



Office of the Washington State Auditor
Pat McCarthy

**Financial Statements and Federal Single Audit
Report**

Evergreen School District No. 114

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

Published May 20, 2019

Report No. 1023905





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

May 20, 2019

Board of Directors
Evergreen School District No. 114
Vancouver, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Evergreen School District No. 114'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,

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Evergreen School District No. 114 September 1, 2017 through August 31, 2018

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of Evergreen School District No. 114 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 with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
10.553	Child Nutrition Cluster – School Breakfast Program
10.555	Child Nutrition Cluster – National School Lunch Program
10.559	Child Nutrition Cluster – Summer Food Service Program for Children
84.010	Title I Grants to Local Educational Agencies

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

The District did not qualify 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.



Evergreen Public Schools

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Evergreen School District No. 114 September 1, 2017 through August 31, 2018

This schedule presents the status of federal findings reported in prior audit periods.

Audit Period: 9/1/2016-8/31/2017	Report Ref. No.: 1021258	Finding Ref. No.: 2017-001	CFDA Number(s): 84.010
Federal Program Name and Granting Agency: Title I Grants to Local Educational Agencies – US Department of Education		Pass-Through Agency Name: Office of Superintendent of Public Instruction	
Finding Caption: The District did not have adequate internal controls to ensure compliance with suspension and debarment requirements for purchases of goods and materials.			
Background: The District did not have procedures in place when it purchased from three vendors more than \$25,000 each for educational materials. The District did not obtain a written certification or review EPLS to verify the vendors were not suspended or debarred before awarding the contracts.			
Status of Corrective Action: (check one) <div><input checked="checked" type="checkbox"/> Fully Corrected</div> <div><input type="checkbox"/> Partially Corrected</div> <div><input type="checkbox"/> Not Corrected</div> <div><input type="checkbox"/> Finding is considered no longer valid</div>			
Corrective Action Taken: <i>The District's corrective action taken to ensure compliance with Suspension and Debarment requirements for purchases of goods and materials, included the following steps:</i> <ul style="list-style-type: none"><i>The District contacted the Office of Superintendent of Public Instruction and State Auditors for verification of regulations for compliance to Suspension and Debarment of federal regulations, including the use of allowable clauses on District Purchase Orders and allowable process for purchases by District Procurement Cards.</i>			

- *After final verification was received, the District prepared District Procedure for all purchases to comply with Suspension and Debarment in federal regulations.*
- *Final District procedures were completed and distributed to all federal program managers and fiscal support staff, for immediate implementation on June 7, 2018.*
- *The Purchasing Office continues to verify that federal purchase transactions are in compliance with the new procedures for Suspension and Debarment.*

**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**

**Evergreen School District No. 114
September 1, 2017 through August 31, 2018**

Board of Directors
Evergreen School District No. 114
Vancouver, 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 Evergreen School District No. 114, as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated May 17, 2019.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's

internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

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

Pat McCarthy

State Auditor

Olympia, WA

May 17, 2019

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

Evergreen School District No. 114 September 1, 2017 through August 31, 2018

Board of Directors
Evergreen School District No. 114
Vancouver, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Evergreen School District No. 114, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2018. The District's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

Purpose of this Report

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

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

Pat McCarthy
State Auditor
Olympia, WA

May 17, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Evergreen School District No. 114 September 1, 2017 through August 31, 2018

Board of Directors
Evergreen School District No. 114
Vancouver, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Evergreen School District No. 114, as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 18.

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 Evergreen School District No. 114, as of August 31, 2018, 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 Evergreen School District No. 114, as of August 31, 2018, 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 conducted 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 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 17, 2019 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

May 17, 2019

FINANCIAL SECTION

Evergreen School District No. 114 September 1, 2017 through August 31, 2018

FINANCIAL STATEMENTS

Balance Sheet – Governmental Funds – 2018

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2018

Statement of Fiduciary Net Position – Fiduciary Funds – 2018

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2018

Notes to Financial Statements – 2018

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Long-Term Liabilities – 2018

Schedule of Expenditures of Federal Awards – 2018

Notes to the Schedule of Expenditures of Federal Awards – 2018

EVERGREEN SCHOOL DISTRICT NO. 114
BALANCE SHEET
GOVERNMENTAL FUNDS
August 31, 2018

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Total
ASSETS						
Cash on Hand	983,922	84,492				1,068,414
Cash on Deposit w/Treasurer	7,800,947	40,834	10,839	138,388		7,991,008
Warrants Outstanding	-7,800,047	-40,834		-113,988		-7,954,869
Net Cash on Dep. w/Treas	900		10,839	24,400	1,302,292	1,338,431
Cash with Fiscal Agent						
Taxes Receivable	23,510,311		11,833,231			35,343,542
Other Receivables				3,740		3,740
Accounts Receivable	138,349					138,349
Intergovernmental Receivable	1,189,276					1,189,276
Interfund Receivables	319,389					319,389
Accrued Interest Receivable						
Inventories	244,149					244,149
Prepaid Items	4,751,905	65,605				4,817,510
Investments	20,645,231	1,288,601	15,227,418	142,900,607	4,086,163	184,148,020
TOTAL ASSETS	51,783,432	1,438,698	27,071,488	142,928,747	5,388,455	228,610,820
LIABILITIES						
Accounts Payable	3,541,906	38,291		1,724,617	359,884	5,664,698
Payroll Ded & Taxes Payable	8,232					8,232
Due to Other Governmental Units						
Estimated Employee Benefits Payable	94,474					94,474
Interfund Payables		14,787		304,602		319,389
Unearned Revenue	231,113	173,876				404,989
Matured Bonds Payable						
Matured Bond Interest Payable						
TOTAL LIABILITIES	3,875,725	226,954		2,029,219	359,884	6,491,782
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue						
Unavailable Revenue-Taxes Receivable	23,510,311		11,833,231			35,343,542
TOTAL DEFERRED INFLOWS OF RESOURCES	23,510,311		11,833,231			35,343,542
FUND BALANCE						
Restricted for Other Items	1,924,036					1,924,036
Restricted to Fund Purposes		1,146,139			5,028,571	6,174,710
Restricted Food Service Carryover	1,271,278					1,271,278
Restricted for Debt Service			15,238,257			15,238,257
Restricted from Bond Proceeds				121,982,641		121,982,641
Restricted from Other Proceeds						
Restricted from Impact Fee Proceeds				10,089,875		10,089,875
Nonspendable Fund Balance	4,996,054	65,605				5,061,659
Committed to Minimum Fund Balance						
Assigned to Other Purposes	490,000					490,000
Assigned to Fund Purposes				8,827,012		8,827,012
Unassigned Fund Balance	15,716,028					15,716,028
TOTAL FUND BALANCE	24,397,396	1,211,744	15,238,257	140,899,528	5,028,571	186,775,496
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	51,783,432	1,438,698	27,071,488	142,928,747	5,388,455	228,610,820

The notes to the Financial Statements are an integral part of this statement.

EVERGREEN SCHOOL DISTRICT NO. 114
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

	GENERAL FUND	ASB FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TRANSPORTATION VEHICLE FUND	TOTAL
REVENUES						
Local	55,864,594		25,788,501	5,265,265	60,143	86,978,503
State	255,450,791		321	48,875	1,302,292	256,802,279
Federal	19,140,318		899,408			20,039,726
Federal Stimulus						
Other	1,167,855					1,167,855
ASB		1,534,671				1,534,671
TOTAL REVENUES	331,623,558	1,534,671	26,688,230	5,314,140	1,362,435	366,523,034
EXPENDITURES						
Current:						
Regular Instruction	179,314,670					179,314,670
Federal Stimulus						
Special Education	44,859,639					44,859,639
Vocational Education	12,551,494					12,551,494
Skills Center	5,436,402					5,436,402
Compensatory Education	24,463,220					24,463,220
Other Instructional Programs	4,167,261					4,167,261
Community Services	937,902					937,902
Support Services	57,434,407					57,434,407
ASB		1,558,221				1,558,221
CAPITAL OUTLAY:						
Sites				14,044,266		14,044,266
Buildings				4,433,423		4,433,423
Equipment	7,103,424			1,912,319		9,015,743
Instructional Technology				256,104		256,104
Energy Capital Improvements						
Transportation					1,527,183	1,527,183
Sales and Lease				2,900		
Other						
Debt Service:						
Principal	3,335,395		23,510,221			26,845,616
Interest and Other Charges	41,085		4,365,009			4,406,094
Bond Issuance				601,099		
TOTAL EXPENDITURES	339,644,899	1,558,221	27,875,230	21,250,111	1,527,183	391,251,645
REVENUES OVER(UNDER) EXPENDITURES	-8,021,341	-23,550	-1,187,000	-15,935,971	-164,748	-25,332,610
OTHER FINANCING SOURCES (USES):						
Bond Sales & Refund Bond Sales			2,168	125,599,263		125,601,431
Sale of Property & Equipment	4,054			2,623,574	2,000	2,629,628
Compensated Loss of Fixed Assets						
Long-Term Financing	6,554,202					6,554,202
Operating Transfers In			1,549,960		500,000	2,049,960
Operating Transfers Out	-2,049,960					-2,049,960
Deposit in Refunding Bond Escrow						
TOTAL OTHER FINANCING SOURCES (USES)	4,508,296		1,552,128	128,222,837	502,000	134,785,261
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-3,513,045	-23,550	365,128	112,286,866	337,252	109,452,651
Fund Balance September 1, 2017	27,910,441	1,235,294	14,873,129	28,612,662	4,691,319	77,322,845
Fund Balance August 31, 2018	24,397,396	1,211,744	15,238,257	140,899,528	5,028,571	186,775,496

The Notes to the Financial Statements are an integral part of this statement.

**EVERGREEN SCHOOL DISTRICT NO. 114
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2018**

	<u>Private Purpose Trust</u>
ASSETS	
Cash on Hand	9,068
Cash on Deposit w/Treasurer	
Warrants Outstanding	
Net Cash on Dep. w/Treas	
Investments	7,948
TOTAL ASSETS	<u>17,016</u>
LIABILITIES	
Accounts Payable	7,047
Interfund Payables	
TOTAL LIABILITIES	<u>7,047</u>
NET POSITION:	
HELD IN TRUST FOR	
Private Purpose	9,969
TOTAL NET POSITION	<u>9,969</u>

The Notes to the Financial Statements are an integral part of this statement.

EVERGREEN SCHOOL DISTRICT NO. 114
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

	<u>Private Purpose Trust</u>
ADDITIONS:	
Contributions:	
Private Donations	1,200
Employer	
Members	
Other	
Total Contributions	<u>1,200</u>
Investment Income:	
Net Appreciation (Depreciation) in	
Fair Value of Investments	-3
Interest & Dividends	93
Less: Investment Expenses	
Net Investment Income	<u>90</u>
Other Additions:	
Rent or Lease Revenue	
Total Other Additions	
TOTAL ADDITIONS	<u><u>1,290</u></u>
DEDUCTIONS:	
Benefits	
Refund of Contributions	
Administrative Expense	
Scholarships	1,000
Other	53
TOTAL DEDUCTIONS	<u><u>1,053</u></u>
Net Increase (Decrease)	237
Net Position Beginning September 1, 2017	<u>9,732</u>
Net Position Ending August 31, 2018	<u><u>9,969</u></u>

The Notes to the Financial Statements are an integral part of this statement.

EVERGREEN SCHOOL DISTRICT NO. 114
Notes to Financial Statements
September 1, 2017 Through August 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Evergreen School District No. 114 (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.

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 student transportation are included in the General Fund.

Capital Projects Funds

These funds account for financial resources that are to be used for the construction or acquisition of major capital assets. There are two funds that are considered to be of the capital 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 principle and interest.

Special Revenue Fund

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

Fiduciary Funds

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

Private-Purpose Trust Fund

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

Measurement focus, basis of accounting and fund financial statement presentation

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered "measurable" if the amount of the transaction can be readily determined. Revenues are considered "available" when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after year-end. Categorical program claims and interdistrict billings are measurable and available and are, therefore, 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 RCW and Chapter 392-123 Washington Administrative Code (WAC) mandate school district budget policies and procedures. The board adopts annual appropriated budgets for all governmental funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Appropriations lapse at the end of the fiscal period.

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

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

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

The government's fund balance classifications policies and procedures.

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

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

Restricted Fund Balance. Amounts that are reported as Restricted are those resources of the District that have had a legal restriction placed on their use 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.

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

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

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

The Superintendent and/or Chief Operations Officer are the only persons who have the authority to create Assignments of fund balance.

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

In other governmental funds, 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.

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.

Inventory

Warehouse inventory is valued at cost using the average cost method. The consumption method of inventory is used, which charges inventory as an expenditure when it is consumed. Warehouse inventory in the General Fund consists of expendable supplies held for consumption. Management classifies the full inventory value under Nonspendable Fund Balance since the resources are not in a spendable format.

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.

NOTE 2: DEPOSITS AND INVESTMENTS

Deposits and Investments

The Clark County Treasurer is the *ex-officio* treasurer for the District and holds all accounts of the District. The District directs the County Treasurer to invest those financial resources of the District that the District has determined are not needed to meet the current financial obligations of the District.

The district's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All of the District's investments during the year and at year-end were insured or registered and held by the District or its agent in the District's name.

Washington State statutes authorize the district to invest in the following types of securities:

- Certificates, notes, or bonds of the United States, its agencies, or any corporation wholly owned by the government of the United States,
- Obligations of government-sponsored corporations which are eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System,
- Bankers' acceptances purchased on the secondary market,
- Repurchase agreements for securities listed in the three items above, provided that the transaction is structured so that the public treasurer obtains control over the underlying securities,
- Investment deposits with qualified public depositories,
- Washington State Local Government Investment Pool, and
- County Treasurer Investment Pools.

The district's participation in the Clark County Treasurer's Investment Pool is voluntary and the pool is not rated by a nationally recognized statistical rating organization (NRSRO). The fair value of the district's investment in the pool is measured using a net asset value (NAV) as determined by the pool. The pool maintains a (duration/weighted average maturity) of 5.9 months.

The investments on the District's combined balance sheet are valued at fair market value. All temporary money market investments are stated at cost.

The District's investments (excluding temporary investments) are placed in the Clark County Treasurer's Investment Pool, which are managed by the Clark County Treasurer. The investments in the investment pool are not evidenced by securities and therefore are not listed under a category of credit risk. The District's temporary investments, Governmental Securities, are categorized to give an indication of the level of risk assumed by them as of August 31, 2018. Category one (1) includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name.

The district's investments (excluding Fiduciary investments) on August 31, 2018, are as follows:

	<u>Market Value</u>
Obligations of U.S. Government	\$ 8,875,829
Clark County Treasurer's Investment Pool	<u>175,272,190</u>
Total Investment	<u>\$ 184,148,019</u>

NOTE 3: SIGNIFICANT CONTINGENT LIABILITIES

Arbitrage Rebate

The Tax Reform Act of 1986 requires the district to rebate the earnings on the investment of bond and revenue anticipation note proceeds, in excess of their yield, to the Federal Government. This requirement is effective for the district's General Obligation bond issue(s) after September 1, 1986 currently totaling \$130,170,000. Ninety percent (90%) of the rebate is due and payable five years from the date bonds were issued and at five-year intervals thereafter. The remaining ten-percent (10%) is payable sixty (60) days after retirement of the bonds. Rebate is due and payable on revenue anticipation notes sixty (60) days after they are retired. Because positive arbitrage can be offset against negative arbitrage, the rebate amount fluctuates each year and may or may not be owing at the payment intervals. Because of the uncertainty of having to make this payment, the district is contingently liable for arbitrage rebate currently computed to total \$0 as of August 31, 2018.

NOTE 4: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

Land purchase for \$300,676 in January, 2019. Property used for Transportation Department.

NOTE 5: PENSION PLANS

General Information

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

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

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

Membership Participation

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

Membership participation by retirement plan as of June 30, 2018, was as follows:

Plan	Retirees and Beneficiaries Receiving Benefits	Inactive Plan Members Entitled to but not yet Receiving Benefits	Active Plan Members
PERS 1	47,037	539	1,986
SERS 2	9,171	6,050	27,786
SERS 3	8,866	8,678	34,930
TRS 1	33,460	147	497
TRS 2	5,453	2,617	20,518
TRS 3	11,960	8,735	55,117

Membership & Plan Benefits

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

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

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

TRS Plan 1 provides retirement, disability and death benefits. TRS 1 members were vested after the completion of five year 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 year 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 year 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 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 year 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 and 2018 are listed below:

Pension Rates

	9/1/18 Rate	7/1/17 Rate	
PERS 1			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	12.83%	12.70%	

Pension Rates

	9/1/18 Rate	9/1/17 Rate	
TERS 1			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	15.41%	15.20%	
TERS 2			
Member Contribution Rate	7.06%	7.06%	
Employer Contribution Rate	15.41%	15.20%	
TERS 3			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	15.41%	15.20%	**
SERS 2			
Member Contribution Rate	7.27%	7.27%	
Employer Contribution Rate	13.58%	13.48%	
SERS 3			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	13.58%	13.48%	**

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, 2018:

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

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

At June 30, 2018, the school district reported a total liability of \$111,889,623 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, 2018, the district's proportionate share of each plan's net pension liability is reported below:

June 30, 2018	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District's Annual Contributions	\$2,360,564	\$3,735,350	\$11,069,074	\$11,852,426
Proportionate Share of the Net Pension Liability	\$15,771,971	\$6,385,607	\$77,732,097	\$11,999,948

At June 30, 2018, the school district's percentage of the proportionate share of the collective net pension liability was as follows and the changed 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	0.353154%	2.135212%	2.661519%	2.665980%
Prior year proportionate share of the Net Pension Liability	0.305443%	1.873616%	2.439007%	2.449966%
Net difference percentage	0.047711%	0.261596%	0.222511%	0.216014%

Actuarial Assumptions

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

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

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

Mortality Rates

Mortality rates used in the plans were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime. The actuarial assumptions used in the June 30, 2017, valuation were based on the results of the 2007-2012 Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2017 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 7.40% 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, 2018, are summarized in the following table:

TRS 1, TRS 2/3, PERS 1, and SERS 2/3		
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20.00%	1.70%
Tangible Assets	7.00%	4.90%
Real Estate	18.00%	5.80%
Global Equity	32.00%	6.30%
Private Equity	23.00%	9.30%

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

Discount Rate

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

Therefore, the long-term expected rate of return of 7.40 percent on pension plan investments was applied to determine the total pension liability.

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

The following table presents the Evergreen School District's proportional share of the collective net pension liability (NPL) calculated using the discount rate of 7.40 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.40 percent) or one percentage-point higher (8.40 percent) than the current rate. Amounts are calculated using the school district's specific allocation percentage, by plan, to determine the proportionate share of the collective net pension liability.

	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
PERS 1 NPL	\$5,488,477,000	\$4,466,034,000	\$3,580,392,000
Allocation Percentage	0.353154%	0.353154%	0.353154%
Proportionate Share of Collective NPL	\$19,382,768	\$15,771,971	\$12,644,292
SERS 2/3 NPL	\$1,127,549,000	\$299,062,000	(\$383,817,000)
Allocation Percentage	2.135212%	2.135212%	2.135212%
Proportionate Share of Collective NPL	\$24,075,557	\$6,385,607	(\$8,195,305)

TRS 1 NPL	\$3,650,431,000	\$2,920,592,000	\$2,288,760,000
Allocation Percentage	2.661519%	2.661519%	2.661519%
Proportionate Share of Collective NPL	\$97,156,897	\$77,732,097	\$60,915,771
TRS 2/3 NPL	\$2,805,439,000	\$450,114,000	(\$1,463,229,000)
Allocation Percentage	2.665980%	2.665980%	2.665980%
Proportionate Share of Collective NPL	\$74,792,437	\$11,999,948	(\$39,009,389)

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

The State, through the Health Care Authority (HCA), administers a defined benefit other post-employment benefit plan that is not administered through a qualifying trust. The Public Employees Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. Benefits purchased by PEBB include medical, dental, life insurance and long-term disability insurance.

The relationship between the PEBB OPEB plan and its member employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one, which the employers and plan members understand the plan terms. This understanding is based on communications between the HCA, employers and plan members, and historical pattern of practice with regard to sharing of benefit costs.

Employers participating in the plan include the State of Washington (which includes general government agencies and higher education institutions), 74 of the state's K–12 school districts and educational service districts (ESDs), and 236 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 238 K–12 school districts and ESDs. The District's retirees (approximately 471) are eligible to participate in the PEBB plan under this arrangement.

Eligibility

District members are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits) under Plan 2 or 3 of TRS or SERS.

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

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

Medical Benefits

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

Members not eligible for Medicare
(or enrolled in part A only)

<u>Descriptions</u>	<u>Type of Coverage</u>		
	<u>Employee</u>	<u>Employee & Spouse</u>	<u>Full Family</u>
Kaiser Permanente NW Classic	\$ 692.66	\$1,380.30	\$1,896.03
Kaiser Permanente NW CDHP	\$ 590.87	\$1,170.25	\$1,561.04
Kaiser Permanente WA Classic	\$ 718.39	\$1,431.76	\$1,966.79
Kaiser Permanente WA CDHP	\$ 589.18	\$1,167.37	\$1,557.27
Kaiser Permanente WA Sound Choice	\$ 607.11	\$1,209.20	\$1,660.77
Kaiser Permanente WA Value	\$ 633.52	\$1,262.02	\$1,733.40
UMP Classic	\$ 657.86	\$1,310.70	\$1,800.33
UMP CDHP	\$ 588.91	\$1,166.83	\$1,556.50
UMP Plus-Puget Sound High Value Network	\$ 600.56	\$1,196.10	\$1,642.76
UMP Plus-UW Medicine Accountable Care Network	\$ 600.56	\$1,196.10	\$1,642.76

Retirees enrolled in Medicare parts A and B receive an explicit subsidy in the form of reduced premiums on Medicare supplemental plans. Retirees pay the following monthly rates.

Members enrolled in Part A and B of Medicare

<u>Descriptions</u>	<u>Type of Coverage</u>		
	<u>Employee</u>	<u>Employee & Spouse¹</u>	<u>Full Family¹</u>
Kaiser Permanente NW Senior Advantage	\$ 173.07	\$ 860.71	\$ 865.85
Kaiser Permanente WA Medicare Plan	\$ 175.40	\$ 345.78	\$ 516.16
Kaiser Permanente WA Classic	N/A	N/A	\$ 880.81
Kaiser Permanente WA Sound Choice	N/A	N/A	\$ 797.35
Kaiser Permanente WA Value	N/A	N/A	\$1,275.28
UMP Classic	\$ 333.64	\$ 662.26	\$1,151.89

Note 1 – Employee, Spouse and Full Family with two Medicare eligible subscribers.

Funding Policy

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

According to state law, the Washington State Treasurer collects a fee from all school district entities which have employees 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 2017-2018, the District was required to pay the HCA \$64.07 per month per full-time equivalent employee to support the program, for a total payment of \$2,359,216. This assessment to the District is set forth in the State's operating budget and is subject to change on an annual basis. This amount

is not actuarially determined and is not placed in a trust to pay the obligations for post-employment health care benefits.

The District has no control over the benefits offered to retirees, the rates charged to retirees, nor the fee paid to the Health Care Authority. The District does not determine its Annual Required Contribution nor the Net Other Post-Employment Benefit obligation associated with this plan. These amounts are not shown on the financial statements.

For further information on the results of the actuarial valuation of the employer provided subsidies associated with the state's PEBB plan, refer to:

<http://leg.wa.gov/osa/additionalservices/Documents/Final.2017.PEBB.OPEB.AVR.pdf>

The plan does not issue a separate report; however, additional information is included in the State of Washington Comprehensive Annual Financial Report, which is available on this site <https://www.ofm.wa.gov/accounting/financial-audit-reports/comprehensive-annual-financial-report>.

NOTE 7: COMMITMENTS UNDER LEASES

For the year ending August 31, 2018, the District is obligated under certain leases accounted for as capital leases as follows:

Capital Leases:

	<u>Amount</u>	<u>Installment Amount</u>	<u>Final Installment Date</u>	<u>Interest Rate</u>	<u>Balance Due</u>
Insight Financial					
Computer Equip.	\$ 351,432	\$ 117,144	02/01/2019	0.00%	-0-
Computer Equip.	798,114	263,473	02/01/2019	0.00%	-0-
Computer Equip.	117,866	38,769	02/01/2019	0.00%	-0-
Computer Equip.	1,477,187	492,396	09/01/2019	0.00%	492,396
Computer Equip.	12,830	4,302	11/01/2020	0.00%	4,302
Computer Equip.	1,466,344	395,032	12/01/2020	4.35%	741,346
Computer Equip.	2,889,477	534,231	12/01/2020	3.28%	1,503,099
Computer Equip.	70,819	18,441	11/01/2020	2.78%	35,396
Computer Equip.	93,561	24,611	12/01/2020	3.50%	46,753
Computer Equip.	151,406	40,021	04/01/2021	3.85%	75,649
Computer Equip.	327,460	83,462	11/01/2020	1.30%	163,716
Copy Machines	701,971	155,636	12/01/2021	5.43%	420,398
Copy Machines	11,412	2,408	12/01/2021	5.43%	6,928
Computer Equip.	24,420	6,330	05/01/2021	2.46%	12,207
Copy Machines	4,226	994	07/01/2021	8.83%	2,524
Computer Equip.	550,400	200,146	07/01/2020	0.00%	350,255
Computer Equip.	3,615,200	944,144	07/01/2021	2.99%	2,671,056
Computer Equip.	705,450	194,569	11/01/2021	4.70%	705,450
Computer Equip.	347,500	77,600	11/01/2022	4.29%	347,500
Computer Equip.	1,017,650	226,998	12/01/2022	4.38%	1,017,650
Computer Equip.	113,095	29,801	10/01/2021	3.62%	113,095
Computer Equip.	199,200	44,900	07/01/2022	6.36%	154,300
Computer Equip.	5,706	1,995	12/01/2020	3.26%	5,706
Total Capital Leases					<u>\$ 8,869,726</u>

Future Minimum Lease Payments:

Year Ended August 31:

2019	\$ 3,478,172
2020	2,931,437
2021	2,213,432
2022	878,464
2023 & later	-0-

Net Minimum Lease Payments	<u>\$ 9,501,505</u>
Less Imputed Interest	<u>631,779</u>
Present Value of Net Minimum Lease Payments	<u>\$ 8,869,726</u>

NOTE: The capital leases that display interest rates of zero, includes intrinsic interest considered immaterial.

NOTE 8: OTHER SIGNIFICANT COMMITMENTS

Construction in progress is composed of:

Project	Project Authorization Amount	Expended as of 8/31/2018	Additional Local Funds Committed	Additional State Funds Committed
Image Elementary	\$ 2,690,639	\$ 208,525	\$ 2,482,114	\$ 0
Sifton Elementary	3,674,483	282,394	3,392,089	0
New Elementary	2,383,019	228,906	2,154,113	0
Wy'East Middle School	1,340,636	46,681	1,293,955	0
Mt. View High School	3,695,293	115,487	3,579,806	0
Legacy High School	903,352	29,277	874,075	0
Administrative Service Center	3,697,467	67,695	3,629,772	0
TOTAL	\$ 18,384,889	\$ 978,965	\$ 17,405,924	\$ 0

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 are closed at the end of the fiscal year and reopened the following year. Encumbrances in the amount of \$32,733,277 were closed on August 31, 2018. This amount will be re-encumbered on September 1, 2018.

The following encumbrance amounts were re-encumbered by fund on September 1, 2018:

Fund	Amount
General	\$17,933,686
ASB	\$16,639
Capital Projects	\$14,543,029
Transportation Vehicle	\$239,923

NOTE 9: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The District's capital assets are insured in the amount of \$150,000,000 for fiscal year 2018. In the opinion of the District's insurance consultant, the amount is sufficient to adequately fund replacement of the District's assets.

NOTE 10: REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES

Long-Term Debt

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

Long-Term Debt Payable at 9/1/17	\$110,460,221
Debt Issued	112,725,000
Debt Retired	<u>23,510,221</u>
Long-Term Debt Payable 8/31/18	<u>\$199,675,000</u>

Bonds payable at August 31, 2018, are comprised of the following individual issues:

	Principal 08/31/18	Interest 08/31/18
\$42,165,000 – 2010 Unlimited Tax General Obligation Bonds reflecting bonds interest rates of 2.0% to 4.0% maturing through December 1, 2018 in annual installments of \$475,000 to \$8,395,000.	\$ 7,735,000	154,700
\$17,445,000 – 2010 Limited General Obligation Bonds (Qualified School Construction Bonds – Direct Payment to Issuer) interest rate of 5.52% maturing on June, 2027 with one payment of \$17,445,000.	17,445,000	8,666,676
\$43,700,000 – 2010 Unlimited GO Refunding Bonds, interest rates of 2.0% to 4.0% maturing through June, 2021 in annual installments of \$565,000 to \$6,715,000.	18,420,000	1,417,725
\$34,815,000 – 2011 Unlimited GO Refunding Bonds, interest rates of 2.5% to 5.0% maturing through December 1, 2021 in annual installments of \$100,000 to \$5,895,000.	17,495,000	1,946,075
\$19,000,000 – 2012 Unlimited GO Refunding Bonds, interest rate of 4.0% maturing through December 1, 2020 in annual installments of \$8,535,000 and \$10,465,000.	19,000,000	1,558,600
\$19,070,000 – 2015 Unlimited GO Refunding Bonds, interest rates of 3.0% to 5.0% maturing through December 1, 2018 in annual installments \$5,905,000 to \$6,855,000.	6,855,000	171,375
\$112,725,000 – 2018 Unlimited Tax General Obligation Bonds, interest rates of 4% to 5% maturing through December 1, 2036 in annual installments of \$3,000,000 to \$12,025,000.	112,725,000	62,817,461
TOTAL LONG-TERM BONDED DEBT 8/31/18	<u>\$ 199,675,000</u>	<u>\$ 76,732,612</u>

Annual Requirements to Amortize Long-Term Debt as of August 31, 2018

<u>Year Ending August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 20,500,000	\$ 3,469,702	\$ 23,969,702
2020	20,225,000	7,586,726	27,811,726
2021	23,015,000	6,754,814	29,769,814
2022	5,765,000	6,016,089	11,781,089
2023	3,000,000	5,796,964	8,796,964
2024	3,500,000	5,634,464	9,134,464
2025	4,000,000	5,446,964	9,446,964
2026	4,500,000	5,234,464	9,734,464
2027	22,695,000	4,990,714	27,685,714
2028	6,000,000	3,746,500	9,746,500
2029	6,500,000	3,434,000	9,934,000
2030	7,250,000	3,090,250	10,340,250
2031	8,000,000	2,749,000	10,749,000
2032	9,000,000	2,409,000	11,409,000
2033	9,700,000	2,035,000	11,735,000
2034	10,500,000	1,631,000	12,131,000
2035	11,500,000	1,191,000	12,691,000
2036	12,000,000	721,000	12,721,000
2037	12,025,000	240,500	12,265,500
Total Long-Term Bonded Debt	<u>\$199,675,000</u>	<u>\$76,732,612</u>	<u>\$276,407,612</u>

At August 31, 2018, the District had \$15,238,257 available in the Debt Service Fund to service the general obligation bonds.

Bonds Authorized But Unissued

Bonds Authorized by Voters – February 2018	\$ 695,000,000
Bonds Sold – June 2018	<u>\$ 112,725,000</u>
Unissued Bonds at 08-31-2018	<u>\$ 582,275,000</u>

Sinking Fund

In 2010, the District issued \$17,445,000 worth of Qualified School Construction Bonds. As a condition of selling the bonds, the District is required to maintain a sinking fund account with the U.S. Bank National Association.

The District will deposit with the Bank annual payments, in approximately equal amounts, commencing on June 1, 2011 and annually thereafter so that the balance in the account shall equal, but not exceeding the principal amount of the Bonds on June 1, 2027. The minimum annual deposits into the account is \$1,026,176.00, but may be adjusted to take into account interest earnings previously accumulated within the account.

The minimum annual deposits from June 1, 2011 through August 31, 2018 are eight payments of \$1,026,176 totaling \$8,209,408. The balance of the sinking fund as of August 31, 2018 is \$8,792,018.

NOTE 11: INTERFUND TRANSFERS

The following table depicts interfund transfer activity:

Transferred From (Fund) 535 or 536	Transferred To (Fund) 965 9900	Amount	Description
General	Transportation Vehicle	\$ 500,000.00	Fund pupil transportation vehicles
General	Debt Service	\$ 460,228.49	Principal & Interest – 2012, Limited GO Bonds
General	Debt Service	\$ 31,777.81	Interest – 2010, Limited GO Bonds
General	Debt Service	\$ 31,777.81	Interest – 2010, Limited GO Bonds
General	Debt Service	\$1,026,176.00	Principal & Interest – 2010, Limited GO Bonds

NOTE 12: ENTITY RISK MANAGEMENT ACTIVITIES

Risk Management

Unemployment Compensation Insurance

The district is a member of the SW Washington Unemployment Compensation Pool administered by Educational Service District no. 112. The purpose of this pool is to share the risk of unemployment compensation claims arising from previous employees of the members. The Pool is fully funded by its member participants. Member districts pay a percentage of their employee's wages. These contributions plus investment earnings pay for unemployment claims and for the administration of the fund. There is provision that members can be additionally assessed if the Pool needs additional funding. The financial statements of the pool may be obtained by contacting Educational Service District No. 112.

Worker's Compensation Insurance

The district is a member of the Worker's Compensation Trust administered by Educational Service District No. 112. This Trust provides industrial injury accident insurance coverage for its membership. The Trust is fully funded by its member participants. Member contributions are calculated based on the members' hours worked. The Trust retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by its excess insurance contracts. The Trust acquires insurance unrelated underwriters. The Trust's per-occurrence retention limit is \$450,000 and the annual aggregate retention is \$5,170,685. Since the Trust is a cooperative program, there is a joint liability among participating members. The financial statements of the pool may be obtained by contacting Educational Service District No. 112.

Property, Casualty and Liability Insurance

The district is a member of the Schools Insurance Association of Washington, a public entity insurance program that presently 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 Act and Employee Benefit Liability are on a "claims-made basis." All other coverages are on an "occurrence basis." The program provides the following forms of group purchased insurance coverage for its members: Property, earthquake, liability, vehicle liability, equipment breakdown, crime, employee benefits, and wrongful act liability. The program is fully funded by its member participants.

The program acquires liability insurance through their administrator, Clear Risk Solutions, formerly Canfield, that is subject to a per-occurrence self-insured retention (SIR) of \$100,000. Members are responsible for a standard deductible of \$2,500 for each 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 \$3,058,747, to reduce risk to members, which is fully funded.

Property insurance is subject to a per-occurrence SIR of \$250,000. Members are responsible for the first \$10,000 of the deductible amount of each claim, while the program is responsible for the \$250,000 SIR. Insurance carriers cover insured losses over \$260,000 to the limits of each policy.

Equipment breakdown insurance is subject to a per-occurrence deductible of \$10,000. Members are responsible for the deductible amount of each claim.

A governing board of eight members is selected by the membership 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 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, 2018, were \$3,223,193.

Members contract to remain in the program for one year and must give notice before December 31 before terminating 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 they were a signatory to the Interlocal Agreement.

Washington State RCW 48.62 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.

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 County Treasurer receipts property tax payments and distributes to the various taxing districts. Payments made prior to the October 31 deadline are recognized as revenue if the funds are available to the District within 30 days after its year-end. The remaining property taxes that are not available to the District within 30 days are recorded as unavailable revenue.

NOTE 14: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

OTHER DISCLOSURES

King County Directors' Association

The Evergreen School District is a member of the King County Directors' Association, a purchasing cooperative consisting of more than 200 school districts throughout the State of Washington. The Evergreen School District's annual purchases approximated \$1,331,694 for the year ending December 31, 2017. At December 31, 2017, the Evergreen School District's equity in the King County Directors' Association was \$353,190. Because of the purchasing power of KCDA, it is the intent of the district to main a member. One year after notice of termination has been given by the district, the following options are available in regard to withdrawing the ownership amount if a district so chooses:

1. A district may withdraw inventory at a maximum rate of ten (10) percent per year for a ten (10) year period or;
2. A district may withdraw cash equally over a fifteen (15) year period.
The annual financial statements of the purchasing cooperative are available from:

King County Directors Association
18639 80th Avenue South
PO Box 5550
Kent, Washington 98064-5550

NOTE 15: POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS

457 Plan – Deferred Compensation Plan

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

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 elective deferrals (employee contribution).

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 for the District. The plan assets are assets of the District employees, not the school district, and are therefore not reflected on these financial statements.

NOTE 16: TERMINATION BENEFITS

Compensated Absences

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

Under the provisions of RCW 28A.400.210, Revised Code of Washington, 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 statute also provides for an annual buy back of an amount up to the maximum annual accumulation of twelve days. For buy-back 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 is computed using the vesting method.

Vacation pay that is expected to be liquidated with expendable available financial resources is reported as expenditures and a fund liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable available financial resources are reported on the Schedule of Long-Term Debt. No expenditure is reported for these amounts.

NOTE 17: OTHER DISCLOSURES

Clark County Skills Center

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

The Clark County Skills Center was created through an agreement of the ten member districts. The Skills Center is governed by an Administrative Council, comprised of the superintendents, or their appointed representatives, of all member districts. The Skills Center administration is handled through a director, employed by the District.

As host district, the District has the following responsibilities:

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

Sources of Funding

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

Facility Maintenance and Improvements

The participating member districts approve annually the amount of funding to be set aside for use on Skills Center facility maintenance and improvements. Any amounts set aside that have not been expended for maintenance and improvements are recorded as a restriction of the District's General Fund balance.

Unspent Funds

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

Financial operations of this facility are included in these financial statements in the amount of revenues and expenditures totaling \$5,759,956 and \$5,662,299, respectively. Comparable revenues and expenditures during the preceding year were \$5,168,451 and \$5,047,593, respectively.

The following districts are member districts of the Skills Center:

Battle Ground School District No. 119
Educational Service District No. 112
Hockinson School District No. 98
Ridgefield School District No. 122
Washougal School District No. 112-6

Camas School District No. 117
Evergreen School District No. 114
LaCenter School District No. 101
Vancouver School District No. 37
Woodland School District No. 404

Evergreen School District No. 114
Schedule of Expenditures of Federal Awards
For the Year Ending August 31, 2018

Federal Agency Name	Pass Through Agency	Federal Program Title	CFDA Number	Other Identification Number	From Direct Awards	From Pass-Through Awards	Total	Passed Through To Subrecipients	Footnote
US Department of Agriculture	WA OSPI	School Breakfast Program	10.553				\$1,184,643		
	WA OSPI	National School Lunch Program-Cash Assistance	10.555				\$4,548,179		
	WA OSPI	National School Lunch Program-Non Cash Assistance Food Commodities	10.555				\$550,132		(2)
	WA OSPI	Summer Food Service Program for Children	10.559				\$6,546		
		Subtotal Child Nutrition Cluster					<u>\$6,289,500</u>		
	WA St. Treasurer Office	Schools and Roads-Grants to States	10.665				\$594		
	WA OSPI	Child and Adult Care Food Program	10.558				\$22,744		
	WA OSPI	Child and Adult Care Food Program	10.558				\$253,925		
		Total US Department of Agriculture					<u>\$6,566,763</u>		
US Department of Education	WA OSPI	Title I Grants to Local Educational Agencies	84.010	202707			\$5,915,260		(3,4)
	WA OSPI	Special Education Grants to States	84.027	306052			\$4,368,882		
	WA OSPI	Special Education Grants to States	84.027	338025			\$98,957		
	WA OSPI	Special Education Preschool Grants	84.173	365540			\$120,546		
		Subtotal Special Education Cluster (IDEA)					<u>\$4,588,385</u>		
	WA OSPI	Career and Technical Education-Basic Grants to States	84.048	174012			\$138,847		
	WA OSPI	Career and Technical Education-Basic Grants to States	84.048	173913			\$58,603		
	WA OSPI	Education for Homeless Children and Youth	84.196	456235			\$25,449		
	WA OSPI	English Language Acquisition State Grants	84.365	402413			\$24,380		
	WA OSPI	English Language Acquisition State Grants	84.365	402455			\$619,717		
Office of the Secretary of State Office of the Secretary of State	WA OSPI	Supporting Effective Instruction State Grants	84.367	524130			\$900		(4)
	WA OSPI	Supporting Effective Instruction State Grants	84.367	524356			\$726,136		
	WA OSPI	Student Support & Academic Enrichment Program	84.424	430120			\$51,054		
		Total US Department of Education					<u>\$12,148,731</u>		
		Grants to States	45.310	IG-5879			\$1,999		
		Grants to States	45.310	IG-5965			\$2,000		
		Total Office of the Secretary of State					<u>\$3,999</u>		
Department of Health and Human Services	ESD #112	Drug Free Communities Support Program Grants	93.276	PO#7007000113			\$129		
	ESD #112	Drug Free Communities Support Program Grants	93.276	1H79SP080106-01			\$109,877		
	WA OSPI	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	930118			\$6,939		
		Total US Dept of Health and Human Services					<u>\$116,945</u>		
							<u>\$18,836,438</u>		
TOTAL FEDERAL AWARDS EXPENDED									

The Accompanying Notes to the Schedule of Expenditures of Federal Awards are an Integral Part of this Schedule.

Evergreen School District No. 114
Notes to Schedule of Federal Financial Assistance
September 1, 2017 Through August 31, 2018

Note 1 Basis of Accounting

The Schedule of Expenditures of Federal Awards is prepared on 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 Non Cash Awards

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

Note 3 Schoolwide Programs

The District operates a "schoolwide program" in fourteen elementary buildings. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to certain targeted students. The following federal program amounts were expended by the District in its schoolwide program: Title I (84.010) \$5,915,260.

Note 4 Federal Indirect Rate

The District used a federal restricted rate of 5.59%. The District has not elected to use the 10 - percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

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

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

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

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