



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, 2019 through August 31, 2020

Published May 24, 2021

Report No. 1028433



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

May 24, 2021

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

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TABLE OF CONTENTS

Schedule of Findings and Questioned Costs.....	4
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	6
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance	9
Independent Auditor's Report on the Financial Statements.....	12
Financial Section.....	16
About the State Auditor's Office.....	77

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Lake Washington School District No. 414 September 1, 2019 through August 31, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
10.553	Child Nutrition Cluster – School Breakfast Program
10.555	Child Nutrition Cluster – National School Lunch Program
10.559	Child Nutrition Cluster – COVID-19 – Summer Food Service Program for Children
84.425D	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 \$750,000.

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT

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, 2019 through August 31, 2020

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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 20, 2021.

As discussed in Note 17 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown. Management's plans in response to this matter are also described in Note 17.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

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

Pat McCarthy
State Auditor
Olympia, WA

May 20, 2021

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, 2019 through August 31, 2020

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

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Lake Washington School District No. 414, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2020. The District's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2020.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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

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

Pat McCarthy
State Auditor
Olympia, WA

May 20, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Lake Washington School District No. 414 September 1, 2019 through August 31, 2020

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lake Washington School District No. 414, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 16.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Lake Washington School District No. 414, as of August 31, 2020, and the respective changes in financial position thereof, and the respective budgetary comparison for the General and Special Revenue (Associated Student Body) funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 17 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown. Management's plans in response to this matter are also described in Note 17. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

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

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral

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

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Pat McCarthy

State Auditor

Olympia, WA

May 20, 2021

FINANCIAL SECTION

Lake Washington School District No. 414 September 1, 2019 through August 31, 2020

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2020

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2020

Statement of Activities – 2020

Balance Sheet – Governmental Funds – 2020

Reconciliation – Balance Sheet/Statement of Net Position – 2020

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2020

Reconciliation – Statement of Revenues, Expenditures and Changes in Fund Balance/
Statement of Activities – 2020

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual
– General Fund – 2020

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual
– Special Revenue Fund (Associated Student Body Fund) – 2020

Statement of Fiduciary Net Position – Fiduciary Funds – 2020

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2020

Notes to Financial Statements – 2020

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the District's Proportionate Share of the Net Pension Liability – PERS 1,
SERS 2/3, TRS 1, TRS 2/3 – 2020

Schedule of District Contributions – PERS 1, SERS 2/3, TRS 1, TRS 2/3 – 2020

Schedule of Changes in Total OPEB Liability and Related Ratios – 2020

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2020

Notes to the Schedule of Expenditures of Federal Awards – 2020

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, 2020.

FINANCIAL HIGHLIGHTS

- The district's Statement of Net Position reports net position of \$571 million as of August 31, 2020.
- During the year, the district had revenues that were \$76 million higher than the \$511 million in expenses incurred for all governmental activities.
- The general fund reported an increase in fund balance of \$27,023,955 for the fiscal year.
- The average student enrollment increased by 1070 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 \$571,270,978 at the end of the 2019-2020 fiscal year.

The largest portion, \$546 million of net position is the investment in capital assets (e.g., land, building, and equipment), less any related outstanding debt used to acquire those assets. Resources required to repay this debt comes from property tax levies. Twenty-four percent of the net position represents resources committed for capital projects, debt payments and contractual obligations. These assets are restricted and not available for general operations and maintenance of district education programs.

The remaining unrestricted net position includes \$189 million that can be used to finance the day-to-day operations without such constraints as debt covenants, legislation, or other legal requirements and -\$135 million represents GASB 68 and -\$164 million for GASB 75 requirements.

Table 1
Net Position

	2019-20	2018-2019
Current and Other Assets	\$392,228,096	\$348,771,009
Capital Assets	1,218,540,238	1,156,937,276
Total Assets	\$1,610,768,334	\$1,505,708,285
Deferred Outflows of Resources	\$94,739,093	\$49,754,118
Total Assets and Deferred Outflows of Resources	<u>\$1,705,507,427</u>	<u>\$1,555,462,403</u>
Long-Term Debt Outstanding	\$1,061,030,443	\$962,416,938
Other Liabilities	50,226,019	48,777,287
Total Liabilities	\$1,111,256,462	\$1,011,194,225
Deferred Inflows of Resources	\$22,979,987	\$49,668,902
Total Liabilities and Deferred Inflows of Resources	<u>\$1,134,236,449</u>	<u>\$1,060,863,127</u>
Invest in Cap Assets, Net of Debt	\$546,236,264	\$510,151,609
Restricted	134,844,466	121,146,398
Unrestricted	(109,809,752)	(136,698,731)
Total Net Position	<u>\$571,270,978</u>	<u>\$494,599,276</u>

The 2019-2020 revenues of \$587 million were more than expenditures of \$511 million by \$76 million. The net position of the district's governmental increased by \$76 million, which is a 15.5% increase during the year.

Table 2
Changes in Net Position

		Primary Government Governmental Activities	
		2019-20	2018-2019
Revenues			
Program Revenues			
	Charges for Services	\$11,913,195	\$16,610,549
	Operating Grants and Contributions	78,687,249	73,475,728
	Capital Grants and Contributions	11,327,759	6,697,736
General Revenues:			
	Property Taxes	177,247,100	168,970,625
	Interest and Investment Earnings	4,182,603	6,432,922
	Other Revenues	304,094,032	280,919,194
Total Revenues		<u>\$587,451,938</u>	<u>\$553,106,754</u>
Program Expenses			
	Regular Instruction	\$290,057,941	\$270,907,849
	Special Instruction	69,527,475	62,437,161
	Vocational Instruction	15,099,442	13,724,132
	Skills Center	4,160,648	3,331,421
	Compensatory Education	14,867,542	13,880,474
	Other Instructional Programs	2,887,147	4,244,806
	Community Services	4,519,777	2,983,286
	Support Services	85,530,696	85,220,829
	Extracurricular Activities (ASB)	2,383,563	3,742,391
	Debt Payment	21,746,005	25,999,649
Total Expenses		<u>\$510,780,236</u>	<u>\$486,471,998</u>
Increase (Decrease) in Net Position		<u>\$76,671,702</u>	<u>\$66,634,756</u>
Net Position, Beginning of Year		<u>\$494,599,276</u>	<u>\$427,964,520</u>
Net Position, End of Year		<u><u>\$571,270,978</u></u>	<u><u>\$494,599,276</u></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.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2019-20	2018-19	2019-20	2018-19
Regular Instruction	\$290,057,941	\$270,907,849	\$281,024,057	\$264,313,683
Special Instruction	69,527,475	62,437,161	20,755,957	18,946,480
Vocational Instruction	15,099,442	13,724,132	14,499,861	13,264,947
Skills Center	4,160,648	3,331,421	4,036,398	3,187,520
Compensatory Instruction	14,867,542	13,880,474	515,586	1,310,986
Other Instructional Programs	2,887,147	4,244,806	479,293	828,709
Support Services	85,530,696	85,220,829	65,408,059	62,400,850
All Others	28,649,345	32,725,326	22,132,822	25,434,810
Totals	\$510,780,236	\$486,471,998	\$408,852,033	\$389,687,985

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 \$253 million, which is higher than the prior year by \$38.8 million. This increase is primarily due to an increase in the Capital Projects fund balance and an increase in the General Fund balance.

The General Fund increase in fund balance is primarily due to COVID-19 impacts on revenues and expenditures, contingencies and underspending. The Capital Projects increase in fund balance is primarily due to contingencies and underspending.

Table 4 presents a summary of the governmental fund's revenues and expenditures for 2019-2020 and the percentage increases/decreases in relation to the prior year.

Table 4
Government Fund Revenues and Expenditures

	2019-20 Amounts	Percent of Total	Increase (Decrease) Over 2018-19	Percent Increase (Decrease)
Revenues:				
Local Tax/Non-Tax	\$193,514,175	33.18%	-\$4,894,011	-2.47%
State Revenues	372,353,815	63.85%	33,316,526	9.83%
Federal Revenues	14,441,254	2.48%	571,014	4.12%
Other Revenues	2,875,089	0.49%	(1,021,142)	-26.21%
Total Revenues	\$583,184,333	100.00%	\$27,972,387	5.04%
Expenditures:				
Regular Instruction	\$270,741,599	35.72%	\$16,509,478	6.49%
Special Instruction	64,897,309	8.56%	6,303,466	10.76%
Vocational Instruction	14,093,898	1.86%	1,214,555	9.43%
Skills Center	3,883,571	0.51%	757,215	24.22%
Compensatory Instruction	13,877,441	1.83%	851,379	6.54%
Other Instructional Prog.	2,694,878	0.36%	(1,288,639)	-32.35%
Community Services	4,227,532	0.56%	1,450,204	52.22%
Support Services	79,834,799	10.53%	(140,264)	-0.18%
Student Services	2,229,444	0.29%	(1,254,582)	-36.01%
Capital Outlay	93,158,975	12.29%	(84,714,582)	-47.63%
Debt Service	208,308,022	27.48%	132,001,724	172.99%
Total Expenditures	\$757,947,468	100.00%	\$71,689,954	10.45%

General Fund

Revenues and other financing sources for the general fund totaled \$461.1 million. This was \$21,414,310 or 4.87% more than the prior year. Expenditures in the general fund amounted to \$434.1 million for the fiscal year ended August 31, 2020. This was \$27,013,893 or 6.66% percent more than the prior year. Ending fund balance was \$107 million, \$27 million more than the prior year. These changes are primarily due to COVID-19 impacts on revenues and expenditures, contingencies and underspending.

Special Revenue Fund (ASB)

The ASB (Associated Student Body) fund is established for the purpose of supporting extra-curricular student activities. The funds are generated through students' fund raising events, student fees, and donations. The fund balance increased by \$429,923. The increase is primarily due to less student activities from March through June 2020 due to the COVID-19. 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, 2020 is detailed in Table 5.

Table 5
ASB Recap

	8/31/2019				8/31/2020
	Fund				Fund
	Balance	Revenues	Transfers	Expenditures	Balance
General	\$996,438	\$1,748,171	(548,967)	\$920,988	\$1,274,654
Athletics	159,727	304,091	504,064	707,367	260,515
Classes	95,861	22,140	14,474	28,860	103,615
Clubs	261,515	575,285	30,429	562,549	304,680
Private	0	9,680		9,680	0
	\$1,513,541	\$2,659,367	\$0	\$2,229,444	\$1,943,464

Capital Projects Fund

The proceeds from the sales of unlimited general obligation bonds, capital levies, state construction assistance program funds, investment earnings, and impact fees are accounted for in the Capital Projects Fund. Capital assets are capitalized and depreciated in the government-wide statement of net position and statement of activities. The district continues to complete major projects from the 2016 bond 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 \$109.6 million. The Capital Projects Fund had an increase in fund balance of \$12.4 million. Total revenues exceeded the budget due to an increase in grants/donations, impact fees and bond sale proceeds. Expenditures were less than planned due to budgeted project contingencies. Transfers out (to general fund) were lower than budgeted due to contingencies. Transfers out (to debt service) were deferred until 2020. The ending fund balance is mostly committed to 2019 levy projects.

Debt Service Fund

The Debt Service fund is used to account for the accumulation of resources for the payment of general long-term debt principal, interest, and related expenditures. Revenues are from property tax levies and investment earnings. The ending fund balance was \$31.5 million. A budget revision was done due to the bond refinancing that was completed in May 2020. Revenues and expenditures were within budget.

Transportation Vehicle Fund

The Transportation Vehicle fund is used for the purchase, major repair, rebuilding, and related debt service incurred for pupil transportation equipment. Revenues are from state depreciation funds on district owned buses and investment earnings. The ending fund balance was \$3.1 million. Revenues were higher than budgeted due to additional state depreciation, state grant and interest revenue. Expenditures were less than planned due to budgeted contingencies.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General fund accounts for the day-to-day operation of the school district. Included are all the normal and recurring financial activities of the school district that are not accounted for in other funds. Revenues for the General Fund include state funds, special maintenance and operations levy funds, federal funds, and other funds. Expenditures include salaries and benefit costs, and non-salary costs, such as supplies and materials, books and other instructional materials, utilities, purchased services and equipment. The district's budget is developed using the guidelines of the Washington State Office of Superintendent of Public Instruction. General Fund revenues were \$461.1 million, which was \$2.6 million less than budgeted. Revenues were lower than budgeted due to contingencies and the COVID-19 impact of uncollected revenue and refunded revenue. General Fund expenditures were \$434.1 million, which was \$32.1 million less than budgeted. This is a result of lower expenditures due to COVID-19, 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 \$1,548 million invested in land, buildings, transportation equipment, and other equipment as of August 31, 2020. This is a \$90 million increase from the previous fiscal year.

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

Debt

Bonds outstanding totaled \$670 million as of August 31, 2020. This is an increase of \$9.1 million from the previous fiscal year. Note 9 to the financial statements provides additional debt information.

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

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

ECONOMIC FACTORS

For calendar year 2020, the total property tax rate for special levies and bond debt was \$2.51 per thousand dollars of assessed value. The projected rate for 2021 is expected to be \$2.51. Total assessed value increased by 7.05% from \$66.0 billion to \$70.7 billion in 2020. For 2021 the projected assessed valuation is \$73.9 billion, an increase of 4.5% over the prior year.

The Lake Washington School District encompasses an area of 76 square miles and is located on the northeast side of Lake Washington in the Puget Sound urban area of King County. The District is situated northeast of the city of Seattle and north of the city of Bellevue. Most of the cities of Redmond and Kirkland, approximately half of the city of Sammamish, and small portions of Bellevue, Woodinville, Bothell, and Kenmore are encompassed by the District. The remainder of the District lies in

unincorporated King County. The general area continues to grow and includes a portion of the “high-tech corridor” in the northern portion of King County and south Snohomish County.

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

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

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

Lake Washington School District No. 414
Statement of Net Position
08/31/20

	Primary Government Governmental Activities
Assets	
Cash & Cash Equivalents	\$300,411,531
Property Tax Receivable	84,662,438
Accounts Receivable, Net	504,410
Due From Other Gov't. Units	1,732,682
Inventories at Cost	429,992
Prepaid Items	4,487,043
Capital Assets, Non-depreciable:	
Land	38,371,694
Construction-in-Progress	9,585,946
Capital Assets, Net of Accum. Depn.:	
Buildings & Improvements	1,158,341,761
Equipment	12,240,837
Total Assets	\$1,610,768,334
Deferred Outflows of Resources	
Deferred Charge on Refunding	\$9,999,621
Deferred Pension Plan	52,175,990
Deferred OPEB	32,563,482
Total Deferred Outflows of Resources	\$94,739,093
Total Assets and Deferred Outflows of Resources	\$1,705,507,427
Liabilities	
Accounts Payable	\$34,539,453
Accrued Wages & Benefits Pay.	12,562,283
Due to Other Gov't Units	2,082,854
Unearned Revenue	1,041,429
Long-Term Liabilities:	
Due Within One Year	61,375,395
Due In More Than One Year	700,963,289
Pension Plan	134,620,535
Other Post Employment Benefits	164,071,224
Total Liabilities	\$1,111,256,462
Deferred Inflows of Resources	
Deferred Pension Plan	\$9,883,265
Deferred OPEB	\$13,096,722
Total Deferred Inflows of Resources	\$22,979,987
Total Liabilities and Deferred Inflows of Resources	\$1,134,236,449
Net Position	
Net Investment In Capital Assets	\$546,236,264
Restricted For:	
Capital Projects	69,988,839
Debt Service	59,904,805
Other Purposes	4,950,822
Unrestricted	(109,809,752)
Total Net Position	\$571,270,978

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 8/31/2020

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
Primary Government:					
Governmental Activities:					
Regular Instruction	\$290,057,941	\$1,982,575	\$236,341	\$6,814,968	(\$281,024,057)
Special Instruction	69,527,475	20,030	47,117,926	1,633,562	(20,755,957)
Vocational Instruction	15,099,442	133,965	110,852	354,764	(14,499,861)
Skills Center	4,160,648		26,495	97,755	(4,036,398)
Compensatory Education	14,867,542	303,963	13,698,677	349,316	(515,586)
Other Instructional Programs	2,887,147	54,597	2,285,423	67,834	(479,293)
Community Services	4,519,777	1,883,825	1,275,115		(1,360,837)
Support Services	85,530,696	4,176,657	13,936,420	2,009,560	(65,408,059)
Extracurricular Activities(AS	2,383,563	3,357,583			974,020
Int. Paymt. On L/T Debt	21,746,005				(21,746,005)
Total Governmental Activities	\$510,780,236	\$11,913,195	\$78,687,249	\$11,327,759	(\$408,852,033)
General Revenues:					
Property Taxes, Levies for Maintenance and Operations					\$62,107,533
Property Taxes, Levies for Debt Service					59,317,096
Property Taxes, Levies for Capital Projects					55,822,471
Unallocated State Apportionment & Others					304,094,032
Interest and Investment Earnings					4,182,603
Total General Revenues & Special Items					\$485,523,735
Changes in Net Position					\$76,671,702
Beginning Net Position					\$494,599,276
Ending Net Position					\$571,270,978

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

Lake Washington School District No. 414
Balance Sheet
Government Funds
08/31/20

	General Fund	Special Revenue Fund (ASB)	Debt Service Fund	Capital Project Fund	Transportation Vehicle Fund	Total Government Funds
Assets						
Cash and Cash Equivalents	\$126,111,967	1,951,730	\$31,473,083	\$137,785,002	\$3,089,749	\$300,411,531
Property Taxes Receivable	29,703,185		28,420,914	26,538,339		84,662,438
Accounts Receivable, Net	238,054	8,592				246,646
Accrued Interest	98,784	2,060	28,164	126,789	1,967	257,764
Due From Other Funds	132,085	89,526		13,000		234,611
Due From Other Gov't Units	1,732,682					1,732,682
Inventories at Cost	429,992					429,992
Prepaid Items	3,761,804	17,747		707,492		4,487,043
Total Assets	\$162,208,553	\$2,069,655	\$59,922,161	\$165,170,622	\$3,091,716	\$392,462,707
Liabilities						
Accounts Payable	\$5,507,856	\$95,000		\$28,919,241		\$34,522,097
Accrued Wages & Benefits Pay.	16,733,189		17,356			16,733,189
Accrued Interest Payable						17,356
Due To Other Funds	102,526	5,168		126,917		234,611
Due To Other Gov't Units	2,082,854					2,082,854
Unearned Revenue	1,015,406	26,023				1,041,429
Total Liabilities	\$25,441,831	\$126,191	\$17,356	\$29,046,158	\$0	\$54,631,536
Deferred Inflows of Resources						
Unavailable Revenue	\$29,714,406		\$28,420,914	\$26,538,339		\$84,673,659
Total Deferred Inflows of Resources	\$29,714,406	\$0	\$28,420,914	\$26,538,339	\$0	\$84,673,659
Fund Balances						
Nonspendable Fund Balance	\$4,191,796	\$17,747		\$707,492		\$4,917,035
Restricted Fund Balance	7,108,133	1,925,717	\$31,483,891	106,096,084	\$3,091,716	149,705,541
Committed Fund Balance				156,494		156,494
Assigned Fund Balance				2,626,055		2,626,055
Unassigned Fund Balance	95,752,387					95,752,387
Total Fund Balances	\$107,052,316	\$1,943,464	\$31,483,891	\$109,586,125	\$3,091,716	\$253,157,512
Total Liab., Deferred Inflow of Resources and Fund Balance	\$162,208,553	\$2,069,655	\$59,922,161	\$165,170,622	\$3,091,716	\$392,462,707

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
08/31/20

	Total Governmental Funds	Long-Term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
Assets				
Cash and Cash Equivalents	\$300,411,531			\$300,411,531
Property Taxes Receivable	84,662,438			84,662,438
Accounts Receivable, Net	504,410			504,410
Due From Other Funds	234,611		(\$234,611)	0
Due From Other Gov't Units	1,732,682			1,732,682
Inventories at Cost	429,992			429,992
Prepaid Items	4,487,043			4,487,043
Capital Assets, Net		\$1,218,540,238		1,218,540,238
Total Assets	\$392,462,707	\$1,218,540,238	(\$234,611)	\$1,610,768,334
Deferred Outflows of Resources				
Deferred Charge on Refunding		\$9,999,621		\$9,999,621
Deferred Pension Plan		52,175,990		52,175,990
Deferred OPEB		32,563,482		32,563,482
Total Deferred Outflows of Resources		\$94,739,093		\$94,739,093
Total Assets and Deferred Outflows of Resources	\$392,462,707	\$1,313,279,331	(234,611)	\$1,705,507,427
Liabilities				
Accounts Payable	\$34,539,453			\$34,539,453
Accrued Wages & Benefits Pay.	16,733,189	(4,170,906)		12,562,283
Due To Other Funds	234,611		(\$234,611)	0
Due to Other Gov't Units	2,082,854			2,082,854
Unearned Revenue	1,041,429			1,041,429
Long-Term Liabilities		1,061,030,443		1,061,030,443
Total Liabilities	\$54,631,536	\$1,056,859,537	(\$234,611)	\$1,111,256,462
Deferred Inflows of Resources				
Unavailable Revenue	\$84,673,659	(\$84,673,659)		\$0
Deferred Pension Plans		9,883,265		9,883,265
Deferred OPEB		13,096,722		13,096,722
Total Deferred Inflows of Resources	\$84,673,659	(\$61,693,672)	\$0	\$22,979,987
Fund Balances/Net Position	\$253,157,512	\$318,113,466		\$571,270,978
Total Liabilities, Deferred Inflows Of Resources and Fund Balances/Net Position	\$392,462,707	\$1,313,279,331	(\$234,611)	\$1,705,507,427

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 8/31/2020

	General Fund	Special Revenue Fund (ASB)	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Total Governmental Funds
Revenues						
Local	\$73,911,093		\$67,423,667	\$52,129,851	\$49,564	\$193,514,175
State	366,857,996			4,209,729	1,286,090	372,353,815
Federal	12,384,979		2,056,275			14,441,254
Miscellaneous	215,722	\$2,659,367				2,875,089
Total Revenues	\$453,369,790	\$2,659,367	\$69,479,942	\$56,339,580	\$1,335,654	\$583,184,333
Expenditures						
Regular Instruction	\$270,741,599					\$270,741,599
Special Instruction	64,897,309					64,897,309
Vocational Instruction	14,093,898					14,093,898
Skills Center	3,883,571					3,883,571
Compensatory Instruction	13,877,441					13,877,441
Other Instructional Programs	2,694,878					2,694,878
Community Services	4,227,532			\$20,727,023		4,227,532
Support Services	59,107,776					79,834,799
Student Services		\$2,229,444				2,229,444
Capital Outlay	534,488			90,879,355	\$1,745,132	93,158,975
Debt Service-Principal			\$179,325,000			179,325,000
Debt Service-Interest & Other			28,750,715	232,307		28,983,022
Total Expenditures	\$434,058,492	\$2,229,444	\$208,075,715	\$111,838,685	\$1,745,132	\$757,947,468
Revenues Over (Under) Exp.	\$19,311,298	\$429,923	(\$138,595,773)	(\$55,499,105)	(\$409,478)	(\$174,763,135)
Other Financing Sources (Uses)						
Issuance of Bonds			\$118,850,000	\$69,645,000		\$188,495,000
Issuance Premium			\$19,140,300	5,708,275		24,848,575
Sale of Equipment	\$7,893			\$51,150		59,043
Compensated Loss of Capital Assets	160,108			\$1,944		162,052
Transfers In	7,544,657			(7,544,657)		7,544,657
Transfers Out						(7,544,657)
Total Other Financing Sources(Uses)	\$7,712,658	\$0	\$137,990,300	\$67,861,712	\$0	\$213,564,670
Net Change in Fund Balance	\$27,023,956	\$429,923	(\$605,473)	\$12,362,607	(\$409,478)	\$38,801,535
Beginning Fund Balance	80,028,360	1,513,541	32,089,364	97,223,518	3,501,194	214,355,977
Ending Fund Balance	\$107,052,316	\$1,943,464	\$31,483,891	\$109,586,125	\$3,091,716	\$253,157,512

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 8/31/2020

	Total Governmental Funds	Long-Term Revenue, Expenditures	Capital Related Items	Long-Term Debt Transactions	Statement of Activities Totals
Revenues					
Local	\$193,514,175	\$4,046,510	\$221,095		\$197,781,780
State	372,353,815				372,353,815
Federal	14,441,254				14,441,254
Miscellaneous	2,875,089				2,875,089
Total Revenues	\$583,184,333	\$4,046,510	\$221,095	\$0	\$587,451,938
Expenditures					
Current:					
Regular Instruction	\$270,741,599	\$600,262	\$18,716,080		\$290,057,941
Special Education	64,897,309	143,884	4,486,282		69,527,475
Vocational Instruction	14,093,898	31,248	974,296		15,099,442
Skills Center	3,883,571	8,610	268,467		4,160,648
Compensatory Education	13,877,441	30,768	959,333		14,867,542
Other Instructional Programs	2,694,878	5,975	186,294		2,887,147
Community Services	4,227,532		292,245		4,519,777
Support Services	79,834,799	177,002	5,518,895		85,530,696
Student Activities	2,229,444		154,119		2,383,563
Capital Outlay	93,158,975		(93,158,975)		0
Debt Service-Principal	179,325,000			(\$179,325,000)	0
Debt Service-Interest & Other	28,983,022			(7,237,017)	21,746,005
Total Expenditures	\$757,947,468	\$997,749	(\$61,602,964)	(\$186,562,017)	\$510,780,236
Revenues Over (Under) Exp	(\$174,763,135)	\$3,048,761	\$61,824,059	\$186,562,017	\$76,671,702
Other Financing Sources (Uses)					
Issuance of Bonds	\$188,495,000			(\$188,495,000)	\$0
Issuance Premium	24,848,575			(24,848,575)	0
Sale of Equipment	59,043		(\$59,043)		0
Compensated Loss of Fixed Assets	162,052		(162,052)		0
Total Other Financing Sources(Uses)	\$213,564,670	\$0	(\$221,095)	(\$213,343,575)	\$0
Net Change for the Year	\$38,801,535	\$3,048,761	\$61,602,964	(\$26,781,558)	\$76,671,702

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, 2020

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final	Amount	
Revenues:				
Local	\$80,248,909	\$80,248,909	\$73,911,093	(\$6,337,816)
State	356,730,435	356,730,435	366,857,996	10,127,561
Federal	18,093,693	18,093,693	12,384,979	(5,708,714)
Other	14,365	14,365	215,722	201,357
Total Revenues	\$455,087,402	\$455,087,402	\$453,369,790	(\$1,717,612)
Expenditures:				
Regular Instruction	\$292,894,775	\$292,894,775	\$270,747,001	\$22,147,774
Special Education	60,945,737	60,945,737	64,897,309	(3,951,572)
Vocational Education	13,676,478	13,676,478	14,137,268	(460,790)
Skills Center	4,323,017	4,323,017	3,883,571	439,446
Compensatory Education	16,155,641	16,155,641	13,877,441	2,278,200
Other Instructional Programs	11,237,573	11,237,573	2,731,482	8,506,091
Community Services	3,487,690	3,487,690	4,243,496	(755,806)
Support Services	63,505,518	63,505,518	59,540,924	3,964,594
Total Expenditures	\$466,226,429	\$466,226,429	\$434,058,492	\$32,167,937
Excess of Revenues Over (Under) Expenditures	(\$11,139,027)	(\$11,139,027)	\$19,311,298	\$30,450,325
Other Financing Sources (Uses):				
Other Financial Sources	\$8,609,216	\$8,609,216	\$7,712,658	(\$896,558)
Total Other Financing Sources (Uses)	\$8,609,216	\$8,609,216	\$7,712,658	(\$896,558)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Uses	(\$2,529,811)	(\$2,529,811)	\$27,023,956	\$29,553,767
Beginning Fund Balance	68,031,825	68,031,825	80,028,360	11,996,535
Ending Fund Balance	\$65,502,014	\$65,502,014	\$107,052,316	\$41,550,302

Note: There was no budget revision during the fiscal year 2019-20. 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, 2020

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final	Amount	
Revenues:				
General	\$2,696,717	\$2,696,717	\$1,748,171	(\$948,546)
Athletics	574,950	574,950	304,091	(270,859)
Classes	175,400	175,400	22,140	(153,260)
Clubs	1,813,969	1,813,969	575,285	(1,238,684)
Private Monies	141,050	141,050	9,680	(131,370)
Total Revenues	\$5,402,086	\$5,402,086	\$2,659,367	(\$2,742,719)
Expenditures:				
General	\$1,909,160	\$1,909,160	\$920,988	\$988,172
Athletics	1,341,580	1,341,580	707,367	634,213
Classes	187,644	187,644	28,860	158,784
Clubs	1,980,584	1,980,584	562,549	1,418,035
Private Monies	141,050	141,050	9,680	131,370
Total Expenditures	\$5,560,018	\$5,560,018	\$2,229,444	\$3,330,574
Excess of Revenues Over (Under) Expenditures	(\$157,932)	(\$157,932)	\$429,923	\$587,855
Beginning Fund Balance	980,881	980,881	1,513,541	532,660
Ending Fund Balance	\$822,949	\$822,949	\$1,943,464	\$1,120,515

Note: There was no budget revision during the fiscal year 2019-20. 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, 2020

	Private- Purpose Trust
	<u> </u>
Assets	
Cash and Cash Equivalents	\$222,662
Accounts Receivable, Net	
Due From Other Funds	
Total Assets	<u><u>\$222,662</u></u>
Liabilities	
Accounts Payable	(\$57)
Due to Other Funds	<u>(\$3,000)</u>
Total Liabilities	<u><u>(\$3,057)</u></u>
Fund Balance/Net Position	\$222,662
Total Liab. & Fund Balance/Net Position	<u><u>\$219,605</u></u>

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

Lake Washington School District No. 414
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended August 31, 2020

	Private- Purpose Trust
Additions	
Donations	\$69,874
Investment Earnings	3,880
Total Additions	<u>\$73,754</u>
Deductions	
Scholarships	<u>\$52,208</u>
Total Deductions	<u>\$52,208</u>
Change in Net Position	\$21,546
Net Position, Beginning of Year	198,059
Net Position, End of Year	<u><u>\$219,605</u></u>

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

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

SEPTEMBER 1, 2019 THROUGH AUGUST 31, 2020

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 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

As of December 31, 2019 King County independently has entered into agreements that affect the levy rate assessed by the District in two programs-the Current Use Program and the Single-family Dwelling Program. All of 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 District 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 PBRs 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 20 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 20 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.

Single-family Dwelling Improvement Program

The Single-family Dwelling Improvement Program provides property tax abatements 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. Abatements are 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.

Below summarizes the tax abatement programs and the total amount of taxes abated during the calendar year ended December 31, 2019.

<u>Tax Abatement Program</u>	<u>Total Amount of Taxes Abated</u>
Current Use	\$182,439
Single-family Dwelling Improvement	\$20,786

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, 2020 was \$4,600,224 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, 2020 was \$1,715,584 and reported as long-term liabilities in the district-wide financial statements.

11. Deferred Outflows/Inflows of Resources

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

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

12. Net Position (District-wide Financial Statements)

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

13. Fund Balance Reserves (Government Fund Financial Statements)

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

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

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

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

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

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

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

Note 2: Stewardship, Compliance, and Accountability

Budgetary Information

General Budgetary Policies

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

Budgetary Basis of Accounting

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

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

Note 3: Deposits and Investments

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

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

As of August 31, 2020 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	\$307,718,931	\$310,734,576	1.12 Years

Impaired Investments. As of August 31, 2020, all impaired commercial paper investments have completed enforcement events. The King County impaired investment pool (Impaired Pool) held one commercial paper asset where the Impaired Pool accepted an exchange offer and is receiving the cash flows from the investment's underlying securities. The Impaired Pool also held the residual investments in one commercial paper assets that were part of completed enforcement events, where the Impaired Pool accepted the cash-out option. The District's share of the impaired investment pool is \$150,119 and the district's fair value of these investments is \$91,560.

Interest Rate Risk. As of August 31, 2020, the Pool's average duration was 1.12 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, 2020, the district's investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, Pool policies authorize investments in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, corporate notes (rated at least "A") , municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1"), certificates of deposits issued by qualified public depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

Note 4: Receivables

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

	<u>General</u>	<u>ASB</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Transpor. Vehicle</u>	<u>Private Purpose Trust</u>
Receivables:						
Taxes	\$29,703,185		\$28,420,914	\$26,538,339		
Governmental	1,732,682					
Accounts	336,838	\$10,652	28,164	126,789	\$1,967	\$203
Total	<u>\$31,772,705</u>	<u>\$10,652</u>	<u>\$28,449,078</u>	<u>\$26,665,128</u>	<u>\$1,967</u>	<u>\$203</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, 2020 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	\$ 132,085	\$ 102,526
Capital Projects Fund	13,000	126,917
Special Revenue Fund	<u>89,526</u>	<u>5,168</u>
Total	<u>\$ 234,611</u>	<u>\$ 234,611</u>

The interfund balances are liquidated on a monthly basis.

Note 6: Capital Assets

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

	Beginning			Ending
Capital Assets, not Depreciated:	Balance	Additions	Deletions	Balance
Land	\$38,371,694			\$38,371,694
Construction in Progress	108,773,279	\$90,718,209	\$189,905,542	9,585,946
Total	\$147,144,973	\$90,718,209	\$189,905,542	\$47,957,640
Capital Assets being Depreciated:				
Building and Improvements	\$1,291,029,310	\$189,905,542	1,708,033	\$1,479,226,819
Transportation Equipment	14,065,767	1,952,150	\$578,887	15,439,030
Other Equipment	5,394,157	488,616	484,102	5,398,671
Total	\$1,310,489,234	\$192,346,308	\$2,771,022	\$1,500,064,520
Less: Accumulated Depreciation:				
Building and Improvements	292,237,827	29,248,833	601,602	320,885,058
Transportation Equipment	5,648,102	683,982	497,665	5,834,419
Other Equipment	2,811,003	421,044	469,602	2,762,445
Total Accumulated Depreciation	300,696,932	30,353,859	1,568,869	\$329,481,922
Net Depreciated Assets	1,009,792,302	161,992,449	1,202,153	\$1,170,582,598
Net Total Assets	1,156,937,275	252,710,658	191,107,695	\$1,218,540,238

Depreciation expense was charged to governmental activities as follows:

Regular Instruction	\$18,003,075
Special Education	4,315,374
Vocational Education	937,180
Skills Center	258,240
Compensatory Instruction	922,786
Other Instructional Programs	179,197
Community Services	281,112
Support Services	5,308,648
Student Activities	148,248
	<u>\$30,353,859</u>

Major projects included in Construction in Progress:

	Project Authorization	Expended as of 8/31/2020	Additional Local Funds Committed	Additional State Funds Estimated
Twain El	8,400,000	\$1,954,648	\$6,445,352	
Rose Hill El	13,500,000	\$2,495,452	\$11,004,548	
Franklin El	12,200,000	\$1,662,109	\$10,537,891	
Carson El	8,400,000	\$425,260	\$7,974,740	
	\$42,500,000	\$6,537,469	\$35,962,531	\$0

The district's property valuation of buildings and equipment for insurance purposes is \$1,198,907,006 on August 31, 2020.

Note 7: Pension Plans

The following table represents the aggregate pension amounts for all plans for fiscal year 2020:

Aggregate Pension Amounts—All Plans	
Pension Liabilities	\$ 134,620,535
Pension Assets	
Deferred outflows of resources	\$52,175,990
Deferred inflows of resources	\$9,883,265
Pension expense/expenditures	\$27,660,411

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. Employers do not contribute to the defined contribution portions of TRS Plan 3 or SERS Plan 3. Under current law the employer must contribute 100 percent of the employer-required contribution. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at six percent and does not vary from year to year.

The employer and employee contribution rates for the PERS plan were effective as of July 1, 2019. SERS and TRS contribution rates are effective as of September 1, 2019. All plans will not have a contribution rate change until September 1, 2020. The pension plan contribution rates (expressed as a percentage of covered payroll) for fiscal year 2020 are listed below:

Pension Contribution Rates from September 01, 2019 to August 31, 2020			
	Employer	Employee	
PERS Plan 1	12.86%	6.00%	
TRS Plan 1	15.51%	6.00%	
TRS Plan 2/3	15.51%	7.77%	*/**
SERS Plan 2/3	13.19%	8.25%	*/**
<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 (NPL)

At June 30, 2020, the school district reported a total liability of \$134,620,535 for its proportionate shares of the individual plans' collective net pension liability. Proportion of net pension liability is based on annual contributions for each of the employers participating in the DRS administered plans. At June 30, 2020, the district's proportionate share of each plan's net pension liability is reported below:

June 30, 2020	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District's Annual Contributions	\$2,833,438	\$4,774,843	\$14,539,975	\$16,053,448
Proportionate Share of the Net Pension Liability	\$13,802,860	\$11,746,200	\$66,692,483	\$42,378,992

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

At June 30, 2020, the school district's percentage of the proportionate share of the collective net pension liability was as follows and the change in the allocation percentage from the prior period is illustrated below.

Allocation percentages	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share of the Net Pension Liability	0.390956%	2.208082%	2.768718%	2.759083%
Prior year proportionate share of the Net Pension Liability	0.357901%	2.045037%	2.718438%	2.715775%
Net difference percentage	0.033055%	0.163045%	0.050279%	0.043308%

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, 2019, with the results rolled forward to June 30, 2020, using the following actuarial assumptions, applied to all prior periods included in the measurement:

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

Mortality Rates

Mortality rates used in the plans were 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, 2019, valuation were based on the results of the 2013–2018 *Demographic Experience Study Report and the 2019 Economic Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report.

Long-term Expected Rate of Return

OSA selected a 7.40% 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, 2020, are summarized in the following table:

TRS 1, TRS 2/3, PERS 1, and SERS 2/3		
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20.00%	2.20%
Tangible Assets	7.00%	5.10%
Real Estate	18.00%	5.80%
Global Equity	32.00%	6.30%
Private Equity	23.00%	9.30%

Discount Rate

The discount rate used to measure the total pension liability was 7.40 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Based on the assumptions described in the DRS CAFR 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 7.40 percent on pension plan investments was applied to determine the total pension liability.

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

The Pension Plans reported collective Deferred Outflows of Resources and collective Deferred Inflows of resources related to the individual plans. At August 31, 2020, the District reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions		
PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences		
Net difference between projected and actual earnings on pension plan investments		(\$76,849)
Changes in assumptions or other inputs		
Changes in proportionate shares		
Contributions subsequent to the measurement date	\$482,374	
TOTAL	\$482,374	(\$76,849)

SERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$6,982,875	
Net difference between projected and actual earnings on pension plan investments		(\$123,000)
Changes in assumptions or other inputs	\$128,006	(\$1,081,362)
Changes in proportionate shares	\$1,596,299	(\$953,966)
Contributions subsequent to the measurement date	\$828,118	
TOTAL	\$9,535,298	(\$2,158,328)

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		(\$428,899)
Changes in assumptions or other inputs		
Changes in proportionate shares		
Contributions subsequent to the measurement date	\$2,522,222	
TOTAL	\$2,522,222	(\$428,899)

TRS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$26,783,216	(\$152,837)
Net difference between projected and actual earnings on pension plan investments		(\$411,415)
Changes in assumptions or other inputs	\$5,466,101	(\$4,644,401)
Changes in proportionate shares	\$4,545,296	(\$2,010,536)
Contributions subsequent to the measurement date	\$2,841,482	
TOTAL	\$39,636,095	(\$7,219,189)

\$6,674,196 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, 2020.

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
2021	(348,743)	201,482	(1,885,017)	(809,416)
2022	(10,969)	1,437,830	(55,152)	3,569,293
2023	106,411	1,537,726	574,002	5,047,536
2024	176,451	1,994,264	937,268	6,257,690
2025		951,748		3,716,781
Thereafter		425,801		11,793,541

Pension Expense

For the year ending August 31, 2020, the District recognized a total pension expense as follows:

	Pension Expense
PERS 1	\$1,984,712
SERS 2/3	\$3,414,381
TRS 1	\$9,118,668
TRS 2/3	\$13,142,650
TOTAL	\$27,660,411

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

The following table presents the Lake Washington School District's proportionate share of the collective net pension liability (NPL) calculated using the discount rate of 7.40 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.40 percent) or one percentage-point higher (8.40 percent) 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.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
PERS 1 NPL	\$4,422,202,000	\$3,530,540,000	\$2,752,919,000
Allocation Percentage	.390956%	.390956%	.390956%
Proportionate Share of Collective NPL	\$17,288,867	\$13,802,860	\$10,762,704
	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
SERS 2/3 NPL	\$1,517,879,000	\$531,964,000	(\$283,583,000)
Allocation Percentage	2.208082%	2.208082%	2.208082%
Proportionate Share of Collective NPL	\$33,516,008	\$11,746,200	(\$6,261,744)
TRS 1 NPL	\$3,051,911,000	\$2,408,786,000	\$1,847,550,000
Allocation Percentage	2.768718%	2.768718%	2.768718%
Proportionate Share of Collective NPL	\$84,498,799	\$66,692,483	\$51,153,443
TRS 2/3 NPL	\$4,526,645,000	\$1,535,981,000	(\$903,643,000)
Allocation Percentage	2.759083%	2.759083%	2.759083%
Proportionate Share of Collective NPL	124,893,897	\$42,378,992	(\$24,932,261)

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 2020:

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	\$167,370,054
Deferred outflows of resources	\$32,563,482
Deferred inflows of resources	\$13,096,722
OPEB expense/expenditures	\$14,431,427

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.

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 regard to sharing of benefit costs.

Employers participating in the plan include the state of Washington (which includes general government agencies and higher education institutions), 76 of the state's K–12 school districts and educational service districts (ESDs), and 249 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 227 K–12 school districts and ESDs. The District's retirees approximately 1,509 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 Plans 2 and 3 of SERS and TRS.

Plan 2

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

Plan 3

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

Former members who are entitled to a deferred vested pension benefit are not eligible to receive medical 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 2021.

Members not eligible for Medicare (or enrolled in Part A only)			
Descriptions	Type of Coverage		
	Employee	Employee & Spouse	Full Family
Kaiser Permanente NW Classic	\$715.66	\$1,426.75	\$1,959.20
Kaiser Permanente NW CDHP	\$608.85	\$1,206.99	\$1,611.85
Kaiser Permanente WA Classic	\$752.15	\$1,499.24	\$2,059.55
Kaiser Permanente WA CDHP	\$610.16	\$1,210.10	\$1,616.32
Kaiser Permanente WA Sound Choice	\$618.49	\$1,231.92	\$1,692.00
Kaiser Permanente WA Value	\$675.71	\$1,346.36	\$1,849.35
UMP Classic	\$679.72	\$1,354.37	\$1,860.37
UMP CDHP	\$608.35	\$1,206.48	\$1,611.34
UMP Plus-Puget Sound High Value Network	\$644.97	\$1,284.88	\$1,764.82
UMP Plus-UW Medicine Accountable Care Network	\$644.97	\$1,284.88	\$1,764.82

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 ¹	Full Family ¹
Kaiser Permanente NW Senior Advantage	\$173.01	\$342.75	\$875.70
Kaiser Permanente WA Medicare Plan	\$174.55	\$344.04	N/A
Kaiser Permanente WA Classic	N/A	N/A	\$904.36
Kaiser Permanente WA Sound Choice	N/A	N/A	\$804.11
Kaiser Permanente WA Value	N/A	N/A	\$847.03
UMP Classic	\$320.54	\$636.02	\$1,142.01
Note 1: Employee-Spouse and Full Family with two Medicare eligible subscribers.			

Membership

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

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

Funding Policy

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

According to state law, the Washington State Treasurer collects a fee from all school district entities, which have employees who are not current active members of the state Health Care Authority but participate in the state retirement system. 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. For the fiscal year 2019-20, the District was required to pay the HCA \$69.56 per month per full-time equivalent employee to support the program through December 2019, for a total payment of \$662,477. Beginning January 2020, the District paid this as part of the School Employee Benefits Board (SEBB) health care monthly premiums. SEBB was responsible for making payments to HCA. This assessment to the District 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 Comprehensive Annual Financial Report, which is available on the OFR 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	\$134,288,308	\$167,370,054	\$212,591,276

The following presents the total OPEB liability of the District calculated using the discount rate of 2.97 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.97%) or 1-percentage point higher (3.97%) than the current rate.

	<u>1% Decrease (1.97%)</u>	<u>Current Discount Rate (2.97%)</u>	<u>1% Increase (3.97%)</u>
Total OPEB Liability	\$203,618,753	\$167,370,054	\$139,389,807

Change in OPEB Liability

The following table represents the changes in the total OPEB Liability as of August 31, 2020.

<u>Change in Total OPEB Liability</u>	
Total OPEB Liability at 08/31/2019	\$129,205,688
Service Cost	7,952,152
Interest on total OPEB liability	5,374,551
Effect of economic/demographic gains or losses	
Effect of assumptions changes or inputs	27,728,423
Expected benefit payments	<u>(2,890,760)</u>
Total OPEB Liability at 08/31/2020	<u>\$167,370,054</u>

The measurement date of the OPEB liability is August 31, 2019. This is the date at which the OPEB liability is determined. The valuation date is July 1, 2018. There have been no significant changes between the valuation date and fiscal year ends.

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

At August 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$4,309,071	
Changes of Assumptions	\$24,955,581	\$13,096,722
Payments subsequent to the measurement date	\$3,298,830	
Total	\$32,563,482	\$13,096,722

OPEB Expense

Deferred outflows of resources of \$3,298,830 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, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended	
August 31:	
2020	\$1,104,724
2021	\$1,104,724
2022	\$1,104,724
2023	\$1,104,724
2024	\$1,104,724
Thereafter	\$10,644,310

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, 2019 was \$308,083.

Note 10: Long-Term Debt

A. Changes in Long-Term Liabilities

During the fiscal year ended August 31, 2020 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	\$31,445,000		\$14,000,000	\$17,445,000	
2010 Bonds	120,000,000		120,000,000	0	
2012 Bonds	2,800,000			2,800,000	\$2,800,000
2015 Bonds	121,960,000		9,940,000	112,020,000	13,920,000
2016 Bonds	178,200,000		20,155,000	158,045,000	8,915,000
2017 Bonds	134,205,000		5,680,000	128,525,000	4,970,000
2018 Bonds	71,765,000		9,550,000	62,215,000	3,820,000
2020 Bonds		\$188,495,000		188,495,000	13,945,000
Total Bonds Payable	\$660,375,000	\$188,495,000	\$179,325,000	\$669,545,000	\$48,370,000
Other Liabilities:					
Unemployment Pay.	\$537,328	\$81,508	\$322,447	\$296,389	\$250,000
Other Empl. Ins. Pay.	1,912,399	191,066	622,100	1,481,365	
Industrial Insurance	2,560,865	1,377,728	1,545,446	2,393,147	1,500,000
Net OPEB	129,205,688	38,164,366		167,370,054	3,298,830
Compensated Absences	5,909,368	1,754,676	1,348,229	6,315,815	766,814
Net Pension	102,224,790	33,006,438	610,693	134,620,535	
Unamortized Premium	61,968,085	24,848,575	5,479,743	81,336,917	7,416,675
Unamortized Discount	(2,276,585)	(659,733)	(607,539)	(2,328,779)	(226,924)
Total Other Liab.	302,041,938	98,764,624	9,321,119	391,485,443	13,005,395
Grand Total	\$962,416,938	\$287,259,624	\$188,646,119	\$1,061,030,443	\$61,375,395

B. Bond Premiums

The amortization schedule of bond premiums is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
2009 Bonds	\$96,809		\$47,577	\$49,232
2010 Bonds	888,188		888,188	0
2012 G.O. Bonds	469,726		234,865	234,861
2015 Bonds	10,856,422		1,550,917	9,305,505
2016 Bonds	26,626,999		1,566,294	25,060,705
2017 Bonds	15,386,145		809,712	14,576,433
2018 Bonds	7,643,796		382,190	7,261,606
2020 Bonds		24,848,575		24,848,575
	<u>\$61,968,085</u>	<u>\$24,848,575</u>	<u>\$5,479,743</u>	<u>\$81,336,917</u>

C. Unamortized Discount Costs

The amortization schedule of bond discount costs is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
2009 Bonds	\$120,320		\$59,131	\$61,189
2010 Bonds	411,358		411,358	0
2012 G.O. Bonds	21,490		10,745	10,745
2015 Bonds	362,600		51,800	310,800
2016 Bonds	580,185		34,128	546,057
2017 Bonds	511,513		26,921	484,592
2018 Bonds	269,119		13,456	255,663
2020 Bonds		\$659,733		659,733
	<u>\$2,276,585</u>	<u>\$659,733</u>	<u>\$607,539</u>	<u>\$2,328,779</u>

D. Unamortized Deferred Charge on Refunding

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

	Beginning Balance	Additions	Reductions	Ending Balance
2006 Bond	\$2,458,395		\$351,200	\$2,107,195
2007 Bond	2,223,938		444,787	1,779,151
2008 Bond	3,612,207		451,525	3,160,682
2009 Bond		\$401,736		401,736
2010 Bond		2,550,857		2,550,857
	<u>\$8,294,540</u>	<u>\$2,952,593</u>	<u>\$1,247,512</u>	<u>\$9,999,621</u>

E. General Obligation Debt

Bonds payable at August 31, 2020 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
2012 Bonds	1.00-5.00	07/11/12	12/01/20	23,025,000	2,800,000
2015 Bonds	2.00-5.00	06/17/15	12/01/25	162,800,000	112,020,000
2016 Bonds	1.50-5.00	08/23/16	12/01/35	195,020,000	158,045,000
2017 Bonds	2.50-5.00	12/13/17	12/01/37	149,565,000	128,525,000
2018 Bonds	3.00-5.00	12/06/18	12/01/38	71,765,000	62,215,000
2020 Bonds	2.00-4.00	05/28/20	12/01/29	188,495,000	188,495,000
				<u>\$808,115,000</u>	<u>\$669,545,000</u>

F. Debt Service Requirements to Maturity

Fiscal Year Ended	Principal	Interest	Total
8/31/2021	\$48,370,000	\$26,658,277	\$75,028,277
8/31/2022	50,150,000	24,313,995	74,463,995
8/31/2023	55,855,000	21,780,645	77,635,645
8/31/2024	47,365,000	19,604,833	66,969,833
8/31/2025	44,485,000	17,965,720	62,450,720
8/31/2026	51,755,000	16,146,283	67,901,283
8/31/2027	42,955,000	14,464,135	57,419,135
8/31/2028	38,260,000	13,072,625	51,332,625
8/31/2029	42,085,000	11,488,600	53,573,600
8/31/2030	45,735,000	9,715,575	55,450,575
8/31/2031	23,755,000	8,273,725	32,028,725
8/31/2032	23,205,000	7,205,450	30,410,450
8/31/2033	16,650,000	6,332,200	22,982,200
8/31/2034	30,620,000	5,376,450	35,996,450
8/31/2035	28,800,000	4,141,125	32,941,125
8/31/2036	30,375,000	2,880,150	33,255,150
8/31/2037	22,250,000	1,728,950	23,978,950
8/31/2038	24,285,000	677,825	24,962,825
8/31/2039	2,590,000	64,750	2,654,750
	<u>\$669,545,000</u>	<u>\$211,891,313</u>	<u>\$881,436,313</u>

G. Bonds Authorized but Unissued

As of August 31, 2020, there are no bonds that are authorized and unissued.

H: Refunded Debt

On May 28, 2020, the District issued \$118,850,000 in general obligation bonds with an average interest rate of 1.875 percent to advance refund \$134 million of outstanding 2009, 2010A, and 2010B series bonds with an average interest rate of 1.70 percent. The net proceeds of \$137,387,315 after payment of \$599,156.95 in underwriting fees, other issuance costs plus contingency were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the 2009, 2010A, and 2010B series bonds are considered defeased.

The District refunded the 2009, 2010A, and 2010B series bonds to reduce its total debt service payments over the next 10 years by \$18,643,772.37 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$16,351,176.20.

Cash Flows Difference	
Old Debt Service Cash Flows	\$174,275,139.04
New Debt Service Cash Flows	\$155,631,366.67
Total	\$18,643,772.37
Economic Gain	
Present Value of Old Debt Service Cash Flows	\$154,334,860.54
Present Value of New Debt Service Cash Flows	\$137,983,684.34
Total	\$16,351,176.20

Note 11: Operating Leases (Non-Capitalized)

The district is obligated to pay under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreements are not reflected in the district's Capital Assets. The following is a schedule by years of future minimum rental payments required under operating leases of one year or more as of August 31, 2020.

<u>Year Ended</u>	<u>Amount</u>
8/31/2021	\$397,251
8/31/2022	319,800
8/31/2023	186,550
Total	\$903,601

\$826,150 pertains to the lease of copy machines and \$77,451 is for portable leases.

Note 12: Self-Insured Employee Benefits

Unemployment – The district provides for unemployment compensation on a self-insured basis, whereby an estimated liability is accrued and actual benefits paid are charged against the accrual in the General Fund. The district reimburses Washington State Employment Security Department on a quarterly basis for claims approved and paid. The district paid out a total of \$228,036 in unemployment claims for the fiscal year ended August 31, 2020. The following is a summary of activity for the current and prior fiscal year.

	Beginning			Ending
<u>Fiscal Year</u>	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
2018-19	\$548,847	\$76,302	\$87,820	\$537,329
2019-20	\$537,329	\$80,246	\$321,185	\$296,390

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 \$686,738 in industrial insurance claims in the General Fund for the fiscal year ended August 31, 2020. The following is a summary of activity for the current and prior fiscal year.

	Beginning			Ending
<u>Fiscal Year</u>	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
2018-19	\$2,743,392	\$1,395,033	\$1,557,560	\$2,560,865
2019-20	\$2,560,865	\$1,316,567	\$1,484,285	\$2,393,147

Vision Insurance-The school district began self-insurance for vision benefits in October 2000 and contracts with a 3rd party administrator to manage its insurance claims. The district sets a monthly premium rate, whereby an estimated liability is accrued. This liability is reviewed monthly for adequacy. The District transitioned to School Employee Benefits Board (SEBB) for Vision insurance on January 1, 2020. The District did not collect premium payments in November and December 2019 from our employees in order to reduce the balance in the account. Actual benefit payments are charged against the accrual in the general Fund. The district paid out a total of \$597,030 in claims for the fiscal year ended August 31, 2020. \$33,499 was paid from other District reserves. The following is a summary of activity for the current and prior fiscal year.

	Beginning			Ending
<u>Fiscal Year</u>	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
2018-19	\$533,332	\$909,720	\$985,058	\$457,994
2019-20	\$457,994	\$192,212	\$650,206	\$0

Note 13: Risk Management

The district is a member of the Washington Schools Risk Management Pool (Pool). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in 1986 when educational service districts and school districts in the state of Washington joined together by signing the Cooperative Risk Management Pool Account Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Over 90 school and educational service districts have joined the Pool.

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

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

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

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

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

A. Balance Sheet/Statement of Net Position

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

Cost of capital assets	\$1,548,022,160
Accumulated Depreciation	<u>329,481,922</u>
Net Capital Assets	<u>\$1,218,540,238</u>

2. Deferred Charge on Refunding-The difference between the carrying amount of refunded debt and the cost of new debt to retire the old debt resulted in a loss on refunding. The governmental funds recognize this loss as current other financing sources in the period in which the refunding occurred. In the governmental statements, the deferred loss on refunding balance (\$9,999,621) 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 (\$52,175,990) and a deferred inflow (\$9,883,265) 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 (\$32,563,482) and a deferred inflow (\$13,096,722) of resources.
5. Long-term liabilities of \$1,061,030,443 (\$61,375,395 due within one year; \$700,963,289 due in more than one year); OPEB liability of \$164,071,224 and net pension liability of \$134,620,535 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 (\$84,673,659) 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 (\$234,611) - 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 (\$4,046,510).
2. The increase between the beginning and ending balances of the liability for compensated absences (\$406,444) 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 (\$11,132,597) 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 (-\$10,541,293) is not reported in the governmental fund financial statements. However, it is reported in the district-wide statement of activities as a negative expense.
5. The proceeds of the sale of property is reported as an increase in other financial resources in governmental funds, while only the loss on sale or disposition of property (\$1,202,154) 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 (\$30,353,859).
7. Repayment of bond principal (\$45,325,000) is reported as an expenditure in governmental funds and, thus has the effect of reducing fund balance. For the district as a whole, however, the principal payments reduce the liabilities in the statement of Net Position.
8. Internal transfers between funds (\$7,237,017) are reported as other financial sources/uses in the governmental funds but eliminated in the consolidated Statement of Activities.
9. The government funds report debt interest and other payments, \$28,983,022 as expenditures. In the governmental funds, interest expense is adjusted to reflect amortization of bond premium (\$4,612,604), amortization of bond discount (\$175,123), amortization of deferred amount on refunding (\$1,247,512) and discount on new bond issue (\$659,733).

Amortization of Bond Premium	(\$4,612,604)
Amortization of Bond Discount	175,123
Amortization of Deferred Amount of Refunding	1,247,512
Bond Discount on New Issue	<u>(659,733)</u>
	(\$3,849,702)

10. The government funds report the current refunding of bonds as an expenditure. For the District as a whole, the old debt is removed from liabilities and replaced with the new debt along with deferred outflows on refunding on the statement of Net Position (\$137,387,315).

Note 15: Contingent Liabilities

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

Note 16: Litigation

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

Note 17: Subsequent Events

COVID-19 Pandemic

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

Many of the precautionary measures put in place during the 2019–20 school year remain in effect; and are affecting the district for the 2020–21 school year in new ways. The district began the 2020-21 school year primarily offering fully remote learning with a limited number of special education students being served in person. The district did not furlough or layoff staff so that the district would be ready to return students to school when feasible.

In February 2021, the district brought kindergarten and first grade students back for in-person learning 4 days per week. In March 2021, the district brought back grades 2-5 for in-person learning, 2 days per week. In April 2021, the district brought back all grades for in-person learning, 4 days per week. The district is continuing to plan towards maximizing in-person learning for the 2021-22 school year.

The district experienced a decline in enrollment in 2020-21 of approximately 775 full-time equivalent (FTE) students, or 2.5% and are estimating to be 975 FTE below budgeted enrollment. In addition, special education enrollment is also down about 120 students from budget. The net impact due to the enrollment decline is estimated to be about \$11.5 million for 2020-21. In addition, the district will experience other revenue losses including transportation funding and local fee programs. However, the district also anticipates expenditure savings for transportation, contractual services, other labor, and local fee programs. The district also experienced significant expenditure increases related to remote learning and preparing to reopen schools. The total net impact of COVID-19 for the 2020-21 school year is currently estimated at \$7.5 million. Future legislative action and additional federal funds to assist school districts would reduce this impact but are not factored into these estimates.

The district anticipates student enrollment will decline again for the 2021-22 school year due to COVID, but does not currently anticipate the need to lay off employees due to attrition and employee leave notifications.

Due to the unknown impacts related to COVID, the adopted 2020-21 budget includes \$40 million in committed fund balance for economic stabilization. The full extent of the financial impact on the school district, is unknown at this time.

Lake Washington School District
Schedules of Required Supplementary Information

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

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY						
PERS 1						
Last 10 Fiscal Years*						
As of June 30th	2015	2016	2017	2018	2019	2020
District's Proportion of the net pension liability (percentage)	0.333717%	0.292801%	0.372758%	0.317635%	0.357901%	39.095600%
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
District's covered-employee payroll	\$37,694,260	\$35,333,773	\$46,371,620	\$42,034,737	\$49,819,307	\$58,083,384
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%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%	67.12%	68.64%

SERS 2/3						
Last 10 Fiscal Years*						
As of June 30th	2015	2016	2017	2018	2019	2020
District's Proportion of the net pension liability (percentage)	2.156443%	1.877438%	2.244654%	1.893267%	2.045037%	2.208082%
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
District's covered-employee payroll	\$37,128,537	\$34,875,682	\$45,868,804	\$41,624,914	\$49,508,318	\$57,845,947
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%
Plan fiduciary net position as a percentage of the total pension liability	90.92%	86.52%	90.79%	94.77%	96.31%	92.45%

TRS 1						
Last 10 Fiscal Years*						
As of June 30th	2015	2016	2017	2018	2019	2020
District's Proportion of the net pension liability (percentage)	2.657424%	2.310233%	2.709794%	2.463093%	2.718438%	2.768718%
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
District's covered-employee payroll	\$127,138,238	\$117,104,222	\$150,055,912	\$144,918,444	\$182,490,738	\$199,992,101
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%
Plan fiduciary net position as a percentage of the total pension liability	65.70%	62.07%	65.58%	66.52%	70.37%	70.55%

TRS 2/3						
Last 10 Fiscal Years*						
As of June 30th	2015	2016	2017	2018	2019	2020
District's Proportion of the net pension liability (percentage)	2.646598%	2.293214%	2.698990%	2.462132%	2.715775%	2.759083%
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
District's covered-employee payroll	\$123,808,566	\$114,847,370	\$148,016,879	\$143,690,860	\$181,294,700	\$199,153,137
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%
Plan fiduciary net position as a percentage of the total pension liability	92.48%	88.72%	93.14%	96.88%	96.36%	91.72%

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

SCHEDULE OF DISTRICT CONTRIBUTIONS						
PERS 1						
Last 10 Fiscal Years*						
As of August 31st	2015	2016	2017	2018	2019	2020
Contractually required contributions	\$1,533,757	\$1,863,411	\$2,095,592	\$2,345,266	\$2,603,126	\$2,833,438
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
Contribution deficiency (excess)	\$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
Contribution as a percentage of covered-employee payroll	4.39%	4.77%	4.83%	5.08%	5.16%	4.74%

SERS 2/3						
Last 10 Fiscal Years*						
As of August 31st	2015	2016	2017	2018	2019	2020
Contractually required contributions	\$2,096,530	\$2,519,129	\$2,842,705	\$3,713,934	\$4,145,406	\$4,774,843
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
Contribution deficiency (excess)	\$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
Contribution as a percentage of covered-employee payroll	6.09%	6.53%	6.63%	8.11%	8.27%	8.03%

TRS 1						
Last 10 Fiscal Years*						
As of August 31st	2015	2016	2017	2018	2019	2020
Contractually required contributions	\$5,946,700	\$7,928,788	\$8,859,127	\$11,460,836	\$13,946,894	\$14,539,975
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
Contribution deficiency (excess)	\$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
Contribution as a percentage of covered-employee payroll	5.02%	6.17%	6.31%	7.16%	7.43%	7.19%

TRS 2/3						
Last 10 Fiscal Years*						
As of August 31st	2015	2016	2017	2018	2019	2020
Contractually required contributions	\$7,033,264	\$8,341,117	\$9,307,146	\$12,267,460	\$14,606,826	\$16,053,448
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
Contribution deficiency (excess)	\$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
Contribution as a percentage of covered-employee payroll	6.09%	6.62%	6.72%	7.72%	7.83%	7.97%

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, 2020.

Total OPEB Liability	2018	2019	2020
Service Cost	\$7,334,473	\$6,232,790	\$7,952,152
Interest on total OPEB liability	3,766,360	4,374,274	5,374,551
Changes in benefit terms			
Effect of economic/demographic gains or (losses)		\$5,386,339	
Effect of assumption changes or inputs	(15,494,785)	(3,838,357)	27,728,423
Expected benefit payments	(2,348,794)	(2,656,625)	(2,890,759)
Net change in total OPEB liability	(6,742,746)	9,498,421	38,164,367
Total OPEB liability, beginning	126,450,013	119,707,267	129,205,688
Total OPEB liability, ending	<u>\$119,707,267</u>	<u>\$129,205,688</u>	<u>\$167,370,055</u>
Covered employee payroll	\$194,129,649	\$217,811,559	\$238,169,523
Total OPEB liability as a percentage of covered payroll	61.66%	59.32%	70.27%

The valuation date of the actuarial study was July 1, 2018 and then projected to the measurement date of August 31, 2020. 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, 2020

Federal Agency (Pass-Through Agency)	Expenditures					Passed through to Subrecipients	Note
	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards		
Child Nutrition Cluster							
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	School Breakfast Program	10.553	17414	121,035	-	121,035	2
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	National School Lunch Program	10.555	17414	983,844	-	983,844	2
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	National School Lunch Program	10.555	17414	414,853	-	414,853	3
		Total CFDA 10.555:		1,398,697	-	1,398,697	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	Covid-19 Summer Food Service Program for Children	10.559	WA1121	1,112,651	-	1,112,651	
		Total Child Nutrition Cluster:		2,632,383	-	2,632,383	
Forest Service Schools and Roads Cluster							
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF (via WA State Treasurer)	Schools and Roads - Grants to States	10.665	17414	8,414	-	8,414	
		Total Forest Service Schools and Roads Cluster:		8,414	-	8,414	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	203519	1,136,133	-	1,136,133	4a,5
Special Education Cluster (IDEA)							

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, 2020

Expenditures						
Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Passed through to Subrecipients
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Grants to States	84.027	306797	5,001,149	-	-
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Grants to States	84.027	338236	929,618	-	-
		Total CFDA 84.027:		5,930,767	-	-
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Preschool Grants	84.173	366291	99,389	-	-
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Preschool Grants	84.173	385443	11,407	-	-
		Total CFDA 84.173:		110,796	-	-
		Total Special Education Cluster (IDEA):		6,041,563	-	-
Office of Career, Technical, and Adult Education, EDUCATION, DEPARTMENT OF (via WA OSPI)	Career and Technical Education -- Basic Grants to States	84.048	174538	110,852	-	-
Office of Career, Technical, and Adult Education, EDUCATION, DEPARTMENT OF (via WA OSPI)	Career and Technical Education -- Basic Grants to States	84.048	173944	26,495	-	-
		Total CFDA 84.048:		137,347	-	-
						4a

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, 2020

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					Passed through to Subrecipients	Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF	Indian Education Grants to Local Educational Agencies	84.060	SO60A191113	-	68,320	68,320	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	English Language Acquisition State Grants	84.365	402801	270,219	-	270,219	-	4a
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	524703	434,051	-	434,051	-	4a
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	Student Support and Academic Enrichment Program	84.424	430674	52,341	-	52,341	-	4a
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	COVID-19 Education Stabilization Fund	84.425D	120160	943,051	-	943,051	-	4b
OFFICE OF ASSISTANT SECRETARY FOR HEALTH, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via PSED)	Pregnancy Assistance Fund Program	93.500	179446	3,952	-	3,952	-	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via PSED)	Head Start	93.600	11086	591,115	-	591,115	-	

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, 2020

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					Passed through to Subrecipients	Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via PSED)	Head Start	93.600	11222	16,296	-	16,296	-	
		Total CFDA 93.600:					-	
		Total Federal Awards Expended:					-	
				607,411	-	607,411		
				12,266,865	68,320	12,335,185		

**Lake Washington School District #414
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ending August 31, 2020**

NOTE 1 – BASIS OF ACCOUNTING

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

NOTE 2 – UNIT COST CONTRACTS

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

NOTE 3 – NONCASH AWARDS – FOOD COMMODITIES

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

NOTE 4 – FEDERAL INDIRECT RATE

- a) The Lake Washington School District claimed indirect costs under this grant using its federal restricted rate of 2.80%.
- b) The Lake Washington School District claimed indirect costs under this grant using its federal restricted rate of 9.26%

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

NOTE 5 – SCHOOL WIDE PROGRAMS

The Lake Washington School District operates a "schoolwide program" in six 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) \$413,024.67.

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

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.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

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