



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Lake Washington School District No. 414

For the period September 1, 2017 through August 31, 2018

Published May 23, 2019

Report No. 1023901





Office of the Washington State Auditor

Pat McCarthy

May 23, 2019

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

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Lake Washington School District No. 414 September 1, 2017 through August 31, 2018

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs:

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
10.553	Child Nutrition Cluster – School Breakfast Program
10.555	Child Nutrition Cluster – National School Lunch Program
93.600	Head Start

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

The District qualified as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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

**Lake Washington School District No. 414
September 1, 2017 through August 31, 2018**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lake Washington School District No. 414, as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 22, 2019. As discussed in Note 1 to the financial statements, during the year ended August 31, 2018, the District implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

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Pat McCarthy

State Auditor

Olympia, WA

May 22, 2019

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

**Lake Washington School District No. 414
September 1, 2017 through August 31, 2018**

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

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

We have audited the compliance of Lake Washington School District No. 414, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2018. The District's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements

referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2018.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

Purpose of this Report

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

A handwritten signature in black ink, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy
State Auditor
Olympia, WA

May 22, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Lake Washington School District No. 414 September 1, 2017 through August 31, 2018

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lake Washington School District No. 414, as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 16.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Lake Washington School District No. 414, as of August 31, 2018, and the respective changes in financial position thereof, and the respective budgetary comparison for the General and Special Revenue (Associated Student Body) funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2018, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for

consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral

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

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

May 22, 2019

FINANCIAL SECTION

Lake Washington School District No. 414 September 1, 2017 through August 31, 2018

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2018

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2018

Statement of Activities – 2018

Balance Sheet – Governmental Funds – 2018

Reconciliation – Balance Sheet/Statement of Net Position – 2018

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – 2018

Reconciliation – Statement of Revenues, Expenditures, and Changes in Fund Balance/
Statement of Activities – 2018

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual
– General Fund – 2018

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual
– Special Revenue Fund (Associated Student Body Fund) – 2018

Statement of Fiduciary Net Position – Fiduciary Funds – 2018

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2018

Notes to the Financial Statements – 2018

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the District's Proportionate Share of the Net Pension Liability – PERS 1,
SERS 2/3, TRS 1, TRS 2/3 – 2018

Schedule of District Contributions – PERS 1, SERS 2/3, TRS 1, TRS 2/3 – 2018

Schedule of Changes in Total OPEB Liability and Related Ratios – 2018

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2018

Notes to the Schedule of Expenditures of Federal Awards – 2018

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, 2018.

FINANCIAL HIGHLIGHTS

- The district's Statement of Net Position reports net position of \$428 million as of August 31, 2018.
- During the year, the district had revenues that were \$56 million higher than the \$409 million in expenses incurred for all governmental activities.
- The general fund reported a decrease in fund balance of \$4,996,659 for the fiscal year.
- The average student enrollment increased by 528 full time equivalent students (FTE's) over the previous year.

USING THIS ANNUAL REPORT

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

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Governmental Fund Financial Statements

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

Most of the district's basic services are reported in governmental funds, which focus on how money flows into and out of these funds and the balances left at year-end. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the district's general education and support operations and the basic services it provides. Governmental fund information may be useful in evaluating whether there are more or fewer financial resources that can be spent in the near future to finance the district's programs. The relationship between governmental activities reported in the Statement of Net Position and the Statement of Activities and the governmental funds is provided in both of the reconciliation statements and Note 14.

THE DISTRICT AS A WHOLE

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

Net position serves as a useful indicator of a government's financial position. The Lake Washington School District's assets exceeded liabilities by \$427,964,520 at the end of the 2017-2018 fiscal year.

The largest portion, \$469 million of net position is the investment in capital assets (e.g., land, building, and equipment), less any related outstanding debt used to acquire those assets. Resources required to repay this debt comes from property tax levies. Thirty percent of the net position represents resources committed for capital projects, debt payments and contractual obligations. These assets are restricted and not available for general operations and maintenance of district education programs.

The remaining unrestricted net position includes \$51 million that can be used to finance the day-to-day operations without such constraints as debt covenants, legislation, or other legal requirements and -\$103 million represents GASB 68 and -\$117 million for GASB 75 requirements.

Table 1
Net Position

	2017-2018	2016-2017
Current and Other Assets	\$409,091,702	\$368,902,259
Capital Assets	<u>1,011,105,323</u>	<u>862,537,538</u>
Total Assets	\$1,420,197,025	\$1,231,439,797
Deferred Outflows of Resources	<u>\$30,271,009</u>	<u>\$29,385,637</u>
Total Assets and Deferred Outflows of Resources	<u>\$1,450,468,034</u>	<u>\$1,260,825,434</u>
Long-Term Debt Outstanding	\$925,783,257	\$750,818,531
Other Liabilities	<u>55,116,883</u>	<u>37,928,045</u>
Total Liabilities	\$980,900,140	\$788,746,576
Deferred Inflows of Resources	<u>\$41,603,374</u>	<u>\$20,262,079</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$1,022,503,514</u>	<u>\$809,008,655</u>
Invest in Cap Assets, Net of Debt	\$468,513,180	\$445,603,580
Restricted	128,846,567	108,309,188
Unrestricted	<u>(169,395,227)</u>	<u>(102,095,989)</u>
Total Net Position	<u>\$427,964,520</u>	<u>\$451,816,779</u>

The 2017-2018 revenues of \$465 million were more than expenditures of \$409 million by \$56 million. The net position of the district's governmental increased by \$56 million, which is a 12.3% increase during the year.

Table 2
Changes in Net Position

	Primary Government Governmental Activities	
	2017-2018	2016-2017
Revenues		
Program Revenues		
Charges for Services	\$15,587,251	\$15,095,776
Operating Grants and Contributions	57,627,302	53,461,095
Capital Grants and Contributions	9,320,906	7,992,136
General Revenues:		
Property Taxes	173,317,484	159,884,304
Interest and Investment Earnings	5,092,982	2,928,907
Other Revenues	203,862,022	182,331,341
Total Revenues	\$464,807,947	\$421,693,559
Program Expenses		
Regular Instruction	\$227,197,433	\$226,457,080
Special Instruction	52,958,526	48,574,042
Vocational Instruction	8,679,290	7,899,074
Skills Center	2,933,974	2,634,978
Compensatory Education	11,937,031	12,948,194
Other Instructional Programs	3,583,704	3,174,381
Community Services	2,445,144	2,415,089
Support Services	73,396,409	71,252,527
Extracurricular Activities (ASB)	3,282,940	3,725,288
Debt Payment	22,661,030	18,890,257
Total Expenses	\$409,075,481	\$397,970,910
Increase (Decrease) in Net Position	\$55,732,466	\$23,722,649
Net Position, Beginning of Year	\$451,816,779	\$428,094,130
Cumulative Effect of Change in Accounting Principle	(79,584,725)	
Beginning Net Position as Restated	\$372,232,054	
Net Position, End of Year	\$427,964,520	\$451,816,779

Governmental Activities

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

	Governmental Activities			
	Total Cost of Services		Net Cost of Services	
	2017-2018	2016-2017	2017-2018	2016-2017
Regular Instruction	\$227,197,433	\$226,457,080	\$219,217,977	\$219,039,294
Special Instruction	52,958,526	48,574,042	19,691,572	18,901,362
Vocational Instruction	8,679,290	7,899,074	8,269,660	7,513,685
Skills Center	2,933,974	2,634,978	2,764,564	2,446,158
Compensatory Instruction	11,937,031	12,948,194	1,821,205	3,054,704
Other Instructional Programs	3,583,704	3,174,381	437,337	862,832
Support Services	73,396,409	71,252,527	52,226,774	51,337,785
All Others	28,389,114	25,030,634	22,110,933	18,266,083
Totals	\$409,075,481	\$397,970,910	\$326,540,022	\$321,421,903

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 \$266 million, which is higher than the prior year by \$16.5 million. This increase is primarily due to increased revenues in the Capital Projects fund and the Debt Service fund related to a new bond issue in December 2017. The fund balance in the general fund decreased by \$5.0 million.

Table 4 presents a summary of the governmental fund's revenues and expenditures for 2017-2018 and the percentage increases/decreases in relation to the prior year.

	2017-18 Amounts	Percent of Total	Increase (Decrease) Over 2016-17	Percent Increase (Decrease)
Revenues:				
Local Tax/Non-Tax	\$194,820,892	42.54%	\$17,973,134	10.16%
State Revenues	245,867,230	53.68%	25,425,744	11.53%
Federal Revenues	14,005,010	3.06%	(89,458)	(.63%)
Other Revenues	3,306,930	0.72%	(336,854)	(9.24%)
Total Revenues	\$458,000,062	100.00%	\$42,972,566	10.35%
Expenditures:				
Regular Instruction	\$220,675,961	36.32%	\$24,433,951	12.45%
Special Instruction	51,438,405	8.47%	9,345,362	22.20%
Vocational Instruction	8,430,159	1.39%	1,585,020	23.16%
Skills Center	2,849,757	0.47%	566,352	24.80%
Compensatory Instruction	11,594,391	1.91%	373,812	3.33%
Other Instructional Prog.	3,480,838	0.57%	729,999	26.54%
Community Services	2,279,412	0.38%	58,465	2.63%
Support Services	71,289,640	11.73%	7,605,960	11.94%
Student Services	3,060,422	0.50%	(365,401)	(10.67%)
Capital Outlay	175,840,548	28.94%	126,958,603	259.72%
Debt Service	56,702,542	9.33%	7,089,585	14.29%
Total Expenditures	\$607,642,075	100.00%	\$178,381,708	41.56%

General Fund

Revenues and other financing sources for the general fund totaled \$350.5 million. This was \$30,094,212 or 9.39% more than the prior year. Expenditures in the general fund amounted to \$355.5 million for the fiscal year ended August 31, 2018. This was \$42,341,729 or 13.52% percent more than the prior year. Ending fund balance was \$47.4 million, \$5 million less than the prior year. These changes are primarily due to increase in state revenues, enrollment and planned investments in the district's strategic goals.

Special Revenue Fund (ASB)

The ASB (Associated Student Body) fund is established for the purpose of supporting extra-curricular student activities. The funds are generated through students' fund raising events, student fees, and donations. The fund balance increased by \$113,814. A minor increase or decrease in fund balance is expected given the changes in activities and fundraising efforts to support these activities. Contingencies are built into the ASB budget to provide capacity for unanticipated fundraisers and activities.

Changes in the ASB fund balance for the fiscal year ended August 31, 2018 is detailed in Table 5.

Table 5
ASB Recap

	8/31/2017				8/31/2018
	Fund				Fund
	Balance	Revenues	Transfers	Expenditures	Balance
General	\$922,609	\$1,978,335	(623,317)	\$1,298,017	\$979,610
Athletics	90,572	313,900	551,241	854,796	100,917
Classes	86,964	126,125	20,669	133,141	100,617
Clubs	198,743	723,734	51,278	742,197	231,558
Private		32,141	129	32,270	
	\$1,298,888	\$3,174,235		\$3,060,421	\$1,412,702

Capital Projects Fund

The proceeds from the sales of unlimited general obligation bonds, capital levies, state construction assistance program funds, investment earnings, and impact fees are accounted for in the Capital Projects Fund. Capital assets are capitalized and depreciated in the government-wide statement of net position and statement of activities. The district continues to complete major projects from the 2016 bond authorization. Capital dollars continue to be used for smaller capacity projects, facility improvements, major renovations, and technology upgrades. The Capital Projects Fund had an increase in fund balance of \$8.9 million. Total revenues were lower than budgeted due to revenue contingency but were offset by additional interest and impact fees. Expenditures were less than planned due to budgeted project contingencies. Transfers out (to debt service and general fund) were lower than budgeted due to contingencies. The ending fund balance is mostly committed to 2016 bond projects.

Debt Service Fund

The Debt Service fund is used to account for the accumulation of resources for the payment of general long-term debt principal, interest, and related expenditures. Revenues are from property tax levies and investment earnings. The ending fund balance was \$31.0 million. Revenues and expenditures were within budget.

Transportation Vehicle Fund

The Transportation Vehicle fund is used for the purchase, major repair, rebuilding, and related debt service incurred for pupil transportation equipment. Revenues are from state depreciation funds on district owned buses and investment earning. The ending fund balance was \$3.6 million. Revenues were higher than budgeted due to additional state depreciation and interest revenue. Expenditures were less than planned due to budgeted contingencies.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General fund accounts for the day-to-day operation of the school district. Included are all the normal and recurring financial activities of the school district that are not accounted for in other funds. Revenues for the General Fund include state funds, special maintenance and operations levy funds, federal funds, and other funds. Expenditures include salaries and benefit costs, and non-salary costs, such as supplies and materials, books and other instructional materials, utilities, purchased services and equipment. The district's budget is developed using the guidelines of the Washington State Office of Superintendent of Public Instruction. General Fund revenues were \$350.5 million, which was \$3.8 million less than budgeted. This is a result of \$1.7 million additional revenue from local funding, \$.3 million additional revenue from state funding, grants and self-supporting programs, and \$5.8 million less as planned revenue contingency. General Fund expenditures were \$355.5 million, which was \$4.7 million less than budgeted. This is a result of lower expenditures on grants, textbooks, utilities, plus additional expenditures on special education services.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The district has \$1,299 million invested in land, buildings, transportation equipment, and other equipment as of August 31, 2018. This is a \$167 million increase from the previous fiscal year.

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

Debt

Bonds outstanding totaled \$636 million as of August 31, 2018. This is an increase of \$119 million from the previous fiscal year. Note 9 to the financial statements provides additional debt information.

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

The Lake Washington School District belongs to the Washington Schools Risk Management Pool which provides property and liability coverages. Other district obligations include unemployment, vision, other reserve benefits, industrial insurance, and compensated absences. More detailed information can be found in Note 10 of these financial statements.

ECONOMIC FACTORS

For calendar year 2018, the total property tax rate for special levies and bond debt was \$3.03 per thousand dollars of assessed value. The projected rate for 2019 is expected to be \$2.81. Total assessed value increased by 12.9% from \$50.8 billion to \$57.4 billion in 2018. For 2019 the projected assessed valuation is \$60.2 billion, an increase of 5.0% over the prior year.

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

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

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

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

Lake Washington School District No. 414
Statement of Net Position
08/31/18

	Primary Government Governmental Activities
Assets	
Cash & Cash Equivalents	\$320,853,830
Property Tax Receivable	82,695,444
Accounts Receivable, Net	646,504
Due From Other Gov't. Units	518,379
Inventories at Cost	519,151
Prepaid Items	3,858,394
Capital Assets, Non-depreciable:	
Land	38,371,694
Construction-in-Progress	111,345,963
Capital Assets, Net of Accum. Depn.:	
Buildings & Improvements	851,843,698
Equipment	9,543,968
Total Assets	<u>\$1,420,197,025</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	\$9,451,748
Deferred Pension Plan	18,162,636
Deferred OPEB	2,656,625
Total Deferred Outflows of Resources	<u>\$30,271,009</u>
Total Assets and Deferred Outflows of Resources	<u>\$1,450,468,034</u>
Liabilities	
Accounts Payable	\$43,270,455
Accrued Wages & Benefits Pay.	9,873,558
Unearned Revenue	1,972,870
Long-Term Liabilities:	
Due Within One Year	56,325,499
Due In More Than One Year	649,540,068
Pension Plan	102,867,048
Other Post Employment Benefits	117,050,642
Total Liabilities	<u>\$980,900,140</u>
Deferred Inflows of Resources	
Deferred Pension Plan	\$27,931,505
Deferred OPEB	\$13,671,869
Total Deferred Inflows of Resources	<u>\$41,603,374</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$1,022,503,514</u>
Net Position	
Net Investment In Capital Assets	\$468,513,180
Restricted For:	
Capital Projects	58,328,786
Debt Service	65,294,730
Other Purposes	5,223,051
Unrestricted	(169,395,227)
Total Net Position	<u><u>\$427,964,520</u></u>

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

Lake Washington School District No. 414
Statement of Activities
For the Fiscal Year Ended 8/31/2018

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Government Governmental Activities
Primary Government:					
Governmental Activities:					
Regular Instruction	\$227,197,433	\$2,175,003	\$241,644	\$5,562,809	(\$219,217,977)
Special Instruction	52,958,526		31,970,292	1,296,662	(19,691,572)
Vocational Instruction	8,679,290	107,824	89,298	212,508	(8,269,660)
Skills Center	2,933,974	71,463	26,110	71,837	(2,764,564)
Compensatory Education	11,937,031	211,944	9,611,610	292,272	(1,821,205)
Other Instructional Programs	3,583,704	445,442	2,613,180	87,745	(437,337)
Community Services	2,445,144	1,822,233	293,092		(329,819)
Support Services	73,396,409	6,590,486	12,782,076	1,797,073	(52,226,774)
Extracurricular Activities(ASB)	3,282,940	4,162,856			879,916
Int. Paymt. On L/T Debt	22,661,030				(22,661,030)
Total Governmental Activities	\$409,075,481	\$15,587,251	\$57,627,302	\$9,320,906	(\$326,540,022)

General Revenues:

Property Taxes, Levies for Maintenance and Operations	\$68,775,240
Property Taxes, Levies for Debt Service	72,097,374
Property Taxes, Levies for Capital Projects	32,444,870
Unallocated State Apportionment & Others	203,862,022
Interest and Investment Earnings	5,092,982
Total General Revenues & Special Items	<u>\$382,272,488</u>

Changes in Net Position \$55,732,466

Beginning Net Position as Previously Stated	\$451,816,779
Cumulative Effect of Change in Accounting Principle	<u>(\$79,584,725)</u>
Beginning Net Position as Restated	<u>\$372,232,054</u>

Ending Net Position \$427,964,520

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

Lake Washington School District No. 414
Balance Sheet
Government Funds
08/31/18

	General Fund	Special Revenue Fund (ASB)	Debt Service Fund	Capital Project Fund	Transportation Vehicle Fund	Total Government Funds
Assets						
Cash and Cash Equivalents	\$61,862,137	\$2,479,136	\$30,947,864	\$221,943,945	\$3,620,748	\$320,853,830
Property Taxes Receivable	32,844,971		34,301,510	15,548,963		82,695,444
Accounts Receivable, Net	135,020			45,000		180,020
Accrued Interest	78,484	2,474	45,356	336,047	4,123	466,484
Due From Other Funds	519,664	13,308		87		533,059
Due From Other Gov't Units	518,379					518,379
Inventories at Cost	519,151					519,151
Prepaid Items	3,479,394	63,600		315,400		3,858,394
Total Assets	\$99,957,200	\$2,558,518	\$65,294,730	\$238,189,442	\$3,624,871	\$409,624,761
Liabilities						
Accounts Payable	\$3,436,060	\$51,496		\$39,782,899		\$43,270,455
Accrued Wages & Benefits Pay.	15,123,287					15,123,287
Due To Other Funds	13,395	198,786		320,878		533,059
Unearned Revenue	1,077,336	895,534				1,972,870
Total Liabilities	\$19,650,078	\$1,145,816	\$0	\$40,103,777	\$0	\$60,899,671
Deferred Inflows of Resources						
Unavailable Revenue	\$32,902,299		\$34,301,510	\$15,548,963		\$82,752,772
Total Deferred Inflows of Resources	\$32,902,299	\$0	\$34,301,510	\$15,548,963	\$0	\$82,752,772
Fund Balances						
Nonspendable Fund Balance	\$3,998,545	\$63,600		\$315,400		\$4,377,545
Restricted Fund Balance	3,862,539	1,349,102	\$30,993,220	167,366,468	\$3,624,871	207,196,200
Committed Fund Balance				12,911,622		12,911,622
Assigned Fund Balance				1,943,212		1,943,212
Unassigned Fund Balance	39,543,739					39,543,739
Total Fund Balances	\$47,404,823	\$1,412,702	\$30,993,220	\$182,536,702	\$3,624,871	\$265,972,318
Total Liab., Deferred Inflow of Resources and Fund Balance	\$99,957,200	\$2,558,518	\$65,294,730	\$238,189,442	\$3,624,871	\$409,624,761

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

Lake Washington School District No. 414
Reconciliation
Balance Sheet/Statement of Net Position
08/31/18

	Total Governmental Funds	Long-Term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
Assets				
Cash and Cash Equivalents	\$320,853,830			\$320,853,830
Property Taxes Receivable	82,695,444			82,695,444
Accounts Receivable, Net	646,504			646,504
Due From Other Funds	533,059		(\$533,059)	0
Due From Other Gov't Units	518,379			518,379
Inventories at Cost	519,151			519,151
Prepaid Items	3,858,394			3,858,394
Capital Assets, Net		\$1,011,105,323		1,011,105,323
Total Assets	<u>\$409,624,761</u>	<u>\$1,011,105,323</u>	<u>(\$533,059)</u>	<u>\$1,420,197,025</u>
Deferred Outflows of Resources				
Deferred Charge on Refunding		\$9,451,748		\$9,451,748
Deferred Pension Plan		18,162,636		18,162,636
Deferred OPEB		2,656,625		2,656,625
Total Deferred Outflows of Resources		<u>\$30,271,009</u>		<u>\$30,271,009</u>
Total Assets and Deferred Outflows of Resources	<u>\$409,624,761</u>	<u>\$1,041,376,332</u>	<u>(\$533,059)</u>	<u>\$1,450,468,034</u>
Liabilities				
Accounts Payable	\$43,270,455			\$43,270,455
Accrued Wages & Benefits Pay.	15,123,287	(5,249,729)		9,873,558
Due To Other Funds	533,059		(\$533,059)	0
Unearned Revenue	1,972,870			1,972,870
Long-Term Liabilities		925,783,257		925,783,257
Total Liabilities	<u>\$60,899,671</u>	<u>\$920,533,528</u>	<u>(\$533,059)</u>	<u>\$980,900,140</u>
Deferred Inflows of Resources				
Unavailable Revenue	\$82,752,772	(\$82,752,772)		\$0
Deferred Pension Plans		27,931,505		27,931,505
Deferred OPEB		13,671,869		13,671,869
Total Deferred Inflows of Resources	<u>\$82,752,772</u>	<u>(\$41,149,398)</u>	<u>\$0</u>	<u>\$41,603,374</u>
Fund Balances/Net Position	<u>\$265,972,318</u>	<u>\$161,992,202</u>		<u>\$427,964,520</u>
Total Liabilities, Deferred Inflows Of Resources and Fund Balances/Net Position	<u>\$409,624,761</u>	<u>\$1,041,376,332</u>	<u>(\$533,059)</u>	<u>\$1,450,468,034</u>

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

Lake Washington School District No. 414
Statement of Revenues, Expenditures, and Changes in Fund Balances
Government Funds
For the Fiscal Year Ended 8/31/2018

	General Fund	Special Revenue Fund (ASB)	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Total Governmental Funds
Revenues						
Local	\$84,286,893		\$62,149,925	\$48,340,294	\$43,780	\$194,820,892
State	245,017,060				850,170	245,867,230
Federal	11,953,834		2,051,176			14,005,010
Miscellaneous	132,694	\$3,174,236				3,306,930
Total Revenues	\$341,390,481	\$3,174,236	\$64,201,101	\$48,340,294	\$893,950	\$458,000,062
Expenditures						
Regular Instruction	\$220,675,961					\$220,675,961
Special Instruction	51,438,405					51,438,405
Vocational Instruction	8,430,159					8,430,159
Skills Center	2,849,757					2,849,757
Compensatory Instruction	11,594,391					11,594,391
Other Instructional Programs	3,480,838					3,480,838
Community Services	2,279,412			\$16,922,264		2,279,412
Support Services	54,367,376					71,289,640
Student Services		\$3,060,422				3,060,422
Capital Outlay	410,866			175,098,910	\$330,772	175,840,548
Debt Service-Principal			\$30,770,000			30,770,000
Debt Service-Interest & Other			25,057,488	875,054		25,932,542
Total Expenditures	\$355,527,165	\$3,060,422	\$55,827,488	\$192,896,228	\$330,772	\$607,642,075
Revenues Over (Under) Exp.	(\$14,136,684)	\$113,814	\$8,373,613	(\$144,555,934)	\$563,178	(\$149,642,013)
Other Financing Sources (Uses)						
Issuance of Bonds				\$149,565,000		\$149,565,000
Issuance Premium			\$1,623	16,194,234		16,195,857
Sale of Equipment	\$9,263				\$13,032	22,295
Compensated Loss of Capital Assets	321,257			\$45,000		366,257
Transfers In	8,809,505		3,530,252			12,339,757
Transfers Out				(12,339,757)		(12,339,757)
Total Other Financing Sources(Uses)	\$9,140,025	\$0	\$3,531,875	\$153,464,477	\$13,032	\$166,149,409
Net Change in Fund Balance	(\$4,996,659)	\$113,814	\$11,905,488	\$8,908,543	\$576,210	\$16,507,396
Beginning Fund Balance	52,401,482	1,298,888	19,087,732	173,628,160	3,048,661	249,464,923
Ending Fund Balance	\$47,404,823	\$1,412,702	\$30,993,220	\$182,536,703	\$3,624,871	\$265,972,319

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

Lake Washington School District No. 414
Reconciliation
Statement of Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities
For the Fiscal Year Ended 8/31/2018

	Total Governmental Funds	Long-Term Revenue, Expenditures	Capital Related Items	Long-Term Debt Transactions	Statement of Activities Totals
Revenues					
Local	\$194,820,892	\$6,419,333	\$388,552		\$201,628,777
State	245,867,230				245,867,230
Federal	14,005,010				14,005,010
Miscellaneous	3,306,930				3,306,930
Total Revenues	\$458,000,062	\$6,419,333	\$388,552	\$0	\$464,807,947
Expenditures					
Current:					
Regular Instruction	\$220,675,961	(\$9,339,759)	\$16,044,947		\$227,381,149
Special Education	51,438,405	(2,177,049)	3,739,993		53,001,349
Vocational Instruction	8,430,159	(356,793)	612,942		8,686,308
Skills Center	2,849,757	(120,611)	207,201		2,936,347
Compensatory Education	11,594,391	(490,714)	843,007		11,946,684
Other Instructional Programs	3,480,838	(147,321)	253,085		3,586,602
Community Services	2,279,412		165,732		2,445,144
Support Services	71,289,640	(3,017,221)	5,183,340		73,455,759
Student Activities	3,060,422		222,518		3,282,940
Capital Outlay	175,840,548		(175,840,548)		0
Debt Service-Principal	30,770,000			(\$30,770,000)	0
Debt Service-Interest & Other	25,932,542			(3,271,512)	22,661,030
Total Expenditures	\$607,642,075	(\$15,649,468)	(\$148,567,783)	(\$34,041,512)	\$409,383,312
Revenues Over (Under) Exp	(\$149,642,013)	\$22,068,801	\$148,956,335	\$34,041,512	\$55,424,635
Other Financing Sources (Uses)					
Issuance of Bonds	\$149,565,000			(\$149,565,000)	\$0
Issuance Premium	16,195,857			(16,195,857)	0
Sale of Equipment	22,295		(\$22,295)		0
Compensated Loss of Fixed Assets	366,257		(366,257)		0
Total Other Financing Sources(Uses)	\$166,149,409	\$0	(\$388,552)	(\$165,760,857)	\$0
Net Change for the Year	\$16,507,396	\$22,068,801	\$148,567,783	(\$131,719,345)	\$55,424,635

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

Lake Washington School District No. 414
Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget to Actual
General Fund
For the Year Ended August 31, 2018

	Budgeted Amounts		Actual Amount	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local	\$80,069,055	\$82,569,055	\$84,286,893	\$1,717,838
State	248,252,996	244,852,996	245,017,060	164,064
Federal	15,699,978	16,999,978	11,953,834	(5,046,144)
Other	14,365	14,365	132,694	118,329
Total Revenues	<u>\$344,036,394</u>	<u>\$344,436,394</u>	<u>\$341,390,481</u>	<u>(\$3,045,913)</u>
Expenditures:				
Regular Instruction	\$223,784,291	\$224,888,700	\$220,741,906	\$4,146,794
Special Education	45,306,299	49,373,665	51,438,405	(2,064,740)
Vocational Education	9,277,044	9,081,855	8,430,159	651,696
Skills Center	2,864,794	3,315,994	2,849,757	466,237
Compensatory Education	12,015,097	11,961,939	11,594,391	367,548
Other Instructional Programs	6,527,975	4,898,806	3,579,929	1,318,877
Community Services	2,285,364	2,343,111	2,285,880	57,231
Support Services	53,169,291	54,366,085	54,606,738	(240,653)
Total Expenditures	<u>\$355,230,155</u>	<u>\$360,230,155</u>	<u>\$355,527,165</u>	<u>\$4,702,990</u>
Excess of Revenues Over (Under) Expenditures	<u>(\$11,193,761)</u>	<u>(\$15,793,761)</u>	<u>(\$14,136,684)</u>	<u>\$1,657,077</u>
Other Financing Sources (Uses):				
Other Financial Sources	\$9,894,009	\$9,894,009	\$9,140,025	(\$753,984)
Total Other Financing Sources (Uses)	<u>\$9,894,009</u>	<u>\$9,894,009</u>	<u>\$9,140,025</u>	<u>(\$753,984)</u>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Uses	<u>(\$1,299,752)</u>	<u>(\$5,899,752)</u>	<u>(\$4,996,659)</u>	<u>\$903,093</u>
Beginning Fund Balance	49,279,394	52,401,482	52,401,482	0
Ending Fund Balance	<u><u>\$47,979,642</u></u>	<u><u>\$46,501,730</u></u>	<u><u>\$47,404,823</u></u>	<u><u>\$903,093</u></u>

Note: There was a budget revision during the fiscal year 2017-18. The notes to the financial statements are an integral part of this statement.

Lake Washington School District No. 414
Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget to Actual
Special Revenue Fund (Associated Student Body Fund)
For the Year Ended August 31, 2018

	Budgeted Amounts		Actual Amount	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
General	\$2,415,760	\$2,415,760	\$1,978,336	(\$437,424)
Athletics	536,950	536,950	313,900	(223,050)
Classes	221,925	221,925	126,125	(95,800)
Clubs	1,290,193	1,290,193	723,734	(566,459)
Private Monies	145,950	145,950	32,141	(113,809)
Total Revenues	<u>\$4,610,778</u>	<u>\$4,610,778</u>	<u>\$3,174,236</u>	<u>(\$1,436,542)</u>
Expenditures:				
General	\$1,783,645	\$1,783,645	\$1,298,017	\$485,628
Athletics	1,178,586	1,178,586	854,797	323,789
Classes	222,462	222,462	133,141	89,321
Clubs	1,336,106	1,336,106	742,197	593,909
Private Monies	145,950	145,950	32,270	113,680
Total Expenditures	<u>\$4,666,749</u>	<u>\$4,666,749</u>	<u>\$3,060,422</u>	<u>\$1,606,327</u>
Excess of Revenues Over (Under) Expenditures	(\$55,971)	(\$55,971)	\$113,814	\$169,785
Beginning Fund Balance	907,735	907,735	1,298,888	391,153
Ending Fund Balance	<u>\$851,764</u>	<u>\$851,764</u>	<u>\$1,412,702</u>	<u>\$560,938</u>

Note: There was no budget revision during the fiscal year 2017-18. The notes to the financial statements are an integral part of this statement.

Lake Washington School District No. 414
Statement of Fiduciary Net Position
Fiduciary Funds
August 31, 2018

	Private- Purpose Trust
Assets	
Cash and Cash Equivalents	\$190,281
Accounts Receivable, Net	280
Due From Other Funds	
Total Assets	<u>\$190,561</u>
Liabilities	
Accounts Payable	<u>\$83</u>
Total Liabilities	<u>\$83</u>
Fund Balance/Net Position	\$190,478
Total Liab. & Fund Balance/Net Position	<u>\$190,561</u>

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

Lake Washington School District No. 414
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended August 31, 2018

	Private- Purpose Trust
Additions	
Donations	\$29,224
Investment Earnings	2,642
Total Additions	<u>\$31,866</u>
Deductions	
Scholarships	\$40,641
Total Deductions	<u>\$40,641</u>
Change in Net Position	(\$8,775)
Net Position, Beginning of Year	199,253
Net Position, End of Year	<u><u>\$190,478</u></u>

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

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

SEPTEMBER 1, 2017 THROUGH AUGUST 31, 2018

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Districtwide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

The District implemented Governmental Accounting Standards Board (GASB) Statement No.75: *Accounting and Reporting for Postemployment Benefits Other Than Pensions* for the year ended August 31, 2018. GASB Statement 75 replaces GASB statement 45; *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures.

The district reports the following major governmental funds:

General fund

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

Special Revenue Fund (Associated Student Body Fund)

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

Debt Service Fund

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

Capital Projects Fund

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

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

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

Fiduciary Funds

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

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

D. Assets, Liabilities, and Net Position

1. Cash and Cash Equivalents

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

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

2. Property Taxes

Property tax revenues are collected as the result of special levies passed by the voters in the District. Per Revised Code of Washington 84.60.020 the tax assessment date is January 1 of the calendar year of collection. The tax lien date is January 1 of the year of collection and taxes receivable are recognized as of that date. Current year taxes are due in full as of April 30, and are delinquent after that date. However, without incurring penalty, the taxpayer may elect to pay one-half of the taxes due by April 30, with the remaining one-half taxes due October 31, and are delinquent after that date. Typically, a little more than half of the taxes due are collected 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 current period) is recorded as a receivable and a deferred inflow of resources. In government-wide financial statements, property tax revenue, net of estimated uncollectible property taxes, is accrued at year-end.

The District does not have any tax abatements.

3. Accounts Receivable

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

4. Due From/To Other Funds

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

5. Due From Other Governments

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

6. Inventories and Prepaid Items

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

7. Bond Discounts and Premiums

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

8. Unavailable Revenue

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

9. Capital Assets

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

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

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

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

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

10. Long-Term Liabilities

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

Debt Payments

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

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

Compensated Absences

a. Sick Leave

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

Under the provisions of the Revised Code of Washington, sick leave accumulated by district employees is paid at death or retirement at the rate of 25% of each day of accrued leave, limited to 180 accrued days. This chapter also provides for an annual buy-back of an amount up to the maximum annual accumulation of twelve days. To qualify for annual sick buy-back, the employee must have accumulated an excess of 60 days of sick leave as of January 1. Sick leave is reported under long-term liabilities in the Statement of Net Position. For reporting purposes, 25% of the sick leave liability (up to 180 days) for those eligible for retirement is considered accruable. The amount of accrued sick leave as of August 31, 2018 was \$4,841,905 and reported as long-term liabilities in the district-wide financial statements.

b. Vacation Leave

Vacation leave is accrued according to bargaining agreement provisions for those employees eligible. Annual leave accumulated by district employees is paid upon retirement at 100% of per diem value. The amount accrued for vacation leave as of August 31, 2018 was \$995,744 and reported as long-term liabilities in the district-wide financial statements.

11. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow (expense) until then. The district has 3 items in this category. The Deferred Charge on Refunding results from the difference in the carrying value of the old debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The Deferred charge for Pension Plans is detailed in note #7. This amount is amortized over the service life of each plan. The Deferred OPEB is the contribution made subsequent to the measurement date.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow (revenue) until then. The district has 2 items in this category. It is the Deferred Inflow on Pension Plan and the Deferred Inflow on OPEB which is detailed in note #7 and #8. This amount is amortized over the service life of each plan.

12. Net Position (District-wide Financial Statements)

The “Net Investment in Capital Assets” component consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The “Restricted” component reports the assets where constraints are placed on net position by external laws, regulations, or legislation. Therefore, they are available for disbursements only for specific purposes (i.e., debt service, capital projects, and others). The “Unrestricted” component are assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

13. Fund Balance Reserves (Government Fund Financial Statements)

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

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

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

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

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

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

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

Note 2: Stewardship, Compliance, and Accountability

Budgetary Information

General Budgetary Policies

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

Budgetary Basis of Accounting

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

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

Note 3: Deposits and Investments

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

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

As of August 31, 2018 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	\$323,990,428	\$321,884,490	1.03 Years

Impaired Investments. As of August 31, 2018, all impaired commercial paper investments have completed enforcement events. The King County impaired investment pool (Impaired Pool) held one commercial paper asset where the Impaired Pool accepted an exchange offer and is receiving the cash flows from the investment's underlying securities. The Impaired Pool also held the residual investments in one commercial paper assets that were part of completed enforcement events, where the Impaired Pool accepted the cash-out option. The District's share of the impaired investment pool is \$258,578 and the district's fair value of these investments is \$173,788.

Interest Rate Risk. As of August 31, 2018, the Pool's average duration was 1.03 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, 2018, 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, corporate note (rated at least "A", municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1" by two NRSROs), certificates of deposits issued by qualified public depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

Note 4: Receivables

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

	<u>General</u>	<u>ASB</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Transpor. Vehicle</u>	<u>Private Purpose Trust</u>
Receivables:						
Taxes	\$32,844,971		\$34,301,510	\$15,548,963		
Governmental	518,379					
Accounts	213,504	\$2,474	45,356	381,047	\$4,123	\$281
Total	<u>\$33,576,854</u>	<u>\$2,474</u>	<u>\$34,346,866</u>	<u>\$15,930,010</u>	<u>\$4,123</u>	<u>\$281</u>

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

Note 5: Interfund Transactions

As of August 31, 2018 short-term interfund receivables and payables in governmental funds that resulted from various interfund transactions in governmental fund financial statements were as follows:

	Due From <u>Other Funds</u>	Due To <u>Other Funds</u>
General Fund	\$ 519,664	\$ 13,395
Capital Projects Fund	87	320,878
Special Revenue Fund	<u>13,308</u>	<u>198,786</u>
Total	<u>\$ 533,059</u>	<u>\$ 533,059</u>

The interfund balances are liquidated on a monthly basis.

Note 6: Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, not Depreciated:				
Land	\$38,371,694			\$38,371,694
Construction in Progress	40,350,721	\$175,046,780	\$104,051,538	111,345,963
Total	<u>\$78,722,415</u>	<u>\$175,046,780</u>	<u>\$104,051,538</u>	<u>\$149,717,657</u>
Capital Assets being Depreciated:				
Building and Improvements	\$1,033,754,393	\$104,155,321	7,829,752	\$1,130,079,962
Transportation Equipment	14,954,397	489,462	\$1,039,215	14,404,644
Other Equipment	4,205,604	200,522	93,572	4,312,554
Total	<u>\$1,052,914,394</u>	<u>\$104,845,305</u>	<u>\$8,962,539</u>	<u>\$1,148,797,160</u>
Less: Accumulated Depreciation:				
Building and Improvements	259,994,218	24,345,952	6,103,907	278,236,263
Transportation Equipment	6,820,749	692,423	858,498	6,654,674
Other Equipment	2,284,302	317,707	83,452	2,518,557
Total Accumulated Depreciation	<u>269,099,269</u>	<u>25,356,082</u>	<u>7,045,857</u>	<u>\$287,409,494</u>
Net Depreciated Assets	<u>783,815,125</u>	<u>79,489,223</u>	<u>1,916,682</u>	<u>\$861,387,666</u>
Net Total Assets	<u>862,537,540</u>	<u>254,536,003</u>	<u>105,968,220</u>	<u>\$1,011,105,323</u>

Depreciation expense was charged to governmental activities as follows:

Regular Instruction	\$14,917,337
Special Education	3,477,153
Vocational Education	569,865
Skills Center	192,639
Compensatory Instruction	783,762
Other Instructional Programs	235,299
Community Services	154,085
Support Services	4,819,064
Student Activities	206,880
	<hr/>
	\$25,356,083

Major projects included in Construction in Progress:

	Project Authorization	Expended as of 8/31/2018	Additional Local Funds Committed	Additional State Funds Estimated
Juanita High	\$137,400,771	\$36,862,394	\$85,538,377	\$15,000,000
Timberline Middle	76,843,540	\$50,791,790	26,051,750	
Mead Elementary	50,778,499	\$10,008,366	37,770,133	3,000,000
Kirk Elementary	48,681,370	\$11,752,538	33,928,832	3,000,000
Old Red Schoolhouse	7,837,000	\$698,107	7,138,893	
RHS Baseball Field	1,200,000	84,976	1,115,024	
	<hr/>			
	\$322,741,180	\$110,198,171	\$191,543,009	\$21,000,000

The district's property valuation of buildings and equipment for insurance purposes is \$558,503,762 on August 31, 2018.

Note 7: Pension Plans

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

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

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

Membership Participation

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

Membership participation by retirement plan as of June 30, 2018, was as follows:

Plan	Retirees and Beneficiaries Receiving Benefits	Inactive Plan Members Entitled to but not yet Receiving Benefits	Active Plan Members
PERS 1	47,037	539	1,986
SERS 2	9,171	6,050	27,786
SERS 3	8,866	8,678	34,930
TRS 1	33,460	147	497
TRS 2	5,453	2,617	20,518
TRS 3	11,960	8,735	55,117

Membership & Plan Benefits

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

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

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

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

TRS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) per year of service for Plan 2 members and one percent of

AFC for Plan 3 members. The AFC is the monthly average of the 60 consecutive highest-paid service credit months. There is no cap on years of service credit. Members are eligible for normal retirement at the age of 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. TRS Plan 2/3 members, who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a reduced benefit.

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

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

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

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

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

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

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

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

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

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

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

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

Plan Contributions

The employer contribution rates for PERS, TRS, and SERS (Plans 1, 2, and 3) and the TRS and SERS Plan 2 employee contribution rates are established by the Pension Funding Council based upon the rates set by the Legislature. The methods used to determine the contribution requirements are established under chapters 41.34 and 41.40 RCW for PERS, 41.34 and 41.35 RCW for SERS, and 41.32 and 41.34 RCW for TRS. Employers do not contribute to the defined contribution portions of TRS Plan 3 or SERS Plan 3. Under current law the employer must contribute 100 percent of the employer-required contribution. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at six percent and does not vary from year to year.

The employer and employee contribution rates for the various plans are effective as of the dates shown in the table. The pension plan contribution rates (expressed as a percentage of covered payroll) for 2017 and 2018 are listed below:

Pension Rates			
	9/1/18 Rate	7/1/17 Rate	
PERS 1			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	12.83%	12.70%	
Pension Rates			
	9/1/18 Rate	9/1/17 Rate	
TRS 1			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	15.41%	15.20%	
TRS 2			
Member Contribution Rate	7.06%	7.06%	
Employer Contribution Rate	15.41%	15.20%	
TRS 3			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	15.41%	15.20%	**
SERS 2			
Member Contribution Rate	7.27%	7.27%	
Employer Contribution Rate	13.58%	13.48%	
SERS 3			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	13.58%	13.48%	**
<i>Note: The DRS administrative rate of .0018 is included in the employer rate.</i>			
* = Variable from 5% to 15% based on rate selected by the member.			
** = Defined benefit portion only.			

The Collective Net Pension Liability

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

The Net Pension Liability as of June 30, 2018:				
Dollars in Thousands	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Total Pension Liability	\$12,143,412	\$5,719,600	\$8,722,439	\$14,422,685
Plan fiduciary net position	(\$7,677,378)	(\$5,420,538)	(\$5,801,847)	(\$13,972,571)
Participating employers' net pension liability	\$4,466,034	\$299,062	\$2,920,592	\$450,114
Plan fiduciary net position as a percentage of the total pension liability	63.22%	94.77%	66.52%	96.88%

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

At June 30, 2018, the school district reported a total liability of \$102,867,048 for its proportionate shares of the individual plans' collective net pension liability. The district's proportionate share of the collective net pension liability is based on annual contributions for each of the employers participating in the DRS

administered plans. At June 30, 2018, the district's proportionate share of each plan's net pension liability is reported below:

June 30, 2018	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District's Annual Contributions	\$2,123,149	\$3,312,091	\$10,243,836	\$10,946,160
Proportionate Share of the Net Pension Liability	\$14,185,700	\$5,662,041	\$71,936,904	\$11,082,403

At June 30, 2018, the school district's percentage of the proportionate share of the collective net pension liability was as follows and the change in the allocation percentage from the prior period is illustrated below.

Allocation percentages	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share of the Net Pension Liability	0.317635%	1.893267%	2.463093%	2.462132%
Prior year proportionate share of the Net Pension Liability	0.372758%	2.244654%	2.709794%	2.698990%
Net difference percentage	-0.055122%	-0.351387%	-0.246701%	-0.236858%

Actuarial Assumptions

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

The total pension liabilities for TRS 1, TRS 2/3, PERS 1 and SERS 2/3 were determined by actuarial valuation as of June 30, 2017, with the results rolled forward to June 30, 2018, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	2.75% total economic inflation, 3.50% salary inflation
Salary increases	In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
Investment rate of return	7.40%

Mortality Rates

Mortality rates used in the plans were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime. The actuarial assumptions used in the June 30, 2017, valuation were based on the results of the *2007–2012 Experience Study Report and the 2017 Economic Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best-estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the Washington

State Investment Board (WSIB). Those expected returns make up one component of WSIB's CMAs. The CMAs contain three pieces of information for each class of assets the WSIB currently invest in:

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

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

The long-term expected rate of return of 7.40 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, increased slightly to remove WSIB's implicit and small short-term downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a ten to fifteen-year period, becomes amplified over a fifty-year measurement period.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2018, are summarized in the following table:

TRS 1, TRS 2/3, PERS 1, and SERS 2/3		
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20.00%	1.70%
Tangible Assets	7.00%	4.90%
Real Estate	18.00%	5.80%
Global Equity	32.00%	6.30%
Private Equity	23.00%	9.30%

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

Discount Rate

The discount rate used to measure the total pension liability was 7.40 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.50 percent long-term discount rate to determine funding liabilities for calculating future contributions rate requirements. Consistent with the long-term expected rate of return, a 7.40 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.40 percent on pension plan investments was applied to determine the total pension liability.

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

The Pension Plans reported collective Deferred Outflows of Resources and collective Deferred Inflows of resources related to the individual plans. At August 31, 2018, the District reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences		
Net difference between projected and actual earnings on pension plan investments		\$563,732
Changes in assumptions or other inputs		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	\$399,143	
TOTAL	\$399,143	\$563,732

SERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$1,560,505	
Net difference between projected and actual earnings on pension plan investments		\$2,752,907
Changes in assumptions or other inputs	\$44,874	\$1,162,236
Changes in proportion and differences between contributions and proportionate share of contributions	\$1,301,507	\$1,844,853
Contributions subsequent to the measurement date	\$641,879	
TOTAL	\$3,548,765	\$5,759,996

TRS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences		
Net difference between projected and actual earnings on pension plan investments		\$3,076,312
Changes in assumptions or other inputs		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	\$1,997,910	
TOTAL	\$1,997,910	\$3,076,312

TRS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$5,207,928	\$818,328
Net difference between projected and actual earnings on pension plan investments		\$9,372,751
Changes in assumptions or other inputs	\$188,417	\$4,453,620
Changes in proportion and differences between contributions and proportionate share of contributions	\$4,678,780	3,886,764
Contributions subsequent to the measurement date	\$2,141,692	
TOTAL	\$12,216,817	\$18,531,463

\$5,180,624 reported as Deferred Outflows of Resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2019.

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

Year ended August 31	PERS 1	SERS 2/3	TRS 1	TRS 2/3
2019	24,663	(319,479)	307,802	(133,110)
2020	(123,235)	(558,868)	(636,827)	(2,287,644)
2021	(369,794)	(1,341,012)	(2,187,581)	(5,055,730)
2022	(95,366)	(280,935)	(559,706)	(1,119,074)
2023		(220,586)		200,070
Thereafter		(132,232)		(60,850)

Pension Expense

The District recognizes a pension expense for its proportionate share of the collective pension expense. This is determined by using the district's proportion share of the collective net pension liability. For the year ending August 31, 2018, the district recognized a total pension expense as follows:

	Pension Expense
PERS 1	(\$1,697,234)
SERS 2/3	\$1,089,668
TRS 1	(\$1,355,024)
TRS 2/3	\$4,059,139
TOTAL	\$2,096,549

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

The table below presents the Lake Washington School District's proportionate share of the net pension liability calculated using the discount rate of 7.40%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.40%) or one percentage point higher (8.40%) than the current rate. Amounts are calculated by plan using the district's allocation percentage.

	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
PERS 1 NPL	\$5,488,477,000	\$4,466,034,000	\$3,580,392,000
Allocation Percentage	0.317635%	0.317635%	0.317635%
Proportionate Share of Collective NPL	\$ 17,433,339	\$ 14,185,700	\$ 11,372,588
SERS 2/3 NPL	\$1,127,549,000	\$299,062,000	(\$383,817,000)
Allocation Percentage	1.893267%	1.893267%	1.893267%
Proportionate Share of Collective NPL	\$ 21,347,510	\$ 5,662,041	\$ (7,266,679)
TRS 1 NPL	\$3,650,431,000	\$2,290,592,000	\$2,288,760,000
Allocation Percentage	2.463093%	2.463093%	2.463093%
Proportionate Share of Collective NPL	\$ 89,913,519	\$ 71,936,904	\$ 56,374,293
TRS 2/3 NPL	\$2,805,439,000	\$450,114,000	(\$1,463,229,000)
Allocation Percentage	2.462132%	2.462132%	2.462132%
Proportionate Share of Collective NPL	\$ 69,073,622	\$ 11,082,403	\$ (36,026,635)

Note 8: Defined Benefit Other Postemployment Benefit (OPEB) Plans

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75 for the year 2018:

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	\$119,707,267
Deferred outflows of resources	\$2,656,625
Deferred inflows of resources	\$13,671,869
OPEB expense/expenditures	\$9,277,917

Plan Description

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

According to state law, the State of Washington collects a fee from all school district entities which are not current active members of the State Health Care Authority but participate in the state retirement system. As outlined in the state's operating budget, school districts are mandated to pay the state HCA \$64.07 per month per full-time equivalent employee in the 2017-18 fiscal year to support this program. This assessment to the District is subject to change annually. Participation in the PEBB is limited to District's retirees. The District paid \$2,230,522 for this plan in the 2017-18 fiscal year.

Eligibility

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

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

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

Medical and Life Benefits

Upon retirement, members are permitted to receive medical benefits. Retirees pay the following monthly rates for pre-65 Medical coverage for 2018:

	<u>Type of Coverage</u>		
	<u>Employee Only</u>	<u>Employee & Spouse</u>	<u>Full Family</u>
Kaiser Permanente Classic	\$692.66	\$1,380.30	\$1,896.03
Kaiser Permanente Sound Choice	607.11	1,209.20	1,660.77
Kaiser Permanente CHDP	589.18	1,167.37	1,557.27
Kaiser Permanente Value	633.52	1,262.02	1,733.40
Uniform Medical Plan Classic	657.86	1,310.70	1,800.33
UMP Plus-UW Medicine Accountable Care	600.56	1,196.10	1,642.76
UMP Plus-Puget Sound High Value Network	600.56	1,196.10	1,642.76
Uniform Medical Plan CDHP	588.91	1,166.83	1,556.52

For calendar year 2018, after age 65 retired members receive a subsidy of 50% of their monthly premiums up to \$150.00 per Medicare covered person.

Employers participating in the plan include the state of Washington (which includes general government agencies and higher education institutions), 74 of the state's K-12 school districts and educational service districts (ESDs), and 236 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 238 K-12 school districts and ESDs.

Membership

The following employees were included in the actuarial valuation as of August 31, 2016:

Retired employees and surviving spouses	865
Spouses of retired employees	398
Active employees	2,896

Funding Policy

The funding policy is based upon the pay-as-you-go financing requirements and no assets are accumulated in a qualifying trust.

Assumptions and Other Inputs

In order to calculate the beginning total OPEB liability balance under GASB Statement No. 75, an actuarial valuation was performed with a valuation date of August 31, 2016. The ending balance was determined by projecting the August 31, 2016 valuation forward to August 31, 2017. The forward projection reflects the plans' assumed service cost, assumed interest, and expected benefit payments.

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

The total liability was determined using the following actuarial assumptions:

Inflation rate	3.00%
Projected salary changes	3.75%
Post-retirement participation percentage	50.00%
Percentage with spouse coverage	45.00%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year throughout their lifetime.

Demographic assumptions regarding retirement, disability, turnover, and mortality are based upon the TRS Plan 2 as shown in the 2007-2012 Experience Study by the Washington State Public Retirement Systems.

In the Actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 3.51% discount rate, which is based upon the long-term investment yield on the investments that are expected to finance the payment of benefits. Health and Life Insurance trend rates were as follows:

Year Ending August 31,	Pre-65 Retiree Premiums and Claims (1)	Post-65 Retiree Premiums and Claims (2)
2017	6.7%	8.80%
2018	5.4%	6.90%
2019	5.5%	5.40%
2020	5.6%	5.50%
2025	5.8%	5.70%
2030	6.2%	5.80%
2040	6.4%	5.70%
2050	6.1%	5.80%
2060	5.9%	6.00%
2093+	4.9%	4.90%

- (1) Used to project annual increases to: total cost for Pre-65 medical benefits and retiree contributions for Pre-65 medical benefits
- (2) Used to project annual increases to the explicit subsidy for Post-65 medical benefits.

The following presents the total OPEB liability of the District calculated using the current healthcare cost trend rates, as well as what the District's total OPEB liability would be if it were calculated using trend rates that are 1-percentage point lower or 1-percentage point higher than the current trend rates.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	\$97,974,317	\$119,707,267	\$148,751,182

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

The following presents the total OPEB liability of the District calculated using the discount rate of 3.51 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.51%) or 1-percentage point higher (4.51%) than the current rate.

	1% Decrease (2.51%)	Current Discount Rate (3.51%)	1% Increase (4.51%)
Total OPEB Liability	\$143,555,421	\$119,707,267	\$99,809,672

Change in OPEB Liability

The following table represents the changes in the total OPEB Liability as of August 31, 2018.

<u>Change in Total OPEB Liability</u>	
Total OPEB Liability at 08/31/2017	\$126,450,013
Service Cost	7,334,473
Interest	3,766,360
Changes of assumptions	(15,494,785)
Benefit payments	<u>(2,348,794)</u>
Total OPEB Liability at 08/31/2018	<u>\$119,707,267</u>

The measurement date of the OPEB liability is August 31, 2017. This is the date at which the OPEB liability is determined. The valuation date is August 31, 2016. There have been no significant changes between the valuation date and fiscal year ends.

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

At August 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		
Changes of Assumptions		\$13,671,869
Payments subsequent to the measurement date	<u>\$2,656,625</u>	
Total	\$2,656,625	\$13,671,869

OPEB Expense

Deferred outflows of resources of \$2,656,625 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended August 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended August 31:</u>	
2019	(\$1,822,916)
2020	(\$1,822,916)
2021	(\$1,822,916)
2022	(\$1,822,916)
2023	(\$1,822,916)
Thereafter	(\$4,557,289)

Note 9: 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, 2017 was \$288,614.

Note 10: Long-Term Debt

A. Changes in Long-Term Liabilities

During the fiscal year ended August 31, 2018 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
2007 G.O. Bonds	7,600,000		7,600,000		
2008 G.O. Bonds	12,600,000		2,650,000	9,950,000	9,950,000
2009 Bonds	31,445,000			31,445,000	
2010 Bonds	120,000,000			120,000,000	
2012 Bonds	6,875,000		2,385,000	4,490,000	1,690,000
2012 Bonds	3,455,000		3,455,000		
2015 Bonds	140,365,000		6,320,000	134,045,000	12,085,000
2016 Bonds	194,525,000		8,360,000	186,165,000	7,965,000
2017 Bonds		\$149,565,000		149,565,000	15,360,000
Total Bonds Payable	\$516,865,000	\$149,565,000	\$30,770,000	\$635,660,000	\$47,050,000
Other Liabilities:					
Unemployment Pay.	\$539,942	\$74,694	\$65,789	\$548,847	\$70,000
Other Empl. Ins. Pay.	1,942,599	890,674	875,783	\$1,957,490	533,332
Industrial Insurance	2,693,313	1,404,972	1,354,893	\$2,743,392	1,400,000
Net OPEB	126,450,013		6,742,746	\$119,707,267	2,656,625
Compensated Absences	3,887,554	2,481,947	531,849	\$5,837,652	470,803
Net Pension	135,598,933		32,731,885	\$102,867,048	
Unamortized Premium	46,632,041	16,195,857	4,168,191	\$58,659,707	4,335,419
Unamortized Discount	(1,857,347)	(538,434)	(197,635)	(2,198,146)	(190,680)
Total Other Liab.	315,887,048	20,509,710	46,273,501	290,123,257	9,275,499
Grand Total	\$832,752,048	\$170,074,710	\$77,043,501	\$925,783,257	\$56,325,499

B. Bond Premiums

The amortization schedule of bond premiums is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
2007 G.O. Bonds	143,081		143,081	
2008 G.O Bonds	164,257		82,128	82,129
2009 Bonds	118,323		10,757	107,566
2010 Bonds	1,049,676		80,744	968,932
2012 G.O. Bonds	939,456		234,865	704,591
2012 LGO Bonds	499,405		499,405	
2015 Bonds	13,958,256		1,550,917	12,407,339
2016 Bonds	29,759,587		\$1,566,294	28,193,293
2017 Bonds		16,195,857		16,195,857
	<u>\$46,632,041</u>	<u>\$16,195,857</u>	<u>\$4,168,191</u>	<u>\$58,659,707</u>

C. Unamortized Discount Costs

The amortization schedule of bond discount costs is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
2007 G.O. Bonds	12,040		12,040	
2008 G.O Bonds	32,645		16,323	16,322
2009 Bonds	147,056		13,368	133,688
2010 Bonds	486,150		37,396	448,754
2012 G.O. Bonds	42,980		10,745	32,235
2012 LGO Bonds	21,834		21,834	
2015 Bonds	466,200		51,800	414,400
2016 Bonds	648,442		34,129	614,313
2017 Bonds		\$538,434		538,434
	<u>\$1,857,347</u>	<u>\$538,434</u>	<u>\$197,635</u>	<u>\$2,198,146</u>

D. Unamortized Deferred Charge on Refunding

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

	Beginning Balance	Additions	Reductions	Ending Balance
2006 Bond	\$3,160,795		\$351,200	\$2,809,595
2007 Bond	3,113,512		444,787	2,668,725
2008 Bond	4,414,920		441,492	3,973,428
	<u>\$10,689,227</u>		<u>\$1,237,479</u>	<u>\$9,451,748</u>

E. General Obligation Debt

Bonds payable at August 31, 2018 are comprised of the following:

	Interest Rates	Issue Date	Maturity Date	Amount Issued	Ending Balance
2008 Bonds	3.75-5.00	11/18/08	12/01/26	80,000,000	9,950,000
2009 Bonds	1.65-5.57	11/03/09	12/01/27	40,000,000	31,445,000
2010 Bonds	4.91-5.06	09/17/10	12/01/29	120,000,000	120,000,000
2012 Bonds	1.00-5.00	07/11/12	12/01/20	23,025,000	4,490,000
2015 Bonds	2.00-5.00	06/17/15	12/01/25	162,800,000	134,045,000
2016 Bonds	1.5-5.00	08/23/16	12/01/35	195,020,000	186,165,000
2017 Bonds	2.5-5.00	12/13/17	12/01/37	149,565,000	149,565,000
				<u>\$770,410,000</u>	<u>\$635,660,000</u>

F. Debt Service Requirements to Maturity

Fiscal Year			
Ended	Principal	Interest	Total
8/31/2019	47,050,000	26,832,750	73,882,750
8/31/2020	35,775,000	24,886,775	60,661,775
8/31/2021	30,605,000	23,330,175	53,935,175
8/31/2022	33,760,000	21,770,550	55,530,550
8/31/2023	39,735,000	19,933,175	59,668,175
8/31/2024	32,280,000	18,388,863	50,668,863
8/31/2025	32,435,000	17,274,950	49,709,950
8/31/2026	40,675,000	15,848,043	56,523,043
8/31/2027	43,635,000	14,271,325	57,906,325
8/31/2028	43,925,000	12,452,295	56,377,295
8/31/2029	46,945,000	10,201,025	57,146,025
8/31/2030	50,550,000	7,822,875	58,372,875
8/31/2031	23,755,000	6,061,725	29,816,725
8/31/2032	23,205,000	4,993,450	28,198,450
8/31/2033	16,650,000	4,120,200	20,770,200
8/31/2034	28,550,000	3,216,200	31,766,200
8/31/2035	21,485,000	2,215,500	23,700,500
8/31/2036	22,195,000	1,341,900	23,536,900
8/31/2037	10,690,000	684,200	11,374,200
8/31/2038	11,760,000	235,200	11,995,200
	<u>\$635,660,000</u>	<u>\$235,881,176</u>	<u>\$871,541,176</u>

G. Bonds Authorized but Unissued

As of August 31, 2018, there are \$11,000,000 bonds that are authorized but unissued from the February 2006 authorization and \$68,000,000 bonds authorized but unissued from the April 2016 bond authorization.

Note 11: Operating Leases (Non-Capitalized)

The district is obligated to pay under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreements are not reflected in the district's Capital Assets. The following is a schedule by years of future minimum rental payments required under operating leases of one year or more as of August 31, 2018.

Year Ended	Amount
8/31/2019	809,078
8/31/2020	502,040
8/31/2021	319,800
8/31/2022	319,800
8/31/2023	<u>186,550</u>
Total	2,137,268

\$1,469,068 pertains to the lease of copy machines and \$668,200 is for portable leases.

Note 12: Self-Insured Employee Benefits

Unemployment – The district provides for unemployment compensation on a self-insured basis, whereby an estimated liability is accrued and actual benefits paid are charged against the accrual in the General Fund. The district reimburses Washington State Employment Security Department on a quarterly basis for claims approved and paid. The district paid out a total of \$65,411 in unemployment claims for the fiscal year ended August 31, 2018. The following is a summary of activity for the current and prior fiscal year.

	Beginning			Ending
<u>Fiscal Year</u>	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
2016-17	\$512,937	\$80,832	\$53,827	\$539,942
2017-18	\$539,942	\$74,694	\$65,789	\$548,847

Industrial Insurance – The district began self-insurance for industrial insurance in January 1979 and contracts with a 3rd party administrator to manage its claims. Industrial insurance compensation is provided for by establishing an estimated liability based on past experience. This liability is reviewed continually for adequacy. In addition, the district carries a major risk policy that covers a single claim over \$400,000. The district paid out a total of \$701,396 in industrial insurance claims in the General Fund for the fiscal year ended August 31, 2018. The following is a summary of activity for the current and prior fiscal year.

	Beginning			Ending
<u>Fiscal Year</u>	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
2016-17	\$2,287,527	\$1,576,912	\$1,171,126	\$2,693,313
2017-18	\$2,693,313	\$1,404,972	\$1,354,893	\$2,743,392

Vision Insurance-The school district began self-insurance for vision benefits in October 2000 and contracts with a 3rd party administrator to manage its insurance claims. The district sets a monthly premium rate, whereby an estimated liability is accrued. This liability is reviewed monthly for adequacy. Actual benefit payments are charged against the accrual in the General Fund. The district paid out a total of \$774,048 in claims for the fiscal year ended August 31, 2018. The following is a summary of activity for the current and prior fiscal year.

	Beginning			Ending
<u>Fiscal Year</u>	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
2016-17	\$503,601	\$844,455	\$810,235	\$537,821
2017-18	\$537,821	\$871,294	\$875,783	\$533,332

Note 13: Risk Management

The district is a member of the Washington Schools Risk Management Pool (Pool). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement

was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in 1986 when educational service districts and school districts in the state of Washington joined together by signing the Cooperative Risk Management Pool Account Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Over 90 school and educational service districts have joined the Pool.

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

Members make an annual contribution to fund the Pool. The Pool acquires reinsurance from unrelated underwriters that are subject to a per-occurrence self-insured retention of \$1 million risk shared by the Pool. Members are responsible for varied deductibles for both liability and property claims. Insurance carriers cover losses over \$1 million to the maximum limits of each policy. Since the Pool is a cooperative program, there is a joint liability among the participating members. Settled claims resulting from this risk have not exceeded insurance coverage in any of the past three fiscal years.

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

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

Note 14: Reconciliation Between Governmental Fund Financial Statements and District-Wide Financial Statements

A. Balance Sheet/Statement of Net Position

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

Cost of capital assets	\$1,298,514,817
Accumulated Depreciation	<u>287,409,494</u>
Net Capital Assets	<u>\$1,011,105,323</u>

2. Deferred Charge on Refunding-The difference between the carrying amount of refunded debt and the cost of new debt to retire the old debt resulted in a loss on refunding. The governmental funds recognize this loss as current other financing sources in the period in which the refunding occurred. In the governmental statements, the deferred loss on refunding balance (\$9,451,748) is shown as a deferred outflow of resources and amortized as a component of interest expense over the shorter of the life of the old debt or new debt.
3. Deferred Pension Plan-In the governmental funds, the district is required to report a portion of the liabilities for the pension plans with which our employees participate. This resulted in a deferred outflow (\$18,162,636) and a deferred inflow (\$27,931,505) of resources.
4. Deferred Other Post Employment Benefits- In the governmental funds, the district is required to report a portion of the liabilities for the OPEB plans with which our retirees participate. This resulted in a deferred outflow (\$2,656,625) and a deferred inflow (\$13,671,869) of resources.

5. Long-term liabilities of \$925,783,257 (\$53,668,874 due within one year; \$649,540,068 due in more than one year; OPEB liability of \$119,707,267 and net pension liability of \$102,867,048 applicable to the district's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of Net Position.
6. Unavailable Revenue – Property taxes and receivables (\$82,752,772) that do not provide current financial resources are reported as unavailable revenue in governmental funds, but as revenues in government-wide financial statements.
7. Due From and Due To Other Funds (\$533,059) - Internal transfers between governmental funds were eliminated in the governmental-wide statement to avoid the “doubling up” effect.

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

1. Property taxes and open accounts receivable that do not provide current financial resources are reported as unavailable revenue in governmental funds, but as revenues in the Statement of Activities (\$6,419,333).
2. The increase between the beginning and ending balances of the liability for compensated absences (\$1,950,095) 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 increase between the beginning and ending balance of the liability for net OPEB obligation (\$6,621,292) is reported in the Statement of Activities as an expense and is allocated to various applicable programs. This increase is not reported in governmental fund statements.
4. Current year pension expense per GASB 68 (-\$24,528,686) is not reported in the governmental fund financial statements. However, it is reported in the district-wide statement of activities as a negative expense.
5. The proceeds of the sale of property is reported as an increase in other financial resources in governmental funds, while only the loss on sale or disposition of property (\$1,916,681) is reported in the statement of activities.
6. Capital Assets – Capital assets are expensed when purchased or constructed in the governmental fund statements. Capital assets are expensed as depreciation over the useful life of the asset in the statement of activities (\$25,356,084).
7. Repayment of bond principal (\$30,770,000) is reported as an expenditure in governmental funds and, thus has the effect of reducing fund balance. For the district as a whole, however, the principal payments reduce the liabilities in the statement of Net Position.
8. Internal transfers between funds (\$12,339,757) are reported as other financial sources/uses in the governmental funds but eliminated in the consolidated Statement of Activities.
9. The government funds report debt interest and other payments, \$25,932,542 as expenditures. In the governmental funds, interest expense is adjusted to reflect amortization of bond premium (\$4,168,191), amortization of bond discount (\$197,634), amortization of deferred amount on refunding (\$1,237,479) and discount on new bond issue (\$538,434).

Amortization of Bond Premium	(\$4,168,191)
Amortization of Bond Discount	197,634
Amortization of Deferred Amount of Refunding	1,237,479
Bond Discount on New Issue	<u>(538,434)</u>
	(\$3,271,512)

Note 15: 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 16: 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.

Lake Washington School District
Schedules of Required Supplementary Information

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

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY				
PERS 1				
Last 10 Fiscal Years*				
As of June 30th	2015	2016	2017	2018
District's Proportion of the net pension liability (percentage)	0.333717%	0.292801%	0.372758%	0.317635%
District's proportionate share of the net pension liability (amount)	\$17,456,511	\$15,724,781	\$17,687,644	\$14,185,700
District's covered-employee payroll	\$37,694,260	\$35,333,773	\$46,371,620	\$42,034,737
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	46.31%	44.50%	38.14%	33.75%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%

SERS 2/3				
Last 10 Fiscal Years*				
As of June 30th	2015	2016	2017	2018
District's Proportion of the net pension liability (percentage)	2.156443%	1.877438%	2.244465%	1.893267%
District's proportionate share of the net pension liability (amount)	\$8,758,413	\$12,330,393	\$11,076,806	\$5,662,041
District's covered-employee payroll	\$37,128,537	\$34,875,682	\$45,868,804	\$41,624,914
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	23.59%	35.36%	24.15%	13.60%
Plan fiduciary net position as a percentage of the total pension liability	90.92%	86.52%	90.79%	94.77%

TRS 1				
Last 10 Fiscal Years*				
As of June 30th	2015	2016	2017	2018
District's Proportion of the net pension liability (percentage)	2.657424%	2.310233%	2.709794%	2.463093%
District's proportionate share of the net pension liability (amount)	\$84,190,967	\$78,876,837	\$81,924,344	\$71,936,904
District's covered-employee payroll	\$127,138,238	\$117,104,222	\$150,055,912	\$144,918,444
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	66.22%	67.36%	54.60%	49.64%
Plan fiduciary net position as a percentage of the total pension liability	65.70%	62.07%	65.58%	66.52%

TRS 2/3				
Last 10 Fiscal Years*				
As of June 30th	2015	2016	2017	2018
District's Proportion of the net pension liability (percentage)	2.646598%	2.293214%	2.698990%	2.462132%
District's proportionate share of the net pension liability (amount)	\$22,332,050	\$31,492,637	\$24,910,139	\$11,082,403
District's covered-employee payroll	\$123,808,566	\$114,847,370	\$148,016,879	\$143,690,860
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	18.04%	27.42%	16.83%	7.71%
Plan fiduciary net position as a percentage of the total pension liability	92.48%	88.72%	93.14%	96.88%

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

SCHEDULE OF DISTRICT CONTRIBUTIONS				
PERS 1				
Last 10 Fiscal Years*				
As of August 31st	2015	2016	2017	2018
Contractually required contributions	\$1,533,757	\$1,863,411	\$2,095,592	\$2,345,266
Contributions in relation to the contractually required contributions	\$1,533,757	\$1,863,411	\$2,095,592	\$2,345,266
Contribution deficiency (excess)				
District's covered-employee payroll	\$34,967,929	\$39,054,584	\$43,348,477	\$46,208,783
Contribution as a percentage of covered-employee payroll	4.39%	4.77%	4.83%	5.08%

SERS 2/3				
Last 10 Fiscal Years*				
As of August 31st	2015	2016	2017	2018
Contractually required contributions	\$2,096,530	\$2,519,129	\$2,842,705	\$3,713,934
Contributions in relation to the contractually required contributions	\$2,096,530	\$2,519,129	\$2,842,705	\$3,713,934
Contribution deficiency (excess)	0			
District's covered-employee payroll	\$34,452,767	\$38,558,679	\$42,888,172	\$45,766,910
Contribution as a percentage of covered-employee payroll	6.09%	6.53%	6.63%	8.11%

TRS 1				
Last 10 Fiscal Years*				
As of August 31st	2015	2016	2017	2018
Contractually required contributions	\$5,946,700	\$7,928,788	\$8,859,127	\$11,460,836
Contributions in relation to the contractually required contributions	\$5,946,700	\$7,928,788	\$8,859,127	\$11,460,836
Contribution deficiency (excess)				
District's covered-employee payroll	\$118,511,191	\$128,448,411	\$140,318,930	\$160,114,673
Contribution as a percentage of covered-employee payroll	5.02%	6.17%	6.31%	7.16%

TRS 2/3				
Last 10 Fiscal Years*				
As of August 31st	2015	2016	2017	2018
Contractually required contributions	\$7,033,264	\$8,341,117	\$9,307,146	\$12,267,460
Contributions in relation to the contractually required contributions	\$7,033,264	\$8,341,117	\$9,307,146	\$12,267,460
Contribution deficiency (excess)				
District's covered-employee payroll	\$115,575,417	\$126,039,739	\$138,532,088	\$158,835,845
Contribution as a percentage of covered-employee payroll	6.09%	6.62%	6.72%	7.72%

LAKE WASHINGTON SCHOOL DISTRICT NO. 414
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS FOR THE YEAR ENDED AUGUST 31, 2018.

Total OPEB Liability	2018
Service Cost	\$7,334,473
Interest on total OPEB liability	3,766,360
Changes in benefit terms	
Effect of economic/demographic gains or (losses)	
Effect of assumption changes or inputs	(15,494,785)
Expected benefit payments	(2,348,794)
Net change in total OPEB liability	(6,742,746)
 Total OPEB liability, beginning	 126,450,013
Total OPEB liability, ending	\$119,707,267
 Covered employee payroll	 \$194,129,649
Total OPEB liability as a percentage of covered payroll	61.66%

GASB Statement #75 was implemented for the fiscal year ended August 31, 2018.

No information prior to August 31, 2018 is available. The valuation date of the actuarial study was August 31, 2016 and then projected to the measurement date of August 31, 2017.

Assets have not been accumulated in a trust to pay related benefits.

There are no changes to benefit terms. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period.

Lake Washington School District #414
Schedule of Expenditures of Federal Awards
For the Year Ending August 31, 2018

1	2	3	4	5	6	7	8	9	10
Federal Agency	Through Agency	Federal Program Title	CFDA No.	Other I.D. No.	Expenditures			Passed Through to Subrecipients	Foot-note Ref.
					Direct Awards	Pass Through Awards	Total		
U.S.									
Department of Agriculture	WA OSPI	Child Nutrition Cluster:							
		School Breakfast Program	10.553			212,944.13	212,944.13		2
		NSLP: Cash Assistance	10.555			1,584,125.62	1,584,125.62		2
		NSLP: Non Cash Assistance (commodities)	10.555			521,466.80	521,466.80		3
		Total Child Nutrition Cluster					2,318,536.55		
	WA State Treasurer	Forest Service Schools and Roads Cluster:							
		Schools and Roads - Grants to States	10.665			11,209.11	11,209.11		
		Total Forest Service Schools and Roads Cluster					11,209.11		
		Total U.S. Department of Agriculture				\$2,329,745.66	\$2,329,745.66		
U.S. Dept. of Education									
		Indian Ed - Grants to Local Ed Agencies	84.060	S060A171113	58,787.00		58,787.00		
	WA OSPI	Title I - Grants to Local Ed Agencies	84.010	202866		986,888.05	986,888.05		4,5
		Special Education Cluster:							
		Special Ed - Grants to States	84.027	306213		4,825,896.00	4,825,896.00		4
		Special Ed - Grants to States	84.027	338040		2,132,430.00	2,132,430.00		
		Special Ed - Preschool Grants	84.173	365706		119,530.00	119,530.00		4
		Total Special Education Cluster					7,077,856.00		
		Career & Technical Ed - Basic Grants to States	84.048	174120		88,693.00	88,693.00		4
		Career & Technical Ed - Basic Grants to States	84.048	173916		25,410.00	25,410.00		4
		Total CFDA	84.048				114,103.00		
		English Language Acquisition State Grants	84.365	402538		346,067.51	346,067.51		4
		Improving Teacher Quality State Grants	84.367	524221		374,296.00	374,296.00		4
		Total U.S. Department of Education			\$58,787.00	\$8,899,210.56	\$8,957,997.56		
U.S.									
Department of Health and Human Services	PSESD	Head Start	93.600	N/A		588,650.01	588,650.01		
	NACCHO	Medical Reserve Corps Small Grant Program	93.008	150032		1,449.16	1,449.16		
		Total U.S. Dept of Health and Human Services				\$590,099.17	\$590,099.17		
Total Federal Awards Expended					\$58,787.00	\$11,819,055.39	\$11,877,842.39	\$0.00	

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, 2018**

NOTE 1 – BASIS OF ACCOUNTING

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

NOTE 2 – UNIT COST CONTRACTS

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

NOTE 3 – NONCASH AWARDS – FOOD COMMODITIES

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

NOTE 4 – FEDERAL INDIRECT RATE

The Lake Washington School District claimed indirect costs under this grant using its federal restricted rate of 3.06%.

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

NOTE 5 – FEDERAL INDIRECT RATE

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

NOTE 6 – SCHOOL WIDE PROGRAMS

The Lake Washington School District operates a "schoolwide program" in two elementary buildings. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to certain targeted students. The following federal program amounts were expensed by the Lake Washington School District in its schoolwide program: Title I (84.010) \$299,351.92.

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

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Contact information for the State Auditor's Office	
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Toll-free Citizen Hotline	(866) 902-3900
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