

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

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**Edmonds School District No. 15**  
**Snohomish County**

Audit Period  
**September 1, 2006 through August 31, 2007**

**Report No. 74674**

Issue Date  
**May 27, 2008**



WASHINGTON  
**BRIAN SONNTAG**  
STATE AUDITOR



**Washington State Auditor  
Brian Sonntag**

May 27, 2008

Board of Directors  
Edmonds School District No. 15  
Lynnwood, Washington

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

Please find attached our report on Edmonds School District No. 15'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.

In addition to this work, we look at other areas of our audit client's operations for compliance with state laws and regulations. The results of that audit will be included in a separately issued accountability report.

Sincerely,

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

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Snohomish County  
September 1, 2006 through August 31, 2007**

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# Federal Summary

## Edmonds School District No. 15 Snohomish County September 1, 2006 through August 31, 2007

The results of our audit of Edmonds School District No. 15 are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

### ***FINANCIAL STATEMENTS***

An unqualified opinion was issued on the financial statements.

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

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

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

### ***FEDERAL AWARDS***

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

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

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

We reported a finding that is required to be disclosed under OMB Circular A-133.

#### **Identification of Major Programs:**

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
84.027/173	Special Education Cluster
84.367	Improving Teacher Quality

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$342,241.

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

# Schedule of Federal Audit Findings and Questioned Costs

## Edmonds School District No. 15 Snohomish County September 1, 2006 through August 31, 2007

### 1. The District's internal controls are inadequate to ensure compliance with federal procurement requirements.

**CFDA Number and Title:** 84.367 Title II, Part A, Improving Teacher Quality  
**Federal Grantor Name:** U.S. Department of Education  
**Federal Award/Contract Number:** 0520917  
**Pass-through Entity Name:** Office of Superintendent of Public Instruction  
**Pass-through Award/Contract Number:** NA  
**Questioned Cost Amount:** \$0

#### Background

The District spent \$751,008 from its Title II, Part A, Improving Teacher Quality Grant (CFDA 84.367) during fiscal year 2007. The purpose of this grant is to increase student academic achievement by helping schools and school districts improve teacher and principal quality and to ensure all teachers are highly qualified.

While the majority of expenditures were for salaries and benefits, the District spent 19 percent of this grant money to purchase goods and services.

#### Description of Condition

We reviewed internal controls and compliance with federal procurement requirements. Recipients of federal money that purchase goods and services are required to follow state law and federal regulations. Because no state law governs procurement of professional services for school districts, the District was required to follow U.S. Office of Management and Budget (OMB) Circular A-102, *Common Rule*. Those regulations stipulate that, for purchases under \$100,000, grantees must obtain price or rate quotations from an adequate number of qualified sources or document that the vendor is a sole source of supply.

#### Cause of Condition

The District did not have internal controls in place to ensure it obtained the required number of price quotations or otherwise document its rationale for its purchase decision.

The District was not aware of the federal procurement requirements for professional services.

#### Effect of Condition

The District spent \$100,400 of grant funds for professional services without documenting that it secured the best possible price and ensuring qualified vendors were given the opportunity to participate in the procurement process as intended by federal regulations.

## Recommendation

We recommend that the District establish and follow procedures to comply with OMB Circular A-102, *Common Rule* regarding procuring professional services.

## District's Response

*The District respectfully notes that no violations of federal procurement regulations were identified, but rather the audit concern is with the breadth of knowledge among administrative staff regarding federal procurement requirements. The District will provide training for all District staff involved in organizing and preparing requisitions/purchase orders/contracts and other procurement related to federal grants.*

## Auditor's Remarks

We thank the District for its cooperation and assistance during the audit and look forward to reviewing the District's corrective action during our next audit.

## Applicable Laws and Regulations

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

The auditee shall:

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

Title 34, Code of Federal Regulations, Section 80.36 – Procurement, states in part:

(b) Procurement standards.

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

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

(d) Methods of procurement to be followed.

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

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

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

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

Independent Auditor's Report on Internal  
Control over Financial Reporting and on  
Compliance and Other Matters in Accordance  
with *Government Auditing Standards*

**Edmonds School District No. 15**  
**Snohomish County**  
**September 1, 2006 through August 31, 2007**

Board of Directors  
Edmonds School District No. 15  
Lynnwood, Washington

We have audited the financial statements of Edmonds School District No. 15, Snohomish County, Washington, as of and for the year ended August 31, 2007, and have issued our report thereon dated April 18, 2008.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***INTERNAL CONTROL OVER FINANCIAL REPORTING***

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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*.

This report is intended for the information and use of management, the Board of Directors, federal awarding agencies and pass-through entities. 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, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

April 18, 2008

# Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

## **Edmonds School District No. 15 Snohomish County September 1, 2006 through August 31, 2007**

Board of Directors  
Edmonds School District No. 15  
Lynnwood, Washington

### ***COMPLIANCE***

We have audited the compliance of Edmonds School District No. 15, Snohomish 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 are applicable to its major federal programs for the year ended August 31, 2007. The District's major federal programs are identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended August 31, 2007.

### ***INTERNAL CONTROL OVER COMPLIANCE***

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance, but not for the purpose of expressing an

opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 1 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying Schedule of Federal Audit Findings and Questioned Costs to be material weaknesses.

The District's response to the finding identified in our audit is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended for the information of management, the Board of Directors, federal awarding agencies and pass-through entities. 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.



**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

April 18, 2008

# Independent Auditor's Report on Financial Statements

## **Edmonds School District No. 15 Snohomish County September 1, 2006 through August 31, 2007**

Board of Directors  
Edmonds School District No. 15  
Lynnwood, Washington

We have audited the accompanying financial statements of Edmonds School District No. 15, Snohomish County, Washington, as of and for the year ended August 31, 2007, as listed on page 11. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the District prepares its financial statements using accounting practices prescribed by Washington State statutes and the *Accounting Manual for Public Schools in the State of Washington*, which demonstrates compliance with the regulatory basis of accounting which differs from accounting principles generally accepted in the United States of America. The differences between the regulatory basis of accounting and the accounting principles generally accepted in the United States of America are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Edmonds School District No. 15, as of August 31, 2007, and the changes in financial position thereof for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report 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* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedule of Long-Term Debt is also presented for purposes of additional analysis as required by the prescribed accounting manual. These schedules are not a required part of the financial statements. Such information has been

subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended for the information and use of the governing body and management of the District. 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, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" written in a larger, more prominent script than the last name "Sonntag".

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

April 18, 2008

# Financial Section

**Edmonds School District No. 15  
Snohomish County  
September 1, 2006 through August 31, 2007**

## ***FINANCIAL STATEMENTS***

Balance Sheet – Governmental Funds – 2007  
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds –  
2007  
Statement of Fiduciary Net Assets – Fiduciary Funds – 2007  
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds – 2007  
Notes to Financial Statements – 2007

## ***SUPPLEMENTAL INFORMATION***

Schedule of Long-Term Debt – 2007  
Schedule of Expenditures of Federal Awards – 2007  
Notes to the Schedule of Expenditures of Federal Awards – 2007

**REPORT F196**  
 E.S.D. 189  
 COUNTY: 31 SNOHOMISH

**EDMONDS SCHOOL DISTRICT NO. 015**  
 Balance Sheet  
 Governmental Funds  
 August 31, 2007

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>ASSETS:</b>							
Cash & Cash Equivalent	6,890,583.48	308,049.08	141,873.06	1101,287.49	32,280.37		8,474,073.48
Minus Outstanding Warr	2,761,747.26	8,676.23		521,358.30			3,291,781.79
Taxes Receivable	16,611,194.04		12471,458.83	5638,098.81			34,720,751.68
Due From Other Funds	302,746.21						302,746.21
Due From Other Gov. Un	996,328.16			4,101.72			996,328.16
Accounts Receivable	252,953.48						257,055.20
Interfund Loans Receiv							
Accrued Interest Recei	51,417.32	5,162.41	38,143.46	473,801.08	32,022.65		600,546.92
Inventory	670,144.18						670,144.18
Prepaid Items	96,803.20	3,138.00					99,941.20
Investments	11,110,000.00	1135,000.00	8520,000.00	103855,000.00	7146,000.00		131,766,000.00
Investments/Cash W/Tru							
Self-Insur-Deferred C							
Self-Insur Security De							
<b>TOTAL ASSETS</b>	<b>34,220,422.81</b>	<b>1442,673.26</b>	<b>21171,475.35</b>	<b>110550,930.80</b>	<b>7210,303.02</b>		<b>174,595,805.24</b>
<b>LIABILITIES:</b>							
Accounts Payable	1,701,917.06	162,921.66		5812,381.92			7,677,220.64
Contracts Payable Curr							
Accrued Interest Payab							
Accrued Salaries	1,458,522.26						1,458,522.26
Rev Anticipation Notes							
Payroll Ded & Taxes Pa	2,527,903.85	7,485.26		419,885.02			2,527,903.85
Due to Other Govt. Uni	724,658.33						1,152,028.61
Deferred Compensation							
Est Employee Benefits	1,292,080.91						1,292,080.91
Due to Other Funds		79,875.13		222,871.08			302,746.21
Interfund Loans Payabl							
Deposits	2,810.56						2,810.56
Matured Bonds Payable							
Matured Bond Interest							
Arbitrage Rebate Payab							
Deferred Revenue	16,826,492.17	236,777.00	12471,458.83	5638,098.81			35,172,826.81
<b>TOTAL LIABILITIES</b>	<b>24,534,385.14</b>	<b>487,059.05</b>	<b>12471,458.83</b>	<b>12093,236.83</b>			<b>49,586,139.85</b>
<b>FUND BALANCE:</b>							
Reservation of Fund Ba	3,031,817.19			97805,531.85			100,837,349.04
Unreserve Desig. Fund	5,518,012.85			50,000.00			5,568,012.85
Unreserve Undesig. Fun	1,136,207.63	955,614.21	8700,016.52	602,162.12	7210,303.02		18,604,303.50
<b>TOTAL FUND BALANCE</b>	<b>9,686,037.67</b>	<b>955,614.21</b>	<b>8700,016.52</b>	<b>98457,693.97</b>	<b>7210,303.02</b>		<b>125,009,665.39</b>
<b>TOTAL LIAB &amp; FUND BALA</b>	<b>34,220,422.81</b>	<b>1442,673.26</b>	<b>21171,475.35</b>	<b>110550,930.80</b>	<b>7210,303.02</b>		<b>174,595,805.24</b>

The Accompanying Notes Are An Integral Part Of This Statement.

**EDMONDS SCHOOL DISTRICT NO. 015**  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 Governmental Funds  
 For The Year Ended August 31, 2007

	General Fund	Assoc. Student Body	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>REVENUES:</b>							
Local	39,453,265.88			17,968,460.75	366,420.64		82,323,809.64
State	117,767,598.45	2,402,229.43	22,133,432.94	193,149.12	263,866.49		118,224,614.06
Federal	11,542,570.80						11,542,570.80
Other	1,643,585.18			140,426.76			1,784,011.94
<b>TOTAL REVENUES</b>	<b>170,407,020.31</b>	<b>2,402,229.43</b>	<b>22,133,432.94</b>	<b>18,302,036.63</b>	<b>630,287.13</b>		<b>213,875,006.44</b>
<b>EXPENDITURES:</b>							
<b>CURRENT:</b>							
Regular Instruction	94,396,664.48						94,396,664.48
Special Education	21,693,462.99						21,693,462.99
Vocational Education	5,967,847.06						5,967,847.06
Skills Center							
Compensatory Program	13,744,724.14						13,744,724.14
Other Instruct. Prog	1,914,736.26						1,914,736.26
Community Services	445,873.21						445,873.21
Support Services	35,273,284.36						35,273,284.36
Stu. Activities/Othe		2,382,509.96					2,382,509.96
<b>CAPITAL OUTLAY:</b>							
Sites							
Building				8,014,240.33			8,014,240.33
Equipment				12,869,365.49			12,869,365.49
Energy				4,810,137.88			4,810,137.88
Transportation Equip					28,344.60		28,344.60
Other	276,799.75						276,799.75
<b>DEBT SERVICE:</b>							
Principal			9,760,000.00				9,760,000.00
Int. & Other Charges			13,730,121.50	400,174.03			14,130,295.53
<b>TOTAL EXPENDITURES</b>	<b>173,713,392.25</b>	<b>2,382,509.96</b>	<b>23,490,121.50</b>	<b>26,093,917.73</b>	<b>28,344.60</b>		<b>225,708,286.04</b>
<b>REVS OVER (UNDER) EX</b>	<b>3,306,371.94-</b>	<b>19,719.47</b>	<b>1,356,688.56-</b>	<b>7,791,881.10-</b>	<b>601,942.53</b>		<b>11,833,279.60-</b>
<b>OTHER FIN SRCS(USES</b>							
Bond Sls & Ref Bond							
Long-Term Financing							
Transfers In							
Trans Out (GL 536)							
Oth Fin Use (GL 535)	4,454.84			7,794,278.10	9,520.63		7,808,253.57
Other							
<b>TOTAL OTHER FINANCE</b>	<b>4,454.84</b>			<b>7,794,278.10</b>	<b>9,520.63</b>		<b>7,808,253.57</b>
<b>SOURCES (USES)</b>							
<b>EXCESS OF REVS &amp; OTH</b>							
<b>FIN SRCS OVER (UNDER</b>							
<b>EXP &amp; OTHER FIN USES</b>	<b>3,301,917.10-</b>	<b>19,719.47</b>	<b>1,356,688.56-</b>	<b>2,397.00</b>	<b>611,463.16</b>		<b>4,025,026.03-</b>
<b>BEG TOT FUND BALANCE</b>	<b>12,987,955.41</b>	<b>935,894.67</b>	<b>10,056,705.79</b>	<b>98,455,295.98</b>	<b>6,598,839.35</b>		<b>129,034,691.20</b>
<b>Prior Year(s) Correc</b>							
<b>or Restatements</b>							
<b>END TOT FUND BALANCE</b>	<b>9,686,038.31</b>	<b>955,614.14</b>	<b>8,700,017.23</b>	<b>98,457,692.98</b>	<b>7,210,302.51</b>		<b>125,009,665.17</b>

The Accompanying Notes Are An Integral Part Of This Statement.

**REPORT F196**  
 E.S.D. 189  
 COUNTY: 31 SNOHOMISH

**EDMONDS SCHOOL DISTRICT NO. 015**  
 Statement of Fiduciary Net Assets  
 Fiduciary Funds  
 August 31, 2007

Private  
 Purpose  
 Trust  
 Other  
 Trust

ASSETS:  
 Imprest Cash 4,000.00  
 Cash on Hand 3,175.00  
 Cash on Deposit with Cty Treasurer 46,109.45  
 Minus Warrants Outstanding 8,520.00 -

Accounts Receivable  
 Accrued Interest Receivable  
 Investments  
 Investments/Cash W/Trustees  
 Other Assets  
 Capital Assets, Land  
 Capital Assets, Buildings  
 Capital Assets, Equipment  
 Accum. Depreciation, Buildings  
 Accum. Depreciation, Equipment  
 TOTAL ASSETS 44,764.45

LIABILITIES:  
 Accounts Payable  
 Due to Other Funds  
 TOTAL LIABILITIES  
 NET ASSETS:  
 Net assets held in trust for:  
 Reserved for Other Items  
 Reserved for Trust Principal  
 Unreserved, Designated for Other Items  
 Unreserved, Undesignated Fund Balance  
 Total Net Assets 44,764.45

*The Accompanying Notes Are An Integral Part Of This Statement.*

REPORT F196  
 E.S.D. 189  
 COUNTY: 31 SNOHOMISH

EDMONDS SCHOOL DISTRICT NO. 015  
 Statement of Changes in Fiduciary Net Assets  
 Fiduciary Funds  
 For The Year Ended August 31, 2007

Private  
 Purpose  
 Trust

ADDITIONS:  
 Contributions:  
 Private Donations 76,867.64  
 Employer  
 Members  
 Other

Total Contributions 76,867.64

Investment Income:  
 Net Appreciation (Depreciation) in  
 Fair Value  
 Interest and dividends  
 Less Investment Expense  
 Total Investment Income  
 Net Investment Income

Other Additions:  
 Rent or Lease Revenue  
 Total Other Additions

Total Additions 76,867.64

DEDUCTIONS:  
 Benefits  
 Refund of Contributions  
 Administrative Expenses  
 Scholarships  
 Other

58,092.12

Total Deductions 58,092.12

Net Increase (Decrease) 18,775.52

Net Assets-Beginning  
 Prior Year(s) Corrections or Restatements  
 Net Assets-Ending

25,988.93

44,764.45

The Accompanying Notes Are An Integral Part Of This Statement.

**EDMONDS SCHOOL DISTRICT NO. 15**  
**Notes to Financial Statements**  
**September 1, 2006 Through August 31, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A. Edmonds School District is a municipal corporation organized pursuant to Title 28A Revised Code of Washington for the purpose 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.

For financial reporting purposes, the Edmonds School District includes all funds, account groups, and organizations that are controlled by or dependent on the district's board of directors. Control by or dependence on the district was determined on the basis of budget adoption, taxing authority, outstanding debt secured by the general credit of the district, obligation of the district to finance any deficits that may occur, or receipt of significant subsidies from the district.

- B. Basis of Presentation Fund Accounting

Edmonds School District presents governmental fund financial statements and related notes on the modified accrual basis of accounting as prescribed by generally accepted accounting principles (GAAP) and required by its regulatory agencies, the Office of Superintendent of Public Instruction and the State Auditor's Office. However, the district elects to not present districtwide financial statements and management's discussion and analysis, which are departures from GAAP. Long-term debt is reported on a required supplementary schedule. The accounts of the district are organized on the basis of funds, each of which is considered a separate accounting entity. The regulatory agencies require all funds be presented as major funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. 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 those required to be accounted for in another fund. In keeping with the principle of as few funds as necessary, food services, maintenance, data processing, printing and transportation are included in the fund.

Capital Projects Funds

These funds account for financial resources to be used for the construction or acquisition of major capital assets. The capital projects fund type consists of the Capital Projects Fund and the Transportation Vehicle Fund.

Capital Projects Fund —This fund is used to account for resources set aside for the acquisition and construction of capital assets.

Transportation Vehicle Fund —This fund accounts for the purchase, major repair, rebuilding, and debt service expenditures related to pupil transportation equipment.

### Debt Service Fund

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

### Special Revenue Fund Type

These funds account for the proceeds of specific revenue sources that are legally restricted for specific purposes. The Associated Student Body Program Fund (ASB Fund) is the only fund of this type. This fund is accounted for as a special revenue fund since the financial resources legally belong to the district.

### **FIDUCIARY FUNDS**

Trust funds are used to account for assets held by the district in a trustee capacity.

### Private Purpose Trust Fund

This fund is used to account for resources legally held in trust where principal and income benefit individuals, private organizations, or other governments.

### C. Basis of Accounting

The district's accounting policies, as reflected in the accompanying financial statements, conform to the Accounting Manual for Public School Districts in the state of Washington, issued jointly by the State Auditor and the Superintendent of Public Instruction by the authority of RCW 43.09.200, RCW 28A.505.140, RCW 28A.505.010(1), and RCW 28A. 505.020. This manual allows for a practice that differs from generally accepted accounting principles in the following manner:

- (1) Districtwide statements are not presented.
- (2) The financial statements do not report capital assets.
- (3) Debt is not reported on the face of the financial statements. It is reported in the notes to the financial statements and on the Schedules of Long-Term Debt. The Schedule of Long-Term Debt is required supplemental information.
- (4) The original budget is not presented. This information is available through the Office of Superintendent of Public Instruction.
- (5) The Management Discussion and Analysis is not required.

The modified accrual basis of accounting is used for all governmental funds. Revenues are recognized when they become measurable and available. "Measurable" means the amount of the transaction can be determined and the district considers all revenues available if they are collected within 60 days after year end to pay liabilities of the current period. Property taxes receivable are measurable but not available and are therefore, not accrued. However, categorical program claims and inter-district 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 the unmatured principal and interest on long-term debt which are recorded when due. The fund liability is incurred when the goods or services have been received.

All governmental funds reporting focus primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. This means that only current assets and current liabilities are included on their balance sheets.

D. Budgetary Data

**GENERAL BUDGETARY POLICIES**

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

**BUDGETARY BASIS OF ACCOUNTING**

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

E. Assets, Liabilities, and Fund Equity

**DEPOSITS AND INVESTMENTS**

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.

The district's investments (excluding investments for deferred compensation plans) are categorized as follows to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the district or its agent in the district's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the district's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or its trust department or agent but not in the district's name.

	Category			Market Value
	1	2	3	
<b>County Treasurer's Investment Pool</b>	<b>X</b>			<b>\$131,766,000</b>

**INVENTORY**

Inventory is valued at cost using the weighted average method. Inventory in the General Fund consists of expendable supplies held for consumption. The consumption method of inventory is used, which charges inventory as an expenditure when it is consumed. Management may reserve a portion of fund balance in any amount as a budgetary technique to ensure the availability of resources at the appropriate time. The reserve indicates that a portion of the net current assets is set aside to replace 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.

F. Revenue and Expenditure Recognition

**DEBT SERVICE**

Principal and interest on general long-term debt is recognized only when due.

**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 option 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 are not accrued as revenue. Instead, the taxes due on October 31 are recorded as deferred revenue.

**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 Chapter 28A.400.210 RCW sick leave accumulated by district employees is reimbursed at death or retirement at the rate of one day for each four days of accrued leave, limited to 180 accrued days. This chapter also provides for an annual buy out of an amount up to the maximum annual accumulation of 12 days. For buy out 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. The district also designates a part of the Unreserved Fund Balance in the General Fund for this liability.

No unrecorded liability exists for other employee benefits.

**NOTE 2- CAPITAL ASSETS**

	Balance 9-01-06	Additions	Deletions	Balance 8-31-07
Land	36,471,669			36,471,669
Buildings	388,622,952	51,600		388,674,552
Transportation Equipment	11,017,523	101,189	219,199	10,899,513
Other Equipment	4,808,914	1,077,677	234,881	5,651,710
Construction in Progress	24,122,152	25,486,646	51,600	49,557,198
Total	\$465,043,210	26,717,112	505,680	491,254,642

The district's level of capitalization is \$5,000. The district is committed to maintaining accurate inventory records and has allocated staffing resources, management oversight, and clarification of the capitalization policies to assure an accurate inventory system will be maintained.

Fixed assets determined to be surplus and held for resale totaled \$11,772 at August 31, 2007.

The district's fixed assets are insured in the amount of \$550,000,000. In the opinion of the district's insurance consultant, this amount is sufficient to adequately fund replacement of the district's assets.

### **NOTE 3 – PENSIONS**

#### **A. General Information**

Substantially all Edmonds 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 the Washington State Department of Retirement Systems (DRS): Teacher's Retirement System (TRS), Public Employees' Retirement System (PERS) and School Employees' Retirement System (SERS).

Membership by retirement system program as of September 30, 2006

<u>Program</u>	<u>Active Members</u>	<u>Inactive Vested Members</u>	<u>Retired members</u>
TRS	67,736	7,811	38,252
PERS	155,027	25,610	70,201
SERS	50,818	6,894	2,758

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

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

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

Plan 3 under the TRS or SERS programs are defined benefit, defined contribution pension plans whose members joined on or after July 1, 1996 or September 1, 2000 for SERS and TRS, respectively. Members are eligible to retire with full benefits after 5 years of credited service and attainment of age 65 or after 10 years of credited service and attainment of age 55 with the benefit actuarially reduced from age 65.

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

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

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

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

**B. Contributions**

Employee contribution rates as of August 31, 2007:

Plan 1 TRS	6.00%	Plan 1 PERS	6.00%
Plan 2 TRS	3.01%	Plan 2 SERS	3.79%
Plan 3 TRS and SERS	5% (minimum), 15% (maximum)		

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

Employer contribution rates as of August 31, 2007:

Plan 1 TRS	4.74%	Plan 1 PERS	6.12%
Plan 2 TRS	4.74%	Plan 2 SERS	4.85%
Plan 3 TRS	4.74%	Plan 3 SERS	4.85%

Under current law the employer must contribute 100 percent of the employer-required contribution. The employer required contributions presented below are reported on the district's fiscal year.

<u>Plan</u>	<u>FY 06-07</u>	<u>FY 05-06</u>
Plan 1, 2, & 3 TRS	\$3,635,406	\$2,177,949
Plan 2 & 3 SERS & Plan 1 PERS	\$1,467,896	\$ 841,481

Historical trend information showing TRS and PERS progress in accumulating sufficient assets to pay benefits when due is presented in the State of Washington's June 30, 2007 comprehensive annual financial report. Refer to this report for detailed trend information. It is available from:

State of Washington  
Office of Financial Management  
300 Insurance Building  
P.O. BOX 43113  
Olympia, WA 98504-3113

**NOTE 4- DEFERRED COMPENSATION PROGRAM (DCP)**

The Deferred Compensation Program (DCP) is an Internal Revenue Code (IRC) Section 457 program that provides an opportunity for employees to set aside pretax dollars into a supplemental retirement account. The Department of Retirement Systems administers DCP for State Agencies, Higher Education, and Political Subdivisions. The Employee Retirement Benefits Board recommends the type of investments to offer, and the Washington State Investment Board (WSIB) selects and monitors the investment options.

The amounts deferred are held in trust by the WSIB for the exclusive benefit of program participants and their beneficiaries. Income deferred reduces the taxable income reported on the employee's Form W-2 for the calendar year in which it was deferred.

Any public employee (full time, part time, working a regular schedule or career seasonal) and any elected or appointed official of the State is eligible to participate. Political subdivision employees may participate subject to any employer restrictions.

## **NOTE 5 - CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

Construction in progress is composed of:

Projects	Project Authorization Amount	Expended As of 8/31/07	Additional Local/State Funds Committed
<b>2004 Levy</b>			
Outdoor Facilities and Fields	\$9,500,000	\$6,429,484	\$3,070,516
Technology Projects	\$20,000,000	\$14,497,479	\$5,502,521
Various Small Capital Improvements	\$14,000,000	\$7,302,930	\$6,697,070
	<u>\$43,500,000</u>	<u>\$28,229,893</u>	<u>\$15,270,107</u>
<b>2006 Bond</b>			
New Lynnwood High School	\$98,900,000	\$12,026,950	\$86,873,050
New Meadowdale Middle School	\$4,000,000	\$37	\$3,999,963
Various Small Capital Improvements	\$16,000,000	\$2,430,057	\$13,569,943
	<u>\$118,900,000</u>	<u>\$14,457,044</u>	<u>\$104,442,956</u>
<b>Local/State Funded</b>			
New District Support Center	\$8,010,000	\$5,148,807	\$2,861,193
Scriber Lake High school Planning and Design	\$1,975,000	\$1,721,731	\$253,269
	<u>\$9,985,000</u>	<u>\$6,870,538</u>	<u>\$3,114,462</u>
<b>TOTAL</b>	<u>\$172,385,000</u>	<u>\$49,557,476</u>	<u>\$122,827,524</u>

The amounts in the "Local/State Funds Committed" column reflect the difference between the original project budget and project to date expenditures, or if negative, additional costs beyond the original project authorization for additional project improvements not anticipated in the original authorized budget. These costs generally are borne by investment earnings or cost savings from other projects.

## **NOTE 6 - RISK MANAGEMENT**

### Property and Liability Insurance

The District is one of over 70 school districts, educational service districts, and inter-local cooperative members of the Washington Schools Risk Management Pool (WSRMP), which was formed on August 30, 1986 pursuant to Chapter 48.62 of the Revised Code of Washington. In September 1993, the district joined this Pool. The purpose of WSRMP is to join together in a cooperative manner to provide its members the capability and authority to jointly purchase property and liability insurance, establish and maintain a reserve to pay for self-insurance coverage, provide a plan of self-insurance, and provide related services, including a cooperative program of risk management.

The District pays an annual premium contribution to WSRMP for its property and liability insurance coverage. For the period 09/01/2006 to 08/31/2007, WSRMP self-insures the first \$1 million per occurrence for property and purchases excess property insurance to a limit of \$500 million per occurrence. WSRMP self-insures the first \$1 million per occurrence for liability, including errors and omissions and employment practices liability and purchases liability reinsurance to a limit of \$15 million per occurrence; \$8 million per occurrence for sexual molestation.

The WSRMP Executive Board sets rates annually, after consultation with an independent actuarial firm, based on actual loss experience. An independent actuarial firm also performs an annual solvency report, which WSRMP is in excess of a 97% confidence level. Should the assets of WSRMP be exhausted, members would be responsible for WSRMP's liabilities, based on an allocation in proportion to each member's contribution.

The Washington Schools Risk Management Pool is audited independently by the WA State Auditor's Office and has a completed audit on file on their website.

David K. Hayasaka  
Executive Director  
Washington Schools Risk Management Pool  
P.O. Box 88700  
Tukwila, WA. 98138-2700

#### Unemployment Insurance

The district made payments of \$110,346 in 2006-2007 to the unemployment insurance pool administered by the local Educational Service District 189 on behalf of several local school districts. The district's reserve in this pool is sufficient to pay all known and pending claims. This fund was established in January, 1978 and is operated for the district's benefit in-lieu-of the district having to make monthly premium payments to the state of Washington for unemployment insurance beneficiaries as they occur and minimizes the district's cost for this program.

#### District Self Insured Workers' Compensation Program

The district self-insures workers' compensation (industrial insurance) claims that do not exceed \$500,000. It reinsures claims of \$500,000 or more. After approval by the Washington State Department of Labor and Industries, the district pays the claim of each eligible employee. During fiscal year 2006-07, the district paid employees \$805,795 in workers compensation benefits. As of August 31, 2007 the district's industrial compensation liability is estimated to be \$370,301.

The credit balance of \$1,273,365 in General Ledger 639 on 08/31/07 is the net difference between the district's self assessed workers' compensation rates and the amounts paid out in actual claims during the 2006-07 fiscal year. This represents funds set aside to pay current worker's compensation claims. In addition, the district has reserved \$500,000 of fund balance for Workers Compensation.

#### **NOTE 7 - LONG-TERM DEBT**

The following is a summary of general obligation long-term debt transactions of the District for the fiscal year ended August 31, 2007.

Unmatured Long-Term Debt Payable at 8-31-06	\$ 277,970,000
Debt Retired	<u>9,760,000</u>
Long-Term Debt Payable at 8-31-07	\$268,210,000

Bonds payable at August 31, 2007, are comprised of the following individual issues:

ANNUAL REQUIREMENTS TO AMORTIZE LONG-TERM DEBT

Year Ending August 31	Principal	Interest	Rate	Total
<b>5-01-94 Issue \$22,000,000</b>				
2008	2,000,000.00	260,000.00		2,260,000.00
2009	<u>3,000,000.00</u>	<u>97,500.00</u>		<u>3,097,500.00</u>
TOTAL	\$5,000,000.00	\$357,500.00		\$5,357,500.00
<b>10-12-95 Issue \$31,640,000 (Refunded \$5,000,000 of 12-1-90 issue)</b>				
2008		151,875.00		151,875.00
2009	<u>2,250,000.00</u>	<u>75,937.50</u>		<u>2,325,937.50</u>
TOTAL	\$2,250,000.00	\$227,812.50		\$2,477,812.50
<b>10-01-96 Issue \$35,000,000</b>				
2008		187,500.00		187,500.00
2009	<u>3,000,000.00</u>	<u>93,750.00</u>		<u>3,093,750.00</u>
TOTAL	\$3,000,000.00	\$281,250.00		\$3,281,250.00
<b>5-01-97 Issue \$34,600,000</b>				
2008		132,000.00		132,000.00
2009	<u>2,200,000.00</u>	<u>66,000.00</u>	6.00	<u>2,266,000.00</u>
TOTAL	\$2,200,000.00	\$198,000.00		\$2,398,000.00
<b>5-05-98 Issue \$69,640,000</b>				
2008	1,115,000.00	881,987.50	4.60	1,996,987.50
2009	15,000.00	855,990.00	4.70	870,990.00
2010	6,015,000.00	690,225.00	5.50	6,705,225.00
2011	3,490,000.00	424,475.00	5.75	3,914,475.00
2012	3,485,000.00	223,943.75	5.75	3,708,943.75
2013	<u>2,475,000.00</u>	<u>61,875.00</u>	5.00	<u>2,536,875.00</u>
TOTAL	\$16,595,000.00	\$3,138,496.25		\$19,733,496.25
<b>4-01-99 Issue \$15,000,000</b>				
2008	100,000.00	10,700.00	4.20	110,700.00
2009	<u>200,000.00</u>	<u>4,300.00</u>	4.30	<u>204,300.00</u>
TOTAL	\$300,000.00	\$15,000.00		\$315,000.00

**7/01/2003 Issue      \$76,090,000**

2008		3,704,050.00		3,704,050.00
2009	6,735,000.00	3,704,050.00	3.00-4.50	10,439,050.00
2010		3,427,000.00		3,427,000.00
2011	10,065,000.00	3,175,375.00	5.00	13,240,375.00
2012	10,965,000.00	2,649,625.00		13,614,625.00
2013	12,170,000.00	2,071,250.00		14,241,250.00
2014	15,755,000.00	1,373,125.00		17,128,125.00
2015	17,585,000.00	539,625.00		18,124,625.00
2016	<u>2,000,000.00</u>	<u>50,000.00</u>		<u>2,050,000.00</u>
TOTAL	\$75,275,000.00	\$20,694,100.00		\$95,969,100.00

**09/01/2003 Issue      \$22,570,000**

2008	6,250,000.00	144,850.00	2.60-5.00	6,394,850.00
TOTAL	\$6,250,000.00	\$144,850.00		\$6,394,850.00

**04/01/2005 Issue**

2008		2,860,900.00		2,860,900.00
2009	850,000.00	2,843,900.00	4.00	3,693,900.00
2010	135,000.00	2,824,537.50	3.50	2,959,537.50
2011	230,000.00	2,818,150.00	3.50	3,048,150.00
2012	510,000.00	2,803,925.00	4.00	3,313,925.00
2013	1,510,000.00	2,763,525.00	4.00	4,273,525.00
2014	1,620,000.00	2,700,925.00	4.00	4,320,925.00
2015	1,295,000.00	2,642,625.00	4.00	3,937,625.00
2016	18,270,000.00	2,137,137.50	5.25	20,407,137.50
2017	21,620,000.00	1,111,275.00	5.00-5.25	22,731,275.00
2018	<u>11,300,000.00</u>	<u>282,500.00</u>	5.00	<u>11,582,500.00</u>
TOTAL	\$57,340,000.00	\$25,789,400.00		\$83,129,400.00

**06/01/2006 Issue**

2008	3,000,000.00	4,824,400.00	4.00	7,824,400.00
2009		4,764,400.00		4,764,400.00
2010	5,000,000.00	4,664,400.00		9,664,400.00
2011	3,000,000.00	4,502,150.00		7,502,150.00
2012		4,439,900.00		4,439,900.00
2013		4,439,900.00		4,439,900.00
2014		4,439,900.00		4,439,900.00
2015		4,439,900.00		4,439,900.00
2016		4,439,900.00		4,439,900.00
2017		4,439,900.00		4,439,900.00
2018	15,000,000.00	4,064,900.00		19,064,900.00
2019	29,000,000.00	2,967,450.00		31,967,450.00
2020	30,000,000.00	1,495,000.00		31,495,000.00
2021	<u>15,000,000.00</u>	<u>372,500.00</u>		<u>15,372,500.00</u>
	100,000,000.00	54,294,600.00		154,294,600.00

SUMMARY				
TOTAL	<u>\$268,210,000.00</u>	<u>\$105,141,008.75</u>		<u>\$373,351,008.75</u>

### **NOTE 8 – LEASE OBLIGATIONS**

For the fiscal year ended August 31, 2007, the District had not entered into any lease-purchase agreements for capital assets.

### **NOTE 9 - CONTINGENCIES AND LITIGATION**

The district has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the school district will have to make payment. In the opinion of management, the school district's self-insurance reserves and insurance policies are adequate to pay all known or pending claims.

### **NOTE 10 - OTHER DISCLOSURES**

#### **King County Directors' Association**

The district is a member of the King County Directors' Association (KCDA), which is a purchasing cooperative designed to pool the member districts' purchasing power. The board authorized joining KCDA by passing Resolution 74-156, dated June 17, 1974, and has remained in the joint venture ever since. The districts' equity in the cooperative is determined by 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 10 annual allocations of merchandise or 15 annual payments. As of December 31, 2006, the latest valuation, the district's equity in this cooperative totaled \$227,946. During calendar 2006, the district's purchases from this cooperative totaled \$3,980,311 as compared with \$1,288,294 the preceding year.

#### **Northwest Washington Workers' Compensation Trust**

Effective June 30, 1994, the Northwest Washington Workers Compensation Trust discontinued providing industrial insurance to pool members. All remaining members were expected to reinsure with the state, find coverage elsewhere or become self-insured. Edmonds School District self-insured beginning July 1, 1991. Northwest ESD continues to act as the agent for the remaining claims from Northwest Washington Workers Compensation Trust. The district has a workers compensation fund balance of \$1,640,014 as of August 31, 2007. This balance is for funding liabilities that were incurred while the trust was in place and is considered to be a contingent asset.

### **NOTE 10 - SUBSEQUENT EVENTS**

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

**REPORT F196**  
 E.S.D. 189  
 COUNTY: 31 SNOHOMISH

**EDMONDS SCHOOL DISTRICT NO. 015**  
 Schedule of Long-Term Debt  
 For The Year Ended August 31, 2007

Description	Beginning Outstanding Debt 9/1/2006 (1)	Amount Issued/ Increased (2)	Amount Redeemed/ Decreased (3)	Ending Outstanding Debt 8/31/2007 (1)+(2)-(3)
Total Voted Bonds	277,970,000.00		9,760,000.00	268,210,000.00
Total Non-Voted Notes/Bonds				
Qualified Zone Academy Bonds				
Other Long-Term Debt:				
Capital Leases				
Contracts Payable (GL 603)				
NonCancelable Operating Leases				
Claims & Judgements				
Compensated Absences				
Other Long-Term Debt	2,387,760.82	683,405.66	276,872.16	2,794,294.32
Total Other Long-Term Debt	2,387,760.82	683,405.66	276,872.16	2,794,294.32
Total Long-Term Debt	280,357,760.82	683,405.66	10,036,872.16	271,004,294.32

Edmonds School District  
Snohomish County  
91-6001-871

Schedule of Expenditure of Federal Awards  
For Fiscal Year Ending August 31, 2007

Federal Catalog Number	Federal Agency Name	Federal Program Title	Pass Thru Agency	Pass Thru Amount	Direct Fund Amount	Total Funds Expended	Foot Note
10.550	Dept of Agriculture	Food Donation	OSPI	322,639		322,639	3
10.553		School Breakfast Program (A)	OSPI	455,184		455,184	
10.555		Natl School Lunch Program (A)	OSPI	1,757,988		1,757,988	
10.559		Summer Food Service Program for Children	OSPI	24,076		24,076	
10.665		School & Roads Grants to State	OSPI	180,876		180,876	
		<b>Dept of Agriculture Subtotal</b>		<b>2,740,763</b>	<b>0</b>	<b>2,740,763</b>	
17.259	Dept of Labor	WIA Youth Activities	Snohomish County Workforce	136,296		136,296	
		<b>Dept of Labor Subtotal</b>		<b>136,296</b>	<b>0</b>	<b>136,296</b>	
45.310	Institute of Museum and Library Services	Grants to States	Office of the Secretary of State Washington State Library	2,000		2,000	
		<b>Institute of Museum and Library Services Subtotal</b>		<b>2,000</b>		<b>2,000</b>	
84.010	Dept of Education	Title 1 Grants to LEAs	OSPI	2,627,370		2,627,370	2
84.027		Special Ed - State Grants	OSPI	4,060,083		4,060,083	2
84.048		Voc Ed Basic Grants to States	OSPI	159,992		159,992	
84.060		Indian Education Grants to LEA			38,145	38,145	
84.173		Special Ed - Preschool Grants	OSPI	173,533		173,533	
84.186		Safe & Drug Free Schools & Communities - State Grants	OSPI	92,361		92,361	
84.215		Fund for Improvement of Education			7,712	7,712	
84.287		21st Century Community Learning Center	OSPI	318,447		318,447	
84.298		State Grants for Innovative Programs	OSPI	31,180		31,180	
84.318		Education Technology State Grants	OSPI	29,509		29,509	
84.330		Advanced Placement Program	OSPI	5,497		5,497	
84.365		English Language Acquisition Grants	OSPI	182,468		182,468	
84.367		Improving Teacher Quality State Grants	OSPI	751,008		751,008	
		<b>Dept of Education Subtotal</b>		<b>8,431,448</b>	<b>45,857</b>	<b>8,477,305</b>	
93.235		Abstinence Education Programs	University of Washington	4,126		4,126	
93.959		Block Grant for Prevention & Treatment of Substance Abuse	Lakewood SD	47,552		47,552	
		<b>Health/Human Services Dept Subtotal</b>		<b>51,678</b>	<b>0</b>	<b>51,678</b>	
		<b>Totals</b>		<b>11,362,185</b>	<b>45,857</b>	<b>11,408,042</b>	

## Notes to the Schedule of Expenditures of Federal Awards

### 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- Schoolwide Programs

The district operates a "schoolwide program" in four elementary buildings. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limited services to targeted students. The following federal program amounts were expended by the District in its schoolwide programs: Title 1 (84.010)-\$920,983 and Special Ed, State Grants (84.027)-\$172,472

### Note 3-Non cash awards-Food Commodities

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



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

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

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

The State Auditor's Office has 300 employees who are located around the state to deliver our services effectively and efficiently. Approximately 65 percent of our staff are certified public accountants or hold other certifications and advanced degrees.

Our regular 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. We also perform fraud and whistleblower investigations. In addition, we have the authority to conduct performance audits of state agencies and local governments.

The results of our audits are widely distributed through a variety of reports, which are available on our Web site. We continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive program to coordinate audit efficiency and to ensure high-quality audits.

**State Auditor**  
**Chief of Staff**  
**Chief Policy Advisor**  
**Director of Administration**  
**Director of State and Local Audits**  
**Director of Performance Audit**  
**Director of Special Investigations**  
**Director for Legal Affairs**  
**Local Government Liaison**  
**Communications Director**  
**Public Records Officer**  
**Main number**  
**Toll-free hotline for government efficiency**

**Brian Sonntag, CGFM**  
**Ted Rutt**  
**Jerry Pugnetti**  
**Doug Cochran**  
**Chuck Pfeil, CPA**  
**Linda Long, CPA, CGFM**  
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**Web Site**

**[www.sao.wa.gov](http://www.sao.wa.gov)**