



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, 2018 through August 31, 2019

Published May 29, 2020

Report No. 1026378





**Office of the Washington State Auditor
Pat McCarthy**

May 29, 2020

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 cursive script that reads "Pat McCarthy".

Pat McCarthy
State Auditor
Olympia, WA

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TABLE OF CONTENTS

Schedule of Findings and Questioned Costs	4
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	6
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance	9
Independent Auditor's Report on Financial Statements	12
Financial Section.....	16
About the State Auditor's Office.....	76

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Lake Washington School District No. 414 September 1, 2018 through August 31, 2019

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>
84.010	Title I Grants to Local Educational Agencies
84.027	Special Education Cluster (IDEA) – Special Education Grants to States
84.173	Special Education Cluster (IDEA) – Special Education Preschool Grants

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, 2018 through August 31, 2019**

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, 2019, 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 27, 2020.

As discussed in Note 17 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the District. Management's plans in response to this matter are also described in Note 17.

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 27, 2020

**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, 2018 through August 31, 2019**

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, 2019. 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, 2019.

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

Pat McCarthy
State Auditor
Olympia, WA

May 27, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Lake Washington School District No. 414 September 1, 2018 through August 31, 2019

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, 2019, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Lake Washington School District No. 414, as of August 31, 2019, 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 17 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the District. Management's plans in response to this matter are also described in Note 17. 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 as a whole. 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 27, 2020 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 27, 2020

FINANCIAL SECTION

Lake Washington School District No. 414 September 1, 2018 through August 31, 2019

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2019

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2019

Statement of Activities – 2019

Balance Sheet – Governmental Funds – 2019

Reconciliation – Balance Sheet/Statement of Net Position – 2019

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – 2019

Reconciliation – Statement of Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities – 2019

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – General Fund – 2019

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Special Revenue Fund (Associated Student Body Fund) – 2019

Statement of Fiduciary Net Position – Fiduciary Funds – 2019

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2019

Notes to the Financial Statements – 2019

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 – 2019

Schedule of District Contributions – PERS 1, SERS 2/3, TRS 1, TRS 2/3 – 2019

Schedule of Changes in Total OPEB Liability and Related Ratios – 2019

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2019

Notes to the Schedule of Expenditures of Federal Awards – 2019

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, 2019.

FINANCIAL HIGHLIGHTS

- The district's Statement of Net Position reports net position of \$495 million as of August 31, 2019.
- During the year, the district had revenues that were \$67 million higher than the \$486 million in expenses incurred for all governmental activities.
- The general fund reported an increase in fund balance of \$32,623,537 for the fiscal year.
- The average student enrollment increased by 350 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 \$494,599,276 at the end of the 2018-2019 fiscal year.

The largest portion, \$510 million of net position is the investment in capital assets (e.g., land, building, and equipment), less any related outstanding debt used to acquire those assets. Resources required to repay this debt comes from property tax levies. Twenty-four 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 \$94 million that can be used to finance the day-to-day operations without such constraints as debt covenants, legislation, or other legal requirements and -\$102 million represents GASB 68 and -\$129 million for GASB 75 requirements.

Table 1
Net Position

	2018-2019	2017-2018
Current and Other Assets	\$348,771,009	\$409,091,702
Capital Assets	<u>1,156,937,276</u>	<u>1,011,105,323</u>
Total Assets	\$1,505,708,285	\$1,420,197,025
Deferred Outflows of Resources	<u>\$49,754,118</u>	<u>\$30,271,009</u>
Total Assets and Deferred Outflows of Resources	<u>\$1,555,462,403</u>	<u>\$1,450,468,034</u>
Long-Term Debt Outstanding	\$962,416,938	\$925,783,257
Other Liabilities	<u>48,777,287</u>	<u>55,116,883</u>
Total Liabilities	\$1,011,194,225	\$980,900,140
Deferred Inflows of Resources	<u>\$49,668,902</u>	<u>\$41,603,374</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$1,060,863,127</u>	<u>\$1,022,503,514</u>
Invest in Cap Assets, Net of Debt	\$510,151,609	\$468,513,180
Restricted	121,146,398	128,846,567
Unrestricted	<u>(136,698,731)</u>	<u>(169,395,227)</u>
Total Net Position	<u>\$494,599,276</u>	<u>\$427,964,520</u>

The 2018-2019 revenues of \$553 million were more than expenditures of \$486 million by \$67 million. The net position of the district's governmental increased by \$67 million, which is a 15.6% increase during the year.

Table 2
Changes in Net Position

	Primary Government Governmental Activities	
	2018-2019	2017-2018
Revenues		
Program Revenues		
Charges for Services	\$16,610,549	\$15,587,251
Operating Grants and Contributions	73,475,728	57,627,302
Capital Grants and Contributions	6,697,736	9,320,906
General Revenues:		
Property Taxes	168,970,625	173,317,484
Interest and Investment Earnings	6,432,922	5,092,982
Other Revenues	280,919,194	203,862,022
Total Revenues	\$553,106,754	\$464,807,947
Program Expenses		
Regular Instruction	\$270,907,849	\$227,197,433
Special Instruction	62,437,161	52,958,526
Vocational Instruction	13,724,132	8,679,290
Skills Center	3,331,421	2,933,974
Compensatory Education	13,880,474	11,937,031
Other Instructional Programs	4,244,806	3,583,704
Community Services	2,983,286	2,445,144
Support Services	85,220,829	73,396,409
Extracurricular Activities (ASB)	3,742,391	3,282,940
Debt Payment	25,999,649	22,661,030
Total Expenses	\$486,471,998	\$409,075,481
Increase (Decrease) in Net Position	\$66,634,756	\$55,732,466
Net Position, Beginning of Year	\$427,964,520	\$451,816,779
Cumulative Effect of Change in Accounting Principle		(79,584,725)
Beginning Net Position as Restated		\$372,232,054
Net Position, End of Year	\$494,599,276	\$427,964,520

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		Table 3	
	Total Cost of Services		Net Cost of Services	
	2018-19	2017-2018	2018-19	2017-2018
Regular Instruction	\$270,907,849	\$227,197,433	\$264,313,683	\$219,217,977
Special Instruction	62,437,161	52,958,526	18,946,480	19,691,572
Vocational Instruction	13,724,132	8,679,290	13,264,947	8,269,660
Skills Center	3,331,421	2,933,974	3,187,520	2,764,564
Compensatory Instruction	13,880,474	11,937,031	1,310,986	1,821,205
Other Instructional Programs	4,244,806	3,583,704	828,709	437,337
Support Services	85,220,829	73,396,409	62,400,850	52,226,774
All Others	32,725,326	28,389,114	25,434,810	22,110,933
Totals	\$486,471,998	\$409,075,481	\$389,687,985	\$326,540,022

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 \$214 million, which is lower than the prior year by \$51.6 million. This decrease is primarily due to a decrease in the Capital Projects fund balance and an increase in the General Fund balance.

This decrease is primarily due to a planned increase in the Capital Projects Fund expenditures and a planned increase to the ending fund balance in the General Fund to be used for future legislative mandates, the cost of opening new schools and additional revenue losses from the levy.

Table 4 presents a summary of the governmental fund's revenues and expenditures for 2018-2019 and the percentage increases/decreases in relation to the prior year.

Table 4
Government Fund Revenues and Expenditures

	2018-19 Amounts	Percent of Total	Increase (Decrease) Over 2017-18	Percent Increase (Decrease)
Revenues:				
Local Tax/Non-Tax	\$198,408,186	35.74%	\$3,587,294	1.84%
State Revenues	339,037,289	61.06%	93,170,059	37.89%
Federal Revenues	13,870,240	2.50%	(134,770)	(.96%)
Other Revenues	3,896,231	0.70%	589,301	17.82%
Total Revenues	\$555,211,946	100.00%	\$97,211,884	21.23%
Expenditures:				
Regular Instruction	\$254,232,121	37.05%	\$33,556,160	15.21%
Special Instruction	58,593,843	8.54%	7,155,438	13.91%
Vocational Instruction	12,879,343	1.88%	4,449,184	52.78%
Skills Center	3,126,356	0.46%	276,599	9.71%
Compensatory Instruction	13,026,062	1.90%	1,431,671	12.35%
Other Instructional Prog.	3,983,517	0.58%	502,679	14.44%
Community Services	2,777,328	0.40%	497,916	21.84%
Support Services	79,975,063	11.65%	8,685,423	12.18%
Student Services	3,484,026	0.51%	423,604	13.84%
Capital Outlay	177,873,557	25.92%	2,033,009	1.16%
Debt Service	76,306,298	11.12%	19,603,756	34.57%
Total Expenditures	\$686,257,514	100.00%	\$78,615,439	12.94%

General Fund

Revenues and other financing sources for the general fund totaled \$439.7 million. This was \$89,137,632 or 25.43% more than the prior year. Expenditures in the general fund amounted to \$407 million for the fiscal year ended August 31, 2019. This was \$51,517,436 or 14.49% percent more than the prior year. Ending fund balance was \$80 million, \$32.6 million more than the prior year. The increase in revenue was primarily due to an increase in state funding due to McCleary enhancements (EHB2242), enrollment

growth, staff COLA (Cost of Living Adjustment), increases to health benefits and employee retirement contributions. These additional revenues were offset by increased expenditures for staff, costs of serving more students, implementing the 7th period day at the high school level, operational costs of opening two new elementary schools, and strategic program enhancements. The ending fund balance increased as the district planned for future expenditure increases in 2019-20 due to legislative mandates, additional operating costs due to growing enrollment and additional revenue losses from the levy.

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 \$100,838. 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, 2019 is detailed in Table 5.

Table 5
ASB Recap

	8/31/2018				8/31/2019
	Fund				Fund
	Balance	Revenues	Transfers	Expenditures	Balance
General	\$979,610	\$2,008,534	(726,927)	\$1,264,779	\$996,438
Athletics	100,917	332,152	650,438	923,780	159,727
Classes	100,617	132,576	18,708	156,040	95,861
Clubs	231,558	1,085,226	57,781	1,113,050	261,515
Private	0	26,377		26,377	0
	\$1,412,702	\$3,584,865	\$0	\$3,484,026	\$1,513,541

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 a decrease in fund balance of \$85.3 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 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 \$32.1 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 \$3.5 million. Revenues were higher than budgeted due to additional state depreciation, state grant 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 \$439.7 million, which was \$0.85 million less than budgeted. This is a result of \$3.6 million additional revenue from local and state funding, grants and self-supporting programs, and \$4.5 million less as planned revenue contingency. General Fund expenditures were \$407 million, which was \$11.1 million less than budgeted. This is a result of lower expenditures due to contingencies and underspending of textbooks and grants/donations, some of which will be carryover to the next year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The district has \$1,458 million invested in land, buildings, transportation equipment, and other equipment as of August 31, 2019. This is a \$159 million increase from the previous fiscal year.

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

Debt

Bonds outstanding totaled \$660 million as of August 31, 2019. This is an increase of \$24.7 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 2019, the total property tax rate for special levies and bond debt was \$2.57 per thousand dollars of assessed value. The projected rate for 2020 is expected to be \$2.57. Total assessed value increased by 15.0% from \$57.4 billion to \$66.0 billion in 2019. For 2020 the projected assessed valuation is \$69.3 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
08/31/19

	Primary Government Governmental Activities
Assets	
Cash & Cash Equivalents	\$263,121,859
Property Tax Receivable	80,580,110
Accounts Receivable, Net	606,431
Due From Other Gov't. Units	616,218
Inventories at Cost	473,371
Prepaid Items	3,373,020
Capital Assets, Non-depreciable:	
Land	38,371,694
Construction-in-Progress	108,773,279
Capital Assets, Net of Accum. Depn.:	
Buildings & Improvements	998,791,483
Equipment	11,000,820
Total Assets	\$1,505,708,285
Deferred Outflows of Resources	
Deferred Charge on Refunding	\$8,294,540
Deferred Pension Plan	33,721,114
Deferred OPEB	7,738,464
Total Deferred Outflows of Resources	\$49,754,118
Total Assets and Deferred Outflows of Resources	\$1,555,462,403
Liabilities	
Accounts Payable	\$35,237,593
Accrued Wages & Benefits Pay.	11,425,838
Unearned Revenue	2,113,856
Long-Term Liabilities:	
Due Within One Year	55,417,014
Due In More Than One Year	678,460,205
Pension Plan	102,224,790
Other Post Employment Benefits	126,314,929
Total Liabilities	\$1,011,194,225
Deferred Inflows of Resources	
Deferred Pension Plan	\$34,365,428
Deferred OPEB	\$15,303,474
Total Deferred Inflows of Resources	\$49,668,902
Total Liabilities and Deferred Inflows of Resources	\$1,060,863,127
Net Position	
Net Investment In Capital Assets	\$510,151,609
Restricted For:	
Capital Projects	48,739,681
Debt Service	68,138,189
Other Purposes	4,268,528
Unrestricted	(136,698,731)
Total Net Position	\$494,599,276

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 8/31/2019

					Net (Expense)
					Revenue and
					Changes in
					Net Position
					Primary
					Government
Functions/Programs	Expenses	Charges for	Operating	Capital	Governmental
		Services	Grants and	Grants and	Activities
			Contributions	Contributions	
Primary Government:					
Governmental Activities:					
Regular Instruction	\$270,907,849	\$2,356,270	\$239,036	\$3,998,860	(\$264,313,683)
Special Instruction	62,437,161	1,233	42,567,815	921,633	(18,946,480)
Vocational Instruction	13,724,132	154,371	102,233	202,581	(13,264,947)
Skills Center	3,331,421	65,509	29,217	49,175	(3,187,520)
Compensatory Education	13,880,474	260,677	12,103,922	204,889	(1,310,986)
Other Instructional Programs	4,244,806	324,295	3,029,145	62,657	(828,709)
Community Services	2,983,286	2,267,476	337,308		(378,502)
Support Services	85,220,829	6,494,986	15,067,052	1,257,941	(62,400,850)
Extracurricular Activities(ASE	3,742,391	4,685,732			943,341
Int. Paymt. On L/T Debt	25,999,649				(25,999,649)
Total Governmental Activities	\$486,471,998	\$16,610,549	\$73,475,728	\$6,697,736	(\$389,687,985)

General Revenues:

Property Taxes, Levies for Maintenance and Operations	\$59,061,759
Property Taxes, Levies for Debt Service	75,768,269
Property Taxes, Levies for Capital Projects	34,140,597
Unallocated State Apportionment & Others	280,919,194
Interest and Investment Earnings	6,432,922
Total General Revenues & Special Items	<u>\$456,322,741</u>

Changes in Net Position \$66,634,756

Beginning Net Position \$427,964,520

Ending Net Position \$494,599,276

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

Lake Washington School District No. 414
Balance Sheet
Government Funds
08/31/19

	General Fund	Special Revenue Fund (ASB)	Debt Service Fund	Capital Project Fund	Transportation Vehicle Fund	Total Government Funds
Assets						
Cash and Cash Equivalents	\$97,215,744	1,657,689	\$32,029,877	\$128,722,182	\$3,496,367	\$263,121,859
Property Taxes Receivable	28,231,065		36,048,825	16,300,220		80,580,110
Accounts Receivable, Net	127,018					127,018
Accrued Interest	154,118	2,968	59,487	258,013	4,827	479,413
Due From Other Funds	215,341	755,928		3,383		974,652
Due From Other Gov't Units	616,218					616,218
Inventories at Cost	473,371					473,371
Prepaid Items	2,956,455	90,243		326,322		3,373,020
Total Assets	\$129,989,330	\$2,506,828	\$68,138,189	\$145,610,120	\$3,501,194	\$349,745,661
Liabilities						
Accounts Payable	\$3,310,082	\$46,749		\$31,880,762		\$35,237,593
Accrued Wages & Benefits Pay.	16,436,432					16,436,432
Due To Other Funds	759,311	9,721		205,620		974,652
Unearned Revenue	1,177,039	936,817				2,113,856
Total Liabilities	\$21,682,864	\$993,287	\$0	\$32,086,382	\$0	\$54,762,533
Deferred Inflows of Resources						
Unavailable Revenue	\$28,278,106		\$36,048,825	\$16,300,220		\$80,627,151
Total Deferred Inflows of Resources	\$28,278,106	\$0	\$36,048,825	\$16,300,220	\$0	\$80,627,151
Fund Balances						
Nonspendable Fund Balance	\$3,429,826	\$90,243		\$326,322		\$3,846,391
Restricted Fund Balance	6,576,682	1,423,298	\$32,089,364	82,697,951	\$3,501,194	126,288,489
Committed Fund Balance				11,937,042		11,937,042
Assigned Fund Balance				2,262,203		2,262,203
Unassigned Fund Balance	70,021,852					70,021,852
Total Fund Balances	\$80,028,360	\$1,513,541	\$32,089,364	\$97,223,518	\$3,501,194	\$214,355,977
Total Liab., Deferred Inflow of Resources and Fund Balance	\$129,989,330	\$2,506,828	\$68,138,189	\$145,610,120	\$3,501,194	\$349,745,661

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
08/31/19

	Total Governmental Funds	Long-Term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
Assets				
Cash and Cash Equivalents	\$263,121,859			\$263,121,859
Property Taxes Receivable	80,580,110			80,580,110
Accounts Receivable, Net	606,431			606,431
Due From Other Funds	974,652		(\$974,652)	0
Due From Other Gov't Units	616,218			616,218
Inventories at Cost	473,371			473,371
Prepaid Items	3,373,020			3,373,020
Capital Assets, Net		\$1,156,937,276		1,156,937,276
Total Assets	<u>\$349,745,661</u>	<u>\$1,156,937,276</u>	<u>(\$974,652)</u>	<u>\$1,505,708,285</u>
Deferred Outflows of Resources				
Deferred Charge on Refunding		\$8,294,540		\$8,294,540
Deferred Pension Plan		33,721,114		33,721,114
Deferred OPEB		7,738,464		7,738,464
Total Deferred Outflows of Resources		<u>\$49,754,118</u>		<u>\$49,754,118</u>
Total Assets and Deferred Outflows of Resources	<u>\$349,745,661</u>	<u>\$1,206,691,394</u>	<u>(974,652)</u>	<u>\$1,555,462,403</u>
Liabilities				
Accounts Payable	\$35,237,593			\$35,237,593
Accrued Wages & Benefits Pay.	16,436,432	(5,010,594)		11,425,838
Due To Other Funds	974,652		(\$974,652)	0
Unearned Revenue	2,113,856			2,113,856
Long-Term Liabilities		962,416,938		962,416,938
Total Liabilities	<u>\$54,762,533</u>	<u>\$957,406,344</u>	<u>(\$974,652)</u>	<u>\$1,011,194,225</u>
Deferred Inflows of Resources				
Unavailable Revenue	\$80,627,151	(\$80,627,151)		\$0
Deferred Pension Plans		34,365,428		34,365,428
Deferred OPEB		15,303,474		15,303,474
Total Deferred Inflows of Resources	<u>\$80,627,151</u>	<u>(\$30,958,249)</u>	<u>\$0</u>	<u>\$49,668,902</u>
Fund Balances/Net Position	<u>\$214,355,977</u>	<u>\$280,243,299</u>		<u>\$494,599,276</u>
Total Liabilities, Deferred Inflows Of Resources and Fund Balances/Net Position	<u>\$349,745,661</u>	<u>\$1,206,691,394</u>	<u>(\$974,652)</u>	<u>\$1,555,462,403</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
Governmental Funds

For the Fiscal Year Ended 8/31/2019

	General Fund	Special Revenue Fund (ASB)	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Total Governmental Funds
Revenues						
Local	\$81,814,038		\$74,623,685	\$41,913,069	\$57,394	\$198,408,186
State	337,852,245				1,185,044	339,037,289
Federal	11,810,279		2,059,961			13,870,240
Miscellaneous	311,367	\$3,584,864				3,896,231
Total Revenues	\$431,787,929	\$3,584,864	\$76,683,646	\$41,913,069	\$1,242,438	\$555,211,946
Expenditures						
Regular Instruction	\$254,232,121					\$254,232,121
Special Instruction	58,593,843					58,593,843
Vocational Instruction	12,879,343					12,879,343
Skills Center	3,126,356					3,126,356
Compensatory Instruction	13,026,062					13,026,062
Other Instructional Programs	3,983,517					3,983,517
Community Services	2,777,328					2,777,328
Support Services	58,122,195			\$21,852,868		79,975,063
Student Services		\$3,484,026				3,484,026
Capital Outlay	303,836			176,194,878	\$1,374,843	177,873,557
Debt Service-Principal			\$47,050,000			47,050,000
Debt Service-Interest & Other			28,538,709	717,589		29,256,298
Total Expenditures	\$407,044,601	\$3,484,026	\$75,588,709	\$198,765,335	\$1,374,843	\$686,257,514
Revenues Over (Under) Exp.	\$24,743,328	\$100,838	\$1,094,937	(\$156,852,266)	(\$132,405)	(\$131,045,568)
Other Financing Sources (Uses)						
Issuance of Bonds				\$71,765,000		\$71,765,000
Issuance Premium			\$1,207	7,642,589		7,643,796
Sale of Equipment	\$11,702				\$8,728	20,430
Compensated Loss of Capital Assets						0
Transfers In	7,868,507			(7,868,507)		7,868,507
Transfers Out						(7,868,507)
Total Other Financing Sources(Uses)	\$7,880,209	\$0	\$1,207	\$71,539,082	\$8,728	\$79,429,226
Net Change in Fund Balance	\$32,623,537	\$100,838	\$1,096,144	(\$85,313,184)	(\$123,677)	(\$51,616,342)
Beginning Fund Balance	47,404,823	1,412,703	30,993,220	182,536,702	3,624,871	265,972,319
Ending Fund Balance	\$80,028,360	\$1,513,541	\$32,089,364	\$97,223,518	\$3,501,194	\$214,355,977

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 8/31/2019

	Total Governmental Funds	Long-Term Revenue, Expenditures	Capital Related Items	Long-Term Debt Transactions	Statement of Activities Totals
Revenues					
Local	\$198,408,186	(\$2,125,622)	\$20,430		\$196,302,994
State	339,037,289				339,037,289
Federal	13,870,240				13,870,240
Miscellaneous	3,896,231				3,896,231
Total Revenues	\$555,211,946	(\$2,125,622)	\$20,430	\$0	\$553,106,754
Expenditures					
Current:					
Regular Instruction	\$254,232,121	(\$2,177,375)	\$18,853,103		\$270,907,849
Special Education	58,593,843	(501,828)	4,345,146		62,437,161
Vocational Instruction	12,879,343	(110,305)	955,094		13,724,132
Skills Center	3,126,356	(26,776)	231,841		3,331,421
Compensatory Education	13,026,062	(111,562)	965,974		13,880,474
Other Instructional Programs	3,983,517	(34,117)	295,406		4,244,806
Community Services	2,777,328		205,958		2,983,286
Support Services	79,975,063	(684,948)	5,930,714		85,220,829
Student Activities	3,484,026		258,365		3,742,391
Capital Outlay	177,873,557		(177,873,557)		0
Debt Service-Principal	47,050,000			(\$47,050,000)	0
Debt Service-Interest & Other	29,256,298			(3,256,649)	25,999,649
Total Expenditures	\$686,257,514	(\$3,646,911)	(\$145,831,956)	(\$50,306,649)	\$486,471,998
Revenues Over (Under) Exp	(\$131,045,568)	\$1,521,289	\$145,852,386	\$50,306,649	\$66,634,756
Other Financing Sources (Uses)					
Issuance of Bonds	\$71,765,000			(\$71,765,000)	\$0
Issuance Premium	7,643,796			(7,643,796)	0
Sale of Equipment	20,430		(\$20,430)		0
Compensated Loss of Fixed Assets					0
Total Other Financing Sources(Uses)	\$79,429,226	\$0	(\$20,430)	(\$79,408,796)	\$0
Net Change for the Year	(\$51,616,342)	\$1,521,289	\$145,831,956	(\$29,102,147)	\$66,634,756

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, 2019

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amount	Final Budget Positive (Negative)
Revenues:				
Local	\$81,697,063	\$81,697,063	\$81,814,038	\$116,975
State	334,662,992	334,662,992	337,852,245	3,189,253
Federal	15,527,805	15,527,805	11,810,279	(3,717,526)
Other	14,365	14,365	311,367	297,002
Total Revenues	\$431,902,225	\$431,902,225	\$431,787,929	(\$114,296)
Expenditures:				
Regular Instruction	\$262,201,703	\$262,201,703	\$254,252,529	\$7,949,174
Special Education	55,745,703	55,745,703	58,593,842	(2,848,139)
Vocational Education	14,061,848	14,061,848	12,880,050	1,181,798
Skills Center	4,051,874	4,051,874	3,126,356	925,518
Compensatory Education	13,044,874	13,044,874	13,049,427	(4,553)
Other Instructional Programs	8,057,204	8,057,204	4,099,677	3,957,527
Community Services	2,714,564	2,714,564	2,784,979	(70,415)
Support Services	58,276,128	58,276,128	58,257,741	18,387
Total Expenditures	\$418,153,898	\$418,153,898	\$407,044,601	\$11,109,297
Excess of Revenues Over (Under) Expenditures	\$13,748,327	\$13,748,327	\$24,743,328	\$10,995,001
Other Financing Sources (Uses):				
Other Financial Sources	\$8,615,850	\$8,615,850	\$7,880,209	(\$735,641)
Total Other Financing Sources (Uses)	\$8,615,850	\$8,615,850	\$7,880,209	(\$735,641)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Uses	\$22,364,177	\$22,364,177	\$32,623,537	\$10,259,360
Beginning Fund Balance	45,777,673	45,777,673	47,404,823	1,627,150
Ending Fund Balance	\$68,141,850	\$68,141,850	\$80,028,360	\$11,886,510

Note: There was no budget revision during the fiscal year 2018-19. 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, 2019

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amount	Final Budget Positive (Negative)
Revenues:				
General	\$2,725,965	\$2,725,965	\$2,008,534	(\$717,431)
Athletics	575,950	575,950	332,152	(243,798)
Classes	188,090	188,090	132,576	(55,514)
Clubs	1,781,326	1,781,326	1,085,225	(696,101)
Private Monies	145,200	145,200	26,377	(118,823)
Total Revenues	\$5,416,531	\$5,416,531	\$3,584,864	(\$1,831,667)
Expenditures:				
General	\$1,961,890	\$1,961,890	\$1,264,779	\$697,111
Athletics	1,268,168	1,268,168	923,780	344,388
Classes	190,269	190,269	156,040	34,229
Clubs	1,961,423	1,961,423	1,113,050	848,373
Private Monies	145,200	145,200	26,377	118,823
Total Expenditures	\$5,526,950	\$5,526,950	\$3,484,026	\$2,042,924
Excess of Revenues Over (Under) Expenditures	(\$110,419)	(\$110,419)	\$100,838	\$211,257
Beginning Fund Balance	952,098	952,098	1,412,703	460,605
Ending Fund Balance	\$841,679	\$841,679	\$1,513,541	\$671,862

Note: There was no budget revision during the fiscal year 2018-19. 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, 2019

	Private- Purpose Trust
Assets	
Cash and Cash Equivalents	\$198,059
Accounts Receivable, Net	
Due From Other Funds	
Total Assets	<u>\$198,059</u>
Liabilities	
Accounts Payable	
Total Liabilities	<u>\$0</u>
Fund Balance/Net Position	\$198,059
Total Liab. & Fund Balance/Net Position	<u>\$198,059</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, 2019

	Private- Purpose Trust
Additions	
Donations	\$49,683
Investment Earnings	4,237
Total Additions	<u>\$53,920</u>
Deductions	
Scholarships	<u>\$46,339</u>
Total Deductions	<u>\$46,339</u>
Change in Net Position	\$7,581
Net Position, Beginning of Year	190,478
Net Position, End of Year	<u><u>\$198,059</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, 2018 THROUGH AUGUST 31, 2019

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 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, 2019 was \$4,833,755 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, 2019 was \$1,075,610 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, 2019 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	\$267,967,635	\$269,682,628	.96 Years

Impaired Investments. As of August 31, 2019, 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 \$182,843 and the district's fair value of these investments is \$123,032.

Interest Rate Risk. As of August 31, 2019, the Pool's average duration was .96 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, 2019, 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 notes (rated at least "A"), municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1"), 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	\$28,231,065		\$36,048,825	\$16,300,220		
Governmental	616,218					
Accounts	281,136	\$2,968	59,487	258,014	\$4,827	\$361
Total	<u>\$29,128,419</u>	<u>\$2,968</u>	<u>\$36,108,312</u>	<u>\$16,558,234</u>	<u>\$4,827</u>	<u>\$361</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, 2019 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	\$ 215,341	\$ 759,311
Capital Projects Fund	3,383	205,620
Special Revenue Fund	<u>755,928</u>	<u>9,721</u>
Total	<u>\$ 974,652</u>	<u>\$ 974,652</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	111,345,963	\$175,258,494	\$177,831,178	108,773,279
Total	<u>\$149,717,657</u>	<u>\$175,258,494</u>	<u>\$177,831,178</u>	<u>\$147,144,973</u>
Capital Assets being Depreciated:				
Building and Improvements	\$1,130,079,962	\$177,831,177	16,881,829	\$1,291,029,310
Transportation Equipment	14,404,644	1,512,250	\$1,851,127	14,065,767
Other Equipment	4,312,554	1,102,813	21,209	5,394,158
Total	<u>\$1,148,797,160</u>	<u>\$180,446,240</u>	<u>\$18,754,165</u>	<u>\$1,310,489,235</u>
Less: Accumulated Depreciation:				
Building and Improvements	278,236,263	26,201,125	12,199,561	292,237,827
Transportation Equipment	6,654,674	678,488	1,685,060	5,648,102
Other Equipment	2,518,557	312,631	20,185	2,811,003
Total Accumulated Depreciation	<u>287,409,494</u>	<u>27,192,244</u>	<u>13,904,806</u>	<u>\$300,696,932</u>
Net Depreciated Assets	<u>861,387,666</u>	<u>153,253,996</u>	<u>4,849,359</u>	<u>\$1,009,792,303</u>
Net Total Assets	<u>1,011,105,323</u>	<u>328,512,490</u>	<u>182,680,537</u>	<u>\$1,156,937,276</u>

Depreciation expense was charged to governmental activities as follows:

Regular Instruction	\$15,999,767
Special Education	3,687,527
Vocational Education	810,545
Skills Center	196,753
Compensatory Instruction	819,778
Other Instructional Programs	250,697
Community Services	174,788
Support Services	5,033,126
Student Activities	219,263
	<hr/>
	\$27,192,244

Major projects included in Construction in Progress:

	Project Authorization	Expended as of 8/31/2019	Additional Local Funds Committed	Additional State Funds Estimated
Juanita High	\$137,400,771	\$91,438,412	\$30,962,359	\$15,000,000
Old Redmond Schoolhouse	7,837,000	6,833,469	1,003,531	
Twain El	8,400,000	142,106	8,257,894	
Rose Hill El	13,500,000	55,350	13,444,650	
Franklin El	12,200,000	53,604	12,146,396	
Carson El	8,400,000	53,964	8,346,036	
Lake Washington High	41,000,000	7,810,599	33,189,401	
Eastlake High	2,750,000	1,000,586	1,749,414	
	<hr/>			
	\$231,487,771	\$107,388,090	\$109,099,681	\$15,000,000

The district's property valuation of buildings and equipment for insurance purposes is \$1,063,261,600 on August 31, 2019.

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, 2019, was as follows:

Plan	Retirees and Beneficiaries Receiving Benefits	Inactive Plan Members Entitled to but not yet Receiving Benefits	Active Plan Members
PERS 1	45,792	401	1,535
SERS 2	10,072	6,175	28,494
SERS 3	10,007	8,983	35,746
TRS 1	32,645	120	349
TRS 2	5,874	2,779	21,788
TRS 3	13,745	8,675	55,733

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 2018 and 2019 are listed below:

Pension Rates			
	7/1/19 Rate	9/1/18 Rate	
PERS 1			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	12.86%	12.83%	
Pension Rates			
	9/1/19 Rate	9/1/18 Rate	
TRS 1			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	15.51%	15.41%	
TRS 2			
Member Contribution Rate	7.77%	7.06%	
Employer Contribution Rate	15.51%	15.41%	
TRS 3			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	15.51%	15.41%	**
SERS 2			
Member Contribution Rate	8.25%	7.27%	
Employer Contribution Rate	13.19%	13.58%	
SERS 3			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	13.19%	13.58%	**
<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, 2019:				
Dollars in Thousands	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Total Pension Liability	\$11,696,634	\$6,352,843	\$8,355,496	\$16,545,194
Plan fiduciary net position	(\$7,851,279)	(\$6,118,345)	(\$5,879,693)	(\$15,942,660)
Participating employers' net pension liability	\$3,845,355	\$234,498	\$2,475,803	\$602,534
Plan fiduciary net position as a percentage of the total pension liability	67.12%	96.31%	70.37%	96.36%

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

At June 30, 2019, the school district reported a total liability of \$102,224,790 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, 2019, the district's proportionate share of each plan's net pension liability is reported below:

June 30, 2019	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District's Annual Contributions	\$2,566,299	\$4,093,469	\$13,500,478	\$14,194,958
Proportionate Share of the Net Pension Liability	\$13,762,575	\$4,795,570	\$67,303,176	\$16,363,469

At June 30, 2019, 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	.357901%	2.045037%	2.718438%	2.715775%
Prior year proportionate share of the Net Pension Liability	.317635%	1.893267%	2.463093%	2.462132%
Net difference percentage	.040266%	.151770%	.255345%	.253643%

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, 2018, with the results rolled forward to June 30, 2019, 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, 2018, 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 2018 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, 2019, 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%	2.20%
Tangible Assets	7.00%	5.10%
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, 2019, 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		\$919,456
Changes in assumptions or other inputs		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	\$435,970	
TOTAL	\$435,970	\$919,456

SERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$3,017,619	
Net difference between projected and actual earnings on pension plan investments		\$4,072,443
Changes in assumptions or other inputs	\$146,787	\$1,018,536
Changes in proportion and differences between contributions and proportionate share of contributions	\$1,541,682	\$1,243,047
Contributions subsequent to the measurement date	\$693,816	
TOTAL	\$5,399,904	\$6,334,026

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		\$5,161,617
Changes in assumptions or other inputs		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	\$2,444,325	
TOTAL	\$2,444,325	\$5,161,617

TRS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$11,377,782	\$526,534
Net difference between projected and actual earnings on pension plan investments		\$14,127,371
Changes in assumptions or other inputs	\$6,168,964	\$4,347,775
Changes in proportion and differences between contributions and proportionate share of contributions	\$5,340,610	2,948,650
Contributions subsequent to the measurement date	\$2,553,560	
TOTAL	\$25,440,916	\$21,950,330

\$6,127,671 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
2020	(202,975)	(473,174)	(1,059,515)	(1,967,061)
2021	(480,789)	(1,318,016)	(2,771,033)	(5,023,056)
2022	(171,574)	(172,960)	(974,399)	(708,817)
2023	(64,118)	(93,546)	(356,669)	746,223
2024		335,486		1,937,382
Thereafter		94,273		5,952,354

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, 2019, the district recognized a total pension expense as follows:

	Pension Expense
PERS 1	\$2,462,072
SERS 2/3	\$1,949,887
TRS 1	\$10,505,640
TRS 2/3	\$9,670,793
TOTAL	\$24,588,392

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	\$4,815,609,000	\$3,845,355,000	\$3,003,532,000
Allocation Percentage	0.357901%	0.357901%	0.357901%
Proportionate Share of Collective NPL	\$ 17,235,127	\$ 13,762,575	\$ 10,749,680
SERS 2/3 NPL	\$1,141,883,000	\$234,498,000	(\$513,722,000)
Allocation Percentage	2.045037%	2.045037%	2.045037%
Proportionate Share of Collective NPL	\$ 23,351,925	\$ 4,795,570	\$ (10,505,803)
TRS 1 NPL	\$3,164,358,000	\$2,475,803,000	\$1,878,531,000
Allocation Percentage	2.718438%	2.718438%	2.718438%
Proportionate Share of Collective NPL	\$ 86,021,118	\$ 67,303,176	\$ 51,066,705
TRS 2/3 NPL	\$3,283,747,000	\$602,534,000	(\$1,577,475,000)
Allocation Percentage	2.715775%	2.715775%	2.715775%
Proportionate Share of Collective NPL	\$ 89,179,187	\$ 16,363,469	\$ (42,840,675)

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 2019:

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	\$129,205,688
Deferred outflows of resources	\$7,738,464
Deferred inflows of resources	\$15,303,474
OPEB expense/expenditures	\$8,938,946

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 \$71.08 per month per full-time equivalent employee in the 2018-19 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 \$2,557,528 for this plan in the 2018-19 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 Plans 2 and 3 of SERS and TRS.

Plan 2

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

Plan 3

- Age 65 with 10 years of service
- Age 55 with 10 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 2019:

Type of Coverage

	Employee Only	Employee & Spouse	Full Family
Kaiser Permanente Classic	\$733.39	\$1,460.80	\$2,006.37
Kaiser Permanente Sound Choice	603.21	1,200.44	1,648.37
Kaiser Permanente CHDP	600.44	1,189.46	1,587.47
Kaiser Permanente Value	656.25	1,306.54	1,794.25
Uniform Medical Plan Classic	674.85	1,343.72	1,845.38
UMP Plus-UW Medicine Accountable Care	618.07	1,230.18	1,689.25
UMP Plus-Puget Sound High Value Network	618.07	1,230.18	1,689.25
Uniform Medical Plan CDHP	600.54	1,189.65	1,587.74

After age 65 retired members receive a subsidy of 50% of their monthly medical premiums up to a maximum per Medicare covered person of \$150.00 for calendar year 2018 and \$168.00 for calendar year 2019.

Employers participating in the plan include the state of Washington (which includes general government agencies and higher education institutions), 76 of the state’s K–12 school districts and educational service districts (ESDs), and 249 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 227 K–12 school districts and ESDs.

Membership

The following employees were included in the actuarial valuation as of July 1, 2018:

Retired employees and surviving spouses	941
Spouses of retired employees	420
Active employees	3,543

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

An actuarial valuation was performed with a valuation date of July 1, 2018.

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	2.75%
Projected salary changes	3.50%
Post-retirement participation percentage	65.00%
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 SERS and TRS Plan 2 as shown in the 2007-2012 Experience Study by the Washington State Public Retirement Systems.

In the Actuarial valuation, the Entry Age Actuarial Cost Method was used. Under the principles of this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of pay for each year of employment between entry age (defined as age at hire) and assume exit (maximum retirement age). The actuarial assumptions included a 3.96% discount rate, which is based on the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The rate is based on the Bond Buyer Obligation 20-bond municipal bond index for bonds that mature in 20 years.

Health and Life Insurance trend rates were as follows:

Year Ending June 30,	Pre-65 Claims and Contributions ¹	Post-65 Claims ²	Post-65 Contributions ³
2019	6.70%	3.50%	1.00%
2020	6.30%	7.60%	9.40%
2021	6.10%	7.50%	12.10%
2022	5.30%	5.20%	6.70%
2025	5.50%	5.30%	5.50%
2035	6.30%	5.40%	5.50%
2045	6.00%	5.60%	5.70%
2055	5.60%	5.80%	5.90%
2065	5.40%	5.50%	5.50%
2075	4.60%	4.70%	4.70%
2085	4.50%	4.60%	4.60%
2095	4.50%	4.70%	4.70%
2096	4.50%	4.60%	4.60%

1. *Used to project annual increases to:*
 - *Total Cost for Pre-65 medical benefits.*
 - *Retiree Contributions for Pre-65 medical benefits.*
2. *Used to project annual increases to Total Cost for Post-65 medical benefits.*
3. *Used to project annual increases to the explicit subsidy for Post-65 medical benefits.*
We reflected the \$150 monthly maximum explicit subsidy prior to January 1, 2019 and we reflected the \$168 rate as of January 1, 2019 and we reflected the \$183 rate as of January 1, 2020.

Sensitivity Analysis

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.

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$106,416,203	\$129,205,688	\$159,640,298

The following presents the total OPEB liability of the District calculated using the discount rate of 3.96 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.96%) or 1-percentage point higher (4.96%) than the current rate.

	<u>1% Decrease (2.96%)</u>	<u>Current Discount Rate (3.96%)</u>	<u>1% Increase (4.96%)</u>
Total OPEB Liability	\$154,995,122	\$129,205,688	\$109,057,459

Change in OPEB Liability

The following table represents the changes in the total OPEB Liability as of August 31, 2019.

<u>Change in Total OPEB Liability</u>	
Total OPEB Liability at 08/31/2018	\$119,707,267
Service Cost	6,232,790
Interest on total OPEB liability	4,374,274
Effect of economic/demographic gains or losses	5,386,339
Effect of assumptions changes or inputs	(3,838,357)
Expected benefit payments	<u>(2,656,625)</u>
Total OPEB Liability at 08/31/2019	<u>\$129,205,688</u>

The measurement date of the OPEB liability is August 31, 2018. This is the date at which the OPEB liability is determined. The valuation date is July 1, 2018. 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, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$4,847,705	
Changes of Assumptions		\$15,303,474
Payments subsequent to the measurement date	\$2,890,759	
Total	\$7,738,464	\$15,303,474

OPEB Expense

Deferred outflows of resources of \$2,890,759 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:

Year Ended August 31:	
2020	(\$1,668,118)
2021	(\$1,668,118)
2022	(\$1,668,118)
2023	(\$1,668,118)
2024	(\$1,668,118)
Thereafter	(\$2,115,179)

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, 2018 was \$302,417.

Note 10: Long-Term Debt

A. Changes in Long-Term Liabilities

During the fiscal year ended August 31, 2019 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
2008 G.O. Bonds	9,950,000		9,950,000	0	
2009 Bonds	31,445,000			31,445,000	
2010 Bonds	120,000,000			120,000,000	
2012 Bonds	4,490,000		1,690,000	2,800,000	
2015 Bonds	134,045,000		12,085,000	121,960,000	9,940,000
2016 Bonds	186,165,000		7,965,000	178,200,000	20,155,000
2017 Bonds	149,565,000		15,360,000	134,205,000	5,680,000
2018 Bonds		\$71,765,000		71,765,000	9,550,000
Total Bonds Payable	\$635,660,000	\$71,765,000	\$47,050,000	\$660,375,000	\$45,325,000
Other Liabilities:					
Unemployment Pay.	\$548,847	\$76,890	\$88,409	\$537,328	\$70,000
Other Empl. Ins. Pay.	1,957,490	997,953	1,043,044	\$1,912,399	457,994
Industrial Insurance	2,743,392	1,395,033	1,577,560	\$2,560,865	1,500,000
Net OPEB	119,707,267	9,498,421		\$129,205,688	2,890,759
Compensated Absences	5,837,652	772,364	700,648	\$5,909,368	725,515
Net Pension	102,867,048	5,281,067	5,923,325	\$102,224,790	
Unamortized Premium	58,659,707	7,643,796	4,335,418	\$61,968,085	4,635,562
Unamortized Discount	(2,198,146)	(269,119)	(190,680)	(2,276,585)	(187,816)
Total Other Liab.	290,123,257	25,396,405	13,477,724	302,041,938	10,092,014
Grand Total	\$925,783,257	\$97,161,405	\$60,527,724	\$962,416,938	\$55,417,014

B. Bond Premiums

The amortization schedule of bond premiums is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
2008 G.O Bonds	82,129		82,129	0
2009 Bonds	107,566		10,757	96,809
2010 Bonds	968,932		80,744	888,188
2012 G.O. Bonds	704,591		234,865	469,726
2015 Bonds	12,407,339		1,550,917	10,856,422
2016 Bonds	28,193,293		\$1,566,294	26,626,999
2017 Bonds	16,195,857		\$809,712	15,386,145
2018 Bonds		7,643,796		7,643,796
	<u>\$58,659,707</u>	<u>\$7,643,796</u>	<u>\$4,335,418</u>	<u>\$61,968,085</u>

C. Unamortized Discount Costs

The amortization schedule of bond discount costs is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
2008 G.O Bonds	16,322		16,322	0
2009 Bonds	133,688		13,368	120,320
2010 Bonds	448,754		37,396	411,358
2012 G.O. Bonds	32,235		10,745	21,490
2015 Bonds	414,400		51,800	362,600
2016 Bonds	614,313		34,128	580,185
2017 Bonds	538,434		26,921	511,513
2018 Bonds		\$269,119		269,119
	<u>\$2,198,146</u>	<u>\$269,119</u>	<u>\$190,680</u>	<u>\$2,276,585</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	\$2,809,595		\$351,200	\$2,458,395
2007 Bond	2,668,725		444,787	2,223,938
2008 Bond	3,973,428		361,221	3,612,207
	<u>\$9,451,748</u>	<u>\$0</u>	<u>\$1,157,208</u>	<u>\$8,294,540</u>

E. General Obligation Debt

Bonds payable at August 31, 2019 are comprised of the following:

	Interest Rates	Issue Date	Maturity Date	Amount Issued	Ending Balance
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	2,800,000
2015 Bonds	2.00-5.00	06/17/15	12/01/25	162,800,000	121,960,000
2016 Bonds	1.50-5.00	08/23/16	12/01/35	195,020,000	178,200,000
2017 Bonds	2.50-5.00	12/13/17	12/01/37	149,565,000	134,205,000
2018 Bonds	3.00-5.00	12/06/18	12/01/38	71,765,000	71,765,000
				<u>\$762,175,000</u>	<u>\$660,375,000</u>

F. Debt Service Requirements to Maturity

Fiscal Year			
Ended	Principal	Interest	Total
8/31/2020	45,325,000	28,151,275	73,476,275
8/31/2021	34,425,000	26,260,425	60,685,425
8/31/2022	39,435,000	24,470,925	63,905,925
8/31/2023	44,715,000	22,374,675	67,089,675
8/31/2024	35,780,000	20,653,363	56,433,363
8/31/2025	32,435,000	19,486,950	51,921,950
8/31/2026	40,675,000	18,060,043	58,735,043
8/31/2027	43,635,000	16,483,325	60,118,325
8/31/2028	43,925,000	14,664,295	58,589,295
8/31/2029	46,945,000	12,413,025	59,358,025
8/31/2030	50,550,000	10,034,875	60,584,875
8/31/2031	23,755,000	8,273,725	32,028,725
8/31/2032	23,205,000	7,205,450	30,410,450
8/31/2033	16,650,000	6,332,200	22,982,200
8/31/2034	30,620,000	5,376,450	35,996,450
8/31/2035	28,800,000	4,141,125	32,941,125
8/31/2036	30,375,000	2,880,150	33,255,150
8/31/2037	22,250,000	1,728,950	23,978,950
8/31/2038	24,285,000	677,825	24,962,825
8/31/2039	2,590,000	64,750	2,654,750
	<u>\$660,375,000</u>	<u>\$249,733,801</u>	<u>\$910,108,801</u>

G. Bonds Authorized but Unissued

As of August 31, 2019, there are no bonds that are authorized and unissued.

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, 2019.

Year Ended	Amount
8/31/2020	713,666
8/31/2021	319,800
8/31/2022	319,800
8/31/2023	<u>186,550</u>
Total	1,539,816

\$1,147,372 pertains to the lease of copy machines and \$392,444 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 \$87,820 in unemployment claims for the fiscal year ended August 31, 2019. 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>
2017-18	\$539,942	\$74,694	\$65,789	\$548,847
2018-19	\$548,847	\$76,302	\$87,820	\$537,329

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 \$825,136 in industrial insurance claims in the General Fund for the fiscal year ended August 31, 2019. 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>
2017-18	\$2,693,313	\$1,404,972	\$1,354,893	\$2,743,392
2018-19	\$2,743,392	\$1,395,033	\$1,577,560	\$2,560,865

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 \$875,623 in claims for the fiscal year ended August 31, 2019. 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>
2017-18	\$537,821	\$871,294	\$875,783	\$533,332
2018-19	\$533,332	\$909,720	\$985,058	\$457,994

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	\$1,457,634,207
Accumulated Depreciation	<u>300,696,931</u>
Net Capital Assets	<u>\$1,156,937,276</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 (\$8,294,540) 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 (\$33,721,114) and a deferred inflow (\$34,365,428) 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 (\$7,738,464) and a deferred inflow (\$15,303,474) of resources.

5. Long-term liabilities of \$962,416,938 (\$55,417,014 due within one year; \$906,999,924 due in more than one year); OPEB liability of \$129,205,688 and net pension liability of \$102,224,790 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 (\$80,627,151) 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 (\$974,652) - Internal transfers between governmental funds were eliminated in the governmental-wide statement to avoid the “doubling up” effect.

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

1. Property taxes and open accounts receivable that do not provide current financial resources are reported as unavailable revenue in governmental funds, but as revenues in the Statement of Activities (-\$2,125,622).
2. The increase between the beginning and ending balances of the liability for compensated absences (\$71,716) 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 (\$9,498,421) 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 (-\$9,766,813) 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 (\$4,849,359) 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 (\$27,192,244).
7. Repayment of bond principal (\$47,050,000) 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 (\$7,868,507) 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, \$29,256,298 as expenditures. In the governmental funds, interest expense is adjusted to reflect amortization of bond premium (\$4,335,418), amortization of bond discount (\$190,680), amortization of deferred amount on refunding (\$1,157,208) and discount on new bond issue (\$269,119).

Amortization of Bond Premium	(\$4,335,418)
Amortization of Bond Discount	190,680
Amortization of Deferred Amount of Refunding	1,157,208
Bond Discount on New Issue	<u>(269,119)</u>
	(\$3,256,649)

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.

Note 17: Subsequent Events

COVID-19 Pandemic

In February 2020, Governor Inslee declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures include closing schools, canceling public events, limiting gathering sizes, and requiring people to stay home unless they are leaving for an essential function. On April 6, 2020, the Governor closed all public and private K–12 school buildings throughout the remainder of the 2019–20 school year. The school district, however, continues to operate; educating students using continuous learning models.

The district is following OSPI guidance for online distance learning during school closures. Currently, the District is providing learning opportunities that are not meant to replace regular classroom instruction.

The District has obtained and is distributing necessary laptops and WIFI hot spots for students in the district who do not have these at home. The District is also providing grab and go meals for students who need them and have referred families to child care resources in the community.

The District recognizes that there will be unexpected costs and potential revenue loss related to COVID-19 and has started tracking the financial impacts. The District currently plans to use unreserved fund balance to address the impact for the 2019-20 school year.

The length of time these measures will be in place, and the full extent of the financial impact on the school district, is unknown at this time.

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	2019
District's Proportion of the net pension liability (percentage)	0.333717%	0.292801%	0.372758%	0.317635%	0.357901%
District's proportionate share of the net pension liability (amount)	\$17,456,511	\$15,724,781	\$17,687,644	\$14,185,700	\$13,762,575
District's covered-employee payroll	\$37,694,260	\$35,333,773	\$46,371,620	\$42,034,737	\$49,819,307
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%	27.62%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%	67.12%

SERS 2/3					
Last 10 Fiscal Years*					
As of June 30th	2015	2016	2017	2018	2019
District's Proportion of the net pension liability (percentage)	2.156443%	1.877438%	2.244654%	1.893267%	2.045037%
District's proportionate share of the net pension liability (amount)	\$8,758,413	\$12,330,393	\$11,076,806	\$5,662,041	\$4,795,570
District's covered-employee payroll	\$37,128,537	\$34,875,682	\$45,868,804	\$41,624,914	\$49,508,318
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%	9.69%
Plan fiduciary net position as a percentage of the total pension liability	90.92%	86.52%	90.79%	94.77%	96.31%

TRS 1					
Last 10 Fiscal Years*					
As of June 30th	2015	2016	2017	2018	2019
District's Proportion of the net pension liability (percentage)	2.657424%	2.310233%	2.709794%	2.463093%	2.718438%
District's proportionate share of the net pension liability (amount)	\$84,190,967	\$78,876,837	\$81,924,344	\$71,936,904	\$67,303,176
District's covered-employee payroll	\$127,138,238	\$117,104,222	\$150,055,912	\$144,918,444	\$182,490,738
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%	36.88%
Plan fiduciary net position as a percentage of the total pension liability	65.70%	62.07%	65.58%	66.52%	70.37%

TRS 2/3					
Last 10 Fiscal Years*					
As of June 30th	2015	2016	2017	2018	2019
District's Proportion of the net pension liability (percentage)	2.646598%	2.293214%	2.698990%	2.462132%	2.715775%
District's proportionate share of the net pension liability (amount)	\$22,332,050	\$31,492,634	\$24,910,139	\$11,082,403	\$16,363,469
District's covered-employee payroll	\$123,808,566	\$114,847,370	\$148,016,879	\$143,690,860	\$181,294,700
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%	9.03%
Plan fiduciary net position as a percentage of the total pension liability	92.48%	88.72%	93.14%	96.88%	96.36%

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	2019
Contractually required contributions	\$1,533,757	\$1,863,411	\$2,095,592	\$2,345,266	\$2,603,126
Contributions in relation to the contractually required contributions	\$1,533,757	\$1,863,411	\$2,095,592	\$2,345,266	\$2,603,126
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0
District's covered-employee payroll	\$34,967,929	\$39,054,584	\$43,348,477	\$46,208,783	\$50,423,795
Contribution as a percentage of covered-employee payroll	4.39%	4.77%	4.83%	5.08%	5.16%

SERS 2/3					
Last 10 Fiscal Years*					
As of August 31st	2015	2016	2017	2018	2019
Contractually required contributions	\$2,096,530	\$2,519,129	\$2,842,705	\$3,713,934	\$4,145,406
Contributions in relation to the contractually required contributions	\$2,096,530	\$2,519,129	\$2,842,705	\$3,713,934	\$4,145,406
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0
District's covered-employee payroll	\$34,452,767	\$38,558,679	\$42,888,172	\$45,766,910	\$50,137,314
Contribution as a percentage of covered-employee payroll	6.09%	6.53%	6.63%	8.11%	8.27%

TRS 1					
Last 10 Fiscal Years*					
As of August 31st	2015	2016	2017	2018	2019
Contractually required contributions	\$5,946,700	\$7,928,788	\$8,859,127	\$11,460,836	\$13,946,894
Contributions in relation to the contractually required contributions	\$5,946,700	\$7,928,788	\$8,859,127	\$11,460,836	\$13,946,894
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0
District's covered-employee payroll	\$118,511,191	\$128,448,411	\$140,318,930	\$160,114,673	\$187,745,729
Contribution as a percentage of covered-employee payroll	5.02%	6.17%	6.31%	7.16%	7.43%

TRS 2/3					
Last 10 Fiscal Years*					
As of August 31st	2015	2016	2017	2018	2019
Contractually required contributions	\$7,033,264	\$8,341,117	\$9,307,146	\$12,267,460	\$14,606,826
Contributions in relation to the contractually required contributions	\$7,033,264	\$8,341,117	\$9,307,146	\$12,267,460	\$14,606,826
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0
District's covered-employee payroll	\$115,575,417	\$126,039,739	\$138,532,088	\$158,835,845	\$186,554,080
Contribution as a percentage of covered-employee payroll	6.09%	6.62%	6.72%	7.72%	7.83%

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, 2019.

Total OPEB Liability	2018	2019
Service Cost	\$7,334,473	\$6,232,790
Interest on total OPEB liability	3,766,360	4,374,274
Changes in benefit terms		
Effect of economic/demographic gains or (losses)		\$5,386,339
Effect of assumption changes or inputs	(15,494,785)	(3,838,357)
Expected benefit payments	(2,348,794)	(2,656,625)
Net change in total OPEB liability	(6,742,746)	9,498,421
 Total OPEB liability, beginning	 126,450,013	 119,707,267
Total OPEB liability, ending	<u>\$119,707,267</u>	<u>\$129,205,688</u>
 Covered employee payroll	 \$194,129,649	 \$217,811,559
Total OPEB liability as a percentage of covered payroll	61.66%	59.32%

The valuation date of the actuarial study was July 1, 2018 and then projected to the measurement date of August 31, 2018. 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 No. 414
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Child Nutrition Cluster								
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	School Breakfast Program	10.553	17414	196,651	-	196,651	-	2
	National School Lunch Program	10.555	17414	1,511,908	-	1,511,908	-	2
	National School Lunch Program	10.555	17414	614,727	-	614,727	-	3
		Total CFDA 10.555:		2,126,636	-	2,126,636	-	
		Total Child Nutrition Cluster:		2,323,286	-	2,323,286	-	
Forest Service Schools and Roads Cluster								
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF (via WA State Treasurer)	Schools and Roads - Grants to States	10.665	17414	8,454	-	8,454	-	
	Total Forest Service Schools and Roads Cluster:			8,454	-	8,454	-	
	OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	203179	758,784	-	758,784	-
Special Education Cluster (IDEA)								
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Grants to States	84.027	306581	4,931,343	-	4,931,343	-	4

The accompanying notes are an integral part of this schedule.

Lake Washington School District No. 414
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					Passed through to Subrecipients	Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Grants to States	84.027	338136	2,070,172	-	2,070,172	-	
			Total CFDA 84.027:	7,001,515	-	7,001,515	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Preschool Grants	84.173	366068	93,728	-	93,728	-	4
			Total Special Education Cluster (IDEA):	7,095,243	-	7,095,243	-	
Office of Career, Technical, and Adult Education, EDUCATION, DEPARTMENT OF (via WA OSPI)	Career and Technical Education -- Basic Grants to States	84.048	174216	101,841	-	101,841	-	4
Office of Career, Technical, and Adult Education, EDUCATION, DEPARTMENT OF (via WA OSPI)	Career and Technical Education -- Basic Grants to States	84.048	173931	28,517	-	28,517	-	4
			Total CFDA 84.048:	130,358	-	130,358	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF	Indian Education Grants to Local Educational Agencies	84.060	SO60A181113	-	66,399	66,399	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	English Language Acquisition State Grants	84.365	402696	332,878	-	332,878	-	4

The accompanying notes are an integral part of this schedule.

Lake Washington School District No. 414
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2019

	Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					Passed through to Subrecipients	Note
			CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
	OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	524478	410,254	-	410,254	-	4
	EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	Student Support and Academic Enrichment Program	84.424	430434	48,534	-	48,534	-	4
	ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via PSESD)	Head Start	93.600	10732	566,555	-	566,555	-	
Total Federal Awards Expended:					11,674,347	66,399	11,740,746	-	

The accompanying notes 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, 2019

NOTE 1 – BASIS OF ACCOUNTING

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

NOTE 2 – UNIT COST CONTRACTS

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

NOTE 3 – NONCASH AWARDS – FOOD COMMODITIES

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

NOTE 4 – FEDERAL INDIRECT RATE

The Lake Washington School District claimed indirect costs under this grant using its federal restricted rate of 2.60%.

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 – 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) \$178,111.34.

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.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

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

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