Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Spokane School District No. 81

Spokane County

For the period September 1, 2016 through August 31, 2017

Published May 21, 2018

Report No. 1021282

Office of the Washington State Auditor

Pat McCarthy

May 21, 2018

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

TABLE OF CONTENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Spokane School District No. 81
Spokane County
September 1, 2016 through August 31, 2017

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
10.553	Child Nutrition Cluster – School Breakfast Program
10.555	Child Nutrition Cluster – National School Lunch Program
10.559	Child Nutrition Cluster – Summer Food Service Program for Children
84.367	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was $959,018.

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
Spokane County
September 1, 2016 through August 31, 2017

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, Spokane County, Washington, as of and for the year ended August 31, 2017, 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 23, 2018.

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 23, 2018

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
Spokane County
September 1, 2016 through August 31, 2017

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, Spokane County, Washington, 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, 2017. 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, 2017.

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

April 30, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Spokane School District No. 81
Spokane County
September 1, 2016 through August 31, 2017

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, Spokane County, Washington, as of and for the year ended August 31, 2017, 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, 2017, 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.

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 23, 2018 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 23, 2018

FINANCIAL SECTION

Spokane School District No. 81
Spokane County
September 1, 2016 through August 31, 2017

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2017

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2017
Statement of Activities – 2017
Balance Sheet – Governmental Funds – 2017
Reconciliation – Balance Sheet/Statement of Net Position – 2017
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – 2017
Reconciliation – Statement of Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities – 2017
Statement of Fiduciary Net Position – Fiduciary Funds – 2017
Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2017
Notes to Basic Financial Statements – 2017

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund – 2017
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Special Revenue Fund – Associated Student Body Fund – 2017
Schedule of the District's Proportionate Share of the Net Pension Liability – PERS 1, SERS 2/3, TRS 1, TRS 2/3 – 2017
Schedule of District Contributions – PERS 1, SERS 2/3, TRS 1, TRS 2/3 – 2017
Actuarial Valuation of Post-Employment Benefits Other than Pension – Schedule of Funding Progress – 2017

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards and Notes – 2017

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, 2017. 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, 2017 was $84.5 million. During the year, the district had revenues of $438.5 million and expenses of $431.3 million incurred for all governmental activities. The results of operation resulted in an increase to Net Position of $7.2 million.
- The district's governmental funds as of August 31, 2017, reported a combined ending fund balance of $96.1 million, a decrease of $32.3 million compared to the prior year.
- The General Fund total fund balance was $37.4 million reflecting an increase of $4.5 million. The General Fund balance represents 9.8% of General Fund expenditures. Of the $37.4 million in fund balance, $25.2 million is available for spending at the district's discretion (assigned and unassigned fund balance). The discretionary General Fund balance represents 6.6% of General Fund expenditures.
- The average student enrollment increased by 395 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 an improved financial position 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 13 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)

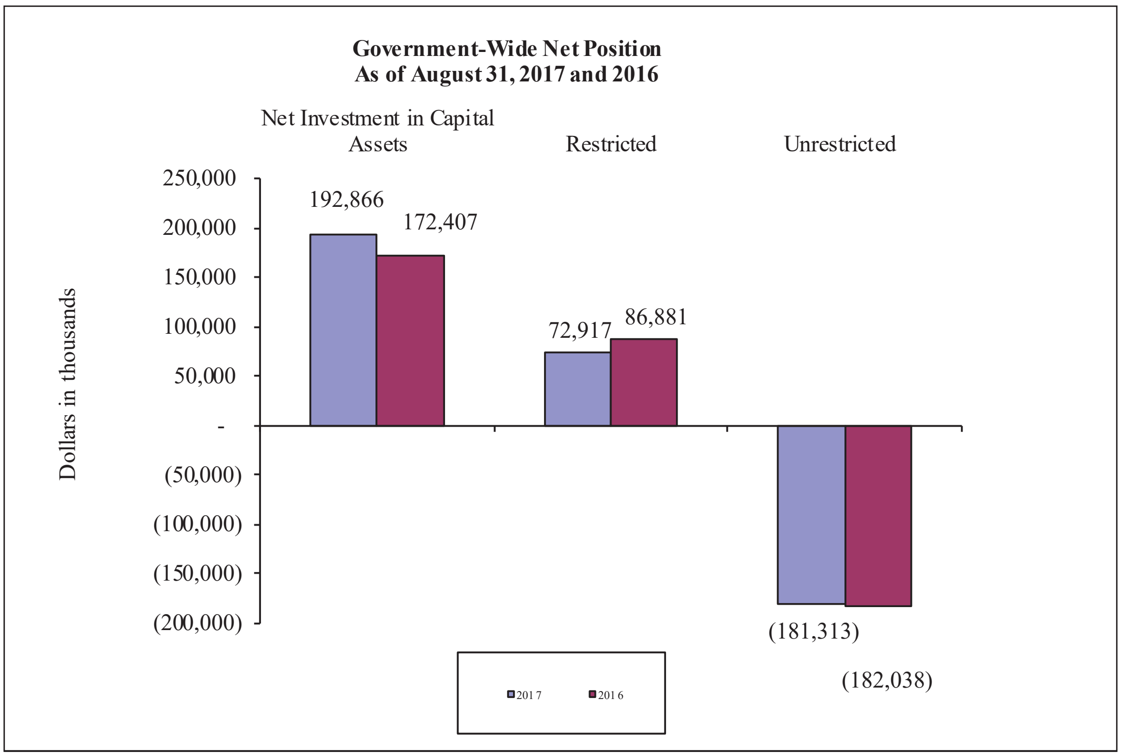
In 2016-2017 revenues exceeded expenses by $7.2 million as compared to $8.7 million in the prior year. Our analysis focuses on the net position and changes in net position of the district's governmental activities.

The net position of the district's governmental activities increased by $7.2 million, or 8.5% of the district’s net position of $84.5 million. The district increased capital assets by $24.4 million net of depreciation. The capital additions were financed by long term debt issued in previous years and state funding. Decreased liabilities for pension and bonds payable, partially offset by increases for other post-employment benefits and other employee benefits, resulted in a $39.4 million decrease 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 $181.3 million. The net position of $72.9 million is restricted under legal obligations (for debt payments and other contractual obligations) and $192.9 million is invested in capital assets.

Government-Wide Net Position
As of August 31

	2017	2016
Current and Other Assets	$ 172,892,960	$ 205,963,702
Capital Assets	570,830,576	546,392,303
Total Assets	743,723,536	752,356,005
Total Deferred Outflows	17,591,081	25,451,191
Other Liabilities	34,231,793	36,186,200
Long-Term Liabilities	621,328,555	660,765,865
Total Liabilities	655,560,348	696,952,065
Total Deferred Inflows	21,285,056	3,604,907
Net Investment in Capital Assets	192,865,784	172,407,024
Restricted	72,916,670	86,880,722
Unrestricted	(181,313,241)	(182,037,522)
TOTAL NET POSITION	$ 84,469,213	$ 77,250,224



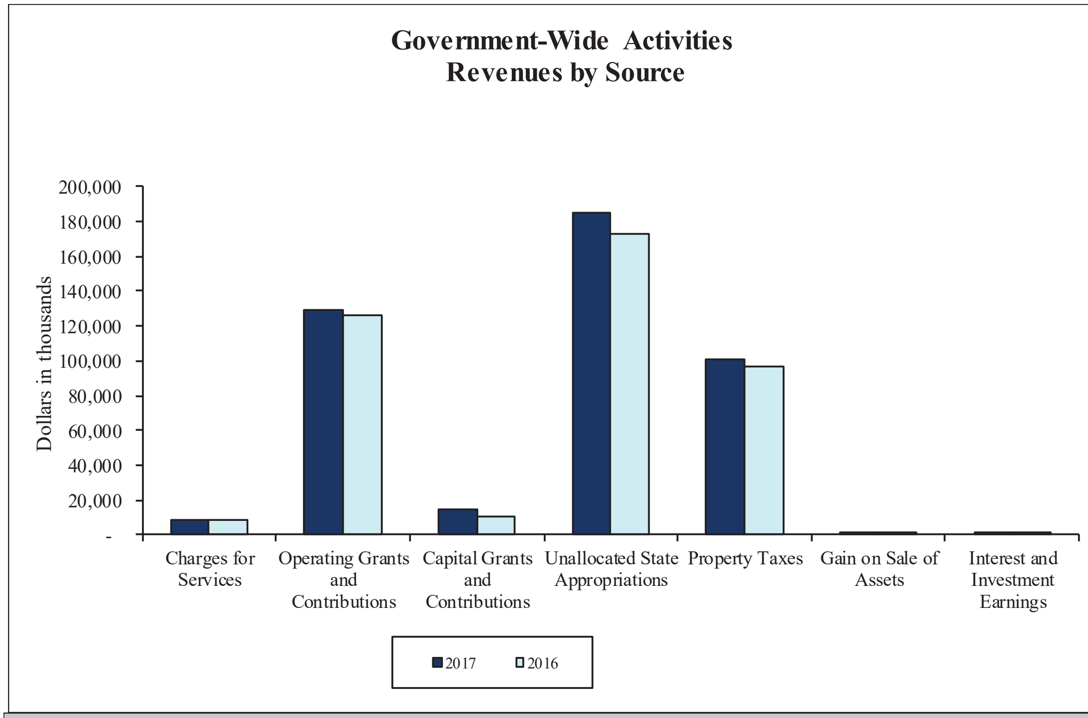
The 2016-2017 total revenues of $438.5 million exceed total expenses of $431.3 million by $7.2 million. Total revenues were up due to increased general revenues from unallocated state appropriations and property taxes. This increase reflects the state's investment of additional basic education resources for salaries, instruction, student support and materials. The increase also occurred due to a net increase in program revenues due to an increased level of both operating and capital grants and contributions. The increase in operating grants and contributions was for special education and also reflects the state's increased investment in education resources. Capital grants and contributions fluctuate with the projects and are dependent on the number of projects that are eligible for state funding. Expenses increased by $23.4 million in 2016-17, 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 expenses.

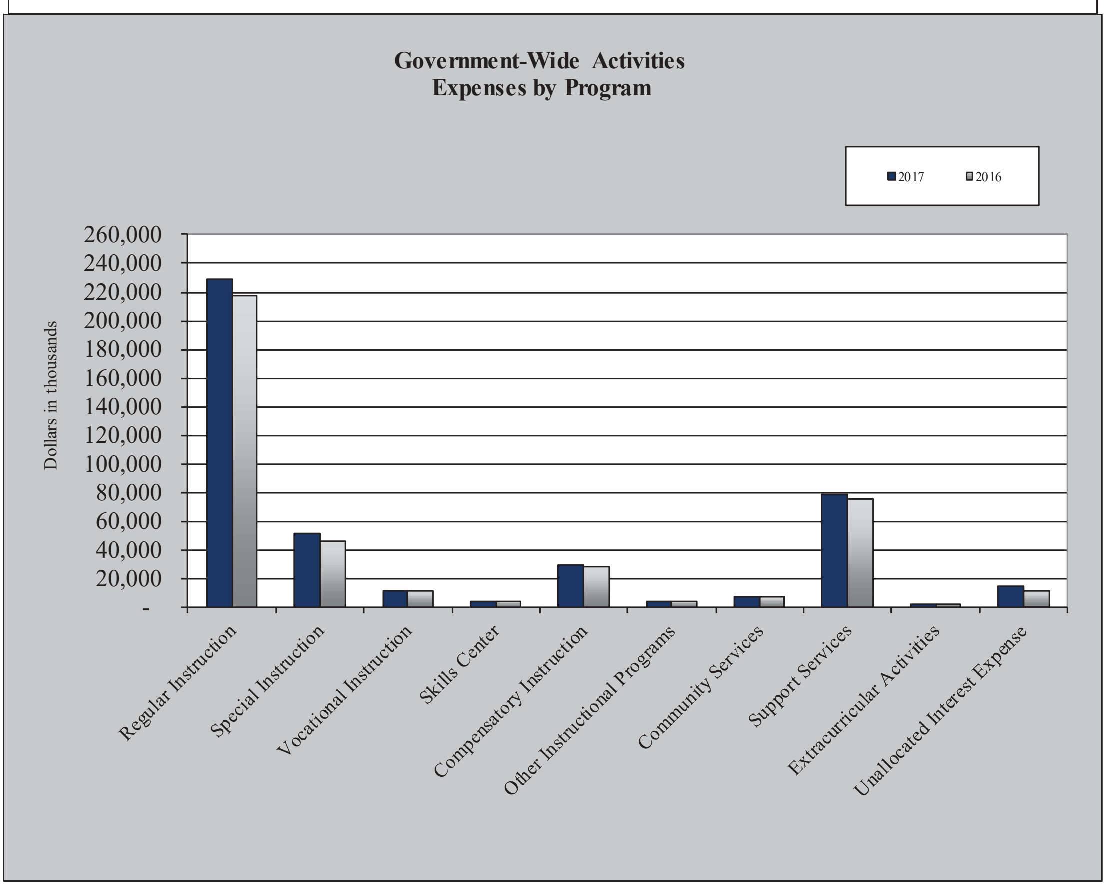
Government-Wide Changes in Net Position
PRIMARY GOVERNMENT
For the Year Ended August 31

	2017	2016
Program Revenues:		
Charges for Services	$ 8,325,419	$ 8,756,911
Operating Grants and Contributions	128,892,998	125,755,926
Capital Grants and Contributions	14,220,130	10,714,744
General Revenues:		
Property Taxes	100,744,751	97,163,096
Unallocated State Appropriations	185,271,462	173,233,742
Gain on Sale of Assets	28,064	26,351
Interest and Investment Earnings	1,062,549	923,274
TOTAL REVENUES	**438,545,373**	**416,574,044**
PROGRAM EXPENSES:		
Regular Instruction	228,899,386	217,347,699
Special Instruction	50,967,309	46,248,187
Vocational Instruction	11,586,107	11,901,994
Skills Center	4,341,605	3,724,444
Compensatory Instruction	29,525,502	28,720,268
Other Instructional Programs	3,661,416	3,751,004
Community Services	7,258,971	6,899,127
Support Services	78,345,391	75,852,579
Extracurricular Activities	2,145,205	2,083,045
Unallocated Interest Expense	14,595,492	11,379,728
TOTAL EXPENSES	**431,326,384**	**407,908,075**
Increase (Decrease) in Net Position	**7,218,989**	**8,665,969**
Net Position - Beginning	**77,250,224**	**68,584,255**
Ending Net Position	**$ 84,469,213**	**$ 77,250,224**

Government-Wide Activities

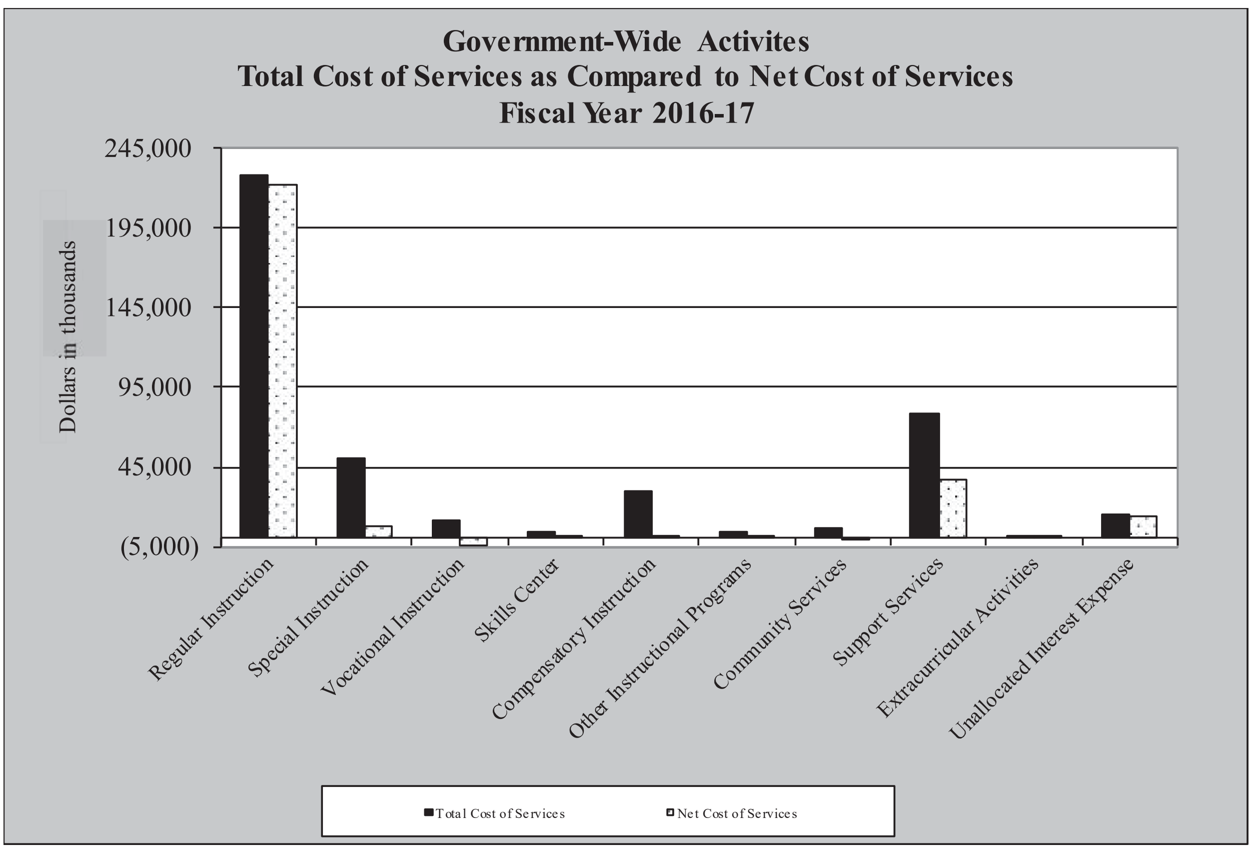
Revenues by source and the costs of the district, including the district's largest programs consisting of regular instruction, special instruction, vocational instruction, compensatory instruction and support services are presented below. On the following page each program's net cost (total cost less 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 below.





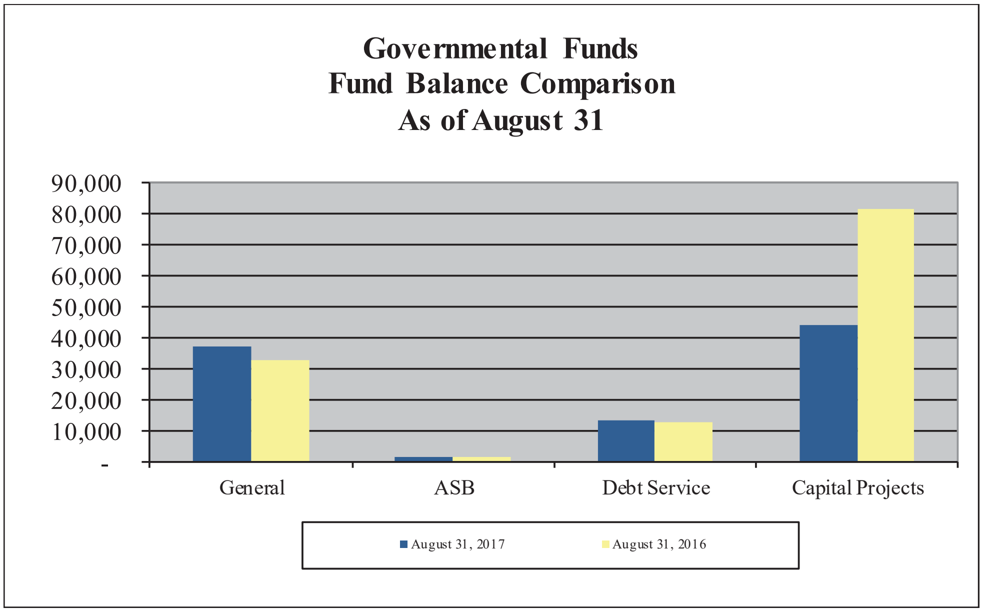
Government-Wide Activities
Net Cost of Services
For the year ended August 31, 2017

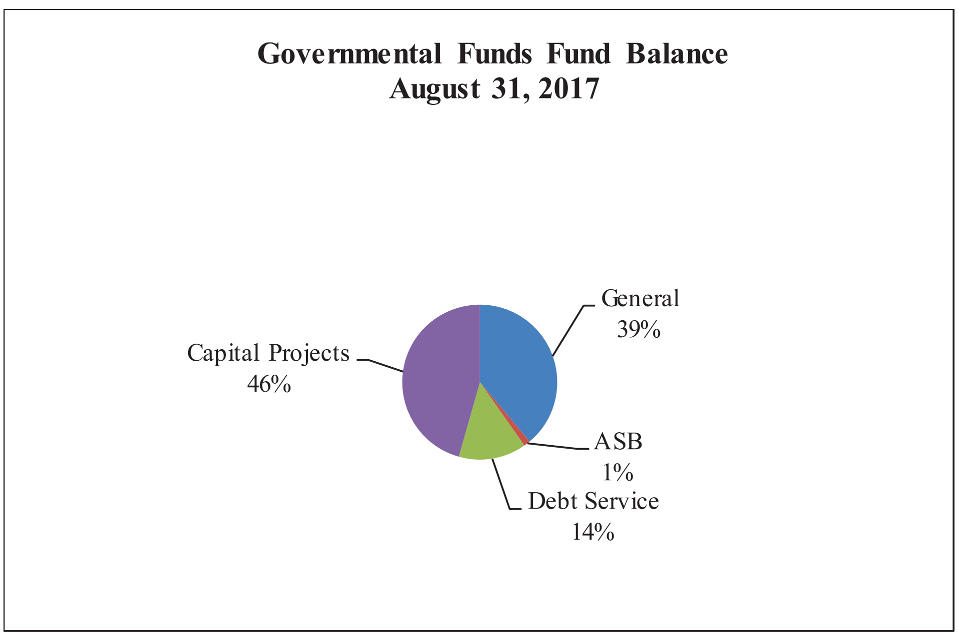
	Program Revenues	Total Cost of Services	Net Cost of Services
Regular Instruction	$ 6,828,669	$ 228,899,386	$ (222,070,717)
Special Instruction	43,350,801	50,967,309	(7,616,508)
Vocational Instruction	16,383,009	11,586,107	4,796,902
Skills Center	3,410,282	4,341,605	(931,323)
Compensatory Instruction	27,235,375	29,525,502	(2,290,127)
Other Instructional Programs	1,970,090	3,661,416	(1,691,326)
Community Services	7,761,624	7,258,971	502,653
Support Services	41,690,179	78,345,391	(36,655,212)
Extracurricular Activities	2,107,458	2,145,205	(37,747)
Unallocated Interest Expense	701,060	14,595,492	(13,894,432)
Totals	$ 151,438,547	$ 431,326,384	$ (279,887,837)



THE SCHOOL DISTRICT'S FUNDS (Fund Financial Statements)

At the end of the 2017 fiscal year, total governmental fund balance was $96.1 million (as presented in the balance sheets under the governmental financial statement section), which is $32.3 million less than last year's fund balance of $128.4 million. This decrease is a result of capital expenditures of funds borrowed in a previous year, net of a positive general fund budget variance. As presented in the bottom chart below, the General Fund comprises 38.9% and the Capital Projects Fund comprises 45.6% of total fund balance at August 31, 2017.





The table below presents a summary of the General Fund revenues and expenditures for fiscal years 2017 and 2016. The significant changes are explained below the table. A graphical presentation of revenues and expenditures follows.

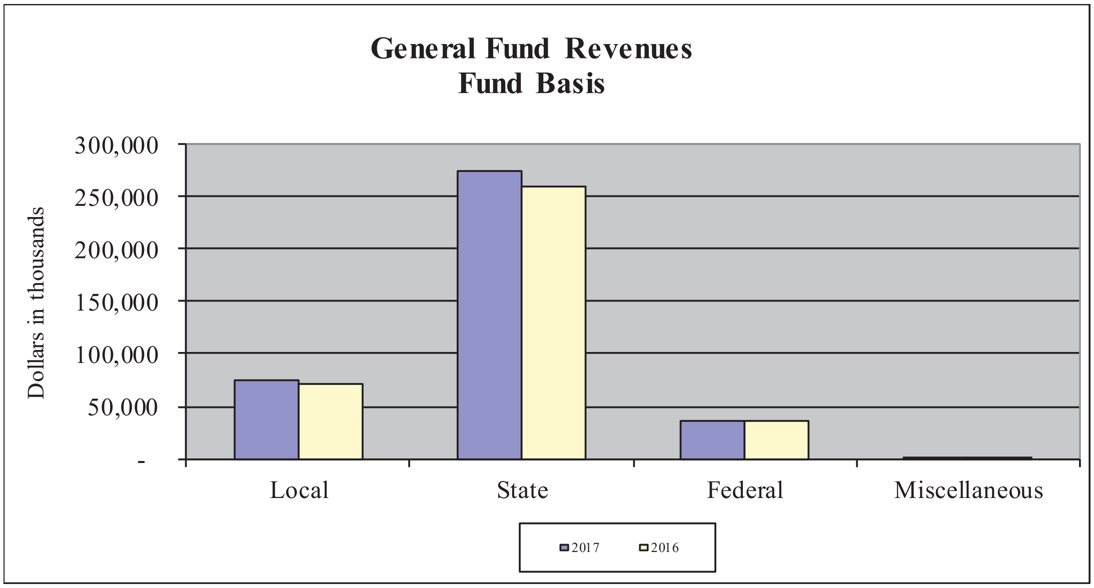
General Fund
For the Year Ended August 31

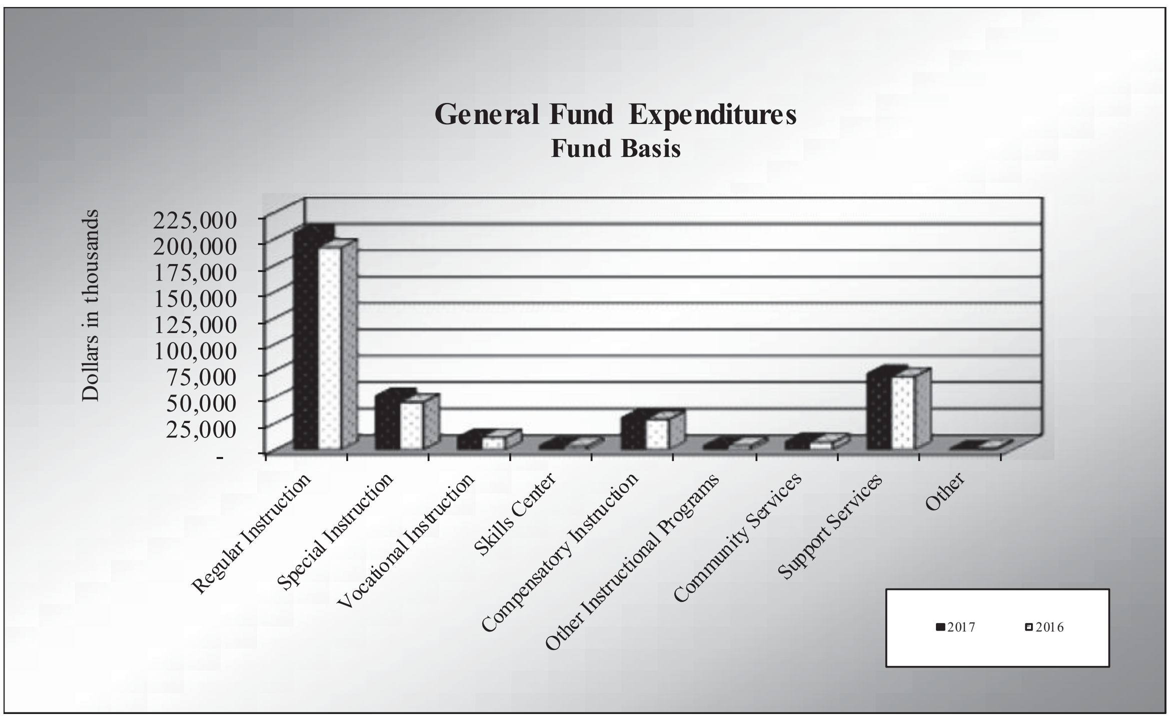
	2017	2016	Percent Change
Revenues			
Local	$ 74,394,657	$ 72,107,397	3.17%
State	274,093,536	260,029,588	5.41
Federal	36,707,098	36,101,679	1.68
Miscellaneous	1,389,954	1,204,394	15.41
Total Revenues	$ 386,585,245	$ 369,443,058	4.64%
Expenditures			
Regular Instruction	$ 204,567,829	$ 191,539,712	6.80%
Special Instruction	50,233,621	44,842,862	12.02
Vocational Instruction	11,439,872	11,586,851	(1.27)
Skills Center	3,577,829	3,321,369	7.72
Compensatory Instruction	29,525,502	28,720,268	2.80
Other Instructional Programs	3,661,416	3,751,004	(2.39)
Community Services	7,258,971	6,899,127	5.22
Support Services	71,424,306	69,123,553	3.33
Capital Outlay			
Other	381,890	1,141,989	(66.56)
Total Expenditures	$ 382,071,236	$ 360,926,735	5.86%

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 and special instruction for the expenditures associated with lower class sizes, increases to student support within the schools and increases in student enrollment along with salary increases.

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
300,000
250,000
200,000
150,000
100,000
50,000
-
Local
State
Federal
Miscellaneous
2017
2016


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
2017
2016

The table below presents a summary of the Capital Projects Fund. The district is initiating 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 in a previous year and a state matching program.

Capital Projects Fund
For the Year Ended August 31

	2017	2016	Percent Change
Revenues			
Local	$ 616,742	$ 639,390	(3.54%)
State	14,139,684	10,613,540	33.22%
Federal	177,016	-	0.00%
Total Revenues	$ 14,933,442	$ 11,252,930	32.71%
Expenditures			
Capital Outlay			
Other	$ 52,490,130	$ 39,382,382	33.28%
Total Expenditures	$ 52,490,130	$ 39,382,382	33.28%

Other Funds
The Debt Service Fund reflects the collection of property taxes used for payment of bonded debt. See Note 7 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 expenditures exceeded revenues in 2017 resulting in an decrease to fund balance of $28,906. 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 2016-2017.

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 amount in Regular Instruction and Support Services is due to the length of time from vacancy to hire and staffing to need rather than staffing to budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets
At the end of the 2016-2017 fiscal year, the district had $847.8 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 $49.5 million or 6.2 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 $l45 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 2017-2018 capital projects budget is $40.8 million. The budget will be used for construction of the third phase of bond projects and locally funded projects. Projects funded by bonds authorized by voters in 2015 are scheduled to continue through 2021. The construction in progress of $53.5 million as of August 31, 2017 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, 2017

	Historical Cost	Accumulated Depreciation	Net Capital Assets
Land	$ 24,528,522	$ -	$ 24,528,522
Land Improvements	40,298,247	(16,591,718)	23,706,529
Buildings and Improvements	713,478,299	(247,611,792)	465,866,507
Other Equipment and Machinery	15,931,324	(12,734,183)	3,197,141
Construction in Progress	53,531,877	-	53,531,877
Total	$ 847,768,269	$ (276,937,693)	$ 570,830,576

Debt
At year end, the district had $355.0 million in unlimited tax general obligation bonds outstanding. Additional information on debt is included in the notes to the financial statements, Note 7.

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, aerospace, advanced manufacturing, health services, finance/insurance, 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 aerospace, advanced manufacturing, healthcare, finance/insurance and agriculture.

The 2017-2018 expenditures for governmental funds of the district are budgeted at just under $497.8 million. The 2017 property tax rate was $5.92 per thousand dollar of assessed value for the amounts collected in both the General Fund and the Debt Service Fund. Of these collections, the property tax collections for the General Fund represent approximately 16.4% of fund revenues in the 2017-2018 budget.

The district budgeted for an increase in student enrollment for the 2017-2018 school year (180 students). Over the last few years the enrollment has been growing, in part due to state funding of all-day kindergarten programs, however it is now starting to level somewhat. The district anticipates slow growth in enrollment over the next few years. Actual enrollment for the 2016-2017 school year came in 48 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, 2017 actual General Fund CAU fund balance of $25.2 million is 6.6% of actual expenditures. The 2017-2018 budget was adopted with a budgeted ending CAU fund balance of 5.8% of budgeted General Fund expenditures. 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, 2017

	Note #	Primary Government Governmental Activities
ASSETS		
Cash and Cash Equivalents	1F, 2	$ 115,786,844
Cash with Fiscal Agent	1F	50,000
Property Tax Receivable	1F	46,440,646
Receivables, Net		353,439
Due from Other Governments		7,188,564
Inventories	1F	1,257,813
Prepaid Items		1,815,654
Capital Assets, Net of Accumulated Depreciation, where applicable:		
Land	4	24,528,522
Land Improvements	4	23,706,529
Buildings & Improvements	4	465,866,507
Other Equipment & Machinery	4	3,197,141
Construction-in-progress	5	53,531,877
TOTAL ASSETS		**743,723,536**
DEFERRED OUTFLOWS OF RESOURCES		
Pension Plan Experience Differences	6	9,735,432
Pension Plan Assumption Changes	6	473,020
Pension Plan Changes in Proportions	6	402,199
Pension Plan Contributions	6	4,628,942
Refunding Bonds	7	2,351,488
TOTAL DEFERRED OUTFLOWS		**17,591,081**
LIABILITIES		
Accounts Payable		29,183,237
Accrued Wages & Benefits Payable		3,214,585
Due to Other Governments		157,032
Unearned Grant Revenue		1,676,939
Long-Term Liabilities	7, 8	
Due within one year		22,764,000
Due in more than one year		598,564,555
TOTAL LIABILITIES		**655,560,348**
DEFERRED INFLOWS OF RESOURCES		
Pension Plan Experience Differences	6	1,478,312
Pension Plan Changes in Proportions	6	1,277,674
Pension Plan Investment Earnings	6	18,529,070
TOTAL DEFERRED INFLOWS		**21,285,056**
NET POSITION		
Net Investment in Capital Assets		192,865,784
Restricted for:	1K	
Debt Service		34,057,392
Legal Obligations		38,859,278
Unrestricted		(181,313,241)
TOTAL NET POSITION		**$ 84,469,213**

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

Exhibit 2

SPOKANE PUBLIC SCHOOLS

STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2017

		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	$ 228,899,386	$ 360,824	$ 6,467,845	$ -	$ (222,070,717)
Special Instruction	50,967,309	13,139	43,337,662	-	(7,616,508)
Vocational Instruction	11,586,107	48,254	16,328,281	6,474	4,796,902
Skills Center	4,341,605	60,162	3,350,120	-	(931,323)
Compensatory Education	29,525,502	20,500	27,175,706	39,169	(2,290,127)
Other Instructional Programs	3,661,416	349,960	1,606,579	13,551	(1,691,326)
Community Services	7,258,971	2,068,699	5,692,925	-	502,653
Support Services	78,345,391	3,635,201	23,894,042	14,160,936	(36,655,212)
Extracurricular Activities (ASB)	2,145,205	1,768,680	338,778	-	(37,747)
Unallocated Interest Expense	14,595,492	-	701,060	-	(13,894,432)
Total Governmental Activities	**$ 431,326,384**	**$ 8,325,419**	**$ 128,892,998**	**$ 14,220,130**	**$ (279,887,837)**

General Revenues:	
Taxes:	
Property Taxes, levies for maintenance and operations	67,494,263
Property Taxes, levies for debt service	33,250,488
Unallocated State Apportionment & Others	185,271,462
Gain on Sale of Equipment & Property	28,064
Interest and Investment Earnings	1,062,549
Total General Revenues	**287,106,826**
Changes in Net Position	**7,218,989**
Net Position - Beginning	77,250,224
Net Position - Ending	**$ 84,469,213**

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

SPOKANE PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
August 31, 2017

	GENERAL FUND	SPECIAL REVENUE FUND (ASB)	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS:					
Cash and Cash Equivalents	$ 53,649,146	$ 1,227,973	$ 13,144,953	$ 47,764,772	$ 115,786,844
Cash with Fiscal Agent	50,000	-	-	-	50,000
Property Tax Receivable	31,293,982	-	15,408,104	-	46,702,086
Accounts Receivable, Net	353,439	-	-	-	353,439
Due from Other Funds	180,985	248,510	-	-	429,495
Due from Other Government Units	2,992,244	-	-	4,020,632	7,012,876
Inventories at Cost	1,257,813	-	-	-	1,257,813
Prepaid items	1,813,904	1,750	-	-	1,815,654
TOTAL ASSETS	**$ 91,591,513**	**$ 1,478,233**	**$ 28,553,057**	**$ 51,785,404**	**$ 173,408,207**
LIABILITIES:					
Accounts Payable	$ 16,959,218	$ 151,307	$ -	$ 7,721,392	$ 24,831,917
Accrued Wages & Benefits Payable	4,765,488	-	-	19,000	4,784,488
Due to Other Funds	248,510	-	-	180,985	429,495
Due to Other Governmental Units	157,032			-	157,032
Unearned Grant Revenue	1,676,939	-	-	-	1,676,939
TOTAL LIABILITIES	**23,807,187**	**151,307**	**-**	**7,921,377**	**31,879,871**
DEFFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	30,414,064	-	14,974,862	-	45,388,926
TOTAL DEFERRED INFLOWS	**30,414,064**	**-**	**14,974,862**	**-**	**45,388,926**
FUND BALANCES					
Non-spendable Inventory and Prepaids	3,071,717	1,750	-	-	3,073,467
Restricted for Debt Service	5,500,000	-	13,578,195	90,000	19,168,195
Restricted for Self Insurance	3,290,000	-	-	-	3,290,000
Restricted for State Match	-	-	-	30,824,945	30,824,945
Restricted for Other	345,690	-	-	-	345,690
Restricted Special Revenue Funds	-	1,325,176	-	-	1,325,176
Assigned to Other Items (See Note 14)	6,857,327	-	-	-	6,857,327
Assigned to Fund Purpose (See Note 14)	-	-	-	12,949,082	12,949,082
Unassigned Fund Balance	18,305,528	-	-	-	18,305,528
TOTAL FUND BALANCES	**37,370,262**	**1,326,926**	**13,578,195**	**43,864,027**	**96,139,410**
TOTAL LIABILITIES AND FUND BALANCES	**$ 91,591,513**	**$ 1,478,233**	**$ 28,553,057**	**$ 51,785,404**	**$ 173,408,207**

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, 2017

	Total Governmental Funds	Long-Term Assets, Liabilities *	Reclassifications and Eliminations*	Statement of Net Position Totals
ASSETS				
Cash and Cash Equivalents	$ 115,786,844	$ -	$ -	$ 115,786,844
Cash with Fiscal Agent	50,000	-	-	50,000
Property Tax Receivable	46,702,086	(261,440)	-	46,440,646
Receivables, Net	353,439	-	-	353,439
Due from Other Funds	429,495	-	(429,495)	-
Due from Other Governments	7,012,876	-	175,688	7,188,564
Inventories	1,257,813	-	-	1,257,813
Prepaid Items	1,815,654	-	-	1,815,654
Capital Assets, Net	-	570,830,576	-	570,830,576
TOTAL ASSETS	**173,408,207**	**570,569,136**	**(253,807)**	**743,723,536**
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflow - Experience Differences	-	9,735,432	-	9,735,432
Deferred Outflow - Assumption Changes	-	473,020	-	473,020
Deferred Outflow - Changes in Proportions	-	402,199	-	402,199
Deferred Outflow - Contributions	-	4,628,942	-	4,628,942
Deferred Outflow - Refunding Bonds	-	2,351,488	-	2,351,488
TOTAL DEFERRED OUTFLOWS	**-**	**17,591,081**	**-**	**17,591,081**
TOTAL ASSETS & DEF OUTFLOWS	**$ 173,408,207**	**$ 588,160,217**	**$ (253,807)**	**$ 761,314,617**
LIABILITIES				
Accounts Payable	$ 24,831,917	$ 4,351,320	$ -	$ 29,183,237
Wages, Benefits & Other Payables	4,784,488	-	(1,569,903)	3,214,585
Due to Other Funds	429,495	-	(429,495)	-
Due to Other Governments	157,032	-	-	157,032
Unearned Grant Revenue	1,676,939	-	-	1,676,939
Long-Term Liabilities	-	619,758,652	1,569,903	621,328,555
TOTAL LIABILITIES	**31,879,871**	**624,109,972**	**(429,495)**	**655,560,348**
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue-Property Taxes	45,388,926	(45,388,926)	-	-
Deferred Inflow - Experience Differences	-	1,478,312	-	1,478,312
Deferred Inflow - Changes in Proportions		1,277,674		1,277,674
Deferred Inflow - Investment Earnings	-	18,529,070	-	18,529,070
TOTAL DEFERRED INFLOWS	**45,388,926**	**(24,103,870)**	**-**	**21,285,056**
FUND BALANCES/NET POSITION				
Total Fund Balances/Net Position	96,139,410	(11,845,885)	175,688	**84,469,213**
TOTAL LIABILITIES AND FUND BALANCES/NET POSITION	**$ 173,408,207**	**$ 588,160,217**	**$ (253,807)**	**$ 761,314,617**

The notes to the basic financial statements are an integral part of this statement.
* See Note 13

Exhibit 4

SPOKANE PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended August 31, 2017

	GENERAL FUND	SPECIAL REVENUE FUND (ASB)	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Local	$ 74,394,657	$ 2,122,773	$ 32,836,431	$ 616,742	$ 109,970,603
State	274,093,536	-	-	14,139,684	288,233,220
Federal	36,707,098	-	700,464	177,016	37,584,578
Miscellaneous	1,389,954	-	-	-	1,389,954
TOTAL REVENUES	**386,585,245**	**2,122,773**	**33,536,895**	**14,933,442**	**437,178,355**
EXPENDITURES					
Current Operating:					
Regular Instruction	204,567,829	-	-	-	204,567,829
Special Instruction	50,233,621	-	-	-	50,233,621
Vocational Instruction	11,439,872	-	-	-	11,439,872
Skills Center	3,577,829	-	-	-	3,577,829
Compensatory Instruction	29,525,502	-	-	-	29,525,502
Other Instructional Programs	3,661,416	-	-	-	3,661,416
Community Services	7,258,971	-	-	-	7,258,971
Support Services	71,424,306	-	-	-	71,424,306
Student Activities	-	2,151,679	-	-	2,151,679
Debt Service:					
Principal	-	-	14,680,000	-	14,680,000
Interest and Other Charges	-	-	18,113,909	-	18,113,909
Capital Outlay:					
Other	381,890	-	-	52,490,130	52,872,020
TOTAL EXPENDITURES	**382,071,236**	**2,151,679**	**32,793,909**	**52,490,130**	**469,506,954**
Excess (Deficiency) of Revenues Over Expenditures	**4,514,009**	**(28,906)**	**742,986**	**(37,556,688)**	**(32,328,599)**
OTHER FINANCING SOURCES (USES)					
Sale of Equipment & Property	28,064	-	-	-	28,064
TOTAL OTHER FINANCING SOURCES AND USES	**28,064**	**-**	**-**	**-**	**28,064**
NET CHANGE IN FUND BALANCE	**4,542,073**	**(28,906)**	**742,986**	**(37,556,688)**	**(32,300,535)**
Fund Balance - Beginning	32,828,189	1,355,832	12,835,209	81,420,715	128,439,945
Fund Balance - Ending	**$ 37,370,262**	**$ 1,326,926**	**$ 13,578,195**	**$ 43,864,027**	**$ 96,139,410**

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, 2017

	Total Governmental Funds	Long-Term Revenue, Expenses *	Capital Related Items *	Long-Term Debt Transactions *	Statement of Activities Totals
REVENUES					
Property Taxes	$ 99,406,361	$ 1,338,390	$ -	$ -	$ 100,744,751
Local Non-Taxes	10,564,242	-	-	-	10,564,242
State	288,233,220	-	-	-	288,233,220
Federal	37,584,578	-	-	564	37,585,142
Miscellaneous	1,389,954	-	-	-	1,389,954
TOTAL REVENUES	**437,178,355**	**1,338,390**	**-**	**564**	**438,517,309**
EXPENDITURES/EXPENSES					
Current:					
Regular Instruction	204,567,829	2,542,218	21,789,339	-	228,899,386
Special Instruction	50,233,621	723,068	10,620	-	50,967,309
Vocational Instruction	11,439,872	144,133	2,102	-	11,586,107
Skills Center	3,577,829	37,002	726,774	-	4,341,605
Compensatory Education	29,525,502	-	-	-	29,525,502
Other Instructional Programs	3,661,416	-	-	-	3,661,416
Community Services	7,258,971	-	-	-	7,258,971
Support Services	71,424,306	1,042,804	2,730,432	-	75,197,542
Student Activities	2,151,679	-	(6,474)	-	2,145,205
Debt Service:					
Principal	14,680,000	-	-	(14,680,000)	-
Interest and Other Charges	18,113,909	-	-	(3,518,417)	14,595,492
Capital Outlay	52,872,020	(33,104)	(49,691,067)	-	3,147,849
TOTAL EXPENDITURES/EXPENSES	**469,506,954**	**4,456,121**	**(24,438,274)**	**(18,198,417)**	**431,326,384**
EXCESS OF REVENUES OVER/UNDER EXPENDITURES	**(32,328,599)**	**(3,117,731)**	**24,438,274**	**18,198,981**	**7,190,925**
OTHER FINANCING SOURCES (USES)					
Sale of Equipment & Property	28,064	(28,064)	28,064	-	28,064
TOTAL OTHER FINANCING SOURCES (USES)	**28,064**	**(28,064)**	**28,064**	**-**	**28,064**
NET CHANGE FOR THE YEAR	**$ (32,300,535)**	**$ (3,145,795)**	**$ 24,466,338**	**$ 18,198,981**	**$ 7,218,989**

The notes to the basic financial statements are an integral part of this statement.
* See Note 13

Exhibit 5

SPOKANE PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
PRIVATE PURPOSE TRUST FUNDS
August 31, 2017

	Private-Purpose Trusts
ASSETS	
Cash and Cash Equivalents	$ 322,811
TOTAL ASSETS	**$ 322,811**
LIABILITIES	
Accounts Payable	$ -
TOTAL LIABILITIES	**-**
NET POSITION	
Held in Trusts for Scholarships	322,811
TOTAL NET POSITION	**$ 322,811**

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

SPOKANE PUBLIC SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
FIDUCIARY FUNDS
For the Year Ended August 31, 2017

		Private-Purpose Trusts
ADDITIONS		
Donations	$	93,450
Investment Earnings		712
Total Additions		**94,162**
DEDUCTIONS		
Scholarships		90,258
Total Deductions		**90,258**
Change in Net Position		**3,904**
Net Position, Beginning of the Year		318,907
Net Position, End of the Year	**$**	**322,811**

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

SPOKANE SCHOOL DISTRICT NO. 81
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2017

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 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.

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 2016-2017. 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, 2017, and were re-encumbered on September 1, 2017. See Note 10 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), liabilities, 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 Bank of New York 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	3-10 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 and the difference between the reacquisition price and the net carrying amount for advanced refunding of bonds. Please refer to Notes 6 and 7 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, 2017.

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. In the General Fund, assignments for Nutrition Services, Express (child care program) and estimated effect of a collective bargaining unit agreement for 2018-2019 are reported in this category.

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. 77 Tax Abatement Disclosures was implemented for the year ended August 31, 2017. GASB Statement No. 77 requires additional disclosures about the nature and magnitude of tax abatements.

Statement No. 82 Pension Issues – An Amendment of GASB Statements No. 67, No. 68 and No. 73. was implemented for the year ended August 31, 2017. GASB Statement No. 82 addresses issues regarding the presentation of payroll-related required supplementary information, the selection of assumption and the treatment of deviations from the guidance and the classification of payments made by employers to satisfy employee contribution requirements.

2. 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 $116,159,655. Of this amount $116,135,545 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 $24,110 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 1.13 years as of August 2017. 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 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/12023. 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.

3. INTERFUND AND OTHER GOVERNMENT TRANSACTIONS

As of August 31, 2017, 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	$ 180,985	$ 248,510
Special Revenue Fund	248,510	-
Capital Projects Fund	-	180,985
Total	$ 429,495	$ 429,495

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, 2017, receivables from other governments consist of the following receivables related to grants and apportionment:

	General	Capital Projects
State of Washington	$ 2,852,270	$ 4,020,632
Defense	4,825	-
Education	13,707	-
Justice	5,028	
City of Spokane	45,179	
NEWESD	4,640	
Deer Park	18,472	
East Valley	2,748	
Medical Lake	6,761	
Central Valley	2,801	
Cheney	3,319	
Freeman	243	-
Mead	31,074	-
ESD 113	1,177	-
	$ 2,992,244	$ 4,020,632

As of August 31, 2017, payables to other governments consist of the following payables related to grants and use taxes:

	General
Federal Communications Commission	$ 127,311
State of Washington	29,721
	$ 157,032

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 $663,859,537 on August 31, 2017. 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 8/31/2016	Additions	Deletions	Balance 8/31/2017
Governmental Activities:				
Capital Assets - Not Depreciated:				
Land	$ 23,858,318	$ 670,204	$ -	$ 24,528,522
Construction in Progress	18,637,627	48,341,245	(13,446,995)	53,531,877
Total Capital Assets - Not Depreciated	42,495,945	49,011,449	(13,446,995)	78,060,399
Capital Assets - Depreciated:				
Land Improvements	38,824,952	1,473,295	-	40,298,247
Buildings and Improvements	701,480,626	11,997,673	-	713,478,299
Other Equipment & Machinery	15,478,572	662,119	(209,367)	15,931,324
Total Capital Assets - Depreciated	755,784,150	14,133,087	(209,367)	769,707,870
Less Accumulated Depreciation:				
Land Improvements	(13,989,123)	(2,602,595)	-	(16,591,718)
Building and Improvements	(225,924,469)	(21,687,323)		(247,611,792)
Other Equipment & Machinery	(11,974,200)	(969,350)	209,367	(12,734,183)
Total Accumulated Depreciation	(251,887,792)	(25,259,268)	209,367	(276,937,693)
Total Capital Assets - Depreciated, Net	503,896,358	(11,126,181)	-	492,770,177
Governmental Activities Capital Assets, Net	$ 546,392,303	$ 37,885,268	$ (13,446,995)	$ 570,830,576

Depreciation Expense was charged to governmental activities as follows:

Regular Instruction	$21,789,339
Special Instruction	10,621
Vocational Instruction	2,102
Skill Center	726,774
Support Services	2,730,432
Total	$25,259,268

5. CONSTRUCTION IN PROGRESS

Construction in progress consists of annual capital improvement projects throughout the district funded by the 2015 bond issue. The accumulated expenditures through August 31, 2017 were $53,531,877. Encumbrances related to construction contracts are presented in Note 10.

6. PENSIONS AND POST EMPLOYMENT BENEFITS

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, 2016:

Program	Active Members	Inactive Vested Members	Retired Members
TRS	71,991	11,039	48,425
PERS	156,252	60,981	95,816
SERS	58,536	13,603	14,106

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

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 2017 were as follows:

Plan	7/1/17 Rate	7/1/16 Rate
PERS 1	6.00%	6.00%
	9/1/17 Rate	9/1/16 Rate
TRS 1	6.00%	6.00%
TRS 2	7.06%	5.95%
TRS 3	varies *	varies *
SERS 2	7.27%	5.63%
SERS 3	varies *	varies *

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

Employer contribution rates:

Plan	7/1/17 Rate	7/1/16 Rate
PERS 1	12.70%	11.18%
	9/1/17 Rate	9/1/16 Rate
TRS 1	15.20%	13.13%
TRS 2	15.20%	13.13%
TRS 3	15.20% **	13.13% **
SERS 2	13.48%	11.58%
SERS 3	13.48% **	11.58% **

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 16-17	FY 15-16	FY 14-15
Plan 1 TRS	$10,909,003	$ 10,164,938	$ 6,916,266
Plan 2 TRS	2,270,864	1,962,429	1,435,109
Plan 3 TRS	9,283,869	8,741,165	6,972,084
Plan 1 PERS	2,622,077	2,439,364	1,885,446
Plan 2 SERS	1,417,872	1,303,167	984,438
Plan 3 SERS	2,081,345	1,907,935	1,511,470

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, 2017:

Dollars in Thousands	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Total Pension Liability	$ 12,241,998	$ 5,357,035	$ 8,782,761	$ 13,446,531
Plan fiduciary net position	(7,496,920)	(4,863,560)	(5,759,493)	(12,523,588)
Participating employers' net pension liability	4,745,078	493,475	3,023,268	922,943
Plan fiduciary net position as a percentage of the total pension liability	61.24%	90.79%	65.58%	93.14%

D. The District's Proportionate Share of the Net Pension Liability (NPL)
At June 30, 2017, the District reported a total liability of $156,552,675 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, 2017, the District's proportionate share of each plan's net pension liability is reported below:

June 30, 2017	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District's Annual Contributions	$ 2,596,550	$ 3,459,142	$ 10,936,994	$ 11,568,104
Proportionate Share of the Net Pension Liability	20,482,643	12,602,710	94,489,992	28,977,331

At June 30, 2017, 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	0.431661%	2.553870%	3.125426%	3.139666%
Prior year proportionate share of the Net Pension Liability	0.414966%	2.584312%	3.109003%	3.107343%
Net difference percentage	0.016695%	(0.030442%)	0.016423%	0.032323%

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, 2016, with the results rolled forward to June 30, 2017, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	3.0% total economic inflation, 3.75% salary inflation
Salary increases	In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
Investment rate of return	7.50%

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, 2016 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 7.50% 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, 2017, 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	5.00%	4.90%
Real Estate	15.00%	5.80%
Public Equity	37.00%	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 7.50 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 7.70 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 7.50 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 7.50 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, 2017, 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	-	764,355
Changes in assumptions or other inputs	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	418,568	-
TOTAL	$ 418,568	$ 764,355

SERS 2/3		Deferred Outflows of Resources		Deferred Inflows of Resources
Difference between expected and actual experiences	$	2,509,458	$	-
Net difference between projected and actual earnings on pension plan investments		-		3,274,777
Changes in assumptions or other inputs		131,550		-
Changes in proportion and differences between contributions and proportionate share of contributions		84,291		335,202
Contributions subsequent to the measurement date		575,167		-
TOTAL	$	3,300,466	$	3,609,979

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		-		4,003,076
Changes in assumptions or other inputs		-		-
Changes in proportion and differences between contributions and proportionate share of contributions		-		-
Contributions subsequent to the measurement date		1,741,179		-
TOTAL	$	1,741,179	$	4,003,076

TRS 2/3		Deferred Outflows of Resources		Deferred Inflows of Resources
Difference between expected and actual experiences	$	7,225,974	$	1,478,312
Net difference between projected and actual earnings on pension plan investments		-		10,486,862
Changes in assumptions or other inputs		341,470		-
Changes in proportion and differences between contributions and proportionate share of contributions		317,908		942,472
Contributions subsequent to the measurement date		1,894,028		-
TOTAL	$	9,779,380	$	12,907,646

$4,628,941 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, 2018.

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
2018	(516,655)	$	(893,251)	(2,940,369)	(4,436,034)
2019	163,116	$	728,753	1,100,775	1,381,673
2020	(37,874)		(55,883)	(97,857)	(717,716)
2021	(372,942)		(1,110,938)	(2,065,625)	(4,096,044)
2022	-		319,025	-	592,883
Thereafter	-		127,615	-	2,252,943

J. Pension Expense

The District recognizes a pension expense for its proportionate share of the collective pension expense. This is determined by using the district's proportionate share of the collective net pension liability. For the year ending August 31, 2017, primarily due to investment performance, the District recognized a total negative pension expense as follows:

Pension Expense		
PERS 1	$	(502,969)
SERS 2/3		(153,534)
TRS 1		(4,260,316)
TRS 2/3		(1,324,793)
TOTAL	$	(6,241,612)

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 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate. Amounts are calculated by plan using the District's allocation percentage.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
PERS 1 NPL	$ 5,780,412,000	$ 4,745,078,000	$ 3,848,257,000
Allocation Percentage	0.43166082%	0.43166082%	0.43166082%
Proportionate Share of Collective NPL	$ 24,951,774	$ 20,482,642	$ 16,611,418

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
SERS 2/3 NPL	$ 1,278,921,000	$ 493,475,000	$ (153,665,000)
Allocation Percentage	2.55387006%	2.55387006%	2.55387006%
Proportionate Share of Collective NPL	$ 32,661,981	$ 12,602,710	$ (3,924,404)

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
TRS 1 NPL	$ 3,759,368,000	$ 3,023,268,000	$ 2,386,123,000
Allocation Percentage	3.12542559%	3.12542559%	3.12542559%
Proportionate Share of Collective NPL	$ 117,496,250	$ 94,489,992	$ 74,576,499

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
TRS 2/3 NPL	$ 3,134,647,000	$ 922,943,000	$ (873,375,000)
Allocation Percentage	3.13966637%	3.13966637%	3.13966637%
Proportionate Share of Collective NPL	$ 98,417,458	$ 28,977,331	$ (27,421,061)

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 2017:

Aggregate Pension Amount - All Plans	
Pension liabilities	$ 156,552,676
Deferred outflows of resources	15,239,593
Deferred inflows of resources	21,285,056
Pension expense	(6,241,612)

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, 2017 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

OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

Employers participating in the PEBB plan include the state (which includes general government agencies and higher education institutions), 60 of the state's K–12 school and educational service districts (ESDs), and 221 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 237 K–12 school districts and ESDs. The District's retirees are eligible to participate in the PEBB plan under this arrangement.

The District is deemed to provide to its retirees employer-provided subsidies associated with post-employment medical and life insurance benefits provided through the PEBB. According to state law, the Washington State Treasurer 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 $64.39 per month per full-time equivalent employee in the 2016–17 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.

Plan Description

District members are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits) under Plan 2 or 3 of TRS or SERS. Retirees with 5 years or more years of service who are age 65 or more and retirees with 20 years or more of service who are age 55 or older are eligible for Post-Employment Benefits.

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

Upon retirement, members are permitted to receive medical benefits. Retirees pay the following monthly rates for pre-65 Medical coverage for 2017:

Plan		Type of Coverage Employee Only		Employee & Spouse		Full Family
Kaiser Permanente Classic	$	676.52	$	1,348.32	$	1,852.17
Kaiser Permanente CDHP		563.28		1,115.34		1,485.64
Kaiser Permanente Sound Choice		575.80		1,146.88		1,575.19
Kaiser Permanente Value		598.81		1,192.90		1,638.47
Kaiser Permanente Classic		661.10		1,317.48		1,809.77
Kaiser Permanente CDHP		564.83		1,117.94		1,489.03
Uniform Medical Plan Classic		623.65		1,242.58		1,706.78
Uniform Medical Plan CDHP		562.91		1,114.60		1,484.62
Uniform Medical Plan Plus-Puget Sound High Value Network		595.49		1,186.26		1,629.34
Uniform Medical Plan Plus-UW Medicine Accountable Care Network		595.49		1,186.26		1,629.34

For calendar year 2017, after age 65 retired members receive a subsidy of 50% of their monthly medical premiums up to $150.00. For calendar year 2017, retirees also receive an explicit subsidy of $7.75/month toward life insurance premiums.

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

Annual OPEB Cost and Net OPEB Obligation
The district's annual OPEB cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortizes any unfunded actuarial accrued liabilities (UAAL) over a period of thirty years as of September 1, 2008. The following table shows the components of the district's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the district's net OPEB.

Determination of Annual Required Contribution		August 31, 2017		August 31, 2016		August 31, 2015
Normal Cost at Year End	$	7,069,893	$	7,069,893	$	5,151,834
Amortization of UAAL		7,342,958		7,342,958		5,143,732
Annual Required Contribution (ARC)		14,412,851		14,412,851		10,295,566
Interest on Prior Year Net OPEB Obligation		2,392,941		2,003,271		1,758,853
Adjustments to ARC		(3,038,656)		(2,428,207)		(2,039,250)
Annual OPEB Cost		13,767,136		13,987,915		10,015,169
Estimated Contribution Made *		3,433,307		3,596,696		3,497,357
Increase in Net OPEB Obligation	$	10,333,829	$	10,391,219	$	6,517,812
Net OPEB Obligation - End of Year	$	74,145,599	$	63,811,770	$	53,420,551

* Estimated based on retiree benefit amounts.

The district's annual OPEB cost, the percentage of OPEB cost contributed to the plan and the net OPEB obligation were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
August 31, 2015	$ 10,015,169	34.92%	$ 53,420,551
August 31, 2016	13,987,915	25.71%	63,811,770
August 31, 2017	13,767,136	24.94%	74,145,599

Funded Status and Funding Progress

As of August 31, 2016, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was $161.5 million and the actuarial value of assets was $0, resulting in a UAAL of $161.5 million.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, included immediately following the notes in the Required Supplementary Information (Schedule A-5), presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the August 31, 2016 Actuarial Valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions used included a 3.75% discount rate, which is based upon the long-term investment yield on the investments that are expected to be used to finance the payment of benefits. 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 UAAL is being amortized as a level percentage of pay on a closed basis at the assumed discount rate. Payroll is assumed to increase at 3.75%. The remaining amortization period at August 31, 2017 was 21 years.

For further information on the results the actuarial valuation of the employer provided subsidies associated with the state's PEBB plan, refer to: http://osa.leg.wa.gov/Actuarial_Services/OPEB/OPEB.htm. The plan does not issue a separate report; however, additional information is included in the State of Washington's CAFR, which is available at http://www.ofm.wa.gov/cafr/.

7. LONG-TERM DEBT

Bonds payable at August 31, 2017 consists of ten issues: General Obligation Refunding Bonds of 2010, General Obligation Taxable Build America Bonds of 2010, General Obligation Bonds of 2011, General Obligation Refunding Bonds of 2012, General Obligation Bonds of 2012, General Obligation Bonds of 2013, General Obligation Bonds of 2014, General Obligation Bonds of 2015, Series A, General Obligation Refunding Bonds of 2015 and General Obligation Bonds of 2015, 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.

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 $17,280,000 in two-year property tax-supported general obligation bonds as the first 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, 2017.

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.

The following is a summary of general obligation long-term debt transactions of the district for the year ended August 31, 2017:

	Balance 8/31/2016	Additions	Reductions	Balance 8/31/2017	Current Portion
Serial Bonds Payable	$ 369,710,000	$ -	$ 14,680,000	$ 355,030,000	$ 19,390,000
Vacation Leave Payable	3,629,000	679,065	889,065	3,419,000	829,000
Sick Leave Payable	3,745,000	1,032,594	932,594	3,845,000	845,000
Workers Compensation	2,910,000	3,001,789	2,861,789	3,050,000	1,700,000
Net OPEB Obligation	63,811,771	10,333,828	-	74,145,599	-
Net Pension Liability	188,080,333	-	31,527,657	156,552,676	-
Subtotal	631,886,104	15,047,276	50,891,105	596,042,275	22,764,000
Unamortized Premium	29,086,701	-	3,610,424	25,476,277	
Unamortized Discount	(206,939)	-	(16,942)	(189,997)	
Net Long -Term Debt	$ 660,765,866	$ 15,047,276	$ 54,484,587	$ 621,328,555	

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, 2017, the District had $13,578,195 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, 2017:

Year Ending August 31	Principal	Interest	Total
2018	$ 19,390,000	$ 15,578,988	$ 34,968,988
2019	7,615,000	14,889,861	22,504,861
2020	9,525,000	14,457,938	23,982,938
2021	10,795,000	13,952,388	24,747,388
2022	12,260,000	13,376,012	25,636,012
2023-2027	86,130,000	55,462,487	141,592,487
2028-2032	131,675,000	30,042,250	161,717,250
2033-2035	77,640,000	4,109,825	81,749,825
Total	$ 355,030,000	$ 161,869,749	$ 516,899,749

Bonds Authorized but Unissued
There are $96,000,000 of bonds that are authorized but unissued bonds as of August 31, 2017.

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, 2017 is as follows:

Bond Series	Premium	Unamortized Premium
2015A Unlimited General Obligation Bonds	$ 1,131,689	$ 141,461
2015B Unlimited General Obligation Refunding Bonds	6,807,095	5,724,148
2015C Unlimited General Obligation Bonds	1,847,322	1,677,174
2014 Unlimited General Obligation Bonds	2,251,989	1,926,043
2013 Unlimited General Obligation Bonds	520,257	417,575
2012 Unlimited General Obligation Bonds	831,670	634,148
2012 Unlimited General Obligation Refunding Bonds	7,690,009	4,460,205
2011 Unlimited General Obligation Bonds	5,284,432	3,685,196
2010B Unlimited General Obligation Refunding Bonds	14,526,954	6,355,542
2010C Unlimited General Obligation Bonds	705,380	454,785
Total	$ 41,596,797	$ 25,476,277

The discount on bonds is amortized over the life of the bonds using the straight-line method. The unamortized discount as of August 31, 2017 is as follows:

Bond Series	Discount	Unamortized Discount
2013 Unlimited General Obligation Bonds	$ 123,195	$ 99,420
2011 Unlimited General Obligation Bonds	46,080	32,337
2005 Unlimited General Obligation Bonds	157,315	58,240
Total	$ 326,590	$ 189,997

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, 2017 is as follows:

Bond Series	Deferred Outflows	Unamortized Deferred Outflows
2015B Unlimited General Obligation Refunding Bonds	$ 2,796,364	$ 2,351,488
Total	$ 2,796,364	$ 2,351,488

Prior-Year Defeasance of Debt
In prior 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, 2017, $37,885,000 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 $45,827 for the year ended August 31, 2017. 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.

8. 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:

	2017	2016	2015
Beginning Balance	$ 2,099,295	$ 1,850,383	$ 1,691,499
Amount Added to Reserve	164,854	351,183	332,976
	2,264,149	2,201,566	2,024,475
Amount Deducted from Reserve	(143,945)	(102,271)	(174,092)
Ending Balance	$ 2,120,204	$ 2,099,295	$ 1,850,383

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 $400,000 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:

	2017	2016	2015
Beginning Balance	$ 229,809	$ 284,991	$ 351,595
Amount Added to Reserve	2,527,883	2,189,485	2,102,301
	2,757,692	2,474,476	2,453,896
Amount Deducted from Reserve	(2,861,789)	(2,244,667)	(2,168,905)
Ending Balance	$ (104,097)	$ 229,809	$ 284,991

Higher than typical claims have resulted in a negative balance of $104,097 in the reserve account. This was addressed by increasing the contribution rate effective on September 1, 2017. This balance will be analyzed for possible future increases.

In addition to the above balances, a restriction of fund balance in the amount of $3,290,000 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 $3,050,000 and $2,910,000 as of August 31, 2017 and 2016 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 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 coverage for its members: property, liability, vehicle, public official liability, crime, employment, practices, machinery breakdown and network security.

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. 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 two and one half 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 $741,127 to the pool for the fiscal year ended August 31, 2017. 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.

9. 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 $3,373,656 and expenditures totaling $3,107,794. Comparable revenues and expenditures totaled $3,463,300 and expenditures totaling $2,944,330, 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.

In addition, the Central Valley School District operates Spokane Valley Tech as a Branch Campus of the NEWTECH Skill Center. As a Branch Campus, Central Valley is allowed to claim its own students and receive direct Skill Center funding for those students. The statements of Central Valley reflect the portion of total Skill Center operations that pertain to the operation of the Branch Campus alone.

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.

10. 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, 2017, encumbrances of $7,902,465, $86,379,103 and $0 were outstanding for the General Fund, Capital Projects Fund and ASB Fund, respectively.

11. 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, 2017, 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.

12. TAX ABATEMENTS

District property tax revenues were reduced by $1,067,885 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.

13. 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 **$45,388,926** is recognized as revenue and a corresponding allowance for uncollectible accounts of **$261,440** 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	$847,768,269
Accumulated Depreciation	(276,937,693)
Capital Assets Net of Depreciation	**$570,830,576**

c. Accrued interest payable on long-term debt is not reflected in fund financial statements. **$4,531,320** of accrued interest on long-term debt is recorded in the Statement of Net Position.

d. Long-term liabilities of **$619,758,652** (of which $22,764,000 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. **$429,495** 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. Due to the impact of federal sequestration adjustments, the current year accrual is more than the prior year accrual by **$564** resulting in an increase of **$564**.

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 **$15,239,593** and total deferred inflows of **$21,285,056** being recorded.

h. Deferred outflows of **$2,351,488** were recorded due to the issuance of the 2015B Unlimited General Obligation Refunding Bonds.

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

i. 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 **$1,338,390** of tax revenue is recorded in the conversion from fund financial statements to the statement of activities.

j. The net amount of **$4,456,121** 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 (IBNR – incurred but not reported) 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 **$1,569,903** is reclassified as current portion of long-term debt.

k. 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 **$28,064**. 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 **$28,064** was eliminated and the gain of **$28,064** was recognized.

Capital Outlay	($49,697,541)
Depreciation Expense	25,259,267
Gain on Disposal of Capital Assets	(28,064)
Difference	**($24,466,338)**

l. Repayment of principal on debt of **$14,680,000** 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.

m. Premiums related to bond issues in 2015, 2014, 2013, 2012, 2011 and 2010 are being amortized over the life of the bonds. The current year amortization of premium is **$3,610,424**. 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 a bond issues in 2015 are amortized over the life of the bonds. The current year amortization of deferred outflows is $**254,215**. Accrued interest payable is not recognized in the fund financial statements. The decrease in accrued interest payable as of August 31, 2017 of **$179,150** is presented as a decrease to expenses.

14. FUND BALANCE (GOVERMENTAL FUNDS)

Fund balance as of August 31, 2017 is comprised of:

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund
Non-spendable inventory and prepaids	$ 3,071,717	$ 1,750	$ -	$ -
Restricted - debt service	5,500,000	-	13,578,195	90,000
Restricted - self insurance	3,290,000	-	-	-
Restricted - state match	-	-	-	30,824,945
Restricted - other (Skill Center)	345,690	-	-	-
Restricted - Associated Student Body	-	1,325,176	-	-
Restricted Fund Balance	9,135,690	1,325,176	13,578,195	30,914,945
Assigned - capital projects	-	-	-	12,949,082
Assigned - other purposes	6,857,327	-	-	-
Assigned Fund Balance	6,857,327	-	-	12,949,082
Unassigned Fund Balance	18,305,528	-	-	-
Total Fund Balance	$ 37,370,262	$ 1,326,926	$ 13,578,195	$ 43,864,027

15. SUBSEQUENT EVENTS

In November, 2017, the district sold $45,865,000 of bonds authorized by the voters in February 2015. The district has $46,000,000 authorized but unissued bonds. In November, 2017, the district also sold $64,320,000 of refunding bonds. These advance refunded bonds issued in 2011 with a par amount of $69,200,000.

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, 2017

	BUDGETED AMOUNTS			
	ORIGINAL	FINAL	ACTUAL AMOUNT	FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Local	$ 73,998,459	$ 74,106,038	$ 74,394,657	$ 288,619
State	275,068,502	275,108,135	274,093,536	(1,014,599)
Federal	38,962,465	38,838,907	36,707,098	(2,131,809)
Other	1,746,935	1,723,281	1,389,954	(333,327)
TOTAL REVENUES	**389,776,361**	**389,776,361**	**386,585,245**	**(3,191,116)**
EXPENDITURES				
CURRENT				
Regular Instruction	208,090,019	207,914,188	204,567,829	3,346,359
Special Instruction	49,679,636	49,828,497	50,233,621	(405,124)
Vocational Instruction	11,606,077	11,648,184	11,439,872	208,312
Skills Center	3,413,858	3,434,419	3,577,829	(143,410)
Compensatory Education	32,258,924	32,721,027	29,525,502	3,195,525
Other Instructional Programs	5,256,341	4,406,835	3,661,416	745,419
Community Services	7,620,812	7,693,108	7,258,971	434,137
Support Services	72,414,974	72,547,414	71,424,306	1,123,108
CAPITAL OUTLAY				-
Other	578,724	725,693	381,890	343,803
TOTAL EXPENDITURES	**390,919,365**	**390,919,365**	**382,071,236**	**8,848,129**
Excess of Revenues Over/ (Under) Expenditures	**(1,143,004)**	**(1,143,004)**	**4,514,009**	**5,657,013**
OTHER FINANCING SOURCES/(USES)				
Sale of Equipment	30,000	30,000	28,064	(1,936)
Total Other Financing Sources/(Uses)	**30,000**	**30,000**	**28,064**	**(1,936)**
Excess of Revenues & Other Financing Sources Over/(Under) Expenditures & Other Uses	**(1,113,004)**	**(1,113,004)**	**4,542,073**	**5,655,077**
FUND BALANCE - September 1	**30,100,000**	**30,100,000**	**32,828,189**	**2,728,189**
FUND BALANCE - August 31	**$ 28,986,996**	**$ 28,986,996**	**$ 37,370,262**	**$ 8,383,266**

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, 2017

	BUDGETED AMOUNTS		ACTUAL AMOUNT	FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
General	$ 879,000	$ 879,000	$ 780,266	$ (98,734)
Athletics	684,000	684,000	537,263	(146,737)
Classes	527,000	527,000	538,994	11,994
Clubs	155,000	155,000	266,249	111,249
Total Revenues	**2,245,000**	**2,245,000**	**2,122,773**	**(122,227)**
EXPENDITURES				
General	704,000	704,000	866,721	(162,721)
Athletics	848,000	848,000	436,742	411,258
Classes	517,000	517,000	583,100	(66,100)
Clubs	162,000	162,000	265,116	(103,116)
Total Expenditures	**2,231,000**	**2,231,000**	**2,151,679**	**79,321**
Excess of Revenues Over/ (Under) Expenditures	**14,000**	**14,000**	**(28,906)**	**(42,906)**
FUND BALANCE - September 1	**1,145,000**	**1,145,000**	**1,355,832**	**210,832**
FUND BALANCE - August 31	**$ 1,159,000**	**$ 1,159,000**	**$ 1,326,926**	**$ 167,926**

The basis of budgeting is the same as GAAP.

Schedule A-3

REQUIRED SUPPLEMENTARY INFORMATION

SPOKANE PUBLIC SCHOOLS

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

For the Year Ended June 30, 2017

	2017	2016	2015
PERS 1			
District's Proportion of the Net Pension Liability	0.431661%	0.414966%	0.406944%
District's Proportionate Share of the Net Pension Liability	$ 20,482,642	$ 22,285,631	$ 21,286,953
District's Covered-Employee Payroll	$ 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	38.53%	45.46%	47.12%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	61.24%	57.03%	59.10%
SERS 2/3			
District's Proportion of the Net Pension Liability	2.553870%	2.584312%	2.548690%
District's Proportionate Share of the Net Pension Liability	$ 12,602,710	$ 16,972,910	$ 10,351,531
District's Covered-Employee Payroll	$ 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	24.16%	35.51%	23.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.79%	86.52%	90.92%
TRS 1			
District's Proportion of the Net Pension Liability	3.125426%	3.109003%	3.079276%
District's Proportionate Share of the Net Pension Liability	$ 94,489,992	$ 106,148,740	$ 97,555,829
District's Covered-Employee Payroll	$ 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	54.36%	67.73%	65.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65.58%	62.07%	65.70%
TRS 2/3			
District's Proportion of the Net Pension Liability	3.139666%	3.107343%	3.126996%
District's Proportionate Share of the Net Pension Liability	$ 28,977,331	$ 42,673,051	$ 26,385,651
District's Covered-Employee Payroll	$ 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	16.83%	27.59%	18.04%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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

Schedule A-4

REQUIRED SUPPLEMENTARY INFORMATION
SPOKANE PUBLIC SCHOOLS
SCHEDULE OF DISTRICT CONTRIBUTIONS
For the Year Ended August 31, 2017

	2017	2016	2015
PERS 1			
Contractually Required Plan Member Contribution	$ 2,623,767	$ 2,441,677	$ 1,885,446
Contributions in Relation to the Contractually Required Plan			
Member Contributions	$ 2,623,767	$ 2,441,677	$ 1,885,446
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's Covered-Employee Payroll	$ 53,711,895	$ 49,722,544	$ 45,477,041
Contribution as a Percentage of Covered-Employee Payroll	4.88%	4.91%	4.15%
SERS 2/3			
Contractually Required Plan Member Contribution	$ 3,594,208	$ 3,298,601	$ 2,495,908
Contributions in Relation to the Contractually Required Plan			
Member Contributions	$ 3,594,208	$ 3,298,601	$ 2,495,908
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's Covered-Employee Payroll	$ 52,773,146	$ 48,543,495	$ 44,182,858
Contribution as a Percentage of Covered-Employee Payroll	6.81%	6.80%	5.65%
TRS 1			
Contractually Required Plan Member Contribution	$ 10,911,733	$ 10,169,734	$ 6,916,266
Contributions in Relation to the Contractually Required Plan			
Member Contributions	$ 10,911,733	$ 10,169,734	$ 6,916,266
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's Covered-Employee Payroll	$ 173,487,560	$ 161,738,988	$ 150,050,481
Contribution as a Percentage of Covered-Employee Payroll	6.29%	6.29%	4.61%
TRS 2/3			
Contractually Required Plan Member Contribution	$ 11,864,297	$ 10,992,261	$ 8,407,193
Contributions in Relation to the Contractually Required Plan			
Member Contributions	$ 11,864,297	$ 10,992,261	$ 8,407,193
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's Covered-Employee Payroll	$ 171,970,598	$ 159,705,481	$ 147,552,979
Contribution as a Percentage of Covered-Employee Payroll	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
ACTUARIAL VALUATION OF POST EMPLOYMENT BENEFITS
OTHER THAN PENSION
SCHEDULE OF FUNDING PROGRESS
For the Year Ended August 31, 2017

Fiscal Year Ended August 31	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL As a Percentage of Covered Payroll
2008	August 31, 2008	$ -	$ 140,007,155	$ 140,007,155	0%	$ 168,086,907	83%
2009	August 31, 2008	-	140,007,155	140,007,155	0%	189,613,237	74%
2011	August 31, 2010	-	170,919,780	170,919,780	0%	189,546,964	90%
2011	August 31, 2010	-	170,919,780	170,919,780	0%	191,014,564	89%
2012	August 31 ,2012	-	110,443,389	110,443,389	0%	188,326,224	59%
2013	August 31 ,2012	-	110,443,389	110,443,389	0%	192,303,994	57%
2014	August 31 ,2014	-	123,449,577	123,449,577	0%	199,958,727	62%
2015	August 31 ,2014	-	123,449,577	123,449,577	0%	203,769,394	61%
2016	August 31 ,2016	-	161,545,082	161,545,082	0%	211,461,532	76%
2017	August 31 ,2016	-	161,545,082	161,545,082	0%	227,199,455	71%

GASB 45 was implemented for the fiscal year ended August 31, 2008. No information prior to August 31, 2008 is available. Actuarial Study is performed every two years.

Spokane Public Schools, District #81
Spokane County
EIN: 91-6001582
Schedule of Expenditures of Federal Awards
For Fiscal Year Ending August 31, 2017

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	-	2,692,528.37	2,692,528.37	-	
Dept of Agriculture	WA OSPI	Nat'l School Lunch Program (A) - Cash Assistance	10.555	1197_6198	-	7,678,715.81	7,678,715.81	-	
Dept of Agriculture	WA OSPI	Nat'l School Lunch Program (A) - Non Cash/Commodities	10.555	1777	-	1,029,226.92	1,029,226.92	-	4
				10.555 Total	-	8,707,942.73	8,707,942.73	-	
Dept of Agriculture	WA OSPI	Summer Food Service Program for Children - Cash Assistance	10.559	1197_6189	-	354,003.22	354,003.22	-	
Dept of Agriculture	WA OSPI	Summer Food Service Program for Children - Non Cash/Commodities	10.559	1777	-	2,458.67	2,458.67	-	4
				10.559 Total	-	356,461.89	356,461.89	-	
		Subtotal Child Nutrition Cluster			-	11,756,932.99	11,756,932.99	-	
Dept of Agriculture	Community Colleges of Spokane	Child & Adult Care Food Program (A)	10.558	WINS#159230	-	78,173.74	78,173.74	-	
Dept of Agriculture	WA OSPI	Fresh Fruit & Vegetable Program	10.582	1197_619801	-	292,591.06	292,591.06	-	8
		Dept of Agriculture Subtotal			**-**	**12,127,697.79**	**12,127,697.79**	**-**	
		Dept of Commerce Subtotal			**-**	**-**	**-**	**-**	
Dept of Defense		Air Force Junior ROTC	12.WA20001	WA 20001	60,166.79	-	60,166.79	-	9
		Dept of Defense Subtotal			**60,166.79**	**-**	**60,166.79**	**-**	
		Dept of Housing/Urban Dev Subtotal			**-**	**-**	**-**	**-**	
		Dept of Interior Subtotal			**-**	**-**	**-**	**-**	
Dept of Justice	City of Spokane	Youth Gang Prevention	16.544	OPR#2017-0073	-	88,808.80	88,808.80	-	
Dept of Justice		Bulletproof Vest Partnership Program	16.607	16084872	5,434.61	-	5,434.61	-	
		Dept of Justice Subtotal			**5,434.61**	**88,808.80**	**94,243.41**	**-**	
		Dept of Labor Subtotal			**-**	**-**	**-**	**-**	
Dept of Transportation	Spokane Regional Health District	Highway Planning and Construction	20.205	300-421-1002	-	3,380.52	3,380.52	-	
		Dept of Transportation Subtotal			**-**	**3,380.52**	**3,380.52**	**-**	
		Institute of Museum & Library Services Subtotal			**-**	**-**	**-**	**-**	
		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	-	9,720,539.78	9,720,539.78	-	5, 8
Dept of Education	WA OSPI	Special Education - Grants to States	84.027	0305836, 0337775	-	6,222,720.00	6,222,720.00	-	8
Dept of Education	WA OSPI	Special Education - Preschool Grants	84.173	0363831	-	194,794.00	194,794.00	-	8
		Subtotal Special Education Cluster			-	6,417,514.00	6,417,514.00	-	
Dept of Education	Area Colleges/Universities	Federal Work-Study Program	84.033	CCS, EWU, GU, WU	-	22,564.11	22,564.11	-	
Dept of Education	WA OSPI	Career & Technical Education - Basic Grants to States	84.048	0173818	-	275,860.00	275,860.00	-	8
Dept of Education	WA OSPI	Career & Technical Education - Basic Grants to States	84.048	0173996	-	98,743.00	98,743.00	-	8
				84.048 Total	-	374,603.00	374,603.00	-	
Dept of Education		Indian Education - Grants to Local Education Agencies	84.060	S060A161037, S060A171037	201,392.46	-	201,392.46	-	8
Dept of Education	WA OSPI	Education for Homeless Children and Youth	84.196	0456218	-	42,318.00	42,318.00	-	8
Dept of Education	WA OSPI	Javits Gifted and Talented Students Education	84.206	0470008	-	4,669.61	4,669.61	-	8

Spokane Public Schools, District #81
Spokane County
EIN: 91-6001582
Schedule of Expenditures of Federal Awards
For Fiscal Year Ending August 31, 2017

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 Education	WA Student Achievement Council	Gaining Early Awareness & Readiness for Undergraduate Programs	84.334	17-IA021, 17-IA022, 17-IA023, 17-IA123, 17-IA124, 17-IA125	-	642,035.41	642,035.41	-	2, 8
Dept of Education	WA OSPI	English Language Acquisition State Grants	84.365	0402392	-	358,267.23	358,267.23	-	3, 8
Dept of Education	WA OSPI	Supporting Effective Instruction State Grants	84.367	0524106	-	1,568,178.80	1,568,178.80	-	8
Dept of Education	NEWESD 101	Supporting Effective Instruction State Grants	84.367	17-IA085	-	23,765.37	23,765.37	-	8
				84.367 Total	-	1,591,944.17	1,591,944.17	-	
		Dept of Education Subtotal			**201,392.46**	**19,174,455.31**	**19,375,847.77**	**-**	
Health/Human Services	Spokane Tribe of Indians	Temporary Assistance for Needy Families	93.558	Multiple Familes	-	4,395.22	4,395.22	-	
Health/Human Services	School's Out Washington	Refugee and Entrant Assistance-Discretionary Grants	93.576	Interagency Contract	-	75,000.00	75,000.00	-	8
Health/Human Services	Spokane County Regional Behavioral Health Organization	Block Grant for Prevention and Treatment of Substance Abuse	93.959	17BHO2138	-	226,547.94	226,547.94	-	
		Health/Human Services Dept Subtotal			**-**	**305,943.16**	**305,943.16**	**-**	
		Corp for National Service Subtotal			**-**	**-**	**-**	**-**	
		Dept of Homeland Security			**-**	**(0.00)**	**(0.00)**	**-**	
Total Federal Awards Expended					**266,993.86**	**31,700,285.58**	**31,967,279.44**	**-**	

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) - $ 7,722,980.52.

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% - 16.14% depending on the maximum allowable rate for each respective grant. Overall, the district collected $981,849.31 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.

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Contact information for the State Auditor's Office	
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