

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

Auburn School District No. 408
King County

Audit Period
September 1, 2012 through August 31, 2013

Report No. 1011553

Issue Date
April 3, 2014



Washington State Auditor
Troy Kelley

Independence • Respect • Integrity



Washington State Auditor Troy Kelley

April 3, 2014

Board of Directors
Auburn School District No. 408
Auburn, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Auburn School District No. 408's financial statements and compliance with federal laws and regulations.

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

Sincerely,

TROY KELLEY
STATE AUDITOR

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King County
September 1, 2012 through August 31, 2013

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Federal Summary

Auburn School District No. 408 King County September 1, 2012 through August 31, 2013

The results of our audit of Auburn School District No. 408 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 of the governmental activities, each major fund and the aggregate remaining fund information.

Internal Control Over Financial Reporting:

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

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

FEDERAL AWARDS

Internal Control Over Major Programs:

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

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

We reported no 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:

CFDA No.	Program Title
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)
84.365	English Language Acquisition Grants
84.367	Improving Teacher Quality - Title II

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$378,642.

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

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*

**Auburn School District No. 408
King County
September 1, 2012 through August 31, 2013**

Board of Directors
Auburn School District No. 408
Auburn, 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 the governmental activities, each major fund and the aggregate remaining fund information of Auburn School District No. 408, King County, Washington, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 24, 2014. As discussed in Note 1 to the financial statements, during the year ended August 31, 2013, the District implemented Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and 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 opinions 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.

In addition, we noted certain matters that we have reported to the management of the District in a separate letter dated March 24, 2014.

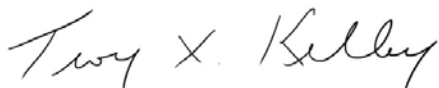
COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



TROY KELLEY
STATE AUDITOR

March 24, 2014

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

**Auburn School District No. 408
King County
September 1, 2012 through August 31, 2013**

Board of Directors
Auburn School District No. 408
Auburn, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Auburn School District No. 408, 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, 2013. 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, 2013.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

March 24, 2014

Independent Auditor's Report on Financial Statements

Auburn School District No. 408 King County September 1, 2012 through August 31, 2013

Board of Directors
Auburn School District No. 408
Auburn, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Auburn School District No. 408, King County, Washington, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 11.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 opinions 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 accounting

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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Auburn School District No. 408, as of August 31, 2013, and the respective 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, in 2013, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 12 through 23, budgetary comparison information on pages 55 through 56 and information on postemployment benefits other than pensions on page 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

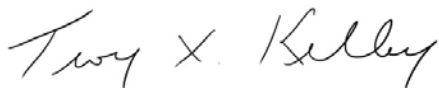
Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. 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*. This schedule is not a required part of the basic 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 basic financial

statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic 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 March 24, 2014 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 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.



TROY KELLEY
STATE AUDITOR

March 24, 2014

Financial Section

**Auburn School District No. 408
King County
September 1, 2012 through August 31, 2013**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2013

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2013

Statement of Activities – 2013

Balance Sheet – Governmental Funds – 2013

Reconciliation – Balance Sheet with the Statement of Net Position – 2013

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental
Funds – 2013

Reconciliation – Statement of Revenues, Expenditures and Changes in Fund Balance –
Statement of Activities – 2013

Statement of Fiduciary Net Position – Fiduciary Funds – 2013

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2013

Notes to Financial Statements – 2013

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – General Fund – 2013

Budgetary Comparison Schedule – Special Revenue Fund (Associated Student Body
Fund) – 2013

Actuarial Valuation of Post Employment Benefits Other Than Pensions – 2013

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2013

Notes to the Schedule of Expenditures of Federal Awards – 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Auburn School District No. 408, we offer readers of the district's comprehensive annual financial report (CAFR) this narrative overview and analysis of the financial activities of the district for the fiscal year ended August 31, 2013.

FINANCIAL HIGHLIGHTS

- The district's net position of governmental activities as of August 31, 2013 was \$211,748,822.
- During the year, the district had revenues that were \$10.2 million greater than the \$156.4 million in expenses incurred for all governmental activities, resulting in a corresponding increase in the district's net position.
- The general fund expenditures exceeded revenues by \$88 thousand.
- District taxpayers approved a \$110 million Auburn High School Modernization and Reconstruction Bond on November 6, 2012. The money will be used to reconstruct aging Auburn High School including facility upgrades to address educational program needs. The project will also incorporate safety and energy improvements that will save the district \$250,000 in annual maintenance and operations costs. In addition, funds will be used to modernize the Auburn High School's Performing Arts Center and Automotive Technology buildings. The project is eligible for \$30.6 million in State matching funds.
- On January 8, 2013, the district sold \$78,855,000 in unlimited tax general obligation and refunding bonds at a premium of \$8,880,051. The new money portion of the bonds, in the amount of \$65 million, represented the first series of bonds issued under the \$110 million bond authorization described above. The balance of the sale advance refunded \$20 million of the 2005 bonds. The total net savings for the refunding had a net present value of \$2,601,687.
- On February 7, 2014, the district completed the sale of \$43,555,000 in unlimited tax general obligation and refunding bonds at a premium of \$5,244,996. The new money portion of the bonds of \$45 million was the second and last series of bonds issued under the \$100 million Auburn High School Modernization and Reconstruction Bond Issue described above. The balance of the sale advance refunded \$3,390,000 of the 2004 bonds. The total net savings for the refunding had a net present value of \$232,681.
- On February 11, 2014, Auburn voters approved a \$22 million technology replacement levy. The technology levy is a six-year levy and replaces the 2005 technology. The projected tax rate will remain approximately level at \$6.60 per thousand of assessed valuation. It provides funding to implement recommendations from the 2013 Technology Citizens Ad Hoc Committee. The technology recommendations include:
 - Providing 24/7 access to electronic resources for students, parents and teachers that allow for differentiation of learning, programs and support
 - Providing 1:1 student digital devices like computer tablets
 - Wireless access in all buildings
 - A robust broadband infrastructure to support varied learning structures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts: an introductory section, a financial section, and a statistical section. The financial section includes the independent auditor's report, management's discussion and analysis, the basic financial statements and related notes to the financial statements.

The basic financial statements consist of a series of statements that present different financial views of the district:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the district's overall financial status and activities. For district activities, these statements tell how these services were financed in the short term as well as what remains for future spending.
- All of the remaining statements are *fund financial statements* that report district operations in more detail by providing information about the district's most significant funds. Information is also provided about activities for which the district acts solely as a trustee for the benefit of those outside of the government.

DISTRICT-WIDE FINANCIAL STATEMENTS

The district-wide financial statements are designed to provide a broad overview of district finances, similar to a private-sector business. The *statement of net position* presents information on all of the assets and liabilities of the district. The difference between the two is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the district's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying financial event takes place, regardless of when the cash is actually received or disbursed. Thus, revenues and expenses are reported in this statement for some items that will result in cash receipts or disbursements in future fiscal periods. Earned but unused vacation leave and uncollected taxes are examples of these types of items.

FUND FINANCIAL STATEMENTS

A fund is a group of related accounts used to maintain control over resources segregated for specific activities or objectives. The district uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All district funds can be divided into two categories: governmental funds and fiduciary funds.

GOVERNMENTAL FUNDS

Governmental funds account for essentially the same functions reported as governmental activities in the *district-wide financial statements*. However, unlike these statements, *governmental fund financial statements* focus on how money flows into and out of the funds and the balances left at year-end that are available to spend. These funds use an accounting method called *modified accrual accounting* which measures cash and all other financial assets that can easily be converted to cash. Such information may be useful in evaluating the district's ability to finance the district's educational programs and support operations in the near future.

Because the focus of governmental funds is narrower than that of the district-wide financial

statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the *district-wide financial statements*. By doing so, readers may better understand the long-term impact of the district's near-term financing decisions. Both the governmental fund *balance sheet* and the governmental fund *statement of revenues, expenditures, and changes in fund balances* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the *governmental fund statement of revenues, expenditures and changes in fund balance* for the General Fund, Associated Student Body (ASB) Fund, Capital Projects Fund, Transportation Vehicle Fund and the Debt Service Fund, all of which are considered major funds.

FIDUCIARY FUNDS

The district is the trustee or fiduciary, for individuals, private organizations and other governments for scholarships and to employees for an employee benefit trust for vision services. All of the district's fiduciary activities are reported in a separate *statement of fiduciary net position and changes in fiduciary net position* under the fiduciary financial statement section. These activities are excluded from the district's other financial statements because the district cannot use these assets to finance its operations. The district is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

STATEMENT OF NET POSITION

Net position may serve as a useful indicator of the district's financial health. Auburn School District's assets exceeded liabilities by \$211,748,822 at the end of the fiscal year, August 31, 2013.

Approximately 46% of net position or \$98 million is the investment in capital assets such as land, buildings and equipment less any related outstanding debt used to acquire those assets. Another 28.5 % of net position or \$60 million is restricted primarily for the construction or modernization of Auburn High School. Committed funds of \$11 million are for the improvement of district facilities and technology upgrades provided by six year capital and technology special levies. Almost all of the assigned funds of \$15 million are earmarked for capital projects from unrestricted funds. The district continues to modernize various schools to meet student needs. These assets are not available for the general operations and maintenance of district educational programs.

The increase in total net position for the year was \$10,159,388. Key elements of this increase are as follows:

Auburn School District's Net Position August 31, 2013 and 2012			
	Governmental Activities		
	2013	2012	Change
Current and other assets	\$ 133,912,252	\$ 73,566,857	\$ 60,345,395
Capital assets	255,403,345	235,859,457	19,543,888
Total assets	389,315,597	309,426,314	79,889,283
Deferred charges on refunding	5,486,845	-	5,486,845
Total deferred outflows of resources	5,486,845	-	5,486,845
Other liabilities	11,334,187	6,117,423	5,216,764
Long-term debt outstanding	171,719,433	101,719,457	69,999,976
Total liabilities	183,053,620	107,836,880	75,216,740
Net Position			-
Net investment in capital assets	98,111,436	146,736,281	(48,624,845)
Nonspendable fund balance - inventories	608,494	639,162	(30,668)
Restricted	60,271,048	6,039,575	54,231,473
Committed	11,440,578	9,234,376	2,206,202
Assigned	15,178,307	15,670,827	(492,520)
Unrestricted	26,138,959	23,269,213	2,869,746
Total Net Position	\$ 211,748,822	\$ 201,589,434	\$ 10,159,388

STATEMENT OF ACTIVITIES

Governmental activities improved the district's overall financial position, increasing the district's net position by \$10,159,388. Key elements of the increase are as follows:

AUBURN SCHOOL DISTRICT'S Changes in Net Position Governmental Activities For the Fiscal Years Ended August 31, 2013 and 2012			
<u>Revenues</u>	2013	2012	Changes
Program Revenues			
Charges for services	\$ 5,360,933	\$ 5,403,153	\$ (42,220)
Operating grants and contributions	29,228,342	28,342,502	885,840
Capital grants and contributions	3,285,049	3,204,811	80,238
General revenues			
Property taxes for levies for educational programs	30,035,083	29,863,934	171,149
Property taxes for levies for debt service	21,088,854	7,750,422	13,338,432
Property taxes for levies for capital improvements and technology	-	10,158,388	(10,158,388)
Unallocated state apportionment and other	77,097,942	74,884,134	2,213,808
Interest and investment earnings	453,034	288,206	164,828
Total Revenues	166,549,237	159,895,550	6,653,687
<u>Expenses</u>			
Regular instruction	85,613,739	85,774,558	(160,819)
Special instruction	18,024,523	17,423,833	600,690
Vocational instruction	6,096,345	5,855,583	240,762
Compensatory education	8,459,882	8,267,625	192,257
Other instructional programs	1,120,919	1,075,753	45,166
Community services	914,699	916,705	(2,006)
Support services	17,048,706	16,454,457	594,249
Child nutrition services	5,380,045	5,114,428	265,617
Pupil transportation services	6,365,436	6,527,948	(162,512)
Extracurricular activities (ASB)	2,320,959	2,198,599	122,360
Interest on long-term debt	4,405,019	3,528,817	876,202
Bond issuance costs	639,577	-	639,577
Total Expenses	156,389,849	153,138,306	3,251,543
Increase (decrease) in Net Position	10,159,388	6,757,244	3,402,144
Beginning Net Position	201,589,434	194,832,190	6,757,244
Ending Net Position	\$ 211,748,822	\$ 201,589,434	\$ 10,159,388

The largest revenue increase of \$13.3 million was for property taxes levied to meet the increased principal and interest requirements for the \$78.8 million January bond issue. The debt service levy for calendar year 2013 was \$16,809,000 compared to the 2012 levy of \$8 million and the

2011 levy of \$8 million. The differences between the calendar levy year and the district accounting fiscal year as well as the differences between accrual and cash basis accounting generated the increase in property tax revenue for debt service. The new bond issue was also the cause of the increase of \$876,202 in interest and \$387,347 of the bond issuance costs. In addition, the district also expensed all prior year deferred bond issuance costs of \$252,230 in accordance with the change in accounting treatment required by the Governmental Accounting Standards Board (GASB) Pronouncement Number 65.

The largest revenue decrease of slightly over \$10 million for levies for capital improvements and technology was the result of the decrease in levy amount. As already indicated, the district is seeking voter approval to replace the technology levy with one for \$22 million that will be collected over six years. The capital projects levy for calendar year 2013 was \$3.9 million compared to the 2012 levy of \$11.7 million and the 2011 levy of \$13.9 million. As was the case for the debt service levies, the differences between the calendar levy year and the district fiscal year as well as the differences between accrual and cash basis accounting account for the lack of accrual revenue for fiscal 2013.

State allocations of revenue increased over \$2.2 million for the fiscal year due to an increase in student enrollment. Operating grants and contributions increased by \$885,840. Approximately half of the increase was due to safety net funds from the state to offset the above average costs of some special needs students. The balance of the increase was due to the increased participation in the USDA free and reduced breakfast and lunch programs.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The focus of the district's *governmental funds* is to provide information on short-term cash inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's net resources available for spending at the end of the fiscal year.

As the district completed the fiscal year, its governmental funds (as presented in the balance sheets in the Governmental Fund Financial Statement section) reported a combined fund balance of \$93,468,852, an increase of \$55,357,138 over the prior year combined fund balance of \$38,111,714. This change is primarily the result of the January bond sale of \$78,855,000 which increased cash at fiscal year in the capital projects fund by over \$54 million and in the debt service fund by almost \$6 million.

GENERAL FUND

The General Fund is the major operating fund of the district, providing the majority of the resources for educational programs and support operations.

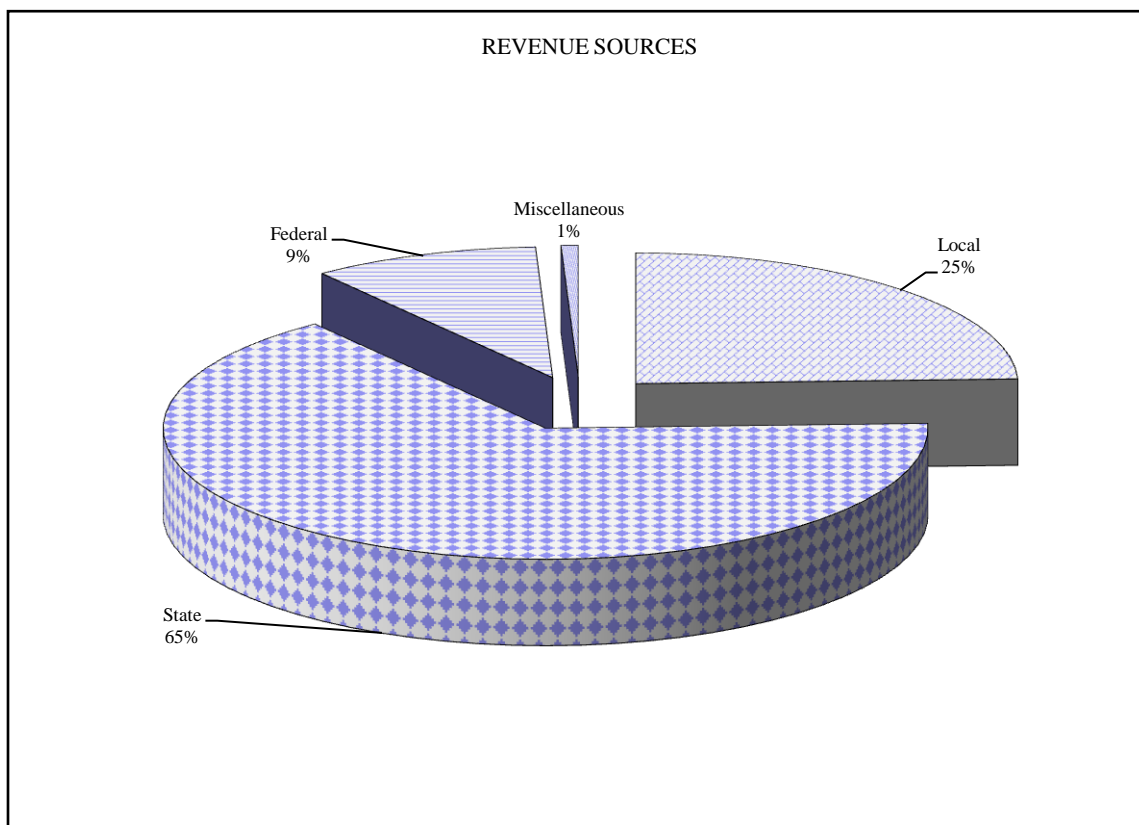
GENERAL FUND REVENUES

Revenues for the General Fund totaled \$139,916,193 in the fiscal year ending August 31, 2013. This was \$4,110,507 or 3.03% more than the prior year. The State of Washington provides over 65% or the largest portion of the District's revenue. Local revenues from local property taxes, and local fees and charges account for over 25% of total revenues. Federal grants provide just over 9% of revenue.

GENERAL FUND REVENUES

<u>Revenue Source</u>	2012-13	2011-12	Increase (Decrease) Amount	Increase (Decrease) Percent
Local Taxes & Non-taxes	\$ 35,347,175	\$ 33,160,352	\$ 2,186,823	6.59%
State Revenues	91,079,053	88,627,797	2,451,256	2.77%
Federal Revenues	12,847,767	13,042,232	(194,465)	-1.49%
Other Revenues	642,198	975,305	(333,107)	-34.15%
Totals	<u>\$ 139,916,193</u>	<u>\$ 135,805,686</u>	<u>\$ 4,110,507</u>	3.03%

The increase of \$2,186,823 in local taxes and other local sources was primarily due to the increase in the special property tax levies approved by the voters. Calendar year 2013 levy was \$30,850,222 compared to the 2012 levy of \$30,317,828 and the 2011 levy of \$29,400,000. State revenue grew by \$2,451,256 compared to the prior year primarily due to increased enrollment. Federal revenues decreased slightly by \$194,465 primarily due to the expiration of the American Recovery and Reinvestment Act (ARRA) federal stimulus grants. Other revenues decreased by \$333,107 due to decreased reimbursement from Dieringer School district for fewer Dieringer high school students attending district high schools.



GENERAL FUND EXPENDITURES

Expenditures in the General Fund totaled \$140,007,694 for the fiscal year. This represents an increase of \$2,917,973 or 2.13% over the prior year.

<u>GENERAL FUND EXPENDITURES</u>	2012-13	2011-12	Increase (Decrease) Amount	Increase (Decrease) Percent
Current				
Regular Instruction	\$ 79,857,005	\$ 78,528,993	\$ 1,328,012	1.69%
Special Education	16,953,174	16,643,184	309,990	1.86%
Vocational Instruction	5,764,317	5,475,188	289,129	5.28%
Compensatory Education	7,982,400	7,715,152	267,248	3.46%
Other Instructional Programs	1,102,048	1,006,558	95,490	9.49%
Community Services	926,726	902,401	24,325	2.70%
Support Services	16,075,261	15,959,864	115,397	0.72%
Child Nutrition Services	5,080,155	5,053,335	26,820	0.53%
Pupil Transportation Services	6,029,994	5,702,805	327,189	5.74%
Capital Outlay				
Equipment	236,614	102,241	134,373	131.43%
Totals	<u>\$ 140,007,694</u>	<u>\$ 137,089,721</u>	<u>\$ 2,917,973</u>	2.13%

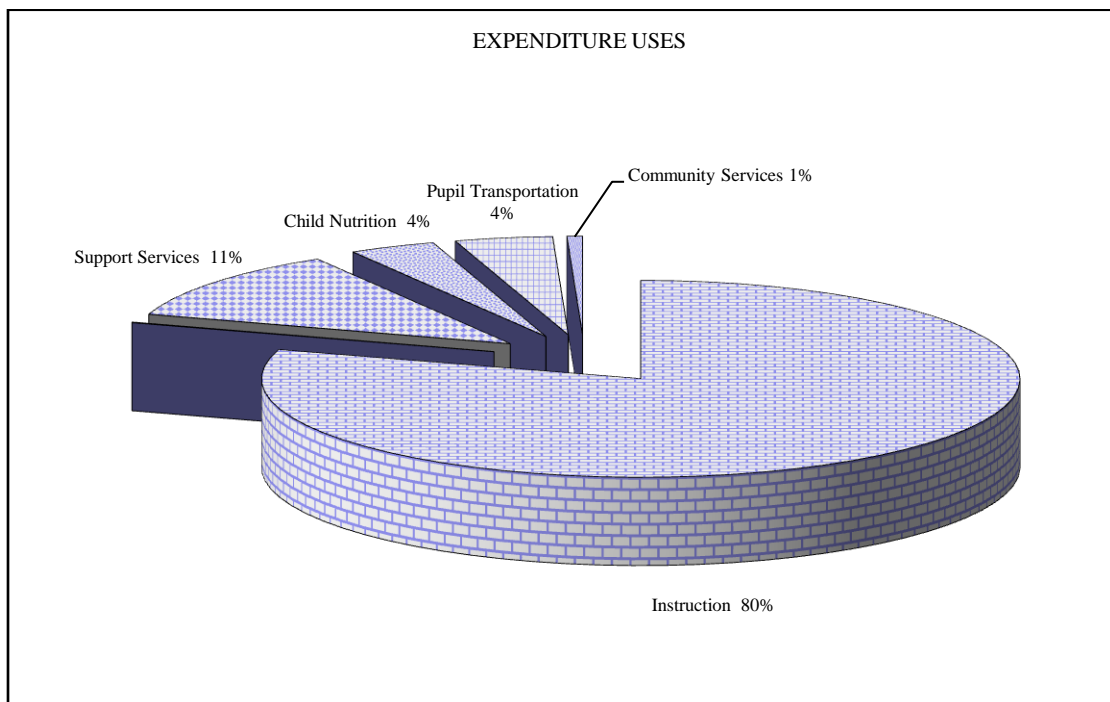
Increases of \$1.3 million in state funded regular instructional expenditures, \$309,990 in special education instructional expenditures and \$289,129 in vocational instruction were the result of increased student enrollments. Vocational programs otherwise known as Career and Technical Education programs were expanded to include seventh and eighth grade students thereby increasing enrollment for these programs over the prior year.

Compensatory education expenditures increased by \$267,248 due to increased federal dollars for Title I programs and increased state dollars for the state counterpart of Title I known as Learning Assistance (LAP). In addition, a continuing growing enrollment of students for whom English is not their first language generated additional state assistance to meet their educational needs.

Other instructional program expenditures increased by 9.49% primarily due to the grant expenditures of \$291,000 funded by the Gates Foundation for early learning programs. The balance of this \$500,000 grant will be expended in fiscal 2014. These expenditures were offset in fiscal 2013 by the expiration of the Communities Putting Prevention to Grant award to reduce childhood obesity.

Pupil Transportation costs increased by 5.74% or \$327,189 during the year. Approximately 68% of the increase or \$221,000 was due to increased salary and benefits for more bus drivers to transport more students than the prior year. The balance of the increase was primarily due to reclassifying the cost of crossing guards to pupil transportation from regular instruction expenditures.

Capital Outlay expenditures more than doubled compared to the prior year from \$102,241 to \$236,614. Approximately 85% of the increase or \$113,941 was for the installation of playground equipment at Chinook Elementary School and Washington Elementary School. Both schools won grant funds from King County for this new equipment. The balance of the expenditure increase was for Child Nutrition Services new van.



MAJOR FUND BUDGETARY HIGHLIGHTS

Appropriations are a prerequisite to expenditures in the governmental funds. Appropriations lapse at the end of the fiscal year. The fiscal year 2012-13 budget adopted by the Board of Directors for the district totaled \$252,714,235 including General Fund appropriations of \$143,182,856, Special Revenue Fund (ASB) appropriations of \$3,942,879, Debt Service Fund appropriations of \$6,985,000, Capital Projects Fund appropriations of \$96,300,000 and Transportation Vehicle Fund appropriations totaling \$2,303,500.

Reasons for the significant variances in the general fund between the budget and actual results include:

- Total actual general fund revenues were \$1,338,464 more than budgeted. Almost all of that increase was due to greater state allocations for educational services for a larger than expected student enrollment. Over \$500,000 was from state general purpose allocations and over \$827,000 was from state specific purpose allocations for special education, transitional bilingual education, learning assistance programs and transportation. An increase of \$215,556 in property taxes was offset by a decrease of \$366,032 in local grants, fees and sales of goods and services. While anticipated local grants and vocational sales of goods and services were less than expected, the district did receive more in E-Rate funds compared to the prior year. Federal grants were \$472,046 more than projected. These additional federal grant revenues included grants for special education, the USDA breakfast and lunch program, and the Title I program.
- Expenditures of \$143,182,856 were \$3,175,162 less than the budgeted as a result of several cost saving initiatives. Of these initiatives, energy audits and conservation programs instituted by the district maintenance department produced utility expenditures approximately \$1 million below budget. Through careful monitoring of food and labor costs, the Child Nutrition Services Department was able to shave expenses to almost \$330,000 less than budget. The drop in the price of fuel as well as careful management

of bus repair costs enabled the Pupil Transportation Department to expend almost \$300,000 less than budgeted. In addition, local grant program expenditures were almost \$1.2 million less than projected due to less than projected local grant revenues.

Reasons for the significant variances in the capital projects fund between the budget and actual results include:

- Local Non-taxes that were \$1,280,137 more than projected. This was primarily because school impact fees exceeded projections due to a late summer surge of home building.
- Expenditures that were \$70,259,621 million less than budgeted because the Auburn High School Reconstruction and Modernization project was still in the early stages of construction.

Revenues were less than projected in the Associated Study Body Fund by approximately \$1.7 million and expenditures were less than projected by a similar amount. Students and their adult advisors did an outstanding job of living within their reduced revenue.

Transportation Vehicle expenditures were \$1,383,537 less than projected due to delayed plans to replace aging buses.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

The District's investment in capital assets for its governmental type activities as of August 31, 2013 amounted to \$255,403,345 (net of accumulated depreciation of \$112,266,731). This investment in capital assets includes land, buildings, land and building improvements, furniture and equipment.

During the fiscal year, \$9,966,369 was added to buildings for improvements that met the capitalization policy of \$100,000, \$1,462,859 was added to equipment that met the capitalization policy of \$5,000 per unit, and \$14,409,236 was added to construction in progress primarily for future school sites, modernization projects and the reconstruction of Auburn High School. Surplused equipment that originally cost \$212,065 and a building improvement that originally cost \$331,811 was removed from the books. Items with a market value were sent to the State of Washington Surplus Property Department to be sold at auction. All other items were sent to the King County Refuse Station.

See Note 4, Changes in Capital Assets, for more information.

CAPITAL ASSETS			
	Capital Assets	Accumulated Depreciation	Net
Land	\$ 22,990,609	\$ -	\$ 22,990,609
Building & Improvements	271,361,442	(99,053,854)	172,307,588
Equipment	18,679,098	(13,212,877)	5,466,221
Construction In Progress	54,638,927	-	54,638,927
Total	\$ 367,670,076	\$ (112,266,731)	\$ 255,403,345

DEBT ADMINISTRATION

At the end of the current fiscal year, the district had \$143,695,000 in unlimited general obligation bonds outstanding. This debt is secured by a pledge of the full faith and credit of the district. \$12,780,000 of that debt is due within the next twelve months.

The Washington State Constitution and the Revised Code of Washington 39.36.015 and 39.36.020 limit the amount of general obligation (GO) debt that may be issued. With a vote of the people, debt cannot be incurred in excess of 5% of the value of the taxable property of the district, provided the indebtedness in excess of 2.5% is for capital outlay. For the fiscal year ended August 31, 2013, the maximum GO debt authorized by statutory limit was \$389.3 million. The district had \$143.7 million of debt outstanding at August 31, 2013, that was subject to that limitation. With almost \$8 million of assets in the Debt Service Fund available for payment of principal, there is a legal debt margin of \$253.6 million.

On April 23, 2012 Moody's Investor Service migrated the district's Municipal Scale Rating to a Global Scale Rating. As a result of this migration, the district's rating was changed from A1 to Aa2. This rating was reaffirmed on December 21, 2012. Additional information on the district's bonded debt obligations is presented in Note 8.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2013-14 appropriations for governmental funds of the district were approved at \$255,221,886. For calendar year 2013, the total property tax rate for special levies was \$6.62 per \$1,000 of assessed property value. The projected rate for 2014 is also expected to be \$6.62 per \$1,000 of assessed value. Total assessed value declined by 4.42% from \$8.15 billion to \$7.79 billion during 2013. For 2014 the projected assessed valuation is \$8.3 billion, an increase of 6.8% over the prior year.

The district serves the cities of Auburn, Pacific, Algona, and parts of Kent and Black Diamond as well as portions of unincorporated King and Pierce Counties. The outlook for the local economy for 2014 is one poised for continued growth as new businesses locate here, diversifying the tax base. Auburn is a participant in the resilient Puget Sound economy as indicated by the drop in the unemployment rate from 6.8% in 2012 to 5.2% in 2013. Auburn's economy has been relatively stable as many of its basic industries have been somewhat insulated from economic downturns. This has been reflected in relatively stable property tax collection rates with no noticeable declines.

The Boeing Company is the largest single employer and tax payer in the City of Auburn with a steady 6.3% of assessed valuation. Other major employers include the Auburn School District, the Muckleshoot Tribal Casino, Multicare Auburn Regional Medical Center, Green River Community College, Emerald Downs Racetrack, the Social Security Administration, the Federal Aviation Administration and The Outlet Collection. In 1990, Boeing accounted for 71% of all jobs in the City of Auburn. Today, Boeing jobs account for only 12% of the employment base in Auburn as the local economy continues to diversify. The projected future shape of the Boeing Company includes the Auburn Fabrication plant as it works to fill a seven-year global backlog of airplane orders.

According to the City of Auburn, the city has experienced an increase in new businesses and development activity. One such business is the Coastal Farm and Ranch store, a 124,000 square foot retail store that provides a variety of products and services for farmers, ranchers and homeowners. The retail outlet opened in the old Walmart store after spending \$20 million to remodel the building. Other significant projects include the following:

- The Outlet Collection Seattle, formerly known as the SuperMall of the Great Northwest recently completed \$35 million in interior and exterior improvements and added 1,000 new jobs. It is now the largest indoor outlet mall in the Pacific Northwest. It has increased the number of stores to over 130 world-class outlets that are favorite regional and national brands such as the Nike Factory, Chico's, Sketchers, Coach Factory Outlet,

Victoria's Secret, Bath and Body Works, Levi's Outlet, Brooks Brothers, J. Crew's Factory Store and Nordstrom's.

- Auburn Junction is a six-block downtown redevelopment district near the Transit Station. There are currently three projects underway in the district to provide mixed-use residential and retail uses. City officials estimate the new developments will bring 300-500 new residents to the downtown core and more than 20,000 square feet of retail space. The developers' plans call for a combination of market-rate multifamily housing, high end apartments, senior housing, ground-floor commercial space and a covered parking garage.
- The Robertson Property Group (RPG) is turning a former drive-in movie complex into a 70-acre multi-phased, mixed-use residential and retail development. When completed, the Auburn Gateway project will have 720,000 square feet of retail, 500 residential units and up to 1.6 million square feet of office space.
- Construction of the new Franciscan Medical Pavilion has just been completed. The two-story 38,000 square foot mixed use building will be providing space for primary care as well as specialty cardiology, vascular surgery, endocrinological and general surgical medical care services.
- The regional Hospital Cooperative Services Administration is constructing a \$26 million laundry facility that will bring 185 living wages jobs to Auburn.

As these new businesses and developments take hold, they will serve to strengthen the City's economic foundation.

REQUESTS FOR INFORMATION

This financial report is designed to provide the district's citizens, taxpayers, customers, investors and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, visit www.auburn.wednet.edu or contact

Toni Lally, CPA
Executive Director of Business Services
Auburn School District No. 408
915 4th Street NE
Auburn, WA 98002

AUBURN SCHOOL DISTRICT NO. 408
STATEMENT OF NET POSITION
August 31, 2013

	Primary Government	
	Note #	Governmental Activities
ASSETS		
Cash and cash equivalents	1.E.1 and 2	\$ 100,777,818
Property tax receivable	1.E.2	30,389,439
Receivables, net	1.E.3	649,989
Due from other governments	1.E.5	1,486,512
Inventories	1.E.6	608,494
Capital assets, not being depreciated		
Land	4	\$ 22,990,609
Construction-in-progress	5	\$ 54,638,927
Total capital assets, not being depreciated		77,629,536
Capital assets, being depreciated		
Buildings and improvements	4	271,361,442
Equipment	4	18,679,098
Total capital assets, being depreciated		290,040,540
Less accumulated depreciation	4	(112,266,731)
Total capital assets, net of accumulated depreciation		177,773,809
Capital assets, net of accumulated depreciation		255,403,345
TOTAL ASSETS		389,315,597
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding		5,486,845
TOTAL DEFERED OUTFLOWS OF RESOURCES		5,486,845
LIABILITIES		
Accounts payable		7,650,619
Accrued wages and benefits payable		1,643,008
Due to other governments		161,192
Accrued interest		1,280,226
Unearned revenue	1.E.9	599,142
Long-Term liabilities		
Due within one year	8	14,052,786
Due in more than one year		157,666,647
TOTAL LIABILITIES		183,053,620
NET POSITION		
Net investment in capital assets		98,111,436
Nonspendable: inventories		608,494
Restricted for:		
Child nutrition services		1,411,784
Student activities		1,365,461
Debt service		7,970,059
Capital projects		48,107,668
Acquisition of school buses		1,416,076
Committed for capital levy projects		11,440,578
Assigned for:		
Other capital projects		13,078,307
Contingencies		2,100,000
Unrestricted		26,138,959
TOTAL NET POSITION		\$ 211,748,822

The notes to the basic financial statements are an integral part of this statement.

AUBURN SCHOOL DISTRICT NO. 408
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2013

Functions/Programs	Expenses	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	PRIMARY GOVERNMENT
					Governmental Activities
Primary Government:					
Governmental Activities:					
Regular Instruction	\$ 85,613,739	\$ 690,619	\$ -	\$ 2,569,545	\$ (82,353,575)
Special Instruction	18,024,523	-	11,833,238	-	(6,191,285)
Vocational Instruction	6,096,345	368,020	105,156	-	(5,623,169)
Compensatory Education	8,459,882	-	8,255,392	-	(204,490)
Other Instructional Programs	1,120,919	5,602	1,189,101	-	73,784
Community Services	914,699	601,002	-	-	(313,697)
Support Services	17,048,706	283,128	-	-	(16,765,578)
Child Nutrition Services	5,380,045	1,165,329	5,078,625	-	863,909
Pupil Transportation Services	6,365,436	-	2,766,830	715,504	(2,883,102)
Extracurricular Activities (ASB)	2,320,959	2,247,233	-	-	(73,726)
Interest Expense on Long-Term Debt	4,405,019	-	-	-	(4,405,019)
Bond Issuance Costs	639,577	-	-	-	(639,577)
Total Governmental Activities	\$ 156,389,849	\$ 5,360,933	\$ 29,228,342	\$ 3,285,049	\$ (118,515,525)

General Revenues:

Taxes:

Property taxes, levies for educational and other programs	30,035,083
Property taxes, levies for debt service	21,088,854
Unallocated State Apportionment & Others	77,097,942
Interest and Investment earnings	453,034

Total General Revenues and Special Items**128,674,913****Changes in Net Position****10,159,388****Net Position - Beginning****201,589,434****Net Position - Ending****\$ 211,748,822**

The notes to the basic financial statements are an integral part of this statement.

AUBURN SCHOOL DISTRICT NO. 408
BALANCE SHEET
GOVERNMENTAL FUNDS

August 31, 2013

	GENERAL FUND	SPECIAL REVENUE FUND (ASB)	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TRANSPORTATION VEHICLE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS:						
Cash and Cash Equivalents	\$ 10,786,939	\$ 1,651,487	\$ 7,987,127	\$ 78,940,225	\$ 1,412,040	\$ 100,777,818
Property Tax Receivable	15,452,107	-	8,291,204	2,102,019	138	25,845,468
Accounts Receivable, Net	602,973	-	-	-	-	602,973
Interest Receivable	6,740	856	3,455	35,331	634	47,016
Interfund Receivable	2,642	-	-	3,442	5,266	11,350
Due From Other Government Units	1,102,585	-	-	383,927	-	1,486,512
Inventories at Cost	604,218	4,276	-	-	-	608,494
TOTAL ASSETS	28,558,204	1,656,619	16,281,786	81,464,944	1,418,078	129,379,631
LIABILITIES:						
Accounts Payable	926,099	38,532	20,523	6,665,465	-	7,650,619
Accrued Liabilities	1,643,008	-	-	-	-	1,643,008
Due to Other Governments	88,831	2,994	-	67,503	1,864	161,192
Interfund Payable	8,708	2,642	-	-	-	11,350
Unearned Revenue-Other	353,024	242,714	-	3,404	-	599,142
TOTAL LIABILITIES	3,019,670	286,882	20,523	6,736,372	1,864	10,065,311
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue-Property Taxes	15,452,107	-	8,291,204	2,102,019	138	25,845,468
TOTAL DEFERRED INFLOWS OF RESOURCES	15,452,107	-	8,291,204	2,102,019	138	25,845,468
FUND BALANCES:						
Nonspendable: Inventories	604,218	4,276	-	-	-	608,494
Restricted:						
Child Nutrition Federal Grant	1,411,784	-	-	-	-	1,411,784
Student Activities	-	1,365,461	-	-	-	1,365,461
Debt Service	-	-	7,970,059	-	-	7,970,059
Bond Issue Project	-	-	-	47,135,844	-	47,135,844
Impact Fee Projects	-	-	-	971,824	-	971,824
Acquisition of School Buses	-	-	-	-	1,416,076	1,416,076
Committed:						
Capital Levy Projects	-	-	-	9,660,348	-	9,660,348
Technology Levy Projects	-	-	-	1,780,230	-	1,780,230
Assigned:						
Other Capital Projects	-	-	-	13,078,307	-	13,078,307
Other Purposes	2,100,000	-	-	-	-	2,100,000
Unassigned	5,970,425	-	-	-	-	5,970,425
TOTAL FUND BALANCES	10,086,427	1,369,737	7,970,059	72,626,553	1,416,076	93,468,852
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 28,558,204	\$ 1,656,619	\$ 16,281,786	\$ 81,464,944	\$ 1,418,078	\$ 129,379,631

The notes to the basic financial statements are an integral part of this statement.

AUBURN SCHOOL DISTRICT NO. 408
RECONCILIATION
BALANCE SHEET WITH THE STATEMENT OF NET POSITION
August 31, 2013

Total Governmental Funds	Long-Term Assets, Liabilities *	Reclassifications and Eliminations*	Statement of Net Position Totals
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ASSETS

Cash and Cash Equivalents	\$ 100,777,818	\$ -	\$ -	\$ 100,777,818
Property Tax Receivable	25,845,468	4,543,971	-	30,389,439
Receivables, Net	602,973	-	-	602,973
Interest Receivable	47,016	-	-	47,016
Interfund Receivable	11,350	-	(11,350)	-
Due from Other Governments	1,486,512	-	-	1,486,512
Inventories	608,494	-	-	608,494
Capital Assets, Net	-	255,403,345	-	255,403,345
TOTAL ASSETS	129,379,631	259,947,316	(11,350)	389,315,597

LIABILITIES

Accounts Payable	7,650,619	-	-	7,650,619
Accrued Liabilities	1,643,008	-	-	1,643,008
Due to Other Governments	161,192	-	-	161,192
Interfund Payable	11,350	-	(11,350)	-
Accrued Interest	-	1,280,226	-	1,280,226
Unearned Revenue-Other	599,142	-	-	599,142
Long-Term Liabilities	-	166,232,588	-	166,232,588
TOTAL LIABILITIES	10,065,311	167,512,814	(11,350)	177,566,775

DEFERRED INFLOWS OF RESOURCES

Unavailable Revenue-Property Taxes	25,845,468	(25,845,468)	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	25,845,468	(25,845,468)	-	-

FUND BALANCES

Total Fund Balances	93,468,852	118,279,970	-	211,748,822
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**TOTAL LIABILITIES,
DEFERRED INFLOWS OF RESOURCES
AND FUND BALANCE**

\$ 129,379,631	\$ 259,947,316	\$ (11,350)	\$ 389,315,597
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The notes to the basic financial statements are an integral part of this statement.

* See Note 11A

AUBURN SCHOOL DISTRICT NO. 408
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

	GENERAL FUND	SPECIAL REVENUE FUND (ASB)	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TRANSPORTATION VEHICLE FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES						
Local Taxes	\$ 30,474,516	\$ -	\$ 12,494,255	\$ 7,673,513	\$ 91	\$ 50,642,375
Local Non-Tax	4,872,659	2,257,619	84,983	2,909,852	6,900	10,132,013
State, General Purpose	75,041,752	-	-	-	-	75,041,752
State, Special Purpose	16,037,301	-	-	-	715,503	16,752,804
Federal, General Purpose	29,742	-	-	-	-	29,742
Federal, Special Purpose	12,818,025	-	-	-	-	12,818,025
Revenues From Other Sources	642,198	-	-	-	-	642,198
TOTAL REVENUES	139,916,193	2,257,619	12,579,238	10,583,365	722,494	166,058,909
EXPENDITURES						
Current:						
Regular Instruction	79,857,005	-	-	-	-	79,857,005
Special Instruction	16,953,174	-	-	-	-	16,953,174
Vocational Instruction	5,764,317	-	-	-	-	5,764,317
Compensatory Education	7,982,400	-	-	-	-	7,982,400
Other Educational Programs	1,102,048	-	-	-	-	1,102,048
Community Services	926,726	-	-	-	-	926,726
Support Services	16,075,261	-	-	-	-	16,075,261
Child Nutrition Services	5,080,155	-	-	-	-	5,080,155
Pupil Transportation Services	6,029,994	-	-	-	-	6,029,994
Extracurricular Activities (ASB)	-	2,320,959	-	-	-	2,320,959
Debt Service:						
Principal	-	-	2,285,000	-	-	2,285,000
Interest and Other Charges	-	-	4,373,575	-	-	4,373,575
Bond Issuance Costs	-	-	109,668	277,679	-	387,347
Capital Outlay:						
Sites	-	-	-	884,288	-	884,288
Buildings	-	-	-	23,165,219	-	23,165,219
Equipment	236,614	-	-	1,620,199	966,544	2,823,357
Energy	-	-	-	92,994	-	92,994
TOTAL EXPENDITURES	140,007,694	2,320,959	6,768,243	26,040,379	966,544	176,103,819
Excess of Revenues Over (Under) Expenditures	(91,501)	(63,340)	5,810,995	(15,457,014)	(244,050)	(10,044,910)
OTHER FINANCING SOURCES (USES)						
Proceeds of Long-Term Debt	-	-	-	59,265,000	-	59,265,000
Issuance of Refunding Bonds	-	-	19,590,000	-	-	19,590,000
Issuance Premium	-	-	2,866,687	6,013,364	-	8,880,051
Payment to Refunded Bonds Escrow Agent	-	-	(22,341,769)	-	-	(22,341,769)
Sale of Equipment	3,500	-	-	-	5,266	8,766
TOTAL OTHER FINANCING SOURCES (USES)	3,500	-	114,918	65,278,364	5,266	65,402,048
NET CHANGE IN FUND BALANCE	(88,001)	(63,340)	5,925,913	49,821,350	(238,784)	55,357,138
Fund Balances - September 1	10,174,428	1,433,077	2,044,146	22,805,203	1,654,860	38,111,714
Fund Balances - August 31	\$ 10,086,427	\$ 1,369,737	\$ 7,970,059	\$ 72,626,553	\$ 1,416,076	\$ 93,468,852

The notes to the basic financial statements are an integral part of this statement.

AUBURN SCHOOL DISTRICT NO. 408
RECONCILIATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
STATEMENT OF ACTIVITIES
August 31, 2013

	Total Governmental Funds	Long-Term Revenue, Expenses *	Capital Related items *	Long-Term Debt Transactions *	Statement of Activities Totals
REVENUES AND OTHER SOURCES					
Property Taxes	\$ 50,642,375	\$ 481,562	\$ -	\$ -	\$ 51,123,937
Local Non-Taxes	10,132,013	-	8,766	-	10,140,779
State, General Purpose	75,041,752	-	-	-	75,041,752
State, Special Purpose	16,752,804	-	-	-	16,752,804
Federal, General Purpose	29,742	-	-	-	29,742
Federal, Special Purpose	12,818,025	-	-	-	12,818,025
Revenues From Other Sources	642,198	-	-	-	642,198
TOTAL	166,058,909	481,562	8,766	-	166,549,237
EXPENDITURES/EXPENSES					
Current:					
Regular Instruction	79,857,005	1,074,941	4,681,793	-	85,613,739
Special Instruction	16,953,174	309,076	762,273	-	18,024,523
Vocational Instruction	5,764,317	79,573	252,455	-	6,096,345
Compensatory Education	7,982,400	118,691	358,791	-	8,459,882
Other Instructional Programs	1,102,048	(72,974)	91,845	-	1,120,919
Community Services	926,726	(12,027)	-	-	914,699
Support Services	16,075,261	219,926	753,519	-	17,048,706
Child Nutrition Services	5,080,155	49,892	249,998	-	5,380,045
Pupil Transportation Services	6,029,994	64,146	271,296	-	6,365,436
Extracurricular Activities (ASB)	2,320,959	-	-	-	2,320,959
Debt Service:					
Principal	2,285,000	-	-	(2,285,000)	-
Interest and Other Charges	4,373,575	-	-	31,444	4,405,019
Bond Issuance Cost	387,347	-	-	252,230	639,577
Capital Outlay:					
Sites	884,288	-	(884,288)	-	-
Buildings	23,165,219	-	(23,165,219)	-	-
Equipment	2,823,357	-	(2,823,357)	-	-
Energy	92,994	-	(92,994)	-	-
TOTAL EXPENDITURES/EXPENSES	176,103,819	1,831,244	(19,543,888)	(2,001,326)	156,389,849
EXCESS OF REVENUES OVER UNDER EXPENDITURES	(10,044,910)	(1,349,682)	19,552,654	2,001,326	10,159,388
OTHER FINANCING SOURCES (USES)					
Proceeds of Long-Term Debt	59,265,000	-	-	(59,265,000)	-
Issuance of Refunding Bonds	19,590,000	-	-	(19,590,000)	-
Issuance Premium	8,880,051	-	-	(8,880,051)	-
Payment to Refunded Bond Escrow Agent	(22,341,769)	-	-	22,341,769	-
Sale of Equipment	8,766	-	(8,766)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	65,402,048	-	(8,766)	(65,393,282)	-
NET CHANGE FOR THE YEAR	\$ 55,357,138	\$ (1,349,682)	\$ 19,543,888	\$ (63,391,956)	\$ 10,159,388

The notes to the basic financial statements are an integral part of this statement.

* See Note 11B

AUBURN SCHOOL DISTRICT NO. 408
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
August 31, 2013

	Private Purpose Trust Fund	Employee Benefit Trust Fund
ASSETS		
Cash and Cash Equivalents	\$ 586,836	\$ 51,371
Due From Other Funds	-	122
Interest Receivable	376	32
TOTAL ASSETS	\$ 587,212	51,525
LIABILITIES		
Accounts Payable	3,234	7,507
TOTAL LIABILITIES	3,234	7,507
NET POSITION		
Held in Trusts for Scholarships and Student Aid	583,978	-
Held in Trust for Member Benefits	-	44,018
NET POSITION	\$ 583,978	\$ 44,018

The notes to the basic financial statements are an integral part of this statement.

AUBURN SCHOOL DISTRICT NO. 408
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Fiscal Year Ended August 31, 2013

	Private Purpose Trust Fund	Employee Benefit Trust Fund
ADDITIONS		
Donations	\$ 176,237	\$ -
Member Contributions	-	183,000
Investment Earnings	-	2,211
Total Additions	176,237	185,211
DEDUCTIONS		
Scholarships	165,371	-
Loss On Investments	414	-
Benefit Claims and Expenses	-	225,602
Total Deductions	165,785	225,602
Change in Net Position	10,452	(40,391)
Net Position, Beginning of the year	573,526	84,409
Net Position, End of the year	\$ 583,978	\$ 44,018

The notes to the basic financial statements are an integral part of this statement.

AUBURN SCHOOL DISTRICT NO. 408
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Auburn School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principals. The more significant accounting policies of the District are described below:

A. REPORTING ENTITY

The Auburn School District is a municipal corporation organized pursuant to Title 28A *Revised Code of Washington* (RCW) for the purpose of providing public school services to students in grades P-12. Auburn School District operates under an 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, the power to set fees, levy property taxes and issue debt consistent with provisions of state statutes, also rests with the board of directors.

Based on the criteria specified in *GASB Statement No. 14, The Financial Reporting Entity*, the district has no component units. The district's Comprehensive Annual Financial Report includes all funds that are controlled by or dependent on the district's board of directors. Control by or dependence on the district was determined on the basis of budget adoption, taxing authority, outstanding debt secured by the general credit of the district, obligation of the district to finance any deficits that may occur, or receipt of significant subsidies from the district.

B. BASIS OF PRESENTATION

The accounts of the district are organized on the basis of funds in governmental fund financial statements, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The district's basic financial statements in this report consist of:

1). Government – Wide Financial Statements

Overall governmental activities are reported here without displaying individual funds or fund types and display information about the district as a whole. The Government-Wide financial statements do not include Fiduciary Funds. The government-wide financial statements consist of the following:

a. Statement of Net Position

The *Statement of Net Position* reports all financial and capital resources. Capital assets (land, land improvements, buildings, building improvements, vehicles, and equipment) are reported at historical cost, net of accumulated depreciation.

b. Statement of Activities

The operations of the district are presented net of the applicable program revenues. General revenues are divided into property taxes, interest and investment earnings, and special and extraordinary items. The expenses and revenues are reported as follows:

I). Expenses - Expenses are reported by function/program that includes direct and indirect expenses. Depreciation expenses are allocated to direct expenses if they can be specifically identified with a function or program. Interest expenses may be considered direct expenses when borrowing is essential to the creation or continuing existence of a program. Otherwise, interest on long-term liabilities is considered an indirect expense.

II). Revenues – Revenues are divided into program revenues and general revenues. Program revenues are derived directly from the program itself or from parties outside the district's taxpayers, as a whole. These revenues reduce the net cost of the function to be financed from the district's general revenue. Program-specific grants and contributions include revenues arising from mandatory and voluntary non-exchange transactions with federal or state governments, organizations, or individuals. These revenues are restricted for use in a particular program.

General revenues are revenues that are not required to be reported as program revenues, such as property tax levies for a specific purpose and all non-tax revenue such as interest and investment earnings.

2). Fund Financial Statements

a. Governmental Funds

Governmental fund reporting focuses primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. It includes general fund, special revenue fund (associated student body fund), capital projects fund, transportation vehicle fund, and debt service fund. The district considers all governmental funds to be "major funds".

I). General Fund - This fund is the general operating fund of the district. It accounts for all financial resources of the district, except those required to be accounted for in another fund. In keeping with the principle of as few funds as necessary, child nutrition, maintenance, information services, printing and pupil transportation activities are included in the fund.

II). Special Revenue Fund (Associated Student Body Fund) - This fund is used to account for the extracurricular fees and resources collected in fund-raising events for students. Disbursements require the joint approval of the appropriate student body organization and the district's board of directors. This fund is accounted for as a special revenue fund since the financial resources legally belong to the district.

III). Debt Service Fund - This fund is used to account for the accumulation of resources for the payment of general long-term debt principal, interest and related expenditures. All of the district's issues are serial bonds rather than term bonds and do not require sinking funds for each issue. Therefore, the district maintains one debt service fund for all bond issues. Also, there are no legal requirements that mandate a separate fund for each bond issue.

IV). Capital Projects Fund – This fund is used to account for the financial resources

to be used for the construction or acquisition of major capital assets. This fund must be used when projects are financed wholly or in part by bond issues, intergovernmental resources, major private donations, special levies or insurance recoveries. This fund is also used to account for energy capital improvements.

V). Transportation Vehicle Fund – This fund is used to account for the purchase, major repair, rebuilding and debt service expenditures related to pupil transportation equipment. The major sources of revenue in this fund include the state reimbursement for pupil transportation equipment and special levies.

b. Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary Funds such as the private-purpose trust fund and the employee benefits trust fund are used by a district in its fiduciary capacity as trustee for assets held for individuals, private organizations, and other governments.

I). Private-Purpose Trust Fund - All of the income and principal in the private-purpose trust may be disbursed in the course of its operation. It includes money for scholarships donated by community supporters and funds for student aid provided by InvestED, a public charity formerly known as the Saul Haas Foundation.

II). Employee Benefits Trust Fund (Vision Benefits) – This fund accounts for moneys held in trust for employees participating in the district's self-insured vision benefits plan. Premiums are deposited into, and vision claims are paid from this fund. The district has contracted with a service provider to administer claims payments.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The *government-wide financial statements* measure and report all financial and capital assets, liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and accrual basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position or cost recovery, and financial position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements include the General Fund, Special Revenue Fund, Debt Service Fund, Capital Projects Fund and Transportation Vehicle Fund. They are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be 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 of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

Fiduciary fund financial statements include the Private-Purpose Trust Fund and the Employee Benefits Trust Fund (Vision Benefits). These funds are reported on the accrual basis of accounting.

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1). Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances are liquidated at the end of the year; therefore, there are no outstanding encumbrances at year-end.

2). Eliminations and Reclassifications

In the process of aggregating data for the government-wide *statements of net position* and the *statement of activities*, the inter-fund receivables and payables within governmental funds, except those with fiduciary funds, were eliminated.

D. BUDGETS AND BUDGETARY ACCOUNTING

1). General Budget Policies

The Auburn School District budgets its funds in accordance with the Revised Code of Washington Chapter 28A.505 and Chapter 392-123 of the Washington Administrative Code (WAC). The School District Board adopts the budget after a public hearing. An appropriation is a prerequisite to expenditure. Appropriations lapse at the end of the fiscal period. Annual appropriated budgets are adopted at the fund level. Each governmental fund's total expenditures cannot, by law, exceed its formal fund appropriation. Management is authorized to modify specific accounts within the overall fund appropriation. However, only the Board has the authority to increase or decrease a given fund's annual budget. The Board may adopt a revised or supplemental budget appropriation after a public hearing at anytime during the fiscal year.

2). Budgetary Basis of Accounting

For budget purposes, revenues and expenditures are accounted for on a modified accrual basis of accounting as prescribed in law for all governmental funds. Beginning fund balance is budgeted as available resources and, pursuant to law; the budgeted ending fund balance cannot be negative.

Formal budgetary accounting is employed as a management control for all governmental funds. Budgets are adopted on the same basis of accounting used to reflect actual revenues and expenditures on a generally accepted accounting principles basis.

E. ASSETS, LIABILITIES, NET POSITION AND FUND BALANCES

1). Cash and Cash Equivalents

The district's cash and cash equivalents consist of cash balances, net of warrants outstanding, and cash equivalents with original maturities of three months or less. At August 31, 2013, total district cash and cash equivalents were \$101,416,025. Of that amount, \$100,777,818 was in the governmental funds and \$638,207 was in the fiduciary funds. At August 31, 2013 total district imprest funds were \$81,071, total district cash on hand was \$12,869, total district warrants outstanding were \$2,193,328 and the fair market value of the districts funds in the King County Investment Pool was \$103,515,413. In accordance with authorized investment laws, the district's cash equivalents are deposited in the King County Investment Pool. The Pool invests in U.S. Agency mortgage-backed securities to enhance yield. As of August 31, 2013, such securities comprised 0.3% of the Pool's portfolio. As of August 31, 2013, the district's funds invested in the Pool comprised 2.26% of the Pool's portfolio. (See Note 2)

2). Property Taxes

Property tax revenues are collected as the result of special levies passed by the voters in the district. Per Revised Code of Washington 84.60.020, the tax assessment date is January 1 of the

calendar year of collection. The tax lien date is January 1 of the year of collection and taxes receivable are recognized as of that date. Current year taxes are due in full as of April 30, and are delinquent after that date. However, without incurring penalty, the taxpayer may elect to pay one half of taxes due by April 30, with the remaining one half taxes due October 31, and are delinquent after that date. Typically, a little more than half of taxes due are collected on the April 30 date. King County forecloses on property following the third year of delinquency. In *governmental fund financial statements*, property tax revenue that is measurable but not available (taxes that are not expected to be collected within the current period) is recorded as receivable and deferred revenue. In *government-wide financial statements*, property tax revenue, net of estimated uncollectible amounts, is accrued at year-end.

3). Accounts Receivable

This account represents amounts due for services rendered by the district, net of allowance for doubtful accounts.

4). Due From/To Other Funds

Interfund receivables and payables and the associated revenues and expenditures/expenses are recorded in the respective funds in *governmental fund financial statements*. Interfund receivables and payables are eliminated in *government-wide financial statements*, except those with fiduciary funds.

5). Due From Other Governments

This account represents \$1,486,512 of receivables for federal grants of \$1,082,755, state grants of \$19,830 and local government impact fees of \$383,927. Grant revenues are recorded in the year in which the related expenditures are incurred.

6). Inventories

Inventories of instructional materials are valued at cost using the first-in first-out method. Warehoused inventories of food and maintenance and food service supplies are valued at cost using the weighted average method perpetual inventory system. Inventory is charged as an expenditure when it is issued for consumption

7). Bond Discounts, Premiums, Issuance Costs and Refunding Losses

In governmental fund types, bond discounts, premium, issuance costs and refunding losses are recognized in the period of issuance. In *government-wide financial statements*, they are amortized over the life of the bond and charged to expense accounts.

8). Capital Assets

Capital Assets, which include property, buildings and improvements, and equipment are reported in the applicable governmental activities in the *government-wide financial statements*. Capital assets are defined by the district as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year for land, furniture, equipment, vehicles and school buses and \$100,000 for buildings, building improvements and depreciable land improvements with an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized, but are charged to expenditures in the current period. In *governmental fund financial statements*, there is no depreciation for capital assets. However, depreciation is

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charged to expenses and allocated to various functions/programs in *government-wide financial statements* in compliance with *GASB Statement No. 34* (See Note 4).

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful life using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	50 years
Building Improvements	20 years
Depreciable Land Improvements	20 years
School Buses	8-18 years
Equipment and Vehicles	4-10 years

9). Deferred Outflows/Inflows of Resources

The district has adopted the provisions of GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*. The objective of these statements is to enhance the usefulness of financial reporting as described below.

In addition to assets, the statement of financial position will report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The district only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The district has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

10). Net Position (Government-wide Financial Statements)

In government-wide financial statements, the "Invested in Capital Assets, Net of Related Debt" component consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The "Restricted Net Position" component reports the net position where constraints have been placed on net position by external laws, regulations, or legislation. Therefore, they are available for disbursements only for specific purposes such as debt service and capital projects. The "Unrestricted Net Position" are assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

11). Fund Balances (*Governmental Fund Financial Statements*)

The District has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing government fund type definitions. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54 are Nonspendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of constraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance. In accordance with GASB 54, the District classified governmental fund balances as follows:

Nonspendable – includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid items and long term receivables.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts restricted due to constitutional provisions or enabling legislation. This classification includes the child nutrition program, retirement of long term debt, construction programs and other federal and state grants.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action of the highest level of decision making authority. Committed fund balance is reported pursuant to resolution passed by the District's Board of Directors.

Assigned – includes fund balance amounts that are self-imposed by the District to be used for a particular purpose. For funds other than the General Fund, the amount of residual fund balance that is spendable after all restrictions, commitments, and other assignments have been made is classified as assigned in accordance with the *Accounting Manual for Public School Districts for the State of Washington*.

Unassigned – includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

When both restricted and unrestricted fund balances are available for use, it is the District's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts and the unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

12). Compensated Absences

a). **Sick Leave** –

Full-time 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 paid at death or retirement at the rate of 25% of each day of accrued leave, limited to 180 accrued days. This statute also provides for an annual buy-back of an amount up to the maximum annual accumulation of twelve days. To qualify for annual sick leave buy-back, the employee must have accumulated an excess of 60 days sick leave as of January 1. Sick leave is reported under long-term liabilities in the *Statement of Net Position*. For reporting purposes, 25% of the sick leave liability (up to 180 days) for those eligible for retirement is considered accruable. The vesting method in *GASB Statement No. 16* was applied in calculating the sick leave. The amount of accrued sick leave as of August 31, 2013 was \$2,097,497 and reported as a long-term liability in the *government-wide financial statements*.

b). Vacation Leave –

Vacation leave is accrued according to bargaining agreement rules for those employees eligible. Annual leave accumulated by district employees is paid upon retirement at 100% of per diem value. In addition, annual leave accumulated by classified employees represented by the Public School Employees of Washington bargaining groups is paid upon termination at 100% of per diem value. As of August 31, 2013, vacation leave payable, estimated to be \$894,525 is reported as a long-term liability in the *government-wide financial statements*.

NOTE 2. DEPOSITS AND INVESTMENTS

By law, the King County Treasurer is the ex-officio treasurer for the district. In this capacity, the County Treasurer receives, deposits and transacts investments on the district's behalf.

A. DEPOSITS

At year-end, the carrying amounts of the district's deposits with financial institutions and with the King County Treasurer were respectively \$75,000 and \$103,515,413, the warrants outstanding were \$2,193,328 and the petty cash, change funds and cash on hand totaled \$18,940. Total district cash and cash equivalents were \$101,416,025. Of this amount, \$100,777,817 were in governmental funds and \$638,208 were in fiduciary funds. (See Note 1). In addition to FDIC insurance, the district's deposits are protected by the Washington Public Deposit Protection Commission (a multiple financial institution collateral pool). The provision for guaranteed coverage against loss applies not only to demand deposits, but also to certificates of deposit, money market deposit accounts, and savings deposits as well as accrued interest through the date of repayment. Accordingly, the district's deposits are classified per *GASB Statement No.3* as risk level one, insured or collateralized with securities held by the entity or by its agent in the entity's name.

B. INVESTMENTS

In accordance with state investment laws, the district's governing body has entered into a formal inter-local agreement with the district's *ex officio* treasurer, King County, to have all of its funds not required for immediate expenditure to be invested in the King County Investment Pool (Pool). All non-invested cash is held in this external investment pool administered by King County, Washington and consequently is not subject to categorization. At August 31, 2013, the fair value of the district investment in the pool was \$103,515,413 with an effective duration of 1.45 years. The pool is not registered by the SEC and does not operate in a manner consistent with the SEC's rule 2a7 which would allow it to be treated as a money market fund for basis of presentation.

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Oversight of the Investment Pool is provided by the King County Executive Finance Committee (EFC) pursuant to RCW 36.29.020. The EFC consists of the Chair of the County Council, the County Executive, the Chief Budget Officer, and the Director of the Finance and Business Operations Division. All investments are subject to written policies and procedures adopted by the EFC. The EFC reviews Pool performance monthly.

All investments in cash equivalents are stated at fair value. Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties. Fair value for the King County Investment Pool is provided by the County's safekeeping bank or Bloomberg L.P., a provider of fixed income analytics, market monitors, and security pricing. The net decrease in fair value of the district's proportionate share of the King County Investment Pool for 2012-13 was \$381,287. This decrease has been recognized and reported against investment income.

Impaired Investments.

As of August 31, 2013, all impaired commercial paper assets have completed enforcement events. The King County impaired investment pool (Impaired Pool) held one commercial paper asset where the Impaired Pool accepted an exchange offer and is receiving the cash flows from the investment's underlying securities. The Impaired Pool also held the residual investments in four commercial paper assets that were part of completed enforcements events, where the Impaired Pool accepted the cash-out option. The district's share of the impaired investment pool principal is \$263,782 and the District's fair value of these investments is \$155,765.

Interest Rate Risk.

As of August 31, 2013, the Pool's average duration was 1.45 years. As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity, or weighted average life, no longer than five years. While the Pool's market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology.

Custodial Credit Risk.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. County policy mandates that all security transactions, including repurchase agreements, are settled "delivery versus payment." This means that payment is made simultaneously with the receipt of the security. These securities are delivered to the County's safekeeping bank or its tri-party bank.

Credit Risk.

As of August 31, 2013, the district's investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, Pool policies authorize investments in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1" by two NRSROs), certificates of deposits issued by qualified public depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

Concentration Risk

Credit risk also can arise in the wake of a failure to adequately diversity investments. However since Pool investments are concentrated in U.S. government obligations and obligations explicitly guaranteed by the U.S. government, this risk is minimal.

NOTE 3. INTERFUND RECEIVABLES AND PAYABLES

As of August 31, 2013, short-term interfund receivables and payables in governmental funds that resulted from various interfund transactions in governmental fund financial statements were as follows:

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	Due from Other Funds	Due to Other Funds
General Fund	\$ 2,642	\$ 8,708
Capital Projects Fund	3,442	-
ASB Fund	-	2,642
Tran Vehicle	5,266	-
Total	\$ 11,350	\$ 11,350

The interfund balances are liquidated to zero on a monthly basis. Almost all of the interfund transfers are to reimburse the general fund from other funds for processing payroll and other accounts payable in the general fund. In addition, all funds collected in the district are electronically swept on a daily basis into the general fund bank account at the county treasurer. Funds are then disbursed to the appropriate fund as soon as the receipts are reconciled to the daily deposit reports. Total funds disbursed from the General Fund were \$6,327,397. Of this amount \$205,102 was disbursed to Fiduciary Funds and \$6,122,295 was disbursed to other Governmental Funds.

NOTE 4. CHANGES IN CAPITAL ASSETS

Purchases of equipment over \$5,000 and building and depreciable land improvements over \$100,000 are capitalized and depreciated in the government-wide financial statements. Land is excluded from depreciation. The district's property valuation of buildings and contents for insurance purposes was \$316,181,134 on August 31, 2013. In the opinion of the district's insurance consultant, the amount is sufficient to adequately fund replacement of the district's assets.

	Balance 9/1/2012	Additions	Deletions	Balance 8/31/2013
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 22,990,609	\$ -	\$ -	\$ 22,990,609
Construction in progress	40,229,691	26,040,379	(11,631,143)	54,638,927
Total capital assets, not being depreciated	63,220,300	26,040,379	(11,631,143)	77,629,536
Capital assets, being depreciated:				-
Buildings and improvements	261,607,138	9,966,369	(212,065)	271,361,442
Furniture and equipment	17,548,050	1,462,859	(331,811)	18,679,098
Total capital assets, being depreciated	279,155,188	11,429,228	(543,876)	290,040,540
Less: accumulated depreciation				-
Buildings and improvements	(93,935,550)	(5,330,369)	212,065	(99,053,854)
Furniture and equipment	(12,580,481)	(964,207)	331,811	(13,212,877)
Total accumulated depreciation	(106,516,031)	(6,294,576)	543,876	(112,266,731)
Total capital assets, being depreciated, net	172,639,157	5,134,652	-	177,773,809
Governmental activities capital assets, net	\$ 235,859,457	\$ 31,175,031	\$ (11,631,143)	\$ 255,403,345

The increases to buildings and improvements include completed projects transferred from construction in progress less those portions of the projects classified as capitalized and non capitalized equipment. Only those building improvements and depreciable land improvements that are greater than \$100,000 are capitalized. Additions to equipment include only those capital outlay purchases with a unit cost greater than \$5,000 in accordance with the district's capitalization policy. Decreases to equipment were the result of the sale or trade-in of obsolete equipment. Decreases in buildings and improvements include the removal of improvements made for a special education program that the district no longer operates.

Depreciation

Depreciation expense was charged to governmental activities as follows:

Regular instruction	\$ 3,596,091
Special instruction	762,273
Vocational instruction	259,336
Compensatory education	358,791
Other instructional programs	91,271
Support services	725,136
Child Nutrition services	230,382
Transportation services	271,296
Total depreciation expense charged to governmental activities	<u>\$ 6,294,576</u>

NOTE 5. CONSTRUCTION IN PROGRESS

Project	Authorized	Expended	Committed
Auburn High School Modernization	\$ 60,000,000	\$ 23,932,008	\$ 36,067,992
Future School Sites	13,485,799	13,373,542	-
Future Middle School Site #5	8,493,737	8,493,737	-
Multi Facility Phase 2 Energy Improvements	3,707,609	3,707,609	-
Lakeview Elementary Improvements	2,074,410	2,074,410	-
Evergreen Heights and Ilalko Improvements	933,342	933,342	-
Multi-Facility Fiber Optic Project	621,798	621,798	-
Alpac Elementary Improvements	393,153	393,153	-
Secondary School HVAC Improvements	317,653	317,653	-
Auburn Mountainview High Improvements	285,372	285,372	60,983
Other Improvements	506,303	506,303	
Total Construction in Progress	<u>\$ 90,819,176</u>	<u>\$ 54,638,927</u>	<u>\$ 36,128,975</u>

NOTE 6. PENSIONS

A. GENERAL INFORMATION

Substantially all of the district's full-time and qualifying part-time employees participate in one of the following three contributory, multi-employer, cost-sharing statewide retirement systems managed by the Washington State Department of Retirement Systems (DRS).

The Teachers' Retirement Systems (TRS) includes certificated staff of 295 public school district employers and other public employers. As of June 30, 2012, it includes 74,902 active and inactive vested members.

The Public Employees' Retirement System (PERS) includes non-certificated staff of 295 public school district employers and other public employers. As of June 30, 2012, it includes 181,105 active and inactive vested members.

The School Employees' Retirement System (SERS) includes non-certificated staff of 295 public school district employers. As of June 30, 2012, it includes 62,478 active and inactive vested members.

The employer contribution rates for PERS, TRS and SERS are established each biennium by the state actuary. The employee contribution rate for Plan I is set by statute at six percent and does not vary from year to year. The employer rate is the same for all plans in a system. The method used to determine the contribution requirements are established under Chapter 41.40 and 41.32 Revised Code of Washington (RCW) for PERS and TRS, respectively.

Plan III for TRS was established effective July 1, 1996. This plan is a combination defined benefit, defined contribution plan. Employer contribution rates are established each biennium by the legislature. The state actuary calculates the rates, the economic revenue forecast council adopts the rates and the legislature enacts the rates for the defined benefit portion of the plan. Employee rates are established each biennium by the legislature as well. These rates fund the defined contribution portion of the plan.

SERS was established effective September 1, 2000 and includes a Plan III. This plan is a combination defined benefit, defined contribution plan. The Pension Funding Council establishes employer contribution rates each biennium. The state actuary calculates the rates and the Pension Funding Council adopts the rates, for the defined benefit portion of the plan. The Employee Retirement Benefits Board (ERBB) establishes employee rate choices. These rates fund the defined contribution portion of the plan.

Employee contribution rates for Plan I and Plan II for both systems have been set at rates reflective of amounts that have been appropriated by the state legislature.

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

B. GENERAL SYSTEM INFORMATION BY BENEFIT PLANS

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

Plan I (employment on or before September 30, 1977) members of TRS and PERS are eligible to retire with full benefits after 5 years of credited service and attainment of age 60 or after 25 years of credited service and attainment of age 55 or after 30 years of credited service.

Plan II (employment on or after October 1, 1977) members of TRS and SERS are eligible to retire with full benefits after 5 years of credited service and attainment of age 65 or after 20 years of credited service and attainment of age 55 with the benefit actuarial reduced from age 65.

Plan III (employment on or after July 1, 1996) members of TRS are eligible to retire with full benefits after 10 years of credited service and attainment of age 65 or after 10 years of credited service and attainment of age 55 with benefit actuarially reduced from age 65.

Average final compensation (AFC) of Plan I TRS and PERS members is the greatest average salary during any 2 consecutive years. For Plan II TRS and SERS members, it is the greatest average salary during any 5 consecutive years.

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

C. CONTRIBUTIONS+

D.

Employee contribution rates as of August 31, 2013:

Plan I TRS	6.00%	Plan I PERS	6.00%
Plan II TRS	4.69%	Plan II SERS	4.09%
Plan III TRS	5.00-15.00%	Plan III SERS	5.00-15.00%

Employer contribution rates as of August 31, 2013:

Plan I TRS	8.05%	Plan I PERS	7.21%
Plan II TRS	8.05%	Plan II SERS	7.59%
Plan III TRS	8.05%	Plan III SERS	7.59%

Under current law the employer must contribute 100 percent of the employer-required contribution. Employer required contributions were as follows:

Plan	2012-13	2011-12	2010-11
Plan I TRS	\$ 197,797	\$ 224,295	\$ 172,161
Plan II TRS	761,790	646,951	479,856
Plan III TRS	4,260,404	4,200,070	3,195,200
Plan I PERS	29,183	27,893	24,953
Plan II SERS	561,908	547,304	380,236

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, 2013, 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
P. O. Box 43113
Olympia, Washington 98504-3113

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The state, through the Health Care Authority (HCA), administers an agent multiple-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 and long-term disability.

Employers participating in the plan include the state (which includes general government agencies and higher education institutions), 57 of the state's K-12 school and educational service districts (ESDs), and 206 political subdivisions. Additionally, the PEBB plan is available to the retirees of the remaining 244 K-12 school districts and ESDs. The Auburn School District's retirees are eligible to participate in the plan under this arrangement.

Plan Description

Eligibility

District members are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits) under Plan 2 or 3 of TRS or SERS.

- Age 65 with 5 years of service
- Age 55 with 20 years of service

Former members who are entitled to a deferred vested pension benefit are not eligible to receive medical and life insurance benefits after pension benefit commencement. Survivors of covered members who die are eligible for medical benefits.

Medical and Life Benefits

Upon retirement, members are permitted to receive medical benefits. Retirees pay the following monthly rates for pre-65 Medical coverage for 2013:

Descriptions	Type of Coverage			
	Non-Medicare Retiree	Non-Medicare Retiree & Spouse	Medicare Retiree	Medicare Retiree & Spouse
Group Health Classic	\$ 584.66	\$ 1,163.14	\$ 135.60	\$ 265.02
Group Health Value	535.22	1,064.26		
Group Health CDHP	513.77	1,018.40		
Kaiser Permanente Classic	567.06	1,127.94	151.67	297.16
Kaiser Permanente CDHP	545.83	1,085.48		
Uniform Medical Plan Classic	545.83	1,085.48	219.24	432.30
Uniform Medical Plan CDHP	499.95	990.26		
Premiera Blue Cross Plan F			109.10	212.02
Uniform Dental Plan	46.34	92.68	46.34	92.68
DeltaCare	39.53	79.06	39.53	79.06
Willamette Dental	40.20	80.40	40.20	80.40

For 2013, after age 65, retired members receive a subsidy of 50 percent of their monthly medical premiums up to \$150.

Funding Policy

The funding policy is based upon the pay-as-you-go financing requirements.

Annual OPEB Cost and Net OPEB Obligation

The district's annual other post-employment benefits (OPEB) cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that if paid on an on-going basis, is projected to cover the normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) over a period not to exceed thirty years. The following tables show the components of the district's annual OPEB cost for the year, the amount actually contributed to the plan and changes in district's Net OPEB Obligation. (NOO).

Determination of Annual Required Contribution		August 31, 2013
Normal Cost at Year End	\$	1,579,527
Amortization of UAAL		1,003,945
Interest on Normal Cost and Amortization Payment		116,256
Annual Required Contribution (ARC)	\$	<u>2,699,728</u>

Determination of Net OPEB Obligation		
Annual Required Contribution	\$	2,699,728
Interest on Prior year Net OPEB Obligation		441,464
Adjustment to ARC		<u>(341,728)</u>
Annual OPEB Cost		2,799,464
Contributions Made		<u>(1,174,277)</u>
Increase in Net OPEB Obligation		1,625,187
Net OPEB Obligation - Beginning of Year		<u>9,810,315</u>
Net OPEB Obligation - End of Year*	\$	<u>11,435,502</u>

The District's annual OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for Fiscal Years 2009 to 2013 were as follows:

OPEB COST			
Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
8/31/2013	\$ 2,799,464	41.95%	\$ 11,435,502
8/31/2012	\$ 3,375,691	59.93%	\$ 9,810,315
8/31/2011	\$ 3,702,701	21.98%	\$ 8,444,355
8/31/2010	\$ 3,583,915	22.99%	\$ 5,555,388
8/31/2009	\$ 3,554,516	21.36%	\$ 2,795,263

Funded Status and Funding Progress

As of August 31, 2013, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$30.1 million, and actuarial value of assets was \$0, resulting in a UAAL of \$30.1 million.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

The health cost trend rates used for the actuarial study are as follows:

Year	Medical Trend	Life Trend
2009-10	7.00%	3.50%
2010-11	7.00%	3.50%
2011-12	6.50%	3.50%
2012-13	6.00%	3.50%
2013-14	5.50%	3.00%

In the August 31, 2013 actuarial valuation, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions used included a 4.5% discount rate, which is based upon the long-term investment yield on the investments that are expected to be used to finance the payments of benefits.

The UAAL is being amortized as a level percentage of pay on an open basis over a period of 30 years. The UAAL as a percentage of the covered payroll of \$81,582,322 is 36.9%.

For further information on the results the actuarial valuation of the employer provided subsidies associated with state's PEBB plan refer to: http://osa.leg.wa.gov/Actuarial_services/OPEB/OPEB.htm.

NOTE 8. LONG-TERM LIABILITIES

Long-term liability activity for the year ended August 31, 2013 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
Bonds Payable:					
2004 UTGO Refunding Bonds	\$ 17,645,000	\$ -	\$ 1,795,000	\$ 15,850,000	\$ 6,025,000
2004 UTGO Bonds	4,740,000	-	355,000	4,385,000	270,000
2005 UTGO Bonds	20,000,000	-	20,000,000	-	-
2010 UTGO Refunding Bonds	35,450,000	-	-	35,450,000	-
2012 UTGO Refunding Bonds	9,290,000	-	135,000	9,155,000	100,000
2013 UTGO Bonds & Refunding Bonds	-	78,855,000	-	78,855,000	6,385,000
Total Bonds Payable	87,125,000	78,855,000	22,285,000	143,695,000	12,780,000
Unamortized Bond Premium	6,045,615	8,880,051	1,328,757	13,596,909	1,092,550
Net Bonds Payable	93,170,615	87,735,051	23,613,757	157,291,909	13,872,550
Other Liabilities:					
Compensated Absences	2,785,966	2,992,022	2,785,966	2,992,022	180,236
Net OPEB Obligation	9,810,315	1,625,187	-	11,435,502	-
GRAND TOTAL	\$ 105,766,896	\$ 92,352,260	\$ 26,399,723	\$ 171,719,433	\$ 14,052,786

The debt service fund is established to redeem the outstanding bonds. Compensated Absences payments are liquidated by the general fund.

General Obligation Bonds—The annual requirements to amortize all general obligation bonds outstanding as of August 31, 2013, including interest payments, are listed as follows:

Year Ending	Principal	Interest	Total
2014	\$ 12,780,000	\$ 5,503,528	\$ 18,283,528
2015	4,545,000	5,150,212	9,695,212
2016	5,795,000	4,932,428	10,727,428
2017	9,030,000	4,598,041	13,628,041
2018	9,010,000	4,255,374	13,265,374
2019-2023	49,340,000	15,791,745	65,131,745
2023-2028	39,250,000	6,222,200	45,472,200
2029-2032	13,945,000	1,083,900	15,028,900
Total	\$ 143,695,000	\$ 47,537,428	\$ 191,232,428

General obligation school building bonds payable at August 31, 2013, with their outstanding balances are comprised of the following individual issues:

OUTSTANDING BONDS

\$27,785,000 2004 general obligation refunding bonds, due in installments of \$175,000 to \$4,010,000, beginning December 1, 2004 through December 1, 2016, interest from 2.00% to 5.00%	\$ 15,850,000
\$18,000,000 2004 general obligation school building bonds, due in installments of \$125,000 to \$8,300,000, beginning December 1, 2008 through December 1, 2022, interest from 3.25% to 5.375%	4,385,000
\$36,025,000 2010 general obligation refunding bonds, due in installments of \$575,000 to \$8,215,000 beginning December 1, 2010 to December 1, 2021, interest 2% to 5.00%	35,450,000
\$9,290,000 2012 general obligation refunding bonds, due in installments of \$135,000 to \$8,210,000 beginning December 1, 2012 to December 1, 2022, interest 2% to 3.00%	9,155,000
\$78,855,000 2013 general obligation and refunding bonds, due in installments of \$570,000 to \$10,280,000 beginning December 1, 2013 to December 1, 2032, interest 1.5% to 4.00%	78,855,000
	<u>\$ 143,695,000</u>

ADVANCE REFUNDING OF 2005 BONDS

On January 8, 2013, the district sold \$78,855,000 in unlimited tax general obligation and refunding bonds at a premium of \$8,880,051. The new money portion of the bonds of \$59,265,000 par value and \$6,013,364 premium represents the first series of bonds issued under the \$110 million bond authorized by the voters on November 6, 2012. The balance of the issue of \$19,590,000 advance refunded \$20 million of the 2005 bonds. The total net refunding savings of \$3,013,853 had a net present value of \$2,601,687 as of January 22, 2013, the bond sale settlement date. The percentage savings of the refunded bonds was 13.02%. The net interest cost was 2.74%. Net proceeds of \$22,341,769 were used to purchase United State Treasury Notes. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service on the refunded bonds. As a result, these bonds are considered to be defeased. The District advance refunded these bonds to reduce its total debt service payments.

PRIOR-YEAR DEFEASANCE OF DEBT

In prior years, the district defeased other general obligation 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 bonds defeased in the current year as well as those defeased in prior years are not included in the district's financial statements. At August 31, 2013, \$ 80,710,000 of bonds outstanding are considered defeased.

LEGAL DEBT MARGIN

RCW 39.36.015 and RCW 39.36.020 provide that debt cannot be incurred in excess of the following percentages of the value of the taxable property of the district:

- .375% Without a vote of the people (Non-bonded debt only per RCW 28A51.010)
- 2.5% With a vote of the people
- 5.0% With a vote of the people, if the indebtedness in excess of 2.5% is for capital outlay.

Assessed valuation of taxable property for 2013 tax collection for bond purposes is \$7,786,247,895.

NOTE 9. OPERATING LEASES (NON-CAPITALIZED)

The district is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreements are not reflected in the district's Capital Assets. The following shows the final year of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease term of one year or more as of August 31, 2013. The district is now purchasing instead of leasing copiers.

Year Ending August 31,	Copiers
2014	35,284
Total	<u>\$ 35,284</u>

NOTE 10. RISK MANAGEMENT

A. UNEMPLOYMENT

Auburn School District self-insures for unemployment compensation for all of its employees. Actual employee claims are paid by the State of Washington, Department of Employment Security and then reimbursed by the district. This self-insurance program costs the district less than full participation in the state unemployment compensation program. Since actual claims paid during the fiscal year were only \$13,253 it is clear that all of the major prior year claims have been

completely paid. Since the last major layoff of teachers, bus drivers and other classified staff was in 2009 due to the downturn in the economy and state funding, the decision was made to reduce the reserve to a two year current claims balance of \$26,506. This reserve reduction was \$169,016.

B. INDUSTRIAL INSURANCE

For the fiscal year ended August 31, 2013, Auburn School district made payments totaling \$1,030,835 to the Workers' Compensation Trust administered by Puget Sound Educational Service district No. 121 for industrial insurance for all district employees. This trust is operated for the benefit of several neighboring school districts in-lieu-of districts making monthly premium payments to the State of Washington for industrial insurance. This practice enables these districts to pay industrial insurance claims as they occur and minimizes the districts' costs for the program.

C. RISK MANAGEMENT POOL

The district is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. In order to obtain general liability insurance at a cost it considered to be economically justifiable, the district joined the Washington Schools Risk Management Pool administered by Puget Sound Educational Service District No. 121. This pool is a public entity risk pool currently operating as a common risk management and insurance program. It provides coverage for property, liability, vehicle, public official liability, crime, employment practices, machinery breakdown and network security. The district pays an annual premium to the pool for its general insurance coverage. For the fiscal year ended August 31, 2013, the district contributed \$834,613 to the pool.

The agreement for formation of the Washington School Risk Management Pool in 1986 provides that the pool will be self-sustaining through member premiums and reinsure through commercial companies for claims in excess of \$1 million for each property loss. The Pool maintains an excess reinsurance contract with Lexington Insurance Company which provides \$500 million limit of coverage over the Pool's self insured retention (SIR) limit of \$1 million. This includes boiler and machinery coverage insurance through Hartford Steam Insurance Company with a Pool retention of \$25,000. The Pool purchased liability reinsurance coverage from Alterra for \$2 million excess of \$1 million SIR per occurrence; United Educators for \$7 million excess of \$3 million per occurrence; and excess liability insurance coverage through Chartis for \$10 million excess of \$10 million per occurrence. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Washington School risk Management Pool has published its own financial report for the year ended August 31, 2013. This report can be obtained from:

Washington Schools Risk Management Pool
320 Andover Park East
P. O. Box 88700
Tukwila WA 98138-2700

NOTE 11. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND FINANCIAL STATEMENTS AND GOVERNMENT-WIDE FINANCIAL STATEMENTS

A. RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

Total fund balances for governmental funds \$ 93,468,852

Total net position for governmental activities in the statement of net position differs because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$ 22,990,609	
Construction in progress	54,638,927	
Buildings and improvements, net of \$99,053,854 accum. depreciation	172,307,588	
Furniture and equipment, net of \$ 13,212,877 accumulated depreciation	<u>5,466,221</u>	
		255,403,345

Property taxes that are deferred in government funds since not available soon enough to pay for the current period's expenditures. 30,389,439

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Accrued interest for general obligation bonds is recognized. (1,280,226)

Long-term liabilities and deferred outflows of resources that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities or deferred outflows of resources. All liabilities and deferred outflows of resources, both current and long-term are reported in the statement of net position. Balances at year-end are:

Deferred Outflows of Resources:		
Deferred Charge on Refunding		5,486,845
Liabilities:		
Bonds Payable	(\$143,695,000)	
Unamortized premiums	(13,596,909)	
Compensated Absences	(2,992,022)	
Net OPEB Obligation	<u>(11,435,502)</u>	
		(171,719,433)

Total net position of governmental activities	<u><u>\$ 211,748,822</u></u>
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B. RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Net change in fund balances-total governmental funds \$ 55,357,138

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 for furniture and equipment and \$100,000 for buildings and improvements are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period (Schedule 4A):

Capital outlays	\$	25,838,464		
Depreciation expense		(6,294,576)		\$ 19,543,888

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. The repayment of principal reduces the liability. Governmental funds expend issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. However, interest expense is recognized as it accrues, regardless of when it is due. The effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	\$	2,285,000		
Interest and other charges - general obligation bonds		(283,674)		
Refunding Bond Sale		(65,393,282)		(63,391,956)

Property tax revenues received prior to the year for which they are being levied are reported as unavailable revenue in the governmental funds. They are, however, recorded as revenues in the statement of activities. Unavailable property tax revenues increased this year.	481,562
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In the statement of activities, certain operating expenses such as compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. During this year, accrued vacation and sick leave payable increased by	(206,057)
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Net OPEB Obligation	(1,625,187)
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Change in net position of governmental activities	<u>\$ 10,159,388</u>
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NOTE 12. SUMMARY OF SIGNIFICANT CONTINGENCIES**LITIGATION**

Auburn School District is party to various pending legal actions arising from its normal educational activities. It is the opinion of the administration that these will be resolved without any material impact on the operations or the financial position of the district.

CLAIMS AND JUDGMENTS

The district participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Since these have not been completed, the amount, if any, of expenditures that may be disallowed by the granting agencies has not yet been determined. The district believes that disallowed expenditures, if any, will not have a material effect on any of the governmental funds or the overall financial position of the district.

NOTE 13. FUND BALANCE (GOVERNMENTAL FUNDS)**CHANGES IN FUND BALANCES**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund
Total Fund Balance 8/31/12	\$ 10,174,428	\$ 1,433,077	\$ 2,044,146	\$ 22,805,203	\$ 1,654,860
Nonspendable: Inventories	(24,071)	(6,597)	-	-	-
Restricted:					
Child Nutrition Services	493,419	-	-	-	-
Student Activities	-	(56,743)	-	-	-
Debt Service	-	-	5,925,913	-	-
Capital Projects	-	-	-	48,107,668	-
Acquisition of Buses	-	-	-	-	(238,784)
Committed:					
Capital Levy Projects	-	-	-	2,206,202	-
Assigned:					
Other Capital Projects	-	-	-	(492,520)	-
Unassigned	(557,349)	-	-	-	-
Total Fund Balance 8/31/13	\$ 10,086,427	\$ 1,369,737	\$ 7,970,059	\$ 72,626,553	\$ 1,416,076

NOTE 14. OTHER DISCLOSURES**KING COUNTY DIRECTORS' ASSOCIATION**

The district is a member of the King County Directors' Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. This association serves 294 public school districts. District purchases for the calendar year 2012 totaled \$298,084. Auburn School District's equity in KCDA totaled \$244,478 as of December 31, 2012. This equity 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 inventory at a maximum rate of ten (10) percent per year for a ten year period, or the district may withdraw cash equally over a fifteen-year period.

NOTE 15**SUBSEQUENT EVENTS****Bond Sale**

On February 7, 2014, the district completed the sale of \$43,555,000 in unlimited tax general obligation and refunding bonds at a premium of \$5,244,996. The new money portion of the bonds of \$40,235,000 par value and \$4,975,641 premium represents the second and final series of bonds issued under the \$110 million Auburn High School Modernization and Reconstruction Bond Issue authorized by Auburn voters on November 6, 2012. Construction started in 2013 and will be completed in phases with the last phase finished in 2016. The project will replace all of the buildings on campus except for the Performing Arts Center and the Auto Shop. The balance of the issue of \$3,320,000 par value and \$269,354 premium advance refunded \$3,390,000 of the 2004 bonds. The total net refunding savings of \$249,951 had a net present value of \$232,681 as of the bond settlement date. The percentage savings of the refunded bonds is 6.86%. The net interest cost is 3.72%.

Property Tax Levy for Technology

On February 11, 2014, Auburn voters approved the \$22 million technology replacement levy. The technology levy is a six-year levy and replaces the 2005 technology. The projected tax rate will remain approximately level at \$6.60 per thousand of assessed valuation. It provides funding to implement recommendations from the 2013 Technology Citizens Ad Hoc Committee. The technology recommendations include:

- Providing 24/7 access to electronic resources for students, parents and teachers that allow for differentiation of learning, programs and support
- Providing 1:1 student digital devices like computer tablets
- Wireless access in all buildings
- A robust broadband infrastructure to support varied learning structures.

REQUIRED SUPPLEMENTARY INFORMATION
AUBURN SCHOOL DISTRICT NO. 408
BUDGETARY COMPARISON SCHEDULE*
GENERAL FUND
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

	BUDGETED AMOUNTS		ACTUAL AMOUNT	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Local	\$ 35,497,651	\$ 35,497,651	\$ 35,347,175	\$ (150,476)
State	89,743,130	89,743,130	91,079,053	1,335,923
Federal	12,452,979	12,452,979	12,847,767	394,788
Other	883,969	883,969	642,198	(241,771)
TOTAL REVENUES	138,577,729	138,577,729	139,916,193	1,338,464
EXPENDITURES				
CURRENT				
Regular Instruction	80,050,757	80,050,757	79,857,005	193,752
Special Education	16,795,922	16,795,922	16,953,174	(157,252)
Vocational Instruction	6,010,425	6,010,425	5,764,317	246,108
Compensatory Education	7,600,377	7,600,377	7,982,400	(382,023)
Other Instructional Programs	2,242,654	2,242,654	1,102,048	1,140,606
Community Services	1,169,979	1,169,979	926,726	243,253
Support Services	17,433,477	17,433,477	16,075,261	1,358,216
Child Nutrition Services	5,410,038	5,410,038	5,080,155	329,883
Pupil Transportation Services	6,321,783	6,321,783	6,029,994	291,789
CAPITAL OUTLAY				
Equipment	147,444	147,444	236,614	(89,170)
TOTAL EXPENDITURES	143,182,856	143,182,856	140,007,694	3,175,162
Excess of Revenues Over (Under) Expenditures				
	(4,605,127)	(4,605,127)	(91,501)	4,513,626
OTHER FINANCING SOURCES (USES)				
Sale of Equipment	-	-	3,500	3,500
Total Other Financing Sources (Uses)	-	-	3,500	3,500
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Uses				
	(4,605,127)	(4,605,127)	(88,001)	4,517,126
FUND BALANCE-September 1	9,301,891	9,301,891	10,174,428	872,537
FUND BALANCE -August 31	\$ 4,696,764	\$ 4,696,764	\$ 10,086,427	\$ 5,389,663

* Prepared on the GAAP Budgetary Basis of Accounting

REQUIRED SUPPLEMENTARY INFORMATION
AUBURN SCHOOL DISTRICT NO. 408
BUDGETARY COMPARISON SCHEDULE*
SPECIAL REVENUE FUND (ASSOCIATED STUDENT BODY FUND)
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNT	
REVENUES				
General	\$ 1,713,005	\$ 1,713,005	\$ 662,010	\$ (1,050,995)
Athletics	256,617	256,617	184,140	(72,477)
Classes	280,880	280,880	133,026	(147,854)
Clubs	1,659,689	1,659,689	1,230,231	(429,458)
Private Monies	109,660	109,660	48,212	(61,448)
Total Revenues	4,019,851	4,019,851	2,257,619	(1,762,232)
EXPENDITURES				
General	1,169,404	1,169,404	503,206	666,198
Athletics	378,085	378,085	312,644	65,441
Classes	303,571	303,571	127,121	176,450
Clubs	1,975,902	1,975,902	1,320,813	655,089
Private Monies	115,917	115,917	57,175	58,742
Total Expenditures	3,942,879	3,942,879	2,320,959	1,621,920
Excess of Revenues Over (Under) Expenditures	76,972	76,972	(63,340)	(140,312)
FUND BALANCE - September 1	957,531	957,531	1,433,077	475,546
FUND BALANCE - August 31	\$ 1,034,503	\$ 1,034,503	\$ 1,369,737	\$ 335,234

*Prepared on the GAAP Budgetary Basis of Accounting.

REQUIRED SUPPLEMENTARY INFORMATION
AUBURN SCHOOL DISTRICT NO. 408
ACTUARIAL VALUATION OF POST EMPLOYMENT BENEFITS
OTHER THAN PENSION
SCHEDULE OF FUNDING PROGRESS

Fiscal Year Ended August 31	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL As a Percentage of Covered Payroll
2009	August 31, 2009	\$ -	\$ 39,459,390	\$ 39,459,390	0%	\$ 86,000,573	46%
2010	August 31, 2009	\$ -	\$ 39,459,390	\$ 39,459,390	0%	\$ 87,724,325	45%
2011	August 31, 2011	\$ -	\$ 35,942,820	\$ 35,942,820	0%	\$ 78,871,163	46%
2012	August 31, 2011	\$ -	\$ 35,942,820	\$ 35,942,820	0%	\$ 89,476,306	40%
2013	August 31, 2013	\$ -	\$ 30,118,346	\$ 30,118,346	0%	\$ 81,582,322	36.9%

Note 1: The provisions of the Governmental Accounting Standards Board for the actuarial valuation of post employment benefits were adopted for the fiscal year ended August 31, 2009, therefore only five years of data are shown.

AUBURN SCHOOL DISTRICT NO. 408
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ending August 31, 2013

1	2	3	4	5	6	7	8	9
					Expenditures			
Federal Agency Name	Pass Through Agency	Federal Program Title	CFDA Number	Other Identification Number	From Direct Awards	From Pass-Through Awards	Total	Foot-Note
U.S. Dept. of Agriculture	WA OSPI	School Breakfast Program	10.553		\$	\$ 1,135,690	\$ 1,135,690	
		National School Lunch Program	10.555			3,462,182	3,462,182.00	
		Summer Food Service Program for Children	10.559			249,953	249,953.00	
		Fresh Fruit and Vegetable Program	10.582			69,323	69,323.00	
		Schools and Roads - Grants to States	10.665			8,383	8,382.91	
		Subtotal U.S. Department of Agriculture				\$ 4,925,531	\$ 4,925,531	
U.S. Dept of Defense		JROTC Program	12.999		\$ 17,655	-	\$ 17,655	
		Subtotal U.S. Department of Defense			\$ 17,655	-	\$ 17,655	
U.S. Dept of Labor		WIA Youth Activities	17.259	12/133-YTH	\$ 27,377	-	\$ 27,377	
		Subtotal U.S. Department of Labor			\$ 27,377	-	\$ 27,377	
U.S. Dept. of Education	WA OSPI	Title I Grants to Local Educational Agencies	84.010	201181	\$	\$ 2,416,341	2,416,341	4,5
	WA OSPI	Special Education Grants to States	84.027	304356		2,858,109	2,858,109	5
	WA OSPI	Impact Aid	84.041		21,359		21,359	
	WA OSPI	Career and Technical Education - Basic Grants to States	84.048	189063, 172656		15,156	15,156	
	WA OSPI	Indian Education - Grants to Local Educational Agencies	84.060	S060A0	82,550		82,550	5
	WA OSPI	Special Education - Preschool Grants	84.173	364355		71,674	71,674	5
	WA OSPI	Twenty-First Century Community Learning Centers	84.287	993879		131,561	131,561	
	WA OSPI	Special Education - State Personnel Development	84.323	340448		27,859	27,859	
	WA OSPI	English Language Acquisition State Grants	84.365	401620		340,381	340,381	5
	Univ of WA	English Language Acquisition State Grants	84.365	754750		44,802	44,802	
	WA OSPI	Improving Teacher Quality State Grants	84.367	523125		428,944	428,944	5
		Subtotal U.S. Department of Education			\$ 103,909	\$ 6,334,827	\$ 6,438,736	
U.S. Dept. of Health and Human Services	Puget Sound Educational Service District	Head Start	93.600		\$	\$ 624,422	624,422	2
	King County	ARRA - Prevention and Wellness-Communities Putting Prevention to Work						6
		Funding Opportunities Announcement (FOA)	93.724	D40531D		6,736	6,736	
	WA Health Care Authority	Medicaid Assistance Program	93.778			580,689	580,689	
		Subtotal U.S. Dept of Health and Human Services			\$ -	\$ 1,211,847	\$ 1,211,847	
U.S. Dept. of Homeland Security	King County	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D12-132		250	250	
		Subtotal U.S. Dept of Homeland Security			\$ -	\$ 250	\$ 250	
TOTAL FEDERAL AWARDS EXPENDED					\$ 148,941	\$ 12,472,455	\$ 12,621,396	

AUBURN SCHOOL DISTRICT No. 408
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ending August 31, 2013

NOTE 1 – BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the district's financial statements. The district uses the 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 - PROGRAM COSTS/MATCHING CONTRIBUTIONS

The amounts shown as current year expenses represent only the federal grant portion of the program costs. The entire program costs, including the district's local matching share, is more than shown.

NOTE 3 - NONCASH AWARDS

The amount of commodities reported on the schedule is the value of commodities distributed by the district during the current year and priced as prescribed by OSPI.

NOTE 4 - SCHOOLWIDE PROGRAMS

The district operates a "schoolwide" program in nine elementary buildings. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to certain targeted students. The following federal program amount was expended by the district in its schoolwide program: Title I (84.010A)(84.389A) \$1,920,529.

NOTE 5 - FEDERAL INDIRECT RATE

The district claimed indirect costs under this grant using its federal restricted rate of 2.75%.

NOTE 6 - AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)

The funding for this program was provided by the American Recovery and Reinvestment Act (ARRA) of 2009.



ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

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

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