

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

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**Lake Washington School District No. 414**  
**King County**

Audit Period  
**September 1, 2008 through August 31, 2009**

**Report No. 1003622**

Issue Date  
**May 24, 2010**



WASHINGTON  
**BRIAN SONNTAG**  
STATE AUDITOR



**Washington State Auditor  
Brian Sonntag**

May 24, 2010

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 District's financial condition.

Sincerely,

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

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King County  
September 1, 2008 through August 31, 2009

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# Federal Summary

Lake Washington School District No. 414  
King County  
September 1, 2008 through August 31, 2009

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

## **FINANCIAL STATEMENTS**

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

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

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

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

## **FEDERAL AWARDS**

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

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

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

We reported no findings that are required to be disclosed under OMB Circular A-133.

**Identification of Major Programs:**

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
10.553/555	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies
84.027/173	Special Education Cluster
84.367	Improving Teacher Quality State Grants
84.394	ARRA - State Fiscal Stabilization Fund - Education State Grants (Recovery Act)

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$584,918.

The District did not qualify as a low-risk auditee under OMB Circular A-133.

# Schedule of Prior Federal Audit Findings

## Lake Washington School District No. 414 King County September 1, 2008 through August 31, 2009

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

<b>Audit Period:</b> FY2009	<b>Report Reference No:</b> 1001422	<b>Finding Reference No:</b> 1	<b>CFDA Number(s):</b> 84.027/173
<b>Federal Program Name and Granting Agency:</b> Special Education Cluster – U.S. Department of Education		<b>Pass-Through Agency Name:</b> NA	
<b>Finding Caption:</b> Lake Washington School District No. 114 did not comply with the allowable activities of its federal Special Education grant.			
<b>Background:</b> During fiscal year 2008, the District was reimbursed \$658,435 for payments to a contractor to deliver services to children from birth to two years. The federal Special Education grant does not cover costs for students ages birth to two. The District erroneously coded the charges to the federal Special Education grant instead of the state Special Education grant because it did not have internal controls in place to ensure special education costs were allowable before claiming them for reimbursement.			
<b>Status of Corrective Action: (check one)</b> <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid			
<b>Corrective Action Taken:</b> <i>Internal procedures were revised to ensure that the contractual services for birth-3 students are charged to the appropriate program. The finding is resolved.</i>			

<b>Audit Period:</b> FY2009	<b>Report Reference No:</b> 1001422	<b>Finding Reference No:</b> 2	<b>CFDA Number(s):</b> 84.010
<b>Federal Program Name and Granting Agency:</b> Title I Grants to Local Educational Agencies – U.S. Department of Education		<b>Pass-Through Agency Name:</b> NA	
<b>Finding Caption:</b> Lake Washington School District did not comply with requirements for its Title I Grant.			
<b>Background:</b> The District spent \$1,215,213 in its Title I program (CFDA 84.010) in fiscal year 2008. The Title I program is designed to improve the teaching and learning of children at risk of not			

meeting state academic standards and who reside in areas with high concentrations of children from low income families. The District's internal control did not include confirming paraprofessionals had graduated from high school or obtained a GED. The District does not request transcripts, diplomas, GED certificates, or ask the employee to certify his or her status when submitting a job application. The District was unable to demonstrate that two of 11 paraprofessionals working in the Title I program obtained a high school diploma, of which the two employees were paid a total of \$17,978.35. The District also did not include 11 of 13 Title I teachers in its annual report to the Office of Superintendent for Public Instruction (OSPI). The District was unaware it is required to ensure paraprofessionals had high school diplomas and did have internal controls in place to verify all teachers were reported to OSPI.

**Status of Corrective Action: (check one)**

Fully Corrected       Partially Corrected       No Corrective Action Taken       Finding is considered no longer valid

**Corrective Action Taken:**

*Internal procedures were revised to ensure that copies of high school diplomas/GED are obtained and provided. The finding is resolved.*

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

Lake Washington School District No. 414  
King County  
September 1, 2008 through August 31, 2009

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

We have audited 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, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 12, 2010.

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

## ***INTERNAL CONTROL OVER FINANCIAL REPORTING***

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

A *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.

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



## **COMPLIANCE AND OTHER MATTERS**

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

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

This report is intended for the information and use of management, the Board of Directors, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

April 12, 2010

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

**Lake Washington School District No. 414  
King County  
September 1, 2008 through August 31, 2009**

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

## ***COMPLIANCE***

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 are applicable to its major federal programs for the year ended August 31, 2009. The District's major federal programs are identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended August 31, 2009.

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

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable

to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. *A significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a more than remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

*A material weakness* is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended for the information of management, the Board of Directors, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

April 12, 2010

# **Independent Auditor's Report on Financial Statements**

**Lake Washington School District No. 414  
King County  
September 1, 2008 through August 31, 2009**

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

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, 2009, which collectively comprise the District's basic financial statements as listed on page 11. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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, 2009, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and Associated Student Body funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

The management's discussion and analysis on pages 12 through 19 is not a required part of the basic financial statements but is supplementary information required by the Governmental

Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

April 12, 2010

# **Financial Section**

**Lake Washington School District No. 414  
King County  
September 1, 2008 through August 31, 2009**

## ***REQUIRED SUPPLEMENTAL INFORMATION***

Management's Discussion and Analysis – 2009

## ***BASIC FINANCIAL STATEMENTS***

Statement of Net Assets – 2009

Statement of Activities – 2009

Balance Sheet – Governmental Funds – 2009

Reconciliation – Balance Sheet/Statement of Net Assets – 2009

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Funds – 2009

Reconciliation – Statement of Revenues, Expenditures and Changes in Fund Balance/  
Statement of Activities – 2009

Budgetary Comparison Statement – General Fund – 2009

Budgetary Comparison Statement – Special Revenue Fund (Associated Student Body  
Fund) – 2009

Statement of Fiduciary Net Assets – Fiduciary Funds – 2009

Statement of Changes in Fiduciary Net Assets – Fiduciary Funds – 2009

Notes to Financial Statements – 2009

## ***SUPPLEMENTAL INFORMATION***

Schedule of Expenditures of Federal Awards – 2009

Notes to the Schedule of Expenditures of Federal Awards – 2009

## 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, 2009.

### FINANCIAL HIGHLIGHTS

- The district's Statement of Net Assets reports net assets of \$403 million as of August 31, 2009.
- During the year, the district had revenues that were \$13 million higher (before special items) than the \$255million in expenses incurred for all governmental activities.
- The general fund reported an increase in fund balance of \$1,007,735 for the fiscal year.
- The average student enrollment increased by 145 full time equivalent students (FTE's) over the previous year.
- The district sold Unlimited Tax General Obligation Bonds, Build America Bonds, and Qualified School Construction Bonds totaling \$40,000,000 on November 3, 2009.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets 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 Assets and the Statement of Activities

Our analysis of the district as a whole begins with the government-wide financial statements. The Statement of Net Assets and Statement of Activities report information about the district as a whole and about its activities in a way that helps determine whether the district is better off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the district's net assets and changes in them. The district's net assets (the difference between assets and liabilities) may be viewed as one way to measure the district's financial health, or financial position. Over time increases or decreases in the district's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the district's property tax base and the student enrollment, to assess the overall health of the district.

In the Statement of Net Assets 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 that are available for spending. 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 helps you determine 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 Assets 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 statements uses the full accrual basis of accounting. Comparisons are made with prior years. Included is an analysis on the net assets (Table 1) and changes in net assets (Table 2) of the district's governmental activities.

Net assets serves as a useful indicator of a government's financial position. The Lake Washington School District's assets exceeded liabilities by \$402,996,804 at the end of the 2008-2009 fiscal year.

The largest portion (35%) of net assets is the investment in capital assets (e.g., land, building, and equipment), less any related outstanding debt used to acquire those assets. The district continues to build and modernize various schools to meet student needs.



These assets are not available for future spending. Resources required to repay this debt comes from property tax levies. Fifty-nine percent of the net assets represents resources that are subject to external restrictions on their use.

The remaining unrestricted net assets (6%) represents the amount that can be used to finance day-to-day operations without such constraints as debt covenants, legislation, or other legal requirements.

Table 1  
Net Assets

	<u>2008-2009</u>	<u>2007-2008</u>
Current and Other Assets	\$298,259,467	\$251,565,232
Capital Assets	<u>488,899,326</u>	<u>454,520,910</u>
Total Assets	<u>\$787,158,793</u>	<u>\$706,086,142</u>
Long-Term Debt Outstanding	\$364,929,841	\$301,560,238
Other Liabilities	<u>19,232,148</u>	<u>14,969,544</u>
Total Liabilities	<u>\$384,161,989</u>	<u>\$316,529,782</u>
Net Assets:		
Invest in Cap. Assets, Net of Debt	\$140,724,326	\$169,285,910
Restricted	236,591,409	194,425,424
Unrestricted	<u>25,681,069</u>	<u>25,845,026</u>
Total Net Assets	<u>\$402,996,804</u>	<u>\$389,556,360</u>

The 2008-2009 revenues of \$268 million exceeded expenditures of \$255 million by \$13 million. The net assets of the district's governmental activities increased by \$13 million, which is a 3% increase during the year.

Table 2  
Changes in Net Assets

	<u>Primary Government</u> <u>Governmental Activities</u>	
	<u>2008-2009</u>	<u>2007-2008</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 14,229,860	\$ 13,803,701
Operating Grants and Contributions	55,140,201	43,564,432
Capital Grants and Contributions	1,925,446	3,511,953
General Revenues:		
Property Taxes	91,189,171	83,772,100
Interest and Investment Earnings	4,522,152	3,999,298
Other Revenues	<u>101,638,095</u>	<u>106,280,270</u>
Total Revenues	<u>\$268,644,925</u>	<u>\$254,931,754</u>
Program Expenses:		
Regular Instruction	\$128,631,625	\$120,771,002
Federal Stimulus	9,057,804	
Special Instruction	26,976,106	24,979,165

Vocational Instruction	4,450,751	4,277,103
Compensatory Education	14,420,778	15,505,691
Other Instructional Programs	4,540,176	4,234,265
Community Services	2,243,753	2,302,659
Support Services	47,664,589	45,017,344
Extracurricular Activities(ASB)	3,017,494	2,935,646
Debt Payment	14,201,405	11,893,283
Total Expenses	<u>\$255,204,481</u>	<u>\$231,916,158</u>
Excess (Deficiency) Before Special Items	\$13,440,444	\$23,015,596
Special Items	<u>0</u>	<u>0</u>
Increase (Decrease) In Net Assets	\$13,440,444	\$23,015,596
Net Assets, Beginning of Year	<u>389,556,360</u>	<u>366,540,764</u>
Net Assets, End of Year	<u>\$402,996,804</u>	<u>\$389,556,360</u>

#### Governmental Activities

The cost of each of the district's largest programs – basic instruction, federal stimulus, special instruction, vocational instruction, 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	
	2008-2009	2007-2008	2008-2009	2007-2008
Regular Instruction	\$128,631,625	\$120,771,002	\$126,088,554	\$116,980,592
Federal Stimulus	9,057,804		- 323,059	
Special Instruction	26,976,106	24,979,165	4,675,192	5,231,301
Vocational Instruction	4,450,751	4,277,103	4,204,505	3,993,024
Compensatory Instruction	14,420,778	15,505,691	756,816	16,833
Other Instructional Programs	4,540,176	4,234,265	-369,904	- 235,261
Support Services	47,664,589	45,017,344	33,697,003	32,338,875
All Others	19,462,652	17,131,588	15,179,867	12,710,708
Totals	<u>\$255,204,481</u>	<u>\$231,916,158</u>	<u>\$183,908,974</u>	<u>\$171,036,072</u>

## THE DISTRICT FUNDS

As the district completed the fiscal year, its governmental funds (as presented in the balance sheets under the governmental financial statement section) reported a combined fund balance of \$229.4 million, which is higher than last year's total by \$38.9 million. This increase is primarily due to an increase in capital spending and an \$80 million bond sale during the year. The fund balance in the general fund increased by 1 million.

Table 4 presents a summary of the governmental fund's revenues and expenditures for 2008-09 and the percentage increases/decreases in relation to the prior year.

Table 4  
Government Fund Revenues and Expenditures  
Increase  
(Decrease) Percent

	2008-09 Amounts	Percent of Total	Over 2007-08	Increase (Decrease)
<b>Revenues:</b>				
Local Tax/Non-Tax	\$105,456,386	39.35%	\$ 3,930,524	3.87%
State Revenues	140,324,177	52.35%	789,711	.57%
Federal Revenues	19,585,731	7.31%	10,507,304	115.74%
Other Revenues	2,642,885	.99%	-140,330	-5.04%
<b>Total Revenues</b>	<b>\$268,009,179</b>	<b>100.00%</b>	<b>\$15,087,209</b>	<b>5.97%</b>
<b>Expenditures:</b>				
Regular Instruction	\$119,224,907	38.32%	\$ 7,054,546	6.29%
Federal Stimulus	9,057,804	2.91%	9,057,804	100.00%
Special Instruction	25,003,367	8.03%	1,803,080	7.77%
Vocational Instruction	4,125,271	1.33%	152,760	3.85%
Compensatory Instruct.	13,366,199	4.30%	-1,035,262	-7.19%
Other Instructional Prog.	4,208,157	1.35%	275,433	7.00%
Community Services	2,085,102	.67%	-59,620	-2.78%
Support Services	44,355,769	14.25%	2,204,226	5.23%
Student Services	2,804,135	.90%	69,841	2.55%
Capital Outlay	53,993,757	17.35%	15,504,988	40.28%
Debt Service	32,965,721	10.59%	1,083,025	3.40%
<b>Total Expenditures</b>	<b>\$311,190,189</b>	<b>100.00%</b>	<b>\$36,110,821</b>	<b>13.13%</b>

### General Fund

Expenditures in the general fund amounted to \$215,247,347 for the fiscal year ended August 31, 2009, which was an increase of 9.71% percent. This small increase in expenditures and actual fund balance exceeding budgeted fund balance by \$4,600,625 is due primarily to wage increases and tight budgetary controls by management.

### 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, 2009 is detailed in Table 5.

Table 5  
ASB Recap

	08/31/08 Fund Balance	Revenues	Transfers	Expenditures	08/31/09 Fund Balance
General	\$ 739,243	\$1,743,621	\$- 540,125	\$1,367,755	\$ 574,984
Athletics	7,875	247,248	515,774	758,059	12,838
Classes	57,144	187,778	16,544	203,646	57,820
Clubs	191,756	335,733	7,707	445,849	89,347

Private	1,488	29,239	100	28,826	2,001
	<u>\$997,506</u>	<u>\$2,543,619</u>	<u>\$ 0</u>	<u>\$2,804,135</u>	<u>\$ 736,990</u>

### Capital Projects Fund

The proceeds from the sales of unlimited general obligation bonds, capital levies, and state matching monies for construction of major capital facilities are accounted for in the Capital Projects Fund. Capital assets are capitalized and depreciated in the government-wide statement of net assets and statement of activities. The district continues to build and modernize schools to meet the needs of its students.

### 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. This fund receives its revenues from property tax levies, interest earnings, and bond sale proceeds.

### Transportation Vehicle Fund

The transportation vehicle fund is used for the purchase, major repair, rebuilding, and related debt service incurred for pupil transportation equipment. This fund receives its revenues from the state allocation of depreciation on district owned vehicles, special levies, and investment earnings.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The district has \$649 million invested in land, buildings, transportation equipment, and other equipment as of August 31, 2009. This is an increase from the previous fiscal year of \$46 million. Table 6 shows the various components of the district's capital assets.

Table 6  
Capital Assets – 08/31/09  
(In Millions)

	Historical Cost	Accumulated Depreciation	Book Value
Land	\$ 20.4		\$ 20.4
Buildings and Improvements	565.5	\$154.3	411.2
Equipment	16.1	6.3	9.8
Construction in Progress	47.5		47.5
Totals	<u>\$649.5</u>	<u>\$160.6</u>	<u>\$488.9</u>

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

Carson Elementary (152)	\$ 1.3
Finn Hill Junior (363)	1.0
Best High (480)	1.0
Resource Center (792)	1.2
Lake Washington High (484)	17.3
Frost Elementary (125)	<u>19.2</u>
	<u>\$41.0</u>

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

## Debt

The district had bonds outstanding totaling \$348.2 million as of August 31, 2009. This is an increase of \$63 million from the previous fiscal year. The debt amount outstanding per issue is disclosed in the notes to these financial statements.

The district is rated by two bond rating companies and the district's bonds are rated Aa1 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 the Note 9 to these financial statements.

## ECONOMIC FACTORS

The 2009-2010 governmental funds' appropriation for the district was set at \$359 million. The property tax rates are set at \$2.39 per thousand dollars of assessed value.

The Lake Washington School District encompasses an area of 75 square miles and is located on the northeast side of Lake Washington in 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 the unincorporated King County. This 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 the highest concentration of high-technology employers in the State with some of the largest companies in the country. Some of the major employers would include Microsoft, Evergreen Community Health Care, Cingular Wireless Services, Group Health Eastside Hospital, Honeywell International, Inc., Eddie Bauer, Inc., Nintendo of America, United Parcel Service, Medtronic Physio-Control, Genie Industries, Volt Technical Services LLC, Evergreen

Healthcare, Redmond Town Center, Kenworth Trucking, Airojet, PACCAR, Marriott Hotel, Google, Costco, Totem Lake Mall, and the Lake Washington Technical College.

#### 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, contact the district's administration office at 16250 N.E. 74<sup>th</sup> Street, Redmond, Washington.

Lake Washington School District No. 414  
Statement of Net Assets  
08/31/09

	Primary Government Governmental Activities
<b>Assets</b>	
Cash & Cash Equivalents	\$248,067,858
Property Tax Receivable	45,610,438
Accounts Receivable, Net	712,769
Due From Other Gov't. Units	769,855
Inventories at Cost	335,763
Prepaid Items	1,891,509
Capital Assets, Net of Accum. Depn.:	
Land	20,399,880
Buildings & Improvements	411,185,219
Equipment	9,846,599
Construction-in-Progress	47,467,628
Unamortized Bond Issue Costs	871,275
<b>Total Assets</b>	<b>\$787,158,793</b>
<b>Liabilities</b>	
Accounts Payable	\$10,795,772
Accrued Wages & Benefits Pay.	5,561,923
Deferred Revenue	2,874,453
Long-Term Liabilities:	
Due Within One Year	24,735,000
Due In More Than One Year	331,120,690
Unamortized Debt Premium/Discount	9,074,151
<b>Total Liabilities</b>	<b>\$384,161,989</b>
<b>Net Assets</b>	
Invested In Capital Assets, Net of Related Debt	\$140,724,326
Restricted For:	
Capital Projects	205,965,686
Debt Service	29,888,733
Other Purposes (Special Revenue/ASB)	736,990
Unrestricted	25,681,069
<b>Net Assets</b>	<b>\$402,996,804</b>

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

Lake Washington School District No. 414  
Statement of Activities  
08/31/09

Functions/Programs	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
Regular Instruction	\$128,631,625	\$1,213,781	\$237,616	\$1,091,674	(\$126,088,554)
Federal Stimulus	9,057,804	323,059	9,057,804		323,059
Special Instruction	26,976,106		22,071,973	228,941	(4,675,192)
Vocational Instruction	4,450,751	51,193	157,280	37,773	(4,204,505)
Compensatory Education	14,420,778	2,820	13,538,755	122,387	(756,816)
Other Instructional Programs	4,540,176	2,793,746	2,077,802	38,532	369,904
Community Services	2,243,753	1,739,167			(504,586)
Support Services	47,664,589	5,562,476	7,998,971	406,139	(33,697,003)
Extracurricular Activities(ASB)	3,017,494	2,543,618			(473,876)
Int. Paymt. On L/T Debt	14,201,405				(14,201,405)
<b>Total Governmental Activities</b>	<b>\$255,204,481</b>	<b>\$14,229,860</b>	<b>\$55,140,201</b>	<b>\$1,925,446</b>	<b>(\$183,908,974)</b>

General Revenues:

Property Taxes, Levies for Maintenance and Operations	\$40,854,418
Property Taxes, Levies for Debt Service	33,562,108
Property Taxes, Levies for Capital Projects	16,772,645
Unallocated State Apportionment & Others	105,153,186
Interest and Investment Earnings	4,522,152
Gain (Loss) on Disposition of Property & Equipment	(3,515,091)
<b>Total General Revenues &amp; Special Items</b>	<b>\$197,349,418</b>

Changes in Net Assets	\$13,440,444
Beginning Net Assets	389,556,360
<b>Ending Net Assets</b>	<b>\$402,996,804</b>

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



Lake Washington School District No. 414  
Balance Sheet  
Government Funds  
08/31/09

	General Fund	Special Revenue Fund (ASB)	Debt Service Fund	Capital Project Fund	Transportation Vehicle Fund	Total Government Funds
<b>Assets</b>						
Cash and Cash Equivalents	\$25,204,854	\$1,607,105	\$12,718,351	\$207,358,494	\$1,179,054	\$248,067,858
Property Taxes Receivable	20,190,077		17,154,393	8,265,906	62	45,610,438
Accounts Receivable, Net	394,687					394,687
Accrued Interest	31,741	1,473	15,989	267,395	1,484	318,082
Due From Other Funds	1,404,559	2,863		88,929		1,496,351
Due From Other Gov't Units	769,855					769,855
Inventories at Cost	335,763					335,763
Prepaid Items	747,641	84,578		1,059,290		1,891,509
<b>Total Assets</b>	<b>\$49,079,177</b>	<b>\$1,696,019</b>	<b>\$29,888,733</b>	<b>\$217,040,014</b>	<b>\$1,180,600</b>	<b>\$298,884,543</b>
<b>Liabilities</b>						
Accounts Payable	\$984,001	\$106,102		\$9,705,669		\$10,795,772
Accrued Wages & Benefits Pay.	8,739,515					8,739,515
Due To Other Funds	91,792	35,900		1,368,659		1,496,351
Deferred Revenue	22,247,503	817,027	\$17,154,393	8,265,906	\$62	48,484,891
<b>Total Liabilities</b>	<b>\$32,062,811</b>	<b>\$959,029</b>	<b>\$17,154,393</b>	<b>\$19,340,234</b>	<b>\$62</b>	<b>\$69,516,529</b>
<b>Fund Balances</b>						
Reserve for Inventory	\$950,000					\$950,000
Reserve for Other Items	4,059,282					4,059,282
Unreserved Fund Balance	12,007,084	\$736,990	\$12,734,340	\$197,699,780	\$1,180,538	224,358,732
<b>Total Fund Balances</b>	<b>\$17,016,366</b>	<b>\$736,990</b>	<b>\$12,734,340</b>	<b>\$197,699,780</b>	<b>\$1,180,538</b>	<b>\$229,368,014</b>
<b>Total Liab. &amp; Fund Balances</b>	<b>\$49,079,177</b>	<b>\$1,696,019</b>	<b>\$29,888,733</b>	<b>\$217,040,014</b>	<b>\$1,180,600</b>	<b>\$298,884,543</b>

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 Assets  
08/31/09

	Total Governmental Funds	Long-Term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Assets Totals
<b>Assets</b>				
Cash and Cash Equivalents	\$248,067,858			\$248,067,858
Property Taxes Receivable	45,610,438			45,610,438
Accounts Receivable, Net	712,769			712,769
Due From Other Funds	1,496,351		(\$1,496,351)	0
Due From Other Gov't Units	769,855			769,855
Inventories at Cost	335,763			335,763
Prepaid Items	1,891,509			1,891,509
Capital Assets, Net		\$488,899,326		488,899,326
Unamortized Bond Issue Costs		871,275		871,275
<b>Total Assets</b>	<b>\$298,884,543</b>	<b>\$489,770,601</b>	<b>(\$1,496,351)</b>	<b>\$787,158,793</b>
<b>Liabilities</b>				
Accounts Payable	\$10,795,772			\$10,795,772
Accrued Wages & Benefits Pay.	8,739,515	(\$3,177,592)		5,561,923
Due To Other Funds	1,496,351		(\$1,496,351)	0
Deferred Revenue	48,484,891	(45,610,438)		2,874,453
Long-Term Liabilities		364,929,841		364,929,841
<b>Total Liabilities</b>	<b>\$69,516,529</b>	<b>\$316,141,811</b>	<b>(\$1,496,351)</b>	<b>\$384,161,989</b>
<b>Fund Balances/Net Assets</b>	<b>\$229,368,014</b>	<b>\$173,628,790</b>		<b>\$402,996,804</b>
<b>Total Liab &amp; Fund Bal./Net Assets</b>	<b>\$298,884,543</b>	<b>\$489,770,601</b>	<b>(\$1,496,351)</b>	<b>\$787,158,793</b>

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

Lake Washington School District No. 414  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Government Funds  
08/31/09

	General Fund	Special Revenue Fund (ASB)	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Total Governmental Funds
<b>Revenues</b>						
Local	\$53,571,790		\$32,174,202	\$19,680,332	\$30,062	\$105,456,386
State	138,970,769			88,929	1,264,479	140,324,177
Federal	19,585,731					19,585,731
Miscellaneous	99,267	\$2,543,618				2,642,885
<b>Total Revenues</b>	<b>\$212,227,557</b>	<b>\$2,543,618</b>	<b>\$32,174,202</b>	<b>\$19,769,261</b>	<b>\$1,294,541</b>	<b>\$268,009,179</b>

<b>Expenditures</b>						
Regular Instruction	\$119,224,907					\$119,224,907
Federal Stimulus	9,057,804					9,057,804
Special Instruction	25,003,367					25,003,367
Vocational Instruction	4,125,271					4,125,271
Compensatory Instruction	13,366,199					13,366,199
Other Instructional Programs	4,208,157					4,208,157
Community Services	2,085,102					2,085,102
Support Services	38,006,935	\$2,804,135		\$6,348,834		44,355,769
Student Services				51,093,070	\$2,731,082	53,993,757
Capital Outlay	169,605					17,060,000
Debt Service-Principal			\$17,060,000			17,060,000
Debt Service-Interest & Other			15,423,921	481,800		15,905,721
<b>Total Expenditures</b>	<b>\$215,247,347</b>	<b>\$2,804,135</b>	<b>\$32,483,921</b>	<b>\$57,923,704</b>	<b>\$2,731,082</b>	<b>\$311,190,189</b>
<b>Revenues Over (Under) Exp.</b>	<b>(\$3,019,790)</b>	<b>(\$260,517)</b>	<b>(\$309,719)</b>	<b>(\$38,154,443)</b>	<b>(\$1,436,541)</b>	<b>(\$43,181,010)</b>

**Other Financing Sources (Uses)**

Sale of Real Property				\$181,100		\$181,100
Sale of Equipment	\$11,000				\$19,200	30,200
Compensated Loss Of Cap. Assets						0
Sale of Bonds			\$1,457,109	80,474,990		81,932,099
Transfers In	4,016,525					4,016,525
Transfers Out				(4,016,525)		(4,016,525)
<b>Total Other Financing Sources(Uses)</b>	<b>\$4,027,525</b>	<b>\$0</b>	<b>\$1,457,109</b>	<b>\$76,639,565</b>	<b>\$19,200</b>	<b>\$82,143,399</b>

<b>Net Change in Fund Balance</b>	\$1,007,735	(\$260,517)	\$1,147,390	\$38,485,122	(\$1,417,341)	\$38,962,389
Beginning Fund Balance	16,008,631	997,507	11,586,950	159,214,658	2,597,879	190,405,625
<b>Ending Fund Balance</b>	<b>\$17,016,366</b>	<b>\$736,990</b>	<b>\$12,734,340</b>	<b>\$197,699,780</b>	<b>\$1,180,538</b>	<b>\$229,368,014</b>

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

Lake Washington School District No. 414  
Reconciliation  
Statement of Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities  
08/31/09

	Total Governmental Funds	Long-Term Revenue, Expenditures	Capital Related Items	Long-Term Debt Transactions	Statement of Activities Totals
<b>Revenues &amp; Other Sources</b>					
Property Taxes	\$105,456,386	\$4,150,837			\$109,607,223
State	140,324,177				140,324,177
Federal	19,585,731				19,585,731
Miscellaneous	2,642,885				2,642,885
Loss in Disposition of Fixed Assets			(\$3,726,391)		(3,726,391)
Sale or Comp. of Fixed Assets	211,300				211,300
Sale of Bonds	81,932,099			(\$81,932,099)	0
Other Financial Sources	4,016,525	(4,016,525)			0
<b>Total Revenues &amp; Other Sources</b>	<b>\$354,169,103</b>	<b>\$134,312</b>	<b>(\$3,726,391)</b>	<b>(\$81,932,099)</b>	<b>\$268,644,925</b>
<b>Expenditures</b>					
Current:					
Regular Instruction	\$119,224,907	\$335,165	\$9,071,553		\$128,631,625
Federal Stimulus	9,057,804				9,057,804
Special Education	25,003,367	70,289	1,902,450		26,976,106
Vocational Instruction	4,125,271	11,597	313,883		4,450,751
Compensatory Education	13,366,199	37,575	1,017,004		14,420,778
Other Instructional Programs	4,208,157	11,830	320,189		4,540,176
Community Services	2,085,102		158,651		2,243,753
Support Services	44,355,769	106,845	2,891,862	\$310,113	47,664,589
Student Activities	2,804,135		213,359		3,017,494
Capital Outlay	53,993,757		(53,993,757)		0
Debt Service-Principal	17,060,000			(17,060,000)	0
Debt Service-Interest & Other	15,905,721			(1,704,316)	14,201,405
Other Financial Uses	4,016,525	(4,016,525)			0
<b>Total Expenditures</b>	<b>\$315,206,714</b>	<b>(\$3,443,224)</b>	<b>(\$38,104,806)</b>	<b>(\$18,454,203)</b>	<b>\$255,204,481</b>
<b>Net Change for the Year</b>	<b>\$38,962,389</b>	<b>\$3,577,536</b>	<b>\$34,378,415</b>	<b>(\$63,477,896)</b>	<b>\$13,440,444</b>

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

Lake Washington School District No. 414  
 Budgetary Comparison Statement  
 General Fund  
 For the Year Ended August 31, 2009

	Budgeted Amounts		Actual Amount	Variance With Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Local	\$51,632,755	\$51,632,755	\$53,571,790	\$1,939,035
State	150,332,673	150,332,673	138,970,769	(11,361,904)
Federal	11,749,197	11,749,197	19,585,731	7,836,534
Other	38,955	38,955	99,267	60,312
<b>Total Revenues</b>	<b>\$213,753,580</b>	<b>\$213,753,580</b>	<b>\$212,227,557</b>	<b>(\$1,526,023)</b>
<b>Expenditures:</b>				
Regular Instruction	\$128,273,430	\$128,273,430	\$119,248,569	\$9,024,861
Federal Stimulus			9,057,804	(9,057,804)
Special Education	22,436,956	22,436,956	25,003,367	(2,566,411)
Vocational Education	4,254,441	4,254,441	4,125,271	129,170
Compensatory Education	16,603,949	16,603,949	13,366,200	3,237,749
Other Instructional Programs	5,966,467	5,966,467	4,268,611	1,697,856
Community Services	2,101,093	2,101,093	2,085,102	15,991
Support Services	38,345,529	38,345,529	38,092,423	253,106
<b>Total Expenditures</b>	<b>\$217,981,865</b>	<b>\$217,981,865</b>	<b>\$215,247,347</b>	<b>\$2,734,518</b>
Excess of Revenues Over (Under) Expenditures	(\$4,228,285)	(\$4,228,285)	(\$3,019,790)	\$1,208,495
<b>Other Financing Sources (Uses):</b>				
Other Financial Sources	\$4,000,000	\$4,000,000	\$4,027,525	\$27,525
<b>Total Other Financing Sources (Uses)</b>	<b>\$4,000,000</b>	<b>\$4,000,000</b>	<b>\$4,027,525</b>	<b>\$27,525</b>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Uses	(\$228,285)	(\$228,285)	\$1,007,735	\$1,236,020
Beginning Fund Balance	12,644,026	12,644,026	16,008,631	3,364,605
<b>Ending Fund Balance</b>	<b>\$12,415,741</b>	<b>\$12,415,741</b>	<b>\$17,016,366</b>	<b>\$4,600,625</b>

Note: There was no budget revision during the fiscal year 2008-09. The notes to the financial statements are an integral part of this statement.

Lake Washington School District No. 414  
 Budgetary Comparison Statement  
 Special Revenue Fund (Associated Student Body Fund)  
 For the Year Ended August 31, 2009

	Budgeted Amounts		Actual Amount	Variance With Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
General	\$2,592,075	\$2,592,075	\$1,743,620	(\$848,455)
Athletics	321,350	321,350	247,248	(74,102)
Classes	231,700	231,700	187,778	(43,922)
Clubs	496,875	496,875	335,733	(161,142)
Private Monies	78,500	78,500	29,239	(49,261)
<b>Total Revenues</b>	<b>\$3,720,500</b>	<b>\$3,720,500</b>	<b>\$2,543,618</b>	<b>(\$1,176,882)</b>
<b>Expenditures:</b>				
General	\$2,280,879	\$2,280,879	\$1,367,755	\$913,124
Athletics	815,992	815,992	758,059	57,933
Classes	266,250	266,250	203,646	62,604
Clubs	623,541	623,541	445,849	177,692
Private Monies	79,500	79,500	28,826	50,674
<b>Total Expenditures</b>	<b>\$4,066,162</b>	<b>\$4,066,162</b>	<b>\$2,804,135</b>	<b>\$1,262,027</b>
Excess of Revenues Over (Under) Expenditures	(\$345,662)	(\$345,662)	(\$260,517)	\$85,145
Beginning Fund Balance	1,039,906	1,039,906	997,507	(42,399)
<b>Ending Fund Balance</b>	<b>\$694,244</b>	<b>\$694,244</b>	<b>\$736,990</b>	<b>\$42,746</b>

Note: There was no budget revision during the fiscal year 2008-09. The notes to the financial statements are an integral part of this statement.

Lake Washington School District No. 414  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
August 31, 2009

	<u>Private- Purpose Trust</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$191,907
Accounts Receivable, Net	239
Total Assets	<u>\$192,146</u>
<b>Liabilities</b>	
Accounts Payable	<u>\$0</u>
Total Liabilities	<u>\$0</u>
<b>Fund Balance/Net Assets</b>	\$192,146
<b>Total Liab. &amp; Fund Balance/Net Assets</b>	<u>\$192,146</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 Assets  
Fiduciary Funds  
For the Fiscal Year Ended August 31, 2009

	Private- Purpose Trust
<b>Additions</b>	
Donations	\$18,407
Investment Earnings	3,604
Total Additions	\$22,011
<b>Deductions</b>	
Scholarships	\$13,786
Fees and Materials	
Total Deductions	\$13,786
<b>Change in Net Assets</b>	\$8,225
<b>Net Assets, Beginning of Year</b>	183,921
<b>Net Assets, End of Year</b>	\$192,146

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, 2008 THROUGH AUGUST 31, 2009

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 Assets 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 considered to be susceptible 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 Assets and Statement of Activities, the inter-fund receivables and payables within governmental funds were eliminated.

The district reports the following major governmental funds:

#### General fund

This fund is the district's primary operating fund. It accounts 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 and construction 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 Assets or Equity

#### 1. Cash and Cash Equivalents

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

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

#### 2. Property Taxes

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

#### 3. Accounts Receivable

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

4. Due From/To Other Funds

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

5. Due From Other Governments

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

6. Inventories and Prepaid Items

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

7. Bond Discounts, Premiums, and Issuance Costs

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

8. Deferred Revenue

In governmental fund financial statements, deferred 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 fixed 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 Assets. 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 Assets. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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. For buy-back purposes, employees may accumulate such leave to a maximum of 192 days, including the annual accumulation, as of December 31 of each 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 Assets. 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, 2009 was \$3,614,414.37 and reported as long-term liabilities in the district-wide financial statements.

b. Vacation Leave

For the employees that receive vacation leave, vacation leave is accrued according to the particular bargaining agreement. Employees are allowed to accrue up to a maximum of 33 days of vacation leave. Vacation pay is recorded as an expenditure at the time of payment which occurs upon usage or upon employee termination. The liability is computed at 100%. The amount accrued for vacation leave as of August 31, 2009 was \$888,681.37 and reported as long-term liabilities in the district-wide financial statements.

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

12. Fund Balance Reserves (Government Fund Financial Statements)

Reserves represent those portions of the fund balance not appropriate for expenditures or legally segregated for a specific use.

- a. Not appropriate for expenditure. Reserve for Inventory.
- b. Legally segregated for specific future use. Reserves for Gifts & Scholarships (fiduciary funds).
- c. Designated reserves. Self-insurance, budget carryovers, and other cash items that represent tentative plans for future use of financial resources. These plans are subject to changes and may never be legally authorized or result in expenditures.

Note 2: Stewardship, Compliance, and Accountability

Budgetary Information

General Budgetary Policies

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

Budgetary Basis of Accounting

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

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

Note 3: Deposits and Investments

In accordance with state investment laws, the district's governing body has entered into a formal interlocal

Agreement with the district's ex officio treasurer, King County, to have all its funds not required for immediate expenditure to be invested in the King County Investment Pool (Pool).

As of August 31, 2009, 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	\$248,259,765	\$249,724,498	0.68 Years

**Impaired Investments.** As of September 1, 2008, the impaired commercial paper assets were removed from the main King County Investment Pool and placed into an Impaired Investment Pool. As of August 31, 2009, the King County impaired investment pool held one commercial paper asset that is impaired and part of an enforcement event where a trustee or receiver is appointed to determine the best options for selling assets and/or restructuring the portfolio; and the residual investments in four commercial paper assets that were part of completed enforcement events. All expected investment losses from the impaired investments were fully provided for by the District which resulted in a loss allocation of \$4.9 million.

**Interest Rate Risk.** As of August 31, 2009, the Pool’s average duration was 0.68 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, 2009, the district’s investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, Pool policies authorize investments in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, municipal securities (rated at least “A” by two NRSRO’s), commercial paper (rated at least the equivalent of “A-1” by two NRSRO’s), certificates of deposits issued by qualified public depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer’s office.

Note 4: Receivables

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

	<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	\$20,190,077		\$17,154,392	\$8,265,905	\$ 62	
Governmental	769,855					
Accounts	426,428	\$1,473	15,989	267,395	1,484	\$ 239
Total	<u>\$21,386,360</u>	<u>\$1,473</u>	<u>\$17,170,381</u>	<u>\$8,533,300</u>	<u>\$ 1,546</u>	<u>\$ 239</u>

Government funds report deferred 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, 2009, short-term interfund receivables and payables in governmental funds that resulted from various interfund transactions in governmental fund financial statements were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 1,404,559	\$ 91,792
Capital Projects Fund	88,929	1,368,659
Special Revenue Fund	<u>2,863</u>	<u>35,900</u>
Total	<u>\$ 1,496,351</u>	<u>\$1,496,351</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 Assets 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	\$20,397,529	\$ 2,351		\$ 20,399,880
Construction in Progress	<u>16,008,551</u>	<u>31,459,077</u>		<u>47,467,628</u>
Total	<u>\$36,406,080</u>	<u>\$31,461,428</u>		<u>\$ 67,867,508</u>
Capital Assets, being depreciated:				
Building and Improvements	\$550,750,159	\$19,683,651	\$ 4,934,526	\$565,499,284
Transportation Equipment	12,241,601	2,816,570	2,460,199	12,597,972
Other Equipment	<u>3,524,145</u>	<u>32,108</u>	<u>21,974</u>	<u>3,534,279</u>
Total	<u>\$566,515,905</u>	<u>\$22,532,329</u>	<u>\$ 7,416,699</u>	<u>\$581,631,535</u>
Less: Accumulated Depreciation:				
Buildings and Improvements				\$ 154,314,065
Transportation Equipment				4,272,874
Other Equipment				<u>2,012,778</u>
Total				<u>\$160,599,717</u>
Net Depreciated Assets				<u>\$421,031,818</u>
Net Total Assets				<u>\$488,899,326</u>

Depreciation expense was charged to governmental activities as follows:

Regular Instruction	\$9,071,553
Special Instruction	1,902,450
Vocational Instruction	313,883
Compensatory Instruction	1,017,004
Other Instruction Programs	320,189
Community Services	158,651
Student Services	213,359
Support Service	<u>2,891,862</u>
Total	<u>\$15,888,951</u>

Construction in Progress is composed of:

	<u>Project Authorization</u>	<u>Construction In Process 08/31/09</u>	<u>Additional Local Funds Committed</u>	<u>Additional State Funds Committed</u>
Frost Elementary	\$ 25,600,000	\$23,083,647	\$ 777,053	\$ 1,739,300
Lake Washington High	90,000,000	22,500,230	67,499,770	
Finn Hill Junior	53,300,000	964,646	52,335,354	
Wilder Sewer	1,600,000	141,656	1,458,344	
Redmond High Track	1,265,000	158,694	1,106,306	
Muir Elementary	<u>26,500,000</u>	<u>618,755</u>	<u>25,881,245</u>	0
Total	<u>\$ 198,265,000</u>	<u>\$47,467,628</u>	<u>\$149,058,072</u>	<u>\$ 1,739,300</u>

The district's property valuation of buildings and equipment for insurance purposes is \$529,363,272 on August 31, 2009.

## Note 7: Pensions

### A. General Information

Substantially all Lake Washington School District full-time and qualifying part-time employees participate in one of the following two contributory, multi-employer, cost-sharing statewide retirement systems managed by The Washington State Department of Retirement Systems (DRS).

The Teachers' Retirement System (TRS) includes certificated staff of 296 public school district employers and other public employers. As of June 30, 2008, it includes 75,223 active and inactive vested members.

The Public Employers' Retirement System (PERS) includes noncertified staff of 296 public school district employers and other public employers. As of June 30, 2008, it includes 188,935 active and inactive vested members.

The School Employers' Retirement System (SERS) includes noncertified staff of 296 public school district employers. As of June 30, 2008, it includes 60,374 active and inactive vested members.

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

Plan 3 for TRS was established effective July 1, 1996. This plan is a combination defined benefit, defined contribution plan. The Pension Funding Council establishes employer contribution rates each biennium. The state actuary calculates the rates and the Pension Funding Council adopts the rates for the defined benefit portion of the plan. Employee rates are established each biennium by the Legislature as well. These rates fund the defined contribution portion of the plan.

The new retirement system for school employees, SERS, was established effective September 1, 2000 and includes a Plan 3. This plan is a combination defined benefit, defined contribution plan. The Pension Funding Council establishes employer contribution rates each biennium. The state actuary calculates the rates and the Pension Funding Council adopts the rates, for the defined benefit portion of the plan. The Employee Retirement Benefits Board (ERBB) establishes employee rate choices. These rates fund the defined contribution portion of the plan.

Employee contribution rates for Plans 1, 2, and 3 of each system have been set at rates reflective of amounts that have been appropriated by the state legislature.

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

B. General System Information by Internal Benefit Plans

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

Plan 1 (employment on or before September 30, 1977) members of TRS and PERS are eligible to retire with full benefits after five years of credited service and attainment of age 60, or after twenty five years of credited service and attainment of age 55, or after thirty years of credited service.

Plan 2 (employment on or after October 1, 1977) members of TRS and SERS are eligible to retire with full benefits after five years of credited service and attainment of age 65 or after twenty years of credited service and attainment of age 55 with the benefit actuarially reduced from age 65.

Plan 3 (employment on or after July 1, 1996) members of TRS are eligible to retire with full benefits after ten years of credited service and attainment of age 65 or after ten years of credited service and attainment of age 55 with the benefit actuarially reduced from age 65.

Plan 3 (employment on or after September 1, 2000) members of SERS are eligible to retire with full benefits after ten years of credited service and attainment of age 65 or after ten years of credited service and attainment of age 55 with benefit actuarially reduced from age 65.

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

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

C. Contributions

Employee contribution rates as of August 31, 2009:

Plan 1 TRS 6.00%	Plan 1 PERS 6.00%
Plan 2 TRS 4.26%	Plan 2 SERS 4.68%
Plan 3 TRS and SERS 5.00% (Minimum), 15.00% (Max.)	

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

Employer contribution rates as of August 31, 2009:

Plan 1 TRS 8.46%	Plan 1 PERS 5.29%
Plan 2 TRS 8.46%	Plan 2 SERS 7.54%
Plan 3 TRS 8.46%	Plan 3 SERS 7.54%

Under current law the employer must contribute 100 percent of the employer-required contribution. Employer required contributions in dollars (TRS: July 1-June 30, PERS: January 1 – December 31):

Plan	FY 08-09	FY 07-08	FY 06-07
Plan 1 TRS	\$ 767,109	\$ 592,498	\$ 535,383
Plan 2 TRS	945,481	531,228	352,661
Plan 3 TRS	6,230,217	3,951,309	2,986,430
Plan 1 PERS	83,129	77,528	43,150
Plan 2 SERS	621,927	434,638	301,163
Plan 3 SERS	1,188,743	960,977	620,541

Historical trend information showing TRS and PERS progress in accumulating sufficient assets to pay benefits when due is presented in the State of Washington’s June 30, 2009 comprehensive annual financial report. Refer to this report for detailed trend information. It is available from:

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

Note 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, 2008 was \$363,775.

Note 9: Long-Term Debt

A. Changes in Long-Term Liabilities

During the fiscal year ended August 31, 2009, 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
1998 G.O. Bonds	\$ 6,505,000		\$2,505,000	\$ 4,000,000	\$ 4,000,000
1998 G.O. Bonds	4,340,000		4,340,000	0	0
2000 G.O. Bonds	3,115,000		1,050,000	2,065,000	1,000,000
2001 G.O. Bonds	13,900,000		1,500,000	12,400,000	5,000,000
2004 G.O. Bonds	67,445,000		660,000	66,785,000	5,200,000
2004 G.O. Bonds	20,720,000		1,095,000	19,625,000	0
2006 G.O. Bonds	95,710,000		910,000	94,800,000	0
2007 G.O. Bonds	73,500,000		5,000,000	68,500,000	0
2008 G.O. Bonds		\$80,000,000		80,000,000	6,500,000
Total Bonds Payable	\$ 285,235,000	\$80,000,000	\$17,060,000	\$348,175,000	\$21,700,000
Other Liabilities:					
Unemployment Pay.	\$ 636,561	\$ 48,339	\$ 114,530	\$ 570,370	\$ 170,000
Other Empl. Ins. Pay.	1,601,501	601,253	706,678	1,496,076	775,000
Industrial Insurance	1,402,003	1,042,486	1,333,342	1,111,147	1,460,000
Comp. Absences	3,929,795	573,301		4,503,096	630,000
Total Other Liab.	\$ 7,569,860	\$ 2,265,379	\$2,154,550	\$7,680,689	\$3,035,000
Grand Total	\$292,804,860	\$82,265,379	\$19,214,550	\$355,855,689	\$24,735,000

B. Unamortized Bond Issuance Costs

The unamortized bond issuance costs for the following general obligation bonds are as follows:

	Beginning Balance	Debit	Credit	Ending Balance
1998 G. O. Bonds	\$ 84,325		\$ 16,865	\$ 67,460
1998 G. O. Bonds	226,110		226,110	0
2000 G. O. Bonds	161,700		13,475	148,225
2001 G. O. Bonds	188,688		23,586	165,102
2006 G. O. Bonds	224,684		12,482	212,202
2007 G. O. Bonds	204,891		12,806	192,085
2008 G. O. Bonds	0	\$ 90,990	4,789	86,201
	\$ 1,090,398	\$ 90,990	\$ 310,113	\$871,275

C. Bond Premiums

The amortization schedule of bond premiums is as follows:

	Beginning Balance	Debit	Credit	Ending Balance
1998 G. O. Bonds	\$277,205	\$ 55,441		\$221,764
1998 G. O. Bonds	509,480	509,480		0
2000 G. O. Bonds	197,724	16,477		181,247
2001 G. O. Bonds	1,548,408	193,551		1,354,857
2006 G. O. Bonds	2,665,620	148,090		2,517,530
2007 G. O. Bonds	4,276,847	267,303		4,009,544
2008 G. O. Bonds	0	101,689	\$1,932,099	\$1,830,410
	<u>\$9,475,284</u>	<u>\$1,292,031</u>	<u>\$1,932,099</u>	<u>\$10,115,352</u>

D. Unamortized Discount Costs

The amortization schedule of bond discount costs is as follows:

	Beginning Balance	Debit	Credit	Ending Balance
2006 Bonds	\$ 360,000		\$ 20,000	\$340,000
2007 Bonds	359,906		22,494	337,412
2008 Bonds	0	\$384,000	20,211	363,789
	<u>\$ 719,906</u>	<u>\$384,000</u>	<u>\$ 62,705</u>	<u>\$1,041,201</u>

E. General Obligation Debt

Bonds payable at August 31, 2009 are comprised of the following:

	Interest Rates	Issue Date	Maturity Date	Amount Issued	Outstanding Amount
1998 Bonds	5.00	03/01/98	12/01/09	\$ 51,615,000	\$ 4,000,000
2000 Bonds	5.00	12/15/00	12/01/10	27,500,000	2,065,000
2001 Bonds	5.25-5.75	12/15/01	12/01/12	40,000,000	12,400,000
2004 Bonds	2.50-5.00	03/30/04	12/01/17	70,100,000	66,785,000
2004 Bonds	3.65-5.00	09/02/04	06/01/19	34,655,000	19,625,000
2006 Bonds	4.00-5.00	09/06/06	12/01/25	97,115,000	94,800,000
2007 Bonds	4.63-5.00	11/07/07	12/01/23	80,000,000	68,500,000
2008 Bonds	3.63-5.00	11/18/08	12/01/26	80,000,000	80,000,000
				<u>\$480,985,000</u>	<u>\$348,175,000</u>

## F. Debt Service Requirements to Maturity

Fiscal Year Ended	Principal	Interest	Total
08/31/10	\$21,700,000	\$ 16,530,278	\$38,230,278
08/31/11	19,250,000	15,610,809	34,860,809
08/31/12	12,510,000	14,769,215	27,279,215
08/31/13	11,840,000	14,132,465	25,972,465
08/31/14	14,375,000	13,528,312	27,903,312
08/31/15	15,540,000	12,918,375	28,458,375
08/31/16	15,755,000	12,205,250	27,960,250
08/31/17	17,320,000	11,398,125	28,718,125
08/31/18	16,875,000	10,471,625	27,346,625
08/31/19	22,810,000	9,491,625	32,301,625
08/31/20	22,900,000	8,263,875	31,163,875
08/31/21	20,800,000	7,172,875	27,972,875
08/31/22	23,500,000	6,065,375	29,565,375
08/31/23	26,100,000	4,862,875	30,962,875
08/31/24	29,500,000	3,558,937	33,058,937
08/31/25	22,000,000	2,320,000	24,320,000
08/31/26	25,400,000	1,135,000	26,535,000
08/31/27	<u>10,000,000</u>	<u>250,000</u>	<u>10,250,000</u>
Totals	<u>\$348,175,000</u>	<u>\$164,685,016</u>	<u>\$512,860,016</u>

## G. Bonds Authorized but Unissued

The District was authorized to issue \$436,000,000 of unlimited tax general obligation bonds for the capital projects of the District in the February 7, 2006 election.

The district issued \$40,000,000 principal amount of Unlimited Tax General Obligation Bonds, Build America Bonds, and Qualified School Construction Bonds on November 3, 2009.

Bonds authorized	\$436,000,000
09/06/06 Issue	(80,000,000)
11/07/07 Issue	(80,000,000)
11/18/08 Issue	(80,000,000)
11/03/09 Issue	<u>(40,000,000)</u>
Unissued Bonds	<u>\$156,000,000</u>

## H. Refunded Debt

The district had \$34,250,000 of refunded debt outstanding at August 31, 2009.

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 financial statements. 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, 2009.

<u>Year Ended</u>	<u>Amount</u>
08/31/10	\$ 453,632
08/31/11	422,860
08/31/12	390,028
08/31/13	0
08/31/14	0
Total	<u>\$ 1,266,520</u>

All of the \$1,266,520 pertains to the lease of copy machines which are serviced by the General Fund.

Note 11: Self-Insured Employee Benefits

Unemployment – The district provides for unemployment compensation on a self-insured basis, whereby an estimated liability is accrued and actual benefits paid are charged against the accrual. The district paid out claims totaling \$114,530 with an ending accrued balance of \$570,370.

Industrial Insurance – 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 \$375,000 to a maximum of \$500,000.

The district paid-out claims totaling \$1,333,342 with an ending accrued balance of \$1,111,147.

Note 12: Risk Management

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

The District pays an annual premium contribution to WSRMP for its property and liability insurance coverage. For the period 09/01/2008 to 08/31/2009, WSRMP self-insures the first \$1 million per occurrence for property and purchases excess property insurance to a limit of



\$500 million per occurrence. WSRMP self-insures the first \$1 million per occurrence for liability, including errors & omissions and employment practices liability and purchases liability reinsurance to a limit of \$20 million per occurrence.

The WSRMP Executive Board sets rates annually, after consultation with an independent actuarial firm, based on actual loss experience. An independent actuarial firm also performs an annual solvency report, which WSRMP is in excess of a 96% confidence level. Should the assets of the Pool were to be exhausted; members would be responsible for the Pool's liabilities, based on an allocation in proportion to each member's contribution.

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

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

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

Financial Statements

A. Balance Sheets/Statement of Net Assets

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

Cost of capital assets	\$649,499,043
Accumulated Depreciation	<u>160,599,717</u>
Net Capital Assets	<u>\$488,899,326</u>

2. Unamortized Bond Issue Costs (\$871,275 ) – In governmental funds, bond issuance costs were charged to expenditures , while the unamortized bond issuance costs are shown as deferred charges on the Statement of Net Assets.
3. Long-term liabilities of \$364,929,840 (\$24,735,000 due within one year; \$331,120,689 due in more that one year; and unamortized debt premium/discount of \$9,074,151), 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 assets.
4. Deferred Revenue – Property taxes (\$45,610,438) that do not provide current financial resources are reported as deferred revenue in governmental funds, but as revenues in government-wide financial statements.

5. Due From and Due To Other Funds (\$1,496,351 - 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 that do not provide current financial resources are reported as deferred revenue in governmental funds, but as revenues in the Statement of Activities (\$4,150,837).
  2. The increase between the beginning and ending balances of the liability for compensated absences (\$573,301) 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.
  3. The proceeds of the sale of property is reported as an increase in other financial resources in governmental funds, while only the gain on sale of property (\$211,300) is reported in the statement of activities.
  4. 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 (\$15,888,951).
  5. Repayment of bond principal (\$17,060,000) was reported as an expenditure in governmental funds and, thus has the effect of reducing fund balance. For the district as a whole, however, the principal payments reduce the liabilities in the statement of net assets.
  6. Bond premiums, bond discounts, and bond issuance costs 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	\$1,292,031
Current year bond discount amortization	62,705
Current year bond issuance cost amortization	310,113

Note 14: Contingent Liabilities

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

Note 15: Litigation

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

Note 16: Subsequent Events

The District sold Unlimited Tax General Obligation Bonds, Build America Bonds, and Qualified School Construction Bonds totaling \$40,000,000 on November 3, 2009.

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 #414**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ending August 31, 2009 - Revised**

1 Federal Grantor	2 Pass Through Agency	3 Program Title	4 CFDA No.	5 Other I.D. No.	7 Expenditures			9 Foot- note Ref.
					6 Direct Awards	8 Pass Through Awards	8 Total	
U.S. Dept. of Educ.	SPI	ARRA State Fiscal Stabilization Fund	84.394	995105		10,226,260.00	10,226,260.00	4, 6
	SPI	Special Ed - Grants to States	84.027	303030		3,836,549.00	3,836,549.00	4
	SPI	Special Ed - Preschool Grants/Part B	84.173	365731		106,334.00	106,334.00	4
	SPI	Special Ed - Grants to States	84.027	337084		525,541.00	525,541.00	4
	SPI	Special Ed - Preschool Grants/Part B	84.173	385214		5,369.00	5,369.00	4
	SPI	Career & Technical Ed - Basic Grants to State	84.048	171515		115,786.00	115,786.00	4
	SPI	Career & Technical Ed - Basic Grants to State	84.048	189004		2,895.79	2,895.79	4
	SPI	Title I - Grants to Local Ed Agencies	84.010	221691		1,463,238.82	1,463,238.82	4
	SPI	Improving Teacher Quality State Grants	84.367	521256		621,293.15	621,293.15	4
	SPI	Enhancing Education Through Technology	84.318	721420		13,066.00	13,066.00	4
	SPI	Safe and Drug Free Schools & Communities	84.186	950519		43,245.55	43,245.55	4
	SPI	Title V Part A Innovative Programs	84.298	501339		1,000.00	1,000.00	4
	SPI	English Language Acquisition Grant	84.365	400758		146,619.80	146,619.80	5
	DOE	Indian Ed - Grants to Local Ed Agencies	84.060	S060A061113	46,976.00	0.00	46,976.00	
					<b><u>46,976.00</u></b>	<b><u>17,107,198.11</u></b>	<b><u>17,154,174.11</u></b>	
U.S. Dept. of Human Services	PSED	Prevention & Treatment of Substance Abuse	93.959			28,430.00	28,430.00	
	PSED	Head Start 07	93.600			91,638.04	91,638.04	
	PSED	Head Start 08	93.600			480,840.99	480,840.99	
	DSHS	Medical Assistance Program	93.778			0.00	0.00	
						<b><u>600,909.03</u></b>	<b><u>600,909.03</u></b>	
U.S. Dept of Educ.	SPI	School Breakfast Program	10.553			145,207.70	145,207.70	2
	SPI	National School Lunch Program:	10.555					
		Cash Assistance				1,172,267.05	1,172,267.05	2
		Non Cash Assistance (commodities)				341,203.58	341,203.58	3
	SPI	State Treasurer	10.665			83,490.91	83,490.91	
						<b><u>1,742,169.24</u></b>	<b><u>1,742,169.24</u></b>	
<b>Total Federal Awards Expended</b>						<b>46,976.00</b>	<b>19,450,276.38</b>	<b>19,497,252.38</b>
							<b>19,497,252.38</b>	

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

**Lake Washington School District #414**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ending August 31, 2009**

**NOTE 1 – BASIS OF ACCOUNTING**

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

**NOTE 2 – UNIT COST CONTRACTS**

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

**NOTE 3 – NON CASH AWARDS – FOOD COMMODITIES**

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

**NOTE 4 – FEDERAL INDIRECT RATE**

The Lake Washington School District claimed indirect costs under this grant using its federal restricted rate of 2.24%.

**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 – American Recovery and Reinvestment Act (ARRA)**

The funding for this program was provided by the American Recovery and Reinvestment Act (ARRA) of 2009.



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

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

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

The State Auditor's Office employees are located around the state to deliver our services effectively and efficiently.

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 and fraud, whistleblower and citizen hotline investigations.

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

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

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**Deputy Chief of Staff**  
**Chief Policy Advisor**  
**Director of Audit**  
**Director of Special Investigations**  
**Director for Legal Affairs**  
**Director of Quality Assurance**  
**Local Government Liaison**  
**Communications Director**  
**Public Records Officer**  
**Main number**  
**Toll-free Citizen Hotline**

**Brian Sonntag, CGFM**  
**Ted Rutt**  
**Doug Cochran**  
**Jerry Pugnetti**  
**Chuck Pfeil, CPA**  
**Jim Brittain, CPA**  
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