.00					10,103.12
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	0.00	0.00	0.00	0.00
Investments-Deferred Compensation	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Self-Insurance Security Deposit	0.00						0.00
<b>TOTAL ASSETS</b>	<b>171,100,292.55</b>	<b>2,881,976.92</b>	<b>45,556,818.03</b>	<b>132,823,716.82</b>	<b>0.00</b>	<b>0.00</b>	<b>352,362,804.32</b>
<b>LIABILITIES:</b>							
Accounts Payable	10,162,787.30	60,617.84	300.93	12,017,579.19	0.00	0.00	22,241,285.26
Contracts Payable Current	0.00	0.00		0.00	0.00	0.00	0.00
Accrued Interest Payable			0.00				0.00
Accrued Salaries	21,082,623.45	9,151.36		0.00			21,091,774.81
Revenue Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00
Payroll Deductions and Taxes Payable	7,457,653.60	0.00		0.00			7,457,653.60
Due To Other Governmental Units	0.00	0.00		0.00	0.00	0.00	0.00
Deferred Compensation Payable	0.00			0.00			0.00
Estimated Employee Benefits Payable	3,258,000.00						3,258,000.00
Due To Other Funds	0.00	35,949.97	0.00	8,829,434.51	0.00	0.00	8,865,384.48

Seattle Public Schools No. 001

Balance Sheet

Governmental Funds

August 31, 2012

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>LIABILITIES:</b>							
Interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	79,568.42	0.00		5,953,028.19			6,032,596.61
Matured Bonds Payable			0.00				0.00
Matured Bond Interest Payable			0.00				0.00
Arbitrage Rebate Payable	0.00		0.00	0.00	0.00		0.00
Deferred Revenue	75,464,928.11	11,791.37	39,965,848.97	22,422,348.55	0.00	0.00	137,864,917.00
<b>TOTAL LIABILITIES</b>	<b>117,505,560.88</b>	<b>117,510.54</b>	<b>39,966,149.90</b>	<b>49,222,390.44</b>	<b>0.00</b>	<b>0.00</b>	<b>206,811,611.76</b>
<b>FUND BALANCE:</b>							
Nonspendable Fund Balance	943,118.98	0.00	0.00	0.00	0.00	0.00	943,118.98
Restricted Fund Balance	2,951,300.64	2,764,466.38	3,700,871.98	76,055,492.00	0.00	0.00	85,472,131.00
Committed Fund Balance	16,700,000.00	0.00	0.00	0.00	0.00	0.00	16,700,000.00
Assigned Fund Balance	28,882,279.00	0.00	1,889,796.15	7,545,834.38	0.00	0.00	38,317,909.53
Unassigned Fund Balance	4,118,033.05	0.00	0.00	0.00	0.00	0.00	4,118,033.05
<b>TOTAL FUND BALANCE</b>	<b>53,594,731.67</b>	<b>2,764,466.38</b>	<b>5,590,668.13</b>	<b>83,601,326.38</b>	<b>0.00</b>	<b>0.00</b>	<b>145,551,192.56</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>171,100,292.55</b>	<b>2,881,976.92</b>	<b>45,556,818.03</b>	<b>132,823,716.82</b>	<b>0.00</b>	<b>0.00</b>	<b>352,362,804.32</b>

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, 2012

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>REVENUES:</b>							
Local	179,739,642.71	5,169,699.53	81,412,620.81	46,949,895.74	0.00	0.00	313,271,858.79
State	298,620,762.88		0.00	8,629,002.32	0.00	0.00	307,249,765.20
Federal	53,731,513.86		446,250.00	0.00	0.00	0.00	54,177,763.86
Federal Stimulus	2,149,019.68						2,149,019.68
Other	6,821,997.67			36,236.14	0.00	0.00	6,858,233.81
<b>TOTAL REVENUES</b>	<b>541,062,936.80</b>	<b>5,169,699.53</b>	<b>81,858,870.81</b>	<b>55,615,134.20</b>	<b>0.00</b>	<b>0.00</b>	<b>683,706,641.34</b>
<b>EXPENDITURES:</b>							
<b>CURRENT:</b>							
Regular Instruction	259,992,162.85						259,992,162.85
Federal Stimulus	2,137,243.74						2,137,243.74
Special Education	72,202,128.27						72,202,128.27
Vocational Education	8,370,865.83						8,370,865.83
Skills Center	0.00						0.00
Compensatory Programs	54,324,681.71						54,324,681.71
Other Instructional Programs	24,545,925.86						24,545,925.86
Community Services	1,153,338.59						1,153,338.59
Support Services	121,939,957.21						121,939,957.21
Student Activities/Other		4,580,098.48				0.00	4,580,098.48
<b>CAPITAL OUTLAY:</b>							
Sites				0.00			0.00
Building				54,406,740.69			54,406,740.69
Equipment				8,111,434.91			8,111,434.91
Instructional Technology				0.00			0.00
Energy				2,318,912.56			2,318,912.56
Transportation Equipment					0.00		0.00
Sales and Lease						0.00	0.00
Other	202,611.95						202,611.95
<b>DEBT SERVICE:</b>							
Principal	0.00		75,350,900.00	0.00	0.00		75,350,900.00
Interest and Other Charges	0.00		9,956,234.75	0.00	0.00		9,956,234.75
Bond/Levy Issuance				0.00	0.00		0.00
<b>TOTAL EXPENDITURES</b>	<b>544,868,916.01</b>	<b>4,580,098.48</b>	<b>85,307,134.75</b>	<b>64,837,088.16</b>	<b>0.00</b>	<b>0.00</b>	<b>699,593,237.40</b>

Seattle Public Schools No. 001

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2012

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>DEBT SERVICE:</b>							
REVENUES OVER (UNDER) EXPENDITURES	-3,805,979.21	589,601.05	-3,448,263.94	-9,221,953.96	0.00	0.00	-15,886,596.06
<b>OTHER FINANCING SOURCES (USES):</b>							
Bond Sales & Refunding Bond Sales	0.00		0.00	0.00	0.00		0.00
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	6,164,304.82		1,955,818.75	0.00	0.00		8,120,123.57
Transfers Out (GL 536)	0.00		0.00	-8,120,123.57	0.00	0.00	-8,120,123.57
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	6,857.07		0.00	775,000.00	0.00		781,857.07
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>6,171,161.89</b>		<b>1,955,818.75</b>	<b>-7,345,123.57</b>	<b>0.00</b>	<b>0.00</b>	<b>781,857.07</b>
<b>EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>2,365,182.68</b>	<b>589,601.05</b>	<b>-1,492,445.19</b>	<b>-16,567,077.53</b>	<b>0.00</b>	<b>0.00</b>	<b>-15,104,738.99</b>
<b>BEGINNING TOTAL FUND BALANCE</b>	<b>51,229,548.99</b>	<b>2,174,865.33</b>	<b>7,083,113.32</b>	<b>100,168,403.91</b>	<b>0.00</b>	<b>0.00</b>	<b>160,655,931.55</b>
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>ENDING TOTAL FUND BALANCE</b>	<b>53,594,731.67</b>	<b>2,764,466.38</b>	<b>5,590,668.13</b>	<b>83,601,326.38</b>	<b>0.00</b>	<b>0.00</b>	<b>145,551,192.56</b>

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

Statement of Fiduciary Net Assets

Fiduciary Funds

August 31, 2012

	Private Purpose Trust	Other Trust
<b>ASSETS:</b>		
Imprest Cash	31,970.32	0.00
Cash On Hand	0.00	0.00
Cash On Deposit with Cty Treas	1,914,820.69	0.00
Minus Warrants Outstanding	-7,843.48	0.00
Due From Other Funds	1,000.00	0.00
Accounts Receivable	0.00	0.00
Accrued Interest Receivable	837.79	0.00
Investments	0.00	0.00
Investments/Cash With Trustee	0.00	0.00
Other Assets	0.00	
Capital Assets, Land	0.00	
Capital Assets, Buildings	0.00	
Capital Assets, Equipment	0.00	0.00
Accum Depreciation, Buildings	0.00	
Accum Depreciation, Equipment	0.00	0.00
<b>TOTAL ASSETS</b>	<b>1,940,785.32</b>	<b>0.00</b>
<b>LIABILITIES:</b>		
Accounts Payable	14,627.19	0.00
Due To Other Funds	0.00	0.00
<b>TOTAL LIABILITIES</b>	<b>14,627.19</b>	<b>0.00</b>
<b>NET ASSETS:</b>		
<b>Net assets held in trust for:</b>		
Restricted for Other Items	1,760,408.13	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	0.00	0.00
Unassigned Fund Balance	0.00	0.00
<b>TOTAL NET ASSETS</b>	<b>1,926,158.13</b>	<b>0.00</b>

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, 2012

	Private Purpose Trust	Other Trust
<b>ADDITIONS:</b>		
<b>Contributions:</b>		
Private Donations	112,976.67	0.00
Employer		0.00
Members		0.00
Other	0.00	0.00
<b>TOTAL CONTRIBUTIONS</b>	<b>112,976.67</b>	<b>0.00</b>
<b>Investment Income:</b>		
Net Appreciation (Depreciation) in Fair Value	0.00	0.00
Interest and Dividends	10,115.78	0.00
Less Investment Expenses	0.00	0.00
Net Investment Income	10,115.78	0.00
<b>Other Additions:</b>		
Rent or Lease Revenue	0.00	0.00
Total Other Additions	0.00	0.00
<b>TOTAL ADDITIONS</b>	<b>123,092.45</b>	<b>0.00</b>
<b>DEDUCTIONS:</b>		
Benefits		0.00
Refund of Contributions	0.00	0.00
Administrative Expenses	8,250.26	0.00
Scholarships	139,821.52	0.00
Other	0.00	0.00
<b>TOTAL DEDUCTIONS</b>	<b>148,071.78</b>	<b>0.00</b>
Net Increase (Decrease)	-24,979.33	0.00
Net Assets--Beginning	1,951,137.46	0.00
Prior Year(s) Corrections or Restatements	0.00	0.00
<b>NET ASSETS--ENDING</b>	<b>1,926,158.13</b>	<b>0.00</b>

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

**Seattle School District No. 1**  
**Notes to Financial Statements**  
**September 1, 2011 Through August 31, 2012**

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

***Description of the government-wide financial statements, noting that neither fiduciary funds nor component units that are fiduciary in nature are included.***

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.

The 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. 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's Office and the Superintendent of Public Instruction by the authority of RCW 43.09.200, RCW 28A.505.140, RCW 28A.505.010(1), and RCW 28A.505.020. This manual allows for a practice that differs from generally accepted accounting principles in the following manner:

- (1) Districtwide statements are not presented.
- (2) The financial statements do not report capital assets.
- (3) Debt is not reported on the face of the financial statements. It is reported on the notes to the financial statements and on the Schedule of Long-Term Debt. The Schedule of Long-Term Debt is required supplemental information.
- (4) The original budget is not presented. This information is available through the Office of Superintendent of Public Instruction.
- (5) The Management Discussion and Analysis is not required.
- (6) The financial statements do not report a liability for Other Post-Employment Benefits (GASB Statement 45).
- (7) Other departures from GAAP that are material in nature are indicated throughout the Notes.

***Description of the activities accounted for in each of the following columns—major funds, internal service funds, and fiduciary fund types—presented in the basic financial statements.***

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The District presents financial information 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 (or expenses) as appropriate. The various funds in the report are grouped into governmental (and fiduciary) funds as follows:

***Governmental Funds***

General Fund

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

Capital Projects Funds

These funds account for financial resources that are to be used for the construction or acquisition of major capital assets. There are two funds that are considered to be of the capital projects fund type: 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 major capital assets such as land and buildings.

Transportation Vehicle Fund. This fund is used to account for the purchase, major repair, rebuilding, and debt service expenditures that relate to pupil transportation equipment. This fund is not used by the Seattle School district; pupil transportation is a contracted service.

Debt Service Fund

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

Special Revenue Fund

In Washington State, the only allowable special revenue fund for school districts is the Associated Student Body (ASB) Fund. This fund is accounted for in the District's financial statements as the financial resources legally belong to the District. As a special revenue fund, amounts within the ASB Fund may only be used for those purposes that relate to the operation of the Associated Student Body of the District.

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Permanent Funds

These funds are used to report resources that are legally restricted such that only earnings, and not principal, may be expended. Amounts in the Permanent Fund may only be spent in support of the District's programs and may not be used to the benefit of any individual.

***Fiduciary Funds***

Private-Purpose Trust Fund

This fund is used to account for resources that are legally held in trust by the District. The trust agreement details whether principal and interest may both be spent, or whether only interest may be spent. Money from a Private-Purpose Trust Fund may not be used to support the District's programs, and may be used to benefit individuals, private organizations, or other governments.

***Proprietary Funds***

School districts in the State of Washington are not allowed to utilize proprietary fund types, which is a departure from GAAP.

***The measurement focus and basis of accounting used in the government-wide statements.***

The District's accounting policies 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. The District's financial statements are presented in conformity with that publication.

The measurement focus for the District's funds is the modified accrual basis and the current financial resources focus. This basis of accounting 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.

Revenues are recognized as soon as they are measurable and available. "Measurable" means the amount of the transaction can be readily determined. Revenues are considered "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. Categorical program claims and interdistrict billings are measurable and available and are, therefore, accrued.

Expenditures are recognized under the modified accrual 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.

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(Obligation means a purchase order has been issued, contracts have been awarded, or goods and/or services have been received.)

***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.

***The government's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.***

The District receives state funding for specific categorical education-related programs. Amounts that are received for these programs that are not used in the current fiscal year may be carried forward into the subsequent fiscal year, where they may be used only for the same purpose as they were originally received. When the District has such carryover, those funds are expended before any amounts received in the current year are expended.

Additionally, the District has other restrictions placed on its financial resources. When expenditures are recorded for purposes for which a restriction or commitment of fund balance is available, those funds that are restricted or committed to that purpose are considered first before any unrestricted or unassigned amounts are expended.

***The government's fund balance classifications policies and procedures.***

The District classifies ending fund balance for its governmental funds into five categories.

Nonspendable Fund Balance. The amounts reported as Nonspendable are resources of the District that are not in spendable format. They are either non-liquid resources such as inventory or prepaid items, or the resources are legally or contractually required to be maintained intact.

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Restricted Fund Balance. Amounts that are reported as Restricted are those resources of the District that have had a legal restriction placed on their use either from statute, WAC, or other legal requirements that are beyond the control of the board of directors. Restricted fund balance includes anticipated recovery of revenues that have been received but are restricted as to their usage.

Committed Fund Balance. Amounts that are reported as Committed are those resources of the District that have had a limitation placed upon their usage by formal action of the District's board of directors. Commitments are made either through a formal adopted board resolution or are related to an established policy of the board. Commitments may only be changed when the resources are used for the intended purpose or the limitation is removed by a subsequent formal action of the board of directors.

Assigned Fund Balance. In the General Fund, amounts that are reported as Assigned are those resources that the District has set aside for specific purposes. These accounts reflect tentative management plans for future financial resource use such as the replacement of equipment or the assignment of resources for contingencies. Assignments reduce the amount reported as Unassigned Fund Balance, but may not reduce that balance below zero.

In other governmental funds, Assigned fund balance represents a positive ending spendable fund balance once all restrictions and commitments are considered. These resources are only available for expenditure in that fund and may not be used in any other fund without formal action by the District's board of directors and as allowed by statute.

Unassigned Fund Balance. In the General Fund, amounts that are reported as Unassigned are those net spendable resources of the District that are not otherwise Restricted, Committed, or Assigned, and may be used for any purpose within the General Fund.

In other governmental funds, Unassigned fund balance represents a deficit ending spendable fund balance once all restrictions and commitments are considered.

A negative Unassigned fund balance means that the legal restrictions and formal commitments of the District exceed its currently available resources.

### ***Assets, Liabilities, and Fund Equity***

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

### ***Receivables and Payables***

The district has no receivables or payables not expected to be collected within one year. The account receivables represent amounts due for services rendered by the district and are expected

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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 is valued at cost using weighted average method perpetual inventory system. The consumption method of inventory is used, which charges inventory as an expenditure when it is consumed. A portion of fund balance, representing inventory, is considered Nonspendable. Such reserves for inventory indicate that a portion of net current assets is set aside to replace or increase the inventory. USDA commodity inventory consists of food donated by the United States Department of Agriculture. It is valued at the prices paid by the USDA for the commodities.

**NOTE 2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS**

The King County Treasurer is the *ex officio* treasurer for the District and holds all accounts of the District. The District directs the County Treasurer to invest those financial resources of the District that the District has determined are not needed to meet the current financial obligations of the District.

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, 2012, 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	87,440,643	86,848,061
	Capital Projects	106,919,731	104,717,319
	Debt Service	3,804,670	3,647,709
	Associated Student Body	<u>2,856,406</u>	<u>2,833,804</u>
	Subtotal	<u>201,021,450</u>	<u>198,046,893</u>
	Private Purpose Trust	<u>1,927,645</u>	<u>1,914,820</u>
	Total	<u><u>202,949,095</u></u>	<u><u>199,961,713</u></u>

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Impaired Investments

As of August 31, 2012, 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 principal is \$3,553,159 and the district's fair value of these investments is \$1,584,766.

Interest Rate Risk: As of August 31, 2012 the Pool's average duration was 1.24 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, 2012, 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.

**NOTE 3: SIGNIFICANT CONTINGENT LIABILITIES**

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 8/31/12, the District estimates there will not be any arbitrage liability and therefore has not set aside any amount in reserved fund balance.



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**NOTE 4: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS**

In December 2012, the District received \$3.6 million in settlement monies from King County related to a lawsuit to recover damages on impaired commercial paper investments in 2007. The district had previously recognized these losses in fiscal year 2008. Recoveries were distributed to funds in the same proportionate share as losses, with approximately 85% in the Capital Projects Fund.

In January 2012, the Washington State Supreme Court ruled that the State was not meeting its constitutional obligation to fully fund basic education, and retained jurisdiction over the case. The State's first report did not sufficiently indicate how full compliance would be achieved. In December 2012, the Court issued an order to the Washington State Legislature to make real and measurable progress toward fully funding K-12 education and to set out the State's plan to allow progress to be measured according to periodic benchmarks between now and 2018.

In February 2013, Seattle voters approved the renewal of both the Operations Levy and the Capital Levy. The Operations Levy will provide approximately 25 percent of the Seattle Public School's general fund operating revenue (\$551.9 million over three years), and renews the expiring 2010 Operations Levy. The Building Excellence IV (BEX IV) Levy supports the District's plans to upgrade and renovate aging school facilities and address enrollment growth. This replaces an expiring capital levy and will provide \$694.9 million of capital funding over six years.

**NOTE 5: ANNUAL PENSION COST AND NET PENSION OBLIGATIONS**

General Information

Substantially all District full-time and qualifying part-time employees participate in one or the following statewide retirement systems managed by the Washington State Department of Retirement Systems (DRS), under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov). The following disclosures are made pursuant to GASB Statements No. 27, *Accounting for Pensions by State and Local Government Employers* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

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Membership by retirement system program as of June 30, 2011:

<u>Program</u>	<u>Active Members</u>	<u>Inactive Vested Members</u>	<u>Retired Members</u>
TRS	66,203	9,204	41,709
PERS	152,417	29,925	79,363
SERS	52,332	10,262	6,428

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 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.

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 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

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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.

Contributions

Employee contribution rates effective September 1, 2011 through August 31, 2012:

Plan 1 TRS	6.0%	Plan 1 PERS	6.0%
Plan 2 TRS	4.69%	Plan 2 SERS	4.09%
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, 2011 through August 31, 2012:

	<u>9/1/11-8/31/12</u>		<u>9/1/11-3/31/12</u>	<u>4/1/12-6/30/12</u>	<u>7/1/12-8/31/12</u>
Plan 1 TRS	8.04%	Plan 1 PERS	7.25%	7.08%	7.21%
Plan 2 TRS	8.04%	Plan 2 SERS	7.59%	7.58%	7.58%
Plan 3 TRS	8.04%	Plan 3 SERS	7.59%	7.58%	7.58%

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 11-12</u>	<u>FY 10-11</u>	<u>FY 09-10</u>
Plan 1 TRS	\$1,138,983	\$1,050,131	\$1,284,309
Plan 2 TRS	\$4,265,190	\$2,952,308	\$2,809,612
Plan 3 TRS	\$13,792,774	\$10,102,002	\$10,003,012
Plan 1 PERS	\$456,519	\$385,064	\$418,434
Plan 2 SERS	\$3,101,982	\$2,240,468	\$2,226,562
Plan 3 SERS	\$3,284,357	\$2,381,240	\$2,389,276

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, 2012

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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 6: COMMITMENTS UNDER NONCAPITALIZED (OPERATING) LEASES**

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>	
2013	\$ 1,194,550
2014	230,428
2015	188,861
2016	17,676
2017	<u>-</u>
Total	<u><u>\$ 1,631,515</u></u>

**NOTE 7: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS, INCLUDING ENCUMBRANCES, IF APPROPRIATE**

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

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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).

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<u>Project</u>	<u>Project Authorized Amount</u>	<u>Accumulated Revenue* to 8/31/12</u>	<u>Accumulated Expend to 8/31/12</u>
<b>BEX II</b>			
Building Construction	407,000,000		410,250,968
Technology	<u>26,000,000</u>		<u>25,718,312</u>
BEX II Total	433,000,000	436,144,739	435,969,280
<b>BTA I</b>			
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	<u>40,000,000</u>		<u>40,977,072</u>
BTA I Total	146,000,000	154,091,383	139,587,286
<b>BTA II</b>			
Building Reinvestment	95,500,000		91,847,860
Academics	36,620,000		31,312,481
Technology	<u>39,880,000</u>		<u>35,345,987</u>
BTA II Total	172,000,000	181,508,691	158,506,328
<b>BEX III</b>			
Building Construction	383,000,000		379,333,128
Infrastructure	26,000,000		16,058,400
Technology	<u>42,000,000</u>		<u>33,608,674</u>
BEX III Total	451,000,000	473,169,757	429,000,202
<b>BTA III</b>			
Building Construction	140,500,000		12,278,157
Academics	94,600,000		45,897,910
Technology	<u>34,900,000</u>		<u>8,127,965</u>
BTA III Total	270,000,000	92,409,724	66,304,032
<b>Capital Project Energy Grants</b>			
BTA II Energy Grants	5,602,622	5,549,569	5,034,389
BTA III Energy Grants	<u>16,652,519</u>	<u>6,946,480</u>	<u>6,946,480</u>
Energy Grants Total	22,255,141	12,496,050	11,980,870

\*Revenue included Other Operating sources

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**NOTE 8: REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES**

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 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 8/31/12, are comprised of the following individual issues:

<u>Name and Purpose of Issue</u>	<u>Rates</u>	Amount <u>Authorized</u>	9/1/2011 <u>Beg. Bal.</u>	<u>Additions</u>	<u>Reductions</u>	8/31/2012 <u>Balance</u>
<i>Limited Tax General Obligation Bonds - Voter Approved</i>						
2007 BEX III Series A & B	4.25 – 5.00%	\$ 412,415,000	\$189,585,000		\$73,355,000	\$ 116,230,000
<i>Limited General Obligation Bonds - Non Voted</i>						
2001 Qualified Zone Academy Bond - improvements to schools	0%	1,325,900	\$ 1,100,900		1,100,900	0
2001 School Support Center Bond- Series A	5.25%	1,145,000	\$ 635,000		635,000	0
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	\$ 32,290,000		260,000	32,030,000
2010 Qualified School Construction Bond	2.55% *	17,500,000	\$ 17,500,000			17,500,000
<b>Total LTGO &amp; LGO Bonds</b>		<u>\$ 468,522,900</u>	<u>\$ 244,167,900</u>	<u>\$</u>	<u>\$75,350,900</u>	<u>\$ 168,817,000</u>

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\*Interest is 100% refundable by the Federal government

At August 31, 2012, the District had \$5,590,668 available in Debt Service Fund to service the general obligation bonds.

Changes in Long-term Debt

	Long-Term Debt Payable 9/1/2011	Debt Inc/(Decr)	Long-Term Debt Payable 8/31/2012
Limited Tax General Obligation Bonds	\$ 189,585,000	\$ (73,355,000)	\$ 116,230,000
General Obligation Bonds	\$ 54,582,900	\$ (1,995,900)	\$ 52,587,000
Estimated Vacation Leave	\$ 5,585,184	\$ 250,545	\$ 5,835,729
Estimated Sick Leave	\$ 17,314,109	\$ 29,484	\$ 17,343,593
Claims & Judgments	\$ 3,269,000	\$ 687,861	\$ 3,956,861
<b>Total</b>	<b>\$ 270,336,193</b>	<b>\$ (74,383,010)</b>	<b>\$ 195,953,183</b>

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>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	\$ 19,015,000	\$ 1,370,975	\$ 20,385,975
2018 - 2022	\$ 10,315,000	\$ 3,790,756	\$ 14,105,756
2023 - 2027	\$ 15,495,000	\$ 1,627,931	\$ 17,122,931
	<b>\$ 168,817,000</b>	<b>\$ 18,425,713</b>	<b>\$ 187,242,713</b>



**Seattle School District No. 1**  
**Notes to Financial Statements**  
**September 1, 2011 Through August 31, 2012**

**NOTE 9: INTERFUND BALANCES AND TRANSFERS**

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 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 Payables as of August 31, 2012:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General	\$6,908,565	\$ -
Capital Projects	-	8,829,434
Debt Service	1,955,819	-
Transportation	-	-
		35,950
ASB	-	
Subtotal	<u>8,864,384</u>	<u>8,865,384</u>
Fiduciary Funds	11,625	10,625
Total	<u>\$8,876,009</u>	<u>\$8,876,009</u>

**NOTE 10: ENTITY RISK MANAGEMENT ACTIVITIES**

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.

**Seattle School District No. 1**  
**Notes to Financial Statements**  
**September 1, 2011 Through August 31, 2012**

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 \$5,000 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	2011-12
General Liability	\$20,000,000 per occurrence
Sexual Abuse Liability	\$20,000,000 per occurrence
Liability	\$20,000,000 aggregate Automobile
Property	\$20,000,000 per occurrence
Earthquake	\$500,000,000 per occurrence
Flood	\$25,000,000 Pool wide aggregate
Workers Compensation	\$100,000,000 Pool wide aggregate
Employers' Liability	Statutory
& Machinery	\$1,000,000 per occurrence Boiler
Commercial Crime – Money & Securities	\$50,000,000 per occurrence
Commercial Crime – Employee Dishonesty	\$50,000 per occurrence
Employment Practices Liability	\$1,000,000 per occurrence
Errors and Omissions Liability	\$20,000,000 per claim & aggregate
	\$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.

**Seattle School District No. 1**  
**Notes to Financial Statements**  
**September 1, 2011 Through August 31, 2012**

Changes in the District's current claims liability amounts, estimated based on available information at August 31, 2012, and 2011 respectively are as follows:

	Beginning of Year Balance	Claims & Changes In Estimates	Claims Payments	End of Year Balance
<b>Industrial Insurance Liabilities</b>				
2010-11	\$ 4,225,842	\$ 3,150,693	\$ (4,251,535)	\$ 3,125,000
2011-12	\$ 3,125,000	\$ 4,126,535	\$ (4,251,535)	\$ 3,000,000

**NOTE 11: 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 obligation 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 property taxes due on October 31 are recorded as deferred revenue.

**NOTE 12: FUND BALANCE CLASSIFICATION DETAILS**

The District's financial statements include the following amounts presented in the aggregate.

	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund
<b>Nonspendable Fund Balance</b>				
Inventory and Prepaid Items	\$943,119			
<b>Restricted Fund Balance</b>				
Carryover of Restricted Revenues	\$2,951,301			
Debt Service			\$2,016,700	
Arbitrage Rebate				
Uninsured Risks				
Other Items		\$2,764,466	\$74,038,792	\$3,700,872
<b>Committed Fund Balance</b>				
Minimum Fund Balance Policy	\$16,700,000			
Other Commitments				
<b>Assigned Fund Balance</b>				
Contingencies	\$2,550,028			
Other Capital Projects				
Other Purposes	\$26,332,251		7,545,844	
Fund Purposes				\$1,889,796
<b>Unassigned Fund Balance</b>	\$4,118,032			
<b>Total Fund Balance</b>	\$53,594,731	\$2,764,466	83,601,336	\$5,590,668

**Seattle School District No. 1**  
**Notes to Financial Statements**  
**September 1, 2011 Through August 31, 2012**

In addition, the Capital Projects Fund has the following amounts in Restricted Fund Balance, based on the source of the revenues:

Restricted from Bond Proceeds	\$44,169,555
Restricted from Levy Proceeds	\$29,354,057
Restricted from State Proceeds	\$ 515,180
Restricted from Federal Proceeds	-
Restricted from Other Proceeds	-
Restricted from Impact Fee Proceeds	-
Restricted from Mitigation Fee Proceeds	-
Restricted from Undistributed Proceeds	-
Total Other Restricted	\$74,038,792

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 annually adopt a specific reserve percentage for the upcoming fiscal year. The reserve percentage shall be informed by the economic climate at the time of adoption and recommended between 3 and 5 percent of the budgeted no-grant expenditures for the upcoming fiscal year. Portions of fund balance that are set aside for the purpose of meeting this policy are recorded on the financial statements as a part of Committed fund balance.

**NOTE 13: TERMINATION BENEFITS**

**Compensated Absences**

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.

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

**Seattle School District No. 1**  
**Notes to Financial Statements**  
**September 1, 2011 Through August 31, 2012**

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.

**NOTE 14 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 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 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 2011-2012, the funds remaining from these awards are \$142K dollars. The District is the subrecipient and accounts for these as reimbursable grants. The district is also subrecipient through the Alliance for two other grant awards totaling \$2 million dollars for various periods beginning in 2009 and extending through 2012.

Seattle Public Schools No. 001  
 Schedule of Long-Term Liabilities  
 For the Year Ended August 31, 2012

Description	Beginning Outstanding Debt September 1, 2011	Amount Issued/Increased	Amount Redeemed/Decreased	Ending Outstanding Debt August 31, 2012
Total Voted Bonds	189,585,000.00	0.00	73,355,000.00	116,230,000.00
Total Non-Voted Notes/Bonds	32,925,000.00	0.00	895,000.00	32,030,000.00
Qualified Zone Academy Bonds (QZAB)	4,157,900.00	0.00	1,100,900.00	3,057,000.00
Qualified School Construction Bonds(QSCB)	17,500,000.00	0.00	0.00	17,500,000.00
<b>Other Long-Term Debt</b>				
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	3,269,000.00	687,861.00	0.00	3,956,861.00
Compensated Absences	22,899,293.00	280,029.00	0.00	23,179,322.00
Other Long-Term Liabilities	0.00	0.00	0.00	0.00
Total Other Long-Term Liabilities	26,168,293.00	967,890.00	0.00	27,136,183.00
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>270,336,193.00</b>	<b>967,890.00</b>	<b>75,350,900.00</b>	<b>195,953,183.00</b>

SEATTLE PUBLIC SCHOOLS  
KING COUNTY  
EIN: 916001541  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR FISCAL YEAR ENDING AUGUST 31, 2012

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			\$ 2,021,459.10	\$ 2,021,459.10	4
	OSPI	National School Lunch Program	10.555	1010			\$ 7,112,980.34	\$ 7,112,980.34	4
	OSPI	National School Lunch Program - Area Eligible Snack	10.555	1010			\$ 125,063.18	\$ 125,063.18	4
	OSPI	National School Lunch Program - Non Cash Asst. Food Commodities	10.555	1010			\$ 435,485.26	\$ 435,485.26	2
	OSPI	Child and Adult Care Food Program	10.558	1A04-11	17-03-0321		\$ 33,885.28	\$ 33,885.28	4
	OSPI	Child and Adult Care Food Program	10.558	1A04-12	17-03-0321		\$ 153,489.82	\$ 153,489.82	4
	OSPI	Fresh Fruit and Vegetable Program	10.582	1L41-12	LOA		\$ 168,545.08	\$ 168,545.08	
	Office of State Treasurer	Schools and Roads - Grants to States	10.665	1000			\$ 28,738.86	\$ 28,738.86	4
<b>Subtotal of Department of Agriculture</b>						<b>\$ -</b>	<b>\$ 10,079,646.92</b>	<b>\$ 10,079,646.92</b>	
Department of Commerce		Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	11.427	1H49-08	AB133F-08-SE-2241	\$ 6,115.22		\$ 6,115.22	
		Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	11.427	1C70-08	NA07NMF4720363	\$ 15,622.90		\$ 15,622.90	
<b>Subtotal of Department of Commerce</b>						<b>\$ 21,738.12</b>	<b>\$ -</b>	<b>\$ 21,738.12</b>	
Department of Defense	National Security Agency	Mathematical Sciences Grants Program	12.901	1G61-12			\$ 13,875.07	\$ 13,875.07	
	National Security Agency	Mathematical Sciences Grants Program	12.901	1G61-13	H98230-12-1-0087		\$ 117,022.79	\$ 117,022.79	
<b>Subtotal of Department of Defense</b>						<b>\$ -</b>	<b>\$ 130,897.86</b>	<b>\$ 130,897.86</b>	
Institute Of Museum And Library Services	OSOS	Grants to States	45.310	1L11-12	G-12/090		\$ 2,633.80	\$ 2,633.80	
	OSOS	Grants to States	45.310	1L10-12	G-12/091		\$ 7,534.30	\$ 7,534.30	
<b>Subtotal of Institute Of Museum And Library Services</b>						<b>\$ -</b>	<b>\$ 10,168.10</b>	<b>\$ 10,168.10</b>	
National Science Foundation		Education and Human Resources	47.076	1G13-10	DRL-0554651	\$ 69,048.74		\$ 69,048.74	
	Michigan State University	Education and Human Resources	47.076	1L70-12	RC062349SPS		\$ 21,098.18	\$ 21,098.18	
	Seattle Pacific University	Education and Human Resources	47.076	1F48-12	LOA		\$ 109,070.70	\$ 109,070.70	
<b>Subtotal of National Science Foundation</b>						<b>\$ 69,048.74</b>	<b>\$ 130,168.88</b>	<b>\$ 199,217.62</b>	

SEATTLE PUBLIC SCHOOLS  
KING COUNTY  
EIN: 916001541  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR FISCAL YEAR ENDING AUGUST 31, 2012

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 Education	OSPI	Title I Grants to Local Educational Agencies	84.010	1C03-11	GR0222377		\$ (14,512.18)	\$ (14,512.18)	
	OSPI	Title I Grants to Local Educational Agencies	84.010	1L36-12	GR0250204		\$ 583.73	\$ 583.73	
	OSPI	Title I Grants to Local Educational Agencies	84.010	1L35-12	GR0250203		\$ 8,824.32	\$ 8,824.32	
	OSPI	Title I Grants to Local Educational Agencies	84.010	1L38-12	GR0250201		\$ 23,366.38	\$ 23,366.38	
	OSPI	Title I Grants to Local Educational Agencies	84.010	1C03-12	GR0222412		\$ 153,390.93	\$ 153,390.93	
	OSPI	Title I Grants to Local Educational Agencies	84.010	1C01-11	GR0200495		\$ 628,182.99	\$ 628,182.99	
	OSPI	Title I Grants to Local Educational Agencies	84.010	1C01-12	GR0200760		\$ 13,342,359.27	\$ 13,342,359.27	
	OSPI	Migrant Education_State Grant Program	84.011	1F78-12	GR0290701		\$ 1,297.20	\$ 1,297.20	
	OSPI	Migrant Education_State Grant Program	84.011	1C02-12	GR0280893		\$ 187,921.70	\$ 187,921.70	
	OSPI	Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	1C04-11	GR0223274		\$ 8,664.46	\$ 8,664.46	
	OSPI	Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	1C04-12	GR0223291		\$ 295,529.21	\$ 295,529.21	
	OSPI	Special Education_Grants to States	84.027	1A48-11	GR0303840		\$ 27,494.58	\$ 27,494.58	
	OSPI	Special Education_Grants to States	84.027	1A48-12	GR0304244		\$ 10,724,203.46	\$ 10,724,203.46	
	OSPI	Career and Technical Education - Basic Grants to States	84.048	1A03-11	GR0172054		\$ 4,443.43	\$ 4,443.43	
	OSPI	Career and Technical Education - Basic Grants to States	84.048	1K72-12	GR0189044		\$ 6,624.30	\$ 6,624.30	
	OSPI	Career and Technical Education - Basic Grants to States	84.048	1A03-12	GR0172391		\$ 373,323.17	\$ 373,323.17	
		Indian Education_Grants to Local Educational Agencies	84.060	1C27-13	S060A120393	\$ 119.34		\$ 119.34	
		Indian Education_Grants to Local Educational Agencies	84.060	1C27-12	S060A110393	\$ 89,120.89		\$ 89,120.89	
	OSPI	Special Education_Preschool Grants	84.173	1A46-12	GR0364239		\$ 382,396.88	\$ 382,396.88	
	OSPI	Special Education_Preschool Grants	84.173	1G28-12	GR0337472		\$ 693,858.00	\$ 693,858.00	
		Safe and Drug-Free Schools and Communities State Grants	84.186	1H65-11	1H79SP014932-03	\$ 6,748.49		\$ 6,748.49	
		Safe and Drug-Free Schools and Communities State Grants	84.186	1H65-12	1H79SP014932-04	\$ 118,085.27		\$ 118,085.27	
		Fund for the Improvement of Education	84.215	1K62-11	U215K100046	\$ 7,701.64		\$ 7,701.64	
		Fund for the Improvement of Education	84.215	1H60-11	U215J080192-10	\$ 49,613.82		\$ 49,613.82	
		Fund for the Improvement of Education	84.215	1L56-12	Q215F110228	\$ 345,148.51		\$ 345,148.51	
		Fund for the Improvement of Education	84.215	1H60-12	U215J080192-11	\$ 447,018.33		\$ 447,018.33	
		Foreign Language Assistance	84.293	1K87-12	T293A100215-11	\$ 205,626.82		\$ 205,626.82	
	Washington Research Institute	Education Research, Development and Dissemination	84.305	1L64-12	LOA		\$ 47,632.47	\$ 47,632.47	
	OSPI	Education Technology State Grants	84.318	1C20-11	GR0721739		\$ 3,795.81	\$ 3,795.81	
	OSPI	Education Technology State Grants	84.318	1C20-12	GR0721963		\$ 9,472.84	\$ 9,472.84	
		Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330	1K19-12	S330C090065-11	\$ 902,298.05		\$ 902,298.05	
	OSPI	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330	1D91-10	GR0887283		\$ 8,524.00	\$ 8,524.00	



SEATTLE PUBLIC SCHOOLS  
KING COUNTY  
EIN: 916001541  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
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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	1C88-11	GR0887305		\$ 7,549.00	\$ 7,549.00	
	Puget Sound ESD	Arts in Education	84.351	1K13-11	06853		\$ 1,838.54	\$ 1,838.54	
	Puget Sound ESD	Arts in Education	84.351	1K13-12	07294		\$ 7,602.03	\$ 7,602.03	
	Puget Sound ESD	Arts in Education	84.351	1L76-12	07469		\$ 23,986.30	\$ 23,986.30	
	Puget Sound ESD	Arts in Education	84.351	1L45-12	07182		\$ 25,326.07	\$ 25,326.07	
		High School Graduation	84.360	1K98-11	S360A100166	\$ 140,404.23		\$ 140,404.23	
		High School Graduation	84.360	1K98-12	S360A100166-11	\$ 1,970,677.25		\$ 1,970,677.25	
	OSPI	English Language Acquisition State Grants	84.365	1C21-11	GR0401268		\$ 3,493.14	\$ 3,493.14	
	OSPI	English Language Acquisition State Grants	84.365	1C21-12	GR0401530		\$ 1,064,838.69	\$ 1,064,838.69	
	OSPI	Mathematics and Science Partnerships	84.366	1G78-11	GR0555328		\$ 21,338.56	\$ 21,338.56	
	OSPI	Improving Teacher Quality State Grants	84.367	1C17-11	GR0520183		\$ (27,998.90)	\$ (27,998.90)	
	OSPI	Improving Teacher Quality State Grants	84.367	1C17-12	GR0522186		\$ 2,971,810.22	\$ 2,971,810.22	
		Teacher Incentive Fund	84.374	1K99-11	S374A100044	\$ 294,512.05		\$ 294,512.05	
		Teacher Incentive Fund	84.374	1K99-12	S374A100044	\$ 1,728,032.05		\$ 1,728,032.05	
	OSPI	ARRA-Education Technology State Grants, Recovery Act	84.386	1K84-12	GR0727375		\$ 708.71	\$ 708.71	
	OSPI	ARRA-Education Technology State Grants, Recovery Act	84.386	1K32-11	GR0727275		\$ 3,146.33	\$ 3,146.33	
	OSPI	ARRA-Education Technology State Grants, Recovery Act	84.386	1K04-11	GR0724366		\$ 8,425.58	\$ 8,425.58	
	OSPI	ARRA-School Improvement Grants, Recovery Act	84.388	1K74-13	GR0225		\$ 61,708.29	\$ 61,708.29	
	OSPI	ARRA-School Improvement Grants, Recovery Act	84.388	1K74-12	GR0225015		\$ 1,685,294.41	\$ 1,685,294.41	
	OSPI	ARRA-Title I Grants to Local Educational Agencies, Recovery Act	84.389	1K02-11	GR0240459		\$ (344,209.09)	\$ (344,209.09)	
	OSPI	ARRA-Title I Grants to Local Educational Agencies, Recovery Act	84.389	1K02-12	GR0240703		\$ 31,571.73	\$ 31,571.73	
	OSPI	ARRA-Special Education Grants to States, Recovery Act	84.391	1K03-11	GR0310487		\$ (10,337.45)	\$ (10,337.45)	
	OSPI	Education Jobs Fund	84.410	1L18-11	GR0960092		\$ 153,054.00	\$ 153,054.00	
<b>Subtotal of Department of Education</b>						<b>\$ 6,305,106.74</b>	<b>\$ 32,606,523.11</b>	<b>\$ 38,911,629.85</b>	

SEATTLE PUBLIC SCHOOLS  
KING COUNTY  
EIN: 916001541  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR FISCAL YEAR ENDING AUGUST 31, 2012

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 Health and Human Services		Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1K96-11	1U79SM060300-01	\$ 20,929.21		\$ 20,929.21	
		Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1K96-12	5U79SM060300-02	\$ 124,588.72		\$ 124,588.72	
		Improving Health & Educational Outcomes of Young People	93.293	1H31-12	5U87DP001257-05	\$ 95,963.64		\$ 95,963.64	
		Improving Health & Educational Outcomes of Young People	93.293	1H31-11	5U87DP001257-04	\$ 137,513.42		\$ 137,513.42	
	YWCA (School Out of WA)	Refugee and Entrant Assistance_Discretionary Grants	93.576	1D76-12	LOA		\$ 128,202.43	\$ 128,202.43	
		Head Start	93.600	1B60-11	10CH0166/14	\$ 948,043.45		\$ 948,043.45	
		Head Start	93.600	1B60-12	10CH0166/15	\$ 3,297,145.73		\$ 3,297,145.73	
	University of Washington	ARRA - Trans-NIH Recovery Act Research Support	93.701	1L17-11	702560Z		\$ 123,813.67	\$ 123,813.67	
	King County	ARRA - Prevention and Wellness Communities Putting Prevention to Work Funding Opportunities Announcement	93.724	1K92-12	D40429D		\$ 16,844.52	\$ 16,844.52	
	King County	ARRA - Prevention and Wellness Communities Putting Prevention to Work Funding Opportunities Announcement	93.724	1K92-11	D40429D		\$ 35,109.61	\$ 35,109.61	
	King County	ARRA - Prevention and Wellness Communities Putting Prevention to Work Funding Opportunities Announcement	93.724	1K85-11	LOA		\$ 213,121.71	\$ 213,121.71	
	City of Seattle - Dept of Neighborhoods	Medical Assistance Program	93.778	1A16-12	DA11FE003		\$ 179,401.01	\$ 179,401.01	
	OSPI	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	1F35-11a	GR0930045		\$ 4,973.51	\$ 4,973.51	
	OSPI	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	1F35-12	GR0930050		\$ 988.06	\$ 988.06	
<b>Subtotal of Department of Health and Human Services</b>						<b>\$ 4,624,184.17</b>	<b>\$ 702,454.52</b>	<b>\$ 5,326,638.69</b>	
Corporation for National Service	OSPI	Learn and Serve America_School and Community Based Programs	94.004	1K30-12	GR0970568		\$ 6,439.26	\$ 6,439.26	
		Learn and Serve America Innovative Community-Based Service-Learning Programs	94.018	1L01-11	10LYPWA001	\$ 429,581.72		\$ 429,581.72	
<b>Subtotal of Corporation for National Service</b>						<b>\$ 429,581.72</b>	<b>\$ 6,439.26</b>	<b>\$ 436,020.98</b>	
<b>TOTAL FEDERAL AWARDS EXPENDED</b>						<b>\$ 11,449,659.49</b>	<b>\$ 43,666,298.65</b>	<b>\$ 55,115,958.14</b>	

## Notes to the Schedule of Expenditures of Federal Awards

### Note 1 - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the 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 30 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	\$ 6,145,907.07
Fund for the Improvement of Education	84.215	\$ 7,024.20
ARRA-School Improvement Grants, Recovery	84.388	\$ 1,470,978.55
Learn and Serve America Innovative Community-Based Service-Learning Programs	94.018	\$ 415,405.19
<b>Total</b>		<b>\$ 8,039,315.01</b>

### 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 2010/2011	3.33%
FY 2011/2012	3.66%
FY 2012/2013	3.77%

**SEATTLE SCHOOL DISTRICT NO. 1**  
**Schedule of Families and Education Levy**  
**For the Fiscal Year Ended August 31, 2012**

<b>Fund Code</b>	<b>Rev Acct No.</b>	<b>St. PG</b>	<b>Program Names</b>	<b>Other Identification Number</b>	<b>Total Award Amount</b>	<b>Expenditures</b>
<b>King County</b>						
<b>Seattle-King County Department of Public Health</b>						
1F52-12	R8100	79	School Nurses - FEL	D41089D	749,573.00	720,925.41
<b>Total of Seattle-King County Department of Public Health</b>					<b>749,573.00</b>	<b>720,925.41</b>
<b>City of Seattle</b>						
<b>Department of Parks and Recreation</b>						
1F69-12	R8100	79	MS After School Activities	006M	567,157.00	525,000.97
<b>Total of Department of Parks and Recreation</b>					<b>567,157.00</b>	<b>525,000.97</b>
<b>City of Seattle</b>						
<b>Department of Human Services</b>						
1G38-12	R8100	79	Step Ahead Preschool @ The New School	DA11-1402	145,773.00	143,197.69
<b>Total of Department of Parks and Recreation</b>					<b>145,773.00</b>	<b>143,197.69</b>
<b>City of Seattle</b>						
<b>Department of Neighborhoods</b>						
1F61-11	R8100	79	Family Support Worker -FEL	DA10FE010	2,540,009.00	47,128.69
1F61-12	R8100	79	Family Support Worker -FEL	DA11FE003	2,578,109.00	2,488,937.93
1F68-11	R8100	79	Middle School Support Program	DA10FE012	1,275,186.00	63,758.00
1F68-12	R8100	79	Middle School Support Program	DA11FE004	1,294,314.00	1,216,655.00
1H48-11	R8100	79	High School Achievement Program	DA10FE011	1,158,135.00	101,333.32
1H48-12	R8100	79	High School Achievement Program	DA11FE005	1,175,507.00	995,787.25
<b>Total of Department of Neighborhoods</b>					<b>10,021,260.00</b>	<b>4,913,600.19</b>
<b>TOTAL FAMILIES AND EDUCATION LEVY FUNDS</b>					<b>11,483,763.00</b>	<b>6,302,724.26</b>

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, 2012**

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**

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The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

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**  
**Director of State and Local Audit**  
**Director of Performance Audit**  
**Deputy Director of State and Local Audit**  
**Deputy Director of State and Local Audit**  
**Deputy Director of State and Local Audit**  
**Deputy Director of Quality Assurance**  
**Local Government Liaison**  
**Public Records Officer**  
**Main number**  
**Toll-free Citizen Hotline**

**Troy Kelley**  
**Doug Cochran**  
**Chuck Pfeil, CPA**  
**Larisa Benson**  
**Kelly Collins, CPA**  
**Jan M. Jutte, CPA, CGFM**  
**Sadie Armijo**  
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