



Washington State Auditor's Office

Government that works for citizens

Financial Statements and Federal Single Audit Report

Seattle School District No. 1

King County

For the period September 1, 2014 through August 31, 2015

Published May 31, 2016

Report No. 1016815





Washington State Auditor's Office

May 31, 2016

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,

A handwritten signature in blue ink that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Seattle School District No. 1 King County September 1, 2014 through August 31, 2015

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

We issued an unmodified opinion on the fair presentation of the District’s financial statements in accordance with its regulatory basis of accounting. Separately, we issued an unmodified opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP).

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 Federal Programs:

The following programs were selected as major programs in our audit of compliance in accordance with OMB Circular A-133.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
84.010	Title I Grants to Local Educational Agencies
84.027	Special Education Cluster – Special Education – Grants to States
84.173	Special Education Cluster – Special Education – Preschool Grants
84.360	High School Graduation Initiative
84.377	School Improvement Grants Cluster – School Improvement Grants
84.388	School Improvement Grants Cluster – ARRA – School Improvement Grants
84.416	Race to the Top – District

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$1,351,818.

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See finding 2015-001.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Seattle School District No. 1 King County September 1, 2014 through August 31, 2015

2015-001 The District did not ensure allowable costs were charged to its School Improvement Grants.

CFDA Number and Title: 84.377 – School Improvement Grants
84.388 – School Improvement Grants,
Recovery Act

Federal Grantor Name: U.S. Department of Education

Federal Award/Contract Number: NA

Pass-through Entity Name: Office of Superintendent of Public
Instruction

**Pass-through Award/Contract
Number:** GR0225345

Questioned Cost Amount: \$17,488

Description of Condition

In the 2014-2015 school year, the District spent \$1,333,086 for the School Improvement Grants. The objective of the program is to dramatically turn around the academic achievement of students in the Nation's persistently lowest-achieving schools through the successful implementation of four school intervention models.

Allowable Costs/Cost Principles

We reviewed expenditures to determine if costs were allowable under the grant agreement and in compliance with federal Office of Management and Budget Circular A-87 Cost Principles for State, Local, and Indian Tribal Governments. In order for any cost to be allocated to a grant for reimbursement, it must be adequately documented and be for allowable purposes. We noted eight payments totaling \$16,539 that did not have adequate supporting documentation. The documentation for these invoices was insufficient to determine whether funds were expended in compliance with grant regulations related to activities allowed,

allowable costs. In addition, we noted one payment of \$949 for entertainment, which is unallowable.

Cause of Condition

The District did not provide sufficient training to schools on federal grant compliance. As a result, the principal responsible for approving the invoices was unaware of documentation requirements to ensure services were performed and purchases were allowable to the grant.

Effect of Condition and Questioned Costs

The District used grant funds to pay unallowable expenses. We are questioning costs of \$17,488.

Federal regulations require us to report known questioned costs which are greater than \$10,000 for each type of compliance requirement. We question costs when we find the District has not complied with grant regulations and/or when it does not have adequate documentation to support expenditures.

Recommendation

We recommend the District strengthen internal controls over allowable costs for federal programs, including ensuring they can support individual expenditures as allowable under each individual grant. We also recommend the District implement adequate reviewing processes for contractor invoices at the District level.

District's Response

This District concurs with this finding. Program managers who have federal grants receive annual administration and compliance training around allowable expenditures and activities. Building Principals receive limited training on allowable costs compliance and documentation regarding personal service contracts. District will emphasize increased training around personal services contracts at the building level to ensure compliance.

Auditor's Remarks

We appreciate the District's commitment to resolve this finding and thank the District for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

U.S. Office of Management and Budget Circular A-87, Cost Principles for State, Local and Indian Tribal Governments (2 CFR 225), states in part:

Attachment A, Section C, Basic Guidelines:

1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:
 - a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
 - b. Be allocable to Federal awards under the provisions of this Circular.
 - c. Be authorized or not prohibited under State or local laws or regulations.
 - d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
 - e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
 - f. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
 - g. Except as otherwise provided for in this Circular, be determined in accordance with generally accepted accounting principles.
 - h. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation.
 - i. Be the net of all applicable credits.
 - j. Be adequately documented.

U.S. Office of Management and Budget Circular A-87, Cost Principles for State, Local and Indian Tribal Governments (2 CFR 225), states in part:

Attachment B, Selected items of cost, states in part:

14. Entertainment. Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable.

U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Section ____.510 states in part:

(a) Audit findings reported. The auditor shall report the following as audit findings in a schedule of findings and questioned costs:

(3) Known questioned costs which are greater than \$10,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor shall also report known questioned costs when likely questioned costs are greater than \$10,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor shall include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**Seattle School District No. 1
King County
September 1, 2014 through August 31, 2015**

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.

Audit Period: 2014	Report Ref. No.: 1014423	Finding Ref. No.: 2014-001	CFDA Number(s): 84.010/84.360
Federal Program Name and Granting Agency: Title 1 Grants to Local Education Agencies/High School Graduation Initiative U.S. Department of Education		Pass-Through Agency Name: Office of Superintendent of Instruction	
Finding Caption: The District did not have adequate internal controls to ensure compliance with federal time and effort requirements.			
Background: During fiscal year 2014, the District spent \$48,148,007 in federal funds. We audited five major programs with expenditures totaling \$28,424,645. We noted the District had issues with time and effort documentation for two of the five major programs we audited: Title I and High School Graduation Initiative. Any employee compensation charged to federal grants must be supported by documentation that meets the standards of the Office of Management and Budget (OMB) Circular A-87 (cost principles), including written and certified (after-the-fact) documentation of actual work. Depending on the number and type of activities employees work, time and effort documentation can be documented on a semi-annual certification or a monthly personnel activity report, such as a timesheet. We audited the District’s internal controls over payroll to determine whether salaries and benefits charged to the grant were supported by time and effort documentation as required by federal regulations. Employees who work fulltime on their particular federal program are required to complete semi-annual certifications and must be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. Our audit found that the District did not follow the procedures in place to ensure semi-annual time and effort certifications were signed as required. We consider these internal control weaknesses to be significant deficiencies.			

Status of Corrective Action:			
<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
Corrective Action Taken:			
<i>The District has further streamlined the T&E reporting and approval process to increase timely compliance. The District continues annual training for all federal program managers to enhance understanding and compliance. Additionally the District has reclassified salaries not properly supported by T&E certifications from the federal grants.</i>			
Audit Period: 2014	Report Ref. No.: 1014423	Finding Ref. No.: 2014-002	CFDA Number(s): 84.374
Federal Program Name and Granting Agency: Teacher Incentive Fund U.S. Department of Education		Pass-Through Agency Name: NA	
Finding Caption:			
The District charged unallowable teacher stipends to the Teacher Incentive Fund federal grant.			
Background:			
<p>In the 2013-2014 school year, the District spent \$2,464,288 for the Teacher Incentive Fund grant in fiscal year 2014, including \$795,333 in teacher stipends. The objective of the program is to develop and implement performance-based compensation systems for teachers, principals, and other personnel in high-need schools. The compensation systems must include growth in student academic achievement as well as classroom performance evaluations. In order to receive a stipend out of the Teacher Incentive Fund certificated teachers must meet both performance and student growth requirements. Teachers can receive up to two thousand dollars in stipends, one thousand for each requirement met.</p> <p>The District charged the performance stipends of twelve teachers to the federal program without determining performance criterion was met. The District included all teacher performance-based evaluation stipend amounts from schools which met the student growth requirement instead of reviewing individual performance evaluation results to determine the teachers who met the requirements. The District maintains a performance-based evaluation summary spreadsheet that can be reviewed to identify those teachers that may not meet the required performance levels, but this was not used in the evaluation.</p>			
Status of Corrective Action:			
<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
Corrective Action Taken:			
<i>The District reclassified the expenditures for the stipends of teachers not meeting the requirements of the grant and provided additional training to program managers to ensure compliance. No further unallowable stipends have been charged to the Teacher Incentive Fund grant.</i>			

**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, 2014 through August 31, 2015**

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, 2015, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated May 25, 2016. As discussed in Note 1 to the financial statements, during the year ended August 31, 2015, the District implemented Governmental Accounting Standards Board Statement No. 68 (as amended by GASB Statement No. 71), *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

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.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive style with a large, stylized "X" between the first and last names.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

May 25, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

**Seattle School District No. 1
King County
September 1, 2014 through August 31, 2015**

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 the District's major federal programs for the year ended August 31, 2015. The District's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of 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, 2015.

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 Award Findings and Questioned Costs as Finding 2015-001. 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 Award 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.

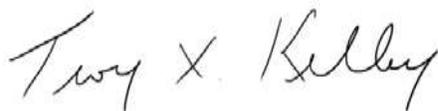
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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.

We noted certain matters that we have reported to the management of the District in a separate letter dated May 25, 2016.

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
OLYMPIA, WA

May 25, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Seattle School District No. 1 King County September 1, 2014 through August 31, 2015

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, 2015, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 22.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's

judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant account estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Unmodified Opinion on Regulatory Basis of Accounting (Accounting Manual)

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seattle School District No. 1, as of August 31, 2015, 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 Projects and Fiduciary funds as of August 31, 2015, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68 (as amended by GASB Statement No. 71), *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That

report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

May 25, 2016

FINANCIAL SECTION

Seattle School District No. 1
King County
September 1, 2014 through August 31, 2015

FINANCIAL STATEMENTS

Balance Sheet – Governmental Funds – 2015
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2015
Statement of Net Position – Fiduciary Funds – 2015
Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2015
Notes to Financial Statements – 2015

SUPPLEMENTARY AND OTHER INFORMATION

Schedules of Long-Term Liabilities – 2015
Schedule of Expenditures of Federal Awards – 2015
Notes to the Schedule of Expenditures of Federal Awards – 2015

Seattle Public Schools No. 001

Balance Sheet

Governmental Funds

August 31, 2015

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
ASSETS:							
Cash and Cash Equivalents	99,089,007.08	3,742,705.45	6,887,393.18	174,755,800.56	0.00	0.00	284,474,906.27
Minus Warrants Outstanding	-9,585,740.42	-118,839.93	0.00	-8,689,250.03	0.00	0.00	-18,393,830.38
Taxes Receivable	87,967,150.09		257,386.19	76,371,719.53	0.00	0.00	164,596,255.81
Due From Other Funds	11,981,860.92	153,941.52	0.00	0.00	0.00	0.00	12,135,802.44
Due From Other Governmental Units	10,162,107.86	23,076.99	0.00	613,540.52	0.00	0.00	10,798,725.37
Accounts Receivable	1,036,026.01	3,469.47	0.00	14,199.25	0.00	0.00	1,053,694.73
Interfund Loans Receivable	0.00			0.00			0.00
Accrued Interest Receivable	34,593.33	1,803.67	3,461.28	90,042.29	0.00	0.00	129,900.57
Inventory	1,382,803.34	0.00		0.00			1,382,803.34
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
TOTAL ASSETS	202,067,808.21	3,806,157.17	7,148,240.65	243,156,052.12	0.00	0.00	456,178,258.15
DEFERRED OUTFLOWS OF RESOURCES:							
Deferred Outflows of Resources - Other	0.00		0.00	0.00	0.00	0.00	0.00
TOTAL DEFERRED OUTFLOWS OF RESOURCES	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	202,067,808.21	3,806,157.17	7,148,240.65	243,156,052.12	0.00	0.00	456,178,258.15
LIABILITIES:							
Accounts Payable	13,262,156.58	230,025.72	0.00	30,404,405.23	0.00	0.00	43,896,587.53
Contracts Payable Current	0.00	0.00		0.00	0.00	0.00	0.00
Accrued Interest Payable			0.00				0.00
Accrued Salaries	24,467,972.44	0.00		0.00			24,467,972.44
Anticipation Notes Payable	0.00		0.00	0.00	0.00	0.00	0.00

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

Seattle Public Schools No. 001

Balance Sheet

Governmental Funds

August 31, 2015

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
LIABILITIES:							
Payroll Deductions and Taxes Payable	8,148,709.03	0.00	0.00	0.00	0.00	0.00	8,148,709.03
Due To Other Governmental Units	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Compensation Payable	0.00			0.00			0.00
Estimated Employee Benefits Payable	2,962,661.39						2,962,661.39
Due To Other Funds	0.00	0.00	16,065.00	12,074,487.44	0.00	0.00	12,090,552.44
Interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	53,772.60	0.00		2,158,993.04			2,212,765.64
Unearned Revenue	0.00	0.00	0.00	0.00	0.00		0.00
Matured Bonds Payable			0.00				0.00
Matured Bond Interest Payable			0.00				0.00
Arbitrage Rebate Payable	0.00		0.00	0.00	0.00		0.00
TOTAL LIABILITIES	48,895,272.04	230,025.72	16,065.00	44,637,885.71	0.00	0.00	93,779,248.47
DEFERRED INFLOWS OF RESOURCES:							
Unavailable Revenue	223,670.15	0.00	0.00	0.00	0.00	0.00	223,670.15
Unavailable Revenue - Taxes Receivable	87,967,150.09		257,386.19	76,371,719.54	0.00		164,596,255.82
TOTAL DEFERRED INFLOWS OF RESOURCES	88,190,820.24	0.00	257,386.19	76,371,719.54	0.00	0.00	164,819,925.97
FUND BALANCE:							
Nonspendable Fund Balance	1,382,803.34	0.00	0.00	0.00	0.00	0.00	1,382,803.34
Restricted Fund Balance	4,652,215.85	3,576,131.45	6,874,789.46	7,340,017.00	0.00	0.00	22,443,153.76
Committed Fund Balance	21,800,000.00	0.00	0.00	97,790,538.00	0.00	0.00	119,590,538.00
Assigned Fund Balance	33,781,063.00	0.00	0.00	17,015,891.87	0.00	0.00	50,796,954.87
Unassigned Fund Balance	3,365,633.74	0.00	0.00	0.00	0.00	0.00	3,365,633.74
TOTAL FUND BALANCE	64,981,715.93	3,576,131.45	6,874,789.46	122,146,446.87	0.00	0.00	197,579,083.71
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	202,067,808.21	3,806,157.17	7,148,240.65	243,156,052.12	0.00	0.00	456,178,258.15

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, 2015

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
REVENUES:							
Local	206,306,382.14	5,117,659.56	292,717.46	162,486,275.78	0.00		374,203,034.94
State	380,403,042.29		0.00	10,242,134.19	0.00		390,645,176.48
Federal	45,595,424.23		429,738.74	0.00	0.00		46,025,162.97
Federal Stimulus	-8,738.71						-8,738.71
Other	15,348,092.70			217,635.52	0.00	0.00	15,565,728.22
TOTAL REVENUES	647,644,202.65	5,117,659.56	722,456.20	172,946,045.49	0.00	0.00	826,430,363.90
EXPENDITURES:							
CURRENT:							
Regular Instruction	310,063,833.49						310,063,833.49
Federal Stimulus	8,887.21						8,887.21
Special Education	95,618,116.04						95,618,116.04
Vocational Education	9,177,721.39						9,177,721.39
Skill Center	1,056,596.84						1,056,596.84
Compensatory Programs	58,331,109.57						58,331,109.57
Other Instructional Programs	30,916,659.85						30,916,659.85
Community Services	1,540,320.88						1,540,320.88
Support Services	140,713,281.62						140,713,281.62
Student Activities/Other		5,004,428.82				0.00	5,004,428.82
CAPITAL OUTLAY:							
Sites				0.00			0.00
Building				114,992,860.46			114,992,860.46
Equipment				4,277,707.57			4,277,707.57
Instructional Technology				6,069,550.77			6,069,550.77
Energy				3,103,174.62			3,103,174.62
Transportation Equipment					0.00		0.00
Sales and Lease						0.00	0.00
Other	640,090.57						640,090.57
DEBT SERVICE:							
Principal	0.00		1,240,000.00	0.00	0.00		1,240,000.00
Interest and Other Charges	0.00		1,433,600.00	0.00	0.00		1,433,600.00
Bond/Levy Issuance				0.00	0.00		0.00
TOTAL EXPENDITURES	648,066,617.46	5,004,428.82	2,673,600.00	128,443,293.42	0.00	0.00	784,187,939.70

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, 2015

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
DEBT SERVICE:							
REVENUES OVER (UNDER) EXPENDITURES	-422,414.81	113,230.74	-1,951,143.80	44,502,752.07	0.00	0.00	42,242,424.20
OTHER FINANCING SOURCES (USES):							
Bond Sales & Refunding Bond Sales	0.00		0.00	0.00	0.00	0.00	0.00
Long-Term Financing	0.00			0.00	0.00	0.00	0.00
Transfers In	13,249,185.32		8,077,194.26	0.00	0.00		21,326,379.58
Transfers Out (GL 536)	0.00		0.00	-21,326,379.58	0.00	0.00	-21,326,379.58
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00	0.00	0.00
Other	29,718.32		0.00	0.00	0.00	0.00	29,718.32
TOTAL OTHER FINANCING SOURCES (USES)	13,278,903.64		8,077,194.26	-21,326,379.58	0.00	0.00	29,718.32
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	12,856,488.83	113,230.74	6,126,050.46	23,176,372.49	0.00	0.00	42,272,142.52
BEGINNING TOTAL FUND BALANCE	52,125,227.10	3,462,900.71	748,739.00	98,970,074.38	0.00	0.00	155,306,941.19
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ENDING TOTAL FUND BALANCE	64,981,715.93	3,576,131.45	6,874,789.46	122,146,446.87	0.00	0.00	197,579,083.71

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, 2015

	Private Purpose Trust	Other Trust
ASSETS:		
Imprest Cash	32,510.47	0.00
Cash On Hand	0.00	0.00
Cash On Deposit with Cty Treas	1,905,703.75	0.00
Minus Warrants Outstanding	-4,000.00	0.00
Due From Other Funds	0.00	0.00
Accounts Receivable	0.00	0.00
Accrued Interest Receivable	961.99	0.00
Investments	0.00	0.00
Investments/Cash With Trustee	0.00	0.00
Other Assets	0.00	0.00
Capital Assets, Land	0.00	0.00
Capital Assets, Buildings	0.00	0.00
Capital Assets, Equipment	0.00	0.00
Accum Depreciation, Buildings	0.00	0.00
Accum Depreciation, Equipment	0.00	0.00
TOTAL ASSETS	1,935,176.21	0.00
LIABILITIES:		
Accounts Payable	2,000.00	0.00
Due To Other Funds	45,250.00	0.00
TOTAL LIABILITIES	47,250.00	0.00
NET POSITION:		
Held in trust for:		
Held In Trust For Intact Trust Principal	199,500.00	0.00
Held In Trust For Private Purposes	1,688,426.21	0.00
Held In Trust For Pension Or Other Post-Employment Benefits	0.00	0.00
Held In Trust For Other Purposes	0.00	0.00
TOTAL NET POSITION	1,887,926.21	0.00

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, 2015

	Private Purpose Trust	Other Trust
ADDITIONS:		
Contributions:		
Private Donations	21,660.00	0.00
Employer Members		0.00
Other	864.00	0.00
TOTAL CONTRIBUTIONS	22,524.00	0.00
Investment Income:		
Net Appreciation (Depreciation) in Fair Value	0.00	0.00
Interest and Dividends	10,408.20	0.00
Less Investment Expenses	0.00	0.00
Net Investment Income	10,408.20	0.00
Other Additions:		
Rent or Lease Revenue	0.00	0.00
Total Other Additions	0.00	0.00
TOTAL ADDITIONS	32,932.20	0.00
DEDUCTIONS:		
Benefits		0.00
Refund of Contributions	0.00	0.00
Administrative Expenses	0.00	0.00
Scholarships	66,906.76	
Other	482.05	0.00
TOTAL DEDUCTIONS	67,388.81	0.00
Net Increase (Decrease)	-34,456.61	0.00
Net Position--Beginning	1,922,382.82	0.00
Prior Year(s) Corrections or Restatements	0.00	0.00
NET POSITION--ENDING	1,887,926.21	0.00

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

Seattle School District #1

Notes to the Financial Statements

September 1, 2014 through August 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Seattle School District #1 is a municipal corporation organized pursuant to Title 28A of the Revised Code of Washington (RCW) for the purposes of providing public school services to students in grades K–12. Oversight responsibility for the District's operations is vested with the independently elected board of directors. Management of the District is appointed by and is accountable to the board of directors. Fiscal responsibility, including budget authority and the power to set fees, levy property taxes, and issue debt consistent with provisions of state statutes, also rests with the board of directors.

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

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

Fund Accounting

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

Governmental Funds

General Fund

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

Capital Projects Funds

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

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

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. The ASB Fund is used to account for resources that are restricted or committed 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

For the fiscal year, the District only has a single Fiduciary Fund, a Private-Purpose Trust Fund.

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. Resources in the Private Purpose Trust Fund are used to benefit individuals, private organizations, or other governments in accordance with the trust agreements. Because these resources may not be used to support District programs, they are not included in the District financial statements. The majority of the District's private purpose trust funds are for student scholarships.

Measurement focus, basis of accounting, and fund financial statement presentation

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered "measurable" if the amount of the transaction can be readily determined. Revenues are considered "available" when they are collectible within the current period or soon enough thereafter to pay liabilities of

the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after year-end. Property taxes receivable are measurable but not available and are, therefore, not accrued. Categorical program claims and interdistrict billings are measurable and available and are, therefore, accrued.

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

Budgets

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

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

District Policy regarding the application of restricted or unrestricted resources

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.

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, such as permanent fund endowments.

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

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

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

fund balance once all restrictions and commitments are considered. These resources are only available for expenditure in that fund and may not be used in any other fund without formal action by the District's board of directors and as allowed by statute.

The Superintendent and the 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 in ending spendable fund balance once all restrictions and commitments are considered.

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

Cash and Cash Equivalents

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

Receivables and Payables

The District's receivables (or payables) reflect current financial resources (obligations) that are expected to be collected (paid) within one year.

Inventory

Inventory is valued at cost using the first-in, first-out (FIFO) method (*or weighted average*)[®]. 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.

Accounting and Reporting Changes for 2014–15

Effective for the 2014–15 school year, the district implemented provisions of GASB Statement No. 68 Accounting and Financial Reporting for Pensions. As a result, the Schedule of Long-Term Liabilities now includes the district's proportionate share of the net pension liability for the cost-sharing, multiple-employer plans in which the district participates.

NOTE 2: DEPOSITS AND INVESTMENTS

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.

The District's investments as of August 31, 2015, are as follows

Type of Investment	Fund	Carrying Amount	Fair Value
County Treasurer's Investment Pool			
	General	\$ 98,724,297	\$ 98,673,607
	Capital Projects	173,848,161	173,359,233
	Debt Service	6,905,653	6,887,393
	Associated Student Body	3,610,670	3,604,968
	Private Purpose Trust	1,909,352	1,905,704
Total		\$ 284,998,133	\$ 284,430,905

NOTE 3: PENSION PLANS

General Information

The Washington State Department of Retirement Systems (DRS), a department within the primary government of the state of Washington, prepares a stand-alone comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each pension plan. The pension plan's basic financial statement is accounted for using the accrual basis of accounting. The measurement date of the pension plans is June 30. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The school district is reporting the net pension liability in the notes and on the Schedule of Long-term Liabilities calculated as the district's proportionate allocation percentage multiplied by the total plan collective net pension liability.

Detailed information about the pension plans' fiduciary net position is available in the separately issued DRS CAFR. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, P.O. Box 48380, Olympia, WA 98504-8380; or online at <http://www.drs.wa.gov/administrations/annual-report>.

Membership Participation

Substantially all school 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 DRS: Teachers' Retirement System (TRS), Public Employees' Retirement System (PERS) and School Employees' Retirement System (SERS).

Membership participation by retirement plan as of June 30, 2015, was as follows:

Plan	Active Members	Inactive Vested Members	Retired Members
PERS 1	4,782	1,178	51,070
SERS 2	22,950	5,357	5,796
SERS 3	30,832	6,963	4,825
TRS 1	1,824	323	35,639
TRS 2	13,632	2,357	3,894
TRS 3	51,837	7,655	6,094

The latest actuarial valuations for all plans was June 30, 2014.

Source: Washington State Office of the State Actuary

Membership & Plan Benefits

Certificated employees are members of TRS. Classified 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. TRS 1 and PERS 1 are closed to new entrants.

TRS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component. TRS eligibility for membership requires service as a certificated public school employee working in an instructional, administrative or supervisory capacity.

TRS is comprised of three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

TRS Plan 1 provides retirement, disability and death benefits. TRS 1 members were vested after the completion of five years of eligible service. Retirement benefits are determined as two percent of the average final compensation (AFC), for each year of service credit, up to a maximum of 60 percent, divided by twelve. The AFC is the total earnable compensation for the two consecutive highest-paid fiscal years, divided by two. Members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. Other benefits include temporary and permanent disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

TRS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) per year of service for Plan 2 members and one percent of AFC for Plan 3 members. The AFC is the monthly average of the 60 consecutive highest-paid service credit months. There is no cap on years of service credit. Members are eligible for normal retirement at the age of 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. TRS Plan 2/3 members, who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a reduced benefit.

The benefit is reduced by a factor that varies according to age, for each year before age 65. TRS Plan 2/3 members who have 30 or more years of service credit, were hired prior to May 1, 2013, and are at least 55 years old, can retire under one of two provisions: With a benefit that is reduced by three percent for each year before age 65; or with a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

TRS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service. TRS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit.

Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the Consumer Price Index), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

PERS Plan 1 provides retirement, disability and death benefits. PERS 1 members were vested after the completion of five years of eligible service. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service.

Members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

SERS is a cost-sharing multiple-employer retirement system comprised of two separate plans for membership purposes. SERS Plan 2 is a defined benefit plan and SERS Plan 3 is a defined benefit plan with a defined contribution component. SERS members include classified employees of school districts and educational service districts.

SERS is reported as two separate plans for accounting purposes: Plan 2/3 and Plan 3. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

SERS provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and one percent of AFC for Plan 3. The AFC is the monthly average of the member's 60 highest-paid consecutive service months before retirement, termination or death. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. SERS members, who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a reduced benefit.

The benefit is reduced by a factor that varies according to age, for each year before age 65. SERS members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 2, 2013: With a benefit that is reduced by three percent for each year before age 65; or with a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

SERS members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service. SERS retirement benefits

are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the Consumer Price Index), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

Plan Contributions

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 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. Employers do not contribute to the defined contribution portions of TRS Plan 3 or SERS Plan 3. Under current law the employer must contribute 100 percent of the employer-required contribution. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at six percent and does not vary from year to year.

The Employer and employee contribution rates for the PERS plan are effective as of July 1. SERS and TRS contribution rates are effective as of September 1. The pension plan contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

Pension Rates			
	7/1/15 Rate	7/1/14 Rate	
PERS 1			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	11.18%	9.21%	
Pension Rates			
	9/1/15 Rate	9/1/14 Rate	
TRS 1			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	13.13%	10.39%	
TRS 2			
Member Contribution Rate	5.95%	4.96%	
Employer Contribution Rate	13.13%	10.39%	
TRS 3			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	13.13%	10.39%	**
SERS 2			
Member Contribution Rate	5.63%	4.64%	
Employer Contribution Rate	11.58%	9.82%	
SERS 3			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	11.58%	9.82%	**
<i>Note: The DRS administrative rate of .0018 is included in the employer rate.</i>			
* = Variable from 5% to 15% based on rate selected by the member.			
** = Defined benefit portion only.			

The Collective Net Pension Liability

The collective net pension liabilities for the pension plans districts participated in are reported in the following tables.

The Collective Net Pension Liability as of June 30, 2015:				
Dollars in Thousands	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Total Pension Liability	\$12,789,242	\$4,473,428	\$9,237,730	\$11,220,833
Plan fiduciary net position	(\$7,558,312)	(\$4,067,277)	(\$6,069,588)	(\$10,377,031)
Participating employers' net pension liability	\$5,230,930	\$406,151	\$3,168,142	\$843,802
Plan fiduciary net position as a percentage of the total pension liability	59.10%	90.92%	65.70%	92.48%

The School District's Proportionate Share of the Net Pension Liability (NPL)

At June 30, 2015, the school district reported a total liability of \$304,999,164 for its proportionate shares of the individual plans' collective net pension liability. Proportions of net pension liability is based on annual contributions for each of the employers participating in the DRS administered plans. At June 30, 2015, the district's proportionate share of each plan's net pension liability is reported below:

June 30, 2015	PERS 1	SERS 2/3	TRS 1	TRS 2/3	Totals
District's Annual Contributions	\$4,611,759	5,972,726	12,698,193	15,048,761	38,331,439
Proportionate Share of the Net Pension Liability	\$52,488,894	24,951,520	179,775,861	47,782,889	304,999,164

The change in the allocation percentage from the prior year is illustrated below:

Change in Proportionate shares	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share of the Net Pension Liability	1.003433%	6.143410%	5.674489%	5.662808%
Prior year proportionate share of the Net Pension Liability	0.887571%	5.747601%	5.586038%	5.537138%
Net difference percentage	0.115862%	0.395809%	0.088451%	0.125670%

Actuarial Assumptions

Capital Market Assumptions (CMAs) and expected rates of return by asset class provided by the Washington State Investment Board. The Office of the State Actuary relied on the CMAs in the selection of the long-term expected rate of return for reporting purposes.

The total pension liabilities for TRS 1, TRS 2/3, PERS 1 and SERS 2/3 were determined by actuarial valuation as of June 30, 2014, with the results rolled forward to June 30, 2015, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	3.0% total economic inflation, 3.75% salary inflation
Salary increases	In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
Investment rate of return	7.50%

Mortality Rates

Mortality rates used in the plans were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime. The actuarial assumptions used in the June 30, 2014, valuation were based on the results of the 2007–2012 Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best-estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the Washington State Investment Board (WSIB). Those expected returns make up one component of WSIB's CMAs. The CMAs contain three pieces of information for each class of assets the WSIB currently invest in:

- Expected annual return
- Standard deviation of the annual return;
- Correlations between the annual returns of each asset class with every other asset class

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, increased slightly to remove WSIB's implicit and small short-term downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a ten to fifteen-year period, becomes amplified over a fifty-year measurement period.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2015, are summarized in the following table:

TRS1, TRS 2/3, PERS 1, and SERS 2/3		
Asset Class	Target Allocation Percentage	% Long-term Expected Real Rate of Return
Fixed Income	20.00%	1.70%
Tangible Assets	5.00%	4.40%
Real Estate	15.00%	5.80%
Global Equity	37.00%	6.60%
Private Equity	23.00%	9.60%

The inflation component used to create the above table is 2.2 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.50 percent long-term discount rate to determine funding liabilities for calculating future contributions rate requirements. Consistent with the long-term expected rate of return, a

7.50 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Therefore, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Seattle School District's proportionate share of the collective net pension liability (NPL) calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.50 percent) or one percentage-point higher (8.50 percent) than the current rate. Amounts are calculated using the school district's specific allocation percentage, by plan, to determine the proportionate share of the collective net pension liability.

	1% Decrease (6.50 %)	Current Discount Rate (7.50 %)	1% Increase (8.50%)
PERS1 NPL	\$6,368,671,000	\$5,230,930,000	\$4,252,577,000
Allocation Percentage	1.003433%	1.003433%	1.003433%
Proportionate Share of Collective NPL	\$63,905,366	\$52,488,894	\$42,671,774
SERS2/3 NPL			
SERS2/3 NPL	\$1,282,039,000	\$406,151,000	(\$273,474,000)
Allocation Percentage	6.143410%	6.143410%	6.143410%
Proportionate Share of Collective NPL	\$78,760,908	\$24,951,520	(\$16,800,628)
TRS1 NPL			
TRS1 NPL	\$3,982,571,000	\$3,168,142,000	\$2,467,801,000
Allocation Percentage	5.674489%	5.674489%	5.674489%
Proportionate Share of Collective NPL	\$225,990,543	\$179,775,861	\$140,035,090
TRS2/3 NPL			
TRS2/3 NPL	\$3,570,229,000	\$843,802,000	(\$1,183,066,000)
Allocation Percentage	5.662808%	5.662808%	5.662808%
Proportionate Share of Collective NPL	\$202,175,220	\$47,782,889	(\$66,994,758)

NOTE 4: 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)⁽⁵⁾.

Employers participating in the plan include the state of Washington (which includes general government agencies and higher education institutions), 60 of the state’s K–12 school districts and educational service districts (ESDs), and 221 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 237 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 2014-15, the District was required to pay the HCA \$66.64 per month per full-time equivalent employee to support the program, for a total payment of \$4,870,864. 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.

NOTE 5: COMMITMENTS UNDER NONCAPITALIZED (OPERATING) LEASES

The District has several operating leases for the facilities used for the New Center School, and Interagency, and warehouses for capital programs, and a science materials center and copier lease. Total costs for all leases are:

<u>Year Ended August 31</u>	
2016	\$1,607,310
2017	\$1,486,283
2018	\$1,309,385
2019	\$53,594
2020	<u>\$0</u>
Total	<u>\$4,456,572</u>

NOTE 6: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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>Authorized Amount</u>	<u>Revenue to 8/31/15</u>	<u>Expend to 8/31/15</u>
BEX II			
Building Construction	407,000,000		410,243,132
Technology	26,000,000		25,718,312
BEX II total	433,000,000	436,617,162	435,961,444
BTA I			
Building Reinvestment	60,000,000		54,114,704
Athletic Fields	40,000,000		38,221,722
Science and Arts	6,000,000		6,273,788
Technology	40,000,000		40,977,072
BTA I total	146,000,000	154,170,080	139,587,286
BTA II			
Building Reinvestment	95,500,000		93,905,081
Academics	36,620,000		31,366,588
Technology	39,880,000		35,345,987
BTA II total	172,000,000	181,957,779	160,617,656
BEX III			
Building Construction	383,000,000		412,937,439
Infrastructure	26,000,000		16,770,036
Technology	42,000,000		41,530,656
BEX III total	451,000,000	479,913,849	471,238,131
BTA III			
Building Construction	140,500,000		43,818,029
Academics	94,600,000		74,930,398
Technology	34,900,000		22,947,814
BTA III total	270,000,000	221,012,959	141,696,241
BEX IV			
Building Construction	530,757,952		76,444,412
Infrastructure	110,379,960		10,073,527
Technology	53,800,000		5,539,421
BEX IV total	694,937,912	177,415,807	92,057,360
Capital Project Grants			
CEP Grant - Youth Sport Field @ DA	99,376	48,687	38,063
PathFinder Playground	75,000	20,757	20,758
Orca Playground	75,000	48,000	48,000
Cedar Park Renovation	-	1,511,894	1,401,608
Arbor Heights Renovation	-	785,088	785,088
Energy Grant - Distressed Schools	9,450,000	9,400,000	9,400,000
K-12 Energy Grant @ Adams	-	500,000	500,000
Cedar Park Renovation	-	1,072,657	1,052,854
Arbor Heights Renovation	-	4,945,386	3,969,192
Energy Grant - K-12 Energy Oper	435,905	435,905	435,905
Licton Springs Flood	-		148,878
Grants total	10,135,281	18,768,374	17,800,346

NOTE 7: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The District's capital assets are insured in the amount of \$500 million per loss occurrence for fiscal year 2014/15. In the opinion of the District's insurance consultant, the amount is sufficient to adequately fund replacement of the District's assets.

Capital Assets Lease Agreements

The District leases various school buildings and properties throughout the City of Seattle to outside parties, with termination dates ranging from current month-to-month through 2084. Original cost and carrying values are not available, as the properties were acquired more than fifty years ago. Revenues through the end of all current leases are \$40,769,987. Five year revenues from current leases are as follows:

<u>Year</u>	<u>Revenue</u>
2016	\$1,168,737
2017	\$1,163,801
2018	\$ 982,978
2019	\$ 982,978
2020	\$ 982,978

NOTE 8: REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES

Long-Term Debt

General Obligation Bonds

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 August 31, 2015, are comprised of the following individual issues:

Limited General Obligation Bonds – Non Voted

<u>Name and Purpose of Issue</u>	<u>Rates</u>	<u>Amount Authorized</u>	<u>9/1/2014 Beg. Bal.</u>	<u>Additions</u>	<u>Reductions</u>	<u>8/31/2015 Balance</u>
2010 Refunding bond	2 -4.00%	\$ 33,080,000	\$ 29,940,000		\$ 1,240,000	\$ 28,700,000
2010 Qualified School Construction Bond	2.55% *	\$ 17,500,000	\$ 17,500,000	\$ -	\$ -	\$ 17,500,000
Total LGO Bonds - Non Voted		\$ 50,580,000	\$ 47,440,000	\$ -	\$ 1,240,000	\$ 46,200,000

* Interest is 100% refundable by the Federal government, except for reductions due to sequestration

The following is a schedule of annual requirements to amortize debt at August 31, 2015:

Fiscal Year Ending August 31	Principal	Interest	Total
2016	\$ 1,375,000	\$ 1,407,450	\$ 2,782,450
2017	\$ 19,015,000	\$ 1,370,975	\$ 20,385,975
2018	\$ 1,690,000	\$ 876,650	\$ 2,566,650
2019	\$ 1,865,000	\$ 823,325	\$ 2,688,325
2020	\$ 2,055,000	\$ 764,525	\$ 2,819,525
2021 - 2025	\$ 13,170,000	\$ 2,666,988	\$ 15,836,988
2026 - 2027	\$ 7,030,000	\$ 287,200	\$ 7,317,200
	\$ 46,200,000	\$ 8,197,113	\$ 54,397,113

At August 31, 2015, the District had \$6,874,789 available in the Debt Service Fund to service the general obligation bonds.

NOTE 9: INTERFUND BALANCES AND TRANSFERS

There was no interfund loan during 2014/15 fiscal year.

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, 2015

Fund	Due From Other Funds	Due To Other Funds
General	\$11,981,861	
Capital Projects		\$ 12,074,487
Debt Service		\$ 16,065
ASB	\$ 153,941	
Trust		\$ 45,250
Totals	\$12,135,802	\$ 12,135,802

NOTE 10: ENTITY RISK MANAGEMENT ACTIVITIES

The district is a member of the Washington Schools Risk Management Pool(Pool). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in 1986 when educational service districts and school districts in the State of Washington joined together by signing the Cooperative Risk Management Pool Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Over 90 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 Cooperative Risk Management Pool Account 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 Cooperative Risk Management Pool Account 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.

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 unavailable revenue.

NOTE 12: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

The District is a member of the King County Director's Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. The board authorized joining the association by signing Articles of Agreement dated August 18, 1971, and has remained in the joint venture ever since. The District's current equity of \$31,543.47 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 13: 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	\$1,382,803			
Restricted Fund Balance				
Carryover of Restricted Revenues	\$4,652,216			
Debt Service				\$ 6,874,789
Arbitrage Rebate	-			
Uninsured Risks	-			
Other Items		\$3,576,131	\$7,340,017	
Committed Fund Balance				
Minimum Fund Balance Policy	\$21,800,000			
Other Commitments			\$97,790,538	
Assigned Fund Balance				
Contingencies	-			
Other Capital Projects			-	
Other Purposes	\$33,781,063			
Fund Purposes			\$17,015,892	
Unassigned Fund Balance	\$3,365,634			

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

Restricted from Bond Proceeds	\$	6,195,681
Restricted from State Proceeds	\$	1,144,336
Committed from Levy Proceeds	\$	89,588,429

On August 19, 2015, the board of directors took an action to commit a portion of the District's ending balance towards an economic stabilization account. The amount of fund balance that has been set aside may only be used for that purpose. It cannot be used for any other purpose of the District.

NOTE 14: POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS—BOTH IN SEPARATELY ISSUED PLAN FINANCIAL STATEMENTS AND EMPLOYER STATEMENTS

457 Plan – Deferred Compensation Plan

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

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 Carruth Compliance Consulting, Inc. The plan assets are assets of the District employees, not the school district, and are therefore not reflected on these financial statements.

NOTE 15: 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 buyout of an amount up to the maximum annual accumulation of 12 days. For buyout purposes, employees may accumulate such leave to a maximum of 192 days, including the annual accumulation, as of December 31 of each year.

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

NOTE16: OTHER DISCLOSURES

Related Organization

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 financial statements of Alliance For Education are available online at www.alliance4ed.org.

Seattle Public Schools No. 001

Schedule of Long-Term Liabilities: GENERAL FUND

For the Year Ended August 31, 2015

Description	Beginning Outstanding Debt September 1, 2014	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2015	Amount Due Within One Year
Non-Voted Debt and Liabilities					
Capital Leases	0.00	0.00	0.00	0.00	0.00
Contracts Payable	0.00	0.00	0.00	0.00	0.00
Non-Cancellable Operating Leases	0.00	0.00	0.00	0.00	0.00
Claims & Judgements	7,439,000.00	0.00	1,184,000.00	6,255,000.00	1,754,761.00
Compensated Absences	24,213,650.00	373,211.00	0.00	24,586,861.00	2,987,710.00
Long-Term Notes	0.00	0.00	0.00	0.00	0.00
Anticipation Notes Payable	0.00	0.00	0.00	0.00	0.00
Lines of Credit	0.00	0.00	0.00	0.00	0.00
Other Non-Voted Debt	0.00	0.00	0.00	0.00	0.00
Other Liabilities					
Non-Voted Notes Not Recorded as Debt	0.00	0.00	0.00	0.00	0.00
Net Pension Liabilities:					
Net Pension Liabilities TRS 1	0.00	179,775,861.00	0.00	179,775,861.00	0.00
Net Pension Liabilities TRS 2/3	0.00	47,782,889.00	0.00	47,782,889.00	0.00
Net Pension Liabilities SERS 2/3	0.00	24,951,520.00	0.00	24,951,520.00	0.00
Net Pension Liabilities PERS 1	0.00	52,488,894.00	0.00	52,488,894.00	0.00
Total Long-Term Liabilities	31,652,650.00	305,372,375.00	1,184,000.00	335,841,025.00	4,742,471.00

Seattle Public Schools No. 001

Schedule of Long-Term Liabilities: DEBT SERVICE FUND

For the Year Ended August 31, 2015

Description	Beginning Outstanding Debt September 1, 2014	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2015	Amount Due Within One Year
Voted Debt					
Voted Bonds	0.00	0.00	0.00	0.00	0.00
LOCAL Program Proceeds Issued in Lieu of Bonds	0.00	0.00	0.00	0.00	0.00
Non-Voted Debt					
Non-Voted Bonds	47,440,000.00	0.00	1,240,000.00	46,200,000.00	1,375,000.00
LOCAL Program Proceeds	0.00	0.00	0.00	0.00	0.00
Total Long-Term Liabilities	47,440,000.00	0.00	1,240,000.00	46,200,000.00	1,375,000.00

SEATTLE PUBLIC SCHOOLS
KING COUNTY
EIN: 916001541
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR FISCAL YEAR ENDING AUGUST 31, 2015

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			\$ 1,963,396.06	\$ 1,963,396.06	4
	OSPI	National School Lunch Program	10.555	1010			\$ 7,468,511.25	\$ 7,468,511.25	4
	OSPI	National School Lunch Program - Non Cash Asst. Food Commodities	10.555	1010			\$ 1,081,633.09	\$ 1,081,633.09	2
	OSPI	Child and Adult Care Food Program	10.558	1A04-14	17-03-0321		\$ 12,333.36	\$ 12,333.36	4
	OSPI	Child and Adult Care Food Program	10.558	1A04-15	WINS of OPSI		\$ 201,682.83	\$ 201,682.83	4
	OSPI	Fresh Fruit and Vegetable Program	10.582	1L41-15	LOA		\$ 191,493.88	\$ 191,493.88	
	Office of State Treasurer		Schools and Roads - Grants to States	10.665	1000			\$ 26,799.01	\$ 26,799.01
Subtotal of Department of Agriculture						\$ -	\$ 10,945,849.48	\$ 10,945,849.48	
Department of Commerce		Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	11.427	1C70-08	NA07NMF47203 63		\$ 1,140.52	\$ 1,140.52	
Subtotal of Department of Commerce						\$ 1,140.52	\$ -	\$ 1,140.52	
Department of Defense		Language Grant Program	12.900	1G61-15	H98230-14-1-0240		\$ 82,106.15	\$ 82,106.15	
		Language Grant Program	12.900	1G61-16	H98230-15-1-0083		\$ 10,378.07	\$ 10,378.07	
Subtotal of Department of Defense						\$ 92,484.22	\$ -	\$ 92,484.22	
National Science Foundation	Michigan State University	Education and Human Resources	47.076	1L70-12	RC062349SPS		\$ 20,608.75	\$ 20,608.75	
	Michigan State University	Education and Human Resources	47.076	1N03-15	RC104101SPS		\$ 25,707.42	\$ 25,707.42	
Subtotal of National Science Foundation						\$ -	\$ 46,316.17	\$ 46,316.17	
Department of Education	OSPI	Title I Grants to Local Educational Agencies	84.010	1C01-14	GR0201415		\$ (116,619.39)	\$ (116,619.39)	
	OSPI	Title I Grants to Local Educational Agencies	84.010	1C03-14	GR0222461		\$ (11,693.25)	\$ (11,693.25)	
	OSPI	Title I Grants to Local Educational Agencies	84.010	1M34-14	GR0228335		\$ (1,153.32)	\$ (1,153.32)	
	OSPI	Title I Grants to Local Educational Agencies	84.010	1M32-14	GR0228333		\$ (508.57)	\$ (508.57)	
	OSPI	Title I Grants to Local Educational Agencies	84.010	1M33-14	GR0228334		\$ (88.28)	\$ (88.28)	
	OSPI	Title I Grants to Local Educational Agencies	84.010	1M38-15	GR0228416		\$ 3,553.61	\$ 3,553.61	
	OSPI	Title I Grants to Local Educational Agencies	84.010	1M30-15	GR0228418		\$ 9,626.08	\$ 9,626.08	
	OSPI	Title I Grants to Local Educational Agencies	84.010	1M35-15	GR0228413		\$ 18,846.00	\$ 18,846.00	
	OSPI	Title I Grants to Local Educational Agencies	84.010	1M37-15	GR0228420		\$ 24,441.98	\$ 24,441.98	
	OSPI	Title I Grants to Local Educational Agencies	84.010	1N09-15	GR0228769		\$ 25,875.10	\$ 25,875.10	
	OSPI	Title I Grants to Local Educational Agencies	84.010	1N05-15	GR0228412		\$ 28,100.69	\$ 28,100.69	
	OSPI	Title I Grants to Local Educational Agencies	84.010	1M31-15	GR0228415		\$ 30,000.74	\$ 30,000.74	
	OSPI	Title I Grants to Local Educational Agencies	84.010	1M34-15	GR0228414		\$ 30,000.74	\$ 30,000.74	
	OSPI	Title I Grants to Local Educational Agencies	84.010	1C03-15	GR0222484		\$ 94,186.48	\$ 94,186.48	
	OSPI	Title I Grants to Local Educational Agencies	84.010	1C01-15	GR0201780		\$ 8,896,259.97	\$ 8,896,259.97	
	OSPI	Migrant Education_State Grant Program	84.011	1C02-14	GR0282054		\$ (7,850.22)	\$ (7,850.22)	
	OSPI	Migrant Education_State Grant Program	84.011	1F78-14	GR0290765		\$ 45.88	\$ 45.88	
	OSPI	Migrant Education_State Grant Program	84.011	1F78-15	GR0290770		\$ 6,627.28	\$ 6,627.28	
	OSPI	Migrant Education_State Grant Program	84.011	1C02-15	GR0282151		\$ 96,338.05	\$ 96,338.05	

The accompanying notes are an integral part of these statements.

SEATTLE PUBLIC SCHOOLS
KING COUNTY
EIN: 916001541
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR FISCAL YEAR ENDING AUGUST 31, 2015

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	Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	1C04-14	GR0223030		\$ (7,419.22)	\$ (7,419.22)	
	OSPI	Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	1C04-15	GR0223045		\$ 386,252.77	\$ 386,252.77	
	OSPI	Special Education_Grants to States	84.027	1G28-15	GR0337767		\$ 677,722.34	\$ 677,722.34	
	OSPI	Special Education_Grants to States	84.027	1A48-15	GR0305222		\$ 7,385,346.71	\$ 7,385,346.71	
	OSPI	Career and Technical Education - Basic Grants to States	84.048	1K72-14	GR0189076		\$ 232.49	\$ 232.49	
	OSPI	Career and Technical Education - Basic Grants to States	84.048	1M54-14	GR0172826		\$ 8,225.94	\$ 8,225.94	
	OSPI	Career and Technical Education - Basic Grants to States	84.048	1A03-14	GR0173025		\$ 14,021.49	\$ 14,021.49	
	OSPI	Career and Technical Education - Basic Grants to States	84.048	1M54-15	GR0173224		\$ 61,126.74	\$ 61,126.74	
	OSPI	Career and Technical Education - Basic Grants to States	84.048	1A03-15	GR0173305		\$ 352,055.74	\$ 352,055.74	
		Indian Education_Grants to Local Educational Agencies	84.060	1C27-15	S060A140393	\$ 71,967.04		\$ 71,967.04	
		Indian Education_Grants to Local Educational Agencies	84.060	1C27-16	S060A150393	\$ 7,271.43		\$ 7,271.43	
	OSPI	Special Education_Preschool Grants	84.173	1L23-15	GR0385380		\$ 28,173.00	\$ 28,173.00	
	OSPI	Special Education_Preschool Grants	84.173	1A46-15	GR0363221		\$ 275,740.76	\$ 275,740.76	
	OSPI	Education for Homeless Children and Youth	84.196	1F77-15	GR0456168		\$ 40,340.38	\$ 40,340.38	
		Fund for the Improvement of Education	84.215	1L56-14	Q215F110228-13	\$ 225,418.12		\$ 225,418.12	
	Mathematica Policy Research	Education Research, Development and Dissemination	84.305	1N02-15	MOU No. 40166X04074		\$ 120,248.92	\$ 120,248.92	
	OSPI	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330	1D91-15	GR0887355		\$ 3,870.00	\$ 3,870.00	
	OSPI	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330	1C88-15	GR0887361		\$ 5,220.00	\$ 5,220.00	
	Puget Sound ESD	Arts in Education	84.351	1L76-15	9115		\$ 2,217.15	\$ 2,217.15	
	Puget Sound ESD	Arts in Education	84.351	1N23-15	9111		\$ 37,903.33	\$ 37,903.33	
	Puget Sound ESD	Arts in Education	84.351	1L76-14	8260		\$ 212.61	\$ 212.61	
		High School Graduation	84.360	1K98-14	S360100166-13	\$ 207,504.04		\$ 207,504.04	
		High School Graduation	84.360	1K98-15	S360100166-14	\$ 1,965,277.91		\$ 1,965,277.91	
	OSPI	English Language Acquisition State Grants	84.365	1C21-14	GR0401932		\$ (5,054.11)	\$ (5,054.11)	
	OSPI	English Language Acquisition State Grants	84.365	1C21-15	GR0402120		\$ 918,529.95	\$ 918,529.95	
	OSPI	Mathematics and Science Partnerships	84.366	1G78-14	GR0555364		\$ 35,570.45	\$ 35,570.45	
	OSPI	Mathematics and Science Partnerships	84.366	1N18-15	GR0555385		\$ 72,293.21	\$ 72,293.21	
	OSPI	Mathematics and Science Partnerships	84.366	1G78-15	GR0555373		\$ 294,271.18	\$ 294,271.18	
	OSPI	Improving Teacher Quality State Grants	84.367	1C17-14	GR0523316		\$ 234,030.08	\$ 234,030.08	
	OSPI	Improving Teacher Quality State Grants	84.367	1C17-15	GR0523643		\$ 2,449,137.53	\$ 2,449,137.53	
		Teacher Incentive Fund	84.374	1K99-13	S374A100044	\$ (13,917.54)		\$ (13,917.54)	
		Teacher Incentive Fund	84.374	1K99-14	S374A100044-13	\$ 560,620.53		\$ 560,620.53	
		Teacher Incentive Fund	84.374	1K99-15	S374A100044-14	\$ 976,619.98		\$ 976,619.98	
	OSPI	School Improvement Grants	84.377	1M87-15	GR0225345		\$ 1,323,863.76	\$ 1,323,863.76	
	OSPI	ARRA-School Improvement Grants, Recovery Act (Archived 2011)	84.388	1K74-13	GR0225317		\$ 9,222.26	\$ 9,222.26	
	NBPTS	Investing in Innovation (i3) Fund	84.411	1M72-14	1303008		\$ 3,744.06	\$ 3,744.06	

The accompanying notes are an integral part of these statements.

SEATTLE PUBLIC SCHOOLS
KING COUNTY
EIN: 916001541
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR FISCAL YEAR ENDING AUGUST 31, 2015

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	
	Puget Sound ESD	Race to the Top - District Grants (Archived 2015)	84.416	1M60-14	8424		\$ 5,761.40	\$ 5,761.40	
	Puget Sound ESD	Race to the Top - District Grants (Archived 2015)	84.416	1M57-14	8471		\$ 27,760.74	\$ 27,760.74	
	Puget Sound ESD	Race to the Top - District Grants (Archived 2015)	84.416	1M48-15	8655		\$ 31,164.93	\$ 31,164.93	
	Puget Sound ESD	Race to the Top - District Grants (Archived 2015)	84.416	1M70-14	8561		\$ 37,223.12	\$ 37,223.12	
	Puget Sound ESD	Race to the Top - District Grants (Archived 2015)	84.416	1M52-15	8614		\$ 345,077.34	\$ 345,077.34	
	Puget Sound ESD	Race to the Top - District Grants (Archived 2015)	84.416	1N16-15	9065		\$ 363,154.33	\$ 363,154.33	
	Puget Sound ESD	Race to the Top - District Grants (Archived 2015)	84.416	1M39-15	8711		\$ 10,088.62	\$ 10,088.62	
	Puget Sound ESD	Race to the Top - District Grants (Archived 2015)	84.416	1M88-15	8699		\$ 113,296.72	\$ 113,296.72	
	Puget Sound ESD	Race to the Top - District Grants (Archived 2015)	84.416	1M76-15	8590		\$ 196,673.97	\$ 196,673.97	
	Puget Sound ESD	Race to the Top - District Grants (Archived 2015)	84.416	1M91-15	8667		\$ 8,645.54	\$ 8,645.54	
	Puget Sound ESD	Race to the Top - District Grants (Archived 2015)	84.416	1M59-15	8559		\$ 348,700.01	\$ 348,700.01	
Subtotal of Department of Education						\$ 4,000,761.51	\$ 25,340,635.81	\$ 29,341,397.32	
Department of Health and Human Services		Substance Abuse and Mental Health Services_Projcts of Regional and National Significance	93.243	1K96-14	5U79SM060300-03	\$ 9,085.31		\$ 9,085.31	
		Substance Abuse and Mental Health Services_Projcts of Regional and National Significance	93.243	1K96-15	5U79SM060300-03	\$ 99,845.62		\$ 99,845.62	
	King County Public Health	Partnerships to Improve Community Health	93.331	1N24-15	PREV01-2015GKB		\$ 5,842.01	\$ 5,842.01	
	OSPI	Pregnancy Assistance Fund Program	93.500	1M68-14	GR0179100		\$ (290.71)	\$ (290.71)	
	OSPI	Pregnancy Assistance Fund Program	93.500	1M68-15	GR0179127		\$ 14,082.47	\$ 14,082.47	
	OSPI	PPHF: State Nutrition, Physical Activity, and Obesity Programs - financed in part by PPHF	93.548	1M75-15	GR0930206		\$ 3,623.80	\$ 3,623.80	
	YWCA (School Out of WA)	Refugee and Entrant Assistance_Discretionary Grants	93.576	1D76-14	LOA		\$ (37.11)	\$ (37.11)	
	SOWA (School Out of WA-YMCA)	Refugee and Entrant Assistance_Discretionary Grants	93.576	1D76-15	Contract		\$ 66,281.15	\$ 66,281.15	
		Head Start	93.600	1B60-14	10CH0196/01	\$ 887,134.80		\$ 887,134.80	
		Head Start	93.600	1B60-15	10CH0196/02	\$ 3,364,536.61		\$ 3,364,536.61	
	Seattle Children's Hospital Research Foundation	PPHF: Community Transformation Grants -Small Communities Program financed solely by Public Prevention and Health Funds	93.737	1M13-13	PO 417385		\$ 28,845.72	\$ 28,845.72	
	Seattle KC - Public Health	Medical Assistance Program	93.778	1A16-14	CHS3274		\$ 12,640.31	\$ 12,640.31	4
	King County - Mental Health, Chemical Abuse and Dependency Service Division	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1L93-14	5616318		\$ 48,424.01	\$ 48,424.01	
	King County - Mental Health, Chemical Abuse and Dependency Service Division	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1L93-15	5726463		\$ 93,390.14	\$ 93,390.14	
Subtotal of Department of Health and Human Services						\$ 4,360,602.34	\$ 272,801.79	\$ 4,633,404.13	
TOTAL FEDERAL AWARDS EXPENDED						\$ 8,454,988.59	\$ 36,605,603.25	\$ 45,060,591.84	

The accompanying notes are an integral part of these statements.

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 31 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	\$ 4,271,310.49
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	\$ 361,813.41
School Improvement Grants	84.377	\$ 1,264,435.30
Race to the Top - District Grants (Archived 2015)	84.416	\$ 188,946.08
Total		\$ 6,086,505.28

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 2013/2014	4.49%
FY 2014/2015	4.70%
FY 2015/2016	3.51%

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

**Seattle School District No. 1
King County
September 1, 2014 through August 31, 2015**

This schedule presents the corrective action planned by the auditee for findings reported in this report in accordance with OMB Circular A-133. The information in this schedule is the representation of the Seattle School District No. 1.

Finding ref number: 2015-001	Finding caption: The District did not ensure allowable costs were charged to its School Improvement Grants.
Name, address, and telephone of auditee contact person: Barry Tsoi 2445 3rd Avenue South M.S. 33-343 Seattle, WA 98134 (206) 252-0252	
Corrective action the auditee plans to take in response to the finding: <i>This District concurs with this finding. The District will remove the disallowed costs out of School Improvement Grants, and initiate refund process to OSPI. Program managers who have federal grants receive annual administration and compliance training around allowable expenditures and activities. Building Principals receive limited training on allowable costs compliance and documentation regarding personal service contracts. District will emphasize increased training around personal services contracts at the building level to ensure compliance.</i>	
Anticipated date to complete the corrective action: October 31, 2016	

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 to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

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.

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 as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

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

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov