

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

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

Audit Period  
**September 1, 2012 through August 31, 2013**

**Report No. 1011927**

Issue Date  
**May 22, 2014**



**Washington State Auditor**  
**Troy Kelley**

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**Washington State Auditor  
Troy Kelley**

May 22, 2014

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

***Report on Financial Statements and Federal Single Audit***

Please find attached our report on Seattle School District No. 1's financial statements and compliance with federal laws and regulations.

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

Sincerely,

**TROY KELLEY**  
STATE AUDITOR

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King County  
September 1, 2012 through August 31, 2013**

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# Federal Summary

## Seattle School District No. 1 King County September 1, 2012 through August 31, 2013

The results of our audit of Seattle School District No. 1 are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

### ***FINANCIAL STATEMENTS***

An unmodified opinion was issued on the financial statements.

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

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

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

### ***FEDERAL AWARDS***

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

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

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

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

***Identification of Major Programs:***

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
10.553	Child Nutrition Cluster - School Breakfast Program
10.555	Child Nutrition Cluster - National School Lunch Program
84.010	Title I, Part A Cluster - Title I Grants to Local Educational Agencies
84.360	High School Graduation Initiative
84.388	ARRA School Improvement Grants Cluster
93.600	Head Start Cluster - Head Start

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$1,544,565.

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

# Schedule of Federal Audit Findings and Questioned Costs

## Seattle School District No. 1 King County September 1, 2012 through August 31, 2013

### 1. The District did not have adequate internal controls to ensure all High School Graduation Initiative funds were used for allowed activities.

<b>CFDA Number and Title:</b>	84.360 High School Graduation Initiative
<b>Federal Grantor Name:</b>	U.S. Department of Education
<b>Federal Award/Contract Number:</b>	S360A100166
<b>Pass-through Entity Name:</b>	NA
<b>Pass-through Award/Contract Number:</b>	NA
<b>Questioned Cost Amount:</b>	\$61,640

#### Background

In the 2012-2013 school year, Seattle School District received \$2.2 million from the U.S. Department of Education's High School Graduation Initiative (HSGI) grant.

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

In the prior year audit, we found deficiencies in internal controls over compliance with program requirements that collectively constituted a material weakness and issued a qualified opinion on the District's compliance with grant requirements. We reported noncompliance with activities allowed and allowable cost compliance requirements and questioned costs of \$499,936, or 24 percent of the program total.

#### Description of Condition

During our current year audit we followed up on the prior year audit finding for HSGI. We examined the District's processes to ensure compliance with grant requirements. We found the District used grant funds to pay for activities that were not allowed by the grant agreement or were not specifically approved by the federal grantor. Specifically:

- The District claimed \$61,348 in payroll costs for a Family Support Worker position that were not allowed by the grant.

- The District used \$291 of grant funds to purchase a piece of furniture. This expenditure was not made for the purpose of the grant.

## **Cause of Condition**

In the prior year audit we found the District did not have adequate internal controls to ensure federal funds were used only for allowed grant activities. We issued the finding in May 2013. Subsequently, the District started to address our recommendations. However, the District was not able to detect and reclassify all nongrant activities already charged to the grant prior to the 2012-2013 school year-end.

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

The District did not have controls in place to ensure compliance with the activities allowed requirement and used HSGI grant funds to pay for activities not allowed by the program. We are questioning the cost of \$61,640.

## **Recommendation**

We recommend the District continue to improve internal controls to ensure all HSGI grant funds are used for activities allowed by the grant agreement, or specifically approved by the federal grantor.

## **District's Response**

*The District concurs. Additional controls were put in place during 2012-2013, and new program managers assigned. The budget was properly revised and approved, however later reviews showed that some services performed were not as described in the budget. These services are valued by the district and have been reclassified to the General Fund during 2013-2014. The District will strive to ensure all reviews are timely to the fiscal year in which services were performed.*

## **Auditor's Remarks**

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

## **Applicable laws and Regulations**

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

The auditee shall:

- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and provisions of contracts or grant

agreements that could have a material effect on each of its Federal programs.

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

# Schedule of Prior Federal Audit Findings

## Seattle School District No. 1 King County September 1, 2012 through August 31, 2013

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

<b>Audit Period:</b> 2012	<b>Report Reference No:</b> 1009771	<b>Finding Reference No:</b> 1	<b>CFDA Number(s):</b> 84.060
<b>Federal Program Name and Granting Agency:</b> Indian Education Grants to Local Educational Agencies, U.S. Department of Education		<b>Pass-Through Agency Name:</b> NA	
<b>Finding Caption:</b> The District's internal controls continue to be inadequate to ensure compliance with eligibility requirements for its Indian Education program.			
<b>Background:</b> The Indian Education grant funds the education and culturally related academic needs of Indian students who need assistance meeting state academic standards. Districts receive funding based on the number of eligible students. Districts must have a signed eligibility form indicating the student is a member of an eligible tribe and the student was enrolled in the district during the enrollment count period.  The District has a long history of noncompliance with eligibility requirements for this program. In the past three audits, we reported findings and questioned costs for noncompliance. The District has not put into effect recommendations from prior audits. The District did not retain sufficient documentation in accordance with program guidance to demonstrate compliance with eligibility requirements. We questioned costs for 29 students or \$6,530.			
<b>Status of Corrective Action: (check one)</b> <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid			
<b>Corrective Action Taken:</b> <i>The District completed an internal review of eligibility forms in spring of 2013 to ensure compliance. A new, experienced program manager was hired. Questioned costs and eligibility forms were reviewed by the Department of Education, deemed adequate and reimbursement was not requested. Additional instruction on eligibility forms has been received, forms have been systematically organized with Indian heritage information, timeliness and accuracy emphasized.</i>			

<b>Audit Period:</b> 2012	<b>Report Reference</b> No: 1009771	<b>Finding Reference</b> No: 2	<b>CFDA Number(s):</b> 84.360
<b>Federal Program Name and Granting Agency:</b> High School Graduation Initiative, U.S. Department of Education		<b>Pass-Through Agency Name:</b> NA	
<b>Finding Caption:</b> The District does not have adequate internal controls to ensure federal grant funds are used to pay only allowable costs.			
<b>Background:</b> In the 2011-2012 school year, the District received \$2.1 million, from the U.S. Department of Education's High School Graduation Initiative (HSGI) grant. The grant supports school dropout prevention and reentry efforts. Such activities should raise standards and expectations for disadvantaged students traditionally underserved in schools in order to ensure school completion.  The District has significant internal control deficiencies in the administration of this grant resulting in material noncompliance with grant requirements for allowable activities and cost principles. The effect of noncompliance is \$483,862 in questioned costs. As a result, we issued a qualified opinion on the District's compliance with this grant's requirements.			
<b>Status of Corrective Action: (check one)</b> <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid			
<b>Corrective Action Taken:</b> The High School Graduation Initiative grant was reassigned from Operations to Teaching and Learning, and new program administrators identified. These administrators are experienced in federal grant administration, and have received additional training to ensure the district is compliant. Questioned costs for 2011-2012 were removed from the grant expenditures and absorbed into the district's general fund. The district reserved approximately \$200,000 in fund balance at the end of fiscal year 2012-2013 for a contract the district believed was consistent with the grant provisions. Federal program administrators approved this as in alignment with the grant initiatives during 2014. Grant expenditures continue to be monitored. The District will strive for timelier budget approval and review process.			

**Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Seattle School District No. 1, King County, Washington, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated May 21, 2014.

***INTERNAL CONTROL OVER FINANCIAL REPORTING***

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

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

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

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***COMPLIANCE AND OTHER MATTERS***

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

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

### ***PURPOSE OF THIS REPORT***

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



**TROY KELLEY**  
STATE AUDITOR

May 21, 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**

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

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

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

We have audited the compliance of Seattle School District No. 1, King County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 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.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 1. Our opinion on each major federal program is not modified with respect to these matters.

### ***District's Response to Findings***

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

## ***REPORT ON INTERNAL CONTROL OVER COMPLIANCE***

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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.



**TROY KELLEY**  
STATE AUDITOR

May 21, 2014

# Independent Auditor's Report on Financial Statements

## Seattle School District No. 1 King County September 1, 2012 through August 31, 2013

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

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

We have audited the accompanying financial statements of Seattle School District No. 1, King County, Washington, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 16.

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

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

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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

appropriateness of accounting policies used and the reasonableness of significant account estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Unmodified Opinion on Regulatory Basis of Accounting (Accounting Manual)***

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seattle School District No. 1, as of August 31, 2013, and the changes in financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General, ASB, Debt Service, Capital Project, and Fiduciary funds as of August 31, 2013, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Supplementary and Other Information***

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedule of Long-Term Liabilities is also presented for purposes of additional analysis as required by the prescribed Accounting Manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The Schedule of Families and Education Levy and Notes to the Schedule of Families and Education Levy are not a required part of the financial statements but are supplementary

information presented for purposes of additional analysis. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**TROY KELLEY**  
STATE AUDITOR

May 21, 2014

# Financial Section

## Seattle School District No. 1 King County September 1, 2012 through August 31, 2013

### ***FINANCIAL STATEMENTS***

Balance Sheet – Governmental Funds – 2013  
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Funds – 2013  
Statement of Fiduciary Net Position – Fiduciary Funds – 2013  
Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2013  
Notes to Financial Statements – 2013

### ***SUPPLEMENTARY AND OTHER INFORMATION***

Schedule of Long-Term Liabilities – 2013  
Schedule of Expenditures of Federal Awards – 2013  
Notes to the Schedule of Expenditures of Federal Awards – 2013  
Schedule of Families and Education Levy – 2013  
Notes to the Schedule of Families and Education Levy – 2013

Seattle Public Schools No. 001  
Balance Sheet

Governmental Funds  
August 31, 2013

	General Fund	ASB Fund	Debt service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>ASSETS:</b>							
Cash and Cash Equivalents	85,414,486.29	2,984,943.54	5,243,679.14	102,274,349.94	0.00	0.00	195,917,458.91
Minus Warrants Outstanding	-8,408,729.79	-21,861.70	0.00	-2,995,531.49	0.00	0.00	-11,426,122.98
Taxes Receivable	77,581,072.29		39,768,423.82	21,906,631.98	0.00	0.00	139,256,128.09
Due From Other Funds	6,549,416.79	0.00	0.00	0.00	0.00	0.00	6,549,416.79
Due From Other Governmental Units	8,079,875.56	0.00	0.00	3,486,860.65	0.00	0.00	11,566,736.21
Accounts Receivable	1,646,070.74	3,469.47	0.00	-74,111.03	0.00	0.00	1,575,429.18
Interfund Loans Receivable	0.00			0.00			0.00
Accrued Interest Receivable	21,388.15	1,031.26	1,895.79	38,351.88	0.00	0.00	62,667.08
Inventory	1,378,160.10	0.00					1,378,160.10
Prepaid Items	0.00	0.00		0.00	0.00	0.00	0.00
Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investments/Cash With Trustee	0.00		0.00	0.00	0.00	0.00	0.00
Investments-Deferred Compensation	0.00			0.00			0.00
Self-Insurance Security Deposit	0.00						0.00
<b>TOTAL ASSETS</b>	<b>172,261,740.13</b>	<b>2,967,582.57</b>	<b>45,013,998.75</b>	<b>124,636,551.93</b>	<b>0.00</b>	<b>0.00</b>	<b>344,879,873.38</b>
<b>LIABILITIES:</b>							
Accounts Payable	12,084,960.83	135,158.39	0.00	11,331,034.69	0.00	0.00	23,551,153.91
Contracts Payable Current	0.00	0.00		0.00	0.00	0.00	0.00
Accrued Interest Payable			0.00				0.00
Accrued Salaries Payable	21,601,309.71	0.00		0.00			21,601,309.71
Revenue Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00
Payroll Deductions and Taxes Payable	8,472,783.33	0.00		0.00			8,472,783.33
Due To Other Governmental Units	0.00	0.00		0.00	0.00	0.00	0.00
Deferred Compensation Payable	6,537.22			0.00			6,537.22
Estimated Employee Benefits Payable	2,700,000.00						2,700,000.00
Due To Other Funds	0.00	16,794.22	0.00	6,532,397.57	0.00	0.00	6,549,191.79

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

Seattle Public Schools No. 001

Balance Sheet

Governmental Funds

August 31, 2013

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>LIABILITIES:</b>							
Interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	65,606.34	0.00		1,401,841.57			1,467,447.91
Matured Bonds Payable			0.00				0.00
Matured Bond Interest Payable			0.00				0.00
Arbitrage Rebate Payable	0.00		0.00	0.00	0.00		0.00
Deferred Revenue	78,340,753.42	-10,752.86	39,748,624.73	21,521,004.45	0.00	0.00	139,599,629.74
<b>TOTAL LIABILITIES</b>	<b>123,271,950.85</b>	<b>141,199.75</b>	<b>39,748,624.73</b>	<b>40,786,278.28</b>	<b>0.00</b>	<b>0.00</b>	<b>203,948,053.61</b>
<b>FUND BALANCE:</b>							
Nonspendable Fund Balance	1,378,160.10	0.00	0.00	0.00	0.00	0.00	1,378,160.10
Restricted Fund Balance	2,659,031.56	2,235,242.83	4,743,835.22	72,759,288.52	0.00	0.00	82,397,398.13
Committed Fund Balance	18,100,000.00	0.00	0.00	0.00	0.00	0.00	18,100,000.00
Assigned Fund Balance	25,094,274.87	591,139.99	521,538.80	11,090,985.13	0.00	0.00	37,297,938.79
Unassigned Fund Balance	1,758,322.75	0.00	0.00	0.00	0.00	0.00	1,758,322.75
<b>TOTAL FUND BALANCE</b>	<b>48,989,789.28</b>	<b>2,826,382.82</b>	<b>5,265,374.02</b>	<b>83,850,273.65</b>	<b>0.00</b>	<b>0.00</b>	<b>140,931,819.77</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>172,261,740.13</b>	<b>2,967,582.57</b>	<b>45,013,998.75</b>	<b>124,636,551.93</b>	<b>0.00</b>	<b>0.00</b>	<b>344,879,873.38</b>

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

Seattle Public Schools No. 001

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2013

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>REVENUES:</b>							
Local	183,965,462.31	5,119,648.44	81,395,080.89	52,033,479.53	0.00	0.00	322,513,671.17
State	310,598,845.82		0.00	7,129,307.78	0.00	0.00	317,728,153.60
Federal	50,422,551.86		426,838.12	0.00	0.00	0.00	50,849,389.98
Federal Stimulus	1,643,983.78						1,643,983.78
Other	10,312,486.60			25,551.44	0.00	0.00	10,338,038.04
<b>TOTAL REVENUES</b>	<b>556,943,330.37</b>	<b>5,119,648.44</b>	<b>81,821,919.01</b>	<b>59,188,338.75</b>	<b>0.00</b>	<b>0.00</b>	<b>703,073,236.57</b>
<b>EXPENDITURES:</b>							
<b>CURRENT:</b>							
Regular Instruction	269,721,494.10						269,721,494.10
Federal Stimulus	1,582,101.18						1,582,101.18
Special Education	75,890,739.50						75,890,739.50
Vocational Education	8,612,719.21						8,612,719.21
Skills Center	385,199.60						385,199.60
Compensatory Programs	54,303,435.74						54,303,435.74
Other Instructional Programs	27,948,209.67						27,948,209.67
Community Services	2,295,728.57						2,295,728.57
Support Services	128,636,151.79						128,636,151.79
Student Activities/Other		5,057,732.00				0.00	5,057,732.00
<b>CAPITAL OUTLAY:</b>							
Sites				0.00			0.00
Building				29,963,128.49			29,963,128.49
Equipment				11,656,053.28			11,656,053.28
Instructional Technology				0.00			0.00
Energy				7,075,353.38			7,075,353.38
Transportation Equipment					0.00		0.00
Sales and Lease						0.00	0.00
Other	444,700.83						444,700.83
<b>DEBT SERVICE:</b>							
Principal	0.00		77,830,000.00	0.00	0.00		77,830,000.00
Interest and Other Charges	0.00		6,353,325.00	0.00	0.00		6,353,325.00
Bond/Levy Issuance				0.00			0.00
<b>TOTAL EXPENDITURES</b>	<b>569,820,480.19</b>	<b>5,057,732.00</b>	<b>84,183,325.00</b>	<b>48,694,535.15</b>	<b>0.00</b>	<b>0.00</b>	<b>707,756,072.34</b>

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

Seattle Public Schools No. 001

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2013

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>DEBT SERVICE:</b>							
REVENUES OVER (UNDER) EXPENDITURES	-12,877,149.82	61,916.44	-2,361,405.99	10,493,803.60	0.00	0.00	-4,682,835.77
<b>OTHER FINANCING SOURCES (USES):</b>							
Bond Sales & Refunding Bond Sales	0.00		0.00	0.00	0.00		0.00
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	8,233,744.45		2,036,111.88	0.00	0.00		10,269,856.33
Transfers Out (GL 536)	0.00		0.00	-10,269,856.33	0.00	0.00	-10,269,856.33
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	38,462.98		0.00	25,000.00	0.00		63,462.98
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>8,272,207.43</b>		<b>2,036,111.88</b>	<b>-10,244,856.33</b>	<b>0.00</b>	<b>0.00</b>	<b>63,462.98</b>
<b>EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>-4,604,942.39</b>	<b>61,916.44</b>	<b>-325,294.11</b>	<b>248,947.27</b>	<b>0.00</b>	<b>0.00</b>	<b>-4,619,372.79</b>
<b>BEGINNING TOTAL FUND BALANCE</b>	<b>53,594,731.67</b>	<b>2,764,466.38</b>	<b>5,590,668.13</b>	<b>83,601,326.38</b>	<b>0.00</b>	<b>0.00</b>	<b>145,551,192.56</b>
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>ENDING TOTAL FUND BALANCE</b>	<b>48,989,789.28</b>	<b>2,826,382.82</b>	<b>5,265,374.02</b>	<b>83,850,273.65</b>	<b>0.00</b>	<b>0.00</b>	<b>140,931,819.77</b>

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

Seattle Public Schools No. 001  
Statement Of Fiduciary Net Position  
Fiduciary Funds  
August 31, 2013

	Private Purpose Trust	Other Trust
<b>ASSETS:</b>		
Imprest Cash	32,430.32	0.00
Cash On Hand	0.00	0.00
Cash On Deposit with Cty Treas	1,920,117.00	0.00
Minus Warrants Outstanding	-46,550.00	0.00
Due From Other Funds	0.00	0.00
Accounts Receivable	0.00	0.00
Accrued Interest Receivable	718.23	0.00
Investments	0.00	0.00
Investments/Cash With Trustee	0.00	0.00
Other Assets	0.00	
Capital Assets, Land	0.00	
Capital Assets, Buildings	0.00	
Capital Assets, Equipment	0.00	0.00
Accum Depreciation, Buildings	0.00	
Accum Depreciation, Equipment	0.00	0.00
<b>HELD IN TRUST FOR PRIVATE PURPOSE</b>	<b>1,906,715.55</b>	<b>0.00</b>
<b>LIABILITIES:</b>		
Accounts Payable	8,476.00	0.00
Due To Other Funds	225.00	0.00
<b>TOTAL LIABILITIES</b>	<b>8,701.00</b>	<b>0.00</b>
<b>NET POSITION:</b>		
<b>Net position held in trust for:</b>		
Held in trust for:		
Private Purpose	1,898,014.55	0.00
<b>TOTAL NET POSITION</b>	<b>1,898,014.55</b>	<b>0.00</b>

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

Seattle Public Schools No. 001

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended August 31, 2013

	Private Purpose Trust	Other Trust
<b>ADDITIONS:</b>		
<b>Contributions:</b>		
Private Donations	40,708.28	0.00
Employer		0.00
Members		0.00
Other	0.00	0.00
<b>TOTAL CONTRIBUTIONS</b>	<b>40,708.28</b>	<b>0.00</b>
<b>Investment Income:</b>		
Net Appreciation (Depreciation) in Fair Value	0.00	0.00
Interest and Dividends	9,575.97	0.00
Less Investment Expenses	0.00	0.00
Net Investment Income	9,575.97	0.00
<b>Other Additions:</b>		
Rent or Lease Revenue	0.00	0.00
Total Other Additions	0.00	0.00
<b>TOTAL ADDITIONS</b>	<b>50,284.25</b>	<b>0.00</b>
<b>DEDUCTIONS:</b>		
Benefits		0.00
Refund of Contributions	5,000.00	0.00
Administrative Expenses	0.00	0.00
Scholarships	72,775.00	
Other	652.83	0.00
<b>TOTAL DEDUCTIONS</b>	<b>78,427.83</b>	<b>0.00</b>
Net Increase (Decrease)	-28,143.58	0.00
Net Position--Beginning	1,926,158.13	0.00
Prior Year(s) Corrections or Restatements	0.00	0.00
<b>NET POSITION--ENDING</b>	<b>1,898,014.55</b>	<b>0.00</b>

**Seattle School District #1**  
**Notes to the Financial Statements**  
**September 1, 2012 Through August 31, 2013**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (SSAP)**

**Description of the government-wide financial statements.**

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

The District presents governmental fund financial statements and related notes on the modified accrual basis of accounting as prescribed by generally accepted accounting principles (GAAP) and required by its regulatory agencies, the Office of Superintendent of Public Instruction and the State Auditor's Office. The District's accounting policies, as reflected in the accompanying financial statements, conform to the *Accounting Manual for Public School Districts in the State of Washington*, issued jointly by the State Auditor's Office and the Superintendent of Public Instruction by the authority of RCW 43.09.200, RCW 28A.505.140, RCW 28A.505.010(1), and RCW 28A.505.020. This manual allows for a practice that differs from generally accepted accounting principles in the following manner:

- (1) Districtwide statements, as defined in GAAP, are not presented.
- (2) The financial statements do not report capital assets.
- (3) Debt is not reported on the face of the financial statements. It is reported on the notes to the financial statements and on the Schedule of Long-Term Liabilities. The Schedule of Long-Term Liabilities is required supplemental information.
- (4) The budgetary comparison schedule compares the district's actual results with the final budgeted amounts. The original budget document is available through the Office of Superintendent of Public Instruction.
- (5) The Management Discussion and Analysis is optional.
- (6) The financial statements do not report a liability for Other Post-Employment Benefits (GASB Statement 45).
- (7) Other departures from GAAP that are material in nature are indicated throughout the Notes.

**Description of the activities accounted for in each of the following funds presented in the basic financial statements.**

The District presents financial information on the basis of funds, each of which is considered a separate accounting entity. The regulatory agencies require all funds be presented as major funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures (or expenses) as appropriate. The various funds in the report are grouped into governmental (and fiduciary) funds as follows:

## ***Governmental Funds***

### General Fund

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

### Capital Projects Funds

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

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

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

### Debt Service Fund

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

### Special Revenue Fund

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

### Permanent Funds

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

## ***Fiduciary Funds***

### Private-Purpose Trust Fund

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

## ***Proprietary Funds***

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

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

The District's accounting policies conform to the *Accounting Manual for Public School Districts in the State of Washington*, issued jointly by the State Auditor and the Superintendent of Public Instruction. The District's financial statements are presented in conformity with that publication.

The measurement focus for the District's funds is the modified accrual basis and the current financial resources focus. This basis of accounting focuses primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. This means that only current assets and current liabilities are included on their balance sheets.

Revenues are recognized as soon as they are measurable and available. "Measurable" means the amount of the transaction can be readily determined. Revenues are considered "available" if they are collected within 60 days after year-end to pay liabilities of the current period. Property taxes receivable are measurable but not available and are, therefore, not accrued. Categorical program claims and interdistrict billings are measurable and available and are, therefore, accrued.

Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for unmatured principal and interest on long-term debt which are recorded when due. The fund liability is incurred when the goods or services have been received. For federal grants, the recognition of expenditures is dependent on the obligation date. (Obligation means a purchase order has been issued, contracts have been awarded, or goods and/or services have been received.)

## ***Budgetary Data***

### **General Budgetary Policies**

Chapter 28A.505 RCW and Chapter 392-123 Washington Administrative Code (WAC) mandate school district budget policies and procedures. The board adopts the budget after a public hearing. An appropriation is a prerequisite to expenditure. Appropriations lapse at the end of the fiscal period.

### **Budgetary Basis of Accounting**

For budget and accounting purposes, revenues and expenditures are accounted for on the modified accrual basis as prescribed in law for all governmental funds. Fund balance is budgeted as available resources and, under statute, may not be negative, unless the District enters into binding conditions with state oversight pursuant to RCW 28A.505.110.

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

The District receives state funding for specific categorical education-related programs. Amounts that are received for these programs that are not used in the current fiscal year may be carried forward into the subsequent fiscal year, where they may be used only for the same purpose as

they were originally received. When the District has such carryover, those funds are expended before any amounts received in the current year are expended.

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

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

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

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

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

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

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

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

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

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

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

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

**Assets, Liabilities, and Fund Equity**

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

**Receivables and Payables**

The district has no receivables or payables not expected to be collected within one year. The account receivables represent amounts due for services rendered by the district and are expected to be collected within one year. The district considers receivables collected within 60 days after year-end to be available and recognizes them as revenues of the current year.

**Inventory**

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

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

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

All of the District's investments during the year and at year-end were insured or registered and held by the District or its agent in the District's name.

The District's investments as of August 31, 2013, are as follows:

	Fund	Carrying Amount	Market Value
County Treasurer's Investment Pool			
	General	\$ 86,236,870	\$ 84,999,086
	Capital Projects	104,223,660	101,381,227
	Debt Service	5,434,670	5,243,679
	Associated Student Body	2,921,551	2,847,206
	Private Purpose Trust	1,963,135	1,920,117
Total		\$ 200,779,886	\$ 196,391,315

**Impaired Investments.** As of August 31, 2013, all impaired commercial paper investments have completed enforcement events. The King County impaired investment pool (Impaired Pool) held one commercial paper asset where the Impaired Pool accepted an exchange offer and is receiving the cash flows from the investment's underlying securities. The Impaired Pool also held the residual investments in four commercial paper assets that were part of completed enforcement events, where the Impaired Pool accepted the cash-out option. The District's share of the impaired investment pool principal is 2,748,628 and the district's fair value of these investments is 1,619,149.

**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.

**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.

### **NOTE 3: SIGNIFICANT CONTINGENT LIABILITIES**

#### **Litigation**

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

#### **Arbitrage Rebate**

The Tax Reform Act of 1986 requires the District to rebate the earnings on the investment of bond and revenue anticipation note proceeds, in excess of their yield, to the federal government. This requirement is effective for the District's 2007 BEX (III) Series A bonds issued in June 2007. Of the rebate, 90 percent is due and payable five years from the date bonds were issued and at five-year intervals thereafter. The remaining 10 percent is payable 60 days after they are retired. Because positive arbitrage can be offset against negative arbitrage, the rebatable amount fluctuates each year and may or may not be owed at the payment intervals. As of August 31, 2013, the District estimates there will not be any arbitrage liability and therefore has not set aside any amount in reserved fund balance.

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

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

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

### **General Information**

Substantially all District full-time and qualifying part-time employees participate in one of the following three contributory, multi-employer, cost-sharing statewide retirement systems managed by the Washington State Department of Retirement Systems (DRS): Teachers' Retirement System (TRS), Public Employees' Retirement System (PERS) and School Employees' Retirement System (SERS). Participation in the programs was as follows:

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

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

*Data is as of last actuarial valuation date of June 30, 2012.*

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

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

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

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

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

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

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

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

**B. Contributions**

Employee contribution rates effective September 1, 2012 through August 31, 2013:

Plan 1 TRS	6.00%	Plan 1 PERS	6.00%
Plan 2 TRS	4.69%	Plan 2 SERS	4.09%
Plan 3 TRS and SERS	5.00% (minimum), 15.00% (maximum)		

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

Employer contribution rates effective September 1, 2012 through August 31, 2013:

	9/1/12-8/31/13		9/1/12-6/30/13	7/1/13-8/31/13
Plan 1 TRS	8.05%	Plan 1 PERS	7.21%	9.19%
Plan 2 TRS	8.05%	Plan 2 SERS	7.59%	7.59%
Plan 3 TRS	8.05%	Plan 3 SERS	7.59%	7.59%

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

<u>Plan</u>	<u>FY 12-13</u>	<u>FY 11-12</u>	<u>FY10-11</u>
Plan 1 TRS	\$ 908,250	\$ 1,138,983	\$ 1,050,131
Plan 2 TRS	\$ 4,949,926	\$ 4,265,190	\$ 2,952,308
Plan 3 TRS	\$14,171,363	\$13,792,774	\$10,102,002
Plan 1 PERS	\$ 435,285	\$ 456,519	\$ 385,064
Plan 2 SERS	\$ 3,327,518	\$ 3,101,982	\$ 2,240,468
Plan 3 SERS	\$ 3,412,794	\$ 3,284,357	\$ 2,381,240

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  
PO BOX 43113  
Olympia, WA 98504-3113

**NOTE 6: COMMITMENTS UNDER NONCAPITALIZED (OPERATING) LEASES**

The District has several operating leases for the facilities used for the New Center School, warehouses for capital programs and maintenance, a science materials center and copiers. The minimum lease payments for each of the next five years for non cancelable leases are:

<u>Year Ended August 31</u>	
2014	\$1,143,640
2015	\$1,102,073
2016	\$ 930,888
2017	\$ 913,212
2018	\$ 837,111

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

The District adopted a Facilities Master Plan (the “Plan”) in 1992 that provides direction for the strategic use of all District facilities through 2010 and is the basis for developing its capital improvement program. The Plan was most recently updated in March 2008 expanding the period covered through 2020.

The Plan identifies facility requirements based on student enrollment and demographics, projected space requirements, community use, and a facilities inventory. Planning is accomplished through a community-based approach, including input from the City, community organizations, parents, and District staff, as well as consideration of requirements relating to historical and landmark buildings.

Since 1995, the District has obtained voter approval for a series of major capital levies, divided between two purposes, the Building Excellence Levies (BEX) and the Buildings, Technologies and Athletics Levies (BTA), to further the goals of the Plan. The BTA program focuses on deferred maintenance, code requirements, seismic upgrades, and modernization of athletic facilities, classroom technology and management information systems.

BEX Levies. In February 1995, Seattle voters approved a six-year, \$330 million BEX property tax levy to fund renovation and/or construction of 19 school buildings throughout the District. The

levy enabled the District to completely renovate West Seattle High School and Ballard High School, among other buildings.

In February 2001, Seattle voters approved a six-year \$398 million BEX II property tax levy to fund renovation and/or new construction in 17 school buildings throughout the District. The levy enables the District to completely renovate three aging high schools, namely Roosevelt, Cleveland, and Garfield, as well as Madison Middle School. The levy also increased capacity at elementary and middle schools in the southeast part of the City, and improved technology support.

In February 2007, Seattle voters approved a six-year \$490 million BEX III Capital Bond (of which the Bonds are a portion), which will help pay for projects divided into three categories: Building Projects, Infrastructure Improvements, and Technology Improvements. The Building Projects component includes the renovations or replacement of seven school facilities and continues the District's long-range plan for renewing aging school buildings throughout the District. The Infrastructure Improvements component includes health and safety upgrades such as replacement or repair of plumbing to ensure drinking water quality, interior upgrades to improve indoor air quality, and replacement and renovation of athletic fields. The Technology Improvements component includes replacement of outdated classroom computers, expansion of a website that keeps families informed of student progress; and improvements to business and academic systems. This levy replaces an expiring capital levy.

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

**BTA Levies:** In February 1998, the voters of Seattle passed a six-year \$150 million BTA I Levy to fund the District's Buildings, Technology and Athletic Facilities program. There are four components to the BTA I levy: Building Reinvestment (\$60 million), Technology (\$40 million), Athletic Facilities (\$40 million), and Science and Performing Arts (\$10 million). In total, the levy financed more than 465 facility improvement projects at every school.

In February 2004, Seattle voters continued the work of BTA I by approving a six-year \$178 million capital levy ("BTA II"), which pays for nearly 700 projects, improving every school in the District. The BTA II levy contains three major components: Buildings (\$95.5 million), Technology (\$42.75 million), and Academics (\$39.75 million).

BTA III was approved by voters in February 2010. This is a six-year \$270M capital levy that provides funds for projects that will benefit every school in the district and to open five buildings to meet growing student enrollment. There are three components to the BTA III levy: Building Construction (\$140.5M), Academics (\$94.6M) and Technology (\$34.9M).

<u>Project</u>	<u>Project Authorized Amount</u>	<u>Accumulated Revenue* to 8/31/13</u>	<u>Accumulated Expenditure to 8/31/13</u>
<b>BEX II</b>			
Building Construction	407,000,000		408,351,252
Technology	26,000,000		25,718,312
<b>BEX II Total</b>	<b>433,000,000</b>	<b>434,576,040</b>	<b>434,069,564</b>
<b>BTA I</b>			
Building Reinvestment	60,000,000		53,947,628
Athletic Fields	40,000,000		38,284,695
Science and Arts	6,000,000		10,291,795
Technology	40,000,000		49,741,391
<b>BTA I Total</b>	<b>146,000,000</b>	<b>154,213,797</b>	<b>152,265,509</b>
<b>BTA II</b>			
Building Reinvestment	95,500,000		93,741,583
Academics	36,620,000		36,225,819
Technology	39,880,000		45,154,025
<b>BTA II Total</b>	<b>172,000,000</b>	<b>181,805,500</b>	<b>175,121,427</b>
<b>BEX III</b>			
Building Construction	383,000,000		392,670,455
Infrastructure	26,000,000		16,521,728
Technology	42,000,000		38,264,266
<b>BTA III Total</b>	<b>451,000,000</b>	<b>478,125,946</b>	<b>447,456,449</b>
<b>BTA III</b>			
Building Construction	140,500,000		25,880,068
Academics	94,600,000		55,286,911
Technology	34,900,000		18,978,751
<b>BTA III Total</b>	<b>270,000,000</b>	<b>130,426,880</b>	<b>100,145,729</b>
<b>BTA IV</b>			
Building Construction	449,200,000		
Infrastructure	191,900,000		
Technology	53,800,000		
<b>BTA IV Total</b>	<b>694,900,000</b>	<b>**</b>	<b>**</b>
<b>Capital Project Energy</b>			
BTA II Energy Grants	5,602,622	5,765,419	5,250,240
BTA III Energy Grants	16,652,519	13,805,983	13,805,984
<b>Energy Grants Total</b>	<b>22,255,141</b>	<b>19,571,402</b>	<b>19,056,224</b>

\*Revenue included Other Operating sources

\*\* Levy approved February 2013, collections begin April 2014

## Encumbrances

Encumbrance accounting is employed in governmental funds. Purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve a portion of the applicable appropriation. Encumbrances lapse at the end of the fiscal year and may be re-encumbered the following year.

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

**Long-Term Debt**

General Obligation Bonds

In June 2007, the District issued the Building Excellence (“BEX III”) Series A & B bonds which voters approved in February 2007. The bonds sold at a premium resulting in gross proceeds of \$419,989,425 and will be used for the capital projects in the BEX III program. The bonds mature between 2008 and 2013 and the principal and interest will be serviced from funds collected from the voter-approved tax levy revenues collected over the same period. The final payment will be made December 1, 2013.

In May 2010, the District issued refinancing bonds of \$33,080,000 for the majority of the 2001 Series A Bonds. The 2001 Bonds maturing on and after December 1, 2012 could be called for redemption prior to their scheduled maturities and were refunded. Bonds maturing before December 1, 2012 were not refunded, but redeemed when due. The final payment on the original Series A Bonds was made in 2012.

The District issued \$17,500,000 Limited General Obligation Bonds, 2010 (Taxable Qualified School Construction Bonds – Direct Payment to Issuer). This was in accordance with a Board Resolution passed in October 2010. The bond interest rate is 2.55% (fully refundable by the Federal Government), and the maturity date is June 1, 2017.

Bonds payable at 8/31/13, are comprised of the following individual issues:

<u>Name and Purpose of Issue</u>	<u>Rates</u>	<u>Amount Authorized</u>	<u>9/1/2012 Beg. Bal.</u>	<u>Additions</u>	<u>Reductions</u>	<u>8/31/2013 Balance</u>
<i>Limited Tax General Obligation Bonds - Voter Approved</i>						
2007 BEX III Series A & B	4.25 – 5.00%	\$ 412,415,000	\$116,230,000		\$76,845,000	\$ 39,385,000
<i>Limited General Obligation Bonds - Non Voted</i>						
2003 Qualified Zone Academy Bond - improvements to schools	0%	3,057,000	\$ 3,057,000			\$ 3,057,000
2010 Refunding Bonds	2-4%	33,080,000	\$ 32,030,000		\$ 985,000	\$ 31,045,000
2010 Qualified School	2.55%					

Construction Bond	*	17,500,000	\$ 17,500,000		\$ 17,500,000
Total LTGO & LGO Bonds		\$ 466,052,000	\$ 168,817,000	\$ -	\$ 77,830,000
					\$ 90,987,000

The following is a schedule of annual requirements to amortize debt at August 31, 2013:

<u>Fiscal Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Ending August 31</u>				
2014	\$	43,547,000	\$ 2,441,675	\$ 45,988,675
2015	\$	1,240,000	\$ 1,433,600	\$ 2,673,600
2016	\$	1,375,000	\$ 1,407,450	\$ 2,782,450
2017	\$	19,015,000	\$ 1,370,975	\$ 20,385,975
2018 - 2022	\$	10,315,000	\$ 3,790,756	\$ 14,105,756
2023 - 2027	\$	15,495,000	\$ 1,627,931	\$ 17,122,931
	\$	90,987,000	\$ 12,072,388	\$ 103,059,388

At August 31, 13 District had \$5,265,374 available in the Debt Service Fund to service the general obligation bond.

## **NOTE 9: INTERFUND BALANCES AND TRANSFERS**

Interfund transactions consist of: 1) reimbursement due to the General Fund for salary, inventory issues, and work-order expenditures budgeted, and properly chargeable to other funds, recorded as reductions in expenditures to the General Fund, and expenditures in the reimbursing fund; 2) transfers to Debt Service Fund for debt payments and 3) other interfund transfers as authorized.

Interfund Receivables and Payables as of August 31, 2012

Fund	Due From Other Funds	Due To Other Funds
General	\$6,549,417	
Capital Projects		\$ 6,532,398
Debt Service		
ASB		16,794
Trust		225
Totals	\$6,549,417	\$6,549,417

## **NOTE 10: ENTITY RISK MANAGEMENT ACTIVITIES**

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

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

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

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

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

The Pool is fully funded by its member participants.

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

The insurance schedule is as follows:

**Self Insured Retention**

Property	\$100,000 per occurrence
Earthquake	5% of affected values at each location subject to \$1,000,000 Minimum per occurrence
Flood	\$250,000 per occurrence
Boiler & Machinery	\$25,000 per occurrence
Automobile and Bus Physical Damage	\$5,000 per occurrence

General Liability	\$1,000,000 per occurrence
Money, Security, Employee Dishonesty	\$5,000 per occurrence
Employment Practices Liability	\$1,000,000 per occurrence
Errors and Omissions Liability	\$1,000,000 per occurrence
Workers Compensation	\$600,000 per occurrence

**Insurance Coverage Limits**

Type of Coverage	2013-14
General Liability	\$20,000,000 per occurrence
Sexual Abuse Liability	\$20,000,000 per occurrence
	\$20,000,000 aggregate
Automobile Liability	\$20,000,000 per occurrence
Property	\$500,000,000 per occurrence
Earthquake	\$25,000,000 Pool wide aggregate
Flood	\$100,000,000 Pool wide aggregate
Workers Compensation	Statutory
Employers' Liability	\$1,000,000 per occurrence
Boiler & Machinery	\$500,000,000 per occurrence
Commercial Crime – Money & Securities	\$50,000 per occurrence
Commercial Crime Employee Dishonesty	\$1,000,000 per occurrence
Employment Practices Liability	\$20,000,000 per claim
Errors & Omissions Liability	\$20,000,000 per occurrence

The District self-insures for some of these claim risks in general liability and industrial insurance liability out of its General Fund. It reports all of its risk management activities in its General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

**NOTE 11: PROPERTY TAXES**

Property tax revenues are collected as the result of special levies passed by the voters in the District. Taxes are levied on January 1. The taxpayer has the obligation of paying all taxes on April 30 or one-half then and one-half on October 31. Typically, slightly more than half of the collections are made on the April 30 date. The October 31 collection is not available in time to cover liabilities for the fiscal period ended August 31. Therefore, the fall portion of property taxes is not accrued as revenue. Instead, the property taxes due on October 31 are recorded as deferred revenue.

**NOTE 12: FUND BALANCE CLASSIFICATION DETAILS**

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

	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund
Nonspendable Fund Balance				
Inventory and Prepaid Items	\$1,378,160			
Restricted Fund Balance				
Carryover of Restricted Revenues	\$2,659,032			
Debt Service			\$2,154,624	
Arbitrage Rebate				
Uninsured Risks				
Other		\$2,235,243	\$70,604,664	\$4,743,835
Committed Fund Balance				
Minimum Fund Balance Policy	\$18,100,000			
Other Commitments				
Assigned Fund Balance				
Contingencies				
Other Capital Projects				
Other Purposes	\$25,094,275			
Fund Purposes		\$591,139	\$11,090,985	\$521,538
Unassigned Fund Balance	\$1,758,323			

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

Restricted from Bond Proceeds	\$30,669,497
Restricted from Levy Proceeds	\$39,419,987
Restricted from State Proceeds	\$ 515,180

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

## **NOTE 13: TERMINATION BENEFITS**

### **Compensated Absences**

#### Vacation Leave

Employees earn vacation leave monthly, at various rates, (from thirteen to twenty-eight days per year), based on the number of years employed. Non-represented employees and school principals may carry over no more than thirty days of vacation leave from one fiscal year to the next. Other represented employees may carry over annual leave as outlined in their

collective bargaining agreement. No employee may cash out more than 240 hours of annual leave at the time of separation from the District. Vacation pay, including benefits, is reported as expenditures, and payroll liability.

#### Sick Leave

Employees earn sick leave at the rate of one day per month. Under the provisions of RCW 28A.400.210, sick leave accumulated by District employees is reimbursed at death or retirement at the rate of one day for each four (4) days of accrued leave, limited to 180 accrued days. This chapter also provides for an annual buy out of an amount up to the maximum annual accumulation of 12 days.

Expenditures for sick leave are recognized when paid, except termination sick leave that is accrued upon death, retirement, or upon termination provided the employee is at least 55 years of age and has sufficient years of service. Vested sick leave is based on 25% of per diem value of all accumulated sick leave of the employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments, plus related Security and Medicare taxes.

### **NOTE 14: OTHER DISCLOSURES**

#### Alliance For Education

The Alliance For Education is an independent nonprofit organization which acts as a constructive partner to the Seattle School District to engage the greater community in public education. The Alliance for Education pursues its mission of helping every child in Seattle Public Schools achieve academic success by securing seed capital for innovations in learning and by fostering city-wide support for excellence in schools. The Board of Directors of the Alliance For Education is a broad-based group of civic, business, education and community leaders and includes the Superintendent of the District, as well as the President of the School Board. A Memorandum of Understanding provides a framework for a variety of collaborative efforts, including grant funded work at the District, community engagement efforts, fundraising initiatives and various technical and professional supports. The district was a subrecipient on fourteen grants through the Alliance in fiscal year 2012-2013. The district accounts for these as reimbursable grants, with activity of \$800,000 for the year.

Seattle Public Schools No. 001  
 Schedule of Long-Term Liabilities  
 For the Year Ended August 31, 2013

Description	Beginning Outstanding Debt September 1, 2012	Amount Issued/Increased	Amount Redeemed/Decreased	Ending Outstanding Debt August 31, 2013
Total Voted Bonds	116,230,000.00	0.00	76,845,000.00	39,385,000.00
Total Non-Voted Notes/Bonds	32,030,000.00	0.00	985,000.00	31,045,000.00
Qualified Zone Academy Bonds (QZAB)	3,057,000.00	0.00	0.00	3,057,000.00
Qualified School Construction Bonds(QSCB)	17,500,000.00	0.00	0.00	17,500,000.00
<b>Other Long-Term Debt</b>				
Capital Leases	0.00	0.00	0.00	0.00
Contracts Payable (GL 603)	0.00	0.00	0.00	0.00
NonCancellable Operating Leases	0.00	0.00	0.00	0.00
Claims & Judgments	3,956,861.00	141,139.00	0.00	4,098,000.00
Compensated Absences	23,179,322.00	441,538.00	0.00	23,620,860.00
Other Long-Term Liabilities	0.00	0.00	0.00	0.00
Total Other Long-Term Liabilities	27,136,183.00	582,677.00	0.00	27,718,860.00
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>195,953,183.00</b>	<b>582,677.00</b>	<b>77,830,000.00</b>	<b>118,705,860.00</b>

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

SEATTLE PUBLIC SCHOOLS  
KING COUNTY  
EIN: 916001541  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR FISCAL YEAR ENDING AUGUST 31, 2013

Federal Agency Name	Pass Through Agency	Federal Program Title	CFDA No.	Other Identification Number		Expenditures			Foot note
				Fund	Contract No.	Direct Awards	Pass-Through Awards	Total	
Department of Agriculture	OSPI	School Breakfast Program	10.553	1010			\$ 1,984,923.81	\$ 1,984,923.81	4
	OSPI	National School Lunch Program	10.555	1010			\$ 7,274,191.23	\$ 7,274,191.23	4
	OSPI	National School Lunch Program - Area Eligible Snack	10.555	1010			\$ 141,954.30	\$ 141,954.30	4
	OSPI	National School Lunch Program - Non Cash Asst. Food Commodities	10.555	1010			\$ 304,715.38	\$ 304,715.38	2
	OSPI	Child and Adult Care Food Program	10.558	1A04-12	17-03-0321		\$ 9,956.32	\$ 9,956.32	4
	OSPI	Child and Adult Care Food Program	10.558	1A04-13	17-03-0321		\$ 216,186.81	\$ 216,186.81	4
	OSPI	Fresh Fruit and Vegetable Program	10.582	1L41-12	LOA		\$ 21,073.50	\$ 21,073.50	
	OSPI	Fresh Fruit and Vegetable Program	10.582	1L41-13	LOA		\$ 216,972.12	\$ 216,972.12	
	OSPI	Fresh Fruit and Vegetable Program	10.582	1L41-14	LOA		\$ 132.09	\$ 132.09	
	Office of State Treasurer	Schools and Roads - Grants to States	10.665	1000			\$ 28,586.29	\$ 28,586.29	4
<b>Subtotal of Department of Agriculture</b>						<b>\$ -</b>	<b>\$ 10,198,691.85</b>	<b>\$ 10,198,691.85</b>	
Department of Commerce		Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	11.427	1C70-08	NA07NMF4720363		\$ 34,702.72	\$ 34,702.72	
<b>Subtotal of Department of Commerce</b>						<b>\$ 34,702.72</b>	<b>\$ -</b>	<b>\$ 34,702.72</b>	
Department of Defense	National Security Agency	Mathematical Sciences Grants Program	12.901	1G61-13	H98230-12-1-0087		\$ 7,351.70	\$ 7,351.70	
	National Security Agency	Language Grant Program	12.900	1G61-14	H98230-13-1-0121		\$ 108,668.08	\$ 108,668.08	
<b>Subtotal of Department of Defense</b>						<b>\$ -</b>	<b>\$ 116,019.78</b>	<b>\$ 116,019.78</b>	
National Science Foundation		Education and Human Resources	47.076	1G13-10	DRL-0554651		\$ (1.86)	\$ (1.86)	
	Seattle Pacific University	Education and Human Resources	47.076	1F48-13	LOA		\$ 109,587.70	\$ 109,587.70	
	Michigan State University	Education and Human Resources	47.076	1L70-12	RC062349SPS		\$ 20,399.93	\$ 20,399.93	
<b>Subtotal of National Science Foundation</b>						<b>\$ (1.86)</b>	<b>\$ 129,987.63</b>	<b>\$ 129,985.77</b>	
Department of Education	OSPI	Title I Grants to Local Educational Agencies	84.010	1C01-12	GR0200760		\$ 117,478.02	\$ 117,478.02	
	OSPI	Title I Grants to Local Educational Agencies	84.010	1C01-13	GR0201207		\$ 10,971,853.20	\$ 10,971,853.20	
	OSPI	Title I Grants to Local Educational Agencies	84.010	1C03-12	GR0222412		\$ 1,488.02	\$ 1,488.02	
	OSPI	Title I Grants to Local Educational Agencies	84.010	1C03-13	GR0222435		\$ 200,740.87	\$ 200,740.87	
	OSPI	Title I Grants to Local Educational Agencies	84.010	1L99-13	GR0228801		\$ 144,088.61	\$ 144,088.61	
	OSPI	Migrant Education_State Grant Program	84.011	1C02-12	GR0280893		\$ (5,460.40)	\$ (5,460.40)	
	OSPI	Migrant Education_State Grant Program	84.011	1C02-13	GR0281044		\$ 128,523.09	\$ 128,523.09	
	OSPI	Migrant Education_State Grant Program	84.011	1F78-12	GR0290701		\$ 5,278.15	\$ 5,278.15	
	OSPI	Migrant Education_State Grant Program	84.011	1F78-13	GR0290730		\$ 15,634.36	\$ 15,634.36	
	OSPI	Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	1C04-12	GR0223291		\$ (1,304.41)	\$ (1,304.41)	
	OSPI	Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	1C04-13	GR0223012		\$ 315,493.53	\$ 315,493.53	
	OSPI	Special Education_Grants to States	84.027	1A48-12	GR0304244		\$ 31,165.60	\$ 31,165.60	

SEATTLE PUBLIC SCHOOLS  
KING COUNTY  
EIN: 916001541  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR FISCAL YEAR ENDING AUGUST 31, 2013

Federal Agency Name	Pass Through Agency	Federal Program Title	CFDA No.	Other Identification Number		Expenditures			Foot note
				Fund	Contract No.	Direct Awards	Pass-Through Awards	Total	
	OSPI	Special Education_Grants to States	84.027	1A48-13	GR0304518		\$ 11,095,641.93	\$ 11,095,641.93	
	OSPI	Special Education_Grants to States	84.027	1G28-13	GR0337502		\$ 375,138.00	\$ 375,138.00	
	OSPI	Career and Technical Education - Basic Grants to States	84.048	1A03-12	GR0172391		\$ 25,702.98	\$ 25,702.98	
	OSPI	Career and Technical Education - Basic Grants to States	84.048	1A03-13	GR0172658		\$ 345,069.27	\$ 345,069.27	
	OSPI	Career and Technical Education - Basic Grants to States	84.048	1K72-13	GR0189070		\$ 5,637.91	\$ 5,637.91	
		Indian Education_Grants to Local Educational Agencies	84.060	1C27-13	S060120393	\$ 92,383.09		\$ 92,383.09	
		Indian Education_Grants to Local Educational Agencies	84.060	1C27-14	S060A130393	\$ 2,170.50		\$ 2,170.50	
	OSPI	Special Education_Preschool Grants	84.173	1A46-12	GR0364239		\$ (2,465.36)	\$ (2,465.36)	
	OSPI	Special Education_Preschool Grants	84.173	1A46-13	GR0364515		\$ 330,374.53	\$ 330,374.53	
		Safe and Drug-Free Schools and Communities_State Grants (Archived 2012)	84.186	1H65-12	1H79SP014932-04	\$ 10,494.19		\$ 10,494.19	
		Safe and Drug-Free Schools and Communities_State Grants (Archived 2012)	84.186	1H65-13	1H79SP014932-05	\$ 110,552.78		\$ 110,552.78	
		Fund for the Improvement of Education	84.215	1H60-12	U215J080192-11	\$ 35,063.37		\$ 35,063.37	
		Fund for the Improvement of Education	84.215	1H60-13	U215J080192-12	\$ 443,684.03		\$ 443,684.03	
		Fund for the Improvement of Education	84.215	1L56-12	Q215F110228	\$ 73,513.24		\$ 73,513.24	
		Fund for the Improvement of Education	84.215	1L56-13	Q215F110228-12	\$ 404,266.11		\$ 404,266.11	
		Foreign Language Assistance (Archived 2013)	84.293	1K87-12	T293A100215-11	\$ 120,036.28		\$ 120,036.28	
	Washington Research Institute	Education Research, Development and Dissemination	84.305	1L64-13	MOU		\$ 48,842.29	\$ 48,842.29	
	OSPI	Education Technology State Grants (Archived 2012)	84.318	1C20-12	GR0721963		\$ 26,259.02	\$ 26,259.02	
	OSPI	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330	1C88-13	GR0887325		\$ 12,456.00	\$ 12,456.00	
	OSPI	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330	1D91-13	GR0887331		\$ 10,062.00	\$ 10,062.00	
		Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330	1K19-12	S330C090065-11	\$ 85,174.14		\$ 85,174.14	
	Puget Sound ESD	Arts in Education	84.351	1K13-12	07294		\$ (0.92)	\$ (0.92)	
	Puget Sound ESD	Arts in Education	84.351	1L45-12	07182		\$ 6,882.86	\$ 6,882.86	
	Puget Sound ESD	Arts in Education	84.351	1L45-13	07772		\$ 10,847.27	\$ 10,847.27	
	Puget Sound ESD	Arts in Education	84.351	1L76-12	07469		\$ 1,492.07	\$ 1,492.07	
	Puget Sound ESD	Arts in Education	84.351	1L76-13	07777		\$ 14,166.02	\$ 14,166.02	
		High School Graduation Initiative	84.360	1K98-12	S360100166-11	\$ 217,287.26		\$ 217,287.26	
		High School Graduation Initiative	84.360	1K98-13	S360100166-12	\$ 1,958,973.20		\$ 1,958,973.20	
	OSPI	English Language Acquisition State Grants	84.365	1C21-12	GR0401530		\$ (2,157.12)	\$ (2,157.12)	
	OSPI	English Language Acquisition State Grants	84.365	1C21-13	GR0401649		\$ 912,855.53	\$ 912,855.53	
	OSPI	Mathematics and Science Partnerships	84.366	1G78-13	GR0555354		\$ 153,097.52	\$ 153,097.52	

SEATTLE PUBLIC SCHOOLS  
KING COUNTY  
EIN: 916001541  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR FISCAL YEAR ENDING AUGUST 31, 2013

Federal Agency Name	Pass Through Agency	Federal Program Title	CFDA No.	Other Identification Number		Expenditures			Foot note
				Fund	Contract No.	Direct Awards	Pass-Through Awards	Total	
	OSPI	Improving Teacher Quality State Grants	84.367	1C17-12	GR0522186		\$ 3,930.50	\$ 3,930.50	
	OSPI	Improving Teacher Quality State Grants	84.367	1C17-13	GR0523097		\$ 3,215,880.73	\$ 3,215,880.73	
	OSPI	Improving Teacher Quality State Grants	84.367	1M16-13	GR0540234		\$ 891.31	\$ 891.31	
		Teacher Incentive Fund	84.374	1K99-11	S374A100044	\$ (1,962.67)		\$ (1,962.67)	
		Teacher Incentive Fund	84.374	1K99-13	S374A100044	\$ 2,236,049.87		\$ 2,236,049.87	
	OSPI	ARRA-School Improvement Grants, Recovery Act (Archived 2011)	84.388	1K74-13	GR0225317		\$ 1,601,754.47	\$ 1,601,754.47	
	OSPI	ARRA-Title I Grants to Local Educational Agencies, Recovery Act (Archived 2011)	84.389	1K02-11	GR0240459		\$ (189.60)	\$ (189.60)	
<b>Subtotal of Department of Education</b>						<b>\$ 5,787,685.39</b>	<b>\$ 30,117,147.85</b>	<b>\$ 35,904,833.24</b>	
Department of Health and Human Services		Substance Abuse and Mental Health Services, Projects of Regional and National Significance	93.243	1K96-12	5U79SM060300-02	\$ 18,724.06		\$ 18,724.06	
		Substance Abuse and Mental Health Services, Projects of Regional and National Significance	93.243	1K96-13	5U79SM060300-03	\$ 87,916.75		\$ 87,916.75	
	University of Washington	Drug Abuse and Addiction Research Programs	93.279	1C41-12	PO 739793		\$ 3,003.48	\$ 3,003.48	
	YWCA (School Out of WA)	Refugee and Entrant Assistance_Discretionary Grants	93.576	1D76-12	LOA		\$ (2,964.68)	\$ (2,964.68)	
	YWCA (School Out of WA)	Refugee and Entrant Assistance_Discretionary Grants	93.576	1D76-13	LOA		\$ 90,000.76	\$ 90,000.76	
		Head Start	93.600	1B60-11	10CH0166/14	\$ (1,211.65)		\$ (1,211.65)	
		Head Start	93.600	1B60-12	10CH0166/15	\$ 846,842.10		\$ 846,842.10	
		Head Start	93.600	1B60-13	10CH0166/16	\$ 3,126,649.75		\$ 3,126,649.75	
	University of Washington	ARRA-Trans-NIH Recovery Act Research Support	93.701	1L17-11	702560Z		\$ 122,009.46	\$ 122,009.46	
	King County	ARRA - Prevention and Wellness Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)	93.724	1K85-11	LOA		\$ 39,810.79	\$ 39,810.79	
	Seattle Children's Hospital Research Foundation	PPHF 2012: Community Transformation Grants -Small Communities Program financed solely by 2012 Public Prevention and Health Funds	93.737	1M13-13	PO 417385		\$ 18,159.75	\$ 18,159.75	
	Seattle KC - Public Health	Medical Assistance Program	93.778	1A16-13	CHS2875		\$ 177,105.73	\$ 177,105.73	
	OSPI	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	1F35-12	GR0930050		\$ 6,266.29	\$ 6,266.29	
		Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	1H31-12	5U87DP001257-05	\$ 123,509.58		\$ 123,509.58	
		Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	1H31-13	3U87DP001257-05W1	\$ 91,611.30		\$ 91,611.30	
	King County - Mental Health, Chemical Abuse and Dependency Service Division	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1L93-13	5509679		\$ 48,776.03	\$ 48,776.03	
<b>Subtotal of Department of Health and Human Services</b>						<b>\$ 4,294,041.89</b>	<b>\$ 502,167.61</b>	<b>\$ 4,796,209.50</b>	

SEATTLE PUBLIC SCHOOLS  
KING COUNTY  
EIN: 916001541  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR FISCAL YEAR ENDING AUGUST 31, 2013

Federal Agency Name	Pass Through Agency	Federal Program Title	CFDA No.	Other Identification Number		Expenditures			Foot note
				Fund	Contract No.	Direct Awards	Pass-Through Awards	Total	
Corporation for National Service		Learn and Serve America Innovative Community-Based Service-Learning Programs (Archived 2012)	94.018	1L01-11	10LYPWA001	\$ 305,056.12		\$ 305,056.12	
<b>Subtotal of Corporation for National Service</b>						<b>\$ 305,056.12</b>	<b>\$ -</b>	<b>\$ 305,056.12</b>	
<b>TOTAL FEDERAL AWARDS EXPENDED</b>						<b>\$10,421,484.26</b>	<b>\$ 41,064,014.72</b>	<b>\$ 51,485,498.98</b>	

## Notes to the Schedule

### Note 1 - BASIS OF ACCOUNTING

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

### Note 2 - NON CASH AWARDS - FOOD COMMODITIES

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

### Note 3 - SCHOOLWIDE PROGRAMS

The district operates a "schoolwide program" in 30 buildings. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to certain targeted students. The following federal program amounts were expended by the District in its schoolwide programs:

Title I Grants to Local Educational Agencies	84.010	\$ 5,672,947.75
ARRA-School Improvement Grants, Recovery Act	84.388	\$ 1,475,253.09
Learn and Serve America Innovative Community-Based Service-Learning Programs	94.018	\$ 294,989.03
<b>Total</b>		<b>\$ 7,443,189.87</b>

### Note 4 - UNIT COST CONTRACTS

Under certain programs, the district receives a fixed amount for the activity, regardless of the district's expenditures. Expenditures for these programs are listed as the amount received from the grantor.

### Note 5 - FEDERAL INDIRECT RATE

Seattle School District's Federal Restricted rates are as follows:

FY 2011/2012	3.66%
FY 2012/2013	3.77%
FY 2013/2014	4.49%

**SEATTLE SCHOOL DISTRICT NO. 1**  
**Schedule of Families and Education Levy**  
**For the Fiscal Year Ended August 31, 2013**

<b>Fund Code</b>	<b>Rev Acct No.</b>	<b>St. PG</b>	<b>Program Names</b>	<b>Other Identification Number</b>	<b>Total Award Amount</b>	<b>Expenditures</b>
<b>King County</b>						
<b>Seattle-King County Department of Public Health</b>						
1F52-12	R8100	79	School Nurses - FEL	D41089D	749,573.00	28,647.59
1F52-13	R8100	79	School Nurses - FEL	HS2759/CHS28'	777,107.00	654,814.80
<b>Total of Seattle-King County Department of Public Health</b>					<b>1,526,680.00</b>	<b>683,462.39</b>
<b>City of Seattle</b>						
<b>Department of Parks and Recreation</b>						
1F69-12	R8100	79	MS After School Activities	006M	567,157.00	(2,589.36)
1F69-13	R8100	79	MS After School Activities	006M	533,082.00	520,549.52
<b>Total of Department of Parks and Recreation</b>					<b>1,100,239.00</b>	<b>517,960.16</b>
<b>City of Seattle</b>						
<b>Department of Human Services</b>						
1G38-12	R8100	79	Step Ahead Preschool @ The New School	DA11-1402	145,773.00	2,575.31
1G38-13	R8100	79	Step Ahead Preschool @ The New School	DA12-1402	211,389.00	205,521.70
<b>Total of Department of Human Services</b>					<b>357,162.00</b>	<b>208,097.01</b>
<b>City of Seattle</b>						
<b>Department of Neighborhoods</b>						
1F61-12	R8100	79	Family Support Worker -FEL	DA11FE003	2,578,109.00	50,499.07
1F61-13	R8100	79	Family Support Worker -FEL	CHS2875	2,118,976.00	2,017,747.54
1F68-12	R8100	79	Middle School Support Program	DA11FE004	1,294,314.00	64,715.00
1F68-13	R8100	79	Middle School Support Program	DA12FE011	2,360,014.00	1,917,838.50
1H48-12	R8100	79	High School Achievement Program	DA11FE005	1,175,507.00	104,582.55
1H48-13	R8100	79	High School Achievement Program	DA11FE012	1,591,827.00	1,307,278.56
1L74-13	R8100	79	Elementary -LEVY	DA12FE008	1,234,863.00	999,936.61
1M03-13	R8100	79	FEL Contracts Support	LOA	30,000.00	27,333.80
1M07-13	R8100	79	LEVY Summer Learning for HS and Denny	DA13FE003	332,389.00	190,484.26
1M22-13	R8100	97	Families and Education Levy Data Support	12FEO017	100,000.00	75,000.00
<b>Total of Department of Neighborhoods</b>					<b>12,815,999.00</b>	<b>6,755,415.89</b>
<b>TOTAL FAMILIES AND EDUCATION LEVY FUNDS</b>					<b>15,800,080.00</b>	<b>8,164,935.45</b>

The accompanying notes to the Schedule of Families and Education are an integral part of this schedule

**SEATTLE SCHOOL DISTRICT NO. 1**  
**Notes to Schedule of Families and Education Levy**  
**For the Fiscal Year Ended August 31, 2013**

Note A. Basis of Accounting

The Schedule of Families and Education Levy is prepared on the same basis of accounting as the school district's financial statements. Program expenditures are presented according to amounts paid to the district under the city award. Since many awards do not fully fund programs, program expenditures disclosed on this schedule are incomplete. District records should be consulted to determine total program expenditures.



## **ABOUT THE STATE AUDITOR'S OFFICE**

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

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

**Troy Kelley**  
**Doug Cochran**  
**Chuck Pfeil, CPA**  
**Kelly Collins, CPA**  
**Jan M. Jutte, CPA, CGFM**  
**Sadie Armijo**  
**Mark Rapozo, CPA**  
**Lou Adams, CPA**  
**Barb Hinton**  
**Thomas Shapley**  
**Mike Murphy**  
**Mary Leider**  
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