



Washington State Auditor's Office

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Financial Statements and Federal Single Audit Report

Federal Way School District No. 210

King County

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

Published May 28, 2015

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Report No. 1014285





Washington State Auditor's Office

September 7, 2016

Superintendent and Board of Directors
Federal Way School District No. 210
Federal Way, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Federal Way School District No. 210's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the District's financial condition.

Sincerely,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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FEDERAL SUMMARY

Federal Way School District No. 210 King County September 1, 2013 through August 31, 2014

The results of our audit of Federal Way School District No. 210 are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

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

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

Federal Awards

Internal Control Over Major Programs:

- *Significant Deficiencies:* We 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>
84.027	Special Education Cluster (IDEA) - Special Education - Grants to States (IDEA, Part B)
84.173	Special Education Cluster (IDEA) - Special Education - Preschool Grants (IDEA Preschool)
84.416	Race to the Top - District Grants
93.600	Head Start

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$590,728.

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

SCHEDULE OF FEDERAL AUDIT FINDINGS AND QUESTIONED COSTS

Federal Way School District No. 210 King County September 1, 2013 through August 31, 2014

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

CFDA Number and Title:	84.416 - Race to the Top District Grants
Federal Grantor Name:	U.S. Department of Education, Office of Innovation and Improvement
Federal Award/Contract Number:	NA
Pass-through Entity Name:	Educational Service District No.121
Pass-through Award/Contract Number:	NA
Questioned Cost Amount:	\$0

Description of Condition

The District spent \$741,203 for its Race to the Top Programs during fiscal year 2014 to deliver instruction and support to enable all students to graduate college and be career ready.

Federal requirements prohibit recipients from contracting with or making subawards to parties suspended or debarred from doing business with the federal government. For vendor contracts of \$25,000 or more and all subawards, the District must ensure the vendor or subrecipient is not suspended or debarred. The District can obtain a written certification from the vendor or insert a clause into the contract where the vendor states it is not suspended or debarred. Alternatively, the District may review the federal Excluded Parties List issued by the U.S. General Service Administration. The District must meet these requirements prior to entering into contracts with vendors or subrecipients.

Our audit found the District's internal controls were ineffective in ensuring vendors which it paid more than \$25,000 during the year were not suspended or debarred. The District paid \$390,585 to two vendors during fiscal year 2014 for goods without verifying the federal suspension and debarment status of the vendor prior to submitting costs for reimbursement. One of these vendors the

District had not anticipated spending more than \$25,000 with while the other was initially charged to a nonfederal program and subsequently charged to the federal program.

We consider this weakness in controls to be a significant deficiency.

Cause of Condition

The District's process does not allow for these types of situations. The District did not monitor payments to ensure the suspension and debarment requirements were met once payments to a vendor and expected to exceed \$25,000 during the year or when decisions are made to charge costs to a federal program that were previously charged to a state or local funding source.

Effect of Condition and Questioned Costs

Without proper internal controls, the District increases the risk of awarding funds to vendors and subrecipients that are suspended or debarred from participating in federal programs. Any payments made to an ineligible party are unallowable and would be subject to recovery by the funding agency. Failure to comply with federal requirements may jeopardize the District's eligibility for future federal assistance. We were able to verify that the vendors were not suspended or debarred; therefore, we will not question these costs.

Recommendation

We recommend the District strengthen internal controls to ensure vendors paid with federal funds are not suspended or debarred and retain documentation to demonstrate compliance.

District's Response

The District concurs with the finding regarding suspension and debarment requirements with the aforementioned contracts in the Race to the Top (RTTT) program.

The District is aware of the suspension and debarment requirements and does have internal controls in place for ensuring compliance. As referenced above, the contract with the first vendor was originally set up and charged to a non-federal program, due to the timing issues of the Federal RTTT grant. As such, the suspension and debarment approval and/or language was not triggered at the time the contract was issued. In the case of the second vendor, individual purchases were made throughout the year, that when totaled, exceeded the \$25,000 threshold. District controls in place at the time, only triggered the suspension and debarment approval for single purchase orders in excess of \$25,000.

The District has implemented changes to procedures that include suspension and debarment approval (review of the Federal Excluded Parties List issued by the U.S. General Service Administration) for any purchase order using Federal funds regardless of the amount. Additionally, as has been the case, we continue to have language embedded in contracts where the vendor states it is not suspended or debarred. The District takes seriously Federal grant reporting and requirements. We are confident that with heightened awareness, continued training and tighter controls, the necessary checks and approvals for suspension and debarment will be completed before a contract is signed or a purchase order is issued.

Auditor's Remarks

We thank the District for their prompt attention to this matter.

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:

(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.

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.

Title 2, Code of Federal Regulations, Section 180.220, states in part, Are any procurement contracts included as covered transactions?

(b) Specifically, a contract for goods or services is a covered transaction if any of the following applies:

(1) The contract is awarded by a participant in a non-procurement transaction that is covered under §180.210, and the amount of the contract is expected to equal or exceed \$25,000

Title 2, Code of Federal Regulations, Section 180.300 – What must I do before I enter into a covered transaction with another person at the next lower tier?

When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking the EPLS;
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person.

**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**

**Federal Way School District No. 210
King County
September 1, 2013 through August 31, 2014**

Superintendent and Board of Directors
Federal Way School District No. 210
Federal Way, 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 Federal Way School District No. 210, 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 15, 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 the 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. 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.



TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

May 15, 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**

**Federal Way School District No. 210
King County
September 1, 2013 through August 31, 2014**

Superintendent and Board of Directors
Federal Way School District No. 210
Federal Way, Washington

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

We have audited the compliance of Federal Way School District No. 210, 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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 2014-001. We also noted certain matters that we will report to the management of the District in a separate letter dated May 19, 2015. Our opinion on each major federal program is not modified with respect to these matters.

District's Response to Findings

The District's response to the noncompliance 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.

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 Finding 2014-001, that we consider to be a significant deficiency.

We also noted certain matters that we will report to the management of the District in a separate letter dated May 19, 2015.

Other Matters – Report Reissuance

This report, which replaces a previously issued report, has been reissued to correctly refer to finding 2014-001 as a significant deficiency rather than a material weakness.

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.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive style with a large "T" and "K".

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

May 15, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Federal Way School District No. 210 King County September 1, 2013 through August 31, 2014

Superintendent and Board of Directors
Federal Way School District No. 210
Federal Way, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Federal Way School District No. 210, 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 21.

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 Federal Way School District No. 210, 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, Transportation Vehicle 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.

The budgetary comparison information on pages 46 through 50 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 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.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

May 15, 2015

FINANCIAL SECTION

Federal Way School District No. 210
King County
September 1, 2013 through August 31, 2014

FINANCIAL STATEMENTS

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Schedule of Expenditures of Federal Awards – 2014
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Federal Way School District No. 210

Balance Sheet

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	24,110,077.58	1,249,690.88	5,694,843.81	18,166,848.12	1,089,279.06	0.00	50,310,739.45
Minus Warrants Outstanding	-5,898,308.51	-21,376.49	0.00	-79,446.41	0.00	0.00	-5,999,131.41
Taxes Receivable	21,927,289.03		7,878,488.48	7,067,843.35	0.00	0.00	36,873,620.86
Due From Other Funds	31,169.33	7,724.70	0.00	42,948.37	0.00	0.00	81,842.40
Due From Other Governmental Units	2,093,478.75	50.00	0.00	143,326.17	0.00	0.00	2,236,854.92
Accounts Receivable	184,295.47	0.00	0.00	17,204.93	0.00	0.00	201,500.40
Interfund Loans Receivable	0.00			0.00			0.00
Accrued Interest Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	653,071.20	0.00					653,071.20
Prepaid Items	848,905.19	51,248.59		59,612.41	0.00	0.00	959,766.19
Investments	61,661.73	5,526.67	27,137.67	82,715.94	2,273.97	0.00	179,315.98
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	44,011,639.77	1,292,864.35	13,600,469.96	25,501,052.88	1,091,553.03	0.00	85,497,579.99
LIABILITIES:							
Accounts Payable	3,040,370.66	64,454.59	0.00	975,253.11	609.05	0.00	4,080,687.41
Contracts Payable Current	67,918.00	75.00		22,529.73	0.00	0.00	90,522.73
Accrued Interest Payable			0.00				0.00
Accrued Salaries	702,542.65	0.00		0.00			702,542.65
Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00
Payroll Deductions and Taxes Payable	95,713.76	0.00		0.00			95,713.76
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	0.00						0.00
Due To Other Funds	41,977.22	13,127.74	0.00	26,878.69	0.00	0.00	81,983.65

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

Federal Way School District No. 210

Balance Sheet

Governmental Funds

August 31, 2014

	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	3,900.00	0.00		0.00			3,900.00
Unearned Revenue	44,754.98	205,103.33	0.00	0.00	0.00		249,858.31
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	3,997,177.27	282,760.66	0.00	1,024,661.53	609.05	0.00	5,305,208.51
DEFERRED INFLOWS OF RESOURCES:							
Unavailable Revenue	0.00	0.00	0.00	17,204.93	0.00	0.00	17,204.93
Unavailable Revenue - Taxes Receivable	21,927,289.03		7,878,488.48	7,067,843.35	0.00		36,873,620.86
TOTAL DEFERRED INFLOWS OF RESOURCES	21,927,289.03	0.00	7,878,488.48	7,085,048.28	0.00	0.00	36,890,825.79
FUND BALANCE:							
Nonspendable Fund Balance	1,501,976.39	51,248.59	0.00	0.00	0.00	0.00	1,553,224.98
Restricted Fund Balance	530,922.91	958,855.10	5,721,981.48	15,598,497.71	1,090,943.98	0.00	23,901,201.18
Committed Fund Balance	6,674,491.00	0.00	0.00	9,445,814.68	0.00	0.00	16,120,305.68
Assigned Fund Balance	1,875,781.00	0.00	0.00	0.00	0.00	0.00	1,875,781.00
Unassigned Fund Balance	7,504,002.17	0.00	0.00	-7,652,969.32	0.00	0.00	-148,967.15
TOTAL FUND BALANCE	18,087,173.47	1,010,103.69	5,721,981.48	17,391,343.07	1,090,943.98	0.00	43,301,545.69
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	44,011,639.77	1,292,864.35	13,600,469.96	25,501,052.88	1,091,553.03	0.00	85,497,579.99

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

Federal Way School District No. 210
Statement of Revenues, Expenditures, and Changes in Fund Balance
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	48,679,525.78	2,448,671.52	15,882,730.77	16,297,042.41	7,983.09		83,315,953.57
State	157,061,022.08		0.00	132,397.95	654,589.96		157,848,009.99
Federal	19,141,098.39		737,825.40	0.00	0.00		19,878,923.79
Federal Stimulus	741,203.14						741,203.14
Other	962,433.34			0.00	0.00	0.00	962,433.34
TOTAL REVENUES	226,585,282.73	2,448,671.52	16,620,556.17	16,429,440.36	662,573.05	0.00	262,746,523.83
EXPENDITURES:							
CURRENT:							
Regular Instruction	123,963,373.57						123,963,373.57
Federal Stimulus	545,232.04						545,232.04
Special Education	28,265,458.45						28,265,458.45
Vocational Education	6,019,317.78						6,019,317.78
Skill Center	0.00						0.00
Compensatory Programs	17,925,490.77						17,925,490.77
Other Instructional Programs	2,059,942.83						2,059,942.83
Community Services	716,211.93						716,211.93
Support Services	41,032,500.38						41,032,500.38
Student Activities/Other		2,298,974.83				0.00	2,298,974.83
CAPITAL OUTLAY:							
Sites				269,207.71			269,207.71
Building				5,048,809.74			5,048,809.74
Equipment				4,319,291.22			4,319,291.22
Instructional Technology				0.00			0.00
Energy				0.00			0.00
Transportation Equipment					583,380.39		583,380.39
Sales and Lease							0.00
Other	1,955,501.76						1,955,501.76
DEBT SERVICE:							
Principal	0.00		9,579,966.28	0.00	0.00		9,579,966.28
Interest and Other Charges	0.00		8,858,207.68	0.00	0.00		8,858,207.68
Bond/Levy Issuance				0.00	0.00		0.00
TOTAL EXPENDITURES	222,483,029.51	2,298,974.83	18,438,173.96	9,637,308.67	583,380.39	0.00	253,440,867.36

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

Federal Way School District No. 210
Statement of Revenues, Expenditures, and Changes in Fund Balance
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	4,102,253.22	149,696.69	-1,817,617.79	6,792,131.69	79,192.66	0.00	9,305,656.47
OTHER FINANCING SOURCES (USES):							
Bond Sales & Refunding Bond Sales							
Long-Term Financing	0.00		5,687,797.24	0.00	0.00		5,687,797.24
Transfers In	0.00		706,072.86	0.00	0.00		706,072.86
Transfers Out (GL 536)	0.00		0.00	-706,072.86	0.00	0.00	-706,072.86
Other Financing Uses (GL 535)	0.00		-5,670,447.24	0.00	0.00		-5,670,447.24
Other	12,178.43		0.00	2,188,508.92	15,335.93		2,216,023.28
TOTAL OTHER FINANCING SOURCES (USES)	12,178.43		723,422.86	1,482,436.06	15,335.93	0.00	2,233,373.28
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	4,114,431.65	149,696.69	-1,094,194.93	8,274,567.75	94,528.59	0.00	11,539,029.75
BEGINNING TOTAL FUND BALANCE	13,972,741.82	860,407.00	6,816,176.41	9,116,775.32	996,415.39	0.00	31,762,515.94
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ENDING TOTAL FUND BALANCE	18,087,173.47	1,010,103.69	5,721,981.48	17,391,343.07	1,090,943.98	0.00	43,301,545.69

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

Federal Way School District No. 210
Statement Of Fiduciary Net Position
Fiduciary Funds
August 31, 2014

	Private Purpose Trust	Other Trust
ASSETS:		
Imprest Cash	0.00	0.00
Cash On Hand	0.00	0.00
Cash On Deposit with Cty Treas	6,257.27	301,901.30
Minus Warrants Outstanding	-583.25	0.00
Due From Other Funds	141.25	0.00
Accounts Receivable	0.00	0.00
Accrued Interest Receivable	0.00	0.00
Investments	0.00	1,373.77
Investments/Cash With Trustee	0.00	0.00
Other Assets	0.00	
Capital Assets, Land	0.00	
Capital Assets, Buildings	0.00	
Capital Assets, Equipment	0.00	0.00
Accum Depreciation, Buildings	0.00	
Accum Depreciation, Equipment	0.00	0.00
TOTAL ASSETS	5,815.27	303,275.07
LIABILITIES:		
Accounts Payable	664.03	78,100.66
Due To Other Funds	0.00	0.00
TOTAL LIABILITIES	664.03	78,100.66
NET POSITION:		
Held in trust for:		
Restricted for Other Items	0.00	589.41
Restricted for Self Insurance		0.00
Restricted for Uninsured Risks		0.00
Nonspendable -- Trust Principal	0.00	0.00
Committed to Other Purposes	0.00	0.00
Held In Trust For Private Purposes	5,151.24	
Assigned to Fund Purposes	0.00	0.00
Held In Trust For Pension And Other Employee Benefits		224,585.00
Unassigned Fund Balance	0.00	0.00
TOTAL NET POSITION	5,151.24	225,174.41

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

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended August 31, 2014

	Private Purpose Trust	Other Trust
ADDITIONS:		
Contributions:		
Private Donations	10,728.99	0.00
Employer		539,386.00
Members		0.00
Other	0.00	0.00
TOTAL CONTRIBUTIONS	10,728.99	539,386.00
Investment Income:		
Net Appreciation (Depreciation) in Fair Value	0.00	0.00
Interest and Dividends	33.58	2,676.33
Less Investment Expenses	0.00	0.00
Net Investment Income	33.58	2,676.33
Other Additions:		
Rent or Lease Revenue	0.00	0.00
Total Other Additions	0.00	0.00
TOTAL ADDITIONS	10,762.57	542,062.33
DEDUCTIONS:		
Benefits		583,000.31
Refund of Contributions	0.00	0.00
Administrative Expenses	0.00	0.00
Scholarships	6,403.95	
Other	1,777.28	0.00
TOTAL DEDUCTIONS	8,181.23	583,000.31
Net Increase (Decrease)	2,581.34	-40,937.98
Net Position--Beginning	2,569.90	266,112.39
Prior Year(s) Corrections or Restatements	0.00	0.00
NET POSITION--ENDING	5,151.24	225,174.41

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

Federal Way Public School District
Notes to Financial Statements
September 1, 2013 through August 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Federal Way Public School 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. The Superintendent 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.

Effective for the 2013-14 school year, the district implemented provisions of GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities. As a result, deferred revenue such as property taxes were reclassified from liabilities to deferred inflows of resources.

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 and implementing technology systems.

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 principal 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.

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 and Other Employee Benefit 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.

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 may include carryover 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 Executive Director of Business Services and/or his or her designee 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

Receivables are reported at their net value and are considered to be fully collectible

Inventory

Inventory is valued at cost using the last-in, last-out (LIFO) method. 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 Office of Finance is the *ex-officio* treasurer for the District. In this capacity, the county receives deposits and transacts investments on the district's behalf.

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:

King County Investment Pool	Carrying Value	Market Value
General Fund	\$ 23,990,579.54	\$ 23,995,377.66
Capital Projects Fund	18,166,067.62	18,169,700.83
Transportation Vehicle Fund	1,089,279.06	1,089,496.92
Debt Service Fund	5,694,843.81	5,695,982.78
Special Revenue Fund	1,170,318.31	1,170,552.37
Private Purpose and Other Trust Funds	308,158.57	308,220.20
Total Investments	\$ 50,419,246.91	\$ 50,429,330.76

Impaired Investments:

As of August 31, 2014, all impaired commercial paper investments have completed enforcement events. The King County impaired investment pool (Impaired Pool) held one commercial paper asset where the Impaired Pool accepted an exchange offer and is receiving the cash flows from the investment's underlying securities. The Impaired Pool also held the residual investments in four commercial paper assets that were part of completed enforcement events, where the Impaired Pool accepted the cash-out option. The District's share of the impaired investment pool principal is \$170,605.90 (Maximum Risk of Loss) and the district's fair value of these investments is \$102,725.42 (Maximum risk of Loss: less Unrealized Loss).

Interest Rate Risk:

As of August 31, 2014, the Pool's average duration was 1.34 years. As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity, or weighted average life, no longer than five years. While the Pool's market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology.

Credit Risk:

As of August 31, 2014, the district's investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, Pool policies authorize investments in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1" by two NRSROs), certificates of deposits issued by qualified public depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

NOTE 3: SIGNIFICANT CONTINGENT LIABILITIES

Litigation

The 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. Because positive arbitrage can be offset against negative arbitrage, the rebated amount fluctuates each year and may or may not be owing at the payment intervals. The district has no arbitrage liability at this time.

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

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).

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

Program	Active Members	Inactive Vested Members	Retired Members
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 was as follows:

Program	Active Members	Inactive Vested Members	Retired Members
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 services 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 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 all systems, except that future rates may be adjusted to meet the system needs.

Contributions

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

Plan 1 TRS	6.00%
Plan 2 TRS	4.96%
Plan 3 TRS	5.00% (minimum), 15.00% (maximum)
Plan 1 PERS	6.00%
Plan 2 SERS	4.64%
Plan 3 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 for the past five fiscal years are shown in the following table.

Retirement Plan	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Plan 1 TRS	\$ 246,300	\$ 214,087	\$ 237,348	\$ 178,870	\$ 177,057
Plan 2 TRS	803,058	878,118	1,184,356	1,341,897	1,887,805
Plan 3 TRS	4,680,370	4,780,503	6,180,336	6,237,123	8,281,814
Plan 1 PERS	57,500	48,053	55,758	52,290	62,311
Plan 2 SERS	620,999	641,671	881,663	891,593	1,198,601
Plan 3 SERS	964,758	980,059	1,310,688	1,328,330	1,739,434
Totals	\$ 7,372,985	\$ 7,542,491	\$ 9,850,149	\$ 10,030,103	\$ 13,347,022

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.

Active employees of the District do not participate in the plan. The PEBB plan is available to retirees. 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 \$1,843,868.60. 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)**Local Agency Financing Lease**

For the fiscal year ended August 31, 2014, the district had non-voted long-term debt for the purpose of land, equipment and building acquisitions as follows:

Certificate of Participation				
Issue Date	Issue Amount	Interest Rates	Maturity Date	Amount Outstanding Aug 31, 2014
2004-December	\$ 2,760,000	3.99%	12/01/2016	\$ 686,487
2005-March	1,600,000	3.88%	12/01/2016	397,481
2010-June	2,125,000	3.16%	06/01/2020	1,340,000
Totals	\$ 6,485,000			\$ 2,423,968

The following is a schedule of annual requirements to amortize long-term debt at August 31, 2014.

Fiscal Period Ending August 31,	Principal	Interest	Total
2015	\$ 628,834	\$ 80,920	\$ 709,754
2016	652,309	57,862	710,171
2017	442,825	34,017	476,842
2018	225,000	23,013	248,013
2019	235,000	16,037	251,037
2020	240,000	8,400	248,400
Total	\$ 2,423,968	\$ 220,249	\$ 2,644,217

Operating Leases

The District currently has no operating or non-cancelable operating leases with terms of one year or more.

NOTE 8: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Construction in progress is composed of:

Project	Project Authorization Amount	Accumulated Expenditures as of 8/31/2014	Additional Local Funds	Additional State Funds
Federal Way High School- Replacement New-in-Lieu	\$ 106,000,000	\$ 5,045,189	\$ 60,954,811	\$ 40,000,000
Playgrounds & Security Cameras	4,000,000	402,093	3,393,365	
Service Center – New	42,500,000	39,480,750	167,633	
23 Schools - Upgrades	22,000,000	21,333,912		666,088
Portables - Panther Lake, Sunnycrest, Valhalla	1,880,000	176,044	1,649,053	
Total	\$ 176,380,000	\$ 66,437,988	\$ 66,164,862	\$ 40,666,088

Encumbrances

Encumbrance accounting is employed in governmental funds. Purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve a portion of the applicable appropriation. Encumbrances lapse at the end of the fiscal year and may be re-encumbered the following year. The following encumbrance amounts were re-encumbered by fund on September 1, 2014:

Fund	Amount
General Fund	\$ 2,233,494
ASB Fund	\$ 94,537
Capital Projects Fund	\$ 9,422,513
Transportation Vehicle Fund	\$ 0

NOTE 9: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The District's capital assets are insured in the amount of \$459,228,604 for fiscal year 2013-14. In the opinion of Puget Sound Risk Management Pool, the amount is sufficient to adequately fund replacement of the District's assets. Values are not set on buses and other vehicles.

NOTE 10: REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES**Long-Term Debt**

Bonds payable at August 31, 2014, are comprised of the following individual issues:

Outstanding General Obligation Bonds				
Name	Amount Issued	Interest Rate(s)	Maturity Date	Amount Outstanding Aug 31, 2014
2004 UTGO Bonds	17,000,000	5.00%	12/01/2014	1,130,000
2006 UTGO Refunding Bonds	18,480,000	4.00%-5.00%	12/01/2015	2,210,000
2007 UTGO Bonds	45,000,000	4.00%-5.00%	12/01/2026	44,400,000
2008 UTGO Bonds	37,000,000	4.00%-5.50%	12/01/2027	32,175,000
2010 UTGO Bonds	45,000,000	.60%-5.75%	12/01/2029	41,160,000
2010 UTGO Refunding Bonds	36,790,000	2.00%-5.00%	06/01/2022	29,155,000
2012 UTGO Bonds & Refunding	22,280,000	2.00%-5.00%	12/01/2024	22,280,000
2013 UTGO Refunding Bonds	5,687,797	1.00%-2.75%	12/01/2019	5,687,797
Total				\$ 178,197,797

The following is a summary of general obligation long-term debt transactions of the district for the fiscal year ended August 31, 2014.

Long-Term Debt Payable at 09/01/2013	\$ 187,130,000
New Issues including refundings	5,687,797
Debt Retired	(8,975,000)
Debt Refunded	(5,645,000)
Long-Term Debt Payable at 08/31/2014	\$ 178,197,797

The following is a schedule of annual requirements to amortize debt at August 31, 2014. *Note – Interest includes the federal reimbursement portion associated with the Build America Bonds.*

Fiscal Period Ending August 31,	Principal	Interest	Total
2015	9,455,316	8,305,538	17,760,854
2016	9,626,597	7,920,181	17,545,778
2017	10,368,186	7,512,693	17,880,879
2018	11,223,150	7,092,072	18,315,222
2019	12,297,072	6,647,989	18,945,061
2020	13,062,476	6,140,023	19,202,499
2021	14,360,000	5,527,568	19,887,568
2022	11,195,000	4,918,183	16,113,183
2023	10,485,000	4,339,885	14,824,885
2024	13,190,000	3,736,564	16,926,564
2025	14,060,000	3,039,269	17,099,269
2026	8,740,000	2,457,202	11,197,202
2027	9,215,000	1,993,885	11,208,885
2028	9,700,000	1,484,685	11,184,685
2029	10,280,000	922,030	11,202,030
2030	10,940,000	314,525	11,254,525
TOTALS	\$ 178,197,797	\$ 72,352,292	\$ 250,550,089

At August 31, 2014, the district had \$5,721,981 available in the Debt Service Fund to service the general obligation bonds.

Bonds Authorized But Un-issued

The following is a schedule of the bond series issues and the amount of un-issued bonds for the 2007 bond authorization approved by qualified electors on May 15, 2007.

Bond Authorization – May 2007	\$ 149,000,000
Bond Issue – Nov 2007	45,000,000
Bond Issue – Dec 2008	37,000,000
Bond Issue – Jan 2010	45,000,000
Bond Issue – Apr 2012	10,135,000
Original issue premium on the Apr 2012 bond issue - to be counted towards bond authorization	1,865,000
Bonds Authorized but Un-issued at 8/31/2014	\$ 10,000,000

Refunded Debt

On December 19, 2013, the district issued \$5,687,797 in general obligation bonds with an average interest rate of 1.51 percent to advance refund \$5,645,000 of outstanding 2003 series bonds, with an average interest rate of 3.54 percent. The net proceeds of \$5,687,797 were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the 2003 series bonds. As a result, a portion of the 2003 series are considered defeased.

The district advance refunded portions of the 2003 series to reduce its total debt service payments over the next 6 years by \$379,330 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$361,829.

Prior-Year Defeasance of Debt

In prior years, the district defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At August 31, 2014, \$48,965,000 of bonds outstanding are considered defeased.

NOTE 11: INTERFUND BALANCES AND TRANSFERS

The District had no interfund loans outstanding at year end.

NOTE 12: RISK MANAGEMENT

The district is a member of 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.

Unemployment Insurance

The District is a member of the Puget Sound Educational Service District Unemployment Pool Cooperative. Payments for unemployment compensation are made directly by the Pool. The amount of District payments to the Pool's fund are dependent on the amount of unemployment claims and the amount of the district's share in the Pool's reserve fund. The District's portion of this reserve is \$789,501 as of August 31, 2014. Expenditures for 2013-2014 on behalf of the District were \$130,068.

Worker's Compensation Trust

Since January 1, 1991, the District has been a member of the Puget Sound Educational Service District Worker's Compensation Trust. For fiscal year 2013-2014, the District made payments totaling \$1,562,117.17 to this industrial insurance pool, which is administered by Puget Sound Educational Service District on behalf of several local school districts. This fund is operated for the District's benefit in lieu of the district having to make monthly premium payments to the State of Washington for industrial insurance. This practice enables the District to pay industrial insurance beneficiaries as they become eligible and minimizes the District's costs for the program. Claims paid in fiscal year 2013-2014 on behalf of the District were \$725,088.55.

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: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

The District is a member of the King County Directors' Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. The District's current equity of \$195,267.96 is the accumulation of the annual assignment of KCDA's operating surplus based upon the percentage derived from KCDA's total sales to the District compared to all other districts applied against paid administrative fees. The District may withdraw from the joint venture and will receive its equity in ten annual allocations of merchandise or 15 annual payments.

NOTE 15: 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	Transportation Vehicle Fund
Nonspendable Fund Balance					
Inventory and Prepaid Items	\$1,501,976	\$51,249			
Restricted Fund Balance					
Fund Purposes		\$956,501			\$1,089,911
Debt Service				\$5,710,459	
Bond Proceeds			\$1,520,319		
State Proceeds			\$13,126,308		
Impact Fee Proceeds			\$916,875		
Other Items	\$530,923	\$2,354	\$34,995	\$11,522	\$1,033
Committed Fund Balance					
Levy Proceeds			\$9,445,815		
Minimum FB Policy	\$6,674,491				
Assigned Fund Balance					
Other Purposes	\$1,875,781				
Unassigned Fund Balance	\$7,504,002		(\$7,652,969)		

The board of directors has established a minimum fund balance policy for the general fund to provide for financial stability and contingencies within the District. The policy is that the District shall maintain a Committed fund balance equal to 3% to 5% of the District's projected annual operating expenditures. Portions of fund balance that are set aside for this purpose of meeting this policy are recorded on the financial statements as part of the Committed Fund Balance.

NOTE 16: POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS

457 Plan – Deferred Compensation Plan

District employees have the option of participating in a deferred compensation plan as defined in Section 457 of the Internal Revenue Code that is administered by the Department of Retirement Systems.

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 an elective deferral (employee contribution).

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 (CCC), an independent third party administrator. The plan assets are assets of the District employees, not the school district, and are therefore not reflected on these financial statements.

NOTE 17: 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 the termination payment method.

No unrecorded liability exists for other employee benefits.

NOTE 18: OTHER DISCLOSURES

Self-Insurance—Security Deposit

Beginning October 1, 2002, the District implemented an employee health benefit self-insurance program to provide vision coverage for district employees and their families as authorized by RCW 48.62. The District's reserve as of August 31, 2014 is \$225,112.78. Incurred but Not Reported (IBNR) reserves and additional contingency liability reserves are held in trust by the School District for the explicit purpose of funding the employee benefit liabilities. For fiscal year 2013-14 the District had contributions totaling \$540,888.62 to the program and paid \$583,000.31 in claims and administrative expenses.

The District does not self-insure with the Washington State Department of Labor and Industries, Washington State Employment Services, or for property and liability services.

FEDERAL WAY SCHOOL DISTRICT NO. 210
Budgetary Comparison Schedule
General Fund
For the Year Ended August 31, 2014

	BUDGET	ACTUAL	Variance POSITIVE (NEGATIVE)
REVENUES:			
Local	51,722,000	48,679,526	(3,042,474)
State	150,351,800	157,061,022	6,709,222
Federal	18,764,700	19,141,098	376,398
Federal Stimulus		741,203	741,203
Other	1,620,500	962,433	(658,067)
TOTAL REVENUES	222,459,000	226,585,283	4,126,283
EXPENDITURES:			
<u>CURRENT:</u>			
Regular Instruction	127,566,340	123,963,374	3,602,966
Federal Stimulus		545,232	(545,232)
Special Education	27,766,059	28,265,458	(499,399)
Vocational Education	6,428,691	6,019,318	409,373
Skills Center			0
Compensatory Programs	16,413,906	17,925,491	(1,511,585)
Other Instructional Programs	3,316,321	2,059,943	1,256,378
Community Services	727,878	716,212	11,666
Support Services	41,262,726	41,032,500	230,226
Student Activities/Other			
<u>CAPITAL OUTLAY:</u>			
Sites			
Building			
Equipment			
Energy			
Transportation Equipment			
Other	982,079	1,955,502	(973,423)
<u>DEBT SERVICE:</u>			
Principal			
Interest and Other Charges			
TOTAL EXPENDITURES	224,464,000	222,483,030	1,980,970
REVENUES OVER (UNDER) EXP:	(2,005,000)	4,102,253	6,107,253
OTHER FINANCING SOURCES (USES):			
Bond Sales and Refunding Bond Sales			
Long-Term Financing			
Transfers In			
Transfers Out			
Other Financing Uses			
Other	5,000	12,178	7,178
TOTAL OTHER FINANCING SOURCES (USES)	5,000	12,178	7,178
EXCESS OF REVS & OTHER FIN SOURCES OVER (UNDER) EXP AND OTHER FIN USES	(2,000,000)	4,114,432	6,114,432
BEGINNING TOTAL FUND BALANCE	13,600,000	13,972,742	372,742
Prior Year(s) Corrections or Restatements			
ENDING TOTAL FUND BALANCE	11,600,000	18,087,173	6,487,173

FEDERAL WAY SCHOOL DISTRICT NO. 210
Budgetary Comparison Schedule
Associated Student Body Fund
For the Year Ended August 31, 2014

	BUDGET	ACTUAL	Variance POSITIVE (NEGATIVE)
REVENUES:			
Local	3,480,000	2,448,672	(1,031,328)
State			
Federal			
Federal Stimulus			
Other			
TOTAL REVENUES	3,480,000	2,448,672	(1,031,328)
EXPENDITURES:			
<u>CURRENT:</u>			
Regular Instruction			
Federal Stimulus			
Special Education			
Vocational Education			
Skills Center			
Compensatory Programs			
Other Instructional Programs			
Community Services			
Support Services			
Student Activities/Other	3,624,000	2,298,975	1,325,025
<u>CAPITAL OUTLAY:</u>			
Sites			
Building			
Equipment			
Energy			
Transportation Equipment			
Other			
<u>DEBT SERVICE:</u>			
Principal			
Interest and Other Charges			
TOTAL EXPENDITURES	3,624,000	2,298,975	1,325,025
REVENUES OVER (UNDER) EXP:	(144,000)	149,697	293,697
OTHER FINANCING SOURCES (USES):			
Bond Sales and Refunding Bond Sales			
Long-Term Financing			
Transfers In			
Transfers Out			
Other Financing Uses			
Other			
TOTAL OTHER FINANCING SOURCES (USES)			
EXCESS OF REVS & OTHER FIN SOURCES OVER (UNDER) EXP AND OTHER FIN USES	(144,000)	149,697	293,697
BEGINNING TOTAL FUND BALANCE	639,200	860,407	221,207
Prior Year(s) Corrections or Restatements			
ENDING TOTAL FUND BALANCE	495,200	1,010,104	514,904

FEDERAL WAY SCHOOL DISTRICT NO. 210
Budgetary Comparison Schedule
Debt Service Fund
For the Year Ended August 31, 2014

	BUDGET	ACTUAL	Variance POSITIVE (NEGATIVE)
REVENUES:			
Local	16,461,300	15,882,731	(578,569)
State			
Federal	725,000	737,825	12,825
Federal Stimulus			
Other			
TOTAL REVENUES	17,186,300	16,620,556	(565,744)
EXPENDITURES:			
<u>CURRENT:</u>			
Regular Instruction			
Federal Stimulus			
Special Education			
Vocational Education			
Skills Center			
Compensatory Programs			
Other Instructional Programs			
Community Services			
Support Services			
Student Activities/Other			
<u>CAPITAL OUTLAY:</u>			
Sites			
Building			
Equipment			
Energy			
Transportation Equipment			
Other			
<u>DEBT SERVICE:</u>			
Principal	9,580,000	9,579,966	34
Interest and Other Charges	9,410,000	8,858,208	551,792
TOTAL EXPENDITURES	18,990,000	18,438,174	551,826
REVENUES OVER (UNDER) EXP:	(1,803,700)	(1,817,618)	(13,918)
OTHER FINANCING SOURCES (USES):			
Bond Sales and Refunding Bond Sales		5,687,797	5,687,797
Long-Term Financing			
Transfers In	706,100	706,073	(27)
Transfers Out			
Other Financing Uses		(5,670,447)	(5,670,447)
Other			
TOTAL OTHER FINANCING SOURCES (USES)	706,100	723,423	17,323
EXCESS OF REVS & OTHER FIN SOURCES OVER (UNDER) EXP AND OTHER FIN USES	(1,097,600)	(1,094,195)	3,405
BEGINNING TOTAL FUND BALANCE	6,873,000	6,816,176	(56,824)
Prior Year(s) Corrections or Restatements			
ENDING TOTAL FUND BALANCE	5,775,400	5,721,981	(53,419)

FEDERAL WAY SCHOOL DISTRICT NO. 210
Budgetary Comparison Schedule
Capital Projects Fund
For the Year Ended August 31, 2014

	BUDGET	ACTUAL	Variance POSITIVE (NEGATIVE)
REVENUES:			
Local	15,310,000	16,297,042	987,042
State		132,398	132,398
Federal			
Federal Stimulus			
Other			
TOTAL REVENUES	15,310,000	16,429,440	1,119,440
EXPENDITURES:			
<u>CURRENT:</u>			
Regular Instruction			
Federal Stimulus			
Special Education			
Vocational Education			
Skills Center			
Compensatory Programs			
Other Instructional Programs			
Community Services			
Support Services			
Student Activities/Other			
<u>CAPITAL OUTLAY:</u>			
Sites	6,100,000	269,208	5,830,792
Building	2,900,300	5,048,810	(2,148,510)
Equipment	6,810,000	4,319,291	2,490,709
Energy			
Transportation Equipment			
Other			
<u>DEBT SERVICE:</u>			
Principal			
Interest and Other Charges			
TOTAL EXPENDITURES	15,810,300	9,637,309	6,172,991
REVENUES OVER (UNDER) EXP:	(500,300)	6,792,132	7,292,432
OTHER FINANCING SOURCES (USES):			
Bond Sales and Refunding Bond Sales			
Long-Term Financing			
Transfers In			
Transfers Out	(706,100)	(706,073)	27
Other Financing Uses			
Other		2,188,509	2,188,509
TOTAL OTHER FINANCING SOURCES (USES)	(706,100)	1,482,436	2,188,536
EXCESS OF REVS & OTHER FIN SOURCES OVER (UNDER) EXP AND OTHER FIN USES	(1,206,400)	8,274,568	9,480,968
BEGINNING TOTAL FUND BALANCE	8,275,000	9,116,775	841,775
Prior Year(s) Corrections or Restatements			
ENDING TOTAL FUND BALANCE	7,068,600	17,391,343	10,322,743

FEDERAL WAY SCHOOL DISTRICT NO. 210
Budgetary Comparison Schedule
Transportation Vehicle Fund
For the Year Ended August 31, 2014

	BUDGET	ACTUAL	Variance POSITIVE (NEGATIVE)
REVENUES:			
Local	3,000	7,983	4,983
State	609,000	654,590	45,590
Federal			
Federal Stimulus			
Other			
TOTAL REVENUES	612,000	662,573	50,573
EXPENDITURES:			
<u>CURRENT:</u>			
Regular Instruction			
Federal Stimulus			
Special Education			
Vocational Education			
Skills Center			
Compensatory Programs			
Other Instructional Programs			
Community Services			
Support Services			
Student Activities/Other			
<u>CAPITAL OUTLAY:</u>			
Sites			
Building			
Equipment			
Energy			
Transportation Equipment	1,005,000	583,380	421,620
Other			
<u>DEBT SERVICE:</u>			
Principal			
Interest and Other Charges			
TOTAL EXPENDITURES	1,005,000	583,380	421,620
REVENUES OVER (UNDER) EXP:	(393,000)	79,193	472,193
OTHER FINANCING SOURCES (USES):			
Bond Sales and Refunding Bond Sales			
Long-Term Financing			
Transfers In			
Transfers Out			
Other Financing Uses			
Other		15,336	15,336
TOTAL OTHER FINANCING SOURCES (USES)	0	15,336	15,336
EXCESS OF REVS & OTHER FIN SOURCES OVER (UNDER) EXP AND OTHER FIN USES	(393,000)	94,529	487,529
BEGINNING TOTAL FUND BALANCE	1,002,000	996,415	(5,585)
Prior Year(s) Corrections or Restatements			
ENDING TOTAL FUND BALANCE	609,000	1,090,944	481,944

Federal Way School District No. 210
Schedule of Long-Term Liabilities: GENERAL FUND
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
Non-Cancellable Operating Leases	0.00	0.00	0.00	0.00	0.00
Claims & Judgements	0.00	0.00	0.00	0.00	0.00
Compensated Absences	10,833,577.00	5,566,581.00	5,302,681.00	11,097,477.00	2,393,710.46
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	10,833,577.00	5,566,581.00	5,302,681.00	11,097,477.00	2,393,710.46

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

Federal Way School District No. 210
Schedule of Long-Term Liabilities: DEBT SERVICE FUND
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
Voted Debt					
Voted Bonds	187,130,000.00	5,687,797.24	14,620,000.00	178,197,797.24	9,455,315.55
LOCAL Program Proceeds Issued in Lieu of Bonds	0.00	0.00	0.00	0.00	0.00
Non-Voted Debt					
Non-Voted Bonds	0.00	0.00	0.00	0.00	0.00
LOCAL Program Proceeds	3,028,934.32	0.00	604,966.28	2,423,968.04	628,834.37
Total Long-Term Liabilities	190,158,934.32	5,687,797.24	15,224,966.28	180,621,765.28	10,084,149.92

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

Federal Way School District No. 210

Schedule of Long-Term Liabilities: CAPITAL PROJECTS FUND

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	6,999.00	7,219.00	4,905.00	9,313.00	1,874.00
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	6,999.00	7,219.00	4,905.00	9,313.00	1,874.00

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

Federal Way School District No. 210

Schedule of Long-Term Liabilities: TRANSPORTATION VEHICLE FUND

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
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

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

Federal Way School District #210
Schedule of Expenditures of Federal Awards
For the Year Ending August 31, 2014

1	2	3	4	5	6	7	8	9
Federal Agency Name	Pass Thru Agency	Federal Program Title	CFDA Number	Other Identification Number	From Direct Awards	From Pass Through Awards	Total	Foot note
Dept of Agriculture								
	WA OSPI	School Breakfast Program	10.553	N/A		1,130,910.12	1,130,910.12	
	WA OSPI	Nat'l School Lunch Program - Cash Assistance	10.555	N/A		4,779,675.59	4,779,675.59	
	WA OSPI	Nat'l School Lunch Program - Non Cash Assistance Food Commodities	10.555	N/A		613,589.58	613,589.58	2
		Sub-total for CFDA 10.555				5,393,265.17	5,393,265.17	
	WA OSPI	Summer Food Services Program for Children	10.559	N/A		111,032.35	111,032.35	
	WA OSPI	Fresh Fruit and Vegetable Program	10.582	N/A		62,065.11	62,065.11	
	Office of State Treasurer	School & Roads - Grants to State	10.665	N/A		12,310.73	12,310.73	
		Dept of Agriculture Subtotal			0.00	6,709,583.48	6,709,583.48	
Dept of Defense								
		JROTC	12.999	N/A	126,272.75		126,272.75	
		Dept of Defense Subtotal			126,272.75	0.00	126,272.75	
Dept of Labor								
	King Co Work Training Pgm	WIA Youth Activities	17.259	N/A		2,632.98	2,632.98	
		Dept of Labor Subtotal			0.00	2,632.98	2,632.98	
Dept of Education								
	WA OSPI	Title 1 Grants to Local Educational Agencies	84.010	201425		4,921,253.81	4,921,253.81	3
	WA OSPI	Title 1 Grants to Local Educational Agencies	84.010	224552		37,246.82	37,246.82	
		Sub-total for CFDA 84.010				4,958,500.63	4,958,500.63	
	WA OSPI	Special Education - Grants to States	84.027	304650		4,217,610.13	4,217,610.13	
	WA OSPI	Special Education - Grants to States	84.027	337624		402,059.00	402,059.00	
		Sub-total for CFDA 84.027				4,619,669.13	4,619,669.13	
	WA OSPI	CTE - Basic Grants to States	84.048	173015		148,301.00	148,301.00	
		Indian Education - Grants to LEA's	84.060	S060A/132287 & 142287	72,468.64		72,468.64	
	WA OSPI	Special Education - Preschool Grants	84.173	364650		131,012.32	131,012.32	
	ESD 121	Twenty-First Century Community Learning Centers	84.287	8298		8,115.38	8,115.38	
	HECB/WSAC	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	15-IA007		199,095.81	199,095.81	
	WA OSPI	English Language Acquisition Grants	84.365	402821		511,004.01	511,004.01	
	WA OSPI	Improving Teacher Quality State Grants	84.367	523428		611,195.98	611,195.98	
	ESD 121	Race to the Top - District Grants	84.416	8387		344,585.99	344,585.99	
	ESD 121	Race to the Top - District Grants	84.416	8487		85,368.41	85,368.41	
	ESD 121	Race to the Top - District Grants	84.416	8278		30,691.53	30,691.53	
	ESD 121	Race to the Top - District Grants	84.416	8459		10,701.80	10,701.80	
	ESD 121	Race to the Top - District Grants	84.416	8492		27,268.41	27,268.41	
	ESD 121	Race to the Top - District Grants	84.416	8249		2,430.00	2,430.00	
	ESD 121	Race to the Top - District Grants	84.416	8285		5,000.00	5,000.00	
	ESD 121	Race to the Top - District Grants	84.416	8595		212,921.00	212,921.00	
	ESD 121	Race to the Top - District Grants	84.416	8420		7,980.00	7,980.00	
	ESD 121	Race to the Top - District Grants	84.416	8666		14,256.00	14,256.00	
		Sub-total for CFDA 84.416				741,203.14	741,203.14	
		Dept of Education Subtotal			72,468.64	11,928,097.40	12,000,566.04	
Dept of Health & Human Services								
	WA OSPI	Pregnancy Assistance Fund Program	93.500	179009		2,000.00	2,000.00	
	WA OSPI	PPHF: State Nutrition, Physical Activity, and Obesity Programs	93.548	930202		2,971.89	2,971.89	
	ESD 121	Head Start	93.600	LOA #8341 & #7970		838,291.50	838,291.50	
	HCA	Medical Assistance Program	93.778	0765-19183		8,611.87	8,611.87	
		Dept of Health & Human Services Subtotal			0.00	851,875.26	851,875.26	
Total Federal Awards Expended					198,741.39	19,492,189.12	19,690,930.51	

The Accompanying Notes to the Schedule of Federal Awards are an Integral Part of this Schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Federal Way School District #210
2013-14

NOTE 1 - BASIS OF ACCOUNTING

The schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the district's financial statements. The district uses the modified 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 - NONCASH AWARDS-COMMODITIES

The amount of food commodities reported on the schedule are the cumulative values using cost averaging of all commodities shipments distributed to the district during the current year. The value is determined by the USDA.

NOTE 3 - SCHOOLWIDE PROGRAMS

The district operates a "schoolwide program" in fourteen (14) elementary 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.

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

Federal Way School District 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 District.

Finding ref number: 2014-001	Finding caption: The District did not have adequate internal controls to ensure compliance with federal suspension and debarment requirements.
Name, address, and telephone of auditee contact person: Jeri Carlson 33330 8th Avenue S. Federal Way, WA 98003 (253) 945-2000	
Corrective action the auditee plans to take in response to the finding: <i>Purchase orders that are using federal dollars go through an automatic routing system, in which suspension and debarment approval is triggered. Upon the trigger for approval, purchasing staff review the EPLS to ensure the vendor is not on the list. Prior to the finding, the threshold on purchase orders for the approval trigger was \$25,000 or greater. The district is now triggering approval on all purchase orders using federal dollars regardless of the dollar amount. Additionally, as has been the case, there is language embedded in contract were the vendor states it is not suspended or debarred. The District will continue its training of staff and monitoring of compliance and implement any further actions as deemed necessary.</i>	
Anticipated date to complete the corrective action: Already taken place and ongoing with monitoring	

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