



# Washington State Auditor's Office

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## Financial Statements and Federal Single Audit Report

### **Bellevue School District No. 405**

**King County**

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

**Published May 28, 2015**

**Report No. 1014384**





## Washington State Auditor

May 28, 2015

Board of Directors  
Bellevue School District No. 405  
Bellevue, Washington

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

Please find attached our report on Bellevue School District No. 405's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the District's financial condition.

Sincerely,

A handwritten signature in black ink, reading "Jan M. Jutte".

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

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## FEDERAL SUMMARY

**Bellevue School District No. 405**  
**King County**  
**September 1, 2013 through August 31, 2014**

The results of our audit of Bellevue School District No. 405 are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

### Financial Statements

An unmodified opinion was issued on the financial statements.

#### Internal Control Over Financial Reporting:

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

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

### Federal Awards

#### Internal Control Over Major Programs:

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

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

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

## Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
10.555	Child Nutrition Cluster - National School Lunch Program
10.559	Child Nutrition Cluster - Summer Food Service Program
84.396	ARRA - Investing in Innovation (Recovery Act)
84.010	Title I, Part A Cluster - Title I Grants to Local Educational Agencies

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$314,919.

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**

**Bellevue School District No. 405  
King County  
September 1, 2013 through August 31, 2014**

Board of Directors  
Bellevue School District No. 405  
Bellevue, 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 Bellevue School District No. 405, 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 financial statements, and have issued our report thereon dated May 22, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

May 22, 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**

**Bellevue School District No. 405  
King County  
September 1, 2013 through August 31, 2014**

Board of Directors  
Bellevue School District No. 405  
Bellevue, Washington

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

We have audited the compliance of Bellevue School District No. 405, 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 that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **PURPOSE OF THIS REPORT**

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



JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

May 22, 2015

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Bellevue School District No. 405 King County September 1, 2013 through August 31, 2014**

Board of Directors  
Bellevue School District No. 405  
Bellevue, Washington

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

We have audited the accompanying financial statements of Bellevue School District No. 405, 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 financial statements, as listed on page 14.

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

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

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

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

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

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

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

### **Unmodified Opinion on Regulatory Basis of Accounting (Accounting Manual)**

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bellevue School District No. 405, as of August 31, 2014, and the changes in financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

### **Unmodified Opinions on the Governmental and Fiduciary Funds Based on U.S. GAAP**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General, ASB, Debt Service, Capital Project and Transportation Vehicle and Fiduciary funds as of August 31, 2014, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Matters of Emphasis**

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

## Other Matters

### *Supplementary and Other Information*

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

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

May 22, 2015

## **FINANCIAL SECTION**

**Bellevue School District No. 405**  
**King County**  
**September 1, 2013 through August 31, 2014**

### **FINANCIAL STATEMENTS**

Balance Sheet – Governmental Funds – 2014  
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Funds – 2014  
Statement of Fiduciary Net Position – Fiduciary Funds – 2014  
Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2014  
Notes to Financial Statements – 2014

### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedules of Long-Term Liabilities – 2014  
Schedule of Expenditures of Federal Awards – 2014  
Notes to the Schedule of Expenditures of Federal Awards – 2014

Balance Sheet

Governmental Funds

August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>ASSETS:</b>							
Cash and Cash Equivalents	24,186,165.92	1,962,838.18	32,822,273.45	260,130,868.15	1,709,027.89	0.00	320,811,173.59
Minus Warrants Outstanding	-718,660.25	-68,618.65	0.00	-240,990.99	0.00	0.00	-1,028,269.89
Taxes Receivable	24,557,990.72		29,789,602.70	8,118,260.03	0.00	0.00	62,465,853.45
Due From Other Funds	9,110,310.81	39,368.48	697.08	1,395.46	0.00	0.00	9,151,771.83
Due From Other Governmental Units	1,375,841.73	0.00	0.00	0.00	0.00	0.00	1,375,841.73
Accounts Receivable	700,097.81	0.00	0.00	0.00	0.00	0.00	700,097.81
Interfund Loans Receivable	0.00			0.00			0.00
Accrued Interest Receivable	8,471.13	550.78	13,586.19	110,765.90	413.04	0.00	133,787.04
Inventory	200,679.07	0.00					200,679.07
Prepaid Items	1,611,071.28	174,142.56				0.00	1,785,213.84
Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investments/Cash With Trustee	1,805,286.51		0.00	0.00	0.00	0.00	1,805,286.51
Investments-Deferred Compensation	0.00			0.00			0.00
Self-Insurance Security Deposit	0.00						0.00
<b>TOTAL ASSETS</b>	<b>62,837,254.73</b>	<b>2,108,281.35</b>	<b>62,626,159.42</b>	<b>268,120,298.55</b>	<b>1,709,440.93</b>	<b>0.00</b>	<b>397,401,434.98</b>
<b>LIABILITIES:</b>							
Accounts Payable	4,927,225.17	115,541.22	697.08	12,453,044.90	0.00	0.00	17,496,508.37
Contracts Payable Current	0.00	0.00		0.00	0.00	0.00	0.00
Accrued Interest Payable			0.00				0.00
Accrued Salaries	414,790.42	0.00		0.00			414,790.42
Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00
Payroll Deductions and Taxes Payable	6,894,326.26	0.00		0.00			6,894,326.26
Due To Other Governmental Units	46,709.12	0.00		0.00	0.00	0.00	46,709.12
Deferred Compensation Payable	0.00			0.00			0.00
Estimated Employee Benefits Payable	1,288,186.44						1,288,186.44
Due To Other Funds	41,461.02	53,822.47	0.00	9,056,488.34	0.00	0.00	9,151,771.83

## Balance Sheet

## Governmental Funds

August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>LIABILITIES:</b>							
Interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	75,252.86	0.00		0.00			75,252.86
Unearned Revenue	0.00	0.00	0.00	0.00	0.00		0.00
Matured Bonds Payable			0.00				0.00
Matured Bond Interest Payable			0.00				0.00
Arbitrage Rebate Payable	0.00		0.00	0.00	0.00		0.00
<b>TOTAL LIABILITIES</b>	<b>13,687,951.29</b>	<b>169,363.69</b>	<b>697.08</b>	<b>21,509,533.24</b>	<b>0.00</b>	<b>0.00</b>	<b>35,367,545.30</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>							
Unavailable Revenue	2,178,267.88	651,686.53	6,563.14	52,015.77	341.74	0.00	2,888,875.06
Unavailable Revenue - Taxes Receivable	24,557,990.72		29,789,602.70	8,118,260.03	0.00		62,465,853.45
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>26,736,258.60</b>	<b>651,686.53</b>	<b>29,796,165.84</b>	<b>8,170,275.80</b>	<b>341.74</b>	<b>0.00</b>	<b>65,354,728.51</b>
<b>FUND BALANCE:</b>							
Nonspendable Fund Balance	1,811,750.35	174,142.56	0.00	0.00	0.00	0.00	1,985,892.91
Restricted Fund Balance	221,851.76	1,113,088.57	32,829,296.50	209,793,202.84	1,709,099.19	0.00	245,666,538.86
Committed Fund Balance	12,555,907.62	0.00	0.00	8,286,546.41	0.00	0.00	20,842,454.03
Assigned Fund Balance	2,026,445.31	0.00	0.00	20,360,740.26	0.00	0.00	22,387,185.57
Unassigned Fund Balance	5,797,089.80	0.00	0.00	0.00	0.00	0.00	5,797,089.80
<b>TOTAL FUND BALANCE</b>	<b>22,413,044.84</b>	<b>1,287,231.13</b>	<b>32,829,296.50</b>	<b>238,440,489.51</b>	<b>1,709,099.19</b>	<b>0.00</b>	<b>296,679,161.17</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE</b>	<b>62,837,254.73</b>	<b>2,108,281.35</b>	<b>62,626,159.42</b>	<b>268,120,298.55</b>	<b>1,709,440.93</b>	<b>0.00</b>	<b>397,401,434.98</b>

The accompanying notes are an integral part of this statement



## Statement of Revenues, Expenditures, and Changes in Fund Balance

## Governmental Funds

For the Year Ended August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>REVENUES:</b>							
Local	71,686,718.89	3,367,336.29	58,447,003.22	18,442,749.93	8,318.92		151,952,127.25
State	117,147,038.94		0.00	690,399.76	790,338.73		118,627,777.43
Federal	9,466,791.90		0.00	0.00	0.00		9,466,791.90
Federal Stimulus	1,034,602.96						1,034,602.96
Other	790,040.64			0.00	0.00	0.00	790,040.64
<b>TOTAL REVENUES</b>	<b>200,125,193.33</b>	<b>3,367,336.29</b>	<b>58,447,003.22</b>	<b>19,133,149.69</b>	<b>798,657.65</b>	<b>0.00</b>	<b>281,871,340.18</b>
<b>EXPENDITURES:</b>							
<b>CURRENT:</b>							
Regular Instruction	117,312,719.04						117,312,719.04
Federal Stimulus	1,013,985.20						1,013,985.20
Special Education	25,174,273.05						25,174,273.05
Vocational Education	4,884,032.37						4,884,032.37
Skill Center	686,742.82						686,742.82
Compensatory Programs	9,753,098.51						9,753,098.51
Other Instructional Programs	3,596,165.16						3,596,165.16
Community Services	7,901,690.29						7,901,690.29
Support Services	38,813,548.23						38,813,548.23
Student Activities/Other		3,421,745.52				0.00	3,421,745.52
<b>CAPITAL OUTLAY:</b>							
Sites				797,335.44			797,335.44
Building				90,232,533.93			90,232,533.93
Equipment				2,279,974.28			2,279,974.28
Instructional Technology				4,946,240.57			4,946,240.57
Energy				0.00			0.00
Transportation Equipment					1,847,144.36		1,847,144.36
Sales and Lease				0.00			0.00
Other	128,872.41						128,872.41
<b>DEBT SERVICE:</b>							
Principal	0.00		30,450,000.00	0.00	0.00		30,450,000.00
Interest and Other Charges	0.00		23,750,548.11	0.00	0.00		23,750,548.11
Bond/Levy Issuance				380,100.00	0.00		380,100.00
<b>TOTAL EXPENDITURES</b>	<b>209,265,127.08</b>	<b>3,421,745.52</b>	<b>54,200,548.11</b>	<b>98,636,184.22</b>	<b>1,847,144.36</b>	<b>0.00</b>	<b>367,370,749.29</b>

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>DEBT SERVICE:</b>							
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	-9,139,933.75	-54,409.23	4,246,455.11	-79,503,034.53	-1,048,486.71	0.00	-85,499,409.11
<b>OTHER FINANCING SOURCES (USES):</b>							
Bond Sales & Refunding Bond Sales	0.00		2,799.45	109,154,503.55	0.00		109,157,303.00
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	8,814,215.74		0.00	0.00	0.00		8,814,215.74
Transfers Out (GL 536)	0.00		0.00	-8,814,215.74	0.00	0.00	-8,814,215.74
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	37,970.01		0.00	0.00	61,000.00		98,970.01
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>8,852,185.75</b>		<b>2,799.45</b>	<b>100,340,287.81</b>	<b>61,000.00</b>	<b>0.00</b>	<b>109,256,273.01</b>
<b>EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>-287,748.00</b>	<b>-54,409.23</b>	<b>4,249,254.56</b>	<b>20,837,253.28</b>	<b>-987,486.71</b>	<b>0.00</b>	<b>23,756,863.90</b>
<b>BEGINNING TOTAL FUND BALANCE</b>	<b>23,930,924.77</b>	<b>1,341,640.36</b>	<b>28,580,041.94</b>	<b>217,603,236.23</b>	<b>2,696,585.90</b>	<b>0.00</b>	<b>274,152,429.20</b>
Prior Year(s) Corrections or Restatements	-1,230,131.93	0.00	0.00	0.00	0.00	0.00	-1,230,131.93
<b>ENDING TOTAL FUND BALANCE</b>	<b>22,413,044.84</b>	<b>1,287,231.13</b>	<b>32,829,296.50</b>	<b>238,440,489.51</b>	<b>1,709,099.19</b>	<b>0.00</b>	<b>296,679,161.17</b>

The accompanying notes are an integral part of this statement

## Statement of Fiduciary Net Position

## Fiduciary Funds

August 31, 2014

<b>ASSETS:</b>	<b>Private Purpose Trust</b>	<b>Other Trust</b>
Imprest Cash	22,198.94	0.00
Cash On Hand	0.00	0.00
Cash On Deposit with Cty Treas	40,346.05	0.00
Minus Warrants Outstanding	-1,440.15	0.00
Due From Other Funds	0.00	0.00
Accounts Receivable	0.00	0.00
Accrued Interest Receivable	16.76	0.00
Investments	0.00	0.00
Investments/Cash With Trustee	0.00	0.00
Other Assets	0.00	
Capital Assets, Land	0.00	
Capital Assets, Buildings	0.00	
Capital Assets, Equipment	0.00	0.00
Accum Depreciation, Buildings	0.00	
Accum Depreciation, Equipment	0.00	0.00
<b>TOTAL ASSETS</b>	<b>61,121.60</b>	<b>0.00</b>
<b>LIABILITIES:</b>		
Accounts Payable	2,532.45	0.00
Due To Other Funds	0.00	0.00
<b>TOTAL LIABILITIES</b>	<b>2,532.45</b>	<b>0.00</b>
<b>NET POSITION:</b>		
<b>Held in trust for:</b>		
Restricted for Other Items	58,589.15	0.00
Restricted for Self Insurance		0.00
Restricted for Uninsured Risks		0.00
Nonspendable -- Trust Principal	0.00	0.00
Committed to Other Purposes	0.00	0.00
Held In Trust For Private Purposes	0.00	
Assigned to Fund Purposes	0.00	0.00
Held In Trust For Pension And Other Employee Benefits		0.00
Unassigned Fund Balance	0.00	0.00
<b>TOTAL NET POSITION</b>	<b>58,589.15</b>	<b>0.00</b>

The accompanying notes are an integral part of this statement

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended August 31, 2014

	Private Purpose Trust	Other Trust
<b>ADDITIONS:</b>		
<b>Contributions:</b>		
Private Donations	46,093.55	0.00
Employer		0.00
Members		0.00
Other	0.00	0.00
<b>TOTAL CONTRIBUTIONS</b>	<b>46,093.55</b>	<b>0.00</b>
<b>Investment Income:</b>		
Net Appreciation (Depreciation) in Fair Value	0.00	0.00
Interest and Dividends	547.74	0.00
Less Investment Expenses	0.00	0.00
Net Investment Income	547.74	0.00
<b>Other Additions:</b>		
Rent or Lease Revenue	0.00	0.00
Total Other Additions	0.00	0.00
<b>TOTAL ADDITIONS</b>	<b>46,641.29</b>	<b>0.00</b>
<b>DEDUCTIONS:</b>		
Benefits		0.00
Refund of Contributions	0.00	0.00
Administrative Expenses	0.00	0.00
Scholarships	49,074.51	0.00
Other	0.00	0.00
<b>TOTAL DEDUCTIONS</b>	<b>49,074.51</b>	<b>0.00</b>
Net Increase (Decrease)	-2,433.22	0.00
Net Position--Beginning	61,022.37	0.00
Prior Year(s) Corrections or Restatements	0.00	0.00
<b>NET POSITION--ENDING</b>	<b>58,589.15</b>	<b>0.00</b>

The accompanying notes are an integral part of this statement

**BELLEVUE SCHOOL DISTRICT NO. 405**  
**Notes to the Financial Statements**  
**August 31, 2014**

The following notes are an integral part of the accompanying financial statements.

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

- A.** The Bellevue 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.

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

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

**B. Fund Accounting**

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

***Governmental Funds***

General Fund

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

Capital Projects Fund

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

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

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

#### Debt Service Fund

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

#### Special Revenue Fund

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

#### ***Fiduciary Funds***

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

#### Private-Purpose Trust Fund

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

#### Agency Funds

These funds are used to account for assets that the district holds on behalf of others in a purely custodial capacity.

### **C. Measurement focus, basis of accounting, and fund financial statement presentation.**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Revenues are recognized as soon as they are measurable and available. Revenues are considered "measurable" if the amount of the transaction can be determined. Revenues are considered "available" when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the district considers revenues to be available if they are collected within 60 days after year-end. Property taxes receivable are measurable but not available and are, therefore, not accrued. Categorical program claims and inter-district billings are measurable and available and are, therefore, accrued.

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

#### **Budgets**

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

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

**D. The government's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.**

The district receives state funding for specific categorical education-related programs. Amounts that are received for these programs that are not used in the current fiscal year may be carried forward into the subsequent fiscal year, where they may be used only for the same purpose as they were originally received. When the district has such carryover, those funds are expended before any amounts received in the current year are expended.

Additionally, the district has other restrictions placed on its financial resources. When expenditures are recorded for purposes for which a restriction or commitment of fund balance is available, those funds that are restricted or committed to that purpose are considered first before any unrestricted or unassigned amounts are expended.

**E. The government's fund balance classifications policies and procedures.**

The district classifies ending fund balance for its governmental funds into five categories.

**Nonspendable Fund Balance.** The amounts reported as Nonspendable are resources of the district that are not in spendable form. They are either non-liquid resources such as inventory or prepaid items, or the resources are legally or contractually required to be maintained intact.

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

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

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

In other governmental funds, Assigned Fund Balance represents a positive ending spendable fund balance once all restrictions and commitments are considered. These resources are only available for expenditure in that fund and may not be used in any other fund without formal action by the district's board of directors and as allowed by statute.

The Superintendent and the Deputy Superintendent of Financial Services and Operations have the authority to create Assignments of fund balance.

**Unassigned Fund Balance.** In the General Fund, amounts that are reported as Unassigned are those net spendable resources of the district that are not otherwise Restricted, Committed, or Assigned, and may be used for any purpose within the General Fund.

In other governmental funds, Unassigned Fund Balance represents a deficit ending spendable fund balance once all restrictions and commitments are considered.

A negative Unassigned Fund Balance means that the legal restrictions and formal commitments of the district exceed its currently available resources.

#### F. Cash and Cash Equivalents

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

#### G. Receivables and Payables

The only receivables not expected to be collected within one year are \$30,800 of Early Learning Program, Full-Day Kindergarten, facility use, and other revenues in the General Fund. These amounts have been recorded as an allowance for doubtful accounts and, accordingly, have been deducted from the fund balance.

#### H. Inventory

Inventory is valued at cost using the first-in, first-out (FIFO) method. The consumption method of inventory is used, which charges inventory as an expenditure when it is consumed. A portion of fund balance, representing inventory, is considered Nonspendable. Such reserves for inventory indicate that a portion of net current assets is set aside to replace or increase the inventory. USDA commodity inventory consists of food donated by the United States Department of Agriculture. It is valued at the prices paid by the USDA for the commodities.

#### I. Accounting and Reporting Changes for 2013-14

Effective for the 2013-14 school year, the district implemented provisions of *GASB Statement No. 65 Items Previously Reported as Assets and Liabilities*. As a result, deferred property taxes were reclassified from liabilities to deferred inflows of resources.

### NOTE 2 – CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

The King County Treasurer is the *ex officio* treasurer for the district and holds all accounts of the district. In accordance with state investment laws, the district's governing body has entered into a formal Interlocal agreement with King County to have all funds not required for immediate expenditure be invested in the King County Investment Pool (the "Pool"). The funds invested are the district's funds as well as the Private-Purpose Trust and Agency Funds for which the district has fiduciary responsibility but does not own. All of the district's investments in the Pool are considered to be cash equivalents due to the availability of those funds to the district. As of August 31, 2014, the district had the following investments:

	Carrying Amount	Market Value	Effective Duration
<u>Governmental Funds</u>			
King County Treasurer's Investment Pool	\$320,276,297	\$320,340,352	1.34 years
U.S. Bank	470,821	470,821	
Total Cash Deposits	\$320,747,118	\$320,811,173	
<u>Private Purpose Trust and Agency Funds</u>			
King County Treasurer's Investment Pool	\$40,338	\$40,346	1.34 years
U.S. Bank	22,199	22,199	
Total Cash Deposits	\$62,537	\$62,545	
Total Cash Deposits with Financial Institutions	<u>\$320,809,655</u>	<u>\$320,873,718</u>	

#### 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. According to the County, the district's share of the Impaired Investment Pool principal is \$545,557 and the district's fair value of these investments is \$326,189. However, in 2008 when the five commercial paper assets (Victoria Finance LLC, two in Mainsail II LLC, Rhinebridge LLC, and Cheyne Financial LLC) were first determined to be impaired, the investment environment was volatile and uncertain. It was not known whether these impaired assets would have any value and be sold or restructured or whether any investor would itself remain viable. Accordingly, the district chose to be conservative and record a loss greater than that recommended by the County. As of August 31, 2014, the loss recorded by the district is equal to the principal in the Impaired Pool, and, therefore, these assets are not shown in the district's financial statements. As cash is received by the County on these investments, the retainage balances are reduced, the cash is placed in the Pool members' unrestricted cash accounts, and the district recognizes revenue, thus reducing the overall loss.

#### **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, 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 NRSROs), commercial paper (rated at least the equivalent of "A-1" by two NRSROs), certificates of deposit issued by qualified public depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

### **NOTE 3 – SIGNIFICANT CONTINGENT LIABILITIES**

#### **Litigation**

The district is a party to various pending legal actions arising out of the normal conduct of its operations. While final resolution of these proceedings is not feasible to predict, in the opinion of the administration, the ultimate liability, if any, is not likely to materially affect the operations or the financial position of the district.

### **NOTE 4 – SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS**

On February 11, 2014, voters authorized \$450,000,000 in bonds for continuation of the rebuilding, constructing, equipping, modernizing, and improving the facilities of the district. On November 18, 2014, the board approved a resolution authorizing the issuance and sale of general obligation bonds. The sale on December 9, 2014, consisted of bonds in the par amount of \$59,815,000 which was the fifth and final series of bonds to be issued under the 2008 Bond Authorization, approved by the voters on March 11, 2008. Also included in the sale were bonds in the par amount of \$35,185,000, plus \$9,950,000 of premium generated by the sale of the bonds to be deposited in the Capital Projects Fund, which were the first series of bonds to be issued under the 2014 Bond Authorization approved by the voters on February 11, 2014. Following the December 9, 2014 sale, the district will have \$404,865,000 of the 2014 Bond Authorization remaining.

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

## NOTE 5 – ANNUAL PENSION COST AND NET PENSION OBLIGATIONS

### 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:

Membership by retirement system program as of June 30, 2013:

Program	Active Members	Inactive Vested Members	Retired Members
TRS	65,935	9,823	44,220
PERS	150,706	31,047	85,328
SERS	52,295	11,588	9,079

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

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

Plan 2 under the TRS or SERS programs are defined benefit pension plans whose members joined on or after October 1, 1977, but before June 30, 1996, or August 31, 2000, for TRS or SERS, respectively. Members 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 Plan 3 TRS and SERS members, it is the highest average salary during any five consecutive years.

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

The employer contribution rates for PERS, TRS, and SERS (Plans 1, 2, and 3) and the TRS and SERS Plan 2 employee contribution rates are established by the Pension Funding Council based upon 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 a system. The methods used to determine the contribution requirements are established under Chapters 41.40, 41.32, and 41.35 RCW for PERS, TRS and SERS, respectively.

The district contribution represents its full liability under all 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% (maximum)	

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

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

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 2012	FY 2013	FY 2014
Plan 1 TRS	\$242,807	\$199,298	\$216,171
Plan 2 TRS	\$1,029,221	\$1,258,956	\$1,837,859
Plan 3 TRS	\$5,368,700	\$5,511,828	\$7,331,609
Plan 1 PERS	\$67,772	\$73,203	\$88,319
Plan 2 SERS	\$923,954	\$1,021,728	\$1,387,773
Plan 3 SERS	\$1,174,131	\$1,261,311	\$1,678,155

Historical trend information showing TRS, PERS and SERS progress in accumulating sufficient assets to pay benefits when due is presented in the state of Washington's June 30, 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  
PO BOX 43113  
Olympia, WA 98504-3113

## NOTE 6 – ANNUAL OTHER POST-EMPLOYMENT BENEFIT COST AND NET OPEB OBLIGATIONS

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

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

According to state law, the Washington State Treasurer collects a fee from all school district entities which have employees that are not current active members of the state Health Care Authority but participate in the state retirement system. The purpose of this fee is to cover the impact of the subsidized rate of health care benefits for school retirees that elect to purchase their health care benefits through the state Health Care Authority. For the fiscal year 2012-13, the district was required to pay the HCA \$64.40 per month per full-time equivalent employee to support the program, for a total payment of \$1,563,421. This assessment to the district is set forth in the State's operating budget and is subject to change on an annual basis. This amount is not actuarially determined and is not placed in a trust to pay the obligations for post-employment health care benefits.

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

## **NOTE 7 – LEASE OBLIGATIONS**

### **A. Operating Leases**

As of August 31, 2014, the district had 74 non-cancelable operating leases for copy machines located in schools and offices. Lease periods are for 60 months with expiration dates ranging from March 2015 to October 2019.

The following is a schedule of the future minimum lease payments at August 31, 2014:

Year Ending <u>August 31</u>	
2015	\$224,625
2016	205,375
2017	121,154
2018	64,950
2019	7,155
Remaining periods	<u>550</u>
Total minimum lease payments	<u><u>\$623,809</u></u>

### **B. Capital Leases**

As of August 31, 2014, the district had no capital leases.

**NOTE 8 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS, INCLUDING ENCUMBRANCES****A. Construction in Progress**

Construction in progress is composed of:

<u>Project</u>	<u>Project Authorization Amount</u>	<u>Expended as of 8/31/2014</u>	<u>Additional Local Funds Committed</u>	<u>Additional State Funds Committed</u>
<i>Elementary Schools</i>				
Enatai	\$43,700,000	\$398,472	\$43,301,528	
Old Newport Heights	6,770,000	898	6,769,102	
<i>Middle Schools:</i>				
Chinook	57,155,000	52,395,323	4,759,677	
Odle	66,000,000	8,109,857	57,890,143	
Tillicum	75,000,000	332,138	74,667,862	
<i>High Schools:</i>				
Bellevue	92,518,130	85,219,457	7,298,673	
Sammamish	125,000,000	46,782,559	78,217,441	
Interlake Softball Field	1,500,000	559,647	940,353	
Newport Softball Field	1,500,000	12,427	1,487,573	
<i>Central Facilities</i>				
Transportation	18,488,704	15,220,553	3,268,151	
	<u>\$487,631,834</u>	<u>\$209,031,331</u>	<u>\$278,600,503</u>	

**B. Encumbrances**

Encumbrance accounting is employed in governmental funds. Purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve a portion of the applicable appropriation. Encumbrances lapse at the end of the fiscal year and may be re-encumbered the following year. The following encumbrance amounts were re-encumbered by fund on September 1, 2014.

<u>Fund</u>	<u>Amount</u>
General Fund	\$3,673,348
ASB Fund	279,440
Capital Projects Fund	117,838,192
Transportation Vehicle Fund	821,393
	<u>\$122,612,373</u>

**NOTE 9 – REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS**

The district's capital assets were insured in the amount of \$864,360,505 for the year ending August 31, 2014. In the opinion of the district's insurance consultant, this amount was sufficient to adequately fund replacement of the district's assets.

For major construction projects, insurance coverage is provided by the contractors' builder's risk insurance.

At August 31, 2014, the district had leased two closed schools and seven antenna sites at five locations for terms expiring between December 2014 and December 2019. Revenue from current operating leases for each of the next six years is expected to be:

2014-15	\$955,172
2015-16	609,216
2016-17	418,476
2017-18	103,958
2018-19	55,266
Remaining	18,666
	<u>\$2,160,754</u>

#### NOTE 10 – REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES

##### A. Long-Term Debt

###### Current Year General Obligations Bond Transactions

The following is a summary of general obligation long-term debt transactions of the district for the year ending August 31, 2014:

Long-term Debt Payable at 9/1/2013	\$538,040,000
New Issues	100,000,000
Debt Retired	<u>(30,450,000)</u>
Long-term Debt Payable at 8/31/2014	<u>\$607,590,000</u>

###### Detail of Bond Issues

Long-term bonded debt at August 31, 2014, consisted of the following issues:

Issue Name	Amount Authorized	Annual Installments	Final Maturity Date	Interest Rates	Amount Outstanding
2005 GO	\$138,000,000	\$4,080,000-\$4,565,000	12/1/2015	5.00%	\$8,645,000
2008 GO	\$125,200,000	\$1,000,000-\$13,735,000	12/1/2027	4.00-5.00%	81,200,000
2010 GO Refunding	\$95,305,000	\$6,720,000-\$15,805,000	12/1/2021	4.00-5.00%	87,855,000
2011 GO	\$197,000,000	\$5,000,000-\$19,110,000	12/1/2030	4.375-5.00%	190,750,000
2012 GO	\$100,000,000	\$2,940,000-\$6,205,000	12/1/2031	3.00-5.00%	80,000,000
2012 GO Refunding	\$59,140,000	\$4,580,000-\$10,305,000	12/1/2023	2.00-5.00%	59,140,000
2013 GO	\$100,000,000	\$3,000,000-\$20,300,000	12/1/2032	1.75-5.00%	100,000,000
					<u>\$607,590,000</u>

**Amortization Schedule**

The annual requirements to amortize bonded debt outstanding as of August 31, 2014, including interest, are as follows:

Years Ending August 31	Principal	Interest	Total
2015	\$35,040,000.00	\$29,172,381.94	\$64,212,381.94
2016	24,360,000.00	25,550,187.50	49,910,187.50
2017	26,415,000.00	24,320,812.50	50,735,812.50
2018	29,550,000.00	22,931,687.50	52,481,687.50
2019	32,380,000.00	21,448,687.50	53,828,687.50
2020-2024	201,930,000.00	81,243,962.50	283,173,962.50
2025-2029	179,290,000.00	36,536,606.25	215,826,606.25
2030-2033	78,625,000.00	4,748,375.00	83,373,375.00
Total	\$607,590,000.00	\$245,952,700.69	\$853,542,700.69

At August 31, 2014, the district had \$32,829,297 available in the Debt Service Fund to service the general obligation bonds.

**Bonds Authorized but Unissued**

On March 11, 2008, the voters of the district voted in favor of a ballot measure to authorize the sale of \$545,000,000 of unlimited tax general obligation bonds for rebuilding, constructing, equipping, modernizing, and improving the facilities of the district. On June 3, 2008, the board approved a resolution authorizing the issuance and sale of general obligation bonds in the amount of \$125,200,000, combining the remaining \$59,200,000 of unissued bonds authorized in 2002 for the same purpose and \$66,000,000 of the bonds authorized in 2008. On February 15, 2011, the board approved a resolution authorizing the issuance and sale of general obligation bonds. The par amount of the bonds, \$197,000,000, plus \$3,000,000 of premium generated by the bond sale, was deposited into the District's Capital Projects Fund, leaving the district with \$279,000,000 of authorization at the start of the 2011-12 fiscal year. On October 16, 2012, the board approved a resolution authorizing the issuance and sale of general obligation bonds. The par amount of the bonds, \$100,000,000, plus \$10,410,496.45 of premium generated by the bond sale, was deposited into the district's Capital Projects Fund, leaving the district with \$168,589,503.55 of authorization at the end of the 2012-13 fiscal year. On December 3, 2013, the board approved a resolution authorizing the issuance and sale of general obligation bonds. The par amount of the bonds, \$100,000,000, plus \$8,774,503.55 of premium generated by the bond sale, was deposited into the district's Capital Projects Fund, leaving \$59,815,000 remaining from the 2008 Bond Authorization which the district plans to issue over the next year. On February 11, 2014, the voters of the district voted in favor of a ballot measure to authorize the sale of \$450,000,000 of unlimited tax general obligation bonds to continue the facility improvements included in the 2008 Bond Authorization. Together with the remaining authorization of \$59,815,000 from the 2008 Bond Authorization and \$450,000,000 from the 2014 Bond Authorization, the district has a total of \$509,815,000 of bonds authorized but unissued at the end of the 2013-14 fiscal year.

**B. Short-Term Debt**

The district had no short-term borrowings during the year ending August 31, 2014.

**NOTE 11 – INTERFUND BALANCES AND TRANSFERS****A. Interfund Receivables and Payables**

Throughout the year, the General Fund processes transactions for the Capital Projects, Associated Student Body, Private-Purpose Trust, and Debt Service Funds. The General Fund is reimbursed for these transactions on a monthly basis. Also, transactions initially processed through the wrong fund are corrected and reimbursed to the appropriate fund.

Planned transfers between funds are included in the budgeting process. In 2013-14, there was a transfer of \$8,814,216 from the Capital Projects Fund to the General Fund for district-wide technology transactions.

As of August 31, 2014, interfund balances consisted of:

Due From:	Due to:				Due To Other Funds:
	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	
<i>Governmental Funds:</i>					
General Fund		\$39,368.48	\$697.08	\$1,395.46	\$41,461.02
Capital Projects Fund	\$9,056,488.34				9,056,488.34
ASB Fund	53,822.47				53,822.47
<i>Due From Other Funds:</i>	\$9,110,310.81	\$39,368.48	\$697.08	\$1,395.46	\$9,151,771.83

## B. Interfund Loans

There were no interfund loans during the year ending August 31, 2014.

## NOTE 12 – ENTITY RISK MANAGEMENT ACTIVITIES

The district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions or wrongful acts; injuries to employees; and some natural disasters. The district mitigates this risk through participation in an insurance pool for property and liability coverage and a combination of self-insurance for unemployment compensation and industrial injury.

### A. Property and Liability Insurance

The district is a member of the Schools Insurance Association of Washington (SIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1995, when seven mid-sized school districts in the State of Washington joined together by signing an Interlocal Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Presently, the SIAW program has 37 member districts.

The program allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Coverage for wrongful act liability and employee benefit liability is on a claims-made basis. All other coverages are on an occurrence basis. Of the various forms of group-purchased insurance coverage provided by the program for its members, the district participates in the following: property, flood, general liability, wrongful act liability, automotive liability, employee benefits, crime, and equipment breakdown.

The program acquires liability insurance through their Administrator, Clear Risk Solutions (previously Canfield), which is subject to a per-occurrence deductible of \$100,000. Members are responsible for the first \$2,500 of the deductible for each claim, while the program is responsible for the \$100,000 self-insured retention. Insurance carriers cover insured losses over \$102,500 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 portion of the self-insured retention. The program also purchases a Stop Loss Policy with an attachment point of \$3,400,000, which it fully funds in its annual budget.



Property insurance is subject to a per-occurrence self-insured retention of \$250,000. Members are responsible for a \$10,000 deductible for each claim. The program is responsible for the remaining \$250,000 self-insured retention. Insurance carriers cover insured losses over \$260,000 to the limits of each policy.

Equipment breakdown insurance is subject to a per-occurrence deductible of \$10,000. Members are responsible for the deductible amount of each claim.

Members contract to remain in the program for one year and must give notice before December 31 to terminate participation the following September 1. Renewal of the Interlocal Agreement occurs automatically each year. Even after termination, members are still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were signatories to the Interlocal Agreement.

The program is fully funded by its member participants. Claims are filed by members with Clear Risk Solutions, which has been contracted to perform program administration, claims adjustment, and administration and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ended August 31, 2014, were \$2,956,785.70.

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

The district continues to carry commercial insurance for all other risks of loss, including excess workers' compensation, foreign liability, and storage tank pollution liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **B. Unemployment Insurance**

The district self-insures unemployment compensation for all of its employees. Actual employee claims are paid by the State of Washington, Department of Employment Security, and then reimbursed by the district. Beginning with the year ending August 31, 1995, the district established and now maintains an estimated liability reserve by charging each of the district's programs at a rate estimated to provide coverage of the current year's claims plus appropriate reserves, with a contra account set up for the estimated liabilities. All expenses related to the program are charged directly to the liability account. For the year ending August 31, 2014, additions to the reserve for unemployment compensation were \$185,075, and expenses charged against the reserve were \$122,881. The remaining reserve balance at August 31, 2014, was \$529,868.

#### **C. Employee Industrial Injury Insurance**

The district self-insures industrial insurance claims that do not exceed \$350,000, its self-insurance retention amount through August 31, 2014. It reinsures claims for costs in excess of \$350,000 with dates of injury between October 1, 2003, and August 31, 2014. After approval by the State of Washington, Department of Labor and Industries, the district pays the claim of each eligible employee. Beginning with the year ending August 31, 1995, the district established and now maintains an estimated liability reserve by charging each of the district's programs at a rate estimated to provide coverage of the current year's claims plus appropriate reserves, a contra account set up for the estimated liabilities. All expenses related to the program are charged directly to the liability account. For the year ending August 31, 2014, additions to the reserve for industrial insurance were \$750,800, and expenses charged against the reserve were \$652,109. The remaining reserve balance at August 31, 2014, was \$737,495.

### **NOTE 13 – PROPERTY TAXES**

Property tax revenues are collected as the result of special levies passed by the voters in the district. Taxes are levied on January 1. The taxpayer has the obligation of paying all taxes on April 30 or one-half then and one-half on October 31. Typically, slightly more than half of the collections are made on the April 30 date. The October 31 collection is not

available in time to cover liabilities for the fiscal period ended August 31. Therefore, the fall portion of property taxes is not accrued as revenue. Instead, the property taxes due on October 31 are recorded as deferred revenue.

#### NOTE 14 – JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

##### A. King County Directors' Association

The district is a member of the King County Directors' Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. The district joined KCDA on May 22, 1964, and has remained in the joint venture ever since. The district's current equity of \$284,441 in this joint venture is the accumulation of the annual assignment of KCDA's operating surplus or deficit based upon the percentage derived from KCDA's total sales to the district compared to all other districts applied against paid administrative fees. The district may withdraw from the joint venture and will receive its equity in 10 annual allocations of merchandise or 15 annual payments.

##### B. Puget Sound Joint Purchasing Cooperative

The district is a member of the Puget Sound Joint Purchasing Cooperative (PSJPC). PSJPC is an organization comprised of more than 110 school districts throughout the State of Washington formed to ensure that member districts receive competitive bid pricing for food, supplies, and commodity processing. The primary focus of the joint purchasing agency is Child Nutrition Programs. The district became a member on September 1, 2009, and pays a fee that is based on the total equivalent lunches as reported on the last OSPI Report 1800 D - Expenditures and Revenues per Equivalent Lunch, with a minimum fee of \$250. Annual fees are determined by the Cooperative Board and are assessed to each member district to reimburse the Cooperative for administrative, legal, insurance, and other costs. Recent fees have ranged from \$1,500 to \$2,000 annually.

#### NOTE 15 – FUND BALANCE CLASSIFICATION DETAILS

The district's financial statements include the following amounts:

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund
<b>Nonspendable Fund Balance</b>					
Inventory and Prepaid Items	\$1,811,750	\$174,142			
<b>Restricted Fund Balance</b>					
Carryover of Restricted Revenues	221,852				
Debt Service			\$32,829,297		
Uninsured Risks					
Other Items		1,113,089		\$209,793,203	\$1,709,099
<b>Committed Fund Balance</b>					
Minimum Fund Balance Policy	12,555,908				
Other Commitments				8,286,547	
<b>Assigned Fund Balance</b>					
Contingencies					
Other Capital Projects	304,005				
Other Purposes	1,722,440				
Fund Purposes				20,360,740	
<b>Unassigned Fund Balance</b>	5,797,090				
<b>Total Fund Balance</b>	<u>\$22,413,045</u>	<u>\$1,287,231</u>	<u>\$32,829,297</u>	<u>\$238,440,490</u>	<u>\$1,709,099</u>

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

Restricted from Bond Proceeds	\$199,836,779
Committed from Levy Proceeds	8,286,547
Restricted from State Proceeds	9,956,424
<b>Total Restricted Fund Balance</b>	<u><u>\$218,079,750</u></u>

The board of directors has established a minimum fund balance policy for the General Fund to provide for financial stability and contingencies. The policy is that the district shall maintain a minimum fund balance of 5-6% of the prior year's actual expenditures. Portions of fund balance that are set aside for the purpose of meeting this policy are recorded on the financial statements as a part of Committed Fund Balance. The amount identified as committed for minimum fund balance represents 6% of the prior year actual expenditures. While the board does not intend to utilize any portion of the minimum fund balance, the board has the authority to adopt a change in policy or a budget extension to utilize a portion or all of the amounts committed for emergent needs or unexpected contingencies.

#### **NOTE 16 – POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS**

##### **A. 457 Plan – Deferred Compensation Plan**

District employees have the option of participating in a deferred compensation plan as defined in Section 457 of the Internal Revenue Code, administered by the State of Washington.

##### **B. 403(b) Plan – Tax Sheltered Annuity (TSA)**

The district offers a tax deferred annuity plan for its employees. The plan permits participants to defer a portion of their salary until future years under two types of deferrals: elective deferrals through employee contributions and employer discretionary contributions. Currently, the district does not provide employer discretionary contributions on behalf of any employee.

The district complies with IRS regulations that require school districts to have a written plan to include participating investment companies, types of investments, loans, transfers, and various requirements. The plan is administered by a third-party administrator. The plan assets are assets of the district employees, not the school district, and are therefore not reflected on these financial statements.

#### **NOTE 17 – TERMINATION BENEFITS**

##### **Compensated Absences**

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

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

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

No unrecorded current liability exists for other employee benefits.

## **NOTE 18 – OTHER DISCLOSURES**

### **A. Skills Center**

The district operates specific programs of the Washington Network for Innovative Careers (WaNIC), a regional skills center. This skills center is a regional cooperative program designed to enhance the learning opportunities for career and technical education for students of participating districts by avoiding unnecessary duplication of course offerings and allowing students from many districts to participate.

The skills center was created by an agreement of seven member districts in King County and is governed by an Administrative Council, comprised of the superintendents of all member districts, or their appointed representatives. The administration of the skills center is handled by a director who is not employed by the district.

WaNIC operates programs within member districts in a manner consistent with the branch campus model. Member districts may operate a program of WaNIC, but the program is still governed by the Administrative Council that oversees WaNIC. Member districts operating the skills center program report their own enrollment, separate from other WaNIC components, and receive direct apportionment funding as if they were a core campus. For the 2013-14 school year, the district spent \$686,743 on costs for WaNIC-related programs and received apportionment funding in the amount of \$648,981.

### **B. Change in Accounting Practice**

During 2013-14, the district changed its accounting practice regarding how it records amounts held in its Classified Dental Policy and its Certificated Life & LTD Policy Claims Fluctuation Reserve accounts at Standard Insurance. Changes in the value of the accounts occur from interest earnings and from claims experience. Prior to the change in accounting practice, all fluctuations in the value of the accounts flowed through the General Fund fund balance—interest earnings were recorded as Interest Income and claims experience changes were recorded as Other Financing Sources (Uses). Since these moneys are more appropriately considered to be benefits due to employees, the district believed that it was more appropriate to record the Claims Fluctuation Reserve accounts as a payroll liability.

Accordingly, the Claims Fluctuation Reserve accounts balances at September 1, 2013, of \$1,230,131.93 were removed from fund balance by means of a prior period adjustment reflected on the Statement of Revenues, Expenditures, and Changes in Fund Balance, and the liability account, Payroll Deductions and Taxes Payable, was increased. The account assets remained in the Investments/Cash with Trustee account. During the current year, the value of the Claims Fluctuation Reserve accounts increased by \$575,154.58, and this increase was reflected in the asset and liability accounts stated above.

### **C. Purchase of Property**

The district purchased the commercial building located at 12011 NE 1<sup>st</sup> Street which is adjacent to the current Bellevue School District Educational Service Center (ESC). The building has 47,000 square feet of office space that is leased to multiple parties. As those leases are completed, the building will be fully available for district use.

Several factors led to this purchase. Based on the most recent demographer report and continued enrollment growth, the district looked at options for the availability of suitable land for new schools. Current data indicates that new elementary schools will be needed for growth in the downtown core, the Bel-Red corridor, and Auto Row. The district has also experienced shortages in office space at the Education Service Center (ESC), Wilburton Instructional Service Center (WISC), and Management Services Center (MSC).

As part of this process, the district also analyzed the use of current district-owned property. The WISC property was formerly an elementary school and sits on a 5.96 acre site located at 12241 Main Street. With the purchase of the building adjacent to ESC, the office operations currently housed at WISC could be relocated to this building, freeing up the WISC property for a school site to address enrollment needs.

Large parcels of property are needed for school sites. An assessment of the real estate market revealed that there are very few centrally located large parcels of land in the Bellevue area, and most of those are being purchased for commercial real estate ventures resulting in prices in excess of \$3 million per acre.

The board authorized the purchase for the following reasons:

- To provide the potential for a large parcel centrally located at a smaller cost than buying vacant land;
- To increase options available to the district for the location of schools and programs;
- To provide a long-term solution to administrative space issues;
- To take advantage of an opportunity that may not be available again in the foreseeable future.

The purchase of the building was for \$12,000,000, and the sale closed on May 7, 2014. Funds for the purchase came from unrestricted Capital Projects Fund moneys received when the district sold its former administrative building in 1984 to the City of Bellevue for the Downtown Park. No funds from bond proceeds, local levies, or the general fund were used for the transaction.

Bellevue School District No. 405  
Schedule of Long-Term Liabilities: GENERAL FUND  
For the Year Ended August 31, 2014

Description	Beginning Outstanding Debt September 1, 2013	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2014	Amount Due Within One Year
<b>Non-Voted Debt and Liabilities</b>					
Capital Leases	0.00	0.00	0.00	0.00	0.00
Contracts Payable	0.00	0.00	0.00	0.00	0.00
Non-Cancellable Operating Leases	729,201.98	93,956.74	207,241.68	615,917.04	221,876.59
Claims & Judgments	0.00	0.00	0.00	0.00	0.00
Compensated Absences	2,549,936.51	222,243.07	0.00	2,772,179.58	1,963,151.89
Long-Term Notes	0.00	0.00	0.00	0.00	0.00
Anticipation Notes Payable	0.00	0.00	0.00	0.00	0.00
Lines of Credit	0.00	0.00	0.00	0.00	0.00
Other Non-Voted Debt	0.00	0.00	0.00	0.00	0.00
<b>Other Liabilities</b>					
Non-Voted Notes Not Recorded as Debt	0.00	0.00	0.00	0.00	0.00

Total Long-Term Liabilities	3,279,138.49	316,199.81	207,241.68	3,388,096.62	2,185,028.48
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## Schedule of Long-Term Liabilities: DEBT SERVICE FUND

For the Year Ended August 31, 2014

Description	Beginning Outstanding Debt September 1, 2013	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2014	Amount Due Within One Year
<b>Voted Debt</b>					
Voted Bonds	538,040,000.00	100,000,000.00	30,450,000.00	607,590,000.00	35,040,000.00
LOCAL Program Proceeds Issued in Lieu of Bonds	0.00	0.00	0.00	0.00	0.00
<b>Non-Voted Debt</b>					
Non-Voted Bonds	0.00	0.00	0.00	0.00	0.00
LOCAL Program Proceeds	0.00	0.00	0.00	0.00	0.00
Total Long-Term Liabilities	538,040,000.00	100,000,000.00	30,450,000.00	607,590,000.00	35,040,000.00

## Schedule of Long-Term Liabilities: CAPITAL PROJECTS FUND

For the Year Ended August 31, 2014

Description	Beginning Outstanding Debt September 1, 2013	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2014	Amount Due Within One Year
<b>Non-Voted Debt and Liabilities</b>					
Capital Leases	0.00	0.00	0.00	0.00	0.00
Contracts Payable	0.00	0.00	0.00	0.00	0.00
Claims & Judgments	0.00	0.00	0.00	0.00	0.00
Compensated Absences	115,587.32	8,224.88	0.00	123,812.20	78,820.47
Long-Term Notes	0.00	0.00	0.00	0.00	0.00
Anticipation Notes Payable	0.00	0.00	0.00	0.00	0.00
Lines of Credit	0.00	0.00	0.00	0.00	0.00
Other Non-Voted Debt	0.00	0.00	0.00	0.00	0.00
<b>Other Liabilities</b>					
Non-Voted Notes Not Recorded as Debt	0.00	0.00	0.00	0.00	0.00
Total Long-Term Liabilities	115,587.32	8,224.88	0.00	123,812.20	78,820.47



**Bellevue School District No. 405**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ending August 31, 2014**

Federal Agency Name	Pass-Through Agency	Federal Program Title	Federal CFDA No.	Other Identification Number	Expenditures		Foot-note Ref.
					Direct Awards	Pass-Through Awards	
U.S. Dept of Agriculture	WA OSPI	National School Lunch Program (A) - Cash Assistance	10.555			\$1,916,183	3, 6
	WA OSPI	National School Lunch Program (A) - Commodities	10.555			311,721	4, 6
	WA OSPI	Child and Adult Care Food Program	10.558			36,389	3
	WA OSPI	Summer Food Service Program for Children (A)	10.559			63,369	3
	Office of State Treasurer	Schools and Roads - Grants to States (A)	10.665			10,435	
<b>Subtotal U.S. Department of Agriculture</b>							
						<b>\$2,338,097</b>	
U.S. Dept of Education		ARRA - Investing In Innovation (i3) Fund	84.396	U396C100150	\$1,034,603		8, 11
	WA OSPI	Title I Grants to Local Educational Agencies (A)	84.010	201337		\$1,670,270	6, 7
	WA OSPI	Special Education - Grants to State (A)	84.027	304874		3,324,417	6,7
	WA OSPI	Special Education - Grants to State (A)	84.027	337606		216,145	6
	WA OSPI	Special Education - Preschool Grants (A)	84.173	385323		814	6
	WA OSPI	Special Education - Preschool Grants (A)	84.173	0364400		84,732	7
	WA OSPI	Career & Technical Education - Basic Grants to States (A)	84.048	0172616		60,847	7
	WA OSPI	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330	0887329		5,828	
	WA OSPI	English Language Acquisition Grants (A)	84.365	401813		354,167	6, 9
	WA OSPI	English Language Acquisition Grants (A)	84.365	410523		46,474	6, 9
	WA OSPI	Improving Teacher Quality State Grants (A)	84.367	523294		497,513	7
		<b>Subtotal Department of Education</b>			<b>\$1,034,603</b>	<b>\$6,261,206</b>	
						<b>\$7,295,809</b>	
U.S. Dept of Health & Human Services	ESD 121	Head Start (B)	93.600			\$863,405	10
		<b>Subtotal Department of Health &amp; Human Services</b>				<b>\$863,405</b>	
					<b>\$1,034,603</b>	<b>\$9,462,708</b>	
<b>TOTAL FEDERAL AWARDS EXPENDED</b>							
						<b>\$10,497,311</b>	

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

**Bellevue School District No. 405**  
**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 same basis of accounting as the Bellevue School District's financial statements. The Bellevue School District uses the modified accrual basis of accounting. Expenditures represent only the federally funded portions of the program. District records should be consulted to determine amounts expended or matched from non-

**Note 2 - Program Costs/Matching Contributions**

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

**Note 3 - 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 4 - Non Cash Awards**

The amount of food commodities reported on the schedule is the value of food commodities distributed by the Bellevue School District during the current year and priced as prescribed by the U.S. Department of Agriculture.

**Note 5 - Schoolwide Programs**

The Bellevue School District operated a "schoolwide program" in four elementary buildings and one middle school for the 2013-14 school year. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students rather than limit services to certain targeted students. The following federal program amounts were expended by the District in its schoolwide programs: Title I (84.010) \$1,670,270.

**Note 6 - Multiple Grants per Federal CFDA No.**

Certain programs have more than one grant and are listed separately on the Schedule of Expenditures of Federal Awards. To provide more clarity, additional information is provided below:

	CFDA #	Other ID	Amount
<b>National School Lunch Program (A):</b>			
Nutrition Services Program	10.555	N/A	\$1,916,183
USDA Commodities	10.555	N/A	\$311,721
<b>Total National School Lunch Program (A)</b>			<b>\$2,227,905</b>
<b>Special Education - Grants to State (A):</b>			
Individuals with Disabilities Education Act (IDEA-B)	84.027	304874	\$3,324,417
Safety Net	84.027	337606	\$216,145
<b>Subtotal</b>			<b>\$3,540,562</b>
Individuals with Disabilities Education Act Preschool (IDEA-E)	84.173		\$84,732
Safety Net Preschool	84.173	385323	\$814
<b>Subtotal</b>			<b>\$85,546</b>
<b>English Language Acquisition Grants (A):</b>			
Title III	84.365	401,813.00	\$354,167
Immigrant Competitive	84.365	410,523.00	\$46,474
<b>Total English Language Acquisition Grants (A)</b>			<b>\$400,641</b>

**Note 7 - Federal Indirect Rate**

The Bellevue School District used the federal restricted rate of 3.61%.

**Note 8 - Federal Indirect Rate**

The Bellevue School District used the federal restricted rate of 2.46% that was in place when the grant was awarded.

**Note 9 - Federal Indirect Rate**

The indirect rate for Title III - Migrant and Bilingual grants was capped at 2.00%.

**Note 10 - Federal Indirect Rate**

Beginning in November 2013, the indirect rate for Head Start was 5%, and the District included 5% indirects in the \$723,528 spent from November 1, 2013, through August 31, 2014. Prior to November 2013, the District did not charge indirects to Head Start.

**Note 11 - American Recovery and Reinvestment Act (ARRA)**

The funding for this program was provided by the American Recovery and Reinvestment Act of 2009 (ARRA). Of the amount shown, no monies were paid to subrecipients.

## ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens 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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