Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Bellevue School District No. 405

King County

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

Published May 10, 2018

Report No. 1021269

Office of the Washington State Auditor

Pat McCarthy

May 10, 2018

Superintendent and Board of Directors
Bellevue School District No. 405
Bellevue, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Bellevue School District No. 405'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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Bellevue School District No. 405
King County
September 1, 2016 through August 31, 2017

SECTION I – SUMMARY OF AUDITOR'S RESULTS

The results of our audit of Bellevue School District No. 405 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 its major federal program.

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 program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

CFDA No.	Program or Cluster Title
10.555	Child Nutrition Cluster – National School Lunch Program – Cash Assistance
10.555	Child Nutrition Cluster – National School Lunch Program – Commodities
10.559	Child Nutrition Cluster – Summer Food Service Program for Children

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*

Bellevue School District No. 405
King County
September 1, 2016 through August 31, 2017

Superintendent and Board of Directors
Bellevue School District No. 405
Bellevue, 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 Bellevue School District No. 405, 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 4, 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 4, 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

Bellevue School District No. 405
King County
September 1, 2016 through August 31, 2017

Superintendent and Board of Directors
Bellevue School District No. 405
Bellevue, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Bellevue School District No. 405, 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

Pat McCarthy

State Auditor

Olympia, WA

May 4, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Bellevue School District No. 405
King County
September 1, 2016 through August 31, 2017

Superintendent and Board of Directors
Bellevue School District No. 405
Bellevue, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Bellevue School District No. 405, 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 Bellevue School District No. 405, 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 Bellevue School District No. 405, 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 4, 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 4, 2018

FINANCIAL SECTION

Bellevue School District No. 405
King County
September 1, 2016 through August 31, 2017

FINANCIAL STATEMENTS

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Bellevue School District No. 405

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	21,820,720.95	1,910,573.43	35,600,053.51	254,057,234.62	1,092,626.22	0.00	314,481,208.73
Minus Warrants Outstanding	-1,574,943.51	-30,596.93	0.00	-1,361,096.84	0.00	0.00	-2,966,637.28
Taxes Receivable	29,696,220.88		34,048,943.62	12,182,799.71	0.00		75,927,964.21
Due From Other Funds	12,311,187.71	66,794.34	0.00	161,321.83	0.00	0.00	12,539,303.88
Due From Other Governmental Units	1,799,399.02	0.00	0.00	0.00	0.00	0.00	1,799,399.02
Accounts Receivable	1,607,877.99	0.00	0.00	0.00	0.00	0.00	1,607,877.99
Interfund Loans Receivable	0.00			0.00			0.00
Accrued Interest Receivable	15,947.71	1,199.32	33,325.17	249,546.46	309.82	0.00	300,328.48
Inventory	314,117.28	0.00		0.00			314,117.28
Prepaid Items	3,796,588.04	132,194.75			0.00	0.00	3,928,782.79
Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investments/Cash With Trustee	1,870,100.81		0.00	0.00	0.00	0.00	1,870,100.81
Investments-Deferred Compensation	0.00			0.00			0.00
Self-Insurance Security Deposit	0.00						0.00
TOTAL ASSETS	**71,657,216.88**	**2,080,164.91**	**69,682,322.30**	**265,289,805.78**	**1,092,936.04**	**0.00**	**409,802,445.91**
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	**71,657,216.88**	**2,080,164.91**	**69,682,322.30**	**265,289,805.78**	**1,092,936.04**	**0.00**	**409,802,445.91**
LIABILITIES:							
Accounts Payable	1,680,318.44	65,917.44	0.00	21,699,502.56	0.00	0.00	23,445,738.44
Contracts Payable Current	0.00	0.00		0.00	0.00	0.00	0.00
Accrued Interest Payable			0.00				0.00
Accrued Salaries	1,074,002.67	0.00		0.00			1,074,002.67
Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00

The accompanying notes are an integral part of these financial statements.

Bellevue School District No. 405

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	11,583,812.49	0.00		0.00			11,583,812.49
Due To Other Governmental Units	105,434.21	0.00		0.00	0.00	0.00	105,434.21
Deferred Compensation Payable	0.00			0.00			0.00
Estimated Employee Benefits Payable	1,117,201.57						1,117,201.57
Due To Other Funds	228,116.17	285,630.95	0.00	12,025,362.29	0.00	0.00	12,539,109.41
Interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	27,221.18	0.00		0.00			27,221.18
Unearned Revenue	1,079,015.28	0.00	0.00	0.00	0.00		1,079,015.28
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	**16,895,122.01**	**351,548.39**	**0.00**	**33,724,864.85**	**0.00**	**0.00**	**50,971,535.25**
DEFERRED INFLOWS OF RESOURCES:							
Unavailable Revenue	1,390,235.40	538,719.54	-35,635.69	-254,311.55	-1,093.72	0.00	1,637,913.98
Unavailable Revenue - Taxes Receivable	29,696,220.88		34,048,943.62	12,182,799.71	0.00		75,927,964.21
TOTAL DEFERRED INFLOWS OF RESOURCES	**31,086,456.28**	**538,719.54**	**34,013,307.93**	**11,928,488.16**	**-1,093.72**	**0.00**	**77,565,878.19**
FUND BALANCE:							
Nonspendable Fund Balance	4,110,705.32	132,194.75	0.00	0.00	0.00	0.00	4,242,900.07
Restricted Fund Balance	347,140.79	1,057,702.23	35,669,014.37	188,978,822.71	1,094,029.76	0.00	227,146,709.86
Committed Fund Balance	0.00	0.00	0.00	8,842,817.46	0.00	0.00	8,842,817.46
Assigned Fund Balance	3,114,180.41	0.00	0.00	21,814,812.60	0.00	0.00	24,928,993.01
Unassigned Fund Balance	16,103,612.07	0.00	0.00	0.00	0.00	0.00	16,103,612.07
TOTAL FUND BALANCE	**23,675,638.59**	**1,189,896.98**	**35,669,014.37**	**219,636,452.77**	**1,094,029.76**	**0.00**	**281,265,032.47**
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	**71,657,216.88**	**2,080,164.91**	**69,682,322.30**	**265,289,805.78**	**1,092,936.04**	**0.00**	**409,802,445.91**

The accompanying notes are an integral part of these financial statements.

Bellevue School District No. 405

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	85,539,295.83	4,213,515.90	72,044,081.11	29,192,107.95	5,527.55		190,994,528.34
State	156,862,323.80		0.00	0.00	789,619.46		157,651,943.26
Federal	9,732,107.67		0.00	0.00	0.00		9,732,107.67
Federal Stimulus	0.00						0.00
Other	1,365,668.77			0.00	0.00	0.00	1,365,668.77
TOTAL REVENUES	**253,499,396.07**	**4,213,515.90**	**72,044,081.11**	**29,192,107.95**	**795,147.01**	**0.00**	**359,744,248.04**
EXPENDITURES:							
CURRENT:							
Regular Instruction	151,320,547.82						151,320,547.82
Federal Stimulus	0.00						0.00
Special Education	35,338,686.04						35,338,686.04
Vocational Education	5,514,567.94						5,514,567.94
Skill Center	0.00						0.00
Compensatory Programs	9,724,501.28						9,724,501.28
Other Instructional Programs	3,304,047.48						3,304,047.48
Community Services	10,495,861.83						10,495,861.83
Support Services	47,885,780.48						47,885,780.48
Student Activities/Other		4,283,030.61				0.00	4,283,030.61
CAPITAL OUTLAY:							
Sites				32,336,341.23			32,336,341.23
Building				126,201,034.82			126,201,034.82
Equipment				2,947,576.09			2,947,576.09
Instructional Technology				7,145,381.90			7,145,381.90
Energy				0.00			0.00
Transportation Equipment					1,147,836.66		1,147,836.66
Sales and Lease				0.00			0.00
Other	235,596.63						235,596.63
DEBT SERVICE:							
Principal	0.00		41,875,000.00	0.00	0.00		41,875,000.00
Interest and Other Charges	0.00		29,904,768.73	0.00	0.00		29,904,768.73
Bond/Levy Issuance				376,648.38	0.00		376,648.38
TOTAL EXPENDITURES	**263,819,589.50**	**4,283,030.61**	**71,779,768.73**	**169,006,982.42**	**1,147,836.66**	**0.00**	**510,037,207.92**

The accompanying notes are an integral part of these financial statements.

Bellevue School District No. 405

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	-10,320,193.43	-69,514.71	264,312.38	-139,814,874.47	-352,689.65	0.00	-150,292,959.88
OTHER FINANCING SOURCES (USES):							
Bond Sales & Refunding Bond Sales	0.00		179,714,581.17	100,565,089.98	0.00		280,279,671.15
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	11,275,000.00		0.00	0.00	0.00		11,275,000.00
Transfers Out (GL 536)	0.00		0.00	-11,275,000.00	0.00	0.00	-11,275,000.00
Other Financing Uses (GL 535)	0.00		-179,088,132.20	-188,541.60	0.00		-179,276,673.80
Other	77,495.44		0.00	15,200.00	0.00		92,695.44
TOTAL OTHER FINANCING SOURCES (USES)	**11,352,495.44**		**626,448.97**	**89,116,748.38**	**0.00**	**0.00**	**101,095,692.79**
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	1,032,302.01	-69,514.71	890,761.35	-50,698,126.09	-352,689.65	0.00	-49,197,267.09
BEGINNING TOTAL FUND BALANCE	**22,643,336.58**	**1,259,411.69**	**34,778,253.02**	**270,334,578.86**	**1,446,719.41**	**0.00**	**330,462,299.56**
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ENDING TOTAL FUND BALANCE	**23,675,638.59**	**1,189,896.98**	**35,669,014.37**	**219,636,452.77**	**1,094,029.76**	**0.00**	**281,265,032.47**

The accompanying notes are an integral part of these financial statements.

Bellevue School District No. 405

Statement Of Fiduciary Net Position

Fiduciary Funds

August 31, 2017

	Private Purpose Trust	Other Trust
ASSETS:		
Imprest Cash	15,283.23	0.00
Cash On Hand	0.00	0.00
Cash On Deposit with Cty Treas	14,004.55	0.00
Minus Warrants Outstanding	-2,000.00	0.00
Due From Other Funds	0.00	0.00
Accounts Receivable	0.00	0.00
Accrued Interest Receivable	13.24	0.00
Investments	0.00	0.00
Investments/Cash With Trustee	0.00	0.00
Other Assets	0.00	0.00
Capital Assets, Land	0.00	0.00
Capital Assets, Buildings	0.00	
Capital Assets, Equipment	0.00	
Accum Depreciation, Buildings	0.00	
Accum Depreciation, Equipment	0.00	
TOTAL ASSETS	**27,301.02**	**0.00**
LIABILITIES:		
Accounts Payable	649.17	0.00
Due To Other Funds	194.47	0.00
TOTAL LIABILITIES	**843.64**	**0.00**
NET POSITION:		
Held in trust for:		
Held In Trust For Intact Trust Principal	0.00	0.00
Held In Trust For Private Purposes	26,457.38	
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	**26,457.38**	**0.00**

The accompanying notes are an integral part of these financial statements.

Bellevue School District No. 405

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	22,191.00	0.00
Employer		0.00
Members		0.00
Other	0.00	0.00
TOTAL CONTRIBUTIONS	**22,191.00**	**0.00**
Investment Income:		
Net Appreciation (Depreciation) in Fair Value	0.00	0.00
Interest and Dividends	138.95	0.00
Less Investment Expenses	0.00	0.00
Net Investment Income	138.95	0.00
Other Additions:		
Rent or Lease Revenue	0.00	0.00
Total Other Additions	0.00	0.00
TOTAL ADDITIONS	**22,329.95**	**0.00**
DEDUCTIONS:		
Benefits		0.00
Refund of Contributions	0.00	0.00
Administrative Expenses	0.00	0.00
Scholarships	42,168.98	
Other	0.00	0.00
TOTAL DEDUCTIONS	**42,168.98**	**0.00**
Net Increase (Decrease)	-19,839.03	0.00
Net Position--Prior Year August Beginning	46,296.41	0.00
Prior Year F-196 Manual Revision	0.00	0.00
Net Position - Total	46,296.41	0.00
Prior Year(s) Corrections or Restatements	0.00	0.00
NET POSITION--ENDING	**26,457.38**	**0.00**

The accompanying notes are an integral part of these financial statements.

BELLEVUE SCHOOL DISTRICT NO. 405
Notes to the Financial Statements
August 31, 2017

The following notes are an integral part of the accompanying financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Bellevue School 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) Districtwide 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.

4) Property Taxes collected after the end of the fiscal period are not considered available for revenue accrual as described below.

B. 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 are necessary, activities such as food services, maintenance, data processing, printing, and pupil transportation are included in the General Fund.

Capital Projects Fund
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 projects 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, interest, and related expenditures.

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.

Agency Funds
These funds are used to account for assets that the district holds on behalf of others in a purely custodial capacity.

C. 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. Categorical program claims and interdistrict billings are measurable and available and are accrued. Property taxes not collected by the fiscal year-end are measurable and recorded as a receivable; however, the receivable is not considered available of revenue accrual, but is recorded as a deferred inflow of resources.

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 Revised Code of Washington (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.

D. 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 carryover, those 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.

E. The government's fund balance classifications policies and procedures.

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

<u>Nonspendable Fund Balance</u>. The amounts reported as Nonspendable are resources of the district that are not in spendable form. They are either non-liquid resources such as inventory or prepaid items, or the resources are legally or contractually required to be maintained intact.

<u>Restricted Fund Balance</u>. Amounts that are reported as Restricted are those resources of the district that have had a legal restriction placed on their use either 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.

<u>Committed Fund Balance</u>. 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 adopted board resolution 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.

<u>Assigned Fund Balance</u>. 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 Superintendent and the Deputy Superintendent of Financial Services and Operations have the authority to create Assignments of fund balance.

<u>Unassigned Fund Balance</u>. 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, Unassigned Fund Balance represents a deficit ending spendable fund balance once all restrictions and commitments are considered.

A negative Unassigned Fund Balance means that the legal restrictions and formal commitments of the district exceed its currently available resources.

F. Cash and Cash Equivalents

All of the district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

G. Receivables and Payables

The only receivables not expected to be collected within one year are $33,550 of Early Learning Program, Full-Day Kindergarten, facility use, and other revenues in the General Fund. These amounts have been recorded as an allowance for doubtful accounts and, accordingly, have been deducted from the fund balance.

H. 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. USDA commodity inventory consists of food donated by the United States Department of Agriculture. It is valued at the prices paid by the USDA for the commodities.

I. Summary of Significant Accounting Policy Changes for 2016-17

Property Taxes. For purposes of revenue recognition, property taxes received after the fiscal year-end are not considered available for revenue accrual as defined by GASBS 33 and Interpretation 5. Amounts outstanding are recognized as a deferred inflow of resources on the financial statements.

Tax Abatements. The district implemented provisions of GASB Statement 77, Tax Abatement Disclosure. Information about tax abatements entered into by other government entities that affect the district's levy rates will be disclosed in a schedule in the Property Taxes note, as applicable. The district had no tax abatements during 2016-17.

Nongovernmental Pension Plans. The district implemented provisions of GASB Statement 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Plans. Information about nongovernmental pension plans will be included in a separate note disclosure, as applicable. The district had no nongovernmental pension plans during 2016-17.

NOTE 2 – DEPOSITS AND INVESTMENTS

The King County Treasurer is the *ex officio* treasurer for the district and holds all accounts of the district. In accordance with state investment laws, the district's governing body has entered into a formal Interlocal agreement with King County to have all funds not required for immediate expenditure be invested in the King County Investment Pool (the "Pool"). The funds invested are the district's funds as well as the Private-Purpose Trust and Agency Funds for which the district has fiduciary responsibility but does not own. All of the district's investments in the Pool are considered to be cash equivalents due to the availability of those funds to the district. As of August 31, 2017, the district had the following cash in financial institutions:

(Schedule begins on the following page.)

Governmental Funds	Carrying Amount	Market Value	Effective Duration
King County Treasurer's Investment Pool	$314,412,582	$314,098,169	0.98 years
U.S. Bank	364,964	364,964	
Total Cash Deposits	$314,777,546	$314,463,133	
Private Purpose Trust and Agency Funds			
King County Treasurer's Investment Pool	$14,019	$14,005	0.98 years
U.S. Bank	15,283	15,283	
Total Cash Deposits	$29,302	$29,288	
Total Cash Deposits with Financial Institutions	$314,806,848	$314,492,421	

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. According to the County, the district's share of the Impaired Investment Pool principal is $255,771 and the district's fair value of these investments is $169,891. However, in 2008 when the five commercial paper assets (Victoria Finance LLC, two in Mainsail II LLC, Rhinebridge LLC, and Cheyne Financial LLC) were first determined to be impaired, the investment environment was volatile and uncertain. It was not known whether these impaired assets would have any value and be sold or restructured or whether any investor would itself remain viable. Accordingly, the district chose to be conservative and record a loss greater than that recommended by the County. As of August 31, 2017, the loss recorded by the district is equal to the principal in the Impaired Pool, and, therefore, these assets are not shown in the district's financial statements. As cash is received by the County on these investments, the retainage balances are reduced, the cash is placed in the Pool members' unrestricted cash accounts, and the district recognizes revenue, thus reducing the overall loss.

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"), commercial paper (rated at least the equivalent of "A-1" by two NRSROs), certificates of deposit issued by qualified public depositaries, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

NOTE 3 – SIGNIFICANT CONTINGENT LIABILITIES

Litigation

The district is a party to various pending legal actions arising out of the normal conduct of its operations. While final resolution of these proceedings is not feasible to predict, in the opinion of the administration, the ultimate liability, if any, is not likely to materially affect the operations or the financial position of the district.

NOTE 4 – SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

On March 6, 2018, the board approved a resolution authorizing the issuance and sale of general obligation bonds (the "2018 Bonds"). The 2018 Bonds, dated May 3, 2018, in the par amount of $89,820,000.00, plus $10,547,148.85 of original issue premium, provided the funds necessary to:

- Deposit $100,000,000 proceeds into the district's Capital Projects Fund, pursuant to a favorable vote at an election held in the district on February 11, 2014, which authorized the district to issue $450,000,000 of unlimited tax general obligation bonds (the "2014 Bond Authorization") for continuation of the rebuilding, constructing, equipping, modernizing, and improving the facilities of the district, and

- Deposit $1,027.39 to the district's Debt Service Fund (i.e., additional proceeds).

- Pay Costs of Issuance of $366,121.46.

The 2018 Bonds represent the fourth series of bonds issued under the 2014 Bond Authorization. Previous issues of the 2014 Bond Authorization were $100,000,000 ($87,995,000 of par amount plus $12,005,000 of premium) on December 1, 2016, $100,000,000 ($90,145,000 of par amount plus $9,855,000 of premium) on December 8, 2015, and $45,135,000 ($35,185,000 of par amount plus $9,950,000 of premium) on December 9, 2014. Following this issuance, the district will have $104,865,000 of the 2014 Bond Authorization remaining.

There were no other events after the balance sheet date that would have a material impact on the next or future fiscal years.

NOTE 5 – ANNUAL PENSION COST AND NET PENSION OBLIGATIONS

A. 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, P.O. Box 48380, Olympia, WA 98504-8380; or online at http://www.drs.wa.gov/administration/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 by retirement system program as of June 30, 2017:

(Schedule begins on the following page.)

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 and Plan Benefits

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

TRS 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 defined contribution component. TRS eligibility for membership requires service as a certificated public school employee working in an instructional, administrative or supervisory capacity.

TRS is comprised of three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

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

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

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

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

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

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

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

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

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

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

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

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

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

Plan Contributions

The employer contribution rates for PERS, TRS, and SERS (Plans 1, 2, and 3) and the TRS and SERS Plan 2 employee contribution rates are established by the Pension Funding Council based upon the rates set by the Legislature. The methods used to determine the contribution requirements are established under chapters 41.40, 41.32, and 41.35 RCW for PERS, TRS, and SERS respectively. Employers do not contribute to the defined contribution portions of TRS Plan

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

The Employer and Employee contribution rates for the PERS plan 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 School District's Proportionate Share of the Net Pension Liability (NPL)

At June 30, 2017, the school district reported a total liability of $108,315,004 for its proportionate shares of the individual plans' collective net pension liability. Proportion of net pension liability is based on annual contributions for each of the employers participating in the DRS administered plans. At June 30, 2017, the district's proportionate share of each plan's net pension liability is reported below:

June 30, 2017	**PERS 1**	**SERS 2/3**	**TRS 1**	**TRS 2/3**
District's Annual Contributions	2,133,312	2,874,261	7,182,256	7,570,572
Proportionate Share of the Net Pension Liability	16,828,427	10,471,808	62,050,991	18,963,778

At June 30, 2017, the school district's percentage of the proportionate share of the collective net pension liability was as follows and the change in the allocation percentage from the prior period is illustrated below:

Allocation percentages	**PERS 1**	**SERS 2/3**	**TRS 1**	**TRS 2/3**
Current year proportionate share of the Net Pension Liability	0.354650%	2.122055%	2.052448%	2.054707%
Prior year proportionate share of the Net Pension Liability	0.336846%	2.132008%	2.041318%	2.061142%
Net difference percentage	0.017805%	-0.009953%	0.011129%	-0.006434%

Actuarial Assumptions

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

The total pension liabilities for TRS 1, TRS 2/3, PERS 1 and SERS 2/3 were determined by actuarial valuation as of June 30, 2016, with the results rolled forward to June 30, 2017, using the following actuarial assumptions applied to all prior periods included in the measurement:

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

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 the annual return;
- Correlations between the annual returns of each asset class with every other asset class

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

The long-term expected rate of return of 7.50% percent 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 recent 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 the Net Pension Liability to Changes in the Discount Rate

The following table presents the Bellevue School 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 percent) than the current rate. Amounts are calculated using the school district's specific allocation percentage, by plan, to determine the proportionate share of the collective net pension liability.

	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	0.354650%	0.354650%	0.354650%
Proportionate Share of Collective NPL	$20,500,241	$16,828,427	$13,647,850
SERS2/3 NPL	$1,278,921,000	$493,475,000	($153,665,000)
Allocation Percentage	2.122055%	2.122055%	2.122055%
Proportionate Share of Collective NPL	$27,139,403	$10,471,808	($3,260,855)
TRS1 NPL	$3,759,368,000	$3,023,268,000	$2,386,123,000
Allocation Percentage	2.052448%	2.052448%	2.052448%
Proportionate Share of Collective NPL	$77,159,057	$62,050,991	$48,973,924
TRS2/3 NPL	$3,134,647,000	$922,943,000	($873,375,000)
Allocation Percentage	2.054707%	2.054707%	2.054707%
Proportionate Share of Collective NPL	$64,407,824	$18,963,778	($17,945,301)

NOTE 6 – ANNUAL OTHER POST-EMPLOYMENT BENEFIT COST AND NET OPEB 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, 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 which have employees that are not current active members of the state Health Care Authority but participate in the state retirement system. The purpose of this fee is to cover the impact of the subsidized rate of health care benefits for school retirees that elect to purchase their health care benefits through the state Health Care Authority. For the 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 $1,773,707. 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 – COMMITMENTS UNDER LEASES

A. Operating Leases

As of August 31, 2017, the district had 76 non-cancelable operating leases for copy machines located in schools and offices and one non-cancellable lease of warehouse space. Lease periods are for 60 months with expiration dates ranging from September 2018 to August 2022.

The following is a schedule of the future minimum lease payments at August 31, 2017:

Year Ending August 31	
2018	$380,743
2019	287,222
2020	190,338
2021	168,481
2022	37,912
Total minimum lease payments	$1,064,696

B. Capital Leases

As of August 31, 2017, the district had no capital lease commitment.

NOTE 8 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS, INCLUDING ENCUMBRANCES

A. Construction in Progress

Construction in progress is composed of:

Project	Project Authorization Amount	Expended as of 8/31/2017	Additional Local Funds Committed	Additional State Funds Committed
Elementary Schools				
Bennett	$52,760,000	$45,809,260	$6,950,740	
Clyde Hill	58,092,000	497,238	57,594,762	
Eastgate Turf Field	1,200,000	36,878	1,163,122	
Enatai	43,700,000	41,902,067	1,797,933	
Newport Heights Turf Field	1,500,000	61,279	1,438,721	
Sherwood Forest Turf Field	1,500,000	56,593	1,443,407	
Stevenson	59,400,000	13,050,628	46,349,372	
Wilburton	61,400,000	11,521,466	49,878,534	
Woodridge Turf Field	1,200,000	40,157	1,159,843	
Middle Schools:				
Highland	93,060,000	1,551,557	91,508,443	
Tillicum	88,000,000	45,342,725	42,657,275	
High Schools				
Interlake Transition Center	8,000,000	6,500,412	1,499,588	
Newport Classroom Addition	10,000,000	79,894	9,920,106	
Sammamish	120,000,000	112,716,068	7,283,932	
	$599,812,000	$279,166,222	$320,645,778	$0

B. Encumbrances

Encumbrance accounting is employed in governmental funds. Purchase orders, contracts, and other commitments for the 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. The following encumbrance amounts were re-encumbered by fund on September 1, 2017.

Fund	Amount
General Fund	$4,839,275
ASB Fund	138,948
Capital Projects Fund	123,890,562
Transportation Vehicle Fund	0
	$128,868,785

NOTE 9 – REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The district's capital assets were insured in the amount of $879,090,585 as of 8/31/2017. In the opinion of the district's insurance consultant, this amount is sufficient to adequately fund replacement of the district's assets. For major construction projects, insurance coverage is provided by the contractors' builder's risk insurance.

At August 31, 2017, the district had leased one closed school surplus to its needs, eight antenna sites at five locations, and offices in one office building. The office building was purchased for additional administrative space which would free up space in a nearby school building. Tenants occupied the building when purchased by the district, and their leases are not being renewed when they end in June 2018. All but three of the district's leases have automatic renewals of multiple five-year terms which result in lease periods through the next 30 years. Current leases are expiring between June 2018 and November 2047.

Revenue from current operating leases for each of the next five years and in total is expected to be:

2017-18	$534,099
2018-19	451,751
2019-20	422,418
2020-21	408,585
2021-22	379,857
Remaining	5,485,953
	$7,682,663

NOTE 10 – REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES

A. Long-Term Debt

Current Year General Obligation Bond Transactions

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

Long-term Debt Payable at 9/1/2016	$721,480,000
New Issues	231,795,000
Debt Retired	(196,615,000)
Long-term Debt Payable at 8/31/2017	$756,660,000

Detail of Bond Issues

Long-term bonded debt at August 31, 2017, consisted of the following issues:

Issue Name	Amount Authorized	Annual Installments	Final Maturity Date	Interest Rates	Amount Outstanding
2008 GO	$125,200,000	$1,000,000	12/1/2017	4.00%	$1,000,000
2010 GO Refunding	$95,305,000	$10,105,000-$15,805,000	12/1/2021	4.00-5.00%	64,520,000
2011 GO	$197,000,000	$5,925,000-$6,850,000	12/1/2020	5.00%	25,365,000
2012 GO	$100,000,000	$3,370,000-$6,205,000	12/1/2031	3.00-5.00%	70,790,000
2012 GO Refunding	$59,140,000	$5,850,000-$10,305,000	12/1/2023	2.00-5.00%	54,560,000
2013 GO	$100,000,000	$3,300,000-$6,200,000	12/1/2032	1.75-5.00%	73,600,000
2014 GO	$95,000,000	$3,280,000-$6,610,000	12/1/2033	3.125-5.00%	82,650,000
2015 GO Refunding	$74,570,000	$795,000-$13,155,000	12/1/2027	3.00-5.00%	74,570,000
2015 GO	$90,145,000	$2,860,000-$6,015,000	12/1/2034	4.00-5.00%	77,810,000
2016 GO & Refunding	$231,795,000	$2,640,000-$23,350,000	12/1/2035	3.00-5.00%	231,795,000
					$756,660,000

Amortization Schedule

The annual requirements to amortize bonded debt outstanding as of August 31, 2017, including interest, are as follows:

Years Ending August 31	Principal	Interest	Total
2018	$38,330,000.00	$38,437,725.00	$76,767,725.00
2019	41,670,000.00	30,598,912.50	72,268,912.50
2020	44,730,000.00	28,494,162.50	73,224,162.50
2021	47,800,000.00	26,252,637.50	74,052,637.50
2022	55,140,000.00	23,951,762.50	79,091,762.50
2023-2027	251,955,000.00	84,332,400.00	336,287,400.00
2028-2032	215,475,000.00	31,558,212.50	247,033,212.50
2033-2036	61,560,000.00	3,211,756.25	64,771,756.25
Total	$756,660,000.00	$266,837,568.75	$1,023,497,568.75

At August 31, 2017, the district had $35,669,014.37 available in the Debt Service Fund to service the general obligation bonds.

B. Bonds Authorized but Unissued

2014 Bond Authorization

On February 11, 2014, the voters of the district voted in favor of a ballot measure to authorize the sale of $450,000,000 of unlimited tax general obligation bonds for continuation of the rebuilding, constructing, equipping, modernizing, and improving the facilities of the district. Together with the remaining authorization of $59,815,000 from the 2008 Bond Authorization and $450,000,000 from the 2014 Bond Authorization, the district had a total of $509,815,000 bonds authorized but unissued at the end of the 2013-14 fiscal year.

On November 18, 2014, the board approved a resolution authorizing the issuance and sale of general obligation bonds. The bonds dated December 9, 2014, consisted of bonds in the par amount of $59,815,000 which was the fifth and final series of bonds to be issued under the 2008 Bond Authorization, approved by the voters on March 11, 2008. Also included in the sale were bonds in the par amount of $35,185,000, plus $9,950,000 of premium generated by the sale of the bonds to be deposited in the Capital Projects Fund.

On November 3, 2015, the board approved a resolution authorizing the issuance and sale of general obligation bonds. The bonds dated December 8, 2015, in the par amount of $90,145,000, plus $9,855,000 of premium generated by the sale of the bonds was the second series of bonds to be issued under the 2014 Bond Authorization approved by the voters on February 11, 2014.

Following the December 8, 2015 sale, the district had a total of $304,865,000 bonds authorized but unissued at the end of the 2015-16 fiscal year.

On November 1, 2016, the board approved a resolution authorizing the issuance and sale of general obligation bonds. The bonds dated November 17, 2016, in the par amount of $87,995,000 plus $12,005,000 of premium generated by the sale of bonds was the third series of bonds to be issued under the 2014 Bond Authorization.

Following the November 17, 2016 sale, the district had a total of $204,865,000 bonds authorized but unissued at the end of the 2016-17 fiscal year.

Refunded Debt

Included with the November 17, 2016 bond sale, the district issued $143,800,000 in general obligation bonds with an average interest rate of 2.19% to advance refund $154,740,000 in 2011 series bonds dated March 1, 2011, with an average interest rate of 4.94%. The gross proceeds of $183,533,329.75 (principal of $143,800,000.00, premium of $35,911,704.75, and cash contribution of $3,821,625.00) were used to pay $619,699.24 of underwriting fees and other issuance costs, to deposit $3,873.31 to the Debt Service Fund, and to purchase $179,192,654.73 of U.S. Government securities and to provide a cash deposit of $3,717,104.47 to the refunding escrow. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2011 series bonds identified above. As a result, all of the outstanding 2011 series bonds maturing after December 1, 2020 are considered defeased.

The district advance refunded the 2011 series bonds identified above to reduce its total debt service payments over the next 14 years by $15,084,638.89 and to obtain an economic gain of $12,627,354.13, illustrated in the table below:

Calculation of Difference in Cash Flow Requirements and Economic Gain	
Cash Flow Difference:	
Old Debt Service Cash Flows	$234,152,875.00
Less New Debt Service Cash Flows	(215,246,611.11)
Less DSF Contribution for Interest Payments	(3,821,625.00)
Total Difference	$15,084,638.89
Economic Gain:	
Present Value of Old Debt Service Cash Flows	$197,195,861.14
Less Present Value of New Debt Service Cash Flows	(180,746,882.01)
Less Present Value of DSF Contribution for Interest Payments	(3,821,625.00)
Total Gain	$12,627,354.13

C. Short-Term Debt

The district had no short-term borrowings during the year ending August 31, 2017.

NOTE 11 – INTERFUND BALANCES AND TRANSFERS

A. Interfund Receivables and Payables

Throughout the year, the General Fund processes transactions for the Capital Projects, Associated Student Body, Private-Purpose Trust, and Debt Service Funds. The General Fund is reimbursed for these transactions on a monthly basis. Also, transactions initially processed through the wrong fund are corrected and reimbursed to the appropriate fund.

Planned transfers between funds are included in the budgeting process. In 2016-17, there was a transfer of $11,275,000.00 from the Capital Projects Fund to the General Fund for district-wide technology transactions.

As of August 31, 2017, interfund balances consisted of:

(Schedule begins on the following page.)

Due From:	Due to: General Fund	ASB Fund	Capital Projects Fund	*Due To Other Funds:*
Governmental Funds:				
General Fund		$66,794.34	161,321.83	$228,116.17
ASB Fund	$285,630.95			285,630.95
Capital Projects Fund	12,025,362.29			12,025,362.29
Fiduciary Funds:				
Private-Purpose Trust Fund	194.47			194.47
Due From Other Funds:	$12,311,187.71	$66,794.34	$161,321.83	$12,539,303.88

B. Interfund Loans

There were no interfund loans during the year ending August 31, 2017.

NOTE 12 – 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 or wrongful acts; injuries to employees; and some natural disasters. The district mitigates this risk through participation in an insurance pool for property and liability coverage and a combination of self-insurance for unemployment compensation and industrial injury.

A. Property and Liability Insurance

The district is a member of the Schools Insurance Association of Washington (SIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program 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 program was formed on September 1, 1995, when seven mid-sized school districts in the State of Washington joined together by signing an Interlocal Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Presently, the SIAW program has 37 member districts.

The program allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Coverage for wrongful acts liability and employee benefit liability is on a claims-made basis. All other coverages are on an occurrence basis. Of the various forms of group-purchased insurance coverage provided by the program for its members, the district participates in the following: property, flood, general liability, wrongful acts liability, automotive liability, employee benefits liability, unmanned aircraft liability, crime, equipment breakdown, and data breach and privacy & network liability.

The program acquires liability insurance through their administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention (SIR) of $100,000. Bellevue School District is responsible for a standard deductible of $2,500 for each liability claim, while the program is responsible for the $100,000 SIR. Insurance carriers cover insured losses over $102,500 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the $100,000 SIR. The program also purchases a stop loss policy with an attachment point of $3,036,316, which it fully funds in its annual budget.

Property insurance is subject to a per-occurrence SIR of $250,000. Bellevue School District is responsible for a $10,000 deductible for each occurrence, while the program is responsible for the $250,000 SIR. Insurance carriers cover insured losses over $260,000 to the limits of each policy.

As part of the property insurance, the district purchases flood insurance through the pool. Bellevue School District is responsible for a $25,000 deductible for each occurrence. Insurance carriers cover insured losses over $25,000 to the limits of the policy.

Equipment breakdown insurance is subject to a per-occurrence deductible of $10,000. Bellevue School District is responsible for the deductible amount.

Crime coverage is subject to a $250,000 SIR. Bellevue School District is responsible for a $5,000 deductible for each occurrence.

Data breach and privacy & network liability coverage has two deductibles based on whether or not encryption is utilized—either $10,000 per claim or $50,000 per claim. Bellevue School District is responsible for the deductible amount.

Members contract to remain in the program for one year and must give notice before December 31 to terminate participation the following September 1. Renewal of the Interlocal Agreement occurs automatically each year. Even after termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period the member was a signatory to the Interlocal Agreement.

The program is fully funded by its member participants. Claims are filed by members with Clear Risk Solutions, which has been contracted to perform program administration, claims adjustment and administration, and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ended August 31, 2017, were $3,233,172.27.

A board of directors consisting of eight members is selected by the membership from the east and west sides of the state and is responsible for conducting the business affairs of the program. The board of directors has contracted with Clear Risk Solutions to perform day-to-day administration of the program. This program has no employees.

The district continues to carry commercial insurance for all other risks of loss, including excess workers' compensation, foreign liability, and storage tank pollution liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Unemployment Insurance

The district self-insures unemployment compensation for all of its employees. Actual employee claims are paid by the State of Washington, Department of Employment Security, and then reimbursed by the district. Beginning with the year ending August 31, 1995, the district established and now maintains an estimated liability reserve by charging each of the district's programs at a rate estimated to provide coverage of the current year's claims plus appropriate reserves, with a contra account set up for the estimated liabilities. All expenses related to the program are charged directly to the liability account. For the year ending August 31, 2017, no additions to the reserve for unemployment compensation were made as the beginning balance of the reserve was greater than needed. Expenses charged against the reserve were $93,646. The remaining reserve balance at August 31, 2017, was $419,907.

C. Employee Industrial Injury Insurance

The district self-insures industrial insurance claims that do not exceed $400,000, its self-insurance retention amount through August 31, 2018. It reinsures claims for costs in excess of $400,000 with dates of injury between October 1, 2003, and August 31, 2018. After approval by the State of Washington, Department of Labor and Industries, the district pays the claim of each eligible employee. Beginning with the year ending August 31, 1995, the district established and now maintains an estimated liability reserve by charging each of the district's programs at a rate estimated to provide coverage of the current year's claims plus appropriate reserves, a contra account set up for the estimated liabilities. All expenses related to the program are charged directly to the liability account. For the year ending August 31, 2017, additions to the reserve for industrial insurance were $827,469, and expenses charged against the reserve were $676,593. The remaining reserve balance at August 31, 2017, was $697,295.

NOTE 13 – 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 on 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 property taxes is not accrued as revenue. Instead, the property taxes due after the end of the fiscal period are recorded as a deferred inflow of resources.

NOTE 14 – JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

A. King County Directors' Association

The district is a member of the King County Directors' Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. The district joined KCDA on May 22, 1964, and has remained in the joint venture ever since. The district's current equity of $252,682 in this joint venture is the accumulation of the annual assignment of KCDA's operating surplus or deficit 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 will receive its equity in 10 annual allocations of merchandise or 15 annual payments.

B. Puget Sound Joint Purchasing Cooperative

The district is a member of the Puget Sound Joint Purchasing Cooperative (PSJPC). PSJPC is an organization comprised of approximately 125 school districts throughout the State of Washington formed to ensure that member districts receive competitive bid pricing for food, supplies, and commodity processing. The primary focus of the joint purchasing agency is Child Nutrition Programs. The district became a member on September 1, 2009, and pays a fee that is based on the total equivalent lunches as reported on the last OSPI Report 1800 D - Expenditures and Revenues per Equivalent Lunch, with a minimum fee of $250. Annual fees are determined by the Cooperative Board and are assessed to each member district to reimburse the Cooperative for administrative, legal, insurance, and other costs. Recent fees have been $1,200 annually.

C. Washington Network for Innovative Careers (WaNIC)

The district operates specific programs of the Washington Network for Innovative Careers (WaNIC), a regional skills center under the auspices of Lake Washington School District. This skills center is a regional cooperative program designed to enhance the learning opportunities for career and technical education for students of participating districts by avoiding unnecessary duplication of course offerings and allowing students from many districts to participate.

The skills center was created by an agreement of seven member districts in King County and is governed by an Administrative Council, comprised of the superintendents of all member districts, or their appointed representatives. The administration of the skills center is handled by a director who is not employed by the district.

WaNIC operates programs within member districts in a manner consistent with the branch campus model. Member districts may operate a program of WaNIC, but the program is still governed by the Administrative Council that oversees WaNIC. Enrollment by member districts operating skills center programs is reported by the Lake Washington School District. Lake Washington School District pays 95% of the apportionment they receive, less any annual fees for other WaNIC components, back to member districts. For the 2016-17 school year, the district spent $696,541 on costs for Skills Centers and WaNIC-related programs and received revenue from the Lake Washington School District in the amount of $646,230. The district also received $20,299 in tuition and fees and $10,000 in a donation for Skills Center programs as well as $9,980 for the WaNIC Summer Academy.

NOTE 15 – FUND BALANCE CLASSIFICATION DETAILS

The district's financial statements include the following amounts:

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund
Nonspendable Fund Balance					
Inventory and Prepaid Items	$4,110,705	$132,195			
Restricted Fund Balance					
Carryover of Restricted Revenues	347,141				
Debt Service			$35,669,014		
Uninsured Risks					
Other Items		1,057,702		$188,978,823	$1,094,030
Committed Fund Balance					
Other Commitments				8,842,817	
Assigned Fund Balance					
Contingencies					
Other Capital Projects	1,267,135				
Other Purposes	1,847,045				
Fund Purposes				21,814,813	
Unassigned Fund Balance	16,103,612				
Total Fund Balance	$23,675,639	$1,189,897	$35,669,014	$219,636,453	$1,094,030

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

Restricted from Bond Proceeds	$188,341,900
Committed from Levy Proceeds	8,842,817
Restricted from State Proceeds	593,727
Restricted from Other Proceeds	43,196
Total Restricted Fund Balance	$197,821,639

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 a minimum fund balance of 5-6% of the prior year's actual expenditures. Portions of fund balance that are set aside for the purpose of meeting this policy are recorded on the financial statements as a part of Unassigned Fund Balance. Of the Unassigned Fund Balance of $16,103,612 at year-end, $14,510,077 has been set aside to meet this policy and is 5.50% of the district's 2016-17 General Fund expenditures.

NOTE 16 – POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS

A. 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, administered by the State of Washington's Department of Retirement Systems.

B. 403(b) Plan – 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 through employee contributions and employer discretionary contributions. Currently, the district does not provide employer discretionary contributions on behalf of any employee.

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. The plan is administered by a third-party administrator, Carruth Compliance Consulting, Inc. The plan assets are assets of the district employees, not the school district, and are therefore not reflected on these financial statements.

NOTE 17 – TERMINATION BENEFITS

Compensated Absences

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

Under the provisions of RCW 28A.400.210, 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. This chapter also provides for an annual buyout of an amount up to the maximum annual accumulation of 12 days. For buyout purposes, employees may accumulate such leave to a maximum of 192 days, including the annual accumulation, as of December 31 of each year.

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

No unrecorded current liability exists for other employee benefits.

Bellevue School District No. 405

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	721,480,000.00	231,795,000.00	196,615,000.00	756,660,000.00	38,330,000.00
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	662,026.22	711,434.03	308,955.62	1,064,504.63	380,353.49
Claims & Judgements	0.00	0.00	0.00	0.00	0.00
Compensated Absences	3,359,991.88	2,864,998.91	2,602,835.89	3,622,154.90	2,454,692.29
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	69,695,449.00	0.00	7,644,458.00	62,050,991.00	
Net Pension Liabilities TRS 2/3	28,305,596.00	0.00	9,341,818.00	18,963,778.00	
Net Pension Liabilities SERS 2/3	14,002,321.00	0.00	3,530,513.00	10,471,808.00	
Net Pension Liabilities PERS 1	18,090,198.00	0.00	1,261,771.00	16,828,427.00	
Total Long-Term Liabilities	855,595,582.10	235,371,432.94	221,305,351.51	869,661,663.53	41,165,045.78

Bellevue School District No. 405
Schedule of Expenditures of Federal Awards
For the Year Ending August 31, 2017

Federal Agency Name	Pass-Through Agency Name	Federal Program Title	Federal CFDA No.	Other Identification Number	Expenditures: Direct Awards	Expenditures: Pass-Through Awards	Expenditures: Total	Through to Subrecipients	Footnote Ref.
U.S. Dept of Agriculture									
		Child Nutrition Cluster							
	WA OSPI	National School Lunch Program - Cash Assistance	10.555	N/A		$1,906,354	$1,906,354		6
	WA OSPI	National School Lunch Program - Commodities	10.555	N/A		517,345	517,345		4, 6
	WA OSPI	Summer Food Service Program for Children	10.559	N/A		16,330	16,330		3
		Total Child Nutrition Cluster				**2,440,029**	**2,440,029**		
	WA OSPI	Child and Adult Care Food Program	10.558	N/A		32,757	32,757		3
		Total U.S. Department of Agriculture				**2,472,786**	**2,472,786**		
U.S. Dept of Education									
		Special Education Cluster							
	WA OSPI	Special Education - Grants to States	84.027	305770		$3,595,498	$3,595,498		6, 7
	WA OSPI	Special Education - Grants to States	84.027	337908		831,331	831,331		6
	WA OSPI	Special Education - Preschool Grants	84.173	363765		82,546	82,546		6
		Total Special Education Cluster				**4,509,375**	**4,509,375**		
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	202456		1,933,741	1,933,741		5, 7
	WA OSPI	Career & Technical Education - Basic Grants to States	84.048	173717		85,492	85,492		7
	WA OSPI	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330	887385		3,172	3,172		7
	WA OSPI	English Language Acquisition State Grants	84.365	402335		245,754	245,754		8
	WA OSPI	Supporting Effective Instruction State Grant	84.367	524160		439,446	439,446		7
		Total U.S. Department of Education				**7,216,980**	**7,216,980**		
TOTAL FEDERAL AWARDS EXPENDED						**$9,689,765**	**$9,689,765**		

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Bellevue School District No. 405
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ending August 31, 2017

Note 1 - Basis of Accounting
The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the Bellevue School District's financial statements. The Bellevue School 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 Bellevue School District's local matching share, may be more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or 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 - Unit Cost Contracts
Under certain programs, the district receives a fixed amount for the activity regardless of the district's expenditures. Expenditures for these programs are listed as the amount received from the grantor.

Note 4 - Non Cash Awards
The amount of food commodities reported on the schedule is the value of food commodities distributed by the Bellevue School District during the current year and priced as prescribed by the U.S. Department of Agriculture.

Note 5 - Schoolwide Programs
The Bellevue School District operated a "schoolwide program" in four elementary buildings and one middle school. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students rather than limit services to certain targeted students. The following federal program amounts were expended by the District in its schoolwide programs: Title I (84.010) $1,933,741.

Note 6 - Multiple Grants per Federal CFDA No.
Certain programs have more than one grant and are listed separately on the Schedule of Expenditures of Federal Awards. To provide more clarity, additional information is provided below:

	CFDA #	Other ID	Amount
National School Lunch Program:			
Nutrition Services Program	10.555	N/A	$1,906,354
USDA Commodities	10.555	N/A	$517,345
Total			**$2,423,699**
Special Education - Grants to States:			
Individuals with Disabilities Education Act (IDEA)	84.027	305770	$3,595,498
Safety Net	84.027	337908	$831,331
Total			**$4,426,829**

Note 7 - Federal Indirect Rate
The Bellevue School District used the federal restricted rate of 3.94%.

Note 8 - Federal Indirect Rate
The indirect rate for Title III - Migrant and Bilingual grants (84.365) was capped at 2.00%.

Note 9 - 10% De Minimis Indirect Cost Rate
The Bellevue School District has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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.

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