



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, 2021 through August 31, 2022

*Published August 17, 2023*

Report No. 1032927



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

August 17, 2023

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,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

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# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Lake Washington School District No. 414 September 1, 2021 through August 31, 2022

### 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 basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

##### Internal Control over Financial Reporting:

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

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

#### Federal Awards

##### Internal Control over Major Programs:

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

We issued an unmodified opinion on the District’s compliance with requirements applicable to each of its major federal programs, with the exception of the 32.009 – COVID 19 – Emergency Connectivity Fund Program on which we issued an adverse opinion on compliance with applicable requirements.

We reported 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>ALN</u>	<u>Program or Cluster Title</u>
32.009	COVID-19 - Emergency Connectivity Fund Program
84.027	Special Education Cluster (IDEA) – Special Education Grants to States
84.027	COVID-19 - Special Education Cluster (IDEA) – Special Education Grants to States
84.173	Special Education Cluster (IDEA) – Special Education Preschool Grants
84.173	COVID-19 - Special Education Cluster (IDEA) – Special Education Preschool Grants
84.425	COVID-19 - Education Stabilization Fund

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$928,318.

The District did not qualify as a low-risk auditee under the Uniform Guidance.

## SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2022-001.

# SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

## Lake Washington School District No. 414 September 1, 2021 through August 31, 2022

### **2022-001 The District did not have adequate internal controls for ensuring compliance with allowable activities and costs, and restricted purpose requirements.**

**Assistance Listing Number and Title:** 32.009, COVID-19 – Emergency Connectivity Fund Program

**Federal Grantor Name:** Federal Communications Commission

**Federal Award/Contract Number:** ECF222118678, ECF222116693, ECF202104494

**Pass-through Entity Name:** N/A

**Pass-through Award/Contract Number:** N/A

**Known Questioned Cost Amount:** \$3,511,093

### *Background*

The Emergency Connectivity Fund (ECF) Program provides funding to meet the needs of students and school staff who would otherwise lack access to connected devices and broadband connections sufficient to engage in remote learning. This is referred to as “unmet need.” In fiscal year 2022, the District spent \$3,511,093 in ECF Program funds to purchase laptops and Wi-Fi hotspots for students and school staff.

Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. These controls include understanding grant requirements and monitoring the effectiveness of established controls.

### *Allowable activities and costs*

ECF Program recipients may only seek reimbursement for eligible devices and services provided to students and staff with unmet need. Recipients are prohibited

from seeking reimbursement for eligible equipment and services used solely at the school or held for future use (i.e., warehousing).

*Restricted purpose – unmet need*

When submitting applications to the Federal Communications Commission (FCC), schools only had to provide an estimate of their students' and staff's unmet need. However, when requesting reimbursement, the District could only request program funds for eligible equipment and services provided to students and school staff with actual unmet need.

***Description of Condition***

*Allowable activities and costs/restricted purpose – unmet need*

The District estimated unmet need for eligible equipment and services when it applied for ECF Program funds. However, our audit found the District's internal controls were ineffective for ensuring it documented the determination of actual unmet need and only requested reimbursement for equipment and services provided to students and school staff. The District purchased laptops and Wi-Fi hotspots and requested reimbursement for purchases totaling \$3,511,093. However, the District did not maintain sufficient documentation showing it provided each laptop and Wi-Fi hotspot paid with program funds to a student or employee with unmet need.

We consider these deficiencies in internal controls to be material weaknesses that led to material noncompliance.

This issue was not reported as a finding in the prior audit.

***Cause of Condition***

*Allowable activities and costs/restricted purpose – unmet need*

Although employees in the District's finance and information technology departments knew the program was federally funded, they did not adequately document unmet need for staff and student devices for which the district requested reimbursement. Further, they did not know about the requirement to request reimbursement only for staff and students with a documented unmet need. Management and staff thought determining the need for additional laptops and Wi-Fi hotspots to support remote learning based on inventory needs was sufficient to satisfy unmet need. No additional procedures were performed to ensure the District only requested reimbursement for specific students who had unmet need.

## ***Effect of Condition and Questioned Costs***

### *Allowable activities and costs/restricted purpose – unmet need*

Because the District did not have documentation supporting whether it provided eligible equipment and services to students and school staff with actual unmet need, it cannot demonstrate compliance with the program's requirements. Given the nature of the program and circumstances, it is likely that at least some of the equipment and services the District charged to the award addressed unmet needs. However, the lack of a documented assessment of students' and staff's actual unmet need means that all costs are unsupported. Since we do not have a reasonable basis for estimating how much of the District's expenditures are allowable, we are questioning all unsupported costs.

Federal regulations require the State Auditor's Office to report known questioned costs that are greater than \$25,000 for each type of compliance requirement. We question costs when we find the District does not have adequate documentation to support expenditures.

## ***Recommendation***

We recommend the District work with the granting agency to determine audit resolution.

We further recommend the District establish and follow internal controls to ensure staff fully understand the requirements for ECF awards. Specifically, the District should request reimbursement only for eligible equipment and services provided to students and staff with unmet need and maintain documentation demonstrating compliance.

## ***District's Response***

*The Lake Washington School District does not concur with the audit finding and the \$3.5 million in questioned costs issued by the Washington State Auditor's office.*

*A component of the ECF funding is to only seek funding for eligible equipment provided to students to engage in remote learning. From the Federal Communications Commission Order FCC-CIRC21-963-043021, question 77. "We think that schools are in the best position to determine whether their students and staff have devices and broadband services sufficient to meet their remote learning needs, and we recognize that they are making such decisions during a pandemic. We, therefore, will not impose any specific metrics or process requirement on those determinations."*



*The District was aware of the requirement to request reimbursement for actual unmet need. Based on the FCC guidance we expended all funds for allowable costs, and costs were reasonable and necessary for students and staff with unmet need. Our approved application amount was \$3.7 million, and we claimed \$3.5 million. We determined the need based on the current student enrollment, the availability of adequate devices in inventory to support remote learning, and the reported needs from a family survey.*

*The educational challenges and complexities during the unprecedented global health crisis uncovered many reasons why district issued devices were the only devices sufficient to appropriately support the new remote form of our required public education for students. These include: consistent access to curriculum and supplemental resources through district licenses; providing access to accessibility tools not available to deploy on personal devices; required student web filtering and threat protection of malicious content; content monitoring for timely intervention and support of students' social and emotional health which was significantly impacted by the pandemic; the ability to securely and automatically authenticate student accounts for Microsoft Teams classrooms; the ability to conduct state required testing not allowed on personal devices; and the ability for technology staff to provide direct technical support through remote access. While Lake Washington School District was attempting to ensure all students and staff had adequate support for remote learning activities amid a global health crisis, the District determined that staff and students needed district devices that were sufficient to consistently facilitate remote education and support, thereby identifying the unmet needs to justify the ECF applications. All devices and equipment were checked out by name and ID through our district inventory system. The district did not claim funding for any devices that were undistributed. The District met all inventory and audit requirements for compliance stated in FCC bulletin/order #21-58.*

*In summary, the funding and assistance to meet student needs during the pandemic was essential and necessary in all respects. The District did not take lightly our obligation to follow the established rules and guidance available to us and acted in good faith in accordance with the provided FTC requirements for ECF funding. Based on the information outlined above, we feel strongly that we have fully complied with and accomplished that obligation. We have accounted for all our devices and have fulfilled the responsibility of determining the unmet needs of our students.*

### *Auditor's Remarks*

The State Auditor's Office is sympathetic to the significant challenges the District faced during the COVID-19 pandemic, and deeply respects its commitment to student learning despite these challenges. SAO knows that in many cases, governments across Washington received significant pandemic-era federal funds without also receiving clear guidance on how to use them. Then, and now, SAO continues to advocate for clear, timely guidance from federal agencies to make sure Washington governments are not put in a difficult position at audit time.

However, when auditing federal programs of any kind, governments must provide documentation to substantiate that they met the award requirements. As is our practice and audit standards require, we will review the status of this finding during our next audit. We value our partnership with the District in striving for transparency in public service.

### *Applicable Laws and Regulations*

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303 Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 47 CFR Part 54, *Universal Service*, Subpart Q, Emergency Connectivity Fund, describes the ECF Program requirements.



## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### Lake Washington School District No. 414 September 1, 2021 through August 31, 2022

This schedule presents the status of findings reported in prior audit periods.

<b>Audit Period:</b> 9/1/2020 – 8/31/2021	<b>Report Ref. No.:</b> 1030619	<b>Finding Ref. No.:</b> 2021-001	<b>Assistance Listing Number(s):</b> 84.027/ 84.173
<b>Federal Program Name and Granting Agency:</b> Special Education – Grants to States/ Special Education – Preschool Grants U.S. Department of Education		<b>Pass-Through Agency Name:</b> Office of the Superintendent of Public Instruction (OPI)	
<b>Finding Caption:</b> The District’s internal controls were inadequate for ensuring compliance with federal requirements for time-and-effort documentation.			
<b>Background:</b> During fiscal year 2021, the District spent \$6,616,020 in Special Education program funds, which included \$3,855,101 for payroll costs. Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. These controls include understanding program requirements and monitoring the effectiveness of established program controls. The District is responsible for ensuring it supports all payroll costs charged to the program with adequate time-and-effort documentation, as federal regulations and the Office of Superintendent of Public Instruction (OSPI) require. Depending on the number and types of activities an employee performs, time-and-effort documentation can be a semiannual certification or a monthly personnel activity report, such as a detailed timesheet. The District did not ensure it obtained and signed semiannual and monthly personnel activity reports timely for 24 employees working in the program for the second half of the 2020-2021 school year.			

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

Fully  
Corrected

Partially  
Corrected

Not Corrected

Finding is considered no  
longer valid

**Corrective Action Taken:**

*We thank the auditors for their review of the District compliance with federal time and effort requirements. Beginning in May 2022, semi-annual certifications will be sent to and signed by the supervisor/administrator. On a monthly basis, each department staff assigned to collect the time and effort documents will report completion of the task to their Department Director and the District Business office.*

## INDEPENDENT AUDITOR'S REPORT

### 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, 2021 through August 31, 2022**

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 30, 2023.

### **REPORT ON 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) as a basis for designing 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 above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

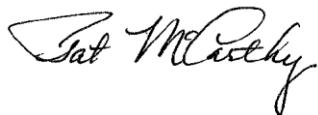
## **REPORT ON COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.



Pat McCarthy, State Auditor

Olympia, WA

June 30, 2023

# INDEPENDENT AUDITOR'S REPORT

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, 2021 through August 31, 2022

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

### REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

#### Adverse and Unmodified Opinions

We have audited the compliance of Lake Washington School District No. 414, with the types of compliance requirements identified as subject to audit 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, 2022. The District's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

#### Adverse Opinion on 32.009 – COVID-19 – Emergency Connectivity Fund Program

In our opinion, because of the significance of the matter described the Basis for Adverse and Unmodified Opinions section of our report, the District did not comply, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on 32.009 – COVID-19 – Emergency Connectivity Fund Program for the year ended August 31, 2022.

#### Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the accompanying Schedule of Findings and Questioned Costs for the year ended August 31, 2022.

## **Basis for Adverse and Unmodified Opinions**

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

## **Matter Giving Rise to Adverse Opinion on 32.009 – COVID-19 – Emergency Connectivity Fund Program**

As described in the accompanying schedule of findings and questioned costs, the District did not comply with the requirements regarding 32.009 – COVID-19 – Emergency Connectivity Fund Program as described in finding number 2022-001 for allowable activities, costs, and restricted purposes special tests requirements. Compliance with such requirements is necessary, in our opinion for the District to comply with the requirements applicable to that program.

## **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

Performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **REPORT ON 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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2022-001 that we consider to be a material weakness.

### **District's Response to Findings**

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

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of 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.



Pat McCarthy, State Auditor

Olympia, WA

June 30, 2023

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **Lake Washington School District No. 414 September 1, 2021 through August 31, 2022**

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

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Opinions**

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying 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, 2022, and the respective changes in financial position thereof, and the respective budgetary comparison for the General, Special Revenue (ASB), Debt Service, Capital Project and Transportation Vehicle funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Matters of Emphasis**

As discussed in Note 1 to the financial statements, in 2022, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

## **Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **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 in the financial section of our report be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This supplementary information 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 as a whole.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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 black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

June 30, 2023

## FINANCIAL SECTION

### Lake Washington School District No. 414 September 1, 2021 through August 31, 2022

#### REQUIRED SUPPLEMENTARY INFORMATION

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Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual  
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Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual  
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#### REQUIRED SUPPLEMENTARY INFORMATION

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Schedule of Changes in Total OPEB Liability and Related Ratios – 2022

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Schedule of Expenditures of Federal Awards – 2022

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## 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, 2022.

### FINANCIAL HIGHLIGHTS

- The district's Statement of Net Position reports net position of \$737 million as of August 31, 2022.
- During the year, the district had revenues that were \$56 million higher than the \$583 million in expenses incurred for all governmental activities.
- The general fund reported a decrease in fund balance of \$19,626,262 for the fiscal year.
- The average student enrollment increased by 155 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 \$736,961,342 at the end of the 2021-2022 fiscal year.

The largest portion, \$674 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-seven percent of the net position represents resources committed for capital projects, debt payments, pension 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 \$112 million that can be used to finance the day-to-day operations without such constraints as debt covenants, legislation, or other legal requirements and -\$69 million represents GASB 68 and -\$177 million for GASB 75 requirements.

Table 1  
Net Position

	2021-22	2020-21
Current and Other Assets	\$389,939,042	\$299,803,486
Capital Assets	1,220,369,730	1,302,457,587
Pension Assets	12,188,652	104,871,035
Total Assets	<u>\$1,622,497,424</u>	<u>\$1,707,132,108</u>
Deferred Outflows of Resources	\$120,756,980	\$87,392,862
Total Assets and Deferred Outflows of Resources	<u>\$1,743,254,404</u>	<u>\$1,794,524,970</u>
Long-Term Debt Outstanding	\$890,736,145	\$890,419,135
Other Liabilities	34,657,844	33,304,529
Total Liabilities	<u>\$925,393,989</u>	<u>\$923,723,664</u>
Deferred Inflows of Resources	\$80,899,073	\$189,478,321
Total Liabilities and Deferred Inflows of Resources	<u>\$1,006,293,062</u>	<u>\$1,113,201,985</u>
Invest in Cap Assets, Net of Debt	\$674,075,612	\$615,135,558
Restricted	197,268,988	150,311,978
Unrestricted	(134,383,258)	(84,124,551)
Total Net Position	<u>\$736,961,342</u>	<u>\$681,322,985</u>

The 2021-2022 revenues of \$638 million were more than expenditures of \$582 million by \$56 million. The net position of the district's governmental increased by \$56 million, which is a 8.2% increase during the year.

Table 2  
Changes in Net Position

	Primary Government Governmental Activities	
	2021-22	2020-21
Revenues		
Program Revenues		
Charges for Services	\$8,692,844	\$2,621,563
Operating Grants and Contributions	100,843,436	77,268,242
Capital Grants and Contributions	13,329,003	21,361,449
General Revenues and Special Items		
Property Taxes	192,275,970	184,254,613
Interest and Investment Earnings	1,263,562	1,883,888
Other Revenues	304,160,050	310,420,712
Special Item-Gain on Sale of Capital Asset	17,624,887	
Total Revenues	<u>\$638,189,752</u>	<u>\$597,810,467</u>
Program Expenses		
Regular Instruction	\$320,339,377	\$280,857,723
Special Instruction	75,202,012	65,995,120
Vocational Instruction	20,127,594	16,369,649
Skills Center	4,549,897	3,842,380
Compensatory Education	17,387,226	15,590,325
Other Instructional Programs	5,330,843	4,054,346
Federal Stimulus COVID-19	17,745,279	3,799,159
Community Services	2,639,834	2,252,828
Support Services	97,127,474	73,038,476
Extracurricular Activities (ASB)	2,943,393	966,086
Debt Payment	19,158,466	21,031,678
Total Expenses	<u>\$582,551,395</u>	<u>\$487,797,770</u>
Increase (Decrease) in Net Position	\$55,638,357	\$110,012,697
Net Position, Beginning of Year	\$681,322,985	\$571,270,978
Cumulative Effect of Change in Accounting Principle		\$39,310
Net Position, End of Year	<u>\$736,961,342</u>	<u>\$681,322,985</u>

Governmental Activities

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

	Governmental Activities			
	Total Cost of Services		Net Cost of Services	
	2021-22	2020-21	2021-22	2020-21
Regular Instruction	\$320,339,377	\$280,857,723	\$310,516,281	\$265,990,278
Special Instruction	75,202,012	65,995,120	28,403,246	18,933,411
Vocational Instruction	20,127,594	16,369,649	19,401,013	15,456,860
Skills Center	4,549,897	3,842,380	4,386,535	3,618,901
Compensatory Instruction	17,387,226	15,590,325	3,009,409	1,384,939
Other Instructional Programs	5,330,843	4,054,346	2,538,812	1,945,952
Support Services	97,127,474	73,038,476	70,873,684	56,601,806
All Others	42,486,972	28,049,751	20,557,132	22,614,369
Totals	\$582,551,395	\$487,797,770	\$459,686,112	\$386,546,516

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 \$168 million, which is lower than the prior year by \$9 million. This decrease is primarily due to a decrease in the General fund balance.

The General fund decrease in fund balance is primarily due to planned expenditures as part of the 2021-22 budget to fully return to in-person learning after the pandemic. Use of fund balance was intentionally planned to meet strategic objectives while maintaining a fund balance well above the district’s minimum fund balance requirement of 5% of revenues.

Table 4 presents a summary of the governmental fund's revenues and expenditures for 2021-2022 and the percentage increases/decreases in relation to the prior year.

Table 4  
Government Fund Revenues and Expenditures

	2021-22 Amounts	Percent of Total	Increase (Decrease) Over 2020-21	Percent Increase (Decrease)
Revenues:				
Local Tax/Non-Tax	\$206,965,388	33.57%	\$13,724,788	7.10%
State Revenues	371,382,223	60.23%	(12,661,623)	-3.30%
Federal Revenues	37,842,081	6.14%	19,796,071	109.70%
Other Revenues	368,267	0.06%	103,214	38.94%
Total Revenues	\$616,557,959	100.00%	\$20,962,450	3.52%
Expenditures:				
Regular Instruction	\$295,680,202	45.93%	\$8,913,298	3.11%
Special Instruction	69,413,090	10.78%	2,029,448	3.01%
Vocational Instruction	18,578,206	2.89%	1,864,143	11.15%
Skills Center	4,199,653	0.65%	276,430	7.05%
Compensatory Instruction	16,048,787	2.49%	130,446	0.82%
Other Instructional Prog.	4,920,484	0.76%	780,835	18.86%
Federal Stimulus COVID-19	16,379,278	2.54%	12,500,185	100.00%
Community Services	2,467,299	0.38%	360,053	17.09%
Support Services	89,650,769	13.93%	14,230,915	18.87%
Student Services	2,751,018	0.43%	1,847,362	204.43%
Capital Outlay	48,515,382	7.54%	(71,140,568)	-59.45%
Debt Service	75,175,753	11.68%	145,195	0.19%
Total Expenditures	\$643,779,921	100.00%	(\$28,062,258)	-4.18%

#### General Fund

Revenues and other financing sources for the general fund totaled \$484.3 million. This was \$22,858,021 or 4.957% more than the prior year. Expenditures in the general fund amounted to \$503.9 million for the fiscal year ended August 31, 2022. This was \$42,408,853 or 9.19% percent more than the prior year. Ending fund balance was \$87.4 million, \$19,626,262 less than the prior year. These changes are primarily due fully returning to in-person learning and continued impacts of COVID-19. Revenues and expenditures increased with the return of fee-based programs such as athletics and childcare. Revenues and expenditures for meals increased with the return of students to school campuses. Revenues and expenditures also increased due to pandemic related grants such as Emergency Relief Funds (ESSER III), the Department of Health's Return to Learn grant, and Emergency Connectivity Funds. Additionally, the district intentionally used fund balance to assist with reopening schools and meet strategic objectives while maintaining a fund balance well above the district's minimum fund balance requirement of 5% of revenues.

Special Revenue Fund (ASB)

The ASB (Associated Student Body) fund is established for the purpose of supporting extra-curricular student activities. The funds are generated through students' fund raising events, student fees, and donations. The fund balance decreased by \$54,473. 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, 2022 is detailed in Table 5.

Table 5  
ASB Recap

	8/31/2021				8/31/2022
	Fund				Fund
	Balance	Revenues	Transfers	Expenditures	Balance
General	\$1,297,984	\$1,402,387	(622,566)	\$784,959	\$1,292,846
Athletics	223,712	315,346	544,743	831,214	252,587
Classes	87,818	130,188	44,382	180,226	82,162
Clubs	285,076	916,182	33,441	901,010	333,689
Private	54,918	41,388		53,609	42,697
	\$1,949,508	\$2,805,491	\$0	\$2,751,018	\$2,003,981

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 continued to complete major projects from the 2016 bond and 2019 levy authorizations. Capital dollars continue to be used for smaller capacity projects, facility improvements, major renovations, and technology upgrades. The ending fund balance was \$40.3 million. The Capital Projects Fund had an increase in fund balance of \$7.3 million. Total revenues exceeded the budget due to additional interest and impact fees but was partially offset by less state funding assistance. This district also sold property that was budgeted to be received in 2020-21 but didn't happen until 2021-22. Expenditures were less than planned due to budgeted project contingencies. Transfers out (to general fund and debt services) were lower than budgeted due to contingencies. The ending fund balance is mostly committed to capital facilities and technology levies or restricted for future capacity 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 \$34.9 million. Revenues were within budget and expenditures were less than planned due to budgeted contingencies.

## Transportation Vehicle Fund

The Transportation Vehicle fund is used for the purchase, major repair, rebuilding, and related debt service incurred for pupil transportation equipment. Revenues are from state depreciation funds on district owned buses and investment earnings. The ending fund balance was \$3.1 million. Revenues were higher than budgeted due to additional state depreciation. 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. A budget revision was completed in May 2022 to accommodate unanticipated grant funding and expenditures related to the pandemic and special education high-cost safety net. General Fund revenues were \$476.5 million, which was \$1.4 million more than the revised budget. Revenues were slightly more than the revised budget due to conservative estimates. General Fund expenditures were \$503.9 million, which was \$16.5 million less than the revised budget. Expenditures were lower than the revised budget due to contingencies, underspending of textbooks, Skill Center, building budgets, and grants/donations, some of which will be carryover to the next year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The district has \$1,711 million invested in land, buildings, transportation equipment, and other equipment as of August 31, 2022. This is a \$48.2 million increase from the previous fiscal year.

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

### Debt

Bonds outstanding totaled \$571 million as of August 31, 2022. This is a decrease of \$50.2 million from the previous fiscal year. Note 10 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 13 of these financial statements.

## ECONOMIC FACTORS

For calendar year 2022, the total property tax rate for special levies and bond debt was \$2.34 per thousand dollars of assessed value. The projected rate for 2023 is expected to be \$2.73. Total assessed value increased by 14.31% from \$72.1 billion to \$82.4 billion in 2022. For 2023 the projected assessed valuation is \$86.5 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](http://www.lwsd.org) or contact Margo Allen, Accounting Manager at 16250 N.E. 74<sup>th</sup> Street, Redmond Washington.



Lake Washington School District No. 414  
Statement of Net Position  
08/31/22

	Primary Government Governmental Activities
<b>Assets</b>	
Cash & Cash Equivalents	\$187,505,591
Property Tax Receivable	90,311,229
Accounts Receivable, Net	311,335
Due From Other Gov't. Units	10,646,206
Inventories at Cost	768,135
Prepaid Items	5,349,010
Capital Assets, Non-depreciable:	
Land	81,990,213
Construction-in-Progress	31,948,356
Capital Assets, Net of Accum. Depn.:	
Buildings & Improvements	1,187,304,191
Equipment	13,653,433
Right of Use Asset	521,073
Pension Assets	12,188,652
<b>Total Assets</b>	<b>\$1,622,497,424</b>
<b>Deferred Outflows of Resources</b>	
Deferred Charge on Refunding	\$6,879,643
Deferred Pension Plan	85,840,847
Deferred OPEB	28,036,490
<b>Total Deferred Outflows of Resources</b>	<b>\$120,756,980</b>
Total Assets and Deferred Outflows of Resources	<b>\$1,743,254,404</b>
<b>Liabilities</b>	
Accounts Payable	\$16,711,841
Accrued Wages & Benefits Pay.	15,490,218
Due to Other Gov't Units	396,385
Unearned Revenue	2,059,400
Long-Term Liabilities:	
Due Within One Year	68,795,793
Due In More Than One Year	579,096,479
Pension Plan	68,870,576
Other Post Employment Benefits	173,973,297
<b>Total Liabilities</b>	<b>\$925,393,989</b>
<b>Deferred Inflows of Resources</b>	
Deferred Pension Plan	\$58,818,410
Deferred OPEB	\$22,080,663
<b>Total Deferred Inflows of Resources</b>	<b>\$80,899,073</b>
Total Liabilities and Deferred Inflows of Resources	<b>\$1,006,293,062</b>
<b>Net Position</b>	
Net Investment In Capital Assets	\$674,075,612
Restricted For:	
Capital Projects	78,590,461
Debt Service	65,980,580
Net Pension Assets	48,475,761
Other Purposes	4,222,186
Unrestricted	(134,383,258)
<b>Total Net Position</b>	<b>\$736,961,342</b>

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 8/31/2022

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Governmental Activities
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
Regular Instruction	\$320,339,377	\$1,700,904	\$216,089	\$7,906,103	(\$310,516,281)
Special Instruction	75,202,012		44,942,751	1,856,015	(28,403,246)
Vocational Instruction	20,127,594	116,404	113,420	496,757	(19,401,013)
Skills Center	4,549,897	18,745	32,324	112,293	(4,386,535)
Compensatory Education	17,387,226	494,796	13,453,897	429,124	(3,009,409)
Other Instructional Programs	5,330,843	231,802	2,428,662	131,567	(2,538,812)
Federal Stimulus COVID-19	17,745,279		16,332,673		(1,412,606)
Community Services	2,639,834	1,423,976	178,914		(1,036,944)
Support Services	97,127,474	711,940	23,144,706	2,397,144	(70,873,684)
Extracurricular Activities(ASB)	2,943,393	3,994,277			1,050,884
Bond/Levy Issuance	244,594				(244,594)
Int. Paymt. On L/T Debt	18,913,872				(18,913,872)
<b>Total Governmental Activities</b>	<b>\$582,551,395</b>	<b>\$8,692,844</b>	<b>\$100,843,436</b>	<b>\$13,329,003</b>	<b>(\$459,686,112)</b>

General Revenues:

Property Taxes, Levies for Maintenance and Operations	\$67,520,666
Property Taxes, Levies for Debt Service	65,822,106
Property Taxes, Levies for Capital Projects	58,933,198
Unallocated State Apportionment & Others	304,160,050
Interest and Investment Earnings	1,263,562
Special Item-Gain on Sale of Capital Asset	17,624,887
<b>Total General Revenues &amp; Special Items</b>	<b>\$515,324,469</b>

Changes in Net Position \$55,638,357

Beginning Net Position \$681,322,985

Ending Net Position \$736,961,342

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

Lake Washington School District No. 414  
Balance Sheet  
Government Funds  
08/31/22

	General Fund	Special Revenue Fund (ASB)	Debt Service Fund	Capital Project Fund	Transportation Vehicle Fund	Total Government Funds
<b>Assets</b>						
Cash and Cash Equivalents	\$99,798,361	2,044,637	\$35,017,361	\$47,506,461	\$3,138,771	\$187,505,591
Property Taxes Receivable	31,725,485		30,929,309	27,656,435		90,311,229
Accounts Receivable, Net	81,425	3,157		51,316		135,898
Accrued Interest	82,303	2,099	33,910	55,177	1,948	175,437
Due From Other Funds	20,588	961,530		1,363,755		2,345,873
Due From Other Gov't Units	7,396,313			3,249,893		10,646,206
Inventories at Cost	452,360					452,360
Prepaid Items	5,309,344	39,666		315,775		5,664,785
<b>Total Assets</b>	<b>\$144,866,179</b>	<b>\$3,051,089</b>	<b>\$65,980,580</b>	<b>\$80,198,812</b>	<b>\$3,140,719</b>	<b>\$297,237,379</b>
<b>Liabilities</b>						
Accounts Payable	\$4,747,490	\$50,793		\$11,913,558		\$16,711,841
Accrued Wages & Benefits Pay.	17,397,877					17,397,877
Due To Other Funds	2,300,285	39,017		6,571		2,345,873
Due To Other Gov't Units	151,791			244,594		396,385
Unearned Revenue	1,102,102	957,298				2,059,400
<b>Total Liabilities</b>	<b>\$25,699,545</b>	<b>\$1,047,108</b>	<b>\$0</b>	<b>\$12,164,723</b>	<b>\$0</b>	<b>\$38,911,376</b>
<b>Deferred Inflows of Resources</b>						
Unavailable Revenue	\$31,816,011		\$30,983,625	\$27,755,560		\$90,555,196
<b>Total Deferred Inflows of Resources</b>	<b>\$31,816,011</b>	<b>\$0</b>	<b>\$30,983,625</b>	<b>\$27,755,560</b>	<b>\$0</b>	<b>\$90,555,196</b>
<b>Fund Balances</b>						
Nonspendable Fund Balance	\$5,761,704	\$39,666		\$315,775		\$6,117,145
Restricted Fund Balance	12,287,672	1,964,315	\$34,996,955	26,718,495	\$3,140,719	79,108,156
Committed Fund Balance	30,000,000			10,862,683		40,862,683
Assigned Fund Balance				2,381,576		2,381,576
Unassigned Fund Balance	39,301,247					39,301,247
<b>Total Fund Balances</b>	<b>\$87,350,623</b>	<b>\$2,003,981</b>	<b>\$34,996,955</b>	<b>\$40,278,529</b>	<b>\$3,140,719</b>	<b>\$167,770,807</b>
<b>Total Liab., Deferred Inflow of Resources and Fund Balance</b>	<b>\$144,866,179</b>	<b>\$3,051,089</b>	<b>\$65,980,580</b>	<b>\$80,198,812</b>	<b>\$3,140,719</b>	<b>\$297,237,379</b>

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

Lake Washington School District No. 414  
Reconciliation  
Balance Sheet/Statement of Net Position  
08/31/22

	Total Governmental Funds	Long-Term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
<b>Assets</b>				
Cash and Cash Equivalents	\$187,505,591			\$187,505,591
Property Taxes Receivable	90,311,229			90,311,229
Accounts Receivable, Net	311,335			311,335
Due From Other Funds	2,345,873		(\$2,345,873)	0
Due From Other Gov't Units	10,646,206			10,646,206
Inventories at Cost	768,135			768,135
Prepaid Items	5,349,010			5,349,010
Capital Assets, Net		\$1,314,896,193		1,314,896,193
Right of Use Asset, Net		\$521,073		521,073
Pension Assets		\$12,188,652		12,188,652
<b>Total Assets</b>	<b>\$297,237,379</b>	<b>\$1,327,605,918</b>	<b>(\$2,345,873)</b>	<b>\$1,622,497,424</b>
<b>Deferred Outflows of Resources</b>				
Deferred Charge on Refunding		\$6,879,643		\$6,879,643
Deferred Pension Plan		85,840,847		85,840,847
Deferred OPEB		28,036,490		28,036,490
<b>Total Deferred Outflows of Resources</b>		<b>\$120,756,980</b>		<b>\$120,756,980</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$297,237,379</b>	<b>\$1,448,362,898</b>	<b>(2,345,873)</b>	<b>\$1,743,254,404</b>
<b>Liabilities</b>				
Accounts Payable	\$16,711,841			\$16,711,841
Accrued Wages & Benefits Pay.	17,397,877	(1,907,659)		15,490,218
Due To Other Funds	2,345,873		(\$2,345,873)	0
Due to Other Gov't Units	396,385			396,385
Unearned Revenue	2,059,400			2,059,400
Long-Term Liabilities		890,736,145		890,736,145
<b>Total Liabilities</b>	<b>\$38,911,376</b>	<b>\$888,828,486</b>	<b>(\$2,345,873)</b>	<b>\$925,393,989</b>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue	\$90,555,196	(\$90,555,196)		\$0
Deferred Pension Plans		58,818,410		58,818,410
Deferred OPEB		22,080,663		22,080,663
<b>Total Deferred Inflows of Resources</b>	<b>\$90,555,196</b>	<b>(\$9,656,123)</b>	<b>\$0</b>	<b>\$80,899,073</b>
<b>Fund Balances/Net Position</b>	<b>\$167,770,807</b>	<b>\$569,190,535</b>		<b>\$736,961,342</b>
<b>Total Liabilities, Deferred Inflows Of Resources and Fund Balances/Net Position</b>	<b>\$297,237,379</b>	<b>\$1,448,362,898</b>	<b>(\$2,345,873)</b>	<b>\$1,743,254,404</b>

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

Lake Washington School District No. 414  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Government Funds  
For the Fiscal Year Ended 8/31/2022

	General Fund	Special Revenue Fund (ASB)	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Total Governmental Funds
<b>Revenues</b>						
Local	\$74,715,715	\$2,805,491	\$64,374,170	\$65,051,924	\$18,088	\$206,965,388
State	363,528,447			6,680,569	1,173,207	371,382,223
Federal	37,842,081					37,842,081
Miscellaneous	368,267					368,267
<b>Total Revenues</b>	<b>\$476,454,510</b>	<b>\$2,805,491</b>	<b>\$64,374,170</b>	<b>\$71,732,493</b>	<b>\$1,191,295</b>	<b>\$616,557,959</b>
<b>Expenditures</b>						
Regular Instruction	\$295,680,202					\$295,680,202
Special Instruction	69,413,090					69,413,090
Vocational Instruction	18,578,206					18,578,206
Skills Center	4,199,653					4,199,653
Compensatory Instruction	16,048,787					16,048,787
Other Instructional Programs	4,920,484					4,920,484
Federal Stimulus COVID-19	16,379,278					16,379,278
Community Services	2,467,299					2,467,299
Support Services	74,170,637			\$15,480,132		89,650,769
Student Services		\$2,751,018				2,751,018
Capital Outlay	1,609,409			45,750,154	\$1,155,819	48,515,382
Bond/Levy Issuance				244,594		244,594
Debt Service-Principal	462,524		\$50,150,000			50,612,524
Debt Service-Interest & Other	2,541		24,316,094			24,318,635
<b>Total Expenditures</b>	<b>\$503,932,110</b>	<b>\$2,751,018</b>	<b>\$74,466,094</b>	<b>\$61,474,880</b>	<b>\$1,155,819</b>	<b>\$643,779,921</b>
<b>Revenues Over (Under) Exp.</b>	<b>(\$27,477,600)</b>	<b>\$54,473</b>	<b>(\$10,091,924)</b>	<b>\$10,257,613</b>	<b>\$35,476</b>	<b>(\$27,221,962)</b>
<b>Other Financing Sources (Uses)</b>						
Issuance of Bonds						\$0
Issuance Premium						0
Sale of Land/Equipment	\$2,534			\$17,712,973	\$20,072	17,735,579
Compensated Loss of Capital Assets						0
Long-Term Financing	77,404					77,404
Transfers In	7,771,400		12,821,700			20,593,100
Transfers Out				(20,593,100)		(20,593,100)
<b>Total Other Financing Sources(Uses)</b>	<b>\$7,851,338</b>	<b>\$0</b>	<b>\$12,821,700</b>	<b>(\$2,880,127)</b>	<b>\$20,072</b>	<b>\$17,812,983</b>
<b>Net Change in Fund Balance</b>	<b>(\$19,626,262)</b>	<b>\$54,473</b>	<b>\$2,729,776</b>	<b>\$7,377,486</b>	<b>\$55,548</b>	<b>(\$9,408,979)</b>
Beginning Fund Balance	106,976,885	1,949,508	32,267,179	32,901,043	3,085,171	177,179,786
<b>Ending Fund Balance</b>	<b>\$87,350,623</b>	<b>\$2,003,981</b>	<b>\$34,996,955</b>	<b>\$40,278,529</b>	<b>\$3,140,719</b>	<b>\$167,770,807</b>

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

Lake Washington School District No. 414  
Reconciliation  
Statement of Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities  
For the Fiscal Year Ended 8/31/2022

	Total Governmental Funds	Long-Term Revenue, Expenditures	Capital Related Items	Long-Term Debt Transactions	Statement of Activities Totals
<b>Revenues</b>					
Local	\$206,965,388	\$3,896,214	\$17,735,579		\$228,597,181
State	371,382,223				371,382,223
Federal	37,842,081				37,842,081
Miscellaneous	368,267				368,267
<b>Total Revenues</b>	<b>\$616,557,959</b>	<b>\$3,896,214</b>	<b>\$17,735,579</b>	<b>\$0</b>	<b>\$638,189,752</b>
<b>Expenditures</b>					
Current:					
Regular Instruction	\$295,680,202	\$3,982,690	\$20,676,485		\$320,339,377
Special Education	69,413,090	934,966	4,853,956		75,202,012
Vocational Instruction	18,578,206	250,241	1,299,147		20,127,594
Skills Center	4,199,653	56,568	293,676		4,549,897
Compensatory Education	16,048,787	216,171	1,122,268		17,387,226
Other Instructional Programs	4,920,484	66,277	344,082		5,330,843
Federal Stimulus COVID-19	16,379,278	220,622	1,145,379		17,745,279
Community Services	2,467,299		172,535		2,639,834
Support Services	89,650,769	1,207,558	6,269,147		97,127,474
Student Activities	2,751,018		192,375		2,943,393
Capital Outlay	48,515,382		(48,515,382)		0
Bond/Levy Issuance	244,594				244,594
Debt Service-Principal	50,612,524			(\$50,612,524)	0
Debt Service-Interest & Other	24,318,635			(5,404,763)	18,913,872
<b>Total Expenditures</b>	<b>\$643,779,921</b>	<b>\$6,935,093</b>	<b>(\$12,146,332)</b>	<b>(\$56,017,287)</b>	<b>\$582,551,395</b>
<b>Revenues Over (Under) Exp</b>	<b>(\$27,221,962)</b>	<b>(\$3,038,879)</b>	<b>\$29,881,911</b>	<b>\$56,017,287</b>	<b>\$55,638,357</b>
<b>Other Financing Sources (Uses)</b>					
Issuance of Bonds					\$0
Issuance Premium					0
Sale of Land/Equipment	\$17,735,579		(\$17,735,579)		0
Compensated Loss of Fixed Assets					0
Long-Term Financing	77,404		(77,404)		0
<b>Total Other Financing Sources(Uses)</b>	<b>\$17,812,983</b>	<b>\$0</b>	<b>(\$17,812,983)</b>	<b>\$0</b>	<b>\$0</b>
<b>Net Change for the Year</b>	<b>(\$9,408,979)</b>	<b>(\$3,038,879)</b>	<b>\$12,068,928</b>	<b>\$56,017,287</b>	<b>\$55,638,357</b>

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

Lake Washington School District No. 414  
Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget to Actual  
General Fund  
For the Year Ended August 31, 2022

	Budgeted Amounts		Actual Amount	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local	\$78,743,994	\$78,743,996	\$74,715,715	(\$4,028,281)
State	359,337,512	362,337,512	363,528,447	1,190,935
Federal	29,152,518	34,052,518	37,842,081	3,789,563
Other	15,515	15,515	368,267	352,752
Total Revenues	\$467,249,539	\$475,149,541	\$476,454,510	\$1,304,969
Expenditures:				
Regular Instruction	\$308,892,464	\$314,080,409	\$296,287,906	\$17,792,503
Special Education	64,217,990	72,052,110	69,422,063	2,630,047
Vocational Education	16,620,504	16,651,243	18,591,322	(1,940,079)
Skills Center	5,318,569	5,320,891	4,274,264	1,046,627
Compensatory Education	16,654,274	16,654,274	16,063,787	590,487
Other Instructional Programs	8,185,252	6,371,780	5,001,611	1,370,169
Federal Stimulus	4,093,780	11,817,697	16,379,278	(4,561,581)
Community Services	3,539,376	3,539,376	2,510,126	1,029,250
Support Services	73,839,998	73,974,427	75,401,753	(1,427,326)
Total Expenditures	\$501,362,207	\$520,462,207	\$503,932,110	\$16,530,097
Excess of Revenues Over (Under) Expenditures	(\$34,112,668)	(\$45,312,666)	(\$27,477,600)	\$17,835,066
Other Financing Sources (Uses):				
Other Financial Sources	\$9,005,727	\$9,005,727	\$7,851,338	(\$1,154,389)
Total Other Financing Sources (Us	\$9,005,727	\$9,005,727	\$7,851,338	(\$1,154,389)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Uses	(\$25,106,941)	(\$36,306,939)	(\$19,626,262)	\$16,680,677
Beginning Fund Balance	101,300,000	106,963,927	106,976,885	12,958
Ending Fund Balance	\$76,193,059	\$70,656,988	\$87,350,623	\$16,693,635

Note: There was a budget revision during the fiscal year 2021-22. 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, 2022

	Budgeted Amounts		Actual Amount	Variance With Final Budget
	Original	Final		Positive (Negative)
Revenues:				
General	\$2,517,314	\$2,517,314	\$1,402,387	(\$1,114,927)
Athletics	647,378	\$647,378	315,346	(332,032)
Classes	265,741	\$265,741	130,188	(135,553)
Clubs	2,433,560	\$2,433,560	916,182	(1,517,378)
Private Monies	276,500	\$276,500	41,388	(235,112)
Total Revenues	<u>\$6,140,493</u>	<u>\$6,140,493</u>	<u>\$2,805,491</u>	<u>(\$3,335,002)</u>
Expenditures:				
General	\$2,044,470	\$2,044,470	\$784,959	\$1,259,511
Athletics	1,513,155	\$1,513,155	831,214	681,941
Classes	257,061	\$257,061	180,226	76,835
Clubs	2,608,399	\$2,608,399	901,010	1,707,389
Private Monies	276,500	\$276,500	53,609	222,891
Total Expenditures	<u>\$6,699,585</u>	<u>\$6,699,585</u>	<u>\$2,751,018</u>	<u>\$3,948,567</u>
Excess of Revenues Over (Under) Expenditures	(\$559,092)	(\$559,092)	\$54,473	\$613,565
Beginning Fund Balance	1,642,342	\$1,642,342	1,949,508	307,166
Ending Fund Balance	<u>\$1,083,250</u>	<u>\$1,083,250</u>	<u>\$2,003,981</u>	<u>\$920,731</u>

Note: There was no budget revision during the fiscal year 2021-22. 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, 2022

	Private- Purpose Trust
<b>Assets</b>	
Cash and Cash Equivalents	\$179,590
Accounts Receivable, Net	176
Due From Other Funds	
Total Assets	\$179,766
<b>Liabilities</b>	
Accounts Payable	
Due to Other Funds	
Total Liabilities	\$0
<b>Fund Balance/Net Position</b>	\$179,766
<b>Total Liab. &amp; Fund Balance/Net Position</b>	\$179,766

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, 2022

	Private- Purpose Trust
<b>Additions</b>	
Donations	
Investment Earnings	\$1,241
Total Additions	\$1,241
<b>Deductions</b>	
Scholarships	\$1,600
Total Deductions	\$1,600
<b>Change in Net Position</b>	(\$359)
<b>Net Position, Beginning of Year</b>	\$180,125
<b>Net Position, End of Year</b>	\$179,766

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, 2021 THROUGH AUGUST 31, 2022

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 financial statements of the Lake Washington School District have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

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. Property taxes receivable are measurable, however only the portion that is collected within 30 days after the current fiscal year is available for accrual. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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

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

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

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 87: *Leases* for the year ended August 31, 2022. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

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 30 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.

### Tax Abatements

Tax Abatement As of December 31, 2021, King County provides tax abatement through four programs - the Current Use Program, the Historic Preservation Program, the Single-family Dwelling Improvement Program, and the Multifamily Housing Property Tax Exemption program. These programs are property tax abatements. The property tax system in the state of Washington is budget-based, which means the taxing authority determines a budget or dollar amount and adjusts the rates for the taxpayers based on the assessed valuation of their property. The tax abatements did not result in a reduction or loss of revenue to the County because, pursuant to state law, these taxes were effectively reallocated to other property taxpayers.

### Current Use Programs

The Current Use Programs provide property tax abatements to landowners to voluntarily preserve open space, farmland or forestland via four programs on their property pursuant to RCW 84.33.130 and RCW 84.34.010. Public Benefit Rating System (PBRs) enrollment and associated tax savings are based on a point system. Points are awarded for each PBR resource category a property qualifies for such as protecting buffers to streams and wetlands, ground water protection, preserving significant wildlife habitat, conserving farmland and native forestland and preserving historic landmarks. Timber Land enrollment requires a property to have between five and twenty acres of manageable forestland, and be zoned accordingly. Land participating in this program must be devoted primarily to the growth, harvest and management of forest crops for commercial purposes and must be managed according to an approved forest stewardship plan. Farm and Agricultural Land enrollment requires land to be used for the production of livestock or agricultural commodities for commercial purposes. Forestland enrollment requires a property to have more than twenty acres of eligible forestland primarily devoted to the growth and harvest of timber. An owner of land desiring current use classification must submit an application to the County Assessor. Once enrolled, a participating property is assessed at a "current use" value, which is lower than the "highest and best use" assessment value that would otherwise apply to the property. When land no longer meets the requirements for the respective classifications, abated taxes and applicable penalties and interest are collected.

### Historic Preservation Program

The Historic Preservation Program provides property tax abatement through the legislature's encouragement to maintain, improve and preserve privately owned historic landmarks pursuant to Chapter 84.26 RCW. The property must meet four criteria to qualify for special valuation to receive a reduction in property taxes. The property must: (1) be a historic property; (2) fall within a class of historic property determined eligible for special valuation by the local legislative authority; (3) be rehabilitated at a cost which meets the definition set forth in RCW 84.26.020(2) within 24 months prior to the application for special valuation; and (4) be protected by an agreement between the owner and the local review board as described in RCW 84.26.050(2). Abatement under this program remains valid for ten (10) consecutive assessment years from the

date of application. The County Assessor shall, for 10 consecutive assessment years following the calendar year in which application is made, place a special valuation on property classified as eligible historic property. The entitlement of property to the special valuation provisions of this section shall be determined as of January 1. If property becomes disqualified for the special valuation for any reason, the property shall receive the special valuation for that part of any year during which it remained qualified or the owner was acting in good faith belief that the property was qualified. At the conclusion of special valuation, the cost shall be considered new construction. Whenever property classified and valued as eligible historic property under RCW 84.26.070 becomes disqualified for the valuation, there shall be added to the tax an additional tax equal to (a) the cost multiplied by the levy rate in King County, Washington 80 --- Notes to the Financial Statements each year the property was subject to special valuation; plus (b) interest on the amounts of the additional tax at the statutory rate charged on delinquent property taxes from the dates on which the additional tax could have been paid without penalty if the property had not been valued as historic property under this chapter; plus (c) a penalty equal to 12 percent of the amount determined in (a) and (b).

Single-family Dwelling Improvement Program

The Single-family Dwelling Improvement Program provides property tax abatement to encourage home improvements to single-family dwellings under RCW 84.36.400. Any physical improvement to single-family dwellings upon real property shall be exempt from taxation for the three (3) assessment years subsequent to the completion of the improvement. Abatement is obtained through application by the property owner, including proof that the improvements have been made and equal 100 percent of the additional property tax resulting from the increase in assessed value as a result of the improvements, not to exceed 30 percent of the pre-improvement value of the structure.

<u>Tax Abatement Program</u>	<u>Total Amount of Taxes Abated</u>
Current Use	\$213,332
Historics	\$3,558
Single-family Dwelling Improvement	\$16,432

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, 2022 was \$4,373,250 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, 2022 was \$1,688,789 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, net pension asset 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.

For purposes of calculating the restricted net position related to the net position asset, the district includes the net position asset and the related deferred outflows and deferred inflows/net pension asset and related deferred inflows.

## 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, 2022 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	\$193,340,190	\$188,854,698	1.09 Years

Impaired Investments. As of August 31, 2022, 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 District's share of the impaired investment pool is \$108,354 and the district's fair value of these investments is \$63,493.

Interest Rate Risk. As of August 31, 2022, the Pool's average duration was 1.09 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, 2022, 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 depositaries, 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	\$31,725,485		\$30,929,309	\$27,656,435		
Governmental	7,396,313					
Accounts	163,728	\$5,255	33,910	106,494	\$1,948	\$176
Total	<u>\$39,285,526</u>	<u>\$5,255</u>	<u>\$30,963,219</u>	<u>\$27,762,929</u>	<u>\$1,948</u>	<u>\$176</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, 2022 short-term interfund receivables and payables in governmental funds that resulted from various interfund transactions in governmental fund financial statements were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$20,588	\$2,300,285
Capital Projects	1,363,754	6,571
Special Revenue Fund	<u>961,530</u>	<u>39,016</u>
	\$2,345,872	\$2,345,872

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			Ending
	Balance	Additions	Deletions	Balance
Capital Assets, not Depreciated:				
Land	\$77,964,632	\$4,113,667	\$88,086	\$81,990,213
Construction in Progress	40,845,789	\$41,473,467	\$50,370,900	31,948,356
Total	<u>\$118,810,421</u>	<u>\$45,587,134</u>	<u>\$50,458,986</u>	<u>\$113,938,569</u>
Capital Assets being Depreciated:				
Building and Improvements	\$1,522,481,635	\$50,530,155		\$1,573,011,790
Transportation Equipment	15,906,773	1,177,980	\$856,802	16,227,951
Other Equipment	5,767,027	1,513,610	165,976	7,114,661
Right of Use Asset		890,750		890,750
Total	<u>\$1,544,155,435</u>	<u>\$54,112,495</u>	<u>\$1,022,778</u>	<u>\$1,597,245,152</u>
Less: Accumulated Depreciation:				
Building and Improvements	\$351,206,992	\$34,500,607		\$385,707,599
Transportation Equipment	6,199,033	762,340	641,979	6,319,394
Other Equipment	3,102,244	433,517	165,976	3,369,785
Right of Use Asset		369,677		369,677
Total Accumulated Depreciation	<u>\$360,508,269</u>	<u>\$36,066,141</u>	<u>\$807,955</u>	<u>\$395,766,455</u>
Net Depreciated Assets	<u>\$1,183,647,166</u>	<u>\$18,046,354</u>	<u>\$214,823</u>	<u>\$1,201,478,697</u>
Net Total Assets	<u>\$1,302,457,587</u>	<u>\$63,633,488</u>	<u>\$50,673,809</u>	<u>\$1,315,417,266</u>

Depreciation expense was charged to governmental activities as follows:

Regular Instruction	\$20,536,392
Special Education	4,821,068
Vocational Education	1,290,344
Skills Center	291,686
Compensatory Instruction	1,114,664
Other Instructional Programs	341,751
Federal Stimulus COVID-19	1,137,618
Community Services	171,366
Support Services	6,170,180
Student Activities	<u>191,071</u>
	\$36,066,141

Major projects included in Construction in Progress:

	Project Authorization	Expended as of 8/31/2022	Additional Local Funds Committed	Additional State Funds Estimated
Carson El	13,869,741	\$7,189,135	\$6,680,606	
Juanita High	4,501,000	\$2,952,988	\$1,548,012	
	\$18,370,741	\$10,142,123	\$8,228,618	\$0

The district's property valuation of buildings and equipment for insurance purposes is \$1,254,134,280 on August 31, 2022.

Note 7: Pension Plans

The following table represents the aggregate pension amounts for all plans for fiscal year 2022:

Aggregate Pension Amounts-All Plans	
Pension Liabilities	\$68,870,576
Pension Assets	\$12,188,652
Deferred outflows of resources	\$85,840,847
Deferred inflows of resources	\$58,818,410
Pension expense/expenditures	(\$3,809,677)

DRS, a department within the primary government of the state of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Washington State Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or online at <https://www.drs.wa.gov>.

**Membership Participation**

Substantially all of the District's 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 & 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 Plan Information

TRS was established in 1938, and its retirement provisions are contained in RCW Chapters 41.34 and 41.32. TRS is a cost-sharing multi-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 Information

PERS was established in 1947, and its retirement benefit provisions are contained in RCW Chapters 41.34 and 41.40. PERS is a cost-sharing, multi-employer retirement system. 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 Plan Information

SERS was established by the legislature in 1998, and the plan became effective in 2000. SERS retirement benefit provisions are established in RCW Chapters 41.34 and 41.35. SERS is a cost-sharing, multiemployer 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 all plans were effective as of September 1, 2021. PERS contribution rates changed on July 1, 2021. Contribution rates for TRS and SERS plans changed on September 1, 2021. The pension plan contribution rates (expressed as a percentage of covered payroll) for fiscal year 2022 are listed below:

	<b>From this date</b>	<b>Through this date</b>	<b>Member rate</b>	<b>Employer rate</b>	
<b>PERS 1</b>	7/1/2021	8/31/2022	6.00%	10.25%	
<b>TRS 1</b>	9/1/2021	8/31/2022	6.00%	14.42%	
<b>TRS 2</b>	9/1/2021	8/31/2022	8.05%	14.42%	
<b>TRS 3</b>	9/1/2021	8/31/2022	*	14.42%	**
<b>SERS 2</b>	9/1/2021	8/31/2022	7.76%	11.65%	
<b>SERS 3</b>	9/1/2021	8/31/2022	*	11.65%	**
<i>Note: The Employer rates include .0018 DRS administrative expense.</i>					
* – TRS and SERS Plan 3 Employee Contribution Variable from 5% to 15% based on rate selected by the employee member.					
** – TRS and SERS Plan 2/3 Employer Contributions for defined benefit portion only.					

#### **The School District’s Proportionate Share of the Net Pension Liability (Asset)**

At June 30, 2022, the school district reported a total liability of \$68,870,576 for its proportionate shares of the individual plans’ collective net pension liability and \$12,188,652 for its proportionate shares of net pension assets. Proportion of net pension liability is based on annual contributions for each of the employers participating in the DRS administered plans. At June 30, 2022, the district’s proportionate share of each plan’s net pension liability (asset) is reported below:

June 30, 2022	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District’s Annual Contributions	\$2,715,084	\$5,314,902	\$15,254,286	\$18,881,466
Proportionate Share of the Net Pension Liability (Asset)	\$12,335,216	(\$6,379,529)	\$56,535,360	(\$5,809,123)

Changes to net pension liability from the prior period are displayed in the Schedule of Changes in Long Term Liabilities.

At June 30, 2022, 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 (Asset)	0.443017%	2.2374662%	2.972682%	2.952000%
Prior year proportionate share of the Net Pension Liability (Asset)	0.398323%	2.3852462%	2.876233%	2.884514%
Net difference percentage	0.0446947%	-0.007884%	0.096449%	0.067486%

### Actuarial Assumptions

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, 2021, with the results rolled forward to June 30, 2022, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	2.75% total economic inflation, 3.25% salary inflation
Salary increases	In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
Investment rate of return	7.00%

### Mortality Rates

Mortality rates used in the plans were developed using the Society of Actuaries' Pub.H-2010 Mortality rates, which vary by member status as the base table. OSA applies age offsets for each system to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale to project mortality rates for every year after the 2010 base table. The actuarial assumptions used in the June 30, 2021, valuation were based on the results of the *2013–2018 Demographic Experience Study Report and the 2021 Economic Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report.

### Long-term Expected Rate of Return

OSA selected a 7.00% long-term expected rate of return on pension plan investments using a building-block method. In selecting the assumptions, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns the Washington State Investment Board (WSIB) provided.

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 expected future rates of return are developed by the WSIB for each major asset class.

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, 2022, are summarized in the following table:

TRS 1, TRS 2/3, PERS 1, and SERS 2/3		
Asset Class	Target Allocation	% Long-term Expected Real Rate of Return
Fixed Income	20.00%	1.50%
Tangible Assets	7.00%	4.70%
Real Estate	18.00%	5.40%
Global Equity	32.00%	5.90%
Private Equity	23.00%	8.90%

The inflation component used to create the above table is 2.20% 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 7.00%. 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. Based on the assumptions described in the DRS Certification Letter, 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, a 7.00% 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, 2022, the District reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

<b>Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</b>		
<b>PERS 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experiences		
Net difference between projected and actual earnings on pension plan investments		(\$2,044,308)
Changes in assumptions or other inputs		
Changes in proportionate shares		
Contributions subsequent to the measurement date	\$428,017	
TOTAL	\$428,017	(\$2,044,308)

<b>SERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experiences	\$5,274,643	
Net difference between projected and actual earnings on pension plan investments		(\$9,415,631)
Changes in assumptions or other inputs	\$7,213,939	(\$520,015)
Changes in proportionate shares	\$950,646	(\$375,805)
Contributions subsequent to the measurement date	\$892,557	
TOTAL	\$14,331,785	(\$10,311,451)

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		(\$10,130,455)
Changes in assumptions or other inputs		
Changes in proportionate shares		
Contributions subsequent to the measurement date	\$2,482,072	
TOTAL	\$2,482,072	(\$10,130,455)

TRS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$28,944,549	(\$583,776)
Net difference between projected and actual earnings on pension plan investments		(\$30,724,806)
Changes in assumptions or other inputs	\$32,726,291	(\$3,559,290)
Changes in proportionate shares	\$3,705,120	(\$1,464,325)
Contributions subsequent to the measurement date	\$3,223,012	
TOTAL	\$68,598,973	(\$36,332,197)

\$7,025,658 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, 2022.

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
2023	(865,108)	(1,182,282)	(4,295,088)	(5,580,896)
2024	(785,742)	(697,641)	(3,905,061)	(4,286,127)
2025	(985,690)	(1,819,127)	(4,911,375)	(7,004,698)
2026	592,233	5,160,274	2,981,069	17,447,238
2027		1,517,155		7,129,651
Thereafter		149,399		21,338,596

**Pension Expense**

For the year ending August 31, 2022, the District recognized a total pension expense as follows:

	Pension Expense
PERS 1	\$6,911,608
SERS 2/3	\$(913,847)
TRS 1	\$33,861,302
TRS 2/3	\$(1,503,002)
<b>TOTAL</b>	<b>\$38,356,061</b>

**Sensitivity of the Net Pension Liability (Asset)**

The following table presents the Lake Washington School District’s proportionate share of the collective net pension liability or asset calculated using the discount rate of 7.00%, as well as what the net pension liability or asset would be if it were calculated using a discount rate that is one percentage-point lower (6.00%) or one percentage-point higher (8.00%) than the current rate. Amounts are calculated using the school district’s specific allocation percentage, by plan, to determine the proportionate share of the collective net pension liability or asset.

<b>Sensitivity of the Net Pension Liability or Asset to Changes in the Discount Rate</b>			
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
<b>PERS 1</b>	\$3,719,876,000	\$2,784,367,000	\$1,967,887,000
Allocation Percentage	.443017%	.443017%	.443017%
Proportionate Share	\$16,479,678	\$12,335,216	\$8,718,071
<b>SERS 2/3</b>	\$929,172,000	\$(268,650,000)	\$(1,255,926,000)
Allocation Percentage	2.374662%	2.374662%	2.374662%
Proportionate Share	\$22,064,694	\$(6,379,529)	\$(29,823,997)
<b>TRS 1</b>	\$2,582,448,000	\$1,901,830,000	\$1,306,883,000
Allocation Percentage	2.972682%	2.972682%	2.972682%
Proportionate Share	\$76,767,970	\$56,535,360	\$38,849,477
<b>TRS 2/3</b>	\$3,565,129,000	\$(196,786,000)	\$(3,255,167,000)
Allocation Percentage	2.952000%	2.952000%	2.952000%
Proportionate Share	\$105,242,604	\$(5,809,123)	\$(96,092,526)

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 2022:

<b>Aggregate OPEB Amounts – All Plans</b>	
OPEB liabilities	\$177,588,127
Deferred outflows of resources	\$28,036,490
Deferred inflows of resources	\$22,080,663
OPEB expense/expenditures	\$11,257,236

The state, through the Health Care Authority (HCA), administers a defined benefit other post-employment benefit (OPEB) plan that is not administered through a qualifying trust. 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. Benefits purchased by PEBB include medical, dental, life insurance and long-term disability insurance. <sup>(5)</sup>

The relationship between the PEBB OPEB plan and its member employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one, which the employers and plan members understand the plan terms. This understanding is based on communications between the HCA, employers and plan members, and historical pattern of practice with regards to sharing of benefit costs.

Employers participating in the plan include the state of Washington (which includes general government agencies and higher education institutions), political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the K–12 school districts and ESDs. The District’s retirees approximately 1065 are eligible to participate in the PEBB plan under this arrangement.

Eligibility

District members are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits) Under PERS 1, 2, 3; TRS 1, 2, or 3; or SERS 2 and 3 plans.

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

Medical Benefits

Upon retirement, members are permitted to receive medical benefits. Retirees pay the following monthly rates for pre-65 medical coverage for 2022.

<b>(or enrolled in Part A only)</b>	<b>Type of Coverage</b>		
	<b>Employee</b>	<b>Employee &amp; Spouse</b>	<b>Full Family</b>
Kaiser Permanente NW Classic	\$768.23	\$1,531.47	\$2,103.90
Kaiser Permanente NW CDHP	\$643.88	\$1,277.21	\$1,708.47
Kaiser Permanente WA Classic	\$813.24	\$1,621.48	\$2,227.66
Kaiser Permanente WA CDHP	\$641.39	\$1,272.99	\$1,702.94
Kaiser Permanente WA Sound Choice	\$659.19	\$1,313.37	\$1,804.01
Kaiser Permanente WA Value	\$721.89	\$1,438.79	\$1,976.46
UMP Classic	\$718.68	\$1,432.35	\$1,967.61
UMP Select	\$647.73	\$1,290.45	\$1,772.50
UMP CDHP	\$638.69	\$1,270.29	\$1,700.24
UMP Plus-Puget Sound High Value Network	\$687.13	\$1,369.26	\$1,880.86
UMP Plus-UW Medicine Accountable Care Network	\$687.13	\$1,369.26	\$1,880.86

Retirees enrolled in Medicare Parts A and B receive an explicit subsidy in the form of reduced premiums on Medicare supplemental plans. Retirees pay the following monthly rates.

Members enrolled in Part A and B of Medicare	Type of Coverage		
	Employee	Employee & Spouse <sup>1</sup>	Full Family <sup>1</sup>
Kaiser Permanente NW Senior Advantage	\$172.79	\$340.58	\$913.01
Kaiser Permanente WA Medicare Plan	\$175.69	\$346.39	N/A
Kaiser Permanente WA Classic	N/A	N/A	\$952.57
Kaiser Permanente WA Sound Choice	N/A	N/A	\$837.03
Kaiser Permanente WA Value	N/A	N/A	\$884.06
UMP Classic	\$364.87	\$724.74	\$1,260.00

Note 1: Employee–Spouse and Full Family with two Medicare eligible subscribers.

Funding Policy

The School Employees Benefits Board (SEBB) Program administers health insurance and other benefits to all employees in school districts and charter schools, and union-represented employees of educational service districts in Washington. The SEBB studies, designs, and approves comprehensive and cost-effective insurance benefit plans for school employees and establishes eligibility criteria for participation in these plans. The SEB Board is separate and independent from the Public Employees Benefits Board (PEBB).

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

The SEBB collects benefit premiums from all school district entities for covered employees. The premium includes a fee, established in state law. The purpose of this fee is to cover the impact of the subsidized rate of health care benefits for school retirees who elect to purchase their health care benefits through the state Health Care Authority PEBB plan. The amount collected is set forth in the state’s operating budget and is subject to change on an annual basis. This amount is not actuarially determined and is not placed in a trust to pay the obligations for post-employment health care benefits.

The District has no control over the benefits offered to retirees, the rates charged to retirees, nor the fee paid to the Health Care Authority. The District does not determine its annual required contribution, nor the net other post-employment benefit obligation associated with this plan. These amounts are not shown on the financial statements.

For further information on the results of the actuarial valuation of the employer provided subsidies associated with the state’s PEBB plan, refer to the [Office of the State Actuary](#).

The plan does not issue a separate report; however, additional information is included in the State of Washington Annual Comprehensive Financial Report, which is available on the [OFM](#) website

Membership

The following employees were included in the actuarial valuation as of July 1, 2020:

Retired employees and surviving spouses	1,001
Spouses of retired employees	444
Active employees	3,653

Funding Policy

The School Employees Benefits Board (SEBB) Program administers health insurance and other benefits to all employees in school districts and charter schools, and union-represented employees of educational service districts in Washington. The SEBB studies, designs, and approves comprehensive and cost-effective insurance benefit plans for school employees and establishes eligibility criteria for participation in these plans. The SEB Board is separate and independent from the Public Employees Benefits Board (PEBB).

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The District has no control over the benefits offered to retirees, the rates charged to retirees, nor the fee paid to the Health Care Authority. The District does not determine its annual required contribution, nor the net other post-employment benefit obligation associated with this plan. These amounts are not shown on the financial statements.

For further information on the results of the actuarial valuation of the employer provided subsidies associated with the state's PEBB plan, refer to the Office of the State Actuary. The plan does not issue a separate report; however, additional information is included in the State of Washington Annual Comprehensive Financial Report, which is available on the OEM website

#### 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	\$142,025,348	\$177,588,127	\$226,508,967

The following presents the total OPEB liability of the District calculated using the discount rate of 2.14 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.14%) or 1-percentage point higher (3.14%) than the current rate.

	<u>1% Decrease (1.14%)</u>	<u>Current Discount Rate (2.14%)</u>	<u>1% Increase (3.14%)</u>
Total OPEB Liability	\$215,028,643	\$177,588,127	\$148,420,153

Change in OPEB Liability

The following table represents the changes in the total OPEB Liability as of August 31, 2022.

The measurement date of the OPEB liability is August 31, 2021. This is the date at which the OPEB liability is determined. The valuation date is July 1, 2020. There have been no significant changes between the valuation date and fiscal year ends.

Change in Total OPEB Liability

Total OPEB Liability at 08/31/2021	\$163,960,099
Service Cost	11,275,168
Interest on total OPEB liability	3,817,710
Effect of assumptions changes or inputs	1,959,754
Expected benefit payments	<u>(3,424,604)</u>
Total OPEB Liability at 08/31/2022	<u>\$177,588,127</u>

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

At August 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$3,231,803	\$7,353,165
Changes of Assumptions	\$21,189,857	\$14,727,498
Payments subsequent to the measurement date	<u>\$3,614,830</u>	
Total	\$28,036,490	\$22,080,663

OPEB Expense

Deferred outflows of resources of \$3,614,830 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, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended	
<u>August 31:</u>	
2022	(\$220,812)
2023	(\$220,812)
2024	(\$220,812)
2025	\$690,647
2026	\$1,602,104
Thereafter	\$710,682

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, 2021 was \$418,420.

Note 10: Long-Term Debt

A. Changes in Long-Term Liabilities

During the fiscal year ended August 31, 2022 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
2009 Bonds	\$17,445,000			\$17,445,000	
2015 Bonds	98,100,000		15,895,000	82,205,000	19,445,000
2016 Bonds	149,130,000		11,805,000	137,325,000	17,120,000
2017 Bonds	123,555,000		6,060,000	117,495,000	3,170,000
2018 Bonds	58,395,000		5,675,000	52,720,000	4,980,000
2020 Bonds	174,550,000		10,715,000	163,835,000	11,140,000
Total Bonds Payable	\$621,175,000	\$0	\$50,150,000	\$571,025,000	\$55,855,000
Other Liabilities:					
Unemployment Pay.	\$653,399	\$85,105	\$132,650	\$605,854	\$250,000
Industrial Insurance	2,006,791	1,185,773	1,890,759	1,301,805	1,250,000
Net OPEB	163,960,099	13,628,028		177,588,127	3,614,830
Compensated Absences	6,574,506	2,151,190	2,663,656	6,062,040	717,034
Right of Use Asset		428,226		428,226	144,176
Net Pension	24,230,072	44,640,504		68,870,576	
Unamortized Premium	73,921,125		7,180,931	66,740,194	7,180,931
Unamortized Discount	(2,101,857)		(216,178)	(1,885,679)	(216,178)
Total Other Liab.	269,244,135	62,118,826	11,651,818	319,711,143	12,940,793
Grand Total	\$890,419,135	\$62,118,826	\$61,801,818	\$890,736,143	\$68,795,793



B. Bond Premiums

The amortization schedule of bond premiums is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
2009 Bonds	\$43,078		\$6,154	\$36,924
2015 Bonds	7,754,588		1,550,917	6,203,671
2016 Bonds	23,494,411		1,566,294	21,928,117
2017 Bonds	13,766,721		809,712	12,957,009
2018 Bonds	6,879,416		382,190	6,497,226
2020 Bonds	21,982,911		\$2,865,664	19,117,247
	<u>\$73,921,125</u>	<u>\$0</u>	<u>\$7,180,931</u>	<u>\$66,740,194</u>

C. Unamortized Discount Costs

The amortization schedule of bond discount costs is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
2009 Bonds	\$53,540		\$7,649	\$45,891
2015 Bonds	259,000		51,800	207,200
2016 Bonds	511,929		34,128	477,801
2017 Bonds	457,671		26,921	430,750
2018 Bonds	242,207		13,456	228,751
2020 Bonds	577,510		82,224	495,286
	<u>\$2,101,857</u>	<u>\$0</u>	<u>\$216,178</u>	<u>\$1,885,679</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	\$1,755,995		\$351,200	\$1,404,795
2007 Bond	1,334,364		444,787	889,577
2008 Bond	2,709,157		451,525	2,257,632
2009 Bond	344,345		57,391	286,954
2010 Bond	2,295,771		255,086	2,040,685
	<u>\$8,439,632</u>	<u>\$0</u>	<u>\$1,559,989</u>	<u>\$6,879,643</u>

E. General Obligation Debt

Bonds payable at August 31, 2022 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	\$17,445,000	\$17,445,000
2015 Bonds	2.00-5.00	06/17/15	12/01/25	162,800,000	82,205,000
2016 Bonds	1.50-5.00	08/23/16	12/01/35	195,020,000	137,325,000
2017 Bonds	2.50-5.00	12/13/17	12/01/37	149,565,000	117,495,000
2018 Bonds	3.00-5.00	12/06/18	12/01/38	71,765,000	52,720,000
2020 Bonds	2.00-4.00	05/28/20	12/01/29	188,495,000	163,835,000
				<u>\$785,090,000</u>	<u>\$571,025,000</u>

F. Debt Service Requirements to Maturity

Fiscal Year Ended August 31	Principal	Interest	Total
2023	\$55,855,000	\$21,780,645	\$77,635,645
2024	47,365,000	19,604,833	66,969,833
2025	44,485,000	17,965,720	62,450,720
2026	51,755,000	16,146,283	67,901,283
2027	42,955,000	14,464,135	57,419,135
2028-2032	173,040,000	49,755,975	222,795,975
2033-2037	128,695,000	20,458,875	149,153,875
2038-2039	26,875,000	742,575	27,617,575
	<u>\$571,025,000</u>	<u>\$160,919,041</u>	<u>\$731,944,041</u>

G. Bonds Authorized but Unissued

As of August 31, 2022, there are no bonds that are authorized and unissued.

Note 11: Leases

For the year ended 8/31/2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

On 09/01/2021, Lake Washington School District 414 (King County), WA entered into a 59 month lease as Lessee for the use of Lessee-Kore Westpark. An initial lease liability was recorded in the amount of \$418,766.08. As of 08/31/2022, the value of the lease liability is \$334,392.00. Lake Washington School District 414 (King County), WA is required to make monthly fixed payments of \$9,211.56. The lease has an interest rate of 0.5770%. The Buildings estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 08/31/2022 of \$418,766.08 with accumulated amortization of \$85,172.76 is included with Buildings on the Lease Class activities table found below. Lake Washington School District 414 (King County), WA has 1 extension option(s), each for 36 months.

On 09/01/2021, Lake Washington School District 414 (King County), WA entered into a 27 month lease as Lessee for the use of Lessee-POA copier add 1. An initial lease liability was recorded in the amount of \$17,643.30. As of 08/31/2022, the value of the lease liability is \$9,810.74. Lake Washington School District 414 (King County), WA is required to make monthly fixed payments of \$721.82. The lease has an interest rate of 0.2180%. The Equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 08/31/2022 of \$17,643.30 with accumulated amortization of \$7,841.47 is included with Equipment on the Lease Class activities table found below.

On 09/01/2021, Lake Washington School District 414 (King County), WA entered into a 27 month lease as Lessee for the use of Lessee-POA copier add 2. An initial lease liability was recorded in the amount of \$38,788.33. As of 08/31/2022, the value of the lease liability is \$21,568.61. Lake Washington School District 414 (King County), WA is required to make monthly fixed payments of \$1,585.44. The lease has an interest rate of 0.2180%. The Equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 08/31/2022 of \$38,788.33 with accumulated amortization of \$17,239.26 is included with Equipment on the Lease Class activities table found below.

On 09/01/2021, Lake Washington School District 414 (King County), WA entered into a 27 month lease as Lessee for the use of Lessee-POA copier add 3. An initial lease liability was recorded in the amount of \$19,394.17. As of 08/31/2022, the value of the lease liability is \$10,784.31. Lake Washington School District 414 (King County), WA is required to make monthly fixed payments of \$792.72. The lease has an interest rate of 0.2180%. The Equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 08/31/2022 of \$19,394.17 with accumulated amortization of \$8,619.63 is included with Equipment on the Lease Class activities table found below.

On 09/01/2021, Lake Washington School District 414 (King County), WA entered into a 36 month lease as Lessee for the use of Lessee-POA copier add 4. An initial lease liability was recorded in the amount of \$51,602.63. As of 08/31/2022, the value of the lease liability is \$34,446.85. Lake Washington School District 414 (King County), WA is required to make monthly fixed payments of \$1,585.44. The lease has an interest rate of 0.3150%. The Equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 08/31/2022 of \$51,602.63 with accumulated amortization of \$17,200.88 is included with Equipment on the Lease Class activities table found below.

On 09/01/2021, Lake Washington School District 414 (King County), WA entered into a 36 month lease as Lessee for the use of Lessee-POA copier add 5. An initial lease liability was recorded in the amount of \$25,801.31. As of 08/31/2022, the value of the lease liability is \$17,223.42. Lake Washington School District 414 (King County), WA is required to make monthly fixed payments of \$720.00. The lease has an interest rate of 0.3150%. The Equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 08/31/2022 of \$25,801.31 with accumulated amortization of \$8,600.44 is included with Equipment on the Lease Class activities table found below.

On 09/01/2021, Lake Washington School District 414 (King County), WA entered into a 17 month lease as Lessee for the use of Pacific Office Automation copiers. An initial lease liability was recorded in the amount of \$318,754.29. As of 08/31/2022, the value of the lease liability is \$0.00. Lake Washington School District 414 (King County), WA is required to make annual fixed payments of \$319,000.00. The lease has an interest rate of 0.1850%. The

Equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 08/31/2022 of \$318,754.29 with accumulated amortization of \$225,003.03 is included with Equipment on the Lease Class activities table found below.

Amount of Lease Assets by Major Classes of Underlying Asset

Asset Class	As of Fiscal Year-end	
	Lease Asset Value	Accumulated Amortization
Buildings	418,766.08	85,172.76
Land	0.00	0.00
Equipment	471,984.04	284,504.70
Total Leases	890,750.12	369,677.46

Principal and Interest Requirements to Maturity

Fiscal Year	Governmental Activities		
	Principal Payments	Interest Payments	Total Payments
2023	144,176.01	1,889.55	146,065.56
2024	119,467.30	1,263.26	120,730.56
2025	85,642.17	723.39	86,365.56
2026	78,940.49	227.94	79,168.43

<b>GOVERNMENTAL ACTIVITIES:</b>	Balance as of			Balance as of
	September 1, 2021	Additions	Reductions	August 31, 2022
<b>Lease Assets</b>				
<b>Buildings</b>				
Lessee-Kore Westpark	418,766.08	-		418,766.08
Total Building Lease Assets	418,766.08	-	-	418,766.08
<b>Equipment</b>				
Lessee-POA copier add 1	17,643.30	-		17,643.30
Lessee-POA copier add 2	38,788.33	-		38,788.33
Lessee-POA copier add 3	19,394.17	-		19,394.17
Lessee-POA copier add 4	51,602.63	-		51,602.63
Lessee-POA copier add #5	25,801.31	-		25,801.31
Pacific Office Automation Copiers	318,754.29	-		318,754.29
Total Equipment Lease Assets	471,984.03	-	-	471,984.03
Total Lease Assets	890,750.11	-	-	890,750.11
<b>Lease Accumulated Amortization</b>				
<b>Buildings</b>				
Lessee-Kore Westpark	-	85,172.76		85,172.76
Total Building Lease Accumulated Amortization	-	85,172.76	-	85,172.76
<b>Equipment</b>				
Lessee-POA copier add 1	-	7,841.47		7,841.47
Lessee-POA copier add 2	-	17,239.26		17,239.26
Lessee-POA copier add 3	-	8,619.63		8,619.63
Lessee-POA copier add 4	-	17,200.88		17,200.88
Lessee-POA copier add #5	-	8,600.44		8,600.44
Pacific Office Automation	-	225,003.03		225,003.03
Total Equipment Lease Accumulated Amortization	-	284,504.71	-	284,504.71
Total Lease Accumulated Amortization	-	369,677.47	-	369,677.47
Total Governmental Lease Assets, Net	890,750.11	(369,677.47)	-	521,072.64

**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 \$132,650 in unemployment claims for the fiscal year ended August 31, 2022. The following is a summary of activity for the current and prior fiscal year.

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
2021-22	\$653,399	\$85,105	\$132,650	\$605,854
2020-21	\$296,390	\$692,464	\$335,455	\$653,399

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 \$939,281 in industrial insurance claims in the General Fund for the fiscal year ended August 31, 2022. The following is a summary of activity for the current and prior fiscal year.

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
2021-22	\$2,006,791	\$1,185,773	\$1,890,759	\$1,301,805
2020-21	\$2,393,147	\$1,220,534	\$1,606,890	\$2,006,791

Note 13: Risk Management

The district is a member of the Washington Schools Risk Management Pool (WSRMP). 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. WSRMP was formed in 1986 when educational service districts and school districts in the state of Washington joined by signing the Cooperative Risk Management Pool Account Agreement (Account Agreement) to pool their self-insured losses and jointly purchase insurance and administrative services. Over 90 school and educational service districts have joined WSRMP.

WSRMP allows members to jointly purchase insurance coverage, establish a plan of self-insurance, and provide related services, such as risk management. WSRMP provides the following coverages for its members: property, liability, vehicle, school board liability, crime, employment practices, errors and omissions, equipment breakdown, cyber security, crisis/active shooter coverage, and stop gap liability.

Members make an annual contribution to fund WSRMP. WSRMP purchases reinsurance and excess insurance from unrelated carriers subject to a per-occurrence self-insured retention of \$1 million for property risk \$2M for liability risk shared by WSRMP. Reinsurance or Excess carriers cover losses over the self-insured retention to the maximum limits of each Coverage Agreement. Since WSRMP is a cooperative program, there is a joint liability among the participating members.

Members contract to remain in WSRMP for a minimum of three years and must give notice three years before terminating participation. The 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 WSRMP for any unresolved, unreported, and in-process claims for the period in which they were a signatory to the Account Agreement.

WSRMP is fully funded by its member participants and is governed by a board of directors that consists 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 WSRMP.

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	\$1,711,183,721
Accumulated Depreciation	<u>395,766,455</u>
Net Capital Assets	<u>\$1,315,417,266</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 (\$6,879,643) 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 (\$85,840,847) and a deferred inflow (\$58,818,410) 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 (\$28,036,490) and a deferred inflow (\$22,080,663) of resources.
5. Long-term liabilities of \$890,736,145 (\$68,795,793 due within one year; \$579,096,479 due in more than one year); OPEB liability of \$173,973,297 and net pension liability of \$68,870,576 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 (\$90,555,196) 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 (\$2,345,873) - 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 (\$3,896,214).
2. The decrease between the beginning and ending balances of the liability for compensated absences (\$512,466) 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 (\$11,257,236) 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 (-\$3,809,677) 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 (\$302,909) 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 (\$36,066,141).
7. Repayment of bond principal (\$50,150,000) 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. Repayment of Right of Use Assets (\$462,524) 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.
9. Internal transfers between funds (\$20,593,100) are reported as other financial sources/uses in the governmental funds but eliminated in the consolidated Statement of Activities.
10. The government funds report debt interest and other payments, \$24,318,635 as expenditures. In the governmental funds, interest expense is adjusted to reflect amortization of bond premium (\$7,180,931), amortization of bond discount (\$216,178) and amortization of deferred amount on refunding (\$1,559,989).

Amortization of Bond Premium	(\$7,180,931)
Amortization of Bond Discount	216,178
Amortization of Deferred Amount of Refunding	<u>1,559,989</u>
	(\$5,404,763)

Note 15: Contingent Liabilities

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

Note 16: Litigation

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



Lake Washington School District  
Schedules of Required Supplementary Information

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

<b>SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY</b>									
<b>PERS 1</b>									
Last 10 Fiscal Years*									
	2015	2016	2017	2018	2019	2020	2021	2022	
As of June 30th									
District's Proportion of the net pension liability (percentage)	0.333717%	0.292801%	0.372758%	0.317635%	0.357901%	0.390956%	0.398323%	0.443017%	
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	\$13,802,860	\$4,864,452	\$12,335,216	
District's covered-employee payroll	\$37,694,260	\$35,333,773	\$46,371,620	\$42,034,737	\$49,819,307	\$58,083,384	\$60,982,314	\$67,620,284	
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%	23.76%	7.98%	18.24%	
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%	67.12%	68.64%	88.74%	76.56%	

**SERS 2/3**

Last 10 Fiscal Years\*

As of June 30th	2015	2016	2017	2018	2019	2020	2021	2022
District's Proportion of the net pension liability (percentage)	2.156443%	1.877438%	2.244654%	1.893267%	2.045037%	2.208082%	2.382546%	2.374662%
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	\$11,746,200	(\$25,581,324)	(\$6,379,529)
District's covered-employee payroll	\$37,128,537	\$34,875,682	\$45,868,804	\$41,624,914	\$49,508,318	\$57,845,947	\$60,799,544	\$67,436,059
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%	20.31%	-42.07%	-9.46%
Plan fiduciary net position as a percentage of the total pension liability	90.92%	86.52%	90.79%	94.77%	96.31%	92.45%	114.15%	103.17%

**TRS 1**

Last 10 Fiscal Years\*

As of June 30th	2015	2016	2017	2018	2019	2020	2021	2022
District's Proportion of the net pension liability (percentage)	2.657424%	2.310233%	2.709794%	2.463093%	2.718438%	2.768718%	2.876233%	2.972682%
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	\$66,692,483	\$19,365,620	\$56,535,360
District's covered-employee payroll	\$127,138,238	\$117,104,222	\$150,055,912	\$144,918,444	\$182,490,738	\$199,992,101	\$214,627,110	\$233,991,703
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%	33.35%	9.02%	24.16%
Plan fiduciary net position as a percentage of the total pension liability	65.70%	62.07%	65.58%	66.52%	70.37%	70.55%	91.42%	78.24%

TRS 2/3									
Last 10 Fiscal Years*									
As of June 30th	2015	2016	2017	2018	2019	2020	2021	2022	
District's Proportion of the net pension liability (percentage)	2.646598%	2.293214%	2.698990%	2.462132%	2.715775%	2.759083%	2.884514%	2.952000%	
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	\$42,378,992	(\$79,289,710)	(\$5,809,123)	
District's covered-employee payroll	\$123,808,566	\$114,847,370	\$148,016,879	\$143,690,860	\$181,294,700	\$199,153,137	\$214,166,785	\$233,794,421	
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%	21.28%	-37.02%	-2.48%	
Plan fiduciary net position as a percentage of the total pension liability	92.48%	88.72%	93.14%	96.88%	96.36%	91.72%	120.29%	100.86%	

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.

<b>SCHEDULE OF DISTRICT CONTRIBUTIONS</b>										
<b>PERS 1</b>										
Last 10 Fiscal Years*										
As of August 31st	2015	2016	2017	2018	2019	2020	2021	2022		
Contractually required contributions	\$1,533,757	\$1,863,411	\$2,095,592	\$2,345,266	\$2,603,126	\$2,833,438	\$2,967,053	\$2,715,084		
Contributions in relation to the contractually required contributions	\$1,533,757	\$1,863,411	\$2,095,592	\$2,345,266	\$2,603,126	\$2,833,438	\$2,967,053	\$2,715,084		
Contribution deficiency (excess)	\$0	\$0	\$0	\$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	\$59,720,797	\$61,285,532	\$68,757,586		
Contribution as a percentage of covered-employee payroll	4.39%	4.77%	4.83%	5.08%	5.16%	4.74%	4.84%	3.95%		

<b>SERS 2/3</b>										
Last 10 Fiscal Years*										
As of August 31st	2015	2016	2017	2018	2019	2020	2021	2022		
Contractually required contributions	\$2,096,530	\$2,519,129	\$2,842,705	\$3,713,934	\$4,145,406	\$4,774,843	\$5,016,469	\$5,314,902		
Contributions in relation to the contractually required contributions	\$2,096,530	\$2,519,129	\$2,842,705	\$3,713,934	\$4,145,406	\$4,774,843	\$5,016,469	\$5,314,902		
Contribution deficiency (excess)	\$0	\$0	\$0	\$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	\$59,492,296	\$61,112,344	\$68,587,308		
Contribution as a percentage of covered-employee payroll	6.09%	6.53%	6.63%	8.11%	8.27%	8.03%	8.21%	7.75%		

<b>TRS 1</b>								
Last 10 Fiscal Years*								
As of August 31st	2015	2016	2017	2018	2019	2020	2021	2022
Contractually required contributions	\$5,946,700	\$7,928,788	\$8,859,127	\$11,460,836	\$13,946,894	\$14,539,975	\$15,808,309	\$15,254,286
Contributions in relation to the contractually required contributions	\$5,946,700	\$7,928,788	\$8,859,127	\$11,460,836	\$13,946,894	\$14,539,975	\$15,808,309	\$15,254,286
Contribution deficiency (excess)	\$0	\$0	\$0	\$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	\$202,159,906	\$217,663,861	\$236,032,636
Contribution as a percentage of covered-employee payroll	5.02%	6.17%	6.31%	7.16%	7.43%	7.19%	7.26%	6.46%

<b>TRS 2/3</b>								
Last 10 Fiscal Years*								
As of August 31st	2015	2016	2017	2018	2019	2020	2021	2022
Contractually required contributions	\$7,033,264	\$8,341,117	\$9,307,146	\$12,267,460	\$14,606,826	\$16,053,448	\$17,456,059	\$18,881,466
Contributions in relation to the contractually required contributions	\$7,033,264	\$8,341,117	\$9,307,146	\$12,267,460	\$14,606,826	\$16,053,448	\$17,456,059	\$18,881,466
Contribution deficiency (excess)	\$0	\$0	\$0	\$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	\$201,402,700	\$217,262,515	\$235,878,243
Contribution as a percentage of covered-employee payroll	6.09%	6.62%	6.72%	7.72%	7.83%	7.97%	8.03%	8.00%

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, 2022

<b>Total OPEB Liability</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2,021</b>	<b>2022</b>
Service Cost	\$7,334,473	\$6,232,790	\$7,952,152	\$11,046,633	\$] 1,275,168
Interest on total OPEB liability	3,766,360	4,374,274	5,374,551	5,250,347	3,817,710
Changes in benefit terms					
Effect of economic/demographic gains or (losses)		\$5,386,339		(\$9,005,562)	\$0
Effect of assumption changes or inputs	(1 5,494,785)	(3,838,357)	27,728,423	(7,402,544)	1,959,754
Expected benefit payments	(2,348,794)	(2,656,625)	(2,890,759)	(3,298,830)	(3,424,604)
Net change in total OPEB liability	<u>(6,742,746)</u>	<u>9,498,421</u>	<u>38,164,367</u>	<u>(3,409,956)</u>	<u>13,628,028</u>
Total OPEB liability, beginning	126,450,013	119,707,267	129,205,688	167,370,055	163,960,099
Total OPEB liability, ending	<u>\$119,707,267</u>	<u>\$129,205,688</u>	<u>\$167,370,055</u>	<u>163,960,099</u>	<u>177,588,127</u>
Covered employee payroll	\$194,129,649	\$217,811,559	\$238,169,523	261,880,703	\$278,949,393
Total OPEB liability as a percentage of covered payroll	61.66%	59.32%	70.27%	62.61%	63.66%

The valuation date of the actuarial study was July 1, 2020 and then projected to the measurement date of August 31, 2021. 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, 2022**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
<b>Child Nutrition Cluster</b>								
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	School Breakfast Program	10.553	217WAWA3N10 99	497,828	-	497,828	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	National School Lunch Program	10.555	217WAWA3N10 99	8,855,932	-	8,855,932	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	National School Lunch Program	10.555	17414	575,593	-	575,593	-	3
				<b>Total ALN 10.555:</b>	-	<b>9,431,525</b>	-	
				<b>Total Child Nutrition Cluster:</b>	-	<b>9,929,353</b>	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	Pandemic EBT Administrative Costs	10.649	217WAWA3N10 99	3,063	-	3,063	-	
<b>Forest Service Schools and Roads Cluster</b>								
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF (via WA State Treasurer)	Schools and Roads - Grants to States	10.665	17414	10,552	-	10,552	-	3
				<b>Total Forest Service Schools and Roads Cluster:</b>	-	<b>10,552</b>	-	
FEDERAL COMMUNICATIONS COMMISSION, FEDERAL COMMUNICATIONS COMMISSION	COVID 19 - Emergency Connectivity Fund Program	32.009		-	3,511,093	3,511,093	-	

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, 2022**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	84.010A - 204086	1,300,501	-	1,300,501	-	2, 4
<b>Special Education Cluster (IDEA)</b>								
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Grants to States	84.027	84.027A - 307416	5,041,134	-	5,041,134	-	2
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Grants to States	84.027	84.027A - 338477	1,138,941	-	1,138,941	-	2
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Special Education Grants to States	84.027	84.027X - 312026	1,374,277	-	1,374,277	-	2
			<b>Total ALN 84.027:</b>	<b>7,554,352</b>	-	<b>7,554,352</b>	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Preschool Grants	84.173	84.173 - 366791	93,539	-	93,539	-	2
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Special Education Preschool Grants	84.173	84.173X - 371022	56,516	-	56,516	-	2
			<b>Total ALN 84.173:</b>	<b>150,055</b>	-	<b>150,055</b>	-	
			<b>Total Special Education Cluster (IDEA):</b>	<b>7,704,407</b>	-	<b>7,704,407</b>	-	

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, 2022**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Office of Career, Technical, and Adult Education, EDUCATION, DEPARTMENT OF (via WA OSPI)	Career and Technical Education -- Basic Grants to States	84.048	174901	116,284	-	116,284	-	2
Office of Career, Technical, and Adult Education, EDUCATION, DEPARTMENT OF (via WA OSPI)	Career and Technical Education -- Basic Grants to States	84.048	174975	33,297	-	33,297	-	2
Office of Career, Technical, and Adult Education, EDUCATION, DEPARTMENT OF (via WA OSPI)	Career and Technical Education -- Basic Grants to States	84.048	178157	550	-	550	-	2
<b>Total ALN 84.048:</b>				<b>150,131</b>	<b>-</b>	<b>150,131</b>	<b>-</b>	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF	Indian Education Grants to Local Educational Agencies	84.060	-	-	75,936	75,936	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	English Language Acquisition State Grants	84.365	84,365A - 403144	741,976	-	741,976	-	2
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	84,367A - 525341	6,888	-	6,888	-	2
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	Student Support and Academic Enrichment Program	84.424	84,424A - 431209	11,597	-	11,597	-	2

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, 2022**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.475U - 140024	19,004	-	19,004	-	2
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.475U - 140025	379	-	379	-	2
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425U - 140074	18,927	-	18,927	-	2
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425W - 459553	9,002	-	9,002	-	2
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425U - 138140	6,073,703	-	6,073,703	-	2
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425U - 137161	545,808	-	545,808	-	2
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425U - 712165	44,267	-	44,267	-	2
<b>Total ALN 84.425:</b>				<b>6,711,090</b>	<b>-</b>	<b>6,711,090</b>	<b>-</b>	
<b>Head Start Cluster</b>								
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via PSESD)	Head Start	93.600	11614	705,348	-	705,348	-	

*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, 2022**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via PSESD)	COVID 19 - Head Start	93.600	11614	16,419	-	16,419	-	
			<b>Total Head Start Cluster:</b>	<b>721,767</b>	<b>-</b>	<b>721,767</b>	<b>-</b>	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	COVID 19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		-	65,573	65,573	-	5
				<b>Total Federal Awards Expended:</b>	<b>3,652,602</b>	<b>30,943,927</b>	<b>-</b>	

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 Ended August 31, 2022**

**NOTE 1 – BASIS OF ACCOUNTING**

This Schedule is prepared on the same basis of accounting as the Lake Washington School District financial statements. The Lake Washington School District uses the accrual basis of accounting.

**NOTE 2 – FEDERAL INDIRECT RATE/FEDERAL De MINIMIS INDIRECT COST RATE**

- a) The Lake Washington School District claimed indirect costs under this grant using its federal restricted rate of 3.01%.
- b) The Lake Washington School District claimed indirect costs under this grant using its federal restricted rate of 10.51%.

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

**NOTE 3 – NON CASH AWARDS**

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

**NOTE 4 – 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) \$446,832.86.

**NOTE5 - FEMA DISASTER ASSISTANCE**

The amount of \$65,572.55 on the schedule includes eligible expenditures incurred in the prior year that were reimbursed in 2021-22 for federal disaster relief. (ALN 97.036)



**CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER  
UNIFORM GUIDANCE**

**Lake Washington School District No. 414  
September 1, 2021 through August 31, 2022**

This schedule presents the corrective action planned by the District for findings reported in this report 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).

<b>Finding ref number:</b> 2022-001	<b>Finding caption:</b> The District did not have adequate internal controls for ensuring compliance with allowable activities and costs, and restricted purpose requirements.
<b>Name, address, and telephone of District contact person:</b> Margo Allen, Accounting Manager P.O. Box 97039 Redmond, WA 98052 (425) 936-1478	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>The Lake Washington School District does not concur with the audit finding and the \$3.5 million in questioned costs issued by the Washington State Auditor's office.</i> <i>The District met all inventory and audit requirements for compliance stated in FCC bulletin/order #21-58.</i> <i>The District determined that staff and students needed district devices that were sufficient to consistently facilitate remote education and support, thereby identifying the unmet needs to justify the ECF applications.</i> <i>We expended all funds for allowable costs, and costs were reasonable and necessary for students and staff with unmet need.</i> <i>All devices and equipment was checked out by name and ID through our district inventory system.</i>	

*The district did not claim funding for any devices that were undistributed.*

*The District did not take lightly our obligation to follow the established rules and guidance available to us and acted in good faith in accordance with the provided FTC requirements for ECF funding.*

*See the district response to the finding for additional explanation.*

**Anticipated date to complete the corrective action: N/A**

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We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

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