



Washington State Auditor's Office

Government that works for citizens

Financial Statements and Federal Single Audit Report

Lake Washington School District No. 414

King County

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

Published May 26, 2016

Report No. 1016760





Washington State Auditor's Office

May 26, 2016

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

Report on Financial Statements and Federal Single Audit

Please find attached our report on Lake Washington School District No. 414's financial statements and compliance with federal laws and regulations.

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

Sincerely,

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Lake Washington School District No. 414
King County
September 1, 2014 through August 31, 2015

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

We reported findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Federal Programs:

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
10.555	National School Lunch Program
84.010	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 \$340,616.

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See finding 2015-001.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Lake Washington School District No. 414 King County September 1, 2014 through August 31, 2015

2015-001 The District did not have adequate internal controls to ensure compliance with federal suspension and debarment requirements for its Title I program.

CFDA Number and Title:	84.010 Title I Grants to Local Educational Agencies
Federal Grantor Name:	U.S. Department of Education
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	Office of Superintendent Public Instruction
Pass-through Award/Contract Number:	NA
Questioned Cost Amount:	\$0

Description of Condition

The objective of the Title I program is to assist local educational agencies (LEAs) improve the teaching and learning of children who are at risk of not meeting challenging academic standards and who reside in areas with high concentrations of children from low-income families. During the 2014-2015 school year, the District expended \$1,750,280 in Title I grant funds.

Federal grant regulations prohibit recipients from contracting with or making subawards to parties suspended or debarred from doing business with the federal government. For vendor contracts of \$25,000 or more and all subawards, the District must ensure the vendor or subrecipient is not suspended or debarred. The District can obtain a written certification from the vendor or insert a clause into the contract where the vendor states it is not suspended or debarred. Alternatively, the District may review the federal Excluded Parties List (EPLS) issued by the U.S. General Services Administration. These requirements must be met prior to entering into a contract with the vendor.

We reviewed four contracts and determined the District did not obtain a written certification, include a clause in the contract, or review the EPLS website to verify

the vendors were not suspended or debarred. The District's process to ensure vendors were not suspended and debarred prior to entering a contract was to check EPLS, however no documentation was maintained to support it did this.

We consider the internal control deficiency to be material weakness.

Cause of Condition

The District did not maintain documentation to demonstrate it was in compliance with suspension and debarment requirements for federally funded contracts due to an oversight.

Effect of Condition and Questioned Costs

We reviewed four contracts totaling \$232,122 and found the District did not have evidence it verified the vendors were not suspended or debarred prior to entering into a contract.

Without proper controls in place to evidence compliance with grant requirements, the District increases the risk of awarding funds to vendors and subrecipients that are suspended or debarred from participating in federal programs. Any payments made to an ineligible party are unallowable and would be subject to recovery by the funding agency. Failure to comply with federal requirements may jeopardize the District's eligibility for future federal assistance.

We were able to verify the vendors were not suspended or debarred; therefore, we will not question these costs.

Recommendation

We recommend the District strengthen its internal controls to ensure vendors paid with federal funds are not suspended or debarred and retain documentation to demonstrate compliance.

District's Response

The district concurs with the auditor's finding that four contracts did not have documentation on suspension and debarment. The district has procedures in place and communicates these procedures with the federal grant managers each year. The auditor was provided a copy of these procedures. These procedures require that each department run an EPLS search on the vendor and also have the vendor sign a suspension and debarment certification. The Business Office reviews the contracts prior to signature. Prior to the audit, the district had already reemphasized in its process that a final review would be done in the purchasing department in order to ensure appropriate documentation was on hand prior to the purchase order being issued. The district has yet to come

across a vendor that has been suspended or debarred from participating in federal programs.

Auditor's Remarks

We thank the District for its cooperation and assistance during the audit and acknowledge its commitment to improvements. We will review the status of this issue during our next audit.

Applicable Laws and Regulations

Title 2, Code of Federal Regulations, Section 180.220, states in part, are any procurement contracts included as covered transactions?

(b) Specifically, a contract for goods or services is a covered transaction if any of the following applies:

(1) The contract is awarded by a participant in a non-procurement transaction that is covered under §180.210, and the amount of the contract is expected to equal or exceed \$25,000 . . .

(c) A subcontract also is a covered transaction if, -

(1) It is awarded by a participant in a procurement transaction under a nonprocurement transaction of a Federal agency that extends the coverage of paragraph (b)(1) of this section to additional tiers of contracts (see the diagram in the appendix to this part showing that optional lower tier coverage); and

(2) The value of the subcontract is expected to equal or exceed \$25,000.

Title 2, Code of Federal Regulations, Section 180.300 – What must I do before I enter into a covered transaction with another person at the next lower tier?

When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

(a) Checking the EPLS; or

(b) Collecting a certification from that person; or

(c) Adding a clause or condition to the covered transaction with that person.

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

The auditee shall:

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

(c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

Government Auditing Standards, December 2011 Revision, paragraph 4.23 states:

4.23 When performing GAGAS financial audits, auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and (4) abuse that has a material effect on the audit.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: ...

Deficiency in 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 on a timely basis. A deficiency in *design* exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in *operation* exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Material weakness in internal control over compliance.

A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of the event is either reasonably possible or probable as defined as follows:

Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.

Remote. The chance of the future event or events occurring is slight.

Probable. The future event or events are likely to occur. ...

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**Lake Washington School District No. 414
King County
September 1, 2014 through August 31, 2015**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lake Washington School District No. 414, King County, Washington, as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 24, 2016. As discussed in Note 1 to the financial statements, during the year ended August 31, 2015, the District implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a

deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other

purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

May 24, 2016

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

**Lake Washington School District No. 414
King County
September 1, 2014 through August 31, 2015**

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

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

We have audited the compliance of Lake Washington School District No. 414, King County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2015. The District's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2015.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2015-001 to be a material weakness.

District's Response to Findings

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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



TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

May 24, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Lake Washington School District No. 414 King County September 1, 2014 through August 31, 2015

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lake Washington School District No. 414, King County, Washington, as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 21.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Lake Washington School District No. 414, as of August 31, 2015, and the respective changes in financial position thereof, and the respective budgetary comparison for the General and Special Revenue (Associated Student Body Fund) funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 22 through 30, information on postemployment benefits other than pensions on page 69 and pension trust fund information on pages 70 through 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic

financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report

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

A handwritten signature in cursive script that reads "Troy X. Kelley". The signature is written in dark ink on a white background.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

May 24, 2016

FINANCIAL SECTION

Lake Washington School District No. 414
King County
September 1, 2014 through August 31, 2015

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2015

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2015

Statement of Activities – 2015

Balance Sheet – Governmental Funds – 2015

Reconciliation – Balance Sheet/Statement of Net Position – 2015

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental
Funds – 2015

Reconciliation – Statement of Revenues, Expenditures and Changes in Fund
Balance/Statement of Activities – 2015

Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget to Actual –
General Fund – 2015

Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget to Actual –
Special Revenue Fund (Associated Student Body Fund) – 2015

Statement of Fiduciary Net Position – Fiduciary Funds – 2015

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2015

Notes to the Financial Statements – 2015

REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Valuation of Post-Employment Benefits Other Than Pension – Schedule of
Funding Progress – 2015

Schedule of the District's Proportionate Share of the Net Pension Liability and Schedule of
District Contributions – 2015

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2015

Notes to the Schedule of Expenditures of Federal Awards – 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Lake Washington School District No. 414's financial performance provides an overview of the district's financial activities for the fiscal year ended August 31, 2015.

FINANCIAL HIGHLIGHTS

- The district's Statement of Net Position reports net position of \$377 million as of August 31, 2015.
- During the year, the district had revenues that were \$15 million higher than the \$339 million in expenses incurred for all governmental activities, resulting in a corresponding increase in the district's Net Position.
- The district refunded bonds on June 17, 2015. The total net present value savings for the refunding is \$15,261,866.
- The general fund reported an increase in fund balance of \$6,428,298 for the fiscal year.
- The average student enrollment increased by 641 full time equivalent students (FTE's) over the previous year.

USING THIS ANNUAL REPORT

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

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Governmental Fund Financial Statements

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

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

THE DISTRICT AS A WHOLE

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

Net position serves as a useful indicator of a government's financial position. The Lake Washington School District's assets exceeded liabilities by \$376,974,325 at the end of the 2014-2015 fiscal year.

The largest portion, \$395 million of net position is the investment in capital assets (e.g., land, building, and equipment), less any related outstanding debt used to acquire those assets. Resources required to repay this debt comes from property tax levies. Twenty-five percent of the net position represents resources committed for capital projects, debt payments and contractual obligations. These assets are restricted and not available for general operations and maintenance of district education programs.

The remaining unrestricted net position includes \$29 million that can be used to finance the day-to-day operations without such constraints as debt covenants, legislation, or other legal requirements and -\$141 million represents GASB 68 requirements.

GASB Statement No. 68; *Accounting and Financial Reporting for Pensions* was implemented for the fiscal year ended August 31, 2015. Our financial statements now include the financial support and liability that is provided to us by the WA State Department of Retirement Services (DRS). Restatement in accordance with GASB Statement No. 68 resulted in a reduction to Beginning Net Position in the amount of \$124,606,729 for Net Pension Liability.

Table 1
Net Position

	2014-2015	2013-2014
Current and Other Assets	\$187,331,090	\$181,724,894
Capital Assets	840,309,581	825,782,432
Total Assets	\$1,027,640,671	\$1,007,507,326
Deferred Outflows of Resources	\$18,389,449	-
Total Assets and Deferred Outflows of Resources	<u>\$1,046,030,120</u>	<u>\$1,007,507,326</u>
Long-Term Debt Outstanding	\$623,508,621	\$504,175,714
Other Liabilities	26,902,924	16,476,964
Total Liabilities	\$650,411,545	\$520,652,678
Deferred Inflows of Resources	\$18,644,251	-
Total Liabilities and Deferred Inflows of Resources	<u>\$669,055,796</u>	<u>\$520,652,678</u>
Invest in Cap Assets, Net of Debt	\$395,579,495	\$376,387,701
Restricted	92,939,677	87,422,890
Unrestricted	(111,544,847)	23,044,057
Total Net Position	<u>\$376,974,325</u>	<u>\$486,854,648</u>

The 2014-2015 revenues of \$354 million were more than expenditures of \$339 million by \$15 million. The net position of the district's governmental activities increased by \$15 million, which is a 4% increase during the year.

Table 2
Changes in Net Position

	Primary Government Governmental Activities	
	2014-15	2013-14
Revenues		
Program Revenues		
Charges for Services	\$17,266,759	\$17,062,107
Operating Grants and Contributions	47,026,983	43,175,501
Capital Grants and Contributions	6,311,769	18,517,392
General Revenues:		
Property Taxes	142,438,630	129,721,092
Interest and Investment Earnings	759,003	687,500
Other Revenues	139,941,065	132,058,226
Total Revenues	\$353,744,209	\$341,221,818
Program Expenses		
Regular Instruction	\$183,017,369	\$165,861,372
Special Instruction	41,109,974	36,851,036
Vocational Instruction	6,769,048	6,052,632
Skills Center	970,529	819,375
Compensatory Education	11,385,064	9,637,231
Other Instructional Programs	5,698,895	5,523,290
Community Services	2,027,310	1,855,434
Support Services	64,232,430	54,145,126
Extracurricular Activities (ASB)	2,996,089	3,376,951
Debt Payment	20,811,095	21,224,508
Total Expenses	\$339,017,803	\$305,346,955
Increase (Decrease) in Net Position	\$14,726,406	\$35,874,863
Net Position, Beginning of Year (Restated)	\$362,247,919	\$450,979,785
Net Position, End of Year	\$376,974,325	\$486,854,648
Governmental Activities		

Governmental Activities

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2014-2015	2013-2014	2014-2015	2013-2014
Regular Instruction	\$183,017,369	\$165,861,372	\$177,273,668	\$152,861,581
Special Instruction	41,109,974	36,851,036	15,701,917	10,895,282
Vocational Instruction	6,769,048	6,052,632	6,459,142	5,460,300
Skills Center	970,529	819,375	854,174	713,430
Compensatory Instruction	11,385,064	9,637,231	2,418,695	1,195,309
Other Instructional Programs	5,698,895	5,523,290	(284,854)	(850,469)
Support Services	64,232,430	54,145,126	45,866,535	35,910,226
All Others	25,834,494	26,456,893	20,123,015	20,406,296
Totals	\$339,017,803	\$305,346,955	\$268,412,292	\$226,591,955

THE DISTRICT FUNDS

As the district completed the fiscal year, its governmental funds (as presented in the balance sheets under the governmental financial statement section) reported a combined fund balance of \$87.3 million, which is lower than the prior year by \$11 million. This decrease is primarily due to an increase in capital spending. The fund balance in the general fund increased by \$6.4 million.

Table 4 presents a summary of the governmental fund's revenues and expenditures for 2014-2015 and the percentage increases/decreases in relation to the prior year.

Table 4
Government Fund Revenues and Expenditures

	2014-15 Amounts	Percent of Total	Increase (Decrease) Over 2013-14	Percent Increase (Decrease)
Revenues:				
Local Tax/Non-Tax	\$158,684,598	45.62%	\$10,594,710	7.15%
State Revenues	172,777,825	49.67%	(2,575,949)	(1.47%)
Federal Revenues	13,464,888	3.87%	936,084	7.47%
Other Revenues	2,941,645	0.84%	(214,662)	(6.80%)
Total Revenues	\$347,868,956	100.00%	\$8,740,183	2.58%
Expenditures:				
Regular Instruction	\$157,345,334	40.21%	\$8,046,564	5.39%
Special Instruction	35,343,436	9.03%	2,172,274	6.55%
Vocational Instruction	5,819,547	1.49%	371,319	6.82%
Skills Center	834,392	0.21%	96,838	13.13%
Compensatory Instruction	9,788,070	2.50%	1,113,194	12.83%
Other Instructional Prog.	4,899,505	1.25%	(72,240)	(1.45%)
Community Services	1,864,335	0.48%	162,750	9.56%
Support Services	55,213,054	14.11%	6,474,757	13.28%
Student Services	2,755,234	0.70%	(341,707)	(11.03%)
Capital Outlay	38,478,433	9.83%	13,216,256	52.32%
Debt Service	78,990,545	20.19%	31,959,237	67.95%
Total Expenditures	\$391,331,885	100.00%	\$63,199,242	19.26%

General Fund

Revenues and other financing sources for the general fund totaled \$267.9 million. This was \$16,283,946 or 6.47% more than the prior year. Expenditures in the general fund amounted to \$261.5 million for the fiscal year ended August 31, 2015. This was \$13,772,350 or 5.56% percent more than the prior year. Ending fund balance was \$32.5 million, \$6.4 million higher than the prior year. These changes are primarily due to increased state revenues.

Special Revenue Fund (ASB)

The ASB (Associated Student Body) fund is established for the purpose of supporting extra-curricular student activities. The funds are generated through students' fund raising events, student fees, and donations.

Changes in the ASB fund balance for the fiscal year ended August 31, 2015 is detailed in Table 5.

Table 5
ASB Recap

	8/31/2014				8/31/2015
	Fund				Fund
	Balance	Revenues	Transfers	Expenditures	Balance
General	\$805,995	\$1,783,612	(\$518,685)	\$1,230,821	\$840,101
Athletics	41,286	284,758	458,902	717,997	66,949
Classes	47,496	131,022	7,586	118,648	67,456
Clubs	116,553	620,591	52,197	638,340	151,001
Private	1,100	49,755	0	49,428	1,427
	\$1,012,430	\$2,869,738	\$0	\$2,755,234	\$1,126,934

Capital Projects Fund

The proceeds from the sales of unlimited general obligation bonds, capital levies, state construction assistance program funds, investment earnings, and impact/mitigation fees facilities are accounted for in the Capital Projects Fund. Capital assets are capitalized and depreciated in the government-wide statement of net position and statement of activities. The district has completed major projects included in a 2006 bond authorization. Capital dollars continue to be used for smaller capacity projects, facility improvements, major renovations, and technology system upgrades.

Debt Service Fund

The Debt Service fund is used to account for the accumulation of resources for the payment of general long-term debt principal, interest, and related expenditures. Revenues are from property tax levies and investment earnings.

Transportation Vehicle Fund

The Transportation Vehicle fund is used for the purchase, major repair, rebuilding, and related debt service incurred for pupil transportation equipment. Revenues are from state depreciation funds on district owned buses and investment earnings.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The district has \$1,068 million invested in land, buildings, transportation equipment, and other equipment as of August 31, 2015. This is a \$39 million increase from the previous fiscal year. Table 6 shows the various components of the district's capital assets.

Table 6
Capital Assets-08/31/15
(In Millions)

	Historical Cost	Accumulated Depreciation	Book Value
Land	\$37.4		\$37.4
Buildings and Improvements	1000.7	\$219.4	781.3
Equipment	19.1	8.9	10.2
Construction in Progress	11.4		11.4
Totals	<u>\$1,068.6</u>	<u>\$228.3</u>	<u>\$840.3</u>

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

Alcott El Portables	1.0
Lake WA HS Portables	3.0
Redmond El Portables	<u>1.4</u>
	<u>\$5.4</u>

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

Debt

Bonds outstanding totaled \$431.28 million as of August 31, 2015. This is a decrease of \$30.17 million from the previous fiscal year. The district issued \$162.8 million in general obligation bonds to advance refund \$167.765 million of outstanding 2004, 2004B, 2006 and 2007 serial bonds. Note 9 to the financial statements provides additional debt information.

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

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

ECONOMIC FACTORS

For calendar year 2015, the total property tax rate for special levies and bond debt was \$3.29 per thousand dollars of assessed value. The projected rate for 2016 is expected to be \$3.26. Total assessed value increased by 16.71% from \$37.1 billion to \$43.3 billion in 2015. For 2016 the projected assessed valuation is \$44.6 billion, an increase of 3% over the prior year.

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

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

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

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

Lake Washington School District No. 414
Statement of Net Position
08/31/15

	Primary Government <u>Governmental Activities</u>
Assets	
Cash & Cash Equivalents	\$114,300,718
Property Tax Receivable	68,600,584
Accounts Receivable, Net	127,038
Due From Other Gov't. Units	656,266
Inventories at Cost	479,531
Prepaid Items	3,166,953
Capital Assets, Net of Accum. Depn.:	
Land	37,451,642
Buildings & Improvements	781,329,608
Equipment	10,141,996
Construction-in-Progress	11,386,335
Total Assets	<u>\$1,027,640,671</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	\$7,866,281
Deferred Pension Plan	10,523,168
Total Deferred Outflows of Resources	<u>\$18,389,449</u>
 Total Assets and Deferred Outflows of Resources	 <u>\$1,046,030,120</u>
Liabilities	
Accounts Payable	\$16,462,415
Accrued Wages & Benefits Pay.	6,611,548
Unearned Revenue	3,828,961
Long-Term Liabilities:	
Due Within One Year	30,739,842
Due In More Than One Year	438,714,474
Unamortized Debt Premium/Discount	21,316,364
Pension Plan	132,737,941
Total Liabilities	<u>\$650,411,545</u>
Deferred Inflows of Resources	
Deferred Pension Plan	\$18,644,251
Total Deferred Inflows of Resources	<u>\$18,644,251</u>
 Total Liabilities and Deferred Inflows of Resources	 <u>\$669,055,796</u>
Net Position	
Net Investment In Capital Assets	\$395,579,495
Restricted For:	
Capital Projects	58,821,915
Debt Service	30,682,048
Other Purposes	3,435,714
Unrestricted	(111,544,847)
Total Net Position	<u>\$376,974,325</u>

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

Lake Washington School District No. 414
Statement of Activities
For the Fiscal Year Ended 8/31/2015

Functions/Programs	Expenses	Charges for Services	Program Revenues	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			Operating		Primary
			Grants and Contributions		Governmental Activities
Primary Government: Governmental Activities:					
Regular Instruction	\$183,017,369	\$1,836,344	\$218,770	\$3,688,587	(\$177,273,668)
Special Instruction	41,109,974		24,579,514	828,543	(15,701,917)
Vocational Instruction	6,769,048	66,387	107,094	136,425	(6,459,142)
Skills Center	970,529	58,491	38,304	19,560	(854,174)
Compensatory Education	11,385,064	165,588	8,571,323	229,458	(2,418,695)
Other Instructional Programs	5,698,895	4,237,346	1,631,546	114,857	284,854
Community Services	2,027,310	1,600,785	299,574		(126,951)
Support Services	64,232,430	5,490,698	11,580,858	1,294,339	(45,866,535)
Extracurricular Activities(ASB)	2,996,089	3,811,120			815,031
Int. Paymt. On L/T Debt	20,811,095				(20,811,095)
Total Governmental Activities	\$339,017,803	\$17,266,759	\$47,026,983	\$6,311,769	(\$268,412,292)

General Revenues:

Property Taxes, Levies for Maintenance and Operations	\$62,902,098
Property Taxes, Levies for Debt Service	37,559,691
Property Taxes, Levies for Capital Projects	41,976,841
Unallocated State Apportionment & Others	139,941,065
Interest and Investment Earnings	759,003
Total General Revenues & Special Items	<u>\$283,138,698</u>

Changes in Net Position \$14,726,406

Beginning Net Position As Previously Stated	\$486,854,648
Cumulative Effect of Change in Accounting Principle	(\$124,606,729)
Beginning Net Position As Restated	<u>\$362,247,919</u>

Ending Net Position \$376,974,325

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

Lake Washington School District No. 414
Balance Sheet
Government Funds
08/31/15

	General Fund	Special Revenue Fund (ASB)	Debt Service Fund	Capital Project Fund	Transportation Vehicle Fund	Total Government Funds
Assets						
Cash and Cash Equivalents	\$45,371,800	\$2,128,503	\$12,606,606	\$50,418,393	\$3,775,416	\$114,300,718
Property Taxes Receivable	30,296,638		18,116,433	20,187,513		68,600,584
Accounts Receivable, Net	70,481					70,481
Accrued Interest	20,731	744	6,337	27,208	1,537	56,557
Due From Other Funds	82,010	7,781		24,500		114,291
Due From Other Gov't Units	656,266					656,266
Inventories at Cost	479,531					479,531
Prepaid Items	3,029,161	56,728		81,064		3,166,953
Total Assets	\$80,006,618	\$2,193,756	\$30,729,376	\$70,738,678	\$3,776,953	\$187,445,381
Liabilities						
Accounts Payable	\$3,147,847	\$110,554		\$11,892,263	\$1,311,751	\$16,462,415
Accrued Wages & Benefits Pay.	10,924,535					10,924,535
Due To Other Funds	29,281	3,548		81,462		114,291
Unearned Revenue	2,876,241	952,720				3,828,961
Total Liabilities	\$16,977,904	\$1,066,822	\$0	\$11,973,725	\$1,311,751	\$31,330,202
Deferred Inflows of Resources						
Unavailable Revenue	\$30,463,739		\$18,116,433	\$20,187,513		68,767,685
Total Deferred Inflows of Resources	\$30,463,739	\$0	\$18,116,433	\$20,187,513	\$0	\$68,767,685
Fund Balances						
Nonspendable Fund Balance	\$3,508,692	\$56,728		\$81,064		\$3,646,484
Restricted Fund Balance	3,229,035	\$1,070,206	\$12,612,943	\$30,937,343	2,465,202	50,314,729
Committed Fund Balance				5,666,925		5,666,925
Assigned Fund Balance				1,892,108		1,892,108
Unassigned Fund Balance	25,827,248					25,827,248
Total Fund Balances	\$32,564,975	\$1,126,934	\$12,612,943	\$38,577,440	\$2,465,202	\$87,347,494
Total Liab., Deferred Inflow of Resources and Fund Balance	\$80,006,618	\$2,193,756	\$30,729,376	\$70,738,678	\$3,776,953	\$187,445,381

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

Lake Washington School District No. 414
Reconciliation
Balance Sheet/Statement of Net Position
08/31/15

	Total Governmental Funds	Long-Term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
Assets				
Cash and Cash Equivalents	\$114,300,718			\$114,300,718
Property Taxes Receivable	68,600,584			68,600,584
Accounts Receivable, Net	127,038			127,038
Due From Other Funds	114,291		(\$114,291)	0
Due From Other Gov't Units	656,266			656,266
Inventories at Cost	479,531			479,531
Prepaid Items	3,166,953			3,166,953
Capital Assets, Net		\$840,309,581		840,309,581
Total Assets	\$187,445,381	\$840,309,581	(\$114,291)	\$1,027,640,671
Deferred Outflows of Resources				
Deferred Charge on Refunding		\$7,866,281		\$7,866,281
Deferred Pension Plan		10,523,168		10,523,168
Total Deferred Outflows of Resources		\$18,389,449		\$18,389,449
Total Assets and Deferred Outflows of Resources	\$187,445,381	\$858,699,030	-\$114,291	\$1,046,030,120
Liabilities				
Accounts Payable	\$16,462,416			\$16,462,416
Accrued Wages & Benefits Pay.	10,924,535	(\$4,312,987)		6,611,548
Due To Other Funds	114,291		(\$114,291)	0
Unearned Revenue	3,828,961			3,828,961
Long-Term Liabilities		623,508,619		623,508,619
Total Liabilities	\$31,330,203	\$619,195,632	(\$114,291)	\$650,411,544
Deferred Inflows of Resources				
Unavailable Revenue	\$68,767,685	(\$68,767,685)		\$0
Deferred Pension Plan		18,644,251		18,644,251
Total Deferred Inflows of Resources	\$68,767,685	(\$50,123,434)		\$18,644,251
Fund Balances/Net Position	\$87,347,493	\$289,626,832		\$376,974,325
Total Liabilities, Deferred Inflows Of Resources and Fund Balances/Net Position	\$187,445,381	\$858,699,030	(\$114,291)	\$1,046,030,120

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

Lake Washington School District No. 414
Statement of Revenues, Expenditures, and Changes in Fund Balances
Government Funds
For the Fiscal Year Ended 8/31/2015

	General Fund	Special Revenue Fund (ASB)	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Total Governmental Funds
Revenues						
Local	\$77,728,651		\$37,778,738	\$43,159,221	\$17,988	\$158,684,598
State	172,017,732				760,093	172,777,825
Federal	11,429,084		2,035,804			13,464,888
Miscellaneous	71,907	\$2,869,738				2,941,645
Total Revenues	\$261,247,374	\$2,869,738	\$39,814,542	\$43,159,221	\$778,081	\$347,868,956
Expenditures						
Regular Instruction	\$157,345,334					\$157,345,334
Special Instruction	35,343,436					35,343,436
Vocational Instruction	5,819,547					5,819,547
Skills Center	834,392					834,392
Compensatory Instruction	9,788,070					9,788,070
Other Instructional Programs	4,899,505					4,899,505
Community Services	1,864,335			\$9,955,482		1,864,335
Support Services	45,257,572					55,213,054
Student Services		\$2,755,234				2,755,234
Capital Outlay	344,153			36,822,529	\$1,311,751	38,478,433
Debt Service-Principal			\$56,475,000			56,475,000
Debt Service-Interest & Other			22,488,708	26,837		22,515,545
Total Expenditures	\$261,496,344	\$2,755,234	\$78,963,708	\$46,804,848	\$1,311,751	\$391,331,885
Revenues Over (Under) Exp.	(\$248,970)	\$114,504	(\$39,149,166)	(\$3,645,627)	(\$533,670)	(\$43,462,929)
Other Financing Sources (Uses)						
Issuance of Refunding Bonds			\$162,800,000			\$162,800,000
Issuance Premium			17,060,090			17,060,090
Payment to Refunded Bonds Escrow Agent			(147,586,065)			(147,586,065)
Sale of Equipment	\$4,271			\$1,082		5,353
Transfers In	6,672,997		7,058,125			13,731,122
Transfers Out				(13,731,122)		(13,731,122)
Total Other Financing Sources(Uses)	\$6,677,268	\$0	\$39,332,150	(\$13,730,040)	\$0	\$32,279,378
Net Change in Fund Balance	\$6,428,298	\$114,504	\$182,984	(\$17,375,667)	(\$533,670)	(\$11,183,551)
Beginning Fund Balance	26,136,677	1,012,430	12,429,959	55,953,107	2,998,872	98,531,045
Ending Fund Balance	\$32,564,975	\$1,126,934	\$12,612,943	\$38,577,440	\$2,465,202	\$87,347,494

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

Lake Washington School District No. 414
Reconciliation
Statement of Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities
For the Fiscal Year Ended 8/31/2015

	Total Governmental Funds	Long-Term Revenue, Expenditures	Capital Related Items	Long-Term Debt Transactions	Statement of Activities Totals
Revenues					
Local	\$158,684,598	\$5,869,900	\$5,353		\$164,559,851
State	172,777,825				172,777,825
Federal	13,464,888				13,464,888
Miscellaneous	2,941,645				2,941,645
Total Revenues	\$347,868,956	\$5,869,900	\$5,353	\$0	\$353,744,209
Expenditures					
Current:					
Regular Instruction	\$157,345,334	\$11,917,351	\$13,754,684		\$183,017,369
Special Education	35,343,436	2,676,915	3,089,623		41,109,974
Vocational Instruction	5,819,547	440,773	508,728		6,769,048
Skills Center	834,392	63,197	72,940		970,529
Compensatory Education	9,788,070	741,349	855,645		11,385,064
Other Instructional Programs	4,899,505	371,089	428,301		5,698,895
Community Services	1,864,335		162,975		2,027,310
Support Services	55,213,054	4,181,842	4,837,534		64,232,430
Student Activities	2,755,234		240,855		2,996,089
Capital Outlay	38,478,433		(38,478,433)		0
Debt Service-Principal	56,475,000			(\$56,475,000)	0
Debt Service-Interest & Other	22,515,545			(1,704,450)	20,811,095
Total Expenditures	\$391,331,885	\$20,392,516	(\$14,527,148)	(\$58,179,450)	\$339,017,803
Revenues Over (Under) Exp	(\$43,462,929)	(\$14,522,616)	\$14,532,501	\$58,179,450	\$14,726,406
Other Financing Sources (Uses)					
Issuance of Refunding Bonds	\$162,800,000			(\$162,800,000)	\$0
Issuance Premium	17,060,090			(17,060,090)	0
Payment to Refunded Bonds Escrow Agent	(147,586,065)			147,586,065	0
Sale of Equipment	5,353		(\$5,353)		0
Total Other Financing Sources(Uses)	\$32,279,378	\$0	(\$5,353)	(\$32,274,025)	\$0
Net Change for the Year	(\$11,183,551)	(\$14,522,616)	\$14,527,148	\$25,905,425	\$14,726,406

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

Lake Washington School District No. 414
Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget to Actual
General Fund
For the Year Ended August 31, 2015

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amount	Final Budget
				Positive
				(Negative)
Revenues:				
Local	\$74,752,374	\$74,752,374	\$77,728,651	\$2,976,277
State	175,935,951	175,935,951	172,017,732	(3,918,219)
Federal	15,002,514	15,002,514	11,429,084	(3,573,430)
Other	42,961	42,961	71,907	28,946
Total Revenues	\$265,733,800	\$265,733,800	\$261,247,374	(\$4,486,426)
Expenditures:				
Regular Instruction	\$166,325,852	\$166,325,852	\$157,345,684	\$8,980,168
Special Education	33,462,927	33,462,927	35,343,436	(1,880,509)
Vocational Education	5,371,855	5,371,855	5,819,547	(447,692)
Skills Center	675,918	675,918	834,392	(158,474)
Compensatory Education	9,573,671	9,573,671	9,810,627	(236,956)
Other Instructional Programs	8,185,805	8,185,805	4,961,594	3,224,211
Community Services	1,881,506	1,881,506	1,872,264	9,242
Support Services	46,680,001	46,680,001	45,508,800	1,171,201
Total Expenditures	\$272,157,535	\$272,157,535	\$261,496,344	\$10,661,191
Excess of Revenues Over (Under) Expenditures	(\$6,423,735)	(\$6,423,735)	(\$248,970)	\$6,174,765
Other Financing Sources (Uses):				
Other Financial Sources	\$7,912,820	\$7,912,820	\$6,677,268	(\$1,235,552)
Total Other Financing Sources (Uses)	\$7,912,820	\$7,912,820	\$6,677,268	(\$1,235,552)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Uses	\$1,489,085	\$1,489,085	\$6,428,298	\$4,939,213
Beginning Fund Balance	22,616,196	22,616,196	26,136,677	3,520,481
Ending Fund Balance	\$24,105,281	\$24,105,281	\$32,564,975	\$8,459,694

Note: There was no budget revision during the fiscal year 2014-15. The notes to the financial statements are an integral part of this statement.

Lake Washington School District No. 414
Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget to Actual
Special Revenue Fund (Associated Student Body Fund)
For the Year Ended August 31, 2015

	Budgeted Amounts		Actual Amount	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
General	\$3,521,373	\$3,521,373	\$1,783,612	(\$1,737,761)
Athletics	304,805	304,805	284,758	(20,047)
Classes	185,240	185,240	131,022	(54,218)
Clubs	905,764	905,764	620,591	(285,173)
Private Monies	122,700	122,700	49,755	(72,945)
Total Revenues	\$5,039,882	\$5,039,882	\$2,869,738	(\$2,170,144)
Expenditures:				
General	\$2,981,009	\$2,981,009	\$1,230,821	\$1,750,188
Athletics	823,721	823,721	717,998	105,723
Classes	175,355	175,355	118,648	56,707
Clubs	972,609	972,609	638,340	334,269
Private Monies	120,650	120,650	49,427	71,223
Total Expenditures	\$5,073,344	\$5,073,344	\$2,755,234	\$2,318,110
Excess of Revenues Over (Under) Expenditures	(\$33,462)	(\$33,462)	\$114,504	\$147,966
Beginning Fund Balance	801,521	801,521	1,012,430	210,909
Ending Fund Balance	\$768,059	\$768,059	\$1,126,934	\$358,875

Note: There was no budget revision during the fiscal year 2014-15. The notes to the financial statements are an integral part of this statement.

Lake Washington School District No. 414
Statement of Fiduciary Net Position
Fiduciary Funds
August 31, 2015

	<u>Private- Purpose Trust</u>
Assets	
Cash and Cash Equivalents	\$193,300
Accounts Receivable, Net	98
Due From Other Funds	50
Total Assets	<u>\$193,448</u>
Liabilities	
Accounts Payable	<u>\$1,052</u>
Total Liabilities	<u>\$1,052</u>
Fund Balance/Net Position	\$192,396
Total Liab. & Fund Balance/Net Position	<u>\$193,448</u>

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

Lake Washington School District No. 414
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended August 31, 2015

	<u>Private- Purpose Trust</u>
Additions	
Donations	\$47,638
Investment Earnings	1,212
Total Additions	<u>\$48,850</u>
Deductions	
Scholarships	<u>\$56,592</u>
Total Deductions	<u>\$56,592</u>
Change in Net Position	(\$7,742)
Net Position, Beginning of Year	200,138
Net Position, End of Year	<u><u>\$192,396</u></u>

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

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

SEPTEMBER 1, 2014 THROUGH AUGUST 31, 2015

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Districtwide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

The district reports the following major governmental funds:

General fund

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

Special Revenue Fund (Associated Student Body Fund)

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

Debt Service Fund

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

Capital Projects Fund

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

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

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

Fiduciary Funds

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

Private-Purpose Trust Fund – This fund is used to account for resources legally held in trust to benefit individuals or private organizations. All resources of the fund, including any earnings on invested resources, may be used to support the trust arrangements.

D. Assets, Liabilities, and Net Position

1. Cash and Cash Equivalents

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

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

2. Property Taxes

Property tax revenues are collected as the result of special levies passed by the voters in the district. The Revised Code of Washington 84.60.020 fixes the tax assessment date of January 1 of the calendar year of collection. The taxpayer has the option of paying all taxes on April 30, or one-half then, and one-half on October 31. Typically, slightly more than half of the collections are made on the April 30 date. In governmental fund financial statements, property tax revenue, which is measurable but not available (taxes that are not expected to be collected within 60 days after the end of the period ended August 31), is recorded as a receivable and unavailable revenue. In district-wide financial statements, property tax revenue is accrued at year-end.

3. Accounts Receivable

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

4. Due From/To Other Funds

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

5. Due From Other Governments

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

6. Inventories and Prepaid Items

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

7. Bond Discounts and Premiums

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

8. Unavailable Revenue

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

9. Capital Assets

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

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

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

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

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

10. Long-Term Liabilities

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

Debt Payments

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

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

Compensated Absences

a. Sick Leave

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

Under the provisions of the Revised Code of Washington, sick leave accumulated by district employees is paid at death or retirement at the rate of 25% of each day of accrued leave, limited to 180 accrued days. This chapter also provides for an annual buy-back of an amount up to the maximum annual accumulation of twelve days. To qualify for annual sick buy-back, the employee must have accumulated an excess of 60 days of sick leave as of January 1. Sick leave is reported under long-term liabilities in the Statement of Net Position. For reporting purposes, 25% of the sick leave liability (up to 180 days) for those eligible for retirement is considered accruable. The amount of accrued sick leave as of August 31, 2015 was \$3,935,016 and reported as long-term liabilities in the district-wide financial statements.

b. Vacation Leave

Vacation leave is accrued according to bargaining agreement provisions for those employees eligible. Annual leave accumulated by district employees is paid upon retirement at 100% of per diem value. The amount accrued for vacation leave as of August 31, 2015 was \$701,467 and reported as long-term liabilities in the district-wide financial statements.

11. Deferred Outflows/Inflows of Resources

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

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

12. Net Position (District-wide Financial Statements)

The “Invested in capital assets, net of related debt” component consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The

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

13. Fund Balance Reserves (Government Fund Financial Statements)

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

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

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

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

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

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

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

Note 2: Stewardship, Compliance, and Accountability

Budgetary Information

General Budgetary Policies

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

Budgetary Basis of Accounting

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

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

Note 3: Deposits and Investments

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

As of August 31, 2015 the district had the following investments:

<u>Investment Type</u>	<u>Financial Amount</u>	<u>Fair Value Amount</u>	<u>Effective Duration</u>
King County Investment Pool	\$116,741,082	\$116,822,801	1.00 Years

Impaired Investments. As of August 31, 2015 all impaired commercial paper investments have completed enforcement events. The King County impaired investment pool (Impaired Pool) held one commercial paper asset where the Impaired Pool accepted an exchange offer and is receiving the cash flows from the investment's underlying securities. The Impaired Pool also held the residual investments in four commercial paper assets that were part of completed enforcement events, where the Impaired Pool accepted the cash-out option. The District's share of the impaired investment pool is \$557,555 and the district's fair value of these investments is \$339,054.

Interest Rate Risk. As of August 31, 2015 the Pool's average duration was 1.00 years. As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity, or weighted average life, of no longer than five years. While the Pool's market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology.

Credit Risk. As of August 31, 2015, the district's investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, Pool policies authorize investments in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, bank corporate note (rated at least "A" by two NRSROs), municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1" by two NRSROs), certificates of deposits issued by qualified public depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

Note 4: Receivables

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

	<u>General</u>	<u>ASB</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Transpor. Vehicle</u>	<u>Private Purpose Trust</u>
Receivables:						
Taxes	\$30,296,638		\$18,116,433	\$20,187,513		
Governmental	656,266					
Accounts	91,212	\$744	6,337	27,208	\$1,537	\$98
Total	<u>\$31,044,116</u>	<u>\$744</u>	<u>\$18,122,770</u>	<u>\$20,214,721</u>	<u>\$1,537</u>	<u>\$98</u>

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

Note 5: Interfund Transactions

As of August 31, 2015 short-term interfund receivables and payables in governmental funds that resulted from various interfund transactions in governmental fund financial statements were as follows:

	Due From <u>Other Funds</u>	Due To <u>Other Funds</u>
General Fund	\$ 82,010	\$ 29,281
Capital Projects Fund	24,500	81,462
Special Revenue Fund	<u>7,781</u>	<u>3,548</u>
Total	<u>\$ 114,291</u>	<u>\$ 114,291</u>

The interfund balances are liquidated on a monthly basis.

Note 6: Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, not depreciated:				
Land	\$23,556,342	\$13,895,300		\$37,451,642
Construction in Progress	<u>16,214,095</u>	<u>11,386,335</u>	<u>\$16,214,095</u>	<u>11,386,335</u>
Total	<u>\$39,770,437</u>	<u>\$25,281,635</u>	<u>\$16,214,095</u>	<u>\$48,837,977</u>
Capital Assets, being depreciated:				
Building and Improvements	\$973,150,693	\$27,593,310		\$1,000,744,003
Transportation Equipment	12,634,933	1,473,443	18,684	14,089,692
Other Equipment	<u>4,758,258</u>	<u>344,141</u>	<u>58,511</u>	<u>5,043,888</u>
Total	<u>\$990,543,884</u>	<u>\$29,410,894</u>	<u>\$77,195</u>	<u>\$1,019,877,583</u>
Less: Accumulated Depreciation:				
Buildings and Improvements				\$219,414,395
Transportation Equipment				5,947,893
Other Equipment				<u>3,043,691</u>
Total				<u>\$228,405,979</u>
Net Depreciated Assets				<u>\$791,471,604</u>
Net Total Assets				<u>\$840,309,581</u>

Depreciation expense was charged to governmental activities as follows:

Regular Instruction	\$13,754,684
Special Instruction	3,089,623
Vocational Instruction	508,728
Skills Center	72,940
Compensatory Instruction	855,645
Other Instruction Programs	428,301
Community Services	162,975
Student Activities	240,855
Support Service	<u>4,826,569</u>
Total	<u>\$23,940,320</u>

Construction in Progress is composed of:

	Project Authorization	Exp. Prior to 08/31/14	Expended 2014-2015 Constr. In Prog.	Additional Local Funds Committed	Additional State Funds Committed
Finn Hill Middle	\$44,347,602	\$43,617,657	\$131,050		\$598,895
Sandburg Elementary	30,145,000	28,963,730	99,697		1,081,573
Bell Elementary	32,131,000	31,056,932	129,865		944,203
Rush Elementary	33,637,269	32,848,394	327,062		461,813
Rose Hill Middle	58,929,000	57,640,415	28,158		1,260,427
Eastlake High Addition	17,969,620	17,248,796	(30,600)		751,424
Lake Washington Field	1,173,750	1,153,027	171	\$20,552	
Classroom Door Locks	1,330,000		1,446,715	(116,715)	
Portables Refurbishment	1,350,000		801,786	548,214	
Tennis Court Relocate	1,044,000		512,922	531,078	
Football Field Turf EHS	1,050,000		850,287	199,713	
Alcott El Portables	1,290,000		1,004,677		285,323
Evergreen MS Portables	1,980,000		738,958		1,241,042
Lake WA HS Portables	5,050,000		3,079,137		1,970,863
Redmond El Addition	6,020,000		913,001		5,106,999
Redmond El Portables	1,290,000		1,353,449		(63,449)
Total	<u>\$238,737,241</u>	<u>\$212,528,951</u>	<u>\$11,386,335</u>	<u>\$1,182,842</u>	<u>\$13,639,113</u>

The district's property valuation of buildings and equipment for insurance purposes is \$560,374,147 on August 31, 2015.

Note 7: Pensions

General Information

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

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

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

Membership Participation

Substantially all school district full-time and qualifying part-time employees participate in one of the following three contributory, multi-employer, cost-sharing statewide retirement systems managed by DRS: Teachers' Retirement System (TRS), Public Employees' Retirement System (PERS) and School Employees' Retirement System (SERS).

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

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

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

Source: Washington State Office of the State Actuary

Membership & Plan Benefits

Certificated employees are members of TRS. Classified employees are members of PERS (if Plan 1) or SERS. Plan 1 under the TRS and PERS programs are defined benefit pension plans whose members joined the system on or before September 30, 1977. TRS 1 and PERS 1 are closed to new entrants.

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

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

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

TRS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) per year of service for Plan 2 members and one percent of AFC for Plan 3 members. The AFC is the monthly average of the 60 consecutive highest-paid service credit months. There is no cap on years of service credit. Members are eligible for normal retirement at the

age of 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. TRS Plan 2/3 members, who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a reduced benefit.

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

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

TRS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit.

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

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

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

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

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

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

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

The benefit is reduced by a factor that varies according to age, for each year before age 65. SERS members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 2, 2013: With a benefit that is reduced by three percent for each year

before age 65; or with a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

SERS members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service. SERS retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the Consumer Price Index), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

Plan Contributions

The employer contribution rates for PERS, TRS, and SERS (Plans 1, 2, and 3) and the TRS and SERS Plan 2 employee contribution rates are established by the Pension Funding Council based upon the rates set by the Legislature. The methods used to determine the contribution requirements are established under chapters 41.40, 41.32, and 41.35 RCW for PERS, TRS and SERS respectively. Employers do not contribute to the defined contribution portions of TRS Plan 3 or SERS Plan 3. Under current law the employer must contribute 100 percent of the employer-required contribution. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at six percent and does not vary from year to year.

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

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

The Collective Net Pension Liability

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

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

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

At June 30, 2015, the school district reported a total liability of \$132,737,941 for its proportionate shares of the individual plans' collective net pension liability. Proportions of net pension liability is based on annual contributions for each of the employers participating in the DRS administered plans. At June 30, 2015, the district's proportionate share of each plan's net pension liability is reported below:

June 30, 2015	PERS 1	SERS 2/3	TRS 1	TRS 2/3	Totals
District's Annual Contributions	1,533,757	2,096,530	5,946,700	7,033,264	16,610,251
Employer Allocation Percentage	.333717%	2.156443%	2.657424%	2.646598%	
Proportionate Share of the Net Pension Liability	17,456,511	8,758,413	84,190,967	22,332,050	132,737,941

Actuarial Assumptions

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

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

Inflation	3.00% total economic inflation, 3.75% salary inflation
Salary increases	In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
Investment rate of return	7.50%

Mortality Rates

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

Long-term Expected Rate of Return

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

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

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

The long-term expected rate of return of 7.50 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, increased slightly to remove WSIB's implicit and small short-term downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a ten to fifteen-year period, becomes amplified over a fifty-year measurement period.

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

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

The inflation component used to create the above table is 2.20 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contributions rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to determine the total pension liability.

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

The Pension Plans reported collective Deferred Outflows of Resources and collective Deferred Inflows of resources related to the individual plans. At August 31, 2015, the District reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences		
Net difference between projected and actual earnings on pension plan investments		\$955,062
Changes in assumptions or other inputs		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	\$120,719	
TOTAL	\$120,719	\$955,062

SERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$1,068,237	
Net difference between projected and actual earnings on pension plan investments		\$2,793,520
Changes in assumptions or other inputs	\$9,704	
Changes in proportion and differences between contributions and proportionate share of contributions	\$1,083,005	
Contributions subsequent to the measurement date	\$164,581	
TOTAL	\$2,325,527	\$2,793,520

TRS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences		
Net difference between projected and actual earnings on pension plan investments		\$6,231,500
Changes in assumptions or other inputs		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	\$496,712	
TOTAL	\$496,712	\$6,231,500

TRS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$3,535,035	
Net difference between projected and actual earnings on pension plan investments		\$8,664,169
Changes in assumptions or other inputs	\$19,400	
Changes in proportion and differences between contributions and proportionate share of contributions	\$3,424,095	
Contributions subsequent to the measurement date	\$601,681	
TOTAL	\$7,580,211	\$8,664,169

\$1,383,693 reported as Deferred Outflows of Resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2016.

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

Year ended August 31	PERS 1	SERS 2/3	TRS 1	TRS 2/3
2016	(370,149)	(372,426)	(2,416,901)	(1,841,279)
2017	(370,149)	(372,426)	(2,416,901)	(1,841,279)
2018	(370,149)	(372,426)	(2,416,874)	(1,841,305)
2019	155,385	484,704	1,019,175	3,062,842
2020				775,380
Thereafter				

Pension Expense

The District recognizes a pension expense for its proportionate share of the collective pension expense. This is determined by using the district's proportion share of the collective net pension liability. For the year ending August 31, 2015, the district recognized a total pension expense as follows:

	Pension Expense
PERS 1	\$3,486,065
SERS 2/3	\$151,366
TRS 1	\$12,105,269
TRS 2/3	\$509,596
TOTAL	\$16,252,296

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

The table below presents the Lake Washington school district's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.50% or one percentage point higher 8.50% than the current rate. Amounts are calculated by plan using the district's allocation percentage.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
PERS1 NPL	\$6,368,671,000	\$5,230,930,000	\$4,252,577,000
Allocation Percentage	.333717%	.333717%	.333717%
Proportionate Share of Collective NPL	\$21,253,349	\$17,456,511	\$14,191,580
SERS2/3 NPL	\$1,282,039,000	\$406,151,000	(\$273,474,000)
Allocation Percentage	2.156443%	2.156443%	2.156443%
Proportionate Share of Collective NPL	\$27,646,435	\$8,758,413	(\$5,897,310)
TRS1 NPL	\$3,982,571,000	\$3,168,142,000	\$2,467,801,000
Allocation Percentage	2.657424%	2.657424%	2.657424%
Proportionate Share of Collective NPL	\$105,833,799	\$84,190,967	\$65,579,937
TRS2/3 NPL	\$3,570,229,000	\$843,802,000	(\$1,183,066,000)
Allocation Percentage	2.646598%	2.646598%	2.646598%
Proportionate Share of Collective NPL	\$94,489,623	\$22,332,050	(\$31,311,006)

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

Plan Description

Eligibility

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

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

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

Medical and Life Benefits

Upon retirement, members are permitted to receive medical benefits. Retirees pay the following monthly rates for pre-65 Medical coverage for 2015:

	<u>Type of Coverage</u>		
	<u>Employee Only</u>	<u>Employee & Spouse</u>	<u>Full Family</u>
Group Health Classic	600.80	1,195.35	1,641.26
Group Health CHDP	530.10	1,044.74	1,386.97
Group Health Value	569.38	1,132.51	1,554.86
Kaiser Permanente Classic	619.65	1,233.05	1,693.10
Uniform Medical Plan Classic	578.51	1,150.77	1,579.97
Uniform Medical Plan CDHP	535.82	1,056.18	1,402.70

For calendar year 2015, after age 65 retired members receive a subsidy of 50% of their monthly premiums up to \$150.00 per Medicare covered person.

For 2015, retirees also receive an explicit subsidy of \$7.78/month toward life insurance premiums.

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

	August 31, 2013	August 31, 2014	August 31, 2015
Determination of Annual Required Contribution			
Normal Cost at year end	\$ 3,307,036	\$ 3,827,173	\$ 3,827,173
Amortization of UAAL	<u>2,564,529</u>	<u>3,288,345</u>	<u>3,288,345</u>
Annual Required Contribution (ARC)	\$ 5,871,565	\$ 7,115,518	\$ 7,115,518
Determination of Net OPEB Obligation			
Annual Required Contribution	\$ 5,871,565	\$ 7,115,518	\$ 7,115,518
Interest on prior year Net OPEB Obligation	606,134	740,537	919,228
Adjustment to ARC	<u>- 598,651</u>	<u>- 759,525</u>	<u>- 980,510</u>
Annual OPEB Cost	\$ 5,879,048	\$7,096,530	\$ 7,054,236
Contributions made*	<u>- 2,294,978</u>	<u>- 2,331,439</u>	<u>- 2,342,132</u>
Increase in Net OPEB Obligation	\$ 3,584,070	\$4,765,091	\$4,712,104
Net OPEB Obligation – end of year	\$19,747,649	\$ 24,512,740	\$ 29,224,844

*Estimated based on retiree benefit amounts.

The District's annual OPEB cost, the percentage of OPEB cost contributed to the Plan, and the net OPEB obligation for 2015 were as follows:

Fiscal <u>Year Ended</u>	Annual <u>OPEB Cost</u>	Percentage of <u>OPEB Cost Contributed</u>	Net OPEB <u>Obligation</u>
08/31/2013	\$5,879,048	39.04%	\$19,747,649
08/31/2014	7,096,530	32.85%	24,512,740
08/31/2015	7,054,236	33.20%	29,224,844

The District's annual OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2015 were as follows:

Fiscal <u>Year Ended</u>	Actuarial Value <u>of Assets</u>	Actuarial <u>Accrued Liability</u>	Unfunded Actuarial <u>Accrued Liabilities</u> (UAAL)	Funded <u>Ratio</u>	Covered <u>Payroll</u>	UAAL As A <u>Percentage of</u> <u>Covered Payroll</u>
08/31/2010	\$ -	\$107,336,280	\$107,336,280	0%	\$136,759,054	78%
08/31/2012	-	71,806,803	71,806,803	0%	139,587,075	51%
08/31/2014	-	85,496,973	85,496,973	0%	152,341,588	56%

Funded status and Funding Progress

As of August 31, 2015, the most recent actuarial valuation date, the Plan was 0% funded. The accrued liability for benefits was \$85.5 million, and the actuarial value of assets was \$0, resulting in a UAAL of \$85.5 million.

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are

designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the August 31, 2015 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions used included a 3.75% discount rate, which is based upon the long-term investment yield on the investments that are expected to be used to finance the payment of benefits. Health and Life Insurance trend rates used were as follows:

Health Care Cost Increase or Trend Rate (1)

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

(1)Used to project annual increases to:

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

Life Insurance Trend Rate (2)

Year Ending August 31,	Life Trend
2015+	3.5

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

The UAAL is being amortized as a level of percentage of pay on a closed basis at the assumed discount rate. Payroll is assumed to increase at 3.75. The remaining amortization period at August 31, 2015 was 25 years.

Note 8: Participation in Interlocal Cooperative

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

The members of the cooperative are billed for items purchased at association cost plus an administrative charge. Profits are allocated annually to the member districts based upon comparative administrative charges. No profit distributions have been paid. The Lake Washington School District's accrued ownership at December 31, 2014 was \$339,300.

Note 9: Long-Term Debt

A. Changes in Long-Term Liabilities

During the fiscal year ended August 31, 2015 the following changes occurred in liabilities reported in the district-wide financial statements:

Bonds Payable	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
2004 G.O. Bonds	\$27,450,000		\$27,450,000	0	
2004 G.O. Bonds	13,530,000		13,530,000	0	
2006 G.O. Bonds	88,670,000		85,075,000	\$3,595,000	\$3,595,000
2007 G.O. Bonds	68,500,000		56,500,000	12,000,000	
2008 G.O. Bonds	70,350,000		750,000	69,600,000	1,500,000
2009 Bonds	31,445,000			31,445,000	
2010 Bonds	120,000,000			120,000,000	
2012 Bonds	18,785,000		3,490,000	15,295,000	4,855,000
2012 Bonds	22,725,000		6,180,000	16,545,000	6,415,000
2015 Bonds		162,800,000		162,800,000	11,870,000
Total Bonds Payable	\$461,455,000	\$162,800,000	\$192,975,000	\$431,280,000	\$28,235,000
Other Liabilities:					
Unemployment Pay.	\$499,165	\$62,753	\$72,930	\$488,988	\$80,000
Other Empl. Ins. Pay.	1,759,690	764,173	680,666	1,843,197	461,272
Industrial Insurance	1,560,245	1,833,243	1,412,686	1,980,802	1,400,000
Net OPEB	24,512,740	7,054,236	2,342,132	29,224,844	
Compensated Absences	5,208,367	10,610	582,494	4,636,483	563,570
Net Pension		132,737,941		132,737,941	
Total Other Liab.	33,540,207	142,462,956	5,090,908	170,912,255	2,504,842
Grand Total	\$494,995,207	\$305,262,956	\$198,065,908	\$602,192,255	\$30,739,842

B. Bond Premiums

The amortization schedule of bond premiums is as follows:

	Beginning Balance	Debit	Credit	Ending Balance
2006 G.O. Bonds	\$1,777,080	\$1,705,964		\$71,116
2007 G.O. Bonds	2,673,029	2,243,784		429,245
2008 G.O Bonds	1,321,965	101,689		1,220,276
2009 Bonds	150,594	10,757		139,837
2010 Bonds	1,291,908	80,744		1,211,164
2012 G.O. Bonds	1,644,051	234,865		1,409,186
2012 LGO Bonds	1,997,614	499,403		1,498,211
2015 Bonds			\$17,060,090	17,060,090
	<u>\$10,856,241</u>	<u>\$4,877,206</u>	<u>\$17,060,090</u>	<u>\$23,039,125</u>

C. Unamortized Discount Costs

The amortization schedule of bond discount costs is as follows:

	Beginning Balance	Debit	Credit	Ending Balance
2006 G.O. Bonds	\$240,000		\$230,396	\$9,604
2007 G.O. Bonds	224,942		188,820	36,122
2008 G.O Bonds	262,734		20,211	242,523
2009 Bonds	187,160		13,368	173,792
2010 Bonds	598,338		37,396	560,942
2012 G.O. Bonds	75,215		10,745	64,470
2012 LGO Bonds	87,345		21,837	65,508
2015 Bonds		\$569,800		569,800
	<u>\$1,675,734</u>	<u>\$569,800</u>	<u>\$522,773</u>	<u>\$1,722,761</u>

D. General Obligation Debt

Bonds payable at August 31, 2015 are comprised of the following:

	Interest Rates	Issue Date	Maturity Date	Amount Issued	Ending Balance
2006 Bonds	4.00-5.00	09/06/06	12/01/15	97,115,000	3,595,000
2007 Bonds	4.63-5.00	11/07/07	12/01/17	80,000,000	12,000,000
2008 Bonds	3.75-5.00	11/18/08	12/01/26	80,000,000	69,600,000
2009 Bonds	1.65-5.57	11/03/09	12/01/27	40,000,000	31,445,000
2010 Bonds	4.91-5.06	09/17/10	12/01/29	120,000,000	120,000,000
2012 Bonds	1.00-5.00	07/11/12	12/01/20	23,025,000	15,295,000
2012 Bonds	2.00-5.00	07/11/12	12/01/17	31,195,000	16,545,000
2015 Bonds	2.00-5.00	06/17/15	12/01/25	162,800,000	162,800,000
				<u>634,135,000</u>	<u>431,280,000</u>

E. Debt Service Requirements to Maturity

Fiscal Year Ended	Principal	Interest	Total
8/31/2016	28,235,000	18,555,742	46,790,742
8/31/2017	27,605,000	17,720,500	45,325,500
8/31/2018	22,410,000	16,498,125	38,908,125
8/31/2019	23,725,000	15,413,400	39,138,400
8/31/2020	22,440,000	14,191,650	36,631,650
8/31/2021	23,120,000	13,081,150	36,201,150
8/31/2022	22,995,000	11,955,275	34,950,275
8/31/2023	25,545,000	10,741,775	36,286,775
8/31/2024	28,460,000	9,632,713	38,092,713
8/31/2025	21,165,000	8,824,800	29,989,800
8/31/2026	34,635,000	7,744,393	42,379,393
8/31/2027	33,945,000	6,445,475	40,390,475
8/31/2028	42,000,000	4,831,370	46,831,370
8/31/2029	37,500,000	2,834,625	40,334,625
8/31/2030	37,500,000	948,000	38,448,000
	<u>431,280,000</u>	<u>159,418,993</u>	<u>590,698,993</u>

F. Bonds Authorized but Unissued

There are \$11,000,000 of bonds that are authorized but unissued bonds as of August 31, 2015.

G. Refunded Debt

On June 17, 2015, the District issued \$162.8 million in general obligation bonds with an average interest rate of 2.16 percent to advance refund \$167.765 million of outstanding 2004, 2004B, 2006, and 2007 series bonds with an average interest rate of 4.87 percent. The net proceeds of \$179,050,813.73 after payment of \$809,276.22 in underwriting fees and other issuance costs were used for the cash deposit and to purchase U.S. Government securities. Those securities and cash were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2004, 2004B, 2006, and 2007 series bonds. As a result, the 2004 and 2004 B series bonds are considered defeased. The non-callable portions of the 2006 and 2007 series bonds are remaining.

The District advance refunded the 2004, 2004B, 2006, and 2007 series bonds to reduce its total debt service payments over the next 10 years by \$17,308,720.83 and to obtain an economic gain of \$15,261,866.47.

Cash Flows Difference	
Old Debt Service Cash Flows	\$221,133,937.50
New Debt Service Cash Flows	203,825,216.36
Total	\$17,308,720.83
Economic Gain	
Present Value of New Debt Service Cash Flows	\$179,857,313.73
Present Value of Old Debt Service Cash Flows	195,119,180.20
Total	\$15,261,866.47

Note 10: Operating Leases (Non-Capitalized)

The district is obligated to pay under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreements are not reflected in the district's Capital Assets. The following is a schedule by years of future minimum rental payments required under operating leases of one year or more as of August 31, 2015.

<u>Year Ended</u>	<u>Amount</u>
08/31/16	453,067
08/31/17	453,567
08/31/18	150,451
08/31/19	1,896
08/31/20	1,422
Total	<u>\$ 1,060,403</u>

\$1,048,891 pertains to the lease of copy machines and \$11,512 is for lease of a portable all serviced by the General Fund.

Note 11: Self-Insured Employee Benefits

Unemployment – The district provides for unemployment compensation on a self-insured basis, whereby an estimated liability is accrued and actual benefits paid are charged against the accrual in the General Fund. The district reimburses Washington State Employment Security Department on a quarterly basis for claims approved and paid. The district paid out a total of \$72,930 in unemployment claims for the fiscal year ended August 31, 2014. The following is a summary of activity for the current and prior fiscal year.

<u>Fiscal Year</u>	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
2013-14	\$517,687	\$66,503	\$85,025	\$499,165
2014-15	\$499,165	\$62,753	\$72,930	\$488,988

Industrial Insurance – The district began self-insurance for industrial insurance in January 1979 and contracts with a 3rd party administrator to manage its claims. Industrial insurance compensation is provided for by establishing an estimated liability based on past experience. This liability is reviewed continually for adequacy. In addition, the district carries a major risk policy that covers a single claim over \$400,000. The district paid out a total of \$905,497 in industrial insurance claims in the General Fund for the fiscal year ended August 31, 2015. The following is a summary of activity for the current and prior fiscal year.

<u>Fiscal Year</u>	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
2013-14	\$1,073,154	\$1,946,482	\$1,459,391	\$1,560,245
2014-15	\$1,560,245	\$1,833,243	\$1,412,686	\$1,980,802

Vision Insurance-The school district began self-insurance for vision benefits in October 2000 and contracts with a 3rd party administrator to manage its insurance claims. The district sets a monthly premium rate, whereby an estimated liability is accrued. This liability is reviewed monthly for adequacy. Actual benefit payments are charged against the accrual in the General Fund. The district paid out a total of \$607,071 in claims for the fiscal year ended August 31, 2015. The following is a summary of activity for the current and prior fiscal year.

<u>Fiscal Year</u>	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
2013-14	\$318,771	\$735,541	\$669,262	\$385,050
2014-15	\$385,050	\$756,888	\$680,666	\$461,272

Note 12: Risk Management

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

Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Over 90 school and educational service districts have joined the Pool.

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

Members make an annual contribution to fund the Pool. The Pool acquires reinsurance from unrelated underwriters that are subject to a per-occurrence self-insured retention of \$1 million. Members are responsible for varied deductibles for both liability and property claims. Insurance carriers cover losses over \$1 million to the maximum limits of each policy. Since the Pool is a cooperative program, there is a joint liability among the participating members.

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

The Pool is fully funded by its member participants.

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

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

A. Balance Sheet/Statement of Net Position

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

Cost of capital assets	\$1,068,715,560
Accumulated Depreciation	<u>228,405,979</u>
Net Capital Assets	<u>\$840,309,581</u>

2. Long-term liabilities of \$623,508,621 (\$30,739,842 due within one year; \$438,714,474 due in more than one year; unamortized debt premium/discount of \$21,316,364; and net pension liability of \$132,737,941) applicable to the district's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of Net Position.
3. Unavailable Revenue – Property taxes and receivables (\$68,767,685) that do not provide current financial resources are reported as unavailable revenue in governmental funds, but as revenues in government-wide financial statements.
4. Due From and Due To Other Funds (\$114,291) - Internal transfers between governmental funds were eliminated in the governmental-wide statement to avoid the "doubling up" effect.

B. Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities

1. Property taxes and open accounts receivable that do not provide current financial resources are reported as unavailable revenue in governmental funds, but as revenues in the Statement of Activities (\$5,869,900).
2. The decrease between the beginning and ending balances of the liability for compensated absences (\$571,884) is reported in the Statement of Activities as a negative expense and is allocated to various applicable programs. This decrease is not reported in governmental fund statements.
3. The increase between the beginning and ending balance of the liability for net OPEB obligation (\$4,712,104) is reported in the Statement of Activities as an expense and is allocated to various applicable programs. This increase is not reported in governmental fund statements.
4. The increase between the beginning and ending balance for the net pension liability (\$16,252,296) is reported in the Statement of Activities as an expense and is allocated to various applicable programs. This increase is not reported in governmental fund statements.
5. The proceeds of the sale of property is reported as an increase in other financial resources in governmental funds, while only the loss on sale of property (\$10,965) is reported in the statement of activities.
6. Capital Assets – Capital assets are expensed when purchased or constructed in the governmental fund statements. Capital assets are expensed as depreciation over the useful life of the asset in the statement of activities (\$23,940,320).
7. Repayment of bond principal (\$56,475,000) is reported as an expenditure in governmental funds and, thus has the effect of reducing fund balance. For the district as a whole, however, the principal payments reduce the liabilities in the statement of Net Position.
8. Internal transfers between funds (\$13,731,122) are reported as other financial sources/uses in the governmental funds but eliminated in the consolidated Statement of Activities.
9. The government funds report new bond issues and premium as other financial sources (\$179,860,090) while in the statement of net position issuing debt increases long term liabilities.
10. Bond refunding payments to escrow (\$147,586,065) are reported as other financial uses in the governmental funds while decreasing long term liabilities in the statement of net position.
11. Bond premiums and bond discounts are reported as revenues/expenditures in the governmental fund financial statements, but in government-wide financial statements they are amortized over the life of the bonds with the current year's amortization as follows:

Current year bond premium amortization	\$1,273,618
Current year bond discount amortization	\$138,969

Note 14: Contingent Liabilities

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

Note 15: Litigation

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

Note 16: Restatement of Beginning Net Position

For Fiscal year 2014-15 the district made an adjustment related to the adoption of GASB Statement 68. The result is a decrease in Net Position of \$91,221,713 on September 1, 2014. This change is in accordance with generally accepted accounting principles.

Net Position, August 31, 2014 as previously reported	\$ 486,854,648
Net Pension Liability	<u>\$ (124,606,729)</u>
Net Position, September 1, 2014 as restated	\$ 362,247,919

Note 17: Subsequent Events

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

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

LAKE WASHINGTON SCHOOL DISTRICT NO. 414
REQUIRED SUPPLEMENTAL INFORMATION
Actuarial Valuation of Post Employment Benefits
Other Than Pension
Schedule of Funding Progress
August 31, 2015

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

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

Schedules of Required Supplementary Information

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

Schedule of the District's Proportionate Share of the Net Pension Liability	
<i>PERS 1</i>	
Last 10 Fiscal Years* (Dollar amounts in thousands)	
	2015*
District's proportion of the net pension liability (percentage)	.333717%
District's proportionate share of the net pension liability (amount)	\$17,456,511
District's covered-employee payroll	\$565,723
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	3085.7%
Plan fiduciary net position as a percentage of the total pension liability	59.10%

Schedule of the District's Proportionate Share of the Net Pension Liability	
<i>SERS 2/3</i>	
Last 10 Fiscal Years* (Dollar amounts in thousands)	
	2015*
District's proportion of the net pension liability (percentage)	2.156443%
District's proportionate share of the net pension liability (amount)	\$8,758,413
District's covered-employee payroll	\$37,128,537
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	23.59%
Plan fiduciary net position as a percentage of the total pension liability	90.92%

Schedule of the District's Proportionate Share of the Net Pension Liability	
<i>TRS 1</i>	
Last 10 Fiscal Years* (Dollar amounts in thousands)	
	2015*
District's proportion of the net pension liability (percentage)	2.657424%
District's proportionate share of the net pension liability (amount)	\$84,190,967
District's covered-employee payroll	\$3,329,672
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	2528.51%
Plan fiduciary net position as a percentage of the total pension liability	65.70%

Schedule of the District's Proportionate Share of the Net Pension Liability	
<i>TRS 2/3</i>	
Last 10 Fiscal Years* (Dollar amounts in thousands)	
	2015*
District's proportion of the net pension liability (percentage)	2.646598%
District's proportionate share of the net pension liability (amount)	\$22,332,050
District's covered-employee payroll	\$123,808,566
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	18.04%
Plan fiduciary net position as a percentage of the total pension liability	92.48%

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

Schedule of District Contributions	
<i>PERS 1</i>	
Last 10 Fiscal Years* (Dollar amounts in thousands)	
	2015*
Contractually required contribution	\$1,533,757
Contributions in relation to the contractually required contributions	\$1,533,757
Contribution deficiency (excess)	
District's covered-employee payroll	\$565,723
Contribution as a percentage of covered-employee payroll	271.11%

Schedule of District Contributions	
<i>SERS 2/3</i>	
Last 10 Fiscal Years* (Dollar amounts in thousands)	
	2015*
Contractually required contribution	\$2,096,530
Contributions in relation to the contractually required contributions	\$2,096,530
Contribution deficiency (excess)	
District's covered-employee payroll	\$37,128,537
Contribution as a percentage of covered-employee payroll	5.65%

Schedule of District Contributions	
<i>TRS 1</i>	
Last 10 Fiscal Years* (Dollar amounts in thousands)	
	2015*
Contractually required contribution	\$5,946,700
Contributions in relation to the contractually required contributions	\$5,946,700
Contribution deficiency (excess)	
District's covered-employee payroll	\$3,329,672
Contribution as a percentage of covered-employee payroll	178.60%

Schedule of District Contributions	
<i>TRS 2/3</i>	
Last 10 Fiscal Years* (Dollar amounts in thousands)	
	2015*
Contractually required contribution	\$7,033,264
Contributions in relation to the contractually required contributions	\$7,033,264
Contribution deficiency (excess)	
District's covered-employee payroll	\$123,808,566
Contribution as a percentage of covered-employee payroll	5.68%

Lake Washington School District #414
Schedule of Expenditures of Federal Awards
For the Year Ending August 31, 2015

1 Federal Grantor	2 Pass Through Agency	3 Program Title	4 CFDA No.	5 Other I.D. No.	678			9 Foot- note Ref.
					Expenditures			
					Direct Awards	Pass Through Awards	Total	
U.S. Dept of Agriculture	WA OSPI	National School Lunch Program:	10.555					
		Cash Assistance				1,826,752.80	1,826,752.80	2
		Non Cash Assistance (commodities)				503,718.05	503,718.05	3
	Office of	Schools and Roads - Grants to States	10.665		13,644.91	13,644.91		
	State Treasurer	Subtotal U.S. Department of Agriculture				\$2,344,115.76	\$2,344,115.76	
U.S. Dept. of Educ.		Indian Ed - Grants to Local Ed Agencies	84.060	S060A141113	56,204.00	0.00	56,204.00	
	WA OSPI	Title I - Grants to Local Ed Agencies	84.010	201696		1,750,280.10	1,750,280.10	4,6
	WA OSPI	Special Ed - Grants to States	84.027	305220		4,338,377.00	4,338,377.00	4
	WA OSPI	Special Ed - Grants to States	84.027	337739		1,253,654.00	1,253,654.00	
	WA OSPI	Career & Technical Ed - Basic Grants to States	84.048	173249		105,717.00	105,717.00	4
	WA OSPI	Career & Technical Ed - Basic Grants to States	84.048	173218		38,304.00	38,304.00	4
	WA OSPI	Special Ed - Preschool Grants/Part B	84.173	363219		117,807.00	117,807.00	4
	WA OSPI	Special Ed - Preschool Grants/Part B	84.173A	385376		555.00	555.00	
	WA OSPI	English Language Acquisition State Grants	84.365	402014		287,382.95	287,382.95	5
	WA OSPI	Improving Teacher Quality State Grants	84.367	523690		477,807.00	477,807.00	4
Subtotal U.S. Department of Education					\$56,204.00	\$8,369,884.05	\$8,426,088.05	
U.S. Dept. of Health and Human Services	PSESD	Head Start 14-15	93.600	N/A		583,655.53	583,655.53	
Subtotal U.S. Dept of Health and Human Services						\$583,655.53	\$583,655.53	
Total Federal Awards Expended					\$56,204.00	\$11,297,655.34	\$11,353,859.34	

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

Lake Washington School District #414
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ending August 31, 2015

NOTE 1 – BASIS OF ACCOUNTING

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

NOTE 2 – UNIT COST CONTRACTS

Under certain programs, the district receives a fixed amount for the activity, regardless of the district's expenditures. Expenditures for these programs are listed as the amount received from the grantor.

NOTE 3 – NONCASH AWARDS – FOOD COMMODITIES

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

NOTE 4 – FEDERAL INDIRECT RATE

The Lake Washington School District claimed indirect costs under this grant using its federal restricted rate of 2.87%.

NOTE 5 – FEDERAL INDIRECT RATE

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

NOTE 6 – SCHOOL WIDE PROGRAMS

The Lake Washington School District operates a "schoolwide program" in two elementary buildings. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to certain targeted students. The following federal program amounts were expensed by the Lake Washington School District in its schoolwide program: Title I (84.010) \$379,715.20.

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

Lake Washington School District No. 414 King County September 1, 2014 through August 31, 2015

This schedule presents the corrective action planned by the auditee for findings reported in this report in accordance with OMB Circular A-133. The information in this schedule is the representation of the Lake Washington School District No. 414.

Finding ref number: 2015-001	Finding caption: The District did not have adequate internal controls to ensure compliance with federal suspension and debarment requirements for its Title I program.
Name, address, and telephone of auditee contact person: Margo Allen, Controller 16250 N.E. 74th Street Redmond WA 98052 (425) 936-1478	
Corrective action the auditee plans to take in response to the finding: <i>The district has documented procedures for suspension and debarment requirements. These procedures are provided to the federal grant managers at the beginning of each school year. The procedures require the department perform the EPLS search and have the vendor sign a suspension and debarment certification. In addition, contracts are reviewed prior to signature. For 2015-16, the district reemphasized these procedures and confirmed that all documentation would be reviewed and maintained in the Purchasing department in order to ensure appropriate documentation was on hand prior to the purchase order being issued.</i>	
Anticipated date to complete the corrective action: Already completed.	

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.

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