



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements and Federal Single Audit Report

Seattle School District No. 1

King County

For the period September 1, 2013 through August 31, 2014

Published May 28, 2015

Report No. 1014423





Washington State Auditor

May 28, 2015

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,

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

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FEDERAL SUMMARY

Seattle School District No. 1 King County September 1, 2013 through August 31, 2014

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

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

Federal Awards

Internal Control Over Major Programs:

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

We issued an unmodified opinion on the District's compliance with requirements applicable to each of its major federal programs.

We reported findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following were major programs during the period under audit:

| <u>CFDA No.</u> | <u>Program Title</u> |
|-----------------|--|
| 84.010 | Title I, 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 |

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$1,444,440.

The District did not qualify 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, 2013 through August 31, 2014

2014-001 The District did not have adequate internal controls to ensure compliance with federal time and effort requirements.

CFDA Number and Title: 84.010 – Title I Grants to Local Education Agencies
84.360 – High School Graduation Initiative

Federal Grantor Name: U.S. Department of Education

Federal Award/Contract Number: S360100166

Pass-through Entity Name: Office of Superintendent of Instruction

Pass-through Award/Contract Number: GR0201207, GR0201415, GR0222435, GR0222461, GR0228801, GR0228331, GR0228332, GR0228333, GR0228334, GR0228335, GR0228336, GR0228620, GR0228621, GR0228626

Questioned Cost Amount: \$0

Description of Condition

During fiscal year 2014, the District spent \$48,148,007 in federal funds. We audited five major programs with expenditures totaling \$28,424,645. We noted the District had issues with time and effort documentation for two of the five major programs we audited: Title I and High School Graduation Initiative.

Any employee compensation charged to federal grants must be supported by documentation that meets the standards of the Office of Management and Budget (OMB) Circular A-87 (cost principles), including written and certified (after-the-fact) documentation of actual work. Depending on the number and type of activities employees work, time and effort documentation can be documented on a semi-annual certification or a monthly personnel activity report, such as a timesheet.

We audited the District's internal controls over payroll to determine whether salaries and benefits charged to the grant were supported by time and effort documentation as required by federal regulations. Employees who work fulltime on their particular federal program are required to complete semi-annual

certifications and must be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

Our audit found that the District did not follow the procedures in place to ensure semi-annual time and effort certifications were signed as required. We consider these internal control weaknesses to be significant deficiencies.

Cause of Condition

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

Effect of Condition and Questioned Costs

Without proper time and effort records, the District is not in compliance with federal time and effort requirements.

Our audit found:

- 24 out of 214 Title I semi-annual certifications were not certified or were certified after requested for audit. These employees charged \$764,104 to the grant.
- Four out of 38 High School Graduation Initiative semi-annual certifications were signed after requested for audit. These employees charged \$88,325 to the grant.

We were able to obtain documentation to demonstrate the employees worked on their respective grants for the amount of time charged. Therefore, we are not questioning these costs.

Recommendation

We recommend the District follow time and effort internal controls to ensure it meets federal requirements for documentation of all payroll costs charged to grants.

District's Response

The District concurs with this finding. Program managers for federal grants will be trained on their responsibilities for compliance in time and effort verification and approval.

Auditor's Remarks

We thank the District for its assistance during the audit and will review this area again during the next audit.

Applicable Laws and Regulations

Government Auditing Standards, December 2011 Revision, paragraph 4.23, states:

4.23 When performing GAGAS financial audits, auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and (4) abuse that has a material effect on the audit.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows:

Deficiency in internal control over compliance. A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in *design* exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in *operation* exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Material weakness in internal control over compliance.

A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of the event is either reasonably possible or probable as defined as follows:

Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.

Remote. The chance of the future event or events occurring is slight.

Probable. The future event or events are likely to occur.

Significant deficiency in internal control over compliance.

A deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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.

(c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

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

(1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.

(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

SCHEDULE OF FEDERAL AUDIT FINDINGS AND QUESTIONED COSTS

Seattle School District No. 1 King County September 1, 2013 through August 31, 2014

2014-002 The District charged unallowable teacher stipends to the Teacher Incentive Fund federal grant.

| | |
|--|-------------------------------|
| CFDA Number and Title: | 84.374 Teacher Incentive Fund |
| Federal Grantor Name: | U.S. Department of Education |
| Federal Award/Contract Number: | S374A100044 |
| Pass-through Entity Name: | NA |
| Pass-through Award/Contract Number: | NA |
| Questioned Cost Amount: | \$15,929 |

Description of Condition

In the 2013-2014 school year, the District spent \$2,464,288 for the Teacher Incentive Fund grant in fiscal year 2014, including \$795,333 in teacher stipends.

The objective of the program is to develop and implement performance-based compensation systems for teachers, principals, and other personnel in high-need schools. The compensation systems must include growth in student academic achievement as well as classroom performance evaluations. In order to receive a stipend out of the Teacher Incentive Fund certificated teachers must meet both performance and student growth requirements. Teachers can receive up to two thousand dollars in stipends, one thousand for each requirement met.

The District charged the performance stipends of twelve teachers to the federal program without determining performance criterion was met. The District included all teacher performance-based evaluation stipend amounts from schools which met the student growth requirement instead of reviewing individual performance evaluation results to determine the teachers who met the requirements. The District maintains a performance-based evaluation summary spreadsheet that can be reviewed to identify those teachers that may not meet the required performance levels, but this was not used in the evaluation.

Cause of Condition

The grant program manager did not dedicate enough time or resources to identify the teachers who individually met performance evaluation requirements. Instead the District used a different methodology to calculate the stipends. This was not approved by the granting agency.

Effect of Condition and Questioned Costs

The District did not properly determine the teachers who met performance evaluation domain requirements, and as a result, the District charged \$15,929 stipend and benefit costs that were unallowable to the grant.

Recommendation

We recommend the District only charge stipends that are allowable per the approved grant agreement.

District's Response

The District concurs with this finding. The stipends in question will be removed from the grant funds before the end of this fiscal year. Program managers for federal grants receive annual administration and compliance training, and obtaining documented approval before making adjustments will be emphasized to assure compliance.

Auditor's Remarks

We thank the District for its assistance during the audit and will follow up on corrective actions taken during the next audit.

Applicable Laws and Regulations

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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.

(c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs

Office of Management and Budget Circular A-87, Cost Principles for State, Local and Indian Tribal Governments (2 CFR Part 225), Attachment B, Section 8(a) and 8(d), state, in part:

a. General. Compensation for personnel services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under Federal awards, including but not necessarily limited to wages, salaries, and fringe benefits. The costs of such compensation are allowable to the extent that they satisfy the specific requirements of this Circular, and that the total compensation for individual employees:

(1) Is reasonable for the services rendered and conforms to the established policy of the governmental unit consistently applied to both Federal and non Federal activities;

(2) Follows an appointment made in accordance with a governmental unit's laws and rules and meets merit system or other requirements required by Federal law, where applicable; and

(3) Is determined and supported as provided in subsection h.

d. Fringe benefits.

(1) Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave, employee insurance, pensions, and unemployment benefit plans. Except as provided elsewhere in these principles, the costs of fringe benefits are allowable to the extent that the benefits are reasonable and are required by law, governmental unit employee agreement, or an established policy of the governmental unit.

STATUS OF PRIOR AUDIT FINDINGS

Seattle School District No. 1 King County September 1, 2013 through August 31, 2014

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

| | | | |
|---|------------------------------------|--|----------------------------------|
| Audit Period: 2013 | Report Ref. No.: 1011927 | Finding Ref. No.: 1 | CFDA Number(s): 84.360 |
| Federal Program Name and Granting Agency: High School Graduation Initiative, U.S. Department of Education | | Pass-Through Agency Name: NA | |
| Finding Caption: The District did not have adequate internal controls to ensure all High School Graduation Initiative funds were used for allowed activities. | | | |
| Background: In the 2012-2013 school year, the District received \$2.2 million, from the U.S. Department of Education's High School Graduation Initiative (HSGI) grant. The grant supports 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. In the 2011-2012 school year audit we found deficiencies in internal controls over compliance with program requirements that collectively constituted a material weakness and issued a qualified opinion on the District's compliance with grant requirements. We reported noncompliance with activities allowed and allowable cost compliance requirements and questioned costs of \$499,936, or 24 percent of the total program. During the 2012-2013 school year audit we found 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. There were questioned costs of \$61,348 for payroll costs to a Family Support Worker position and \$291 to purchase a piece of furniture that were not allowed by the grant. | | | |
| Status of Corrective Action: (check one) <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid | | | |

Corrective Action Taken:

The District reclassified questioned costs to the district's General Fund. The District implemented internal controls to ensure that grant budget includes only activities allowed under the program. Also, the District implemented controls to ensure that grant expenditures are in compliance with budget provisions of the grant agreement and Federal program requirements.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**Seattle School District No. 1
King County
September 1, 2013 through August 31, 2014**

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

We have audited, 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, the financial statements of Seattle School District No. 1, King County, Washington, as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated May 27, 2015. As discussed in Note 1 to the financial statements, during the year ended August 31, 2014, the District implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a

combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other

purpose. 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, reading "Jan M. Jutte". The signature is written in a cursive style with a long horizontal flourish extending to the right.

JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

May 27, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

**Seattle School District No. 1
King County
September 1, 2013 through August 31, 2014**

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

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM**

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, 2014. The District's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. Our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of 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, 2014.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and

therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Findings 2014-001 and 2014-002 that we consider to be significant deficiencies.

District's Response to Findings

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. 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.



JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

May 27, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Seattle School District No. 1 King County September 1, 2013 through August 31, 2014

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, 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 25.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Accounting Manual for Public School Districts in the State of Washington* (Accounting Manual) 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 opinions.

Unmodified Opinion on Regulatory Basis of Accounting (Accounting Manual)

As described in Note 1, the District has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the Accounting Manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The difference in these accounting practices is also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seattle School District No. 1, as of August 31, 2014, and the changes in financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinions on the Governmental and Fiduciary Funds Based on U.S. GAAP

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General, ASB, Debt Service, Capital Project and Fiduciary funds as of August 31, 2014, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

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 Schedules of Long-Term Liabilities are 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2015 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* in considering the District's internal control over financial reporting and compliance.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

May 27, 2015

FINANCIAL SECTION

Seattle School District No. 1
King County
September 1, 2013 through August 31, 2014

FINANCIAL STATEMENTS

Balance Sheet – Governmental Funds – 2014
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
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E.S.D. 121

Balance Sheet

COUNTY: 17 King

Governmental Funds

August 31, 2014

| | General Fund | ASB Fund | Debt Service Fund | Capital Projects Fund | Transportation Vehicle Fund | Permanent Fund | Total |
|--------------------------------------|-----------------------|---------------------|---------------------|-----------------------|-----------------------------|----------------|-----------------------|
| ASSETS: | | | | | | | |
| Cash and Cash Equivalents | 89,337,223.70 | 3,610,518.69 | 748,586.38 | 131,381,918.64 | 0.00 | 0.00 | 225,078,247.41 |
| Minus Warrants Outstanding | -8,846,857.16 | -48,785.88 | 0.00 | -1,972,542.65 | 0.00 | 0.00 | -10,868,185.69 |
| Taxes Receivable | 79,366,243.08 | | 629,166.81 | 76,041,205.74 | 0.00 | 0.00 | 156,036,615.63 |
| Due From Other Funds | 9,919,124.36 | 9,934.01 | 16,065.00 | 0.00 | 0.00 | 0.00 | 9,945,123.37 |
| Due From Other Governmental Units | 9,854,231.86 | 0.00 | 0.00 | 234,709.96 | 0.00 | 0.00 | 10,088,941.82 |
| Accounts Receivable | 1,103,401.48 | 3,469.47 | 0.00 | -11,151.57 | 0.00 | 0.00 | 1,095,719.38 |
| Interfund Loans Receivable | 0.00 | | | 0.00 | | | 0.00 |
| Accrued Interest Receivable | 25,053.07 | 1,374.07 | 293.85 | 55,404.88 | 0.00 | 0.00 | 82,125.87 |
| Inventory | 1,306,347.16 | 0.00 | | | | | 1,306,347.16 |
| Prepaid Items | 0.00 | 0.00 | | 0.00 | 0.00 | 0.00 | 0.00 |
| Investments | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Investments/Cash With Trustee | 0.00 | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Investments-Deferred Compensation | 0.00 | | | 0.00 | | | 0.00 |
| Self-Insurance Security Deposit | 0.00 | | | | | | 0.00 |
| TOTAL ASSETS | 182,064,767.55 | 3,576,510.36 | 1,394,112.04 | 205,729,545.00 | 0.00 | 0.00 | 392,764,934.95 |
| LIABILITIES: | | | | | | | |
| Accounts Payable | 10,424,804.95 | 113,609.65 | 16,065.00 | 18,174,836.36 | 0.00 | 0.00 | 28,729,315.96 |
| Contracts Payable Current | 0.00 | 0.00 | | 0.00 | 0.00 | 0.00 | 0.00 |
| Accrued Interest Payable | | | 0.00 | | | | 0.00 |
| Accrued Salaries | 23,192,222.46 | 0.00 | | 0.00 | | | 23,192,222.46 |
| Anticipation Notes Payable | 0.00 | | 0.00 | 0.00 | 0.00 | | 0.00 |
| Payroll Deductions and Taxes Payable | 13,193,277.71 | 0.00 | | 0.00 | | | 13,193,277.71 |
| 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 | 3,427,939.95 | | | | | | 3,427,939.95 |
| Due To Other Funds | 0.00 | 0.00 | 0.00 | 9,943,401.32 | 0.00 | 0.00 | 9,943,401.32 |

| | General Fund | ASB Fund | Debt Service Fund | Capital Projects Fund | Transportation Vehicle Fund | Permanent Fund | Total |
|--|-----------------------|---------------------|---------------------|-----------------------|-----------------------------|----------------|-----------------------|
| LIABILITIES: | | | | | | | |
| Interfund Loans Payable | 0.00 | | 0.00 | 0.00 | 0.00 | | 0.00 |
| Deposits | 47,395.94 | 0.00 | | 2,574,342.28 | | | 2,621,738.22 |
| Unearned Revenue | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | 0.00 |
| Matured Bonds Payable | | | 0.00 | | | | 0.00 |
| Matured Bond Interest Payable | | | 0.00 | | | | 0.00 |
| Arbitrage Rebate Payable | 0.00 | | 0.00 | 0.00 | 0.00 | | 0.00 |
| TOTAL LIABILITIES | 50,285,641.01 | 113,609.65 | 16,065.00 | 30,692,579.96 | 0.00 | 0.00 | 81,107,895.62 |
| DEFERRED INFLOWS OF RESOURCES: | | | | | | | |
| Unavailable Revenue | 287,656.36 | 0.00 | 141.23 | 25,684.91 | 0.00 | 0.00 | 313,482.50 |
| Unavailable Revenue - Taxes Receivable | 79,366,243.08 | | 629,166.81 | 76,041,205.75 | 0.00 | | 156,036,615.64 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 79,653,899.44 | 0.00 | 629,308.04 | 76,066,890.66 | 0.00 | 0.00 | 156,350,098.14 |
| FUND BALANCE: | | | | | | | |
| Nonspendable Fund Balance | 1,306,347.16 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1,306,347.16 |
| Restricted Fund Balance | 3,669,540.93 | 3,462,900.71 | 0.00 | 7,747,985.00 | 0.00 | 0.00 | 14,880,426.64 |
| Committed Fund Balance | 19,700,000.00 | 0.00 | 0.00 | 82,431,361.00 | 0.00 | 0.00 | 102,131,361.00 |
| Assigned Fund Balance | 24,681,674.00 | 0.00 | 748,739.00 | 8,790,728.38 | 0.00 | 0.00 | 34,221,141.38 |
| Unassigned Fund Balance | 2,767,665.01 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 2,767,665.01 |
| TOTAL FUND BALANCE | 52,125,227.10 | 3,462,900.71 | 748,739.00 | 98,970,074.38 | 0.00 | 0.00 | 155,306,941.19 |
| TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE | 182,064,767.55 | 3,576,510.36 | 1,394,112.04 | 205,729,545.00 | 0.00 | 0.00 | 392,764,934.95 |

E.S.D. 121 Statement of Revenues, Expenditures, and Changes in Fund Balance

COUNTY: 17 King

Governmental Funds

For the Year Ended August 31, 2014

| | General Fund | ASB Fund | Debt Service Fund | Capital Projects Fund | Transportation Vehicle Fund | Permanent Fund | Total |
|------------------------------|-----------------------|---------------------|----------------------|-----------------------|-----------------------------|----------------|-----------------------|
| REVENUES: | | | | | | | |
| Local | 190,856,012.04 | 5,560,639.05 | 38,910,291.73 | 109,226,270.14 | 0.00 | | 344,553,212.96 |
| State | 349,571,868.97 | | 0.00 | 2,930,055.35 | 0.00 | | 352,501,924.32 |
| Federal | 48,708,625.03 | | 414,120.00 | 0.00 | 0.00 | | 49,122,745.03 |
| Federal Stimulus | 166,642.03 | | | | | | 166,642.03 |
| Other | 14,644,317.99 | | | 108,686.66 | 0.00 | 0.00 | 14,753,004.65 |
| TOTAL REVENUES | 603,947,466.06 | 5,560,639.05 | 39,324,411.73 | 112,265,012.15 | 0.00 | 0.00 | 761,097,528.99 |
| EXPENDITURES: | | | | | | | |
| CURRENT: | | | | | | | |
| Regular Instruction | 293,112,791.88 | | | | | | 293,112,791.88 |
| Federal Stimulus | 106,316.93 | | | | | | 106,316.93 |
| Special Education | 85,889,853.66 | | | | | | 85,889,853.66 |
| Vocational Education | 8,983,453.62 | | | | | | 8,983,453.62 |
| Skill Center | 761,275.16 | | | | | | 761,275.16 |
| Compensatory Programs | 55,469,656.38 | | | | | | 55,469,656.38 |
| Other Instructional Programs | 27,873,371.60 | | | | | | 27,873,371.60 |
| Community Services | 1,293,277.11 | | | | | | 1,293,277.11 |
| Support Services | 137,704,383.31 | | | | | | 137,704,383.31 |
| Student Activities/Other | | 4,924,121.16 | | | | 0.00 | 4,924,121.16 |
| CAPITAL OUTLAY: | | | | | | | |
| Sites | | | | 0.00 | | | 0.00 |
| Building | | | | 64,593,695.80 | | | 64,593,695.80 |
| Equipment | | | | 4,148,026.09 | | | 4,148,026.09 |
| Instructional Technology | | | | 11,983,740.11 | | | 11,983,740.11 |
| Energy | | | | 3,445,235.35 | | | 3,445,235.35 |
| Transportation Equipment | | | | | 0.00 | | 0.00 |
| Sales and Lease | | | | | | 0.00 | 0.00 |
| Other | 488,403.32 | | | | | | 488,403.32 |
| DEBT SERVICE: | | | | | | | |
| Principal | 0.00 | | 43,547,000.00 | 0.00 | | | 43,547,000.00 |
| Interest and Other Charges | 0.00 | | 2,441,976.75 | 0.00 | | | 2,441,976.75 |
| Bond/Levy Issuance | | | | 0.00 | | | 0.00 |
| TOTAL EXPENDITURES | 611,682,782.97 | 4,924,121.16 | 45,988,976.75 | 84,170,697.35 | 0.00 | 0.00 | 746,766,578.23 |

Statement of Revenues, Expenditures, and Changes in Fund Balance

E.S.D. 121

COUNTY: 17 King

Governmental Funds

For the Year Ended August 31, 2014

| | General Fund | ASB Fund | Debt Service Fund | Capital Projects Fund | Transportation Vehicle Fund | Permanent Fund | Total |
|--|----------------------|---------------------|----------------------|-----------------------|-----------------------------|----------------|-----------------------|
| DEBT SERVICE: | | | | | | | |
| REVENUES OVER (UNDER) EXPENDITURES | -7,735,316.91 | 636,517.89 | -6,664,565.02 | 28,094,314.80 | 0.00 | 0.00 | 14,330,950.76 |
| OTHER FINANCING SOURCES (USES): | | | | | | | |
| 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 | 10,826,584.07 | | 2,147,930.00 | 0.00 | 0.00 | | 12,974,514.07 |
| Transfers Out (GL 536) | 0.00 | | 0.00 | -12,974,514.07 | 0.00 | 0.00 | -12,974,514.07 |
| Other Financing Uses (GL 535) | 0.00 | | 0.00 | 0.00 | 0.00 | | 0.00 |
| Other | 44,170.66 | | 0.00 | 0.00 | 0.00 | | 44,170.66 |
| TOTAL OTHER FINANCING SOURCES (USES) | 10,870,754.73 | | 2,147,930.00 | -12,974,514.07 | 0.00 | 0.00 | 44,170.66 |
| EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | 3,135,437.82 | 636,517.89 | -4,516,635.02 | 15,119,800.73 | 0.00 | 0.00 | 14,375,121.42 |
| BEGINNING TOTAL FUND BALANCE | 48,989,789.28 | 2,826,382.82 | 5,265,374.02 | 83,850,273.65 | 0.00 | 0.00 | 140,931,819.77 |
| Prior Year(s) Corrections or Restatements | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| ENDING TOTAL FUND BALANCE | 52,125,227.10 | 3,462,900.71 | 748,739.00 | 98,970,074.38 | 0.00 | 0.00 | 155,306,941.19 |

Statement Of Fiduciary Net Position

Fiduciary Funds

August 31, 2014

COUNTY: 17 King

| | Private Purpose Trust | Other Trust |
|---|--------------------------|-------------|
| ASSETS: | | |
| Imprest Cash | 32,510.47 | 0.00 |
| Cash On Hand | 0.00 | 0.00 |
| Cash On Deposit with Cty Treas | 1,949,490.68 | 0.00 |
| Minus Warrants Outstanding | -2,000.00 | 0.00 |
| Due From Other Funds | 0.00 | 0.00 |
| Accounts Receivable | 0.00 | 0.00 |
| Accrued Interest Receivable | 807.18 | 0.00 |
| Investments | 0.00 | 0.00 |
| Investments/Cash With Trustee | 0.00 | 0.00 |
| Other Assets | 0.00 | 0.00 |
| Capital Assets, Land | 0.00 | 0.00 |
| Capital Assets, Buildings | 0.00 | 0.00 |
| Capital Assets, Equipment | 0.00 | 0.00 |
| Accum Depreciation, Buildings | 0.00 | 0.00 |
| Accum Depreciation, Equipment | 0.00 | 0.00 |
| TOTAL ASSETS | 1,980,808.33 | 0.00 |
| LIABILITIES: | | |
| Accounts Payable | 56,703.46 | 0.00 |
| Due To Other Funds | 1,722.05 | 0.00 |
| TOTAL LIABILITIES | 58,425.51 | 0.00 |
| NET POSITION: | | |
| Held in trust for: | | |
| Restricted for Other Items | 0.00 | 0.00 |
| Restricted for Self Insurance | 0.00 | 0.00 |
| Restricted for Uninsured Risks | 0.00 | 0.00 |
| Nonspendable -- Trust Principal | 165,750.00 | 0.00 |
| Committed to Other Purposes | 0.00 | 0.00 |
| Held In Trust For Private Purposes | 0.00 | 0.00 |
| Assigned to Fund Purposes | 1,756,632.82 | 0.00 |
| Held In Trust For Pension And Other Employee Benefits | 0.00 | 0.00 |
| Unassigned Fund Balance | 0.00 | 0.00 |
| TOTAL NET POSITION | 1,922,382.82 | 0.00 |

Statement of Changes in Fiduciary Net Position

COUNTY: 17 King

Fiduciary Funds

For the Year Ended August 31, 2014

| | Private Purpose Trust | Other Trust |
|---|-----------------------|-------------|
| ADDITIONS: | | |
| Contributions: | | |
| Private Donations | 53,728.62 | 0.00 |
| Employer | | 0.00 |
| Members | | 0.00 |
| Other | 0.00 | 0.00 |
| TOTAL CONTRIBUTIONS | 53,728.62 | 0.00 |
| Investment Income: | | |
| Net Appreciation (Depreciation) in Fair Value | 39,364.29 | 0.00 |
| Interest and Dividends | 9,518.22 | 0.00 |
| Less Investment Expenses | 0.00 | 0.00 |
| Net Investment Income | 48,882.51 | 0.00 |
| Other Additions: | | |
| Rent or Lease Revenue | 0.00 | 0.00 |
| Total Other Additions | 0.00 | 0.00 |
| TOTAL ADDITIONS | 102,611.13 | 0.00 |
| DEDUCTIONS: | | |
| Benefits | | 0.00 |
| Refund of Contributions | 0.00 | 0.00 |
| Administrative Expenses | 0.00 | 0.00 |
| Scholarships | 78,000.00 | |
| Other | 242.86 | 0.00 |
| TOTAL DEDUCTIONS | 78,242.86 | 0.00 |
| Net Increase (Decrease) | 24,368.27 | 0.00 |
| Net Position--Beginning | 1,898,014.55 | 0.00 |
| Prior Year(s) Corrections or Restatements | 0.00 | 0.00 |
| NET POSITION--ENDING | 1,922,382.82 | 0.00 |

Seattle School District #1
Notes to the Financial Statements
September 1, 2013 Through August 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Seattle School District (District) is a municipal corporation organized pursuant to Title 28A of the Revised Code of Washington (RCW) for the purposes 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 in accordance with 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 prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- (1) Districtwide statements, as defined in GAAP, are not presented.
- (2) A Schedule of Long-Term Liabilities is presented as supplementary information.
- (3) Supplementary information required by GAAP is not presented.

Fund Accounting

Financial transactions of the District are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures (or expenses) as appropriate. All funds are considered major funds. 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.

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.

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

Fiduciary funds include pension and other employee benefit trust funds, private-purpose trust funds, and agency funds, and are used to account for assets that are held in trust by the District in a trustee and agency capacity.

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.

Pension Trust Fund

This fund is used to account for resources to be held for the members and beneficiaries of a pension plan or other employee benefit plans.

Agency Funds

These funds are used to account for assets that the District holds on behalf of others in a purely custodial capacity.

Measurement focus, basis of accounting and fund financial statement presentation

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered "measurable" if the amount of the transaction can be readily determined. Revenues are considered "available"

when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after year-end. 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. Purchases of capital assets are expensed during the year of acquisition. For federal grants, the recognition of expenditures is dependent on the obligation date. Obligation means a purchase order has been issued, contracts have been awarded, or goods and/or services have been received.

Budgets

Chapter 28A.505 RCW and Chapter 392-123 Washington Administrative Code (WAC) mandate school district budget policies and procedures. The board adopts annual appropriated budgets for all governmental funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Appropriations lapse at the end of the fiscal period.

Budgets are adopted on the same modified accrual basis as used for financial reporting. 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.

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 a school board policy. 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.

The Superintendent and the Assistant Superintendent for Business and Finance are the only persons who have the authority to create Assignments of fund balance.

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.

Cash and Cash Equivalents

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

Receivables and Payables^⑤

The District has no receivables or payables not expected to be collected within one year.

Inventory

Inventory is valued at cost using the weighted average method of perpetual inventory. 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.

The District's investments as of August 31, 2014, are as follows:

| | Fund | Carrying Amount | Fair Value |
|------------------------------------|-------------------------|-----------------|----------------|
| County Treasurer's Investment Pool | | | |
| | General | \$ 89,051,690 | \$ 88,921,824 |
| | Capital Projects | 130,284,213 | 129,558,070 |
| | Debt Service | 776,848 | 748,586 |
| | Associated Student Body | 3,478,484 | 3,472,782 |
| | Private Purpose Trust | 1,953,139 | 1,949,491 |
| Total | | \$ 225,544,374 | \$ 224,650,753 |

NOTE 3: SIGNIFICANT CONTINGENT LIABILITIES

Litigation

The District has no known legal obligations that would materially impact the financial position of the District.

Arbitrage Rebate

The Tax Reform Act of 1986 requires the District to rebate the earnings on the investment of bond and revenue anticipation note proceeds, in excess of their yield, to the federal government. This requirement was effective for the District's 2007 BEX III Series A bonds issued in June 2007. The bonds were fully retired in December 2013, with no arbitrage liability.

NOTE 4: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

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

NOTE 5: ANNUAL PENSION COST AND NET PENSION OBLIGATIONS

A. General Information

Substantially all District full-time and qualifying part-time employees participate in one of the following three contributory, multi-employer, cost-sharing statewide retirement systems

managed by the Washington State Department of Retirement Systems (DRS): Teachers' Retirement System (TRS), Public Employees' Retirement System (PERS) and School Employees' Retirement System (SERS). Participation in the programs was as follows:

Membership by retirement system program as of June 30, 2012:

| <u>Program</u> | <u>Active Members</u> | <u>Inactive Vested Members</u> | <u>Retired Members</u> |
|----------------|-----------------------|--------------------------------|------------------------|
| TRS | 65,357 | 9,545 | 42,918 |
| PERS | 150,590 | 30,515 | 82,242 |
| SERS | 51,558 | 10,920 | 7,651 |

Membership by retirement system program as of June 30, 2013:

| <u>Program</u> | <u>Active Members</u> | <u>Inactive Vested Members</u> | <u>Retired Members</u> |
|----------------|-----------------------|--------------------------------|------------------------|
| TRS | 65,935 | 9,823 | 44,220 |
| PERS | 150,706 | 31,047 | 85,328 |
| SERS | 52,295 | 11,588 | 9,079 |

Data is as of last actuarial valuation date of June 30, 2013.

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

Plan 1 under the TRS and PERS programs are defined benefit pension plans whose members joined the system on or before September 30, 1977. Plan 1 members are eligible to retire with full benefits after five years of credited service and attainment of age 60, after 25 years of credited service and attainment of age 55, or after 30 years of credited service.

Plan 2 under the TRS or SERS programs are defined benefit pension plans whose members joined on or after October 1, 1977, but before June 30, 1996 or August 31, 2000, for TRS or SERS programs, respectively. Members of TRS and SERS are eligible to retire with full benefits after five years of credited service and attainment of age 65, after 20 years of credited service and attainment of age 55 with the benefit actuarially reduced from age 65, or 30 years of credited service and receive either a reduced benefit or stricter return-to-work rules.

Plan 3 under the TRS and SERS programs 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-work rules.

Average final compensation (AFC) of Plan 1 TRS and PERS members is the highest average salary during any two consecutive years. For Plan 2 and Plan 3 TRS and SERS members, it is the highest average salary during any five consecutive years.

The retirement allowance of Plan 1 TRS and PERS members is the AFC multiplied by 2 percent per year of service capped at 60 percent with a cost-of-living adjustment. For Plan 2 TRS and SERS members, it is the AFC multiplied by 2 percent per year of service with provision for a cost-of-living adjustment. For the defined benefit portion of Plan 3 TRS and SERS it is the AFC multiplied by 1 percent per year of service with a cost-of-living adjustment.

The employer contribution rates for PERS, TRS, and SERS (Plans 1, 2, and 3) and the TRS and SERS Plan 2 employee contribution rates are established by the Pension Funding Council based upon the rates set by the Legislature. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at 6 percent and does not vary from year to year. The employer rate is the same for all plans in a system. The methods used to determine the contribution requirements are established under chapters 41.40, 41.32, and 41.35 RCW for PERS, TRS and SERS respectively.

The district contribution represents its full liability under both systems, except that future rates may be adjusted to meet the system needs.

B. Contributions

Employee contribution rates effective September 1, 2013 through August 31, 2014:

| | | | |
|---------------------|------------------|-------------|------------------|
| Plan 1 TRS | 6.00% | Plan 1 PERS | 6.00% |
| Plan 2 TRS | 4.96% | Plan 2 SERS | 4.64% |
| 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 optional rates range begins at 5 percent and increase to a maximum of 15 percent.

Employer contribution rates effective September 1, 2013 through August 31, 2014:

| | | | |
|------------|--------|-------------|-------|
| Plan 1 TRS | 10.39% | Plan 1 PERS | 9.21% |
| Plan 2 TRS | 10.39% | Plan 2 SERS | 9.82% |
| Plan 3 TRS | 10.39% | Plan 3 SERS | 9.82% |

Under current law the employer must contribute 100 percent of the employer-required contribution. Employer required contributions in dollars (Participant information for all plans is as of August 31):

| <u>Plan</u> | <u>FY13-14</u> | <u>FY12-13</u> | <u>FY11-12</u> |
|-------------|----------------|----------------|----------------|
| Plan 1 TRS | \$ 910,062 | \$ 908,250 | \$ 1,138,983 |
| Plan 2 TRS | \$ 7,325,767 | \$ 4,949,926 | \$ 4,265,190 |
| Plan 3 TRS | \$ 18,721,044 | \$ 14,171,363 | \$ 13,792,774 |
| Plan 1 PERS | \$ 458,031 | \$ 435,285 | \$ 456,519 |
| Plan 2 SERS | \$ 4,697,062 | \$ 3,327,518 | \$ 3,101,982 |
| Plan 3 SERS | \$ 4,721,579 | \$ 3,412,794 | \$ 3,284,357 |

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, 2014, comprehensive annual financial report. Refer to this report for detailed trend information. It is available from:

State of Washington
 Office of Financial Management
 300 Insurance Building
 PO BOX 43113
 Olympia, WA 98504-3113

NOTE 6: ANNUAL OTHER POST-EMPLOYMENT BENEFIT COST AND NET OPEB OBLIGATIONS

The State, through the Health Care Authority (HCA), administers an agent multi-employer Other Post-Employment Benefit plan. The Public Employees Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. Programs include (medical, dental, life insurance and long-term disability insurance)⁽⁵⁾.

Employers participating in the plan include the State of Washington (which includes general government agencies and higher education institutions), 57 of the state's K-12 school districts and educational service districts (ESDs), and 206 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 247 K-12 school districts and ESDs. The District's retirees are eligible to participate in the PEBB plan under this arrangement.

According to state law, the Washington State Treasurer collects a fee from all school district entities which have employees that are not current active members of the state Health Care Authority but participate in the state retirement system. The purpose of this fee is to cover the impact of the subsidized rate of health care benefits for school retirees that elect to purchase their health care benefits through the state Health Care Authority. For the fiscal year 2013-14, the District was required to pay the HCA \$64.40 per month per full-time equivalent employee to support the program, for a total payment of \$4,457,059. This assessment to the District is set forth in the State's operating budget and is subject to change on an annual basis. This amount is not actuarially determined and is not placed in a trust to pay the obligations for post-employment health care benefits.

The District has no control over the benefits offered to retirees, the rates charged to retirees, nor the fee paid to the Health Care Authority. The District does not determine its Annual Required Contribution nor the Net Other Post-Employment Benefit obligation associated with this plan. Accordingly, these amounts are not shown on the financial statements. This is a departure from GAAP.

NOTE 7: 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, a science materials center and copiers. Total costs for all leases are:

| <u>Year Ended August 31</u> | |
|-----------------------------|--------------------|
| 2015 | \$1,245,566 |
| 2016 | \$1,029,720 |
| 2017 | \$913,212 |
| 2018 | \$837,111 |
| 2019 | \$0 |
| Total | <u>\$4,025,609</u> |

NOTE 8: 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 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.

The \$694.9 million Building Excellence IV (BEX IV) capital levy was approved by Seattle voters in February 2013. It supports the District's long-range plans to upgrade and renovate aging school facilities and address enrollment growth. Since 1998, the BEX I, BEX II and BEX III voter approved levies have allowed the District to replace or renovate 37 buildings. BEX IV continues the work to replace or modernize district buildings, infrastructure and technology with previous levies. It will allow the district to address earthquake and safety issues, capacity needs, building condition and infrastructure improvements, and major preventive maintenance needs throughout the school district. BEX IV projects were chosen

based on four criteria as approved by the School Board: safety and security, capacity needs, building condition and maximizing flexibility for programs and services.

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).

| <u>Project</u> | <u>Project Authorized Amount</u> | <u>Accumulated Revenue* to 8/31/13</u> | <u>Accumulated Expenditure to 8/31/13</u> |
|-----------------------|--------------------------------------|--|---|
| BEX II | | | |
| Building Construction | 407,000,000 | | 410,243,132 |
| Technology | 26,000,000 | | 25,718,312 |
| BEX II Total | 433,000,000 | 436,602,256 | 435,961,444 |
| BTA I | | | |
| Building Reinvestment | 60,000,000 | | 54,114,704 |
| Athletic Fields | 40,000,000 | | 38,221,722 |
| Science and Arts | 6,000,000 | | 6,273,788 |
| Technology | 40,000,000 | | 40,977,072 |
| BTA I Total | 146,000,000 | 154,170,080 | 139,587,286 |
| BTA II | | | |
| Building Reinvestment | 95,500,000 | | 92,530,817 |
| Academics | 36,620,000 | | 31,366,588 |
| Technology | 39,880,000 | | 35,345,987 |
| BTA II Total | 172,000,000 | 181,908,238 | 159,243,392 |
| BEX III | | | |
| Building Construction | 383,000,000 | | 411,816,714 |
| Infrastructure | 26,000,000 | | 16,681,571 |
| Technology | 42,000,000 | | 41,056,600 |
| BTA III Total | 451,000,000 | 479,744,855 | 469,554,885 |
| BTA III | | | |
| Building Construction | 140,500,000 | | 29,473,369 |
| Academics | 94,600,000 | | 67,834,048 |
| Technology | 34,900,000 | | 20,655,123 |
| BTA III Total | 270,000,000 | 177,091,288 | 117,962,540 |
| BTA IV | | | |
| Building Construction | 449,200,000 | | 19,006,303 |
| Infrastructure | 191,900,000 | | 5,178,006 |
| Technology | 53,800,000 | | 4,040,775 |

| | | | |
|-------------------------|-------------|------------|------------|
| BTA IV Total | 694,900,000 | 60,773,957 | 28,225,084 |
| Capital Projects Grants | | | |
| CEP Youth Sports Field | 60,000 | 48,687 | 10,625 |
| CEP Play space | 60,000 | 60,000 | 60,000 |
| Energy - Boilers | 515,180 | 515,180 | 515,180 |
| Commerce - Boilers | 515,180 | 515,180 | 515,180 |
| Distressed Schools | 9,400,000 | 9,187,637 | 9,187,637 |
| K-12 Energy Operations | 64,095 | 64,095 | 64,095 |
| K-12 Energy Operations | 435,905 | 231,788 | 231,788 |
| Grants Total | 11,050,360 | 10,622,567 | 10,584,504 |

NOTE 9: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The District's capital assets are insured with a \$500,000,000 limit per loss for fiscal year 2014. The District participates in the Washington State Risk Management Pool and this coverage includes no aggregate or co-insurance.

Capital Assets Lease Agreements

The District leases various school buildings and properties throughout the City of Seattle to outside parties, with termination dates ranging from current month-to-month through 2084. Original cost and carrying values are not available, as the properties were acquired more than fifty years ago. Revenues through the end of all current leases are \$44,308,733. Five year revenues from current leases are as follows:

| <u>Year</u> | <u>Revenue</u> |
|-------------|----------------|
| 2015 | \$1,304,547 |
| 2016 | \$1,120,182 |
| 2017 | \$1,113,246 |
| 2018 | \$ 932,423 |
| 2019 | \$ 932,423 |

NOTE 10: REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES

Long-Term Debt

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. The final payment was made December 1, 2013.

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. The final payment on the original Series A Bonds was 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 August 31, 2014, are comprised of the following individual issues:

| <u>Name and Purpose of Issue</u> | <u>Rates</u> | <u>Amount</u> | | <u>9/1/2013</u> | | <u>8/31/2014</u> |
|--|--------------|-----------------------|----------------------|------------------|---------------------|----------------------|
| | | <u>Authorized</u> | <u>Beg. Bal.</u> | <u>Additions</u> | <u>Reductions</u> | <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 | \$39,385,000 | | \$39,385,000 | \$ 0 |
| <i>Limited General Obligation Bonds - Non Voted</i> | | | | | | |
| 2003 Qualified Zone Academy Bond | 0% | 3,057,000 | \$ 3,057,000 | | 3,057,000 | 0 |
| 2010 Refunding Bonds | 2-4% | 33,080,000 | \$ 31,045,000 | | 1,105,000 | 29,940,000 |
| 2010 Qualified School Construction Bond | 2.55% * | 17,500,000 | \$ 17,500,000 | | | 17,500,000 |
| Total LTGO & LGO Bonds | | \$ 466,052,000 | \$ 90,987,000 | \$ 0 | \$43,547,000 | \$ 47,440,000 |

*Interest is 100% refundable by the Federal government, except for reductions due to sequestration

The following is a schedule of annual requirements to amortize debt at August 31, 2014:

| <u>Years Ending August 31</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------|----------------------|---------------------|----------------------|
| 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 | \$ 1,690,000 | \$ 876,650 | \$ 2,566,650 |
| 2019-2023 | \$ 11,200,000 | \$ 3,458,675 | \$ 14,658,675 |
| 2024-2027 | \$ 12,920,000 | \$ 1,083,363 | \$ 14,003,363 |
| Total | \$ 47,440,000 | \$ 9,630,713 | \$ 57,070,713 |

At August 31, 2014, the District had \$748,739 available in the Debt Service Fund to service the general obligation bonds.

NOTE 11: INTERFUND BALANCES AND TRANSFERS

The following table depicts interfund loan activity. One short term loan was authorized to ensure the Debt Service Fund was able to fully fund the December 2013 BEX III bond payments

until sufficient property tax receipts were received in subsequent months to match the required payment.

| Debtor Fund | Due To | Balance at 9/1/13 | Loan Activity | | Balance at 8/31/14 |
|--------------|--------------|-------------------|---------------|-------------|--------------------|
| | | | New Loans | Repayments | |
| Debt Service | Capital Fund | \$ 0 | \$2,000,000 | \$2,000,000 | \$ 0 |
| | | | | | |
| | | | | | |
| Totals | | \$ 0 | \$2,000,000 | \$2,000,000 | \$ 0 |

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, 2014

| Fund | Due From Other Funds | Due To Other Funds |
|------------------|----------------------|--------------------|
| General | \$9,919,124 | |
| Capital Projects | | \$ 9,943,401 |
| Debt Service | \$ 16,065 | |
| ASB | \$ 9,934 | |
| Trust | | \$ 1,722 |
| Totals | \$9,945,123 | \$ 9,945,123 |

NOTE 12: ENTITY RISK MANAGEMENT ACTIVITIES

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In September 2001, the district joined the Washington Schools Risk Management Pool (Pool). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in 1986 when educational service districts and school districts in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Over 80 school and educational service districts have joined the Pool.

The Pool allows members to jointly purchase insurance coverage, establish a plan of self-insurance, and provide related services, such as risk management. The Pool provides the following coverages for its members: property, liability, vehicle, public official liability, crime, employment practices, machinery breakdown, and network security.

Members make an annual contribution to fund the Pool. The Pool acquires reinsurance from unrelated underwriters that are subject to a per-occurrence self-insured retention of \$1 million. Members are responsible for varied deductibles for both liability and property claims. Insurance carriers cover losses over \$1 million to the maximum limits of each policy. Since the Pool is a cooperative program, there is a joint liability among the participating members.

Members contract to remain in the Pool for a minimum of three years and must give notice two and one half years before terminating participation. The Interlocal Governmental Agreement is renewed automatically each year after the initial three-year period. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Governmental Agreement if the assets of the Pool were exhausted.

The Pool is fully funded by its member participants.

The Pool is governed by a board of directors which is comprised of one designated representative from each participating member. An executive board is elected at the annual meeting, and is responsible for overseeing the business affairs of the Pool.

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.

NOTE 13: 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 14: 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 |
|-----------------------------|--------------|----------|-----------------------|-------------------|
| Nonspendable Fund Balance | | | | |
| Inventory and Prepaid Items | \$1,306,347 | | | |

| | | | | |
|----------------------------------|--------------|-------------|--------------|------------|
| Restricted Fund Balance | | | | |
| Carryover of Restricted Revenues | \$3,669,541 | | | |
| Debt Service | | | | |
| Arbitrage Rebate | | | | |
| Uninsured Risks | | | | |
| Other Items | | \$3,462,901 | \$ 7,747,985 | |
| Committed Fund Balance | | | | |
| Minimum Fund Balance Policy | \$19,700,000 | | | |
| Other Commitments | | | \$82,431,361 | |
| Assigned Fund Balance | | | | |
| Contingencies | | | | |
| Other Capital Projects | | | | |
| Other Purposes | \$24,681,674 | | | |
| Fund Purposes | | | \$ 8,790,728 | \$ 748,739 |
| Unassigned Fund Balance | \$ 2,767,665 | | | |

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

| | |
|--------------------------------|--------------|
| Restricted from Bond Proceeds | \$ 7,709,933 |
| Committed from Levy Proceeds | \$74,338,548 |
| Restricted from State Proceeds | \$ 38,052 |

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 15: POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS—BOTH IN SEPARATELY ISSUED PLAN FINANCIAL STATEMENTS AND EMPLOYER STATEMENTS

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

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

The District complies with IRS regulations that require school districts to have a written plan to include participating investment companies, types of investments, loans, transfers, and various requirements. The plan is administered by Carruth Compliance Consulting, Inc. The plan assets are assets of the District employees, not the school district, and are therefore not reflected on these financial statements.

NOTE 16: TERMINATION BENEFITS

Compensated Absences

Employees earn sick leave at a rate of 12 days per year up to a maximum of one contract year.

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 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. For buyout purposes, employees may accumulate such leave to a maximum of 192 days, including the annual accumulation, as of December 31 of each year.

These expenditures are recorded when paid, except termination sick leave that is accrued upon death, retirement, or upon termination provided the employee is at least 55 years of age and has sufficient years of service. Vested sick leave was computed using 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 17: 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.

| Description | Beginning Outstanding Debt September 1, 2013 | Amount Issued / Increased | Amount Redeemed / Decreased | Ending Outstanding Debt August 31, 2014 | Amount Due Within One Year |
|---------------------------------------|---|------------------------------|-----------------------------------|---|-------------------------------|
| Non-Voted Debt and Liabilities | | | | | |
| Capital Leases | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Contracts Payable | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Non-Cancellable Operating Leases | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Claims & Judgements | 6,598,000.00 | 841,000.00 | 0.00 | 7,439,000.00 | 2,537,650.00 |
| Compensated Absences | 23,620,860.00 | 592,790.00 | 0.00 | 24,213,650.00 | 2,547,991.00 |
| Long-Term Notes | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Anticipation Notes Payable | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Lines of Credit | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other Non-Voted Debt | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other Liabilities | | | | | |
| Non-Voted Notes Not Recorded as Debt | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Long-Term Liabilities | 30,218,860.00 | 1,433,790.00 | 0.00 | 31,652,650.00 | 5,085,641.00 |

REPORT F196
 E.S.D. 121
 COUNTY: 17 King

Seattle Public Schools No. 001
 Schedule of Long-Term Liabilities: DEBT SERVICE FUND
 For the Year Ended August 31, 2014

RUN: 12/30/2014 3:14:45 PM

| Description | Beginning Outstanding Debt September 1, 2013 | Amount Issued / Increased | Amount Redeemed / Decreased | Ending Outstanding Debt August 31, 2014 | Amount Due Within One Year |
|--|---|------------------------------|-----------------------------------|---|-------------------------------|
| Voted Debt | | | | | |
| Voted Bonds | 39,385,000.00 | 0.00 | 39,385,000.00 | 0.00 | 0.00 |
| LOCAL Program Proceeds Issued in Lieu of Bonds | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Non-Voted Debt | | | | | |
| Non-Voted Bonds | 51,602,000.00 | 0.00 | 4,162,000.00 | 47,440,000.00 | 1,240,000.00 |
| LOCAL Program Proceeds | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Long-Term Liabilities | 90,987,000.00 | 0.00 | 43,547,000.00 | 47,440,000.00 | 1,240,000.00 |

E.S.D. 121

Schedule of Long-Term Liabilities: CAPITAL PROJECTS FUND

COUNTY: 17 King

For the Year Ended August 31, 2014

| Description | Beginning Outstanding Debt September 1, 2013 | Amount Issued / Increased | Amount Redeemed / Decreased | Ending Outstanding Debt August 31, 2014 | Amount Due Within One Year |
|---------------------------------------|---|------------------------------|-----------------------------------|---|-------------------------------|
| Non-Voted Debt and Liabilities | | | | | |
| Capital Leases | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Contracts Payable | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Claims & Judgements | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Compensated Absences | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Long-Term Notes | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Anticipation Notes Payable | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Lines of Credit | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other Non-Voted Debt | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other Liabilities | | | | | |
| Non-Voted Notes Not Recorded as Debt | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Long-Term Liabilities | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

SEATTLE PUBLIC SCHOOLS
KING COUNTY
EIN: 916001541
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR FISCAL YEAR ENDING AUGUST 31, 2014

| Federal Agency Name | Pass Through Agency | Federal Program Title | CFDA No. | Other Identification Number | | Expenditures | | | Foot note |
|--|---------------------------|--|----------|-----------------------------|------------------|---------------|---------------------|------------------|-----------|
| | | | | Fund | Contract No. | Direct Awards | Pass-Through Awards | Total | |
| Department of Agriculture | OSPI | School Breakfast Program | 10.553 | 1010 | | | \$ 1,936,495.08 | \$ 1,936,495.08 | 4 |
| | OSPI | National School Lunch Program | 10.555 | 1010 | | | \$ 7,380,402.08 | \$ 7,380,402.08 | 4 |
| | OSPI | National School Lunch Program - Area Eligible Snack | 10.555 | 1010 | | | \$ 152,178.40 | \$ 152,178.40 | 4 |
| | OSPI | National School Lunch Program - Non Cash Asst. Food Commodities | 10.555 | 1010 | | | \$ 875,100.97 | \$ 875,100.97 | 2 |
| | OSPI | Child and Adult Care Food Program | 10.558 | 1A04-13 | 17-03-0321 | | \$ 9,657.43 | \$ 9,657.43 | 4 |
| | OSPI | Child and Adult Care Food Program | 10.558 | 1A04-14 | 17-03-0321 | | \$ 196,442.22 | \$ 196,442.22 | 4 |
| | OSPI | Fresh Fruit and Vegetable Program | 10.582 | 1L41-13 | LOA | | \$ 6,226.76 | \$ 6,226.76 | |
| | OSPI | Fresh Fruit and Vegetable Program | 10.582 | 1L41-14 | LOA | | \$ 226,812.06 | \$ 226,812.06 | |
| | Office of State Treasurer | Schools and Roads - Grants to States | 10.665 | 1000 | | | \$ 28,676.43 | \$ 28,676.43 | 4 |
| Subtotal of Department of Agriculture | | | | | | \$ - | \$ 10,811,991.43 | \$ 10,811,991.43 | |
| Department of Commerce | | Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program | 11.427 | 1C70-08 | NA07NMF4720363 | | \$ 38,878.85 | \$ 38,878.85 | |
| Subtotal of Department of Commerce | | | | | | \$ 38,878.85 | \$ - | \$ 38,878.85 | |
| Department of Defense | National Security Agency | Language Grant Program | 12.900 | 1G61-14 | H98230-13-1-0121 | | \$ 16,337.06 | \$ 16,337.06 | |
| | National Security Agency | Language Grant Program | 12.900 | 1G61-15 | H98230-14-1-0240 | | \$ 83,084.51 | \$ 83,084.51 | |
| Subtotal of Department of Defense | | | | | | \$ - | \$ 99,421.57 | \$ 99,421.57 | |
| National Science Foundation | Michigan State University | Education and Human Resources | 47.076 | 1L70-12 | RC062349SPS | | \$ 35,128.22 | \$ 35,128.22 | |
| Subtotal of National Science Foundation | | | | | | \$ - | \$ 35,128.22 | \$ 35,128.22 | |
| Department of Education | OSPI | Title I Grants to Local Educational Agencies | 84.010 | 1C01-13 | GR0201207 | | \$ (138,001.18) | \$ (138,001.18) | |
| | OSPI | Title I Grants to Local Educational Agencies | 84.010 | 1C01-14 | GR0201415 | | \$ 10,149,172.97 | \$ 10,149,172.97 | |
| | OSPI | Title I Grants to Local Educational Agencies | 84.010 | 1C03-13 | GR0222435 | | \$ 1,066.88 | \$ 1,066.88 | |
| | OSPI | Title I Grants to Local Educational Agencies | 84.010 | 1C03-14 | GR0222461 | | \$ 121,412.56 | \$ 121,412.56 | |
| | OSPI | Title I Grants to Local Educational Agencies | 84.010 | 1L99-13 | GR0228801 | | \$ 29,600.76 | \$ 29,600.76 | |
| | OSPI | Title I Grants to Local Educational Agencies | 84.010 | 1M30-14 | GR0228331 | | \$ 16,707.46 | \$ 16,707.46 | |
| | OSPI | Title I Grants to Local Educational Agencies | 84.010 | 1M31-14 | GR0228332 | | \$ 30,000.12 | \$ 30,000.12 | |
| | OSPI | Title I Grants to Local Educational Agencies | 84.010 | 1M32-14 | GR0228333 | | \$ 30,000.12 | \$ 30,000.12 | |
| | OSPI | Title I Grants to Local Educational Agencies | 84.010 | 1M33-14 | GR0228334 | | \$ 30,088.41 | \$ 30,088.41 | |
| | OSPI | Title I Grants to Local Educational Agencies | 84.010 | 1M34-14 | GR0228335 | | \$ 26,131.28 | \$ 26,131.28 | |
| | OSPI | Title I Grants to Local Educational Agencies | 84.010 | 1M35-14 | GR0228336 | | \$ 29,995.35 | \$ 29,995.35 | |

SEATTLE PUBLIC SCHOOLS
KING COUNTY
EIN: 916001541
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR FISCAL YEAR ENDING AUGUST 31, 2014

| 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 | Title I Grants to Local Educational Agencies | 84.010 | 1M36-14 | GR0228620 | | \$ 17,630.60 | \$ 17,630.60 | |
| | OSPI | Title I Grants to Local Educational Agencies | 84.010 | 1M37-14 | GR0228621 | | \$ 18,834.57 | \$ 18,834.57 | |
| | OSPI | Title I Grants to Local Educational Agencies | 84.010 | 1M38-14 | GR0228626 | | \$ 10,319.68 | \$ 10,319.68 | |
| | OSPI | Migrant Education_State Grant Program | 84.011 | 1C02-14 | GR0282054 | | \$ 94,021.54 | \$ 94,021.54 | |
| | OSPI | Migrant Education_State Grant Program | 84.011 | 1F78-13 | GR0290730 | | \$ (11.98) | \$ (11.98) | |
| | OSPI | Migrant Education_State Grant Program | 84.011 | 1F78-14 | GR0290765 | | \$ 8,269.79 | \$ 8,269.79 | |
| | OSPI | Title I State Agency Program for Neglected and Delinquent Children and Youth | 84.013 | 1C04-13 | GR0223012 | | \$ 2,074.90 | \$ 2,074.90 | |
| | OSPI | Title I State Agency Program for Neglected and Delinquent Children and Youth | 84.013 | 1C04-14 | GR0223030 | | \$ 355,785.74 | \$ 355,785.74 | |
| | OSPI | Special Education_Grants to States | 84.027 | 1A48-13 | GR0304518 | | \$ 1,161.50 | \$ 1,161.50 | |
| | OSPI | Special Education_Grants to States | 84.027 | 1A48-14 | GR0304876 | | \$ 10,448,095.12 | \$ 10,448,095.12 | |
| | OSPI | Special Education_Grants to States | 84.027 | 1G28-14 | GR0337665 | | \$ 1,050,575.00 | \$ 1,050,575.00 | |
| | OSPI | Career and Technical Education - Basic Grants to States | 84.048 | 1A03-13 | GR0172658 | | \$ 6,487.93 | \$ 6,487.93 | |
| | OSPI | Career and Technical Education - Basic Grants to States | 84.048 | 1A03-14 | GR0173025 | | \$ 337,888.29 | \$ 337,888.29 | |
| | OSPI | Career and Technical Education - Basic Grants to States | 84.048 | 1K72-14 | GR0189076 | | \$ 5,800.27 | \$ 5,800.27 | |
| | OSPI | Career and Technical Education - Basic Grants to States | 84.048 | 1M54-14 | GR0172826 | | \$ 7,693.11 | \$ 7,693.11 | |
| | | Indian Education_Grants to Local Educational Agencies | 84.060 | 1C27-13 | S060120393 | \$ (372.27) | | \$ (372.27) | |
| | | Indian Education_Grants to Local Educational Agencies | 84.060 | 1C27-14 | S060A130393 | \$ 77,439.66 | | \$ 77,439.66 | |
| | OSPI | Special Education_Preschool Grants | 84.173 | 1A46-13 | GR0364515 | | \$ (113.67) | \$ (113.67) | |
| | OSPI | Special Education_Preschool Grants | 84.173 | 1A46-14 | GR0364864 | | \$ 314,332.04 | \$ 314,332.04 | |
| | OSPI | Special Education_Preschool Grants | 84.173 | 1L23-14 | GR0385359 | | \$ 9,248.00 | \$ 9,248.00 | |
| | | Safe and Drug-Free Schools and Communities_State Grants (Archived 2012) | 84.186 | 1H65-13 | 1H79SP014932-05 | \$ 8,368.90 | | \$ 8,368.90 | |
| | OSPI | Education for Homeless Children and Youth | 84.196 | 1F77-14 | GR0456145 | | \$ 39,975.78 | \$ 39,975.78 | |
| | | Fund for the Improvement of Education | 84.215 | 1H60-13 | U215J080192-12 | \$ 185,020.26 | | \$ 185,020.26 | |
| | | Fund for the Improvement of Education | 84.215 | 1L56-13 | Q215F110228-12 | \$ 161,041.23 | | \$ 161,041.23 | |
| | | Fund for the Improvement of Education | 84.215 | 1L56-14 | Q215F110228-13 | \$ 419,291.76 | | \$ 419,291.76 | |
| | Washington Research Institute | Education Research, Development and Dissemination | 84.305 | 1L64-12 | LOA | | \$ 25.41 | \$ 25.41 | |

SEATTLE PUBLIC SCHOOLS
KING COUNTY
EIN: 916001541
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR FISCAL YEAR ENDING AUGUST 31, 2014

| 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 | 1C88-14 | GR0887343 | | \$ 6,862.00 | \$ 6,862.00 | |
| | OSPI | Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants) | 84.330 | 1D91-14 | GR0887337 | | \$ 6,580.00 | \$ 6,580.00 | |
| | Puget Sound ESD | Arts in Education | 84.351 | 1L76-13 | 7777 | | \$ 786.75 | \$ 786.75 | |
| | Puget Sound ESD | Arts in Education | 84.351 | 1L76-14 | 8260 | | \$ 10,367.00 | \$ 10,367.00 | |
| | | High School Graduation Initiative | 84.360 | 1K98-13 | S360100166-12 | \$ 79,143.20 | | \$ 79,143.20 | |
| | | High School Graduation Initiative | 84.360 | 1K98-14 | S360100166-13 | \$ 1,653,241.00 | | \$ 1,653,241.00 | |
| | OSPI | English Language Acquisition State Grants | 84.365 | 1C21-13 | GR0401649 | | \$ 5,257.96 | \$ 5,257.96 | |
| | OSPI | English Language Acquisition State Grants | 84.365 | 1C21-14 | GR0401932 | | \$ 1,010,089.27 | \$ 1,010,089.27 | |
| | OSPI | Mathematics and Science Partnerships | 84.366 | 1G78-13 | GR0555354 | | \$ 12,787.05 | \$ 12,787.05 | |
| | OSPI | Mathematics and Science Partnerships | 84.366 | 1G78-14 | GR0555364 | | \$ 325,169.06 | \$ 325,169.06 | |
| | OSPI | Improving Teacher Quality State Grants | 84.367 | 1C17-13 | GR0523097 | | \$ 50,250.13 | \$ 50,250.13 | |
| | OSPI | Improving Teacher Quality State Grants | 84.367 | 1C17-14 | GR0523316 | | \$ 2,304,931.25 | \$ 2,304,931.25 | |
| | | Teacher Incentive Fund | 84.374 | 1K99-13 | S374A100044 | \$ 1,055,218.38 | | \$ 1,055,218.38 | |
| | | Teacher Incentive Fund | 84.374 | 1K99-14 | S374A100044-13 | \$ 1,409,070.05 | | \$ 1,409,070.05 | |
| | OSPI | School Improvement Grants | 84.377 | 1M87-15 | GR0225345 | | \$ 1,888.70 | \$ 1,888.70 | |
| | OSPI | ARRA-School Improvement Grants, Recovery Act (Archived 2011) | 84.388 | 1K74-12 | GR0225015 | | \$ 5.71 | \$ 5.71 | |
| | OSPI | ARRA-School Improvement Grants, Recovery Act (Archived 2011) | 84.388 | 1K74-13 | GR0225317 | | \$ 94,753.65 | \$ 94,753.65 | |
| | OSPI | ARRA-School Improvement Grants, Recovery Act (Archived 2011) | 84.388 | 1K74-14 | GR0225032 | | \$ 15,673.50 | \$ 15,673.50 | |
| | NBPTS | Investing in Innovation (i3) Fund | 84.411 | 1M72-14 | 1303008 | | \$ 3,610.83 | \$ 3,610.83 | |
| | Puget Sound ESD | Race to the Top - District Grants | 84.416 | 1M39-14 | 8245 | | \$ 4,561.71 | \$ 4,561.71 | |
| | Puget Sound ESD | Race to the Top - District Grants | 84.416 | 1M41-14 | 8281 | | \$ 5,000.00 | \$ 5,000.00 | |
| | Puget Sound ESD | Race to the Top - District Grants | 84.416 | 1M48-14 | 8334 | | \$ 31,144.62 | \$ 31,144.62 | |
| | Puget Sound ESD | Race to the Top - District Grants | 84.416 | 1M52-14 | 8371 | | \$ 164,675.87 | \$ 164,675.87 | |
| | Puget Sound ESD | Race to the Top - District Grants | 84.416 | 1M57-14 | 8471 | | \$ 177,422.56 | \$ 177,422.56 | |
| | Puget Sound ESD | Race to the Top - District Grants | 84.416 | 1M59-14 | 8559 | | \$ 128,667.96 | \$ 128,667.96 | |
| | Puget Sound ESD | Race to the Top - District Grants | 84.416 | 1M70-14 | 8561 | | \$ 240,936.52 | \$ 240,936.52 | |
| | Puget Sound ESD | Race to the Top - District Grants | 84.416 | 1M76-15 | 8590 | | \$ 20,185.57 | \$ 20,185.57 | |
| Subtotal of Department of Education | | | | | | \$ 5,047,462.17 | \$ 27,675,876.02 | \$ 32,723,338.19 | |

SEATTLE PUBLIC SCHOOLS
KING COUNTY
EIN: 916001541
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR FISCAL YEAR ENDING AUGUST 31, 2014

| 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 | 1K96-13 | 5U79SM060300-03 | \$ 11,931.04 | | \$ 11,931.04 | |
| | | Substance Abuse and Mental Health Services Projects of Regional and National Significance | 93.243 | 1K96-14 | 5U79SM060300-03 | \$ 104,054.80 | | \$ 104,054.80 | |
| | OSPI | Pregnancy Assistance Fund Program | 93.500 | 1M49-14 | GR0179007 | | \$ 1,969.94 | \$ 1,969.94 | |
| | OSPI | Pregnancy Assistance Fund Program | 93.500 | 1M68-14 | GR0179100 | | \$ 10,291.45 | \$ 10,291.45 | |
| | OSPI | PPHF: State Nutrition, Physical Activity, and Obesity Programs - financed in part by PPHF | 93.548 | 1M75-14 | GR0930203 | | \$ 1,487.94 | \$ 1,487.94 | |
| | YWCA (School Out of WA) | Refugee and Entrant Assistance Discretionary Grants | 93.576 | 1D76-14 | LOA | | \$ 62,482.24 | \$ 62,482.24 | |
| | | Head Start | 93.600 | 1B60-13 | 10CH0166/16 | \$ 801,378.89 | | \$ 801,378.89 | |
| | | Head Start | 93.600 | 1B60-14 | 10CH0196/01 | \$ 3,137,366.14 | | \$ 3,137,366.14 | |
| | University of Washington | ARRA- Trans-NIH Recovery Act Research Support | 93.701 | 1L17-11 | 702560Z | | \$ 1,920.85 | \$ 1,920.85 | |
| | Seattle Children's Hospital Research Foundation | PPHF: Community Transformation Grants -Small Communities Program financed solely by Public Prevention and Health Funds | 93.737 | 1M13-13 | PO 417385 | | \$ 30,785.63 | \$ 30,785.63 | |
| | Seattle KC - Public Health | Medical Assistance Program | 93.778 | 1A16-14 | CHS3274 | | \$ 60,558.87 | \$ 60,558.87 | |
| | King County - Mental Health, Chemical Abuse and Dependency Service Division | Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | 1L93-13 | 5509679 | | \$ 47,555.09 | \$ 47,555.09 | |
| | King County - Mental Health, Chemical Abuse and Dependency Service Division | Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | 1L93-14 | 5616318 | | \$ 99,423.68 | \$ 99,423.68 | |
| Subtotal of Department of Health and Human Services | | | | | | \$ 4,054,730.87 | \$ 316,475.69 | \$ 4,371,206.56 | |
| Corporation for National Service | | Learn and Serve America Innovative Community-Based Service-Learning Programs (Archived 2012) | 94.018 | 1L01-11 | 10LYPWA001 | \$ 68,042.43 | | \$ 68,042.43 | |
| Subtotal of Corporation for National Service | | | | | | \$ 68,042.43 | \$ - | \$ 68,042.43 | |
| TOTAL FEDERAL AWARDS EXPENDED | | | | | | \$ 9,209,114.32 | \$ 38,938,892.93 | \$ 48,148,007.25 | |

Notes to the Schedule

Note 1 - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting. Expenditures represent only the federally funded portions of the program. District records should be consulted to determine amounts expended or matched from non-federal sources.

Note 2 - NON CASH AWARDS - FOOD COMMODITIES

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

Note 3 - SCHOOLWIDE PROGRAMS

The district operates a "schoolwide program" in 32 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 | \$ 7,615,473.71 |
| Title I State Agency Program for Neglected and Delinquent Children and Youth | 84.013 | \$ 342,496.93 |
| School Improvement Grants | 84.377 | \$ 1,803.92 |
| ARRA-School Improvement Grants, Recovery Act (Archived 2011) | 84.388 | \$ 106,316.93 |
| Race to the Top - District Grants | 84.416 | \$ 116,803.35 |
| Learn and Serve America Innovative Community-Based Service-Learning Programs (Archived 2012) | 94.018 | \$ 65,796.98 |
| Total | | \$ 8,248,691.82 |

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 2012/2013 | 3.77% |
| FY 2013/2014 | 4.49% |
| FY 2014/2015 | 4.70% |

**CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED
UNDER OMB CIRCULAR A-133**

**Seattle School District No. 1
King County
September 1, 2013 through August 31, 2014**

This schedule presents the corrective action planned by the auditee for findings reported in this report in accordance with OMB Circular A-133. The information in this schedule is the representation of the Seattle School District No. 1.

| | |
|---|---|
| Finding ref number: 1 | Finding caption: The District did not have adequate internal controls to ensure compliance with federal time and effort requirements. |
| Name, address, and telephone of auditee contact person: Kathie Technow, Accounting Manager 2445 3rd Avenue S. Seattle, WA 98134 (206) 252-0274 | |
| Corrective action the auditee plans to take in response to the finding: <i>The District concurs with the finding. To address the issue the District has adopted additional review and verification processes for staff to ensure T&E forms are correct and up to date before distributing to program managers for their approval. The District provides annual training for federal grant managers and upcoming trainings will reinforce the managers' responsibility for verification of T&E and compliance with all requirements.</i> | |
| Anticipated date to complete the corrective action: October 31, 2015 | |

| | |
|---|---|
| Finding ref number: 2 | Finding caption: The District charged unallowable teacher stipends to the Teacher Incentive Fund federal grant. |
| Name, address, and telephone of auditee contact person: Kathie Technow, Accounting Manager 2445 3rd Avenue S. Seattle, WA 98134 (206) 252-0274 | |

Corrective action the auditee plans to take in response to the finding:

The District concurs with the finding. To address the issue the District will make a correcting journal entry before the close of the fiscal year for the unallowable amount in the Teacher Incentive Fund federal grant. The program manager now understands the pre-approval process required for any variations from grant requirements and restrictions.

Anticipated date to complete the corrective action: August 31, 2015

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

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.

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 as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

| Contact information for the State Auditor's Office | |
|---|--|
| Deputy Director for Communications | Thomas Shapley Thomas.Shapley@sao.wa.gov (360) 902-0367 |
| Public Records requests | (360) 725-5617 |
| Main telephone | (360) 902-0370 |
| Toll-free Citizen Hotline | (866) 902-3900 |
| Website | www.sao.wa.gov |