



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements and Federal Single Audit Report

Tukwila School District No. 406

King County

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

Published May 28, 2015

Report No. 1014391





Washington State Auditor

May 28, 2015

Board of Directors
Tukwila School District No. 406
Tukwila, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Tukwila School District No. 406's financial statements and compliance with federal laws and regulations.

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

Sincerely,

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

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FEDERAL SUMMARY

Tukwila School District No. 406
King County
September 1, 2013 through August 31, 2014

The results of our audit of Tukwila School District No. 406 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 deficiencies that we consider to be material weaknesses.

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

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

Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
84.010	Title I, Part A Cluster - Title I Grants to Local Educational Agencies
84.027	Special Education Cluster (IDEA) - Special Education - Grants to States (IDEA, Part B)
84.173	Special Education Cluster (IDEA) - Special Education - Preschool Grants (IDEA Preschool)
84.416	Race to the Top District Grants

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The District did not qualify as a low-risk auditee under OMB Circular A-133.

SCHEDULE OF FEDERAL AUDIT FINDINGS AND QUESTIONED COSTS

Tukwila School District No. 406 King County September 1, 2013 through August 31, 2014

2014-001 The District's internal controls were inadequate to ensure compliance with federal procurement requirements.

CFDA Number and Title:	84.010 Title I Grants to Local Educational Agencies
Federal Grantor Name:	US Department of Education
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	Office of Superintendent of Public Instruction
Pass-through Award/Contract Number:	0201535 and 228662
Questioned Cost Amount:	\$0

Description of Condition

During fiscal year 2014 the District spent \$1,577,985 in Title I program funds. The objective of the Title I program is to improve the teaching and learning of children who are at risk of not meeting state academic standards and who reside in areas with high concentrations of low-income families.

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

We found the District did not adequately design or follow controls for the Title I program to ensure compliance with the following requirement. We issued a finding communicating similar concerns during the prior audit.

Procurement:

Federal law and District policy requires the District to follow state law and obtain formal bids for purchases exceeding \$75,000. For purchases not covered under state law, such as professional services, grantees must follow federal procurement regulations. Federal grant recipients are required to obtain price or rate quotations

from an adequate number of qualified sources for purchases up to \$100,000 and formal bids for contracts exceeding \$100,000. A grantee may solicit services from only one vendor if it determines the services are available from a single source or if they determine competition is inadequate. Grantees must keep documentation to show how they reached this conclusion.

We reviewed procurement for the largest three vendors and found the District paid \$307,579 of its grant funding for purchases and services. The District was unable to demonstrate that it complied with the procurement requirements for two vendors in the amount of \$127,852. The District considered both vendors to be sole source providers however; the District was unable to provide adequate documentation to justify the sole source designation.

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

Cause of Condition

The District experienced significant staff turnover in its Title I program and Business Office during the 2013-2014 school year. Although the District was aware of procurement requirements, the District did not ensure adequate documentation was retained to demonstrate compliance with the requirement.

Effect of Condition and Questioned Costs

Without adequate procurement records, the District is unable to determine whether it has utilized federal funds in the most efficient manner. However, the products purchased are allowable under the federal program, and as a result, we are not questioning these costs.

Recommendations

- Provide training and guidance to staff to ensure they are knowledgeable of the grant requirements.
- Establish and follow internal controls that will ensure compliance with federal procurement requirements and District policies.
- Monitor staff activities to ensure internal controls are operating as intended.

District's Response

The Business Office and Teaching and Learning Department have worked closely to institute processes and procedures to properly document sole source procurement requirements. As noted in the finding, the District has experienced significant turnover in previous periods and now has consistency in key positions.

Administration is committed to ensuring compliance and has provided federal procurement training to staff, created resources documentation, and instituted internal control mechanisms into the purchasing process. Purchases involving the sole source exception will not be allowed without proper documentation and authorization from the Business Office.

Auditor's Remarks

We thank the District for its cooperation and assistance during the audit and acknowledge its commitment to improvements. We will review the status of this issue during our next audit.

Applicable Laws and Regulations

RCW 28A.335.190 Advertising for bids -- Competitive bid procedures, states in part:

(2) Every purchase of furniture, equipment or supplies, except books, the cost of which is estimated to be in excess of forty thousand dollars, shall be on a competitive basis. The board of directors shall establish a procedure for securing telephone and/or written quotations for such purchases. Whenever the estimated cost is from forty thousand dollars up to seventy-five thousand dollars, the procedure shall require quotations from at least three different sources to be obtained in writing or by telephone, and recorded for public perusal. Whenever the estimated cost is in excess of seventy-five thousand dollars, the public bidding process provided in subsection (1) of this section shall be followed.

(5) The contract for the work or purchase shall be awarded to the lowest responsible bidder as defined in RCW 43.19.1911 but the board may by resolution reject any and all bids and make further calls for bids in the same manner as the original call. On any work or purchase the board shall provide bidding information to any qualified bidder or the bidder's agent, requesting it in person.

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

The auditee shall:

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

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

Title 7, Code of Federal Regulations, Section 3016.36 – Procurement, states in part:

b) Procurement standards.

(1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section . . .

(9) Grantees and subgrantees will maintain records sufficient to detail the significant history of a procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

(d) Methods of procurement to be followed.

(1) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the simplified acquisition threshold fixed at 41 U.S.C. 403(11) (currently set at \$100,000). If small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources . . .

(2) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm-fixed-price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price . . .

(3) Procurement by competitive proposals. The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed price or cost reimbursement type contract is awarded. It is

generally used when conditions are not appropriate for the use of sealed bids . . .

(4) Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source, or after solicitation of a number of sources, competition is determined inadequate

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.

SCHEDULE OF FEDERAL AUDIT FINDINGS AND QUESTIONED COSTS

Tukwila School District No. 406

King County

September 1, 2013 through August 31, 2014

2014-002 The District's internal controls were inadequate to ensure compliance with federal Special Education grant cluster requirements.

CFDA Number and Title:	84.027 and 84.173 Special Education Cluster
Federal Grantor Name:	US Department of Education
Federal Award/Contract Number:	NA
Pass-through Entity Name:	Office of Superintendent of Public Instruction
Pass-through Award/Contract Number:	0304844 and 0364841
Questioned Cost Amount:	\$0

Description of Condition

During fiscal year 2014 the District spent \$547,806 in Special Education program funds. The objective of the Special Education program ensure that all children with disabilities have available to them a free appropriate public education which emphasizes special education and related services designed to meet their unique needs; ensure that the rights of children with disabilities and their parents or guardians are protected; assist States, localities, educational service agencies and Federal agencies to provide for the education of all children with disabilities; and assess and ensure the effectiveness of efforts to educate children with disabilities. Federal regulations require recipients of federal money to establish and follow internal controls to ensure compliance with program requirements. These controls include knowledge of grant requirements and monitoring of program controls.

We found the District did not adequately design or follow controls for the Special Education program to ensure compliance with the following requirements. The procurement controls have significant deficiencies.

Procurement:

Federal law and District policy requires the District to follow RCW 28A.335.190 and obtain formal bids for purchases exceeding \$75,000. For purchases not covered under state law, such as professional services, grantees must follow federal procurement regulations. Federal grant recipients are required to obtain price or rate quotations from an adequate number of qualified sources for purchases up to \$100,000 and formal bids for contracts exceeding \$100,000. A grantee may solicit services from only one vendor if it determines the services are available from a single source or if they determine competition is inadequate. Grantees must keep documentation to show how they reached this conclusion. We reviewed procurement for the largest three vendors and found the District paid \$307,746 of its grant funding for purchases of services. The District was unable to demonstrate that it complied with the procurement requirements for \$307,746 or 56% of the grant expenditures.

Cause of Condition:

The District experienced significant staff turnover in its Special Education program and Business Office during the 2013-2014 school year. The District did not ensure adequate documentation of program controls was retained, sufficient for the new personnel to describe them.

Effect of Condition and Questioned Costs**Procurement:**

Without adequate bid records, the District is unable to determine whether it has utilized federal funds in the most efficient manner. However, the products purchased are allowable under the federal program, and as a result, we are not questioning these costs.

Recommendation

- Provide training and guidance to staff to ensure they are knowledgeable of the grant requirements.
- Establish and follow internal controls that will ensure compliance with federal procurement requirements and District policies.

District's Response

The Business Office and Teaching and Learning Department have worked closely to institute processes and procedures to properly document sole source procurement requirements. As noted in the finding, the District has experienced significant turnover in previous periods and now has consistency in key positions.

Administration is committed to ensuring compliance and has provided federal procurement training to staff, created resources documentation, and instituted internal control mechanisms into the purchasing process. Purchases involving the sole source exception will not be allowed without proper documentation and authorization from the Business Office.

Auditor's Remarks

We thank the District for its cooperation and assistance during the audit and acknowledge its commitment to improvements. We will review the status of this issue during our next audit.

Applicable Laws and Regulations

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

The auditee shall:

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

Title 7, Code of Federal Regulations, Section 3016.36 – Procurement, states in part:

b) Procurement standards.

(1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section . . .

(9) Grantees and subgrantees will maintain records sufficient to detail the significant history of a procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

(d) Methods of procurement to be followed.

(1) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the simplified acquisition threshold fixed at 41 U.S.C. 403(11) (currently set at \$100,000). If small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources . . .

(2) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm-fixed-price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price . . .

(3) Procurement by competitive proposals. The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed price or cost reimbursement type contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids . . .

(4) Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source, or after solicitation of a number of sources, competition is determined inadequate

STATUS OF PRIOR FEDERAL AUDIT FINDINGS

This schedule presents the status of federal findings reported in prior audit periods. The status listed below is the representation of Tukwila School District No. 406. The State Auditor's Office has reviewed the status as presented by the District.

Audit Period: September 1, 2012 through August 31, 2013	Report Ref. No: 1011965	Finding Ref. No: 1	CFDA Number(s): 84.010
Federal Program Name and Granting Agency: Title I Grants to Local Educational Agencies, U.S. Department of Education		Pass-Through Agency Name: Office of the Superintendent of Public Instruction	
Finding Caption: The District’s internal controls were inadequate to ensure compliance with federal Title I requirements.			
Background: During fiscal year 2013, the District spent \$1,217,131 in Title I program funds. We found the District did not adequately design or follow controls for the Title I program to ensure compliance with the following requirements. <u>Allowable Costs/Cost Principles – Time and Effort</u> We reviewed payroll transactions to determine whether salaries and benefits charged to the grant were supported by adequate time and effort documentation as required by federal regulations. We reviewed time and effort documentation for 23 of the 89 employees charged to the grant and found that the District was unable to provide time and effort documentation for seven employees for which the grant was charged \$39,837. <u>Procurement</u> We reviewed procurement for the largest three vendors and found the District paid \$222,489 of its grant funding for purchases and services. The District was unable to demonstrate that it complied with the procurement requirements. <u>Special Tests and Provisions – Comparability</u> The No Child Left Behind Act of 2001 requires a school district, which receives Title I, Part A funds to use state and local funds to provide services in Title I, Part A schools that are at least comparable to the services provided in schools that are not receiving Title I, Part A funds. If a			

district serves all of its schools with Title I, Part A funds, it must use state and local funds to provide services that are substantially comparable in each Title I, Part A school.

During our audit, the District was unable to demonstrate a process in place during the 2012-2013 fiscal year to ensure that it complied with comparability requirements. Further, the District was unable to provide documentation to support the data submitted in the comparability report.

Status of Corrective Action: (check one)

<input type="checkbox"/> Fully Corrected	<input checked="" type="checkbox"/> Partially Corrected	<input type="checkbox"/> No Corrective Action Taken	<input type="checkbox"/> Finding is considered no longer valid
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Corrective Action Taken:

Time and Effort:

In order to correct time and effort, Teaching and Learning had several meetings with the Business Office to verify data and forms to be used for the year. All of the school year forms were produced by the Teaching and Learning office for the Title I, and the business office made sure all the forms were signed at kept copies. For Summer School we were under the belief that time sheets were sufficient to account for time and effort. We will be working closely with the business office to ensure that our procedures are aligned.

Procurement:

In order to tighten our controls on procurement, all office managers who create Purchase Orders was given a Title I binder where the rules for purchasing were clearly outlined. There have been several trainings with the office managers since the beginning of the year to assist them with understanding the guidelines of allowable use of Federal Funds. Purchases over \$75,000 need to be pre-approved by the business office, and either a sole provider or bid process will need to be followed. The Teaching and Learning program directors were provided a budget management guidance/procedures document. The document outlines procurement procedures, as well as other budget management guidance. Program directors were asked to sign the document acknowledging their receipt and acceptance of fiscal responsibility (which includes educating their respective staff).

Comparability:

Comparability was completed by the Teaching and Learning office. Since we only have one middle and high school, the only comparability was based on the three Elementary schools. Information was input by Staffing FTE and number of students based on the October 1st count day.

**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**

**Tukwila School District No. 406
King County
September 1, 2013 through August 31, 2014**

Board of Directors
Tukwila School District No. 406
Tukwila, 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 Tukwila School District No. 406, 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 20, 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.



JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

May 20, 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**

**Tukwila School District No. 406
King County
September 1, 2013 through August 31, 2014**

Board of Directors
Tukwila School District No. 406
Tukwila, Washington

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

We have audited the compliance of Tukwila School District No. 406, 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 instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Findings 2014-001 and 2014-002. We also noted certain matters that we will report to the management of the District in a separate letter dated May 22, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 2014-002 to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 2014-001 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 22, 2015.

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, reading "Jan M. Jutte". The signature is fluid and cursive, with the first name "Jan" and last name "Jutte" clearly visible.

JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

May 20, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Tukwila School District No. 406 **King County** **September 1, 2013 through August 31, 2014**

Board of Directors
Tukwila School District No. 406
Tukwila, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Tukwila School District No. 406, 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 27.

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 Tukwila School District No. 406, 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



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

May 20, 2015

FINANCIAL SECTION

Tukwila School District No. 406
King County
September 1, 2013 through August 31, 2014

FINANCIAL STATEMENTS

Balance Sheet – Governmental Funds – 2014
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
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SUPPLEMENTARY AND OTHER INFORMATION

Schedules of Long-Term Liabilities – 2014
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REPORT F196
E.S.D. 121
COUNTY: 17 King
Tukwila School District No. 406
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	6,598,516.09	148,399.02	4,749,730.75	1,153,650.86	216,508.00	0.00	12,866,804.72
Minus Warrants Outstanding	-1,023,386.24	-1,527.27	0.00	-64,124.42	0.00	0.00	-1,089,037.93
Taxes Receivable	4,942,270.48		2,581,835.04	439,141.36	0.00		7,963,246.88
Due From Other Funds	0.00	0.00	0.00	124,627.00	0.00	0.00	124,627.00
Due From Other Governmental Units	441,266.37	0.00	0.00	381,440.70	0.00	0.00	822,707.07
Accounts Receivable	228,827.65	0.00	0.00	0.00	0.00	0.00	228,827.65
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	2,634.02	0.00					2,634.02
Prepaid Items	0.00	0.00		0.00	0.00	0.00	0.00
Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investments/Cash With Trustee	0.00		0.00	0.00	0.00	0.00	0.00
Investments-Deferred Compensation	0.00		0.00	0.00			0.00
Self-Insurance Security Deposit	0.00						0.00
TOTAL ASSETS	11,190,128.37	146,871.75	7,331,565.79	2,034,735.50	216,508.00	0.00	20,919,809.41
LIABILITIES:							
Accounts Payable	694,740.10	13,974.74	0.00	7,884.00	0.00	0.00	716,598.84
Contracts Payable Current	0.00	0.00		0.00	0.00	0.00	0.00
Accrued Interest Payable			0.00				0.00
Accrued Salaries	107,282.66	0.00		0.00			107,282.66
Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00
Payroll Deductions and Taxes Payable	51,101.47	0.00		0.00			51,101.47
Due To Other Governmental Units	387.53	0.00		0.00	0.00	0.00	387.53
Deferred Compensation Payable	0.00			0.00			0.00
Estimated Employee Benefits Payable	106,164.24						106,164.24
Due To Other Funds	124,443.06	183.94	0.00	0.00	0.00	0.00	124,627.00

REPORT F196 Tukwila School District No. 406

E.S.D. 121 Balance Sheet

COUNTY: 17 King Governmental Funds

August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
LIABILITIES:							
Interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	0.00	0.00		0.00			0.00
Unearned Revenue	0.00	0.00	0.00	0.00	0.00		0.00
Matured Bonds Payable			0.00				0.00
Matured Bond Interest Payable			0.00				0.00
Arbitrage Rebate Payable	0.00		0.00	0.00	0.00		0.00
TOTAL LIABILITIES	1,084,119.06	14,158.68	0.00	7,884.00	0.00	0.00	1,106,161.74
DEFERRED INFLOWS OF RESOURCES:							
Unavailable Revenue	226,663.70		0.00	0.00	0.00		232,120.37
Unavailable Revenue - Taxes Receivable	4,942,270.48	5,456.67	2,581,835.04	439,141.36	0.00		7,963,246.88
TOTAL DEFERRED INFLOWS OF RESOURCES	5,168,934.18	5,456.67	2,581,835.04	439,141.36	0.00	0.00	8,195,367.25
FUND BALANCE:							
Nonspendable Fund Balance	2,634.02	0.00	0.00	0.00	0.00	0.00	2,634.02
Restricted Fund Balance	767,151.37	127,256.40	4,749,730.75	0.00	216,508.00	0.00	5,860,646.52
Committed Fund Balance	2,225,847.30	0.00	0.00	923,283.44	0.00	0.00	3,149,130.74
Assigned Fund Balance	660,604.14	0.00	0.00	664,426.70	0.00	0.00	1,325,030.84
Unassigned Fund Balance	1,280,838.30	0.00	0.00	0.00	0.00	0.00	1,280,838.30
TOTAL FUND BALANCE	4,937,075.13	127,256.40	4,749,730.75	1,587,710.14	216,508.00	0.00	11,618,280.42
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	11,190,128.37	146,871.75	7,331,565.79	2,034,735.50	216,508.00	0.00	20,919,809.41

REPORT F196

Tukwila School District No. 406

E.S.D. 121

Statement of Revenues, Expenditures, and Changes in Fund Balance

COUNTY: 17 King

Governmental Funds

For the Year Ended August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
REVENUES:							
Local	10,463,333.67	94,452.56	5,109,439.04	1,065,845.21	720.31		16,733,790.79
State	20,543,615.22		0.00	0.00	60,039.93		20,603,655.15
Federal	4,308,471.38		0.00	381,440.70	0.00		4,689,912.08
Federal Stimulus	23,707.04						23,707.04
Other	136,488.50			0.00	0.00	0.00	136,488.50
TOTAL REVENUES	35,475,615.81	94,452.56	5,109,439.04	1,447,285.91	60,760.24	0.00	42,187,553.56
EXPENDITURES:							
CURRENT:							
Regular Instruction	17,111,860.91						17,111,860.91
Federal Stimulus	279,011.82						279,011.82
Special Education	3,043,686.06						3,043,686.06
Vocational Education	429,384.30						429,384.30
Skill Center	0.00						0.00
Compensatory Programs	4,687,451.21						4,687,451.21
Other Instructional Programs	153,414.90						153,414.90
Community Services	126,359.15						126,359.15
Support Services	8,647,151.38						8,647,151.38
Student Activities/Other		115,028.26				0.00	115,028.26
CAPITAL OUTLAY:							
Sites				489,537.73			489,537.73
Building				671,201.04			671,201.04
Equipment				991,258.12			991,258.12
Instructional Technology				0.00			0.00
Energy				0.00			0.00
Transportation Equipment					0.00		0.00
Sales and Lease				0.00			0.00
Other	104,612.27						104,612.27
DEBT SERVICE:							
Principal	0.00		1,565,000.00	0.00	0.00		1,565,000.00
Interest and Other Charges	0.00		387,872.85	0.00	0.00		387,872.85
Bond/Levy Issuance				0.00	0.00		0.00
TOTAL EXPENDITURES	34,582,932.00	115,028.26	1,952,872.85	2,151,996.89	0.00	0.00	38,802,830.00

REPORT F196

Tukwila School District No. 406

E.S.D. 121

Statement of Revenues, Expenditures, and Changes in Fund Balance

COUNTY: 17 King

Governmental Funds

For the Year Ended August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
DEBT SERVICE:							
REVENUES OVER (UNDER) EXPENDITURES	892,683.81	-20,575.70	3,156,566.19	-704,710.98	60,760.24	0.00	3,384,723.56
OTHER FINANCING SOURCES (USES):							
Bond Sales & Refunding Bond Sales	0.00		0.00	0.00	0.00		0.00
Long-Term Financing	0.00			440,583.96	0.00		440,583.96
Transfers In	0.00		0.00	400,000.00	0.00		400,000.00
Transfers Out (GL 536)	-400,000.00		0.00	0.00	0.00	0.00	-400,000.00
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	0.00		0.00	0.00	0.00		0.00
TOTAL OTHER FINANCING SOURCES (USES)	-400,000.00		0.00	840,583.96	0.00	0.00	440,583.96
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	492,683.81	-20,575.70	3,156,566.19	135,872.98	60,760.24	0.00	3,825,307.52
BEGINNING TOTAL FUND BALANCE	4,444,391.32	147,832.10	1,593,164.56	1,451,837.16	155,747.76	0.00	7,792,972.90
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ENDING TOTAL FUND BALANCE	4,937,075.13	127,256.40	4,749,730.75	1,587,710.14	216,508.00	0.00	11,618,280.42

REPORT F196

E.S.D. 121

COUNTY: 17 King

Tukwila School District No. 406

Statement Of Fiduciary Net Position

Fiduciary Funds

August 31, 2014

ASSETS:	Private Purpose Trust	Other Trust
Imprest Cash	0.00	0.00
Cash On Hand	0.00	0.00
Cash On Deposit with Cty Treas	64,323.98	0.00
Minus Warrants Outstanding	-1,000.00	0.00
Due From Other Funds	0.00	0.00
Accounts Receivable	0.00	0.00
Accrued Interest Receivable	0.00	0.00
Investments	0.00	0.00
Investments/Cash With Trustee	0.00	0.00
Other Assets	0.00	
Capital Assets, Land Capital	0.00	
Assets, Buildings Capital	0.00	
Assets, Equipment Accum	0.00	0.00
Depreciation, Buildings Accum	0.00	
Depreciation, Equipment TOTAL	0.00	0.00
ASSETS	63,323.98	0.00
LIABILITIES:		
Accounts Payable	2,000.00	0.00
Due To Other Funds	0.00	0.00
TOTAL LIABILITIES	2,000.00	0.00
NET POSITION:		
Held in trust for:		
Restricted for Other Items	0.00	0.00
Restricted for Self Insurance		0.00
Restricted for Uninsured Risks		0.00
Nonspendable -- Trust Principal	0.00	0.00
Committed to Other Purposes	0.00	0.00
Held In Trust For Private Purposes	61,323.98	
Assigned to Fund Purposes	0.00	0.00
Held In Trust For Pension And Other Employee Benefits		0.00
Unassigned Fund Balance	0.00	0.00
TOTAL NET POSITION	61,323.98	0.00

REPORT F196
 E.S.D. 121
 COUNTY: 17 King
 Tukwila School District No. 406
 Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 For the Year Ended August 31, 2014

ADDITIONS:			
Contributions:			
Private Donations	1,004.27	Private Purpose Trust	Other Trust
Employer			0.00
Members			0.00
Other	0.00		0.00
TOTAL CONTRIBUTIONS	1,004.27		0.00
Investment Income:			
Net Appreciation (Depreciation) in Fair Value	0.00		0.00
Interest and Dividends	621.72		0.00
Less Investment Expenses	0.00		0.00
Net Investment Income	621.72		0.00
Other Additions:			
Rent or Lease Revenue	0.00		0.00
Total Other Additions	0.00		0.00
TOTAL ADDITIONS	1,625.99		0.00
DEDUCTIONS:			
Benefits			0.00
Refund of Contributions	0.00		0.00
Administrative Expenses	0.00		0.00
Scholarships	6,250.00		0.00
Other	514.64		0.00
TOTAL DEDUCTIONS	6,764.64		0.00
Net Increase (Decrease)	-5,138.65		0.00
Net Position--Beginning	66,462.63		0.00
Prior Year(s) Corrections or Restatements	0.00		0.00
NET POSITION--ENDING	61,323.98		0.00

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Tukwila School District (District) is a municipal corporation organized pursuant to Title 28A of the Revised Code of Washington (RCW) for the purposes of providing public school services to students in grades K–12. Oversight responsibility for the District's operations is vested with the independently elected board of directors. Management of the District is appointed by and is accountable to the board of directors. Fiscal responsibility, including budget authority and the power to set fees, levy property taxes, and issue debt consistent with provisions of state statutes, also rests with the board of directors.

The District presents governmental fund financial statements and related notes on the modified accrual basis of accounting in accordance with the *Accounting Manual for Public School Districts in the State of Washington*, issued jointly by the State Auditor's Office and the Superintendent of Public Instruction by the authority of RCW 43.09.200, RCW 28A.505.140, RCW 28A.505.010(1), and RCW 28A.505.020. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

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

Fund Accounting

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

Governmental Funds

General Fund

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

Capital Projects Funds

These funds account for financial resources that are to be used for the construction or acquisition of major capital assets. There are two funds that are considered to be of the capital projects fund type: the Capital Projects Fund and the Transportation Vehicle Fund.

Capital Projects Fund. This fund is used to account for resources set aside for the acquisition and construction of major capital assets such as land and buildings.

Transportation Vehicle Fund. This fund is used to account for the purchase, major repair, rebuilding, and debt service expenditures that relate to pupil transportation equipment.

Debt Service Fund

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

Special Revenue Fund

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

Permanent Funds

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

Fiduciary Funds

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

Private-Purpose Trust Fund

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

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.)

Effective for the 2013-2014 school year, the district implemented provisions of GASB Statement No. 65 Items Previously Reported as Assets and Liabilities. As a result, deferred property taxes were reclassified from liabilities to deferred inflows of resources.

Budgets

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

Budgets are adopted on the same modified accrual basis as used for financial reporting. Fund balance is budgeted as available resources and, under statute, may not be negative, unless the District enters into binding conditions with state oversight pursuant to RCW 28A.505.110.

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

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

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

The government's fund balance classifications policies and procedures.

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

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

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

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

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

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

The Superintendent and Assistant Superintendent of Finance and Operations 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.

Inventory

Inventory is valued at cost using the first-in, first-out (FIFO) 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 Treasurer is the *ex officio* treasurer for the District and holds all accounts of the District. The District directs the County Treasurer to invest those financial resources of the District that the District has determined are not needed to meet the current financial obligations of the District.

All of the District's investments (except for investments of deferred compensation plans) during the year and at year-end were insured or registered and held by the District or its agent in the District's name.

As of August 31, 2014, the district had the following investments:

Investment Type	Fair Value	Effective Duration
King County Investment Pool	\$12,932,905	1.34 Years

Impaired Investments

The majority of the amount remaining in the impaired pool is associated with VFNC Trust (Victoria). VFNC Trust continues to make monthly cash distributions. The monthly distribution for August totaled \$228,423.94. Including all receipts to date brings the cash recovery rate on the original Victoria investment to 73%. Monthly distributions will continue for as long as the underlying securities in the trust continue to pay, and we expect the monthly distributions to continue for at least 5 years.

We do not foresee distributing any realized losses until it is apparent that no further cash flows will be forthcoming. The market for this type of asset is illiquid and accurate pricing is difficult to obtain. Adding the cash recoveries through August to the month-end dealer price (55.5) for the VFNC Trust security results in an estimated recovery rate to senior investors of about 90%, but the actual recovery rate will depend on the size and duration of the future monthly cash distributions from VFNC Trust. At the time of Victoria's restructuring the County's financial advisory estimated that by participating in the exchange offer that the overall recovery rate could be between 50 to 76 percent, and potentially higher.

The County settled all lawsuits involving the securities held in the impaired pool, and all the parties involved in these lawsuits have reached a mutually acceptable resolution by way of a negotiated settlement that will avoid protracted litigation, there was no admission of liability, and all sides are satisfied with this resolution

The King County Executive Finance Committee approved bifurcation of the investment pool as of September 1, 2008. This separated the impaired investments into their own pool distinct pool from the main pool of performing investments. The reasons for bifurcating the pool were to: (1) ensure the yield on the performing assets is not negatively impacted by the impaired investments; (2) enhance transparency about the value of the performing pool and the impaired pool; (3) ease the implementation of the restructuring processes for the impaired investments; and (4) expedite the restoration of the Standard & Poor's rating for the performing pool. Within the impaired pool, future "tail" payments from Cheyne, Rhinebridge and Mainsail are still possible. When we determine that no further payments are probable, any remaining unrealized losses will be distributed.

NOTE 3: SIGNIFICANT CONTINGENT LIABILITIES

Litigation

According to legal counsel, there are no claims believed to pose a material risk of loss or judgment against the District.

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

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

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:

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

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

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

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

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

Plan 3 under the TRS and SERS programs are defined benefit, defined contribution pension plans whose members joined on or after July 1, 1996, or September 1, 2000, for TRS and SERS, respectively. Members are eligible to retire with full benefits at age 65, or they may retire at age 55 with at least ten service years with a reduced benefit amount, or they may retire at age 55 with at least 30 service years and receive either a reduced benefit or stricter return-to-work rules.

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

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

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

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

B. Contributions

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

Plan 1 TRS	6.00%	Plan 1 PERS	6.00%
Plan 2 TRS	4.96%	Plan 2 SERS	4.64%
Plan 3 TRS and SERS	5.00% (minimum), 15.00% (maximum)		

For Plan 3 TRS and SERS, rates adjusted based upon age may be chosen. The optional rates range begins at 5 percent and increase to a maximum of 15 percent.

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

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

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

<u>Plan</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>
Plan 1 TRS	\$ 60,981	\$ 44,689	\$ 44,102
Plan 2 TRS	\$172,270	\$181,865	\$ 312,780
Plan 3 TRS	\$796,025	\$792,072	\$1,073,235
Plan 1 PERS	\$ 2,799	\$ 2,881	\$ 3,765
Plan 2 SERS	\$143,758	\$168,067	\$ 291,745
Plan 3 SERS	\$171,082	\$163,135	\$ 216,143

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).

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

According to state law, the Washington State Treasurer collects a fee from all school district entities which have employees that are not current active members of the state Health Care Authority but participate in the state retirement system. The purpose of this fee is to cover the impact of the subsidized rate of health care benefits for school retirees that elect to purchase their health care benefits through the state Health Care Authority. For the fiscal year 2013-14, the District was required to pay the HCA \$66.64 per month per full-time equivalent employee to support the program, for a total payment of \$244,949. This assessment to the District is set forth in the State's operating budget and is subject to change on an annual basis. This amount is not actuarially determined and is not placed in a trust to pay the obligations for post-employment health care benefits.

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

NOTE 7: COMMITMENTS UNDER NONCAPITALIZED (OPERATING) LEASES

The District has no lease payments as of August 31, 2014.

NOTE 8: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS, INCLUDING ENCUMBRANCES, IF APPROPRIATE

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	\$304,238
Capital Projects Fund	\$699,344

NOTE 9: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The District's capital assets are insured in the amount of \$67,832,623 for fiscal year 2013-14. In the opinion of the District's insurance consultant, the amount is sufficient to adequately fund replacement of the District's assets.

Lessor operating lease disclosures are as follows:

Tukwila School District leases the parcel of property that the pool resides on to Tukwila Pool Metropolitan Park District. Tukwila Pool Metropolitan Park District is the sole owner of the pool and shall retain ownership of the pool throughout the duration of the lease.

Lease Years	Fiscal Years	Annual Rent
Years 1 – 5	2011 – 2015	\$10,950.00
Years 6 – 10	2016 – 2020	\$11,497.50
Years 11 – 15	2021 – 2025	\$12,072.38
Years 16 – 20	2026 – 2030	\$12,675.99

NOTE 10: REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES

Long-Term Debt

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

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
UTGO Ref. 2004	\$ 20,790,000	50,000-5,160,000	12/1/2014	2.5%-5.0%	\$ 4,540,000
UTGO Ref. 2012	\$ 16,310,000	600,000-5,145,000	12/1/2017	0.4%-1.2%	\$ 15,710,000
Total	\$ 37,100,000				\$ 20,250,000

The following is a summary of general obligation long-term debt transactions of the District for the fiscal year(s) ended August 31, 2014:

Long-Term Debt Payable at 9/1/2013	\$21,815,000
New Issues	
Debt Retired	\$ 1,565,000
Long-Term Debt Payable at 8/31/2014	\$20,250,000

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

Years Ending August 31	Principal	Interest	Total
2015	4,925,000	251,930	5,176,930
2016	5,180,000	122,249	5,302,249
2017	5,000,000	84,392	5,084,392
2018	5,145,000	30,921	5,175,921
Total	20,250,000	489,492	20,739,492

At August 31, 2014, the District had \$4,749,731 available in the Debt Service Fund to service the general obligation bonds.

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, \$14,770,000 of bonds outstanding were considered defeased.

NOTE 11: INTERFUND BALANCES AND TRANSFERS

The District has no prior-year interfund loan activity during the period.

NOTE 12: ENTITY RISK MANAGEMENT ACTIVITIES

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

The District is a member of the Washington Schools Risk Management Pool (Pool). Chapter 48.52 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 the 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 affairs of the Pool.

Workers' Compensation

The District is exposed to risk of loss related to injuries to employees. In order to obtain workers' compensation insurance economically, the district joined the Puget Sound Workers' Compensation Trust in April 1984. The Trust pools workers' compensation risk for the school districts, which are members. The District pays a monthly premium to the Trust, which varies with hours worked for the month. The agreement for formation of the Trust provides that the Trust will be self-sustaining through member premiums and investment earnings. An independent actuary performs a study twice a year to determine the Trust's remaining liability for claims.

The trust does purchase reinsurance through a commercial company in accordance to state law.

The Puget Sound Workers' Compensation Trust's annual financial statements are included in the Puget Sound Education Service District's annual financial statements. These statements can be obtained by writing to:

Joseph Tyo
Executive Director
Puget Sound Workers' Compensation Trust
800 Oakesdale Ave. SW
Renton, WA 98055
Phone, 425-917-7670

For fiscal year ending the district made payments totaling \$245,014 to the industrial insurance pool administered by Puget Sound Educational Service District No. 121.

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

Unemployment Pool

In 1978 Puget Sound Unemployment Pool was established through a cooperative agreement between King County School Districts for the purpose of operating as a common self-funded unemployment insurance program. The district pays an annual premium to the pool to cover the cost unemployment insurance. The agreement for formation of the Puget Sound Unemployment Pool provides that the pool be self-sustaining through member premiums.

As of August 31, 2014, \$253,481 reserved in the General Fund for payment of future unemployment claims.

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 Director's Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. The District's current equity of \$52,781 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	\$2,634				
Restricted Fund Balance					
Carryover of Restricted Revenues	\$124,555				
Debt Service	\$440,584				
Arbitrage Rebate					
Uninsured Risks					
Other Items	\$202,012	\$127,256		\$4,749,731	\$216,508
Committed Fund Balance					
Minimum Fund Balance Policy	\$2,225,847				
Other Commitments			\$923,283		
Assigned Fund Balance					
Contingencies					
Other Capital Projects					
Other Purposes	\$660,604				
Fund Purposes			\$282,986		
Unassigned Fund Balance	\$1,280,838				

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

Committed from Levy Proceeds	\$923,283
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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 an unreserved, undesignated fund balance at least equal to 6 percent of the district's budgeted general fund expenditures. Portions of fund balance that are set aside for the purpose of meeting this policy are recorded on the financial statements as a part of Committed fund balance.

NOTE 16: POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS—BOTH IN SEPARATELY ISSUED PLAN FINANCIAL STATEMENTS AND EMPLOYER STATEMENTS

457 Plan – Deferred Compensation Plan

District employees have the option of participating in a deferred compensation plan as defined in §457 of the Internal Revenue Code that is administered by the state deferred compensation plan, or the District.

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

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

The District complies with IRS regulations that require school districts to have a written plan to include participating investment companies, types of investments, loans, transfers, and various requirements. The plan is administered by a 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/vesting method.

REPORT F196
E.S.D. 121
COUNTY: 17 King
Tukwila School District No. 406
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	583,257.01	45,401.43	0.00	628,658.44	142,382.96
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	583,257.01	45,401.43	0.00	628,658.44	142,382.96

REPORT F196
E.S.D. 121
COUNTY: 17 King
Tukwila School District No. 406
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	21,815,000.00	0.00	1,565,000.00	20,250,000.00	4,925,000.00
LOCAL Program Proceeds Issued in Lieu of Bonds	0.00	0.00	0.00	0.00	0.00
Non-Voted Debt					
Non-Voted Bonds	0.00	0.00	0.00	0.00	0.00
LOCAL Program Proceeds	0.00	0.00	0.00	0.00	0.00
Total Long-Term Liabilities	21,815,000.00	0.00	1,565,000.00	20,250,000.00	4,925,000.00

REPORT F196

Tukwila School District No. 406

E.S.D. 121

Schedule of Long-Term Liabilities: CAPITAL PROJECTS FUND

COUNTY: 17 King

For the Year Ended August 31, 2014

Description	Beginning Outstanding Debt September 1, 2013	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2014	Amount Due Within One Year
Non-Voted Debt and Liabilities					
Capital Leases	0.00	0.00	0.00	0.00	0.00
Contracts Payable	0.00	0.00	0.00	0.00	0.00
Claims & Judgements	0.00	0.00	0.00	0.00	0.00
Compensated Absences	0.00	0.00	0.00	0.00	0.00
Long-Term Notes	0.00	440,583.96	0.00	440,583.96	154,443.97
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	440,583.96	0.00	440,583.96	154,443.97

REPORT F196

Tukwila School District No. 406

E.S.D. 121

Schedule of Long-Term Liabilities: TRANSPORTATION VEHICLE FUND

COUNTY: 17 King

For the Year Ended August 31, 2014

Description	Beginning Outstanding Debt September 1, 2013	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2014	Amount Due Within One Year
Non-Voted Debt and Liabilities					
Capital Leases	0.00	0.00	0.00	0.00	0.00
Contracts Payable	0.00	0.00	0.00	0.00	0.00
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

Tukwila School District King County Schedule of Expenditure of Federal Awards For Fiscal Year Ending August 31, 2014									
Federal CFDA Number	Other ID Number	Federal Agency Name	Federal Program Title	Pass Thru Agency	Expenditures Pass Thru Awards	Direct Fund Amount	Total Funds Expended	Footnote	
10.555	N/A	Dept of Agriculture	USDA National School Lunch Program (NSLP) Cash Assistance Non-Cash Assistance (Commodities) Total	WA OSPI WA OSPI	\$ 1,242,657 \$ 77,764 \$ 1,320,421		\$ 1,242,657 \$ 77,764 \$ 1,320,421		3
10.582	N/A		Fresh Fruit and Vegetable Program	WA OSPI	\$ 51,184		\$ 51,184		
10.665	N/A		Schools & Roads - Grants to States	OFFICE OF STATE TREASURER	\$ 1,673		\$ 1,673		
Dept of Agriculture Subtotal					\$ 1,373,278	\$ -	\$ 1,373,278		
84.010	0201535/0228662	Dept of Education	Title 1 Grants to LEAs	WA OSPI	\$ 1,580,985		\$ 1,580,985		2, 4
84.027	0304844		Special Ed Cluster						
84.173	0364841		Special Ed - Grants to States Special Ed - Preschool Grants Total	WA OSPI WA OSPI	\$ 523,785 \$ 24,020 \$ 547,806		\$ 523,785 \$ 24,020 \$ 547,806		4 4 4
84.048	0173082		CTE - Basic Grants to States	WA OSPI	\$ 33,061		\$ 33,061		4
84.365	0401863		English Language Acquisition Grants	WA OSPI	\$ 234,988		\$ 234,988		4
84.367	0523369		Improving Teacher Quality State Grants	WA OSPI	\$ 100,680		\$ 100,680		4
84.416	0824410/8493/08277/08562/06469		Race to the Top - District Grants	PSESD	\$ 288,195		\$ 288,195		4
Dept of Education Subtotal					\$ 2,785,714	\$ -	\$ 2,785,714		
93.576	N/A	Dept. Health/Human Svcs.	Refugee & Entrant Assistance, Discretionary Grants	YWCA	\$ 73,584		\$ 73,584		
93.600	08628		Head Start	PSESD	\$ 226,369		\$ 226,369		
93.778	N/A		Medical Assistance Program	DSHS WA STATE	\$ 68,410		\$ 68,410		
Health/Human Services Dept Subtotal					\$ 368,363	\$ -	\$ 368,363		
Grand Totals					\$ 4,527,355	\$ -	\$ 4,527,355		

**Tukwila School District
King County
Notes to the Schedule of Expenditure of Federal Awards**

NOTE 1 – BASIS OF ACCOUNTING

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

NOTE 2 – SCHOOLWIDE PROGRAMS

The Tukwila School District operates a "schoolwide program" in three elementary buildings and one middle school. 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.

NOTE 3 – NON CASH AWARDS – FOOD COMMODITIES

The amount of commodities reported on the schedule is the value of commodities distributed by the Tukwila School District during the current year and priced as prescribed by the USDA.

NOTE 4 – FEDERAL INDIRECT RATE

The Tukwila School District claimed indirect costs under this grant using the allowable federal rate specific to the grant.

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

Tukwila School District No. 406

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 Tukwila School District No. 406.

Finding ref number: 2014-001	Finding caption: The District's internal controls were inadequate to ensure compliance with federal procurement requirements.
Name, address, and telephone of auditee contact person: Martin Turney, Assistant Superintendent of Finance and Operations Tukwila School District 4640 S. 144th Street Tukwila, WA 98168-4196	
Corrective action the auditee plans to take in response to the finding: <i>The Business Office and Teaching and Learning Department have worked closely to institute processes and procedures to properly document sole source procurement requirements. As noted in the finding, the District has experienced significant turnover in previous periods and now has consistency in key positions. Administration is committed to ensuring compliance and has provided federal procurement training to staff, created resources documentation, and instituted internal control mechanisms into the purchasing process. Purchases involving the sole source exception will not be allowed without proper documentation and authorization from the Business Office.</i>	
Anticipated date to complete the corrective action: Corrective Action Complete	

Finding ref number: 2014-002	Finding caption: The District's internal controls were inadequate to ensure compliance with federal Special Education grant cluster requirements.
Name, address, and telephone of auditee contact person: Martin Turney, Assistant Superintendent of Finance and Operations Tukwila School District 4640 S. 144th Street Tukwila, WA 98168-4196	

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

The Business Office and Teaching and Learning Department have worked closely to institute processes and procedures to properly document sole source procurement requirements. As noted in the finding, the District has experienced significant turnover in previous periods and now has consistency in key positions. Administration is committed to ensuring compliance and has provided federal procurement training to staff, created resources documentation, and instituted internal control mechanisms into the purchasing process. Purchases involving the sole source exception will not be allowed without proper documentation and authorization from the Business Office.

Anticipated date to complete the corrective action: Corrective Action Complete

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