

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

Highline School District No. 401
King County

Audit Period
September 1, 2012 through August 31, 2013

Report No. 1012009

Issue Date
May 29, 2014



Washington State Auditor
Troy Kelley

Independence • Respect • Integrity



Washington State Auditor Troy Kelley

May 29, 2014

Board of Directors
Highline School District No. 401
Burien, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Highline School District No. 401'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

Table of Contents

**Highline School District No. 401
King County
September 1, 2012 through August 31, 2013**

Federal Summary	1
Schedule of Prior Federal Audit Findings	3
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 <i>Government Auditing Standards</i>	5
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.....	7
Independent Auditor's Report on Financial Statements	10
Financial Section.....	13

Federal Summary

Highline School District No. 401 King County September 1, 2012 through August 31, 2013

The results of our audit of Highline School District No. 401 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 no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
84.010	Title I, Part A Cluster - Title I Grants to Local Educational Agencies
84.027	Special Education Cluster (IDEA) - Special Education - Grants to States (IDEA, Part B)
84.173	Special Education Cluster (IDEA) - Special Education – Preschool Grants (IDEA, Preschool)
84.388	ARRA - School Improvement Grants Cluster - School Improvement Grants (Recovery Act)
93.778	Medicaid Cluster - Medical Assistance Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$616,163.

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

Schedule of Prior Federal Audit Findings

Highline School District No. 401 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 Highline School District No. 401. The State Auditor's Office has reviewed the status as presented by the District.

Audit Period: FY 2012	Report Ref. No: 1009712	Finding Ref. No: 1	CFDA Number(s): 93.724
Federal Program Name and Granting Agency: ARRA Prevention and Wellness, Department of Health and Human Services Center for Disease Control and Prevention		Pass-Through Agency Name: Public Health – Seattle and King County	
Finding Caption: The Highline School District did not comply with time and effort record requirements to support payroll costs charged to the Communities Putting Prevention to Work (CPPW) grant.			
Background: <p>The ARRA Prevention and Wellness grant was appropriated under the American Recovery Act of 2009 to reduce chronic disease risk factors, prevent and delay chronic disease, promote wellness and better manage chronic conditions.</p> <p>The District was unable to provide time and effort documentation for the salaries and benefits charged to the program. As a result, the federal grantors do not have assurance that salaries and benefits charged to their programs are accurate and valid.</p> <p>The District stated it did not monitor compliance with time and effort documentation because they were unaware that the grant was a federal grant.</p> <p>The District has since updated the procedures to ensure a federal grant is accurately identified to ensure compliance with time and effort documentation requirements.</p>			
Status of Corrective Action: (check one) <div style="display: flex; justify-content: space-between;"> <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid </div>			

Corrective Action Taken:

The Highline School District has diligently complied with federal guideline on time and effort for all the federal grants. However, the District initially thought that the CPPW grant was a service contract between Public Health-Seattle and King County and the District. As a vendor, the District was not required to do time and effort. When the District learned that it was a grant subrecipient, it was too late to fulfill the time and effort requirement. The District will

continue following the federal guideline on time and effort for all the federal grants. The District will also ensure that the grant manager confirms with grantors if the grants are federally funded and works with the program staff to comply the time and effort requirement.

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*

**Highline School District No. 401
King County
September 1, 2012 through August 31, 2013**

Board of Directors
Highline School District No. 401
Burien, 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 Highline School District No. 401, 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 23, 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.

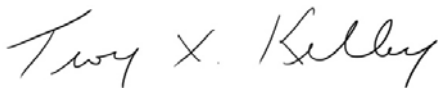
COMPLIANCE AND OTHER MATTERS

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 23, 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

**Highline School District No. 401
King County
September 1, 2012 through August 31, 2013**

Board of Directors
Highline School District No. 401
Burien, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Highline School District No. 401, King County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013. The District's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

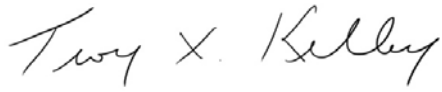
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

PURPOSE OF THIS REPORT

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

also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

TROY KELLEY
STATE AUDITOR

May 23, 2014

Independent Auditor's Report on Financial Statements

Highline School District No. 401 King County September 1, 2012 through August 31, 2013

Board of Directors
Highline School District No. 401
Burien, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Highline School District No. 401, 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 13.

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 Highline School District No. 401, 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, Transportation Vehicle 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 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.

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

TROY KELLEY
STATE AUDITOR

May 23, 2014

Financial Section

**Highline School District No. 401
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

E.S.D. 121

Balance Sheet

COUNTY: 17 King

Governmental Funds

August 31, 2013

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
ASSETS:							
Cash and Cash Equivalents	12,412,971.99	742,304.72	15,714,500.61	21,102,524.82	1,006,084.89	0.00	50,978,387.03
Minus Warrants Outstanding	-2,836,538.01	-41,213.99	0.00	-1,166,326.06	0.00	0.00	-4,044,078.06
Taxes Receivable	22,145,927.87		11,090,524.11	0.00	0.00		33,236,451.98
Due From Other Funds	281,640.45	70,938.88	0.00	0.00	0.00	0.00	352,579.33
Due From Other Governmental Units	1,102,667.66	70.00	0.00	0.00	0.00	0.00	1,102,737.66
Accounts Receivable	3,588,130.72	0.00	0.00	0.00	0.00	0.00	3,588,130.72
Interfund Loans Receivable	0.00			0.00			0.00
Accrued Interest Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	249,863.15	0.00					249,863.15
Prepaid Items	302,119.14	0.00		0.00	0.00	0.00	302,119.14
Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investments/Cash With Trustee	0.00		0.00	0.00	0.00	0.00	0.00
Investments-Deferred Compensation	0.00		0.00	0.00	0.00	0.00	0.00
Self-Insurance Security Deposit	0.00			0.00			0.00
TOTAL ASSETS	37,246,782.97	772,099.61	26,805,024.72	19,936,198.76	1,006,084.89	0.00	85,766,190.95
LIABILITIES:							
Accounts Payable	1,292,938.46	6,057.95	0.00	1,360,893.07	785,853.97	0.00	3,445,743.45
Contracts Payable Current	142,295.98	2,627.55		269,386.01	0.00	0.00	414,309.54
Accrued Interest Payable			0.00				0.00
Accrued Salaries	507,761.26	0.00		0.00			507,761.26
Revenue Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00
Payroll Deductions and Taxes Payable	2,656,851.85	0.00		658.27			2,657,510.12
Due To Other Governmental Units	136,672.73	0.00		0.00	0.00	0.00	136,672.73
Deferred Compensation Payable	0.00			0.00			0.00
Estimated Employee Benefits Payable	1,727,003.13						1,727,003.13
Due To Other Funds	76,738.88	0.00	0.00	280,698.44	0.00	0.00	357,437.32

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

E.S.D. 121

Balance Sheet

COUNTY: 17 King

Governmental Funds

August 31, 2013

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
LIABILITIES:							
Interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	0.00	0.00		0.00			0.00
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	23,793,536.42	57,931.59	11,090,524.11	0.00	0.00	0.00	34,941,992.12
TOTAL LIABILITIES	30,333,798.71	66,617.09	11,090,524.11	1,911,635.79	785,853.97	0.00	44,188,429.67
FUND BALANCE:							
Nonspendable Fund Balance	175,000.00	0.00	0.00	0.00	0.00	0.00	175,000.00
Restricted Fund Balance	975,941.00	705,482.52	15,714,500.61	-6,372,523.29	0.00	0.00	11,023,400.84
Committed Fund Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Assigned Fund Balance	1,174,796.00	0.00	0.00	24,397,086.26	220,230.92	0.00	25,792,113.18
Unassigned Fund Balance	4,587,247.26	0.00	0.00	0.00	0.00	0.00	4,587,247.26
TOTAL FUND BALANCE	6,912,984.26	705,482.52	15,714,500.61	18,024,562.97	220,230.92	0.00	41,577,761.28
TOTAL LIABILITIES AND FUND BALANCE	37,246,782.97	772,099.61	26,805,024.72	19,936,198.76	1,006,084.89	0.00	85,766,190.95

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

E.S.D. 121

Statement of Revenues, Expenditures, and Changes in Fund Balance

COUNTY: 17 King

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
REVENUES:							
Local	49,228,839.98	1,011,169.69	22,655,105.14	6,572,539.99	11,830.15		79,479,484.95
State	118,094,583.98		0.00	1,091,225.14	622,744.52		119,808,553.64
Federal	19,168,263.26		0.00	0.00	0.00		19,168,263.26
Federal Stimulus	1,370,503.40						1,370,503.40
Other	1,486,118.82			650,000.00	0.00	0.00	2,136,118.82
TOTAL REVENUES	189,348,309.44	1,011,169.69	22,655,105.14	8,313,765.13	634,574.67	0.00	221,962,924.07
EXPENDITURES:							
CURRENT:							
Regular Instruction	97,865,655.45						97,865,655.45
Federal Stimulus	1,302,185.94						1,302,185.94
Special Education	23,118,212.09						23,118,212.09
Vocational Education	5,250,081.91						5,250,081.91
Skills Center	3,527,798.60						3,527,798.60
Compensatory Programs	15,609,955.67						15,609,955.67
Other Instructional Programs	1,705,570.47						1,705,570.47
Community Services	881,024.90						881,024.90
Support Services	40,132,641.17						40,132,641.17
Student Activities/Other		1,050,585.19				0.00	1,050,585.19
CAPITAL OUTLAY:							
Sites				11,063.37			11,063.37
Building				25,464,533.45			25,464,533.45
Equipment				640,945.14			640,945.14
Instructional Technology				0.00		0.00	0.00
Energy				0.00		0.00	0.00
Transportation Equipment					785,853.97		785,853.97
Sales and Lease				0.00		0.00	0.00
Other	347,707.42						347,707.42
DEBT SERVICE:							
Principal	0.00		8,350,000.00	0.00	0.00		8,350,000.00
Interest and Other Charges	0.00		13,788,959.63	0.00	0.00		13,788,959.63
Bond/Levy Issuance				0.00	0.00		0.00
TOTAL EXPENDITURES	189,740,833.62	1,050,585.19	22,138,959.63	26,116,541.96	785,853.97	0.00	239,832,774.37

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

E.S.D. 121

Statement of Revenues, Expenditures, and Changes in Fund Balance

COUNTY: 17 King

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
DEBT SERVICE:							
REVENUES OVER (UNDER) EXPENDITURES	-392,524.18	-39,415.50	516,145.51	-17,869,850.30	-151,279.30	0.00	-17,360,823.09
OTHER FINANCING SOURCES (USES):							
Bond Sales & Refunding Bond Sales	0.00		83,297,881.15	0.00	0.00		83,297,881.15
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	1,600,000.00		125,028.00	0.00	0.00		1,725,028.00
Transfers Out (GL 536)	-62,514.00		0.00	-1,662,514.00	0.00	0.00	-1,725,028.00
Other Financing Uses (GL 535)	0.00		-82,831,934.33	0.00	0.00		-82,831,934.33
Other	0.00		0.00	0.00	0.00		0.00
TOTAL OTHER FINANCING SOURCES (USES)	1,537,486.00		590,974.82	-1,662,514.00	0.00	0.00	465,946.82
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	1,144,961.82	-39,415.50	1,107,120.33	-19,465,290.83	-151,279.30	0.00	-17,403,903.48
BEGINNING TOTAL FUND BALANCE	6,852,340.83	744,898.02	14,607,380.28	37,489,853.80	371,510.22	0.00	60,065,983.15
Prior Year(s) Corrections or Restatements	1,084,318.39	0.00	0.00	0.00	0.00	0.00	1,084,318.39
ENDING TOTAL FUND BALANCE	6,912,984.26	705,482.52	15,714,500.61	18,024,562.97	220,230.92	0.00	41,577,761.28

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

Highline School District No. 401
Statement Of Fiduciary Net Position
Fiduciary Funds
August 31, 2013

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

	Private Purpose Trust	Other Trust
ASSETS:		
Imprest Cash	0.00	0.00
Cash On Hand	0.00	16,640.72
Cash On Deposit with Cty Treas	440,469.92	0.00
Minus Warrants Outstanding	-6,361.55	0.00
Due From Other Funds	5,800.00	0.00
Accounts Receivable	0.00	0.00
Accrued Interest Receivable	0.00	0.00
Investments	0.00	0.00
Investments/Cash With Trustee	0.00	0.00
Other Assets	0.00	
Capital Assets, Land	0.00	
Capital Assets, Buildings	0.00	
Capital Assets, Equipment	0.00	0.00
Accum Depreciation, Buildings	0.00	
Accum Depreciation, Equipment	0.00	0.00
TOTAL ASSETS	439,908.37	16,640.72
LIABILITIES:		
Accounts Payable	5.15	0.00
Due To Other Funds	0.00	942.01
TOTAL LIABILITIES	5.15	942.01
NET POSITION:		
Held in trust for:		
Restricted for Other Items	0.00	0.00
Restricted for Self Insurance		0.00
Restricted for Uninsured Risks		0.00
Nonspendable -- Trust Principal	98,403.66	0.00
Committed to Other Purposes	0.00	0.00
Assigned to Fund Purposes	341,499.56	15,698.71
Unassigned Fund Balance	0.00	0.00
TOTAL NET POSITION	439,903.22	15,698.71

E.S.D. 121

Statement of Changes in Fiduciary Net Position

COUNTY: 17 King

Fiduciary Funds

For the Year Ended August 31, 2013

ADDITIONS:		Private Purpose	Other Trust
Contributions:		Trust	
Private Donations		59,905.95	0.00
Employer			0.00
Members			132,666.98
Other		0.00	0.00
TOTAL CONTRIBUTIONS		59,905.95	132,666.98
Investment Income:			
Net Appreciation (Depreciation) in Fair Value		0.00	0.00
Interest and Dividends		5,488.95	0.00
Less Investment Expenses		0.00	0.00
Net Investment Income		5,488.95	0.00
Other Additions:			
Rent or Lease Revenue		0.00	0.00
Total Other Additions		0.00	0.00
TOTAL ADDITIONS		65,394.90	132,666.98
DEDUCTIONS:			
Benefits			129,773.76
Refund of Contributions		0.00	0.00
Administrative Expenses		0.00	942.01
Scholarships		59,300.00	
Other		11,849.64	0.00
TOTAL DEDUCTIONS		71,149.64	130,715.77
Net Increase (Decrease)		-5,754.74	1,951.21
Net Position--Beginning		445,657.96	13,747.50
Prior Year(s) Corrections or Restatements		0.00	0.00
NET POSITION--ENDING		439,903.22	15,698.71

Highline School District
Notes to 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 Highline 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 to be 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 principal and interest.

Special Revenue Fund

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

Fiduciary Funds

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

Private-Purpose Trust Fund

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

Agency Funds

These funds are used to account for assets that the District holds for other agencies in a purely custodial capacity.

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 Chief of Staff and Finance is the only person who has 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.

Inventory

Inventory is valued at cost using the first-in, first-out (FIFO) method. The consumption method of inventory is used, which charges inventory as an expenditure when it is consumed. A portion of fund balance, representing inventory, is considered Nonspendable. 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, plus any processing fees.

NOTE 2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

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

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

In accordance with state laws, the district's governing body has entered into a formal interlocal agreement with the district's ex officio treasurer, King County, to have all its funds not required for immediate expenditure to be invested in the King County Investment Pool (Pool).

As of August 31, 2013, the district had the following investments:

	Fair Value	Effective Duration
King County Investment Pool	\$49,610,499	1.45 Years

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 \$757,585 and the district's fair value of these investments is \$447,154.

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

This district contracted with AMTEC for arbitrage calculations on its 2004, 2006, and 2007 bonds. All the rebated reports indicated that the district has no yield reduction liabilities. Since all the bond proceeds have been expended, there is no further arbitrage calculation.

NOTE 4: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

The District entered into a contract to sell the Sunny Terrace property at 1010 South 146th Street, Burien WA 98168. The sales price was \$2,300,000 and the sale was closed on September 18, 2013.

NOTE 5: ANNUAL PENSION COST AND NET PENSION OBLIGATIONS

General Information

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

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

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

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, respectively. Members are eligible to retire with full benefits after five years of credited service and attainment of age 65, or after 20 years of credited service and attainment of age 55 with the benefit actuarially reduced from age 65.

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 members, 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 advice from the Office of the State Actuary. 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's contribution represents its full liability under both systems, except that future rates may be adjusted to meet the system needs.

Contributions

Employee contribution rates as of 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: Member-selected rate between five percent and fifteen percent, depending on plan options.

Employer contribution rates as of August 31, 2013:

Plan 1 TRS 8.05% Plan 1 PERS 7.21%

Plan 2 TRS 8.05% Plan 2 SERS 7.59%

Plan 3 TRS 8.05% Plan 3 SERS 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):

Plan	2012-2013	2011-2012	2010-2011
Plan 1 TRS	\$203,309	\$228,921	\$258,031
Plan 2 TRS	\$1,263,791	\$1,067,149	\$792,256
Plan 3 TRS	\$4,975,523	\$4,623,926	\$3,713,053
Plan 1 PERS	\$66,900	\$72,004	\$62,861
Plan 2 SERS	\$1,162,170	\$1,075,172	\$764,826
Plan 3 SERS	\$1,204,913	\$1,154,070	\$861,122

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

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

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

According to state law, the Washington State Treasurer collects a fee from all school district entities which have employees that are not current active members of the state Health Care Authority but participate in the state retirement system. The purpose of this fee is to cover the impact of the subsidized rate of health care benefits for school retirees that elect to purchase their health care benefits through the state Health Care Authority. For the fiscal year 2012-13, the District was required to pay the HCA \$65.17 per month per full-time equivalent employee to support the program, for a total payment of \$1,651,094. This assessment to the District is set forth in the State's operating budget and is subject to change on an annual basis. This amount is

not actuarially determined and is not placed in a trust to pay the obligations for post-employment health care benefits.

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

NOTE 7: COMMITMENTS UNDER NONCAPITALIZED (OPERATING) LEASES

The district is obligated under certain leases accounted for as capital leases. Capital leases give rise to property rights or lease obligations. The following is a schedule by years of future minimum rental payments required under capital leases of one year or more as of August 31, 2013.

Capital Leases - Equipment

Year Ending August 31	Amount
2014	\$22,635
2015	2,592
	<u>\$25,227</u>

For the fiscal year ended August 31, 2013, the District had incurred additional long-term debt as follows:

Raisbeck Aviation High School Ground Lease

On March 29, 2011 the district entered into a ground lease agreement with the Museum of Flight Foundation for the use of 41,500 square feet of building land to construct an educational facility. The facility is to be dedicated to educating secondary students with an emphasis on aeronautics and aviation.

In exchange for a reduction in the total rent the district will provide the Museum of flight the right to use certain classroom and meeting areas during non-school hours and days. The base rent for the entire first ten-years (expiring 5/31/2021) is \$1,700,000, which is reduced to \$1,300,000 due to the above consideration. The \$1,300,000 adjusted rent has been paid through an in kind donation from the Museum of Flight Foundation and its lender. The first amendment to the ground lease amends Section 3.1.1 Base Rent of the agreement per the following: "This section is amended in part to reflect that the Landlord, in consideration for the simultaneous forgiveness by its Lender of an equal amount of debt, agrees to forgive the Tenant's \$1,300,000 Rent payment for the initial ten (10) year lease Term".

This Lease agreement has four (4) ten-year renewal options for a total of fifty years. District liability for the first and second renewal terms is one dollar (\$1) each to exercise the renewal term. No additional rent shall be payable during either of these renewal periods.

The district liability for the third and fourth lease renewal terms is outlined in section 4.3 of the agreement. Base monthly rent for the first lease year of the third and fourth renewal terms shall be calculated on the fair market rent for a ground lease of the building land without reference to any improvements. The fair market value will be determined for the first year of each renewal term and will be subject to CPI adjustment the first day of each subsequent lease year. The base for computing any rent increase is the Consumer Price Index All Urban Consumers Seattle-Tacoma Metropolitan Area (1982-84=100), published by the United States Department of Labor, Bureau of Labor Statistics.

In addition the district is responsible for, unless otherwise exempt, any real and personal property taxes, general and special assessments and all other charges or taxes levied on or assessed against the building and the land.

Marine Technology Ground Lease

The district has leased from King County a parcel at Seahurst Park since November 25, 1970 and built on the property the Marine Technology facility for instructional use by the Puget Sound Skills Center. In 1993 the City of Burien incorporated and the park became city property. Since that time the lease has been between the city and the district.

The terms of the lease states, “ the Lessee is hereby granted an irrevocable option to renew this lease for an extend terms of forty years, by written notice of renewal to the Lessor at least thirty days prior to the termination of the initial term thereof.” The lease option was executed November 1, 2011 for an additional forty years, beginning November 26, 2010 through November 25, 2050. The lease rate is \$10 per year.

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

Construction in progress is composed of:

Project	Original Project Authorization Amount	Expended as of 8/31/2013	Additional Local funds Committed	Additional State Funds Committed
PSSC Health Science Bldg Design	\$1,500,000	\$1,352,535	\$147,465	0
Raisbeck Aviation High School	43,500,000	31,925,315	11,574,685	0
Total	\$45,000,000	\$33,277,850	\$11,722,150	0

NOTE 9: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The district’s capital assets are insured in the amount of \$ 806,775,474 for fiscal year 2013. In the opinion of the district’s insurance consultant, this amount is sufficient to adequately fund replacement of the district’s assets.

The following district facilities are being leased to outside users under long-term contracts:

Burien Heights located at 1210 SW 136th Street, Burien, WA 98166. The entire site (land only, no building) is leased to NAVOS. Lease expires in 2058 and requires 24 months written notification for cancellation. Annual amount is \$22,875 for the 2012-2013 fiscal year. The terms of the lease allow for an annual adjustment equal to the Consumer Price Index (CPI). Every ten years the lease amount will adjust by the current fair market rent for land.

North Shorewood Elementary School located at 1410 S. 200th Ave. SW; Seattle, WA 98146 Facility is leased to Westside School and Explorer West Middle School. Lease expires April, 2049 and requires twelve months written notification for cancellation. Annual amount is \$60,092 for fiscal year 2012-2013. The terms of the lease allow for an annual adjustment equal to the Consumer Price Index (CPI.)

Sunny Terrace Elementary School located at 1010 South 146th St.; Burien WA 98168 Facility is leased to NAVOS. Lease expired November, 2012 and the property was vacated on November 30, 2012. Annual amount for fiscal year 2012-2013 was \$5,059. The terms of the lease allowed for an annual adjustment equal to the Consumer Price Index (CPI).

Salmon Creek located at 614 SW 120th St; Burien WA 98168 Facility is leased to Burien Little Theatre, The Hi-Liners and World Vision. Lease is open and has no end date, but requires twelve months written notification by tenant for cancellation. Annual amount for fiscal year 2012-2013 is \$9,333. The lease amount is recalculated annually using the previous 12 months operating costs.

Office Space at Educational Resource and Administrative Center located at 15675 Ambaum Boulevard SW, Burien WA 98166 Office space is leased to the Highline Schools Foundation for Excellence. The term of the lease is for 12 months, with an option to extend for an additional 12 months. The lease expiration date is September 30, 2014. Annual amount for fiscal year 2012-2013 was \$763.

None of the district leases are with related parties, have imputed interest, have an allowance for uncollectible lease payments, or have unguarded residual value accruing to the district's benefit. There is no contingent rental included in revenue or any unearned revenue, therefore there is no offset used in recording indirect costs on unearned revenue. Leased assets are fifty years old, and all leases except as noted above are cancelable with thirty days written notification. No contingent rental income is included in revenue.

NOTE 10: REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES

Long-Term Debt

Bonds payable at August 31, 2013 are comprised of the following individual issues:

Issue Name General Obligation Bonds	Amount Issued	Final Maturity	Interest Rate(s)	Amount Outstanding
2004 G.O. Refunding	\$71,065,000	12/1/2015	3.8 - 4.0	\$955,000
2006 G. O. Bonds	89,000,000	12/1/2018	4.00 - 5.00	12,070,000
2007 G.O. Bonds	59,000,000	12/1/2026	5.00	52,000,000
2009 G.O. Bonds Refunding	106,835,000	12/1/2021	5.00	97,215,000
2011 G.O. Bond Refunding 04 Bond	38,015,000	12/1/2023	2.75 - 5.00	37,740,000
2012 G.O. Bond Refunding 04 Bond	11,835,000	6/1/2024	2.00	11,600,000
2001 QZAB	864,000	6/28/2014	0.00	864,000
2003 QZAB	1,645,000	12/1/2016	0.00	994,391
2012 G.O. Bond Refunding 04 & 06 Bond	69,760,000	12/1/2025	.35 - 5.0	69,760,000
Total General Obligation Bonds	\$448,019,000			\$283,198,391

The following is a summary of general obligation long-term debt transactions of the district for the fiscal year(s) ended August 31, 2013:

Long-Term Debt Payable at 9/1/2012	\$291,758,391
New Issues	69,760,000
Debt Retired	78,320,000
Long-Term Debt Payable at 8/31/2013	\$283,198,391

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

Years Ending August 31, 2013	Principal	Interest	Total
2013-2014	\$10,434,000	\$12,730,554	\$23,164,554
2014-2015	9,640,000	12,415,530	22,055,530
2015-2018	39,929,391	34,492,553	74,421,944
2018-2024	138,605,000	46,950,344	185,555,344
2024-2027	84,590,000	7,190,913	91,780,913
Total	\$283,198,391	\$113,779,893	\$396,978,284

At August 31, 2013, the district had \$15,714,501 available in the Debt Service Fund to service the general obligation bonds.

Refunded Debt

On December 4, 2012, the District issued \$69,760,000 in general obligation bonds with an interest rate range of .35% to 5% to advance refund \$69,465,000 of outstanding 2006 series bonds with an average interest rate of 5.24% and to advance refund \$505,000 of outstanding 2004 series bonds with an average interest rate of 3.9%. The net proceeds of \$83,831,934.33 after payment of \$461,868.40 in underwriting fees, insurance, and other issuance costs, and after the deposit of \$4,078.42 of additional proceeds to the District's Debt Services Fund, were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2004, 2006 and 2012 series bonds. As a result, the 2004 series and 2006 series bonds are considered partially defeased.

The District advance refunded the 2004 and 2006 series bonds to reduce its total debt service payments over the next 13 years by \$6,628,106.94 and to obtain an economic gain of \$5,713,729.07 in present value.

Cash Flows Difference	
Old Debt Service Cash Flows	109,921,917.50
New Debt Service Cash Flows	103,297,888.98
Less Accrued Interest In 06/01/2013 Payment	
Plus Additional Proceeds	4,078.42
Plus District Contribution from Sinking Fund Resources	6,628,106.94
Total	
Economic Gain	
Present Value of New Debt Service Cash Flows	96,874,482.98
Present Value of Old Debt Service Cash Flows	91,164,832.33
Less Accrued Interest Included in 06/01/2013	
Plus Additional Proceeds	4,078.42
Plus District Contribution from Sinking Fund Resources	
Total	5,713,729.07

NOTE 11: INTERFUND BALANCES AND TRANSFERS

The District had no interfund loan activity during the 2012/13 fiscal year.

NOTE 12: ENTITY RISK MANAGEMENT ACTIVITIES

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

Unemployment Insurance

In 1991 the District joined together with other school districts in the state to form the Puget Sound Educational Service District Unemployment Pool, a public entity risk pool currently operating as a common risk management and insurance program for unemployment insurance. This fund is operated for the district's benefit in lieu of the district having to make monthly premium payments to the State of Washington for unemployment insurance. This practice enables the district to pay unemployment benefits as they occur and minimizes the district's costs for the program. The following is a summary of activity:

	Beginning Balance	Additions	Reductions	Ending Balance
2012-2013	\$1,101,028	\$96,046	\$152,628	\$1,044,446

The agreement for formation of the Puget Sound Educational Service District Unemployment Pool provides that the pool will be self-sustaining through member premiums.

Other Insurance

The Highline School District is a member of the Schools Insurance Association of Washington. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program 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 program was formed on September 1, 1995, when seven mid-sized school districts in the State of Washington joined together by signing an Interlocal Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Presently, the SIAW pool has 42 member districts.

The pool allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Coverage for Public Officials Liability is on a claims-made basis. All other coverages are on an occurrence basis. The pool provides the following forms of group purchased insurance coverage for its members: property, earthquake, liability, automobile liability, boiler and machinery, crime, excess liability, flood and educators legal liability.

The pool acquires liability insurance from unrelated underwriters that are subject to a per-occurrence deductible of \$100,000. Members are responsible for the first \$2,500 deductible for each claim, while the pool is responsible for the \$100,000 self insured retention. Insurance

carriers cover insured losses over \$102,500 to the limits of each policy. Since the pool is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 of the self insured retention. The program also purchases a Stop Loss Policy with an attachment point of \$3,946,800 which it fully funds in its annual budget.

Property insurance is subject to a per-occurrence self insured retention of \$250,000. Members are responsible for a \$10,000 deductible amount for each claim. The program is responsible for the remaining \$250,000 self insured retention.

Equipment breakdown insurance is subject to a per-occurrence deductible of \$10,000. Members are responsible for the deductible amount of each claim. Members contract to remain in the program for one year and must give notice before December 31 before terminating participation the following September 1. Renewal of the Interlocal Agreement occurs automatically each year. Even after termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

The program is fully funded by its member participants. Claims are filed by members with Canfield, which has been contracted to perform program administration, claims adjustment and administration and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ended August 31, 2013 were \$3,198,672.

A Board of Directors of 8 members is selected by the membership from the east and west side of the state and is responsible for conducting the business affairs of the program. The Board of Directors has contracted with Canfield to perform day-to-day administration of the pool. This program has no employees.

Industrial Insurance

The district self-insures industrial insurance claims that do not exceed \$400,000 per occurrence. It reinsures claims of \$400,000 aggregate or more. After approval by the State of Washington Department of Labor and Industries, the district pays the claim of each eligible employee.

Claims management was assigned to Cannon Cochran Management Services, Inc., Illinois. The changes in the industrial insurance account are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
2012-2013	\$865,630	\$1,281,651	\$1,464,724	\$682,557

Dental and Vision Insurance

At August 31, 2013, the amount of liabilities totaled \$1,232,096 (Dental) and \$86,211 (Vision). This liability is the District's best estimate based on available information. Changes in the reported liability for fiscal year 2012/13 resulted in the following:

	9/1/2012 Liability	Current Year Claims and Changes in Estimates	Claim Payments	8/31/2013 Balance
Dental (United Concordia)	\$1,361,748	\$1,857,285	\$1,986,936	\$1,232,096
Vision	\$31,004	\$572,942	\$517,735	\$86,211

NOTE 13: PROPERTY TAXES

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

NOTE 14: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

The district is a member of the King County Directors' Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. The board authorized joining the association by passing a Resolution in June, 1974 and has remained in the joint venture ever since. The district's current equity of \$354,012 is the accumulation of the annual assignment of KCDA's operating surplus based upon the percentage derived from KCDA's total sales to the district compared to all other districts applied against paid administrative fees. The district may withdraw from the joint venture and will receive its equity in ten annual allocations of merchandise or 15 annual payments.

NOTE 15: FUND BALANCE CLASSIFICATION DETAILS

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

	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund	Transportation Vehicle Fund
Nonspendable Fund Balance					
Inventory and Prepaid Items	\$ 175,000				
Restricted Fund Balance					
Carryover of Restricted Revenues	\$ 81,364				
Debt Service			\$ 514,486	\$ 15,714,501	
Uninsured Risks	\$ 500,000		\$ 100,000		
Fund Purposes		\$ 705,483			
Skills Center	\$ 394,577				
Assigned Fund Balance					
Fund Purposes	\$ 1,174,796		\$ 24,397,086		\$ 220,231
Unassigned Fund Balance	\$ 4,587,247				

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

Restricted from Other Proceeds	\$ (9,184,539)
Restricted from Undistributed Proceeds	\$ 2,197,530

The board of directors has established a minimum fund balance policy for the general fund to provide for financial stability and contingencies within the District. The policy is that the District shall maintain an unassigned fund balance (890) of 3% of the current year's expenditures attributable to basic education, special education, support services and transportation.

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

457 Plan – Deferred Compensation Plan

District employees have the option of participating in a deferred compensation plan as defined in §457 of the Internal Revenue Code that is administered by the district, state retirement system, or another governmental entity. The district retains a right of legal access to the plan assets (valued at market) until paid or made available to the employees, subject only to the claims of the district's general creditor.

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

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

The District complies with IRS regulations that require school districts to have a written plan to include participating investment companies, types of investments, loans, transfers, and various

requirements. The plan is administered by a third party administrator, National Benefits Services, LLC. The plan assets are assets of the District employees, not the school district, and are therefore not reflected on these financial statements. The third party administrator partners with many major investment providers and ensures that our plan is compliant with the law and operates in the best interest of the employees.

For the year ended August 31, 2013, the District made \$22,700 in employer discretionary contributions to the plan.

NOTE 17: TERMINATION BENEFITS

Compensated Absences

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

Under the provisions of RCW 28A.400.210, sick leave accumulated by District employees is reimbursed at death or retirement at the rate of one day for each four days of accrued leave, limited to 180 accrued days. This chapter also provides for an annual buy out of an amount up to the maximum annual accumulation of 12 days. For buyout purposes, employees may accumulate such leave to a maximum of 192 days, including the annual accumulation, as of December 31 of each year.

Additionally, teachers are eligible to cash out sick leave balances at a rate of one day for each four days if they separate employment with the District and are at least 55 years of age and have a minimum of 10 years under the teachers' retirement system plan 3 or; are at least 55 years of age and have a minimum of 15 years under the teachers' retirement system plan 2.

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

NOTE 18: OTHER DISCLOSURES

Skills Center Core Campus Note

The District is the host district for the Puget Sound Skills Center, a regional program designed to provide career and technical education opportunities to students in participating districts. The purpose of a Skills Center is to enhance the career and technical education course offerings among districts by avoiding unnecessary duplication of courses.

The Puget Sound Skills Center was created through an agreement of the four member districts. The Skills Center is governed by an Administrative Council, comprised of the superintendents, or their appointed representatives, of all member districts. The Skills Center administration is handled through a director, employed by the District.

As host district, the District has the following responsibilities:

1. Employ staff of the Skills Center.
2. Act as fiscal agent for the Skills Center and maintain separate accounts and fund balances for each fund.
3. Review and adopt the Skills Center budget as a part of the District's overall budget.
4. Provide such services as may be mutually agreed upon by the District and the Skills Center.

The district received an enrollment audit finding at Puget Sound Skills Center. This was due to incorrect enrollment reporting, resulting in overpayment of \$433,381 for fiscal year 2009 and \$32,888 for fiscal year 2010. The district has scheduled a repayment plan with OSPI over a three-year period via a reduction of the State apportionment each May. The second repayment of \$155,423 will occur with the May 2014 apportionment payment.

Sources of Funding

The Skills Center is primarily funded by state apportionment, based on the number of students who attend the Skills Center. Other sources of income include federal grants from the Carl D. Perkins program, tuition and fees.

Unspent Funds

Any funds remaining at the end of the year from Skills Center operations are recorded as a restriction of the District's General Fund balance, and are to be used for financing future operations of the Skills Center. Member districts do not have claim to any unspent funds of the Skills Center.

The following districts are member districts of the Skills Center:

Highline School District #401
Federal Way School District #210
Tahoma School District #409
Tukwila School District #406

Description	Beginning Outstanding Debt September 1, 2012	Amount Issued/Increased	Amount Redeemed/Decreased	Ending Outstanding Debt August 31, 2013
Total Voted Bonds	289,900,000.00	69,760,000.00	78,320,000.00	
	281,340,000.00			
Total Non-Voted Notes/Bonds	0.00	0.00	0.00	
	0.00			
Qualified Zone Academy Bonds (QZAB)	1,858,391.00	0.00	0.00	
	1,858,391.00			
Qualified School Construction Bonds (QSCB)	0.00	0.00	0.00	
	0.00			
Other Long-Term Debt				
Capital Leases	83,937.15	0.00	58,709.75	
	25,227.40			
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	0.00	0.00	0.00	
	0.00			
Compensated Absences	7,156,515.03	7,856,789.82	8,323,254.46	
	6,690,050.39			
Other Long-Term Liabilities	0.00	0.00	0.00	
	0.00			
Total Other Long-Term Liabilities	7,240,452.18	7,856,789.82	8,381,964.21	
	6,715,277.79			
TOTAL LONG-TERM LIABILITIES	298,998,843.18	77,616,789.82	86,701,964.21	
	289,913,668.79			

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

HIGHLINE SCHOOL DISTRICT #401
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ending August 31, 2013

1	2	3	4	5	6	7	8	9
					Expenditures			
Federal Agency Name	Pass Through Agency	Federal Program Title	CFDA Number	Other ID Number	From Direct Awards	From Pass Through Awards	Total	Foot-note
Department of Agriculture	OSPI	National School Lunch Program	10.555	N/A		6,754,216	6,754,216	
Total CFDA 84.010							6,754,216	
Department of Agriculture	OSPI	Summer Food Svc. Program for Children	10.559	N/A		59,537	59,537	
Department of Agriculture	OSPI	Fresh Fruit and Vegetable Program	10.582	N/A		262,305	262,305	
Department of Agriculture	OSPI	School & Roads - Grants to State	10.665	N/A		10,720	10,720	
Dept. of Agriculture Subtotal							7,086,777	
Department of Labor	King County	WIA Pilots, Demonstrations & Research Projects	17.261	5580830		10,650	10,650	
Dept. of Labor Subtotal							10,650	
Department of Education	OSPI	Title I Grants to Local Educational Agencies	84.010	201107		4,870,906	4,870,906	
Department of Education	OSPI	Title I Grants to Local Educational Agencies	84.010	228802		208,782	208,782	
Total CFDA 84.010							5,079,689	
Department of Education	OSPI	Special Education - Grants to States	84.027	304420		3,829,470	3,829,470	
Department of Education	OSPI	Special Education - Grants to States	84.027	337535		178,693	178,693	
Total CFDA 84.027							4,008,163	
Department of Education	OSPI	Career and Technical Education - Basic Grants to States	84.048	172665		125,541	125,541	
Department of Education	OSPI	Career and Technical Education - Basic Grants to States	84.048	172584		118,503	118,503	
Total CFDA 84.048							244,044	
Department of Education		Indian Education - Grants to Local Educational Agencies	84.060	S060A12028	5,558		5,558	
Department of Education		Indian Education - Grants to Local Educational Agencies	84.060	S060A13248	11,076		11,076	
Total CFDA 84.060							16,634	
Department of Education	OSPI	Special Education - PreSchool Grants	84.173	364419		111,443	111,443	
Department of Education	OSPI	Education for Homeless Children and Youth	84.196	456120		31,715	31,715	

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Department of Education		Fund for the Improvement of Education	84.215	S215L080782	349,361		349,361	
Department of Education	OSPI	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330	887336		5,640	5,640	
Department of Education	PSESD	Early Reading First Grants	84.359	07868		35,300	35,300	
Department of Education	OSPI	English Language Acquisition State Grants	84.365	401645		783,905	783,905	
Department of Education	OSPI	Improving Teacher Quality State Grants	84.367	523088		992,364	992,364	
Department of Education	OSPI	ARRA - School Improvement Grants, Recovery Act	84.388	225021		1,337,221	1,337,221	
Department of Education	PSESD	ARRA Race to the Top – Early Learning Challenge	84.412	07961		5,592	5,592	
Department of Education Office of Elementary and Secondary Education	PSESD	ARRA - Race to the Top - District Grants	84.416	08221		33,283	33,283	
Dept. of Education Subtotal							13,034,353	
Department of Health & Human Services	School's Out Washington	Refugee & Entrant Assistance-Discretionary Grants	93.576	N/A		3,500	3,500	
Department of Health & Human Services Administration for Children & Families	School's Out Washington	ARRA - Head Start	93.708	9110 87.459		600	600	
Department of Health & Human Services	King County	ARRA - Prevention and Wellness – Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)	93.724	6983		4,031	4,031	
Department of Health & Human Services	Seattle Children's Hospital	PPHF 2012: Community Transformation Grants - Small Communities Program financed solely by 2012 Public Prevention and Health Funds	93.737	413097		17,982	17,982	
Department of Health & Human Services	State of WA	Medical Assistance Program	93.778	N/A		379,585	379,585	
Department of Health & Human Services	PSESD	Medical Assistance Program	93.778	07974		1,288	1,288	
Health & Human Svcs. Dept. Subtotal							406,987	
SEFA TOTALS					365,994	20,172,772	20,538,767	
11/4/2013								

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

*Preparers: **Note 1—Basis of Accounting and Note 2—ARRA are required.** The remaining notes are optional - use them if they apply to your district.*

NOTE 1—BASIS OF ACCOUNTING

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

NOTE 2—AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) of 2009

Of the amount shown for this program, **\$ 1,380,727.00** was paid from ARRA funds.

NOTE 3—PROGRAM COSTS/MATCHING CONTRIBUTIONS

The amounts shown as current year expenses represent only the **federal** grant portion of the program costs. Entire program costs, including Highline School District's portion, may be more than shown.

NOTE 4—NONCASH AWARDS

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

NOTE 5—SCHOOLWIDE PROGRAMS

The Highline School District operates a "schoolwide program" in **fourteen** elementary buildings and **ten** secondary 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 Highline School District in its schoolwide program: **Title I Grants (84.010) \$3,665,388.84 (24 buildings), ARRA School Improvement Grants (84.388) \$1,143,680.82 (2 buildings) and Title III Grants (81.365) \$233,416.80 (21 buildings)**

NOTE 6—TRANSFERABILITY

As allowed by federal regulations, the (*district*) expended (*\$ dollar amount*) from Title II Improving Teacher Quality, Part A (84.367) to Safe and Drug-Free Schools (84.186). This amount is reflected in the expenditures of Safe and Drug-Free Schools (84.186).

NOTE 7—SMALL RURAL SCHOOLS ACHIEVEMENT (SRSA)

As allowed by federal regulations, the (*district*) expended (*\$ dollar amount*) from Title II Improving Teacher Quality, Part A (84.367) funds for activities of the Safe and Drug-Free Schools (84.186) program. This amount is reflected in the expenditures of Title II Improving Teacher Quality, Part A (84.367).

NOTE 8—NOT AVAILABLE (N/A)

The (*district*) was unable to obtain other identification number.

NOTE 9—FEDERAL INDIRECT RATE

Highline School District used the federal *restricted* rate of 5.49% percent for this program.

NOTE 10—AMOUNTS PASSED THROUGH TO SUBRECIPIENTS

Of the amount shown for this program, \$0 was passed-through to subrecipients.



ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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Deputy Director of Local Audit
Deputy Director of Local Audit
Deputy Director of Performance Audit
Deputy Director of Quality Assurance
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