Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Shoreline School District No. 412

King County

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

Published May 3, 2018

Report No. 1021265

Office of the Washington State Auditor

Pat McCarthy

May 3, 2018

Superintendent and Board of Directors
Shoreline School District No. 412
Shoreline, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Shoreline School District No. 412's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the District's financial condition.

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Shoreline School District No. 412
King County
September 1, 2016 through August 31, 2017

SECTION I – SUMMARY OF AUDITOR'S RESULTS

The results of our audit of Shoreline School District No. 412 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 District's financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation of all funds with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

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

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

Identification of Major Federal Programs:

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

CFDA No.	Program or Cluster Title
84.027	Special Education Cluster – Special Education – Grants to States
84.173	Special Education Cluster – Special Education – Preschool Grants

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was $750,000.

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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

Shoreline School District No. 412
King County
September 1, 2016 through August 31, 2017

Superintendent and Board of Directors
Shoreline School District No. 412
Shoreline, 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 Shoreline School District No. 412, King 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 financial statements, and have issued our report thereon dated May 3, 2018.

We issued an unmodified opinion on the fair presentation of the District's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because, as described in Note 1, the *Accounting Manual for Public School Districts in the State of Washington* does not require the District to prepare the government-wide statements presenting the financial position and changes in financial position of its governmental activities as required by GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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 opinion 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

May 3, 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

Shoreline School District No. 412
King County
September 1, 2016 through August 31, 2017

Superintendent and Board of Directors
Shoreline School District No. 412
Shoreline, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Shoreline School District No. 412, King 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

May 3, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Shoreline School District No. 412
King County
September 1, 2016 through August 31, 2017

Superintendent and Board of Directors
Shoreline School District No. 412
Shoreline, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Shoreline School District No. 412, King 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 financial statements, as listed on page 16.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Accounting Manual for Public School Districts in the State of Washington* (Accounting Manual) described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 account 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.

Unmodified Opinion on Regulatory Basis of Accounting (Accounting Manual)

As described in Note 1, the District has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the Accounting Manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The difference in these accounting practices is also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shoreline School District No. 412, as of August 31, 2017, and the changes in financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. GAAP requires presentation of government-wide financial statements to display the financial position and changes in financial position of its governmental activities.

As described in Note 1, the Accounting Manual does not require the District to prepare the government-wide financial statements, and consequently such amounts have not been determined or presented. We are therefore required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Shoreline School District No. 412, as of August 31, 2017, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

Other Matters

Supplementary and Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The 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). The Schedule of Long-Term Liabilities is also presented for purposes of additional analysis, as required by the prescribed Accounting Manual. These schedules are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 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 the 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

May 3, 2018

FINANCIAL SECTION

Shoreline School District No. 412
King County
September 1, 2016 through August 31, 2017

FINANCIAL STATEMENTS

SUPPLEMENTARY AND OTHER INFORMATION

Shoreline School District No. 412

Balance Sheet

Governmental Funds

August 31, 2017

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
ASSETS:							
Cash and Cash Equivalents	19,358,560.70	1,189,758.96	5,517,813.66	31,476,275.45	692,683.19	0.00	58,235,091.96
Minus Warrants Outstanding	-1,807,060.51	-15,156.59	0.00	-24,497.45	0.00	0.00	-1,846,714.55
Taxes Receivable	12,306,183.88		7,478,611.43	1,444,656.52	0.00		21,229,451.83
Due From Other Funds	192,305.24	0.00	0.00	5,763.36	0.00	0.00	198,068.60
Due From Other Governmental Units	803,328.96	0.00	0.00	0.00	0.00	0.00	803,328.96
Accounts Receivable	39,386.01	0.00	0.00	0.00	0.00	0.00	39,386.01
Interfund Loans Receivable	0.00			0.00			0.00
Accrued Interest Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	103,671.88	0.00		0.00			103,671.88
Prepaid Items	228,048.77	14,734.99			0.00	0.00	242,783.76
Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investments/Cash With Trustee	0.00		0.00	0.00	0.00	0.00	0.00
Investments-Deferred Compensation	0.00			0.00			0.00
Self-Insurance Security Deposit	0.00						0.00
TOTAL ASSETS	**31,224,424.93**	**1,189,337.36**	**12,996,425.09**	**32,902,197.88**	**692,683.19**	**0.00**	**79,005,068.45**
DEFERRED OUTFLOWS OF RESOURCES:							
Deferred Outflows of Resources - Other	0.00		0.00	0.00	0.00		0.00
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	**31,224,424.93**	**1,189,337.36**	**12,996,425.09**	**32,902,197.88**	**692,683.19**	**0.00**	**79,005,068.45**
LIABILITIES:							
Accounts Payable	789,105.85	1,365.22	1,626.58	3,582,023.33	517,479.72	0.00	4,891,600.70
Contracts Payable Current	0.00	0.00		0.00	0.00	0.00	0.00
Accrued Interest Payable			0.00				0.00
Accrued Salaries	381,597.22	0.00		0.00			381,597.22
Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00

The accompanying notes are an integral part of this financial statement.

Shoreline School District No. 412

Balance Sheet

Governmental Funds

August 31, 2017

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
LIABILITIES:							
Payroll Deductions and Taxes Payable	227,288.70	0.00		0.00			227,288.70
Due To Other Governmental Units	490.32	0.00		0.00	0.00	0.00	490.32
Deferred Compensation Payable	0.00			0.00			0.00
Estimated Employee Benefits Payable	0.00						0.00
Due To Other Funds	5,763.36	554.23	0.00	191,751.01	0.00	0.00	198,068.60
interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	1,705.00	0.00		0.00			1,705.00
Unearned Revenue	253,348.62	122,883.76	0.00	0.00	0.00		376,232.38
Matured Bonds Payable			0.00				0.00
Matured Bond interest Payable			0.00				0.00
Arbitrage Rebate Payable	0.00		0.00	0.00	0.00		0.00
TOTAL LIABILITIES	**1,659,299.07**	**124,803.21**	**1,626.58**	**3,773,774.34**	**517,479.72**	**0.00**	**6,076,982.92**
DEFERRED INFLOWS OF RESOURCES:							
Unavailable Revenue	39,386.01	0.00	0.00	0.00	0.00	0.00	39,386.01
Unavailable Revenue - Taxes Receivable	12,306,183.88		7,478,611.43	1,444,656.52	0.00		21,229,451.83
TOTAL DEFERRED INFLOWS OF RESOURCES	**12,345,569.89**	**0.00**	**7,478,611.43**	**1,444,656.52**	**0.00**	**0.00**	**21,268,837.84**
FUND BALANCE:							
Nonspendable Fund Balance	331,720.65	14,734.99	0.00	0.00	0.00	0.00	346,455.64
Restricted Fund Balance	374,248.64	1,049,799.16	5,516,187.08	24,866,066.74	175,203.47	0.00	31,981,505.09
Committed Fund Balance	3,016,446.00	0.00	0.00	2,341,773.03	0.00	0.00	5,358,219.03
Assigned Fund Balance	1,172,968.00	0.00	0.00	475,927.25	0.00	0.00	1,648,895.25
Unassigned Fund Balance	12,324,172.68	0.00	0.00	0.00	0.00	0.00	12,324,172.68
TOTAL FUND BALANCE	**17,219,555.97**	**1,064,534.15**	**5,516,187.08**	**27,683,767.02**	**175,203.47**	**0.00**	**51,659,247.69**
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	**31,224,424.93**	**1,189,337.36**	**12,996,425.09**	**32,902,197.88**	**692,683.19**	**0.00**	**79,005,068.45**

The accompanying notes are an integral part of this financial statement.

Shoreline School District No. 412

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2017

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
REVENUES:							
Local	32,433,598.91	2,056,221.57	16,373,074.11	3,559,893.51	5,207.41		54,427,995.51
State	75,047,210.90		0.00	0.00	466,880.09		75,514,090.99
Federal	5,924,748.35		0.00	0.00	0.00		5,924,748.35
Federal Stimulus	0.00						0.00
Other	13,438.83			0.00	0.00	0.00	13,438.83
TOTAL REVENUES	**113,418,996.99**	**2,056,221.57**	**16,373,074.11**	**3,559,893.51**	**472,087.50**	**0.00**	**135,880,273.68**
EXPENDITURES:							
CURRENT:							
Regular Instruction	67,337,065.72						67,337,065.72
Federal Stimulus	0.00						0.00
Special Education	17,238,701.25						17,238,701.25
Vocational Education	2,244,449.01						2,244,449.01
Skill Center	0.00						0.00
Compensatory Programs	4,822,977.92						4,822,977.92
Other Instructional Programs	200,204.20						200,204.20
Community Services	4,434,609.89						4,434,609.89
Support Services	19,516,040.01						19,516,040.01
Student Activities/Other		2,016,362.56				0.00	2,016,362.56
CAPITAL OUTLAY:							
Sites				2,395,431.15			2,395,431.15
Building				10,123,976.59			10,123,976.59
Equipment				1,800,946.74			1,800,946.74
Instructional Technology				18,985.89			18,985.89
Energy				0.00			0.00
Transportation Equipment					1,383,377.75		1,383,377.75
Sales and Lease				0.00			0.00
Other	356,292.31						356,292.31
DEBT SERVICE:							
Principal	0.00		7,665,000.00	0.00	0.00		7,665,000.00
Interest and Other Charges	0.00		7,936,514.08	2,850.00	0.00		7,939,364.08
Bond/Levy Issuance				0.00	0.00		0.00
TOTAL EXPENDITURES	**116,150,340.31**	**2,016,362.56**	**15,601,514.08**	**14,342,190.37**	**1,383,377.75**	**0.00**	**149,493,785.07**

The accompanying notes are an integral part of this financial statement.

Shoreline School District No. 412

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2017

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
DEBT SERVICE:							
REVENUES OVER (UNDER) EXPENDITURES	-2,731,343.32	39,859.01	771,560.03	-10,782,296.86	-911,290.25	0.00	-13,613,511.39
OTHER FINANCING SOURCES (USES):							
Bond Sales & Refunding Bond Sales	0.00		0.00	0.00	0.00		0.00
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	789,251.41		0.00	0.00	0.00		789,251.41
Transfers Out (GL 536)	0.00		0.00	-789,251.41	0.00	0.00	-789,251.41
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	1,181.00		0.00	0.00	0.00		1,181.00
TOTAL OTHER FINANCING SOURCES (USES)	**790,432.41**		**0.00**	**-789,251.41**	**0.00**	**0.00**	**1,181.00**
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-1,940,910.91	39,859.01	771,560.03	-11,571,548.27	-911,290.25	0.00	-13,612,330.39
BEGINNING TOTAL FUND BALANCE	**19,160,466.88**	**1,024,675.14**	**4,744,627.05**	**39,255,315.29**	**1,086,493.72**	**0.00**	**65,271,578.08**
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ENDING TOTAL FUND BALANCE	**17,219,555.97**	**1,064,534.15**	**5,516,187.08**	**27,683,767.02**	**175,203.47**	**0.00**	**51,659,247.69**

The accompanying notes are an integral part of this financial statement.

Shoreline School District No. 412

Statement Of Fiduciary Net Position

Fiduciary Funds

August 31, 2017

	Private Purpose Trust	Other Trust
ASSETS:		
Imprest Cash	0.00	0.00
Cash On Hand	0.00	0.00
Cash On Deposit with Cty Treas	266,010.09	0.00
Minus Warrants Outstanding	0.00	0.00
Due From Other Funds	0.00	0.00
Accounts Receivable	0.00	0.00
Accrued Interest Receivable	0.00	0.00
Investments	0.00	0.00
Investments/Cash With Trustee	0.00	0.00
Other Assets	0.00	
Capital Assets, Land	0.00	
Capital Assets, Buildings	0.00	
Capital Assets, Equipment	0.00	0.00
Accum Depreciation, Buildings	0.00	
Accum Depreciation, Equipment	0.00	0.00
TOTAL ASSETS	**266,010.09**	**0.00**
LIABILITIES:		
Accounts Payable	0.00	0.00
Due To Other Funds	0.00	0.00
TOTAL LIABILITIES	**0.00**	**0.00**
NET POSITION:		
Held in trust for:		
Held In Trust For Intact Trust Principal	242,928.31	0.00
Held In Trust For Private Purposes	23,081.78	
Held In Trust For Pension Or Other Post-Employment Benefits		0.00
Held In Trust For Other Purposes	0.00	0.00
TOTAL NET POSITION	**266,010.09**	**0.00**

The accompanying notes are an integral part of this financial statement.

Shoreline School District No. 412

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended August 31, 2017

	Private Purpose Trust	Other Trust
ADDITIONS:		
Contributions:		
Private Donations	7,634.00	0.00
Employer		0.00
Members		0.00
Other	0.00	0.00
TOTAL CONTRIBUTIONS	**7,634.00**	**0.00**
Investment Income:		
Net Appreciation (Depreciation) in Fair Value	0.00	0.00
Interest and Dividends	2,713.60	0.00
Less Investment Expenses	0.00	0.00
Net Investment Income	2,713.60	0.00
Other Additions:		
Rent or Lease Revenue	0.00	0.00
Total Other Additions	0.00	0.00
TOTAL ADDITIONS	**10,347.60**	**0.00**
DEDUCTIONS:		
Benefits		0.00
Refund of Contributions	0.00	0.00
Administrative Expenses	0.00	0.00
Scholarships	9,720.75	
Other	0.00	0.00
TOTAL DEDUCTIONS	**9,720.75**	**0.00**
Net Increase (Decrease)	626.85	0.00
Net Position--Prior Year August Beginning	265,383.24	0.00
Prior Year F-196 Manual Revision	0.00	0.00
Net Position - Total	265,383.24	0.00
Prior Year(s) Corrections or Restatements	0.00	0.00
NET POSITION--ENDING	**266,010.09**	**0.00**

The accompanying notes are an integral part of this financial statement.

SHORELINE SCHOOL DISTRICT NO. 412
NOTES TO THE FINANCIAL STATEMENTS
September 1, 2016 through August 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Shoreline School District (District) is a municipal corporation organized pursuant to Title 28A of the Revised Code of Washington (RCW) for the purposes of providing public school services to students in grades K-12. Oversight responsibility for the District's operations is vested with the independently elected board of directors. Management of the District is appointed by and is accountable to the board of directors. Fiscal responsibility, including budget authority and the power to set fees, levy property taxes, and issue debt consistent with provisions of state statutes, also rests with the board of directors.

The District presents governmental fund financial statements and related notes on the modified accrual basis of accounting in accordance with the *Accounting Manual for Public School Districts in the State of Washington*, issued jointly by the State Auditor's Office and the Superintendent of Public Instruction by the authority of RCW 43.09.200, RCW 28A.505.140, RCW 28A.505.010(1) and RCW 28A.505.020. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

1) District-wide statements, as defined in GAAP, are not presented.
2) A Schedule of Long-Term Liabilities is presented as supplementary information.
3) Supplementary information required by GAAP is not presented.

Fund Accounting

Financial transactions of the District are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures (or expenses) as appropriate. All funds are considered major funds. The various funds in the report are grouped into governmental and fiduciary funds as follows:

Governmental Funds

General Fund

This fund is used to account for all expendable financial resources, except for those that are required to be accounted for in another fund. In keeping with the principle of having as few funds as necessary, activities such as food service, maintenance, data processing, printing, and student transportation are included in the General Fund.

Capital Projects Funds

These funds account for financial resources that are to be used for the construction or acquisition of major capital assets. There are two funds that are considered to be of the capital fund type: the Capital Projects Fund and the Transportation Vehicle Fund.

> Capital Projects Fund. This fund is used to account for resources set aside for the acquisition and construction of major capital assets such as land and buildings.
>
> Transportation Vehicle Fund. This fund is used to account for the purchase, major repair, rebuilding, and debt service expenditures that relate to pupil transportation equipment.

Debt Service Fund

This fund is used to account for the accumulation of resources for and the payment of matured general long-term debt principal and interest.

Special Revenue Fund

In Washington State, the only allowable special revenue fund for school districts is the Associated Student Body (ASB) Fund. This fund is accounted for in the District's financial statements as the financial resources legally belong to the District. As a special revenue fund, amounts within the ASB Fund may only be used for those purposes that relate to the operation of the Associated Student Body of the District.

Fiduciary Funds

Fiduciary funds include pension and other employee benefit trust funds, private-purpose trust funds, and agency funds, and are used to account for assets that are held in trust by the District in a trustee and agency capacity.

Private-Purpose Trust Fund

This fund is used to account for resources that are legally held in trust by the District. The trust agreement details whether principal and interest may both be spent, or whether only interest may be spent. Money from a Private-Purpose Trust Fund may not be used to support the District's programs, and may be used to benefit individuals, private organizations, or other governments.

Measurement focus, basis of accounting, and fund financial statement presentation

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered "measurable" if the amount of the transaction can be readily determined. Revenues are considered "available" when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after year-end. Property taxes receivable are measurable but are considered available only if they are collected within 30 days after year-end. Categorical program claims and interdistrict billings are measurable and available and are, therefore, accrued.

Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for unmatured principal and interest on long-term debt which are recorded when due. Purchases of capital assets are expensed during the year of acquisition. For federal grants, the recognition of expenditures is dependent on the obligation date. Obligation means a purchase order has been issued, contracts have been awarded, or goods and/or services have been received.

Budgets

Chapter 28A.505 RCW and Chapter 392-123 Washington Administrative Code (WAC) mandate school district budget policies and procedures. The board adopts annual appropriated budgets for all governmental funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Appropriations lapse at the end of the fiscal period.

Budgets are adopted on the same modified accrual basis as used for financial reporting. Fund balance is budgeted as available resources and, under statute, may not be negative, unless the district enters into binding conditions with state oversight pursuant to RCW 28A.505.110.

The government's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available

The District receives state funding for specific categorical education-related programs. Amounts that are received for these programs that are not used in the current fiscal year may be carried forward into the subsequent fiscal year, where they may be used only for the same purpose as they were originally received. When the District has such a carryover, these funds are expended before any amounts received in the current year are expended.

Additionally, the District has other restrictions placed on its financial resources. When expenditures are recorded for purposes for which a restriction or commitment of fund balance is available, those funds that are restricted or committed to that purpose are considered first before any unrestricted or unassigned amounts are expended.

The government's fund balance classifications policies and procedures

The District classifies ending fund balance for its governmental funds into five categories.

Nonspendable Fund Balance. The amounts reported as Nonspendable are resources of the District that are not in spendable format. They are either non-liquid resources such as inventory or prepaid items, or the sources are legally or contractually required to be maintained intact.

Restricted Fund Balance. Amounts that are reported as Restricted are those resources of the District that have had a legal restriction placed on their use from statute, WAC, or other legal requirements that are beyond the control of the board of directors. Restricted fund balance includes anticipated recovery of revenues that have been received but are restricted as to their usage.

Committed Fund Balance. Amounts that are reported as Committed are those resources of the District that have had a limitation placed upon their usage by formal action of the District's board of directors. Commitments are made either through a formal board action or are related to a school board policy. Commitments may only be changed when the resources are used for the intended purpose or the limitation is removed by a subsequent formal action of the board of directors.

Assigned Fund Balance. In the General Fund, amounts that are reported as Assigned are those resources that the District has set aside for specific purposes. These accounts reflect tentative management plans for future financial resource use such as the replacement of equipment or the assignment of resources for contingencies. Assignments reduce the amount reported as Unassigned Fund Balance, but may not reduce that balance below zero.

In other governmental funds, Assigned fund balance represents a positive ending spendable fund balance once all restrictions and commitments are considered. These resources are only available for expenditure in that fund and may not be used in any other fund without formal action by the District's board of directors and as allowed by statute.

The Deputy Superintendent is the only person who has the authority to create Assignments of fund balance.

Unassigned Fund Balance. In the General Fund, amounts that are reported as Unassigned are those net spendable resources of the District that are not otherwise Restricted, Committed, or Assigned, and may be used for any purpose within the General Fund.

In other governmental funds, if there is a total negative fund balance or if fund balance reserves exceed the total fund balance, that negative balance is reflected as unassigned fund balance

A negative Unassigned fund balance means that the legal restrictions and formal commitments of the District exceed its currently available resources.

Cash and Cash Equivalents

All of the District's cash and cash equivalents are considered to be cash on hand, demand deposits, or investments through the King County Investment Pool.

Inventory

Inventory is valued at cost using the first-in, first-out (FIFO) method. The consumption method of inventory is used, which charges inventory as an expenditure when it is consumed. A portion of fund balance, representing inventory, is considered Nonspendable. Such reserves for inventory indicate that a portion of net current assets is set aside to replace or increase the inventory.

NOTE 2: DEPOSITS WITH FINANCIAL INSTITUTIONS

In accordance with state investment laws, the District's board of directors has entered into a formal interlocal agreement with the District's *ex officio* treasurer, King County, to have all of its funds not required for immediate expenditure to be invested in the King County Investment Pool (Pool).

As of August 31, 2017, the District had the following investments:

Investment Type	Carrying Amount	Fair Value	Effective Duration
King County Investment Pool	$58,327,251	$58,268,924	0.98 Years

Impaired Investments. As of August 31, 2017, all impaired commercial paper investments have completed enforcement events. The King County impaired investment pool (Impaired Pool) held one commercial paper asset where the Impaired Pool accepted an exchange offer and is receiving the cash flows from the investment's underlying securities. The Impaired Pool also held the residual investments in two commercial paper assets that were part of completed enforcement events, where the Impaired Pool accepted the cash-out option. King County considers the District's share of the impaired investment pool to have a carrying amount of $127,261, less unrealized loss exposure of $42,743, and therefore a net fair value of $84,518. However, in 2008, and as disclosed every year since, the District recognized the full losses of both the realized investment losses ($1,167,234) and the impaired investments ($887,588) in its financial statements. Therefore, the District has no loss exposure and all subsequent revenues are treated as investment earnings in the current year.

Interest Rate Risk. As of August 31, 2017, the Pool's average duration was 0.98 years. As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity, or weighted average life, no longer than five years. While the Pool's market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology.

Credit Risk: As of August 31, 2017, the District's investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, Pool policies authorize investments in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, corporate notes (rated at least "A"), municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1" by two NRSROs), certificates of deposit issued by qualified public depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

NOTE 3: SIGNIFICANT CONTINGENT LIABILITIES

Litigation

The District has no known legal obligations that would materially impact the financial position of the District.

Arbitrage Rebate

The Tax Reform Act of 1986 requires the District to rebate the earnings on the investment of bond and revenue anticipation note proceeds, in excess of their yield, to the federal government. This requirement is effective for the District's 2002, 2005, 2008, 2010, 2011, and 2013 bonds issued after September 1, 1986. Of the rebate, 90 percent is due and payable five years from the date bonds were issued and at five-year intervals thereafter. The remaining 10 percent is payable 60 days after they are retired. Because positive arbitrage can be offset against negative arbitrage, the rebatable amount fluctuates each year and may or may not be owed at the payment intervals. Because of this uncertainty of having to make this payment, the District entered into a third party agreement in 2007 to have the arbitrage values and reports completed as required. However, investment earnings for the last several years have been considerably below the coupon interest rate in its bonds. Therefore, the

District has no current or expected liability for arbitrage payments to the federal government.

NOTE 4: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

On February 14, 2017 the voters approved a bond levy authorizing the district to issue up to $250,000,000 of bonds to rebuild Kellogg Middle School, Einstein Middle School, and Parkwood Elementary School, as well as build an Early Learning Center. On October 2, 2017, the District issued $50,000,000 of the 2017 authorized bonds, $10,000,000 for the 2006 authorized bonds, and refunded bonds issued in 2008.

NOTE 5: PENSION PLANS

General Information

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.

The school district is reporting the net pension liability in the notes and on the Schedule of Long-term Liabilities calculated as the district's proportionate allocation percentage multiplied by the total plan collective net pension liability.

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, PO Box 48380, Olympia, WA 98504-8380; or online at http://www.drs.wa.gov./administrations/annual-report.

Membership Participation

Substantially all school district full-time and qualifying part-time employees participate in one of the following three contributory, multi-employer, cost-sharing statewide retirement systems managed by DRS: Teachers' Retirement System (TRS), Public Employees' Retirement System (PERS), and School Employees' Retirement System (SERS).

Membership participation by retirement plan as of June 30, 2017, was as follows:

Plan	Retirees and Beneficiaries Receiving Benefits	Inactive Plan Members Entitled to but not yet Receiving Benefits	Active Plan Members
PERS 1	48,268	663	2,593
SERS 2	8,229	5,880	27,011
SERS 3	7,735	8,330	33,890
TRS 1	34,225	188	697
TRS 2	5,076	2,532	19,133
TRS 3	10,289	8,568	54,487

Membership & Plan Benefits

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

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

TRS is comprised of three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any 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. TRS1 members were vested after the completion of five years of eligible service. Retirement benefits are determined as two percent of the average final compensation (AFC), for each year of service credit, up to a maximum of 60 percent, divided by twelve. The AFC is the total earnable compensation for the two consecutive highest-paid fiscal years, divided by two. Members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. Other benefits include temporary and permanent disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

TRS Plan 2/3 provides retirement, disability, and death benefits. Retirement benefits are determined as two percent of the 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 3 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 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 completion of five years of eligible service. Retirement benefits are determined as two percent of the member's 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 age 65 may receive actuarially reduced benefit. 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 member 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 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 AFC times the member's years of service for Plan 2 and one percent of the 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 age 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. SERS members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit.

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

SERS members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service. SERS retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the Consumer Price Index), capped at three percent annually, and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries.

Plan Contributions

The employer contribution rates for PERS, TRS, SERS (Plans 1, 2, and 3) and the TRS and SERS Plan 2 employee contribution rates are established by the Pension Funding Council based upon the rates set by the Legislature. The methods used to determine the contribution requirements are established under chapters 41.34 and 41.40 RCW for PERS, 41.34, and 41.35 RCW for SERS, and 41.32 and 41.34 RCW for TRS. Employers do not contribute to the defined contribution portions of TRS Plan 3 or SERS Plan 3. Under current law the employer must contribute 100 percent of the employer-required contribution. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at six percent and does not vary from year to year.

The employer and employee contribution rates for the PERS plans are effective as of July 1. SERS and TRS contribution rates are effective as of September 1. The pension plan contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

Pension Rates			
	7/1/17 Rate	7/1/16 Rate	
PERS 1			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	12.70%	11.18%	
Pension Rates			
	9/1/17 Rate	9/1/16 Rate	
TRS 1			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	15.20%	13.13%	
TRS 2			
Member Contribution Rate	7.06%	5.95%	
Employer Contribution Rate	15.20%	13.13%	
TRS 3			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	15.20%	13.13%	**
SERS 2			
Member Contribution Rate	7.27%	5.63%	
Employer Contribution Rate	13.48%	11.58%	
SERS 3			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	13.48%	11.58%	**
Note: The DRS administrative rate of .0018 is included in the employer rate.			
* = Variable from 5% to 15% based on rate selected by the member			
** = Defined benefit portion only			

The Collective Net Pension Liability

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

The 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%

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

As of June 30, 2017, the district reported a total liability of $47,890,257 for its proportionate shares of the individual plans' collective liability. Proportion of net liability is based on annual contributions for each of the employers participating in the DRS administered plans. At June 30, 2017 the district's proportional 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	$1,015,652	$1,335,673	$3,110,574	$3,248,934
Proportionate Share of the Net Pension Liability	$8,011,873	$4,866,265	$26,873,754	$8,138,365

As of 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 period is illustrated below:

Allocation percentages	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share of the Net Pension Liability	0.168846%	0.986122%	0.888898%	0.881784%
Prior year proportionate share of the Net Pension Liability	0.162773%	0.994030%	0.892892%	0s.878538 %
Net difference percentage	0.006073%	-0.007908%	-0.003995%	0.03246%

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 Increase	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%

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 Report and the 2015 Economic Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report.

Long-term Expected Rate of Return

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

- Expected annual return
- Standard deviation of annual return
- Correlations between 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 7.5% 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%
Global 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 long-term estimate of broad economic inflation.

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.

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following table presents the District's proportionate share of the collective net pension liability (NPL) calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent) or one percentage point higher (8.50%) than the current rate. Amounts are calculated using the district's specific allocation percentage, by plan, to determine the proportional share of the collective net pension liability.

	1% Decrease (6.50%)	**Current Discount Rate (7.50%)**	**1% Increase (8.50%)**
PERS1 NPL	$5,780,412,000	$4,745,078,000	$3,848,257,000
Allocation Percentage	0.168846%	0.168846%	0.168846%
Proportionate Share of Collective NPL	$9,759,992	$8,011,873	$6,497,627
SERS2/3 NPL	$1,278,921,000	$493,475,000	($153,665,000)
Allocation Percentage	0.986122%	0.986122%	0.986122%
Proportionate Share of Collective NPL	$12,611,721	$4,866,265	($1,515,324)
TRS1 NPL	$3,759,368,000	$3,023,268,000	$2,386,123,000
Allocation Percentage	0.888898%	0.888898%	0.888898%
Proportionate Share of Collective NPL	$33,416,929	$26,873,754	$21,210,188
TRS2/3 NPL	$3,134,647,000	$922,943,000	($873,375,000)
Allocation Percentage	0.881784%	0.881784%	0.881784%
Proportionate Share of Collective NPL	$27,640,819	$8,138,365	($7,701,282)

NOTE 6: ANNUAL OTHER POST-EMPLOYMENT BENEFIT COST AND NET OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS

The State, through the Health Care Authority (HCA), administers an agent multi-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 insurance, and long-term disability insurance.

Employers participating in the plan include the State of Washington (which includes general government agencies and higher education institutions), 60 of the state's K-12 school districts 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.

According to state law, the Washington State Treasurer collects a fee from all school district entities that have employees that are not current active members of the state HCA but participate in the state retirement system. The purpose of this fee is to cover the impact of the subsidized rate of health care benefits for school retirees that elect to purchase their health care benefits through the state HCA. For fiscal year 2016-17, the district was required to pay the HCA $64.39 per month per full-time equivalent employee to support the program, for a total payment of $855,470. This assessment to the District is set forth in the State's operating budget and is subject to change on an annual basis. This amount is not actuarially determined and is not placed in a trust to pay the obligations for post-employment health care benefits.

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

NOTE 7: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Projects are deleted from this list at final completion. The construction projects are funded from the 2006 and 2017 bond authorizations, as well as state funding assistance and insurance proceeds. Construction in progress is composed of:

Construction in progress is composed of:	**Project Authorization Amount**	**State Funds Committed**	**Local Funds Committed**	**Expended As of 8/31/17**
Aldercrest Campus Modernization	$21,500,000	$0	$21,500,000	$7,322,448
Early Learning Center New Building and Site Work	20,000,000	0	20,000,000	491,895
North City Elem Modernization	12,000,000	0	12,000,000	3,666,579
Einstein MS Replacement	8,000,000	0	8,000,000	96,262
Kellogg MS Replacement	8,000,000	0	8,000,000	83,209
Parkwood Elem Replacement	4,000,000	0	4,000,000	151,316
Total - Major Construction	**$73,500,000**	**$0**	**$73,500,000**	**$11,811,709**
Echo Lake Playfield Replacement	$1,800,000	$0	$1,800,000	$86,211
District Safety & Security – Electronic Access	1,000,000	0	1,000,000	234,037
Shorecrest Field & Track Resurfacing	980,000	0	980,000	720,600
Syre Roof Replacement	920,000	0	920,000	762,323
Central Kitchen Freezer/Cooler Replacement	900,000	0	900,000	31,429
Shoreline Stadium – Turf & Track	855,000	0	855,000	774,027
District-wide Asphalt Replacement, Repair, & Overlay	400,000	0	400,000	12,431
Cedarbrook – Abatement & Demolition	650,000	0	650,000	$325,757
Brookside Field Replacement	100,000	0	100,000	31,323
Total – Other Construction	**$7,605,000**	**$0**	**$7,605,000**	**$2,978,138**
District Projector Upgrade-Phase II	$650,000	$0	$650,000	$528,486
Total – Other Capital Levy	**$650,000**	**$0**	**$650,000**	**$528,486**
TOTAL – ALL PROJECTS	**$81,755,000**	**$0**	**$81,755,000**	**$15,318,333**

Encumbrances

Encumbrance accounting is employed in governmental funds. Purchase orders, contracts, and other commitments for expenditure of moneys are recorded in order to reserve a portion of the applicable appropriation. Encumbrances lapse at the end of the fiscal year and may be re-encumbered the following year. Encumbrances in the amount of $2,725,510 within the Capital Projects Fund, $5,395 within the General Fund, and $150 within the ASB Fund were re-encumbered on September 1, 2017.

NOTE 8: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The District's capital assets are insured in the amount of $334,289,248 for fiscal year 2016-17. In the opinion of the District's insurance consultant, this amount is sufficient to adequately fund replacement of the District's assets.

Capital Assets Lease Agreements

The District currently holds building and property lease agreements with other educational, community, governmental, and communication organizations. Lease revenues received in excess of operational costs are recorded in the capital projects fund as required by state law. The District leased the following facilities during the 2016-17 fiscal year:

The following lease agreement exists for the Shoreline Stadium located at 18560 1st Ave NE in Shoreline:

> Approximately 1055 square feet are leased to Crown Castle GT Company effective February 15, 1997 for five years with five additional five-year term extensions. Renewal is automatic unless written notice is provided 120 days prior to renewal. Lease payments are adjusted annually based on the Consumer Price Index. In the 2016-17 fiscal year, the District deposited $21,295 into the capital projects fund from this agreement.

The following lease agreement exists for Highland Terrace Elementary located at 100 N 160th Street in Shoreline:

> Approximately 300 square feet are leased to Sprint PC effective March 24, 2004 for five years with four additional five-year terms. Renewal is automatic unless written notice is provided 90 days prior to renewal. Lease payments are adjusted 15% every five years. In the 2016-17 fiscal year, the District deposited $24,312 into the capital projects fund from this agreement.

The following lease agreement exists for Parkwood Elementary located at 1815 N 155th St in Shoreline:

> Excess land is leased to The Evergreen School for an outdoor play area for their students. The lease is effective March 1, 2016 for a term of twenty years. In the 2016-17 fiscal year, the District deposited $40,400 into the capital projects fund

from this agreement. On May 22, 2017, this lease was terminated effective June19, 2018 due to the Parkwood Construction project.

The following lease agreements exist for the Shoreline Center located at 18560 1st Avenue NE in Shoreline:

The lease period is September 1, 2016 through August 31, 2017 and is renewed on a year-to-year basis. Except for operating costs associated with the leases, all funds are deposited in the capital projects fund.

Tenant	Square Feet	Purpose	Lease Amount	Capital Projects Fund	General Fund
Senior Services Center	11,900	Senior Center	$43,078	$28,862	$14,216
NorWest School of Horology	1,530	Office	10,714	8,571	2,143
State Representative Ryu	1,256	Office	8,792	7,034	1,758
Washington Alliance for Better Schools	1,624	Office	6,063	4,850	1,213
Shoreline/LFP Arts Council	1,012	Office	4,048	3,238	810
Chamber of Commerce	736	Office	5,152	4,122	1,030
Northshore/SL Comm Network	162	Office	649	519	130

NOTE 9: REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES

Long-Term Debt

Bonds payable at August 31, 2017, are comprised of the following individual issues:
General Obligation Bonds

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rates	Amount Outstanding
Voted Debt:					
2002	$9,000,000	$1,046,500 – $1,233,000	6/1/22	2.50% - 5.00%	$5,000,000
2005	$21,275,000	$3,555,956	12/1/17	3.00% - 5.25%	$3,465,000
2008	$25,000,000	$345,000 – $1,801,875	12/1/21	4.00% - 5.75%	$6,000,000
2010	$80,000,000	$1,397,750 – $11,197,750	12/1/29	2.00% - 4.00%	$57,310,000
2011	$70,000,000	$2,312,500 – $21,012,500	12/1/30	2.00% - 5.00%	$62,500,000
2013	$50,035,000	$1,993,250 – $14,908,625	12/1/25	2.00% - 5.00%	$41,540,000
					$175,815,000

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

Long-Term Debt Payable at 9/1/2016	$183,480,000
New Issues	$0
Debt Retired	($7,665,000)
Long-Term Debt Payable at 8/31/2017	$175,815,000

The following is a schedule of annual requirements to amortize debt as of August 31, 2017:

Years Ending August 31	Principal	Interest	Total
2018	$8,390,000	$7,591,631	$15,981,631
2019	6,535,000	7,270,575	13,805,575
2020	7,750,000	6,966,925	14,716,925
2021	8,370,000	6,612,775	14,982,775
2022	8,955,000	6,234,025	15,189,025
2023 – 2027	62,875,000	23,443,525	86,318,525
2028 – 2031	72,940,000	6,950,625	79,890,625
Total	$175,815,000	$65,070,081	$240,885,081

At August 31, 2017, the District had $5,516,187 available in the Debt Service Fund to service the general obligation bonds.

Bonds Authorized But Not Issued

On February 7, 2006 voters authorized the issuance of $149,500,000 in Unlimited Tax General Obligation Bonds. The District issued $61,500,000 of these bonds on April 5, 2006, $25,000,000 on November 4, 2008, and $10,000,000 on November 20, 2013. The District anticipates issuing the remaining $53,000,000 over the next several years.

On February 14, 2017 voters authorized the issuance of $250,000,000 in Unlimited Tax General Obligation Bonds to rebuild Kellogg Middle School, Einstein Middle School, and Parkwood Elementary School, as well as build an Early Learning Center. The district anticipates issuing all of these bonds over the next three years.

NOTE 10: INTERFUND TRANSFERS

The following table depicts interfund transfer activity:

Transferred From	Transferred To	Amount	Description
			Technology Levy –

Capital Projects Fund	General Fund	$789,251	Salaries, Services, and Software

NOTE 11: ENTITY RISK MANAGEMENT ACTIVITIES

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

The Pool allows members to jointly purchase insurance coverage, establish a plan of self-insurance, and provide related services, such as risk management. The Pool provides the following coverages for its members: property, liability, vehicle, public official liability, crime, employment practices, machinery breakdown, hazardous materials related to underground storage tanks, 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 risk shared by the Pool. Members are responsible for varied deductibles for both liability and property claims. Insurance carriers cover losses over $1 million to the maximum limits of each policy. Since the Pool is a cooperative program, there is a joint liability among the participating members.

Members contract to remain in the Pool for a minimum of three years and must give notice 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 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.

Workers Compensation

The District joined the Puget Sound Workers Compensation Trust (PSWCT) on September 1, 2008. The trust is administered by Puget Sound Educational Service District and provides claims processing and management, loss control and time loss and medical claims. Rates are set for each member district based on their respective loss experience.

Unemployment

The District is a member of the Puget Sound Educational Service District Unemployment Compensation Pool. This pool provides school districts with a coordinated program of self-insurance for unemployment compensation. Members pay assessments only as required to maintain specified account balances.

Self-Insurance

Prior to joining the PSWCT and Unemployment Compensation Pool, the District was self-insured. All claims prior to joining the PSWCT are nearly resolved resulting in the district no longer being required to maintain a restriction of fund balance to cover the claims.

NOTE 12: PROPERTY TAXES

Property tax revenues are collected as the result of special levies passed by the voters in the District. Taxes are levied on January 1. The taxpayer has the obligation of paying all taxes on April 30 or one-half then and one-half by October 31. Typically, slightly more than half of the collections are made on the April 30 date. The tax collections occurring after the end of the fiscal period are unavailable for revenue accrual. Therefore, the fall portion of the property taxes is not accrued as revenue. Instead, the fall portion of property taxes are recorded as a deferred inflow of resources.

NOTE 13: JOINT VENTURES

JOINT VENTURE

The District is a member of the King County Director's Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. The board authorized joining the association by passing Amended Articles Agreement dated August 12, 1974, and has remained in the joint venture ever since. The District's current equity of $149,429 is the accumulation of the annual assignment of KCDA's operating surplus based upon the percentage derived from KCDA's total sales to the District compared to all other districts applied against paid administrative fees. The District may withdraw from the joint venture and would receive its equity in ten annual allocations of merchandise or 15 annual payments.

JOINT USE

Shoreline School District and the City of Shoreline entered into a joint use agreement on August 29, 2000 and updated in April of 2017. The agreement is entered pursuant to RCW 39.34 (Inter-local Cooperation Act) and RCW 28A.335 (School District Property). The purpose of the agreement is to provide an adequate program of community recreation and to do all things necessary or convenient to aid and cooperate in the cultivation of the community's health and vitality by providing for adequate programs of public recreation. In the interest of providing the best service with the least possible expenditure of public funds, the joint use concept can best provide for the usage, maintenance and operation of the facilities specified in the addendum for utilization of both parties and would also allow and encourage the City and District to work together in planning and developing public facilities for joint use. As of August 31, 2017, the facilities specified in the addendum are:

Einstein Middle School Playfield and Hillwood Park
Hamlin Park Ballfields and Trails
Kellogg Middle School Track/Infield and Hamlin Park
Shorecrest High School Ballfields and Hamlin Park Ballfields
Paramount School Park
Meridian Park School Tennis Courts
Shoreline Center
Shoreline Park
Shoreline Pool
Shoreview Park
Spartan Recreation Center
Sunset School Park

The District and City mutually agreed that the facilities identified in the addendum would be made available to each other, based on suitability for each agency's programs. Use of District facilities shall be in accordance with the policies and procedures of the District for the use of school facilities, by the laws of the State of Washington, and as otherwise provided by the agreement. Use of City facilities shall be in accordance with the policies and procedures of the City in granting permits for the use of its facilities, by the laws of the State of Washington, and as otherwise provided for in the agreement.

Each agency may terminate the agreement as it relates to any or all facilities upon giving to the other party twelve (12) month's advance written notice of intention to terminate. In the event that termination deprives the non-terminating party of use of a co-funded facility or improvement, the party no longer having access shall be reimbursed its share of the depreciated value of any permanent improvements. Depreciated value shall be determined by reducing capital cost by 5% per year after completion of construction or other method agreed to by both agencies.

NOTE 14: FUND BALANCE CLASSIFICATION DETAILS

The District's financial statements include the following amounts presented in the aggregate.

	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund	Transportation Vehicle Fund
Nonspendable					
Inventory and Prepaid Items	$331,721	$14,735			
Restricted Fund Balance					
Carryover of Restricted Revenues	374,249				
Debt Service				$5,516,187	
Other Items		1,049,799	$24,866,067		$175,203
Committed Fund Balance					
Other Commitments	3,016,446		2,341,773		
Assigned Fund Balance					
Other Purposes	1,172,968				
Fund Purposes			475,927		
Unassigned Fund Balance	12,324,172				

In addition, the Capital Projects Fund (CPF) has the following amounts in Restricted and Committed Fund Balance, based on the sources of the revenues:

Restricted from Bond Proceeds	$7,172,826
Restricted from State Proceeds	17,211,519
Restricted-Other Proceeds	481,722
Total Restricted Funds	**$24,866,067**
Committed from Levy Proceeds	$2,341,773
Total Committed Funds	**$2,341,773**

The board of directors has established a minimum fund balance policy for the general fund to provide for financial stability and contingencies within the District. The policy is that the District shall maintain an unreserved fund balance range of 4.0% to 5.0% of budgeted General Fund expenditures. Portions of fund balance that are set aside for the purpose of meeting this policy are recorded on the financial statements as part of Unassigned fund balance.

<u>NOTE 15: POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS-BOTH IN SEPARATELY ISSUED PLAN STATEMENTS AND EMPLOYER STATEMENTS</u>

457 PLAN – DEFERRED COMPENSATION PLAN

District employees have the option of participating in a deferred compensation plan as defined in Section 457 of the Internal Revenue Code that is administered by the State of Washington.

403(b)-TAX SHELTERED ANNUITY (TSA)

The District offers a tax deferred annuity plan for its employees. The plan permits participants to defer a portion of their salary until future years under two types of deferrals: elective deferrals (employee contribution) and non-elective contribution (employer matching).

The District complies with IRS regulations that require school districts to have a written plan to include participating investment companies, types of investments, loans, transfers, and various requirements. A third party administrator administers the plan. The plan assets are the assets of the District employees, not the school District, and are therefore not reflected on these financial statements.

<u>NOTE 16: TERMINATION BENEFITS</u>

COMPENSATED ABSENCES

Employees earn sick leave at a rate of 12 days per year up to a maximum of one contract year.

Under provisions of RCW 28A.400.210 and District Policy 5322, unused sick leave accumulated by District employees is reimbursed at death or retirement at the rate of one day for each four days of accrued leave, limited to 180 accrued days. The statute also provides for an optional annual buyout of unused sick leave in an amount up to the maximum annual accumulation of 12 days. For sick leave use purposes, employees may accumulate up to one year of leave. For buyout purposes at retirement, employees may accumulate such leave to a maximum of 180 days.

These expenditures are recorded when paid, except accrued sick leave that is cashed out upon death or retirement, provided the employee is at least 55 years of age and has sufficient years of service. Vested sick leave was computed using the vesting method.

Unused vacation leave may also be cashed out within certain restrictions at termination or retirement. Pay (including payroll taxes) for accrued, unused vacation that is expected to be liquidated with expendable available financial resources is reported as expenditures and a fund liability of the governmental fund that will pay it.

No unrecorded liability exists for other employee benefits.

Shoreline School District No. 412

Schedule of Long-Term Liabilities

For the Year Ended August 31, 2017

Description	Beginning Outstanding Debt September 1, 2016	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2017	Amount Due Within One Year
Voted Debt					
Voted Bonds	183,480,000.00	0.00	7,665,000.00	175,815,000.00	8,390,000.00
LOCAL Program Proceeds Issued in Lieu of Bonds	0.00	0.00	0.00	0.00	0.00
Non-Voted Debt and Liabilities					
Non-Voted Bonds	0.00	0.00	0.00	0.00	0.00
LOCAL Program Proceeds	0.00	0.00	0.00	0.00	0.00
Capital Leases	0.00	0.00	0.00	0.00	0.00
Contracts Payable	0.00	0.00	0.00	0.00	0.00
Non-Cancellable Operating Leases	0.00	0.00	0.00	0.00	0.00
Claims & Judgements	0.00	0.00	0.00	0.00	0.00
Compensated Absences	3,018,638.34	560,021.85	319,046.45	3,259,613.74	439,070.14
Long-Term Notes	0.00	0.00	0.00	0.00	0.00
Anticipation Notes Payable	0.00	0.00	0.00	0.00	0.00
Lines of Credit	0.00	0.00	0.00	0.00	0.00
Other Non-Voted Debt	0.00	0.00	0.00	0.00	0.00
Other Liabilities					
Non-Voted Notes Not Recorded as Debt	0.00	0.00	0.00	0.00	0.00
Net Pension Liabilities:					
Net Pension Liabilities TRS 1	30,485,455.00	0.00	3,611,701.00	26,873,754.00	
Net Pension Liabilities TRS 2/3	12,064,936.00	0.00	3,926,571.00	8,138,365.00	
Net Pension Liabilities SERS 2/3	6,528,458.00	0.00	1,662,193.00	4,866,265.00	
Net Pension Liabilities PERS 1	8,741,662.00	0.00	729,789.00	8,011,873.00	
Total Long-Term Liabilities	244,319,149.34	560,021.85	17,914,300.45	226,964,870.74	8,829,070.14

SHORELINE SCHOOL DISTRICT #412
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ending August 31, 2017

Federal Agency Name	Pass Through Agency	Federal Program Title	CFDA Number	Other Identification Number	From Direct Awards	From Pass Through Awards	Total	Passed Through to Subrecipients	Footnote
U.S. Department of Agriculture									
	WA OSPI	School Breakfast Program	10.553			$319,560	$319,560		2
	WA OSPI	National School Lunch Program	10.555			$878,079	$878,079		2
	Direct	National School Lunch Program	10.555		$154,442		$154,442		
	WA OSPI	Summer Food Service Program for Children	10.559			$16,334	$16,334		2
		Total Nutrition Cluster			$154,442	$1,213,973	$1,368,415		
		Subtotal - U.S. Department of Agriculture			$154,442	$1,213,973	$1,368,415		
U.S. Department of Education									
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	202336		$1,067,175	$1,067,175		3,4
	WA OSPI	Special Education Grants to States	84.027	305810		$1,996,238	$1,996,238		4
	WA OSPI	Special Education Grants to States	84.027	337972		$175,037	$175,037		
	WA OSPI	Special Education Preschool Grants	84.173	363805		$69,021	$69,021		4
		Total Special Education Cluster				$2,240,296	$2,240,296		
	WA OSPI	Career and Technical Education -- Basic Grants to States	84.048	173825		$53,769	$53,769		4
	WA OSPI	English Language Acquisition State Grants	84.365	402311		$82,386	$82,386		5
	WA OSPI	Supporting Effective Instruction State Grants	84.367	527592		$275,592	$275,592		4
		Subtotal - U.S. Department of Education				$3,719,218	$3,719,218		
U.S. Department of Health and Human Services									
	PSESD	Head Start	93.600	LOA #9734		$174,018	$174,018		
	PSESD	Head Start	93.600	LOA #9888		$619,131	$619,131		
		Total Head Start Cluster				$793,149	$793,149		
		Subtotal - U.S. Department of Health and Human Services			$0	$793,149	$793,149		
TOTAL FEDERAL AWARDS EXPENDED					**$154,442**	**$5,726,340**	**$5,880,782**		

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL

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. The district 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, including the district's local matchinhg share, may be more than shown. Such expenditures are recognized following 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—SCHOOLWIDE PROGRAMS

The district operates a "schoolwide program" in three elementary buildings. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to certain targeted students. The following federal program amount was expended by the district in its school wide program: Title I (84.010) $399,532

NOTE 4—FEDERAL INDIRECT RATE

The district used the federal restricted rate of 3.54 percent for this program. The district has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 5—INDIRECT RATE

The indirect rate for this grant was capped at 2.00 percent.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
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