



# Washington State Auditor's Office

Independence • Respect • Integrity

## Financial Statements and Federal Single Audit Report

### Lake Washington School District No. 414

King County

For the period September 1, 2013 through August 31, 2014

Published May 28, 2015

Report No. 1014233





## Washington State Auditor

May 28, 2015

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,

Signature Here (Please do not remove this line)

JAN M. JUTTE, CPA, CGFM  
ACTING STATE AUDITOR  
OLYMPIA, WA

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## FEDERAL SUMMARY

**Lake Washington School District No. 414**  
**King County**  
**September 1, 2013 through August 31, 2014**

The results of our audit of Lake Washington School District No. 414 are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

### Financial Statements

An unmodified opinion was issued on the financial statements of the governmental activities, each major fund and the aggregate remaining fund information.

#### 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.

## Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
10.555	Child Nutrition Cluster - National School Lunch Program
84.010	Title I, Part A Cluster - Title I Grants to Local Educational Agencies
84.367	Improving Teacher Quality - Title II
93.600	Head Start Cluster - Head Start

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$312,147.

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

**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, 2013 through August 31, 2014**

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, 2014, 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 19, 2015. As discussed in Note 1 to the financial statements, during the year ended August 31, 2014, the District implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

**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.

A handwritten signature in black ink, reading "Jan M. Jutte". The signature is fluid and cursive, with a long horizontal stroke extending from the end of the name.

JAN M. JUTTE, CPA, CGFM  
ACTING STATE AUDITOR  
OLYMPIA, WA

May 19, 2015



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

**Lake Washington School District No. 414  
King County  
September 1, 2013 through August 31, 2014**

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) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014. The District's major federal programs are identified in the accompanying Federal Summary.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014.

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

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

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

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

control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **PURPOSE OF THIS REPORT**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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JAN M. JUTTE, CPA, CGFM  
ACTING STATE AUDITOR  
OLYMPIA, WA

May 19, 2015

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Lake Washington School District No. 414 King County September 1, 2013 through August 31, 2014**

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 16.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, 2014, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund and Special Revenue Fund (Associated Student Body Fund) funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis**

As discussed in Note 1 to the financial statements, in 2014, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## **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 17 through 23 and information on postemployment benefits other than pensions on page 52 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 19, 2015 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.

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JAN M. JUTTE, CPA, CGFM  
ACTING STATE AUDITOR  
OLYMPIA, WA

May 19, 2015

## **FINANCIAL SECTION**

**Lake Washington School District No. 414  
King County  
September 1, 2013 through August 31, 2014**

### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2014

### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2014

Statement of Activities – 2014

Balance Sheet – Governmental Funds – 2014

Reconciliation - Balance Sheet/Statement of Net Position – 2014

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental  
Funds – 2014

Reconciliation - Statement of Revenues, Expenditures and Changes in Fund  
Balance/Statement of Activities – 2014

Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget to Actual –  
General Fund – 2014

Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget to Actual –  
Special Revenue Fund (Associated Student Body Fund) – 2014

Statement of Fiduciary Net Position – Fiduciary Funds – 2014

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2014

Notes to Financial Statements – 2014

### **REQUIRED SUPPLEMENTARY INFORMATION**

Actuarial Valuation of Post Employment Benefits Other Than Pension – Schedule of  
Funding Progress – 2014

### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2014

Notes to the Schedule of Expenditures of Federal Awards – 2014



## 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, 2014.

### FINANCIAL HIGHLIGHTS

- The district's Statement of Net Position reports net position of \$487 million as of August 31, 2014.
- During the year, the district had revenues that were \$36 million higher (before special items) than the \$305 million in expenses incurred for all governmental activities, resulting in a corresponding increase in the district's Net Position.
- The general fund reported an increase in fund balance of \$3,916,702 for the fiscal year.
- The average student enrollment increased by 690 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 and liabilities 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 assets and liabilities) 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 \$486,854,648 at the end of the 2013-2014 fiscal year.

A large portion (77%) 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. Eighteen 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 (5%) represents the amount that can be used to finance the day-to-day operations without such constraints as debt covenants, legislation, or other legal requirements.

GASB Statement No. 65; *Items Previously Reported as Assets and Liabilities* was implemented for the fiscal year ended August 31, 2014. Restatement in accordance with GASB Statement No. 65 resulted in a reduction to Beginning Net Position in the amount of \$626,136 for Unamortized Bond Issuance Costs.

Table 1  
Net Position

	2013-2014	2012-2013
Current and Other Assets	\$181,724,894	\$177,233,294
Capital Assets	825,782,432	823,687,386
Total Assets	<u>\$1,007,507,326</u>	<u>\$1,000,920,680</u>
Long-Term Debt Outstanding	\$504,175,714	\$524,289,946
Other Liabilities	16,476,964	25,024,813
Total Liabilities	<u>\$520,652,678</u>	<u>\$549,314,759</u>
Net Position:		
Invest in Cap. Assets, Net of Debt	\$376,387,701	\$364,078,059
Restricted	87,422,890	62,572,781
Unrestricted	23,044,057	24,955,081
Total Net Position	<u>\$486,854,648</u>	<u>\$451,605,921</u>

The 2013-2014 revenues of \$341 million were more than expenditures of \$305 million by \$36 million. The net position of the district's governmental activities increased by \$36 million, which is an 8% increase during the year.

Table 2  
Changes in Net Position

	<u>Primary Government</u> <u>Governmental Activities</u>	
	<u>2013-2014</u>	<u>2012-2013</u>
Revenues		
Program Revenues:		
Charges for Services	\$17,062,107	\$17,857,291
Operating Grants and Contributions	43,175,501	38,411,569
Capital Grants and Contributions	18,517,392	15,992,766
General Revenues:		
Property Taxes	129,721,092	124,714,628
Interest and Investment Earnings	687,500	2,414,562
Other Revenues	<u>132,058,226</u>	<u>135,927,236</u>
Total Revenues	<u>\$341,221,818</u>	<u>\$335,318,052</u>
Program Expenses:		
Regular Instruction	\$165,861,372	\$157,501,607
Special Instruction	36,851,036	33,613,530
Vocational Instruction	6,052,632	5,062,158
Skills Center	819,375	783,265
Compensatory Education	9,637,231	8,916,371
Other Instructional Programs	5,523,290	5,198,304
Community Services	1,855,434	1,976,468
Support Services	54,145,126	54,024,715
Extracurricular Activities (ASB)	3,376,951	2,994,831
Debt Payment	<u>21,224,508</u>	<u>20,949,420</u>
Total Expenses	<u>\$305,346,955</u>	<u>\$291,020,669</u>
Excess (Deficiency) Before Special Items	\$35,874,863	\$44,297,383
Special Items	<u>0</u>	<u>0</u>
Increase (Decrease) In Net Position	\$35,874,863	\$44,297,383
Net Position, Beginning of Year (Restated 2013-14)	<u>\$450,979,785</u>	<u>\$407,308,538</u>
Net Position, End of Year	<u>\$486,854,648</u>	<u>\$451,605,921</u>
Governmental Activities		

The cost of each of the district's largest programs – basic 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	
	2013-2014	2012-2013	2013-2014	2012-2013
Regular Instruction	\$165,861,372	\$157,501,607	\$152,861,581	\$ 144,992,811
Special Instruction	36,851,036	33,613,530	10,895,282	9,397,232
Vocational Instruction	6,052,632	5,062,158	5,460,300	4,565,336
Skills Center	819,375	783,265	713,430	672,035
Compensatory Instruction	9,637,231	8,916,371	1,195,309	4,033,627
Other Instructional Programs	5,523,290	5,198,304	(850,469)	(3,481,237)
Support Services	54,145,126	54,024,715	35,910,226	37,393,670
All Others	26,456,893	25,920,719	20,406,296	21,185,569
Totals	<u>\$305,346,955</u>	<u>\$291,020,669</u>	<u>\$226,591,955</u>	<u>\$218,759,043</u>

#### 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 \$98.5 million, which is higher than the prior year by \$11 million. This increase is primarily due to a decrease in capital spending. The fund balance in the general fund increased by \$3.9 million.

Table 4 presents a summary of the governmental fund's revenues and expenditures for 2013-2014 and the percentage increases/decreases in relation to the prior year.

Table 4  
Government Fund Revenues and Expenditures

	2013-2014 Amounts	Percent of Total	Increase (Decrease) Over 2012-2013	Percent Increase (Decrease)
Revenues:				
Local Tax/Non-Tax	\$148,089,888	43.67%	\$ 4,760,621	3.32%
State Revenues	175,353,774	51.71%	18,374,503	11.71%
Federal Revenues	12,528,804	3.69%	(563,699)	(4.31%)
Other Revenues	3,156,307	.93%	(274,621)	(8.00%)
Total Revenues	<u>\$339,128,773</u>	<u>100.00%</u>	<u>\$22,296,804</u>	<u>7.04%</u>
Regular Instruction	\$149,298,770	45.51%	\$ 6,951,508	4.88%
Special Instruction	33,171,162	10.11%	2,791,828	9.19%
Vocational Instruction	5,448,228	1.66%	873,136	19.08%
Skills Center	737,554	.22%	29,653	4.19%
Compensatory Instruct.	8,674,876	2.64%	616,412	7.65%
Other Instructional Prog.	4,971,745	1.52%	273,607	5.82%
Community Services	1,701,585	.52%	(115,920)	(6.38%)
Support Services	48,738,297	14.85%	(795,855)	(1.61%)
Student Services	3,096,941	.94%	342,978	12.45%
Capital Outlay	25,262,177	7.70%	(101,840,117)	(80.12%)
Debt Service	47,031,308	14.33%	9,795,884	26.31%
Total Expenditures	<u>\$328,132,643</u>	<u>100.00%</u>	<u>\$(81,076,886)</u>	<u>(19.81%)</u>

## General Fund

Revenues and other financing sources for the general fund totaled \$251.6 million. This was \$18,530,217 or 7.95% more than the prior year. Expenditures in the general fund amounted to \$247.7 million for the fiscal year ended August 31, 2014. This was \$14,162,403 or 6.06% percent more than the prior year. Ending fund balance was \$26.1 million, \$3.9 million higher than the prior year. These changes are primarily due to increased 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.

Changes in the ASB fund balance for the fiscal year ended August 31, 2014 is detailed in Table 5.

Table 5  
ASB Recap

	08/31/13 Fund Balance	Revenues	Transfers	Expenditures	08/31/14 Fund Balance
General	\$767,273	\$1,876,321	\$ (521,568)	\$1,316,031	\$805,995
Athletics	45,305	326,573	442,957	773,549	41,286
Classes	62,609	129,102	16,304	160,519	47,496
Clubs	130,590	721,807	62,307	798,151	116,553
Private	0	49,791	0	48,691	1,100
	<u>\$1,005,777</u>	<u>\$3,103,594</u>	<u>\$0</u>	<u>\$3,096,941</u>	<u>\$1,012,430</u>

## 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 system upgrades.

## 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 earnings.

## 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 earnings.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The district has \$1,030 million invested in land, buildings, transportation equipment, and other equipment as of August 31, 2014. This is a \$24 million increase from the previous fiscal year. Table 6 shows the various components of the district's capital assets.

Table 6  
Capital Assets – 08/31/14

	(In Millions)		
	Historical Cost	Accumulated Depreciation	Book Value
Land	\$23.6		\$23.6
Buildings and Improvements	973.1	\$196.4	776.7
Equipment	17.4	8.1	9.3
Construction in Progress	16.2		16.2
Totals	<u>\$1,030.3</u>	<u>\$204.5</u>	<u>\$825.8</u>

This year's major construction additions included (in millions):

Finn Hill Middle	1.7
Bell Elementary	3.1
Rush Elementary	1.4
Rose Hill Middle	6.0
ICS	<u>1.0</u>
	<u>\$13.2</u>

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

## Debt

Bonds outstanding totaled \$461.45 million as of August 31, 2014. This is a decrease of \$24.6 million from the previous fiscal year. No bonds were issued during the 2013-14 fiscal year.

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

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 2014, the total property tax rate for special levies and bond debt was \$3.51 per thousand dollars of assessed value. The projected rate for 2015 is expected to be \$3.75. Total assessed value increased by 10.79% from \$33.5 billion to \$37.1 billion in 2014. For 2015 the projected assessed valuation is \$38.2 billion, an increase of 3% 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  
08/31/14

	Primary Government <hr/> Governmental Activities <hr/>
<b>Assets</b>	
Cash & Cash Equivalents	\$114,497,485
Property Tax Receivable	62,799,783
Accounts Receivable, Net	129,196
Due From Other Gov't. Units	819,791
Inventories at Cost	428,173
Prepaid Items	3,050,466
Capital Assets, Net of Accum. Depn.:	
Land	23,556,342
Buildings & Improvements	776,731,138
Equipment	9,280,857
Construction-in-Progress	16,214,095
Total Assets	<hr/> \$1,007,507,326 <hr/>
<b>Liabilities</b>	
Accounts Payable	\$6,984,754
Accrued Wages & Benefits Pay.	6,265,475
Unearned Revenue	3,226,735
Long-Term Liabilities:	
Due Within One Year	27,748,262
Due In More Than One Year	467,246,945
Unamortized Debt Premium/Discount	9,180,507
Total Liabilities	<hr/> \$520,652,678 <hr/>
<b>Net Position</b>	
Invested In Capital Assets, Net of Related Debt	\$376,387,701
Restricted For:	
Capital Projects	52,949,612
Debt Service	30,680,907
Other Purposes	3,792,371
Unrestricted	23,044,057
Net Position	<hr/> \$486,854,648 <hr/>

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



Lake Washington School District No. 414  
Statement of Activities  
08/31/14

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Primary Government Governmental Activities
<b>Primary Government: Governmental Activities:</b>					
Regular Instruction	\$165,861,372	\$1,713,409	\$273,727	\$11,012,655	(\$152,861,581)
Special Instruction	36,851,036		23,508,965	2,446,789	(10,895,282)
Vocational Instruction	6,052,632	76,031	114,426	401,875	(5,460,300)
Skills Center	819,375	25,063	26,478	54,404	(713,430)
Compensatory Education	9,637,231	127,886	7,674,155	639,881	(1,195,309)
Other Instructional Programs	5,523,290	4,188,118	1,818,913	366,728	850,469
Community Services	1,855,434	1,418,170	331,310		(105,954)
Support Services	54,145,126	5,212,313	9,427,527	3,595,060	(35,910,226)
Extracurricular Activities(ASB)	3,376,951	4,301,117			924,166
Int. Paymt. On L/T Debt	21,224,508				(21,224,508)
Total Governmental Activities	<u>\$305,346,955</u>	<u>\$17,062,107</u>	<u>\$43,175,501</u>	<u>\$18,517,392</u>	<u>(\$226,591,955)</u>

General Revenues:

Property Taxes, Levies for Maintenance and Operations	\$57,557,477
Property Taxes, Levies for Debt Service	37,662,336
Property Taxes, Levies for Capital Projects	34,501,279
Unallocated State Apportionment & Others	132,075,354
Interest and Investment Earnings	687,500
Gain (Loss) on Disposition of Property & Equipment	(17,128)
Total General Revenues & Special Items	<u>\$262,466,818</u>

Changes in Net Position \$35,874,863

Beginning Net Position, As Previously Stated \$451,605,921  
Change in Accounting Principle (626,136)  
Beginning Net Position, As Restated \$450,979,785

Ending Net Position \$486,854,648

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

Lake Washington School District No. 414  
Balance Sheet  
Government Funds  
08/31/14

	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	\$36,414,341	\$1,801,061	\$12,424,763	\$60,859,421	\$2,997,899	\$114,497,485
Property Taxes Receivable	27,864,199		18,250,948	16,684,636		62,799,783
Accounts Receivable, Net	82,455					82,455
Accrued Interest	13,704	572	5,196	26,296	973	46,741
Due From Other Funds	1,705,151	371,437				2,076,588
Due From Other Gov't Units	819,791					819,791
Inventories at Cost	428,173					428,173
Prepaid Items	2,818,283	54,274		177,909		3,050,466
Total Assets	\$70,146,097	\$2,227,344	\$30,680,907	\$77,748,262	\$2,998,872	\$183,801,482
<b>Liabilities</b>						
Accounts Payable	\$3,329,892	\$96,988		\$3,557,874		\$6,984,754
Accrued Wages & Benefits Pay.	10,084,575					10,084,575
Due To Other Funds	371,437	152,506		1,552,645		2,076,588
Unearned Revenue	2,261,315	965,420				3,226,735
Total Liabilities	\$16,047,219	\$1,214,914	\$0	\$5,110,519	\$0	\$22,372,652
<b>Deferred Inflows of Resources</b>						
Unavailable Revenue	\$27,962,201		\$18,250,948	\$16,684,636		62,897,785
Total Deferred Inflows of Resources	\$27,962,201	\$0	\$18,250,948	\$16,684,636	\$0	\$62,897,785
<b>Fund Balances</b>						
Nonspendable Fund Balance	\$3,246,456	\$54,274		\$177,909		\$3,478,639
Restricted Fund Balance	3,333,128	\$958,156	\$12,429,959	\$56,302,974	2,998,872	76,023,089
Committed Fund Balance				(2,134,905)		(2,134,905)
Assigned Fund Balance				1,607,129		1,607,129
Unassigned Fund Balance	19,557,093					19,557,093
Total Fund Balances	\$26,136,677	\$1,012,430	\$12,429,959	\$55,953,107	\$2,998,872	\$98,531,045
Total Liab., Deferred Inflow of Resources and Fund Balance	\$70,146,097	\$2,227,344	\$30,680,907	\$77,748,262	\$2,998,872	\$183,801,482

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  
08/31/14

	Total Governmental Funds	Long-Term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
<b>Assets</b>				
Cash and Cash Equivalents	\$114,497,485			\$114,497,485
Property Taxes Receivable	62,799,783			62,799,783
Accounts Receivable, Net	129,196			129,196
Due From Other Funds	2,076,588		(\$2,076,588)	0
Due From Other Gov't Units	819,791			819,791
Inventories at Cost	428,173			428,173
Prepaid Items	3,050,466			3,050,466
Capital Assets, Net		\$825,782,432		825,782,432
<b>Total Assets</b>	<b>\$183,801,482</b>	<b>\$825,782,432</b>	<b>(\$2,076,588)</b>	<b>\$1,007,507,326</b>
<b>Liabilities</b>				
Accounts Payable	\$6,984,754			\$6,984,754
Accrued Wages & Benefits Pay.	10,084,575	(\$3,819,100)		6,265,475
Due To Other Funds	2,076,588		(\$2,076,588)	0
Unearned Revenue	3,226,735			3,226,735
Long-Term Liabilities		504,175,714		504,175,714
<b>Total Liabilities</b>	<b>\$22,372,652</b>	<b>\$500,356,614</b>	<b>(\$2,076,588)</b>	<b>\$520,652,678</b>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue	\$62,897,785	(\$62,897,785)		\$0
<b>Total Deferred Inflows of Resources</b>	<b>\$62,897,785</b>	<b>(\$62,897,785)</b>	<b>\$0</b>	<b>\$0</b>
<b>Fund Balances/Net Position</b>	<b>\$98,531,045</b>	<b>\$388,323,603</b>		<b>\$486,854,648</b>
<b>Total Liab &amp; Fund Bal./Net Position</b>	<b>\$183,801,482</b>	<b>\$825,782,432</b>	<b>(\$2,076,588)</b>	<b>\$1,007,507,326</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  
08/31/14

	General Fund	Special Revenue Fund (ASB)	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Total Governmental Funds
<b>Revenues</b>						
Local	\$73,787,190		\$37,547,653	\$36,742,271	\$12,774	\$148,089,888
State	160,997,355			13,591,461	764,958	175,353,774
Federal	10,485,521		2,043,283			12,528,804
Miscellaneous	52,713	\$3,103,594				3,156,307
<b>Total Revenues</b>	<b>\$245,322,779</b>	<b>\$3,103,594</b>	<b>\$39,590,936</b>	<b>\$50,333,732</b>	<b>\$777,732</b>	<b>\$339,128,773</b>
<b>Expenditures</b>						
Regular Instruction	\$149,298,770					\$149,298,770
Special Instruction	33,171,162					33,171,162
Vocational Instruction	5,448,228					5,448,228
Skills Center	737,554					737,554
Compensatory Instruction	8,674,876					8,674,876
Other Instructional Programs	4,971,745					4,971,745
Community Services	1,701,585					1,701,585
Support Services	43,377,312			\$5,360,985		48,738,297
Student Services		\$3,096,941				3,096,941
Capital Outlay	342,762			24,919,415		25,262,177
Debt Service-Principal			\$24,610,000			24,610,000
Debt Service-Interest & Other			22,376,600	44,708		22,421,308
<b>Total Expenditures</b>	<b>\$247,723,994</b>	<b>\$3,096,941</b>	<b>\$46,986,600</b>	<b>\$30,325,108</b>	<b>\$0</b>	<b>\$328,132,643</b>
<b>Revenues Over (Under) Exp.</b>	<b>(\$2,401,215)</b>	<b>\$6,653</b>	<b>(\$7,395,664)</b>	<b>\$20,008,624</b>	<b>\$777,732</b>	<b>\$10,996,130</b>
<b>Other Financing Sources (Uses)</b>						
Sale of Equipment	\$7,267			11,000		\$18,267
Compensated Loss Of Cap. Assets						0
Transfers In	6,310,650		\$7,054,325			13,364,975
Transfers Out				(13,364,975)		(13,364,975)
<b>Total Other Financing Sources(Uses)</b>	<b>\$6,317,917</b>	<b>\$0</b>	<b>\$7,054,325</b>	<b>(\$13,353,975)</b>	<b>\$0</b>	<b>\$18,267</b>
<b>Net Change in Fund Balance</b>	<b>\$3,916,702</b>	<b>\$6,653</b>	<b>(\$341,339)</b>	<b>\$6,654,649</b>	<b>\$777,732</b>	<b>\$11,014,397</b>
<b>Beginning Fund Balance</b>	<b>22,219,975</b>	<b>1,005,777</b>	<b>12,771,298</b>	<b>49,298,458</b>	<b>2,221,140</b>	<b>87,516,648</b>
<b>Ending Fund Balance</b>	<b>\$26,136,677</b>	<b>\$1,012,430</b>	<b>\$12,429,959</b>	<b>\$55,953,107</b>	<b>\$2,998,872</b>	<b>\$98,531,045</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  
08/31/14

	Total Governmental Funds	Long-Term Revenue, Expenditures	Capital Related Items	Long-Term Debt Transactions	Statement of Activities Totals
<b>Revenues &amp; Other Sources</b>					
Local	\$148,089,888	\$2,110,173			\$150,200,061
State	175,353,774				175,353,774
Federal	12,528,804				12,528,804
Miscellaneous	3,156,307				3,156,307
Loss in Disposition of Fixed Assets			(\$35,395)		(35,395)
Sale or Comp. of Fixed Assets	18,267				18,267
Other Financial Sources	13,364,975	(\$13,364,975)			0
<b>Total Revenues &amp; Other Sources</b>	<b>\$352,512,015</b>	<b>(\$11,254,802)</b>	<b>(\$35,395)</b>	<b>\$0</b>	<b>\$341,221,818</b>
<b>Expenditures</b>					
Current:					
Regular Instruction	\$149,298,770	\$3,063,730	\$13,498,872		\$165,861,372
Special Education	33,171,162	680,698	2,999,176		36,851,036
Vocational Instruction	5,448,228	111,802	492,602		6,052,632
Skills Center	737,554	15,135	66,686		819,375
Compensatory Education	8,674,876	178,015	784,340		9,637,231
Other Instructional Programs	4,971,745	102,024	449,521		5,523,290
Community Services	1,701,585		153,849		1,855,434
Support Services	48,738,297	1,000,148	4,406,681		54,145,126
Student Activities	3,096,941		280,010		3,376,951
Capital Outlay	25,262,177		(25,262,177)		0
Debt Service-Principal	24,610,000			(\$24,610,000)	0
Debt Service-Interest & Other	22,421,308			(1,196,800)	21,224,508
Other Financial Uses	13,364,975	(\$13,364,975)			0
<b>Total Expenditures</b>	<b>\$341,497,618</b>	<b>(\$8,213,423)</b>	<b>(\$2,130,440)</b>	<b>(\$25,806,800)</b>	<b>\$305,346,955</b>
<b>Net Change for the Year</b>	<b>\$11,014,397</b>	<b>(\$3,041,379)</b>	<b>\$2,095,045</b>	<b>\$25,806,800</b>	<b>\$35,874,863</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, 2014

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amount	Final Budget Positive (Negative)
Revenues:				
Local	\$72,466,868	\$72,466,868	\$73,787,190	\$1,320,322
State	162,090,429	162,090,429	160,997,355	(1,093,074)
Federal	14,573,963	14,573,963	10,485,521	(4,088,442)
Other	62,311	62,311	52,713	(9,598)
Total Revenues	<u>\$249,193,571</u>	<u>\$249,193,571</u>	<u>\$245,322,779</u>	<u>(\$3,870,792)</u>
Expenditures:				
Regular Instruction	\$159,152,706	\$159,152,706	\$149,314,258	\$9,838,448
Special Education	31,289,102	31,289,102	33,171,162	(1,882,060)
Vocational Education	5,349,765	5,349,765	5,448,228	(98,463)
Skills Center	560,165	560,165	737,554	(177,389)
Compensatory Education	8,610,774	8,610,774	8,674,876	(64,102)
Other Instructional Programs	7,902,934	7,902,934	5,246,718	2,656,216
Community Services	1,952,953	1,952,953	1,712,577	240,376
Support Services	43,912,339	43,912,339	43,418,622	493,717
Total Expenditures	<u>\$258,730,738</u>	<u>\$258,730,738</u>	<u>\$247,723,995</u>	<u>\$11,006,743</u>
Excess of Revenues Over (Under) Expenditures	<u>(\$9,537,167)</u>	<u>(\$9,537,167)</u>	<u>(\$2,401,216)</u>	<u>\$7,135,951</u>
Other Financing Sources (Uses):				
Other Financial Sources	\$7,109,091	\$7,109,091	\$6,317,918	(\$791,173)
Total Other Financing Sources (Uses)	<u>\$7,109,091</u>	<u>\$7,109,091</u>	<u>\$6,317,918</u>	<u>(\$791,173)</u>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Uses	<u>(\$2,428,076)</u>	<u>(\$2,428,076)</u>	<u>\$3,916,702</u>	<u>\$6,344,778</u>
Beginning Fund Balance	19,416,102	19,416,102	22,219,975	2,803,873
Ending Fund Balance	<u><u>\$16,988,026</u></u>	<u><u>\$16,988,026</u></u>	<u><u>\$26,136,677</u></u>	<u><u>\$9,148,651</u></u>

Note: There was no budget revision during the fiscal year 2013-14. 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, 2014

	Budgeted Amounts		Actual Amount	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
General	\$3,492,095	\$3,492,095	\$1,876,321	(\$1,615,774)
Athletics	321,520	321,520	326,573	5,053
Classes	170,985	170,985	129,102	(41,883)
Clubs	877,554	877,554	721,807	(155,747)
Private Monies	105,650	105,650	49,791	(55,859)
Total Revenues	<u>\$4,967,804</u>	<u>\$4,967,804</u>	<u>\$3,103,594</u>	<u>(\$1,864,210)</u>
Expenditures:				
General	\$2,862,472	\$2,862,472	\$1,316,031	\$1,546,441
Athletics	868,274	868,274	773,549	94,725
Classes	167,925	167,925	160,519	7,406
Clubs	941,535	941,535	798,151	143,384
Private Monies	105,100	105,100	48,691	56,409
Total Expenditures	<u>\$4,945,306</u>	<u>\$4,945,306</u>	<u>\$3,096,941</u>	<u>\$1,848,365</u>
Excess of Revenues Over (Under) Expenditures	\$22,498	\$22,498	\$6,653	(\$15,845)
Beginning Fund Balance	671,789	671,789	1,005,777	333,988
Ending Fund Balance	<u>\$694,287</u>	<u>\$694,287</u>	<u>\$1,012,430</u>	<u>\$318,143</u>

Note: There was no budget revision during the fiscal year 2013-14. 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, 2014

	<u>Private- Purpose Trust</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$201,058
Accounts Receivable, Net	84
Total Assets	<u>\$201,142</u>
<b>Liabilities</b>	
Accounts Payable	<u>\$1,004</u>
Total Liabilities	<u>\$1,004</u>
<b>Fund Balance/Net Position</b>	\$200,138
<b>Total Liab. &amp; Fund Balance/Net Position</b>	<u>\$201,142</u>

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 Fiscal Year Ended August 31, 2014

	Private- Purpose Trust
<b>Additions</b>	
Donations	\$55,568
Investment Earnings	1,130
Total Additions	<u>\$56,698</u>
<b>Deductions</b>	
Scholarships	<u>\$51,090</u>
Total Deductions	<u>\$51,090</u>
<b>Change in Net Position</b>	\$5,608
<b>Net Position, Beginning of Year</b>	194,530
<b>Net Position, End of Year</b>	<u><u>\$200,138</u></u>

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, 2013 THROUGH AUGUST 31, 2014

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. 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. Restatement with GASB Statement No. 65 resulted in a reduction to Beginning Net Position in the amount of \$626,136 for Unamortized Bond Issuance Costs.

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 60 days after the end of the period ended August 31), is recorded as a receivable and a deferred 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, 2014 was \$4,512,355 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, 2014 was \$696,012 and reported as long-term liabilities in the district-wide financial statements.

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

The “Invested in capital assets, net of related debt” 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.

## 12. 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 can not be negative.

Encumbrance accounting is used in the governmental funds. Encumbrances (such as purchase orders and contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be appropriated and honored during the subsequent year.

## 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).

As of August 31, 2014 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	\$116,144,000	\$116,167,229	1.34 Years

**Impaired Investments.** As of August 31, 2014 all impaired commercial paper investments have completed enforcement events. The King County impaired investment pool (Impaired Pool) held one commercial paper asset where the Impaired Pool accepted an exchange offer and is receiving the cash flows from the investment’s underlying securities. The Impaired Pool also held the residual investments in four commercial paper assets that were part of completed enforcement events, where the Impaired Pool accepted the cash-out option. The District’s share of the impaired investment pool is \$675,821 and the district’s fair value of these investments is \$404,765.

**Interest Rate Risk.** As of August 31, 2014 the Pool’s average duration was 1.34 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, 2014 the district's investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, Pool policies authorize investments in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, municipal securities (rated at least "A" by two NRSRO's), commercial paper (rated at least the equivalent of "A-1" by two NRSRO's), 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:

	General	ASB	Debt Service	Capital Projects	Transpor. Vehicle	Private Purpose Trust
Receivables:						
Taxes	\$27,864,199		\$18,250,948	\$16,684,636		
Governmental	819,791					
Accounts	96,160	\$572	5,197	26,296	\$973	\$84
Total	<u>\$28,780,150</u>	<u>\$572</u>	<u>\$18,256,145</u>	<u>\$16,710,932</u>	<u>\$973</u>	<u>\$84</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, 2014 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	\$1,705,151	\$371,436
Capital Projects Fund		1,552,645
Special Revenue Fund	<u>371,436</u>	<u>152,506</u>
Total	<u>\$2,076,587</u>	<u>\$2,076,587</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.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, not depreciated:				
Land	\$23,550,666	\$5,676		\$23,556,342
Construction in Progress	<u>120,915,260</u>	<u>16,214,095</u>	<u>\$120,915,260</u>	<u>16,214,095</u>
Total	<u>\$144,465,926</u>	<u>\$16,219,771</u>	<u>\$120,915,260</u>	<u>\$39,770,437</u>
Capital Assets, being depreciated:				
Building and Improvements	\$844,703,748	\$129,284,300	\$837,355	\$973,150,693
Transportation Equipment	12,728,810	5,599	99,476	12,634,933
Other Equipment	<u>4,090,490</u>	<u>667,768</u>		<u>4,758,258</u>
Total	<u>\$861,523,048</u>	<u>\$129,957,667</u>	<u>\$936,831</u>	<u>\$990,543,884</u>
Less: Accumulated Depreciation:				
Buildings and Improvements				\$196,419,555
Transportation Equipment				5,351,640
Other Equipment				<u>2,760,694</u>
Total				<u>\$204,531,889</u>
Net Depreciated Assets				<u>\$786,011,995</u>
Net Total Assets				<u>\$825,782,432</u>

Depreciation expense was charged to governmental activities as follows:

Regular Instruction	\$13,498,872
Special Instruction	2,999,176
Vocational Instruction	492,602
Skills Center	66,686
Compensatory Instruction	784,340
Other Instruction Programs	449,521
Community Services	153,849
Student Activities	280,010
Support Service	<u>4,406,681</u>
Total	<u>\$23,131,737</u>

Construction in Progress is composed of:

	Project Authorization	Exp. Prior to 08/31/13	Expended 2013-2014 <b>Constr. In Prog.</b>	Additional Local Funds Committed	Additional State Funds Committed
Keller Elementary	\$25,993,000	\$24,522,224	\$43,885	\$1,426,891	\$0
Lake Washington High	85,178,000	85,053,357	48,717	75,926	
Finn Hill Middle	44,347,602	41,939,337	1,678,319	729,946	
Sandburg Elementary	30,145,000	28,787,743	175,987	1,181,270	
STEM	35,551,922	32,303,264	707,805	2,540,853	
Muir Elementary	29,289,422	29,066,708	396,072	-173,358	
Bell Elementary	32,131,000	27,870,975	3,185,957	1,074,068	
Rush Elementary	33,637,269	31,497,299	1,351,095	788,875	
Rose Hill Middle	58,929,000	51,562,808	6,077,607	1,288,585	
Renaissance	1,103,998	1,030,777		0	73,221
Northstar	2,182,024	1,229,341		0	952,683
Smith El Univents	1,045,000	991,056	48,927	5,017	
Rockwell El Univents	1,190,000	1,003,761	49,586	136,653	
Alcott El Univents	1,190,000	1,004,031	49,546	136,423	
Mead El Univents	1,190,000	1,008,276	49,597	132,127	
Support Service Roof	1,372,000	616,723	433,887	321,390	
ICS	26,298,990	24,018,128	1,046,548	1,234,314	
Lake Washington Field	1,173,750	358,071	794,956	20,723	
Redmond High Addition	15,630,380	14,516,376	14,072	1,099,932	
Eastlake High Addition	17,969,620	17,187,264	61,532	720,824	
Total	<u>\$445,547,977</u>	<u>\$415,567,519</u>	<u>\$16,214,095</u>	<u>\$12,740,459</u>	<u>\$1,025,904</u>

The district's property valuation of buildings and equipment for insurance purposes is \$560,374,147 on August 31, 2014.

#### Note 7: Pensions

##### A. General Information

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

The Teachers' Retirement System (TRS) includes certificated staff of 296 public school district employers and other public employers. As of June 30, 2013 it includes 75,758 active and inactive vested members.

The Public Employers' Retirement System (PERS) includes noncertified staff of 296 public school district employers and other public employers. As of June 30, 2013 it includes 181,753 active and inactive vested members.

The School Employers' Retirement System (SERS) includes noncertified staff of 296 public school district employers. As of June 30, 2013 it includes 63,883 active and inactive vested members.

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

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

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

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

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

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

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

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

## B. Contributions

Employee contribution rates effective September 1, 2013 through August 31, 2014:

Plan 1 TRS 6.00%	Plan 1 PERS 6.00%
Plan 2 TRS 4.96%	Plan 2 SERS 4.64%
Plan 3 TRS and SERS 5.00% (Minimum), 15.00% (Max.)	

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

Employer contribution rates effective September 1, 2013 through August 31, 2014:

9/1/13-08/31/14		9/1/13-8/31/14	
Plan 1 TRS	10.39%	Plan 1 PERS	9.21%
Plan 2 TRS	10.39%	Plan 2 SERS	9.82%
Plan 3 TRS	10.39%	Plan 3 SERS	9.82%

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

Plan	FY 13-14	FY 12-13	FY 11-12
Plan 1 TRS	\$398,996	\$414,659	\$541,570
Plan 2 TRS	2,059,754	1,318,947	1,215,216
Plan 3 TRS	9,270,392	7,146,015	7,515,563
Plan 1 PERS	49,819	52,229	51,729
Plan 2 SERS	1,223,734	812,902	647,247
Plan 3 SERS	2,019,698	1,500,994	1,197,266

Historical trend information showing TRS and PERS progress in accumulating sufficient assets to pay benefits when due is presented in the State of Washington's June 30, 2014 comprehensive annual financial report. Refer to this report for detailed trend information. It is available from:

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

#### 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 2014:

	<b><u>Type of Coverage</u></b>		
	<b><u>Employee Only</u></b>	<b><u>Employee &amp; Spouse</u></b>	<b><u>Full Family</u></b>
Group Health Classic	589.19	1,172.16	1,609.39
Group Health CHDP	500.69	992.20	1,317.09
Group Health Value	537.04	1,067.86	1,465.98
Kaiser Permanente Classic	588.43	1,170.64	1,607.30
Uniform Medical Plan	551.03	1,095.84	1,504.45
Uniform Medical Plan CDHP	504.56	999.94	1,327.73

For calendar year 2014, after age 65 retired members receive a subsidy of 50% of their monthly premiums up to \$150.00 per Medicare covered person.

For 2014, retirees also receive an explicit subsidy of \$7.78/month toward life insurance premiums.

**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.

	<b><u>August 31, 2012</u></b>	<b><u>August 31, 2013</u></b>	<b><u>August 31, 2014</u></b>
<b>Determination of Annual Required Contribution</b>			
Normal Cost at year end	\$ 3,307,036	\$ 3,307,036	\$ 3,827,173
Amortization of UAAL	<u>2,564,529</u>	<u>2,564,529</u>	<u>3,288,345</u>
Annual Required Contribution (ARC)	\$ 5,871,565	\$ 5,871,565	\$ 7,115,518
<b>Determination of Net OPEB Obligation</b>			
Annual Required Contribution	\$ 5,871,565	\$ 5,871,565	\$ 7,115,518
Interest on prior year Net OPEB Obligation	485,779	606,134	740,537
Adjustment to ARC	<u>- 462,647</u>	<u>- 598,651</u>	<u>- 759,525</u>
Annual OPEB Cost	\$ 5,894,697	\$5,879,048	\$ 7,096,530
Contributions made*	<u>- 2,685,235</u>	<u>- 2,294,978</u>	<u>- 2,331,439</u>
Increase in Net OPEB Obligation	\$ 3,209,462	\$3,584,070	\$4,765,091
Net OPEB Obligation – end of year	\$16,163,579	\$ 19,747,649	\$ 24,512,740

\*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 2014 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>
08/31/2012	\$5,894,697	45.55%	\$16,163,579
08/31/2013	5,879,048	39.04%	19,747,649
08/31/2014	7,096,530	32.85%	24,512,740

The District's annual OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2014 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>
08/31/2010	\$ -	\$107,336,280	\$107,336,280	0%	\$136,759,054	78%
08/31/2012	-	71,806,803	71,806,803	0%	139,587,075	51%
08/31/2014	-	85,496,973	85,496,973	0%	152,341,588	56%

#### **Funded status and Funding Progress**

As of August 31, 2014, the most recent actuarial valuation date, the Plan was 0% funded. The accrued liability for benefits was \$85.5 million, and the actuarial value of assets was \$0, resulting in a UAAL of \$85.5 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, 2014 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 (1)

<u>Year Ending August 31,</u>	<u>Retiree Premiums and Claims (1)</u>
2015	5.6
2016	6.1
2017	6.3
2018	6.2
2019	6.0
2020	6.0
2030	6.1
2040	6.3
2050	5.9
2091+	4.9

(1)Used to project annual increases to:

- Total Cost for Pre-65 medical benefits
- Retiree Contributions for Pre-65 medical benefits
- Explicit subsidy for Post-65 after August 31, 2017. No increase in the Post-65 Explicit subsidy is assumed or first three years after the valuation date.

Life Insurance Trend Rate (2)

<u>Year Ending August 31,</u>	<u>Life Trend</u>
2015+	3.5

(2)Used to project annual increases to Explicit Life Insurance Subsidy.

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, 2014 was 26 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, 2013 was \$325,795.

## Note 9: Long-Term Debt

### A. Changes in Long-Term Liabilities

During the fiscal year ended August 31, 2014 the following changes occurred in liabilities reported in the district-wide financial statements:

	Beginning			Ending	Amount
<u>Bonds Payable</u>	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Due Within</u>
					<u>One Year</u>
2004 G.O. Bonds	\$33,700,000		\$6,250,000	\$27,450,000	\$7,750,000
2004 G.O. Bonds	15,525,000		1,995,000	13,530,000	1,965,000
2006 G.O. Bonds	94,800,000		6,130,000	88,670,000	5,075,000
2007 G.O. Bonds	68,500,000			68,500,000	
2008 G.O. Bonds	70,350,000			70,350,000	750,000
2009 Bonds	31,445,000			31,445,000	
2010 Bonds	120,000,000			120,000,000	
2012 Bonds	23,025,000		4,240,000	18,785,000	3,490,000
2012 Bonds	28,720,000	-	5,995,000	22,725,000	6,180,000
Total Bonds Payable	<u>\$ 486,065,000</u>	<u>\$ 0</u>	<u>\$24,610,000</u>	<u>\$461,455,000</u>	<u>\$25,210,000</u>
Other Liabilities:					
Unemployment Pay.	\$ 517,687	\$ 66,503	\$ 85,025	\$ 499,165	\$ 88,474
Other Empl. Ins. Pay.	1,687,243	741,732	669,285	1,759,690	385,050
Industrial Insurance	1,073,154	1,946,482	1,459,391	1,560,245	1,400,000
Net OPEB	19,747,649	7,096,530	2,331,439	24,512,740	
Comp. Absences	4,821,906	978,877	592,416	5,208,367	664,738
Total Other Liab.	<u>\$27,847,639</u>	<u>\$10,830,124</u>	<u>\$5,137,556</u>	<u>\$33,540,207</u>	<u>\$2,538,262</u>
Grand Total	<u><u>\$513,912,639</u></u>	<u><u>\$10,830,124</u></u>	<u><u>\$29,747,556</u></u>	<u><u>\$494,995,207</u></u>	<u><u>\$27,748,262</u></u>



B. Bond Premiums

The amortization schedule of bond premiums is as follows:

	Beginning Balance	Debit	Credit	Ending Balance
2006 G. O. Bonds	\$1,925,170	\$148,090		\$1,777,080
2007 G. O. Bonds	2,940,332	267,303		2,673,029
2008 G. O. Bonds	1,423,654	101,689		1,321,965
2009 Bonds	161,351	10,757		150,594
2010 Bond	1,372,652	80,744		1,291,908
2012 GO Bonds	1,878,916	234,865		1,644,051
2012 LGO Bonds	<u>2,497,017</u>	<u>499,403</u>		<u>1,997,614</u>
	<u>\$12,199,092</u>	<u>\$1,342,851</u>	<u>\$ 0</u>	<u>\$10,856,241</u>

C. Unamortized Discount Costs

The amortization schedule of bond discount costs is as follows:

	Beginning Balance	Debit	Credit	Ending Balance
2006 Bonds	\$260,000		\$20,000	\$240,000
2007 Bonds	247,436		22,494	224,942
2008 Bonds	282,945		20,211	262,734
2009 Bonds	200,528		13,368	187,160
2010 Bonds	635,734		37,396	598,338
2012 Bonds	85,960		10,745	75,215
2012 Bonds	<u>109,182</u>		<u>21,837</u>	<u>87,345</u>
	<u>\$1,821,785</u>	<u>\$0</u>	<u>\$146,051</u>	<u>\$1,675,734</u>

D. General Obligation Debt

Bonds payable at August 31, 2014 are comprised of the following:

	Interest Rates	Issue Date	Maturity Date	Amount Issued	Outstanding Amount
2004 Bonds	3.35-5.00	03/30/04	12/01/17	\$70,100,000	\$27,450,000
2004 Bonds	3.65-5.00	09/02/04	06/01/19	34,655,000	13,530,000
2006 Bonds	4.00-5.00	09/06/06	12/01/25	97,115,000	88,670,000
2007 Bonds	4.63-5.00	11/07/07	12/01/23	80,000,000	68,500,000
2008 Bonds	3.75-5.00	11/18/08	12/01/26	80,000,000	70,350,000
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	18,785,000
2012 Bonds	2.00-5.00	07/12/12	12/01/17	<u>31,195,000</u>	<u>22,725,000</u>
				<u>\$576,090,000</u>	<u>\$461,455,000</u>

E. Debt Service Requirements to Maturity

Fiscal Year Ended	Principal	Interest	Total
08/31/15	\$25,210,000	\$21,480,400	\$46,690,400
08/31/16	27,025,000	20,398,750	47,423,750
08/31/17	27,560,000	19,164,025	46,724,025
08/31/18	22,715,000	17,808,800	40,523,800
08/31/19	24,500,000	16,672,600	41,172,600
08/31/20	22,900,000	15,411,475	38,311,475
08/31/21	23,600,000	14,277,475	37,877,475
08/31/22	23,500,000	13,126,975	36,626,975
08/31/23	26,100,000	11,924,476	38,024,476
08/31/24	29,500,000	10,620,538	40,120,538
08/31/25	22,000,000	9,381,601	31,381,601
08/31/26	35,900,000	7,916,531	43,816,531
08/31/27	33,945,000	6,445,475	40,390,475
08/31/28	42,000,000	4,831,370	46,831,370
08/31/29	37,500,000	2,834,625	40,334,625
08/31/30	37,500,000	948,000	38,448,000
Totals	<u>\$461,455,000</u>	<u>\$193,243,116</u>	<u>\$654,698,116</u>

F. Bonds Authorized but Unissued

There are \$11,000,000 of bonds that are authorized but unissued bonds as of August 31, 2014.

G. Refunded Debt

The district had no refunded debt outstanding at August 31, 2014.

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, 2014.

<u>Year Ended</u>	<u>Amount</u>
08/31/15	\$445,665
08/31/16	445,665
08/31/17	445,665
08/31/18	<u>148,555</u>
Total	<u>\$ 1,485,550</u>

All of the \$1,485,550 pertains to the lease of copy machines which are 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 \$84,649 in unemployment claims for the fiscal year ended August 31, 2014. The following is a summary of activity for the current and prior fiscal year.

Unemployment Insurance				
	Beginning			Ending
<u>Fiscal Year</u>	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
2012-13	\$541,794	\$67,924	\$92,031	\$517,687
2013-14	\$517,687	\$66,503	\$85,025	\$499,165

Industrial Insurance – The district began self-insurance for industrial insurance in January 1979 and contracts with a 3<sup>rd</sup> 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 \$859,488 in industrial insurance claims in the General Fund for the fiscal year ended August 31, 2014. The following is a summary of activity for the current and prior fiscal year.

Industrial Insurance				
	Beginning			Ending
<u>Fiscal Year</u>	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
2012-13	\$1,101,964	\$1,714,978	\$1,743,788	\$1,073,154
2013-14	\$1,073,154	\$1,946,482	\$1,459,391	\$1,560,245

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 \$592,067 in claims for the fiscal year ended August 31, 2014. The following is a summary of activity for the current and prior fiscal year.

Vision Insurance				
	Beginning			Ending
<u>Fiscal Year</u>	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
2012-13	\$214,365	\$777,275	\$672,869	\$318,771
2013-14	\$318,771	\$735,541	\$669,262	\$385,050

#### 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 an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Over 80 school and educational service districts have joined the Pool.

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

Members make an annual contribution to fund the Pool. The Pool acquires reinsurance from unrelated underwriters that are subject to a per-occurrence self-insured retention of \$1 million. Members are responsible for varied deductibles for both liability and property claims. Insurance carriers cover losses

over \$1 million to the maximum limits of each policy. Since the Pool is a cooperative program, there is a joint liability among the participating members.

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

The Pool is fully funded by its member participants.

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

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	\$1,030,314,321
Accumulated Depreciation	<u>204,531,889</u>
Net Capital Assets	<u>\$825,782,432</u>

2. Long-term liabilities of \$504,175,714 (\$27,748,262 due within one year; \$467,246,945 due in more that one year; and unamortized debt premium/discount of \$9,180,507), 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.
3. Unavailable Revenue – Property taxes and receivables (\$62,897,785) that do not provide current financial resources are reported as unavailable revenue in governmental funds, but as revenues in government-wide financial statements.
4. Due From and Due To Other Funds (\$2,076,588) - 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 (\$2,110,173).
2. The increase between the beginning and ending balances of the liability for compensated absences (\$386,461) is reported in the Statement of Activities as an 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 (\$4,765,091) 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. 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 of property (\$35,395) is reported in the statement of activities.
5. 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 (\$23,131,737).
6. Repayment of bond principal (\$24,610,000) was 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.
7. Bond premiums and bond discounts are reported as revenues/expenditures in the governmental fund financial statements, but in government-wide financial statements they are amortized over the life of the bonds with the current year's amortization as follows:

Current year bond premium amortization	\$1,342,851
Current year bond discount amortization	\$146,051

#### 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: Restatement of Beginning Net Position

For Fiscal year 2013-14 the district made an adjustment related to the adoption of GASB Statement 65. The result is a decrease in Net Position of \$626,136 on September 1, 2013. This change is immaterial and therefore not practical to restate periods prior to September 1, 2013. This change is in accordance with generally accepted accounting principles.

Net Position, August 31, 2013 as previously reported	\$ 451,605,921
Reclassification of Unamortized Bond Issuance Costs	\$ (626,136)
Net Position, September 1, 2013 as restated	\$ 450,979,785

#### Note 17: Subsequent Events

As of September 25, 2009 the final Commercial Paper loss restructuring was completed. The investment Pool accepted the exchange offer which provides that the Pool will continue to receive cash flows from the underlying securities.

There were no other events after the balance sheet date which would have a material impact on the next or future 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, 2014

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%

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.

**Lake Washington School District #414**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ending August 31, 2014**

1 Federal Grantor	2 Pass Through Agency	3 Program Title	4 CFDA No.	5 Other I.D. No.	6      7      8 Expenditures			9 Foot- note Ref.
					Direct Awards	Pass Through Awards	Total	
U.S. Dept of Agriculture	SPI	National School Lunch Program:	10.555					
		Cash Assistance				1,846,978.16	1,846,978.16	2
		Non Cash Assistance (commodities)				411,904.29	411,904.29	3
	Office of State Treasurer	Schools and Roads - Grants to States	10.665			14,542.20	14,542.20	
						<b>\$2,273,424.65</b>	<b>\$2,273,424.65</b>	
U.S. Dept. of Educ.		Indian Ed - Grants to Local Ed Agencies	84.060	S060A131113	54,816.00	0.00	54,816.00	
	SPI	Title I - Grants to Local Ed Agencies	84.010	201452		1,333,309.46	1,333,309.46	4
	SPI	Title I - Grants to Local Ed Agencies	84.010	224462		26,202.00	26,202.00	4
	SPI	Special Ed - Grants to States	84.027	304835		4,139,463.00	4,139,463.00	4
	SPI	Special Ed - Grants to States	84.027	337638		1,007,124.00	1,007,124.00	4
	SPI	Career & Technical Ed - Basic Grants to State	84.048	173022		106,478.00	106,478.00	4
	SPI	Career & Technical Ed - Basic Grants to State	84.048	172831		26,478.00	26,478.00	4
	SPI	Career & Technical Ed - Basic Grants to State	84.048	189081		7,948.25	7,948.25	4
	SPI	Special Ed - Preschool Grants/Part B	84.173	364832		110,138.00	110,138.00	4
	SPI	English Language Acquisition Grant	84.365	401908		283,478.96	283,478.96	5
	SPI	Improving Teacher Quality State Grants	84.367	523414		477,299.00	477,299.00	4
						<b>\$54,816.00</b>	<b>\$7,517,918.67</b>	<b>\$7,572,734.67</b>
U.S. Dept. Human Services	SPI	Pregnancy Assistance Fund Program	93.500	179011		1,871.01	1,871.01	4
	PSESD	Head Start 13-14	93.600	N/A		556,879.67	556,879.67	
						<b>\$558,750.68</b>	<b>\$558,750.68</b>	
<b>Total Federal Awards Expended</b>						<b>\$54,816.00</b>	<b>\$10,350,094.00</b>	<b>\$10,404,910.00</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, 2014**

**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. 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 – NON CASH AWARDS – FOOD COMMODITIES**

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

**NOTE 4 – FEDERAL INDIRECT RATE**

The Lake Washington School District claimed indirect costs under this grant using its federal restricted rate of 2.45%.

**NOTE 5 – FEDERAL INDIRECT RATE**

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



## 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.

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

Contact information for the State Auditor's Office	
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