Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Auburn School District No. 408

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

Published April 18, 2019

Report No. 1023593

Office of the Washington State Auditor
Pat McCarthy

April 18, 2019

Board of Directors
Auburn School District No. 408
Auburn, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Auburn School District No. 408's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

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Auburn School District No. 408
September 1, 2017 through August 31, 2018

SECTION I – SUMMARY OF AUDITOR'S RESULTS

The results of our audit of Auburn School District No. 408 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 basic financial statements of basic and the governmental activities in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified 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 findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs:

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

CFDA No.	Program or Cluster Title
10.553	Child Nutrition Cluster – School Breakfast Program
10.555	Child Nutrition Cluster – National School Lunch Program
10.559	Child Nutrition Cluster – Summer Food Service Program for Children
84.010	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

See finding 2018-001.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Auburn School District No. 408
September 1, 2017 through August 31, 2018

2018-001 The District did not have adequate internal controls to ensure compliance with eligibility requirements when allocating funds to Title I schools.

CFDA Number and Title:	84.010 – Title I Grants to Local Educational Agencies
Federal Grantor Name:	U.S. Department of Education
Federal Award/Contract Number:	202734, 269002, and 263202
Pass-through Entity Name:	Office of Superintendent of Public Instruction
Pass-through Award/Contract Number:	5188/203 and 5188/202
Questioned Cost Amount:	$0

Background

The federal Title I program's objective is to improve the teaching and learning of children who are at risk of not meeting state academic standards and who reside in areas with high concentrations of children from low-income families. During fiscal year 2018, the District spent $3,751,456 in Title I program funds.

Federal regulations require recipients of federal awards to establish and maintain effective internal controls to ensure compliance with program requirements. These controls include knowledge of grant requirements and monitoring of program controls.

Federal regulations require the District to allocate Title I grant funds to each attendance area or school in rank order based on the total number of children from low-income families residing in the area or attending the school. A school attendance area or school is generally eligible to participate if the percentage of children from low-income families is at least as high as the percentage of children from low-income families in the District as a whole or at least 35 percent. The District must serve areas or schools with over 75 percent students from low-income families in rank order first. Then it may serve areas or schools with a rate of low-income families between 35 percent and 75 percent in rank order. If the District elects to serve schools with a rate of low-income families that is less than 35 percent, it must allocate to all its participating schools an amount per child from a low-income family that equals at least 125 percent of the District's Title I allocation per child from a low-income family. The District chose to serve one school with less than 35 percent students from low-income families.

Description of Condition

The District's controls were not effective in ensuring it complied with eligibility requirements of the Title I program. The District did not allocate at least 125 percent of its allocation per child as required.

We consider this internal control deficiency to be a material weakness.

Although this condition was not reported as finding in the prior audit, we reported a finding related to other requirements of this compliance area in finding 2017-001.

Cause of Condition

District staff were unaware of the requirement to allocate at least 125 percent of its allocation per child to all of its participating schools when serving schools below 35 percent poverty rate.

Effect of Condition and Questioned Costs

As a result of allocating Title I funds incorrectly, the amount of services provided at schools with higher percentages of low-income students might have been unfairly limited.

The District under-allocated Program funding to two schools as follows:

- Auburn Riverside High School was allocated per-pupil expenditures of $524, not the required $534, resulting in underfunding totaling $3,086.
- Auburn Mountain View High School was allocated per-pupil expenditures of $529, not the required $534, resulting in underfunding totaling $5,644.

Recommendations

We recommend the District establish and follow policies and procedures and ensure staff responsible for compliance are adequately trained regarding Program eligibility requirements.

We also recommend the District review its allocations of Program funding to ensure they are accurate, and conform to Program requirements.

District's Response

The Auburn School District concurs with the State Auditor's office finding of, "The District did not have adequate internal controls to ensure compliance with eligibility requirements when allocating funds to Title I schools."

During the 17-18 school year, Auburn Riverside High School fell below the 35% poverty threshold at 34.7%. If the school district serves any schools below 35% poverty, the district must allocate at least 125% of the district's allocation per low income student which in 17-18 was equivalent to $534. Although FP 201 was approved by OSPI staff, the Auburn School District was not compliant in meeting the 125% rule.

Specific to the 18-19 school year, FP 201 was revised to ensure no school in Auburn was allocated Title I funds that fell below the 35% poverty threshold. Additionally, processes are now in place to ensure future compliance. These processes are described on the Corrective Action Plan document provided to the Auditor's office by the Auburn School District.

The Auburn School District appreciates the guidance and ability to work with the state auditor's office team in finding resolution to the associated finding.

Auditor's Remarks

We appreciate the District's commitment to resolve this finding and thank the District for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 303 – Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

Title 2 CFR Part 200, Uniform Guidance, section 516 – Audit findings, establishes reporting requirements for audit findings.

Title 34 CFR, Part 200, sections 200.77 and 200.78 establish the requirements for reservation of funds by a Local Education Agency (LEA) and allocation of funds to school attendance areas and schools, respectively.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Auburn School District No. 408

9/1/17 through 8/31/18

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

<table>
<tr><td>Audit Period:
9/1/16 through 8/31/17</td><td>Report Ref. No.:
48463</td><td>Finding Ref. No.:
2017-001</td><td>CFDA Number(s):
84.010</td></tr>
<tr><td colspan="2">Federal Program Name and Granting Agency:
U.S. Department of Education</td><td colspan="2">Pass-Through Agency Name:
Office of Superintendent of Public Instruction</td></tr>
<tr><td colspan="4">Finding Caption:
The District did not have adequate internal controls to ensure compliance with requirements for qualifications of paraprofessionals, eligibility, school-wide programs and high school graduation rate data.</td></tr>
<tr><td colspan="4">Background:
The federal Title I program’s objective is to improve the teaching and learning of children who are at risk of not meeting state academic standards and who reside in areas with high concentrations of children from low-income families. During fiscal year 2017, the District spent $4,105,324 in Title I program funds.

Federal regulations require federal-money recipients to establish and follow internal controls to ensure compliance with program requirements. These controls include knowledge of grant requirements and monitoring of program controls.</td></tr>
<tr><td colspan="4">Status of Corrective Action: (check one)
☒ Fully Corrected   ☐ Partially Corrected   ☐ Not Corrected   ☐ Finding is considered no longer valid</td></tr>
<tr><td colspan="4">Corrective Action Taken:
High School Graduation Rate:
1. Monthly review. A review will be part of our monthly enrollment routine. Assigned school staff will print a report of both unconfirmed transfers and confirmed transfers. School staff should then try to find out if the unconfirmed can be confirmed as well as make sure we have documentation for anything confirmed.</td></tr>
</table>

We will be doing this at all grade levels, even though grad data is just for 9-12. This is because the accuracy of our withdrawal records affects other data reports. Also, following this practice even at our elementary schools will provide consistency throughout the district.

2. ***Annual review***. *In the spring, lists will be sent out to building principals for their review. A second review will happen in the fall once the P210 window opens giving schools a final chance to make any changes/updates.*

Qualifications of Paraprofessionals:

1. ***Proof of High School Diploma.*** *Human Resources has now included the requirement that all Para Paraprofessionals submit proof of a High School Diploma or GED before being hired. In addition, HR has added this requirement to a checklist that is attached to the employees file.*

Eligibility:

1. *The Assistant Director of Department of Student Learning will review the Free and Reduced Lunch report used to determine eligible schools and rank order in accordance with school poverty rankings. Hard copy documentation matching the free and reduced report in i-grants will be kept on file by the Assistant Director. The Assistant Director will monitor rank order to ensure compliance.*

Schoolwide Programs:

1. *The Department of Student Learning will use a school improvement plan template and lock required components so they cannot be removed or changed. The Assistant Superintendent of Department of Student Learning will review the school improvement plans to ensure required components are complete.*

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*

Auburn School District No. 408
September 1, 2017 through August 31, 2018

Board of Directors
Auburn School District No. 408
Auburn, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Auburn School District No. 408, as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 10, 2019. As discussed in Note 7 to the financial statements, during the year ended August 31, 2018, the District implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

April 10, 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

Auburn School District No. 408
September 1, 2017 through August 31, 2018

Board of Directors
Auburn School District No. 408
Auburn, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Auburn School District No. 408, 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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2018-001. Our opinion on each major federal program is not modified with respect to these matters.

District's Response to Findings

The District's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2018-001 to be a material weakness.

District's Response to Findings

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy

State Auditor

Olympia, WA

April 10, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Auburn School District No. 408
September 1, 2017 through August 31, 2018

Board of Directors
Auburn School District No. 408
Auburn, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Auburn School District No. 408, as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 21.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Auburn School District No. 408, as of August 31, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 7 to the financial statements, in 2018, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Pat McCarthy

State Auditor

Olympia, WA

April 10, 2019

FINANCIAL SECTION

Auburn School District No. 408
September 1, 2017 through August 31, 2018

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Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities – 2018
Statement of Net Position – Fiduciary Funds – 2018
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Budgetary Comparison Schedule – General Fund – 2018
Budgetary Comparison Schedule – Special Revenue Fund (Associated Student Body Fund) – 2018
Schedule of Changes in the Total OPEB Liability and Related Ratios – 2018
Schedule of Proportionate Share of Net Pension Liability – PERS 1, SERS 2/3, TRS 1, TRS 2/3 – 2018
Schedule of Employer Contributions – PERS 1, SERS 2/3, TRS 1, TRS 2/3 – 2018

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2018
Notes to the Schedule of Expenditures of Federal Awards – 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Auburn School District No. 408, we offer readers of the district's generally accepted accounting principles (GAAP) this narrative overview and analysis of the financial activities of the district for the fiscal year ended August 31, 2018.

FINANCIAL HIGHLIGHTS

- The district's net position of governmental activities as of August 31, 2018 was $195,512,189.

- During the year, the district had revenues that were $31.5 million greater than the $237.6 million in expenses incurred for all governmental activities.

- The general fund revenues exceeded expenditures by $4,865,273.

- In November 2016, the Auburn community passed a $456,056,000 bond to construct and equip two new elementary schools; rebuild and equip Chinook Elementary, Dick Scobee Elementary, Lea Hill Elementary, Pioneer Elementary, Terminal Park Elementary schools and Olympic Middle School. The funds may also be used to acquire sites as needed to accomplish these capital projects.

    - A first series of the Bond Authorization, the Unlimited Tax General Obligation Bonds, 2017 (the "2017 Bonds"), with a par amount of $90,535,000, plus the deposit of $4,561,000 of net original issue premium generated by the sale of the 2017 Bonds, was issued on January 24,2017. Following the second series of the Bond Authorization of the 2018 Bonds, the District has $204,450,000 of unissued Bond Authorization.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts: an introductory section, a financial section, and a statistical section. The financial section includes the independent auditor's report, management's discussion and analysis, the basic financial statements and related notes to the financial statements.

The basic financial statements consist of a series of statements that present different financial views of the district:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the district's overall financial status and activities. For district activities, these statements tell how these services were financed in the short term as well as what remains for future spending.

- All of the remaining statements are *fund financial statements* that report district operations in more detail by providing information about the district's most significant funds. Information is also provided about activities for which the district acts solely as a trustee for the benefit of those outside of the government.

DISTRICT-WIDE FINANCIAL STATEMENTS

The district-wide financial statements are designed to provide a broad overview of district finances, similar to a private-sector business. The *statement of net position* presents information on all of the assets and liabilities of the district. The difference between the two is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the district's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying financial event takes place, regardless of when the cash is actually received or disbursed. Thus, revenues and expenses are reported in this statement for some items that will result in cash receipts or disbursements in future fiscal periods. Earned but unused vacation leave and uncollected taxes are examples of these types of items.

FUND FINANCIAL STATEMENTS

A fund is a group of related accounts used to maintain control over resources segregated for specific activities or objectives. The district uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All district funds can be divided into two categories: governmental funds and fiduciary funds.

GOVERNMENTAL FUNDS

Governmental funds account for essentially the same functions reported as governmental activities in the *district-wide financial statements*. However, unlike these statements, *governmental fund financial statements* focus on how money flows into and out of the funds and the balances left at year-end that are available to spend. These funds use an accounting method called *modified accrual accounting* which measures cash and all other financial assets that can easily be converted to cash. Such information may be useful in evaluating the district's ability to finance the district's educational programs and support operations in the near future.

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the *district-wide financial statements*. By doing so, readers may better understand the long-term impact of the district's near-term financing decisions. Both the governmental fund *balance sheet* and the governmental fund *statement of revenues, expenditures, and changes in fund balances* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the *governmental fund statement of revenues, expenditures and changes in fund balance* for the General Fund, Associated Student Body (ASB) Fund, Capital Projects Fund, Transportation Vehicle Fund and the Debt Service Fund, all of which are considered major funds.

FIDUCIARY FUNDS

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

STATEMENT OF NET POSITION

The financial statements of the district present an increased financial position as reflected in the statement of net position. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash was received or paid.

These statements report the district's net position and changes in them. The district's net position (the difference between assets and liabilities/deferred inflows) may be viewed as one way to measure the district's financial health or financial position.

Auburn School District's assets exceeded liabilities by $195,512,189 at the end of the fiscal year, August 31, 2018.

The **INCREASE** in total net position for the year was $31,543,120. Key elements of this increase are as follows:

Auburn School District's Net Position
August 31, 2018 and 2017

	Governmental Activities		
	2018	2017	Change
Current and other assets	$371,161,570	$219,005,561	$ 152,156,009
Capital assets	343,202,679	329,720,994	13,481,685
Deferred charges on refunding	2,921,059	3,430,077	(509,018)
Deferred outflows on pensions	8,703,640	8,532,822	170,818
Deferred outflows on OPEB	3,572,896	-	3,572,896
Total Assets & Deferred Outflows	$729,561,844	$560,689,454	$ 168,872,390
			-
Other liabilities	8,755,254	6,951,592	1,803,662
Long-term debt outstanding	509,413,783	360,090,875	149,322,908
Deferred inflows on pensions	15,880,618	11,445,587	4,435,031
Total Liabilities & Deferred Inflows	534,049,655	378,488,054	155,561,601
			-
Net Position			-
Net investment in capital assets	(47,361,735)	75,661,958	(123,023,693)
Restricted	292,378,466	142,021,982	150,356,484
Unrestricted	(49,504,543)	(35,482,540)	(14,022,003)
Total Net Position	$195,512,189	$182,201,400	$13,310,789

The Auburn School District reflects a large negative change in the net position for investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure, less any related outstanding debt that was used to acquire those assets). This decrease is the result of issuing bonds on August 22, 2018, the funds of this issue are to be used in accordance with the voter authorized projects on the November 2016 ballot. These funds were secured for those projects which are expected to take a considerable amount of time to complete, therefore, the assets have not been recognized on the District's balance sheet at the time the bonds were issued. The Auburn School District uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although, the Auburn School District's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Auburn School District's net position represents resources that are subject to external restrictions on how they may be used. Of the $292,378,466 reported as Restricted District wide, $242,190,243 is for Capital Projects.

STATEMENT OF ACTIVITIES

Governmental activities improved the district's overall financial position, increasing the district's net position by $31,543,120. Key elements of the increase are as follows:

AUBURN SCHOOL DISTRICT'S Changes in Net Position
Governmental Activities
For the Fiscal Years Ended August 31, 2018 and 2017

Revenues	2018	2017	Changes
Program Revenues			
Charges for services	$6,270,762	$ 5,893,554	$ 377,208
Operating grants and contributions	57,208,464	44,786,220	12,422,244
Capital grants and contributions	1,240,097	3,681,477	(2,441,380)
General revenues			
Property taxes for levies for educational programs	43,188,067	40,881,803	2,306,264
Property taxes for levies for debt service	32,437,563	31,189,580	1,247,983
Property taxes for levies for capital	3,563,321	3,594,153	(30,832)
improvements and technology	-	-	-
Unallocated state apportionment and other	124,595,613	112,003,798	12,591,815
Interest and investment earnings	657,913	1,070,165	(412,252)
Total Revenues	269,161,800	243,100,750	26,061,050
Expenses			
Regular instruction	129,967,809	133,818,795	(3,850,986)
Special instruction	28,800,007	25,948,721	2,851,286
Vocational instruction	7,686,692	7,363,356	323,336
Compensatory education	17,654,659	16,102,382	1,552,277
Other instructional programs	1,359,020	1,015,936	343,084
Community services	1,199,914	1,011,670	188,244
Support services	23,979,112	22,225,468	1,753,644
Child nutrition services	7,089,551	6,294,914	794,637
Pupil transportation services	8,770,315	8,109,756	660,559
Extracurricular activities (ASB)	2,272,830	2,132,581	140,249
Interest on long-term debt	8,181,353	7,377,844	803,509
Bond issuance costs	657,417	471,611	185,806
Total Expenses	237,618,679	231,873,034	5,745,645
Increase (decrease) in Net Position	31,543,121	11,227,716	20,315,405
Beginning Net Position	182,201,400	170,973,684	11,227,716
Cumulative Change in Accounting Principle OPEB	(18,232,332)	-	(18,232,332)
Ending Net Position	$ 195,512,189	$ 182,201,400	$ 13,310,789

The largest revenue increase of $12.5 million was the increase in property tax levies for the prior year bond issue of $90.5 million. Also, the increase in general apportionment is due to an increase in enrollment.

The largest revenue decrease of slightly under $2.4 million is in capital grants and contributions. This is due to the differences between the calendars levy year and the district fiscal year as well as the differences between accrual and cash basis accounting account for the lack of accrual revenue for fiscal 2017.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The focus of the district's *governmental funds* is to provide information on short-term cash inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's net resources available for spending at the end of the fiscal year.

As the district completed the fiscal year, its governmental funds (as presented in the balance sheets in the Governmental Fund Financial Statement section) reported a combined fund balance of $313,936,141 and increase of $144,759,058 over the prior year combined fund balance of $169,177,083. This change is primarily the result of the $138.7 million bond issue in August 2018. The increase in enrollment also helped revenues exceed expenditures in the general fund.

GENERAL FUND

The General Fund is the major operating fund of the district, providing the majority of the resources for educational programs and support operations.

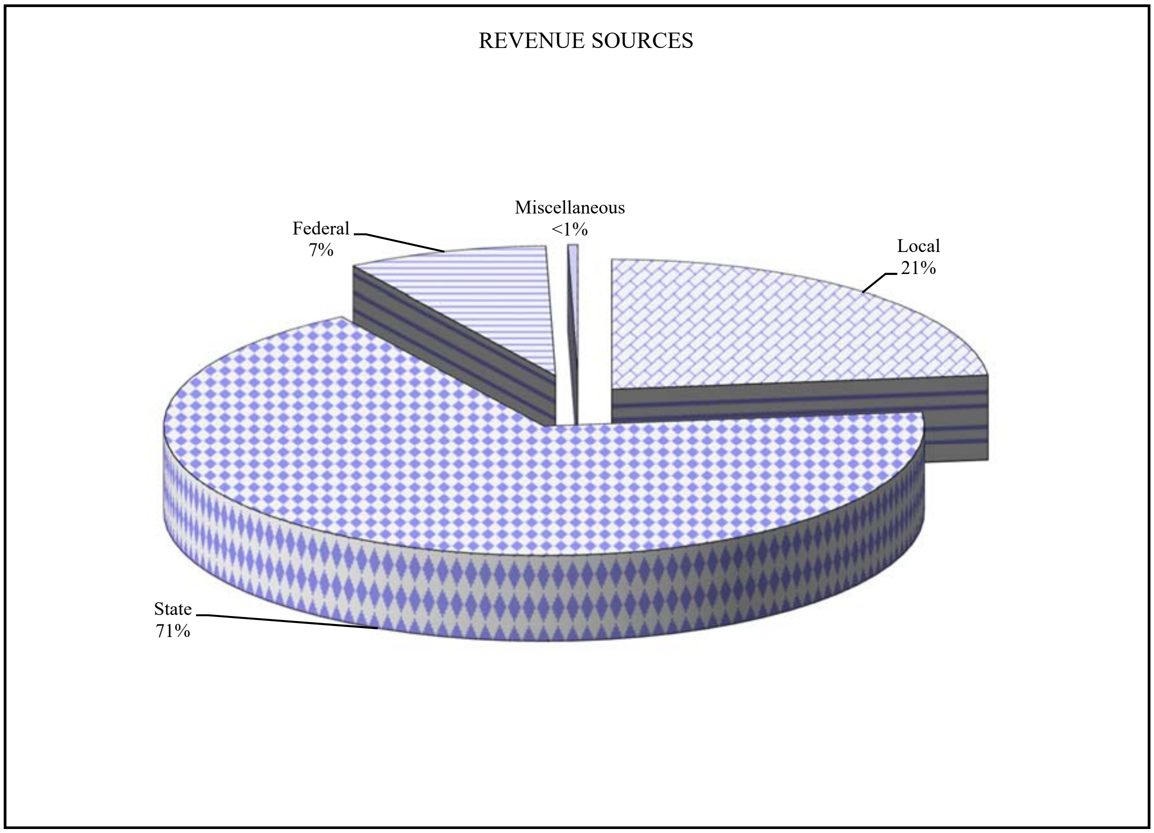
GENERAL FUND REVENUES

Revenues for the General Fund totaled $220,494,157 in the fiscal year ending August 31, 2018. This was $20,623,667 or 9.4% more than the prior year. The State of Washington provides over 71% or the largest portion of the District's revenue. Local revenues from local property taxes, and local fees and charges account for over 21% of total revenues. Federal grants provide just over 7% of revenue.

GENERAL FUND REVENUES

Revenue Source	2017-18	2016-17	Increase (Decrease) Amount	Increase (Decrease) Percent
Local Taxes & Non-taxes	$46,584,681	$ 44,193,153	$ 2,391,528	5.41%
State Revenues	157,611,735	139,023,834	18,587,901	13.37%
Federal Revenues	15,200,585	15,802,649	(602,064)	-3.81%
Other Revenues	1,097,156	850,854	246,302	28.95%
Totals	$ 220,494,157	$ 199,870,490	$ 20,623,667	10.32%

The increase of $18,587,901 state revenues is due to an increase in enrollment, additional MSOC funding.



GENERAL FUND EXPENDITURES

Expenditures in the General Fund totaled $215,628,884 for the fiscal year. This represents an increase of $17,726,835 or 8% over the prior year.

GENERAL FUND EXPENDITURES	2017-18	2016-17	Increase (Decrease) Amount	Increase (Decrease) Percent
Current				
Regular Instruction	$123,474,719	$113,800,902	$ 9,673,818	8.50%
Special Education	27,385,339	24,684,257	2,701,083	10.94%
Vocational Instruction	7,184,605	6,866,517	318,089	4.63%
Compensatory Education	16,665,093	15,161,857	1,503,237	9.91%
Other Instructional Programs	1,212,921	881,152	331,769	37.65%
Community Services	1,167,512	971,631	195,881	20.16%
Support Services	23,462,431	21,495,127	1,967,304	9.15%
Child Nutrition Services	6,646,862	6,206,085	440,777	7.10%
Pupil Transportation Services	7,801,675	7,185,911	615,764	8.57%
Capital Outlay				
Equipment	627,727	648,612	(20,885)	-3.22%
Totals	$215,628,884	$ 197,902,049	$ 17,726,835	8.96%

Increases of $9.6 million in state funded regular instructional expenditures, $2,701,083 in special education instructional expenditures and $318,089 in vocational instruction were the result of increased student enrollments.

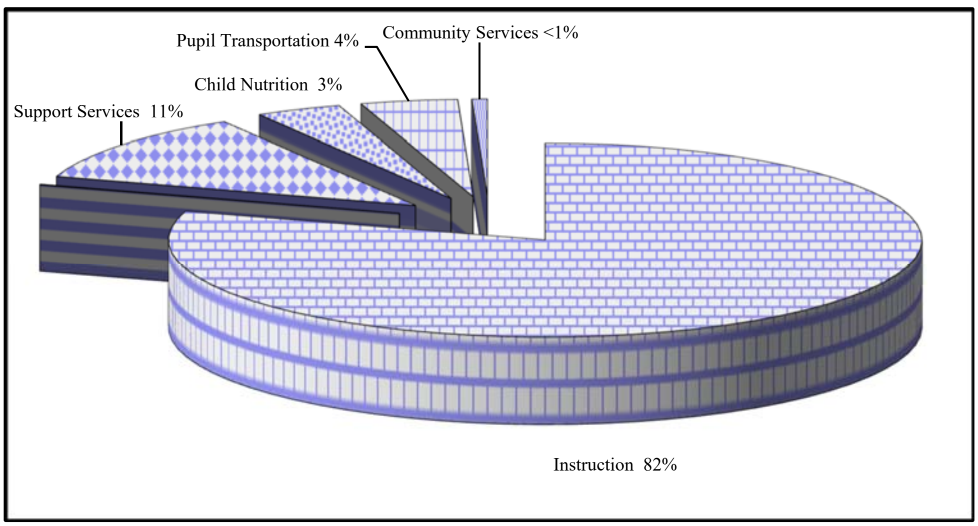
Compensatory education expenditures increased by $1,503,237 due to increased federal dollars for Title I programs and increased state dollars for the state counterpart of Title I known as Learning Assistance (LAP). In addition, a continuing growing enrollment of students for whom English is not their first language generated additional state assistance to meet their educational needs.

Child Nutrition cost's increased by $440,777 last year due to the new federal nutrition guidelines. New guidelines define what types of ingredients the District can purchase, and ultimately serve for student meals.

Pupil Transportation costs increased by 8.57% or $615,764 during the year. The increase was due to hiring additional staff to transport increasing enrollment.

Special Education expenditures increase by $2,701,083 during the year. Increased costs occurred due to an increased need to provide services for a growing special needs student population.

EXPENDITURE USES



MAJOR FUND BUDGETARY HIGHLIGHTS

Appropriations are a prerequisite to expenditures in the governmental funds. Appropriations lapse at the end of the fiscal year. The fiscal year 2017-18 budget adopted by the Board of Directors for the district totaled $324,379,915 including General Fund appropriations of $225,849,874, Special Revenue Fund (ASB) appropriations of $4,780,925, Debt Service Fund appropriations of $28,485,038 Capital Projects Fund appropriations of $64,314,078 and Transportation Vehicle Fund appropriations totaling $950,000.

Reasons for the significant variances in the general fund between the budget and actual results include:

- Total actual general fund revenues were $307,990 less than budgeted. Almost all of that decrease was due to an over estimation of local non tax revenue received.
    - This total includes $292,650 of NBN premiums from plan members and $1,872 in NBN interest earnings, as well as the net fair market value adjustments of

negative $140,753.

- Total actual general fund expenditures were $3,196,558 less than budgeted as a result of conservative budget practices.
    - This total includes $270,559 of NBN expenses

Reasons for the significant variances in the capital projects fund between the budget and actual results include:

- State revenues were $6,947,355 more than budgeted due to the District receiving final claims in state match revenue from the Auburn High School project completed year prior.

- Expenditures were $35,353,917 less than budgeted. Expenditures are largely based on the progress of the Olympic Middle School re model project.

- Revenues were less than projected in the Associated Study Body Fund by approximately $2.4 million and expenditures were less than projected by $2.5 million. Students and their adult advisors did an outstanding job of spending within their budget.

- Transportation Vehicle expenditures were $172,391 less than projected due to delayed plans to replace aging buses.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

The District's investment in capital assets for its governmental type activities as of August 31, 2018 amounted to $326,420,260 (net of accumulated depreciation of $137,730,509). This investment in capital assets includes land, buildings, land and building improvements, furniture and equipment.

During the fiscal year, $7,195,537 was added to buildings for improvements that met the capitalization policy of $100,000. In addition, $1,455,552 was added to equipment that met the capitalization policy of $5,000 per unit, and $15,582,622 was taken out from construction in progress primarily for projects finalized.

See Note 4, Changes in Capital Assets, for more information.

CAPITAL ASSETS			
	Capital Assets	**Accumulated Depreciation**	**Net**
Land	$43,312,565	$ (463,631)	42,848,934
Building & Improvements	398,129,808	(120,349,052)	277,780,756
Equipment	22,708,396	(16,917,826)	5,790,570
Construction In Progress	16,782,419	-	16,782,419
Total	$480,933,188	$ (137,730,509)	$ 343,202,679

DEBT ADMINISTRATION

At the end of the current fiscal year, the district had $355,195,000 in unlimited general obligation bonds outstanding. This debt is secured by a pledge of the full faith and credit of the district. $19,730,000 of that debt is due within the next twelve months.

The Washington State Constitution and the Revised Code of Washington 39.36.015 and 39.36.020 limit the amount of general obligation (GO) debt that may be issued. With a vote of the people, debt cannot be incurred in excess of 5% of the value of the taxable property of the district, provided the indebtedness in excess of 2.5% is for capital outlay. For the fiscal year ended August 31, 2018, the maximum GO debt authorized by statutory limit was $597 million. The district had $355,195,000 of debt outstanding at August 31, 2018, which was subject to that limitation. With $12.5 million of assets in the Debt Service Fund available for payment of principal, there is a legal debt margin of $254.9 million.

The district's most recent underlying bond rating from Moody's is Aa2.

See Note 8, Long-Term Liabilities, for more information.

NEXT YEAR'S APPROPRIATIONS AND BUDGET RATES

The 2017-18 appropriations for governmental funds of the district were approved at $324,379,915, an increase of 18% from total appropriations of $264,802,813 million last year.

Property tax rates of $6.30 per $1,000 were projected for 2019, consistent with the 2018 actual tax rates of $6.29 per $1,000.

REQUESTS FOR INFORMATION

This financial report is designed to provide the district's citizens, taxpayers, customers, investors and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, visit www.auburn.wednet.edu or contact

Troy Dammel
Executive Director of Business Services
Auburn School District No. 408
915 4th Street NE
Auburn, WA 98002

AUBURN SCHOOL DISTRICT NO. 408
STATEMENT OF NET POSITION
August 31, 2018

	Note #		Primary Government Governmental Activities
ASSETS			
Cash and cash equivalents	1.E.1 and 2	$	317,518,344
Property tax receivable	1.E.2		50,216,749
Receivables, net	1.E.3		760,176
Due from other governments	1.E.5		2,069,547
Inventories	1.E.6		596,754
Capital assets, net of accumulated depreciation, where applicable:			
Land	4		42,848,934
Buildings & Improvements			277,780,756
Equipment			5,790,570
Construction in Progress	5		16,782,419
TOTAL ASSETS			**714,364,249**
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding			2,921,059
Deferred charge on Penson Plans	6		8,703,640
Deferred charge on OPEB Plans	7		3,572,896
TOTAL DEFERED OUTFLOWS OF RESOURCES			**15,197,595**
LIABILITIES			
Accounts payable			5,629,860
Accrued wages and benefits payable			730,177
Due to other governments			85,642
Accrued interest			2,099,549
Unearned revenue	1.E.9		210,025
Net Pension Liability	8		70,608,475
Net OPEB Liability	8		43,613,186
Long-Term liabilities			
Due within one year	8		21,203,680
Due in more than one year			373,988,442
TOTAL LIABILITIES			**518,169,037**
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow on Pension Plans	6		15,880,618
TOTAL DEFERED INFLOWS OF RESOURCES			**15,880,618**
NET POSITION			
Net investment in capital assets			(47,361,735)
Restricted for:			
Child nutrition services			3,648,480
Carryovers			800,943
Student activities			1,665,726
Debt service			12,591,921
Capital projects			242,190,243
State Proceeds			28,888,765
Acquisition of school buses			2,592,388
Unrestricted			(49,504,543)
TOTAL NET POSITION		**$**	**195,512,189**

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

AUBURN SCHOOL DISTRICT NO. 408
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2018

		PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION PRIMARY GOVERNMENT
Functions/Programs	**Expenses**	**Charges for Service**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**
Primary Government:					
Governmental Activities:					
Regular Instruction	$ 129,967,810	$ 588,372	$ -	$ 388,416	$ (128,991,022)
Special Instruction	28,800,007	-	16,657,797	-	(12,142,211)
Vocational Instruction	7,686,692	79,404	109,826	-	(7,497,462)
Compensatory Education	17,654,659	-	18,011,496	-	356,837
Other Instructional Programs	1,359,020	91,429	8,989,493	-	7,721,903
Community Services	1,199,914	591,275	-	-	(608,639)
Support Services	23,979,112	635,986	-	-	(23,343,126)
Child Nutrition Services	7,089,551	1,928,304	6,089,272	-	928,026
Pupil Transportation Services	8,770,315	-	7,350,581	851,681	(568,052)
Extracurricular Activities (ASB)	2,272,830	2,355,993	-	-	83,163
Interest Expense on Long-Term Debt	8,181,353	-	-	-	(8,181,353)
Bond Issuance Costs	657,417	-	-	-	(657,417)
Total Governmental Activities	**$ 237,618,679**	**$ 6,270,763**	**$ 57,208,465**	**$ 1,240,097**	**$ (172,899,354)**

General Revenues:	
Taxes:	
Property taxes, levies for educational and other programs	43,188,067
Property taxes, levies for debt service	32,437,563
Property taxes, levies for capital improvements and technology	3,563,321
Unallocated State Apportionment & Others	124,595,613
Interest and Investment earnings	657,913
Total General Revenues and Special Items	**204,442,475**
Changes in Net Position	**31,543,120**
Net Position - Beginning	**182,201,400**
Cumulative Effect of Change in Accounting Principal (OPEB)	**(18,232,332)**
Adjusted Net Position - Beginning	**163,969,068**
Net Position - Ending	**$ 195,512,189**

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

AUBURN SCHOOL DISTRICT NO. 408
BALANCE SHEET
GOVERNMENTAL FUNDS
August 31, 2018

	GENERAL FUND	SPECIAL REVENUE FUND (ASB)	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TRANSPORTATION VEHICLE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS:						
Cash and Cash Equivalents	$ 21,393,820	$ 1,907,049	$ 12,578,640	$ 279,048,577	$ 2,590,258	$ 317,518,344
Property Tax Receivable	21,291,867	-	14,250,034	1,835,416	(50)	37,377,267
Accounts Receivable, Net	441,948	1,000	-	38	-	442,986
Interest Receivable	32,220	2,488	18,543	261,314	2,625	317,190
Interfund Receivable	90,711		-	-		90,711
Due From Other Government Units	1,820,046	-	-	249,501	-	2,069,547
Inventories at Cost	596,754	-	-	-	-	596,754
TOTAL ASSETS	**45,667,365**	**1,910,537**	**26,847,216**	**281,394,846**	**2,592,834**	**358,412,798**
LIABILITIES:						
Accounts Payable	2,018,910	37,835	5,262	3,567,854	-	5,629,860
Accrued Liabilities	730,177	-	-	-	-	730,177
Due to Other Governments	67,655	767	-	16,725	495	85,642
Interfund Payable	350	1,209	-	89,151	-	90,711
Unearned Revenue-Other	1,220	205,001	-	3,804	-	210,025
TOTAL LIABILITIES	**2,818,313**	**244,811**	**5,262**	**3,677,535**	**495**	**6,746,416**
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue-Property Taxes	21,291,867	-	14,250,034	1,835,416	(50)	37,377,267
Unavailable Revenue - Other	352,974					352,974
TOTAL DEFERRED INFLOWS OF RESOURCES	**21,644,842**	**-**	**14,250,034**	**1,835,416**	**(50)**	**37,730,242**
FUND BALANCES:						
Nonspendable: Inventories	596,754	-	-	-	-	596,754
Restricted:						
Child Nutrition Federal Grant	3,648,480	-	-	-	-	3,648,480
Carryovers	800,943					800,943
Student Activities	-	1,665,726	-	-	-	1,665,726
Debt Service	-	-	12,591,921	-	-	12,591,921
Bond Issue Project	-	-	-	242,190,243	-	242,190,243
Impact Fee Projects	-	-	-	-	-	-
State Proceeds	-	-	-	28,888,765	-	28,888,765
Acquisition of School Buses				-	2,592,388	2,592,388
Committed:						-
Capital Levy Projects	-	-	-	854,419	-	854,419
Technology Levy Projects	-	-	-	(111,040)	-	(111,040)
Held for Employee Benefits	208,996	-	-	-	-	208,996
Assigned:				-		-
Other Capital Projects	-	-	-	4,059,509	-	4,059,509
Other Purposes	8,000,000	-	-	-	-	8,000,000
Unassigned	7,949,038	-	-	-	-	7,949,038
TOTAL FUND BALANCES	**21,204,210**	**1,665,726**	**12,591,921**	**275,881,895**	**2,592,388**	**313,936,141**
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	**$ 45,667,365**	**$ 1,910,537**	**$ 26,847,216**	**281,394,846**	**$ 2,592,834**	**$ 358,412,798**

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

AUBURN SCHOOL DISTRICT NO. 408
RECONCILIATION
BALANCE SHEET WITH THE STATEMENT OF NET POSITION
August 31, 2018

	Total Governmental Funds	Long-Term Assets, Liabilities *	Reclassifications and Eliminations*	Statement of Net Position Totals
ASSETS				
Cash and Cash Equivalents	$ 317,518,344	$ -	$ -	$ 317,518,344
Property Tax Receivable	37,377,267	12,839,482	-	$ 50,216,749
Receivables, Net	442,986	-	-	$ 442,986
Interest Receivable	317,190	-	-	$ 317,190
Interfund Receivable	90,711	-	(90,711)	-
Due from Other Governments	2,069,547	-	-	$ 2,069,547
Inventories	596,754	-	-	$ 596,754
Capital Assets, Net	-	343,202,679	-	$ 343,202,679
TOTAL ASSETS	**358,412,798**	**356,042,161**	**(90,711)**	**714,364,249**
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charge on Refunding	-	2,921,059	-	2,921,059
Pension Plan Experience Difference	-	4,692,714	-	4,692,714
Pension Plan Assumption Changes	-	160,517	-	160,517
Pension Plan Changes in Proportions	-	536,903	-	536,903
Pension Plan Conributions	-	3,313,506	-	3,313,506
OPEB Plan Experience Difference	-	444,040	-	444,040
OPEB Plan Assumption Changes	-	3,128,856	-	3,128,856
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**-**	**15,197,595**	**-**	**15,197,595**
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**358,412,798**	**371,239,756**	**(90,711)**	**729,561,844**
LIABILITIES				
Accounts Payable	5,629,860	-	-	5,629,860
Accrued Liabilities	730,177	-	-	730,177
Due to Other Governments	85,642	-	-	85,642
Interfund Payable	90,711	-	(90,711)	-
Accrued Interest	-	2,099,549	-	2,099,549
Unearned Revenue-Other	210,025	-	-	210,025
Long-Term Liabilities - Pension	-	70,608,475	-	70,608,475
Long-Term Liabilities - OPEB	-	43,613,186	-	43,613,186
Long-Term Liabilities - Non Pension/OPEB	-	395,192,122	-	395,192,122
TOTAL LIABILITIES	**6,746,416**	**511,513,332**	**(90,711)**	**518,169,037**
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue-Property Taxes	37,730,242	(37,730,242)	-	-
Pension Plan Investment Earnings & Charges in Proportion (net difference)	-	10,879,445	-	10,879,445
Pension Plan Experience Difference	-	541,335	-	541,335
Pension Plan Assumption Changes	-	3,875,320	-	3,875,320
Pension Plan Changes in Proportions	-	584,517	-	584,517
TOTAL DEFERRED INFLOWS OF RESOURCES	**37,730,242**	**(21,849,624)**	**-**	**15,880,617**
FUND BALANCES				
Total Fund Balances	**313,936,141**	**(118,423,951.37)**	**-**	**195,512,189**
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	**$ 358,412,798**	**$ 371,239,756**	**$ (90,711)**	**$ 729,561,843**

The notes to the basic financial statements are an integral part of this statement.
* See Note 10A

AUBURN SCHOOL DISTRICT NO. 408
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2018

	GENERAL FUND	SPECIAL REVENUE FUND (ASB)	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TRANSPORTATION VEHICLE FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES						
Local Taxes	$ 41,514,136	$ -	$ 28,579,496	$ 3,645,427	$ -	$ 73,739,059
Local Non-Tax	5,070,544	2,371,495	77,815	729,602	14,882	8,264,338
State, General Purpose	123,448,991	-	-	-	-	123,448,991
State, Special Purpose	34,162,744	-	-	6,947,355	851,681	41,961,780
Federal, General Purpose	57,457	-	-	-	-	57,457
Federal, Special Purpose	15,143,128	-	-	-	-	15,143,128
Revenues From Other Sources	1,040,381	-	-	-	-	1,040,381
TOTAL REVENUES	**220,437,382**	**2,371,495**	**28,657,311**	**11,322,384**	**866,563**	**263,655,134**
EXPENDITURES						
Current:						
Regular Instruction	123,474,719	-	-	-	-	123,474,719
Special Instruction	27,385,339	-	-	-	-	27,385,339
Vocational Instruction	7,184,605	-	-	-	-	7,184,605
Compensatory Education	16,665,093	-	-	-	-	16,665,093
Other Educational Programs	1,212,921	-	-	-	-	1,212,921
Community Services	1,167,512	-	-	-	-	1,167,512
Support Services	23,462,431	-	-	-	-	23,462,431
Child Nutrition Services	6,646,862	-	-	-	-	6,646,862
Pupil Transportation Services	7,801,675	-	-	-	-	7,801,675
Extracurricular Activities (ASB)	-	2,275,844	-	-	-	2,275,844
Debt Service:						
Principal	-	-	19,210,000	-	-	19,210,000
Interest and Other Charges	-	-	9,270,038	-	-	9,270,038
Bond Issuance Costs	-	-	-	657,417	-	657,417
Capital Outlay:						
Sites	-	-	-	2,170,092	-	2,170,092
Buildings	-	-	-	23,026,126	-	23,026,126
Equipment	627,726	-	-	3,071,792	777,609	4,477,127
Energy	-	-	-	34,734	-	34,734
TOTAL EXPENDITURES	**215,628,884**	**2,275,844**	**28,480,038**	**28,960,161**	**777,609**	**276,122,535**
Excess of Revenues Over (Under) Expenditures	**4,808,498**	**95,651**	**177,273**	**(17,637,777)**	**88,954**	**(12,467,401)**
OTHER FINANCING SOURCES (USES)						
Proceeds of Long-Term Debt	-	-	-	138,755,000	-	138,755,000
Issuance of Bonds	-	-	-	-	-	-
Issuance Premium	-	-	3,367	18,411,317	-	18,414,684
Payment to Refunded Bonds Escrow Agent	-	-	-	-	-	-
Sale of Equipment	56,775	-	-	-	-	56,775
TOTAL OTHER FINANCING SOURCES (USES)	**56,775**	**-**	**3,367**	**157,166,317**	**-**	**157,226,459**
NET CHANGE IN FUND BALANCE	4,865,273	95,651	180,640	139,528,540	88,954	144,759,058
Fund Balances - September 1	16,338,938	1,570,075	12,411,281	136,353,355	2,503,434	169,177,083
Fund Balances - August 31	**$ 21,204,211**	**$ 1,665,726**	**$ 12,591,921**	**$ 275,881,895**	**$ 2,592,388**	**$ 313,936,140**

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

AUBURN SCHOOL DISTRICT NO. 408
RECONCILIATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
STATEMENT OF ACTIVITIES
August 31, 2018

	Total Governmental Funds	Long-Term Revenue, Expenses *	Capital Related items *	Long-Term Debt Transactions *	Statement of Activities Totals
REVENUES AND OTHER SOURCES					
Property Taxes	$ 73,739,059	$ 5,449,891	$ -	$ -	$ 79,188,950
Local Non-Taxes	8,264,338	-	56,775	-	$ 8,321,112
State, General Purpose	123,448,991	-	-	-	$ 123,448,991
State, Special Purpose	41,961,780	-	-	-	$ 41,961,780
Federal, General Purpose	57,457	-	-	-	$ 57,457
Federal, Special Purpose	15,143,128	-	-	-	$ 15,143,128
Revenues From Other Sources	1,040,381	-	-	-	$ 1,040,381
TOTAL	**263,655,134**	**5,449,891**	**56,775**	**-**	**269,161,800**
EXPENDITURES/EXPENSES					
Current:					
Regular Instruction	123,474,719	(6,110,871)	12,603,962	-	129,967,810
Special Instruction	27,385,339	501,176	913,492	-	28,800,007
Vocational Instruction	7,184,605	91,054	411,033	-	7,686,692
Compensatory Education	16,665,093	226,877	762,689	-	17,654,659
Other Instructional Programs	1,212,921	45,751	100,348	-	1,359,020
Community Services	1,167,512	39,877	(7,474)	-	1,199,914
Support Services	23,462,431	228,888	287,793	-	23,979,112
Child Nutrition Services	6,646,862	96,195	346,494	-	7,089,551
Pupil Transportation Services	7,801,675	157,568	811,071	-	8,770,315
Extracurricular Activities (ASB)	2,275,844	-	(3,014)	-	2,272,830
Debt Service:					-
Principal	19,210,000	-	-	(19,210,000)	-
Interest and Other Charges	9,270,038	-	-	(1,088,685)	8,181,353
Bond Issuance Cost	657,417	-	-	-	657,417
Capital Outlay:					-
Sites	2,170,092	-	(2,170,092)		-
Buildings	23,026,126	-	(23,026,126)	-	-
Equipment	4,477,127	-	(4,477,127)	-	(0)
Energy	34,734	-	(34,734)	-	-
TOTAL EXPENDITURES/EXPENSES	**276,122,535**	**(4,723,486)**	**(13,481,685)**	**(20,298,685)**	**237,618,679**
EXCESS OF REVENUES OVER UNDER EXPENDITURES	**(12,467,401)**	**10,173,377**	**13,538,460**	**20,298,685**	**31,543,120**
OTHER FINANCING SOURCES (USES)					
Proceeds of Long-Term Debt	138,755,000	-	-	(138,755,000)	-
Issuance Premium	18,414,684	-	-	(18,414,684)	-
Sale of Equipment	56,775	-	(56,775)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	**157,226,459**	**-**	**(56,775)**	**(157,169,684)**	**-**
NET CHANGE FOR THE YEAR	**$ 144,759,058**	**$ 10,173,377**	**$ 13,481,685**	**$ (136,870,999)**	**$ 31,543,120**

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

* See Note 10B

Schedule 5

AUBURN SCHOOL DISTRICT NO. 408
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
August 31, 2018

		Private Purpose Trust Fund
ASSETS		
Cash and Cash Equivalents	$	594,457
Due From Other Funds		-
Interest Receivable		990
TOTAL ASSETS	**$**	**595,448**
LIABILITIES		
Accounts Payable		1,812
Due to Other Funds		
TOTAL LIABILITIES		**1,812**
NET POSITION		
Held in Trusts for Scholarships and Student Aid		593,635
NET POSITION	**$**	**593,635**

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

AUBURN SCHOOL DISTRICT NO. 408
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Fiscal Year Ended August 31, 2018

	Private Purpose Trust Fund
ADDITIONS	
Donations	$ 232,333
Investment Earnings	5,640
Total Additions	**237,973**
DEDUCTIONS	
Scholarships	199,765
Loss On Investments	-
Total Deductions	**199,765**
Change in Net Position	**38,208**
Net Position, Beginning of the year	555,427
Net Position, End of the year	**$ 593,635**

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Auburn School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principals. The more significant accounting policies of the District are described below:

A. REPORTING ENTITY

The Auburn School District is a municipal corporation organized pursuant to Title 28A *Revised Code of Washington* (RCW) for the purpose of providing public school services to students in grades P-12. Auburn School District operates under an 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, the power to set fees, levy property taxes and issue debt consistent with provisions of state statutes, also rests with the board of directors.

Based on the criteria specified in *GASB Statement No. 80*, *Blending Requirements for Certain Component Units,* an amendment of GASB Statement No. 14, the district has no component units. The district's GAAP statements includes all funds that are controlled by or dependent on the district's board of directors. Control by or dependence on the district was determined on the basis of budget adoption, taxing authority, outstanding debt secured by the general credit of the district, obligation of the district to finance any deficits that may occur, or receipt of significant subsidies from the district.

Postemployment Benefits Other than Pensions (OPEB): For purposes of measuring the District's OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the State K-12 Educators' OPEB Plan (K-12 Plan) and additions to/deductions from the K-12 Plan's fiduciary net position have been determined on the same basis as they are reported by the K-12 Plan. For this purpose, the K-12 Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

B. BASIS OF PRESENTATION

The accounts of the district are organized on the basis of funds in governmental fund financial statements, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The district's basic financial statements in this report consist of:

1). Government – Wide Financial Statements

Overall governmental activities are reported here without displaying individual funds or fund types and display information about the district as a whole. The Government-Wide financial statements do not include Fiduciary Funds. The government-wide financial statements consist of the following:

a. Statement of Net Position

The *Statement of Net Position* reports all financial and capital resources. Capital assets (land, land improvements, buildings, building improvements, vehicles, and equipment) are reported at historical cost, net of accumulated depreciation.

b. Statement of Activities

The operations of the district are presented net of the applicable program revenues. General revenues are divided into property taxes, interest and investment earnings, and special and extraordinary items. The expenses and revenues are reported as follows:

> **I). Expenses** - Expenses are reported by function/program that includes direct and indirect expenses. Depreciation expenses are allocated to direct expenses if they can be specifically identified with a function or program. Interest expenses may be considered direct expenses when borrowing is essential to the creation or continuing existence of a program. Otherwise, interest on long-term liabilities is considered an indirect expense.
>
> **II). Revenues** – Revenues are divided into program revenues and general revenues. Program revenues are derived directly from the program itself or from parties outside the district's taxpayers, as a whole. These revenues reduce the net cost of the function to be financed from the district's general revenue. Program-specific grants and contributions include revenues arising from mandatory and voluntary non-exchange transactions with federal or state governments, organizations, or individuals. These revenues are restricted for use in a particular program.
>
> General revenues are revenues that are not required to be reported as program revenues, such as property tax levies for a specific purpose and all non-tax revenue such as interest and investment earnings.

2). Fund Financial Statements

a. Governmental Funds

Governmental fund reporting focuses primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. It includes general fund, special revenue fund (associated student body fund), capital projects fund, transportation vehicle fund, and debt service fund. The district considers all governmental funds to be "major funds".

> **I). General Fund** - This fund is the general operating fund of the district. It accounts for all financial resources of the district, except those required to be accounted for in another fund. In keeping with the principle of as few funds as necessary, child nutrition, maintenance, information services, printing and pupil transportation activities are included in the fund.
>
> **II). Special Revenue Fund (Associated Student Body Fund)** - This fund is used to account for the extracurricular fees and resources collected in fund-raising events for students. Disbursements require the joint approval of the appropriate student body organization and the district's board of directors. This fund is accounted for as a special revenue fund since the financial resources legally belong to the district.
>
> **III). Debt Service Fund** - This fund is used to account for the accumulation of resources for the payment of general long-term debt principal, interest and related expenditures. All of the district's issues are serial bonds rather than term bonds and do not require sinking

funds for each issue. Therefore, the district maintains one debt service fund for all bond issues. Also, there are no legal requirements that mandate a separate fund for each bond issue.

IV). Capital Projects Fund – This fund is used to account for the financial resources to be used for the construction or acquisition of major capital assets. This fund must be used when projects are financed wholly or in part by bond issues, intergovernmental resources, major private donations, special levies or insurance recoveries. This fund is also used to account for energy capital improvements.

V). Transportation Vehicle Fund – This fund is used to account for the purchase, major repair, rebuilding and debt service expenditures related to pupil transportation equipment. The major sources of revenue in this fund include the state reimbursement for pupil transportation equipment and special levies.

b. Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary Funds such as the private-purpose trust fund is used by a district in its fiduciary capacity as trustee for assets held for individuals, private organizations, and other governments.

I). Private-Purpose Trust Fund - All of the income and principal in the private-purpose trust may be disbursed in the course of its operation. It includes money for scholarships donated by community supporters and funds for student aid provided by InvestED, a public charity formerly known as the Saul Haas Foundation.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The *government-wide financial statements* measure and report all financial and capital assets, liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and accrual basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position or cost recovery, and financial position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements include the General Fund, Special Revenue Fund, Debt Service Fund, Capital Projects Fund and Transportation Vehicle Fund. They are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be 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 of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

Fiduciary fund financial statements include the Private-Purpose Trust Fund. This fund is reported on the accrual basis of accounting.

1). <u>Encumbrances</u>

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances are liquidated at the end of the year; therefore, there are no outstanding encumbrances at year-end.

2). <u>Eliminations and Reclassifications</u>

In the process of aggregating data for the government-wide *statements of net position* and the *statement of activities*, the inter-fund receivables and payables within governmental funds, except those with fiduciary funds, were eliminated.

D. BUDGETS AND BUDGETARY ACCOUNTING

1). <u>General Budget Policies</u>

The Auburn School District budgets its funds in accordance with the Revised Code of Washington Chapter 28A.505 and Chapter 392-123 of the Washington Administrative Code (WAC). The School District Board adopts the budget after a public hearing. An appropriation is a prerequisite to expenditure. Appropriations lapse at the end of the fiscal period. Annual appropriated budgets are adopted at the fund level. Each governmental fund's total expenditures cannot, by law, exceed its formal fund appropriation. Management is authorized to modify specific accounts within the overall fund appropriation. However, only the Board has the authority to increase or decrease a given fund's annual budget. The Board may adopt a revised or supplemental budget appropriation after a public hearing at any time during the fiscal year.

2). <u>Budgetary Basis of Accounting</u>

For budget purposes, revenues and expenditures are accounted for on a modified accrual basis of accounting as prescribed in law for all governmental funds. Beginning fund balance is budgeted as available resources and, pursuant to law; the budgeted ending fund balance cannot be negative.

Formal budgetary accounting is employed as a management control for all governmental funds. Budgets are adopted on the same basis of accounting used to reflect actual revenues and expenditures on a generally accepted accounting principles basis.

E. ASSETS, LIABILITIES, NET POSITION AND FUND BALANCES

1). Cash and Cash Equivalents

The district's cash and cash equivalents consist of cash balances, net of warrants outstanding, and cash equivalents with original maturities of three months or less. At August 31, 2018, total district cash and cash equivalents were $318,112,801. Of that amount, $317,518,344 was in the governmental funds and $594,457 was in the fiduciary funds. At August 31, 2018 total district imprest funds were $89,683, total district cash on hand was $0, total district warrants outstanding were $3,491,478 and the fair market value of the districts funds in the King County Investment Pool was $318,112,801. In accordance with authorized investment laws, the district's cash equivalents are deposited in the King County Investment Pool. The Pool invests in U.S. Agency mortgage-backed securities to enhance yield. As of August 31, 2018, such securities comprised 0.1% of the Pool's portfolio. As of August 31, 2018, the district's funds invested in the Pool comprised 4.61% of the Pool's portfolio. (See Note 2)

2). Property Taxes

Property tax revenues are collected as the result of special levies passed by the voters in the district. Per Revised Code of Washington 84.60.020, the tax assessment date is January 1 of the calendar year of collection. The tax lien date is January 1 of the year of collection and taxes receivable are recognized as of that date. Current year taxes are due in full as of April 30, and are delinquent after that date. However, without incurring penalty, the taxpayer may elect to pay one half of taxes due by April 30, with the remaining one half taxes due October 31, and are delinquent after that date.

Typically, a little more than half of taxes due are collected on the April 30 date. King County forecloses on property following the third year of delinquency. In *governmental fund financial statements*, property tax revenue that is measurable but not available (taxes that are not expected to be collected within the current period) is recorded as receivable and deferred revenue. In *government-wide financial statements,* property tax revenue, net of estimated uncollectible amounts, is accrued at year-end.

3). Accounts Receivable
This account represents amounts due for services rendered by the district, net of allowance for doubtful accounts.

4). Due From/To Other Funds

Interfund receivables and payables and the associated revenues and expenditures/expenses are recorded in the respective funds in *governmental fund financial statements*. Interfund receivables and payables are eliminated in *government-wide financial statements,* except those with fiduciary funds.

5). Due From Other Governments

This account represents $2,069,547 of receivables for federal grants of $1,820,046, and local government impact fees of $249,501. Grant revenues are recorded in the year in which the related expenditures are incurred.

6). Inventories

Inventories of instructional materials are valued at cost using the first-in first-out method. Warehoused inventories of food and maintenance and food service supplies are valued at cost using the weighted average method perpetual inventory system. Inventory is charged as an expenditure when it is issued for consumption

7). Bond Discounts, Premiums, Issuance Costs and Refunding Losses

In governmental fund types, bond discounts, premium, issuance costs and refunding losses are recognized in the period of issuance.

8). Capital Assets

Capital Assets, which include property, buildings and improvements, and equipment are reported in the applicable governmental activities in the *government-wide financial statements.* Capital assets are defined by the district as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year for land, furniture, equipment, vehicles and school buses and $100,000 for buildings, building improvements and depreciable land improvements with an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized, but are charged to expenditures in the current period. In *governmental fund financial statements*, there is no depreciation for capital assets. However, depreciation is charged to expenses and allocated to various functions/programs in *government-wide financial statements* in compliance with *GASB Statement No. 34* (See Note 4).

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful life using the straight- line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	50 years
Building Improvements	20 years
Depreciable Land Improvements	20 years
School Buses	8-18 years
Equipment and Vehicles	4-10 years

9). Deferred Outflows/Inflows of Resources

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

In addition to assets, the statement of financial position will report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The district has three items that qualifies for reporting in this category; deferred charge on refunding, deferred charge on pension plans, and deferred charge on OPEB plans. All three are reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The district has two types of items; deferred inflows on pension plans and unavailable revenue, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

10). Net Position (*Government-wide Financial Statements*)

In government-wide financial statements, the "Invested in Capital Assets, Net of Related Debt" component consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The "Restricted Net Position" component reports the net position where constraints have been placed on net position by external laws, regulations, or legislation. Therefore, they are available for disbursements only for specific purposes such as debt service and capital projects. The "Unrestricted Net Position" are assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

11). Fund Balances (*Governmental Fund Financial Statements*)

The District has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions.* The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing government fund type definitions. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54 are Nonspendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of constraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance. In accordance with GASB 54, the District classified governmental fund balances as follows:

Nonspendable – includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid items and long term receivables.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts restricted due to constitutional provisions or enabling legislation. This classification includes the child nutrition program, retirement of long term debt, construction programs and other federal and state grants.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action of the highest level of decision making authority. Committed fund balance is reported pursuant to resolution passed by the District's Board of Directors.

Assigned – includes fund balance amounts that are self-imposed by the District to be used for a particular purpose. For funds other than the General Fund, the amount of residual fund balance that is spendable after all restrictions, commitments, and other assignments have been made is classified as assigned in accordance with the *Accounting Manual for Public School Districts for the State of Washington.*

Unassigned – includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

When both restricted an unrestricted fund balances are available for use, it is the District's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts and the unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

12). Compensated Absences

a). Sick Leave –

Full-time 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, sick leave accumulated by district employees is paid at death or retirement at the rate of 25% of each day 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. To qualify for annual sick leave buy-back, the employee must have accumulated an excess of 60 days sick leave as of January 1. Sick leave is reported under long-term liabilities in the *Statement of Net Position*. For reporting purposes, 25% of the sick leave liability (up to 180 days) for those eligible for retirement is considered accruable. The vesting method in *GASB Statement No. 16* was applied in calculating the sick leave. The amount of accrued sick leave as of August 31, 2018 was $2,525,662 and reported as a long-term liability in the *government-wide financial statements*.

b). <u>Vacation Leave</u> –

Vacation leave is accrued according to bargaining agreement rules for those employees eligible. Annual leave accumulated by district employees is paid upon retirement at 100% of per diem value. In addition, annual leave accumulated by classified employees represented by the Public School Employees of Washington bargaining groups is paid upon termination at 100% of per diem value. As of August 31, 2018, vacation leave payable, estimated to be $2,102,046 is reported as a long-term liability in the *government-wide financial statements.*

NOTE 2. DEPOSITS AND INVESTMENTS

By law, the King County Treasurer is the ex-officio treasurer for the district. In this capacity, the County Treasurer receives, deposits and transacts investments on the district's behalf.

A. DEPOSITS

At year-end, the carrying amounts of the district's deposits with financial institutions and with the King County Treasurer were respectively $75,000 and $321,514,596, the warrants outstanding were $3,491,478 and the petty cash, change funds and cash on hand totaled $11,355. Total district cash and cash equivalents were $318,112,801. Of this amount, $317,518,344 were in governmental funds and $594,457 were in fiduciary funds. (See Note 1). In addition to FDIC insurance, the district's deposits are protected by the Washington Public Deposit Protection Commission (a multiple financial institution collateral pool). The provision for guaranteed coverage against loss applies not only to demand deposits, but also to certificates of deposit, money market deposit accounts, and savings deposits as well as accrued interest through the date of repayment.

B. INVESTMENTS

In accordance with state investment laws, the district's governing body has entered into a formal inter-local agreement with the district's *ex officio* treasurer, King County, to have all of its funds not required for immediate expenditure to be invested in the King County Investment Pool (Pool). All non-invested cash is held in this external investment pool administered by King County, Washington and consequently is not subject to categorization. At August 31, 2018, the fair value of the district investment in the pool was $321,514,596 with an effective duration of 1.03 years. The pool is not registered by the SEC and does not operate in a manner consistent with the SEC's rule 2a7 which would allow it to be treated as a money market fund for basis of presentation.

Oversight of the Investment Pool is provided by the King County Executive Finance Committee (EFC) pursuant to RCW 36.29.020. The EFC consists of the Chair of the County Council, the County Executive, the Chief Budget Officer, and the Director of the Finance and Business Operations Division. All investments are subject to written policies and procedures adopted by the EFC. The EFC reviews Pool performance monthly.

All investments in cash equivalents are stated at fair value. Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties. Fair value for the King County Investment Pool is provided by the County's safekeeping bank or Bloomberg L.P., a provider of fixed income analytics, market monitors, and security pricing. The net decrease in fair value of the district's proportionate share of the King County Investment Pool for 2017-18 was $2,092,649. This decrease has been recognized and reported against investment income.

Impaired Investments.

As of August 31, 2018, all impaired commercial paper assets have completed enforcement events. The King County impaired investment pool (Impaired Pool) held one commercial paper asset where the Impaired Pool accepted an exchange offer and is receiving the cash flows from the investment's underlying securities. The Impaired Pool also held the residual investments in four commercial paper assets that were part of completed enforcements events, where the Impaired Pool accepted the cash-out option. The district's share of the impaired investment pool principal is $84,780 and the District's fair value of these investments is $2,092,649.

Interest Rate Risk.
As of August 31, 2018, the Pool's average duration was 1.03 years. As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity, or weighted average life, no longer than five years. While the Pool's market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology.

Custodial Credit Risk.
Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. County policy mandates that all security transactions, including repurchase agreements, are settled "delivery versus payment." This means that payment is made simultaneously with the receipt of the security. These securities are delivered to the County's safekeeping bank or its tri-party bank.

Credit Risk.
As of August 31, 2018, the district's investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statues, Pool policies authorize investments in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1" by two NRSROs), certificates of deposits issued by qualified public depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

Concentration Risk
Credit risk also can arise in the wake of a failure to adequately diversity investments. However since Pool investments are concentrated in U.S. government obligations and obligations explicitly guaranteed by the U.S. government, this risk is minimal.

NOTE 3. INTERFUND RECEIVABLES AND PAYABLES

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

	Due from Other Funds	Due to Other Funds
General Fund	$ 90,711	$ 350
Capital Projects Fund	-	$ 89,151
ASB Fund	-	1,209
Tran Vehicle	-	-
Total	$ 90,711	$ 90,711

The interfund balances are typically liquidated to zero on a monthly basis. Almost all of the interfund transfers are to reimburse the general fund from other funds for processing payroll and other accounts payable in the general fund. In addition, all funds collected in the district are electronically swept on a daily basis into the general fund bank account at the county treasurer. Funds are then disbursed to the appropriate fund as soon as the receipts are reconciled to the daily deposit reports. Total funds disbursed from the General Fund were $12,528,188. Of this amount $232,614 was disbursed to the Fiduciary funds and the difference to other Governmental Funds.

NOTE 4. CHANGES IN CAPITAL ASSETS

Purchases of equipment over $5,000 and building and depreciable land improvements over $100,000 are capitalized and depreciated in the government-wide financial statements. Land is excluded from depreciation. The district's property valuation of buildings and contents for insurance purposes was $466,551,060 on August 31, 2018 In the opinion of the district's insurance consultant, the amount is sufficient to adequately fund replacement of the district's assets.

	Balance 9/1/2017	Additions	Deletions	Balance 8/31/2018
Governmental Activities:				
Capital assets, not being depreciated				
Land	$ 42,135,223	$ 1,177,342	$ -	$ 43,312,565
Construction in progress	3,404,879	28,960,161	(15,582,622)	16,782,419
Total capital assets, not being depreciated	45,540,102	30,137,504	(15,582,622)	60,094,984
Capital assets, being depreciated:	-			-
Buildings and improvements	390,934,272	7,195,537	-	398,129,808
Furniture and equipment	21,720,434	1,455,552	(467,590)	22,708,396
Total capital assets, being depreciated	412,654,705	8,651,089	(467,590)	420,838,205
Less: accumulated depreciation	-			-
Buildings and improvements	(112,298,214)	(8,514,469)	-	(120,812,683)
Furniture and equipment	(16,175,599)	(1,209,817)	467,590	(16,917,827)
Total accumulated depreciation	(128,473,813)	(9,724,286)	467,590	(137,730,510)
Total capital assets, being depreciated, net	284,180,892	(1,073,197)	-	283,107,695
Governmental activities capital assets, net	$ 329,720,994	$ 29,064,306	$ (15,582,622)	$ 343,202,679

The increases to buildings and improvements include completed projects transferred from construction in progress less those portions of the projects classified as capitalized and non-capitalized equipment. Only those building improvements and depreciable land improvements that are greater than $100,000 are capitalized. Additions to equipment include only those capital outlay purchases with a unit cost greater than $5,000 in accordance with the district's capitalization policy. Decreases to equipment were the result of the sale or trade-in of obsolete equipment.

Depreciation

Depreciation expense was charged to governmental activities as follows:

Regular instruction	$ 6,402,936
Special instruction	913,492
Vocational instruction	412,567
Compensatory education	762,689
Other instructional programs	100,348
Support services	289,825
Child Nutrition services	16,204
Transportation services	811,071
ASB	15,154
Total depreciation expense charged to governmental activities	$ 9,724,286

NOTE 5. CONSTRUCTION IN PROGRESS

Project	Authorized	Expended
Olympic MS Reconstruction	$ 96,250,579	$ 14,013,744
Chinook ES Replacement	60,116,202	6,232
Lea Hill ES Replacement	66,091,138	7,879
Dick Scobee ES Replacement	53,418,352	1,454,241
Pioneer ES Replacement	59,773,894	26,079
Terminal Park ES Replacement	56,492,581	6,726
Elementary School #15	63,463,830	757,348
Elementary School #16	65,962,383	44,294
Multi-Facility Portable Classroom Buildings & Electrical	2,500,000	465,876
Totals Contruction in Progress	$ 524,068,959	$ 16,782,419

NOTE 6. 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.

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

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

	Retirees and	Inactive Plan Members	Active Plan Members

Plan	Beneficiaries Receiving Benefits	Entitled to but not yet Receiving Benefits	
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 years of eligible service. Retirement benefits are determined as two percent of the average final compensation (AFC), for each year of service credit, up to a maximum of 60 percent, divided by twelve. The AFC is the total earnable compensation for the two consecutive highest-paid fiscal years, divided by two. Members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. Other benefits include temporary and permanent disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

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

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

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

TRS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit.

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

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

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

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

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

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

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

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

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

Plan Contributions

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

The employer and employee contribution rates for the various plans are effective as of the dates shown in the table. 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	
TRS 1			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	15.41%	15.20%	
TRS 2			
Member Contribution Rate	7.06%	7.06%	
Employer Contribution Rate	15.41%	15.20%	
TRS 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 school 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 $70,608,475 for its proportionate shares of the individual plans' collective net pension liability. The district's proportionate share of the collective net pension liability is based on annual contributions for each of the employers participating in the DRS administered plans. At June 30, 2018, the district's proportionate share of each plan's net pension liability is reported below:

June 30, 2018	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District's Annual Contributions	1,686,207	2,647,962	6,761,779	7,241,036
Proportionate Share of the Net Pension Liability	11,266,298	4,526,709	47,484,306	7,331,162

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	0.252266%	1.513636%	1.625845%	1.628735%
Prior year proportionate share of the Net Pension Liability	0.249462%	1.510411%	1.601673%	1.605022%
Net difference percentage	0.002805%	0.003225%	0.024172%	0.023712%

Actuarial Assumptions

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

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

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

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 Report and the 2017 Economic 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:

TRS1, TRS 2/3, PERS 1, and SERS 2/3		
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20.00%	1.70%
Tangible Assets	7.00%	4.90%
Real Estate	18.00%	5.80%
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 table below presents the Auburn School District's proportionate share of the net pension liability calculated using the discount rate of 7.40%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.40%) or one percentage point higher (8.40%) than the current rate. Amounts are calculated by plan using the district's allocation percentage.

	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
PERS1 NPL	$5,488,477,000	$4,466,034,000	$3,580,392,000
Allocation Percentage	0.252266%	0.252266%	0.252266%
Proportionate Share of Collective NPL	$ 13,845,577	$ 11,266,298	$ 9,032,122
SERS2/3 NPL	$1,127,549,000	$299,062,000	($383,817,000)
Allocation Percentage	1.513636%	1.513636%	1.513636%
Proportionate Share of Collective NPL	$ 17,066,984	$ 4,526,709	$ (5,809,591)
TRS1 NPL	$3,650,431,000	$2,920,592,000	$2,288,760,000
Allocation Percentage	1.625845%	1.625845%	1.625845%
Proportionate Share of Collective NPL	$ 59,350,358	$ 47,484,306	$ 37,211,695
TRS2/3 NPL	$2,805,439,000	$450,114,000	($1,463,229,000)
Allocation Percentage	1.628735%	1.628735%	1.628735%
Proportionate Share of Collective NPL	$ 45,693,154	$ 7,331,162	$ (23,832,116)

Pension Expense

The District recognizes a pension expense for its proportionate share of the collective pension expense. This is determined by using the district's proportion share of the collective net pension liability. For the year ending August 31, 2018, the district recognized a total pension expense as follows:

	Pension Expense
PERS 1	$ (596,486)
SERS 2/3	$ (1,673,020)
TRS 1	$ (1,199,473)
TRS 2/3	$ (4,185,291)
TOTAL	$ (7,654,271)

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

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

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	$0	$0
Net difference between projected and actual earnings on pension plan investments	$0	$(447,716)
Changes in assumptions or other inputs	$0	$0
Changes in proportion and differences between contributions and proportionate share of contributions	$0	$0
Contributions subsequent to the measurement date	$292,396	$0
TOTAL	$292,396	$(447,716)

SERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	$1,247,598	$0
Net difference between projected and actual earnings on pension plan investments	$0	$(2,200,904)
Changes in assumptions or other inputs	$35,876	$(929,189)
Changes in proportion and differences between contributions and proportionate share of contributions	$57,076	$(195,218)
Contributions subsequent to the measurement date	$470,110	$0
TOTAL	$1,810,660	$(3,325,311)

TERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	$0	$0
Net difference between projected and actual earnings on pension plan investments	$0	$(2,030,620)
Changes in assumptions or other inputs	$0	$0
Changes in proportion and differences between contributions and proportionate share of contributions	$0	$0
Contributions subsequent to the measurement date	$1,229,937	$0
TOTAL	$1,229,937	$(2,030,620)

TERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	$3,445,116	$(541,335)
Net difference between projected and actual earnings on pension plan investments	$0	$(6,200,204)
Changes in assumptions or other inputs	$124,641	$(2,946,131)
Changes in proportion and differences between contributions and proportionate share of contributions	$479,827	$(389,299)
Contributions subsequent to the measurement date	$1,321,063	$0
TOTAL	$5,370,648	$(10,076,970)

$3,313,506 reported as Deferred Outflows of Resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31	PERS 1	SERS 2/3	TRS 1	TRS 2/3
2019	19,588	(9,468)	203,175	(316,332)
2020	(97,873)	(493,890)	(420,359)	(1,411,105)
2021	(239,690)	(1,119,201)	(1,443,984)	(3,244,509)
2022	(75,740)	(271,687)	(369,452)	(862,195)
2023	-	(54,927)	-	10,437
Thereafter	-	(35,587)	-	(203,681)

NOTE 7. DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLANS

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75 for the year ending August 31, 2018:

Aggregate OPEB Amounts – All Plans	
OPEB Liabilities	$43,613,186
OPEB Assets	$0
Deferred Outflows of Resources	$3,572,896
Deferred Inflows of Resources	$0
OPEB Expense	$3,950,771

Plan Description

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

The relationahip between the PEBB OPEB plan and its member employers are 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 undetanding is based on communication between the HCA, employers and plan members, and historical pattern of practive 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 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 Auburn School District's retirees (approximately 347) are eligible to participate in the plan under this arrangement.

Covered Individuals
An individual who is employer by Auburn School District and who is eligible to participate in the benefits provided through the Public Employee Benefits Board (PEBB).

Eligibility
A covered Individual who retires from service with the District and who meets the requirements of their respective retirement system (PERS, TRS, SERS):

Plan 1
- Age 60 with 5 years of service
- Age 55 with 25 years of service
- Any age when years of service is equal or exceeds 30

Plan 2
- Age 65 with 5 years of service
- Age 55 with 20 years of service

Plan 3
- Age 65 with 5 years of service
- Age 55 with 10 years of service

Insurance Benefits
The Washington State Health Care Authority (HCA) administers PEBB plan benefits. The insurance coverages listed below are available.

Life Insurance
PEBB provides subsidized basic term life insurance coverage to retirees. The coverage is abailable only if enrolled in life insurance throught PEBB Program as and active employee, so reitrees of the Disctrict are not eligible.

Duration of Coverage
Covereage is provided as long as the required contributions are paid.

Spouse/Dependent Coverage
Spousal/Dependent coverage is provided as long as the required contributions are paid. Surviving spouses may continue coverage.

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

Plan Membership

As of August 31, 2017, plan membership consisted of the following:

Inactive members currently receiving benefits	324
Inactive member entitled to but not yet receiving benefits	0
Active members	1,834
Total	2,158

Investment Policy

The District's obligation is unfunded at August 31, 2017. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

Non-Medicare Health Insurance:

	Retiree	Retiree & Spouse
Group Health Classic	$ 676.52	$ 1,348.32
Group Health CDHP	$ 563.25	$ 1,115.34
Group Health SoundChoice	$ 575.80	$ 1,146.88
Group Health Value	$ 598.81	$ 1,192.90
Kaiser Permanente Classic	$ 661.10	$ 1,317.48
Kaiser Permanente CDHP	$ 564.83	$ 1,117.94
UMP Classic	$ 623.65	$ 1,242.58
UMP CDHP	$ 562.91	$ 1,114.60
UMP Plus	$ 594.49	$ 1,186.26

Medicare Health Insurance:
(after explicit subsidy of 50%, up to $150 in 2017)

	Retiree	Retiree & Spouse
Group Health Medicare	$ 176.17	$ 347.62
Kaiser Permanente Senior Advantage	$ 163.63	$ 322.54
UMP Classic	$ 278.13	$ 551.54
Premera Blue Cross Plan F	$ 109.59	$ 214.46

Dental Insurance:

	Retiree	Retiree & Spouse
Uniform Dental Plan	$ 45.07	$ 90.14
DeltaCare	$ 39.53	$ 79.06
Willamette Dental	$ 42.37	$ 84.74

Changes in the Total OPEB Liability

	Fiscal Year Ending August 31, 2018
Total OPEB Liability – Beginning of Year	$37,547,954
Service Cost	1,876,702
Interest	1,752,186
Changes in Benefit Terms	-
Difference between Expected and Actual Experience	484,043
Changes of Assumptions	3,410,735
Benefit Payments	(1,458,434)
Net Change in Total OPEB Liability	6,065,232
Total OPEB Liability – End of Year	$43,613,186

OPEB Expense Recognized

	Fiscal Year Ending August 31, 2018
Service Cost	$1,876,702
Interest on Total OPEB Liability	1,752,186
Effect on Plan Changes	0
Administrative Expenses	0
Recognition of Deferred (inflows)/Outflows of Resources	
Economic/Demographic (Gains)/Losses	40,004
Assumption Changes	281,879
OPEB Expense	3,950,771

Expected Remaining Service Lives

The amortization period for the for the September 1, 2017 to August 31, 2018 measurement period was determined as follows (using the August 31, 2017 valuation results as an estimate for the measurement period):

As of August 31, 2017	Number of Members	Expected Remaining Service Lives
Active Members	1,834	14.207
Inactive Members	324	0.000
Weighted Average Rounded to Nearest Tenth		12.1

Deferred Inflows and Outflows of Resources

As of August 31, 2018 the deferred inflows and outflows of resources are a follows:

Deferred Inflows of Deferred Outflows

	Resources	of Resources
Difference between expected and actual experience	0	444,040
Changes in assumptions	0	3,128,856
Net difference between projected and actual earnings	0	0
Contributions made subsequent to measurement date	0	0
	0	3,572,896

Other amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in future years' OPEB expense as follows:

Year ending August 31:	Annual Recogniztion:
2019	321,883
2020	321,883
2021	321,883
2022	321,883
2023	321,883
Thereafter	1,963,483

Schedule of Deferred Inflows and Outflows of Resources

	Original Amount	Date Established	Original Recognition Period*	Amount Recognized in Expense Aug 31, 2018	Balance of Deferred Inflows Aug 31, 2018	Balance of Deferred Outflows Aug 31, 2018
Economic/Demographic (Gains)/Losses	484,043	8/31/2018	12.1	40,004	-	444,040
Assumption Changes (Gains)/Losses	3,410,735	8/31/2018	12.1	281,879	-	3,128,856
Investment (Gains)/Losses	-	8/31/2018	5	-	-	-
	3,894,778			321,883	-	3,572,896

* Economic/demographic (gains) and losses along with assumption changes are recognized over a closed period equal to the weighted average of expected remaining service lives for all active and inactive members.

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Measurement Date	August 31, 2018
Valuation Date	August 31, 2017
Reporting Date	August 31, 2018
Measurement Period	September 1, 2017 to August 31, 2018
Discount Rate	3.96% Per Year

As an unfunded plan, the discount rate reflects the index rate for 20-year, tax-exempt general obligation muncipal bonds with an average rating of AA/Aa or higher as of the measurement date. The index rate used to measure the total pension liability was 3.96% as of August 31, 2018.

Initial Health Coverage Claims Cost
(including administrative expenses)

Age	**Per Participant**			
Under Age 65 (**Age 60 rates**)	Retiree		Spouse	
Group Health Classic	$	12,621	$	12,533
Group Health CDHP	$	10,401	$	10,203
Group Health SoundChoice	$	10,690	$	10,602
Group Health Value	$	11,006	$	10,918
Kaiser Permanente Classic	$	11,850	$	11,762
Kaiser Permanente CDHP	$	11,006	$	10,841
UMP Classic	$	11,231	$	11,101
UMP CDHP	$	10,759	$	10,599
UMP Plus	$	10,535	$	10,408
Weighted Average	**$**	**11,807**	**$**	**11,719**

The assumed under age 65 claim costs were determined from the premiums and underlying cliam experience of the OPEB Plans and actuarial age adjustment factors. The assumed age 65 and over claims costs were determined from the premiums and the PEBB's stated explicit subsidy.

Annual Dental Claims Costs

The dental costs were assumed to be equal to the dental premiums.

Age Based Morbidity

The assumed under age 65 health coverage claim costs are assumed to increase related to age as follows:

Ages	**Rate**
18-29	1.0%
30-39	2.5
40-49	3.0
50-54	3.3
55-59	3.6
60-64	4.2

Health Care Cost Trend 5.0% All Years

Mortality — RP 2014 annuitant distinct mortality table adjusted to 2006 with MP 2016 generational projection of future mortaliy improvement

Future Retiree Participation Rate — 45%

Initial Spouse Participation Rate — Male Employees: 35%

Female Employees: 35%

Husbands are assumed to be three years older than wives.

Turnover: — Rates based on Scale T-2 of the Actuary's Pension Handbook.
Sample rates variying by age:

Age	Rate
20	5.4%
25	5.3
30	5.1
35	4.7
40	3.5
45	1.8
50	0.4
55	0.00
60	0.00

Disability — None.

Retirement — Sample rates varying by age:

Age	Rate
55	5.0%
56-57	2.5
58-59	5.0
60-61	10.0
62	20.0
63-64	10.0
65-66	30.0
67-68	40.0
69 or over	100.0

Actuarial Methods

The Entry Age Normal Level of Pay Actuarial Cost Method was used to determind the total OPEB liability.

The actuarial present value of future benefits is the present value necessary today to provide for a benefit payment or series of benefit payments in the future for all plan participants. It is determinded by discounting the future benefit payments as the assumed investment return and reflect the probabitlity of payment.

The service costs is determined as the sum of the individual normal costs for each active participant. A normal cost accrual rate is determined for each active participant. The normal cost accrual rates is equal to the actuarial present value of future benefits determind as of the particpat's entry age, divided by the actuarial present value of the assumed salaries paid to the participant from entry age to assumed exit age. The normal cost accrual rate is multiplied by current salary to provide the participant's individual normal cost.

The total OPEB liability is the sum of the individual accrued liabilities for all plan participants. Each participant's actuarial accrued liability equals the actuarial present value of future benefits, less the actuarial present value of the participant's normal costs payable in the future. These present values are calculated at the participant's attained age.

The net OPEB liability equals the total OPEB liability less the value of plan assets.

Asset Valuation Method

The actuarial value of assets must be determined based on some recognition of the fair market value of assets. The District's obligation is unfunded at August 31, 2017. Ther are no assets accumulated in a trust that meeds the criteria in paragraph 4 of GASB Statement No. 75.

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability, calculated using the current healthcare cost trend rate of 5.0%, as well as the total OPEB liability calculated using a healthcare cost trend rate that is 1-percentage point lower (4.0%) or 1-percentage point higher (6.0%) than the current rate:

	1% Decrease 4.0%	Current Healthcare Cost Trend Rate 5.0%	1% Increase 6.0%
Total OPEB Liability	$36,347,173	$43,613,186	$53,152,614

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability, calculated using the current discount rate of 3.96%, as well as the total OPEB liability calculated using a discount rate that is 1-percentage point lower (2.96%) or 1-percentage point higher (4.96%) than the current rate:

	1% Decrease 2.96%	Current Discount Rate 3.96%	1% Increase 4.96
Total OPEB Liability	$51,155,696	$43,613,186	$37,556,828

NOTE 8. LONG-TERM LIABILITIES

Long-term liability activity for the year ended August 31, 2018 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
Bonds Payable:					
2010 UTGO Refunding Bonds	35,450,000	-	6,100,000	29,350,000	6,540,000
2012 UTGO Refunding Bonds	8,755,000	-	100,000	8,655,000	100,000
2013 UTGO and Refunding Bonds	66,890,000	-	2,685,000	64,205,000	2,485,000
2014 UTGO and Refunding Bonds	34,020,000	-	1,830,000	32,190,000	1,460,000
2017 UTGO Bonds	90,535,000	-	8,495,000	82,040,000	8,785,000
2018 UTGO Bonds	-	138,755,000	-	138,755,000	-
Total Bonds Payable	235,650,000	138,755,000	19,210,000	355,195,000	19,370,000
Unamortized Bond Premium	18,409,035	18,414,684	1,454,305	35,369,414	1,454,305
Net Bonds Payable	254,059,035	157,169,684	20,664,305	390,564,414	20,824,305
Net Pension Liabilities:					
PERS Plan 1	11,837,144	-	570,845	11,266,299	-
SERS Plans 2/3	7,453,500	-	2,926,791	4,526,709	-
TRS Plan 1	48,422,876	-	938,570	47,484,306	-
TRS Plans 2/3	14,813,440	-	7,482,278	7,331,162	-
Total Net Pension Liabilities	82,526,959	-	11,918,484	70,608,475	-
Other Liabilities:					
Compensated Absences	4,189,258	4,627,708	4,189,258	4,627,708	379,375
Net OPEB Liability	37,547,954	6,065,232	-	43,613,186	-
GRAND TOTAL	$ 378,323,206	$ 167,862,624	$ 36,772,047	$ 509,413,783	$ 21,203,680

The debt service fund is established to redeem the outstanding bonds. Compensated Absences payments are liquidated by the general fund.

General Obligation Bonds - The annual requirements to amortize all general obligation bonds outstanding as of August 31, 2018, including interest payments, are listed as follows:

Year Ending August 31, 2018	Principal	Interest	Total
2019	19,370,000	13,641,832	33,011,832
2020	12,830,000	14,475,650	27,305,650
2021	16,260,000	13,842,738	30,102,738
2022	12,735,000	13,177,281	25,912,281
2023	11,750,000	12,685,350	24,435,350
2024-2028	51,570,000	45,946,275	97,516,275
2029-2033	100,175,000	40,787,050	140,962,050
2034-2037	130,505,000	15,977,150	146,482,150
Total	$ 355,195,000	$ 170,533,326	$ 525,728,326

General obligation school building bonds payable at August 31, 2018, with their outstanding balances are comprised of the following individual issues:

OUTSTANDING BONDS

$36,025,000 2010 general obligation refunding bonds, due in installments of $575,000 to $8,215,000 beginning December 1, 2010 to December 1, 2021, interest 2% to 5.00%		29,350,000
$9,290,000 2012 general obligation refunding bonds, due in installments of $135,000 to $8,210,000 beginning December 1, 2012 to December 1, 2022, interest 2% to 3.00%		8,655,000
$78,855,000 2013 general obligation and refunding bonds, due in installments of $570,000 to $10,280,000 beginning December 1, 2013 to December 1, 2032, interest 1.5% to 4.00%		64,205,000
$43,555,000 2014 general obligation and refunding bonds, due in installments of $775,000 to $4,275,000 beginning December 1, 2014 to December 1, 2033, interest 1.00% to 5.00%		32,190,000
$90,535,000 2017 general obligation bonds, due in installments of $475,000 to $16,000,000 beginning December 1, 2017 to December 1, 2036, interest 2.25% to 5.00%		82,040,000
$138,755,000 2018 general obligation bonds, due in installments of $475,000 to $18,005,000, beginning December 1, 2019 through December 1, 2037, interest from 3.00% to 5.00%	$	138,755,000
	$	355,195,000

2018 BOND ISSUE

On August 22, 2018, the District issued Unlimited Tax General Obligation Bonds, 2018 (the "2018 Bonds"), with a par amount of $138,755,000, plus the deposit of $17,755,000 of net original issue premium generated by the sale of the 2018 Bonds to provide moneys that are necessary to pay the cost and expenses to construct and equip two new elementary schools; rebuild and equip Chinook Elementary, Dick Scobee Elementary, Lea Hill Elementary, Pioneer Elementary, Terminal Park Elementary schools and Olympic Middle School. The funds may also be used to acquire sites as needed to accomplish these capital projects. The bonds bear interest rates from 3.00 to 5.00 percent and will be redeemed over the next 20 years with proceeds from property tax levy.

A first series of the Bond Authorization, the Unlimited Tax General Obligation Bonds, 2017 (the "2017 Bonds"), with a par amount of $90,535,000, plus the deposit of $4,561,000 of net original issue premium generated by the sale of the 2017 Bonds, was issued on January 24,2017. Following the second series of the Bond Authorization of the 2018 Bonds, the District has $204,450,000 of unissued Bond Authorization.

LEGAL DEBT MARGIN

RCW 39.36.015 and RCW 39.36.020 provide that debt cannot be incurred in excess of the following percentages of the value of the taxable property of the district:

- 0.375% Without a vote of the people (Non-bonded debt only per RCW 28A51.010)

- 2.5% With a vote of the people
- 5.0% With a vote of the people, if the indebtedness in excess of 2.5% is for capital outlay.

Assessed valuation of taxable property for 2018 tax collection for bond purposes is $12.4 billion.

NOTE 9. RISK MANAGEMENT

A. UNEMPLOYMENT

Auburn School District self-insures for unemployment compensation for all of its employees. Actual employee claims are paid by the State of Washington, Department of Employment Security and then reimbursed by the district. This self-insurance program costs the district less than full participation in the state unemployment compensation program. Since actual claims paid during the fiscal year were only $29,150 it is clear that all of the major prior year claims have been completely paid.

B. INDUSTRIAL INSURANCE

For the fiscal year ended August 31, 2018, Auburn School district made payments totaling $1,446,856 to the Workers' Compensation Trust administered by Puget Sound Educational Service district No. 121 for industrial insurance for all district employees. This trust is operated for the benefit of several neighboring school districts in-lieu-of districts making monthly premium payments to the State of Washington for industrial insurance. This practice enables these districts to pay industrial insurance claims as they occur and minimizes the districts' costs for the program.

C. RISK MANAGEMENT POOL

The district is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. In order to obtain general liability insurance at a cost it considered to be economically justifiable, the district joined the Washington Schools Risk Management Pool administered by Puget Sound Educational Service District No. 121. This pool is a public entity risk pool currently operating as a common risk management and insurance program. It provides coverage for property, liability, vehicle, public official liability, crime, employment practices, machinery breakdown and network security. The district pays an annual premium to the pool for its general insurance coverage. For the fiscal year ended August 31, 2018, the district contributed $1,388,215 to the pool.

The agreement for formation of the Washington School Risk Management Pool in 1986 provides that the pool will be self-sustaining through member premiums and reinsure through commercial companies for claims in excess of $1 million for each property loss. The Pool maintains an excess reinsurance contract with Lexington Insurance Company which provides $500 million limit of coverage over the Pool's self-insured retention (SIR) limit of $1 million. This includes boiler and machinery coverage insurance through Hartford Steam Insurance Company with a Pool retention of $25,000. The Pool purchased liability reinsurance coverage from Alterra for $2 million excess of $1 million SIR per occurrence; United Educators for $7 million excess of $3 million per occurrence; and excess liability insurance coverage through Chartis for $10 million excess of $10 million per occurrence. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Washington School risk Management Pool has published its own financial report for the year ended August 31, 2018. This report can be obtained from:

Washington Schools Risk Management Pool
320 Andover Park East
P. O. Box 88700
Tukwila WA 98138-2700

NOTE 10. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND FINANCIAL STATEMENTS AND GOVERNMENT-WIDE FINANCIAL STATEMENTS

A. RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

Total fund balances for governmental funds		$ 313,936,141
Total net position for governmental activities in the statement of net position differs because:		
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land, net of $463,631 applicable accum. depreciation	$ 42,848,934	
Construction in progress	277,780,756	
Buildings and improvements, net of $112,298,214 accum. depreciation	5,790,570	
Furniture and equipment, net of $ 16,175,599 accumulated depreciation	16,782,419	
		343,202,679
Property taxes that are deferred in government funds since not available soon enough to pay for the current period's expenditures.		50,216,749
		352,974
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Accrued interest for general obligation bonds is recognized.		(2,099,549)
Long-term liabilities and deferred outflows of resources that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilites or deferred outflows of resources. All liabilities and deferred outflows of resources, both current and long-term are reported in the statement of net position. Balances at year-end are:		
Deferred Outflows of Resources:		
Deferred Outflow on Refunding		2,921,059
Deferred Outflow on Pension Plans		8,703,640
Deferred Outflow on OPEB Plans		3,572,896
Liabilities:		
Bonds Payable	($355,195,000)	
Unamortized bond premiums	(35,369,414)	
Compensated Absences	(4,627,708)	
Net Pension Liability - all plans	(70,608,475)	
Net OPEB Obligation	(43,613,186)	
		(509,413,783)
Deferred Inflows of Resources:		
Deferred Inflow on Pension Plans		(15,880,618)
Total net position of governmental activities		$ 195,512,189

B. RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Net change in fund balances-total governmental funds		$	144,759,058
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than $5,000 for furniture and equipment and $100,000 for buildings and improvements are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period (Schedule 4A):			
Capital outlays	$ 23,205,970		
Depreciation expense	(9,724,286)		
Loss on disposal of assets	-	$	13,481,684
The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. The repayment of principal reduces the liability. Governmental funds expend issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. However, interest expense is recognized as it accrues, regardless of when it is due. The effect of these differences in the treatment of general obligation bonds and related items is as follows:			
Repayment of bond principal	$ 19,210,000		
Interest and other charges - general obligation bonds	1,088,685		
Bond Sale	(157,169,684)		
			(136,870,999)
Property tax revenues received prior to the year for which they are being levied are reported as unavailable revenue in the governmental funds. They are, however, recorded as revenues in the statement of activities. Unavailable property tax revenues increased this year.			5,449,891
In the statement of activities, certain operating expenses such as compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. During this year, accrued vacation and sick leave payable increased by			(438,450)
Net Pension Expense			7,654,271
Net OPEB Obligation			(2,492,335)
Change in net position of governmental activities		**$**	**31,543,120**

NOTE 11. SUMMARY OF SIGNIFICANT CONTINGENCIES

LITIGATION

Auburn School District is party to various pending legal actions arising from its normal educational activities. It is the opinion of the administration that these will be resolved without any material impact on the operations or the financial position of the district.

CLAIMS AND JUDGMENTS

The district participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Since these have not been completed, the amount, if any, of expenditures that may be disallowed by the granting agencies has not yet been determined. The district believes that disallowed expenditures, if any, will not have a material effect on any of the governmental funds or the overall financial position of the district.

NOTE 12. FUND BALANCE (GOVERNMENTAL FUNDS)

CHANGES IN FUND BALANCES

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund
Total Fund Balance 8/31/17	$ 16,338,938	$ 1,570,075	$12,411,281	$136,353,355	$ 2,503,434
Nonspendable: Inventories	(270,260)	(1,187)	-	-	-
Restricted:					
Child Nutrition Services	384,360	-	-	-	-
Student Activities	-	96,838	-	-	-
Debt Service	-	-	180,640	-	-
Capital Projects	-	-	-	149,043,535	-
Acquisition of Buses	-	-	-	-	88,954
Carryovers	562,158				
Committed:					
Capital Levy Projects	-	-	-	(3,715,567)	-
Held for Employee Benefits	23,046	-	-	-	-
Assigned:					
Other Purposes	5,900,000	-	-	-	-
Other Capital Projects	-	-	-	(5,799,427)	-
Unassigned	(1,734,030)	-	-	-	-
Total Fund Balance 8/31/18	$ 21,204,211	$ 1,665,726	$12,591,921	$275,881,895	$ 2,592,388

NOTE 13. OTHER DISCLOSURES

KING COUNTY DIRECTORS' ASSOCIATION

The district is a member of the King County Directors' Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. This association serves 294 public school districts. District purchases for the calendar year 2017 totaled $701,584. Auburn School District's equity in KCDA totaled $205,308 as of December 31, 2017. This equity is the accumulation of the annual assignment of KCDA's operating surplus based upon the percentage derived from KCDA's total sales to the district compared to all other districts applied against paid administrative fees. The district may withdraw inventory at a maximum rate of ten (10) percent per year for a ten year period, or the district may withdraw cash equally over a fifteen-year period.

NOTE 14. **SIGNIFICANT EFFECT OF SUBSEQUENT EVENTS**

There were no subsequent events as of the date of this financial report.

REQUIRED SUPPLEMENTARY INFORMATION
AUBURN SCHOOL DISTRICT NO. 408
BUDGETARY COMPARISON SCHEDULE*
GENERAL FUND
FOR THE FISCAL YEAR ENDED AUGUST 31, 2018

	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL	AMOUNT	VARIANCE
REVENUES				
Local	$ 47,260,163	$ 49,191,985	$ 46,584,680	$ (2,607,305)
State	137,654,735	154,541,259	157,611,735	3,070,476
Federal	16,633,159	15,930,324	15,200,585	(729,739)
Other	627,700	1,138,579	1,040,381	(98,198)
TOTAL REVENUES	**202,175,757**	**220,802,147**	**220,437,382**	**(364,765)**
EXPENDITURES				
CURRENT				
Regular Instruction	118,949,723	124,822,855	123,474,719	1,348,136
Special Education	25,389,715	28,556,739	27,385,339	1,171,400
Vocational Instruction	6,835,926	7,281,216	7,184,605	96,611
Compensatory Education	14,643,285	17,252,622	16,665,093	587,529
Other Instructional Programs	4,560,157	6,759,768	1,212,921	5,546,847
Community Services	1,382,601	1,494,476	1,167,512	326,964
Support Services	22,023,795	23,350,233	23,462,431	(112,198)
Child Nutrition Services	7,746,702	7,469,621	6,646,862	822,759
Pupil Transportation Services	7,593,855	7,909,906	7,801,675	108,231
CAPITAL OUTLAY				
Equipment	602,444	952,438	627,726	324,712
TOTAL EXPENDITURES	**209,728,203**	**225,849,874**	**215,628,884**	**10,220,990**
Excess of Revenues Over (Under) Expenditures	**(7,552,446)**	**(5,047,727)**	**4,808,498**	**9,856,225**
OTHER FINANCING SOURCES (USES)				
Sale of Equipment	-	-	56,775	56,775
Total Other Financing Sources (Uses)	**-**	**-**	**56,775**	**56,775**
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Uses	**(7,552,446)**	**(5,047,727)**	**4,865,273**	**9,913,000**
FUND BALANCE-September 1	14,000,000	14,000,000	16,338,938	2,338,938
FUND BALANCE -August 31	**$ 6,447,554**	**$ 8,952,273**	**$ 21,204,211**	**$ 12,251,938**

* Prepared on the GAAP Budgetary Basis of Accounting

REQUIRED SUPPLEMENTARY INFORMATION
AUBURN SCHOOL DISTRICT NO. 408
BUDGETARY COMPARISON SCHEDULE*
SPECIAL REVENUE FUND (ASSOCIATED STUDENT BODY FUND)
FOR THE FISCAL YEAR ENDED AUGUST 31, 2018

	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL	AMOUNT	VARIANCE
REVENUES				
General	$ 1,893,352	$ 1,893,352	$ 662,787	$ (1,230,565)
Athletics	$ 286,300	286,300	213,132	(73,168)
Classes	$ 261,165	261,165	121,096	(140,069)
Clubs	$ 2,262,104	2,262,104	1,332,573	(929,531)
Private Monies	$ 139,250	139,250	41,906	(97,344)
Total Revenues	**4,842,171**	**4,842,171**	**2,371,495**	**(2,470,676)**
EXPENDITURES				
General	1,415,412	1,415,412	509,459	905,953
Athletics	439,220	439,220	242,626	196,594
Classes	306,905	306,905	107,429	199,476
Clubs	2,470,317	2,470,317	1,359,023	1,111,294
Private Monies	149,071	149,071	57,308	91,764
Total Expenditures	**4,780,925**	**4,780,925**	**2,275,844**	**2,505,081**
Excess of Revenues Over (Under) Expenditures	**61,246**	**61,246**	**95,651**	**34,405**
FUND BALANCE - September 1	**1,161,542**	**1,161,542**	**1,570,075**	**408,533**
FUND BALANCE - August 31	**$ 1,222,788**	**$ 1,222,788**	**$ 1,665,726**	**$ 442,938**

*Prepared on the GAAP Budgetary Basis of Accounting.

Schedule A-3

REQUIRED SUPPLEMENTARY INFORMATION

AUBURN SCHOOL DISTRICT NO. 408

ACTUARIAL VALUATION OF POST EMPLOYMENT BENEFITS

OTHER THAN PENSION

SCHEDULE OF CHANGE IN NET OPEB LIABILITY

		2018
Total OPEB Liability - Beginning of Year	$	37,547,954
Service Costs		1,876,702
Interest		1,752,186
Changes of Benefit Terms		-
Difference between Expencted and Actual Experience		484,043
Changes of Assumptions		3,410,735
Benefit Payments		(1,458,434)
Net Change in Total OPEB Liability		6,065,232
Total OPEB Liability - End of Year	$	43,613,186
Covered Employee Payroll		111,674,533
Total OPEB Liablity as a Percentage of the Covered Employee Payroll		39.05%

*There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, so the Net Fiduciary Position is $0 and the Net OPEB Liability would be equal to the Total OPEB Liability.

**This schedule is to be built prospectively until it contains 10 years of data.

REQUIRED SUPPLEMENTARY INFORMATION

AUBURN SCHOOL DISTRICT NO. 408

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

AS OF JUNE 30, 2018

LAST 10 FISCAL YEARS*

	2018	2017	2016	2015
Plan: PERS 1				
District's Proportion of the net pension liability (percentage)	0.252266%	0.249462%	0.243299%	0.235030%
District's proportionate share of the net pension liability (amount)	11,266,298	11,837,143	13,066,316	12,294,252
District's covered-employee payroll	33,395,807	31,117,271	29,293,377	26,627,617
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	33.74%	38.04%	44.61%	46.17%
Plan fiduciary net position as a percentage of the total pension liability	63.22%	61.24%	57.03%	59.10%
Plan: SERS 2/3				
District's Proportion of the net pension liability (percentage)	1.513636%	1.510411%	1.565491%	1.527114%
District's proportionate share of the net pension liability (amount)	4,526,709	7,453,500	10,281,628	6,202,389
District's covered-employee payroll	33,114,142	30,856,255	28,969,671	26,284,813
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	13.67%	24.16%	35.49%	23.60%
Plan fiduciary net position as a percentage of the total pension liability	94.77%	90.79%	86.52%	90.92%
Plan: TRS 1				
District's Proportion of the net pension liability (percentage)	1.625845%	1.601673%	1.623871%	1.563259%
District's proportionate share of the net pension liability (amount)	47,484,306	48,422,876	55,442,817	49,526,279
District's covered-employee payroll	95,441,919	88,949,650	81,961,169	75,062,155
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	49.75%	54.44%	67.65%	65.98%
Plan fiduciary net position as a percentage of the total pension liability	66.52%	65.58%	62.07%	65.70%
Plan: TRS 2/3				
District's Proportion of the net pension liability (percentage)	1.628735%	1.605022%	1.622560%	1.567497%
District's proportionate share of the net pension liability (amount)	7,331,162	14,813,440	22,282,564	13,226,568
District's covered-employee payroll	94,733,298	88,002,945	80,831,106	73,340,017
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	7.74%	16.83%	27.57%	18.03%
Plan fiduciary net position as a percentage of the total pension liability	96.88%	93.14%	88.72%	92.48%

*This schedule is to be built prospectively until it contains 10 years of data.

REQUIRED SUPPLEMENTARY INFORMATION
AUBURN SCHOOL DISTRICT NO. 408
SCHEDULE OF DISTRICT CONTRIBUTIONS
AS OF AUGUST 31, 2018
LAST 10 FISCAL YEARS*

	2018	2017	2016	2015
Plan: PERS 1				
Contractually required contribution	$ 1,686,207	$ 1,500,575	$ 1,379,743	$ 1,080,193
Contributions in relation to the contractually required contributions	$ 1,686,207	$ 1,500,575	$ 1,379,743	$ 1,080,193
Contribution deficiency (excess)	-	-	-	-
District's covered-employee payroll	$ 33,726,589	$ 31,429,235	$ 29,688,039	$ 27,045,866
Contribution as a percentage of covered-employee payroll	5.00%	4.77%	4.65%	3.99%
Plan: SERS 2/3				
Contractually required contribution	$ 2,647,962	$ 2,045,807	$ 1,872,865	$ 1,484,686
Contributions in relation to the contractually required contributions	$ 2,647,962	$ 2,045,807	$ 1,872,865	$ 1,484,686
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 33,435,467	$ 31,171,337	$ 29,372,449	$ 26,710,560
Contribution as a percentage of covered-employee payroll	7.92%	6.56%	6.38%	5.56%
Plan: TRS 1				
Contractually required contribution	$ 6,761,779	$ 5,604,834	$ 4,935,204	$ 3,498,213
Contributions in relation to the contractually required contributions	$ 6,761,779	$ 5,604,834	$ 4,935,204	$ 3,498,213
Contribution deficiency (excess)	-	-	-	-
District's covered-employee payroll	$ 96,706,447	$ 89,873,171	$ 83,219,448	$ 76,034,791
Contribution as a percentage of covered-employee payroll	6.99%	6.24%	5.93%	4.60%
Plan: TRS 2/3				
Contractually required contribution	$ 7,241,036	$ 5,913,706	$ 5,296,086	$ 4,165,580
Contributions in relation to the contractually required contributions	$ 7,241,036	$ 5,913,706	$ 5,296,086	$ 4,165,580
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 96,042,036	$ 88,963,252	$ 82,150,225	$ 74,410,975
Contribution as a percentage of covered-employee payroll	7.54%	6.65%	6.45%	5.60%

*This schedule is to be built prospectively until it contains 10 years of data.

AUBURN SCHOOL DISTRICT NO. 408
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ending August 31, 2018

1	2	3	4	5	6	7	8	9	10
					Expenditures				
Federal Agency Name	Pass Through Agency	Federal Program Title	CFDA Number	Other Identification Number/Award Number	From Direct Awards	From Pass Through Awards	Total	Passed Through to Subrecipients	Foot note
U.S. Dept. of		*Child Nutrition Cluster:*							
Agriculture	WA OSPI	School Breakfast Program	10.553		$	1,339,211	1,339,211	No	
	WA OSPI	National School Lunch Program	10.555			4,372,908	4,372,908	No	3
	WA OSPI	Summer Food Service Program for Children	10.559			173,807	173,807	No	
		Forest Service Schools and Roads Cluster:							
	WA OSPI	Schools and Roads - Grants to States	10.665			6,162	6,162	No	
		Non-Clustered:							
	WA OSPI	Fresh Fruit and Vegetable Program	10.582			21,644	21,644	No	
		Subtotal U.S. Department of Agriculture			**$**	**5,913,733**	**5,913,733**		
U.S. Dept of		*Non-Clustered:*							
Defense		JROTC Program	12.999		72,246	-	72,246	No	
		Subtotal U.S. Department of Defense			**72,246**	**-**	**72,246**		
U.S. Dept. of		*Special Education Cluster (IDEA):*							
Education	WA OSPI	Special Education Grants to States	84.027	306214 (2400)		2,716,681	2,716,681	No	5
	WA OSPI	Special Education Grants to States	84.027	338005 (2402)		438,947	438,947	No	5
		Total CFDA 84.027					3,155,628		
	WA OSPI	Special Education - Preschool Grants	84.173	365707 (2480)		50,323	50,323	No	5
		Total CFDA 84.027					50,323		
		Non-Clustered							
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	202734	$	3,599,644	3,599,644	No	4,5
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	269002 (5188/203)		131,934	131,934	No	5
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	263202 (5188/202)		19,968	19,968	No	5
		Subtotal CFDA 84.010:					3,751,546		
	WA OSPI	Career & Technical Education - Basic Grants to States	84.048	174003 (3860)		109,826	109,826	No	5
		Indian Education - Grants to Local Educational Agencies	84.060	S060A0	28,651		28,651	No	5
	Puget Sound Educational Service District	Vocational Rehabilitation State Grants	84.126	6904		23,610	23,610	No	
	WA OSPI	English Language Acquisition State Grants	84.365	402558 (6400)		452,316	452,316	No	5
	WA OSPI	English Language Acquisition State Grants	84.365	410547 (6436)		15,373	15,373	No	5
		Subtotal CFDA 84.365:					467,689		
	WA OSPI	Supporting Effective Instruction State Grants	84.367	524392 (5237)		527,721	527,721	No	5
	WA OSPI	Student Support and Academic Enrichment Program	84.424	430117 (5205)		61,121	61,121	No	5
		Subtotal U.S. Department of Education			**28,651**	**8,147,462**	**8,176,113**		
U.S. Dept. of		*Medicaid Cluster:*							
Human	WA HCA	Medical Assistance Program	93.778			229,913	229,913	No	
Health and									
Services		*Non-Clustered*							
	SOWA	Refugee and Entrant Assistance Targeted Assistance Grants	93.566	5859		30,000	30,000	No	
	Puget Sound Educational Service District	Head Start	93.600	6100 - E, 6361 - R		598,046	598,046	No	2
	King County	Block Grants for Prevention and Treatment of Substance Abuse	93.959	6905		136,023	136,023	No	
		Subtotal U.S. Dept of Health and Human Services			**-**	**993,983**	**993,983**		
TOTAL FEDERAL AWARDS EXPENDED					**100,897**	**15,055,178**	**15,156,074**		

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

AUBURN SCHOOL DISTRICT No. 408
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ending August 31, 2018

NOTE 1 – BASIS OF ACCOUNTING

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

NOTE 2 - PROGRAM COSTS/MATCHING CONTRIBUTIONS

The amounts shown as curmet year expenses represent only the federal grant portion of the program costs. Entire program costs, including local matching share, may be more than shown.

NOTE 3 - NONCASH AWARDS

The amount of commodities reported on the schedule is the value of commodities distributed by the district during the current year and priced as prescribed by OSPI.

NOTE 4 - SCHOOLWIDE PROGRAMS

The district operates a "schoolwide program" in four elementary buildings, four middle schools, and four high schools (twelve buildings total). Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to certain targeted students.
The following federal program amount was expended by the district in its schoolwide program: Title I (84.010A) $3,599.643.75

NOTE 5 - FEDERAL INDIRECT RATE

The district claimed indirect costs under this grant using its federal restricted rate of 2.44%.
The district has not elected to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

Auburn School District No. 408
September 1, 2017 through August 31, 2018

This schedule presents the corrective action planned by the District for findings reported in this report 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).

Finding ref number: 2018-001	**Finding caption:** The District did not have adequate internal controls to ensure compliance with eligibility requirements when allocating funds to Title I schools.
Name, address, and telephone of District contact person: Troy Dammel, Executive Director of Business Services 253-931-4926	
Corrective action the auditee plans to take in response to the finding: 1. *Consolidated programs professional technical assistant will be trained on compliance associated with FP 201 and FP validation and review processes. This work will be specific but not limited to: 125% rule, Rank Order, and funding re-allocation.* 2. *Director of Student Learning will complete FP 201.* 3. *Professional technical assistant will review for compliance.* 4. *Once review is completed by professional technical assistant a final review will be performed by the Assistant Superintendent of Student Learning before submitting to OSPI staff.* 5. *FP will be submitted to OSPI for final compliance checks.*	
Anticipated date to complete the corrective action: 9.30.19 or in compliance with OSPI due dates for FP 201.	

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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Contact information for the State Auditor's Office	
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Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov