Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Spokane School District No. 81

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

Published March 7, 2019

Report No. 1023395

Office of the Washington State Auditor
Pat McCarthy

March 7, 2019

Board of Directors
Spokane School District No. 81
Spokane, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Spokane School District No. 81'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

Spokane School District No. 81
September 1, 2017 through August 31, 2018

SECTION I – SUMMARY OF AUDITOR'S RESULTS

The results of our audit of Spokane School District No. 81 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.

CFDA No.	Program or Cluster Title
84.010	Title I Grants to Local Educational Agencies
84.027	Special Education Cluster (IDEA) – Special Education Grants to States
84.173	Special Education Cluster (IDEA) – Special Education Preschool Grants

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was $971,723.

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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

Spokane School District No. 81
September 1, 2017 through August 31, 2018

Board of Directors
Spokane School District No. 81
Spokane, 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 Spokane School District No. 81, as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 22, 2019. As discussed in Note 1 to the financial statements, during the year ended August 31, 2018, the District implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy

State Auditor

Olympia, WA

February 22, 2019

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

Spokane School District No. 81
September 1, 2017 through August 31, 2018

Board of Directors
Spokane School District No. 81
Spokane, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Spokane School District No. 81, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2018. The District's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

Purpose of this Report

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

Pat McCarthy

State Auditor

Olympia, WA

February 22, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Spokane School District No. 81
September 1, 2017 through August 31, 2018

Board of Directors
Spokane School District No. 81
Spokane, 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 Spokane School District No. 81, as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 15.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Spokane School District No. 81, as of August 31, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and

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

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

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

Pat McCarthy

State Auditor

Olympia, WA

February 22, 2019

FINANCIAL SECTION

Spokane School District No. 81
September 1, 2017 through August 31, 2018

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY AND OTHER INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Spokane Public School's financial performance provides an overview of the school district's financial activities for the fiscal year ended August 31, 2018. We encourage readers to consider the information presented here in conjunction with additional information presented in the financial statements and notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The district's total net position of governmental activities as of August 31, 2018 was negative $3.9 million. During the year, the district had revenues of $458.8 million and expenses of $447.2 million incurred for all governmental activities. GASB 75 was implemented resulting in a decrease to net assets of $99.9 million for the cumulative change in accounting principle. The results of operation and implementation of GASB 75 resulted in a decrease to Net Position of $88.4 million.
- The district's governmental funds as of August 31, 2018, reported a combined ending fund balance of $116.5 million, an increase of $20.3 million compared to the prior year.
- The General Fund total fund balance was $40.1 million reflecting an increase of $2.7 million. The General Fund balance represents 9.7% of General Fund expenditures. Of the $40.1 million in fund balance, $27.0 million is available for spending at the district's discretion (assigned and unassigned fund balance). The discretionary General Fund balance represents 6.5% of General Fund expenditures.
- The average student enrollment decreased by 111 full time equivalent (FTE) students as compared to 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's 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 (fiduciary funds) 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 SCHOOL DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

Our analysis of the school district as a whole begins in the *government-wide financial statement* section. Is the district as a whole better off or worse off as a result of the year's activities? The *statement of net position* and the *statement of activities* report information about the district as a whole and about its activities in a way that helps answer this question. The financial statements of the district present a reduced financial position (due to implementation of GASB 75) as reflected in the *statement of net position*. These statements include all assets, liabilities, deferred outflows of resources and deferred inflows of resources using the accrual basis of accounting, 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 the position. The district's net position (the difference between assets, liabilities, deferred outflows of resources and deferred inflows of resources) may be viewed as one way to measure the district's financial health. 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*, we present governmental activities. The district's basic services, including associated student body, debt service, and capital projects are reported here. Revenue from state and federal grants, property taxes, and other miscellaneous private sources finance most of these activities.

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Governmental Funds Financial Statements

Our analysis of the school district's major funds begins in the governmental funds financial statement section. The governmental funds financial statements provide detailed information about the most significant funds - not the district as a whole. Some funds, such as the Special Revenue Fund (Associated Student Body Fund), are required and established consistent with state law.

Governmental Funds – All of the district's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed *short-term* view of the district's general education and support operations and the basic services. Governmental funds information helps determine whether there are more or less financial resources that can be spent in the near future to finance the district's programs. We describe the relationship (or differences) between governmental activities (reported in the *statement of net position* and the *statement of activities*) and governmental funds in the reconciliation presented in exhibit 3A and exhibit 4A of the basic financial statements and in Note 2 of the financial statements.

THE SCHOOL DISTRICT AS TRUSTEE

Reporting the School District's Fiduciary Responsibilities

The district is the trustee, or fiduciary, for individuals, private organizations, and other governments for scholarships and other specific purposes. All of the district's fiduciary activities are reported in a separate *statement of fiduciary net position* and *changes in fiduciary net position* under the fiduciary financial statement section. We exclude these activities from the district's other financial statements because the district cannot use these assets to finance day-to-day operations. The district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

THE SCHOOL DISTRICT AS A WHOLE (Government-Wide Financial Statements)

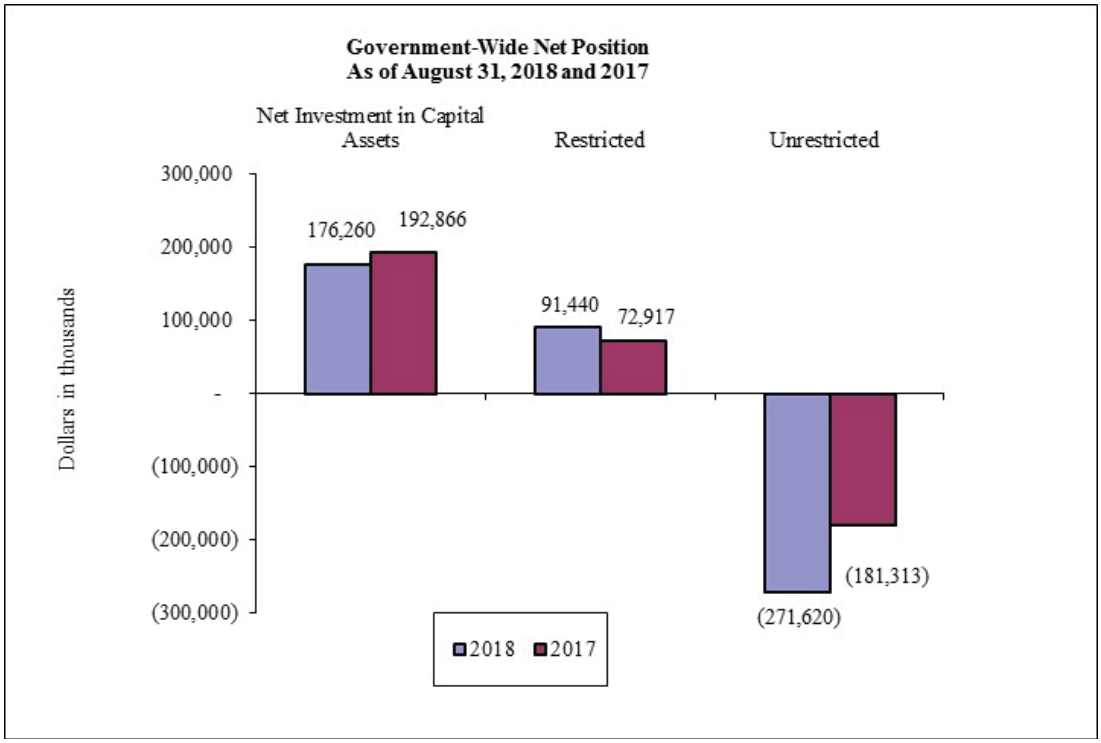
In 2017-2018 revenues exceeded expenses by $11.6 million as compared to $7.2 million in the prior year. While operations provided an increase to net position, the cumulated effect of changes in accounting principle for the implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans* resulted in a decrease to net position. Our analysis focuses on the net position and changes in net position of the district's governmental activities.

The net position of the district's governmental activities increased by $11.6 million, however the cumulated change in accounting principle for the implementation of GASB 75 decreased net position by $99.9 million for a balance that is negative $3.9 million. The district increased capital assets by $9.5 million net of depreciation. The capital additions were financed by long term debt issued in the current year and state funding. Increased liabilities for other post-employment benefits and bonds payable, partially offset by decreases for pension payable, resulted in a $100.4 million increase to long term liabilities.

Unrestricted net position reflects funds that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. The unrestricted net position of the district is negative $271.6 million. The net position of $91.4 million is restricted under legal obligations (for debt payments and other contractual obligations) and $176.3 million is invested in capital assets.

Government-Wide Net Position
As of August 31

	2018	2017
Current and Other Assets	$ 193,998,448	$ 172,892,960
Capital Assets	580,304,731	570,830,576
Total Assets	774,303,179	743,723,536
Total Deferred Outflows	25,742,868	17,591,081
Other Liabilities	34,100,027	34,231,793
Long-Term Liabilities	721,754,225	621,328,555
Total Liabilities	755,854,252	655,560,348
Total Deferred Inflows	48,111,256	21,285,056
Net Investment in Capital Assets	176,260,482	192,865,784
Restricted	91,439,767	72,916,670
Unrestricted	(271,619,710)	(181,313,241)
TOTAL NET POSITION	$ (3,919,461)	$ 84,469,213



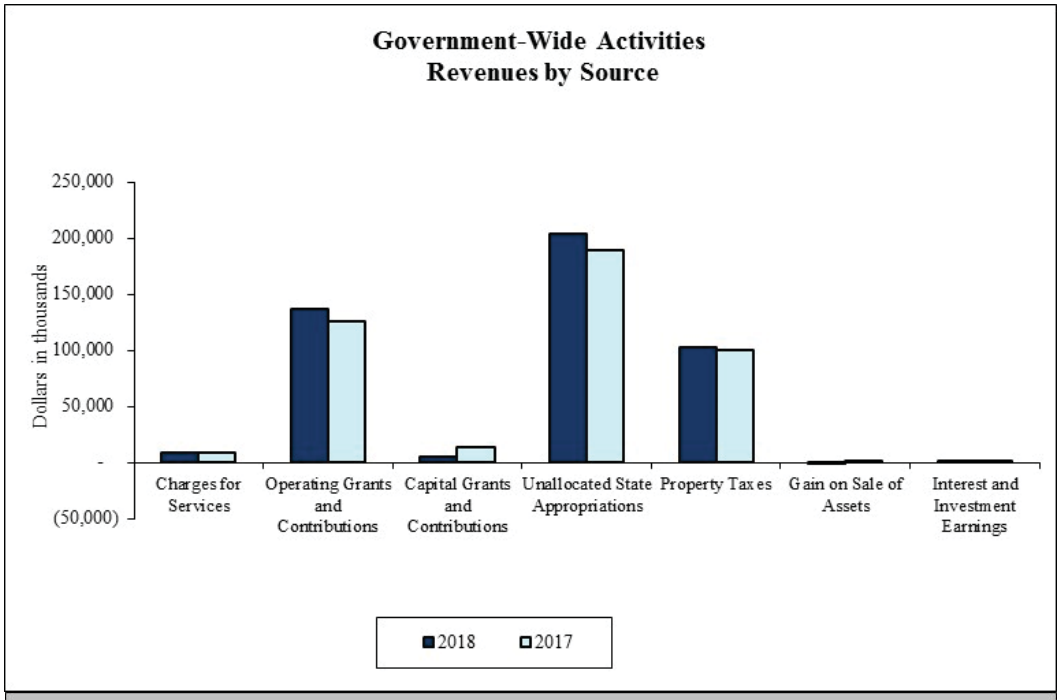
The 2017-2018 total revenues of $458.8 million exceed total expenses of $447.2 million by $11.6 million. Total revenues were up due to increased general revenues from unallocated state appropriations and property taxes. This increase reflects the state's investment of additional basic education resources for salaries, instruction, student support and materials. Increased program revenues from operating grants and contributions were partially offset by decreased capital grants and contributions. The increase in operating grants and contributions was for special education, title I and learning assistance program and also reflects the state's increased investment in education resources. Capital grants and contributions fluctuate with the projects that they fund and are dependent on the number of projects that are eligible for state funding. Expenses increased by $15.9 million in 2017-18, primarily due to increased staffing costs. The increase reflects enhanced staffing in support of lower class size. In addition, salaries and benefits increased with the implementation of bargaining unit agreements and recognition of related pension and other post-employment benefit (OPEB) expenses.

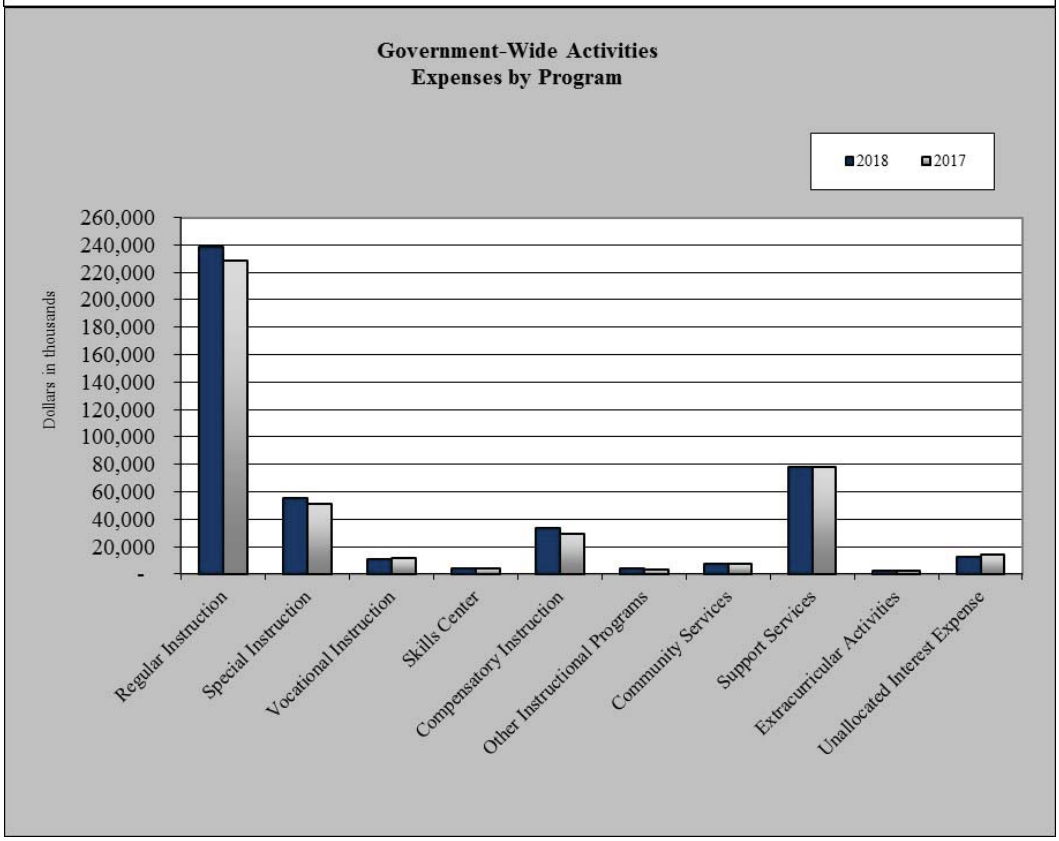
Government-Wide Changes in Net Position
PRIMARY GOVERNMENT
For the Year Ended August 31

	2018	2017
Program Revenues:		
Charges for Services	$ 9,125,425	$ 8,325,419
Operating Grants and Contributions	136,245,002	125,290,735
Capital Grants and Contributions	5,547,278	14,220,130
General Revenues:		
Property Taxes	102,363,468	100,744,751
Unallocated State Appropriations	204,299,650	188,873,725
Gain (Loss) on Sale of Assets	(464,177)	28,064
Interest and Investment Earnings	1,656,109	1,062,549
TOTAL REVENUES	**458,772,755**	**438,545,373**
PROGRAM EXPENSES:		
Regular Instruction	238,384,309	228,899,386
Special Instruction	55,745,716	50,967,309
Vocational Instruction	11,053,415	11,586,107
Skills Center	4,202,587	4,341,605
Compensatory Instruction	33,776,026	29,525,502
Other Instructional Programs	3,784,807	3,661,416
Community Services	7,675,301	7,258,971
Support Services	78,258,524	78,345,391
Extracurricular Activities	2,171,473	2,145,205
Unallocated Interest Expense	12,169,599	14,595,492
TOTAL EXPENSES	**447,221,757**	**431,326,384**
Increase (Decrease) in Net Position	**11,550,998**	**7,218,989**
Net Position - Beginning	**84,469,213**	**77,250,224**
Cumulative Changes in Accounting Principle	**(99,939,672)**	**-**
Adjusted Net Position - Beginning	**(15,470,459)**	**77,250,224**
Ending Net Position	**$ (3,919,461)**	**$ 84,469,213**

Government-Wide Activities

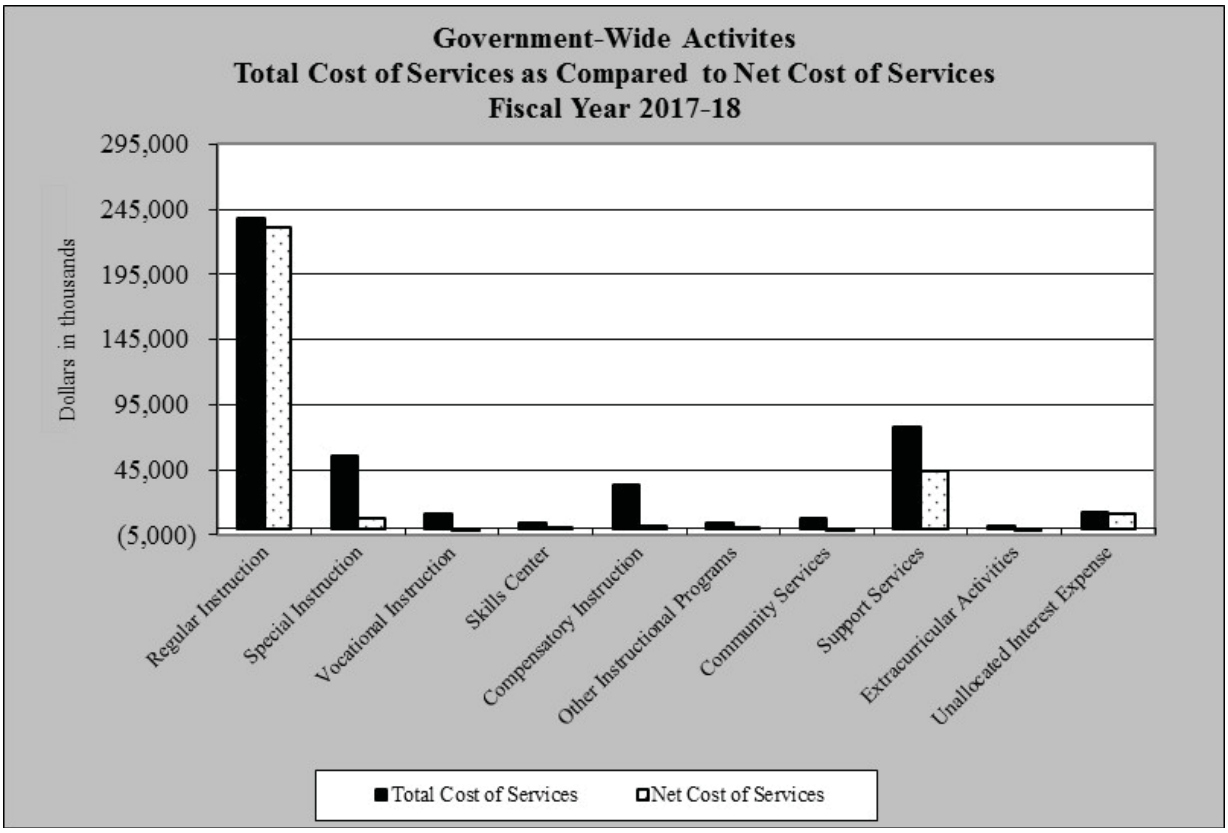
Revenues by source and the costs of the district, including the district's largest programs consisting of regular instruction, special instruction, vocational instruction, compensatory instruction and support services are presented below. On the following page each program's net cost (total cost less revenues) is presented. The net cost shows the financial impact of these programs. The net cost of services is funded by the school district's revenue sources as presented on the following charts and tables.





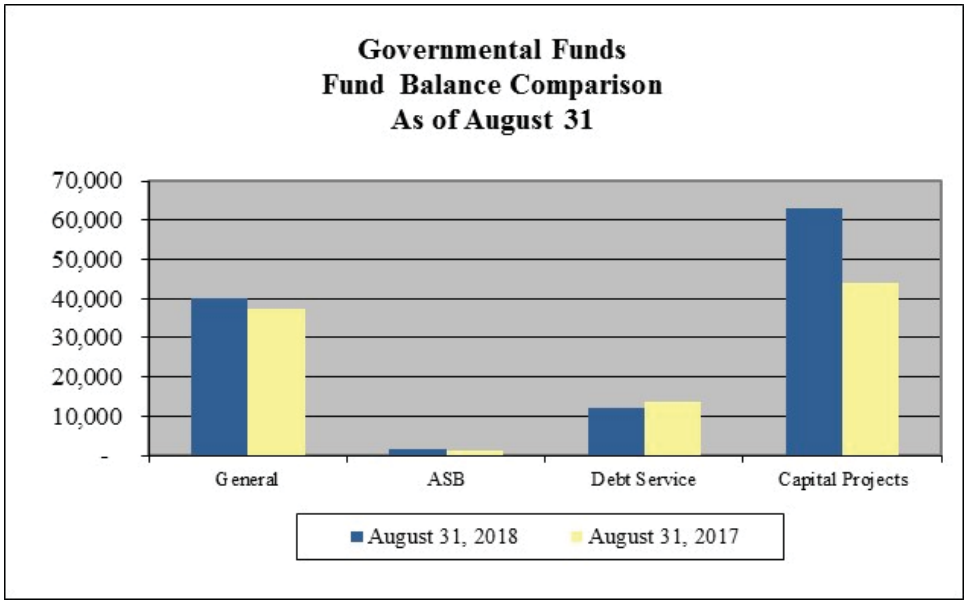
Government-Wide Activities
Net Cost of Services
For the year ended August 31, 2018

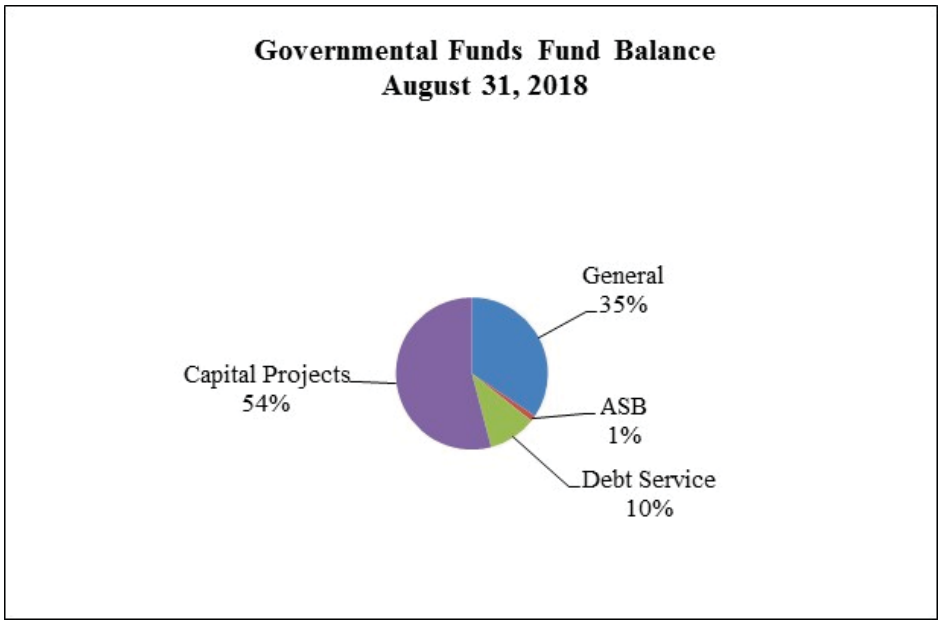
	Program Revenues	Total Cost of Services	Net Cost of Services
Regular Instruction	$ 7,490,796	$ 238,384,309	$ (230,893,513)
Special Instruction	47,966,852	55,745,716	(7,778,864)
Vocational Instruction	11,759,436	11,053,415	706,021
Skills Center	3,747,698	4,202,587	(454,889)
Compensatory Instruction	32,216,879	33,776,026	(1,559,147)
Other Instructional Programs	2,579,691	3,784,807	(1,205,116)
Community Services	8,147,608	7,675,301	472,307
Support Services	34,047,601	78,258,524	(44,210,923)
Extracurricular Activities	2,258,391	2,171,473	86,918
Unallocated Interest Expense	702,753	12,169,599	(11,466,846)
Totals	$ 150,917,705	$ 447,221,757	$ (296,304,052)



THE SCHOOL DISTRICT'S FUNDS (Fund Financial Statements)

At the end of the 2018 fiscal year, total governmental fund balance was $116.5 million (as presented in the balance sheets under the governmental financial statement section), which is $20.3 million more than last year's fund balance of $96.1 million. This increase is a result of funds borrowed through capital bonds being issued as well as a minor positive general fund budget variance. As presented in the bottom chart below, the General Fund comprises 34.4% and the Capital Projects Fund comprises 54.1% of total fund balance at August 31, 2018.





The table below presents a summary of the General Fund revenues and expenditures for fiscal years 2018 and 2017. The significant changes are explained below the table. A graphical presentation of revenues and expenditures follows.

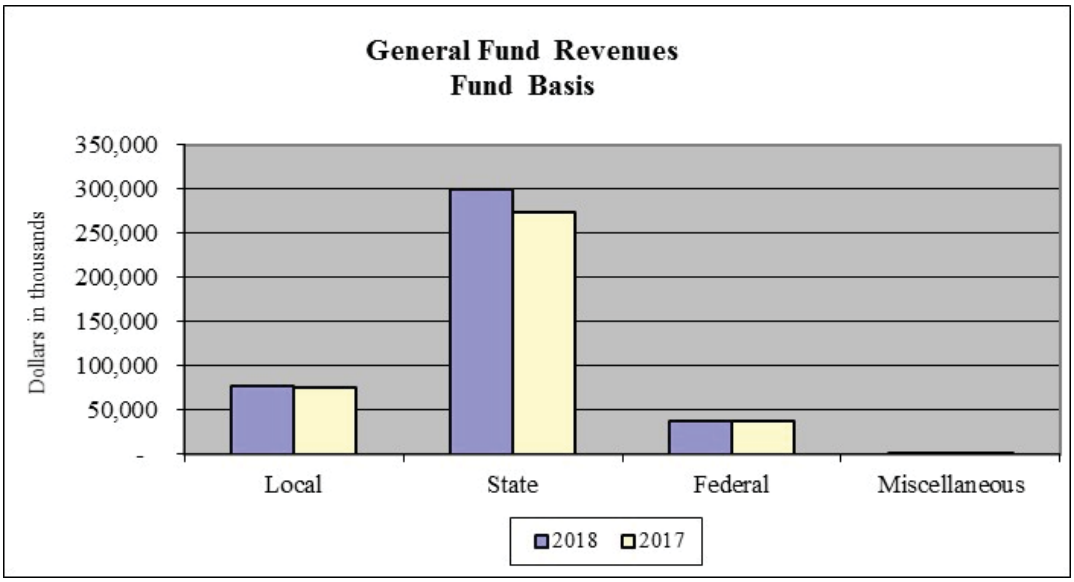
General Fund
For the Year Ended August 31

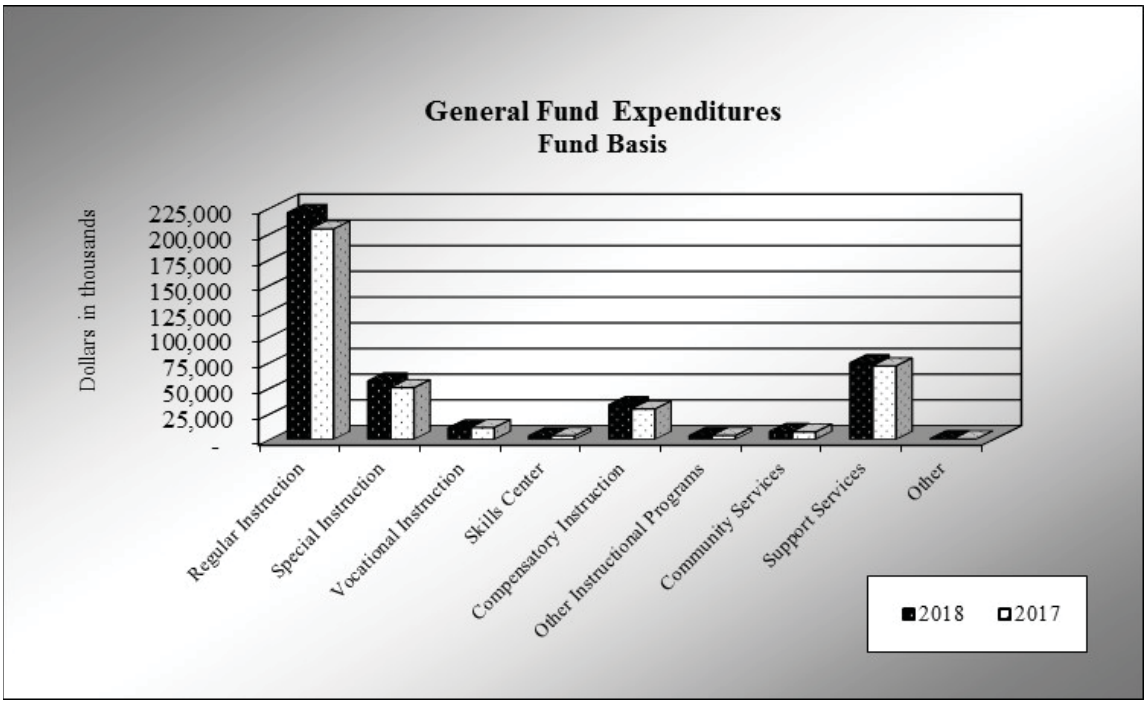
	2018	2017	Percent Change
Revenues			
Local	$ 76,494,952	$ 74,394,657	2.82%
State	300,115,570	274,093,536	9.49
Federal	37,297,091	36,707,098	1.61
Miscellaneous	1,627,367	1,389,954	17.08
Total Revenues	$ 415,534,980	$ 386,585,245	7.49%
Expenditures			
Regular Instruction	$ 220,562,484	$ 204,567,829	7.82%
Special Instruction	56,973,974	50,233,621	13.42
Vocational Instruction	11,267,406	11,439,872	(1.51)
Skills Center	3,518,095	3,577,829	(1.67)
Compensatory Instruction	33,776,026	29,525,502	14.40
Other Instructional Programs	3,784,807	3,661,416	3.37
Community Services	7,675,301	7,258,971	5.74
Support Services	74,550,935	71,424,306	4.38
Capital Outlay			
Other	706,634	381,890	85.04
Total Expenditures	$ 412,815,662	$ 382,071,236	8.05%

State revenues increased during the year. The increase in state funding reflects the state's investment of additional basic education resources for salaries, instruction, student support and materials.

The district expenditures reflect increases and decreases in programs to maintain programs within available resources. The increased state funding has corresponding expenditures in regular, special and compensatory instruction for the expenditures associated with lower class sizes, increases to student support within the schools and increases in student enrollment and corresponding staffing along with salary increases. Increased expenditures in nutrition services were for food and salary increases and in transportation were for increased costs for contracted busing.

The capital outlay expenditures, though insignificant in dollar amount, represent the district's commitment to maintaining district facilities and equipment at an acceptable level. The district has been monitoring the budget very closely and has developed a process for requesting and prioritizing the purchases of capital equipment in the General Fund. The amount presented for each year reflects procurement of the highest priority items.


General Fund Revenues
Fund Basis
Dollars in thousands
350,000
300,000
250,000
200,000
150,000
100,000
50,000
-
Local
State
Federal
Miscellaneous
2018
2017


General Fund Expenditures
Fund Basis
Dollars in thousands
225,000
200,000
175,000
150,000
125,000
100,000
75,000
50,000
25,000
-
Regular Instruction
Special Instruction
Vocational Instruction
Skills Center
Compensatory Instruction
Other Instructional Programs
Community Services
Support Services
Other
2018
2017

The table below presents a summary of the Capital Projects Fund. The district is in the third phase of the long-range capital improvement plan. Under this plan, the district continues to renovate or replace district facilities. Funding for projects has been provided through the use of funds in bonds issued and a state matching program.

Capital Projects Fund
For the Year Ended August 31

	2018	2017	Percent Change
Revenues			
Local	$ 933,271	$ 616,742	51.32%
State	5,416,101	14,139,684	(61.70%)
Federal	-	177,016	(100.00%)
Total Revenues	$ 6,349,372	$ 14,933,442	(57.48%)
Expenditures			
Capital Outlay			
Other	$ 38,517,003	$ 52,490,130	(26.62%)
Total Expenditures	$ 38,517,003	$ 52,490,130	(26.62%)

Other Funds
The Debt Service Fund reflects the collection of property taxes used for payment of bonded debt. See Note 8 for a detail description of debt outstanding.

The Associated Student Body Fund reflects student body activity for the year. Both revenues and expenditures remain within historical averages, however revenues exceeded expenditures in 2018 resulting in an increase to fund balance of $108,658. Given the nature of the Associated Student Body Fund, the expenditures will vary from year to year based on the success of athletic teams and non-athletic extra-curricular trips that occur.

Budgetary Highlights
Adopted budgeted expenditures are a prerequisite to expenditures in the governmental funds. The budgeted expenditures lapse at the end of the fiscal year. The board may adopt a revised or supplemental expenditure budget after a public hearing anytime during the fiscal year. There were no board adopted budget revisions during 2017-2018.

The district budgets capacity for grant applications in the General Fund. The capacity is budgeted as revenues and expenditures. If a grant is not awarded, neither the expenditure nor the revenue is recognized. In the expenditure budget-to-actual schedules, there are under expenditures which represent grants that were budgeted but not awarded to the district. Corresponding variances are reflected in the revenue, budget-to-actual schedules. A detailed comparison of budget to actual for the General Fund is presented in Schedule A-1. The under budget amount reflected in compensatory education and other instructional programs reflects the budgeted capacity to accept grant awards. The under budget amounts in Regular Instruction, Vocational Instruction and Support Services are due to the length of time from vacancy to hire and staffing to need rather than staffing to budget. The over budget amount in Special Instruction is due to continued increases in the number of students receiving specially designed instruction and the amount of services that these students require.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets
At the end of the 2017-2018 fiscal year, the district had $879.7 million invested in a broad range of capital assets, including technology, equipment and school buildings. This amount represents a net increase (including additions and deletions) of $31.9 million or 3.8 percent.

The district has a long-range capital improvement plan that was originally adopted in 2003. The capital plan is financed with General Obligation Bonds. The projects established in the first phase of the plan approved by voters in 2003 are complete. The projects included the renovation of two high schools, replacement of three elementary schools, athletic facility improvements, technology, and infrastructure to support technology.

The second phase of the long-range capital improvement plan was started in 2009 when district voters approved a $288 million bond. All of those General Obligation Bonds have been sold to fund the second phase of projects. The second phase included replacing or renovating four elementary schools, renovating one high school, replacing one middle school gymnasium, technology, infrastructure to support technology and a variety of smaller capital improvements across the district.

The third phase of the long-range capital improvement plan was started in 2015 when district voters approved a $145 million bond. The first installment of the general obligation bonds was sold in December 2015. The third phase includes replacing or renovating four elementary schools, replacement of a middle school, replacement of a middle school gymnasium, addition of classrooms at selected sites, technology, infrastructure to support technology and a variety of smaller capital improvements across the district.

The district's fiscal year 2018-2019 capital projects budget is $58.9 million. The budget will be used for construction of the third phase of bond projects and locally funded projects and to start the projects authorized as a part of a proposition approved in November, 2018. Projects funded by bonds authorized by voters in 2015 are scheduled to continue through 2021. The construction in progress of $31.3 million as of August 31, 2018 consists of bond projects.

Additional information on capital assets is included in the notes to the financial statements, Note 4.

Capital Assets
As of August 31, 2018

	Historical Cost	Accumulated Depreciation	Net Capital Assets
Land	$ 23,495,004	$ -	$ 23,495,004
Land Improvements	42,225,190	(18,968,010)	23,257,180
Buildings and Improvements	765,454,778	(266,767,397)	498,687,381
Other Equipment and Machinery	17,226,415	(13,627,946)	3,598,469
Construction in Progress	31,266,697	-	31,266,697
Total	$ 879,668,084	$ (299,363,353)	$ 580,304,731

Debt
At year end, the district had $376.6 million in unlimited tax general obligation bonds outstanding. Additional information on debt is included in the notes to the financial statements, Note 8.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The district serves the City of Spokane and some adjacent areas in Spokane County. The economic indicators for the region are showing growth with increased job creation, decreased unemployment and increasing property values.

Spokane County is the largest labor market in eastern Washington and northern Idaho. The diversified economy includes logistics and distribution, transportation/warehousing, advanced manufacturing, health services, finance/insurance, information technology, government including education, and agriculture.

Manufacturing has a solid base due to the hydropower generation, rail and Interstate highways. Fairchild Air Force Base is the county’s largest employer. The health sciences continue to grow with the hospital systems and the University District campuses which train a health care workforce, attract research development and biotechnology, and provide jobs in the health care sector.

The regional economy is thriving on the emergence of new technologies in research and education, health and bio-sciences and new developments in traditional industries including agriculture, manufacturing and forestry.

Key industries posting increases include transportation/warehousing, advanced manufacturing, healthcare, finance/insurance, information technology and agriculture.

The 2018-2019 expenditures for governmental funds of the district are budgeted at just under $557.7 million. The 2018 property tax rate was $5.66 per thousand dollar of assessed value for the amounts collected in both the General Fund and

the Debt Service Fund. The property tax collections for the General Fund represent approximately 10.5% of fund revenues in the 2018-2019 budget.

The district budgeted for a decrease in student enrollment for the 2018-2019 school year (440 students). Over the last few years the enrollment had been growing, in part due to state funding of all-day kindergarten programs, however it is now leveling. The district anticipates slow growth in enrollment over the next few years. Actual enrollment for the 2017-2018 school year came in 214 students lower than budget.

The district has taken a proactive approach to engage the community and staff in establishing priorities to be applied during the budget process. Management held staff meetings, public forums and online surveys to establish and revise district priorities and strategies to increase enrollment. As the district experiences enrollment growth and economic growth in the community, these strategies will be used to direct additional investment of resources. These priorities will be updated as necessary, and will inform future budget development.

The School Board and district management are committed to maintaining General Fund budgeted fund balance sufficient to provide stability of programs and to maintain sound financial practices. School Board Policy number 6022 – Minimum Fund Balance has a target of minimum committed, assigned and unassigned (CAU) fund balance in the range of 5-6%. The August 31, 2018 actual General Fund CAU fund balance of $27.0 million is 6.5% of actual expenditures. The 2018-2019 budget was adopted with a budgeted ending CAU fund balance of 3.3% of budgeted General Fund expenditures. Future spending plans must be adjusted to sustain the district investments in human capital. The District is taking proactive steps to meet the minimum fund balance goals and sustainable operations. The School Board and district management will continue to keep staff and the community involved in the district's budget development process.

SPOKANE PUBLIC SCHOOLS
STATEMENT OF NET POSITION
AUGUST 31, 2018

	Note #	Primary Government Governmental Activities
ASSETS		
Cash and Cash Equivalents	1F, 3	$ 135,268,455
Cash with Fiscal Agent	1F	50,000
Property Tax Receivable	1F	47,048,699
Receivables, Net		358,914
Due from Other Governments		7,339,773
Inventories	1F	1,339,888
Prepaid Items		2,592,719
Capital Assets, Net of Accumulated Depreciation, where applicable:		
Land	4	23,495,004
Land Improvements	4	23,257,180
Buildings & Improvements	4	498,687,381
Other Equipment & Machinery	4	3,598,469
Construction-in-progress	4	31,266,697
TOTAL ASSETS		**774,303,179**
DEFERRED OUTFLOWS OF RESOURCES		
Pension Plan Experience Differences	6	8,749,927
Pension Plan Assumption Changes	6	300,971
Pension Plan Changes in Proportions	6	359,004
Pension Plan Contributions	6	5,707,744
OPEB Contributios	7	3,791,970
Refunding Bonds	8	6,833,252
TOTAL DEFERRED OUTFLOWS		**25,742,868**
LIABILITIES		
Accounts Payable		28,371,598
Accrued Wages & Benefits Payable		3,171,794
Due to Other Governments		150,994
Unearned Grant Revenue		2,405,641
Long-Term Liabilities	8, 9	
Due within one year		18,684,000
Due in more than one year		703,070,225
TOTAL LIABILITIES		**755,854,252**
DEFERRED INFLOWS OF RESOURCES		
Pension Plan Experience Differences	6	1,044,817
Pension Plan Assumption Changes	6	7,250,739
Pension Plan Changes in Proportions	6	710,249
Pension Plan Investment Earnings	6	20,343,806
OPEB Assumptions Changes	7	18,761,645
TOTAL DEFERRED INFLOWS		**48,111,256**
NET POSITION		
Net Investment in Capital Assets		176,260,482
Restricted for:	1K	
Debt Service		32,946,376
Legal Obligations		58,493,391
Unrestricted		(271,619,710)
TOTAL NET POSITION		**$ (3,919,461)**

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

SPOKANE PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018

		PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION PRIMARY GOVERNMENT
Functions/Programs	**Expenses**	**Charges for Service**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**
Primary Government:					
Governmental Activities:					
Regular Instruction	$ 238,384,309	$ 328,193	$ 7,162,603	$ -	$ (230,893,513)
Special Instruction	55,745,716	10,610	47,956,242	-	(7,778,864)
Vocational Instruction	11,053,415	49,564	11,709,872	-	706,021
Skills Center	4,202,587	56,409	3,682,499	8,790	(454,889)
Compensatory Education	33,776,026	20,625	32,187,554	8,700	(1,559,147)
Other Instructional Programs	3,784,807	460,743	2,118,948	-	(1,205,116)
Community Services	7,675,301	2,215,866	5,931,742	-	472,307
Support Services	78,258,524	4,133,674	24,384,139	5,529,788	(44,210,923)
Extracurricular Activities (ASB)	2,171,473	1,849,741	408,650	-	86,918
Unallocated Interest Expense	12,169,599	-	702,753	-	(11,466,846)
Total Governmental Activities	**$ 447,221,757**	**$ 9,125,425**	**$ 136,245,002**	**$ 5,547,278**	**$ (296,304,052)**

General Revenues:	
Taxes:	
Property Taxes, levies for maintenance and operations	68,616,086
Property Taxes, levies for debt service	33,747,382
Unallocated State Apportionment & Others	204,299,650
Gain (Loss) on Sale of Equipment & Property	(464,177)
Interest and Investment Earnings	1,656,109
Total General Revenues	**307,855,050**
Changes in Net Position	**11,550,998**
Net Position - Beginning	84,469,213
Cumulative Effect of Change in Accounting Principle*	(99,939,672)
Adjusted Net Position - Beginning	(15,470,459)
Net Position - Ending	**$ (3,919,461)**

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

Exhibit 3

SPOKANE PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
August 31, 2018

	GENERAL FUND	SPECIAL REVENUE FUND (ASB)	DEBT SERVICE FUND
ASSETS:			
Cash and Cash Equivalents	$ 56,462,063	$ 1,315,187	$ 11,552,135
Cash with Fiscal Agent	50,000	-	-
Property Tax Receivable	31,673,712	-	15,584,568
Accounts Receivable, Net	358,914	-	-
Due from Other Funds	205,113	218,468	-
Due from Other Government Units	3,473,698	-	-
Inventories at Cost	1,339,888	-	-
Prepaid items	2,592,719	-	-
TOTAL ASSETS	**$ 96,156,107**	**$ 1,533,655**	**$ 27,136,703**
LIABILITIES:			
Accounts Payable	$ 17,213,761	$ 97,898	$ -
Accrued Wages & Benefits Payable	5,204,929	-	-
Due to Other Funds	218,468	-	-
Due to Other Governmental Units	150,821	173	
Unearned Grant Revenue	2,405,641	-	-
TOTAL LIABILITIES	**25,193,620**	**98,071**	**-**
DEFFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	30,854,540	-	15,181,511
TOTAL DEFERRED INFLOWS	**30,854,540**	**-**	**15,181,511**
FUND BALANCES			
Non-spendable Inventory and Prepaids	3,932,607	-	-
Restricted for Debt Service	5,800,000	-	11,955,192
Restricted for Self Insurance	2,900,000	-	-
Restricted for State Match	-	-	-
Restricted for Other	453,228	-	-
Restricted Special Revenue Funds	-	1,435,584	-
Assigned to Other Items (See Note 14)	2,442,727	-	-
Assigned to Fund Purpose (See Note 14)	-	-	-
Unassigned Fund Balance	24,579,385	-	-
TOTAL FUND BALANCES	**40,107,947**	**1,435,584**	**11,955,192**
TOTAL LIABILITIES AND FUND BALANCES	**$ 96,156,107**	**$ 1,533,655**	**$ 27,136,703**

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

Exhibit 3

SPOKANE PUBLIC SCHOOLS
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
August 31, 2018

	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS:		
Cash and Cash Equivalents	$ 65,939,070	$ 135,268,455
Cash with Fiscal Agent	-	50,000
Property Tax Receivable	-	47,258,280
Accounts Receivable, Net	-	358,914
Due from Other Funds	-	423,581
Due from Other Government Units	3,690,387	7,164,085
Inventories at Cost	-	1,339,888
Prepaid items	-	2,592,719
TOTAL ASSETS	**$ 69,629,457**	**$ 194,455,922**
LIABILITIES:		
Accounts Payable	$ 6,419,106	$ 23,730,765
Accrued Wages & Benefits Payable	21,028	5,225,957
Due to Other Funds	205,113	423,581
Due to Other Governmental Units	-	150,994
Unearned Grant Revenue	-	2,405,641
TOTAL LIABILITIES	**6,645,247**	**31,936,938**
DEFFERRED INFLOWS OF RESOURCES		
Unavailable Revenue - Property Taxes	-	46,036,051
TOTAL DEFERRED INFLOWS	**-**	**46,036,051**
FUND BALANCES		
Non-spendable Inventory and Prepaids	-	3,932,607
Restricted for Debt Service	90,000	17,845,192
Restricted for Self Insurance	-	2,900,000
Restricted for State Match	49,771,972	49,771,972
Restricted for Other	-	453,228
Restricted Special Revenue Funds	-	1,435,584
Assigned to Other Items (See Note 14)	-	2,442,727
Assigned to Fund Purpose (See Note 14)	13,122,238	13,122,238
Unassigned Fund Balance	-	24,579,385
TOTAL FUND BALANCES	**62,984,210**	**116,482,933**
TOTAL LIABILITIES AND FUND BALANCES	**$ 69,629,457**	**$ 194,455,922**

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

SPOKANE PUBLIC SCHOOLS
RECONCILIATION
BALANCE SHEET/STATEMENT OF NET POSITION
AUGUST 31, 2018

	Total Governmental Funds	Long-Term Assets, Liabilities *	Reclassifications and Eliminations*	Statement of Net Position Totals
ASSETS				
Cash and Cash Equivalents	$ 135,268,455	$ -	$ -	$ 135,268,455
Cash with Fiscal Agent	50,000	-	-	50,000
Property Tax Receivable	47,258,280	(209,581)	-	47,048,699
Receivables, Net	358,914	-	-	358,914
Due from Other Funds	423,581	-	(423,581)	-
Due from Other Governments	7,164,085	-	175,688	7,339,773
Inventories	1,339,888	-	-	1,339,888
Prepaid Items	2,592,719	-	-	2,592,719
Capital Assets, Net	-	580,304,731	-	580,304,731
TOTAL ASSETS	**194,455,922**	**580,095,150**	**(247,893)**	**774,303,179**
DEFERRED OUTFLOWS OF RESOURCES				
Pension Experience Differences	-	8,749,927	-	8,749,927
Pension Assumption Changes	-	300,971	-	300,971
Pension Changes in Proportions	-	359,004	-	359,004
Pension Contributions	-	5,707,744	-	5,707,744
OPEB Contributions	-	3,791,970	-	3,791,970
Refunding Bonds	-	6,833,252	-	6,833,252
TOTAL DEFERRED OUTFLOWS	**-**	**25,742,868**	**-**	**25,742,868**
TOTAL ASSETS & DEF OUTFLOWS	**$ 194,455,922**	**$ 605,838,018**	**$ (247,893)**	**$ 800,046,047**
LIABILITIES				
Accounts Payable	$ 23,730,765	$ 4,640,833	$ -	$ 28,371,598
Wages, Benefits & Other Payables	5,225,957	-	(2,054,163)	3,171,794
Due to Other Funds	423,581	-	(423,581)	-
Due to Other Governments	150,994	-	-	150,994
Unearned Grant Revenue	2,405,641	-	-	2,405,641
Long-Term Liabilities	-	719,700,062	2,054,163	721,754,225
TOTAL LIABILITIES	**31,936,938**	**724,340,895**	**(423,581)**	**755,854,252**
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue-Property Taxes	46,036,051	(46,036,051)	-	-
Pension Experience Differences	-	1,044,817	-	1,044,817
Pension Assumption Changes	-	7,250,739	-	7,250,739
Pension Changes in Proportions		710,249	-	710,249
Pension Investment Earnings	-	20,343,806	-	20,343,806
OPEB Assumption Changes	-	18,761,645	-	18,761,645
TOTAL DEFERRED INFLOWS	**46,036,051**	**2,075,205**	**-**	**48,111,256**
FUND BALANCES/NET POSITION				
Total Fund Balances/Net Position	116,482,933	(120,578,082)	175,688	**(3,919,461)**
TOTAL LIABILITIES AND FUND BALANCES/NET POSITION	**$ 194,455,922**	**$ 605,838,018**	**$ (247,893)**	**$ 800,046,047**

The notes to the basic financial statements are an integral part of this statement.
* See Note 2

Exhibit 4

SPOKANE PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

	GENERAL FUND	SPECIAL REVENUE FUND (ASB)	DEBT SERVICE FUND
REVENUES			
Local	$ 76,494,952	$ 2,280,131	$ 33,670,712
State	300,115,570	-	-
Federal	37,297,091	-	702,753
Miscellaneous	1,627,367	-	-
TOTAL REVENUES	**415,534,980**	**2,280,131**	**34,373,465**
EXPENDITURES			
Current Operating:			
Regular Instruction	220,562,484	-	-
Special Instruction	56,973,974	-	-
Vocational Instruction	11,267,406	-	-
Skills Center	3,518,095	-	-
Compensatory Instruction	33,776,026	-	-
Other Instructional Programs	3,784,807	-	-
Community Services	7,675,301	-	-
Support Services	74,550,935	-	-
Student Activities	-	2,171,473	-
Debt Service:			
Principal	-	-	19,390,000
Interest and Other Charges	-	-	15,507,164
Capital Outlay:			
Other	706,634	-	-
TOTAL EXPENDITURES	**412,815,662**	**2,171,473**	**34,897,164**
Excess (Deficiency) of Revenues Over Expenditures	**2,719,318**	**108,658**	**(523,699)**
OTHER FINANCING SOURCES (USES)			
Issuance of Bonds	-	-	-
Issuance of Refunding Bonds	-	-	64,320,000
Issuance of Bonds Premium	-	-	12,445,475
Sale of Equipment & Property	18,367	-	-
Payment to Bond Refunding Escrow Agent	-	-	(77,864,779)
TOTAL OTHER FINANCING SOURCES AND USES	**18,367**	**-**	**(1,099,304)**
NET CHANGE IN FUND BALANCE	**2,737,685**	**108,658**	**(1,623,003)**
Fund Balance - Beginning	37,370,262	1,326,926	13,578,195
Fund Balance - Ending	**$ 40,107,947**	**$ 1,435,584**	**$ 11,955,192**

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

Exhibit 4

SPOKANE PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (CONTINUED)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES		
Local	$ 933,271	$ 113,379,066
State	5,416,101	305,531,671
Federal	-	37,999,844
Miscellaneous	-	1,627,367
TOTAL REVENUES	**6,349,372**	**458,537,948**
EXPENDITURES		
Current Operating:		
Regular Instruction	-	220,562,484
Special Instruction	-	56,973,974
Vocational Instruction	-	11,267,406
Skills Center	-	3,518,095
Compensatory Instruction	-	33,776,026
Other Instructional Programs	-	3,784,807
Community Services	-	7,675,301
Support Services	-	74,550,935
Student Activities	-	2,171,473
Debt Service:		
Principal	-	19,390,000
Interest and Other Charges	-	15,507,164
Capital Outlay:		
Other	38,517,003	39,223,637
TOTAL EXPENDITURES	**38,517,003**	**488,401,302**
Excess (Deficiency) of Revenues Over Expenditures	**(32,167,631)**	**(29,863,354)**
OTHER FINANCING SOURCES (USES)		
Issuance of Bonds	45,865,000	45,865,000
Issuance of Refunding Bonds	-	64,320,000
Issuance of Bonds Premium	4,330,838	16,776,313
Sale of Equipment & Property	1,091,976	1,110,343
Payment to Bond Refunding Escrow Agent	-	(77,864,779)
TOTAL OTHER FINANCING SOURCES AND USES	**51,287,814**	**50,206,877**
NET CHANGE IN FUND BALANCE	**19,120,183**	**20,343,523**
Fund Balance - Beginning	43,864,027	96,139,410
Fund Balance - Ending	**$ 62,984,210**	**$ 116,482,933**

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

Exhibit 4A

SPOKANE PUBLIC SCHOOLS
RECONCILIATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
AUGUST 31, 2018

	Total Governmental Funds	Long-Term Revenue, Expenses *	Capital Related Items *
REVENUES			
Property Taxes	$ 101,664,484	$ 698,984	$ -
Local Non-Taxes	11,714,582	-	-
State	305,531,671	-	-
Federal	37,999,844	-	-
Miscellaneous	1,627,367	-	-
TOTAL REVENUES	**458,537,948**	**698,984**	**-**
EXPENDITURES/EXPENSES			
Current:			
Regular Instruction	220,562,484	(4,174,327)	21,996,152
Special Instruction	56,973,974	(1,238,878)	10,620
Vocational Instruction	11,267,406	(215,373)	1,382
Skills Center	3,518,095	(53,729)	738,221
Compensatory Education	33,776,026	-	-
Other Instructional Programs	3,784,807	-	-
Community Services	7,675,301	-	-
Support Services	74,550,935	(1,695,685)	2,822,434
Student Activities	2,171,473	-	-
Debt Service:			
Principal	19,390,000	-	-
Interest and Other Charges	15,507,164	-	-
Capital Outlay	39,223,637	(25,314)	(36,617,483)
TOTAL EXPENDITURES/EXPENSES	**488,401,302**	**(7,403,306)**	**(11,048,674)**
EXCESS OF REVENUES OVER/UNDER EXPENDITURES	**(29,863,354)**	**8,102,290**	**11,048,674**
OTHER FINANCING SOURCES (USES)			
Issuance of Bonds	45,865,000	-	-
Issuance Refunding Bonds	64,320,000	-	-
Issuance of Bonds Premium	16,776,313	-	-
Sale of Equipment & Property	1,110,343	(1,110,343)	(464,177)
Payment to Bond Refunding Escrow Agent	(77,864,779)		
TOTAL OTHER FINANCING SOURCES (USES)	**50,206,877**	**(1,110,343)**	**(464,177)**
NET CHANGE FOR THE YEAR	**$ 20,343,523**	**$ 6,991,947**	**$ 10,584,497**

The notes to the basic financial statements are an integral part of this statement.
*See Note 2

Exhibit 4A

SPOKANE PUBLIC SCHOOLS
RECONCILIATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES (CONTINUED)
AUGUST 31, 2018

	Long-Term Debt Transactions *	Statement of Activities Totals
REVENUES		
Property Taxes	$ -	$ 102,363,468
Local Non-Taxes	-	11,714,582
State	-	305,531,671
Federal	-	37,999,844
Miscellaneous	-	1,627,367
TOTAL REVENUES	**-**	**459,236,932**
EXPENDITURES/EXPENSES		
Current:		
Regular Instruction	-	238,384,309
Special Instruction	-	55,745,716
Vocational Instruction	-	11,053,415
Skills Center	-	4,202,587
Compensatory Education	-	33,776,026
Other Instructional Programs	-	3,784,807
Community Services	-	7,675,301
Support Services	-	75,677,684
Student Activities	-	2,171,473
Debt Service:		
Principal	(19,390,000)	-
Interest and Other Charges	(3,337,565)	12,169,599
Capital Outlay	-	2,580,840
TOTAL EXPENDITURES/EXPENSES	**(22,727,565)**	**447,221,757**
EXCESS OF REVENUES OVER/UNDER EXPENDITURES	**22,727,565**	**12,015,175**
OTHER FINANCING SOURCES (USES)		
Issuance of Bonds	(45,865,000)	-
Issuance Refunding Bonds	(64,320,000)	-
Issuance of Bonds Premium	(16,776,313)	-
Sale of Equipment & Property	-	(464,177)
Payment to Bond Refunding Escrow Agent	77,864,779	-
TOTAL OTHER FINANCING SOURCES (USES)	**(49,096,534)**	**(464,177)**
NET CHANGE FOR THE YEAR	**$ (26,368,969)**	**$ 11,550,998**

The notes to the basic financial statements are an integral part of this statement.
*See Note 2

Exhibit 5

SPOKANE PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
PRIVATE PURPOSE TRUST FUNDS
AUGUST 31, 2018

	Private-Purpose Trusts
ASSETS	
Cash and Cash Equivalents	$ 318,659
TOTAL ASSETS	**$ 318,659**
LIABILITIES	
Accounts Payable	$ -
TOTAL LIABILITIES	-
NET POSITION	
Held in Trusts for Scholarships	318,659
TOTAL NET POSITION	**$ 318,659**

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

Exhibit 6

SPOKANE PUBLIC SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

	Private-Purpose Trusts
ADDITIONS	
Donations	$ 118,192
Investment Earnings	981
Total Additions	**119,173**
DEDUCTIONS	
Scholarships	123,325
Total Deductions	**123,325**
Change in Net Position	**(4,152)**
Net Position, Beginning of the Year	322,811
Net Position, End of the Year	**$ 318,659**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Spokane Public Schools (SPS) is a municipal corporation organized pursuant to Title 28A of the Revised Code of Washington (RCW) for the purpose of providing public school services to students in grades K-12. Oversight responsibility for the school district's operations is vested with the independently elected board of directors. Management of the school 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, Spokane Public Schools includes all funds and organizations that are controlled by or dependent on the district's board of directors or administrative staff. Because the district has organizations that appear to be related to district operations, an evaluation of these related organizations for determination of component units was performed using the criteria established in GASB 39. Control by or dependence on the district was determined on the basis of budget adoption, taxing authority, outstanding debt secured by the general obligation of the district, obligation of the district to finance any deficits that may occur, or receipt of significant subsidies from the district. The total net position of and annual contribution from each related organization was evaluated for materiality to the district as a whole. The following related organizations were reviewed and determined not to be component units:

Related Organizations

Spokane Public Schools Foundation (SPS Foundation) was organized on June 21, 2006 in the state of Washington for the purpose of supporting Spokane Public Schools. The SPS Foundation is a legally separate entity managed by a board of eleven directors who are nominated by the foundation board. Spokane Public Schools is not responsible for management or finances of the SPS Foundation. Financial information for the SPS Foundation is not presented in the financial statements.

The Greater Spokane League, a legally separate entity, was organized for the exclusive purpose of supporting the high school activities programs for athletics and debate. It is managed by a board of ten members - the principal from each of the participating high schools, five of which are employees of Spokane Public Schools. Spokane Public Schools is not financially responsible for the Greater Spokane League. Financial information for the Greater Spokane League is not presented in the financial statements.

Various parent/teacher associations, organizations and/or groups (PTAs), all of which are legally separate entities, were organized for the purpose of increasing the opportunities for parents to be involved in the educational activities of their children. The boards of directors and/or officers of the PTAs are not appointed by the board of directors of Spokane Public Schools. Spokane Public Schools is not financially responsible for these parent/teacher associations, organizations and/or groups. Financial information for the PTAs is not presented in the financial statements.

B. Basis of Presentation

Spokane Public Schools' financial reports, as reflected by the accompanying financial statements, conform to Generally Accepted Accounting Principles. The accounts of the school district are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds in this report are grouped, in the financial statements in this report, into basic financial statements as follows:

Government-Wide Financial Statements

Overall governmental activities are reported here without displaying individual funds or fund types and display information about the district as a whole.

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. The government-wide financial statements consist of the following:

Statement of Net Position – The Statement of Net Position reports all financial and capital resources. Capital assets (land, land improvements, building, building improvements, vehicles and equipment) are reported at historical cost, net of accumulated depreciation, where applicable. In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. The deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has deferred outflows of resources related to pension plans, other post-employment benefits and refunding bonds. In addition to liabilities, the statement of financial positional also presents a separate section for deferred inflows of resources. Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) that will not be recognized as an inflow of resources (revenue) until that time. The district has deferred inflows related to pension plans and other post-employment benefits.

Statement of Activities – The Statement of Activities demonstrates the degree to which the direct expenses of a given function/program are offset by program revenues. The expenses and revenues are reported as follows:

Expenses – Expenses are reported by function/program and include direct and indirect expenses. Depreciation expenses are allocated to direct expenses if they can be specifically identified with a function/program. Interest expenses may be considered direct (interest on long-term debt, when borrowing is essential to the creation or continuing existence of a program) or indirect expenses (interest on long-term liabilities).

Revenues – The revenues are divided into program revenues and general revenues. Program revenues consist of two major categories: charges for services and grants and contributions. Charges for services consist of customers, parents or students who purchase, use or directly benefit from goods or services. Examples of charges for services are payments for before and after school care and breakfast and lunch payments. The grants and contributions are restricted to meeting the operational or capital requirements of a particular function. All revenues not associated with a program are defined as general revenues. General revenues include general apportionment from the state of Washington, local property taxes, investment earnings and special items. Revenues are recognized when they are earned and measurable on a full accrual basis.

Fiduciary funds are not presented in the government-wide financial statements. They are presented separately in Exhibits 5 and 6.

Fund Financial Statements

The governmental fund reporting focuses primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. Governmental Fund reporting includes General, Special Revenue (Associated Student Body Fund), Capital Projects and Debt Service Funds. These funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and the district considers all revenues available if they are collected within 60 days after year-end to pay liabilities of the current period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditures are recorded when the related fund liability is incurred, except for the unmatured principal and interest, which are recorded when due. Financial resources usually are appropriated in other funds for transfer to a debt service fund in the period in which maturing debt principal and interest must be paid. Such amounts are not current liabilities of the debt services fund. Long-term liabilities are not recognized as governmental fund liabilities.

GOVERNMENTAL FUNDS

General Fund

This fund is the general operating fund of the district. It is used to account for all expendable financial resources, except those required to be accounted for in another fund. The revenues of the General Fund are derived primarily from the state of Washington, local property taxes and federal grants. In keeping with the principle of as few funds as necessary, food services, maintenance, data processing, printing, and transportation activities are included in this fund.

These activities are statutorily assigned to the General Fund and also principally serve and receive their support from the General Fund.

Special Revenue Fund (Associated Student Body Fund)
This fund is used to account for the extracurricular fees collected from a variety of 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 school.

Debt Service Fund
This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related expenditures. Fund revenues are derived primarily from local property taxes.

Capital Projects Fund
This fund is used to account for resources set aside for the acquisition and construction of capital assets. It includes net rental income and net proceeds from the sale of real property. This fund must be used when projects are financed wholly or in part by bond issues, intergovernmental resources, major private donations, or insurance recoveries. Expenditures in this fund may also be for energy capital improvements to existing buildings and the purchase of certain initial equipment for existing buildings.

FIDUCIARY FUNDS
The financial statements for fiduciary funds use the economic resources measurement focus and the accrual basis of accounting. Fiduciary fund reporting focuses on net positions and changes in net position. Trust funds are used by the district in its fiduciary capacity as trustee or agent for assets held for individuals, private organizations, and other governments. These funds include private-purpose trust funds. The entire income and principal of a private-purpose trust may be disbursed in the course of its operation.

The fiduciary funds consist of trust funds receiving donations from private individuals and foundations for student needs and scholarships.

MAJOR AND NONMAJOR FUNDS

The district considers all governmental funds presented as major funds.

C. Budgetary Data

General Budgetary Policies
School district accounting systems provide the basis for the budgetary control. RCW 28A.505 and Washington Administrative Code (WAC) Chapter 392-123 mandate school district budget policies and procedures. The budget is adopted by the board after a public hearing. The board adopted budget is a prerequisite to expenditures in the General, Special Revenue, Debt Service and Capital Projects Funds. Management is authorized to modify specific accounts within the overall fund budgeted expenditures. The board may adopt a revised or supplemental budget for expenditures after a public hearing anytime during the fiscal year. There were no budget revisions at the fund level during the fiscal year 2017-2018. If the local school district budget does not comply with the budget procedures established by RCW 28A.505, the superintendent of public instruction shall give written notice to the board of directors for the local school district that shall, within thirty days from the date the notice is issued, submit a revised budget which meets the requirements of RCW 28A.505.

Adopted budgeted expenditures lapse at the end of the fiscal period. In addition, pursuant to law, actual expenditures cannot exceed the adopted budget at the fund level.

Budgetary Basis of Accounting
For budget and accounting purposes, revenues and expenditures are recognized on the modified accrual basis of accounting as prescribed by law for all governmental and fiduciary funds. Fund balance is budgeted as an available resource and, pursuant to law, the budgeted ending fund balance cannot be negative. The basis of budgeting is the same as GAAP, therefore no reconciliation is included.

Encumbrances

Encumbrance accounting is employed in governmental funds. Purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve a portion of the applicable appropriation. Encumbrances are closed at the end of the fiscal year and reopened the following year. Encumbrances were closed on August 31, 2018, and were re-encumbered on September 1, 2018. See Note 12 for details.

D. Measurement Focus and Basis of Accounting

Measurement Focus

The government-wide financial statements measure and report all assets (both financial and capital), deferred outflow of resources, liabilities, deferred inflows of resources, revenues, expenses, gains and losses using the economic resources measurement. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), and financial position.

The governmental fund financial statements (General Fund, Special Revenue Fund, Debt Service Fund and Capital Projects Fund) utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

The private-purpose trust funds (Fiduciary Fund) are used to account for resources legally held in trust for the benefit of specifically named organizations (not to support district operations) or expenditures that are to assist the poor or infirm. They are reported on the accrual basis of accounting and utilize an economic resources measurement focus.

The district does not have any proprietary funds.

Basis of Accounting

In the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this method, revenues are recognized when they become measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Property taxes receivable are measurable; however, only that portion collected within 30 days of the end of the year is available. Categorical program claims and inter-district billings are measurable and available and are therefore accrued. The district accrues property taxes collections for 30 days after the fiscal year end and revenues related to grants that have been and/or will be claimed.

Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred. The fund liability is incurred when the goods or services have been received. The one exception to this rule is the recognition of principal and interest on general long-term debt, which is recognized when due.

E. Eliminations and Reclassifications

In the process of aggregating data for the government-wide Statements of Net Position and the Statement of Activities, the interfund receivables and payables within governmental funds, except those with fiduciary funds, were eliminated. Interfund services are not eliminated from the government-wide presentation.

F. Assets, Liabilities and Net Position

Deposits and Investments

The county treasurer is the ex-officio treasurer for the school district. In this capacity, the county treasurer receives deposits and makes investment transactions in the district's behalf.

In the absence of district policy, the district follows applicable investment statutes which authorize the district to deposit or invest in (1) securities, certificates, notes, bonds, short-term securities, or other obligations of the United States, (2) any state bank or trust company, national banking association, stock savings bank, mutual savings bank, savings and loan association, and (3) any branch bank engaged in banking in this state in accordance with RCW 30.04.300 if the institution has been approved by the Washington Public Deposit Protection Commission to hold public deposits and has segregated eligible collateral having a value of not less than its maximum liability.

The district's deposits are held by qualified public depositories and are protected from loss by the Washington Public Deposit Protection Commission and the Federal Deposit Insurance Corporation.

The district uses the US Bank as its fiscal agent for bond principal and coupon redemption.

Property Taxes

Property tax revenues are collected as the result of special levies passed by the voters in the school district. In accordance with the RCW 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 of the taxes due October 31 and delinquent after that date. Typically, a little more than half of 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 deferred inflow of resources. In government-wide financial statements, property tax revenue, net of estimated uncollectible, is accrued at year-end.

Due From/To Other Funds

Interfund receivables and payables and the associated revenues and expenditures/expenses are recorded in the respective funds on governmental fund financial statements. Interfund receivables and payables are eliminated in government-wide financial statements, except those with fiduciary funds, which are reclassified as a third party receivable. The interfund balances are temporary and are regularly cleared by issuance of a warrant.

Due from/to Other Governments

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

Inventories

Consumable inventories are valued at cost using the first-in, first-out (FIFO) method. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are offset by a nonspendable fund balance which is equal to the reported inventory level to indicate that a portion of the fund balance is not available for future expenditures. United States Department of Agriculture (USDA) commodity inventory, included in the inventory total, consists of food donated by the USDA. It is valued at the prices paid by the USDA for the commodities. A comparison to market value is not considered necessary.

Prepaids

Prepaid assets are accounted under the consumption method. Assets are recorded as prepaid if the life of the asset extends past the fiscal year. The prepaid assets are amortized over the life of the asset. Reported prepaids are offset by a nonspendable fund balance which is equal to the reported prepaid balance to indicate that a portion of the fund balance is not available for future expenditures.

G. Bond Discount and Bond Premiums

In governmental funds, bond discounts and premium are recognized in the period of issuance. In government-wide financial statements, they are amortized using the straight-line method over the life of the bonds.

H. Capital Assets

Capital assets, which include property, buildings and improvements, and equipment, are reported in the applicable governmental activities in the government-wide financial statements. Assets acquired after 1980 are presented at historical cost. Assets acquired before 1980 are presented at estimated historical cost if actual was not available. The district defines capital assets as assets with an initial individual cost of more than $5,000 and an estimated useful life

in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized but are charged to expenditures in the current period. In governmental fund financial statements, there is no depreciation for capital assets. However, depreciation is charged to expense and allocated to various functions/programs in government-wide financial statements in compliance with GASB Statement #34. See Note 4 for details.

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 -line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Site Improvements	15 years
Buildings	50 years
Building Improvements	20 years
Equipment and Vehicles	3-12 years

Land and construction in progress are not depreciated.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures upon acquisition.

I. Deferred Outflows and Inflows of Resources

The district has adopted the provisions of GASB Statement No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position and GASB Statement No. 65 Items Previously Reported and Assets and Liabilities. The objective of these statements is to enhance the usefulness of financial reporting.

In addition to assets and liabilities, the statement of financial position will report separate sections for deferred outflows and inflows of resources. As separate financial statement elements, deferred inflows and outflow of resources represent flows of resources into and out of the district that apply to future period(s) and will not be recognized as an inflow of resources (revenue) or outflow of resources (expenditures) until that time.

In governmental fund financial statements, deferred inflows of resources consist of amounts collected before revenue recognition criteria are met, and receivables which, under the modified accrual basis of accounting, are measurable but not yet available, e.g. unavailable property tax revenues, unavailable revenues from federal, state and local grants, and unavailable revenues on long-term receivables. In government-wide financial statements, property taxes less estimated uncollectibles are fully accrued; therefore, there are no unavailable property tax revenues in these statements. However, in government-wide financial statements, deferred inflows and/or outflows of resources are recorded for the differences between projected and actual pension experience, the differences between projected and actual investment earnings, changes in proportions of the total pension liability, changes in assumptions used to calculate the pension liability, contributions made after the valuation date of the pension liability, changes in assumptions used to calculate the liability for other post-employment benefits and the difference between the reacquisition price and the net carrying amount for advanced refunding of bonds. Please refer to Notes 6, 7 and 8 for more details.

J. Compensated Absences

Under the provisions of RCW 28A.400, up to 180 days of sick leave accumulated by district employees is reimbursed at retirement at the rate of one day for each four days of accrued leave. Employees earn sick leave at a rate of twelve days per year and may accumulate such leave to a maximum of 180 days. This statute also provides for an annual buyout of an amount up to the maximum annual accumulation of twelve days, cashed out at the same rate of one day for each four days of accrued sick leave earned and not used in the prior calendar year. For buyout purposes at retirement, employees may accumulate such leave to a maximum of 192 days, including the annual accumulation, as of December 31 of each year.

The accumulation of the maximum allowable vested sick leave at a ratio of one for four days and the unpaid vacation leave are reported under long-term liabilities in the Statement of Net Position. The current portion of compensated absences is reported as an expenditure in the fund financial statements. The current portion is an estimate based on

historical usage. In the government-wide financial statements both the long term and the current portion of the compensated absences are reflected.

There are no unrecorded liabilities for employee benefits or other post-employment benefits

K. Net Position (Government-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 any bonds (net of bond proceeds not expended), mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The "Restricted Net Position" component reports the assets where constraints are placed 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 Net Position" are assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

L. Fund Balances (Governmental Fund Financial Statements)
The fund balance designations for the governmental fund financial statements are as follows:

Nonspendable accounts represent those portions of fund balance that cannot be spent either because they are not in a spendable form (inventories and prepaids), or are legally required to be maintained intact.

Restricted fund balances are those amounts that are restricted for specific purposes. These restrictions may be either externally imposed by creditors, grantors, contributors, laws or regulations or imposed by law through constitutional provisions or enabling legislation. Included in this fund balance category are uninsured risk, unexpended state capital match proceeds, special revenue fund (Associated Student Body Funds) balance, compensated absence balance, Skill Center and debt service fund balance.

Committed fund balance are those amounts that can be used for specific purposes pursuant to constraints imposed by resolution of the board of directors. These committed fund balances cannot be used for any other purposes unless the board takes action to change or remove the original limitations. The district has no commitments as of August 31, 2018.

Assigned fund balance comprises amounts the district intends to use for a specific purpose. Authority for making these assignments rests with the superintendent, pursuant to Policy #1500 – Board Relations with Superintendent. The assignment in the Capital Projects fund reflects the fact that all funds, which are not otherwise restricted, are assigned to be used for projects which are deemed allowable as Capital. A detailed list of assignments is available in note 10.

The District adopted a minimum fund balance policy to provide a buffer against unforeseen risk and financial uncertainty. Annually, as part of the budget development process, the School Board will review the total of the committed, assigned and unassigned minimum fund balances (CAU). The total shall be in the range of 5-6% of the actual expenditures of the most recently completed fiscal year (e.g. one fiscal year prior to the current year of operations). In the event the CAU total fund balance "reserve" falls below the benchmark range of 5-6%, a plan to replenish the fund will be developed and implemented. In the event the set aside fund balance exceed the benchmark range, a plan for one-time use of the additional amount may be proposed by the Board of Directors.

Unassigned fund balance includes all resources not reported in the other four classifications and is only reported in the General Fund. These are the only resources on the balance sheet that are truly available for any purpose.

When resources meeting more than one of the classifications (excluding nonspendable) are comingled in an account, assuming that an expenditure meets the constraints of the classification, the assumed order of spending is restricted first, committed second and, finally assigned.

M. Reporting Changes
Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans* was implemented for the year ended August 31, 2018. GASB Statement No. 75 establishes new accounting and financial reporting requirements for postemployment benefit plans.

N. Reclassifications

2017 balances relating to operating grants and contributions for vocational instruction along with unallocated state appropriations have been restated to conform with the current year presentation with no effect on the previously reported Statement of Net Position and Statement of Activities.

2. RECONCILIATION BETWEEN GOVERNMENTAL FUND FINANCIAL STATEMENTS AND GOVERNMENT-WIDE FINANCIAL STATEMENTS

Balance Sheet/Statement of Net Position (Exhibit 3A)

a. Property tax levies that will not be collected for several months after year-end are not considered "available" under the modified accrual basis of accounting. Therefore, taxes receivable are presented with corresponding deferred inflow of resources in the fund financial statements. Since revenue for the taxes receivable is not recognized in the fund financial statements, an allowance for uncollectible accounts is also not recorded. Under full accrual accounting, taxes are considered "available" when levied. In the Statement of Activities, the unavailable revenue for taxes receivable of **$46,036,051** is recognized as revenue and a corresponding allowance for uncollectible accounts of **$209,581** is recorded.

b. When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets is reported as expenditures in governmental funds.

However, the Statement of Net Position includes those capital assets among the assets for the district as a whole.

Cost of Capital Assets	$879,668,084
Accumulated Depreciation	(299,363,353)
Capital Assets Net of Depreciation	**$580,304,731**

c. Accrued interest payable on long-term debt is not reflected in fund financial statements. **$4,640,833** of accrued interest on long-term debt is recorded in the Statement of Net Position.

d. Long-term liabilities of **$719,700,062** (of which $18,684,000 is due within one year) applicable to the district's governmental activities are not included in the fund financial statements. All liabilities, current and non-current, are included in the government-wide statements.

e. In the fund financial statements, interfund payables and receivables are recorded as a result of general operations. In the conversion of fund financial statements to government-wide financial statements, all of the governmental funds are consolidated and presented as a total. Since they are consolidated into one fund for presentation, the interfund payables and receivables between governmental funds are eliminated. The interfund payables and receivables between governmental funds and fiduciary funds are reclassified to accounts payable and accounts receivable. **$423,581** of interfund balances between governmental funds are eliminated.

f. A receivable of **$175,688** for accrued subsidy on the 2010C unlimited general obligation Build America Bonds is recorded.

g. Effective September 1, 2014, the District implemented GASB statement number 68, *Accounting and Financial Reporting for Pensions*. The statement requires the District to report a portion of the liabilities of the pension plans with which our employees participate. This resulted in total deferred outflows of **$15,117,646** and total deferred inflows of **$29,349,611** being recorded.

h. Effective September 1, 2017, the District implemented GASB statement number 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement requires the District to report a portion of the liabilities of the pension plans with which our employees participate. This resulted in total deferred outflows of **$3,791,970** and total deferred inflows of **$18,761,645** being recorded.

i. Deferred outflows of **$6,833,252** were recorded due to the issuance of the 2015B Unlimited General Obligation Refunding Bonds and the 2017B Unlimited General Obligation Refunding Bonds.

Statement of Revenues, Expenditures, and Changes in Fund Balances/Statements of Activities (Exhibit 4A)

j. Property tax levies that do not provide current financial resources are reported as deferred inflows of resources in the fund financial statements, but as revenue in the government-wide financial statements. An increase of **$698,984** of tax revenue is recorded in the conversion from fund financial statements to the statement of activities.

k. The net amount of **($7,403,306)** represents the current year compensated absences, workers compensation, OPEB and Net Pension liability adjustments. The long-term portion of compensated absences and the full amount of workers compensation liability were not reported as expenditures in governmental funds. However, it is reported in the statement of activities as an expense, allocated to various applicable programs. The current portion of compensated absences and workers compensation recorded in the fund statements of **$2,054,163** is reclassified as current portion of long-term debt.

l. When capital assets (land, buildings, and equipment) are purchased or constructed to be used in governmental activities, the cost of those assets is reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the district as a whole.

In addition, capital assets sold for **$1,110,343**. In the statement of activities, only the gain/(loss) on the sale of capital assets is reported, while in fund financial statements, the proceeds of the sale of capitalized assets increase financial resources and are reported as other financing sources therefore proceeds from the sale of capital assets of **$1,110,343** was eliminated and the loss of **$464,177** was recognized.

Capital Outlay	($36,617,483)
Depreciation Expense	25,568,809
Loss on Disposal of Capital Assets	464,177
Difference	**($10,584,497)**

m. Proceeds from sale of bonds, sale of refunding bonds and corresponding premiums of **$45,865,000, $64,320,000 and $16,776,313** respectively, are eliminated from the Statement of Activities since the long term debt is presented on the Statement of Net Position.

n. Repayment of principal on debt of **$19,390,000** was reported as an expenditure in the fund financial statements. In the statement of activities, the repayment of debt is not reflected, as it is a reduction of the debt presented in the Statement of Net Position.

o. Premiums related to bond issues in 2017, 2015, 2014, 2013, 2012, 2011 and 2010 are being amortized over the life of the bonds. The current year amortization of premium is **$4,188,192**. Bond discounts related to bond issues in 2013, 2012 and 2005 are also amortized over the life of the bonds. The current year amortization of discount is $**16,942**. Deferred outflows related to bonds issued in 2015 and 2017 are amortized over the life of the bonds. The current year amortization of deferred outflows is $**544,173**. Accrued interest payable is not recognized in the fund financial statements. The increase in accrued interest payable as of August 31, 2018 of **$289,512** is presented as an increase to expenses.

p. Payment to bond refunding escrow agent in the amount of **$77,864,779** is eliminated from the Statement of Activities since the long term debt is presented on the Statement of Net Position.

3. DEPOSITS AND INVESTMENTS

Deposits

The district's cash and cash equivalents are considered to be cash on hand, demand deposits and investments in the Spokane County Investment Pool (SCIP).

At fiscal year-end, the carrying amount of the district's deposits was $135,637,114. Of this amount $135,612,774 was insured by federal depository insurance (FDIC and FSLIC) or by collateral held in a multiple financial institution collateral pool administered by the Public Deposit Protection Commission. These deposits are invested as part of the SCIP by the Spokane County treasurer for the benefit of the district. The SCIP has historically maintained a $1 per share net asset

value. The carrying amount of investments in the pool approximates fair value. The remaining $24,340 of cash is retained at sites throughout the district for starting cash and petty cash transactions.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity to changes in market interest rates. The SCIP has a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The average maturity of an investment in the SCIP was 1.17 years as of August 2018. In addition, the investment portfolio is structured to meet the cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments that can be held by government agencies to safe high-quality securities. The investments authorized under the investment policy are limited to federal government-backed securities, certificates of deposit, bankers' acceptance, repurchase agreements (under certain conditions), local and state government bonds (limited to one of the highest three credit ratings), registered warrants, corporate notes, commercial paper, direct district notes and the Washington State and Local Government Investment Pool. The SCIP limits the maximum percentage of the portfolio that may be invested in an individual class of investment requiring diversification to minimize credit risk.

The Washington State Auditor's Office and the Finance Committee of Spokane County provide regulatory guidance. The Pool is not registered with the SEC and has not obtained or provided any legally binding guarantees. A credit rating for the SCIP is not available. Additional information on the investment policies of the pool is available on the Spokane County website at http://www.spokanecounty.org/DocumentCenter/View/17770. Information about the SCIP is available in the Spokane County Comprehensive Annual Financial Report available on the Spokane County website at http://www.spokanecounty.org/3016/Annual-Financial-Reports.

4. CHANGES IN CAPITAL ASSETS

Purchases of equipment with a unit cost in excess of $5,000 are capitalized and depreciated in government-wide financial statements. The district's property valuation of buildings and contents for insurance purposes was $670,048,522 on August 31, 2018. In the opinion of the district's insurance consultant, this amount is sufficient to adequately fund replacement of the district's assets. There have been no significant reductions to the insurance coverage.

	Balance 8/31/2017	Additions	Deletions	Balance 8/31/2018
Governmental Activities:				
Capital Assets - Not Depreciated:				
Land	$ 24,528,522	$ -	$ (1,033,518)	$ 23,495,004
Construction in Progress	53,531,877	35,225,459	(57,490,639)	31,266,697
Total Capital Assets - Not Depreciated	78,060,399	35,225,459	(58,524,157)	54,761,701
Capital Assets - Depreciated:				
Land Improvements	40,298,247	2,017,200	(90,257)	42,225,190
Buildings and Improvements	713,478,299	55,473,439	(3,496,960)	765,454,778
Other Equipment & Machinery	15,931,324	1,392,025	(96,934)	17,226,415
Total Capital Assets - Depreciated	769,707,870	58,882,664	(3,684,151)	824,906,383
Less Accumulated Depreciation:				
Land Improvements	(16,591,718)	(2,422,374)	46,082	(18,968,010)
Building and Improvements	(247,611,792)	(22,155,738)	3,000,133	(266,767,397)
Other Equipment & Machinery	(12,734,183)	(990,697)	96,934	(13,627,946)
Total Accumulated Depreciation	(276,937,693)	(25,568,809)	3,143,149	(299,363,353)
Total Capital Assets - Depreciated, Net	492,770,177	33,313,855	(541,002)	525,543,030
Governmental Activities Capital Assets, Net	$ 570,830,576	$ 68,539,314	$ (59,065,159)	$ 580,304,731

Depreciation Expense was charged to governmental activities as follows:

Regular Instruction	$	21,996,152
Special Instruction		10,620
Vocational Instruction		1,382
Skill Center		738,221
Support Services		2,822,434
Total Capital Assets - Depreciated, Net	$	25,568,809

5. INTERFUND AND OTHER GOVERNMENT TRANSACTIONS

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

	Due from Other Funds		Due to Other Funds	
General Fund	$	205,113	$	218,468
Special Revenue Fund		218,468		-
Capital Projects Fund		-		205,113
Total	$	423,581	$	423,581

Interfund balances are a result of transactions that have occurred in one fund that have been reclassified to the appropriate fund.

As of August 31, 2018, receivables from other governments consist of the following receivables related to grants and apportionment:

	General		Capital Projects	
State of Washington	$	2,873,891	$	3,690,387
Spokane County		515,387		-
Mead School District		29,986		-
City of Spokane		17,596		-
US Department of Homeland Security		12,780		-
US Department of Education		12,473		-
NEWESD		8,640		-
US Department of Defense		2,545		-
US Department of Justice		385		-
Spokane Regional Health District		15		-
	$	3,473,698	$	3,690,387

As of August 31, 2018, payables to other governments consist of the following payables related to grants and use taxes:

	General		ASB	
Federal Communications Commission	$	127,311	$	-
State of Washington		23,510		173
	$	150,821	$	173

6. PENSIONS

A. General Information

The Legislature established the Public Employees' Retirement System (PERS) in 1947. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW and may be amended only by the Legislature.

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

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

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

Membership Participation

Substantially all 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 the Washington State Department of Retirement Systems (DRS): Teachers' Retirement System (TRS), Public Employees' Retirement System (PERS) and School Employees' Retirement System (SERS). Participation in the programs was as follows:

Membership by retirement system program as of June 30, 2017:

Program	Active Members	Inactive Vested Members	Retired Members
TRS	74,317	11,288	49,590
PERS	159,441	34,099	99,219
SERS	60,901	14,210	15,964

Membership by retirement system program as of June 30, 2018:

Program	Active Members	Inactive Vested Members	Retired Members
TRS	76,132	11,499	50,873
PERS	157,876	36,229	102,864
SERS	62,716	14,728	18,037

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

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

TRS is comprised of three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and

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

TRS Plan 1 provides retirement, disability and death benefits. TRS 1 members were vested after the completion of five years of eligible service who joined the system on or before September 30, 1977. Monthly retirement benefits are determined as two percent of the average final compensation (AFC), for each year of service credit, up to a maximum of 60 percent, divided by twelve. The AFC is the total earnable compensation for the two consecutive highest-paid fiscal years, divided by two. Members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. Other benefits include temporary and permanent disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

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

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

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

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

PERS Plan 1 provides retirement, disability and death benefits. PERS 1 members were vested after the completion of five years of eligible service who joined the system on or before September 30, 1977. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service.

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

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

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

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

defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

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

The benefit is reduced by a factor that varies according to age, for each year before age 65. SERS members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 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.

B. Contributions

The employer contribution rates for PERS, TRS, and SERS (Plans 1, 2, and 3) and the TRS and SERS Plan 2 employee contribution rates are established by the Pension Funding Council based upon the rates set by the Legislature. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at 6 percent and does not vary from year to year. The employer rate is the same for all plans in a system. The methods used to determine the contribution requirements are established under chapters 41.40, 41.32, and 41.35 RCW for PERS, TRS and SERS respectively.

Employee contribution rates, expressed as a percentage of covered payroll for 2018 were as follows:

Plan	7/1/18 Rate	7/1/17 Rate
PERS 1	6.00%	6.00%

	9/1/18 Rate	9/1/17 Rate
TRS 1	6.00%	6.00%
TRS 2	7.06%	7.06%
TRS 3	varies *	varies *
SERS 2	7.27%	7.27%
SERS 3	varies *	varies *

* - Variable from 5% to 15% based on rate selected by the member.

Employer contribution rates:

Plan	7/1/18 Rate	7/1/17 Rate
PERS 1	12.83%	12.70%

	9/1/18 Rate	9/1/17 Rate
TRS 1	15.41%	15.20%
TRS 2	15.41%	15.20%
TRS 3	15.41% **	15.20% **
SERS 2	13.58%	13.48%
SERS 3	13.58% **	13.48% **

Note: The DRS administrative rate of 0.0018 is included.
** - Defined benefit portion only.

Under current law the employer must contribute 100 percent of the employer-required contribution. Employer required contributions in dollars (Participant information for all plans is as of August 31):

Plan	FY 17-18	FY 16-17	FY 15-16
Plan 1 TRS	$13,436,521	$ 10,909,003	$ 10,164,938
Plan 2 TRS	3,022,367	2,270,864	1,962,429
Plan 3 TRS	11,757,878	9,283,869	8,741,165
Plan 1 PERS	2,922,803	2,622,077	2,439,364
Plan 2 SERS	1,957,788	1,417,872	1,303,167
Plan 3 SERS	2,800,898	2,081,345	1,907,935

C. The Collective Net Pension Liability

The collective net pension liabilities for the pension plans the District participated in are reported in the following tables:

Net Pension Liability as of June 30, 2018:

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

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

At June 30, 2018, the District reported a total liability of $132,359,712 for its proportionate shares of the individual plans' collective net pension liability. The District's proportionate share of the collective net pension liability is based on annual contributions for each of the employers participating in the DRS administered plans. At June 30, 2018, the District's proportionate share of each plan's net pension liability is reported below:

June 30, 2018	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District's Annual Contributions	$ 2,867,237	$ 4,458,411	$ 13,019,811	$ 13,975,735
Proportionate Share of the Net Pension Liability	19,157,277	7,621,683	91,431,067	14,149,685

At June 30, 2018, the 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 year is illustrated below:

Allocation Percentages	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share of the Net Pension Liability	0.428955%	2.548529%	3.130566%	3.143578%
Prior year proportionate share of the Net Pension Liability	0.431661%	2.553870%	3.125426%	3.139666%
Net difference percentage	(0.002706%)	(0.005341%)	0.005140%	0.003912%

E. Actuarial Assumptions

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

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

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

F. Mortality Rates

Mortality rates used in the plans were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime. The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the 2007–2012 Experience Study and the 2015 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report.

G. Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best-estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the Washington State Investment Board (WSIB). Those expected returns make up one component of WSIB's CMAs. The CMAs contain three pieces of information for each class of assets the WSIB currently invest in:

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

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

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

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

TRS1, TRS 2/3, PERS 1, and SERS 2/3

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20.00%	1.70%
Tangible Assets	7.00%	4.90%
Real Estate	18.00%	5.80%
Public Equity	32.00%	6.30%
Private Equity	23.00%	9.30%

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

H. Discount Rate

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

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

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

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	$ -	$ -
Net difference between projected and actual earnings on pension plan investments	-	761,299
Changes in assumptions or other inputs	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	472,391	-
TOTAL	$ 472,391	$ 761,299

SERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	$ 2,100,598	$ -
Net difference between projected and actual earnings on pension plan investments	-	3,705,693
Changes in assumptions or other inputs	60,405	1,564,488
Changes in proportion and differences between contributions and proportionate share of contributions	39,928	131,181
Contributions subsequent to the measurement date	758,161	-
TOTAL	$ 2,959,092	$ 5,401,362

TRS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	$ -	$ -
Net difference between projected and actual earnings on pension plan investments	-	3,909,961
Changes in assumptions or other inputs	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	2,158,019	-
TOTAL	$ 2,158,019	$ 3,909,961

TRS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	$ 6,649,329	$ 1,044,817
Net difference between projected and actual earnings on pension plan investments	-	11,966,853
Changes in assumptions or other inputs	240,566	5,686,251
Changes in proportion and differences between contributions and proportionate share of contributions	319,076	579,068
Contributions subsequent to the measurement date	2,319,173	-
TOTAL	$ 9,528,144	$ 19,276,989

$5,707,744 reported as Deferred Outflows of Resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2019.

Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows:

Year ended August 31	PERS 1	SERS 2/3	TRS 1	TRS 2/3
2019	33,307	$ (7,119)	391,213	(845,727)
2020	(166,424)	$ (790,249)	(809,401)	(2,947,984)
2021	(499,393)	(1,843,094)	(2,780,393)	(6,330,773)
2022	(128,789)	(416,123)	(711,380)	(1,636,012)
2023	-	(81,270)	-	48,233
Thereafter	-	(62,576)	-	(355,753)

J. Pension Expense (Benefit)
The District recognizes a pension expense for its proportionate share of the collective pension expense. This is determined by using the district's proportionate share of the collective net pension liability. For the year ending August 31, 2018, primarily due to investment performance, the District recognized a total negative pension expense as follows:

Pension Expense (benefit)	
PERS 1	$ 1,540,327
SERS 2/3	1,895,223
TRS 1	9,867,215
TRS 2/3	6,523,769
TOTAL	$ 19,826,534

K. Sensitivity of the Net Pension Liability to Changes in the Discount Rate
The table below presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.40%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage

point lower (6.40%) or one percentage point higher (8.40%) than the current rate. Amounts are calculated by plan using the District's allocation percentage.

	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
PERS 1 NPL	$ 5,488,477,000	$ 4,466,034,000	$ 3,580,392,000
Allocation Percentage	0.42895503%	0.42895503%	0.42895503%
Proportionate Share of Collective NPL	$ 23,543,098	$ 19,157,277	$ 15,358,272

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
SERS 2/3 NPL	$ 1,127,549,000	$ 299,062,000	$ (383,817,000)
Allocation Percentage	2.54852944%	2.54852944%	2.54852944%
Proportionate Share of Collective NPL	$ 28,735,918	$ 7,621,683	$ (9,781,689)

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
TRS 1 NPL	$ 3,650,431,000	$ 2,920,592,000	$ 2,288,760,000
Allocation Percentage	3.13056624%	3.13056624%	3.13056624%
Proportionate Share of Collective NPL	$ 114,279,160	$ 91,431,067	$ 71,651,148

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
TRS 2/3 NPL	$ 2,805,439,000	$ 450,114,000	$ (1,463,229,000)
Allocation Percentage	3.14357810%	3.14357810%	3.14357810%
Proportionate Share of Collective NPL	$ 88,191,166	$ 14,149,685	$ (45,997,746)

L. Aggregate Pension Amounts

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement 68 for the year 2018:

Aggregate Pension Amount - All Plans	
Pension liabilities	$ 132,359,712
Deferred outflows of resources	15,117,646
Deferred inflows of resources	29,349,611
Pension expense (benefit)	19,826,534

Historical trend information showing TRS and PERS progress in accumulating sufficient assets to pay benefits when due is presented in the Department of Retirement System's June 30, 2018 comprehensive annual financial report (CAFR). Refer to this report for detailed trend information. It is available at http://www.drs.wa.gov/administration/annual-report/ or from:

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

7. OTHER POST EMPLOYMENT BENEFITS (OPEB)

The state, through the Health Care Authority (HCA), administers a multiple-employer other post-employment benefit plan. Per RCW 41.05.065, the Public Employees Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including

establishment of eligibility criteria for both active and retired employees. Programs include medical, dental, life and long-term disability.

Health and Life Insurance trend rates used were as follows:

Year Ending August 31,	Pre-65 Retiree Premiums and Claims (1)	Post-65 Retiree Premiums and Claims (2)
2017	6.7%	8.8%
2018	5.4%	6.9%
2019	5.5%	5.4%
2020	5.6%	5.5%
2025	5.8%	5.7%
2030	6.2%	5.8%
2040	6.4%	5.7%
2050	6.1%	5.8%
2060	5.9%	6.0%
2093+	4.9%	4.9%

(1) Used to project annual increase to: total cost of pre-65 medical benefits; and retiree contributions for pre-65 medical benefits
(2) Used to project annual increase to explicit subsidy for Post-65 medical benefits.

The relationship between the PEBB OPEB plan and its member employers, their employees, and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan in effect at the time of each valuation. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the HCA, employers, and plan members, and the historical pattern of practice with regard to the sharing of benefit costs. The understanding by the employer and plan members is that there is no contractual obligation to continue the substantive plan as an employee benefit on an ongoing basis. Nevertheless, the actuarial assumption used in valuations presented in this footnote assume that this substantive plan will be carried forward into the future.

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

The PEBB OPEB plan is funded on a pay-as-you-go basis and is reported by the State of Washington using the modified accrual basis and the current financial resources measurement focus. The PEBB OPEB plan has no assets and does not issue a publicly available financial report.

Employees Covered by Benefit Terms. Employers participating in the PEBB plan include the state of Washington which includes general government agencies, higher education institutions, and component units. Additionally, there are 74 of the state's K-12 schools and educational service districts (ESDs), and 236 political subdivisions and tribal governments not included in the state's financial reporting that participate in the PEBB plan. The plan is also available to the retirees of the remaining 238 K-12 schools, charter schools, and ESDs. The District's retirees are eligible to participate in the PEBB plan under this arrangement. Membership in the PEBB plan for the District consisted of the following:

Summary of Plan Participants
As of August 31, 2018

Active Employees	3,983
Retirees Receiving Benefits	1,416
Retirees Not Receiving Benefits*	1,086

The PEBB retiree OPEB plan is available to employees who elect at the time they retire to continue coverage and pay the administratively established premiums under the provisions of the retirement system to which they belong. Retirees' access to the PEBB plan depends on the retirement eligibility of their respective retirement system. PEBB members are covered in the following retirement systems: PERS, TRS and SERS. However, not all employers who participate in these plans offer PEBB to retirees.

Benefits Provided. Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium. In calendar year 2016, the average weighted implicit subsidy was valued at $304 per adult unit per month, and in calendar year 2017, the average weighted implicit subsidy was valued at $327 per adult unit per month. In calendar year 2018, the average weighted implicit subsidy is projected to be $348 per adult unit per month.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. The final amount is approved by the state Legislature. In calendar year 2016, the explicit subsidy was up to $150 per member per month, and it remained up to $150 per member per month in calendar years 2017 and 2018. This will increase in calendar year 2019 up to $168 per member per month. For calendar year 2018, retirees also receive an explicit subsidy of $7.75/month toward life insurance premiums.

Contribution Information. Administrative costs as well as implicit and explicit subsidies are funded by required contributions (RCW 41.05.050) from participating employers. The subsidies provide monetary assistance for medical benefits.

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

	Type of Coverage		
Plan	Employee Only	Employee & Spouse	Full Family
Kaiser Permanente Classic	$ 692.66	$ 1,380.30	$ 1,896.03
Kaiser Permanente CDHP	590.87	1,170.25	1,561.04
Kaiser Permanente Classic	718.39	1,431.76	1,966.79
Kaiser Permanente CDHP	589.18	1,167.37	1,557.27
Kaiser Permanente Sound Choice	607.11	1,209.20	1,660.77
Kaiser Permanente Value	633.52	1,262.02	1,733.40
Uniform Medical Plan Classic	657.86	1,310.70	1,800.33
Uniform Medical Plan CDHP	588.91	1,166.83	1,556.52
Uniform Medical Plan Plus-Puget Sound High Value Network	600.56	1,196.10	1,642.76
Uniform Medical Plan Plus-UW Medicine Accountable Care Network	600.56	1,196.10	1,642.76

Each participating employer in the plan is required to disclose additional information with regard to funding policy, the employer's annual OPEB costs and contributions made, the funded status and funding progress of the employer's individual plan, and actuarial methods and assumptions used.

Actuarial Assumptions. The total OPEB liability was determined using the following methodologies:

Actuarial valuation date	8/31/2016
Actuarial measurement date	8/31/2017
Actuarial cost method	Individual entry age
Amortization method	The recognition period for the assumption changes is 7.9 years. This is equal to the average expected remaining service lives of all active and inactive members.
Asset valuation method	N/A - no assets

In order to calculate the beginning total OPEB liability balance under GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*, an actuarial valuation was performed with a valuation date of August 31, 2016 was performed, while the ending balance was determined by projecting the August 31, 2016, valuation forward to August 31, 2017. The forward projection reflect the plan's assumed service cost, assumed interest, and expected benefit payments.

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

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation rate	3.75%
Projected salary changes	3.75%
Post-retirement participation percentage	50%
Percentage with spouse coverage	45%

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

Most demographic actuarial assumptions, including mortality and when members are expected to terminate and retire, were based on the results of the 2007-2012 Experience Study Report performed by the Washington State Public Retirement Systems.

Discount Rate. Since OPEB benefits are funded on a pay-as- you-go basis, the discount rate used to measure the total OPEB liability was set equal to the 20-year tax-exempt municipal bond yield, or 2.84 percent for the August 31, 2016, measurement date and 3.51 percent for the August 31, 2017, measurement date.

Changes in assumptions resulted from an increase in the 20-year tax-exempt municipal bond yield discount rate resulting in an overall decrease in total OPEB liability for the measurement date of August 31, 2017.

Health and Life Insurance trend rates used were as follows:

Year Ending August 31,	Pre-65 Retiree Premiums and Claims (1)	Post-65 Retiree Premiums and Claims (2)
2017	6.7%	8.8%
2018	5.4%	6.9%
2019	5.5%	5.4%
2020	5.6%	5.5%
2025	5.8%	5.7%
2030	6.2%	5.8%
2040	6.4%	5.7%
2050	6.1%	5.8%
2060	5.9%	6.0%
2093+	4.9%	4.9%

(1) Used to project annual increase to: total cost of pre-65 medical benefits; and retiree contributions for pre-65 medical benefits
(2) Used to project annual increase to explicit subsidy for Post-65 medical benefits.

Total OPEB Liability. As of August 31, 2018, the District reported a total OPEB liability of $167 million.

Changes in Total OPEB Liability

The following table presents the change in the total OPEB liability as of the August 31, 2018, reporting date:

Changes in total OPEB liability	
OPEB liability, August 31, 2017	$ 177,453,321
Changes for the year	
Service cost	9,303,248
Interest on total OPEB liability	5,255,474
Difference between expected and actual experience	-
Changes in benefit terms	-
Change in assumptions	(21,480,724)
Expected benefit payments	(3,433,307)
Net changes in total OPEB liability	(10,355,309)
OPEB liability, August 31, 2018	167,098,012

Sensitivity of the Total Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the District as an employer calculated using the discount rate of 3.51 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.51 percent) or 1 percentage point higher (4.51 percent) than the current rate:

	1% Decrease (2.51%)	Current Discount Rate (3.51%)	1% Increase (4.51%)
Total OPEB liability	$ 200,150,896	$ 167,098,012	$ 139,480,963

Sensitivity of Total OPEB Liability to Changes in the Health Care Cost Trend Rates. The following represents the total OPEB liability of the state as an employer, calculated using current health care trend rates, as well as what the total

OPEB liability would be if it were calculated using health care trend rates that are 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	$ 136,979,028	$ 167,098,012	$ 207,083,641

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB. For the year ending August 31, 2018, the District recognized OPEB expense of $11,839,643.

On August 31, 2018, 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
Difference between expected and actual experiences	$ -	$ -
Changes in assumptions or other inputs	(18,761,645)	-
Contributions subsequent to the measurement date	-	3,791,970
TOTAL	$ (18,761,645)	$ 3,791,970

Amounts reported as deferred outflows of resources related to OPEB resulting from transactions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended August 31, 2019.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB for the District will be recognized in OPEB expense in the fiscal years ended August 31 as follows:

Year ended August 31	
2019	$ (2,719,079)
2020	(2,719,079)
2021	(2,719,079)
2022	(2,719,079)
2023	(2,719,079)
Thereafter	(5,166,249)

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

OPEB Amounts	
OPEB liabilities	$ 167,098,012
Deferred outflows of resources	18,761,645
Deferred inflows of resources	3,791,970
OPEB expense (benefit)	11,839,643

8. LONG-TERM DEBT

Bonds payable at August 31, 2018 consists of eleven issues: General Obligation Refunding Bonds of 2010, General Obligation Taxable Build America Bonds of 2010, General Obligation Refunding Bonds of 2012, General Obligation Bonds of 2012, General Obligation Bonds of 2013, General Obligation Bonds of 2014, General Obligation Refunding Bonds of 2015, General Obligation Bonds of 2015, Series C, General Obligation Bonds of 2017, Series A, General Obligation Refunding Bonds of 2017 and General Obligation Bonds of 2017, Series C. Principal and interest is payable on June 1 and December 1.

In June 2009, the board issued $47,085,000 in eighteen-year property tax-supported general obligation bonds as the first installment of funding for the projects authorized by voters in March 2009. The funding was used for construction of

various district projects, including the replacement or renovation of four elementary schools, modernization of one high school, replacement of a middle school gymnasium, high school field improvements, technology and infrastructure to support technology and various building improvements. Interest rates on the general obligation bonds are fixed at 2.000 to 5.000 percent, depending on the year of maturity. These bonds were refunded in December 2015 as discussed under Refunding Bonds. The outstanding bonds will be retired on June 1, 2019.

In November 2010, the board issued $39,500,000 of nineteen-year tax-supported general obligation taxable build America bonds (2010C). The funding will be used for construction of various district projects, including the replacement or renovation of four elementary schools, modernization of one high school, replacement of a middle school gymnasium, high school field improvements, technology and infrastructure to support technology and various building improvements. Interest rates on the general obligation taxable build America bonds are fixed at 5.350 to 5.500 percent depending on the year of maturity. The general obligation taxable build America bonds will be retired on December 1, 2029.

In November 2010, the board issued $80,960,000 of general obligation refunding bonds. The proceeds from these bonds were to refund the majority of the outstanding 2003 bond issue. Interest rates on the general obligation bonds are fixed at 5.000 percent. The bonds will be retired on December 1, 2022. All 2003 bonds have been called and redeemed.

In November 2011, the board issued $75,000,000 in nineteen-year property tax-supported general obligation bonds as the fifth installment of funding for the projects authorized by voters in March 2009. The funding will be used for construction of various district projects, including the replacement or renovation of four elementary schools, modernization of one high school, replacement of a middle school gymnasium, high school field improvements, technology and infrastructure to support technology and various building improvements. Interest rates on the general obligation bonds are fixed at 2.000 to 5.000 percent, depending on the year of maturity. The bonds will be retired on December 1, 2030. These bonds were refunded in December 2017 as discussed under Refunding Bonds. The outstanding bonds will be retired on December 1, 2021.

In June 2012, the board issued $38,310,000 of general obligation refunding bonds. The proceeds from these bonds were to refund the majority of the outstanding 2005 bond issue. Interest rates on the general obligation bonds are fixed at 2.000 percent to 5.250 percent depending on the year of maturity. The bonds will be retired on December 1, 2024. All 2005 bonds have been called and redeemed.

In November 2012, the board issued $50,000,000 in twenty-year property tax-supported general obligation bonds as the sixth installment of funding for the projects authorized by voters in March 2009. The funding will be used for construction of various district projects, including the replacement or renovation of four elementary schools, modernization of one high school, replacement of a middle school gymnasium, high school field improvements, technology and infrastructure to support technology and various building improvements. Interest rates on the general obligation bonds are fixed at 3.000 to 4.000 percent, depending on the year of maturity. The bonds will be retired on December 1, 2032.

In December 2013, the board issued $30,000,000 in nineteen-year property tax-supported general obligation bonds as the seventh installment of funding for the projects authorized by voters in March 2009. The funding will be used for construction of various district projects, including the replacement or renovation of four elementary schools, modernization of one high school, replacement of a middle school gymnasium, high school field improvements, technology and infrastructure to support technology and various building improvements. Interest rates on the general obligation bonds are fixed at 4.250 to 5.000 percent, depending on the year of maturity. The bonds will be retired on December 1, 2032.

In December 2014, the board issued $25,525,000 in nineteen-year property tax-supported general obligation bonds as the eighth and final installment of funding for the projects authorized by voters in March 2009. The funding will be used for construction of various district projects, including the replacement or renovation of four elementary schools, modernization of one high school, replacement of a middle school gymnasium, high school field improvements, technology and infrastructure to support technology and various building improvements. Interest rates on the general obligation bonds are fixed at 4.500 to 5.500 percent, depending on the year of maturity. The bonds will be retired on December 1, 2033.

In December 2015, the board issued $36,055,000 of general obligation refunding bonds. The proceeds from these bonds were to refund the outstanding 2009 bond issue. Interest rates on the general obligation bonds are fixed at 2.250 percent to 5.000 percent depending on the year of maturity. The bonds will be retired on December 1, 2026.

In December 2015, the board issued $29,000,000 in nineteen-year property tax-supported general obligation bonds as the second installment of funding for the projects authorized by voters in February 2015. The funding will be used for construction of various district projects, including the replacement or renovation of four elementary schools, replacement of a middle school, replacement of a middle school gymnasium, improvements at two high schools, technology and infrastructure to support technology and various building improvements. Interest rates on the general obligation bonds are fixed at 4.000 percent. The bonds will be retired on December 1, 2034.

In November 2017, the board issued $16,545,000 in two-year property tax-supported general obligation bonds as the third installment of funding for the projects authorized by voters in February 2015. The funding will be used for construction of various district projects, including the replacement or renovation of four elementary schools, replacement of a middle school, replacement of a middle school gymnasium, improvements at two high schools, technology and infrastructure to support technology and various building improvements. Interest rates on the general obligation bonds are fixed at 5.000 percent. The bonds will be retired on December 1, 2019.

In November 2017, the board issued $64,320,000 of general obligation refunding bonds. The proceeds from these bonds were to refund the outstanding 2011 bond issue. Interest rates on the general obligation bonds are fixed at 4.000 percent to 5.000 percent depending on the year of maturity. The bonds will be retired on December 1, 2030.

In November 2017, the board issued $29,320,000 in eighteen-year property tax-supported general obligation bonds as the fourth installment of funding for the projects authorized by voters in February 2015. The funding will be used for construction of various district projects, including the replacement or renovation of four elementary schools, replacement of a middle school, replacement of a middle school gymnasium, improvements at two high schools, technology and infrastructure to support technology and various building improvements. Interest rates on the general obligation bonds are fixed at 4.000 percent to 5.000 percent depending on the year of maturity. The bonds will be retired on December 1, 2035.

Refunded Debt

On November 22, 2017, the district issued $64,320,000 in unlimited tax general obligation bonds with an average interest rate of 4.53 percent to advance refund $69,200,000 of outstanding 2011 UTGO Bonds with an average interest rate of 4.61 percent. The net proceeds of $76,285,240 after payment of $475,032 in underwriting fees, insurance, and other issuance costs along with $1,579,538 from the District's Debt Service Fund were used to purchase state and local government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded 2011 UTGO Bonds. As a result, all remaining 2011 bonds are considered to be defeased. The district advance refunded the 2011 Bonds to reduce its total debt service payments over the next 13 years by $7,741,154 and to obtain a present value economic gain of $6,185,761. A payment in the amount of $0 was made during fiscal year 2018 leaving a remaining outstanding balance of $64,320,000. A deferred outflow in the amount of $5,025,937 was recorded as a result of the transaction. A deferred outflow on refunding results from the difference in the carrying value of refunded debt and its reacquisition price.

The following is a summary of general obligation long-term debt transactions of the district for the year ended August 31, 2018:

	Balance 8/31/2017	Additions	Reductions	Balance 8/31/2018	Current Portion
Serial Bonds Payable	$ 355,030,000	$ 110,185,000	$ 88,590,000	$ 376,625,000	$ 14,990,000
Vacation Leave Payable	3,419,000	1,069,497	919,497	3,569,000	979,000
Sick Leave Payable	3,845,000	1,185,816	885,816	4,145,000	845,000
Workers Compensation	3,050,000	3,418,489	2,763,489	3,705,000	1,870,000
Net OPEB Obligation	177,453,321	-	10,355,309	167,098,012	-
Net Pension Liability *	156,552,676	-	24,192,964	132,359,712	-
Subtotal	699,349,997	115,858,802	127,707,075	687,501,724	18,684,000
Unamortized Premium	25,476,277	16,776,312	7,827,033	34,425,556	
Unamortized Discount	(189,997)	-	(16,942)	(173,055)	
Net Long -Term Debt	$ 724,636,277	$ 132,635,114	$ 135,517,166	$ 721,754,225	

* (restated)

Debt service requirements for bonds are funded out of the Debt Service Fund with the revenue sources being property taxes and investment income. At August 31, 2018, the District had $11,552,135 available in the Debt Service Fund to service the general obligation bonds. Vacation, sick leave, workers' compensation, Net OPEB Obligation and Net Pension Obligation debt service requirements are funded out of the General Fund.

Annual Requirements to Amortize Bond and Interest Debt as of August 31, 2018:

Year Ending August 31	Principal	Interest	Total
2019	$ 14,990,000	$ 16,536,586	$ 31,526,586
2020	18,695,000	15,691,038	34,386,038
2021	10,795,000	14,956,238	25,751,238
2022	12,260,000	14,379,862	26,639,862
2023	21,020,000	13,734,737	34,754,737
2024-2028	85,635,000	56,317,150	141,952,150
2029-2033	137,370,000	29,648,375	167,018,375
2034-2036	75,860,000	4,357,275	80,217,275
Total	$ 376,625,000	$ 165,621,261	$ 542,246,261

Bonds Authorized but Unissued

There are $46,000,000 of bonds that are authorized but unissued bonds as of August 31, 2018.

Bond Premium and Discount

The premium on bonds is amortized over the life of the bonds using the straight-line method. The unamortized premium as of August 31, 2018 is as follows:

Bond Series	Premium	Unamortized Premium
2017A Unlimited General Obligation Bonds	$ 1,006,396	$ 628,997
2017B Unlimited General Obliga+tion Refunding Bonds	12,445,475	11,727,466
2017C Unlimited General Obligation Bonds	3,324,442	3,185,924
2015B Unlimited General Obligation Refunding Bonds	6,807,095	5,105,321
2015C Unlimited General Obligation Bonds	1,847,322	1,579,946
2014 Unlimited General Obligation Bonds	2,251,989	1,807,518
2013 Unlimited General Obligation Bonds	520,257	390,193
2012 Unlimited General Obligation Bonds	831,670	592,565
2012 Unlimited General Obligation Refunding Bonds	7,690,009	3,845,004
2010B Unlimited General Obligation Refunding Bonds	14,526,954	5,144,963
2010C Unlimited General Obligation Bonds	705,380	417,659
Total	$ 51,956,989	$ 34,425,556

The discount on bonds is amortized over the life of the bonds using the straight-line method. The unamortized discount as of August 31, 2018 is as follows:

Bond Series	Discount	Unamortized Discount
2013 Unlimited General Obligation Bonds	$ 123,195	$ 92,936
2011 Unlimited General Obligation Bonds	46,080	29,912
2005 Unlimited General Obligation Bonds	157,315	50,207
Total	$ 326,590	$ 173,055

The deferred outflows on refunding bonds is amortized over the life of the bonds using the straight-line method. The unamortized deferred outflows as of August 31, 2018 is as follows:

Bond Series	Deferred Outflows	Unamortized Deferred Outflows
2017B Unlimited General Obligation Refunding Bonds	$ 5,025,937	$ 4,735,979
2015B Unlimited General Obligation Refunding Bonds	2,796,364	2,097,273
Total	$ 7,822,301	$ 6,833,252

Prior and Current-Year Defeasance of Debt

In prior and current years, the District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At August 31, 2018, $107,085,000 million of bonds outstanding were considered defeased.

Debt Covenants

The district is in compliance with all debt covenants.

Arbitrage Rebate

The district has provided for no arbitrage liability related to the outstanding bond issues. Arbitrage will be monitored at the calculation period prescribed by the Internal Revenue Service.

Operating Leases
The district leases copiers under noncancellable operating leases. Total cost for the leases was $49,426 for the year ended August 31, 2018. The leases are through a purchasing cooperative agreement and have no future minimum lease payments. The lease fees are based on the usage with no minimum fee.

Short-Term Debt
The district has no short-term debt.

9. RISK MANAGEMENT

Unemployment Insurance
The district has elected to maintain a self-insurance program for unemployment benefits in accordance with RCW 51.14.020. Actual employee benefits are paid by the Washington State Department of Employment Security and then reimbursed by the district. The following is a summary of activity for the fiscal year:

	2018	2017	2016
Beginning Balance	$ 2,120,204	$ 2,099,295	$ 1,850,383
Amount Added to Reserve	91,742	164,854	351,183
	2,211,946	2,264,149	2,201,566
Amount Deducted from Reserve	(88,632)	(143,945)	(102,271)
Ending Balance	$ 2,123,314	$ 2,120,204	$ 2,099,295

Industrial Insurance
The district has been self-insured since January 1, 1982. The district has historically purchased both per occurrence and aggregate stop-loss reinsurance protection. The district has a $425,000 per occurrence self-insured retention.

The industrial insurance claims management has been assigned to Sedgwick CMS. The following is a summary of activity for the fiscal year:

	2018	2017	2016
Beginning Balance	$ (104,097)	$ 229,809	$ 284,991
Amount Added to Reserve	3,097,749	2,527,883	2,189,485
	2,993,652	2,757,692	2,474,476
Amount Deducted from Reserve	(2,763,489)	(2,861,789)	(2,244,667)
Ending Balance	$ 230,163	$ (104,097)	$ 229,809

In addition to the above balances, a restriction of fund balance in the amount of $2,900,000 has been established in the General Fund to cover any loss for which an estimated liability has not been established or insurance coverage has not been secured. In the government-wide financial statements, an estimated liability, including case reserves and incurred but not reported of $3,705,000 and $3,050,000 as of August 31, 2018 and 2017 respectively is reported as a long-term liability. The estimate of ultimate loss, including incurred but not reported, loss development estimates and assessments, is calculated in an actuarial study prepared by a public accounting firm based on data from the preceding fiscal years.

Risk Management Pool
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 participate in 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.

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 fully funded by its member participants. The district paid $1,014,781 to the pool for the fiscal year ended August 31, 2018. Settled claims resulting from this risk have not exceeded insurance coverage in any of the past three fiscal years.

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.

10. FUND BALANCE (GOVERMENTAL FUNDS)

Fund balance as of August 31, 2018 is comprised of:

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund
Non-spendable inventory and prepaids	$ 3,932,607	$ -	$ -	$ -
Restricted - debt service	5,800,000	-	11,955,192	90,000
Restricted - self insurance	2,900,000	-	-	-
Restricted - state match	-	-	-	49,771,972
Restricted - other (Skill Center)	453,228	-	-	-
Restricted - Associated Student Body	-	1,435,584	-	-
Restricted Fund Balance	9,153,228	1,435,584	11,955,192	49,861,972
Assigned - capital projects	-	-	-	13,122,238
Assigned - nutrition services	1,163,645	-	-	-
Assigned - child care	393,673	-	-	-
Assigned - purchase orders not received	885,409	-	-	-
Assigned Fund Balance	2,442,727	-	-	13,122,238
Unassigned Fund Balance	24,579,385	-	-	-
Total Fund Balance	$ 40,107,947	$ 1,435,584	$ 11,955,192	$ 62,984,210

11. ENCUMBRANCES

Encumbrances represent contracts (including construction contracts), purchase orders, and other commitments to purchase which were fully liquidated and re-established for the remaining commitment balances in the next year. As of August 31, 2018, encumbrances of $2,586,895, $92,034,617 and $12,376 were outstanding for the General Fund, Capital Projects Fund and ASB Fund, respectively.

12. TAX ABATEMENTS

District property tax revenues were reduced by $799,393 from multiple-family housing property tax exemption agreements entered into by the City of Spokane. This represents the only tax abatement applicable to the district, therefore the use of a quantitative threshold to determine which tax abatements to report is not required.

13. JOINT VENTURE

The District is the host district for the NEWTECH Skill Center, a regional program designed to provide career and technical education opportunities to students in participating districts. The purpose of a Skill Center is to enhance the career and technical education course offerings among districts by avoiding unnecessary duplication of courses.

The NEWTECH Skill Center was created through an agreement of the eleven member districts. The Skill Center is governed by an Administrative Council, comprised of the superintendents, or their appointed representatives, of each member district. The Skill Center administration is handled through a director, employed by the District.

As host district, the District has the following responsibilities:

1. Employ staff of the Skill Center.
2. Act as fiscal agent for the Skill Center and maintain separate accounts and fund balances for each fund.
3. Review and adopt the Skill Center budget as a part of the District's overall budget.
4. Provide such services as may be mutually agreed upon by the District and the Skill Center.

Sources of Funding

The Skill Center is primarily funded by state apportionment, based on the number of students who attend the Skill Center. Other sources of income include federal grants from the Carl D. Perkins program, tuition and fees, and payments from member districts.

Financial Operations

Financial operations are included in these financial statements in the amount of revenues totaling $3,747,698 and expenditures totaling $3,045,017. Comparable revenues and expenditures totaled $3,373,656 and expenditures totaling $3,107,794, respectively, during the preceding year.

Unspent Funds

Any funds remaining at the end of the year from NEWTECH operations are recorded as a restriction of the District's General Fund balance, and are to be used for financing future operations of NEWTECH. Member districts do not have claim to any unspent funds of NEWTECH.

The following districts are member districts of the Skill Center: Spokane School District, Mead School District, Freeman School District, East Valley School District, Cheney School District, West Valley School District, Deer Park School District, Central Valley School District, Riverside School District, Nine Mile School District and Medical Lake School District.

The Newport School District, Davenport School District and Colville School District operate Satellite Campuses of the NEWTECH Skill Center. A Satellite Campus is not eligible to claim those students who attend for purposes of receiving direct funding from the state. The Newport School District, Davenport School District and Colville School District are required to provide the staffing for the Satellite Campus programs. As the fiscal agent for the Skill Center, Spokane Public School district reimburses the satellite district for their costs through the interlocal agreement.

14. CONTINGENT LIABILITIES

Spokane Public Schools participates in a number of federally assisted grant programs principally funded by the Department of Education, the Bureau of Indian Affairs, the Comprehensive Employment Training Act, and others. These programs are subject to program compliance audits by the grantors or their representatives. The audits of some of these programs for, or including, the year ended August 31, 2018, either have not yet been conducted or are still pending final action and acceptance by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. Spokane Public Schools expects such amounts, if any, to be immaterial.

The district is not aware of any material violations of contractual provisions or other finance related provisions.

15. SUBSEQUENT EVENTS

On November 14, 2018, voters approved capital improvement and school construction bonds of $495,300,000.

In February, 2019, the district sold $46,000,000 of bonds authorized by the voters in February 2015. The district also sold $100,000,000 of bonds authorized by the voters in November 2018. The district has $395,300,000 authorized but unissued bonds.

REQUIRED SUPPLEMENTARY INFORMATION

SPOKANE PUBLIC SCHOOLS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED AUGUST 31, 2018

	BUDGETED AMOUNTS		ACTUAL AMOUNT	FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Local	$ 76,053,505	$ 76,061,102	$ 76,494,952	$ 433,850
State	301,293,694	301,284,444	300,115,570	(1,168,874)
Federal	40,791,636	40,681,580	37,297,091	(3,384,489)
Other	1,428,190	1,539,899	1,627,367	87,468
TOTAL REVENUES	**419,567,025**	**419,567,025**	**415,534,980**	**(4,032,045)**
EXPENDITURES				
CURRENT				
Regular Instruction	221,249,688	221,210,697	220,562,484	648,213
Special Instruction	55,831,870	55,882,408	56,973,974	(1,091,566)
Vocational Instruction	11,886,101	11,886,149	11,267,406	618,743
Skills Center	3,463,926	3,480,127	3,518,095	(37,968)
Compensatory Education	37,528,732	38,236,926	33,776,026	4,460,900
Other Instructional Programs	5,466,948	4,699,137	3,784,807	914,330
Community Services	7,745,550	7,804,301	7,675,301	129,000
Support Services	74,869,472	74,903,023	74,550,935	352,088
CAPITAL OUTLAY				
Other	981,412	920,931	706,634	214,297
TOTAL EXPENDITURES	**419,023,699**	**419,023,699**	**412,815,662**	**6,208,037**
Excess of Revenues Over/ (Under) Expenditures	**543,326**	**543,326**	**2,719,318**	**2,175,992**
OTHER FINANCING SOURCES/(USES)				
Sale of Equipment	30,000	30,000	18,367	(11,633)
Total Other Financing Sources/(Uses)	**30,000**	**30,000**	**18,367**	**(11,633)**
Excess of Revenues & Other Financing Sources Over/(Under) Expenditures & Other Uses	**573,326**	**573,326**	**2,737,685**	**2,164,359**
FUND BALANCE - September 1	**35,381,618**	**35,381,618**	**37,370,262**	**1,988,644**
FUND BALANCE - August 31	**$ 35,954,944**	**$ 35,954,944**	**$ 40,107,947**	**$ 4,153,003**

The basis of budgeting is the same as GAAP.

REQUIRED SUPPLEMENTARY INFORMATION

SPOKANE PUBLIC SCHOOLS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

SPECIAL REVENUE FUND (ASSOCIATED STUDENT BODY FUND)

FOR THE YEAR ENDED AUGUST 31, 2018

	BUDGETED AMOUNTS		ACTUAL AMOUNT	FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
General	$ 647,000	$ 647,000	$ 733,320	$ 86,320
Athletics	679,000	679,000	630,345	(48,655)
Classes	629,000	629,000	650,749	21,749
Clubs	216,000	216,000	265,717	49,717
Total Revenues	**2,171,000**	**2,171,000**	**2,280,131**	**109,131**
EXPENDITURES				
General	634,000	634,000	687,567	(53,567)
Athletics	850,000	850,000	631,076	218,924
Classes	728,000	728,000	605,892	122,108
Clubs	209,000	209,000	246,938	(37,938)
Total Expenditures	**2,421,000**	**2,421,000**	**2,171,473**	**249,527**
Excess of Revenues Over/ (Under) Expenditures	**(250,000)**	**(250,000)**	**108,658**	**358,658**
FUND BALANCE - September 1	**1,320,000**	**1,320,000**	**1,326,926**	**6,926**
FUND BALANCE - August 31	**$ 1,070,000**	**$ 1,070,000**	**$ 1,435,584**	**$ 365,584**

The basis of budgeting is the same as GAAP.

REQUIRED SUPPLEMENTARY INFORMATION
SPOKANE PUBLIC SCHOOLS
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017	2016	2015
PERS 1				
District's Proportion of the Net Pension Liability	0.428955%	0.431661%	0.414966%	0.406944%
District's Proportionate Share of the Net Pension Liability	$ 19,157,278	$ 20,482,642	$ 22,285,631	$ 21,286,953
District's covered Payroll	$ 56,450,044	$ 53,153,529	$ 49,020,243	$ 45,172,709
District's Proportional Share of the Net Pension Liability (Amount) as a Percentage of its Covered Payroll	33.94%	38.53%	45.46%	47.12%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.22%	61.24%	57.03%	59.10%
SERS 2/3				
District's Proportion of the Net Pension Liability	2.548529%	2.553870%	2.584312%	2.548690%
District's Proportionate Share of the Net Pension Liability	$ 7,621,683	$ 12,602,710	$ 16,972,910	$ 10,351,531
District's covered Payroll	$ 55,744,619	$ 52,173,367	$ 47,798,022	$ 43,849,012
District's Proportional Share of the Net Pension Liability (Amount) as a Percentage of its Covered Payroll	13.67%	24.16%	35.51%	23.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.77%	90.79%	86.52%	90.92%
TRS 1				
District's Proportion of the Net Pension Liability	3.130566%	3.125426%	3.109003%	3.079276%
District's Proportionate Share of the Net Pension Liability	$ 91,431,067	$ 94,489,992	$ 106,148,740	$ 97,555,829
District's covered Payroll	$ 183,893,961	$ 173,810,804	$ 156,727,763	$ 148,851,192
District's Proportional Share of the Net Pension Liability (Amount) as a Percentage of its Covered Payroll	49.72%	54.36%	67.73%	65.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.52%	65.58%	62.07%	65.70%
TRS 2/3				
District's Proportion of the Net Pension Liability	3.143578%	3.139666%	3.107343%	3.126996%
District's Proportionate Share of the Net Pension Liability	$ 14,149,685	$ 28,977,331	$ 42,673,051	$ 26,385,651
District's covered Payroll	$ 182,725,358	$ 172,174,438	$ 154,671,074	$ 146,231,733
District's Proportional Share of the Net Pension Liability (Amount) as a Percentage of its Covered Payroll	7.74%	16.83%	27.59%	18.04%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	96.88%	93.14%	88.72%	92.48%

GASBS 68 was implemented for the fiscal year ended August 31, 2015. No information prior to August 31, 2015 is available.

Source: Spokane School District No. 81

REQUIRED SUPPLEMENTARY INFORMATION
SPOKANE PUBLIC SCHOOLS
SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED AUGUST 31, 2018

	2018	2017	2016	2015
PERS 1				
Contractually Required Plan Member Contribution	$ 2,922,803	$ 2,623,767	$ 2,441,677	$ 1,885,446
Contributions in Relation to the Contractually Required Plan Member Contributions	$ 2,922,803	$ 2,623,767	$ 2,441,677	$ 1,885,446
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
District's covered Payroll	$ 57,143,312	$ 53,711,895	$ 49,722,544	$ 45,477,041
Contribution as a Percentage of covered Payroll	5.11%	4.88%	4.91%	4.15%
SERS 2/3				
Contractually Required Plan Member Contribution	$ 4,758,685	$ 3,594,208	$ 3,298,601	$ 2,495,908
Contributions in Relation to the Contractually Required Plan Member Contributions	$ 4,758,685	$ 3,594,208	$ 3,298,601	$ 2,495,908
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
District's covered Payroll	$ 56,477,297	$ 52,773,146	$ 48,543,495	$ 44,182,858
Contribution as a Percentage of covered Payroll	8.43%	6.81%	6.80%	5.65%
TRS 1				
Contractually Required Plan Member Contribution	$ 13,436,521	$ 10,911,733	$ 10,169,734	$ 6,916,266
Contributions in Relation to the Contractually Required Plan Member Contributions	$ 13,436,521	$ 10,911,733	$ 10,169,734	$ 6,916,266
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
District's covered Payroll	$ 185,986,718	$ 173,487,560	$ 161,738,988	$ 150,050,481
Contribution as a Percentage of covered Payroll	7.22%	6.29%	6.29%	4.61%
TRS 2/3				
Contractually Required Plan Member Contribution	$ 14,780,245	$ 11,864,297	$ 10,992,261	$ 8,407,193
Contributions in Relation to the Contractually Required Plan Member Contributions	$ 14,780,245	$ 11,864,297	$ 10,992,261	$ 8,407,193
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
District's covered Payroll	$ 184,867,357	$ 171,970,598	$ 159,705,481	$ 147,552,979
Contribution as a Percentage of covered Payroll	8.00%	6.90%	6.88%	5.70%

GASBS 68 was implemented for the fiscal year ended August 31, 2015. No information prior to August 31, 2015 in available.

Source: Spokane School District No. 81

REQUIRED SUPPLEMENTARY INFORMATION
SPOKANE PUBLIC SCHOOLS
SCHEDULE OF CHANGES IN TOTAL OPEB (OTHER POST-EMPLOYMENT BENEFITS) LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED AUGUST 31, 2018

		2018
TOTAL OPEB LIABILITY		
Service Cost	$	9,303,248
Interest on Total OPEB Liability		5,255,474
Changes of benefit terms		-
Effect of Economic/Demographic Gains (Losses)		-
Effect of Assumption Changes or Inputs		(21,480,724)
Expected Benefit Payments		(3,433,307)
Net Change in Total OPEB Liability		(10,355,309)
Total OPEB Liability, Beginning		177,453,321
Total OPEB Liability, Ending	$	167,098,012
Covered Employee Payroll	$	227,199,455
Total OPEB Liability as a Percent of Covered Employee Payroll		73.55%

GASBS 75 was implemented for the fiscal year ended August 31, 2018. No information prior to August 31, 2018 is available.
Data is reported utilizing the most recent information available (measurement date of August 31, 2017)
Assets have not been accumulated in a trust to pay related benefits.

Spokane Public Schools, District #81
Spokane County
EIN: 91-6001582
Schedule of Expenditures of Federal Awards
For Fiscal Year Ending August 31, 2018

Federal Agency Name	Pass Thru Agency	Federal Program Title	Federal Catalog Number	Other Identification Number	Expenditures: Direct Fund Amount	Expenditures: Pass Thru Amount	Expenditures: Total Funds Expended	Passed-Through to Subrecipients	Foot Note
Dept of Agriculture	WA OSPI	School Breakfast Program (A)	10.553	1197_619804	-	2,871,716.10	2,871,716.10	-	
Dept of Agriculture	WA OSPI	Nat'l School Lunch Program (A) - Cash Assistance	10.555	1197_6198	-	7,667,472.20	7,667,472.20	-	
Dept of Agriculture	WA OSPI	Nat'l School Lunch Program (A) - Non Cash/Commodities	10.555	1777	-	1,215,196.72	1,215,196.72	-	4
				10.555 Total	-	8,882,668.92	8,882,668.92	-	
Dept of Agriculture	WA OSPI	Summer Food Service Program for Children	10.559	1197_6189	-	361,869.43	361,869.43	-	
		Subtotal Child Nutrition Cluster			-	12,116,254.45	12,116,254.45	-	
Dept of Agriculture	Community Colleges of Spokane	Child & Adult Care Food Program (A)	10.558	WINS#159230	-	90,538.74	90,538.74	-	
Dept of Agriculture	WA OSPI	Fresh Fruit & Vegetable Program	10.582	1197_619801	-	274,649.53	274,649.53	-	8
		Dept of Agriculture Subtotal			**-**	**12,481,442.72**	**12,481,442.72**	**-**	
Dept of Commerce	Makah Tribal Council	Unallied Science Program	11.472	NA16NMF4720059	-	4,624.29	4,624.29		
		Dept of Commerce Subtotal			**-**	**4,624.29**	**4,624.29**	**-**	
Dept of Defense		Air Force Junior ROTC	12.WA20001	WA 20001	67,273.28	-	67,273.28	-	9
		Dept of Defense Subtotal			**67,273.28**	**-**	**67,273.28**	**-**	
		Dept of Housing/Urban Dev Subtotal			**-**	**-**	**-**	**-**	
		Dept of Interior Subtotal			**-**	**-**	**-**	**-**	
Dept of Justice	WA - DSHS	Juvenile Justice and Delinquency Prevention	16.540	C# 1-600-00518	-	1,960.20	1,960.20		
Dept of Justice	Dept. of Def.	Youth Gang Prevention	16.544	OPR#2017-0073	-	142,177.05	142,177.05	-	
Dept of Justice		Bulletproof Vest Partnership Program	16.607	16084872	385.34	-	385.34	-	
		Dept of Justice Subtotal			**385.34**	**144,137.25**	**144,522.59**	**-**	
		Dept of Labor Subtotal			**-**	**-**	**-**	**-**	
Dept of Transportation	Spokane Regional Health District	Highway Planning and Construction	20.205	300-421-1002	-	1,631.93	1,631.93	-	
		Dept of Transportation Subtotal			**-**	**1,631.93**	**1,631.93**	**-**	
Inst of Museum & Library Services	WA - Secretary of State	Grants to States	45.310	IG-5912-1, IG-5912-2	-	4,000.00	4,000.00	-	
		Institute of Museum & Library Services Subtotal			**-**	**4,000.00**	**4,000.00**	**-**	
		Nat'l Science Foundation Subtotal			**-**	**-**	**-**	**-**	
		Dept of Veterans Affairs			**-**	**-**	**-**	**-**	
		Environmental Protection Subtotal			**-**	**-**	**-**	**-**	
		Dept of Energy Subtotal			**-**	**-**	**-**	**-**	
		Fed Emergency Mgmt Agy Subtotal			**-**	**-**	**-**	**-**	
Dept of Education	WA OSPI	Title I Grants to Local Education Agencies	84.010	0202372, 0261097, 0261099, 0305836	-	10,290,015.01	10,290,015.01	-	5, 8
Dept of Education	WA OSPI	Special Education - Grants to States	84.027	0305836, 0337775	-	6,286,054.36	6,286,054.36	-	8
Dept of Education	WA OSPI	Special Education - Preschool Grants	84.173	365701	-	155,839.00	155,839.00	-	
		Subtotal Special Education Cluster			-	6,441,893.36	6,441,893.36	-	
Dept of Education	Area Colleges/Universities	Federal Work-Study Program	84.033	CCS, EWU, GU, WU	-	44,597.25	44,597.25	-	
Dept of Education	WA OSPI	Career & Technical Education - Basic Grants to States	84.048	0174107, 0173922	-	313,261.00	313,261.00	-	8
Dept of Education		Indian Education - Grants to Local Education Agencies	84.060	S060A171037, S060A181037	198,106.45	-	198,106.45	-	8
Dept of Education	WA OSPI	Education for Homeless Children and Youth	84.196	0456249	-	40,500.00	40,500.00	-	8
Dept of Education	WA OSPI	Javits Gifted and Talented Students Education	84.206	0470032	-	6,000.00	6,000.00	-	8
Dept of Education	WA Student Achievement Council	Gaining Early Awareness & Readiness for Undergraduate Programs	84.334	19-IA070, 19-IA071 19-IA069, 17-IA123, 17-IA124. 17-IA125	-	468,529.50	468,529.50	-	2, 8
Dept of Education	WA OSPI	English Language Acquisition State Grants	84.365	T365D16005, 0402493	-	293,592.68	293,592.68	-	3, 8
Dept of Education	WA OSPI	Supporting Effective Instruction State Grants	84.367	0524366	-	1,405,365.42	1,405,365.42	-	8
Dept of Education	WA OSPI	Education Innovation and Research	84.411	X0121/116	-	657.39	657.39		
Dept of Education	WA OSPI	Student Support and Academic Enrichment Program	84.424	0430028	-	83,644.52	83,644.52		
		Dept of Education Subtotal			**198,106.45**	**19,388,056.13**	**19,586,162.58**	**-**	
Health/Human Services Dept	Spokane Tribe of Indians	Express - TANF	93.558	Multiple	-	649.17	649.17		
Health/Human Services Dept	School's Out Washington	Refugee and Entrant Assistance-Discretionary Grants	93.576	Interagency Contract	-	64,807.22	64,807.22	-	8
Health/Human Services Dept	Spokane County	Block Grant for Prevention and Treatment of Substance Abuse	93.959	17BHO2138	-	22,857.11	22,857.11		
		Health/Human Services Dept Subtotal			**-**	**88,313.50**	**88,313.50**	**-**	
		Corp for National Service Subtotal			**-**	**-**	**-**	**-**	
Dept of Homeland Security	FEMA	Disaster Grants - Public Assistance	97.036	063-UT2RQ-00	-	12,780.00	12,780.00	-	
		Dept of Homeland Security			**-**	**12,780.00**	**12,780.00**	**-**	
Total Federal Awards Expended					**265,765.07**	**32,124,985.82**	**32,390,750.89**	**-**	

Spokane Public Schools, District #81
Spokane County
EIN: 91-6001582
Schedule of Expenditures of Federal Awards
For Fiscal Year Ending August 31, 2018

Federal Agency Name	Pass Thru Agency	Federal Program Title	Federal Catalog Number	Other Identification Number	Expenditures: Direct Fund Amount	Expenditures: Pass Thru Amount	Expenditures: Total Funds Expended	Passed-Through to Subrecipients	Foot Note

Notes to the Schedule

NOTE 1 - BASIS OF ACCOUNTING
The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the district's financial statements. Spokane Public Schools uses the modified accrual basis of accounting. Expenditures represent only the federally funded portions of the program. District records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE 2 - PROGRAM COSTS/MATCHING CONTRIBUTIONS

The amounts shown as current year expenses represent only the federal grant portion of the program costs. Entire program costs for all grants, including the district's portion, may be more than shown. Such expenditures are recognized following, as applicable, the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - PROGRAM INCOME
The amount of federal expenditures reported on the schedule for CFDA #84.365 include $20,500.00 of program revenue generated from participation of non-district personnel in district training offerings.

NOTE 4 - NON-CASH AWARDS - COMMODITIES
The amount of commodities reported on the schedule is the market value of food and food products distributed by Spokane Public Schools during the current year. The value is determined by the United States Department of Agriculture.

NOTE 5 - SCHOOLWIDE PROGRAMS
Spokane Public Schools operates a "schoolwide program" in twenty-four elementary schools, six middle schools and one high school. Using federal funding, schoolwide programs are designed to upgrade an entire educational program with a school for all students, rather than limit services to certain targeted students. The following federal program amounts were directly expended by the District in its schoolwide programs: Title I, Part A (84.010) - $8,276,013.77.

NOTE 6 - TRANSFERABILITY
Not applicable.

NOTE 7 - SMALL RURAL SCHOOLS ACHIEVEMENT (SRSA)
Not applicable.

NOTE 8 - FEDERAL INDIRECT RATE
The amount expended includes an indirect cost recovery using an approved indirect cost rate ranging from 2.00% - 15.26% depending on the maximum allowable rate for each respective grant. Overall, the district collected $868,919.26 in indirect costs. The district has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 9 - CFDA # NOT AVAILABLE
The district has been unsuccessful in obtaining a CFDA # for this funding source.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
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