



**Office of the Washington State Auditor**  
**Pat McCarthy**

**Financial Statements and Federal Single Audit  
Report**

**Lake Washington School District  
No. 414**

**King County**

**For the period September 1, 2015 through August 31, 2016**

**Published May 30, 2017**

**Report No. 1019142**





**Office of the Washington State Auditor**  
**Pat McCarthy**

May 30, 2017

Board of Directors  
Lake Washington School District No. 414  
Redmond, Washington

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

Please find attached our report on Lake Washington School District No. 414'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,

Pat McCarthy  
State Auditor  
Olympia, WA

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Lake Washington School District No. 414**  
**King County**  
**September 1, 2015 through August 31, 2016**

### SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of Lake Washington School District No. 414 are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### Financial Statements

We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information in accordance with 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 no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

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

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<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

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The District did not qualify as a low-risk auditee under the Uniform Guidance.

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**Lake Washington School District No. 414  
King County  
September 1, 2015 through August 31, 2016**

This schedule presents the status of findings reported in prior audit periods. The status listed below is the representation of the Lake Washington School District No. 414. The State Auditor’s Office has reviewed the status as presented by the School District.

<b>Audit Period:</b> 2015	<b>Report Ref. No.:</b> 1016760	<b>Finding Ref. No.:</b> 2015-001
<b>Finding Caption:</b> The District did not have adequate internal controls to ensure compliance with federal suspension and debarment requirements for its Title I program.		
<b>Background:</b> Federal grant regulations prohibit recipients from contracting with or making subawards to parties suspended or debarred from doing business with the federal government. For vendor contracts of \$25,000 or more and all subawards, the District must ensure the vendor or subrecipient is not suspended or debarred. The District can obtain a written certification from the vendor or insert a clause into the contract where the vendor states it is not suspended or debarred. Alternatively, the District may review the federal Excluded Parties List (EPLS) issued by the U.S. General Services Administration. These requirements must be met prior to entering into a contract with the vendor.  We reviewed four contracts and determined the District did not obtain a written certification, include a cause in the contract, or review the EPLS website to verify the vendors were not suspended or debarred. The District’s process to ensure vendors were not suspended and debarred prior to entering a contract was to check EPLS, however no documentation was maintained to support it did this.  We consider the internal control deficiency to be material weakness.		
<b>Status of Corrective Action:</b> <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
<b>Corrective Action Taken:</b> <i>The district has documented procedures for suspension and debarment requirements. These procedures are provided to the federal grant managers at the beginning of each school year. The procedure require the department to perform the EPLS search and have the vendor sign a suspension and debarment certification. In addition, contracts are reviewed prior to signature. For 2015-16 the district reemphasized these procedures and confirmed all</i>		

*documentation would be reviewed and maintained in the Purchasing department to ensure appropriate documentation was on hand prior to the purchase order being issued. The district includes a certification clause for suspension and debarment on all purchase orders. The district has yet to come across a vendor that has been suspended or debarred from participating in federal programs.*

**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**

**Lake Washington School District No. 414  
King County  
September 1, 2015 through August 31, 2016**

Board of Directors  
Lake Washington School District No. 414  
Redmond, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lake Washington School District No. 414, King County, Washington, as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 25, 2017. As discussed in Note 1 to the financial statements, during the year ended August 31, 2016, the District implemented Governmental Accounting Standards Board *Statement No. 72, Fair Value Measurement and Application*.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be



prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **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.

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Pat McCarthy

State Auditor

Olympia, WA

May 25, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH THE UNIFORM GUIDANCE**

**Lake Washington School District No. 414  
King County  
September 1, 2015 through August 31, 2016**

Board of Directors  
Lake Washington School District No. 414  
Redmond, Washington

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

We have audited the compliance of Lake Washington School District No. 414, King County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) 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, 2016. 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 Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

## **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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized initial "P".

Pat McCarthy  
State Auditor  
Olympia, WA

May 25, 2017

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Lake Washington School District No. 414 King County September 1, 2015 through August 31, 2016**

Board of Directors  
Lake Washington School District No. 414  
Redmond, Washington

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lake Washington School District No. 414, King County, Washington, as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 17.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Lake Washington School District No. 414, as of August 31, 2016, and the respective changes in financial position thereof, and the respective budgetary comparison for the General and Special Revenue (Associated Student Body) funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 19 through 27, information on postemployment benefits other than pensions on page 69 and pension plan information on pages 70 through 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

May 25, 2017



## FINANCIAL SECTION

**Lake Washington School District No. 414  
King County  
September 1, 2015 through August 31, 2016**

### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2016

### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2016

Statement of Activities – 2016

Balance Sheet – Governmental Funds – 2016

Reconciliation – Balance Sheet/Statement of Net Position – 2016

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – 2016

Reconciliation – Statement of Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities – 2016

Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget to Actual – General Fund – 2016

Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget to Actual – Special Revenue Fund (Associated Student Body Fund) – 2016

Statement of Fiduciary Net Position – Fiduciary Funds – 2016

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2016

Notes to the Financial Statements – 2016

### **REQUIRED SUPPLEMENTARY INFORMATION**

Actuarial Valuation of Post-Employment Benefits Other Than Pension – Schedule of Funding Progress – 2016

Schedule of the District's Proportionate Share of the Net Pension Liability – PERS 1 – 2016

Schedule of the District's Proportionate Share of the Net Pension Liability – SERS 2/3 – 2016

Schedule of the District's Proportionate Share of the Net Pension Liability – TRS 1 – 2016

Schedule of the District's Proportionate Share of the Net Pension Liability – TRS 2/3 – 2016

Schedule of District Contributions – PERS 1 – 2016  
Schedule of District Contributions – SERS 2/3 – 2016  
Schedule of District Contributions – TRS 1 – 2016  
Schedule of District Contributions – TRS 2/3 – 2016

## **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2016  
Notes to the Schedule of Expenditures of Federal Awards – 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Lake Washington School District No. 414's financial performance provides an overview of the district's financial activities for the fiscal year ended August 31, 2016.

### FINANCIAL HIGHLIGHTS

- The district's Statement of Net Position reports net position of \$428 million as of August 31, 2016.
- During the year, the district had revenues that were \$51 million higher than the \$336 million in expenses incurred for all governmental activities, resulting in a corresponding increase in the district's Net Position.
- The district issued \$145.4 million in new debt in August related to April 2016 voter approved bonds.
- The district refunded bonds on August 23, 2016. The total net present value savings for the refunding is \$6,188,653.
- The general fund reported an increase in fund balance of \$12,585,649 for the fiscal year.
- The average student enrollment increased by 1,142 full time equivalent students (FTE's) over the previous year.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the district as a whole and present a longer-term view of the district finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The fund financial statement section also reports the district's operations in more detail than the government-wide statements by providing information about the district's most significant funds. The remaining statements provide financial information about activities for which the district acts solely as a trustee or agent for the benefit of those outside of the government.

### REPORTING THE DISTRICT AS A WHOLE

#### The Statement of Net Position and the Statement of Activities

The government-wide financial statements are designed to provide a broad overview of the district finances. The Statement of Net Position and Statement of Activities report information about the district as a whole and about its activities. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the district's net position and changes in them. The district's net position (the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources) may be viewed as one way to measure the district's financial health, or financial position. Over time increases or decreases in the district's net position are one indicator of whether its financial health is improving or deteriorating. Other non-financial factors must be considered in assessing the overall health of the district, such as changes in the district's property tax base and student enrollment.

In the Statement of Net Position and the Statement of Activities, the district's governmental activities are detailed. Most of the district's basic services are reported here, including the general fund, associated student body fund, debt service fund, capital projects fund, and the transportation vehicle fund.

## REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

### Governmental Fund Financial Statements

The governmental fund financial statements detail the district's major funds. The focus is on the major funds, not the district as a whole. Some of the funds are required to be established by State law.

Most of the district's basic services are reported in governmental funds, which focus on how money flows into and out of these funds and the balances left at year-end. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the district's general education and support operations and the basic services it provides. Governmental fund information may be useful in evaluating whether there are more or fewer financial resources that can be spent in the near future to finance the district's programs. The relationship between governmental activities reported in the Statement of Net Position and the Statement of Activities and the governmental funds is provided in both of the reconciliation statements and Note 13.

### THE DISTRICT AS A WHOLE

The government-wide financial statement uses the full accrual basis of accounting. Comparisons are made with prior years. Included is an analysis on the net position (Table 1) and changes in net position (Table 2) of the district's governmental activities.

Net position serves as a useful indicator of a government's financial position. The Lake Washington School District's assets exceeded liabilities by \$428,094,130 at the end of the 2015-2016 fiscal year.

The largest portion, \$435 million of net position is the investment in capital assets (e.g., land, building, and equipment), less any related outstanding debt used to acquire those assets. Resources required to repay this debt comes from property tax levies. Twenty percent of the net position represents resources committed for capital projects, debt payments and contractual obligations. These assets are restricted and not available for general operations and maintenance of district education programs.

The remaining unrestricted net position includes \$34 million that can be used to finance the day-to-day operations without such constraints as debt covenants, legislation, or other legal requirements and -\$124 million represents GASB 68 requirements.

Table 1  
Net Position

	2015-2016	2014-2015
Current and Other Assets	\$364,999,189	\$187,331,090
Capital Assets	<u>841,299,423</u>	<u>840,309,581</u>
Total Assets	\$1,206,298,612	\$1,027,640,671
Deferred Outflows of Resources	<u>\$32,366,339</u>	<u>\$18,389,449</u>
Total Assets and Deferred Outflows of Resources	<u>\$1,238,664,951</u>	<u>\$1,046,030,120</u>
Long-Term Debt Outstanding	\$778,241,564	\$623,508,621
Other Liabilities	<u>26,938,619</u>	<u>26,902,924</u>
Total Liabilities	\$805,180,183	\$650,411,545
Deferred Inflows of Resources	<u>\$5,390,638</u>	<u>\$18,644,251</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$810,570,821</u>	<u>\$669,055,796</u>
Invest in Cap Assets, Net of Debt	\$434,647,370	\$395,579,495
Restricted	83,860,054	92,939,677
Unrestricted	<u>(90,413,294)</u>	<u>(111,544,847)</u>
Total Net Position	<u>\$428,094,130</u>	<u>\$376,974,325</u>

The 2015-2016 revenues of \$387 million were more than expenditures of \$336 million by \$51 million. The net position of the district's governmental activities increased by \$51 million, which is a 13.5% increase during the year.

Table 2  
Changes in Net Position

	Primary Government Governmental Activities	
	2015-2016	2014-2015
Revenues		
Program Revenues		
Charges for Services	\$18,391,769	\$17,266,759
Operating Grants and Contributions	51,401,086	47,026,983
Capital Grants and Contributions	7,717,907	6,311,769
General Revenues:		
Property Taxes	145,114,049	142,438,630
Interest and Investment Earnings	1,063,511	759,003
Other Revenues	163,209,924	139,941,065
Total Revenues	\$386,898,246	\$353,744,209
Program Expenses		
Regular Instruction	\$184,094,407	\$183,017,369
Special Instruction	40,413,136	41,109,974
Vocational Instruction	6,912,920	6,769,048
Skills Center	2,279,645	970,529
Compensatory Education	10,808,013	11,385,064
Other Instructional Programs	5,778,912	5,698,895
Community Services	2,195,044	2,027,310
Support Services	62,637,794	64,232,430
Extracurricular Activities (ASB)	3,339,896	2,996,089
Debt Payment	17,318,674	20,811,095
Total Expenses	\$335,778,441	\$339,017,803
Increase (Decrease) in Net Position	\$51,119,805	\$14,726,406
Net Position, Beginning of Year	\$376,974,325	\$362,247,919
Net Position, End of Year	\$428,094,130	\$376,974,325
Governmental Activities		

Governmental Activities

The cost of each of the district’s largest programs – regular instruction, special instruction, vocational instruction, skills center, compensatory instruction, other instructional programs, and support services, as well as, each program’s net cost (total cost less revenues generated by the activities) is illustrated in Table 3. The net cost shows the financial impact upon each of these functions.

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2015-2016	2014-2015	2015-2016	2014-2015
Regular Instruction	\$184,094,407	\$183,017,369	\$177,169,418	\$177,273,668
Special Instruction	40,413,136	41,109,974	12,064,082	15,701,917
Vocational Instruction	6,912,920	6,769,048	6,564,846	6,459,142
Skills Center	2,279,645	970,529	2,042,708	854,174
Compensatory Instruction	10,808,013	11,385,064	1,336,408	2,418,695
Other Instructional Programs	5,778,912	5,698,895	(1,267,209)	(284,854)
Support Services	62,637,794	64,232,430	43,613,875	45,866,535
All Others	22,853,614	25,834,494	16,743,551	20,123,015
Totals	\$335,778,441	\$339,017,803	\$258,267,679	\$268,412,292

THE DISTRICT FUNDS

As the district completed the fiscal year, its governmental funds (as presented in the balance sheets under the governmental financial statement section) reported a combined fund balance of \$263.7 million, which is higher than the prior year by \$176.3 million. This increase is primarily due to an increase in other financing sources for the Capital Projects fund for bonds issued on August 23, 2016. The fund balance in the general fund increased by \$12.6 million.

Table 4 presents a summary of the governmental fund’s revenues and expenditures for 2015-2016 and the percentage increases/decreases in relation to the prior year.

Table 4  
Government Fund Revenues and Expenditures

	2015-16 Amounts	Percent of Total	Increase (Decrease) Over 2014-15	Percent Increase (Decrease)
<b>Revenues:</b>				
Local Tax/Non-Tax	\$169,201,873	43.84%	\$10,517,275	6.63%
State Revenues	199,799,277	51.77%	27,021,452	15.64%
Federal Revenues	13,654,060	3.54%	189,172	1.40%
Other Revenues	3,283,123	0.85%	341,478	11.61%
<b>Total Revenues</b>	<b>\$385,938,333</b>	<b>100.00%</b>	<b>\$38,069,377</b>	<b>10.94%</b>
<b>Expenditures:</b>				
Regular Instruction	\$175,669,215	46.57%	\$18,323,881	11.65%
Special Instruction	38,563,605	10.22%	3,220,169	9.11%
Vocational Instruction	6,596,546	1.75%	776,999	13.35%
Skills Center	2,175,316	0.58%	1,340,924	160.71%
Compensatory Instruction	10,313,377	2.73%	525,307	5.37%
Other Instructional Prog.	5,514,437	1.46%	614,932	12.55%
Community Services	2,030,767	0.54%	166,432	8.93%
Support Services	59,437,136	15.76%	4,224,082	7.65%
Student Services	3,089,938	0.82%	334,704	12.15%
Capital Outlay	25,882,330	6.86%	(12,596,103)	(32.74%)
Debt Service	47,955,828	12.71%	(31,034,717)	(39.29%)
<b>Total Expenditures</b>	<b>\$377,228,495</b>	<b>100.00%</b>	<b>(\$14,103,390)</b>	<b>(3.60%)</b>

General Fund

Revenues and other financing sources for the general fund totaled \$300.8 million. This was \$32,902,781 or 12.28% more than the prior year. Expenditures in the general fund amounted to \$288.2 million for the fiscal year ended August 31, 2016. This was \$26,745,430 or 10.23% percent more than the prior year. Ending fund balance was \$45.2 million, \$12.6 million higher than the prior year. These changes are primarily due to increased enrollment and state revenues.



Special Revenue Fund (ASB)

The ASB (Associated Student Body) fund is established for the purpose of supporting extra-curricular student activities. The funds are generated through students' fund raising events, student fees, and donations. The fund balance increased by \$25,000. A minor increase or decrease in fund balance is expected given the changes in activities and fundraising efforts to support these activities. Contingencies are built into the ASB budget to provide capacity for unanticipated fundraisers and activities.

Changes in the ASB fund balance for the fiscal year ended August 31, 2016 is detailed in Table 5.

Table 5  
ASB Recap

	8/31/2015			8/31/2016	
	Fund Balance	Revenues	Transfers	Expenditures	Fund Balance
General	840,101	1,906,660	(652,137)	1,300,733	793,891
Athletics	66,949	340,040	520,502	861,496	65,995
Classes	67,456	143,726	41,616	158,278	94,520
Clubs	151,001	686,420	90,019	729,647	197,793
Private	1,427	38,357		39,784	0
	\$1,126,934	\$3,115,203	\$0	\$3,089,938	\$1,152,199

Capital Projects Fund

The proceeds from the sales of unlimited general obligation bonds, capital levies, state construction assistance program funds, investment earnings, and impact/mitigation fees facilities are accounted for in the Capital Projects Fund. Capital assets are capitalized and depreciated in the government-wide statement of net position and statement of activities. The district has completed major projects included in a 2006 bond authorization. Capital dollars continue to be used for smaller capacity projects, facility improvements, major renovations, and technology upgrades. The Capital Projects Fund had an increase in fund balance of \$161.3 million. Total revenues were higher than budgeted due to receipts of impact fees slightly more than expected and \$165 million in proceeds from the August 2016 bond sale which represented a portion of the 2016 bond authorization. Expenditures were less than planned due to budgeted project contingencies. Transfers out (to debt service and general fund) were lower than budgeted due to contingencies. The ending fund balance is mostly committed to 2016 bond projects.

Debt Service Fund

The Debt Service fund is used to account for the accumulation of resources for the payment of general long-term debt principal, interest, and related expenditures. Revenues are from property tax levies and investment earning. The ending fund balance was \$14.7 million. Revenues were slightly higher than budgeted as levy and interest collections were more than planned. Expenditures were within budget. Both other financing sources and uses were higher than planned due to the bond refinancing that was completed in August 2016.

## Transportation Vehicle Fund

The Transportation Vehicle fund is used for the purchase, major repair, rebuilding, and related debt service incurred for pupil transportation equipment. Revenues are from state depreciation funds on district owned buses and investment earning. The ending fund balance was \$2.8 million. Revenues exceeded the annual budget due to additional state depreciation revenue received. Expenditures were less than planned due to budgeted contingencies.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The General fund accounts for the day-to-day operation of the school district. Included are all the normal and recurring financial activities of the school district that are not accounted for in other funds. Revenues for the General Fund include state funds, special maintenance and operations levy funds, federal funds, and other funds. Expenditures include salaries and benefit costs, and non-salary costs, such as supplies and materials, books and other instructional materials, utilities, purchased services and equipment. The district's budget is developed using the guidelines of the Washington State Office of Superintendent of Public Instruction. General Fund revenues were \$300.8 million, which was \$2.7 million less than budgeted. This is a result of \$4.8 million additional revenue from state funding, grants, donations, self-supporting programs and \$7.5 million less as planned revenue contingency. General Fund expenditures were \$288.2 million, which was \$13.1 million less than budgeted. This is a result of lower expenditures on grants, textbooks, utilities, support services and planned expenditure contingency plus additional expenditures on special education services.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The district has \$1,092 million invested in land, buildings, transportation equipment, and other equipment as of August 31, 2016. This is a \$24 million increase from the previous fiscal year.

Note 6 to the financial statements provides additional capital asset information.

### Debt

Bonds outstanding totaled \$545 million as of August 31, 2016. This is an increase of \$113.7 million from the previous fiscal year. The district issued \$49.665 million in general obligation bonds to advance refund \$53.1 million of outstanding 2008 serial bonds and issued \$145.4 million in Capital Improvement bonds which voters approved in April 2016, to build new schools and rebuild and expand current school buildings. Note 9 to the financial statements provides additional debt information.

The district is rated by two bond rating agencies and the district's voted bonds are rated Aaa and AA+ by the respective rating agencies.

The Lake Washington School District belongs to the Washington Schools Risk Management Pool which provides property and liability coverages. Other district obligations include unemployment, vision, other reserve benefits, industrial insurance, and compensated absences. More detailed information can be found in Note 9 of these financial statements.

## ECONOMIC FACTORS

For calendar year 2016, the total property tax rate for special levies and bond debt was \$3.11 per thousand dollars of assessed value. The projected rate for 2017 is expected to be \$3.25. Total assessed value increased by 8.3% from \$43.3 billion to \$46.9 billion in 2016. For 2017 the projected assessed valuation is \$49.2 billion, an increase of 5% over the prior year.

The Lake Washington School District encompasses an area of 76 square miles and is located on the northeast side of Lake Washington in the Puget Sound urban area of King County. The District is situated northeast of the city of Seattle and north of the city of Bellevue. Most of the cities of Redmond and Kirkland, approximately half of the city of Sammamish, and small portions of Bellevue, Woodinville, Bothell and Kenmore are encompassed by the District. The remainder of the District lies in unincorporated King County. The general area continues to grow, and includes a portion of the “high-tech corridor” in the northern portion of King County and south Snohomish County.

The economy is diverse and growing. Redmond has a high concentration of high-technology employers with some of the largest companies in the country. Some of the major employers in both Redmond and Kirkland include Microsoft, Evergreen Health Care, AT&T Mobility, Genie Industries, Volt Technical Services LLC, Nintendo of America Inc., Honeywell International Inc., United Parcel Service, Clearwire Corporation, Medtronic Physio-Control, and Google.

## CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the district’s finances. If you have questions about this report or need additional financial information, visit [www.LWSD.org](http://www.LWSD.org) or contact Margo Allen, Controller at 16250 N.E. 74<sup>th</sup> Street, Redmond Washington.

Lake Washington School District No. 414  
Statement of Net Position  
08/31/16

	Primary Governmental Activities
<b>Assets</b>	
Cash & Cash Equivalents	\$289,191,021
Property Tax Receivable	69,440,154
Accounts Receivable, Net	220,166
Due From Other Gov't. Units	1,190,826
Inventories at Cost	423,731
Prepaid Items	4,533,291
Capital Assets, Net of Accum. Depn.:	
Land	37,451,642
Buildings & Improvements	776,417,279
Equipment	9,886,194
Construction-in-Progress	17,544,308
<b>Total Assets</b>	<b>\$1,206,298,612</b>
<b>Deferred Outflows of Resources</b>	
Deferred Charge on Refunding	\$12,037,079
Deferred Pension Plan	20,329,260
Total Deferred Outflows of Resources	<b>\$32,366,339</b>
Total Assets and Deferred Outflows of Resources	<b>\$1,238,664,951</b>
<b>Liabilities</b>	
Accounts Payable	\$17,261,961
Accrued Wages & Benefits Pay.	7,779,405
Unearned Revenue	1,897,253
Long-Term Liabilities:	
Due Within One Year	30,637,836
Due In More Than One Year	560,433,837
Unamortized Debt Premium/Discount	48,745,246
Pension Plan	138,424,645
Total Liabilities	<b>\$805,180,183</b>
<b>Deferred Inflows of Resources</b>	
Deferred Pension Plan	\$5,390,638
Total Deferred Inflows of Resources	<b>\$5,390,638</b>
Total Liabilities and Deferred Inflows of Resources	<b>\$810,570,821</b>
<b>Net Position</b>	
Net Investment In Capital Assets	\$434,647,370
Restricted For:	
Capital Projects	46,885,775
Debt Service	32,975,700
Other Purposes	3,998,579
Unrestricted	(90,413,294)
Total Net Position	<b>\$428,094,130</b>

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

Lake Washington School District No. 414  
Statement of Activities  
For the Fiscal Year Ended 8/31/2016

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Governmental Activities
<b>Primary Government: Governmental Activities:</b>					
Regular Instruction	\$184,094,407	\$1,978,303	\$199,177	\$4,747,509	(\$177,169,418)
Special Instruction	40,413,136		27,306,862	1,042,192	(12,064,082)
Vocational Instruction	6,912,920	71,527	98,274	178,273	(6,564,846)
Skills Center	2,279,645	151,535	26,613	58,789	(2,042,708)
Compensatory Education	10,808,013	199,374	8,993,509	278,722	(1,336,408)
Other Instructional Programs	5,778,912	4,694,163	2,202,929	149,029	1,267,209
Community Services	2,195,044	1,726,673	290,026		(178,345)
Support Services	62,637,794	5,476,830	12,283,696	1,263,393	(43,613,875)
Extracurricular Activities(ASB)	3,339,896	4,093,364			753,468
Int. Paymt. On L/T Debt	17,318,674				(17,318,674)
<b>Total Governmental Activities</b>	<b>\$335,778,441</b>	<b>\$18,391,769</b>	<b>\$51,401,086</b>	<b>\$7,717,907</b>	<b>(\$258,267,679)</b>
 General Revenues:					
Property Taxes, Levies for Maintenance and Operations					\$64,686,741
Property Taxes, Levies for Debt Service					38,173,911
Property Taxes, Levies for Capital Projects					42,253,397
Unallocated State Apportionment & Others					163,209,924
Interest and Investment Earnings					1,063,511
<b>Total General Revenues &amp; Special Items</b>					<b>\$309,387,484</b>
 Changes in Net Position					 \$51,119,805
 Beginning Net Position					 \$376,974,325
 Ending Net Position					 <u><u>\$428,094,130</u></u>

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

Lake Washington School District No. 414  
Balance Sheet  
Government Funds  
08/31/16

	General Fund	Special Revenue Fund (ASB)	Debt Service Fund	Capital Project Fund	Transportation Vehicle Fund	Total Government Funds
<b>Assets</b>						
Cash and Cash Equivalents	\$55,389,947	\$2,153,625	\$14,686,656	\$214,196,804	\$2,763,989	\$289,191,021
Property Taxes Receivable	30,950,486		18,279,454	20,210,214		69,440,154
Accounts Receivable, Net	96,905	981				97,886
Accrued Interest	37,019	1,009	9,590	74,662		122,280
Due From Other Funds	1,898,989	14,418		29,095		1,942,502
Due From Other Gov't Units	1,190,826					1,190,826
Inventories at Cost	423,731					423,731
Prepaid Items	3,898,398	100,290		534,603		4,533,291
Total Assets	\$93,886,301	\$2,270,323	\$32,975,700	\$235,045,378	\$2,763,989	\$366,941,691
<b>Liabilities</b>						
Accounts Payable	\$3,986,605	\$165,962		\$13,109,394		\$17,261,961
Accrued Wages & Benefits Pay.	12,474,806					12,474,806
Due To Other Funds	43,513	96,809		1,802,180		1,942,502
Unearned Revenue	1,041,900	855,353				1,897,253
Total Liabilities	\$17,546,824	\$1,118,124	\$0	\$14,911,574	\$0	\$33,576,522
<b>Deferred Inflows of Resources</b>						
Unavailable Revenue	\$31,188,853		\$18,279,454	\$20,210,214		\$69,678,521
Total Deferred Inflows of Resources	\$31,188,853	\$0	\$18,279,454	\$20,210,214	\$0	\$69,678,521
<b>Fund Balances</b>						
Nonspendable Fund Balance	\$4,322,129	\$100,290		\$534,602		\$4,957,021
Restricted Fund Balance	3,071,049	1,051,909	\$14,696,246	188,477,911	\$2,763,989	210,061,104
Committed Fund Balance				9,166,146		9,166,146
Assigned Fund Balance	37,757,446			1,744,931		1,744,931
Unassigned Fund Balance						37,757,446
Total Fund Balances	\$45,150,624	\$1,152,199	\$14,696,246	\$199,923,590	\$2,763,989	\$263,686,648
Total Liab., Deferred Inflow of Resources and Fund Balance	\$93,886,301	\$2,270,323	\$32,975,700	\$235,045,378	\$2,763,989	\$366,941,691

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

Lake Washington School District No. 414  
Reconciliation  
Balance Sheet/Statement of Net Position  
08/31/16

	Total Governmental Funds	Long-Term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
<b>Assets</b>				
Cash and Cash Equivalents	\$289,191,021			\$289,191,021
Property Taxes Receivable	69,440,154			69,440,154
Accounts Receivable, Net	220,166			220,166
Due From Other Funds	1,942,502		(\$1,942,502)	0
Due From Other Gov't Units	1,190,826			1,190,826
Inventories at Cost	423,731			423,731
Prepaid Items	4,533,291			4,533,291
Capital Assets, Net		\$841,299,423		841,299,423
<b>Total Assets</b>	<b>\$366,941,691</b>	<b>\$841,299,423</b>	<b>(\$1,942,502)</b>	<b>\$1,206,298,612</b>
<b>Deferred Outflows of Resources</b>				
Deferred Charge on Refunding		\$12,037,079		\$12,037,079
Deferred Pension Plan		20,329,260		20,329,260
<b>Total Deferred Outflows of Resources</b>		<b>\$32,366,339</b>		<b>\$32,366,339</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$366,941,691</b>	<b>\$873,665,762</b>	<b>(1,942,502)</b>	<b>\$1,238,664,951</b>
<b>Liabilities</b>				
Accounts Payable	\$17,261,961			\$17,261,961
Accrued Wages & Benefits Pay.	12,474,806	(4,695,401)		7,779,405
Due To Other Funds	1,942,502		(\$1,942,502)	0
Unearned Revenue	1,897,253			1,897,253
Long-Term Liabilities		778,241,564		778,241,564
<b>Total Liabilities</b>	<b>\$33,576,522</b>	<b>\$773,546,163</b>	<b>(\$1,942,502)</b>	<b>\$805,180,183</b>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue	\$69,678,521	(\$69,678,521)		\$0
Deferred Pension Plan		\$5,390,638		5,390,638
<b>Total Deferred Inflows of Resources</b>	<b>\$69,678,521</b>	<b>(\$64,287,883)</b>		<b>\$5,390,638</b>
<b>Fund Balances/Net Position</b>	<b>\$263,686,648</b>	<b>\$164,407,482</b>		<b>\$428,094,130</b>
<b>Total Liabilities, Deferred Inflows Of Resources and Fund Balances/Net Position</b>	<b>\$366,941,691</b>	<b>\$873,665,762</b>	<b>(\$1,942,502)</b>	<b>\$1,238,664,951</b>

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

Lake Washington School District No. 414  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Government Funds

For the Fiscal Year Ended 8/31/2016

	General Fund	Special Revenue Fund (ASB)	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Total Governmental Funds
<b>Revenues</b>						
Local	\$82,669,963		\$38,120,915	\$48,391,630	\$19,365	\$169,201,873
State	198,948,120				851,157	199,799,277
Federal	11,607,276		2,046,784			13,654,060
Miscellaneous	159,934	\$3,115,203		7,986		3,283,123
<b>Total Revenues</b>	<b>\$293,385,293</b>	<b>\$3,115,203</b>	<b>\$40,167,699</b>	<b>\$48,399,616</b>	<b>\$870,522</b>	<b>\$385,938,333</b>
<b>Expenditures</b>						
Regular Instruction	\$175,669,215					\$175,669,215
Special Instruction	38,563,605					38,563,605
Vocational Instruction	6,596,546					6,596,546
Skills Center	2,175,316					2,175,316
Compensatory Instruction	10,313,377					10,313,377
Other Instructional Programs	5,514,437					5,514,437
Community Services	2,030,767			\$12,688,555		2,030,767
Support Services	46,748,581					46,748,581
Student Services		\$3,089,938				3,089,938
Capital Outlay	629,930			24,643,264	\$609,136	25,882,330
Debt Service-Principal			\$28,235,000			28,235,000
Debt Service-Interest & Other			18,799,623	921,205		19,720,828
<b>Total Expenditures</b>	<b>\$288,241,774</b>	<b>\$3,089,938</b>	<b>\$47,034,623</b>	<b>\$38,253,024</b>	<b>\$609,136</b>	<b>\$377,228,495</b>
<b>Revenues Over (Under) Exp.</b>	<b>\$5,143,519</b>	<b>\$25,265</b>	<b>(\$6,866,924)</b>	<b>\$10,146,592</b>	<b>\$261,386</b>	<b>\$8,709,838</b>
<b>Other Financing Sources (Uses)</b>						
Issuance of Bonds			\$49,665,000	\$145,355,000		\$195,020,000
Issuance Premium			10,991,395	20,334,486		31,325,881
Payment to Refunded Bonds Escrow Agent			(58,765,643)			(58,765,643)
Sale of Equipment	\$11,677				\$37,400	49,077
Transfers In	7,430,453		7,059,475			14,489,929
Transfers Out				(14,489,929)		(14,489,929)
<b>Total Other Financing Sources(Uses)</b>	<b>\$7,442,130</b>	<b>\$0</b>	<b>\$8,950,227</b>	<b>\$151,199,557</b>	<b>\$37,400</b>	<b>\$167,629,315</b>
<b>Net Change in Fund Balance</b>	<b>\$12,585,649</b>	<b>\$25,265</b>	<b>\$2,083,303</b>	<b>\$161,346,149</b>	<b>\$298,786</b>	<b>\$176,339,153</b>
Beginning Fund Balance	32,564,975	1,126,934	12,612,943	38,577,440	2,465,203	87,347,495
<b>Ending Fund Balance</b>	<b>\$45,150,624</b>	<b>\$1,152,199</b>	<b>\$14,696,246</b>	<b>\$199,923,589</b>	<b>\$2,763,989</b>	<b>\$263,686,648</b>

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



Lake Washington School District No. 414  
Reconciliation  
Statement of Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities  
For the Fiscal Year Ended 8/31/2016

	Total Governmental Funds	Long-Term Revenue, Expenditures	Capital Related Items	Long-Term Debt Transactions	Statement of Activities Totals
<b>Revenues</b>					
Local	\$169,201,873	\$910,836	\$49,077		\$170,161,786
State	199,799,277				199,799,277
Federal	13,654,060				13,654,060
Miscellaneous	3,283,123				3,283,123
<b>Total Revenues</b>	<b>\$385,938,333</b>	<b>\$910,836</b>	<b>\$49,077</b>	<b>\$0</b>	<b>\$386,898,246</b>
<b>Expenditures</b>					
Current:					
Regular Instruction	\$175,669,215	(\$5,785,399)	\$14,210,591		\$184,094,407
Special Education	38,563,605	(1,270,034)	3,119,565		40,413,136
Vocational Instruction	6,596,546	(217,247)	533,621		6,912,920
Skills Center	2,175,316	(71,641)	175,970		2,279,645
Compensatory Education	10,313,377	(339,655)	834,291		10,808,013
Other Instructional Programs	5,514,437	(181,610)	446,085		5,778,912
Community Services	2,030,767		164,277		2,195,044
Support Services	59,437,136	(1,957,472)	5,158,130		62,637,794
Student Activities	3,089,938		249,958		3,339,896
Capital Outlay	25,882,330		(25,882,330)		0
Debt Service-Principal	28,235,000			(\$28,235,000)	0
Debt Service-Interest & Other	19,720,828			(2,402,154)	17,318,674
<b>Total Expenditures</b>	<b>\$377,228,495</b>	<b>(\$9,823,058)</b>	<b>(\$989,842)</b>	<b>(\$30,637,154)</b>	<b>\$335,778,441</b>
<b>Revenues Over (Under) Exp</b>	<b>\$8,709,838</b>	<b>\$10,733,894</b>	<b>\$1,038,919</b>	<b>\$30,637,154</b>	<b>\$51,119,805</b>
<b>Other Financing Sources (Uses)</b>					
Issuance of Bonds	\$195,020,000			(\$195,020,000)	\$0
Issuance Premium	31,325,881			(31,325,881)	0
Payment to Refunded Bonds Escrow Agent	(58,765,643)			58,765,643	0
Sale of Equipment	49,077		(\$49,077)		0
<b>Total Other Financing Sources(Uses)</b>	<b>\$167,629,315</b>	<b>\$0</b>	<b>(\$49,077)</b>	<b>(\$167,580,238)</b>	<b>\$0</b>
<b>Net Change for the Year</b>	<b>\$176,339,153</b>	<b>\$10,733,894</b>	<b>\$989,842</b>	<b>(\$136,943,084)</b>	<b>\$51,119,805</b>

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

Lake Washington School District No. 414  
Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget to Actual  
General Fund  
For the Year Ended August 31, 2016

	Budgeted Amounts		Actual Amount	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local	\$79,263,218	\$79,263,218	\$82,669,963	\$3,406,745
State	200,726,893	200,726,893	198,948,120	(1,778,773)
Federal	15,461,598	15,461,598	11,607,276	(3,854,322)
Other	12,276	12,276	159,934	147,658
Total Revenues	\$295,463,985	\$295,463,985	\$293,385,293	(\$2,078,692)
Expenditures:				
Regular Instruction	\$185,184,702	\$185,184,702	\$175,669,215	\$9,515,487
Special Education	36,012,168	36,012,168	38,563,605	(2,551,437)
Vocational Education	6,548,581	6,548,581	6,596,546	(47,965)
Skills Center	1,939,044	1,939,044	2,175,316	(236,272)
Compensatory Education	10,589,040	10,589,040	10,313,377	275,663
Other Instructional Programs	8,459,286	8,459,286	5,692,581	2,766,705
Community Services	2,078,485	2,078,485	2,030,767	47,718
Support Services	50,542,185	50,542,185	47,200,367	3,341,818
Total Expenditures	\$301,353,491	\$301,353,491	\$288,241,774	\$13,111,717
Excess of Revenues Over (Under) Expenditures	(\$5,889,506)	(\$5,889,506)	\$5,143,519	\$11,033,025
Other Financing Sources (Uses):				
Other Financial Sources	\$8,053,305	\$8,053,305	\$7,442,130	(\$611,175)
Total Other Financing Sources (Uses)	\$8,053,305	\$8,053,305	\$7,442,130	(\$611,175)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Uses	\$2,163,799	\$2,163,799	\$12,585,649	\$10,421,850
Beginning Fund Balance	28,727,212	28,727,212	32,564,975	3,837,763
Ending Fund Balance	\$30,891,011	\$30,891,011	\$45,150,624	\$14,259,613

Note: There was no budget revision during the fiscal year 2015-16. The notes to the financial statements are an integral part of this statement.

Lake Washington School District No. 414  
Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget to Actual  
Special Revenue Fund (Associated Student Body Fund)  
For the Year Ended August 31, 2016

	Budgeted Amounts		Actual Amount	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
General	\$3,422,175	\$3,422,175	\$1,906,660	(\$1,515,515)
Athletics	410,630	410,630	340,040	(70,590)
Classes	211,500	211,500	143,726	(67,774)
Clubs	931,733	931,733	686,420	(245,313)
Private Monies	139,550	139,550	38,357	(101,193)
Total Revenues	\$5,115,588	\$5,115,588	\$3,115,203	(\$2,000,385)
Expenditures:				
General	\$2,916,375	\$2,916,375	\$1,300,732	\$1,615,643
Athletics	987,660	987,660	861,496	126,164
Classes	198,847	198,847	158,278	40,569
Clubs	975,932	975,932	729,647	246,285
Private Monies	137,550	137,550	39,785	97,765
Total Expenditures	\$5,216,364	\$5,216,364	\$3,089,938	\$2,126,426
Excess of Revenues Over (Under) Expenditures	(\$100,776)	(\$100,776)	\$25,265	\$126,041
Beginning Fund Balance	855,237	855,237	1,126,934	271,697
Ending Fund Balance	\$754,461	\$754,461	\$1,152,199	\$397,738

Note: There was no budget revision during the fiscal year 2015-16. The notes to the financial statements are an integral part of this statement.

Lake Washington School District No. 414  
Statement of Fiduciary Net Position  
Fiduciary Funds  
August 31, 2016

	Private- Purpose Trust
<b>Assets</b>	
Cash and Cash Equivalents	\$202,924
Accounts Receivable, Net	141
Due From Other Funds	
Total Assets	\$203,065
<b>Liabilities</b>	
Accounts Payable	\$34
Total Liabilities	\$34
<b>Fund Balance/Net Position</b>	\$203,031
<b>Total Liab. &amp; Fund Balance/Net Position</b>	\$203,065

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

Lake Washington School District No. 414  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For the Year Ended August 31, 2016

	Private- Purpose Trust
<b>Additions</b>	
Donations	\$59,883
Investment Earnings	1,531
Total Additions	\$61,414
<b>Deductions</b>	
Scholarships	\$50,779
Total Deductions	\$50,779
<b>Change in Net Position</b>	\$10,635
<b>Net Position, Beginning of Year</b>	192,396
<b>Net Position, End of Year</b>	\$203,031

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

LAKE WASHINGTON SCHOOL DISTRICT NO. 414  
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 1, 2015 THROUGH AUGUST 31, 2016

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The Lake Washington School District is a municipal corporation organized pursuant to Title 28A, Revised Code of Washington (RCW) for the purpose of providing public school services to students in grades 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 Lake Washington School District includes all funds and organizations that are controlled by or dependent on the school district's board of directors. Control by or dependence on the Lake Washington School District was determined on the basis of budget adoption, outstanding debt secured by the general credit of the district, taxing authority, obligation of the district to finance any deficits that may occur, or receipt of significant subsidies from the district.

B. Districtwide and Fund Financial Statements

Information on all of the non-fiduciary activities of the district is reported on the district-wide Statement of Net Position and the Statement of Activities.

The Statement of Activities demonstrates the degree to which the direct expenses of specific programs or functions are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program or function. Program revenues include 1) charges to individuals or groups who purchase, use, or directly benefit from goods, services, or privileges provided by a program or function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program or function. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Presentation

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are subject to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the district receives cash.

In the process of aggregating data for the district-wide Statement of Net Position and Statement of Activities, the inter-fund receivables and payables within governmental funds were eliminated.

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 71; *Pension Transition for Contributions Made Subsequent to the Measurement Date* for the year ended August 31, 2015. GASB statement 71 amends GASB Statement No. 68 to require entities to recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability.

The District implemented GASB Statement No. 68; *Accounting and Financial Reporting for Pensions* for the year ended August 31, 2015. Our financial statements now include the financial support and liability that is provided to us by the WA State Department of Retirement Services (DRS).

The District implemented GASB Statement No. 65; *Items Previously Reported as Assets and Liabilities* for the year ended August 31, 2014. GASB Statement No. 65 reclasses certain items that were previously reported as assets and liabilities and recognizes these items as outflows of resources or inflows of resources affecting the presentation of the governmental fund financial statements. In addition, Unamortized Bond Issuance costs are to be presented as an expense rather than an asset in the District-wide financial statements.

The District implemented GASB Statement No 63 Financial Reporting of *Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* for the year ended August 31, 2014. The objective of these statements is to standardize the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position.

The district reports the following major governmental funds:

#### General fund

This fund is the district's primary operating fund. It is used to account for all financial resources of the district, except those required to be accounted for in another fund. In keeping with the principle of as few funds as necessary, food services, maintenance, data processing, printing, and transportation activities are included in the fund.

#### Special Revenue Fund (Associated Student Body Fund)

This fund is used to account for the extracurricular fees and resources collected in fund-raising events for students. Disbursements require the joint approval of the appropriate student body organization and the district's board of directors. This fund is accounted for as a special revenue fund since the financial resources legally belong to the Lake Washington School District.

#### Debt Service Fund

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

## Capital Projects Fund

These funds account for financial resources to be used for the acquisition of major capital assets. The district has two capital projects funds, both are reported as major funds.

Capital Projects Fund – This fund is used to account for the resources set aside for the acquisition, construction, and major repair and upgrades of capital assets.

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

## 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 to benefit individuals or private organizations. All resources of the fund, including any earnings on invested resources, may be used to support the trust arrangements.

## D. Assets, Liabilities, and Net Position

### 1. Cash and Cash Equivalents

The district's cash is held and controlled by the King County Treasurer as prescribed by Washington State law. The district uses the Bank of New York as its fiscal agent for bond principal and coupon redemption.

The district's cash and cash equivalents are considered to be cash on hand, funds invested in the King County Investment Pool, and warrants outstanding.

### 2. Property Taxes

Property tax revenues are collected as the result of special levies passed by the voters in the district. The Revised Code of Washington 84.60.020 fixes the tax assessment date of January 1 of the calendar year of collection. 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. In governmental fund financial statements, property tax revenue, which is measurable but not available (taxes that are not expected to be collected within 30 days after the end of the period ended August 31), is recorded as a receivable and unavailable revenue. In district-wide financial statements, property tax revenue is accrued at year-end.

### 3. Accounts Receivable

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

### 4. Due From/To Other Funds

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

### 5. Due From Other Governments

This account represents receivables for federal, state, and local grants. Grant revenues are recorded in the year in which the related expenditures are incurred.



6. Inventories and Prepaid Items

Inventories are valued at cost either using the weighted average method perpetual inventory system or first-in, first-out (FIFO) method for other inventory items. District inventories are recorded when consumed rather than when purchased. Physical inventories are conducted annually in August. An inventory reserve is established to indicate that a portion of the fund balance is not available for future expenditures.

7. Bond Discounts and Premiums

In governmental fund types, bond discounts and premium costs are recognized in the period of issuance. In government-wide financial statements, they are amortized over the life of the bonds.

8. Unavailable Revenue

In governmental fund financial statements, unavailable revenues consist of receivables such as uncollected property taxes, which are measurable but not yet available. In district-wide financial statements, property taxes are accrued as revenues.

9. Capital Assets

Capital assets, which include property, plant, and equipment are reported in the applicable governmental activity columns in the district-wide financial statements. Capital assets are defined by the district as assets with an initial, individual cost of \$5,000 or more for equipment and vehicles and an estimated useful life in excess of one year. Buildings and improvements are capitalized. Such assets are valued at historical cost or estimated historical cost if purchased or constructed. In governmental fund financial statements, there is no depreciation for capital assets. However, depreciation is charged to expenses and allocated to various functions/programs in district-wide financial statements.

Donated capital assets are valued at their estimated fair value on the date donated.

The cost of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized.

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

Building & Improvements	50 Years
Portables	25 Years
Vehicles	20 Years
Equipment	10 Years

10. Long-Term Liabilities

Long-term liabilities consist of scheduled debt payments and compensated absences.

Debt Payments

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities (in the applicable district activities) on the Statement of Net Position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premiums or discounts.

In the fund financial statements, district fund types recognize bond premiums and discounts, as well as, bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt expenditures.

#### Compensated Absences

##### a. Sick Leave

Full-time employees earn sick leave at a rate of 12 days per year up to a maximum of one contract year.

Under the provisions of the Revised Code of Washington, sick leave accumulated by district employees is paid at death or retirement at the rate of 25% of each day of accrued leave, limited to 180 accrued days. This chapter also provides for an annual buy-back of an amount up to the maximum annual accumulation of twelve days. To qualify for annual sick buy-back, the employee must have accumulated an excess of 60 days of sick leave as of January 1. Sick leave is reported under long-term liabilities in the Statement of Net Position. For reporting purposes, 25% of the sick leave liability (up to 180 days) for those eligible for retirement is considered accruable. The amount of accrued sick leave as of August 31, 2016 was \$3,779,799 and reported as long-term liabilities in the district-wide financial statements.

##### b. Vacation Leave

Vacation leave is accrued according to bargaining agreement provisions for those employees eligible. Annual leave accumulated by district employees is paid upon retirement at 100% of per diem value. The amount accrued for vacation leave as of August 31, 2016 was \$754,921 and reported as long-term liabilities in the district-wide financial statements.

#### 11. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow (expense) until then. The district has 2 items in this category. The Deferred Charge on Refunding results from the difference in the carrying value of the old debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The Deferred charge for Pension Plans is detailed in note #7. This amount is amortized over the service life of each plan.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow (revenue) until then. The district has 1 item in this category. It is the Deferred Inflow on Pension Plan which is detailed in note #7. This amount is amortized over the service life of each plan.

#### 12. Net Position (District-wide Financial Statements)

The "Net Investment in Capital Assets" component consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The "Restricted"

component reports the assets where constraints are placed on net position by external laws, regulations, or legislation. Therefore, they are available for disbursements only for specific purposes (i.e., debt service, capital projects, and others). The “Unrestricted” component are assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

### 13. Fund Balance Reserves (Government Fund Financial Statements)

Fund Balances are segregated under the following categories and presented on the face of the financial statements in the aggregate.

**Nonspendable:** Fund balance not available to be spent because they are not in spendable form or are legally required to be maintained intact.

**Restricted:** Fund balance constrained externally, such as those resulting from federal and state legislation, grant awards, bond covenants, and inter-local service agreements.

**Committed:** Fund balance constrained by District code, ordinance or resolution as adopted by the Board.

**Assigned:** Fund balance in special revenue funds intended to be used for specific purposes, but that are neither restricted or committed, include transfers from other funds, investment interest not constrained by contract or covenant, fees for services, and rents. Senior administration has the authority to create assignments of fund balance.

**Unassigned:** Unrestricted fund balance not committed or assigned in the General fund is considered unassigned. Also, negative fund balance in any other governmental fund is unassigned.

**Minimum General Fund Balance** – The District’s financial plan ensures that the District’s financial position is fiscally sound and that it is derived from a multi-year plan. As a result, the District plans to maintain a projected year-end Fund Balance of not less than five percent of the projected revenue in the General Fund. This will ensure that the District can continue to provide quality education to its students in the event of an emergency or other economic impact.

### Note 2: Stewardship, Compliance, and Accountability

#### Budgetary Information

##### General Budgetary Policies

Chapter 28A.505 RCW and chapter 392-123 Washington Administrative Code (WAC) mandate school district 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.

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

Note 3: Deposits and Investments

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

The district’s deposits are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The fair value of the investment in the pool is measured using a net asset value (NAV) as determined by the pool.

As of August 31, 2016 the district had the following investments:

<u>Investment Type</u>	<u>Financial Amount</u>	<u>Fair Value Amount</u>	<u>Effective Duration</u>
King County Investment Pool	\$295,087,787	\$295,589,436	.97 Years

Impaired Investments. As of August 31, 2016 all impaired commercial paper investments have completed enforcement events. The King County impaired investment pool (Impaired Pool) held one commercial paper asset where the Impaired Pool accepted an exchange offer and is receiving the cash flows from the investment’s underlying securities. The Impaired Pool also held the residual investments in two commercial paper assets that were part of completed enforcement events, where the Impaired Pool accepted the cash-out option. The District’s share of the impaired investment pool is \$382,797 and the district’s fair value of these investments is \$213,841.

Interest Rate Risk. As of August 31, 2016 the Pool’s average duration was .97 years. As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity, or weighted average life, of no longer than five years. While the Pool’s market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology.

Credit Risk. As of August 31, 2016, the district’s investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, Pool policies authorize investments in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, bank corporate note (rated at least “A” by two NRSROs), municipal securities (rated at least “A” by two NRSROs), commercial paper (rated at least the equivalent of “A-1” by two NRSROs), certificates of deposits issued by qualified public depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer’s office.

Note 4: Receivables

Receivables as of year-end for the district’s governmental and fiduciary funds are as follows:

	<u>General</u>	<u>ASB</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Transpor. Vehicle</u>	<u>Private Purpose Trust</u>
Receivables:						
Taxes	\$30,950,485		\$18,279,454	\$20,210,214		
Governmental	1,190,826					
Accounts	133,889	\$1,990	9,590	74,662	\$1,658	\$141
Total	<u>\$32,275,200</u>	<u>\$1,990</u>	<u>\$18,289,044</u>	<u>\$20,284,876</u>	<u>\$1,658</u>	<u>\$141</u>

Government funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

Note 5: Interfund Transactions

As of August 31, 2016 short-term interfund receivables and payables in governmental funds that resulted from various interfund transactions in governmental fund financial statements were as follows:

	Due From <u>Other Funds</u>	Due To <u>Other Funds</u>
General Fund	\$ 1,898,989	\$ 43,513
Capital Projects Fund	29,095	1,802,180
Special Revenue Fund	14,418	96,809
Total	<u>\$ 1,942,502</u>	<u>\$ 1,942,502</u>

The interfund balances are liquidated on a monthly basis.

Note 6: Capital Assets

Purchases of items over \$5,000 for equipment and machinery are capitalized and depreciated in the district-wide financial statements. Buildings and Improvements are capitalized. The capital assets reported on the Statement of Net position are reported net of accumulated depreciation.

	Beginning			Ending
	Balance	Additions	Deletions	Balance
Capital Assets, not Depreciated:				
Land	\$37,451,642			\$37,451,642
Construction in Progress	11,386,335	\$13,470,195	\$7,312,222	17,544,308
Total	<u>\$48,837,977</u>	<u>\$13,470,195</u>	<u>\$7,312,222</u>	<u>\$54,995,950</u>
Capital Assets being Depreciated:				
Building and Improvements	\$1,000,744,003	\$18,624,691		\$1,019,368,694
Transportation Equipment	14,089,692	872,128	\$732,790	14,229,030
Other Equipment	5,043,888	227,537	1,277,386	3,994,039
Total	<u>\$1,019,877,583</u>	<u>\$19,724,356</u>	<u>\$2,010,176</u>	<u>\$1,037,591,763</u>
Less: Accumulated Depreciation:				
Building and Improvements				\$242,951,415
Transportation Equipment				6,138,213
Other Equipment				<u>2,198,662</u>
Total				<u>\$251,288,290</u>
Net Depreciated Assets				<u>\$786,303,473</u>
Net Total Assets				<u><u>\$841,299,423</u></u>

Depreciation expense was charged to governmental activities as follows:

Regular Instruction	\$14,210,591
Special Education	3,119,565
Vocational Education	533,621
Skills Center	175,970
Compensatory Instruction	834,291
Other Instructional Programs	446,085
Community Services	164,277
Support Services	4,808,109
Student Activities	249,958
	<u>\$24,542,467</u>

Major projects included in Construction in Progress:

	Project Authorization	Expended as of 8/31/2016	Additional Local Funds Committed	Additional State Funds Estimated
Juanita High	\$145,477,000	\$761,125	\$129,715,875	\$15,000,000
Redmond Ridge Middle	77,592,000	968,889	76,623,111	
Mead Elem.	44,987,000	77,958	41,909,042	3,000,000
Kirk Elem.	44,987,000	120,536	41,866,464	3,000,000
Redmond Ridge East Elem.	43,257,000	1,000,281	42,256,719	
North Redmond Elem.	43,257,000	1,179,912	42,077,088	
Old Redmond Schoolhouse	7,837,000	3,076	7,833,924	
Explorer Elem.	1,664,000	3,761	1,660,239	
Redmond Elem. Addition	5,250,000	4,595,531		654,469
Classroom door locks	1,480,000	1,408,919	71,081	
Audubon Elem. Roof	1,300,000	1,118,635	181,365	
Access Controls	1,000,000	284,482	715,518	
	<u>\$418,088,000</u>	<u>\$11,523,105</u>	<u>\$384,910,426</u>	<u>\$21,654,469</u>

The district's property valuation of buildings and equipment for insurance purposes is \$568,055,835 on August 31, 2016.

Note 7: 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.

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of pension plans administered by DRS and additions to/deductions from the plans' net position have been determined on the same basis as they are reported by the plans.

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, 2016, was as follows:

Plan	Retirees and Beneficiaries Receiving Benefits	Inactive Plan Members Entitled to but not yet Receiving Benefits	Active Plan Members
PERS 1	49,417	827	3,230
SERS 2	7,391	5,704	26,127
SERS 3	6,715	7,899	32,409
TRS 1	34,859	223	962
TRS 2	4,700	2,443	17,612
TRS 3	8,866	8,373	53,417

**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 was established in 1938 and its retirement benefit provisions are contained in chapters 41.32 and 41.34 RCW. 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 was established in 1947 and its retirement benefit provisions are contained in chapters 41.34 and 41.40 RCW. PERS is a cost-sharing multiple-employer retirement system. 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.

The Legislature created SERS in 1998 to be effective in 2000. SERS retirement benefit provisions are established in chapters 41.34 and 41.35 RCW. 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 2016 were as follows:

Pension Rates			
	7/1/16 Rate	7/1/15 Rate	
<b>PERS 1</b>			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	11.18%	11.18%	
Pension Rates			
	9/1/16 Rate	9/1/15 Rate	
<b>TRS 1</b>			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	13.13%	13.13%	
<b>TRS 2</b>			
Member Contribution Rate	5.95%	5.95%	
Employer Contribution Rate	13.13%	13.13%	
<b>TRS 3</b>			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	13.13%	13.13%	**
<b>SERS 2</b>			
Member Contribution Rate	5.63%	5.63%	
Employer Contribution Rate	11.58%	11.58%	
<b>SERS 3</b>			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	11.58%	11.58%	**
<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 school districts participated in are reported in the following tables.

The Net Pension Liability as of June 30, 2016:				
Dollars in Thousands	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Total Pension Liability	\$12,496,872	\$4,870,806	\$9,001,257	\$12,172,222
Plan fiduciary net position	(\$7,126,401)	(\$4,214,039)	(\$5,587,020)	(\$10,798,925)
Participating employers' net pension liability	\$5,370,471	\$656,767	\$3,414,237	\$1,373,297
Plan fiduciary net position as a percentage of the total pension liability	57.03%	86.52%	62.07%	88.72%

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

At June 30, 2016, the school district reported a total liability of \$138,424,645 for its proportionate shares of the individual plans' collective net pension liability. The district's proportionate share of the collective net pension liability is based on annual contributions for each of the employers participating in the DRS administered plans. At June 30, 2016, the district's proportionate share of each plan's net pension liability is reported below:

June 30, 2016	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District's Annual Contributions	\$1,660,464	\$2,246,060	\$7,021,169	\$7,485,122
Proportionate Share of the Net Pension Liability	\$15,724,781	\$12,330,393	\$78,876,837	\$31,492,634

At June 30, 2016, the school district's percentage of the proportionate share of the collective net pension liability was as follows and the change in the allocation percentage from the prior period is illustrated below.

Allocation percentages	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share of the Net Pension Liability	.292801%	1.877438%	2.310233%	2.293214%
Prior year proportionate share of the Net Pension Liability	.333717%	2.156443%	2.657424%	2.646598%
Net difference percentage	-.040916%	-.279005%	-.347191%	-.353385%

### Actuarial Assumptions

Capital Market Assumptions (CMAs) and expected rates of return by asset class are 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, 2015, with the results rolled forward to June 30, 2016, 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, 2015, 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 2015 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 7.50% 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, 2016, are summarized in the following table:

TRS 1, TRS 2/3, PERS 1, and SERS 2/3		
Asset Class	Target Allocation	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 2.20 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 7.70 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.

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The Pension Plans reported collective Deferred Outflows of Resources and collective Deferred Inflows of resources related to the individual plans. At August 31, 2016, the District reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences		
Net difference between projected and actual earnings on pension plan investments	\$395,925	
Changes in assumptions or other inputs		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	\$323,667	
TOTAL	\$719,592	

SERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$881,175	
Net difference between projected and actual earnings on pension plan investments	\$1,621,675	
Changes in assumptions or other inputs	\$148,825	
Changes in proportion and differences between contributions and proportionate share of contributions	\$722,003	\$1,007,672
Contributions subsequent to the measurement date	\$437,650	
TOTAL	\$3,811,328	\$1,007,672

TRS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences		
Net difference between projected and actual earnings on pension plan investments	\$2,500,573	
Changes in assumptions or other inputs		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	\$1,404,333	
TOTAL	\$3,904,906	

TRS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$2,382,351	\$1,397,370
Net difference between projected and actual earnings on pension plan investments	\$5,069,515	
Changes in assumptions or other inputs	\$320,706	
Changes in proportion and differences between contributions and proportionate share of contributions	\$2,663,184	\$2,985,596
Contributions subsequent to the measurement date	\$1,457,678	
TOTAL	\$11,893,434	\$4,382,966

\$3,623,328 reported as Deferred Outflows of Resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31	PERS 1	SERS 2/3	TRS 1	TRS 2/3
2017	(\$97,485)	\$290,019	(\$646,289)	(\$10,624)
2018	(\$97,485)	\$290,019	(\$646,289)	(\$10,624)
2019	\$363,615	\$1,010,361	\$2,339,353	\$4,238,677
2020	\$277,281	\$775,607	\$1,453,798	\$2,205,847
2021				(\$370,485)
Thereafter				

**Pension Expense**

The District recognizes a pension expense for its proportionate share of the collective pension expense. This is determined by using the district's proportion share of the collective net pension liability. For the year ending August 31, 2016, the district recognized a total pension expense as follows:

	Pension Expense
PERS 1	(\$1,625,181)
SERS 2/3	\$2,546,390
TRS 1	(\$7,933,908)
TRS 2/3	\$8,051,278
<b>TOTAL</b>	<b>\$1,038,579</b>

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

The table below presents the Lake Washington School District’s proportionate share of the net pension liability calculated using the discount rate of 7.50%, 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%) or one percentage point higher (8.50%) than the current rate. Amounts are calculated by plan using the district’s allocation percentage.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
<b>PERS 1 NPL</b>	\$6,476,248,000	\$5,370,471,000	\$4,418,882,000
Allocation Percentage	.292801%	.292801%	.292801%
Proportionate Share of Collective NPL	\$18,962,504	\$15,724,781	\$12,938,521
<b>SERS 2/3 NPL</b>			
	\$1,600,655,000	\$656,767,000	(\$75,324,000)
Allocation Percentage	1.877438%	1.877438%	1.877438%
Proportionate Share of Collective NPL	\$30,051,304	\$12,330,393	(\$1,414,161)
<b>TRS 1 NPL</b>			
	\$4,197,137,000	\$3,414,237,000	\$2,739,882,000
Allocation Percentage	2.310233%	2.310233%	2.310233%
Proportionate Share of Collective NPL	\$96,963,653	\$78,876,837	\$63,297,664
<b>TRS 2/3 NPL</b>			
	\$3,107,958,000	\$1,373,297,000	(\$1,595,357,000)
Allocation Percentage	2.293214%	2.293214%	2.293214%
Proportionate Share of Collective NPL	\$71,272,116	\$31,492,634	(\$36,584,944)

**OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

The state, through the Health Care Authority (HCA), administers an agent multiple-employer other post-employment benefit plan. The Public Employees Benefits Board (PEBB) created within the HCA is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. Programs include medical, dental, life and long-term disability. The Lake Washington School District’s retirees are eligible to participate in this plan.

**Plan Description**

**Eligibility**

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

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

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



Medical and Life Benefits

Upon retirement, members are permitted to receive medical benefits. Retirees pay the following monthly rates for pre-65 Medical coverage for 2016:

	<u>Type of Coverage</u>		
	<u>Employee Only</u>	<u>Employee &amp; Spouse</u>	<u>Full Family</u>
Group Health Classic	\$610.78	\$1,215.53	\$1,669.09
Group Health Sound Choice	538.09	1,070.15	1,469.20
Group Health CHDP	522.80	1,034.28	1,374.14
Group Health Value	573.99	1,141.95	1,567.92
Kaiser Permanente Classic	637.32	1,268.61	1,742.08
Uniform Medical Plan Classic	576.78	1,147.53	1,575.59
UMP Plus-UW Medicine Accountable Care	552.40	1,098.77	1,508.55
UMP Plus-Puget Sound High Value Network	552.40	1,098.77	1,508.55
Uniform Medical Plan CDHP	522.47	1,033.62	1,373.24

For calendar year 2016, after age 65 retired members receive a subsidy of 50% of their monthly premiums up to \$150.00 per Medicare covered person.

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

The District's annual Other Postemployment Benefit (OPEB) cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any Unfunded Actuarial Accrued Liability (UAAL) over a period of 30 years as of September 1, 2010. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB.

	<u>August 31, 2014</u>	<u>August 31, 2015</u>	<u>August 31, 2016</u>
Determination of Annual Required Contribution			
Normal Cost at year end	\$ 3,827,173	\$ 3,827,173	\$ 5,444,713
Amortization of UAAL	<u>3,288,345</u>	<u>3,288,345</u>	<u>4,764,482</u>
Annual Required Contribution (ARC)	\$ 7,115,518	\$ 7,115,518	\$ 10,209,195
Determination of Net OPEB Obligation			
Annual Required Contribution	\$ 7,115,518	\$ 7,115,518	\$ 10,209,195
Interest on prior year Net OPEB Obligation	740,537	919,228	1,095,932
Adjustment to ARC	<u>- 759,525</u>	<u>- 980,510</u>	<u>-1 217,702</u>
Annual OPEB Cost	\$ 7,096,530	\$7,054,236	\$10,087,425
Contributions made*	<u>- 2,331,439</u>	<u>- 2,342,132</u>	<u>- 2,435,719</u>
Increase in Net OPEB Obligation	\$ 4,765,091	\$4,712,104	\$7,651,706
Net OPEB Obligation – end of year	\$24,512,740	\$ 29,224,844	\$ 36,876,550

\*Estimated based on retiree benefit amounts.

The District's annual OPEB cost, the percentage of OPEB cost contributed to the Plan, and the net OPEB obligation for 2016 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
08/31/2014	\$7,096,530	32.85%	\$24,512,740
08/31/2015	7,054,236	33.20%	29,224,844
08/31/2016	10,087,425	24.15%	36,876,550

The District's annual OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2016 were as follows:

<u>Fiscal Year Ended</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liabilities (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
8/31/2012		\$71,806,803	\$71,806,803	0%	\$139,587,075	51%
8/31/2014		85,496,973	85,496,973	0%	152,341,588	56%
8/31/2016		114,347,557	114,347,557	0%	174,212,605	66%

#### Funded status and Funding Progress

As of August 31, 2016, the most recent actuarial valuation date, the Plan was 0% funded. The accrued liability for benefits was \$114.3 million, and the actuarial value of assets was \$0, resulting in a UAAL of \$114.3 million.

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

#### Actuarial Methods and Assumptions

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

In the August 31, 2016 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions used included a 3.75% discount rate, which is based upon the long-term investment yield on the investments that are expected to be used to finance the payment of benefits. Health and Life Insurance trend rates used were as follows:

Health Care Cost Increase or Trend Rate

Year Ending August 31,	Pre-65 Retiree Premiums and Claims (1)	Post-65 Retiree Premiums and Claims (2)
2017	6.7%	8.8%
2018	5.4%	6.9%
2019	5.5%	5.4%
2020	5.6%	5.5%
2025	5.8%	5.7%
2030	6.2%	5.8%
2040	6.4%	5.7%
2050	6.1%	5.8%
2060	5.9%	6.0%
2093+	4.9%	4.9%

(1) Used to project annual increases to:

- Total Cost for Pre-65 medical benefits
- Retiree Contributions for Pre-65 medical benefits

(2) Used to project annual increases to the explicit subsidy for Post-65 medical benefits

The UAAL is being amortized as a level of percentage of pay on a closed basis at the assumed discount rate. Payroll is assumed to increase at 3.75. The remaining amortization period at August 31, 2016 was 24 years.

Note 8: Participation in Interlocal Cooperative

The Lake Washington School District is a member of the King County Director's Association which is an organization formed and owned by school districts in Washington State. The purpose of the cooperative is to purchase supplies, equipment, food and other merchandise at lower prices through volume purchasing.

The members of the cooperative are billed for items purchased at association cost plus an administrative charge. Profits are allocated annually to the member districts based upon comparative administrative charges. No profit distributions have been paid. The Lake Washington School District's accrued ownership at December 31, 2015 was \$274,202.

Note 9: Long-Term Debt

A. Changes in Long-Term Liabilities

During the fiscal year ended August 31, 2016 the following changes occurred in liabilities reported in the district-wide financial statements:

Bonds Payable	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
2006 G.O. Bonds	\$3,595,000		\$3,595,000	\$0	
2007 G.O. Bonds	12,000,000			12,000,000	\$4,400,000
2008 G.O. Bonds	69,600,000		54,600,000	15,000,000	2,400,000
2009 Bonds	31,445,000			31,445,000	
2010 Bonds	120,000,000			120,000,000	
2012 Bonds	15,295,000		4,855,000	10,440,000	3,565,000
2012 Bonds	16,545,000		6,415,000	10,130,000	6,675,000
2015 Bonds	162,800,000		11,870,000	150,930,000	10,565,000
2016 Bonds		195,020,000		195,020,000	495,000
Total Bonds Payable	\$431,280,000	\$195,020,000	\$81,335,000	\$544,965,000	\$28,100,000
Other Liabilities:					
Unemployment Pay.	\$488,988	\$74,752	\$50,803	\$512,937	\$75,000
Other Empl. Ins. Pay.	1,843,197	802,072	750,330	\$1,894,939	503,601
Industrial Insurance	1,980,802	1,688,173	1,381,448	\$2,287,527	1,400,000
Net OPEB Compensated Absences	29,224,844	10,087,425	2,435,719	\$36,876,550	0
Net Pension	4,636,483	787,412	889,175	\$4,534,720	559,235
Net Pension	132,737,941	12,732,564	7,045,860	\$138,424,645	0
Total Other Liab.	\$170,912,255	\$26,172,398	\$12,553,335	\$184,531,318	\$2,537,836
Grand Total	\$602,192,255	\$221,192,398	\$93,888,335	\$729,496,318	\$30,637,836

B. Bond Premiums

The amortization schedule of bond premiums is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
2006 G.O. Bonds	\$71,116		\$71,116	\$0
2007 G.O. Bonds	429,245		143,082	286,163
2008 G.O Bonds	1,220,276		973,891	246,385
2009 Bonds	139,837		10,757	129,080
2010 Bonds	1,211,164		80,744	1,130,420
2012 G.O. Bonds	1,409,186		234,865	1,174,321
2012 LGO Bonds	1,498,211		499,403	998,808
2015 Bonds	17,060,090		1,550,917	15,509,173
2016 Bonds		\$31,325,881		31,325,881
	<u>\$23,039,125</u>	<u>\$31,325,881</u>	<u>\$3,564,775</u>	<u>\$50,800,231</u>

C. Unamortized Discount Costs

The amortization schedule of bond discount costs is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
2006 G.O. Bonds	\$9,604		\$9,604	\$0
2007 G.O. Bonds	36,122		12,041	24,081
2008 G.O Bonds	242,523		193,555	48,968
2009 Bonds	173,792		13,368	160,424
2010 Bonds	560,942		37,396	523,546
2012 G.O. Bonds	64,470		10,745	53,725
2012 LGO Bonds	65,508		21,837	43,671
2015 Bonds	569,800		51,800	518,000
2016 Bonds		\$682,570		682,570
	<u>\$1,722,761</u>	<u>\$682,570</u>	<u>\$350,346</u>	<u>\$2,054,985</u>

D. Unamortized Deferred Charge on Refunding

The amortization schedule of deferred charge on refunding which is carried as a deferred outflow of resources is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
2006 Bond	\$3,863,195		\$351,200	\$3,511,995
2007 Bond	4,003,086		444,787	3,558,299
2008 Bond		4,966,785		4,966,785
	<u>\$7,866,281</u>	<u>\$4,966,785</u>	<u>\$795,987</u>	<u>\$12,037,079</u>

E. General Obligation Debt

Bonds payable at August 31, 2016 are comprised of the following:

	Interest Rates	Issue Date	Maturity Date	Amount Issued	Ending Balance
2007 Bonds	4.63-5.00	11/07/07	12/01/17	\$80,000,000	\$12,000,000
2008 Bonds	3.75-5.00	11/18/08	12/01/26	80,000,000	15,000,000
2009 Bonds	1.65-5.57	11/03/09	12/01/27	40,000,000	31,445,000
2010 Bonds	4.91-5.06	09/17/10	12/01/29	120,000,000	120,000,000
2012 Bonds	1.00-5.00	07/11/12	12/01/20	23,025,000	10,440,000
2012 Bonds	2.00-5.00	07/11/12	12/01/17	31,195,000	10,130,000
2015 Bonds	2.00-5.00	06/17/15	12/01/25	162,800,000	150,930,000
2016 Bonds	1.5-5.00	08/23/16	12/01/35	195,020,000	195,020,000
				<u>\$732,040,000</u>	<u>\$544,965,000</u>

F. Debt Service Requirements to Maturity

Fiscal Year Ended	Principal	Interest	Total
8/31/2017	\$28,100,000	\$21,510,057	\$49,610,057
8/31/2018	30,770,000	22,015,275	52,785,275
8/31/2019	31,690,000	20,627,800	52,317,800
8/31/2020	30,095,000	19,102,625	49,197,625
8/31/2021	25,635,000	17,783,875	43,418,875
8/31/2022	27,700,000	16,500,000	44,200,000
8/31/2023	36,565,000	14,893,375	51,458,375
8/31/2024	30,460,000	13,473,813	43,933,813
8/31/2025	29,650,000	12,459,400	42,109,400
8/31/2026	36,065,000	11,171,743	47,236,743
8/31/2027	37,910,000	9,807,775	47,717,775
8/31/2028	42,000,000	8,164,370	50,164,370
8/31/2029	43,445,000	6,048,725	49,493,725
8/31/2030	45,725,000	3,878,700	49,603,700
8/31/2031	13,170,000	2,502,800	15,672,800
8/31/2032	7,975,000	2,079,900	10,054,900
8/31/2033	8,650,000	1,747,400	10,397,400
8/31/2034	9,360,000	1,387,200	10,747,200
8/31/2035	15,000,000	900,000	15,900,000
8/31/2036	15,000,000	300,000	15,300,000
	<u>\$544,965,000</u>	<u>\$206,354,833</u>	<u>\$751,319,833</u>

G. Bonds Authorized but Unissued

As of August 31, 2016, there are \$11,000,000 bonds that are authorized but unissued from the February 2006 authorization and \$233,000,000 bonds authorized but unissued from the April 2016 bond authorization.

H. Refunded Debt

On August 23, 2016, the District issued \$49.665 million in general obligation bonds with an average interest rate of 1.875 percent to advance refund \$53.1 million of outstanding 2008 series bonds with an average interest rate of 5.00 percent. The net proceeds of \$58,765,643.23 after payment of \$240,029.97 in underwriting fees, other issuance costs plus contingency were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2008 series bonds. As a result, the callable portion of the 2008 series bonds are considered defeased.

The District advance refunded the 2008 series bonds to reduce its total debt service payments over the next 10 years by \$6,913,333.06 and to obtain an economic gain of \$6,188,653.31.

Cash Flows Difference	
Old Debt Service Cash Flows	\$70,667,000.00
New Debt Service Cash Flows	\$63,753,666.94
Total	\$6,913,333.06
Economic Gain	
Present Value of Old Debt Service Cash Flows	\$63,551,373.13
Present Value of New Debt Service Cash Flows	\$57,362,719.82
Total	\$6,188,653.31

Note 10: Operating Leases (Non-Capitalized)

The district is obligated to pay under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreements are not reflected in the district's Capital Assets. The following is a schedule by years of future minimum rental payments required under operating leases of one year or more as of August 31, 2016.

<u>Year Ended</u>	<u>Amount</u>
08/31/17	453,567
08/31/18	150,451
08/31/19	1,896
08/31/20	<u>1,422</u>
Total	<u>\$ 607,336</u>

\$601,330 pertains to the lease of copy machines and \$6,006 is for lease of a portable all serviced by the General Fund.

Note 11: Self-Insured Employee Benefits

Unemployment – The district provides for unemployment compensation on a self-insured basis, whereby an estimated liability is accrued and actual benefits paid are charged against the accrual in the General Fund. The district reimburses Washington State Employment Security Department on a quarterly basis for claims approved and paid. The district paid out a total of \$50,803 in unemployment claims for the fiscal year ended August 31, 2016. The following is a summary of activity for the current and prior fiscal year.

<u>Fiscal Year</u>	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
2014-15	\$499,165	\$62,753	\$72,930	\$488,988
2015-16	\$488,988	\$74,752	\$50,803	\$512,937



Industrial Insurance – The district began self-insurance for industrial insurance in January 1979 and contracts with a 3rd party administrator to manage its claims. Industrial insurance compensation is provided for by establishing an estimated liability based on past experience. This liability is reviewed continually for adequacy. In addition, the district carries a major risk policy that covers a single claim over \$400,000. The district paid out a total of \$788,352 in industrial insurance claims in the General Fund for the fiscal year ended August 31, 2016. The following is a summary of activity for the current and prior fiscal year.

<u>Fiscal Year</u>	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
2014-15	\$1,560,245	\$1,833,243	\$1,412,686	\$1,980,802
2015-16	\$1,980,802	\$1,688,173	\$1,381,448	\$2,287,527

Vision Insurance-The school district began self-insurance for vision benefits in October 2000 and contracts with a 3<sup>rd</sup> party administrator to manage its insurance claims. The district sets a monthly premium rate, whereby an estimated liability is accrued. This liability is reviewed monthly for adequacy. Actual benefit payments are charged against the accrual in the General Fund. The district paid out a total of \$673,868 in claims for the fiscal year ended August 31, 2016. The following is a summary of activity for the current and prior fiscal year.

<u>Fiscal Year</u>	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
2014-15	\$385,050	\$756,888	\$680,666	\$461,272
2015-16	\$461,272	\$792,660	\$750,331	\$503,601

Note 12: Risk Management

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 Account 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 risk shared by the

Pool. 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 their share of 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.

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 13: Reconciliation Between Governmental Fund Financial Statements and District-Wide Financial Statements

A. Balance Sheet/Statement of Net Position

1. Capital Assets – Capital assets are not reported on governmental fund financial statements. Capital assets are reported on the district-wide Statement of Net Position at historical cost less accumulated depreciation.

Cost of capital assets	\$1,092,587,712
Accumulated Depreciation	<u>251,288,289</u>
Net Capital Assets	<u>\$841,299,423</u>

2. Deferred Charge on Refunding-The difference between the carrying amount of refunded debt and the cost of new debt to retire the old debt resulted in a loss on refunding. The governmental funds recognize this loss as current other financing sources in the period in which the refunding occurred. In the governmental statements, the deferred loss on refunding balance (\$12,037,079) is shown as a deferred outflow of resources and amortized as a component of interest expense over the shorter of the life of the old debt or new debt.
3. Deferred Pension Plan-In the governmental funds, the district is required to report a portion of the liabilities for the pension plans with which our employees participate. This resulted in a deferred outflow (\$20,329,260) and a deferred inflow (\$5,390,638) of resources.
4. Long-term liabilities of \$778,241,564 (\$30,637,836 due within one year; \$560,433,837 due in more than one year; unamortized debt premium/discount of \$48,745,246; and net pension liability of \$138,424,645) applicable to the district’s governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of Net Position.
5. Unavailable Revenue – Property taxes and receivables (\$69,678,521) that do not provide current financial resources are reported as unavailable revenue in governmental funds, but as revenues in government-wide financial statements.
6. Due From and Due To Other Funds (\$1,942,502) - Internal transfers between governmental funds were eliminated in the governmental-wide statement to avoid the “doubling up” effect.

- B. Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities
1. Property taxes and open accounts receivable that do not provide current financial resources are reported as unavailable revenue in governmental funds, but as revenues in the Statement of Activities (\$910,836).
  2. The decrease between the beginning and ending balances of the liability for compensated absences (\$101,763) is reported in the Statement of Activities as a negative expense and is allocated to various applicable programs. This decrease is not reported in governmental fund statements.
  3. The increase between the beginning and ending balance of the liability for net OPEB obligation (\$7,651,706) is reported in the Statement of Activities as an expense and is allocated to various applicable programs. This increase is not reported in governmental fund statements.
  4. Current year pension expense per GASB 68 (-\$17,373,001) is not reported in the governmental fund financial statements. However, it is reported in the district-wide statement of activities as an expense.
  5. The proceeds of the sale of property is reported as an increase in other financial resources in governmental funds, while only the loss on sale or disposition of property (\$350,020) is reported in the statement of activities.
  6. Capital Assets – Capital assets are expensed when purchased or constructed in the governmental fund statements. Capital assets are expensed as depreciation over the useful life of the asset in the statement of activities (\$24,542,467).
  7. Repayment of bond principal (\$28,235,000) is reported as an expenditure in governmental funds and, thus has the effect of reducing fund balance. For the district as a whole, however, the principal payments reduce the liabilities in the statement of Net Position.
  8. Internal transfers between funds (\$14,489,929) are reported as other financial sources/uses in the governmental funds but eliminated in the consolidated Statement of Activities.
  9. The government funds report new bond issues (\$195,020,000) and premium (\$31,325,881) as other financial sources while in the statement of net position issuing debt increases long term liabilities.
  10. Bond refunding payments to escrow (\$58,765,643) are reported as other financial uses in the governmental funds while decreasing long term liabilities in the statement of net position.
  11. The government funds report debt interest and other payments, \$19,720,828 as expenditures. In the governmental funds, interest expense is adjusted to reflect amortization of bond premium (\$2,692,573), amortization of bond discount (\$177,002), amortization of deferred amount on refunding (\$795,987) and discount on new bond issue (\$682,570).

Amortization of Bond Premium	(\$2,692,573)
Amortization of Bond Discount	177,002
Amortization of Deferred Amount of Refunding	795,987
Bond Discount on New Issue	(682,570)
	(\$2,402,154)

Note 14: Contingent Liabilities

The district receives federal and state grants for specific programs. Both types of grants are subject to audit by the Washington State Auditor's Office. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, the district believes that such disallowances, if any, will be immaterial.

Note 15: Litigation

Possible losses from suits and claims against the Lake Washington School District are fully covered by the Washington Schools Risk Management Pool. The District is not aware of any claims which are not adequately covered.

Note 16: Subsequent Events

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

LAKE WASHINGTON SCHOOL DISTRICT NO. 414  
 REQUIRED SUPPLEMENTAL INFORMATION  
 Actuarial Valuation of Post Employment Benefits  
 Other Than Pension  
 Schedule of Funding Progress  
 August 31, 2016

Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL As A Percentage of Covered Payroll
08/31/10	\$ -	\$107,336,280	\$107,336,280	0%	\$136,759,054	78%
08/31/11	\$ -	\$107,336,280	\$107,336,280	0%	\$139,597,782	77%
08/31/12	\$ -	\$71,806,803	\$71,806,803	0%	\$139,587,075	51%
08/31/13	\$ -	\$71,806,803	\$71,806,803	0%	\$143,988,551	50%
08/31/14	\$ -	\$85,496,973	\$85,496,973	0%	\$152,341,588	56%
08/31/15	\$ -	\$85,496,973	\$85,496,973	0%	\$159,859,725	53%
08/31/16	\$ -	\$114,347,557	\$114,347,557	0%	\$174,212,605	66%

GASB Statement #45 was implemented for the fiscal year ended August 31, 2010. No information prior to August 31, 2009 is available. The fiscal year 09-10 is an evaluation year. The actuarial study is performed biennially.

Schedules of Required Supplementary Information

The required supplementary information identified below is presented separately for each plan the school district participates in. The amounts reported in the Schedules of the Districts Proportionate Share of the Net Pension Liability are determined as of the June 30 measurement date of the collective net pension liability.

<b>SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY</b>		
<b>PERS 1</b>		
Last 10 Fiscal Years* (Dollar amounts in thousands)		
As of June 30th		
	2015	2016
District's Proportion of the net pension liability (percentage)	0.333717%	0.292801%
District's proportionate share of the net pension liability (amount)	\$ 17,456,511	\$ 15,724,781
District's covered-employee payroll	\$ 565,723	\$ 458,091
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	3085.70%	3432.68%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%

<b>SERS 2/3</b>		
Last 10 Fiscal Years* (Dollar amounts in thousands)		
As of June 30th		
	2015	2016
District's Proportion of the net pension liability (percentage)	2.156443%	1.877438%
District's proportionate share of the net pension liability (amount)	\$ 8,758,413	\$ 12,330,393
District's covered-employee payroll	\$ 37,128,537	\$ 34,875,682
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	23.59%	35.36%
Plan fiduciary net position as a percentage of the total pension liability	90.92%	86.52%

<b>TRS 1</b>		
Last 10 Fiscal Years* (Dollar amounts in thousands)		
As of June 30th		
	2015	2016
District's Proportion of the net pension liability (percentage)	2.657424%	2.310233%
District's proportionate share of the net pension liability (amount)	\$ 84,190,967	\$ 78,876,837
District's covered-employee payroll	\$ 3,329,672	\$ 2,256,852
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	2528.51%	3494.99%
Plan fiduciary net position as a percentage of the total pension liability	65.70%	62.07%

<b>TRS 2/3</b>		
Last 10 Fiscal Years* (Dollar amounts in thousands)		
As of June 30th		
	2015	2016
District's Proportion of the net pension liability (percentage)	2.646598%	2.293214%
District's proportionate share of the net pension liability (amount)	\$ 22,332,050	\$ 31,492,634
District's covered-employee payroll	\$123,808,566	\$114,847,370
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	18.04%	27.42%
Plan fiduciary net position as a percentage of the total pension liability	92.48%	88.72%

The information identified below is the Schedule of District Contributions, by Plan. The amounts reported in the Schedules of District Contributions are determined as of the school district's fiscal year ending August 31.

<b>SCHEDULE OF DISTRICT CONTRIBUTIONS</b>		
<b>PERS 1</b>		
Last 10 Fiscal Years* (Dollar amounts in thousands)		
As of August 31st		
	2015	2016
Contractually required contribution	\$ 1,533,757	\$ 1,863,411
Contributions in relation to the contractually required contributions	\$ 1,533,757	\$ 1,863,411
Contribution deficiency (excess)		
District's covered-employee payroll	\$ 565,723	\$ 495,935
Contribution as a percentage of covered-employee payroll	271.11%	375.74%

<b>SERS 2/3</b>		
Last 10 Fiscal Years* (Dollar amounts in thousands)		
As of August 31st		
	2015	2016
Contractually required contribution	\$ 2,096,530	\$ 2,519,129
Contributions in relation to the contractually required contributions	\$ 2,096,530	\$ 2,519,129
Contribution deficiency (excess)		
District's covered-employee payroll	\$ 37,128,537	\$ 38,558,649
Contribution as a percentage of covered-employee payroll	5.65%	6.53%

<b>TRS 1</b>		
Last 10 Fiscal Years* (Dollar amounts in thousands)		
As of August 31st		
	2015	2016
Contractually required contribution	\$ 5,946,700	\$ 7,928,788
Contributions in relation to the contractually required contributions	\$ 5,946,700	\$ 7,928,788
Contribution deficiency (excess)		
District's covered-employee payroll	\$ 3,329,672	\$ 2,408,672
Contribution as a percentage of covered-employee payroll	178.60%	329.18%



<b>TRS 2/3</b>		
Last 10 Fiscal Years* (Dollar amounts in thousands)		
As of August 31st		
	2015	2016
Contractually required contribution	\$ 7,033,264	\$ 8,341,117
Contributions in relation to the contractually required contributions	\$ 7,033,264	\$ 8,341,117
Contribution deficiency (excess)		
District's covered-employee payroll	\$123,808,566	\$126,039,739
Contribution as a percentage of covered-employee payroll	5.68%	6.62%

**Lake Washington School District #414**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ending August 31, 2016**

1 Federal Agency	2 Pass Through Agency	3 Federal Program Title	4 CFDA No.	5 Other I.D. No.	7 Expenditures			9 Passed Through to Subrecipients	10 Foot-note Ref.
					6 Direct Awards	Pass Through Awards	8 Total		
U.S. Dept. of Agriculture									
		Child Nutrition Cluster:							
	WA OSPI	NSLP: School Breakfast Program	10.553			219,686.42	219,686.42	0.00	2
	WA OSPI	NSLP: Cash Assistance	10.555			1,608,320.51	1,608,320.51	0.00	2
	WA OSPI	NSLP: Non Cash Assistance (commodities)	10.555			539,582.91	539,582.91	0.00	3
		Subtotal Child Nutrition Cluster				2,367,589.84	2,367,589.84	0.00	
	Office of State Treasurer	Schools and Roads - Grants to States	10.665			11,361.45	11,361.45	0.00	
		<b>Total U.S. Department of Agriculture</b>				<b>\$2,378,951.29</b>	<b>\$2,378,951.29</b>	<b>\$0.00</b>	
U.S. Dept. of Education									
		Indian Ed - Grants to Local Ed Agencies	84.060	S060A141113	56,406.00	0.00	56,406.00	0.00	
	WA OSPI	Title I - Grants to Local Ed Agencies	84.010	202082		1,530,492.21	1,530,492.21	0.00	4,6
		Special Education Cluster:							
	WA OSPI	Special Ed - Grants to States	84.027	305540		4,423,257.00	4,423,257.00	0.00	4
	WA OSPI	Special Ed - Grants to States	84.027	337811		1,510,793.00	1,510,793.00	0.00	
	WA OSPI	Special Ed - Preschool Grants/Part B	84.173	363527		87,075.00	87,075.00	0.00	4
	WA OSPI	Special Ed - Preschool Grants/Part B	84.173	385393		5,502.00	5,502.00	0.00	
		Subtotal Special Education Cluster (IDEA)				6,026,627.00	6,026,627.00	0.00	
	WA OSPI	Career & Technical Ed - Basic Grants to States	84.048	173485		97,774.00	97,774.00	0.00	4
	WA OSPI	Career & Technical Ed - Basic Grants to States	84.048	173436		26,613.00	26,613.00	0.00	4
		Subtotal CFDA 84.048				124,387.00	124,387.00	0.00	
	WA OSPI	English Language Acquisition State Grants	84.365	402174		312,716.05	312,716.05	0.00	5
	WA OSPI	Improving Teacher Quality State Grants	84.367	523797		478,916.00	478,916.00	0.00	4
		<b>Total U.S. Department of Education</b>				<b>\$56,406.00</b>	<b>\$8,473,138.26</b>	<b>\$8,529,544.26</b>	<b>\$0.00</b>
U.S. Dept. of Health and Human Services									
	PSESD	Head Start	93.600	N/A		612,769.15	612,769.15	0.00	
		<b>Total U.S. Dept of Health and Human Services</b>				<b>\$612,769.15</b>	<b>\$612,769.15</b>	<b>\$0.00</b>	
<b>Total Federal Awards Expended</b>						<b>\$56,406.00</b>	<b>\$11,464,858.70</b>	<b>\$11,521,264.70</b>	<b>\$0.00</b>

The Accompanying Notes to the Schedule of Expenditures of Federal Awards are an Integral Part of This Schedule

**Lake Washington School District #414**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ending August 31, 2016**

**NOTE 1 – BASIS OF ACCOUNTING**

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

**NOTE 2 – 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 3 – NONCASH AWARDS – FOOD COMMODITIES**

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

**NOTE 4 – FEDERAL INDIRECT RATE**

The Lake Washington School District claimed indirect costs under this grant using its federal restricted rate of 3.38%.

The Lake Washington School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 5 – FEDERAL INDIRECT RATE**

The Lake Washington School District claimed indirect costs under this grant using its federal restricted rate of 2.00%.

**NOTE 6 – SCHOOL WIDE PROGRAMS**

The Lake Washington School District operates a "schoolwide program" in two elementary buildings. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to certain targeted students. The following federal program amounts were expensed by the Lake Washington School District in its schoolwide program: Title I (84.010) \$326,994.69.

## 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.

<b>Contact information for the State Auditor's Office</b>	
<b>Public Records requests</b>	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
<b>Main telephone</b>	(360) 902-0370
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>